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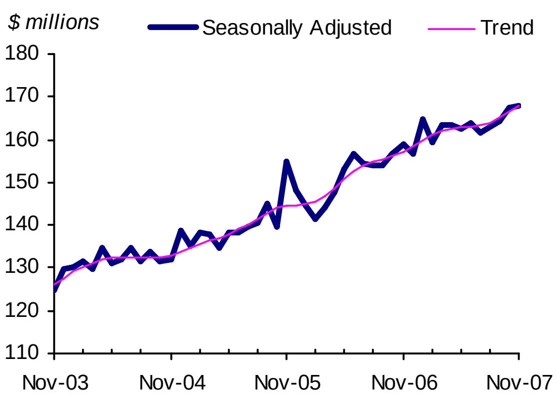
Tourism Sector Monitor ◆ February 2008

Room Revenue

Room revenues advanced 0.3% in November, maintaining the upward trend that began in August. The Interior, including Kootenay (+5.4%), Thompson/Okanagan (+4.0%) and Cariboo (+3.2%), outperformed the rest of BC. Nechako (+1.1%) recorded gains for the fifth consecutive month, surpassing growth in neighbouring Northeast (+0.2%). Accommodations in Vancouver Island/Coast (+0.3%) had a more lucrative month, while North Coast (-1.9%) and Mainland/Southwest (-1.3%) saw revenues slip following increases in October.

Room revenues continued an upward trend in November



A three-month-long upturn in revenues at the province's hotels ended in November (-1.2%), as large (151-250 rooms; -3.2%), very large (251+ rooms; -2.0%) and small (1-75 rooms; -0.5%) hotels posted declines. On the other hand, business was up at mid-sized hotels (76-150 rooms; +0.6%) and motels (+1.0%). Although revenues at vacation rentals (-2.9%) decreased, gains at fishing lodges, bed and breakfasts, and other types of accommodation (+4.1%) pushed the overall average for other accommodations into positive territory (+0.4%).

Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Nov 07 ($000)	Oct 07 ($000)	% change
Total	168,017	167,442	+0.3
Hotels	123,809	125,339	-1.2
Motels	20,302	20,101	+1.0
Other Accommodations	22,461	22,376	+0.4
Regions (Top 3 performers)			
Kootenay	9,023	8,558	+5.4
Thompson/Okanagan	26,456	25,442	+4.0
Cariboo	5,568	5,395	+3.2

Visitor Entries

Total visitor entries to Canada via BC were relatively flat (+0.1%) in November. Entries from the US fell (-1.1%) for the first time since July reflecting fewer overnight visitors (-1.9%). However, the number of Americans on same-day trips advanced 0.3%, ending two months of declines.

Visitor volume from overseas countries rebounded (+4.6%) on the heels of a 5.3% decline in October. A jump in visitation from Oceania (+8.5%) and Asia (+7.6%) contributed to the highest month-over-month increase in 2007. However, entries from Europe (-2.1%) were down.

Significantly more (+10.6%) Canadians returned home via BC in November. Total (+11.7%) and same-day (+6.9%) trips to the US were up, and the number of travellers returning home from trips overseas also increased (+3.4%).

Visitor entries inched up in November

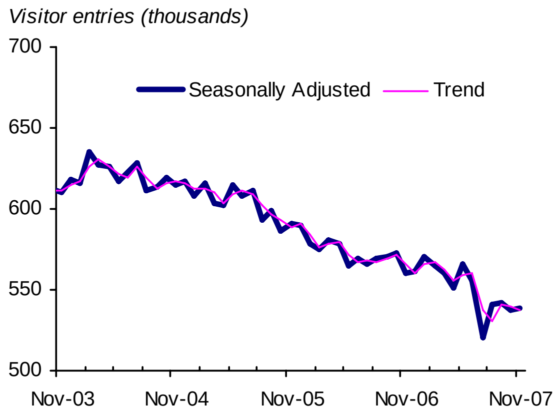


Table 2. Traveller Entries
(seasonally adjusted)

	Nov-07 ('000)	Oct-07 ('000)	% chg from Oct-07
American visitors			
Total	412	417	-1.1
Same-day	135	135	0.3
Overnight	277	282	-1.9
Overseas visitors			
Total	126	121	4.6
Europe	41	42	-2.1
UK	20	21	-0.4
Asia	58	54	7.6
Japan	16	16	1.6
Taiwan	4	5	-19.3
Oceania	16	15	8.5
(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

The province's hotel occupancy rate inched higher (+0.3 percentage points) to 68.0% in November. However, the average daily room rate for BC hotels ($131.90) was relatively unchanged (-0.1%) from the previous month.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Nov-07	Change from Oct-07
Hotel Industry		
Occupancy rate (%)	68.0	0.3 pp.
Average room charge ($)	131.90	-0.1
(Pannell Kerr Forster)		
Airport Passengers	**(000s)**	**(%)**
Vancouver International Airport		
Total traffic	1,539	5.3
US (trans-border)	385	6.0
Other International	364	8.6
Canada (domestic)	789	3.6
(YVR)		
Victoria International Airport		
Total traffic	128	0.9
(Victoria Airport Authority)		
Food Services Receipts	**($ millions)**	**(%)**
All establishments	667	2.1
(Statistics Canada)		
Transportation	**(000s)**	**(%)**
Coquihalla Highway		
Passenger Vehicles	247	7.9
(Ministry of Transportation)		
BC Ferries		
Vehicle Volume	720	1.4
Passenger Volume	1,825	1.9
(BC Ferries)		
Exchange Rates	**Cdn $**	
US $	1.034	+0.01
UK Pound	0.500	0.00
Japanese Yen	114.758	-4.01
Australian $	1.155	+0.01
(Statistics Canada)		

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 (+5.3%) and Victoria (+0.9%) airports rose in November. The province's ferry system was also busier, as BC Ferries recorded an increase in passengers (+1.9%) and vehicles (+1.4%). In addition, there was a surge (+7.9%) in the number of passenger vehicles travelling on the Coquihalla Highway.

BC's food services and drinking places industry experienced higher revenues (+2.1%, *seasonally adjusted*) in November, as sales at drinking places and food service establishments increased.

A look ahead—December 2007

Preliminary estimates suggest that provincial room revenues ended 2007 on a high note, up 0.4%. Cariboo and Mainland/Southwest (each at +2.1%) recorded the strongest growth, while Northeast (+1.4%) and North Coast (+0.3%) also experienced increases. However, the rest of BC, including Nechako (-6.1%), Kootenay (-3.8%), Vancouver Island/Coast (-2.5%) and Thompson/Okanagan (-1.2%), saw revenues fall in December.

Returns at hotels rebounded (+2.0%) in December, driven mainly by a surge (+6.4%) at very large hotels (251+ rooms). However, large (151-250 rooms; -2.0%) and small (1-75 rooms; -0.4%) hotels saw their revenues fall for the second consecutive month. Motels (+0.7%) were busier and vacation rentals (+5.6%) ended a three-month-long downturn. Growth at fishing lodges, bed and breakfasts, and other types of accommodation (+0.1%) was relatively flat.

Visitor entries to BC were down (-1.4%) in December, marking the seventh month of declines in 2007. US entries continued to fall (-2.4%) as fewer same-day (-3.8%) and overnight (-1.8%) trips by Americans were recorded. However, overseas entries increased (+2.0%) as a result of an influx of visitors from Europe (+6.1%) and Oceania (+3.2%). Entries from Asia (-0.1%) were relatively unchanged from November.

Transportation indicators were down in December. Victoria (-2.3%) and Vancouver (-2.1%) airports saw a drop in passenger volume, and the number of vehicles (-1.2%) and passengers (-1.0%) aboard BC Ferries fell. Traffic along the Coquihalla Highway (-9.4%) was also lower compared to the previous month.

About preliminary numbers

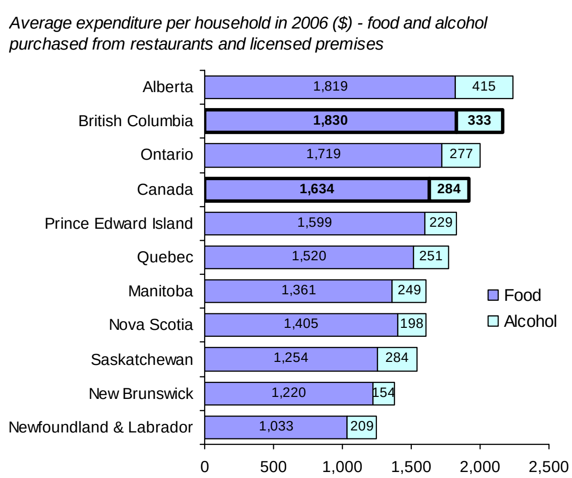
Companies file their hotel room taxes with varying delays. The initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a three-month lag. For example, data for January are not reported until April. However, we also briefly report "preliminary 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: Eat, Drink and Be Merry: BC's Food Services and Drinking Places Industry

In 2006, the average BC household spent $1,830 on restaurant meals, the highest expenditure among the provinces and more than a quarter (26%) of the total food budget. Although significantly less ($333) was spent on alcoholic beverages served at licensed premises, this represented more than a third (34%) of total household expenditures on alcohol. Overall, BC ($2,163) has the second highest per household consumption of food and alcohol purchased from restaurants and licensed premises in Canada. Although household food expenditures in Alberta ($1,819) were lower than BC's, alcohol purchases ($415) were 25% higher.[1]

Only Albertans spend more at restaurants and licensed premises than BC residents



Data Source: Statistics Canada

BC's industry is the third largest in Canada

The food services and drinking places industry is an important segment of the BC economy, accounting for $2.6 billion—about 2%—of the province's gross domestic product (GDP) in 2006. Tourists represent a significant market for the industry, with about a quarter of its GDP generated by tourism-related activities. There are more than 12,000 food service establishments, providing employment for about 1 in 10 workers in BC's service sector.[2]

According to data from Statistics Canada's *Monthly Survey of Food Services and Drinking Places*, the BC industry earned about $7.6 billion in revenues during 2007. Over the 1998 to 2007 period, provincial receipts averaged 16% of national sales, the third highest in the country after Quebec (20%) and Ontario (38%).

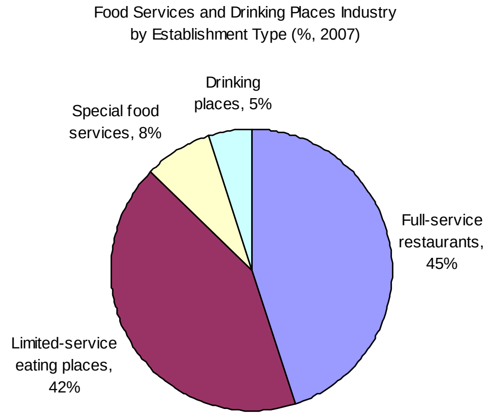
Structure of the industry

The food services and drinking places industry includes full-service restaurants (patrons order while seated and pay after eating), limited-service eating places (patrons order at a counter, and/or by phone and pay before eating), special food services (including food service contractors, social caterers and mobile food services) and drinking places such as bars, nightclubs and taverns. Most establishments are either full-service restaurants (45%) or limited-service eating places (42%). Special food services comprise 8% while only 5% are drinking places.

[1] Source: Statistics Canada, *Survey of Household Spending in 2006*.

[2] Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*.

9 out of 10 establishments are full- or limited-service restaurants

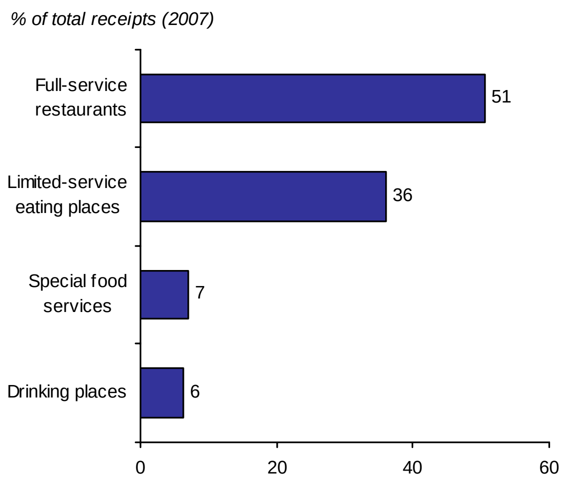


Data Source: Statistics Canada

Revenues at food service and drinking establishments

Full-service restaurants accounted for just over half (51%) of total provincial receipts in 2007, estimated at $3.9 billion. Limited-service eating places generated $2.8 billion (36%), while the remainder was split between special food services ($544 million, 7%) and drinking places ($480 million, 6%).

Most of the industry's revenues are generated by full-service restaurants

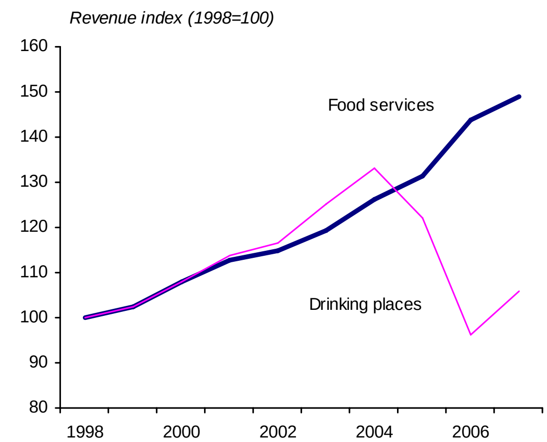


Data Source: Statistics Canada

From 1998 to 2007, BC's food services and drinking places industry experienced a 45.1% increase in receipts, almost identical to the national average (+45.3%). Growth in the industry has been driven by the food services sector (full-service restaurants, limited-service eating places and special food services), which recorded a 48.8% gain.

Revenue growth at drinking places was keeping pace with the food services sector up to 2004, but took a dive in 2005 and 2006 while revenues at food service establishments continued to increase. Although sales at the province's bars, nightclubs and taverns rebounded (+10.0%) in 2007, they are still below 2000 levels. Overall, total receipts rose only 5.8% from 1998 to 2007.

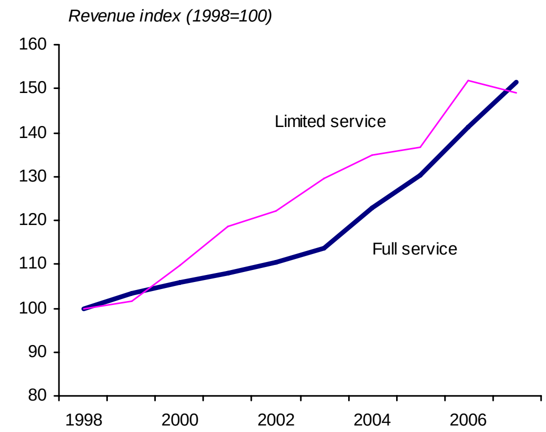
Sales trending up in food services; drinking places saw declines in 2005 and 2006



Data Source: Statistics Canada

With respect to the restaurant segment of the industry, sales at full-service (+51.5%) and limited-service (+48.9%) restaurants increased at similar rates over the 1998 to 2007 period. From 1998 to 2003, revenue growth at limited-service eating places was more than twice the rate at full-service establishments. There was a shift in the industry in 2004 as full-service sales picked up and began to outperform their limited-service counterparts.

Revenue growth at limited-service eating places has lost ground in recent years

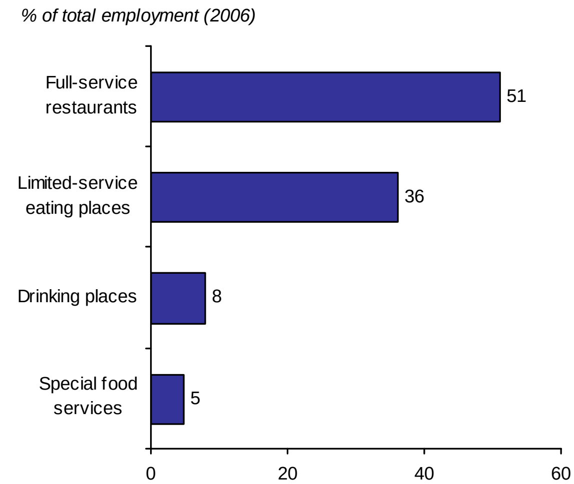


Data Source: Statistics Canada

Employment

In 2006, there were about 135,000 people employed in BC's food services and drinking places industry, which accounted for 9% of jobs in the service sector.[3] Most workers (51%) were employed at full-service restaurants, while more than a third (36%) worked at limited-service eating places. Drinking places (8%) and special food services (5%) employed a relatively small share of workers in the industry.

Half of the jobs in the industry are at full-service restaurants



Data Source: Statistics Canada

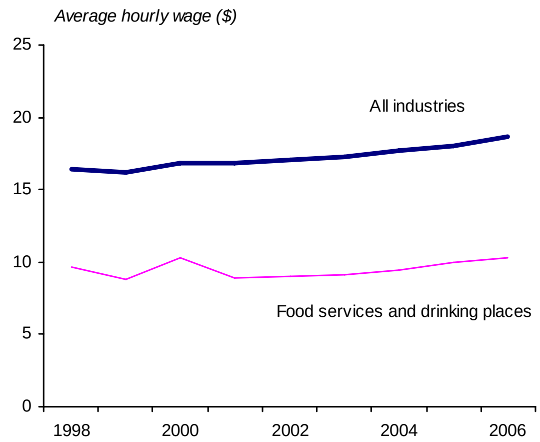
From 1998 to 2006, employment at food service establishments and drinking places increased faster (+23.2%) than the all-industry average (+19.5%). Employment growth has been driven by limited-service eating places, which generated about half (49%) of new jobs in the industry during this period.

Hourly and weekly earnings

Jobs in the food services and drinking places industry are relatively low paid. The average wage for workers paid by the hour in 2006 was $10.33, well below the average for all industries ($18.67). In addition, wages in the industry grew slower (+6.4%) than the all-industry average (+13.7%) from 1998 to 2006.

[3] Employment and earnings data is based on information from Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH). The SEPH data provides more detailed estimates at the industry level compared to the *Labour Force Survey*. However, employment estimates from SEPH exclude the self-employed and therefore underestimate the size of the workforce.

Below-average wages characterize the food services and drinking places industry



Data Source: Statistics Canada

In 2006, employees who were paid by the hour earned $238 per week on average. In comparison, weekly wages across all industries ($580) were more than double those in the food services and drinking places industry.

However, wage data tends to underestimate the earnings of workers in this industry, as their income is supplemented with tips received from customers. It is reasonable to assume that average weekly wages could be 10-15% higher than the SEPH estimates indicate if tips are taken into account.

Worker characteristics[4]

Relatively low earnings in the industry reflect the extent to which employers rely on part-time workers. Four in ten (41%) employees in the food services and drinking places industry worked on a part-time basis (less than 30 hours per week) in 2006. This was well above the average for all industries (20%).

In addition, below-average wages also reflect the high proportion of younger workers in the industry. Although the age distribution of the workforce is not available specifically for the food services and drinking places industry, data for the accommodation and food services industry indicates that 43% of employees in 2006 were between the ages of 15 and 24. This was significantly higher than the average for the service sector and the total provincial workforce (each at 16%). These findings suggest that the industry is an important source of entry-level employment opportunities for young people.

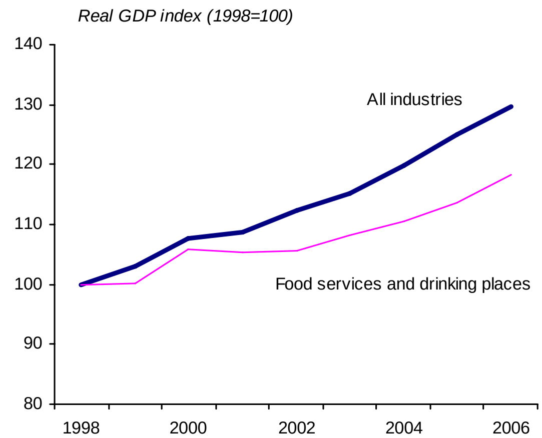
The unemployment rate in the industry averaged 4.9% in 2006, similar to the all-industry average (4.8%). Compared to the service sector (3.0%), workers in the food services and drinking places industry were more likely to be unemployed at some point during the year. This is not a surprising result, given the number of 15-24 year olds in the industry's workforce, who tend to experience the highest unemployment rates.

Industry growth

In 2006, the industry's GDP advanced 4.0% to $2.6 billion, above the all-industry average (+3.6%). However, GDP growth in the industry is typically slower than the BC economy as a whole. From 1998 to 2006, food services and drinking places recorded an 18.2% increase in economic output, below the rate for all industries (+29.6%).

[4] Information in this section is based on data from the *Labour Force Survey*.

The industry's GDP has increased steadily since 2003



Data Source: Statistics Canada

Although the food services and drinking places industry stalled in 2001 and 2002, its GDP growth has been steady since 2003. The performance of this industry is closely linked to overall economic conditions, and when the economy is expanding, people tend to spend more on discretionary expenditures such as eating out at restaurants and pubs. As consumer spending is forecast to remain strong over the next few years, the food services and drinking places industry will likely continue to reap the benefits.