

CANADIANS DESIRE TO GO SOUTH IN THE WINTER—INELASTIC DEMAND?

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Introduction

Canadians have long had a love affair with the southern destinations in the United States during our Canadian winters. Canada's seventh Prime Minister, Sir Wilfred Laurier, wrote back to Canada from Florida in December 1892 that "It is decidedly a good idea to pass a few weeks here at this season of the year"¹. Almost 125 years later, Canadians still appear to agree with this observation and act accordingly.

Leisure travel is usually considered to be relatively elastic in terms of demand. While this may be the case in many markets and countries, Canadians love to go south during the winter. This paper examines patterns in travel from Canada to sunspots in the United States during the recessions of 1990-91 and 2008-09. It suggests that despite the recessions Canadians continued to travel in large numbers to the American south, southwest, California and Hawaii and if traffic was negatively affected, it was affected less than to other destinations. The recessions did have a negative impact on leisure travel but Canadians cut back more on travel elsewhere than south. While not inelastic, it suggests that Canadians desire to go south in the winter is not as elastic as other travel.

The Last Two Recessions in Canada

If one uses the generally accepted definition of a recession being "a period of weak economic activity, characterized by two consecutive quarters showing a decline in real gross national product"², the last two recessions in Canada were during the period 1990-91 (second quarter 1990 through the first quarter 1991) and 2008-09 (fourth quarter 2008 through the second quarter 2009)³, see Figure 1.

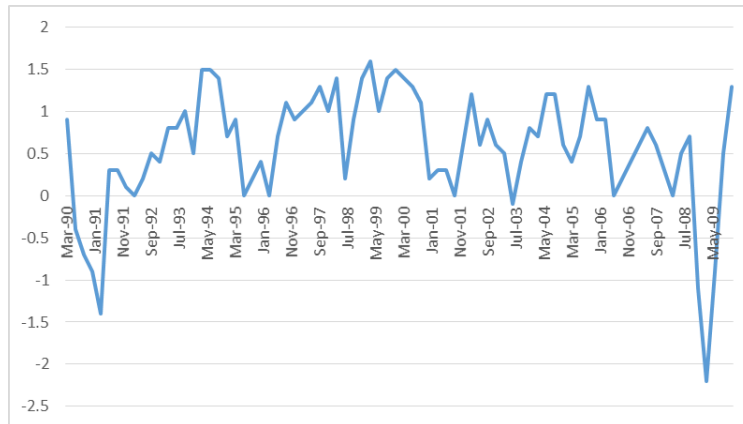


Figure 1 Real gross domestic product, volume index 2007=100, percent change

Source: Statistics Canada, CANSIM Table 380-0065

The 1990-91 Recession and Canadians' Travel to U.S. Sunspots

Despite the economic climate in 1990 and 1991, Canadians continued to go to warmer destinations in the United States south in very large numbers. Because of the limits on city-pairs available for scheduled air services at that time with the then in effect bilateral aeronautical agreement between Canada and the United States, much of the Canadian traffic to sun-spots was carried on charter flights. Table 1 shows the top ten air charter origin destination city-pairs in the Canada-United States market. Sunspot destinations clearly dominate.

Table 1 Top Ten Canada-United States Charter City-Pairs, 1989-1991 Charter Passengers (Passengers 000's)

City-Pair	1989	1990	Annual % Change	1991	Annual % Change
Montreal-Fort Lauderdale	238	255	7.1	236	-7.5
Toronto-Clearwater/St. Petersburg	187	197	5.3	214	8.6
Toronto-Orlando	264	264	0.0	212	-19.7
Toronto-Las Vegas	213	205	-1.6	176	-14.1
Toronto-Fort Lauderdale	206	201	-2.4	169	-15.9
Toronto-Fort Myers	66	85	28.8	83	-2.4
Quebec-Fort Lauderdale	42	54	28.6	71	31.5
Vancouver-Reno	79	111	44.4	68	-38.7
Montreal-Orlando	61	70	14.8	57	-18.6
Vancouver-Las Vegas	37	42	13.5	46	9.5
Total, Top Ten City-Pairs	1393	1484	6.5	1332	-10.2

Source: Statistics Canada Catalogue 51-207, Air Charter Statistics

As the recession included second quarter 1990 through the first quarter 1991, this would have an impact on people in the fall planning a winter trip and included the height of winter, the January-March period of 1991. One would expect the larger declines to occur in 1991. Eight of the ten markets did show declines. This shows that the recession did have an impact on the leisure air travel of Canadians that winter to the U.S. south.

But, if air charter traffic to Florida, California, Arizona and Hawaii was affected by the recession in Canada, Table 2 shows that the decline was appreciably less in the US sunspot markets (-9.0%) than that to Europe--travel to Europe on charters from Canada declined by almost 18%.⁴ Travel to Mexico, South America and the Caribbean, also mostly warmer destinations declined (-9.2%) about half that of the declines to Europe.

Table 2 Canadian Origin Charter Passengers, 1989-1991 Selected Sectors (Passengers 000's)

Sector	1989	1990	Annual % Change	1991	Annual % Change
Florida	1339.0	1358.4	1.4	1200.3	-11.6
California	79.8	70.8	-11.3	65.9	-6.9
Hawaii	193.5	31.6	-83.6	62.4	97.5
Arizona	21.6	22.3	3.2	20.8	-6.7
Sunspot Total	1633.9	1483.1	-12.0	1349.4	-9.0
Europe	978.6	1044.1	6.7	857.8	-17.8
Southern [Caribbean, Mexico, Central and South America]	1719.4	1557.1	-9.4	1414.4	-9.2

Source: Statistics Canada Catalogue 51-207, Air Charter Statistics

In Table 2, Hawaii appears to be an outlier with a 97.5% increase in the charter traffic in 1991 over 1990. The 1990 charter figure declined so much when Canadian Airline International Ltd offered excursion fares on its scheduled flights when Wardair's charter air services were merged into Canadian's scheduled flights. If one brings in the much larger scheduled service figures (as the bilateral aeronautical agreement in

effect did have significant service to Hawaii), the inbound and outbound scheduled passenger total declined from 261,620 in 1990 to 222,830 in 1991, a decline of -14.8%.⁵ If the Hawaii market is considered as one market (scheduled and charter), passenger traffic showed a moderate decline (-2.7%) from 1990 to 1991.

The aviation data shows only part of the picture for the travel to the United States sunspots. For many of the US sunspot locations it is possible, to substitute driving, bus or rail for air travel to go to the same locations and escape the winter. If we look at the figures in Table 3, we see the number of visits of Canadian residents returning from the United States via all modes of transport. It appears that some of that aviation traffic that was cut back was transferred to other modes, primarily automobile. Canadian visits to California and Arizona actually increased in 1991 over 1990. Florida travel declined but the decline was much smaller than that encountered with charter air travel. The decline was most severe for Hawaii where switching to another mode other than aviation was not really a viable option.

Table 3 Visits of Canadian Residents Returning from the United States after One or More Nights, 1989-1991 (000's of Visits)

State	1989	1990	Annual % Change	1991	Annual % Change
Florida	2149	2432	13.2	2350	-3.4
California	945	796	-15.8	806	1.3
Hawaii	300	289	-3.7	242	-16.2
Arizona	227	231	1.8	237	2.6
Total	3621	3748	3.5	3653	-2.5

Source: Statistics Canada Catalogue 66-201, International Travel, Travel between Canada and other countries

If Table 3 suggests that there was some substitution of car travel for aviation travel, this is further supported in Table 4. If one uses the car rather than airplane for travel to the southern United States, the amount of time travelling would increase. If one wanted to have the same

amount of time in the south, the time spent out of Canada would increase to account for the extra travel time. In 1991, the average number of nights Canadian residents returning from the South Atlantic Region (Florida, Georgia, North Carolina, South Carolina, West Virginia, Virginia, Delaware and Washington D.C.) spent increased from 17.7 days to 20.6 days. Canadians visiting Hawaii where an automobile substitution would not be possible did not show this change.

Table 4 Average Number of Nights Spent by Canadian Residents Returning from the United States after One or More Nights, 1989-1991

	1989	1990	1991
South Atlantic Region (Florida, Georgia, North Carolina, South Carolina, West Virginia, Virginia, Delaware, Washington D.C.)	17.2	17.7	20.6
Hawaii	17.8	17.6	16.8

Source: Statistics Canada Catalogue 66-201, International Travel, Travel between Canada and other countries

The 2008-09 Recession and Canadians' Travel South

In its annual review, Transport Canada described the impact of the 2008-09 recession on air transport as follows:

“The air transportation mode is also dependent on international trade—more than half of the passengers that enplane or deplane at Canadian airports are travelling to or from international destinations. In 2009, the air sector contracted by 3.6% as the number of Americans entering Canada by plane dropped by 9%, and the number of tourists from the United Kingdom, Mexico and Japan was also very low in 2009 and 2010....overall passenger enplanement and

deplanement, ... reflects a 5.3% drop in volumes between 2008 and 2009.”⁶

In its annual report for 2009, Air Canada noted that “In 2009, the global airline industry faced the most severe drop in traffic since the Second World War”⁷.

The figures in Table 5 show that the recession in 2009 did have an impact on air travel but as we saw in the earlier recession, it was less in travel to United States sunspots which declined by -4.8% in 2009 as compared to -7.4 to all destinations in the United States.

Table 5 Passengers on Canada-United States Scheduled Flights, by State, 2008-2010 (000's of Passengers)

	2008	2009	% change 2008 to 2009	2010	% change 2009 to 2010
California	3007.8	2767.5	-8.0	2817.5	1.8
Florida	2348.6	2346.8	-0.1	2576.1	9.8
Texas	1032.5	899.9	-12.8	984.0	9.4
Nevada	905.2	896.3	-1.0	849.4	-5.2
Arizona	531.8	532.3	0.1	603.5	13.4
Hawaii	447.0	429.4	-3.9	474.9	10.6
Sunspot total	8272.9	7872.2	-4.8	8305.4	5.5
All States	16443.2	15051.1	-7.4	15728.5	4.5

Source: Statistics Canada Catalogue 51-205, Air passenger origin and destination, Canada-United States Report, page 7

Again, in Table 6, to examine any possible substitution effect of car for air travel, if one examines select states from the top 15 states visited by Canadians, differences are apparent but less pronounced than with the previous recession.

Table 6 Overnight Visits of Canadian Residents Returning from the United States, Selected States, 2008-2010 (000's of Visits)

	2008	2009	% change 2008 to 2009	2010	% change 2009 to 2010
Florida	2872	2644	-7.9	3102	17.3
California	1257	1233	-1.9	1451	17.7
Nevada	1059	1292	22.0	1366	5.7
Sunspot total	5188	5169	-3.6	5919	14.5
New York	3077	2945	-4.3	3476	18.0
Michigan	1422	1293	-9.0	1468	13.5
Pennsylvania	786	759	-3.4	900	18.6
Subtotal	5285	4997	-5.4	5844	17.0

Source: Statistics Canada website, accessed February 17, 2014,
<http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/arts39e-eng.htm>

There also appears to be much less of an impact on the change in the average number of nights spent in the sun spots although there is an increase for Florida.

**Table 7 Average Number of Nights Spent by Canadian Residents
Returning from the United States, Selected States, 2008-2010**

	2008	2009	% change 2008 to 2009	2010	% change 2009 to 2010
Florida	16.9	17.9	5.9	17.4	-2.8
California	8.6	8.7	1.2	9.4	8.0
Nevada	4.7	4.5	-4.3	4.5	0.0

Source: Statistics Canada website, accessed February 17, 2014, <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/arts39e-eng.htm>

What has changed between the two recessions that may have muted the effect? This paper concentrated on US sunspots but there has been huge growth in traffic to low cost vacation markets in sunspots in the Caribbean (especially Mexico, Cuba, and the Dominican Republic). In 1991 there were 922 thousand Canadian charter passengers who travelled to Mexico, Cuba and the Dominican Republic.⁸ In 2010, there were 1.8 million visits by Canadians to Cuba and the Dominican Republic.⁹ This means that in times of recession, not only could one postpone a trip to the south or change the mode of travel, but one could travel to other low cost sunspots outside of the United States. It is possible that the tourists with the more elastic demand switched to these other low cost sunspot markets.

Conclusions

It is perhaps not surprising that sun markets have different demand characteristics to Canadians. Differences have also been found in markets which varied by “significantly between travel distance, type of traveller and even domestic and international routes.”¹⁰ An examination of Canadian travel to United States sunspots during the recessions of 1990-91 and 2008-09 suggests that despite the recessions Canadians continued to travel in large numbers to the American south, southwest, California and Hawaii and if traffic was negatively affected,

it was affected less than to other destinations. Canadians cut back more on travel elsewhere than south--while not inelastic, it suggests that Canadians desire to go south in the winter is not as elastic as other travel.

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Endnotes

- ¹ The Gazette, Montreal, January 10, 1993 quoting the Gazette of January 1903
- ² David Crane, A Dictionary of Canadian Economics, Edmonton, 1980, page 286
- ³ Statistics Canada, CANSIM Table 380-0065, accessed January 12, 2013, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3800065&paSer=&pattern=&stByVal=1&p1=1&p2=-1&tabMode=dataTable&csid=>
- ⁴ Some of the decline in charter travel to Europe might have been in part due to fears of travel in the European sector due to the Gulf War.
- ⁵ Statistics Canada, catalogue 51-205, Air Passenger Origin and Destination, Canada-United States Report, Table 4
- ⁶ Transport Canada, TP14816, Transportation in Canada 2011 Comprehensive Review, page 10, Ottawa 2012, accessed January 13, 2013 http://www.tc.gc.ca/media/documents/policy/Transportation_in_Canada_2011.pdf
- ⁷ Air Canada, Air Canada Annual Report 2009, page 6, accessed January 13, 2013, http://www.aircanada.com/en/about/investor/documents/2009_ar.pdf
- ⁸ Statistics Canada, catalogue 51-207, Air Charter Statistics 1991, Table 4
- ⁹ Statistics Canada, summary table Travel by Canadians to foreign countries, top 15 countries visited (2010), <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/arts37c-eng.htm>, accessed February 17, 2014
- ¹⁰ David W. Gillen, William G. Morrison, Christopher Stewart, Air Travel Demand Elasticities: Concepts, Issues and Measurement, Finance Canada, accessed on February 8, 2014, http://www.fin.gc.ca/consultresp/Airtravel/airtravStdy_3-eng.asp#5.