

Tourism Sector Monitor ♦ June 2001

Highlights

Tourism GDP and Employment

Tourism GDP reached \$4.5 billion dollars (constant 1992 dollars) in 2000, a 3.9% increase from 1999. The largest gain was made by the accommodation and food and beverage industry (+4.7%).

The number of people directly employed by the British Columbia tourism sector grew 0.9% in 2000. A total of 111,890 people were directly employed by tourism. The amusement and recreation industry posted the largest increase (+7.2%).

Room revenue

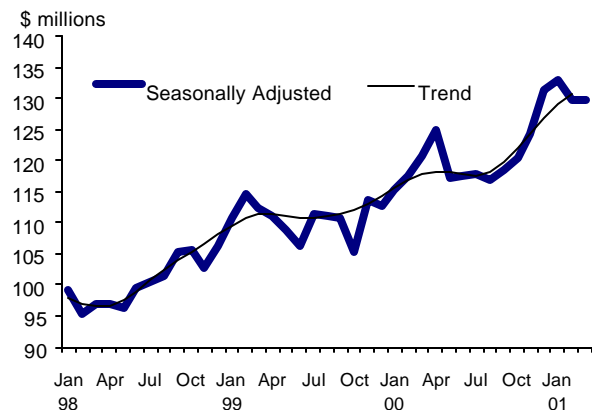
After a month of decline, room revenue (seasonally adjusted) remained constant in **March**. Increases in all but two regions were offset by declines in both the Mainland Southwest (-2.3%) and Thompson Okanagan (-1.2%) regions.

Table 1. Room Revenue* Summary

Accommodation Type			
	Mar. 01 (\$000)	Feb 01 (\$000)	% chang e
Total	129,763	129,748	0.0
Hotels	98,376	98,869	-0.5
Motels	14,994	15,038	-0.3
Other Acc.	14,957	14,780	1.2
Regions (Top 3 performers)			
Northeast	3,039	2,789	9.1
Vancouver Island/ Coast	22,818	21,275	7.3
North Coast	1,659	1,599	3.8

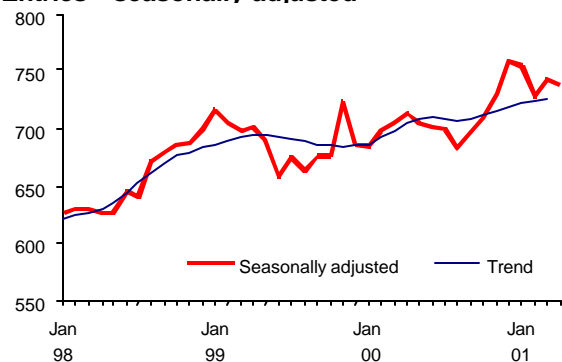
* Seasonally adjusted room revenue

Room Revenue Stays Constant



Visitor entries decline

Entries—seasonally adjusted



International traveller entries slipped 0.7% in **April** (seasonally adjusted) as entries from both the United States (-0.6%) and overseas (-1.4%) fell.

Other indicators

In **April**, restaurant, caterer and tavern receipts rose 5.9% from the same month in 2000. Receipts reached \$415.2 million.

Vehicle traffic on the BC Ferries was up 1.7% but passenger traffic fell by 1.7%. Total traffic at the Victoria airport grew 4.0% from April 2000 levels.

Tourism Trends

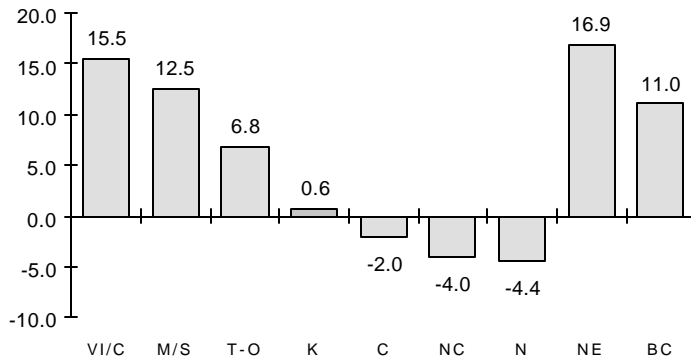
Room Revenue

Room revenue remained unchanged in **March**. A drop in revenues in Mainland Southwest (-2.3%) and Thompson Okanagan (-1.2%) offset increases in all other regions of the province. Room revenue in the Northeast climbed +9.1% and rose 7.3% in Vancouver Island/Coast. After two months of decline, room revenues in the Kootenay region were up 2.6%.

In the first quarter of 2001, room revenues rose 11.0% over the same period last year. The Northeast region saw the largest gain (+16.9%) and revenues increased in the Vancouver Island/Coast (+15.5%) and Mainland Southwest (+12.5%) regions. Nechako (-4.4%) saw the largest decline.

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

March year-to-date percent growth



Year-to-date room revenues are performing well.

- | | |
|--------------------------------------|------------------------------|
| VI/C = Vancouver Island/Coast | NC = North Coast |
| M/S = Mainland/Southwest | N = Nechako |
| T-O = Thompson-Okanagan | NE = Northeast |
| K = Kootenay | BC = British Columbia |
| C = Cariboo | |

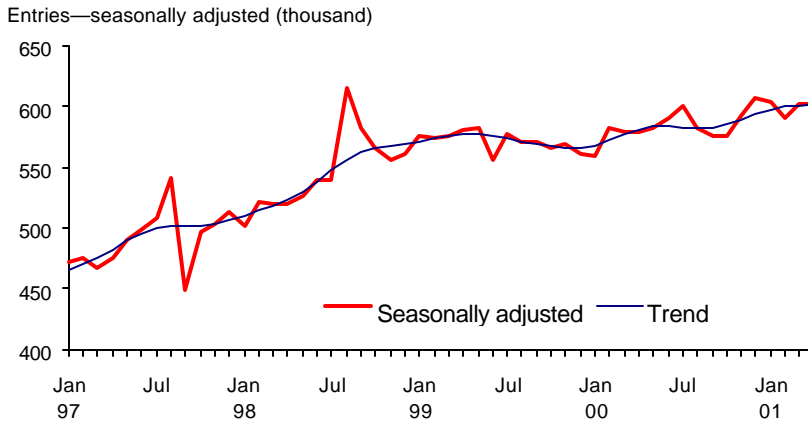
Visitor Entries

International traveller entries to British Columbia fell by 0.7% in **April**. Entries from the United States dropped 0.6%, despite an increase (+0.5%) in same-day car trips.

Overseas entries also declined (-1.4%). Entries from Asian (-3.0%) and Oceanic (-1.6%) countries decreased. Traveller entries from Europe rose 4.2%.

Visitor entries from the US and overseas decline.

Entries from the United States Slip



For the third straight month, the number of Canadians returning from other countries via BC fell (-1.5%) in **April**. Same-day car trips to the US dropped (-1.8%) but overseas re-entries via BC remained constant.

Canadian re-entries continued to decline

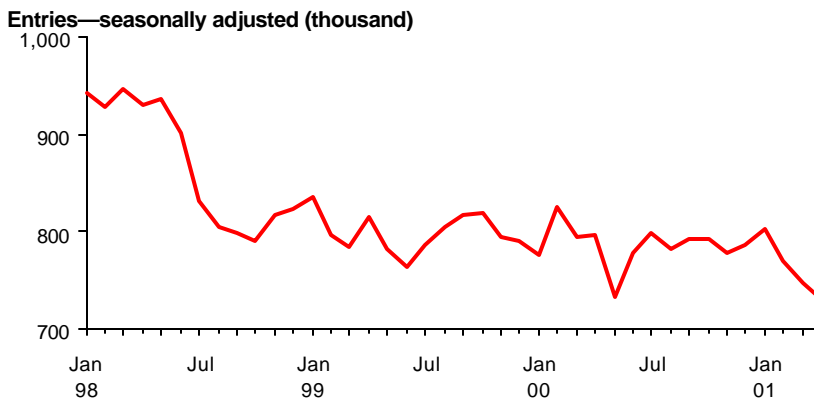


Table 2. Traveller Entries (seasonally adjusted)

	Apr-01 ('000)	Mar-01 ('000)	% chg from Mar-01
American visitors			
Total	612	616	-0.6
Same-day	300	299	0.5
Overnight	303	307	-1.2
Overseas visitors			
Total	126	128	-1.4
Europe	44	42	4.2
UK	20	19	3.6
Asia	62	64	-3.0
Japan	23	23	-1.6
Taiwan	10	14	-27.9
Oceania	12	12	-1.6
Canadian re-entries			
Total	733	744	-1.5
From overseas	75	75	0.0
From US same-day auto	431	439	-1.8

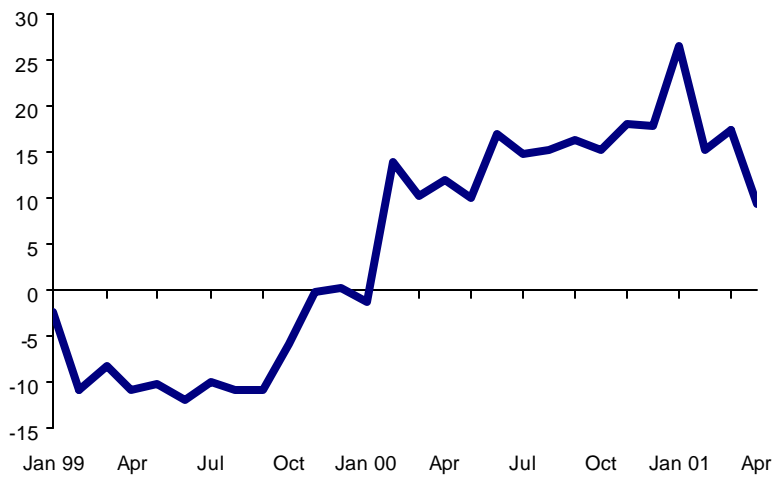
(BC STATS & Statistics Canada)

Other Tourism Indicators

Revenue in the food and beverage industry increased 5.9% in **April** compared to April of last year, the fifteenth consecutive month of growth. A large rise in revenue for full service restaurants (+9.4%) more than made up for the sharp (-27.7%) fall in caterer revenues.

Full Service Restaurants seeing strong growth

Year-Over-Year Percent Change



Revenues in the Food and Beverage industry continue to rise over last years' values.

Table 3. Other Tourism Indicators

	Reference period	Total	Change from year ago
Hotel Industry			
Occupancy rate	Apr-01	60.3%	-1.1 pp.
Average room charge	Apr-01	\$106.07	0.3%
<i>(Pannell Kerr Forster)</i>			
Airport Passengers			
		(000s)	(%)
Vancouver International Airport			
Total traffic	Dec-00	1,201	2.9
US	Dec-00	309	5.9
Other International	Dec-00	248	3.8
Canada	Dec-00	644	1.2
<i>(YVR)</i>			
Victoria International Airport			
Total traffic	Apr-01	102	4.0
<i>(Victoria Airport Authority)</i>			
Restaurant Receipts			
		(\$ millions)	(%)
Full service	Apr-01	221	9.4
Limited service	Apr-01	137	2.2
Drinking places	Apr-01	30	-2.0
<i>(Statistics Canada)</i>			
Transportation			
		(000s)	(%)
Coquihalla Highway			
Passenger Vehicles	Mar-01	163	2.4
<i>(Ministry of Transportation & Highways)</i>			
BC Ferries			
Vehicle Volume	Apr-01	647	1.7
Passenger Volume	Apr-01	1,650	-1.7
<i>(BC Ferries)</i>			
Exchange Rates			
		Cdn \$	Change from year ago
US \$	May-01	1.541	0.046
UK Pound	May-01	2.198	-0.059
Japanese Yen	May-01	0.013	-0.001
Australian \$	May-01	0.801	-0.064
<i>(Statistics Canada)</i>			

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 Traveller* 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 the provincial economic accounts, while the employment data is based on the Survey of Employment Payrolls and Hours (SEPH) done monthly by Statistics Canada. 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 sightseer, 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.¹ It is also not necessary for a person to stay overnight in order to be considered a tourist. Day 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.

¹ 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.

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 GDP²

In 2000, the tourism sector contributed \$4.5 billion dollars (constant 1992 dollars) to the British Columbia economy, a 3.9% increase from 1999. This was the strongest growth seen in the tourism industry since 1995.

Growth in the tourism industry slowed during the late 1990s, after strong growth from 1992 to 1995. The year 2000 showed a recovery in tourism growth after a marginal decline in 1999.

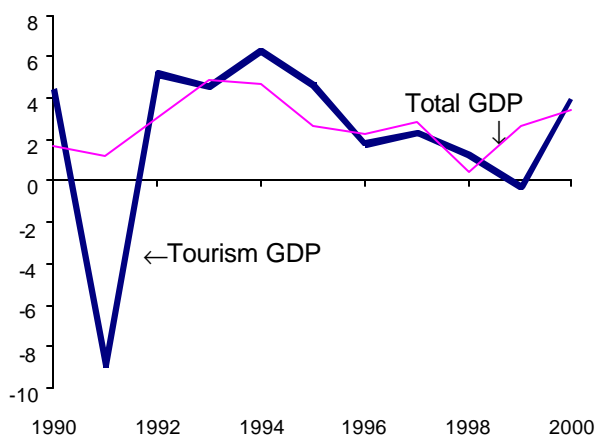
Tourism GDP has historically been more volatile than total GDP in British Columbia. When the economy was performing well, with higher levels of growth, the tourism sector thrived. However, when growth in the economy slowed, the tourism sector faced large drops in its growth rate. In the past few years these responses to the economy have been lagged. This sensitivity to the economy can be attributed to the fact that tourism is not a necessity. As well, since tourists in BC come from different places, tourism is not only dependent on the economic situation in BC or Canada, but also on the rest of the world.

Tourism GDP has been more volatile than total GDP³

Annual Percent Change

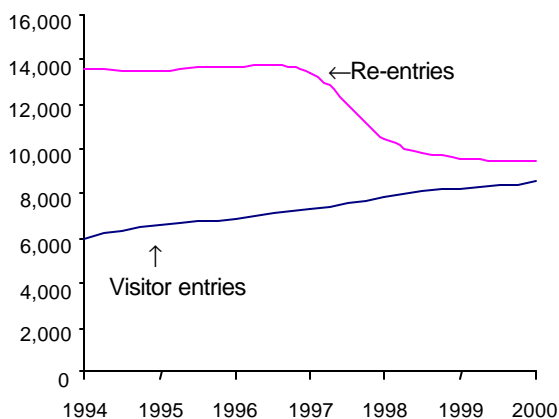
² All GDP values and growth rates given are using constant 1992 dollar GDP. Constant dollar GDP removes the effects of inflation and gives an indication of real growth.

³ Annual percent change for total GDP for BC for 2000 is as forecasted by the Ministry of Finance and Corporate Relations.



The low Canadian dollar may be part of the reason for the latest increase in tourism activity. Canadian re-entries via BC declined throughout the 1990s, and many Canadians may have chosen to travel within British Columbia instead. As well, visitor entries into BC grew every year in the 1990s.

Entries into BC increase as re-entries decrease



The largest growth in the tourism sector occurred in the accommodation and food and beverage sector, which climbed 4.7% in 2000. This growth can be attributed to a substantial increase in the food and beverage industry (+6.5%) and a large gain in the accommodation industry (+3.8%).

After two years of decline, tourism GDP in the transportation and communication industries rose 4.0%. This was a result of increases in both transportation (+3.4%) and communication (+10.1%).

Wholesale and retail trade once again saw growth (+3.3%) in their contribution to tourism GDP.

Growth in this major activity has been positive for the past nine years.

Tourism GDP also saw growth in the finance, insurance and real estate industries, in the amusement and recreation industries and made marginal gains in leisure and personal services.

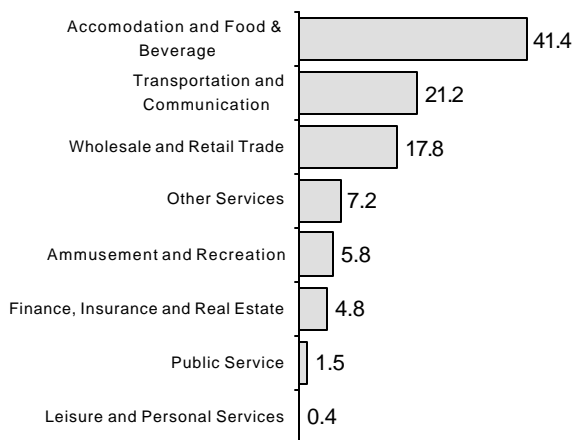
Tourism GDP growth by major activity

Activity	% Growth 1999-2000
Accommodation and Food and Beverage	4.7%
Transportation and Communication	4.0%
Other Services	3.4%
Wholesale and Retail Trade	3.3%
Finance, Insurance and Real Estate	3.3%
Amusement and Recreation	2.7%
Public Service	1.9%
Leisure and Personal Services	0.3%
Total	3.9%

The composition of tourism GDP has remained fairly constant since 1983. The one exception to this is the transportation and communication industries that made up 31.4% of tourism GDP in 1988 and only 21.2% in 2000. This was caused by strong growth in accommodation and food and beverage and in wholesale and retail trade.

In 2000, the accommodation and food and beverage service industry made up 41.4% of tourism GDP. Transportation and communication also made large contributions, yielding 21.2% of the total. Wholesale and retail trade made up 17.8% of the total.

Accommodation and food and beverage industry a big contributor to tourism GDP



Tourism GDP by major activity

Industry	Tourism GDP (\$millions)
Accommodation and Food & Beverage Services	1,873.9
Transportation and Communication	957.9
Wholesale and Retail Trade	805.8
Other Services	327.2
Amusement and Recreation	262.2
Finance, Insurance and Real Estate	216.5
Public Service	66.8
Leisure and Personal Services	18.4
Total	4,528.6

Direct Tourism Employment⁴

After two years of decline, the number of people working in British Columbia's tourism sector rose 0.9% in 2000. There were 111,890 people directly employed by tourism. Although direct tourism employment was up in 2000, it failed to match the

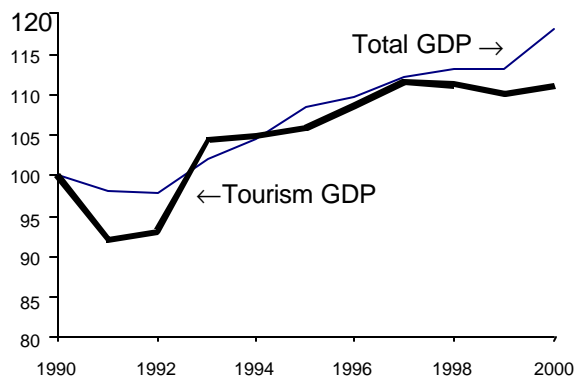
⁴ Direct tourism employment estimates are based on information from Statistics Canada's Survey of Employment, Payrolls and Hours (SEPH), an employer survey. This means that the data does not include self-employed workers, workers in agriculture or workers in the commercial fishing industry and therefore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

growth rate of total British Columbia employment (+4.1%).

Direct tourism employment has historically exaggerated changes in total British Columbia employment. Employment in tourism has fallen more dramatically during economic downturns and has had higher growth rates when the economy has performed well. In 1991, the percent of employed people directly employed by the tourism industry fell substantially more than total employment. However, once the economy began to improve, the growth of tourism employment passed that of total employment. In 1998 and 1999, when total employment growth slowed, tourism employment fell. In 2000, both total employment and tourism employment saw increases.

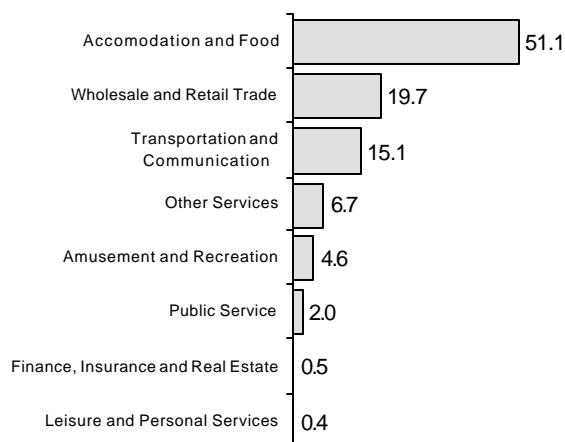
Tourism employment growing slower than total employment

(Employment Index 1990=100)



Of the 111,890 people directly employed by the tourism sector, half were in the food and beverage service and accommodation industries. The wholesale and retail trade industries employed the second highest number of tourism workers, contributing to 19.7% of the total. Transportation and communication industries employed 15.1% of tourism workers.

Accommodation and food and beverage employs half of direct tourism employees



Despite an overall increase in tourism employment, a large decline was felt in the tourism compound of the public service, with the number of direct tourism workers dropping 5.1%. The accommodation and food and beverage service industries saw a marginal decline in tourism employment, caused by a large fall (-5.8%) in the accommodation industry that more than offset the rise (+4.7%) in the food and beverage service industry.

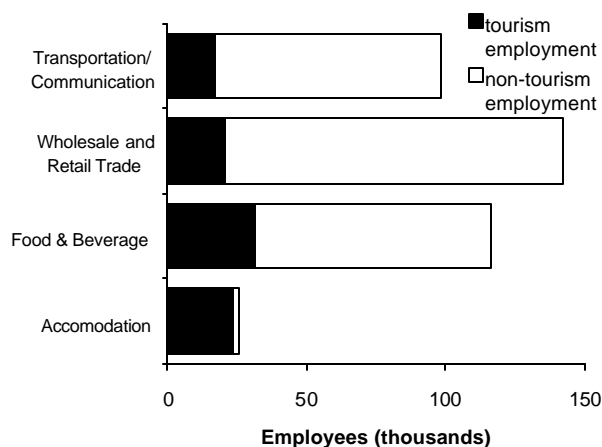
Direct tourism employment saw the largest gain in the amusement and recreation sector. The number of tourism workers in the industry was up 7.2%, after three years of decline.

Tourism Employment Growth by major activity

Industry	% Growth 1999-2000
Amusement and Recreation	7.2
Wholesale and Retail Trade	5.1
Leisure and Personal Services	2.0
Transportation and Communication	2.0
Finance, Insurance and Real Estate	0.2
Accommodation and Food and Beverage	-0.2
Public Service	-5.1
Other Services	-6.0
Total	0.9

The proportion of tourist employment varies across industries. The accommodation sector is almost completely made up of tourism activity, with over 90% of employment being directly related to tourism. The food and beverage service industry is also dependant on tourists with tourism employment totalling 27% of total employment. Despite making up 38% of total tourism employment, tourism employment in the wholesale and retail trade industries accounted for only 8% of the total employment for these industries.

Tourism activity dominates the accommodation sector



Tourism Employment by major activity

Industry	Direct Tourism Employment
Accommodation and Food and Beverage	57,120
Wholesale and Retail Trade	22,030
Transportation and Communication	16,870
Other Services	7,480
Amusement and Recreation	5,150
Public Service	2,270
Finance, Insurance and Real Estate	530
Leisure and Personal Services	450
Total	111,890

* Does not include self-employment

Tourism will likely grow

Tourism is a crucial part of British Columbia's economy and this will likely continue to be the case in the future. Factors such as the low Canadian dollar have had a positive effect on tourism, whereas economic downturns have dampened the industry. As the economy in both Canada and abroad improves, growth in the tourism sector will likely strengthen further.

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 employ-