

# quarterly market report

France

April - June 2008

## Market Highlights

# of outbound visitors:

% change from previous  
quarter:

# of visitors to Canada: 84,149 January - April 2008

% change from previous  
quarter: 3.64% compared to the same period in  
2007

## Comments / Other information:

## Air Capacity

The airlines are increasing fuel surcharges, which are as high as 200€ for some companies. Good capacity utilization in April and May, a bit more difficult in June due to a high air capacity

Direct flights launched by Air Transat between Paris and Vancouver (twice weekly) and Calgary (once a week) from May to mid-September.

New summer flights on CorsairFly: Paris-Quebec-Halifax once a week and a direct Paris-Quebec flight.

Throughout the summer season, from June 1 to October 15, Air Canada is offering a second daily non-stop flight between Paris and Montreal on a B-767-300 with 24 Business Class seats and 187 Economy seats.

## Economic / Political Environment

GDP growth:	+1.3%
forecasted economic growth:	1.9%
unemployment rate:	-7.2%
inflation:	+2.8%
consumer price index:	+0.3%
exchange rate:	1€= CAD1.58
net national disposable income:	

### Comments / Other information

The number of job seekers diminished by 0.4% in April, with 8,400 fewer people unemployed. The reduction over one year is 5.7%. The unemployment rate decreased by 7.2% in the first quarter of 2008, which corresponds to two million fewer unemployed people in France.

The pensionable retirement age and the legal pensionable work period will remain unchanged, according to President Sarkozy. The President of the Association of Employers would have liked to see the retirement age raised from 60 to 63.5 years. She argues that this would balance private sector employee pensions once and for all until 2020, without any increase in contributions.

The Government is continuing its consultations with the employees' and employers' representatives, with the aim of strengthening its plan for the employment of seniors by this summer.

The sharp increase in gasoline prices in France is a cause of rising discontent, particularly amongst maritime fishers, farmers, ambulance operators, truckers, and all the trades in the building and public works sector.

77% of the French public expect hard-line labour disputes in the coming months.

For the first time, the deficit of the local authorities' budget in France has reached 7 billion euros. The primary cause has been the transfers of responsibilities that have accompanied the decentralisation begun in 2004. The Prime Minister has stated clearly that municipalities, departments and regions must share in the effort to reduce public deficits.

President Sarkozy is to announce 73 measures for government reform, eliminating redundancies, simplifying government services, improving user service. This “war on waste” aims to save 7 to 8 million euros per year up to 2012.

Although more and more new companies are created each month in France, a recent study shows that the failure rate is also increasing (+9.9% over one year). This study also shows that bankruptcies are the most frequent in the hotel and restaurant sector and in retail (+20.6 % and +10.6% respectively).

After two weeks of debate and 50 hours in session, the deputies elected to the National Parliament voted on first reading to adopt the project for institutional reform, with the right voting in favour (315) and the left voting against (231).

President Sarkozy’s confidence ratings are up 5%, from 32% to 37% of the population confirming their confidence in him. This is the first time since July 2007 that the Head of State has seen an increase. On the other hand, the Prime Minister has lost another two points.

### Emerging Tourism Trends

29 million French people went abroad for their vacations last year, which represents an increase of 4.6%.

With online reservations up 26% in 2007, which represents a volume of business valued at 5.3 million euros, players in the tourism, transportation and hotel sectors continue to develop their Internet presence rapidly. However, growth has slowed by nearly 10 points from 2006, which suggests that industry professionals should focus more attention on the loyalty of existing customers than on recruiting new customers.

It is also of interest to note that cell phones are becoming an important new channel for online purchases, with nearly one million people having used this service, up 21% compared to the fourth quarter of 2007.

According to a recent study, adolescents are playing an increasingly important role as “influencers” in family holiday plans, and tour operators are in creative competition to win over this reputedly difficult customer base (with dedicated advertising space, promotional events, blogs).

Wholesalers and tour operators are getting a green light from a number of indicators:

travel reservations for package tours started moving up again in April and increased by 15% for some operators, after a 13% drop in March.

Sales for Canada are up over the April-June period (+15% for Vacances Canada) and the trend is upward for summer reservations (+10% for Comptoir and +15% for Vacances Canada); Quebec is flat (JetTours and Comptoir), whereas there is strong demand for western destinations. JetTours, which re-included Canada in its programs, achieved its targets. According to Vacances Transat, the repercussion of fuel price increases should not have a negative effect on the US and Canada, which are the two major destinations of the year for tour operators and their colleagues.

The US is on the upswing with tour operators, and there is strong demand for Asia and also Greece. Africa is flat. For mid-haul destinations, the sale of packages is tending to stagnate and consumers are lowering their budgets. For its part, Voyageurs du Monde (VDM) is rather satisfied with sales to Asia, Indonesia and India in spite of the lack of hotel capacity. China takes the booby prize as flop of the year. At VDM, at the start of spring 2008, the drop was close to 80%.

People over 65 use the Internet much less than other age groups (22.5% compared to 58.4% on average). However, when they do use the Internet for going on holiday, they are more inclined to plan their holidays online than the average French person (71% compared to 66% on average). They are also less adept at making last minute reservations and prefer to plan ahead.

### Market Development Activities

-Tourisme Québec promoted Quebec in La Rochelle in the context of the 400th anniversary from May 2nd to 8th by organizing an Internet contest with Air Canada to channel customers onto their respective sites.

- Campagne Corsair ran promotions on the Internet in partnership with Tourisme Québec, New Brunswick and the CTC in addition to sending 2 e-letters to more than 20,000 French consumers.

## CTC Activities

B to B to C (Business to Business to Consumer) activities: partnership with the magazine Voyages Plus, a publication circulated in several travel agency networks as well as in travel agencies that are specialised in Canadian travel (100,000 copies). Insertion of a 4-page article on Ontario and a 4-page sales guide, plus the cover featuring the destination.

### Trade Development

- Participation in a promotional evening put on by the travel company Kuoni in Toulouse. Presentation of the destination to 75 travel agents.
- Organization of the visit of a delegation of 10 French travel companies to Rendez-Vous Canada in Vancouver and organization of a breakfast and presentation of EQ.

### Consumer Development

- Launch of the completed Manuel des Voyages au Canada Hiver 2008-2009, a technical guide that collates all the travel offers from travel companies and airlines.
- Partnership with Havas Travel for an evening with 123 clients.
- Partnership with 5 Club Voyages agencies in western France for 5 evenings bringing in 426 clients.
- Mailing of the Letter from Canada to 60,000 consumers.
- Partnership with the food store chain Monop (open from 9 a.m. to midnight): decoration with the colours of Canada, a contest for clients, Canadian food products marked with a flag, an article on Canada in the magazine (100,000 copies) distributed in the stores.
- Promotion of Canada in the Elio restaurant in Nanterre during the week of 13th May, 2008 consumers: posters, promotional gifts and maple taffy demonstrations.

### Media

- Organization of 3 press group visits. One in Western Canada (6 journalists) on the

occasion of the launch of Air Transat's new Paris-Calgary, Paris-Vancouver flights; a second group in New Brunswick and in Nova Scotia (5 journalists) for the new CorsairFly Paris-Quebec-Halifax-Paris flight, and the third to Quebec (5 journalists) for the new CorsairFly direct Paris-Quebec flight.

- Organization of a group trip (5 journalists) in collaboration with the travel company Thomas Cook to promote Montreal as a trendy destination for a long weekend.
- Organization of 3 individual press visits.
- Gomedica Canada: coordination of the attendance of 6 French journalists at this trade fair.
- Mailing the Letter from Canada to all media.

#### **Public Relations**

#### **Competitive Environment**

Switzerland expects to receive 1.4 million visitors for Euro 2008 but the impact of the event on the Swiss economy will be short term. With the strengthening of the Swiss franc against the major currencies and the global economic slowdown, Swiss tourism will likely register a small decrease of 0.4%.

Greece and Spain are very present in the trade press with full-page advertisements. Spain's Minister of Tourism has invested 80 million euros to improve the competitive advantages the Costa del Sol in Andalusia.

Since the beginning of the year, Israel and Lebanon have recorded increases of 43% and 30% respectively compared to 2007.



### Future Outlook

According to a CSA poll, half of the people in France feel they will have to reduce their vacation budget for the summer. 74% of the French population wants to travel, compared to 65% in 2006, but they anticipate spending less (per household average of 1,934 € according to the Ipsos/Europ Assistance indicator, 72 € less than in 2007). 24% of the French population will go on holiday for at least 3 weeks and 16% at least 4 weeks. They are also changing their expectations by showing an appetite for unexpected discoveries (44% of intentions, up 7%), while the demand for restful holidays is down (54%, down 6%). The good news is that 34% of those who will travel plan to purchase their trip from a travel agent or a tour operator. Only 17% plan to buy a package including flights and lodging.

For the US and Canada, the consumers' travel intentions recorded in the spring should materialize. We note that at Transat Holidays, for example, for the full year 2008, increases of 15% are expected on circuit tours, 50% on independent tours and 10% on stand-alone products.