

# quarterly market report

UK

January - March 2007

## Market Highlights

# of outbound visitors:	During October to December 2006, visits overseas by UK residents increased to 17.2 million. (Source: Office for National Statistics. Provisional statistics published on 7 February 2007 in the Overseas Travel and Tourism First Release)
% change from previous quarter:	During October to December 2006, the visits overseas by UK residents increased by 6% when compared with the same period on the previous year. (Source: Office for National Statistics. Provisional statistics published on 7 February 2007 in the Overseas Travel and Tourism First Release)
# of visitors to Canada:	During October to December 2006, visits to Canada by UK residents decreased to 153,436. (Source: CTC Snapshot Dec 2006)
% change from previous quarter:	From Q4 2006 and Q4 2005 visits to Canada by UK residents decreased 3% from 158,200 to 153,436. (Source: CTC Snapshot Dec 2006 and 2005 CTC Year Review)

## Comments / Other information:

### Air Capacity

- The Air Capacity for the United Kingdom was 437,712 for the Q4 of 2006. This improved by 0.2% compared to the same period last year.
- Zoom Airlines is to expand services from Belfast to Canada with a new direct service between Belfast International Airport and Halifax. The flights will operate

from May to October 2007 with a weekly departure on a Saturday. Fares start from £99 one-way plus taxes.

- Canadian Air added capacity to Birmingham Toronto with three flights a week and also Gatwick- Halifax - now twice a week for summer 2007.

### Economic / Political Environment

GDP growth:	GDP grew by 0.8% in the fourth quarter of 2006. This compares to 0.7% in each of the previous four quarters. (Source: Office for National Statistics published on 23 February 2007)
forecasted economic growth:	GDP is forecast to grow by 2.6% and 2.3% for 2007 and 2008. (Source: British Chambers of Commerce, Quarterly Economic Forecast as of 11/02/2007)
unemployment rate:	GDP is forecast to grow by 2.6% and 2.3% for 2007 and 2008. (Source: British Chambers of Commerce, Quarterly Economic Forecast as of 11/02/2007)
inflation:	<p>CPI annual inflation – the Government's target measure – was 2.8% in February, up from 2.7% in January. (Source: Office for National Statistics published on 20 March 2007)</p> <p>RPI inflation rose to 4.6% in February from 4.2% in January. RPI is the retail price index. (Source: Office for National Statistics published on 20 March 2007)</p> <p>As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate is above average for the European Union as a whole. The provisional inflation rate for the EU 27 in February was 2.1%, compared with the UK rate of 2.8% for the corresponding period. (Source: Office for National Statistics published on 20 March 2007)</p>
consumer price index:	CPI annual inflation – the Government's target measure was 2.8% in February, up from 2.7% in January. (Source: Office for National Statistics published on 20

	March 2007)
exchange rate:	2.30 CAD/GBP for January 2007. 2.29 CAD/GBP for February 2007. 2.27 CAD/GBP for the period starting March 1 and ending March 20. (Source: Bank of Canada, Monthly Exchange Rate Average)
net national disposable income:	In the year to January, pay growth (excluding bonuses) in the private sector was 3.7% , compared with 3.1% for the public sector. Including bonus payments, private sector growth stood at 4.4% compared with 3.2% for the public sector. (Source: Office for National Statistics published on 14 March 2007).  In the year to January 2007 consumer prices increased by 2.7% which is below the rate of earnings growth. (Source: Office for National Statistics published on 14 March 2007)  The Gross disposable income in 2005 grew to £13,300. This enables a 5.3% average saving ratio for households. (Source: Office for National Statistics, Economic Trends Annual Supplement, published in October 2006)
<b>Comments / Other information</b>	
The largest upward effect on the CPI (inflation measure) annual rate came from transport costs due to increases in air fares in February, particularly for travelling to European destinations. (Source: Office for National Statistics published on 20 March 2007)	
From February 1, 2007, UK Air Passenger Duty is increasing from £5 to £10 for economy seat passengers taking domestic and European short haul flights and from £20 to £40 for economy seat travellers on long haul flights. Business and first class passengers face increases of £10 for short haul flights and £40 for long haul. (Source: The Guardian, Skyway Robbery printed March 7,2007 and Airlines turn litigious over extra duty printed on February 1, 2007)	

The sharp increase in the RPI (Retail Price Index, see above in inflation) rise prompted predictions from economists that the Bank of England Monetary Policy Committee could raise interest rates a quarter point to 5.5% in April. The RPI is a broader measure of the cost of living than the CPI (Consumer Price Index). The RPI increase is especially due to Gordon Brown doubling the Air Passenger Duty (see above) and to increase in food, tobacco and alcohol prices.

### Emerging Tourism Trends

- Major Consolidation: TUI AG, Europe's biggest tour operator, will buy First Choice Holidays Plc to fight competition from Internet bookings and discount airlines, mirroring a combination of two rivals Thomas Cook-MyTravel last month. (Source Bloomberg, last update March 19, 2007)
- Strong trend towards late booking patterns.
- Green Holidays (environmental concerns): 1 in 4 pays a lot of attention to green issues when travelling. (Source: TripVision, Base: All travellers)
- Trend towards very short holidays (less than 6 days) or very long holidays (more than 15 days). (Source: TripVision, Base: All who have had Holiday Abroad Jun-Sep 2006 fieldwork)
- Increasing interest in Activities and Cruises.
- A growing 88% of the population have used internet to plan their trip in the last six months (Jul 2006-Jan 2007). This is far before Word of Mouth, the second most important source of info to plan your trip. (Source: TripVision)
- Older people plan further ahead (Source: TripVision)
- Younger people travel more (Source: TripVision)
- Increase in low cost airlines and routes.
- We are attracting a younger age group (24-35 years old).

- The 59+ are getting younger.
- Changing booking patterns and travel style: for example the Internet / Direct brands showing strong growth, the dynamic packaging on the increase and the blurring between Tour Operators and Travel Agents.

### Market Development Activities

Working with CTC Business Development to incorporate Olympic theme into Canada Day London 2007 celebrations. Developing ideas that were discussed during recent Olympic mission to London UK.

### CTC Activities

#### Trade Development

Meetings & Incentives in the UK

Canada Supplement for M&IT

A totally on brand supplement to feature within the Meetings & Incentives Magazine in the UK, we will sponsor 6 pages for CTC content, and each page of advertising sold gives us another page of editorial for free. Once partners are secured (via the magazine) we will steer editorial content and imagery supplied with final sign off of anything which is submitted to the Magazine.

It's the November 2007 issue, and have also secured a card insert the month previous for people to request appointments to meet people on the EIBTM stand. As well as a full circulation of 40,000 we will be given an extra 2,000 for our own use.

Also - New tools online for UK M&IT website and total revamp – launching soon!!

#### Consumer Development

- Canada USB's distributed at Canary Wharf February 5<sup>th</sup>

- Canada USB's distributed with Canary Wharf Magazine w/o February 5<sup>th</sup>

- London Underground Escalator Campaign went live March 5<sup>th</sup>
- Independent Supplement published February 24<sup>th</sup>. Simon Calder Podcast went live same week and featured as a link on the [www.canada.travel](http://www.canada.travel) uk site.

#### Non Traditional Partnerships

Visibility and breadth of reach for 2007 non traditional partnerships has already surpassed the total number of competition entrants and opt ins for 2006 in just the first three months of this year. The growth of the database through the contributions led by the non traditional partnerships has already tripled.

#### Canary Wharf Ice Rink (18th November '06 - 18th February '07)

With the five competitions held at the Ice Rink coming to an end we achieved an overall 4,000 entrants combining online and at the rink.

England has had a tremendously mild winter which has had a certain knock on effect to the quality of the ice, however around 65,000 skaters made it to the ice this season.

#### Furthering Partnership with NTL online

A continuation of the partnership which began in 2006 featuring within an e-newsletter (qty 700,000), NTL homepage and through travel, competition and gallery channels online over a 4 week period. Showcasing the new Globespan route to the Niagara Region of Ontario. Results show over 17,000 entrants to the competition.

#### "Arias on Ice" (15<sup>th</sup> February '07)

A corporate Entertainment evening featuring live operatic performance accompanied by Ice dance display at Canary Wharf Ice Rink filmed for a Channel 4 TV programme presented by the renowned Harvey Goldsmith. The performance, featured a selection of popular opera and operetta hits including duets and ensembles performed by 6 singers provided by Oxfordshire based Opera company Opera Anywhere. The singers' performance accompanied by

between 2 and 4 professional ice-dancers (provided and choreographed by Olympic Gold Medalist Robin Cousins). Musical accompaniment provided by baby-grand piano. The singers and piano positioned in a stationary position on the ice and the ice-dancers performed around them. Prime time TV 7pm weekday night, with anticipated viewing figures of 3-4 million.

Our objective was to increase awareness of Canada with our new branding in key areas around the Ice, ice dance sequences close to our main boards and up to 4 interviews from CTC and sponsors to be edited for the final cut.

Virgin Media - New company launch (February '07)

Ntl:telewest re-brands as Virgin Media during the first quarter of 2007. A Quad play offering (TV, Broadband, Telephone, Mobile) brings together under this new brand; telewest, ntl, Virgin.net and Virgin Mobile. A marketing campaign on a sizeable scale directed consumers to their website Virgin Media. Based on this, as well as the immediate redirected traffic from existing customers of NTLWorld, Virgin.net and Telewest, we anticipated around 8 million unique users to visit the site over the first two weeks after launch.

We featured a competition to Vancouver which is heavily promoted on the Virgin Media Travel homepage for launch, Vancouver picture gallery and play and win channels.

Results have been outstanding with over 21,000 people entering and almost 6,000 names added to our database and e-newsletter distribution.

Nikon - our third year in partnership (Feb/March '07)

Nikon launches the new D40 combined with a family photography competition working with one of the UK's leading photo titles - Digital SLR Photography and Ephozine - the UK's largest dedicated photo website and launched the competition at "Focus on Imaging" (a large consumer photo show) which took place at the end of February. Family prize to Ontario.

Blades of Glory - New theatre film release (March '07)

The film is set around the competitive world of figure skating – one of Canada's

national sports and filmed in Montreal. Working with Thomson Holidays, a division of TUI UK Ltd, part of TUI AG, the largest tourism and services group in the world, employing 80,000 people in 500 companies around the world, is especially important as this is our first real association with them.

March 9<sup>th</sup> – March 22<sup>nd</sup> brand promotion within 750 Thomson high street travel agents. Book a trip to Canada and win with Blades of Glory. All prizes offered to consumers supplied by Paramount Pictures.

Point of sale: Shelf Talker, Leaflet, Large Poster and Screen Savers.

In exchange for two staff incentive trips all p.o.s will have CTC branding designed and printed FOC. The trips will be used to encourage staff in the high street and their three call centres to sign up and qualify in the Canada Counsellor Programme.

### Media

55 tour operators, journalist and industry partners attended the Carve your place on ice event at Canary Wharf on February 6<sup>th</sup> to mark the roll out of the new brand identity. Each were given the new brand guidelines, press release, brand summary, new brand pen, and ingredients to make vodka jellies with a new brand jelly or ice cube mould. Glass vases contained pine tree branches, stones, water and leaves to signify the graphic designer, colour pops displayed the new URL and logo and a 2 meter high by 2 metre wide ice carving showcased the new logo.

The following journalists have visited Canada in the first three months of 2007 as guests of the CTC :

Dom Joly Independent	Newfoundland	
Johnny Richardson Magazine	Quebec Winter Carnaval and Ski	Fall Line
Eric Kendall	BC/AB ski resorts /Snowtrain	
	Ultimate.com/Ski publications	



Penelope Kendall Photographer	BC/AB ski resorts/Snowtrain	
Tamsin Leach Independent /White Lines with well known UK boarders	BC/AB ski and board	
Nick Dalton	GoMedia Banff/Ski Rockies	Ski publications
Jinni Reddy	GoMedia/Banff/Ski Rockies	Freelance
Richard Cooke Pilot Productions/Guide to	GoMedia/Banff/Manitoba	
Colette Hooper Productions – tv research	GoMedia/Banff/Montreal	Reef
James Bregman Virgin.media	GoMedia/Banff/Ski Kootenays	
York Membery	Go Media/.Banff/Van/NWT	Freelance
Arnie Wilson Magazine	Ski School/Fernie/Powder	Ski and Board
Ian Sansom	Ski School/Fernie/Powder	Fall Line
Fransesck Green Health	Ski School/Fernie/Powder	Mens'
Nicholas Roe	Yukon Quest	The Times
Andy Heading Nationals	Arctic Ultra/Yukon	Various
	Paul O'grady Show Toronto/Ottawa	Aired

CTC generated articles appeared in the Financial Times about Cat skiing in BC (Arnie Wilson) and Mail on Sunday featured a story about Bear Watching in BC (Vivienne Creegor) from a 2006 press trip with Naturetrek.

First new brand e'newsletter emailed to 60,000 consumers w/o February 12<sup>th</sup>.

Press releases issued on New Brand, NTL campaign results, BACTA nomination call, BACTA finalists, Blades of Glory.

Spotlight editorial coverage featured on Travel Mole with links to Spotlight and BACTA nomination forms on February 7<sup>th</sup>.

As of March 8<sup>th</sup> 43 media signed up to attend Spotlight Canada in advance, the highest pre-registration number in the last 11 years.

#### **Public Relations**

See Above

#### **Competitive Environment**

Thai Tourist Office puts \$80m task up for pitch. The contest is for the authority's international account currently handled by Dentsu. However it is believed that the domestic UK agreement currently with Creative Juice/GA will be included in the brief. Kitsana Kaewturmorong, the authority's head of international advertising said the plan was for the winning agency to begin working on the business next year 2008. The creative and media assignments are likely to be pitched together. (Source : Campaign 23/2/07)

Launching in 2007 and with HRH Prince Charles as Patron, British Tourism Week is a series of inter-related industry events, which will raise national and international awareness of the size, value and importance of Britain's £74 billion visitor economy. British Tourism Week will be an annual event and is organized by VisitBritain, UKinbound and Reed Travel Exhibitions, with the support of the Tourism Alliance, the Tourism Society and the regional and national tourist boards.

British Tourism Week aims to demonstrate that tourism is critical to the

economy of the United Kingdom.

To achieve this we will:

- Increase industry awareness
- Raise quality standards
- Promote training and professionalism
- Improve the UK's competitiveness
- Support the preparations for hosting the London 2012 Olympic and Paralympic Games

(Source: [www.britishtourismweek.co.uk](http://www.britishtourismweek.co.uk))

On March 28 and 29, a well one-step-shopping with the Spanish Tourism Market for online distributors, dynamic packaging agents, tour operators and meeting planners.

The Steps trade fair is a highly effective networking opportunity for anyone who wants to do business with the Spanish tourism market. The show enables rediscovering the lucrative Spanish market, negotiating rates, dynamically packaging Spain, or educating Spain specialist. This show is a premier negotiating, networking opportunity and showcase for their country.

### **Future Outlook**

- Britons are prices sensitive and fluctuation in the exchange rate could influence their destination choice as well as their holiday budget.
- GDP is forecast to grow by 2.6% and 2.3% for 2007 and 2008 (Source: British Chambers of Commerce, Quarterly Economic Forecast as of 11/02/2007). Growth of the UK economy remain strong but fear of inflation could alter the net disposable income.
- Declining fuel / energy costs could help to offset the increase in the Air

Passenger Duty.

- The development and implementation of a Global CTC Tourism Policy is needed to respond to the growing consumers demand for responsible travel. To gain from the Canada status of 'Green' destination, a well-defined responsible tourism policy would enable them to get a clear and coherent message to the consumers. This is inline with the CTC global brand identity providing a coherent message across borders.
- The European 2006-2007 ski season was difficult because of mild temperatures and bad snow conditions. The next Canadian ski season should take advantage of it's excellent snow condition and challenge the established european ski destinations. There is a need to remind the consumer that Canada is the right place for a successful ski holiday rather than Europe and its unpredictable snowfalls.