

April–June 2007

Highlights

- Ontario's hoteliers indicated that hotel performance in the province in the first quarter of 2007 had declined relative to both the previous quarter and the same quarter of 2006. Canada's hoteliers, on the other hand, reported a notable improvement over the previous quarter and the same quarter of last year.
- 2 in 10 Ontario hotel operators reported no business difficulties in the first quarter of 2007, compared to almost 29% in the previous quarter and 35% in the same quarter of 2006. At the national level, 24% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario in the first quarter of 2007, lack of attractions or facilities in the vicinity was the top impediment listed, followed by excess room supply and exchange rate fluctuations. Canada's hoteliers continue to see shortages of unskilled labour and excess room supply as their top two business impediments.
- For the second quarter of 2007, Ontario hoteliers are more optimistic about business travellers but less optimistic in other areas than they were in the same quarter of 2006.

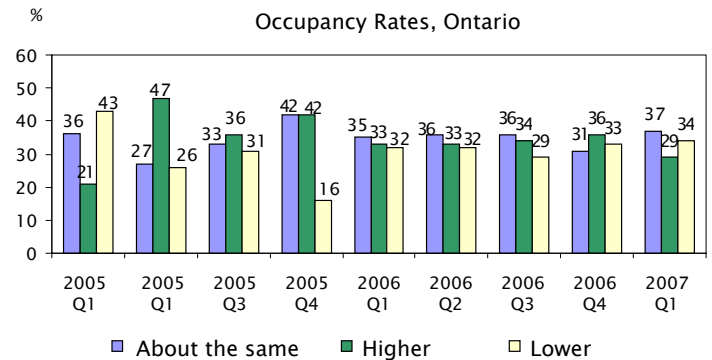
Recent Business Conditions

In the first quarter of 2007, 29% of Ontario's hoteliers reported higher occupancy rates over the past three months compared to the same quarter of 2006, while 34% reported lower occupancy rates, and 37% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of -4 percentage points, 8 points lower than the previous quarter, and 5 points below the results reported in

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).

the same quarter of 2006, when 33% of Ontario's hoteliers reported higher occupancy than in the previous quarter.



Hoteliers across Canada reported improved occupancy results in the first quarter of 2007 over the same quarter of 2006, with 38% indicating occupancy rates were higher and 22% reporting they were lower, resulting in a positive balance of opinion of 16 percentage points.

Business Impediments

NOTE: There were changes to the list of impediments in this most recent round of the survey.

Four new impediments were added:

- Regional economic conditions;
- Exchange rate fluctuations;
- Public health; and
- Security concerns.

These replaced four impediments that were terminated:

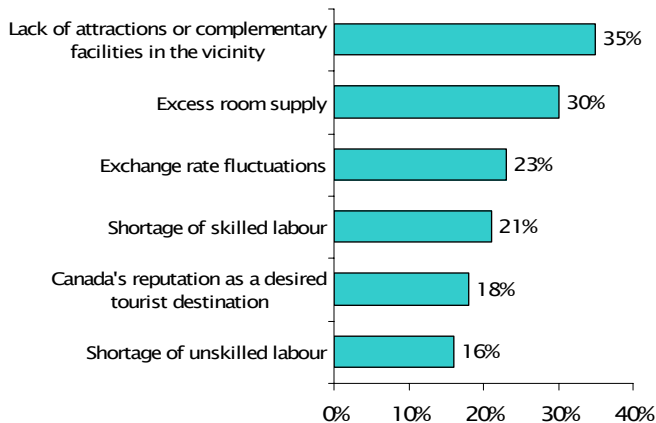
- Access to financing;
- Public health and safety concerns;
- Third party distribution channels; and
- General economic conditions.

In the first quarter 2007, 20% of hotel operators in Ontario reported no business impediments. This is down from 29% in the previous quarter and from 35% who reported no difficulties in the same period last year.

By comparison, 24% of Canada's hotel operators reported no specific difficulties in the first quarter of 2007, down from 26% in the previous quarter. These results are an improvement over the same quarter in 2006, when 30% of Canadian hoteliers were reporting difficulties due to specific business impediments.

The top six business impediments faced by Ontario hoteliers in the first quarter of 2007 are shown in the chart below:

Top 6 Business Impediments, Ontario (Q1 2007)



Other business impediments reported by Ontario's hotel operators included abnormal weather and/or natural disasters (15%) and regional economic conditions (13%).

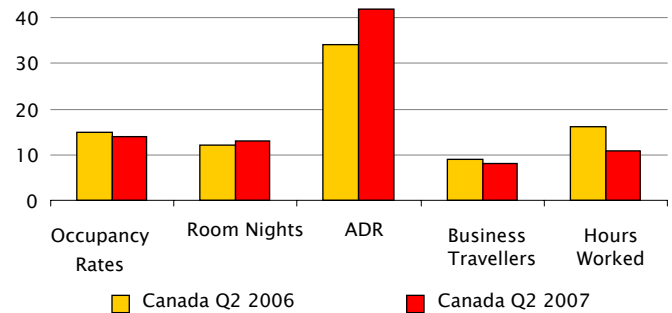
Canada's hoteliers continue to report the shortage of unskilled labour (36%) and skilled labour (33%) as their top issues in the first quarter of 2007, with excess room capacity (24%), exchange rate fluctuations (22%), lack of attractions/facilities (19%) and Canada's reputation (16%) rounding out their top six impediments.

Future Business Conditions

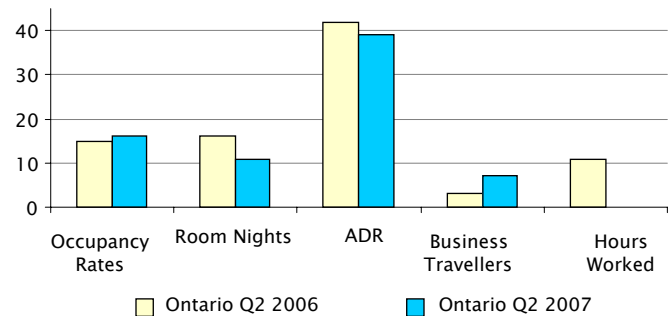
Comparison of Canada and Ontario

For the second quarter of 2007, expectations of both Canadian and Ontario hotel operators are more optimistic in all areas than they were in the previous quarter. Meanwhile, compared to expectations in the same quarter last year, Canadian hoteliers are more optimistic about the average daily rate (ADR) and similarly optimistic about room nights but less optimistic about occupancy rates and hours worked. Ontario hoteliers are more optimistic about business travellers, occupancy rates, but less optimistic about room nights, ADR and hours worked.

Balance of Opinion, Canada

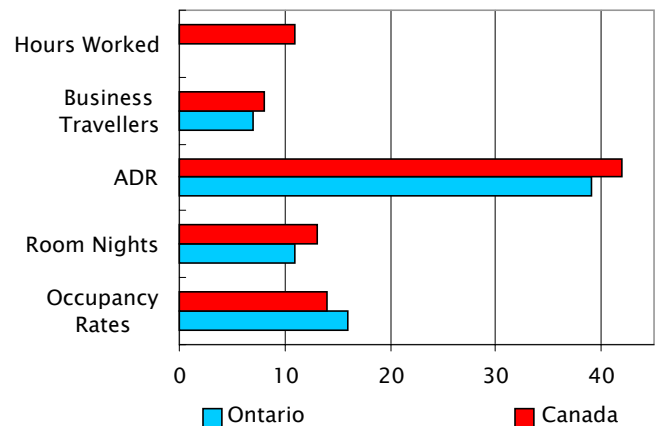


Balance of Opinion, Ontario



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

Balance of opinion in Q2 2007, Ontario and Canada



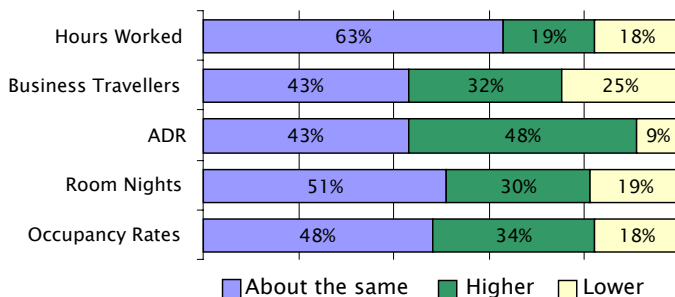
Detailed Ontario Responses

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

Occupancy Rates

- A third of Ontario hoteliers (34%) are expecting occupancy rates to increase in the second quarter, 18% are expecting them to decrease, while almost half (48%) are expecting them to be about the same. The outlook has moderated compared to what was expressed by hotel operators last year, when a higher proportion was expecting them to increase (37%) than to decrease (22%).
- The balance of opinion on occupancy rates in the second quarter, however, has increased marginally from 15 percentage points in 2006 to 16 in 2007.

Anticipated Business Conditions
for Q2 2007, Ontario



Room Nights

- 30% (same as last quarter) are expecting the number of room nights to increase in the second quarter of 2007, while 19 are expecting them to decline (down slightly from 31% last quarter and down from 38% in the same quarter last year).
- The positive balance of opinion (11 percentage points) marks a significant improvement over last quarter (-1) but is down from the 16 points seen in the same quarter of 2006.

Average Daily Rate

- Expectations around ADR remain strong, with almost half (48%) of Ontario hoteliers expecting to see higher rates in the second quarter of 2007 (the fifth consecutive quarter with at least 40% of hoteliers expecting an increase). Only 9% are expecting rates to be lower, down from the 24% who expected a decrease last quarter and on par with the few 6% who expected a decrease in the second quarter of 2006.
- At 39 percentage points, the balance of opinion is up significantly from last quarter's 17 percentage points, but down from the second quarter of last year (42 points).

Business Travellers

- Almost a third (32%) expect to see more business travellers during the second quarter of this year, while 25% expect to see fewer of them.
- The resulting positive balance of opinion (7 percentage points) reflects higher expectations than in the previous quarter (-6 points) and a moderate improvement over expectations in this area for the same quarter of 2006.

Hours Worked

- A full 63% on Ontario hoteliers expect hours worked to remain the same in the second quarter of 2007, and only 18% are expecting them to be higher.
- The current neutral balance of opinion (0) is more optimistic than the -7 percentage points reported last quarter, but lower than the 11 percentage points reported in the second 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.