

quarterly market report

Korea

July - September 2007

Market Highlights

# of outbound visitors:	6,471,000 Jan-June
% change from previous quarter:	+19.1 %
# of visitors to Canada:	85,276 Jan-June
% change from previous quarter:	+3.83 %

Comments / Other information:

- US Visa waiver to Korea is expected to go effective July 2008. President George Bush signed into law a measure that in part allows expansion of a visa waiver program (VWP) including South Korea. Nationals from countries in the program can visit US territory for up to 90 days without visas. Tour operators forecast a big traffic increase to USA when it happens especially in FITs. About 800,000 Korean visits USA last year and expect to double the numbers if visitor visa is waived.
- Travel pattern to Japan, Hong Kong and Singapore turned to more FITs than group packages. Tour operators received two to four fold increases in FIT bookings to these countries. Group packages to Europe have decreased by 30% this summer and seeing increasing FITs.
- Leading travel agents gear up to streamline business strategies and work force as part of efforts to improve their income sheet. Mode Tour is undergoing an evaluation of its business model with a focus on FIT and online business.

Air Capacity

- Air Canada capacity to Canada has decreased during summer peak season this year compared to last year. No extra flight but replaced with larger airbus

services on regular schedule flights. However, decreased air seats by 2,311 during June-August (June -1,337). Korean arrival figure to Canada dropped by -6.75% (-1,494) in June which is reflected by the decrease in direct air capacity in June.

- Korean Air Calgary direct charter service completed with the final load factor of 69% - July 71% and August 67%. Total 28 flights of 8,428 seat service during two months, July 2-Sept 2, 2007.

- Australia and Korea held the bilateral aviation talks in Canberra July 22-23 and signed the agreement. Korea is entitled to 2,000 passenger seats on the new air route for seven times a week flight frequencies.

- Korea and Japan signed the Open Sky agreement on August 2 allowing the freedom to increase flights as they wish. Flights from Korea to Tokyo were restricted to 73 per week due to a lack of runaways.

- Korean Air will start the first three times a week direct flight to Melbourne starting October 2, 2007. B332 plane with 256 passenger seats.

- Korean Air charter service to Cairnes, Australia during July 27-August 24 with a total 9 flights ended with average load factor of 86.6%. A330, 296 seat airbus for twice a week service. Increased by 10% load factor compared to last year's 76%.

- Finnair will launch direct flights to Korea in June 2008 with five weekly frequencies. A340-300 air bus. The bilateral agreement on launching of Seoul-Helsinki route was reached in September last year.

- In a bilateral aviation meeting held in the Philippines in June, the two sides decided to allow 63 flights providing a total of 19,000 seats each week.

- Delta Air Lines started operating four direct flights a week from Incheon to Atlanta effective June 5, 2007. Combined with the seven direct flights by KAL, a total 11 direct flights will connect the two cities each week.

- Northwest Airlines celebrated 60th anniversary of its launching in Korea. On July 23, 1947, NW started serving for Korean market. With the US visa waiver imminent for Korean travelers, NW is planning to reopen the direct route to Detroit in fall 2008.

Economic / Political Environment

GDP growth:	+ 2.0% in 2Q
forecasted economic growth:	+ 4.6% in 2007, +5% in 2008 (+0.1% up from the initial forecast)
unemployment rate:	3.3 %
inflation:	2.0% August
consumer price index:	0.1% up in August, +2.0 YoY
exchange rate:	CAD\$1 = KRW 907
net national disposable income:	+3.1% in 2Q (\$3,100/household)

Comments / Other information

- Presidential election is coming up on December 19 and front-runner candidates from political parties are full fledgedly running the campaigns. Tour operators view it will affect the outbound travel close to the election.

Emerging Tourism Trends

- Noticeable decrease in summer bookings this year which tour operators regard as changing consumer travel pattern. Tour package bookings are extending to shoulder seasons. Average airlines' load factor to SE Asian countries is about 80% comparably lower than last year.
- According to KTO (Korea Tourism Organization) survey for Q1-Q2 US travel by Koreans, noticeable 83.4% traveled FIT to USA. 13.4% traveled through group packages. In 2005 overall outbound travel, FIT was 40% and tour package travel 60%.
- Japan ski promotion is competitively promoted earlier this year with agents' operation with air seats block targeting 10 million Korean skiers. Hyundai Dreamtour will feature Japan ski product TV home shopping channel.



Market Development Activities

1) Increase of Tourism Offices Opening in Korea:

- New York City started the PR operation effective July 1, 2007.
- San Francisco Travel and Tourism Commission operation effective July 1
- On the occasion of direct flight launch to Madrid, Tourism Spain plan to open independent office in 2009.

2) Tour operators are making efforts for Chuseok holidays (Korean Thanksgiving) business more than two months before to secure passenger seats for their clients. Long holidays from Sept 21-30 is another peak season for travel agents receiving early bookings.

3) Redcap Tour has merged as a major shareholder in OK Tour by successfully taking a 40% stake in the company ownership. Two companies handled more than 180,000 outbound tourists and expected to bring synergy effects in their competitive business areas in car rentals, wholesale, retail travel and corporate service.

4) New Promotion: Dubai mission composed of 14 sellers held the marketplace in Korea for the first time since the launch of direct flight by Arab Emirates two years ago. Sixteen Four Seasons Hotels and Resorts held the trade workshop to hold meetings with Korean tour operators.

5) Mode Tour signed the GSA with The Empire Hotel & Country Club, Brunei, seven star hotel for three years to target high-end customers in Korea.

6) CJ Group is investing \$10 million to set up a new travel company called CJ Tour with Hana Tour. 6:4 share holding respectively.

7) M&A: Freedom travel merged with Tour.Korea by taking 51% share at the cost of \$1 million. With the merger, Freedom will take stronger stance in FITs. BT&I merged with Tour Express, one of major online agents, at the cost of \$8.6 million.

CTC Activities

Trade Development

- 1) 'Canada Cool Summer Festival' with major online agents including Nextour, Tour Express and Freedom Tour
 - Canada Online campaign through tour operators' websites. Top main banner image on Niagara Falls.
 - Focus sales on FIT products and airtel
 - E-newsletter sent out to 536,799 from partnering agents to their clients
 - Total 14,646 entries online
- 2) Canada Maple Foliage Promotion with OTMPC, Hanjin Travel, Hyundai Dreamtour, Hana Tour and Mode Tour
 - Publication of tour operators' Product brochures: Canada cover image, advertorial, fall product information
 - Hana Tour: Canada standing banner display at 400 retail agents, Publication of Ontario product brochures distribution to 6,000 retail agents, Product File production with Ontario image.
 - Mode Tour: Fall Color standing X-banner display at 400 retail agents across Korea.
- 3) CSP Program:
 - Canada Specialist Workshop: 40 CSP members, July 19
 - Canada Specialist Canada Product Training: 37 CSP, Sept 18
- 4) ANTOR Busan Travel Trade Workshop, Sept 7 - 17 NTO participation
- 5) Busan International Travel Fair (BITF) in Busan city, Sept 6-9
 - Largest consumer travel show in Busan. Surveyed Busan's potential travelers' need and interest to Canada. Secondary city promotion.
- 6) Canada Publication in Korean Language
 - A. Canada Specialist Manual 2007/2008 - Canada Brand look

- 80 pages on 13 provinces
 - Canada educational product information to entry level
- B. Honeymoon Travel Planner 2007/2008
- 36 pages focusing on BC
 - Tourism BC coop project: Korean honeymoon couple sent to BC as main images

Consumer Development

- 1) Calgary Charter Promotion with TAI: Coop taxi shelter advertising
- 2) Secondary City Promotion: Coop advertising with Air Canada in Busan city. Taxi shelter ad for 4 months, Sept-Dec 2007.
- 3) Total consumer inquiries in Q3: 796
E-mail 135; Telephone 384; Fax 97; Direct Visit 180

Media

- 1) Total media coverage: Equivalent advertising dollar value in Q3:
\$5,542,181: +65.4% increase over same period last year
TV \$3,388,240; Radio \$219,000; Newspaper \$816,001; Consumer magazine \$703,660; Internet Exposure \$415,280
[TV Exposure - Best coverage]
 - KBS TV <The World is Big> Calgary Stampede, Aug 13
 - KBS TV <Window of the World> Balloon Festival, Aug 14
 - KBS TV <Morning Talk Show: Good Life> Canada Maple Family Trip to Ontario, Canada for 60 minutes, Sept 7
 - KBS TV <Walking into the World> Discover Alberta, Sept 22
 - KBS TV <Sunday Documentary: Mountain> Celebrity MC, Mina Son's Trekking Exploration in BC mountains, 50 min on Sept 30
- 2) Number of media inquiries: 350

3) 10 Press Release: Sent weekly to 250 media data

-Ontario Summer Festival Event with TGIF, Toronto Caribana, CSP Training, Canada Maple Festival with the Westin Chosun Hotel, UNESCO site Ottawa Rideau Canal, PEI Int'l Shellfish Festival, Canada Wine Festivals, Fall Colors in Canada, Showcase Canada 2007, <Group Runaway to Canada> Online Event with Random House Korea

4) Media Visit Program in Q3: Total 14 media, 21 journalists

- Women's magazines, Golf magazines, TV & Freelance travel writers

Public Relations

Non-Traditional Partnership:

1) "Ontario Summer Festival" Event with TGIF with OTMPC, July 5-Aug 4

- In partnership with TGIF family restaurant to target family travel

- Promotion in 53 TGIF restaurants across Korea: 500,000 table mats with Canada Brand and Ontario image and poster display

-8,200 entries on TGIF website

- Media coverage: \$45,000

- Consumer data from TGIF for future family target marketing

2) <Group Runaway to Canada> Book Publication (On & Off line promo)

- In partnership with Random House publisher in Korea

- 3,000 Canada Brand memo pads were distributed together with the newly published book on Canada focusing on Mt. Rockies.

- 720 entries through 4 major online book stores including www.Yes24.co.kr and www.Kyobobook.co.kr

3) <Canada Maple Event> with the Westin Chosun Hotel

- Target high-end family travel

- The Hotel created the special room package called "Canada Maple



Package" and produced the Canada Brand leaflet for their guests.
- E-newsletter and Direct Mailing sent from the Hotel to their 70,000 consumer data.

Competitive Environment

- 1) Singapore: Uniquely Singapore Weekend campaign embarked on August 10 which will continue for 52 weeks. The brand campaign is design to deliver on Singapore brand promise that every visitor will be presented with uniquely enriching personal experience to bring home.
- 2) Las Vegas, USA: Las Vegas held the mega golf tournament "Las Vegas Royal Collection Golf Cup 2007" in September by inviting 50 travel trade senior management couples to the event.
- 3) Thailand: TAT is promoting the "Grand Motor Caravan" as a simultaneous celebration of the King's 80th birthday Anniversary. Applications to join the caravan is accepted at the TAT regional offices.

Future Outlook

- Major tour operators investing more on FIT task force team, online booking system, realtime hotel reservation system (B2B & B2C) and the website content management to meet the consumer demand and fast changing travel patterns. These area will be focused in the Korean travel industry with marketing efforts to increase sales.