

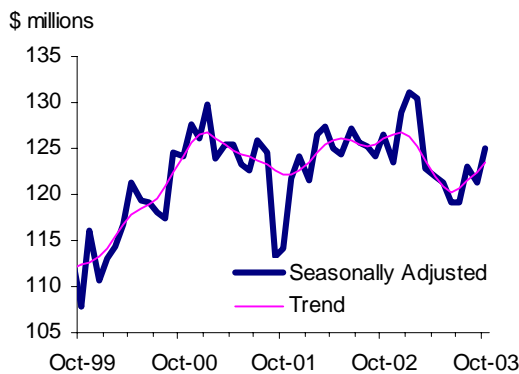
## Tourism Sector Monitor ♦ January 2004

### Highlights

#### Room Revenue

The month of **October** saw room revenues rebound (+2.9%, seasonally adjusted), more than offsetting losses registered in the previous month (-1.3%). This was the second strongest advance since the beginning of 2003. This overall increase came from many sources, as revenues rose in all accommodation types and almost all development regions.

#### Revenues rebounded in October



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

Accommodation Type			
	Oct 03 (\$000)	Sept 03 (\$000)	% change
Total	124,943	121,408	2.9
Hotels	92,434	89,923	2.8
Motels	16,004	14,583	9.7
Other Acc.	17,246	17,113	0.8
Regions (Top 3 performers)			
Cariboo	3,821	3,453	10.7
Kootenay	6,153	5,691	8.1
Vancouver Island/Coast	23,599	22,410	5.3

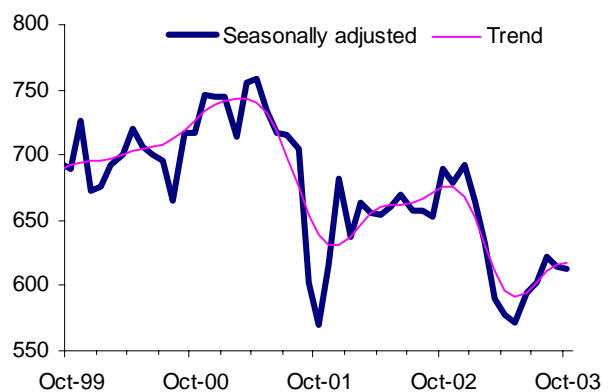
\*Seasonally adjusted room revenue

#### Visitor Entries

In contrast to revenues, the number of travellers entering Canada through BC borders decreased (-0.8%, seasonally adjusted) in **October**. Entries from the US fell (-1.1%) for a second consecutive month. Entries from overseas continued to improve (+0.5%), but at a slower pace.

#### Visitor entries declined in October

Visitor entries (thousands)



#### Other Indicators

After falling for seven straight months on a year-over-year basis, hotel occupancy rates edged up (+0.4 percentage point, unadjusted) in **October** on a year-over-year basis. Vehicle traffic over the Coquihalla highway rose (+3.1%) in **October** 2003 compared to October 2002 after declining in the previous three months. The number of vehicles on the ferries was up (+0.7%) on a year-over-year basis but passenger traffic was down (-0.8%).

#### Note to readers...

Special Focus Article:  
*The North Coast Region, Page 7*

## Tourism Trends

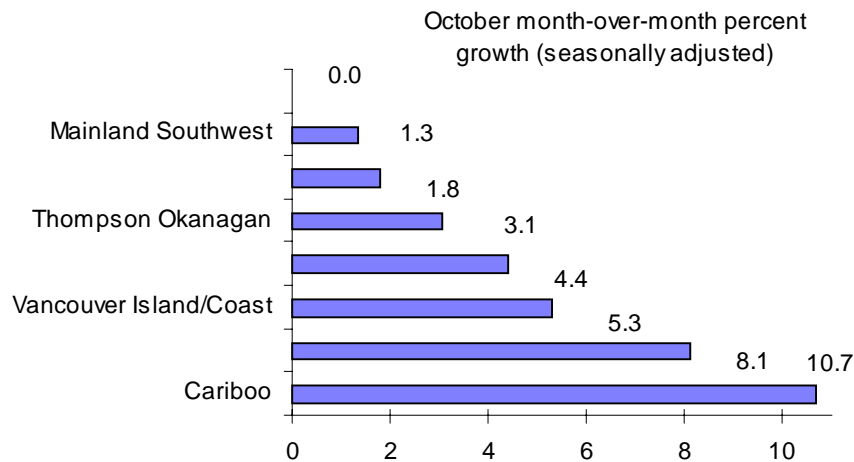
### Room Revenue

Room revenues rebounded (+2.9%, seasonally adjusted) in **October** as accommodation properties in the province continued to recover from a downturn earlier in the year. October's increase followed even stronger growth in August (+3.3%), and more than offset a downturn that occurred in September.

Vancouver Island/Coast saw revenues rise (+5.3%) for the third time in the last four months. This region, the second largest in BC, contributed significantly to the overall increase in revenues. Mainland/Southwest (+1.3%) also pushed up BC revenues. In addition, regions that were likely affected by the forest fire situation in the summer of 2003 showed a strong increase in room revenues. Revenues in Cariboo (+10.7%), Kootenay (+8.1%) and Thompson-Okanagan (+3.1%) increased significantly. The only region where revenues did not increase in October was North Coast (0.0%).

*An increase in revenues occurred in almost all development regions*

### Most development regions saw an increase in room revenues in October



**October's** rise was spread over all accommodation types. The top performer was motel properties, where revenues surged (+9.7%) after dropping (-2.4%) in September. Hotels (+2.8%) also generated more revenues in **October** after declining (-1.7%) the previous month. The miscellaneous (+0.5%) and vacation rentals (+1.0%) categories saw smaller increases.

*All types of establishments generated more revenues in October*

## Visitor Entries

The number of visitors entering Canada via BC decreased in **October** (-0.8%, seasonally adjusted) for a second consecutive month. Since room revenues increased and visitor entries did not, this suggests that international travellers may have increased their spending in BC or that there was a rise in domestic travel.

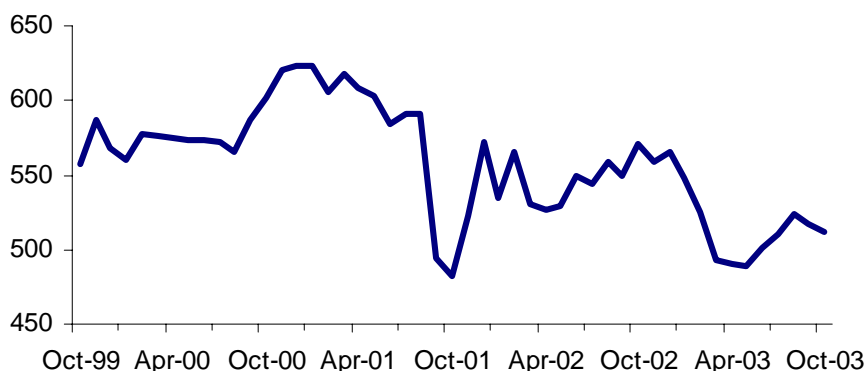
A drop (-1.2%) in the number of US visitors on same-day trips to BC was the main reason for the overall decrease in visitor entries in **October**. The strong position of the Canadian dollar relative to the US dollar may have contributed to this downturn. The number of US visitors on overnight trips to BC in **October** remained approximately the same (-0.1%) as in September. Both same-day and extended trips from the US remained lower than in 2002.

*Visitor entries decreased for a second month in a row in October*

*The overall decline was due to fewer same-day trips by travellers from the US*

### US entries continued to fall in October

US visitor entries (thousands, seasonally adjusted)



Entries from overseas continued to improve (+0.5%) in **October** for a fifth consecutive month. However, this was the smallest advance since overseas entries started to rebound in June. Entries from Asia continued to rise strongly (+4.0%) in **October**. In particular, entries from Japan (+13.0%) and Taiwan (+26.9%) continued to surge. These bright performances were partially offset by a slump in visitor entries from Hong Kong (-8.7%) and South Korea (-2.1%).

Entries from Oceania (Australia and the South Pacific, -16.2%) plunged in **October**, more than offsetting strong performances in September (+8.4%) and August (+2.7%). Entries from Europe advanced slowly (+0.5%) in **October** and have not changed substantially since the beginning of the summer.

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

	Oct-03 (‘000)	Sep-03 (‘000)	% chg from Sep-03
<b>American visitors</b>			
Total	511	517	-1.1
Same-day	221	224	-1.2
Overnight	291	291	-0.1
<b>Overseas visitors</b>			
Total	102	102	0.5
Europe	33	32	0.5
UK	17	17	-0.7
Asia	55	53	4.0
Japan	18	16	13.0
Taiwan	9	7	26.9
Oceania	9	11	-16.2
<b>Canadian re-entries</b>			
Total	621	629	-1.3
From overseas	85	79	7.4
From US same-day auto	329	328	0.2

*(BC STATS & Statistics Canada)*

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

After declining for three months, vehicle traffic over the Coquihalla highway rose (+3.1%) in **October** compared to the same month in 2002.

The number of vehicles on the ferries was up (+0.7%) while the number of passengers fell (-0.8%) on a year-over-year basis in **October**. The number of passengers through Victoria Airport surged in **October** compared to the same month in 2002 (+15.5%). This jump was the highest since April 1998.

After falling for seven straight months on a year-over-year basis, hotel occupancy edged up in **October** (+0.4 percentage point, unadjusted) to reach 56.8%. For the eighth consecutive month, average room charges were down (-2.5%, to \$100.28) in **October** compared to October 2002. Accommodation properties seem to be maintaining lower prices in order to attract travellers and possibly offset the strong and quick appreciation of the Canadian dollar relative to its American counterpart.

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

Restaurant and tavern receipts rose (+1.8%, seasonally adjusted) in **October**, reflecting higher receipts (+2.0%) at food service establishments. Receipts at drinking places dropped (-2.4%).

*After a persistent downturn, some tourism indicators were finally positive on a year-over-year basis in October*

Table 3. Other Tourism Indicators (October, unadjusted)

	Reference period	Total	Change from year ago
<b>Hotel Industry</b>			
Occupancy rate	Oct-03	56.8%	0.4 pp.
Average room charge	Oct-03	\$100.28	-2.5%
<i>(Pannell Kerr Forster)</i>			
<b>Airport Passengers</b>		<b>(000s)</b>	<b>(%)</b>
<b>Vancouver International Airport</b>			
Total traffic	Oct-03	1,152	-3.8
US	Oct-03	248	-5.7
Other International	Oct-03	267	-8.9
Canada	Oct-03	636	-0.8
<i>(YVR)</i>			
<b>Victoria International Airport</b>			
Total traffic	Oct-03	111	15.5
<i>(Victoria Airport Authority)</i>			
<b>Restaurant Receipts</b>		<b>(\$ millions)</b>	<b>(%)</b>
Full service	Oct-03	241	19.6
Limited service	Oct-03	162	8.8
Drinking places	Oct-03	22	-7.2
<i>(Statistics Canada)</i>			
<b>Transportation</b>		<b>(000s)</b>	<b>(%)</b>
<b>Coquihalla Highway</b>			
Passenger Vehicles	Oct-03	209	3.1
<i>(Ministry of Transportation &amp; Highways)</i>			
<b>BC Ferries</b>			
Vehicle Volume	Oct-03	672	0.7
Passenger Volume	Oct-03	1,657	-0.8
<i>(BC Ferries)</i>			
<b>Exchange Rates</b>		<b>Cdn \$</b>	<b>Change from year ago</b>
US \$	Oct-03	1.322	-0.256
UK Pound	Oct-03	2.220	-0.238
Japanese Yen	Oct-03	0.012	-0.001
Australian \$	Oct-03	0.919	0.050
<i>(Statistics Canada)</i>			

note: pp. percentage points

## A look ahead

### Room Revenue

Preliminary numbers suggest that room revenues increased at a slower pace (+0.5%) in **November**, with a mixed performance across development regions and accommodation types.

*Room revenues increased again in November, but at a slower pace*

#### ***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 (-1.1%, seasonally adjusted) for a third consecutive month in **November**. Again, a drop (-1.8%) in US entries was the main reason for the overall decline. Entries from overseas continued to increase steadily (+2.2%).

*Visitor entries were down again in November*

### Other Tourism Indicators

Hotel occupancy moved up again in **November** (+2.1 percentage points) compared to the same month in 2002. At the same time, average room charges were still down (-3.3% to \$91.15) on a year-over-year basis, marking a ninth consecutive decline. These were the lowest average room charges registered since November 1998 (\$88.86) and the longest sequence of year-over-year declines in at least 15 years.

Passenger traffic through the Vancouver Airport increased (+2.2%, year-over-year) in **November** for the first time since January 2003. Domestic (+3.3%) and transborder (+2.4%) traffic was up strongly.

In **November**, the cost of a US dollar was \$1.31 Canadian, down 1 cent from October. Relative to the US currency, this is the strongest position of the Canadian dollar since August 1993.

## Special Focus: The North Coast Region

### Introduction

The North Coast region is located in the northwest part of British Columbia, lying along the Pacific Ocean. North Coast is made up of two regional districts, Skeena-Queen Charlotte and Kitimat-Stikine. In the Skeena-Queen Charlotte district, tourism activity accrues mainly from the Prince Rupert urban centre. The urban centre of Terrace is the core of tourism activities in the Kitimat-Stikine district.

North Coast is sparsely populated, and tourism activities are dependent on visitors travelling through the region on their way to other destinations such as Alaska or southern BC. Moreover, ferry traffic plays an important role. Some parts of the region are only accessible by water or air. BC Ferries (from Port Hardy and Skidegate) and the Alaskan Ferry system use Prince Rupert as a terminus, which supports accommodation and food services. The North Coast also benefits from cruising and sailing activities near by the Inside Passage.

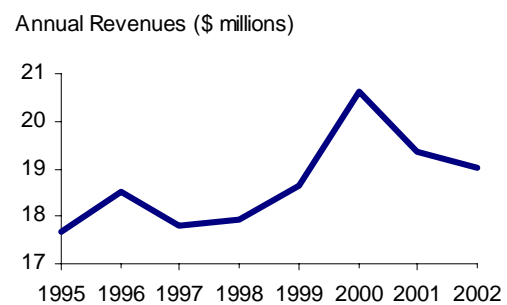
Tourists also come directly to North Coast to enjoy their vacations. This region offers travellers a variety of activities. Freshwater fishing in the Skeena River and saltwater fishing, particularly off the Queen Charlottes, are key attractions, as are natural and historical sites in the area. Boating, canoeing, windsurfing, kayaking, wildlife viewing such as whale watching are other activities the region has to offer. The region gives visitors the opportunity to explore mountains and lakes in provincial parks such as Prudhomme and Diana Lake.

### North Coast Tends to Underperform BC in terms of Room Revenues

Over the last decade, room revenues generated by accommodation providers in the North Coast have increased relatively

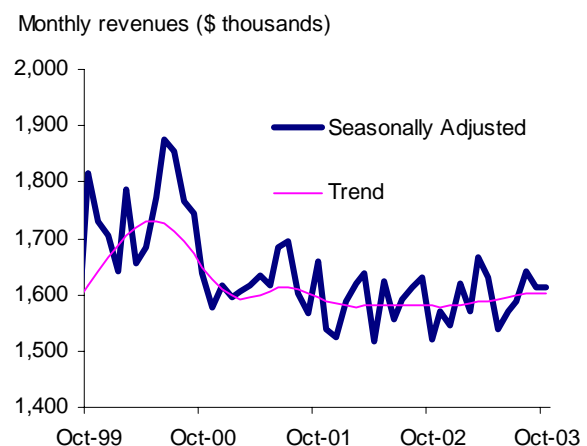
slowly. Between 1995 and 2002, revenues advanced 7.5% to reach \$19.0 million in North Coast compared to 50.7% growth for BC as a whole. Still, North Coast had a successful period between 1998 and 2000. In 2000 in particular, revenues rose 10.5% to reach \$20.6 million, the highest level of revenues since 1995. In terms of revenues generated, North Coast outperformed the province (+8.5%) only in 2000. Thereafter, accommodation providers had a more difficult period, as revenues dropped in 2001 (-6.2%) and 2002 (-1.7%).

### North Coast room revenues have increased slowly over time



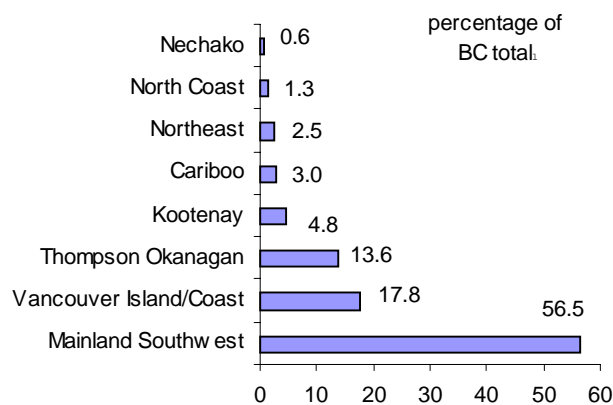
After hitting a trough in October 2002, monthly room revenues have started to rebound in 2003.

### Revenues have experienced slow growth in 2003



Due to its relatively small size, movements in North Coast revenues do not generally reflect variations in revenue observed in the province as a whole. North Coast generated less room revenues than any other region except Nechako in 2002. The region was responsible for a very small share (1.3%) of the \$1.5 billion generated in BC room revenues in 2002.

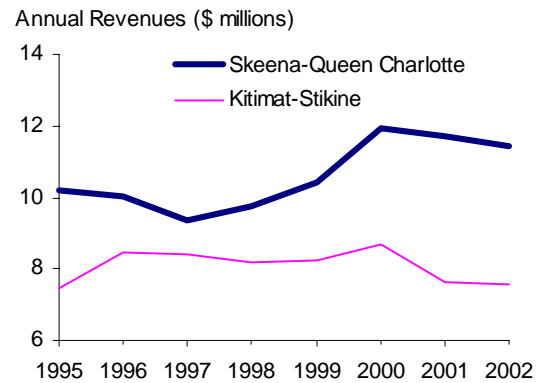
**North Coast accounted for the second smallest portion of provincial room revenues in 2002**



**Regional Districts and Urban Centres**

The Skeena-Queen Charlotte region was responsible for almost two-thirds (60.2% or \$11.5 million) of revenues generated in North Coast in 2002. The Prince Rupert urban centre generated the most revenue (59.8%) in this region in 2002. The Terrace urban centre generated approximately the same share of revenues (58.0%) in the Kitimat-Stikine region during the same period. Together, Terrace and Prince Rupert accounted for 59.1% of North Coast revenues in 2002, which was lower than seven years ago (65.2% in 1995).

**Since 1995, the Skeena-Queen Charlotte region has performed better than the Kitimat-Stikine region**



**Accommodation Properties Stable While Room Numbers Edged Down**

There were 90 accommodation properties in the North Coast region in 2002. Approximately one-third (32.2%) of them were motels. Since North Coast is a popular destination for fishing, a large proportion (17.8%) of accommodations is comprised of fishing lodges. There were also 22 hotels in North Coast in 2002. Most of them (19) were small hotels (those with 1-76 rooms).

The number of accommodation properties was stable between 1995 (89) and 2002 (90). In contrast, new properties were built in larger development regions, contributing to the overall BC increase.

North Coast was the only region in BC to register a decrease in the number of rooms between 1995 and 2002. The number of rooms moved down from 2,336 in 1995 to 2,094 in 2002.