

Tourism Sector Monitor ♦ August/December 2000

Highlights

Note: Substantial changes in the database system at the Consumer Taxation Branch resulted in a temporary restriction to our access to the data necessary to tabulate room revenue. As a result, the *Tourism Sector Monitor* was not published for several months. See Page 6.

Room revenue

In **August**, room revenue (seasonally adjusted) in BC fell 1.6% to \$114.1 million. This is the fourth straight month of decline after an all-time high in April of \$125.0 million.

\$ million



Text Table 1. Room Revenue* Summary

Accommodation Type			
	Aug. 00 (\$000)	Jul. 00 (\$000)	% change
Total	114,064	115,910	-1.6
Hotels	87,556	88,594	-1.2
Motels	15,082	15,021	0.4
Other Acc.	11,780	12,227	-3.7
Regions (Top 3 performers)			
Kootenay	5,271	4,995	5.5
Thompson-Okanagan	15,278	14,897	2.6
Cariboo	3,598	3,542	1.6

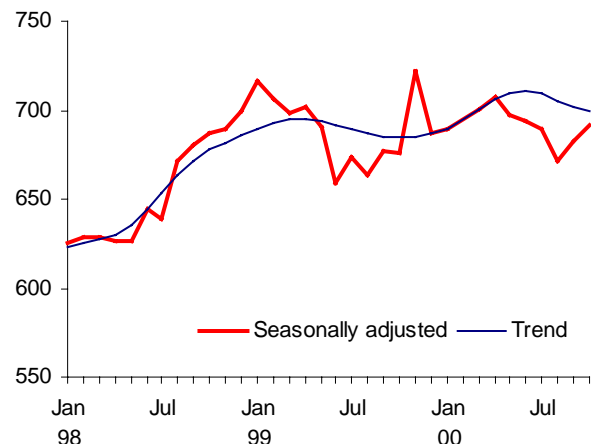
*Seasonally adjusted room revenue

Visitor entries

After four months of declines, international traveller entries increased 1.7% in **September** (seasonally adjusted), mostly on the strength of entries from overseas origins (+10.3%). The number of international entries continued to climb in **October** (+1.3%) with gains in both total US entries (+1.4%) as well as total overseas entries (+0.6%). The increase in US entries was due to more Americans staying overnight (+1.2%), as the number of same-day trips by Americans fell (-2.0%) for the fourth straight month.

Visitor entries up in September and October

Entries—seasonally adjusted (thousand)



Other indicators

In **October**, restaurant, caterer and tavern receipts were \$403.6 million. This was 10.8% higher than October 1999 and the ninth straight month with an increase after a year of declines.

Employment in British Columbia's food and beverage service industries was also up in October, and has been climbing since January 1997.

Tourism Trends

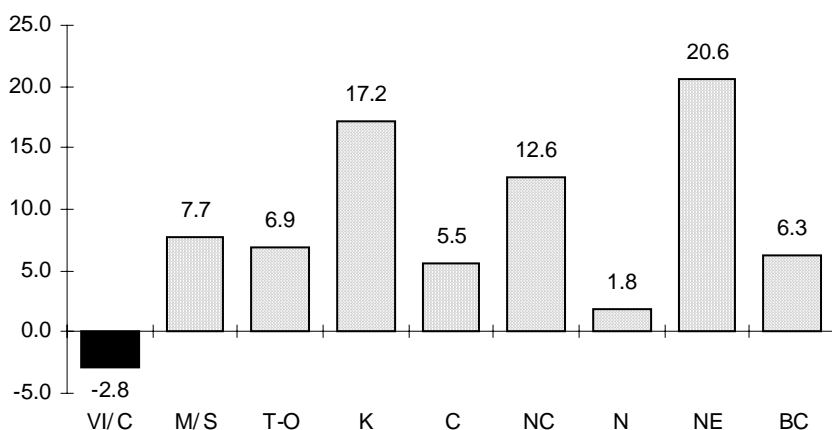
Room revenue falling after hitting all-time high

In August, room revenue (seasonally adjusted) in BC fell 1.6 percent to \$114.1 million. Half of the eight development regions experienced a decline, including the two most populous, the Mainland/Southwest (-2.9%) and Vancouver Island/Coast (-0.2%) regions. The Northeast region had the largest percentage drop, falling 17.4 percent. The Kootenay (+5.5%) and Thompson-Okanagan (+2.6%) regions recorded the largest gains.

Year-to-date 2000, all regions have taken in more room revenue than in the January to August period in 1999, with the exception of the Vancouver Island/Coast region. This region experienced a 2.8 percent reduction in room revenue. This is mainly due to the extremely high number of visitors drawn by the Leonardo da Vinci exhibit at the Royal British Columbia Museum that ran until the first week in March, 1999. This exhibit resulted in a substantial boost in room revenue for Victoria, which is the largest centre in the region. Since the exhibit closed, revenues have fallen, but are still generally higher than they were before the opening of the Leonardo exhibit. Compared to the first eight months of 1998, revenues are up almost 10 percent in 2000.

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

August year-to-date percent growth



VI/C = Vancouver Island/Coast
M/S = Mainland/Southwest
T-O = Thompson-Okanagan
K = Kootenay
C = Cariboo

NC = North Coast
N = Nechako
NE = Northeast
BC = British Columbia

Room revenue for the Vancouver Island/Coast region is down year-to-date due to higher than normal revenues drawn in by the Leonardo da Vinci exhibit in 1999, not a poor showing in 2000. Compared to 1998, revenues are up 10% year-to-date.

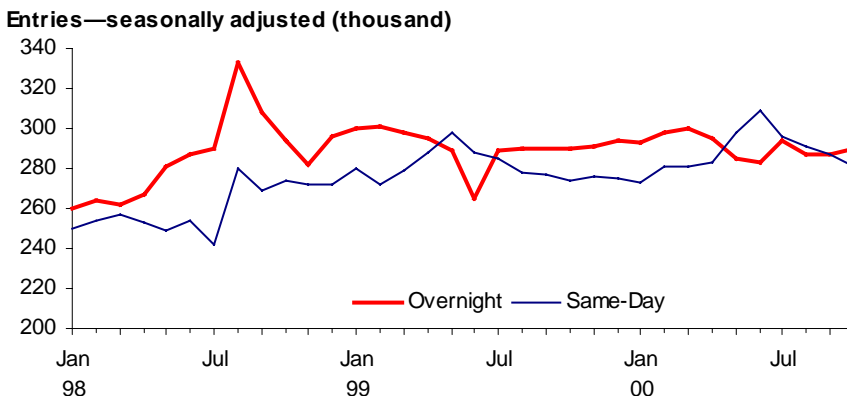
Visitor entries: More Americans staying overnight

International traveller entries to British Columbia were up for the second straight month in October (+1.3%, seasonally adjusted), after four months of declines.

October was the first month since May that there has been an increase (+1.4%) in American visitors to British Columbia. US same-day travel dropped for the fourth month in a row in October (-2.0%), but a 1.2 percent jump in overnight travel offset this decline.

Trips by Americans to Canada via British Columbia are split almost evenly between overnight stays and same-day returns. In 1999, overnight travellers accounted for about 51% of all Americans who crossed the border into BC. So far in 2000, the split is almost 50/50.

US entries split between overnight and same-day travel



Text Table 2. Traveller Entries (seasonally adjusted)

	Oct-00 ('000)	Sep-00 ('000)	% chg from Sep-00
American visitors			
Total	570	562	1.4
Same-day	281	287	-2.0
Overnight	290	287	1.2
Overseas visitors			
Total	122	121	0.6
Europe	42	45	-6.0
UK	20	25	-21.7
Asia	63	64	-2.3
Japan	24	24	0.2
Taiwan	11	12	-11.6
Oceania	10	11	-6.2
Canadian re-entries			
Total	792	792	0.0
From overseas	75	74	1.4
From US same-day auto	478	482	-1.0

(BC STATS & Statistics Canada)

Overseas entries increased slightly (+0.6%) to 121,800 in October, after a substantial hike of 10.3 percent a month earlier. European entries fell back 6.0 percent after the strong performance in September (+20.0%). This turnaround is mainly the result of fluctuations in the number of entries from the UK, which first rose 21.4 percent in September and then fell 21.7 percent in October.

Entries from Asia also dipped (-2.3%) in October after large gains (+12.2%) a month earlier. The large increase in September was mainly due to strong growth in Japan (+24.2%) and Hong Kong (+7.6%). The subsequent decline in October was due to significant drops in visits from Hong Kong (-11.1%), Taiwan (-11.6%) and South Korea (-27.3%). Visits from Japan remained relatively flat (+0.2%).

Overall, overseas growth was down significantly in the third quarter of 2000 (349,100 entries) compared to the second quarter (376,600 entries).

Canadian travel to the US flat

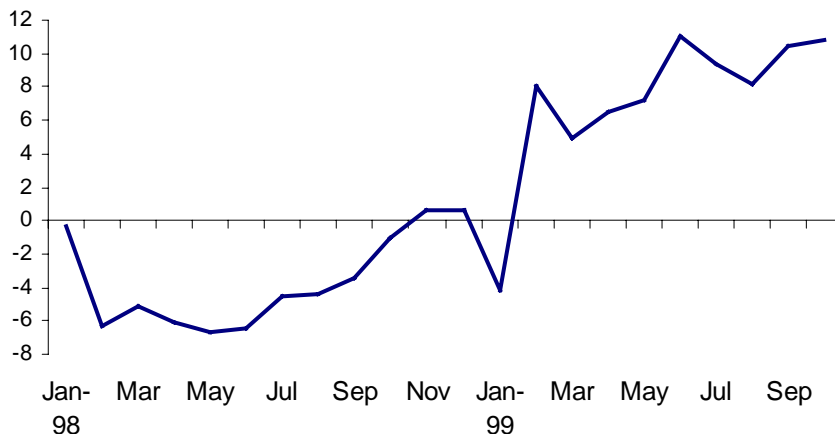
After falling 2.6 percent in October, the number of Canadians returning from other countries was virtually unchanged in October. The number of Canadians returning from the US was slightly down in October (-0.2%), as same-day automobile trips fell 1.0 percent. The number of Canadians returning from overseas destinations rose 1.4 percent over September.

Other tourism indicators: food and beverage revenue trending up

A yearlong slide in total revenue in the food and beverage service industry that started in November 1998 reversed itself through 2000. With the exception of January, total restaurant and tavern receipts have experienced strong growth up to October, the latest date for which data is available.

Food & beverage services experience revenue recovery

Year-Over-Year Percent Change



Visitor entries from overseas have been up and down in the last few years. There was a 9.4% drop from 1997 to 1998, followed by an 8.6% increase the next year. In 2000 this roller coaster ride continues with a drop in the first quarter (-1.3%), an increase in the second quarter (+2.8%) and another drop in the third quarter (-7.3%).

Revenue from food and beverage services climbed steadily from February to October 2000. Levels reached in 2000 are comparable to those from 1998.

Employment in BC's food and beverage services industries was

119,700 in October, a gain of 4.6 percent over October 1999. The number of workers in the industry has been climbing steadily since January 1997.

It should be noted here that the apparent drop in employment in the accommodation service industry appears to be the result of a data problem. Statistics Canada has advised that the SEPH (Survey of Employment, Payrolls and Hours) data for accommodation services for 1999 and 2000 could be low by as many as 2,000 employees due to a classification error.

Text Table 3. Other Tourism Indicators

	Reference period	Total	Change from year ago
Hotel Industry			
Occupancy rate	Oct-00	56.8%	1.3 pp.
Average room charge	Oct-00	\$104.63	4.9%
<i>(Pannell Kerr Forster)</i>			
Airport Passengers		(000s)	(%)
Vancouver International Airport			
Total traffic	Sep-00	1,436	1.8
US	Sep-00	350	-3.4
Other International	Sep-00	349	5.9
Canada	Sep-00	738	2.4
<i>(YVR)</i>			
Victoria International Airport			
Total traffic	Nov-00	86	0.7
<i>(Victoria Airport Authority)</i>			
Restaurant Receipts		(\$ millions)	(%)
Full service	Oct-00	202	15.7
Limited service	Oct-00	136	2.6
Drinking places	Oct-00	32	5.1
<i>(Statistics Canada)</i>			
Transportation		(000s)	(%)
Coquihalla Highway			
Passenger Vehicles	Nov-00	109	-1.4
<i>(Ministry of Transportation & Highways)</i>			
BC Ferries			
Vehicle Volume	Nov-00	549	2.0
Passenger Volume	Nov-00	1,357	2.5
<i>(BC Ferries)</i>			
Exchange Rates		Cdn \$	Change from year ago
US \$	Nov-00	1.542	0.075
UK Pound	Dec-00	2.212	-0.165
Japanese Yen	Dec-00	0.014	-0.001
Australian \$	Dec-00	0.827	-0.117
<i>(Statistics Canada)</i>			

Room Revenue Data Revisions

Substantial changes in the database system at the Consumer Taxation Branch resulted in a temporary restriction to BC Stats' access to the data necessary to tabulate room revenue. As a result, the *Tourism Sector Monitor* has not been published for several months. While updating our systems to deal with the new database, some data issues were uncovered that have resulted in significant revisions to the tourism room revenue historical data series.

Consolidated Accounts

While investigating the data, it was determined that in a few large, consolidated accounts, the revenue was being misallocated. This was due to the fact that the consolidated account had, over time, either added or subtracted establishments of which BC Stats was unaware. As a result, the original distribution of revenue to different hotels or motels was no longer appropriate. Consequently, in the case where a hotel or motel was added, the new location was allocated none of the revenue from the account, while the old locations were being allocated too much revenue. Conversely, where a hotel or motel was deleted, revenue was still being allocated to that location, meaning that the remaining establishments were being allocated too little revenue. In order to ensure a proper regional distribution, all consolidated accounts were examined and for the few where there had been changes, some research was done to determine the start and end dates of the affected establishments. The allocation of revenue was then adjusted accordingly. Although the number of accounts affected in this manner was small, the number of establishments affected was significant and the regional distribution of revenue has been revised appreciably for some of the smaller development regions and particularly for some of the urban centres.

Accommodation Type

While working to correct this problem, an inconsistency in the coding of accommodation types was uncovered. Over the years some variations in coding have occurred. The discrepancies are particularly apparent with regard to the classification "vacation rentals." Many properties that would have more properly been labelled fishing lodges were coded as

vacation rentals. Also, establishments such as skiing lodges were classified either as a vacation rental or an outdoor adventure accommodation (which was then aggregated into the miscellaneous category). In order to attain some consistency with the coding, it was decided if the property in question was mainly a lodge with no supporting cabins or cottages, it would be coded as outdoor adventure accommodation. On the other hand, if the property was mainly cabin or cottage rentals, it would be coded as a vacation rental. These changes have been reflected in a revision to the Explanatory Notes included in the *Tourism Sector Monitor*. The result of the revisions is approximately a 40 percent drop in the number of vacation rentals and a 50 to 60 percent rise in the miscellaneous category, as well as significantly more fishing lodges.

Historical Revisions

The substantial accommodation classification revision compounded with the regional allocation revision has created a break in the data. In order to allow for some time series analysis, as well as to enable the continued production of seasonally adjusted room revenue data, BC Stats has revised the data back to January 1995. At this time, revisions to data prior to 1995 are not feasible due to the problem of allocating consolidated accounts; however, it is possible that attempts will be made to revise this earlier data sometime in the future. It should be noted that this data break is applicable only to the regional and accommodation type breakouts. Data for total revenue for British Columbia as a whole are unaffected.

In addition to these revisions, the changeover to the new database system has resulted in a possible data break between April and May 2000. Data from the new system includes transactions that did not show up in the old system and there is no practical way of extracting these transactions for data prior to April 2000. As a result, year-over-year growth rates should be used with caution. There is also the possibility that data for March and April may be missing some late transactions and could be subject to further revision.

SPECIAL FOCUS: The Tourism Sector—GDP & Employment

The tourism sector is a growing force in British Columbia's economy. BC has become a world-class tourist destination as demonstrated by Vancouver's consistent ranking among the top ten cities in the world in surveys done by travel magazines. The most recent example of this is a poll in the November 2000 issue of *Condé Nast Traveler* that places Vancouver ninth among the world's best cities.

In order to measure the impact of tourism on BC's economy, BC Stats produces estimates of the tourism sector's Gross Domestic Product (GDP) as well as estimates of direct tourism employment. Estimates of GDP are calculated by assigning a tourism proportion to the GDP of relevant industries. Similarly, estimates of direct tourism employment are calculated by assigning a tourism proportion to employment in industries with a tourism component. The industry GDP data come from Statistics Canada, while the employment data is based on the Survey of Employment Payrolls and Hours (SEPH) done monthly by Statistics Canada.¹ The tourism proportions are based on the results of research conducted by BC Stats.

Defining the tourism sector

We usually think of a tourist as being a sight-seer, visiting a place far from home, but a tourist is defined as anyone who travels to a place outside of his or her usual environment and stays away for less than one year. The motivation for the trip is irrelevant. A tourist can travel for either business or pleasure.² It is also not necessary for a person to stay overnight in order to be considered a tourist. Day

¹ Note that the availability of GDP data lags that of employment. As a result, tourism GDP is calculated to 1998 and tourism employment to 1999.

² The exception is migratory workers living away from home on a temporary basis in order to be at their place of work; they are not considered to be tourists.

trips (also known as excursions) are an important part of tourism.

Since tourism is an activity and not a specific good or service, strictly speaking there is no such thing as a "tourism industry." Tourists make purchases from a variety of industries, most of which also provide the same services to local residents (for example, restaurants). This creates a challenge when attempting to measure the specific impact that tourists have on particular industries. Fortunately, from studies of tourist behaviour, we have a reasonably good knowledge of what tourists are doing and what they are buying when they visit the province, and from this information we can determine the impact of tourism on various industries.

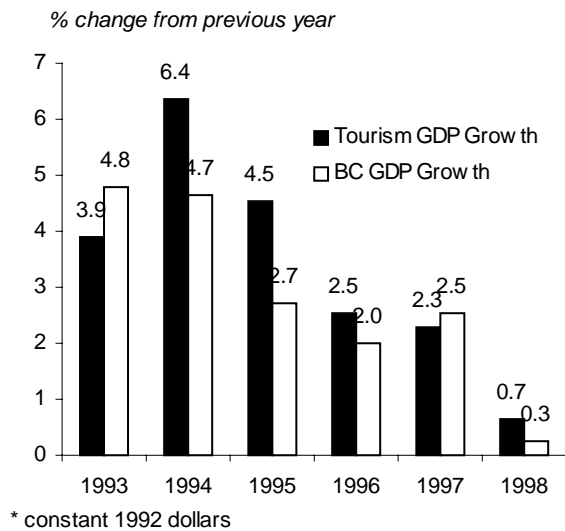
Using this approach, we are able to create a "synthetic" tourism industry. This allows us to produce estimates of tourism sector GDP and direct tourism employment. These measures provide a means of comparing tourism with other parts of the provincial economy, as well as tracking the tourism sector's performance over time.

Tourism GDP

In constant 1992 dollars (i.e., with the effects of inflation removed, which gives an indication of real growth), the 1998 contribution of the tourism sector to British Columbia's economy was 4.3 billion dollars, which translates to an increase of 0.7 percent over 1997. This is the lowest growth recorded by the tourism sector since an 8.8 percent decline in 1991, which was likely the result of the recession that hit North America at that time.

Growth in tourism GDP has been declining over the last five years, but for the most part, British Columbia's tourism sector has continued to grow faster than the economy as a whole. The 0.7 percent real growth in the tourist sector GDP compares with only 0.3 percent for the entire provincial GDP.

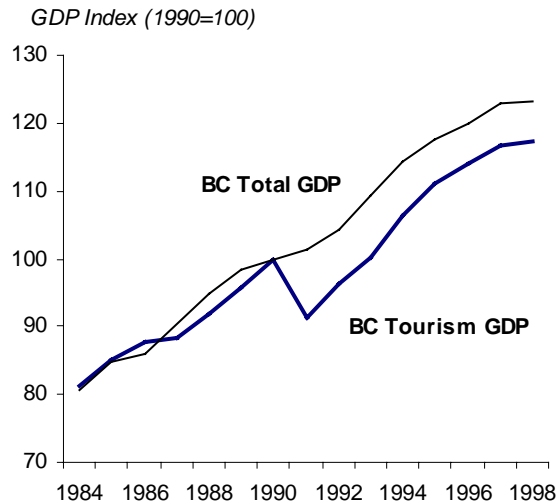
Tourism GDP has outpaced the BC economy for 4 of the last 5 years*



The slowdown in tourism growth may be related to the effects of the "Asian flu" and the decline in tourists arriving from Asian origins. However, the low Canadian dollar has resulted in a larger influx of Americans, which has tempered the reduction in Asian tourists. As a result, the tourism sector continues to grow, but at a reduced rate compared to earlier in the decade.

The tourism sector in British Columbia accounted for approximately 4.8 percent of the total provincial economy in 1998. This share has been increasing over the last several years as growth in the tourism sector has outpaced the economy as a whole, but it is still less than the 5.2 percent peak reached in the mid-eighties. Tourism has never regained its share of total GDP since the sharp decline in 1991.

Tourism GDP has never regained its share of Total GDP since the large decline in 1991*



The industry breakdown of tourism GDP has changed little since 1984 with a couple of exceptions. The transportation, storage and communication industries were ranked first in terms of share of tourism GDP in 1984, but they have experienced a reduction in their share and have slipped to second, while accommodation services have simultaneously increased their share, vaulting into the top position. Currently, accommodation services and transportation, storage and communication together represent more than half the total tourism GDP.

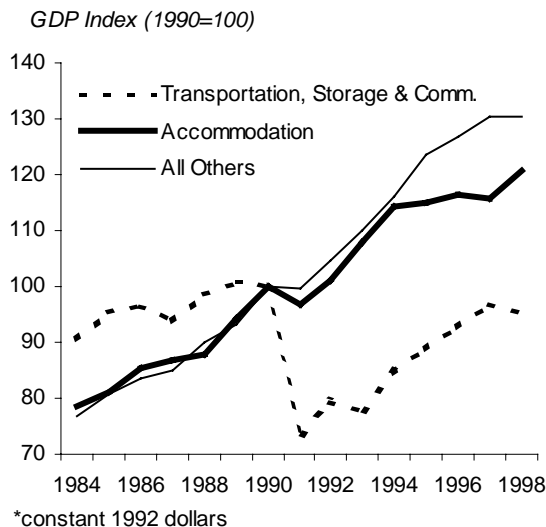
Tourism GDP by industrial group, 1998

Industry	Tourism GDP*
Accommodation Services	1,406.0
Transportation, Storage & Communication	1,204.7
Food & Beverage Services	686.0
Other Services	570.0
Retail Trade	517.0
Wholesale Trade	251.4
Finance, Insurance & Real Estate	223.7
All Others	76.3
Total Tourism GDP	4935.0

* Current dollars, millions

As can be seen in the chart below, the transportation, storage and communication industries were hit particularly hard by the recession of 1990 and 1991.

Transportation sector trails in tourism sector GDP growth



These industries were the weakest in terms of tourism GDP growth (in constant 1992 dollars) in 1998 as well, falling 1.8 percent from the 1997 level. Accommodation services led

all industry groups with a 4.3 percent increase over the previous year. Finance, insurance and real estate industries were next with 2.4 percent real growth.

Tourism GDP growth by industrial group, 1998

Industry	percent growth 1997-98*
Accommodation Services	4.3
Transportation, Storage & Communication	-1.8
Food & Beverage Services	0.2
Other Services	-1.7
Retail Trade	-0.7
Wholesale Trade	1.4
Finance, Insurance & Real Estate	2.4
All Others	2.0
Total Tourism GDP	0.7

* Constant 1992 dollars

Compared to the resource sector, tourism out-ranked all resource industries with the exception of the forest sector (with related manufacturing activities included) in terms of its direct contribution to GDP in 1998.³

³ This calculation does not take into consideration the indirect and induced impact of these activities.

GDP by major activity, 1998

Activity	GDP**
Finance, insurance and real estate*	18,586.6
Retail trade and wholesale trade*	10,516.4
Other community, business and personal services*	9,588.1
Transportation, storage and communication*	7,783.4
Health and social services*	7,334.6
Forestry and related manufacturing	6,790.2
Construction	5,862.6
Public administration*	5,425.0
Education*	5,204.3
Tourism	4,935.0
Mining, petroleum and related manufacturing	4,423.9
Other manufacturing	3,873.9
Utilities	2,430.3
Agriculture and related manufacturing	2,070.7
Accommodation and Food*	2,001.0
Fishing, trapping and related mfg.	476.0
Total	97,301.8

* Tourism component has been removed

** Current dollars, millions

Direct Tourism Employment

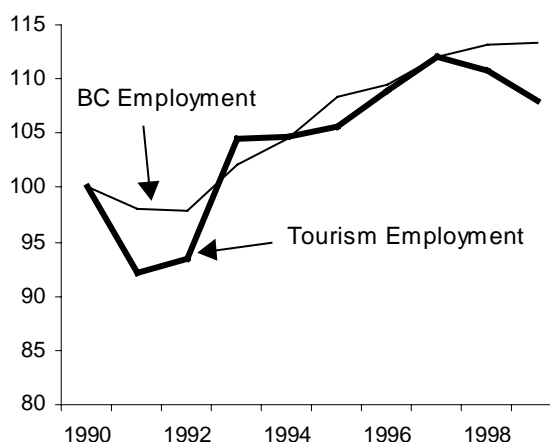
In 1999, there were 106,830 people working in British Columbia's tourism sector, a 2.4 percent decline from 109,490 people in 1998.⁴ This decline could be largely due to

⁴ Direct tourism employment estimates are based on information from Statistics Canada's Survey of Employment, Payrolls and Hours (SEPH), an employer survey. This means that the SEPH data does not include self-employed workers, workers in agriculture or workers in the commercial fishing industry and therefore the direct tourism employment figures derived from this data underestimate the true number of people employed in the tourism sector.

data problems. Statistics Canada has advised that the SEPH data for accommodation services in 1999 could be too low by as many as 2,000 employees due to a classification error. As a result, the direct tourism employment calculations understate the true growth from 1998 to 1999.

Tourism employment tends to be more volatile than employment as a whole

Employment Index (1990=100)



The number of jobs generated by tourism has a history of volatility. When the economy is performing well, both inside and outside British Columbia, the tourism sector usually booms; however, when the economy slows, employment in tourism declines. The chart above shows that the troubled economy in Asia, combined with a slow growing economy

A comparison of total employment figures from SEPH and the Labour Force Survey (LFS, a household survey that covers workers in all industries as well as the self-employed, but provides less industry detail) suggests that the SEPH data may be underestimating total employment in all industries by about 450,000. This is in excess of 20 percent of total employment in all industries. It is difficult to say what percentage of direct tourism employment is excluded by using the SEPH data, but a rough estimate calculated previously by BC Stats indicates that perhaps as little as 10 percent of the total employment is being missed.

in BC, has resulted in employment declines in the tourism sector over the last few years.

Employment by sector, 1999 **

Industry	Employment (thousands)
Retail and Wholesale Trade*	256.9
Other Community, Business and Personal Services*	183.7
Health and Social Services*	162.0
Education and Related Services*	130.2
Tourism	106.8
Other Manufacturing	89.3
Finance, Insurance and Real Estate*	87.6
Forestry and Related Manufacturing	85.7
Transportation, Storage and Communication*	84.4
Accommodation, Food and Beverage*	84.1
Public Administration*	70.4
Construction	68.1
Mining, Petroleum & Related Manufacturing***	34.3
Other Goods Producing	12.6
All Industries	1,456.2

* Excludes tourism workers

** Does not include agriculture, fishing and self-employment

*** Does not include refined petroleum and coal (this is included in other goods producing industries)

Approximately one in every 14 jobs in British Columbia is a result of tourist activity, making the tourism industry one of the largest employers in the province.

Within the tourism sector, the food and beverage service and accommodation industries account for just over half of all jobs. The trade sector is the third largest employer within tourism followed by the transportation and communication industries.

Tourism Employment, 1999 *

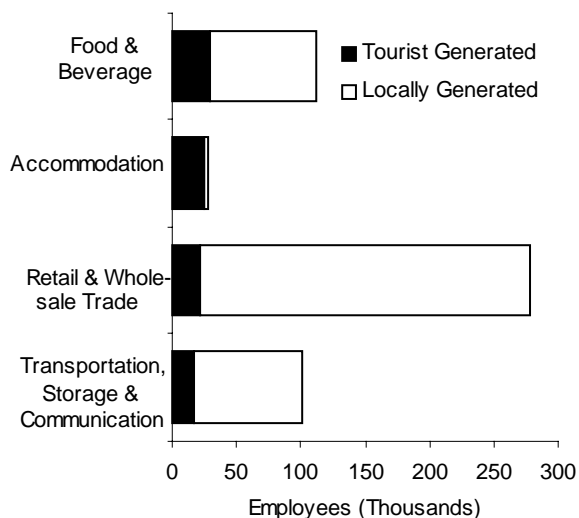
Industry	Employment	Percent Change
Food & beverage Services	29,850	1.6
Accommodation	24,910	-10.4**
Retail & wholesale Trade	21,180	3.0
Transportation & Communication	16,920	2.3
Travel services	4,800	-3.0
Amusement & Recreation	4,700	-18.0
Other services	1,800	-2.2
Health services	1,170	1.5
Education	990	-3.6
Finance, insurance & real estate	530	0.3
Total Tourism	106,830	-2.4

* Does not include self-employment

** The drop in employment in the accommodation sector is the result of a data problem.

Most of the decline in employment is due to a classification error in the SEPH data from Statistics Canada. Until the error is corrected, the data should be used with caution.

The accommodation sector is almost exclusively tourism-related



origins visited British Columbia. The slowdown in the provincial economy also has likely had a large detrimental impact on tourism as resident travel makes up a significant portion of tourist activity. As the economy here and abroad improves, as is already happening, tourism will likely experience stronger growth.

Some industries are more dependent on tourism than others. Employment in the accommodation sector is almost completely driven by tourism activity and over a quarter of the jobs in the food and beverage services industries are due to tourism. The transportation, storage and communication sector has a significant tourism component as well (17 percent), while jobs in retail and wholesale trade due to tourism account for less than 8 percent of the total. This is despite the fact that retail and wholesale trade industries make up almost 20 percent of all direct tourism jobs.

Tourism will continue to grow

Tourism is a crucial part of British Columbia's economy and this will likely continue to be the case in the future. The industry continues to grow, albeit at a reduced pace over the last few years. Like all industries, tourism is susceptible to changes in the economic climate both within and outside British Columbia. There is no doubt that the so-called "Asian flu" had a negative effect on the province's tourism industry, as fewer travellers from Asian