



# quarterly market report

FRANCE

October - December 2008

## Market Highlights

# of outbound travellers previous quarter (Q3):	January to October = 382,480
% change from previous quarter last year (Q3):	+ 14.22%
# of visitors to Canada previous quarter (Q3):	October 2008 = 32,358
% change from same quarter last year (Q3):	+ 10.73%

## Comments / Other information:

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

## Air Capacity

Direct flights:

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

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

Air Transat: departing from Paris: 1 flight daily to Montreal, 2 flights per week to Quebec, 6 to Toronto

Connecting flights:

Jet Airways: 1 flight daily to Toronto departing from Paris and 6 flights per week departing from 4 other cities in France (via Brussels with Brussels Airlines)

Austrian Airlines: 3 flights per week to Toronto departing from Paris, Lyon, Nice, Basle/Mulhouse and Geneva via Vienna

British Airways: Daily flights to Montreal, Toronto, Vancouver and Calgary, via London

KLM: Daily flight to Montreal, 10 per week to Toronto and 5 per week to Vancouver, via Amsterdam

Swiss: Daily flights to Montreal departing from Paris, Nice, Geneva and Mulhouse/Basle, via Zurich

### **Economic / Political Environment**

GDP growth:	+0.1%
forecasted economic growth:	+0.5%
unemployment rate:	7.3%
inflation:	-0.5%
consumer price index:	+1.6%
exchange rate:	1.63

### **Comments / Other information**

OECD economic forecasts for France: The growth rate is expected to have dropped below 1% over 2008, in the context of a marked deterioration of the global economic situation at the year end, mainly due to the financial crisis. The impact of this turbulence will be felt well into 2009, with negative growth forecast until mid-year, followed by a gradual recovery in economic activity at a rate that should surpass the potential growth rate from mid-year 2010. Consequently, a marked increase in the government deficit is expected for 2009 and 2010, in spite of tighter fiscal policies in the coming years that should result in a modest shrinking of the underlying deficit. Therefore it is important that government spending is kept under control and that public administration reforms are on track.

France has now overshoot the symbolic threshold of 2 million unemployed, a level not seen since 1993 and the two oil crises. Unfortunately this situation is not expected to improve, as forecasts indicate an 8.2% rise in the unemployment rate in 2009. The Minister of the Economy has confirmed "the necessity of a large scale recovery plan focussing on supporting corporate investment, a sustainable guarantee of job creation."

The automotive and construction industries are the two worst-hit sectors (high numbers of job losses, long-term reductions in work hours).

The state will inject 10.5 billion euros into France's six largest banks to help them finance the economy adequately during the crisis. This spectacular injection of funds is part of the previously announced plan to support the banks with 360 billion euros. This provision of public funds will enable the big banks to strengthen their capital base at a time when a number of their foreign competitors have already experienced the benefits of recapitalization.

President Sarkozy wants to revive his idea of creating a real economic government for the euro zone, especially to cope with crises. This government, which has not been clearly defined at this stage, should allow for political management of the euro zone in the face of the all-powerful European Central Bank, the only federal institution within the countries using the single currency.

The availability of mortgage loans collapsed to an unprecedented level in France (down 26.3% in the third quarter).

The trade gap widened to record levels with an accumulated deficit of 56.201 billion euros.

The Secretary of State for Human Rights is in open conflict with her overseeing Ministry, which is of the opinion that the position she occupies should not be maintained, and that there is a permanent contradiction between human rights and the foreign policy of a nation.

61% of French people consider that the 26 billion euro recovery plan announced by the Head of State will be effective in absorbing the impact of the economic crisis in France. The proposed measures have been met with approval ratings of 94% to 61%. Topping the list are the increase in the old age pension payment, the creation of additional housing, investments in infrastructure, and doubling of zero-interest loans.

The economic crisis will trigger an explosion in the budget deficit in 2009. The Budget Minister set the state budget deficit for 2009 at 79.3 billion, including the recovery measures that are to be voted on by January. This represents an increase of 38% in the deficit compared to the budget proposal of a little over 52.1 billion euros presented last September.

President Sarkozy continues to enjoy the support of the French electorate, thanks to his voluntarism and his dynamism; 56% consider that the Head of State is managing the crisis "very well" or "quite well".

In this polemical context, Martine Aubry, Mayor of Lille, was elected First Secretary of the Socialist Party in place of Ségolène Royale, the former candidate in the presidential elections in 2007.

When polled on the Socialist Party, 63% of French respondents felt that both

Martine Aubry and Ségolène Royale, "would be mainly interested in furthering their personal ambitions" and that they "would not work together to advance the cause of the Socialist Party."

## Emerging Tourism Trends

Air traffic dropped 1.3% in October. The African zone fell by 12%, Asia by 6% and North America by 0.8%. However, European traffic improved slightly with a 1.8% increase. Latin America progressed by 4.5% and the Middle East by 3.5%. Since September, business class bookings have seen a slight drop. Weekly servicing between European hubs and French airports offered by low-cost companies doubled in Europe between 2004 and 2008, from 576 to 1100 at present.

After a strong rise in the first quarter, economy class air fares dropped in the second half according to the "Business Travel Monitor", a new indicator for business travel in Europe. The drop between France and Latin America is significant. Even if companies continue to raise their fares on key routes, the impact of the "open skies" agreement between Europe and the US has forced prices down on trans-Atlantic routes (-11.45% on Atlanta, -9.4% on NY and -20% on Washington departing from Paris).

According to IATA, the losses on air transport will reach \$5 billion in 2008 and a return to profitability will not happen until 2010.

In November, Air Canada launched a "trans-Canadian" seat sale on departures from Paris flying into Montreal, Quebec, Toronto, Calgary and Vancouver, valid until March 31.

Among the high volume destinations, the big winners in 2007-2008 are Tunisia (+7.2%) as well as the Middle East (+26.5%) with Egypt (+26%) and Turkey (+23.4%). Among the major losers: Morocco (-10.5%), the French Antilles (-25.4%), the Dominican Republic (-5.2%) and continental Italy (-9.5%). It is also noteworthy that the 15.8% rise in the US performance actually reflects a significant currency effect with the dollar/euro exchange rate.

Package tour reservations over the last 3 months are down a cumulated 7.5%, with an especially large drop in November. Order books were showing -19.9%. Medium haul and long haul are affected. Contradictory opinions are expressed on luxury travel reservations. Some commentary suggests that the crisis is not affecting this sector while others are more pessimistic. Kuoni, for example, announced a 10% increase on sales of products in its "Emotion" brochure (high-end products) whereas on the 900 operators specialised in luxury

tourism, 62% registered a slowdown and only 24% saw an increase. In spite of this, a number of tour operators are topping up their programs with luxury products (Empreinte, Jetset, Jet Tours).

Among the tour operators that program Canadian destinations, Vacances Transat announced a record year in 2008 with 116,000 passengers to Canada out of a total of 380,000 customers. For this tour operator, the US and Dominican Republic were on the rise whereas China, Kenya and Peru were down.

Nouvelles Frontières also announced a rise for US and Canadian destinations in 2008. At Comptoir du Canada, in spite of a 15% progression, Canada is down 9% but has held up its sales figures thanks to the clients travelling to the Western provinces. At Voyageurs du Monde, the US is up 38% and Canada is up 8%.

For the winter, the French ski stations are filling up and travellers' plans for 'winter sun' destinations are down.

Sales for on-line tour operators continue to grow and some are even opening up reception points to finalise sales while some are linking up with other agencies' points of sale to provide service. The same trend is apparent with traditional tour operators: for 2008, French customers have made their bookings late, showing a preference for customised travel reservations for longer stays; North America has been the most popular destination.

### **Market Development Activities**

Mid-November, Destination Quebec brought together some 50 partners on a presentation tour of their products in France (Paris and Lyon) and in Italy (Milan).

From December 20 to January 4, a Canadian Christmas was organised with our Acadian cousins at the Futuroscope (theme park) in Poitiers, in partnership with New Brunswick.

Air Canada was a partner for the Quebec Film Festival in Lyon in November, offering 50 seats at each screening to tourism professionals.

To mark the end of Quebec's 400<sup>th</sup> anniversary, the Conseil Régional d'Île de France covered its façade in giant posters of Quebec.

## **CTC Activities**

### **Trade Development**

Organisation of a seminar for Canada Specialist agencies on the theme of winter in Quebec. 11 presenters, 25 agencies participated.

Training of 15 travel agents at Voyages Masson's mini-network.

Tour in partnership with Jet Tours in Nantes for 50 travel agents.

Launch of the Explorer Level programme sent to 4,000 travel agents.

### **Consumer Development**

Organisation of the 2008 "Canadian Christmas on rue de Caumartin" annual event: window displays in shops and restaurants on the street, "Canadian Christmas on rue de Caumartin" luminaires, maple taffy on snow demonstrations twice a week with distribution of brochures featuring package tours, posters, Cart'Com campaign (50,000 copies, 970 distribution points), and organisation of a contest to win a trip to Canada.

Organisation of a Cart'Com communication campaign: 260,000 cards, 1,290 distribution points, (Paris and Lyon). Presentation of the product offerings of 10 different tour operators.

Launch of the 2009 spring-summer-autumn edition of the "Manuel des Voyages au Canada", a publication that groups together all trips to Canada offered by tour operators and airlines.

Writing of an article on Western Canada for the special "Destinations" issue of CE magazine, targeting the employee/enterprise committees of French companies.

### **Media**

Organisation of a dinner at the Four Seasons George V Hotel to honour the province of Alberta during the Salon du Chocolat, in which a chocolatier and a designer from Alberta took part. Goal: promote Alberta through two little-known aspects of this province. 35 journalists present.

Press release on Canada's winning 2<sup>nd</sup> place in the Country Brand Index

### **Public Relations**

Organisation, in the context of the "Canadian Christmas on rue de Caumartin"

event, of an official reception on the theme of Canadian flavours. 150 guests in attendance (media, tour operators, airline companies, Canada Specialist agencies, non-traditional partners, Canadian ambassador, Mayor of the 9<sup>th</sup> Arrondissement of Paris, VIP guests, etc.).

## **Competitive Environment**

The member states of the European Union approved the entry of Switzerland to the Schengen area. From 12 December 2008, there will no longer be systematic controls of persons crossing the Swiss borders, but the situation will not change in airports until 29 March 2009. Switzerland, which is not a member of the EU, voted in favour of belonging to Schengen in a referendum in 2005.

On the occasion of the upcoming release of the film Australia, the Australian Office of Tourism has just set up 7 itineraries targeting travellers who appreciated the film and want to explore the country.

Austria, which received 470,000 French visitors in 2007, focuses on B to C with operations targeting travel agencies.

There has been a sharp increase in trade fairs and workshops organized for professionals by destinations (Great Britain, for example).

Chile has organized its first "Market Place" in Paris with 150 professionals (journalists, tour operators, travel agencies).

Madagascar has launched its first tourism trade fair "Enjoy Madagascar".

Mauritius has seen a rise of 8.3% in October and has launched a promotional campaign that started in December and will continue into January with 1,100 advertising spots on Canal+ and certain cable networks.

The TO of New Caledonia and Australia Tours have launched a tour to meet travel agents in 10 French cities.

Malta has announced a 16.7% rise in French visitors as well as a new training programme for travel agencies.

Thailand and India were affected by the events that occurred in the autumn.

Greece met with the main French tour operators to support sales for the destination and will invest 3 million euros on the French market in 2009.

The Seychelles have announced a drop in the number of visitors while Japan, the Philippines and Jordan have recorded an increase.



### **Future Outlook**

The US will continue to attract French clients (tour operators have already recorded reservations) and the "Obama effect" will heighten enthusiasm for the country.

The "open skies" agreement between Europe and Canada should help Canada to attract an increasing number of visitors.

After a slow start this winter in Canada, many tour operators are reporting last minute reservations. This trend threatens to continue through the winter and may even affect summer tours.

A number of tour operators are showing an interest in developing Canada as a destination by offering more products and new destinations (Alberta, British Columbia, Northwest Territories).