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MARKET INSIGHTS
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CANADA

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This Market Insight is one of an ongoing series of market profiles produced by the Market Intelligence Group [MIG] of the European Travel Commission [ETC]. New market profiles will be added to the series and updated at regular intervals.

The members of the MIG comprise the Research Directors of the 34 National Tourist Offices (NTOs) who are members of ETC. The group regularly commissions and publishes market intelligence studies, handbooks on methodologies and best practice, and facilitates the exchange of European tourism statistics on the 'TourMIS' web platform.

More information on ETC's programme of market intelligence activities - including links to studies and sources of European tourism statistics - can be found on the organisation's corporate website: http://www.etc-corporate.org.

OVERVIEW

- With an expenditure of US$18.4 bn in 2005, Canada is ranked eighth in the world in terms of spending on travel abroad (excluding transport) by the World Tourism Organization (UNWTO).
- Expenditure abroad increased by 15% in 2005 – the third year of double-digit growth.
- Outbound trip volume reached a 5-year high in 2005 of 21.1 mn trips, 29% of which were to overseas destinations. Europe attracted 3.7 mn, +6%.
- Europe attracts 60% of all overseas trips and 43% of overseas pleasure trips.
- The Canadian dollar has risen to its highest level against the US dollar since January 1978 (90 US cents at end-June 2006) and also gained against the euro in 2005 and the first half of 2006.
- Thanks in part to the strong Canadian dollar, 2006 has begun on a high note, with outbound trip volume rising 7% from January through April (and continuing to rise through July). Travel intentions for the year, bolstered by good economic performance and solid consumer confidence, are also strong. Direct airline capacity has increased to several European gateways and Canadian tour operators have expanded their Europe programmes.
- 41% of Canadians carry a valid Canadian passport, but the next few years are expected to see many more Canadians seeking passports for travel to the USA – due to the US Government's Western Hemisphere Travel Initiative – and this will result in more Canadians having the right travel documents for international travel.

COUNTRY PROFILE

Currency

- Canadian dollar (C$) €1 = C$1.51 (2005)
- The Canadian dollar has risen sharply against the US dollar since 2002 – from US$1 = C$1.57 in 2002 to C$1.21 in 2005, and to C$1.11 at end-June 2006.
- The Canadian dollar fell slightly against the euro in 2002-04, but rose to an average of €1 = C$1.51 in 2005 and €1 = C$1.40 in June 2006.

Population

- 32.8 mn (2005) – three people per km2.
- The population is expected to increase by 3.5% to 33.4 mn in 2011, but the population is ageing fast. The 55+ age segment will increase by 15% over the period while the number of 15-44 year-olds will decline.
- The fertility rate (the average number of children per female) is estimated at 1.5 – well below the 'replacement rate' of 2.1 – but net immigration is strong (211,000 a year in 2000-05).
- More than 80% of Canada's population live in towns and cities within 250 km of the US border. 45% live in the largest metropolitan areas of Toronto (4.7 mn), Montreal (3.4 mn), Vancouver (2.0 mn), Ottawa (1.1 mn), Calgary and Edmonton.

Age

Breakdown (%)	2005	2020f
0-4	5.3	5.1
5-14	12.3	10.0
15-24	13.5	11.3
25-34	13.7	13.7
35-44	15.8	13.7
45-54	15.3	13.3
55-64	11.0	14.5
65-74	7.0	10.7
75-84	4.6	5.4
85+	1.6	2.3

In 2005, those aged 0-14 totalled 17.6%, 15-64 years 69.3%, 65+ years 13.1%. The median age is 38.5 years – 39.6 for women and 37.5 for men.

Ancestry

The population is mainly of European origin, but with an increasing Asian component. In the 2001 Census, 90% of respondents reported their ancestry, including (% of respondents – note that most people gave multiple responses):

English	20.2	French	15.8	Scottish	14.0
Irish	12.9	German	9.3	Italian	4.3
Ukrainian	3.6	Dutch	3.1	Polish	2.8
Norwegian	1.2	Portuguese	1.2	Welsh	1.2

Of the 5.6 mn immigrants and temporary residents in 2001, 2.3 mn (41.3%) were born in Europe (including 10.9% in the UK, 5.6% in Italy, 3.2% in Poland, 3.1% in Germany, 2.8% in Portugal and 2.1% in the Netherlands), 15.6% in the Americas, 36.7% in Asia and 5.4% in Africa.

Languages

English and French are both official languages – French in Quebec and English in all other provinces and territories. French is the mother tongue of 5.6 mn Canadians living in Quebec.

Economic Data

	2001	2002	2003	2004	2005[e]
GDP (C$ bn)	1,107.5	1,155.0	1,214.6	1,290.2	1,368.7
Real GDP growth (%)	1.8	3.1	2.0	2.9	2.9
GDP per capita (C$)	35,700	36,900	38,400	40,400	42,400
Inflation (%)	2.5	2.2	2.8	1.8	2.2
Unemployment (%)	7.2	7.7	7.6	7.2	6.8

Canadian Economy 2004-05

- Economic growth has been robust, particularly in view of the strong Canadian dollar, which is supporting imports and damaging the profitability of manufacturing. With the recovery in world commodities' prices in recent years, a contrast has emerged between the relatively prosperous, natural resources-based western provinces of British Columbia, Alberta and Saskatchewan, and the depressed industrial heartlands of Ontario and Quebec.
- GDP is expected to grow by 3.1% in 2006 and 2.8% in 2007.
- Private consumption has been rising in real terms by 3-4% a year. Labour shortages are causing earnings to rise faster in the western provinces.
- Fuel and energy prices are rising rapidly, but the strength of the Canadian dollar is otherwise putting downwards pressure on prices.

TRAVEL PROFILE

Canadian Outbound Trips

Trips (mn)	2000	2001	2002	2003	2004	2005
Total	19.1	18.4	17.7	17.8	19.6	21.1
USA	14.6	13.5	13.0	12.7	13.9	14.9
Overseas	4.5	4.8	4.7	5.1	5.7	6.2
% share	23.6	26.1	26.6	28.7	29.1	29.4
% annual change	na	6.7	-2.1	8.5	11.8	8.8
Europe	2.9	2.9	2.9	3.1	3.4	3.7
% share	15.2	15.8	16.4	17.4	17.3	17.5
% annual change	9.8	-0.3	0.9	6.7	10.3	6.3

- Trip volume to the USA is still well down on its 1991 peak, when it topped 19.1 mn.
- Growth in overseas trips (ie to destinations other than the USA) has been higher than that for trips to the USA every year since 2000.
- Around two thirds of all outbound trips are for holiday/leisure purposes.
- The first four months of 2006 saw a further 7% rise in outbound trip volume overall and a minimum 4% increase is forecast for trips to Europe for the full 12 months of the year.

International Travel Expenditure (excl transport)

	2000	2001	2002	2003	2004	2005
Total (US$ mn)	12,438	11,961	11,679	13,422	15,947	18,370
% annual change	8.2	-3.8	-2.4	14.9	18.8	15.2

- Preliminary data for 2005 suggests that, in local currency (C$), the growth in spending abroad was lower, at 7%, but a further 6% rise was recorded in Q1 2006.
- Spending in international destinations accounts for some 44% of total expenditure on travel abroad.
- Average spend per international trip was US$1,614 in 2004.

Leading International Destinations

Top ten international destinations, 2005

Country	Visits ('000)	Nights ('000)	Spending (C$ mn)
UK	898	11,376	1,091
Mexico	794	8,780	910
France	616	7,770	829
Cuba	518	4,574	470
Dominican Republic	506	4,488	457
Italy	383	4,860	616
Germany	317	3,205	276
Netherlands	197	1,601	132
Spain	170	2,300	223
China	161	2,996	304
Hong Kong	151	2,793	209
Japan	143	1,866	220
Switzerland	139	937	122
Austria	128	640	79

- The same six European countries featured in the 2005 top ten as in 2000, but Italy overtook Germany last year.
- Preliminary data for 2005 from The Conference Board of Canada (CBC) shows that Europe accounts for 43% of all overseas pleasure trips (ie to destinations other than the USA), as against 39% for the Caribbean/Mexico and 9% for Asia.
- Mexico is the leading overseas destination for Canadian pleasure trips, followed by Cuba and the Dominican Republic. France ranks fourth, ahead of the UK. However, the UK is still the number one overseas destination overall (ie including business and VFR trips).

Nature of Trip

- Average length of a trip to Europe is 18.7 nights, as against 11.4 nights overall (IPK International's World Travel Monitor) – 20.1 nights for holiday trips, 19.6 nights for VFR travel and 13.2 nights for business trips.
- However, Statistics Canada data shows that for travel to the leading European destinations, the longest average length of stay in 2004 was in the UK and France (12.9 nights) and the shortest in the Netherlands (7.3 nights).
- Nevertheless, short trips are growing in share.
- Average spend in Europe is €2,393 (World Travel Monitor), or €128 per night.

Purpose of Trip

Main purpose of international trip (%), 2004 (2000)

Holiday/vacation	65	(59)
Business	9	(17)
VFR	19	(18)
Other	7	(6)

- Around half of all travel to Europe is for holidays and one third for VFR.
- The UK and Germany attract the highest levels of VFR (45% of total Canadian visits for the UK and 48% for Germany in 2004).

Seasonality

Breakdown of international trips by season (%), 2004 (2000)

Jan-Mar	33	(31)
Apr-Jun	23	(23)
Jul-Sep	24	(25)
Oct-Dec	20	(21)

Public holidays, 2006:

1-2 Jan, 14 Apr, 17 Apr, 22 May, 1/3 Jul, 7 Aug, 4 Sep, 9 Oct, 11 Nov, 25-26 Dec.

Accommodation

- A high share of Canadian visitors to Europe – and especially VFR travellers – stay with friends and family and/or in private accommodation.
- The majority of holiday travellers – around 68%, according to the CTC Holiday Tracking Survey – stay in hotels.

Leisure / Recreational Activities

- The ETC/Menlo study on the image of Europe in North America shows that Europe is associated with history, culture, gastronomy and scenic beauty, although Canadians are less interested in icons than Americans.
- Most activity is based around these interests.
- Research by VisitBritain and DZT suggests that the favourite activities are (in no particular order): sightseeing, visiting museums and galleries, parks, shopping and good eating.
- The importance of scenic beauty to Canadians is reflected in their top ten aspirational destinations (Wave 3 of the Anholt-GMI Nation Brands Index):
  1. Australia
  2. Italy
  3. New Zealand
  4. Switzerland
  5. UK
  6. Spain
  7. Sweden
  8. Netherlands
  9. France
  10. Ireland

PROFILE OF TRAVELLERS

Nature of Overseas Travellers

- Male travellers slightly outnumber female travellers.
- Repeat travellers account for more than 50% of total trips.
- Travellers aged 50-plus have the highest propensity for foreign travel and are the most enthusiastic about travel to Europe.
- The highest share of travellers to Europe are from Ontario (52%), followed by residents of Quebec (19%), British Columbia (16%) and Alberta (7%).
- The wealthiest Canadians (earning a minimum of C$200,000 a year) take three vacations annually.

Education

- Menlo suggests that some 42% of Canadian overseas travellers have completed university or college education.

Travel Companions

- VisitBritain says that 46% of Canadian visitors are travelling alone and 26% as a couple.
- Young Canadians are more likely than their elders to travel in groups.

AIR TRANSPORT

Airports

- Major Canadian departure airports are: Toronto, Montreal, Vancouver, Ottawa, Calgary, Winnipeg and Halifax.
- Some 38 airports in Europe are served directly from Canada, either by scheduled or charter airlines – 9 in the UK, 7 in France, 3 in Germany and Portugal, 2 in Ireland, Italy and Switzerland, plus Amsterdam, Athens, Brussels, Budapest, Kiev, Helsinki, Madrid, Prague, Vienna and Warsaw.

Airline Traffic / Capacity

- OAG data shows that, between Q4 2004 and Q4 2005, airline capacity rose by 18% on Canada-UK routes (two-way traffic), by 14% between Canada and France and by 4% between Canada and Germany.
- In June 2006, according to SRS Analyser, 24 airlines operated 455 weekly flights from Canada to Europe (eastbound only), up 2% over June 2005, with a capacity of 116,790 seats (+2%).
- Air Canada was the leading operator with 172 weekly flights and 40,395 seats to 9 destinations in Europe, followed by Air Transat (68/17,340), British Airways (44/12,898) and Air France (28/8,110).
- KLM, Lufthansa and Zoom Airlines all operated 21 flights weekly during the same month.

TRAVEL PLANNING & BOOKING

Travel Decisions

- 73% of Canadians planning to visit Europe will search the internet to help plan their trip and 48% will book at least part of their trip online, even if this is simply car hire or tickets for events and/or cultural and/or heritage attractions.
- 42% of international travellers make their booking decisions 1-6 weeks before departure.
- The Canadian Internet & Broadband Usage Report, 2004 suggests that online travellers are most likely to consult the following sites: airlines (26%), Expedia (ca 25%), destinations (21%), hotels (14%), Itravel (20%), Travelocity (11%).

Booking Methods

- Canadians still prefer making their travel bookings through a travel agent – whether in person, by telephone or online.
- But the share is falling: 51% of all trips were booked through travel agents in 2004, down from 62% in 2002.
- A growing number of Canadians are using the multi-channel approach to booking holidays – combining face-to-face booking in a travel agency with phone and online bookings.

Internet & Media

- 77% of Canada's population have internet access and 66% of households have broadband.
- According to Statistics Canada, growth in overall internet usage is levelling off. However, electronic commerce transactions are rising fast. Statistics Canada estimates that 7.9 million households (65% of all Canadian households) used the internet regularly in 2004, but only 26% purchased goods or services online, leaving plenty of room to expand Canada's e-commerce market.

- Expedia Canada has launched pre-packaged vacations as a complement to Expedia.ca's existing 'build your own' package service, and provides all the information, deals and tools needed to book vacations provided by Canada's leading tour operators at competitive prices.
- The majority of Canadians now use the internet as a source of travel information. According to the CBC's April 2006 Travel Intentions survey, 60% said they planned to use the internet to plan their summer 2006 vacation – up from 41% in 2001.
- Of those making bookings through the internet for international travel, most book through airline websites, online travel agents or the websites of destinations they are visiting.

TRAVEL TRADE PROFILE

Tour Operators

- Well over 100 Canadian tour operators, in addition to the airlines, sell Europe. Of these, many are the Canadian operations of European operators, such as Contiki Holidays, Cosmos, Globus, Insight Vacations, MyTravel, Rail Europe, Signature Travel/First Choice Canada and Trafalgar Tours.
- The leading cruise operator is MyTravel Canada Cruise Escapes, which acquired the former number one, Encore Cruises, from First Choice Canada in mid-2006.
- Many tour operators are vertically integrated with their own retail operations, airline fleets, etc.
- Leading Canadian operators include Air Canada Vacations, Conquest Vacations, Nolitours, Transat Holidays, Canadian Affair (now owned by Transat) and JM Vacations (for long-stay winter holidays in Europe).

Retail Travel Agencies

- There are 5,000 or so travel agents in Canada, of which 3,000 are IATA approved (a reduction of 25% over the past few years as a result of consolidation) and 65% members of ACTA.
- Major national retail chains include Advantage Travel, American Express, CAA Travel, Carlson-Wagonlit, Giants, Goliger's, MyTravel, T-Comm, Thomas Cook, Sears, Uniglobe and Vacation.com. They tend to have preferred agreements to enhance their commissions and profitability.

Travel Agent Training

- A number of organisations and associations are involved in education and training in travel and tourism, but the most important are probably the Canadian Institute of Travel Councillors (CITC) and the Association of Canadian Travel Agents (ACTA).

KEY TRENDS AND FORECASTS

Key Characteristics of Canadian Outbound Travellers

- Retired people take longer and more frequent holidays and the 50-plus age segment has the highest propensity to travel overseas.
- Canadians have a wide range of interests in terms of holiday activities – the favourite include visiting places of historical and cultural interest, and tours around a cultural theme (eg art and architecture) are increasingly popular.
- Group and package travellers are more likely to select hotels belonging to a well-known chain than independent travellers.
- Travel decisions and booking are being made later and later.
- Short trips (4-5 nights long) are gaining share of trips to Europe.
- There is a growing interest in Europe for winter trips.

Short-term Prospects

- The Canadian economy outperformed expectations in 2005, due largely to a surge in consumer spending and continued strength in business investment.
- These factors have fuelled expectations that average Canadian disposable income will rise in 2006, specifically as a result of stronger wage growth, as well as federal and provincial tax relief measures. Importantly, the increases in wages are well ahead of consumer price increases despite the spike in energy prices.
- In general, 2006 has begun on a high note for Canada and travel intentions for the year, bolstered by good economic performance and solid consumer confidence, are strong.
- Europe remains high on the destination wish list of Canadians, despite growing travel to South America and Asia, with Australia and New Zealand the main competitors in terms of aspirations.
- An older population – the oldest baby boomers are just turning 60 – combined with ongoing changes in holiday taking behaviour, is resulting in changing consumer holiday needs.
- Central and Eastern Europe should attract the strongest growth in Canadian pleasure visits to Europe over the short to medium term.
- Long-stay winter holidays in Portugal are becoming increasingly popular, and the trend is likely to intensify.

NOTES

[a] Multiple responses possible/percentages add up to more than 100%

[e] Estimates

[f] Forecasts

SOURCES OF INFORMATION

Principal statistical sources (by section):

- **Country Profile**: International Monetary Fund; United Nations Department of Economic & Social Affairs Population Division; The Economist Intelligence Unit
- **Travel Profile**: International Travel Survey (ITS), Statistics Canada; Canadian Tourism Commission (CTC); World Tourism Organization (UNWTO); Canadian Tourism Research Institute (CTRI), Conference Board of Canada; World Travel Monitor, IPK International; Anholt-GMI Nation Brands Index; VisitBritain; German National Tourist Board (DZT)
- **Profile of Travellers**: ITS, Statistics Canada; CTC; Menlo Consulting Group; World Travel Monitor, IPK International; VisitBritain, DZT; The Travel Business Partnership (TBP) from various industry sources
- **Air transport/Airlines**: SRS Analyser, OAG
- **Travel Planning and Booking**: CTRI; *ETC Media Review*
- **Travel Trade Profile**: Association of Canadian Travel Agents (ACTA); Statistics Canada; CTRI; *Canadian Internet & Broadband Usage Report, 2004*; TNS

FURTHER INFORMATION

Association of Canadian Travel Agents (ACTA):	www.acta.ca
Canadian Tourism Research Institute (CTRI):	www.ctri@conferenceboard.ca
Conference Board of Canada:	www.conferenceboard.ca
Canadian Tourism Commission (CTC):	www.canadatourism.com
IPK International (World Travel Monitor Company)	www.ipkinternational.com
Statistics Canada:	www.statcan.ca

CONTACT DETAILS

ETC Executive Unit

Lisa Davies
Co-ordinator ETC Market Intelligence Group (MIG)
European Travel Commission
19A Avenue Marnix (PO Box 25)
1000 Brussels
Belgium
Tel: +32 (0) 2 548 9000
Fax: +32 (0) 2 514 1843
Corporate website: www.etc-corporate.org
Email: info@etc-corporate.org

ETC Canada Operations Group

c/o Motivations International Inc
P O Box 754
Cobourg
Ontario K9A 4R5
Canada
Tel: +1 (0) 905 377 9006
Fax: +1 (0) 905 377 9515
Email: motivations@sympatico.ca