

quarterly market report

Germany

April - June 2007

Market Highlights

# of outbound visitors:	2006: 43.8 million outbound holiday trips (0.8 million less than in 2005), 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:	numbers per quarter are not available
# of visitors to Canada:	37,887 during first quarter
% change from previous quarter:	up by 9.29%

Comments / Other information:

Domestic travel is increasing again but at the same time, long-haul destinations are recovering, Asia in particular. Allover, it is expected that travel from Germany will slightly increase compared to 2006.

After the GST discussions in Ottawa and during RVC, this issue came up again due to administrative challenges for non-Canadian tour operators to recuperate the tax from CRA. At this stage, some German tour operators are considering adding 6% to their winter package prices unless a more suitable solution for reimbursement is found. Adding another 6% to package prices to Canada endangers travel to Canada from Germany as it might be too expensive for next winter.

Air Capacity

For summer 2007, there are approximately 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. No news yet regarding future plans of LTU after they were bought by Air Berlin, other than Berlin is becoming a major hub for long-haul connections to Asia and the Caribbean. Efforts are being made to convince Condor to increase their capacities next summer and to consider a winter flight in the long run. There is some uncertainty regarding Condor since Lufthansa is considering selling their shares next year. It is likely that this airline will likewise be bought by Air Berlin in order to have one strong German charter carrier.

Economic / Political Environment

GDP growth:	2.4%
forecasted economic growth:	2.8% in 2007
unemployment rate:	9.1.% in May (161,000 less unemployed than in April)
inflation:	forecast: 1.8% in 2007 and 2.0% in 2008
consumer price index:	112.0 in April / 111.3 in February
exchange rate:	1 CAD = 0.69 EUR (0.65 in March)
net national disposable income:	not available yet for 2007

Comments / Other information

The overall outlook for Germany continues to look bright. In the meantime, most countries recognize that Germany will be the economic powerhouse within the EU. The forecasted growth rate of 2.8% for 2007 is the highest within the EU and optimism is spreading within the economy and the country! For 2009, the economy is expected to slow down a bit.

The governing coalition between the Conservatives and the Socialists is suffering from discrepancies. Both parties are already preparing for the 2009 election battle. Angela Merkel's reputation is growing though, in particular after the recent G8 summit in Heiligendamm, Germany. One of her top goals is to reach a global consensus on worldwide reduction of carbonates. This creates many opportunities for German corporations who are developing new and sustainable methods to produce electric power.

Emerging Tourism Trends

Key trends are short trips and more trips per year 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. After the still important "wellness" hype, "medical travel", i.e. combined vacations with treatments is becoming a huge trend. Again, Canada may have opportunities here with new products such as exclusive native treatments.

Discussions on global warming and how it affects tourism continue although this has slowed a bit over the past few weeks. Environmental organizations are asking everyone 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. Airlines will have to reply to the "green trend" by using the most recent aircrafts with considerably less consumption of kerosine.

Market Development Activities

Travel Alberta continues to heavily invest in the German market on the marketing and PR side. They participate in most of our activities but at the same time, do many promotions on their own such as the recent cooperation with SWR, a major German radio station.

Ontario, BC and ACTP are also running various promotions with major tour operators.

CTC Activities

Trade Development

Industry Proposals:

Eight coops with German tour operators have either been agreed upon or already carried out. Activities consist of various consumer and trade campaigns, reports will follow.

Alberta and BC will again produce a "Canada's West Ski Insert" with a CTC contribution of CAN\$ 20,000.

Canada Specialist Program:

Publications 2007

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

New beginners: British Columbia

Advanced Level: Newsletter featuring GAY products in Canada!

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

Canada Specialist Fams:

The following CSP Fams have been carried out in May / June 2007:

Ontario (May 19 - 26, 2007) Partners: Ontario Tourism, Air Transat - 14 participants

Alberta (June 4 - 11, 2007) Partners: Travel Alberta, Condor - 14 participants

Quebec (June 12 - 18, 2007) Partners: Tourisme Quebec, Swiss - 14 participants

Manitoba (June 17 - 24, 2007) Partner: Travel Manitoba - 8 participants

Each participant has agreed to organize one marketing activity for the respective province visited as a result of this fam - total value of marketing

activities so far: CAD \$25,000!

TRADE NEWSLETTER / DEVELOPMENT:

The first Trade Newsletter 2007 was mailed out to a database of 120 tour operators in May. Results tba.

The first Tour Operator website www.canada-inside.com will be launched on June 15.

TRADE SHOWS:

The fifth IMEX took place April 17 - 19 and closed having surpassed all previous visitor and hosted buyer numbers. Record numbers on all three days at Messe Frankfurt saw over 3,500 hosted buyers through the doors of Hall 8, amongst an overall visitor total of 8,000. Canadian exhibitors were mostly pleased with business made during the show.

The new Canada stand reflecting the Canada brand was not well received by some partners - the stand was criticized as being too generic and not easy to identify. One RCMP Officer walked around to draw visitors to the stand.

Further details / results tba.

Consumer Development

CORE CAMPAIGN:

Website visits are not as strong as in 2006. There are concerns about canada.travel which is not well known in Germany. Issues will be addressed with e-marketing.

Wikinger is pleased to see increases of 6% and 15% respectively for two packages which are part of the campaign website. According to Wikinger, part of this success is due to the campaign. Explorer Fernreisen also reports a slight increase for Canada bookings. Direct campaign results from Tour Consult and Boomerang Reisen are rather disappointing.

The second wave (campaign for the young target audience, 25 to 34) is currently running. First results are not that good but the campaign needs to be completed before making a final judgement.

The results of the first wave of the campaign have not met our expectations; they are not as good as the 2006 results. The reason may be the fact that canada.travel is hardly known and difficult to remember for the German consumer. Issue will be discussed with e-marketing.

CROSS PROMOTIONS

Clever women: Good results for www.cleverwomen.de, up to 65,000 users per month, including tour operator packages that offer specials for women for which men have to pay extra. Partner destination 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 materialized as they handed out the Clever Women Award to the most promising female student graduate 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 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 to generate a 16 % plus in sales for the Toronto/Ontario region this last winter.

Canada Day promotion in Munich: Premium event during the ispo Vision & Style (sports tradeshow), still in planning status, further details tbc.

Generation Canada: 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, including tour operator offers. Partner destination for 2006/07: British Columbia and Nova Scotia, for

2007/08: Alberta.

There is a celebrity and media fam scheduled for August / September with Katja Ebstein, singer and entertainer with a market / consumer knowledge of 92%, 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. More than 1,000 users applied to be a Canada scout. New co-operation with Globetrotter starts in May, the outfitter advertises another scout search in a set of interesting media. Consumer reach per year: 250,000. Advertising value so far: \$150,000. Package sales: 18 bookings to-date, 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 (www.wale-in-kanada.de, www.canada-whale-night.de), launched on April 1, 2007. 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.

Suzuki and other companies already offered special prizes for the raffle at the event. Renate Künast, former minister for consumer protection and one of the most popular politicians, accepted to be the ambassador of the charity event. Katja Ebstein will be heading the "Whale committee" and will perform during the event. 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 will be the first destination for this promotion in 2008 with a set of appropriate non-traditional partners from Germany and Canada. Details tbc.

Gay & Lesbian: Results for www.gaycanada.de, up to 1,500 users per month, including tour operator offers. Media celebrity fam in July (Gay Pride) to Vancouver, Vancouver Island and Whistler with 3 gay media and 3 general media, in addition, Lilo Wanders, a very well known transgender celebrity.

Globetrotter Photo Shoot 2007: The third photo shoot with Europe's largest

wholesaler for outdoor clothing and equipment took place in April 2007 in the Yukon Territory. 4 models, 4 Globetrotter employees traveled to the Yukon to do a photo shoot for 60 pages in the Globetrotter brochure: circulation 1,000,000. In addition, a free ad (tour operator offer) page in consumer magazine 4-seasons with a circulation of 200,000 and one news article in the Globetrotter newsletter including a tour operator offer to the Yukon.

Suzuki: Free exposure in Suzuki's mailout to 8 million households, a raffle is planned for their website. Suzuki offers a SX4 car as the main prize for the raffle of the Canada Whale Night 2007. Further promotions tbc.

Media

Three press releases have been published during the second quarter:

- 1) CTC promotion around "Knut", the polar bear
- 2) Canada Specialist Fam Trip to Ontario
- 3) "Clever Women" Celebrity Tour

"KNUT" PROMOTION:

A branded boomer ball was delivered to the Berlin Zoo in May to thank little polar bear Knut who has become a star not only in Germany. Approximately 25 media of all kind were present. In Germany alone, a total media value of roughly 100,000 was generated, most media showed a nice visual with Knut playing with the branded ball from Canada. Media exposure also included TV, radio and online.

GOMEDIA RESULTS

Thus far, we have registered the following:

TOURS: Christian Bonk (GoMedia, Post: Skiing in Alberta)

Fall: 32 pages Winter-Special are planned.

Content: Skidoo, Heliskiing, CrossCountry Skiing, Skifahren, Snowboarden etc.

Writers: Ole Helmhausen, Tom Jeier, Egmont Strigl, Daniel Frommer

Upon request a special edition can be added to Clever Reisen (circulation 80,000), they can also be ordered by the featured provinces and CTC for a

winter promotion. There is a cost involved.

Contribution of Tours:

CAD \$51,684 in kind – which will be refinanced through ads (1/4 page @ CAD \$1,200) – or editorials (4 pages @ CAD \$5,900).

DPA: Katja Guttmann (GoMedia, Post: Ontario)

Wrote a few small reports about newest tourist offers.

Planned:

June: Story about CN -Tower

July: Stampede Story for DPA (also visiting Waterton, Cowboy Ranch, Head Smashed)

Fall: Story about Niagara Falls

Pending: Story about Reiff Winery

Robin Daniel Frommer (Freelance): GoMedia and Post Via Rail (Jasper - Vancouver)

Press Trip invitation from:

1. Nora Weber / Terra Com (again);

1.1. R. Hébert / Tourisme Québec u. M. J. Pinsonnault / Montréal (Jazz Festival / Cruise on the St. Lawrence River);

2.1. A. M. Harbec / Rideau Heritage Route;

2.2. Colin Sines / Vintage Hotels, Niagara;

3.0 Roy Raycroft / Yukon Territory;

4.0 Stacy Chala / Capilano Suspension Bridge

as well as the following approved future publications:

- British Columbia / Vancouver before 2010, First Nations Pow Wow, Capilano etc.;

- Québec, St. Lorenz / Îles de la Madeleine und
- (optional) Yukon / Motorhome, Alaska & Dempster Highway
- Travel Report about Via Rail (not yet written) will be included in the Canada Specials of the Outdoor Magazine Tours (and will be offered to other publishing houses accordingly).

Peter Marx (Deutschland Radio): GoMedia and pre (Alberta) and post Ontario.

Alberta: Unfortunately the interview candidate in Alberta had passed shortly before Peters trip (he only found out on site).

Ontario: Two reports will be broadcasted in the summer on Saturday morning:

- Haliburton Forest
- Niagara Helicopters

MEDIA FAMS:

The following fams will take place in the second quarter:

1) "Canada Deluxe" - 6 journalists are currently exploring high-end products in Nova Scotia and New Brunswick. Total distribution of all media (TV and radio not included) is 6.5 million.

2) "Clever Women" - 6 journalists are currently travelling in British Columbia. Total distribution of all media (online not included) is 2.4 million.

MEDIA CLIPPINGS:

Advertising value of all Canada articles related to tourism in the first quarter of 2007 = CAN \$4,675,900 (total circulation: 76,293,887)

Public Relations

see under media

Competitive Environment

Australia has had a visitor increase of 3% in 2006 (149,600 travellers in total) and will focus heavily on Germany in 2008. Half of their European budget (AUS\$ 8 million) will be spent in Germany, they have increased their staff from four to nine members in their Frankfurt office. Tourism Australia is planning large brand campaigns in movie theatres, on TV and in stations, jointly with Qantas and other partners.

New Zealand will, given the long-distance flight, focus on sustainable tourism by promoting products which are environment-friendly. Air New Zealand will promote the fact that they are now using new jets such as the B777 and B787 which save a lot of kerosene.

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.

Overall, 2007 is not a booming year for tourism but there is a slight increase in sales compared to 2006. For long-haul, the travel trend towards Asia continues.

Canada has regained some of the lost terrain during the first quarter of 2007. Overall sales are expected to slow down for the summer. The GST issue remains a major concern, apart from rather high air fares and partly substantial price increases on the hotel side.