

Tourism Sector Monitor ♦ September 2004

Room Revenue

Room revenues increased in June (+0.8%, *seasonally adjusted*), for only the second time since the beginning of the year. Revenues were up in almost all regions with the exception of Thompson-Okanagan (-1.9%). This is a reversal from May, when the region was the only area experiencing significant growth in room revenues.

Room revenues edged up in June

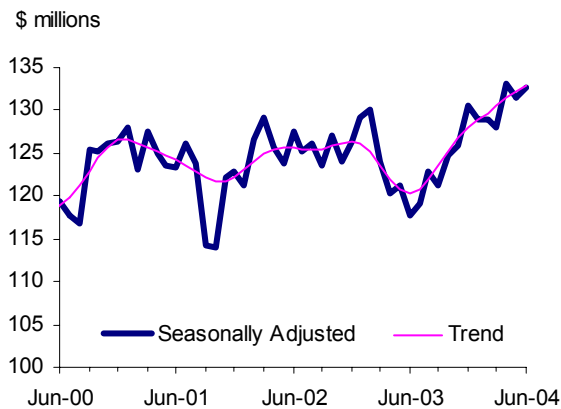


Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	June04 (\$000)	May04 (\$000)	% change
Total	132,566	131,533	+0.8
Hotels	98,990	98,507	+0.5
Motels	15,804	15,615	+1.2
Other Acc.	18,167	18,143	+0.1
Regions (Top 3 performers)			
Cariboo	3,777	3,658	+3.3
North Coast	1,664	1,614	+3.1
Vancouver Island/Coast	23,977	23,506	+2.0

Cariboo (+3.3%) and North Coast (+3.1%) posted strong growth in June. Northeast (+0.7%) and Nechako (+1.0%), two of the regions affected negatively in May, were able to climb back to positive numbers from the sharp downturn recorded previously. Vancouver Island/Coast (+2.0%) also experienced a significant upturn from the levels (-1.0%) posted in May.

The greatest gain (+2.3%) was recorded by hotels with 151-250 rooms, followed by hotels with 1-75 rooms (+1.2%) and motels (+1.2%). Vacation rentals and very large hotels (with 251+ rooms) reported similar declines (-0.3%). Revenues at other accommodation types saw a modest recovery (+0.8%) after a sharp downturn (-7.9%) in May.

Visitor Entries

The volume of travellers entering Canada via BC continued to creep up in June (+1.5%). The recovery experienced in entries from the US (+1.5%) was due to strong growth among same-day visitors (+4.2%) following a sharp downturn (-3.0%) recorded in May. Overseas entries slowed down substantially (+1.5%) reflecting weak growth in the number of visitors coming from Europe (+0.6%) and a drop in entries from Australia and the South Pacific (-1.4%). Entries from Asia (+6.4%) were up, mainly due to a continuous interest from Japan (+24.0%) and Taiwan (+6.0%). Numbers from South Korea (+1.6%), the third biggest visitor market from Asia, bounced back after slumping in May (-3.1%).

Visitor entries continue to creep up

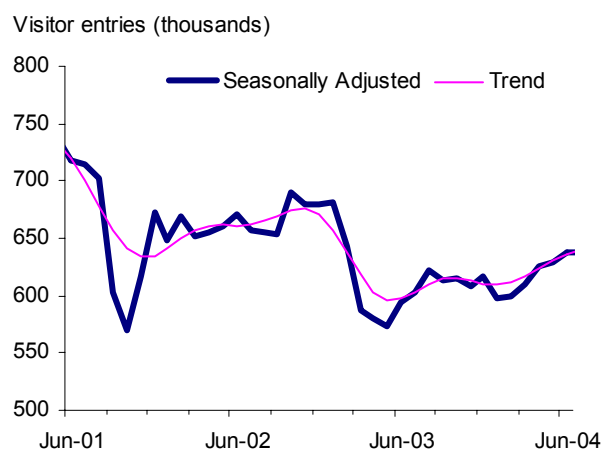


Table 2. Traveller Entries
(seasonally adjusted)

	Jun-04 ('000)	May-04 ('000)	% chg from May-04
American visitors			
Total	512	505	1.5
Same-day	212	204	4.2
Overnight	299	301	-0.7
Overseas visitors			
Total	128	127	1.5
Europe	38	38	0.6
UK	19	19	2.9
Asia	68	64	6.4
Japan	27	22	23.9
Taiwan	11	11	6.0
Oceania	13	13	-1.4

(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, room rates (-0.2%, *seasonally adjusted*) were virtually unchanged for the second month in a row, while occupancy increased (+ 0.7 percentage point) to 62.5% in June.

Overall, employment in the tourism related industries (+0.1%) and air transport (+3.0%) experienced some gains in June. Transportation indicators were relatively weak in June with the exception of Victoria airport where passenger traffic increased (+0.6%), following a downturn in May (-1.6%). There was a

slight jump in the number of vehicles (+0.1%) aboard BC Ferries.

For the first half of 2004, the Canadian dollar has been drifting downward, being quite volatile this year with frequent changes. In June the Canadian dollar edged up to US\$ 0.74 but depreciated relative to the Japanese Yen. The change of the Canadian dollar versus the US dollar is relatively small compared to May and that is good news for BC's tourism industry.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Jun-04	Change from May-04
Hotel Industry		
Occupancy rate	62.5	0.7 pp.
Average room charge	115.50	-0.2%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,297	0.0
US	316	-2.9
Other International	321	0.1
Canada	660	1.4
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	104	0.6
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	214	-0.7
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	702	0.1
Passenger Volume	1,809	-0.5
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.737	0.01
UK Pound	0.403	0.00
Japanese Yen	80.587	-0.68
Australian \$	1.062	0.03
<i>(Statistics Canada)</i>		

Note: pp. percentage

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 (+0.2%, *seasonally adjusted*) in July. Slower growth was experienced in almost every region except Thompson-Okanagan (+1.9%) and Kootenay (+3.5%). The downturn was partly due to loss of revenues for very large (251+ rooms, -5.2%) and large (151-250 rooms, -1.1%) hotels. Revenues at other accommodation types (including fishing lodges, bed and breakfast and other similar establishments) experienced a significant increase (+4.8%) in July.

Passenger traffic at the Vancouver airport recorded a sharp downturn (-10.5%), while Victoria airport posted modest gains (+0.8%). The number of passenger vehicles on the Coquihalla Highway rose (+2.1%), bouncing back after three months of decline.

Visitor entries dropped (-0.9%, *seasonally adjusted*) in July for the first time since January. Both overseas (-3.6%) and US (-0.2%) entries declined in July. Although the number of overseas visitors from Europe soared (+7.3%), it was not enough to offset a substantial decline in Asian entries (-15.3%).

Overall, the preliminary indicators suggest that July was a relatively weak 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 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: Quarterly Review of The British Columbia Tourism Sector

Room revenues pick up speed in second quarter

Room revenues in British Columbia remained robust (+2.7%, *seasonally adjusted*) in the second quarter of 2004, posting a fourth consecutive quarterly gain. The solid growth in the first (+1.2%) and second (+2.7%) quarters of this year, although slower than in the last quarter of 2003 (+5.0%), boosted room revenues to a record high of \$396 million¹.

Mainland/Southwest led second quarter growth

Revenues in Mainland/Southwest (Greater Vancouver and surrounding areas such as Whistler) rose substantially in the second quarter (+6.2%). The region was the main source of the overall growth in room revenues during that period.

Revenues declined in Vancouver Island/Coast (-2.4%), Thompson Okanagan (-0.7%) and Kootenay (-3.1%). However, the gain in Mainland/Southwest was more than enough to offset losses in these regions.

Cariboo (+0.1%), North Coast (+0.3%), Nechako (+9.6%) and Northeast (+2.0%) recorded revenue gains in the second quarter of 2004. These regions, the sparsely-populated central and northern areas of the province, together generated 8% of total accommodation revenues in BC.

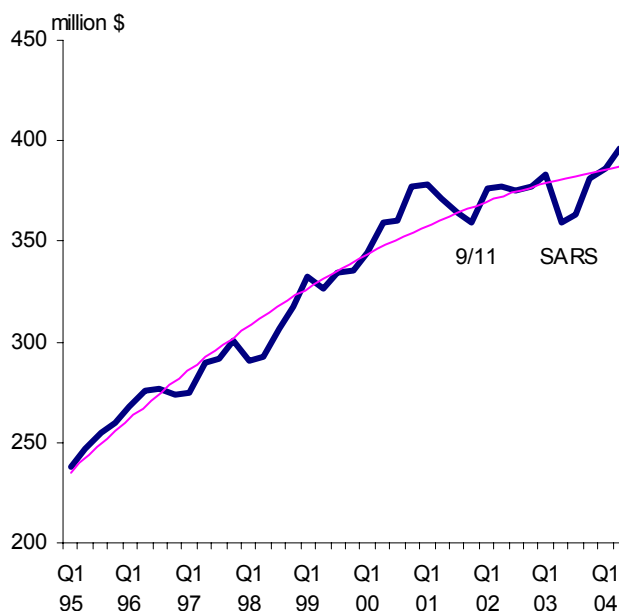
Room revenues show fast recovery from external shocks

In the last three years BC's tourism sector has been hit by a number of external shocks, including the 9/11 terrorist attacks, the

SARS outbreak in March 2003, and the effects of the war in Iraq. These events, coupled with weaker global economies and a stronger Canadian dollar, have had a significant effect on British Columbia's accommodation industry.

Room revenues, which were already in a decline before the 9/11 attacks, remained weak throughout 2001, but had bounced back to pre-9/11 levels by early 2002. Similarly revenues plunged (-6.3%) in the second quarter of 2003, when the SARS outbreak caused visitors, particularly those from Asia, to severely curtail their visits to BC and the rest of Canada. At the same time, the war in Iraq helped keep the lid on travel to BC from the US. The second-quarter decline in 2003 was the largest since 1995, the first year for which consistent room revenue figures are available.

Room revenues back on track



Source: BC Stats

However, over the long run, BC's accommodation industry has displayed an ability to absorb shocks. Following September 11th,

¹ 1995 is the first year for which consistent room revenue figures are available.

it took only one quarter for room revenues to bounce back up. In the case of the SARS outbreak, room revenues recovered and passed the pre-SARS level in just three quarters. The forest fire situation in the Interior last summer slowed, but did not stop, the recovery.

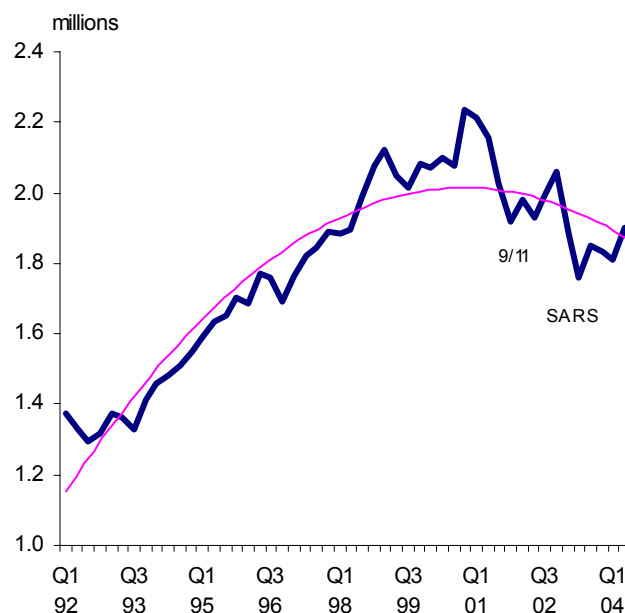
Accommodation properties provide services to residents of the province as well as those from further afield, so are not completely dependent on non-resident demand for their services. This may help explain the relatively quick recovery of room revenues in late 2001 and during the summer of last year.

Visitor entries rebound in the second quarter

The number of visitors entering Canada through BC rebounded in the second quarter (+5.1%, *seasonally adjusted*), after two consecutive quarterly declines. Travel from the US increased significantly (+3.1%), while the number of overseas visitors jumped 14.0%, the most notable increase in overseas entries since 1992. Contributing to the upturn were travellers from Oceania (Australia and the South Pacific, +16.7%) and Asia (+16.1%), followed by Europe (+5.6%).

However, the long-term trend in visitor entries is less rosy. Compared to room revenues, the volume of visitors entering BC, especially from the US, is more sensitive to external factors and takes longer to recover from shocks. Visitor entries shrank 11.1% in the two quarters after September 11th, and 14.6% in the second and third quarters of 2003. Entries remain well below previously recorded levels. The number of entries in the second quarter of 2004 was only 85% of the peak reached in the fourth quarter of 2000.

Visitor entries on the way up, but have not fully recovered



Other tourism indicators

Hotel occupancy rates averaged 62.2% (*seasonally adjusted*) in the second quarter of 2004, the highest rate reported in five years. Average room rates (\$115.83) were 1.9% higher than in the first quarter this year. The gains in both occupancy rates and room rates, together with room revenues, indicate a favourable quarter for BC's accommodation properties.

Vehicle traffic on BC Ferries was up slightly (+0.8%) relative to the first quarter of this year. The Coquihalla highway had 4.3% more passenger vehicles passing through its tollbooths in the second quarter of 2004.

Passenger traffic was higher than in the first quarter, both on BC Ferries (+1.8%) and at Vancouver International Airport (+4.1%), with the number of overseas passengers jumping 9.8%.