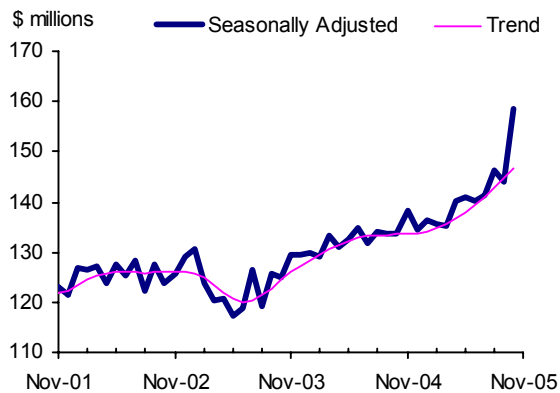


Tourism Sector Monitor ♦ February 2006

Room Revenue

After falling (-1.5%, *seasonally adjusted*) in October, room revenues bounced back (+10.0%) in November, with revenues rising in all regions except Northeast (-1.2%) and Kootenay (-0.9%). BC's two biggest regions, Mainland/Southwest (+10.0%) and Vancouver Island/Coast (+15.8%) posted significant increases. Thompson-Okanagan (+10.8%) and Nechako (+7.9%) also experienced substantial growth in revenues after seeing a decline in the previous month. In North Coast, revenues advanced 11.5% in November after sliding for the fifth straight month in October. In addition, Cariboo (+6.3%) recorded the third consecutive increase in revenues since September.

Room revenues soared in November



Hotels of all sizes fared significantly better in November, recording a 10.9% increase in revenues, and accounting for about 80% of the province's total growth. Most of the increases in revenues originated in large hotels, especially hotels with more than 250 rooms (+18.3%). Hotels with 151-250 rooms saw revenues climb 12.0%. Hotels with 76-150 rooms (+3.1%) recorded the seventh consecu-

tive increase since May. Revenues at smaller hotels (+5.6%) also expanded in November.

Many events that took place in November contributed to the substantial growth in room revenues at hotels. Greater Vancouver welcomed more than 6,000¹ hotel stays for the Grey Cup. Conferences and conventions held in November also boosted business at large hotels. Motels benefited from those events as well, recording an 11.9% increase in room revenues. However, business at vacation rentals (-0.6%) slipped.

Table 1. Room Revenue
(*seasonally adjusted*)

Accommodation Type			
	Nov 05 (\$000)	Oct 05 (\$000)	% change
Total	158,611	144,175	+10.0
Hotels	118,594	106,950	+10.9
Motels	19,533	17,452	+11.9
Other Accommodations	20,448	20,378	+0.3
Regions (Top 3 performers)			
Vancouver Island/Coast	27,811	24,021	+15.8
North Coast	1,795	1,609	+11.5
Thompson-Okanagan	23,061	20,809	+10.8

Visitor Entries

The number of travellers entering Canada via BC borders continued to fall (-1.9%, *seasonally adjusted*). Entries from the US were down (-2.8%) as Americans made fewer same-day (-7.0%) and overnight (-0.5%) trips north of the border into BC. The US accounts for about 80% of all traveller entries into the province.

Travel to BC from overseas countries rebounded (+1.5%) in November, after

¹ Estimated by Tourism Vancouver

declining in the previous five months. Asian entries, accounting for about half of the total overseas visits, advanced 1.1%, and entries from Europe (the next biggest source of visitors to BC) inched up (+0.8%). The number of travellers from Oceania climbed (+1.0%), after plunging 7.9% in October.

Canadian entries dipped 0.2% in November, as fewer Canadians made same-day trips to US (-1.5%) and overseas travels (-1.5%).

Visitor entries down again

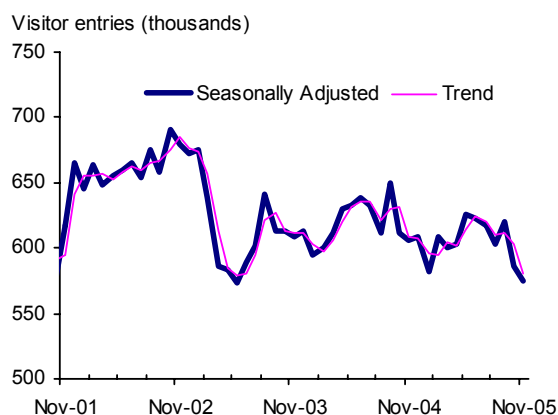


Table 2. Traveller Entries
(seasonally adjusted)

	Nov-05 (^{'000})	Oct-05 (^{'000})	% chg from Oct-05
American visitors			
Total	453	466	-2.8
Same-day	176	189	-7.0
Overnight	277	279	-0.5
Overseas visitors			
Total	123	121	1.5
Europe	41	40	0.8
UK	20	20	-0.6
Asia	59	58	1.1
Japan	20	19	4.0
Taiwan	7	7	-1.0
Oceania	13	12	1.0

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

Other Indicators

Other tourism indicators were generally strong in October.

The occupancy rate in BC hotels was up 5.4 percentage points (to 70.3%) after dipping in October. Room prices increased 4.7% to an average of \$125.

The Consumer Price Index for traveller accommodation fell 0.7%, which was the tenth decline in twelve months. Passenger traffic was heavier at both the Vancouver (+2.0%) and Victoria (+4.1%) airport. BC Ferries welcomed more passengers (+3.0%) and vehicles (+2.8%) aboard. In addition, more passenger vehicles (+0.1%) passed the toll booth of the Coquihalla highway.

The cost of restaurant food inched up (+0.1%) in November. An increase in sales at drinking places (+3.4%) offset lower receipts at food service establishments (-0.2%). Overall restaurant, caterer and tavern receipts were up 0.1%.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Nov-05	Change from Oct-05
Hotel Industry		
Occupancy rate	70.3	5.4 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	125.20	4.7%
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,398	2.0
US (trans-border)	355	-0.1
Other International	321	-2.6
Canada (domestic) <i>(YVR)</i>	722	5.3
Victoria International Airport		
Total traffic <i>(Victoria Airport Authority)</i>	113	4.1
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <i>(Ministry of Transportation & Highways)</i>	214	0.1
BC Ferries		
Vehicle Volume	712	2.8
Passenger Volume <i>(BC Ferries)</i>	1,821	3.0
Exchange Rates Cdn \$		
US \$	0.847	0.00
UK Pound	0.488	0.01
Japanese Yen	100.311	2.76
Australian \$ <i>(Statistics Canada)</i>	1.151	0.02

Note: pp. percentage points

A look ahead

Room Revenue

Preliminary numbers suggest that after soaring in November, room revenues fell back (-5.2%, *seasonally adjusted*) to more normal levels in December. Five regions saw revenues decline with the biggest decrease occurring in Mainland/Southwest (-8.8%) where many of the largest hotels are located.

Hotel revenues, which expanded significantly in November, fell back (-6.3%) in December with declines recorded for hotels of all sizes, especially large hotels. Revenues at non-standard accommodations including fishing lodges and bed & breakfasts dipped 12.6%, and vacation rentals (-

2.3%) were also off in December. However, motel receipts were up 0.7%.

Visitor entries increased (+1.9%, *seasonally adjusted*) with more visitors coming from both the US (+2.2%) and overseas (+0.6%).

Passenger traffic was down at both the Vancouver (-3.5%) and Victoria (-1.5%) airports. However, BC Ferries recorded higher vehicle (+3.6%) and passenger (+3.4%) volumes, and more passenger vehicles (2.1%) travelled on the Coquihalla highway.

About preliminary numbers

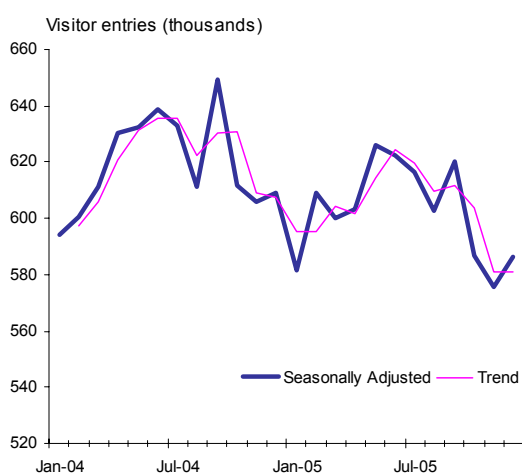
Companies file their hotel room taxes with varying delays. The initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a three-month lag. For example, data for January are not reported until April. However, we also briefly report "preliminary 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 in 2005

A long-run downward trend in entries resumed in 2005, as the number of visitors declined for the fourth time since the turn of the century. After rebounding (+1.3%) in 2004, the number of travellers entering Canada via BC border crossings dropped 2.7% to about 7.2 million in 2005, the lowest number of visitor entries to BC since 1996. Although entries trended up in the first two quarters of 2005, they slumped in the second half of the year.

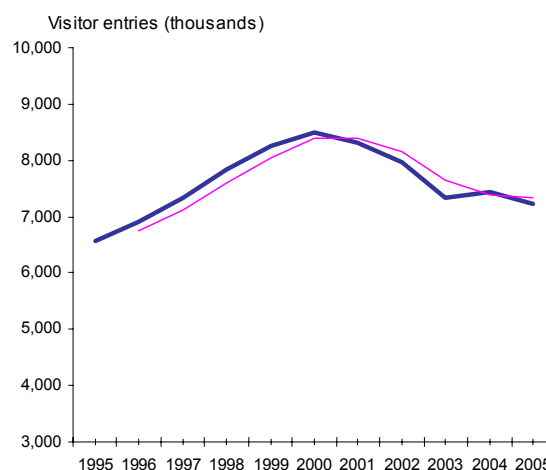
Visitor entries slump in second half of 2005



Data Source: Statistics Canada

Entries had increased in 2004, but that was partly due to a recovery (+1.3%) from a SARS-induced slump (-8.0%) in 2003.

Entries trending down



US entries continued to fall for the fifth consecutive year since 2000

The US is a major tourism market, accounting for more than 80% of the total visitor entries through the province. Visits from the US have been declining since 2001, and continued to slump (-4.6%) in 2005 with same-day entries dropping 6.7% and overnight travel falling 3.4%.

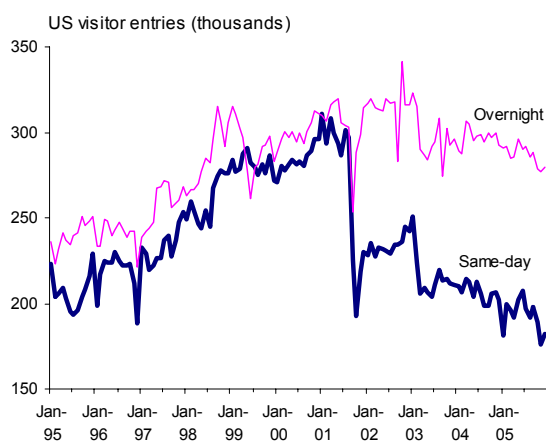
The downturn in travel from the US since 2001 has primarily been due to fewer same-day trips. Over the last five years, the number of US same-day visits to BC has been declining. Tightened security, which has resulted in longer line-ups and delays at border crossings since September 2001, may have made same-day travel less appealing. In addition, a stronger Canadian currency has increased the cost of travel to BC from the US, which may be keeping some American visitors away from the province. Last year, the number of same-day trips (2.3 million) was at its lowest level since 1995.

In 2005, overnight travel from the US dropped to 3.4 million visitors, reaching the lowest level since 1999. Overnight travel

from the States has also fallen off, but at a slower pace.

The events of 9/11 appear to have had a longlasting and negative effect on same-day travel to BC from the US. Prior to 2001, the number of same-day trips was only slightly lower than the number of overnight visitors. Last year, there were 3 overnight visitors from the US for every 2 travellers taking same-day trips. The gap between overnight and same-day entries has become larger since the end of 2001, reaching its lowest level in 2005 (1.1 million).

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

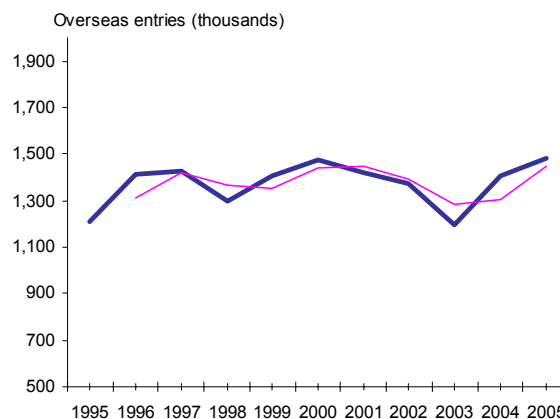


Data Source: Statistics Canada

Overseas travel to BC continued climb in 2005

Travel to BC from overseas markets (+5.6%) continued to climb in 2005, building on a substantial increase recorded in 2004 (+17.3%). The strong growth in 2004 was a result of recovery in Asian entries, which had plunged in 2003 due to the SARS scare. Entries started to trend up in December 2004 and continued to climb through the first two quarters of 2005. In mid-2005, entries from overseas weakened, but regained some of the lost ground at the end of the year.

Overseas visits continued to increase in 2005



Data Source: Statistics Canada

As the major overseas market for BC, Asia accounts for about 50% of total overseas entries. The number of visits from Asia rose 1.1% in 2005 after increasing substantially in 2004 (+23.9%) as panic over SARS subsided. Entries from South Korea, the second largest Asian market, were up (+3.4%), but residents of Japan (-1.0%), Hong Kong (-2.2%) and Taiwan (-7.5%) paid fewer visits to BC.

European visits continued to grow (+7.8%) to 494,000 in 2005, the highest level since 2001 as entries from the UK increased (+7.8%) for a fourth consecutive year. BC also welcomed 157,000 visitors from Oceania (Australia, New Zealand, and other parts of South Pacific). This was 8.9% more than in 2004, and represents the third year of solid gains in entries from this region.

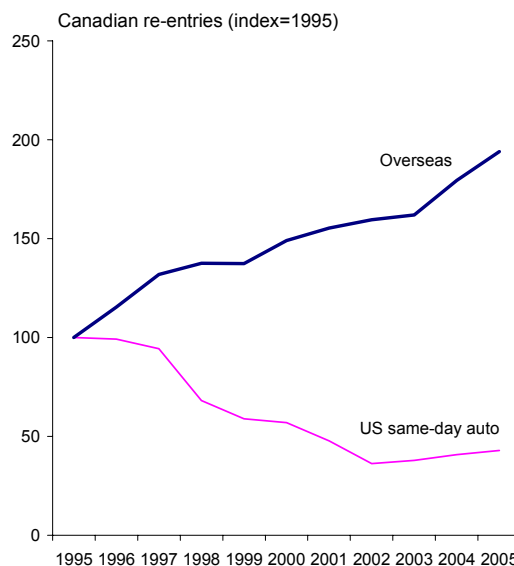
More Canadians returning home from overseas travels

The number of Canadians re-entering the country via BC advanced (+6.2%) in 2005 for the third year in a row. Travel to overseas destinations has had a very positive trend over the last decade, with the exception of 1999 (-0.1%). Overseas returns almost doubled between 1995 and 2005

with the number of entries rising 8.2% to over 1.1 million travellers in 2005.

Same-day car trips from Canada to US had declined during most of the last decade, but began to grow steadily in 2003. In 2005, same-day cross-border excursions rose 5.4%, as Canadian tourists and shoppers continued to take advantage of a stronger dollar.

Canadian re-entries from overseas nearly doubled between 1995 and 2005



Data Source; Statistics Canada

Traveller Entries to Canada via BC (000s)											
Period	International								Canadian		
	Total	USA			Overseas				Total	US same-day auto	Overseas
		Total	Same-day	Overnight	Total	Asia	Europe	Oceania*			
1995	6,577	5,369	2,488	2,880	1,209	646	419	110	13,502	9,885	581
1996	6,907	5,494	2,612	2,883	1,412	778	468	116	13,710	9,802	671
1997	7,323	5,893	2,798	3,094	1,430	798	449	122	13,428	9,329	767
1998	7,845	6,549	3,124	3,425	1,296	653	449	118	10,451	6,735	800
1999	8,269	6,862	3,370	3,492	1,408	716	485	126	9,588	5,813	799
2000	8,482	7,006	3,407	3,599	1,476	759	498	134	9,435	5,639	866
2001	8,313	6,895	3,258	3,637	1,418	732	466	132	8,329	4,720	903
2002	7,971	6,596	2,808	3,788	1,375	764	412	118	7,197	3,587	928
2003	7,335	6,137	2,581	3,557	1,198	578	410	125	7,285	3,744	942
2004	7,428	6,022	2,478	3,562	1,405	716	458	144	7,852	4,034	1,043
2005	7,231	5,747	2,311	3,440	1,484	724	494	157	8,342	4,250	1,128
Percentage Change											
1995	9.6	6.6	3.4	9.5	25.5	39.9	11.7	28.3	-0.4	-1.1	5.1
1996	5.0	2.3	5.0	0.1	16.8	20.4	11.6	5.9	1.5	-0.8	15.4
1997	6.0	7.2	7.1	7.3	1.3	2.5	-3.9	4.9	-2.1	-4.8	14.4
1998	7.1	11.1	11.7	10.7	-9.4	-18.2	0.1	-3.1	-22.2	-27.8	4.2
1999	5.4	4.8	7.9	2.0	8.6	9.7	7.8	6.6	-8.3	-13.7	-0.1
2000	2.6	2.1	1.1	3.1	4.8	6.0	2.8	6.2	-1.6	-3.0	8.5
2001	-2.0	-1.6	-4.4	1.1	-3.9	-3.6	-6.4	-1.4	-11.7	-16.3	4.2
2002	-4.1	-4.3	-13.8	4.2	-3.0	4.4	-11.7	-10.5	-13.6	-24.0	2.7
2003	-8.0	-7.0	-8.1	-6.1	-12.9	-24.4	-0.4	5.8	1.2	4.4	1.5
2004	1.3	-1.9	-4.0	0.1	17.3	23.9	11.7	15.6	7.8	7.7	10.7
2005	-2.7	-4.6	-6.7	-3.4	5.6	1.1	7.8	8.9	6.2	5.4	8.2