

Tourism Sector Monitor ♦ February 2005

Room Revenue

Room revenues rebounded in November (+2.0% *seasonally adjusted*), as all development regions fared relatively well. Thompson-Okanagan was the major engine of revenue growth (+6.1%), supported by Northeast (+10.4%), Kootenay (+4.9%) and Nechako (+3.1%). Revenues in Vancouver Island/Coast (+2.0%), the second largest region, also helped boost overall growth. However, properties in Mainland/ Southwest (+0.2%) and Cariboo (+0.1%) saw virtually no change.

Room revenues increased in November

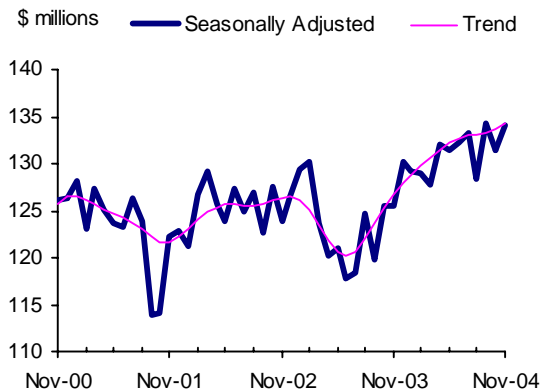


Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Nov 04 (\$000)	Oct 04 (\$000)	% change
Total	134,069	131,455	+2.0
Hotels	97,530	95,863	+1.7
Motels	17,352	16,285	+6.6
Other Acc.	19,730	19,149	+3.0
Regions (Top 3 performers)			
Northeast	5,023	4,548	+10.4
Thompson/Okanagan	19,712	18,581	+6.1
Kootenay	6,701	6,387	+4.9

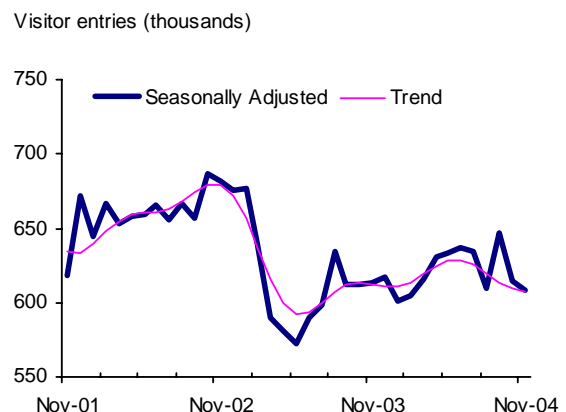
Large hotels (151–250 rooms, +6.7%) posted the strongest growth in November. Revenues at very large hotels (251+ rooms, +0.2%) were flat, while small hotels (1–75 rooms, -1.8%) saw revenues slip.

Motels (+6.6%) and non-standard accommodation types—bed and breakfast, work camps and resorts—experienced a strong November (+3.0%).

Visitor Entries

In contrast to revenues, the volume of travellers entering Canada via BC border crossings continued to decline, dropping 0.4% (*seasonally adjusted*) largely due to a downturn in entries by overseas travellers (-4.8%). European visitor entries dropped (-10.2%) due to a decrease in travellers from Germany (-21.0%) and the UK (-5.4%). The overall drop of 4.0% in the number of Asian visitors was due to substantially fewer entries from Taiwan (-24.9%) and Japan (-2.0%). The number of visitors from Australia, New Zealand and the South Pacific rose 3.2%

Visitor entries slipped in November



	Nov-04 (000)	Oct-04 (000)	% chg from Oct-04
American visitors			
Total	496	493	0.6
Same-day	202	203	-0.7
Overnight	299	295	1.4
Overseas visitors			
Total	111	117	-4.8
Europe	36	40	-10.2
UK	18	19	-5.4
Asia	56	58	-4.0
Japan	19	19	-2.0
Taiwan	7	9	-24.9
Oceania	12	12	3.2

(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

Overall entries from the US stayed fairly flat (+0.6%), as an increase in overnight visits (+1.4%) was offset by fewer same-day trips (-0.7%) to BC.

Canadian travel abroad rebounded (+4.3%) after dipping in October (-0.5%). Canadians made more trips to the US (+4.5%) and other destinations (+2.0%) in November.

Other Indicators

In the hotel industry, both average room rates (+1.0%) and hotel occupancy (+0.8 percentage points) increased in November.

Employment in key tourism-related industries increased moderately (+1.6%) in November, led by increases in the arts, entertainment and recreation (+3.5%) as well as the food and beverage service industry (+1.8%). The air transport (-0.8%) and accommodation (-0.7%) industries, saw modest job losses.

The Consumer Price Index for traveller accommodation increased (+1.2%), while the cost of restaurant food edged up marginally (+0.2%).

Transportation indicators were weak in November. The number of passengers at both the Vancouver (+0.7%) and Victoria

(+0.9%) airports edged up. There was modest growth in the number of vehicles (+1.7%) and passengers (+1.0%) aboard BC Ferries in November.

On the Coquihalla Highway, 3.1% more passenger vehicles passed through the toll-booths in November.

The Canadian dollar continued to appreciate, increasing to 0.84 US\$ in November.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Nov-04	Change from Oct-04
Hotel Industry		
Occupancy rate	62.9	0.8 pp.
Average room charge	117.30	1.0%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,329	0.7
US (trans-border)	333	0.8
Other International	315	0.2
Canada (domestic)	682	0.8
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	104	0.9
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	221	3.1
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	729	1.7
Passenger Volume	1,870	1.0
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.836	0.03
UK Pound	0.449	0.01
Japanese Yen	87.458	0.23
Australian \$	1.084	-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 (+2.1%, seasonally adjusted) in December with a mixed performance across development regions and accommodation types. Cariboo (+18.8%) was the main engine of revenue growth, followed by Mainland/ Southwest (+2.8%) and Vancouver Island/Coast (+2.7%). Revenues declined sharply in North Coast (-11.8%) and Northeast (-6.9%).

Revenues rose at hotels with 250 or more rooms (+12.4%) in December, while all the other accommodation types posted declines. Vacation rentals were virtually unchanged. Visitor entries bounced back 0.3% in December largely due to an increase in visits from overseas (+2.2%). Entries from the US were flat (-0.1%), with virtually no change in the number of same-day cross-border excursions (-0.1%) and a drop in overnight visits (-1.6%).

Passenger traffic increased at Victoria (+2.2%) as well as Vancouver (+1.0%) airports. There were more passenger vehicles aboard BC Ferries (+2.9%), but fewer on the Coquihalla Highway (-2.2%)

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.

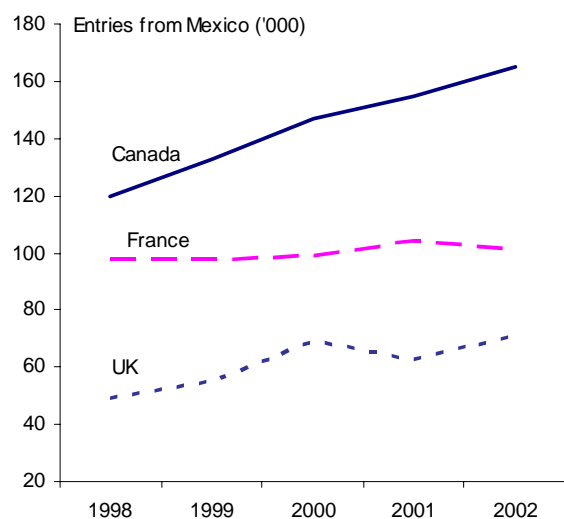
How accurate is the preliminary data? Over 17 reports in 2003 and 2004, room revenues changed (rose or fell on a month-over-month basis) on average by 2.7% (absolute value). The preliminary numbers—reported in the “look ahead” section—were off by an average of 0.5 percentage points. This represents a 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: Mexico a growing market for both B.C. and Canada

A growing number of Mexicans, close to 13 million in 2004, went abroad, suggesting that foreign travel is a growing consumer pastime among Mexicans.

In 2002, close to 12 million Mexicans travelled abroad. Approximately 80% of them took short trips by car across the US border within the "free mile zone," mainly to go shopping. Mexicans travelling within the free mile zone do not require visitors' visa, or passports to enter the US. There are, however, an estimated 3 million Mexicans who travel further afield for pleasure, business and to visit friends and family.

Mexicans choose Canada over European favourites



Data Source: World Tourism Organization

Not surprisingly, the US is the favourite destination of Mexican tourists. This is partly because the US and Mexico are neighbouring states, and their close proximity means that many Mexicans do not have to travel far to visit the US. Mexican immigrants to the US also attract visits from friends and family who live south of the border.

The cumbersome entry requirements could deter travel from Mexico to the US, creating an opportunity for Canada to pick up some of the slack.

Many Mexicans are interested in Canada, and perceive it as safe and less expensive than their own country. However, the interest has not translated into a higher market share for Canada, possibly due to lack of awareness about attractions and activities offered in Canada.

In December 2004, the Canadian Tourism Commission's (CTC's) board of directors approved an increase in marketing investment of \$600,000 for Mexico. The extra marketing dollars are expected to help better position Canada in the Mexican tourism market.

How do Mexicans spend their time while on holiday?

Mexicans travel not only for recreational purposes, but also for educational reasons. Travel abroad means that they can experience other cultures, with their traditions and history, and is viewed by many as an investment in the future of their children. Many Mexicans visit museums, art galleries, cultural events and festivals when they travel to Canada. They also like participating in sporting events and, not surprisingly, winter activities are also popular. Some Canadian tour operators have reported increasing interest in ski packages to Canada over the last few years.

Travel from Mexico to Canada is increasing

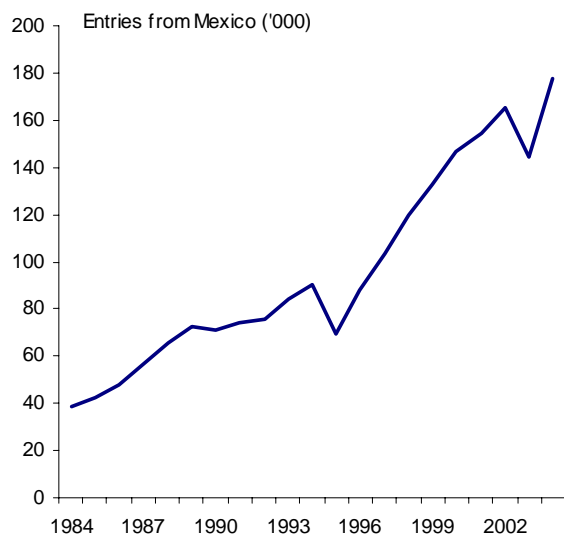
In 2004, over 177,000 Mexicans travelled to Canada, exceeding the peak of 165,000 visitors recorded in 2002 before the peso slipped. Outbound travel from Mexico to

Canada expanded a hefty 23% in 2004, from 144,000 visitors in 2003. Travel from Mexico to Canada jumped from 38,820 visitors in 1984 to over 177,000 in 2004.

Canada's profile as a tourist destination is on the rise in Mexico partly due to various tourism agencies and organizations marketing efforts to attract a higher number of tourists from Mexico. The Canadian Tourism Commission's Market Priorities Assessment (MPA) ranked Mexico as Canada's fifth-largest inbound tourism market.

The number of outbound travellers has also increased due to Mexico's success in stabilizing its economy and achieving a less-volatile currency by emerging market standards.

Canada is attracting more Mexicans



Data Source: Statistics Canada

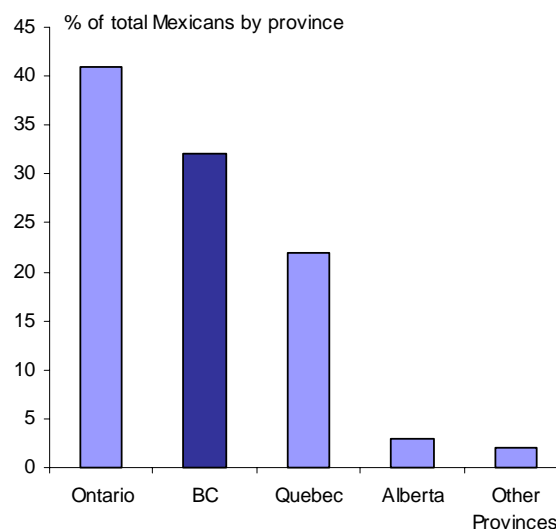
A small portion of the increase in visitors over the years might also be attributed to the more than 10,000 Mexicans working in Canada each year to help fill worker shortages in agriculture and construction.

BC is the second most popular Canadian destination for Mexicans

In 2004, 56,500 Mexican visitors came to BC, a 6.4% increase from the previous year, representing 32% of the total Mexican visitors

to Canada. Mexicans entering via BC border crossings represent 0.8% of the total number of travellers coming to BC. Ontario ranks first as the favourite destination of Mexican tourists, receiving close to half of the Mexican tourists arriving at Canadian national borders.

One in three Mexicans visiting Canada comes to BC



Data Source: Statistics Canada

This is most likely due to a higher concentration of Mexican immigrants in Ontario compared to BC. Mexico was Ontario's fifth-largest foreign tourism market in 2004, welcoming 73,200 thousand Mexicans, a 36% increase from the previous year.

Quebec is the third most preferred province, receiving 22% of Mexican outbound travellers with approximately 38,200 arrivals last year. All the other provinces receive only 2% of total Mexican inbound travel to Canada; however, most provinces experienced double-digit growth between 2003 and 2004.

The Tourism Industry has recovered in 2004 from the severe hits received in 2003. Most of the traditional overseas markets bounced back, and with new emerging ones such as Mexico and Mainland China, the future looks bright.