

Highlights

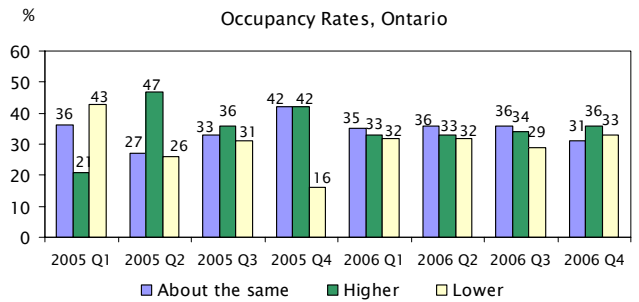
- Ontario's hoteliers indicated that hotel performance in the province in the fourth quarter of 2006 was similar to the previous quarter, but significantly below the results reported in the same quarter of 2005. Canada's hoteliers experienced similar results.
- Fewer than 3 in 10 Ontario hotel operators reported no business difficulties in the fourth quarter of 2006, on par with both the previous quarter and the same quarter of 2005. At the national level, 26% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario in the fourth quarter of 2006, lack of attractions or facilities in the vicinity was the top impediment listed, followed by Canada's reputation as a desired tourist destination. For Canada's hoteliers, the shortage of unskilled labour and excess room supply are the top two issues.
- On balance, Ontario hoteliers are expecting a worse performance in the first quarter of 2007 than in the same quarter last year, with the exception of room rates where moderate optimism can be seen.

Recent Business Conditions

In the fourth quarter of 2006, 36% of Ontario's hoteliers reported higher occupancy rates over the past three months, compared to the same quarter of 2005, while 33% reported lower occupancy rates, and 31% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of 4 percentage points – similar to the previous quarter, but significantly below the results reported in the same quarter of 2005 when the balance of opinion was 27 points, as 42% of Ontario's hoteliers reported higher occupancy than in the previous quarter.

¹ Note: Balance of opinion is the difference between the percentage of respondents who report improved business conditions (higher) and those who report deteriorating conditions (lower).



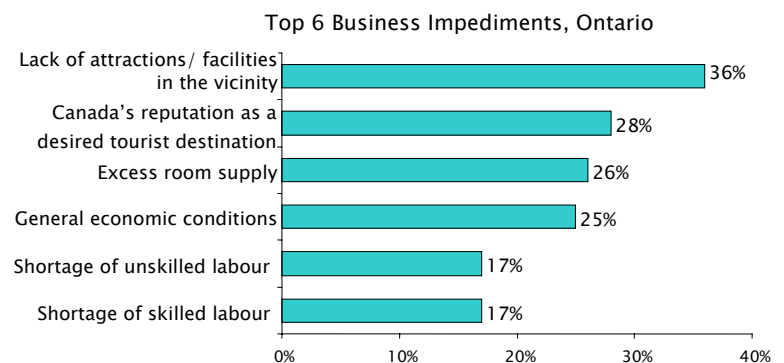
Hoteliers across Canada reported similar occupancy results to those of Ontario hoteliers in the fourth quarter of 2006 over the same quarter of 2005, with 34% indicating occupancy rates were higher in the fourth quarter, 31% reporting they were lower, resulting in a balance of opinion of 3 percentage points.

Business Impediments

In the fourth quarter 2006, 29% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This is unchanged from the previous quarter and just up from the 28% who reported no difficulties in the same period last year.

By comparison, only 26% of Canada's hotel operators reported no specific difficulties in the fourth quarter of 2006, up from 23% in the previous quarter. These results are an improvement over the same quarter in 2005, when 31% of Canadian hoteliers were reporting difficulties due to specific business impediments.

The top six business impediments faced by Ontario hoteliers in the fourth quarter of 2006 are shown in the chart below:



Other business impediments reported by Ontario's hotel operators included abnormal weather and/or natural disasters (13%), access to financing (9%) and other impediments (16%). Notably, public health and safety concerns were essentially non-existent (1%) in the fourth quarter compared.

Canada's hoteliers continue to report the shortage of unskilled labour (29%) and skilled labour (25%) in their top three issues in the fourth quarter of 2006, with excess room capacity (26%), lack of attractions/facilities (25%) and Canada's reputation (19%) rounding out their top five impediments.

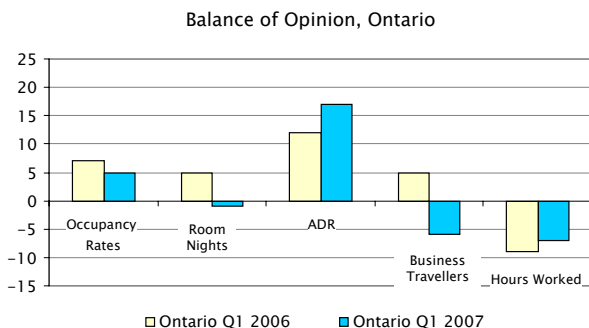
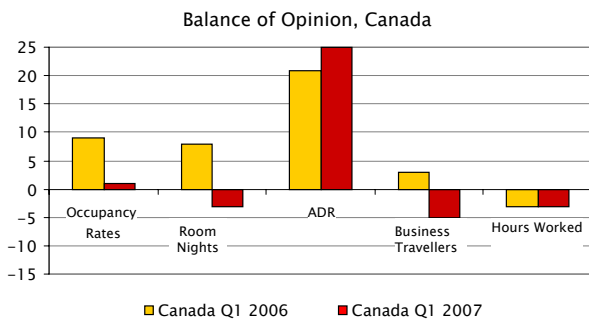
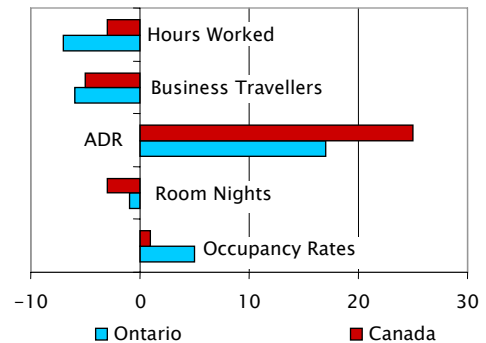
Future Business Conditions

Comparison of Ontario and Canada

Overall, for the first quarter of 2007, expectations of both Ontario and Canadian hotel operators have rebounding from the lows seen in the previous quarter but expectations are down in all areas except ADR and hours worked from those expressed in the same quarter of 2006 (see charts below).

For the first quarter of 2007, Ontario's hoteliers appear less optimistic than Canadian hoteliers in all areas except expectations about future occupancy rates.

Balance of opinion for Q1 2007, Ontario and Canada



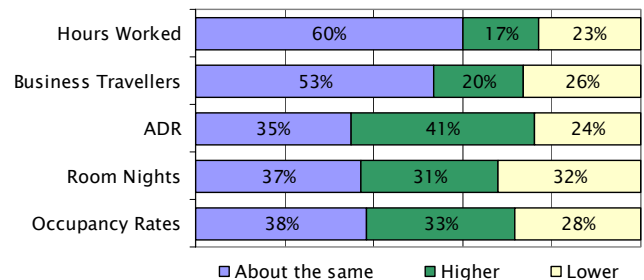
Detailed Ontario Responses

The outlook expressed by Ontario hoteliers for the first quarter of 2007 relative to the first quarter of last year is mixed with ADR being the area showing the most optimism.

Occupancy Rates

- A third of Ontario hoteliers (33%) are expecting occupancy rates to increase in the first quarter, with 38% expecting them to be about the same. The outlook is similar to what was expressed by hotel operators last year, when 34% were expecting an increase and 39% were expecting occupancy rates to stay about the same.
- The balance of opinion on occupancy rates in the first quarter has dropped modestly from 7 percentage points in 2006 to 5 in 2007.

Anticipated Business Conditions for Q1 2007, Ontario



Room Nights

- 31% (up from 20% last quarter) are expecting the number of room nights to rise in the first quarter while 32% are expecting them to decline (down from 43% last quarter but up from 25% in the same quarter last year).
- The neutral balance of opinion (-1) on room nights marks a significant improvement from the -23 percentage points seen in the previous quarter but is down from the 5 seen in the same quarter of in 2006.

Average Daily Rate

- Expectations around ADR remain strong, with 41% of Ontario hoteliers expecting increases in the first quarter of 2007 (the fourth consecutive quarter with at least 40% of hoteliers expecting an increase). 24% are expecting rates to be lower, a jump from the 12% who expected a decrease last quarter.
- At 17 percentage points, the balance of opinion is down significantly from last quarter's 33 percentage points, but up from the first quarter of last year.

Business Travellers

- Only 20% expect to see more, while 26% expect to see fewer business travellers during the first quarter of this year.
- The resulting negative balance of opinion (-6 percentage points), reflects higher expectations than in the previous quarter (-18) but shows a decline relative to the +5 percentage points reported for the first quarter of 2006.

Hours Worked

- A full 60% on Ontario hoteliers expect hours worked to remain the same in the first quarter of 2007, and only 17% are expecting them to be higher.
- The current balance of opinion of -7 percentage points is a little more optimistic than the -13 percentage points reported during the fourth quarter of 2006, as well as the -9 percentage points reported in the first quarter of 2006.

NOTE: The Business Conditions Survey of around 1,500 businesses 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 traveller accommodation providers across Canada.