

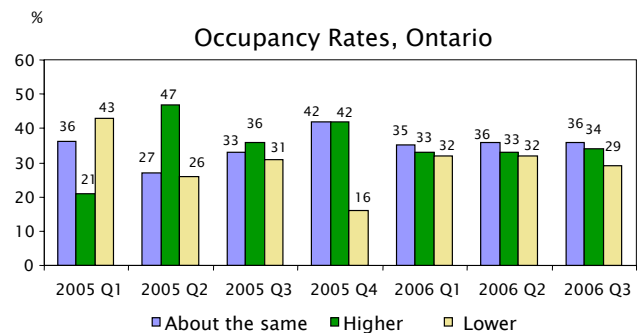
### Highlights

- Ontario's hoteliers indicated that hotel performance in the province over the third quarter of 2006 was similar to that reported in the same quarter of 2005, while Canada's hoteliers experienced a small decline.
- Fewer than 3 in 10 Ontario hotel operators reported no business difficulties in the third quarter of 2006, down from the previous quarter (35%) and down from the same quarter of 2005 (42%). At the national level, only 23% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario in the third quarter of 2006, general economic conditions again remained the top impediment listed, followed by a lack of attractions or facilities in the vicinity. For Canada's hoteliers, the shortage of skilled and unskilled labour continued to be the main issue.
- On balance, Ontario hoteliers are expecting a worse performance in the fourth quarter of 2006 than in the same quarter last year, with the exception of room rates where significant optimism could be seen.

### Recent Business Conditions

In the third quarter of 2006, 34% of Ontario's hoteliers reported higher occupancy rates over the past three months, compared to the same quarter of 2005, while 29% reported lower occupancy rates, and 36% reported that occupancy rates were about the same. This resulted in an improvement in the balance of opinion<sup>1</sup> (+5 percentage points) over the previous quarter, but similar to results reported in the same quarter of 2005.

<sup>1</sup> 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).



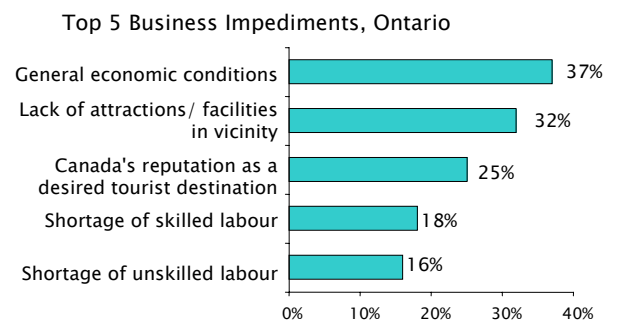
Compared to Ontario's hoteliers, fewer hoteliers across Canada reported higher occupancy rates for the third quarter of 2006 over the same quarter of 2005, and more reported lower occupancy rates, resulting in a balance of opinion of -2 percentage points.

### Business Impediments

In October 2006, 29% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This is down from the 35% who reported no difficulties in June 2006 and down more significantly from the 42% of hotel operators who reported no difficulties in the same period last year.

By comparison, only 23% of Canada's hotel operators reported no specific difficulties in the third quarter of 2006, down from 26% in the previous quarter. This was the lowest level since the first quarter of 2005, when the survey was first released.

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



Other business impediments reported by Ontario's hotel operators included excess room supply (15%), access to financing (7%), public health and safety concerns (6%) and other impediments (25%).

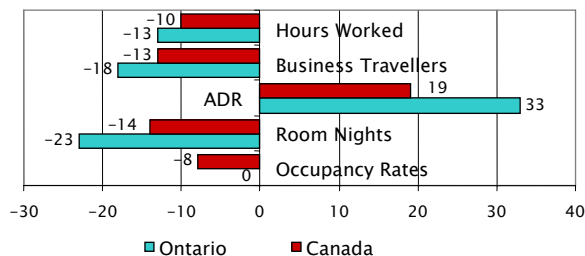
General economic conditions (22%) and lack of attractions/facilities (23%) were also among the top five business difficulties reported by Canada's hoteliers, but shortage of unskilled labour (36%) and skilled labour (29%) were again identified as the two most significant issues in the third quarter of 2006, with excess room capacity (19%) rounding out their top five impediments.

## Future Business Conditions

### Comparison of Ontario and Canada

Overall, expectations of both Ontario and Canadian hotel operators for the fourth quarter are the lowest this year in all areas, except for room rates.

Balance of opinion on Fourth Quarter 2006, Ontario and Canada



Ontario's hoteliers appear somewhat more optimistic about occupancy rates (with a balanced opinion of zero) and are even more optimistic than Canadian hoteliers regarding room rates.

Compared to Canada as a whole, however, Ontario hotel operators were less optimistic about total room nights, the number of business travellers expected and hours worked.

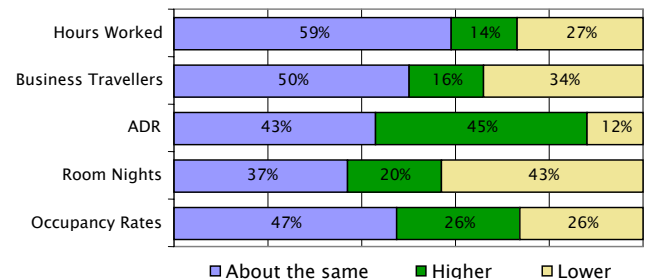
### Detailed Ontario Responses

The outlook expressed by Ontario hoteliers for the fourth quarter is less optimistic than the one given during the fourth quarter of last year in all areas except room rates (ADR). With a positive balance of opinion of 33 percentage points, a full 88% of Ontario hotel operators expect rates to either increase (45%) or stay the same (43%) over the fourth quarter of the year, relative to the same quarter of last year.

### Occupancy Rates

- Only 26% are expecting occupancy rates to rise in the fourth quarter, with 47% expecting them to be about the same. The outlook is similar to what was expressed by hotel operators last year, when only 27% were expecting an increase and 48% were expecting occupancy rates to stay about the same.
- The balance of opinion on occupancy rates in the fourth quarter has dropped modestly from 3 percentage points in 2005 to 0 in 2006.

Anticipated Business Conditions Fourth Quarter 2006, Ontario



### Room Nights

- Only 20% (down from 26% last quarter) are expecting the number of room nights to rise in the fourth quarter and 43% are expecting them to decline (up significantly from 22% last quarter and from 24% in the same quarter last year).
- The balance of opinion on room nights plunged from 3 percentage points in the third quarter 2006 (and 3 points in fourth quarter 2005) to -23 percentage points in the fourth quarter of 2006.

### Average Daily Rate

- Expectations around ADR remain strong in the fourth quarter, with 45% of Ontario hoteliers expecting to see it increase and only 12% expecting a decrease.
- This continues the trend seen over the last two quarters, with the current positive balance of opinion sitting at +33 percentage points, exceeding last quarter's +24 percentage point spread but down somewhat from the +42 points reported for the second quarter of 2006.

### Business Travellers

- Only 16% expect to see more, while 34% expect to see fewer business travellers during the fourth quarter of this year. The resulting negative balance of opinion (-18 percentage points), is similar to expectations in the third quarter of this year but show a noticeable decline relative to the +12 percentage points reported for the fourth quarter of 2005.

### Hours Worked

- Expectations in this area have weakened considerably over the last quarter. The current balance of opinion of -13 percentage points is considerably less optimistic than the +17 percentage points reported during the third quarter of 2006, as well as the -4 percentage points reported in the fourth quarter of 2005.

**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.