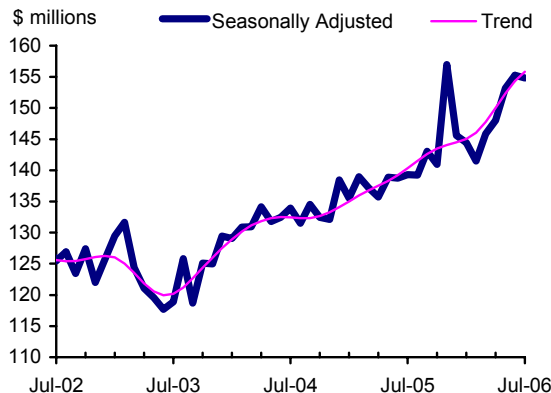


## Tourism Sector Monitor ♦ October 2006

### Room Revenue

BC's total room revenues were down slightly (-0.3%) in July, ending a four-month long upturn. Four regions saw revenues slump. North Coast experienced a 2.5% drop in room receipts, and revenues in Thompson-Okanagan continued to slip (-2.1%). Vancouver Island/Coast, accounting for BC's second largest share of total room revenues, recorded a 1.3% decrease. Revenues in Kootenay also declined (-1.0%) for the first time since March. However, Nechako (+3.6%) and Cariboo (+2.6%) saw revenues grow after falling in June. In July, room receipts in Northeast (+2.9%) and Mainland/Southwest (+0.1%) increased for the fifth consecutive month.

#### Room revenues were down slightly in July



Most hotel establishments experienced declines in room revenues in July. The large hotels with 151-250 rooms experienced the biggest decrease in room receipts (-0.7%) among all hotels. Small hotels (1-75 rooms; -0.4%) and very large hotels (251+ rooms; -0.3%) saw revenues inch down. However, revenues at mid-sized hotels with 76-150 rooms were up slightly (+0.4%). Business at motels continue to slump (-0.3%), while vacation rentals saw their revenues rise (+0.5%).

Other types of accommodation, including fishing lodges, saw continued growth (+1.0%), building on gains made in the previous four months.

*Table 1. Room Revenue  
(seasonally adjusted)*

Accommodation Type			
	July 06 (\$000)	June 06 (\$000)	% change
Total	154,809	155,238	-0.3
Hotels	114,131	114,325	-0.2
Motels	18,938	19,000	-0.3
Other Accommodations	21,921	21,758	+0.7
Regions (Top 3 performers)			
Nechako	839	810	+3.6
Northeast	7,607	7,389	+2.9
Cariboo	4,674	4,555	+2.6

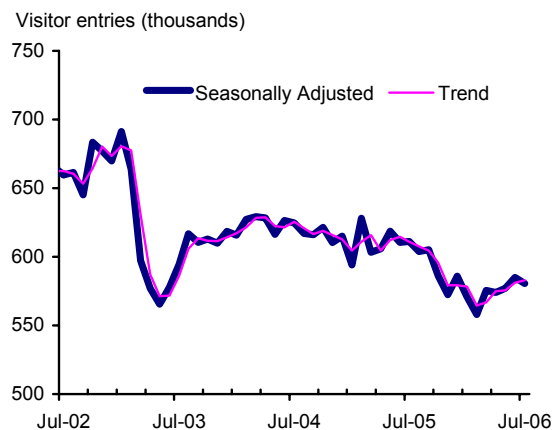
### Visitor Entries

The number of entries to Canada via BC's borders fell (-0.8%, *seasonally adjusted*) in July, after increasing in the previous two months. US entries, which comprise most of the visits, were down (-0.7%) as Americans made fewer same-day (-1.2%) and overnight (-0.7%) trips into BC.

Overseas entries to BC dropped 1.0% mainly due to fewer guests coming from Oceania (-5.8%) and Europe (-1.2%). However, the number of Asian visits advanced 1.6% in July.

More Canadians returned home via BC in July (+2.3%), with same-day car trips from the US climbing 2.5%. On the other hand, the number of Canadians returning home via BC, from overseas slid (-2.9%).

### Visitor entries dipped in July



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

	Jul-06 (‘000)	Jun-06 (‘000)	% chg from Jun-06
<b>American visitors</b>			
Total	458	461	-0.7
Same-day	179	181	-1.2
Overnight	279	281	-0.7
<b>Overseas visitors</b>			
Total	123	124	-1.0
Europe	42	42	-1.2
UK	21	20	2.6
Asia	62	61	1.6
Japan	19	20	-8.1
Taiwan	7	8	-5.8
Oceania	13	14	-5.8

(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

The hotel occupancy rate was 65.5%, dipping 1.2 percentage points from the previous month. The average room charge dropped (-0.6%) to a price of \$125.10.

Total passenger traffic at Vancouver airport was up slightly (+1.2%) in July, while less traffic passed through the Victoria airport (-2.2%). BC Ferries welcomed aboard more vehicles (+0.5%) and passengers (+0.7%). Passenger traffic on the Coquihalla highway inched down (-0.3%) as well.

Sales in BC’s food service establishments were flat, but drinking establishments saw an increase in sales of 9.6%. Total receipts of restaurant, caterers and taverns in BC increased (+0.6%) in July.

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

	Jul-06	Change from Jun-06
<b>Hotel Industry</b>		
Occupancy rate	65.5	-1.2 pp.
Average room charge	125.10	-0.6%
<i>(Pannell Kerr Forster)</i>		
<b>Airport Passengers (000s) (%)</b>		
<b>Vancouver International Airport</b>		
Total traffic	1,419	1.2
US (trans-border)	344	0.3
Other International	335	0.0
Canada (domestic)	739	2.1
<i>(VVR)</i>		
<b>Victoria International Airport</b>		
Total traffic	116	-2.2
<i>(Victoria Airport Authority)</i>		
<b>Transportation (000s) (%)</b>		
<b>Coquihalla Highway</b>		
Passenger Vehicles	214	-0.3
<i>(Ministry of Transportation &amp; Highways)</i>		
<b>BC Ferries</b>		
Vehicle Volume	710	0.5
Passenger Volume	1,812	0.7
<i>(BC Ferries)</i>		
<b>Exchange Rates Cdn \$</b>		
US \$	0.886	-0.01
UK Pound	0.480	-0.01
Japanese Yen	102.501	-0.41
Australian \$	1.176	-0.04
<i>(Statistics Canada)</i>		

Note: pp. percentage points

## A look ahead – August 2006

Early figures for August suggest that room revenues in BC continued to drop (-1.9%). Most regions experienced declines. Cariboo (-4.5%) and Mainland/Southwest (-4.2%) saw room receipts slump the most. However, revenues in Thompson-Okanagan (+3.6%) and Kootenay (+3.1%) rebounded in August.

Hotel revenues were off 3.9%. The largest hotels (251+ rooms) saw the biggest declines (-9.9%). Revenues for hotels with 151-250 rooms (-0.4%) and those with 1-75 rooms (-0.7%) were also down. However, motels performed well (+1.9%) Revenue figures for vacation rentals were virtually unchanged, and non-standard accommodations including fishing lodges (+0.6%) were up slightly.

International entries to Canada through BC rose 0.5% in August as there were more overseas guests (+1.7%). The number of visitors from Europe (+1.0%) and Oceania (+5.1%) rose, offsetting a drop in travel from Asia (-0.8%). US entries were virtually unchanged.

Passenger traffic was down at the Vancouver airport (-0.9%), while the Victoria airport was busier (+3.1%). BC Ferries carried slightly more vehicles (+0.1%) and passengers (+0.1%), and more passenger vehicles (+4.6%) 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.

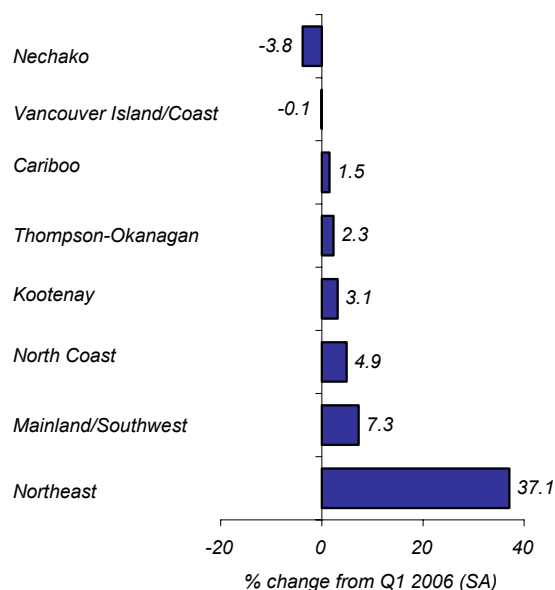
How accurate is the preliminary data? Over 17 reports in 2004 and 2005, BC room revenues changed (rose or fell on a month-over-month basis) on average by 1.7% (absolute value). The preliminary numbers—reported in the “look ahead” section—were less by an average of 0.2 percentage points partly because 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: Second Quarter Review of BC's Tourism Sector

### Room revenues rebounded in the second quarter

Room revenues climbed 5.7% in the second quarter of 2006, more than making up for the previous quarter's losses (-2.6%). Revenues increased in five regions, with the most significant growth recorded in Northeast (+37.1%) where there was strong demand for temporary accommodations for workers. Mainland/Southwest, accounting for BC's largest share of total room revenues, posted a strong increase of 7.3%, regaining all of the ground lost in the first quarter (-4.2%). Accommodation businesses in North Coast survived the tragedy of the *Queen of the North* ferry and saw room receipts rise (+4.5%). In addition, Kootenay (+3.1%), Thompson-Okanagan (+2.3%) and Cariboo (+1.5%) posted steady growth.

#### Northeast revenues soar, strong growth in most regions

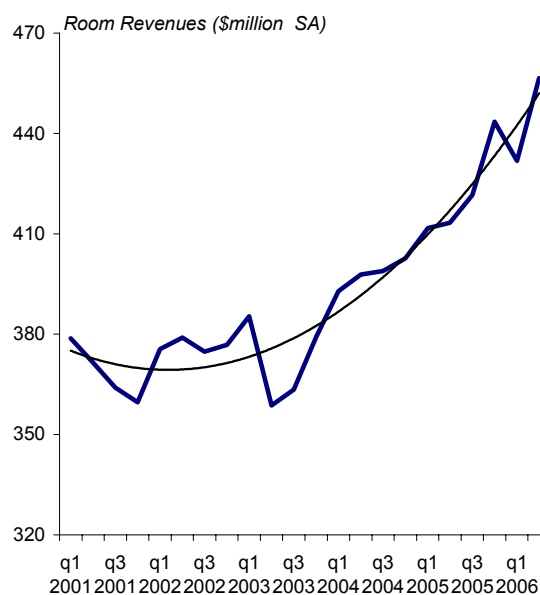


Data Source: BC Stats

However, Vancouver Island/Coast saw room revenues inch down (-0.1%), and Ne-

chako also had a weak second quarter (-3.8%).

#### Room revenues rebound



Data Source: BC Stats

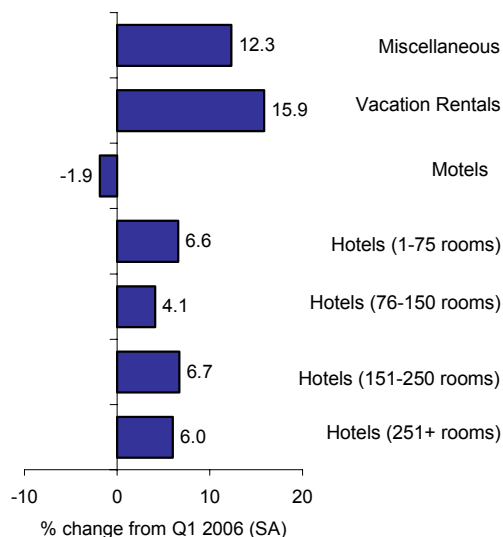
Room revenues in the second quarter reached a new high of over \$456 million, rebounding from a weak revenue performance at the beginning of the year.

Hotels of different sizes all recorded increases in the second quarter of 2006, posting a 5.7% gain. Large hotels (151-250 rooms; +6.7%) and small hotels (1-75 rooms; +6.6%) experienced similar growth. Very large hotels (251+ rooms, 6.0%) and mid-sized hotels (76-150 rooms, 4.1) performed better this quarter as well.

Business was robust at vacation rentals, posting a substantial increase of 15.9% and surpassing any other type of accommodations in BC. Room revenues at other types of accommodations, including bed and breakfast, fishing lodges and other kinds of short-term accommodations, also grew

(+12.3%) significantly. However, motels experienced a slump (-1.9%) in revenues.

### All accommodation establishments but motels experienced growth in room revenues



Data Source: BC Stats

### Visitor entries back on an upward trend

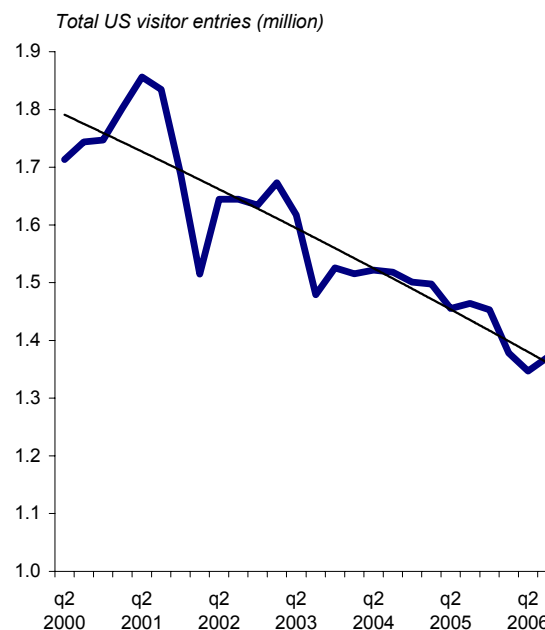
Visitor entries to Canada through BC border crossings were up 1.9% (*seasonally adjusted*) in the second quarter, increasing for the first time since the third quarter of 2005. US entries, which account for about 80% of total visitor entries, increased 1.7%. BC welcomed more same-day (+1.8%) and overnight (+2.0%) visitors from the US in the second quarter.

There were more overseas guests (+2.4%) coming to BC with prominent increases in entries from Oceania (+12.8%) and Europe (+8.3%). Asian entries, the major source of overseas visits, inched up (+0.9%) as well. Among the overseas markets, Australia (+15.5%), UK (+10.2%) and Hong Kong (+9.4%) recorded the biggest increases to BC.

The number of Canadians re-entering the country via BC rose 2.6%, after falling 0.8% in the first quarter. Canadians made more

car trips to the US (+3.2%), accompanied by an increase (+0.3%) in overseas travels.

### Long-run decline in US entreis continues despite an upturn in the second quarter



Data source: BC Stats

### Other Indicators

Hotel occupancy rates averaged 66.6% (*seasonally adjusted*) in the second quarter, up 1.7 percentage point. Average room rates, at \$124.3, 4.9% higher than in the first quarter of 2006.

Both the Vancouver (+1.6%) and Victoria (+3.4%) airports were busier, experiencing higher passenger volumes. Traffic on the Coquihalla Highway was heavier (+0.6%), but BC Ferries welcomed fewer vehicles (-1.2%) and passengers (-0.9%) on board.

Employment in the major tourism-related industries edged up (+0.5%). The number of people working in accommodation (+2.0%), air transportation (+1.1%), and food & beverage services (+0.6%) grew in the first quarter, while employment in arts, entertainment & recreation industry (-1.3%) dropped moderately.

Restaurant, caterer and tavern receipts continued to climb (+2.6%), as an increase in revenues at food service establishments (+3.1%) offset lower receipts at drinking places (-4.4%).