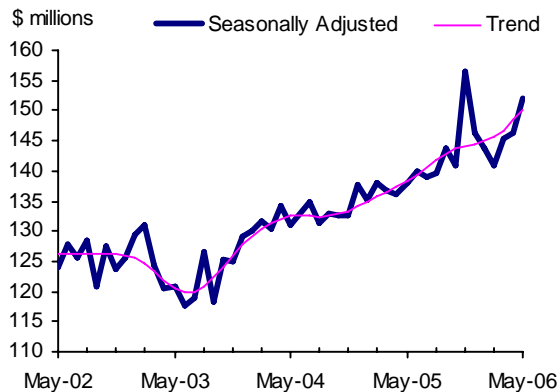


Tourism Sector Monitor ♦ August 2006

Room Revenue

After a rather modest 0.7% increase in April, room revenues were up 3.9% in May as all regions recorded gains. Northeast, for the third consecutive month, experienced the largest growth (+17.3%). Revenues in Nechako increased 4.9%, recovering about half of the losses in the previous two months. Mainland/Southwest, the region with the largest share of BC's total room revenues advanced 4.1%. North Coast saw a rebound (+4.1%). Kootenay (+3.2%), Thompson-Okanagan (+2.4%), and Vancouver Island/Coast (+2.0%) showed robust growth in May, while room revenues in Cariboo (+0.5%) rose only slightly.

Room revenues rose 3.9% in May



With the summer season on the horizon, room revenues were up in May across the board with a solid 3.6% growth among hotels, with the largest contributions coming from hotels with 151-250 rooms (+7.7%), and establishments with 251+ rooms (+3.5%). Hotels with 76-150 rooms also posted solid growth (+2.9%), but smaller hotels (1-75 rooms) saw only modest gains (+1.0%). Motel revenues advanced 1.4%. Vacation rentals (+9.0%) out-performed other types of establishments. Non-standard accommodations, including fishing lodges, saw revenues rise

3.5%, a notable increase after April's flat performance (+0.0%).

*Table 1. Room Revenue
(seasonally adjusted)*

Accommodation Type			
	May 06 (\$000)	Apr 06 (\$000)	% change
Total	152,104	146,416	+3.9
Hotels	112,911	108,983	+3.6
Motels	19,412	19,144	+1.4
Other Accommodations	20,548	19,254	+6.7
Regions (Top 3 performers)			
Northeast	7,020	5,987	+17.3
Nechako	806	769	+4.9
Mainland / Southwest	81,493	78,247	+4.1

Visitor Entries

The number of visitors entering Canada via BC borders edged up (+0.4%, *seasonally adjusted*) in May after falling in April (-0.2%). Entries from the US, which comprise most of the visits, inched up (+0.2%) as Americans made more same-day (+1.3%), but fewer overnight (-0.7%), trips to BC.

Travel from overseas countries was also up (+1.3%) in May with a small increase in the number of entries from Europe (+0.6%) and Oceania (+1.1%). Entries from Asia inched down (-0.1%) largely due to declines in visits from Hong Kong (-6.3%) and Taiwan (-4.9%).

The number of Canadians returning home via BC rose 4.4%. Same-day car trips from the US increased (+7.9%), but the number of travellers returning home from trips overseas fell (-0.6%) in May.

Visitor entries increased slightly in May



Table 2. Traveller Entries
(seasonally adjusted)

	May-06 (^{'000})	Apr-06 (^{'000})	% chg from Apr-06
American visitors			
Total	454	454	0.2
Same-day	176	173	1.3
Overnight	279	281	-0.7
Overseas visitors			
Total	122	120	1.3
Europe	42	42	0.6
UK	20	20	2.2
Asia	59	59	-0.1
Japan	18	18	3.1
Taiwan	6	7	-4.9
Oceania	14	14	1.1

(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

In general, other tourism indicators were strong in May.

Room rates increased to an average of \$125.70, a rise of 3.6% from the previous month, while occupancy rates rose 1.5 percentage points to 67.2%.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	May-06	Change from Apr-06
Hotel Industry		
Occupancy rate	67.2	1.5 pp.
Average room charge <small>(Pannell Kerr Forster)</small>	125.70	3.6%
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,414	0.0
US (trans-border)	348	-2.1
Other International	329	-2.3
Canada (domestic) <small>(YVR)</small>	737	2.0
Victoria International Airport		
Total traffic <small>(Victoria Airport Authority)</small>	119	6.0
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <small>(Ministry of Transportation)</small>	214	-0.4
BC Ferries		
Vehicle Volume	708	-0.4
Passenger Volume <small>(BC Ferries)</small>	1,803	0.1
Exchange Rates Cdn \$		
US \$	0.874	0.03
UK Pound	0.483	-0.01
Japanese Yen	100.735	-1.55
Australian \$ <small>(Statistics Canada)</small>	1.186	-0.01

Note: pp. percentage points

Passenger traffic was flat in Vancouver (+0.0%), but increased at the Victoria (+6.0%) airport. BC Ferries welcomed more passengers (+0.1%), but fewer vehicles (-0.4%) aboard. The Coquihalla Highway registered a decline in the number of passenger vehicles (-0.4%).

Total restaurant, caterer and tavern receipts were down 3.1% with lower sales at both food services (-3.2%) and drinking establishments (-1.2%).

Note to readers: all data in the *Tourism Sector Monitor* are reported on a **seasonally adjusted** basis.

A look ahead – June 2006

Room Revenue

Based on preliminary figures, room revenues continued to increase (+2.1%) in June, despite slower revenue growth in most regions. Mainland/Southwest (+3.7%) posted its fourth straight monthly gain, which was the main driving force for the revenue increases in the province.

Hotel revenues grew moderately (+0.7%) in June. The largest hotels (251+ rooms) were the only ones experiencing growth (+3.3%). Business was down at smaller hotels, with the biggest decline in hotels with 151-250 rooms (-1.8%) the most. Revenues at motels (-1.9%) and vacation rentals (-0.3%) slid, while non-standard accommodations saw revenues rise 8.0%.

There were 1.4% more international visitors to British Columbia in June. Total entries from the US were up (+1.4%) with same-day visits increasing 3.2% and overnight stays rising 1.1%. Asia (+2.6) and Oceania (+1.7%) were the largest contributors to growth in travel from overseas with only a marginal increase in guests from Europe (+0.1%).

Passenger traffic through Vancouver (-0.6%) and Victoria (-0.5%) airports shrank in June. BC Ferries carried 0.1% more vehicles in June, but 0.2% fewer passengers. Also, fewer passenger vehicles used the Coquihalla Highway (-0.3%).

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: Did Room Revenues in North Coast Sink with the *Queen of the North* Ferry?

When the *Queen of the North* ferry sank on March 22, 2006 near Prince Rupert, it was feared that accommodation establishments and other businesses that rely on tourist expenditures would see revenues¹ drop off significantly. Although room revenues in Prince Rupert and North Coast did take a hit following the accident, the impact was not as big as many had anticipated. North Coast revenues dipped in March and April, but were back on track by May. Revenues in Prince Rupert, where the tourism industry was expected to be most affected, did not sink right away, but started to decrease in April and the downturn continued through May. However, the declines were not as big as in previous downturns. Whether or not they were a direct result of the sinking of the *Queen of the North* is unclear.

The *Queen of the North* was built in Germany, and had a capacity of 700 passengers and 115 cars. The ship was assigned to the Inside Passage between Port Hardy on Vancouver Island and Prince Rupert in 1980, and was one of only two ferries certified to carry passengers on this route. It helped keep many geographically isolated people connected. It also directly and indirectly served dozens of small communities on the coast as well as the Queen Charlotte Islands, and provided an 18-hour scenic ride enjoyed by many tourists.

The scope of the disaster was not as great as it might have been. Good luck, and the timely response of the crew and nearby residents in the remote community of Hartley Bay, who helped rescue and assist survivors, limited the loss of life and poten-

tial fallout from the accident. However, the sinking of the *Queen of the North* did result in some remote communities being temporarily cut off from a critical transportation link.

A number of measures were taken to minimize the negative impacts of the accident. BC Ferries hired float planes to move pre-booked customers and resumed regular services once the *Queen of Prince Rupert*, which was undergoing a major repair at the time of the sinking, was ready to go back in service.

Although some communities rely exclusively on water transportation as a means of travelling or obtaining supplies, others were not as drastically affected by the incident. Many travellers were able to find alternative ways to North Coast. Prince Rupert, for example, is accessible by bus, air, rail, and road. Highway 16, which provides easy road access to the city, recorded approximately a 5% increase in traffic volume in April compared to 2005.

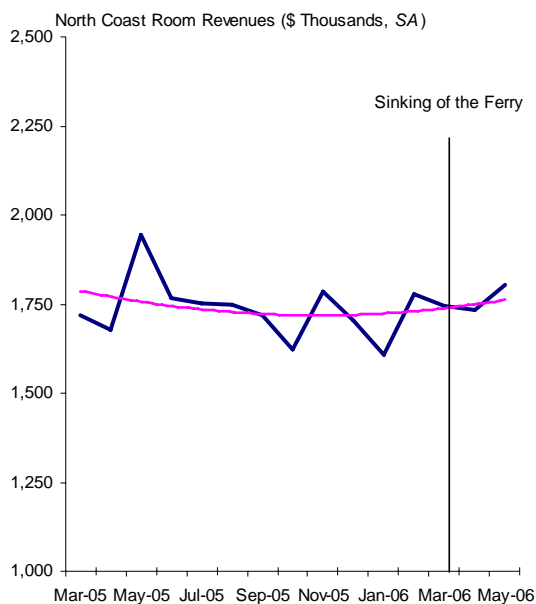
There has been a significant reduction in passenger and vehicle capacity on the Inside Passage route. During the busiest travel period (June to September) as many as 50,000 passengers and more than 10,000 vehicles have travelled by ferry through this route, which is popular with tourists, as well as being an important transportation link for local residents. By the time the peak season began, the *Queen of Prince Rupert*, the replacement ferry with a smaller capacity of 80 cars and 544 passengers and crew, was in place and transporting passengers to and from destinations in North Coast, but on a much more restricted scale, since both ferries were usually in service during the

¹ Although BC Stats has been publishing only unadjusted room revenue numbers for Prince Rupert, the revenues in the analysis are seasonally adjusted.

summer months. Traffic on the route is well below the level recorded in 2005.

Despite the disruption in service, room revenues in North Coast did not sink as much as had been feared

North Coast did not experience significant declines in room revenues



Data Source: BC Stats

Although room revenues in the region were expected to slump after the sinking, they did not take as much of a hit as been feared.

Revenues did slide in March (-1.7%), and continued to edge down (-0.8%) in April, but rebounded in May (+4.1%). By May they were 1.5% higher than in February, suggesting that the downturn was short-lived. For most hotel business operators, April was not a good month with a 6.4% decline in room receipts; however, room revenues were back on track in May (+3.9%). Motels did not experience any declines in April (+1.0%) and May (+12.7%).

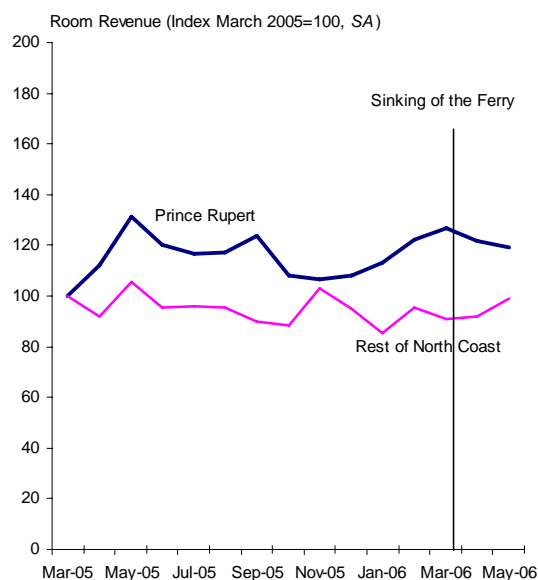
Generally, March and April are relatively low seasons for tourism businesses in BC. Therefore, the temporarily severed transportation link did not hurt the tourism industry in North Coast as much as it

would have if the incident had happened during the summer, when most tourism activities take place.

Revenues dropped in Prince Rupert, but the rest of the region appears to have weathered the sinking

Revenues at Prince Rupert account for about 34% of total regional revenues. Room receipts at Bella Bella, Skidegate (Queen Charlotte Islands), and several other small, north-western coastal villages, which the *Queen of the North* occasionally served, comprise small shares of the total tourism revenues in North Coast. As the largest city in North Coast, Prince Rupert attracts many visitors for its fishing, wildlife viewing, and wide-ranging outdoor activity choices. The city is the largest urban centre that the *Queen of the North* served.

Room revenues in Prince Rupert took the biggest hit

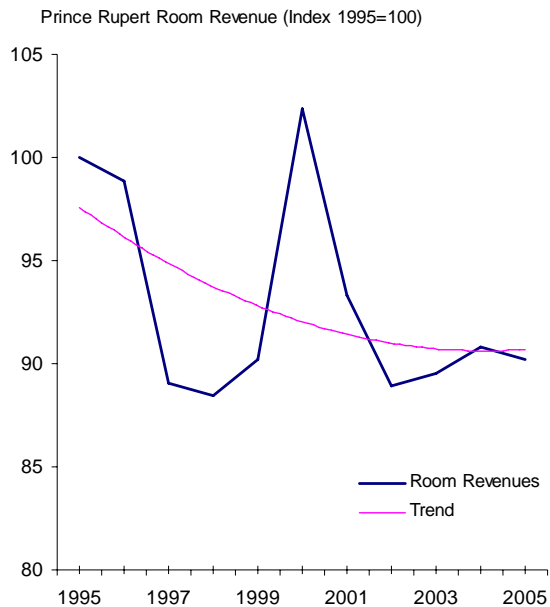


Data Source: BC Stats

Room revenues in Prince Rupert increased slightly in March (+4.1%), but declined later in the spring. However, accommodation establishments in the rest of North Coast experienced continued growth despite the disruption in ferry service.

Before the accident, room revenues in Prince Rupert were already on a downward trend. Accommodation properties saw room revenues drop 9.8% between 1995 and 2005. Although revenues picked up speed a little in 2003 (+0.6%) and 2004 (+1.4%), business at accommodation establishments was down in 2005 (-0.7%).

Room revenues were on a downward trend before the ferry sank



Data Source: BC Stats

Did room revenues in North Coast sink with the *Queen of the North*?

Room revenues did not drop as much as many anticipated and feared after the ferry sank. This was partly due to BC Ferries' quick reaction to replace the ferry and the alternative easy access to the region, which eased the burden of the severed transportation link. However, the timing of the accident also played a role. If it had happened later in the season, the financial impact for accommodation businesses in the region might have been much greater.