PRINCE EDWARD ISLAND

2004 MARKETING PLAN

Prince Edward Island
TOURISM

TMA
PRINCE EDWARD ISLAND
TOURISM MARKETING AUTHORITY

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1. Summary of Results

1.1 Summary

2002 saw an increase in both parties (2%) and revenue (8%), but a decrease in visitors (3%) due to decreasing party size. However, per party expenditure has continued to increase to an all time high of $914. From an advertising point of view, 2002 and 2003 saw tremendous increases in Web Site traffic and e-mail requests, generated by an increased amount of web-based advertising.

2002 was a recovery year after the losses experienced post-September 11, 2001. The most significant component of this year was the securing of significant increases in media budgets, through various funding programs. The result was the single largest promotional effort in PEI's marketing history. These increases allowed PEI to keep pace with other tourism organizations who also significantly increased their spending. This program was repeated in 2003, but at a slightly lower spending level.

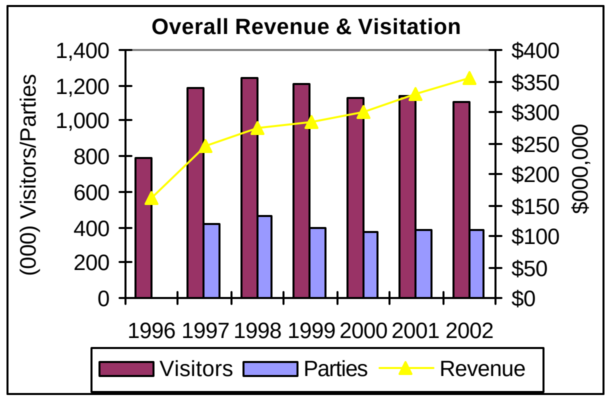
1.2 Revenue &Visitation

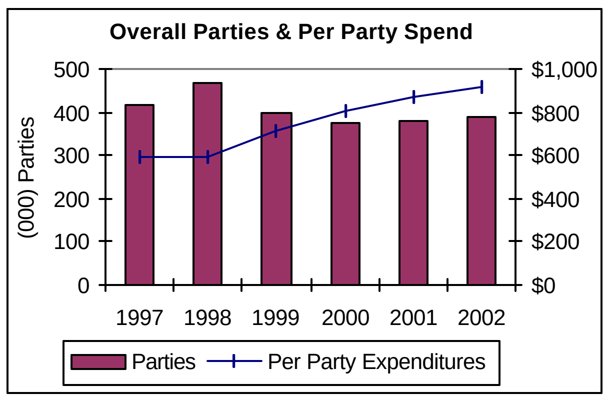
Overall revenue has continued to increase since 1996. Tourism revenue showed an increase of 8%, from $329M in 2001 to $354M in 2002.

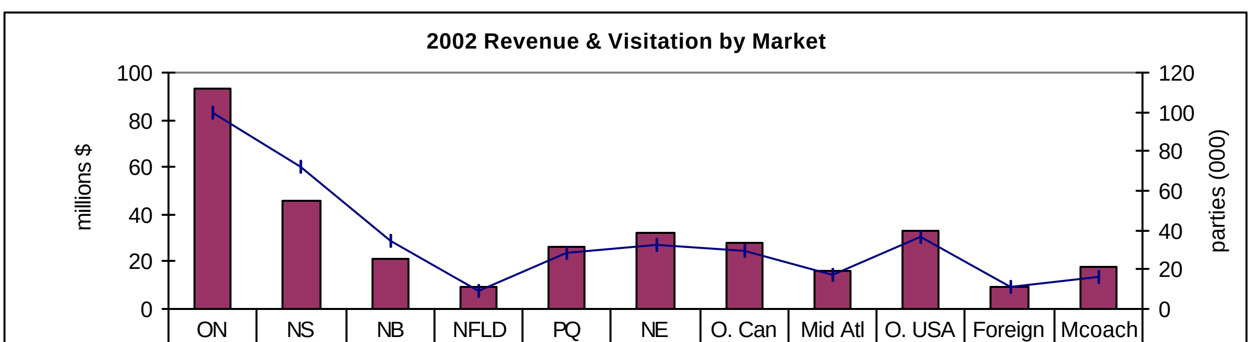
While the number of visitors is on a declining trend (due to decreasing party size), the number of parties continued to increase (from 380K in 2001 to 387K in 2002).

Revenue growth over the last five years has been led by increases in per party expenditure, rising from $591 in 1997 to $914 in 2002 (up from $866 in 2001).

In 2002, Ontario accounted for the largest number of visiting parties (99.7K) and revenue ($92.9M). Nova Scotia was a close second in parties (71.9K), but a distant second with revenue ($46M).

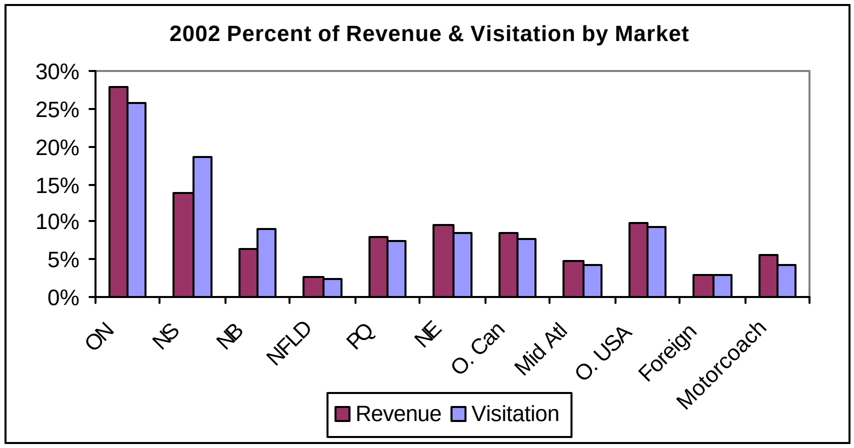






	ON	NS	NB	NFLD	PQ	NE	O. Can	Mid Atl	O. USA	Foreign	Mcoach
Revenue	92.9	46	21.5	9.1	26.6	32.2	28	15.8	32.9	9.6	18.2
Parties	99.7	71.7	34.8	8.8	28.4	32.9	29.9	16.8	36.5	11.6	16.3

Ontario, Newfoundland, New England, Other Canada, Mid-Atlantic, Other USA and Motorcoach all contribute more towards revenue than towards visititation – making them attractive from a revenue perspective. Nova Scotia, New Brunswick and Quebec all contribute more towards visitation – meaning per party expenditures are lower out of these markets.



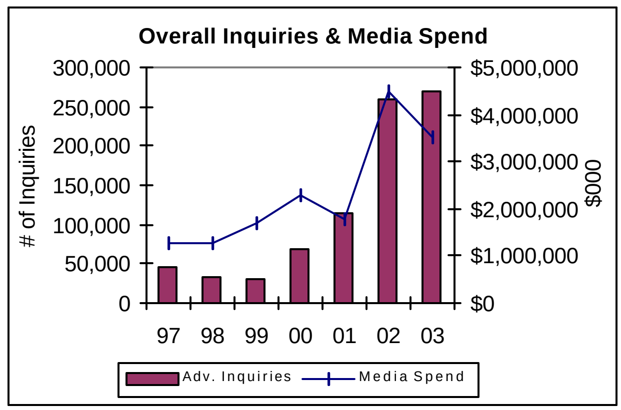
1.3 Media, Inquiries, Conversion & ROI

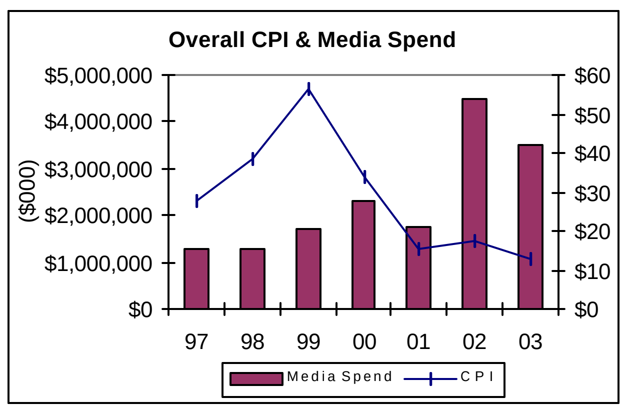
Note: 2003 inquiries are to August 4 only.

Since 1997, the media buy has been relatively stable, between $1.2M-$1.7M. The exceptions were 2000, 2002 and 2003. The increase to $2.3M in 2000 is attributed to $700K in ACTP spending.

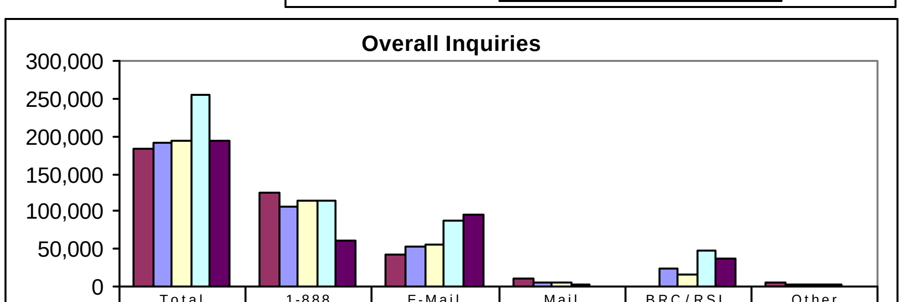
2002 experienced the highest budget increase in Tourism PEI marketing history, with a media buy of $4.5M. This spend had a number of funding sources. Approximately $700K was from the ACTP program and $900K from a one-time Tourism Atlantic program entitled Tourism Atlantic Marketing Initiative (TAMI).

$2.4M of this incremental budget came from the US Expansion program. This marketing initiative in the New England area was funded by the Canadian Tourism Commission, Tourism PEI, ACOA, the Hotel Association of PEI and various industry members. This program was repeated in 2003 as part of a three-year plan.

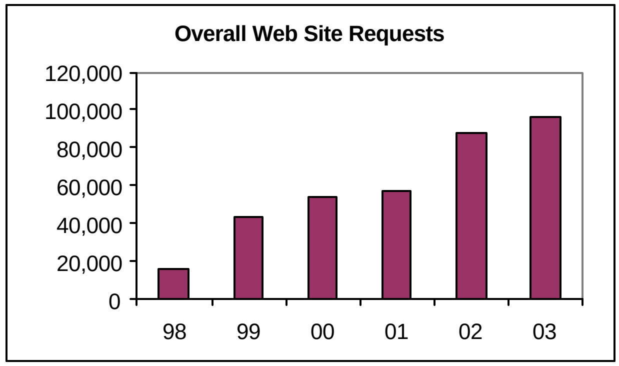


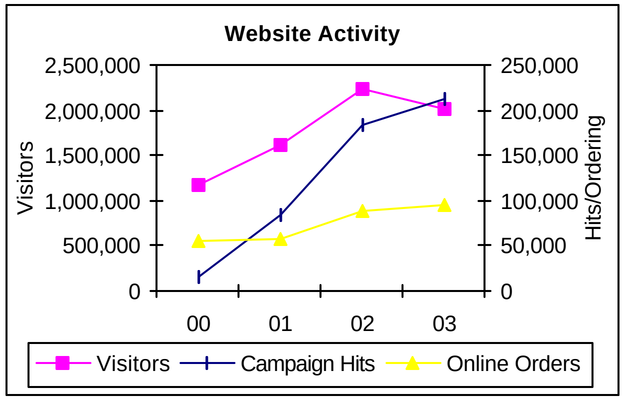


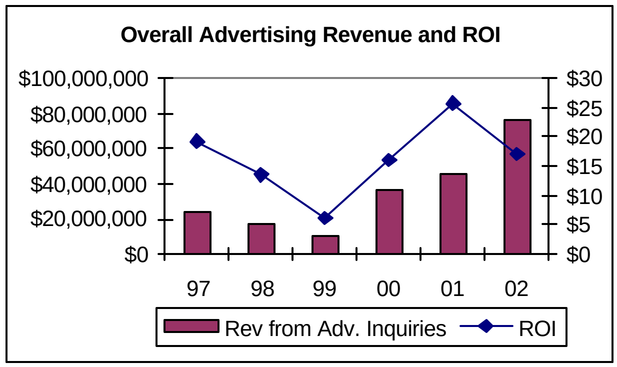
As of August 4, 2003, there have been 194,558 inquiries from the various media sources, not including web hits from those who did not order a visitors guide. The trend of decreasing calls to the 1-888# seems to be continuing, while



	Total	1-888	E-Mail	Mail	BRC/RSL	Other
99	183,648	124,843	43,439	10,034		5,332
00	190,997	105,449	54,377	5,004	23,779	2,388
01	193,635	114,409	56,926	4,198	16,038	2,064
02	254,252	115,432	87,510	2,179	46,747	2,384
03	194,558	60,193	95,903	878	37,222	362







web site order form as a means of requesting a printed guidebook has grown substantially. As of August 4th, 95,903 web site literature requests had been received.

This growth in web inquiries has also contributed to a lowering of the cost per inquiry since 1999. The CPI for 2003 has decreased from $17 to $13.

While many online traffic is not specifically trackable (ie they do not order a printed guidebook and therefore their name/address is not recorded for conversion purposes), the average web visitor spends eight (8) minutes on the site and averages six (6) page views per visit, meaning that they are doing some form of research. Campaign web activity and hits continue to rise, from 182,720 in 2002 to 211,588 by August 4, 2003. Details of specific programs that have led to these increases are itemized in the regional sections.

When looking at the chart on Overall Advertising Revenue and ROI, keep in mind that there were issues with the 1999 Conversion Study and that in 2001, conversion was only calculated for the New England market. In order to calculate approximate Revenue and ROI figures, a conversion rate of 50% was utilized for both these years (conversion in the other year varied between 74% - 80%). Using these approximations, ROI has varied between 6:1 to 26:1.

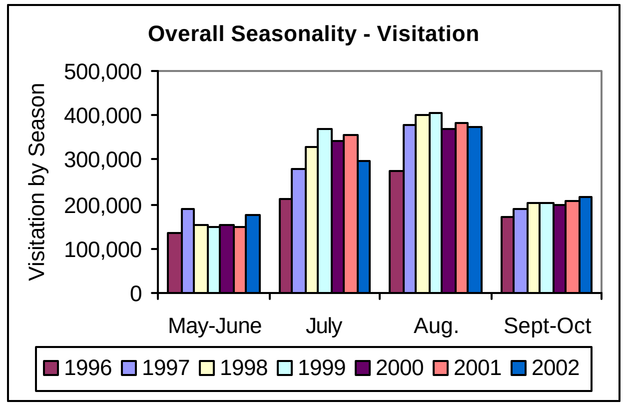
In 2002, conversion was calculated solely on advertising inquiries. This was the first time that the study was done only on this type of inquiries and as a result, the rate fell to 32%. This is not surprising since previous rates included inquiries from people already planning to visit. This conversion rate, however, resulted in advertising generated revenues of $76.5 million and an ROI of $17.

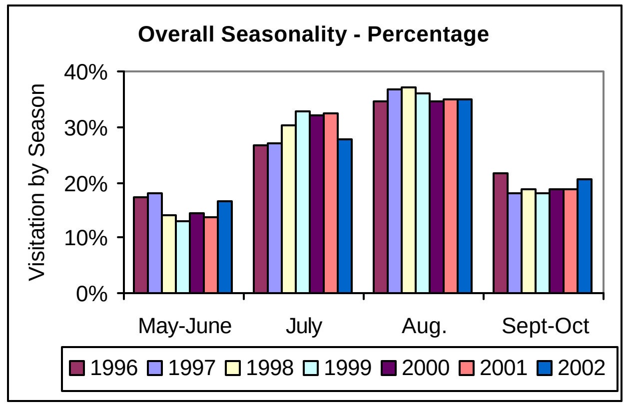
1.4 Seasonality

July and August remain the peak months – between 350K - 400K visitors in each month – and together account for approximately 60% of total visitation.

Fall has seen gradual growth in terms of numbers since the opening of the Bridge, while spring has been up and down, depending on the weather.

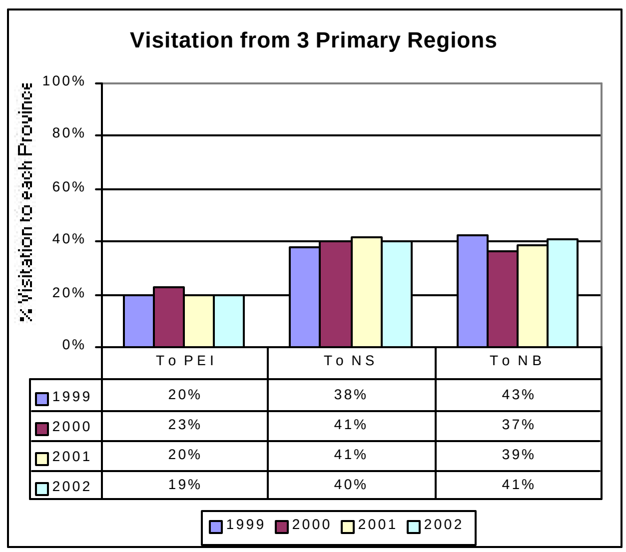
July 2002 was cold and this would have contributed to the decrease in July visitation.





1.5 Competitive Market Share

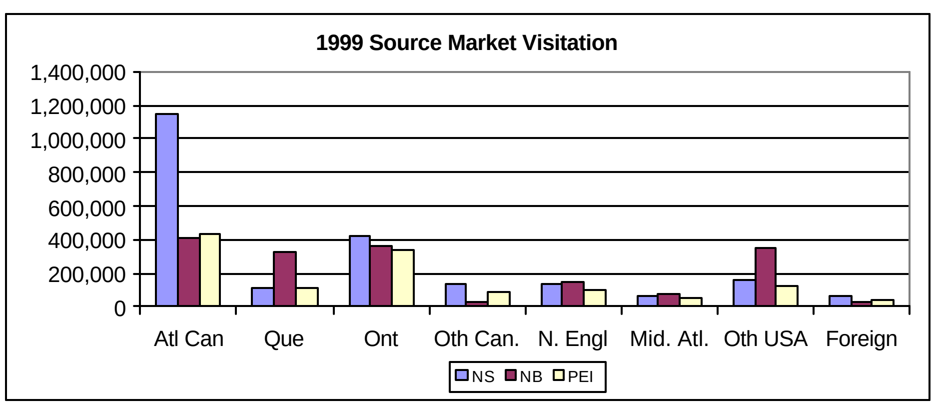
Prince Edward Island, Nova Scotia and New Brunswick all target - to some extent - the same four regions – Ontario, Quebec, Atlantic and New England. Based on information from the 2002 *Canadian Travel Survey* of weighted visitation data of Canadian travellers, PEI received 19% of visitation to the Maritimes (from ON, QC, NS, NB and NFLD). Nova Scotia received 40% and NB 41%. These percentages do not include travel within ones own province. New Brunswick rebounded in 2002, primarily due to a large increase in Quebec visitation (from 242K to 436K).



	To PEI	To NS	To NB
1999	20%	38%	43%
2000	23%	41%	37%
2001	20%	41%	39%
2002	19%	40%	41%

In looking at broader target groups, the majority of visitors to Nova Scotia in 1999 were from Atlantic Canada. Quebec contributes significantly more to New Brunswick than to the rest of the Maritimes.

Figures from NS and NB have not been available since 1999.



1.6 Internal Market Share

Over the last five years, some regions have experienced significant growth, while others have lost both market share and visitors.

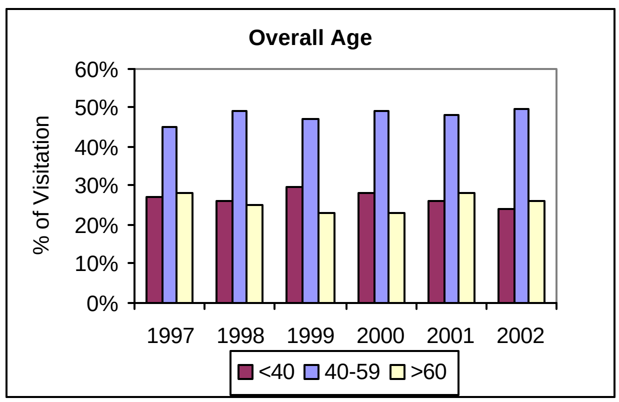
The eastern end of the Island has seen the most significant increase. Southern and Eastern Kings have seen increases in visitation. At the other end of the spectrum, New London, Evangeline, Summerside, West Prince and the South Shore all have seen large decreases.

Generally, it appears as though the product development (golf, accommodations) on the eastern side of the province has paid off with an increased volume of visitors. New Product seems to be an indicator of increased visitations.

	MARKETSHARE		
	1997	2001	2002
Beaches	5.4%	7.3%	5%
Cavendish	26.1%	26.0%	27%
Charlottetown	31.5%	30.8%	31%
Evangeline	2.2%	0.9%	1%
Kensington	3.3%	4.5%	4%
New London	2.2%	0.4%	1%
South Shore	4.4%	3.8%	4%
Summerside	12%	8.5%	8%
West Prince	5.4%	4.3%	3%
South Kings	4.4%	8.0%	6%
East Kings	3.3%	5.5%	6%
TOTAL PEI	**100.2%**	**100.0%**	**96.0%**

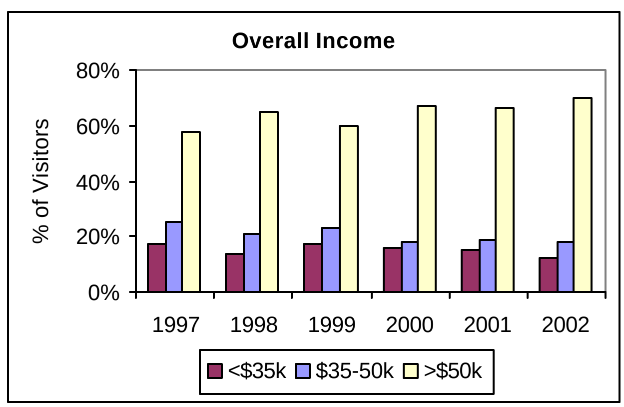
1.7 Consumer Information

From an overall perspective, the age of visitors to PEI has remained relatively constant. In 2002, 24% of visitors were under the age of 40, 50% were 40-59 and 26% were over 60 years of age.



While this provides a general overview, there are considerable differences depending on region of origin. When marketing plans are developed, these regional differences must be taken into account (see individual regional sections for details).

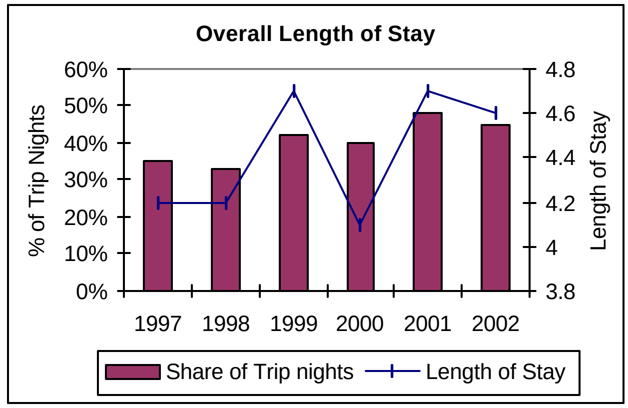
Generally speaking, the income level of overall visitors to PEI continues to rise. In 2002, 70% of visitors had income over $50K.



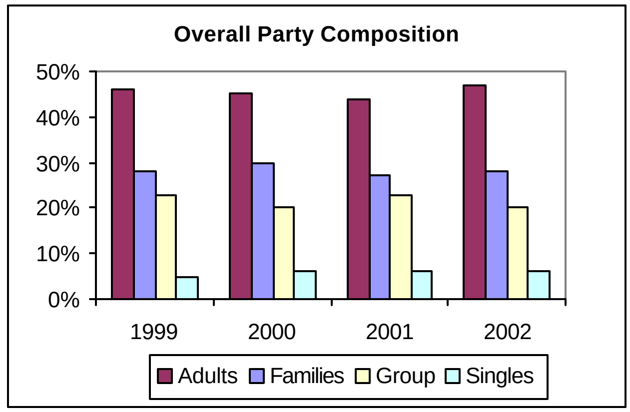
The “middle income” grouping seems to be trending downwards. In 1997, 25% of visitors were in the $35-50K range, but in 2002, this percentage fell to 18%. This could be the result of the increases in visitation from markets like Ontario, where income levels are higher than in traditional Maritime markets.

In 2002 data is available on more income breaks ($50k-$75k, $75k-$100k and over $100k) to allow analysis on where growth is actually coming from (middle or upper income) and is utilized in the regional sections.

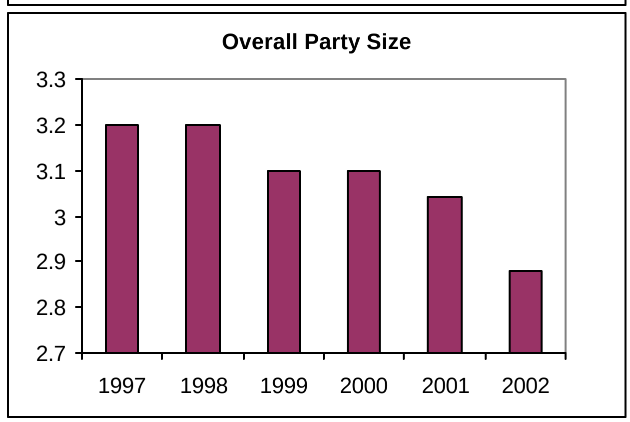
Over the last five years, Prince Edward Island has seen a growth in its share of trip nights – from 35% in 1997 to 44% in 2002 – meaning that the average visitor now spends almost half of their overall vacation time on PEI. This corresponds to the gradual increase in length of stay from 4.1 – 4.7 nights. But again, this differs significantly by region.



Party composition has remained constant since 1999. In 2002, 47% of visitors were adult couples, 28% were travelling as a family, 20% were part of a group and 6% were singles.



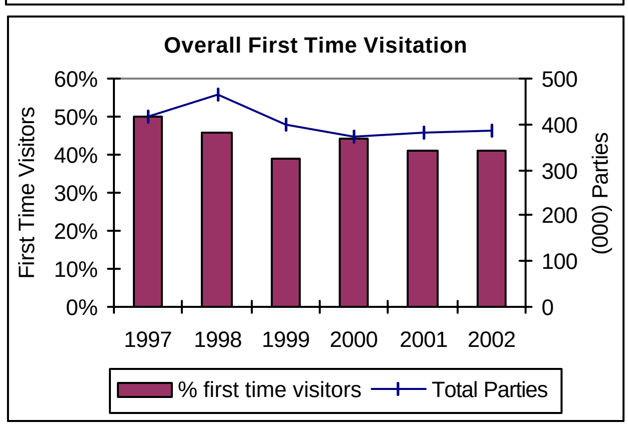
Party size has decreased from 3.2 in 1997 to 2.9 in 2002. The aging population, smaller family size, and the appeal of Prince Edward Island to the "couples" markets of New England and Ontario are affecting party size. This is having a significant effect on the number of visitors, even as the number of parties continues to increase.



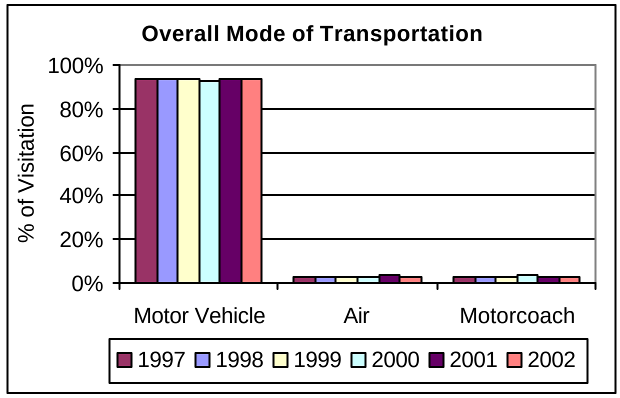
In overall visitation, the percentage of first-time visitors is decreasing, from a high of 50% in 1997 (the year of the Bridge) down to 41% in 2002.

In both 1998 and 2001 there was an increase in number of parties, but a decrease in first time visitors – repeat visitation therefore led the growth in those years.

In 2000, first-time visitation increased, while overall parties decreased. Therefore the decrease in parties was as a result of fewer repeat parties. In 2002, parties were up and the percentage stayed consistent with 2001.

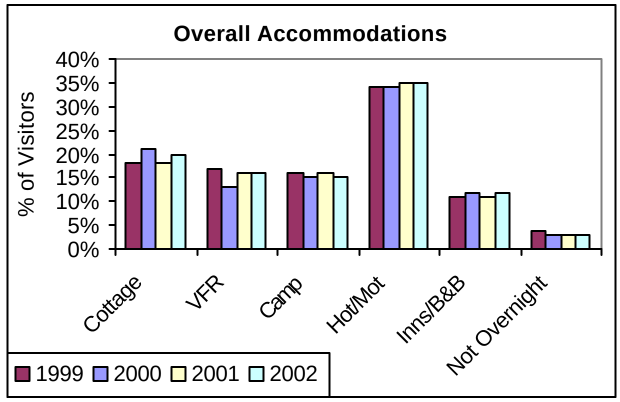


Personal Motor Vehicle continues to be the primary means of travel when visiting PEI, with 94% of travellers choosing to drive. Both air and motorcoach remain around 3%.



From an overall point of view, accommodation preferences have remained constant. In 2002, 20% chose Cottages, 16% VFR, 15% Campgrounds, 35% Hotel/Motel, 12% Inns/B&B and 3% did not overnight.

The differences are more prevalent by region and must be taken into account from a product development and marketing perspective.



1.8 Travel Motives

Over the years, there have been significant changes in how the Travel Motive question is asked. Listed below are the various possible answers since 1996.

Over the years, there has been some consistency in those claiming similar vacation motives (Just to see PEI, Pleasure, Rest/Escape). This percentage has been around 40-50% for the last few years.

	1996	1997	1998	1999	2000	2001	2002
Family Vacation	17%	21%	39%	25%			
Golf						3%	3%
Hist/Culture	21%	18%	17%	8%			
Just to see PEI					13%	**30%**	**40%**
Nature	4%	6%	1%	5%			
Other	23%	21%	16%	21%	15%	18%	14%
Personal						8%	7%
Pleasure					**48%**		
Rest/Escape	17%	17%	16%	13%	2%	**17%**	**12%**
Sightseeing					4%	5%	6%
VFR	18%	17%	12%	15%	18%	**19%**	**18%**

1.9 Activities and Island Product

Soft Outdoor Activities, Sightseeing, Craft Shopping and Beaches are the four top activities of visitors to PEI. Golf has also seen a considerable increase, from 12% in 1997 to 17% in 2002. Soft adventure has risen from 61% in 1998 to 84% in 2002, making it the highest ranked activity.

Most activities have remained constant over the last five years, with the exception of Festival/Events, which has risen from 13% in 1997 to 22% in 2002.

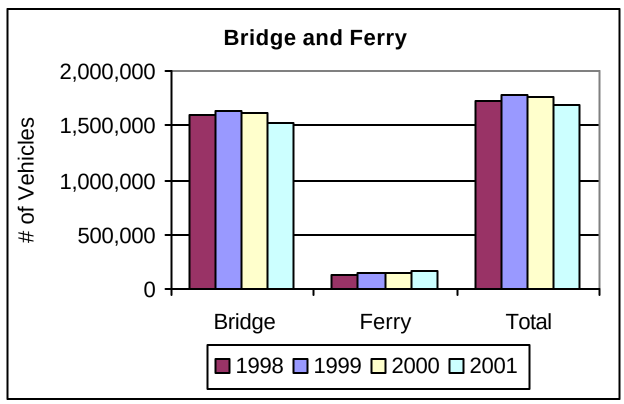
	1997	1998	1999	2000	2001	2002
Sightseeing	88%	93%	81%	79%	**77%**	**81%**
Craft Shopping	77%	85%	73%	75%	**70%**	**69%**
Beaches	69%	74%	72%	71%	**69%**	**71%**
History/Culture	46%	47%	44%	40%	42%	41%
General Shopping	44%	52%	53%	56%	52%	55%
National Parks	43%	69%	52%	50%	52%	55%
Anne	47%	50%	43%	39%	40%	41%
Lobster Suppers	46%	48%	45%	42%	45%	45%
Acadian Culture	28%	20%	29%	22%	29%	26%
Theme Parks	19%	26%	24%	23%	20%	19%
Camping	20%	20%	19%	18%	19%	19%
Golf	12%	12%	13%	17%	**17%**	**17%**
Theatre	15%	13%	18%	18%	18%	16%
Festivals/Events	13%	17%	24%	29%	24%	22%
Soft Outdoor		61%	85%	84%	**86%**	**84%**

1.10 Transportation Challenges

Bridge and Ferry

After the initial decrease in ferry traffic experienced in 1997/98, this mode of transportation has rebounded, increasing to over 158,000 vehicles in 2001.

While overall bridge traffic decreased in 2001, summer traffic (July/Aug) increased from 466,000 to 484,005 during this period.



Air Travel

PEI benefited from a three-year agreement with Royal Airlines in the late '90s, but the consolidation of the Canadian airline industry has had significant effects on air travel to PEI. Royal and Canadian no longer exist and Air Canada flights have been reduced in Atlantic Canada. In addition, the after-effects of Sept 11 have led to further reductions in air travel and service to the region as a whole.

In terms of potential target markets to increase air traffic, current patterns indicate that Ontario, Other Canada and Other USA are PEI's strongest air markets:

- In 2002, Ontario accounted for 39% of the air traffic to Charlottetown, indexing at 1.47 to the Ontario share of parties.
- Other Canada accounted for 18%, indexing at 2.17.
- Mid-Atlantic indexed at 1.17, but only accounted for 5% of parties.
- Other US accounted for 18%, indexing at 1.81.
- Other Canada and Other USA both have a strong propensity for fly/drive vacations:

2002	Visitation			
	(000)	% of Pl. Parties	% Air Parties	Index
Atl Canada	115	31%	2%	0.06
Quebec	28	8%	4%	0.47
Ontario	100	27%	39%	1.47
Other Canada	30	8%	18%	2.17
New England	33	9%	5%	0.55
Mid Atlantic	17	5%	5%	1.17
Other USA	37	10%	18%	1.81
International	12	3%	7%	2.11
TOTAL	**371**	**100%**	**97%**	

- 78% of Other Canadians are on a fly/drive vacation, with 68% flying into Halifax
- 51% of Other USA were on a fly/drive vacation, with 45% flying into Halifax and 53% flying into "Other" airports.

One of the primary challenges facing air traffic is that price is not necessarily the prohibiting factor:

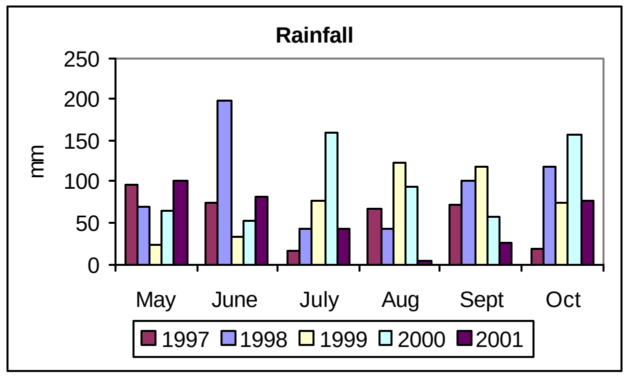
- In 2000, 51% of travellers claimed that they prefer to drive
- In 1998, 97-98% of travellers were not swayed by cheaper flights

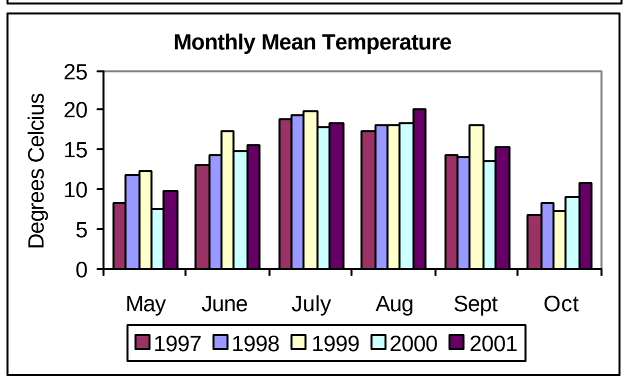
2000-2001	Total	Atl Cda	Que	Ont	Oth Cda	N Eng	Mid Atl	Oth USA	Int'l
% on a Fly/Drive Vacation:	17.2	3.2	5.3	14.9	78	3.8	19.8	50.5	100
We flew into:									
Halifax	59%	89%	50%	53%	68%	83%	86%	45%	55%
Moncton	11%	0%	0%	42%	16%	0%	0%	1%	2%
Other	29%	11%	50%	6%	17%	17%	14%	53%	43%
Why Didn't You Fly to PEI:									
Preferred to Drive	51%	73%	39%	44%	17%	50%	41%	28%	7%
Too Expensive	9%	9%	13%	9%	7%	11%	8%	6%	0%
No Particular Reason	40%	18%	49%	47%	76%	40%	51%	66%	93%

1.11 Weather

Weather tends to increase or decrease visitation from neighbouring provinces more so than visitors from long-haul markets. It does, however, affect length of stay of those visitors.

In 2002, while most of the country saw higher than average temperatures, most of the Maritimes were near normal. In terms of precipitation, NS and NB were below normal and PEI was normal.





2. Maritime Results & Learning

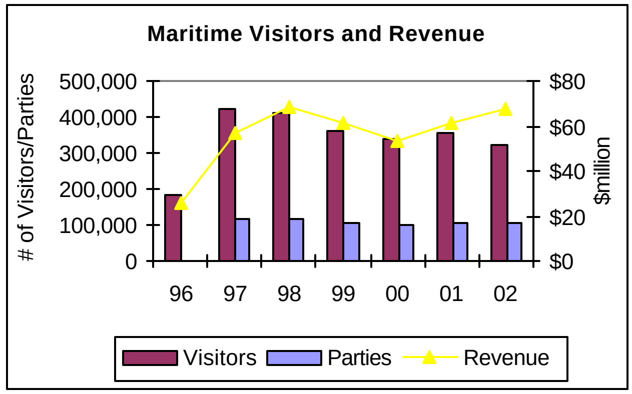
2.1 Summary

After a few years of declining visitation, 2002 saw an increased number of Maritime parties visiting PEI. Per party expenditure also rose, leading to an increase in revenue of almost 15%. A poor Spring led to decreases in early season visitation – from 20% in 2001 to 17% in 2002.

The key challenge in this market is to compete with the constant advertising messages and increasing product of Nova Scotia and New Brunswick, and to provide a reminder all season long to the Maritime market.

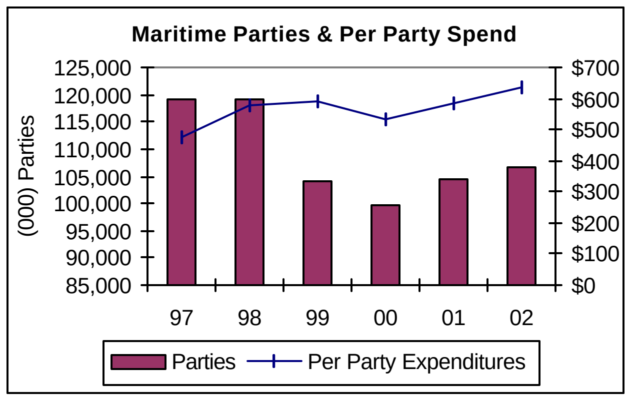
2.2 Revenue &Visitation

After decreasing from 1998 to 2000, Maritime revenue and parties increased in 2001 and 2002. Revenue increased from $61M in 2001 to $68M in 2002. Parties moved from 104.6K to 106.5K in 2002. The number of visitors, however, decreased from 356K to 325K.



Nova Scotia contributes significantly more to both visitation (215K visitors) and revenue ($46M) than does New Brunswick (109K visitors, $21.5M revenue).

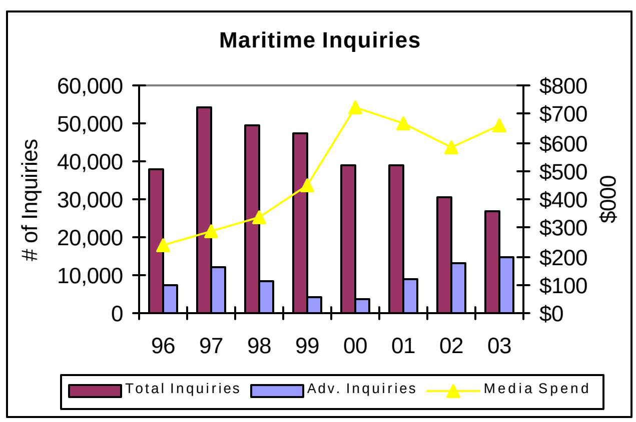
Generally, Per Party Expenditure has increased over the last six years with a dip in 2000. Per Party Expenditure increased to $633 in 2002 from $586 in 2001. Part of this growth was due to price increases over the last few years, particularly in accommodations. As these prices continue to rise, there is a danger of pricing PEI out the Maritime market.



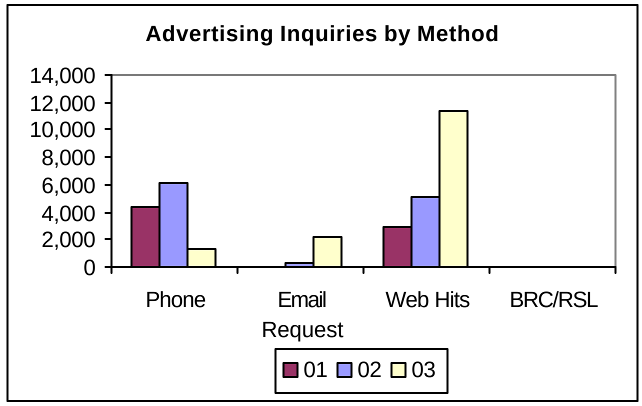
2.3 Media, Inquiries, Conversion & ROI

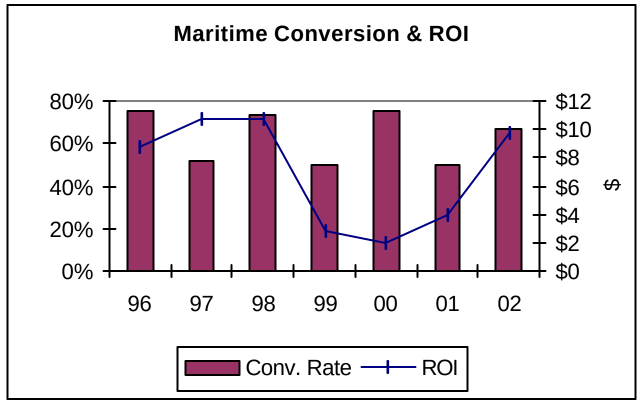
Note: 2003 inquiries to August 4 only.

In 1996, $238K was spent on media in the Maritimes; 2003 saw spending increase to $662K.



While the media spend in the Maritimes has increased substantially over the last six years, the vast majority was spent on programs designed to drive response directly to tourism operators (co-op TV and Radio program, Spring and Fall DM pieces, Fall co-op Newspaper). As a result, the majority of inquiries are not directly attributable to the media buy.





Of note, however, is that after a period of decline, advertising-related inquiries were up substantially in 2001, 2002 and 2003. Of particular note in 2002 was the response to the Brand TV spot – generating 2,211 inquiries. In 2003, online advertising was the strongest medium, driving over 10,000 hits. 2003 experienced a significant increase in e-mail requests and web hits.

When looking at the charts on Conversion and ROI, keep in mind that there were issues with the 1999 Conversion Study and that in 2001, conversion was only done for the New England market. In order to calculate approximate Revenue and ROI figures, a conversion rate of 50% was utilized for both these years (conversion in the other year varied between 52% - 75%). Using these approximations, ROI has varied between 2:1 to 11:1.

In 2002, conversion was calculated solely on advertising inquiries. This was the first time that the study was done only on this type of inquiries. In the Maritimes this resulted in a higher rate, as most advertising inquiries are related to a retail campaign. The conversion rate of 67% resulted in advertising generated revenues of $5.7 million and an ROI of $10.

2.4 External Factors Impacting Results

Note: *These travel statistics from Canadian Travel Survey contradict information from the PEI Economic Impact study, however they provide a comparison among the four Atlantic Canadian Provinces based on one methodology. It is for this relative comparison only that these statistics are included. For all other analysis, the more accurate PEI study information is utilized.*

Based on *Canadian Travel Survey* results, the majority of Atlantic Canadians visiting within the Maritimes visit Nova Scotia. However these are predominantly made up of Nova Scotians travelling within their own province. In recent years, there has been an increase in New Brunswickers visiting Nova Scotia and Nova Scotians visiting New Brunswick.

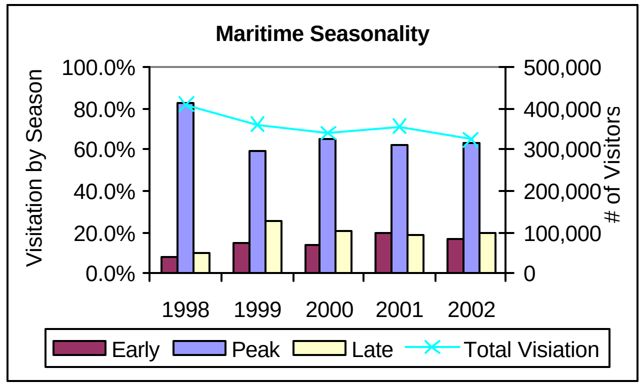
	1999	2000	2001	2002
To PEI	**612**	**798**	**720**	**1,125**
from NS	229	299	215	299
from NB	138	161	169	205
from NFLD	6	24	24	10
from PEI	239	314	312	423
To Nova Scotia	**6,214**	**6,540**	**6,533**	**8,287**
from NS	5,601	5,740	5,686	6,772
from NB	454	581	605	685
from NFLD	49	91	90	96
from PEI	110	128	152	210
To New Brunswick	**3,796**	**4,143**	**4,967**	**6,075**
from NS	574	454	562	586
from NB	3,084	3,514	4,219	4,605
from NFLD	14	29	18	19
from PEI	124	146	168	200
TOTAL	**10,622**	**11,481**	**12,220**	**15,487**

Weather impacts Maritime visitation to PEI. 2000 was very wet, particularly in July/Aug and as a result, visitation levels continued to fall (according to the PEI Economic Impact Study). By contrast, the dry, warm weather of 2001 led to marginal increases. Summer 2002 began very late.

There were no particularly high level festivals or events in the Maritime market in 2002 that would have diverted visitation away from PEI.

2.5 Seasonality

There has been a shift in Maritime visitation patterns.

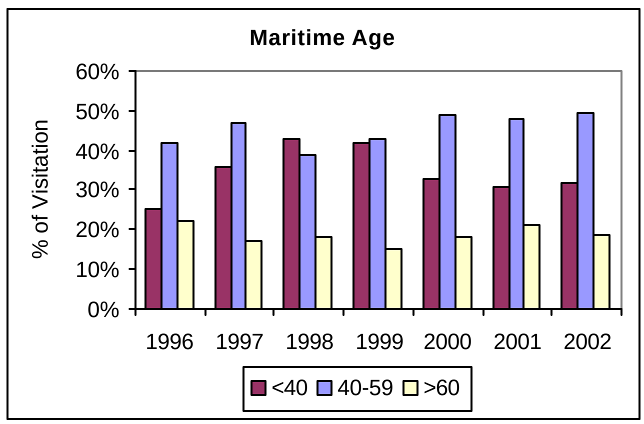


In 1998, early visitation was 8% of the total, but by 2002 this rose to 17%. The same increases have been seen in the fall – in 1998 late season visitation accounted for 10% of Maritime travel to PEI and by 2002 this rose to 20%. As a result, peak visitation has decreased from 82% to 63% over this five-year period.

This shift could be attributed to the ease of access since the bridge opening, as well as increased marketing efforts to promote both seasons to this market.

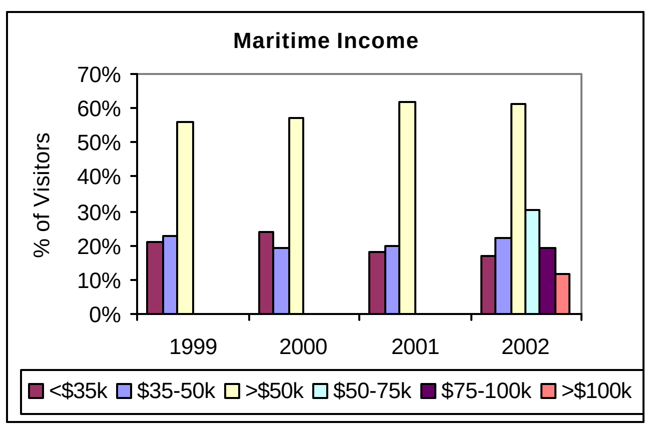
2.6 Consumer Information

In terms of the age of Maritime visitors, the 40-59 year-old-group formed the majority in 2002, accounting for 49%. The under-40 group is the second largest, with 32% of 2002 visitors under 40 years of age; 19% of visitors were 60 plus, an increase in this market from recent years where the percentage fluctuated between 15%-18%.



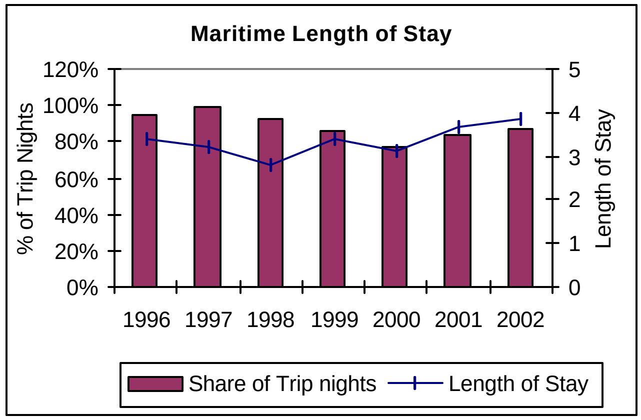
Most Maritimers visiting PEI have an income over $50K. Over the last three years, there have been decreases in both under $50K categories (<$35 and $35-50). The $50K+ category breaks down as 30% earn between $50K-$75K, 20% earn $75-$100K and 12% earn over $100K.

The increases in income level may correspond to the decrease in overall Maritime visitation – the lower income Maritimer may not be visiting.



When visiting PEI, Maritimers make it the primary destination, with PEI receiving 86%-99% of trip nights.

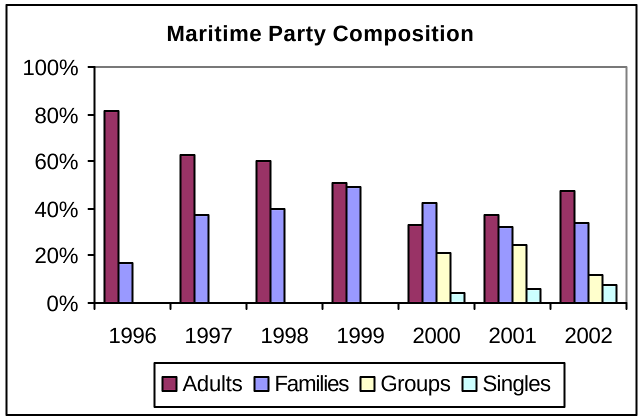
Length of stay increased marginally in 2002 to 3.9 nights, up from 3.7 in 2001.



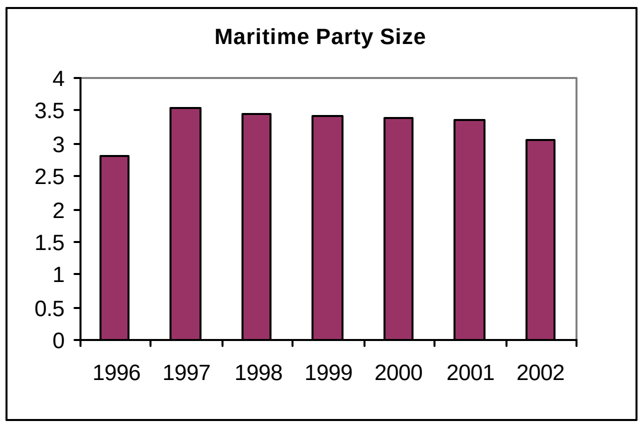
In 2002, Adult Couples accounted for 47% of visitation, families were 24%, groups were 12% and singles 7%.

Until 2000, there was a decreasing trend in adult visitation, while family and group travel increased (note: groups were only measured beginning in 2000, prior to this they were part of adults). For the last two years, the percentage of adults has increased, although this may be in reporting changes between group/adult.

From a marketing perspective, it would be interesting to find out more about the group market.

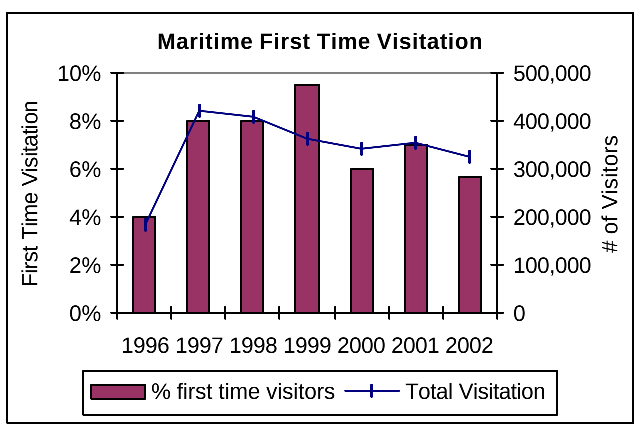


Since 1997, party size from Maritime visitation has remained relatively constant at around 3.4. However, there is a slight downward trend from 3.54 to 3.05 over the last five years.

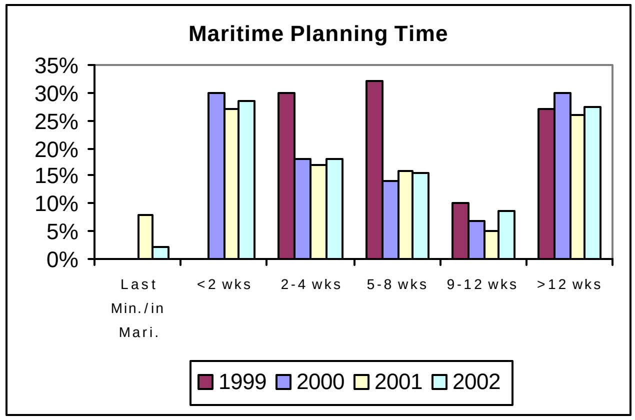


The majority of Maritime visitation is from repeat visitors. In 2002, only 6% were first time visitors, down from 7% in 2001.

Interestingly, in 1999, there was an increase in first time visitation from 8% to 10%. However, actual visitation figures dropped from 409K to 360K, meaning that the loss was from repeat.



Maritimers have an interesting planning pattern, with most planning within the last two weeks or at the other end of the spectrum, 12+ weeks out.

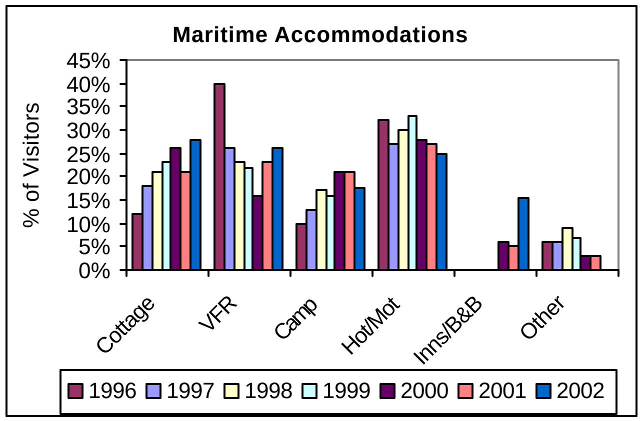


In 2002, 28% planned 12 or more weeks out and 30% made the decision either at the last minute or within two weeks of departure.

The middle planning time (2-9 weeks) has seen considerable decreases since 1999.

This shift may have to do with package-based marketing, which encourages shoulder season travel, often last-minute weekend getaways.

In 2002, 28% stayed in Cottages, 26% were VFR, 18% stayed at a Campground, 25% stayed in Hotel/Motels, 15% at Inns/B&B and 3% other.



So, while Hotel/Motel has a slight majority, Maritimers are relatively equally split in accommodation type. Cottage and Campgrounds have both seen significant increases over the last six years, while VFR has decreased.

In 2002, there was a sharp increase in Inn/B&B. This may be related to the increase in available products, increase in visitor income and the increases in packaged product opportunities.

2.7 Travel Motives

While the possible answers have changed over the last six years, there is a general pattern of motives geared towards relaxing – Just to see PEI, Pleasure, Rest/Escape.

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Family Vacation	16%	19%	27%	26%			
Golf					3%	3%	4%
Hist/Culture	35%	18%	20%	20%			
Just to see PEI					7%	**19%**	**25%**
Other	30%	25%	21%	33%	15%	19%	17%
Personal						9%	11%
Pleasure					**50%**		
Rest/Escape	14%	21%	22%	19%	2%	**22%**	**16%**
Sightseeing					2%	3%	3%
VFR	1%	2%	1%	3%	21%	**25%**	**24%**

2.8 Activities and Island Product

Sightseeing, craft shopping, beaches and general shopping are the top four activities for Maritimers. These have been relatively consistent over time, with the exception of the shopping categories, which increased after the bridge opening.

Areas which have seen growth are Camping, Festivals/Events and Golf, all of which now attract approximately a quarter of Maritime visitors.

Of note are the large numbers of people either participating in or watching a sporting event, as well as the VFR market.

	1996	1997	1998	1999	2000	2001	2002
Sightseeing	54%	72%	76%	66%	65%	**63%**	**67%**
Craft Shopping	20%	62%	63%	63%	63%	**57%**	**56%**
Beaches	23%	44%	56%	62%	57%	**57%**	**60%**
History/Culture	6%	23%	24%	26%	24%	23%	24%
General Shopping	25%	52%	48%	59%	59%	**51%**	**59%**
National Parks	12%	38%	43%	41%	32%	33%	37%
Anne	9%	21%	24%	21%	19%	22%	20%
Lobster Suppers	18%	26%	27%	25%	24%	26%	27%
Acadian Culture	3%	7%	8%	12%	9%	13%	8.9%
Theme Parks	18%	29%	43%	38%	37%	29%	32%
Camping	5%	13%	18%	20%	23%	25%	22%
Golf	9%	13%	12%	14%	20%	19%	20%
Theatre	8%	9%	8%	14%	12%	11%	10%
Festivals/Events	4%	6%	18%	21%	26%	23%	19%
Driving Tour							**42%**
Sports (part/spect.)							**22%**
VFR							**41%**
Boating/kayaking							9%
Hiking							11%
Nightlife							12%

3. Newfoundland Results & Learning

3.1 Summary

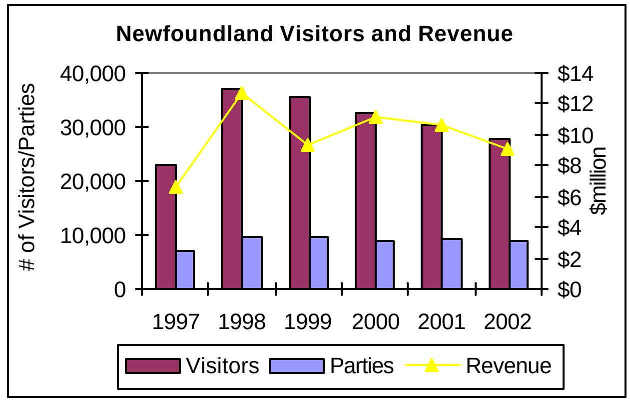
In 2002, visiting parties and revenue from Newfoundland fell. Parties decreased by 7% and revenue was down 14%. Length of stay also decreased by almost a full night (from 5.8 to 5). Per party expenditure fell from $1,128 to $1,039. Newfoundland visitors, however, continue to have the highest per party expenditure of all visitors to PEI.

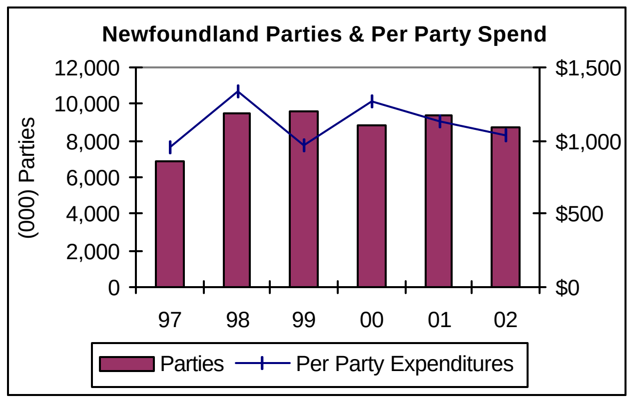
3.2 Revenue & Visitation

Over the years, both revenue and visitation from Newfoundland have varied widely.

In 2002, revenue decreased to $9.1M from $10.6M in 2001. Visiting parties also decreased from 9,400 to 8,739K.

Limited marketing dollars are directed at this market. Revenue seems to be led by a relatively large per party expenditure - $1,039 in 2002 – but this marked the third consecutive decrease.



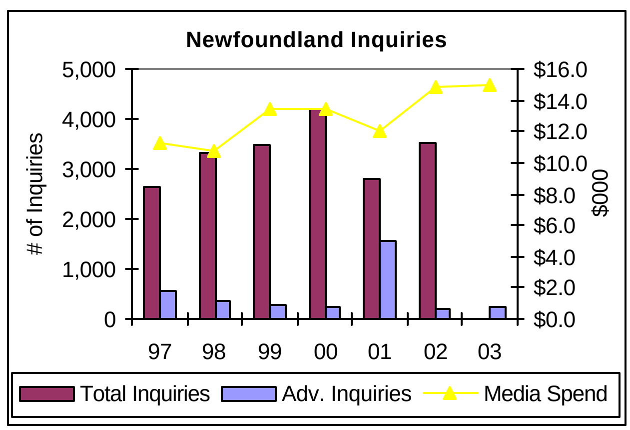


3.3 Media, Inquiries, Conversion & ROI

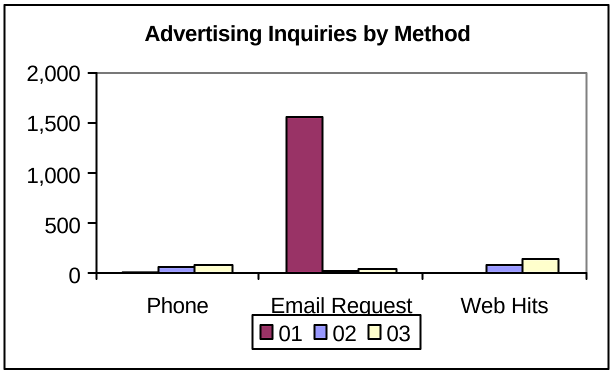
Note: 2003 inquiries to August 4 only.

The media spend in Newfoundland has remained relatively constant over the last six years – the low being reached in 1998 with $10.8K and the high in 2003 with $15.0K being spent.

Marketing efforts have usually been linked to other efforts in the Maritimes. The difference in 2001 was that a web/radio contest was run in partnership with Maxxim Vacations, leading to a large increase in inquiries (1,576 in 2001). In 2003, 221 responses were received, generated by the 1000 Reasons TV spot (up from 186 in 2002).

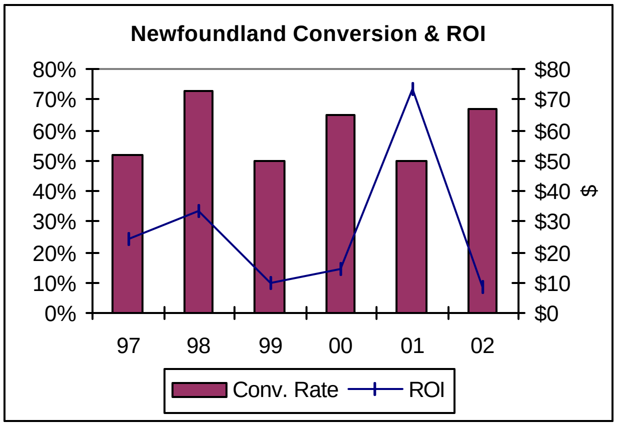


As in other markets, the Internet is drawing an increasing number of responses.



When looking at the charts on Conversion and Overall Advertising Revenue and ROI, keep in mind that there were issues with the 1999 Conversion Study and that in 2001, Conversion was only calculated for the New England market. In order to calculate approximate Revenue and ROI figures, a conversion rate of 50% was utilized for both these years (conversion in the other year varied between 52% - 73%).

Using these approximations, ROI has varied between 10:1 to 74:1.



3.4 External Factors Impacting Results

Note: These travel statistics from *Canadian Travel Survey* contradict information from the PEI Economic Impact study, however they provide a comparison between the four Atlantic Canadian Provinces based on one methodology. It is for this relative comparison only that these statistics are included. For all other analysis, the more accurate PEI study information is utilized.

Based on *Canadian Travel Survey* results, the majority of Newfoundlanders visiting within the Maritimes go to Nova Scotia. Beginning in 2000, both PEI and NS experienced significant increases in Newfoundland visitation, although Nova Scotia continues to benefit from higher levels.

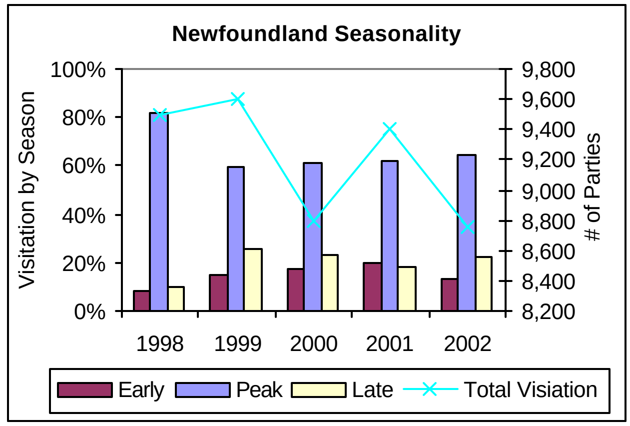
	1999	2000	2001	2002
To PEI	**612**	**798**	**720**	**1,125**
from NS	229	299	215	299
from NB	138	161	169	205
from NFLD	6	24	24	10
from PEI	239	314	312	423
To Nova Scotia	**6,214**	**6,540**	**6,533**	**8,287**
from NS	5,601	5,740	5,686	6,772
from NB	454	581	605	685
from NFLD	49	91	90	96
from PEI	110	128	152	210
To New Brunswick	**3,796**	**4,143**	**4,967**	**6,075**
from NS	574	454	562	586
from NB	3,084	3,514	4,219	4,605
from NFLD	14	29	18	19
from PEI	124	146	168	200
TOTAL	**10,622**	**11,481**	**12,220**	**15,487**

The weather does not appear to affect visitation or revenue from Newfoundland. Both were higher in 2000 when it was wet and cooler than in 2001, which was sunny and dry. However, length of stay was impacted, with decreases in 2000 and an increase in 2001.

There were no particularly high level festivals or events in the Newfoundland market in 2001 that would have diverted visitation away from PEI , however, Nova Scotia received a large increase in visitation from Newfoundland.

3.5 Seasonality

In 1998 early visitation was 8% of the total and over the last three years, percentages have grown to 15%, 17% and 20%, but fell in 2002 to 13%. The same increases have been seen in the fall. In 1998, late season visitation accounted for 10% of Newfoundland travel to PEI and by 2002 this had risen to 22%. As a result, peak visitation has decreased from 82% to 65% over this five-year period.

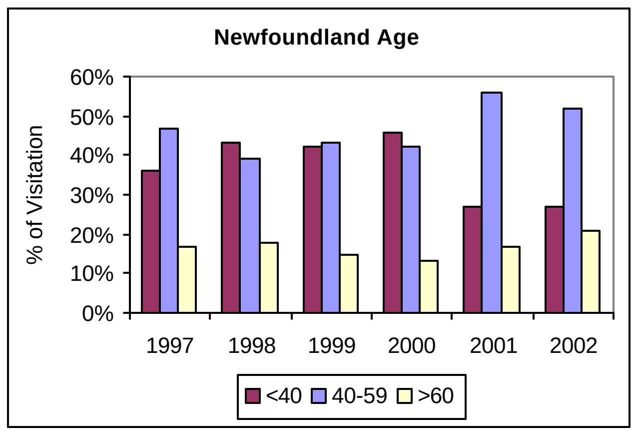


3.6 Consumer Information

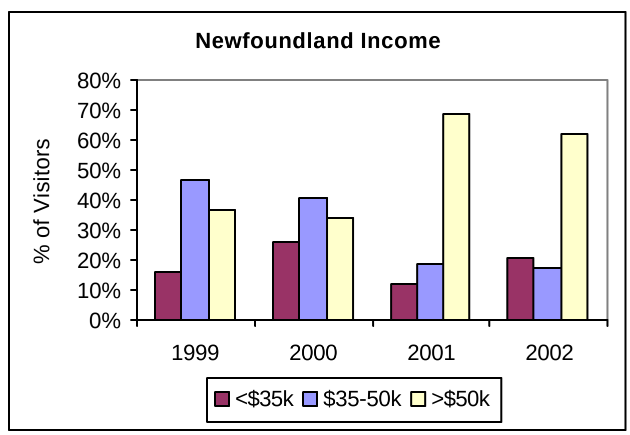
The age patterns of Newfoundland visitors changed significantly in 2001. Past years saw visitors under the age of 40 comprising between 42%-46% of total visitation. In 2001 and 2002, they accounted for only 27%.

This loss was made up by an increase in the 40-59 age group, which grew from 42% in 2000 to 52% in 2002.

There was also an increase in 60 plus visitation, from 13% in 2000 to 21% in 2002.



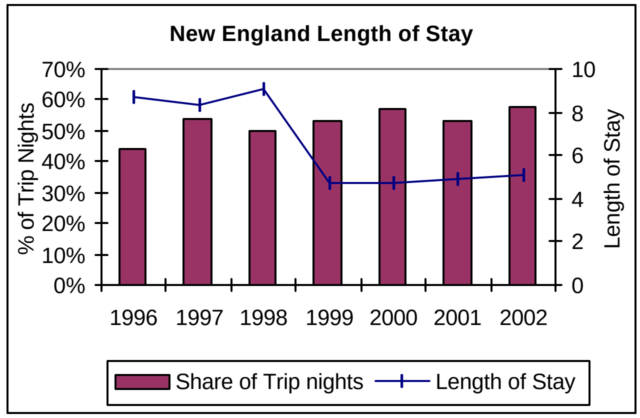
As in the Maritime market, there has been an increase in income. In 2002, 62% of Newfoundland visitors had income over $50K, up from 34% in 2000. This is interesting, given that per party expenditure dropped during this time from $1,273 to $1,039.



After a significant drop in the length of stay experienced in 1999 (from 12.3 nights to 5.5), length of stay has stabilized in the five- to six-night range. In 2002, the average fell from 5.8 to 5 in 2002.

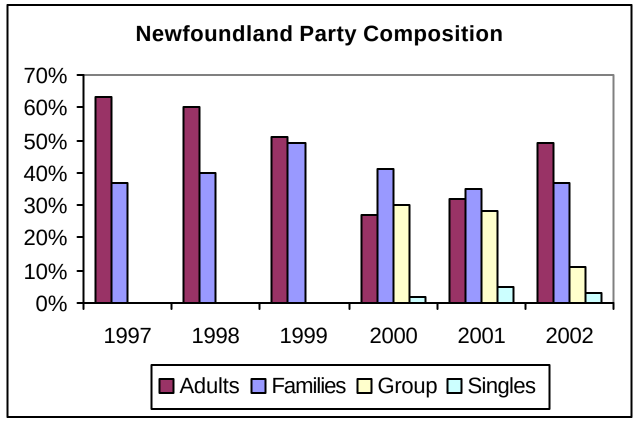
By and large, PEI receives approximately 50% of trip nights – 44% in 2002 – 2000 was the exception at only 27%.

It appears as though the overall length of their vacation is decreasing – in 1998 PEI received 49% of the trip nights but this represented 12.3 nights, whereas in 2001, this same percentage only represented 5.8 nights. This trend continued in 2002.

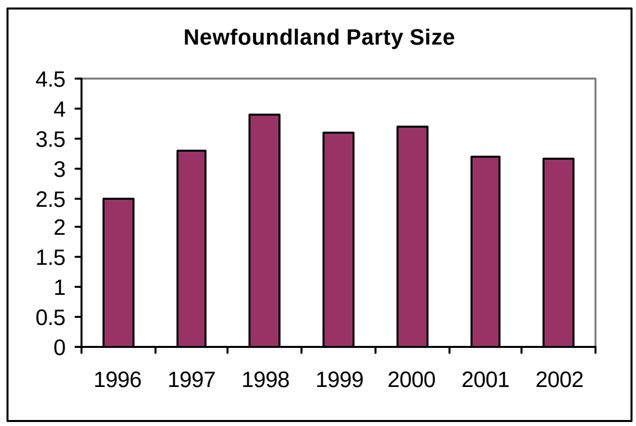


Since the opening of the Bridge, the trend has been toward more family and less adult couple visitation. However, the inclusion of the category Group in 2000 may be distorting the trend.

In 2002, Adults increased to 64%, Families fell to 21%, Groups fell to 10% and singles grew to 5% of visitation.

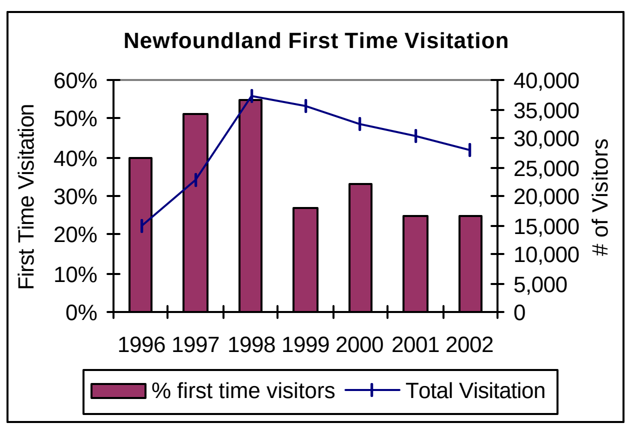


In 2002 party size was 3.17, down from 3.2 in 2001 (which corresponds to the slight decrease in Group and increase in Adult travel during this time).

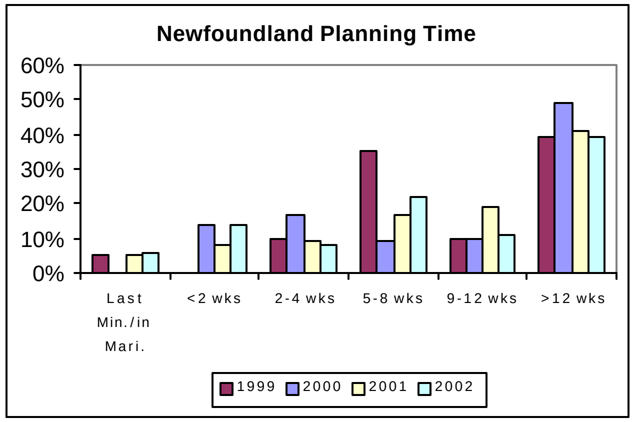


In 1999 there was a drop in first time visitation, from 55% to 27%. This new level has remained since then, with 33% in 2000 and 25% in 2002.

This corresponds to the decrease in overall visitation – meaning that the decreases are as a result of fewer first time visitors to PEI.



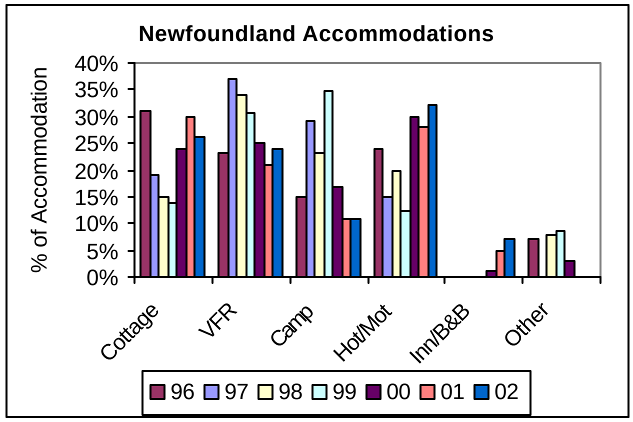
Newfoundland is definitely a long-haul market in terms of planning. 50% make the decision nine or more weeks out; 11%, 9-12 weeks; and 39% make the decision 12 or more weeks prior to their vacation.



At the other end of the spectrum, only 6% make the decision at the last minute or while in the Maritimes and 14% make it less than two weeks prior to departure.

2002 did see an increase in shorter planning cycles, which corresponds to the general trend after September 11.

Over the last five years, there have been decreases in both VFR and campgrounds as the choice of accommodation.



In the last two to three years, increases have been experiences in both the Cottage and Hotel/Motel type of accommodation, as well as Inns/B&B.

In 2002, Cottages represented 26% of accommodations, VFR 24%, Campgrounds 11%, Hotel/Motel 32% and Inns/B&B 7%.

3.7 Travel Motives

There is very little pattern in the travel motives of Newfoundlanders, although areas of rest/relaxation seem to draw the most visitors – 36% just to see PEI, 14% Rest/Escape. Also of significance is the increase in VFR over the last few years. since during this time VFR decreased as a type of accommodation.

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Family Vacation	21%	36%	62%	39%			
Golf					6%	8%	3%
Hist/Culture	26%	18%	9%	10%			
Just to see PEI					13%	**28%**	**36%**
Other	25%	4%	11%	40%	7%	15%	15%
Personal						11%	9%
Pleasure					**46%**		
Rest/Escape	19%	17%	6%	10%	2%	**17%**	**14%**
Sightseeing					2%	2%	4%
VFR	9%	9%	5%	2%	24%	19%	19%

3.8 Activities and Island Product

Craft Shopping, Sightseeing, General Shopping and Beaches remain at the top of the activity list for Newfoundlanders, consistent with the Maritime market.

Of interest in terms of growth, both Festivals/Events and Golf have risen over the last five years, although golf dropped significantly in 2002. A significant portion of visitors are visiting friends and relatives.

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Sightseeing	77%	84%	94%	83%	76%	**76%**	**80%**
Craft Shopping	49%	81%	91%	85%	76%	**78%**	**80%**
Beaches	45%	73%	84%	75%	60%	**63%**	**67%**
History/Culture	13%	24%	48%	41%	36%	42%	27%
General Shopping	21%	62%	80%	80%	72%	**67%**	**67%**
National Parks	32%	62%	80%	50%	54%	48%	46%
Anne	32%	47%	61%	56%	48%	46%	42%
Lobster Sup.	25%	44%	40%	39%	32%	33%	28%
Acad. Cult.	12%	24%	8%	16%	18%	18%	16%
Theme Parks	15%	64%	68%	58%	47%	42%	38%
Camping	17%	16%	19%	15%	24%	18%	14%
Golf	17%	12%	17%	28%	24%	**25%**	**18%**
Theatre	9%	11%	10%	18%	21%	16%	12%
Fest./Events	6%	12%	15%	22%	29%	**29%**	**16%**
BirdWatching	`						16%
Boating/kayaking							9%
Birthplace							24%
Confederation Trail							12%
Driving Tour							**58%**
Theme Parks							**38%**
VFR							**40%**

4. Ontario Results & Learning

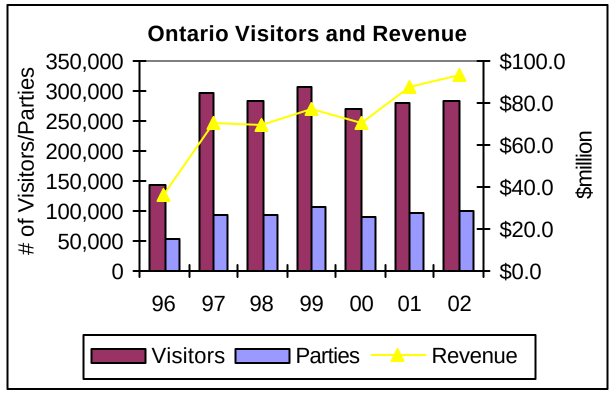
4.1 Summary

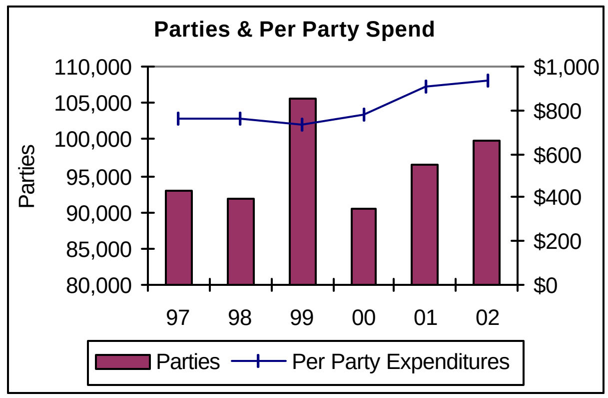
Ontario continues to be the strongest of our core markets in terms of parties and revenue, with 99,700 parties in 2002. Per party expenditure reached an all-time high of $932, with length of stay averaging 4.7 nights. The target audience remains the 40-59 age group in the over $50K income bracket who prefer to visit in the peak months of July and August.

4.2 Revenue & Visitation

Visitation by Visitor and Parties has remained fairly constant over the last six years. In both 2001 and 2002 the number of parties surpassed the level achieved in 1997 when the bridge opened. In 2002, there were 99,700 Parties or 283,535 Visitors.

Revenue and Per Party Expenditure continue to rise with both reaching all-time highs of $92.9M and $932 respectively in 2002.



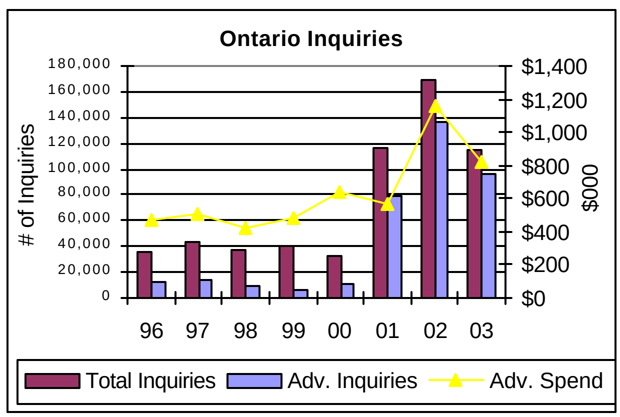


4.3 Media, Inquiries, Conversion & ROI

Note: 2003 inquiries to August 4 only.

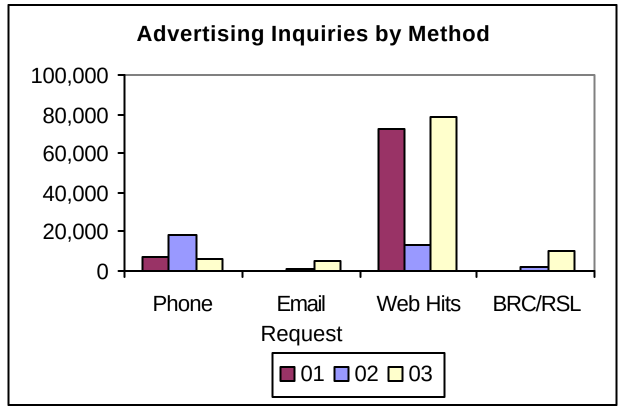
The increased budget in Ontario in 2002 had a positive effect on inquiries. In 2003 the budget was decreased almost 30%, and as a result advertising inquiries decreased 24% and overall inquiries are down 32%. Cost per inquiry remains very efficient at $8.57.

In 2002, advertising inquiries were mainly generated by a very successful on-line campaign, as well as an on-line contest that was promoted on Food/HGTV and in print.



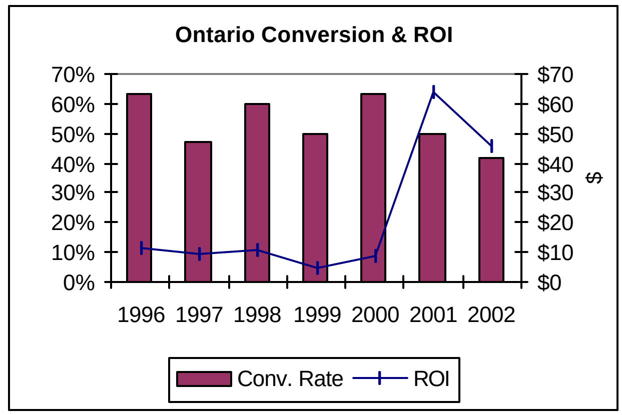
In 2003, a less obtrusive online campaign was selected and responses decreased accordingly. The addition of BRCs in magazines was very successful, as was a spring DM. The addition of a voiceover and the Visitors Guide image was helpful in increasing the inquiries from television.

E-mail and Web response continue to replace phone as the method of inquiry.



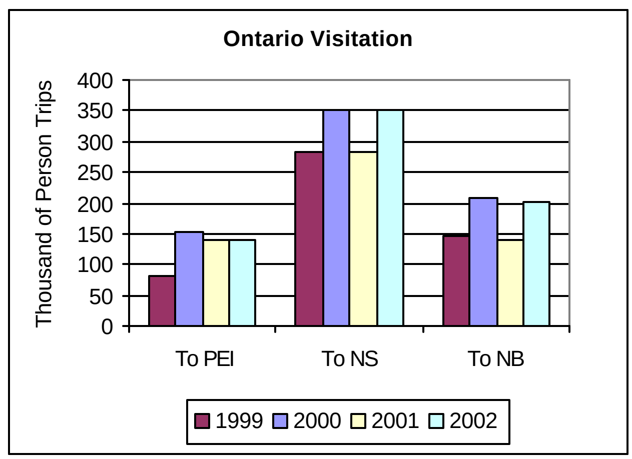
When looking at the chart on Conversion and ROI, keep in mind that there were issues with the 1999 Conversion Study and that in 2001 conversion was only calculated on the New England market. In order to calculate approximate Revenue and ROI figures, a conversion rate of 50% was utilized for both years. In 2002, conversion was done solely on advertising inquiries. This was the first time that the study was done only on this type on inquiries and as a result, the rate fell from 50% to 42%.

Using these approximations, ROI has been in the 5:1 to 12:1 range, except in 2001 and 2002 where the large increases in inquiries increased ROI significantly to 64:1 and 46:1 respectively.



4.4 External Factors Impacting Results

Note: These travel statistics from *Canadian Travel Survey* are inconsistent with information from the PEI Economic Impact study, however they provide a comparison between the three Maritime Provinces based on one methodology. It is for this relative comparison only that these statistics are included. For all other analysis, the more accurate PEI study information is utilized.

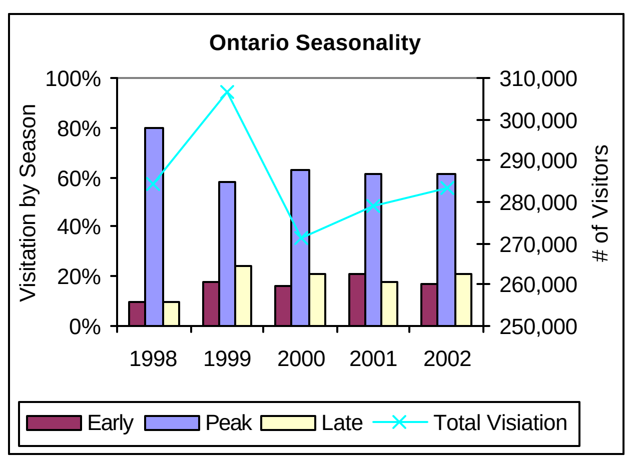


From a visitation point of view, Nova Scotia continues to be PEI's strongest competitor. In 2002, both NS and NB rebounded to their 2000 levels, with PEI remaining constant. PEI did not suffer as significant a decrease in 2001 as the other two provinces. (source: *Canadian Travel Survey*)

Weather has an impact on visitation from Ontario, in terms of affecting length of stay.

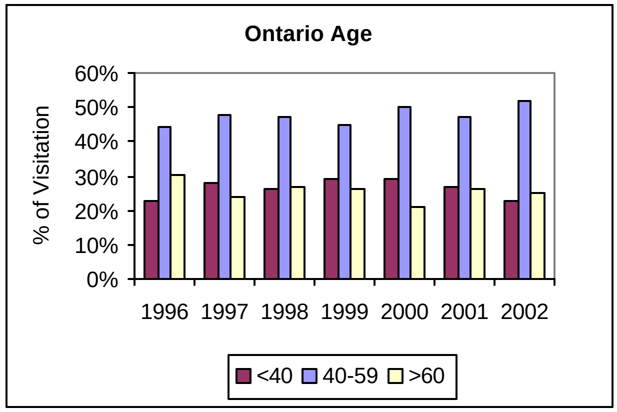
4.5 Seasonality

July and August continue to be the favourite months for visiting PEI with 62% of the 99,700 parties coming in peak season. Visitation in both the early and late seasons remains constant.



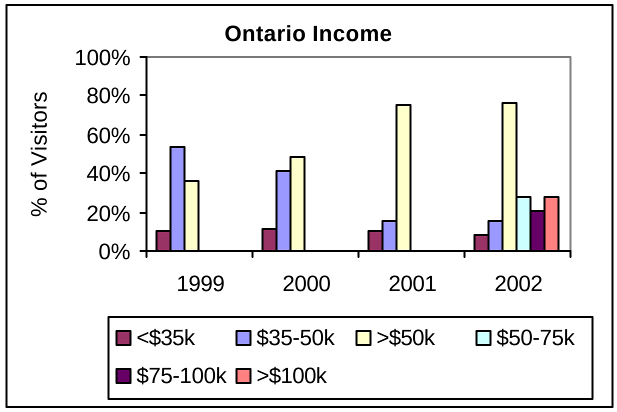
4.6 Consumer Information

Fifty-two per cent of Ontario visitors are in the 40-59 age group and continue to be the primary target. Both the under 40 and over 60 age groups are strong seconds at 23% and 25% respectively. There have been no dramatic shifts in age groups over the last six years.

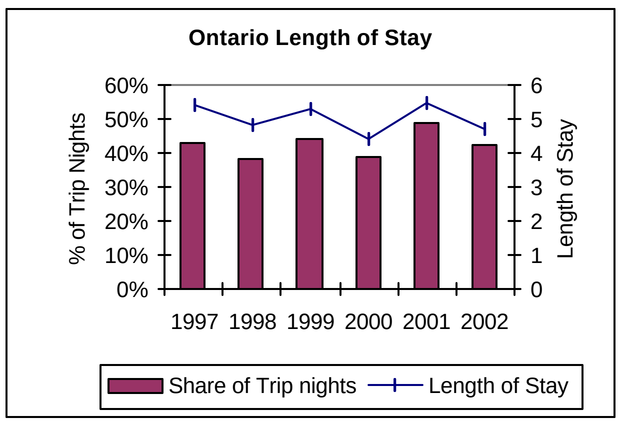


The rise in visitors from the over $50K income group - up to 76% in 2002 – was marked by a decline in the $35-50K income bracket, which dropped from 54% to 16% since 1999. Visitors in the under $35K income group have gradually decreased from 11% to 8%.

In 2002 further breaks were asked and 28% earned $50K-$75K, 21% earned $75K-$100K and 28% earned over $100K.

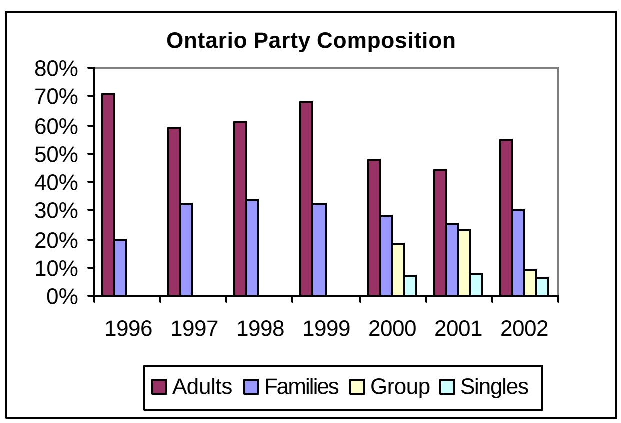


Both Share of Trip Nights and Length of Stay remain constant, but did show slight decreases in 2002. Share of Trip Nights decreased to 42%, with Length of Stay decreased to 4.7 nights.

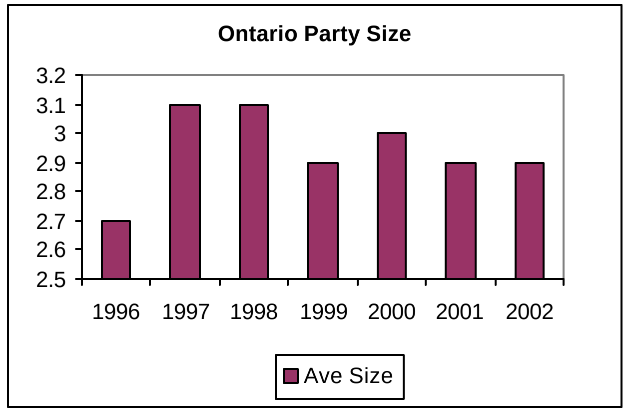


Ontario continues to be a strong adult market, followed by families, groups and singles.

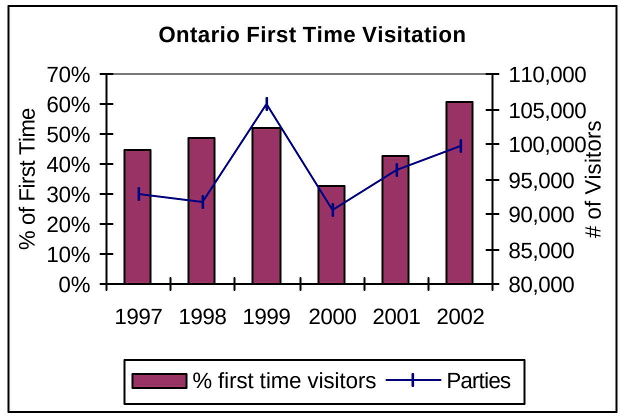
Prior to 2000, data was not collected for "Groups" or "Singles," which would account for the drop in adult numbers in 2000, 2001 and 2002. Families have continued to make up about 30% of visits, while adults without kids make up the remaining 70% either as Couples or Groups.



Ontario party size for 2002 continues to remain constant at 2.9.

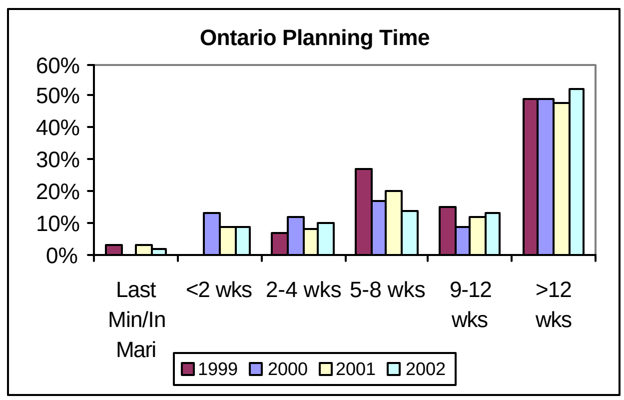


Although the percentage of first-time visitors to PEI from Ontario did drop in 2000, 2001 and 2002 saw significant increases. In 2002, 61% of visitors were first time. The incremental visitors in both 2001 and 2002 would have been from these first time visitations, which makes sense given the increased media buys.



The majority of Ontario travellers – 64% - continue to plan their vacation 12 weeks or more prior to their visit. This was followed by those who plan 5-8 weeks in advance (12%) and 9-12 weeks in advance (12%).

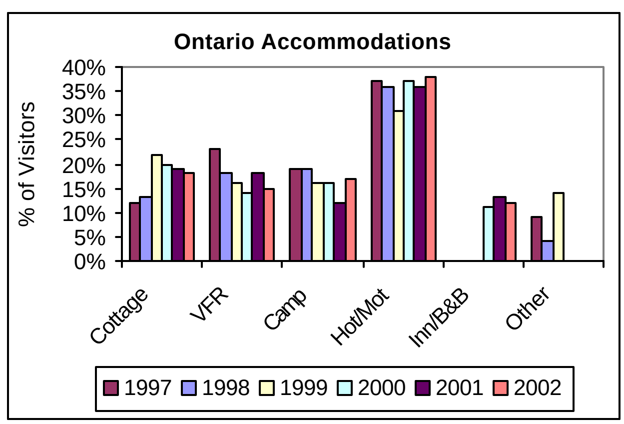
Those who decide at the last minute or while in the Maritimes remain a small portion of the market at 2%.



Hotel/Motel remains the accommodation type of choice for Ontario visitors at 38%, followed by Cottages (18%), Camping (17%). VFR (15%) and Inn/B&B (12%).

Both Cottages and VFR have been on a slight decreasing trend since 1999.

Note: no "Inn/B&B" data prior to 2000; no "other" data for 2000 and 2001.



4.7 Travel Motives

Just to see PEI, Other and Visiting Friends and Relatives were the top three motives for visiting in 2002. Although Pleasure received a high of 46% in 2000, this data was not collected for other years.

	1996	1997	1998	1999	2000	2001	2002
Family Vacation	21%	22%	46%	29%			
Golf					3%	4%	3%
Hist/Culture	19%	20%	14%	14%			
Just to see PEI					12%	**34%**	**47%**
Other	25%	26%	12%	38%	14%	17%	10%
Personal						9%	7%
Pleasure					**46%**		
Rest/Escape	18%	16%	17%	11%	3%	12%	10%
Sightseeing					3%	5%	4%
VFR	17%	16%	11%	8%	19%	**20%**	**19%**

4.8 Activities and Island Product

The top five activities for Ontario visitors to PEI for 2002 include Sightseeing (85%), Craft Shopping (75%), Beaches (76%), Lobster Suppers (54%) and Driving Tours (56%). All activities, including golf, have remained fairly consistent from 2000.

	1996	1997	1998	1999	2000	2001	2002
Sightseeing	88%	89%	96%	88%	82%	**81%**	**85%**
Craft Shopping	49%	72%	86%	77%	81%	**74%**	**75%**
Beaches	45%	71%	76%	76%	79%	**72%**	**76%**
History/Culture	23%	44%	56%	53%	46%	47%	46%
General Shopping	17%	43%	51%	50%	54%	52%	**55%**
National Parks	30%	54%	63%	55%	55%	56%	**61%**
Anne	41%	51%	55%	50%	46%	41%	45%
Lobster Suppers	39%	46%	56%	59%	53%	**59%**	**54%**
Acadian Culture	9%	21%	20%	35%	25%	36%	31%
Theme Parks	6%	15%	24%	18%	18%	14%	16%
Camping	9%	18%	21%	19%	18%	13%	20%
Golf	9%	16%	17%	16%	21%	21%	17%
Theatre	15%	19%	18%	21%	20%	22%	16%
Outdoor Adventure	8%	15%	14%	14%			
Festivals/Events	8%	13%	19%	32%	29%	24%	25%
Driving Tour						**59%**	**56%**
Bird Watching							20%
Boating/Kayaking							11%
Birthplace							**41%**
Confederation Trail							21%
Hiking							23%
Sports (part/spect)							20%

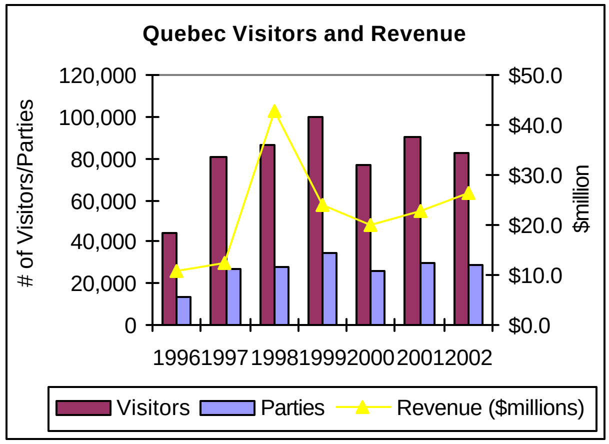
5. Quebec Results & Learning

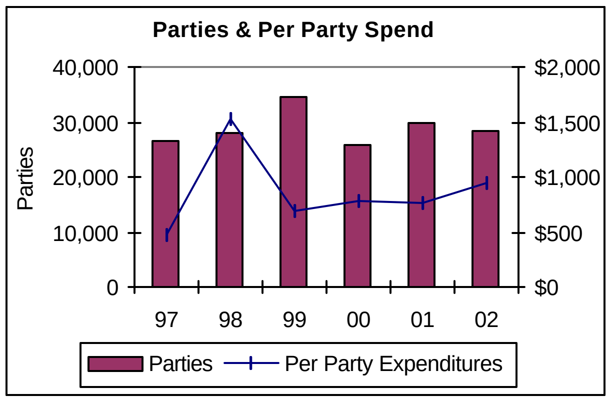
5.1 Summary

Quebec results for 2002 saw an increase in revenue, however, there were decreases in both Parties and Visitors. Per Party Expenditure increased significantly. Advertising inquiries rose substantially in both 2001 and again in 2002, due to a very successful "build your own trip to PEI" contest and integrated campaign.

5.2 Revenue & Visitation

The past six years have seen fluctuations in both visitors and revenue from the Quebec market.



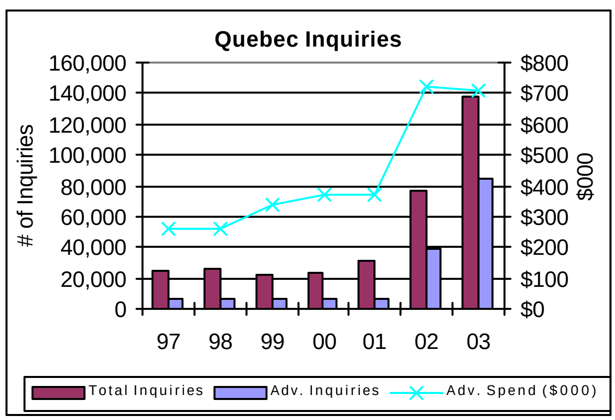


In 2002, revenue was up 17% to $26.6 million, driven by a per party expenditure of $938 (up from $768).

Parties were down 4.5% to 28,356 and visitation was down 9% to 87,233.

5.3 Media, Inquiries, Conversion & ROI

Note: 2003 inquiries to August 4 only.



Advertising Inquiries and Advertising Expenditure remained constant from 1996 through to 2001, but 2002 witnessed a significant increase. In 2002, Advertising Inquiries jumped to 39,158 (includes Web Inquiries) and Advertising Spend rose to $724,000 for a CPI of $18. Total inquiries also rose to 77,277.

In 2003, Total Inquiries rose even further to 138,271, Advertising Inquiries increased to 84,929, the media budget was relatively constant at $708,000 and CPI fell significantly to $8. In 2003 the campaign was French only, with English Quebec being reached though national specialty stations as part of the Ontario buy.

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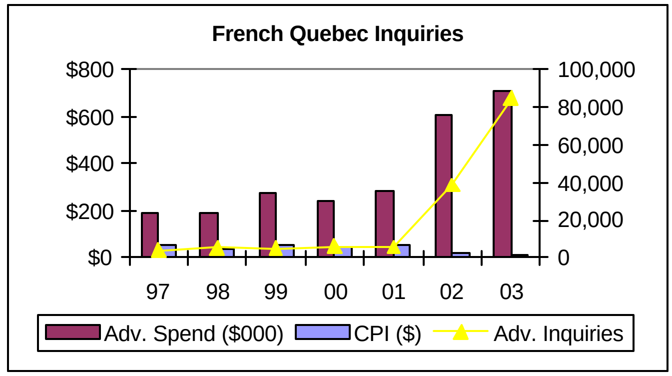
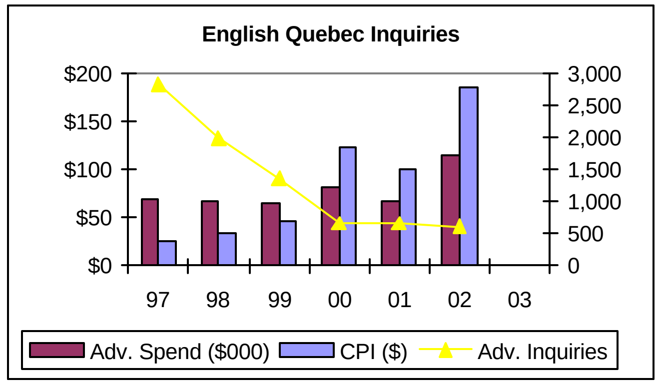
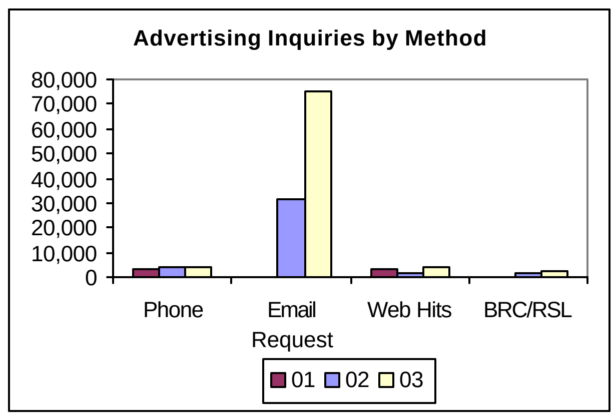


Advertising Spend and Inquiries fluctuated from 1996 through to 2001, with a marked increase in 2002. 2002 inquiries were driven by an online "Build your own vacation to PEI" contest with all entrants receiving a Vistors Guide. This contest, supported by direct mail and a free-standing insert in both *La Presse* and *Le Soleil*, also affected CPI, which came in at an economical $18.82. Although CPI has also fluctuated, there has been a more efficient CPI in French than in English.

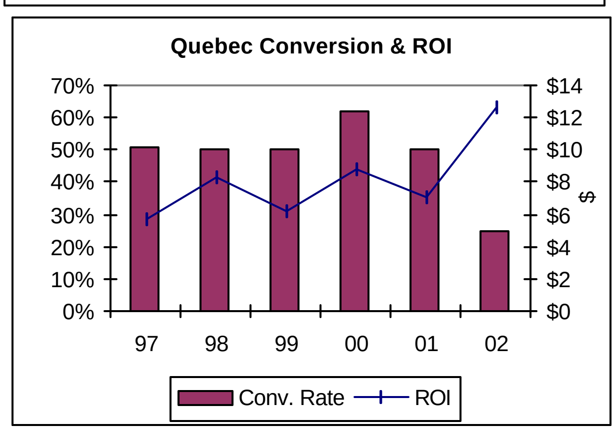


In 2003, television was added to the mix, with a unique Quebec 60-second spot highlighting all the things to do on PEI, as well as a call to the contest. The most effective medium, however, remains the online buy, in terms of driving entrants to the contest.

In 2003 it was decided to concentrate marketing dollars on the larger French market.



E-mail requests and web traffic continue to grow significantly from Quebec. The drop in Web Hits in 2002 is not an accurate picture, but rather, the contest was entered online and therefore drew "Web Hits" to "Email Requests."



When looking at the chart on Conversion and ROI, keep in mind that there were issues with the 1999 Conversion Study and that in 2001 conversion was only calculated for the New England market. In order to calculate approximate Revenue and ROI figures, a conservative rate of 50% was utilized for both years. In 2002, conversion was calculated solely on advertising inquiries. This was the first time that the study was done only on this type on inquiries and as a result, the rate fell from 50 to 25%. A 25% conversion rate on a contest, however, is extremely high.

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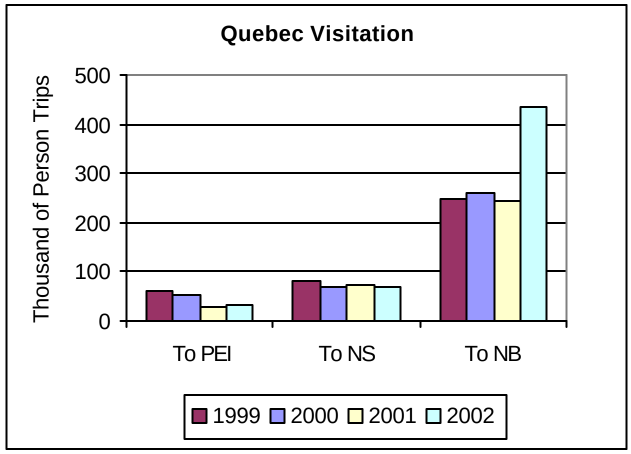
5.4 External Factors Impacting Results

Note: These travel statistics from *Canadian Travel Survey* are inconsistent with information from the PEI Economic Impact study, however they provide a comparison between the three Maritime Provinces based on one methodology. It is for this relative comparison only, that these statistics are included. For all other analysis, the more accurate PEI study information is utilized.

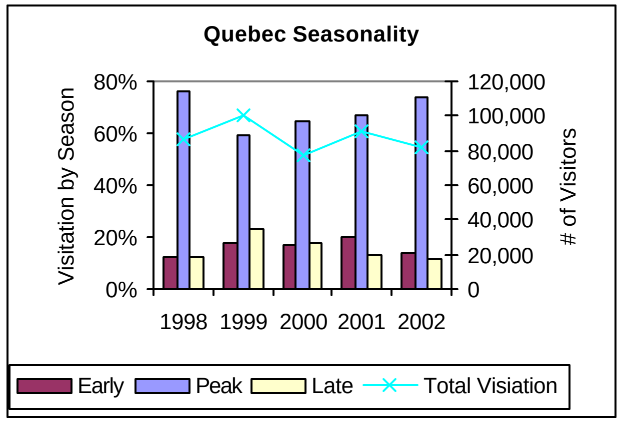


From a visitation point of view, NB continues to be the strongest competitor. In 2002, NB saw a substantial increase in visitors from Quebec. (source: *Canadian Travel Survey)*

Weather has an impact on visitation from Quebec, in terms of affecting length of stay.

5.5 Seasonality

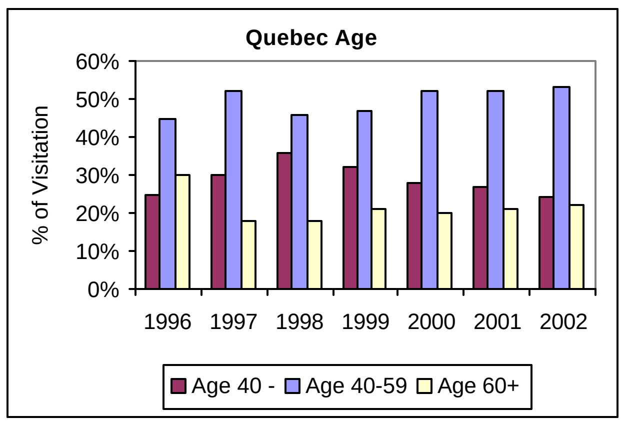
July and August continue to be the popular months for visitors to PEI, with 74% visiting in peak season. 2002 saw a decrease in visitors in the early season (14%) and a slight decrease in the number of visitors in the shoulder months of September and October (11%).



We will be most successful if we continue to focus our efforts on the peak season, but there are opportunities for May and June.

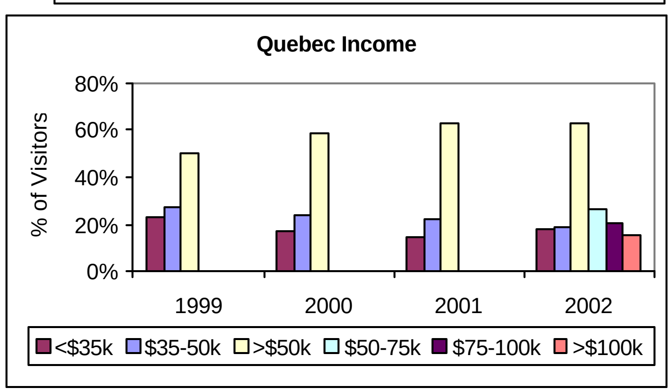
5.6 Consumer Information

The majority of Quebec visitors tend to fall in the 40-59 age group (53%), with the under-40 group coming in second with 24%, just ahead of 60+ with 22%. Since 1997 there has been a slow decrease in the under-40 and an increase in the over-60 groups. For the moment, Quebecers continue to skew slightly younger than the other core markets.

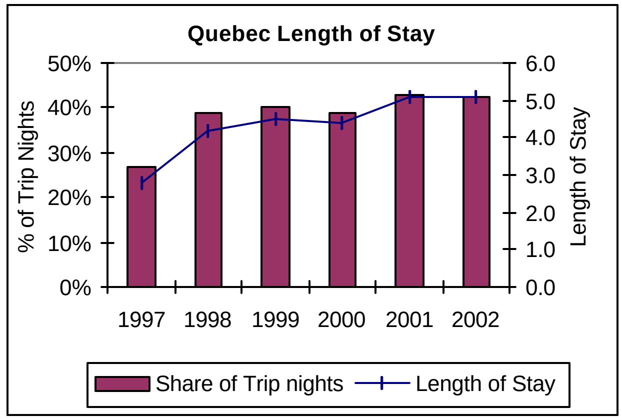


The average income of Quebec visitors to PEI has risen since 1999 and continues to rise, with 63% of visitors in the over $50K group. Visitors in both the under $35K and $35-$50K groups have decreased considerably since 1999.

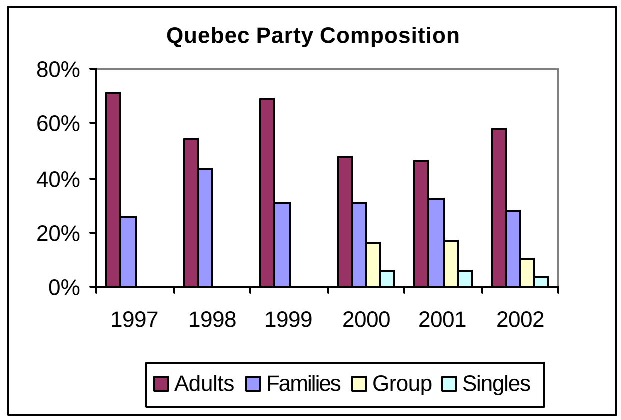
In 2002, there was an increase in the under-$35K income group (to 18%). In the high-end brackets, 27% earn $50-$75K, 21% earn $75-$100K and 15% earn over $100K.



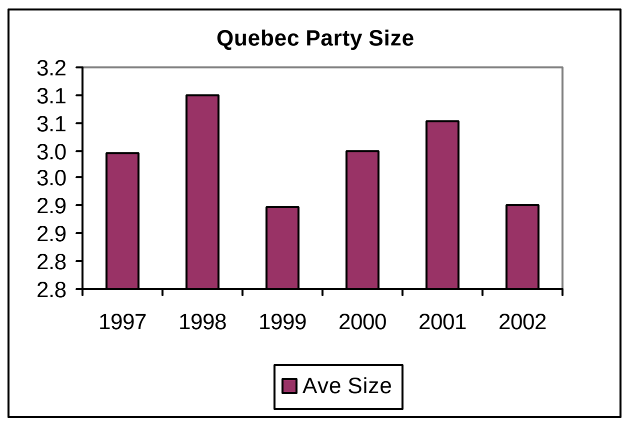
Share of Trip Nights has remained fairly constant since 1998 with 42% in 2002. Length of Stay has been constant for the last 2 years at 5.1 nights.



Adults continue to grow, with 58% in 2002 (families accounted for 28% in 2002). Data up to 2000 did not include Groups or Singles, which would account for the drop in Adults in 2000 and 2001.

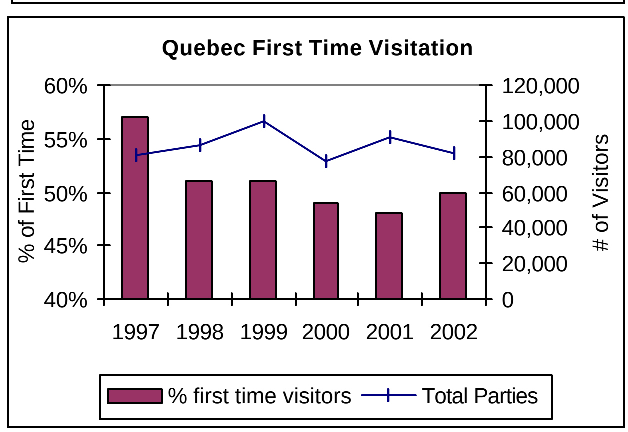


Party size fell to 2.9 in 2002, which reflects the increase in Adults in the party composition chart above.

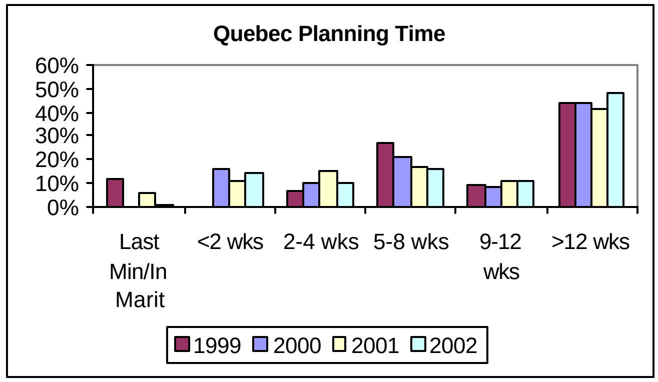


The percentage of first-time visitors to PEI from Quebec has averaged around 50% since 1998, even though total visitation has fluctuated.

The rise in first time visitation in 2002 to 50% from 48%, with the decrease in total parties, means that the decrease was from repeat visitors. Historically, Quebecers have a low per party expenditure. Recent price increases could be a factor in the decreases in repeat visitation.

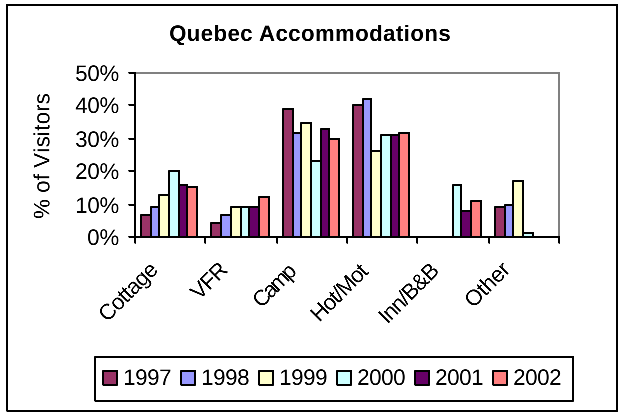


The majority of Quebec travellers – 48% (up from 41% in 2001) – continue to plan their trip 12 weeks or more prior to their visit. The big changes were in decreases in the last minute and 2-4 weeks, while the over-2 weeks increased from 11% to 14%.



March and April continue to be our key advertising/in market months in the Quebec market, lingering over into May.

Camping continues to be unique to this market with 30% of Quebec visitors preferring to camp, up from 23% in 2000 (however, the overall trend is decreasing). Hotel/Motel has experienced slight increases recently. Cottages and Visiting Friends and Relatives both have slight increasing trends. Inns/B&B's and "other" have experienced fluctuations, although no data is available for Inns/B&B's prior to 2000.



5.7 Travel Motives

Over the past seven years, Just to see PEI, Pleasure, Rest/Escape, Other and Sightseeing have been the main motivators for visitation.

	1996	1997	1998	1999	2000	2001	2002
Family Vacation	26%	29%	36%	19%			
Golf					3%	4%	2%
Hist/Culture	14%	5%	9%	8%			
Just to see PEI					16%	**33%**	**44%**
Other	25%	44%	25%	52%	12%	18%	14%
Personal						5%	2%
Pleasure					**53%**		
Rest/Escape	22%	12%	9%	15%	2%	**20%**	**10%**
Sightseeing					4%	12%	**17%**
VFR	13%	10%	21%	7%	10%	10%	11%

5.8 Activities and Island Product

The top five activities for visitors to PEI for 2002 include Beaches (78%), Sightseeing (77%), Craft Shopping (73%), Driving Tours (70%) and National Parks (64%). All activities have remained fairly consistent or shown slight increases/decreases from 2001.

	1996	1997	1998	1999	2000	2001	2002
Sightseeing	87%	87%	94%	69%	75%	**73%**	**77%**
Craft Shopping	36%	77%	15%	71%	73%	**70%**	**73%**
Beaches	72%	70%	80%	81%	77%	**81%**	**78%**
History/Culture	46%	51%	55%	45%	44%	44%	45%
General Shopping	13%	43%	62%	41%	52%	47%	48%
National Parks	15%	59%	82%	58%	59%	**62%**	**64%**
Anne	28%	44%	43%	42%	37%	44%	47%
Lobster Suppers	29%	42%	51%	50%	52%	**53%**	**51%**
Acadian Culture	**22%**	**37%**	**27%**	**38%**	**28%**	**37%**	**36%**
Theme Parks	7%	17%	29%	18%	16%	21%	17%
Camping	**13%**	**35%**	**28%**	**37%**	**25%**	**34%**	**33%**
Golf	9%	9%	15%	12%	13%	16%	16%
Theatre	12%	4%	8%	10%	13%	11%	14%
Outdoor Adventure	16%	32%	27%	21%			
Festivals/Events	6%	9%	10%	14%	19%	19%	17%
Bird watching							**24%**
Boating/kayaking							11%
Birthplace themes							33%
Confederation Trail							22%
Cycling							14%
Driving Tours							**70%**
Hiking							23%
Sports (part/spect)							21%
VFR							20%

6. New England Results & Learning

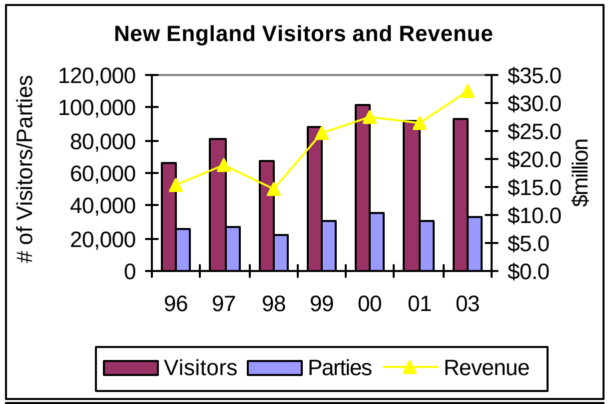
6.1 Summary

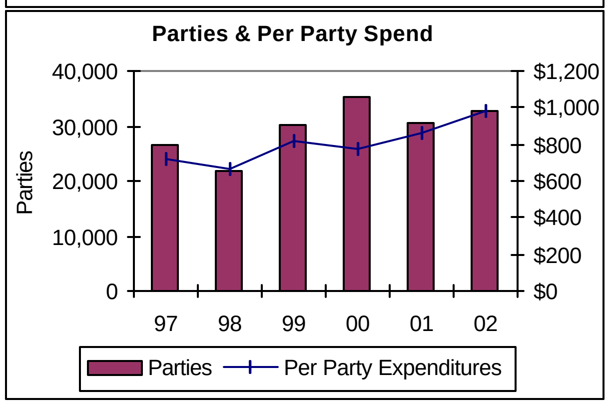
2002 saw an increase in New England parties (8%), visitation (2%) and revenue (22%) from 2001. Length of stay rose to 5.1 nights with July and August being the peak travel months. The main target audience continues to be the 40-59 age group, followed by those over 60 years.

6.2 Revenue & Visitation

Revenue and Visitation by both Visitors and Parties have fluctuated over the last six years, but 2002 saw a per party expenditure high of $978.

In 2002 PEI welcomed 32,900 parties (93,488 visitors) from New England, with revenue totaling $32.2 million.

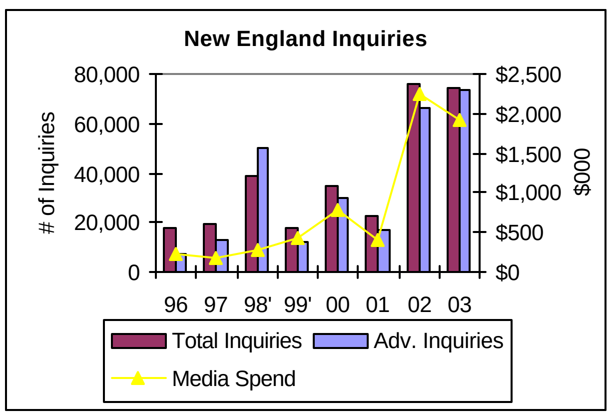




6.3 Media, Inquiries, Conversion & ROI

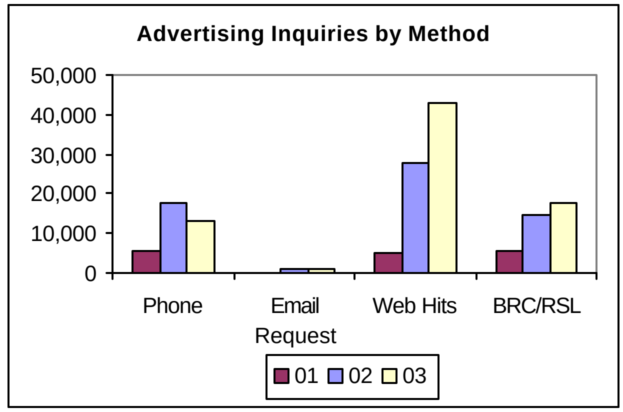
Note: 2003 inquiries to August 4 only.

In 2002, the budget was an unprecedented $2.2 million, due to an increase in ACTP spending back up to $700K and a multi-partner agreement involving the CTC, ACOA, Tourism PEI and the Hotel Association. This agreement added $1.5M to the media buy. This unprecedented media spend generated 66,105 advertising Inquiries to Tourism PEI. The inquiries were led by online efforts, a TV contest, and BRC's in various magazines.



In 2003, the multi-partner agreement was repeated, however, at a slightly smaller budget - $1.9million. The result was an increase in advertising inquiries to 73,813, but overall inquiries remain lower than in 2002 at 74,326.

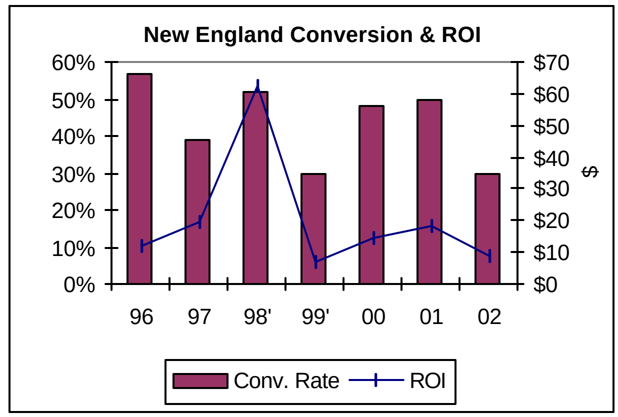
Web response has increased substantially for this market and Business Reply Cards and Readers Service Listings remain strong.



When looking at the chart on Conversion and ROI, keep in mind that there were issues with the 1999 Conversion Study. In order to calculate approximate Revenue and ROI figures, a conservative rate of 30% was utilized for 1999.

In 2002, conversion was calculated solely on advertising inquiries. This was the first time that the study was done only on this type on inquiries and as a result, the rate fell from 50% to 30%.

At the 30% conversion rate, the campaign generated an ROI of $9 for every dollar spent.

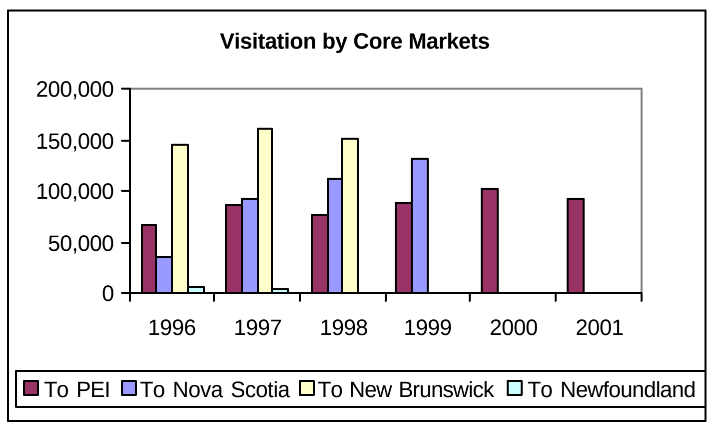


6.4 External Factors Impacting Results

Only 1996-1999 data is available from the other Atlantic Provinces. From 1996 to 1999, visitation from the New England States increased to all three provinces, with New Brunswick receiving the largest volume of visitors.

Visitation to PEI has fluctuated but remained steady with 91,800 visitors in 2001.

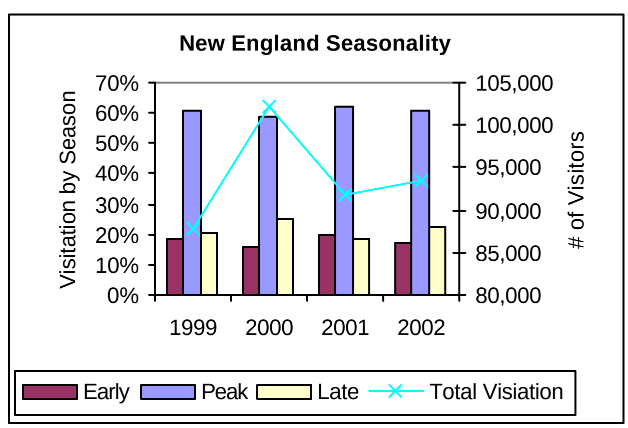
Weather does not appear to have much effect on length of stay from this market.



6.5 Seasonality

1998 appears to have been an anomaly with visitation almost equal across the three seasons. Since 1999, the peak season has attracted around 60% of the visitors. In 2002, Fall grew from 19% to 22%, as the rebound from September 11, 2001 effect was seen.

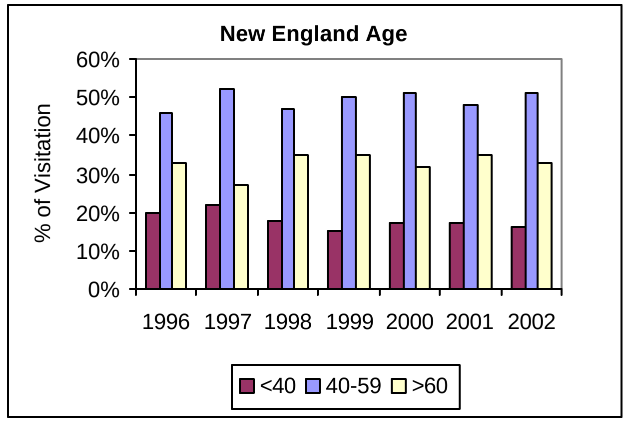
Advertising efforts will continue to be most successful if we focus on the peak season, but there are growth opportunities for both the Early and Late seasons.



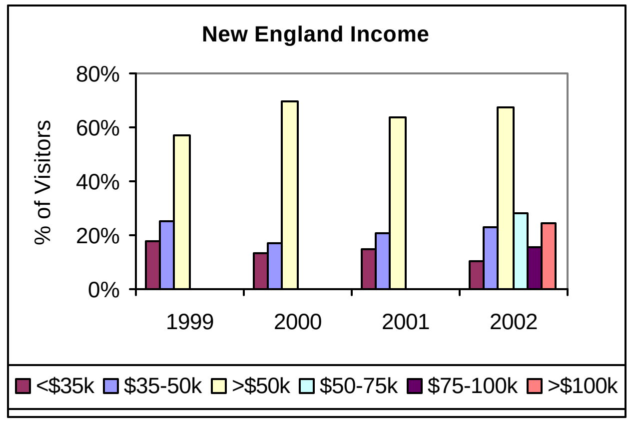
6.6 Consumer Information

The majority of New England visitors (51% in 2002) continue to fall in the 40-59 age group, followed by those over 60 (33%) and those under 40 (16%).

These percentages have remained fairly constant over the past seven years.

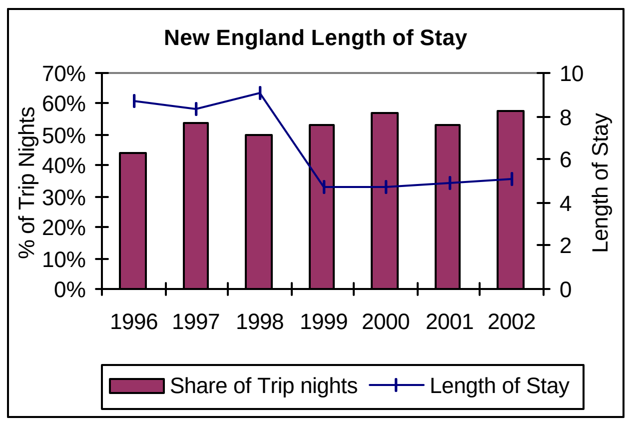


In terms of income, the largest category is in the $50-$75K (28%), followed by over $100K (24%), $35-$50K (23%) and $75-$100K (15%).

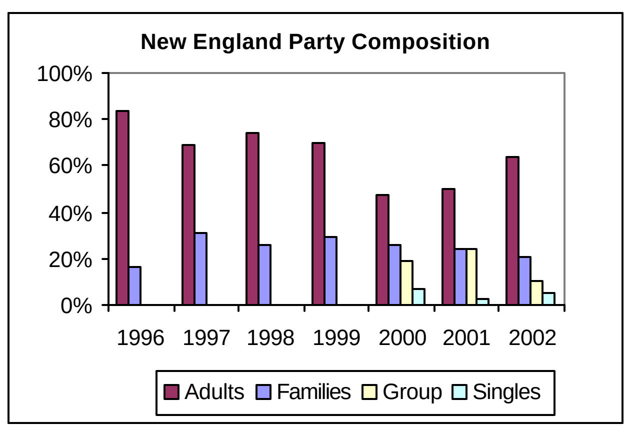


Share of trip nights has a slight increasing trend since 1996 and now sits at 58%.

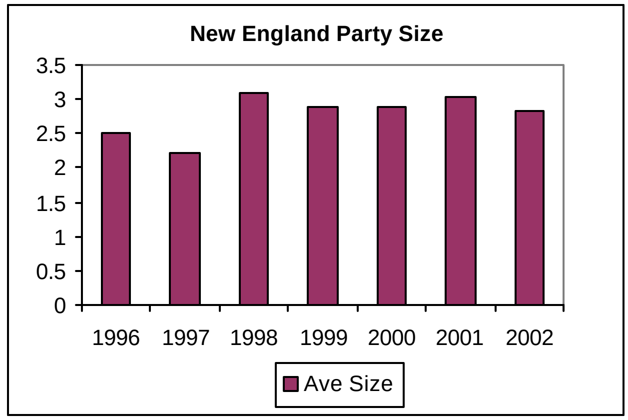
Length of stay has fluctuated, but did rise to 5.1 in 2002.



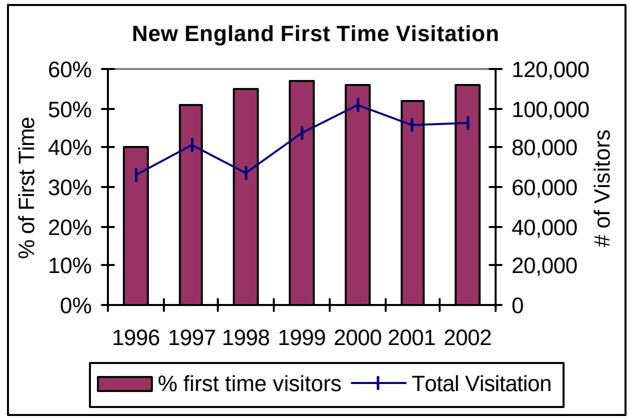
With a direct correlation to age profile, 64% of New England visitors are adults, followed by families (21%) and groups (10%).



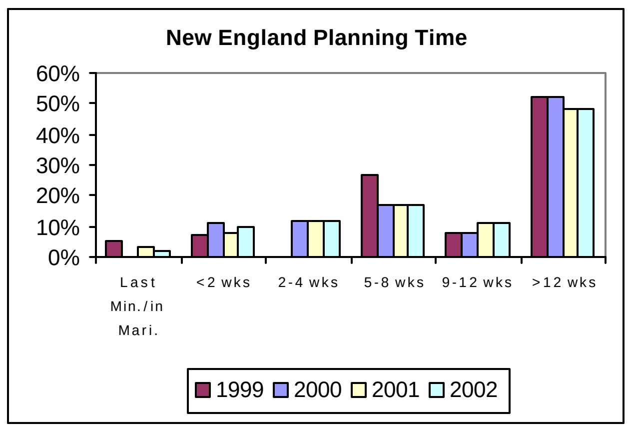
Party size decreased slightly from 3.0 to 2.8 in 2002, which reflects party composition data.



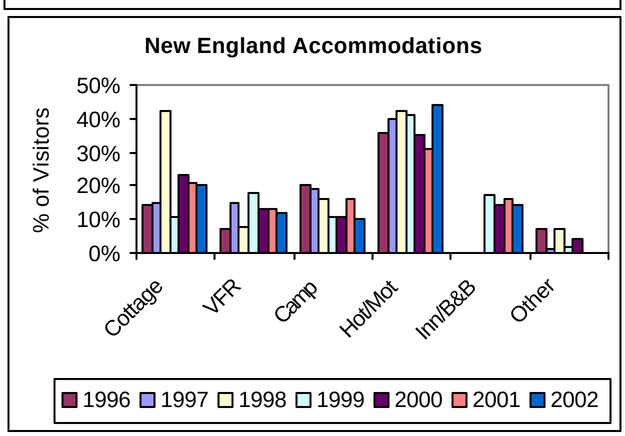
The percentage of first-time visitors to PEI from New England increased in 2002 to 56%, from 52% in 2001. This corresponds to the significantly increased advertising campaign that would have reached a much broader audience.



The majority of New England travellers – 48% – continue to plan their trip 12 weeks or more prior to their visit. The percentage of those planning 9-12 weeks in advance was constant at 11%, while those planning 5-8 weeks and 2-4 weeks out remained constant. Those who decide last minute or while in the Maritimes continue to make up a very small portion of the market. There was an increase, however, in the under-2 weeks category from 8%-10%.



Forty-four per cent of New Englanders prefer to stay in Hotel/Motels during their stay on the Island, followed by Cottages (20%). While most accommodations have remained constant for the last few years, 2002 saw an increase in Hotel/Motel from 31% to 44%, perhaps due to the US packages booklets which featured predominantly Hotel/Motel packages.



6.7 Travel Motives

Just to see PEI and Rest/Escape were the main travel motivators in 2002, followed closely by Visiting Friends and Relatives and Other. Although Pleasure received a high of 53% in 2000, this data was not collected for 2001.

	1996	1997	1998	1999	2000	2001	2002
Family Vacation	22%	19%	44%	23%			
Golf						1%	1%
Hist/Culture	19%	19%	13%	8%			
Just to see PEI					16%	**37%**	**44%**
Other	15%	15%	12%	38%	9%	15%	14%
Personal						8%	5%
Pleasure					**53%**		
Rest/Escape	27%	25%	20%	19%		18%	13%
Sightseeing					2%	6%	8%
VFR	11%	17%	11%	12%	20%	16%	15%

6.8 Activities and Island Product

The top five activities for visitors to PEI for 2002 include Sightseeing (88%), Craft Shopping (72%), Beaches (77%), National Parks (58%) and Driving Tours (56%). All activities have remained fairly consistent or shown slight increases/decreases from 2001, with the biggest changes in Lobster Suppers (up 6%), Theme Parks (down 5%), and Festival/Events (up 5%).

	1996	1997	1998	1999	2000	2001	2002
Sightseeing	92%	89%	94%	85%	89%	**87%**	**88%**
Craft Shopping	79%	79%	85%	75%	75%	**74%**	**72%**
Beaches	73%	73%	73%	74%	74%	**74%**	**77%**
History/Culture	42%	42%	47%	43%	42%	46%	44%
General Shopping	43%	43%	44%	48%	55%	53%	**58%**
National Parks	31%	59%	66%	56%	55%	**60**%	**58%**
Anne	46%	46%	49%	47%	43%	48%	50%
Lobster Suppers	45%	43%	41%	43%	36%	40%	46%
Acadian Culture	16%	29%	21%	37%	34%	37%	34%
Theme Parks	18%	18%	22%	17%	14%	17%	12%
Camping	14%	21%	23%	17%	13%	19%	12%
Golf	13%	13%	10%	9%	13%	13%	14%
Theatre	17%	17%	13%	18%	17%	21%	20%
Festivals/Events	7%	18%	19%	21%	25%	22%	27%
Driving Tours						**58%**	**56%**
Birdwatching							27%
Boating/Kayaking							13%
Birthplace							31%
Confederation Trail							21%
Hiking							26%
VFR							25%

7. Motorcoach Results & Learning

7.1 Summary

In 2002 Prince Edward Island saw a 3.3% increase in motorcoach visitors, an estimated 35,948 visitors arrived by motorcoach compared to 34,808 the previous year. The number of motorcoaches increased by 10% or 958 coaches compared to 872 in 2001. These numbers suggest that while tour operators continue to promote PEI as a motorcoach destination the demand is still weak.

Recent research conducted for ACTP on the Atlantic Canada motorcoach market suggests that based on numbers alone there is growth potential for the US market over the next 5 years provided several factors play out favorably. Visitation would have to return to past performance levels, the US economy and financial markets would have to stabilize and "new seniors" entering the market would have to be willing to take motorcoach tours.

7.2 External Factors Impacting Results

While final numbers are not yet in for 2003 it will no doubt be determined that SARS was the biggest negative factor in the group tour market for the year.

In December 2002 a survey of the 160 tour companies in the US north east that offer tours to Canada was carried out as part of an Atlantic Canada Motorcoach study. This survey showed a high level of optimism. Solid recoveries were predicted for the US market as well as for tours to Canada in 2003. At the time of the survey, the war in Iraq was a real possibility, SARS was unknown and the economy was relatively stable.

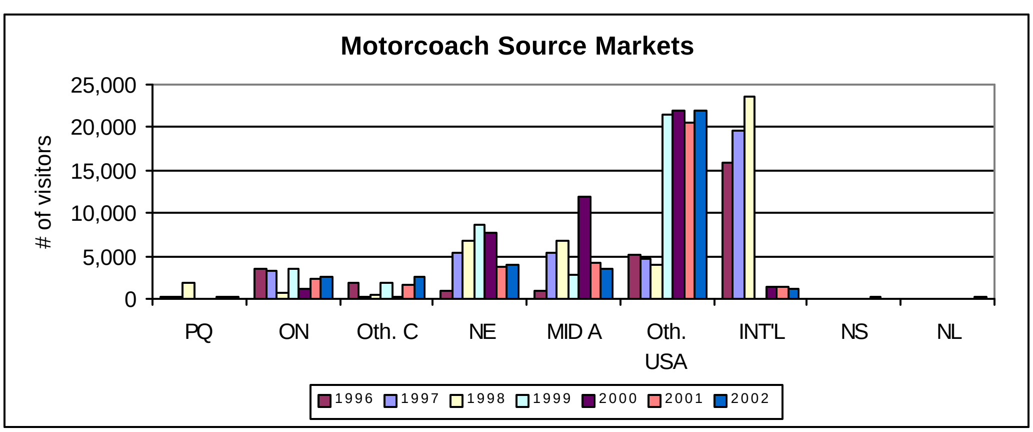
In May 2003 the survey was repeated with 110 respondents from the December survey. The optimism had disappeared. In December 47% of respondents were expecting their tours to Canada to increase, in May that number had fallen to only 6%. While tour operators in the northeast US were predicting declines of up to 30% for Canada. Predictions from the same survey were slightly better for Atlantic Canada indicating declines of only 22% in motorcoach visitation.

The fear that SARS may spread to the Atlantic region was considered the leading negative factor influencing tours to Atlantic Canada in 2003. The weak state of the US economy ranked second in terms of negative influences and Canada's position in the Iraq war ranked third.

As the season progressed mad-cow disease and a strong Canadian dollar also played a part in weak numbers in terms of motorcoach visitors to our region.

At the same time competition from other destinations has increased. Major marketing campaigns have been launched to encourage travelers to stay in their own areas.

As a larger number of baby boomers approach retirement they are looking for packed travel options. A recent study prepared for the National Tour Association indicated that packaged travel overall attained extremely high consumer satisfaction levels.



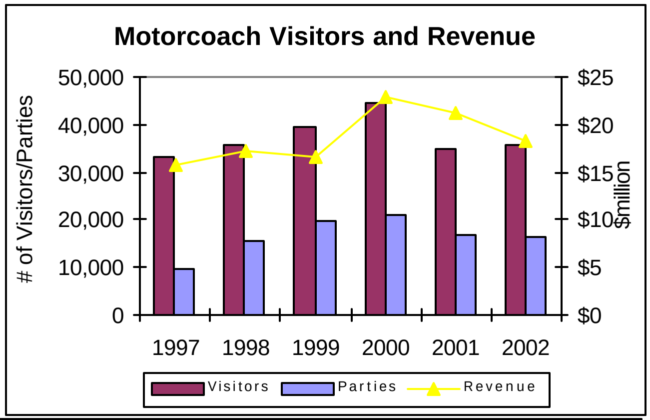
7.3 Marketing Activities and Results

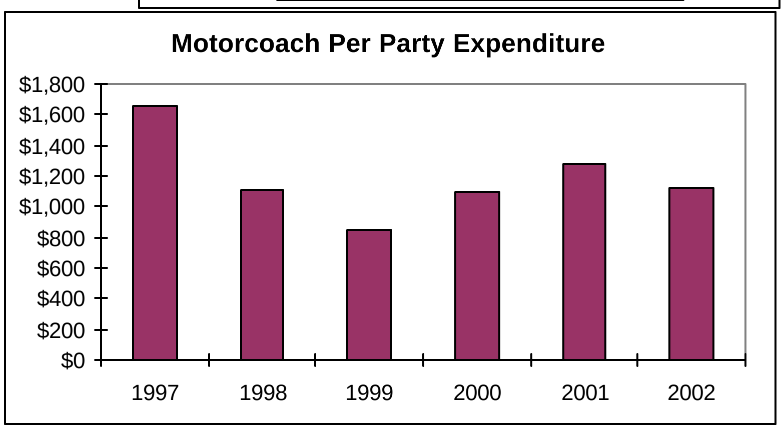
Based on current research conducted for ACTP on the Group Tour/Motorcoach Market a number of marketing activities are currently underway to combat industry trends and increase market share for PEI:

- Advertise in Atlantic Canada Group Tour Planner & Atlantic Coast Alliance.
- Coop ad with industry partners in NTA's Courier Magazine.
- Sales calls and reservation staff training in New England with the other 4 Atlantic Provinces.
- Attendance at NTA, ABA, OMCA, BQ, RVC.
- Continue to introduce itineraries with more activities for both group tour and FIT.
- Develop a historical/cultural/musical itinerary for the educational market.
- Marketing activities will highlight the safety and security of PEI as a destination.

7.4 Revenue and Visitation

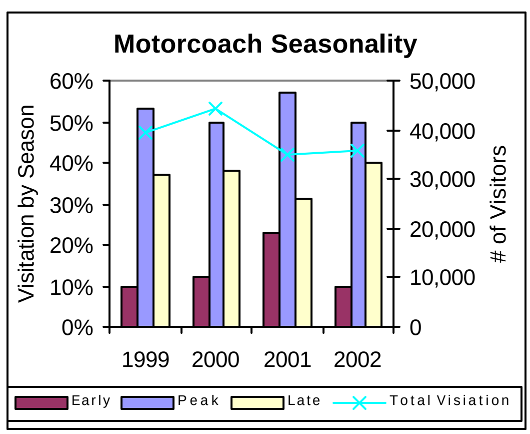
Expenditures per motorcoach visitor party decreased from approximately $1,276 in 2001 to $1,112 in 2002. Given the decrease in party expenditures and in the number of motorcoach parties, overall motorcoach visitors receipts decreased by 13% to 18.2 million as compared to $21.2 million in 2001.





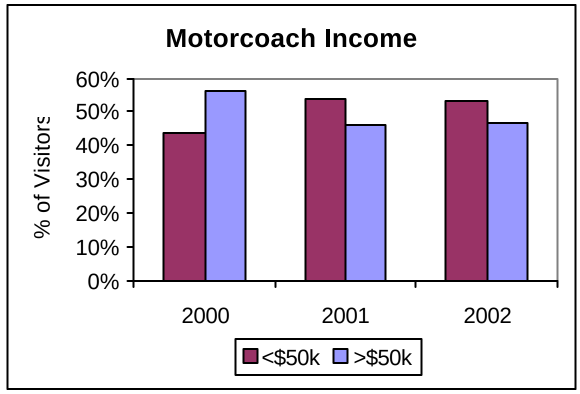
7.5 Seasonality

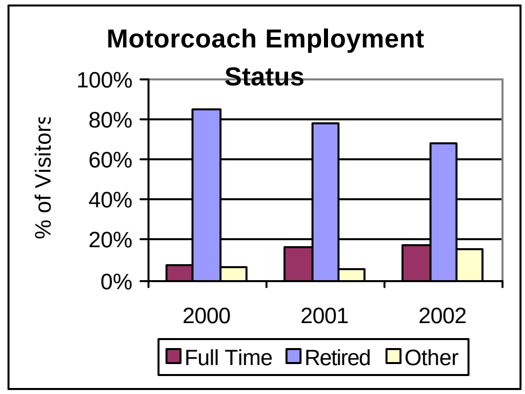
The peak months of July and August continue to attract the largest number of motorcoach visitors. The early season (May/June) continue to pose problems in attracting increased numbers of senior travelers to our province. Our Fall season (September/October) remains a strong period for motorcoach visitation to the province.

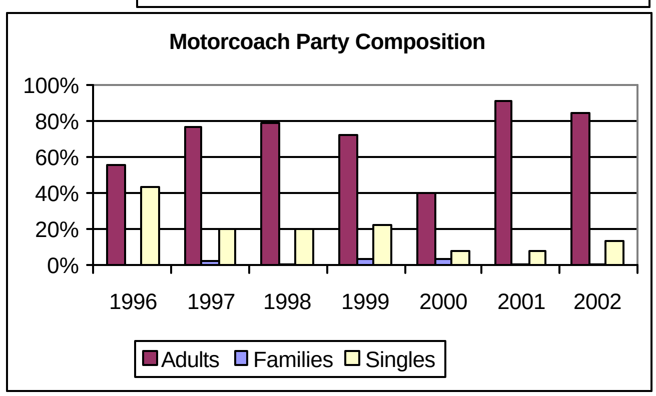


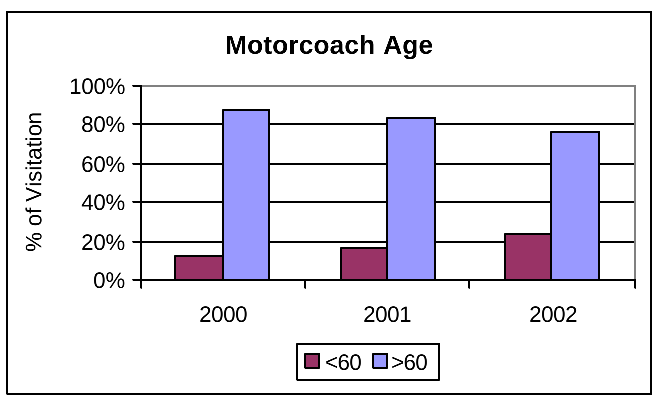
7.6 Consumer Information

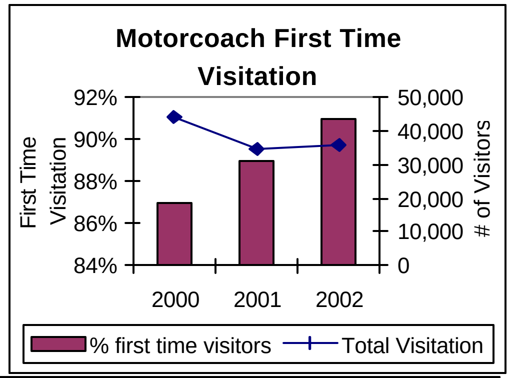
Current research shows that 76% of motorcoach visitors are 60 years of age or older, 68% are retired and 47% have household incomes of $50,000 or more.

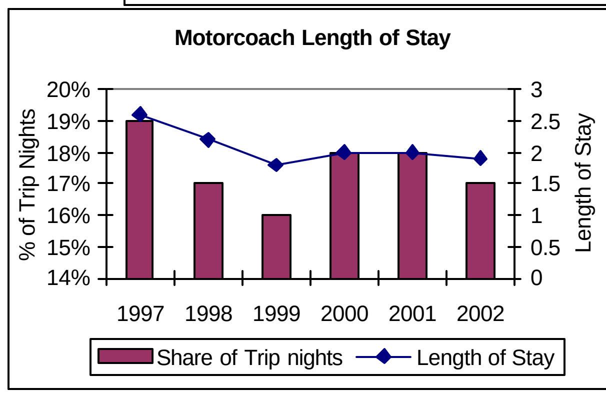


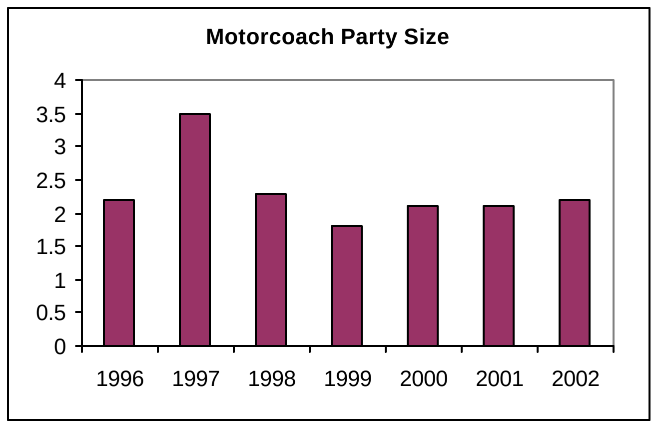




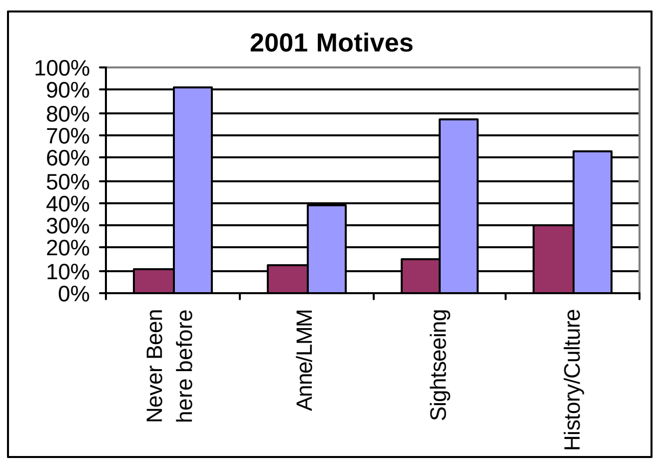








7.7 Travel Motives



7.8 Activities and Island Product

Current market research suggest the most popular tourism products in PEI for motorcoach itineraries are:

Anne of Green Gables House	91%
Lobster Suppers	70%
PEI Preserve Company	54%
Live Theatre	52%
Live Theatre	62%
Tours of Charlottetown, Province House, Founders' Hall	47%
Other Anne attractions	46%

8. Cruise Ship Results and Learning

8.1 Summary

Even with the many challenges the cruise industry faced in 2002 & 2003 it still continued to post impressive gains and contribute positively to the Atlantic Canada economy. By moving to shorter cruises, repositioning cruise ships to drive-up markets, such as the Mid Atlantic and New England, and lowering prices, the industry has been able to retain repeat customers and attract many first-time cruisers. A recent study for the International Council of Cruise Lines (ICCL) indicates a 10% increase in economic activity at US ports. Ports such as: New York, Washington, Georgia, Massachusetts, and Pennsylvania were listed in the top ten. 2002 also saw the industry's largest single year increase in berths.

Prince Edward Island saw an increase of one arrival in 2002 but experienced an increase of 131% in the number of passengers due to larger capacity ships arriving.

All regions in the United States experienced passenger growth in the cruise ship activity with New England and Mid Atlantic, both major markets for Atlantic Canada, experiencing double digit growth.
In 2004 Holland America has scheduled a record number of 18 arrivals for Prince Edward Island and will have two ships the Rotterdam and the Maasdam carrying passengers from major US markets such as: Ft. Lauderdale, Norfolk, New York and Boston.

The cruise industry has rebounded dramatically since the tragic events of September 11th.

Cruise Lines International Association (CLIA), which represents 23 North American cruise lines and 17,000 affiliated travel agencies, reported a 3.8% increase in the number of cruisers in the first half of 2002 over the same period in 2001. With more than 3.6 million North American vacationers taking cruises thus far in 2002 as compared to nearly 3.5 million in the first half of last year, the industry is on track to meet its target of a record 7.4 million North American cruisers in 2002.

The public has demonstrated their belief in the value of a cruise vacation and their confidence in the cruise industry. Adjustments to schedules and security procedures were made and have been maintained, but the same product is being delivered in such a way that it continues to not only meet but also exceed the expectations of the vast majority of those who choose it.

Cruise lines with itineraries departing from North American ports, some for the first time, are expanding programs due to positive response to the use of these ports, which place cruises within driving distance of more US residents resulting in an increase the number of departures from these locations.
While 2003 visitation statistics are not available, it is certain that SARS will have had a negative impact on the number of arrivals as did a weaker US economy.
The Capital Commission of PEI is the lead agency in terms of cruise ship marketing activity as a result of their status as the primary cruise destination on PEI. Ours is a support role to compliment their activities and any others active in this market from PEI.

8.2 External Factors Impacting Results

While the current weak economic situation continues to have a negative effect on the travel industry in general the Cruise industry has been able to lower their pricing to levels and offer shorter cruises that are very appealing to customers. This has allowed cruise lines to achieve relatively high passenger counts.

Cruises are also considered "packaged travel" which is appealing a wide sector of the general population particularly baby boomers. Many people are taking advantage of the low level pricing and are cruising for the first time.

The present condition of the infrastructure at the Port of Charlottetown is limiting and will continue to limit the number of cruise line that are willing to visit Prince Edward Island until such time that the docking facilities are improved.

8.3 Marketing Activities & Results

While Seatrade Cruise Shipping Convention is still the leading cruise industry convention and exhibition held in North America where industry partners have the opportunity to promote their cruise destinations to many of the key decision-makers of cruise lines. The convention continues to be one of the major sales and marketing activities for the Atlantic Canada Cruise Association (ACCA).

Over the next two-year agreement ACCA will align its marketing activities more closely with provincial tourism marketing campaigns to leverage momentum that Atlantic Canada already has in the New England and Mid Atlantic markets. Also, several new marketplaces have been identified that would allow ACCA to market our area to the travel trade.

ACCA will continue to pursue joint marketing ventures and promotional activities with cruise lines and other industry partners currently operating in the Canada B New England cruise theatre. During the planning period ACCA is committed to moving forward with the development of joint marketing partnerships.

In addition, ACCA will continue its advertising campaign in targeted trade publications, produce a quarterly electronic news letter, issue regular press releases that will feature stories and new information about Atlantic Canada and continue to promote the use of its new web site.

As a result of these activities it is expected that the cruise market will continue to grow in Atlantic Canada while seeing modest increases in Prince Edward Island due to infrastructure conditions mentioned above.

8.4 Revenue and Visitation

Prince Edward Island saw 24 Cruise ship arrivals scheduled in 2002 up from 23 arrivals in 2001. The number of passengers increased 131%, from 8,376 to 19,313 due to the fact that we were able to attract a larger ship, Holland Americas "Rotterdam" for 14 of the 24 arrivals. This exceeds the previous record of 18,083 passengers in 1991and also sets a new record of five years of consistent growth in this market for PEI.

Recent financials released by the large publicly traded lines have demonstrated the continued strength of the market, resulting in slightly lower yields for the first half of 2002 but maintaining the historically high levels of occupancy.

Actual Number of Cruise Ships and Passengers

Year	Ships	Passengers
1991	35	18,083
1992	30	11,516
1993	24	7,749
1994	17	4,386
1995	15	3,014
1996	14	7,871
1997	10	6,366
1998	8	2,115
1999	16	7,030
2000	20	7,728
2001	23	8,376
2002	24	19,313
*2003	21	16,900

* Estimated

8.5 Seasonality

PEI CRUISE SHIP INDUSTRY BREAKDOWN				
	# OF ARRIVALS	PERCENT OF ARRIVALS	# OF PASSENGERS & CREW	PERCENT OF TOTAL PASSENGERS
MAY	1	4.76%	1916	7.69%
JUNE	5	23.81%	6004	24.11%
JULY	3	14.28%	3957	15.88%
AUGUST	0	0	0	0
SEPTEMBER	3	14.28%	2730	10.96%
OCTOBER	9	42.87%	10305	41.36%
TOTAL	21	100.00%	24912	100.00%

8.6 Consumer Information

The industry is responding to the consumer confidence by continuing to expand its fleet and providing cruisers with more options than ever. More than 20 ships are slated to enter the CLIA fleet between fall 2002 and the end of 2003. The consensus in the industry is that business will continue to improve and that we will end 2002 on a strong note, which should flow through into 2003.

In an effort to maximize returns from this market ACCA has awarded contracts for the completion of an “Economic Impact Study” to assess the economic impact of the cruise industry in Atlantic Canada. Phase I of the study will determine value of cruise line spending in the region, while Phase II will assess the economic impact of passenger and crew spending. The study is to be completed on October 31, 2002.

8.7 Activities and Island Products

During the 2002 season many Island tour operators, taxis drivers and limousine services operated a variety of tours of Prince Edward Island for cruise ship passengers. The newer - faster cruise ships allows for longer visits in port which allows passengers to take advantage of the many shore excursions available particularly on PEI where virtually all of the activities are accessible due to the close proximity of our tourism products.

Shore excursions delivered passengers as far west as Summerside, all along the north shore and as far east as Greenwich National Park. In addition, taxis and limousines carried passengers to countless destinations across the Island.

Activities included everything from golfing, kayaking, cycling, shopping and dining.

9. Japan Results & Learning

9.1 Summary

The economic challenges in Japan continued in 2002. Unemployment was at a 30 year high and wages were being cut. The tragic events of September 11th and their aftermath dramatically affected visitation from Japan. This market traditionally exhibits strong fall visitation for autumn color viewing and growth in this area resulted in an overall increase in Japanese visitation to PEI by 7.1% in 2002 and 3% increase in Japanese parties. Total non-tour expenditures from Japan increased 25% from $1.04 million to $1.30 million and the total expenditures including tour and non-tour is estimated at $4.6 million for 2002.

British Columbia, Ontario and Alberta continue to be the favorite provincial destination for Japanese visitors to Canada. The main consumer target audience continues to be the Middle-Silver market aged 45 years and older followed by Full-Moon couples 45 years and older and Career Women 30 years and older.

9.2 External Factors Impacting Results

Airline capacity continues to be an issue as transpacific flights are full and domestic connections are more challenging because of reduced frequency and capacity sometimes preventing same day travel from Japan to PEI. Canada continues to lose market share to other destinations with larger marketing budgets and those that are considered short-haul destinations. The awareness level of PEI, while good compared to other maritime provinces, continues to be relatively low compared to the more popular destinations in Canada and elsewhere. Economic uncertainty and sluggish stock prices continue to hold back pent up demand for travel to Canada. Weather is not a factor for visitation from this market.

While no official 2003 stats were available at time of printing, SARS almost completely wiped out the early half of the tourist season from this market and dramatically reduced the latter half of the season. It is estimated that 2003 visitation will be down dramatically and were it not for some recovery in the fall the impact would have been even greater.

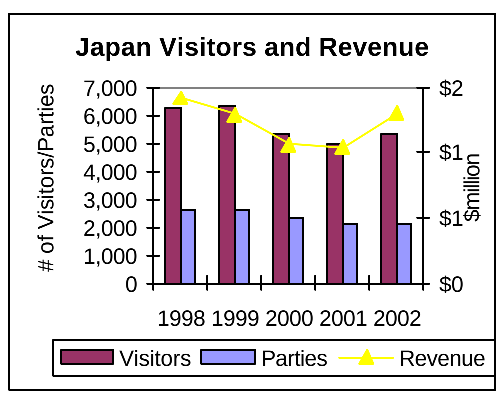
9.3 Marketing Activities and Results

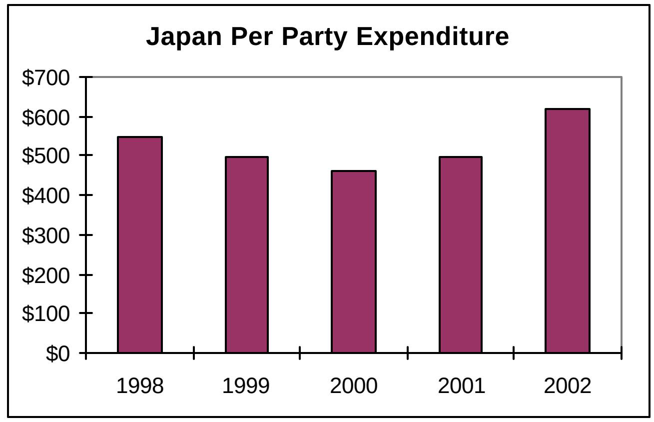
The majority of marketing activities that take place in Japan are under the umbrella of the ACTP Overseas Committee or in partnership with the CTC Tokyo office or our local receptive operators. Activities also include trade seminars and sales calls following attendance at KANATA. The activities continue to gradually grow awareness of our destination and build personal relationships necessary to grow business. Fam tours and marketplace attendance at RVC and CITAP combined with sales calls in Toronto and Vancouver continue to produce good results. Introducing new product and building relationships with the Canadian based land operators is an important aspect of our marketing activities. There are now 43 tour operators carrying Atlantic Canada product featured on 47.5 pages.

Consumer activity in this cost prohibitive market is limited to tour operator partner advertising, our Web site, our Japanese mini-lure and the CTC office in Tokyo. Japanese language materials and web sites are critical to effectively communicate with our consumers.

9.4 Revenue and Visitation

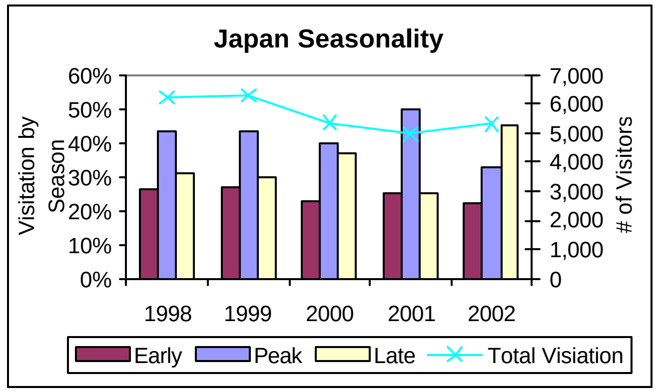
The Japanese market, while small in overall visitation numbers, continues to be an important high yield market generating total non-tour (expenditures on PEI only) expenditures of $1.30 million, an increase of 25%.





9.5 Seasonality

The Japanese market continues grow its shoulder seasons with the most noticeable growth happening in the fall. Fall bookings for 2002 were considerable stronger than the previous year. Across the country the fall is now considered peak season for Japanese visitation.

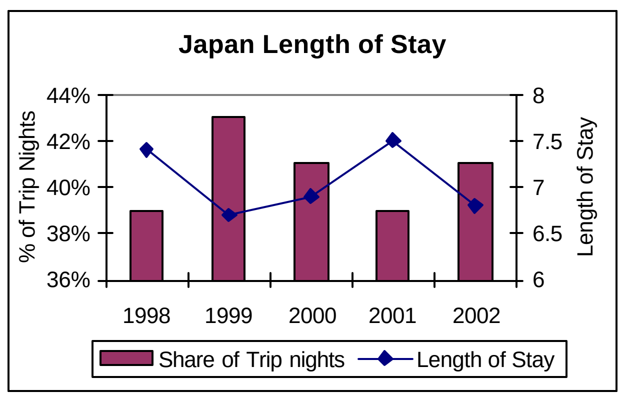


Specific numbers for the last few years are:

	Spring	Summer	Fall
2000	23% 1229	40% 2137	37% 1976
2001	25% 1242	50% 2485	25% 1242
2002	22% 1170	33% 1756	45% 2394

9.6 Consumer Information

The length of each individual vacation remains quite short in comparison to other international travelers. In 2002 the length of stay diminished slightly form 7.5 nights to 6.8 nights. However, PEI's share of Japanese visitors trip nights has increased slightly from 39% to 41%.



9.7 Expenditure by Activity (%)

Activity	1999	2000	2001
Accommodations	6	7	7
Meals	21	19	20
Crafts	51	44	55
City/Land Tours	12	13	7
Auto	1	2	1
Live Theater	3	2	2
History/Culture	1	1	1
Sporting	1	1	1
Other	4	11	6

10. Europe Results & Learning

10.1 Summary

Provincial statistics relating to international visitor origin covers all geographic areas outside of North America and therefore caution must be exercised when making comparisons from year to year as the sample size used is very small. 2002 saw a decrease of 8.1% in the number of pleasure visitors and the number of parties increased 4.6%. While the numbers are not broken down to profile just Europe, it is estimated, based on numbers obtained from the exit survey of 2002, that approximately 65% of international visitors are from the UK, Germany and Switzerland which are the countries that receive the majority of our marketing activity overseas.

According to the 2002 International Travel Survey which is one of only a few sources of data to draw information from, data shows that our regions share of Canadian visits from the UK and Germany decreased 9% from 3.5% to 3.2%. Our region experienced a significant decline in overnight visits dropping from 200,900 to 170,900 or 15%, the most significant drop of any Canadian region, however only Manitoba/Saskatchewan experienced positive growth. In general, visitation in 2002 was better from the UK than from Germany. ITS figures indicate that 19% of overseas visitors to Atlantic Canada stay at least one night in PEI and that the value of visitors from the UK and Germany to PEI is approximately $5.75 million.

The aftermath of September 11th obviously had an impact in terms of the number of visitors and the number of airline seats available flying into Atlantic Canada. While Europeans appear less affected by acts of terrorism than Japanese visitors, the numbers were still down from this market. Air access immediately following September 11th was dramatically affected with significant reductions in charter capacity into the region and reductions in Air Canada capacity. The bankruptcy of Air Canada placed further restrictions on the number of seats into the region.

10.2 External Factors

European travel patterns and regional distribution are closely linked to air access and gateways. Air access continues to be a significant challenge with reduced capacity from Air Canada and as a result of fewer charter carriers flying directly into Atlantic Canada. In the UK, the strong pound against our weak dollar makes us good value for money but in Germany the introduction of the Euro compared to the strength of our dollar combined with tougher economic conditions hampered growth from this market. The aftermath of September 11th and the fear of additional terrorist attacks also created challenges and reductions in visitation from these markets. Weather is not a factor affecting visitation from Europe.

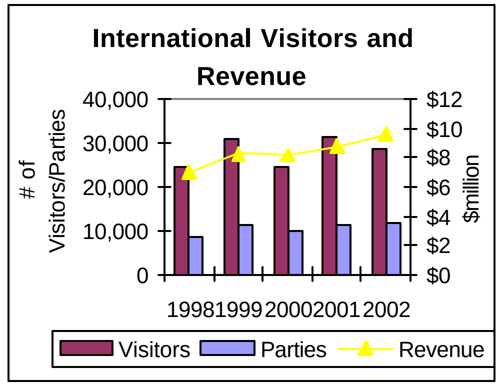
While 2003 visitation stats are not available, it is clear that SARS had a significant impact on visitation in the first half of the tourist season when large numbers of cancellations were experienced.

10.3 Marketing Activities and Results

As in Japan, the majority of PEI marketing activity in Europe is carried out under the umbrella of the Atlantic Canada Tourism Partnership and the ACTP Overseas Committee. A significant portion of the partnerships dollars go towards partnered activity with the CTC in these markets and results have been very favorable in terms of the impact of these levered dollars. While it is difficult to determine ROI on many trade activities, trade shows, fam tours, marketplace attendance, tour wholesaler partnerships and print and TV advertising have shown very good results with ROI, where measurable, ranging from 4.5 to 1 all the way up to 19.22 to 1. The amount of brochured product decreased by roughly 4% and there are now 122 tour operators in Europe carrying Atlantic Canada product. This was largely the result of amalgamations and mergers of several tour operators, which resulted in fewer catalogues in-market. All of PEI's activity is focused on Receptive tour operator partnerships and fam support to supplement the ACTP activities and guarantee favorable product exposure, awareness and sales.

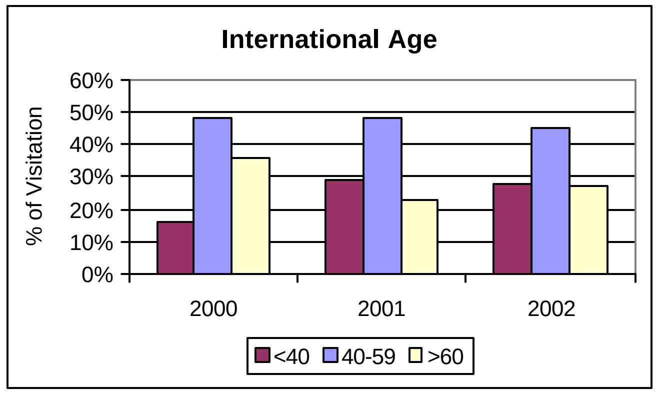
10.4 Revenue and Visitation

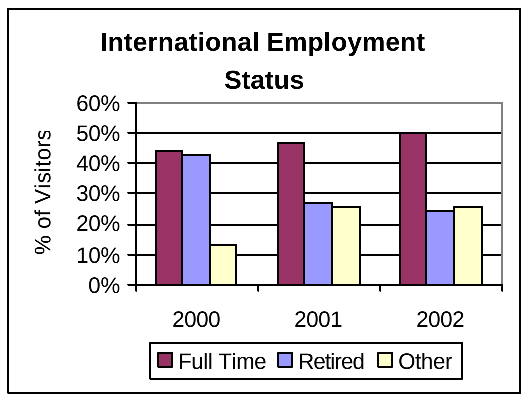
The accompanying charts are for total international visitation. While difficult to measure based on current sample sizes, the economic impact from Europe is particularly significant when compared to the investment of PEI specific dollars. For demonstration purposes, using 65% as the amount of European visitation within the international data, as estimated from the 2002 exit survey data, the economic value to PEI from this market in 2002 was approximately $6.24 million. Again, caution must be exercised when considering these figures, as there is significant margin for error when using assumptions like these.



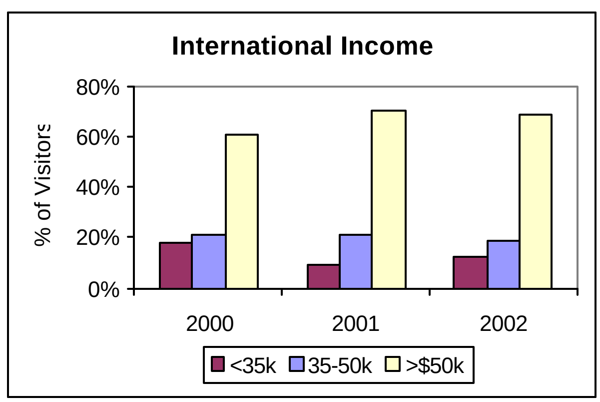
10.5 Consumer Information

In 2002, a majority (72%) of pleasure visitors were over 40 years of age with 50% working full time.

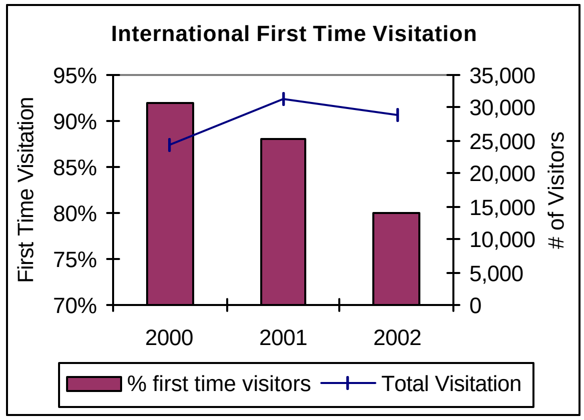




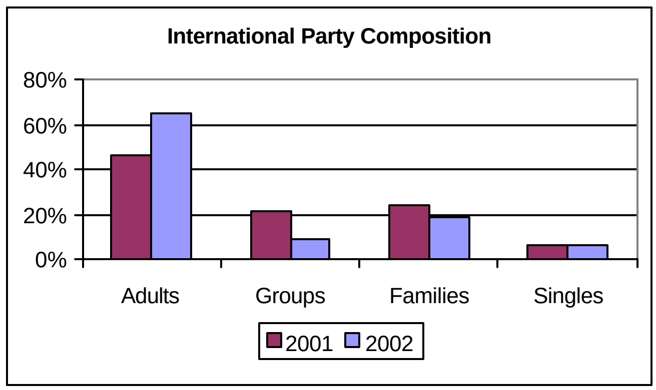
69% had annual household income greater than $50,000.00 and they spent an average of 5.4 nights in PEI during their vacation.



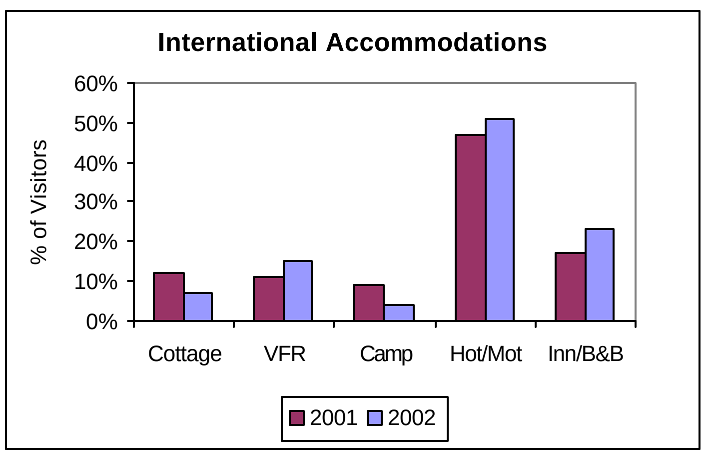
The majority were first time visitors at 80% vs 20% repeat visitors.



International Pleasure Visitors consisted of 65% single adult couples, 19% families with children less than 18 years old, 9% were groups and 7% were single travelers. The high percentage of single adult couples is consistent with data indicating the highest potential for growth is within this category.

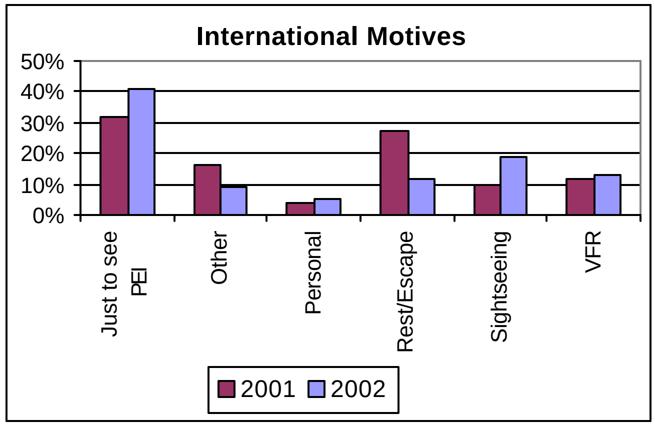


International visitors primarily stayed in Hotel/Motel types of accommodation (51%) followed by B&B/Inns at 23%, Cottage/Cabins at 7%, Campground/trailers at 4% and roughly 15% stayed were VFR.



10.6 Travel Motives

The main travel motives expressed by International Pleasure visitors included: just to see PEI at 41%, sightseeing at 19%, rest and relaxation at 12%, and visiting friends and relatives at 13%.



10.7 Top Activities Enjoyed on PEI

The top five activities enjoyed by International Pleasure Visitors while on PEI in 2002 included: Sightseeing at 96%, beach visits at 83%, visiting National Parks 78%, craft/souvenir shopping at 77% , and driving tours at 74%.

11. FIT/Packaged Travel Results & Learning

11.1 Summary

FIT/Packaged travel exhibits great potential for PEI and continues to be one of the fastest growing segments of travel within the industry. FIT travelers are looking for a variety of unique experiences and products designed to specifically suit their wants and needs. As the baby boomers continue to influence the travel industry there is more and more of a shift from the set itineraries of group travel to the much more customized and flexible mode of FIT travel.

While this is a rapidly growing sector, it is very difficult to measure due to the nature of the travel and the type of products included within the FIT packages. For example, unless you are the seller of the FIT package there is currently no way to really separate out the FIT traveler from our exit survey as they appear to look like any other individual traveler.

Our approach to this market from a trade perspective has always been to partner with reputable tour operators who already have a sound understanding of our destination and products and the network to get the product to the consumer either through travel agents or through direct sales via direct mail or the Internet.

In many cases our partnerships are with both group and FIT operators as there are economies of scale to be had in terms of training activities and product development and cross selling spill over. While difficult to measure, this mode of travel is showing positive growth from both the US and from within Canada. On average, our partnerships are showing a return on investment of around 4:1.

11.2 External Factors

Like all other markets, this one also was affected by the aftermath of September 11th. Because of the nature of FIT travel, many people decided to postpone or cancel their travel plans for 2002. While domestic air capacity gradually improves with increased competition from low cost carriers, connections and capacity continue to be a challenge. As our Canadian dollar improves our American visitors vacations increase in cost. Significant numbers of FIT visitors come from the New England area and it is expected that their economy will lag behind the rest of the US due to the fact that there was such a high concentration of technology and financial companies. Weather is more of a factor from this market than long haul markets as there is the flexibility to alter your length of stay in any one particular destination.

US visitors make up the lions share of FIT visitors to Prince Edward Island and in spite of the fact that the SARS outbreak was limited to the Toronto area and US visitors are geographically closer to us that other markets, they didn't differentiate between us and Toronto when making their travel decisions. As well a stronger Canadian dollar and continuing economic uncertainty and the war in Iraq negatively affected visitation from this market.

11.3 Marketing Activities

Through our partnerships the trade section carried out a number of very successful marketing activities independently and in partnership with our preferred tour operators. Direct mailings were completed, we attended trade and consumer shows, training sessions were conducted for sales and reservations staff of our partners, sales calls on hundreds of travel agencies, fam tours were conducted for select planning and sales staff, Internet marketing was conducted and our product was represented in over 800,000 brochures throughout North America.

11.4 Revenue and Visitation

The current make-up of the exit survey does not allow the FIT traveler to be identified within the exit survey data. In addition, only those tour operators who we are partnering with, and it is a very small number in comparison to the total number of tour operators and travel agents and AAA and CAA offices selling PEI product, provide any data. The tour operator partners data is only useful when evaluating each individual partnership and does not in any way reflect the size or importance of this sector.

11.5 Consumer Information

Our FIT travelers originate from all parts of North America and are not regionally targeted. As a result their make up closely matches that listed in summary of results from 2002 and falls within the summary information in other regional sections.

- 24% of our visitors were under age 40, 50% were 40-59 and 26% were over 60 years of age.
- Generally speaking their income level exceeded $50,000.00 with 70% reporting income at this level or higher.
- 47% of our visitors were adult couples, 28% were travelling as families, 20% were part of a group and 6% were singles.

11.6 Travel Motives

Golf	3%
Just to see PEI	30%
Other	18%
Personal	8%
Rest/Escape	17%
Sightseeing	5%
VFR	19%

11.7 Activities and Island Product - 2002

Sightseeing	81%
Craft Shopping	69%
Beaches	71%
History/Culture	41%
General Shopping	55%
National Parks	55%
Anne	41%
Lobster Suppers	45%
Acadian Culture	26%
Theme Parks	19%
Camping	19%
Golf	17%
Theater	16%
Festivals & Events	22%
Soft Outdoor	84%

12. Auto Club Market

12.1 Summary

The auto club market continues to play a major role in the overall visitation numbers to PEI. The last four years have shown that 45% or more of all pleasure and business visitors to PEI state that they are members of an auto club. Traditionally, as well, the average expenditure per party by auto club visitors is higher than the provincial average of pleasure visitors.

A concern still remains amongst some travelers who use airlines as their main mode of transportation, this has in turn benefited provinces such as PEI, where the auto market is predominant.

The auto club market may be more resilient however, being that members tend to have higher incomes and therefore are less affected by the economy and fuel prices. Canada and in particular, PEI would be considered a safe destination that provides a foreign flavor for the US auto club member.

12.2 External Factors

A number of factors this year contributed to the travel decisions made by auto club members. As can be appreciated the auto club market is "dependent" on fuel and its pricing, which for the year 2003 could be described as "open to wide fluctuations" due to the world economic and political situation. In addition, there still remains some concern, especially from US members, about traveling too far from home. In an attempt to lure travelers to their particular destination or encourage travelers to stay at home, strong marketing initiatives were put in place by many provinces and states.

Economic uncertainty in 2003 strongly affected the US market, this has had an influence on the Canadian economy; thereby, impacting on the travel decisions of Canadians. Other factors that played havoc with visitation include unstable gas prices, Iraq war, SARS, difficulties in the airline industry, the strengthening Canadian dollar and BSE.

12.3 Marketing Activities

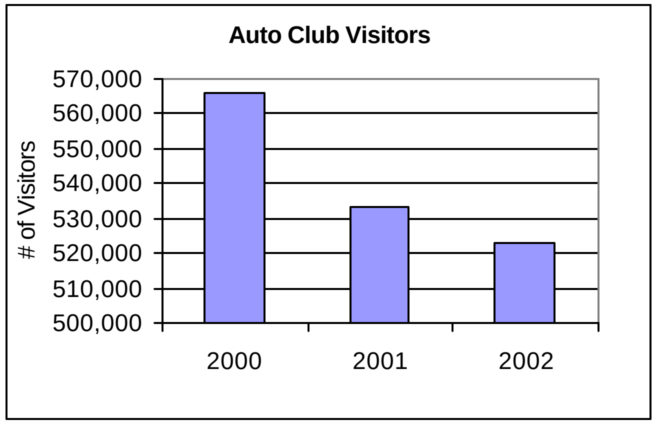
During 2003 a number of marketing activities occurred that were directed to the auto club market.

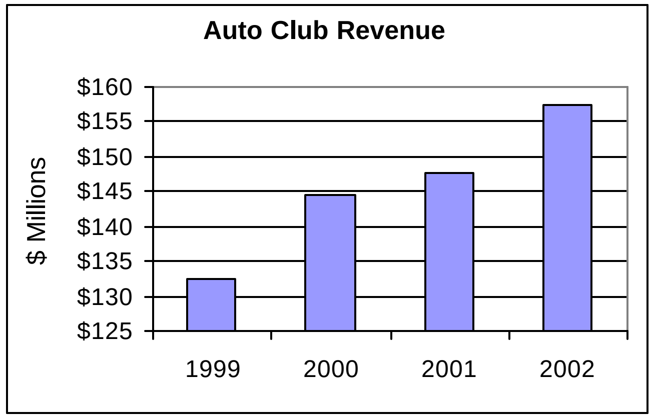
1) Attendance at AAA staff and member marketplaces in Southern New England.
2) Sales calls to AAA offices in Southern and Northern New England.
3) Mail out of updated information packages to all 132 CAA offices across Canada.
4) Mail out of updated information packages to 268 New England and Mid Atlantic AAA offices.
5) Support various tour operator programs related to the auto club market.
6) Providing bulk literature to CAA and AAA distribution centres as well as "other" auto club offices.
7) Sponsorship and participation in CAA Mid-Western Ontario staff training day.
8) On-going communication with auto club offices.
9) Advertising occurred in CAA/AAA Quebec/Atlantic Canada Tour Book; as well as "Go Canada", a nationwide CAA publication, Leisureways, an Ontario CAA publication and "Travel Talk" a direct mail piece to 10,000 members of CAA Central Ontario.

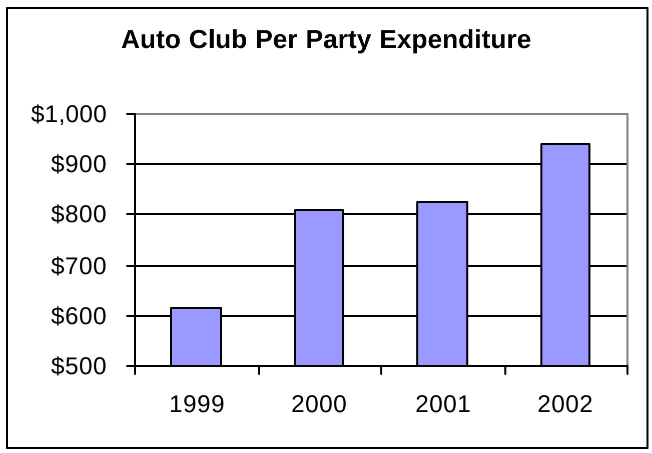
During the course of the season many offices, most notably CAA-Quebec and Southern New England and Northern New England requested additional supplies of literature. Initial indications suggest that auto club member travel to the Island was similar to the past year.

12.4 Revenue & Visitation

Per party spending from the auto club market continues to increase each year, even though actual auto club members may not. Healthy revenue increases have been experienced over the past 3 years and initial indicators suggest that this trend will continue.

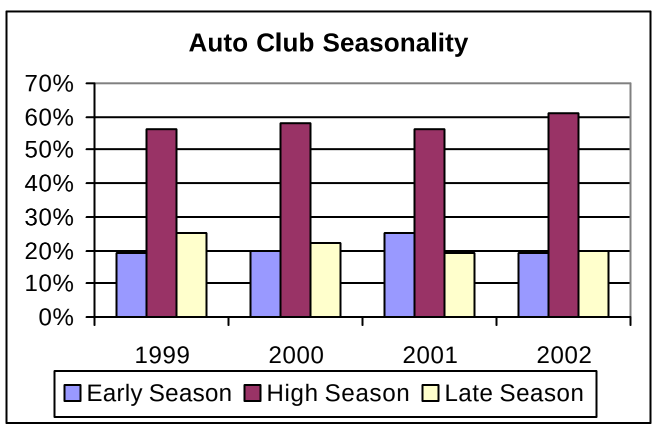






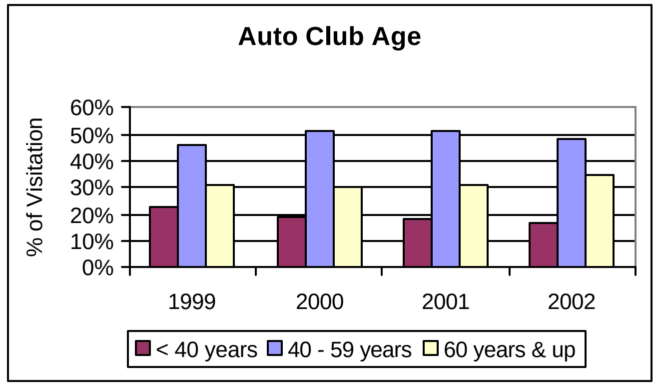
12.5 Seasonality

Similar to our regular visitors there is a tendency by auto club members - over 55% - to travel to PEI during the high season.

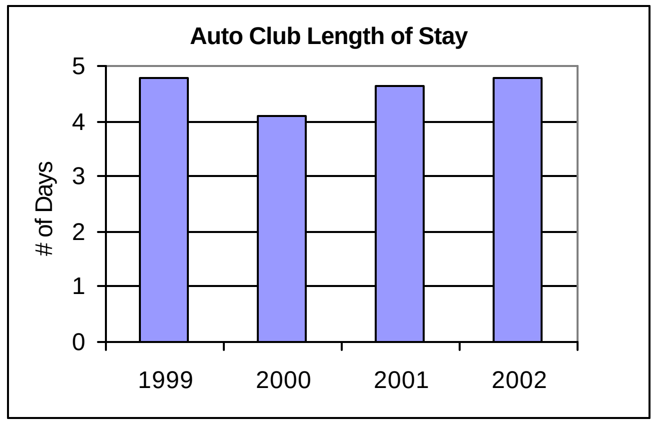


12.6 Consumer Information

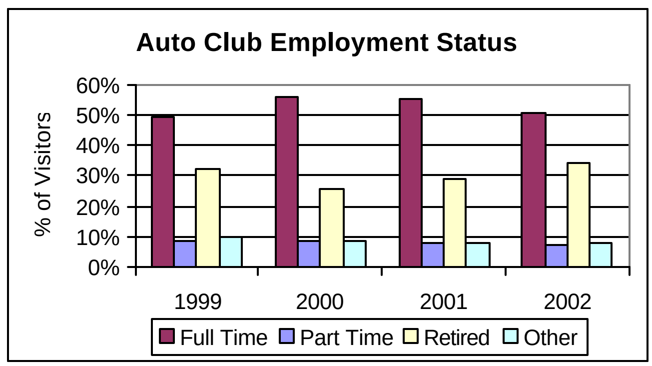
Travel amongst those auto club members that are over 60 years of age is on the rise.



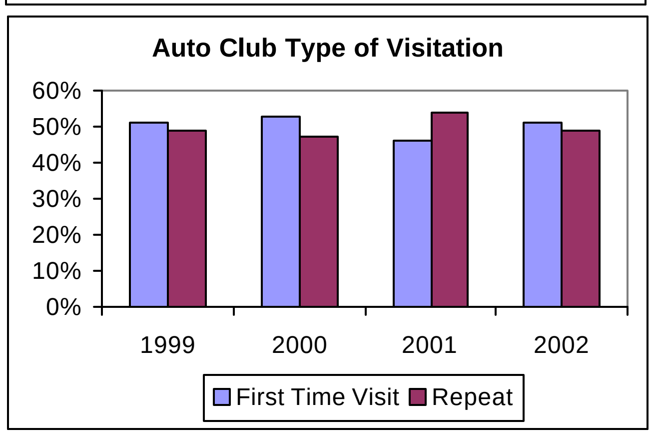
Following a drop in length of stay from 1999 to 2000, the length is now increasing from 4.8 days in 1999, to 4.1 in 2000, 4.63 in 2001 and 4.78 in 2002.



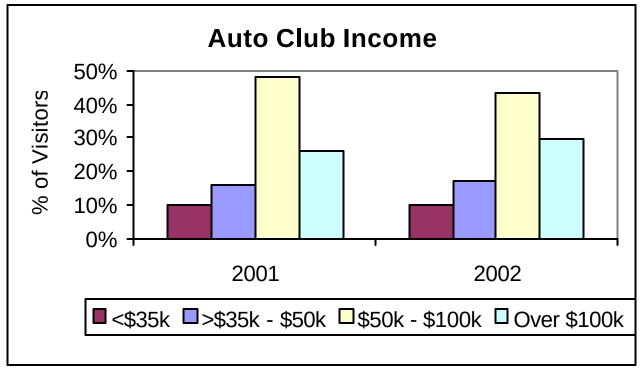
With an aging population, the status of many retired visitors to PEI is increasing, while full-time workers is declining.



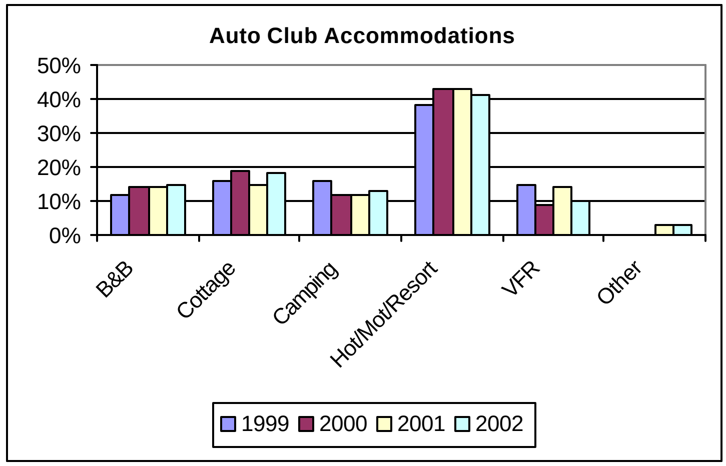
The type of visitation fluctuates only slightly over the years.



Nearly 75% of auto club members who visit PEI make a yearly income of over 50k.



The type of accommodations that auto club members stay at does not change much from year to year.



12.7 Travel Motives

As with the travel motives of regular Island visitors, the motives for auto club members are very similar.

	2001	2002
Historical/Cultural		1%
Rest/Escape	17%	10%
VFR	18%	17%
See PEI	33%	45%
Experience Confederation Bridge		1.5%
Soft Adventure		2.6%
Touring/Sightseeing	6%	7.7%
Visit Anne Sites	4%	3%

12.8 Activities & Island Product

Many of the activities that have "entertained" auto club visitors in the past continue to do so. There are no major fluctuations from year to year in the activities participated in.

	1999	2000	2001	2002
Sightsee/Tour	85%	82%	79%	86%
Craft Shopping	75%	76%	71%	73%
Beach Visits	73%	70%	70%	74%
Driving Tour			59%	61%
National Parks	55%	57%	55%	60%
General Shopping	51%	53%	51%	55%
Lobster Suppers	50%	48%	49%	53%
History & Culture	50%	47%	48%	50%
Anne Attractions	51%	44%	44%	48%
Canada's Birthplace Attraction			36%	38%
Acadian Culture	35%	29%	33%	32%
VFR	27%	24%	30%	27%
Festivals & Events	26%	26%	24%	23%
Hiking	21%	25%	24%	24%
Confederation Trail	16%	19%	22%	22%
Birding	21%	23%	22%	24%
Live Theatre	20%	22%	19%	20%
Founders' Hall			17%	22%

13. RV Market

13.1 Summary

A growing trend throughout North America is the rise in popularity of the RV market. The term RV applies to a number of modes of transportation/accommodation, either motorized or towable. Within each category are sub-categories, such as Class A, Class B, and Class C for motorized units and conventional travel trailers, fifth wheels, pickup campers and fold down tent campers for the towable units. PEI Parks and Tourism PEI are cooperating to attract more from the RV market. The RV market is in many ways an extension of the auto club market.

13.2 External

The rise in popularity of the RV market, has increased the interest from other provinces and states to market more aggressively to this segment. Major RV shows are held throughout the year mainly in the US, with many tourism agencies/boards attending these events. Other factors that influenced RV travel this past year include fluctuating fuel prices, due in part to the war situation in the Mid-East, as well as SARS and BSE. 2003 visitation estimates indicate a decline in overall visitation from this market but were it not for the number of participants at the Rally in Cabot Park this year the numbers would have been far worse.

13.3 Marketing Activities

This past July, PEI Provincial Parks in cooperation with Tourism PEI, hosted the Family Motor Coach Association (FMCA) North East Area Rally. Some 740 RVs attended the rally at Cabot Beach Provincial Park, well above the 600 RVs that were hosted in 2000. Provincial Parks advertise in various publications directed to the RV market. Parks and Tourism staff have cooperated and attended RV shows in the past.

13.4 Revenue, Visitation

During the Cabot Park Rally in 200,3 held for FMCA members, a survey was undertaken that will provide us with a snapshot of expenditures that occurred during the rally . Based on information from PEI Parks, the use of 3 and 5 way hookups has been increasing in their campgrounds as a result of increased RV traffic.

PEI Provincial Parks - (3 and 5 way hook-up sites sold)

	2000	2001	2002	2003
Green Park	276	157	323	275
Linkletter	825	1003	1184	650
Cabot Beach	1318	1013	1392	2365
Mill River	1405	1308	1468	1578
Red Point	1918	1976	2072	1516
Northumberland	656	603	674	1088
Brudenell	1539	1778	1941	1882
TOTAL	7939	7838	9054	9354

* 2003 figures are as of September 13th. The Cabot Park #'s *do not* include the "dry campers" that attended the 2003 North East Area F.M.C.A. Rally.

13.5 Seasonality

RVers would follow much the same pattern as “typical” pleasure visitors to the province. They can, due to type of vehicle, overcome the elements better than other campers.

13.6 Consumer Information

RVers would follow much the same pattern as our pleasure visitors, except in the type of accommodation used and method of transport.

13.7 Travel Motives

The motivation for traveling to PEI for RVers would be similar to those of pleasure visitors.

13.8 Activities

Being that many RVers also have a tow vehicle, their mobility is not restricted. They would partake in the same activities as pleasure visitors.

14. Industry Liaison

14.1 Summary

Trade sales initiatives can be far more effective with buy-in and support from the Island's tourism industry. The sales efforts of Tourism PEI must be communicated to the industry so individual operators can take advantage of every sales opportunity and provide feedback on strategies and sales initiatives.

15. Editorial/Public Relations

15.1 Summary

Prince Edward Island's publicity results in 2003 were spectacular with major coverage occurring in high-class publications like Gourmet, New York Times, Toronto Star, Boston Globe, Coup de Pouce, Femme Plus, La Presse and Le Journal. Several television shows shot over the past year or two continue to air. The province was also awarded the very prestigious designation by readers of Travel & Leisure as their favourite island in North America, giving the destination a score that also places it in the top ten list of "World's Best Islands." As well readers of Score Golf Magazine have once again chosen PEI as Canada's favourite golf destination.

Staff at Tourism PEI continue to work on publicity efforts but one dedicated Familiarization Tour Coordinator for six months plus one person addressing only about 15% of time to the public relations program means that much of the activity falls into the reactive side. Great results could be obtained with more ongoing efforts throughout the winter - regular e-releases to key media in target markets, more targeted proposals to specific publications and programs and an even more coordinated approach with the advertising campaign.

In 2002, the Canadian Tourism Commission announced that they plan a shift in marketing for 2003 to a greater emphasis on publicity and promotional events and this was somewhat evident in support services from time to time from the public relations firm (Weber Shandwick in New York) as retained by the CTC. As well, the domestic media relations program GoMedia Canada has developed over the year since PEI took on the pilot press tour in 2002. Some budget has been allocated to partner in monthly e-news broadcasts to media in Canada and CTC will sponsor air travel for seven Canadian journalists participating in a late September press visit in 2003. CTC can also offer limited support for transportation for other Canadian journalists travelling to domestic destinations for research purposes. Tourism PEI is a member of both the domestic and US media relations sub-committees of CTC and will be able to receive feedback from planning upcoming sessions in order to incorporate CTC activities into Tourism PEI programs.

As media interest in PEI has increased in recent years, the publicity program had been suffering from a shortage of resources; extra budget dollars have been put to good use, and now the greater shortage is in staff support. A more concentrated pro-active effort in winter could result in even greater coverage. There continue to be issues related to air transport for domestic travel by media, but a partnership agreement with Jetsgo has all but eliminated that issue as far as media originating from Toronto or Montréal (in season). As well Go-Media Canada has assisted in one group press tour per year.

From 2001 to 2003, Tourism PEI has been very successful in penetrating the Québec media community. Several Québec media were hosted on press tours and coverage has already been received in both print and television.

In 2002-2003 Atlantic Canada Tourism Partnership also provided more support to the region for editorial projects, supplying a budget for a major event at Canada Media Marketplace in New York and a smaller event in Boston as well as for press tours as a result of contacts made.

15.2 External Factors Influencing Results

As with all travel sectors, editorial content in many publications continues to suffer and several magazines have folded. Most publications are claiming cutbacks in budgets as well as space devoted to travel. As well, there has been a major shift in media ownership trends, with many of the publications and even electronic falling under the control of just a few corporate entities. This all causes even greater challenges for freelancers marketing their stories; what was once a very effective means for destinations to appear in several publications as a result of freelancers skilled at making multiple placements of travel editorial has been compromised by the fact that most major media share content as a result of common ownership.

The shift to electronic means of researching travel destination has influenced publicity efforts to an extent, but it is still apparent that traditional media still plays a major role in decision making processes.

SECTION B– DEVELOPMENT ISSUES & TRENDS

16. Global Issues

16.1 External Events

There have been numerous significant external events over the last few years:

- September 11, 2001
- War on Iraq/Canada's stance against the US led war (March 2003)
- SARS (April – July 2003)
- Mad Cow Disease (May and ongoing, 2003)
- West Nile (summer 2003)

These have all had effect on the tourism industry across the country. Several trends have emerged as a result. These include an increase in plans to spend more leisure time with family and friends as well as an increased interest in travelling to visit friends and family. Interest in weekend getaways has gained in popularity as has travelling closer to home and by car. Below are the results of research conducted in the United States, by NFO Plog Research ~ Impact Study, CTC Market Research, July 2003.

Views on Canada - Safety & Travel Likelihood

- Significant shifts in Canada's perception as a safe destination were evident in the second wave, which began just prior to the removal of the SARS travel advisory and continued in the days immediately following. Positive shifts have occurred since then.**
- In the first wave, 78% agreed that they would feel safe travelling to Canada (and 39% strongly agreed), however in the second wave this decreased to 66% (and 29% strongly agreed) and it decreased even further in the third wave to 62% (and 26% strongly agreed). This number increased substantially in the fourth wave, to 75% (with 40% indicating that they 'strongly agreed'). Male travellers and those who travel more often were more likely to agree that they would feel safe travelling in Canada.
- Another notable shift involved feelings of safety in travelling abroad. While only 40% indicated that they would feel safe travelling to Europe in the first wave, this number has risen to 56%.
- 16% of American travellers indicated that they were likely to visit Canada in the next twelve months - virtually unchanged since the last wave.

Changes made since the beginning of the year

- 37% of travellers had made a change to their leisure travel plans since the beginning of the year - up from 25% in the first wave and up from 31% in the previous wave.
- Thirteen percent of travellers have postponed a trip since the beginning of the year and 8% have cancelled a trip. Ten percent have changed their domestic destination and 8% changed from air travel to car travel. The main reasons for trip changes were personal economic conditions and the cost of travel while changes due to war/the threat of terrorism and SARS played less of a role.
- While 10% of travellers have postponed a leisure trip due to personal economic conditions or the cost of travel, less than 2% claim to have postponed a trip due to war or the threat of terrorism and less than 1% have postponed a trip due to SARS. Similarly, 6% of travellers have cancelled a leisure trip due to personal economic conditions or the cost of travel; 2% due to war or the threat of terrorism. Less than half a percent of travellers had cancelled a leisure trip due to SARS.

Emerging Trends

- The propensity to travel domestically this year was more pronounced in both the second and third waves, despite the fact that more time has passed since the height of the war in Iraq. This propensity increased yet again in the fourth wave - 30% of Americans plan to increase the amount of domestic leisure trips that they take this year compared to last. Meanwhile, 21% plan to decrease their level of international leisure trips. This trend is likely driven by economic factors, including the weaker exchange rate.
- Trips less than 500 miles (and in particular, less than 200 miles away) are expected to increase this year. While in previous waves it appeared that trips over 500 miles from home would remain steady, the most recent wave pointed to a slight increase.

- More travellers intend to travel by car this summer as well -over a third expect to increase this type of travel (37%)- this is also up from earlier waves.
- Thirty-eight percent of travellers also anticipate taking more getaways (1 to 3 nights) this year over last - up since the last wave. While in the first two waves more travellers indicated that they would decrease the amount of long vacations that they would take (4+ nights), the third and fourth waves showed that equal numbers would increase as decrease their long trips.
- Almost eight in ten travellers agreed that they are more interested in relaxation over lots of activity.
- Many Americans are planning to spend more leisure time with their family and friends as well as more vacation time visiting family and friends - this level decreased somewhat however.

***Methodological Notes: Wave 1 was conducted online over a two-week period starting March 31st, prior to the widespread Toronto/SARS coverage. Wave 2 was conducted over a two-week period starting April 30th in the wake of the WHO advisory; Wave 3 surveying began May 30th and Wave 4 began on June 30th. Approximately 500 leisure travellers and 500 air travellers were surveyed in each wave. NFO Plog Research and a consortium of partners, including the Canadian Tourism Commission conducted the survey.*

16.2 Economic Situation

Canada

The Canadian economy is expected to be in for a rough ride over the summer months (2003). Real economic growth is forecast to slow markedly, averaging less than 1 per cent growth (on an annual basis) during the middle two quarters of the year. Fortunately, the expectation is that renewed U.S. economic growth and additional monetary stimulus will enable the Canadian economy to emerge from the doldrums by the final quarter of the year and post decent growth in 2004. The nervousness that has beset the U.S. economy since 9/11 was not helped by the outbreak of war and the speculation that preceded it. While the successful conclusion of the war with Iraq immediately boosted consumer confidence in the U.S., the economy has been slower to respond. However, there are signs that the long-awaited rebound is gathering steam.

The economic outlook for 2004 is clouded with the aftereffects of shocks ranging from the lingering impact of SARS on Canada's major city, the effects of an overvalued dollar, an anemic U.S. recovery, ongoing terror in the middle East, and even mad cow disease. Currently the Canadian economy is suffering from weak exports as a result of the sluggish U.S. performance. The rising value of the Canadian currency, a natural result of inflation fighting at home, suggests further pain for exports in the near term. The Conference Board of Canada is forecasting somewhat better growth in 2004, but a lot of water has to flow under the bridge before the pace of economic growth picks up. Much depends, as usual, on the U.S. rebound and now on top of this, on a correction in an overvalued Canadian dollar.

United States

The economy has been soft recently. Household spending has advanced more modestly as higher energy prices have pinched real incomes. Yet business investment has stabilized and appears set to recover following the end of the war in Iraq, while rising military expenditures are providing a boost to demand. Growth is expected to rebound sharply by the autumn assuming the conflict is resolved by early summer. Household, business and foreign demand -- the latter buoyed by the drop in the dollar -- are all projected to strengthen markedly in 2004. Inflation should fall back as energy prices reverse and slack persists following several years of growth below potential. Monetary policy has remained supportive, but interest rates will need to be raised once growth picks up. The proposed tax cuts, and further increases in expenditure, not least the jump in defense purchases, will widen the federal government deficit sharply. This will have to be reversed in coming years. While the planned tax rate reductions and reforms to dividend taxation are attractive from an efficiency perspective, these proposed changes should be part of a more revenue-neutral reform package.

Europe

Unfortunately, economic growth in Europe is expected to be weak this year and only moderately better next year. However, on a more positive note, it is hoped the worst may be over for the German economy. The substantial job losses over the last two years are allowing the German government to more easily reform labour markets and introduce tax cuts. The fruits of the reforms resulted in lower unemployment figures in

April and May. Meanwhile, the U.K. economy is performing relatively less well, compared to the last several years, and overall consumer confidence continues to fall.

Asia
The rapid spread of the SARS virus across Asia has taken a heavy toll on the region's growth prospects for 2003. Fortunately, the major impact of SARS was felt in the second quarter of this year and economic activity is expected to pick up in the second half of this year in line with a pick-up in U.S. demand for electronic exports from this region. The hope is that economic conditions in Japan may also soon improve. According to a recent (June) study by AC Nielsen, the Japanese continue to spend on non-essentials, like cars, property, stocks/shares and high-priced electric appliances.

source: CTC Tourism Intelligence Bulletin – Issue 16: August 2003 and Conference board of Canada and OECD

16.3 General Trends

Outside the effects of September 11, certain global trends still affect the overall direction for tourism. These are taken from both the Tourism Industry of *Prince Edward Island Strategic Action Plan 1999-2003* and *Tourism Trends for the '90s*, Lord Cultural Resources.

Aging Population

- As the baby boomers age, the lucrative 45-54-market segment continues to increase in size. In 25 years, 54% of the US population will be over the age of 50 (the median age will be 54 as opposed to 40 today). Between 1996 and 2011, the number of Canadians aged 45-54 will increase by 45% and between 55-64 will increase 75%.
- This segment:
  - has time, desire and spending power;
  - are well travelled globally and are seeking unique, authentic and participatory vacation experiences; and
  - are trending towards shorter, but more frequent vacations.
- As the baby boomers age, they will form a more active "senior" population than in previous generations. Their desire for more active vacation options will need to be addressed by industries like motorcoach.

Increasing Canadian Population

- Between 1996 and 2011, Canada's population is expected to grow by nearly 25%, distributed unevenly across the country
  - Newfoundland will lose 9% of its population
  - Quebec will grow to 9 million (from approximately 7 million)
  - Ontario to 15 million (from 11 million)
  - Manitoba, Saskatchewan, Alberta and British Columbia will have a combined population of 10 million by 2011, with Alberta and Manitoba leading the growth.

Rising education levels

- Education is a significant factor that influences cultural participation, environmental concern, affluence and travel. As education levels continue to rise, the trend towards cultural and eco-tourism themes will continue.

Increasing economic role of women

- Around the world, more women are working, earning more money, and controlling more discretionary income. Women typically make the decision regarding the educational experiences of their children and set vacation plans. In the United States, women account for 60-65 percent of museum attendance and are more likely to support and participate in heritage and cultural activities.

Less Leisure time

- A Lou Harris study, *Americans and the Arts*, reported that leisure time in the United States dropped from just over 26.2 hours per week in 1963 to 16.2 hours per week in 1989. This implies that greater emphasis will be placed on shorter trips, mini-vacations and weekend escapes, as opposed to longer vacations of the past.

Importance of Quality

- Spending quality time requires quality space. Increasingly sophisticated consumers will require increasingly sophisticated tourism infrastructure, such as good roads, hotels and other necessary amenities.

Changing leisure patterns

- With all the publicity about exposure to ultra-violet radiation and ozone depletion, visitors may not want to spend all of their vacation on the beach or outdoors. People are trending towards adventure vacations, where "brag" appeal is important.

Advances in global communications

- The age of information has brought about an increasing awareness of social issues. Visitors will be better informed and more demanding of accountability.
- Technology now allows travelers to research potential destinations like never before (Internet), and to communicate directly with information sources around the world. The Internet and email are two communication mechanisms that need to be managed and used to their potential.

Proliferation of options

- There has been an increase in the number of countries and areas who recognize the economic opportunity brought by developing a tourism industry. This trend, combined with the traveler's desire for new experiences, means that there is more competition than ever before for tourism dollars (e.g. the growth of options in Mexico and the Caribbean has created competition for traditional destinations like Florida and Hawaii).

Changing attitudes

- In the past attitudes about vacations have included: the search for sun, following the masses, having, precautions, eating in hotels, superiority and homogeneous. New attitudes are; wanting to experience something different, wanting to be in charge, being, adventurous, try local fare, understanding and hybrid.
- It is now more important to experience and understand a different culture, natural beauty, to go off the beaten track, go somewhere you've never been before and gain a new perspective on life

17. Island Product

17.1 Summary

Product is at the centre of PEI's tourism industry. Product must continue to develop and meet the changing needs for today and tomorrow's consumer. The marketing component of the plan is dependent on both what product exists to be advertised, as well as ensuring that the visitor has the desired experience both to encourage repeat visitation and word of mouth marketing.

In terms of the existing product there are many questions to be asked:

- What are our top six producing products?
- Where does each of them fall in their product lifecycle (introduction - growth - maturity - decline)?
- How good is each one relative to enhancing the unique product offering of our PEI brand?
- What changes should/must be made to ensure the product is continuing to evolve in line with the vision for PEI?
- Does the quality of the product still appeal to the people we are trying to attract or are other destinations doing a better job than PEI?
- Do industry members know the most important things to invest in to ensure the PEI brand is growing in line with the vision?

In terms of new product development there are also many questions to be asked:

- What is the new product(s) yet to be discovered for PEI?
- What target does it appeal to and are there a significant number of people in the target that we can attract?
- What capital investment will be required and by whom?
- Does it compliment our existing product?
- How can we promote it?
- How good is it now and how good must it be to compete on the world stage?
- What specific things must be done and over what specific period of time to make it a world-class product?

17.2 Primary Products Strengths and Issues

The Confederation Trail has proved to be a solid attraction for visitors to PEI and many are bringing their bicycles with them or renting from local outfitters. As well bike tour companies have found PEI to be an attractive destination and several multi-day tours are now on offer. The Trail has more potential as the interpretation/signage develops, allowing users to learn more about local communities/heritage as well as more commercial products available with "trail's reach." A possible new trend is the "tip-to-tip" style events and groups have used this linear trail as the basis for fundraising projects as well as awareness raising events such as the "tip to tip in less than 24 hours" projects undertaken by individuals.

Issues: Increased marketing of the Trail is needed for it to reach its full potential. More programming and a major event is also a priority.

Cultural Tourism is also an area of potential growth. The community ceilidh experience has matured to the point where visitors may participate in similar events in every area of the Island on any night of the week. Many of these offer off-season potential as well. In addition the aboriginal tourism product is maturing with eco-adventure and well as cultural tours now offered at Lennox Island as well as a successful annual event mounted by the Island's native community. As visitors continue to take an interest in the Island lifestyle, new museums such as the site about to open on the North Rustico wharf or the Northport Pier will have great appeal.

Issues: The challenge is to establish a process that will assist the Island's cultural product in becoming market ready.

Golf remains a major motivator for visitors to the Island. A partnership with Golf PEI and ACOA has meant a larger marketing effort or this product in 2002 and it is hoped that this partnership can be continued into 2003. There is seen to be continued potential to grow shoulder season revenue with golf packaging and special programs. (Possibility of another Lorie Kane event)

Issues: There has been a 30% increase in the number of courses since 1999, but the number of rounds being played has not kept pace. There is the need for further marketing to ensure the long-term success of this key product

Shoulder Season Growth is still a high priority for Tourism PEI and the TMA and while some progress has been made on this front, it appears there is still room for growth. The five-year HRDC-funded Labour Market Expansion program is under evaluation but it has been suggested that the marketing component of this program (offered for only two of the five years) should be reinstated. A new fall television commercial is one major commitment by the marketing program, but this is more than a marketing issue.

Issues: The tourism industry must support late season visitation by staying open while the season develops in the minds of the consumer. One major success to note on that front is the commitment of the Charlottetown Festival to run from June 9 - September 27 in 2003.

On-line Reservation System The Island tourism industry has for several years noted the lack of a provincial reservation system. A call for proposals has been issued to invite solutions that would most likely involve an on-line service, accessible to both consumers and staff at the provincial call centre. This service will greatly enhance the "close the sale" capabilities of our call centre staff as well as provide a whole new web-based level of service directly to consumers.

Issues: Research must be undertaken to find a central reservation system that will benefit efforts to "sell" PEI as a vacation destination. This system has to be affordable and easy to use.

17.3 Seasonal Product Strengths and Weaknesses

Summer

- The primary strength of the summer season is the appeal to the family market. Specifically, the strengths include strong beach and golf products, backed by an accommodation, service and entertainment infrastructure that continues to strengthen in the post-bridge construction period.
- Weaknesses include uneven infrastructure development by regions. While Charlottetown and Cavendish are strong in this area, and Eastern Prince Edward Island is making impressive gains, while

other non-urban regions offer little in the way of activities and support services for peak season visitors. The peak season may well be reaching the saturation point in some regions and may be limited in its ability to respond to a call for greater growth.

Fall

- A strong golf product that continues into late October and lingering pleasant weather provide this season the greatest potential for continuing growth. The addition of fall festivals and the promotion of fall-oriented soft adventure vacation options may give this season room for strong growth in the future. In addition, the culture/cuisine theme and eco-tourism offer potential in this season.
- Fall's weakness is the over eager shutdown of tourism services and the penchant for a number of operators to board up and call it a season. Strong targeting to the empty nester and golf markets may help to turn these weaknesses around.

Winter

- On the bright side, Prince Edward Island has the potential to develop a romantic winter getaway on the basis of the infrastructure that is already in place for the more lucrative seasons. The planning and implementation of well thought out winter events and festivals, modeled on other success stories, may have some potential for growth during this season.
- Weaknesses are that recent winters have lost their picture postcard beauty that has been the traditional signature of winter on PEI. Unreliable weather and a plant that is not geared to winter tourism are issues that must be addressed if progress is to be made in this season. In addition a key weakness is that very little product is open.

Spring

- Golf in May/June is a highlight that gives spring some hope for development. Well-planned events may serve to help develop this time of year. There is virtually no possibility of turning March/April into a tourism time of year without a major infrastructure and event expenditure. Late springs that promise little more than white Easters and mud make this the most difficult season to develop for tourism.

17.4 Product Development Plan - 2004

Major Golf Event

Discussions are underway to stage a made-for-television golf event in 2004. The objective on the success of past events such as the 1998 Skins Game and 2000 Lorie Kane Island Challenge. The event would be used to profile PEI's golf product and the Island as a destination on both Canadian and US television.

Cultural Product

The further development of PEI's cultural attributes is a priority for the year. Discussions are underway with relevant agencies and cultural organizations on the development of a strategy to improve market readiness and access to local cultural experiences.

Mill River Resort

Work is currently underway on a redevelopment plan for Mill River. A team of consultants, working with local stake holders, including Rodd, Provincial Parks, Golf Links PEI and the Western PEI Tourism Association, are developing a master plan for the property to enhance its appeal as an anchor attraction for the region.

Signage

In the spring of 2004 new tourism directional signage will be introduced across the Province. This new, modern signage will assist visitors in finding tourism services throughout the Island. The new signage will be more attractive than current signage and will allow the use of international symbols.

Provincial Parks

The "re-branding" and updating of Provincial Parks will continue in 2004. The objective is to improve the quality of the Parks system, including the Confederation Trail. Provincial Parks do attract off-Island visitation and there is an opportunity to capitalize on renewed interest in camping and outdoor recreation.

Scenic Drives
Consumer research is on-going and work continues on the "re-branding" of the Island's three Scenic Drives. The goal for next year is a program to improve the visibility and popularity of the drives with new icons, signage, programming and marketing.

Explore PEI
Fine tuning of the Explore PEI search engine is currently underway. The objective is to make this vacation-planning tool more attractive and easier to use.

Festivals and Events
The Development Division will continue to support major new Festivals/Events with an emphasis on those that encourage shoulder season activity. Several new Festivals/Events are being considered for 2004

18. Web Site, Co-op Opportunities and Fulfillment Plans

18.1 Summary

As technology and trends continue to change, there are going to be significant implications for how Tourism communicates information to the potential visitor. The potential changes are far-reaching – affecting the traditional fulfillment package, the Web site, as well as the co-op sales program - as all three are inter-related from a consumer and a revenue/cost perspective.

Internet development can stimulate demand for travel by improving the access to travel information, facilitating travel plans, and allowing potential tourists to book trips online. According to surveys carried out in Canada's major international markets, the use of Internet is high for trip planning and there is an increasing trend to purchase on-line. Indeed, it has been estimated that 30 per cent of all on-line purchases are related to travel. Improved access to price comparison, automated agents that seek out lowest price, and reverse auctions that pit travel-service providers against each other are other Internet trends that have had an impact on the tourism industry.

18.2 Web Site Summary

The Web site currently used for the following purposes:

- *Information resource for travel planners*. (English/French). Providing information about visiting Prince Edward Island in the form of editorial, articles, images.
- *Information request tool.* (English/French). A on-line form by which Web visitors may request Prince Edward Island's fullfilment kit.
- *Database search tool*. (English/French). Allows Web visitors to search a number of databases (accommodations, festivals and events, activities, etc.) based on selected criteria (location, price, dates, keyword, etc.)
- *Travel Planner* (English). Using ExplorePEI, Web visitors may create personalized itineraries for a PEI visit.
- *Contest entry/special promotion detail* (English/French). On-line contests and special Web pages reflect campaign or seasonal themes.

The information posted on the site currently falls into the following categories:

- Details about where PEI is located and about "Getting Here."
- Details about Prince Edward Island "Places to Stay" including searchable database and vacancy system.
- Details about Prince Edward Island "Things to Do" including searchable databases.
- Lure editorial and images describing the Island landscape, culture, people, traditions, etc.
- PDF downloads which reflect seasonal campaigns.
- Explore PEI, on-line travel planner.
- On-line contest entry from, complementing a "call to enter" option.
- Vacation packages.

Usage of the site has continued to grow, significantly.

- Note: data is only to September 8 (Jan 1 – Sept 8)

Year	Total Visitors	Online Orders	Advertising Web Hits
2000	830,904	32,031	16,261
2001	1,203,610	35,229	84,485
2002	1,666,214	57,173	150,400
2003	2,152,801	95,192	269,285
% Increase 00-03	**159%**	**197%**	**1,556%**

Pages with the heaviest traffic are:

- Database searches
- English top page
- Accommodations page
- On-line contest pages
- French top page

Database searches have consistently placed among the most visited pages since 2000.

- Other high-traffic pages include Places to Stay (accommodations,), English top page, and Getting Here (location and ways to travel to PEI).
  2000: Search, Index, Getting Here, Vacancy Search, My Vacation Plan
  2001: Search, Index, Places to Stay, Things to Do, Getting Here
  2002: Search, Index, Places to Stay, Index, Things to Do
  2003: Search, Index, Index, Places to Stay, Quebec Contest Entry Form

Recent research has stated the following about the site:

In focus testing conducted in Boston, MA by Cossette Atlantic in March 2003, the site scored relatively high in user satisfaction but low in efficiency and effectiveness. That is, while users found the site easy to use, their task completion times were high and their ability to complete tasks without error or assistance was low.

This research, while with a different demographic target, re-iterated the same findings that were in the Forrester Web site report card research done in 2000. The primary challenges are with the nagivation and efficiently finding information.

NOTE: This focus group comprised nine participants, with six being in the 51-60 age range. Further focus testing is required to determine user satisfaction, efficiency and effectiveness with other target demographics.

The three major issues facing the site are:

- *Single-window service:*
  This policy dictates a common look and feel throughout all Provincial government Web sites. Executive Council has recently voted in favour of loosening the SWS policy with respect to www.peiplay.com recognizing the audience for which this site is intended is primarily off-Island.
- *Limited resources:*
  As greater control of the site's look and feel is taken by Tourism PEI, more opportunities to closely reflect campaign activities will be presented. In turn, more resources (human and financial) will be required.
- *Bandwidth limitations:*
  At present, e-newsletter mailings with large subscription lists must be deployed on Friday afternoons due to system resources required to complete distribution. This affects the freedom by which our e-mailings can deployed, and may result in missed opportunities during time-sensitive promotions and campaigns.

General web trends for consumer use of web in the travel industry:

The United States

- 64 million Americans now research their travel options online. This marks a dramatic rise from 1997 when just 12 million Americans planned and researched travel options via the Net.

- Approximately 42 percent of online travel planners say they now do all or most of their trip planning online, up from 29 percent last year.
- In 2002, over 39 million people actually booked travel using the Internet, up 25 percent on 2001.
- The research also indicates that 70 percent of travel planners say they now carry out at least half of their travel booking online, compared with 56 percent last year.
- Airlines tickets continue to be the most frequently purchased travel item with 77 percent of all online travel bookers having bought a plane ticket over the Net.
- Accommodation has been purchased by approximately 57 percent of online travel bookers, while rental cars have been bought by 37 percent of online buyers.
- About a quarter of travel bookers buy tickets for cultural events online, while a further 25 percent buy travel packages.

Dec 10 2002: The Travel Industry Association of America (TIAA)

Canada

- In 2003, more than 36% of Canadian adults with Internet access have used the Internet to book an element of their travel plans (air travel, accommodations, car rentals, etc.), up from 31% in June 2002 and 18% in September 2000.
- For 35% of on-line Canadians, the Internet is considered the primary source of information for planning upcoming travel.
- Though on-line travel booking is increasing, the number of bookings being booked online has decreased. Among those booking travel on-line, the average number of bookings has decreased from 4.1 times in 2002 to 2.8 in 2003.
- In 2003, 56% of adults with Internet access used the Internet to research travel on-line, slightly lower than 59% in June 2002. However, 87% indicated they would likely use the Internet to research future trips or vacations. Of these, over half responded they would likely use the Internet to book travel directly on-line.
- 75% of Canadians have Internet access. Of these, 93% use e-mail.
- Growth in Internet access has leveled off, as has time spent online.

Source: "On-line Travel 2003: What the Future Holds" Ipsos-Reid
Source: "Email Marketing 2003: What the Future Holds" Ipsos-Reid

- As of January 2003, high-speed users represented fully 53.6 percent of the Canadian online population, compared to just 33.8 percent of the US online population.

Source: Apr 08 2003: New research from comScore Media Metrix

Media Consumption Trends

- Overall media consumption is fragmenting and the Internet is capturing more and more of our audience's attention.

	Share of Daily Media
Internet	10%
Television	49%
Print	10%
Radio	31%
Outdoor	n/a

- Nov 19, 2002: According to Nielsen-Netratings, online travel advertising rose 39 percent in the third quarter to USD15.9 billion, as compared to the same time last year. The travel category was the fourth largest industry advertising online, with six percent of total ad impressions in the third quarter.

Industry Trends

- *PDF downloads* are a noticeable industry trend, providing customized fulfillment choices the Web visitor – an option which is both immediate and low-cost. Provinces are experiencing significant percentage increases in PDF download rates.
- *Increased interactivity* including chat functions, contests, guest books (with photo upload option), surveys, etc. provide the opportunity for a more dynamic experience for Web visitors.

The Competition

	Nova Scotia	New Brunswick	Maine	Massachusetts	Newfoundland	Quebec	Ontario
Languages	English, French, German (moderate)	English, French	English	English only	English	English, French, German (moderate), Spanish, Japanese	English, French
Fulfillment	Customized free travel planning kit (priority on downloads)	Multi-step online travel info order function (priority is downloads)	Online order form with travel intention questions (priority is online version)	Online form with travel intention questions	Online order form, build a customized guide	Online order form offering a choice of seasonal guides	Each pub is listed with "download" and "request a copy" option
PDF downloads	Extensive list of publications offered.	Extensive list of publications offered.	N/a	N/a	n/a	Activity- and theme-specific downloads offered	Each pub is listed with "download" and "request a copy" option
Multimedia	Flash used on top page, Music, video, phototour	n/a	Maine on TV (commercial)	Uses Flash navigation	Photos and short movies	Virtual tours, videos	n/a
Interactivity	Postcards	n/a	Send a postcard	N/a	Postcards	Postcards	Postcards and images, Ask the Concierge
Contests/ Surveys	n/a	n/a	n/a	Win a Mass. Getaway	n/a	n/a	n/a
Seasonal	Top page reflects seasonal themes	Top page reflects seasonal themes	Some seasonal themes reflected	Some seasonal themes reflected	Some seasonal themes reflected	Top page reflects seasonal themes	Section of top page reflects seasonal theme
Search/ Database	What to do, Where to stay, Where to eat	Where to stay	Event, Accommodation, Activity, Maine Getaways	Lodging, Things to do, Events	What to do, Where to stay	Accommodation, Events	Events
Advertising	No advertising	Block advertising in right table, using template	Some button advertising throughout	Banner advertising throughout	n/a	Some advertising (Partner logos in bottom border on each page)	n/a
Online Booking	Linked with checkinnnovascotia.com		Can specify to only search accommodations with online booking	Yes		Online booking of accommodation, packages, flight tickets, train tickets.	
Integration with Marketing	Marginally	Yes	Separate from government site		Use html version of existing ads as timed splash page, directs to Home.		
Organization	Focus on this week's activities	Experiences – natural, coastal, cultural		Focus on activites/experiences			
Other							User log-in

18.3 Co-op Sales Summary

- Currently the printed Visitors Guide generates the majority of co-op sales revenue (about $980,000 of the $1.6million or 62%).
- Web Site advertising currently generates about $50,000 in revenue
- Wordlisting are bundled together so that for the same price, it appears in the English Visitors Guide, the French Visitors Guide, on www.peiplay.com and www.ipevacances.com. Translation is also included. In 2003 and 2004 a basic listing was $100. The price did not rise when Weblistings were added to the package.
- There is the need to change the value perception between the Visitors Guide and Web site.
- If the practice of bundling all listings together at one price continues, there may be issues a few years from now, when the Visitors Guide is no longer the primary means of gathering information. For some operators, a web listing is already more important than the printed one. Research should be done into effectively charging for the value of each vehicle.
- Limits on the size of current programs limit revenue
- Certain co-op programs have reached their upper limits (ie the Visitors Guide cannot increase in size due to postage weight, the TV/Radio program cannot increase due to budget). As a result, continuing to grow the revenue to accommodate the increasing variety and cost of the programs will become a challenge. It may not just be a matter of adding other programs, but rather examining the cost/benefits of the existing ones and re-looking at the overall pricing.

18.4 Printed Fulfillment Summary

- Over the last 3-5 years, the quantity of English Visitors Guides printed has increased substantially; from 350,000 in 1998 to 400,000 English in 2003.
- The French version of the guide has increased both in content and quantity. In 2002 Tourism PEI began publishing a full French-language version of the English guide as opposed to a shorter, pay per listing book. As well, the quantity has increased steadily to the point in 2002 where a B&W reprint was required in late season, and in 2003 25,000 extra copies were printed in May to supplement the 70,000 already published and distributed.
- This growth in demand for printed material is a result of increased use of BRCs, and in the case of French in particular, a result of contesting activity. Also more traffic to the web site generates more visits to the very convenient on-line order page. Currently about half the requests for literature come from web site orders. Perhaps a less prominent “order-form promo” should be considered; i.e. web site visitors should be offered the print guide only after they have visited several other pages of the site, possibly finding they have no need of the print guide.
- While printing costs are variable, Tourism PEI is experiencing steadily increasing publication budgets due to larger quantities published, a broader range of publications, and costly mailing and distribution services.
- Discussion will begin over the next six months on means to redirect some content/listings to web-only placements. The TMA will have to become involved on pricing structures for various options and feedback from industry will help direct the process. As well we plan to survey our customers via quick website questionnaires regarding format preferences.

18.5 Implications

As the Internet continues to grow in use and in availability, it is going to have more and more implications for how Prince Edward Island fulfills on its tourism information. Below is a summary of the current questions that will need to be addressed over the next few years.

The Web Site

Continued growth - are we equipped to handle it?

- Recognizing that Web traffic has increased by approx. 40% each year since 2000, present server configurations are being examined to better handle greater traffic volume. A new configuration is planned for Spring 2004, which will keep the Web site in good stead.

Will there be changes in how people use the site? Are we ready to change too?

- By offering increased interactivity, travel planners will be encouraged to return to the site often to share their experience and those of others.

What costs will be associated with these potential changes?

- As Tourism PEI takes greater control of the site's look and feel, explores new online fulfillment ideas and adopts innovative functionality, more resources will be required -- both human and financial.

Co-op Program and Revenue

The primary challenge will be, that due to the reliance on Visitors Guide revenue, if fewer printed guides become necessary, co-op sales revenue will likely decrease and have a negative effect on the overall marketing program. The opportunity is to examine how the structure needs to change over the next five years. ie

- Additional opportunities exist for increased revenue to be generated from Web site Advertising.
- By introducing a fee schedule for all Web site listings, Tourism PEI will generate increased revenue, as well as place value on its Web site.
- E-newsletter advertising, though currently being positioned as a co-op sales opportunity, may be more fully explored. By bundling other co-op sales products with e-newsletter opportunities, advertisers may also benefit from editorial mention.
- If there is a shift to more on-line content, there could be revenue implications. However there does exist an opportunity to publish or "co-publish" new special interests guides related to the eventual touring program as it evolves and visitors are encouraged to embark on "church tours," "cycle tours," or "lighthouse tours." These could be revenue generators from a co-op advertising standpoint or from a direct sales route. The new Island Experiences may be just the first step to a new approach to touring PEI.
- As PDFs begin to appear in greater numbers at our web site, do ads placed in print publications gain greater value from a wider exposure?

Fulfillment Implications

The current mailing costs have been pared to the bone; Tourism PEI does not see any possible significant savings in hard mailing costs. Rather we must look to alternate means to deliver information. Research is required to determine:

- whether CD-rom is an acceptable format
- whether PDF downloads can replace some of the paper/print costs
- whether smaller, topic-specific guides can replace the larger Visitors Guide
- whether the lure can be delivered by mail with the hard information such as listings available on-line only.

It would be appear that first step in this process is a extensive research project into consumer preferences/needs versus our ability to provide.

18.6 Five Year Plan

Despite the fact that we cannot know what the Internet will look like in five years, it is important to start the process to changing how PEI looks at the business.

Step 1 - Formation of a Committee

- In September 2003, a committee will be formed, covering a broad section of interested parties and those with related skills and perspectives.
- Members of this committee will bring talent, experience in and knowledge of Web design, development and innovation, as well as knowledge of the tourism industry on Prince Edward Island.
- The role of this committee will be to look at the current web site, fulfillment and co-op programs and make recommendations to the TMA on a five-year Plan. From an Internet point of view, this will include look and feel, functionality, fulfilment and innovation.

Step 2 - Research

Consumer research will need to be conducted to identify what changes PEI should be making, both to the Web Site and the fulfilment kit. This research will address issues such as:

- Information organization on the site (region vs. experience)
- Information that needs to be printed versus online
- Where consumers see themselves with regards to online
- Current fulfilment kit strengths and weaknesses

In addition, research among the tourism industry may be necessary to determine what needs/thresholds/etc are.

Step 3 – Plan Development

Section C: 2004 Marketing Plan

19. Summary

Planning for 2004 is taking place prior to the conversion and visitation results from 2003 being available. In addition, the status of programs such as the US Expansion Plan is unknown. This plan is based on the known budget and programs available as of September 2003. During the year, changes in both program and projections may result.

There are a number of guiding principles to this year's plan that will be taken into account, regardless of timing and funding source:

- New ways of reaching the consumer – particularly looking at interactive/online solutions
- Consumer name generation and interest information gathering for database development for future use in eDM and DM
- Generating inquiries to meet funding objectives and requirements
- Integration of programs and convergence of different marketing disciplines – Direct, Online, Database and Traditional advertising

20. Business Objectives

20.1 Revenue/Visitation

Revenue and Visitation objectives are listed below. The percentage increases were based on a 2% revenue and party increase for 2004

Revenue Objectives

	2000 Actual	2001 Actual	2002 Actual	2003 Target	2003 Target	2004 Target	2004 Target
NS	$33.40	$41.60	46.01	5%	$48.31	2%	$49.28
NB	$20.00	$19.70	21.48	5%	$22.55	2%	$23.00
NFL	$11.20	$10.60	9.08	5%	$9.53	2%	$9.72
ON	$70.90	$87.60	92.91	5%	$97.55	2%	$99.50
NEng.	$27.40	$26.30	32.20	5%	$33.81	2%	$34.49
PQ	$20.00	$22.80	26.57	5%	$27.90	2%	$28.46
Other Canada	$20.20	$28.40	27.99	5%	$29.39	2%	$29.98
Mid Atlantic	$18.50	$15.50	15.76	5%	$16.55	2%	$16.88
Other USA	$27.30	$28.60	32.87	5%	$34.51	2%	$35.20
International	$8.20	$8.80	9.56	5%	$10.04	2%	$10.24
Motorcoach	$23.00	$21.20	18.18	5%	$19.09	2%	$19.47
Business	$21.10	$18.20	21.17	5%	$22.23	2%	$22.67
Total Pleasure	**$301.20**	**$329.30**	**$353.78**	**5%**	**$371.47**	**2%**	**$378.90**

Party Objectives

	2001 Actual	2002 Actual	2003 Target	2003 Target	2004 Target	2004 Target
NS	68,631	71,670	3%	73,820	2%	75,297
NB	36,005	34,803	3%	35,847	2%	36,564
NFL	9,410	8,759	3%	9,022	2%	9,202
ON	96,352	99,701	3%	102,692	2%	104,746
NEng.	30,410	32,948	4%	34,266	3%	35,294
PQ	29,719	28,356	3%	29,207	2%	29,791
Other Canada	29,065	29,978	3%	30,877	2%	31,495
Mid Atlantic	18,057	16,776	4%	17,447	3%	17,970
Other USA	34,442	36,525	4%	37,986	3%	39,126
International	11,118	11,627	3%	11,976	2%	12,215
Motorcoach	16,575	16,340	3%	16,830	2%	17,167
Business	27,481	26,405	3%	27,197	2%	27,741
Total Pleasure	**407,265**	**413,888**	**3%**	**427,167**	**2%**	**436,607**

20.2 Co-op Sales

The co-op sales objective is to continually increase and improve the co-op opportunities available to the Tourism Industry on PEI. While vehicles like the Visitors Guide and TV/Radio are capped in terms of size and therefore revenue, the next few years should see tremendous growth on the website, as new opportunities come available.

Co-op Sales Objectives

	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Target	2004 Target
Core	$676,958	$901,515	$1,014,581	$1,168,011	$1,248,961	4%	$1,300,000

20.3 Extending the season

Extending the season is a primary objective of the marketing campaign. Some markets have more opportunity than others. Below are the objectives for these markets, based on the marketing efforts being focused on these regions.

Early Season Objectives

	2000 Actual	2001 Actual	2002 Actual	2003 Target	2003 Target	2004 Target	2004 Target
Maritimes	47,712	71,220	54,427	4%	56,604	4%	58,868
Ontario	43,422	58,589	48,754	3%	50,217	3%	51,723
New England	16,336	18,085	15,956	4%	16,594	4%	17,258
Motorcoach			tbd	4%	tbd	4%	tbd

Late Season Objectives

	2000 Actual	2001 Actual	2002 Actual	2003 Target	2003 Target	2004 Target	2004 Target
Maritimes	71,568	67,659	65,588	4%	68,212	4%	70,940
Ontario	56,992	50,219	59,923	3%	61,721	3%	63,572
New England	25,525	17,075	20,701	4%	21,529	4%	22,390
Motorcoach			tbd	4%	tbd	4%	tbd

21. Marketing Objectives

21.1 Inquiries

Below are the inquiry projections for 2004.

Actual

	2002 Inquiries	2002 Budget	2002 CPI
Maritimes	13,342	$651,000	$48
Newfoundland	186	$14,500	$78
Ontario	135,981	$1,158,968	$9
Quebec	39,158	$724,138	$18
New England	66,105	$2,247,368	$34
TOTAL	**254,772**	**$4,795,986**	**$19**

2003 Inquiries	2003 Budget	2003 CPI
14,380	$662,227	$46
221	$15,000	$68
95,942	$822,271	$8.57
84,929	$571,559	$6.73
73813	$1,907,150	$25
269,285	**$3,978,207**	**$14.77**

Estimate

	2004 status quo		
	Inquiries	Budget	CPI
Maritimes	9,609	$442,000	$46.00
Ontario	52,353	$445,000	$8.50
Quebec	30,714	215,000	$7.00
New England	26,667	640,000	$24.00
TOTAL	**119,343**	**$1,742,000**	**$14.60**

21.2 Conversion

Below are the conversion rates for the various 2002 media vehicles. Numbers in italics reference benchmarks from the 2000 study.

Benchmarks

	Overall	TV	Email	Mag./Newp	DM	BRC/RSC	Contests
Maritimes	67%	*28%*		*16%*	28%		
Newfoundland	67%	*48%*		*11%*	2%		
Ontario	42%	*27%*		*24%*	5%		25%
Quebec French	25%	*43%*		*23%*	3%		22%
Quebec English	37%						
New England	30%	25%		31%	20%	14%	25%

21.3 Awareness

While increasing the awareness of Prince Edward Island, as a vacation destination is one of the marketing objectives, until 2003, no awareness study had been completed in Canada, in order to establish benchmarks or to set goals. This does not mean awareness generating programs should not be utilized, but only that they cannot be evaluated at this point.

In 2003, awareness research was conducted in New England. Below are the key findings.

Benchmark: In 1999, top-of-mind awareness of PEI in New England 1.5% (*source: New England Competitive Research Study, Tourism Atlantic, December 3, 1999)*

In May/June 2003 PEI took part in a CTC Advertising Tracking Study. The results are:

- Unaided Advertising Awareness of PEI in Boston is now 3% (compared to 6% for NS and 1% for NB)
- Aided awareness is 61% (versus 70% for NS, 41% for NB)
- Fundamental awareness of PEI as a Canadian Atlantic coastal province is 89%
- 54% recalled specific elements - toll free number/web site
- 17% of those who saw the ads had already or were planning to inquire
- 12% claim they are definitely or very likely visiting PEI in the next 2 years

Media Recall

Television is the most memorable medium for the PEI campaign (50%). Print ads followed (magazine ads remembered by 22%, newspapers by 21%). (These levels reflect unaided media recall. Aided recall may be considerably higher.)

Action Taken

The toll-free number and web site reference, both strong elements of the PEI campaign, were remembered by 54% - very good recall for advertising specifics.
Further, as many as 17% of those remembering the PEI campaign either have already contacted or are intending to visit the web site or call the number. These are high levels of response based on typical campaigns.

22. Target Markets

22.1 Geographic

Marketing initiatives and budgets were assigned to target visitor origin sectors based on current and potential return on investment. Prioritization was determined by:

- Contribution based upon the 2002 Economic Impact Study;
- Growth potential as determined by market research and trends;
- Ability to clearly identify and target potential visitors
- Ability to cost effectively reach the target and realize a return on the marketing investment.
- Media costs to reach each market
- Seasonal opportunities
- Regional funding programs (ACTP, TAMI, US Expansion)

Primary Markets	% of Budget	Secondary Markets	% of Budget
Atlantic Canada Ontario Quebec New England/Mid Atlantic	24% 23% 19% 35%	Other USA Other Canada Europe Japan Motorcoach FIT Autoclub	Travel Trade & Editorial/ Public Relations Only

Note: These percentages include Core and ACTP dollars. As other programs are approved, percentages will change.

22.2 Seasonal

Based on travel patterns and growth over the last few years, ability to reach with seasonally specific messaging and potential for return, the markets for seasonal growth are:

Early Season:
Maritimes Ontario New England Motorcoach

Peak Season:
Maritimes Newfoundland Ontario New England Quebec

Late Season:
Maritimes Ontario New England Motorcoach

22.3 Demographic

Early Season:	
Maritimes	Adult Couples 40-59, Groups of friends 40-59 (skewing younger), HHI $50k+, repeat visitors, short getaway
Ontario	Adult Couples and groups of friends 40+, HHI $75k+, first time and repeat, longer getaway
New England	Adult Couples 40+, skewing 60+, HHI $US50k+, first time and repeat visitors, full vacation
Motorcoach	Tour Operators
Peak Season:	
Maritimes	Adult Couples 30-59, Families with young children, HHI $50k+, repeat visitors, short getaway and full vacations
Newfoundland	Families and Adult couples 40-59 skewing slightly to the younger end, HHI $50k+, skew towards repeat visitation, full vacation
Ontario	Adult Couples 40+ (secondary target families), HHI $50k+, first time and repeat, full vacation
New England	Adult Couples 40+, skewing 60+, HHI $US50k+, first time and repeat visitors, full vacation
Quebec	Adult Couples and families 40-59 skewing younger, HHI $50k+, first time and repeat, full vacation
Late Season:	
Maritimes	Adult Couples 40-59, Groups of friends 40-59 (skewing younger), HHI $50k+, repeat visitors, short getaway
Ontario	Adult Couples and groups of friends 40+, HHI $75k+, first time and repeat, longer getaway
New England	Adult Couples 40+, skewing 60+, HHI $US50k+, first time and repeat visitors, full vacation
Motorcoach	Tour Operators

22.4 Travel Trade Target Groups

Motorcoach/Cruise Ship
The travel Trade section will focus on partnerships and sales activities with high volume producing tour operators in the US and Ontario markets. Emphasis will be placed tour operators that have a strong relationship with group leaders and travel agents to ensure sales targets are achieved.

Japan
While the ultimate target is Middle-Silver market aged 45 plus, Full-Moon Couples 45 plus and Career Women aged 30 Plus (office ladies) the majority of the activity is focused on the following areas of trade. Canadian based Tour Operators members of JAKATA, Canadian based Land Operators and Japan based Tour Operators and Wholesalers.

FIT/Packaged Product
The target market for the FIT/Packaged Product is tour operators that have a sound understanding of our PEI product and the ability to sell significant numbers of packages through the various trade channels or directly to the consumer.

Europe
In general our consumer target markets for Europe are the 25 -54 year old Nature Lovers and Culture Vultures with no children at home, having mid to high income and education and are interested in long-haul travel. Our consumer advertising is primarily directed through the partnered CTC advertising campaigns. However, the focus of our trade activities are directed at the in-market tour operators and wholesalers and the Canadian based receptive operators.

23. Positioning

Prince Edward Island stands for the following:

- Unspoiled
- Unforgettable
- Playful
- Enchanting
- Island
- (Re) discovery…of what is important in life

The elements of a PEI vacation that are most relevant to consumers are:

- The freedom around PLAY, in the broadest sense
- In the context of travel, PLAY encompasses DISCOVERING something new or longed for, the ADVENTURE of doing what you want (and not what you need to do)
- Focus on dimensions and feelings around Playful (child-like), Discovery (something new) and Adventure (activity).

Positioning Statement

- Prince Edward Island is the enchanted Island playground that captures your soul.

24. Hotpoints

	1997	1998	1999	2000	2001
Sightseeing	88%	93%	81%	79%	**77%**
Craft Shopping	77%	85%	73%	75%	**70%**
Beaches	69%	74%	72%	71%	**69%**
History/Culture	46%	47%	44%	40%	42%
General Shopping	44%	52%	53%	56%	52%
National Parks	43%	69%	52%	50%	52%
Anne	47%	50%	43%	39%	40%
Lobster Suppers	46%	48%	45%	42%	45%
Acadian Culture	28%	20%	29%	22%	29%
Theme Parks	19%	26%	24%	23%	20%
Camping	20%	20%	19%	18%	19%
Golf	12%	12%	13%	17%	17%
Theatre	15%	13%	18%	18%	18%
Festivals/Events	13%	17%	**24%**	**29%**	**24%**
Soft Outdoor		61%	**85%**	**84%**	**86%**

25. Consumer Marketing Strategies

25.1 Database

Until 2002, data collected at both the call centre and at the Web Site was used primarily for fulfillment purposes (there had been limited use for an E-newsletter and direct mail). No cleansing, de-duping or field population had been done. As a result, the database remained relatively un-useable for marketing purposes.

In 2002 and the first half of 2003, the data was combined at Blitz (Cossette’s Database company), cleansed and monitored throughout the year. In addition, efforts were made through the use of BRCs and web contests to populate various interest fields. During the course of the year a number of issues arose which prevented the database from being fully populated (integration with the Web Site information). In June 2003 all data was returned to Tourism PEI, to be managed internally until such a point as the need for an external facility is required.

The mid to long term goal of developing the database is to be able to use the data to respond in a more targeted marketing approach (i.e. using demographic and interest groups to develop specific advertising pieces to increase ROI and decrease CPI).

The purposes of developing the PEI database are:

- To discover more about the consumers’ interests so that both product and marketing communications match the consumers’ needs
- To expand the electronic database for use in future e-DM campaigns
- To expand the traditional database for use in future direct mail campaigns

In 2004 the following areas will be the focus:

- Continue to integrate inquiry data into the master database and monitor for trends and opportunities.
- Cleansing of this master database for duplication and incomplete addresses
- Pursuing other areas of data for integration (ie Golf Survey, Golf Links, other partners) into this marketing database
- Expanding the newsletter subscription process, using contests and BRCs to learn more about the consumer to further populate the database
- Further training at the call centre to ensure fields being populated

25.2 Online

The growth in usage of PEI's website has been tremendous. Comparing activity March 1-August 4, 2003 to the same period a year ago:

- Web visitors are up 32%
- Daily average is up 36%
- Online VG ordering is up 67%
- Campaign generated web hits are up 81%

Increasingly, consumers are going to the Internet for vacation planning information, instead of using the telephone. This change has already had many effects on the marketing mix:

- Inclusion and prominence of web addresses on traditional media
- Increased usage and variety of online media – banners, big box, pop-unders, skyscrapers
- Increased co-op opportunities both on peiplay.com and with outside opportunities
- Increased use of the Internet for contest entry and information gathering
- Decreased use of the call centre
- Increased integration of programs – contests using both web and call centre
- Increased opportunities for data/interest collection
- Increased opportunity for consumer interaction (both positive and negative)
- Increased opportunities to provide more customized information to consumers (ie itineraries on the web site)
- Increased opportunity to customize both the site and messaging regionally
- Increased workload levels to manage these increased opportunities

From a longer-term perspective, there are implications as consumers cease to depend on the traditional printed guide. Tourism PEI should be thinking about the transition in terms of:

- Printing costs
- Co-op Revenue
- Alternatives to the printed guide/adapting the existing
- To meet demands placed on current employees with respect to PEI's on-line presence, Tourism PEI and the TMA have created a new web marketing position. Duties will be to expand and make more timely e-newsletters and content on PEI's web site and execute opportunities for PEI elsewhere on the web.

In 2004 web-based initiative will form a large portion of the media plan:

- Complete calendar of E-newsletters featuring co-op ads (English, French , Specialty)
- Newsletter subscription to gather further information
- Improved tracking of responses at web site
- Integrated online and traditional contest elements
- Posting packages to integrate with traditional pieces

All these projects will be evaluated at the end of the campaign to ensure that they performed their function.

25.3 Growth in First-time Visitation

The mid-haul markets of Ontario, Quebec and New England are the primary targets for increased first-time visitation.

Revised television creative will be utilized to increase the awareness of PEI in each market. Contests will be utilized to generate new names for the database and various forms of DM will be utilized to convert these potential consumers (establishing a relationship).

25.4 Growth in Repeat Visitation

The short-haul market of the Maritimes remains the primary focus for growing repeat visitation.

The existing television creative that focused on the "reason to come again" will again be the centrepiece of this campaign. Additional elements, including the spring and fall direct mail pieces, provide concrete reasons to visit again.

Utilizing HTML newsletters and traditional direct mail, previous callers (and likely visitors) to PEI will be targeted with ongoing communication in the effort to drive repeat visitation from Ontario, Quebec and New England.

25.5 Growth in US visitation

PEI benefits greatly from partnerships and other programs that increase marketing dollars in the New England market. The overall strategy in this market is to cover one medium well before moving on to another. Traditionally, PEI has focused dollars on magazines, newspapers and websites that have performed well. If increased dollars become available, these programs will be augmented and then other media (TV and DM) will be added.

25.6 Maximize Partnership Opportunities

2002 and 2003 were unprecedented in terms of partnership, with co-operation between PEI and:

Canadian Tourism Commission
Atlantic Canada Opportunities Agency
Tourism Atlantic
Atlantic Canada Tourism Partnership
Hotel Association of PEI

PEI will again be submitting for funding under these same programs.

25.7 Increase Co-op opportunities for Industry

The primary area of increased advertising opportunities for 2003 are on the web sites – peiplay.com and ipevacances.com. If the funding partnerships are approved, there will be incremental opportunities.

The guidelines that will be used to evaluate existing and new co-op opportunities are:

- Ensure there are opportunities to reach those who have raised their hands as being interested in PEI (ie Visitors Guide, peiplay.com)
- *Ensure there are opportunities to reach short-haul markets with immediate product messages (ie TV/Radio program)*
- Ensure there are opportunities to reach mid-haul markets as appropriate (to be evaluated on an individual basis)
- Continue to monitor vehicles as to success for Tourism PEI (cost per inquiry) and value for advertisers
- Continue to look for new opportunities (particularly on the Internet)

26. Trade Marketing Strategies

26.1 Motorcoach

26.1.1 TIAPEI Motorcoach Committee

The goals of the committee are to develop PEI tour products, educate suppliers on tour markets and prepare them for marketplaces both in and outside Atlantic Canada. Tourism PEI has been an active participant in the TIAPEI Motorcoach Committee. This committee will continue to enhance the development of PEI product for the group tour market.

By working toward these goals, PEI will continue to be a major destination in the group tour market and allow PEI to grow the group tour market to its fullest potential.

The on-going work of the committee will continue to keep our industry market ready. Co-sponsored industry events such as the TIAPEI/Tourism PEI Motorcoach Day are available for tourism industry operators interested in motorcoach and travel trade markets. The informative sessions will bring operators up to speed on the committee's initiatives in the context of provincial and regional strategies, as well as, tour operator expectations, recent industry trends and research.

Tourism PEI will continue to support the activities of this committee.

26.1.2 Group Tour Itineraries

Sample group tour itineraries serve two purposes. One is to introduce new tour operators to the area and the second is to introduce new product offering to existing operators. Both groups rely heavily on suggested itineraries from DMO’S.

Continuing to develop group tour itineraries will ensure that we are meeting the demand of tour operators looking for new product developments and provide an opportunity for industry suppliers to market new product developments. Specialized itineraries can also be used to attract specific groups such as educational and school groups.

New sample itineraries will be introduced in 2003 to reflect new product offerings as well as to refresh and supplement existing product offerings.

26.1.3 Increased Travel Trade Presence

The web has become an increasingly important and cost effective tool for Tour Operators when researching potential destinations and itineraries. The development of a Travel Trade web page has allowed Tourism PEI to meet the growing demand for instant electronic information geared specifically to the travel trade market.

This web page will also allows us to gather information on who is using the site and how often. It will also allow us to follow-up with them should we wish and it will allow tour operators to provide online feed back on our product offerings.

While having the information on-line will mean a reduction in the time to process information requests. The travel trade page will require considerable time to keep the information accurate and up-to-date. This year we will increase the amount of content on this site that is geared towards tour operators. We will also explore increasing the number of links to tour operators from this site.

26.1.4 Mail Outs

Tour operators still like to receive mail outs of new promotional materials. These materials provide a feel for the new ideas and products being promoted by the destination. These materials are also useful reference materials for both staff and potential clients.

In the early part of 2003 when tour operators were having a difficult time selling tours there was an increased demand for promotional materials such as visitors guides, maps, posters and images for promotional use.

As a result of increased demand for materials Tourism PEI will continue to mail information kits to major tour operators in 2004. Regular mail outs will ensure all tour operators have current information for planning interesting and exciting itineraries for passengers.

26.1.5 Email up-dates

Email up-dates continue to be a popular means of keeping tour operators up-to-date on new and existing products provided by PEI suppliers.

Email up-dates also provide an opportunity for immediate replies and requests from tour operators.

With the increased use of electronic media and internet, email up-dates are an effective and cost efficient means of communications. This year we will target specific operators with messages specific to their interests.

26.1.6 Tour planning assistance

Establishing and developing a solid working relationship with tour operators in critical to the growth of the tour market. Operators that know the DMO's and who to contact can make informed decisions in regard to product and trends when planning itineraries.

Tourism PEI strengthens their relationship with tour operators through participation in marketplaces, industry events, sales calls and partnerships and will continue these efforts in 2004.

26.1.7 Marketplace attendance

Attending marketplaces is the most cost effective means of meeting with a large number of qualified tour operators. Marketplaces also allow both tour operators and suppliers to discuss current industry issues and developing trends.

This is an opportunity for Tourism PEI to generate a return on our investment in the tour market in several ways. Marketplaces give us the opportunity to maintain our current client base along with expanding to reach new tour operators that are interested in Prince Edward Island. The extended appointment sessions also allow Tourism PEI to establish relationships with potential buyers that are needed to secure future sales. The Caucus Sessions allows us to provide leads to industry partners first hand.

Tourism PEI will attend the following marketplaces in 2004:

- NTA - National Tour Association
- ABA - American Bus Association
- Bienvenue Quebec
- Rendezvous Canada
- OMCA - Ontario Motorcoach Association
- Atlantic Canada Showcase

We will continue to attend the (OMCA) Ontario Motorcoach Association marketplace on a bi-annual basis.

Prince Edward Island is scheduled to host Atlantic Canada Showcase 2006. As hosts of this bi-annual marketplace, Tourism PEI has the opportunity to sponsor an event on the final night of Showcase 2004 which is scheduled for St. John's, NL. Also, in conjunction with Atlantic Canada Showcase, Tourism PEI has traditionally held an "off-night" event for tour operators with buy-in from private industry suppliers from PEI. There will also be pre/post Fam opportunities.

26.1.8 Sales calls

Direct sales calls provide not only an opportunity to establish relationships with tour operators but also an opportunity to train sales staff who are speaking directly with the potential passenger. When reservation staff are familiar and comfortable with a destination they are more likely to be able to convert the inquiries into sales.

Tour operators appreciate when DMO's make an effort to visit their offices. It shows that we appreciate their business and demonstrates and eagerness to do business with them.

Based on the success of sales calls and reservation staff training in March of 2003 with major tour operators in New England, Tourism PEI will expand on our efforts in this area by exploring partnership marketing opportunities with tour operators in New England, as well as, operators in Ontario and Quebec.

Sales missions and reservation staff training in New England, Ontario and Quebec are planed for 2004. These sales missions will also provide an opportunity to review existing partnerships and explore new partnership opportunities.

26.2 Cruise

26.2.1 The Atlantic Canada Cruise Association (ACCA) has been successful in developing a new marketing and sales strategy for Atlantic Canada as part of a new two-year funding agreement between ACCA and ACOA. Numbers continue to show the potential for growth in this ever-expanding market. On going negotiations to transfer the port of Charlottetown to private industry and new enhancements at the Summerside waterfront will strengthen PEI's position in this market. Continued efforts to maintain current ports calls and develop calls from new cruise lines are important to increase market share.

Tour operators are continuing the trend of offering groups the opportunity to visit Atlantic Canada via cruise itineraries originating from the eastern seaboard of the United States.

As in the past, Tourism PEI will continue to participate in various activities related to the cruise industry as a board member and funding partner of ACCA.

26.3 Japan Marketing Strategies

26.3.1 Increased ACTP Overseas Committee Market Activity

The Japanese Travel Trade is a complex sector in terms of the process and time required to develop and bring to market new product offerings. It is also extremely relationship dependent and exceptionally costly. Additionally our awareness level is still quite low and in most cases limited to Anne of Green Gables.

Marketplaces continue to be the most cost effective means of access to both in-market and Canadian based operators. By attending these marketplaces under the Atlantic Canada umbrella efficiencies are realized through single travel for multiple purposes and product presented is matched to consumer demand in terms of featuring more than one province per itinerary.

This year we will attend KANATA, ACTP Post KANATA sales calls and seminars with the ACTP Japanese Regional Sales Manager and once again conduct Toronto and Vancouver sales calls. This will increase our exposure and the amount of product shelved and sold featuring PEI and at the same time maintain our position as the primary Atlantic Canada destination.

26.3.2 New/Revised Product Offerings

Peak season visitation continues to decrease slightly and was down from last year. Historically, popular products are being priced beyond what the level consumers are willing to pay for the product, particularly when compared to what is offered by competing destinations. Yet, without the high prices, the operators say there aren't sufficient margins to warrant the time and effort required to sell the product. As well, capacity issues in other parts of Canada offer some unique opportunities for us.

New product offerings featuring product to match the Middle-Silver market needs to be developed outside of peak season to be of interest and competitively priced.

While fall foliage tours continue to grow in popularity and fall continues to be the season with great growth potential, new product offerings featuring our natural beauty and crafts somewhat unique to PEI will be developed to strengthen traditional peak season visitation. Ground work has been done to develop these tours and initial reaction from in-market tour operators is positive. Greater emphasis will be placed on selling products like Wild Flower viewing and Quilting tours and a new Japanese language brochure will be developed to support these tour ideas.

26.3.3 Increased Japanese Web Site

This year marked the launch of our Japanese language web site to positive reviews in-market. This is clearly the most cost effective way to reach consumers in Japan and internet use is gradually catching up to North American levels of use. By 2005 some 70 million Japanese residents are expected to access the internet that year.

The more language specific information available the better and we need to offer a connection to the operators selling PEI product to fulfill on demand created by the site.

In addition to increased Japanese language material available on this site we will establish links with both ACTP and the CTC Japanese sites. Additionally, we will establish a section for Island operators that wish to purchase links to this site along with the in-market tour operators and the Canadian based tour operators on this site.

26.3.4 The cost of doing business in Japan is very high and it is difficult to have a significant consumer impact without an in-market presence.

One way to establish an in-market presence in a cost effective manner is by engaging Prince Edward Islanders who are living and working in Japan to act on our behalf.

This year we will launch our Prince Edward Island Ambassador program in Japan where we will work with Islanders living there to act as official Ambassadors who will be equipped to provide information and tourist literature to interested potential visitors.

26.4 Europe Marketing Strategies

26.4.1 Continued ACTP Overseas Committee Market Activity

ACTP continues to be our primary source of in-market activity and presence. Through this partnership we are active at a number of marketplaces including ITB, and Spotlight Canada and we participate in the complete CTC partnered advertising campaign focused on the end consumer. We are also part of all of the ACTP tour wholesaler partnerships and trade activities such as fam tours and the production of trade materials.

Through ACTP, PEI is presented as part of Canada’s East Coast to position us as the consumers are demanding - part of either a maritime or Atlantic tour or itinerary. Results have been positive and growth encouraging but some opportunity exists to supplement ACTP activities to further increase our impact. Clearly, Nova Scotia has the strongest individual presence and awareness level of the 4 Atlantic Provinces and we intend to build on this equity.

This year we will establish a number of individual in-market tour operator partnerships that we have intended to increase the amount of product offered and the awareness level of the German and UK travel trade. Ultimately these are focused on new itinerary development or increased exposure within operator catalogues and product offerings. As well, we will continue to participate in all ACTP activities available through the Overseas Committee programs.

26.4.2 Expanded Activity with Canadian Receptive Operators

European tour operators and wholesalers almost exclusively deal through Canadian based receptive operators to develop and offer existing and new product. As a result, the type and amount of product offered in-market is significantly influenced by these receptive operators. Receptive operators are also well aware of the market trends and any sudden changes in terms of demand because of their daily interaction with the in-market operators.
Limited partner activity has taken place in the past, primarily with one Atlantic Canada receptive operator. Positive results in terms of increasing the amount of PEI exposure and product offering in the operators catalogues have occurred. This activity has also assisted in introducing new product into the market.

This year we plan to further develop our partnerships with the intent of increasing our brochured product offering,, and as well, introducing additional new product into the marketplace. Two or three additional receptives will be approached to determine their level of interest in developing joint partnerships with a select few in-market tour operators who exhibit the greatest potential for return on investment. This year we will increase our efforts in this area.

26.4.3 New Language Specific Materials

The ability to be able to communicate in the preferred language of the end consumer is critical to successfully communicating your desired message.

ACTP has language specific materials for this market but they include all four Atlantic Provinces.

This year we will develop our German language web site similar to the level of development of our Japanese web site to include all primary information in German and additional info in English. Similarly, have the new format of the mini-lure translated into German and produced in sufficient quantity to distribute throughout the German speaking countries that we are active in. To compliment this piece we will also create a german language web presence similar to what was produced for the Japanese Market recently that will be prominently featured on the mini-lure.

26.4.4 Niche Product Development

European consumers are becoming more demanding and looking for something new and different in addition to our outstanding natural beauty. Niche products offer alternatives to the standard sightseeing tours and allow us to feature some of the unique products available on PEI.

With increasing demand for FIT product opportunities exist for increased exposure through niche offerings.

This year several niche itineraries will be examined and the one exhibiting the most potential will be developed and offered to in-market operators through one of our preferred receptive operators. Some of the possibilities are health/wellness/soft outdoor adventure, lighthouses and dining/cuisine.

26.5 FIT/Packaged Travel Marketing Strategies

26.5.1 Increased Travel Agent Product Offering

Travel agents continue to be the primary source of sales of FIT product and we currently have our product offered in roughly 20,000 travel agencies throughout North America. Internet continues to be used primarily for research purposes.

Additional shelved product would increase the probability of PEI product sales. If the product isn't on the shelf, the travel agents won't sell it and the consumer won't ask for it.

Once again, partnerships will be established with tour operators that provide the greatest reach in terms of the number of travel agency that stock their brochures. Operators that have ties to travel agency consortiums will be preferred. We will also be looking for partners with a connection or distribution through influential internet based travel providers.

26.5.2 Expanded Sales Force

Partnerships with tour operators that have knowledgeable, active and motivated sales teams produce the best results. Through these sales teams we are able to expand our reach and impact on the travel agent and auto club community.

Increased training of these sales teams will result in them being better equipped to sell our product. This year we will again negotiate the opportunity to train our in-market partners and their sales and reservations staff.

26.5.3 Increased Consumer Advertising

The amount of advertising conducted by tour operators is very significant and greatly expands the reach of our PEI message. The tour operators complete the circle in terms of providing the mechanism to take the consumer from interest and desire to visit, to actually booking a vacation.

We would never be able to have an advertising presence as broad as is provided through the tour operator partnerships.

We will be seeking partners with substantial advertising budget and varied vehicles such as print, magazine, web advertising and will place special emphasis on joint direct mail campaigns. This will be done in partnership with our provincial DMO partners in New Brunswick and/or Nova Scotia as this is how most of the itineraries are developed and sold.

26.5.4 Diversified Marketing Programs and Operators

September 11th emphasized the need to diversify the markets that we target and the operators that we partner with. Specific tour operators are much more knowledgeable in some markets than others and the same goes for marketing activities. Some are database dependent and some are AAA focused and some have very good relationships with airlines.

The broader the range of target markets and marketing approaches and the number of tour operators that we work with, the greater our impact and reach and the less vulnerable we will be .

Tour operators that can cover the broadest spectrum of the various targets will provide the best chance of avoiding the impact of market specific fluctuations. This year tour operators that target unique or different markets will be sought to avoid the “all your eggs in one basket” situation. As well, we will be looking for a mix of tour operators from both Atlantic Canada and as well from throughout North America based on their strengths.

26.5.5 Air Access

Today’s market is shifting to more frequent, shorter duration getaway vacations. Easy air access, reasonably priced is crucial to providing competitive FIT packaging.

This year we will again be looking to foster partnerships with airlines or tour operators with strong connections to airlines. Partnership opportunities will also be sought with low cost carriers that have good frequency and the ability to reach a large number of end users.

26.5.6 In-market Promotion

In-market promotions are a relatively cost effective method of generating a significant amount of excitement and attention for a destination. They also allow a number of activities to take place under the umbrella of one promotion and therefore generate economies of scale savings.

It has been several years since we have mounted a PEI only promotion in the New England area and with all of the challenges that the industry has faced in the past several years the timing is right to make a splash with the major travel influencers in the New England Market.

This year we will execute an exciting promotion in conjunction with Island partners in several New England cities that will target select tour operators, auto club and travel agency staff and media. The focus of this promotion will be to position Prince Edward Island as a top of mind vacation destination that offers what New Englanders are looking for in a terrific vacation destination.

26.6 Autoclub Strategies

26.6.1 Initiatives in New England

For 2003, Tourism PEI attended a two night event - in one location (Worcester) AAA staff and member event arranged by the AAA offices in Rhode Island and eastern Massachusetts. We also undertook sales and educational visits to 16 AAA offices located in New England. During these visits new product offerings were highlighted. The offices also received a mounted PEI poster.

In addition to attending the organized AAA show in 2003, we provided updated literature for the "Ambassador Kit", provided this years literature in bulk to all the AAA offices in New England , and communicated with the offices on an ongoing basis to see if additional information was required.

We have a very good relationship with the AAA offices in New England and in order to maintain this we should cooperate with their offices as much as possible. Attendance at their shows is an important step in supporting our relationship. PEI has seen increased revenue numbers from AAA members during their stays on the Island. Being that over 45% of visitors to PEI are members of auto clubs it is important that we maintain an active relationship with this particular market.

For 2004, we will initiate sales and educational sessions at selected AAA offices in Maine, New Hampshire and Vermont. Literature will be provided in bulk to all 69 AAA offices in New England. We will provide an Island gift to selected AAA offices in our market area ,offer a familiarization tour to auto counselors/managers and e-mail/fax all offices outlining new product offerings on an ongoing basis.

26.6.2 Initiatives in Ontario

Tourism PEI has in past years, visited many of the CAA offices in southern Ontario and provided educational sessions on the province new product offerings. Also, over the past few years we have partnered with FIT operators who have provided saleable packages which enhanced the PEI product. For 2003, in addition to our advertising in the traditional CAA members magazines we also participated in a direct mail piece to selected members in Ontario.

The Ontario market has always been important in the success of PEI's tourism industry. It is expected that for 2003 revenue figures, as a result of auto club traffic, will show an increase.

For 2004, we will initiate a sales promotion, in southern Ontario directed to CAA auto counselors and in house travel agents, partners would include FIT operators and Island suppliers. We will continue to provide bulk literature to all 56 CAA offices in Ontario. An Island gift will be provided to selected CAA offices Ontario. Efforts will be made to coordinate sales activities with the provincial advertising campaign. Ongoing communication via e-mail and/or fax will occur with the offices to provide information on new product offerings.

26.6.3 Initiatives in Quebec

During the past two years the CAA offices in Quebec have had greater requests for PEI information than previously, this is in large partly due to the availability of the French language visitors guide, map and coupon book.

It is expected that visitation from the Province of Quebec for this year will approximate that of 2002, based on this we can expect an increase in revenue. As in the case of Ontario, Quebec is an extremely important auto club market.

The majority of the Quebec CAA offices are located in or near the two main cities of Montreal and Quebec. For 2004 we will concentrate on increased communication with these offices. Undertakings during the upcoming year will include a promotion directed at CAA auto counselors in conjunction with Montreal and Quebec City Summer Holiday Shows. We will provide bulk literature to all 12 CAA Quebec offices. We will provide an Island gift to CAA offices in the province. Efforts will be made to coordinate activities with the provincial marketing campaign. Ongoing communication via email and/or fax will occur with all the offices to provide information on new product offerings.

26.6.4 Initiatives in the Maritimes

The six Maritime CAA offices not only service their own regional members but act as an information centre for those CAA and AAA members from outside the region that are touring our area. We continue to provide all the offices with the latest information.

Auto traffic to Prince Edward Island from the other Atlantic Provinces continues to be a major source of revenue to the Island economy, this past year should be no exception.

For 2004, we will conduct at least one sales call to all CAA Maritime offices. We will continue to provide all relevant literature to the offices, as well as, an Island gift. Ongoing communication via e-mail and/or fax will occur with all offices to provide information on new product offerings.

26.6.5 General Initiatives

The majority of promotional efforts in relationship to the auto club sector is done with the clubs in our traditional geographic market areas. For 2003, in addition to forwarding information to our regular market area, the "kits" were delivered to auto club offices in the 4 Western Canadian provinces, Connecticut, and all clubs in the Mid -Atlantic states of New York, Virginia, Pennsylvania, Delaware, New Jersey, Maryland and the District of Columbia.

Although actual number of visitors may not be to expected levels, past performance indicates that revenues may increase.

For 2004, we will provide 2004 materials as needed to CAA and AAA offices. We will continue to have ongoing communication with CAA and AAA offices, to determine any requirements they may have. Communication with "other" auto club offices, regarding requirements or assistance will continue. As in the past, we will continue to support those tour operators and suppliers who deal with the auto club market. We will maintain our membership in CAA.

26.7 RV Strategies

26. 7.1 Initiatives

During the past few years, Tourism PEI and Provincial Parks have cooperated in having representatives attend the FMCA Northeast Rally, this has helped increase the awareness of the Island to RVers.

Provincial Parks recorded an overall increase in RV traffic for 2003. The purchase and leasing of RV's continues to grow each year, which would lead you to the conclusion that we can anticipate additional traffic in the future.

For 2004, we will maintain our membership in FMCA (Family Motor Coach Association) and attend the 2004 FMCA North East Area Rally in Essex, Vermont. While there we will be selling various RV associations on the benefits of holding future rallies on PEI and have ongoing communication with associations to encourage visitation to PEI.

26.7.2 Coordinated Marketing Activities

This year we will seek out partners for our activities from the private sector campgrounds, as well as, National and Provincial Parks.

26.8 Industry Liaison

Industry Communication

Industry liaison is an important component of the trade section as it is crucial for us to be very familiar with the Island product offering and on the other hand, it is necessary for us to communicate our plans and our market intelligence and contacts gathered through our various trade activities.

Market Readiness
In order to ensure our industry is fully equipped to deal professionally with the various sectors of the travel trade we will continue to hold pre-event briefings for the Island delegation and as well offer one-on-one consultations to address the individual operators concerns.

Caucuses
We will continue to lead Island delegations to various marketplaces and will generate and share leads with those in attendance at PEI or regional caucuses. Leads specific to operators not in attendance will be shared upon return from the marketplace.

E-mail Blasts
As most local Island operators are now connected to some form of e-mail, this year we will be communicating more regularly with local industry by e-mail to update them on our activities.

Trade Promotion
This year we will brand a number of our trade activities with the slogan we have used in the motorcoach market - “You’d think our island was designed by a tour operator” to emphasize the fact that we are such a great destination with so much to offer for tour operators.

26.9 Editorial/Public Relations
See Appendix for complete Publicity plan for 2004.