

July – September 2007

Highlights

- Ontario's hoteliers indicated that hotel performance in the province in the second quarter of 2007 had declined relative to both the previous quarter and to the same quarter of 2006. Canada's hoteliers also reported declining occupancy results relative to past performance.
- Only 14% Ontario hotel operators reported no business difficulties in the second quarter of 2007, compared to 35% in the same quarter of 2006. At the national level, 20% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario, exchange rate fluctuations was the top impediment listed, followed by lack of attractions or facilities in the vicinity and excess room supply. Canada's hoteliers mirrored Ontario's concern about the Canadian exchange rate, but also continued to see shortages of unskilled and skilled labour as significant business impediments.
- For the third quarter of 2007, Ontario hoteliers were more optimistic about average daily room rates (ADR) and business travellers, but less optimistic in the areas of occupancy, room nights and hours worked than they were in the same quarter of 2006.

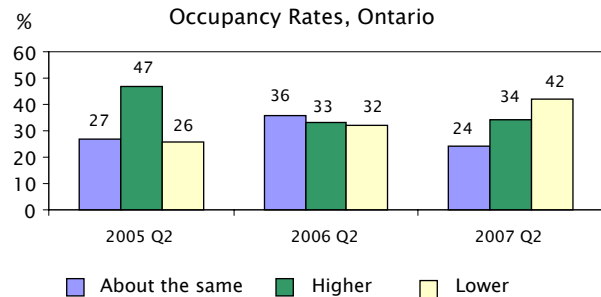
Recent Business Conditions

In the second quarter of 2007, more Ontario hoteliers reported lower occupancy rates (42%) than in the same quarter of 2006. Over the same period, 34% reported higher occupancy rates while 24% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of -8 percentage points, 9 points below the results reported in the same quarter of 2006.

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).

Occupancy Rates, Ontario



Hoteliers across Canada also reported declining occupancy results in the second quarter of 2007 over the same quarter of 2006, with fewer indicating occupancy rates were higher (31% vs. 38%), and more reporting they were lower (29% vs. 25%).

The resulting balance of opinion of 2 percentage points was 11 points lower than that reported in the same quarter of 2006.

Business Impediments

NOTE: There were changes implemented to the list of impediments in the first quarter of 2007.

Four new potential impediments were added:

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

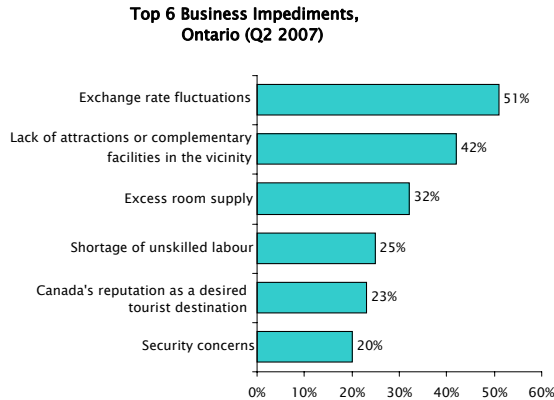
These replaced four impediments that were discontinued:

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

In the second quarter of 2007, only 14% of hotel operators in Ontario reported no business impediments, the lowest proportion since the survey was started in 2005. This is down from 20% in the previous quarter and from 35% who reported no difficulties in the same period last year.

By comparison, 20% of Canada's hotel operators reported no specific difficulties in the second quarter of 2007, down from 24% in the previous quarter and 26% in the same period last year.

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



Other business impediments reported by Ontario's hotel operators included a shortage of skilled labour (18%), regional economic conditions (16%) and abnormal weather and/or natural disasters (15%).

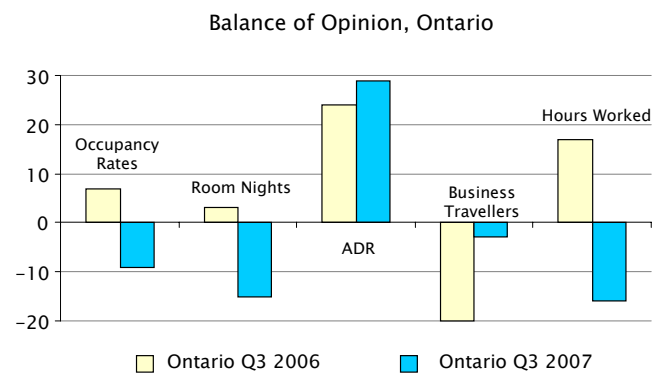
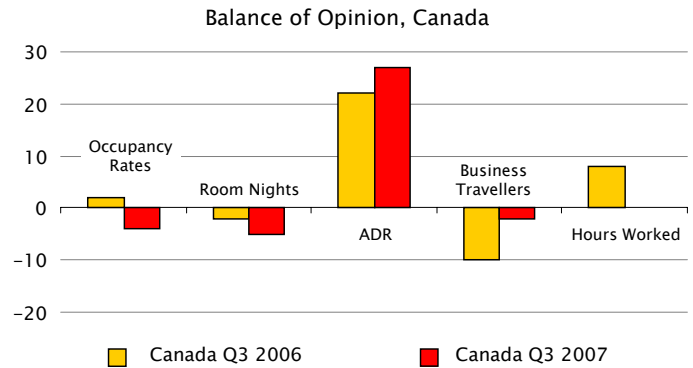
Canada's hoteliers also reported exchange rate fluctuations as their top business impediment (38%) in the second quarter of 2007, followed by the continued shortage of unskilled labour (34%) and skilled labour (30%). Excess room supply (26%), lack of attractions/facilities (23%) and Canada's reputation as a desired tourist destination (15%) round out their top six impediments.

Future Business Conditions

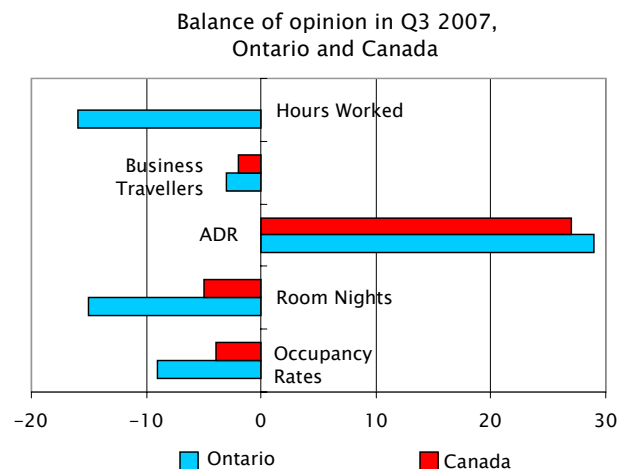
Comparison of Canada and Ontario

For the third quarter of 2007, expectations of both Canadian and Ontario hotel operators are less optimistic in all areas than they were in the previous quarter. Meanwhile, compared to expectations in the same quarter of 2006, Canadian hoteliers are more optimistic about the average daily rate (ADR) and business travellers, but less optimistic about occupancy rates, room nights and hours worked.

The same trends can be seen for Ontario hoteliers, who are more optimistic about ADR and business travellers, but less optimistic about occupancy rates, room nights and hours worked.

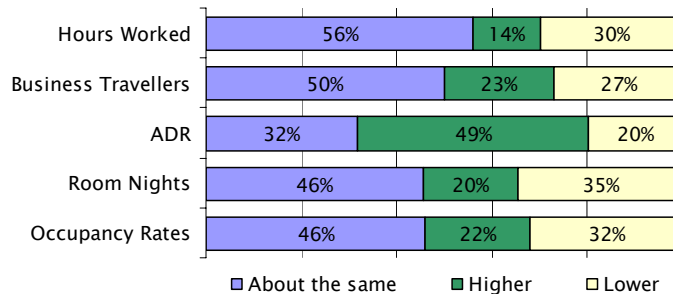


For the third quarter of 2007, Ontario's hoteliers appear less optimistic than Canadian hoteliers in all areas except expectations about ADR.



Detailed Ontario Responses

Anticipated Business Conditions for Q3 2007, Ontario



Occupancy Rates

- Only 22% of Ontario hoteliers (down from 34% last quarter) are expecting occupancy rates to increase in the third quarter, 32% are expecting them to decrease, while almost half (46%) are expecting them to be about the same. The outlook is notably less optimistic than that expressed by hotel operators last year, when a higher proportion was expecting them to increase (28%) than to decrease (21%).
- The negative balance of opinion on occupancy rates (-9) for the third quarter of 2007 marks a notable decline over the same quarter of 2006, when the balance of opinion was +7 points.

Room Nights

- 20% (down from 30% last quarter) are expecting the number of room nights to rise in the third quarter, while 35% are expecting them to decline (up from 19% last quarter and up from 22% in the same quarter last year).
- The resulting negative balance of opinion (-15) on room nights marks a significant decline from the +11 percentage points seen in the previous quarter and the +3 percentage points reported for the third quarter of 2006.

Average Daily Rate

- Expectations around ADR remain strong, with almost half (49%) of Ontario hoteliers expecting to see higher rates in the third quarter of 2007 (the sixth consecutive quarter with at least 40% of hoteliers expecting an increase). 20% are expecting rates to be lower, up from the 9% who expected a decrease last quarter and on par with the 17% who expected a decrease in the third quarter of 2006.
- At +29 percentage points, the balance of opinion is down from last quarter's high of +39 points, and up modestly from the third quarter of last year (+24 points).

Business Travellers

- 23% of Ontario hoteliers expect to see more business travellers during the third quarter of this year, while 27% expect to see fewer of them.
- The resulting balance of opinion (-3 percentage points) reflects lower expectations than in the previous quarter (+7 points) but a marked improvement over expectations in this area for the same quarter of 2006 (-20 points).

Hours Worked

- More than half (56%) of Ontario hoteliers expect hours worked to remain the same in the third quarter of 2007, while 30% expect hours worked to decrease and only 14% expect them to increase.
- The current negative balance of opinion (-16) is a considerable change from the neutral balance of opinion expressed last quarter and an even more significant shift from third quarter expectations in 2006, when 27% of Ontario hoteliers expected hours to increase and only 10% expected them to decrease – resulting in a positive balance of opinion of +17 percentage points.

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.