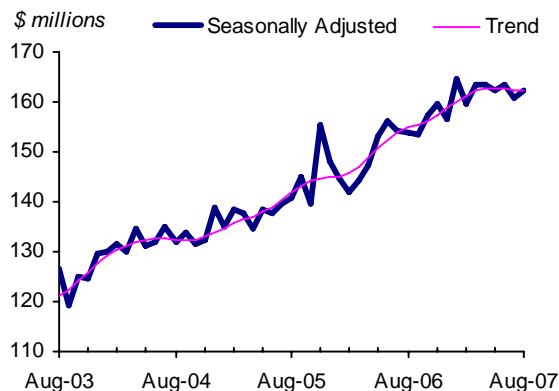


Tourism Sector Monitor ♦ November 2007

Room Revenue

Room revenues in BC showed signs of recovery in August, up 0.8% following July's poor performance. Nechako (+6.9%) continued to record gains, while Vancouver Island/Coast (-3.3%) was the only region to experience a decrease. The rest of the province saw revenues bounce back after declines in the previous month, including Cariboo (+4.0%), North Coast (+3.5%), Northeast (+2.9%), Mainland/Southwest (+1.6%), Kootenay (+1.5%) and Thompson/Okanagan (+0.7%).

Room revenues showed modest gains in August



Business at most of the province's accommodation properties improved in August. Very large hotels (251+ rooms; +2.4%) posted the highest month-over-month growth since January, offsetting declines at large (151-250 rooms; -1.1%) and small (1-75 rooms; -0.1%) hotels. Returns at motels (+0.9%) and other accommodations (+1.2%) were up following a significant drop in July.

Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Aug 07 (\$000)	Jul 07 (\$000)	% change
Total	162,173	160,948	+0.8
Hotels	119,111	117,927	+1.0
Motels	19,579	19,404	+0.9
Other Accommodations	23,061	22,793	+1.2
Regions (Top 3 performers)			
Nechako	1,040	973	+6.9
Cariboo	5,035	4,840	+4.0
North Coast	2,466	2,382	+3.5

Visitor Entries

Visitor entries to Canada via BC rebounded (+3.5%) in August after sliding for two straight months. This was mainly a result of an increase in US entries (+4.7%), as Americans made more overnight (+6.3%) and same-day (+1.8%) trips.

The number of visitors from overseas countries fell (-0.2%), as entries into BC from Asia (-0.6%) and Europe (-0.1%) declined. However, the number of entries from Oceania increased (+1.1%) ending a two-month-long downturn.

In August, the number of Canadians returning home via BC was 1.3% higher compared to the previous month. Same-day trips to the US remained unchanged, while the number of travellers returning home from trips overseas decreased 0.6%.

Visitor entries rebounded in August

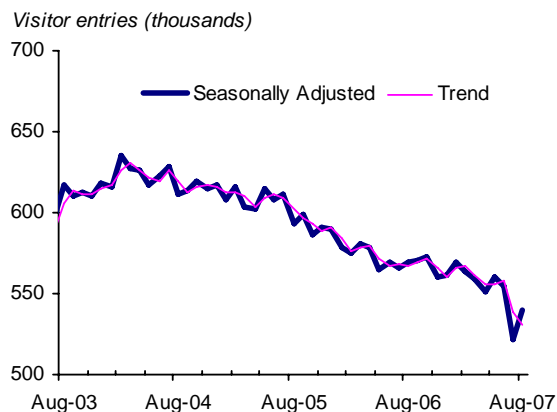


Table 2. Traveller Entries
(seasonally adjusted)

	Aug-07 (‘000)	Jul-07 (‘000)	% chg from Jul-07
American visitors			
Total	412	394	4.7
Same-day	142	139	1.8
Overnight	271	255	6.3
Overseas visitors			
Total	127	128	-0.2
Europe	44	44	-0.1
UK	22	22	1.2
Asia	59	60	-0.6
Japan	16	16	-1.9
Taiwan	6	6	7.5
Oceania	14	14	1.1

Note: Total Overseas visitors is not equal to the sum of visitors from Europe, Asia and Oceania since it includes other areas

Other Indicators

BC’s hotel occupancy rate (66.2%) remained relatively unchanged (+0.1 percentage points) after falling in July. The average room rate in the province increased (+0.6%) for the second straight month in August, rising to \$129.00.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Aug-07	Change from Jul-07
Hotel Industry		
Occupancy rate (%)	66.2	0.1 pp.
Average room charge (\$)	129.00	0.6
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,450	0.9
US (trans-border)	357	2.3
Other International	343	-2.0
Canada (domestic)	750	1.6
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	125	0.9
<i>(Victoria Airport Authority)</i>		
Restaurant Receipts (\$ millions) (%)		
All establishments	563	0.9
Food service	520	1.2
Drinking places	43	-2.7
<i>(Statistics Canada)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	235	4.0
<i>(Ministry of Transportation)</i>		
BC Ferries		
Vehicle Volume	718	0.4
Passenger Volume	1,808	-0.4
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.945	-0.01
UK Pound	0.470	0.00
Japanese Yen	110.229	-5.36
Australian \$	1.142	+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 both the Vancouver and Victoria airports inched up 0.9% in August. BC Ferries recorded higher vehicle volume (+0.4%) but welcomed fewer passengers (-0.4%) aboard. In addition, the

number of passenger vehicles travelling on the Coquihalla Highway increased (+4.0%).

In August, BC's restaurant, caterer and tavern receipts showed the highest month-over-month increase since December 2006 (+0.9%, *seasonally adjusted*). Sales at food service establishments, which account for most of the revenues, advanced 1.2%. However, drinking places recorded a decrease (-2.7%) in receipts.

A look ahead—September 2007

Preliminary estimates indicate that provincial room revenues continued to increase (+0.3%) in September. Vancouver Island/Coast (+2.6%), Nechako (+2.0%) and Mainland/Southwest (+1.1%) recorded gains. However, revenues were down in most regions of the province, including Northeast (-9.0%), Cariboo (-4.0%), North Coast (-3.5%), Kootenay (-1.8%) and Thompson/Okanagan (-1.1%).

Receipts at hotels rose (+2.0%) for the second straight month in September, with very large (251+ rooms; +3.6%) and large (151-250 rooms; +2.7%) hotels posting substantial increases. However, motels (-2.2%), vacation rentals (-1.8%) and fishing lodges, bed and breakfasts, and other types of accommodation (-1.9%) experienced a drop in revenues.

Visitor entries to the province inched up (+0.1%) in September. The number of entries from the US declined slightly (-0.1%), as an increase in overnight travellers (+0.5%) was offset by a decrease in the number of same-day visits (-1.3%). Entries from Oceania (-0.2%) and Asia (0.0%) were flat while the number of visitors from Europe increased (+1.8%).

Vancouver airport was busier (+0.7%) in September, while passenger volume through Victoria airport fell (-0.2%). BC Ferries experienced an increase in passenger (+0.6%) and vehicle (+0.2%) volume, while the number of passenger vehicles travelling on the Coquihalla Highway declined (-2.7%).

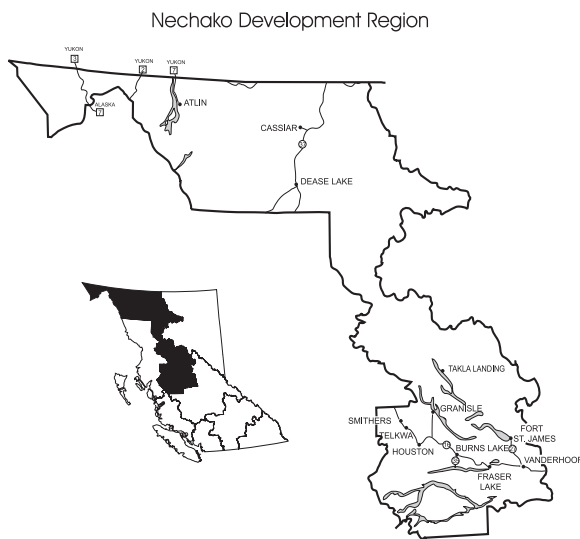
About preliminary numbers

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 21 reports in 2006 and 2007, BC room revenues changed (rose or fell on a month-over-month basis) on average by 2.4% (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: The Nechako Region

The Nechako region covers an area of approximately 190,000 square kilometres and extends from the Nechako valley in the south to the Yukon border to the north. Nechako is comprised of two sub-regions: the Stikine Region and the Bulkley-Nechako Regional District. A large portion of this region is sparsely populated, with most of the population residing in Bulkley-Nechako.



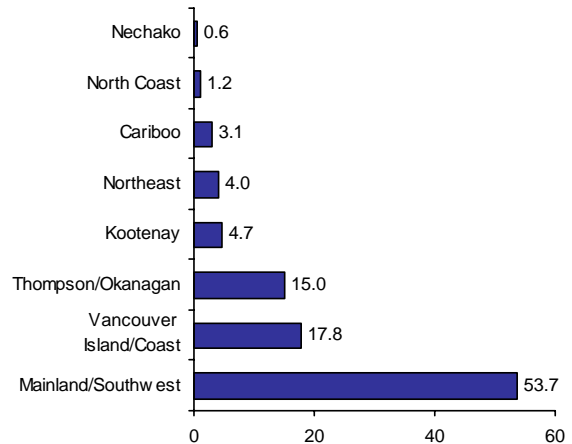
The region is home to several provincial parks, including Francois Lake and Takla Lake, and is a popular destination for camping, fishing and boating. Urban centres that are the core of tourism activities in the region include Smithers and Vanderhoof.

Nechako is a relatively small player in BC's tourism sector

Nechako accounted for the smallest share of total room revenues (0.6%) in 2006, below that of other northern regions including North Coast (1.2%) and Northeast (4.0%). As a result, movements in Nechako revenues do not generally reflect the overall provincial trend.

Nechako accounted for the smallest share of provincial room revenues in 2006

% of BC room revenues (2006)



Source: BC Stats

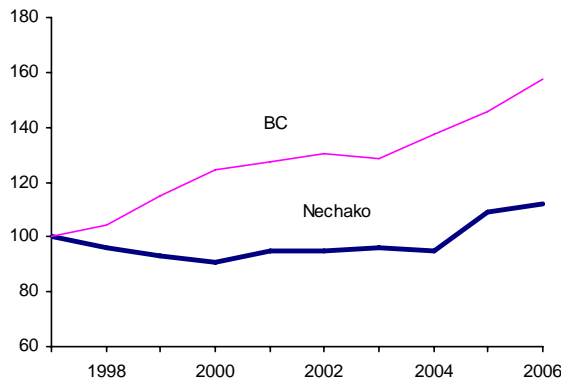
In 2006, Nechako had the fewest number of accommodation properties (73) and rooms (1,365) in the province, comprising 3% and 1% of the BC total respectively. Close to four in ten (38%) properties were motels. As the Nechako region is a popular destination for fishing, close to one-third (30%) of accommodations are fishing lodges.

The region tends to underperform BC in terms of room revenue growth, but has outpaced the province in recent years

From 1997 to 2006, annual room revenues in Nechako increased from approximately \$9.3 million to \$10.4 million (+11.8%), well below the provincial average (+57.4%). Returns at motels (+14.9%), which account for most of the region's room revenues, were also lower than the BC average (+39.8%).

Nechako room revenue growth is typically below the provincial average

Room revenue index (1997=100)



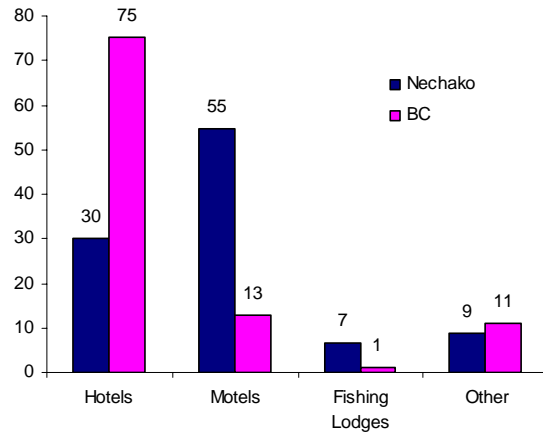
Source: BC Stats

Nechako has been growing at below-average rates during much of the 1990s, but has picked up speed in recent years. During 2004 to 2006, the region (+18.1%) outpaced the province (+14.4%). Unadjusted room revenue estimates for the first eight months of 2007 indicate that growth in Nechako (+16.1% compared to the same period in 2006) continues to exceed the provincial rate (+8.1%), driven mainly by significant revenue gains in Smithers (+28.4%).

Lower long-term growth in Nechako can be partially explained by the revenue distribution across accommodation types. In BC, hotels accounted for 75% of the provincial total and were the main driver of growth (+51.4%) during the 1997 to 2006 period. In Nechako, a significant proportion of room revenues are from motels (55%), which have been growing at a slower rate (+14.9%). Although fishing lodges showed considerable growth (+73.4%), they account for only 7% of the regional total. Nechako does not have a large enough tourism market to justify investments in hotel properties, as the proportion of revenues generated by hotels (30%) is significantly lower than the provincial average. In addition, returns at hotels declined (-8.3%) from 1997 to 2006.

Motels generate more than one-half of total room revenues in Nechako...

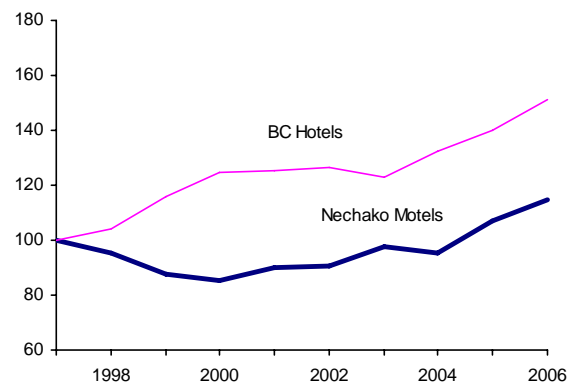
% of total room revenues (avg. 1997-2006)



Source: BC Stats

...but have grown slower than BC's hotels

Room revenue index (1997=100)

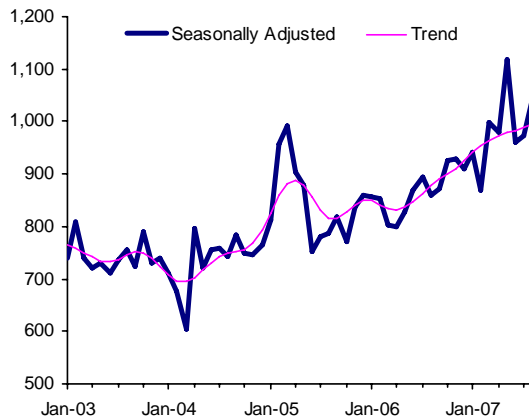


Source: BC Stats

On a month-over-month basis, room revenue growth in Nechako shows considerable volatility. However, seasonally adjusted room revenues have been trending upwards since the trough recorded in March 2004. The sharp increase recorded in February 2005 was largely due to filming activities in Smithers, which accounts for approximately 50% of Nechako's revenues.

Nechako room revenues have been trending up since the second quarter of 2004

Monthly room revenues (\$ thousands)



Source: BC Stats

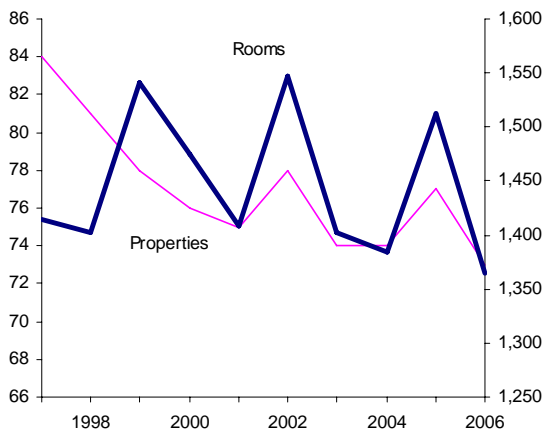
The number of rooms in the region also decreased (-3.5%) from 1997 (1,415) to 2006 (1,365), but this was not the case in the province as a whole (+25.4%). However, room counts increased 15.5% in Smithers, which accounted for more than one-third (37%) of all rooms in the region in 2006.

Nechako property and room counts have declined

Although Smithers recorded an increase (+22.2%) in accommodation properties from 1997 to 2006, the number of properties in the Nechako region fell (-13.1%). Property counts in the province, on the other hand, moved up 13.1%. In addition, neighbouring regions including North Coast (+6.5%) and Northeast (+6.3%) experienced growth in accommodations.

The number of properties in Nechako has trended downward since 1997 while room counts tend to fluctuate

Property and room counts



Source: BC Stats