

quarterly market report

GERMANY

january - march 2007

Market Highlights

# of outbound visitors:	2006 43.8 million outbound holiday trips (0.8 million less than in 2005), there were 4.3 million long haul trips (0.4 million more than in 2005) (counted are holiday trips with a duration of 5 days and more and travelers 14 years and older)
% change from previous quarter:	N/A
# of visitors to Canada:	2006 - 302,323
% change from previous quarter:	- 6.8% (according to latest stats/estimates) - December is up by 14%

Comments / Other information:

71% of all Germans plan a trip of more than 5 days in 2007! 10.6% of all travelers plan a long-haul vacation – however the choice of destinations is growing!

The ticket sales in travel agencies have risen by 14.5 % in January compared to last year – the climate index shows the highest score for the past 12 months (104,6).

The tourism spend in 2007 will reach another peak of 62 billion EUR which is a 2.5% increase compared to last year.

Source: F.U.R. Reiseanalyse 2007 Germany's most prestigious tourism research)

Air Capacity

For summer 2007, there are approx. 550,000 airline seats from Germany to Canada (direct flights only), slightly more than in 2006. We do not have any capacity issues at this stage.

Economic / Political Environment

GDP growth:	not available yet for 2007
forecasted economic growth:	2.8% in 2007
unemployment rate:	10.2 % in January / 10.1 % in February
inflation:	forecast: 1.8% in 2007 and 2.0% in 2008
consumer price index:	110.9 in January / 111.3 in February
exchange rate:	1 CAD = 0,65 EUR
net national disposable income:	not available yet for 2007

Comments / Other information

The 2006 economy closed with an increase of 2.7 % which means it was the best year since the millennium. Despite the VAT increase, another 2.8% increase is forecasted for 2007. Above all: consumer confidence and spending is rising and optimism is spreading within the economy and the country!

For the first quarter of 2007 researchers expect an increase of nearly 0.5%. The winner will be the production industry, whereas the trading industry, the hotel and restaurant industry and the transportation sector will slow down a bit as a consequence of the VAT increase.

Economists reckon with a slight decrease of the growth rate regarding the export business as the economies of the business partners slow down. The cyclical upturn in Germany continues to be strong. The order situation in German enterprises is as well as it was during the boom of the German reunion.

Unemployment is shrinking almost on a monthly basis – it is down to 9.6% which is still a high level, but there are very good signals for a sudden turn:

According to a recent survey among Germans top-managers by Handelsblatt 4 out of 10 companies plan to create additional jobs for 2007 and 37% of all companies plan to increase their investments.

The national deficit will decrease to 0.7% this year as the cyclical revenues of the country will strongly increase.

Researchers assume that the European Central Bank will raise the key interest rate in June and September. With this an interest rate level of 4.25% would be achieved.

Emerging Tourism Trends

Key trends are short trips and more trips which is not necessarily a fit for Canada as a tourism destination, but also spontaneous trips and more variety within trips which leads to our brand "keep exploring". We are catching the consumers desire for breaking the routine.

Discussions on global warming and how it affects tourism continue. Environmental organizations are asking to limit long-haul travel to one trip per year but the Government is not yet responding to this. However, "green thinking" and sustainability will certainly play an even more important role for tourism destinations and suppliers in the future. It should be a vibrant part of our marketing efforts.

Market Development Activities

Alberta has launched a major radio campaign with SWR3, a very popular German radio station. Total value: \$ 120,000.00.

Quebec will downsize its operation in Germany and just continue with PR activities.

CTC Activities

Trade Development

Six co-ops with German tour operators have been agreed upon. Activities consist of various consumer and trade campaigns, reports will follow.

Canada Specialist Program:

Travel One, one of Germany's most important trade magazines, has selected our CSP as the best long-distance learning program in Germany, ahead of Australia and Austria! Voting was carried out among readers of Travel One.

Every year on ITB the „Willy Scharnow-Foundation“ awards the prestigious “Willy Schwarnow-prize” for the best educational projects in tourism. Within the awards ceremony the Canada Specialist Program was highlighted as one of the leading educational tourism seminars in the German tourism industry. Despite the fact that the Final winner was NOT the CSP - the jury noted that just a day before the agents themselves had qualified all long distance learning programs within a travel trade magazine initiative of Travel One - and that here the Canada Specialist Program was chosen as the real final winner.

Publications 2007

Within the first quarter of 2007 the following CSP publications have been published:

New beginners: Alberta

Advanced Level: Newsletter featuring wellbeing in Canada!

Current Status: 712 members (approx. 80 of those participating since 1997!)

Canada Specialist Fams:

In cooperation with Travel Alberta and British Airways the CTC has organized a Ski Fam to Alberta which took place March 12 - 19, 2007. Each participant has agreed to organize one marketing activity for Alberta as a result of this fam.

Trade Shows:

Overall, ITB reports a record attendance of 170,000 visitors, thereof 110,000 trade visitors.

ITB successfully concluded with a total of 50 Canadian partners. The new Canada stand reflecting the Canada brand was well received by partners. Two RCMP Officers walked around to draw consumers to the stand.

The third Canada event at the Canadian Embassy was likewise very successful. 13 Canadian partners supported this event which was attended by 225 guests, thereof 55 German media and 61 trade representatives. The interest in this event was higher than in the past.

Tour operators at ITB have reported good bookings for the upcoming summer season.

80 s.q.m. have been reserved at the IMEX show in Frankfurt in May. MICE has commenced to work on this show.

Consumer Development

Core campaign was launched on January 15.

Website visits are not as strong as in 2006. However, the results of the streaming e-mails are not yet included since these mails were only sent a few days ago.

Thus far, only one tour operator has reported back.

Wikingen Reisen is pleased to see increases of 6 and 15% for the two packages which are part of the campaign website. According to Wikingen, part of this success is due to the campaign.

The Kanada XL Kompakt February issue has been finalized and is being distributed in a circulation of 200,000.

CMT Stuttgart 2007: From January 13 – 21, 2007 Germany's most important consumer show for tourism, caravanning and leisure took place in Stuttgart. Under the umbrella of the CTC provinces and territories as well as German and Canadian industry partners have presented their products at the Canada Pavillion. The following companies had registered: CRD International, Fasten your Seatbelts, Scholz Canada Tours, Pioneer Erlebnisreisen, Western Canada Alliance, Atlantic Canada Tourism Partnership, Red Lake Touring Region, Northwest Territories, Ontario & Quebec and CANIS (food supplier).

CROSS PROMOTIONS

Clever Women: Promotion focusing on women age 30 - 50, 82% of all travel decisions are made by women. Based on www.cleverwomen.de, up to 65,000 users per month, incl. TO offers that offer specials for women for which men have to pay extra. Destination in focus for 2006/07: Ontario, for 2007/08: British Columbia (golf and wellness products). Celebrity and media fam to BC scheduled for June, marketing activities planned year-round with strong non-traditional partners (e.g. BIONADE, famous German wellness drink with the main target to internationalize business, plans to offer a new flavor CRANBERRY in the upcoming weeks with cranberry juice from Canada, additional PR and marketing activities to follow). A co-operation with the Vancouver Film School materializes as they hand out the Clever Women Award to the most promising female student graduating in April 2007. Features of the winner will be presented on www.cleverwomen.tv, a recently launched new section of the website that shows videos of the German celebrities traveling to Canada. Consumer reach per year: 1.5 million. Advertising value for this co-operation so far: > \$1 million. Trip sales are picking up, FTI, the main tour operator for this promotion reports that this promotion has helped very much to generate a 16 % plus in sales for the region Toronto/Ontario this last winter.

Canada Day promotion in Munich: Brunch event, still in planning status, further details tbc.

Generation Kanada: Promotion focusing on best agers age 50+, the most interesting target group in the Western world. Based on www.generation-kanada.de, up to 10,000 users per month, incl. TO offers. Destination in focus for 2006/07: British Columbia and Nova Scotia for 2007/08: Alberta. Celebrity and media fam scheduled for August/September, marketing activities planned year-round with strong non-traditional partners (e.g. LOGONA natural skin care developed a new Canada series NORDIC which uses Canadian cranberries for a new product line already in market). Very successful co-operation with www.feierabend.de, the most successful online portal for the target group: Search for Canada scouts on their website has brought more than 5,000 users to CTC website - and bookings are picking up. A co-operation with atmosfair is planned for 2007/08 which refers to the global warming aspects of travel. Partner Travel Alberta suggested to work with an association that cares for the environment - negotiations with atmosfair might start in April. Consumer reach per year: 250,000. Advertising value so far: \$ 150,000. Trip sales: 18 bookings so far, great success, as reported by FTI, the exclusive tour operator for this

promotion.

Whale and Dolphin Conservation Society: Final year of co-operation with WDCS, all provinces and destinations will be featured on an interactive website, launch on April 1, 2007. Photo competition planned in order to produce and sell a joint calendar of CTC and WDCS. Media celebrity fam planned for July/August with Nova Meierhenrich, a German entertainer and actress. Canada Whale Night scheduled for November 25, 2007 in Cologne. This promotion will end with the Canada Whale Night and move into a new one with the name WATER. WATER focuses on the first and secondary target group of the CTC, highlights everything that you can do in Canada under, above, on, with and around WATER. Ontario to be the first destination for this promotion in 2008 with a set of terrific non-traditional partners from Germany and Canada.

Gay & Lesbian: Promotion focusing on gays and lesbians age 30 - 60. Based on www.gaycanada.de, up to 1,500 users per month, incl. TO offers. Media celebrity fam in July (Gay Pride) to Vancouver, Vancouver Island and Whistler with 3 gay media and 3 general media.

Globetrotter Photo Shooting 2007: The third photo shoot with Europe's largest wholesaler for outdoor clothing and equipment takes place in April 2007 in the Yukon. 4 models, 4 Globetrotter employees will travel to the Yukon for a photo shoot for 60 pages in the Globetrotter brochure: circulation 1.000.000. In addition, free ad (TO offer) page in consumer magazine 4-seasons with a circulation of 200,000 and one news in the Globetrotter newsletter including a TO offer to the Yukon.

Suzuki: Free exposure in Suzuki's mailout to 8 million households, raffle planned for their website.

Media

A press breakfast on January 17 to introduce the new brand resulted in 7 articles, covering all major German tourism trade magazines. The overall advertising value is over and above \$ 30K. Most of the articles reported in a very positive way on the new and fresh Canada brand.

The following 4 press releases have been launched since the beginning of the year:

1) New CTC-Brand

- 2) Travel Planer 2007
- 3) Clever Women TV
- 4) Canada on ITB 2007

The media database presently features approx. 500 journalists.

The following journalists will be visiting GoMedia in March

- 1) Peter Marx, Deutschland Radio (will be producing two reports)
- 2) Robin Frommer, Freelance
- 3) Christian Bonk, Chief Editor of Tours
- 4) Ole Helmhausen, Freelance
- 5) Katja Guttman, DPA (German Press Agency).

All journalists have signed up for one or more post tours. A total advertising value of roughly \$1 million can be expected, based on previous experience.

Overall a substantial number of articles have been generated in the first quarter.

ZDF, Germany's national channel has just undertaken a trip on the Canadian which will be featured on December 23rd for 45 minutes on TV!

A big cooperation (total advertising value i.e. CAD \$400,000 has been undertaken with Funkhaus Aschaffenburg which raffled away an island in Nova Scotia. This cooperation featured radio-interviews, print advertorials, online input and the CTC spot during the final big raffle and announcement of winners in a major shopping mall in the Frankfurt area.

Sat 1 has been contacting the CTC for a Canada show on "Welt des Wissens". Karl-Heinz Teuschl, a well known journalist specialist in Canada will be the guest on this TV-show.

The Canada event on ITB was visited by 55 journalists.

Public Relations

see under media

Competitive Environment

Full details on Tourism Australia's integrated campaign "Where the bloody hell are you" have already been provided. For 2007, Australia is expecting a growth of 7.2% from Germany.

Rather new destinations in the Middle East such as Dubai and Oman continue to be the big spenders (apart from short-haul destinations such as Spain and Egypt). Dubai is reporting 300,000 German visitors for 2006 which is a new record. Another very fast upcoming destination is China, another big spender. Between 2002 and 2006, their numbers have gone up from 281,000 to roughly 500,000 visitors from Germany. At a lower level, Vietnam is also reporting strong growth rates (46,000 German visitors in 2002 compared to 70,000 in 2006).

Overall, this market is more competitive than ever.

Future Outlook

According to Germany's most renowned economic research institutes, the economic outlook is very positive. Some institutes report a 2.8% growth rate for 2007 with similar rates for 2008 and 2009. Unemployment is expected to come down to 8.0% in 2008.

With a slightly more favourable exchange rate than last year, Canada should regain some of the terrain lost in 2006. However, the overall environment continues to be very competitive with a rather weak share of voice for Canada.

We hope for good results on the youth campaign targetting consumers 25 to 34 year olds which will be launched in April.

A major promotion at Canada Day is scheduled in Munich, together with our non-traditional partner Samova. Upcoming media fairs for the Best Ager and Clever Women promotions should result in increasing visits on the respective websites.