

Tourism Sector Monitor ♦ June 2004

Room Revenue

Room revenues in BC edged downwards (-1.2% seasonally adjusted) in March, the third consecutive month of decline.

Revenues were down in almost all regions, most sharply in Kootenay (-7.6%) and northern BC (-4.4%). The largest regions, Vancouver Island/Coast (-1.2%) and Mainland Southwest (-1.3%), posted more moderate declines in room revenue.

Room revenues on a three-month downturn

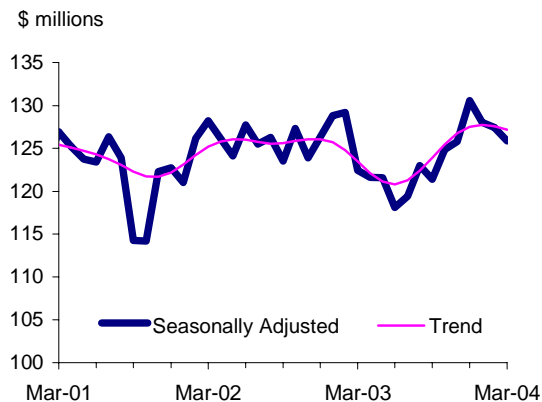


Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Mar.04 (\$000)	Feb.04 (\$000)	% change
Total	125,860	127,435	-1.2
Hotels	93,778	92,386	+1.5
Motels	15,747	15,677	+0.4
Other Acc.	16,517	17,635	-6.3
Regions (Top 3 performers)			
Cariboo	3,813	3,641	+4.7
Thompson-Okanagan	18,892	18,650	+1.3
Vancouver Island	23,698	23,995	-1.2

Thompson-Okanagan (+1.3%) and Cariboo (+4.7%) were the only areas posting revenue gains in March.

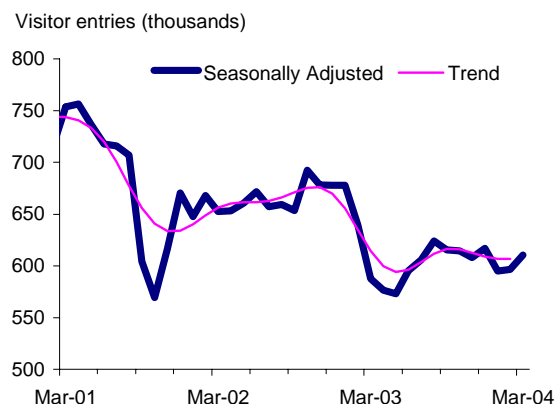
Non-standard accommodation types—beach houses, ski resorts, and the like—bore the brunt of the decline in March. While hotels (+1.5%) and motels (0.4%) saw slight gains, revenues at “other” accommodation types were down 6.3%.

Visitor Entries

In contrast to room revenues, the volume of travellers entering Canada via BC rose 1.9% (seasonally adjusted) in March. Entries from the US were up 3.0%, with stronger growth among overnight visitors (+4.9%) than for those making same-day cross-border excursions (+2.1%).

Partly offsetting the rise of US visitors was a drop in the number overseas travellers entering BC (-2.8%).

Visitor entries edge upward



Special Focus Article: *Non-Standard Accommodation on the Rise.*

Table 2. Traveller Entries
(seasonally adjusted)

	Mar-04 (‘000)	Feb-04 (‘000)	% chg from Feb-04
American visitors			
Total	502	488	3.0
Same-day	210	206	2.1
Overnight	298	284	4.9
Overseas visitors			
Total	104	107	-2.8
Europe	34	34	-1.2
UK	16	16	0.7
Asia	57	54	4.3
Japan	19	21	-13.0
Taiwan	8	7	5.0
Oceania	9	11	-14.0

(BC STATS & Statistics Canada)

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

Other Indicators

There are mixed signals in the other tourism indicators.

Downward pressure on prices eased off a bit in March. The consumer price index for traveller accommodation overall fell 0.2%, the smallest decline seen in four months.

In the hotel industry specifically, room prices were unchanged and occupancy rose 1.9 percentage points. Employment in the accommodation sector was up 1.1%, after six consecutive months of job loss.

Restaurant and tavern receipts rose 2.0% in March, the strongest showing in six months. Revenues were up at both restaurants (+2.1%) and drinking places (+0.7%).

Overall, these data suggest that the hotel and food service industries fared well in March. Indeed, while total room revenues were down this month, non-standard accommodation types carried the bulk of the decline.

In contrast to the indicators for accommodation and food service, transportation indicators were relatively weak in March. Passenger traffic inched down 1.4% at the Vancouver Airport. Passenger vehicle traffic over the Coquihalla highway was down 2.1%.

In the Vancouver Island region, traffic at the Victoria airport was down 3.5%. However, passenger volumes aboard BC Ferries were up 1.8%.

The Canadian dollar held at US\$ 0.75 in March, unchanged from the month before. Against several other major currencies, the Canadian dollar appreciated slightly. While a stronger Canadian dollar might be expected to deter international visitors, the exchange rate fluctuations in March were too small to have any meaningful effect on tourism.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Total	Change from month ago
Hotel Industry		
Occupancy rate	60.6	1.9 pp.
Average room charge	112.30	-0.1%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,269	-1.4
US	328	0.2
Other International	292	-0.2
Canada	649	-2.7
<i>(VVR)</i>		
Victoria International Airport		
Total traffic	102	-3.5
<i>(Victoria Airport Authority)</i>		
Restaurant Receipts (\$ millions) (%)		
All establishments	491	2.0
Food service	469	2.1
Drinking places	23	0.7
<i>(Statistics Canada)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	205	-2.1
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	715	0.8
Passenger Volume	1,842	1.6
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$ Change from month ago		
US \$	0.753	0.00
UK Pound	0.412	0.01
Japanese Yen	81.653	1.43
Australian \$	1.004	0.04
<i>(Statistics Canada)</i>		

note: pp. percentage points

Note to readers: all data in the *Tourism Sector Monitor* are now reported on a **seasonally adjusted** basis.

A look ahead

Room Revenue

Preliminary numbers suggest that room revenues climbed 3.5% in April (seasonally adjusted), bouncing back after three months of decline. The Mainland /Southwest region was the main engine for revenue growth.

In the hotel industry, the monthly survey by Pannell Kerr Forester showed that the occupancy rate climbed 0.9 percentage points, while prices rose 1.4%.

Visitor entries posted a second monthly increase in April (+2.1%). The number of overseas visitors jumped 7.2%, and overnight visitors from the US increased as well (+0.5%).

Overall, the preliminary indications are that April was a relatively strong month for tourism in BC.

About preliminary numbers

Companies file their hotel room taxes with varying delays. 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. For example, data for January are not reported until April. However, we also briefly report “preliminary data” with a one-month lag.

How accurate is the preliminary data? Over 17 reports in 2003 and 2004, room revenues changed (rose or fell on a month-over-month basis) on average by 2.7% (absolute value). The preliminary numbers—reported in the “look ahead” section—were off by an average of 0.5 percentage points. This represents a margin of error of 19%. For example, if the preliminary figure is 1.3%, the actual number probably ranges from 1.1% to 1.5%.

Special Focus: **Non-Standard Accommodation on the Rise**

Hotels and motels occupy a vast portion of the accommodation market in BC. However, in recent years there has been strong growth in non-standard accommodations—bed & breakfasts, beach houses, golf resorts, and so on. This points to an accommodation market that offers a greater variety of products and increasing competitive pressure on the more traditional hotels and motels.

What is non-standard accommodation?

For the purposes of this article, “non-standard” accommodation combines vacation rentals and miscellaneous establishments, as reported in table 2 of the appendix. It covers all accommodations excluding hotels and motels.

Vacation rentals include beach houses, cabins, condos, and the like. In the miscellaneous category are a broad assortment of establishments such as specialty resorts, bed & breakfasts, hostels, work camps, and even university residences (the latter are often rented on a short-term basis in the summer). Vacation rentals and specialty resorts make up the bulk of non-standard accommodations.

A Growing Market Segment

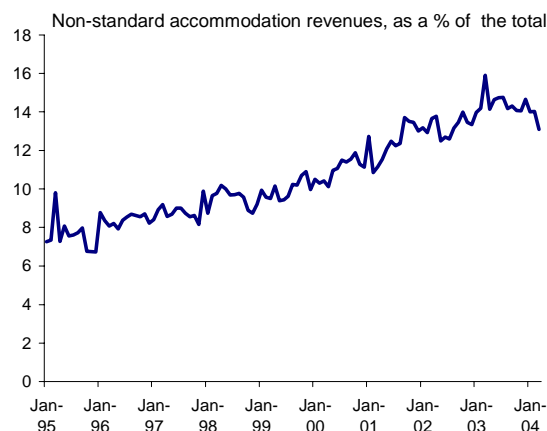
Non-standard establishments combined have more than 18,000 rooms, making up 19% of total room supply. Since 1995, the room supply of non-standard establishments has increased 46%—more than twice the rate for hotels and motels (+18%).

Non-standard establishments tend to be much smaller, with an average of 19 rooms compared to more than 50 rooms in the average hotel/motel.

Room revenues in the non-standard segment of the market have risen 148% since 1995 (compared to 39% for hotels and mo-

tels). Its market share has increased from 9% of total revenues in 1995 to 14% in 2003.

Non-standard accommodation takes a growing share of the market



While the non-standard segment is still relatively small, it is becoming an increasingly important competitor for hotels and motels.

Regional Differences

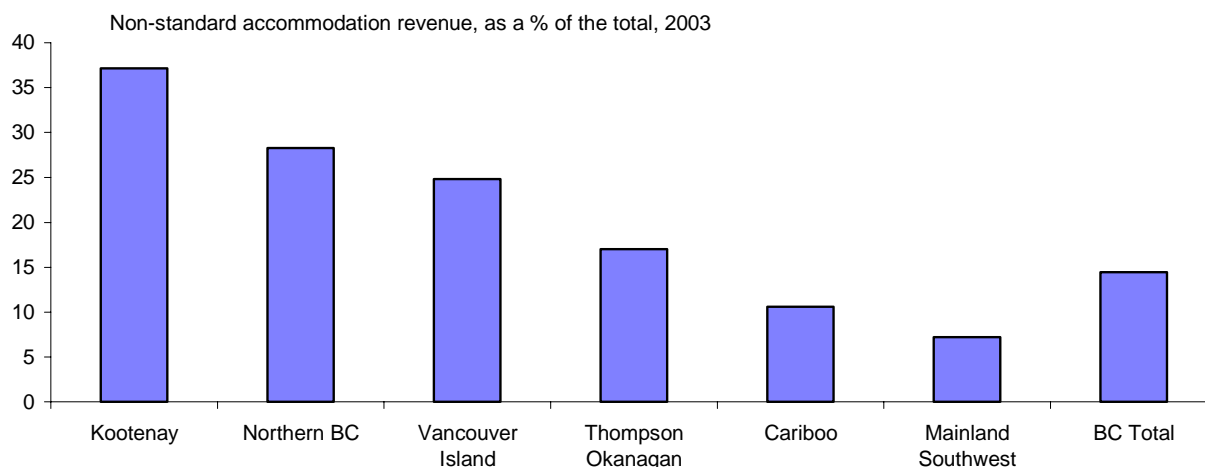
There are large differences in the market share of non-standard accommodation across BC.

In Mainland Southwest—Vancouver and its surrounding areas—non-standard accommodation only holds 7% of the market. This is a heavily urban market dominated by high-rise hotels.

In the Kootenays, non-standard lodging has a 37% market share. These establishments also have a strong presence in Northern BC (28%) and Vancouver Island (25%).

Non-standard accommodation providers have been increasing their market share in every region of the province since 1995.

The market share of non-standard accommodation varies widely in BC



The largest absolute gain has been in Northern BC, where market share increased by 20 percentage points. However, this is largely due to the growth of work camps—outfits linked to the oil and gas industry in the Northeast that provide temporary accommodation for workers.

The Thompson-Okanagan region is a very popular destination for summer tourism, but non-standard accommodation providers have made few inroads in the region. Their market share is 17%—modest compared to Vancouver Island or the Kootenays—and over the last nine years this share has increased only 3 percentage points.

In Cariboo—the region encompassing Prince George and Williams Lake—there has been no net growth in total room revenues over the past nine years. Indeed, factoring in inflation, the tourism sector has been fading. It is here where non-standard accommodation providers have made the least progress, expanding their market share by only one percentage point since 1995.

Market Share of Non-Standard Accommodations	Percentage point difference		
	2003	1995	
Kootenay	37%	22%	15
Northern BC	28%	9%	20
Vancouver Island	25%	16%	9
Thompson-Okanagan	17%	14%	3
Cariboo	11%	9%	1
Mainland Southwest	7%	4%	4
BC Total	14%	9%	6

Source: BC Stats

In the Kootenays, non-standard accommodations have the strongest presence and have continued to claim a larger market share over the last nine years. Their market share has increased by 15 percentage points, with the growth of lakeside cabins, ski resorts, and the like. If current trends continue, non-standard accommodation will have more than half of the market within the next decade.

The modern trend for tourism in BC—in every region—is away from hotels and motels and towards smaller and more specialized accommodations. This offers travellers in BC a wider range of experiences, and will likely present increasing competition against hotels and motels in the years ahead.