

quarterly market report

South Korea

October - December 2007

Market Highlights

# of outbound visitors:	11,170,572 January - October
% change from previous quarter:	+16.3%
# of visitors to Canada:	176,005 January - October
% change from previous quarter:	+3.76

Comments / Other information:

- 1) U.S. Visa waiver program for Koreans is postponed to early 2009. However, local agents are restructuring and forming the U.S. task team to prepare for the forthcoming boom of US visits by Koreans. In the meantime, US Visa fees will increase to US\$131 from \$100 starting January 1, 2008.
- 2) President-elect Lee Myung-bak scored a landslide with 48.7% of the vote on December 19. It is the widest-ever margin of victory in the nation's presidential election. Travel trade industry welcomes the president-elect as Lee vows to revitalize economy and put emphasis on tourism industry.

Air Capacity

- 1) Air Canada will resume the Toronto direct flight in 2008 from July 2 to September 29 from Incheon. Three flights a week which will reduce the flight time to 13 hours and 20 minutes by flying direct.
- 2) Air Calin will launch twice a week direct flights on Incheon-Noumea starting on June 22, 2008 with Korean speaking cabin crew on board the A330-200 plane for the convenience of Korean tourists. It takes about nine hours and 50 minutes from Korea to Noumea. An emerging destination targeting Korean

FITs and honeymooners.

3) Continental Airlines is considering launching its flight on the Incheon-Guam route. Earlier operated four times a week charter flight between July 1 and September 3 with a load factor of 97.3% and 88.3% in July and August respectively.

4) Yakuita Airlines, a Russian air carrier based in Yakutsk, Russia, started a weekly flight service on Incheon-Yakutski route on October 21.

Economic / Political Environment

GDP growth:	+5.2% in 2008 (OECD Forecast)
forecasted economic growth:	+4.7% in 2008
unemployment rate:	3.2% in November
inflation:	2.0%
consumer price index:	+3.5% in November
exchange rate:	CAD \$1 = KRW 960
net national disposable income:	\$3,100/household

Comments / Other information

Emerging Tourism Trends

1) Korean Air will lower air ticket sales agent commission from the present 9% to 7% percent effective April 1, 2008. The rate cut for BSP agents is in line with global market trend of lowering or abolishing paper ticket sales commission. Recently Korean Air took steps to abolish "hard bloc" to help support local travel agents. KATA noted that a 2% cut in commission rate is tantamount to \$10 million loss annually for BSP agents as a whole.

2) More package tour operators are shifting to east and western European destinations for winter holidays makers after focusing on the Mediterranean

regions during the past several months. With the Christmas seasonal demand around the corner, tour operators are stepping up promotions aimed at the FIT market.

Market Development Activities

- 1) In a bid to meet the growing seasonal market demand, major air carriers plan to increase flight frequencies to popular holiday destinations as Cebu, Boracay and Phuket during the winter vacation season. KAL will increase from four to seven times a week from January 14, 2008.
- 2) With high season for skiers, major Japanese ski resorts are geared up for Korean winter holidaymakers with various promotional programs. Yamagata, Niigata and Fukui Prefectures are actively targeting Korean skiers.
- 3) Wedding fairs targeting the peak 2008 spring season open earlier with the series of events starting the end November and early December. Traditional wedding season is spring and fall. However, the honeymoon market demand is recently all year round.
- 4) Books featuring a broad spectrum of New Yorkers are hitting the local book store shelves. From April up till November, about 20 books on New York have been published with some of them being listed as "Best Sellers". A growing popularity of New York related books among Korean ladies in their early 30s is particularly noteworthy in relation with popular American sitcom "Friends" and "Sex and the City" which have been introduced through cable TV network.

CTC Activities

Trade Development

- 1) Showcase Canada in Seoul and Busan: October 11-12
 - One full day show in Seoul composed of a pre-scheduled marketplace, media conference, seller/buyer/media luncheon and VIP dinner.
 - There were 528 prescheduled meetings between Sellers and Buyers in Seoul. Total 38 Canadian sellers from 24 organizations participated the event. A matching number of key Korean buyers attended the marketplace. In Busan,

120 buyers participated in learning about Canadian products. This was a new initiative in Busan and 19 Sellers joined the workshop.

2) Canada's West Marketplace: Nov 25-28

- 9 Korean buyers attended CWM to gain product updates and plan for 2008 business sales.

3) Canada Specialist Training & Workshop Programs:

A. Canada Ski Workshop with CMH, Tourism BC and KS Park Travel, October 30:

- Invited 100 repeat skiers, media and ski shops to introduce them to Heli skiing and the Whistler ski resorts.

B. Canada Training Program targeting Mode Tour's telemarketers, November 15:

- Joint program with Tourism BC and Mode Tour

- Trained 60 telemarketing sales staff on winter products including Whistler skiing, an Aurora viewing tour and theme products.

C. Aurora Workshop with Aurora World, November 20:

- Target non-ski winter product sales by training 40 key tour operators, airlines and media. Introduced the aurora viewing products on a FIT basis.

D. "Best Partner Program" with Mode Tour, December 12:

- Trained a total of 150 retail agents.

- Reward event for best Canada tour package sales agents in 2007.

E. "Canada Night" year-end workshop with Air Canada and Tourism BC, December 13:

- 150 tour operators, airlines and media attended the Canada event.

F. Canada Product E-Newsletter: Monthly release to 600 tour operators to provide Canada product and destination updates.

4) New Publications

A. 2008 Desk Calendar production jointly with Air Canada: 4,000 copies distributed to key tour operators, media and corporate partners aimed at keeping Canada in their upper mind all year round.

B. Canada Product brochure with Mode Tour:

-10,000 copies of Canada tour package information and tips on selling Canadian products. Distribution to 6,000 retail agents across Korea to inform secondary cities to support Canada sales.

C. Canada Image Panel promotion with Tourism BC, Travel Alberta and OK Tour:

-1,000 best images are created as poster panel with call center to OK Tour and distributed to 500 retail agencies in 10 cities. Winter product target.

Consumer Development

1) "Find Canada in Your Life!" Online Event with Justgo, a major travel portal site, October 20 - November 20.

- Total 1,038 participated

- Contestants uploaded the items related to Canada that they find in their daily lives. Submitted in video format or photos online.

2) Gyeonggi International Travel Mart 2007, November 15-18

- Surveyed Gyeonggi residents on Canada as a four season destination and their travel preference. Total 2,000 visitors to Canada booth and approximately 50,000 visitors to the consumer travel show.

3) CTC Presentation at KACS (Korea Association of Canadian Studies) December

- Target Canada related university professors to get updates on Canada Brand and products. Awareness buildup on Canada tourism industry and expanding channels to provide travel info to their students and campus colleagues.

- 25 professors and DFAIT participation at the Embassy.

4) Total consumer inquiries in Q4: 402

Email 105; Telephone 130; Fax 79; Direct visit 89

Media

1) Total media coverage: Equivalent dollar advertising value in Q4:

\$6,516,947: +16.5% increase over same period last year

RV \$4,016,842; Radio \$310,000; Newspapers \$1,410,805; Consumer magazines \$519,300; Internet Exposure \$260,000

[TV Exposure - Best Coverage]

- KBS TV <Mountain> Sunday Document - Whistler & Black Tust, 150 min.
- SBS TV <Zoom into the World> - Niagara Icewine Festival, 10 min. Oct . 16
- KBS TV <Good Morning from Seunghyun Kim and EunA Jung>
:Celebrity EunKyung Yang's travel experience in Vancouver, 50 min.
Oct. 18
- SBS TV <TV Zoo> - Polar Bear in Churchill, 105 min. Dec. 9-16
- KBS TV: Christmas Santa Parade in Toronto, 3 min.

2) Number of media inquiries: 150

3) 8 Press Releases: Sent weekly to 250 media

- Showcase Canada 2007, Skiing in Canada, Canada Heli Ski seminar with CMH, Tourism BC and KS Park Travel, Christmas Lights in Toronto Cavalcade of Lights, Whistler promotion with Arc'teryx and Tourism BC, Aurora workshop with Aurora World, Canada winter fun, Banff Big 3 Ski Resorts - Blog Live Update.

Public Relations

Non-Traditional Partnership:

1) Whistler Promotion with Arc'teryx and Tourism BC, October 25 - November 25

- Winter product promotion through 35 Arc'teryx stores nationwide in Korea.
- Each store is decorated with Canada branded poster and entry slips featuring Whister images. Display of Come Ski Canada brochures.

2) Christmas in Canada Festival with Timothy's Coffee, November 25 -

December 25.

- Timing up with three stores newly opening in core commercial districts in Seoul.

- Stores are decorated with Canada branded posters and scratch entry slips.

3) Renew Coop Widescreen Ad with Travel Alberta at City Hall area:

October 20, 2007 - October 19, 2008

Competitive Environment

1) New Caledonia Tourism Office will start the operation in Seoul from February 1, 2008. New Caledonia is emerging as next-generation tour destinations for Korean travelers and held the trade workshop on November 27 in Seoul.

2) Disney Destinations, an affiliate of Walt Disney Parks & Resorts, held a workshop in Seoul in October to showcase its global activities. Senior VP mentions the work shop is primarily designed to bolster business relations with Korean partners describing Korea as a lucrative market with immense potential.

3) Texas Tourism opened the operation in Korea from October 2007. With this step, the number of American cities and states having marketing channels in Korea has increased to seven - Nevada, New York, Las Vegas, San Francisco, Alaska and Hawaii. The state of California and Dallas plan to open their representative office in Korea soon. This move comes against the backdrop of the implementation of the US visa waiver program.

4) Korea and Japan have agreed to designate 2008 as "Year of Korea-Japan Exchange". The agreement was reached at the bilateral ministerial talks between Korea and Japan. The two discussed ways of promoting two-way tourist traffic on the eve of the Beijing Olympics.

Future Outlook

- Viewing the continuous growth into the Korean outbound market, more long haul destinations are tapping on the market and plan to open their tourism offices in Seoul. A more competitive environment is expected in 2008.

-Tour operators are gearing up for FITs likely to visit in growing numbers when the U.S. implements the visa waiver program (VWP) for Koreans in early 2009. Hotel reservation business activities are expected to see a big boost as FITs to US market will increase rapidly during the first year of VWP.