

quarterly market report

Mexico

January - March 2007

Market Highlights

# of outbound visitors:	11,590,000 in 2006
% change from previous quarter:	-7.7%
# of visitors to Canada:	38,977 October to December 2006
% change from previous quarter:	17.52%

Comments / Other information:

Growth of Mexicans towards Canada was very positive last year. 2006 ended with 210,000 tourists, 11.24% more than the previous year. Growth in 2007 is expected to reach 10%.

Countries such as U.S.A, Spain, Italy, France and Germany continue to compete for the Mexican market.

Air Capacity

Direct flights in 2006 were 439,000 seats. This was an 11.7% growth in comparison to last year.

Main carriers are: Mexicana Airlines with direct flights to Montreal, Toronto and Vancouver. Air Canada with a daily route to Montreal and two flights to Toronto. Japan Airlines with two routes a week to Vancouver.

Areoméxico had announced a new flight to Toronto in May. However, everything shows that it will begin at the end of 2007.

Travel Alberta announced that charter operations will start again from México City and Guadalajara to Edmonton during the summer.

Economic / Political Environment

GDP growth:	2.0 %
forecasted economic growth:	3.0 %
unemployment rate:	3.7 %
inflation:	3.7 %
consumer price index:	121.98 to Feb 2007
exchange rate:	0.1048
net national disposable income:	0.00

Comments / Other information

First quarter of 2007 has shown a more relaxing political environment than during the election process and the swering in ceremony of President Calderón. Despite the political conflicts in Oaxaca and in other areas, the general environment is relaxed.

Last March 8, the Canadian Chamber of Commerce for México celebrated its 25th anniversary with a series of conferences and activities for the political and entrepreneur sector of México. President Calderón emphasized during said activites that the relation Canada-México will be a priority for his government; an economic relation treaty was executed between Alberta and México to increase the economic and business relations between both of them.

Emerging Tourism Trends

According to the main Miexican operators, they have not had the results expected for the first quarter of 2007. This is due to the uncertainty prevailing in the country due to the change of government. Comparison registries 2007 vs. 2006 for the first quarter of the year did not show any growth. In general, April results due to Holy Week showed a slight growth.

Market Development Activities

Two new tour operators began operations to Canada in April: Operadora Mundo Visión and Grupo Saguza.

Tips Travel will also begin operations to Canada, not only for Lla Habana, Cuba connection but now with Mexicana de Aviación with direct flights. Efforts Tips Travel will be dealing directly with the public.

At the end of March, Travel Alberta sponsored a fashion event with clothing designer Paul Hardy. Important personalities of the Mexican tourism and press guests were present at this event.

CTC Activities

Trade Development

Fam Trip to Alberta – (January 18-22)

A trip to Edmonton and Fort McMurray was made together with Travel Alberta to offer major charterers the opportunity to see new products; Aurora Borealis in this case. Nine tour operators participated.

Mission 2007 (February 6-9)

There was for the first time in México, a commercial committee between Canadian Tourism CEO's and different sectors of the tourism in México. General purposes were:

Build upon and establish new relationships with the Mexican in-market travel trade partners.

Convey to partners Canada's commitment and interest in continuing to encourage growth in this market.

Gain valuable insights and knowledge from the partners about their market needs and desires in order to better serve them.

The Committee received 27 representatives of Canadian companies that met with the main established airlines in México, major charterers, travel agency associations, groups and incentives, etc., as well as with personalities of the tourism sector, the Canadian Embassy and the Chamber of Commerce. The new image of Canada was presented to the communications media.

Canada Specialist Promotion

We have begun promoting the CSP program among the tourist industry. The participation of 160 travel agents of the Mexican Republic is expected. It was decided this year to include an additional module in the seminar and the program will be extended to León, Guanajuato, in addition to the cities currently participating in the program, namely: Monterrey, Guadalajara and México.

Consumer Development

Advertisement Campaign (February - April)

Under the creative concept "More Hot/Cool than you imagined ", the CTC launched an advertisement campaign for the final consumers to encourage couples ranging from 30 to 40 years old to travel to Canada during low seasons. The campaign is being held in México City, Guadalajara and Monterrey with fences in the streets, an interactive CD with videos and wallpapers distributed in restaurants and corporate buildings, Internet banners, streaming e-mails, and a micro site with a context to create data bases.

Mexican ski cup (Feb 10-17)

A ski cup was held in México for the first time for Mexicans only in association with Tourism British Columbia, Tourism Whistler, Cerrando Círculos and New Millenium Travel. The venue was Whistler which received 120 competitors. The event was also sponsored by important Mexican trademarks which were promoting the event in massive media. In order to provide more support to the project, the CTC travelled with 10 travel agents including some participants of the Canada Specialist Program and 10 communication media.

VISA / Banamex (March)

There was a direct mailing to 450,000 VISA / Banamex cardholders with the

new image of Canada, promoting Whistler as a destination for the first quarter of the year. Tourism British Columbia, Turismo Marben and the CTC participated in this effort.

Media

Media Trips

Four media trips were held during January thru March, 2007 with tourism, life and style and business specialized media journalists; they were organized with the collaboration of many Canadian and Mexican commercial partners:

1. Whistler Mexican Sky Cup - 10 media were invited to cover the first Mexican Ski Cup in Whistler.
2. British Columbia / Boletín Turístico - Together with Tourism British Columbia organized an individual discovery trip for Jessica Servín as the winner of Canada a Voces journalist award 2006 and also to promote the destination.
3. Quebec / Diario Monitor - Patricia Wriedt, gastronomy columnist was invited to Montreal and Quebec City as the winner of Candá a Voces journalist award 2006 and also to promote the Canadian gastronomy.
4. Whistler & Vancouver / Televisa - Sergio Mayer, actor, producer and a Mexican celebrity traveled with his family to Whistler and Vancouver. His stories will be published in social, entertainment and life & style magazines, as well as in entertainment Mexican TV programs in Televisa. British Columbia Tourism, Whistler Tourism and Vancouver Tourism were CTC's partners.

GoMedia Marketplace 2007

Like every year, the CTC organization world event was carried out and Mexico had the presence of five Mexican media, among them were: Travel and Leisure magazine, Balance magazine, Milenio Diario newspaper, Expediciones W radio program and Libido magazine.

Each one of the journalists made a post-event trip to different destinations such

as: Alberta and British Columbia.

Media Meetings

1. With the main goal to generate awareness of Ontario Tourism and Toronto Tourism and key media contacts, the CTC scheduled an agenda with one on one interviews. It provided both Canadian destination representatives with opportunities to interact with the journalists, columnists and editors of the principal newspapers, magazines, Internet web sites and radio and TV programs.

2. Tourism BC and its partners (Vancouver, Whistler and Victoria) and the CTC scheduled an agenda with interviews, one on one meetings, lunches, dinners, and a reception. It provided provinces' representatives with opportunities to interact with the journalists, columnists and editors of the principal newspapers, magazines, Internet web sites and radio and TV programs.

Commercial Canadian Mission, New Brand Launch and Institutional Image

A four day business trade mission with the presence of the Canadian Tourism Commission and 27 Canadian Tourism organizations gathered in Mexico City for meetings with their industry and Mexican counterparts. The Mission kicked off with a press conference that underlined the launch of the new brand "Keep Exploring". The main goal, to generate awareness and to build upon and establish new relationships, the Mission representatives met an important group of Mexican Tourism Ministers from Michoacán, Mexico City and Nuevo León Estates as well as with members of the Mexican Tourism Board.

A complete media kit was distributed to the CTC media to present the key messages and also a special visit to Televisa's studio was scheduled to provided the Canadian representatives with opportunities to interact with the top producers of the most important TV company in Latino America.

Special Media Initiatives

As part of the program of the Committee's visit the production of a special publication with Travel & Leisure was prepared as a communications tool to

promote the new “Keep Exploring” brand with a print run of 40,000 copies.

As a supplement to the Spring Advertisement Campaign, 20 T-shirts and 50 CDs were distributed during the radio programs.

Free Media Coverage

From January to March \$547,388 CAD generated from different editorials and to an audience of 10,480,050 persons.

Public Relations

Competitive Environment

Strict Security actions to U.S.A. and the lack of Visas have caused a business increment to México, Brazil, Panama, Colombia, Salvador and Costa Rica. Therefore, all airlines flying to these destinations had a 2-digit increase of passengers during the last two years.

The opening of Turismo de California in México City confirms their help to expand its marketing efforts in México.

U.S.A. Embassy confirmed that the number of Mexicans entering its country in 2006 was a total of 10.5 million, 8% higher in comparison with 2005. Total of visitors registered was 85% corresponding to vacation tourists, 9% business, 2% for medical consultation, 1% students and 1% unidentified. An increase of 9% is expected by the end of 2010.

Future Outlook

Mexico remains one of the Canadian Tourism's most consistently solid growth markets. In the second quarter of 2007, the Business Outlook Survey participants expect Mexican visits to Canada to expand 3.8% compared with the same quarter of 2006. Group visits are expected to climb 3.5%, while FIT visits will increase 3.6%. Canada's price competitiveness for Mexican travellers, during the second quarter is expected to decline only slightly and is not expected to have a noticeable effect on Mexican arrivals during this period. In fact, Mexican tour operators have been enthusiastic about the performance of their Canadian travel products, and expect the positive trends to continue this year. Some of the Canadian travel experiences currently under development for the Mexican market this spring and summer are golf vacations and honeymoon trips to the Canadian Rockies.

CTC México will begin in April a strategy to position Canada as a Golf destination. Said strategy includes a specialized golf site www.golfistasencanada.com, Internet promotions and publications in the main Golf magazines in México.

A Travel Shop will be held on May 5 and 6. It is a tourist event for final consumers wherein Canada will participate as a Gold Sponsor.

First module of Canada Specialist Program will begin in April. For further information, please visit www.canadaspecialistprogram.com