

quarterly market report

South Korea

April - June 2007

Market Highlights

# of outbound visitors:	Korean Outbound Total 2007 1Q: 3,310,175 - Up 20.2%
% change from previous quarter:	+14.0 Up from previous year
# of visitors to Canada:	47,883 Jan-April 2007
% change from previous quarter:	+8.01%

Comments / Other information:

- Lotte-JTB, a joint travel venture between Lotte Group of Korea and JTB, Japan will be launched in July 2007. With initial capitalization of \$600,000, the Seoul based joint venture is 50/50 owned by Lotte dotcom, a subsidiary of Lotte Group and JTB in Japan. Main business in on online sales of inbound and outbound tours.

- With about one year till the opening of Beijing Olympic 2008, local tour operators are working out sales strategies on how to capitalize on this big event. For group package tour operators, this sport event is viewed as not favourable as most visitors will be FITs and expect higher hotel rates up to five to six times.

- Greece and Korea have forged an agreement to allow direct flight services during the bilateral aviation meeting held in Greece on May 3. Agreement to open the Incheon-Athens route, with seven flights a week.

- Key tour operators are enhancing the online hotel booking system in line with increasing FITs. Travelocity owned online travel company Zuji runs the subsidiary agent, Nextour, in Korea which features the real time booking engine

on 27,000 hotels worldwide.

Air Capacity

- Korean Air: The first direct charter flight to Calgary will be effective from July 1 to September 2, 2007. Total 28 flights, 301 seat airbus. Increase of air capacity by 8,428 seats to Calgary during the peak summer season.

- Air Canada: Resume the direct Toronto flight during July 2 - October 27. Three flights a week with airbus B763.

- In a bilateral aviation meeting held in May, South Korea and Philippines decided to allow 63 flights providing a total of 19,000 seats each week. Currently 17 weekly flights.

- Delta Air Lines started operating four direct flights a week from Incheon to Atlanta effective June 5, 2007. Combined with the seven direct flights operated by Korean Air, a total of 11 direct flights will be connected the two cities each week.

- Emirates Airlines' non-stop Dubai-Seoul service has proved to be extremely successful with above average seat load factors. Emirates transported 76,000 passengers plus 4,000 tons of cargos in 2006 alone with load factors of 80%, well above 76.2% posted in 2006-7 business year by Emirates worldwide.

- Continental Airlines will put into service B737 plane with 150 passenger seats on Incheon-Guam route from July 1 - Sept 3 to meet the growing seasonal tourist traffic. Four times a week service on the route.

- Shanghai Airlines is scheduled to start direct flights linking Busan and Shanghai starting on July 25. 163 passenger seat plane on a daily service.

- Korean Air opened a direct regular flight service on the Incheon-Madrid route on June 23. A293-set B777, three flights a week.

Economic / Political Environment

GDP growth:	0.9% % in Q1 2007
forecasted economic growth:	4.4% in 2007
unemployment rate:	3.3% in January 2007
inflation:	3.3%
consumer price index:	2.4% in May
exchange rate:	C\$1 = KRW 866
net national disposable income:	Income Up 7.7% Expenditure up 7.6% in Q4 2006

Comments / Other information

- Korean consumer confidence reached 15 months high in the second quarter, an indication that households may spend more and spur economic growth.
- Korea's Presidential Election is coming up on December 19 this year and expected to affect the late fall overseas departure numbers.

Emerging Tourism Trends

- Redcap Tour has emerged as a major shareholder in OK Tour by taking 40 percent stake in the company ownership. In 2006, OK Tour and Redcap handled more than 180,000 outbound tourists. When the two joins hands, tremendous synergy effects are expected which used to have their respective competitive business areas in car rentals, wholesale, retail and corporate travel service.
- Charter flight products are highly advertised by tour operators in June: Langkawi, Malaysia by Redcap and Hyundai Dream Tour, Miyazaki by Sejoong Tourmall, Cairns by Hana Tour, Japan by Hanjin Travel.
- This summer's most hot overseas golf destination for Koreans is Hokkaido,

Japan.

- Group package travel to Europe is decreasing while backpack travel to Europe is on the rise. Naeil Travel, specialized in backpack, is seeing the 20% growth in Europe recruitment this summer.

- Tourist arrivals in Cebu surged 44% in the first quarter and Korea topped Cebu's top 10 travel markets with 63,582 Koreans visiting from Jan-March.

Market Development Activities

Long haul destinations like India, Germany, Spain and South Africa missions visited Korea this spring to promote their regions and attractions in view of growing Korean outbound market. India forecast 40% increase from Korea where 75,000 Korean visits were made in 2006.

- California, New York City and Sanfrancisco will start operating their representative offices as of July 1 this year. Spain announced the opening of rep office in early 2009.

- Major tour operators have launched the TV commercials to raise their Brand awareness to general publics. Hana Tour, Mode and Redcap are on national TV channels and Webtour has released through cable TV.

- Online business model of "Market Place" is being enhanced by three key online agents; Tour Express, Webtour and Tour Cabin. Market Place operating as online tour product distribution channel has proven to be successful. Tour Express distribute 20 tour operators' products online in cooperation with Daum portal, and Webtour plan to expand upto 40 agents' products by coming fall backed by Naver portal.

CTC Activities

Trade Development

1) Coop Honeymoon Promotion with Air Canada and Tourism BC

A. Honeymoon Study Tour to BC as a honeymoon destination: April 2-7

-Six agents as a consortium to see the "Canada Dream Honeymoon" packages
- Kaya, Lotte, Very Good Tour, Hanjin, Red Cap and Sejoong Tourmall

B. Honeymoon Travel Planner Publication: May-June

-36 pages/10,000 copies

-Partnership with Tourism BC as coop publication. AC advertising

C. Honeymoon Product Training, June 11

Educated and trained the Canada honeymoon consortium tour operators to upgrade their knowledge on West Canada as a preferred honeymoon destination.

D. Honeymoon Tour Package Sales Promotion: June - August

-Product training session, coop advertising and advertorial on monthly consumer magazine. Booth decoration to highlight Canada for those tour operators participating the Wedding fairs and exhibitions targeting fall honeymoon peak season.

2) Spring Blossom Product promotion with Tourism BC, Air Canada and Five tour operators - Lotte, Very Good Tour, Mode, OK and Freedom Travel.

A. Coop product advertising on major daily newspapers jointly with Tourism BC, Air Canada, Lotte, Very Good Tour and Freedom Travel.

B. Canada Image Poster campaign with TBC, Mode Tour and OK Tour. Production of 1,000 poster panel distributed to 1,000 key retail agents to promote spring blossom in Canada.

3) Extensive Canada Trade Training & Workshop Program: April - May

A. Canada Roadshow with Hana Tour, a largest wholesale in Korea. April 11 - Partnership with Ontario Tourism, Tourism BC and Travel Alberta. Product training to 100 Hana Tour salesmen in Seoul

B. "Best Partner Program" with Mode Tour, April 19

Trained a total 200 Mode Tour retail agents and salesmen operating in Seoul. Provision of Award Program at the year-end to best sales performed retail agent (Best Partner Award) and salesmen.

C. Training Program targeting Mode Tour tele-marketing team, May 31

Trained total 45 telemarketing staff to increase their awareness on Canada products to support their counselling level on Canada.

4) First Calgary Charter Promotion with Korean Air and TAI: May-June

A. Korean Air fam to Alberta to pre-inspect the overall Alberta products prior to direct charter service period from July 1 - September 2, 2007

-Twelve key tour operators with block seats and two travel trade media.

B. Coop Newspaper print advertising with Korean Air, TAI and 10 major tour operators - Hana, Mode, Lotte, Freedom, Hyundai Dream Tour, Hodo, Kolon, Bomulsum, Hyecho and Hanjin

C. Joint publication of Alberta Vacation Guide 2007/2008 with new CTC Brand

-52 pages/ 10,000 copies

D. Coop leaflet and poster publication with Lotte Tour

-Canada Alberta products leaflet: 20,000 copies

-Canada posters: 300 copies for distribution to franchise agents

E. Coop Canada Specialist Program - Alberta training session, June 14

-In conjunction with Alberta mission to Korea: Tourism Calgary, Tourism Edmonton, Banff Lake Louise and TAI.

-Trained 70 CSP members

5) Canada Trekking Product Promotion with TAI and 4 trekking specialized agents - Green Tour, Alpen, Hyecho and Himalaya Tour

A. Canadian Rockies Trekking Seminar, May 25

-100 Korean leading trekking clubs and professionals attended the Canada Rockies product session to gain knowledge on new trekking destination and opportunities to explore Canada.

B. Coop print advertising on monthly Mountrain magazines: May-July

C. Joint publication of Canada Trekking Product lure piece with TAI: May

-6 pages/ 5,000 copies

6) Korea World Travel Fair: June 7-10

-Largest travel consumer show in Korea

-Survey 1,000 Canada booth visitors to monitor the changing travel pattern or key inquiries on Canada travel.

-Travel Alberta sponsorship to feature Calgary charter products

7) Canada New Product Campaign with SK Tourvis

-Coop daily newspaper advertising on top three dailies: Chosun, DongAh and JoongAng

-E-marketing through online campaign on Canada products: Web content mail out to three million OK Cashbag members. Canada image banner exposed on SK Tourvis main home page.

Consumer Development

E-Marketing:

-Coop online event with Korean Air and Travel Alberta to promote the direct charter flight to Calgary. Service from July 1 - October 2, 2007

Coop Advertising:

1) Coop Subway widescreen advertising with Ontario Tourism

2) Upscale apartment elevator advertising with TAI

3) Coop taxi shelter advertising with TAI

Media

1) Total media coverage: Equivalent advertising dollar value in 2Q: \$5,613,185

Up 70% over same period last year: TV \$2,700,000; Newspaper \$1,209,500; Magazine \$693,685; Radio \$400,000; Internet Exposure \$610,000

* TV: MBC <Travel & Cuisine> 7 series \$1,050,000

KBS <Safety Variety Program> \$750,000

KBS <The World is Big>: Norther Lights \$300,000

KBS <The World is Big>: Montreal & Quebec city experience \$600,000

2) Number of media inquiries: 350

3) 10 Press Releases: Sent weekly to 250 media data.

-Ottawa Tulip Festival, Luxury Castle Experience in Canada, Canada Day with Hana Tour, Montreal International Jazz Festival, Canadian Rockies Festival with Paris Croissant, Just for Laughs Festival, Canada Dream Honeymoon Workshop, CSP Workshop with Alberta Mission

4) VCP Media: 22 media visits to Canada

-TRAVIE consumer magazine visit to BC, April 8-15

-KBS TV <Safety Variety Program>, April 9-15

-Travel Press visit to Vancouver and Victoria, April 22-24

-3 Daily newspapers <BC Fly & Drive>, April 23-28

-RVC 2007 and pre-fam coverage, 4 media incl KBC TV, April 28-May6

-Style H magazine visit to Ontario, April 29-May 5

-MBC TV <Travel & Cuisine> visit to Alberta, May 1-8

-Magazine S visit to Alberta, May 31-June 5

-3 Daily newspapers visit to Alberta, June 8-13

-BC City Experience, Four high-end lifestyle consumer magazines,
June 26-30

Public Relations

Non-Traditional Partnership:

-Coop promotion with Paris Croissant, number 1 chain bakery with 2,000 stores nationwide in Korea. Joint with TAI: May 5 - June 4, 2007

Canada promotion posters displayed at the entrance of each bakery.

Competitive Environment

- The "Malaysia My Second Home" program drew 9,275 foreign nationals mostly from Korea, Japan and China up to May this year. The program drew 818 people from 1996 to 2002, and attracted even more after 2002.

- Australia is enhancing the consumer target promotions under the "Best of Australia" campaign focusing on FIT segment under US\$1.3 mil budget project on FIT development.

Future Outlook

- UCC (User Created Content) is becoming the key online marketing element in drawing the consumers to interact within websites by participating to show their own travel experience in visuals. CTC-Korea have cooperated with Naver.com, one of major portals to draw consumers' UCC interaction. Plan to enhance UCC marketing in line with CTC website.