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Visitor Inquiries

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Down**

- Calls to the 1-800-ONTARIO Call Centre totalled 263,870 in 2005, down 11% over 2004. For the fourth quarter of 2005, calls were down 25% over the fourth quarter of 2004.
- In 2005, user sessions at OntarioTravel.net main site decreased by 8.1% over 2004, reaching 2.5 million.

Source: EDS

Economic Outlook: Strong Economy and Rising Incomes

Short Term Economic Indicators

Canada & Ontario (Forecasts)

		Q1 2006	2006	2007
Real Gross Domestic Product – % Change over Previous Period	Can	0.7	2.9	3.1
	ON	0.5	2.7	3.4
Consumer Price Index – % Change over Previous Period	Can	0.6	2.5	2.0
	ON	0.6	2.3	2.0
Unemployment Rate	Can	6.6	6.7	6.9
	ON	6.5	6.4	6.7
Personal Disposable Income – % Change over Previous Period	Can	1.8	5.6	4.3
	ON	0.8	5.2	4.7

Source: Conference Board of Canada

Tourism Statistics

International Border Crossings

U.S. Market Continued to Perform Weakly in 2005

- In 2005, there were approximately 2.1 million (or 10%) fewer U.S. border crossings into Ontario than in 2004, primarily because of a 12.6% decrease in same-day trips.
- U.S. overnight entries to Ontario decreased in 2005 by 4% over 2004. The decrease resulted from a drop in U.S. overnight auto entries to Ontario (6%). U.S. overnight non-auto (plane, train, bus, boat) entries to Ontario dropped by 1% over 2004.

Overseas Market Performed Well in 2005

- For the period January to July 2005, overseas entries to Ontario grew 12% over the same period in 2004 to the highest level seen from this market since 2001. Increases over this period in 2004 were seen from each of Ontario's primary overseas markets: the U.K. (+5%), Germany (+10%), France (+12%), and Japan (+30%).

What's New in Research?

New Research and Publications

Ontario's U.S. Travel Markets 2004 report is available on the Ministry of Tourism's web site at www.tourism.gov.on.ca/english/tourdiv/research/ontario_us_travel_markets_2004_e.pdf

Ontario's Domestic Travel Markets 2004 report is available on the Ministry of Tourism's web site at www.tourism.gov.on.ca/english/tourdiv/research/ont_dom-tvl-mkt-2004.pdf

The Travel Activities and Motivations Survey Online (eTAMS) is a custom data retrieval tool via the internet, which allows users to tabulate Canadian and U.S. travel information according to specific criteria: socio-economic status, travel information, activities at home, activities while travelling, media consumption, places visited, impressions of Ontario, etc. eTAMS is now available on the Ministry of Tourism's web site www.tourism.gov.on.ca/english/tourdiv/research/etams.htm

An Ontario-specific report on the first quarter results from the Business Conditions Survey on the travel accommodation industry is available on the Ministry of Tourism's web site at www.tourism.gov.on.ca/english/tourdiv/research/reports.htm. The Business Conditions Survey is a quarterly publication conducted by Statistics Canada and funded by the Ontario Ministry of Tourism, the Canadian Tourism Commission and Statistics Canada. Results are based on survey questionnaires sent to about 1,200 traveller accommodation providers across Canada.

Accommodations: Hotel Occupancy and Average Daily Rates Up in 2005

- In 2005, occupancy rates at Ontario hotels grew 1.5 percentage points, to 62.1%.
- Over the same period, the average daily room rate (ADR) at Ontario hotels increased by 2.6% to \$120.91, resulting in a 5.1% increase in Revenue Per Available Room (RevPAR).

Location	Occupancy Percentage (%)			Average Daily Rate (\$)		
	2005	2004	*Point Change	2005	2004	% Ch
ONTARIO	62.1	60.7	1.5	120.91	117.81	2.6
Greater Toronto Area (GTA)	66.5	64.8	1.7	129.87	126.30	2.8
Downtown Toronto	70.1	69.3	0.8	157.29	153.83	2.3
Toronto Airport	68.9	69.2	-0.2	113.84	110.55	3.0
GTA West	61.1	60.3	0.8	102.74	100.42	2.3
GTA East/North	62.4	57.7	4.8	109.71	105.18	4.3
Eastern Ontario	58.6	56.5	2.1	100.02	95.85	4.3
Kingston	62.2	59.1	3.2	112.04	106.485	5.2
Other Eastern Ontario	56.6	55.0	1.6	92.75	89.66	3.4
Ottawa	65.0	63.3	1.7	125.50	123.67	1.5
Downtown Ottawa	67.4	65.9	1.5	132.77	131.32	1.1
Ottawa West	60.9	56.9	3.9	112.73	109.00	3.4
Ottawa East	56.9	57.2	-0.4	92.50	91.55	1.0
Southern Ontario	55.1	54.7	0.4	112.94	110.58	2.1
London	62.3	60.8	1.5	99.83	95.96	3.0
Windsor	51.9	53.9	-1.9	100.72	102.24	-1.5
K/W/Cambridge/Guelph	61.0	59.7	1.3	97.05	94.41	2.8
Hamilton/Brantford	59.8	57.0	2.8	95.72	91.62	4.5
Niagara Falls	55.0	54.7	0.3	139.05	136.32	2.0
Other Niagara Falls Region	45.3	45.8	-0.5	89.82	89.01	0.9
Other Southern Ontario	46.9	47.0	-0.1	98.14	95.33	2.9
Central Ontario	51.9	50.2	1.8	125.81	122.25	2.9
North Eastern Ontario	65.6	62.8	2.7	84.26	80.91	4.1
North Bay	63.5	60.5	3.1	89.07	84.71	5.1
Sudbury	66.1	62.3	3.8	89.07	85.63	4.0
North Central Ontario						
Sault Ste. Marie	56.4	54.3	2.2	85.76	86.91	-1.3
North Western Ontario	63.6	63.3	0.3	88.95	88.34	0.7

Source: Trends in the Canadian Hotel Industry, PKF Consulting. *percentage point change

Data based on Pannell Kerr Forster's unweighted sample, which tends to be branded properties of 30 rooms or more.

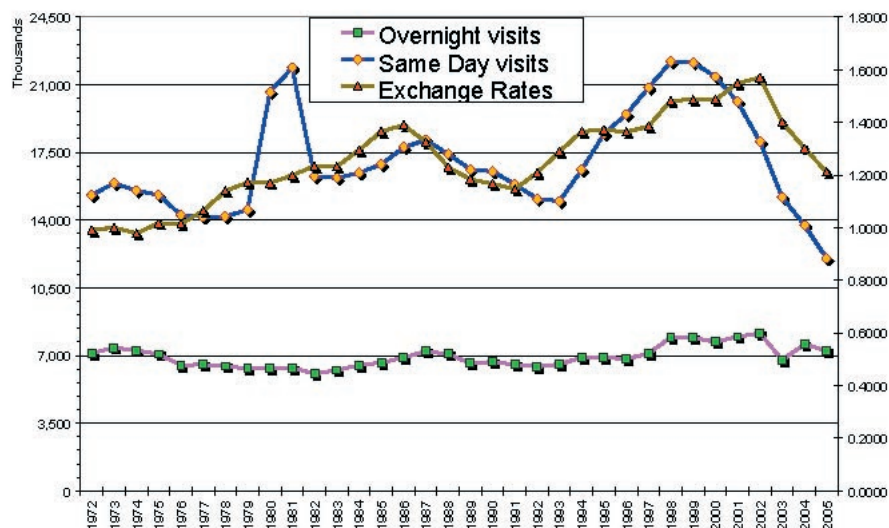
Special Topics: What Is Wrong With Ontario's U.S. Travel Market?

In 2005, US border crossings to Ontario reached their lowest level since 1972. The decline in US visitation is significant because, in 2004, Americans accounted for 18% of Ontario's total visitors and 26% of the province's visitors' spending. However, annual data and data that show total visits can often mask the identification of the problem.

From 1972 to 2005 overnight US visits to Ontario fluctuated around the 7 million mark (Chart 1). Although for total US visitation 2004 and 2005 have been disastrous for Ontario, overnight visits in these two years have been above the trend. As a matter of fact the Ontario Ministry of Tourism is forecasting a 2.5% increase in overnight US visitors to Ontario in 2006, meaning that overnight visits for 2006 would also stay above the trend.

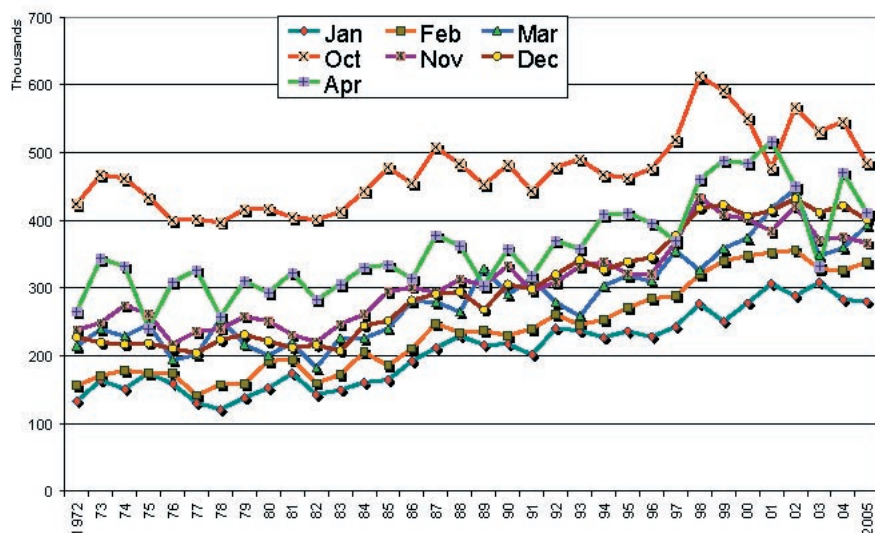
Even for 2007, the year when the US government is planning to require passports for its citizens returning by air or sea, the Ministry is forecasting a 2.6% increase. However, when the full impact of the passport requirement comes into effect in 2008, overnight US visits to Ontario are forecast to decline by 8.9% to 6.8 million visits, which is marginally below the trend line.

Chart 1: US Border Crossings to Ontario and Exchange Rates



Irrespective of where the years 2004 and 2005 stand within the historical context, the truth of the matter is that overnight visits from US to Ontario have been stagnant through the years showing no growth. What are some of the factors that are contributing to this? For one thing, Americans from Ontario's border states (Michigan, New York, Pennsylvania, Ohio, Illinois, Minnesota and Wisconsin) account for 83% of the total US visits to Ontario and 67% of the overnight US visits, and the population of these states has also been stagnant over the period. The population of the border states has been growing at an average annual rate of 0.3% which is almost equal to the 0.2% annual average growth rate of overnight US visits to Ontario. The population of the rest of the US has been growing at an annual average of 1.1% and overnight visits to Ontario from those states have been growing (since 1979) at a healthy annual average of 1.5% (or 750 times faster than the overall overnight growth rate).

Chart 2: Overnight US Border Crossings to Ontario

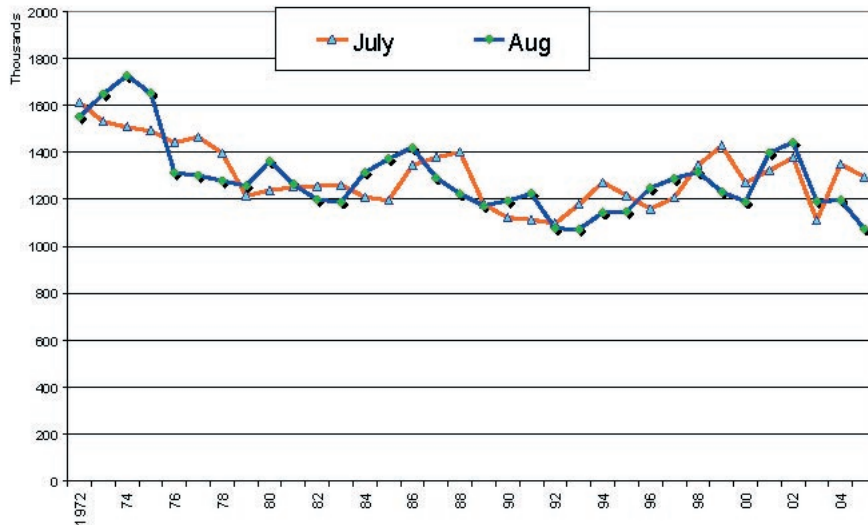


However, slow population growth in the border states cannot fully explain the stagnation of overnight visits from the US to Ontario. One would be tempted at this point to talk about 911, SARS or border delays, but as Chart 1 shows these factors appear to have only passing influence on the trend – overnight border crossings increased in 2001 and 2002 and after the dip in 2003 due to SARS overnight visits from the US recovered in 2004 to a level above the trend.

Charts 2 and 3 show the overnight US border crossings to Ontario by month. As it is evident in Chart 2, January, February, March, April, October, November and December have been growing since 1972 (2.8%, 2.8%, 2.6%, 2.6%, 1.0%, 1.6% and 1.9%, respectively) while July and August have been decreasing (Chart 3). May, June and September (not shown here) show no growth. This growth

pattern is also observed in Ontario's seemingly stagnant border states market. So overnight border crossings have been stagnant over the years because the two largest months of the year in terms of visitation (July and August), accounting for 28.6% of the overnight US border crossings to Ontario, have been declining.

Chart 3: Overnight US Border Crossing to Ontario



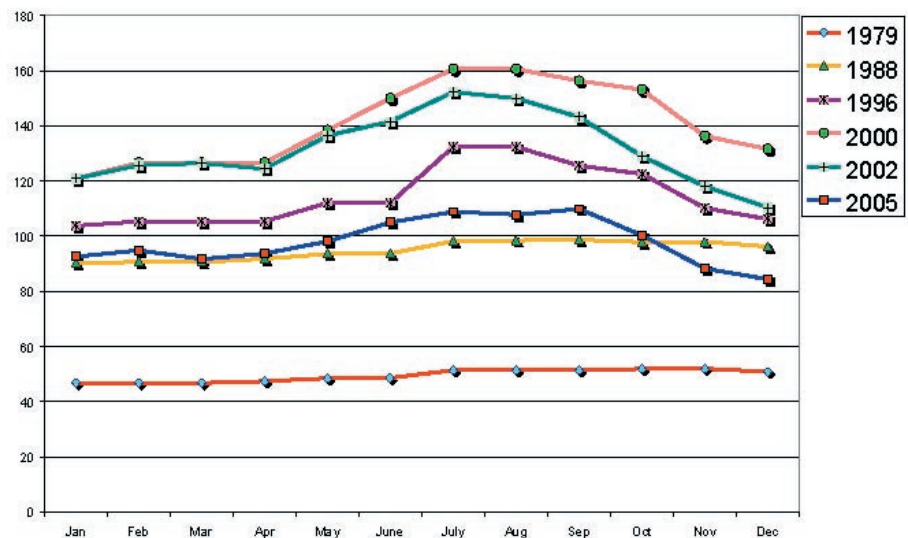
The concentration of a large segment of the demand in just two months also has consequences for the price level. In 1979 (Chart 4), accommodation prices in July were 9.8% higher than March. By 2000, accommodation prices in July were 26.8% higher than March and prices began to increase much earlier than they did in 1979. All these seem to suggest that there is an excess demand problem (demand exceeds the supply) during the months of July and August.

As with overnight visits from the US, same day visits also exhibit no growth, fluctuating wildly around a flat line of 17 million visits. As Chart 1 shows the exchange rate seems to explain a large part of these fluctuations with the exception of the late 1970s when, irrespective of the value of the Canadian dollar, Americans would cross the border just to put gasoline in their cars. In 2004/05, the increased value of the Canadian dollar is partly responsible for the significant drop in

same day visits from the US, but based on previous years, the level of the dollar in 2005 should have been associated with a level of same day visits between 15 and 17 million, and not 12 million.

So something else is at play with the same day visits, but what? If it were 911 or SARS, overnight visitors (being Americans) would have been affected similarly. It cannot be the traffic at the border crossings since the new low levels of visitation should make crossing easier than it used to be (in 1999 the volume of traffic was almost double). However, an argument could be made that although volumes are down, the processing time of cars at the border crossings is up and that counters the effect of the lower traffic. We did not have access to these data and as such this claim could not be evaluated.

Chart 4: Ontario's Accommodation Price Index



Could it then be the rise in gasoline prices or is it that the travel patterns of Americans are shifting away from same day trips? If there is a shift in travel patterns because same-day trips are simply out of favour with the Americans, it is too early to tell. However, the travel pattern may be shifting because Americans are getting tired of overcrowded cities, roads and bridges during the "main" day-trip season. The data show the same seasonal pattern for same day trips that was observed earlier for overnight trips. That is, negative growth in July and August, no growth in the shoulder months and positive growth on the remaining months.

What is there to do? For one thing, those whose business depends on overnight US visitors need not panic. Second, the fall in accommodation prices after 2000 (down by 30% in 2005 over 2000) may help boost US travel to Ontario should prices remain low, although it will not help the excess demand problem in July and August – it would actually make it worse. Thirdly, it may be time for Ontario tourism business to cast their eyes south of the border states, and finally, Ontario tourism business may also want to consider the off-summer months and develop appropriate product for spring, fall and winter.

International Travel Account

Preliminary results indicate that **Canada's seasonally adjusted** international travel deficit for 2005 reached a 12-year high of \$5.5 billion, up \$1.3 billion from 2004. This surge was due to record spending abroad of \$21.3 billion in 2005, up 5.3% over 2004. The travel deficit is the difference between what Canadians spend abroad and what foreigners spend in Canada.

Source: *Statistics Canada*

Ontario's seasonally unadjusted international travel deficit reached \$4.2 billion in 2005, the highest deficit on record, up \$773 million from 2004. This surge was also mainly due to a strong increase in spending by Ontarians abroad in 2005 - \$657 million, or 7%, over 2004.

Source: *Ministry of Tourism*

International Border Crossings into Ontario

October to December 2005

Percent Change Over Same Period in 2004

	October	November	December	2005 over 2004
Total U.S.	-13.5%	-12.5%	-7.1%	-9.7%
U.S. Same Day	-14.6%	-16.4%	-8.8%	-12.6%
U.S. Overnight	-11.4%	-2.4%	-5.0%	-4.4%
Total Overseas	-14.8%	17.2%	14.3%	7.2%
Overseas Overnight	-2.6%	18.5%	14.0%	10.2%
Total International	13.6%	-10.9%	-5.5%	-8.4%
Int'l Overnight	-9.5%	1.0%	-1.3%	-1.8%

Source: *Statistics Canada*



Visit our website www.research.tourism.gov.on.ca for information on the industry's current performance, historical statistics, provincial forecasts, market reports and much more.

Questions? Suggestions?

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Ontario Travel Information Centres (TICs)

Visits to Ontario's TICs Decline in 2005

- Visitation to Ontario Travel Information Centres (TICs) decreased by 12% in 2005 over 2004.
- Of all 18 TICs across Ontario, Toronto experienced the largest decline in visitation in 2005 over 2004 (54%), mainly due to its relocation from Eaton's Centre to the Atrium on Bay.

Source: Ontario Ministry of Tourism

Travel Price Index

Price of Travel in Ontario Increased in August over Last August

- In December 2005, Ontario's Travel Price Index increased by 1.5% over December 2004.
- In 2005 the price of all major items increased over 2004 with the exception of "Recreation Equipment & Services" (-7%), "Travellers' Accommodation" (-6%), "Home Entertainment Equipment & Services" (-4%), "Clothing & Footwear" (-2%), and "Retail" (-1%).
- In comparison, Ontario's Consumer Price Index increased by 2.1% over December 2004.

Source: Statistics Canada; Ontario Ministry of Tourism

Useful Web Sites

Ontario Ministry of Tourism, Tourism Research – www.research.tourism.gov.on.ca

Ontario Ministry of Tourism – www.tourism.gov.on.ca

Ontario Tourism Marketing Partnership Corporation – www.tourismpartners.com

Canadian Tourism Commission – www.canadatourism.com

Statistics Canada – www.statcan.ca

TTRA Canada – www.ttracanada.ca

TTRA International – www.ttra.com

Tourism Research Links – www.waksberg.com

World Tourism Organization – www.world-tourism.org

US Department of Commerce, Tourism Industries – tinet.ita.doc.gov

Ontario Tourism Education Corporation – www.otec.org

Travel Industry Association of Canada – www.tiac-aitc.ca

Upcoming Conferences and Workshops

The next Travel and Tourism Research Association (TTRA) Canada Chapter conference will be held at the Fairmont le Château Montebello in Montebello, Quebec (just outside of Ottawa) from October 15 to 17, 2006. Details will be posted here as they become available. Please visit www.ttracanada.ca for more information.

The 2006 edition of Canada's Tourism Leadership Summit, hosted by the Tourism Industry Association of Canada (TIAC) will be held from October 22 to 24 in Jasper, Alberta. More information is available on TIAC's website www.tiac-aitc.ca.

Canada's National Parks and Recreation Association's annual conference and trade show will be held in Saskatoon from October 18 to 22, 2006. Please visit www.cpra.ca for more information.

The Ontario Motorcoach Association will hold their Annual Marketplace & Conference November 11 to 15, 2006 at The Sheraton Centre Toronto Hotel. Please visit www.omca.com for more information.