



Market Profile: China

May 2008

| | |
|---|--|
| Outbound Travel from China (2007): 40.95 million | Population (2006): 1,321 million |
| Direct Customs Entries to BC (2007): 91,521 | Unemployment Rate: 4% |
| BC's Share of China's Custom Entries (2007): 60.1 % | Real GDP(2007 est.): \$3,241.8 Billion US |
| China as a Share of BC's Total Int'l Customs Entries (2007): 1.9% | GDP Growth (2006 vs. 2005): 11.1% |
| Asia/Pacific as a Share of BC's Total Int'l Customs Entries (2007): 17.7 % | GDP Growth (2007 est.): 11.4% |
| China as a Share of BC's Asia/Pacific Customs Entries (2007): 10.7% | Forecasted GDP Growth (2008): 10.4% |

Sources: Statistics Canada, National Bureau of Statistics of China, OECD, CIA World Fact Book, Economist Intelligence Unit, Oxford Economics

- In 2007, China ranked as BC's sixth largest international market of direct customs entries, and Canada's ninth largest market in visitation.
- China ranked fourth in the Asia/Pacific region for both BC and Canada.
- China held 10.7% of BC's Asia/Pacific market share and 9.9% of Canada's Asia/Pacific market share.

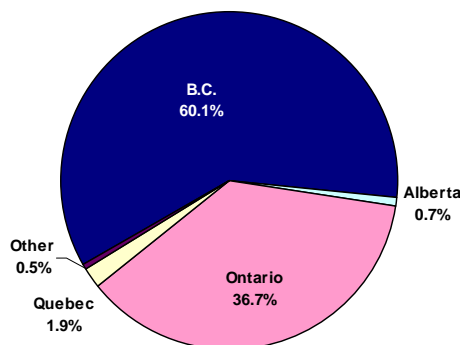
| Top 10 Countries to BC | | | |
|------------------------|---|-----------|----|
| U.S. Overnight | 1 | China | 6 |
| U.K. | 2 | Germany | 7 |
| Japan | 3 | Mexico | 8 |
| Australia | 4 | Hong Kong | 9 |
| South Korea | 5 | Taiwan | 10 |

Source: Statistics Canada

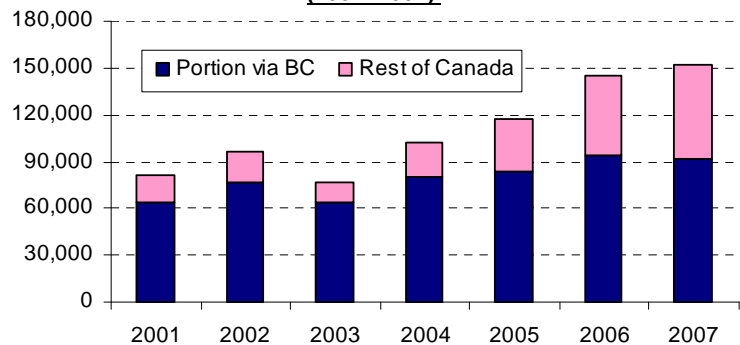
SIZE OF CHINESE MARKET

- Nearly 41 million Chinese travelled outside their country in 2007. Of these, 36.3 million trips were to other parts of Asia.
- In 2007, 152,200 Chinese visited Canada, of whom, 91,521 entered directly through British Columbia, accounting for 60.1% of Canada's Chinese market.
- When compared to 2006, Chinese custom entries to BC in 2007 exhibited a decrease of 2.2%. However, when 2007 is compared to 2005, 2004, 2003, 2002, and 2001, entries have increased by 9.9%, 14.9%, 43.6%, 18.6% and 43.6% respectively.
- The Pacific Asia Travel Association forecasts 4.4% growth for 2009 in visitor arrivals to the Americas.

China Overnight Customs Entries to Canada by Province in 2007



China Overnight Customs Entries to Canada (2001 -2007)



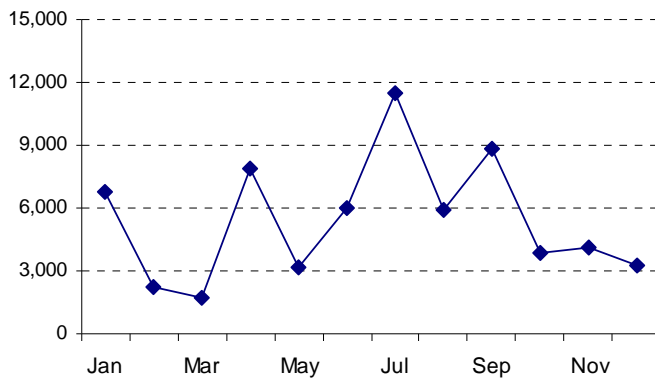
Source: Statistics Canada

THE CHINESE TRAVELLER

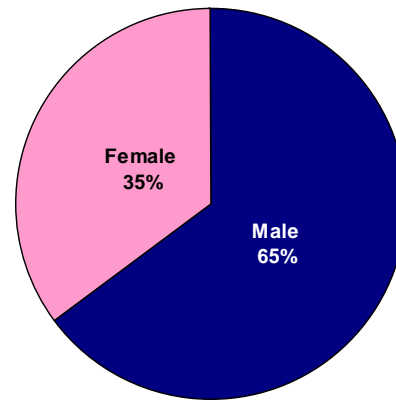
The International Travel Survey (ITS) is an ongoing survey conducted by Statistics Canada in partnership with the Canadian Tourism Commission and some provinces, including BC. The survey contains questions designed to collect data on the characteristics of travellers. The ITS provides statistics on the volume of international travellers and on characteristics of their trips such as expenditures, activities, places visited, accommodations and length of stay. The data in this section is based on the **2006 ITS** results and on those who entered Canada from mainland China and **who spent at least one night in BC.**

- In 2006, Chinese visitation peaked in July. Overall, June to September, as well as January and April were popular times for Chinese visitors to Canada.
- Canada received an estimated greater proportion of male Chinese visitors (65%) than females (35%) in 2006.

Visitation to Canada from Mainland China in 2006

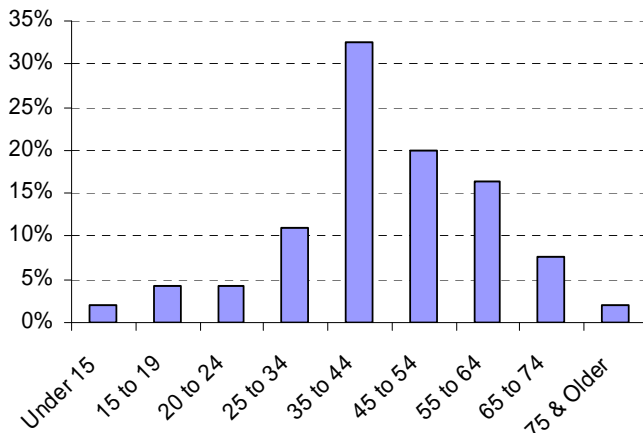


Gender of Mainland Chinese Visitors to Canada

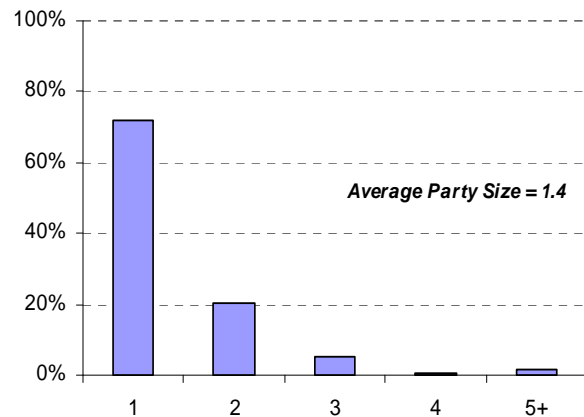


- One third of the Chinese visitors to Canada (33%) in 2006 were between the ages of 35 to 44. One fifth of travellers (20%) were between 45 to 54 years of age. Sixteen percent were between the ages of 55 to 64.
- Nearly three quarters of Chinese travellers (72%) came to Canada alone; the remaining 28% travelled in groups of two or more.

Age of Chinese Visitors



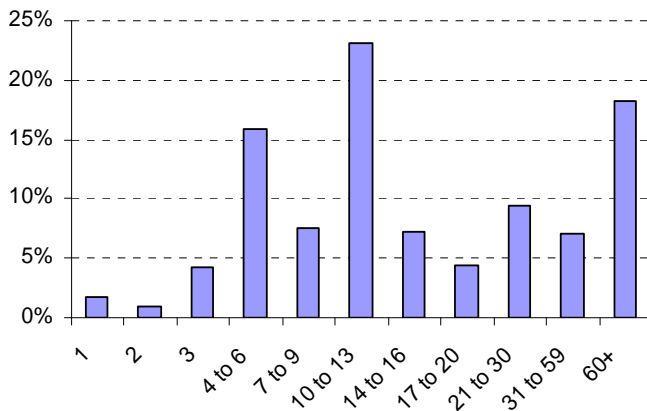
Travelling Party Size of Chinese Visitors



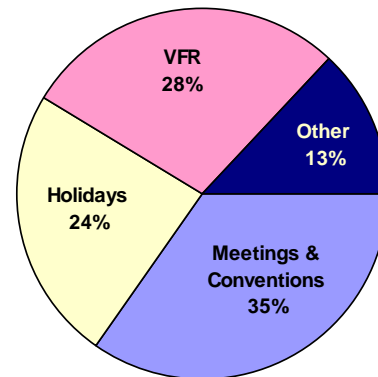
THE CHINESE TRAVELLER (CONT'D)

- In 2006, Chinese travellers to Canada (who also visited BC) spent on average 29 nights in Canada including 21 nights in BC.
- The most frequently reported trip length was 10 to 13 nights in Canada. Nearly a fifth (18%) of travellers spent more than 60 nights in Canada driving up the average trip length.
- More than a third (35%) of Chinese travellers visited Canada for meetings and conventions and over a quarter (28%) came to Canada to visit friends and relatives.
- Leisure travellers (those who came for holidays) accounted for nearly a quarter (24%) of the total market.

Trip Duration of Chinese Visitors in Canada



Main Reason for Trip to Canada



- Aside from shopping (85%) and sightseeing (85%), visiting friends or relatives was the most popular activity participated in by Chinese travellers to Canada. Visiting a national or provincial nature park, visiting historic sites, visiting a museum or art gallery, visiting a zoo, aquarium or botanical garden and going to a casino were all also popular activities for the Chinese traveller.
- While traveling in Canada, private automobile (23%), plane (22%) and bus (20%) were the most commonly used mode of transportation for the Chinese traveller.
- A small portion of travellers (8%) used a rented automobile while travelling in Canada.

Activities Participated in While in Canada

| | | |
|----|---|-----|
| 1 | Visit friends or relatives | 72% |
| 2 | Visit a national or provincial nature park | 46% |
| 3 | Visit a historic site | 46% |
| 4 | Visit a museum or art gallery | 28% |
| 5 | Visit a zoo, aquarium or botanical garden | 23% |
| 6 | Go to a Casino | 19% |
| 7 | Go to a bar or nightclub | 17% |
| 8 | Visit a theme or amusement park | 16% |
| 9 | Participate in sports or outdoor activities | 13% |
| 10 | Attend a festival or fair | 8% |

Methods of Transportation in Canada

| | |
|--------------------|-----|
| Private Automobile | 23% |
| Plane | 22% |
| Bus | 20% |
| Boat | 11% |
| Rented Automobile | 8% |
| Train | 1% |
| Private Plan | 0% |
| Private Boat | 0% |
| Other | 16% |

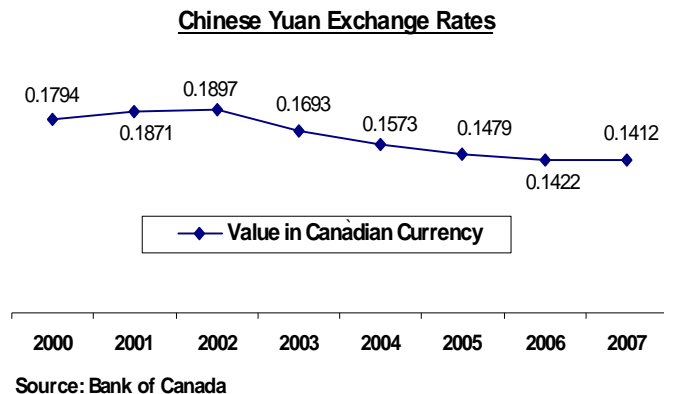
THE CHINESE TRAVELLER (CONT'D)

- Chinese travellers spent an estimated average of \$2,806 per party during their visit to Canada in 2006. The detailed expenditure breakdown is as follows:
 - accommodation 30%
 - transportation 14%
 - food and beverage 21%
 - recreation and entertainment 7%
 - other costs 28%.
- As can be seen in the accompanying table, Chinese visitors who spent a minimum of 1 night in BC while visiting Canada were generally satisfied with their experiences in Canada.
- It is noteworthy that the rating of the 'value for money' category was considerably lower than other categories.

| Satisfaction of Trip Experiences in Canada | | |
|--|--|-------|
| Transportation Services | | |
| Good | | 79.3% |
| Average | | 14.5% |
| Poor | | 6.2% |
| Accommodation Services | | |
| Good | | 61.9% |
| Average | | 34.7% |
| Poor | | 3.4% |
| Hospitality of Local People | | |
| Good | | 85.5% |
| Average | | 13.1% |
| Poor | | 1.5% |
| Value for Your Money | | |
| Good | | 21.5% |
| Average | | 51.5% |
| Poor | | 27.0% |
| Variety of Things to See and Do | | |
| Good | | 70.0% |
| Average | | 25.7% |
| Poor | | 4.3% |

ECONOMIC PROFILE

- China in 2007 stood as the second-largest economy in the world after the US (based on purchasing power parity), although in per capita terms the country is still lower middle-income.
- Real GDP growth is forecast to slow but will remain impressive, easing from 11.4% in 2007 to 8.4% in 2012.
- The Yuan will continue to be held in a closely managed exchange-rate system, while also being allowed to appreciate gradually against the US dollar.



- Unemployment in urban areas for 2007 is estimated to be 4%; however there is substantial unemployment and underemployment in rural areas.
- A survey by Swiss Bank Credit Suisse found that consumers are expected to fuel a boom in spending on cars - up 30%, property - up 23%, and electronic goods - up 21.8%, compared to spending in 2007.
- The average monthly household income after tax is expected to rise 22.5% to 6,180 Yuan in 2008, with the average monthly personal income 17.4% higher at 2,500 Yuan.
- China's tourism revenue reached 1.09 trillion Yuan in 2007, the first time it broke the one trillion Yuan mark. The Beijing 2008 Olympics and the Shanghai 2010 World Expo will showcase China as a leading tourism destination with world-class infrastructure, facilities, products, policies and standards.

THE COMPETITION

- The top competitors for Canada in the long-haul market are Australia, New Zealand, the United States and Europe (France, Switzerland, the UK and Italy in particular).
- Australia and New Zealand are relatively mature destinations in the Chinese market, with strong nature products at a competitive price.
- More recently opened, Europe appeals to the Chinese on the basis of its deep history and culture, and the opportunity to visit many countries on a single trip.
- With its Approved Destination Status (ADS) agreement being implemented in spring 2008, the US is likely the strongest competitor for Canada. The US benefits from greater social awareness in China, is perceived as offering more to do, and is seen as having more modern and trendy cities.
- As a tourism destination, Canada is seen as having rich scenery and nature. Linked to this imagery is a feeling of peace and relaxation, which is felt to make Canada an ideal holiday destination for the Chinese. These images are juxtaposed with those of Canada's modern cities, with Toronto, Vancouver and Ottawa all being top-of-mind destinations.
- In terms of price-value perceptions, Canada is viewed as delivering good value at a reasonable price. However, Australia tops in value for the lowest cost.

| Top 20 Chinese Outbound Travel Destinations | |
|---|--------------------|
| 1 | Hong Kong |
| 2 | Macau |
| 3 | Vietnam |
| 4 | Russian Federation |
| 5 | Thailand |
| 6 | Singapore |
| 7 | South Korea |
| 8 | Japan |
| 9 | Malaysia |
| 10 | Germany |
| 11 | Australia |
| 12 | US |
| 13 | Italy |
| 14 | Belgium |
| 15 | Mongolia |
| 16 | Canada |
| 17 | UK |
| 18 | New Zealand |
| 19 | Switzerland |
| 20 | Kazakhstan |

Source: WTO.

EMERGING TRENDS IN THE TRAVEL TRADE

- The Chinese market has some unique characteristics that, taken together, can make market development a challenge. These include the need for balanced visa regulations, a cut-throat retail environment, a lack of quality standards for travel products, severe shortages in air capacity, and cultural differences such as short vacations and last-minute bookings.
- The vast majority of Chinese travellers use travel agencies and tour operators to book their vacations.
- China now has at least 3,500 travel agencies that can issue international air tickets (out of an estimated total of more than 10,500 travel agencies) but, even after the new licensing round, only 15% are permitted to sell international tours.
- Budget and private airlines are having a tentative and troubled outset in China due to regulations which have been lobbied for by the major Chinese airlines.

2008 National Holidays in China

New Year: Dec 30 - Jan 1

Chinese New Year: Feb 6 - 12

Tomb-Sweeping Day: Apr 4 - 6

May Holiday: May 1 - 3

Dragon Boat Festival: Jun 7 - 9

Mid-Autumn Festival: Sep 13 - 15

National Day: Sep 29 - Oct 5

EMERGING TRENDS IN THE TRAVEL TRADE (CONT'D)

- The Chinese outbound tourism sector is experiencing growing pains as can be expected with such rapid growth and this can be attributed to the following reasons:
 - So-called zero-cost tours capitalize on the consumers' instinct to find a very competitively priced tour. The customer is sold this tour unaware of the heavy commission incentive which the tour organizer is subject to.
 - Lack of understanding of Chinese culture and customs and therefore ignorance of Chinese tourists' needs and requirements when receiving them in the destination.
 - The importance of providing Chinese food for most meals and a guide with a fluent level of Mandarin Chinese can also be overlooked.
- When developing long-haul products, the Chinese travel trade relies primarily on the websites and staff of destination tourism bureaus, receptive operators and other local suppliers. Websites targeted at the trade need to contain sufficiently detailed information, be updated on an ongoing basis, provide an avenue for inquiries, and of course, be in Chinese.
- As Chinese language is expected to become the most used language on the internet by 2007 according to a recent United Nations report, marketing Travel & Tourism via the internet, doing online travel research or bookings will become more important. However, in China online travel distribution is still in its infancy due in part to a relative lack of consumer confidence in security in online payment systems and in part to China's cash-based economy.

What is ADS?

The Approved Destination Status (ADS) is a bilateral agreement between the Chinese Government and the government of a requesting country.

ADS allows for Chinese citizens to travel to a destination in group package tours authorized by the China National Tourism Administration (CNTA).

134 countries currently have ADS agreements with China.

An ADS agreement will facilitate increased tourism business by allowing liberalization in 3 critical areas:

- ✓ Chinese citizens will be more readily permitted to travel to Canada for leisure purposes.
- ✓ Canada will be permitted to actively market its tourism products in China
- ✓ Chinese travel agents will be permitted to organize, advertise and promote leisure travel packages to Canada for their clients.

On January 21, 2005 there was an announcement from the Canada/China Working group that China had agreed to begin negotiations for an ADS agreement with Canada. As of April 2008 there is no Canada/China ADS agreement.

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