

Russia

Market Summary

Given the recent growth in oil prices, the Russian stock market and the Rouble have been stable in the last three months. The government has also committed to a liquidity injection of US\$450 billion in 2009/10 to further stimulate the Russian economy. Travel to Australia continues to be down on last year however the travel trade report that high end travel is holding, helped by the competitive airfare promotions and offers in the market.

In order to stimulate the demand from the Russian market, some countries have decided to simplify their visa requirements for Russian tourists, including Lithuania, Croatia, Cyprus, Spain and Hong Kong. This represents significant increased competition for Australia, which requires a visa, as Russian travellers have a preference for destinations that do not have visa requirements.

1. Market News

- Russia's Central Bank has reduced its main interest rates by a "cautious" quarter of a percentage point as it attempts to spur lending without triggering faster inflation. Bank Rossii cut the refinancing rate to 10.75 per cent from 11 per cent and lowered the repurchase rate charged on central bank loans to 9.75 per cent from 10 per cent, effective 10 August 2009. The bank has cut the rates five times since April 2009.

Source: <http://www.bloomberg.com/apps/news?pid=20601095&sid=alb3K1FNrBw0> , 26 August 2009

- Government officials acknowledge that Russia is suffering from a significant slowdown in economic growth with industrial production having decreased by 10 per cent since the beginning of the year and the unemployment rate having reached over 2 million people. Independent experts expect the unemployment rate will reach 8.5-9 million people, or 11-12 per cent, by the end of 2009.

Source: www.baltinfo.ru , 26 August 2009

- Russia suffers from much higher inflation than other countries, at present inflation has reached almost 7.5 per cent since the beginning of the year. Economists are worried about the impact of government's liquidity injection (printing money).

Source: www.lenta.ru , 26 August 2009

- Merrill Lynch analysts stated in their most recent report the crisis in Russia is over and they expect a 3.5 per cent growth in GDP in 2010.

Source: www.vedomosti.ru , 26 August 2009

2. Consumer Insights

- Many leading Russian tour operators note a growing tendency to combine sightseeing and seaside holidays, as a lot of people reduce the frequency of travel and can afford only one trip abroad per year. Many tour operators also noted a large increase in last minute bookings, including requests for five star accommodation, which was not the case in the previous years.

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

- The Russian Public Opinion Research Center held a survey to find out how the current economic crisis has affected the holiday plans of Russians. 65 per cent of respondents said it did not affect their plans at all, while 30 per cent admitted they have had to change them. Out of these 30 per cent, 46 per cent decided to cancel their summer vacations, 14 per cent booked a cheaper option, and 11 per cent decided to still go on holiday, but reduced their additional expenses. However, 51 per cent of all respondents believe that their summer vacations won't be any worse than in 2008, while 15 per cent have much lower expectations than last year.

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

For the latest in visitor arrivals, please visit 'Research & Statistics' at www.tourism.australia.com

3. Trade Update

- On 30 June 2009, an amendment to current the law regarding financial guarantees for tour operators was signed in Russia. The law is expected to be put into force by 14 September 2009, and is a continuation of the law introduced in June 2007, with the main difference being the amount of the financial guarantees payable by tour operators now being dependent on their annual turnover. Many tour operator associations, especially in the Far East, have already sent letters of protest to the government. Industry experts believe that the new law will have a negative effect on regional and niche tour operators with small turnovers, forcing them out of the market.

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

- The Russian travel trade is ambivalent about forward bookings to Australia due to the tough economic environment, but with competitive rates currently offered in comparison to other destinations in Asia and Oceania. It is expected that the outbound Russian market will continue to be a competitive source market for Australia.

Source: *industry feedback*

- In June, top managers of Marriott International organised a workshop for tour operators and travel agents specialising in outbound travel to Asia and Australia to promote their properties in these regions.

Source: www.ratanews.ru , 26 August 2009

- There are three main types of packages to Australia: economy, medium and luxury. The average cost of the economy, medium and luxury packages for ten days excluding flights starts from US\$1,000, US\$2,500 and US\$4,000 respectively.

Source: industry feedback

- The most popular destinations with Russian visitors to Australia are Sydney and Queensland. Melbourne is also gaining popularity. Moreover, individual tours to Australia have been more popular in the Summer 2009 than the customary larger travel groups.

Source: industry feedback

- The Aussie Specialist program is currently not active in the Russian market.

4. Airline News

- There have been no significant changes to routes to Australia since May 2009.
- Finnair and Cathay Pacific entered into a code-share agreement on flights to Brisbane adding two existing routes to Sydney and Melbourne via Hong Kong. This is expected to have positive flow-on effects on Russian visitors transiting in Hong Kong on their way to Australia.

Source: www.finnairgroup.com

- One of the leading Russian airlines, S7 (formerly known as Sibir), will join the Oneworld Alliance in 2012. The alliance includes leading airlines including: British Airways, Cathay Pacific, Finnair, and covers 750 destinations in almost 150 countries. S7 will expand the alliances destination coverage by adding a large number of CIS destinations to the Oneworld network.

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

- According to the Russian Federal Agency for Air Transportation, there was a decrease in airline traffic of 35 per cent compared to 2008. The Russian flag carrier, Aeroflot, had a 13.4 per cent passenger reduction and 61.3 per cent reduction in occupancy.

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

- British Airways and Emirates are offering students promotional rates to Sydney, Melbourne, Perth and Brisbane.

Source: www.travel.ru , 26 August 2009

- Thai Airways announced its summer promotion campaign to Asia and Australia valid the entire month of June 2009: €599 for Economy class and €2,222 for Royal Silk class (excluding airport taxes and fuel surcharges).

Source: www.thai-airways.com, 26 August 2009

5. Competitor News

- In order to stimulate the demand from the Russian market, some countries have decided to simplify their visa requirement for the Russian tourists, they include: Lithuania, Croatia and Cyprus. Spain started issuing multi-entry visa, and since July, Hong Kong became visa free for Russians staying for less than 14 days.

Source: <http://www.travelindustrywire.com/article40118.html> , 26 August 2009

- After phenomenal growth in recent years, Russian outbound travel has faltered since the beginning of 2009. Destinations bucking the trend include Estonia (+15 per cent in nights and +17.5 per cent in arrivals), Latvia, Serbia and Malta. Turkey and Egypt remain firm favourites (easy access and attractive prices) but trips are generally shorter and hotels chosen of a lower category. Declines have been widespread, with some destinations suffering extremely large drops in demand. The UK, for example, was down 48 per cent through the first four months – largely attributable to stricter visa requirements. On the negative side, the government is looking at restricting the value on duty-free goods Russians can purchase abroad in an effort to bolster crisis-hit customs' revenues. But this should be partly compensated by the fact that the Russian ruble has made a surprising recovery, although it has lost some of its gains since May.

Source: <http://www.travelindustrywire.com/article40118.html> , 26 August 2009

- The leading Russian publication for travel professionals, Goriachaya Liniya Tourisma (Tourism Hot Line), has published a chart of the most popular summer destinations, based on the survey among 700 Moscow travel agents. They were asked what destinations they plan to sell most actively in the summer season of 2009. The results came as following:

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|------------|----------------|
| 1. Turkey | 7. Russia |
| 2. Greece | 8. Tunisia |
| 3. Spain | 9. Bulgaria |
| 4. Egypt | 10. Cyprus |
| 5. Italy | 11. Montenegro |
| 6. Croatia | 12. France |

Source: <http://www.tmiconsultancy.com/newsletters/tmi/flash.html> , 26 August 2009

- Emirates have introduced two more connecting flights to Mauritius. Russian tour operators are however sceptical about this undertaking as the number of Russian visitors to Mauritius has decreased by 30 per cent since last year and is not likely to grow any time soon.
- Etihad and Emirates have launched special promotion campaigns to many destinations in Asia such as Bangkok, Mumbai, Singapore and Kuala Lumpur as well as in Africa. Rates to Australia are competitive now, yet there are some better offers for some destinations in Asia which could win over potential tourists to Australia.
- Russians prefer beach holidays in Europe and Middle East over Asian destinations because of cheaper flights and better accommodation offers.

Source: www.tourdom.ru , 26 August 2009

- In June 2009, South Korea opened a Consulate and Visa section in Irkutsk (a big city by the lake of Baikal) and launched a promotion campaign for Russia's Far East citizens along with the region's several largest tour operators and movie theatres. The number of Russian travellers to South Korea in the first quarter of 2009 increased by 0.9 per cent.

Source: www.tonkosti.ru , 26 August 2009

- The Hawaii Tourism Association announced plans to actively promote the islands in Russia and Eastern Europe. As part of the campaign, the Association will take part in Otdykh/Leisure Fair in September 2009.

Source: www.tourprom.ru, 26 August 2009

6. Key Campaigns and Activities in Market

Current Campaigns and Activities				
START DATE	END DATE	DESCRIPTION	TARGET AUDIENCE	PARTNERS
12 August 2009	12 August 2009	Co-operative training event with Hong Kong Tourist Board and Cathay Pacific in Russia	20-30 key clients	Cathay Pacific, Hong Kong Tourist Board

Upcoming Campaigns and Activities				
START DATE	END DATE	PROJECT/EVENT	TARGET AUDIENCE	PARTNERS
7 September 2009	15 September 2009	Etihad Famil - NSW and Victoria focus	Trade	Tourism Australia Tourism NSW, Tourism Victoria
September 21 2009	September 21 2009	Launch of the new Tourism Australia Russian language consumer brochure	Consumers/Trade	None
21 September 2009	21 September 2009	Consumer media event themed around 10 unique experiences from Australia. 30 consumer media.	Consumers and Trade	None
21 September 2009	21 September 2009	Tourism Australia major annual Travel Agent Training event - approximately 100 agents	Trade	Tourism Australia and 10 stand partners Otdykh
22 September 2009	25 September 2009	Otdykh trade show 2009 in Moscow – dedicated Australia stand.	Trade	Tourism Australia and 10 stand partners
13 October 2009	3 November 2009	Australian Festival at the Hilton in Moscow including tourism promotional opportunities to consumers and media	Consumer	Tourism Australia, Hilton Leningradskaya, Austrade, Hardy's Wines