

quarterly market report

United Kingdom

January - March 2008

Market Highlights

# of outbound visitors:	17m (oct - dec 07)
% change from previous quarter:	-1.2
# of visitors to Canada:	39,000 (Jan 08)
% change from previous quarter:	+1.2%

Comments / Other information:

Air Capacity

see notes below on Open Skies.

May 15th scheduled launch of Gatwick to Fredricton, New Brunswick route with Canadian Affair.

Newfoundland, Canada -- March 14, 2008 -- Humber Valley Resort (www.humbervalley.com) has selected Monarch Airlines, named as Leisure Airline of the Year in recent Travel Industry Awards, to provide a weekly non-stop charter service between London Gatwick (LGW) and Deer Lake Airport (YDF). The Monarch charter will commence for the summer season on June 19th, 2008 and reservations can be made directly through Humber Valley Resort.

Monarch Airlines will operate a Boeing 757 aircraft weekly from London Gatwick's south terminal. Flying time is approximately 5 hours and Deer Lake Airport is located within a 20 minute drive from Humber Valley Resort. The aircraft seats 229 passengers providing an additional 100 seats from the

current charter service run by Astraeus*, an increase in capacity of 78%. There will be in-flight entertainment and, in addition, 30 seats offering extra leg room.

The airlift is made available through Humber Valley Resort's commitment to promoting Newfoundland as a tourist destination. This charter is the only non-stop flight between the UK and Newfoundland, Canada and will provide a bridge that will benefit the region as a whole.

*Note: Charter flights are still currently available with Astraeus until April 18th, 2008. Flights can be booked by contacting Humber Valley Resort.

Economic / Political Environment

GDP growth:	0.6 %
forecasted economic growth:	1.6 %
unemployment rate:	5.4 %
inflation:	2.5 %
consumer price index:	2.5 %
exchange rate:	2.00
net national disposable income:	

Comments / Other information

Millions feeling squeeze from soaring utility bills, higher taxes and only modest growth in take home pay. Financial screws on Britains households turned tighter as global credit crunch takes hold and leads banks and lenders to increase their rates for remortgaging and new loans. Economists have given warning that the high levels of debt are magnifying effects of credit crunch.

Households in the UK owe a total of £1.4m to banks and building socs. More than £225m has been piled onto credit cards and personal loans whilst the remainder has been spent on bricks and mortar. Indications are luxury end of the market set to buck the trend whilst market research company TNS Travel and Tourism found only 7% (3m) of British adults claim the credit crunch will influence their holiday decisions in 2008.

Emerging Tourism Trends

UK people take nearly a month to go from their first search to a travel purchase.

Google UK and comScore reveal the importance of search engines at all stages of path to purchase in travel sector. Consumers are using search engines in more sophisticated ways to research and purchase travel in the UK, according to the results of a study into online consumer behaviour in the travel sector by Google UK and comScore.

The Internet is rapidly becoming the number one resource for the travel consumer. The study revealed that 20 million people in the UK used search engines for travel information in the first quarter of 2007. Other key findings include:

- On average, consumers take nearly a month to go from their first search to a purchase
- On average, customers make 12 travel related searches, visit 22 websites and take 29 days from the first time they search until they make a purchase. 45% of transactions occur four weeks or more after the first search. The time spent online is lengthy, representing a prolonged opportunity for advertisers to reach and influence consumers while they search for information.
- On average travellers visit the purchase website 2.5 times: most shoppers visit the site they eventually purchase from more than once, averaging 2.5 visits. For tour operators this was significantly higher at 3.9. Just 10% of the transactions take place on the first search referral to a given site, and 38% of transactions happen at four weeks or more after the first visit.

Travel companies face a growing challenge to retain the online consumer as the proliferation of competition encourages travel customers to shop around.

- Generic search terms play a significant role in the consumer journey to purchase: 54% of online travel buyers started the shopping process with a generic product or destination search term, and 10% did not use branded terms (such as 'Thompson holiday' or 'EasyJet flights') at all during their online travel shopping experience. Importantly, over a third of travel buyers use a generic term as the last search before they purchase, giving advertisers a key window to influence their purchase right up until the last minute.
- Consumers change the type of keywords used as they move along the path to purchase. Of all consumers sampled that made a final purchase, 29% start with a non-branded search term but end with a brand search term.

Google UK believes that this research proves travel searchers are becoming more brand fickle -- spending a large amount of time researching their desired purchase, and considering offers from competing brands. The fact that users are using more generic search queries gives ample opportunity for brands to attract new customers -- and brands that are not present during these searches are missing out on sales. comScore indicated that online research and more specifically the search has become a critical first step for consumers considering purchases. (Travel Industry Wire, January 2008)

ABC combines print and online reporting

The Audit Bureau of Circulations (ABC) has for the first time started to publish combined print circulation and website unique user figures in a single monthly report. The Multi-platform Monthly Report will cover circulations and unique user figures from the Daily Mail (and Sunday Mail), the Guardian (and Observer), The Sun (and News of the World), the Telegraph (and Sunday Telegraph), and the Times (and Sunday Times). The report will also break down audiences by geographical location: UK, Republic of Ireland and other countries.

ABC: <http://www.abc.org.uk>, 20/02/2007

Google is UK's most popular site of 2007

Google has come top of a Nielsen Online study looking at the UK's most popular websites of 2007. Google search averaged 25.1m British users/month,

followed by MSN / Windows Live Messenger (14.7m) and eBay (14.5m). Beat That Quote was the UK's fastest growing website, with annual growth of 1,165% (from 31,000 UK visitors to 392,000 UK visitors year-on-year), ahead of Facebook (781% growth from 1.1m visitors to 8.9m visitors) and Local.co.uk (648% growth from 71,000 visitors to 531,000 visitors).

Nielsen Online (PDF): <http://www.nielsen-netratings.com>

Google is now UK's strongest brand

According to the latest Superbrands study Google is now the UK's strongest brand, pushing ahead of Microsoft and the BBC, writes Brand Republic. Google is the only brand in the list which was formed after 1990 - in comparison the average top-50 firm has 90 years of operation. The brand strength of firms such as British Airways and BP suggests that British origins and longevity remain important.

From Brand Republic: <http://www.brandrepublic.com>, 25/02/2008

Superbrands: <http://www.superbrands.uk.com>

Market Development Activities

Page and Moy introduced new Worldwide Holiday Collections for 2008. New for 08 is Highlights of Eastern Canada with departures in April, May, June, September and October. Regional Departures.

Rocky Mountaineer Vacations announced 2007 as its most successful year yet. Hosted over 25,000 guests from UK on board the train marking a 15% increase in UK numbers and 16% increase in revenue compared with 06. New product for 08 includes Rail and Wilderness Adventures designed for guests wanting to get off the beaten track and experience Canada's wilderness in comfort and luxury.

Thomson Holidays refocusing on Canada for 2008 by increasing brochure content and featuring Canada before the USA programme. Featured hotels have increased from 39 to 84, an increase of 115% on last years brochures. New destinations include Ontario, Halifax, Nova Scotia, Vancouver Island

resorts, inland British Columbia, Lake Louise and Edmonton. Holiday options, tours and transfers have been added and a full range of excursions now prebookable.

Travelsphere in cut price sale - private equity investor Cognetas is facing significant loss on its investment in Travelsphere as it looks to sell the overseas tour operator for a knock down price of about £100m. Deloitte has been hired to find buyers after a sustained deterioration in trading. Travelsphere has been hit by the worsening economic environment as customers cut back on spending. Last year the company renegotiated its loan facilities after a higher than average number of bookings were cancelled at its cruise arm leaving it in danger of breaching its banking covenants.

CTC Activities

Trade Development

Spotlight Canada

The Spotlight Canada marketplace was held on March 11 & 12 at the unique London venue "The Brewery". Spotlight Canada brings together Canadian suppliers and buyers from the UK, Ireland, Scandinavia and the Benelux countries in a business exchange with a format of pre-scheduled appointments and networking events entirely dedicated to Canada. UK media also attend the event and have the option to make pre-scheduled appointments with Canadian suppliers.

This year 84 Canadian partners participated in the event along with the Canadian Tourism Commission. There was a total of 116 buyers from 74 different organizations - some of which were new to featuring Canada in their product portfolio. The interest in Canada is high with 56 media pre-registered to attend the event which broke previous records. In fact, 20 of the media registered to take scheduled appointments through our automated matching system rather than individual ad hoc arrangements giving us increased access and focus for specific products, more than any other year.

Sponsors included: Air Canada, Ontario & Toronto, Alberta, Travel Weekly, British Columbia, Quebec and Canada's North (Yukon, Nunavut & NWT).

Buyers and suppliers will have the opportunity to provide further feedback on

the marketplace via an online survey. Spotlight Canada ended with the gala black tie event - the BACTAs.

BACTAs British Annual Canada Travel Awards

March 12th, 08 - Black Tie dinner attended by approx. 230 Canadian and British travel industry guests. Hosted by Eddie the Eagle Edwards. Winners are:

Best Exploration of Digital Media - Audley Travel;

Best Exploration of Product- Audley Travel

Best Exploration of Product -Audley Travel

Consumer Favourite Tour Operator - Canadian Affair

Consumer Favourite Ski Operator - Canadian Affair

Industry's Favourite Tour Operator - 1st Class Holidays

Canadian Supplier of the Year - Rocky Mountaineer Vactations

Consumer Favourite Airline to Canada - Air Canada

Meetings & Incentives

Planning the MC&IT e-newsletter distribution to UK buyers for the year to cover:

- our key messages

- latest news roundup

- activity/events coming up

- What CTC can do for you?

Supporting a variety of MC&IT familiarisation trips for the year:

Provincial/Hotel group/DMC lead Fam trips - targeting agents or corporate end users

Planning partnerships with leading MC&IT magazines to cover fam trips and increase the level of Canada content in editorial features for the year.

Canada Specialist Programme

- * Working with HQ and satellite offices on global vision for CSP. Providing updates on UK programme and feedback on proposed activities.
- * January e-newsletter
- * March e-newsletter
- * Preparation of 2007/2008 (provincial year) summary of activities.

Consumer Development

The CTC has partnered with Canadian Affair to promote the new New Brunswick route through a radio ad campaign on Heart and Smooth FM and also on a full page ad promoting New Brunswick packages in a supplement CA are publishing in the Times on March 29th.

CTC created viral campaign with Bear skating on ice rink. Featured on Dailymotion.com, The Travel Magazine, Virtual Tourist, Dancing on Ice Forum, MSN Dancing on Ice Pages, Google.co.uk, You Tube, break.com, Metacafe.com, icelolly.tv, click on direct viral email . The footage featured the www.canada.travel website at the end of the footage. Total number of views UK 24,496. Total no. of International Views 4,060. Cost \$10,000. Cost per view approx. \$0.35 per view. http://www.youtube.com/watch?v=wmA-j_R4UC4

Canada Day London 2008

Canada Day has established itself as one of London's most exciting free public events and has done much to increase awareness of Canada's diversity by promoting its arts and culture, its sporting activities, its technological achievements and of course its massive tourism appeal to Londoners, UK residents and to visitors from around the world.

Canada Day is now set to become bigger and better in 2008, celebrated across two days 30th June and 1st July: to include an impressive range of some brand new and some firm favourites from past festivals

- Street Hockey tournament
- Family based afternoon with street performers and games (face painting,

shoot the puck, etc.)

- Interactive showcase of Canadian regions and products
- The Canadian food and drink
- Canadian artists performing
- Sponsorship is ahead of 2007 achievements as this time

Non Traditional Partnerships

Ellis Brigham 2nd year partnership

This is the 2nd consecutive year working in close partnership with Travel Alberta and Ellis Brigham, a leading UK retailer for summer and winter activity clothing and equipment, with 18 stores nationwide. The partnership focuses on a fashion shoot in Alberta using ski athlete models - Alberta Photography is then used in consumer catalogues, online promotions, instore visuals etc.

- 2 catalogues produced with our credits and a competition page
- Distribution of over 240,000 in the UK
- Customer profile: 25-55 year olds, outdoor, adventurous enthusiasts who like to travel.

Virgin Media 2nd year partnership

Virgin Media is a quad play offering (TV, Broadband, Telephone, Mobile) bringing together telewest, ntl, Virgin.net and Virgin Mobile. 3.15 million cable broadband subscribers, on the website: 280million monthly impressions, 15 million unique users, specific traffic on the travel channel - 2.5 million monthly impressions, 750,000 unique users. Travel audience - 66% ABC1. Win a holiday for 2 to Nova Scotia, Promoted via: Travel Homepage and Play and Win Homepage on www.virginmedia.com

Objectives and rationale around this promotion

Raise the profile of Canada and its partners whilst there is still a huge level of traffic going to the Virgin Media website. Previous Campaigns CTC have worked on with them reached around 18,000 entrants and around 6,000 opt ins.

Timing: March 2008 for 6 weeks

Cirque Du Soleil - Varekai promotion

The UK Premiere of Varekai was held in the Royal Albert Hall, London between January and February 2008, with a minimum of 54 performances and a total reported 180,000 in the audience. The CTC UK office brokered a partnership with Cirque Du Soleil to increase awareness of Canada as a leading tourism destination and showcasing alongside a great Canadian export.

Description of Initiative:

- Extensive brand awareness
- Onsite, within a targeted audience
- Local, regional and national advertising campaigns £1m
- Tickets and hospitality; for internal / external promotions
- Partner mention at each performance
- Costume exhibit at Travmedia event

Media

The CTC has released 9 releases through Travmedia relating to the Core Campaign, BACTA winners, the start of the British Island Canoe journey, a Brit competing at the Sun Peaks Speed ski event, and promoting the Ski Blog.

The following media visited Canada in the first quarter of 2008 as guests of the CTC:

Arnie Willson - the Observer - skiing at Revelstoke

Roger Cox - The Scotsman - Skiing at Revelstoke

Paul and Kathy Arnold - Daily Telegraph/Essentially America - Quebec City 400th

Colin Nicholson - SKi and Board/Wexas/Snow /ONline Blog - Across Canada by rail

Martin Symington - The Times - Northern Light viewing in Manitoba

Charlie Norton - The Telegraph - Yukon Ultra race

Fresh magazine - gourmet dining in Montreal

Brian Robinson - Fall Line - International 2010 media fam - CTC HQ

Patrick Thorne - International 2010 media fam - CTC HQ

Polly Evans, Michael Cowton, Stuart Hood to travel to NWT on Ice Road, Diamonds and Rock and Ice Ultra race March 24 - 31st inclusive. For FHM, Adventure Travel Magazine and freelance outlets.

Interview filmed for Holiday.net tv promoting Canada as a winter and summer destination. <http://www.holidaynet.com/combined/AtoZvideolist.asp>

Public Relations

Canada hosted the January 21st Travmedia Networking event at the Canary Wharf Ice Rink. Guests arrived at Canary Wharf station to see the Canada dome, before arriving at the Ice Rink. Over 150 media and industry PR's attended as a direct result, new stories came from FHM Global, New magazine and Escapism magazine are attending Go Media.

14 media and partners attended the Premier of the new Cirque du Soleil show on January 7th. Media representatives from the BBC Fast Track, CNN Traveller show, Wallpaper magazine, BBC sport all attended, none of whom had attended previous CTC organised events. In addition, the green editor of The Guardian, the travel editor of the Financial Times' How to Spend it', the travel editor from the Sunday Mirror and the chief travel writer at the Sunday Times also attended.

Competitive Environment

South Africa Tourism is preparing to roll out the second phase of a £10.5million global advertising push. They have launched a microsite in conjunction with the Daily Telegraph based around the country's key attractions and offers visitors the chance to share their experiences and make recommendations. They are filming a TV campaign that will run later this year in the UK primarily on Sky Channels and themed stations including Discovery. This is expected to switch part of its spend to sport programming ahead of the British and Irish Lions rugby tour of South Africa next year and the 2010 World Cup.

The Independent 1/3/08 reports that a record number of new air links will open

from the UK to Europe this summer. They have identified 100 new short haul international routes to be launched from Britain when the summer schedules begin at the end of March. On 18th March 08 the worlds biggest airliner will touch down at Heathrow for the first time and on March 27th Heathrows' Terminal 5 is scheduled to open. Open Skies heralding a transatlantic boom that will take effect allowing any European or American airline to fly from Heathrow to the USA providing they can find slots.

-USA Visitors up again – heading for 2nd best year ever!

25th January 2008

The US Department of Commerce has just released UK-USA visitor arrival numbers for October 2007 and, following month on month increases since last March (including a spectacular 22% increase in August), the 2007 year end total is now forecast at just under 4.5 million – the 2nd highest annual total ever. October itself totalled 457,500 (+14.7% over the previous year) and this was also the 2nd highest monthly total on record. The UK now generates no less than 41% of all Europe-USA visitors.

“These are really excellent results” said Peter Moss, Chairman of Visit USA “but it’s beginning to look as though 2008 will be even better. This year we have had the added benefit of the powerful US TV campaign You’ve Seen the Films. Now Visit the Set running since Christmas and we are already seeing a major impact on UK-USA bookings. “

Visit USA members are reporting a strong forward booking situation and the Visit USA website has seen a huge 75% increase in site visitors since Christmas - it has also generated no less than a 228% increase in brochure requests.

The continuing and beneficial £ / \$ exchange rate has also clearly had a significant impact as UK travellers plan to take advantage of the high value that a US holiday represents. “2008 is shaping up to be a very good year indeed for UK-USA travel! “ Moss added.

Future Outlook

Open Skies commences end of March, effectively doubling routes to USA from

Heathrow this summer. with current dollar exchange rate, UK media focus on US upcoming election, the US is currently very much to forefront of British consumer.

An increase in landing charges proposed by the Civil Aviation Authority (CAA) at Heathrow and Gatwick will do little to improve the poor levels of service at the airports. It is expected that the costs will be passed on to passengers in the form of higher ticket prices.

The planned landing fee increases, which are subject to further consultation, would see charges to airlines rise from next April 09 by almost 16 per cent to £11.97 per passenger at Heathrow and by 8.2 per cent to £6.07 per passenger at Gatwick.

The CAA said the new charges would allow BAA "to raise the standard of service provided by Heathrow and Gatwick to passengers and airlines". The authority will make its final decision on pricing at the airports in March.

Air Passenger Duty reform

From 1 November 2008, the rules for Air Passenger Duty (APD) will be amended to increase the charge on all-business-class flights. In addition, the Government intends to change the basis of APD from 1 November 2009.

At present there are two rates of APD, the standard rate and the "reduced rate". The latter applies only to travel in the lowest class of accommodation available on any given flight.

If a flight carries only business-class passengers, those passengers are travelling in the lowest class of accommodation available on that flight. Consequently they pay APD at the reduced rate. From 1 November 2008 the definition of travel will be amended (probably on the basis of available leg-room), so that standard rate APD will apply to all-business-class flights.

From 1 November 2009, APD will be replaced by a tax payable on each flight rather than by each passenger. Consultation on this possibility was announced in May 2007, and it now looks likely to become law.

The change in APD is a minor adjustment only, but the proposal to move over to a per-flight levy is more interesting. There is a widespread perception that the current system of APD does little to encourage environmentally-sustainable travel. A tax on the emissions of each flight, rather than on each passenger, is



presumably intended to act as an incentive for airlines to invest in fuel-efficient aircraft and fly with full cabins. It might however be suggested that the airlines will just pass the tax on to passengers.