



quarterly market report

FRANCE

July – September 2008

Market Highlights

of outbound travellers previous quarter (Q2):

% change from previous quarter last year (Q2):

of visitors to Canada previous quarter (Q2): 93,167

% change from same quarter last year (Q2): +12.41%

Comments / Other information:

Additional market statistics available through [Tourism Snapshot](#).

Air Capacity

Direct flights:

Air Canada: 2 flights daily to Montréal and 1 to Toronto

Air France: 3 flights daily to Montréal and 1 to Toronto

Air Transat: Out of Paris: 1 flight daily to Montréal, 3 flights a week to Québec City, 6 to Toronto, 1 each to Ottawa and Calgary, and 2 flights a week to Vancouver; Departures from 7 French provincial cities to Montréal and Toronto, with flights from 1 to 4 times a week

Corsair: Flights to Montréal (7 per week), Toronto (2 per week), Québec City (2 per week, one of which stops in Halifax)

Zoom Airlines has ceased operations

Economic / Political Environment

GDP growth:	0.3%
forecasted economic growth:	0.1%
unemployment rate:	7.3%
inflation:	2.8%
consumer price index:	+0.4%
exchange rate:	€1 = \$1.52 CDN

Comments / Other information

France's Ministry of the Economy announced that growth will fall short of 1.7% for the year and that the Ministry will not revise its deficit forecast, having stated that "France will not have a 3% public deficit in 2008." The French government expects to implement an emergency plan to boost growth. But according to the Bank of France's own indicators, this will be no easy task.

Consumption, the main engine of growth, did not make any major advances (+0.1%).

Recently published official data points to a slowdown in price increases (under 2.5% at year-end), although the increasing price of consumer goods remains a cause for concern (up 5.2% in one year). According to France's Ministry of the Economy, the downturn should continue: France's Institut National expects inflation to reach -3% by November and -2.5% by the end of the year.

The French government is prepared to create a tax on disposable plastics. A "picnic tax" inspired by the Belgian model could tack up to an extra 20% onto the cost of plastic bags, cutlery and food wrap, as well as aluminum.

Last spring, the economy lost some 19,000 jobs. The employment market is feeling the consequences of the economic slowdown. France had not seen a drop in employment for five years. The most affected sectors are the auto industry and housing starts (-1.2%), consumer goods (-0.8%) and the plummeting temporary employment sector(-6%).

A draft decree calls for a toughening of sanctions against job seekers who decline two "reasonable employment offers."

So far this fall, managers' morale is at its lowest point ever, down six points. This historic record is the result of growing macroeconomic concerns. Nearly one in two managers (47%) believe that unemployment will rise in France over the coming months.

At the same time, they are concerned about a potential decline in France's standard of living.

The leaders of the Socialist, Communist and Green parties aspire to a leftist coalition and are planning to carry out joint activities. They would like to see the political left unite on certain ideas and plans and are preparing to "govern together" in view of the 2012 election deadlines.

Former Minister of European Affairs Pierre Moscovici is urging Paris Mayor Bertrand Delanoë, former presidential candidate Ségolène Royale and former Labour Minister Martine Aubry to "make peace" before the next Socialist Party convention during which the new First Secretary is to be named. The three are all in the running for the job of Socialist Party head in the hope of leading the party into the next presidential elections.

A few months after the ban on smoking in public spaces went into effect in public places, cigarette sales dropped 4.4% over the previous half-year figures.

Emerging Tourism Trends

Although 74% of the French say they would like to take a holiday, only 52% of them actually did, despite having very low morale and dwindling buying power. In order to be able to afford holidays, they have been cutting back on outings, leisure activities and clothing purchases. They have also cut their vacation budget (47% say that they spend less on their vacations, an increase of 18% over last year). For 54% of respondents who did go on holiday, the transportation-related portion of their budget has seen the biggest increase.

They are looking to "get away for less": to do so, 29% travel off-season, 24% reserve far in advance, 14% choose all-inclusive packages, 18% opt for a discount travel agency, and 13% wait for a last-minute deal.

When it comes to personal travel, 52% reserve without an agent, 7.6% call on agencies and tour operators, 15.2% turn to associations, 4% call on tourism bureaus and 21% use other channels.

The use of the Internet as a tool for choosing and purchasing vacations is on the rise. Of the 30.4 million French aged 15 or over who have an Internet connection, some 20 million of them shop and purchase online. In Q1 2008, online sales increased by 30% to reach €4.9 billion. According to a study on travel packages, 41% of the French population spend their vacation with family, 27% are looking to relax and 25% are beach-goers. However, 81% of vacationers engage in at least one activity during their trip. Interest in an active vacation is up 7% over last year.

With respect to vacation destinations, 69.4% of the French population choose a European destination, 16.1% go to Africa, 7.3% head for the Americas and 3% go to Oceania.

The United States saw the biggest jump in popularity among French tour operators since 2001 (from 25% to 63%). The average per-person spend at Transat Holidays increased from €1,800 to €2,800. The drop in the U.S. dollar seems to have compensated for the increase in fuel costs, and the increase is in the double-digits for tour operators despite their having trouble managing inventory.

Mediterranean destinations have experienced growth at the expense of more remote sun destinations (Tunisia: +6%, Turkey: +10%). Egypt and Madeira are still sharply on the rise among tour operators and distributors (Leclerc Voyages saw travel to Egypt increase by 41%). Tour operators who are members of CETO (Association de Tour-Opérateurs) planned vacations for 3 million clients between May 1 and August 31, 2008 (up 6.8% over the same period in 2007). Vacation package sales are up by 5.4% and no-frills flights up 9.9%. The destinations with the strongest growth: Egypt (36%), Turkey (27%), the U.S. (20%), Tunisia (17%), Mauritius (50%) and Madeira (58%).

For Canadian destinations in summer 2008, most of the big tour operators saw a general increase in sales (10% at Terre Canada, 20% at Aventuria). However, sales at Comptoir du Canada were identical to last year's figure, whereas Kuoni and JetSet saw their sales slide by 4% and 20% respectively.

Travel to Quebec took off at Aventuria (34%) and Vacances Canada (20%); Alberta and British Columbia sales were up at Kuoni, Aventuria (21%), Vacances Canada (10%) and Comptoir du Canada (7%). New Brunswick gained at Kuoni, remained stable at Aventuria, Vacances Canada and Terre Canada, and dropped at Comptoir du Canada.

Market Development Activities

In mid-September, Quebec's tourism department – le Ministère du Tourisme - and Air Canada will be launching an ad campaign featuring three visuals published in the national dailies.

Quebec-New Brunswick promotional event aimed at tour operators to be held during the Top Résa travel industry trade show

CTC Activities

Trade Development

Organization of a training day on Canada's northern Territories (Nunavut, Yukon and Northwest Territories) for Canada Specialist Agencies (18 participants).

Top Résa trade show from September 16 to 19: organization of the Canadian area featuring 25 exhibitors (ACTP, the New Brunswick Department of Tourism and Parks, Ministère du tourisme du Québec, Le Québec Maritime, Le Québec Authentique, Québec ville et région, les Laurentides/Nord de Montréal, Tourisme Saguenay-Lac St Jean, Tourisme Charlevoix, Parc Olympique de Montréal, Ontario Tourism, CDE Manitoba, Travel Alberta, CDE Alberta, RDEE Yukon, Nunavut and Northwest Territoires), 5 destination management companies (Go West, Nanuq Aventures, CACF, Brewsters and Jonview), 3 airlines (Air Canada, Air Transat and WestJet) and the CTC.

Destination Canada training for the sales teams from the Réseau Tourinvest

Organization of a Manitoba evening for 12 tour operators in conjunction with destination management company O'Tours, Travel Manitoba and Air Canada

Participation in the Kuoni fam tour for Lille-based travel agencies

Partnership with Aventuria for the promotion of winter travel - 162 inserts between August and December in the regional and national press

Partnership with Transat Holidays for a winter campaign – billboards and newspapers

Consumer Development

Creation and publication of the 2008-2009 Canada Winter Travel Manual, a technical guide cataloguing all the travel deals offered by tour operators and airlines. Target: tourism industry

Emerald Days, featuring an environmental theme. In partnership with one of our “Canada specialist” agencies, under the patronage of the Secretary of State for the Environment, Nathalie Kosciusko-Morizet. Target: the media

Media

Organization of seven individual media junkets

Coordination of three group media junkets

Coordination of a shoot for a television variety show in Québec City as part of the city’s 400th anniversary celebrations.

Prime-time broadcast of the show “Paris-Québec sous les étoiles” on September 20.

Publication of a press release announcing that the “Canada Specialist Agencies” seminar will be held September 15

The press was invited to attend a dinner promoting Manitoba held as part of the Rop Résa trade show.

Participation of 6 journalists in GoMedia Canada marketplace

Public Relations

Competitive Environment

Tourism Australia has launched an international promotional campaign to highlight the film "Australia". Investment: 30 million € over 12 months.

Serbia is re-entering the French market with an emphasis on culture and nature.

Mexico organized a training day, including a “graduation ceremony”, for travel agencies.

China was bogged down by the Olympics. In July and August, tourist traffic in the country collapsed even more severely than originally forecast (down 10% for the year). The tour operator "Asia" had budgeted for a drop of between 15% and 20% as Olympic years are traditionally bad for classic tourism, a belief held by all industry players.

The Dominican Republic, the top long-haul destination for the French, had a truly disappointing summer in 2008 with a 21% drop in reservations. Meanwhile, Mexico is proving to be a serious competitor to the DR, having played both the seaside resort and culture cards, and the DR cannot compete on the latter.

Future Outlook

For CETO (Association des Tour-Opérateurs), the purchasing-power crisis is likely to affect sales this winter.

Tour operators, for which winter 2008/2009 reservations had started on a slight upward note compared with the same period last year, are now seeing the number of reservations drop off.

According to some estimates, despite the recent slight decline, fuel prices are likely to rise again.

For 2009, tour operators are considering rebalancing U.S./Canada sales following the French craze for the U.S. in 2008.