

RESEARCH

MONITORING CANADA'S ACCOMMODATION INDUSTRY DURING A CHALLENGING YEAR – 2003

THE IMPACTS OF THE IRAQ WAR AND SARS

REPORT #2

QUARTER 2 – 2003 RESULTS

Research
report
2004-2

Discover our true nature

CANADIAN
TOURISM
COMMISSION



COMMISSION
CANADIENNE
DU TOURISME



Monitoring Canada's Accommodation Industry During A Challenging Year – 2003

The Impacts Of The Iraq War And SARS
Report #2
Quarter 2 – 2003 Results

Prepared For:

Ontario Ministry of Tourism and Recreation
and
Canadian Tourism Commission

Prepared by:

PKF CONSULTING

Ottawa, Nov 2003

National Library of Canada cataloguing in publication data

Main entry under title :

Monitoring Canada's accommodation industry during a challenging year – 2003, the impacts of the Iraq War and SARS : report 2, quarter 2 – 2003 results

Issued also in French under title : Évolution de l'industrie de l'hébergement au Canada au cours d'une année difficile – 2003, incidence de la guerre en Iraq et du SRAS, rapport no 2, résultats du 2e trimestre de 2003.

ISBN 0-662-36556-9

Cat. no. C86-184/1-2003E

1. Hospitality industry – Canada – Statistics.
 2. Hotels – Canada – Statistics.
 3. Motels – Canada – Statistics.
 4. SARS (Disease) – Economic aspects – Canada.
 5. Iraq War, 2003 – Economic aspects – Canada.
- I. PKF Consulting (Firm)
 - II. Ontario. Ministry of Tourism, Culture and Recreation.
 - III. Canadian Tourism Commission.

TX907.5C3M66 2003

647.9471

C2004-980128-7

If you require additional copies, please visit our website at www.canadatourism.com or e-mail your order to the CTC Distribution Centre at: distribution@ctc-cct.ca. Please quote #C50331E when ordering by e-mail.

Table of Contents

Executive Summary	1
1. Introduction	7
1.1. On The Heels Of 9/11... Iraq War, SARS & BSE	7
1.2. Measuring The Impacts – PKF Analysis	8
1.3. National Accommodation Supply	10
2. National Performance Of Canada’s Accommodation Industry – Second Quarter 2003	11
2.1. National Results – 2 nd Quarter 2003	11
2.2. National Cancellations and Booking Pace in Quarters 3 & 4	15

Editorial Note:

This second quarter report is an abridged version. The full report as was published for the first quarter showing the detailed results by province and city is available in English only at the Ontario Ministry of Tourism and Recreation website www.tourism.gov.on.ca . Alternatively, you can contact CTC Research Program for the full report in both English and French. Contact Daniel Pertus at: pertus.daniel@ctc-cct.ca.

Executive Summary

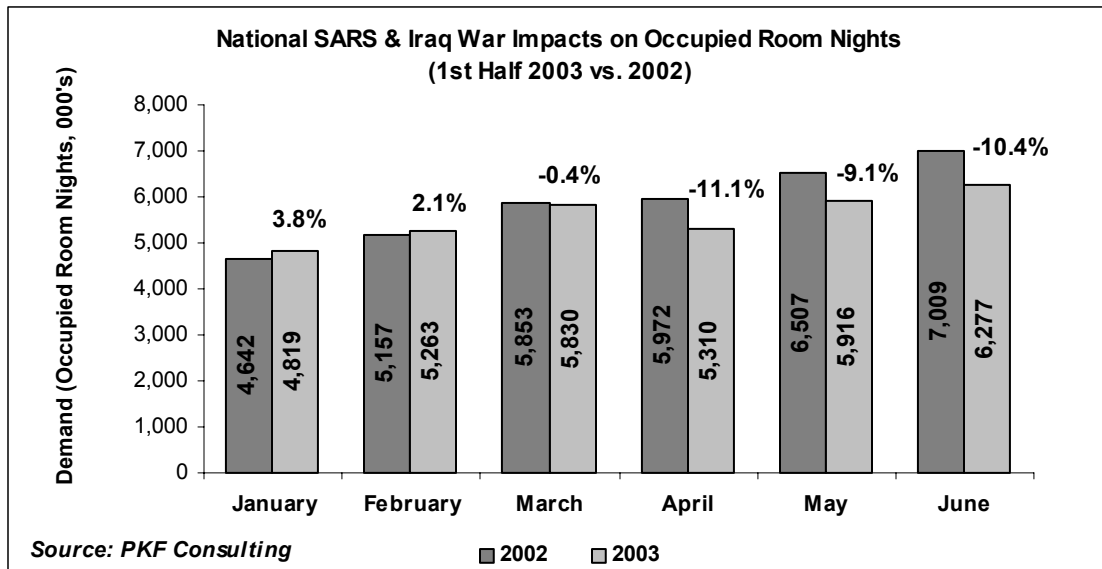
Measuring the Impacts of the Iraq War and SARS on Canada's Accommodation Industry – Quarter 2 Results

Prior to the onset of SARS (Severe Acute Respiratory Syndrome), there were differing opinions as to where the accommodation industry in Canada was headed. Most had expected a recovery in 2002 that never materialized and generally speaking the industry was approaching 2003 with guarded optimism. In late March, the Ontario Ministry of Tourism & Recreation and the Canadian Tourism Commission retained PKF Consulting to monitor the impact of the then impending war in Iraq on the Canadian Accommodation Industry. Shortly thereafter, the study was broadened to include the impact of the SARS crisis, which today dominates the ongoing study.

2 million Room Nights Lost in the 2nd Quarter Across Canada

While the Canadian accommodation industry started the year off well, posting a 2.6% increase in overnight demand in January and February 2003, demand levels started slipping by 1% in March, and thereafter fell sharply by 11% in April, another 9% in May and a further 10% in June. While the industry reported a loss of close to 23,000 room nights in March, April results deteriorated rapidly to a shortfall of over 662,000 occupied room nights. May was almost as equally devastating with over 590,000 room nights lost, with the losses in June accelerating to 732,000 occupied room nights. In all since March, the industry has suffered a total deficit of over 2 million room nights in comparison to last year's performance.

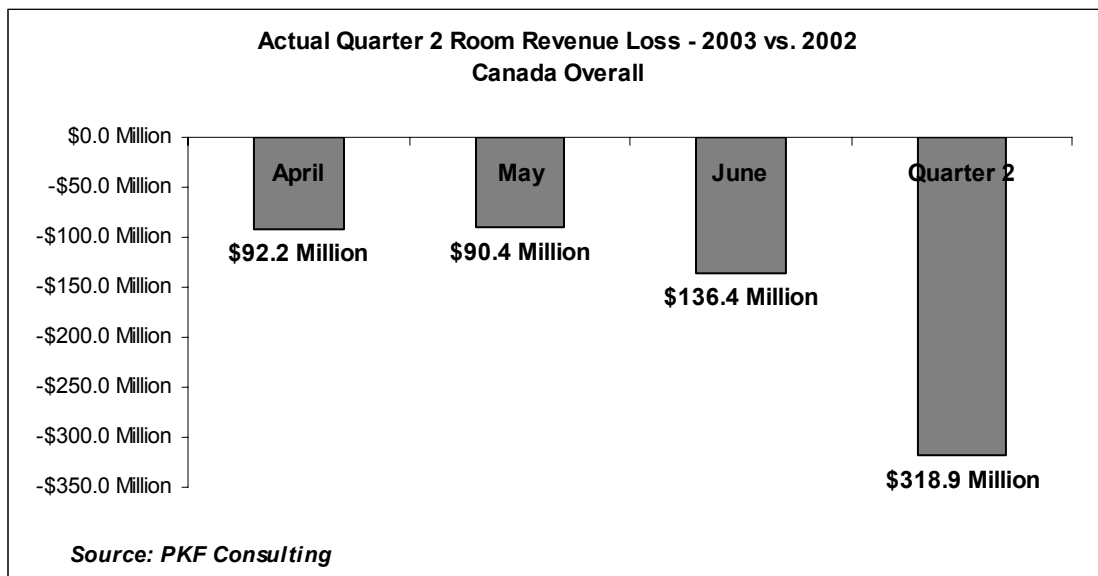
Exhibit 1



Quarter 2 Rooms Revenue Down by \$320 Million Across Canada

During the month of April, with the onset of SARS and the lingering effects of the Iraq War, Canada as a whole lost \$92 million in room revenue in comparison to last year. Faced with a travel advisory and a second wave of the SARS outbreak in May, the industry endured a further attrition of \$90 million in room revenue. Already in distress, accommodation providers suffered an additional \$136 million year-over-year decline in the month of June, bringing the total room revenue damage for the 2nd quarter to \$320 million. Accounting for the other on-site ancillary sources of revenue generated by the accommodation sector, Canada's combined accommodation revenue loss during the 2nd quarter is estimated at \$491 million.

Exhibit 2



Ontario Shoulders the Brunt of the Impacts – Loss of \$185 million in Rooms Revenue -- 58% of the National Loss to date

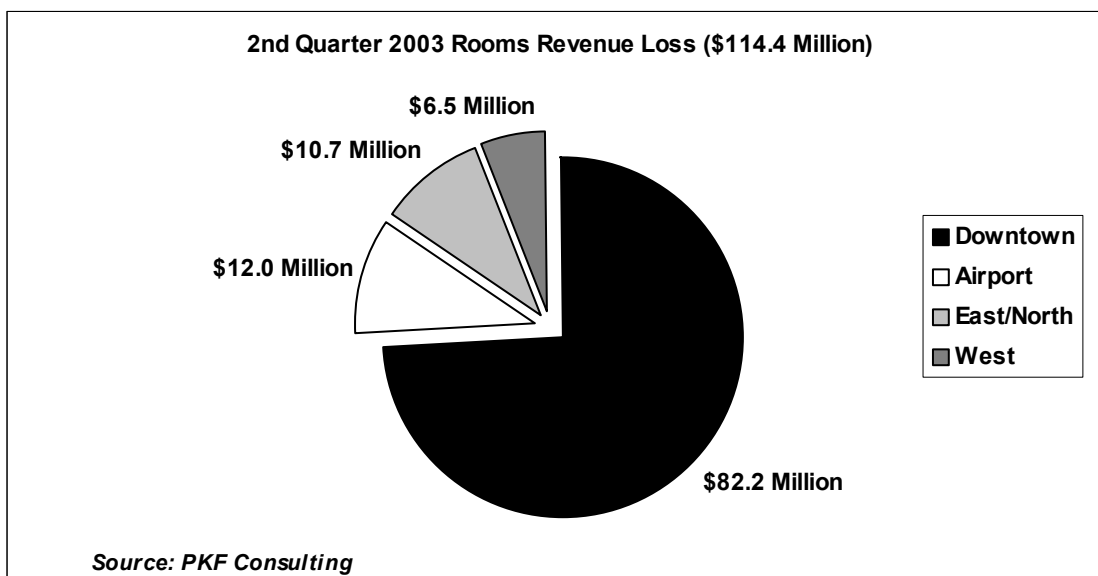
Demand for Ontario's hotels was up by almost 205,000 room nights or 4% in Quarter 1, 2003, before taking a sharp turn in the other direction and reporting a loss of over 1 million room nights in Quarter 2. This represents a \$185 million decline in room revenue or 58% of the national loss. Ontario's hotel occupancy during Quarter 2 this year was 53% -- 12 points below last year's Q2 occupancy of 65%. Ontario's average daily rate also eroded by \$12 in Quarter 2, from \$121 last year, to \$109 this year.

Greater Toronto Area Hardest Hit -- \$111 million in Rooms Revenue Lost in Quarter 2, \$82 million Amongst Downtown Toronto Hotels

Hotel demand in the Greater Toronto Area was up by approximately 85,000 room nights during the first quarter of 2003, or 4.8%, before the phone starting ringing in April with cancellations and stopped ringing for future bookings. The GTA's occupancy for Quarter 2 was 48%, down 20 points from last year, indicating a loss of over 1 million occupied room nights. From a room revenue perspective, the Greater Toronto hotel industry lost over \$111 million in Quarter 2.

Of the \$111 million in room revenue lost across the GTA, \$82.2 million was amongst Toronto's downtown hotels -- 74¢ of every dollar lost in the GTA. Downtown Toronto occupancy levels, which reached 72% last year, dropped by over 25 occupancy points to 47% for the same quarter this year. Toronto downtown hotels also lost rate integrity, with last year's ADR at \$173 in Quarter 2, falling to \$140 in Quarter 2 of this year.

Exhibit 3

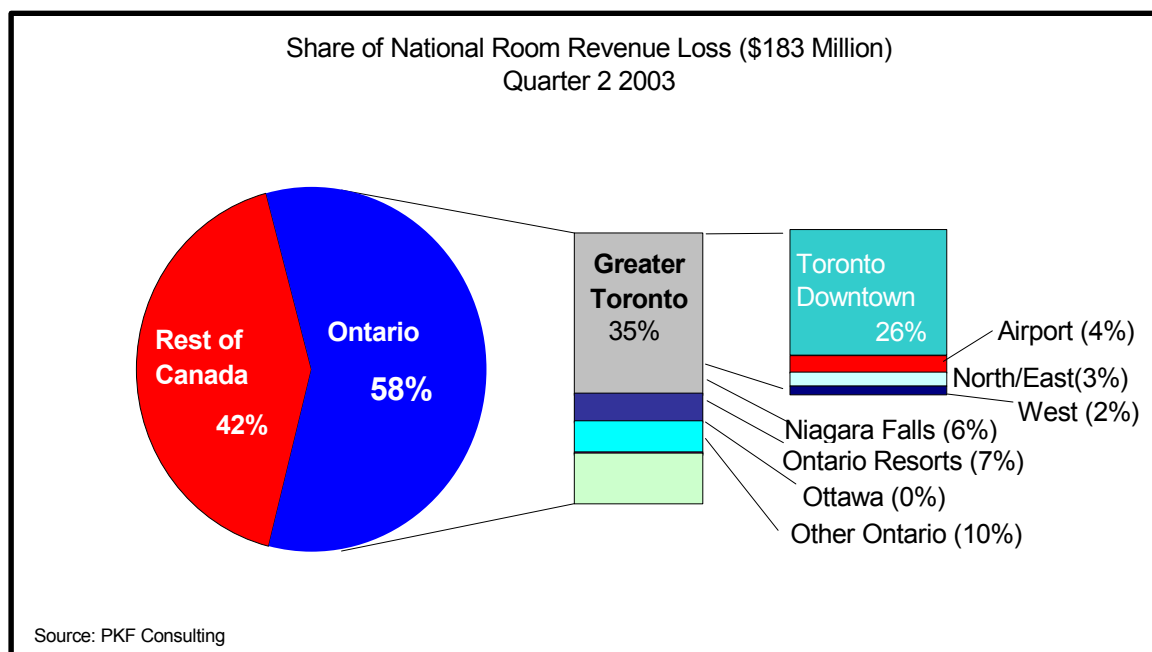


Impacts Have Spread to Other Ontario Markets

Although downtown Toronto hotels were the hardest hit in Quarter 2, the impact of SARS, and to a lesser extent the Iraq War, has had a rippling effect across Ontario's other major markets. In particular:

- Ontario Resorts lost over \$21 million in rooms revenue during Quarter 2 – 99,000 fewer occupied room nights than the same period last year;
- Niagara Falls lost 122,000 occupied room nights, which is close to \$19 million in rooms revenue;
- Toronto Airport hotels were off by \$12 million in rooms revenue, which is 83,000 less occupied room nights than last year;
- Toronto East/North properties were down by over 97,000 occupied room nights, representing \$11 million in lost rooms revenue;
- Toronto West properties sold 63,000 fewer room nights, thus suffering a \$6 million loss; and
- Windsor hotels reported room revenue losses of over \$3 million, which represents a shortfall of 24,000 in occupied room nights compared to last year's Quarter 2.
- Ottawa initially bore a loss of \$3 million in room revenue during the month of April, but rebounded in May posting a gain of \$2.1 million, with revenues only off by \$152,000 in June, in comparison to last year.

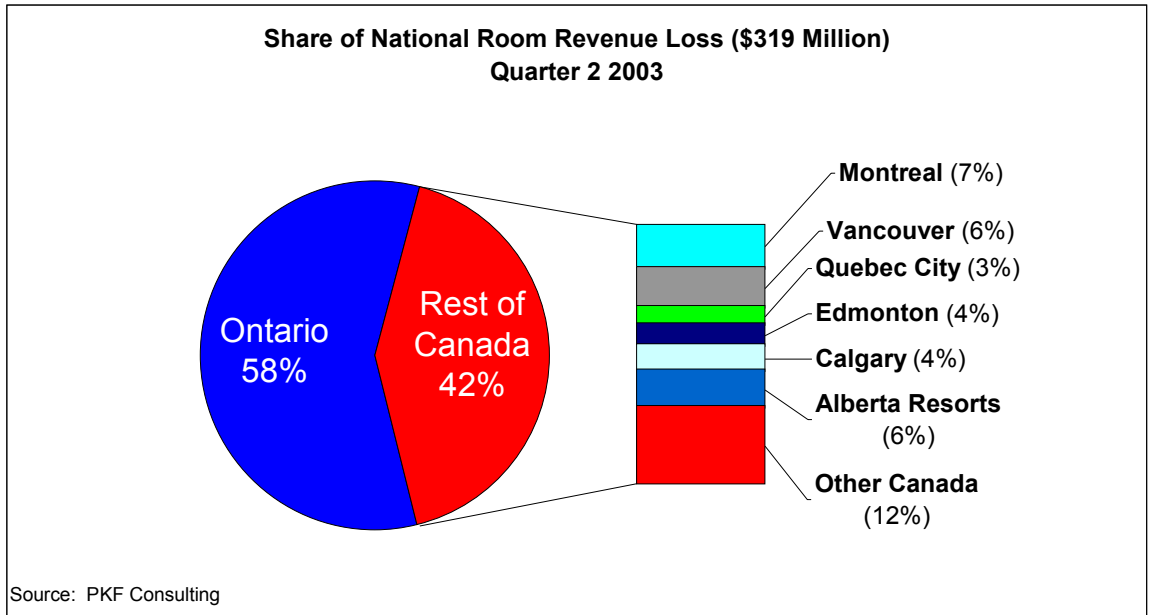
Exhibit 4



Impacts Also Felt Across Other Canadian Markets

Nationally, of the \$320 million in lost rooms revenue in Quarter 2, 42% has been in markets outside of Ontario. Specifically,

- Greater Montreal hotels reported a loss of 147,000 occupied room nights in Quarter 2, representing over \$23 million in rooms revenue;
- Greater Vancouver was down by 128,000 occupied room nights, which translates to a loss of \$20 million in rooms revenue;
- Quebec City was down by 52,000 occupied room nights, equating to a loss of over \$9 million in rooms revenue;
- Calgary hotels and Alberta Resorts reported a loss of approximately 85,000 and 98,000 occupied room nights per market respectively, equating to a room revenue loss of \$12.7 million for Calgary and \$18.4 million for Alberta Resorts.
- Although the Edmonton hotel market was off by 165,000 occupied room nights in Quarter 2 (a loss of \$10.6 million in rooms revenue), this decline was largely attributable to the conclusion of the 2001/02 phase of the Shell Athabasca project which resulted in a strong 2002 industry performance.



9/11 vs. SARS

To date, SARS and the Iraq War have already had an impact on the Canadian accommodation industry equal to that of 9/11. The outbreak of SARS and the Iraq conflict however, has impacted the industry in a very different manner. First losses associated with 9/11 were concentrated in the month of September, which realized 51% of the total room nights lost due to this event. Each month thereafter the losses were cut in half and by December 2001, direct losses associated with 9/11 were negligible. The losses associated with the SARS Outbreak have in fact escalated with the approach of Canada's peak tourism season. The greatest impacts to date have been realized in the month of June as markets dependent on international tour group business and meeting/convention demand were faced with insurmountable losses. Unfortunately, the fact that the SARS Outbreak began to impact the industry as the peak season approached has magnified the absolute room night and dollar losses.

Secondly, the impact of SARS has been concentrated in Ontario and more specifically in the GTA market. The impacts of 9/11 were more evenly spread throughout the country with about 40% of the loss realized in Ontario and 22% in the Greater Toronto Area. Conversely, over half of the impacts resulting from SARS have been in the Province of Ontario and over one-third in the GTA.

Downward Trend Expected to Continue over the Summer Months

Despite the fact that the SARS virus is now under control, with no new cases reported since June 12, the prospects for the remainder of the summer in the many impacted markets are not strong. A significant level of summer business has cancelled and will be difficult to replace given the decline in fill rates. While the impacts for the remainder of the year may not be as great as those experienced to date, they will only add to what is already shaping up to be a devastating year in many Canadian hotel markets.

1. Introduction

1.1. On The Heels Of 9/11... Iraq War, SARS & BSE

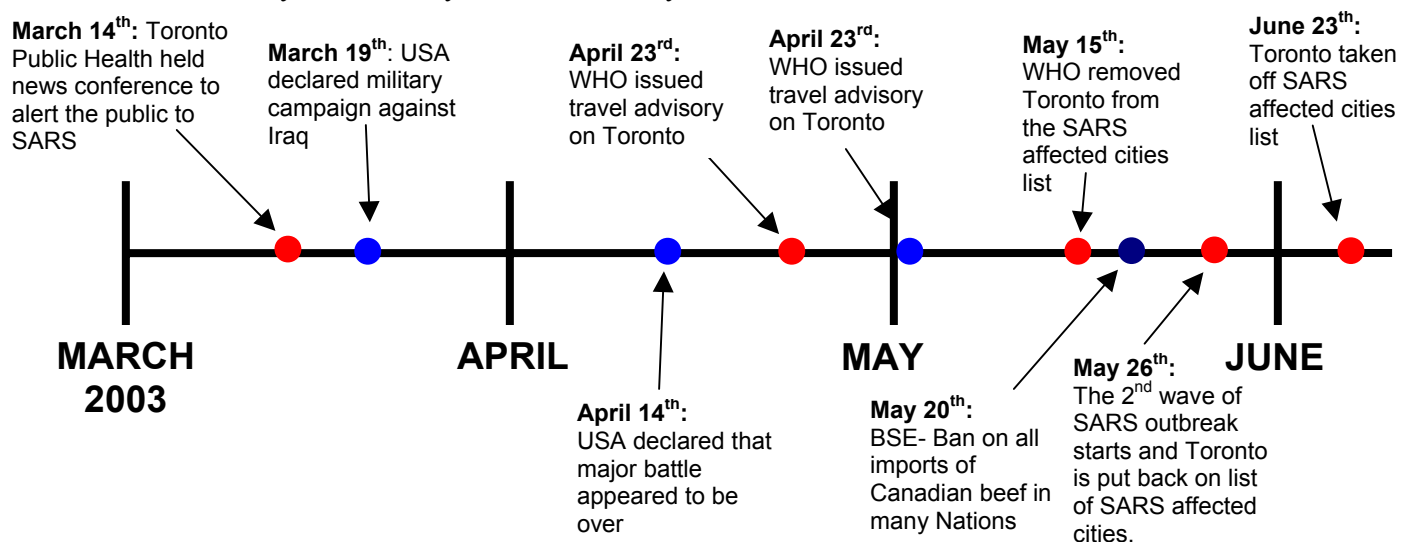
Canada's tourism industry has been severely impacted by both the Iraq War and the outbreak of Severe Acute Respiratory Syndrome (SARS) in the first six months of 2003. With rumblings surrounding the impending war in Iraq first stirring in Quarter 3 of 2002, the US led war against Iraq officially began on Wednesday March 19th when President George W. Bush declared a military campaign against Iraq. After several weeks of battling and while some fighting was still going on, the United States of America had declared on April 14th that the major battle appeared to be over. However, it was not until May 1st that President Bush announced that the "major combat operations in Iraq have ended."

Just when Canadians thought the country's economy would improve with the Iraq War concluded, the outbreak of Severe Acute Respiratory Syndrome (SARS), a respiratory illness with pneumonia-like symptoms once again threatened the Canadian tourism industry.

On March 14th, Toronto Public Health held its first news conference to alert the public to this fatal epidemic after the first SARS patient died on March 13th at Toronto's Scarborough Grace Hospital. This in turn set off a chain reaction within Toronto and the City was quickly issued a travel advisory on April 23rd from the World Health Organization (WHO) for non-essential travel. Due to intense lobbying efforts on behalf of the municipal, provincial and federal governments, the travel advisory on Toronto was lifted on April 30th and the City was removed from the list of SARS affected cities on May 15th after the disease was thought to be under control. However, Toronto hospitals efforts to curb any further transmission of the disease were unsuccessful and a second wave of SARS outbreak surfaced on May 22nd. Toronto was once again put back on the list of affected areas on May 26th and was subsequently taken off on June 23, 2003.

Further compounding an already devastating situation for Canada's hospitality industry, one lone case of BSE in Alberta (Mad Cow disease) was confirmed by the World Reference Laboratory on May 20, 2003, and within hours a ban on all imports of Canadian beef was announced.

These recent events have had an immediate and devastating impact on Canada's accommodation industry – impacts which have not only been felt in the Greater Toronto Area, but have crippled the tourism industry and economy across the country.



1.2. Measuring The Impacts – PKF Analysis

In March 2003, PKF Consulting was retained by the Ontario Ministry of Tourism and Recreation and the Canadian Tourism Commission to analyze the impacts of these recent and ongoing events on Canada's accommodation industry. Similar to the analysis that was undertaken immediately following the tragic events of 9/11, PKF Consulting contacted our "Trends" participants as part of a series of 3 surveys, which will take place over the balance of 2003.

The first report dated May 30, 2003 provides an analysis of the first quarter, while the subject report provides an analysis of Quarter 2 – the quarter, which saw the devastating impacts of SARS.

1.2.1. Quarter 2 Survey of Accommodation Operators

During the month of June and early July 2003, PKF Consulting undertook a 2nd survey of accommodation operators in Canada's major markets through our PKF *Trends in the Hotel Industry National Market Report* participants.¹ This survey was a follow-up to the initial survey which was issued in April and May 2003.

As the second in a series of 3 surveys to be implemented over the course of the year, the Quarter 2 2003 survey asked the following questions:

PART 1 QUARTER 3 BOOKING PACE AND Q3 & Q4 CANCELLATIONS

Accommodation Booking Pace for Quarter 3

1. As of June 30, 2003, what were your confirmed bookings by month for July, August and September 2003, as compared to the year prior.

Room Cancellations as at June 30, 2003

2. As of June 30, 2003, has your property experienced any cancellations for Quarters 3 & 4 due to Geopolitical reasons, SARS, West Nile Virus, BSE or Other Reasons?

PART 2 ABOUT YOUR 2003 QUARTER 2 RESULTS

Reasons for Quarter 2 2003 Changes in Demand

- 3a) *Relative to your 2002 Quarter 2 Actuals*, did your property experience a growth in demand or loss in demand in your Actual 2003 Quarter 2 results?

What % of this growth or decline in demand, do you feel was attributable to:

- National/Provincial Economic Conditions
- Local/Regional Economic Conditions
- Increased Supply Competition
- Geopolitical Reasons (Iraq War, Residual 9/11, etc)
- Fears/Impacts Associated with SARS
- Fears/Impacts Associated with West Nile Virus

¹ *Trends in the Canadian Hotel Industry, National Market Report* is compiled and produced by PKF Consulting on a monthly basis. This Canadian proprietary database presents occupancy, average daily rate and revenue per available room statistics for 93 geographic regions/markets across Canada, based on the operating results of 168,000 rooms.

- Fears/Impacts Associated with BSE (Mad Cow Disease)
- Other Reasons, Please specify

Changes to Quarter 2 2003 Market Segmentation

3b) What % of this change in demand, do you feel has been attributable to the following market segments:

- Business Travel
- Independent Leisure Travel
- Group Leisure Travel
- Meetings/Convention Travel
- Government Travel
- Other Segments

Exhibit 2: Major Markets Surveyed in Quarter 2

	SURVEY RESPONSE (ROOMS)	% TOTAL ROOMS INVENTORY
Halifax Dartmouth	1,353	29%
Quebec City	1,308	12%
Greater Montreal	2,935	17%
Montreal Dtnw		
Montreal Airport		
Ottawa	1,889	19%
Greater Toronto	11,878	32%
Toronto Dtnw		
Toronto Airport		
GTA East/North		
GTA West		
Windsor	533	20%
Ontario Resorts	815	5%
Regina / Saskatoon	984	16%
Calgary	1,439	12%
Edmonton	1,586	14%
Alberta Resorts	2,023	19%
Greater Vancouver	3,200	13%
Vanc. Dtnw		
Vanc. Airport		
Vanc. Other		
Other Markets	6,516	
TOTAL	36,459	11%

Changes to Quarter 2 2003 Origin Segmentation

3c) What % of this change in demand, do you feel has been attributable to the following origin segments:

- Domestic Travel
- US Travel
- Overseas Travel

Changes to Primary Mode of Transportation in 2003

4. What are the primary modes of transportation used by your hotel guests in arriving at their destination?

- Air
- Automobile
- Motorcoach
- Other

What changes, if any, have you noticed in your guests travel patterns in 2003, as compared to last year?

A total of 150 operators, representing 36,459 rooms responded to our Quarter 2 Survey. The survey responses represent 21% of PKF's *Trends* participants or 11% of Canada's overall accommodation inventory.

1.2.2. Development of National Impact Model

The reader is referred to our *Quarter 1 Report*, dated May 30, 2003 for an explanation of PKF's **National Impact Model**, which has been utilized to measure the actual performance of the accommodation industry during the January to December 2002 period, against actual and forecasted results by month for 2003. The Impact Model has been applied to each of the provincial, regional, city and sub-markets tracked in our Monthly *Trends Report* (53 markets).

1.3. National Accommodation Supply

Based on the accommodation inventories supplied to PKF by each of the provinces, together with our knowledge of supply additions in the Canadian market, Canada had an estimated supply of 328,472 rooms in Quarter 2 2002 (including only full-year properties of 30+ rooms in size). By Quarter 2 2003, this supply base increased by 1.1%, to an estimated annualized inventory of 331,994 rooms. Table 3 below provides the averaged room supply inventory by province, during Quarter 2 2002 and 2003.

**Exhibit 3: Rooms Supply Inventory, by Province (Averaged)
Quarter 2 2002 and 2003**

PROVINCE	Q 2 2002	Q2 2003	% CHANGE
Newfoundland	3,851	3,868	0.4%
PEI	2,715	2,715	0.0%
Nova Scotia	10,238	10,288	0.5%
New Brunswick	7,664	7,732	1.1%
Quebec	56,560	56,385	-0.3%
Ontario	105,362	107,171	1.7%
Manitoba	10,362	10,633	2.6%
Saskatchewan	11,033	11,033	0.0%
Alberta	50,348	51,113	1.7%
British Columbia	68,390	69,106	1.0%
Yukon	1,950	1,950	0.0%
National	328,472	331,994	1.1%

Source: Provincial Tourism Departments and PKF Consulting

2. National Performance Of Canada's Accommodation Industry – Second Quarter 2003

2.1. National Results – 2nd Quarter 2003

Hotel Supply Inventory

- Canada's accommodation inventory averaged 331,994 rooms in Quarter 1 2003 – a 1.1% increase in supply with the addition of 3,522 rooms.
- As of July 1 2003, Canada's accommodation inventory totalled an estimated 332,116 rooms.

Demand and Rate

- During Quarter 2 2003, Canada's hotel market achieved a 58% occupancy at an average daily rate of \$112. Occupancy levels were down 7 points compared to Quarter 2 of last year, with the average daily rate also down by approximately \$5.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

- Demand for the Canadian accommodation market was **down approximately 1,985,000 room nights or 10.2% in Quarter 2- 2003**, as compared to the same period in 2002.
- On a month-by-month account, Canadian demand was down 11.1% in April, 9.1% in May and 10.4% in June.

MARKET	QUARTER 2 - 2003		QUARTER 2 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Atlantic Canada	61%	\$104	65%	\$101	-4.9%	3.4%
Quebec	63%	\$137	69%	\$139	-8.1%	-1.5%
Ontario	53%	\$109	65%	\$121	-16.6%	-9.7%
Manitoba	64%	\$91	64%	\$90	3.0%	1.3%
Saskatchewan	59%	\$85	61%	\$81	-3.0%	4.8%
Alberta (excl. Resorts)	63%	\$96	72%	\$96	-10.9%	0.0%
British Columbia	59%	\$114	62%	\$118	-3.7%	-3.5%
Total Canada	58%	\$112	65%	\$117	-10.2%	-4.2%

Source: PKF Consulting

- For the first half of 2003, National demand was down by 4.9% with the Quarter 2 effect somewhat cushioned by the demand increase in Quarter 1.

Exhibit 2:

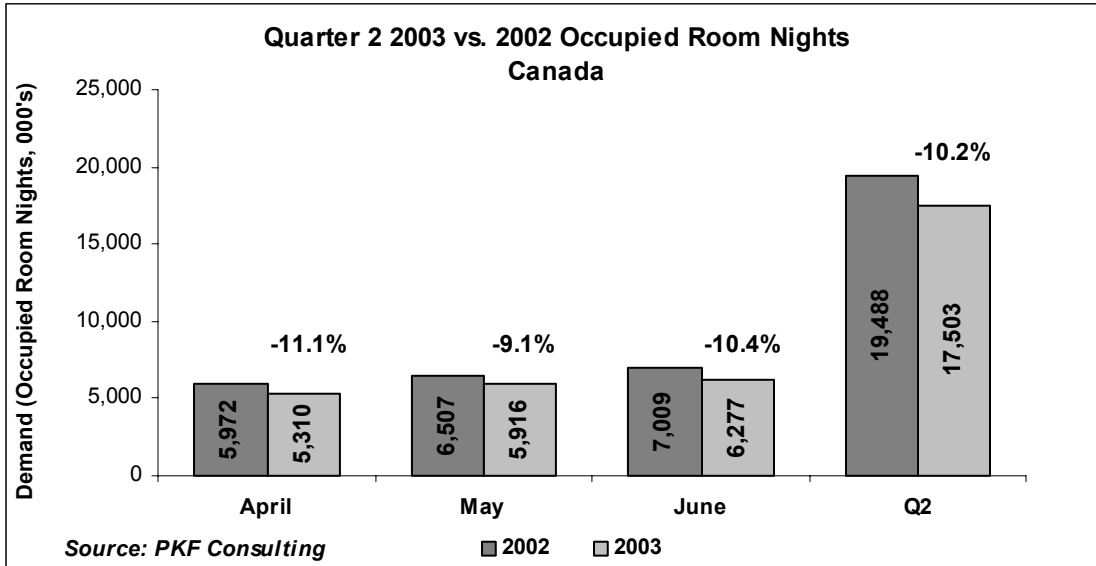
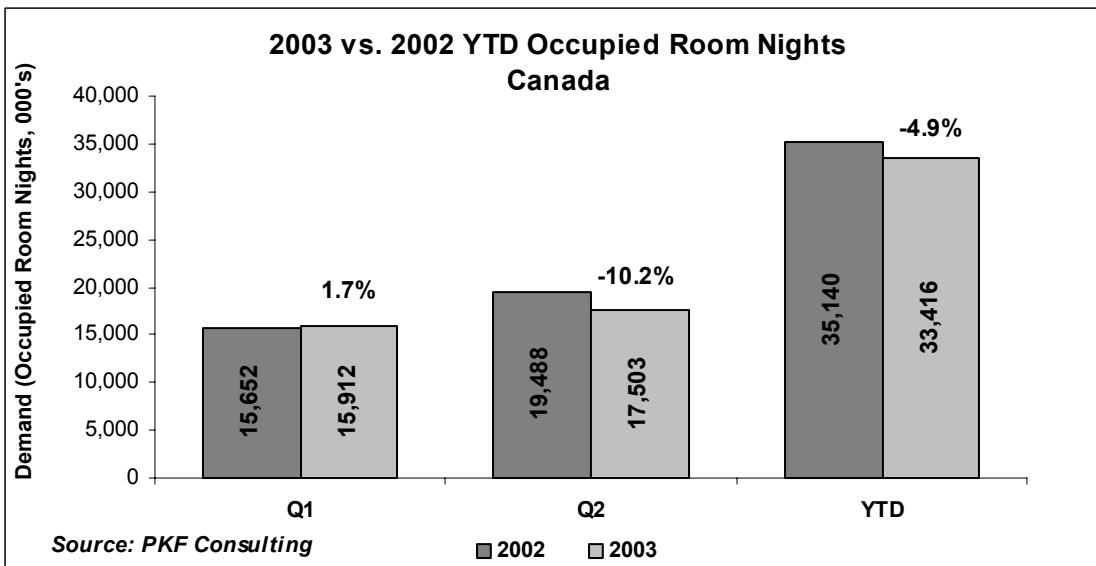


Exhibit 3:



Room Revenue

- Nationally, rooms revenue declined by 14.2% in April, 12.1% in May and 15.3% in June. Overall, Quarter 2 room revenue was down by \$318.9 million (14.0%) compared to the same period last year.
- In the 1st half of 2003, room revenue loss, while slightly cushioned by the first quarter gain, declined by 6.6% or \$261.3 million.

Exhibit 4:

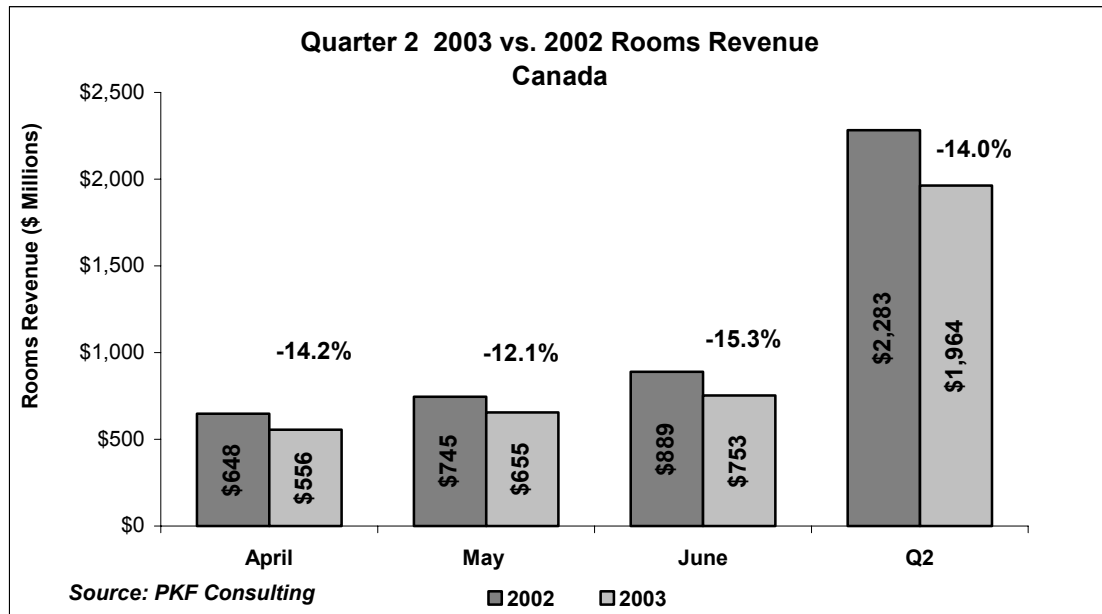
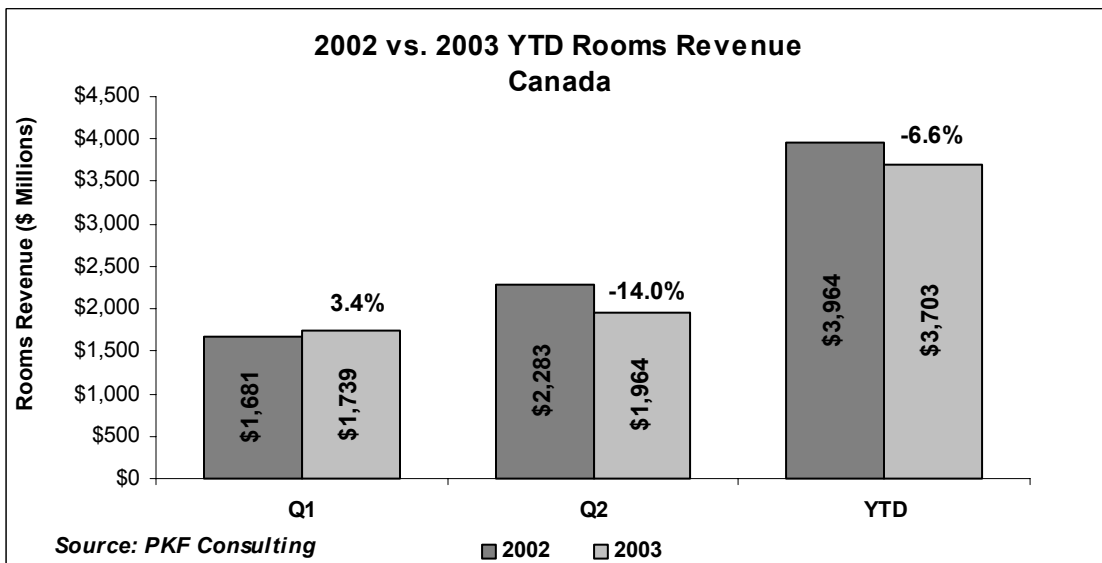
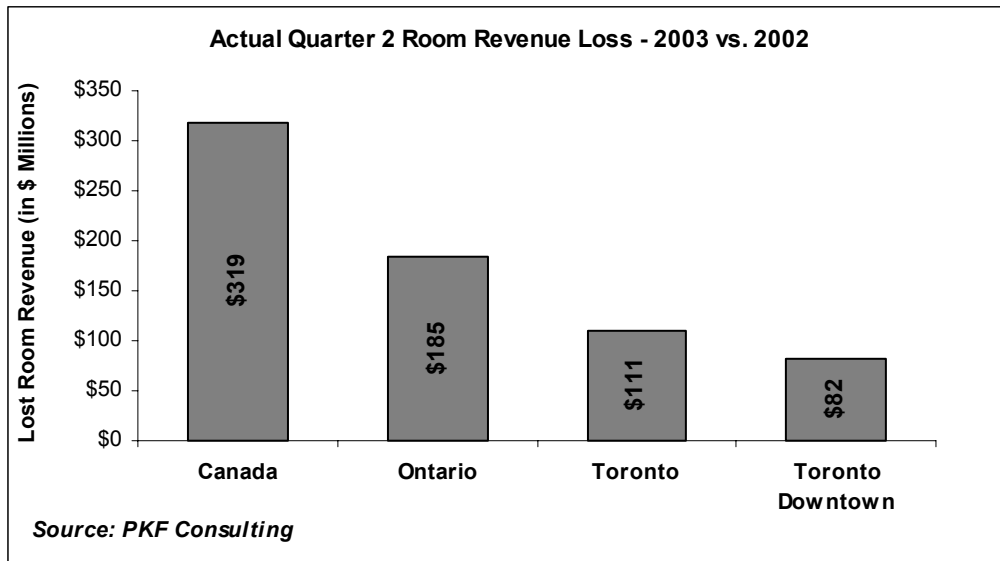


Exhibit 5:



- During the 2nd Quarter, with the onset of SARS and the residual effects of the Iraq War, Canada as a whole lost \$319 million in room revenue in comparison to last year. Of the total room revenue loss in the 2nd Quarter, \$185 million occurred in Ontario, \$111 million was in the Greater Toronto Area, and more narrowly, \$82 million was lost by Downtown Toronto hotels.

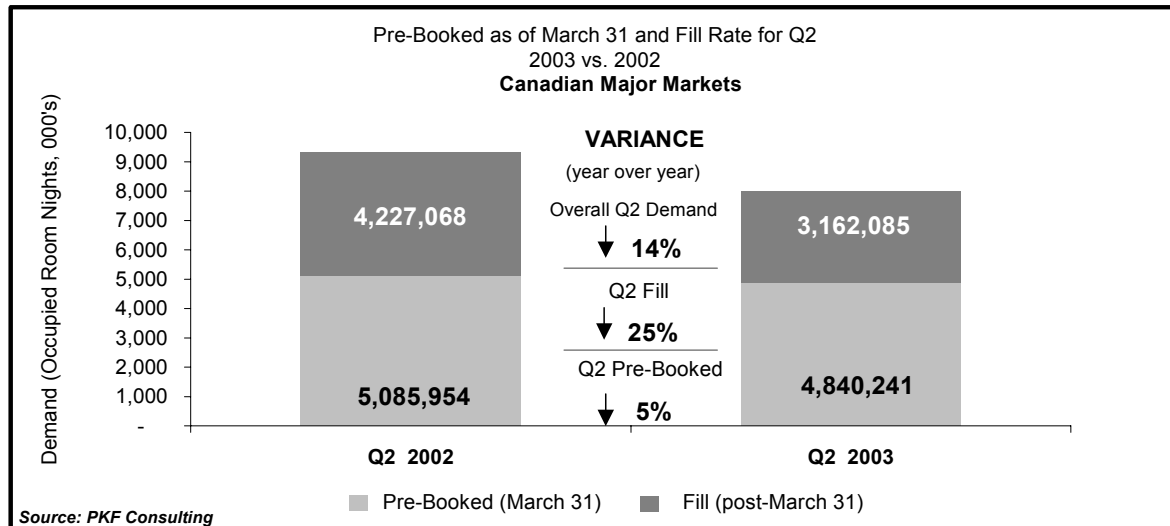
Exhibit 6:



Pre-Booked Business and Fill Rate

- As of March 31st, hoteliers in Canada’s major markets had pre-booked 4.8 million room nights for the upcoming months of April, May and June – 5% fewer room nights than were pre- booked over the same time frame last year.
- The fill rate for the industry fell by 25% in Quarter 2, with 3.2 million room nights sold between April 1 and June 30, compared to 4.2 million in the previous year.
- Overall 2nd Quarter demand in Canada’s major markets fell by 14%, due primarily to the lack of fill post March 31st.

Exhibit 7:

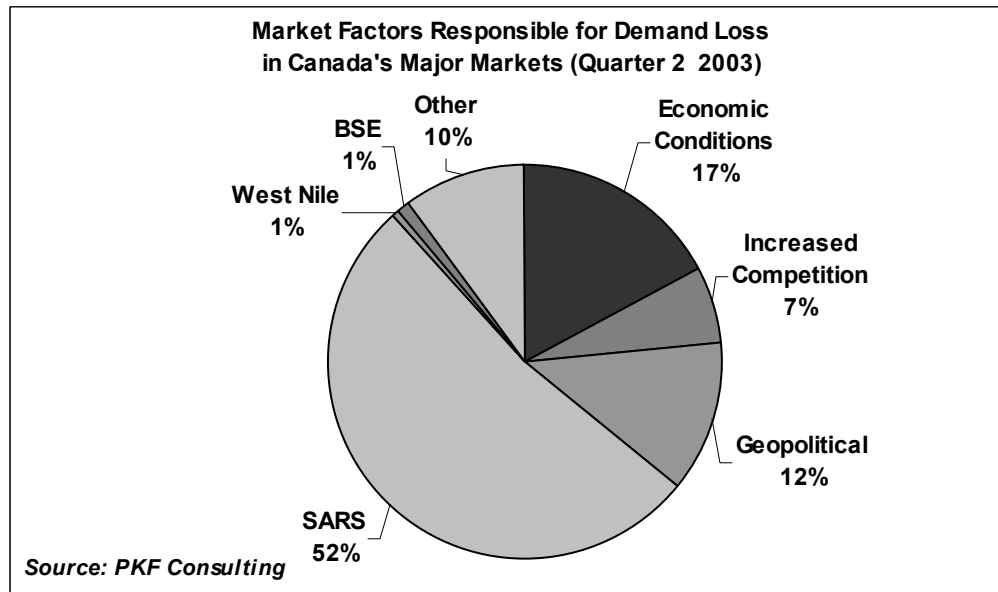


¹ Includes 18 Major and Sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa, Windsor, Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts

Market Factors Responsible for Demand Loss in Canada's Major Markets

- Hoteliers in Canada's 18 major and sub-major markets cited a variety of reasons for their 2nd Quarter demand erosion. SARS was the factor behind 52% of demand loss in Canadian major markets trailed by national, provincial and regional economic conditions (17%), geopolitical reasons (12%) and other reasons (10%). BSE (Mad Cow disease) and West Nile virus had very little effect on 2nd Quarter demand.

Exhibit 8:



2.2. National Cancellations and Booking Pace in Quarters 3 & 4

- Hotels in Canada's 18 major and sub-major markets logged nearly 450,000 cancellations for Quarters 3 and 4. The majority (76%) of total cancellations were due to concerns over SARS. Geopolitical reasons cost hoteliers 46,500 Quarter 3 and 4 reservations. BSE (Mad Cow) and West Nile virus were cited as very small factors for room cancellations.

Room Cancellations Attributed to SARS

- Canada's major accommodation markets reported an estimated **236,000 room nights cancelled in Quarter 3 2003** attributed to travel fears associated with Severe Acute Respiratory Syndrome, with a further **80,000 cancellations for Quarter 4 2003** – equating to a **potential \$36.8 million loss in Quarter 3** rooms revenue and **\$10.1 million in Quarter 4**.
- In terms of potential rooms revenue loss in Quarters 3 and 4, the top 5 impacted markets from SARS were: Greater Toronto Area, Alberta Resorts, Quebec City, Greater Vancouver Area and Greater Montreal Area.

Exhibit 9: Cancellations and Potential Room Revenue Loss Attributed to SARS by Major Market

MAJOR MARKET	QUARTER 3		QUARTER 4	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Greater Toronto Area	107,915	\$14,407	41,253	\$5,233
2 Alberta Resorts	27,981	\$7,620	10,802	\$1,601
3 Quebec City	30,773	\$5,448	10,811	\$1,427
4 Greater Vancouver Area	40,971	\$5,780	2,392	\$248
5 Greater Montreal Area	14,250	\$1,993	365	\$46
6 Edmonton	5,138	\$479	6,545	\$637
7 Halifax / Dartmouth	1,630	\$207	7,001	\$765
8 Ottawa	4,920	\$603	-	\$0
9 Windsor	1,587	\$169	1,156	\$118
10 Ontario Resorts	301	\$58	-	\$0
11 Calgary	229	\$26	-	\$0
12 Regina / Saskatoon	-	\$0	-	\$0
Total Major Markets	235,695	\$36,790	80,325	\$10,075

Source: PKF Consulting

Room Cancellations Attributed To Geopolitical Reasons

- Due to Geopolitical reasons, Canada's major accommodation markets have logged an estimated **26,000 room nights cancelled for Quarter 3 2003**, which equates to an estimated **\$4.6 million** in potential lost room revenue.
- By Quarter 4, this figure softens slightly with nearly **21,000 cancellations** – equalling **\$2.6 million** in potential losses to Canada's major accommodation markets.
- In terms of revenue loss, the top 5 markets hit hardest by Geopolitical cancellations during Quarters 3 and 4 include: Alberta Resorts, Greater Toronto Area, Greater Vancouver Area, Quebec City and Halifax/Dartmouth.

**Exhibit 10: Cancellations and Potential Room Revenue Loss
Attributed to Geopolitical Reasons by Major Market**

MAJOR MARKET	QUARTER 3		QUARTER 4	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Alberta Resorts	7,438	\$2,026	6,574	\$974
2 Greater Toronto Area	7,128	\$958	1,866	\$237
3 Greater Vancouver Area	4,044	\$571	4,343	\$450
4 Quebec City	1,695	\$300	2,683	\$354
5 Halifax / Dartmouth	1,087	\$138	4,667	\$510
6 Greater Montreal Area	3,033	\$424	-	\$0
7 Windsor	1,058	\$112	771	\$79
8 Ottawa	184	\$23	-	\$0
9 Calgary	-	\$0	-	\$0
10 Regina / Saskatoon	-	\$0	-	\$0
11 Ontario Resorts	-	\$0	-	\$0
12 Edmonton	-	\$0	-	\$0
Total Major Markets	25,667	\$4,552	20,904	\$2,604

Source: PKF Consulting

Room Cancellations Attributed To BSE, West Nile Virus And Other Reasons

- Cancellations due to BSE, West Nile Virus and other reasons have grown to over **40,000** for the 3rd Quarter in Canada's major markets. This equates to an estimated **\$6.2 million** in potential lost room revenue. West Nile and BSE account for only a small number of the cancellations with other reasons being the primary cause.
- By Quarter 4, this figure drops to nearly **17,000 cancellations** – equalling **\$2.1 million** in potential losses to Canada's major accommodation markets.
- The major markets with the largest potential rooms revenue loss attributable to BSE, West Nile virus and other reasons are: Greater Toronto Area, Alberta Resorts, Greater Vancouver Area, Greater Montreal Area and Quebec City.

**Exhibit 11: Cancellations and Potential Room Revenue Loss Attributed to BSE,
West Nile and Other Reasons by Major Market**

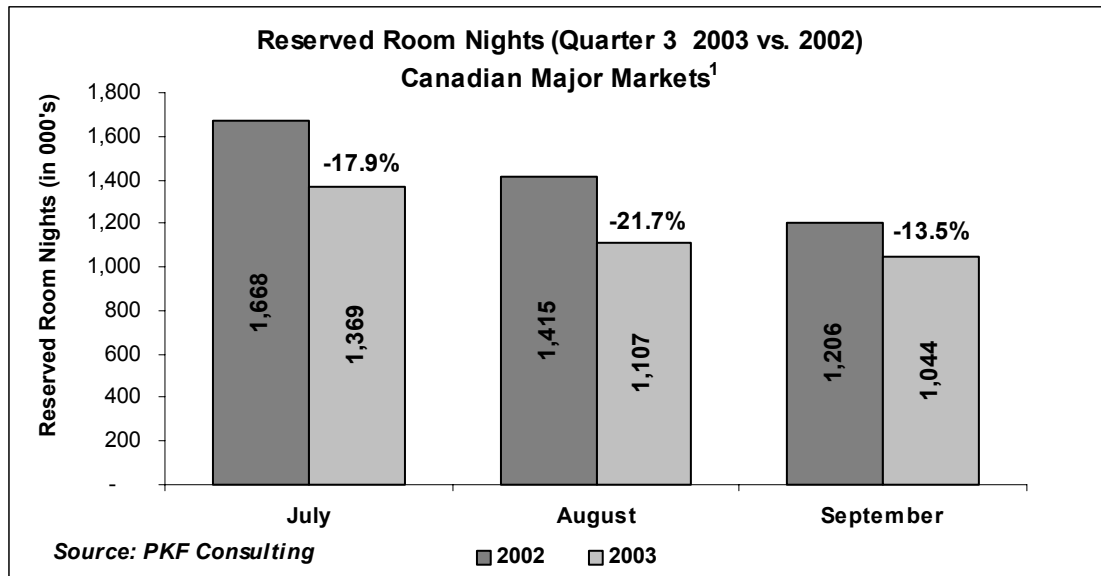
MAJOR MARKET	QUARTER 3		QUARTER 4	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Greater Toronto Area	16,247	\$2,184	5,225	\$662
2 Alberta Resorts	4,479	\$1,220	5,365	\$795
3 Greater Vancouver Area	10,358	\$1,461	4,680	\$485
4 Greater Montreal Area	5,929	\$830	539	\$68
5 Quebec City	2,474	\$438	585	\$77
6 Ottawa	729	\$89	460	\$57
7 Windsor	-	\$0	-	\$0
8 Calgary	-	\$0	-	\$0
9 Regina / Saskatoon	-	\$0	-	\$0
10 Ontario Resorts	-	\$0	-	\$0
11 Edmonton	-	\$0	-	\$0
12 Halifax / Dartmouth	-	\$0	-	\$0
Total Major Markets	40,216	\$6,222	16,854	\$2,144

Source: PKF Consulting

Booking Patterns

- As of June 30, 2002, the number of room nights booked in Canada's major accommodation markets for July 2002 was estimated at 1.7 million, 1.4 million for August and 1.2 million for September 2002.
- As of June 30, 2003, the number of room nights on the books for the month of July 2003 was estimated at 1.4 million down 17.9% from the year prior, August's bookings of 1.1 million room nights were also down, by 21.7%, and September's booking pace of 1.0 million was off by 13.5% in comparison to last year.

Exhibit 12:



¹ Includes 18 Major and sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa, Windsor, Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts