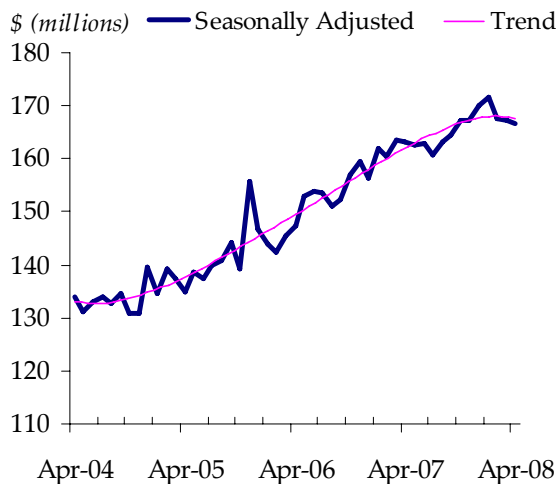


Tourism Sector Monitor ♦ July 2008

Room Revenue

Room revenues in the province have declined steadily since February and dropped again (-0.2%) in April. This was mainly due to weakness in both Vancouver Island/Coast (-2.5%) and Mainland/Southwest (-1.3%), which comprise more than two-thirds of total BC accommodation revenues. Revenues in Kootenay (-4.6%) were down for the fourth time since December, and Cariboo's (-0.4%) marginal decline marked a continuation of a downward trend that began in January. Despite this negative provincial trend, Northeast posted a strong increase (+19.5%), with most of the hotels in the region performing well. Thompson-Okanagan (+3.1%), North Coast (+1.3%) and Nechako (+0.8%) also saw revenues grow.

Room revenues drop again in April



Hotels recorded a 1.0% decrease in April, wiping out gains made in the previous month. The most notable revenue decline was in very large (251+ rooms; -4.8%) hotels. In contrast to this, large (151-250 rooms; +3.2%) hotel revenues increased, rebounding after a two-month-long downturn. Motels (-2.7%) recorded a fourth consecutive drop in monthly revenue, while revenues at other types of accommodations slowed (-5.0%).

Table 1: Room Revenue
(seasonally adjusted)

	Apr-08 (\$000)	Mar-08 (\$000)	change %
Accommodation Type			
Total	166,743	167,138	-0.2
Hotels	124,534	125,854	-1.0
Motels	19,291	19,819	-2.7
Other Accommodations	21,380	22,517	-5.0
Regions (Top 3 performers)			
Northeast	6,618	5,536	+19.5
Thompson-Okanagan	26,178	25,389	+3.1
North Coast	2,506	2,472	+1.3

Visitor Entries

Visitor entries into Canada via BC continued to fall (-0.1%) in April. American entries also followed suit (-0.7%), mainly due to a drop (-2.9%) in the number of overnight travellers.

European entries showed a slight improvement (+0.7%) while entries from Asia (-5.0%) were dragged down by a decline in the number of visits from Japan (-6.3%) and South Korea (-5.4%). A large (+21.1%) rebound in visits from other countries (including Africa, Australia and

New Zealand) boosted total overseas entries, which rose 2.0%. Entries from Australia (+10.0%) and Mexico (+12.5%) were up significantly.

Visitor entries continued to fall in April as US entries remained on a downward path

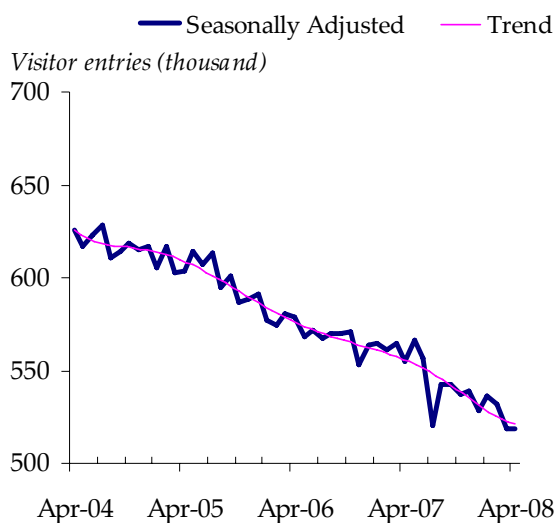


Table 2: Traveller Entries
(seasonally adjusted)

	Apr-08 (000s)	Mar-08 (000s)	change %
American visitors			
Total	393	396	-0.7
Same-day	135	130	+3.9
Overnight	258	266	-2.9
Overseas visitors			
Total	125	123	+2.0
Europe	44	43	+0.7
UK	21	21	+1.6
Asia	53	56	-5.0
Japan	13	14	-6.3
South Korea	10	10	-5.4
Other	28	23	+21.1

Source: BC Stats & Statistics Canada

Other Indicators

The provincial hotel occupancy rate dropped 0.8 percentage points to 65.3% in April. This reduction was reflected in the slightly lower (-0.1%) average daily room rate (\$134.80).

Airport passenger traffic through Vancouver was down (-0.6%) slightly while numbers in Victoria advanced (+3.6%) to

around 129,000 passengers. Traffic on the Coquihalla Highway slipped (-1.7%) marginally, together with vehicle (-0.6%) and passenger (-0.8%) volumes on BC Ferries.

Table 3: Other Tourism Indicators
(seasonally adjusted)

	Apr-08	Mar-08	change from
Hotel Industry			
Occupancy Rate (%)	65.3	-0.8 pp.	
Average Room Charge (\$)	134.80	-0.1	
Source: Pannell Kerr Forster			
Airport Passengers			
	(000s)	(%)	
Vancouver International Airport			
Total Traffic	1,549	-0.6	
US (trans-border)	375	-1.9	
Other International	367	-2.0	
Canada (domestic)	807	+0.8	
Source: YVR			
Victoria International Airport			
Total Traffic	129	+3.6	
Source: Victoria Airport Authority			
Food Services Receipts			
	(\$ millions)	(%)	
All Establishments	654	+2.2	
Food Service	610	+3.0	
Drinking Places	44	-2.8	
Source: Statistics Canada			
Transportation			
	(000s)	(%)	
Coquihalla Highway			
Passenger Vehicles	214	-1.7	
Source: Ministry of Transportation & Infrastructure			
BC Ferries			
Vehicle Volume	702	-0.6	
Passenger Volume	1,776	-0.8	
Source: BC Ferries			
Exchange Rates			
	Cdn \$		
US Dollar (\$)	0.986	-0.01	
UK Pound (£)	0.498	0.00	
Japanese Yen (¥)	101.266	+0.68	
Australian Dollar (\$)	1.060	-0.02	
Source: Statistics Canada			

Note: pp. = percentage points

Revenue in the food services industry rose (+2.2%) as strong growth (+3.0%) at food service establishments was offset by a drop (-2.8%) in sales at drinking places.

A look ahead—May 2008

Early returns indicate that room revenues continued on a downward path (-0.3%) for the fourth straight month in May as revenues in Mainland/Southwest (-0.5%), which accounts for over half the provincial total, slipped again. The remaining regions had mixed results. Kootenay (+8.7%) showed the greatest growth, while Vancouver Island/Coast (+0.8%) and North Coast (+0.5%) realised marginal revenue increases. Also, Northeast (-8.4%), Nechako (-4.7%), Cariboo (-2.8%) and Thompson-Okanagan (-0.8%) recorded a decline in revenues.

Preliminary estimates show (-0.6%) hotel revenue was down slightly in May, as revenues at very large (251+ rooms; -1.6%) and large (151-250 rooms; -1.1%) hotels fell while mid-size (76-151 rooms; +0.3%) and small (1-75 rooms; +0.8%) hotels posted gains. Motel revenues (-0.5%) also slipped, falling for a fifth consecutive month. Business picked up at vacation rentals

(+6.4%) and other accommodations (+13.2%).

Traveller entries into Canada through BC rose (+0.7%) slightly in May after a three month decline. Same-day visits from the US (-4.3%) fell, which brought down the total US entries (-0.4%). Overnight trips softened this decline by realising an increase (+1.7%). There were more visitors from overseas (+3.9%), with Asia posting a double-digit increase (+12.2%). However, there were fewer visitors coming from Europe (-0.1%) and other countries (-5.6%).

May saw air passenger traffic through both Victoria (-0.5%) and Vancouver international airport (-0.5%) being slightly lower. However, both passenger (+1.4%) and vehicle (+1.6%) volume aboard BC Ferries improved. Finally, the Coquihalla Highway showed an increase (+2.2%) in the number of vehicles passing through toll booths.

Note 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 report “preliminary data” with a two-month lag.

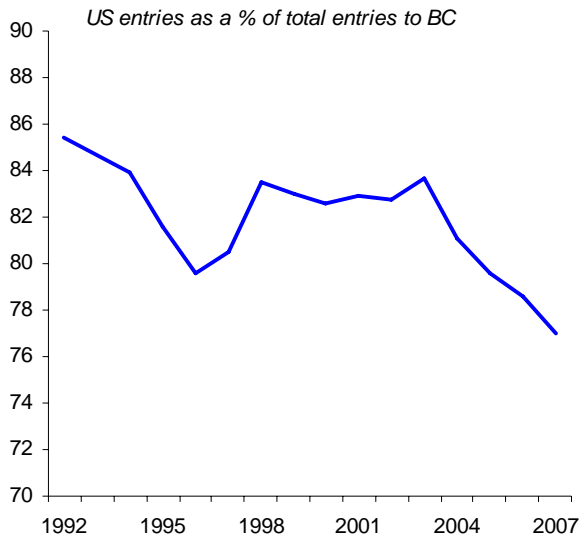
How accurate is the preliminary data? Over 21 reports in 2006 and 2007, BC room revenues changed (rose or fell on a month-over-month basis) on average by 2.4% (absolute value). The preliminary numbers—reported in the “look ahead” section—were lower by an average of 0.2 percentage points partly because the initial data retrieved at the time the estimates are calculated is not always complete. 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: Crossing the border: how Americans travel to British Columbia

Americans made more than five million visits to the province in 2007

Last year, 6.6 million non-resident visitors entered Canada through British Columbia. Of this total, 1.5 million (23%) came from overseas¹, primarily Asia (699,000) and Europe (519,000). While the US share of total entries is declining (it was about 85% in the early 1990s), the US is by far the biggest tourism market for BC, with 5.1 million entries (77%) in 2007.

Eight out of ten international visitors to BC come from the US



Data Source: Statistics Canada

¹ This includes Asia, Europe, Oceania (Australia, New Zealand and the Ocean Islands), Africa, and North & South America (except for the US).

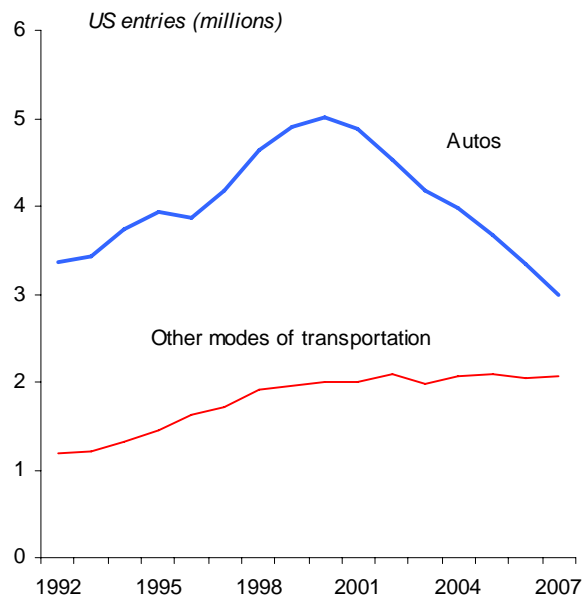
The data in this article comes from Statistics Canada's *International Travel Survey*, and is based on information from customs documents filled out by the Canadian Border Services Agency.

How do Americans travel to BC?

Virtually all of the visitors who come to BC from overseas travel here by plane, but US residents who visit the province have many different options: they can drive, fly, travel by boat, train, motorcycle, snowmobile, or even cross the border on foot.

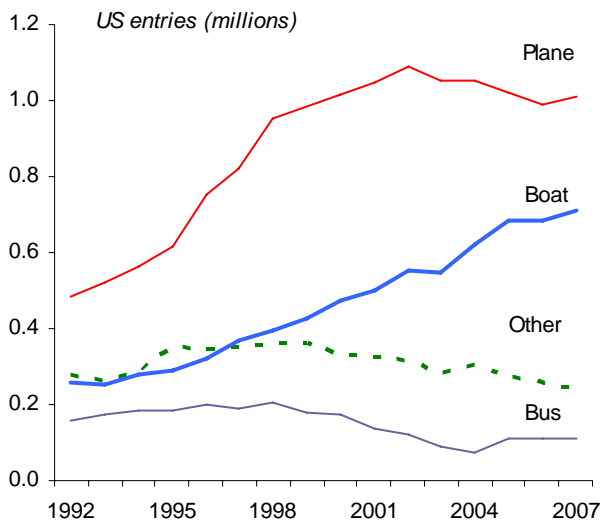
Not surprisingly, given the relatively easy land access to the province, most Americans who visit BC come here by car. Nearly three of the five million US visits to BC last year involved car trips. However, automobile entries have declined quite significantly since 2000, when they peaked at just over five million (and total entries from the US reached seven million).

Most Americans drive across the border into BC...



Data Source: Statistics Canada

...but other types of transportation are becoming increasingly important



Data Source: Statistics Canada

US travellers who do not drive over the border come to Canada by plane (20%), boat (14%), bus (2%) or by other means (5%). The number of Americans who fly into BC has increased significantly since the early 1990s, with more than a million passengers from the US arriving by plane in 2007. Vancouver International Airport, the main point of entry for travellers flying into BC, has seen the number of passengers travelling on transborder flights (into and out of Vancouver) nearly double since 1992².

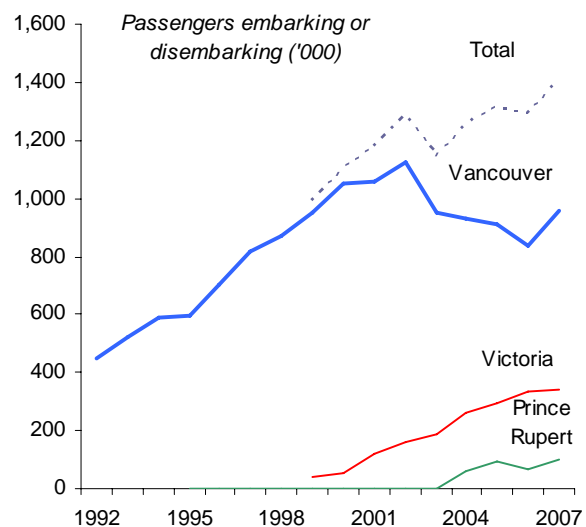
Boat traffic has increased significantly

Just over 708,000 Americans entered BC by boat in 2007, more than two-and-a-half times as many as in 1992. Americans can travel to BC on the Washington State ferry system, which carries passengers from Port Angeles and Anacortes to downtown Victoria and Sidney. As well, a private company operates a catamaran service between Seattle and Victoria.

Finally, private boat traffic between US and Canadian ports brought just under 6,000 US visitors to BC in 2007. Cruise ships that sail between Alaska and the west coast of the United States also make stops at one or more BC ports, since foreign-registered ships going between two US ports are required by American law to stop at a non-US port en route.

Cruise ship traffic has expanded significantly during the last decade and a half, and this is probably the main reason for much of the recent increase in US entries by boat. Vancouver has traditionally been the primary port visited by cruise ships, but a growing number of vessels are stopping at other ports as well. Last year, nearly a million (961,000) cruise ship passengers embarked or disembarked in Vancouver, while Victoria hosted 344,000 visitors and Prince Rupert had 100,000 visitors from cruise ships. While cruise ships carry passengers from many different countries, including Canada, many of them are American, and those who disembark in BC would be counted in the entries.

A growing number of cruise ship passengers are embarking or disembarking at BC ports



Data Source: Port Authority and Cruise BC websites

² This includes Canadians, Americans and residents of other countries travelling between the US and Canada.

Where do American motorists enter BC?

There are twenty different customs ports through which American motorists can enter the country. Of the eight regions in the province, five share borders, or have direct access to the US: Vancouver Island/Coast (via car ferry services), Mainland-Southwest, Thompson/Okanagan, Kootenay, and North Coast, which borders with Alaska.

Eighty percent of the auto traffic into BC enters via one of five border crossings in the Mainland/Southwest region. These include the crossing points at Aldergrove, Douglas, Huntingdon, and the Pacific Highway, as well as Boundary Bay, which connects Point Roberts, USA to the BC mainland.

Last year, 1.5 million cars (carrying an average of just under two people per vehicle) crossed into Canada from the US. Of this total, 1.2 million entered the country through border crossings in Mainland/Southwest. More than half of them (782,000) used the Douglas and Pacific Highway crossings, near the Peace Arch at White Rock.

Kootenay has more points of entry for road traffic than any other region³, and welcomed 160,500 US automobiles in 2007. Another 67,000 vehicles drove across the border into Thompson/Okanagan, which has two ports of entry (Osoyoos and Chopaka). Canadian customs facilities at ferry terminals in Vancouver Island/Coast (at Sidney and downtown Victoria) handled 53,400 American cars in 2007, while the North Coast ports of Prince Rupert and Stewart processed 19,900 during the year. The regional distribution of

traffic from the US into BC has remained relatively stable during the last two decades.

BC road border crossings second-busiest in the country

BC customs ports handle more automobile traffic from the US than any other province except Ontario, which was the point of entry for 65% of the US cars that were driven into Canada in 2007. Customs ports in BC (16%) handled the second-highest number of vehicles, while Quebec ports (8%) were the third busiest in the country, followed closely by border crossings in New Brunswick (just under 8%).

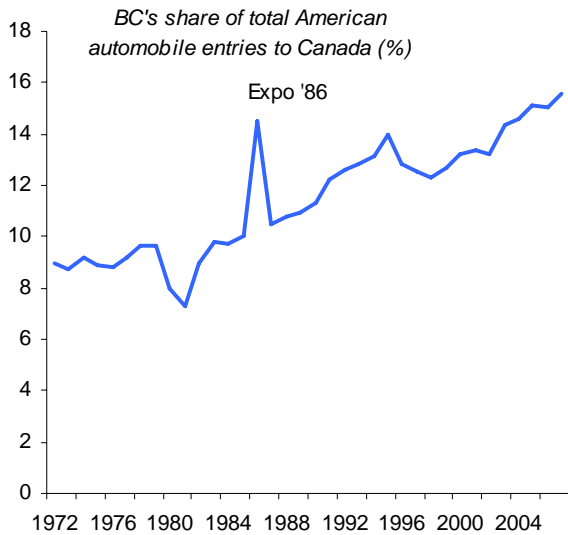
Automobile traffic declining, but not as much as in the rest of Canada

Most of the decline in US visitor entries since the turn of the century can be explained by the fact that fewer visitors from the States are driving to Canada. The number of automobile entries from the US is currently at its lowest point since the mid-1980s. Entries from the US had increased significantly after Expo '86 was held in Vancouver, but have fallen back to pre-1986 levels. Same-day car traffic has been halved since 2000, and the number of Americans making overnight car trips north of the border is down to 77% of the 2000 level.

Although automobile traffic into BC from the US has dropped steeply since the turn of the century, the downturn has not been as extreme as in other parts of the country. As a result, BC's share of total automobile traffic from the US has continued to rise.

³ There are nine ports of entry into Kootenay including Carson, Cascade, Kingsgate, Midway, Nelway, Paterson, Roosville, Rykerts and Waneta.

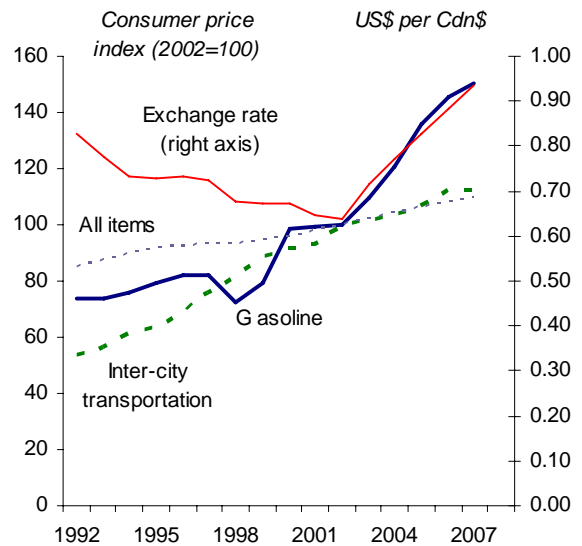
BC's share of automobile trips from the US to Canada continues to rise



Data Source: Statistics Canada

Longer wait times at the border in the wake of 9/11, the rising cost of gasoline, and a weaker US dollar that makes travel to Canada less of a bargain are all factors that may have contributed to the drop in travel from the US, as well as the change in the mode of travel used by Americans visiting BC. The cost of intercity transportation in British Columbia (air, train, bus and boat) has risen far less than gasoline prices during the last ten years, and this may have played a role in travel decisions made by Americans visiting the province.

Gasoline and inter-city transportation costs are climbing



Data Source: Statistics Canada

In the current climate of a slowing US economy, high fuel prices and security concerns, it is not clear whether the province will be able to woo back visitors from the US in numbers similar to those seen prior to the turn of the century. Despite the downturn in US entries, BC has fared better than the rest of Canada and is continuing to attract a growing share of American motorists who choose to cross the border into Canada.