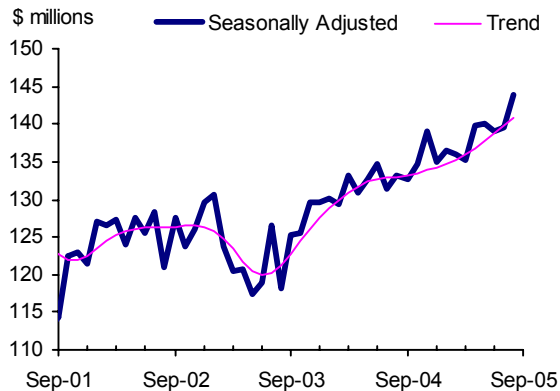


## Tourism Sector Monitor ♦ December 2005

### Room Revenue

Room revenues advanced (+3.1%, seasonally adjusted) in September, with revenues jumping in all regions except North Coast (-1.5%). Northeast (+12.7%), Cariboo (+5.0%) and Kootenay (+2.0%) experienced some of the biggest increases in revenues, after observing declines in August. Room revenues were also up in BC's biggest regions, Mainland Southwest (+3.9%) and Vancouver Island/Coast (+0.6%). In Nechako (+2.7%) and Thompson-Okanagan (+1.4%), revenues continued an upward trend for the third straight month in September.

#### Room revenues up in September



All accommodation types fared well in September. Large hotels (250+ rooms) continued to be busy (+1.9%) in September, and revenues at hotels with 151-250 rooms (+3.1%) and smaller properties with less than 76 rooms (+4.1%) climbed after dipping in August. Revenues for midsize hotels (76-150 rooms) also increased (+1.1%). In addition, motel operators saw a growth of 1.7% in revenues in September. Revenues for other types of accommodations (+1.1%) were also up.

*Table 1. Room Revenue  
(seasonally adjusted)*

Accommodation Type			
	Sep 05 (\$000)	Aug 05 (\$000)	% change
Total	143,846	139,517	+3.1
Hotels	105,674	103,345	+1.9
Motels	16,939	16,661	+1.7
Other Accommodations	20,493	19,727	+1.1
Regions (Top 3 performers)			
Northeast	5,362	4,757	+12.7
Cariboo	4,228	4,027	+5.0
Mainland/Southwest	78,169	75,210	+3.9

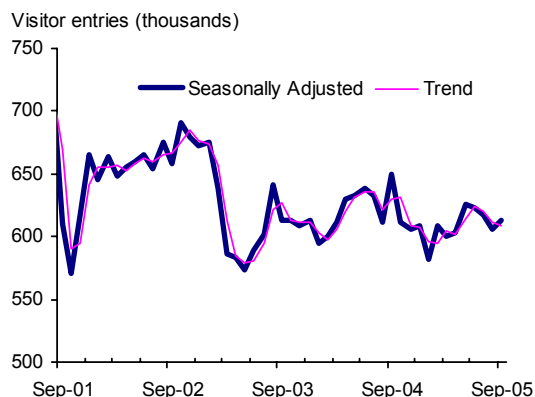
### Visitor Entries

The number of travellers entering Canada via BC borders was up (+1.3%, seasonally adjusted) in September after falling in the previous three months. Entries from the US recorded growth of 1.4% as Americans made more same-day (+3.1%) and overnight (+0.6%) trips north of the border into BC. The US accounts for about 80% of all traveller entries into the province.

Travel to BC from overseas countries was also up (+1.1%) in September. The number of entries from Europe (+1.2%) and Oceania (+2.3%) increased enough to offset the dipping Asian entries (-0.3%).

The number of Canadian entries also climbed, as travel from both the US (+1.6%) and overseas (+3.8%) experienced growth.

### Visitor entries increased



**Table 2. Traveller Entries**  
(seasonally adjusted)

	Sep-05 ( <sup>'000</sup> )	Aug-05 ( <sup>'000</sup> )	% chg from Aug-05
<b>American visitors</b>			
Total	489	482	1.4
Same-day	198	192	3.1
Overnight	288	286	0.6
<b>Overseas visitors</b>			
Total	125	123	1.1
Europe	43	42	1.2
UK	21	21	-0.8
Asia	59	59	-0.3
Japan	20	21	-0.2
Taiwan	8	7	13.1
Oceania	14	13	2.3

(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

Other tourism indicators were generally strong in September.

The occupancy rate in BC hotels was up 3.9 percentage points (to 66.5%) after falling for three consecutive months since May. Room prices also increased 0.9% to an average of \$120.

The Consumer Price Index for traveller accommodation jumped 3.9%, which was the first growth recorded since January. Passenger traffic was heavier at both Vancouver (+1.4%) and Victoria (+3.3%) airports. More passenger vehicles (+1.6%)

passed the toll booth of the Coquihalla highway. There were also more passengers (+1.4%) aboard BC Ferries, but the volume of vehicles was flat.

The cost of restaurant food continued to inch up (+0.1%) in September. Sales at drinking places (-7.8%) were significantly off, dragging down overall restaurant, caterer and tavern receipts (-1.7%).

**Table 3. Other Tourism Indicators**  
(seasonally adjusted)

	Sep-05	Change from Aug-05
<b>Hotel Industry</b>		
Occupancy rate	66.5	3.0 pp.
Average room charge	120.00	0.9%
<i>(Pannell Kerr Forster)</i>		
<b>Airport Passengers (000s) (%)</b>		
<b>Vancouver International Airport</b>		
Total traffic	1,377	1.4
US (trans-border)	340	3.1
Other International	335	0.9
Canada (domestic)	702	0.8
<i>(YVR)</i>		
<b>Victoria International Airport</b>		
Total traffic	111	3.3
<i>(Victoria Airport Authority)</i>		
<b>Restaurant Receipts (\$ millions) (%)</b>		
All establishments	511	-1.7
Food service	468	-1.1
Drinking places	43	-7.8
<i>(Statistics Canada)</i>		
<b>Transportation (000s) (%)</b>		
<b>Coquihalla Highway</b>		
Passenger Vehicles	223	1.6
<i>(Ministry of Transportation &amp; Highways)</i>		
<b>BC Ferries</b>		
Vehicle Volume	708	0.0
Passenger Volume	1,822	1.4
<i>(BC Ferries)</i>		
<b>Exchange Rates Cdn \$</b>		
US \$	0.831	0.02
UK Pound	0.463	0.01
Japanese Yen	94.429	2.60
Australian \$	1.110	0.02
<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 plunged (-2.2%, seasonally adjusted) in October as seven regions lost ground. Northeast (+5.5%) was the lone exception, and continued its strong growth.

Hotel revenues slumped (-0.9%) in October, with declines recorded for hotels of all sizes. Motel receipts fell (-0.3%), and non-standard accommodations (-5.4%) including fishing lodges and bed and breakfasts performed even worse. However, vacation rentals managed to stay busy (+1.3%).

Other tourism indicators were also weak in October. Visitor entries were down (-4.0%, seasonally adjusted) with fewer visitors coming from both the US (-4.6%) and overseas (-2.0%).

Passenger traffic was up at the Vancouver airport (+0.4%), while Victoria's airport (-2.5%) was not as busy in September. BC ferries recorded declines in both vehicle (-1.9%) and passenger (-2.7%) volumes. Fewer passenger vehicles (-3.1%) travelled on the Coquihalla highway.

### 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.

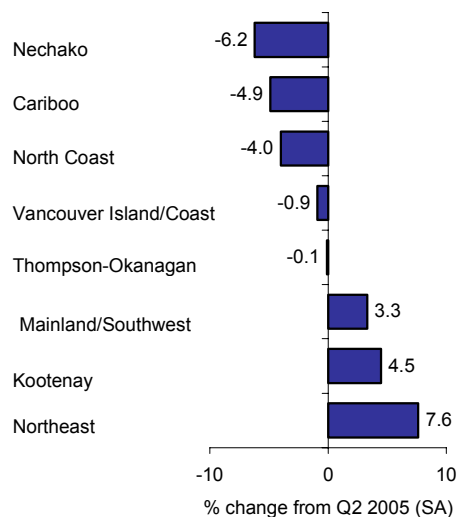
How accurate is the preliminary data? Over 17 reports in 2004 and 2005, BC room revenues changed (rose or fell on a month-over-month basis) on average by 1.7% (absolute value). The preliminary numbers—reported in the "look ahead" section—were less by an average of 0.2 percentage points partly because the initial data retrieved may not be complete until later that month. For example, if the preliminary figure is 1.5, the actual number probably is around 1.7. And if the preliminary figure is -0.5, the actual number is about -0.3.

## Third Quarter Review of BC's Tourism Sector

### Room Revenues continued to climb

Room revenues rose (+1.8%, *seasonally adjusted*) in the third quarter, posting the ninth consecutive quarterly gain. Northeast recorded the strongest growth of 7.6%, regaining its ground from a weak second quarter. Kootenay continued to experience solid growth (+4.5%) in the third quarter. Revenues also advanced 3.3% in BC's largest region, Mainland/Southwest. The revenue increases were large enough to offset the declines recorded in the rest of BC. Revenues slumped in Cariboo (-4.9%) and North Coast (-4.0%) after increasing in the previous quarter, while Vancouver Island/Coast, Thompson-Okanagan, and Nechako continued to trend downward trends.

#### Revenues jumped in Caribo and North Coast

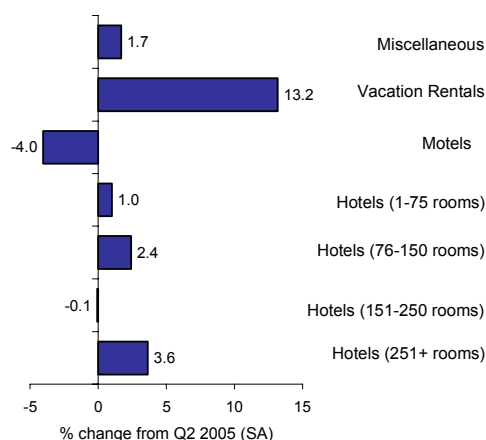


Data source: BC Stats

In the third quarter, revenues reached a new high of \$422 million, with an increase for most accommodation types. Very large (251+ rooms, +3.6%), midsize (76-150 rooms, +2.4%) and small (1-76 rooms, +1.0) hotels continued to do well, while revenues at hotels with 151-250 rooms edged down (-0.1%). Business at vacation rentals (+13.2%) bounced back after

experiencing declines since the beginning of the year. Other types of accommodations, including bed and breakfasts, fishing lodges and other kinds of short-term accommodations, saw room revenues grow 1.3%. However, motels (-4.0%) had a weak quarter.

#### Vacation rentals posted the strongest growth



Data

a source: BC Stats

### Visitor entries rose in the third quarter

Visitor entries to Canada through BC border crossings slipped in the third quarter (-0.2%, *seasonally adjusted*), largely due to the decline in the number of American visitors (-0.5%), as fewer same-day (-1.9%) and overnight stays (-0.8%) were recorded.

Travel from Overseas countries was also down (-2.3%) in the third quarter. Asian entries, which comprise about half of the total overseas markets, were down significantly (-5.5%).

The number of Canadians re-entering the country via BC border crossings climbed 4.5% after falling last quarter. More Canadians made same-day auto trips to the US (+7.4%) or travelled overseas (+1.6%).

## Other Indicators

Hotel occupancy rates averaged 64.7% (seasonally adjusted) in the second quarter, increasing 0.4%. Average room rates, at \$117.9, were up 1.1% compared with the second quarter.

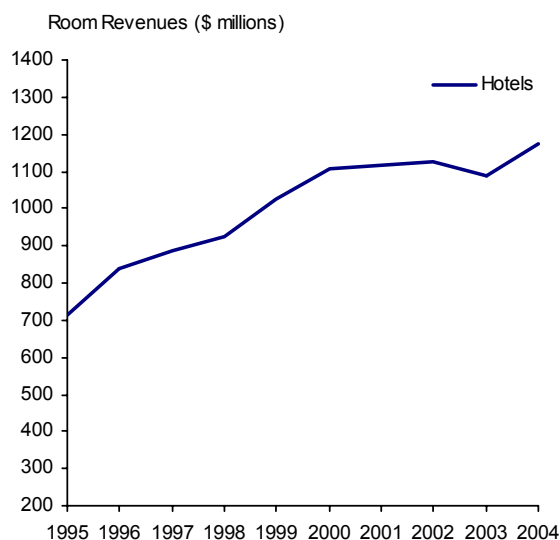
Air passenger traffic at Vancouver airport slumped (-0.5%), and Victoria (-1.4%) experienced lower volumes on all types of flights. BC Ferries carried fewer passengers (-1.8%) and vehicles (-1.6%).

Employment in the major tourism-related industries was up (+0.6%) in the third quarter of 2005. Restaurant, caterer and tavern receipts edged up (+0.2%), as an increase in revenues at food service establishments (+0.3%) offset lower receipts at drinking places (-0.4%).

## Special Focus: Room Revenues at BC Hotels

BC's hotel industry is the biggest source of the province's room revenue growth—nearly 75% of revenues originate from hotels. After seeing only marginal growth in room revenues between 2000 and 2002, and a decline of 3.1% in 2003, BC's hotel industry picked up speed and contributed more than \$1.1 billion to the province's total room revenues in 2004, up 7.6% over 2003.

### *Room revenues picking up speed at hotels in 2004*



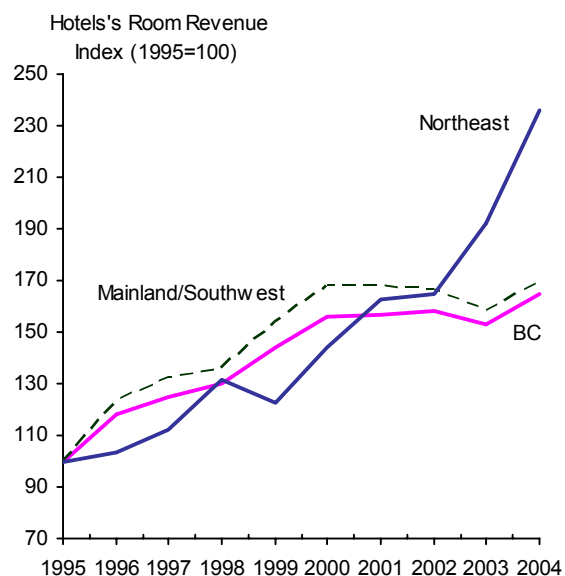
Source: BC STATS

Although hotels' share of the total room revenues went down from 75.1% in 1995 to 73.7% in 2004, room revenues at all hotel establishments jumped sharply (+64.9%) between 1995 and 2004, and continued an upward trend in the first eight months of 2005, posting a 3.3% growth relative to the same period in the previous year.

### **Growth reported at hotel establishments in most regions**

All regions in BC except Nechako (-5.0%) reported growth in overall room revenues at hotel establishments between 1995 and 2004, with Northeast recording the largest growth (+135.8%). The solid revenue increases at hotels in the two largest regions, Mainland/Southwest (+69.5%) and Vancouver Island/Coast (+46.5%), accounted for about 70% of the BC's total hotel growth.

### *Room revenues growing faster at Hotels in Northeast than the rest of the province*

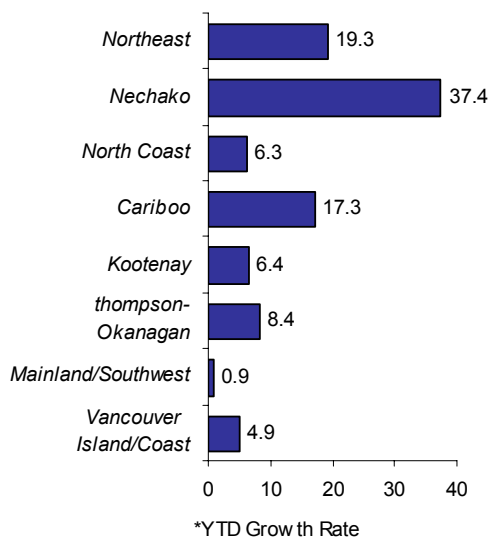


Source: BC STATS

In the first eight months of 2005, most regions maintained solid growth in room revenues at hotels compared to the same period in 2004. Nechako posted the most significant increase of 37.4%, and showed a strong recovery from the year-over-year fall (-4.2%) in hotel receipts in 2004. Hotels in Northeast (+19.3%) and Cariboo (+17.3%) fared well too. In addition, BC's biggest regions, Mainland/Southwest (+0.9%) and

Vancouver Island/Coast (+4.9%), were busier and contributed to the overall increases in the province's hotel room revenues.

***Nechako posting strongest growth in revenues at hotels in the first eight months in 2005***



\*YTD: year-to-date indicates the growth year in the first eight months of 2005 compared to the same period in 2004

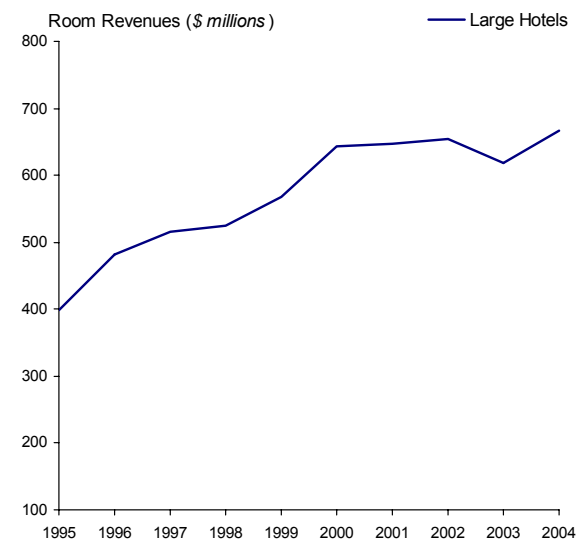
Data Source: BC STATS

**Large Hotels**

Room revenues at hotels with more than 150 rooms comprised about 55% of the total hotel receipts, and recorded noticeable growth since 1995 – room revenues were up 67.4% between 1995 and 2004. In 2004, revenues increased 7.7% at large hotels, recovering from a fall (-5.4%) in 2003.

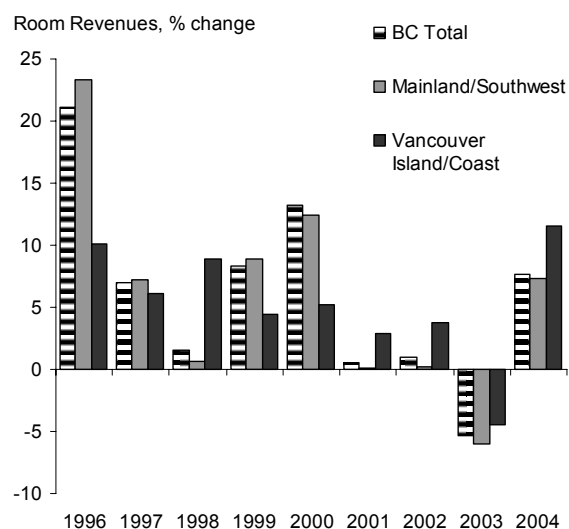
Most of the large hotel establishments (150+ rooms) are located in the Vancouver Island/Coast and Mainland/Southwest regions. Large hotels in the Vancouver Island/Coast region recorded an 11.5% increase in revenues, outperforming BC (+7.7%) as a whole and Mainland/Southwest (+7.3%).

***In 2004, large Hotel establishments recovered from the 2003 fall in room revenues***



Data Source: BC STATS

***Large hotels in Vancouver Island/Coast outperformed the rest of BC in 2004***

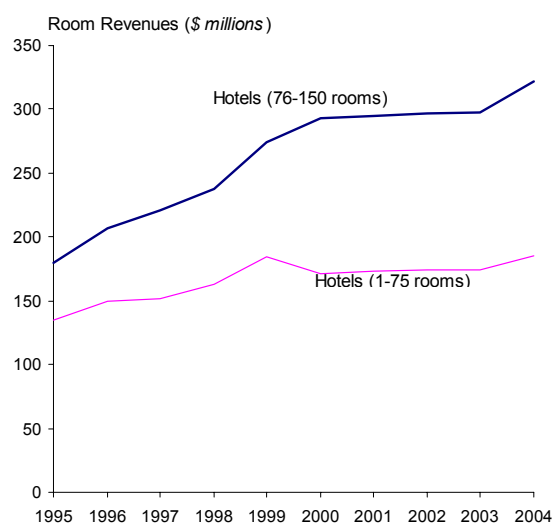


Data Source: BC STATS

## Other Hotel Establishments

Despite the drops in room revenues at most hotel establishments in 2003, mid-size hotels (76-150 rooms) did not follow the same trend. Business at those hotels appeared to be lacklustre between 2000 and 2003; however, room revenues climbed 8.2% in 2004 and continued to grow 5.6% in the first eight months in 2005 relative to the same period in 2004.

### *Mid-size hotels vs. Small hotels*



Data Source: BC STATS

Among all hotel establishments, small hotels with less than 75 rooms reported the weakest increase (+6.6%) in room revenues in 2004. In fact, business at small hotels showed the least significant growth of 38.0% between 1995 and 2004. However, in the first eight months of 2005, room revenues at small hotels recorded the largest growth (+8.3%) among all hotel establishments relative to the same period in 2004.