



Canada Insights Report

May 2009

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1. Report on VisitBritain's Industry Panel Meeting

Welcome to the VisitBritain's monthly on-territory report for travel to Britain from Canada. The report provides a summary of all news and events that impact on transatlantic travel. In May, VisitBritain held the first 'Industry Panel' meeting of 2009 in Toronto. The meetings are normally held twice a year and are round table discussions about current market conditions for Canadian-UK travel. Senior Canadian tourism industry professionals attended from tour operators and transport companies.

The majority of panellists reported solid trading conditions for the first quarter of 2009, with the economic downturn not having a significant impact on Canadian-UK travel. However, some panellists reported that April had seen a downturn in bookings which made them nervous about the upcoming summer peak period.

At the time of the meeting the H1N1 swine flu virus was prominent within the media. Although no panellist reported bookings to the UK being cancelled, a number had read media reports of school trips to the UK being changed as a result. Most predicted that although the impact would be more moderate than other similar outbreaks in recent years (the 2003 SARS epidemic for example) it added a further worry to an already challenging year.

There was feeling amongst the group that although the favourable exchange rate was a positive trend, unlike the USD-GBP exchange rate, the pound had not fallen against the loony enough to drive visitation. In addition, although the UK was better value than a year ago due to lower airfares, all destinations had discounted heavily to attract visitors, making the UK's newfound value modest in comparison.

Opinions were divided as to the UK's performance against its major competitive rivals. Some felt that the UK was performing worse than other major European countries for the upcoming summer period. However, although Italy was named by some panellists as being the 'must see' European destination for the summer, capacity issues were stated by many as limiting growth. Domestic destinations were seen as major rivals for European destinations as consumers look towards domestic tourism in order to save money.

Other trends highlighted were a decline in golf tours directly resulting from a decline in corporate bookings. However, the Ryder Cup being held in Wales in 2010 was mentioned as driving significant interest in the destination. As other markets have reported, lead times were also reported as shortening.

2. May's Key Insights

- WestJet and Southwest Airlines have placed their partnership deal on hold due to the current economic climate. WestJet has also signed international partnership deals with Air France and KLM to help increase the number of connecting passengers.
- Air Canada and Air Transat have announced to new routes to rival destinations including: Barcelona, Geneva, Rome, Venice, Milan and Madrid from various Canadian cities.
- A new study by The Conference Board has found that the number of Canadians planning to travel to Europe for their longest summer vacation fell from 11% in February 2008 to 7% in May 2009. However, there was a slight rise since April 2009, up 2% from 5%.
- The unemployment rate was unchanged at 8.0% in April, remaining at its highest level in seven years, with growth in employment coinciding with an increase in the labour force.
- The Canadian dollar ended April 2009 at 1.80 (-10% cheaper than a year ago).
- GM of Canada has announced plans to shut 240 of its dealerships. Massive restructuring cuts will cut the cash-strapped company's network by one-third, and could see 10,000 jobs lost across the country

3. Travel News

Transatlantic Air Fare Price Watch

In the complicated world of airline pricing it can be difficult to accurately measure trends across transatlantic air fares. The below table is an attempt to do this, using one of the many price comparison sites that search a number of airlines for a particular route for the best fares.

Route	Approx Lead Time*	Actual Dates of Travel	Lowest Price	No. of Airlines Surveyed
Tor to London return	1 Month	25/6/2009-2/7/2009	\$1292	3
Tor to London return	3 Month	27/8/2009-3/9/2009	\$792	4
Tor to Paris return	1 Month	25/6/2009-2/7/2009	\$1350	3
Tor to Paris return	3 Month	27/8/2009-3/9/2009	\$1117	3
Tor to Rome return	1 Month	25/6/2009-2/7/2009	\$1357	2
Tor to Rome return	3 Month	27/8/2009-3/9/2009	\$1201	2
Mont to Lon return	1 Month	25/6/2009-2/7/2009	\$1397	3
Mont to Lon return	3 Month	27/8/2009-3/9/2009	\$1293	3
Mont to Paris return	1 Month	25/6/2009-2/7/2009	\$753	4
Mont to Paris return	3 Month	27/8/2009-3/9/2009	\$744	3
Mont to Rome return	1 Month	25/6/2009-2/7/2009	\$1511	1
Mont to Rome return	3 Month	27/8/2009-3/9/2009	\$1277	1
Vanc to London return	1 Month	25/6/2009-2/7/2009	\$1512	3
Vanc to London return	3 Month	27/8/2009-3/9/2009	\$1146	3
Vanc to Paris return	1 Month	25/6/2009-2/7/2009	\$1460	5+
Vanc to Paris return	3 Month	27/8/2009-3/9/2009	\$1321-indirect	5+
Vanc to Rome return	1 Month	25/6/2009-2/7/2009	\$1620-indirect	5+
Vanc to Rome return	3 Month	27/8/2009-3/9/2009	\$1520-indirect	5+

Source: Expedia.ca, May 27th 2009

All prices are for 1 non-stop return flight unless stated, Thur to Thur

*Lead times are approximate as the nearest Thur to Thur trip is calculated to ensure comparability.

Search is conducted on Thur of the 2nd week of every month.

Prices are per person and include all taxes & fees in USD. Baggage allowances and other airline fees vary.

Other Travel News

WestJet deal with Southwest put on hold (Source: Globe & Mail)

WestJet and Southwest Airlines have placed their partnership deal on hold due to the current economic climate. The Dallas-based carrier may delay implementation of the code-sharing arrangement until late 2010. Under the deal announced last July, the two carriers would sell more tickets on each other's planes, as well as co-operate on connecting flights, baggage handling and electronic ticketing. WestJet is looking to double its seat capacity between Canada and the United States. It currently has a market share of 10%. WestJet has also signed international partnership deals with Air France and KLM to help increase the number of connecting passengers.

Fewer Canadians plan to travel internationally this summer (Source: The Conference Board)

A study by The Conference Board of 1,000 Canadians, conducted during the first week of May 2009, indicated that 59% of respondents definitely planned to go on a vacation trip between May and October this summer. This compared with 57% of respondents that planned to take a summer trip in April 2009 and 53% in a February 2008 online survey. The number planning to travel to Europe for their longest summer vacation fell from 11% in February 2008 to 7% in May 2009. However, there was a slight rise since April 2009, up 2% from 5%. In contrast the number of Canadians planning to take their longest summer vacation in Canada jumped from 54% in February 2008 to 67% in May 2009.

Canadian airlines add more routes to competitor destinations (Source: Globe & Mail)

Air Canada will launch flights to Geneva from Toronto and Montreal and to Rome from Montreal in June 2009. Charter carrier Air Transat's plans for summer 2009 include new routes from Toronto and Montreal to Venice, from Toronto to Milan and Rome, and from Vancouver to Barcelona, Madrid and Rome.

New rules for Canadian-US travel come into effect from June 1st (Source: Reuters)

Canadian and U.S. citizens crossing the border by vehicle will be subject to new document requirements that will go into effect on June 1. The new requirements form part of the Western Hemisphere Travel Initiative (WHTI).

Swiss Air launches inaugural marketing campaign in Canada (Source: MediaInCanada.com)

The first wave of Swiss Air's inaugural advertising campaign in Canada launched in May, with multimedia elements positioned to drive targeted reach to French and English leisure travelers in the Quebec market. A mix of newspaper, magazine and out-of-home elements in the Quebec market target the 25-to-54 age groups. A second wave launches later in the year with 15-second spots through Montreal metro system screens, for a two-week period, and print ads featured in commuter.

3. Economic News

Government increases diplomatic efforts to prevent 'buy American' clauses (Source: Globe & Mail)

Ottawa is ramping up efforts to persuade U.S. lawmakers that spreading "buy American" restrictions on government purchases are hurting both countries. Industry Minister Tony Clement embarked on a two-day lobbying push in Washington during May, with an address to U.S. manufacturers plus meetings with key congressional leaders responsible for doling out billions of dollars worth of government contracts.

Canadian unemployment holds steady during April (Source: Statistics Canada)

Employment grew by 36,000 in April, the result of an increase in self-employment. Despite this increase, overall employment has fallen by 321,000 since the peak in October 2008. The unemployment rate was unchanged at 8.0% in April, remaining at its highest level in seven years, with the growth in employment coinciding with an increase in the labour force. All the employment growth observed in April occurred in Quebec (+22,000) and British Columbia (+17,000), while employment declined in Nova Scotia (-4,100) and Newfoundland and Labrador (-2,800). There was little change in the other provinces.

March retail figures up (Source: Statistics Canada)

Retail sales increased for the third straight month in March, rising 0.3 per cent to \$33.9bn, largely on the strength of higher sales at new-car dealers. The volume of retail sales rose 0.7%. In addition, the three consecutive months of gains in retail sales have not completely offset the sharp declines reported in November and December. March's retail sales were 6.3% lower than their peak in September 2008, and the volume of sales were down 2.6%.

Inflation remained flat in April (Source: Statistics Canada)

Canada's annual rate of inflation fell more than expected to the lowest level in 14 years in April as the economic downturn continued to push consumer prices lower. Consumer prices rose 0.4% in the 12 months to April 2009, down from the 1.2% increase in March. While upward pressure on the Consumer Price Index (CPI) came primarily from food, the slowdown was due mainly to price declines for energy and reduced upward pressure from non-energy shelter components. Excluding food, the CPI fell 1.1% in the 12 months to April. Excluding energy, the CPI rose 2.4% over the same period.

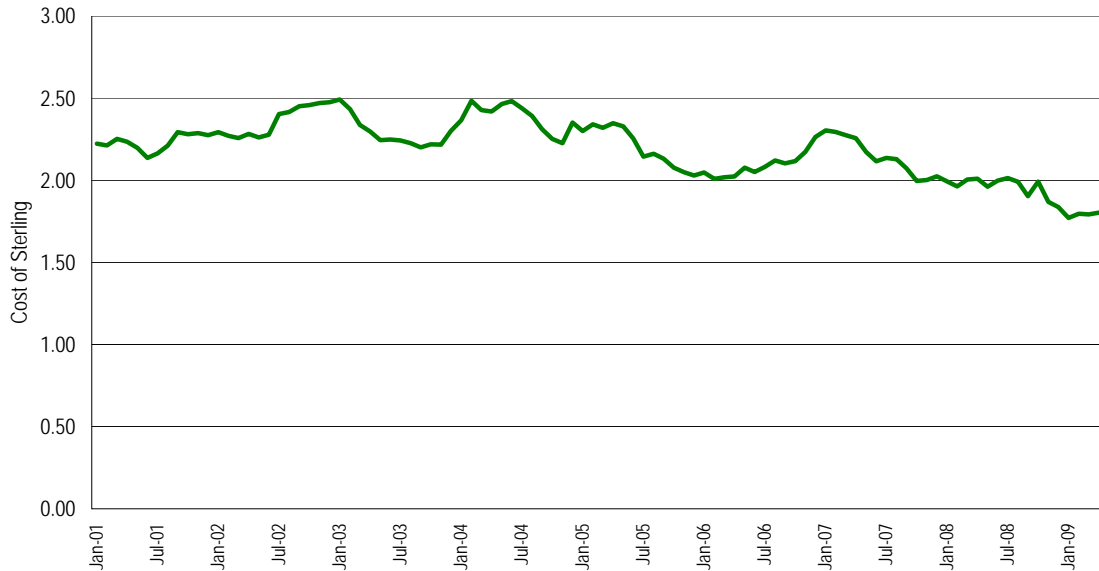
General Motors to close Canadian dealerships (Source: Globe & Mail)

GM of Canada has announced plans to shut 240 of its dealerships. Massive restructuring cuts will cut the cash-strapped company's network by one-third, and could see 10,000 jobs lost across the country.

Exchange rates

The Canadian dollar ended April 2009 at 1.80 (-10% cheaper than a year ago).

Canadian Dollar against Sterling



Canadian Dollar against Sterling



4. Media News

Roughly 180 leaving CBC (Source: mediaincanada.com)

CBC will shed up to 180 employees from its English language operation in May, fewer than originally expected partly because of the network's early retirement program.

Specialty TV audience continues to grow (Canada Marketing Magazine)

Analog and digital specialty stations charted strong growth in adult audience numbers during the past television season, according to BBM research. Overall, the 25-54 audience for English-language analog specialty stations was 7% higher for the period between Sept. 1, 2008 and May 17, 2009 compared to the same period the year before. Digital specialty channels, meanwhile, enjoyed a 12% boost.

5. Inbound Visits to Britain

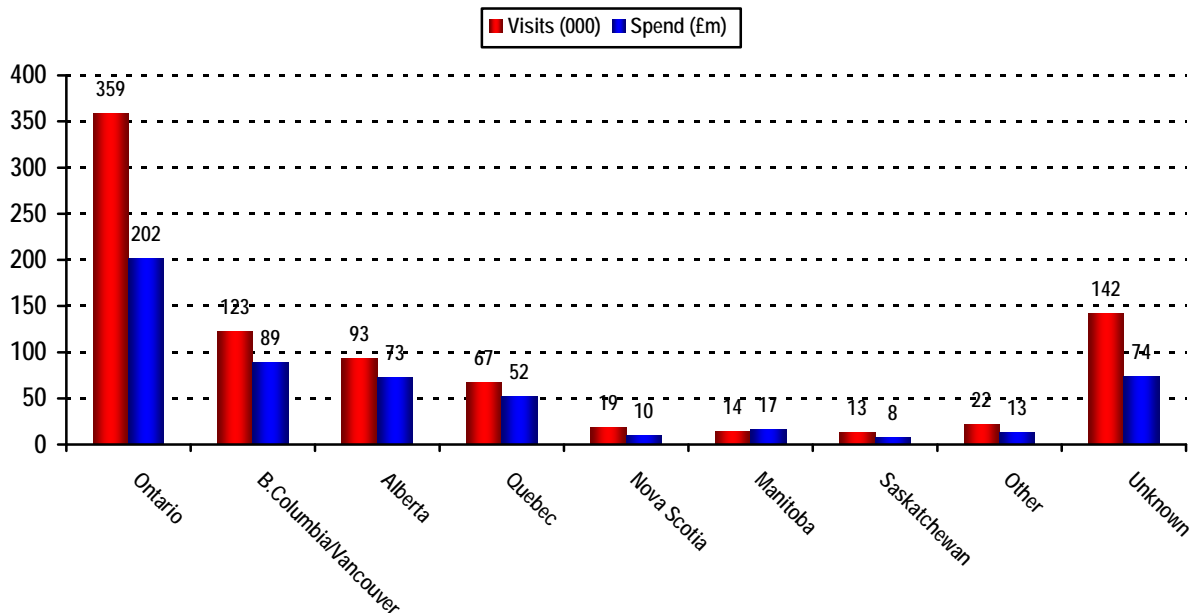
Q1 visits to UK from North America remain down

The number of overseas residents visiting the UK in the three months from January to March 2009 was down 13% compared with the same period of 2008, whilst total spend over this period was neither up nor down in nominal terms. Visits from North America were down 21% in the first three months of 2009 compared with the same period of 2008.

Visits to Britain from Canada by Province

Each year VisitBritain sponsors additional questions in the International Passenger Survey. One of these questions provides information about where visitors from four separate markets live within their home country. In 2007, this question was asked of visitors to Britain from Canada.

Visits to Britain from Canada by Province, 2007



Source: International Passenger Survey

6. Outbound

Canadian outbound trips to non-US destinations grow (Source: Statistics Canada)

In February 2009, overall outbound trips by Canadians posted a decrease of 4% over the same month last year. Trips to the U.S. were down 9%, however, those to non-US destinations increased 3% compared to the same month in 2008. January and February combined have seen an overall decline of -4% outbound trips, but an increase of 5% to non-US destinations.

Canadians made 7.5% more outbound trips in 2008 than in 2007. Despite the growth in Canadian outbound travel in 2008, trip growth rates differed between the regions of Canada. Outbound travel from Saskatchewan grew faster than any other region of the country (0.3m trips or +18% y-on-y). Alberta residents made 2.1m outbound trips in 2008 (+13%). British Columbia residents made 5.2m (+10%) while Manitoba residents made 0.9m (+7%). Outbound trips from Quebec grew by 6% 2008 (5m total) while Ontario residents made 12.7m (+6%). Residents of the Atlantic Provinces made 0.8m trips in 2008, up 3% from 2007.



Canada On-territory Insights Report- May 2009

Please see below for a schedule of market intelligence updates:

- **USA On-territory Insights Report**- 1st week of every month
- **Canada On-Territory Insights Report**- Last week of every month
- **Latin America (Mexico, Argentina, Brazil) On-Territory Insights Report**- 3rd week every other month

If you have any comments, suggestions of feedback on these reports, or please contact Phil Underwood, Market Intelligence Executive, the Americas, at Philip.underwood@visitbritain.org.