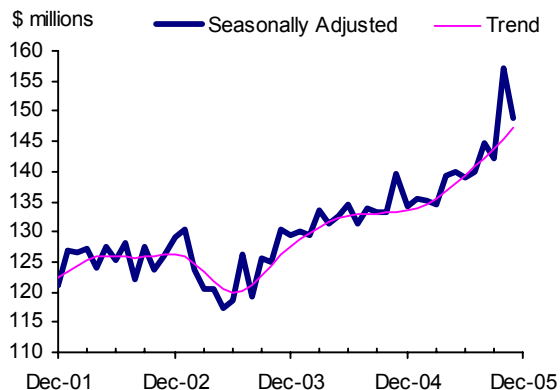


Tourism Sector Monitor ♦ March 2006

Room Revenue

After soaring (+10.6%, *seasonally adjusted*) in a very eventful November, room revenues fell 5.2% to just under \$150 million in December. However, compared to October, revenues were still 4.8% higher. Five regions saw revenues decline with the biggest decrease occurring in Mainland/Southwest (-8.8%) where many of the largest hotels are located. Revenues in North Coast (-4.8%) and Thompson-Okanagan (-4.1%) also declined after increasing substantially in November. Kootenay (-0.8%) recorded its third consecutive decrease in room revenues since September, while revenues in Northeast (-3.2%) continued to slide. Vancouver Island/Coast (+1.2%) and Nechako (+1.1%) posted smaller increases in revenue than the previous month, however, revenues in Cariboo continued to grow (+8.1%).

Room revenues fell back in December



Hotels of all sizes experienced declines in revenues in December (-6.2%), accounting for about 80% of the province's total revenue changes. Most of the decreases originated in large hotels, especially hotels with more than 250 rooms (-10.6%). Hotels with 151-250

rooms saw revenues fall 5.9%, and hotels with 76-150 rooms (-1.6%) recorded the first decline since May. Revenues at smaller hotels (-2.8%) were also off in December. Business at vacation rentals (-2.4%) and non-standard accommodations (-10.8%), including fishing lodges, also slipped. However, motels (+0.7%) posted the fourth successive increase since September.

Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	Dec 05 (\$000)	Nov 05 (\$000)	% change
Total	149,003	157,214	-5.2
Hotels	109,395	116,594	-6.2
Motels	19,426	19,286	+0.7
Other Accommodations	19,377	20,607	-6.0
Regions (Top 3 performers)			
Cariboo	4,968	4,596	+8.1
Vancouver Island/Coast	27,842	27,518	+1.2
Nechako	848	839	+1.1

Visitor Entries

The number of travellers entering Canada via BC borders increased (+2.4%, *seasonally adjusted*) in December after sliding for two straight months. This was a result of more entries from both the US (+2.6%) and overseas markets (+1.7%).

Americans made more same-day (+3.9%) and overnight (+0.9%) trips north of the border into BC. The US accounts for about 80% of all traveller entries into the province.

Asian entries, accounting for about half of total overseas visits, advanced 2.6%, and entries from Europe (the next biggest source of

visitors to BC) inched up (+0.6%) in December. The number of travellers from Oceania was down 1.7%, reaching its lowest level in 2005.

Canadian entries dipped 0.3% in December, as fewer Canadians made same-day trips to the US (-0.4%) and overseas (-0.4%).

Visitor entries rebounded in December

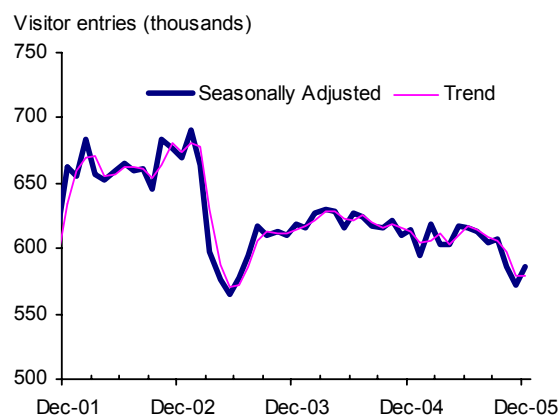


Table 2. Traveller Entries
(seasonally adjusted)

	Dec-05 (^{'000})	Nov-05 (^{'000})	% chg from Nov-05
American visitors			
Total	463	451	2.6
Same-day	182	175	3.9
Overnight	280	277	0.9
Overseas visitors			
Total	123	121	1.7
Europe	41	40	0.6
UK	19	19	0.1
Asia	60	59	2.6
Japan	18	20	-7.1
Taiwan	8	7	16.9
Oceania	12	12	-1.7

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 December.

The occupancy rate in BC hotels was down 3.8 percentage points (to 66.4%) after increasing in November. Room prices decreased 9.8% to an average of \$113.

The Consumer Price Index for traveller accommodation rose 1.1%, which was the third increase in twelve months. Passenger traffic was not as heavy at both the Vancouver (-3.5%) and Victoria (-1.4%) airport. BC Ferries welcomed more passengers (+3.2%) and vehicles (+2.7%) aboard. In addition, more passenger vehicles (+2.7%) passed the toll booth of the Coquihalla highway.

The cost of restaurant food inched up (+0.1%) in December, while sales declined at both drinking places (-2.9%) and food service establishments (-4.2%). Overall restaurant, caterer and tavern receipts were down 4.1%.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Dec-05	Change from Nov-05
Hotel Industry		
Occupancy rate	66.4	-3.8 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	113.40	-9.8%
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,349	-3.5
US (trans-border)	351	-0.5
Other International	320	-0.4
Canada (domestic) <i>(YVR)</i>	678	-6.3
Victoria International Airport		
Total traffic <i>(Victoria Airport Authority)</i>	112	-1.4
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <i>(Ministry of Transportation & Highways)</i>	221	2.7
BC Ferries		
Vehicle Volume	735	2.7
Passenger Volume <i>(BC Ferries)</i>	1,884	3.2
Exchange Rates Cdn \$		
US \$	0.861	0.01
UK Pound	0.493	0.00
Japanese Yen	102.072	1.76
Australian \$ <i>(Statistics Canada)</i>	1.159	0.01

Note: pp. percentage points

A look ahead

Room Revenue

Preliminary numbers suggest that after declining in December, room revenues continued to fall (-2.1%, *seasonally adjusted*) in January. Five regions lost ground with the biggest decrease occurring in Northeast (-10.5%). BC's two biggest regions, Mainland/Southwest (-3.0%) and Vancouver Island/Coast (-2.0%) also experienced declines in revenues.

Hotel revenues inched up (+0.1%) in January after falling in December. Revenues at non-standard accommodations including fishing lodges and bed & breakfasts dipped (-1.4%), and vacation rentals (-1.9%) were also off in January. Motel receipts were up (+1.4%), recording the fifth increase since August.

Visitor entries decreased (-2.5%, *seasonally adjusted*) with fewer visitors coming from both the US (-1.1%) and overseas (+7.5%). Entries from Europe (-8.8%) and Oceania (-7.5%) fell to their lowest level since January 2005.

Passenger traffic was up at both Vancouver (+0.1%) and Victoria (+2.2%) airports. In addition, BC Ferries recorded more vehicles (+0.2%) but fewer passenger (-0.7%) aboard, and more passenger vehicles (+3.8%) 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.

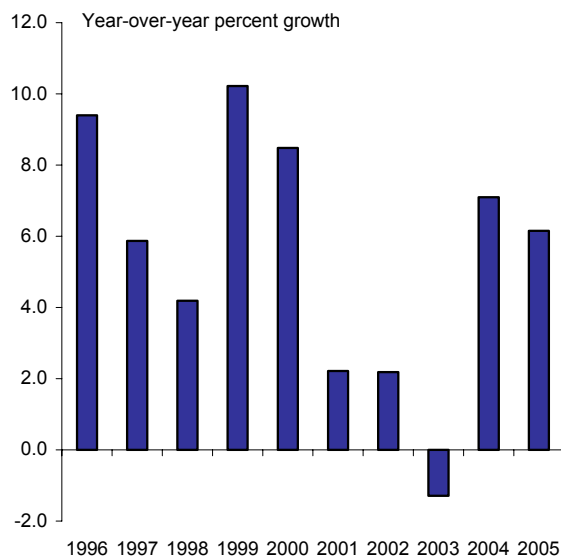
Special Focus: BC's tourism sector in 2005

After rebounding in 2004, BC's tourism sector continued to expand in 2005 with most indicators showing solid growth.

Revenues posted strong growth in 2005

Room revenues at hotels, motels and other establishments in British Columbia increased 6.1% to reach close to \$1.7 billion in 2005, the highest level since 1995. The persistent growth highlights the strength of BC's tourism economy.

Strong growth in room revenues in 2005 in BC



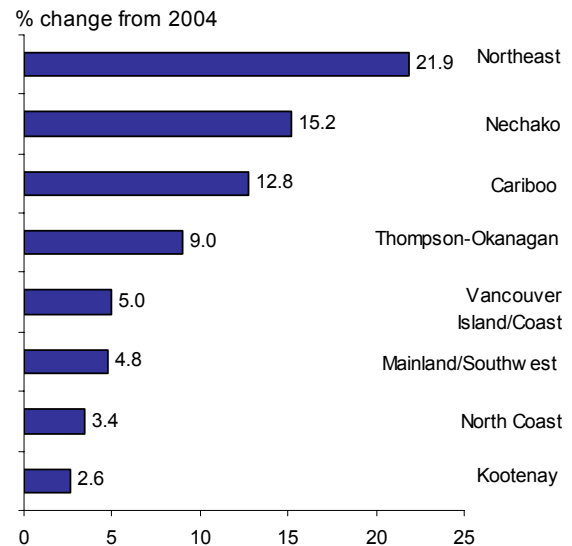
Data Source: BC Stats

Northeast continued to be the top performer in 2005

All regions of the province experienced increases in revenues in 2005. For the third consecutive year, the Northeast region outperformed the rest of BC, posting a growth rate of 21.9%. This follows a gain of 22.1% in 2003, and 12.2% in 2004. Nechako (+15.2%)

regained the ground lost in 2004 (-1.3%). Cariboo (+12.8%) also posted double-digit growth in revenues. The two most populated regions, Mainland/Southwest (+4.8%) and Vancouver Island/Coast (+5.0%) made significant gains in room revenues, however, these were below the rates at which revenues increased in the previous year. Thompson-Okanagan (+9.0%) was also a major engine of revenue growth, as were Kootenay (+2.6%) and North Coast (+3.4%).

Northeast outperformed the rest of BC in 2005



Data Source: BC Stats

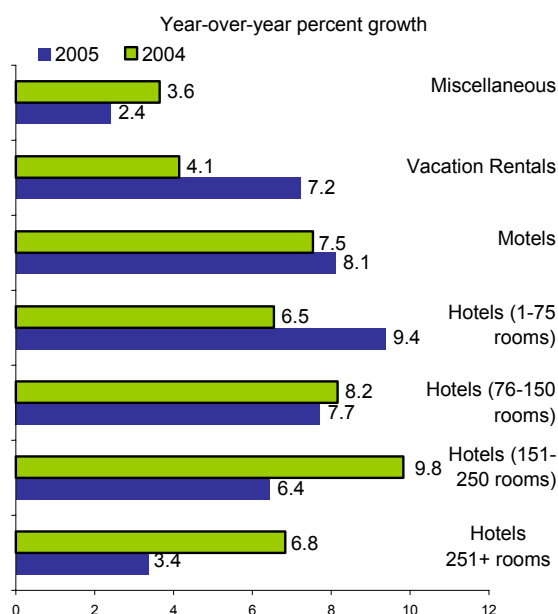
Revenues up at all types of establishments

In 2005, motels (+8.1%) outperformed vacation rentals (+7.2%), hotels (+6.0%) and other types of accommodation properties (including bed and breakfast, fishing lodges and other types of short-term accommodation). This is different from 2004, when revenues at hotels (+7.6%) surpassed those of motels (+7.5%) and vacation rentals

(+4.1%). In 2005, motels posted strong and consistent increases, proving themselves to be strong competition for hotels.

Small hotels (1-75 rooms, +9.4%) were the top performers in 2005. Hotels with 76-150 rooms posted the second strongest gain (+7.7%), followed by large hotels (151-250 rooms, +6.4%). Very large hotels (251+ rooms) did not grow as fast as in 2004, showing a modest 3.4% increase in revenues.

Small hotels posted strongest gain



Data Source: BC Stats

Other Annual Indicators

In the hotel industry, the occupancy rate increased by 5.4 percentage points to nearly 65% in 2005, while average room prices inched up 0.8%, to \$116.6. The peak occupancy occurred in November (about 70%, *seasonally adjusted*).

Not surprisingly, considering the upturn in visitor entries in 2004, traffic statistics continued to increase in 2005. Air passenger traffic at Vancouver airport rose to over 16.4 million travellers, 4.4% higher than in 2004, with higher volumes on all types of flights.

US trans-border (+3.6%), other international travel (+5.1%) and domestic traffic (+4.5%) all increased. Victoria airport welcomed 1.3 million travellers, a 5.5% increase from 2004.

BC Ferries carried less passengers (-0.7%), but vehicle volumes on board inched up (+0.1%). On the Coquihalla Highway, 1.9% more passenger vehicles passed through the tollbooths last year.

Employment in key tourism-related industries increased (+1.6%) in 2005, with increases seen in all sectors. Air transport (+2.0%), arts, entertainment and recreation (+4.6%) and accommodation (+3.9%) industries all hired more workers. Employment in the food and beverage industry (+0.2%) also inched up.

Other Tourism Indicators (annual)

	2005	Change from 2004
Hotel Industry		
Occupancy rate	64.6	5.4 pp
Average room charge	116.6	0.80%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	16,421	4.4
US (trans-border)	4,106	3.6
Other International	3,967	5.1
Canada (domestic)	8,348	4.5
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	1,318	5.5
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	2,635	1.9
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	8,539	0.1
Passenger Volume	21,791	-0.7
<i>(BC Ferries)</i>		

Note: pp. percentage points

In BC, restaurant and tavern receipts increased 2.8% to over \$6.1 million in 2005 with a 4.2% increase in sales at food services

establishments, offsetting an 8.7% decline in receipts at drinking places.

The overall indication is that 2005 was a good year, with a continuation of the upward trend that began in 2004.