



Quarterly market report

Germany

Q2 2009

Market Highlights

# of outbound travellers previous quarter:	(insert text here)
- % change from previous quarter last year:	(insert text here)
# of visitors to Canada previous quarter:	36,558
- % change from previous quarter last year:	+ 4.47%

Comments / Other information:

See under AIR CAPACITY

Air Capacity

Air traffic: almost 10% less clients out of German airports

Increase only for the United Arab Emirates. All other countries and regions have suffered from less traffic departing from German airports during the first quarter 2009. Canada ranks 2 with a slight decrease of 0.3%.

Spain faces a decrease of 14.4%; the US lost 17.9% (!!!), South Africa 24.6%, China 7.4% and India 10.5%.

Economic / Political Environment

GDP growth:	- 3,8% in the first quarter 2009 (4 th quarterly decrease in a row, highest decrease within all statistical data started in 1970); main reasons: shrinking exports = - 9.7% and shrinking imports = - 5.4%; investments down by 7.9%
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forecasted economic growth:	Currently -5 to -6% for 2009
unemployment rate:	8.2% in May (3,458,000 unemployed) which is a decrease compared to April (8.6%) but yet an increase compared to May 2008
inflation:	In March, inflation increased by 0.5% (2008 vs. 2009), in May, inflation was 0.0%; lowest inflation rate for the last 10 years.
consumer price index:	+ 0.9%
exchange rate:	

Comments / Other information

Private consumption is a stabilizing factor in Germany, consumers benefit from low prices and government policies (“Abwrackprämie” – incentive to buy a new car). The Ifo Business Climate Index for industry and trade in Germany rose once again in May (like in March and April). German companies have given clearly fewer poor assessments of their six-month business outlook. This points to a gradual stabilisation of economic output at a low level. The Ifo Business Climate Indicator in the German service sector has risen once more in May. Although the survey participants have again assessed their current business situation less unfavourably than in the previous month, with regard to the business outlook for the coming half year they are clearly less sceptical. Hardly any service providers anticipate a further worsening of their business. There are fewer indications of plans to reduce staff levels. The Ifo Employment Barometer for German trade and industry fell again in April, continuing its uninterrupted decline since the beginning of the year. In the manufacturing sector the Employment Barometer is at its lowest point in more than 10 years. Recession (GDP expected to decrease by 6 to 7% in 2009) will slow down, but will still be severe.

According to a recent study among international top managers carried out by Ernst & Young, Germany will survive the current economic crisis better than most other countries. 86% of all interviewed managers believe that Germany will be in a very good shape after the end of the worldwide turmoils. The vast majority rates Germany as economic spot very positively.

The travel industry business index has slightly improved in May. 20% of all travel agencies are expecting business increases over the next few months. However, overall bookings are yet way behind 2008 (double-digit decrease).

Emerging Tourism Trends

1. Health Holidays – the luxury good HEALTH plays a key role in daily shopping needs and for holiday decision making (e.g. healthy food, healthy lifestyle, sabbaticals of wellbeing, dialysis cruise).
2. Mass Adventure – exclusivity and adventure are the new and old longings of travelers. They dream of individualized and exclusive places/destinations that still can be discovered and have not been explored by neighbors and colleagues. This clientele expects hand-made trips that guarantee experiences able to offer uniqueness different to everything they expected before (e.g. flights into universe, stay in an underwater hotel, and luxury trip to undiscovered cultures).
3. High Convenience – services and support play a key role in order to save the resource TIME. In order to making use of hours and days to a maximum level supporting offers for travelers are increasingly important (e.g. HiEnd sleeping seats in aircraft, club world sleeper service, supporting luxury thru personalized hotels, concierge service).
- Social & Creative – the creative class is always longing for inspiration and elevating conversation, the “knowledge workers” are growing in numbers and look for communicative, social and inspiring factors within their holiday choice. New accommodation styles care for a creative surrounding (e.g. hotel Fox in Copenhagen, hotel Hirt in Bad Gastein or the Pergola Residence in Tirol). New perspectives are promised by new offers of sightseeing, e.g. furniture/design safari, city fashion tour, gourmet lifestyle tour, etc. Individualism and sociability do not stand against each other any longer, the creative class is enjoying the combination of both. In addition, the generation of teenagers born in the 80ies (MOKLOFS – Mobile Kids with Lots of Friends) enjoy “glo-cal” communities, for them the destination is no longer important, far more the social and communicative factor (e.g. couchsurfing.com).
5. Eco-Tourism – lifestyle with good conscience plays a key role in the future and becomes a productive power, the eco revolution will take place (but different than expected). On the one hand there is the bad conscience, on the other hand the wish to live healthy – two driving thoughts that change consumers to ethical and environmentally good behavior, resulting in good sales of the best product or service in an ecological sense. But only if enjoyment, fun and individuality are guaranteed! Preferring a flight instead of taking the train is possible thru emission calculators, skiing with green sense is guaranteed thru wind powered ski lifts. Luxury and comfort are not opposed by ecology, health and sustainability. Those service providers who act this way profit from the new eco traveler who

combines scene life, lifestyle and quality with ethical and eco correct behavior.

50-plus loves action during their vacation:

A recent study undertaken by the well known Lifestyle and Best Ager Magazine "Go longlife" amongst 867 readers revealed that 73% favour city and culture tours followed by an active vacation (sport, hiking, biking).

Study: State of Media Democracy

Within the above study 1,800 Germans were interviewed. In international comparison Germans spend the least time (63 hours per week) for media activities and are skeptical towards personalized advertising. The international comparison reveals they read more books, listen to conventional radio and watch classical TV (more than Internet TV).

Market Development Activities

Clever Women campaign, promotions with Chariot (carriers), ElitePartner/Holmes Place (single promotions), Suzuki (car raffle) and a jewelry chain (wedding promotions, in planning status); Generation Kanada campaign (best agers), promotion with LINDA pharmacies (1,400 outlets in Germany, consumer magazine with a circ. of 1,000,000 - planning status); Kanadaria campaign (focus on LOHAS and German EQ types), co-operations planned with BASIC (organic supermarket chain) and Holmes Place (high-end gym chain); NEW: 200% campaign (focusing on character groups from Canada that stand for a certain tourism product); Kanada XL campaign (XL newsletter to database) focusing on families, water playgrounds, the North and other subjects; media campaign; travel trade campaign

First discussions carried out for the 2010 advertising campaign, focusing on conversion / actual travel packages of selected German tour operators

EQ will be tested thru promotional activities with CANUSA

CTC Activities

Trade Development

CANADA SPECIALIST PROGRAM:

Publications 2009

Within the first quarter of 2009 the following CSP –publications have been published:

New beginners: British Columbia

Advanced Level: Newsletter featuring Canada – Back to Nature – Campgrounds (following one of the recent in-market consumer trends)

Current Status: 862 members (approx. 80 of those participating since 1997!)

CANADA SPECIALIST FAMS:

The following CSP Fams have been carried out in the second quarter 2009:

CSP Ontario Fam May 20 – 28/29

CSP Quebec Fam May 25 – June 1/2

EXPLORER PROGRAM:

Currently 1,017 agents have passed the Explorer program. During ITB, we received the award from the renowned Willy Scharnow foundation for the Explorer program which is a great success. Once a year the Willy Scharnow Award is announced to companies in the travel trade for innovative and sustained projects and outstanding training programme for travel trade staff. To motivate individual enterprises among travel agencies and hotels to apply for the award, the prize has been split up into 4 categories (only one being NTOs). The presentation ceremony annually takes place on the occasion of the ITB in Berlin. Media coverage in 2 trade newspapers has followed.

TOUR OPERATOR NEWSLETTER:

A Tour Operator Newsletter featuring Events has been published and sent to 132 tour operators (including operators not yet selling Canada). We are expecting at least 3 new pages in tour operator catalogues as a result of this newsletter.

IMEX 2009 (May 26 – 28):

Well over 3,700 hosted buyers combined with more than 5,100 unique visitors attended the Messe Frankfurt show making a total of nearly 9,000 over the three days. Records were also broken by the number of countries represented - 157 – by the 3500 companies who exhibited at IMEX this year.

The number of hosted buyers from long haul destinations had increased, notably from the US, Brazil, Russia, China and India. The result was an increased number of individual and group appointments and a significant rise in the amount of business being conducted between suppliers and buyers.

Canadian partners welcomed the new stand concept – overall most of the appointments were promising. However it was noticeable that large groups were not requested anymore. Most of the business was Incentives or smaller groups.

SKI ACTIVITY WITH DERTOUR (2010 FUNDING)

DERTOUR will produce folders and posters for travel agencies with insider tips regarding Canada as 2010 host country and perfect winter destination. Specific messages will be included to overcome the perception that the host cities - and possibly all of Canada- will be fully if not overbooked shortly prior and during the Games. Likewise, EQ relevant information will likewise be included to encourage agents and their clients to do the test on the web. Engage travel agents to recommend Canada as the preferred destination for the next ski holiday. Each folder will contain a coupon for a 30 EUR discount for the next DERTOUR Canada booking of their clients. Additionally the posters will be used in the agency windows and attract clients to book their next ski vacation in Canada. This is a very innovative approach which would allow us/DERTOUR to clearly measure the conversion as a direct result.

Consumer Development

Clever Women: 1. Promotion on www.cleverwomen.de/chariot with Chariot (bicycle carriers for kids), ARGUS REISEN and Icelandair until the end of June 2009. Main subject: Families/Prince Edward Island. ARGUS REISEN offers a bicycle trip on Prince Edward Island. Chariot promotes a raffle and the trip of ARGUS in 80,000 brochures (double page) at 1,000 bicycle shops

in Germany and features the raffle on www.chariot.de. CTC produced postcards (25,000) for ITB, CTC mailouts and for Chariot's POS activities. First results are encouraging (107 families uploaded images and text on the website to take part in the raffle) and displayed on the landing page mentioned above. 2. Promotion with Holmes Place (high-end gyms) and ElitePartner (dating portal with 160,000 members) on www.cleverwomen.de/elitepartner. Main subject: Canada is a destination for single travelers. Fasten Your Seatbelts designed a special single trip to Atlantic Canada that is on sale on www.elitepartner.de in the section "Premium Club". CTC produced posters and postcards (25,000) for Holmes Place lockers, ITB and CTC mailouts. Singles were activated to leave a photo and 5 answers to prepared questions from February to April 2009, in May and June all uploaded participants get votes from users of all kind. Two singles win a trip to Atlantic Canada (1 female, 1 male) and report about their stay in two different blogs. 3. Promotion with car manufacturer Suzuki on www.cleverwomen.de/suzuki. Consumers/Users can win a new Suzuki Grand Vitara 2.4, 5 doors, and luxury edition with Canada branding for more than EUR 32,500.00. The car was presented at ITB 2009 with an Alberta image and CTC branding on the car. Consumers have the options to take part in the raffle thru postcard to CTC mail house or login on website. CTC produced 100,000 raffle postcards for ITB and CTC mail house, activates different target groups to visit www.cleverwomen.de/suzuki, e.g. integration in Kanada XL newsletter and on several websites, eMarketing campaigns, etc. The raffle started on March 10, 2009, and ends in March 2010.

Additional campaigns are planned for 2009/10 e.g. with Travel House for Weddings in Canada (lighthouse weddings in Atlantic Canada will be promoted with a jewelry chain and a special interest magazine).

The featured destinations for 2009/10 are Yukon and Northwest Territories. A media and celebrity fam is planned for August 13 to 26. Condor is our airline partner, tour operator partners are: FTI (lead operator), Fasten Your Seatbelts, CRD International, ARGUS REISEN, Tour Consult, itravel and Travel House.

Generation Kanada: Main destination for 2008/09 (until September) is Québec. A media and ambassador fam already took place in September 2008, first media results are very good and promise a high advertising value. More than 500 images were taken from ambassadors (two German actors traveling Québec) and advertised on the website www.generation-kanada.de.

In regards to promotions CTC and FTI worked again with Feierabend AG, the main partner for the best ager target group in focus. www.feierabend.de is the most successful web portal for the target group and has 160,000 members. A

scout search was advertised on the website that looked for 2 travel scouts for Québec. A trip is planned for this fall, the scouts test the FTI travel product and report about it by images and text on www.generation-kanada.de.

After the promotions with Québec end no destination is featured until January 2010 2009/10, instead all so far featured destinations are highlighted (BC, Nova Scotia, Alberta, Québec). A promotion with LINDA, the only pharmacy chain in Germany with 1,400 shops, consumer magazine (circulation of 1,000,000) and website, is planned from February 1 to April 30, 2010.

Airline partner: Air Canada.

Kanadaria: Kanadaria is Germany's sustainability project that focuses on water. It highlights water experiences in the destinations Ontario and British Columbia, both destinations are especially featured in 2009/10 whereas BC is the main destination 2009/10.

A co-operation between CTC/Kanadaria and the German water NGO Viva con Agua (non governmental organization, www.vivaconagua.org) resulted in the first sales of symbolic water stocks invented and designed by CTC and distributed to Viva con Agua. Collected funds are used for a project with Watercan, a Canadian water organization (www.watercan.com) with Margaret Trudeau as main ambassador – an African school will get fresh water thru this project. A new co-operation was just settled, with the Waterkeeper Alliance with Robert F. Kennedy Jr. as the main ambassador (www.waterkeeper.org).

This co-operation focuses on three targets:

- a. Sales of water stocks to support 2 Riverkeepers of the Alliance in Ontario and BC.
- b. Sales of water stocks to support international Riverkeepers.
- c. Sales of water stocks to establish the successful Riverkeeper system in Germany and later in other CTC markets (France, USA, Japan, China)

Sales of symbolic water stocks will be fostered thru co-operations with non-traditional partners like Globetrotter Ausrüstung (Europe's largest wholesaler for outdoor clothing and equipment, plans to send out a Canadian Christmas present with a EUR 5 symbolic water stock, maple syrup and dried moose ham) that would end in EUR 80,000 income budget for Viva con Agua for the Waterkeeper Alliance projects. All funds thru co-operations like this will be collected by the Waterkeeper Alliance at ITB 2010 (plan). Robert F. Kennedy Jr. is already invited by German late night talkshow BECKMANN for March 2010 – CTC plans to integrate his appearance in media and ITB events.

Several promotions with non-traditional partners are additionally planned, e.g. with BASIC AG, a chain of supermarkets selling organic products with 26 outlets in Germany. Viva con Agua is actually designing an own lifestyle water (“loud” & “silent”). CTC and Viva con Agua negotiate with BASIC about getting this water in BASIC shelves starting 2009. In-store promotions are planned for Christmas.

CANUSA Touristik, the exclusive tour operator for this promotion, designs three new water packages to BC in March/April 2009 that will be promoted within all activities. In addition, CANUSA adds the symbolic water stocks to their products. CTC just develops a BONUS BOOKLET that advertises tourism and non-tourism operations that offer add-ons or discounts. Circulation: 10,000 copies, distribution thru CANUSA. The booklet and its partners will additionally be featured on www.kanadaria.de.

Airline partner: British Airways.

A media and ambassador fam to British Columbia is scheduled for October 2009.

The website www.kanadaria.de is the main communication portal for this promotion. It collects all kind of water information, advertises CANUSA’s water packages and the featured destinations. In addition, it contains a special section for kids, water is explained in several ways to children of age 6 to 14. An online TV show is now online and is called “Wasserdada”, kids explain special water words in an entertaining way. This section will get a lot of attention and drive new unique users to the website.

200% Canada: This is a brand new concept highlights a special character group from Canada (e.g. cowboys, chefs, fishermen, ski guides, etc.) that stands for a special tourism product (e.g. ranches & rodeos, haute cuisine, fresh and healthy food, great skiing). Online: 10 characters are displayed and judged, users leave their data with a chance to win a trip to Canada to meet the character selected. A tour operator advertises tailor-made packages
Offline: A card game with 24 of the characters will be printed. The game carries additional cards with tourism information and tour operator packages and is distributed thru tourism and non-tourism partners.

The concept is open to all destinations and tour operators. All partners can come up with own ideas and can ask CTC to carry out a new 200% promotion tailor-made for their needs. The first 200% promotions are currently being planned:

1. 200% Canada. 200% Ski Guides. – with Alberta & British Columbia and tour operator Meier’s Weltreisen, Fairmont and Alamo. July 15, 2009 – March 2010

2. 200% Canada. 200% Cowboys/Cowgirls. – with Alberta/Calgary/ Calgary Stampede. January – March 2010
3. 200% Canada. 200% Chefs. – with Ontario and tour operator FTI. April – June 2010

Globetrotter, Alberta/Canada = Dream Destination Winter 2009/10: A substantial non-traditional partnership with Globetrotter Ausrüstung (largest wholesaler for outdoor clothing and equipment in Europe with 5 megastores and extended online shopping) is planned for Nov/Dec 2009, Alberta/Canada will be featured as the dream destination for winter 2009/10. A photo shooting with the new winter collection took place in Alberta in April 2009. Images will be used for Globetrotter's next winter brochure with a circulation of 1,500,000. Additional activities: 6 to 12 pages article in the 4-seasons consumer magazine with a circulation of approx. 450,000 (largest outdoor magazine in Germany), POS promotions in 3 of the 5 megastores, online promotions on www.globetrotter.de (320,000 unique users per month), stand alone newsletter to 180,000 contacts, integration of 20 Canada videos on 4-seasons.tv, most successful online TV channel for the outdoor and travel community, package inserts to 100,000 Globetrotter packages, production of a tour operator insert (circulation 500,000) with product offers to Alberta, Canadian Christmas present (symbolic water stock of Kanadaria project, maple syrup, Canada branded tea) to 16,000 best clients of Globetrotter.

Kanada XL: The website www.kanadaxl.de is a general information tool for holidays in Canada. This website has a newsletter to 45,000 consumers. The newsletter will be mailed out 10 times in 2009/10. More than 10 in market partners bought in to the newsletter.

Travel Planner: The German Travel Planner that communicates tour operator offers, Canada Specialist offices and information on all Canadian travel destinations is planned again for 2009/10. It will be produced for November, will have a circulation of 60,000, will be mirrored on a website and contains approx. 48 pages.

Media

Since the beginning of the financial crisis the consolidation of the German media landscape has further progressed. Various big newspapers and publishing houses are restructuring. Increasingly travel sections are outsourced to agencies and editorial space is exchanged against advertisements only. The blow has been especially hard for many freelancers who have lost sometimes up to 80% of their business.

Public Relations

www.kanada-presse.de

The German media website is generating approx. 540 unique visits per month, which equals roughly 50% of the CTC media database. In 2009 the following provinces have again partnered and are uploading press releases, story ideas, press trip itineraries, characters and festivals: Alberta, BC, Manitoba, Saskatchewan, Newfoundland & Labrador; Yukon, Ontario, Québec, Nova Scotia.

Individual Press Trips:

The following individual press trips were supported by the CTC in Q2:

- Sandra Piske & Martin Mai, HOME (living & lifestyle mag, circulation: 90,000) Feature: City Guide for Montréal & Vancouver
- Mrs. Karin Schreiter, Hannoversche Allg. Zeitung (daily newspaper, circulation: 720,000) featuring two articles: 1) Vancouver / Vancouver Island 2) Manning Prov. Park, Banff National Park, Yoho National Park, Jasper NP, Clearwater
 - Anke Geffers Hamburger Morgenpost (daily newspaper, circulation 150,000) , Feature: Alberta: Nature for Beginners

Additionally the following media group with individual assignments has been supported:

1. Dr. Sebastian Poliwoda

www.spiegel.de, Die Rheinpfalz, Frankfurter Rundschau - circulation 650.000

Story angle: Golf in BC

2. Katrin Zettler

Süddeutsche Zeitung - circulation 465,000

Story angle: Vancouver 2010

3. Anne-Kathrin Koophamel

Münchner Abendzeitung - circulation 143,0000

Story angle: city portrait Vancouver

4. Paul Wagner

Kieler Nachrichten - circulation 238,000

Story angle: Riding the SkyTrain, Sailing

5. Janine Martin

Nordwest-Zeitung, circulation 125,000

Story angle: German Traditions in Vancouver

6. Klaus Innerhofer

Zett - Zeitung am Sonntag - circulation 36,000
Story angle: First Nations

7. Matthias Will

Frankenpost, (circulation 70.000)
Story Angle: Vancouver 2010/ Whistler

Group Press Trips

A group press trip “Free Spirit in Québec” to the Gaspésie has been organized in Q2 in cooperation with British Airways and Tourisme Québec. The demand for this press trip was overwhelming – together with Tourisme Québec the CTC increased the number of participants from 6-8. Additionally three media are extending their stays for an additional story. Overall a circulation of 2.1 Million will be covered.

A group press trip “Yukon Powerbreak” has been organized in cooperation with Yukon Tourism and Condor. Overall 6 media with a total circulation of 2.3 Million will be covered. The media tour is kept entirely flexible with three different modes of transportation (hummer, motorhome and 4x4) so that media can make choices about their days individually and spontaneously – which was a huge draw for media.

2010

The CTC Germany is pleased to report that we have been approached by both host broadcasters (ARD & ZDF) to host their Olympic 2010 press conference together in December 2009 at the embassy of Canada in Berlin.

We have currently identifying internationally well known German celebrities for the 2010 torch run and personalities for the Connecting with Canadians-Program.

Clippings

The clippings for Q 1 have been finalized and have reached an advertising value of approx. CAD 4.892.800 (without TV and radio), which is slightly higher than Q1/2007 and approx. 40% lower than Q1/2008. Major reasons for this could be: Restructuring of media landscape, the financial crisis and saving articles for Olympic times.

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Competitive Environment

Most destinations are suffering from relatively sharp decreases. Travel intentions in Germany are still strong (only 18% of all consumers have indicated that they will not take any trip) but travel budgets are smaller. Consumers plan to cut on the length of their trips and are waiting for special offers. 2009 could become the year of travel discounts. Some high-end hotels in Dubai have decreased their rates by 50%. The US continue to be very attractive pricewise but price increases of 10% are expected for 2010 (exchange rate, new hotel tax). Most operators are reporting a double-digit growth to the US which is primarily due to dumping prices. This also raises some concerns as 5star properties in Las Vegas can now be purchased at 3star rates which, according to a German operator, attracts a "certain clientele we do not want to have". In the US, the importance of the German source market has increased since in some segments bookings from Germany are stronger than from the UK. The "Obama effect" likewise continues to help.

Future Outlook

The price gap between travel packages to Canada and the US could decrease in 2010 if the Canadian dollar continues on a rather low level.