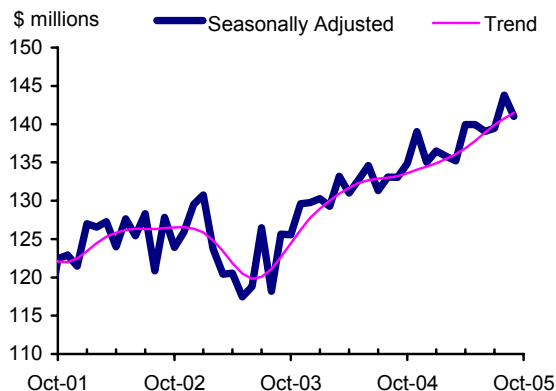


Tourism Sector Monitor ♦ January 2006

Room Revenue

Room revenues slipped (-1.9%, *seasonally adjusted*) in October, with revenues falling in all regions except Northeast (+9.9%), and Cariboo, where they were unchanged. BC's second biggest region, Vancouver Island/Coast (-7.5%), posted the most significant drop. Mainland Southwest (-1.3%) and Nechako (-4.9%) also experienced declines in revenues after seeing increases in the previous two months. In North Coast (-5.4%), revenues continued to slide for the fifth straight month in October. In addition, lower revenues in Thompson-Okanagan (-0.9%) and Kootenay (-0.6%) contributed to the province's overall weak performance.

Room revenues slip in October



Most hotels did not fare well in October with the exception of hotels with 76-150 rooms (+1.7%) reporting the sixth consecutive increase since June. Large hotels (250+ rooms) were not as busy (-1.1%), and revenues at hotels with 151-250 rooms (-2.3%) and smaller properties with less than 76 rooms (-3.5%) dropped after increasing in September. Motels (+0.3%) and vacation rentals (+1.5%) continued to do well in October. Revenues for

other types of accommodations experienced a 5.0% decrease after climbing in the previous two months.

Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	Oct 05 (\$000)	Sep 05 (\$000)	% change
Total	141,020	143,806	-1.9
Hotels	104,532	105,492	-1.1
Motels	17,282	17,222	+0.3
Other Accommodations	20,131	20,396	-1.3
Regions (Top 3 performers)			
Northeast	6,022	5,479	+9.9
Cariboo	4,237	4,238	0.0
Kootenay	6,861	6,900	-0.6

Visitor Entries

The number of travellers entering Canada via BC borders fell (-5.3%, *seasonally adjusted*) for the fourth time in five months in October. Entries from the US were down significantly (-6.1%) as Americans made fewer same-day (-4.4%) and overnight (-3.2%) 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 down (-1.9%) in October. Asian entries, accounting for about half of the total, declined 1.3% while entries from Europe (the next biggest source of visitors to BC) fell even more (-3.2%). The number of travellers from Oceania plunged 8.0%.

Canadian entries rose 0.4% in October, as more overseas travel (+0.3%) offset a slow down in visits from the US.

Visitor entries slumped

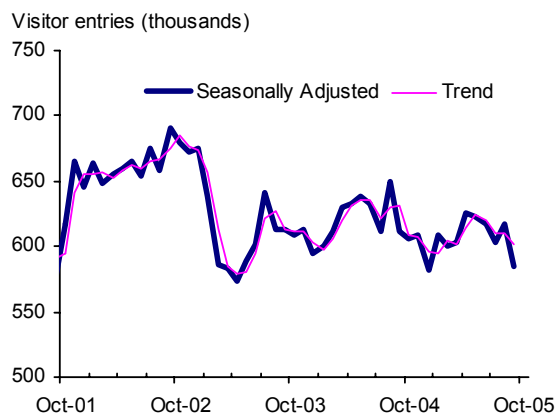


Table 2. Traveller Entries
(seasonally adjusted)

	Oct-05 (‘000)	Sep-05 (‘000)	% chg from Sep-05
American visitors			
Total	463	493	-6.1
Same-day	187	196	-4.4
Overnight	278	287	-3.2
Overseas visitors			
Total	122	125	-1.9
Europe	42	43	-3.2
UK	20	21	-3.0
Asia	59	59	-1.3
Japan	19	21	-7.1
Taiwan	8	8	-2.0
Oceania	12	13	-8.0

(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 weak in October.

The occupancy rate in BC hotels was down 1.4 percentage points (to 65.3%) after increasing in September. Room prices increased 0.1% to an average of \$121.

The Consumer Price Index for traveller accommodation fell 0.3%, which was the ninth decline in eleven months. Passenger

traffic was heavier at Vancouver (+0.4%) airport, while Victoria airport was not as busy (-2.8%). There were also fewer passengers (-3.0%) and vehicles (-1.7%) aboard BC Ferries, and fewer passenger vehicles (-3.1%) passed the toll booth of the Coquihalla highway.

The cost of restaurant food was flat in October. Sales at food service establishments (-1.5%) decreased, offsetting increases in receipts at drinking places (+7.7%). Overall restaurant, caterer and tavern receipts were off 0.8%.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Oct-05	Sep-05	Change from Oct-05	Sep-05
Hotel Industry				
Occupancy rate	65.3		-1.4 pp.	
Average room charge	121.30		0.1%	
<i>(Pannell Kerr Forster)</i>				
Airport Passengers	(000s)	(%)		
Vancouver International Airport				
Total traffic	1,385	0.4		
US (trans-border)	357	4.7		
Other International	331	-0.7		
Canada (domestic)	697	-1.1		
<i>(YVR)</i>				
Victoria International Airport				
Total traffic	108	-2.8		
<i>(Victoria Airport Authority)</i>				
Transportation	(000s)	(%)		
Coquihalla Highway				
Passenger Vehicles	215	-3.1		
<i>(Ministry of Transportation & Highways)</i>				
BC Ferries				
Vehicle Volume	697	-1.7		
Passenger Volume	1,770	-3.0		
<i>(BC Ferries)</i>				
Exchange Rates	Cdn \$			
US \$	0.849	0.00		
UK Pound	0.470	0.01		
Japanese Yen	94.429	3.12		
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

Preliminary room revenue numbers for November are not available at this time.

Preliminary numbers suggested that other tourism indicators were weak in November. Visitor entries were down (-1.7%, *seasonally adjusted*) with fewer visitors coming from the US (-2.5%), which offset growth in the overseas market (+1.4%)

Passenger traffic was up at both the Vancouver airport (+1.2%) and Victoria's airport (+4.2%). BC Ferries was busier in November recording more vehicle (+2.1%) and passenger (+3.1%) volumes. Fewer passenger vehicles (-0.3%) 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.

Special Focus: CPI for Traveller Accommodation Trended down

Over the past few years, BC has encountered many economic stumbling blocks that have taken a toll on the province's tourism industry. The 9/11 attacks affected travel all over North America in the fall of 2001, and subsequent events such as the SARS outbreak in 2003 and the recent wars in Afghanistan and Iraq also put a damper on travel to BC as well as other parts of Canada.

These external shocks have put pressure on the province's accommodation sector, and accommodation providers have responded by offering travellers a break on their rates in an effort to boost their business. They appear to have been successful. Since 2001, the Consumer Price Index (CPI) for traveller accommodation has fallen 25%, and average accommodation prices in BC are currently lower than they were in 1992. At the same time, room revenues have increased in every year except 2003, and revenues appear to be on track for another solid year in 2005.

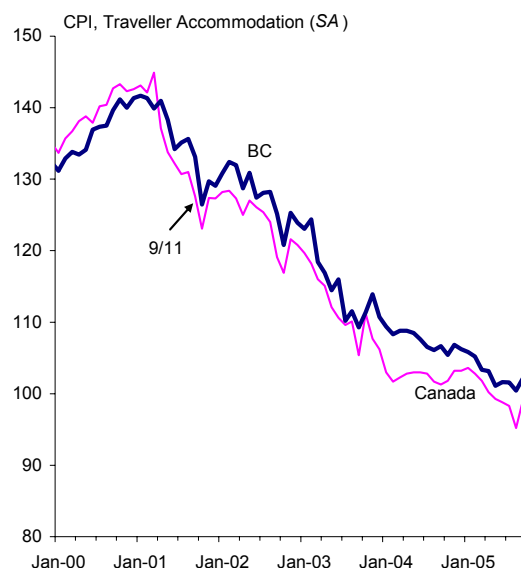
The CPI for traveller accommodation continues to fall

The CPI for traveller accommodation in BC began to decline in the spring of 2001, and has fallen every year since then¹. The downward trend predated the events of 9/11, but seemed to be accentuated by them. The index has fallen ten times during the last eleven months from 103.2 in December 2004 to 98.7 in October 2005.

Prices in BC followed similar trends as in the rest of Canada from 2001 to 2003, how-

ever, they did not fall as much in BC as in other parts of the country. The gap between BC's and Canada's index began to widen in January 2004. During 2005, the CPI for traveller accommodation fell 2.7% in BC, compared to a 4.9% national decline. Prices also dropped in Ontario (-7.5%) and Quebec (-5.1%).

CPI for traveller accommodation has been declining since 2001



Data Source: Statistics Canada; seasonally adjusted by BC Stats

Hotel occupancy rate

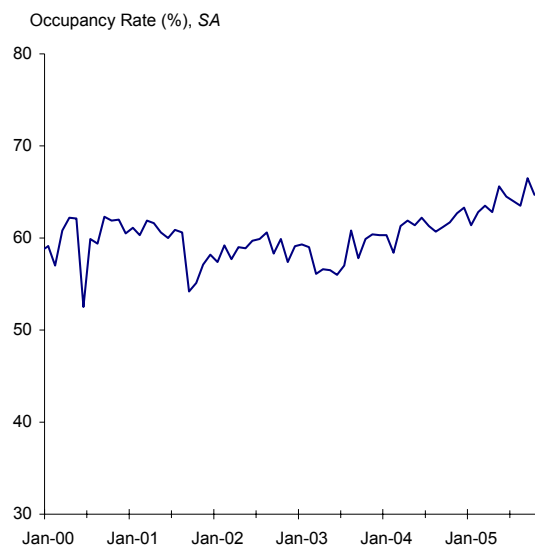
Room revenues are determined by both prices for traveller accommodations, and hotel occupancy rates. By lowering prices, BC's accommodation providers have been able to attract more business resulting in higher occupancy rates and increased room revenues.

BC has observed a mild upward trend in hotel occupancy rates since 2001. Although

¹ -4.3% in 2001; -6.9% in 2002; -9.9% in 2003; -8.4% in 2004; -3.0% in 2005; Source: Statistics Canada

the lowest level (58.3%)² in the past ten years for average hotel occupancy was recorded in 2003, there was less unused room capacity in 2004. The average BC hotel occupancy rate inched up from 60.0% in 2000 to 61.4% in 2004, up 1.4 percentage points. In the first ten months of 2005, the average rate increased further to 63.9%.

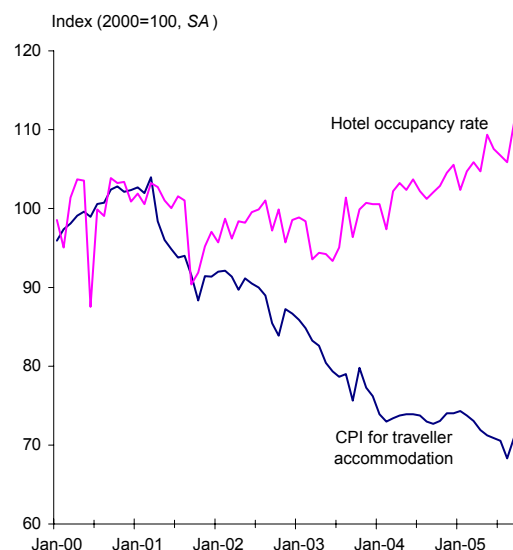
BC hotel occupancy rate inching up



Data Source: Pannell Kerr Forster; seasonally adjusted by BC Stats

The BC hotel occupancy rate and the CPI for traveller accommodation have mirrored each other over the past five years. The average CPI for traveller accommodation fell from 139.4 in 2000 to 99.4 in 2005, down by 28.7%. This suggests that the lower prices of traveller accommodation resulted in more stays at BC hotels, which eased some of the pressure that soaring gasoline prices had on travel costs.

Rising hotel occupancy rate and falling CPI for traveller accommodation



Data Source: Pannell Kerr Forster & Statistics Canada; seasonally adjusted by BC Stats

Room revenue

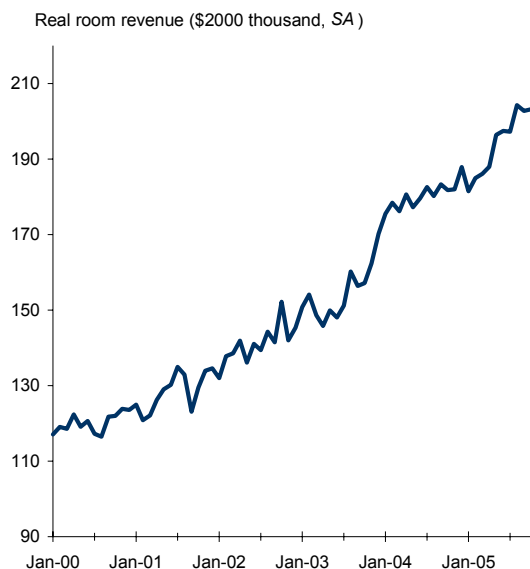
As the CPI for traveller accommodation declined, BC room revenues continued to grow. Revenues reached a new high of \$422 million in the third quarter of 2005, with an increase at hotels of all sizes, showing a complete recovery from the effects of 9/11 and SARS.

BC room revenues posted a 10.4% increase in 2004 relative to 2001. Real room revenues³, which remove the effects of inflation, advanced 40.4% over the same period, reflecting higher volumes. The increase in real room revenues indicates that the recent combination of lower prices and higher occupancy has been paying off for BC's tourism industry.

² Source: Pannell Kerr Forster

³ Real room revenues value revenues at constant base year's (2000) prices so that the effects of inflation have been removed.

Real room revenues have increased about 67% since 2000



Data Source: BC Stats

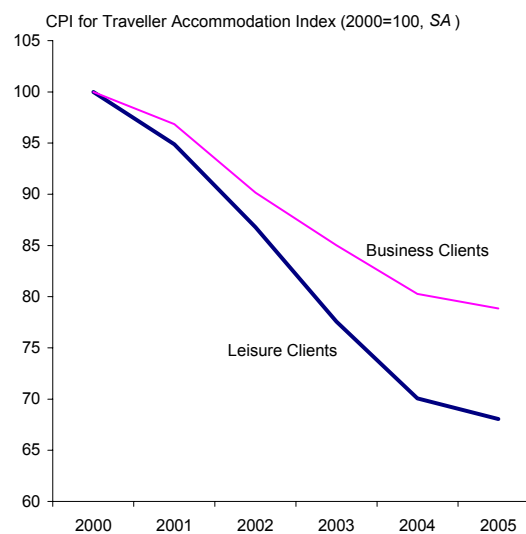
Traveller accommodation price indexes covering different client groups

In order to reflect changes in room rates corresponding to different consumers, the traveller accommodation price index covers business, leisure, government and foreign client groups. Room rates for business and leisure groups are collected directly from accommodation providers, and the data is reported for both leisure and business clients.

Prices for leisure clients in BC showed the biggest decline (-32.0%) between 2000 and 2005, suggesting that the lower prices offered by BC accommodation properties were targeted primarily to ensure travellers. This is not surprising, given that leisure travel is usually discretionary while business and government travel decisions are less likely to be affected by accommodation costs. The traveller accommodation CPI for business clients fell 21.2%. The cost of accommodation for foreign clients has also declined. During the SARS panic, prices dropped 7.5%.

Compared to the rest of Canada, BC recorded the second largest year-over-year declines in the traveller accommodation price indexes for leisure clients (-2.9%) and business clients (-1.8%) in 2005, behind Ontario (leisure clients, -8.8%; business clients, -3.2%). The national average prices dropped 4.2% for leisure clients and 1.4% for business clients.

Leisure travellers benefited more from lower prices



Data Source: Statistics Canada; seasonally adjusted by BC Stats