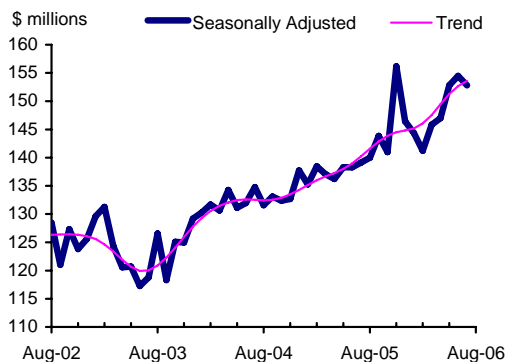


Tourism Sector Monitor ♦ November 2006

Room Revenue

Room revenues in BC continued to decline (-0.3%) in August, as most regions of the province experienced downturns in room receipts. Both Mainland/Southwest (-1.2%) and Vancouver Island/Coast (-0.5%), the regions responsible for the largest shares of room revenues in BC, saw revenues slump for the second consecutive month. Revenues in Cariboo were down (-3.2%) in August, as were room receipts in Nechako (-2.5%), Northeast (-1.6%), and North Coast (-1.0%). However, Thompson-Okanagan saw a 3.7% increase in receipts in August, and revenues were also up in Kootenay (+3.1%).

Room revenues in August



Hotel revenues continued to drop, as large hotels remained in a slump and business at smaller hotels made only modest gains. The largest hotels (251+ rooms) posted a significant drop in revenues (-1.8%) for a second straight month. Revenues were also down at hotels with 151-250 rooms (-0.4%), as well as those with fewer than 75 rooms (-0.5%). Mid-sized hotels (76-150 rooms) recorded a marginal increase (+0.2%) in revenues.

Motels revenues picked up speed (+2.1%), rising for only the second time since the be-

ginning of the year. However, vacation rentals were flat and other properties (-2.5%) did not fare well in August.

*Table 1. Room Revenue
(seasonally adjusted)*

Accommodation Type			
	Aug 06 (\$000)	July 06 (\$000)	% change
Total	152,389	152,799	-0.3
Hotels	110,918	111,795	-0.8
Motels	19,334	18,930	+2.1
Other Accommodations	21,696	21,931	-1.1
Regions (Top 3 performers)			
Thompson-Okanagan	22,721	21,902	+3.7
Kootenay	7,320	7,100	+3.1
Vancouver Island/Coast	26,190	26,310	-0.5

Visitor Entries

International entries to Canada through BC rose 0.4% in August, largely due to an increase in the number of overseas guests (+1.7%). Entries from Asia (+0.5%), Europe (+1.0%), and Oceania (+6.1%) rose.

US entries, accounting for about 80% of total visits to BC, inched up (+0.1%) as a result of an increase in the number of same-day travel (+0.5%).

Fewer Canadians returned home via BC in August (-1.4%). Same-day automobile trips from the US fell (-1.8%) along with the number of Canadians returning home from overseas (-4.4%).

Visitor entries inched up in August

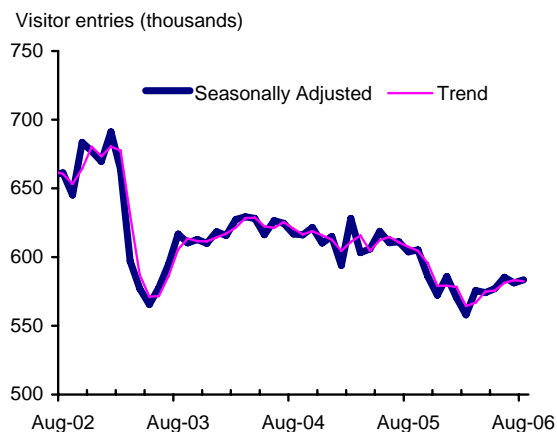


Table 2. Traveller Entries
(seasonally adjusted)

	Aug-06 (‘000)	Jul-06 (‘000)	% chg from Jul-06
American visitors			
Total	459	459	0.1
Same-day	181	181	0.5
Overnight	278	278	-0.2
Overseas visitors			
Total	124	122	1.7
Europe	42	42	1.0
UK	21	21	2.2
Asia	60	60	0.5
Japan	18	19	-0.6
Taiwan	7	7	-2.7
Oceania	14	13	6.1

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 occupancy rate for hotels in BC fell (-0.6 percentage points) in August to 64.7%. The average price for a room (\$124.00) was also lower (-0.6%) than in the previous month.

The volume of passenger traffic at Vancouver airport decreased slightly (-0.9%) in August, as traffic to and from domestic locations (-0.9%), the US (-0.1%) and other international locations (-1.7%) was down.

The Victoria airport, though, saw a marked increase (+3.0%) in the volume of passengers.

BC Ferries carried slightly more passengers (+0.1%) and vehicles (+0.3%), and the Coquihalla highway (+4.3%) saw more passenger vehicles in August.

Sales in BC’s food service establishments rose in August (+2.1%), but drinking establishments saw their receipts shrink (-1.2%). Overall, total revenues at BC’s taverns and restaurants rose 1.9%.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Aug-06	Change from Jul-06
Hotel Industry		
Occupancy rate	64.7	-0.6 pp.
Average room charge	124.00	-0.6%
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,404	-0.9
US (trans-border)	343	-0.1
Other International	329	-1.7
Canada (domestic)	732	-0.9
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	119	3.0
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	225	4.3
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	714	0.3
Passenger Volume	1,813	0.1
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.894	0.01
UK Pound	0.472	-0.01
Japanese Yen	103.713	1.21
Australian \$	1.172	0.00
<i>(Statistics Canada)</i>		

Note: pp. percentage points

A look ahead – September 2006

Early figures suggest that BC's room revenues continued to inch downward (-0.6%) in September. The decline is mainly due to a third monthly slump in revenues in Mainland/Southwest (-1.4%). Kootenay (-3.1%) and Northeast (-3.4%) also saw revenues drop. However, room receipts were up slightly in Vancouver Island/Coast (+1.3%), while Cariboo (+2.7) and North Coast (+4.0) exhibited stronger growth.

Hotels with 151-250 rooms saw revenues advance (+1.0%) in September, while revenues at the largest establishments (251+

rooms) fell 1.4%. Business at motels was down (-0.7%), as was the case for vacation rentals (-2.0%).

Entries to Canada via BC fell slightly in September (-0.6%) with fewer overseas (-2.0%) and American (-0.2%) guests.

Passenger traffic at both Vancouver (-0.1%) and Victoria (-0.7%) airports fell in September. BC Ferries saw a modest increase in vehicle (+0.4%) and passenger (+0.2%) volumes. More passenger vehicles travelled along the Coquihalla highway (+0.4%).

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.

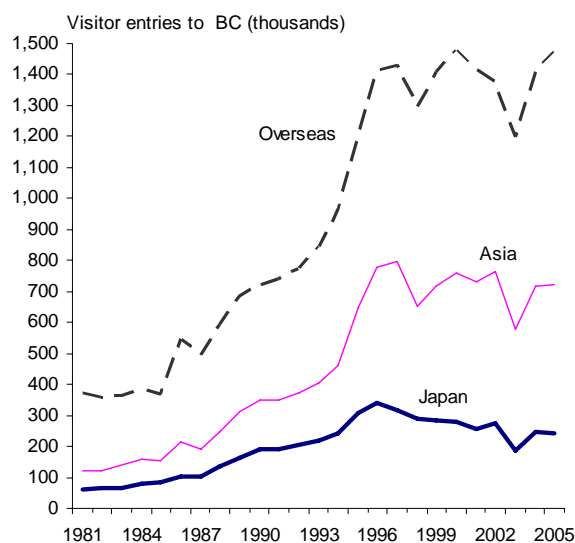
How accurate is the preliminary data? Over 17 reports in 2004 and 2005, BC room revenues changed (rose or fell on a month-over-month basis) on average by 1.7% (absolute value). The preliminary numbers—reported in the "look ahead" section—were less by an average of 0.2 percentage points partly because 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: Travels from Japan to BC

Entries from Japan have slumped significantly since 1997

Asia is an important and growing tourism market for BC. In 1980, Asian entries accounted for roughly a third of total overseas entries to BC. By 2005, one in two overseas visitors to BC came from Asia.

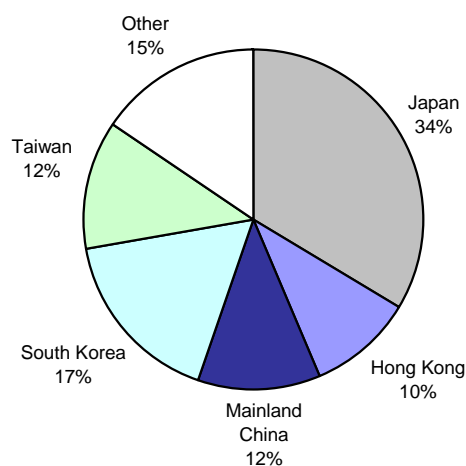
Asia has become an increasingly significant market



Data Source: Statistics Canada

Japan was the major source of visitor and the reason for the rapid growth in Asian entries during the first half of this period. Until the mid-1990s, travellers from Japan made up about half of all Asian entries. However, the situation has changed since the Japanese economic “bubble” burst during the Asian financial crisis of 1997-1998. Entries from Japan, which had accounted for about 50% of the total, now comprise about 30% of all Asian entries.

Entries from Japan are the major source of Asian visits



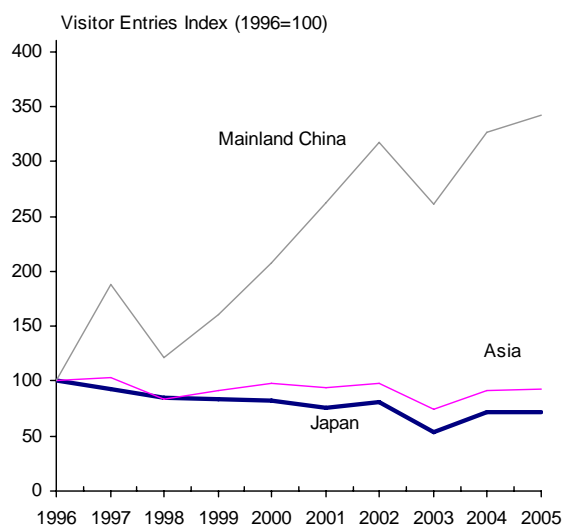
Data Source: Statistics Canada

The decline in Japanese entries during the mid-1990s was prolonged by many subsequent events. A recent study by the Canadian Tourism Commission (CTC) indicates that Canada’s Japanese leisure tourism industry has been severely depressed for the last five years, largely due to the combined impact of 9/11, the SARS outbreak, the Iraq War, weak economies in Japan and abroad, a soaring Canadian dollar, and ongoing problems in the airline industry have caused a substantial decline in spending by Japanese visitors since 2000.

BC welcomed more than 243,400 visitors from Japan in 2005. This was 12.9% lower than in 2000 and represented a significant decline of 28.8% compared to 1996, when visits from Japan peaked. The downward trend in visitor entries from Japan to BC started in 1997 (-7.2%), when the Asian “flu” hit Japan, and the decrease continued through the turn of the century. The event of 9/11 also took its toll on Japanese visits (-7.9%). Although entries bounced back in

2002 (+7.6%), the growth was only short-lived. With the SARS scare in 2003 (-33.2%), visits from Japan slumped to their lowest level since 1990. This was followed by a quick recovery in 2004 (+33.0%), but the downward trend in entries from Japan continued in 2005 (-1.0%). Travel from Japan has continued to decline during 2006. A total of 174,072 people took trips to Canada via BC in the first nine months of 2006, showing a double-digit drop (-10.3%) compared to the same period of 2005.

Entries from Japan are declining but travel from the rest of Asia has picked up



Data Source: Statistics Canada

The decline in visitor entries from Japan to BC since 1997 is quite significant, especially compared with other major Asian markets¹. Between 1996 and 2005, total visits from Asia fell 7.0%, even though entries from Mainland China more than tripled and visits from South Korea increased 44.1%. The SARS scare in 2003 had a significant negative impact on entries from most Asian countries. Although entries from Taiwan declined the most (-35.2%) in 2003, visits from Japan (-28.8%) also plunged.

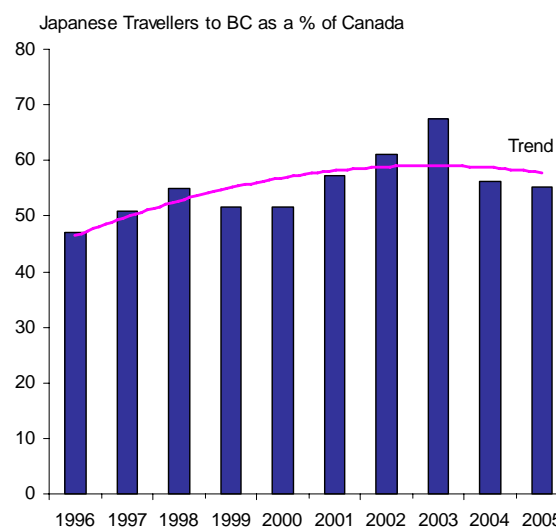
¹ Major Asian markets include Japan, South Korea, Taiwan, China (mainland) and Hong Kong

The long run decline in visits from Japan has changed the composition of Asian travellers to BC. Although Japanese travellers are still the biggest source of visitors from Asia, the proportion of Japanese visits out of total number of Asian travellers has decreased from a high of 48% in 1995 to 34% in 2005. Mainland China has been continuously outperforming Hong Kong since 1999, and became another major source of Asian entries in 2004 (11%) and in 2005 (12%).

Japanese visitors favour BC as the point of entry to Canada

Since 1995, there have been more visitors from Japan choosing BC over Ontario as their point of entry to Canada. About 56% visitors from Japan entered Canada via BC in 2005, 10 percentage points more than in 1995 (46%). Fewer Japanese travellers chose Ontario (32%) as their point of entry in 2005, which was down from 45% in 1995.

Japanese visitors favour BC as their point of entry to Canada



Data Source: Statistics Canada

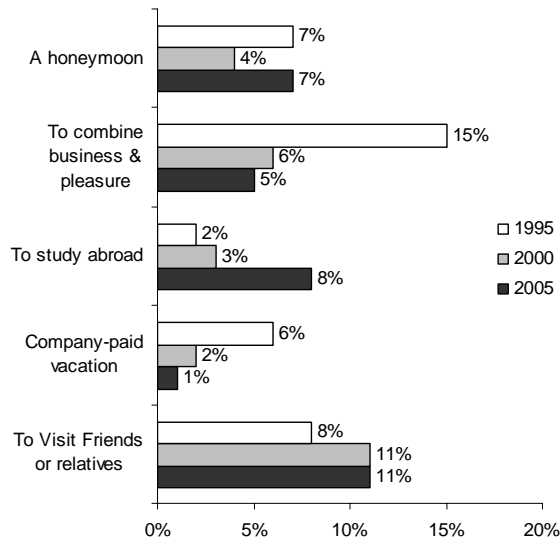
The CTC study suggests that the Vancouver region and Niagara Falls continue to be ranked as the top travel destinations for Japanese visitors. However, popular destinations such as Vancouver, Victoria and

Banff have seen significant declines in Japanese visitors in recent years.

Travel patterns and trip Characteristics

The CTC study also indicates that Canada remains a popular destination for honeymooners (7%) and those visiting friends or relatives (11%). However, the number of travellers combining pleasure trips with business has declined notably. This is not unexpected in view of the continued challenges in the Japanese economy since the mid 1990s, which has resulted in declining business travel and company-paid vacations, offsetting this trend was an increase in students travelling to Canada to study.

Fewer business travel and company-sponsored vacations from Japan to Canada



Data Source: 2005 Japanese Travel Consumer Study, Canadian Tourism Commission