

quarterly market report

Mexico

April - June 2007

Market Highlights

# of outbound visitors:	11,590,000 from Jan to Dec 2006
% change from previous quarter:	-7.7%
# of visitors to Canada:	37,152 from Jan to March 2007
% change from previous quarter:	34%

Comments / Other information:

The statistics of the first quarter of the year show that the Mexican market is experiencing high growth. With a 34% growth in the number of visitors to Canada, one can deduce that the CTC strategy of promoting Canada during low season is giving good results. If one looks carefully, one can see that there has been a 53% increase in March this year, compared to the previous year. It should be noted that in both years, Easter Holidays were in April and therefore such growth was not affected by the Easter Holidays.

Air Capacity

On June 1, 2007, Mexicana Airlines started offering an additional daily flight to Toronto with an AB 737 with a seating capacity of 120 passengers. With this service and the Air Canada regular operation, 4 daily flights are offered to Toronto, 2 to Montreal and 2 to Vancouver.

Both Air Canada and Mexicana are planning to use bigger aircrafts during the Summer.

The seating capacity in direct flights between Mexico and Canada is 444,000



passengers; 2.3% higher than the previous year.

Economic / Political Environment

GDP growth:	2.6%
forecasted economic growth:	3.0%
unemployment rate:	3.72 %
inflation:	3.52 %
consumer price index:	4.0%
exchange rate:	0.99
net national disposable income:	0.0

Comments / Other information

In Mexico, the report on the performance of the Gross Domestic Product from January to March confirmed the impact of the North American economic slowdown. The GDP annual variation was 2.6%. Such slowdown started mainly in the industrial sector and will continue generating lower levels of growth than in the previous year, as seen during the first quarter. However, because of the slight upturn in the North American industrial sector, the economic activity might get back on its feet at growth rates of about 3.0% for the rest of the year.

Emerging Tourism Trends

This year, the domestic market has experienced a spectacular growth of about 27%, given that low-cost airlines started operations in Mexico, causing an impact on the international market with an overall drop of 7% due to a high supply at a low cost.

Last May, Operadora Marben announced that it will be the new representative of Delta Vacations in Mexico.

Last May 30, Continental Airlines stopped offering its net rates to wholesale tour operators. This has upset operators because selling a package with the airline services included is becoming increasingly difficult.

Market Development Activities

Travel Alberta has started its Summer promotion. During high season, Ofertas Turísticas, Marben, Profetur and Tres Mares will be promoting charter flights to Alberta. Five flights will be offered during all the season.

CTC Activities

Trade Development

Canada Specialist Program

The program started with a total of 180 travel agents in the following regions:

Mexico – 101

Leon – 40

Guadalajara – 20

Monterrey – 19

There are 6-hour sessions in each city and the way of teaching is based on conferences, audio-visual material, printed material and interactive games to offer travel agents an entertaining and dynamic way of learning.

So far, three seminars per city have been imparted. No lack of attendance by travel agents has been reported and comments have been very positive.

Fam Trips

A fam trip to Québec was offered to the seven travel agents who obtained the

best results in CSP 2006.

Consumer Development

Golf

In April, the website www.golfistasencanada.com, aimed at promoting Canada as a golf destination, was launched. Such site contains information on different golf courses, testimonials from Mexicans who wanted to share their golf experience in Canada, and travel packages particularly designed for golfers. Likewise, four magazines specialised in this sport published several editorial contents to support the promotion strategy.

TravelShop (May 5-6)

The CTC took part in an event organised by Boletín Turístico aimed at consumers. It was a two day event, in which several tourist companies directly sold packages at special prices. We had a stand at which Provinces and operators offered trips to Canada. There was a total attendance of 10,000 people during the two days.

Media

Media Trips

From April to June 2007, thirteen media fams were carried out with media specialising in tourism, life and style, sports, honeymoons, etc. They were organised in alliance with Mexican and Canadian trade partners. Such discovering trips benefited and were focused on the following destinations:

Banff, Calgary, Edmonton and Jasper, Alberta.

Toronto, Niagara, Ontario

Whistler, Victoria and Vancouver, British Columbia

Montreal, Charlovoix and Quebec City, Quebec

Charlottetown, Prince Edward Island

Special Productions and Promotional Opportunities

Special productions in electronic and printed media, as well as promotional opportunities were coordinated and carried out through Public Relationships, such as:

- 1.- Informative capsules in Fox Sports on the "Peak to Peak" advert in Whistler, BC.
- 2.- Informative capsules in Fox Sport on the hockey season in Toronto and other special capsules on the Ottawa team.
- 3.- Editorial content of the special supplement on Canada in Boletín Turístico
- 4.- A complimentary advert was obtained for Ontario Tourism in the Líbido magazine.
- 5.- A complimentary advert was obtained for the CTC in the Vive México magazine.
- 6.- A promotion for a honeymoon trip to BC was organized by Novia Infashion magazine.

Editorial support

Several information pieces for writing special articles was coordinated and sent out. Such articles were for:

- 1.- "Tornovuelta" supplement from the daily Milenio Diario / Haliburton Park, Ontario.
- 2.- Golf Tournament magazine / Campos Saskatchewan.
- 3.- Mundo Ejecutivo magazine / West Edmonton Mall, Alberta.
- 4.- "De Viaje" supplements from the daily Reforma / Saint Felicién Zoo, Québec.

5.- "De Viaje", supplement from the daily Reforma / Canadian Maps.

6.- Grupo Medios / Canadian Gastronomic Routes

7.- Grupo Medios / Canadian Destinations for Children

8.- Revista Swishy / Fashion designer in Alberta

Editorial Support

Institutional Image

Two interviews with Jorge Morfín were coordinated to discuss the best options for Summer destinations in Canada:

On 88.9 FM Radio Acir radio station and Canal 28 in T.V. from Grupo Imagen.

Free Media Coverage

From April to June a coverage in printed and electronic media of approximately \$1'174,817 CAD and audience of 18,959,816 persons was obtained.

Public Relations

Competitive Environment

There is an increasing interest from Mexicana de Aviación and Aeroméxico in having more destinations towards Central and South America and having more LanChile frequencies due to the very positive results: a 30% increase compared to last year.

Mexicana Airlines started operations with direct flights from Mexico City to Panama, competing directly with three daily flights by Copa Airlines.

Aeroméxico started to offer a direct flight to Buenos Aires, Argentina three



times a week.

LanChile increased its flights per week to Chile and Peru with a shared code with Lan Perú.

Future Outlook

Wholesale tour operators are confident because of the very positive results obtained during last month, in which an important growth to Canada as a destination was achieved. Therefore, on June 1, Mexicana de Aviación started a second daily flight to Toronto, with a seating capacity of 120 passengers. Likewise, for the first time a Summer charter flight from Guadalajara to Eastern Canada, operated by Ofertas Turística, Jac Operadora and Pacific Tours will be available, with a seating capacity of 120 passengers.