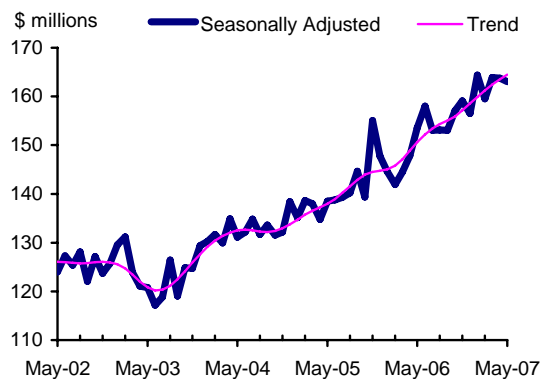


Tourism Sector Monitor ♦ August 2007

Room Revenue

Room revenues for the province slipped (-0.4%) in May, despite a solid recovery in many regions from April's poor performance. Strong increases in room revenue in Nechako (+11.6%), Cariboo (+7.6%), Northeast (+4.9%) and Kootenay (+4.0%), were offset by a sharp downturn in business in Mainland/Southwest (-1.9%). Revenues in Vancouver Island/Coast (-0.3%) were off in May, giving back all of the gains made in the previous month. In Thompson-Okanagan (+0.4%) revenues inched up as revenues in the region continue to seesaw through 2007. North Coast saw their revenues drop 2.4%.

Room revenues dipped 0.4% in May



Hotels posted a 0.3% loss in business as a result of a drop in revenues at the largest of hotel establishments (251+ rooms; -5.0%). Revenues at small hotels (1-75 rooms; +4.0%) surged in May while receipts at large (151-250 rooms; +2.9%) and mid-sized hotels (76-150 rooms; +1.4%) also climbed higher. Returns at the province's motels (-2.0%) fell for the fourth straight month in May and revenues at

vacation rentals were off 1.6%. Other types of accommodations, including fishing lodges, bed and breakfasts, and campgrounds saw a 2.1% increase in room receipts.

Table 1. Room Revenue
(seasonally adjusted)

	May 07 (\$000)	Apr 07 (\$000)	% change
Total	163,021	163,741	-0.4
Hotels	120,347	120,749	-0.3
Motels	20,382	20,791	-0.3
Other Accommodations	22,286	22,272	+0.1
Regions (Top 3 performers)			
Nechako	1,106	990	+11.6
Cariboo	5,128	4,764	+7.6
Northeast	5,693	5,425	+4.9

Visitor Entries

Visitor entries to Canada via BC increased 1.9% in May, ending a three-month-long downturn in travel from other countries. Despite the rising value of the Canadian loonie against the US greenback, travel to BC from the US picked up (+1.6%) for the first time since January as Americans made more same-day (+0.7%) and overnight (+2.1%) trips.

Entries from overseas bounced back (+3.0%) after dropping in April as the number of visitors from Asia (+0.5%) and Europe (+3.6%) increased. Continuing to show interest in coming to BC, the number of visitors from Oceania surged (+6.4%) in May.

The number of Canadians returning home via BC also climbed (+1.2%). Same-day car trips returning from the US advanced 2.3%, while the number of travellers returning home from trips overseas dipped (-1.2%) in May.

Visitor entries climbed in May

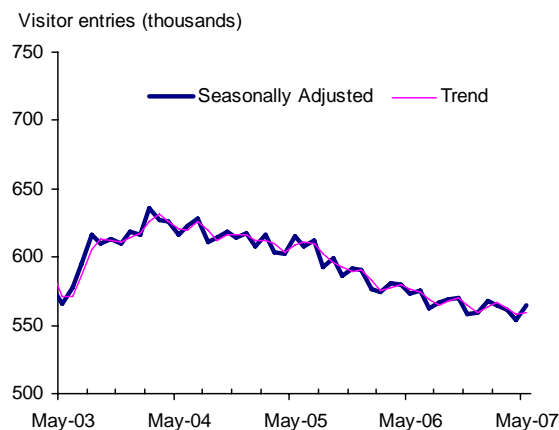


Table 2. Traveller Entries
(seasonally adjusted)

	May-07 (‘000)	Apr-07 (‘000)	% chg from Apr-07
American visitors			
Total	438	431	1.6
Same-day	151	149	0.7
Overnight	288	282	2.1
Overseas visitors			
Total	127	123	3.0
Europe	43	42	3.6
UK	21	18	16.8
Asia	57	57	0.5
Japan	17	16	6.8
Taiwan	6	6	-3.3
Oceania	15	14	6.4

(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 May, BC’s hotel occupancy rate decreased 3.8 percentage points to 46.8%, after increasing slightly in April. In addition, room rates in the province also slumped 8.3% to an average price of \$113.40.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	May-07	Change from Apr-07
Hotel Industry		
Occupancy rate (%)	46.8	-3.8 pp.
Average room charge (\$)	113.40	-8.3
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,442	-1.3
US (trans-border)	358	-1.7
Other International	335	0.8
Canada (domestic)	749	-2.0
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	124	1.2
<i>(Victoria Airport Authority)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	225	-1.2
<i>(Ministry of Transportation & Highways)</i>		
BC Ferries		
Vehicle Volume	715	1.5
Passenger Volume	1,812	0.6
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.913	+0.03
UK Pound	0.460	+0.02
Japanese Yen	110.302	+5.46
Australian \$	1.107	+0.04
<i>(Statistics Canada)</i>		

Note: pp. percentage points

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

Passenger volume at Vancouver airport decreased 1.3%, but volume through Victoria airport continued to increase (+1.2%) in May. BC Ferries saw increases in both vehicle (+1.5%) and passenger (+0.6%) volume, while there were fewer vehicles on the Coquihalla highway (-1.2%).

Restaurant, caterer and tavern receipts in the province rose 0.8% (seasonally adjusted) in May, as both drinking places (+3.8%) and food service establishments (+0.6%) saw larger returns.

A look ahead—June 2007

Early returns show that provincial room revenues increased 1.2% in June as North Coast (+9.8%), Northeast (+4.4%), Kootenay (+3.6%), Thompson-Okanagan (+3.5%) and Mainland/Southwest (+1.2%) all posted strong gains to round out the second quarter. Both Cariboo (-4.5%) and Vancouver Island/Coast (-0.5%) showed signs of decline in room revenue, while preliminary figures suggest that business in Nechako plummeted 24.9%.

Overall, receipts at hotels continued to slide 0.4% as revenues at large hotels (151-250 rooms) were down 2.4% in June. Motel revenues remain on a downward trend as business was off (-0.5%) once again. Strong

revenue gains were made at vacation rentals (+5.2%) while business at fishing lodges, bed and breakfasts, and other types of accommodations was flat.

Visitor entries to the province slipped -0.7% in June, following a 1.9% increase recorded in May. The number of visitors from the US dropped (-1.2%) while entries from overseas, particularly from Europe, inched higher (+0.9%).

Passenger volume at Vancouver airport was flat, but volume through Victoria airport dropped 2.6%. As was the case in the previous month, BC Ferries reported increases in both vehicle (+0.4%) and passenger (+0.7%) volume in June.

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.

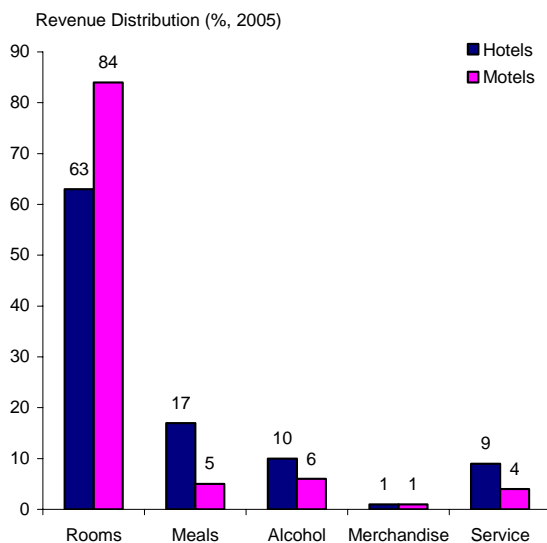
How accurate is the preliminary data? Over 17 reports in 2004 and 2005, BC room revenues changed (rose or fell on a month-over-month basis) on average by 1.7% (absolute value). The preliminary numbers—reported in the “look ahead” section—were less by an average of 0.2 percentage points partly because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

Hotels offer a wide range of services

BC's accommodation industry is comprised of a selection of establishments such as hotels, motels, bed and breakfasts, and so on. Hotels not only provide suites or guest rooms within a multi-story or high rise structure (accessible from the interior only), they also generally offer guests a range of associated services and amenities, such as food and beverage services, parking, laundry services, swimming pools and exercise rooms, and conference and convention facilities. Those services are meant to target most travellers' needs.

Hotel revenues originate not only from room charges, but also from other services



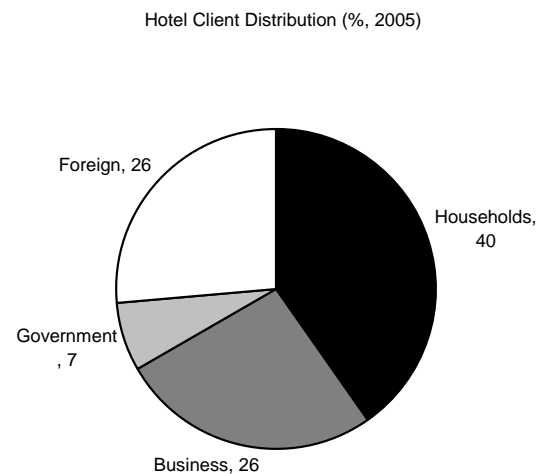
Data Source: Canadian Tourism Commission (CTC)

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 larger and more expensive than motels, hotels, especially larger establishments, are most often located in urban areas or central locations. Hotel room rates are often higher than those

levied by motels. According to the Canadian Tourism Commission (CTC), the average daily room rate for hotels and motor hotels was \$139, almost twice as expensive as motel room rates (\$77) in 2005.

Hotels and motels have different sources and allocation of revenues. Most hotel revenues originate in room charges (63%), which is less than the share of motel room revenues (84%). Not surprisingly, hotels, which typically offer a wider range of services than motels, derive a bigger share of the revenues providing meals and alcohol (27%), selling hotel merchandise (1%) to customers and also other services (9%), while such services only account for about 16% of total motel revenues¹.

Motels attracted more domestic stays than foreign visits



Data Source: CTC

Hotels and motels also attract different types of clients. In 2005, nearly 85% of motel clients were domestic customers, and 43% of motel stays were personal rather than

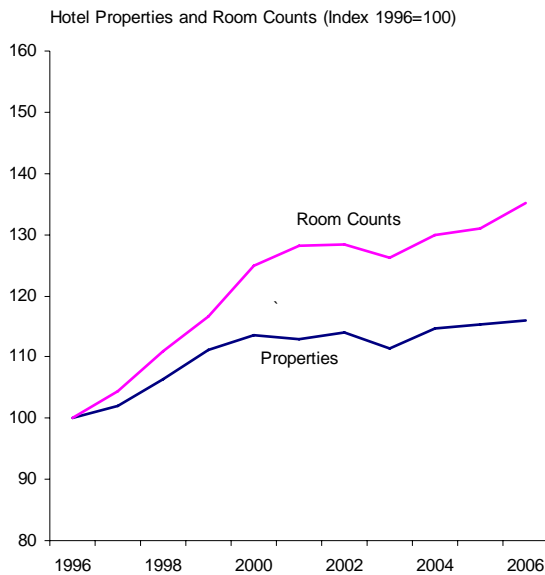
¹ CTC, Traveller Accommodation Survey, 2005

business (36%). The share of domestic clients for hotels was 74%, about 11 percentage points less than it was for motels. However, 26% of motel guests were foreign visitors, while motels welcomed much fewer foreign stays (15%).

Increasing room counts and number of properties

The number of hotels in BC increased 15.9% between 1996 and 2006, reaching 699 properties. In addition, hotel room supply advanced substantially. Room counts in BC for motels rose 35.1%. This indicates that not only the number of hotels increased, hotels also grew in size.

There are more hotels rooms and the number of hotels has been stable

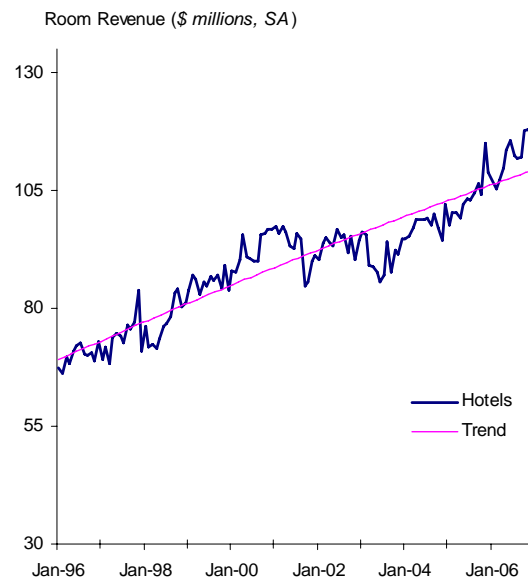


Data Source: BC Stats

BC's hotel industry expanding and surpassing motels

BC's hotel industry has been expanding. Room revenues at hotels have been continuously trending up over the last decade, recording a 60.3% increase between 1996 and 2006. Room revenues at hotels in BC maintained a moderate rate of growth between 1996 and 2003. They picked up speed in 2004 (+7.6%), and revenues climbed even higher in 2006 (+8.1%). Hotels of all sizes also experienced much greater gains in room revenues than motels (+44.4%) between 1996 and 2006. However, the growth in room revenues at hotels was not as big as the increase in BC as a whole (+66.7%), and the other types of accommodations, including vacation rentals (+170.9%), fishing lodges, bed and breakfasts, and campgrounds (+156.1%).

Revenues at hotels trending up

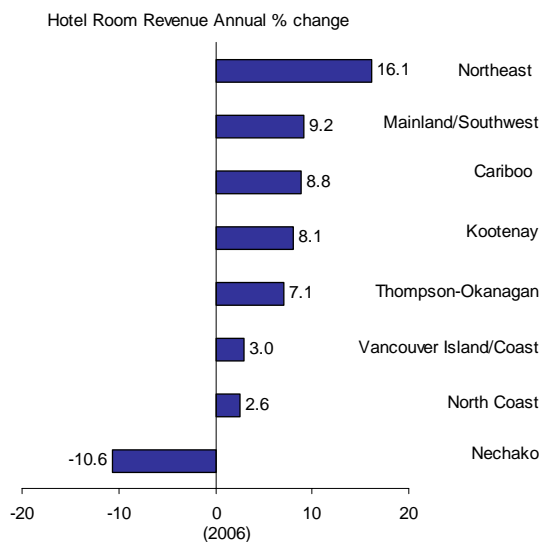


Data Source: BC Stats

Hotels in all regions except Nechako experienced growth in room revenues in 2006

Hotel revenues in all regions but Nechako experienced growth in room revenues in 2006. Hotels located in Northeast (+16.1%), Mainland/Southwest (+9.2%), Cariboo (+8.8%) and Kootenay (+8.1%) grew more than the average for each region as a whole.

Northeast posting strongest growth in room revenues at hotels in 2006



Data Source: BC Stats

Between 1996 and 2006, hotels in Northeast outperformed other regions with a significant 210.1% increase in room revenues. Northeast also recorded the biggest yearly growth in hotel revenues (+16.1%) in 2006. Mainland/Southwest (+9.2%), BC's most urban area also reported a strong increase in hotel room revenues, and the share of hotel revenues of the total revenue in the region also grew from 90% to 91%. Revenues at motels in Thompson-Okanagan (+7.1%), Vancouver Island/Coast (+3.0%) and North Coast (+2.6%) continued to rise in 2006. However, room receipts in Nechako (-10.6%) slumped.

Very large and large hotels continued to grow in size and contribution to total room revenues

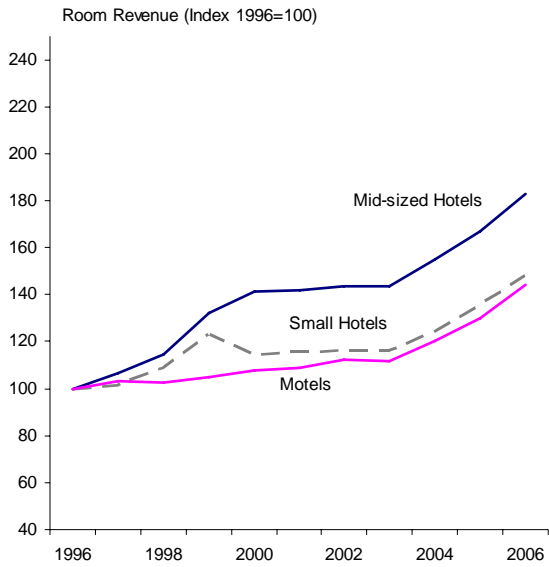
Most very large hotels (251+ rooms) are concentrated in the more urban regions, such as Mainland/Southwest and Vancouver Island/Coast. Room revenues at the very large hotels grew 49.2% between 1996 and 2006. Most of the growth was credited to the increases at very large hotels in Mainland/Southwest (+48.2%). The number of very large hotels advanced 53.8% and the room counts also climbed a substantial 60.9%.

Room receipts at large hotels grew 8.8% in 2006. Although the growth was shared mainly between Mainland/Southwest (+11.8%) and Vancouver Island/Coast (+3.0%), large hotels at Thompson/Okanagan (+8.5%) also experienced strong increases.

Mid-sized and small hotels versus motels

Mid-sized (76-150 rooms) and small hotels (1-75 rooms) are most likely to compete for customers with motels, since they are of similar sizes and provide accommodation services in similar types of facilities. Both mid-sized and small hotels in the province have posted stronger growth than motels. Between 1996 and 2006 mid-sized hotels posted strong gains (+83.1%) in room revenues, and small hotels saw revenues advance 47.9%, significantly more than the 44.4% increase in motel room revenues. However, motels showed strong annual growth in room revenues (+11.0%) in 2006, surpassing both mid-sized (+9.5%) and small hotels (+8.9%)

Mid-sized and small hotels have grown faster than motels



Data Source: BC Stats