



Business Conditions Survey

For the Traveller Accommodation Industry

January–March 2006

Highlights

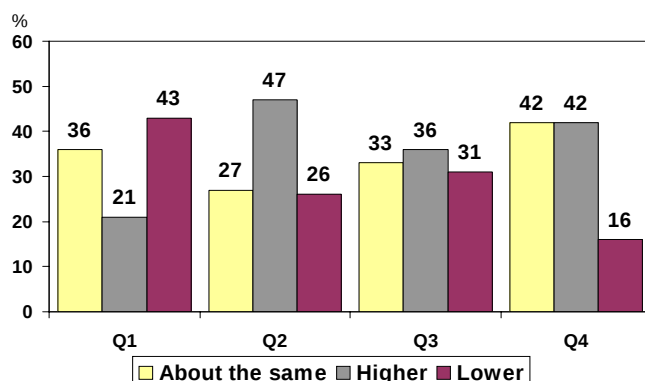
- Opinion about Ontario's performance in the 4th quarter of 2005 among the province's hoteliers was very optimistic.
- Occupancy rates improved compared to the same quarter of 2005 for 42% of Ontario's hoteliers, were the same for 42% of them and were lower for only 16% of them.
- The number of Ontario's hoteliers that reported no business difficulties in the 4th quarter of 2005 was in line with the first two quarters of 2005. Among those who reported business difficulties, the top two are: excess room supply and lack of attractions in the vicinity.
- Optimism among Ontario's hoteliers in the 1st quarter of 2006 is about the same as it was in the 4th quarter of 2005, but slightly lower than it is for Canada's hoteliers.

Recent Business Conditions

In the 4th quarter of 2005, 42% of Ontario's hoteliers reported higher occupancy rates over the same quarter last year and only 16% reported lower occupancy rates, giving a strong positive balance of opinion (+27 percentage points).

This positive balance of opinion was much higher than for the 3rd quarter of 2005 (+3 percentage points), and in stark contrast with the 1st quarter of 2005 (-22 percentage points).

Quarterly Occupancy Rates, Ontario, 2005¹



¹ Expressed as percentages over the same period of 2004.

Compared to Ontario's hoteliers, hoteliers across Canada also had an optimistic outlook on occupancy rates for the 4th quarter of 2005, with a balance of opinion of +21 percentage points.

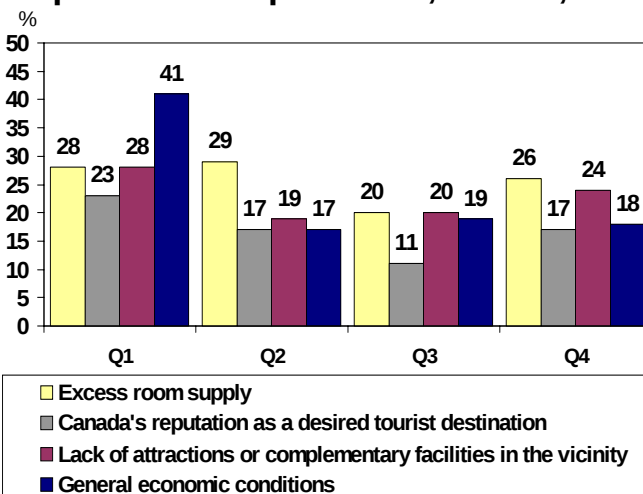
Business Impediments

In December 2005, 28% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This was in line with 1st and 2nd quarter, but significantly down from the number of businesses reporting no business difficulties in the 3rd quarter (42%).

In comparison, 31% of Canada's hotel operators reported no specific difficulties in the 4th quarter of 2005. This represents a decrease over the 38% who reported no difficulties in the 3rd quarter of 2005, but came in close to the 1st and 2nd quarter values, of 30% and 32%, respectively.

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

Top Business Impediments, Ontario, 2005



"Excess room capacity" (26%), "Lack of attractions or complementary facilities in the vicinity" (24%), "General economic conditions" (18%), and "Canada's reputation as a desired tourist destination" (17%) were the top four business difficulties that Ontario's hoteliers were faced with during the 4th quarter of 2005.

"Excess room capacity" (23%) and "General economic conditions" (20%) were also among the top four business difficulties for Canada's hoteliers, but "Shortage of skilled labour" (24%), "Shortage of unskilled labour" (21%) were identified as their first and third business difficulties in the 4th quarter of 2005.



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"Lack of attractions or complementary facilities in the vicinity" (16%) was the fifth top business difficulty for Canada's hoteliers; however, only 11% cited "Canada's reputation as a desired tourist destination" as a business difficulty. On the other hand, only 13% of Ontario's hoteliers cited unskilled labour shortages, and only 11% cited skilled labour shortages as business difficulties.

Other business impediments faced by Ontario's hotel operators included abnormal weather/natural disasters (11%), access to financing (8%), and "other" business impediments (23%).

Future Business Conditions

Occupancy Rates

39% of Ontario's hotel operators expect occupancy rates to remain the same in the 1st quarter of 2006 as the same quarter in 2005. 34% believe that occupancy rates will be higher and 27% believe that they will be lower, giving a positive balance of opinion (+7 percentage points). This outlook is in line with the one given for the 4th quarter of 2005 (+3 percentage points), but significantly less optimistic than the ones given for the 3rd and 2nd quarters of 2005.

Room Nights

Most Ontario hoteliers (45%) anticipate that the number of room nights booked in the 1st quarter of 2006 will be about the same as in the 1st quarter of 2005, with 30% expecting room nights to rise and 25% expecting them to decline. This gives a balance of opinion of +5 percentage points, close to the one given for the 4th quarter of 2006 (+3 percentage points), but significantly less optimistic than those given for the 3rd quarter and the 2nd quarter of 2005.

Average Daily Rate

Over half of the hotel operators in Ontario (52%) expect the average daily room rate (ADR) to remain the same as in the 1st quarter of 2005, while 30% anticipate it to be higher and 18% expect it to be lower, giving a positive balance of opinion (+12 percentage points), which is significantly lower than the balance of opinion during the previous quarters.

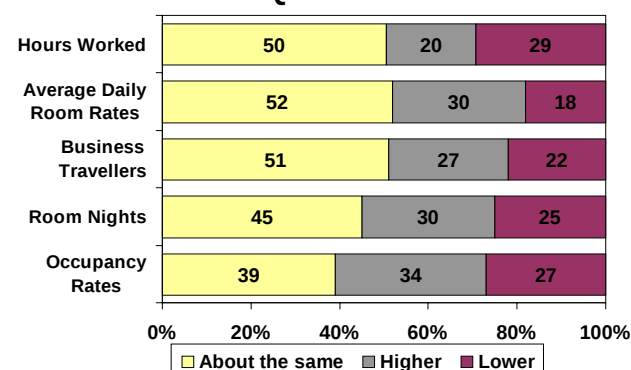
Business Travellers

51% of Ontario's hoteliers expect to see about the same number of business travellers in the 1st quarter of 2006 as they did in the 1st quarter of 2005. 27% expect to see more, and 22% expect to see less.

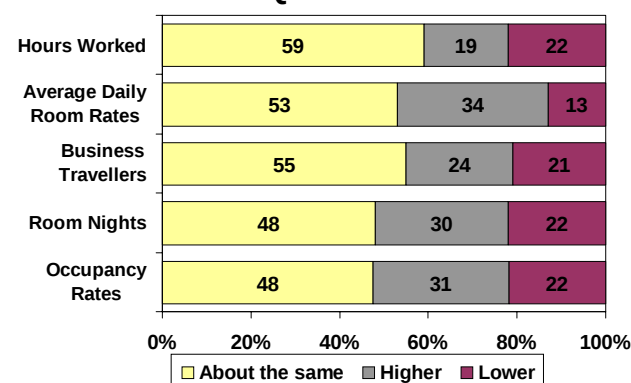
Hours Worked

Half of Ontario's hoteliers anticipate that the total number of hours worked by their employees in the 1st quarter of 2006 will be the same as it was in the 1st quarter of 2005, while 20% expect their employees to work more hours and 29% expect them to work fewer hours.

Anticipated Business Conditions, Ontario, First Quarter 2006¹



Anticipated Business Conditions, Canada, First Quarter 2006¹



In general, Ontario hoteliers seem less optimistic about the 1st quarter than 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 1,200 accommodation business, mostly hotels, across Canada.