

quarterly market report

FRANCE

October – December 2007

Market Highlights

of outbound visitors:

% change from previous quarter:

of visitors to Canada: 334,854 (January – October 2007)

% change from previous quarter: + 1.1%

Comments / Other information:

The drop in the number of French visitors in September and October is partly due to the fact that the enterprise committees were unable to organize stays in Canada owing to a loss of buses and guides to the much more lucrative cruise market.

Air Capacity

Air Canada increased its air capacity to Montreal with a twice-daily flight from December 15, 2007 to January 8, 2008. The signs are positive for their fourth quarter, particularly with the arrival of the B-777 (more seats).

Air Transat is scheduling a second direct Paris-Quebec City flight for the winter in response to requests for “Cap sur l’est” packages.

Commercial agreement between Air Canada and Corsairfly: starting in 2008, code-sharing for flights to Montreal and Toronto and on to Eastern and Western Canada and new Paris-Québec City and Halifax-Paris flights during summer 2008.

Economic / Political Environment

GDP growth:	0.5 %
forecasted economic growth:	+2.5 %
unemployment rate:	- 7.9 %
Inflation:	+2.0 %
consumer price index:	+2.4 %
exchange rate:	1.44
net national disposable income:	4.6 %

Comment / Other information

- Gaz de France intends to raise residential rates by 5% to 6% and business rates by over 10%.
- 2008 will be a pivotal year in the real estate industry. French demand to buy property continues to be high, but supply cannot meet it – for every 82 properties up for sale there are 150 potential buyers.
- Inflation is the highest it has been in three years. The consumer price index rose 2.4% in one year, 0.5% in November alone. The steepest increases were in the energy sector, up 10.2%, and in food, which climbed 2.2%. Consumer products rose 1.6% over the course of the year.
- The unemployment rate fell 10% in one year, with 200,000 fewer people out of work. The Minister of the economy and employment is aiming for an unemployment rate of 5% and 70% employment by 2012.
- Consumer confidence has fallen 28 points – five since last month and 15 points since June – hitting a new low, and consumer hopes for better living

standards fell by 11 points in one month and have tumbled 36 points since May. Prices, strikes in November and the end of the new government's honeymoon period are responsible for plummeting confidence. Moreover, job uncertainty and increasing divorce rates are eroding household income.

- President Nicolas Sarkozy has set his social agenda for 2008, and the major reforms for his five-year term will focus on the labour market, training, union representation and hospitals. Reforms will be launched in 2008, implemented and consolidated in 2009 and expanded in 2010-2011. However, the 2008 municipal elections will be Sarkozy's first political test.

Emerging Tourism Trends

After a summer of lacklustre weather in 2007, the French are heading for sun destinations for the winter season. The loss in purchasing power seems to have had little impact on winter sun-seekers, who generally have a higher vacation budget than those who travel in the summer only. Emerging destinations this winter include Egypt (+55%), Dominican Republic, Morocco, Tunisia and Mauritius, with double-digit growth, and the Maldives.

The French are booking their snow vacations in France mainly, and French skiers waited for the first snowfalls before reserving en masse at the most popular ski areas. There is also substantial demand for large-capacity chalets and additional spa-type services, such as massage, swimming pools and various spa treatments. Weekend city breaks are also popular, with travellers heading to London as usual, and increasingly to Vienna, with 120 more departures than the same period last year.

Market Development Activities

For the Paris International Two-Wheel Show, Destination Québec organized a promotional event for industry representatives.

Canada was featured at an event organized by the Amplitudes agency for 2,000 clients.

Hachette Guide launch – a weekend in Quebec City and a showing of a Quebec film as part of the Quebec Film Festival.



The Délégation Générale du Québec, in collaboration with Destination Québec, co-ordinated a Quebec Christmas market in Strasbourg as part of that city's organized Christmas activities.

Vacances Transat launched two advertising campaigns, BtB and BtC, to promote flights and winter package tours.

The Quebec City Convention Centre organized a presentation for 30 potential clients at Les Ombres, a restaurant located atop the Musée des Arts Premiers du Quai Branly.

Participation of operator Grand Nord Grand Large at the Canada's West Marketplace show.

Participation of Canada Specialist agency Club Voyages at the Colmar SITV consumer show.

Participation and promotion of destination Canada by Nantes agency De Bouard Voyages (Canada Specialist) at the Saumur Show.

CTC Activities

Trade Development

- Canada Specialist seminars - November 19 and December 18. - 29 specialist agents attended the seminar addressing the main theme (the Internet - tool or competitor) presented by Guy Raffour, e-tourism and interactive strategy expert. Presentations on Quebec City 400, Kuoni's B to B site, Vacances Transat and Euram. Presentation on Alberta and what's new for Air Canada and Via Rail.

- Training on all of Canada for 20 Jet Tours reservation agents, to reprogram after an absence of three seasons.

Consumer Development

- Following publication of a catalogue and film made in British Columbia in 2006

for the AIGLE chain of clothing stores, launch of the Canada operation in AIGLE stores, offering customers a chance to win a trip to Canada. Stores decorated in Canadian colours.

- Participation in Christmas activities in the main store of the Truffaut-Ivry chain (gardening and home decor store): Canada brochures and posters sent out, contest to win basket of Canadian products, attendance at launch party.
- Preparation underway of the Manuel des Voyages au Canada Printemps-Eté-Automne (15,000 copies).
- “Noël canadien rue de Caumartin” event: posters prepared, windows of stores and restaurants in rue Caumartin decorated and contests for their customers, street presentations.
- Production of French edition of Inside Guide (10,000 copies).
- Production of 100,000 flyers and posters in collaboration with Voyages Auchan offering package tours to Quebec: distribution in over 125 Auchan supermarkets.
- Insertion of one-page advertisement for “Noël canadien rue de Caumartin” in Newzy magazine.
- Insertion of one-page advertisement including a package tour by operator Destination Poudreuse in magazine Têtu Voyages.

Media

- Organization of two press trips (8 reporters).
- Ten articles on Canada published in the print media (total advertising value: \$1,069,885); total circulation: 2,815,846 – audience: 11,522,694).
- Multiple viewings (10) of a 52-minute documentary on crossing Canada via train, shown on TV channel France 5 (advertising value: \$1,960,400).
- Press breakfast presenting what’s new in Ontario (15 reporters in attendance).
- Regular mailouts to reporters.
- Press release on “Noël canadien rue de Caumartin” sent to all media in Paris-Ile de France.

Public Relations

Organization of evening event to launch “Noël canadien rue de Caumartin”. Attended by 136 guests (politicians, the media, operators, airline companies, travel agents, various suppliers, etc.).

- Evening event to launch the AIGLE campaign in one of the Paris stores.



Guests: the media, operators, airline companies, travel agencies and various suppliers.

Competitive Environment

The United States is still very popular, with over 900,000 French visitors expected, an increase of over 100,000 visitors from 2006. The Caribbean and Asia (China and Thailand) continue offering strong competition.

Future Outlook

A drop in the number of French tourists heading to the US is unlikely, given the weak US dollar and the fact that the American West is cheaper than Western Canada. Also, Air France has entered a code-sharing agreement with Alaska Airlines and Horizon Air for 18 new destinations in the American West and Alaska. These flights will be offered starting January 5, 2008.

However, Air Transat is offering new flights to Western Canada during the summer of 2008 and ZOOM Airlines will maintain its flights to this destination, which should drive up the number of French tourists heading to these two provinces.

Delegations from Canada and the European Union delegations met recently in Brussels for the first round of negotiations for an aviation agreement. A comprehensive agreement with Canada would result in significant benefits for consumers and for the industry. According to a study launched by the Commission, the number of passengers between the EU and Canada could increase from the current 8.7 million to 14 million by 2011. In addition, the "open aviation area" agreement could generate consumer savings of at least 72 million Euro through lower fares. The agreement would create the basis for connections between all EU members States and Canada.