

quarterly market report

South Korea

January - March 2007

Market Highlights

# of outbound visitors:	10,594,005 in 2006
% change from previous quarter:	+14.0 up from previous year
# of visitors to Canada:	13,454 in January 2007
% change from previous quarter:	+9.76

Comments / Other information:

- Korean travel business community is upbeat regarding Korean 2007 outbound tourism market. This year is "The Year of the Golden Pig" which comes every 600 years bringing good luck and wealth. Major tour operators set the 2007 growth goal at 20-30% in Canadian business.

- In view of the growing FIT market, more Korean tour operators are restructuring their company divisions to cope with the increasing FIT bookings. Over the next five to six years, FITs will be mainstay of Koreans traveling to the Southeast Asian countries in particular. Demand for package tours to the SE Asian destinations see a setback for the months of January and February but FITs to Hong Kong, Singapore, Manila and Bangkok continue to increase. Hana Tour recently introduced free package tour products as "2045" for the convenience of FITS traveling to major SE Asian destinations.

Air Capacity

- Korean Air: Announced the first direct charter flight to Incheon-Calgary from July 2 to September 2, 2007. Total of 28 flights, 301 seat airbus, increasing air capacity by 8,428 seats to Alberta alone this peak summer season.
- Qantas Airways: QA's charter service to Incheon-Sydney from January 2-28, 2007 resulted in a successful 95% loadfactor. Total of 12 flights, twice a week service to meet growing seasonal holiday.
- Asiana: South Korea and France agreed to open up the air routes between their capitals to Asiana Airlines starting in March 2008 after restricting the route to two carriers - KAL and AF for more than three decades. They will increase weekly flights by three from the present seven to ten and more by March 2010.
- Korea and Germany have agreed to increase the passenger flight frequencies up to 21 times a week over the next two years from the current 11 times.

Economic / Political Environment

GDP growth:	5% in 2006
forecasted economic growth:	4.3% in 2007
unemployment rate:	3.3% in January 2007
inflation:	3.3%
consumer price index:	Up 2.2% in February
exchange rate:	C\$1 = KRW 800
net national disposable income:	Income Up 7.7%
	Expenditure Up 7.6% in Q4 2006

Comments / Other information.

- Korea's Presidential election is coming up this year on December 19, 2007 (every four years). Major political campaigns are forecasted to affect the overall Korean outbound from fall due to reduced travel by related government officials, organizations, political parties and relatives. Earlier Canada promotions in the first half of this year is necessary to sustain the market



growth in 2007.



Emerging Tourism Trends

- Number of Korean tourists visiting holy places in Israel and other regions is sharply increasing. At least 1,700 tourists from 80 groups booked pilgrimage tours between January and March 2007 and this trend continues. It's becoming a new market segment combining the tour of holy places with historical culture tours in the Middle East and Europe.
- Korea attained 69% conversion to E-ticketing in 2006 according to IATA Korea. 100% implementation of E-ticketing by year-end is feasible, saving the industry US\$3 billion per year.
- Australia topped the latest survey conducted by the Korea Travel Times, as a honeymoon destination. To-be wedded couples chose Australia ahead of other traditional honeymoon destinations in Southeast Asia. Travel advices and experiences from friends and close acquaintances (19%), web pages of major travel agencies (15%) and online travel newspapers (14%) in this order. More than 33% of respondents said internet travel-related cafes had most influenced their choices of final destination.
- Eurail sales agents fee lowered to 9% from the previous 12%.
- Introduction of new deluxe products more than US\$10,000 per person is being featured by major tour operators as the higher income class expenditure is increasing in Korea. Luxury tour packages are branded as 'Jewery Mode' by Mode Tour, 'Prestige Club' by Hana Tour and 'Discovery' by Lotte Travel.

Market Development Activities

- With the first direct charter to Calgary this summer, Alberta alone products are being developed with six key agents focusing on 5 night, 6 day group packages. Mono destination Alberta products are the first introduction into the market. BC alone products with triangular cities including Whistler, Victoria and Vancouver showed positive sales during last winter.
- Open Sky: The Korean Canadian Cultural Association Toronto hosted the Canada-Korea Open Sky Promotion and Preparation Committee formed last February 8. About 20 members participated to actively engage a campaign of Open Sky negotiation between Canada and Korea. The shortage of air capacity to Canada is highly recognized by both travel trade and businessmen.

CTC Activities

Trade Development

- 1) Canada Specialist Winter Product Workshop, January 13:
 - In cooperation with Tourism BC and Travel Alberta trained CSP agents on focused winter products for the Korean market. 40 CSP agents attended.
- 2) Canada Travel/Product Brochure 2007 with Hana Tour, March 1:
 - Production of 52 pages, 15,000 copies to distribute to 2,000 retail agents across Korea. Distributed at Roadshow training in secondary cities.
- 3) New Brand Visual ID presentation to Canada Specialists, February 1:
 - The launching of Canada's new Brand Visual had a total of 33 Canada desk managers attend to see and feel the new Brand and discuss how to incorporate the Canada Brand into the trade partnership.
- 4) Best Partner Program with Mode Tour, February 26-March 2:
 - Extensive training program targetted Mode's best retail clients and regional salesmen in four Korean cities with the most potential. 72 retail agents attended from Seoul and 60 agents from Busan City.
- 5) Roadshow with Hana Tour - Extensive Training Program, March 6-29:
 - In cooperation with Tourism Ontario, Tourism BC and Travel Alberta.
 - Target is to train agents in best performing six secondary cities; Seoul, Busan, Daegu, Kwangu, Jeonju and Incheon.
 - Trained a total of 1,101 retail and salesmen across Korea.
 - Joint publication of 2007 Canada Product brochure: 8 pages, 20,000 copies.
 - Production of three different image panels with new Canada Brand.
 - Production of Canada image posters: 10,000 copies for distribution to 400 retail agents.
- 6) Product sales initiative through Home Shopping Cable TV with Hyundai Dream Tour and Tourism BC, March 16:
 - Hyundai Dream Tour to feature BC only Canada tour packages through Hyundai Home Shopping Channel (Cable TV) on March 16, Saturday during

12:40-13:40 am. Double the Hawaiian phone calls received during the air time. Expected to sell 1,000 tour packages.

- Overall visual introduction on three BC cities were aired to the potential travellers. First 30 minutes on destinations and 30 minutes on BC group tour packages and itinerary.
- Added exposure to Hyundai Dream Tour's newspaper advertising by five times, direct mailings to Hyundai Department Store Jasmin Club members (VIPs with shopping sales above US\$100,000 at the Hyundai Dept Store), Cellular phone text message reminder to potential client data and 30 second Cable TV commercial on Canada travel.
- Partnership with Hyundai Dream Tour and Tourism BC

7) Number of consumer enquiries to CTC office in Q1: 740

- Email: 300; Telephone: 150; Fax: 150; and Direct visit: 210

Consumer Development

1) WEDDEX (Wedding Exhibition), January 18-22

- One of the largest wedding exhibitions in the country held twice yearly targetting the peak wedding seasons of spring and fall. Joint participation with Tourism BC to promote Western Canada as a honeymoon destination to newly weds. Niche market targetting the high-end products in shoulder season in Canada.

2) Canadian Education Fair, March 24-25:

- CTC booth will be displayed at the event to promote youth travel and FIT products focusing on railtour, bus passes, attractions, min-packages, ferries and car rentals.

Media

1) Total media coverage: Equivalent advertising dollar value in Q1: \$4,344,002. Up 8.5% over same period last year: TV \$2,401,000; Newspaper \$531,990; Magazine \$493,802; Radio \$410,000; and Internet Exposure \$507,210

2) Number of media enquiries: 311

3) Eight Press Releases: Sent weekly to 250 media data.

- Northern Lights in Yellowknife, Quebec Winter Carnival, Montreal High Lights Festival, CTC new Brand Visual ID, Cirque du Soleil performance in Korea, RVC 2007 and Family fun in Canada.

4) VCP Media: 10 media visits to Canada.

- KBS TV, Ice Wine mission, Men's Health magazine, CMH Heli Ski and Aurora professional photographer.

5) New Brand Launching with Media: Total 32 media attended the new Brand Visual ID and covered the stories on the Canada Brand development.

6) Go Media: Seven consumer media participated in the Go Media program in Banff.

Public Relations

Non-Traditional Partnership:

1) E-Marketing: www.canada.travel global website launching online event with NAVER, the number one Korean portal to publicize the new CTC global website to consumers and bring visitors to the new Brand website. Sponsored by Northface, Estée Lauder, Air Canada, Tourism BC, VIA Rail, Dove magazine and Tour de Mode publication. Period: March 20 - April 6, 2007.

2) Coop Subway Widescreen Advertising: Joint promotion with Travel Alberta and Ontario Tourism. Year round display at the busiest commercial district in downtown Seoul with exposure upto 500,000 passers a month.

Competitive Environment)

- Australia: Tourism Australia recently launched the marketing drive "Best of Australia (BOA)" in Korea for FIT market. In order to boost the FIT traffic to Australia, TA is investing US\$1.3 million into the FIT Kangaroo Pack with Cathay Pacific and 10 tour operators. TABEE (Team Australia Business Events) 2007 in Shanghai is targetting incentive business travel.
- USA: The US Senate and House Bills for expediting the process for waiving Visas for Korean visitors has been submitted. US Visas for Koreans is expected to be waived in 2008 and tour operators are preparing for a big traffic change to USA.

Future Outlook

- Potential niche product promotions are being planned with key agents focusing on trekking and honeymoon products. Product meeting with seven agents specializing in trekking/mountain hiking is planned in early April.
- ASTA (American Society of Travel Agents) is holding their general meeting on Jeju Island, Korea during March 25-29, 2007. About 1,000 travel trade professionals, media and government organizations will attend business networking sessions, workshops and travel marketplace.