

CENTRAL EUROPEAN OFFICE

A P R I L 2010

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MARKET INTELLIGENCE / TRENDS

European Passenger Traffic up 4% in February 2010

The overall passenger traffic at European airports continues to show signs of improvement, increasing by +4.0% in February 2010 compared with February 2009. The overall freight traffic among European airports increased +19.8% in February 2010 when compared with the corresponding month in 2009. Despite the fact that these traffic figures were affected by industrial action, particularly in Germany and France, they nevertheless confirm the improving trend registered since November 2009. Note that in France, Air Traffic Controllers went on strike for 4 days, while in Germany, Lufthansa pilots planned a 4 days strike, which was suspended after 12 hours.

The accumulated figure for passenger traffic January to February 2010 increased by +4.0% compared with the corresponding period 2009.

The 'ACI Europe Airport Traffic Report - February 2010' includes 111 airports in total. These airports represent nearly 80% of total European passenger traffic.

International Tourism: First results of 2010 confirm upward trend

International tourism is steadily gaining momentum following an extremely challenging 2009. According to the latest UNWTO World Tourism Barometer, international tourist arrivals grew by 7% in the first two months of 2010 worldwide. This follows the upturn already registered in the last quarter of 2009 during which arrivals grew by 2% after 14 consecutive months of negative results.

Growth was positive in all world regions during the first two months of 2010 led by Asia and the Pacific (+10%) and Africa (+7%). The pace of growth was slower in Europe (+3%) and in the Americas (+3%), the two regions hardest hit by the global crisis and where economic recovery is proving to be comparatively weaker.

A large number of countries around the world reported positive results in the first months of 2010. Of the 77 destinations reporting data for this period, 60 showed positive figures, of which 24 posted double-digit growth including Estonia, Israel, Hong Kong (China), Macao (China), Japan, Taiwan (pr. of China), Indonesia, Singapore, Vietnam, Guam, India, Nepal, Sri Lanka, US Virgin Islands, Nicaragua, Ecuador, Kenya, Seychelles, Morocco, Egypt and Saudi Arabia.

Though there is a clear improvement on the negative results of 2009, this growth must be considered with caution as it compares with a particularly weak period of 2009 - the worst

months of the global economic crisis. On the whole, international tourist arrivals totaled 119 million during the first two months of 2010, up 7% on 2009 but still 2% below the value of the record year of 2008.

UNWTO forecasts international tourist arrivals to grow by 3% to 4% in 2010. This outlook has not been altered by the recent air traffic disruption in European airspace. Although impacting travelers very seriously, specific destinations and companies (the airlines in particular), airports and tour operators, UNWTO estimates that the closure of a major part of European airspace between April 15th and 20th might have caused a loss of less than half a per cent of the yearly volume of international tourist arrivals in Europe and 0.3% of the total count for the world.

Nevertheless, while the positive trend registered in the first months of 2010 reflects improved economic conditions, UNWTO warns that many challenges remain. “Although economic results have improved significantly in recent months with a positive impact on tourism demand, we must remain cautious as many factors can still jeopardize the pace of recovery”, said UNWTO Secretary-General, Taleb Rifai in Sofia, Bulgaria at the opening of the UNWTO Seminar on Tourism Governance In Times Of Crisis. “The economic recovery is being driven mainly by emerging economies while growth is still sluggish in most advanced ones. At the same time, increasing unemployment levels in major tourism source markets is a cause of concern”, he added.

There were no major changes in the rankings of the first ten destinations by international tourist arrivals and receipts in 2009. France, the USA and Spain continue to be leaders in both arrivals and receipts, albeit in a different order. France continues to lead the ranking of the world’s major tourism destinations in terms of arrivals and ranks third in receipts. The USA ranks first in receipts and second in arrivals. Spain maintains its position as the second biggest earner worldwide and the first in Europe, and ranks third in arrivals.

Germany: Growth Again After the 2009 Slump

Bookings for long-haul holidays have risen on the German market this year after a slump in 2009. The improving demand for package holidays is also carrying over to the long-haul sector, according to surveys and industry experts. A new record of 4.8 million long-haul holidaymakers could be set this year, according to Nuremberg-based market researchers GfK. There was an overall rise of 1% in booked revenues for long-distance holidays for summer 2010 as of end-February, its latest survey of German travel agents showed. Sales for Asia and Australasia were up 7%, and Africa even had a 9% rise. In contrast, North America was down 3% and the Caribbean was 6% lower in revenue terms.

Among tour operators, TUI expects “clear growth this year” for long-haul holidays after expanding its offer substantially. In future, long-haul holidays will no longer be marketed in separate brochures, but under one single sub-brand. More cautiously, Neckermann Reisen and Thomas Cook Reisen said bookings are “within expectations”, but they do not expect the overall market segment to grow. Dertour also said it expects stable figures “at last year’s high levels” while FTI expects to generate growth in the segment.

Budget certainty is a key trend for long-haul as well as for short-haul destinations, according to German tour operators. Demand for all-inclusive products is rising, bookings for guided tours are going well and families are also increasingly booking long-haul holidays.

Volcanic Eruption: German Tourism Back to Normal Operations

The German tourism sector is working normally again after successful crisis management to bring back 125,000 stranded tourists and the resumption of holiday departures during the last week of this month. Tour operators successfully organised the return transport of about 125,000 customers. Only about 5,000 German package holidaymakers were still awaiting flights home, and most of these are long-haul tourists at destinations around the world. Mexico is one of the affected destinations, according to industry sources. TUI Germany said it had brought about 30,000 customers home on 191 special flights, including 49 TUIfly flights, and in 158 chartered coaches. Only 460 TUI customers were still awaiting repatriation as of April 25th. Most tour operators resumed normal holiday departures on April 21st with the re-opening of German and most European airspace for scheduled flights after six days of closures due to the Icelandic volcanic ash cloud over Europe.

Package holidaymakers had a clear advantage over individual travellers in this situation, the DRV pointed out. Tour operators organised charter flights or coach transport to get their customers back to Germany. In addition, they voluntarily agreed to bear the costs of the additional accommodation even though this was not a legal obligation.

Individual travellers who organised their own air and hotel accommodation were in a very different situation, however. A dispute has broken out over whether airlines have to pay for the extra hotel nights. Under the EU airline passenger's directive, stranded passengers can choose whether to have their flight costs refunded or to re-book to a later flight, in which case the airline must bear the resulting costs of extra accommodation and food and beverage, according to German consumer rights organisations. But airlines, citing exceptional circumstances, initially refused to compensate passengers for these extra costs and only agreed after heavy pressure from the European Commission. Lufthansa, Air Berlin, Condor, Germanwings and Ryanair finally confirmed they would compensate passengers for the additional costs.

Thomas Cook: Top Management Changes in Germany

Thomas Cook is again changing its management structure in Germany with the retirement of long-serving senior manager Gisela Sökeland. Sökeland, a well-known figure in the German tourism industry, retired from daily operational work at Thomas Cook Germany the end of this month after 34 years in different management positions and will join the company's supervisory board as of May 1st. The 62-year-old took over as head of sales and marketing Germany last year after having created and managed the premium brand Thomas Cook Reisen over the previous decade.

She will be replaced as head of sales and marketing by Christian Würst, previously head of e-commerce and individual holidays. The latter business will come under the responsibility of Michael Tenzer who will thus be responsible for the company's entire tourism production. One year ago, Thomas Cook Germany CEO Peter Fankhauser reorganised the Thomas Cook Germany structure, integrating production of Neckermann Reisen and Thomas Cook Reisen holidays. Now, however, there will be a clear separation of responsibilities for production and sales, similar to the structures at TUI Germany and Rewe Touristik. The new structure, Fankhauser said, "perfectly matches the current developments in the industry and at Thomas Cook".

Hotelplan Switzerland: Ex-Kuoni Chief Takes Charge

Former Kuoni CEO Hans Lerch will replace Christof Zuber as CEO of Switzerland's second-largest tour operator Hotelplan. Zuber left the company this month following disappointing 2009 results and despite a major restructuring over the last year. Hotelplan ended last year with a reported loss of CHF 21.6 million compared to the previous year's profit of CHF 13.6 million. Turnover dropped 16% to CHF 1.6 billion and the underlying operating profit slumped 83% to CHF 7.1 million.

Zuber had introduced a major restructuring program at Hotelplan, with investment in new technology, sale of the airline Belair to Air Berlin, streamlining of the tour operator portfolio and concentration of foreign activities on markets with the best potential. But this was seemingly not enough for the company's owner, the Migros retail group. The future development of Hotelplan has now been handed over to Hans Lerch and Thomas Stirnimann as his deputy. Lerch, the long-serving CEO of Kuoni until 2005, joined the Hotelplan board of directors last year as vice-president. Stirnimann, formerly head of Kuoni's Swiss tour operating business under Lerch, is head of M-Travel Switzerland, the company's Swiss tour operating division.

U.S.: International Visitation Up 10% in January 2010

The U.S. Department of Commerce announced that 3.4 million international visitors traveled to the United States in January 2010, an increase of 10% over January 2009. January 2010 marks the fourth straight month of increases in U.S. arrivals. International visitors spent \$10.3 billion in January 2010, 3% percent less than in January 2009. January 2010 marks the fifteenth consecutive month in which the U.S. travel and tourism-related exports were lower than when compared to the same period of the previous year.

January 2010 International Arrivals to the United States

- **Overseas** visitation (excluding Canada and Mexico) totaled 1.7 million for the month, up 8% over January 2009.
- Visitation from **Western Europe** increased 1% for the month.
- Visitation from 19 Western European markets was up for the month. Seven of the top 10 markets registered increases in January (**Germany** +5%, France +4%, Italy +7%, Spain +10%, **Netherlands** +3%, Sweden +5%, and **Switzerland** +14%).
- Visits from the United Kingdom dropped 5% in January.
- **Eastern European** visits decreased 1% for the month.

SALES ACTIVITIES

VIP Tour Operator Appreciation Events (March 17th, April 20th and May 5th):

We partnered with the Orlando CVB and SeaWorld Parks & Entertainment in hosting our second of three VIP tour operator appreciation events. April 20th saw us in Bad Homburg with Thomas Cook's top management from both the North America product and marketing departments. In attendance were Sascha Büsseler, Claudia Henze-Dynio, Giuseppe di Liberto, Yvonne Schmidt, Miriam Goertz and Sabine Webel.

Of course, part of the evening was dedicated to business. The Thomas Cook colleagues reported 2010 being off to a slow start in terms of bookings to our areas. However, bookings during the first few weeks of April have picked up considerably and it is anticipated that the summer season will conclude favorably.

On May 5th, the REWE group (Dertour and Meier's Weltreisen) will be hosted in Frankfurt, which will mark the last of our VIP tour operator appreciation events for this FY.

Ongoing: FTI Familiarization Tour (May 5th – 11th, 2010):

FTI, one of Germany's top five tour operators and among the most influential in bringing business to the U.S., has selected our area for an exclusive FAM trip. The group will comprise 12 hand-picked travel agents who are among the top sellers. Our co-sponsoring carrier will be United Airlines – seats have been secured. Accommodations have been confirmed and the itinerary has been finalized. The final itinerary was translated to German and forwarded to FTI this month. Upon receipt, the tour operator sent us a message of tremendous praise for the professional and very well thought-out program, exclaiming this was one of the best familiarization tour programs they have ever received! The rooming list was received this month and forwarded to HQ. We are currently awaiting return of our Release & Waiver forms.

International Pow Wow (May 15th – 19th, 2010):

Preparations are underway for our attendance at this year's International Pow Wow to be held in Orlando. Appointment requests were submitted and together with Lee County's German representative, the invitation list for our "Twice the Party" event was reviewed and finalized.

Ongoing: Willy Scharnow Foundation Familiarization Tour (October 20th – 23rd, 2010):

Initial plans are underway for an exclusive VSPC Willy Scharnow Fam scheduled to be held next fiscal year. This will mark the 17th annual tour in cooperation with the Willy Scharnow Foundation. We will partner with United Airlines in securing 17 seats (16 agents + 1 Willy Scharnow escort). As the tour is planned for 6 nights/7days, a co-sponsoring Florida destination will be included. For this year's tour, Lee County was approached and has agreed to co-sponsorship. Currently, we are having difficulty securing accommodations for this program, but are hopeful that we shall be successful in the coming month before proceeding with further development of an itinerary.

Ongoing: Seeheim Seminar 2010 (October 30th – 31st, 2010):

As members of the Visit USA Committee Germany, we have volunteered to contribute our time in assisting with the organization of an extraordinary weekend travel agent training program for approximately 300 agents to be held at the Lufthansa Training and Conference Center in Seeheim, Germany. Slated for the end of October 2010, a Halloween theme will accompany the numerous training seminars and educational workshop sessions culminating in a haunted house extravaganza during the evening.

Negotiations with the Lufthansa Training Center were completed last month with the Visit USA Committee Board signing applicable contractual agreements. An official event registration form was distributed among the membership. By the end of March, eight members had submitted registrations with 12 members indicating strong interest pending budget approvals. June 30th marks the final registration deadline for members, after which we will determine whether the event will take place.

Ongoing: Meier's Weltreisen Go West 2010 (November 15th – 23rd, 2010):

Additional meetings were held with the tour operator this month regarding this prestigious event coming to our area in the fall. Accommodations were secured this month and further

itinerary elements per Meier's wishes were discussed in preparation for a brief to be circulated among our area's industry members prior to Pow Wow next month.

We will host 100 of the tour operator's most important travel agents, who will be selected based on revenue to the USA. High revenue agencies which have potential for Florida, but are not currently booking, will also be given consideration. The program foresees 4 nights in Orlando followed by 4 nights in our area with a visit to Busch Gardens in between.

VSPC was host to a Meier's "Top 100" event in December 2004. The 2010 event now provides an excellent opportunity to showcase the exciting developments in our area since then.

Lastly, we dedicated our efforts to the preparation and **submission of the FY 2010/11 sales plan and budget**. In keeping with the allocated budget amount for next year, we presented a plan which focuses on maximizing our exposure by concentrating on a continuation of the most effective and relevant programs as well as adding a few new ones.

PUBLIC RELATIONS / ADVERTISING

Main Echo Reisen – Aschaffenburg, Germany

Main Echo is a Rhein-Main area daily newspaper with a circulation of 88,902. Several times a year, live phone sessions are announced in the paper. These sessions are conducted on various topics from health & wellness to real estate. Topic experts are on hand to answer readers' questions related to the featured topic.

A special travel section of the paper highlights various vacation destinations, special travel offers and hot tips on an ongoing basis. This month, the topic "Vacationing in the USA" was featured. The featured destinations were VSPC and California, whereby Meier's Weltreisen was involved as the featured tour operator to answer questions on camping in the USA. For the first time, the publisher announced a live phone session the travel topic. We participated in this live phone session during prime time (18:00 – 20:00) on April 19th taking calls from interested consumers. The publisher was very pleased with the results: a total of 60 calls were received with VSPC alone receiving 18. This fabulous exposure opportunity came to us free of charge!

Our efforts continued again this month in developing and completing marketing promotions and advertising programs, which included:

Tour Operators:

- CANUSA (Germany)

➤ **Online iMagazine Promotion – May 2010**

iMag is an online platform visible on Canusa's homepage. It is designed to stimulate interactive communication focusing on the generation of inquiries for travel quotes. We will pool resources with Orlando to develop a 'Central Florida' iMag feature, which will be online for 6-8 weeks. During the online promotion, 2 eNews blasts will go to 510,000 customers. A sweepstakes will also be included and teased accordingly. After the online promotion, our iMag will be archived on Canusa's website indefinitely, allowing the tour operator to draw attention to our destination time and time again over the course of a year or more.

Production for this initiative has taken a number of months and we are now awaiting first draft layouts expected the beginning of May.

- DERTOOUR (Germany)
 - **Winter Catalog 2010/11 Supplement** – July/August 2010

A big project in the works is an exclusive, 6-page VSPC supplement which will be inserted in Dertour's upcoming Winter 2010/11 catalog (circ. 500k) due out in the marketplace in July/August 2010. As we will be required to deliver the completed document as an open PDF file, we alerted our Advertising Department as to timelines, specs and content request.

Various elements from our German Visitor Guide will be utilized for content development. We worked closely with our Advertising Department providing feedback and corrections on the draft layouts received to date. The most recent version has been forwarded to Dertour for review and we are currently awaiting feedback before finalizing the piece. Dertour has requested electronic submission of the final file by next month.

- EXPLORER FERNREISEN (Germany)
 - **Florida Supplement in Abenteuer und Reisen** – May 2010

To celebrate their 40th anniversary, Explorer Fernreisen will produce an 8-page exclusive Florida supplement piece which will be inserted into the May issue of Abenteuer und Reisen, a high-gloss German travel pub with a circulation of 96,993, a readership of 420k and a frequency of 10x/yr. We will participate with placement of our logo, image, descriptive destination text as well as 3 travel offers developed by the tour operator. The operator was provided with all necessary materials last month with the final layout having been sent to and approved by HQ this month.

- FLEX TRAVEL / TUI SUISSE (Switzerland)
 - **Trade/Consumer Piece Mailing** – April 2010

A 6-page piece was produced exclusively for VSPC and contained contain our destination information, imagery and logo as well as travel offers developed by the tour operator. A total production run of 2,500 pieces was distributed to 150 leading travel agencies, which will utilize the piece as a sales tool circulating this among consumers.
 - **TUI News Advertorial** – April 2010

To support the above mailing, our full-page advertorial was placed on the inside cover of the TUI News, a company trade pub distributed to 330 travel agencies on a monthly basis. The pub highlights TUI's newest travel tips, product information updates as well as top specials for the month.
 - **Specials Flyer** – July/August 2010

An additional Specials Flyer will be produced for online insertion as well as for an eNews blast to 500 top travel agents. VSPC specific travel specials will be developed by the tour operator in an effort to pushing awareness for late summer bookings.

- HOTELPLAN (Switzerland)
 - **Winter Specials Brochure Cover Page** – July/August 2010

Hotelplan has once again selected VSPC for its winter specials 2010/11 brochure cover page! With a print run of 22,000 (15,000 German and 7,000 French), the winter specials brochure is distributed to approximately 125 own network agencies as well as over 900 Swiss travel agencies. Containing a number of VSPC travel offers, the brochure will be valid October 2010 thru March 2011 and will launch in market in July/August. We have provided the tour operator with the pertinent elements for layout development.

- **Post-It Notes Booklet** – July/August 2010

In conjunction with the launch of the winter specials brochure, special product training will be conducted by Hotelplan’s product management team. To draw attention to VSPC, a small post-it notes booklet will be produced, the cover of which will mirror our image on the winter specials brochure. The booklet will be distributed to agents during all training sessions. We have provided the tour operator with the pertinent elements for layout development.
- ITG COMPANIES (Netherlands)
 - **Website Promotion** – May 2010

Within the tour operator’s TravelWorld platform, a special TravelUSA platform is now up and running with a specialized TravelFlorida site planned for the future. For the TravelUSA platform, a Florida-only eNewsletter is being developed to push summer and fall travel. We will pool our resources with Orlando in presenting ourselves to 15,000 Dutch consumers. This month, we provided the tour operator with comprehensive destination text, our logo and a selection of VSPC images and are currently awaiting the first layout which is expected the beginning of May.
- SKYTOURS (Switzerland)
 - **Street Car Promotion** – March 12th – June 6th, 2010 (est. reach of 272,000)

One of the most innovative and successful promotions Skytours offers involves destination advertising in the street car windows of all 13 tram lines in Zurich for a period of four months. A call to action combines the Skytours website and response system via cell phone and features our logo, website and image. Layout development was completed and approved by HQ. The campaign was launched on March 12th.
 - **Website Promotion** – March thru June, 2010

As an additional bonus in support of the street car promotion, a website promotion was also launched last month (March 22nd). VSPC product is presented on the skytours.ch homepage within the special offers platform every two weeks (est. reach of 1,280,000 page impressions).

Travel Trade/Consumer Publications:

- FVW International (Germany) – circ. 30,900 *Trade*
 - ¼ **page, 4c advertorial** in the 2/10 issue of 1/22
 - ¼ **page, 4c advertorial** in the 3/10 issue of 2/05
 - ¼ **page, 4c advertorial** in the 4/10 issue of 2/19
 - ¼ **page, 4c advertorial** in the 5/10 issue of 3/04 (ITB special edition)
 - ¼ **page, 4c advertorial** in the 6/10 issue of 3/17
 - ¼ **page, 4c advertorial** in the 11/10 issue of 5/28 (Pow Wow special edition)

After the very successful “5 Good Reasons” campaign with FVW last year, we have launched a new one this year entitled “Pure Vacation Pleasure in Visit St. Pete/Clearwater”. In five consecutive issues plus the Pow Wow issue, we will highlight a new pleasure (Best Weather, Best Beaches, Pure Nature, Cultural Capital, Best Location and Advantages for customers). The last of the insertions is due to run next month, which HQ approved.

FVW International is Germany’s leading travel trade publication providing independent and objective information about the latest trends and current developments in the market. FVW is known as a synonym for reliable and objective journalism providing in-depth information on a diversity of topics. Last but not least, FVW also offers practical support in day-to-day business while a modern magazine-

style design ensures reading fun. Surveys show that anyone who wants to keep their fingers on the pulse of industry news reads the FVW.

Pub frequency: 26x/yr

- Travel Inside (Switzerland) – circ. 8,750 *Trade*
 - **½ page, 4c sweepstakes advertorial** in the May 27th issue

We assisted the publisher with the necessary materials for layout finalization. Our area will be featured with logo, image, text as well as a special insertion for the generous VSPC industry sponsor of a five-night stay. The sweepstakes drawing will be held in June 2009.

Known as Switzerland’s leading travel trade magazine, TI is tailored to the needs of travel professionals combining competent reporting on relevant tourism industry subjects with trend and development reports, analyses and comments from the experts.

Pub frequency: Weekly

- Travel Talk (Germany) – circ. 32,401 *Trade*
 - **1/8 page, 4c advertorial** in the 14/10 issue of 4/06
 - **1/8 page, 4c advertorial** in the 15/10 issue of 4/12
 - **1/8 page, 4c advertorial** in the 16/10 issue of 4/19
 - **1/8 page, 4c advertorial** in the 17/10 issue of 4/26
 - **1/8 page, 4c advertorial** in the 18/10 issue of 5/03
 - **1/8 page, 4c advertorial** in the 19/10 issue of 5/10

After the very successful “Pure Vacation Pleasure” campaign with FVW running in consecutive issues during 2010’s first quarter, we launched a similar campaign with Travel Talk. In six consecutive issues we will highlight a new pleasure (Best Weather, Best Beaches, Pure Nature, Cultural Capital, Best Location and Advantages for customers). We supplied the publisher with our text, logo and images, who designed the layouts which were approved by HQ last month.

Travel Talk is a young weekly magazine for travel agents with a circulation of 32,401. The publication’s target audience is the counter sales agent and provides travel agency sales staff with new, innovative and detailed facts. It informs and animates the counter staff by conveying data and facts which play a decisive role at the point of sale.

Pub frequency: Weekly, 51x/yr

All activities, projects and programs described herein have been duly completed.