

quarterly market report

France

July - September 2007

Market Highlights

of outbound visitors:

% change from previous quarter:

of visitors to Canada:

% change from previous quarter:

Comments / Other information:

According to CETO (Association of French Tour Operators) for all destinations combined, package tour departures for July were down -4.3% and break down as follows: France -16.7%, abroad -0.2%. For foreign destinations, the situation is contrasting between medium-haul destinations (-3.4%) and long-haul destinations (+14.2%). North America grew 34.9%, and Canada grew 25.5%. Altogether from November 1, 2006 through July 31, 2007, outbound departures grew 1.3%.

Air Capacity

Air France/KLM posted an increase in traffic of 6.9% in August 2007 for capacities up 5.7%. The passenger load factor increased a point to reach 85.3%. The entire long-haul network reached a passenger load factor of more than 87%. For the Americas network, capacities grew 11% and traffic grew 10.3%, resulting in a passenger load factor of 87.2% (-0.5 point).

Corsair, the Nouvelle Frontières group's airline, is beginning to recapture business to concentrate all of its strength in the long-haul sector. Sales of air-only flights were up 25% for a capacity that was 5% lower than the first six-

month period.

Air Transat will change its travel agency wage rate from 5 to 4% beginning November 1, 2007. The commission will fall another 1% as from November 1, 2008.

Economic / Political Environment

GDP growth:	0.5%
forecasted economic growth:	2.5%
unemployment rate:	8%
inflation:	1.9%
consumer price index:	+ 0.4%
exchange rate:	1.42
net national disposable income:	

Comments / Other information

With projected growth of only 1.8% for 2007, France looks like a bad European student, which puts the government on the spot. In spite of this, the latter maintains its forecasts at 2 or 2.5%.

With regard to France, foreign trade has widely shown a deficit since the beginning of the year (-15.3 million euros), and continues to be in the red.

Retail prices increased 0.4% in August, with growth for the year standing at 1.2%.

According to a recent survey, 67% of employees feel that their purchasing power has actually deteriorated recently, against 4%, who believe that it has improved.

Business creation was up 1.7% in August, i.e. 28,839 new businesses. The annual rate is 313,262 new businesses. The sectors that contribute the most to

the increase are trade and commercial banking.

1.8 million employees in France are illiterate, i.e. more than half of the 3,100,000 people concerned by this situation.

Former Socialist Prime Minister, Lionel Jospin, believes that defeated Socialist presidential candidate, Ségolène Royal, “does not have the human and political abilities needed to return the Socialist party to working order and hope to win the next presidential election.”

For want of a common plan, the leaders of the different leftist parties want to organize the “response” to the Head of State and put a stop to Nicolas Sarkozy’s social policy.

Sixty-four percent of French people are still satisfied with President Nicolas Sarkozy, but his Prime Minister has fallen two points.

President Sarkozy is on the verge of presenting his “social strategy”, with, in particular, the reappraisal of special retirement plans, a campaign promise for which the trade unions are waiting resolutely. This reform of special retirement plans is seen in a positive light by more than two-thirds of French people, but they also think it is risky because it might trigger many demonstrations, which could paralyze France.

Emerging Tourism Trends

The “Association des Tour-Opérateurs” (CETO), has just announced July’s results as well as the trends for the year. Overall, in July, departures (package tours and air-only flights) grew 2%, but with a different situation for air-only flight, which posted growth of +15.2% and package tours, which fell -4.3%.

Internet search engines: 14% of requests concern traveling and tourism. Travel purchase intentions were up 80%.

E-tourism: +20% for the first six months of 2007. The main travel sites posted sales growth equal to that of the 32 major e-commerce sites.

For on-line agencies, the summer season can be summed up in these terms:



gloomy June, late July, August off to a good start, and promising September. Large percentage of last-minute reservations, growth in air-only flights and custom vacations.

We are starting to see clients who are disappointed in their experience on the Internet and are returning to agencies.

Market Development Activities

The Festival Interceltique in Lorient in July, featuring Acadian artists. Participation of Tourism New Brunswick

Acadian week in St Aubin sur mer in August; Nova Scotia was the featured province, in partnership with Acadian Affairs of Nova Scotia.

CTC Activities

Trade Development

Top Résa travel market show September 26-28, organization of the Canada space with 26 Canadian exhibitors.

Consumer Development

Blackberry Beach July 17-20 on the La Défense esplanade in Paris in partnership with Air Canada and Aventuria - 586 email addresses collected.

Completion of the Manuel des Voyages au Canada Hiver 2007/2008. Target: travel agents, airlines, tour operators, consumers and the media.

Five winter packages offered by three tour operators were placed online on the Canada travel site.

Media

Invitations were sent for a promotional breakfast for the tourism trade press organized by Ontario Tourism in the context of the Top Résa tradeshow.

Group press (mainstream media) lunch organized to promote new offers in Ontario.

Nine individual press trips and one group trip (five media) organized.

An organized trip for two television reporters to make a documentary on the Trans-Canada Highway.

A press release sent to all of the media on Canada's participation in the Top Résa tradeshow.

The September Canada Letter sent to all of the media.

Ten reports on Canada published in the written press (total advertising value: CAD 635,170; total circulation: 1,581,965).

Public Relations

Competitive Environment

France's bad weather made its tourists leave home (-16.7%) in favor of trips abroad and in particular long-haul travel (+14.2 %). Boasting the highest growth rates, the United States (+69.8%), Canada (+25.5%) and India (+29%) were the stars of the summer.

The US made a comeback at the Top Résa tradeshow in Deauville, with 22 exhibitors.

The state of Texas has just gotten official representation in France.

Australia returned to the Top Résa tradeshow, after a four-year absence.

The Great South African Get-Together September 13-15 at the Parc Floral in Vincennes: September 13 & 14 are for professionals and September 15 is for consumers.



Future Outlook

The reservations made in July show strong growth compared with the same period the year before (+5.6%) and are divided by zone as follows: France + 8.4%, medium haul + 6.9%, long haul -2.3.

Reservations for the Transat group were up compared with 2006.