

Tourism Sector Monitor ♦ March 2005

Room Revenue

Room revenues rose in **December** (+2.2% *seasonally adjusted*), for the second consecutive month. Vancouver Island/Coast (+2.8%), Mainland Southwest (+2.8%) and Cariboo (+19.2%) were the regions with increased room revenues in December. Three out of eight development regions in BC saw room revenues decline, with particularly large downturns recorded in North Coast (-12.0%) and Northeast (-6.1%).

Room revenues climb in December

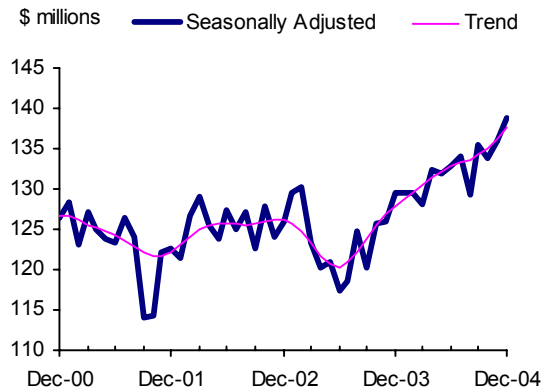


Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Dec 04 (\$000)	Nov 04 (\$000)	% change
Total	138,797	135,856	+2.2
Hotels	102,926	99,093	+3.9
Motels	17,228	17,620	-2.2
Other Acc.	19,809	19,908	-0.5
Regions (Top 3 performers)			
Cariboo	4,719	3,957	+19.2
Mainland/Southwest	74,532	72,512	+2.8
Vancouver Island/Coast	25,879	25,177	+2.8

Driving the growth was revenues at very large hotels (251+ rooms, +12.4%). However, the other establishment types, with the exception of vacation rentals (+1.0%), recorded lower revenues in December.

Room revenues increased in the **fourth quarter** (+2.4%, *seasonally adjusted*) after experiencing virtually no change in the third quarter. Revenues were up in all development regions with the exception of North Coast (-3.3%). Vancouver Island/Coast (+2.1%), Thompson/Okanagan (+3.7%), Cariboo (+10.4%) and Northeast (+23.9%) recorded solid performances in the last quarter of 2004. Revenues edged up in Mainland/Southwest (+0.7%) and Nechako (+0.4%).

Hotels of all sizes were busier in the fourth quarter. Large (151-250 rooms, +3.7%) and medium (76-150 rooms, +2.3%) size hotels posted solid growth. However, revenues at motels (+6.7%) and vacation rentals (+7.7%) posted the greatest gains.

Visitor Entries

The number of visitors entering Canada via BC border crossings edged up in **December** (+0.3% *seasonally adjusted*), largely due to an increase in visits from overseas (+2.2%). Entries from the US were flat (-0.1%), with a decrease in the number of same-day cross border excursions (-2.0%) and a drop in overnight visits (-1.9%).

European entries recovered in December (+9.2%) due to an increase in travellers from Germany (+8.9%) and the UK (+4.3%). The overall drop of 2.1% in the number of Asian visitors was due to substantially fewer visi-

tors from Japan (-5.4%), Hong Kong (-11.3%) and Taiwan (-3.3%).

The number of visitors from Australia, New Zealand and the South Pacific edged up 0.7%.

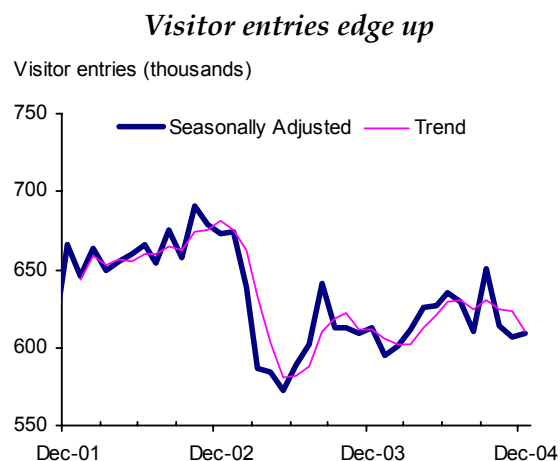


Table 2. Traveller Entries
(seasonally adjusted)

	Dec-04 (‘000)	Nov-04 (‘000)	% chg from Nov-04
American visitors			
Total	496	496	-0.1
Same-day	195	199	-2.0
Overnight	292	297	-1.9
Overseas visitors			
Total	114	111	2.2
Europe	39	36	9.2
UK	18	18	4.3
Asia	55	56	-2.1
Japan	18	19	-5.4
Taiwan	6	6	-3.3
Oceania	12	12	0.7

(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

Canadian travel abroad increased (+3.6%) because Canadians took more trips to the US (+5.6%). Travel to other destinations edged down (-0.5%).

The volume of travellers entering Canada via BC decreased (-3.2%) in the **fourth quarter**, as fewer visitors entered BC from the US (-3.1%) and overseas (-3.5%). The Euro-

pean entries were down 5.6%, as were entries from Australian, New Zealand and the South Pacific markets (-5.6%), and the Asian market (-2.6%). The US same day (-4.0%) and overnight (-1.2%) traffic also slumped in the fourth quarter.

Other Indicators

In the hotel industry, both average room rates (+0.3%) and hotel occupancy (+0.8 percentage points) edged up **December**.

Employment in key tourism-related industries increased (+0.7%) in December. The arts, entertainment & recreation (+1.9%) and the accommodation (+1.0%) industries increased employment moderately, while the air transport sector (-0.8%) saw modest job losses.

The Consumer Price Index for traveller accommodation (+0.3%), and the cost of restaurant food (+0.9%) edged up marginally in December.

Transportation indicators were mixed in December. The number of passengers at the Vancouver airport crept up (+0.4%), mostly due to domestic traffic (+1.6%). Traffic at the Victoria airport increased 2.3%. There was solid growth in the number of vehicles (+3.2%) and passengers (+1.9%) aboard BC Ferries in December.

On the Coquihalla Highway, 2.4% fewer passenger vehicles passed through the toll-booths in December.

In the **fourth quarter** hotel occupancy increased (+1.6 percentage points) to 62.9%, while room rates edged up (+0.6%) from the third quarter to \$117.

Air passenger traffic at the Vancouver airport rose to over 4 million travellers, 1.1% more than in the third quarter. Traffic at the Victoria airport (+0.4%) edged up to 315 thousand visitors.

BC Ferries were busier in the fourth quarter, carrying more passengers (+3.4%) and vehicles (+3.6%). Traffic on the Coquihalla Highway, the main route connecting the southwest part of the province with the rest of BC, edged up (+0.3%) in the fourth quarter.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Change from	
	Dec-04	Nov-04
Hotel Industry		
Occupancy rate	63.7	0.8 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	117.60	0.3%
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,347	0.4
US (trans-border)	338	-0.8
Other International	313	-0.6
Canada (domestic) <i>(YVR)</i>	696	1.6
Victoria International Airport		
Total traffic <i>(Victoria Airport Authority)</i>	107	2.3
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <i>(Ministry of Transportation & Highways)</i>	215	-2.4
BC Ferries		
Vehicle Volume	748	3.2
Passenger Volume <i>(BC Ferries)</i>	1,899	1.9
Exchange Rates Cdn \$		
US \$	0.820	-0.02
UK Pound	0.426	-0.02
Japanese Yen	85.222	-2.24
Australian \$ <i>(Statistics Canada)</i>	1.071	-0.01

Note: pp. percentage points

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

A look ahead

Room Revenue

Preliminary numbers suggest that room revenues decreased (-2.3%, *seasonally adjusted*) in January as all but two regions posted month-over-month declines. Revenues were down in the two largest development regions Mainland/ Southwest (-3.0%) and Vancouver Island/Coast (-1.0%). The only two regions to escape the downturn were Northeast (+7.3%) and Nechako (+6.5%). All accommodation types,

except vacation rentals (+0.2%) experienced substantial losses in January.

Visitor entries took a downturn in January (-4.7%, *seasonally adjusted*). This was largely due to a significant drop in visitors from the US (-5.6%).

Transportation indicators were down in January with the exception of the Vancouver (+1.5%) and Victoria (+0.9%) airports. There were substantially fewer passengers (-9.4%) and vehicles (-9.0%) aboard 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%.

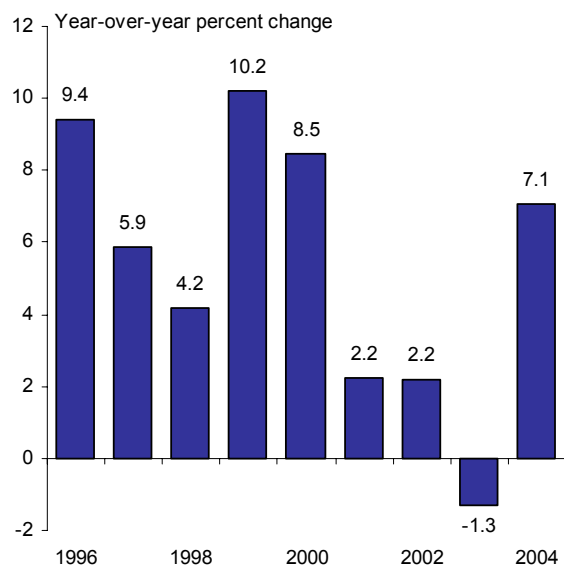
Special Focus: BC's tourism sector in 2004

BC's tourism sector rebounded in 2004 with most indicators showing solid growth. Room revenues, visitor entries, passenger traffic, and other indicators recovered most of the ground lost in 2003, when various external factors plagued the tourism industry.

Revenues posted strong growth in 2004

Room revenues at hotels, motels and other establishments in British Columbia increased 7.1% to reach close to \$1.6 billion in 2004. Although this was below the rates at which revenues had been expanding at the turn of the twenty first century, the rebound highlights the strength of BC's tourism economy.

Strong growth in room revenues in BC



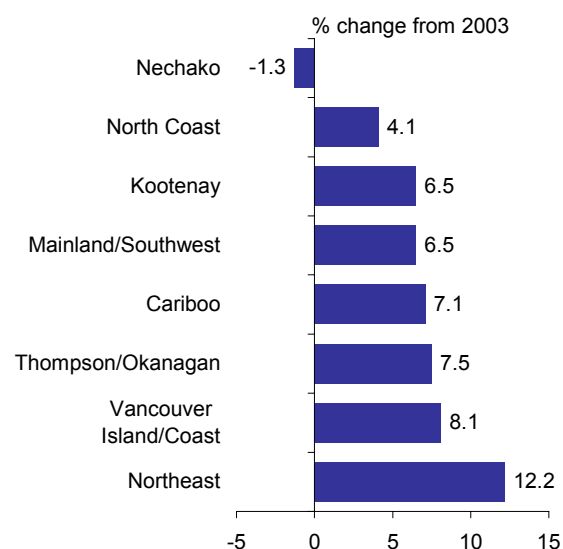
Data Source: BC Stats

Northeast was the top performer in 2004

For the second consecutive year, the Northeast region outperformed the rest of the

province in 2004, posting a growth rate of 12.2%. This follows a gain of 22.1% in 2003. Among regions, only Nechako (-1.3%) had less revenue in 2004 than in the previous year. The two most populated regions, Mainland/Southwest (+6.5%) and Vancouver Island/Coast (+8.1%) made significant gains in room revenues. Thompson-Okanagan (+7.5%) was also a major engine of revenue growth, as were Kootenay (+6.5%), Cariboo (+7.1%) and North Coast (+4.1%).

Revenues up in all regions except Nechako



Data Source: BC Stats

Revenues up at all types of establishments

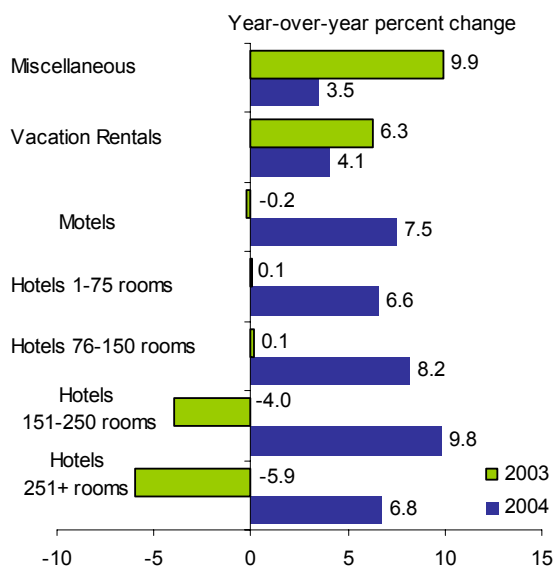
In 2004, hotels and motels outperformed vacation rentals and other types of accommodation properties (including bed and breakfast, fishing lodges and other types of short-term accommodation).

This is a reversal from 2003, when vacation rentals (+6.3%) and other miscellaneous accommodations (+9.9%) were the only

establishments to post significant increases in revenues, proving themselves as important competitors to standard establishments. In 2004, vacation rentals saw a 4.1% increase, while accommodation properties, which include fishing lodges, bed and breakfasts and others, climbed 3.5%.

Top performers in 2004 were large to mid-sized hotels (76-250 rooms) generating almost 33% of the total revenue. Hotels with 151-250 rooms posted the highest gain (+9.8%), followed by mid-size hotels (76-150 rooms, +8.2%). Very large hotels (251+ rooms), which generated almost 30% of total revenue, posted a 6.8% gain.

Large hotels rebounded after slumping in 2003



Data Source: BC Stats

Visitor Entries rose for the first time since 2000

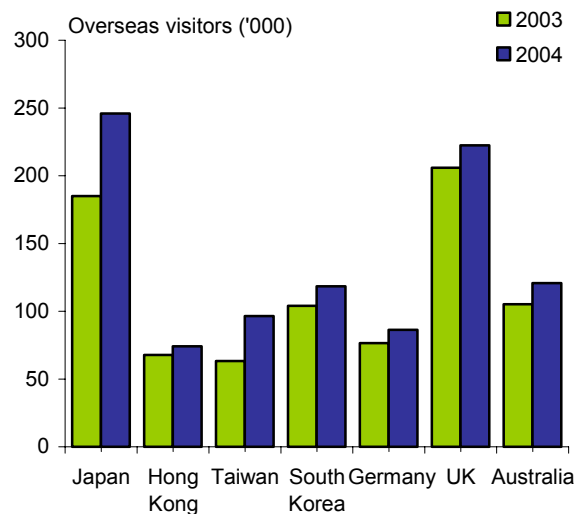
After dropping (-8.0%) in 2003, the number of travellers entering Canada via BC borders rose (+1.1%), increasing to over 7.4 million visitors in 2004. This was the first year-over-year increase since 2000.

Although entries have been recovering from a three year long downturn it has been a slow climb up largely due to a drop in entries from the US (-1.8%) in 2004. US entries play a major role in the overall trend for BC because they make up over 80% of all travellers to the province. Over the last four years, the number of US same-day visits to Canada through BC border crossings has been declining, partly due to increased border security delays since September 2001 and more recently a stronger Canadian currency. Last year was no exception, as the number of same-day visitors dropped (-3.4%) to less than 2.5 million. The number of US visitors on overnight trips who enter Canada via British Columbia grew steadily until 2002. However it has declined during the last two years. In 2004, overnight travel from the US edged down (-0.3%) to 3.5 million visitors.

Overseas travel to BC recovered

There was substantially more travel to BC (+15.9%) from most overseas markets in 2004. Visits from Asia (+23.9%), Australia, New Zealand and the South Pacific (+15.6%) and Europe (+11.7%) increased significantly.

BC's top 7 overseas markets posted gains



Data Source: Statistics Canada

In 2004, total travel to BC from all of the major overseas markets increased. Visitors from Taiwan (+52.5%) and Japan (+33.0%) led the way last year followed by Australia (+14.6%), South Korea (+13.7%) and Germany (+13.0%). The number of visitors from Hong Kong (+9.3%) and the UK (+8.1%) also went up.

More Canadians returning home from overseas travels

The number of Canadians re-entering the country via BC increased (+8.0%) in 2004 for the second year in a row. Travel to overseas countries has had a very positive trend over the past decade, with the exception of 1999. Each year has seen more overseas returns, with the number of visitors rising 10.9% to over one million travellers in 2004.

Same-day car trips from Canada to the US had declined during most of the last decade, but the trend began to change in 2003, when same-day travel increased (+4.4%). In 2004 same-day cross-border excursions rose 7.7%, as Canadian shoppers and tourists took advantage of a strong dollar for the first time since 1993.

Other Annual Indicators

In the hotel industry, the occupancy rate increased by 3.4 percentage points to nearly 62%, while average room prices rose 1.7% in 2004, to \$115.7. The peak occupancy occurred in December (about 64%, *seasonally adjusted*).

Not surprisingly, considering the upturn in visitor entries, air passenger traffic at Vancouver airport rose to over 15.7 million travellers, 9.8% higher than in 2003, with higher volumes on all types of flights. US trans-border (+3.9%), other international travel (+16.5%) and domestic traffic (+9.9%) all increased. Victoria airport welcomed 1.2 million travellers, a 5.7% increase from 2003.

There was a substantial rebound for other transportation indicators in the province in 2004. BC Ferries were busier, carrying more passengers (+2.8%) and vehicles (+3.3%). On the Coquihalla Highway, 4.3% more passenger vehicles passed through the toll-booths last year.

Employment in key tourism-related industries edged up (+0.2%) last year, led by increases in the air transport (+2.2%) and the arts, entertainment and recreation (+4.2%) industry, but offset by decreases in the accommodation sector (-4.8%). The food and beverage industry (0.0%) saw virtually no change.

Other Tourism Indicators (annual)

	2004	Change from 2003
Hotel Industry		
Occupancy rate	61.7	3.4 pp
Average room charge	115.68	1.70%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	15,725	9.8
US (trans-border)	3,964	3.9
Other International	3,775	16.5
Canada (domestic)	7,986	9.9
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	1,250	5.7
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	2,586	4.3
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	8,532	3.3
Passenger Volume	21,953	2.8
<i>(BC Ferries)</i>		

Note: pp. percentage points

In BC, restaurant and tavern receipts increased (+7.7%) in 2004 to over \$5.8 million.

The overall indication is that 2004 was a good year for the tourism sector in BC.