

DRAFT



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Canadian Tourism Commission - Europe and Latin America Market Analysis

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**Canadian Tourism Commission
Travel to Canada from Europe and Latin America**

Executive Summary

What is the Big Picture?

Europe & Latin America

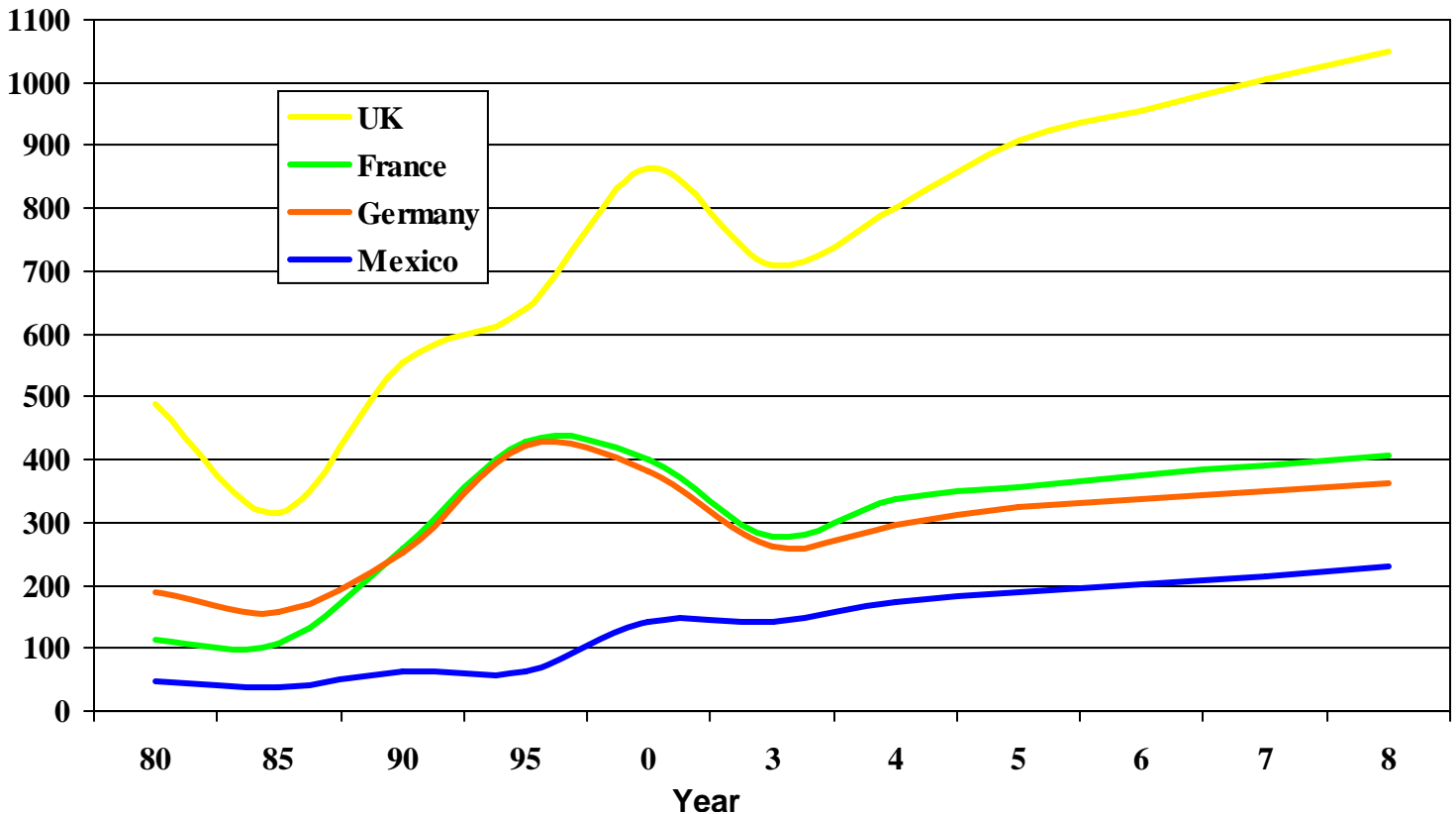
- Target audience 25 – 64: 156.5M
- By 2010, target audience forecast: 164.6M
- Total outbound travel: 187M
 - Short-haul travel: 162M
 - Long-haul travel: 25M
- Canada's market share of long-haul: 7%
- Total spend in Canada: \$2.4B
- The largest volume of travellers in the world originates from Europe
 - 56.5% of global tourism or 431.3M travellers (WTO, 2005)
- MPA rankings
 - UK #1
 - Mexico #4
 - France #7
 - Germany #8

The UK Market at a Glance

- \$1,279M in receipts
- 3rd most populous European country
- 13M long-haul outbound travellers
- 906K overnight trips to Canada
- Ranked #1 in overseas MPA in 2005 steady from 2001
- Travel to Canada focused on Spring (27%) and Summer (42%)
- Despite slower growth, the economy is one of the strongest in Europe
- Inflation, interest rates, and unemployment remain low
- Shared language and culture
- Excellent air capacity but expected to tighten in 2006
- Higher than European average per-person trip spending at \$1,392

How is the UK Performing?

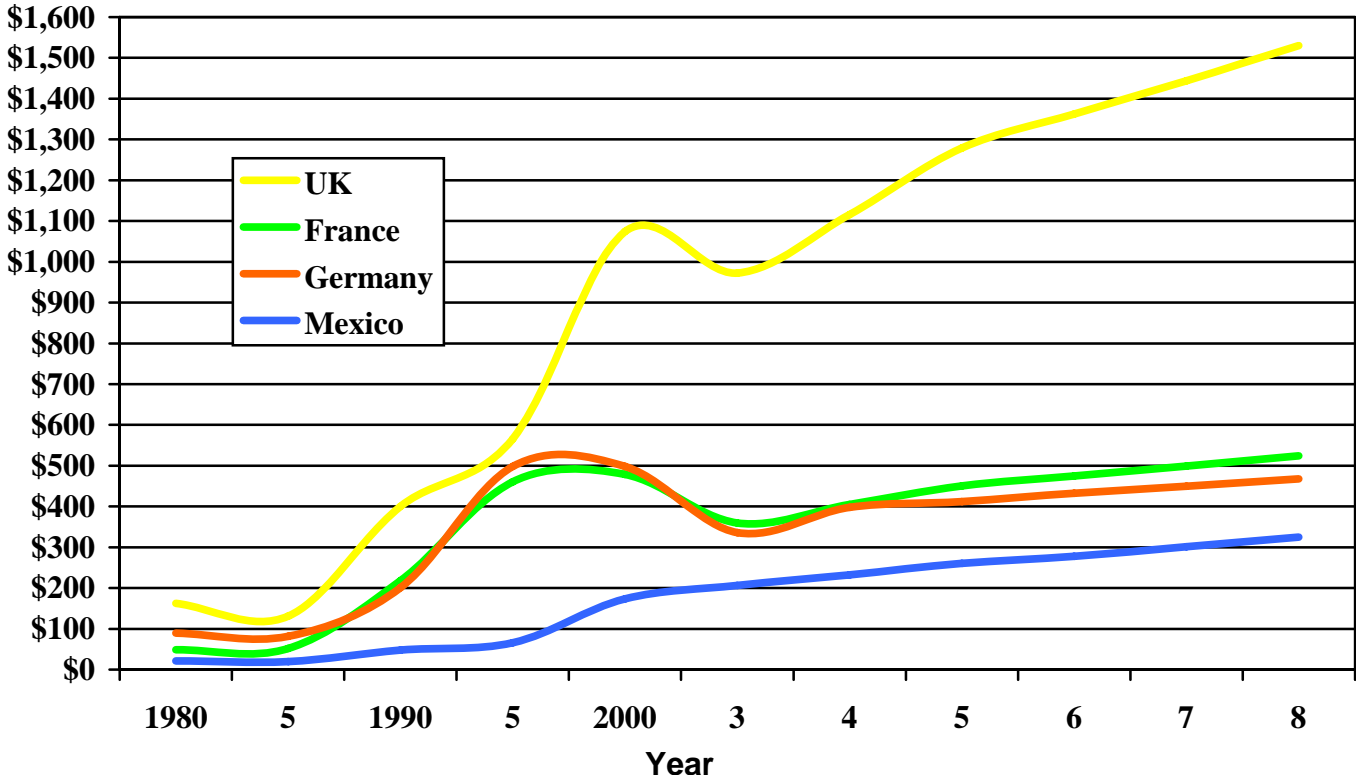
(By overnight trips)



* Note that trend may seem exaggerated in the first part of the graph due to a change in scale between 1980 to 2000 and 2003 to 2008.

How is the UK Performing?

(By overnight receipts (\$B))

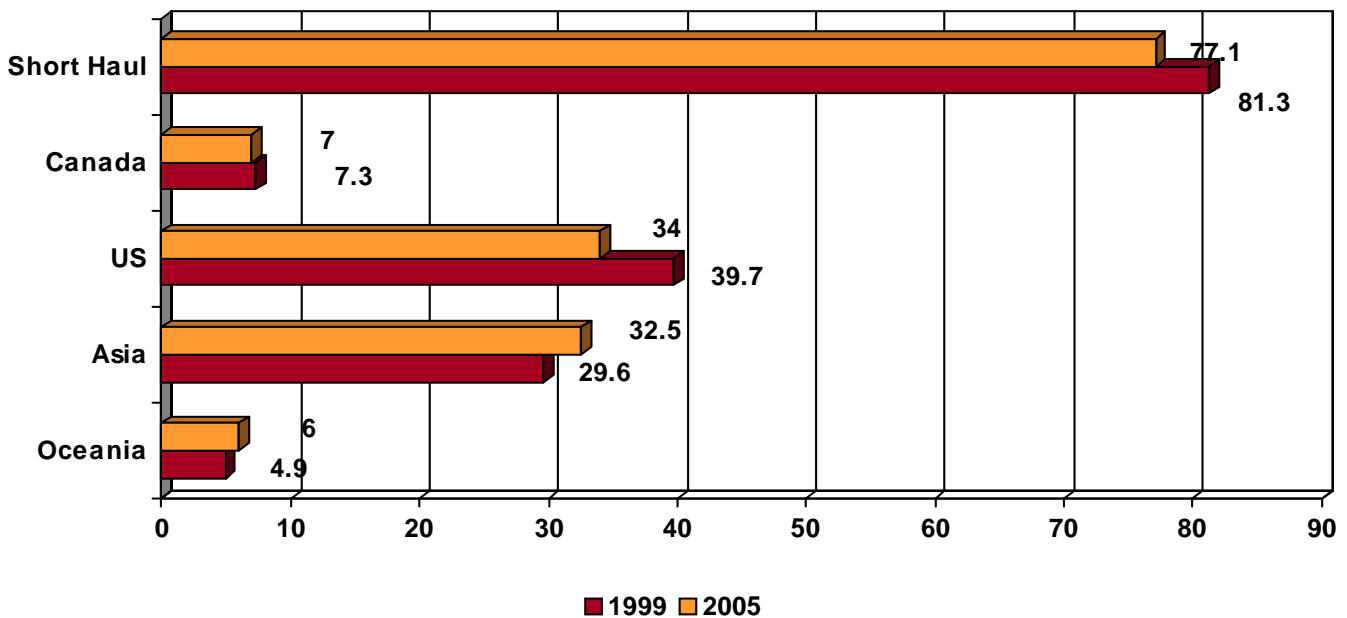


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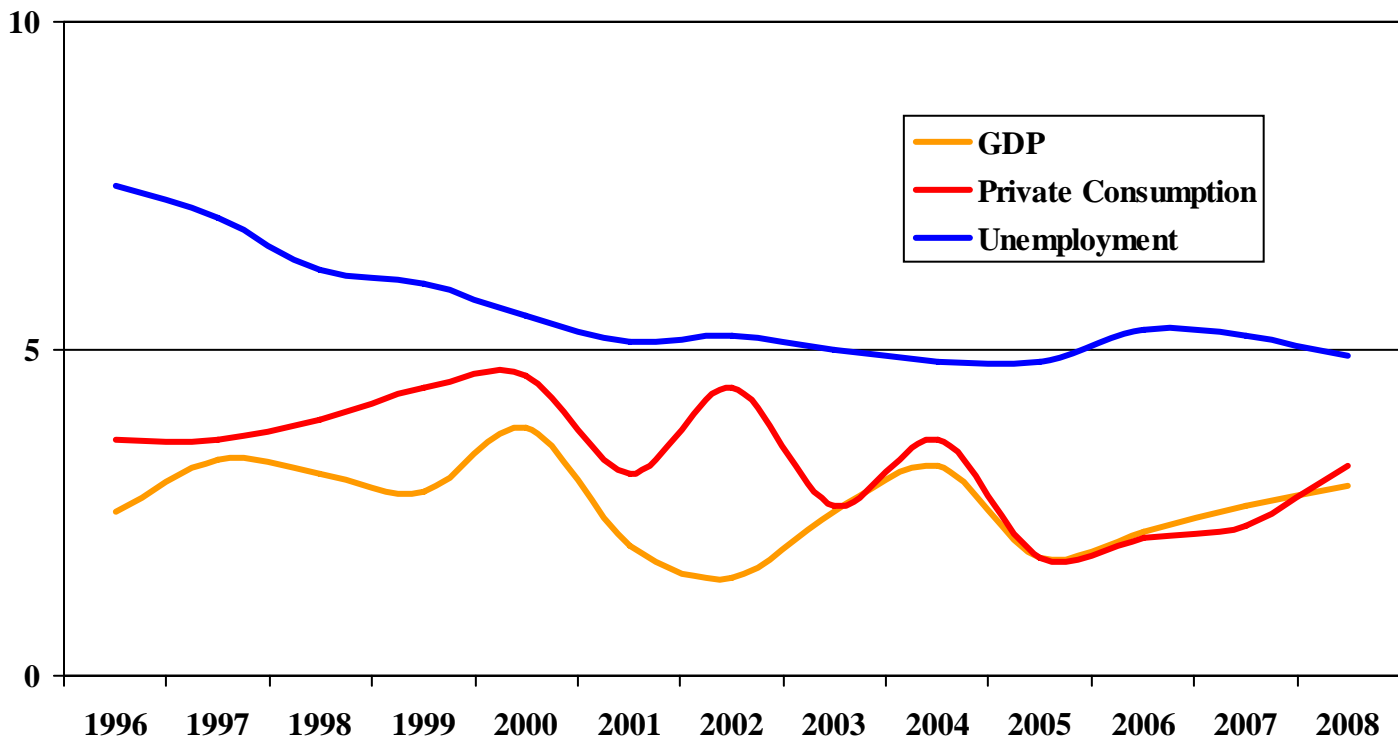
How is the UK Performing?

(By market share)

United Kingdom Outbound Travel - Market Shares %



What is the UK's Economic Outlook?



SWOT Analysis

Strengths:

- Good infrastructure, English speaking
- Safe and clean
- Great city break
- North American Style Accommodation
- Canadian Hospitality
- Excellent winter product
- Ancestral connection

Weaknesses:

- Canada has no personality
- Perceived as cold and boring. Too conservative
- Empty icons. Vast and desolate.
- Not known for cultural attractions. « Canada is not on the map »
- Canada is considered a “dream destination”

Opportunities:

- Further develop soft adventure product
- New trends (wellness, spiritual awakening, self rewarding activities)
 - Eg. spa - golf - aboriginal tourism
- Canada as a “green” destination
- Aging population with sophisticated needs

•Threats:

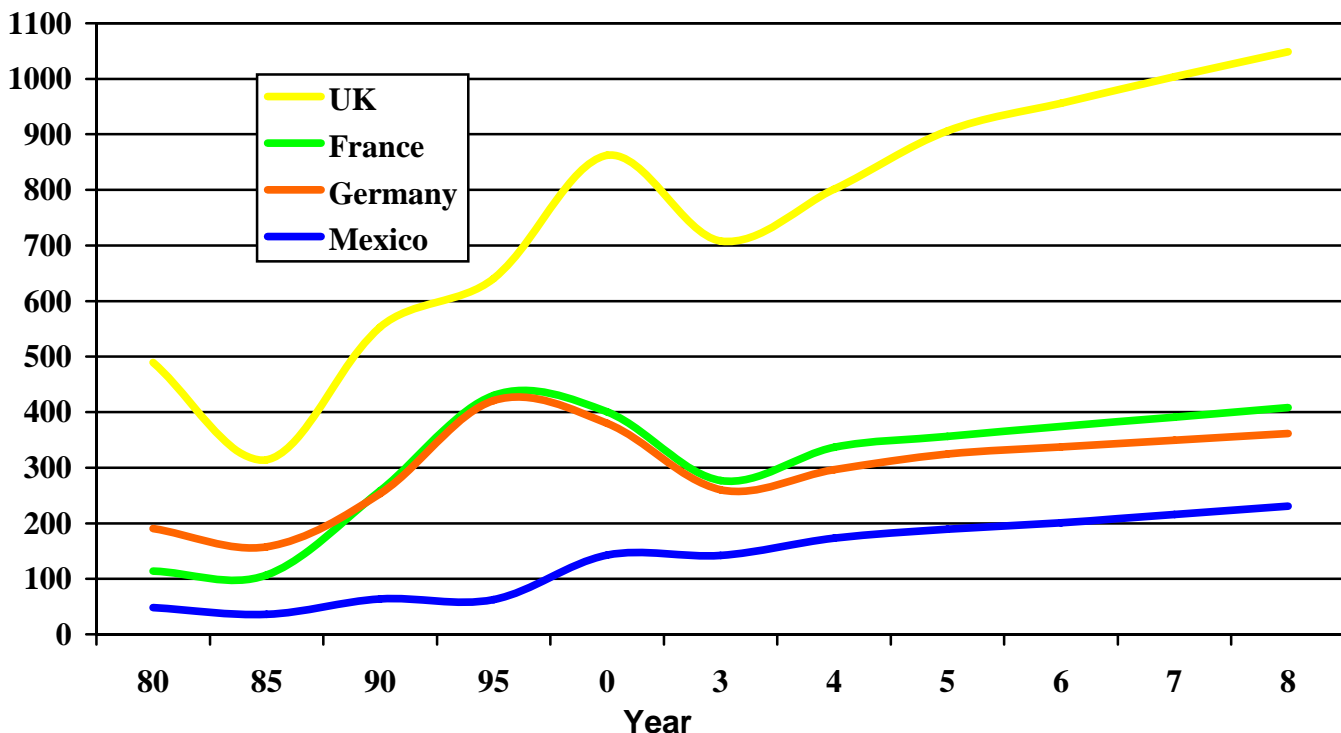
- Strong cdn \$
- “Old image” boring.
- Emerging new “hot spots”. Seen as new & unique. Threaten market share.
- Increase in overnight travel worldwide but Canadian share is not increasing proportionally.
- Increasing outspend by competitors,
 - diminishing share of voice.
- Canada holds 3% SOV in 2005 which translates into actual expenditures of 1,065,000 GBP. Ireland has 10% (4,962,000 GBP), Spain (3,995,000 GBP) and Australia (3,792,000 GBP) each have 10%.

France at a Glance

- \$450M in receipts
- Almost 5.3M long-haul travellers
 - Recovery of long-haul in past 2 years
- 356K overnight trips to Canada
- Improving share of France's long-haul outbound
 - Recovered to almost 7% in 2005
- Significant increase in under 35 year olds since 2002
 - 43% of total visitation
- Ranked #7 by overseas MPA, down from #4
- Sluggish economy
- High unemployment
- Growing government deficit
- French language and cultural connection with Canada
- Lower than European average per-person trip spending at \$1,202
- Travel to Canada focused on Spring (20%) and Summer (51%) but growing in Fall (17%)

How is France Performing?

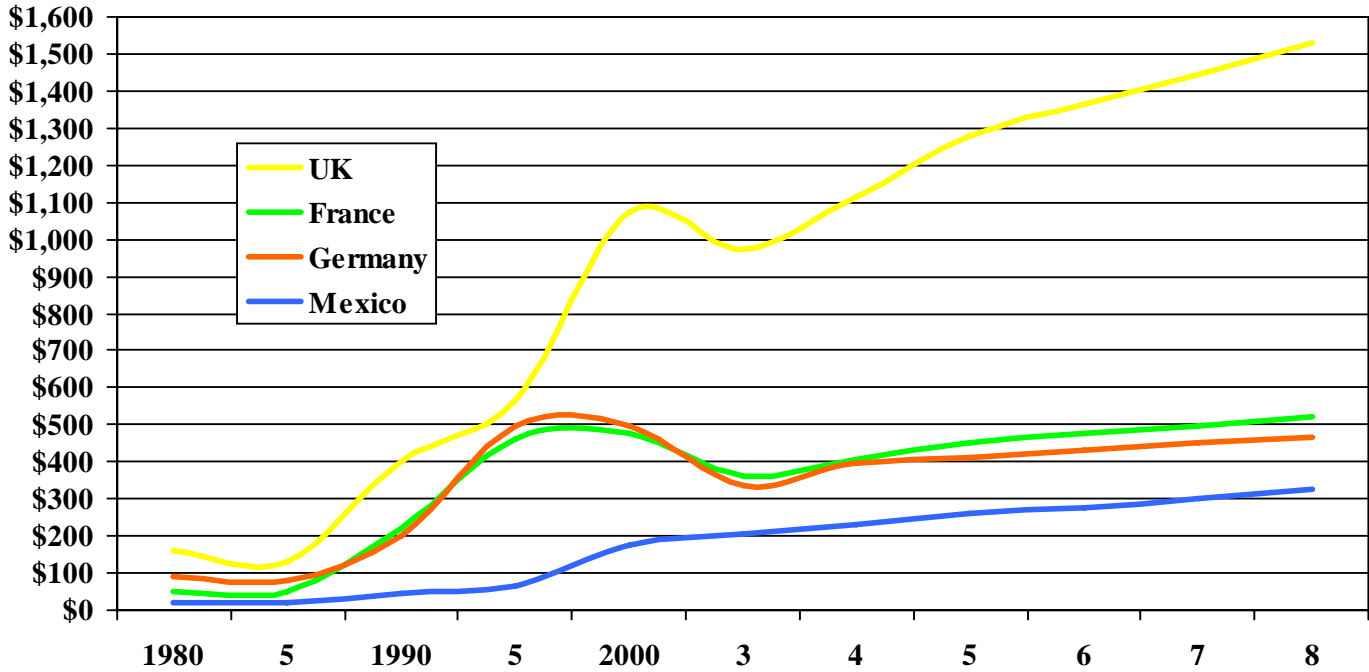
(By overnight trips)



* Note that trend may seem exaggerated in the first part of the graph due to a change in scale between 1980 to 2000 and 2003 to 2008.

How is France Performing?

(By overnight receipts (\$B))

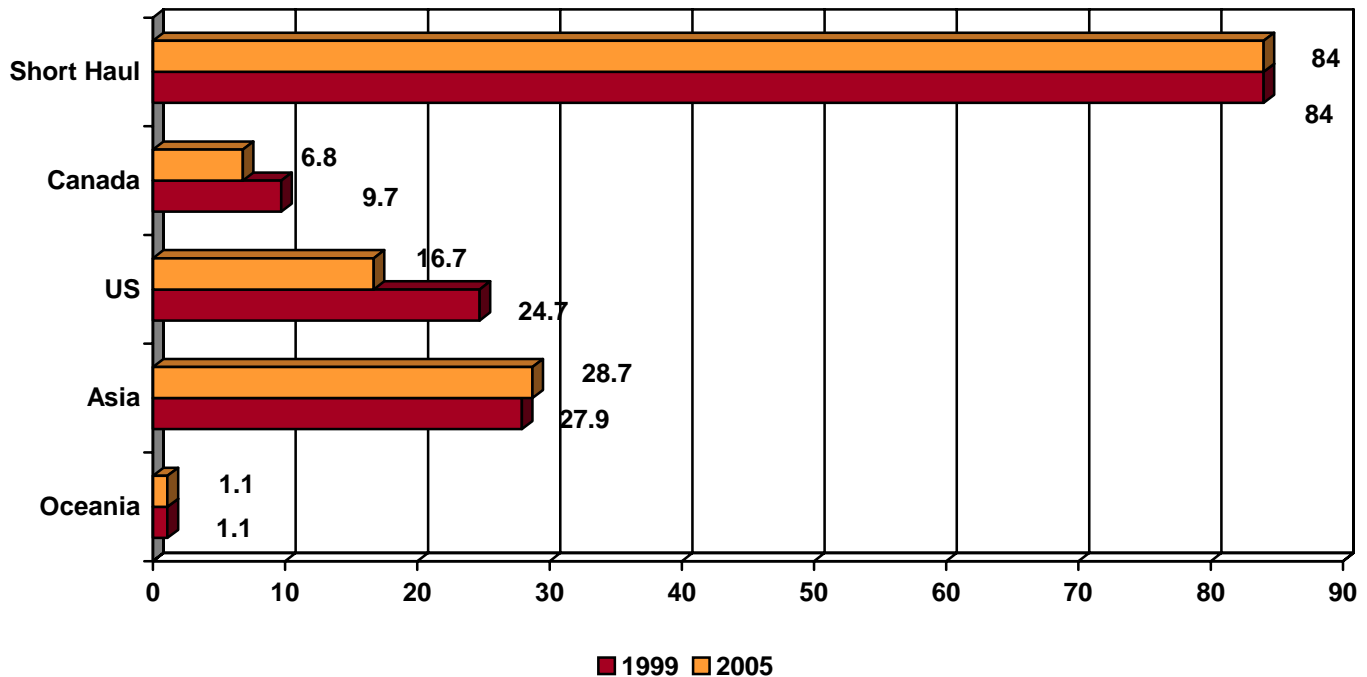


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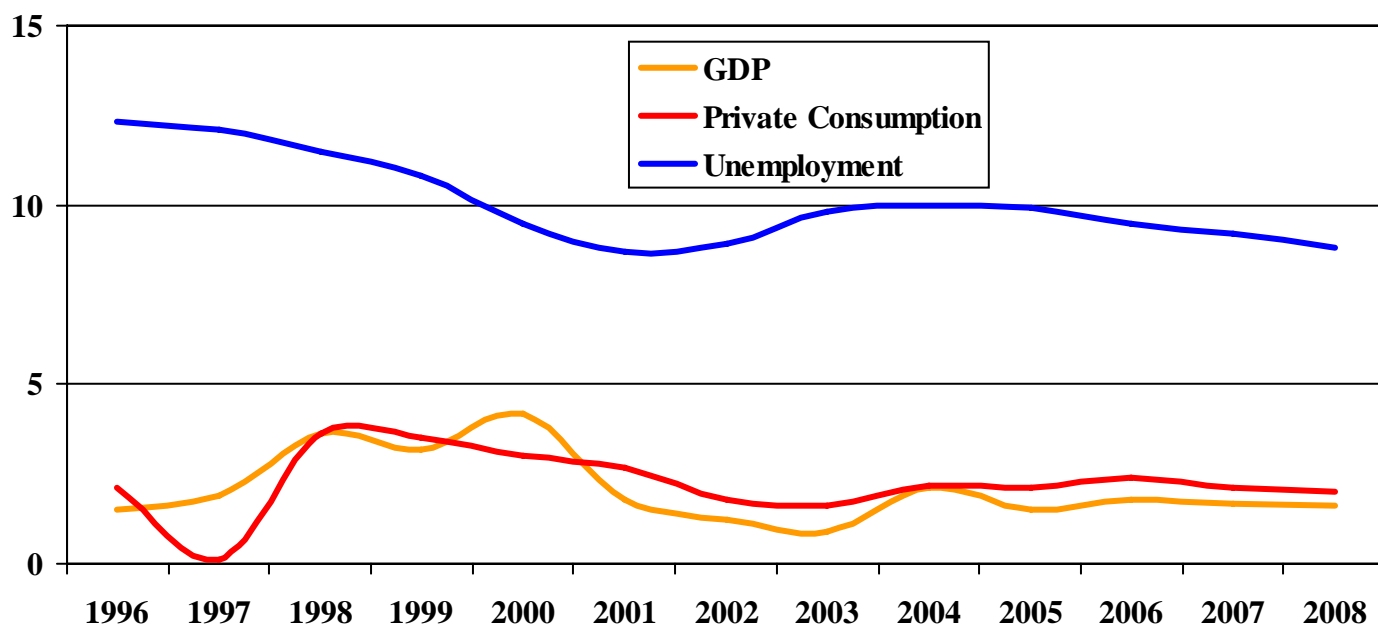
How is France Performing?

(By market share)

France Outbound Travel - Market Shares %



What is France's Economic Outlook?



SWOT Analysis

Strengths:

- Open spaces and young cities, accessibility and respect for the environment
- Welcoming population
- Good infrastructure offering value for money
- Safety and security

Weaknesses:

- Negative perception of the climate
- Perception that Canada is boring, neutral and monotone
- Size of country - accessibility between big cities of East and West
- Canada is considered a “dream destination”

Opportunities:

- Strong presence in media of Canadian artists
- France's aging population and early retirements – increased leisure time
- Access and increased use of Internet
- USA - VISA Requirements
- Network of Canada Specialists

Threats:

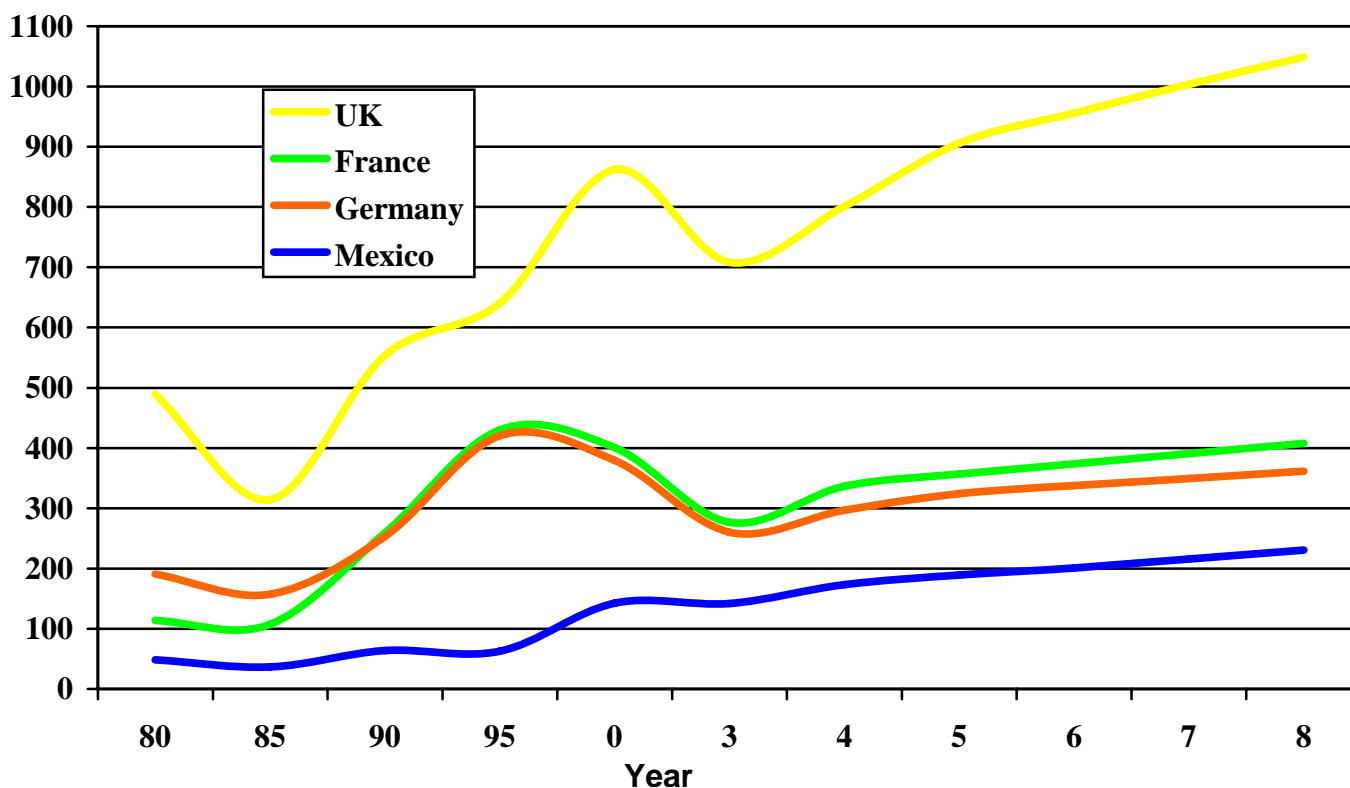
- USA – VISA Requirement
- With weak US\$, USA perceived as less expensive than Canada
- Europeanization, desire to discover new member states of EU
- Constant search for discounted fares
- Increase in overnight travel worldwide but Canadian share is not increasing proportionally
- Canada holds 2% SOV, which represents 1,085,000 Euro. Spain holds 18% (8,035,000 Euro), Greece (4,266,000 Euro) and Morocco (4,023,000 Euro) each hold 9%. Quebec alone holds 2% in 2005, which represents 900,000 Euro.

The German Market at a Glance

- \$412M in receipts
 - 3rd year of positive growth
- Almost 6M long-haul outbound travellers
- 324K overnight trips to Canada
 - 3rd year of positive growth
- Slight increase in Canada's share of the German market
 - From 5.2% to 5.4%
- Ranked #8 in overseas MPA, up from 9th in 2001
- Travel to Canada focused on Spring (26%) and Summer (53%)
- Germany's economy has been struggling for several years
 - Unemployment at about 10% but expected to slightly decrease in 2007
- Public confidence and level of private consumption reached the highest levels since the reunification
- Germany's deficit above European Union targets
- Per-person trip spending similar to European average

How is Germany Performing?

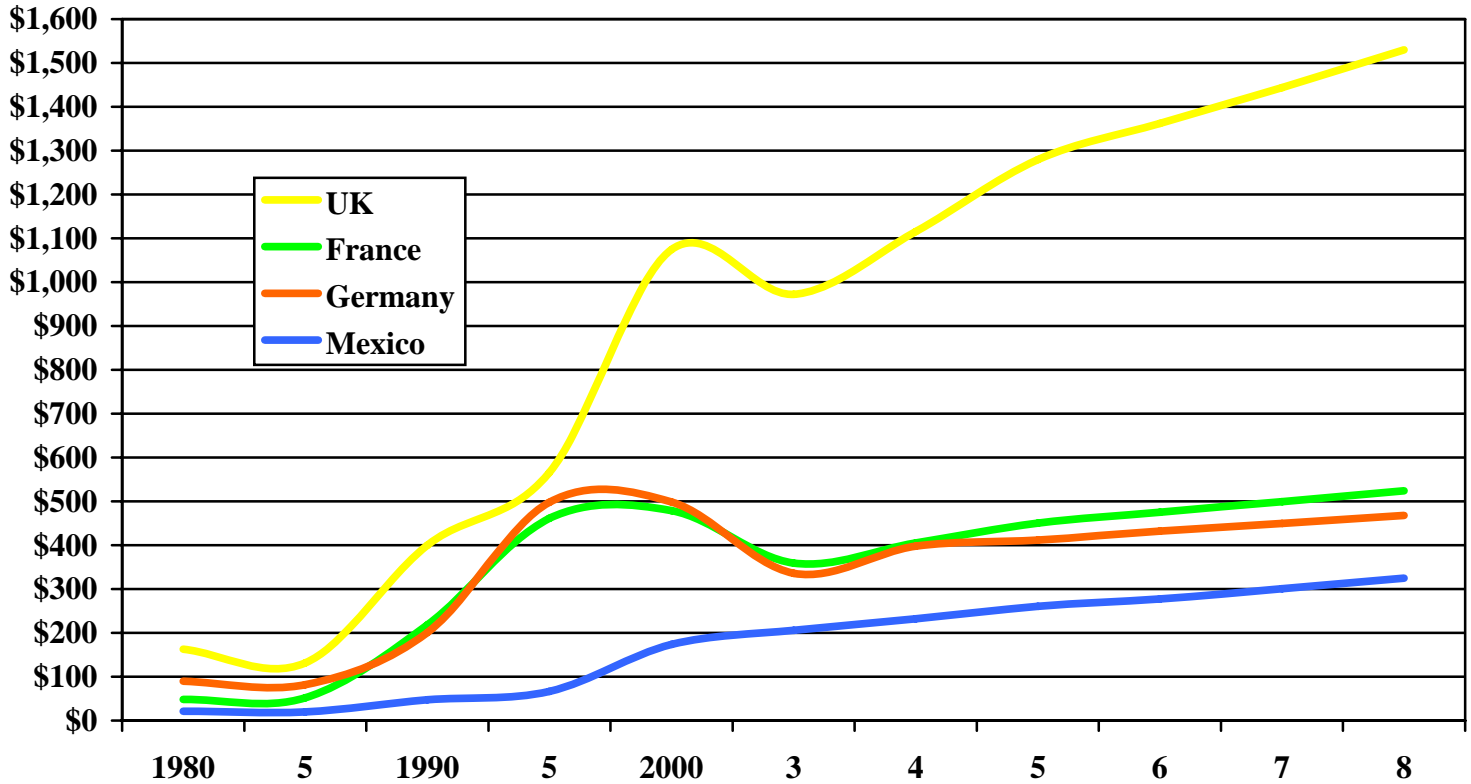
(By overnight trips)



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How is Germany Performing?

(By overnight receipts (\$B))

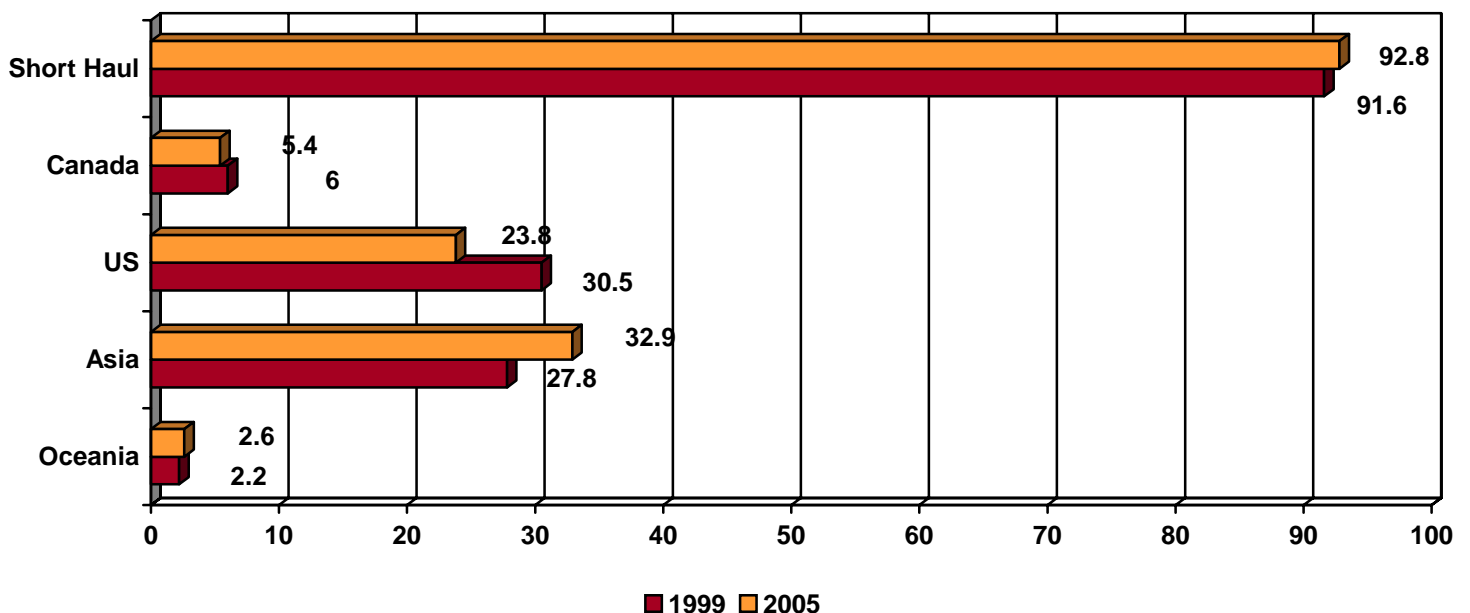


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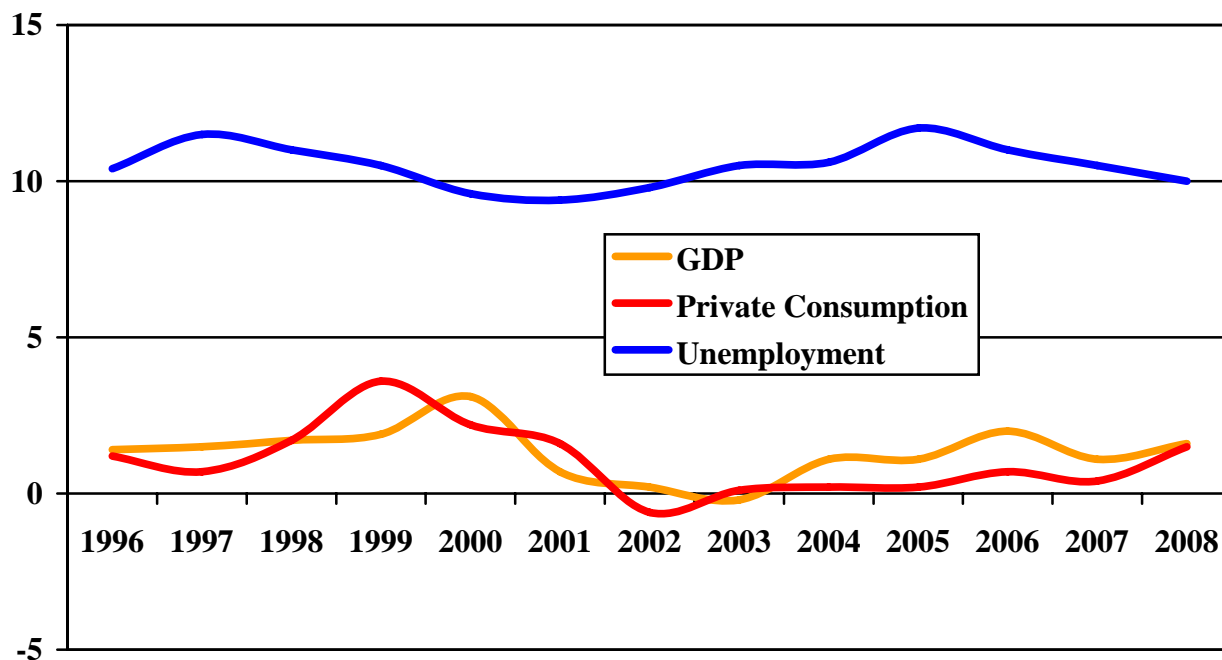
How is Germany Performing?

(By market share)

Germany Outbound Travel - Market Shares %



What is Germany's Economic Outlook?



SWOT Analysis

Strengths:

- Good infrastructure
- Safe and clean
- Nature close to cities
- Hospitality
- Excellent winter product
- Good tour operator offer in the market

Weaknesses:

- Perceived as cold and boring
- Lack of icons and cultural attractions
- « Canada is not on the map »
- Canada is perceived as a “dream destination”

Opportunities:

- Perfect product match
- New trends (wellbeing)
- Aging population with sophisticated needs
- Excellent air access in summer
- Product variety

Threats:

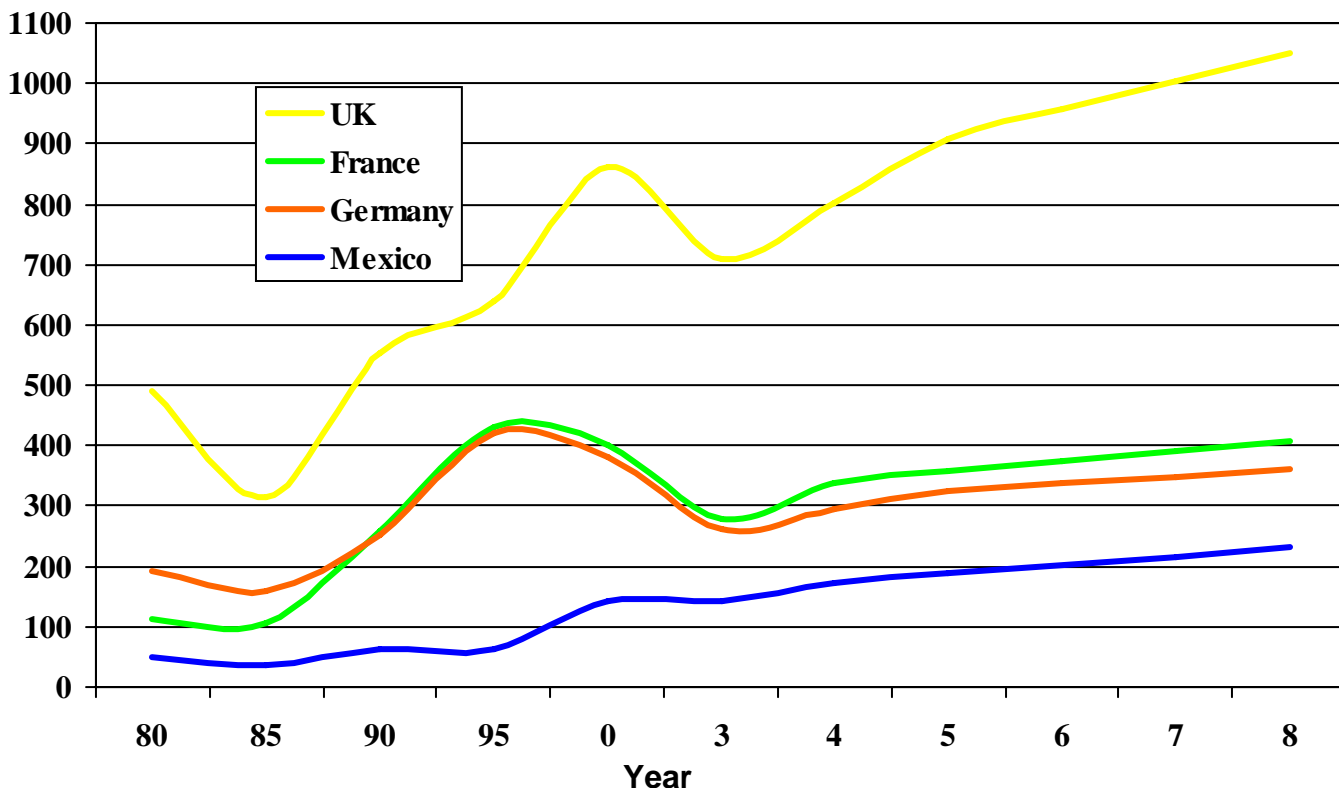
- Weak US\$
- Outspend by competitors
- Weak economy
- “old image”
- Increase in overnight travel worldwide but Canadian share is not increasing proportionally.
- Canada’s Share of Voice (SOV) has dropped considerably in Germany from 2004 to 2005. This is a progressive trend as the SOV was 43% in 2003, 28% in 2004 and 12% in 2005, which reflects budget cuts and represents expenditures of 701,000 Euros in 2005. Croatia holds 33% (1,891,000 Euro), Australia 19% (1,079,000 Euro) and China 15% (843,000 Euro).

Mexico at a Glance

- \$261M in receipts
 - 3rd year of growth
- Almost 1.3M long-haul outbound travellers
 - Grew almost 9% in 2005
- Canada's share of long-haul outbound travellers almost 15%
- 189K overnight trips to Canada
 - 3rd year of growth
- Ranked #4 in MPA ranking, up from 5th in 2001
- Mexico's economy experiencing healthy annual growth
- High level of unemployment
- Inflation, private consumption, and consumer confidence are all at positive, healthy levels
- Travel to Canada focused on Spring (32%) and Summer (47%)
- Per-person trip spending is higher than European average
 - \$1,376 per person-trip

How is Mexico Performing?

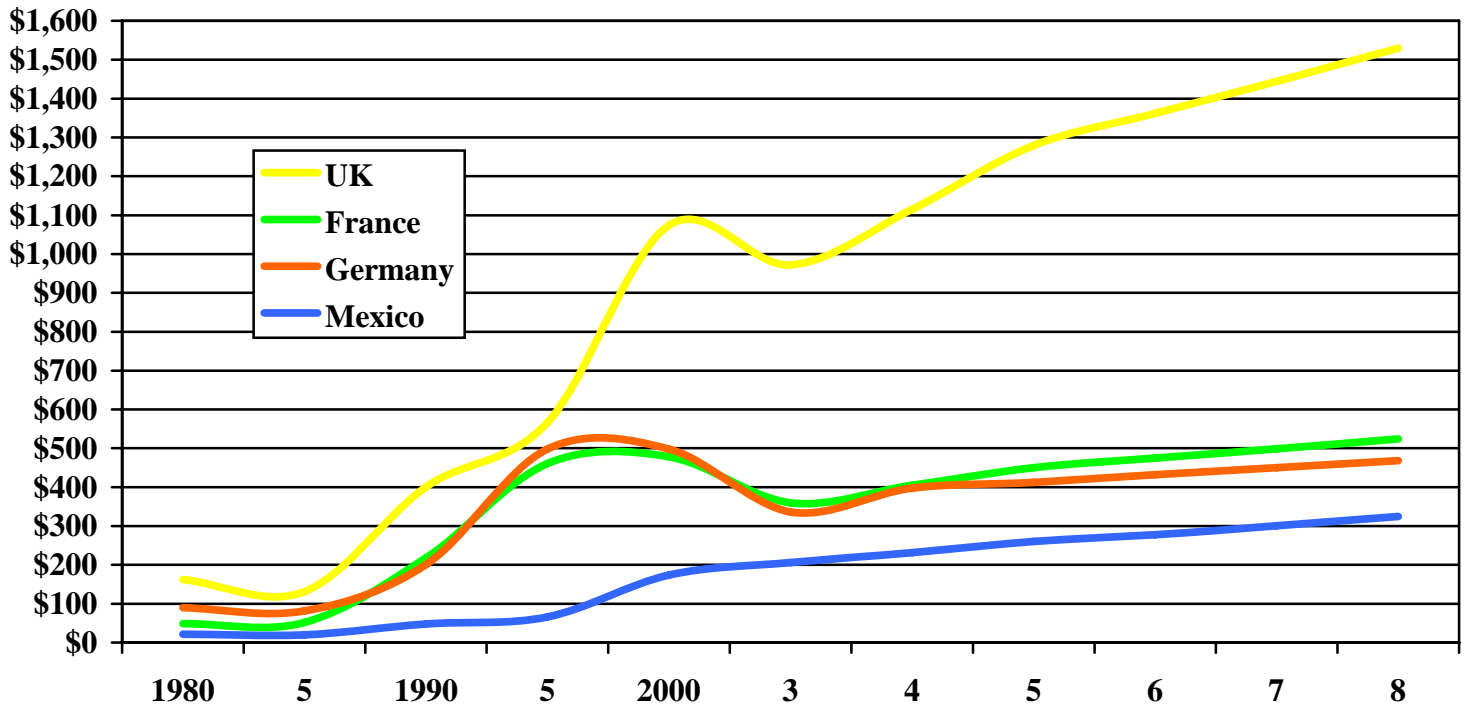
(By overnight trips)



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How is Mexico Performing?

(By overnight receipts (\$B))

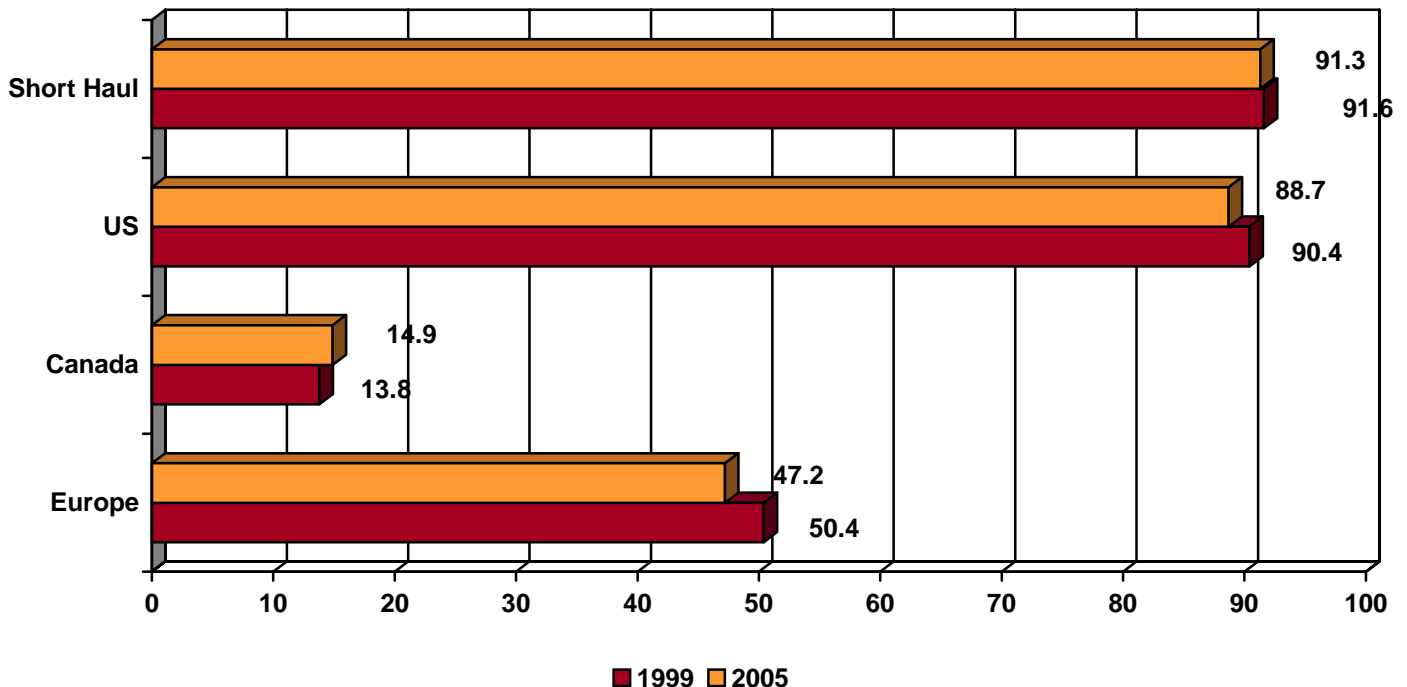


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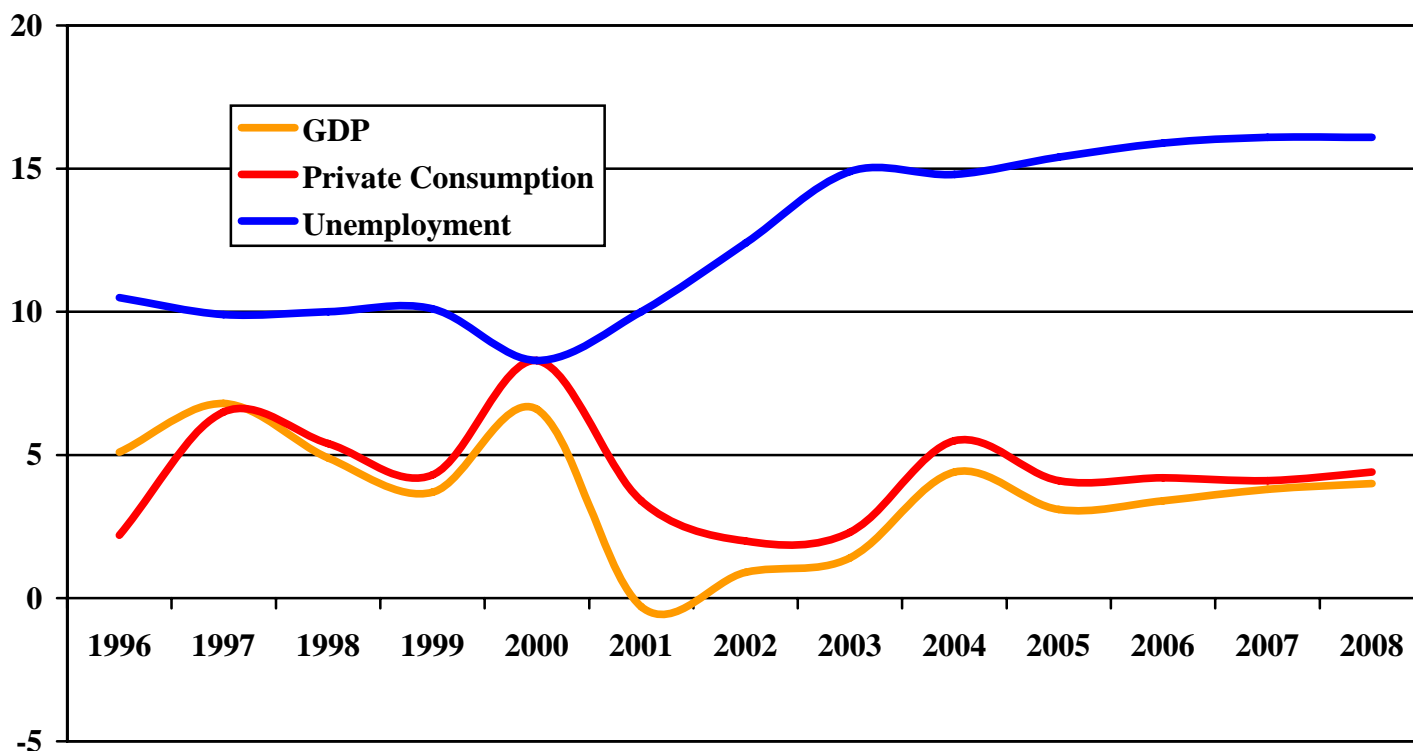
How is Mexico Performing?

(By market share)

Mexico Outbound Travel - Market Shares %



What is Mexico's Economic Outlook?



SWOT Analysis

Strengths:

- Travel to the United States is less appealing due to VISA requirements, less welcoming environment, safety and politics
- Canada is seen as the perfect first world country generating interest as a travel destination as well as lifestyle
- Friendly & safe

Weaknesses:

- Perceived as a cold, far, expensive, and outdoor activities destination. There is a lack of knowledge concerning activities that can be done.
- Canada not perceived as a shopping destinations which is an attraction for Mexicans
- Air capacity limitation, mostly during high seasons
- Considered a “dream destination”

Opportunities:

- Excellent partner support (traditional and non-traditional)
- Mexicans do not need visa to enter Canada. Mexicans do need visa to enter U.S. and some of the European countries
- Tour operators are increasing charter operation during high seasons

Threats:

- South America is the new popular destination and has been growing in recent years in Mexico.
- Air capacity
- 2006 year of Presidential elections and World Soccer Cup
- The exchange rate Vs. US dollar is no longer a benefit
- Increase in overnight travel worldwide but Canadian share is not increasing proportionally.
- Canada holds 9% Share of Voice (SOV), which represents 2,821,000 Peso in 2005. Mexico itself holds 30% SOV (10,667,000 Peso), followed by Panama with 22% (7,955,000 Peso) and the US 19% SOV (6,702,000 Peso)



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Europe & Latin America Detailed Market Analysis

United Kingdom

Economic Environment

| THE UNITED KINGDOM ECONOMY | | | | | | | | | | |
|-----------------------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| GDP | 2.4% | 3.1% | 2.0% | 1.5% | 2.5% | 3.2% | 1.8% | 2.2% | 2.6% | 2.9% |
| Private Consumption | 3.1% | 2.1% | 3.1% | 4.4% | 2.6% | 3.6% | 1.8% | 2.1% | 2.3% | 3.2% |
| Unemployment Rate | 6.0% | 5.5% | 5.1% | 5.2% | 5.0% | 4.8% | 4.8% | 5.3% | 5.2% | 4.9% |
| Inflation Rate | 1.6% | 2.9% | 1.8% | 1.8% | 1.4% | 1.3% | 2.0% | 1.9% | 1.7% | 2.0% |
| Exchange Rate (\$Cdn/pound) | 2.404 | 2.249 | 2.232 | 2.361 | 2.294 | 2.384 | 2.208 | 2.205 | 2.332 | 2.327 |
| Year-to-Year Change | -4.0% | -13.7% | 1.5% | 6.7% | 7.0% | 2.1% | -5.8% | 2.6% | 7.9% | 0.6% |

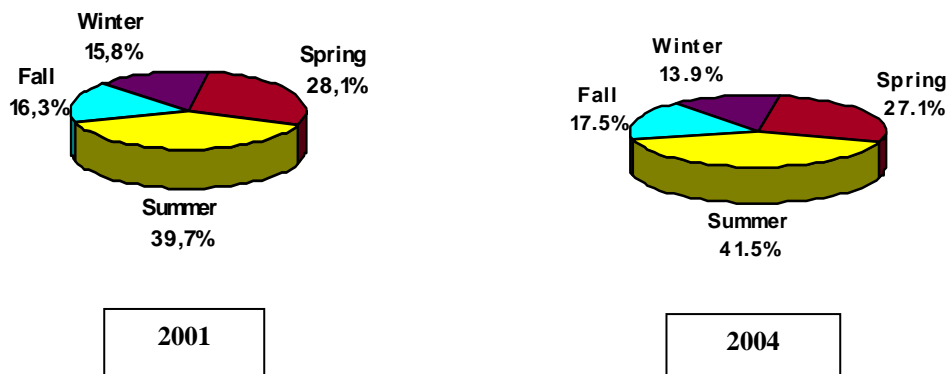
- After an economic dip in 2005, the economy is expected to gather strength over the next few years.
- Private consumption is also expected to improve through 2008.
- Unemployment is remaining manageable
- Inflation is low and under control
- A strengthening Canadian dollar to the UK pound makes travel to Canada slightly less attractive although the rate is still very favourable for the UK

Travel Trends & Characteristics

| LONG-HAUL OUTBOUND TRAVEL FROM THE UNITED KINGDOM | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Long-Haul Outbound Trips ('000) | 10,707.0 | 11,985.6 | 11,397.8 | 11,386.9 | 11,396.5 | 12,530.6 | 12,994.3 |
| Year-to-Year Change | | 11.9% | -4.9% | -0.1% | 0.1% | 10.0% | 3.0% |
| Overnight Trips to Canada ('000) | 780.3 | 862.3 | 826.1 | 721.0 | 690.8 | 801.2 | 906.2 |
| Year-to-Year Change | | 4.4% | 10.5% | -4.2% | -12.7% | -4.1% | 16% |
| Canada's Market Share* | 7.3% | 7.4% | 6.6% | 6.2% | 6.6% | 6.3% | 7.0% |
| Receipts (\$M) | 1,121.4 | 1,074.1 | 1,026.5 | 992.6 | 945.2 | 1,115.5 | 1,279.3 |
| Year-to-Year Change | | 7.2% | -4.4% | -8.0% | -4.0% | -3.9% | 22.2% |

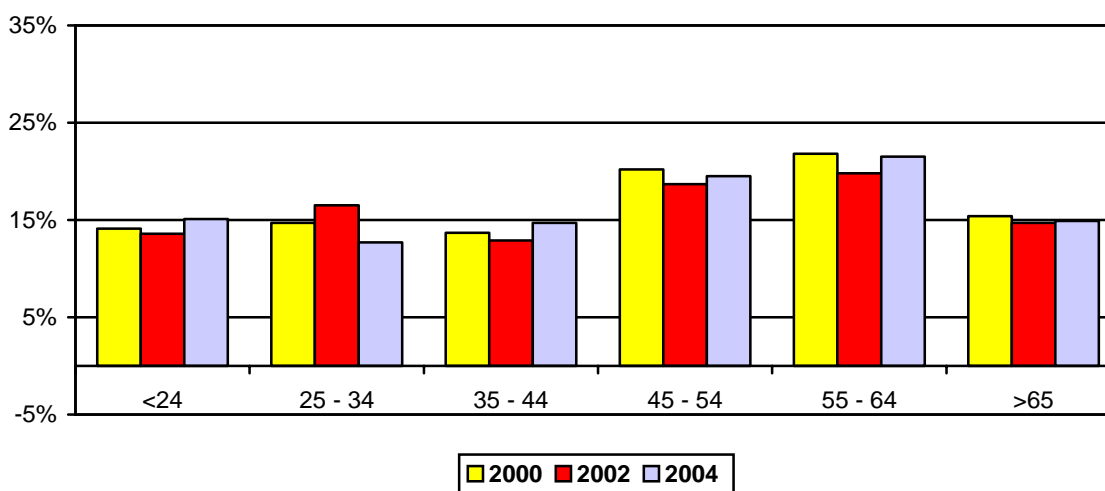
*Share of UK long-haul travel

- Canada lost market share as total long-haul outbound trips grew faster than Canada's share of this market although this turned around in 2005 with Canada gaining almost a full percent of the UK's long-haul outbound market.
- Long-haul is all travel outside of Europe, North Africa, and the Middle East
- UK travel to Canada was primarily for pleasure (53.4%); 31.8% are VFR, while business travel represented 9.6% and other purposes which include travel by students 5.3% of all British travel to Canada;
- According to Market Watch information, the British tend to seek a blend of cultural experiences and natural attractions and landscapes;
- Also according to Market Watch, Canada ranks as the # 3 dream destination following the US and Australia respectively.
- After making gains on 4-season travel, the British seem to have moved back to preferring to visit Canada in the summer;



- In 2004, the British spent on average \$1,392 per person-trip compared to \$1,243 in 2001 and \$1,121 in 1996; the 2004 European average was \$1,335;
- The average number of nights stayed increased moderately from 1996 and 2004, increasing from 11.1 nights to 12.2 nights in 2001, and reaching 12.76 nights in 2004; the average spending per night increased from \$85 to \$109 in 2004;

Overnight Leisure Travel Proportion by Age Range



- After a decline in the 45 and older group in 2002 (down 4% to 53%), this group grew again in 2004 to 56%. The 35 to 44 year-olds also increased in 2004, up 2% to almost 15% of visitors from the UK.

CTC Age and Niche Targets

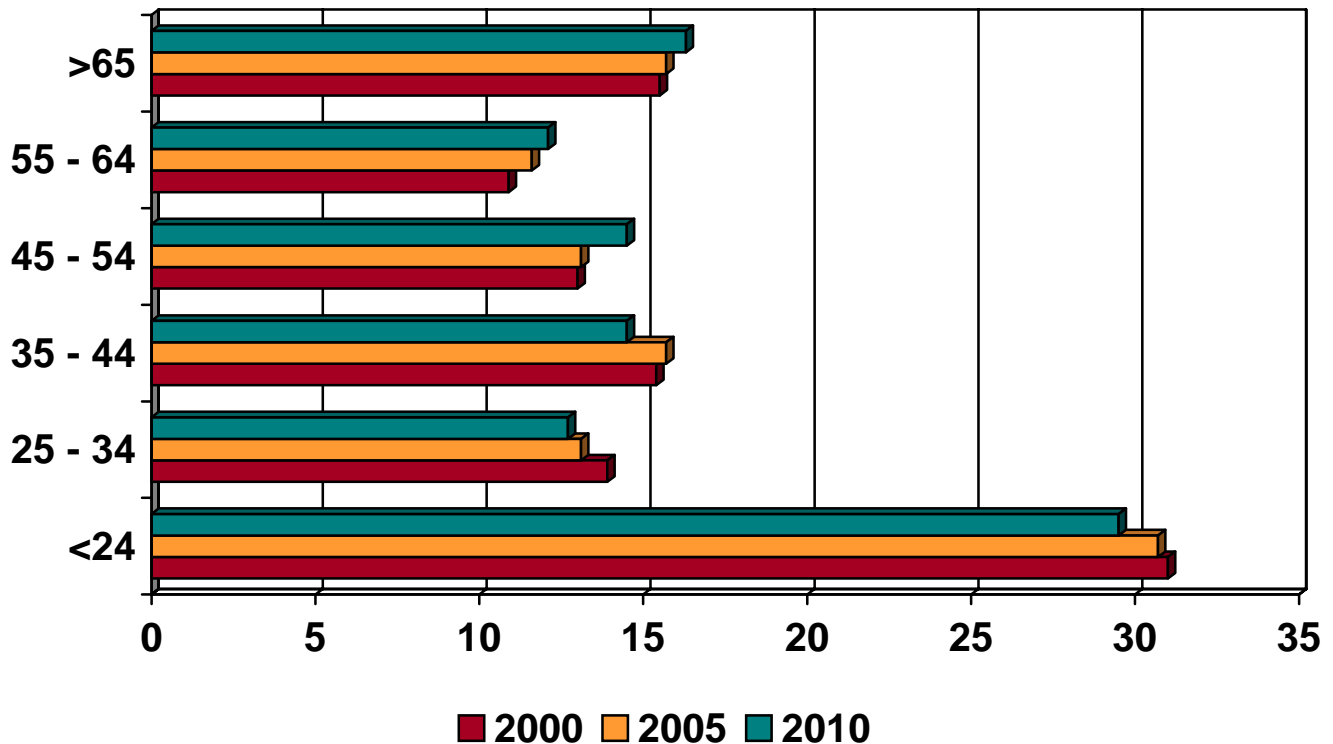
- 25-34 Youth Test Market
- 35-59 Main Market

Population Forecasts

- Population forecasts for the United Kingdom suggest that the population is aging; the proportion of British over 45 is expected to increase from 36% in 1996 to 43% by 2010.

| | 2000 (million) | 2005 (million) | 2010 (million) |
|--------------|----------------|----------------|----------------|
| <24 | 18.6 | 18.6 | 18.1 |
| 25 - 34 | 8.3 | 7.9 | 7.8 |
| 35 - 44 | 9.2 | 9.5 | 8.9 |
| 45 - 54 | 7.8 | 7.9 | 8.9 |
| 55 - 64 | 6.5 | 7.0 | 7.4 |
| >65 | 9.3 | 9.5 | 10.0 |
| Total | 59.9 | 60.5 | 61.3 |

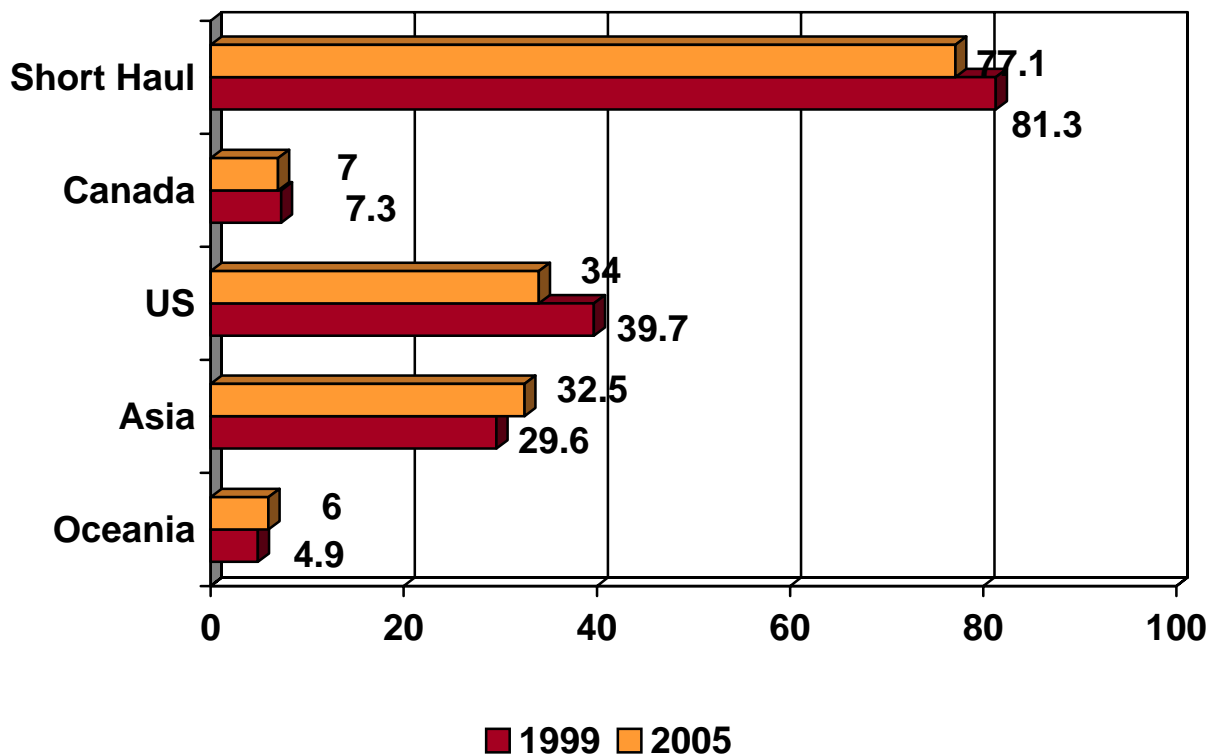
United Kingdom Population Forecasts %



Competitive Environment

- The British are increasing their share of long-haul outbound travel, with this trend expected to continue through 2010.
- Canada has been losing market share due to fierce competitors from all over the globe although the US has also lost market share since 1999.
- Based upon the Market Watch, the absolute percentage of unprompted awareness of Canadian ads did not change from 2004
 - Canada's rank awareness fell from 1st to 4th, while the United States moved from 3rd to 2nd and Australia was in 3rd place after not being mentioned previously
- As a dream destination, Canada fell from 2nd to 3rd
 - Australia moved from 3rd to 2nd and the United States remained in first place

United Kingdom Outbound Travel - Market Shares %



Internet Usage

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

- World internet usage is estimated to be 1,023M 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 the European Union is estimated at 230M or 50% of the European Union population
 - The European Union has 22.5% of global users and usage has grown 147% since 2000
- 37.8M people in the United Kingdom are internet users which is 63% of the population
 - The United Kingdom has 16% of the European Union's population of internet users and usage has grown 145% since 2000

Additional information regarding internet use in the United Kingdom:

- 39% of users have searched for travel information
- Men are more likely than women to book travel on the internet

Travel Forecast to Canada

- The CTC Business Outlook for the spring 2006 is forecasting an increase in bookings of between 5 and 20% compared to the same period in 2005.
- The Business Outlook also suggests that British travel is changing from traditional holidays towards more independent and adventurous ones.
- Travel from the UK is expected to continue with modest growth, at a rate somewhat higher than the other key European markets of France and Germany.
- In the Market Watch, the British expressed an increasing likelihood of travelling abroad over the next 3 years.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|-------|-------|-------|------|---------|-------|
| Overnight Trips to Canada ('000) | 690.8 | 801.2 | 906.2 | 956 | 1,003.8 | 1,049 |
| Year-to-Year Change | -4.1% | 16% | 9.9% | 5.5% | 5.0% | 4.5% |

Airline Direct Seat Capacity from the United Kingdom

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------|--------|---------|---------|-------|-------|-------|
| Air Seat Capacity (000's) | 1387.2 | 1,722.5 | 1,804.4 | 1,985 | 2,154 | 2,034 |
| Year over year change | -13.6% | 24.2% | 4.7% | 10% | 8.5% | -5.6% |

- After four years of solid gains, non-stop scheduled air seat capacity is expected to fall back somewhat in 2006.
- The CTC Business Outlook for spring 2006 is expecting direct air capacity from the UK to competing destinations to expand significantly during the second quarter of 2006, compared with 2005.

Financial Breakdown

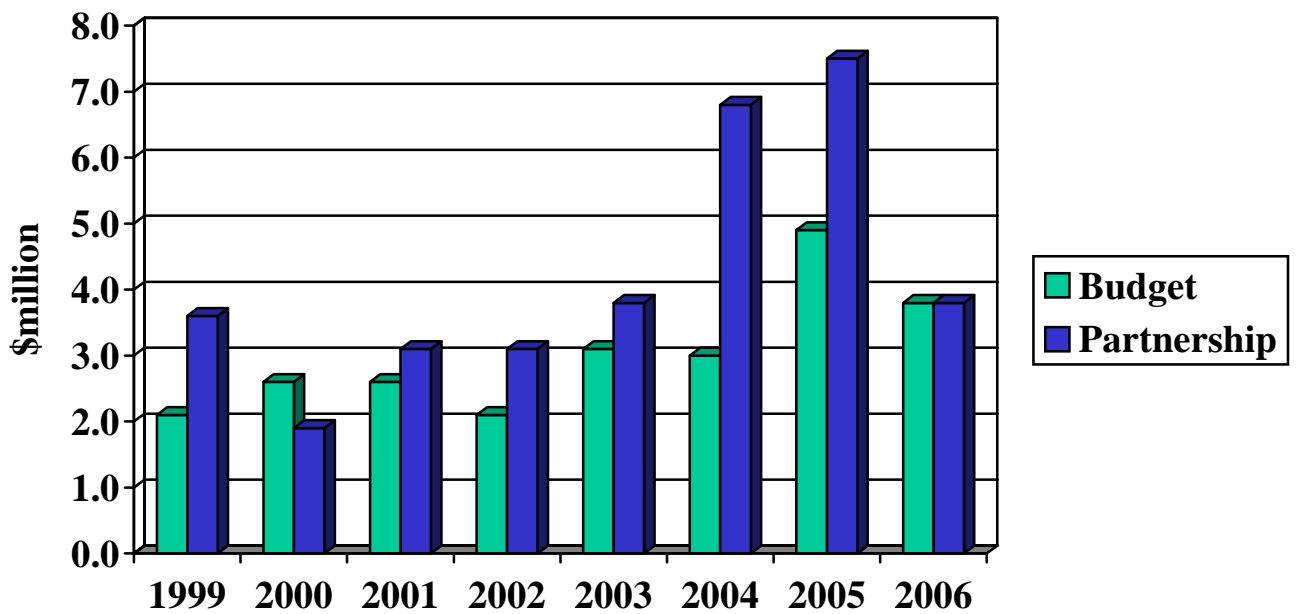
CTC versus Partner Funding

| | 1999 (million) | 2000 (million) | 2001 (million) | 2002 (million) | 2003 (million) | 2004 (million) | 2005 (million) | 2006 (million) estimate |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| CTC Program Budget allocation | \$2.1* | \$2.6**/** | \$2.6**/** | \$2.1* | \$3.1 | \$3.0 | \$4.9 | \$3.8 |
| Partnership Funding | \$3.6 | \$1.9 | \$3.1 | \$3.1 | \$3.8 | \$6.8 | \$7.5 | \$3.8 |
| Total | \$5.7 | \$4.5 | \$5.7 | \$5.2 | \$6.2 | \$9.8 | \$12.4 | \$7.6 |

* Includes DFAIT costs and salaries.

** 9 month period due to new fiscal year timing

*** Transition year



2006 Total United Kingdom (Estimated)

| Total Program | Program / Operating & Compensation | Operating In-market | Compensation | Sub-Total (Operating & Compensation) | Total |
|---------------|------------------------------------|---------------------|--------------|--------------------------------------|-------------|
| \$3,774,650 | 77% / 23% | \$446,880 | \$716,749 | \$1,163,629 | \$4,983,278 |

Partner Funding Analysis

| | # of partners | Cash | In-kind | Total |
|------------------|---------------|-------------|-------------|-------------|
| 2000/2001 | 70 | \$1,490,068 | \$456,377 | \$1,946,445 |
| 2001 | 111 | \$2,455,986 | \$608,549 | \$3,064,535 |
| 2002 | 96 | \$4,817,861 | \$2,018,570 | \$6,836,431 |
| 2003 | | \$3,047,000 | \$744,000 | \$3,791,000 |
| 2004 | 64 | \$5,085,959 | \$1,711,204 | \$6,797,163 |
| 2005 | 43 | \$4,292,244 | \$3,234,664 | \$7,526,908 |

2005 Canadian/In-Market Partners

| Canadian Partners | | In-Market Partners | | Total |
|-------------------|-------------|--------------------|-----------|-------------|
| Cash | In-kind | Cash | In-kind | |
| \$3,897,644 | \$2,709,672 | \$394,600 | \$524,992 | \$7,526,908 |

Summary

- The United Kingdom's economy is expected to rebound after dipping in 2005, with healthy growth expected over the next 3 years
- Overnight travel to Canada recovered in 2004 as British long-haul travel recovered.
- British long-haul travel is expected to continue with slow, healthy growth, as they seek more independent and adventurous holidays
- Per-person trip spending out of the UK to Canada remains above the European average
- Direct, scheduled air capacity is expected to fall in 2006, but should not be a concern. However, increasing capacity to competing countries could negatively impact Canada's market share.
- The UK is likely to continue as Europe's star performer with modest but healthy growth in travel to Canada
- The 2005 MPA ranks the United Kingdom in 1st place, similar to 2001.

France

Economic Environment

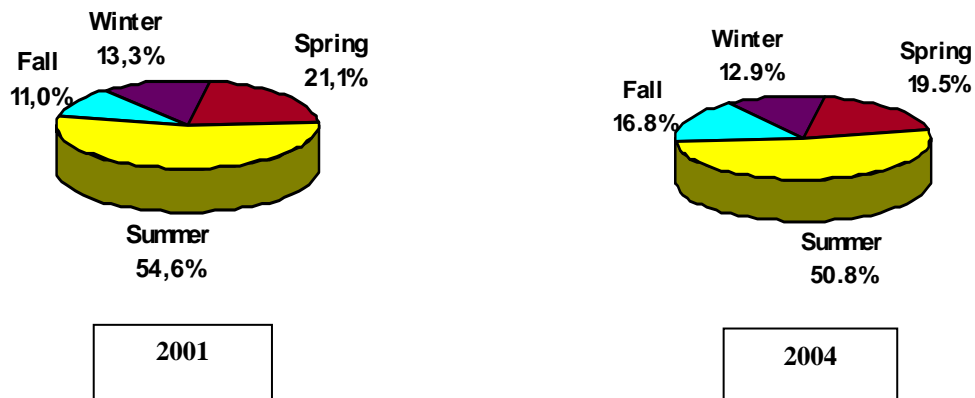
| THE FRENCH ECONOMY | | | | | | | | | | |
|----------------------------|-------|--------|-------|-------|-------|-------|-------|-------|--------|-------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| GDP | 3.2% | 4.2% | 1.8% | 1.2% | 0.9% | 2.1% | 1.5% | 1.8% | 1.7% | 1.6% |
| Private Consumption | 3.5% | 2.9% | 2.7% | 1.8% | 1.6% | 2.2% | 2.1% | 2.4% | 2.1% | 2.0% |
| Unemployment Rate | 10.8% | 9.5% | 8.7% | 8.9% | 9.8% | 10.0% | 9.9% | 9.5% | 9.2% | 8.8% |
| Inflation Rate | 0.5% | 1.7% | 1.6% | 1.9% | 2.1% | 2.1% | 1.7% | 1.9% | 1.9% | 1.7% |
| Exchange Rate (\$Cdn/Euro) | 1.584 | 1.368 | 1.388 | 1.481 | 1.584 | 1.617 | 1.523 | 1.401 | 1.388 | 1.388 |
| Year-to-Year Change | -4.0% | -13.7% | 1.5% | 6.7% | 7.0% | 2.1% | -5.8% | -4.0% | -13.7% | 1.5% |

- After a slight improvement in 2004, France's economy is expected to be sluggish over the next few years.
- High unemployment is dampening consumer sentiment.
- The CTC Business Outlook points to an inflating government deficit and required economic reforms as factors that could negatively impact France's economy.
- The Euro strengthened in 2004 but has fallen back lately. This could help improve France's economy but makes travel to Canada somewhat less attractive.
- As a member of the European Union, France will be expected to address and reform their current economic structure which could lead to weakness in the short term

Travel Trends & Characteristics

| LONG-HAUL OUTBOUND TRAVEL FROM FRANCE | | | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Long-Haul Outbound Trips ('000) | 4,287.9 | 4,878.9 | 4,844.9 | 4,717.7 | 4,455.0 | 4,981.3 | 5,260.6 |
| Year-to-Year Change | | 13.8% | -0.7% | -2.6% | -5.6% | 11.8% | 5.6% |
| Overnight Trips to Canada ('000) | 413.9 | 405.7 | 356.2 | 312.3 | 274.5 | 336.6 | 356.5 |
| Year-to-Year Change | | 3.2% | -2.0% | -12.2% | -12.3% | -12.1% | 22.6% |
| Canada's Market Share* | 9.7% | 8.3% | 7.4% | 6.7% | 6.2% | 6.7% | 6.8% |
| Receipts (\$M) | 522.5 | 478.5 | 435.4 | 374.3 | 365.1 | 404.9 | 450.2 |
| Year-to-Year Change | | -4.4% | -9.2% | -9.0% | -14.0% | -2.6% | 10.2% |

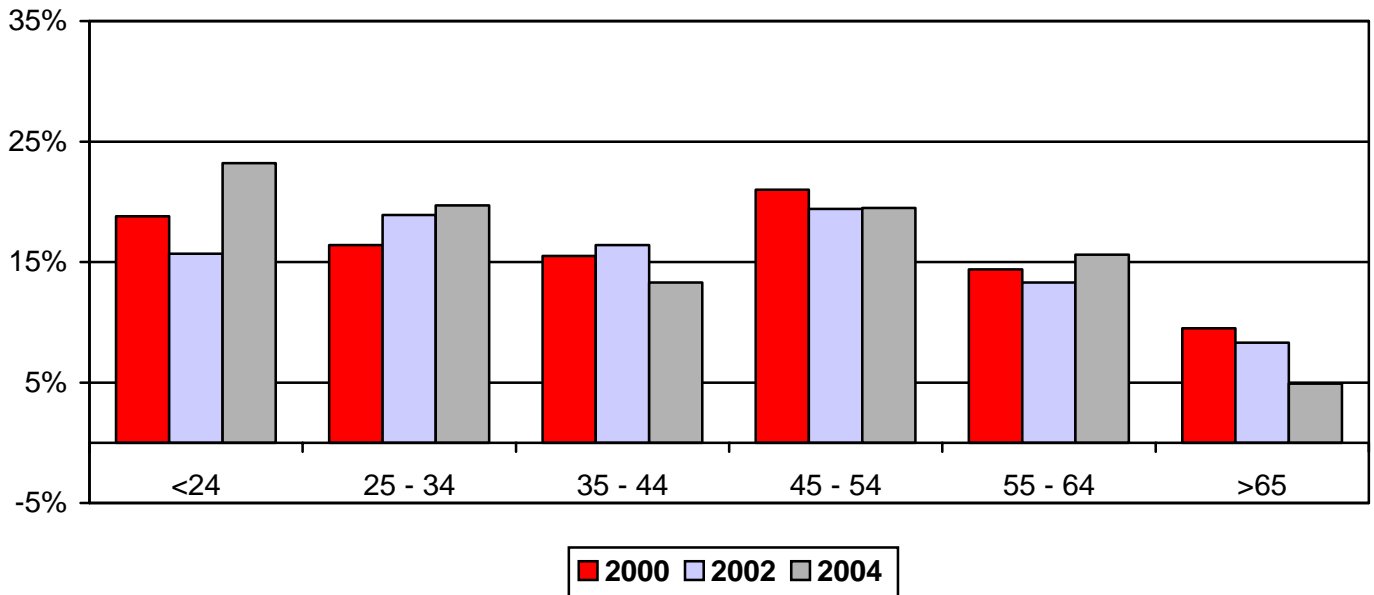
- Long-haul outbound travel from France has recovered over the past 2 years
 - Long-haul is all travel outside of Europe, North Africa, and the Middle East
- Canada's share of France's long-haul market experienced a decline through to 2003, but has begun recovering
- The French travel to Canada was primarily for pleasure (48.3%); 29.9% are VFR, while business travel represented 15.3% and other purposes which include travel by students 6.4% of all French travel to Canada;
- According to Market Watch information, the French tend to seek cultural experiences when they travel;
- While summer is still the peak season, pleasure travel seasonal patterns made significant inroads when compared to 1996 and 2001; significant gains were registered in the fall season;



- In 2004, French spent on average \$1,202 per person-trip compared to \$1,220 in 2001 and \$1,112 in 1996; the 2004 average is below the European average of \$1,335;
- The average number of nights stayed decreased to 14.5 nights, after increasing from 12.1 nights in 1996 to 14.7 nights in 2001; the average spending per night remained around the same at \$83;

Overnight Leisure Travel Proportion by Age Range

- Counter to population trends in France, Canada gained a significant increase in under 35 year olds in 2004, growing from 35% in 2002 to 43% in 2004. Visitation from people aged 65 and older has steadily dropped over the past 4 years.



CTC Age and Niche Targets

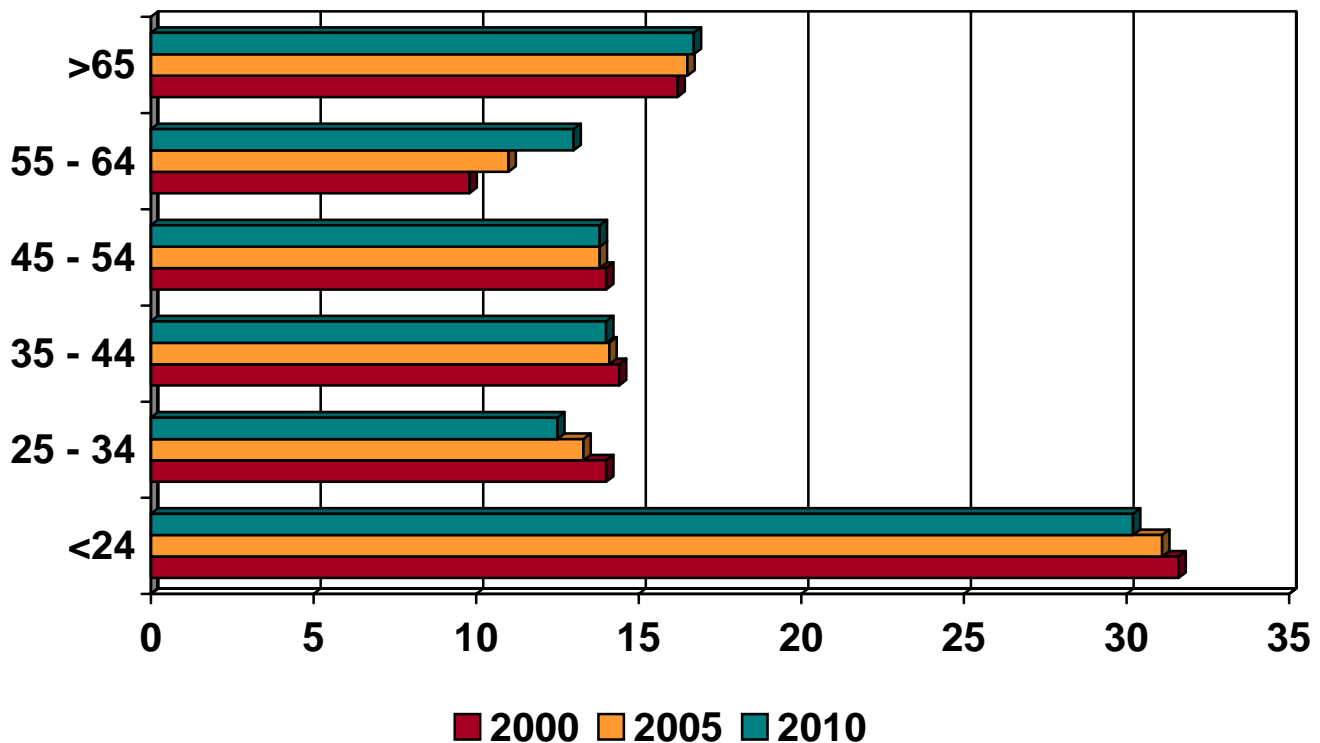
- 35 to 59
- Gays and Lesbians

Population Forecasts

- Population forecasts for France suggest that the population is aging; the proportion of French over 45 is expected to increase from 40.0% in 2000 to 42.5% in 2010.

| | 2000 (million) | 2005 (million) | 2010 (million) |
|--------------|----------------|----------------|----------------|
| <24 | 18.9 | 18.9 | 18.6 |
| 25 - 34 | 8.4 | 8.1 | 7.7 |
| 35 - 44 | 8.6 | 8.6 | 8.6 |
| 45 - 54 | 8.4 | 8.4 | 8.5 |
| 55 - 64 | 5.9 | 6.7 | 8.0 |
| >65 | 9.7 | 10.0 | 10.3 |
| Total | 59.9 | 60.7 | 61.6 |

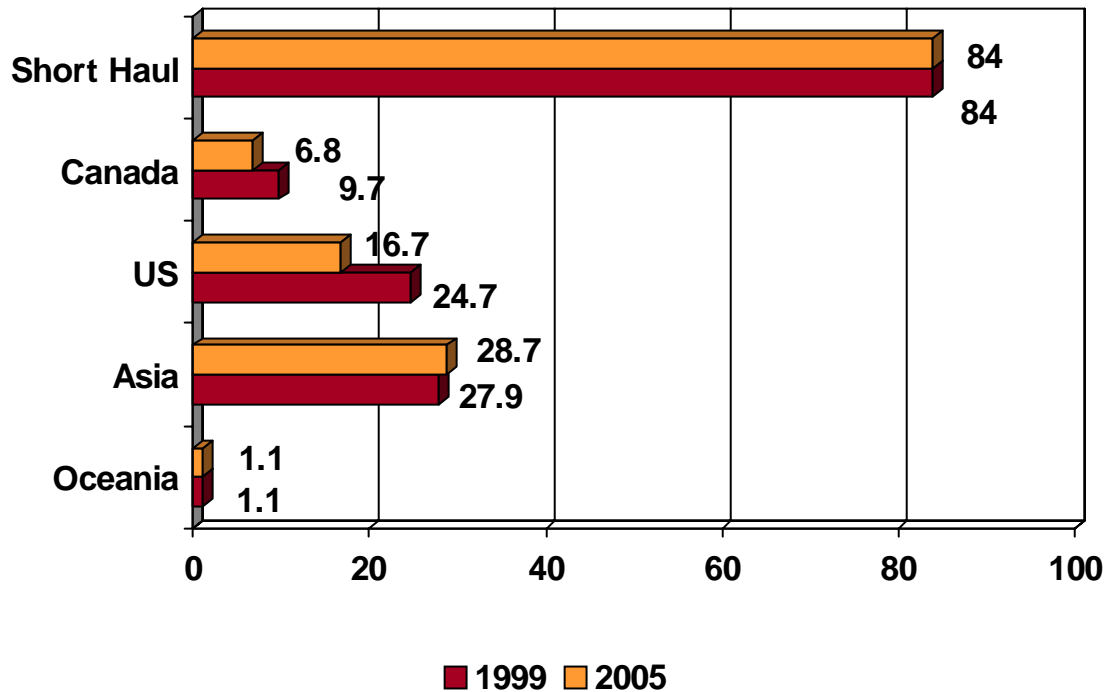
France Population Forecasts %



Competitive Environment

- Long-haul outbound travel from France is remaining around 16%
- From 1999 to 2005, Canada's share of the long-haul market fell from 9.7% to 6.8%, but has seen some improvement for the past 2 years. The United States also lost market share from France over the same time period.
- Based upon the Market Watch, the absolute percentage of unprompted awareness of Canadian ads did not change from 2004
- Canada's rank awareness fell from 4th to 8th, while the United States fell from 7th to 8th
 - As a dream destination, Canada remained in first place
- Australia moved from 3rd to 2nd and the United States fell from 2nd to 3rd

France Outbound Travel - Market Shares %



Internet Usage

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

- World internet usage is estimated to be 1,023M 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 the European Union is estimated at 230M or 50% of the European Union population
 - The European Union has 22.5% of global users and usage has grown 147% since 2000
- 26.2M people in France are internet users which is 43% of the population
 - France has 11% of the European Union's population of internet users and usage has grown 208% since 2000

Additional information regarding internet use in France:

- 44% of products purchased online in the last 6 months of 2005 were trip related
- Men represent 55% of the online purchasers

Travel Forecast to Canada

- The CTC Business Outlook suggests that a weak economy could negatively impact travel from France to Canada although this has not yet materialized.
- The Business Outlook also discusses the growing importance of online travel as the French turn to the Internet more and more for travel bookings.
- Travel to Canada from France is expected to continue its modest growth over the next 3 years.
- In the Market Watch, the French expressed a slight increase in their likelihood of travelling abroad over the next 3 years.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|--------|-------|-------|------|------|------|
| Overnight Trips to Canada ('000) | 274.5 | 336.6 | 356.5 | 374 | 391 | 408 |
| Year-to-Year Change | -12.1% | 22.6% | 7.4% | 5.0% | 4.5% | 4.5% |

Airline Direct Seat Capacity from France

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Air Seat Capacity (000's) | 675.0 | 652.5 | 681.3 | 724.5 | 777.8 | 837.7 |
| Year over year change | 22.6% | -3.3% | 4.4% | 6.3% | 7.3% | 7.7% |

- Air seat capacity has expanded over the past 3 years and seems to be poised to continue this trend.
- The Business Outlook reports that destinations like Brazil and China are seeing double-digit growth in air capacity from France.

Financial Breakdown

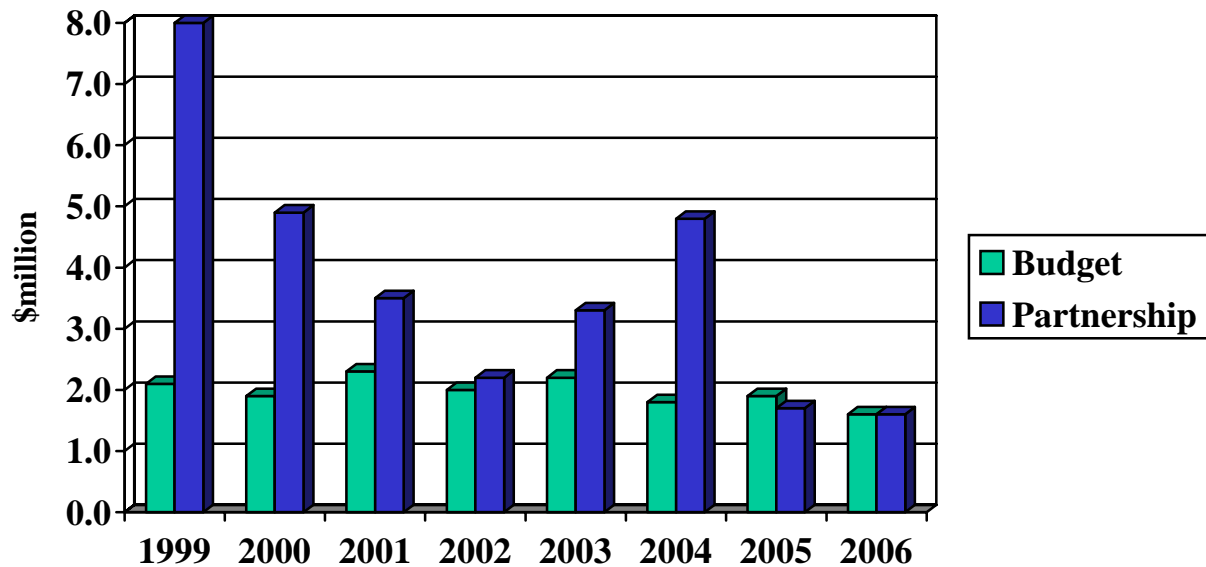
CTC versus Partner Funding

| | 1999 (million) | 2000 (million) | 2001 (million) | 2002 (million) | 2003 (million) | 2004 (million) | 2005 (million) | 2006 (million) estimate |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| CTC Program Budget allocation | \$2.1* | \$1.9** | \$2.3**/** | \$2.0* | \$2.2 | \$1.8 | \$1.9 | \$1.6 |
| Partnership Funding | \$8.0 | \$4.9 | \$3.5 | \$2.2 | \$3.3 | \$4.8 | \$1.7 | \$1.6 |
| Total | \$10.1 | \$6.8 | \$5.8 | \$4.2 | \$4.4 | \$6.6 | \$3.6 | \$3.2 |

* Includes DFAIT costs and salaries.

** 9 month period due to new fiscal year timing

*** Transition year



2006 Total France (Estimated)

| Total Program | Program / Operating & Compensation | Operating In-market | Compensation | Sub-Total (Operating & Compensation) | Total |
|---------------|------------------------------------|---------------------|--------------|--------------------------------------|-------------|
| \$1,637,000 | 57% / 43% | \$352,600 | \$890,095 | \$1,242,695 | \$2,879,695 |

Partner Funding Analysis

| | # of partners | Cash | In-kind | Total |
|-----------|---------------|-------------|-------------|-------------|
| 2000/2001 | 55 | \$1,064,886 | \$3,894,480 | \$4,959,366 |
| 2001 | 59 | \$999,454 | \$2,467,474 | \$3,466,928 |
| 2002 | 66 | \$896,223 | \$1,327,712 | \$2,223,935 |
| 2003 | | \$1,258,000 | \$2,045,000 | \$3,303,000 |
| 2004 | 62 | \$3,246,996 | \$1,532,722 | \$4,779,718 |
| 2005 | 25 | \$1,663,999 | \$25,994 | \$1,689,993 |

2005 Canadian/In-Market Partners

| Canadian Partners | | In-Market Partners | | Total |
|-------------------|----------|--------------------|----------|-------------|
| Cash | In-kind | Cash | In-kind | |
| \$1,209,279 | \$11,282 | \$454,720 | \$14,712 | \$1,698,993 |

Summary

- France's economy could be a damper on growth in visitation to Canada, but the French seem to continue to travel in spite of economic conditions
- Long-haul outbound travel recovered in 2004 and 2005 with continued growth expected over the next few years
- Trips to Canada and Canada's share of France's long-haul outbound market also improved in 2004 and 2005 although per person trip spending has fallen recently.
- Counter to population trends in France, Canada gained a significant increase in under 35 year olds in 2004, with their share of French travelers to Canada growing by 8%.
- Airline capacity should not be an issue although competition with other destinations for air capacity could increase pressure on Canada's market share
- Travel out of France continues to be positive
- The 2005 MPA ranks France in 7th place, down from 4th in 2001.

Germany

Economic Environment

| THE GERMAN ECONOMY | | | | | | | | | | |
|----------------------------|-------|--------|-------|-------|-------|-------|-------|-------|--------|-------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| GDP | 1.9% | 3.1% | 0.7% | 0.2% | -0.2% | 1.1% | 1.1% | 2.0% | 1.1% | 1.6% |
| Private Consumption | 3.6% | 1.6% | 1.6% | -0.6% | 0.1% | 0.2% | 0.2% | 0.7% | 0.4% | 1.5% |
| Unemployment Rate | 10.5% | 9.6% | 9.4% | 9.8% | 10.5% | 10.6% | 11.7% | 11.0% | 10.5% | 10.0% |
| Inflation Rate | 0.5% | 1.3% | 2.0% | 1.3% | 1.1% | 1.7% | 2.0% | 1.7% | 2.5% | 1.3% |
| Exchange Rate (\$Cdn/Euro) | 1.584 | 1.368 | 1.388 | 1.481 | 1.584 | 1.617 | 1.523 | 1.401 | 1.388 | 1.388 |
| Year-to-Year Change | -4.0% | -13.7% | 1.5% | 6.7% | 7.0% | 2.1% | -5.8% | -4.0% | -13.7% | 1.5% |

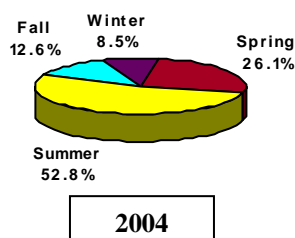
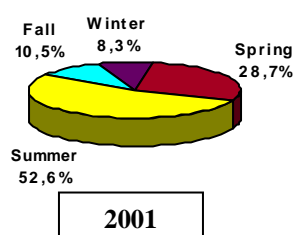
- Germany's economy is expected to strengthen during 2006, but could dip in 2007 before improving again in 2008
- Business and consumer confidence are low but have improved as people are more optimistic for the future; investment and personal spending could make some gains in 2006; unemployment is expecting small gains after peaking at 11.7% in 2005.
- Recovery is highly dependent on an improving global situation; exports are under pressure with a strong euro;
- The Euro strengthened in 2004 but has fallen back lately. This could help improve Germany's economy but makes travel to Canada somewhat less attractive.
- Government is under pressure to introduce measures to boost the economy and the CTC Business Outlook warns that the coalition government has opposing views on many policy issues although they are showing signs of cooperation
- Germany's deficit is above the European Union targets and they may be pressured to reduce it

Travel Trends & Characteristics

| LONG-HAUL OUTBOUND TRAVEL FROM GERMANY | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Long-Haul Outbound Trips ('000) | 6,496.8 | 6,193.5 | 5,478.6 | 5,161.5 | 5,038.1 | 5,700.8 | 5,975.9 |
| Year-to-Year Change | | -4.7% | -11.5% | -5.8% | -2.4% | 13.2% | 4.8% |
| Overnight Trips to Canada ('000) | 392.5 | 387.3 | 341.1 | 291.9 | 253 | 296.5 | 324.4 |
| Year-to-Year Change | | -1.3% | -11.9% | -14.4% | -13.3% | 17.2% | 8.2% |
| Canada's Market Share | 6.0% | 6.3% | 6.2% | 5.7% | 5.2% | 5.3% | 5.4% |
| Receipts (\$M) | 489.7 | 498.2 | 454.4 | 385.2 | 345.1 | 397.5 | 411.8 |
| Year-to-Year Change | 9.0% | 1.9% | -8.8% | -15.6% | -10.0% | 15.2% | 3.6% |

*Share of Germany long-haul travel

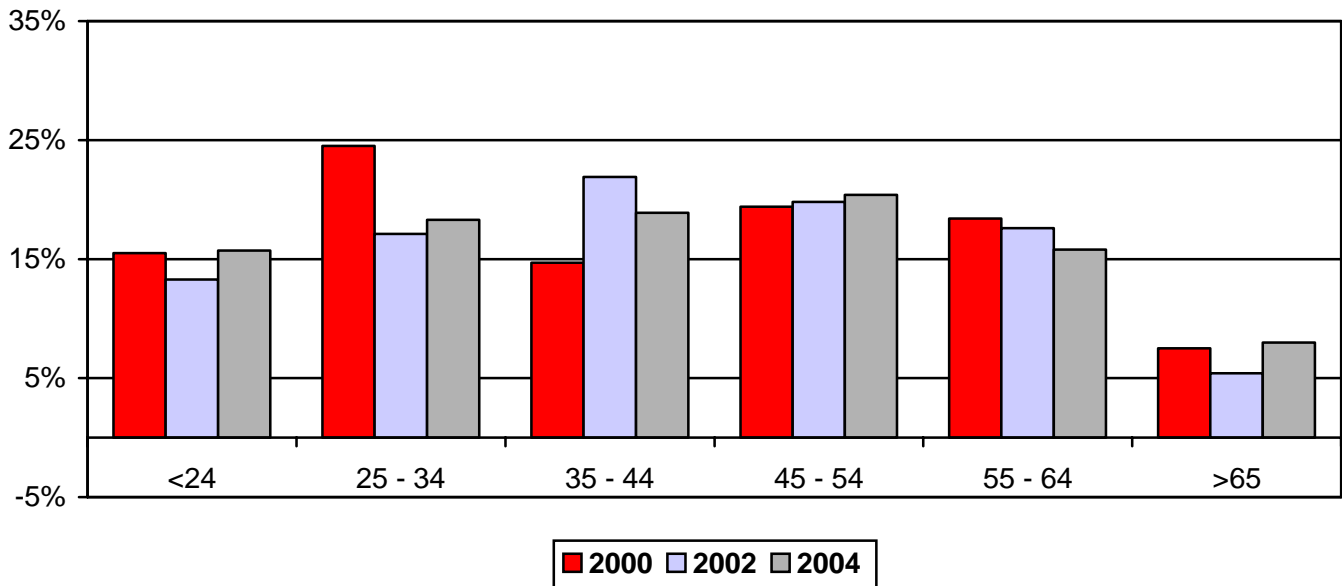
- After declines from 2000 to 2003, German long-haul outbound travel seems to be improving.
 - Long-haul is all travel outside of Europe, North Africa, and the Middle East
- Canada's share of Germany's long-haul outbound travel fell from 2000 to 2003, but has recovered somewhat in 2004 and 2005.
- The German travel to Canada is primarily for pleasure (55.3%); 21.1% are VFR, while business travel represents 18.6% and other purposes, which include travel by students 5.0% of all German travel to Canada.
- According to Market Watch information, Germans tend to seek natural attractions and landscapes when they travel;
- Summer is still the peak season for pleasure travel to Canada with seasonal patterns remaining fairly static since 2001.



- In 2004, Germans spent on average \$1,341 per person-trip compared to \$1,376 in 2001 and \$1,126 in 1996; the 2004 average was somewhat higher than the European average of \$1,335;
 - In 2004, German pleasure travellers spend on average \$1,571 per trip (on par with the European average of \$1,571 per trip).
- The average number of nights stayed fell back to 15.5 nights, after increasing from 11.7 nights in 1996 to 16.0 nights in 2001; the average spending per night remained at \$86;
 - In 2004, German pleasure travellers spent on average 14.7 nights in Canada, spending on average \$107 (below the European average of \$118 per night).

Overnight Leisure Travel Proportion by Age Range

- Pleasure travelers from Germany have gotten somewhat younger, with over 45 year olds decreasing from 45% to 37% in 2000 to 2004.



CTC Age and Niche Targets

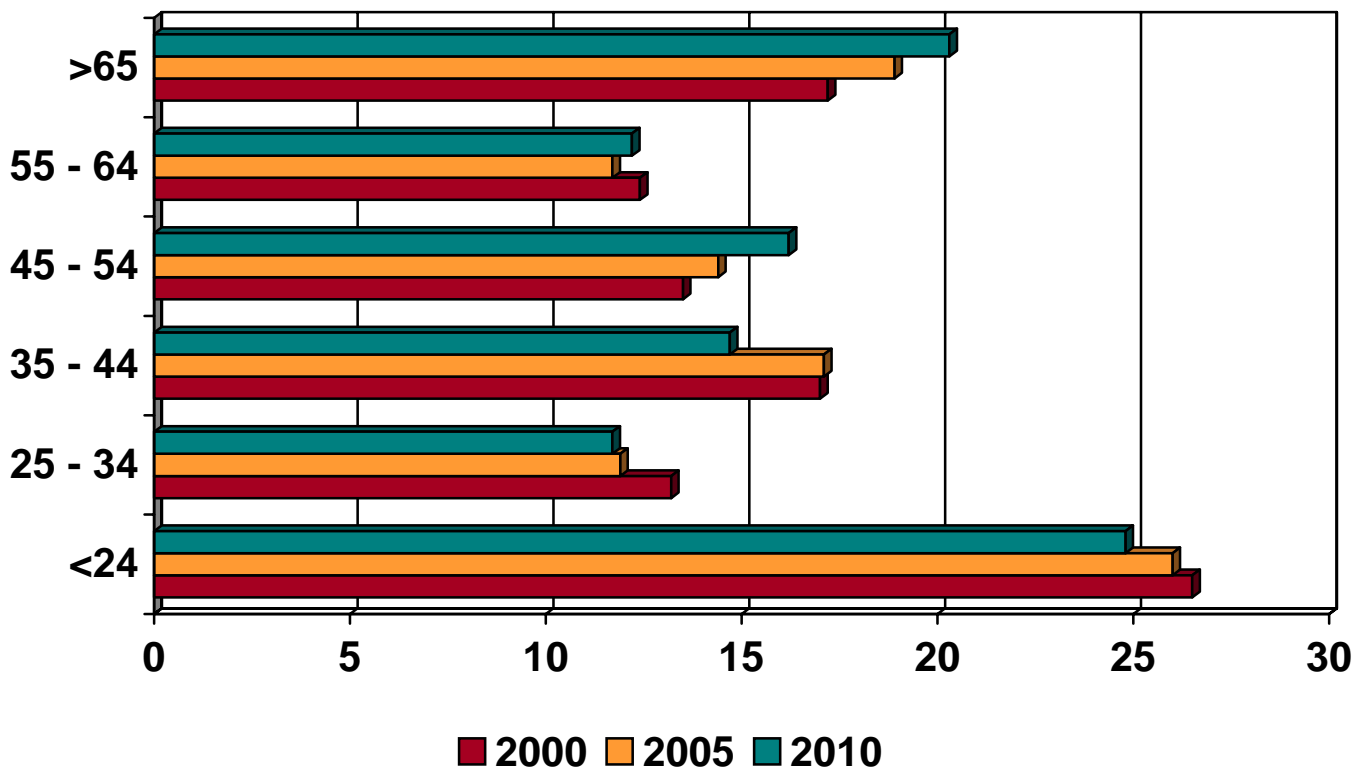
- 25-34 Youth Test market
- 35-59
- Women
- Gays and Lesbians

Population Forecasts

- Population forecasts for Germany suggest that the population is aging; the proportion of German over 45 is expected to increase from 40.6% in 1996 to 48.4% in 2010.

| | 2002 (million) | 2005 (million) | 2010 (million) |
|--------------|----------------|----------------|----------------|
| <24 | 21.8 | 21.4 | 20.4 |
| 25 - 34 | 10.9 | 9.8 | 9.6 |
| 35 - 44 | 14.0 | 14.1 | 12.1 |
| 45 - 54 | 11.1 | 11.9 | 13.3 |
| 55 - 64 | 10.2 | 9.7 | 10.0 |
| >65 | 14.2 | 15.6 | 16.7 |
| Total | 82.4 | 82.4 | 82.3 |

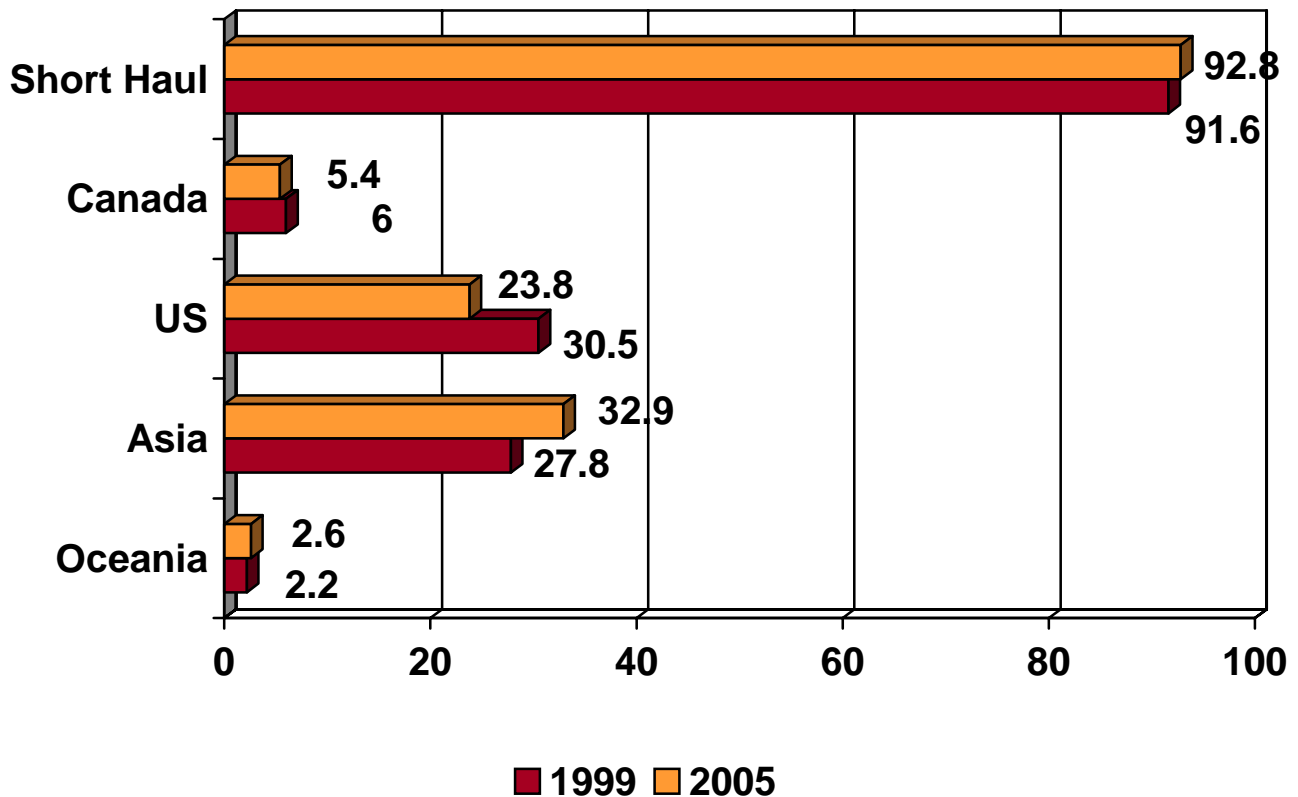
Germany Population Forecasts %



Competitive Environment

- Canada's market share has fallen somewhat since 1999.
- Germany's short-haul travel has increased somewhat since 1999.
- Asia has increased their share of Germans, while the United States has lost market share from 1999 to 2004.
- Based upon the Market Watch, the absolute percentage of unprompted awareness of Canadian ads did not change from 2004
 - Canada's rank awareness fell from 2nd to 5th, while the United States moved from 5th to 9th and Australia was in 7th place after not being mentioned previously
- As a dream destination, Canada fell from 1st to 2nd
 - Australia moved from 3rd to 1st and the United States moved from 2nd to 3rd

Germany Outbound Travel - Market Shares %



Internet Usage

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

- World internet usage is estimated to be 1,023M 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 the European Union is estimated at 230M or 50% of the European Union population
 - The European Union has 22.5% of global users and usage has grown 147% since 2000
- 48.7M people in Germany are internet users which is 59% of the population
 - Germany has 21% of the European Union's population of internet users and usage has grown 103% since 2000

Additional information regarding Internet use in Germany:

- Almost half of the internet users travel at least once a year
- 55% of all internet users are male

Travel Forecast to Canada

- The CTC Business Outlook notes that the relatively strong Euro favours longer-haul travel although this could result in increased travel to North Africa and Asia instead of Canada.
- The Business Outlook also suggests that weaker consumer demand may dampen growth in long-haul travel from Germany.
- In the immediate short-term, FIFA World Cup soccer may encourage Germans to travel domestically in 2006 although recent reports suggest the impact could be minimal
- While remaining positive, growth in travel from Germany to Canada is expected to slow down over the next 3 years.
- In the Market Watch, Germans expressed a decreased likelihood of travelling abroad over the next 3 years.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|--------|-------|-------|-------|-------|-------|
| Overnight Trips to Canada ('000) | 253 | 296.5 | 324.4 | 337.4 | 349.2 | 361.4 |
| Year-to-Year Change | -13.3% | 17.2% | 8.2% | 4.0% | 3.5% | 3.5% |

Airline Direct Seat Capacity from France

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------------|-------|--------|-------|-------|-------|-------|
| Air Seat Capacity (000's) | 743.0 | 632.1 | 739.2 | 786.4 | 851.4 | 915.0 |
| Year over year change | 4.9% | -14.9% | 16.9% | 6.4% | 8.7% | 7.5% |

- After a drop in 2002, direct air capacity from Germany to Canada has increased and should continue this trend through 2006. There is direct air access from Germany to most geographic regions in Canada during summer.
- South Africa and China are experiencing large (double-digit) increases in air capacity from Germany.

Financial Breakdown

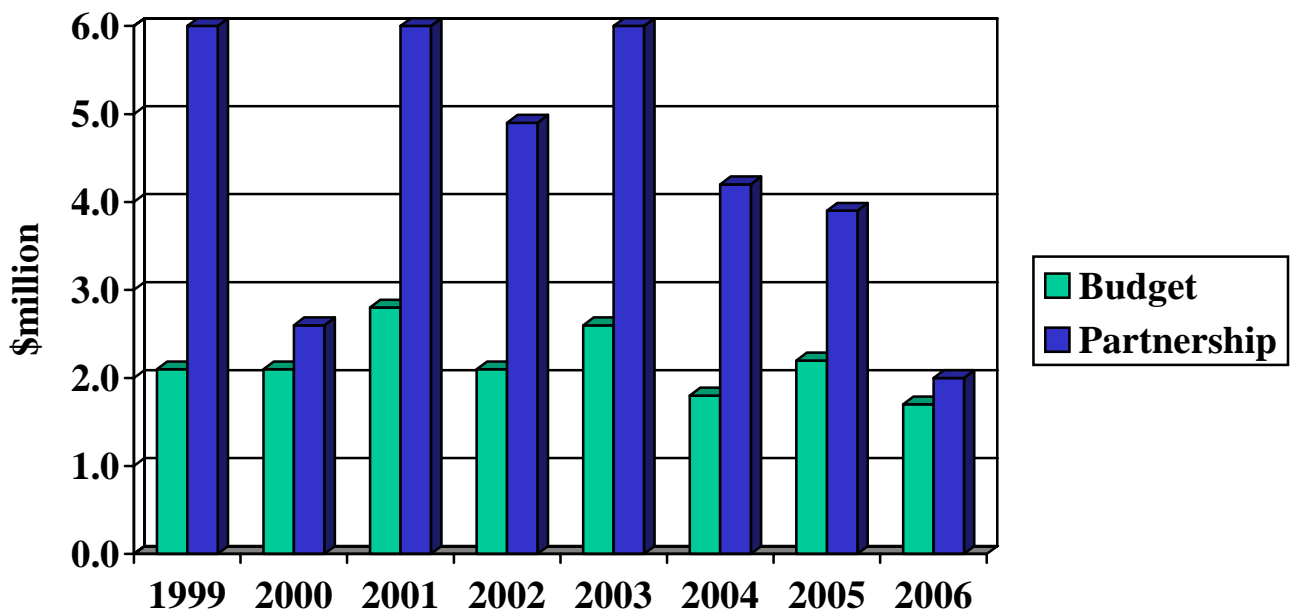
CTC versus Partner Funding

| | 1999 (million) | 2000 (million) | 2001 (million) | 2002 (million) | 2003 (million) | 2004 (million) | 2005 (million) | 2006 (million) estimate |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| CTC Program Budget allocation | \$2.1* | \$2.1*/** | \$2.8*/*** | \$2.1* | \$2.6 | \$1.8 | \$2.2 | \$1.7 |
| Partnership Funding | \$6.0 | \$2.6 | \$6.0 | \$4.9 | \$4.9 | \$4.2 | \$3.9 | \$2.0 |
| Total | \$8.1 | \$4.7 | \$8.8 | \$7.0 | \$7.5 | \$6.0 | \$6.1 | \$3.7 |

* Includes DFAIT costs and salaries.

** 9 month period due to new fiscal year timing

*** Transition year



2006 Total Germany (Estimated)

| Total Program | Program / Operating & Compensation | Operating In-market | Compensation | Sub-Total (Operating & Compensation) | Total |
|---------------|------------------------------------|---------------------|--------------|--------------------------------------|-------------|
| \$1,652,750 | 60% / 40% | \$288,950 | \$812,075 | \$1,101,025 | \$2,753,775 |

Partner Funding Analysis

| | # of partners | Cash | In-kind | Total |
|------------------|---------------|-------------|-------------|-------------|
| 2000/2001 | 120 | \$1,090,996 | \$1,483,444 | \$2,574,440 |
| 2001 | 178 | \$2,977,576 | \$3,078,584 | \$6,056,160 |
| 2002 | 120 | \$2,608,960 | \$2,293,260 | \$4,902,220 |
| 2003 | | \$2,102,900 | \$3,899,700 | \$6,002,600 |
| 2004 | 106 | \$2,086,504 | \$2,120,686 | \$4,207,190 |
| 2005 | 122 | \$1,786,928 | \$2,076,056 | \$3,862,934 |

2005 Canadian/In-Market Partners

| Canadian Partners | | In-Market Partners | | Total |
|-------------------|-------------|--------------------|-----------|-------------|
| Cash | In-kind | Cash | In-kind | |
| \$1,299,590 | \$1,103,806 | \$972,200 | \$487,338 | \$3,862,934 |

Summary

- Germany's economy is expected to improve somewhat over the next few years
- Unemployment will likely stay above 10%, reducing investment and personal consumption.
- Visitation and market share from Germany improved in 2004 and 2005 while spending per party was slightly above the European average.
- German economic conditions and competition primarily from Asia/Pacific is expected to weaken growth in travel from Germany over the next 3 years.
- Airline capacity does not seem to be an issue for travel to Canada.
- Germany continues to be one of Europe's key markets for Canada although it is likely to be the weakest of the top 3.
- The 2005 MPA ranks Germany in 8th place, up from 9th in 2001.

Mexico

Economic Environment

| THE MEXICAN ECONOMY | | | | | | | | | | |
|-----------------------------|-------|-------|-------|-------|--------|--------|-------|-------|-------|-------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| GDP | 3.7% | 6.6% | -0.3% | 1.0% | 1.4% | 4.4% | 3.1% | 3.4% | 3.8% | 4.0% |
| Private Consumption | 4.3% | 8.3% | 3.4% | 2.0% | 2.3% | 5.5% | 4.1% | 4.2% | 4.1% | 4.4% |
| Unemployment Rate | 9.2% | 8.3% | 10.0% | 12.4% | 14.9% | 14.8% | 15.4% | 15.9% | 16.1% | 16.1% |
| Inflation Rate | 12.9% | 9.5% | 6.4% | 5.0% | 4.5% | 4.7% | 4.0% | 3.8% | 3.7% | 3.7% |
| Exchange Rate (\$Cdn/pesos) | 0.155 | 0.157 | 0.166 | 0.162 | 0.130 | 0.115 | 0.110 | 0.105 | 0.103 | 0.101 |
| Year-to-Year Change | -4.2% | 1.1% | 5.6% | -1.9% | -20.0% | -11.2% | -4.3% | -4.5% | -2.7% | -1.6% |

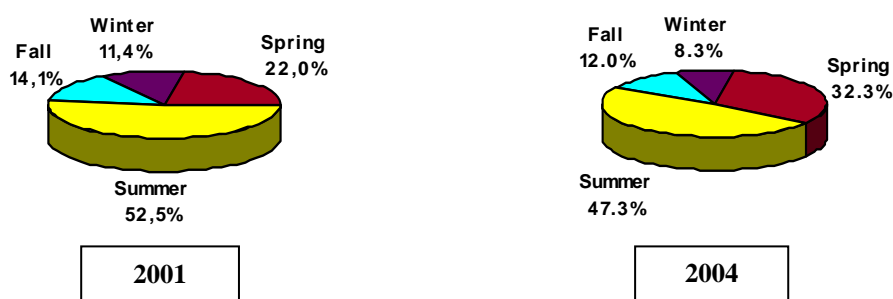
- Mexico's economy continues its solid growth following a couple of weak years.
- With NAFTA, economic growth is extremely dependent on the evolution of the U.S. economy.
- Personal consumption has leveled off at a healthy 4%.
- Unemployment is high by international standards.
- The peso has weakened against the Canadian dollar, making travel to Canada more expensive. This trend is expected to continue into the future.
- The economy should maintain a growth rate in the 3 to 4 per cent range during the 2006-2008 period.

Travel Trends & Characteristics

| LONG-HAUL OUTBOUND TRAVEL FROM MEXICO | | | | | | | |
|---------------------------------------|-------|---------|---------|---------|---------|---------|---------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Long-Haul Outbound Trips ('000) | 918.4 | 1,101.6 | 1,041.8 | 1,144.1 | 1,080.4 | 1,171.1 | 1,274.4 |
| Year-to-Year Change | 1.6% | 20.0% | -5.4% | 9.8% | -5.6% | 8.4% | 8.8% |
| Overnight Trips to Canada ('000) | 127.0 | 143.0 | 150.3 | 161.2 | 132.1 | 168.6 | 189.4 |
| Year-to-Year Change | 13.6% | 12.6% | 5.1% | 7.7% | -18.1% | 27.6% | 9.3% |
| Canada's Market Share of LH* | 13.8% | 13.0% | 14.4% | 14.1% | 13.2% | 14.8% | 14.9% |
| Receipts (\$M) | 130.0 | 173.8 | 187.1 | 228.0 | 206.0 | 232.0 | 260.6 |
| Year-to-Year Change | 16.5% | 33.6% | 7.7% | 21.9% | -9.6% | 12.6% | 12.3% |

*Share of Mexico long-haul travel

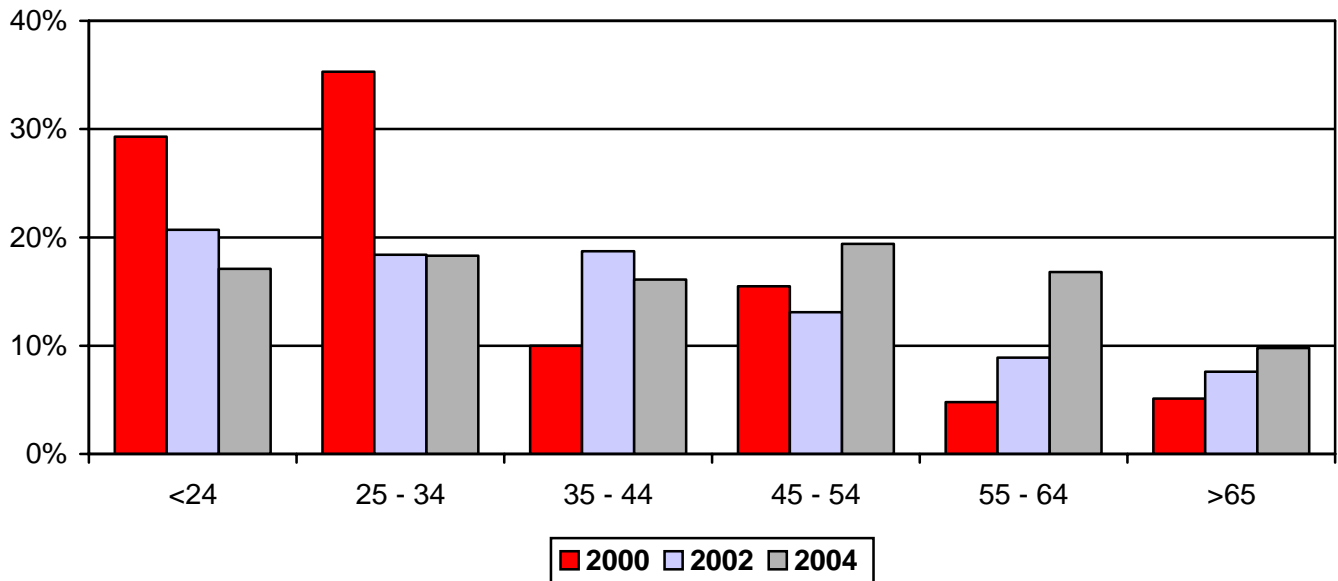
- Mexican long-haul travel (all travel not including to the US or Central America) has fluctuated over the past several years somewhat similar to trips to Canada.
- Canada's share of the Mexico's long-haul market dropped in 2002 and 2003, but has recovered in 2004 and 2005.
- The Mexican long-haul travel to Canada was primarily for pleasure (53.6%); 18.0% are VFR; business travel represented 18.8% while other purposes which include travel by students represented 9.7% of all Mexican travel to Canada;
- Although spring has increased its share since 2001, summer is still the peak season.



- In 2004, Mexicans spent on average \$1,376 per person-trip compared to \$1,261 in 2001 and \$989 in 1996; the 2004 average is higher than the European average of \$1,335.
- The average number of nights stayed increased from 9.3 nights in 1996 and 11.4 nights in 2001, to reach 17 nights in 2004; the average spending per night fell to \$81 from \$110.

Overnight Leisure Travel Proportion by Age Range

- Overnight pleasure travelers from Mexico are getting older, with the percentage that are 45 years and older growing from 25% in 2000 to 46% in 2004.



CTC Age and Niche Targets

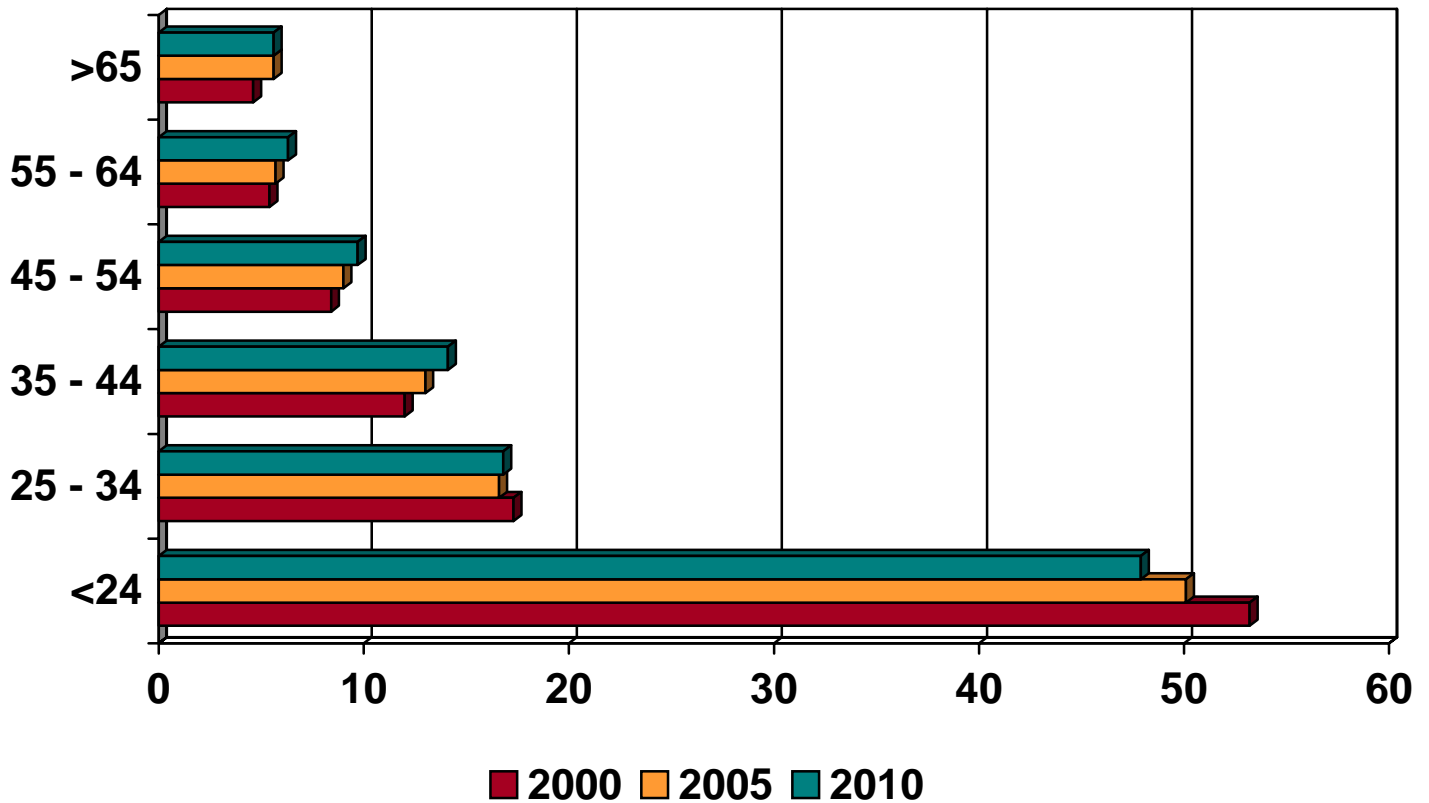
- Primary: 30 – 50
- Secondary: 25 – 30

Population Forecasts

- Population forecasts for Mexico suggest its population base is younger than other international markets but is still moderately aging; the proportion of Mexican over 45 is expected to increase from 18% in 2000 to 25% in 2010.

| | 2000 (million) | 2005 (million) | 2010 (million) |
|--------------|----------------|----------------|----------------|
| <24 | 55.0 | 53.2 | 55.1 |
| 25 – 34 | 17.9 | 17.6 | 19.3 |
| 35 – 44 | 12.4 | 13.8 | 16.2 |
| 45 – 54 | 8.4 | 9.5 | 11.1 |
| 55 – 64 | 5.4 | 6.0 | 7.2 |
| >65 | 4.6 | 6.0 | 6.4 |
| Total | 103.4 | 106.2 | 115.0 |

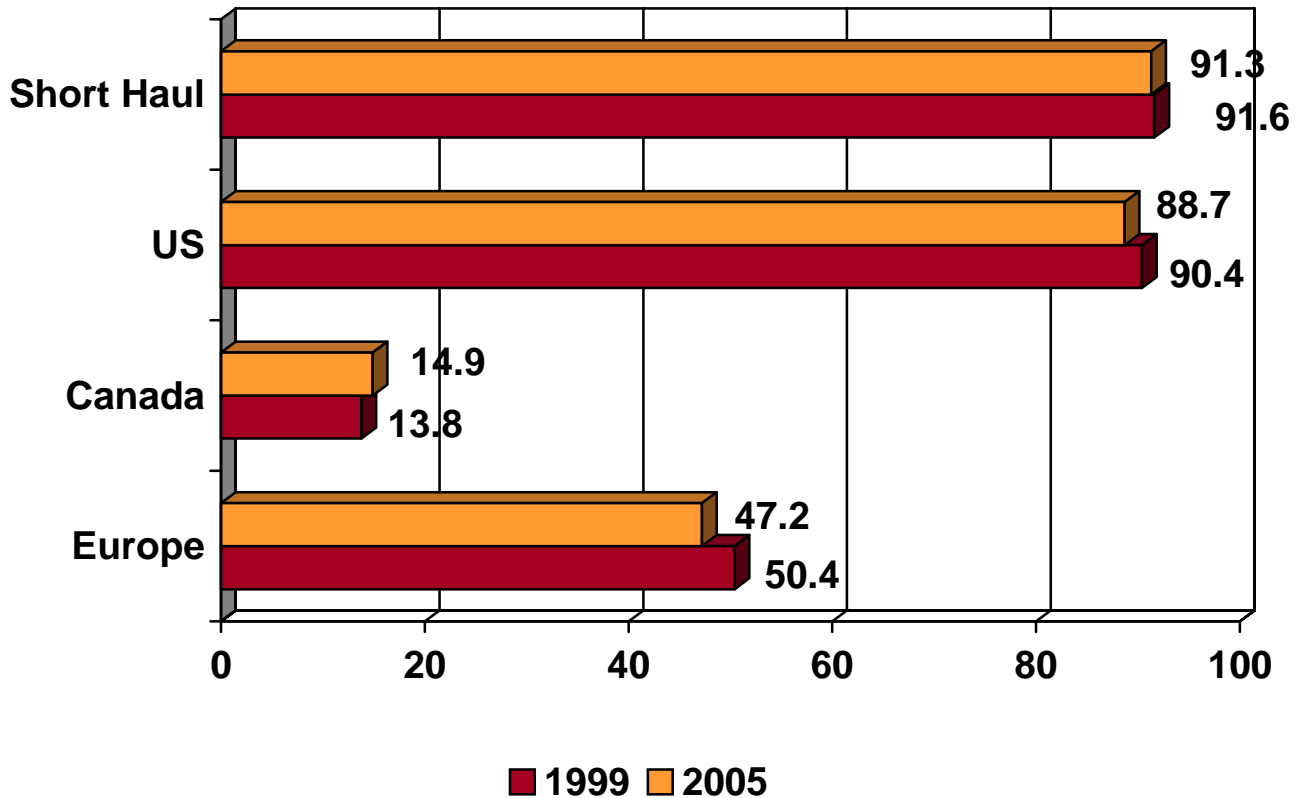
Mexico Population Forecasts %



Competitive Environment

- Most of Mexico's outbound travel is to the United States although this fell slightly from 1999 to 2005.
- Canada has increased its share of Mexico's long-haul market by 1% since 1999.
- Market share of long-haul travel from Mexico to Europe has dropped more than 3%.

Mexico Outbound Travel - Market Shares %



Internet Usage

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

- World internet usage is estimated to be 1,023M 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 Latin America/Caribbean is estimated at 80M or 14% of the Latin America/Caribbean population
 - Latin America/Caribbean has 1.7% of global users and usage has grown 135% since 2000
- 17M people in Mexico are internet users which is 16% of the population
 - Mexico has 85% of the Latin America/Caribbean population of internet users and usage has grown 527% since 2000

Travel Forecast to Canada

- The CTC Business Outlook notes that South America, Asia and Africa saw the largest growths in leisure travel from Mexico, followed by Europe, the United States, and Canada.
- The Business Outlook suggests that travel to Canada from Mexico will continue its strong growth as Mexicans look for alternative destinations to the United States.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|--------|-------|-------|-------|-------|-------|
| Overnight Trips to Canada ('000) | 132.2 | 168.6 | 189.4 | 200.8 | 215.8 | 230.9 |
| Year-to-Year Change | -18.1% | 27.6% | 9.3% | 6.0% | 7.5% | 7.0% |

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

Airline Direct Seat Capacity from France

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Air Seat Capacity (000's) | 168.3 | 253.4 | 270.5 | 325.2 | 393.2 | 438.5 |
| Year over year change | 17.9% | 50.6% | 6.7% | 20.2% | 20.9% | 11.5% |

- Air capacity has seen healthy growth over the past several years.
- The Business Outlook highlights the rapid growth in domestic air travel within Mexico as low-fare options continue to expand.

Financial Breakdown

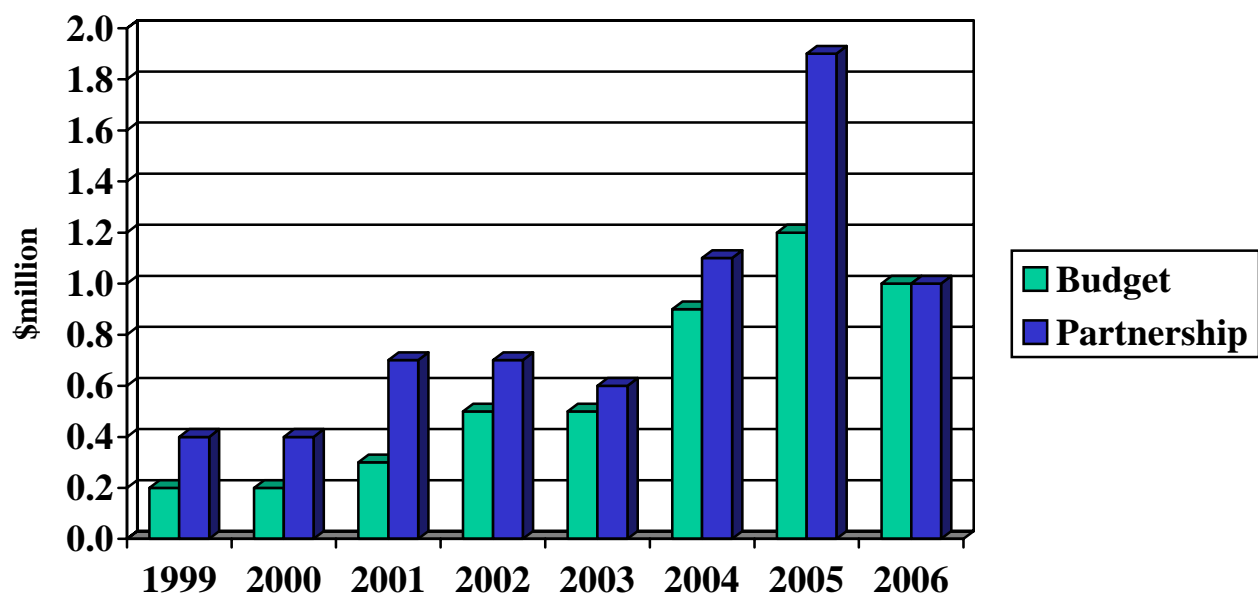
CTC versus Partner Funding

| | 1999 (million) | 2000 (million) | 2001 (million) | 2002 (million) | 2003 (million) | 2004 (million) | 2005 (million) | 2006 (million) estimate |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| CTC Program Budget allocation | \$0.2* | \$0.2* / ** | \$0.3 * / *** | \$0.5* | \$0.5 | \$0.9 | \$1.2 | \$1.0 |
| Partnership Funding | \$0.4 | \$0.4 | \$0.7 | \$0.7 | \$0.6 | \$1.1 | \$1.9 | \$1.0 |
| Total | \$0.7 | \$0.8 | \$1.0 | \$1.1 | \$1.1 | \$2.0 | \$3.1 | \$2.0 |

* Includes DFAIT costs and salaries.

** 9 month period due to new fiscal year timing

*** Transition year



2006 Total Mexico (Estimated)

| Total Program | Program / Operating & Compensation | Operating In-market | Compensation | Sub-Total (Operating & Compensation) | Total |
|---------------|------------------------------------|---------------------|--------------|--------------------------------------|-------------|
| \$998,400 | 73% / 27% | \$125,700 | \$251,612 | \$377,312 | \$1,375,712 |

Partner Funding Analysis

| | # of partners | Cash | In-kind | Total |
|-----------|---------------|-----------|-------------|-------------|
| 1999/2000 | 100 | \$207,537 | \$223,375 | \$430,912 |
| 2000/2001 | 70 | \$101,055 | \$293,995 | \$395,050 |
| 2001 | 96 | \$91,096 | \$633,652 | \$724,748 |
| 2002 | 108 | \$264,918 | \$486,873 | \$751,791 |
| 2003 | | \$397,405 | \$164,000 | \$561,405 |
| 2004 | 104 | \$971,705 | \$83,455 | \$1,055,160 |
| 2005 | 123 | \$471,848 | \$1,425,787 | \$1,897,635 |

2005 Canadian/In-Market Partners

| Canadian Partners | | In-Market Partners | | Total |
|-------------------|-----------|--------------------|-----------|-------------|
| Cash | In-kind | Cash | In-kind | |
| \$366,027 | \$698,172 | \$105,821 | \$727,615 | \$1,897,635 |

Summary

- Mexico's economy is expected to grow solidly over the next 3 years, in spite of hurricane damage and higher fuel prices.
- Consumer demand continues at a healthy 4%, maintaining demand for goods and services.
- Overnight trips to Canada have rebounded after dipping in 2003.
- Canada's share of Mexico's long-haul market has also recovered after falling in 2003 below 14%.
- Average per party spending for Mexicans is higher than the European average.
- Air capacity is growing and should not be an issue for growth of travel to Canada.
- Mexico has been and will likely continue to perform solidly for Canadian tourism over the foreseeable future.
- The 2005 MPA ranks Mexico in 4th place, up from 5th in 2001.