

Tourism Sector Monitor ♦ September 2005

Room Revenue

Room revenues edged down (-0.1%, *seasonally adjusted*) in June, after increasing 3.5% in the previous month. Except for Mainland Southwest (+1.6%) and Northeast (+2.8%), revenues were down in all regions of the province, led by Nechako (-17.0%) and North Coast (-11.7%). Thompson-Okanagan (-3.3%) and Kootenay (-0.7%) also experienced declines in revenues. Cariboo (-3.1%) saw a second successive decline.

Room revenues slipped in June

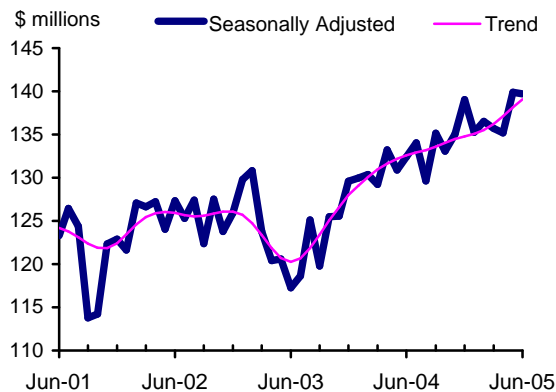


Table 1. Room Revenue
(seasonally adjusted)

| Accommodation Type | | | |
|----------------------------|--------------------|-------------------|-------------|
| | June 05 (\$000) | May 05 (\$000) | % change |
| Total | 139,712 | 139,908 | -0.1 |
| Hotels | 103,047 | 102,915 | +0.1 |
| Motels | 17,153 | 18,227 | -5.9 |
| Other Acc. | 19,833 | 19,545 | +1.5 |
| Regions (Top 3 performers) | | | |
| Northeast | 5,251 | 5,107 | +2.8 |
| Mainland/Southwest | 74,928 | 73,739 | +1.6 |
| Kootenay | 6,448 | 6,494 | -0.7 |

Although large hotels with more than 250 rooms (+1.2%) and hotels with 76 to 150 (+0.3%) rooms saw growth in June, they were offset by the declines in revenues from midsize (-1.5%, 150-250 rooms) and small (-1.0%, 1-75 rooms) hotels. Both motels (-5.9%) and miscellaneous properties (-8.2%, including fishing lodges) were not as busy in June. Vacation rental (+10.3%) revenues continued to climb.

Visitor Entries

Visitor entries to Canada through BC border crossings edged down 0.3% (*seasonally adjusted*) in June with fewer visitors from all areas except Asia (+1.1%). Visitor entries from Europe declined (-1.5%), which contributed to a drop in overseas visits (-0.3%). The South Pacific Market was off 8.2%, dragged down by fewer entries from Australia (-5.3%). US entries decreased (-0.4%) in June. An increase in same day (+1.6%) trips was offset by a decline in overnight (-2.1%) travel.

The number of Canadians re-entering the country through BC borders decreased (-2.6%) in June, after falling 1.5% in May.

Visitor entries edged down

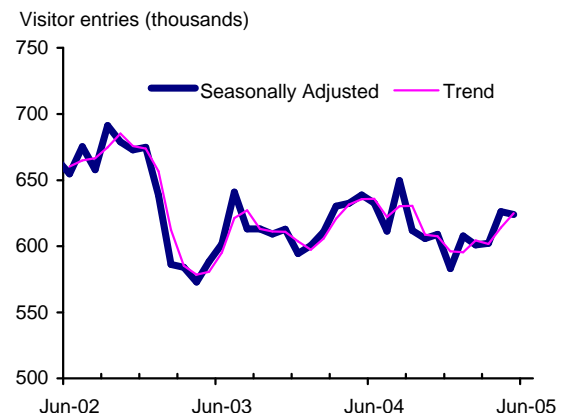


Table 2. Traveller Entries
(seasonally adjusted)

| | Jun-05 (‘000) | May-05 (‘000) | % chg from May-05 |
|--------------------------|------------------|------------------|-------------------------|
| American visitors | | | |
| Total | 494 | 496 | -0.4 |
| Same-day | 205 | 202 | 1.6 |
| Overnight | 291 | 297 | -2.1 |
| Overseas visitors | | | |
| Total | 130 | 130 | -0.3 |
| Europe | 42 | 43 | -1.5 |
| UK | 21 | 22 | -2.0 |
| Asia | 65 | 64 | 1.1 |
| Japan | 24 | 24 | -0.5 |
| Taiwan | 8 | 8 | 3.6 |
| Oceania | 14 | 15 | -8.2 |

Note: Total Overseas visitors is not equal to the sum of visitors from Europe, Asia and Oceania since it includes other areas

Other Indicators

Other tourism indicators gave mixed signals in June.

The occupancy rate in BC hotels was off (-1.0%), while room prices were up 0.9%. The Consumer Price Index for traveller accommodation also fell (-0.6%) for the fifth consecutive month.

Passenger traffic was down 1.4% at the Vancouver airport, but increased 1.2% in Victoria. Fewer vehicles (-2.2%) passed the toll booth of the Coquihalla highway in June. In addition, both vehicle (-1.2%) and passenger (-2.2%) volumes aboard BC Ferries were down.

The restaurant food price index climbed up (+1.1%), however, restaurant, caterer and tavern receipts fell 3.3% in June, due to a substantial drop in sales at BC's drinking places (-6.8%) and food services establishments (-2.9%).

Table 3. Other Tourism Indicators
(seasonally adjusted)

| | Jun-05 | May-05 | Change from |
|--|--------|--------|----------------|
| Hotel Industry | | | |
| Occupancy rate | 64.7 | | -1.0 pp. |
| Average room charge | 117.20 | | 0.9% |
| <i>(Pannell Kerr Forster)</i> | | | |
| Airport Passengers (000s) (%) | | | |
| Vancouver International Airport | | | |
| Total traffic | 1,377 | | -1.4 |
| US (trans-border) | 330 | | -5.7 |
| Other International | 342 | | -2.8 |
| Canada (domestic) | 705 | | 1.5 |
| <i>(YVR)</i> | | | |
| Victoria International Airport | | | |
| Total traffic | 110 | | 1.2 |
| <i>(Victoria Airport Authority)</i> | | | |
| Restaurant Receipts (\$ millions) (%) | | | |
| All establishments | 517 | | -3.3 |
| Food service | 470 | | -2.9 |
| Drinking places | 47 | | -6.8 |
| <i>(Statistics Canada)</i> | | | |
| Transportation (000s) (%) | | | |
| Coquihalla Highway | | | |
| Passenger Vehicles | 224 | | -2.2 |
| <i>(Ministry of Transportation & Highways)</i> | | | |
| BC Ferries | | | |
| Vehicle Volume | 716 | | -1.2 |
| Passenger Volume | 1,821 | | -2.2 |
| <i>(BC Ferries)</i> | | | |
| Exchange Rates Cdn \$ | | | |
| US \$ | 0.806 | | 0.01 |
| UK Pound | 0.444 | | 0.01 |
| Japanese Yen | 87.681 | | 2.77 |
| Australian \$ | 1.052 | | 0.01 |
| <i>(Statistics Canada)</i> | | | |

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 edged down (-1.2%, seasonally adjusted) in July as four out of eight regions lost ground.

Province-wide, revenues were flat at most hotels, declining 0.4% overall. Big hotels (250+ rooms, -4.3%) were not as busy as in June (+1.2%), while midsize hotels (76-150 rooms, +0.2%) fared generally well in July. Vacation rentals (-0.7%), small hotels (1-75 rooms, -0.8%), and non-standard accom-

modation (-0.9%, including fishing lodges, bed and breakfast and other short term accommodations) fell.

Visitor entries were also off (-0.8%, *seasonally adjusted*) in July as fewer visitors came from US (-0.8%) and overseas (-1.0%).

Passenger traffic was virtually unchanged at the Vancouver airport, but Victoria's airport (-3.4%) was not as busy in July. There were fewer passengers (-1.3%) and vehicles (-1.0%) 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.

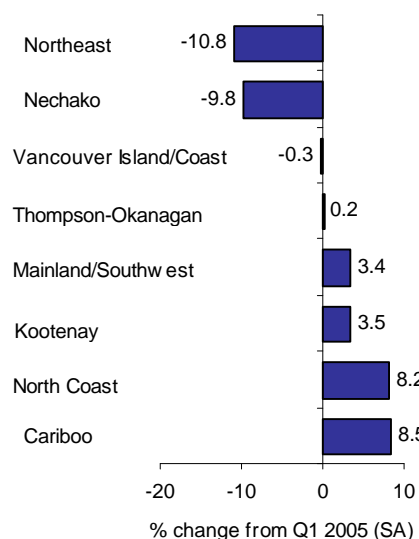
How accurate is the preliminary data? Over 17 reports in 2003 and 2004, room revenues changed (rose or fell on a month-over-month basis) on average by 2.7% (absolute value). The preliminary numbers—reported in the "look ahead" section—were off by an average of 0.5 percentage points. This represents a 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: Second Quarter Review of BC's Tourism Sector

Room Revenues continued to climb

Room revenues rose (+1.8%, seasonally adjusted) in the second quarter, posting an eighth consecutive quarterly gain. Revenues increased in five regions, but the distribution of the growth was different from the first quarter. Revenues were down in Northeast (-10.8%), Nechako (-9.8%) and Vancouver Island/Coast (-0.3%), which had posted the most significant growth at the beginning of 2005.

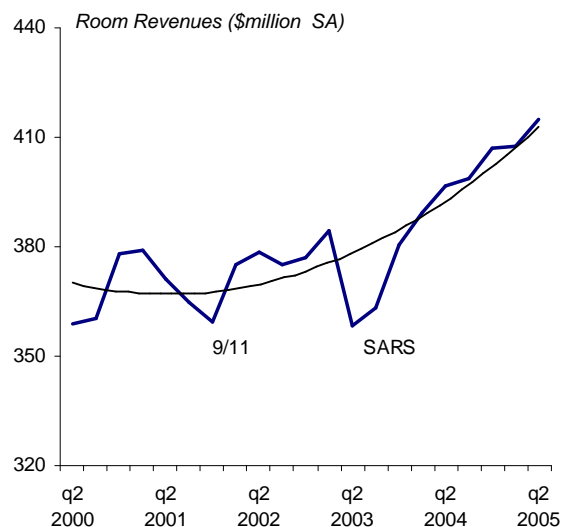
Revenues jumped in Cariboo and North Coast



Data source: BC Stats

However, the revenue growth in the other regions offset the declines. Cariboo (+8.5%) and North Coast (+8.2%) posted the strongest growth in the second quarter. Room revenues in Kootenay (+3.5%) and Mainland (+3.4%) bounced back after dropping in the first quarter. Thompson/Okanagan posted a modest 0.2% gain.

Persistent growth in BC room revenues

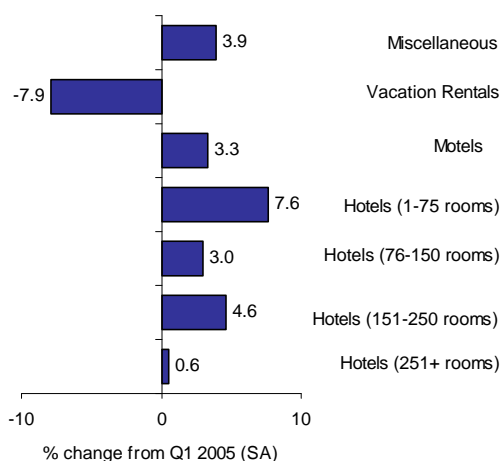


Data source: BC Stats

In the second quarter, revenues reached a new high of \$415 million, with an increase at hotels of all sizes. Very large (251+ rooms, +0.6%) and large (151-250 rooms, +4.6%) hotels recovered from a weak first quarter. Small hotels (1-75 rooms, +7.6%), mid-sized hotels (76-150 rooms, +3.0%), and motels (+3.3%) continued to do well.

Business was much slower at vacation rentals, posting a substantial decline (-7.9%). However, other types of accommodations, including bed and breakfast, fishing lodges and other kinds of short-term accommodations, saw room revenues grow 3.9%.

Small hotels posted the strongest growth



Data source: BC Stats

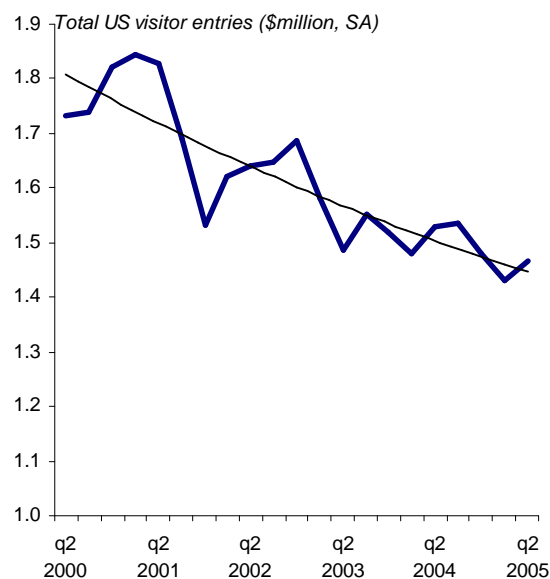
Visitor entries rose in the second quarter

Visitor entries to Canada through BC border crossings rose in the second quarter (+1.1%, seasonally adjusted), after three consecutive quarterly declines. The number of overseas visitors was up 3.0%, accompanied by a 0.6% increase in entries from the US. Same-day visits by Americans were up 2.1%, offsetting a slump (-0.4%) in overnight traffic in the second quarter.

Overseas entries increased (+3.0%), with more visitors from Europe (+1.2%) and Asia (+5.6%). However visits from Oceania (Australia and South Pacific, -0.7%) slipped. Among the overseas markets, Hong Kong (+18.0%) and Taiwan (+10.2%) recorded the highest growth in the second quarter.

The number of Canadians re-entering the country via BC border crossings continued to rise (+1.0%). More Canadian travelled overseas (+2.9%) or made same-day auto trips to the US (+0.6%).

US entries climbed up, but remained low by historical standards



Data source: BC Stats

Other Indicators

Hotel occupancy rates averaged 64.5% (seasonally adjusted) in the second quarter, increasing 0.6%. Average room rates, at \$115.7, were up 3.8% compared with the first quarter.

Air passenger traffic at Vancouver airport increased +0.5%, while Victoria (-0.7%) experienced lower volumes on all types of flights. BC Ferries were busy, carrying more passengers (+1.7%) and vehicles (+1.4%). Traffic on the Coquihalla Highway was up substantially (+2.6%).

Employment in the major tourism-related industries edged up (+0.1%) in the second quarter of 2005. The accommodation (+1.9%) and air transport (+0.3%) industries increased employment moderately, while the number of people working in arts, entertainment & recreation remained virtually unchanged.

Restaurant, caterer and tavern receipts continued to climb up (+1.2%) in the second quarter, as an increase in revenues at food service establishments (+2.5%) offset lower receipts at drinking places.

Hot topic: Hurricane Devastates Tourism Industry in Louisiana

Hurricane Katrina, the most devastating disaster in US history, has torn through the Gulf Coast states, killing many people, leaving about 80% of New Orleans underwater, and destroying many homes. It also hit northern Florida and the Pensacola region, but resorts on the Gulf coast such as Clearwater and St Petersburg, except for some heavy rains, were relatively untouched and are functioning quite normally. However, according to MSNBC news, tourism, a major source of revenue in Louisiana, has been blown away by the hurricane.

New Orleans alone drew more than 10 million visitors last year, creating approximately 80,000 tourism-related jobs. "Visitors to New Orleans spend \$5 billion per year, and 40% of that number is convention and meeting business," said Donna Karl, vice president of client relations for the New Orleans Metropolitan Convention and Visitors Bureau, who spoke from Chicago. With most of the regions underwater, that part of tourism revenue is long gone.

The disintegration of New Orleans' tourism sector has affected the airline industry, which has been forced to cancel many flights to the city. With large areas of the city still closed to the public, many hotels, restaurants and other tourism venues are not yet operating normally. Tourists planning trips to New Orleans have likely made alternative arrangements.

New Orleans had a 12-month hotel room revenue of more than \$1 billion. But now, almost all of the city's 265 hotels, including all three major U.S. hotel companies: Hilton Hotels Corp, Marriott International Inc., and Starwood Hotels & Resorts Worldwide Inc. have closed their properties in the region; many of their 38,633 hotel rooms have been damaged or left out of order.

The hurricane's effects may be long-lasting. It will take some time before business is back to normal in the state, and until then, it is likely that leisure travel from the affected regions will be greatly reduced, as individuals and business operators focus on rebuilding rather than foreign-travel.

How is this likely to affect the Canadian tourism sector? There is not a lot of recent information about travel to and from Louisiana. However, according to Statistics Canada, Louisiana sent 24,000 travellers to Canada in the second quarter of 2001, almost three times as many as in 2000. Nevertheless, Louisiana is neither one of the top 12 states visited by Canadians nor one of the top 10 U.S states that have sent visitors to Canada. As a result, the hurricane disaster would not be likely to have huge effects on the tourism industry in Canada. On the other hand, the big hikes in North American gasoline prices and the prospect of bankruptcies in the US airline industry may influence the travel plans of America from states not directly affected by the hurricane.

With Hurricane Rita arriving in Texas, the tourism industry in Canada would be affected more visibly because Texas is one of the top 12 states of origin for US tourists to Canada (Statistics Canada, 2003). Additionally, the threat on oil and gas prices could further affect travelling from the states where the hurricane hit.