

Tourism Sector Monitor ♦ May 2005

Room Revenue

Room revenues edged up in February (+0.7%, *seasonally adjusted*), following a decline in the previous month. Five regions posted growth, which was especially prominent in Nechako (+23.2%) and Northeast (+14.3%). The sharp increase in revenues in Nechako is largely due to filming activities in the Smithers area, while work camps in the Northeast continued to boost revenues in the region.

Room revenues edged up in February

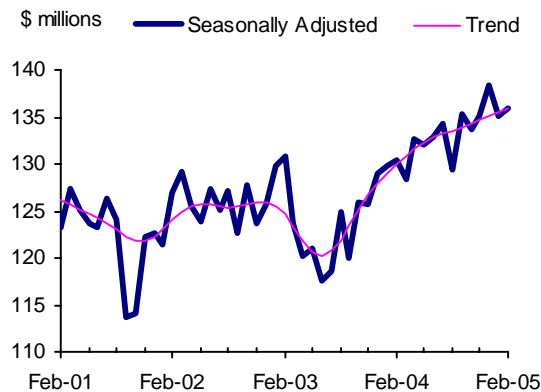


Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	Feb 05 (\$000)	Jan 05 (\$000)	% change
Total	135,963	135,054	+0.7
Hotels	98,311	97,398	+0.9
Motels	17,259	16,470	+4.8
Other Acc.	19,170	19,579	-2.1
Regions (Top 3 performers)			
Nechako	1,026	833	+23.2
Northeast	5,925	5,182	+14.3
Cariboo	4,198	3,892	+7.9

Revenues were down for the second consecutive month in the two largest development regions, Mainland/Southwest (-1.1%) and Vancouver/Island (-1.6%). Revenues rose in Cariboo (+7.9%), Thompson-Okanagan (+4.8%) and North Coast (+4.1%) in February.

Very large hotels (251+ rooms, -1.4%) and vacation rentals (-4.0%) experienced slow business in February. Revenues increased at all the other accommodations following two months of decline. Motels (+4.8%) and smaller hotels (+4.7%) posted substantial gains, while large hotels (151-250 rooms, +2.1%) and hotels (76-150 rooms, +1.6%) helped further boost overall room revenues.

Visitor Entries

The volume of travellers entering Canada via BC borders bounced back (+4.4%, *seasonally adjusted*) in February. This was mostly due to a significant jump in Asian (+11.4%) entries and same-day visits from the US (+10.7%). The US overnight (-0.1%) market was the only area to experience a slowdown in the number of travellers in February.

BC's top four Asian markets performed exceptionally well in February. There was substantial growth in the number of visitors from Taiwan (+57.2%) and Hong Kong (+32.4%), and continued growth from Japanese (+5.3%) and South Korean (+4.4%) markets.

Entries from Europe inched up (+0.2%), while the number of visitors from Australia, New Zealand and South Pacific increased (+1.0%) in February.

Canadian travel abroad increased (+4.4%) as more Canadians made same-day trips to

the US (+6.0%), but fewer travelled to other destinations (-0.4%).

Visitor entries increases in February

Visitor entries (thousands)

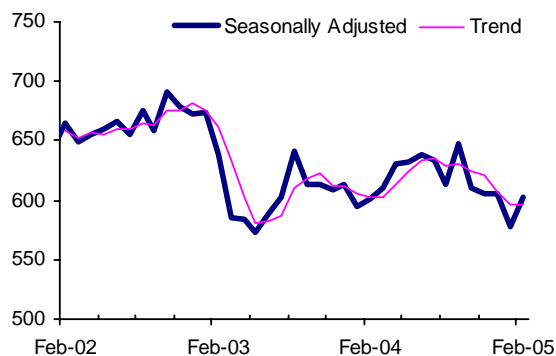


Table 2. Traveller Entries
(seasonally adjusted)

	Feb-05 (‘000)	Jan-05 (‘000)	% chg from Jan-05
American visitors			
Total	483	463	4.2
Same-day	199	180	10.7
Overnight	286	287	-0.1
Overseas visitors			
Total	120	115	5.0
Europe	40	40	0.2
UK	20	19	4.9
Asia	61	55	11.4
Japan	19	18	5.3
Taiwan	9	6	57.2
Oceania	12	12	1.0

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, hotel occupancy increased 1.9 percentage points while average room rates edged down (-0.7%) in February.

Employment in key tourism-related industries crept up (+0.4%). The air transport sector (-1.2%) experienced job losses which were offset by an increase in the accommodation industry (+2.0%). There were modest job gains in the food & beverage services (0.2%) and arts, entertainment & recreation (+0.4%) sector.

The Consumer Price Index for traveller accommodation edged down (-0.6%), while the cost of restaurant food (+0.2%) advanced marginally in January.

Transportation indicators were mixed in February. The number of passengers at the Vancouver airport decreased (-0.8%). Both domestic (-1.1%) and trans-border (-3.4%) traffic was down, while passenger entries from other international destinations increased (+2.6%). Traffic at the Victoria airport rose (+2.2%) in February.

After a month of relatively weak passenger vehicle traffic, the number of cars on the Coquihalla Highway increased sharply (+10.3%). Passenger volume (+7.9%) and vehicles (+6.4%) aboard BC Ferries were also up.

Restaurant, caterer and tavern receipts posted significant gains in February (+5.9%, *seasonally adjusted*), as food services (+7.1%) offset the decline in drinking places (-4.8%) receipts.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Feb-05	Change from Jan-05
Hotel Industry		
Occupancy rate	63.2	1.9 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	110.00	-0.7%
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,357	-0.8
US (trans-border)	333	-3.4
Other International	321	2.6
Canada (domestic) <i>(YVR)</i>	703	-1.1
Victoria International Airport		
Total traffic <i>(Victoria Airport Authority)</i>	111	2.2
Restaurant Receipts (\$ millions) (%)		
All establishments	552	5.9
Food service	502	7.1
Drinking places <i>(Statistics Canada)</i>	50	-4.8
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <i>(Ministry of Transportation & Highways)</i>	227	10.3
BC Ferries		
Vehicle Volume	726	6.4
Passenger Volume <i>(BC Ferries)</i>	1,857	7.9
Exchange Rates Cdn \$		
US \$	0.807	-0.01
UK Pound	0.427	-0.01
Japanese Yen	84.688	0.36
Australian \$ <i>(Statistics Canada)</i>	1.032	-0.03

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 rose (+1.3%, *seasonally adjusted*) in March as four regions posted month-over-month gains. The three biggest development regions, Mainland/Southwest (+1.5%), Vancouver Island/Coast (+4.1%) and Thompson/ Okanagan (+2.2%), posted increases in room revenue in March. Driving the growth was revenues at smaller hotels (1-75 rooms, +6.5%), very large hotels (251+ rooms, +3.4%) and motels (+2.1%). Vacation rentals (-2.1%) and other non-

standard accommodation types—bed and breakfast, work camps and resorts—experienced a weak month (-2.0%). Revenues generated by large hotels (151-250 rooms, +0.0%) were virtually unchanged.

Visitor entries dropped in March (-1.7%, *seasonally adjusted*). This was largely due to fewer entries from the US (-2.1%). Entries from overseas were flat.

Transportation indicators were up at both Vancouver (+1.9%) and Victoria (+2.8%) airport. There were fewer passengers (-0.6%) and vehicles (-0.3%) 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%.

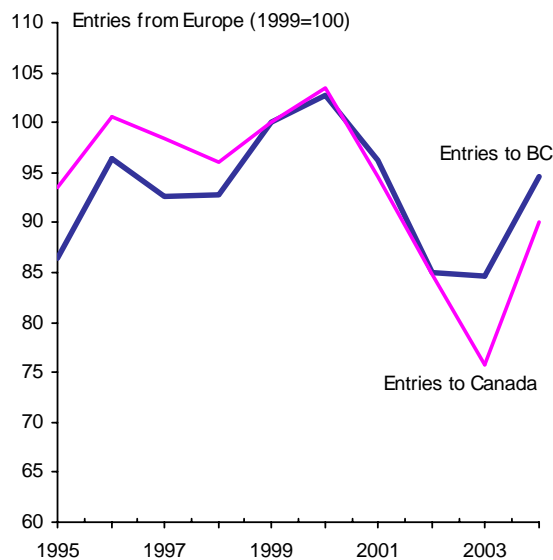
Special Focus: European travellers to Canada

Over the years Canada has been successful in attracting a fairly stable segment of European long-haul travellers. Canada's varied natural environment, multicultural heritage and the local character of its cities provide diverse experiences for visitors to the country.

Travel from Europe to Canada is increasing

The latest research conducted by the Canadian Tourism Commission (CTC) indicates that Canada is perceived as a favoured destination by important European long-haul markets such as the UK, France and Germany. Europeans are just as aware of Canada as they are of Spain, which is currently a very popular tourism destination. The research also indicated that Canada compares favourably with the US, which is one of Canada's competitors in the long-haul market.

European travel to BC bounced back in 2004

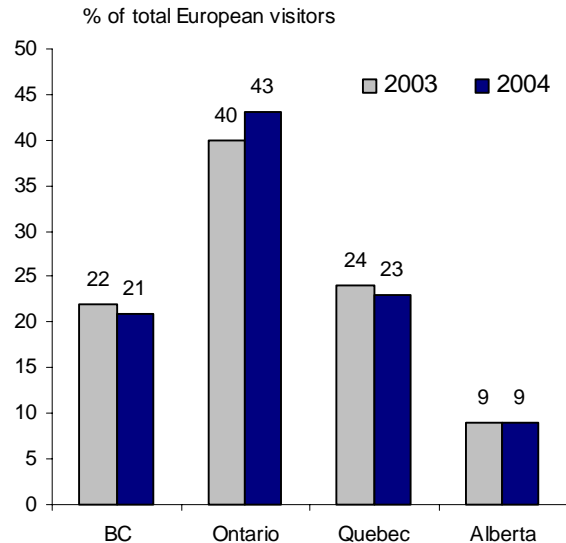


Data Source: Statistics Canada

In 2004, Canada welcomed over 2.2 million Europeans, up 19% from the previous year. This points to a strong recovery from a downward trend experienced since 2000.

European visitors travelled to Canada in record numbers in 2000 (up 4.9% from 1999) reaching close to 2.5 million visitors, but experienced significant declines thereafter, until last year. The downturn was exacerbated by the events of 9/11 and the following safety, security and health concerns resulted in a setback in overnight trips from Europe. The recent economic recovery has boosted consumer confidence in European markets, resulting in increased demand for travel and tourism to Canada.

More European travellers enter Canada via Ontario



Data Source: Statistics Canada

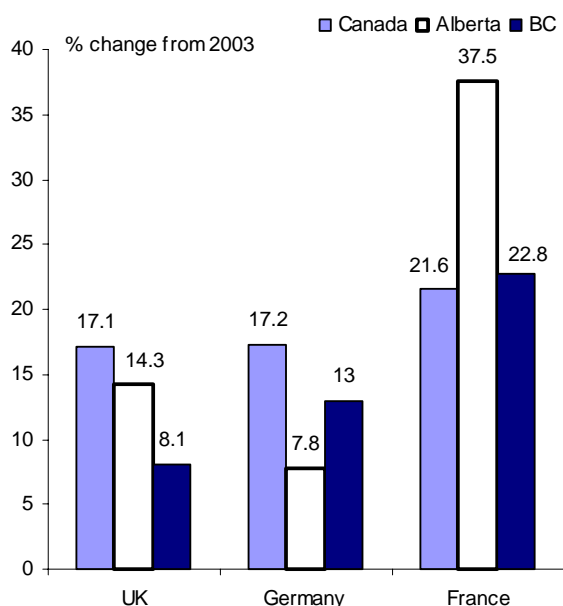
Close to half of the visitors from the UK chose Ontario as their point of entry to Canada in 2004, while BC received 26% and Alberta 13%. Quebec (9%) was the least likely entry point for UK residents out of the four provinces, which together receive

96% of all European travellers. However, Quebec is the most popular destination among French visitors, capturing close to 70% of the travellers from that country.

Significant growth in the number of Europeans travelling to Canada and BC in 2004

The three most important European markets in Canada—the UK, Germany and France—experienced double-digit growth in 2004. These markets represent 68% of the total number of European visitors to Canada. In 2004, more than 846,000 UK travellers visited Canada, out of which more than 222,000, or 26% entered directly via BC.

Double digit-growth in the three most important European markets



Data Source: Statistics Canada

The number of UK visitors to BC grew at a slower pace (+8.1%) in 2004 compared to Alberta (+14.3%) and Canada (+17.1%). However the increase was welcomed by BC's tourist operators since this was the first large gain since 2000, when entries rose 11.6%. While in BC, tourists from the UK like to spend their time visiting friends and

relatives and participating in outdoor activities and sightseeing.

For BC, the second most important European market after the UK is Germany. In 2004, over 318,000 trips were made from Germany to Canada of which 27% were via BC. Overall, this market has traditionally provided a high number of outbound travellers. Statistics from the World Tourism Organization show Germany consistently tops the charts for outbound travel as well as tourism spending, second only to the US.

Travellers from Germany visit BC to experience nature and an unspoiled environment and to have new social and educational experiences. According to the German Federal Bank, Germans spend close to 4% of their disposable income on travel abroad and place a higher priority on holiday travel than on most consumer durables. They also enjoy about six weeks of annual holidays.

BC's third most important European market is France. For Canadian tourism, the German market is usually about the same size as the one from France. Last year was an exception, with the French market outperforming Germany's. In 2004, there were over 341,000 person-trips taken by French travellers to Canada, a 21.6% increase from the previous year. BC also experienced a significant increase (+22.8%) in the number of person-trips from France in 2004. However Alberta out performed BC (37.5%) in the number of person-trips from France.

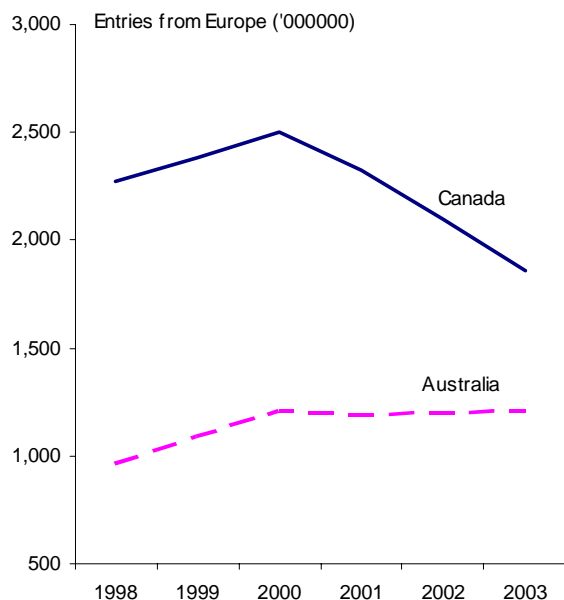
Canada's competitors in the European long-haul market

The US receives approximately four times more European visitors than Canada. Canada places second ahead of Mexico in North America as a destination visited by tourists from European countries. In 2002, the World Tourism Organization reported that close to 480,000 tourists from Europe spent their holidays in Mexico. Although the US

is Canada's competition, the close proximity of the two countries helps Canada attract tourists from Europe who are interested in combining trips to both places. Over half of the travellers visiting the US from Europe are from the UK and Germany.

Canada's next direct competitor, Australia, has been experiencing steady growth in the number of travellers from Europe. In 2003, Australia received 1.2 million visitors, mostly from the UK, Germany and Scandinavia. Although Australia's national parks and abundant wildlife are a big drawing card for European travellers, Canada still attracts a higher number of visitors from Europe. This could partly be attributed to lower transportation costs and travel times from Europe to Canada versus Australia. Canada welcomed over 280,000 tourists from France, while Australia recorded only close to 50,000 in 2003.

Europeans choose Canada over Australia as a tourist destination

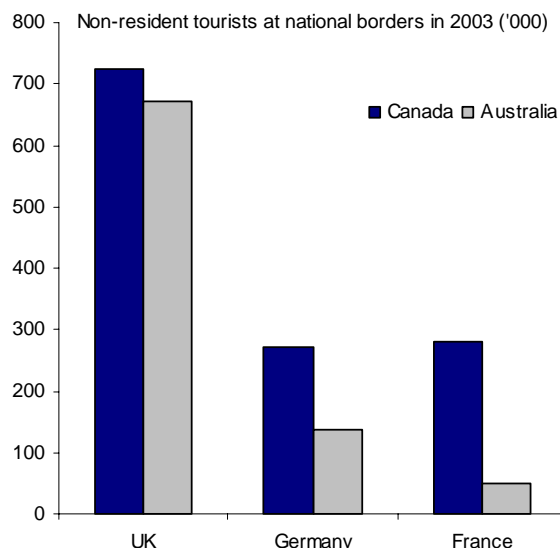


Data Source: World Tourism Organization

The number of travellers from France sharply increased (+21.6%) to over 341,000 visitors in 2004. Not surprisingly, the

French prefer Canada as a tourist destination over Australia due to cultural similarities as well as a common language in Quebec. Canada also attracts more German tourists than Australia. Germans place Canada third on their wish list amongst long-haul destinations.

More visitors from France choose Canada over Australia



Data Source: Statistics Canada and the Australian Bureau of Statistics

Canada enjoys a well-developed position in the European long haul market, but there are certain challenges that need to be addressed in order to capture a bigger slice of the market.

Although Europeans consider Canada a favourite destination, and a high number would like to visit, substantially less end up turning their travel intention into actual visits. Many Europeans do not see their dream of visiting Canada materialize mostly due to the high costs of transportation, but also because of fierce competition from other long-haul destinations that spend more marketing dollars. Australia is expecting to spend close to \$200 million dollars next year in an effort to attract a higher number of foreign tourists, while Canada has only \$79

million at its disposal. Canada is also viewed by some European tourists as a once-in-a-lifetime experience, so repeat travellers are not as common to Canada as to other tourist destinations.

However, there is good potential to attract more tourists from European countries. CTC's efforts in introducing the new "Canada. Keep Exploring" brand is expected to generate about \$63.5 billion from the current \$56 billion revenue, over the next five years. It is hoped that the new branding will encourage and inspire travellers to explore more and create their own adventures in Canada.