



UK/Europe Market Intelligence Update for NSW Sellers Attending ATE 2009

European Markets Performance

UK/Europe combined is the largest source market of international visitors to NSW, accounting for nearly 839,000 visitors for the year ending December 2008.

While individual markets exhibit different travel patterns and booking habits, many rank highly on dispersal and length of stay (Germany, France, UK, Switzerland, Netherlands, and Ireland).

European nations comprise eight of the top 10 markets for Australia in terms of average spend per person.

The youth segment has shown growth in most markets and is expected to be resilient in the current economic climate. Working Holiday Makers (WHM) provide a significant contribution to the economy, travel widely and into regional areas and their repeat rates are high. Particularly from Continental Europe WHM's family and friends will visit during their stay in Australia.

The lower Australian dollar is encouraging inbound visitors to spend more once they arrive. The Great British Pound now buys 7% more Australian dollars comparing February 2009 to the buying power of July 2008. Similarly the Euro buys 19% more Australian dollars when comparing the same periods.

Price discounting in tourism is growing and this is a further impact of the global economic recession. Price discounting has been led by airlines and is spreading to other sectors.



There is a growing trend towards consumers booking later. Late booking has been promoted by: the spread of price discounting; increased uncertainty about the economic environment in the intended period of travel; and lower load factors on airlines and occupancy rates in hotels making late bookings less risky. Source: Tourism Australia Global Market Monitor

UK

The UK remains the largest source market for all international visitors to NSW with 386,000 visitors (13.9%) for the YE Dec 2008, with an average length of stay of 16.7 nights.

Working Holiday visa applications from UK citizens increased by around 20% in December 2008 and January 2009.

Germany

Germany is the largest source market to NSW from Continental Europe. For the YE Dec 2008 there were 109,000 German visitors to NSW up 7.9% on YE Dec 08. (The increase in visitors to NSW from Germany exceeded the national increase of +6%).

The 15-34 year old age group is the largest segment of the German market to NSW, representing 54.5% of total arrivals from the market for the YE Dec 2008. It is also the fastest growing age segment for the German market to Australia with a 15% increase for the YE Dec 2008 relative to Dec 2007. The increase in the 'youth' market can partly be attributed to the increase in Working Holiday Makers - between July 2008 and January 2009 DIAC (Department of Immigration and Citizenship) reported a +22.1% increase in issued Working Holiday Visas for German nationals bringing the total number of granted visa's to 11,946 compared to 9,782 for the same period of the previous year.

Switzerland

Arrival figures for YE Dec 2008 show Swiss visitors are down by 4 per cent compared to the same period in 2008, whilst total European arrivals (incl. Russia) are up by 2 per cent.



Austria

Arrival figures for YE December 2008 show Austrian visitors are down by 4 per cent compared to the same period in 2007, whilst total European arrivals (incl. Russia) are up by 2 per cent. Austrian arrival figures for the month of December 2008 were up 20 per cent compared to December 2007. Arrival figures for January 2009 were up +6% (total of 1.700 compared to total of 1.600 in Jan08)

The Austrian market to Australia is still suffering from the pullout of Austrian Airlines in March 2007, which has directly impacted arrivals figures with an overall decline in visitor arrivals in 2008 (down by four per cent for YE Dec 2008).

Netherlands

The Dutch typically have long booking lead times (averaging to 12 months), and consequently arrival figures are yet to be negatively impacted by the financial crisis, with the December 2008 quarter showing positive growth (up by nine, 13 and 12 percent for the last three months respectively). Total arrivals for 2008 were up seven per cent compared to 2007. The youth segment is currently performing strongly with an 18 per cent increase in Working Holiday Visa grants in the six months ending December 2008, relative to the same period in 2007. Research also shows that the number of Dutch preferring a holiday abroad in 2009 is equal to the number of last year. However more Dutch are opting for a long haul destination compared to last year, also due probably to the lowering fuel prices and the strong Euro. Based on these results, the Dutch travel industry is cautiously hopeful for the year ahead. *Source: ANVR, January 30th, 2009*



France

France continues to be one of the fastest growing markets out of Continental Europe. NSW received 56,300 overnight visitors from France – up by 19.8% on YE Dec 2007. Visitors from France spent almost 1.3 million nights in NSW up by 17.1% on YE Dec 07.

Recently released Tourism Forecasting Committee arrivals expect France to be the only market in Continental Europe to experience positive growth (+4.8 percent) in 2009

The Working Holiday Maker sector represents around 15 percent of French arrivals to Australia, visa applications from this sector have increased by nearly 50 percent for the YE December 2007.

New South Wales received 48,600 visitors from Ireland in the YE Dec 2008 up by 5.4% on YE Dec 07 exceeding the national growth for the same period of 1%.

Ireland

The average spend per person for Irish visitors to NSW is \$2311 representing the highest average per person spend of all European visitors to NSW.

Recent Working Holiday Visa statistics for Ireland show an increase of 52 per cent for the six months to December 2008, relative to the same period in 2007. This reflects the resilience of the youth market in the face of economic turmoil, and potentially young Irish travellers will choose to look to escape the tough economic situation in Ireland and travel abroad in 2009. In some cases college graduates who have been offered positions are being asked to postpone their starting date for a year, which could lead to a further increase in Working Holiday Makers.

Spain

Spain continues to see strong growth with visitor arrivals to Australia increasing by 26% for the year ending Dec 2008 to 26,200. Spain is seen as an emerging market with great potential for growth in the future. Despite the country falling in to recession in the last quarter of 2008 feedback from tour operators is that niche segments such as honeymooners and other independent travellers will continue to travel despite the economic turn down.



Italy

For the YE Dec 2008 there were 58,800 Italian visitors to Australia an increase of 10% on YE Dec 2007. 15-29 yr old segment largest (36%) and fastest growing in Italy +44% for the YE Dec 2008. In 2008/09 TD (i.e. July 08 to December 08), there were 2,547 visas granted to Italian citizens, up by 27% relative to the same period last year. Over 10,000 young Italian pilgrims attended World Youth Day in Sydney in July. Segments such as youth, honeymoon and luxury are still performing well.

Following a TTG survey of travel agencies, requests for high-end tourism products by Italians are increasing. The honeymoon market is least affected by the crisis. Preferred destinations are the Indian Ocean area, Australia and the Caribbean. The youth segment has experienced growth with an increase of 27 per cent in Working Holiday Visa grants during the six months to December 2008 relative to the same period in 2007.

Aviation Trends

UK

2008 saw a much needed increase in aviation capacity. Qantas began return A380 services from Sydney – London three days a week on 6 January 2009. These services are set to increase to five times a week from the 8 June.

Emirates A380 service between Dubai and Sydney three days a week from 2 February connects with the London-Dubai A380 services.

Air Asia X, Malaysia's low cost carrier launched flights from London to Kuala Lumpur on 11 March, flying five times a week from London Stanstead. Passengers who flew on the inaugural flight paid as little as £99 for a return flight. These services will link with their Gold Coast, Melbourne and Perth services.

With the cost of fuel decreasing and the current economic climate seeing a decline in load factors, airfares have decreased with fares as low as £499 return coming out in market.



HM Treasury has recently announced that its Air Passenger Duty (APD), essentially a departure tax, will increase for any travel after 1 November 2009, and rise even further for any travel after 1 November 2010. This has the potential to significantly impact the longer haul travel segment in the longer term from the UK. Under the new charges, a flight to Australia will cost £20 more from November 2009 and £45 more from November 2010.

Etihad and Qantas announced a new codeshare agreement in March that will see EY place its code on selected QF domestic services operating beyond Etihad's three Australian gateways, Sydney, Melbourne and Brisbane. The agreement will also see Qantas place its QF code on all services operated by Etihad between Australia and Abu Dhabi, as well as on selected EY flights to Amman, Bahrain and Beirut. Etihad will commence flights from to Melbourne from the end of March 2009.

Ireland

Etihad Airways has extended its services in Ireland with the announcement of a new code share agreement with Aer Arann which will provide travelers from Cork and Galway with greater access to 48 destinations on the airline's global network, which covers Australia, the Middle East, Africa, Asia, and North America, through its Abu Dhabi hub. The code share agreement with Qantas detailed above will add to the airlines popularity in the Irish Market.

Nordic Countries

Aviation capacity and availability within the Nordic market continues to be an issue, with no direct services between Australia and the Nordic region.

Air Asia is trying to attract Scandinavian tourists with flights from London to Kuala Lumpur, Malaysia for SEK 2,500 return. (Nov 2008)

Scandinavian Airlines (SAS) and China Airlines have decided to cancel their daily flights from Stockholm to Beijing. Passengers will have to change planes in Copenhagen, Denmark.

Germany

QF Frankfurt-Sydney, the main aviation route between Germany and Australia, has recently experienced record high load factors. As the number of direct services to places like Munich, Hamburg, Düsseldorf and Berlin develop (particularly from the Middle East) pressure on this route should ease. Cathay



Pacific has been offering competitive airfares to Australia including three 'free' domestic sectors.

The current tight economic situation is driving airline prices down:

- Emirates is offering a return airfare of €805 (including fuel surcharges) to Brisbane, Melbourne and Perth for the travel period of 13 April to 24 June 2009.
- Qantas is offering a special airfare to Sydney, Brisbane, Melbourne, Adelaide, Cairns, Alice Springs and Darwin for just over €1,000 (including taxes at the time of booking) for the travel period 13 April to 18 June 2009.

France

While Air France does not operate direct services to Australia, the airline extended its code share with Qantas in 2008, strengthening Australia's position in the French market.

Singapore Airlines will introduce an A380 service on the Singapore-Paris route from June 2009. Paris is Singapore Airlines' fourth destination to be serviced by the A380, after Sydney, London and Tokyo. The daily Paris service will result in an 18.6 percent increase in seat capacity per week.

Cathay Pacific has announced an increase of capacity of 25 percent (668 seats a day) starting end of March 2009 from Paris to Hong Kong with a double daily flight.

Air Austral is launching its new Sydney - Réunion Island - Paris (Charles De Gaulle) service from 14 April 2009. The services will be operated with a brand new Boeing 777-300 aircraft twice weekly and will continue on to Noumea in both directions.

Italy

Etihad Airways announced it will increase connections from Milan Malpensa to Abu Dhabi from three to five weekly flights. A new flight from Milan Malpensa to Melbourne will commence on 31 March 2009.

Singapore Airlines reduced flights from Europe to Australia. Flights from Rome will depart two times instead of three times weekly. Flights from Milan



will remain daily. Strong competition within the Italian market has led to promotional airfares

Netherlands

There are a range of carriers that service the Netherlands - Australia market. Malaysian Airlines is an important carrier with double daily services from Amsterdam to Kuala Lumpur.

Cathay Pacific has added extra capacity from 26 October 2008 from Amsterdam to Hong Kong. They changed the aircraft type on this route to introduce the Boeing 747, resulting in 650 more seats per week capacity. This increase in capacity by Cathay Pacific has resulted in competitive airfares in the market.

Switzerland

Singapore Airlines is cutting frequency from Zurich into Singapore from 14 to 12 flights a week during low season (mid-April through mid-June).

Emirates have replaced their Airbus A340-500 with a Boeing 777 operating all afternoon flights from Zurich, effective 1 February 2009. Evening flights remain operating on an Airbus A340. This increases capacity between Zurich and Dubai by 100 pax a day.

Airlines overall are reporting that Business Class travel seems to be being more affected by the crisis than Economy Class travel.

Austria

Following the withdrawal of Malaysia Airlines and Austrian Airlines there is a lack of airline capacity from Austria to Australia.

Emirates is now operating a B777-300 ER on its route from Vienna to Dubai, effective October 26 2008.

Spain

Qantas started the non-stop service Sydney - Buenos Aires on 24 November 2008, which could be an alternative route to Australia due to the frequency of Iberian flights from Spain to Buenos Aires.



Market Trends - UK

- The UK is a resilient, high value, mature market.
- The outbound travel market has many segments: VFR, leisure, youth/WHM weddings/honeymoon, luxury, groups and family.
- Britons will often take multiple short and long haul holidays in a year.
- The UK has the highest repeat visitor rate (45%) of all long-haul source markets.
- The UK is a highly saturated travel market characterised by aggressive competition amongst destinations for consumer discretionary income for travel
- Britons are highly independent travelers with high aspirations to visit Australia, often on several occasions. Recent events like acts of terrorism, heightened security and airline fuel taxes have not dimmed their desire for or intention to travel.
- On average UK visitors spend A\$5560 on their trip to Australia.
- Booking lead time for long haul travel is continuing to shorten.
- Major consolidation continues with the “Big Four consolidating to the “Big Two” in the first quarter of 2007. (TUI/First Choice, Thomas Cook/My Travel). Thomas Cook and TUI are both German owned companies.
- Trailfinders continue to provide the lion’s share of UK visitors to Australia.
- There is significant trade investment in website and e-marketing as a strategic driver of business.
- In the face of consolidation and the increasing role of the Internet in travel commerce, proactive retail travel agencies are diversifying, specialising, merging or going out of business.
- Some agencies are developing roles as ‘meta searchers’ specialised in unearthing the best deals and destination offers on the Internet for time-poor consumers.
- Inbound tour operators continue to play a very influential role in the distribution chain as wholesalers and tour operators seek economies of scale in product contracting.
- The UK is characterized by high penetration of Internet usage for travel research (and transactions).
- London’s Heathrow is Europe’s busiest airport (Five terminals, T5 opened April 08).



What kind of product are buyers looking for?

The following are a sample of comments made by UK buyers in response to this question:

- Given the current market conditions it is unlikely that operators will change suppliers it is important to maintain existing relationships with operators.
- The market has very quickly become conditioned to wait for last minute deals. Operators will be looking for value-adds and strong deals/discounting to push out to offer hungry consumers.
- Unique value-adds for hotels. e.g. stay 3 nights receive a surf lesson or a Sydney harbour cruise. Providing value adds increases your chances of being included in operators marketing activities.
- Experiential product that marries quality, comfort and nature.
- Demand for boutique and unique accommodation.
- Growth in small, escorted touring is making it possible to create itineraries for customers that deliver these criteria, along with small eco-friendly accommodation.
- Product packaged up with other complimentary products that can be easily introduced into the brochure as a modular package.

Key Buyers UK, Ireland, Nordic Countries

- There are 34 UK buyers, and 2 Irish buyers currently registered for ATE.
- The Austravel brochure will now be racked in all First Choice and Thompson shops across the UK replacing the Thomson branded Australia brochure. TUI recently acquired Adventure Tours Australia adding it to other Australasian TUI owned tour companies, namely OzXposure, WesternXposure, Planet Perth and Australian Pinnacle Tours. Lisa Fitzel left TUI in November 2008 and Steve Johnson has taken over as head of Land Product Austravel & Travelmood, with Karen Joyce appointed to the role of Product Manager Travelmood and Austravel. Chris Lee has resigned from TUI Travel, Claire Tobin of First Choice will take over from Chris at the end of March.



- Thomas Cook now has a majority stake in the Gold Medal Travel Group with an intention to purchase the remaining stake by 31 March 2010. At this stage separate contracting will continue for the Gold Medal Travel and Thomas Cook Australia programs.
- Trailfinders continues to move the largest number of people to Australia, with 1 in 5 Brits booking their travel to Australia with Trailfinders.
- 7 buyers have registered from the Nordic region with one new operator Risskov Travel Partners, a direct sell operator started by Annalise Dam Larsen ex My Planet Managing Director. Swedish tour operator Tour Pacific is expanding its business into Norway

Market Trends – Germany, Switzerland and Austria

- The German market is characterized by knowledgeable and information-hungry consumers and trade partners.
- Germans are highly independent travellers wanting to discover the “real Australia” – off the beaten track.
- Germans are price-sensitive travellers.
- A large percentage of all travel sold to Australia includes self-drive or camper van rental
- Culture and learning (about themselves and others) is a very important aspect of the choice in destination for German travelers.
- Only one third of German visitors to Australia have been before.
- Germans have a relatively long allocation of annual leave which is usually spent traveling.
- Trends in German travel indicate two areas of growth – those who are ‘time-rich’ (traveling in their retirement) and therefore seek wellness, medical and individual luxury experiences, those who are financially wealthy but time poor, and therefore seek unique experiences, including adventure.
- The youth market has developed strongly - study and WHV wholesalers show a steady growth.
- Demand for self-drive experiences and travel packages remains strong in all Central European markets.



- Australia ranks as the fourth most visited long-haul destination within Asia for the Swiss, following Thailand, China and Singapore, and ranks seventh when in competition with all long-haul destinations for the Swiss. America, Thailand and Canada are the top three long-haul destinations.
- More and more travelers are seeking responsible tourism product, aimed at supporting the sustained development of local cultures and protection of the environment. There is a significant growth in travel providers rethinking tourism so that it offers travellers the authentic experience while at the same time fosters benefits for the local people and their environment.

What kind of product are buyers looking for?

The following is a sample of recent feedback from German speaking distribution partners on the kind of product is appropriate for their clients

- Unique hotels.
- Small German-speaking guided group tours.
- Learning experiences, especially indigenous culture.
- Adventure experiences.
- Camper hire and self-drive packages are still very popular.
- Nature experiences.
- Opportunities to interact with wildlife
- Well-known highlights attract most people.
- Well-priced tours in smaller groups.
- The challenge for "special tours" is that they are mainly perceived as too expensive for price sensitive German consumers.
- Eco friendly/sustainable tourism products

Key Buyers Germany, Austria, Switzerland

There are 21 German, 1 Austrian and 7 Swiss buyers registered to attend ATE. There is one new buyer from the German market Intosol an online luxury operator using Australian Splendour.

The largest distribution partners in Germany are Dertour, Meiers Weltreisen, FTI Touristik, TUI Deutschland and Best of Travel Group. These buyers will contract mostly through inbound tour operators but will contract directly where the product meets their commercial objectives.



Boomerang Reisen and Explorer Fernreisen are tour operators selling direct to the public via their own shops emphasizing experiential travel. Kuoni and Hotelplan are the largest Swiss wholesalers (who also have a presence in Italy and France).

The Best of Travel Group is an important buyer consisting of 14 independent small to medium sized tour operators specialising in Australia and other longhaul destinations. Founded in 1993 with marketing and sales head office in Geldern, Germany, some member companies include Cruising Reise, Karawane Reisen, Westtours, Australia Plus Reisen, Australia Pacific Travel Service, Dr Dudder Reisen, Dreamtime Travel, Australasia Travel Service, Jet Touristik.

For luxury product, there are opportunities with small to medium buyers Windrose and Ozeanien Reisen. Buyers with a large part of their business coming from group series are Gebeco and Kiwi Tours.

Dertour is extending its presence and activities in the Swiss market primarily in cooperation with travel agencies on Germany's border and in Eastern Switzerland. Dertour had a stand at Fespo for the first time this year and offered the complete product range of the REWE group: Dertour, Meiers Weltreisen and ADAC Reisen. The Swiss brochures are the same as the German ones, with conversion tables for calculating the costs in Swiss Francs. Sales will be via travel agencies only, with 200 agencies having already signed a cooperation agreement. A sales person (Gerd Fink) will be looking after the Swiss market from Austria in Vorarlberg (close to the Swiss and German borders). Source: ST Newsletter, 6 Feb 2008

The Hotelplan Group will be re-branded into M-Travel Switzerland with personnel and operational changes. Skytours as part of the Travelhouse Group belongs to the Hotelplan/Migros Group. In Spring 2007, the first Australia dedicated brochure was launched. Skytours focuses on FIT self-drive and group trips.



Market Trends - Italy

- There is a great opportunity for regional product to work with Italian wholesalers through their Inbound Operators and through the development of modular self-drive itineraries.
- Support of recent educationals from Italy has paid dividends for participating products that have been brochured by a couple of the participating wholesalers.
- Most Italian wholesalers book Australian product exclusively through two or three inbound tour operators, Finesse and Australia One are the most commonly used ITO's.
- Between 50% and 90% of Italian clients booking Australia are travelling for a honeymoon. This segment has fuelled much of the growth out of Italy over the past two years and anecdotally at least seems to show no sign of abating as the main purpose of travel.
- The greater flexibility introduced to Working Holiday visa conditions has contributed to excellent growth in the number of visas issued to Italian visitors.
- A large percentage of holiday visitors are FIT's. Group touring (escorted and regular) is making a slow comeback, mainly in the South of Italy.
- Anecdotal feedback from travel industry partners indicates that Australia has lost the medium spend traveller. The positive trend from this market includes consumers increasing their spending on their Australian holiday. Most key tour operator producing a "luxury" program in addition to their general program are seeking product suitable for the top end travellers which also covers the important honeymoon sector for Australia.

Key Buyers Italy

- There are 12 Italian buyers registered to attend ATE. No new buyers are attending this year.



What kind of product are buyers looking for?

- The honeymoon market continues to grow. Special honeymoon offers/value adds will be well received by operators e.g. free spa treatment for bride.
- The Italian market is inbound-driven and all new products' efforts need to be directed not only to in-market wholesalers but also to inbound tour operators in Australia.
- There are opportunities for luxury product with medium size distribution partners like Ventaglio I Viaggi, Southside, Go Australia and Rallo. Viaggidea and Kuoni both have dedicated luxury brochures Viaggidea – Ego and Kuoni Emotions.
- There is still a demand for guided Italian speaking tours. Operators offering such tours need to ensure guides speak true Italian and not a dialect.
- There is an increasing concern for responsible tourism however consumers are unlikely to pay more for an eco tour.
- The family market is a small but growing segment and value adds for children will be well received i.e. 2 Adults pay, child is free.
- While Italians will not travel purely for spa tourism, spa facilities should be highlighted by hotels.

Market Trends France

- The French tourism industry is very fragmented with approximately 500 tour operators (about 150 of which are well known to the public) 4000 retail travel agencies and 180 incentive houses.
- Travel is an important sector of online commerce accounting for 45% of total purchases on the Internet (The 1st sector is cultural products with 68%)
- As a consequence, the travel industry is adopting online technology and retailers are introducing online training systems. All major tour operators now have sites with most offering the ability to book and purchase online.
- Most French tour operators now sell directly to the public via their own brands.



- The greater flexibility introduced to Working Holiday visa conditions, has contributed to excellent growth in the number of visas issued from France. The Working Holiday programme has shown greater growth in France than any other European Country.
- July, followed by December and February are the peak months for visitors from France.
- Packaged holidays show strong growth, particularly with self-drive.
- Escorted tours continue to do well, especially those that have French speaking guides - popular with seniors due to the language barrier.
- Luxury touring / “boutique” accommodation do show great growth potential; more operators are targeting this promising segment; and some are looking at introducing Australia in their destinations portfolio soon. Several new websites dedicated to luxury living – including luxury travel – have been set up in the past year with great success.

Key Buyers France

- There are 8 buyers registered to attend ATE including two new buyers Australie online operator that will launch a dedicated Australia Veo site in April 2009. Jetset launching Australia packages in December using JCM

What are product buyers looking for?

- Many French Operators have started indicating eco accredited tours in their brochure by showing eco accreditation symbols.
- Unique and Boutique accommodation continues to be in demand
- The honeymoon market is a growing segment out of France and Honeymoon offers will be well received by operators e.g. Groom pays bride is free.



Key Buyers Other Europe

Netherlands/Belgium/Spain:

There are 9 Dutch, 2 Belgian, 2 Spanish and 2 Russian buyers attending ATE. The top 4 operators for The Netherlands are QAS, ITG (Barron and Weraldcontact), Kuoni Travel and Pacific Island Travel.

What are product buyers looking for?

- Self-drive itineraries continue to be very popular for visitors from The Netherlands and Belgium. The Dutch market is ranked number 1 world wide in terms of regional dispersal with 54% of all nights spent outside the major cities. There are good opportunities for regional product to gain exposure through modular self-drive packages.
- There is an increase in interest for eco friendly product
- Indigenous product
- Unique and boutique accommodation
- Opportunities to interact with wildlife.
- The honeymoon market is key for Spain, operators are looking for honeymoon offers.