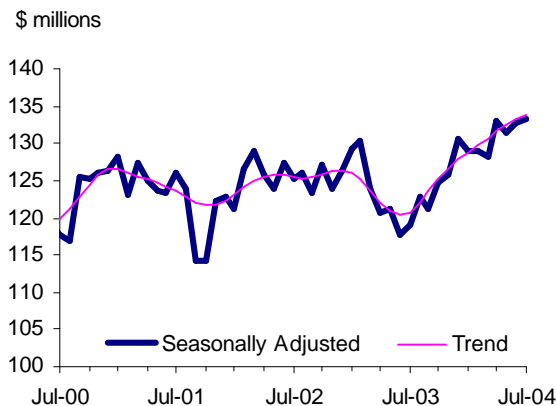


Tourism Sector Monitor ♦ October 2004

Room Revenue

Room revenues edged up in July (+0.3%, *seasonally adjusted*), posting a second consecutive monthly gain, although growth was slower than in June, when revenues increased 1.0%. However, revenues picked up speed in the Kootenay (+3.9%), North Coast (+3.1%) and Thompson-Okanagan (+2.1%) regions. Nechako (-1.2%), Cariboo (-0.1%) and the province's largest region, Mainland Southwest (-0.8%) posted moderate declines in room revenues.

Room revenues inched up marginally



**Table 1. Room Revenue
(seasonally adjusted)**

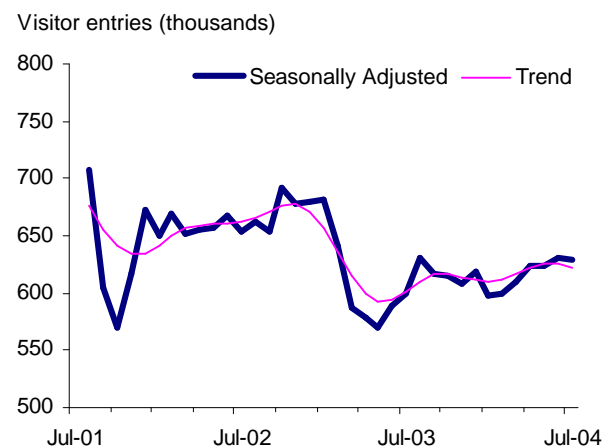
| Accommodation Type | | | |
|----------------------------|--------------------|--------------------|-------------|
| | July 04 (\$000) | June 04 (\$000) | % change |
| Total | 133,262 | 132,851 | +0.3 |
| Hotels | 96,845 | 98,542 | -1.7 |
| Motels | 16,206 | 15,903 | +1.9 |
| Other Acc. | 18,920 | 18,326 | +3.2 |
| Regions (Top 3 performers) | | | |
| Kootenay | 6,257 | 6,500 | +3.9 |
| North Coast | 1,725 | 1,674 | +3.1 |
| Thompson-Okanagan | 19,087 | 18,702 | +2.1 |

Slower growth was due to sharp declines in revenue at very large hotels (with over 251 rooms) (-5.2%) followed by large hotels (with 151-250 rooms) (-1.1%). Smaller hotels (75 rooms or less) (+1.4%), motels (+1.9%) and vacation rentals (+1.9%) posted fair performances whereas other accommodation types (including fishing lodges, bed and breakfast and other similar establishments) got a strong boost (+4.9%) in revenues.

Visitor Entries

The number of visitors entering Canada via BC border crossings dropped (-1.0%) in July due to a general weakness in both US and overseas travel entries. The downturn experienced in entries from the US (-0.5%) was due to less travel from both same-day (-0.3%) and overnight (-0.4%) visitors. A particularly sharp decline in the Asian market (-10.6%) kept total overseas entries low (-3.0%).

Visitor entries declined in July



The number of overseas visitors from Europe soared (+8.7%) in July, to the highest jump since the beginning of the year, with particularly strong interest from German (+33.2%) followed by British (+3.4%) visitors. Although BC received more European visitors in July the downturn in entries from Japan (-18.7%), Taiwan (-22.7%) and Hong Kong (-17.2%) offset that growth.

Table 2. Traveller Entries
(seasonally adjusted)

| | Jul-04 | Jun-04 | % chg from Jun-04 |
|--------------------------|--------|--------|-------------------------|
| | ('000) | ('000) | |
| American visitors | | | |
| Total | 507 | 509 | -0.5 |
| Same-day | 210 | 211 | -0.3 |
| Overnight | 295 | 297 | -0.4 |
| Overseas visitors | | | |
| Total | 120 | 124 | -3.0 |
| Europe | 41 | 38 | 8.7 |
| UK | 20 | 19 | 3.4 |
| Asia | 58 | 65 | -10.6 |
| Japan | 22 | 27 | -18.7 |
| Taiwan | 7 | 9 | -22.7 |
| Oceania | 13 | 13 | -0.2 |

(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

Both average room rates (-0.3%) and hotel occupancy (-1.0 percentage points) dropped in July. Employment in key tourism-related industries decreased (-0.1%) led by declines in accommodation (-1.5%), air transport (-0.2%) and food and beverage services (-0.1%).

Transportation indicators were weak in July with the exception of the Coquihalla Highway where passenger vehicles increased (+2.0%) following a downturn in June (-0.7%). Air traffic indicators were down at Vancouver airport (-1.0%) as fewer trans-border (-1.4%) and other international

(-2.6%) passengers travelled through. Travellers at the Victoria airport rose marginally (+0.2%) in July. There was a modest increase in the number of passengers (+0.3%) and vehicles (+0.5%) aboard BC Ferries. In July, the Canadian dollar appreciated relative to the US currency as well as the Japanese Yen.

Table 3. Other Tourism Indicators
(seasonally adjusted)

| | Jul-04 | Change from Jun-04 |
|--|--------|--------------------------|
| Hotel Industry | | |
| Occupancy rate | 61.2 | -1.0 pp. |
| Average room charge <i>(Pannell Kerr Forster)</i> | 115.20 | -0.3% |
| Airport Passengers (000s) (%) | | |
| Vancouver International Airport | | |
| Total traffic | 1,307 | -1.0 |
| US (trans-border) | 318 | -1.4 |
| Other International | 322 | -2.6 |
| Canada (domestic) <i>(YVR)</i> | 666 | 0.0 |
| Victoria International Airport | | |
| Total traffic <i>(Victoria Airport Authority)</i> | 103 | 0.2 |
| Transportation (000s) (%) | | |
| Coquihalla Highway | | |
| Passenger Vehicles <i>(Ministry of Transportation & Highways)</i> | 217 | 2.0 |
| BC Ferries | | |
| Vehicle Volume | 705 | 0.5 |
| Passenger Volume <i>(BC Ferries)</i> | 1,814 | 0.3 |
| Exchange Rates Cdn \$ | | |
| US \$ | 0.756 | 0.02 |
| UK Pound | 0.410 | 0.01 |
| Japanese Yen | 82.850 | 2.26 |
| Australian \$ <i>(Statistics Canada)</i> | 1.056 | -0.01 |

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 decreased (-3.6%, *seasonally adjusted*) in August. Six out of eight development regions in BC saw sharp declines in revenue including the largest region, Mainland-Southwest. The downturn in August was due to the loss of revenue for almost every type of tourism establishment, with motels (-6.4%) suffering the most.

Visitor entries were down (-3.9%) in August, particularly overseas entries from Asia (-8.4%), Europe (-10.0%) and same-day visitors from the US (-4.4%).

The number of passengers fell for almost all mediums of transportation. The highest declines were in the number of passengers on the Coquihalla Highway (-5.1%), at the Victoria airport (-2.9%) and international passengers (excluding US travellers) (-2.7%) at the Vancouver airport.

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%.

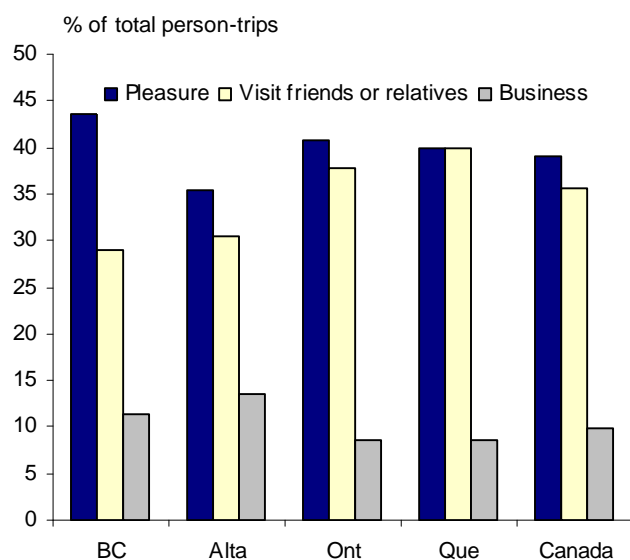
Special Focus: Canadian travellers Vacation Interests in BC

British Columbia is Canada's prime four-season tourist destination for business and vacation travellers alike. Shouldering the Pacific Ocean to the West and the Rockies to the East, the province is blessed with a relatively moderate climate, spectacular scenery, unique opportunities for wildlife viewing and other nature-based activities that, together with cultural amenities in its urban centres, attract travellers from Canada, the US and beyond. This article examines the characteristics of Canadians who visit BC and selected other provinces, using information from Statistics Canada's *Canadian Travel Survey*.

Pleasure trips are the main reason for travelling to BC

Pleasure trips and trips made to visit friends or relatives represented 72% of all domestic travel by Canadians to BC in 2003. Travelling for pleasure was the most common reason given by those who visited BC, with 7.3 million trips, or 43% of all domestic travel to the province made for that purpose.

Travelling for pleasure more common in BC than in other provinces



Nationally, 39% of trips within Canada were pleasure trips. Visitors to Ontario (41%), Quebec (40%) and Alberta (35%) were less likely to be travelling for pleasure than those who came to BC.

Visiting friends and relatives was also a common reason for coming to the province. This was reported as the purpose of 4.8 million person-trips, or 28% of travel to BC in 2003. Canadians travelling to Quebec were as likely to be coming to visit friends and relatives (40%) as to be travelling for pleasure. In Ontario, 38% of trips were primarily to visit friends and relatives; the ratio in Alberta was just 30%, well below the national average of 36%.

A relatively small percentage of travellers to BC (11%) were on business trips. Alberta had the highest proportion of business travel of any province in 2003, at 13%. The national average was 10%.

There has been little change in the type of travellers coming to BC from other parts of Canada during the last eight years. The trend for pleasure trips has been generally steady, accounting for 43% to 46% of all person-trips to the province. However, business travel has declined slightly. Business trips averaged around 14% of all trips during the late 1990s, but have declined since then.

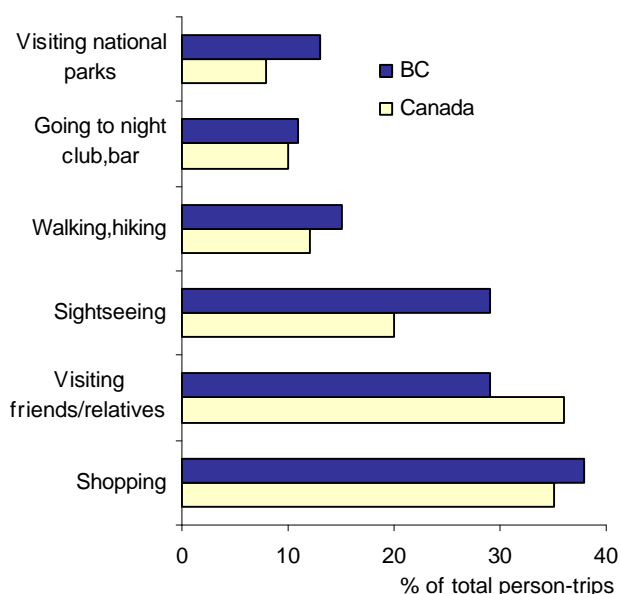
Within Canada, over the last eight years, there has generally been an upward trend in trips for pleasure, with the percentage of travellers on pleasure trips increasing from 37% to 40% of total trips during this period. As was the case in BC, business travel accounts for a declining share of total trips, with most of the decline occurring during the period since 2001. This could reflect a downturn in the business cycle, as well as a decrease in business travel during the post-9/11 period.

The Canadian domestic tourism industry suffered a difficult year in 2003, although domestic travel was less affected than international travel to Canada. A variety of external factors dampened tourism activities in 2003. Although the SARS outbreak primarily affected international travel to Canada, the forest fire situation during the summer may have led some Canadians to change their plans to travel to BC while the blazes were at their worst, although the extent to which this occurred is unknown. At the same time, a stronger Canadian dollar vis-à-vis the US greenback might have encouraged Canadians to travel south of the border.

Shopping and visiting friends or relatives most popular travel activities

Top BC activities preferred by visitors in 2003 were shopping, sightseeing and visiting friends or relatives. Walking and hiking, followed by visiting provincial and national parks, are more sought-after travel activities in BC than in the rest of Canada. Based on the available data for 2003, the least common travel priorities were wildlife viewing and visiting theme parks.

Visitors pack their credit cards first when travelling to BC



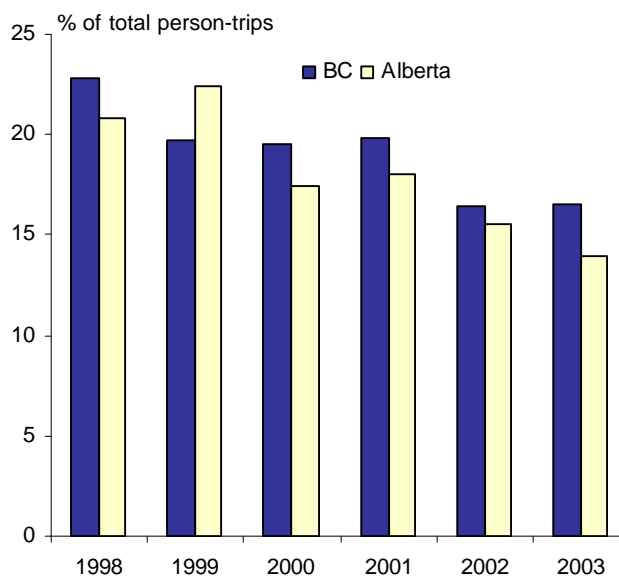
In contrast to BC, in 2003, the majority of visitors within Canada preferred visiting friends and relatives, while shopping and sightseeing ranked second. Hiking, as a holiday activity, does not receive as much attention in the rest of Canada as in BC. Going to nightclubs and bars was the fifth favourite past-time within Canada.

In 2003 snowmobiling and cross-country skiing were not as popular winter past times in other parts of Canada, but downhill skiing did receive more interest from Canadians.

BC's national and provincial parks have high recreational and tourism value

BC is a more popular destination for travellers interested in visiting national and provincial parks than our next-door neighbour Alberta.

BC popular destination for visiting national and provincial parks



In 2003, 2.2 million trips, or close to 17% of visitors to BC took a trip to a national or provincial park, while in Alberta only 1.8 million, or 14% preferred that activity to others. Overall BC has been more successful in the last few years at attracting outdoor enthusiasts. Although Banff National Park,

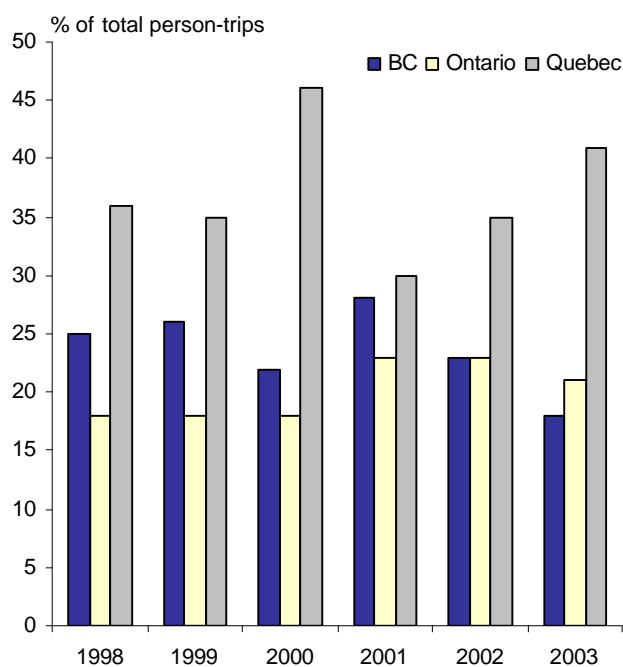
Canada's first national park (founded in 1885), is situated in Alberta, BC's national parks are busier.

In 2003, several shocks to the tourism industry, such as the SARS outbreak, forest fires and floods in the province appear to have disturbed visitors' travel arrangements. There was a substantial drop (-17.3%) in the number of outdoor enthusiasts visiting national and provincial parks in the province. Other provinces, such as Alberta (-26.3%) and Ontario (-20.7%), experienced even steeper declines than BC in 2003.

The domestic skiing industry in BC is losing ground to Quebec

In 2003, ski resorts in BC did not fare nearly as well as in other provinces. Alpine skiers, made an estimated 608 thousand trips, or 4% of all domestic travel made for that purpose.

The number of Canadian skiers at BC resorts has decreased



This was down 29.2% from the previous year when there were 859 thousand visitors,

as lower snow levels and a relatively weaker economy affected the number of visitors to BC ski resorts.

Slopes in Alberta were also less busy (-7.5%) than they were in 2002 mostly due to lack of snow. In 2003 alpine skiers showed a preference for Quebec's ski facilities as the province posted significant gains (+4.6%) from 2002.

Since 2001, when BC was Quebec's strongest competitor, the trend for the province has been downwards, while for Quebec the opposite is true.

Overall, in BC and in Canada as a whole, the domestic travel sector has been losing momentum since 2000. Several factors have contributed to this decline, such as the economic slowdown and the corresponding drop in consumer confidence in 2001, higher gas prices experienced since that time, the SARS outbreak, ongoing airline woes and a much higher value of the Canadian dollar, which may have possibly tempted Canadians to spend their disposable income abroad.

It is difficult to say whether or not 2004 will be a better year in terms of domestic travel, because, although many of the shocks to the tourism sector are behind us, the appreciation of the dollar and the high price of gasoline may still discourage Canadians from travelling within their own country.