

Tourism Sector Monitor ♦ August 2004

Room Revenue

Room revenues in British Columbia slipped in May (-1.0%, *seasonally adjusted*) after expanding 3.6% in April. Room revenues have been weak throughout 2004, increasing only once since last December.

Thompson-Okanagan (+1.6%, *seasonally adjusted*) was the only region where room revenues were up in May. This reflected the solid performance of hotels and motels in the region. Five of the eight development regions in BC saw room revenues decline, with particularly large downturns recorded in Northeast (-18.9%) and Nechako (-7.9%).

Room revenues slipped in May

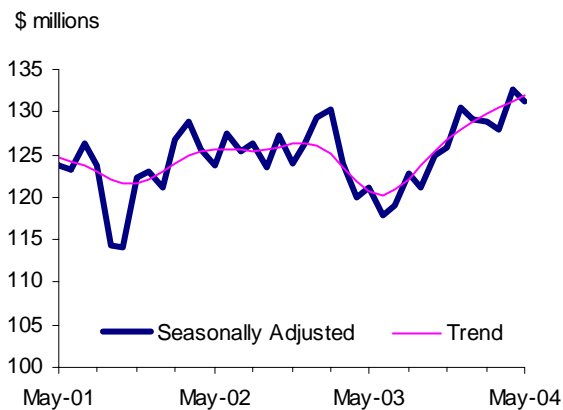


Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	May.04 (\$000)	Apr.04 (\$000)	% change
Total	131,210	132,596	-1.0
Hotels	98,188	97,087	+1.1
Motels	15,605	15,632	-0.2
Other Acc.	18,051	18,555	-2.7
Regions (Top 3 performers)			
Thompson-Okanagan	18,923	18,622	+1.6
Cariboo	3,640	3,638	+0.0
Mainland Southwest	72,888	72,876	+0.0

While revenues in the largest region, Mainland-Southwest, were virtually unchanged (+0.0%) in May, the slowdown was localized in the Greater Vancouver area. Richmond was the only centre in the Greater Vancouver area to see an upturn in revenues. Whistler picked up speed in May.

Province-wide, revenues were up at hotels (+1.1%), especially at the larger establishments. Hotels with 151-250 rooms posted the greatest gain (+3.2%, *seasonally adjusted*) in May. Overall, smaller hotels (1-75 rooms, -0.3%) and motels (-0.2%) inched down marginally. Other accommodation types (including bed and breakfasts, work camps and other types of short-term accommodation) plunged 8.4% after a significant rebound (+15.8%) in April.

Visitor Entries

The number of visitors entering Canada via BC border crossings edged up in May (+0.5%, *seasonally adjusted*), despite a drop in entries from the US (-1%). Japan (+37%), Taiwan (+20%) and the UK (+17%) led the growth in overseas visitors (+7%).

Visitor entries creep up

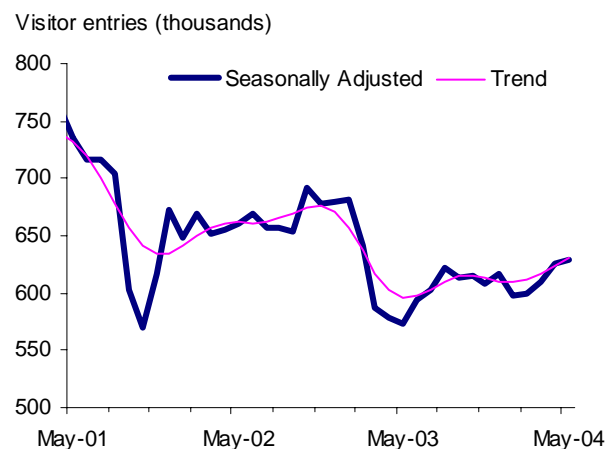


Table 2. Traveller Entries
(*seasonally adjusted*)

	May-04 ('000)	Apr-04 ('000)	% chg from Apr-04
American visitors			
Total	505	510	-1.0
Same-day	204	210	-2.9
Overnight	301	302	-0.3
Overseas visitors			
Total	127	118	7.0
Europe	37	35	6.6
UK	19	16	16.7
Asia	65	62	4.3
Japan	24	17	36.7
Taiwan	11	9	20.0
Oceania	13	12	13.3

(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

In the hotel industry, the occupancy rate edged down 0.2 percentage points (*seasonally adjusted*) in May. Room prices (-0.2%) were virtually unchanged from April. Employment in the key tourism-related industries inched up 0.2% (*seasonally adjusted*), led by an increase in the accommodation industry (+2.8%).

Passenger traffic at the Vancouver Airport was consistent with visitor entries in May. The total number of passengers increased 1.2%. There were more overseas passengers (+4.9%) but fewer people travelling to or from the US (-2.4%).

The number of vehicles (-2.1%) and passengers (-2.8%) aboard BC Ferries shrank in May (*seasonally adjusted*). In addition, there were 1.6% fewer passengers at the Victoria airport. Both the decline in the number of travellers and the loss in room revenues in Vancouver Island/Coast (-1.2%, *seasonally adjusted*) indicate a weak month for accommodation properties in Victoria.

The Canadian dollar continued to depreciate, falling marginally (to 0.73 US\$) in May. The downward trend of the exchange rate

could help boost the BC tourism sector by bringing more US visitors to the province.

Table 3. Other Tourism Indicators
(*seasonally adjusted*)

	May-04	Change from Apr-04
Hotel Industry		
Occupancy rate	61.9	-0.2 pp.
Average room charge	115.80	-0.2%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,320	1.2
US	332	-2.4
Other International	329	4.9
Canada	659	1.3
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	103	-1.6
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	215	-2.9
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	700	-2.1
Passenger Volume	1,817	-2.8
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.726	-0.02
UK Pound	0.406	-0.01
Japanese Yen	81.268	1.04
Australian \$	1.029	0.03
<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 edged up 0.5% (*seasonally adjusted*) in June. All regions fared relatively well, except for Thompson-Okanagan (-1.9%), the only region to escape the downturn in May. The improvement in June was largely due to stronger revenues at hotels (+0.2%) and motels (+1.0%), especially larger hotels with 151-250 rooms (+2.2%).

The number of passenger vehicles on the Coquihalla Highway declined 1.3% in June. Mixed signals were shown on BC Ferries, since there were fewer passengers (-0.4%) but more vehicles (+0.4%) aboard in June.

On the other hand, visitor entries continued to rise in June (+1.5%). Overseas visitors entries were still going strong (+1.5%), posting their twelfth monthly increase since June 2003. Entries from the US were up 1.5%, with a drop in the number of overnight visitors (-0.6%) partly offsetting an increase in those making same-day cross-border excursions (+3.9%).

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 three-month lag. For example, data for January are not reported until April. However, we also briefly report “preliminary data” with a two-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%.

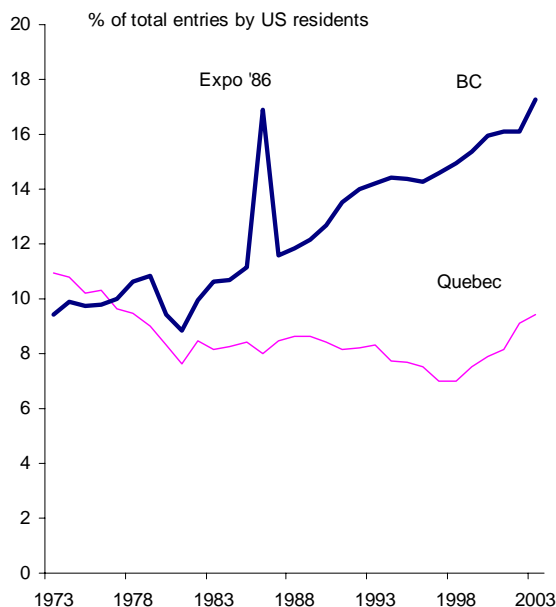
Special Focus:

Travel from the US to Canada: three years later, is 9/11 still having an effect?

BC—a prime destination for Americans
Americans are a significant driving force in BC's tourism economy. In 2003, US residents made more than 35 million trips to Canada. Over 6 million of those visits began in British Columbia.

BC is the second most common point of entry for US residents, after Ontario. The province has held this position since 1977, when it first overtook Quebec, and the percentage of US visitors entering Canada via British Columbia has been growing steadily during most of the period since then. Last year, 17% of all US entries to Canada were through British Columbia, a proportion not seen since 1986, when Vancouver hosted an international exposition.

Seventeen percent of American visits to Canada started out in BC last year



Source: Statistics Canada

By comparison, Quebec was the first point of entry for 9% of American visitors to Canada in 2003. Ontario's share was 62%, down from a peak level of 71% reached in 1981.

Number of US residents entering Canada ('000)

	2000	2001	2002	2003
Canada	43,994	42,871	40,835	35,495
BC	7,006	6,895	6,583	6,125
Alberta	732	732	733	696
Ontario	29,119	28,099	26,198	21,954
Quebec	3,479	3,506	3,712	3,350
Rest of Canada	3,658	3,639	3,610	3,370

Source: Statistics Canada

About 2% of visitors from the US enter Canada via Alberta, with the remaining 9% coming to other provinces. BC is the only region that has experienced a substantial increase in market share during the last 30 years.

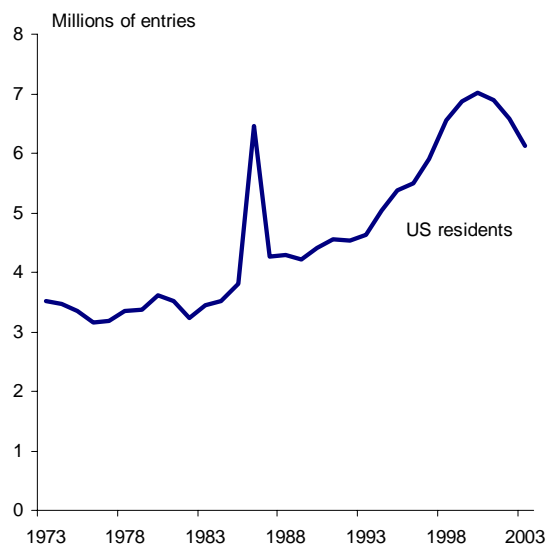
It should be noted that visitor entry statistics don't give a complete picture of tourist activities, since they only indicate where the first point of entry into the country is. Travellers going to other parts of Canada may enter via BC, but have an ultimate destination that is in some other province. However, it is likely that a significant part of the substantial increase in entries over the last thirty years represents tourists who are visiting the province. Even those who are simply travelling through British Columbia provide a boost to the economy by purchasing goods and services from local merchants.

Post 9/11 decline

The events of September 11, 2001 had an immediate and lasting impact on visits from the US, bringing an abrupt end to what had been a steady increase in travel to the province. Entries from the US have continued to decline since then. The chance of a turnaround was hampered by factors such as the war in Iraq, and the SARS outbreak in the spring of 2003, which had a dampening

effect on travel by Americans to the province.

Travel from the US to BC fell sharply after 9/11



Source: Statistics Canada

However, BC appears to have been less affected than other parts of the country were. Even though the number of entries from the US has decreased since 9/11, British Columbia's share of total US visitor entries has been growing substantially. This suggests that British Columbia continues to be an attractive destination for Americans.

Travel by air has bounced back since 9/11; auto traffic remains stalled

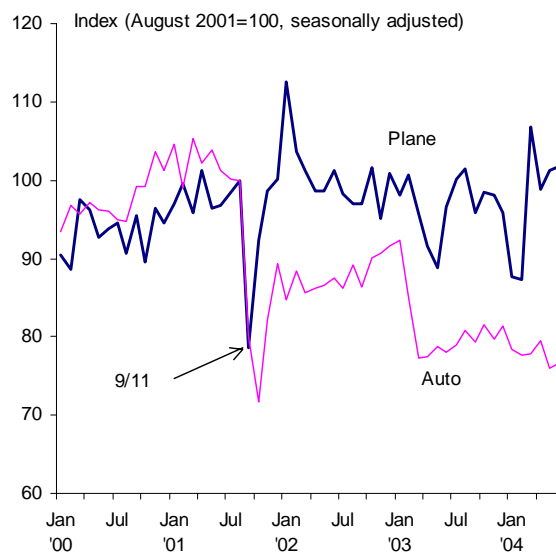
By far the most common mode of travel for Americans coming to Canada is by car: some 68% of total entries by US residents to BC in 2003 were individuals in private vehicles. Another 17% flew into BC, while 9% travelled by boat. Nationally, travel by car is even more common, accounting for 81% of all US entries into Canada in 2003. Airplane passengers made up 11% of the national total, with the remainder travelling by bus, train, boat, or some other means.

Monthly data on US visitor entries to BC (*seasonally adjusted*) suggest that the post-9/11 slowdown in travel by plane was not

long-lived. By December of 2001, the number of Americans flying into BC was back up to a more normal level.

Turbulence in the airline industry, and the impact of external events such as SARS and the war in Iraq have contributed to some ups and downs in passenger volumes from the US during the period since then, but it is clear that entries by plane are now back on course. In 2003, 17% of all US visitors flew to BC, up from 15% in 2001, and 14% in the previous year. The increase in the relative importance of US air travel to BC may be partly due to Vancouver's role as a hub city for airline travel, but also reflects a shift in the behaviour of US residents, as fewer of them are opting to drive when they travel to this province.

US entries by plane back on course; travel by auto still down



Source: Statistics Canada

The long-term effect of the 9/11 attacks appears to have been greatest for those travelling by car. The number of US entries by auto remains significantly lower than it was in the summer of 2001. About 370,000 US vehicle passengers crossed the BC border in June 2004, 26% less than in June 2001, when more than 500,000 US auto passen-

gers entered Canada via BC. Entries by auto picked up in 2002, but plunged again in March 2003, when the war in Iraq began.

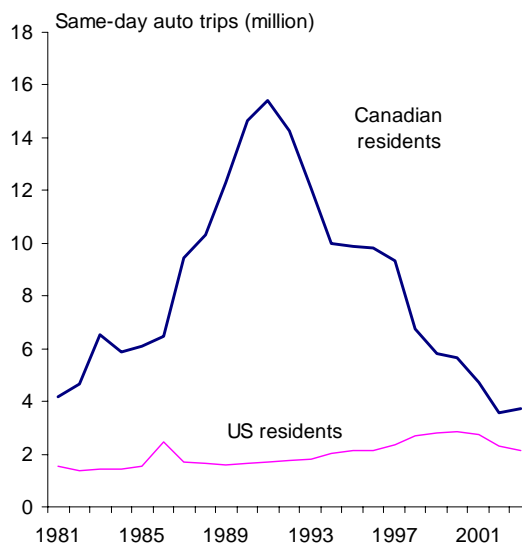
Longer waits at BC-US border crossings

There are eighteen border crossings connecting British Columbia and the US. Border crossings in the Lower Mainland Area—Peace Arch, Pacific Highway, Lynden/ Aldergrove, Sumas/Huntingdon are among the busiest. Most vehicle passengers—Canadians, Americans and foreign tourists—travelling to or from the US enter or leave BC via one of these four crossings.

Statistics from the IMTC Cross-Border Trade and Travel Study¹, show that traffic volumes have dropped significantly at all four of these crossings. However, the downturn began well before the events of 9/11. In 1993, a total of 14.1 million vehicles travelled (northbound and southbound) through these checkpoints; last year, the number totalled 7.0 million, 1.2 million less than in 2000.

The downturn in vehicle traffic through these border crossings is coincident with a decline in same-day travel to the US. During the 1980s, a relatively strong Canadian dollar made it cost-effective for Canadians to travel to the US to shop, and many residents of the Lower Mainland area (and other centres close to the US) made frequent trips across the border. Between 1981 and 1991, the number of same-day car trips from BC to the US increased from 4 million to 15 million. The depreciation of the Canadian dollar during the 1990s effectively halted much of this activity. By the year 2000, the number had dropped to just under 6 million, and last year, fewer than 4 million same-day trips were made to the US.

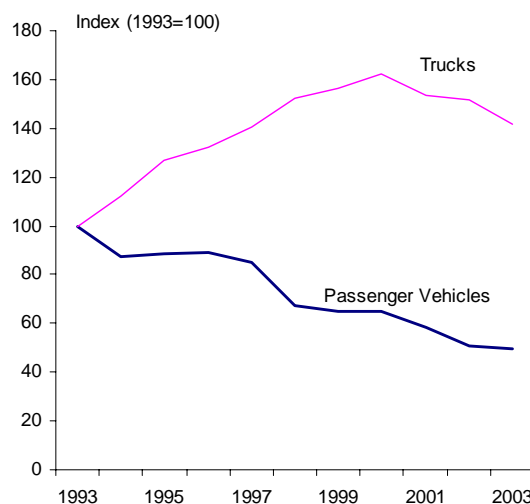
Fewer same day car trips by Canadians and Americans



Source: Statistics Canada

In contrast to passenger travel, between 1993 and 2003, the number of trucks crossing the border through the four ports in the Lower Mainland region has been increasing, rising from 387,000 in 1993 to 542,000 last year. As was the case for passenger vehicles, commercial traffic through these border crossings has declined substantially since 9/11.

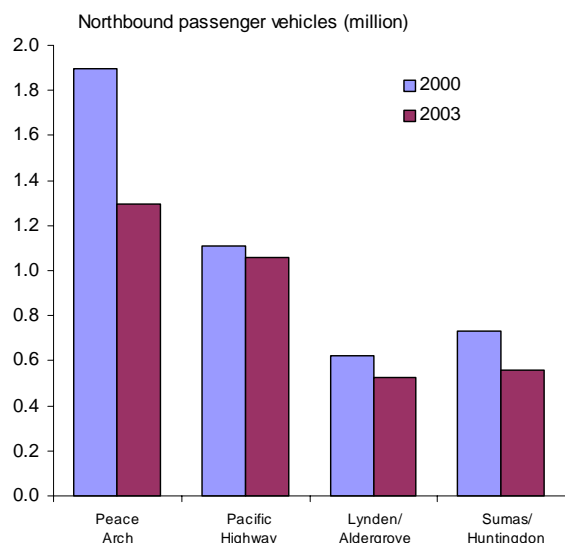
Fewer commercial and passenger vehicles crossing the border near Vancouver



Source: IMTC Cross-Border Trade and Travel Study

¹ The International Mobility and Trade Corridor Project (www.wcog.org)

Fewer vehicles at all four border crossings in the Lower Mainland area



Source: IMTC Cross-Border Trade and Travel Study

While all border crossings are processing fewer vehicles, the Peace Arch crossing has seen the biggest decline in traffic. This crossing, connecting Surrey, BC and Blaine, Washington, is the busiest in BC and one of the five busiest in Canada. Traffic volume through the Peace Arch crossing in 2003 (1.3 million) was only about two thirds of that in 2000 (1.9 million).

Top 5 Border Crossings for Personal Vehicles travelling to the US ('000)

	2002	2003
Buffalo-Niagara Falls, NY	7,570	6,414
Detroit, MI	6,857	6,316
Blaine, WA ²	2,385	2,300
Port Huron, MI	2,187	1,965
Massena, NY	1,163	1,134
Total Canada-US Crossings	32,539	30,214

Source: US Department of Transportation

Canada-US Smart Border Declaration
The post 9/11 downturn in cross-border travel by car is almost certainly related to the greater difficulty of crossing the border, as increasingly strict security measures have been implemented in order to reduce the possibility of future terrorist attacks. This tightening of the border has led to longer transit times, and more importantly, an increase in uncertainty about the time that border crossings will take. Among other things, long lineups at border crossings make same-day trips less practical for both Americans and Canadians.

The Canada-US Smart Border Declaration is intended to ensure the secure flow of people, the secure flow of goods, secure infrastructure, and coordination and information sharing³. Although this makes the public safer, it also means that it has become a great deal less convenient to travel between Canada and the US by car. This has helped keep the lid on travel from the US to BC during the post-9/11 period.

² Total of Peace Arch and Pacific Highway Crossings

³ Department of Foreign Affairs and International Trade (<http://www.dfait-maeci.gc.ca/can-am/menu-en.asp?act=v&mid=1&cat=1&did=1669>)