

DRAFT



Explorez sans fin
CANADA
Keep Exploring

Canadian Tourism Commission - Asia/Pacific Market Analysis

May 2006

Prepared by: Donna Brinkhaus, Roger Laplante

**Reviewed by: Derek Galpin, Jessica Son, Simon Pitt
Simonne Shepherd**

Approved by: Andrew Clark, Greg Klassen

Table of Contents:

EXECUTIVE SUMMARY.....	4
What is the Big Picture?	4
Japan	5
The Japan market at a Glance	5
How is Japan Performing? (By overnight trips)	6
How is Japan Performing? (By overnight receipts (\$B))	6
How is Japan Performing? (By market share)	7
What is the Japan's Economic Outlook?	7
Japan - S.W.O.T. Analysis	8
South Korea	9
The South Korean Market at a Glance	9
How is South Korea Performing? (By overnight trips)	10
How is South Korea Performing? (By overnight receipts (\$B))	10
How is South Korea Performing? (By market share)	11
What is South Korea's Economic Outlook?	11
South Korea - S.W.O.T. Analysis	12
Australia	13
The Australian Market at a Glance	13
How is Australia Performing? (By overnight trips)	14
How is Australia Performing? (By overnight receipts (\$B))	14
How is Australia Performing? (By market share)	15
What is Australia's Economic Outlook?	15
Australia - S.W.O.T. Analysis	16
China	17
The Chinese Market at a Glance	17
How is China Performing? (By overnight trips)	18
How is China Performing? (By overnight receipts (\$B))	18
How is China Performing? (By overnight receipts (\$B))	18
How is China Performing? (By market share)	19
What is China's Economic Outlook?	19
China - S.W.O.T. Analysis	20

Table of Contents:

ASIA/PACIFIC MARKET ANALYSIS.....	21
Japan	22
Economic Environment	22
Leisure Travel Trends & Characteristics	22
Overnight Leisure Travel Proportion by Age Range	24
Population Forecasts	24
Travel Forecast to Canada	25
Competitive Environment	26
Financial Breakdown	26
Internet Usage	28
Summary	28
South Korea	29
Economic Environment	29
Leisure Travel Trends & Characteristics	30
Overnight Leisure Travel Proportion by Age Range	31
Population Forecasts	32
Travel Forecast to Canada	32
Competitive Environment	33
Financial Breakdown	33
Internet Usage	35
Summary	35
Australia	36
Economic Environment	36
Leisure Travel Trends & Characteristics	37
Overnight Leisure Travel Proportion by Age Range	38
Population Forecasts	39
Travel Forecast to Canada	39
Competitive Environment	40
Financial Breakdown	40
Internet Usage	42
Summary	42
China	43
Economic Environment	43
Leisure Travel Trends & Characteristics	43
Overnight Leisure Travel Proportion by Age Range	45
Population Forecasts	46
Travel Forecast to Canada	46
Competitive Environment	47
Financial Breakdown	48
Internet Usage	49
Summary	50



Explorez sans fin
CANADA
Keep Exploring

Travel to Canada from Asia/Pacific

Executive Summary

What is the Big Picture?

CTC's Asia/Pacific Markets (Japan, Australia, South Korea, China)

- Target audience 25 – 64 (total population - 2005): 811.2M
- By 2010, target audience forecast: 865.8M
- Total outbound travel (2005): 67.2M
 - Short-haul travel: 47.3M
 - Long-haul travel: 19.9M
- Canada's market share of long-haul travel (2005): 5%
- Total spend in Canada (2005): \$1.3B
- Asia/Pacific is the second-largest source region for outbound tourists.
 - 19.8% of global tourism, or 151.2M travelers (WTO, 2005)
- **MPA Rankings:**
 - Japan #2
 - Australia #3
 - South Korea #5
 - China #6

Japan

The Japanese market at a Glance

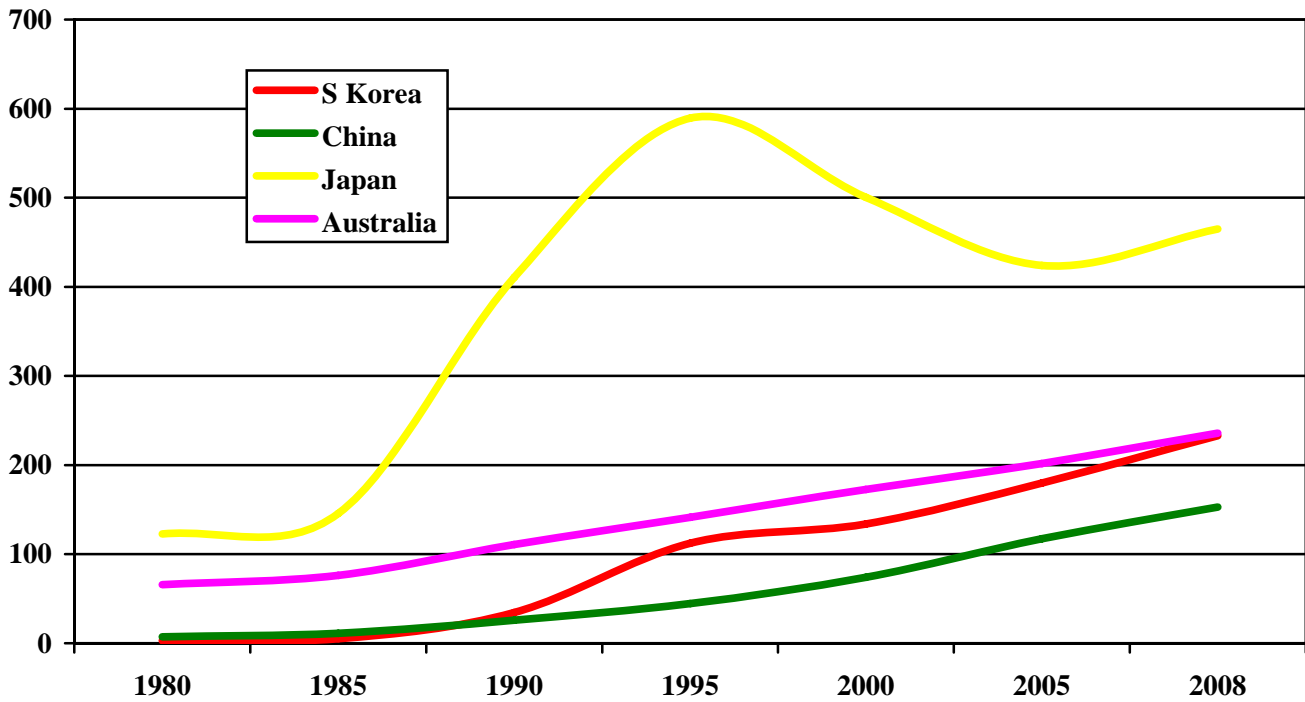
- Asia's largest economy and the 2nd largest economy in the world
- Improved economic climate - maintain 2 to 3.2% GDP growth till 2008
- In 2005 the unemployment rate was 4.4%, has been on a steady decline since 2002
- Large population base that is aging
- Approximately 10.6M long-haul outbound travellers
- Travel to Canada posted a 2.4% growth rate in 2005
- Shift in travel patterns: More FIT travellers
- Air capacity (up 8% in 2005, down 11% in 2006)
- Ranked #2 in overseas MPA

Visitor Characteristics - Canada

- \$599M in receipts (2005 preliminary estimates)
- 424K overnight trips to Canada (2005 preliminary estimates)
- Average spend: \$1,415 per person per trip (2004 actual)
- Average stay: 12.1 nights (2004 actual)
- Pleasure travel gains in the fall and spring
- Younger travellers attracted to Canada

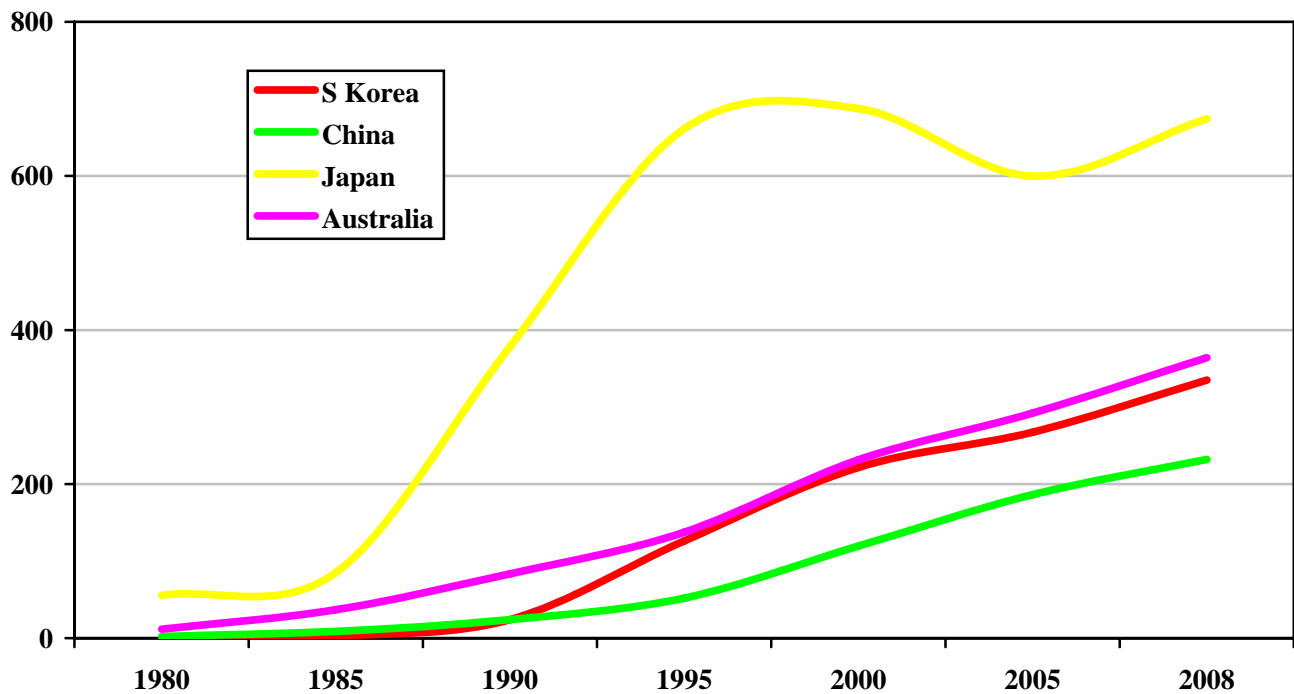
How is Japan Performing?

(By overnight trips)



How is Japan Performing?

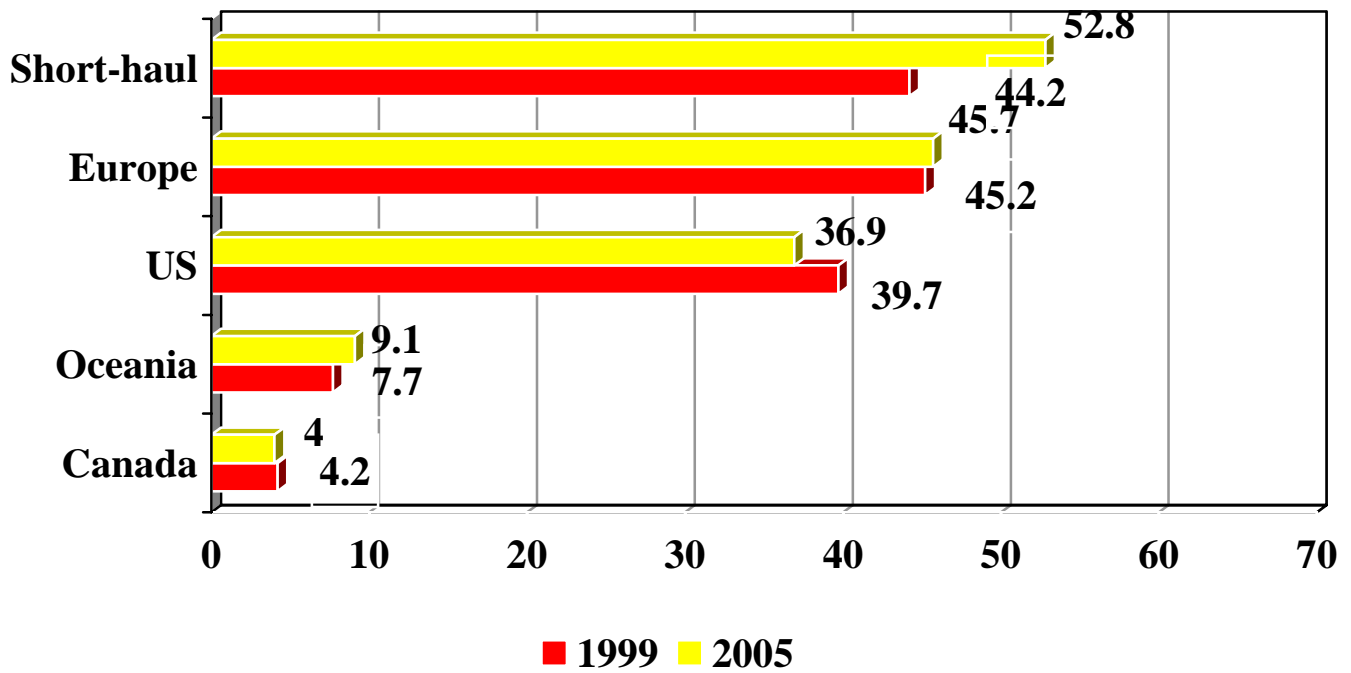
(By overnight receipts (\$B))



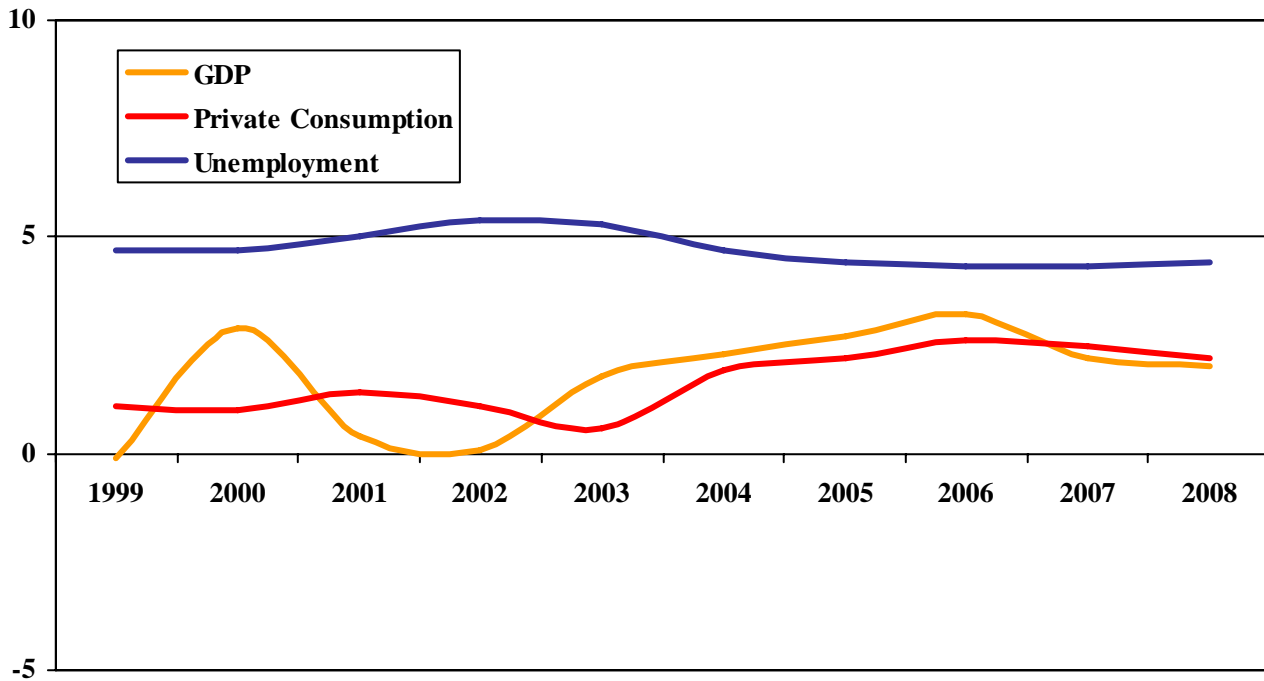
How is Japan Performing?

(By market share)

Japan Total Outbound Travel



What is the Japan's Economic Outlook?



Japan – S.W.O.T. Analysis

Strength:

- Economy has picked up momentum
- Increased consumer confidence
- lowest level of unemployment
- Strong consumer interest for long-haul travel
- Canada ranked 4th in terms of friendliness (according to local Japanese newspaper survey)

Weaknesses:

- Low destination awareness
- High airfare costs - lack of effective competition
- Perceived to be an expensive summer destination
- Declining ski market
- Total outbound travel growing faster than Canada's share
- Sensitivity to safety, health and security concerns (terrorism threats)
- Currency exchange rate (weak yen)

Opportunities:

- Strong internet use & increase in internet booking amongst younger generation
- Good potential from the FIT market
- Japanese consumers purchasing product in all four seasons
- Increased number of high schools now eligible for "Shugaku Rokyo" trips (school excursion trips) to Canada
- The population is aging, over 55 is expected to increase

Threats:

- Fierce competition
- Air capacity has decreased
- Rise of fuel surcharges due to high oil prices

South Korea

The South Korean Market at a Glance

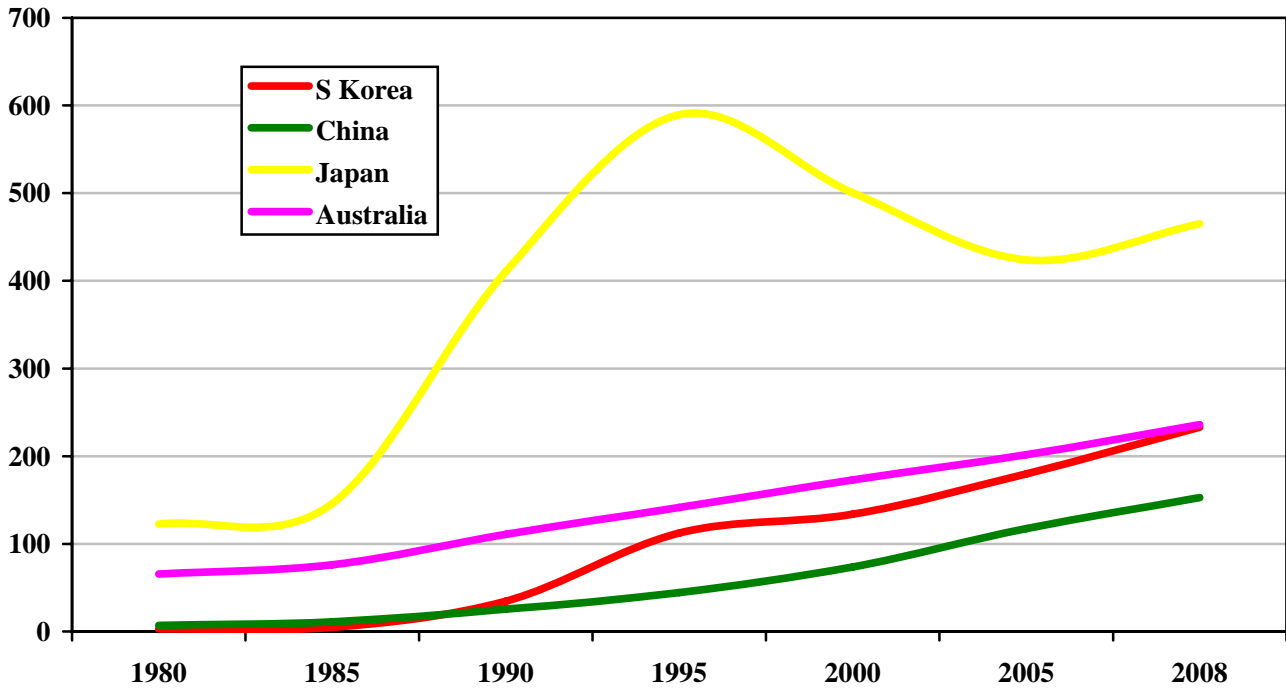
- Economy has recovered and is the 4th largest in Asia
- Consumer consumption rate is expected to boom in 2006-08
- The population is aging, over 45 is expected to increase
- Korea's total outbound travel reached a new high of 10 million visitors in 2005
- Approximately 2.0M long-haul outbound travellers (2005)
- Travel to Canada reached a record high in 2005
- Canada's market share is 9%, up 0.5% from 1999
- Air capacity is up 7.2% in 2005; up 1.5% in 2006
- Ranked #5 by 2005 overseas MPA

Visitor Characteristics - Canada

- \$267M in receipts (2005 preliminary estimate)
- 180K overnight trips to Canada (2005 preliminary estimate)
- Average spend: \$1,414 per person trip (2004 actual)
- Average stay: 23.7 nights – inflated by VFR & students on long-stay programs (2004 actual)
- Strong seasonal pull in the summer; large increase in the winter

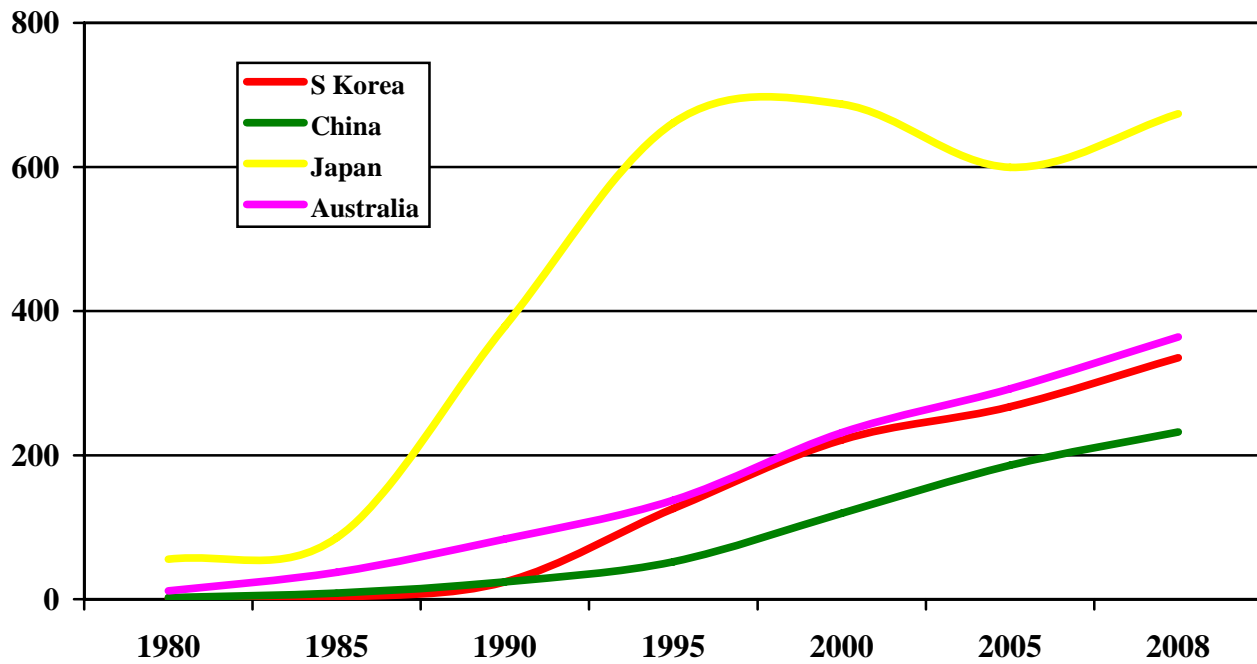
How is South Korea Performing?

(By overnight trips)



How is South Korea Performing?

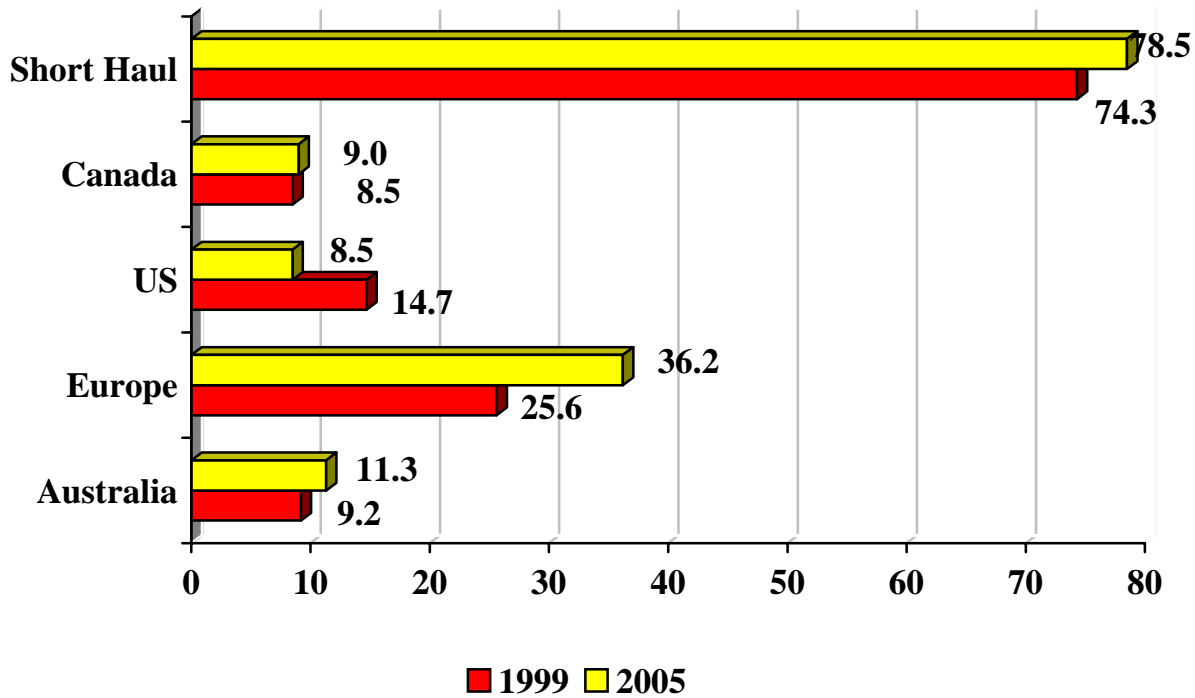
(By overnight receipts (\$B))



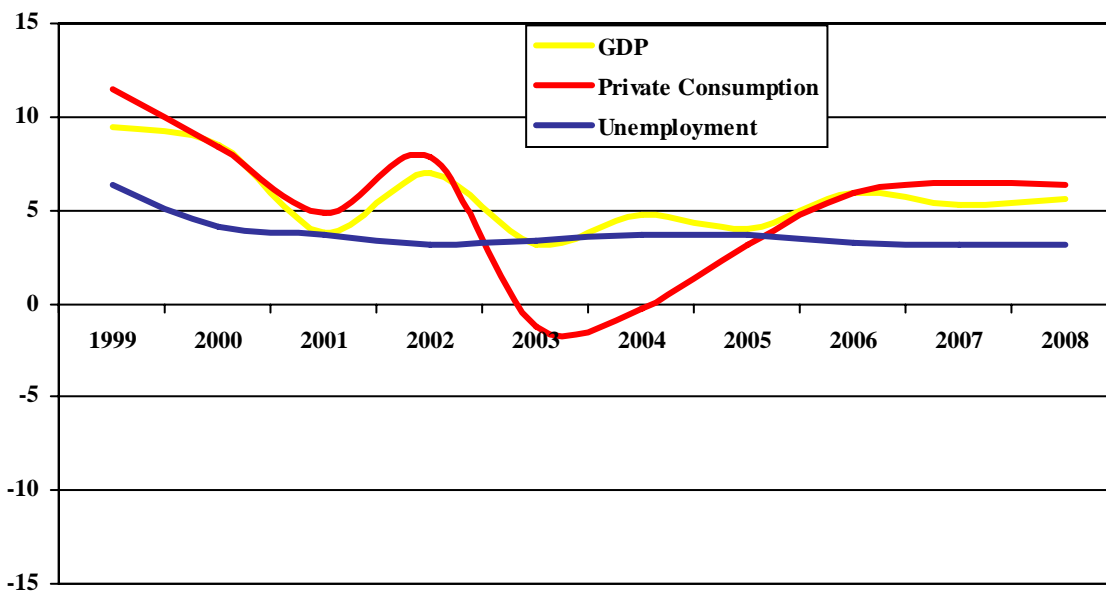
How is South Korea Performing?

(By market share)

South Korea Outbound Travel - Market Shares %



What is South Korea's Economic Outlook?



South Korea – S.W.O.T Analysis

Strengths:

- Korean outbound travel continues to grow
- Korean economy is expected to maintain its growth
- Burst of pent-up demand led by a consumer demand boom
- Canada has a positive and favourable image
- Canada ranked 10th in overseas travel destination for Koreans in 2005 (3rd as long-haul destination following USA, Australia)
- Firm positioning of Canada within the Korean travel industry

Weaknesses:

- Appreciation of Canadian dollars against Korean Won
- Higher fares compared to other long-haul competitors
- Shortage of air seats on direct flights, particularly during the peak season, even with increased capacity in the last 2 years
- Limited awareness of Canada's product offers

Opportunities:

- Increased direct flight from Incheon to Toronto
- Strong interest and support from Korean travel trade and media
- Internet has become a key tool to research and book travel
- FIT and Student market are growing
- Korean travellers become more sophisticated and experienced
- Growing number of experienced travellers aspiring to travel long-haul

Threats:

- Sensitivity to safety, health and security concerns
- Fierce competition from competitive destinations
- Rising oil price

Australia

The Australian Market at a Glance

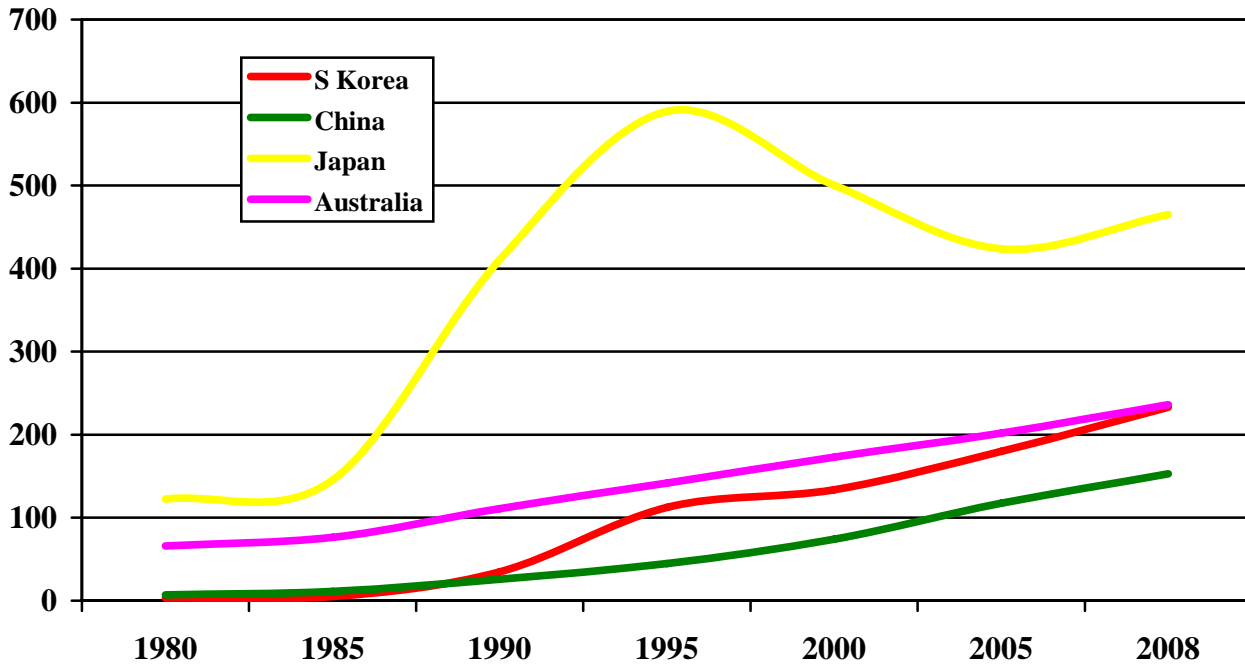
- Economic climate to improve slightly after an extended strong growth period
- Declining unemployment rate – 5.1% in 2005
- The Australian dollar has weakened against the Canadian dollar
- Approximately 4.0M long-haul outbound travellers
- Travel to Canada at a record high in 2005
- Increased air capacity in 2006
- Important market for Canada's ski products
- Strong partner interest especially in-market
- Ranked #3 in overseas MPA

Visitor Characteristics - Canada

- \$292 million in receipts (2005 preliminary estimate)
- 202K overnight trips to Canada (2005 preliminary estimate)
- Average spend: \$1,607 per person trip - above A/P average (2004 actual)
- Average stay: 14.1 nights (2004 actual)
- Over half are pleasure visits
- Pleasure travel gains in the Fall - now 20% of visitation

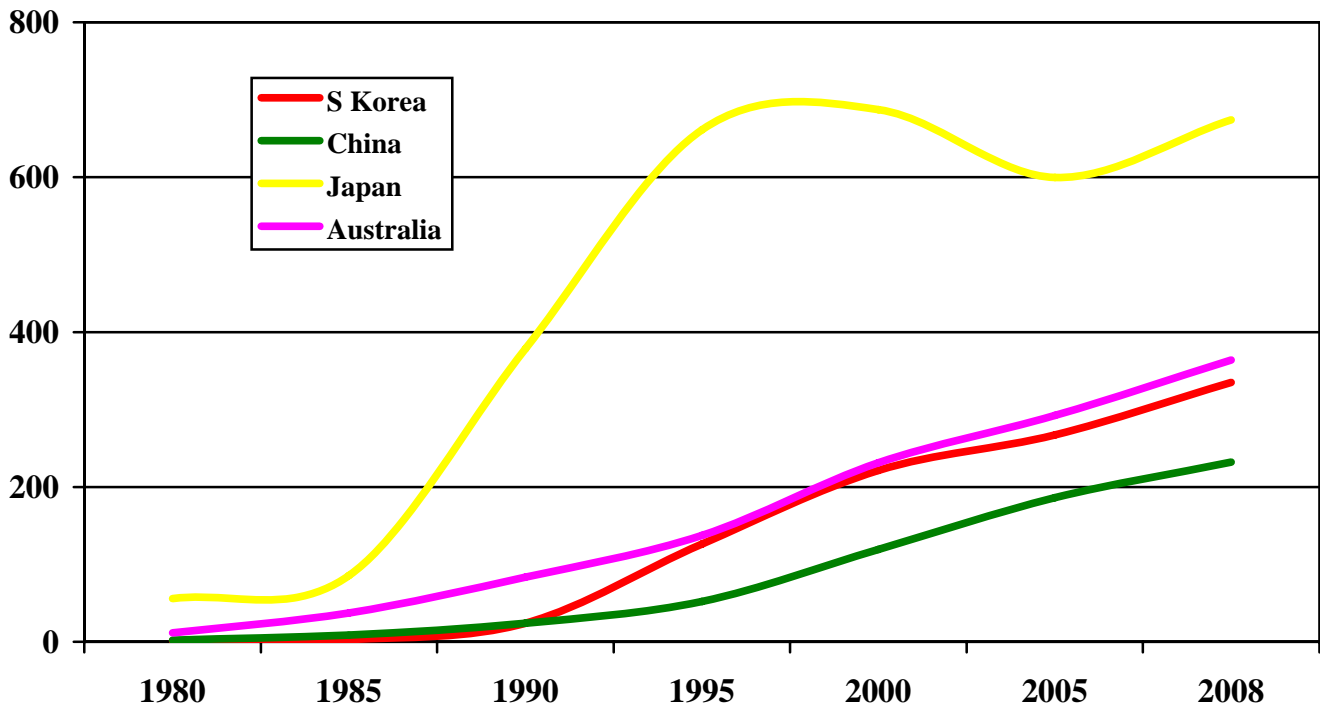
How is Australia Performing?

(By overnight trips)



How is Australia Performing?

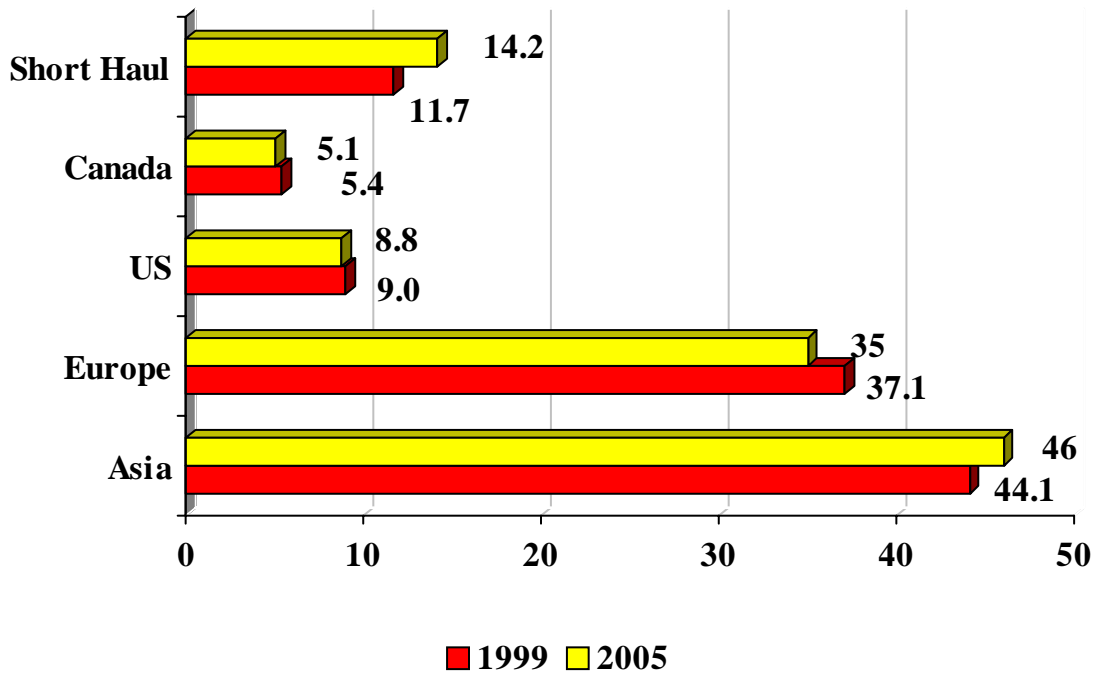
(By overnight receipts (\$B))



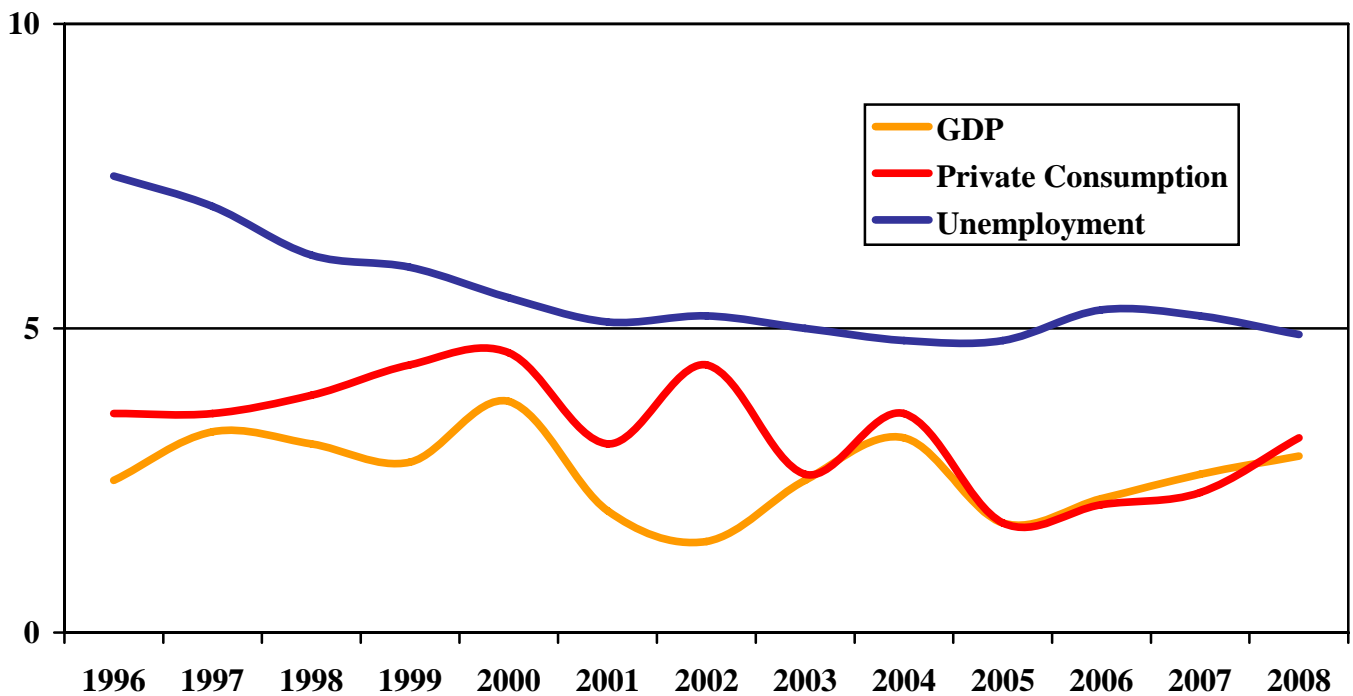
How is Australia Performing?

(By market share)

Outbound Travel - Market Shares %



What is Australia's Economic Outlook?



Australia – S.W.O.T Analysis

Strength

- Economic growth is maintained at an average rate
- MPA ranks Australia 3rd up from 8th place in 2001
- Resiliency to geo-political events
- A safe and clean environment, no language barriers
- Attracting high yield niche consumer segments

Weakness

- Weakened currency
- Low awareness of niche and experiential products
- Price barriers, especially air transport costs
- Limited direct air capacity

Opportunity

- Increased air capacity
- Very strong interest by partners to expand resources
- Strong interest to ski overseas
- 35+ very interested in experiential travel
- Strong interest by multiple wholesalers to package Canada
- High use of Internet by consumers for destination research
- Growing interest in independent travel (FIT) and fly/drive product

Threat

- Fierce competition by long-haul destinations.
- Continued threats of terrorism and global health concerns
- Perception that Canada is only for older travellers on group tours
- Strengthening \$CAD

China

The Chinese Market at a Glance

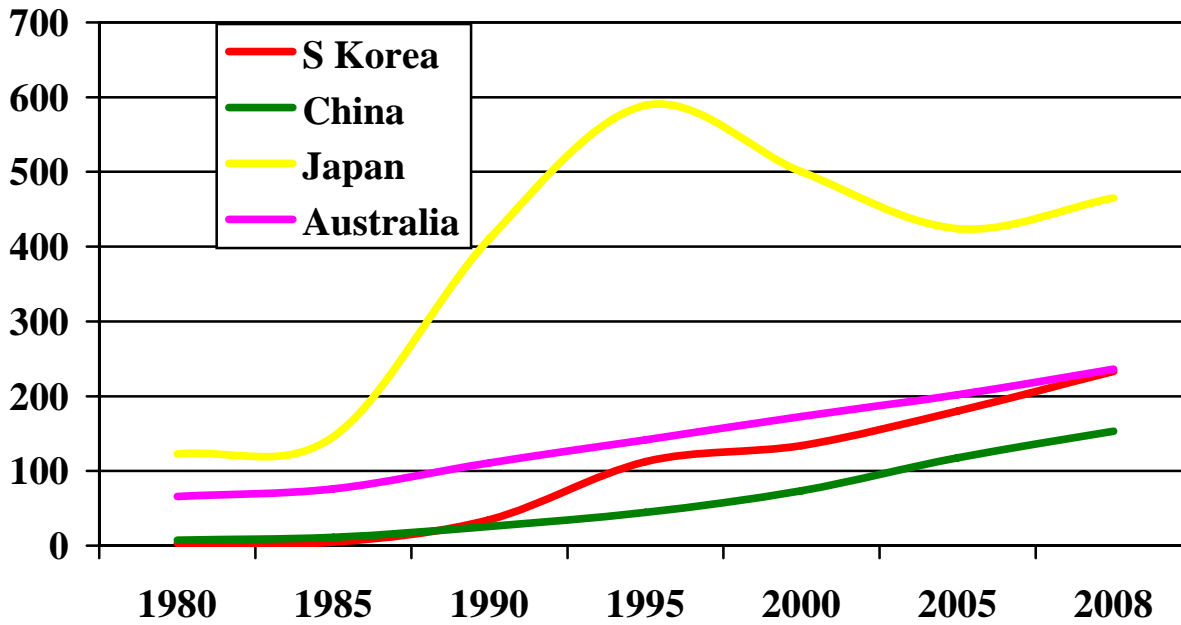
- Canada granted the right to apply for ADS – subject to negotiating with CNTA
- World's fastest growing economy with 2005 GDP at 9.5%
- Approximately 3.4M long-haul outbound travellers
- Travel to Canada reached record high in 2005
- Total outbound travel market took 17 years to reach 10 million and 2.5 years to reach 20 million, and 15 months to reach 31 million in 2005
- Strong interest from partners to participate in programs
- Strong interest to develop air service to Canada 2005 = 26 frequencies / 2008 = 66 potential frequencies
- Ranked #6 in overseas MPA

Visitor Characteristics - Canada

- \$186 Million in receipts (2005 preliminary estimate)
- 117K overnight trips (2005 preliminary estimate)
- Average spend: \$1,791 per person trip - above A/P average (2004 actual)
- Average stay: 32.6 nights - up 2.5 times from 1999 [inflated by VFR and students on long-stay programs] (2004 actual)
- Pleasure travel registers significant gains in spring

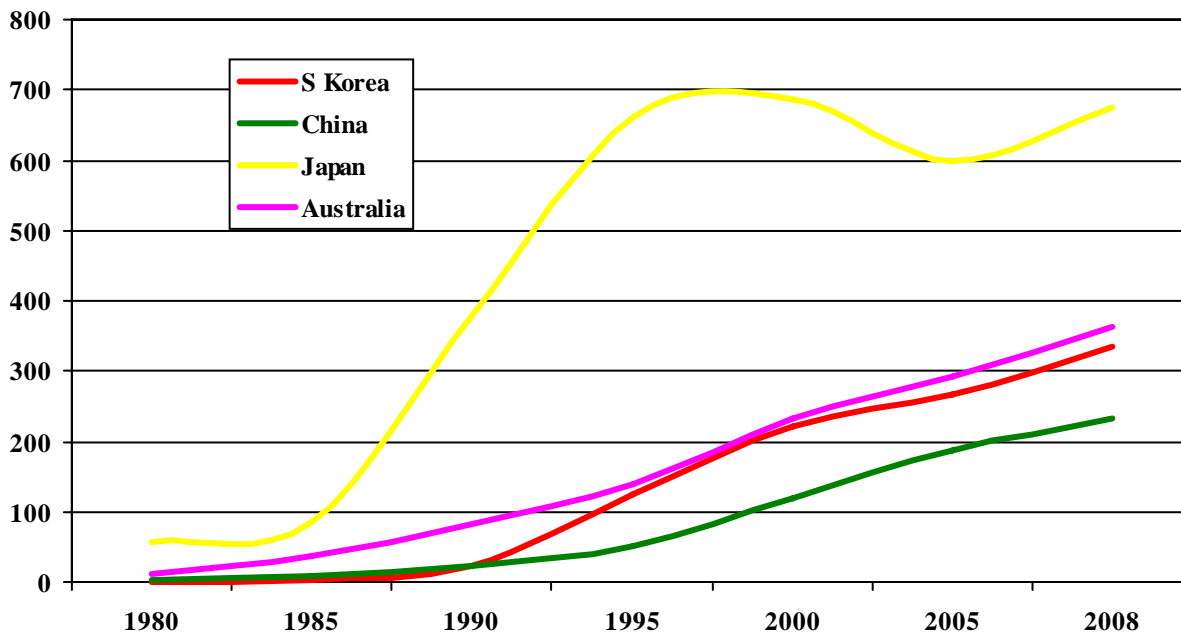
How is China Performing?

(By overnight trips)



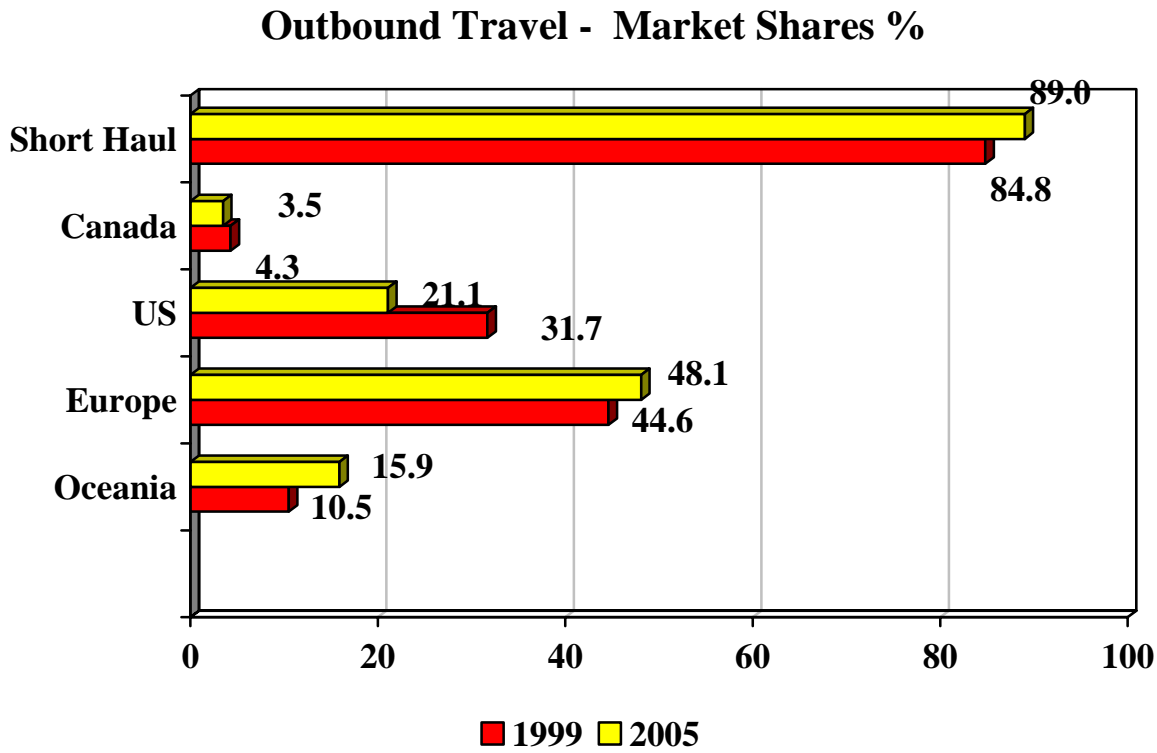
How is China Performing?

(By overnight receipts (\$B))

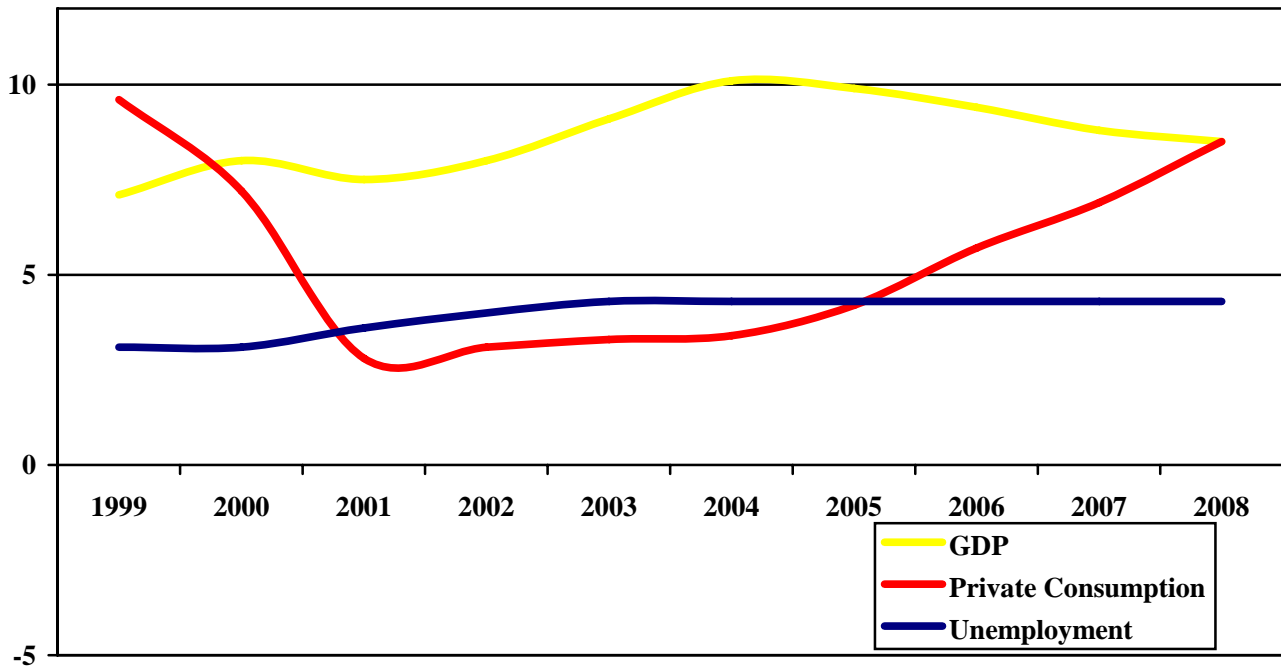


How is China Performing?

(By market share)



What is China's Economic Outlook?



China - S.W.O.T Analysis

Strengths

- Natural beauty and outstanding natural scenery
- Ability to tour, see wildlife, nature and cultural elements
- Safe and clean environment
- Multi-cultural destination
- Abundance of quality Chinese cuisine in major cities
- Pent-up desire to visit as one of the last major Travel Destinations to receive ADS
- World-renowned icons
- Strong economic growth
- High-yield travelers
- Air capacity to increase

Weaknesses

- High air fare costs and lack of competition
- Transit visa requirements which discourage China/Canada/USA air services
- No ADS and inability to publicly promote and advertise Canada and leisure tour products
- Lack of Chinese speaking resources within Canadian Industry
- Low destination awareness

Opportunities

- M.I.C.E. traffic
- “Canada House” facility combining CTC/Provincial partners/Commercial partners resources and marketing efforts
- Finalization of ADS agreement in 2006
- Convert “China Syndrome Effect” into leveraging additional partner funding

Threats

- Difficulty in obtaining visas and lack of customer service
- Continuing lack of progress on ADS negotiations
- Increased competition and public/trade promotion of other long-haul markets with ADS status in place
- No change in current visa issuance environment
- Inability to control quality tour program policy post ADS
- Usual Terrorism/SARS/Bird Flu impact
- Fierce competition / ADS not yet operational



Explorez sans fin
CANADA
Keep Exploring

Asia Pacific Market Analysis

Japan

Economic Environment

THE JAPANESE ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP	-0.1%	2.9%	0.4%	0.1%	1.8%	2.3%	2.7%	3.2%	2.2%	2.0%
Private Consumption	1.1%	1.0%	1.4%	1.1%	0.6%	1.9%	2.2%	2.6%	2.5%	2.2%
Unemployment Rate	4.7%	4.7%	5.0%	5.4%	5.3%	4.7%	4.4%	4.3%	4.3%	4.4%
Inflation Rate	-0.3%	-0.9%	-0.7%	-1.0%	-0.2%	0.0%	-0.3%	0.5%	0.4%	1.5%
Exchange Rate (\$CAD/Yen)	0.0131	0.0138	0.0127	0.0125	0.0121	0.0120	0.0110	0.0101	0.0111	0.0120
Year-to-Year Change	15.3%	5.5%	-7.5%	-1.6%	-3.6%	-0.4%	-8.6%	-8.0%	9.5%	7.9%

Note: As of April 2006.

- Asia's largest economy exceeded expectations by expanding 2.7% in 2005; Japan is forecasted to maintain positive growth of around 2.0% - 3.2% in the 2006-2008 period;
- From a high in 2002, the unemployment rate has been steadily falling;
- In the near term, Japanese exports are expected to increase to meet healthy demand from overseas countries;
- In 2005, private consumption reached its highest level since 1999; the rate of consumption is expected to continue increasing in 2006-2007;
- Deflationary cycle ends in 2005;
- Yen has weakened against the \$CAD -- travel to Canada correlates with changes in the exchange rate; however, the Yen is expected to strengthen in 2007-2008.

Leisure Travel Trends & Characteristics

	1999	2000	2001	2002	2003	2004	2005**
Long-Haul Outbound Trips ('000)	12,159	12,893	11,149	10,535	8,931	10,002	10,558
Year-to-Year Change	-9.2%	4.9%	-14.2%	-3.7%	-20.9%	28.3%	2.3%
Overnight Trips to Canada ('000)	516.1	493.1	409.9	423.1	249.6	391.2	423.9
Year-to-Year Change	6.6%	-4.5%	-16.9%	3.1%	-41.0%	56.7%	2.4%
Canada's Market Share*	4.2%	3.8%	3.7%	4.0%	2.8%	3.9%	4.0%
Receipts (\$M)	571.8	687.4	632.6	666.1	347.9	552.9	599.5
Year-to-Year Change	10.0%	20.2%	-8.0%	5.3%	-47.9%	58.9%	8.3%

* Share of Japanese long-haul travel. Sources: Global Insight and Statistics Canada.

** All 2005 figures are estimate.

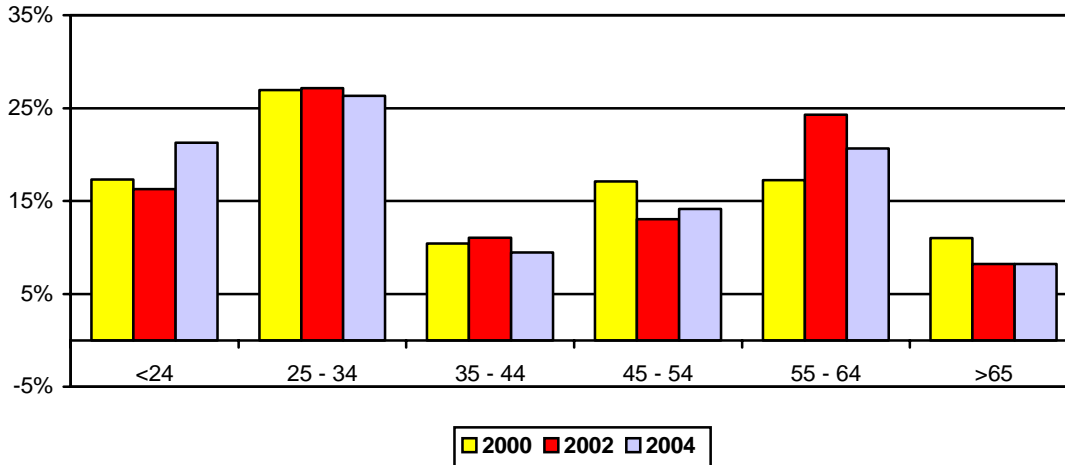
- In 2004, Japanese long-haul travel posted the first increase (28%) following a series of declines beginning in 2001;
- Travel to Canada rebounded strongly in 2004 (57%) and posted a 2.4% growth rate in 2005; Despite strong growth, Canada's 2005 market share was still 0.2 points below the share in 1999;
- In 2004, Japanese travel to Canada was primarily for pleasure (54.6%); 19.9% are VFR, lower than the Asia/Pacific average (30.0%), suggesting that our program activities in Japan have more impact on the segments we are trying to influence compared to other targeted markets; business travel represented 11.5% while other purposes (which include travel by students) represented 14.0% of all Japanese travel to Canada;
- Compared to 1999, there have been increases in the percentage of travel for VFR (+9.9 percentage points), travel for other purposes (+7.4 points), and pleasure travel (+3 points) at the expense of business travel (-20 points);
- Pleasure travel seasonal patterns are still peaking in the summer (34%), however down significantly (12 percentage points) from 1999; significant gains were registered in the fall (9 percentage points) as well as in the spring (increase of 3 points);



- In 2004, Japanese travellers spent on average \$1,415 per person-trip compared to \$1,108 in 1999; the 2004 average is slightly below the Asia/Pacific average of \$1,425, but higher than the average registered in Europe (\$1,335) and the U.S. (\$541);
 - In 2004, Japanese pleasure travellers spent on average \$1,341 per trip (below the Asia/Pacific average of \$1,435 per trip).
- The average number of nights stayed almost doubled from 6.2 nights in 1999 to 12.1 nights in 2004; the average spending per night decreased from \$179 in 1999 to \$117 in 2004; however, it is still higher than the average spending per night from all Asia/Pacific (\$83);
 - In 2004, Japanese pleasure travellers spent on average 7.2 nights per trip, spending on average \$186 per night (above the Asia/Pacific average of \$135 per night).

Overnight Leisure Travel Proportion by Age Range

- Japanese pleasure travellers aged less than 35 (47.6%) tend to be more attracted to Canada followed by the 45 to 64 age group (34.8%); compared to 2000, 44.3% were <35 and 34.4% were in the 45 to 64 age group; of interest is the significant increase in the youth market (under 24) which increased from 17.3% in 2000 to 21.3% in 2004.



CTC Age Targets

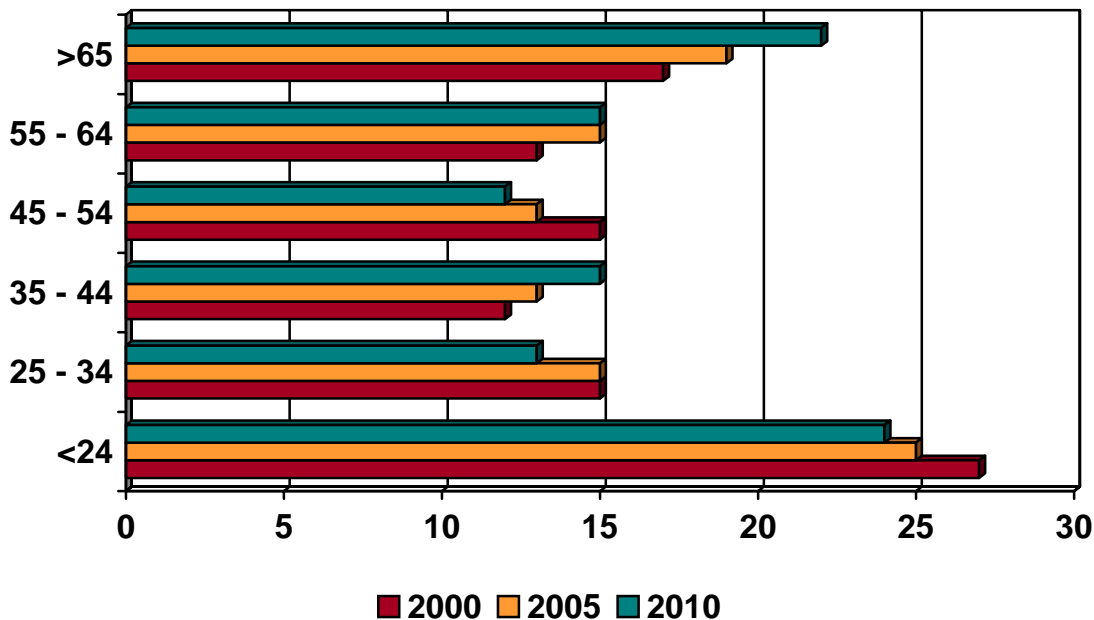
- Primary: Female aged 55-69 years old
- Secondary: Single working women in their 30's
- Niche Markets: Hiking, Student, Long Stay (senior) and City Breaks

Population Forecasts

- Population forecasts for Japan suggest that the population is aging; the proportion of Japanese travellers over 55 is expected to increase from 30.0% in 2000 to 36.6% in 2010; the 35 to 44 age group also represents an opportunity;
- The Japanese population is forecasted to shrink between 2005 and 2010.

	2000 (million)	2005 (million)	2010 (million)
<24	34.8	32.2	30.5
25 - 34	18.8	18.5	16.0
35 - 44	15.8	16.7	18.6
45 - 54	19.3	16.6	15.5
55 - 64	16.4	18.5	18.5
>65	21.7	24.8	28.0
Total	126.7	127.4	127.2

Japanese Population Forecasts %



Travel Forecast to Canada

(Current as of January 2006)

- The CTC Business Outlook for the spring 2006 is forecasting a modest 1.4% growth in Q2, 2006 compared to the same time last year; FIT travel is expected to increase at a higher rate (3.5%) than group travel (1.4%);

	2003	2004	2005	2006	2007	2008
Overnight Leisure Trips to Canada ('000)	250	391	424	439	452	465
Year-to-Year Change	-41.0%	56.7%	2.4%	3.5%	3.0%	3.0%

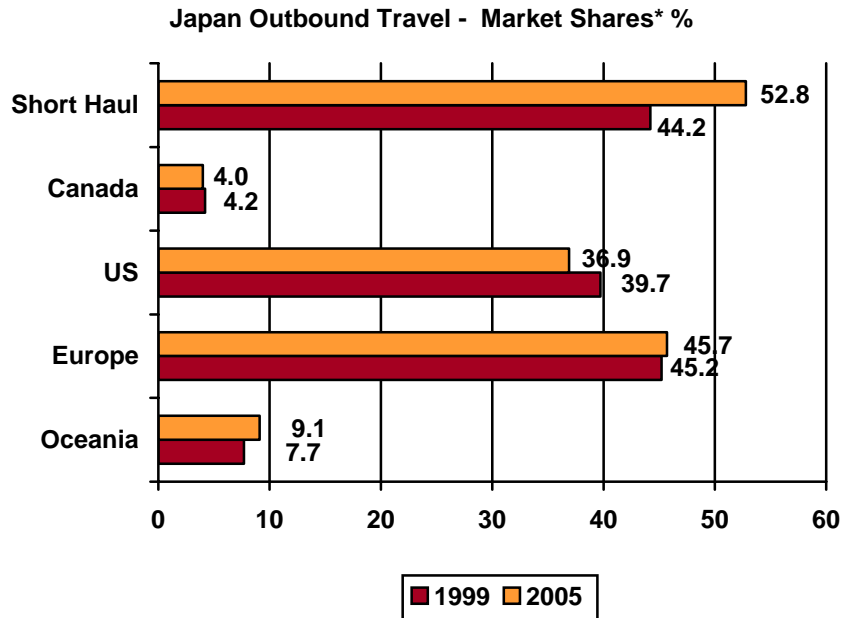
Airline Capacity from Japan:

	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	502.7	524.3	478.6	475.3	513.8	458.9
Year over year change	-9.8%	4.3%	-8.7%	-0.7%	8.1%	-10.7%

Note: there is significant sixth freedom capacity via USA, Korea and China between Japan and Canada.

Competitive Environment

- Since 1999, Canada, along with the US, have been losing market share (down by 0.2, and 2.8 percentage points, respectively) to fierce competition from Oceania (+1.4 points) and Europe (+0.5 points);
- Japanese are also travelling closer to home with short-haul travel gaining 8.6 percentage points.



* Canada, US, Europe, and Oceania shares as a percentage of long-haul travel; short haul share as a percentage of total outbound travel.

Source: Global Insight and Statistics Canada.

Financial Breakdown

	1998 (\$M)	1999 (\$M)	2000 (\$M)	2001 (\$M)	2002 (\$M)	2003 (\$M)	2004 (\$M)	2005 (\$M)	2006 (\$M)
CTC Program Budget Allocation*¹	\$6.9	\$6.0	\$2.2 ²	\$7.9 ³	\$6.4	\$4.7 ⁴	\$4.9	\$5.6	\$5.8
Partner Funding	\$6.6	\$7.3	\$6.1	\$4.6	\$6.2	\$5.7	\$6.6	\$9.6	\$5.6
Total	\$13.5	\$13.3	\$8.3	\$12.5	\$12.6	\$10.4	\$11.5	\$15.2	\$11.4

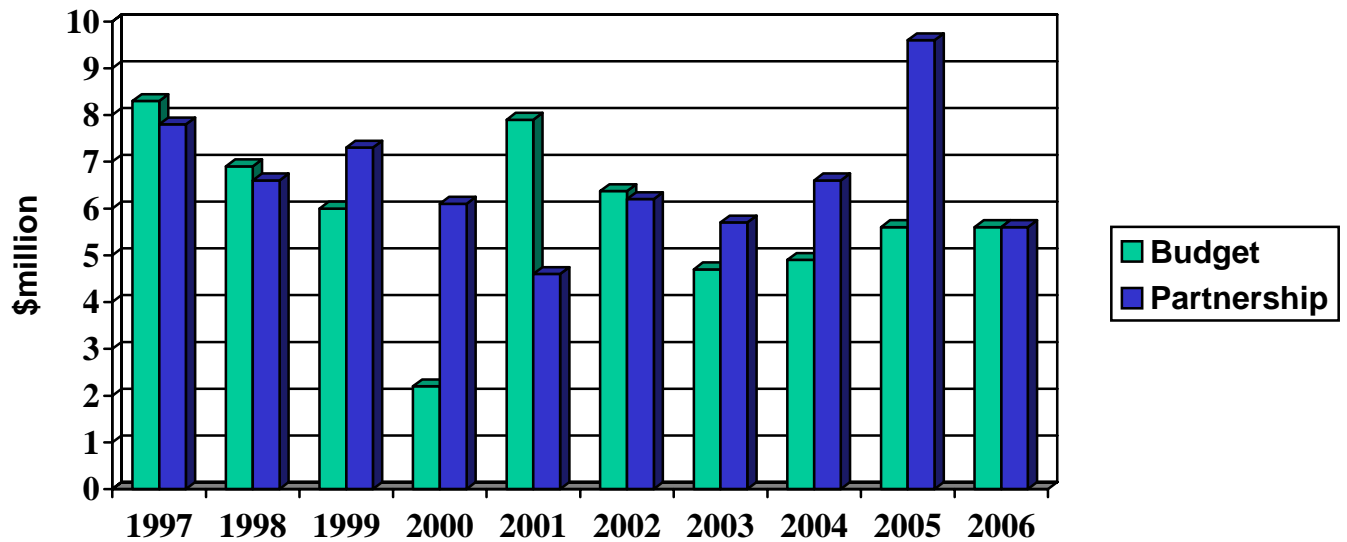
¹ Excludes DFAIT costs and salaries.

² 9-month period due to new fiscal year timing

³ Transition year

⁴ Revised budget

⁵ Target



2006 Total Japan

Total Program	Program/Operating Compensation	Operating In-market	Compensation	Sub-Total	Total Budget
\$5,840,000	80% / 20%	\$733,000	\$742,830	\$1,475,830	\$7,315,830

Partner Funding Analysis

	# of partners	Cash	In-kind	Total
2000/2001	75	\$3,566,400	\$2,599,011	\$6,165,411
2001	114	\$8,723,819	\$1,027,850	\$9,751,669
2002	88	\$4,818,768	\$1,410,520	\$6,229,288
2003	74	\$5,239,103	\$486,390	\$5,725,493
2004	47	\$6,176,058	\$375,337	\$6,551,395
2005	74	\$8,108,098	\$1,481,863	\$9,589,961

2005 Canadian/ In-Market/ Non-Traditional Partners

Canadian Partners		In-Market Partners		Non-Traditional		Total
Cash	In-kind	Cash	In-kind	Cash	In-kind	
\$3,043,891	\$1,146,450	\$4,458,758	\$309,150	\$605,449	\$26,263	\$9,589,961

Internet Usage

According to Internet World Stats (www.internetworldstats.com):

- World internet usage is estimated to be 1,023 M users, or 15.7% of the world population;
- Usage of the internet globally has grown 183% from 2000 to 2005;
- Usage of the internet in Asia / Pacific is estimated at 382 M or 10.3% of the total Asia / Pacific population;
- By region, internet usage in the Asia/Pacific is the highest in the world -- 37.4% of global internet users;
- Internet usage in Asia has grown 219% since 2000, and internet usage in Oceania has grown by 135% since 2000;
- 86 M people in Japan are internet users (67.2% of the population); usage has grown 83% since 2000;
- 22.5% of Asia/Pacific's internet users are from Japan.

Summary

- In a price sensitive environment, the strong Canadian dollar could hinder continued growth from Japan;
- Japanese travel to Canada has been recovering steadily since the low in 2003;
- The CTC Business Outlook is expecting a modest increase of 1.4% in quarter 2 (April-June);
- The forecast of overnight visits in 2008 (465,000) will not reach the 1996 peak level (647,700 overnight visitors.)
- Reduction in air capacity could hinder a full recovery in travel to Canada from Japan;
- Canada is facing fierce competition from Australia, Europe and short-haul destinations;
- The 2005 Overseas MPA analysis ranks Japan in 2nd place.

South Korea

Economic Environment

THE SOUTH KOREAN ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP	9.5%	8.5%	3.8%	7.0%	3.1%	4.7%	4.0%	5.9%	5.3%	5.6%
Private Consumption	11.5%	8.4%	4.9%	7.9%	-1.2%	-0.3%	3.2%	5.9%	6.5%	6.4%
Unemployment Rate	6.3%	4.1%	3.7%	3.1%	3.4%	3.7%	3.7%	3.3%	3.1%	3.1%
Inflation Rate	0.8%	2.2%	4.1%	2.8%	3.5%	3.6%	2.8%	2.9%	3.8%	3.5%
Exchange Rate (\$CAD/Won)	0.0013	0.0013	0.0012	0.0013	0.0012	0.0011	0.0012	0.0012	0.0011	0.0011
Year-to-Year Change	18.1%	5.1%	-8.5%	4.8%	-6.7%	-3.4%	4.1%	-2.5%	-6.5%	-2.1%

Note: As of April 2006.

- Economic recovery in Asia's fourth-largest economy (*World Bank, 2004*) is well underway, following a slump resulting from the credit bubble bursting in late 2002; Healthy growth rates of 5.3% - 5.9% is expected for the period 2006-2008;
- Private consumption has recovered from the downturn; Consumption rate is expected to nearly double in 2006 and remain healthy in 2007-2008;
- Domestic investment is expected to surge in the near term and plateau at lower levels in the medium-term;
- While the Won strengthened against the Canadian dollar in 2005, it is forecasted to weaken in 2006-2008; travel to Canada strongly correlates with changes in the exchange rate;

Leisure Travel Trends & Characteristics

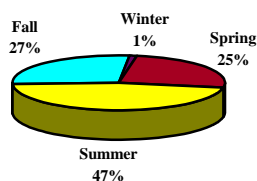
LONG-HAUL OUTBOUND TRAVEL FROM SOUTH KOREA							
	1999	2000	2001	2002	2003	2004	2005**
Long-Haul Outbound Trips ('000)	1,165	1,534	1,547	1,700	1,704	1,842	1,998
Year-to-Year Change	44.5%	31.7%	0.8%	9.9%	0.2%	8.1%	8.5%
Overnight Trips to Canada ('000)	98.8	129.4	139.3	143.4	132.9	164.4	180.0
Year-to-Year Change	52.0%	30.9%	7.7%	2.9%	-7.3%	23.7%	5.9%
Canada's Market Share*	8.5%	8.4%	9.0%	8.4%	7.8%	8.9%	9.0%
Receipts (\$M)	220.3	221.2	263.7	244.0	222.3	232.3	267.1
Year-to-Year Change	73.3%	0.4%	19.2%	-7.5%	-8.9%	4.5%	15.0%

*Share of South Korean long-haul travel.

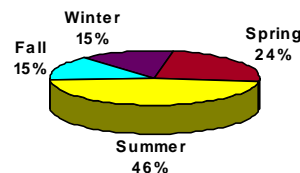
** All 2005 figures are estimates

Sources: KNTTO (excluding crew) and Statistics Canada.

- South Korean long-haul travel has increased on average by about 8.0% per year since 1999 while travel to Canada has increased on average by about 9.0% per year for the same time period (1999-2005); as a result, Canada's market share increased 0.5 percentage points – South Korea is the only key Asia/Pacific market where Canada has increased its market share;
- In 2004, South Korean travel to Canada was primarily VFR (33.8%); 27.7% were pleasure travellers; business travel represented 18.4% while other purposes (which include travel by students) represented 20.9% of all South Korean travel to Canada;
- Compared to 1999, there have been a significant increase in the percentage of travel for other purposes (+13.4 percentage points) and VFR travel (+8.8 points) at the expense of business travel (-12.8%) and pleasure visits (-9.5%);
- Pleasure travel seasonal patterns continue to show a strong seasonal pull when compared to 1999; significant gains (14 percentage points) were registered in the winter while fall declined remarkably (12 points);



1999

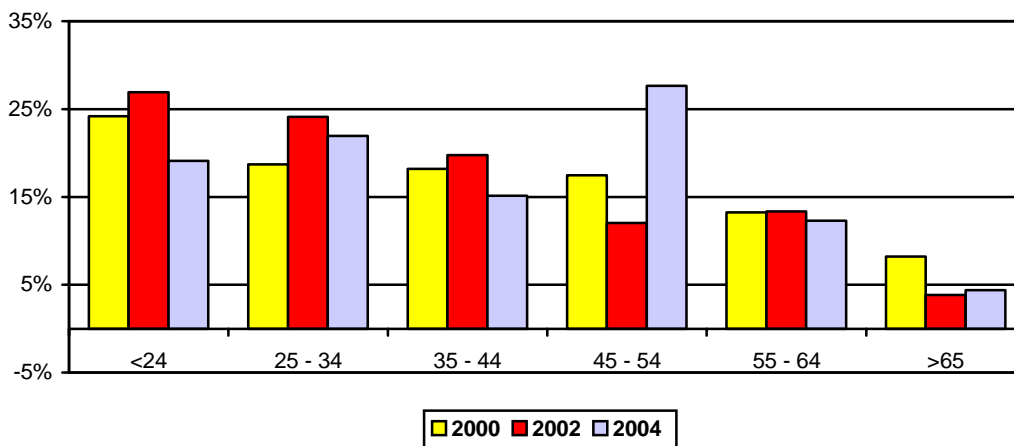


2004

- In 2004, South Koreans spent on average \$1,414 per person-trip compared to \$1,376 in 1999; the 2004 average is slightly below the Asia/Pacific average of \$1,425, but higher than the average registered in Europe (\$1,335) and the U.S. (\$541);
 - In 2004, South Korean pleasure travellers spent on average \$1,557 per trip (higher than the Asia/Pacific average of \$1,435).
- The average number of nights stayed increased almost three times from 1999, increasing from 8.3 nights to 23.7 nights; however, the average spending per night decreased from \$166 in 1999 to \$60 in 2004;
 - In 2004, South Korean pleasure travellers spent on average 12.5 nights per trip, spending on average \$124 per night (below the Asia/Pacific average of \$135 per night).

Overnight Leisure Travel Proportion by Age Range

- South Korean pleasure travellers aged 35-54 (42.8%) year old tend to be more attracted to Canada, followed by the under 35 age group (41.0%); Of interest is the significant increase (10 percentage points) in the 45 to 54 age group since 2000, while the under 24, 35-44, and over 55 age groups have declined since 2000.



CTC Age Targets

Primary: FIT and Family Travel (age 30-44 young families)

Senior in group travel (age +45)

Young Travelers (ESL, Student Backpack – age 17-29)

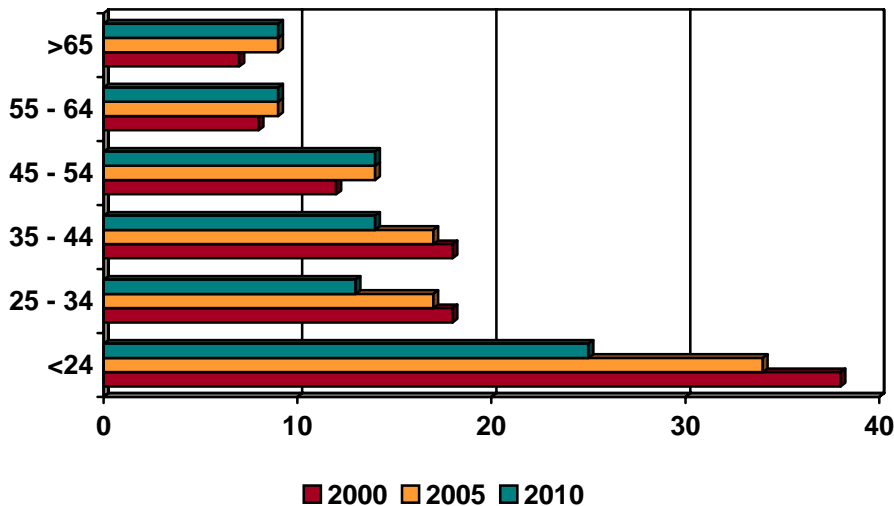
Secondary: Niche Market (Ski and Snowboard, Honeymoon and Golf)

Population Forecasts

- Population forecasts for South Korea suggest that the population is aging; the proportion of South Korean travellers over 45 is expected to increase from 26.8% in 2000 to 30.9% in 2010, suggesting that no shifts in target age segments would be warranted in the medium term.

	2000 (million)	2005 (million)	2010 (million)
<24	17.8	16.4	15.0
25 – 34	8.7	8.2	7.7
35 – 44	8.3	8.5	8.6
45 – 54	5.5	7.0	8.1
55 – 64	3.8	4.2	5.1
>65	3.4	4.3	5.2
Total	47.4	48.6	59.6

South Korea Population Forecasts %



Travel Forecasts to Canada

(Current as of January 2006)

- The CTC Business Outlook for the spring 2006 is forecasting an overall increase of 3.5% in Q2, 2006, suggesting that the positive momentum in South Korean travel to Canada is expected to be maintained;

	2003	2004	2005	2006	2007	2008
Overnight Trips to Canada ('000)	133	164	180	198	215	233
Year-to-Year Change	-7.3%	23.7%	5.9%	10.0%	8.5%	8.5%

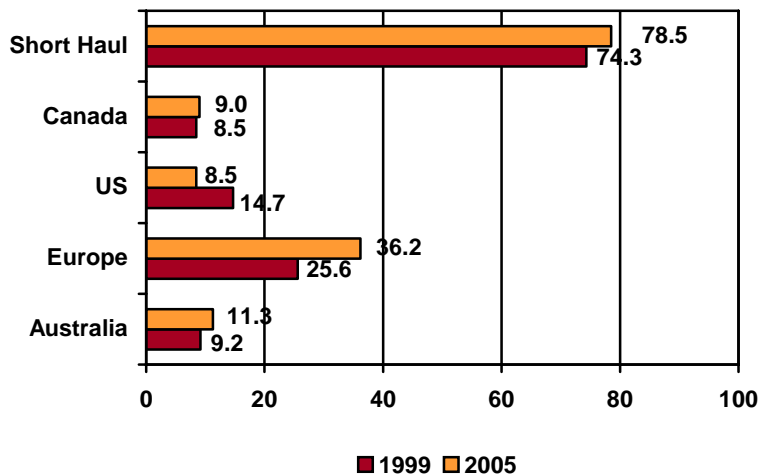
Airline Direct Seat Capacity from South Korea:

	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	195.8	224.3	235.6	238.8	256.0	259.9
Year over year change	37.1%	14.6%	5.0%	1.4%	7.2%	1.5%

Competitive Environment

Canada's market share has increased slightly since 1999, however, its competitors (Europe and Australia) have seen higher increases of market share (increases of 10.6 and 2.1 percentage points, respectively); travel closer to home has increased by 4.2 points

South Korea Outbound Travel - Market Shares %



* Canada, US, Europe, and Oceania shares as a percentage of long-haul travel; short haul share as a percentage of total outbound travel.

Source: Global Insight and Statistics Canada.

Financial Breakdown

	1998 (\$M)	1999 (\$M)	2000 (\$M)	2001 (\$M)	2002 (\$M)	2003 (\$M)	2004 (\$M)	2005 (\$M)	2006 (\$M)
CTC Program Budget Allocation ¹	\$0.3	\$0.2	\$0.1 ²	\$0.2 ³	\$0.3	\$0.4 ⁴	\$0.4	\$0.6	\$0.6
Partner Funding	\$0.2	\$0.3	\$0.4	\$0.5	\$0.5	\$0.6	\$0.7	\$2.3	\$2.4 ⁵
Total	\$0.5	\$0.5	\$0.4	\$0.7	\$0.8	\$1.0	\$1.1	\$2.9	\$3.0

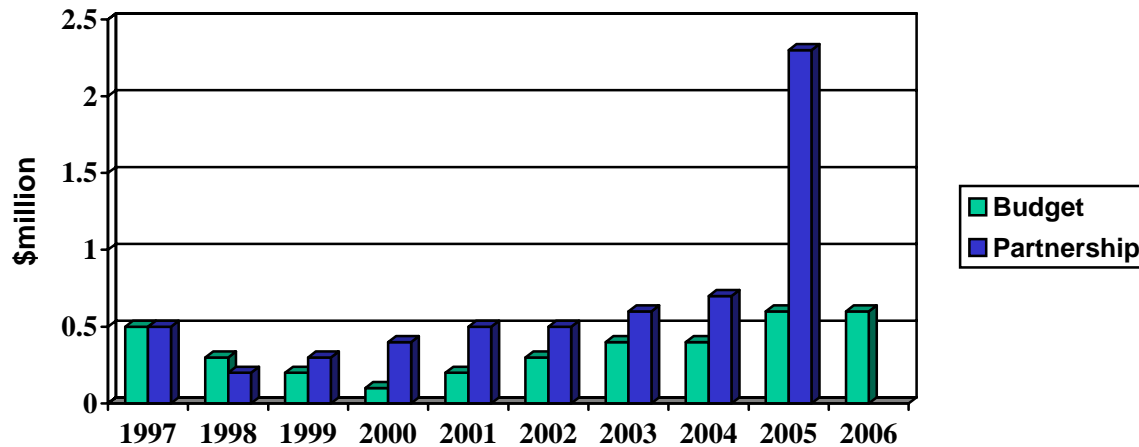
¹ Excludes DFAIT costs and salaries.

² 9-month period due to new fiscal year timing

³ Transition year

⁴ Revised budget

⁵ Target



2006 Total South Korea

Program	Program/Operating Compensation	Operating In-market (Includes office space rent) ^t	Compensation	Sub-Total	Total Budget
\$610,200	60% / 39%	\$126,800	\$265,890	\$392,690	\$1,002,890

Partner Funding Analysis

	# of partners	Cash	In-kind	Total
2000/2001	15	\$108,300	\$254,500	\$362,800
2001	41	\$178,200	\$332,062	\$510,262
2002	44	\$296,600	\$182,500	\$479,100
2003	43	\$384,316	\$252,470	\$636,786
2004	45	\$297,300	\$385,470	\$682,770
2005	58	\$1,294,750	\$962,660	\$2,257,410

2005 Canadian/ In-Market/ Non-Traditional Partners

Canadian Partners		In-Market Partners		Non-Traditional		Total
Cash	In-kind	Cash	In-kind	Cash	In-kind	
\$250,790	\$110,060	\$201,960	\$127,800	\$842,000	\$724,800	\$2,257,410

Internet Usage

According to Internet World Stats (www.internetworldstats.com):

- World internet usage is estimated to be 1,023 M users, or 15.7% of the world population;
- Usage of the internet globally has grown 183% from 2000 to 2005;
- Usage of the internet in Asia / Pacific is estimated at 382 M or 10.3% of the total Asia / Pacific population;
- By region, internet usage in the Asia/Pacific is the highest in the world -- 37.4% of global internet users;
- Internet usage in Asia has grown 219% since 2000, and internet usage in Oceania has grown by 135% since 2000;
- 34 M people in South Korea are internet users (67.0% of the population); usage has grown 78% since 2000;
- 8.9% of Asia/Pacific's internet users are from South Korea.

Summary

- South Korea's economy has recovered and should maintain growth rates of 5.3% to 5.9% in 2006-08;
- Recovery has been fuelling a boom in South Korean outbound travel. In 2005, total outbound travel surpassed the previous high in 2004 to reach a new high of 10 million outbound visitors and 2006 is forecast to grow 11.2%;
- South Korean travel to Canada has been growing at a faster pace than South Korean long-haul travel to all countries, thus Canada's market share has increased;
- Since 2004, South Korean travel to Canada has surpassed the peak reached in 1996;
- Based on 2005 preliminary estimates, travel to Canada from South Korea has reached a record high;
- The CTC Business Outlook is expecting an increase of 3.5% in spring 2006, suggesting that market growth will continue;
- South Korean long-haul outbound travel to Canada is expected to increase with growth of 10.0% projected in 2006,
- Shortage of direct air seats, particularly in high-season
- The 2005 Overseas MPA analysis ranks South Korea in 5th place.

Australia

Economic Environment

THE AUSTRALIAN ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP	4.4%	3.3%	2.2%	4.1%	3.1%	3.6%	2.5%	2.9%	2.8%	2.7%
Private Consumption	5.1%	3.6%	3.0%	3.9%	3.8%	5.7%	3.1%	3.4%	2.2%	2.3%
Unemployment Rate	7.0%	6.3%	6.8%	6.4%	6.1%	5.5%	5.1%	5.3%	5.4%	5.6%
Inflation Rate	1.5%	4.5%	4.4%	3.0%	2.8%	2.3%	2.7%	2.9%	2.9%	2.8%
Exchange Rate (\$CAD/\$AU)	0.9586	0.8612	0.8011	0.8532	0.9092	0.9572	0.9231	0.8573	0.8860	0.9117
Year-to-Year Change	2.9%	-10.2%	-7.0%	6.5%	6.6%	5.3%	-3.6%	-7.1%	3.3%	2.9%

Note: As of April 2006

- Following an extended growth period, Australia's economy slowed in 2005; Economic growth is expected to increase only slightly (2.7%-2.9%) in the 2006-2008 period;
- In 2005, rising prices (in particular, fuel, higher interest rates and cooling of house prices) has weakened consumer sentiment in the country;
- Unemployment has fallen from 7.0% in 1999 to 5.1% in 2005; The unemployment rate is expected to hover between 5.3% to 5.6% in 2006-2008;
- The Australian currency has weakened against the Canadian dollar, but is expected to strengthen in 2007-2008;

Leisure Travel Trends & Characteristics

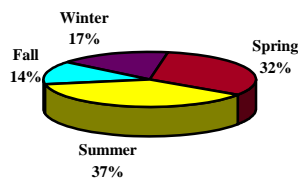
LONG-HAUL OUTBOUND FROM AUSTRALIA							
	1999	2000	2001	2002	2003	2004	2005**
Long-Haul Outbound Trips ('000)	2,831	3,103	3,004	3,012	2,871	3,740	3,998
Year-to-Year Change	1.1%	9.6%	-3.2%	0.3%	-4.7%	30.2%	6.9%
Overnight Trips to Canada ('000)	152.4	172.8	158.5	148.7	136.4	173.6	201.9
Year-to-Year Change	5.5%	13.3%	-8.3%	-6.2%	-8.3%	14.2%	12.3%
Canada's Market Share*	5.4%	5.6%	5.3%	4.9%	5.3%	4.6%	5.1%
Receipts (\$M)	218.2	231.4	243.9	216.0	210.0	278.9	291.9
Year-to-Year Change	27.9%	6.1%	5.4%	-11.4%	-2.8%	32.8%	4.7%

*Share of Australian long-haul travel.

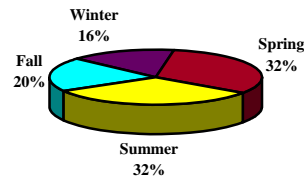
** All 2005 figures are estimates.

Sources: Global Insight, Tourism Australia, and Statistics Canada.

- Since 1999, Australian long-haul travel has increased on average by about 5.1% per year, while travel to Canada has increased on average by about 4.8% per year over the same time period (1999-2005) -- As a result, Canada's market share decreased by 0.3 points since 1999;
- In 2004, travel to Canada from Australia was primarily for pleasure (56.2%); 31.2% are VFR; business travel represented 7.6%, while other purposes (which include travel by students) represented 5.0%;
- Compared to 1999, there have been increases in the percentage of travel for VFR and other purposes (up 5.7 and 1.3 percentage points, respectively), while business and pleasure travel have fallen (down 6.1 and 0.9 percentage points, respectively);
- Pleasure travel seasonal patterns for 2004 are still peaking in the summer, however, down significantly (5 points) from 1999; significant gains were registered in the fall (increase of 6 percentage points);



1999

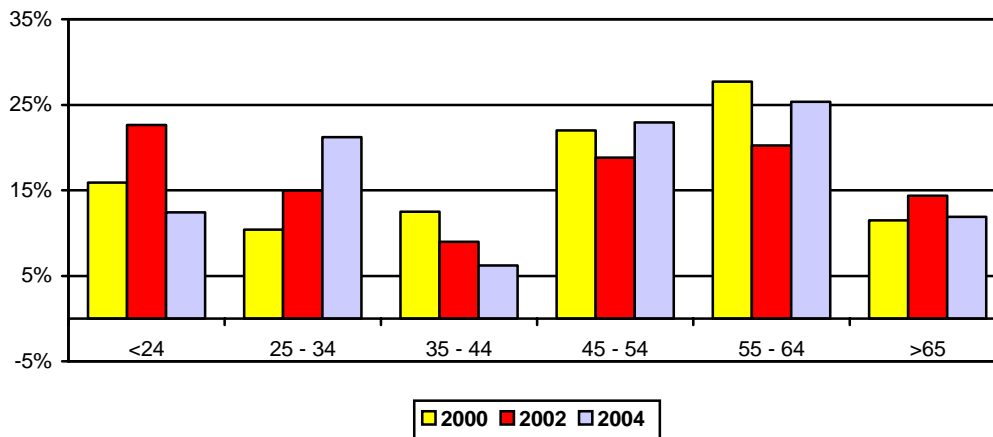


2004

- In 2004, Australians spent on average \$1,607 per person-trip, compared to \$1,272 in 1999; the 2004 average is significantly above the Asia/Pacific average (\$1,425), the Europe average (\$1,335) and the U.S. average (\$541);
 - In 2004, Australian pleasure travellers spent on average \$1,883 per trip (above the Asia/Pacific average of \$1,435 per trip);
- The average number of nights stayed increased from 12.1 nights in 1999 to 14.1 nights in 2004; as well, the average spending per night increased from \$106 to \$114, well above the Asia/Pacific average of \$83;
 - In 2004, Australian pleasure travellers spent on average 13.8 nights in Canada, spending on average \$136 per night (on par with the Asia/Pacific average).

Overnight Pleasure Travel Proportion by Age Range

- Pleasure travellers from Australia aged 45-64 (48%) tend to be more attracted to Canada followed by the under 35 age group (33.6%); compared to 2000, the 35-44 and under 24 age groups have dropped by 6.3 points and 3.5 points, respectively; the 25-34 age group has gained a remarkable 23 points;



CTC Age Targets

Primary:

- 50+
- 29+
- 25+

Aim:

Maintain and grow group travel market
 Grow high yield FIT Couple travel market
 Recapture Ski & Snowboard travel market share

Secondary:

- 30+ Family
- 30+ Family

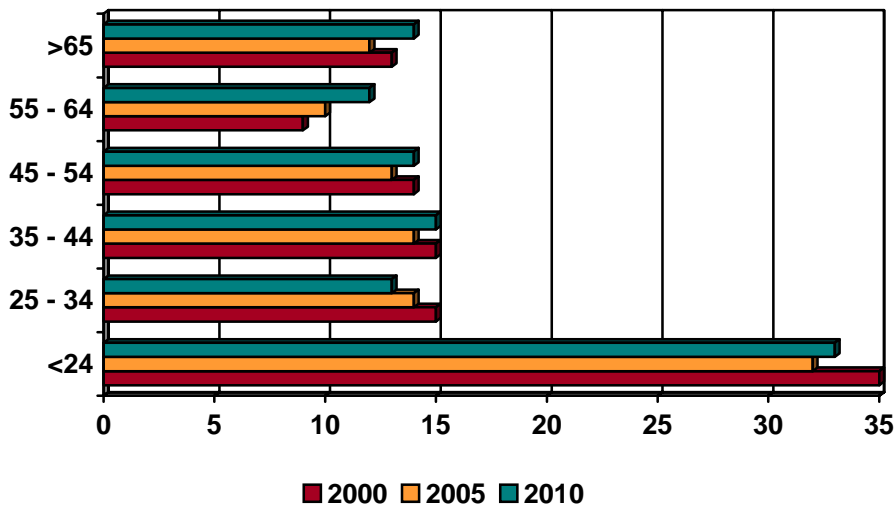
Grow FIT Family travel market
 Recapture Ski & Snowboard travel market share

Population Forecasts

- Population forecasts for Australia suggest that the population is slowly aging; the proportion over 54 is expected to increase moderately from 21.5% of total population in 2000 to 25.8% in 2010; the 35 to 44 age group will also remain unchanged at 15%, while those under 34 will decrease by 4 points;

	2000 (million)	2005 (million)	2010 (million)
<24	6.6	6.7	6.8
25 – 34	2.9	2.9	2.8
35 – 44	2.9	3.0	3.1
45 – 54	2.6	2.8	2.9
55 – 64	1.7	2.1	2.5
>65	2.4	2.6	2.9
Total	19.1	20.9	20.9

Australia Population Forecasts %



Travel Forecast to Canada

(Current as of January 2006)

- The CTC Business Outlook for the spring 2006 is forecasting an overall increase of 4.9% in Q2 2006, suggesting that the travel rebound is expected to carry on;
- Group leisure travel is expected to grow at a faster rate (6.7%) than FIT (4.4%) in the spring.

	2003	2004	2005	2006	2007	2008
Overnight Trips to Canada ('000)	136.4	174	202	215	228	236
Year-to-Year Change	-8.3%	14.2%	12.3%	6.4%	6.0%	3.5%

Airline Capacity from Australia:

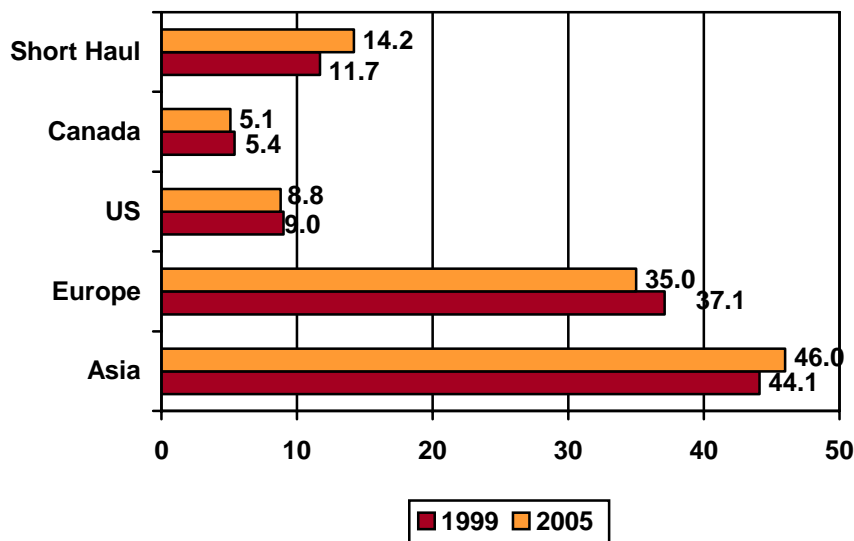
	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	114.8	104.4	99.4	95.0	93.6	106.9
Year over year change	-	-9.0%	-4.9%	-4.4%	-1.5%	14.2%

Note: Air capacity is expected to increase 14% in 2006, for the first time in 5 years;

Competitive Environment

- Since 1999, Canada, along with Europe and the US, have been losing market share (by 0.3, 2.1, and 0.2 points, respectively) comparably to short haul (up 2.5 points), and Asian (up 1.9 points) markets.

Australia Outbound Travel - Market Shares* %



* Canada, US, Europe, and Oceania shares as a percentage of long-haul travel; short-haul share as a percentage of total outbound travel.

Source: Global Insight and Statistics Canada.

Financial Breakdown

	1997 (\$M)	1998 (\$M)	1999 (\$M)	2000 (\$M)	2001 (\$M)	2002 (\$M)	2003 (\$M)	2004 (\$M)	2005 (\$M)	2006 (\$M)
CTC Program Budget Allocation¹	\$0.5	\$0.3	\$0.5	\$0.2 ²	\$0.9 ³	\$0.8	\$0.7 ⁴	\$0.8 (AUS/NZ)	\$0.8	\$0.8
Partner Funding	\$0.5	\$1.3	\$1.0	\$0.6	\$1.4	\$2.7	\$2.5	\$3.0	\$2.1	\$1.5 ⁵
Total	\$1.0	\$1.8	\$1.5	\$0.8	\$2.3	\$3.5	\$3.2	\$3.8	\$2.9	\$2.3

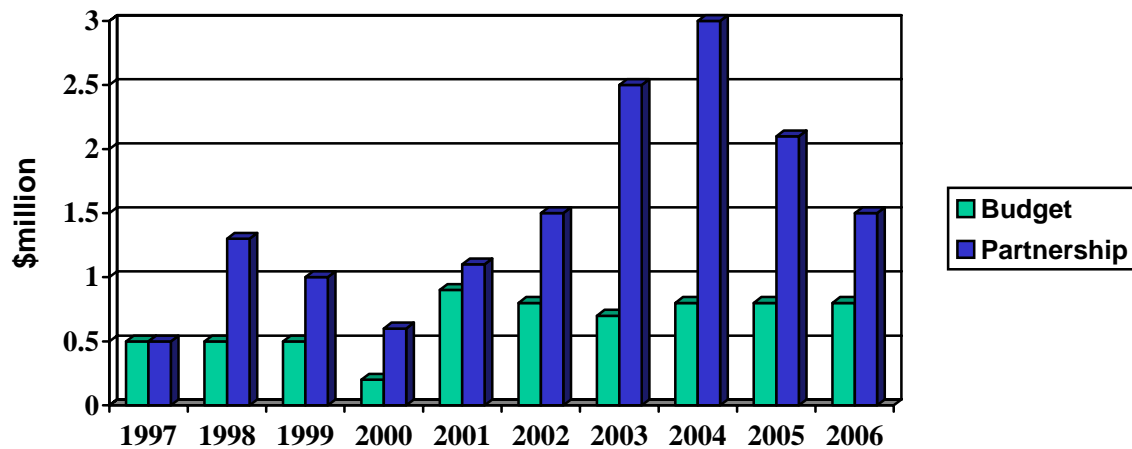
¹ Excludes DFAIT costs and salaries.

² 9-month period due to new fiscal year timing

³ Transition year

⁴ Revised budget

⁵ Target



2006 Total Australia

Program	Program/Operating Compensation	Operating In-market	Compensation	Sub-Total	Total Budget
\$817,800	62% / 38%	\$225,500	\$285,295	\$510,795	\$1,328,595

Partner Funding Analysis

	# of partners	Cash	In-kind	Total
2000/2001	89	\$335,760	\$299,670	\$635,430
2001	74	\$997,199	\$446,808	\$1,424,007
2002	93	\$1,686,849	\$964,036	\$2,650,885
2003	131	\$1,734,707	\$748,533	\$2,483,240
2004	97	\$2,139,876	\$958,777	\$3,098,653
2005	127	\$1,849,522	\$280,743	\$2,130,269

2005 Canadian/ In-Market / Non-Traditional Partners

Canadian Partners		In-Market Partners		Non-Traditional		Total
Cash	In-kind	Cash	In-kind	Cash	In-kind	
\$415,162	\$261,518	\$1,414,360	\$3,725	\$20,000	\$15,500	\$2,130,265

Internet Usage

According to Internet World Stats (www.internetworldstats.com):

- World internet usage is estimated to be 1,023 M users, or 15.7% of the world population.;
- Usage of the internet globally has grown 183% from 2000 to 2005;
- Usage of the internet in Asia / Pacific is estimated at 382 M or 10.3% of the total Asia / Pacific population;
- By region, internet usage in the Asia/Pacific is the highest in the world -- 37.4% of global internet users;
- Internet usage in Asia has grown 219% since 2000, and internet usage in Oceania has grown by 135% since 2000;
- 14 M people in Australia are internet users (68.4% of the population); usage has grown 115% since 2000;
- 3.7% of Asia/Pacific's internet users are from Australia.

Summary

- The Australian economy is expected to grow at slightly higher rates in 2006-2008; However, weakening consumer sentiment and a strong Canadian dollar may hinder the growth of Australian trips to Canada;
- The CTC Business Outlook is expecting an increase of Australian travelers to Canada (4.9%) in Quarter 2 (April-June) 2006 suggesting further expansion in 2006;
- Australian travel to Canada is expected to continue on an upward trend, with a projected growth of 6.4% in 2006;
- Airline capacity is expected to increase 14% in 2006, following 4 consecutive years of decline; the increase should facilitate growth in visits;
- Based on 2005 preliminary estimates, travel to Canada from Australia has reached a record high;
- Over half of the Australians that travel to Canada come for pleasure (vs. VFR / Business);
- Based on the 2005 Overseas MPA analysis, Australia ranks 3rd, up from 8th place in 2001.

China

Economic Environment

THE CHINESE ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP	7.1%	8.0%	7.5%	8.0%	9.1%	10.1%	9.9%	9.4%	8.8%	8.5%
Private Consumption	9.6%	7.2%	2.8%	3.1%	3.3%	3.4%	4.2%	5.7%	6.9%	8.5%
Unemployment Rate	3.1%	3.1%	3.6%	4.0%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Inflation Rate	-1.4%	0.4%	0.7%	-0.8%	1.2%	3.9%	1.7%	2.2%	2.3%	2.5%
Exchange Rate (\$CAD/RMB)	0.1795	0.1794	0.1871	0.1897	0.1693	0.1572	0.1478	0.1433	0.1476	0.1560
Year-to-Year Change	0.2	0.0	4.3	1.4	-10.8	-7.1	-6.0	-3.1	3.0	5.7

As of April 2006.

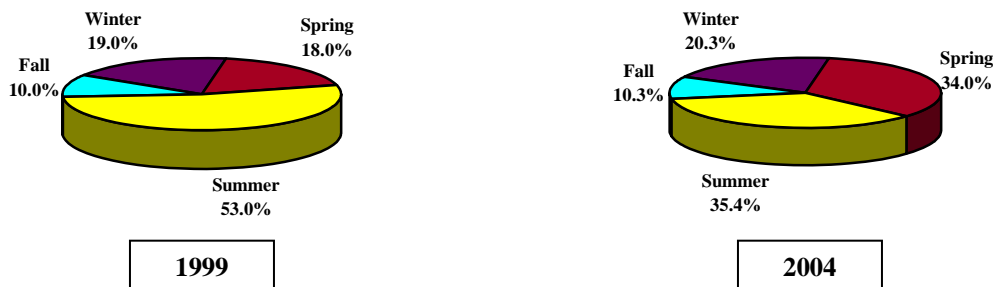
- Despite government efforts to cool its economy, China continues to be the fastest growing economy in the world – overtaking France as the 5th largest economy in 2005; Economic growth is expected remain strong, hovering between 8.5%-9.4% in 2006-2008;
- China is the world's second-largest purchaser of consumer goods (following the US); Consumption rate is expected to steadily increase to reach 8.5% 2008 – more than double the rate in 2005;
- Since the renminbi was un-pegged from the US dollar in July 2005, China's currency has weakened against the \$CAD, but expected to strengthen in 2007-2008;
- Exports continued to soar as China gains importance in global trade; China is currently the second-largest supplier of Canada's imports;

Leisure Travel Trends & Characteristics

LONG-HAUL OUTBOUND TRAVEL FROM CHINA							
	1999	2000	2001	2002	2003	2004	2005**
Long-Haul Outbound Trips ('000)	1,398	1,530	1,655	2,038	2,089	3,123	3,395
Year-to-Year Change	-10.9%	9.4%	8.1%	23.2%	2.5%	49.5%	8.7%
Overnight Trips to Canada ('000)	59.6	73.8	81.5	95.3	76.9	95.4	117.5
Year-to-Year Change	14.6%	23.8%	10.4%	16.9%	-19.3%	24.0%	15.3%
Canada's Market Share*	4.3%	4.8%	4.9%	4.7%	3.7%	3.1%	3.5%
Receipts (\$M)	75.0	119.5	162.8	185.0	154.0	170.8	186.2
Year-to-Year Change	6.7%	59.3%	36.2%	13.6%	-16.7%	10.9%	9.0%

*Share of Chinese long-haul travel. ** All figures are estimates. Sources: CNTA, Global Insight, and Statistics Canada.

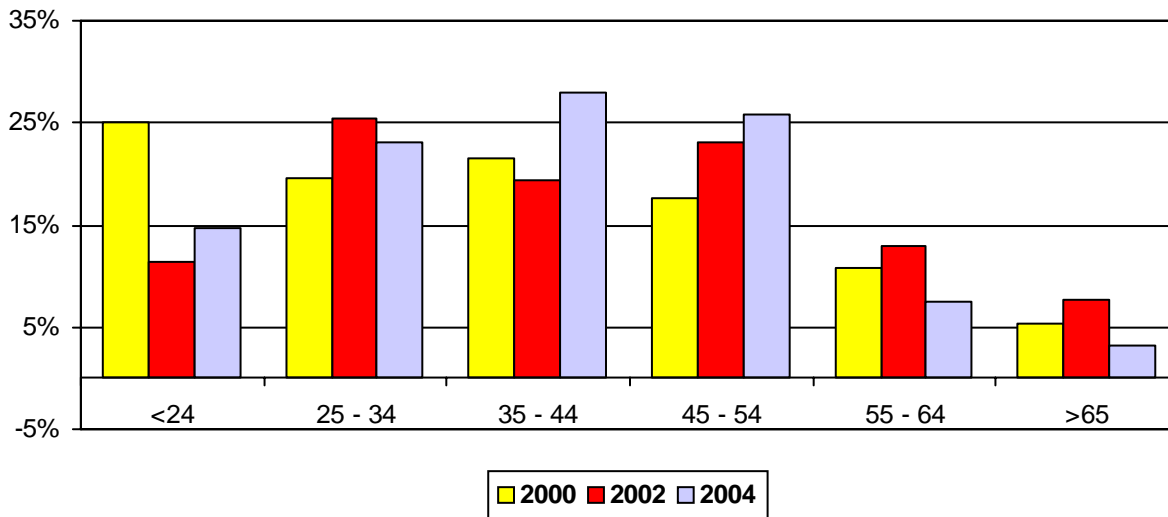
- Chinese long-haul travel has been progressing remarkably since 1999, increasing on average by about 13.5% per year, while travel to Canada has increased on average by about 10% per year, over the same time period (1999-2005); as a result Canada's market share decreased by 0.8 percentage points since 1999;
- In 2004, Chinese travel to Canada was primarily for VFR (30.5%); business travel represented 25.3%, 19.9% are for pleasure, and travel for other purposes (which includes student travel) represented 24.2% of all Chinese travel to Canada;
- Notable is the percentage of travel for other purposes that has increased 18.8 percentage points between 1999-2004;
- Pleasure travel seasonal patterns for 2004 are still peaking in the summer, however, down significantly (17.6 percentage points) from 1999; significant gains were registered in the spring (up 16 points); slight gains were registered in the winter (up 1.3 points);



- In 2004, Chinese travellers spent on average \$1,791 per person-trip compared to \$1,341 in 1999; the 2004 average is well above the spending averages for the Asia/Pacific region (\$1,425), Europe (\$1,335), and the U.S. (\$541);
 - In 2004, Chinese pleasure travellers spent on average \$1,653 per trip (above the Asia/Pacific average of \$1,435 per trip).
- The average number of nights stayed increased about 2.5 times, from 13.5 nights in 1999 to 32.6 nights in 2004 -- the highest among the Asia/Pacific countries; however, the average spending per night is below the average of the Asia/Pacific region (\$83) at \$55 per night;
 - In 2004, Chinese pleasure travellers spent on average 17.2 nights in Canada, spending on average \$97 per night (below the Asia/Pacific average of \$135 per night).

Overnight Leisure Travel Proportion by Age Range

- Chinese pleasure travellers aged between 25-54 (76.8%) years old tend to be more attracted to Canada; compared to 2000, there was an upsurge in the 45-54 age group (up 8.2 percentage points) and 35-44 age group (up 6.3 percentage points).



CTC Age Targets

- Business travelers – senior/middle management professionals
- Government and State Run Enterprise business/leisure groups
- Frequent travelers including VFR
- Young, western-influenced Chinese aged between 20 and 40- university educated and affluent
- MICE Market with focus on long-haul Incentive traffic
- High school and university students plus parents and ESL Summer camp groups

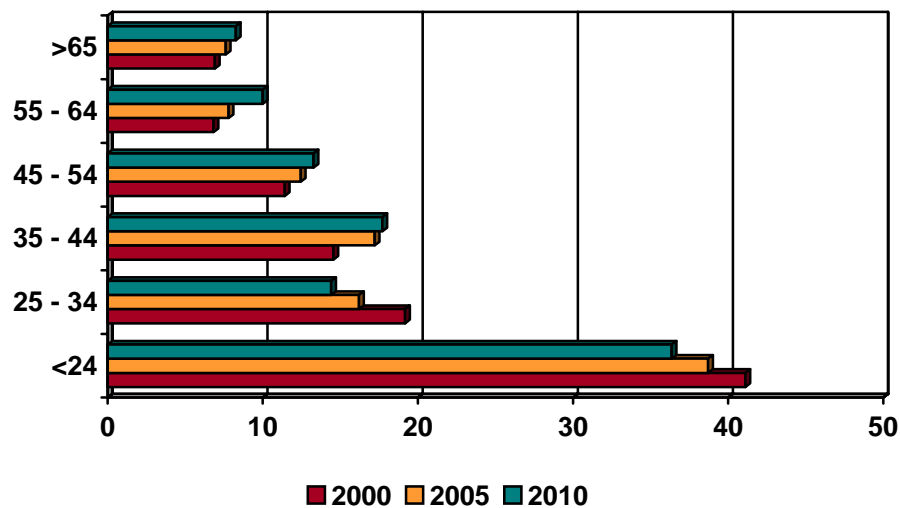
Note: Group leisure travel is restricted until ADS is negotiated.

Population Forecasts

- Population forecasts for China suggest that the population is aging; the proportion of Chinese over 45 is expected to increase from 25% in 2000 to 32% in 2010; the 35 to 54 age group would represent the best opportunity for expansion.

	2000 (million)	2005 (million)	2010 (million)
<24	521.7	505.7	489.8
25 – 34	243.3	211.6	194.3
35 – 44	184.7	225.0	238.6
45 – 54	145.0	162.7	178.9
55 – 64	86.7	101.9	134.7
>65	87.5	99.3	111.3
Total	1,268.9	1,306.3	1,347.6

Proportion of Chinese Population Forecasts %



Travel Forecast to Canada

(Current as of January 2006)

- The CTC Business Outlook for the spring 2006 is forecasting an overall increase of 6.9% in Q2 2006, suggesting that Chinese travel is maintaining a positive momentum.
- Chinese trips to Canada are expected to increase in 2006-2008 to reach record-high visitor levels.

	2003	2004	2005	2006	2007	2008
Overnight Trips to Canada ('000)	77	95	117	132	142	153
Year-to-Year Change	-19.3%	24.0%	15.3%	12.0%	8.0%	7.5%

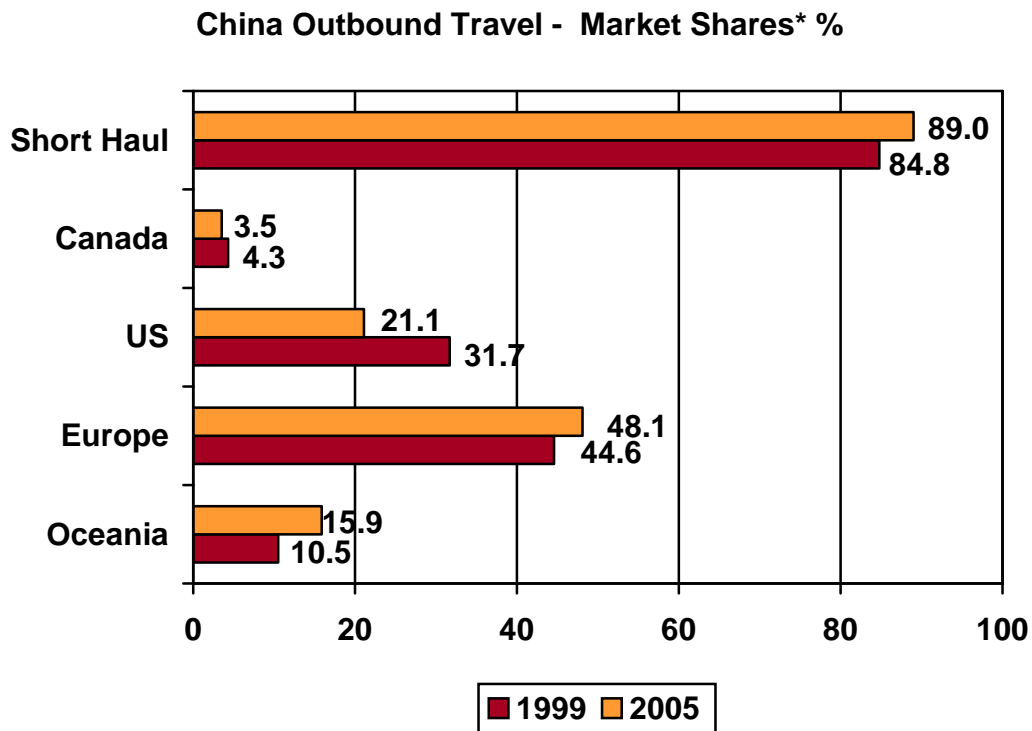
Airline Capacity from China

- Air capacity has increased 42% in 2005; A likely explanation for the increase is the bilateral air transport agreement signed in April.

	2001	2002	2003	2004	2005	2006
Air Seat Capacity (000's)	202.0	204.3	196.5	253.3	358.8	446.1
Year over year change	48.2%	1.2%	-3.8%	28.9%	41.7%	24.3%

Competitive Environment

- Canada, along with the US, have been losing market share (down, respectively, by 0.8 and 10.6 points) due to fierce competitors mainly from Europe (up 3.5 points) and Oceania (up 5.4 points);
- Short haul travel has also increased by 4.2 percentage points over 1999.



*Canada, US, Europe, and Oceania shares as a percentage of long-haul travel; Short haul share as a percentage of total outbound travel.

Source: Global Insight and Statistics Canada.

Financial Breakdown

	1997 (\$M)	1998 (\$M))	1999 (\$M)	2000 (\$M)	2001 (\$M)	2002 (\$M)	2003 (\$M)	2004 (\$M)	2005 (\$M)	2006 ((\$M)
CTC Program Budget Allocation¹	\$0.1	\$0.1	\$0.1	\$0.1 ²	\$0.2 ³	\$0.2	\$0.05 ⁴	\$0.07	\$0.56	\$0.56
Partner Funding	\$0	\$0	\$0	\$0.1	\$0.1	\$0.05	\$0.05	\$0.19	\$0.29	\$0.36 ⁵
Total	\$0.1	\$0.1	\$0.1	\$0.2	\$0.3	\$0.25	\$0.1	\$0.26	\$0.85	\$0.92

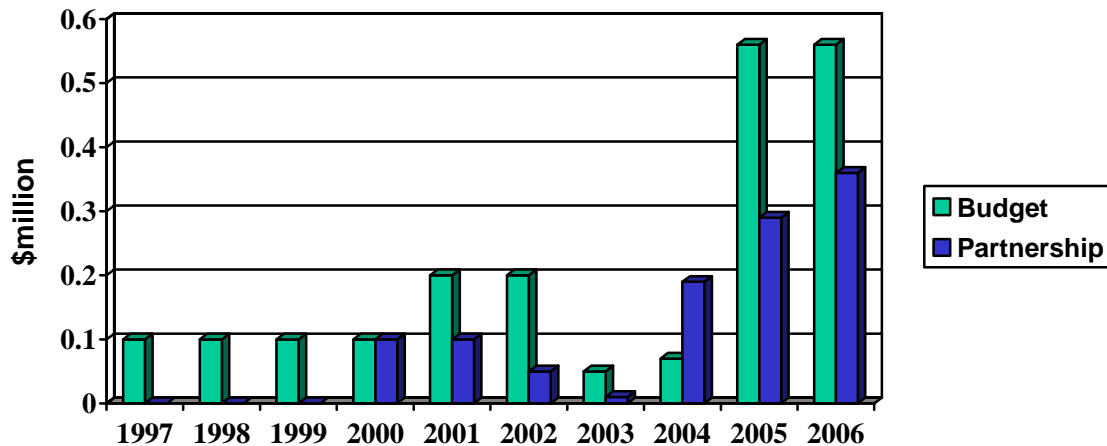
¹ Includes operating in-market as well as office rent and expenses.

² 9-month period due to new fiscal year timing

³ Transition year

⁴ Revised budget

⁵ Target



2006 Total China

<u>Program</u>	<u>Program/operating Compensation</u>	<u>Operating In-market</u> (Includes current office space rent)	<u>Compensation</u>	<u>Sub-Total</u>	<u>Total Budget</u>
\$563,700	56% / 43%	\$221,337	\$211,395	\$432,732	\$996,432

Partner Funding Analysis

	# of partners	Cash	In-kind	Total
2000/2001	12	\$57,400	\$19,695	\$77,095
2001	8	\$56,698	\$34,862	\$91,560
2002	6	\$32,040	\$14,600	\$46,640
2003	6	\$20,000	\$31,820	\$51,820
2004	11	\$40,000	\$151,601	\$191,601
2005	25	\$170,000	\$120,000	\$290,000

2005 Canadian/In-Market Partners

Canadian Partners		In-Market Partners		Non-Traditional		Total
Cash	In-kind	Cash	In-kind	Cash	In-kind	
\$160,000	\$120,000	\$10,000	\$0	\$0	\$0	\$290,000

Internet Usage

According to Internet World Stats (www.internetworldstats.com):

- World internet usage is estimated to be 1,023 M users, or 15.7% of the world population;
- Usage of the internet globally has grown 183% from 2000 to 2005;
- Usage of the internet in Asia / Pacific is estimated at 382 M or 10.3% of the total Asia / Pacific population;
- By region, internet usage in the Asia/Pacific is the highest in the world -- 37.4% of global internet users;
- Internet usage in Asia has grown 219% since 2000, and internet usage in Oceania has grown by 135% since 2000;
- 111 M people in China are internet users (8.5% of the population); usage has grown 393% since 2000;
- 29.0% of Asia/Pacific's internet users are from China.

Summary

- China's economy is the Asia/Pacific star performer; its growth has been resilient to the global economic slowdown and has overtaken France as the world's 5th largest economy;
- Economy is expected to continue expanding at high growth rates in 2006-2008; the rate of private consumption is expected to steadily increase (2006-2008);
- Overnight travel has recovered from 2003, increasing at double-digit rates in the two years following;
- Chinese travel to Canada is expected to continue on an upward trend with a projected growth of 12% in 2006;
- With the new air services agreement, we could see 66 frequencies per week between Canada and China;
- Air capacity – currently there are 35 flights per week between China and Canada;
- The 2005 Overseas MPA ranks China in 6th place.