

MINISTRY OF TOURISM AND RECREATION

BUSINESS CONDITIONS SURVEY FOR THE TRAVELLER ACCOMMODATION INDUSTRY

The first-ever Business Conditions Survey on the travel accommodation industry is a quarterly publication that is made possible through the partnership of the Ontario Ministry of Tourism and Recreation, the Canadian Tourism Commission and Statistics Canada.

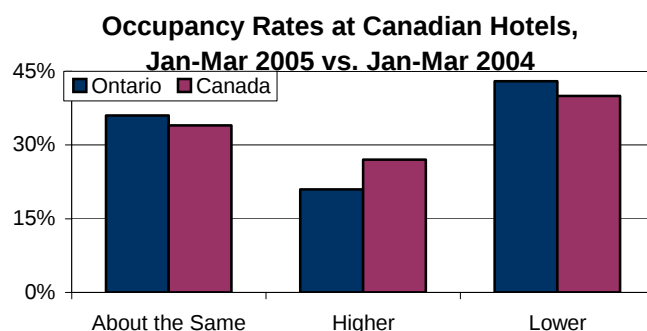
This is the first issue of this survey of just under 1,400 businesses, mostly hotels, across Canada. It was conducted in April 2005 to assess their outlook about key indicators compared to the same period last year, as well as business impediments. Some of these key indicators include bookings, occupancy rates, room rates and hours worked by employees.

Highlights

- A large portion of Ontario's and Canada's hoteliers reported lower occupancy rates during the first three months of this year compared to the same period last year.
- However, Ontario's hoteliers are optimistic about future business. Most anticipate room nights booked, occupancy and average daily rates, business travel, and hours worked by their employees to either stay the same, or increase this spring over last spring.
- Though a good portion of Ontario's and Canada's hoteliers reported no business difficulties in April 2005, the majority did. General economic conditions were cited most by hoteliers as a business impediment.

Recent Business Conditions

- For the period January to March 2005, a large portion (43%) of Ontario's hoteliers reported that occupancy rates at their property were lower than during the same period last year. 21% reported higher occupancy rates over January to March 2004, giving a negative balance of opinion (-22 percentage points).
- The overall balance of opinion from Canada's hoteliers was also negative (-13 percentage points); 40% reported lower occupancy rates, and 27% reported higher rates, for the period January to March over the same months in 2004.
- The following chart compares occupancy rates over the past three months at Ontario and Canadian hotels.



Future Business Conditions

- Despite an unfavourable balance of opinion about recent business conditions, many Ontario hoteliers are optimistic about the April to June 2005 period. In fact, the balance of opinion about future business conditions among hoteliers in Ontario is even more favourable than among hoteliers across Canada.
- Although a large portion (39%) of Ontario's hoteliers anticipates room nights booked will remain the same as last year for the April to June period, almost 37% expect a higher number to be booked and 24% expect lower room nights, giving a positive balance of opinion (+13 percentage points).
- Likewise, most hoteliers in Ontario expect occupancy rates to be either similar to (42%), or higher than (36%), rates during the April to June 2004 period. The majority (51%) of Canada's hoteliers expect similar rates.
- Ontario hoteliers are even more optimistic about their average daily rates (ADR). Just 8% expect a lower ADR for the April to June period than during the same period last year. Most expect their ADR to be about the same (47%) or higher (45%).

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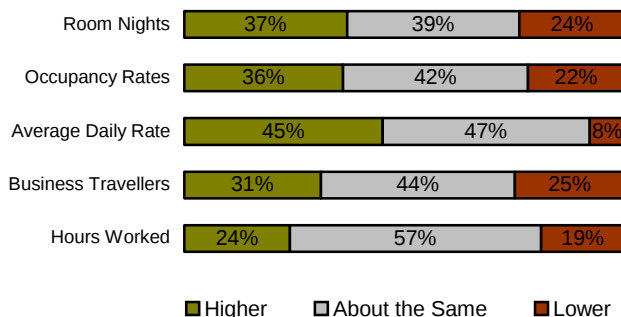
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▪ Many (44%) of Ontario's hoteliers expect a similar number of business travellers to stay at their properties during the April to June 2005 period versus the same months in 2004, and a good portion predict more (31%). The majority (59%) of Canada's hoteliers anticipate about the same number this spring.

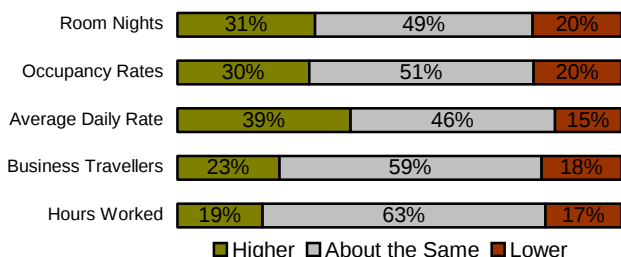
▪ Interestingly, while many hoteliers expect to be busier during the April to June period than last year, the majority of Ontario's (57%) and Canada's (63%) hoteliers expect that their employees will work about the same number of hours as during the April to June 2004 period.

▪ The following charts summarize the business conditions anticipated for the April to June period by Ontario's and Canada's hoteliers.

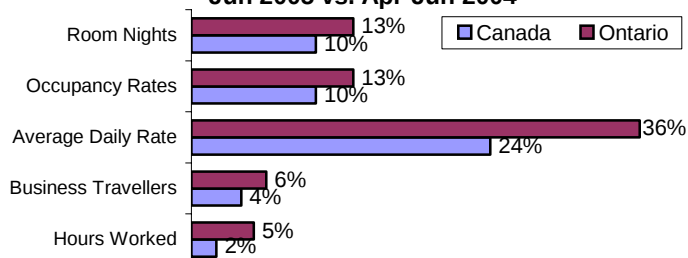
**Anticipated Business Conditions - Ontario,
Apr-Jun 2005 vs. Apr-Jun 2004**



**Anticipated Business Conditions - Canada,
Apr-Jun 2005 vs. Apr-Jun 2004**



**Balance of Opinion About Future Business
Conditions Among Canadian Hoteliers, Apr-
Jun 2005 vs. Apr-Jun 2004**



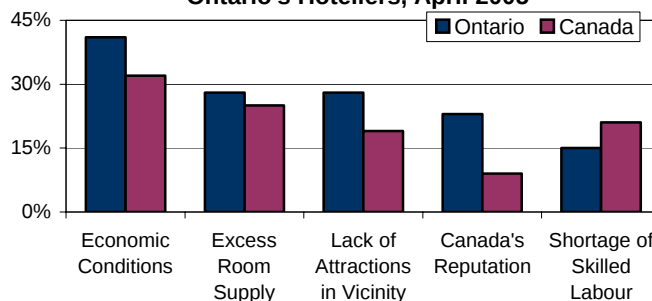
Business Impediments

▪ In April 2005, just over a quarter (27%) of Ontario hoteliers reported that their property was not facing any business difficulties. In comparison, a slightly larger portion (30%) of Canada's hoteliers stated no difficulties.

▪ Most Ontarian (73%) and Canadian (70%) hoteliers, however, did state that their business faced impediments.

▪ The chart below displays the top five business impediments reported by Ontario's hoteliers.

**Top 5 Business Impediments Reported by
Ontario's Hoteliers, April 2005**



▪ Compared to Canada's hoteliers, Ontario's hoteliers felt that their properties faced more business impediments. Significantly larger portions of Ontario hoteliers reported that Canada's reputation as a desired tourist destination, general economic conditions, and a lack of attractions or complementary facilities in the vicinity of their property were business impediments. Most notably, nearly a quarter (23%) of Ontario's

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hoteliers reported Canada's reputation as a desired tourist destination as a business impediment, versus just 9% of Canada's hoteliers. Perhaps this reflects a lagging impact of the 2003 SARS outbreak in the Greater Toronto Area, which disproportionately affected Ontario tourism.

- In contrast, greater portions of Canadian hoteliers cited shortages of skilled (21%) and unskilled (15%) labour as greater business impediments than did Ontario hoteliers (15% and 9%, respectively.)
- Other business difficulties reported by Ontario hoteliers included access to financing (12%), abnormal weather/natural disasters (10%), public health and safety concerns (5%), and third-party distribution channels (2%).