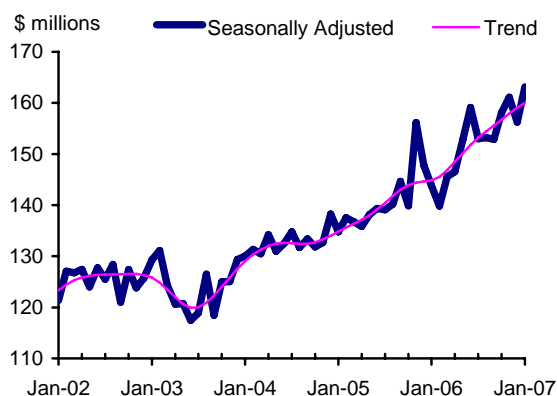


## Tourism Sector Monitor ♦ April 2007

### Room Revenue

Room revenues climbed 4.4% in January to \$163 million. Growth was strongest in Thompson/Okanagan (+11.7%), where the skiing destinations at both Big White and Silver Star mountains saw a rise in business. Mirroring this success, an increase in receipts at Whistler led Mainland/Southwest to a 4.5% growth in revenues. Vancouver Island/Coast (+2.8%) and Nechako (+1.6%) round out the regions that showed gains in January. Kootenay was off 3.1% with respect to revenues, while receipts at both North Coast (-2.5%) and Northeast (-2.4%) were also down. Business in Cariboo was flat (+0.0%).

#### Room revenues rose in January



Increases in room revenues were recorded for all accommodation types in January. Motels across the province fared the best as business was up 5.5% over the previous month. The largest hotels (251+ rooms), most of which are located in Mainland/Southwest, took in nearly \$2 million more than in December, a gain of 4.5% (*seasonally adjusted*) as business in Whistler in particular was strong. Operators of hotels with 151-250 rooms saw revenues rise

3.9%, while returns at medium-sized (76-150 room; +2.4%) and smaller (1-75 rooms; +1.7%) hotels were also higher. Vacation rentals took in 3.8% more in revenues and other types of accommodations, including fishing lodges, bed and breakfasts, and campgrounds, saw their business increase as well (+2.5%).

**Table 1. Room Revenue**  
(seasonally adjusted)

Accommodation Type			
	Jan 07 (\$000)	Dec 06 (\$000)	% change
Total	163,155	156,240	+4.4
Hotels	119,322	115,466	+3.3
Motels	21,688	20,564	+5.5
Other Accommodations	22,065	21,385	+3.2
Regions (Top 3 performers)			
Thompson/Okanagan	26,913	24,085	+11.7
Mainland/Southwest	86,270	82,577	+4.5
Vancouver Island/Coast	29,327	28,526	+2.8

### Visitor Entries

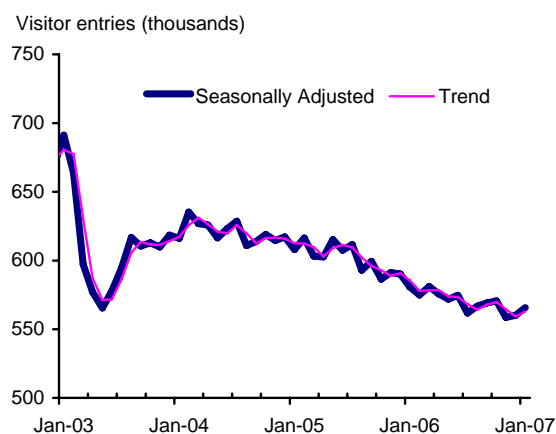
The number of travellers arriving in Canada through BC inched up (+1.0%) in January. This rise in the overall total is largely due to an increase in the number of visitors from the US (+1.7%). While the number of same-day visits was only slightly higher in January (+0.3%), overnight stays rose 2.5%.

Visits to Canada from overseas locations slipped (-1.3%), which can be explained by a sharp decline in the number of both Asian (-4.4%) and Oceanian (-2.8%) travellers. In contrast to this, European entries were up 3.9%.

The number of Canadians returning home through BC was down marginally (-0.1%) in

January. Trips to the US were off 0.9%, while a greater number of Canadians returned home from overseas (+4.6%).

### Visitor entries rose 1.0% in January



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

	Jan-07 (‘000)	Dec-06 (‘000)	% chg from Dec-06
<b>American visitors</b>			
Total	443	436	1.7
Same-day	155	154	0.3
Overnight	288	281	2.5
<b>Overseas visitors</b>			
Total	123	124	-1.3
Europe	42	40	3.9
UK	19	17	10.6
Asia	59	61	-4.4
Japan	16	16	-1.9
Taiwan	5	9	-39.3
Oceania	13	13	-2.8

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 January, BC’s hotel occupancy rate continued to slide (-0.3 percentage points), dropping to 65.1%. Room rates in the province also fell to an average price of \$121.40, down 1.4% from the previous month.

Passenger traffic at Vancouver airport was slower in January (-0.3%), while volume at Victoria airport surged upward (+5.3%). BC Ferries experienced growth in both vehicle

(+1.7%) and passenger traffic (+1.6%). A strong 13.4% increase in the number of vehicles on the Coquihalla was also recorded in January.

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

	Jan-07	Dec-06	Change from Dec-06
<b>Hotel Industry</b>			
Occupancy rate (%)	65.1	-0.3 pp.	
Average room charge (\$)	121.40	-1.4 pp.	
<i>(Pannell Kerr Forster)</i>			
<b>Airport Passengers (000s) (%)</b>			
<b>Vancouver International Airport</b>			
Total traffic	1,440	-0.3	
US (trans-border)	374	-2.3	
Other International	328	-2.0	
Canada (domestic)	739	1.5	
<i>(YVR)</i>			
<b>Victoria International Airport</b>			
Total traffic	119	5.3	
<i>(Victoria Airport Authority)</i>			
<b>Restaurant Receipts (\$ millions) (%)</b>			
All establishments	563	1.4	
Food service	529	2.5	
Drinking places	34	-12.9	
<i>(Statistics Canada)</i>			
<b>Transportation (000s) (%)</b>			
<b>Coquihalla Highway</b>			
Passenger Vehicles	215	13.4	
<i>(Ministry of Transportation &amp; Highways)</i>			
<b>BC Ferries</b>			
Vehicle Volume	717	1.7	
Passenger Volume	1,823	1.6	
<i>(BC Ferries)</i>			
<b>Exchange Rates Cdn \$</b>			
US \$	0.850	-0.02	
UK Pound	0.434	-0.01	
Japanese Yen	102.428	0.75	
Australian \$	1.087	-0.02	
<i>(Statistics Canada)</i>			

Note: pp. percentage points

Revenues at BC’s food service and drinking establishments climbed 1.4% in January. Although business at drinking establishments slowed considerably (-12.9%), this decline was overshadowed by an increase in receipts at BC’s food service establishments (+2.5%).

## A look ahead—February 2007

Early returns show that provincial room revenues were down (-3.4%) in February. Thompson-Okanagan, having showed strong growth in January, appears to have lost steam as revenues fell 11.9%. Room revenues in Mainland/Southwest dipped slightly (-0.2%) and business in Vancouver Island/Coast (-5.0%) was down sharply. Revenues were down in the rest of BC as well with the exception of Kootenay (+2.6%) and North Coast (+0.2%). Always the most volatile region in the province, Northeast experienced another dramatic downturn in revenues in February (-16.5%), the third consecutive month of declines.

Overall, revenues at hotels slipped 0.7% in February. Business at hotels with more than 251 rooms was off slightly (-0.9%) and activity at large hotels (151-250 rooms; 0.0%) was flat. Receipts at medium-sized (76-150 rooms; -0.1%) hotels fell slightly, while small (1-75 rooms; -2.0%) hotels also saw a

slump in revenues. In addition, motels (-2.3%), vacation rentals (-3.0%) and fishing lodges, bed and breakfasts, and other types of accommodations (-0.9%), showed a slow-down in revenue growth in February.

International visitor entries to Canada through BC were down (-0.4%) in February. There were fewer travellers arriving from the US (-1.0%) as a decrease in same-day travel (-2.9%) was recorded. The number of visitors from overseas rose (+1.7%) with a greater number of guests from both Asia (+0.3%) and Europe (+3.1%) coming to BC, offsetting a small decline in the number of visitors from Oceania (-0.6%).

Passenger volume at Vancouver airport continued to fall (-0.9%), and volume through Victoria airport slipped (-1.2%) in February. BC Ferries saw a decline in both vehicle (-0.9%) and passenger (-1.2%) volume.

### About preliminary numbers

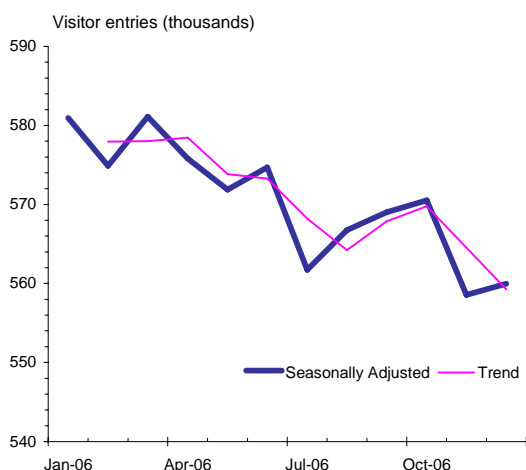
Companies file their hotel room taxes with varying delays. The initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a three-month lag. For example, data for January are not reported until April. However, we also briefly report “preliminary 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: Visitor Entries and Other Indicators in 2006

The long-run downward trend in visitor entries continued in 2006 as the number of visitor entries to Canada via BC fell 5.2% to about 6.8 million, the lowest number in more than a decade. Entries were weak throughout the year, with all four quarters showing overall declines and down 19.3% since 2000.

### *Downward trend in visitor entries continues in 2006*



Data Source: Statistics Canada

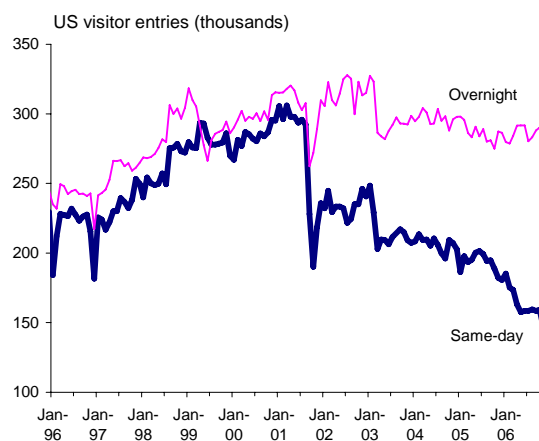
### **US entries continued to fall for the sixth consecutive year since 2001**

Accounting for the largest source of foreign visitors to the province, the US is a major tourism market. The number of visitors from the US has been declining every year since 2001 and continued to fall (-6.5%) in 2006 with same-day entries dropping dramatically (-15.8%) and overnight travel off slightly (-0.2%).

Last year's count of 1.9 million same-day visitors from the US was the lowest level since 1989. In 2006, overnight travel from the US remained relatively unchanged at 3.4 million visitors.

Prior to 2001, the number of same-day trips was only slightly lower than the number of overnight stays. In 2006, the number of overnight visitors was nearly twice that of same-day travellers. The gap between overnight and same-day entries has grown since the end of 2001, reaching 1.5 million in 2006.

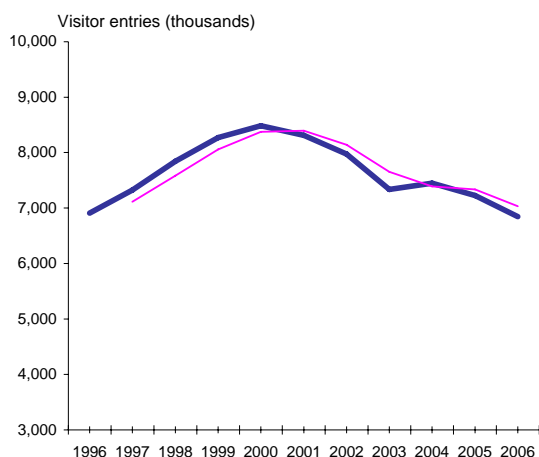
### *A growing gap between the US same-day and overnight travel*



Data Source: Statistics Canada

Ongoing security concerns, which have resulted in longer line-ups and delays at border crossings since September 2001, may have made same-day travel less appealing to potential and formerly frequent visitors from the US. Additionally, an appreciation in the value of the Canadian dollar has increased the cost of travel to BC from the US and made activities such as shopping and sightseeing trips less of a bargain. All of this, coupled with the rapidly rising cost of gasoline, may be keeping some American travellers away from the province.

### Entries trending down since 2000



Data Source: Statistics Canada

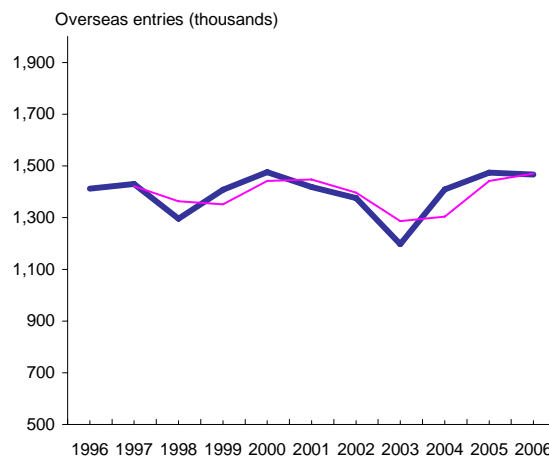
### Overseas travel to BC only slightly off in 2006

Travel to BC from overseas markets was down slightly (-0.5%) in 2006, a slowdown following increases recorded in 2004 (+17.6%) and in 2005 (+4.6%). A decline in the number of travellers from Europe (-0.2%), Asia (-0.9%), and Oceania (-1.5%) was also observed in 2006.

Entries started the year weak in January, but recovered quickly through the first quarter. From there and throughout the rest of the year the number of visitors ebbed and flowed from month to month, with the third quarter showing a net loss in the number of travellers to BC. These losses were finally recovered with a late end-of-year increase in December (+1.6%).

The number of entries from Asia was off slightly (-0.9%) in 2006. The most significant change in Asian entries was a sharp decline (-10.5%) in the number of travellers from Japan. Entries from South Korea, the second largest Asian market after Japan, were up (+4.6%), but residents of Taiwan (-6.5%) paid fewer visits to BC while the number of guests from Hong Kong increased only marginally (+0.3%).

### Recent growth in overseas visits slows in 2006



Data Source: Statistics Canada

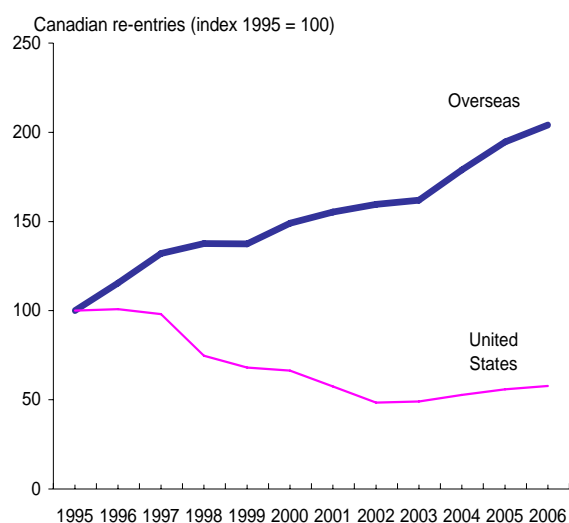
European entries were down slightly (-0.2%) to 493,000 in 2006, as the number of guests from the UK (-2.0%) and Germany (-3.3%) fell. BC also saw fewer (-1.5%) arrivals from Oceania (Australia, New Zealand, and other parts of the South Pacific).

### More Canadians return home from overseas travels

The number of Canadians re-entering the country via BC advanced (+3.6%) in 2006. Travel to overseas destinations has been trending upward over the past decade as Canadians explore the world beyond North America. Overseas travel has more than doubled (+104.0%) between 1995 and 2006 with the number of entries rising 4.9% to almost 1.2 million travellers in 2006.

Since 1995, the number of Canadians returning home from visits to the US has nearly halved (-42.2%). However, this downward trend began to increase in 2003, likely due to the ongoing appreciation of the Canadian dollar against the US greenback. In 2006, the number of Canadians returning from the US rose 3.4%.

*Canadian re-entries from overseas have doubled between 1995 and 2006, while re-entries from US have nearly halved*



Data Source: Statistics Canada

## Other Annual Indicators

In the hotel industry, the occupancy rate increased by 1.9 percentage points to 66.0% in 2006, while average room prices rose 5.5%, to \$122.88.

Despite the downturn in international visitor entries in 2006, airport traffic statistics continued to increase. Passenger traffic at Vancouver airport rose to over 16.9 million travellers, 3.1% higher than in 2005, with higher volumes on most types of flights. US trans-border (+3.7%) and domestic traffic (+4.4%) all increased, with the decrease in the number of passengers on other international flights being relatively small (-0.1%). Victoria airport welcomed 1.4 million travellers, a 5.4% increase from 2005.

Traveller Entries to Canada via BC (000s)											
Period	International								Canadian		
	Total	USA			Overseas				Total	US	Overseas
		Total	Same-day	Overnight	Total	Asia	Europe	Oceania*			
1996	6,907	5,494	2,612	2,883	1,412	778	468	116	13,710	13,039	671
1997	7,323	5,893	2,798	3,094	1,430	798	449	122	13,428	12,660	767
1998	7,845	6,549	3,124	3,425	1,296	653	449	118	10,451	9,652	800
1999	8,269	6,862	3,370	3,492	1,408	716	485	126	9,588	8,789	799
2000	8,482	7,006	3,407	3,599	1,476	759	498	134	9,435	8,569	866
2001	8,313	6,895	3,258	3,637	1,418	732	466	132	8,329	7,426	903
2002	7,971	6,596	2,808	3,788	1,375	764	412	118	7,197	6,270	928
2003	7,335	6,137	2,581	3,557	1,198	578	410	125	7,285	6,343	942
2004	7,448	6,039	2,478	3,562	1,409	716	458	144	7,847	6,806	1,040
2005	7,225	5,751	2,314	3,436	1,474	724	494	157	8,356	7,225	1,131
2006	6,846	5,380	1,950	3,430	1,466	717	493	155	8,659	7,473	1,186
Percentage Change											
1996	9.6	6.6	3.4	9.5	25.5	39.9	11.7	28.3	-0.4	-1.1	5.1
1997	6.0	7.2	7.1	7.3	1.3	2.5	-3.9	4.9	-2.1	-2.9	14.4
1998	7.1	11.1	11.7	10.7	-9.4	-18.2	0.1	-3.1	-22.2	-23.8	4.2
1999	5.4	4.8	7.9	2.0	8.6	9.7	7.8	6.6	-8.3	-8.9	-0.1
2000	2.6	2.1	1.1	3.1	4.8	6.0	2.8	6.2	-1.6	-2.5	8.5
2001	-2.0	-1.6	-4.4	1.1	-3.9	-3.6	-6.4	-1.4	-11.7	-13.3	4.2
2002	-4.1	-4.3	-13.8	4.2	-3.0	4.4	-11.7	-10.5	-13.6	-15.6	2.7
2003	-8.0	-7.0	-8.1	-6.1	-12.9	-24.4	-0.4	5.8	1.2	1.2	1.5
2004	1.5	-1.6	-4.0	0.1	17.6	23.9	11.7	15.6	7.7	7.3	10.4
2005	-3.0	-4.8	-6.6	-3.5	4.6	1.1	7.8	8.9	6.5	6.1	8.7
2006	-5.2	-6.5	-15.8	-0.2	-0.5	-0.9	-0.2	-1.5	3.6	3.4	4.9

BC Ferries carried marginally fewer vehicles (-0.1%), while passenger volumes on board inched lower (-0.5%) as well. On the Coquihalla Highway, 1.3% fewer passenger vehicles passed through tollbooths last year.

Employment in key tourism-related industries improved (+5.1%) in 2006, with increases seen in all sectors. Air transport (+4.0%), food and beverage (+4.7%) arts, entertainment and recreation (+5.8%), and accommodation (+6.5%) industries all hired more workers.

In BC, restaurant and tavern receipts surged 6.7% to over \$6.5 billion in 2006 with a 9.6% increase in sales at food services establishments, offsetting a dramatic 21.2% drop in receipts at drinking places.

#### Other Tourism Indicators (annual)

	2006	Change from 2005
<b>Hotel Industry</b>		
Occupancy rate ( % )	66.0	1.9 pp
Average room charge ( \$ )	122.88	5.5%
<i>(Pannell Kerr Forster)</i>		
<b>Airport Passengers (000s) (%)</b>		
<b>Vancouver International Airport</b>		
Total traffic	16,929	3.1
US (trans-border)	4,257	3.7
Other International	3,960	-0.1
Canada (domestic)	8,712	4.4
<i>(YVR)</i>		
<b>Victoria International Airport</b>		
Total traffic	1,390	5.4
<i>(Victoria Airport Authority)</i>		
<b>Restaurant Receipts (\$ millions) (%)</b>		
All establishments	6,544.1	6.7
Food service	6,094.9	9.6
Drinking places	449.2	-21.2
<i>(Statistics Canada)</i>		
<b>Transportation (000s) (%)</b>		
<b>Coquihalla Highway</b>		
Passenger Vehicles	2,601	-1.3
<i>(Ministry of Transportation &amp; Highways)</i>		
<b>BC Ferries</b>		
Vehicle Volume	8,530	-0.1
Passenger Volume	21,689	-0.5
<i>(BC Ferries)</i>		

Note:pp. percentage points

## Conclusion

While the tourism sector in BC has seen a downturn in the number of international travellers from the US and overseas, a rise in hotel occupancy rates, room revenues and tourism-related employment indicates that the province's tourism sector is performing better overall.

While comprehensive provincial tourism data for 2006 are not available, this scenario seems quite plausible when examined on the national level. The Canadian Tourism Commission reports that while foreign tourism expenditures in Canada were down 1.8%, domestic tourism spending rose 10.0% in 2006 to \$49.7 billion leading total expenditures to \$66.9 billion, an increase of 6.7%.

This suggests that while Canada and, by implication, BC cannot neglect the importance of American and overseas visitors it is growth in domestic travel, either inter- or intraprovincial, that was fundamentally supporting the tourism sector in BC in 2006.