

quarterly market report

Australia

January - March 2007

Market Highlights

# of outbound visitors:	424,400 short-term resident departures in January 2007 (Australian Bureau of Statistics (ABS) Website - www.abs.gov.au , January 2007).
% change from previous quarter:	An increase of 0.6% on December 2006 figures and up 8.4% on January 2006 (ABS).
# of visitors to Canada:	8,000 Australians departed for Canada in Jan. (ABS) & 13,341 Australians arrived in Canada (Stats Canada).
% change from previous quarter:	Departing Australians in January 2007 is up 25% over January 2006 figures (ABS) and Australians arriving in Canada in January up 4.79% over January 2006.

Comments / Other information:

The International Air Transport Authority has announced that international numbers for January are strong with the demand for passenger traffic to North America increasing 6.6%.

Air Capacity

- Air Canada announced their new non-stop B777 service from Sydney to Vancouver starting December 14, 2007 which will reduce flying time by three hours. The route will also bypass US customs and security. (Airline Marketing Services Australia, GSA for Air Canada, Mar.15 2007)
- Air New Zealand will launch direct route services from Auckland to Vancouver in November 2007, flying three times a week until March 28, 2008. Ticket prices start (ex Auckland) from \$2,289 (excluding airport taxes). With connections, it will become the quickest way to Vancouver from both Melbourne and Adelaide. (Air New Zealand Media Release, Feb. 23 2007)
- Airlines Partner Australia has made an aggressive \$11b bid for Qantas, trying to fend off resistance by offering incentives to shareholders and company executives who favour the takeover. (Travel Daily, 9.3.07) Although there is government approval, existing shareholders and the Australian and International Pilots Association are opposed to the bid and could feasibly quash the attempt.
- Singapore-based, Tiger Airways is set to begin low-cost services within Australia to compete with Virgin Blue and the Qantas Group. Many are positive the breaking of the duopoly will greatly benefit consumers whereas others are dubious it will be sustainable.
- There has been speculation that a prospective merger between Virgin Blue and Air New Zealand is on the horizon (Travel Bulletin, Dec. 06 /Jan. 07).

Economic / Political Environment

GDP growth:	The growth rate for January remains above the long-term trend of 3.9% (Westpac Banking Corp., Jan. 2007).
forecasted economic growth:	The likely pace of economic activity 3-9 months into the future rose by a slower rate of 4.8% year-on-year in January after having risen by a revised 5.4% over the year to December. (Westpac Banking Corp., Jan. 2007).
unemployment rate:	4.6% for January and February 2007. (ABS).
inflation:	All groups excluding housing, financial and insurance services are down 0.3% between September-December

	2006. This is a 3.6% increase on the same quarter for 2005. (ABS)
consumer price index:	Fell 0.69% in the fourth quarter 2006, over third quarter. (ABS)
exchange rate:	1 CAD averaged 0.9279 for Jan/Feb 2007. (ATO Website)
net national disposable income:	0.7% for December 2006. (ABS)

Comments / Other information

Consumer confidence was up this quarter with Reserve Bank announcing no increase to interest rates and many are predicting there could be a decrease next quarter.

Australian travelers are undeterred by rising petrol costs and currency fluctuations with the self-drive option becoming more and more popular. (Travel Weekly, 19.02.07)

Australia's pending federal election will be between November 06 and January 2007. The Labour party is looking strong at present in consumer polls, the first time in eight years since Liberal member; Prime Minister John Howard has been in power. (Australian Electoral Commission Website - www.aec.gov.au, January 2007)

Australia's state election will be held on the 24th March 2007.

Emerging Tourism Trends

One of the fastest growing sectors in global travel today is Health Tourism.

Cruise for Australians is still heavily in demand. Much of the 2007 Cruise inventory is already sold with savvy cruise agents switching their focus to opportunities in 2008. (Travel Bulletin, Feb. 2007)

73% of people book overseas holidays through an agent but only 11% do the same for domestic breaks. (Roy Morgan Research cited in 'Travel Weekly' Fri 16th February 2007)

Australian online travel company, Webjet are taking a leadership role in marketing international airfares, offering a fare comparison tool on their website. (Travel Daily 14.2.07) Although the purchase of domestic airfares online is rapidly, international fares are experiencing slower growth.

- Top 5 search Engines
 - Google Australia 49.7%
 - Google 28.6%
 - Google Australia Image Search 3.59%
 - Windows Live Search 2.4%
 - Yahoo!7 Search 2.21%

Australian employees may soon be given the option of 'buying' extra annual leave to pursue amongst other things, extended travel. A well-known bank has already initiated a program. (The Courier Mail, 6 Jan. 2007)

Airlines will keep fuel surcharges "as long as they can" and not expected to follow Qantas' lead in reducing levies. (Travel Weekly, 26.01.07)

The consolidation of the travel industry in 2006 through a raft of mergers and takeovers is going to bring out a much more competitive edge in the travel marketplace.

Market Development Activities

Globus MD, Stewart Williams reports sales growth of 30% across coach touring brands Globus, Cosmos and Brennan Vacations with river boat cruising with Avalon Waterways achieving 200% growth in the first part of their early bird bookings.

Trafalgar Tours, as featured in Travel Weekly (16.2.07), is promoting their Canada/Alaska cruise itineraries, offering now southbound and northbound, one-way Gulf of Alaska & Inside Passage cruises.

Travel Alberta has announced that the Banff Mountain Film Festival will be nationally touring Australia in May and June 07, featuring films on mountain life. (Travel Daily, 8.3.07)

NRMA has taken a majority shareholding in the wholesaler – Adventure World. Peter Newsom will maintain a substantial shareholding in the company and will continue to be MD of Adventure World. (Travel Bulletin, Feb. 2007)

The Jetset Travelworld retail group is overhauling their dual Brands. Jetset, although widely recognized by consumers, will target 'mid life' households and Travelworld will seek a younger audience. (Travel Weekly, 9.3.07)

Flight Centre has bought out the TravelSpirit Group (with Brands including Venture Holidays and Explore Holidays) and claim that agents will receive greater commissions due to stronger purchasing power. (Travel Daily, 23.02.07)

Insight Vacations', Maureen Van Metter is focusing on Calgary Stampede itineraries. (Travel Weekly, 9.02.07)

CTC Activities

Trade Development

AIME 2007

This years, A/P Incentives and Meetings Expo held in Melbourne, achieved record numbers with approximately 850 representatives from 50 different countries attending. CTC, for the first time, had a custom built stand and an increased number of Canadian representation including - Tourism Vancouver, Ski Banff Lake Louise, Pan Pacific Vancouver, Rocky Mountaineer Vacations, Fairmont Hotels & Resorts, Ontario Tourism, Tourism Quebec and Canadian Tourism Commission.

CORROBOREE 2007

The change of format and the theme, 'The Amazing Race around Canada', which included audience participation, was a huge success this year. The Canadian representation was strong with a total of 16 presenters and a number of new participants including - Banff Lake Louise Tourism, Tourism Quebec, Nunavut Tourism, Ski Banff Lake Louise & Edmonton Tourism. A total of 761 agents attended the Corroboree National Roadshow which visited Sydney, Canberra, Brisbane, Perth and Melbourne.

TRADE ADVERTISING - BRAND

Travel Daily is a daily e-newsletter distributed nation-wide to the travel industry. In conjunction with the brand launch on the 15th January we placed daily ads in Travel Daily for 2 weeks. The ads introduced the new brand look and feel to our travel industry partners.

QANTAS MARKETING GROUP - FAMIL

This group was formed to maintain the Qantas direct flights to Vancouver. Travel Alberta, Tourism BC, Canadian Tourism Commission and Qantas Airways organised a Winter Wonderland famil to highlight Ski & Non-Ski Winter product to agents. The famil departed on the 15th of March with 10 agents visiting Vancouver, Whistler, Jasper, Lake Louise, Sunshine Village, Marmot Basin and the Snowtrain.

ADVENTUREWORLD CO-OP CAMPAIGN

CTC partnered with AdventureWorld in a co-op campaign in conjunction with Flight Centre Ltd and Harvey World Travel. Flight Centre activity included four pages in the Flight Centre catalogue which was distributed in-store and at FC travel shows. Harvey World Travel activity included three products on posters nationally, website, press and agent incentive.

CANADA SPECIALIST PROGRAM

- Yukon and Ontario training was conducted in Sydney and Melbourne to over 50 Canada Specialists and wholesale representatives.
- Training manuals were brand approved and finalized. Distribution will be conducted in April.
- CSP February newsletter produced and distributed in new format under new brand.
- Five provinces confirmed as sponsors of the 2007 Canada Specialist Programme.
- Famil organized for CSP members in May with support from BC, Alberta and Driveaway Holidays. Famil will focus on a self-drive itinerary.
- CSP agents were extended an invitation to Qantas famil in March.
- Independent Famil rates finalized for promotion to CSP members through TATS.
- 2006 Annual report was prepared for sponsors of CSP.
- Certificates and window decals were produced for CSP 2007.
- 5 new CSP agents joined the programme.

Consumer Development

QANTAS MARKETING GROUP - DM Piece

In conjunction with Travel Alberta, Tourism BC and Qantas Airways, a DM

piece with a self-drive focus was distributed to 320,000 Platinum, Gold, Silver and Bronze Qantas Frequent Flyer members with their February statement. Qantas Holidays was the call to action.

Media

CANADA CORROBOREE MEDIA LUNCHES 2007

Canada Corroboree media lunches were held in Australia's two largest cities - Sydney and Melbourne. The lunches were attended by 16 Canadian partners participating in Corroboree who had the opportunity to meet and present to media from television, radio, print and online. A record number of journalists attended both lunches.

INDEPENDENT FAMILIS

A number of journalists participated in independent familis during the first quarter of 2007.

These included:

- YMI: Gen Y magazine (ski and non ski winter)
- Australian Financial Review: national newspaper (ski and non ski winter)
- Sunday Telegraph: major NSW metro newspaper (ski)
- Holiday for Couples: national glossy magazine (ski)
- Sun Herald: major NSW metro newspaper (ski)

GOMEDIA MARKETPLACE

5 Australian journalists are travelling to GoMedia. They are representatives for:

- Getaway - national TV travel program
- The Great Outdoors - national TV travel program
- The Garden Gurus - national TV lifestyle program
- The Courier Mail - major QLD metro newspaper
- Ninemsn - Australia's leading lifestyle website

All journalists are participating in either pre or post famil trips. The three television programs will all be returning to Canada during 2007 - Getaway and The Garden Gurus for one hour Canada Specials and the Great Outdoors for Canada travel segments.

The Courier Mail features have the possibility of being published nationally as the paper is owned by News Ltd.

MEDIA RELEASES

- Launch of new brand - Canada. Keep Exploring
- Quebec Ice Hotel
- Toronto City guide

ADVERTISING EQUIVALENCY VALUE

Date: January - March 2007

Circulation/viewers: 17,429,538

Editorial Value: \$1,244,701

Public Relations

PROMOTIONS

Two promotions so far this year. The first coincided with the launch of the new brand which ran every day for 6 weeks in Travel Daily - a daily e-newsletter, read by the travel industry nationally. Agents were asked to order a pack of the new brand posters and decorate their stores in the Keep Exploring theme. This promotion was run in conjunction with Tourisme Quebec.

The second promotion, underway in April - LivingWell - the biannual magazine from MBF Health Insurance. LivingWell is distributed to over a million consumers and the entry mechanism will be through the canada.travel website. This prize for this promotion has been organized with Ontario Tourism.

Competitive Environment

Lorraine Sharp with Insight indicates Eastern Europe is emerging as a strong seller across the board. The region is booming with a doubling of the operators trips in the past two years. One of the big sellers is Russia and the Baltic states which are the “off the beaten track” destinations clients are now wanting.

Paul Wiseman, MD Trafalgar indicates more and more customers are returning to Europe for their second, third and fourth visit and interested in seeing more unusual sights that are a little off the beaten track and not normally included in group tours. Italy is so big now for Trafalgar that this is the second season in a row they have released a brochure dedicated to Italy.

Thailand is expecting 7% growth from the Australian market with 541,000 Australians visiting Thailand in 2006.

Fiji is recovering from a violent political coup (Dec. 2007) as told by the Tourism Action Group, an arm of the Fiji Visitors Bureau. Most recently the Fijian Tourism Industry has led an aggressive marketing campaign to coax Australians back. (Travel Weekly, 23.2.07)

Because of growing demand for skiing holidays to New Zealand, Qantas is increasing direct flights to Queenstown. (Travel Weekly, 23.2.07)

The Finnish Tourism Board will be running agent seminars for April in Sydney and Melbourne. Finland has recently been described in Lonely Planet as, "the place to visit in 2007". (Travel Daily, 13.3.07)

Gulf Air has announced a 150% increase in January (comparatively to same time last year) for the Sydney – Bahrain route. (Travel Daily, 26.2.07)

The Australian Federal Government has just released to States an extra \$4m to be split up and used to develop innovative and regional projects. (Travel Daily, 9.3.07)

It appears Australians are travelling domestically more with Virgin Blue reporting a January 2007, 8.4% increase in passenger numbers on the same month last

year. (Travel Daily, 22.2.07)

Tourism Australia will be opening an office in India later this year "to take advantage of tourism opportunities in this rapidly growing market". (Travel Daily, 12.1.07)

Future Outlook

It is predicted that the numbers of Australian's travelling overseas will accelerate from 4.4% in 2006 to 5.1% for 2007. (Tourism Research Australia)

Forecasted economic growth of 3.7% in 2007, Australia will continue to expand more rapidly than most other OECD economies. (IMD World Competitiveness Yearbook)

The Travel Bulletin, (Dec. 06 / Jan. 07), interviewed leaders in the Travel Industry on emerging trends in 2007:

- "Many wholesalers are considering going direct". (Simon Hills, Chairman of CATO)
- With phenomenal growth in the online travel market for 2006, it is expected that 2007 will also follow similar growth. (Peter Smith, General Manager of Zuji.com)
- There is a trend with Australians visiting exotic locations such as Costa Rica, Bhutan and Oman. (Colin Bowman, Marketing Manager of Flight Centre)
- With low unemployment rates nationally, retention of good employees is paramount. (Michael Reed, Chief Executive of TravelWorld)
- Forward bookings are very positive but future projections will depend on Interest Rates remaining stable. There will be an increase in niche-marketing, as demand for aspirational products like health and spa experiences will grow. (Mark Cario, General Manager Australia, Harvey World Travel)