

## Tourism Sector Monitor ♦ April 2000 (formerly *Tourism Room Revenue*)

### Highlights

Welcome to the inaugural issue of the Tourism Sector Monitor. Incorporating the data and analysis that appeared in *Tourism Room Revenue*, the new title of the publication better reflects its expanded content.

Note that the issue date and number now reflect the date of publication, rather than the date of the room revenue data.

#### Room revenue

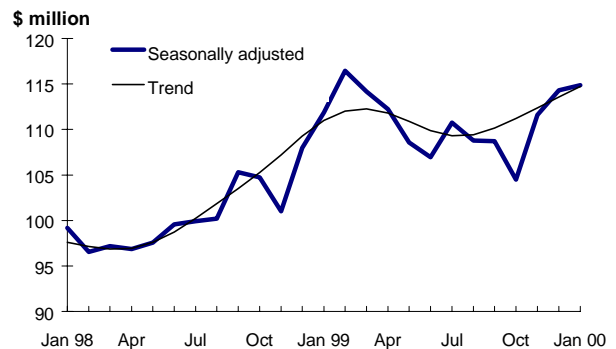
In **January**, room revenue (seasonally adjusted) in BC edged up 0.5% to \$114.8 million. Following a slump through the spring and summer, room revenue in January was at its highest level since peaking in February 1999.

**Text Table 1. Room Revenue\* Summary**

Accommodation Type			
	Jan. 00 (\$000)	Dec. 99 (\$000)	% change
Total	114,844	114,308	0.5
Hotels	84,149	84,878	-0.9
Motels	14,860	14,341	3.6
Other Acc.	16,121	14,849	8.6
Regions (Top 3 performers)			
Nechako	1,003	777	29.1
Cariboo	3,920	3,597	9.0
Thompson/Okanagan	15,370	14,313	7.4

\*Seasonally adjusted room revenue

#### Room revenue continues upward trend



#### Visitor entries

International traveller entries were up 1.7% in **February** (seasonally adjusted), with gains in US entries (both same-day and overnight) making up for a slip in the number of overseas entries to Canada via BC.

#### Other indicators

There were 22,900 workers in BC's accommodation services industry in **February**, down 10.4% from February 1999 (unadjusted data). Employment in the industry has been falling steadily for nearly three years. Since April 1997, there has been only one month with a year-over-year increase in employment levels.

In **February**, restaurant, caterer and tavern receipts were \$344.6 million. This was 5.2% higher than February 1999 and the first significant increase since October 1998. Drinking places continued their year-long revenue decline, with revenue 12.4% below the February 1999 level at \$25.0 million.

## Tourism Trends

The tourism sector made modest gains in the early months of 2000.

### Room revenue edges up in January

Room revenue edged up 0.5% to \$114.8 million (seasonally adjusted) in January, its highest level since February 1999.

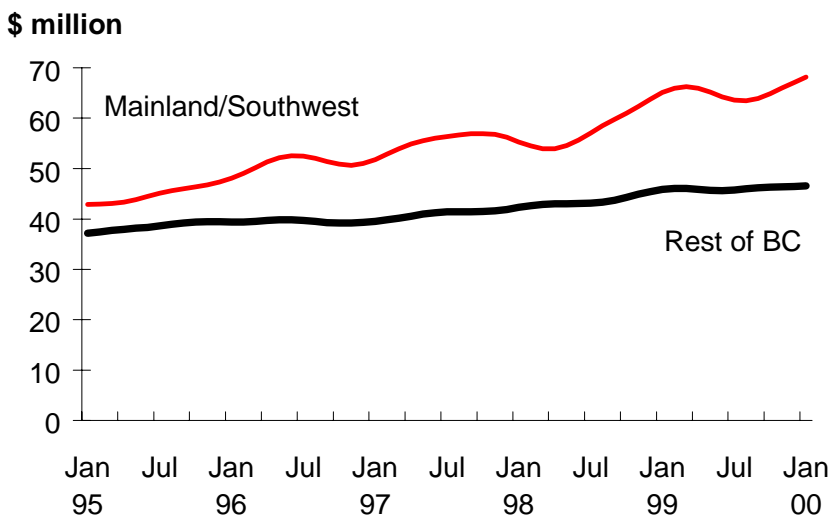
BC's smallest region, Nechako, had seasonally adjusted revenue over the one million dollar mark for the first time ever in January. Revenue in the region jumped 29.1% after falling 16.5% in the previous month.

Cariboo (+9.0%) and Thompson/Okanagan (+7.4%) both experienced strong revenue increases during January. In both cases, revenue pushed up toward the levels seen in early 1999, prior to the province-wide slump of mid-1999.

Room revenue in the province's largest region, Mainland/Southwest, was virtually unchanged from December. The only regions where revenue slipped were Kootenay (-3.2%) and Vancouver Island/Coast (-5.1%). In Kootenay, this was the second straight drop after six months of growth.

**Note:** All comparisons for "Tourism Trends" are seasonally adjusted unless stated otherwise. All comparisons are to the previous month except where noted.

### Mainland/Southwest opens up revenue gap



Mainland/Southwest is increasing its share of the room revenue pie.

Over the long haul, BC's largest region—Mainland/Southwest—has earned an increasingly large portion of the province's room revenue. In early 1995, the region generated slightly more revenue than the other seven regions combined. In five short years, the region has expanded its share, to the point that it now earns nearly sixty per cent of the province's total room revenue.

## Visitor entries: US up in February

International traveller entries to British Columbia experienced their strongest increase since November, with 1.7% more travellers crossing the border in February than in January.

**Text Table 2. Traveller Entries (seasonally adjusted)**

	Feb. 00 (‘000)	Jan. 00 (‘000)	% chg from Jan. 00
<b>American visitors</b>			
Total	576	563	2.2
Same-day	274	267	2.4
Overnight	299	296	0.9
<b>Overseas visitors</b>			
Total	121	122	-1.0
Europe	40	39	2.9
UK	17	16	5.1
Asia	62	62	-0.3
Japan	23	22	2.2
Taiwan	12	11	13.7
Oceania	11	12	-4.4
<b>Canadian re-entries</b>			
Total	802	754	6.4
From overseas	65	65	0.8
From US same-day auto	477	450	6.0

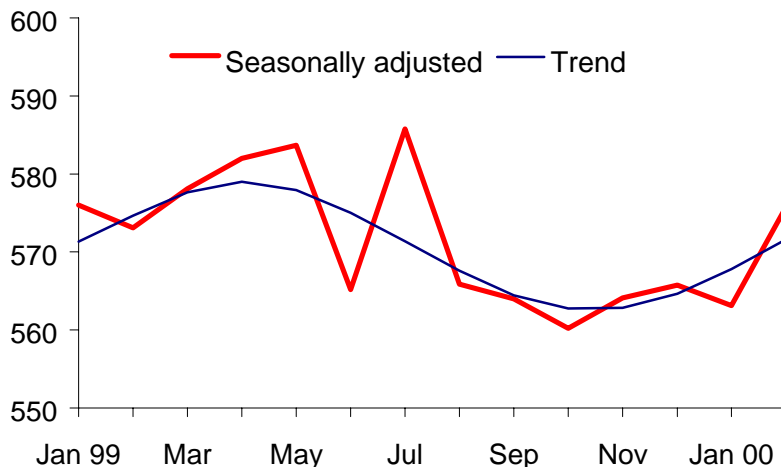
*(BC STATS & Statistics Canada)*

US entries led the way, with an increase of 2.2% in February. This brought the total number of travellers to BC from the US up to 575,800. Overnight entries edged up 0.9%, while same-day travel rebounded from two months of decline, and posted a 2.4% increase. These gains pushed US entries up to their highest level since July 1999.

*Americans make up roughly 8 out of every ten international travellers who enter BC. The next most frequent entries are travellers from Japan, who account for only four of every 100 travellers.*

### US entries on the rebound

Entries—seasonally adjusted (thousand)



Overseas entries were off for the second time in three months in February, falling 1.0% to 120,900. Gains in the number of entries from Taiwan (+13.7%), the UK (5.1%), and Japan (+2.2%) were not strong enough to offset declines from other nations.

### More Canadians travel to the US

For the first time in six months, there was an increase in the number of Canadians who travelled to the United States in February. Significantly, there were 6.0% more same-day automobile travelers, only the second increase since May 1999.

For the second straight month, overseas travel by Canadians was up. There were 65,200 Canadians returning from overseas in February, 0.8% more than in January.

*Same-day automobile trips to the US are the best measure of cross-border shopping by Canadians.*

*The number of same-day auto trips peaked at 15.4 million in 1991, when the Canadian dollar was at its strongest in recent years. By 1999, the number of same-day auto trips had fallen to 5.8 million.*

**Text Table 3. Other Tourism Indicators**

	Reference period	Total	Change from year ago
<b>Hotel Industry</b>			
Occupancy rate	Feb-00	54.6%	-4.9 pp.
Average room charge <i>(Pannell Kerr Forster)</i>	Feb-00	\$113.1	3.8%
<b>Airport Passengers</b>		<b>(000s)</b>	<b>(%)</b>
<b>Vancouver International Airport</b>			
Total traffic	Jan-00	1,126	-2.2
US	Jan-00	299	-5.3
Other International	Jan-00	250	2.1
Canada <i>(YVR)</i>	Jan-00	577	-2.3
<b>Victoria International Airport</b>			
Total traffic <i>(Victoria Airport Authority)</i>	Mar-00	96	-8.2
<b>Restaurant Receipts</b>		<b>(\$ millions)</b>	<b>(%)</b>
Full service	Feb-00	173	8.3
Limited service	Feb-00	120	3.7
Drinking places <i>(Statistics Canada)</i>	Feb-00	25	-12.4
<b>Transportation</b>		<b>(000s)</b>	<b>(%)</b>
<b>Coquihalla Highway</b>			
Passenger Vehicles <i>(Ministry of Transportation &amp; Highways)</i>	Mar-00	159	7.4
<b>BC Ferries</b>			
Vehicle Volume	Mar-00	599	3.1
Passenger Volume <i>(BC Ferries)</i>	Mar-00	1,536	2.7
<b>Exchange Rates</b>		<b>Cdn \$</b>	<b>Change from year ago</b>
US \$	Feb-00	1.451	-0.046
UK Pound	Feb-00	2.322	-0.115
Japanese Yen	Feb-00	0.013	0.000
Australian \$ <i>(Statistics Canada)</i>	Feb-00	0.911	-0.048

## Restaurant receipts up in February

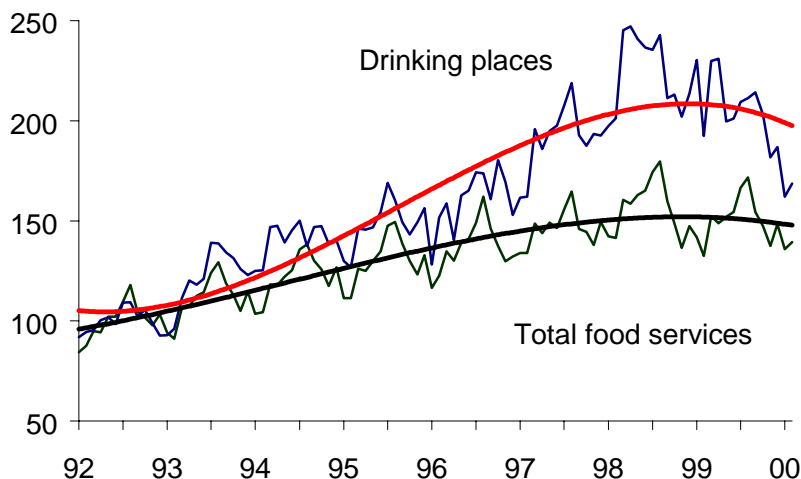
Restaurant, caterer and tavern receipts (unadjusted for seasonal variation) in the province were \$344.6 million, 5.2% higher this February than in the same month last year. This was the first significant improvement in receipts since October of 1998. Receipts had fallen in all but two of the previous 15 months.

The general malaise in the province's food services industry during the last year was due to lower sales at drinking establishments and full service restaurants. Limited service restaurants (such as cafeterias and take-outs), food service contractors and caterers fared better, especially during the second half of 1999. In February, receipts at drinking places continued their year-long decline, falling to \$25.0 million. This was 12.4% below the February 1999 level, but sales at all other food service establishments were up from the previous February.

*Receipts in BC's drinking places have been falling for a year.*

### ***Drinking places revenue growth outpaced total food services in '96 and '97, and has been falling since early 1999***

Index (1992=100)



For more on the province's food services industry, see the "Special Focus" article on the following page.

## SPECIAL FOCUS: BC's Food Services and Drinking Places Industry

### Eating out

British Columbians and visitors to the province spend money—a lot of money—in businesses that provide food services. During 1998, the average BC household spent approximately \$1,300 dollars on restaurant meals, more than 20% of the budget for all food and 2.5% of the total household budget<sup>1</sup>. And typically, tourists in BC spend roughly \$20 per day on food and beverages, much of it in restaurants and taverns.<sup>2</sup> While tourists are important clients of the industry, local residents have a bigger impact. Studies have shown that tourists contribute between 15 and 25 per cent<sup>3</sup> of the food and beverage services industry's revenue.

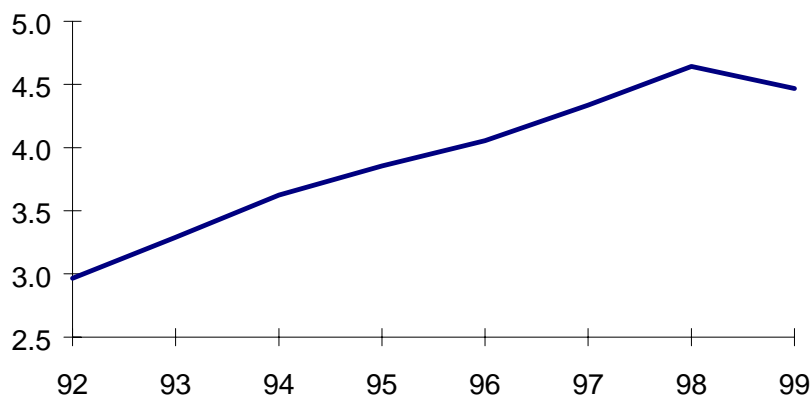
This spending supports a thriving food services industry. There are just over 9,300 restaurant and food services establishments in BC<sup>4</sup>, which generated revenues of \$4.5 billion in 1999. In total, over 100,000 people work in the food and beverage services industry in BC.

### Revenues slip in 1999

1999 saw BC's restaurants and taverns earn revenues of \$4.5 million, down 3.7% from the previous year. This decline marked the end of six years of industry growth. Limited service restaurants bucked the downward trend, earning 2.9% more in 1999 than in 1998.

#### Revenues dip for the first time in 7 years

Revenue (\$ billion)



The faltering BC economy is, at least in part, responsible for the downturn in food service industry revenue. Food service revenues are more sensitive to changes in overall economic performance than are revenues in other industries. In particular, spending on food services is tied to disposable income—discretionary purchases like restaurant meals are among the first things that consumers cut back on when the economy slumps.

*The average BC household spends roughly \$1,300 a year on restaurant meals.*

#### **What are Food Services & Drinking Places?**

**Full Service Restaurants** provide food services to patrons who order and are served while seated and pay after eating.

**Limited Service Eating Places** provide food services to patrons who order or select items at a counter, food bar or cafeteria line and pay before eating.

**Special Food Services** are establishments such as caterers who provide food services at the customer's residence, a location designated by the customer, or from a mobile vehicle.

**Drinking Places** includes establishments referred to as bars, taverns or drinking places where alcoholic beverages are prepared for consumption on site. A limited menu is often available.

**Table 1: Food & beverage services revenue**

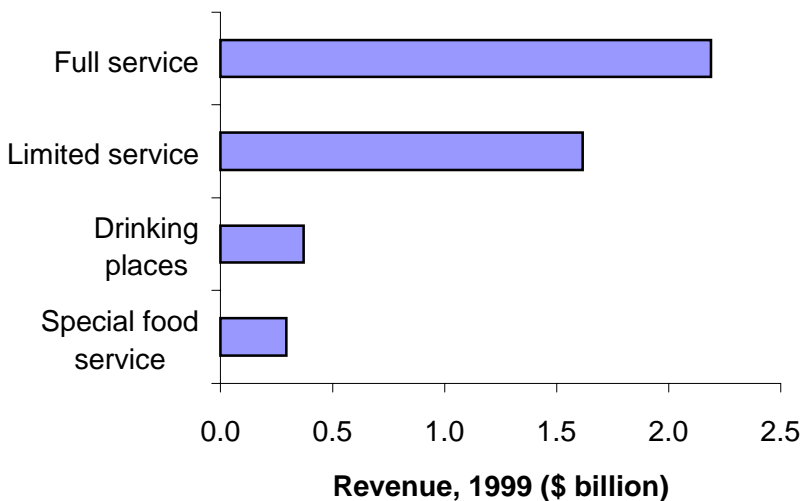
Revenue (\$ millions)	1998	1999	% change
Total	4,641	4,468	-3.7
Full service	2,377	2,188	-7.9
Limited service	1,571	1,616	2.9
Special food services	294	293	-0.3
Drinking Places	399	370	-7.3

**Full service restaurants: half the industry**

During 1999, full service restaurants earned roughly half of the industry's revenues (\$2.2 billion), and limited service restaurants another third (\$1.6 billion). Drinking places accounted for less than 10% of the industry total (\$370 million), while special food services (\$293 million) made up the remainder.

*Full service restaurants earned \$2.2 billion in revenue in 1999.*

**Full service restaurants dominate**



**Employment down in 1999**

Total employment in the food and beverages sector dropped in 1999 to 101,650 jobs, down 1.3 % from 1998<sup>5</sup>. By comparison, employment in all industries rose 1.9%.

The decline in food and beverage service employment came in spite of a jump of 2,187 in the number of salaried workers (+19.4% to 13,462). The number of jobs paid by the hour fell 3,564 to 88,188, a drop of 3.9%.

*Nearly 102,000 workers were employed in the food and beverage services industry during 1999.*

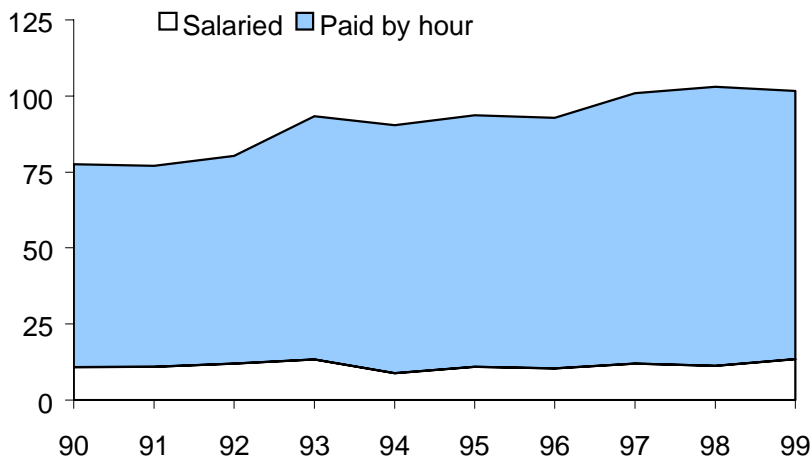
**Table 2: Food & beverage employment**

Workers	1998	1999	% change
Total	103,027	101,650	-1.3
Salaried	11,275	13,462	19.4
Paid by the hour	91,752	88,188	-3.9

Over the long term, however, growth in the number of waged workers in the industry has boomed while the number of salaried positions has declined slightly. Since 1983, the number of workers paid by the hour in food and beverage services has more than doubled (+110.2%) while salaried positions have decreased slightly (-6.4%).

**Long-term growth due to more waged workers**

**# of workers (thousands)**



**Wages & salaries**

The average earnings of workers in the food and beverage service industry during 1999 were \$11,460, a drop of 3.9% from the previous year. By comparison, the average service sector worker in BC earned \$30,310 (up 1.7% over 1998).

Salaried employees in the food service industry earned marginally more (+0.7%) in 1999 than in 1998, while food and beverage workers paid by the hour saw their annual earnings drop by 9.0%.

*Due to a large proportion of part-time workers and a short work week, workers in the industry earn only \$11,460 per year, well below the provincial average.*

**Table 3: Food & beverage earnings**

Annual earnings (\$)	1998	1999	% change
Total	11,537	11,110	-3.7
Salaried	24,280	24,449	0.7
Paid by the hour	9,972	9,074	-9.0

The low earnings in the food and beverage services are directly related to the high proportion of waged workers, and to a relatively short work week. In 1999, nearly nine of every ten workers in the

*Nine of every ten workers in the industry are paid by the hour.*

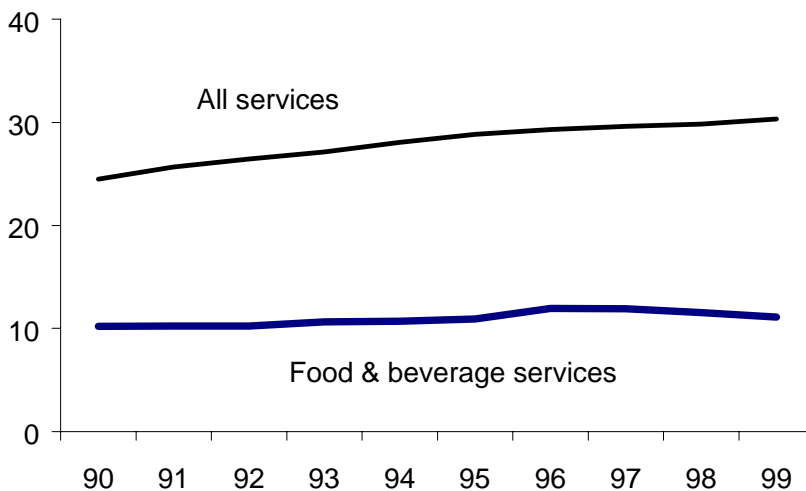


industry were paid by the hour, compared to just over half for the service industries as a whole.

The waged workers in the industry had an average work week of only 22.8 hours during 1999, and in the period 1983-1999, the work week averaged 22.4 hours. By comparison, the average waged worker in the BC economy worked 31.2 hours per week in 1999.

***Earnings haven't kept pace with other service industries***

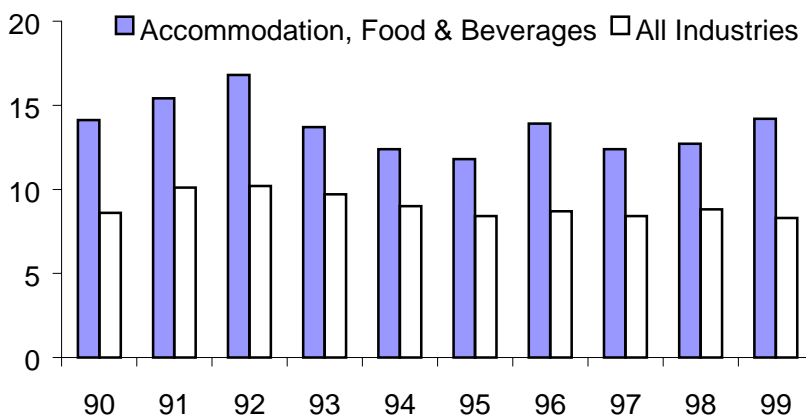
**Annual earnings (\$ thousands)**



Wages and salaries in the food and beverage service industries have not kept pace with other service industries over the long haul. Since 1990, average annual earnings in all services rose 23.9% while the average in food and beverage services increased by only 8.7%.

***Unemployment in hospitality industries higher than provincial rate***

**Unemployment rate (% of workers)**



The drop in the number of workers in the industry is mirrored in the industry's unemployment rate. During 1999, the unemployment rate in the accommodation, food and beverage service in-

dustries<sup>6</sup> rose to 14.2%, its highest level since 1992 (when the unemployment rate reached 16.8%). In sharp contrast, the unemployment rate in all industries dropped to 8.3%, the lowest level this decade.

### Food and beverage GDP (1998)

The food and beverage industries contributed \$2.2 billion (1992 constant dollars) of BC's GDP in 1998, constituting 2.5% of the provincial total. This was an increase of 3.0% from 1997, a year when the total provincial economy edged up 0.3%, and service industries overall produced 1.2% more GDP than in 1997.

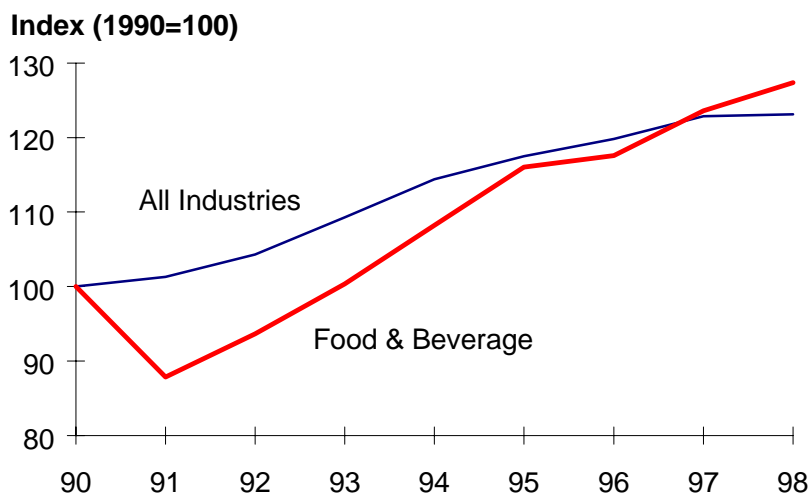
*Food and beverage services are about 2.5% of total economic activity in the province.*

**Table 4: Food and beverage GDP**

GDP (1992\$ at factor cost)	1997	1998	% change
Total BC economy	86,546	88,951	0.3
Service industries	62,279	66,614	1.2
Food & beverage services	2,045	2,245	3.0

Food and beverage service industry GDP slumped in 1991, likely the result of an economic recession throughout North America and other parts of the world that slowed tourism. In every year since, the industry's GDP has increased steadily. During that period, food and beverage service GDP has grown more rapidly than the industrial aggregate.

### *Food and beverage GDP outpaces the BC economy*



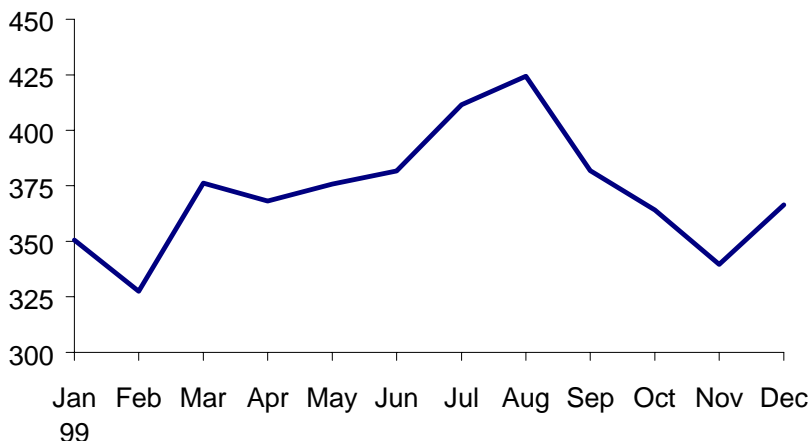
### Seasonality in the industry

A couple of data series point out the seasonal nature of the food and beverage service industries. The first is employment, particularly the number of workers paid by the hour. While the average number of waged workers through 1999 was 88,200, the monthly figures ranged from a low of just under 83,000 in February to a summer peak in excess of 92,000 in July and August.

*Like other industries that depend on tourism, there is a summer peak season in the food and beverage service industries.*

## ***Food and beverage industries have summer peak season***

**Revenue, 1999 (\$ million)**



Revenue also follows a similar pattern, with restaurant and tavern receipts at their lowest point in February (\$327.4 million in 1999). Correspondingly, the month of August had the highest revenue, at \$424.4 million.

### **Food & beverage services tied to both the local economy and tourism**

While the food and beverage service industries are subject in part to changes in tourist activity, the downturn experienced in 1999 is clearly a reflection of weakness in the provincial economy; recall that three-quarters of restaurant patrons are local residents. By any measure, the number of tourists from outside BC was up in 1999, but this growth was not enough to bolster the performance of the industry. With the provincial economy forecast to improve in the year ahead, we shall watch the performance of the food and beverage service industries closely.

<sup>1</sup> Source: Statistics Canada, *Household Expenditure Survey*, 1998.

<sup>2</sup> Tourism BC, *British Columbia Visitor Study*, 1998.

<sup>3</sup> Stephen L.J. Smith ("Defining tourism: a supply-side view", *Annals of Tourism Research*, Vol. 15 (1988), pp. 179-190) estimated 15%; the National Task Force on Tourism Data (Department of Supply and Services, March 1989) estimated a 17% proportion; and BC STATS estimate of tourism GDP (developed jointly with Tourism BC) results in a share of 25%.

<sup>4</sup> 1998. Source: BC Stats, from Statistics Canada *Business Register*.

<sup>5</sup> Unless otherwise noted, all employment data are derived from Statistics Canada's Survey of Employment, Payroll and Hours (SEPH).

<sup>6</sup> The lowest level of industry aggregation available for these data; based on the Survey of Employment, Payroll and Hours, food and beverage services account for roughly 80% of total employment in this group. Source: Labour Force Survey, Statistics Canada.