

Tourism Sector Monitor ♦ January 2005

Room Revenue

Room revenues decreased in October (-2.3% *seasonally adjusted*), as all but three regions posted month-over-month declines. Revenues were down in the two largest regions Mainland/Southwest (-3.1%) and Vancouver Island/Coast (-2.0%). Nechako (-5.1%), Thompson-Okanagan (-2.5%) and Kootenay (-1.5%) also saw revenues fall through October.

Room revenues slipped in October

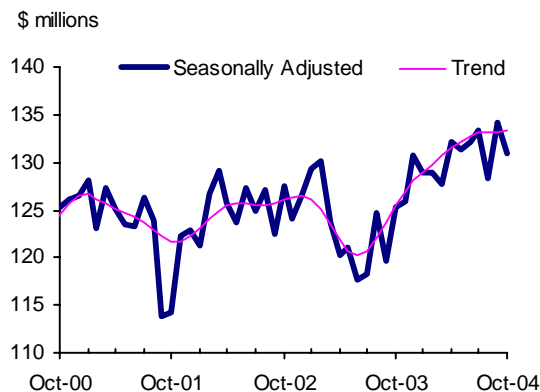


Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	Oct 04 (\$000)	Sept 04 (\$000)	% change
Total	131,027	134,070	-2.3
Hotels	95,528	99,136	-3.6
Motels	16,250	16,050	+1.2
Other Acc.	18,961	19,293	-1.7
Regions (Top 3 performers)			
Northeast	4,498	4,294	+4.7
Cariboo	3,930	3,827	+2.7
North Coast	1,648	1,633	+0.9

Province-wide, revenues were down at very large hotels (with 251+ rooms, -8.4%) and

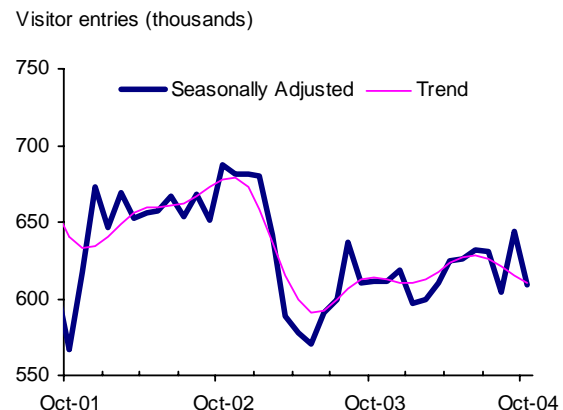
large hotels (with 151-250 rooms) (-2.5%). The greatest gain in October was recorded by motels (+1.2%).

Non-standard accommodation types (including bed and breakfast and other types of short-term accommodation) experienced a significant decline (-3.8%).

Visitor Entries

The volume of travellers entering Canada via BC border crossings fell 5.8% (*seasonally adjusted*) in October. The downturn experienced in visitor entries was due to a general weakness in both US (-6.6%) and overseas (-1.8%) travellers. The drop in the Australia/South Pacific market (-7.9%) was particularly sharp.

Visitor entries fell in October



In October, the number of Canadians returning to BC slipped (-0.4%) after a month of strong growth (+5.5%) in September. More Canadians (+3.4%) made same-day car trips south of the border, possibly due to a strong Loonie. However, overseas destinations were less popular in October as the number of Canadians returning from abroad experienced a sharp decline (-14.0%).

	Oct-04 (000)	Sep-04 (000)	% chg from Sep-04
American visitors			
Total	493	528	-6.6
Same-day	203	205	-1.3
Overnight	296	305	-3.1
Overseas visitors			
Total	114	116	-1.8
Europe	38	39	-2.7
UK	18	20	-9.0
Asia	57	57	0.4
Japan	18	19	-4.9
Taiwan	8	7	16.6
Oceania	12	13	-7.9

(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, both average room rates (-0.6%) and hotel occupancy (-0.4 percentage points) edged down in October.

Employment in key tourism-related industries declined (-1.3%) in October, led by a decrease in the food and beverage service sector (-1.4%). The air transport industry saw modest job gains (+0.8%).

The consumer price index for traveller accommodation fell (-0.6%), while the cost of restaurant food edged up marginally (+0.2%).

Transportation indicators round out the picture of a weak month for the tourism sector. Passenger traffic at Vancouver International Airport was down 2.0%, with an even sharper decline recorded at the Victoria Airport (-5.4%).

Both the drop in the number of travellers and the loss in the room revenues in Vancouver Island/Coast (-2.0%, *seasonally adjusted*) indicate a weak month for the accommodation industry in Victoria.

BC Ferries were slightly busier in October, carrying more passengers (+0.9%) and vehicles (+0.6%).

On the Coquihalla Highway, 3.4% less passenger vehicles passed through its tollbooths.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Oct-04	Sep-04	Change from
Hotel Industry			
Occupancy rate	61.7		-0.4 pp.
Average room charge	115.90		-0.6%
<i>(Pannell Kerr Forster)</i>			
Airport Passengers (000s) (%)			
Vancouver International Airport			
Total traffic	1,311		-2.0
US (trans-border)	332		-1.3
Other International	312		-2.0
Canada (domestic)	667		-2.3
<i>(YVR)</i>			
Victoria International Airport			
Total traffic	104		-5.4
<i>(Victoria Airport Authority)</i>			
Transportation (000s) (%)			
Coquihalla Highway			
Passenger Vehicles	213		-3.4
<i>(Ministry of Transportation & Highways)</i>			
BC Ferries			
Vehicle Volume	715		0.6
Passenger Volume	1,851		0.9
<i>(BC Ferries)</i>			
Exchange Rates Cdn \$			
US \$	0.802		0.03
UK Pound	0.444		0.01
Japanese Yen	87.230		1.74
Australian \$	1.093		-0.01
<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 increased (+1.7%, *seasonally adjusted*) in November. All regions fared relatively well, particularly the Northeast (+10.2%), Thompson-Okanagan (+5.7%) and Kootenay (+4.5%). Revenues in Mainland/Southwest (+0.1%) and Cariboo (+0.1%) were virtually unchanged. Hotels with 151-250 rooms (+6.7%) and motels (+5.6%) had a strong performance in No-

vember, while smaller hotel with 1-75 rooms saw revenues slip. Visitor entries in BC fell 1.1% in November. Entries from the US edged up (+0.1%), with a drop in the number of same-day cross border excursions (-0.5%) partly offsetting an increase in overnight visits (+1.3%). Overseas entries decreased (-6.0%) in November.

Passenger traffic edged up at Victoria airport (+0.8%). There was some passenger (+0.9%) and vehicle (+1.5%) growth on BC Ferries.

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: Canadians are becoming choosier as travellers

Overseas travel has an enduring importance and allure that many Canadians can not resist. International destinations other than the US appeal to a wide range of Canadian travellers, due to their unique combination of culture, history, cuisine and beautiful sandy beaches.

Strong growth in Canadian travel overseas

Canadians made a record 5.1 million trips to overseas destinations in 2003, up 8% from the previous year. This was mainly due to a jump of over 16% in the number of pleasure trips.

International travel to countries other than the US has been on the rise throughout most of the 1992 to 2003 period (up over 60% since 1992) as Canadians continued to travel to their favourite destinations as well as discover new ones.

Possible reasons for this increase could be the positive growth in the economy and a stronger Canadian dollar as well as the rising importance and sophistication of travel Internet sites helping customers make better informed and faster choices.

Statistics suggest that Canadians have one of the highest rates of Internet use in the world, with approximately 70% of the population having access to this technology, of which over 50% have broadband access. It is estimated that new technology will bring broadband Internet access to almost every community in Canada by 2006 and that could have an increasing impact on the way Canadians will manage their travelling dollars.

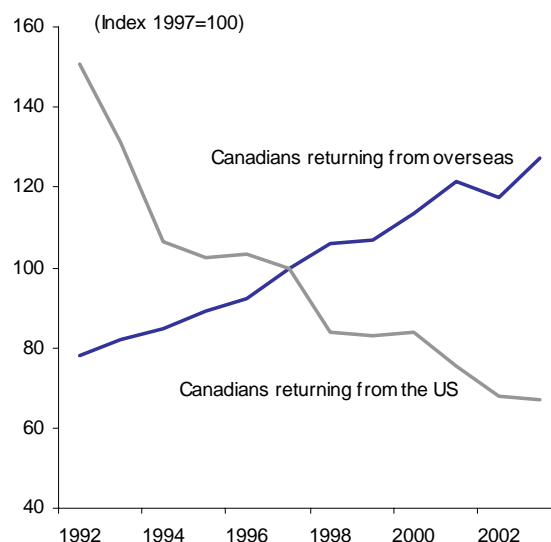
Also contributing to the increase in overseas travel is the higher number of students spending a semester, or even a year, studying abroad at the encouragement of most Canadian Universities. The National British

Tourism authority reported an increase of study visits by Canadian students to Britain from 1,000 in 1999 to 6,000 in 2003.

Travel to the US is declining, but still accounts for the majority of the trips abroad

Trips by Canadians to the United States fell 1.3% (same-day and overnight) in 2003. The downward trend in overnight trips to the US that began in 2000 continued in 2003, with a 2.8% drop, while same day trips remained virtually unchanged (-0.2%) compared to 2002.

Canadian interest in overseas travel is increasing



The strength of the Canadian economy and the recent appreciation of the loonie should encourage more travel to the US. However, a trend has been established over the past five years whereby more Canadians are travelling to countries other than the US.

The US is still the most popular destination for Canadian travellers. Close to nine out of ten trips made by Canadians are to US destinations.

The fact that the number of trips to the US fell instead of increasing, despite the rise of the Canadian dollar vis-à-vis the US greenback, suggests that preferences and trends in travel are not always driven by monetary concerns.

The increased waiting time at the US border might explain the lower travel flow towards the US. However, the trend points to a change in Canadians' preference towards international travel.

Popular travel destinations for Canadians

Based on the latest statistics, Canadians are moving away from traditionally sought after US destinations. A few weeks south of the border simply does not do it for many Canadians any more.

Popular European destinations such as the U.K., France, Germany and Italy are still receiving attention from Canadians, but new ones are rapidly coming into vogue.

In 2003, 684,000 Canadian residents crossed the UK's border, a 5.1% increase from 607,000 in 2002, which positioned the country as the second most popular destination for Canadian tourists.

Top six non-US countries visited by Canadian residents, 2002 and 2003

Overnight Visits	2002		2003
	thousands	to 2003	% Change
Mexico	607	716	17.9
UK	720	684	-5.1
France	505	509	0.7
Cuba	331	495	49.4
Dominican Republic	319	415	29.8
Germany	255	331	29.7

Source Statistics Canada

The main attractions of Britain for Canadians remain history, heritage and culture, while some of the negative images are bad weather, lower comfort factors than in North America and a perception of the country as an expensive destination.

Although the demand for travel to the UK and Europe is still strong, especially from Ontario, Alberta and British Columbia, the growth in traffic in the long term will depend on economic conditions.

A growing number of Canadians are choosing different parts of the world as their travel destinations. In 2003, Mexico was the most popular non-US destination, welcoming 716,000 Canadians, 17.9% more than in 2002. Mexico was the second most preferred destination in 2002 after the UK, receiving 607,000 visitors, an 11.8% drop from the previous year.

From 1992 to 2002 Mexico managed to attract close to 58% more Canadians due to a competitive advantage for leisure and business visitors alike. The Mexican government's support for business tourism, a wide diversity of attractions, a geographic location that caters to North American visitors, systematic promotion of the country abroad as well as improved visitor's security helped Mexico become a very popular destination, especially during winter months when Canadians travel to escape the cold weather.

Newly emerging travel destinations for Canadians

Over the last decade, an increasing number of Canadians travelled to Cuba and the Dominican Republic, substituting for sunny destinations such as Florida.

In 2003, 495,000 Canadians visited Cuba, close to a 50% increase from the previous year. The Dominican Republic was popular as well, welcoming 415,000 Canadians, an increase of over 29% from 2002. The increased popularity of these countries suggests a possible positive change of visitors' perceptions. More Canadians are choosing Cuba and the Dominican Republic as their leisure destination because they are perceived as safer, as well as better value for their money, than in the past.

It is difficult to say whether or not future trends in overseas travel will change dramatically. Further appreciation of the Canadian dollar and the close proximity of the two countries might help make the US more appealing to Canadian travellers.