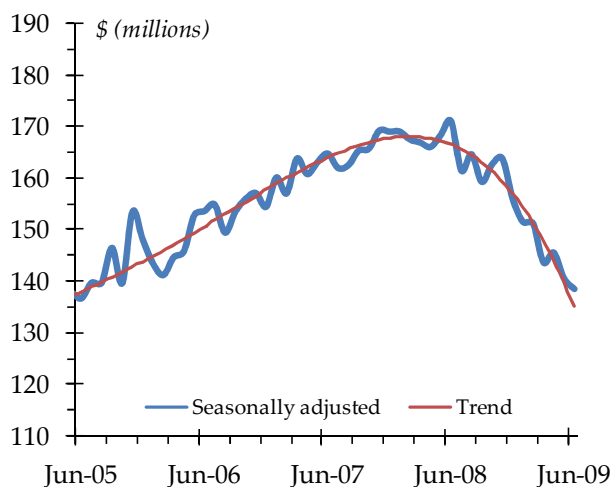


Tourism Sector Monitor ♦ September 2009

Room revenue

BC's room revenues took another hit in June, dropping (-1.5%, *seasonally adjusted*) in six out of the last seven months. The Pacific regions of Vancouver Island/Coast (-2.9%), Mainland/Southwest (-2.4%) and North Coast (-6.6%) all saw revenues fall, as well as Kootenay (-3.7%). On the upside, these declines were partly offset by boosts in Thompson/Okanagan (+2.1%), Cariboo (+2.1%), Nechako (+8.8%) and Northeast (+4.7%).

BC room revenue is at levels last seen in 2005



Data Source: BC Stats

Only motels (+0.4%) saw a slight uptick in provincial room revenues. All accommodation sales at hotels were down (-1.4%), with large hotels (151-250 rooms; -3.1%) being the hardest hit. In fact, all hotel categories experienced a decline in revenues in at least eight of the last 12 months. Neither vacation rentals (-2.1%) nor other accommodations (-4.7%) fared any better.

Table 1: Room revenue
(seasonally adjusted)

	Jun-09 (\$000)	May-09 (\$000)	change %
Accommodation Type			
Total	138,578	140,630	- 1.5
Hotels	100,807	102,200	- 1.4
Motels	16,816	16,744	+ 0.4
All other accommodations	21,017	21,749	- 3.4
Regions (Top 3 performers)			
Nechako	824	758	+ 8.8
Northeast	5,829	5,570	+ 4.7
Thompson/Okanagan	21,979	21,521	+ 2.1

Data Source: BC Stats

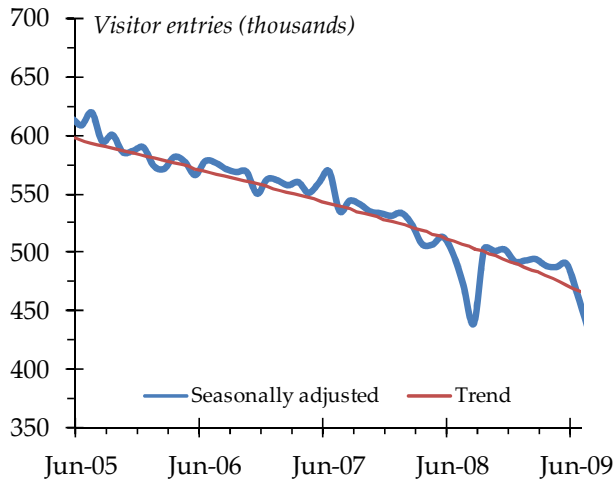
Visitor entries

The number of travellers entering Canada via British Columbia dropped 5.0% in June. This is the largest month-over-month drop in the number of entries since August 2008.

Since June 1st of this year, the *Western Hemisphere Travel Initiative* required everyone entering or re-entering the United States to carry a passport, NEXUS card or enhanced driver's license. Despite advanced notice, this policy may have contributed to the 4.8% drop in the number of American visitors, particularly among more casual same-day travellers (-7.3%). However, it should be noted that the volume of visits by US residents has fallen year after year since 2000.

However, the drop in international travel to BC cannot be wholly blamed on the lack of American travellers because the number of overseas visitors fell 5.8%. Specifically, traffic from Asia (-8.2%) and Europe (-2.9%) were both down from the previous month.

Both US and overseas visitor entries took a hit in June



Data Source: Statistics Canada

Table 2: Visitor entries (seasonally adjusted)

	Jun-09 (000s)	May-09 (000s)	change %
American visitors			
Total	362	380	- 4.8
Same-day	115	124	- 7.3
Overnight	247	256	- 3.6
Overseas visitors			
Total	103	110	- 5.8
Europe	38	39	- 2.9
Germany	6	7	- 8.7
UK	7	9	-22.6
Asia	44	48	- 8.2
Hong Kong	6	6	+ 4.1
Japan	11	10	+ 2.2
Taiwan	1	1	+ 9.9
Other	22	23	- 5.6

Data Source: BC Stats & Statistics Canada

Other indicators

Occupancy of BC’s accommodations dropped (-0.3 percentage points to 56.9%) for the second month in a row, reaching a six-year low. Average room rates also slipped (-2.6%) to \$124.50.

June was another slow month at Vancouver International Airport as fewer (-2.1%) passengers took flights—domestic (-1.4%), trans-border (-2.8%) and other international (-3.2%) traffic

dropped. Passenger volume at Victoria International Airport, however, inched up (+0.5%) in June.

BC Ferries’ mid-week *CoastSaver* special probably helped lure consumers, as both passenger (+1.8%) and vehicle (+2.9%) volumes increased.

Receipts at BC’s food services slipped (-0.8%) in June, while drinking places had higher sales (+4.6%).

Table 3: Other tourism indicators (seasonally adjusted)

	Jun-09	change from May-09
Hotel Industry		
Occupancy Rate (%)	56.9	-0.3 pp
Average Room Charge (\$)	124.50	- 2.6
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total Traffic	1,283	- 2.1
US (trans-border)	305	- 2.8
Other International	275	- 3.2
Canada (domestic)	703	- 1.4
Victoria International Airport		
Total Traffic	125	+ 0.5
Food Services Receipts (\$ millions) (%)		
All Establishments	649	- 0.3
Food Service	591	- 0.8
Drinking Places	58	+ 4.6
Transportation (000s) (%)		
BC Ferries		
Vehicle Volume	699	+ 2.9
Passenger Volume	1,761	+ 1.8
Exchange Rates Cdn \$1.00		
US Dollar (\$)	0.888	+0.02
UK Pound (£)	0.542	-0.02
Japanese Yen (¥)	85.756	+1.84
Australian Dollar (\$)	1.106	-0.03

Data Source: Statistics Canada (pp = percentage points)

A look ahead—July 2009

July saw room revenues in BC slip (−0.3%) yet again. The main contributor to this downtick was Mainland/Southwest (−2.0%), which was nearly offset by gains in Vancouver Island/Coast (+2.2%) and Thompson/Okanagan (+2.9%). A drop in accommodation sales in Cariboo (−0.5%) and Northeast (−6.5%) was also offset by gains in Kootenay (+3.5%), North Coast (+3.2%) and Nechako (+0.2%).

Accommodation types in July saw varied changes in room revenues. While all hotels (−0.9%) continued on a downward trend as a result of lower room sales in very large (251+ rooms; −4.3%) hotels, large (151-250 rooms; +2.9%) and small (1-75 rooms; +1.0%) hotels allowed for some reprieve. Also, an increase in motel (+0.5%) and miscellaneous accommoda-

tions (+5.8%) were slightly offset by a drop in receipts at vacation rentals (−1.4%).

Hotel occupancy recovered (+1.3 percentage points) in July to 58.2%. Average room rates reached \$123.30 (−1.0%).

The two major airports saw higher passenger volumes at all levels of travel. Vancouver International Airport (+1.5%) serviced more domestic (+1.1%), trans-border (+0.7%) and other international (+3.3%) passengers, as did Victoria International Airport (+1.4%).

Fewer passengers (−1.2%) and vehicles (−0.9%) utilized BC Ferries in July.

Revenues at BC's drinking places grew (+1.8%) as did sales at food services destinations (−0.7%).

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 24 reports in 2006–2008, seasonally adjusted preliminary numbers—reported in the "look ahead" section—were lower than subsequently reported estimates by an average of 0.2 percentage points, thereby either underestimating growths or overestimating declines. This is partly because the initial data retrieved at the time the estimates are calculated are 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: British Columbia's international travel account

Introduction

A recent survey¹ suggests that British Columbians are the “worldliest” in North America. This survey considered the geographical knowledge and travel habits among residents of Canada and the US. This article presents a general overview of travel practices between BC², the US and other international destinations. In particular, financial investment and expenditure outside of BC is highlighted.

BC's international travel account

Most of us keep a mental “piggy bank” of our income and *outgo* in order to track expenditure and savings. Similarly, it is possible to assess the state of BC's provincial piggy bank with respect to international travel. That is, British Columbians spend cash during travels outside the province—the *outgo*—while other international travellers spend some of their own (foreign) cash within the province—the income.

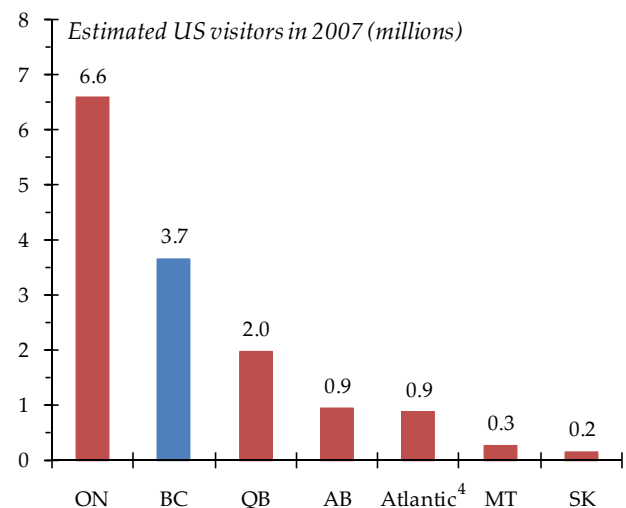
This exchange of capital is monitored nationally through Statistics Canada's international travel survey³ (ITS)—questionnaires distributed and collected by border patrol officers upon arrival of returning/departing travellers. The survey tracks persons, their associated spending and trip characteristics. Specifically, spending by US residents and persons from other countries

within Canada (considered *international travel receipts*), as well as spending by Canadian residents outside its borders (called *international travel payments*).

BC's international travel receipts

Our neighbours to the south have a major influence on the amount of cash-flow entering the country. 2007 saw BC as the second-most visited province in Canada by US residents staying one or more nights.

In 2007, 25% of US visitors to Canada (staying one or more nights) came to BC



Data Source: Statistics Canada

The 3.7 million visitors (compared to first-place Ontario's 6.6 million) spent an average of 4 nights in the province, while spending roughly \$140 per night. The total influx for 2007 was estimated at \$1.8 billion. Most (52%) visits, as expected, came from the Pacific US (Washington, Oregon and California) and were for the pur-

¹ “British Columbians worldliest in North America: survey”, available online from:

<http://www.canada.com/news/national/British+Columbian+s+worldliest+North+America+survey/1878057/story.html>

² BC includes Yukon, Northwest and Nunavut territories.

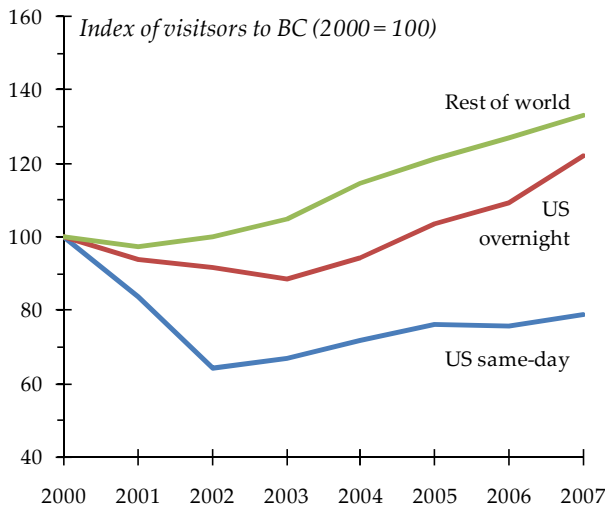
³ *International Travel*, Catalogue no. 66-201-XWE, Statistics Canada, available online from:

<http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=66-201-X>

⁴ Atlantic includes the Atlantic provinces of Newfoundland & Labrador, New Brunswick, Nova Scotia & Prince Edward Island.

pose of pleasure, recreation or holiday (66%). Very few (2%) stayed for more than two weeks. Instead, the preferred (65%) length of stay was two to six nights. Same-day visits from the US, however, have been slowing down.

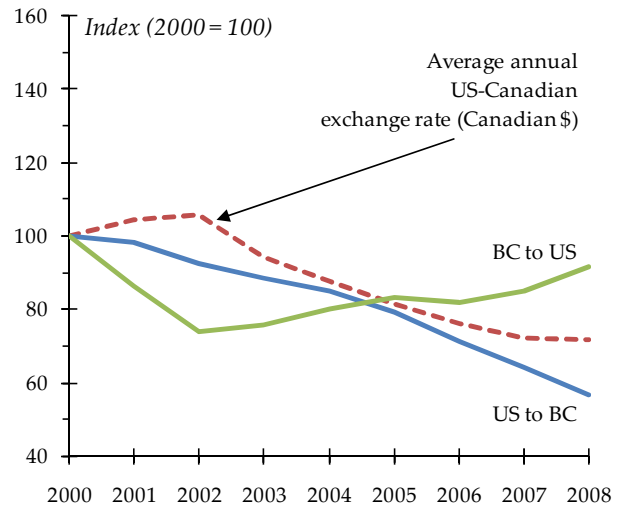
Since 2000, overnight visits from the US and overseas have outpaced US same-day visits



Data Source: Statistics Canada

In fact, entries from the US have been deteriorating consistently for a number of years. The US-Canadian exchange rate may be the deciding factor for Americans interested in visiting Canada, and ultimately investing in BC. As the loonie strengthens against the greenback, an increased number of BC residents travel down south while US visitors hang back.

Loonie and greenback exchange rate has an influence on travel across BC and US border

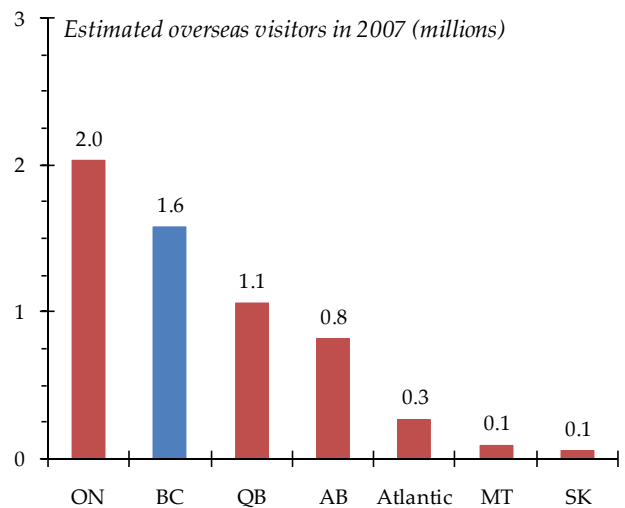


Data Source: Statistics Canada

"BC to US" & "US to BC" represents total cross-border vehicle counts

Spending habits of overseas visitors is a different story. Although fewer (1.6 million; 27% of international visits nationally) residents of countries other than the US visited BC in 2007 compared to Americans, they spent about the same amount (\$1.8 billion).

BC hosted 27% of national overseas visits in 2007



Data Source: Statistics Canada

The reason for this higher spending-per-person compared to US residents could be that travelers from further abroad are more reluctant to

merely *globe-trot* from one region to the next. Instead, they try to lengthen their stay, experiencing more of a holiday destination's ambience, and consequently also spend more.

On average, every overseas visitor doled out \$1,164, spending two weeks (13 nights) per visit. Despite this lengthy average visit, three-in-four people stayed fewer than 13 nights.

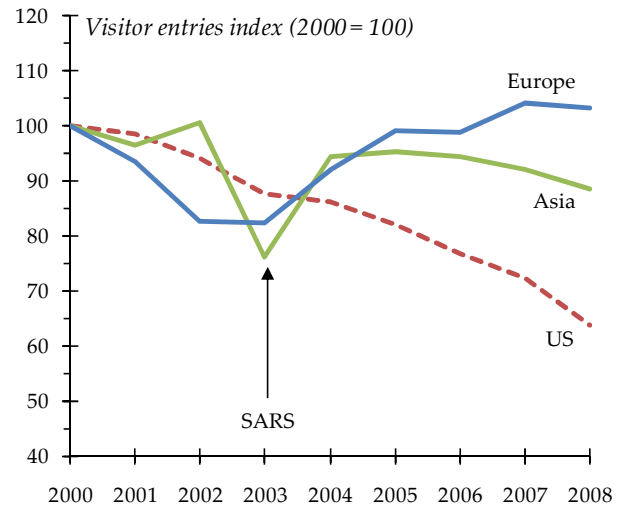
Visitors to BC from the US spend about the same as visitors from the rest of the world



Data Source: Statistics Canada

Visitors predominantly came from Europe (43%) and Asia (38%).

Visits from Europe & Asia have not dropped as much as those from the US



Data Source: Statistics Canada

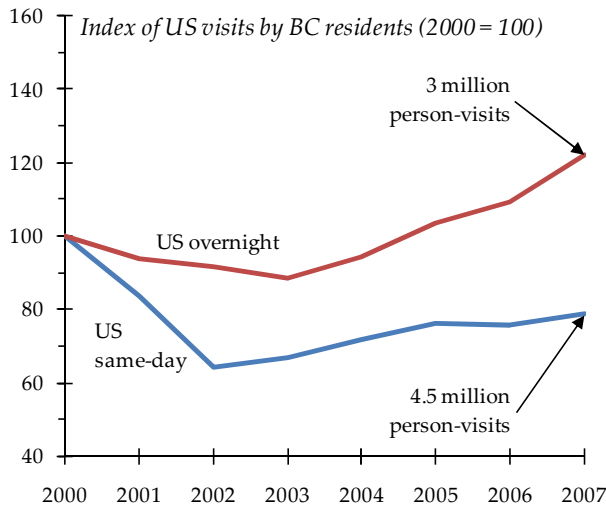
BC's international travel payments

On the "local" front, three in every five British Columbians travelling to the US returned the same day, and spent an estimated total of \$400 million in 2007. The average spending per person was \$89, compared to a splurge of \$543 per person that stayed for one or more nights (six nights on average). The national average spending was \$84 per person for same-day visits, and \$650 for overnight stays in 2007.

Two-thirds of visits to the US by British Columbians included Pacific US, compared to only 4% that visited the sun destination of Hawaii, and 2% that ventured into Alaska. Cruise travel by residents saw a slight downtick (8% in 2007, down from 9% in 2006).

Since 2000 travel to the US by BC residents has changed substantially. While same-day visits have declined (-21%), longer excursions of one or more nights have picked up (+22%).

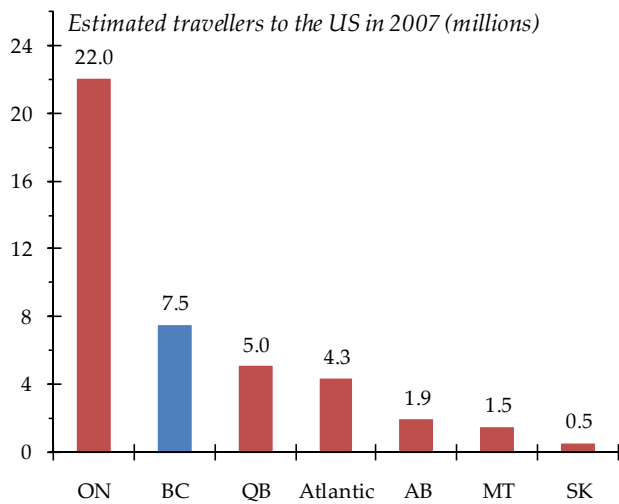
More British Columbians prefer longer visits to the US than same-day trips



Data Source: Statistics Canada

In 2007, however, Ontarians made three visits to the US for every cross-border trip by British Columbians.

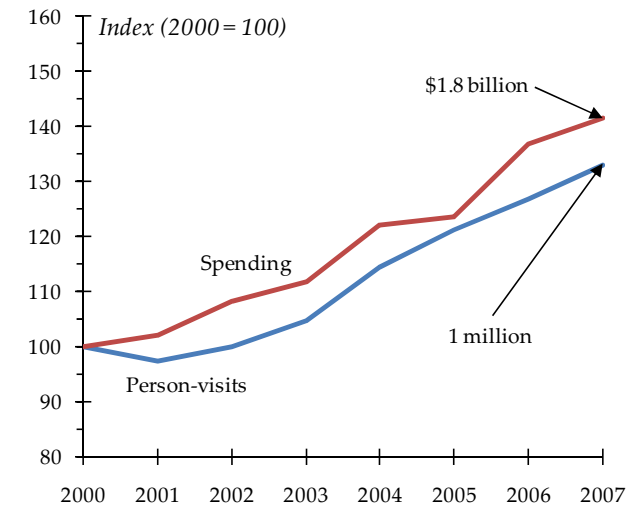
52% of Canadians travelling to the US in 2007 came from Ontario; BC held a share of 18%



Data Source: Statistics Canada

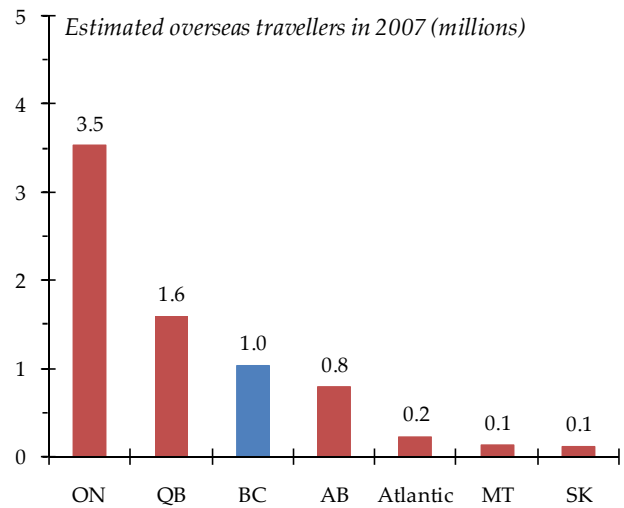
Trips by British Columbians further abroad also show an increasing trend. Compared to 2000, 33% more residents travel the globe outside the US, and spend roughly 42% more.

More BC residents are travelling abroad



Data Source: Statistics Canada

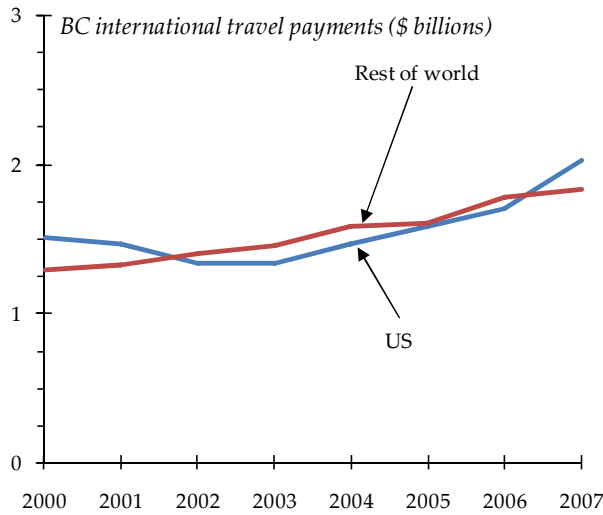
Almost every second Canadian (48%) travelling abroad resides in Ontario



Data Source: Statistics Canada

Whether it is travel to the US or overseas, the largest share of BC residents that travel (22% in 2007) are aged 55 to 64 years. Age groups 65 and over (20%) and 45 to 54 years (19%) make up another large portion of residents who travel. Only 4% of BC residents aged 20 to 24 ventured outside Canada's borders in 2007.

Increasingly more money has been spent during international travels by BC residents

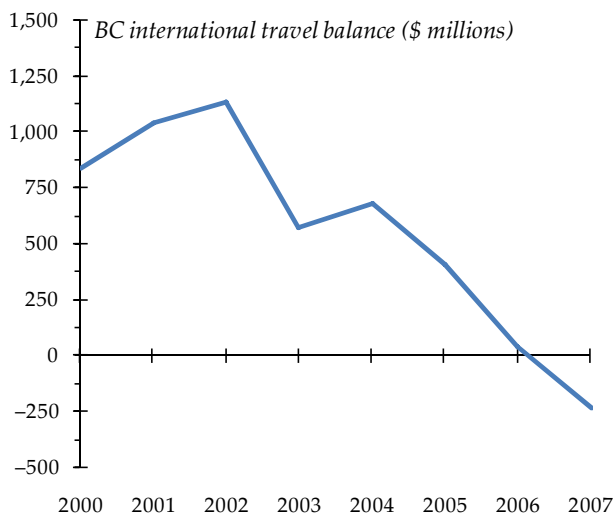


Data Source: Statistics Canada

BC's international travel balance

Since 2000, BC's piggy bank has always had something in it. However, 2007 was the first year that it "went into overdraft." Bluntly put, more money was spent outside the province by residents than what is spent by non-residents entering BC in 2007.

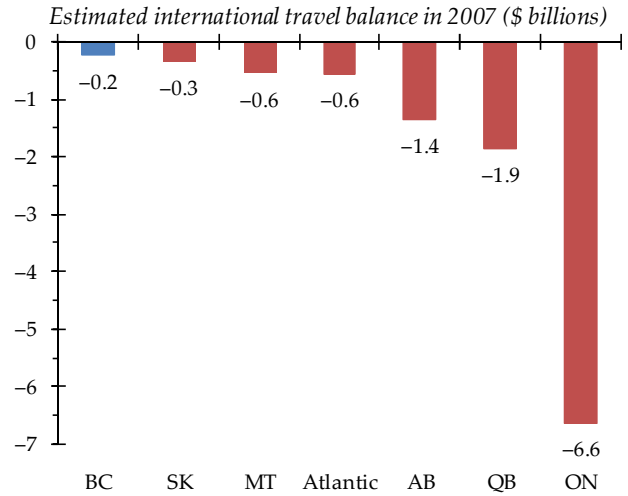
Although international travel receipts remain flat, international payments have increased since 2000



Data Source: Statistics Canada

Other provinces hold similar attributes in terms of their international travel balances.

In 2007, BC carried \$232 million of Canada's international travel deficit

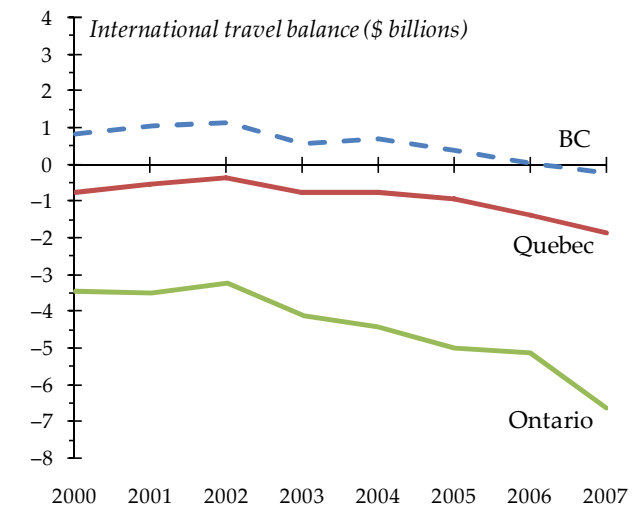


Data Source: Statistics Canada

2000-2007 provincial and national comparisons

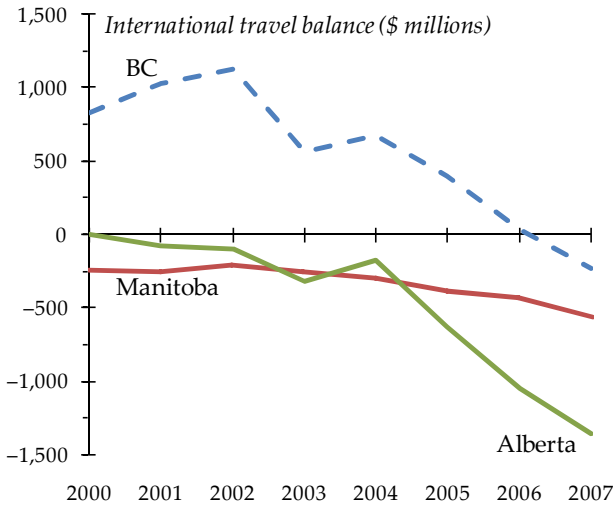
BC has a higher international travel balance compared to all other provinces in Canada.

BC is better off in terms of its international travel balance, compared to Ontario & Quebec...



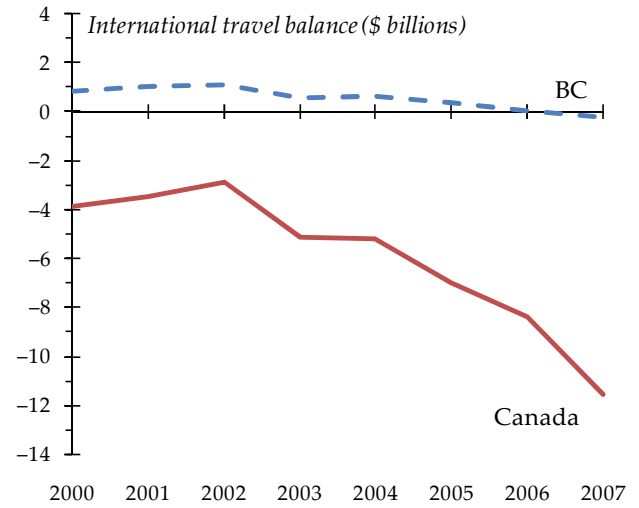
Data Source: Statistics Canada

...Manitoba & Alberta...



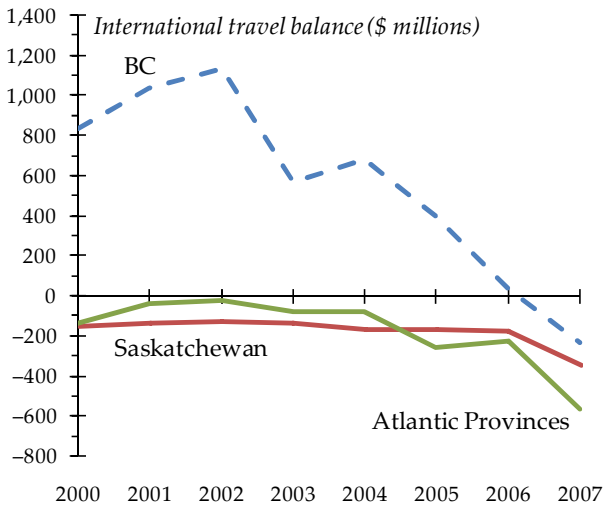
Data Source: Statistics Canada

Canada is steadily dropping further behind on its international travel balance



Data Source: Statistics Canada

...and Saskatchewan & the Atlantic Provinces.



Data Source: Statistics Canada