

United Kingdom

Key Market Message

The British economy contracted by 1.9 per cent in the first three months of the year, far more than economists expected. The decline in gross domestic product was sharper than the 1.6 per cent seen in the final three months of 2008 when Britain officially entered recession. It is the sharpest quarterly fall in gross domestic product (GDP) since 1979. Moreover, official data released in April 2009 showed that unemployment had reached 2.2 million in March – a thirteen year high that is expected to rise to three million by 2010.

In regards to the tourism industry, reports from trade of good weeks for bookings are intermittent. The majority of mainstream operators are reporting increases to call volumes, but patchy sales figures. Many are still reporting a 15-20 per cent decrease on forward bookings. The big retail chains are beginning to see some recovery for overall bookings and long haul continues to be more resilient than short and medium haul travel. Airfares are still very competitively priced for Australia, with Malaysia, Thailand, USA and Dubai also popular destinations. There is a fundamental shift in consumer purchasing habits, with booking lead times continuing to contract as consumers hunt for value and the best deal available.

Source: <http://www.telegraph.co.uk/finance/financetopics/recession/5212295/UK-economy-slumped-by-1.9pc-in-first-three-months-of-2009-as-recession-deepens.html>

1. Key Market Results and Achievements

- Australia was awarded the Best Holiday Destination at the prestigious UK Ultratravel 100 awards. This award recognises the work Tourism Australia and our partners have been doing to promote Australia's luxury credentials in the UK market.
- For the month of April 2009, the PR team generated coverage worth an equivalent advertising value of \$AUD775,723 delivering key messages to our target audience.
- Tourism Australia conducted a week long promotion with Key 103 radio in Manchester where we gave away a holiday to Australia flying from the regional departure point of Manchester. The promotion formed part of Tourism Australia's

Regional project in the UK market, to persuade more Brits living outside of London/South East to choose Australia for their next long haul holiday.

- Results from Tourism Australia and Bridge and Wickers' cooperative campaign leveraging off *Australia* the movie exceeded sales targets by over 50 per cent, generating £650,000 in sales for a combined investment of £30,000.
- Tourism Australia successfully hosted 307 agents from across Europe and South Africa at Corroboree Europe '09. The event included various familiarisation trips around Australia and workshops were held with 136 supplier companies on Hamilton Island. Overwhelmingly positive feedback has been received post event.

2. Australian Travel Market

2.1 Market performance

- UK arrivals in March were 71,600, a decrease of 16 per cent relative to March 2008. In the year ending March 31 2009, there were 652,100 arrivals, a decrease of five per cent relative to the previous 12 months.
- UK arrivals in April were 54,000, an increase of eight per cent relative to April 2008. For the four months to April, visitor arrivals totaled 264,100, a decrease of six per cent relative to the same period in 2008. For the year ending April 2009, there were 656,200 arrivals, a decrease of four per cent relative to the previous 12 months.
- Bookings are continuing to come in much later than normal with many operators reporting an increase in bookings 3-6 weeks prior to departure, even for long-haul destinations.

2.2 Airline Issues/Changes

- Qatar Airways has confirmed that it will launch daily flights from Sydney and Melbourne to Doha at the start of the northern summer schedules, subject to regulatory approval.

Source: Travelmole

2.3 Trade Information Summary (including Business Events)

- Stella Travel Services has sold the Harvey World Travel chain of 58 travel agencies to Stuart Arnott, owner of Vacation Travel Limited. The Harvey World Travel name will not be used going forward, with a new name to be announced shortly.
- Stella Travel Services UK has completed a restructure under Managing Director Andrew Botterill. The new structure consists of four General Managers – Andy Freeth (Travel 2), Tony Carty (Travelbag), Dave Clayton (Global Travel Group) and Paul Edwards (Consumer Direct). Kaylene Shuttlewood remains Air Product

Director for the group and Kevin Coles' role is expanded to Director of Land Product and Purchasing across the group.

- TUI Travel has announced Austravel will be retained and run separately as a destination specialist operator following the result of a 30-day strategic review of long haul brands Travelmood, Austravel and Trips Worldwide. The review follows the appointment of Clare Tobin as Managing Director of specialist long haul brands. Former Retail Sales and Operations Director for First Choice Retail Rad Sofronijevic has been appointed Managing Director of Travelmood, which will offer a broader portfolio of tailor made long haul holidays. TUI will drop the Trips Worldwide and Magic of the Orient brands, with product integrated into an expanded Travelmood business.
- First Choice has unveiled what it claims is the first mainstream brochure featuring only hotels that lead the way in commitment to the environment, their employees and local communities. See www.firstchoice.co.uk/greener-holidays for more information.
- Responsibletravel.com will change part of its business model to start operating like a traditional travel agent from June 2009. The change will see the online sustainable tourism pioneer joining the Travel Trust Association, using WorldChoice to run back-office systems and selling flights supplied by Gold Medal and other consolidators.
- Freedom Direct Holidays has ceased trading, however Advantage remains positive that this will not affect its commercial business despite being one of the largest members of the consortium. Hays Travel has since purchased the business and will manage bookings, database and marketing under the Freedom Direct banner.
- STA Travel has been promoting £399 fares to Sydney for travel completed in May/June.
- Tour operators continue to offer two week trips to Australia including flights for £999 or less per person for short term travel.
- Chris Lee has joined Global Travel Market in the role of Commercial Development Director – Tourist Boards.
- The Business Events industry is heavily marked by redundancies within C&I agencies including Banks Sadler (9 staff), BI (11 staff) and THA (28 staff).
- Lori Stahl join C&I agency Euro RSCG Skybridge as Head of Events.
- Western and Oriental has acquired C&I agency Lynton Cooper and Eclipse Conference Management. Both agencies have been rebranded as W&O Events. Head of Events at W&O Events Paul Evans will leave after the rebrand.
- Zinc Management made Managing Director Rob Roffey redundant.

Sources: TTG Live/ Travolution, Travelmole

- As at April 2009, there were 2060 Aussie Specialist agents in the UK with a further 1322 agents are in training.

3. Current and Upcoming Activities in Market

3.1 Consumer Marketing:

| Dates | Project / Event | Partners |
|---------------------------|--|---|
| November 2008 – June 2009 | <ul style="list-style-type: none"> Ongoing luxury campaign with Turquoise Holidays in Condé Nast Traveller. | Turquoise Holidays |
| 1-30 April 2009 | <ul style="list-style-type: none"> Brand Transformation co-op online, driving traffic to www.australia.com/singaporeairlines | Singapore Airlines & South Australian Tourism Commission |
| 1 April - 30 June 2009 | <ul style="list-style-type: none"> Brand Transformation Working Holiday Visa online campaign. Targeting Brits aged 18-30, the activity will raise awareness of work and travel opportunities in Australia. 'Win a Working Holiday' promotion in partnership with STOs. www.australia.com/workingholiday | (promotion only): TQ TNSW TVIC SATC TNT TWA |
| April – September 2009 | <ul style="list-style-type: none"> Online campaign promoting Australia's responsible products/experiences. | Responsibletravel.com |
| April – May 2009 | <ul style="list-style-type: none"> Youth press trip with YHA comprising of two journalists from student titles; Charlie Boorman and crew from the <i>By Any Means</i> TV programme, and a freelancer for the Sunday Times Travel Magazine, Wanderlust and Daily Express. | Qantas, YHA |
| May 2009 | <ul style="list-style-type: none"> Tourism Australia delivered a four-page advertorial piece in UltraTravel magazine, aimed at increasing consumer knowledge of Australia's luxury experiences. | Nil |
| 1-31 May 2009 | <ul style="list-style-type: none"> Brand Transformation online with urgency message 'There's never been a better time to take an Aussie holiday' online. Driving traffic to www.australia.com/promotions/timetogo_uk.aspx | Nil |
| May – June 2009 | <ul style="list-style-type: none"> Retail Co-operative Programme with Premier Aussie Specialists targeting their clients. | Various Premier Aussie Specialists |
| May – June 2009 | <ul style="list-style-type: none"> Retail campaign promoting first time Australian holidays. | TUI UK |

3.2 Trade Marketing:

| Dates | Project / Event | Partners |
|-------------------------|--|--|
| 31 March – 1 April 2009 | <ul style="list-style-type: none"> New Product Workshop. | Australian suppliers, European buyers and STOs |
| 23 April 2009 | <ul style="list-style-type: none"> The OZcars 2009 - Tourism Australia's industry awards. | Tour operator, airline and product partners |
| 29 April 2009 - 13 | <ul style="list-style-type: none"> Corroboree Europe '09: 307 Aussie | STOs, Qantas, |

| Dates | Project / Event | Partners |
|----------|---|-----------------|
| May 2009 | Specialists from the UK/IRE/Nordic, Europe and South Africa flew to Australia thanks to our partnership airline Qantas, and joined one of 22 itinerary options prepared and hosted by Australia's State and Territory Tourist Organisations across Australia. Immediately following the flight, all agents travelled to Hamilton Island in the Whitsundays, to participate in workshops with 136 Australian tourism sellers to develop product and destination knowledge. | Hamilton Island |
| May 2009 | <ul style="list-style-type: none"> New Business Events print advertising campaign launched across all major UK C&I Media to coincide with the integrated marketing campaign launched at IMEX in Frankfurt. | Nil |

4. Media Environment

- Bargain short haul holidays continue to be a focus in the travel pages this reporting period, with stories such as "Countries to make your money go further" and "15 great-value short breaks". With the upcoming Summer school holidays, a number of features focussed on where to travel with children.
- Travel insurer LV, estimates a quarter of adults will take their main holiday in the UK because of the recession and weak pound.
- The Independent on Sunday* has lost almost a quarter of its circulation in a year, plummeting 24 per cent year on year to 167,763. *The Sunday Telegraph* and *The Observer* continue to see their circulations fall, while the *Sunday Times* managed to increase their circulation by 33,831 from March last year, an increase of 2.8 per cent.
- Telegraph.co.uk* has become the UK's biggest national newspaper website, recording 27,708,274 unique users last month, up 63 per cent year on year. This figure puts *Telegraph.co.uk* about 1.4 million users ahead of *Guardian.co.uk*, which ended its run as the UK's most-visited national newspaper website in February when it was overtaken by *The Sun*.
- The Times* has been crowned newspaper of the year at the 2009 Press Gazette British Press Awards.
- With speculation that Google was in talks to purchase Twitter in May, Twitter entered the top 50 websites in the UK, becoming the fifth most popular social networking site.
- Meanwhile, travel social networking website Wayn is relaunching its site in May, shifting its focus from travel to lifestyle in an attempt to grow its active membership.

For more information on Tourism Australia's publicity, International Media Hosting Program (IMHP) and results, please visit www.publicity.australia.com

Alternatively for general media information visit www.media.australia.com

5. General Travel Outlook

5.1 Political and Economic Outlook

- The UK unemployment rate jumped to 2.22 million, a 13 year high. This represented a 244,000 increase in the three months to March, which was the largest quarterly jump in the number of people out of work since 1981.
Source: The Telegraph
- The Bank of England has left the UK base rate of interest on hold at 0.5 per cent. The rate remains at an all-time low after six cuts since October last year, when it stood at 5 per cent.
Source: e-tid
- The Budget was handed down by Chancellor Alistair Darling on 22 April 2009. In the budget he expects the economy to contract 3.5 per cent this year and to grow by 1.25 per cent in 2010. Some of the main points from the budget included an income tax rate on those earning more than £150,000 from 45 per cent to 50 per cent and stamp duty on homes under £175,000 extended until the end of 2009.
Source: guardian.co.uk
- The number of loans handed out for house purchases in the UK rose sharply in March. Some 31,000 mortgages were granted by lenders, up 29 per cent on February but still 33 per cent down compared with March 2008.
Source: bbc.co.uk
- There has been ongoing criticism of politicians' abuse of their expense and allowance claims.
Source: bbc.co.uk

5.2 Outbound Travel

- Feedback from trade suggests that bookings are down 15-20 per cent across all long haul destinations. Thailand has been hit particularly hard by economic climate and coverage of airport closure.
- Thomas Cook has described its summer trading in the UK as robust, with cumulative bookings "in line with capacity reductions of 11 per cent". The firm said it's now sold 52 per cent of its UK summer capacity and has managed to drive average selling prices up 9 per cent overall.
- Thomas Cook chief executive Manny Fontenla-Novoa has described the group's half-year results as "a strong off-peak performance". The results, which cover the six months to 31 March 2009, show a 15.6 per cent improvement in operational losses, down to £110.9 million from £131.4 million during the same period in

2007-08. Revenue was up 12.6 per cent to £3.48 billion and operating profit margin for the period improved from -4.2 per cent to -3.2 per cent.

- Emirates will suspend its A380 aircraft from the Dubai-New York (JFK) route after reporting a downturn in demand due to the current economic climate.
- Fuel surcharges continue to drop for all airlines in line with the price of oil and the current economic environment.
- Holiday bookings in March have given some grounds for guarded optimism. The figures were flat year-on-year, suggesting the expected strong late-booking market is coming in. According to GFK Ascent MI's official market data, March saw an end to a double-digit decline in total bookings experienced in previous months. There was, in particular, an increase in non-high street direct bookings, up 7 per cent, while the high street was down 6 per cent, reversing a trend seen to date this year. March 2009 bookings represented 22 per cent of all direct channel (online/call centre) bookings to date, compared with 18 per cent in March 2008. Overall summer 2009 bookings are down 10 per cent, equating to £250 million of revenue, which is thought to be largely due to capacity cuts.
- TUI Travel has reported increased demand for long-haul holidays, although there had been a switch away from Mexico since the swine flu outbreak. It noted a continued trend towards later bookings but pointed out that TUI Travel had less stock to sell at this point this year compared with 2008 because of capacity cuts. Overall, the picture for long-haul was positive, with business up 2 per cent in the first two weeks of May, compared with an overall year-on-year decline in bookings of 25 per cent. TUI said that in the UK average selling prices have remained 10 per cent ahead of the previous year, with customer volumes "in line with capacity reductions."
- April traffic figures released by British Airways confirm the ongoing slump in business travel, with premium traffic down 17.7 per cent on a year ago. However it wasn't all bad news, with non-premium traffic actually increasing by 5.2 per cent. The carrier said year-on-year comparisons are complicated by the changed timing of Easter, but said that "market conditions remain very challenging, with volume under pressure in premium and yield under pressure in all cabins." Overall passenger numbers rose 1.3 per cent to 2.756 million, with rises in all markets except Asia-Pacific, which was down 9.1 per cent.
- Passenger numbers at BAA airports fell 10 per cent in the first three months of 2009. According to the company's first quarter figures, Gatwick and Stansted saw numbers drop by 14.6 per cent over 2008. Heathrow was more resilient, with numbers down 6.4 per cent. BAA said the long-haul market continued to perform better than the overall market, with reported long-haul traffic down 8 per cent to 9.4 million passengers.
- Kuoni UK has announced that 2009 bookings from the UK were down 11 per cent in GBP compared to 2008. This performance is currently better than other divisions within the group, some of which are down up to 24 per cent in local currency terms.

- Eurostar has reported its performance for the first three months of 2009, with passenger numbers of 1.92 million down 11.5 per cent on the same period last year.

Sources: TTG Live/ Travel Daily, Travelmole

6. Next 60 Days

| United Kingdom | | | | | | |
|----------------|--------------|--------|---|-----------------------------|-----------|-----------------------|
| START DATE | END DATE | MARKET | PROJECT/EVENT | TARGET AUDIENCE | LOCATION | PARTNERS |
| March 2009 | Sept 2009 | UK | Online campaign with responsibletravel.com. | Consumers | UK | responsibletravel.com |
| May 2009 | June 2009 | UK | New Business Events advertising campaign is launched across UK Business Events media to coincide with launch at Business Events trade show IMEX in Frankfurt. | Business Events | UK | |
| May 2009 | June 2009 | UK | Consumer Promotion/Media Content – Tourism Australia will be working with Condé Nast titles and Condé Net to deliver a luxury campaign, aimed at increasing consumer knowledge of Australia's five star product and experiences across the country. | Consumers | UK | N/A |
| June 2009 | June 2009 | UK | IMHP – Over the next 60 days, Tourism Australia is working with the following media titles to send journalists to Australia in return for editorial commissions: <ul style="list-style-type: none"> • By Any Means • thelondonpaper | Consumers | UK | Qantas, STOs |
| 01 June 2009 | 01 June 2009 | UK | Pre-ATE industry meeting at TA/STO offices to update partners before heading down to Australia . | Trade and supplier partners | London | STOs |
| 06 June 2009 | 15 June 2009 | UK | Pre ATE luxury familiarisation trip to showcase Australia to luxury tour operators. | Luxury Tour Operators | Australia | STOs, suppliers |
| 10 June 2009 | 15 June 2009 | UK | Pre ATE 2009 ASP famil: 16 Premier Aussie Specialists will fly to Australia thanks to our partnership airline Qantas for a 3 day famil trip in Victoria prepared and hosted by Tourism Victoria before participating in ATE 2009. | Premier Aussie Specialists | Australia | TVIC, Qantas |

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|--------------|--------------|----|--|--------------------|-----------|--|
| 15 June | 19 June | UK | Buyers from the UK will attend ATE in Melbourne, giving them the opportunity to meet with Australian sellers and gain valuable information to help increase sales to Australia. | UK travel trade | Australia | N/A |
| 16 June 2009 | 17 June 2009 | UK | The Guardian Graduate Recruitment Fair 2009: Tourism Australia is taking a stand at the fair to promote the opportunities offered by the Working Holiday Visa at a time when graduate jobs in the UK are scarce. | Youth (graduates) | London | N/A |
| 22 June 2009 | 5 July 2009 | UK | G'Day UK – the aim of this event is to encourage British companies and consumers to take another look at Australia as a great place to invest in, work, holiday, do business and get to know. As part of the program an industry roundtable event will be held with industry to discuss the state of the market and ensure key opportunities are being taken. Tourism Australia is a key partner of the event. | Consumers; trade | UK | Austrade; High Commission (London); Qantas; Australian Business, Western Australian Government; Tourism Western Australia; South Australian Government; South Australian Tourist Commission; Queensland Government; Tourism Queensland; Victorian Government and Tourism Victoria; |
| 25 June 2009 | 25 June 2009 | UK | G'DayUK ASP Training Event: As part of G'DayUK Tourism Australia is hosting an Aussie Pub Quiz for 50 Aussie Specialists in the London area. Agents will learn about Australia in a casual atmosphere with a chance to win 2 return tickets to Australia with Qantas amongst other prizes. | Aussie Specialists | London | Qantas, TVIC, SAYC, TQ, TWA, TNSW |