

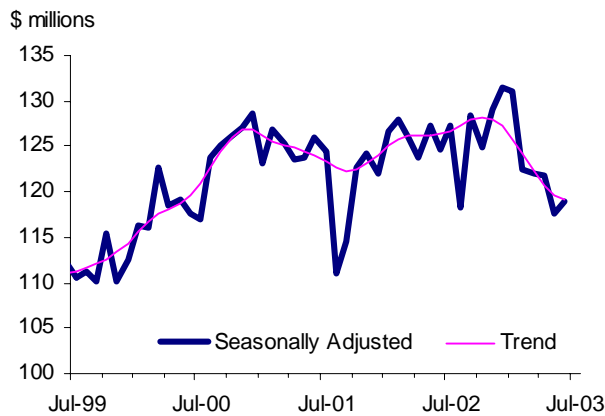
## Tourism Sector Monitor ♦ October 2003

### Highlights

#### Room Revenue

Room revenues in the province increased (+1.1%, seasonally adjusted) for the first time since January, as all but two regions posted gains in **July**. Kootenay (+1.7%) and North Coast (+1.1%) saw a second consecutive month of growth, while revenues in Northeast (+10.2%), Mainland/Southwest (+1.9%), Vancouver Island/Coast (+0.4%) and Cariboo (+0.3%) advanced after declining in June. Thompson-Okanagan (-2.7%) and Nechako (-0.9%) were the only regions where revenues were down in July.

#### Room revenues increase for the first time since January



**Table 1. Room Revenue\* Summary**

Accommodation Type			
	July 03 (\$000)	June 03 (\$000)	% change
Total	118,849	117,594	+1.1
Hotels	86,360	86,354	0.0
Motels	14,697	15,131	-2.9
Other Acc.	17,428	17,374	+0.3
Regions (Top 3 performers)			
Northeast	3,981	3,613	+10.2
Mainland/Southwest	63,890	62,729	+1.9
Kootenay	6,025	5,926	+1.7

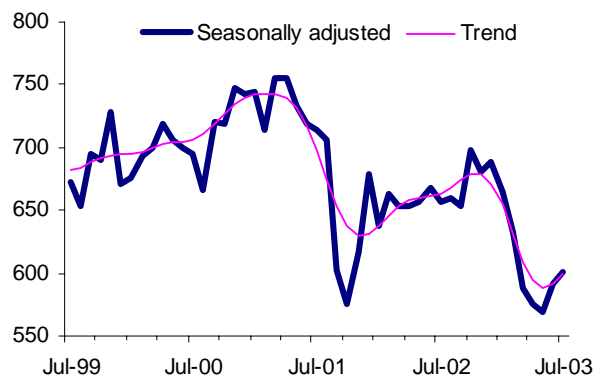
\*Seasonally adjusted room revenue

#### Visitor Entries

The recovery that began in June continued in **July**, as the number of travellers entering Canada through BC borders increased 2.3% (seasonally adjusted). Entries from both the US (+2.0%) and overseas (+3.7%) were up substantially. Asian entries jumped (+9.9%) for a second month in a row, suggesting that the effect of the SARS panic on travel from Asia is abating.

#### Visitor entries continued to bounce back in July

Visitor entries (thousands)



#### Other Indicators

Other indicators were less positive. For the fifth month in a row, hotel occupancy (-2.9 percentage points) and average room (-3.6%) rates were lower than they had been a year earlier. There were fewer passenger vehicles on the Coquihalla highway (-1.4%) than in July 2002, and traffic through Vancouver International Airport was off 4.5%.

#### Note to readers...

The "look ahead" section, including preliminary estimates for **August** is now a separate section beginning on page 6.

Special Focus Article:  
*BC's Cruise Ship Industry: Page 7*

## Tourism Trends

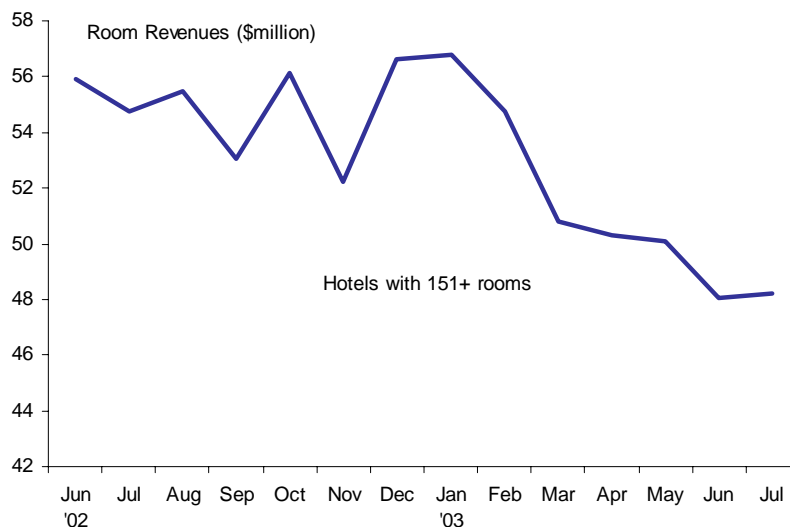
### Room Revenue

A five-month-long downturn in room revenues ended in **July**, as revenues advanced 1.1% (seasonally adjusted). This was the first increase in room revenues since January. Revenues have been weak throughout the year. They began to soften in February, then declined sharply in March following the outbreak of SARS in some cities, and the war in Iraq, which had a short-term effect on travel from the US. The fallout from the SARS panic, which caused a significant (and ongoing) downturn in travel to Canada from Asia, continues to be felt in BC, while a stronger Canadian dollar has made travel to BC less of a bargain for Americans.

*Room revenues up for the first time in five months*

The improvement in July was boosted by activity in Mainland/Southwest, where revenues bounced back (+1.9%) after plunging in the previous month. Vancouver Island/Coast (+0.4%), the second-largest region, posted a modest 0.4% gain. Northeast (+10.2%) had the best performance among the regions. Overall, revenues were up in six of the province's eight regions. However, total revenues remain substantially lower than they were at the beginning of the year.

### Revenues at larger hotels have declined substantially



The increase in **July** was concentrated in mid-size hotels (those with 151-250 rooms, +1.9%) and vacation rentals (+0.6%). Other types of accommodation properties continued to show weakness. Motels saw the biggest decrease (-2.9%) in revenues since last November. Revenues also slipped at large hotels (251+ rooms, -0.2%), hotels with 76-150 rooms (-0.6%) and small hotels (1-75 rooms, -0.2%).

*However, revenues at large hotels and other establishments remained weak*

## Visitor Entries

The number of visitors entering Canada via BC continued to rise in July (+2.3%, seasonally adjusted). This was the first time in more than a year that there have been back-to-back increases in visitor entries.

Asian entries (+9.9%) continued to rebound, after plummeting earlier in the year in the wake of the SARS scare. Asian entries have yet to recover to pre-SARS levels, but the worst of the effects may now be over.

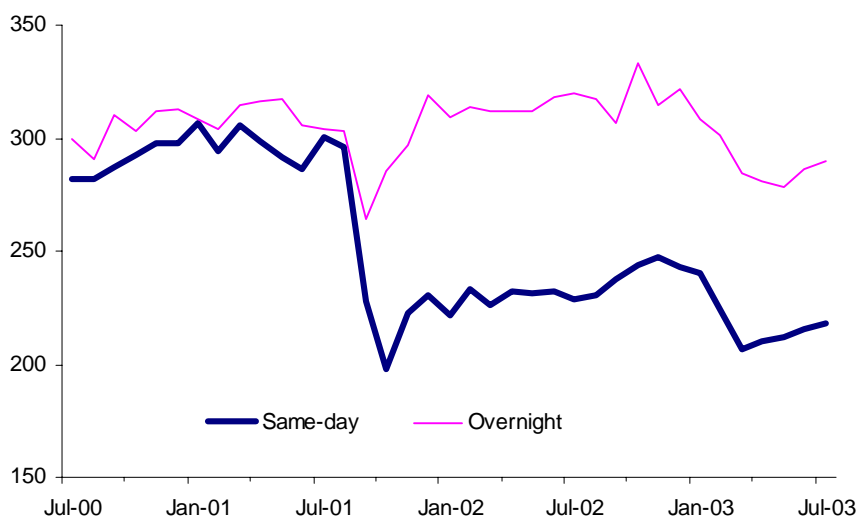
There were fewer travellers from Oceania (Australia and the South Pacific, -7.5%), while the number of visitors from Europe edged up 0.7%.

The number of US travellers on same-day (+1.4%) and overnight trips (+1.4%) were both up in July. Historically, same-day travel has reacted strongly to external shocks, such as the 9/11 attacks, the war in Iraq, and the SARS outbreak. Same-day travel is also sensitive to exchange rate fluctuations.

Although overnight trips from the US have rebounded to pre-9/11 levels, the number of same-day trips remains substantially lower than it used to be. The recent increase in the value of the Canadian dollar, together with other factors such as the war in Iraq and longer waits at border crossings, may have caused some Americans to stay closer to home rather than making quick trips across the border to BC.

### Same-day travel from the US takes longer to bounce back from external shocks such as 9/11

US visitor entries (thousands)



*Visitor entries increased for a second consecutive month*

**Table 2. Traveller Entries (July, seasonally adjusted)**

	Jul-03 ( '000)	Jun-03 ( '000)	% chg from Jun-03
<b>American visitors</b>			
Total	511	501	2.0
Same-day	218	215	1.4
Overnight	290	286	1.4
<b>Overseas visitors</b>			
Total	93	90	3.7
Europe	32	32	0.7
UK	17	16	5.5
Asia	43	39	9.9
Japan	11	11	5.1
Taiwan	4	3	34.7
Oceania	10	11	-7.5
<b>Canadian re-entries</b>			
Total	599	584	2.6
From overseas	75	70	8.3
From US same-day auto	299	292	2.6
<i>(BC STATS &amp; Statistics Canada)</i>			

**Other Tourism Indicators (Up to July 2003)**

There were 1.48 million passengers travelling through the Vancouver airport **in July**, 4.5% below the traffic level in July of last year, as airline scheduling cutbacks continued to affect traffic. The largest year-over-year drop was in international travel to destinations other than the US (-14.4%). However, the number of passengers using the Victoria International Airport jumped 11.9%, posting the highest year-over-year increase since September 2002. The Coquihalla highway had 1.4% fewer passenger vehicles passing through its tollbooths in July.

Hotel occupancy rates averaged 71.1% in **July**, 2.9 percentage points below the July 2002 level. Average room rates (\$130.51) were 3.6% lower than in the same month last year. This was the fifth month in which both occupancy rates and room prices were down from 2002 levels.

*Hotel occupancy and room rates continued to fall in July*

The Canadian dollar remained strong in **July**, although it depreciated a little relative to the US dollar. One US dollar cost \$1.38 Canadian, 3 cents more than June. The UK pound stood at \$2.24 Canadian.

On the positive side, restaurant and tavern receipts (seasonally adjusted) in BC surged 5.0%. Food services saw 5.2% more receipts, and consumers also spent more in drinking places (+1.6%).

Table 3. Other Tourism Indicators (July, unadjusted)

	Reference period	Total	Change from year ago
<b>Hotel Industry</b>			
Occupancy rate	Jul-03	71.1%	-2.9 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	Jul-03	\$130.51	-3.6%
<b>Airport Passengers</b>		<b>(000s)</b>	<b>(%)</b>
<b>Vancouver International Airport</b>			
Total traffic	Jul-03	1,483	-4.5
US	Jul-03	453	-2.8
Other International	Jul-03	314	-14.4
Canada <i>(YVR)</i>	Jul-03	715	-0.4
<b>Victoria International Airport</b>			
Total traffic <i>(Victoria Airport Authority)</i>	Jul-03	110	11.9
<b>Restaurant Receipts</b>		<b>(\$ millions)</b>	<b>(%)</b>
Full service	Jul-03	271	7.4
Limited service	Jul-03	175	13.5
Drinking places <i>(Statistics Canada)</i>	Jul-03	27	0.1
<b>Transportation</b>		<b>(000s)</b>	<b>(%)</b>
<b>Coquihalla Highway</b>			
Passenger Vehicles <i>(Ministry of Transportation &amp; Highways)</i>	Jul-03	356	-1.4
<b>BC Ferries</b>			
Vehicle Volume	Jul-03	930	1.0
Passenger Volume <i>(BC Ferries)</i>	Jul-03	2,618	-0.5
<b>Exchange Rates</b>		<b>Cdn \$</b>	<b>Change from year ago</b>
US \$	Jul-03	1.382	-0.164
UK Pound	Jul-03	2.241	-0.165
Japanese Yen	Jul-03	0.012	-0.001
Australian \$ <i>(Statistics Canada)</i>	Jul-03	0.913	0.057

note: pp. percentage points

## A look ahead

### Room Revenue

Preliminary numbers suggest that room revenues in **August** increased at an even faster pace (+2.4%) than in July (+1.1%). Revenue growth in Mainland/Southwest and Vancouver Island/Coast region contributed to the overall increase. Both hotels and motels generated more revenues.

*Preliminary numbers for August show even stronger growth (+2.4%, seasonally adjusted).*

#### **A caution about preliminary numbers**

Because companies file their hotel room taxes with a varying lag, the initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a two-month lag. However, we also briefly report “preliminary data” with a one-month lag.

How accurate is the preliminary data? Our preliminary numbers – reported in the “look ahead” box – have typically been off by less than a half percentage point. The preliminary figures, in other words, seem basically on the mark, though they should be used with caution (a more detailed analysis of their accuracy will be undertaken in the future).

### Visitor Entries

The number of visitors entering Canada via BC continued to advance for the third straight month (+2.8%, seasonally adjusted) in **August**. Visits from both the US and overseas rose substantially compared to July.

### Other Tourism Indicators

The 2003 peak season was hard for BC hotels. Average room charges fell 3.4% compared to the same month last year. Hotel occupancy dropped half a percentage point to 79.5% in **August**. Both indicators were down for the sixth straight month.

*BC hotel occupancy and room rates remain lower than in 2002*

The traffic of passenger vehicles over the Coquihalla highway slumped (-6.5%) in August compared to 2002, possibly a side-effect of the forest fire situation in the Interior, which may have caused some drivers to rethink their vacation plans and routes. The number of passengers through Vancouver Airport continued to fall in **August**, but Victoria Airport had more passengers.

The Canadian dollar continued to hold a strong position, with little depreciation relative to US currency in **August**. The cost of a US dollar was \$1.40, up 2 cents from July. Restaurant and tavern receipts softened in **August**.

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## Special Focus: BC's Cruise Ship Industry

Cruising is a spectacular way to discover BC's unique coastal cities and natural sites. Vancouver, Victoria, Prince Rupert, and other coastal cities such as Nanaimo, Campbell River and Alert Bay are ports of call for luxury and pocket cruise ships plying the waters along the west coast during the cruising season, which lasts from May to October. In the summer months, BC Ferries also provides services through the Inside Passage, for passengers travelling between Port Hardy and Prince Rupert who opt for a less luxurious mode of travel.

Vancouver, Victoria, and Prince Rupert host luxury cruise ships en route to or from Alaska. Although the Alaska cruise companies are based outside the country<sup>1</sup>, local economies still benefit substantially from cruise ship visits. Passengers joining or leaving their Alaska cruises in Vancouver typically spend a day or two in the city, staying at local hotels, and patronizing restaurants, shops, attractions, and bars in the city. Tourist attractions, retail outlets, bus and taxi operators, port authorities and other businesses at the various ports of call all get a boost from spending by cruise ship passengers and by the cruise ship companies who organize tours and other excursions for their passengers at each place they visit.

*During the cruising season, Vancouver, Victoria and Prince Rupert host luxury cruise ships en route to or from Alaska*

### Alaska: key to the cruise ship industry success

North American destinations have been the prime beneficiary of growth in the cruise ship industry over the last few years, as northern cruise vacations have become more popular. Alaska recently surpassed the Mediterranean area to become the second most popular cruise ship destination in the world, after the Caribbean. Alaskan cruises were already in vogue before September 2001, but following the terrorist attacks, cruising to Alaska become even more attractive to North Americans who preferred to stay closer to home (and to avoid flying) on their vacations.

### Phenomenal growth in BC, but the tide may be turning

The growth of cruise-related activities in British Columbia has been phenomenal during the last two decades. Until this year, the number of passengers travelling through the Port of Vancouver had increased for two decades straight, with average annual growth of nearly ten percent a year during the 1990s.

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<sup>1</sup> Since the vessels are not based in BC, but visit the province only during the cruising season, the staff who work on them are not usually BC residents, and some of the benefits from supplying, servicing, refitting and operating the vessels accrue outside the province.

Vancouver's importance as a terminus for Alaska cruises owes much to US cabotage regulations, which require the inclusion of one foreign port in a cruise ship itinerary originating and ending in the US. For travel from the continental US to Alaska, this means that all ships must stop at a BC port en route to their destination. Although a few hours' stop is enough to comply with these regulations, many cruise ship companies have opted to start or end their Alaska cruises in Vancouver. Modern cruise ship terminals have been constructed at Canada Place and Ballantyne Pier to accommodate passengers joining or leaving their cruises in that city.

*US cabotage regulations contributed to the growth of cruise-related activities in BC during the 1980s and 1990s*

### Vancouver's position as the homeport for Alaska cruises faces stiff competition from Seattle



Source: Vancouver Port Authority and Port of Seattle

Seattle, Vancouver's closest competitor for cruise ship business, was not as effective in attracting cruise ships during the 1980s and 1990s. However, that is changing. Three cruise ship companies—Norwegian Cruise Lines, Holland America and Princess Cruises—are now sailing from new facilities that were recently opened in Seattle. These cruises offer American passengers the convenience of being able to begin and end their trip in their own country, something which may be more of a benefit to travellers now than it was in the pre-9/11 era. In 1999, Seattle hosted six cruise ship visits, bringing a total of 6,615 people to the city. This year, 99 cruise ship calls brought 345,000 passengers to Seattle. San Francisco has also seen the number of Alaska-bound cruises expand significantly in recent years.

*More recently, some cruise ships have been redeployed, and now use Seattle as a homebase*

Vancouver is hurting. Cruise traffic was down in the 2003 season, with the total number of passengers slipping below the one million mark (to 953,376) for the first time since 1999. There were 307 voyages starting or stopping in the city, also the lowest number since 1999. Most passengers to Alaska still embark or disembark in Vancouver, but that city's dominance in the cruising market is slipping.



Other ports in the province have, however, benefited from the re-deployment of vessels to Seattle or further afield. The ships that start out in the US still have to stop somewhere in BC and for many of them, Victoria or Prince Rupert are destinations of choice. Prince Rupert (+74.0%) and Victoria (+62.6%), a common port of call for ships based in Seattle, both played host to substantially more cruise ship passengers during the first five months of the cruising season this year than in the same period of 2002. However, since the cruise ships do not always stay in these cities for very long, the attendant boost to the BC economy is probably substantially less than for voyages that begin or end in the province.

*More ships are coming to Victoria and Prince Rupert, but traffic from Vancouver is down*

### Cruise Ship Passengers at BC and Seattle Ports

Port	Year-to-date September 2003	Year-to-date September 2002	% change
Vancouver	939,604	1,049,436	-10.5
Prince Rupert	3,034	1,744	74.0
Victoria	188,578	116,000	62.6
All 3 ports	1,131,216	1,167,180	-3.1
Seattle*	345,000	244,905	40.9

Source: Vancouver Port, Prince Rupert Port and Greater Victoria Harbour Authority

\*Number of passengers in Seattle is for the whole cruising season

### Looking ahead: dealing with the challenges

The cruise ship industry has played an increasingly important role in BC during the last two decades, but BC ports are facing a number of challenges. Vancouver's dominance as a homeport for Alaska-bound ships is being challenged by the redeployment of cruise ships to Seattle. This has shifted some of the local benefit from cruise ship activities away from Vancouver to smaller centres such as Victoria and Prince Rupert. At the same time, the appreciation of the Canadian dollar vis-à-vis the US greenback means that purchases by American tourists visiting BC ports are less of a bargain now than they used to be, so it is likely that some spending by passengers will be curtailed.

Plans to build new berths and dock facilities for cruise ships and their passengers have created debate about the return and benefits of the industry to local economies. The industry also provokes some controversy over environmental issues such as air quality, ocean pollution and neighbourhood traffic.

BC ports are working together to face these challenges, to diversify and expand the cruise ship business, and to offer a BC-brand product. Whether or not they will be successful remains to be seen, but the industry will bear watching in the coming years.