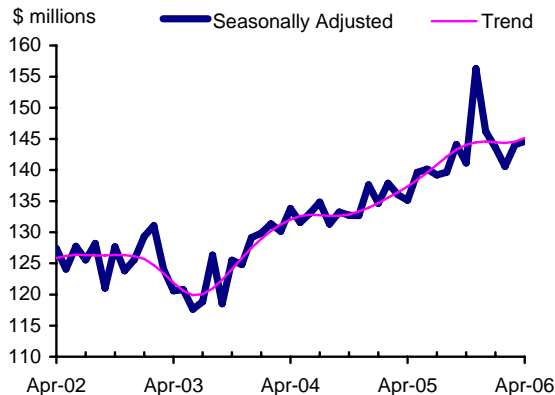


Tourism Sector Monitor ♦ July 2006

Room Revenue

Room revenues inched up (+0.4%) in April after increasing 2.5% in March. Northeast continued to outperform the rest of BC with the strongest gains (+10.0%) in room revenues following a significant 21.6% increase in the previous month. Revenues in Thompson-Okanagan climbed 1.0%, recovering some of the ground lost in February (-2.0%) and March (-0.1%). Cariboo (+0.9%) and Kootenay (+0.8%) also continued to experience revenue growth in April. However, two regions accounting for the biggest shares of BC's total room revenues, Mainland/Southwest (-0.2%) and Vancouver Island/Coast (-0.3%) saw revenues decline. Business was also off in Nechako (-3.7%) and North Coast (-0.8%).

Room revenues up 0.4% in April



Hotels continued to experience revenue growth in April (+0.9%). Small hotels with less than 75 rooms posted the strongest gains (+3.6%). Business at hotels with 76-150 rooms was also up (+1.8%). Very large hotels (251+ rooms) saw revenues increased (+0.4%) after two consecutive declines. However, revenues at large hotels with 151-250 rooms dropped (-1.7%). Revenues at vacation rentals declined (-0.5%). Business at non-standard accommo-

dations, including fishing lodges, also slipped (-0.3%). In addition, motels (-1.6%) saw revenue fall for the second month in a row. Motel revenues had been on an upward trend since September 2005.

*Table 1. Room Revenue
(seasonally adjusted)*

Accommodation Type			
	Apr 06 (\$000)	Mar 06 (\$000)	% change
Total	144,612	144,070	+0.4
Hotels	107,079	106,087	+0.9
Motels	19,125	19,427	-1.6
Other Accommodations	18,757	18,838	+0.4
Regions (Top 3 performers)			
Northeast	5,742	5,218	+10.0
Thompson-Okanagan	21,540	21,319	+1.0
Cariboo	4,711	4,670	+0.9

Visitor Entries

The number of visitors entering Canada via BC borders decreased (-0.5%, *seasonally adjusted*) in April after rising in March (+2.8%). Entries from the US, which comprise most of the visits, inched down (-0.1%) as Americans made fewer same-day (-0.6%), but more overnight (+0.9%) trips into BC.

Travel to BC from overseas countries was also off (-1.9%) in April, brought down by a 1.6% decline in the number of Asian entries. Entries from Japan (-5.8%) and Taiwan (-10.8%) dropped off significantly. However, entries from Europe (+4.9%) and Oceania (+9.0%) continued to rise.

The number of Canadians returning home via BC was virtually unchanged (+0.1%). Same-day car trips from the US increased 1.2% but the number of travellers returning

home from trips overseas fell (-0.8%) in April.

Visitor entries inched down in April

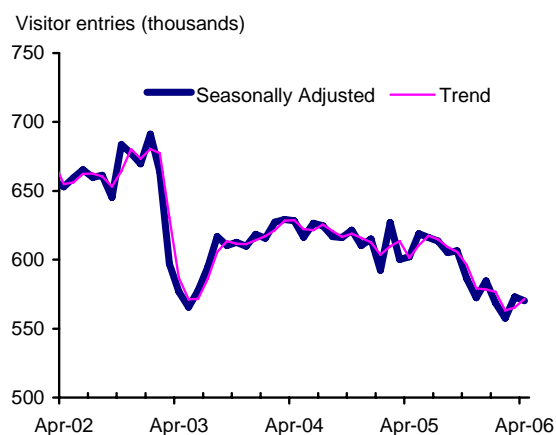


Table 2. Traveller Entries
(seasonally adjusted)

	Apr-06 (‘000)	Mar-06 (‘000)	% chg from Mar-06
American visitors			
Total	450	451	-0.1
Same-day	172	173	-0.6
Overnight	280	277	0.9
Overseas visitors			
Total	120	122	-1.9
Europe	42	40	4.9
UK	20	19	5.2
Asia	59	60	-1.6
Japan	18	19	-5.8
Taiwan	7	8	-10.8
Oceania	14	12	9.0

(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 strong in April.

The occupancy rate in BC hotels inched up 0.3 percentage points (to 65.6%). Room prices increased (+1.3%) to an average of \$121.00.

Passenger traffic was up at Vancouver airport (+0.5%), but the Victoria airport experienced a small decrease (-0.5%) in traffic. BC Ferries recorded more passengers (+0.4%) and vehicles (+0.6%) aboard. In addition, 3.4% more passenger vehicles travelled on the Coquihalla highway.

The cost of restaurant food was up 0.6% in April. Sales increased at both drinking places (+6.3%), and food service establishments (+4.2%). Total restaurant caterer and tavern receipts rose (+4.3%) in April.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Apr-06	Change from Mar-06
Hotel Industry		
Occupancy rate	65.6	0.3 pp.
Average room charge	121.00	1.3%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,417	0.5
US (trans-border)	357	2.0
Other International	336	0.2
Canada (domestic)	725	0.0
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	112	-0.5
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	215	3.4
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	711	0.6
Passenger Volume	1,803	0.4
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.874	0.01
UK Pound	0.494	0.00
Japanese Yen	102.281	0.95
Australian \$	1.186	0.00
<i>(Statistics Canada)</i>		

Note: pp. percentage points

A look ahead – May 2006

Room Revenue

Preliminary numbers suggest that room revenues grew (+3.8%, *seasonally adjusted*) for the third straight month in May, with the strongest increase again recorded in Northeast (+17.1%). Room revenues rose in all regions of the province.

Hotel revenues advanced 3.6% in May. Hotels with 151-250 rooms experienced the strongest gains (+7.7%) as they rebounded from a slump (-1.7%) in April. Revenues at very large hotels with more than 250 rooms (+3.5%) continued to increase in May. Motel revenues resumed their upward trend. Receipts continued to climb (+9.0%) at vacation rentals and business at non-standard accommodations including fishing lodges and bed & breakfasts (+3.4%) was also up.

The number of visitors entering Canada via BC borders edged up (+0.2%, *seasonally adjusted*) in May after dipping in April (-0.5%). Entries from the US, which comprise most of the visits, showed no change as an increase in same-day trips (+1.2%) was offset by a decline in overnight travel (-0.9%). Travel to BC from overseas countries climbed 1.1% in May, boosted by 0.5% growth in the number of European entries, and 0.8% growth in travel from Oceania. However, the number of Asian entries slid (-1.0%) mainly due to significantly fewer entries from Taiwan (-10.1%) and Hong Kong (-6.2%).

Passenger traffic was unchanged from April at Vancouver airport, but Victoria airport (+6.3%) was much busier in May. BC Ferries carried fewer vehicles (-0.8%), but slightly more passengers (+0.1%) on board. Fewer passenger (-0.2%) vehicles 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 Motel Industry

Motels offer lodging alternatives

BC's accommodation industry is comprised of a variety of establishments such as hotels, motels, bed and breakfasts, and so on, which provide lodging services with or without meals. Motels are designed to accommodate clients travelling by motor vehicle, and provide short-stay suites or guest rooms within a one or two-storey structure, characterized by exterior access to rooms and ample parking areas adjacent to the room entrances. They are also called motor courts, motor lodges and motor inns¹.

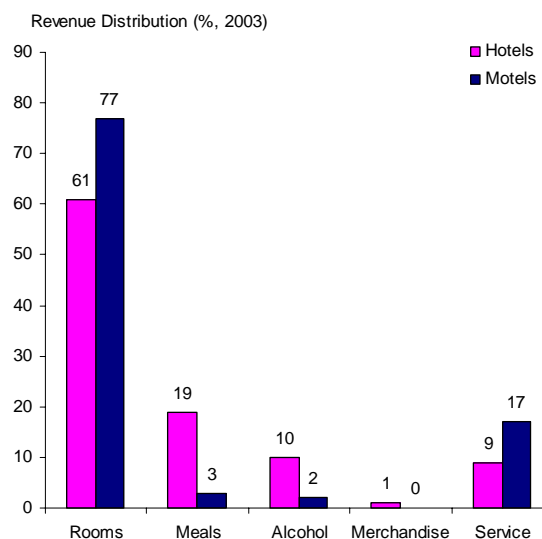
In the past, motels often limited their services to lodging only, but modern motels are more likely to provide additional amenities and services. These might include free breakfasts, convention and conference facilities that can be used by business customers, and access to recreational facilities. Motels offer lodging alternatives other than hotels to business, households and government travellers.

While often in competition with each other, motels and hotels are both affected by social and economic conditions, and still preserve their own nature. Typically smaller and more affordable than hotels, motels, especially smaller establishments, are most often located in rural places and along highways, where there is a low concentration of hotels. Most medium and large motels, which are often part of large chains, can also be found in central locations, which have the highest concentration of hotels². Motel room rates are often lower than those levied by hotels. According to the Canadian Tourism Commission (CTC), the average daily room rate

for hotels and motor hotels was \$132, twice as expensive as motel room rates (\$68) in 2003.

Apart from the different room rates between motels and hotels, another distinction is their source and allocation of revenues. Most motel revenues originate in room charges (77%), which is more than the share of hotel room revenues (61%). Not surprisingly, hotels, which typically offer a wider range of services than motels, derive a bigger share of the revenues providing meals and alcohol (29%) and selling hotel merchandise (1%) to customers, while such services only account for about 5% of total motel revenues. However, motels benefited more from offering other services (17%) than hotels did (9%)³.

Most motel revenues originate from room charges



Data Source: Canadian Tourism Commission (CTC)

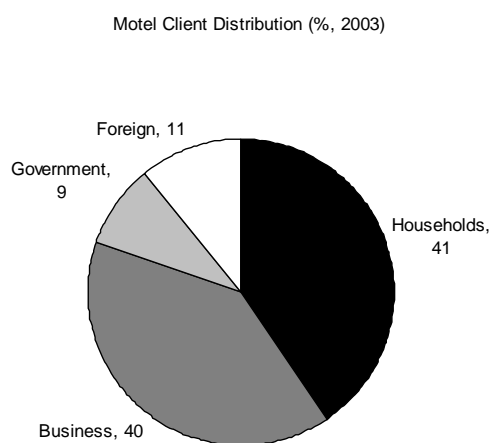
¹ Similar establishments that feature interior access to rooms are classified as hotels or motor hotels

² Canadian Tourism commission (CTC), Traveller Accommodation Survey, 2000

³ CTC, Traveller Accommodation Survey, 2003

Motels and hotels also attract different types of clients. In 2003, nearly 90% of motel clients were domestic customers, and 41% of motel stays were personal rather than business (40%). The share of domestic clients for hotels was 63%, more than 20 percentage points less than it was for motels. Only 11% of motel guests were foreign visitors, while hotels welcomed more foreign stays (37%).

Motels attracted more domestic stays than foreign visits

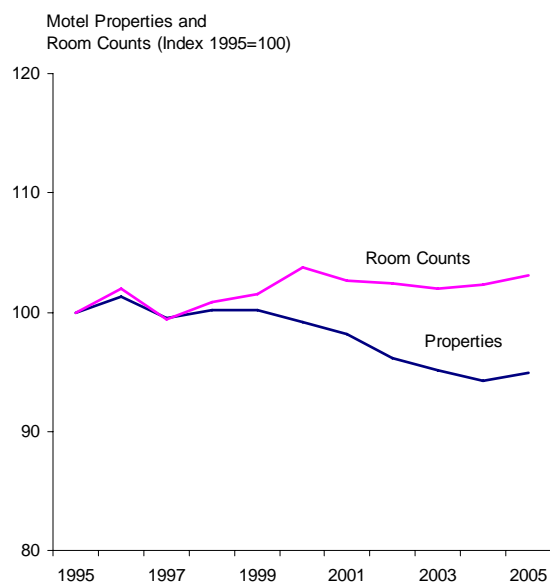


Data Source: CTC

Decreasing number of motels and flat room counts

The number of motels in BC decreased 5.1% between 1995 and 2005, dropping to 830 properties. However, motel room supply remained relatively flat. Room counts in BC for motels rose 3.0%. This suggests that motels grew in size even with fewer properties in the province.

There are fewer motels, but room counts have been stable



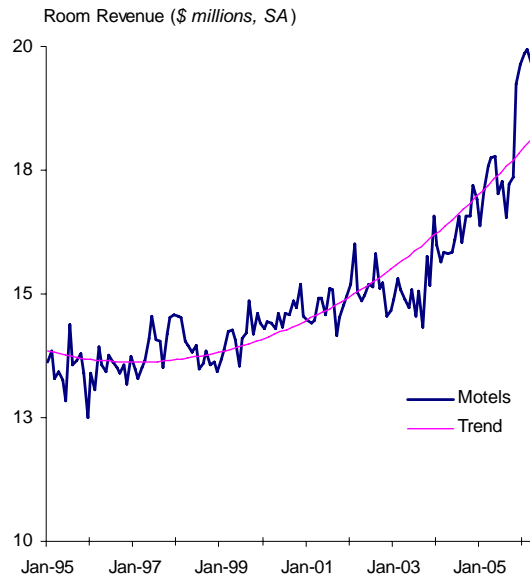
Data Source: BC Stats

BC's motel industry expanding, but lags behind other types of accommodation

BC's motel industry has been expanding. Room revenues at motels have been continuously trending up over the last decade, recording a 30.5% increase between 1995 and 2005. Room revenues at motels in BC maintained a moderate rate of growth between 1995 and 2003. They picked up speed in 2004 (+7.5%), and revenues climbed even higher in 2005 (+8.1%), recording the biggest yearly growth rate since 1995.

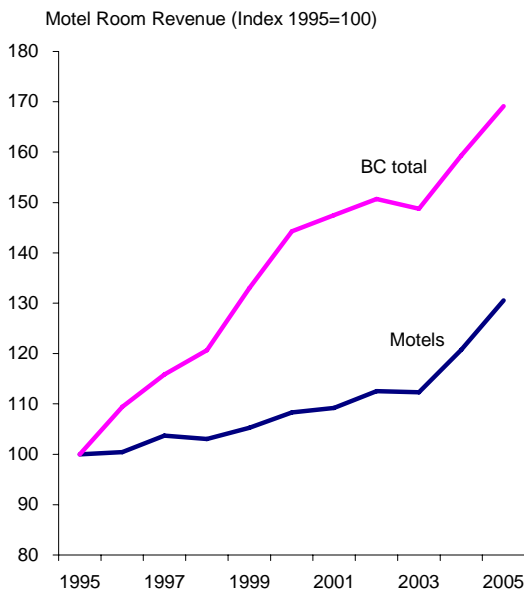
However, the growth in room revenues at motels was not as big as the increase in BC as a whole. Between 1995 and 2005, the province's room revenues rose more than twice (+69.1%) as much as motel room receipts. Hotels (+65.6%) of all sizes also experienced much greater gains in room revenues than motels.

Revenues at motels trending up...



Data Source: BC Stats

... but not as fast as for all types of accommodation establishments



Data Source: BC Stats

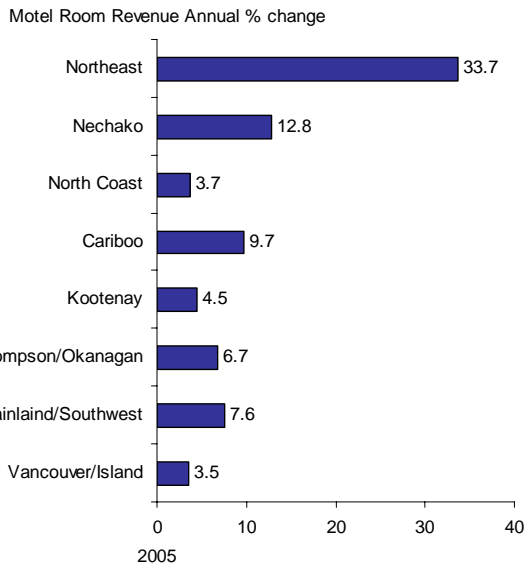
Motels in all regions experienced growth in room revenues in 2005, but not as much as other types of establishments in the regions

Motel revenues in all regions but Cariboo grew less than the average for each region as a whole. Motels located in more rural regions, such as Northeast, Cariboo and Nechako, experienced the strongest growth in room revenues in 2005. Motels account for a big share of total lodging properties in Northeast (49%), Nechako (51%) and Cariboo (45%), and motel revenues in these regions grew faster than in urban regions such as Mainland/Southwest, where motels only account for 22% of the total lodging properties.

Between 1995 and 2005, motels in Northeast outperformed other regions with a 139.9% increase in room revenues. Northeast also recorded the biggest yearly growth in motel revenues (+33.7%) in 2005. Nechako (+12.8%) reported a double-digit increase in motel room revenues in 2005. After growing in 2004 (+8.7%), revenues at motels in Cariboo continued to rise in 2005 (+9.7%).

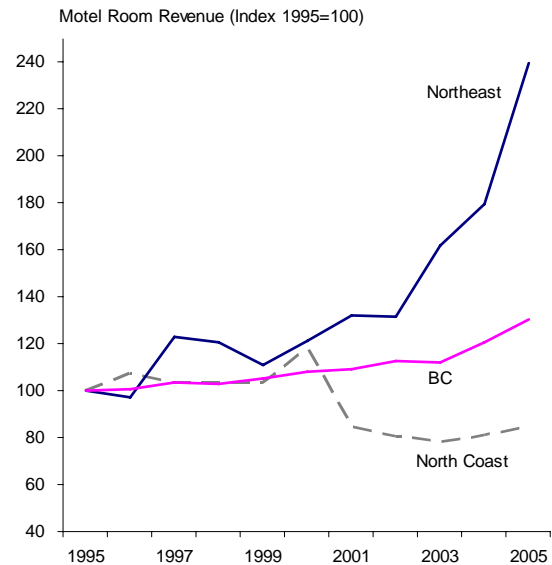
Vancouver Island/Coast experienced revenue growth (+3.5%) for a fifth consecutive year in 2005. Although motels in North Coast did not perform well between 1995 and 2003, they are slowly regaining some of the lost ground with two consistent increases in revenues recorded in 2004 (+3.7%) and 2005 (+3.7%). BC's most urban region, Mainland/Southwest, saw revenues advance 7.6% at motels in 2005. However, compared to 1995, motel receipts were down 2.0%.

Northeast posting strongest growth in room revenues at motels in 2005



Data Source: BC Stats

Revenues at motels in Northeast more than doubled over the past decade...



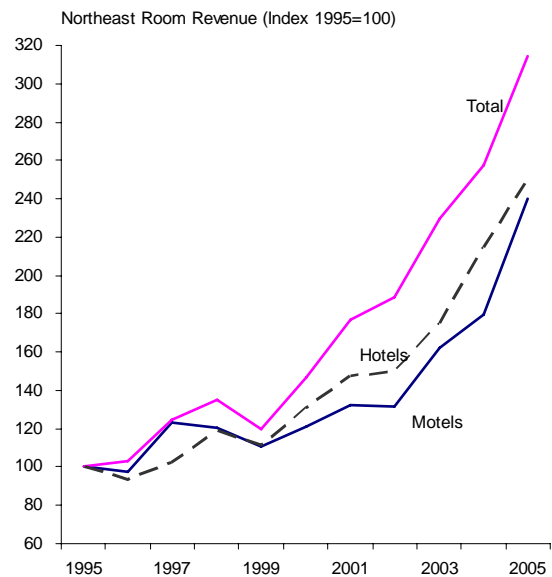
Data Source: BC Stats

Motels in Northeast outperformed the rest of BC over the last decade

Business at motels in Northeast started booming in 2003, posting a prominent 23.5% gain in room revenue. Following a solid increase (+10.6%) in 2004, revenues at motels in the region jumped sharply in 2005 (+33.7%), surpassing motels in BC as a whole and all other regions, reaching nearly \$17 million.

Even though motels have been expanding in Northeast, their growth was not prominent compared to the region as a whole. Room revenues at all types of lodging establishments grew faster than motels. Total room revenues in the region went up 214.2% between 1995 and 2005. Hotels experienced a 149.9% increase in room receipts, 10 percentage points more than the room revenue growth in motels (+139.9%).

... but grew less than hotels and the average for the region as a whole

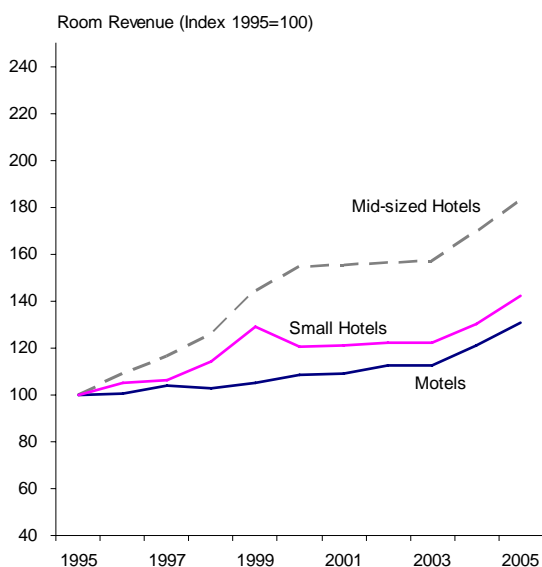


Data Source: BC Stats

Motels versus mid-sized and small hotels

The average size of motels is about 30 rooms. Motel size varies from 10 to 133 rooms, similar in size to medium and small-size hotels with less than 150 rooms. Mid-sized (76-150 rooms) and small hotels (1-75 rooms) are thus most likely to compete for customers with motels, since they provide accommodation services in similar types of facilities. Both mid-sized and small hotels in the province have posted stronger growth than motels. Between 1995 and 2005, mid-sized hotels posted strong gains (+82.6%) in room revenues, and small hotels saw revenues advance 42.3%, significantly more than the 30.5% increase in motel room revenues. However, motels showed strong annual growth in room revenues (+8.1%) in 2005, surpassing mid-sized hotels with 76 to 150 rooms (+7.7%).

Mid-sized and small hotels growing faster than motels



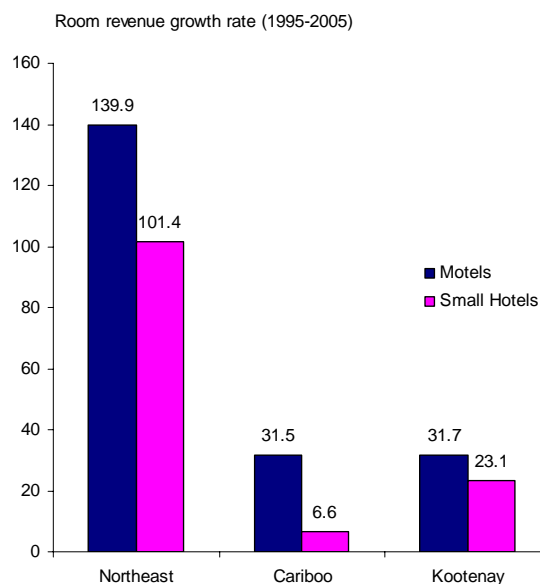
Data Source: BC Stats

Motels did not keep pace with mid-sized hotels in BC as a whole, and even in regions such as Northeast, where they performed relatively better than the rest of the province. However, motel revenues showed

stronger increases than small hotels with less than 75 rooms in some regions of the province. Motels in Northeast, which experienced the biggest gains in revenues in BC, posted greater growth in room receipts (+139.9%) than small hotels (+101.4%) in the region between 1995 and 2005. Room revenues at motels in Cariboo also advanced 31.5%, considerably more than revenue growth at small hotels (+6.6%). In addition, motels (+31.7%) in Kootenay made bigger gains in room revenues than small hotels (+23.1%).

Motels in BC's most populated region, Mainland/Southwest (-2.0%), did not fare well between 1995 and 2005, while mid-sized hotel saw revenue more than double, and small hotels also experienced a 28.7% increase in their receipts over the period. Although other regions experienced some growth in motel room revenues, small hotels earned more revenues than motels.

Motels in Northeast, Cariboo and Kootenay showed stronger growth than small hotels



Data Source: BC Stats