

Tourism Sector Monitor ♦ December 2003

Highlights

Room Revenue

The month of **September** saw room revenues decrease strongly (-2.0%, seasonally adjusted), offsetting most of the gains registered in the previous month (+2.9%). Revenues fell in all development regions except Nechako (+0.4%). This drop was also spread over all accommodation types with the exception of the miscellaneous category (+3.0%).

September's drop in revenues partly offset a good performance in August

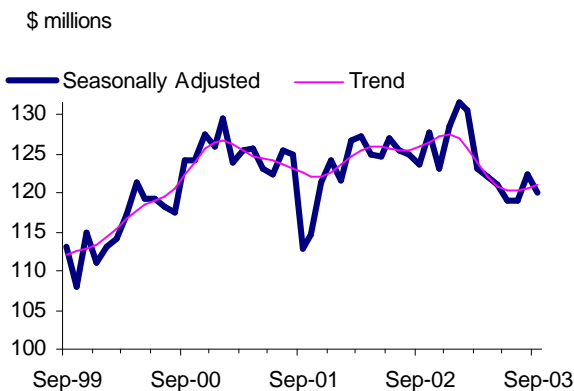


Table 1. Room Revenue* Summary

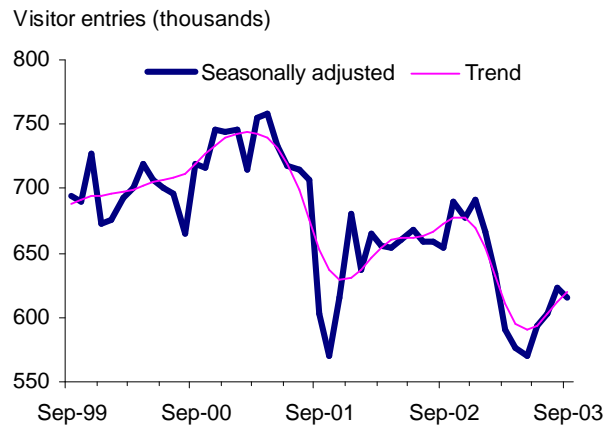
| Accommodation Type | | | |
|----------------------------|--------------------|-------------------|-------------|
| | Sept 03 (\$000) | Aug 03 (\$000) | % change |
| Total | 120,069 | 122,467 | -2.0 |
| Hotels | 88,702 | 91,005 | -2.5 |
| Motels | 14,591 | 14,820 | -1.5 |
| Other Acc. | 17,040 | 17,387 | -2.0 |
| Regions (Top 3 performers) | | | |
| Nechako | 728 | 724 | 0.4 |
| Mainland/Southwest | 66,118 | 67,192 | -1.6 |
| Kootenay | 5,564 | 5,663 | -1.7 |

*Seasonally adjusted room revenue

Visitor Entries

The recovery that began in June stalled in **September**, as the number of travellers entering Canada through BC borders edged down (-0.4%, seasonally adjusted). Entries from the US fell (-1.2%) while entries from overseas continued to improve (+3.8%) at a quick pace.

Visitor entries down in September



Other Indicators

Air passenger traffic through Vancouver Airport reached 1.26 million in **September**, 3.8% lower than September 2002.

The number of passenger vehicles on the Coquihalla Highway (-9.7%) slumped in September compared to the same month in 2002. Both hotel occupancy (-1.0 percentage point) and hotel room rates (-3.0%) dropped relative to September 2002.

Note to readers...

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

Special Focus Article:

Third Quarter Review of the BC Tourism Sector, Page 7

Tourism Trends

Room Revenue

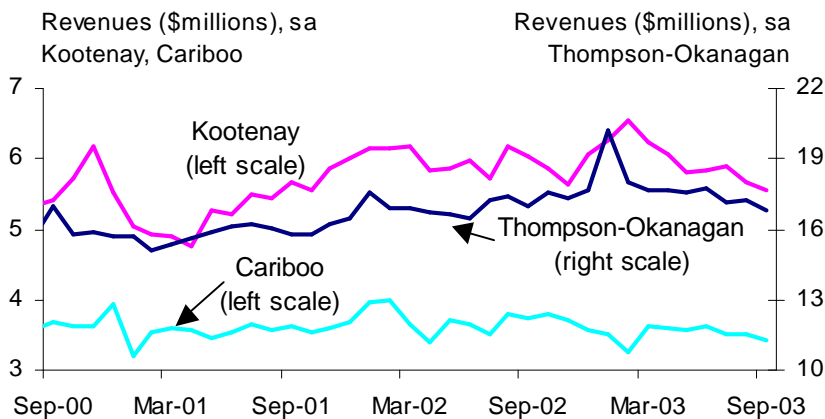
Room revenues fell 2.0% (seasonally adjusted) in **September** after starting to recover from the effects of the SARS outbreak and the war in Iraq, among other factors. September's drop was the largest registered since March, when revenues tumbled 5.8%.

Revenues fell in all development regions except Nechako, where they edged up (+0.4%). The revenues generated in the Northeast (-5.8%) and North Coast (-4.7%) development regions fell heavily while other regions in BC experienced a decline more or less similar to the BC average (-2.0%). The forest fires, though on the retreat by September, may have contributed to the drop of revenues in Thompson-Okanagan (-2.5%), Cariboo (-2.3%) and Kootenay (-1.7%). However, room revenue in these regions was already edging down before the fire season.

Room revenues were down in almost all development regions, partially offsetting gains of the previous month

The forest fire situation may have been a factor in the weak performance of some regions

Room revenues in regions affected by the fires continued to decline



September's decrease was spread over all accommodation types with the exception of the miscellaneous category (+3.0%). Vacation rentals saw the largest decline in revenues (-5.9%). Motels (-1.5%) and hotels (-2.5%) saw a smaller decline.

Almost all types of establishments generated fewer revenues than in August

Visitor Entries

The number of visitors entering Canada via BC slipped in **September** (-0.4%, seasonally adjusted), after increasing for three consecutive months.

The drop in the number of US visitors on overnight trips (-0.9%) was the dominant contributor to the overall decrease in **September**. This coincided with an increase in the value of the Canadian dollar against its American counterpart. The number of US visitors on same-day trips to BC remained approximately the same (+0.1%) after increasing in the previous four months.

Entries from overseas continued to improve considerably (+3.8%) for a fourth consecutive month. Oceania's strong performance (Australia and the South Pacific, +7.7%) contributed to the increase in overseas entries. Asian entries had posted the strongest growth in the previous months. In **September** though, Asian entries rose at a lower pace (+2.7%), after registering double-digit increases during the summer months. Entries from Taiwan (+12.0%), Hong Kong (+7.0%) and Japan (+9.3%) continued to surge while the number of visitors from South Korea entering Canada via BC declined (-2.9%) for the first time in four months.

Visitor entries edged down in September

The number of US travelers entering Canada through BC borders was flat while expansion from overseas markets continued

Overseas entries were boosted by visitors coming from Oceania in September

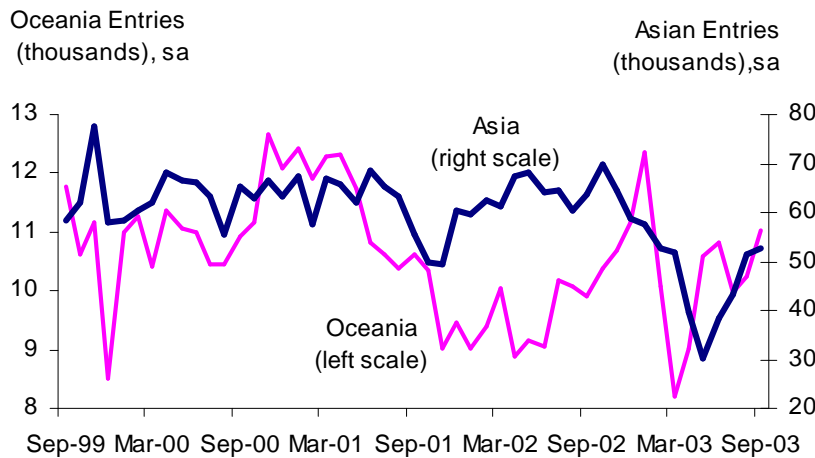


Table 2. Traveller Entries (September, seasonally adjusted)

| | Sep-03 (^{'000}) | Aug-03 (^{'000}) | % chg from Aug-03 |
|----------------------------|-------------------------------|-------------------------------|-------------------------|
| American visitors | | | |
| Total | 517 | 523 | -1.2 |
| Same-day | 225 | 225 | 0.1 |
| Overnight | 293 | 296 | -0.9 |
| Overseas visitors | | | |
| Total | 102 | 98 | 3.8 |
| Europe | 32 | 33 | -0.7 |
| UK | 17 | 17 | -0.6 |
| Asia | 53 | 51 | 2.7 |
| Japan | 15 | 14 | 9.3 |
| Taiwan | 8 | 7 | 12.0 |
| Oceania | 11 | 10 | 7.7 |
| Canadian re-entries | | | |
| Total | 629 | 629 | 0.0 |
| From overseas | 79 | 82 | -3.1 |
| From US same-day auto | 328 | 319 | 2.6 |

(BC STATS & Statistics Canada)

note: Total Overseas visitors is not equal to the sum of visitors from Europe, Asia and Oceania since it also includes other areas

Other Tourism Indicators (Up to September 2003)

Vehicle traffic over the Coquihalla highway slumped (-9.7%) again in **September** compared to the same month in 2002, possibly a side effect of the forest fire situation in the BC Interior.

The number of passengers through Vancouver Airport continued to fall in **September** compared to the same month last year (-3.8%), mainly due to a drop in transborder (-3.4%) and international traffic (-9.8%). The number of passengers (-2.2%) and vehicles (-0.5%) on the ferries was also down on a year-over-year basis in **September**.

The Canadian dollar appreciated substantially earlier in the year, but lost some ground in July and August. However, in **September** the dollar gained back most of the loss registered in the two previous months. The cost of a US dollar was \$1.36 Canadian, down 4 cents from August.

Restaurant and tavern receipts edged up (+0.2%) in **September**, as receipts at food service and drinking places both rose at the same pace (+0.2%).

Table 3. Other Tourism Indicators (September, unadjusted)

| | Reference period | Total | Change from year ago |
|--|------------------|----------------------|-----------------------------|
| Hotel Industry | | | |
| Occupancy rate | Sep-03 | 66.2% | -1.0 pp. |
| Average room charge | Sep-03 | \$119.75 | -3.0% |
| <i>(Pannell Kerr Forster)</i> | | | |
| Airport Passengers | | | |
| | | (000s) | (%) |
| Vancouver International Airport | | | |
| Total traffic | Sep-03 | 1,258 | -3.8 |
| US | Sep-03 | 321 | -3.4 |
| Other International | Sep-03 | 301 | -9.8 |
| Canada | Sep-03 | 636 | -0.9 |
| <i>(YVR)</i> | | | |
| Victoria International Airport | | | |
| Total traffic | Sep-03 | 100 | 10.8 |
| <i>(Victoria Airport Authority)</i> | | | |
| Restaurant Receipts | | | |
| | | (\$ millions) | (%) |
| Full service | Sep-03 | 250 | 12.7 |
| Limited service | Sep-03 | 157 | 12.0 |
| Drinking places | Sep-03 | 24 | -0.7 |
| <i>(Statistics Canada)</i> | | | |
| Transportation | | | |
| | | (000s) | (%) |
| Coquihalla Highway | | | |
| Passenger Vehicles | Sep-03 | 226 | -9.7 |
| <i>(Ministry of Transportation & Highways)</i> | | | |
| BC Ferries | | | |
| Vehicle Volume | Sep-03 | 748 | -0.5 |
| Passenger Volume | Sep-03 | 1,885 | -2.2 |
| <i>(BC Ferries)</i> | | | |
| Exchange Rates | | | |
| | | Cdn \$ | Change from year ago |
| US \$ | Sep-03 | 1.363 | -0.213 |
| UK Pound | Sep-03 | 2.202 | -0.251 |
| Japanese Yen | Sep-03 | 0.012 | -0.001 |
| Australian \$ | Sep-03 | 0.905 | 0.043 |
| <i>(Statistics Canada)</i> | | | |

note: pp. percentage points

A look ahead

Room Revenue

Preliminary numbers suggest that room revenues bounced back strongly (+3.2%) in **October**, more than offsetting September's losses. Moreover, the increase was observed in all development regions and all accommodation types.

Room revenues were up across all regions and accommodation types in October

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 travellers entering Canada through BC borders fell (-0.8%, seasonally adjusted) for a second consecutive month in **October**. Again, a drop in US entries (-1.1%) seems to explain the overall decline while entries from overseas continued to improve (+0.5%).

Visitor entries down again in October

Other Tourism Indicators

Passenger vehicle traffic over the Coquihalla highway increased 3.1% in **October** compared to the same month in 2002.

After falling for seven straight months on a year-over-year basis, hotel occupancy edged up in **October** (+0.4%). However, average room charges were still down in **October** 2003 compared to the same month in 2002, marking eight consecutive months of decline.

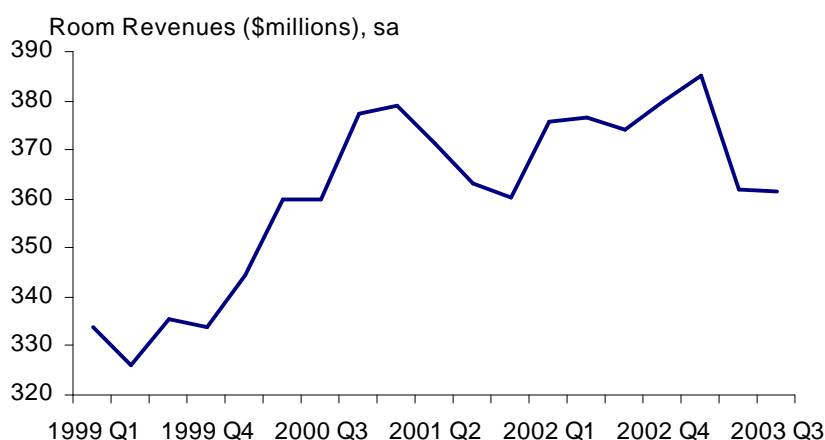
In October, the Canadian dollar reached its highest level since January 1994.

In **October**, the cost of a US dollar was \$1.32 Canadian, down 4 cents from September. Relative to the US currency, this is the strongest position of the Canadian dollar since January 1994.

Special Focus: Third Quarter Review of the BC Tourism Sector

After a difficult second quarter (a 6.0% drop from the first quarter, seasonally adjusted) unsettled by the war in Iraq, the effects of SARS and a strong Canadian dollar, among other factors, room revenues were virtually unchanged in the third quarter (-0.2%). Revenues were at the lowest they have been since the months following the terrorist attacks of 9/11. However, visitor entries offered an encouraging sign for the tourism sector, increasing after a dismal first half of the year.

After slumping in the second quarter of 2003, room revenues were flat in the third quarter

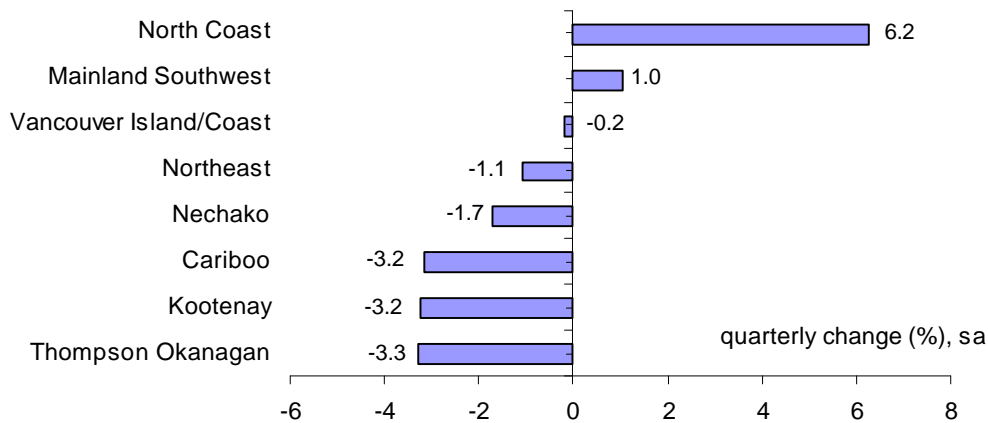


Source: BC Stats

Revenues varied considerably across development regions. Strong performances in Mainland/Southwest (+1.0%), the largest development region, and North Coast (+6.2%) offset declines in the rest of the province.

While revenues have been weak in all parts of the province, Mainland/Southwest was particularly hard hit in the second quarter, when the effects of the SARS outbreak and the war in Iraq dampened tourism. The forest fire situation in the third quarter deepened a downturn in Thompson-Okanagan (-3.3%), and Kootenay (-3.2%), and weakened revenues in the Cariboo (-3.2%) region.

Room revenues fell in six of the province's eight regions

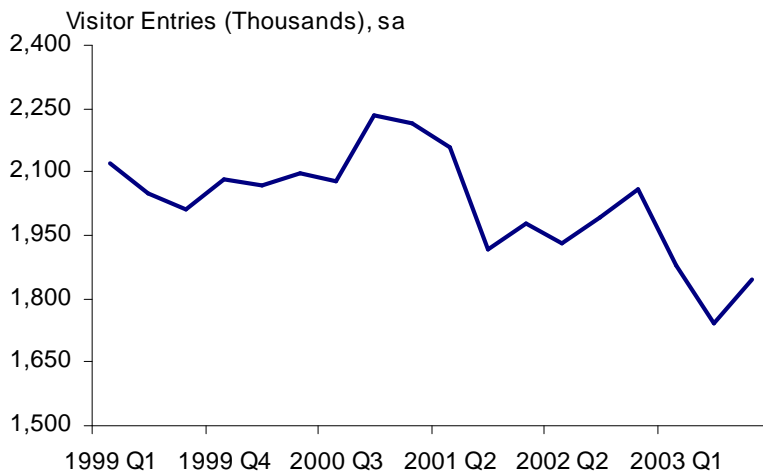


Source: BC Stats

Visitor Entries started to recover in the third quarter

Visitor entries have regained (+5.9%) some of the ground lost in the first (-8.7%) and second (-7.3%) quarters, but remain relatively low.

Visitor entries have started to recover after slumping earlier in the year

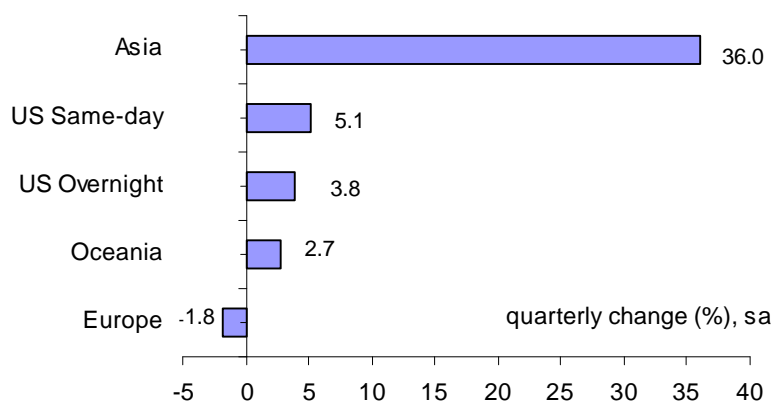


Source: BC Stats

This overall increase in visitor entries in the third quarter was spread over all source markets except Europe (-1.8%). The main source of the increase was Asian entries, which surged (+36.0%), after plummeting in the first quarter (-15.7%) and second quarter (-33.2%) in the wake of the SARS outbreak. Asian entries have yet to recover to pre-SARS levels, but the worst of the effects is over. A similar dynamic occurred for the number of US visitors entering

Canada via BC. The number of US visitors on same-day trips (+5.1%) and overnight trips (+3.8%) increased in the third quarter, recovering some of the ground lost in the first half of the year. These latter increases were quite strong considering the higher value of the Canadian dollar, together with other factors such as long waits at border crossings.

Asian and US visitor entries bounced back in the third quarter



Source: BC Stats

Although the number of travellers entering Canada through BC borders increased, international visitors may spend less time in BC as a stronger Canadian dollar makes it more expensive to travel in the province. The effect of a strong Canadian dollar, more persistent than some of the other factors that have influenced the sector this year, will continue to represent a challenge for the province's tourism sector.

Other Tourism Indicators

Other tourism indicators showed a mixed performance in the third quarter. On the positive side, restaurant and tavern receipts surged (+6.7%) relative to the second quarter. The number of passengers (+0.4%) and vehicles (+0.9%) aboard BC Ferries edged up compared to the third quarter of 2002. However, the number of passengers travelling through the Vancouver Airport in the third quarter was below the traffic level experienced in the same period last year (-3.1%). Also, road closures due to the fire situation in the summer months caused problems for people travelling by car. Traffic on the Coquihalla Highway, the main route connecting the southwestern part of the province with the BC interior, fell on a year-over-year basis in the third quarter of 2003 (-5.5%). The Canadian dollar continued to appreciate: the cost of a US dollar was \$1.38, down 2 cents from the second quarter.