

China

Market Summary

Double digit growth in Chinese outbound travel continued due to the improved economic situation and there being no negative issues or major events in Mainland China during the last quarter of 2009.

Visitor arrival performance from China to Australia continues to exceed expectations. With the exception of the Business segment (which was flat), all other segments recorded growth in January and February 2010, demonstrating a strong recovery of the China market. The large leisure segment was up 8 per cent with increased demand during Chinese New Year being met with additional capacity through a charter program in February which was rolled out in partnership with the Premier Aussie Specialists.

Growth is expected to continue into April and May, with heavy tactical promotion activity around the Shanghai Expo with airlines. However, the strength of the AUD compared with UK Pound and the Euro, Shanghai World Expo from May and the Qinghai earthquake on 11 April may impact on arrivals.

Market News

- China's Gross Domestic Product (GDP) rose 11.9 per cent year on year in the first quarter 2010, its fastest growth in almost three years. This growth follows a massive stimulus package in 2009 which the Chinese government used to shield the country from the global financial crisis. Inflation stayed low at 2.2 percent, below the government's target of 3 per cent for the year.
Source: www.china.com.cn, 15 April 2010
- Chinese outbound visitors reached an historic high at 9.22 million from January to February 2010, up 15.4 per cent compared to same period in 2009. China National Tourist Administration (CNTA) expects total outbound to reach 54 million in 2010, up 11 per cent on last year.
Source: Beijing Business Today, 26 March 2010
- In February 2010, the Australian Government finalised an air services agreement which will boost capacity between Australia and China by 70 per cent. Airlines from both countries are now able to offer up to 10,500 seats per week via major Australian gateways, with a further 4,000 seats from November 2010. That's a total increase of 6,000 weekly seats. The agreement also provides special entitlements, with 2,000 of extra weekly seats to be used for new Brisbane services.
Source: Travel Daily, 15 February 2010

- In April 2010, the Australian Federal Minister for Tourism announced that the Australian Government would invest a further A\$4 million in the China Approved Destination Status (ADS) Scheme to ensure inbound tour operators continue providing a quality service to leisure tour groups from China, based on their compliance with the *ADS Code of Business Standards and Ethics*.
- According to a Xinhua report, Chinese Government officials took 45 per cent fewer overseas trips in 2009.
- In March 2010, Google in the US redirected users in mainland China to its unrestricted Hong Kong site. The move effectively means the company no longer needs to filter its search results, as required by Chinese law. Business analysts say the company is taking a long-term gamble as the Chinese internet search market is growing by 40 per cent a year.
Source: China Daily, 24 March 2010 and BBC News, 23 March 2010
- The Australian dollar was at its weakest against the Chinese Renminbi in February 2010, when the exchange rate fell to RMB 5.91 before strengthening to an average rate of RMB 6.33 in April. For comparison, the average monthly exchange rate in April for other currencies were as follows: HKD0.88, USD6.83, GBP10.46, EUR 9.15
Source: www.x-rates.com, 3 May 2010

Consumer Insights

- According to the United Nations World Tourism Organisation (UNWTO), China is now fourth in the ranking of the world's top spenders on international tourism. In 2009, Chinese tourists spent US\$43.7 billion dollars on travel abroad despite the economic downturn. Germany remained the world's top international tourism spender last year, followed by the United States and Britain. The UNWTO estimated that Chinese outbound market will reach 100 million by 2020, up from 31 million in 2005 when it was the seventh biggest spender on foreign travel.
Source: Sydney Morning Herald, 29 April 2010
- Online travel booking users in China increased by 77.9 per cent to reach 30.24 million in 2009, according to statistics released by the CNNIC. The growth rate is second only to online payments (80.9%) and exceeds online stocking (67%), online banking (62.3%) and online shopping (45.9%). At the end of 2009, China's web users reached 384 million. Internet penetration rate amounted to 28.9 per cent and online travel booking rate reached 7.9 per cent.
Source: Tourism Intelligence International, Tourism Industry Intelligence, Vol 17, No 1 2010
- According to a survey conducted by Ctrip:
 - 98 per cent of respondents expressed their intention to travel in 2010. One third of respondents will travel to Hong Kong, Macau and Taiwan.
 - 60 per cent planned to increase their travel budget.
 - 30 per cent plan to spend between RMB 5,000 - 10,000 on travel.
 - 26 per cent plan to spend over RMB 10,000. This group are likely to be more likely to undertake long-haul travel. Australia was listed as one of the most welcoming destinations. *Source: Beijing Youth Daily, 23 February 2010*
- According to a report from the China Internet Network Information Centre (CNNIC), there are 240 million online video users in China. Nearly 67 per cent of those polled said they spent less time watching television, and nearly 24 per cent said they

barely watch television anymore. Overall, 57 per cent claimed to rely more on internet than television and 48 per cent watched online video every day.

Source: <http://www.media.asia>, 8 April 2010

- According to a report from AppLeap, a social media application consultancy firm, there are 124 million users of social networking sites (SNS) in China. 20 per cent use SNS for online gaming, 34 per cent of SNS users login every day and 53 per cent of all SNS users fall into the youth segment.

Source: *China Internet Watch*, 13 April 2010

- According to a McKinsey report on internet usage in China, people in the 60 largest cities in China spend around 70 per cent of their leisure time on the Internet. In smaller towns, the corresponding number is 50 per cent. One in five consumers between the ages of 18 and 44 won't purchase a product or service without first researching it on the Internet. Companies that create micro-sites or stage online events usually find that consumers in China respond enthusiastically by posting comments, pictures, and videos.

Source: <http://www.chinainternetwatch.com>, 16 March 2010

Trade Update

- Chinese New Year tour packages to Australia were less competitive due to stronger Australian dollar compared to last year and increased selling price compared to other long haul destinations such as Europe and USA. Despite this, most wholesalers delivered similar numbers of tourists in February and March compared to the same months in the previous year. Year on year growth in April is expected to be strong, due to the outbreak of H1N1 in April 2009.
- Tourism Australia partnered with eight agents to deliver 21 charters and supplementary services from China and Hong Kong during Chinese New Year. Majority of our charter partners performed well in February and continue to deliver in March and April.

- After Chinese New Year, Australian tours prices were down by an average of RMB 5,000 - 7,000. The lower price is attracting the older segment. The older segment (silver group) traditionally becomes the main segment during the low season, particularly in March and April. Many travel agencies developed special packages tailor make to suit their needs. The lower price and comfortable weather are the key drivers for silver group.

Source: *Information Reference*, 18 March 2010

- The lower price reflects the fierce competition between wholesalers and raises concerns that the price competition may impact on product quality, particularly in Northern China. As an example, in Shenyang there is a popular seven-day mono Australian tour on offer for RMB 5,980. Last year, the normal price of seven day tours was over RMB10, 000 per person.
- China Youth Tours Services (CYTS) have extended their FIT department to Shanghai after focusing only the Meetings, Incentive, Convention and Exhibition (MICE) market for a few years. According to CYTS, the FIT market from Eastern China regions offers the greatest potential.
- Fresh from announcing plans to purchase a Hong Kong travel agency, Ctrip is now making new moves in China's hospitality space. China's online travel agency, which

early this year made an offer to buy a majority stake in Wing On Travel, plans to acquire minority shares in Hanting Inns & Hotels and BTG-Jianguo to extend its leadership in the mainland's fast-growing online agency sector.

Source: TTG Asia, 17 March 2010

- Brisbane Marketing, which acts as the city's tourism and convention bureau, has received a government grant to promote the destination in China for conventions, leisure tourism, especially student travel, and exports. Activities include famil trips for agents, student travel specialists and corporate end-users; a dedicated in-market website in Mandarin; presence at MICE tradeshows in China; and participation in the Shanghai World Expo 2010.

Source: TTG Asia, 2 March 2010

- As of March 2010, there were 3,778 Aussie Specialist agents from 387 agencies in China, of which 43 per cent (1,607 agents) were fully qualified.

Airline News

- Qantas cancelled three flights to Sydney on 10 and 18 March and one flight on 13 April 2010 in response to low bookings. However, on selected dates in April and May and from 5 July 2010 onwards, Qantas will change the aircraft (from 330-200 to 330-300). This will provide an additional 372 seats into Australia every week.
- From January 2010, Air China operated a daily flight from Beijing to Sydney and four-weekly to Melbourne. They will continue to focus on Sydney and Melbourne with no plan to extend to other destinations in Australia at this stage.
- From April to June 2010, China Eastern Airlines suspended two services per week to Sydney and Melbourne. China Eastern will return to eleven flights a week from July.
- China Southern Airlines extended its daily Sydney operations from the peak Christmas-New Year period until the end of March, 2010, to accommodate continued strong demand. "Our flights from Sydney to the gateway city of Guangzhou, in Southern China, are proving to be increasingly popular for business and leisure passengers from Australia as well as members of the Chinese community travelling for the Chinese New Year period," said James Liu, Regional Manager Australia for China Southern Airlines. In addition to daily services from Sydney, China Southern also operates three weekly nonstop flights from Melbourne to Guangzhou.
- China Eastern Airlines had 34 Flights from China to Australia during 2010 Chinese New Year. 70 per cent of their passengers were FIT and 30 per cent were Group travellers. There was a 28 per cent decline in Group travellers compared to same period last year while the individual travellers remained the same.

Competitor News

- JTB and Japan Airlines will jointly offer 14 charters flights to Europe this summer, expecting to carry 5,000 travellers in total. B744 will fly to Warsaw, Prague,

Budapest, Dubrovnik, Athens, Malaga, Barcelona and local cities in Switzerland and Italy. All charter products are provided through the 'Look JTB' nine/ ten day package tour itineraries.

Source: JTB, April 2010

- South Africa will issue individual visas to Chinese visitors to attract more FIT visitors during 2010 FIFA World Cup. Visitors can apply for an FIT visa by completing an online application form, and providing copies of their passport, air ticket and hotel reservation forms, financial documentation, working permit and paying a refundable deposit of RMB 15,000.
Source: *Private Economy*, 11 March 2010
- Chinese visitors to Japan increased 93.2 per cent, reaching 121,700 in February 2010. Source: www.cnta.gov.cn
- On 12 April 2010, North Korea and Micronesia received Approved Destination Status (ADS). The tour price for a four night trip to North Korea is RMB 5, 280.
Source: *The China National Tourism Administration*, April 2010
- From 1 March 2010, the USA started to provide the online visitor visa applications. In 2009, the American Embassy in China generated 500,000 visas for Chinese citizens. Within the next five years, the number of visa applications is expected to increase by 16 to 20 per cent to around 1 million.
- Chicago Convention and Visitors Bureau launched an FIT campaign with United Airlines. The three-night packages from Beijing and Shanghai to Chicago sold at RMB 8,888, including flights.
Source: *Global Times*, 8 March 2010
- The British Tourist Authority will promote 'classics, vitality and luxury' to attract family, FIT and business travellers respectively. They will leverage Expo and the 2012 Olympic Games in this promotion. The depreciation of pound is expected to help drive visitor numbers to the UK in 2010.
Source: *Beijing Times*, 25 March 2010
- In March 2010, the Singapore Tourism Board unveiled a new brand campaign in several markets including China, with the tagline 'Your Singapore'. The campaign has taken a "holistic digital approach", consisting of a new website as well as significant investment in search engine marketing, blogger engagement, mobile, social media and travel e-commerce.
Source: <http://www.media.asia.com>, 5 March 2010

MARKET UPDATE

JANUARY - MARCH 2010

January to March campaigns and activities

| START | END | DESCRIPTION | TARGET AUDIENCE | PARTNERS |
|-------------------|-------------------|---|--|---|
| October 28, 2009 | March 31, 2010 | A Thousand People Travel to Australia: Jiangsu. | Consumers in Jiangsu Province | TNSW, TWA, TVIC, TQ, TNT and TAS |
| December 2009 | February 2010 | Chinese New Year Charter Promotion: Beijing and Guangdong. | First Timer Experience Seekers and Repeat Travellers | DIAC |
| December 1, 2009 | June 30, 2010 | "Premier Aussie Specialist Takes You to Australia"—seven write-ups in China International Travel Service (CITS) Advertising magazine. | CITS clients, VIPs and Corporate | Nil |
| December 2009 | Jun 2010 | Jerry Yan – Find Your True Self in South Australia – Mainland China, Hong Kong and Taiwan. | Consumer in Greater China | South Australia Tourism Commission (SATC) |
| January 25, 2010 | Mid June 2010 | <i>Get to the Top of Australia</i> media visit to Tasmania and New South Wales for TV, online and print coverage nationally in May. | First time experience seekers and repeat travelers | World Traveler Media Group, TTAS and TNSW |
| January 26, 2010 | January 26, 2010 | Men's Uno Celebrity Gala Dinner, Beijing. | Media, Industry Partner and Non-Traditional Partner and Australian Government in Beijing | Men's Uno magazine |
| February 14, 2010 | February 14, 2010 | Chinese Couples Celebrates Chinese New Year / Valentine's Day on the Sydney Harbour Bridge. | Experience Seekers | Bridgeclimb Sydney |

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|-------------------|-------------------|---|--|--|
| February 20, 2010 | May 31, 2010 | <i>Exploring Booming Cities in Australia</i> media visit to Darwin and Perth in February for Business Travel 34-page cover story in May. | First time experience seekers and repeat travelers | Business Travel, QF, TWA and TNT |
| February 23, 2010 | February 26, 2010 | Secondary Market Visit with the Australian Department of Immigration and Citizenship (DIAC) to Liaoning Province. | Travel trade | PASP Agents in Jiangsu China Travel Service |
| February 2010 | February 2010 | The Greater China Industry E Newsletter was launched. | Greater China Travel Trade | Nil |
| February 2010 | June 2010 | Welcome Back campaign –China PAS. | First Timer Experience Seekers & Repeat Travelers | Shanghai Railway CYTS HQ, GZL, GD CTS, Shenzhen CITS, Shenzhen BCTS, |
| March 1, 2010 | April, 2010 | <i>Travel Around the World - Australia</i> promotion in Beijing. | First time experience seekers | Lifestyle Weekly |
| March 1, 2010 | March 31, 2010 | China Brand Campaign: 17 outdoor mega LEDs in nine primary and secondary cities. | First time experience seekers | Nil |
| March 1, 2010 | May 31, 2010 | <i>Better City Better Life</i> Media Visit to Melbourne and Brisbane in March for Travel Channel TV broadcast of four Expo episodes in May. | TV audience in China Nationally | TCTV, TVIC and TQ |
| March 3, 2010 | March 12, 2010 | <i>Travel Green</i> Greater China media visit to Queensland and Tasmania. | First time experience seekers and repeat travelers | QF, TTAS and TQ |
| March 8, 2010 | April 10, 2010 | TA / SQ Brand Coop Campaign: Print in primary markets and Online and SEM campaign run nationally. | First time experience seekers | SQ |
| March 15, 2010 | March 17, 2010 | TABEE in Beijing. | 11 MICE travel Agencies and 10 Corporates from China | Nil |
| March 18, 2010 | March 29, 2010 | PASP famil and training. | 61 Nominated Premier Aussie Specialists and 18 PAS | CITS |

| April to June campaigns and activities | | | | |
|--|----------------|--|--|---|
| START DATE | END DATE | PROJECT/EVENT | TARGET AUDIENCE | PARTNERS |
| April 2010 | Jun 2010 | World Expo "See the Pavilion, Feel the country" campaign <ul style="list-style-type: none"> - PAS Joint promotion and Trade promotion - Digital promotion (National China) - Media Promotion – Beijing, Shanghai and Guangzhou. | First Time Experience Seekers and repeat travelers | Tencent (QQ.com), Qantas and ANZ Bank, 47 PAS and Nominated PAS Travel Agencies with 828 retail shops, Beijing Media Corp Ltd, Moisson Comms Ltd, Shanghai Guangzhou Actual Media |
| April, 2010 | May, 2010 | TA / SA Online Promotion: Visit To Panda's New Home in Adelaide. | First time experience seekers | SATC |
| April 14, 2010 | May 31, 2010 | TA / SQ / TWA Brand Coop Campaign: Print in primary markets and Online campaign run nationally. | First time experience seekers and repeat traveler | SQ and TWA |
| April 16, 2010 | April 26, 2010 | Travel on the Ghan media visit to NT. | First time experience seekers and repeat traveler | National Geographic Traveler, TNT |
| April 24, 2010 | May 3, 2010 | Taste of Australia media visit to VIC and QLD for secondary markets. | First time experience seekers in Secondary Markets | |
| April 25, 2010 | May 5, 2010 | China Southern Airlines Golf Tournament - PR event and Melbourne/ Brisbane golf tournament tour. | Experience seekers | China Southern Airlines, TVIC and TQ |

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| May 2, 2010 | May 2, 2010 | See the Pavilion Feel the Country Promotion Launch – Shanghai Expo Australian Pavilion. | Media in China, Industry Partners, Australian Government Representatives | Australian Pavilion Expo Team |
| May 11, 2010 | May 11, 2010 | Premier Aussie Specialists (PAS) at Expo. | 10 PAS and 2 nd batch of PAS | STO and Airlines as judges |
| Mid May, 2010 | Mid June, 2010 | China Brand Campaign – Primary and Secondary Markets. | First Time Experience Seekers in Primary and Secondary Cities | Nil |
| May 28, 2010 | May 29, 2010 | Guangdong Media Gathering. | Guangdong media | Nil |
| May 28, 2010 | May 31, 2010 | Jerry Yan <i>Find Your True Self</i> Media Launch and Photo Exhibition in Beijing. | Beijing Media and First Time Experience Seekers in China | |
| May 29, 2010 | May 31, 2010 | ATE 2010 in Adelaide, South Australia. | Travel Agency buyers and 4 ASP buyers | |
| June 17, 2010 | June 17, 2010 | IAG Meeting at Expo. | Industry Experts | Nil |
| June 17, 2010 | June 18, 2010 | BE at Expo & Corporate Seminar. | Corporate from North Asia Region | Convention visitors Bureaus |