

Tourism Sector Monitor ♦ August 2008

Room Revenue

A continued drop (-0.7%) in revenue in Mainland/Southwest lead to yet another decline (-0.1%) in total room revenue for BC in May. This despite an increase (+1.1%) by BC's second-largest revenue contributor, Vancouver Island/Coast. Kootenay showed a strong recovery (+10.8%) with almost three quarters of its accommodation establishments posting revenue increases since April. A rebound similar in magnitude for this region was last established in January 2006. Thompson-Okanagan (-0.4%), North Coast (-0.9%), Cariboo (-2.2%), Northeast (-4.0%) and Nechako (-12.9%) all saw revenues fall.

Room revenue continues to slip in May

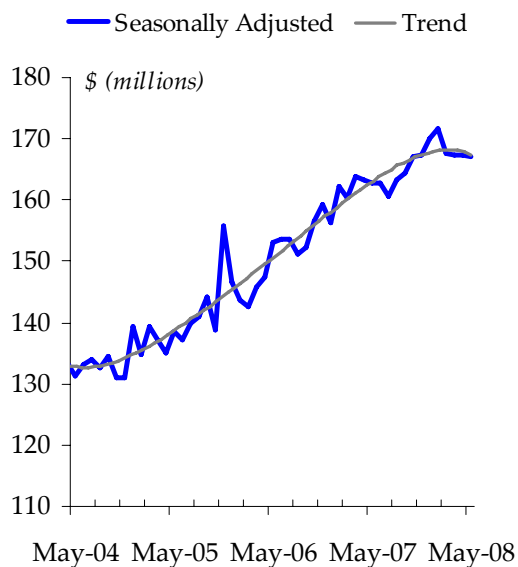


Table 1: Room Revenue
(seasonally adjusted)

	May-08 (\$000)	Apr-08 (\$000)	change %
Accommodation Type			
Total	167,143	167,269	-0.1
Hotels	124,646	124,985	-0.3
Motels	19,644	19,475	+0.9
Other Accommodations	23,362	21,726	+7.5
Regions (Top 3 performers)			
Kootenay	8,408	7,591	+10.8
Vancouver Island/Coast	28,440	28,123	+1.1
Thompson-Okanagan	26,213	26,331	-0.4

Visitor Entries

Visitor entries into Canada via BC rebounded slightly (+0.1%) in May. In contrast, the total number of US visitors continued on a downward trend (-1.7%), with the main contribution coming from fewer (-5.6%) same-day trips across the border. Overnight US visitor entries were up slightly (+0.4%).

An increase (+5.5%) in visitor entries from overseas was spawned by a significant influx (+14.0%) of visitors from Asia, especially China (+15.2%) and Taiwan (+16.9%). Germany also saw a jump (+13.5%) in visitor entries in May. Other countries posted a decrease (-4.6%), mainly due to a drop (-11.6%) in the Mexico market, offsetting gains from April. Visitor entries from Australia were up slightly (+0.6%).

Visitor entries rebound slightly in May, despite an even further decline in US entries

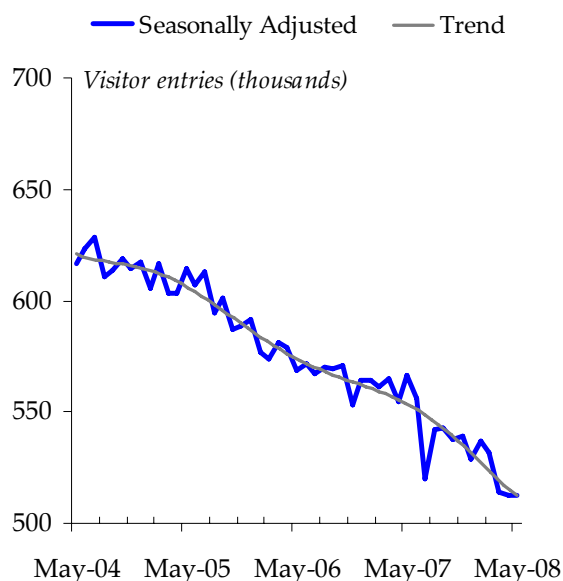


Table 2: Traveller Entries
(seasonally adjusted)

	May-08 (000s)	Apr-08 (000s)	change %
American visitors			
Total	382	388	-1.7
Same-day	126	133	-5.6
Overnight	256	255	+0.4
Overseas visitors			
Total	131	124	+5.5
Europe	44	43	+1.5
Germany	7	6	+13.5
Asia	60	53	+14.0
China	9	8	+15.2
Taiwan	5	5	+16.9
Other	27	28	-4.6

Source: BC Stats & Statistics Canada

Other Indicators

The occupancy rate at BC’s hotels showed a slight increase (+0.1 percentage points) in May, ending a steady three-month decline. Similarly, the average room rate for hotels in BC inched up (+0.3%) for the sixth consecutive month. Air passenger traffic through Vancouver (-0.9%) and Victoria (-0.6%) both fell, while BC Ferries posted an

upturn in both vehicle (+1.5%) and passenger (+1.6%) traffic. Vehicle volume on the Coquihalla Highway rebounded (+2.7%) sufficiently from April.

Revenues in the province’s food services and drinking places industry continued to climb (+0.6%). This was due to a lucrative performance (+5.0%) in drinking places which was slightly offset by reduced revenue (-0.5%) from food service establishments.

Table 3: Other Tourism Indicators
(seasonally adjusted)

	May-08	change from Apr-08
Hotel Industry		
Occupancy Rate (%)	65.5	+0.1 pp
Average Room Charge (\$)	135.10	+0.3
Source: Pannell Kerr Forster		
Airport Passengers		
	(000s)	(%)
Vancouver International Airport		
Total Traffic	1,533	-0.9
US (trans-border)	376	+0.2
Other International	356	-3.0
Canada (domestic)	802	-0.4
Source: YVR		
Victoria International Airport		
Total Traffic	128	-0.6
Source: Victoria Airport Authority		
Food Services Receipts		
	(\$ millions)	(%)
All Establishments	658	+0.6
Food Service	608	-0.5
Drinking Places	46	+5.0
Source: Statistics Canada		
Transportation		
	(000s)	(%)
Coquihalla Highway		
Passenger Vehicles	221	+2.7
Source: Ministry of Transportation & Infrastructure		
BC Ferries		
Vehicle Volume	712	+1.5
Passenger Volume	1,805	+1.6
Source: BC Ferries		
Exchange Rates		
	Cdn \$	
US Dollar (\$)	1.001	+0.01
UK Pound (£)	0.509	+0.01
Japanese Yen (¥)	104.373	+3.11
Australian Dollar (\$)	1.054	-0.01
Source: Statistics Canada		

Note: pp = percentage points

A look ahead—June 2008

Preliminary estimates indicate that hotel revenues in BC bounced back (+1.2%) in June, rising for the first time in four months. This was brought on by a large number of increases across the province: Kooteney (+1.8%), Thompson-Okanagan (+2.9%), Vancouver Island/Coast (+2.9%), Nechako (+4.1%), Cariboo (+5.8%) and Northeast (+6.6%). These increases offset the continued decline (-0.4%) in Mainland/Southwest.

Revenues across all accommodation types were up (+1.7%) in June, boosted by increases in hotel (+1.5%) and motel (+6.1%) revenues. While very large (251+ rooms; 0.0%) hotels held steady, all other hotels posted upturns (large: 151-250 rooms; +3.0%, mid-size: 76-150 rooms; +2.2%, small: 1-75 rooms; +2.1%). Vacation rentals (-1.1%)

and other accommodations (-0.5%) both showed a drop in sales.

Traveller entries into Canada fell (-3.7%) in June. This was due to declines in both US (-3.6%) and overseas (-4.2%) visitors. The number of entries from Asian countries had the most significant downturn (-7.0%).

June saw air passenger traffic at Vancouver International Airport going down (-0.8%) due to fewer (-0.4%) domestic and other international travellers (-0.3%), together with a decline (-2.0%) in trans-border activity. Victoria International Airport posted a slight increase (+1.6%). BC Ferries remained flat with regards to passenger (+0.1%) and vehicle (-0.5%) traffic, while Highway traffic climbed (+2.9%) for the second month in a row.

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.

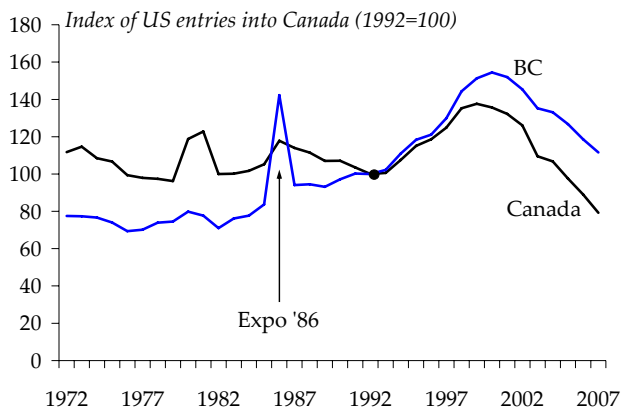
How accurate is the preliminary data? Over 21 reports in 2006 and 2007, BC room revenues changed (rose or fell on a month-over-month basis) on average by 2.4% (absolute value). The preliminary numbers—reported in the “look ahead” section—were lower by an average of 0.2 percentage points partly because 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: BC is climbing the 'international traveller destination' ladder

International visitor entries are on the up

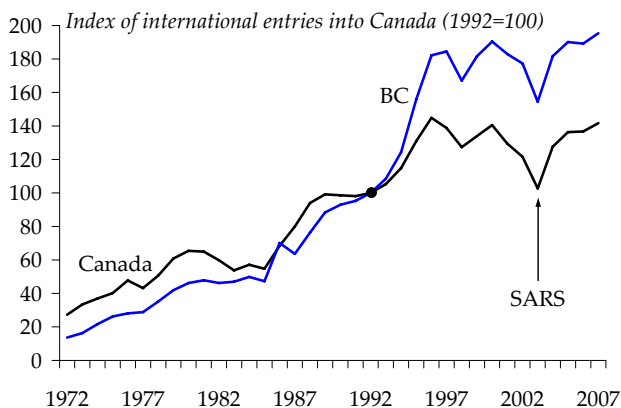
US entries into Canada have steadily lost ground and are currently at an all-time low (20% below that of 1992). Contrastingly, international visitor entries are currently rising and are now 40% higher in Canada and almost doubled in BC compared to 1992.

US entries are going down...



Data source: Statistics Canada

...while overseas entries are climbing

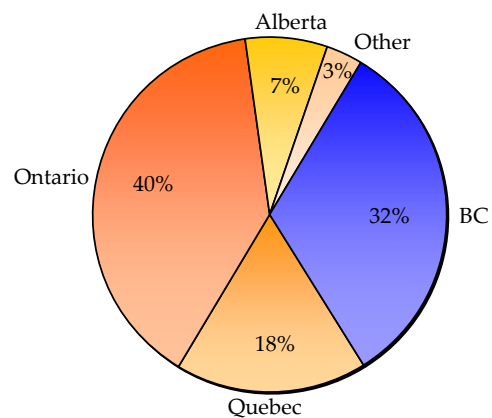


Data source: Statistics Canada

Almost one-third of international visitors to Canada enter via BC

Slightly more than 1.5 million visitors entered Canada via BC in 2007 – almost one-third of the total entries into Canada (4,678,912 persons). The only other province that supersedes BC in its traveller entries is Ontario, which receives almost 40% (or 1,832,625 persons).

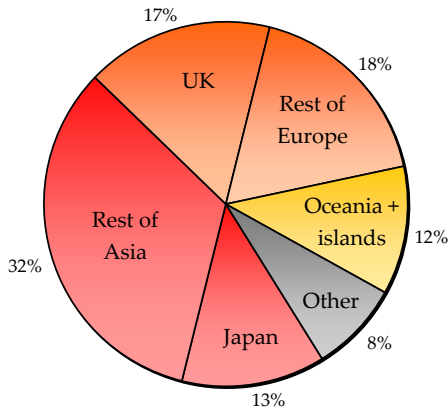
BC international entries is second only to those received by Ontario



Data source: Statistics Canada

The major continental contributors to this BC influx included Asia (with 46% or 699,257 persons), Europe (with 34% or 519,040 persons) and Oceania and other islands – mostly consisting of Australia – (with 12% or 175,390 persons), which together make up over 90% of international entries. Individual countries with noteworthy representations include the UK (with 16.5% or 250,338 persons), Japan (with 12.8% or 194,177 persons) and Australia (with 9.7% or 146,264 persons).

Asian entries into BC are much greater than entries from other countries



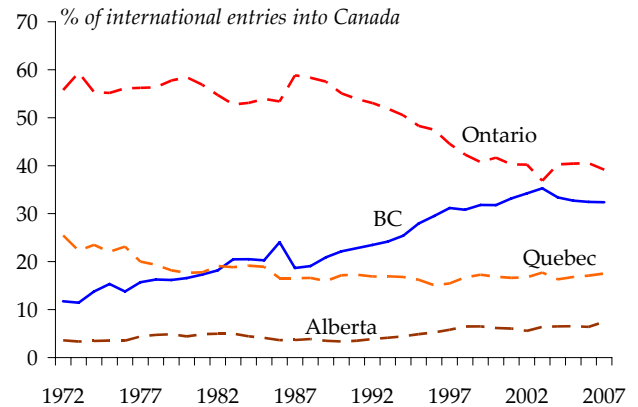
Data source: Statistics Canada

However, changes in traveller entries for some provinces have been quite dramatic in the past.

The provincial Winners and Losers

During the 1970s, BC's share of international visitor entries was roughly 14%. Over the last three decades, this figure has more than doubled (32%), overtaking Quebec (currently at 18%). Additionally, although Ontario is still ranked highest, it has steadily lost ground (down from around 56% in the 1970s) in the wake of BC's ever-increasing Canadian share. While Ontario still receives roughly the same number of international visitors each year, visitors to BC have doubled.

International entries into Canada via BC are climbing

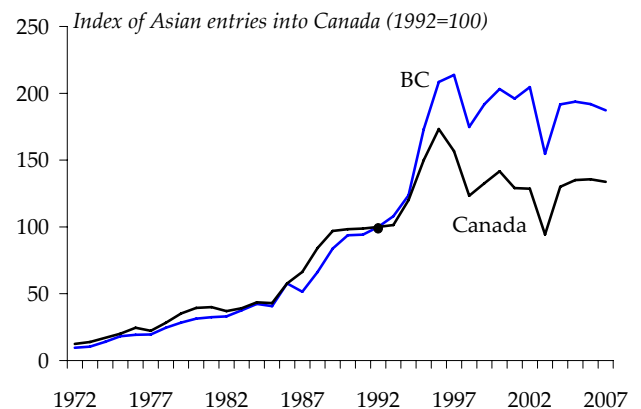


Data source: Statistics Canada

The key lies with Asia

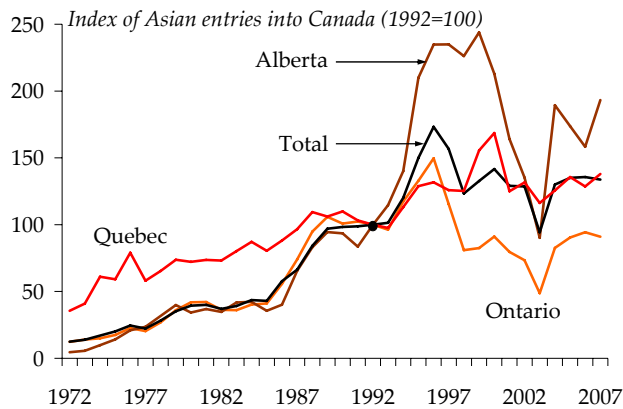
In an almost uncanny fashion, Asian entries into BC have shown very opposite trends to that of European entries. Each of these continents has shown around 20% change in its visitor entries over the last three decades – the one's gain being the other's loss. Since 1992, the Asian market share held by BC has almost doubled. Consequently, Asian visitors now constitute the largest portion of overseas travellers into Canada via BC.

International visitors to BC from Asian countries are soaring



Data source: Statistics Canada

Other provinces also show dramatic fluctuations in Asian visitors



Data source: Statistics Canada

Of this eastern influx, the most noticeable increase is from South Korea, China and Taiwan. South Korean visitor entries into Canada via BC have increased more than twelve fold since 1990, while Chinese visitors recorded an almost ten fold increase, followed by a 35% boost in Taiwanese visitors.

Geographically speaking, BC is the nearest point of entry for Asian visitors. This, combined with the rising cost of international transportation, may be a reason why so many Asian visitors prefer BC over Ontario, or any other province for that matter. It may also be the case that Asian visitors choose BC merely as a port of entry into Canada, then further their journey to other provinces via domestic means of transportation. Alternatively, the tourism product that BC offers may simply be attracting a larger proportion of the Canadian market.