



THE TOURISM INDUSTRY: Q407

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A WORD FROM THE FOUNDER & CEO

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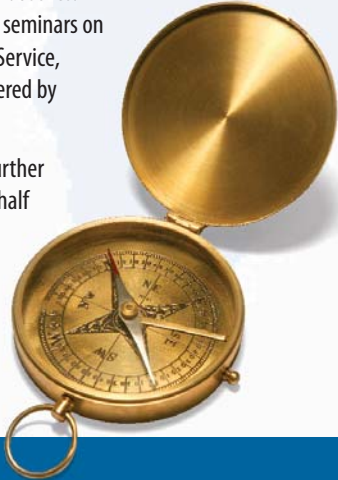
In the current market, your competitor is no longer across the street, but rather more likely at the other side of the world. With the Internet and mass communications, corporations and management find themselves inundated with information. Undoubtedly, the key to making sound decisions in this market is receiving the right information at the right time. SIS International's dynamic services and resources directly cater to these needs, transforming data into valuable intelligence. This is part of our mission to make SIS your company's navigator in today's global economy.

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EXECUTIVE SUMMARY

Global Trends

- Travel and Tourism (T&T) Competitiveness.
 - Asia leads in terms of international tourism growth, with Hong Kong, Singapore, Malaysia, Thailand, India, Korea and China considered highly competitive in the T&T sector.
 - Africa's heightened efforts to T&T-related products and human resources in the sub-Saharan region led to positive growth. South Africa, Kenya and Morocco are the region's important tourist destinations.
 - T&T in Europe is near saturation; yet, with growth in the Euro zone, further growth and development is seen for some Western countries.
 - Increased tourist arrivals resulted to strong growth in Middle East especially in Egypt, Jordan and other Gulf regions.
 - Growth in the Americas registered the slowest growth with only Central and South Americas remaining top destinations for travel. Hiring issues and seasonality hinders progress.
- **Emerging Markets.** Brazil, Argentina, the Republic of Korea and the Russian Federation have increased travel expenditures
- **Global Passenger and Freight Demand.** Opening of new market destinations and reinforcing relationships between national tourism departments and airline companies have boosted growth for the airline industry.

- Airline passengers have become more self-sufficient as they book flights and check-in through internet technology and kiosks.
- Asia, Africa and the Middle East will contribute to increased volumes of international freight volumes.
- International traffic will be mainly driven by African (Egypt, Morocco and South Africa) and LATAM countries (Mexico, Argentina and Peru).
- Due to swelling passenger demand, global airline players are expected to add to their fleet capacity and expand routes. APAC carriers have added 42 % to their capacity unlike their North

American counterparts who were able to add only 11 %.

- Declining yields and fuel price volatility have continuously given shape to the key carriers' strategies.

Key Competitor Events

- Key Global Airline Players
 - Singapore Airlines
 - Thai Airways
 - Cathay Pacific
 - Qatar Airlines
 - Qantas Airways

New Products and Technology

- WTO Software to Measure Tourism Activities
 - Will assist in gathering and consolidating monthly statistics. Successful implementation of will foster collaboration between national tourism administrations and statistical offices.
- In-Flight Internet Capabilities
 - In-flight internet connectivity will enable passengers to access emails and send messages through mobile devices.

Issues

- Climate and Tourism
 - Air travel is expected to become one of the primary contributors to global carbon emissions.
 - Tourism and aircraft manufacturing industries are independently finding ways to reduce or eliminate these harmful emissions. Aside from design and bodywork, alternative yet efficient fuels are being explored for future use.
 - Carbon off-setting is increasingly being encouraged and experiments are being conducted to modify aircraft operations in airports.

EXECUTIVE SUMMARY

➤ New Travel Policies

- The US Government mandated that travelers carry spare lithium batteries in carry-on baggage. These can be used of devices that have run low in battery power

➤ Telecoms

- Telecommunications is a key influencer in dematerialization and transport substitution. For instance, video conferencing is seen as a potential substitute to costly business travels.

Business Opportunities

➤ Social Enterprises for Environmental Projects

- Offsets offered by airline companies as additional cost compensate for the carbon-emissions caused by air travel. Funds collected from these help in financing wind farms, solar energy, energy-efficient technology and other green projects.

➤ Niche Tourism

- Niche tourism segments include nature-based, wine and food, heritage or historical, arts and culture, indigenous, adventure, sports, business and medical and health.
- Qatar and United Arab Emirates are major business tourism destinations.
- Brazil and Thailand provide competitively priced travel packages for medical and health tourism.
- Spain, UK, Portugal and France are hot spots for arts and culture and heritage and historical tourism as well.

➤ Pet Travel

- Hotel accommodations, transportation services and travel packages are segments that are potential revenue earners.

"Tourism continues to transform itself under pressure from its environment. We are now responsible for making this new phase of growth more economical in its use of energy and natural resources, more sustainable, and lastly, more in keeping with the spirit of solidarity."

- Francesco Frangialli, UNWTO Secretary General

Travel and Tourism Competitiveness

The Asia Pacific proved its role as the leading region in international tourism expansion. Demonstrating the strongest growth in the first four months of 2007, Asia registered 9% growth. South Asia recorded a 12% high in tourist arrivals, where 50 % is in India. Both Southeast and Northeast Asia registered 9% each. The growth is attributed to the recovery of Thailand and the Maldives from the destruction of the 2004 December Tsunami.



In the Travel & Tourism Competitive Report of 2007 presented in the Geneva World Economic Forum, Hong Kong, Singapore, Malaysia, Thailand, India, Korea and China were ranked as the major Asian locations that are attractive to the T&T sector in terms of policy rules and regulations, environmental regulations, safety security, health and hygiene, prioritization of travel and tourism, ground transport/tourism/ICT infrastructure, price competitiveness, human resources, national tourism perception and natural and cultural resources.

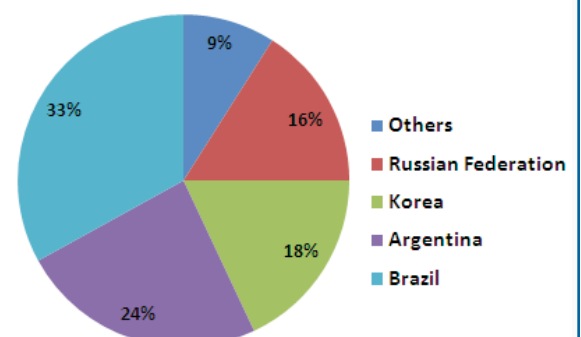
Africa follows Asia, showing strong and positive growth after posting 8% rate, though slightly lower compared to 2006 at 10%. Industry observers, however, are very optimistic that the region will continue to show progress especially in the sub-Saharan region (9.4 % growth rate), where there is an increasing emphasis on human resources and product development. South Africa, Kenya and Morocco are major destinations in the region that continue to post excellent growth.

Europe is considered as the world's most visited and mature destination region, but it only follows the Middle East in terms of growth (+6 % and +8 %, respectively), achieving arrivals growth rates not far short of the worldwide average. There is no reason to expect a radical slowdown in the growth of international tourism to European destinations in the next few

months, since aside from the extraordinary growth in the Euro zone, Switzerland, Austria, Germany, France, Spain and Italy remain very attractive countries to develop the T&T sector. On the other hand, the Middle East exhibited a growth stronger than the expected increase in the international tourist arrivals especially in destinations like Egypt, Jordan and the Gulf countries.

The Americas showed the slowest growth at 4 %, doubling last year's overall results. Major contributors to the region's growth are Central and South Americas. However, the Caribbean recorded a decline in the comparable period, reflecting the impact of decreased arrivals from the USA in many of its

Top Countries in Terms of Travel Expenditure 2007



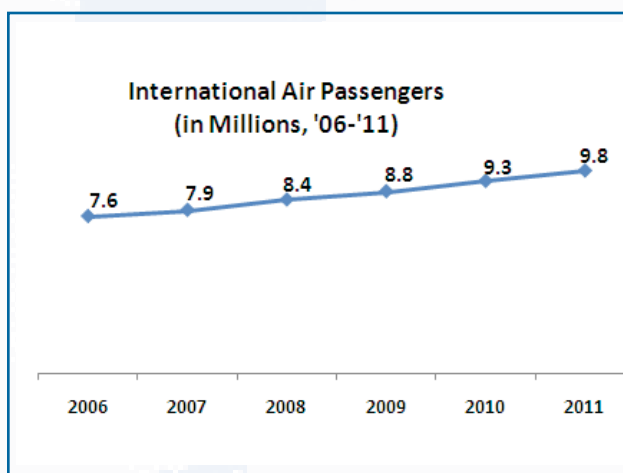
destinations. Aside from these islands, parts of North America are anxious about the 2007 hurricane season, as well as affected by the uncertainty of the developments in the Western Hemisphere Travel Initiative (WHTI). Despite hiring issues and seasonality, the region is still ranked as a top destination for travel and tourism because of its abundant national and cultural resources, excellent infrastructure, business environment and quality human resources.

In terms of travel expenditure, emerging markets like Brazil, Argentina, the Republic of Korea and the Russian Federation have recorded double-digits while France and Japan point to stagnation. Top outbound markets like Germany, USA and UK have reasonable increases in spending. Italy and Spain are the 7th and 12th, respectively, largest spenders. Italians consider it a national tradition to take a vacation. Since 1997, Italy has become a large spender in international travel and the strong euro is playing a major role.

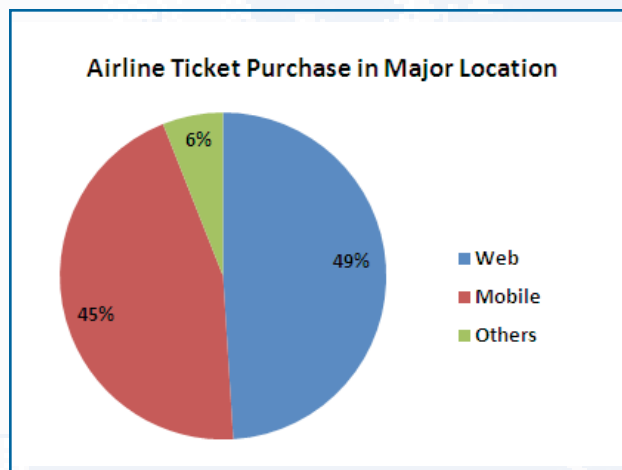
Transportation: Global Passenger and Freight Demand

Travel through airline to different global tourist and business destinations have certainly improved in 2007. Factors that made this a reality include: opening of new market destinations and strengthening tourism relations between countries tourism departments and airlines companies.

IATA attributes progress in terms of passenger and freight demand which will grow at 5.1 and 4.8 % Annual Average Growth Rate (AAGR), respectively, until 2011. This percentage



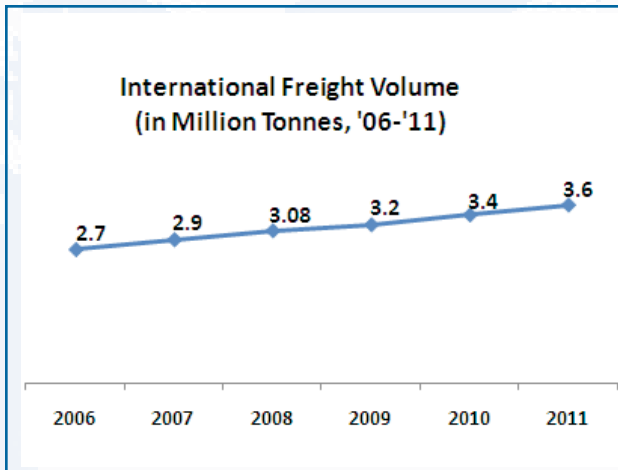
was lower than the one recorded during 2002 – 2006 (at 7.4 % AAGR) due to dampened global economic growth.



Heightened passenger demand is greatly influenced by the passengers' capability in making travel arrangements. The survey in the three of the busiest airports in the world: Atlanta, Hong Kong and London Heathrow by Air Transport Communications and IT Solutions (SITA) revealed that passengers are more inclined to carry out such arrangements through the net rather than self-service check-in kiosks. There is also a growing willingness to use kiosks for lost baggage notification and interline transfers. Additionally, booking via the Internet is another influencer in the growth of passenger demand since it is more convenient than physical booking facilities. However, this factor is also affected by negative perceptions on web security.

The figure above shows that booking via the Internet is becoming the norm with most passengers in major airline ports like Atlanta, Hong Kong and London Heathrow purchasing their tickers online. This awareness of the availability of self-check in is seen in business or first class travelers choosing this facility more than leisure passengers.

In terms of international freight volumes, Asia, Africa and the Middle East contribute to the global purchase expectations and are expected to continue to do so into 2008. According to Honeywell Aerospace, there will be a total of \$ 233 billion USD in sales of new business jets by the year 2017.



The purchase expectations in North America slightly declined while all other regions significantly increased. The overall response is that a replacement or an expansion of fleets equivalent to 33%, up from 26% of 2006, is expected in the next five years.

The increase in overall purchase expectations is supported by the increasingly global nature of the industry. International buyers now account for about 50% of the new aircraft deliveries projected over the next five years. Purchase expectations trended up in Asia, Africa and the Middle East and rose strongly in Europe. Aggregating all regions, five-year purchase expectations were well above the 24 % average recorded over the last six years. Between 2008 and 2012, the 2007 survey forecasts demand for 4,600 aircrafts globally, not including demand from Fractional ownership or branded charter start up businesses.

In North America, 2007 survey respondents said they expect to replace or expand about 20 % of their fleets during the next five years.

Despite slower economic growth and recent credit and stock market fluctuations, survey purchase plans lost less than one percent of their 2006 levels.

Overall buying plans in the region held relatively steady, with replacement plans actually increasing and offsetting some of the slowdown in plans for fleet expansion. Honeywell's baseline forecast assumes lower than three percent U.S. GDP growth in the short term. If the U.S. economy outper-

forms those estimates, purchase expectations could further strengthen.

In other regions, five-year purchase expectations gained strength. In Europe, purchase expectations were up by 47%, a significant improvement compared to 2006, and are well above the 25% levels that have prevailed since 2001.

The strength of the Euro against the dollar certainly contributes as an incentive to buy new aircraft, as does the increased wealth and business expansion anticipated in Eastern Europe and Russia. Overall, European operators reported a particularly strong increase in replacing their fleets, while holding fleet expansion plans more in line with 2006 levels. A great deal of interest in moving into larger and rangier models was reported by European respondents and charter/managed fleet operators contributed to the improved purchase plans as well.

The Asia/Africa/Middle East region once again ranks as the area with the highest purchase expectations. Purchase expectations grew for the fifth consecutive year to record levels exceeding 50 %, again attaining the highest readings in the history of the survey. Middle East and selected African economies continue to benefit from higher oil prices and expect to be active buyers. Confidence in Asian economic growth remains high, boosting interest in longer-range aircraft with state-of-the-art avionics.

In Latin America, operators reported a strong level of purchase expectations. Just over 38% of current fleet are expected to be replaced or added to over the next five years. Purchase plans recovered from the lower 2006 level by eight points, and interest is high in historical terms, exceeding all prior survey levels except 2006. Latin American purchase plans were



influenced in the 2007 survey by several sometimes contradictory factors. The region still reflects the positive impact of elevated energy prices on regional economies, including those of Mexico, Venezuela and Brazil. On the other hand, concern over potential political instability was mentioned again in 2007 as a reason to postpone new aircraft purchases.

Chief reasons cited for replacement of current aircraft remain consistent with prior surveys:

- AGE leading overall and range improvement also listed as an important criterion in every region.
- European operators listed more spacious cabins as an important reason for replacement aircraft followed by longer range. Improved speed, comfort and updated technology in avionics and engines also appear as leading reasons for aircraft replacement across all regions.

Factoring in projected record aircraft deliveries in 2007 and the increased global purchase expectations noted above, this year's Business Aviation Outlook forecasts another record-setting year in 2007. Beyond 2008, the outlook remains strong, with annual deliveries expected to run in the 1,200 - 1,400 range for the balance of the decade, with only modest cyclical variability.

A recent report by the Aviation section of the Travel Daily News indicates that passenger demand continues to increase in October 2007 with the world airports reporting a 6% increase compared to October 2006. International passenger traffic rose by 8 percent while domestic traffic increased by 4%. Strong growth in Africa was lead by Egypt, Morocco and South Africa.

In Latin America, a strong increase in international traffic was mainly driven by Mexico, Argentina and Peru. Brazil was particularly strong on domestic traffic. In North America more specifically, JFK Airport in New York is near the 50 million passengers per annum mark at the end of 2007, up over ten percent from last year while Newark and LaGuardia more or less stagnate.

Amidst the decrease of in North America, aircraft delivery expanded strongly in Europe. Aggregating all regions, five-year purchase expectations are healthier than the 24% average recorded in the last six years.

Since 2001, Asia Pacific based carriers like Thai Airways International have focused and added 42% to their capacity, unlike their North American counterparts who have only added 11%. Air Canada emerged from bankruptcy protection in 2004 and another North American Airline, United Airlines was expected to do the same last year. European carriers like Ryanair improved capacity by 29%. With 8 new destinations and 46 routes added, as well as deliveries of Airbus A319, easyJet announced a total revenue increase of 11% this November. These resulted to increased profits among NA and Europe carriers, achieving expected net profits of \$ 2.7 billion USD and \$ 2.1 billion USD in 2007, respectively. Conversely, APAC carriers experienced a slump in absolute profits, from 2.1 billion in 2005 to 700 million in 2007.

The demand and growth of the aircraft industry and expansion to new markets would increase the availability to travel to new tourist destinations. Direct flights are important in attracting tourists, business travelers and corporate head offices. Having new and bigger planes would attract more tourists because airline seat capacity is vital to international tourism growth.

Luxury travel is a booming business according to a new survey made by the International Luxury Travel Market in Cannes. The luxury travel boom is being fuelled by the increase in High Net Worth Individuals (HNWI) meaning, those with at least \$ 1 million USD in financial assets. Privacy appears to be the top agenda of this group with private air travel increasingly previewed as "necessary luxury".

In addition, the global airline industry is rendered vulnerable to the volatility of fuel price which forces airlines to review their fleet in order to rapidly mobilize the replacement of inefficient aircraft. A barrel of oil is expected to stay within the 55 - 65 USD range and jet fuel 1.65 - 1.90 per gallon. With this, fuel hedging remains a strategic cost management instrument and a potential source of competitive advantage.

In sum, increase in passenger demand, decline in yields and high fuel prices bring about changes in airline companies' strategies that will greatly involve cost savings and efficiency improvements. They are driven towards products and services differentiation, with more direct services in lower-density markets.

TRENDS BY REGION: NORTH AMERICA

“Sustainable Growth, Marketing, Product Development and Partnership – these are the essential requirements for differentiation to gain competitive advantage, recognizing demand, the importance of human resources, the unique role in meeting the challenge of poverty alleviation and in responding to the parallel holistic challenge of climate change.”

- Geoffrey Lipman, Assistant Secretary General of UNWTO during the World Tourism Conference 2007

The North America travel and tourism industry is expected to contribute a total of \$ 2 billion USD worth of economic activity, and comprise 3.8 % of the GDP, by the end of 2007. Weaker dollars, new passport rules and record-high travel marked the 2007 travel and tourism industry of the US.

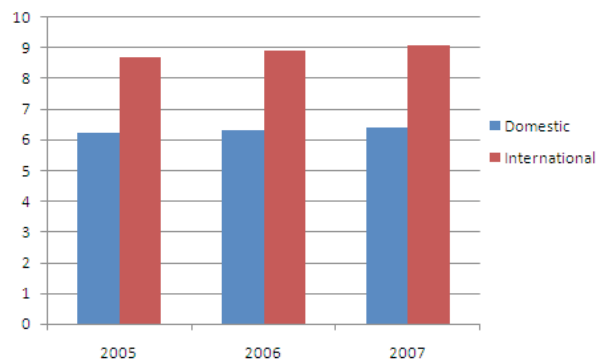
Around 18.4 million passports were issued in fiscal year 2007, enabling 30% of Americans to travel. In the said year, the US government required all passports for air travel to Canada, Mexico and the Caribbean. However, the downside of such ruling is the extended length of time to wait for passports.

Also, domestic travel became busy especially during January–September, with airlines carrying 582 million passengers. Americans also regularly traveled to Europe, with according to the US Department of Commerce, travel to this region was up 2 % in the first nine months of 2007. But as the year closed, the weakening dollar led to a slump in bookings to Europe.

HIGHLIGHTS

During the first six months of 2007, the US airlines carried 379.5 millions passengers, 2.7% more than it did during the same period in 2006. Across the country, carriers transported 2.5 % more passengers and worldwide, they carried 3.9 % more in the same comparable period. It shows continued strong growth from 2006 when the US airline industry earned increased total revenues of \$ 146 billion USD, reflecting profitability for the first time since the decline in 2001 due to the 9/11 terrorist attack.

Domestic and International Flights by US Carriers
(In Millions)



Growth is sustained by the buoyant US economy, easing of aviation fuel prices and the passengers' confidence with air travel safety. Also this has allowed airlines to increase ticket prices considerably and increase fuel efficiency, allowing them to reduce costs significantly.

Air Canada has been ranked as “Best Airline in North America” in the world’s largest survey of air travelers. The passenger survey was conducted by the independent UK-based research firm Skytrax using 40 different aspects of passenger satisfaction for each airline’s product and service standards. The airline continues to introduce new flights and key routes as well as service expansions from Germany, the US and China. Earlier this year, it introduced a new generation of aircraft with the arrival of its first Boeing 777 in Montreal.

TRENDS BY REGION: EUROPE

Europe is regarded as a mature destination. Even so, its performance as a tourism destination has remained impressive through the years. Arrivals have stagnated in 2001- 2003 due to the impact of 9/11, terrorism, SARS epidemic to mention only a few. But the annual rate of international arrivals has still averaged around 2.5 % since the beginning of the decade and 4 % since 2003.

The reason for the increase of tourist arrivals through the years comes from Europeans taking frequent short breaks and taking advantage of the increase in low cost/no frills airline services linking regional airports as well as capital cities.

Events like Winter Olympic Games in Turin, the FIFA World Cup in Germany and the Ryder Cup in Ireland together with other cultural events boosted the demand for tourist arrivals in 2006.

During the winter season in Europe in 2007, there was an increase in hotel accommodations and nights spent in similar establishments. Most countries in the European Union and European Free Trade Association (EFTA) countries experienced an increase during the 2006-2007 winter season compared to the same period in 2005-2006.

Residents and non-residents contributed equally to the increase of nights spent in hotels and similar establishments. During the 2006-2007 winter season, end-of-year holidays did not influence the occupancy rates in hotels and similar establishments.

1. ACCOMMODATION

Tourism is expected to profit from a slight increase in domestic demand, but foreign guests will still account for the growth of the sector. Moreover, the highly polarized demand will continue to benefit 4-star and 5-star hotels with modern infrastructure, which are recording good bed capacity utilization. However, well-positioned budget hottest in the 1-star and 2-star hotels will continue to experience a lively demand.

In addition, luxury hotels with wellness programs or golf courses are increasingly sought after by customers with average or high income. Seminar hotels also have good chances of success in the market due to the increasing business tourism.

2. RECREATION AND ENTERTAINMENT

The medium-term trend in Swiss tourism will be heavily influenced by the UEFA EURO 2008 football championship. The additional demand from this will lift the number of overnight stays in Switzerland by 2 to 3 % in the 2008 tourism year.

3. TRAVEL SERVICES

The removal of the special visa requirement for Switzerland will make it easier for a large number of potential guests to enter the country.

On the other hand, many hotels and restaurants in the country are still to integrate themselves more into the overall tourism value chain. Switzerland should position itself more clearly in relation to its competitors through destination building and marketing. Moreover, the country's tourism destination must be able to offer guests end-to-end packages such as accommodation and access to recreational activities (e.g. skiing passes, equipment hiring, etc.). It will also be more beneficial for foreign guests if there will be an increase in price transparency to allow them to better calculate travel costs.

4. HIGHLIGHTS

According to the Eurostat, there were a total of 738 million air passengers to Europe in 2006. In October 2007, year-on-year passenger capacity of airlines servicing the European region was already up by five percent with passenger load factor registered at 78 %. Data indicate the stronghold of the region as a premier tourist destination.

The 2007 Rugby World Cup in France boosted traffic in Europe as well as Spain enjoying a robust number of tourists and remaining as one of the favored destinations, according to IATA.

Heathrow airport remains the third busiest airport worldwide, with almost 67.7 million passengers going through it for the period of November 2006 to November 2007.

TRENDS BY REGION: ASIA

In the region, travel and tourism boards, airlines and hotels will be leveraging on mobile TV and internet technology which are already used by South Koreans and Japanese since 2005. Such technologies which are also being developed and used in Taiwan, China Malaysia, Indonesia, Singapore and India will be used for advertising, most especially since there will be 1 billion mobile phone users watching mobile TV in the next five years.

Also, blogging has become an instrument for tourism players to view and measure their customers' experiences and opinions. "Moblogs" or mobile blogging enables travelers to share text or pictures with other users. For instance, in Singapore, www.moblog.com.sg is fast becoming popular and www.tripadvisor.com is a constant companion to T&T service providers.

HIGHLIGHTS

Passenger load factor in Asia during the period of January to October 2007 is at 76 %, with total passenger capacity increasing by 5.6 %, according to IATA statistics. The increase is attributed to airlines investing in bigger aircrafts and the increase in air traffic within the region. Moreover, tourism in China continues to rise and this is predicted to continue until the 2008, in anticipation of the Beijing Olympics.

TRENDS BY REGION: LATIN AMERICA

Wealthy American and European baby boomers in cruise ships are frequenters in Ushuaia, Argentina. Buoyant tourism in this area has sustained T&T growth in region. Other drivers include:

- Shifting traveling consumer preferences to “more exotic and experiential-based” locations/vacations
- Peso devaluation, making travel to Argentina more affordable
- Increased cruise activities, with most travelers coming from the US
- Attractiveness of other landscapes such as the Tierra del Fuego National Park and further venture into the Antarctic region

Five- and four-star hotels in the area are increasingly occupied by these cruise travelers and competition is bound to get fierce most especially Starwoods Hotels & Resorts Worldwide, Hilton Hotel Corp. and Carlson Companies have announced to construct their own respective hotels there in the next three years.

Cruises in Chile, Brazil and Mexico are still considered a luxury and aimed at retirees. Brazilian cruise companies Costa Cruzeiros and Viagens CVC offer services that are targeted at

themes like singles and fitness and showcase performances by disc jockeys and Brazilian singers.

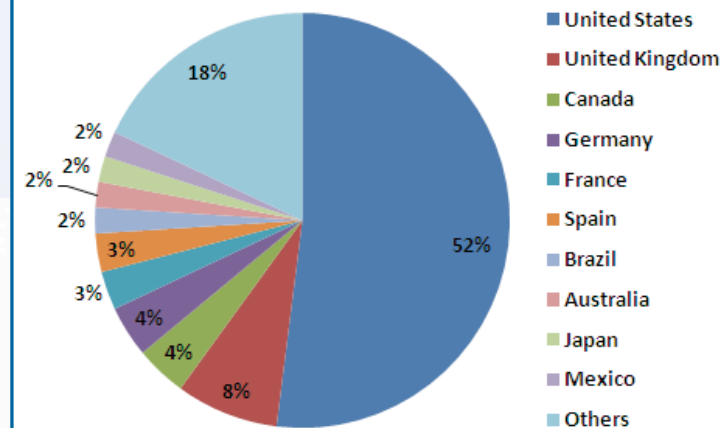
Travel is still challenged by the inclement weather in Ushuaia and Antarctica. Such is also the key reason why airlines are discouraged from carrying tourists there throughout the year. As answer to these difficulties, the government has become active in promoting festivals and ski tourism while being mindful of environmental concerns.

HIGHLIGHTS

In 2006, LAN alliance transported a total of 8.9 million passengers to Latin America. By October 2007, passenger traffic already increased by 22.8%. International passengers account for the 88% of the total number of passengers. The increase in passenger traffic is also attributed to the increase in domestic passenger traffic in Chile that is registered at 30.8%.

Argentina remains a preferred city of destination among tourists from Europe and the US. By the end of 2007, revenue from tourism is expected to reach a total of \$ 4.2 million USD. In 2008, Iberia Airlines is also expected to increase flight connections from Madrid to Buenos Aires.

Cruise Arrivals to Ushuaia (Argentina) by Country of Origin % Share, 2006



TRENDS BY REGION: MIDDLE EAST AND AFRICA

Middle East

Euromonitor International forecasts that Halal packages will make the region's efforts at T&T successful; other measures will bolster tourism activities as the Arab Tourism Organization has set up a \$ 2 billion USD fund to finance investments for tourism organizations.

Halal tourism incorporates activities and services that are governed by Islamic laws on behavior, dress, conduct and diet. For instance, watering holes like Dubai Ice Bar do not serve alcoholic drinks and prayer rooms are constructed in key tourist destinations. It is also possible that a start-up Halal airline will be in operations soon, with Halal food, calls for prayer, Korans in seat pockets, Islamic programs through the entertainment system and separate sections for male and female Muslims to be included. Traveling Muslim females will soon be able to stay at women only hotels without male guarantors. Increasingly, halal patrons come from European countries like Norway, Spain and Germany.

Additionally, the gradual shift from being dependent on oil trade towards tourism is observed in key Middle Eastern countries like Dubai and Saudi Arabia. Because of this, the inbound market is expected to grow by 66 % between 2006 and 2011. Traffic will mostly be composed of intra-regional travelers since countries will be heavily investing for infrastructure that will connect cities.

Travel packages will be targeting family groups especially that 60 % of all leisure departures have include family members, a trend apparent in Saudi Arabia and Oman. Packages would include classes in Islamic calligraphy for kids and music for adults as well. Pilgrims are another special target segment in these travel packages as tourists from Malaysia, Indonesia, Pakistan and other predominantly Islam countries are able to extend stay and travel beyond Mecca and Medina.

IATA Statistics

IATA statistics show a 15.1% increase in the passenger seating capacity of airlines to the Middle East. Passenger load factor by the end of October 2007 is at 79.5 % and the Middle East region, led by the United Arab Emirate, the Kingdom of Saudi Arabia and the State of Qatar are leading in proving that the region is a leader not only as a business but a tourist des-

tinuation as well. Furthermore, the Dubai International Airport is establishing itself as the world's fastest growing airport accounting for the number of passengers it handled in 2007, which is nearly at 34.34 million. On a daily average, the airport handles almost 95,000 passengers per day.

Dubai alone, in 2007, added almost 5,700 new hotel rooms as it targets about 15 million visitors per year by the year 2015. During the first nine-months of 2007, the number of hotel rooms in Dubai increased by 32,444 or 5.4 % with average room occupancy rate registered at 86.9 %.

Over the next years, the total investment across the Middle East on travel and tourism industry is expected to amount to almost \$ 3.63 trillion USD through the establishment of 600 hotels that will make 650,00 new hotel rooms available to tourists .

Africa

Favorable regulatory environment and low cost flight connections have led to the tourism boom in Morocco where inbound tourism reached almost 7 million visitors throughout 2007. These tourists have afforded easyJet, AirBerlin and Ryanair flights to Marrakech, Agadir and Fez, the country's hot tourist spots. Likewise, travel to cultural and natural attractions at low cost has extended the growth potential to other North African countries like Tunisia, Egypt and others like Algeria and Libya.

Emerging markets Algeria and Libya have capitalized on their gradually stabilizing political milieus as each country has identified tourism as a key area for investment and policy. Tourists will come to these places for the "sun, sea and sand" experience and cultural wealth.

KEY COMPETITOR EVENTS

The following are the 2007 top ten airlines according to the World Airline Awards® that is based on an annual World Airline Survey conducted by Skytrax from August 2006 to June 2007. The award is recognized around the world and is considered as a global and independent passenger survey of airline standards. The table also presents the ranking of the airlines in 2005 and 2006.

SINGAPORE AIRLINES

"A Great Way to Fly"

Singapore Airlines (SIA), official flag carrier of Singapore, was awarded the 2007 Airline of the Year by the World Airline Awards®. It has a five-star ranking from Skytrax' World Airline Star Rating®, recognition for its highest quality performance. Moreover, it is recognized as the leader in product and service achievement and sets the trends for other carriers to follow.

Its main hub is the Singapore Changi Airport. Singapore Airlines operate a fleet of 94 aircrafts that fly to 102 destinations in 42 countries. On 25 October, it became the first airline to fly commercially the A380 – the world's largest aircraft.

Singapore Airlines performance for November 2007

Passengers	2007	2007	% Change
Capacity (M seat-km)	9,489.5	9,267.1	2.4
Passenger-km (M)	7,693.7	7,428.5	3.6
Passengers carried ('000)	1,643	1,582	3.9
Passenger load factor (%)	81.1	80.2	0.9 pt

Singapore Airlines' passenger capacity in November 2007 increased by 3.6 % over the figures in 2006, due to the additional flights to existing routes to Manchester, Paris, Hong Kong, Auckland, Christchurch, Bangalore, Milan and Barcelona. Moreover, the introduction of the A380 in its Sydney route on October 15 was also a factor in the 3.9 % increase in the number of passengers carried by the airline.

Airline of the Year 2007

Rank	Airline	2006	2005
1	Singapore Airlines	7	4
2	Thai Airways	4	7
3	Cathay Pacific	3	1
4	Qatar Airways	6	N/A
5	Qantas Airways	2	2
6	Malaysia Airlines	9	6
7	Air New Zealand	18	N/A
8	China Airlines	10	N/A
9	Emirates	5	3
10	British Airways	1	5

SIA Financial Information, first half (ended 30 September) 2007/08 FY, in USD million

Financial Results	2007-2008 1st Half	2006-2007 1st Half	% Change
Revenue	4,999.3	4,630.4	8.0
Operating Profit	646.9	351.1	84.1
Total Expenditure	4,352.4	4,279.3	1.7

The carrier's fuel expenditure accounted for 36.5 % of its total operational spending.

On October 2007, SIA added the new A380 to its Sydney to London route via Singapore, thusly increasing its passenger capacity. The new SIA A380 features a Business Class cabin that occupies 60 % of the upper deck and has a seat design by from the British team James Park Associates. The carrier's new seat design provides a personal space for every passenger on the Business Class cabin. Each passenger seat measures 86 cm (34 inches), considered as the widest in Business Class, and can completely fold flat to provide a bed to every passenger. Noise intrusion from the aircraft's engine is also reduced by 60 %.

THAI AIRWAYS

"Smooth as Silk"

Thai Airways International Public Company Limited (TG) is the national carrier of the Kingdom of Thailand. It operates a fleet of 84 aircrafts and covers 62 destinations in 35 countries,

KEY COMPETITOR EVENTS

including 11 destinations within the Kingdom. Passengers of the carrier, through a survey conducted by Skytrax, nominated it as the airline with the Best First-Class Lounge in 2007, an award it received at the World Airline Awards on July 2007. Thai Airways performance for Fiscal Year 2007, compared against FY 2006.

Passengers	2007	2007	% Change
Capacity (M seat-km)	76,830.0	71,594.0	7.3
Passenger-km (M)	60,305.0	53,989.0	11.7
Passengers carried ('000)	19,586.0	18,574.0	5.4
Passenger load factor (%)	78.5	75.4	4.1 pt

Thai Airways Financial Information for the Fiscal Year 2007 (October 1, 2006 to September 20, 2007)

Financial Results	FY 2007	FY 2006	% Change
Revenue	5,745.9	5,402.8	6.4
Operating Profit	405.9	503.6	-19.4
Total Expenditure	5,304.5	5,038.0	5.3

The carrier's fuel and oil expenditure was at \$ 1,742.8 million USD, up by 1.8 % from 2006, accounted for 23.8 % of the total expenditure.

Eighty-nine airlines transported passengers into Thailand totaling 21.8 million passengers as of August 2007. Of the said figure, Thai Airways owns 39.8 % of the total market share, equivalent to 8.7 million passengers. The carrier further strengthened its intercontinental presence through additional flights to its Australian and North American routes, thus increasing its proportion of intercontinental market share by 1.9 % from a previous 52.4 % share. In addition, Thai Airways also started to provide three weekly flights to Johannesburg in South Africa via its Airbus A340-600. It also provides service to Cape Town and other major tourist destinations in South Africa in partnership with South African Airways. According to IATA statistics, the carrier's international operations is the 3rd largest regionally and 11th largest in the world.

On October 17, flight services to Ho Chi Minh City, Vietnam were increased to 16 weekly flights (from 15). It also increased the number of direct flights to its Australian route, all originating from Bangkok. There are now 19 weekly flights to Sydney, seven to Brisbane and 12 to Melbourne.

Thai airways launched its Flex Pricer program that allows passenger to transact bookings online and pay through the online Automatic e-Payment system. Through the online booking system, passengers will be able to book seats 24 hours before flight time as opposed to the 72 hours required with the manual booking process. Passengers will also be informed immediately of their completed payment. In addition, the carrier, in its effort to be more environment friendly and control costs, has started using E-tickets for all its domestic flights, as well as tickets that are sold to partner airline flights.

Thai launched "Flying Together" in FY 2007, the carrier's strategic plan that aligns its fleet planning, network development planning, development targets of business units, initiatives for alliance cooperation, strategies for information technology, human resource management goals, efficiency enhancement, as well as strategies for finance and accounting.

Thai airways will continuously expand its network operations by adding new aircrafts to its service routes. In October 2008, it is expected to add two new Airbus A340-600 to its Europe and Australian operations. In addition, it will also be adding two new Airbus A330-300 in November and December 2008 to support its growing regional demand.

To ensure that it provides the highest level of service to its passengers Thai Airways employs the concept of "Ultimate Service Full Network Airline". Through its High Service Quality and Safety concept, it aims to provide it customers with the highest level of service and a level of safety that is comparable with international standards. In addition, its objective is to maintain an on time performance of at least 82.5 % on international flights and 92 % on domestic flights, while remaining competitive among its peers. Moreover, the carrier also plans to remain among the top airlines in world rankings and uphold its air travel traffic market share.

KEY COMPETITOR EVENTS

CATHAY PACIFIC

Ranked as the third top airline in 2006 by the World Airline Awards®, Cathay Pacific Airways Limited is the flag carrier of Hong Kong with its main hub located at the Hong Kong International Airport. It holds a five star ranking from Skytrax awards in recognition for service and excellence.

Cathay Pacific operates 111 aircrafts, which services 111 destinations in 35 countries and territories. It currently employs 16,907 staff worldwide. In September 2006, it acquired Hong Kong Dragon Airlines Limited and increased its shareholdings with Air China Limited.

Cathay Pacific's performance for cumulative October 2007 compared to cumulative October 2006.

Passengers	2007	2007	% Change
Capacity (M seat-km)	84,256	73,901	14.0
Passenger-km (M)	67,128	58,997	13.8
Passengers carried ('000)	19,114	13,858	37.9
Passenger load factor (%)	79.7	79.8	-0.1pt

Cathay Pacific's Financial Information for the Fiscal Year 2007

Financial Results	FY 2007	FY 2006	% Change
Revenue	4,440	3,473	27.8
Operating Profit	409	272	50.4
Total Expenditure	4,031	3,201	25.9

In August 2007, Cathay Pacific launched a new range of Disney packs for its junior passengers aged 3 - 12. The new packs will feature Dumbo, My Friend Tigger & Pooh, Disney Cuties and Donald Duck. The new packs aim to keep Cathay Pacific's young passengers entertained throughout the flights.

Dragonair became an affiliate member of the Oneworld Alliance on November 1 as the 11th member carrier. It also added flights to Busan, South Korea to its destinations.

Cathay Pacific launched its Fly Greener program in December 2007, where passengers of Cathay Pacific and Dragonair can calculate how much heat-trapping carbon dioxide is released into the environment by the flight that is taken through the airlines' booking system. The passenger can then either choose

to use frequent flyer miles or cash to invest in a wind farm or similar green projects in mainland China to counter the carbon dioxide emissions of the flight.

Cathay Pacific is continuing to expand its fleet. It currently has 11 orders for the A330-300 with Airbus, 28 aircraft orders with Boeing for 26 Boeing 777-300ER and 2 Boeing 747-400 BCF. The first four Boeing 777-300ERs were already delivered in September, October and November, and the rest of the aircrafts are expected to be delivered by 2012.

The carrier will also start offering 100 % paper free ticketing via its e-ticketing initiatives by May 2008. Cathay Pacific, at present, is issuing 77 % of its tickets as e-tickets.

QATAR AIRWAYS

"Taking you more personally"

Qatar Airways, based in Doha, is the flag carrier of the State of Qatar, operating a fleet of 59 aircrafts composed of mainly Airbus and Boeings to 79 destinations worldwide. The carrier is also one of the six airlines enjoying a five-star ranking for service and excellence awarded by Skytrax. The cabin crew of Qatar Airways was also named as the Best in the Middle East for the fifth year in 2007, by Skytrax.

In the 2006/2007 financial year, Qatar Airways carried about eight million passengers worldwide. The highlight of its expansion in 2007 is the launching of flights to New York and Washington DC, which is the carrier's initial move of the carrier to the market in North America.

In November 2007, the carrier started adding 22 Boeing 777s to its fleet. The introduction of the new Boeing 777s will extend until the mid of 2010, as part of its fleet expansion program which will see the carrier's fleet size total to 110 aircrafts by 2015.

The main objective of Qatar Airways is to expand its fleet size to 110 aircrafts by 2015. To achieve this, the carrier signed a \$1.2 billion USD deal with Airbus which will ensure the delivery of two Airbus A380s in 2009. It is also expecting delivery of additional Boeing 777s until mid - 2010.

KEY COMPETITOR EVENTS

QANTAS AIRWAYS

"Spirit of Australia"

Founded in 1920 and originally registered as Queensland and Northern Territory Aerial Services Limited (QANTAS), Qantas is the national carrier of Australia. The Qantas group has about 31,000 employees around the world. It services 143 destinations in 36 countries – 57 of which are in Australia, and 86 in other countries, including destinations which it codeshares with other carriers, in Australia, Asia and the Pacific, the Americas, Africa and Europe.

The Qantas Group's fleet is composed of 213 aircraft, comprised of Boeing 747s, 767s, 737s and 717s; Airbus A330s and A320sl as well as Bombardier Dash 8 and Bombardier Q400s. It owns Jetstar Airways – a Melbourne-based low-cost airline, Jetconnect – a subsidiary of Qantas that operates services between New Zealand and Australia, the airline's main base is the Auckland International Airport, and QantasLink – the regional subsidiary of Qantas that operates the southern and eastern Australia routes.

In June 2007, the end of its fiscal year, the company reported a profit before tax of \$ 1.03 billion USD, registering a 53.8 % increase from 2006.

As of October 2007

Passengers	2007	2007	% Change
Capacity (M seat-km)	42,484	40,988	3.6
Passenger-km (M)	34,858	32,658	6.7
Passengers carried ('000)	13,226	12,354	7.1
Passenger load factor (%)	82.1	79.7	2.4 pts

Qantas' Financial Information for the Fiscal Year 2007

Financial Results	FY 2007	FY 2006	% Change
Revenue	13,184	11,789	11.0
Operating Profit	957.4	604.8	57.6
Total Expenditure	12,230	11,271	8.5

To protect its market share from rivals Virgin Blue and low-cost airline Tiger Airways, Qantas is increasing its total flights to 157, which will include 48 jet services between Sydney and Canberra by adding 15 additional return services per week.

Qantas has also improved its flight scheduling to include more daytime flights in its Canberra-Perth services to take advantage of its business customers who prefer daytime flights.

In June 2007, Qantas announced that all classes of its A380s fleet, which will start flying on August 2008, will all have internet services extended to their passengers.

Qantas continues to invest in improving its current fleet. It has ordered 20 A380 aircraft from Airbus, the first of which is expected to be delivered in 2008. Furthermore, it has ordered 115 Boeing 787 aircraft to renew its domestic and international fleet.

On December 19, the company signed a Memorandum of Understanding with MAS Aerospace Engineering, a wholly-owned subsidiary of Malaysia Airlines, to establish a joint-venture company that will provide airframe maintenance services from Malaysia. According to Qantas' CEO, the joint-venture company is part of the \$ 300 million USD investments that will target the rapidly growing Asia-Pacific maintenance, repair and overhaul market that is expected to reach sales of \$ 15 billion USD in 2016. The new company will also be responsible in performing overflow airframe maintenance for Qantas and its subsidiary airlines.

Software to Measure Tourism Activities

The World Tourism Organization developed a new software for measuring accommodation services that will provide support and organization of monthly statistics like characteristics of guests, (geographical distribution of overnight guests, seasonal variations, duration of stay, etc.) and establishments (employment, capacity, etc.). It will deliver data and detailed analyses of the characteristics and movement of the industry and allow collaboration between national tourism administrations (NTAs) and statistical offices, thus mobilizing the development of national systems of tourism statistics.



In-Flight Internet Capabilities

Last December 2007, Reuters reported that JetBlue, Yahoo, and Rim plan free in-flight wi-fi for passengers with laptop computers and advanced cell phones. The report further discussed that the service will allow passengers to access customized Yahoo mail and Yahoo instant messenger services on their laptops or to access corporate e-mails on wi-fi enabled versions of the popular Blackberry device from Rim.

After that announcement last year, many airlines have started to explore and experiment with in-flight broadband connectivity like American Airlines, Alaska Airlines, Virgin America, and JetBlue to name a few.

This wi-fi feature on-board is sure to give airlines a big advantage in attracting passengers especially for the long-haul flights.

Climate and Tourism

Climate change is a perennial environmental issue which is gaining significant attention now because of its pending global effects. There are a lot of contributors to climate change, with greenhouse gases released by various industries leading the pack. The aviation industry, of which the air traveling industry belongs to, currently contributes only 3% of global carbon emissions. Although currently not a primary contributor to global warming, air travel is feared to become one in a short time because it is growing at some five percent annually with corresponding increase of air passengers and aircrafts.



According to the UN International Panel on Climate Change, improvements have made airplanes 70 percent more efficient than they were 40 years ago. Another 40-50 % improvement can be expected over the next 30 years. But the problem, as climate experts say, is that current projections indicate that air travel is set to grow by 400 % in the same time period. This implies that the 40 to 50 % improvement is not justifiable and suffices to the 400 % demand increase for the air travel industry. Directly, this translates to a significant increase of carbon dioxide emissions contributed by airplanes.

The August 2007 report by the Christian Science Monitor mentions that these harmful aircraft emissions are more complicated because aircrafts do not just give off carbon dioxide but nitrous oxide as well, which is thought to have at least a double impact of CO₂, and condensation trails, which also may contribute to the global warming issue. Apart from this greenhouse gases contribution, airplanes also contribute to noise pollution. With this, the tourism and airplane manufacturing industry are independently finding ways to reduce or eliminate these harmful emissions.

The aircraft industry is working on technological solutions that may solve and completely address the climate change issue. Aircraft manufacturers are constantly improving the design of bodywork and engines, deriving greater fuel efficiency that reduces carbon emissions. They are also pursuing for airplane designs that are not only fuel efficient but quieter too.

In July 2007, Boeing unveiled the 787 Dreamliner which was said to use 20 % less fuel than a similar-sized aircraft. The particular engine design of this aircraft offers higher fuel efficiency with lesser aircraft emissions.

Other aircraft technological alternatives being explored apart from improving design are alternative

fuels. Radical concepts like hydrogen-powered aircraft are still considered to be decades away. But serious work is being done on biofuels as an alternative to kerosene in aircraft. In order to produce sufficient volume of these biofuels, an issue of mass land area requirements is entangled with it and thus raising another environmental concern.

Besides technological alternatives, aircraft manufacturers are also looking at changing traditional aircraft operations at airports. Boeing and Virgin Atlantic have partnered to conduct trials of towing airplanes to "starting grids," areas close to the active runway to start engines preflight, with a goal of reducing fuel consumption and carbon emissions by up to 50 percent, as well as limiting community noise. Trials conducted thus far at London's Heathrow and Gatwick Airports and San Francisco International Airport have produced positive result, and work continues to develop alternative operational procedures at the world's busiest airports.

Moreover, the tourism industry is looking into pursuing alternatives like carbon offsetting to further address climate change issues. Carbon offsetting mitigates greenhouse gas

LEGAL, SOCIAL, AND POLITICAL ISSUES

emissions and can involve renewable energy projects (such as solar, wind power and hydroelectricity or biomass and biofuels) and tree planting, among others.

On October 2007, UNWTO asked all of its participants in the 2nd International Conference on Climate Change and Tourism held in Davos, Switzerland to register with carbon offsetting organizations. The said conference aimed to make all travel, accommodation, and activity related to the conference carbon neutral. According to Geoffrey Lipman, UNWTO Assistant Secretary-General, they want to send a signal to their own industry that carbon offsetting is easy and it will make a real difference over time, along with adaptation, mitigation and new technology. They are also encouraging carbon offset schemes.

Travel companies such as British Airways and travel sites such as Travelocity and Expedia are giving ticket purchasers the chance to at least assuage guilt, and possibly help the planet, by selling these so-called offsets. These travel companies pass the money to enterprises, both for profit and non-profit, which invest in wind farms, solar energy, energy-efficiency technology or other green projects. Enterprises like the Native Energy, Carbon Fund or TerraPass support green projects; however, they are expectedly controversial especially the profit-oriented due to issues of effectiveness and accountability of taking and spending the money. Moreover, what adds up to the controversy of this tourism alternative is that there is no widely accepted certification for these offsetter enterprises, according to Michael Gillenwater, a Princeton University climate policy researcher.

Although this tourism alternative is controversial, supporters say that by selling these, they are raising awareness about global warming as well as financing green projects. The availability of carbon offsets helps companies and individuals to understand the impact of their actions before laws limit their carbon-emitting activities, says London-based consultant Abyd Karmali of ICF International.

New Travel Policies

Effective January 1, 2008, the United States government implemented a new air travel policy which mandates that travelers carry spare lithium batteries in case the battery in a device runs low. It was explicitly mentioned in the government

online announcement that a traveler may not pack a spare lithium battery in their respective checked baggage but they may bring spare lithium batteries in carry-on baggage. Specifically, there were quantity limits also that apply to both the spare and installed batteries. Batteries of devices like cell phones and laptops can only have up to 8-gram equivalent lithium content. A traveler can also bring up to two batteries with an aggregate equivalent lithium content of up to 25 grams.

Telecoms

The increasing monetary and environmental costs of air traveling have opened an opportunity for telecom companies such as promoting technologies like video conferencing as an alternative to costly business travels for one.

In a recent report by Lehman Brothers, telecommunication is believed to have an important role to play in dematerialization and transport substitution. It enables: flexible working solutions, such as work from home; audio and video conferences to avoid travel - BT (British Telecom) estimates that every conference call saves a minimum of 32kg of travel-related CO2 emissions. These new technologies in general, offer cheaper, easier, and competitive ways of doing business transactions without adding environment costs like carbon-emissions that air travel contributes.

Moreover, Lehman Brothers believes that telecom companies have a significant opportunity for the development and marketing of new products and services that will reduce the reliance on carbon-intensive travels. Consequently, growth is viable and promising as companies seek to cut travel costs and business travelers report both a desire to spend more time with their families as well as increasing frustration with growing security hassles and intrusive, time-wasting airport checks among others.

Social enterprises that support environmental projects

A growing number of airline companies are already selling offsets as an additional cost to the air travel of their customers to compensate for the carbon-emissions caused by their air travel. The money collected from these offsets are forwarded to social enterprises that support and fund projects such as investments in wind farms, solar energy, energy-efficiency technology or other green projects. Therefore, as offsets become more popular, the need for social enterprises to forward these offsets to will also increase. Moreover, air travelers are not trying to become "responsible" by contributing to causes that will help protect the environment and eliminate the guilt regarding the carbon-emissions that their travels release to the air.

Niche Tourism

In 2007, the travel and tourism industry saw travel packages for every perspective. Travel agencies have started recognizing that it has to cater to the different preferences of groups in order to remain competitive by organizing specialized and customized tour packages for travelers. Among the currently identified niche tourism sector includes nature-based tourism; wine and food tourism; heritage or historical tourism; arts and cultural tourism; indigenous tourism; adventure tourism; sports tourism; business tourism; and, medical and health tourism.

Countries like the State of Qatar and the United Arab Emirates are establishing themselves as a major destination for meetings, conferences and exhibitions to attract the business tourists' niche market. On the other hand, Brazil and Thailand are among the countries that are promoting themselves for medical and health tourism. European countries like Spain, UK, Portugal, and France are the destinations of travelers who want to experience arts and cultural tourism as well as heritage and historical tourism.

Pet travel

Taking pets on domestic and even international travels is a prospective segment for the global T&T industry to explore. For example, the UK market for pets climbed 49 million at the end of 2007, with pet food and care services estimated to reach \$ 4.9 billion USD. According to the Euromonitor International, these figures present opportunities for additional revenue growth of up to 30 % per year for hotels and travel agents that choose to incorporate pet services.

Dogs are the primary animal travelers, accounting for 80% of all pet travel customers. Hotels are the biggest revenue earners for this segment as services can be expanded to include luxurious basket accommodations, dinners, spa services and off-leash areas. Pet-friendly transportation services and packages are an area to be dealt with because currently, no transportation and tour operating group is offering travel services towards this particular consumer group.

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