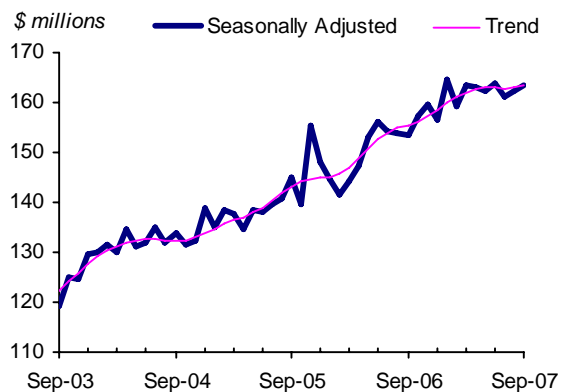


Tourism Sector Monitor ♦ December 2007

Room Revenue

BC room revenues continued on an upward trend in September (+0.6%), marking the first back-to-back increase in 2007. Revenue gains in Vancouver Island/Coast (+3.8%) and Mainland/Southwest (+1.2%), which account for about 70% of provincial room revenues, pushed the BC growth rate into positive territory. In addition, Nechako (+1.0%) posted an increase for the third straight month. However, most regions experienced declines, including Northeast (-6.8%), Cariboo (-4.0%), North Coast (-3.5%), Kootenay (-1.3%) and Thompson/Okanagan (-1.1%).

Room revenues up again in September



Business at the province's hotels improved (+2.1%) in September, as very large (251+ rooms; +3.6%), large (151-250 rooms; +2.7%), mid-sized (76-150 rooms; +0.9%) and small (1-75 rooms; +0.3%) hotels recorded higher revenues. However, motels (-0.9%) and other accommodations (-1.2%) saw revenues drop following gains in August.

Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Sep 07 (\$000)	Aug 07 (\$000)	% change
Total	163,383	162,369	+0.6
Hotels	122,106	119,625	+2.1
Motels	19,473	19,653	-0.9
Other Accommodations	22,800	23,085	-1.2
Regions (Top 3 performers)			
Vancouver Island/Coast	29,566	28,488	+3.8
Mainland/Southwest	86,467	85,456	+1.2
Nechako	1,071	1,060	+1.0

Visitor Entries

The number of visitors to Canada via BC remained steady (+0.1%) in September, after a surge (+3.6%) in the previous month. Although Americans made fewer same-day trips (-1.2%) to BC, an increase in the number of overnight visitors (+0.7%) inched US entries up slightly (+0.1%).

The number of visitors from overseas countries rose (+0.4%), ending a two-month-long downturn. More visitors from Europe (+1.4%) and Oceania (+0.1%) offset a decline in the number of entries from Asia (-0.2%).

The number of Canadians returning home via BC climbed 4.4% in September. There was a substantial increase (+7.4%) in same-day trips to the US, and the number of travellers returning home from trips overseas was also higher (+2.9%).

Visitor entries flat in September

Visitor entries (thousands)

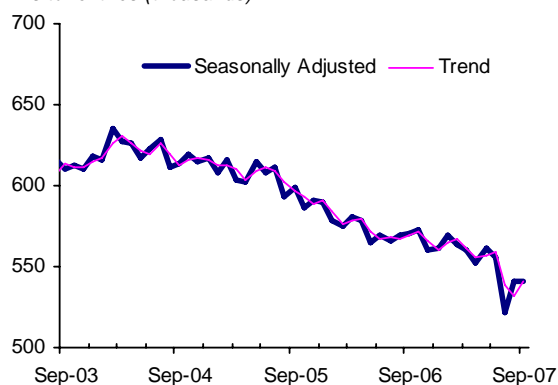


Table 2. Traveller Entries
(seasonally adjusted)

	Sep-07 (‘000)	Aug-07 (‘000)	% chg from Aug-07
American visitors			
Total	414	414	0.1
Same-day	139	141	-1.2
Overnight	275	274	0.7
Overseas visitors			
Total	127	127	0.4
Europe	45	44	1.4
UK	23	22	4.9
Asia	59	59	-0.2
Japan	17	16	2.3
Taiwan	6	6	-2.6
Oceania	14	14	0.1

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 advanced 0.9 percentage points to 67.3%, reaching its highest level since January. The average room rate in the province continued to increase (+0.9%) in September, averaging \$130.40.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Sep-07	Change from Aug-07
Hotel Industry		
Occupancy rate (%)	67.3	0.9 pp.
Average room charge (\$)	130.40	0.9
<i>(Pannell Kerr Forster)</i>		
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,460	0.7
US (trans-border)	360	0.7
Other International	341	-0.3
Canada (domestic)	759	1.1
<i>(YVR)</i>		
Victoria International Airport		
Total traffic	125	-0.1
<i>(Victoria Airport Authority)</i>		
Restaurant Receipts (\$ millions) (%)		
All establishments	563	-0.2
Food service	520	-0.1
Drinking places	42	-1.0
<i>(Statistics Canada)</i>		
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles	229	-2.5
<i>(Ministry of Transportation)</i>		
BC Ferries		
Vehicle Volume	719	1.0
Passenger Volume	1,815	0.5
<i>(BC Ferries)</i>		
Exchange Rates Cdn \$		
US \$	0.975	+0.03
UK Pound	0.483	+0.01
Japanese Yen	112.158	+1.93
Australian \$	1.151	+0.01
<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 the Vancouver airport rose (+0.7%) for the second consecutive month in September, while the number of travellers through the Victoria airport was relatively unchanged (-0.1%). BC Ferries recorded higher vehicle (+1.0%) and

passenger (+0.5%) volume, while the number of passenger vehicles travelling on the Coquihalla Highway decreased (-2.5%).

BC's restaurant, caterer and tavern receipts fell (-0.2%, *seasonally adjusted*) in September, as both drinking places (-1.0%) and food service establishments (-0.1%) experienced a decline in sales.

A look ahead—October 2007

Preliminary estimates indicate that provincial room revenues increased 1.6% in October. Revenues were up in most regions, including Cariboo (+8.6%), Kootenay (+3.5%), Mainland/Southwest (+2.9%), Nechako (+1.9%) and North Coast (+1.0%). Northeast (-3.7%) and Vancouver Island/Coast (-1.5%) posted declines while revenue growth in Thompson/Okanagan (+0.0%) was unchanged.

Receipts at hotels continued to advance (+1.8%) in October, with large hotels (151-250 rooms; +3.8%) posting the strongest growth. Revenues at very large (251+ rooms; +1.7%), mid-sized (76-150 rooms; +1.4%) and small (1-75 rooms; +0.8%) hotels were also up. In addition, returns at motels improved (+1.7%) following September's poor performance. However, vacation rentals (-1.8%) and fishing lodges, bed and breakfasts, and other

types of accommodation (-2.8%) continued to experience a decline in revenues.

Visitor entries to the province were down (-0.4%) in October. However, the number of entries from the US inched higher (+0.7%), as a decrease in same-day visitors (-2.7%) was offset by an increase in the number of overnight trips (+2.4%). Total overseas entries dropped (-3.9%) due to fewer visitors from Europe (-5.9%) and Asia (-5.8%). Entries from Oceania, which includes Australia, New Zealand and other South Pacific nations, was up 1.6%.

Passenger volume through Vancouver airport fell (-0.1%), while the Victoria airport was busier (+1.8%) in October. BC Ferries experienced a reduction in vehicle (-1.4%) and passenger (-1.3%) volume, while the number of passenger vehicles travelling on the Coquihalla Highway increased (+0.7%).

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 British Invasion—Travellers from the United Kingdom

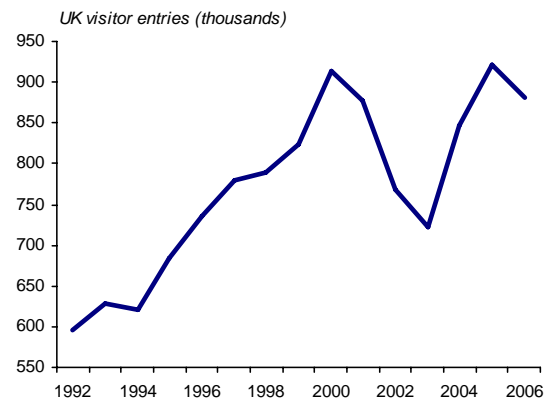
The United Kingdom of Great Britain and Northern Ireland (commonly referred to as the United Kingdom (UK) or Britain) is located off the northwestern coast of mainland Europe. It comprises the island of Great Britain, which contains England, Wales and Scotland, as well as the northern portion of the island of Ireland. A significant number of visitors from this European country travel to Canada and British Columbia, and represent an increasingly important market for the national and provincial tourism sectors.

The UK is the largest overseas travel market in Canada

According to information from Statistics Canada's *International Travel Survey*, the UK is the most important overseas market in terms of visitor volume and spending. In 2006, about 842,000 overnight trips from the UK to Canada were recorded, more than double the number of overnight trips from Japan (364,000), the second most important overseas market. British tourists stayed 12.6 nights on average and spent approximately \$1.1 billion, accounting for 39% of spending by Europeans and one-fifth (20%) of total expenditures by overseas travellers. BC is the second most common destination for UK tourists behind Ontario, representing one-quarter (25%) of British visits to Canada in 2006.

During the 1992 to 2006 period, the total number of British visitors increased from about 596,000 to 882,000 (+48.0%). In addition, the proportion of total European entries originating from the UK also rose, from 32% in 1992 to 38% in 2006.

British entries increased significantly during the 1990s



Source: Statistics Canada

Most travel to Canada for pleasure; 1 in 3 visit friends or relatives

One-third (33%) of visitors from the UK travel to Canada to visit friends or relatives, while most (51%) indicated that the main purpose of their trip was other pleasure, recreation or holiday. Common activities by British tourists include shopping, sightseeing and visiting a national or provincial nature park.

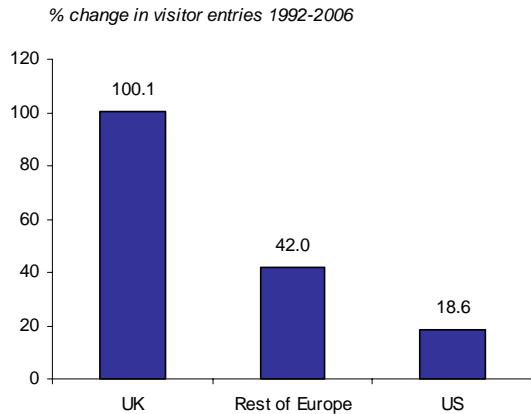
The UK is also a significant market for BC's tourism sector

There were 235,000 visitors from the UK to BC in 2006, representing 16% of total overseas entries. This exceeded the number of entries from Japan (218,000) and Australia (130,000), BC's second and third largest overseas markets, respectively.

The British market has been gaining importance since the early 1990s. Between 1992 and 2006, UK entries doubled (+100.1%) and the proportion of European travellers from Britain increased from 39%

to 48% over this period. On the other hand, growth in the number of visitors from the rest of Europe was less than half the UK rate (+42.0%), while steadily declining American entries since 2000 contributed to slower growth in the US market (+18.6%) from 1992 to 2006.

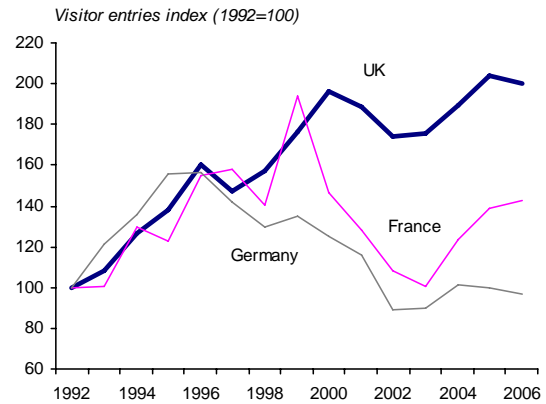
The number of visitors from the UK to BC has doubled since 1992



Source: Statistics Canada

In addition, growth in comparable European markets, including Germany and France, has been slower than the UK. The number of visitors from Germany declined (-3.4%) during 1992 to 2006 as well as its share of total European entries (29% to 17%). Although the number of visitors from France increased 42.4% over the same period, its proportion of entries from Europe was flat (4% to 3%).

Growth in European entries has been driven by the UK

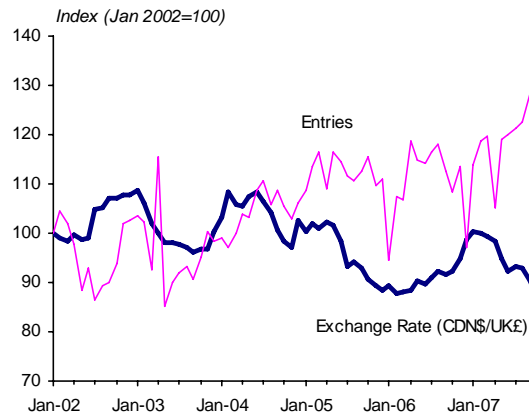


Source: Statistics Canada

The CDN\$/UK£ exchange rate and its effect on visitor entries

There is some evidence to suggest that the exchange rate between the Canadian dollar and the British pound has not had a significant impact on visitor entries from the UK to BC. During the 2002 to 2006 period, the exchange rate (CDN\$/UK£) decreased 11.4%. In other words, the value of the Canadian dollar increased. While it is reasonable to assume that there would be a corresponding decline in visitor entries, this was not the case, as there were 15.1% more visitors from the UK.

Despite an appreciating Canadian dollar, visitation from Britain has trended upward



Source: Statistics Canada

However, there have been periods where the number of UK entries and the exchange rate appear to be positively correlated. From 2003 to 2004, the value of the Canadian dollar declined relative to the British pound, causing the exchange rate to rise (+4.2%). Over the same period, visitor entries also increased (+8.1%). In 2006, the UK pound depreciated against the Canadian dollar compared to 2005 levels, falling from 2.21 (CDN\$/UK£) to 2.09 (-5.3%). Visitation from Britain also moved in the same direction, as entries fell 2.0%. It should be noted, however, that exchange rate movements cannot fully explain changes in visitor entries. Other factors, such as income and the cost of travel, may also influence the number of visitors from the UK to BC.

Notwithstanding the strong appreciation of the Canadian dollar in recent months, the British market does not show any signs of slowing down. In fact, travel from the UK is expected to increase in 2008, despite the anticipated slight easing back in Britain's economic growth.