

# quarterly market report

FRANCE

January - March 2007

## Market Highlights

- # of outbound visitors:
- % change from previous quarter:
- # of visitors to Canada:
- % change from previous quarter:

## Comments / Other information:

We have no information on 2007 first quarter statistics; the only data available are from summer 2006 (April-Sept): the French made nearly 12% more trips outside the country, an increase of almost 3.8% compared to summer 2005.

## Air Capacity

There were no changes in the number of regular, non-stop flights leaving Paris: 3 daily flights to Montreal and 2 daily flights to Toronto. Air Transat increased its flights from 4 to 6 per week to Montreal and from 1 to 2 flights/week to Quebec City; during the winter, Zoom Airlines offered 2 flights/week to Montreal and Toronto. No changes in terms of offline companies.

## Economic / Political Environment

GDP growth:	2% in 2006
forecasted economic growth:	3%
unemployment rate:	8.7%
inflation:	+0.3%
consumer price index:	-0.3%
exchange rate:	1 EUR = 1.56 CAD
net national disposable income:	Women: 19,182 EUR Men: 23,778 EUR

## Comments / Other information

### Presidential election:

President Jacques Chirac announced that he would not seek a third term as president. After 12 years as head of state and forty years as a politician, he will leave the Elysée Palace on May 16.

According to a recent survey, the breakdown of voting intentions for the first round of elections is as follows: 26% for Nicolas Sarkozy, 23% for Ségolène Royal, the Socialist candidate, and 23% for François Bayrou, the centrist candidate.

Long considered an outsider, centrist candidate François Bayrou is now neck-and-neck with the top two candidates, a fact that concerns the Socialist Party. According to the Socialist Party's First Secretary, a second round involving N. Sarkozy and F. Bayrou would not offer French voters any choice at all.

Ségolène Royal has declared that, if elected, she wants to govern in a new way and completely transform the presidency, its protocol and its image. She also added that she was not affiliated with any network, financial power, lobby, major media, or big business.

would create a department of immigration and national identity if he were elected President of the Republic. Ségolène Royal criticized this idea, saying it promotes the belief that immigration is a threat to national identity. Royal advocates immigration within a framework that is fair and regulated and respects individuals.

Economics:

Consumer confidence has continued its ascent, reaching its highest level in 4 months. However, some economists feel that opinion surveys taken during election periods must be taken with a grain of salt.

After a 15-year wait and five years of construction, inhabitants of eastern France will finally have their own high-speed train (TGV or "train à grande vitesse"). The new line will connect the city of Strasbourg to Paris in 2 hours, 20 minutes, compared to the current travel time of 4 hours.

The mild winter had positive and negative effects on the economy: though consumption of electricity and natural gas fell, (by -6% and -3%, respectively), ski industry workers had a lacklustre season and both agriculture and textile sales were down.

### Emerging Tourism Trends

The major tourism trends in France this year are the inexorable rise of responsible tourism and ecotourism, along with an increased awareness of environmental issues and, of course, the growing success of luxury and customized travel and a rise in unusual products and destinations.

Though sales of package tours dropped 1.2%, sales rose 4% overall, essentially because the average price per file increased, due primarily to rising taxes and fuel surcharges.

Though online players may have seen their sales slow slightly, they continue to outperform the market with an average increase of 25%.

Growing in popularity are short stays and the new travel term "City Break." The latter describes a getaway of 48 hours or more, particularly when one is called

to a foreign capital for a business meeting and would like to enjoy personalized leisure activities.

There is also a growing market for customized products, with 55% of French people saying they would prefer to pay more to have a product adapted specifically for them, a 9% jump over 2001.

Development of B2B sites for tour operators.

### **Market Development Activities**

"Destination Québec 2007" meeting days organized by Destination Québec (Ministère du tourisme du Québec) for 59 suppliers and over 250 buyers.

Participation of Destination Québec in several consumer shows in Paris (SMT and Salon de la Randonnée), Lyon (Mahana), Nantes, Lille, Toulouse and Montpellier.

Press breakfast organized by New Brunswick Tourism and Parks in Rennes.

Lobster-themed evening organized by New Brunswick Tourism and Parks for 77 guests (media, tour operators, airlines and other partners).

Participation of our Canada Specialist agencies in local consumer shows.

Transat in Quebec for 30 travel agents in January with Vacances Transat, Air Transat and Tourisme Québec.

Quebec fam tour organized by Kuoni in March for a dozen travel agencies.

Fam tour organized by Vacances Transat in January for twenty or so agencies specialized group travel.

Fam tour organized by Vacances Transat in January for twenty or so enterprise committee coordinators.

## CTC Activities

### Trade Development

Participation in two trade shows specialized in group travel and targeting enterprise committee coordinators: one in Lyon in February, and the other in Paris in March (3 days).

Summer travel promotional campaign on the CTC micro-site featuring 13 packages offered by 7 tour operators.

Creation of a brochure for the ACTP (Atlantic Canada Tourism Partnership) presenting the 4 Maritime provinces and the packages of 9 tour operators.

Participation in the Roadshows of 2 tour operators: Kuoni in 6 cities reaching nearly 400 travel agents and Vacances Transat in 8 cities reaching nearly 800 travel agents.

Organization of 2 fam tours for the Canada Specialist agencies, one with Jetset in Ontario in March for ten or so agencies, the other, also in March, with Kuoni in Montreal and Mont Tremblant for 12 or so agencies.

### Consumer Development

Creation and publication of the Manuel des Voyages au Canada Printemps-Eté-Automne 2007. Distribution: media, travel agencies and consumers.

La Chaîne Tonique, the first French television channel designed for fitness clubs, is screening a 30-second film on Canada in 55 sports clubs between October 2, 2006, and April 31, 2007. The film runs 6 times a day on the network and features a quiz game to enter a draw for a trip to Canada on the Chaîne Tonique Website and links to Zoom Airlines, Vacances Canada and the CTC.

National promotional campaign in 33 La Criée restaurants in collaboration with Agriculture Canada, Vacances Transat and Air Transat, from December 2, 2006 to January 7, 2007. The campaign planned to reach over 300,000 diners

and was launched at a VIP breakfast on November 28, 2006.

Online campaign with Vacances Transat January 8-22 featuring 2 package deals: snowmobiling and a weekend in Montreal. Products offered on the following sites: Libération, Meetic, Nouvel Obs/Challenge, Réseau Orange.

Promotional campaign for a Quebec/Ontario tour with Vacances Transat in Leclerc department stores, presence in the store's catalog (circulation: 15 million) and posters in their 156 stores.

Advertising campaign to promote Air Transat flights originating outside Paris. Bus displays in Lyon, Marseille and Nantes and TV spots.

Finals of the French Cup in ice hockey: the CTC, the Agence de Sport & Marketing and ZOOM Airlines put together a partnership as part of the finals of the 2007 French Cup in ice hockey, which drew 11,215 hockey fans. During this event, a 30-second promotional film on Canada was screened 5 times on the giant screen in the hall of Bercy Stadium on February 14, 2007. This partnership included 3 draws for 3 trips for 2.

API: The CTC and API, a business cafeteria company in the North of France, promoted a Canadian theme in 64 companies like Swiss Life and other prestigious companies. A Canadian menu and décor as well as a quiz game were promoted during the week beginning March 19, 2007.

Participation in Mahana, a trade show in Lyon attracting over 50,000 visitors (consumers and professionals) with a 36 m<sup>2</sup> kiosk and 3 partners (Ministère du Tourisme du Québec, Air Canada and Via Rail).

Participation in the biggest consumer trade show in France (Salon Mondial du Tourisme in Paris - over 100,000 visitors) with a 115 m<sup>2</sup> kiosk and 13 partners (Air Canada, Via Rail, Ministère du Tourisme du Québec, Tourism Ontario, Travel Alberta, Le Québec Maritime, Le Québec du Sud, Tourisme Mauricie, Tourisme Lanaudière, La Sté des Autochtones du Québec, New Brunswick Tourism and Parks and 2 tour operators--Terre Canada and Vacances Canada).

Exhibition of Canada photos and a talk on Native tourism hosted by the Maison

des Amériques in Paris.

### **Media**

Participation in a workshop organized by the Association des Offices du tourisme étrangers: meeting with some fifty journalists (discussion of future projects).

Launch of CTC's new visual identity: breakfast/press conference for media, tour operators and airlines. 28 people attended. Creation of media kit given to guests.

Organization of a press conference to announce new flights out of Paris and Nice by the company Air Maestro. Guests: professional travel writers.

JetSet/CTC press breakfast: presentation of this tour operator's new Canada brochure. 15 journalists in attendance.

Participation in the media day (Journée de la Presse) organized as part of the Salon Mondial du Tourisme.

Organization of a WinterPride/Whistler press trip for 2 journalists from the gay press (Têtu Magazine and Pref Magazine).

Organization of a press trip for a national television channel.

GoMedia Canada: coordination of the visit by 4 French journalists.

Publication of 8 articles about Canada following CTC-France's press activities (advertising value: CAD\$503,015).

### **Public Relations**

Lobster-themed New Brunswick promotional evening for media, tour operators and airlines: 77 guests.

## Competitive Environment

The number of reservations is greater than the number last year at this time, but we must not fool ourselves: the average French citizen is not a big traveller. Tour operators currently make 80% of their business on trips to Mediterranean countries and three-quarters of the travellers who do leave the country go no further than Spain and Italy. More to the point: two-thirds of all departures end up in France, which remains the primary competition of professionals who do not include it in their programming.

In North America, the United States is recording big increases among some TOs, but there is still some hesitation when it comes to Canada. This is the case at Vacances Transat, whose two lead products are Canada and the United States. Within one month, VT had sold all its programming to the US. The only tours left are à la carte products with very expensive airline tickets. Last year, given the issue of biometric passports, customers turned to Canada. Today, they are returning to the US in droves. The question is, once tours to the US have sold out, will customers turn to Canada. Some change may take place in the coming weeks.

Furthermore, 60,000 French travellers went to Australia in 2006. This year, the emphasis will be on its Northern Territory, making Aboriginal art and culture one of the main promotional focuses. Australia should be a major presence at Top Résa.

To get a preview of travellers' expectations, resolutions and intentions in 2007, Expedia.fr surveyed visitors to its site. This survey revealed that 38% of French visitors plan to travel more often in 2007, 47% of visitors, or nearly half of those surveyed, would like to travel somewhere off the beaten path, and 7% of the visitors to Expédia.fr plan to explore France in 2007 and want to learn more about their country.



### Future Outlook

The group travel market peaked in 1996 and hit its lowest level following September 2001. Canada is starting to regain its position as a sought-after destination with new programs like multi-activity winter packages and packages with more outdoor components. We have participated in two trade shows targeting enterprise committees, which have enabled us to reconnect with the main stakeholders in the group travel market. Various activities are planned for them, including a promotional evening with Vacances Transat, an online campaign with Voyages Passion and an Ontario fam tour with Nouvelles Frontières.

The spa market is booming and France's leading player in this field, Thalasso N°1, will be at Rendez-vous Canada for the first time this year. We will take advantage of this to work together to establish a marketing plan for the coming months as well as working with the primary online travel players.