

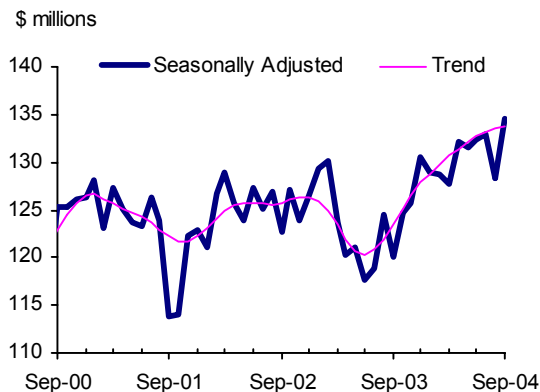
## Tourism Sector Monitor ♦ December 2004

### Room Revenue

Room revenues rebounded in September (+4.9% *seasonally adjusted*), as all but two regions posted increases, regaining the ground lost in August. Revenues expanded in almost all regions with the exception of Cariboo (-0.7%) and North Coast (-2.9%).

Mainland Southwest was the major engine of revenue growth (+6.0%), supported by the smaller Nechako (+6.0%) and Kootenay (+5.8%) regions. Vancouver Island/Coast (+2.6%) also experienced a significant upturn from the levels posted in August.

*Room revenues recover in September*



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

<b>Accommodation Type</b>			
	Sep 04 (\$000)	Aug 04 (\$000)	% change
Total	134,523	128,281	+4.9
Hotels	98,889	94,388	+4.8
Motels	15,960	15,280	+4.5
Other Acc.	19,239	18,621	+3.3
<b>Regions (Top 3 performers)</b>			
Mainland/Southwest	73,910	69,757	+6.0
Nechako	756	713	+6.0
Kootenay	6,500	6,145	+5.8

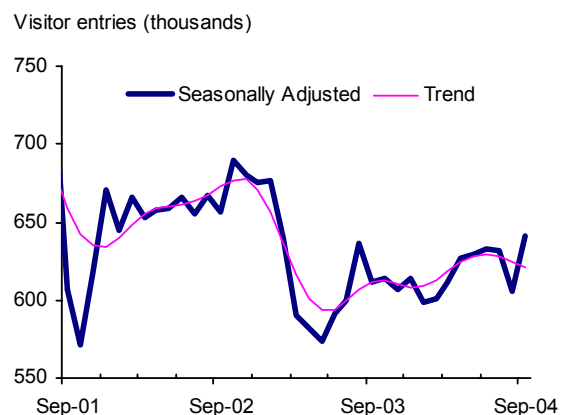
Province-wide, revenues were up for every type of tourism establishment. The greatest gain was recorded by very large hotels (with 251+ rooms, +6.7%).

Non-standard accommodation types (including bed and breakfast and other types of short-term accommodation) bounced back (+5.1%) after a significant decline in August. Revenues also rebounded at hotels with 151-250 rooms (+4.4%), as well as mid-size (76-150 rooms, +3.3%) and small (1-75 rooms, +3.0%) hotels.

### Visitor Entries

The number of visitors entering Canada via BC border crossings increased 6.3% in September. This was a strong rebound from the decline experienced in August. Entries from the US jumped 7.3%, largely due to more overnight visits (+5.6%). Overseas entries increased (+2.1%), with strong growth from Asia (+5.0%) and Europe (+4.6%). The upturn in Asian travel was mainly due to continuous interest from Taiwan (+8.4%), South Korea (7.0%) and Japan (+1.1%).

*Visitor entries bounced back in September*



In September, the number of Canadians returning to BC increased (+5.3%) for the second time since March. More Canadians (+5.9%) made same-day car trips south of the border, as well as travelling to overseas destinations (+10.0%).

	Sep-04 (‘000)	Aug-04 (‘000)	% chg from Aug-04
<b>American visitors</b>			
Total	529	493	7.3
Same-day	205	203	1.1
Overnight	307	291	5.6
<b>Overseas visitors</b>			
Total	118	115	2.1
Europe	39	38	4.6
UK	20	19	4.8
Asia	57	54	5.0
Japan	19	19	1.1
Taiwan	7	7	8.4
Oceania	13	13	0.7

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, both average room rates (+0.6%) and hotel occupancy (+2.9 percentage points) increased in September.

Employment in key tourism-related industries saw modest job losses (-0.1%) in September which mainly occurred in the food and beverage service sector (-0.6%).

The consumer price index for traveller accommodation fell (-0.1%), while the cost of restaurant food edged up marginally (+0.2%).

Transportation indicators also bounced back in September. Passenger traffic (+3.5%) at the Vancouver Airport increased in tandem with visitor entries in September.

There were more overseas passengers (+2.3%) as well as more people travelling to and from the US (+2.9%). Victoria Interna-

tional Airport posted the biggest month-over-month increase (+9.4%) since September 2003.

BC Ferries were busier in September, carrying more passengers (+2.8%) and vehicles (+2.1%). On the Coquihalla Highway, 6.5% more passenger vehicles passed through its tollbooths. This may be related to the timing of Labour Day, which fell on September 6<sup>th</sup> this year, allowing many families with school aged children to extend their summer vacation into the first week of the month.

Although the Canadian dollar appreciated slightly, the exchange rate fluctuations in September were too small to have any meaningful effect on tourism.

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

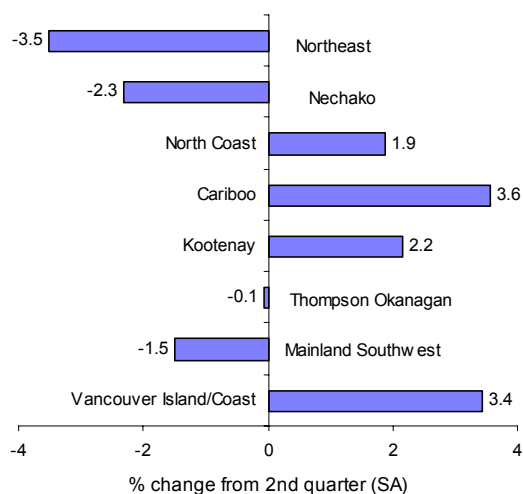
	Change from	
	Sep-04	Aug-04
<b>Hotel Industry</b>		
Occupancy rate	61.9	2.9 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	116.30	0.6%
<b>Airport Passengers (000s) (%)</b>		
<b>Vancouver International Airport</b>		
Total traffic	1,343	3.5
US (trans-border)	337	2.9
Other International	322	2.3
Canada (domestic) <i>(YVR)</i>	684	4.3
<b>Victoria International Airport</b>		
Total traffic <i>(Victoria Airport Authority)</i>	110	9.4
<b>Transportation (000s) (%)</b>		
<b>Coquihalla Highway</b>		
Passenger Vehicles <i>(Ministry of Transportation &amp; Highways)</i>	221	6.5
<b>BC Ferries</b>		
Vehicle Volume	709	2.1
Passenger Volume <i>(BC Ferries)</i>	1,830	2.8
<b>Exchange Rates Cdn \$</b>		
US \$	0.777	0.01
UK Pound	0.433	0.01
Japanese Yen	85.485	1.49
Australian \$ <i>(Statistics Canada)</i>	1.105	0.03

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

Room revenues were virtually unchanged in the third quarter (-0.1%, *seasonally adjusted*), after a robust second quarter (+2.7%).

Revenues varied considerably across development regions, falling in four of the province's eight Development Regions.

***Cariboo and Vancouver Island/Coast led second quarter growth***



Strong performances in Vancouver Island/Coast (+3.4%), the second largest development region, Cariboo (+3.6%) and Kootenay (+2.2%) were offset by declines in Mainland/Southwest (-1.5%) and in the rest of the province.

Hotels of all sizes saw slower business in the third quarter. The decrease was especially pronounced at large establishments (251+ rooms, -4.1%).

Revenues at non-standard accommodation types (including bed and breakfast and other short-term accommodation) posted the greatest gain (+4.2%).

As with room revenues, the volume of travellers entering Canada via BC was unchanged (-0.1%) in the third quarter. This was a result of slow growth in US (+0.5%) entries combined with a decline in travel from overseas (-2.9%). The downturn was mainly due to a decline in the number of visitors from Asia (-12.8%) and slower growth in the number of travellers from Europe (+4.4%) and South Pacific (+1.4%) compared to the second quarter.

Hotel occupancy decreased (-1.2 percentage points) to 60.8% in the third quarter while room rates were virtually unchanged (+0.2%) from the second quarter.

The number of passengers (-1.3%) and vehicles (-0.4%) aboard BC Ferries was down compared to the second quarter of 2004.

Traffic on the Coquihalla Highway, the main route connecting the southwest part of the province with BC, was virtually unchanged in the third quarter of 2004 (-0.4%).

## A look ahead

### Room Revenue

Preliminary numbers suggest that room revenues slipped (-2.5%, *seasonally adjusted*) in October. Slower growth was experienced in almost every region except for Cariboo (+2.7%), North Coast (+0.8%) and Northeast (+2.6%). The downturn was partly due to loss of revenue for very large (251+ rooms, -8.6%) and large (151-250 rooms, -2.5%) hotels.

After a month of recovery from the substantial drop in August, visitor entries in BC fell 5.8% in October. This was a result of declines in both US (-6.8%) and overseas (-0.9%) entries. Passenger traffic dropped at Victoria airport (-5.5%). There was some passenger (+0.9%) and vehicle (+0.5%) growth on BC Ferries, but this was modest after a month of relatively moderate growth.

Overall, the preliminary indications suggest that October 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: Bed and Breakfast

Bed and Breakfasts (B&Bs) are a unique lodging alternative to hotels and motels, typically offering a much more personal and cosy atmosphere compared to other types of lodging. Although the accommodation market is dominated by hotels and motels, Bed and Breakfast properties have seen steady growth since the late nineties as an increasing number of travellers seek out this type of accommodation.

### About B&Bs

The term B&B first came into use in Great Britain, but the practice of serving bed and breakfast to guests began during the middle ages, when monasteries housed travellers. Even today, convents and monasteries in Europe offer modest but safe accommodations to those on the road.

In the United States, the Great Depression greatly contributed to popularizing B&Bs, when many people chose to open their homes to travellers in order to subsidize their income. As incomes rose and an increasing number of hotels and motels were built, B&Bs went out of vogue, being viewed as low-income lodging.

In recent years B&Bs have received an increasing interest from tourists. Nowadays, they are viewed by many as an appealing alternative to the typical standard accommodation with some offering amenities comparable to those available at upscale hotels.

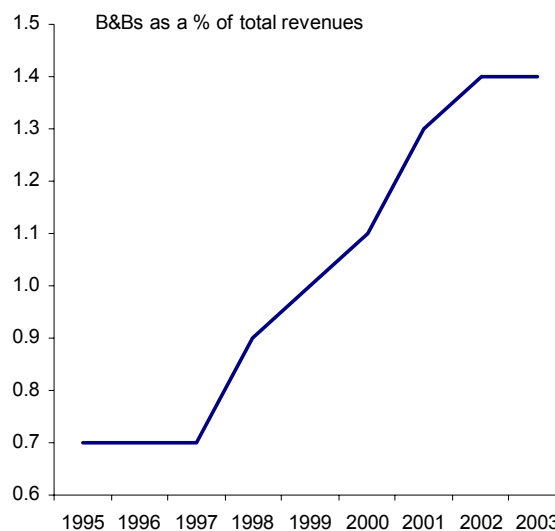
The Internet has played a role in the rising popularity of B&Bs. It opened the way to global advertising of B&B properties, including those run by private individuals. For the cost of setting up and maintaining a webpage advertising their services, many B&B operators are able to promote their properties to wired-in travellers all over the globe, something that was usually beyond

their grasp in the past. However, the Internet is not the only explanation for the surge in interest in B&Bs: they were already popular before there was widespread access to this global cultural phenomenon. Many guidebooks and similar resources for travellers in North America now provide listings of B&B properties are available to travellers seeking this type of accommodation.

### Bed and Breakfast the fastest growing segment of the lodging business

Since 1995, the room supply of B&Bs has increased 59% – more than twice the rate for hotel and motels combined (+18%). Room revenues have nearly tripled for this type of establishment since 1995 (compared to 39% for hotels and motels). This points to a gradual increase in traveller's preferences towards accommodations that offer more personal experiences and sometimes, more value for their money.

#### *Bed and Breakfast revenues on the rise*



Based on size, there are two categories of B&Bs: B&B Inns, which are multi-room structures devoted to travellers, and B&B homes, which are residential properties of private families that have decided to sup-

plement their income by renting out spare rooms to paying guests.

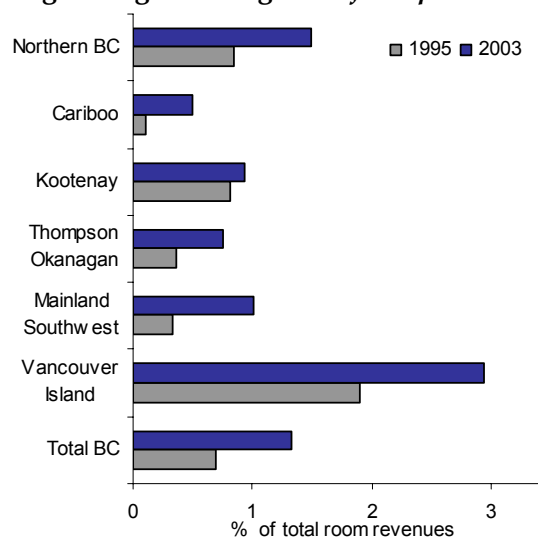
B&B Inns are usually independently run, and owners are not always able to compete with special price incentives offered by large accommodation properties, nor do they provide some of the features enjoyed by clients staying at larger hotels, such as exercise facilities, conference rooms, and other features typically sought after by business travellers. However, they attract travellers who are looking for a more intimate atmosphere at a location which may be further away from busy business districts. Many are located in converted historic properties. B&B Inns have fewer rooms than hotels, allowing the owner more time to attend to his or her guests' needs personally, and offer extra services such as: breakfast (often gourmet meals) included in the room rate; free local and toll-free calls; and the opportunity to interact with other guests in a more informal setting. Also, the bellman is likely to be the innkeeper, so no tipping is required. However, these facilities do not offer some features that many travellers seek, such as private bathroom facilities, or room service, and many travellers still prefer conventional accommodation with more amenities and a higher level of privacy.

B&B homes are more likely to be located in residential areas and even in rural settings. The hosts of these establishments are hospitable and often a great source of information on local events and things to do. Aside from the more upscale B&B Inns, this type of accommodation also caters to cost-conscious travellers, as the less expensive B&Bs are most likely to be found in private homes.

## Regional differences

B&Bs with four or more rooms made up about 8%<sup>1</sup> of all accommodation properties in the province, and generated just over 1% of total room revenues in 2003. Although these B&Bs remain a small segment of the accommodation market, they have nearly doubled their market share (from 0.7% to 1.3% of room revenues) since 1995, with every region of the province seeing an increase during this period. In Vancouver Island/Coast, nearly 3% of room revenues are earned by B&B properties. In Cariboo, the region where B&Bs are least popular, these properties generate 0.5% of total room revenues. Across the province, revenues have increased substantially more than the number of B&B properties since 1995, pointing to an increased preference for this type of establishment.

### *B&Bs have the biggest market share in Vancouver Island/Coast, but shares are growing in all regions of the province*



Since 1995, the largest gain in property numbers has been in the North and

<sup>1</sup> Only properties with at least four rooms are included in these figures, since Room Revenue data are based on information from hotel tax revenue files. Properties renting out fewer than four rooms are not subject to the Hotel Tax, so do not appear in these figures since no comparable data is available for these properties.

Mainland/Southwest, where the number of B&Bs (with four or more rooms) has more than doubled. Kootenay is the only region where the number of B&Bs has changed only marginally since 1995.

The importance of B&B accommodations in many regions of the province is growing. In 1995, half of all B&B revenues in the province originated in the Vancouver Island/Coast region. Since then, B&Bs in other areas of the province have picked up steam. Vancouver Island/Coast's share of total B&B revenues has fallen to 41%, as revenue growth in other parts of BC has been stronger. Mainland/Southwest now generates 20% of total B&B earnings (up from 13% in 1995). In Northern BC, the share has jumped to just over 10%.

B&Bs have the strongest presence in Vancouver Island/Coast, where 13% of all accommodation properties are B&Bs. The market for B&Bs in the Vancouver Island area is well established, possibly because the region has long been a favoured destination for travellers seeking to experience "old world charm" on Canada's West Coast. In 2003, B&Bs generated nearly 3% of total room revenues in this region, well above the provincial average (0.7%), and considerably more than in any other region of the province.

In Mainland/Southwest—the region encompassing Vancouver and its surrounding areas—B&Bs have experienced an expansion in both the number of properties (+6.6 percentage points) and revenues (+0.7 percentage points) in the last eight years. However, this is mostly an urban market, dominated by standard accommodation.

There is a trend toward a growing preference for smaller and more home-grown services. An increasing number of leisure and business travellers are looking for establishments that offer a more personalized service and the kind of hospitality that traditional types of accommodations can't duplicate. While B&Bs and other non-standard accommodation still hold a relatively small share of the tourism market, they are becoming important competitors to standard establishments.