

## Highlights

- Ontario's hoteliers indicated that hotel performance in the province in the 2<sup>nd</sup> quarter of 2006 showed a noticeable decline over the same quarter of 2005, while Canada's hoteliers had a more positive experience.
- More than a third (35%) of Ontario's hoteliers reported no business difficulties in the 2<sup>nd</sup> quarter of 2006, down from the 1<sup>st</sup> quarter of the year (46%) but up from the same quarter of 2005 (28%). In comparison, only 26% of Canada's hoteliers saw no business difficulties.
- Among those who reported business difficulties in Ontario in the 2<sup>nd</sup> quarter of 2006, general economic conditions 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 3<sup>rd</sup> quarter of 2006 than in the 3<sup>rd</sup> quarter of 2005.

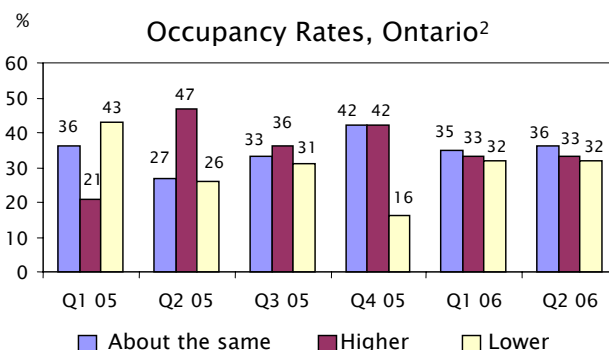
## Recent Business Conditions

In the 2<sup>nd</sup> quarter of 2006, 33% of Ontario's hoteliers reported higher occupancy rates over the past three months, compared to the same quarter of 2005 and 32% reported lower occupancy rates, maintaining the slim positive balance of opinion<sup>1</sup> (+1 percentage points) reported in the 1<sup>st</sup> quarter of 2006.

With opinion virtually unchanged over the previous quarter, the level of optimism among Ontario hoteliers has dipped substantially over the strong 2<sup>nd</sup> and 4<sup>th</sup> quarters 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).

<sup>2</sup> Expressed as percentages over the same period of previous year.



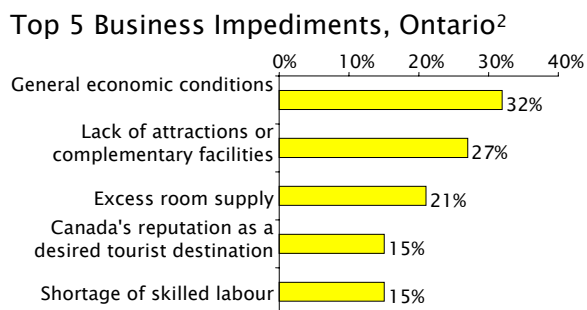
Compared to Ontario's hoteliers, hoteliers across Canada reported higher occupancy rates for the 2<sup>nd</sup> quarter of 2006 over the same quarter of 2005, with a balance of opinion of +13 percentage points.

## Business Impediments

In June 2006, 35% of hotel operators in Ontario reported that their businesses were not impeded by specific difficulties. This is down from 46% in March 2006 but up from the same period last year where only 28% of hotel operators reported no difficulties.

In comparison, only 26% of Canada's hotel operators reported no specific difficulties in the 2<sup>nd</sup> quarter of 2006, down from 30% in the 1<sup>st</sup> quarter. This was the lowest level since the 1<sup>st</sup> quarter of 2005.

The top five major business impediments faced by Ontario hoteliers in the 2<sup>nd</sup> quarter of 2006 are shown in the chart below:



Other business impediments that Ontario's hotel operators faced included shortage of unskilled labour (12%), access to financing (6%), public health and safety concerns (6%) and other impediments (14%).

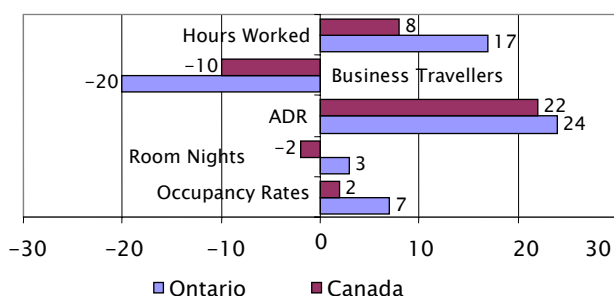
General economic conditions (27%), excess room capacity (22%) and lack of attractions/facilities (22%) were also among the top five business difficulties for Canada's hoteliers, but shortage of unskilled labour (34%) and skilled labour (31%) were identified as the two most significant issues again in the 2<sup>nd</sup> quarter of 2006.

## Future Business Conditions

### Comparison of Ontario and Canada

Overall, Ontario hoteliers appear a little more optimistic about the 3<sup>rd</sup> quarter than Canada's hoteliers in all areas except business travellers.

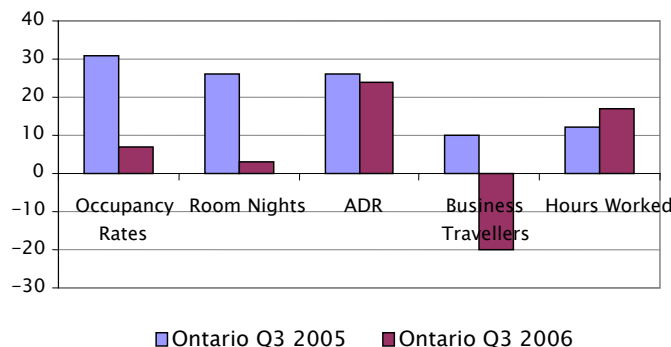
Balance of opinion on Third Quarter 2006, Ontario and Canada



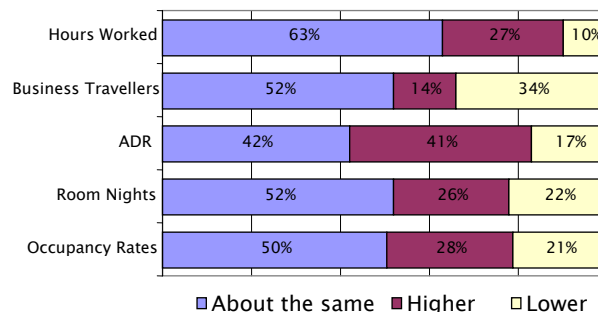
### Detailed Ontario Responses

The outlook expressed by Ontario hoteliers, however, is less optimistic than the one given during the 3<sup>rd</sup> quarter of last year in all areas except hours worked.

Balance of Opinion, Ontario



Anticipated Business Conditions for Third Quarter 2006, Ontario



### Occupancy Rates

- Only 28% are expecting occupancy rates to rise in the 3<sup>rd</sup> quarter, a sharp decline from 46% in the same quarter of 2005.
- The balance of opinion on occupancy rates in the 3<sup>rd</sup> quarter plunged from +31 percentage points in 2005 to +7 in 2006.

### Room Nights

- Only 26% (down from 38% last quarter) expecting the number of room nights to rise in the 3<sup>rd</sup> quarter and 22% (unchanged from last quarter) expecting them to decline.
- The resulting balance of opinion of +3 percentage points is markedly lower than 26 percentage points posted in the 3<sup>rd</sup> quarter of 2005.

### Average Daily Rate

- While 41% anticipate the ADR will be higher in the 3<sup>rd</sup> quarter, this is down from 49% last quarter, while 17% expect it to be lower (up from 6% last quarter).
- The positive balance of opinion (+24 percentage points) is down from last quarter's +42 points but similar to that of the same quarter of last year.



### Business Travellers

- Only 14% expect to see more, while 34% expect to see fewer business travellers during the 3<sup>rd</sup> quarter of this year, resulting in a negative balance of opinion (-20 percentage points), a marked decline relative to the +10 percentage points reported for the 3<sup>rd</sup> quarter of 2005.

### Hours Worked

- Expectations in this area are similar to those expressed last quarter. The balance of opinion of +17 percentage points is more optimistic than the +12 percentage points reported during the 3<sup>rd</sup> quarter of 2005.

**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.