



Business Conditions Survey

For the Traveller Accommodation Industry

April-June 2006

Highlights

▶ Ontario’s hoteliers indicated that hotel performance in the province in the 1st quarter of 2006 was marginally better than the same quarter of 2005. Canada’s hoteliers had a more positive view.

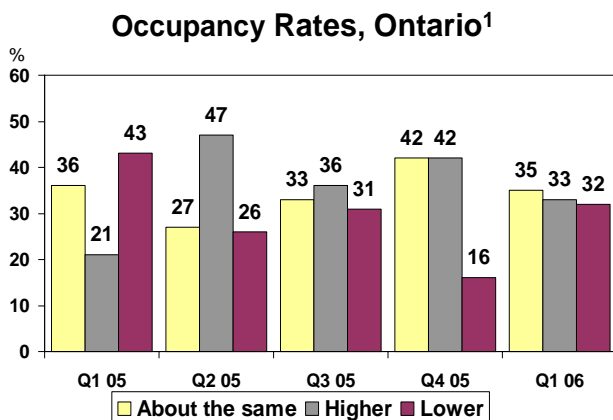
▶ Almost half (46%) of Ontario’s hoteliers reported no business difficulties in the 1st quarter of 2006, which was much better than the same quarter of 2005. In comparison, only 30% of Canada’s hoteliers saw no business difficulties.

▶ Among those who reported business difficulties in Ontario in the 1st quarter of 2006, the top two impediments were: general economic conditions and excess room supply. For Canada’s hoteliers, shortage of skilled and unskilled labour was the main issue.

▶ Ontario’s hoteliers expect a higher hotel occupancy rate, more room nights, a higher average daily rate and more hours worked by employees in the 2nd quarter of 2006, compared to the same quarter of 2005. Canada’s hoteliers are less optimistic.

Recent Business Conditions

In the 1st quarter of 2006, 33% of Ontario’s hoteliers reported higher occupancy rates over the same quarter of 2005 and 32% reported lower occupancy rates, giving a slim positive balance of opinion (+1 percentage points).



¹ Expressed as percentages over the same period of previous year.

Although the balance of opinion in the 1st quarter of 2006 improved over the 1st quarter of 2005 (when it was -22), it was still below the levels achieved during the 2nd, 3rd and 4th quarter of 2005 (+21, +6 and +27 percentage points respectively).

Compared to Ontario’s hoteliers, hoteliers across Canada were also optimistic about their occupancy rates for the 1st quarter of 2006 over the same quarter of 2005, with a balance of opinion of +6 percentage points.

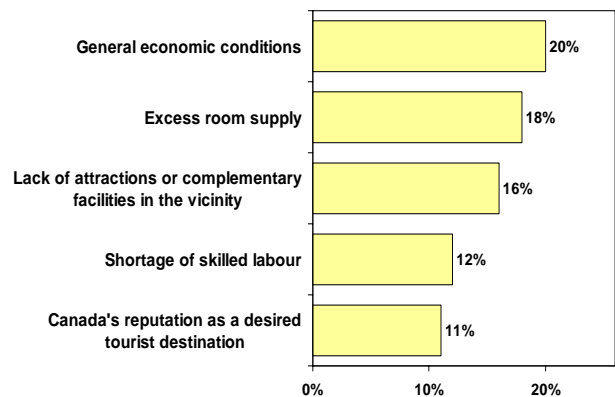
Business Impediments

In March 2006, 46% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This was the highest level achieved since the 1st quarter of 2005.

In comparison, only 30% of Canada’s hotel operators reported no specific difficulties in the 1st quarter of 2006. This was the lowest level since the 1st quarter of 2005.

The top five major business impediments faced by Ontario hoteliers in the 1st quarter of 2006 are shown in the chart below.

Top 5 Business Impediments, Ontario



Other business impediments that Ontario’s hotel operators faced included “Shortage of unskilled labour” (8%), “Abnormal weather/natural disasters” (7%), “Access to financing” (6%), and “Other” business impediments (16%).

“Excess room capacity” (22%) and “General economic conditions” (20%) were also among the



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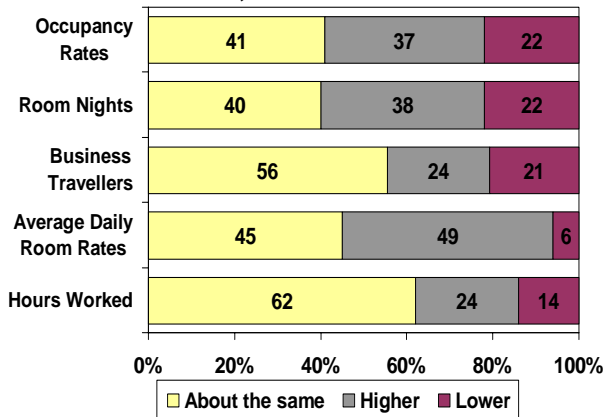
top five business difficulties for Canada's hoteliers, but "Shortage of unskilled labour" (32%) and "Shortage of skilled labour" (24%) were identified as their first and second business difficulties in the 1st quarter of 2006. "Lack of attractions or complementary facilities in the vicinity" (12%) was the fifth business difficulty for Canada's hoteliers; and only 11% cited "Canada's reputation as a desired tourist destination" as a business difficulty.

Future Business Conditions

Occupancy Rates

41% of Ontario's hotel operators expect occupancy rates in the 2nd quarter of 2006 to remain at the same level as they were in the 2nd quarter of 2005. 37% believe that occupancy rates will be higher and 22% believe that they will be lower, giving a positive balance of opinion (+15 percentage points). This outlook is slightly more optimistic than the one given during the 2nd quarter of 2005 (+13 percentage points), but significantly more optimistic than the ones given for the 4th quarter of 2005 and the 1st quarters of 2006.

Anticipated Business Conditions, Ontario, 2nd Quarter 2006¹



Room Nights

Most Ontario hoteliers (40%) anticipate that the number of room nights booked in the 2nd quarter of 2006 will be about the same as in the same quarter of 2005, with 38% expecting room nights to rise and 22% expecting them to decline. This gives a balance of opinion of +16 percentage points, slightly higher than the one given during the 2nd quarter of 2005 (+13 percentage points).

Average Daily Rate

Less than half of the hotel operators in Ontario (45%) expect the average daily room rate (ADR) to remain the same as in the 2nd quarter of 2005, while almost half (49%) anticipate it to be higher and 6% expect it to be lower, giving a positive balance of opinion (+42 percentage points), which is higher than that reported during the 2nd quarter of 2005.

Business Travellers

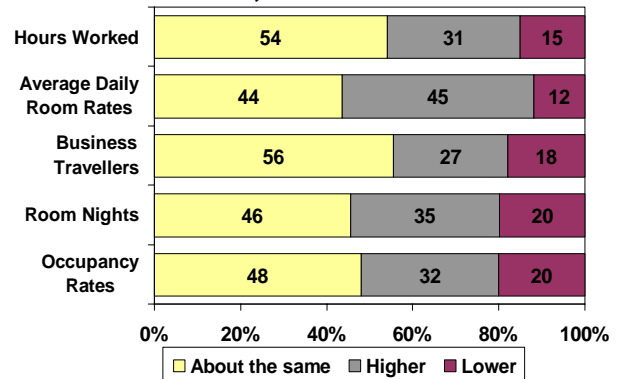
56% of Ontario's hoteliers expect to see about the same number of business travellers in the 2nd quarter of 2006 as they did in the same quarter of 2005. 24% expect to see more, and 21% expect to see less. This gives a balance of opinion of +3 percentage points, lower than that reported during the 2nd quarter of 2005.

Hours Worked

The majority (62%) of Ontario's hoteliers anticipate that the total number of hours worked by their employees in the 2nd quarter of 2006 will be the same as it was in the 2nd quarter of 2005, while 24% expect their employees to work more hours and 14% expect them to work fewer hours. This gives a balance of opinion of +11 percentage points, significantly more optimistic than that reported during the 2nd quarter of 2005.

Generally, Ontario hoteliers have more optimistic outlook about room nights and average daily rates for the 2nd quarter 2006 than Canada's hoteliers, but less so about business travellers and hours worked.

Anticipated Business Conditions, Canada, 2nd Quarter 2006¹





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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.