



Business Conditions Survey

For the Traveller Accommodation Industry

October–December 2005

Highlights

► Opinion about Ontario's performance in the 3rd quarter of 2005 among the province's hoteliers was divided. Occupancy rates in the 3rd quarter of 2005 improved compared to the same quarter of 2004 for 36% of Ontario's hoteliers, were the same for 33% of them and were lower for 31% of them.

► The number of Ontario's hoteliers that reported no business difficulties increased substantially in the 4th quarter of 2005, compared to the 3rd quarter of 2005. Among those who reported business difficulties, the top two are: excess room supply and lack of attractions in the vicinity.

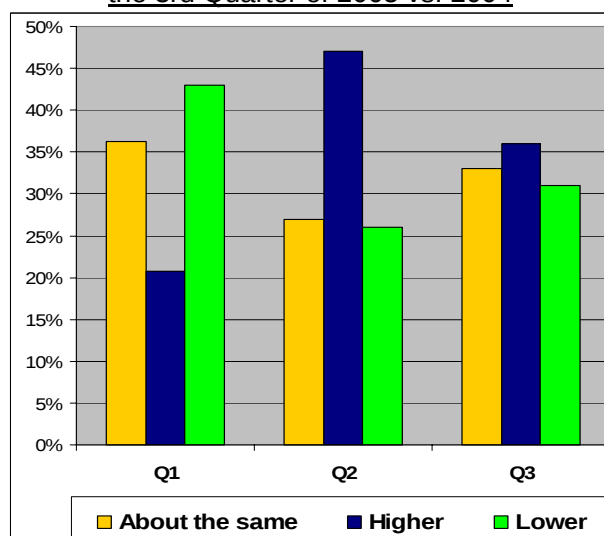
► Despite this improvement in business barriers reported, Ontario's hoteliers are relatively less optimistic in the 4th quarter than they were in the 3rd quarter of 2005, but more optimistic than Canada's hoteliers.

Recent Business Conditions

In the 3rd quarter of 2005, 36% of Ontario's hoteliers reported higher occupancy rates over the same quarter last year and 31% reported lower occupancy rates, giving a positive balance of opinion (+6 percentage points).

This positive balance of opinion was in stark contrast to the negative balance of opinion reported by in the 1st first quarter of 2005 (-22 percentage points).

Ontario Hoteliers Divided on Occupancy Rates for the 3rd Quarter of 2005 vs. 2004



Compared to Ontario's hoteliers, hoteliers across Canada were also divided on occupancy rates for the 3rd quarter of 2005 with a balance of opinion of only +3 percentage points.

Business Impediments

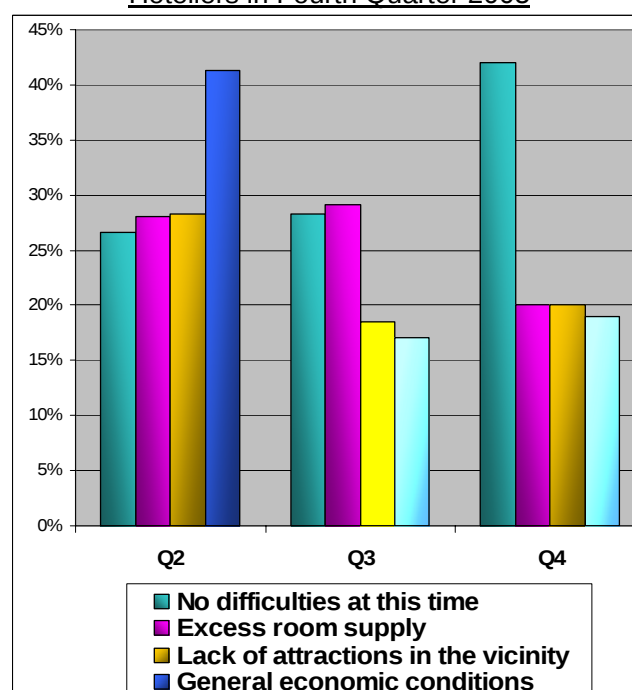
In October 2005, 42% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This represents a significant growth in the number of businesses reporting no business difficulties (27% in the 2nd quarter and 28% in the 3rd quarter).

In comparison, 38% of Canada's hotel operators reported no specific difficulties in the 4th quarter of 2005. This represents a slight increase over the 32% who reported no difficulties in the 3rd quarter of 2005.

The remainder of Ontario's and Canada's hoteliers faced at least one business impediment in the 4th quarter (58% and 62%, respectively).

The three major business impediments faced by Ontario hoteliers in the 4th quarter of 2005 are shown in the chart below.

Top Business Impediments Faced By Ontario's Hoteliers in Fourth Quarter 2005





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“Lack of attractions or complementary facilities in the vicinity” (20%), “Excess room capacity” (20%) and “General economic conditions” (19%) were the top three business difficulties that Ontario’s hoteliers were faced with during the 4th quarter of 2005. Lack of attractions was an issue with only 13% of Canada’s hoteliers.

On the other hand, Canada’s hoteliers’ top three business difficulties were: “Shortage of skilled labour” (23%), “Shortage of unskilled labour” (22%) and “General economic conditions” and “Excess room capacity” (tied to the third place with 21%). In Ontario, 17% and 10%, respectively indicated difficulties with skilled and unskilled labour.

Excess room capacity was less of a problem for Ontario’s hoteliers in the 4th quarter than it was in the 2nd and 3rd quarters, but the general economic conditions seem to worry Ontario’s hoteliers more in the 4th quarter than it did during the 3rd quarter.

Other business impediments faced by Ontario’s hotel operators in the fourth quarter included access to financing (12%), Canada’s reputation as a desired tourist destination (11%), public health and safety concerns (3%), third-party distribution channels (3%) and abnormal weather/natural disasters (2%). 12% faced “other” business impediments.

Future Business Conditions

Occupancy Rates

Nearly half (48%) of Ontario’s hotel operators expect occupancy rates to remain the same in the fourth quarter of 2005 over the same quarter in 2004. The remaining hoteliers are divided between those who believe that occupancy rates will be higher (27%) and those who believe that they will be lower (24%), giving a positive balance of opinion (+3 percentage points). This outlook is significantly less optimistic than that given for the third quarter of 2005 (Balance of opinion: +31 percentage points).

Room Nights

The largest portion of Ontario hoteliers surveyed anticipates the number of room nights booked in the fourth quarter will be about the same as during the 4th quarter of 2004 (49%), with 27% expecting room nights to rise and 24% expecting them to decline, giving a balance of opinion of +3 percentage points which is significantly lower than the balance of

opinion during the 3rd quarter (+26 percentage points).

Average Daily Rate

Almost half of the hotel operators in Ontario expect the average daily room rate (ADR) to remain the same as in the 4th quarter of 2004 (47%), while 36% anticipate it to be higher and 17% expect it to be lower, giving a positive balance of opinion (+20 percentage points), which is slightly lower than the balance of opinion during the third quarter (+26 percentage points).

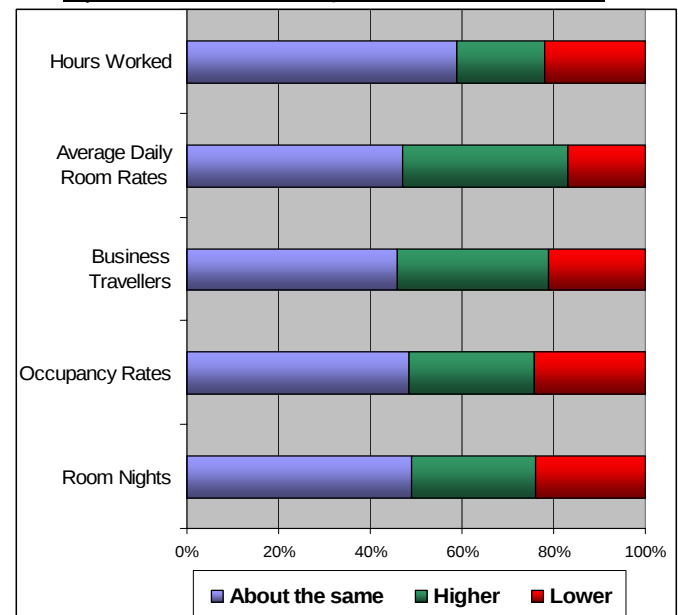
Business Travellers

The largest proportion of Ontario’s hoteliers expect to see about the same number of business travellers in the 4th quarter as they did in the 4th quarter of 2004 (46%). 33% expect to see more, and 21% expect to see less.

Hours Worked

The majority of Ontario’s hoteliers (59%) anticipate that the total number of hours worked by their employees in the 4th quarter of 2005 will be the same as it was in the 4th quarter of 2004, while 19% expect their employees to work more hours and 22% expect them to work fewer hours.

Business Conditions Anticipated by Ontario’s Hotel Operators in the 4th Quarter: 2005 vs. 2004



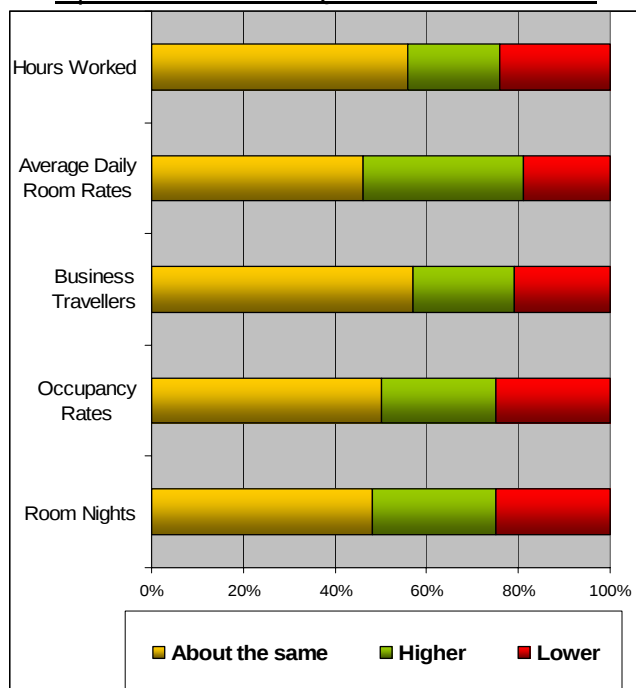


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Business Conditions Anticipated by **Canada's** Hotel Operators in the 4th Quarter: 2005 vs. 2004



Overall, Ontario hoteliers seem more optimistic about the 4th quarter than Canada's hoteliers, in that for each of the measures indicated in the charts above the balance of opinion for Ontario's hoteliers was either the same or better than that of Canada's hoteliers.

Note: The Business Conditions Survey is a quarterly survey conducted by Statistics Canada and funded by the Ontario Ministry of Tourism, the Canadian Tourism Commission and Statistics Canada. Results are based on survey questionnaires sent to about 1,300 accommodation business, mostly hotels, across Canada.