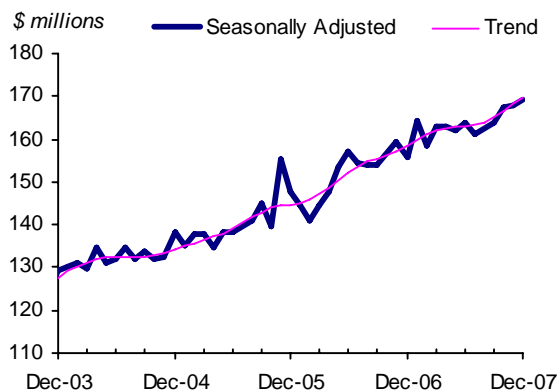


Tourism Sector Monitor ♦ March 2008

Room Revenue

Although BC room revenues were up (+0.6%) in December, there was a mix of positive and negative growth rates across the province. Half of the regions, including Nechako (-4.6%), Kootenay (-3.9%), Vancouver Island/Coast (-1.6%) and Thompson/Okanagan (-1.1%), recorded a drop in revenues following increases in the previous month. However, Northeast (+1.4%) maintained an upward trend, while returns at accommodations in North Coast (+0.3%) were higher following November's poor performance. Cariboo (+2.1%) posted gains for the third consecutive month, and Mainland/Southwest (+2.3%) led the province in growth.

Room revenues increased 0.6% in December



Receipts at the province's hotels rebounded (+2.1%) in December, as very large (251+ rooms; +6.4%) and mid-sized (76-150 rooms; +0.4%) hotels had a more lucrative month. Small hotels (1-75 rooms; 0.0%) experienced the same level of revenues compared to November, while business was off at large

hotels (151-250 rooms; -2.0%). However, returns at motels (+1.2%) and other accommodations (+4.4%) were higher.

Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Dec 07 (\$000)	Nov 07 (\$000)	% change
Total	169,082	168,027	+0.6
Hotels	126,169	123,551	+2.1
Motels	20,448	20,199	+1.2
Other Accommodations	23,824	22,822	+4.4
Regions (Top 3 performers)			
Mainland/Southwest	90,383	88,385	+2.3
Cariboo	5,680	5,563	+2.1
Northeast	5,818	5,738	+1.4

Visitor Entries

The number of international visitors entering Canada through BC fell (-1.9%) in December. US entries declined 3.1%, the largest month-over-month decrease since July, as there were fewer Americans on same-day (-5.0%) and overnight (-2.1%) trips.

Overseas entries were up (+2.2%), reflecting a substantial increase in the number of European travellers (+6.5%). Visitation from Oceania, which includes Australia, New Zealand and other South Pacific nations, advanced (+3.3%) for the fifth consecutive month. Entries from Asia (-0.1%) were relatively unchanged from November.

Fewer Canadians returned home via BC (-10.1%) in December. Although total (-11.6%) and same-day (-11.0%) trips to the US

declined, there was a 0.9% increase in the number of travellers returning home from trips overseas.

Visitor entries fell in December

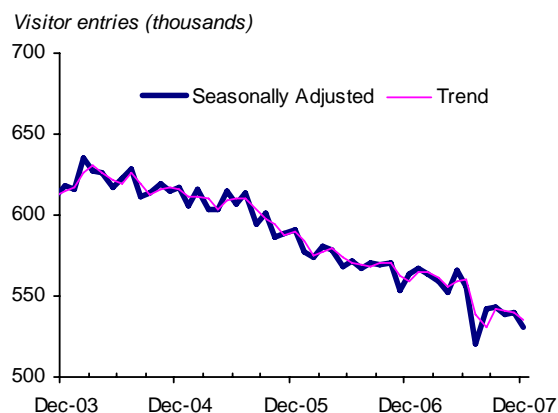


Table 2. Traveller Entries
(seasonally adjusted)

	Dec-07 (‘000)	Nov-07 (‘000)	% chg from Nov-07
American visitors			
Total	401	413	-3.1
Same-day	132	139	-5.0
Overnight	269	275	-2.1
Overseas visitors			
Total	130	127	2.2
Europe	43	41	6.5
UK	21	20	2.5
Asia	58	58	-0.1
Japan	15	16	-7.4
Taiwan	6	4	33.6
Oceania	17	17	3.3

(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 occupancy rate at BC hotels showed the largest month-over-month decrease in 2007, down 1.1 percentage points to 66.9%. However, the average daily room rate (\$132.00) inched higher (+0.1%) in December.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Dec-07	Nov-07	Change from
Hotel Industry			
Occupancy rate (%)	66.9		-1.1 pp.
Average room charge (\$)	132.00		0.1
<small>(Pannell Kerr Forster)</small>			
Airport Passengers (000s) (%)			
Vancouver International Airport			
Total traffic	1,512		-1.5
US (trans-border)	380		-1.3
Other International	367		0.5
Canada (domestic)	765		-2.5
<small>(YVR)</small>			
Victoria International Airport			
Total traffic	125		-2.4
<small>(Victoria Airport Authority)</small>			
Food Services Receipts (\$ millions) (%)			
All establishments	647		-3.0
<small>(Statistics Canada)</small>			
Transportation (000s) (%)			
Coquihalla Highway			
Passenger Vehicles	224		-9.0
<small>(Ministry of Transportation)</small>			
BC Ferries			
Vehicle Volume	710		-1.1
Passenger Volume	1,805		-1.1
<small>(BC Ferries)</small>			
Exchange Rates Cdn \$			
US \$	0.997		-0.04
UK Pound	0.494		-0.01
Japanese Yen	111.995		-2.76
Australian \$	1.144		-0.01
<small>(Statistics Canada)</small>			

Note: pp. percentage points

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

The number of travellers through the Victoria (-2.4%) and Vancouver (-1.5%) airports fell in December. BC Ferries recorded a drop in vehicle (-1.1%) and passenger (-1.1%) volume, and there were fewer passenger vehicles travelling on the Coquihalla Highway (-9.0%).

BC's food services and drinking places industry experienced a decline in revenues (-3.0%, *seasonally adjusted*) in December, as lower sales at food service establishments offset gains at drinking places.

A look ahead—January 2008

Preliminary estimates indicate that provincial room revenues advanced (+0.8%) in January, the sixth consecutive month of increases. Revenue growth in Thompson/Okanagan (+4.2%) and Vancouver Island/Coast (+2.5%) rebounded, while North Coast (+2.6%) and Mainland/Southwest (+1.3%) continued to build on past gains. However, accommodations in northern regions of the province, including Nechako (-11.4%) and Northeast (-10.4%), experienced a drop in business. Kootenay (-10.9%) and Cariboo (-3.5%) also saw revenues fall in the first month of 2008.

Overall, returns at most accommodation properties were higher in January. Receipts at hotels advanced (+1.0%), led by small (1-75 rooms; +1.6%) and large (251+ rooms; +1.4%) hotels. Business at the province's motels (+0.1%) was relatively flat, while

vacation rentals (+1.4%) posted gains. On the other hand, fishing lodges, bed and breakfasts, and other types of accommodation experienced a 6.8% decline in revenues.

In January, visitor entries to Canada via BC rose 1.8%. US entries rebounded (+2.2%) as there were more Americans on same-day (+4.5%) and overnight (+1.0%) trips. Entries from overseas countries were up (+0.9%) for the third straight month, driven by an increase in European visitors (+0.9%). However, visitation from Oceania (-0.6%) and Asia (-0.4%) fell.

Vancouver (+2.5%) and Victoria (+1.2%) airports were busier in January, and traffic along the Coquihalla Highway also increased (+2.2%). However, BC Ferries saw a decline in the number of passengers (-1.0%) and vehicles (-0.9%) for the second straight 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.

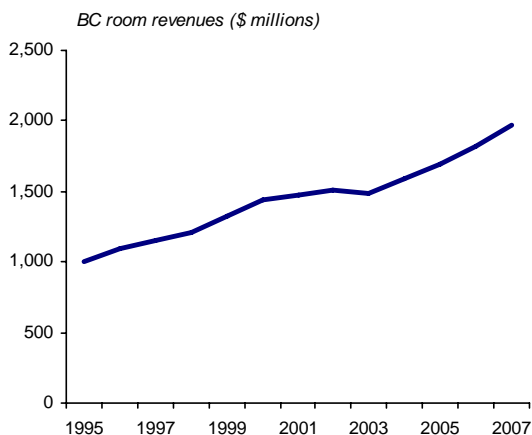
Special Focus: BC's Tourism Sector in 2007

In 2007, most indicators of the provincial tourism sector continued to show solid growth. Room revenues remained on an upward track and hotel operators saw occupancy rates reach an 11-year high. There were more Canadian travellers returning home through BC, and visitation from overseas countries was up. In addition, more people were employed in tourism-related industries in the province last year. However, total visitor entries fell once again as the number of American travellers continued to decline.

Room revenue growth remains strong in 2007; North Coast led the province

Room revenues at BC's accommodation properties rose 7.9% to approximately \$2.0 billion. Following record growth in 1999 (+10.2%) and a substantial increase in 2000 (+8.5%), revenues stalled in the early part of this decade but have picked up speed since 2004.

Room revenues continued on an upward trend in 2007



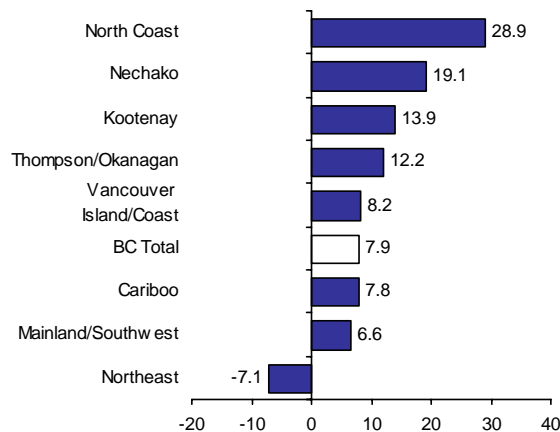
Data Source: BC Stats

The North Coast region led the province in growth during 2007 (+28.9%), driven by higher revenues at fishing lodges, motels

and hotels. This marks only the third year since room revenue statistics were developed by BC Stats that North Coast exceeded the provincial average. The neighbouring region of Nechako recorded a substantial increase (+19.1%), building on past gains in 2005 and 2006. Interior regions of the province, including Kootenay (+13.9%) and Thompson/Okanagan (+12.2%), also experienced substantial growth. Vancouver Island/Coast (+8.2%), Cariboo (+7.8%) and Mainland/Southwest (+6.6%) posted more moderate increases. However, Northeast (-7.1%) was the only region to experience lower revenues last year, ending four years of double-digit growth. The decline in this region was mainly due to a significant drop in business at motels and temporary accommodations for seasonal workers.

Revenues were up in all regions except Northeast

Annual % change in room revenues by region (2007)



Data Source: BC Stats

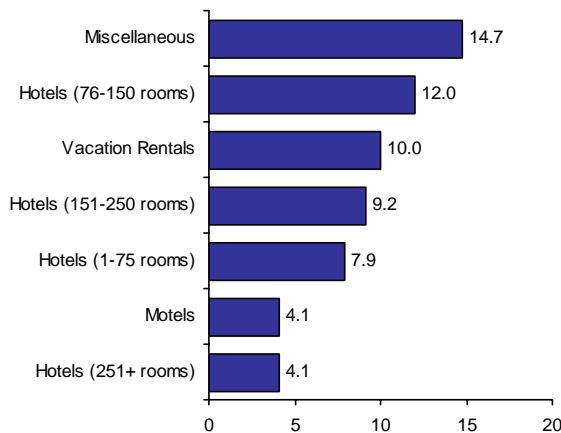
All types of establishments were busier last year

Revenues across all accommodation types increased in 2007, with miscellaneous properties (e.g., bed and breakfasts, fishing

lodges) leading the pack (+14.7%). Mid-sized hotels (76-150 rooms; +12.0%) continued to outperform small (1-75 rooms; +7.9%), large (151-250 rooms; +9.2%) and very large (251+ rooms; +4.1%) hotels. Vacation rentals (+10.0%) posted the highest growth since 2001, while revenues at motels (+4.1%) increased at a slower pace.

Bed & breakfasts, fishing lodges and other accommodations posted the largest gain

Annual % change in room revenues by accommodation type (2007)



Data Source: BC Stats

Visitor entries down for the third consecutive year

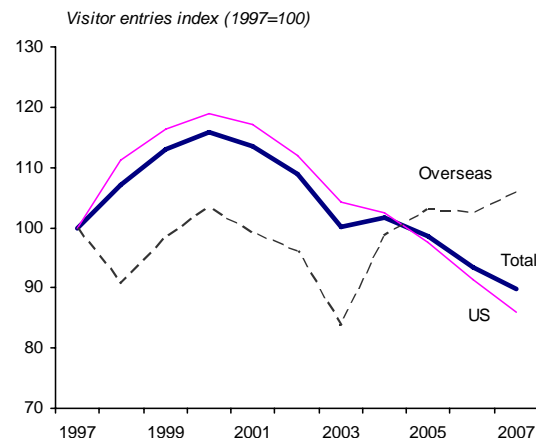
Total visitor entries to Canada via BC fell 3.9% in 2007. Travel from the US slumped (-5.9%) for the seventh straight year, as both same-day (-9.1%) and overnight (-4.1%) visitation was down. However, the US is still the largest international travel market, comprising more than three-quarters (77%) of total entries to the province last year.

The recent downward trend in the number of US travellers to the province is likely due to a number of economic factors, including the depreciation of the US greenback relative to the Canadian dollar, the rising cost of airfare and accommodations, and skyrocketing gasoline prices. In addition, given the weakening of the US economy, consumer spending by Americans is

expected to decline as are discretionary expenditures such as travel to BC.

On the other hand, the overseas market has been gaining momentum. In 2007, overseas entries rose (+3.3%) for the third time in four years and accounted for 23% of total entries. More visitors from Europe (+5.3%), including the UK (+6.5%) and Germany (+2.6%), contributed to the increase. Entries from Oceania (+13.4%) surged, driven by an influx of Australians (+12.8%) visiting the province. However, the number of entries originating from Asia decreased 2.5%, as there were fewer travellers from Taiwan (-15.0%), Japan (-10.9%) and South Korea (-1.6%).

Total and US entries have steadily declined since the turn of the century; overseas entries trending up since 2004



Data Source: Statistics Canada

Although overseas visitors comprise a much smaller share of total entries compared to US travellers, their economic contributions to the provincial tourism sector are significant. According to data from Statistics Canada's *International Travel Survey*, overseas visitors to BC spent approximately \$1.7 billion in 2006, almost as much as their American counterparts (\$1.8 billion). This is due to the fact that overseas travellers tend to stay in the province for a longer period of time—13.3 nights

compared to 3.5 nights for overnight US visitors.

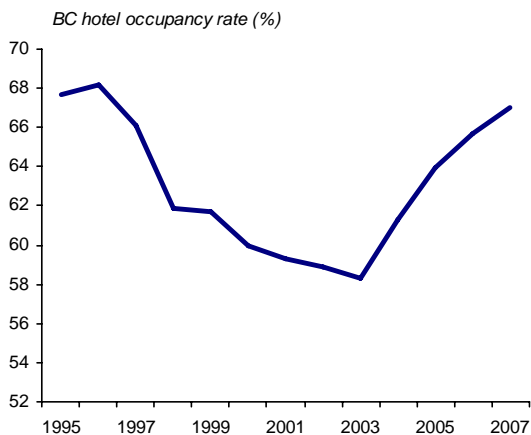
More Canadians returned home through BC from the US and overseas

With respect to domestic travellers, the number of Canadians re-entering the country via BC rose (+6.4%) for the fifth consecutive year. Total trips to the US were up 6.6% and same-day trips also increased (+4.0%). Last year, about 1.2 million Canadians returned home from overseas countries, 4.9% more than in 2006.

Other indicators

Inter- and intra-provincial travellers continued to be an important market for BC’s hotel industry in 2007. Despite the decline in overnight US entries, the average hotel occupancy rate (67.0%) reached its highest level since 1996. In addition, the average room rate advanced 5.8%, surpassing growth in the previous nine years.

The provincial hotel occupancy rate has regained lost ground

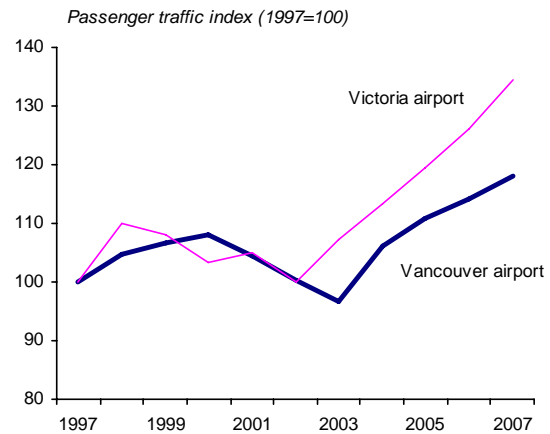


Data Source: Pannell Kerr Forster

There were more travellers through BC’s major airports in 2007. Continuing the trend that began in 2003, passenger traffic at the Victoria airport (+6.6%) increased at a faster

pace compared to the Vancouver airport (+3.4%). BC Ferries recorded higher vehicle volume (+0.3%) while passenger volume was flat (0.0%). Following a 1.3% drop in 2006, there were 5.0% more passenger vehicles passing through the toll booths on the Coquihalla Highway last year.

Passenger traffic at the Victoria airport has taken off in recent years



Data Sources: Vancouver & Victoria Airport Authorities

Sales in the province’s food services and drinking places industry were up 3.8% last year. Although food service establishments experienced a 3.4% increase in receipts, this was below record growth seen in 2006 (+9.5%). Revenues at drinking places, including bars, nightclubs and taverns, rebounded (+10.0%) following two years of declines.

The number of jobs in tourism-related industries continued to expand in 2007, led by the food & beverage services industry where total employment rose 4.5%. Arts, entertainment & recreation (+3.0%) also posted strong growth, although this was about half the rate recorded in 2006 (+6.3%). The air transportation (+1.9%) and accommodation (+1.6%) industries experienced relatively slower rates of job growth last year.

Other tourism indicators advanced in 2007

	2007	Change from 2006
Hotel Industry		
Occupancy rate (%)	67.0	1.3 pp.
Average room charge (\$) <i>(Pannell Kerr Forster)</i>	129.02	5.8
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	17,496	3.4
US (trans-border)	4,361	2.6
Other International	4,118	4.0
Canada (domestic) <i>(YVR)</i>	9,017	3.5
Victoria International Airport		
Total traffic <i>(Victoria Airport Authority)</i>	1,482	6.6
Food Services Receipts (\$ millions) (%)		
All establishments	7,650	3.8
Food service	7,170	3.4
Drinking places <i>(Statistics Canada)</i>	480	10.0
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <i>(Ministry of Transportation)</i>	2,730	5.0
BC Ferries		
Vehicle Volume	8,558	0.3
Passenger Volume <i>(BC Ferries)</i>	21,690	0.0
Employment (000s) (%)		
Air transportation	16.7	1.9
Accommodation	35.8	1.6
Food & beverage services	141.1	4.5
Arts, entertainment & recreation <i>(Statistics Canada)</i>	39.1	3.0

Note: pp. percentage points

Conclusion

Overall, 2007 was another good year for BC's tourism sector. Accommodation room revenues showed solid growth, visitation from overseas countries increased, and hotel occupancy rates and tourism-related employment continued to advance. Although the number of travellers from the province's largest international market—the US—continued on a downward trend, it appears that domestic travellers have been driving the expansion of BC's tourism sector. For example, accommodations had a more lucrative year and hotel occupancy

rates continued to rise in the face of a declining US market. In addition, according to the Canadian Tourism Commission and Statistics Canada¹, domestic demand accounted for most (77%) of the tourism-related spending in Canada. These findings suggest that the domestic market is a significant player in the provincial and national tourism sectors.

¹ *National Tourism Indicators*, fourth quarter 2007.