
The Impact of SARS on Canada's Accommodation Industry

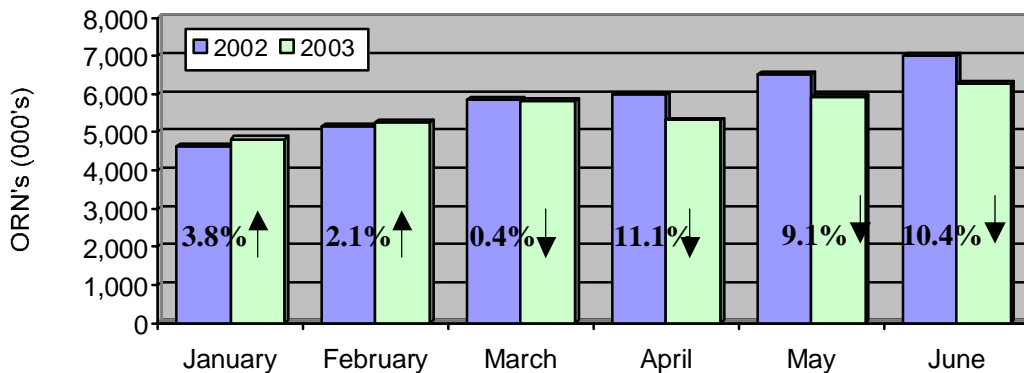
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Prior to the onset of SARS (Severe Acute Respiratory Syndrome), there were differing opinions as to where the accommodation industry in Canada was headed. Most had expected a recovery in 2002 that never materialized and generally speaking the industry was approaching 2003 with guarded optimism. In late March, the Ontario Ministry of Tourism & Recreation and the Canadian Tourism Commission retained PKF Consulting to monitor the impact of the then impending war in Iraq on the Canadian Accommodation Industry. Shortly thereafter, the study was broadened to include the impact of the SARS crisis, which today dominates the ongoing study.

While the Canadian accommodation industry started the year off well, posting a 2.6 per cent increase in overnight demand in January and February 2003, demand levels declined by 1 per cent in March, thereafter falling sharply by 11 per cent in April and another 9 per cent in May. While the industry reported a loss of close to 23,000 room nights in March, April results deteriorated rapidly to a shortfall of over 662,000 occupied room nights. May was almost as equally devastating with over 590,000 room nights lost, with the losses in June at 732,000 occupied room nights. In all since March, the industry has suffered a total deficit of 1.725 million room nights in comparison to last year's performance.

**National SARS Impact on Occupied Room Nights
(1st Half)**



During the month of April, with the onset of SARS and the lingering effects of the Iraq War, Canada as a whole lost \$92 million in room revenue in comparison to last year. Faced with a travel advisory and a second wave of the SARS outbreak in May, the industry endured a further attrition of \$90 million in room revenue. Already in distress, accommodation providers suffered an additional \$136 million year over year decline in the month of June, bringing the total room revenue damage for the first half of the year to \$261 million. Accounting for the other on-site ancillary sources of revenue generated by the accommodation sector, Canada's combined accommodation revenue loss is approaching \$500 million.

SARS vs 9/11

SARS has already had an impact on the Canadian accommodation industry equal to that of 9/11. The outbreak of SARS however, has impacted the industry in a very different manner. First losses associated with 9/11 were concentrated in the month of September, which realized 51 per cent of the total room nights lost due to this event. Each month thereafter the losses were cut in half and by December 2001, direct losses associated with 9/11 were negligible. The losses associated with the SARS Outbreak have in fact escalated with the approach of Canada's peak tourism season. The greatest impacts to date have been realized in the month of June. Unfortunately, the fact that the SARS Outbreak began to impact the industry as the peak season approached has magnified the absolute room night and dollar losses.

Secondly, the impact of SARS has been concentrated in Southern Ontario and more specifically in the GTA market. The impacts of 9/11 were more evenly spread throughout the country with about 40 per cent of the loss realized in Ontario and 22 per cent in the Greater Toronto Area. Conversely, over half of the impacts resulting from SARS have been in the Province of Ontario and more than 30 per cent in the GTA.

Despite the fact that the SARS virus is now under control, with no new cases reported since June 12, the prospects for the remainder of the summer in the many impacted markets are not strong. A significant level of summer business has cancelled and will be difficult to replace. While the impacts for the remainder of the year may not be as great as those experienced to date, they will only add to what is already shaping up to be a devastating year in many Canadian hotel markets.