

# Tourism, Travel, and Recreation

## Overview

In contrast to 2000, when consumer optimism and robust spending helped offset several external shocks to the industry, the effects of an international, national, and regional economic slowdown, combined with the effects of the terrorist events of September 11th, have negatively impacted the state's tourism economy. Helping to mitigate the negative effects of the economic slowdown and the terrorist activity has been the increased media interest and improved visibility the state has enjoyed as the 2002 Olympic Winter Games approach. The addition of Olympic facilities, resort expansions, hotels, and infrastructure improvements have increased the state's tourism capacity and improved its competitive positioning.

## 2001 Summary

**Fewer Visitors, But More Jobs.** Non-resident tourism arrivals to Utah decreased in 2001 for the second consecutive year. Visitation reports indicated fewer passengers at the Salt Lake International Airport as well as fewer visitors to national and state parks and state-operated welcome centers. The statewide hotel and motel occupancy rate fell below 60% for the year, a decline of more than 15% since 1994's peak rate of nearly 75%. However, significant expansion in the state's hotel industry has increased the number of available rooms. Early estimates indicate that hotel room rents increased slightly during the year, suggesting some growth despite lower occupancies. The state's ski industry offered one of the few bright spots for the year. The 2000/01 ski season recorded a record-breaking 3.4 million skier days. Vehicle traffic along Utah's major highways and Interstates also registered positive growth, although slower than in recent years.<sup>1</sup> During 2001, an estimated 17 million non-resident visitors traveled to Utah, a 4% decline from 2000 and 7% below 1999's record 18.2 million visitors.

During 2000, robust consumer spending buoyed travel expenditures, causing visitor spending to increase despite fewer visitors. In 2001, however, consumers began retrenching given increasing economic uncertainty related to employment, income growth, and the stock market. The shift in spending behavior, combined with fewer visitors and lower gas prices, caused traveler spending in Utah to decline in 2001. Travelers spent an estimated \$4.15 billion in Utah in 2001, a decline of -2.4% from 2000. Nonetheless, travel-related spending generated \$332 million in state and local tax revenues. Despite fewer visitors and lower tourism spending, final preparations for the Olympics and the capacity increases in the industry generated positive job growth in the sector. During 2001, total travel-generated employment increased 2.4% to an estimated 128,500, or one out of every nine non-farm jobs.

## Significant Issues in 2001

**Aftermath of 9/11.** The impacts of the terrorist attacks on the travel and tourism industry have been well publicized in recent months. Travel to Utah was already experiencing a decline in terms of the number of visitors during the first eight months of the year although the numbers from September through the end of the year indicated a sharp reduction in tourism activity.

However, Utah has likely experienced fewer overall negative effects as a result of the terrorist attacks than many other destinations in the U.S. due to several factors:

- ▶ Fourth quarter visitation is normally lower than other times of the year;
- ▶ Focus on local and regional markets;
- ▶ Reliance on auto travel compared to air travel ;
- ▶ Popular destination for visiting friends and family (less susceptible to declines than other segments);
- ▶ Boost from Olympic-related activity.

Despite these positive mitigating factors, the travel industry will still face a challenging environment during the next several months. Some segments that are particularly vulnerable to the travel downturn include business travel, ski trips, and international travel.

Historically, the travel industry has proven resilient to periods of economic and political turmoil. Over the past decade, business travel and leisure vacations have increasingly become part of the American lifestyle. While travelers might adjust their travel preferences (ie. switching to auto, bus or train travel), travel will likely continue as it has in the past. The need for travel, whether business or personal, does not evaporate with changing circumstances. The desire for relaxation and rejuvenation may even be enhanced during periods of economic and political difficulty. Consequently, Utah's message and appeal should still be relevant to consumers. Further, Utah's recognition as a family-friendly, relatively safe place to visit may enhance its competitive position in the marketplace.

**2002 Olympic Winter Games.** The approach of the 2002 Olympic Winter Games represents a unique, once-in-a-lifetime opportunity for Utah. With national and international attention focused on the state, favorable impressions and images generated from Olympic-related exposure should translate into future gains in traveler spending and greater tax relief for Utah residents. Current estimates indicate the economic impacts from the Games will total \$4.5 billion, including 35,000 job years of employment, \$1.5 billion in earnings to Utah workers, and net revenue of \$76 million to state and local government.<sup>2</sup> Notwithstanding the significant benefits of the Games themselves, even greater benefits are possible following the event. Opportunities for increased business and tourism development, as well as the lasting impacts of infrastructure improvements and Olympic facilities, will impact the state for many years to come.

Documented research of past Olympic host cities has revealed several lessons that can be applied to the 2002 Games in Salt Lake City:

- ▶ Economic circumstances will significantly influence growth prospects before, during, and after the Olympic Games. While significant, Olympic-related effects represent only a small portion of total economic activity within a host community.

<sup>1</sup> Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks and Recreation, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

<sup>2</sup> "2002 Olympic Winter Games - Economic, Demographic and Fiscal Impacts," Governor's Office of Planning & Budget, November 2000.

- ▶ Successful presentation of the Games does not guarantee future growth. There is a clear need for post-Olympic marketing. Marketing initiatives must be flexible and adaptive in response to how the media portrays the host community, the overall imagery that evolves during the Games, and the lasting impressions that remain with consumers.
- ▶ Olympic-related growth is most favorable during the first three years following the Games while awareness of the host community remains high. Growth is also most likely to occur within the Olympic core region. However, due to accelerated investment and development that usually occurs prior to hosting the Games, there can be some economic volatility as excess capacity is absorbed and more sustainable growth patterns emerge.
- ▶ Teamwork and collaborative efforts among multiple and disparate groups is essential to any Olympic maximization strategy. It is important to preserve the relationships and the networks that are built for Olympic planning to prepare for and respond to the post-Games environment.

Capital investments in ski resorts, Olympic attractions, hotel construction, and infrastructure development bode well for the future. National trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel, and family travel. Utah is well-positioned to attract visitors seeking a higher-quality, more unique experience. Continued investment in focused marketing and promotion efforts is essential to transforming the attention and image awareness generated by the Olympics into significant and sustainable economic gains.

### 2002 Outlook - Improvement on the Horizon

The performance of the travel industry suffered during the last half of 2001 due to changes in travel demand as a result of the slowing economy and the terrorist events in September. Utah tourism has not been immune to the effects of these events. The last half of the year was characterized by fewer visitors, lower occupancies, and less spending. Because the timing of the economic recovery, the resolution of the war on terrorism, and the restoration of air travel demand are unclear, there is an unusual amount of uncertainty regarding this year's outlook. Adding further uncertainty is the magnitude and timing of future visitation increases as a result of Olympic exposure. Nonetheless, Utah tourism is expected to increase in 2002.

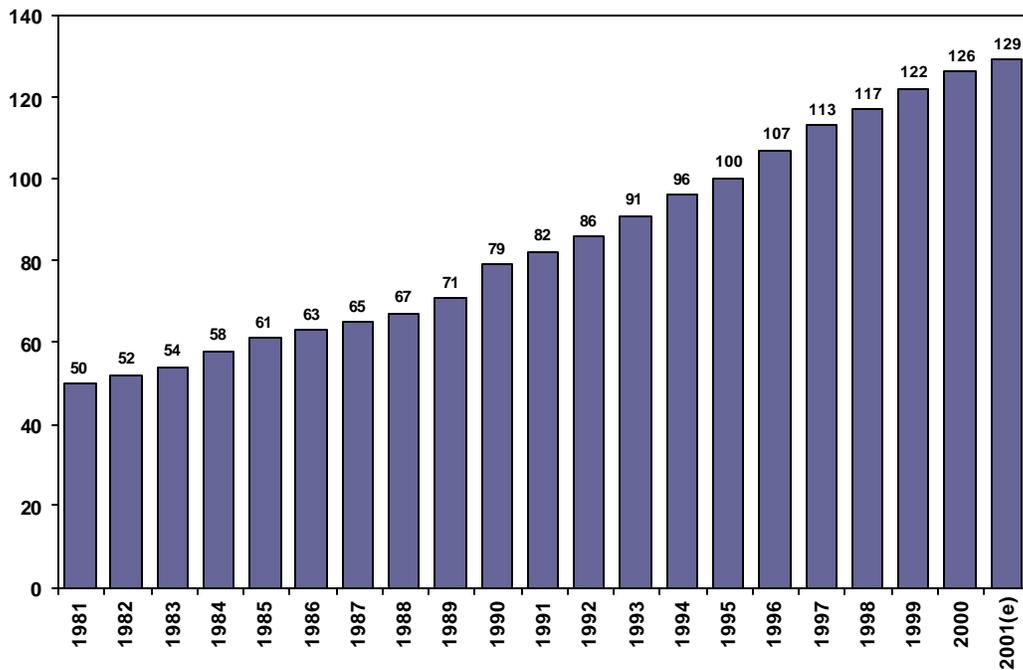
Olympic visitation should provide a much-needed stimulus for tourism during the first quarter of 2002, helping many tourism-related industries to endure what would otherwise be a difficult period. Assuming the national economy begins to move forward in spring of 2002, travel demand should also recover appreciably. The combination of lower gas prices, reduced interest rates, and other economic incentives should provide consumers with additional reasons to travel. Aggressive pricing by many travel businesses will also encourage industry growth. Competition among nearby destinations for the local and regional markets will likely intensify, as marketers re-focus their priorities towards close-to-home markets and quick getaways. With the notable exception of the United Kingdom, foreign visitation will likely remain weak during the year as slow-growth economies, a strong dollar, and air travel concerns remain deterrents to international travel.<sup>3</sup>

### Conclusion - Moving Forward with a Purpose

Years of strong economic growth and buoyant consumer confidence have translated into significant gains from tourism-related industries. Sensitive to changes in macroeconomic conditions, tourism growth has slowed as growth in the overall economy has also decelerated. Despite the slowdown, tourism in Utah is expected to grow considerably in the next five years as awareness of the state increases due to the 2002 Olympic Winter Games.

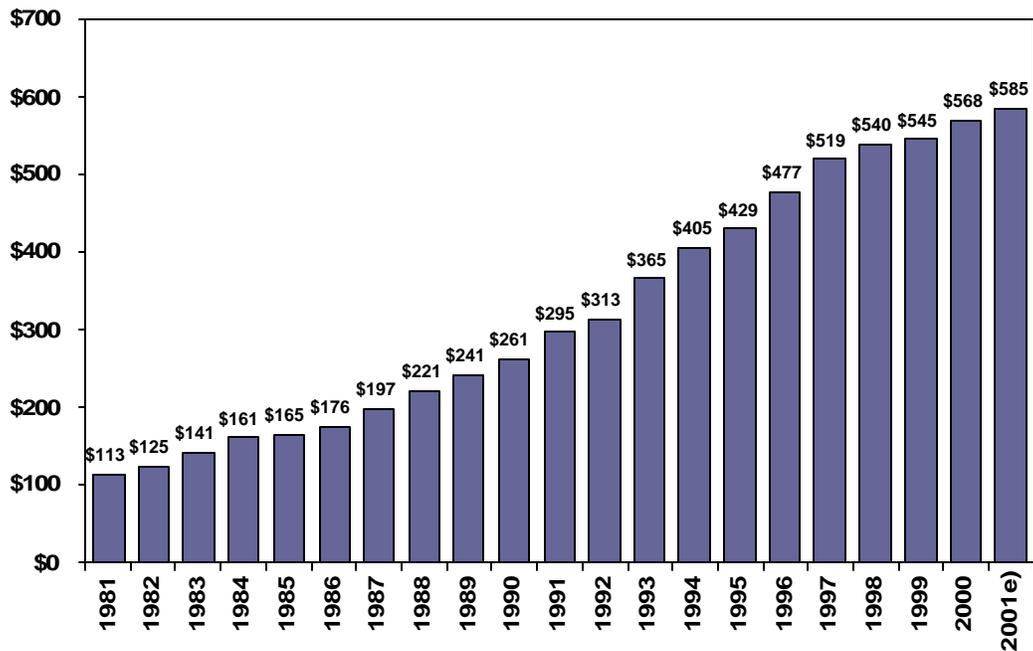
<sup>3</sup> Tourism Industries/ITA, U.S. Department of Commerce, International Visitation Forecast Estimates.

Figure 56  
Utah Tourism Indicators--Travel-Related Employment (Thousands of Jobs)



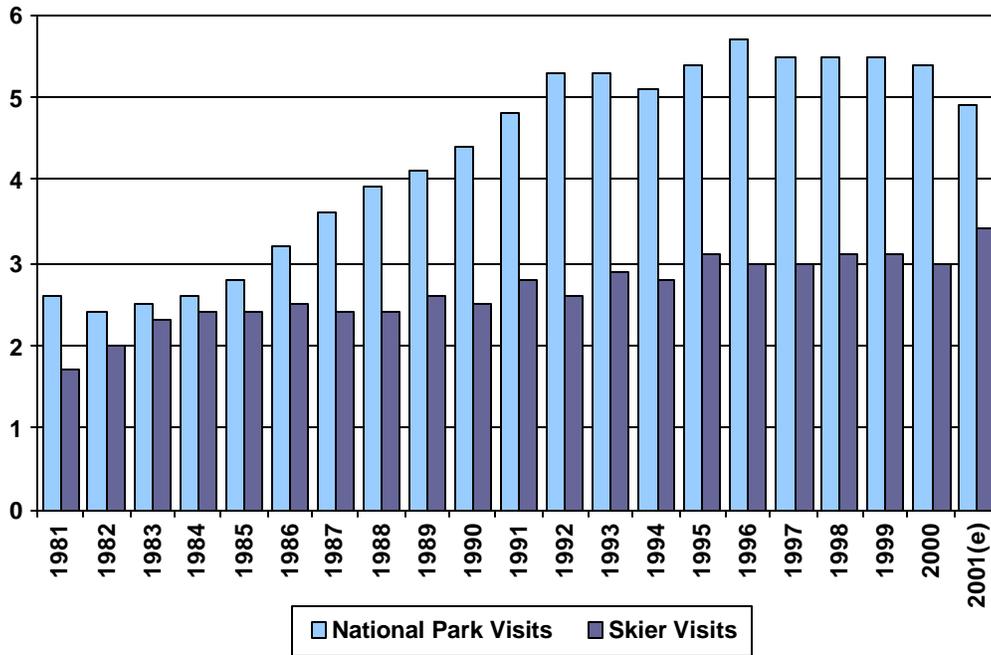
Source: Utah Department of Workforce Services, adapted by the Utah Travel Council

Figure 57  
Utah Tourism Indicators--Hotel Room Rents (Millions of Current Dollars)



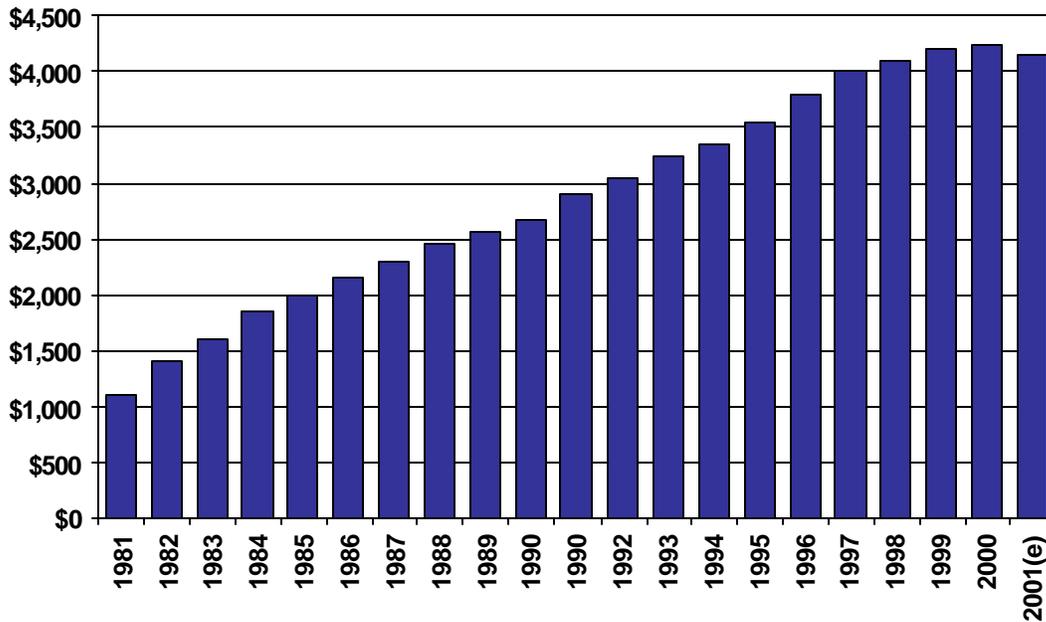
Source: Utah State Tax Commission

Figure 58  
Utah Tourism Indicators--National Park and Skier Visits (Millions of Visits)



Sources: National Park Service; Ski Utah

Figure 59  
Utah Tourism Indicators--Traveler Spending (Millions of Current Dollars)



Source: Utah Division of Travel Development

## Profile of the Utah Travel Industry

Category	1995	1996	1997	1998	1999	2000(r)	2000(e)	% Change 2000-2001	AAPC
Total Spending by Travelers and Tourists (millions)	\$3,550	\$3,800	\$4,000	\$4,100	\$4,200	\$4,250	\$4,150	-2.4%	2.6%
Total Number of Foreign and Domestic Visits (millions)	16.1	17.0	17.4	17.8	18.2	17.7	17.0	-4.0%	0.9%
Number of U.S. Visits	15.3	16.1	16.7	17.2	17.5	17.1	16.4	-3.8%	1.1%
Number of Foreign Visits	0.76	0.88	0.72	0.64	0.69	0.70	0.60	-14.3%	-3.8%
Total Travel and Recreation-Related Employment	100,000	107,000	112,000	117,000	121,500	125,500	128,500	2.4%	4.3%
Direct Travel and Recreation-Related Employment	56,000	60,000	62,500	65,500	68,100	70,400	72,000	2.3%	4.3%
Indirect Travel and Recreation-Related Employment	44,000	47,000	49,500	51,500	53,400	55,100	56,500	2.5%	4.3%
Percent of All Utah Non-Agricultural Jobs	11.0%	11.2%	11.3%	11.4%	11.6%	11.7%	11.8%		
Total State and Local Taxes Generated by Travel Spending (millions)	\$284	\$304	\$320	\$328	\$336	\$340	\$332	-2.4%	2.6%
State Government Portion	\$210	\$225	\$237	\$243	\$249	\$252	\$246	-2.4%	2.7%
Local Government Portion	\$74	\$79	\$83	\$85	\$87	\$88	\$86	-2.3%	2.6%
Total Airline Passengers at Salt Lake International Airport (millions)	18.5	21.1	21.1	20.3	19.9	19.9	18.4	-7.5%	-0.1%
Total Traffic Count at Interstate Borders (millions)	17.3	18.0	18.7	19.6	20.7	21.2	21.7	2.4%	3.8%
Total National Park Recreation Visits (millions)	5.4	5.7	5.5	5.5	5.5	5.4	5.0	-7.4%	-1.3%
Total Skier Visits (millions)	3.1	2.9	3.0	3.1	3.1	3.0	3.4	13.3%	1.6%
Total State Park Visits (millions)	7.1	7.5	7.2	6.9	6.8	6.6	6.1	-8.0%	-2.4%
Taxable Room Rents (millions)	\$429	\$477	\$519	\$540	\$545	\$568	\$585	3.0%	5.3%
Hotel/Motel Occupancy Rates	73.5%	73.1%	68.0%	63.8%	61.6%	60.9%	59.4%	-1.5%	-2.4%

r = revised

e = estimate

AAPC = Average Annual Percent Change

Sources: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport, U.S. Department of Commerce (Tourism Industries), Ski Utah and the Rocky Mountain Lodging Report

**Table 82**  
**Utah Tourism Indicators**

Year	Hotel Room Rents (Current \$)	National Park Visits	State Park Visits	Salt Lake Int'l. Airport Passengers	Stateline Vehicle Crossings	Skier Visits	Travel-Related Employment	Traveler Spending
1981	\$113,273,174	2,577,112	6,430,174	4,149,316	na	1,726,000	50,000	\$1,100,000,000
1982	124,787,207	2,443,787	6,436,488	5,861,477	na	2,038,544	52,000	1,400,000,000
1983	140,728,877	2,465,294	5,214,498	7,059,964	na	2,317,255	54,000	1,600,000,000
1984	161,217,797	2,616,301	4,400,103	7,514,113	na	2,369,901	58,000	1,850,000,000
1985	165,280,248	2,804,693	4,846,637	8,984,780	na	2,436,544	60,700	2,000,000,000
1986	175,807,344	3,224,694	5,387,791	9,990,986	na	2,491,191	62,500	2,150,000,000
1987	196,960,612	3,566,069	5,489,539	10,163,883	na	2,440,668	64,500	2,300,000,000
1988	220,687,694	3,941,791	5,072,123	10,408,233	na	2,368,985	67,000	2,450,000,000
1989	240,959,095	4,135,399	4,917,615	11,898,847	na	2,572,154	71,000	2,570,000,000
1990	261,017,079	4,425,086	5,033,776	11,982,276	14,135,400	2,500,134	79,000	2,660,000,000
1991	295,490,324	4,829,317	5,425,129	12,477,926	14,886,000	2,751,551	82,000	2,900,000,000
1992	312,895,967	5,280,100	5,908,000	13,870,609	15,510,600	2,560,805	86,000	3,050,000,000
1993	364,632,516	5,338,707	6,950,063	15,894,404	15,669,500	2,850,000	91,000	3,250,000,000
1994	405,342,342	5,111,400	6,953,400	17,564,149	16,589,300	2,800,000	96,000	3,350,000,000
1995	429,189,045	5,381,717	7,070,702	18,460,000	17,301,000	3,113,800	100,000	3,550,000,000
1996	477,409,577	5,749,110	7,478,764	21,088,482	17,963,500	2,954,690	107,000	3,800,000,000
1997	519,160,181	5,537,260	7,184,639	21,068,314	18,696,400	3,042,767	112,000	4,000,000,000
1998	540,389,901	5,466,090	6,943,780	20,297,371	19,590,300	3,101,735	117,000	4,100,000,000
1999	545,328,875	5,527,478	6,768,016	19,944,556	20,675,000	3,144,380	121,500	4,200,000,000
2000(r)	567,708,956	5,332,266	6,555,299	19,900,770	21,191,900	2,976,696	125,500	4,250,000,000
2000(e)	584,740,225	4,957,089	6,078,086	18,367,961	21,721,698	3,349,498	128,500	4,150,000,000

**Percent Change**

1981-2001	416.2%	92.4%	-5.5%	342.7%	153.7%	94.1%	157.0%	277.3%
2000-2001	3.0%	-7.0%	-7.3%	-7.7%	2.5%	12.5%	2.4%	-2.4%

**Average Annual Rate of Change**

1981-2001	8.6%	3.3%	-0.3%	7.7%	4.0%	3.4%	4.8%	6.9%
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r = revised  
e = estimate

Sources: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport and Ski Utah

Table 83  
National Parks' Recreation Visits

Year	Arches	Bryce Canyon	Canyonlands	Capitol Reef	Zion	Total National Parks
1981	326,508	474,092	89,915	397,789	1,288,808	2,577,112
1982	339,415	471,517	97,079	289,486	1,246,290	2,443,787
1983	287,875	472,633	100,022	331,734	1,273,030	2,465,294
1984	345,180	495,104	102,533	296,230	1,377,254	2,616,301
1985	363,464	500,782	116,672	320,503	1,503,272	2,804,693
1986	419,444	578,018	172,987	383,742	1,670,503	3,224,694
1987	468,916	718,342	172,384	428,808	1,777,619	3,566,069
1988	520,455	791,348	212,100	469,556	1,948,332	3,941,791
1989	555,809	808,045	257,411	515,278	1,998,856	4,135,399
1990	620,719	862,659	276,831	562,477	2,102,400	4,425,086
1991	705,882	929,067	339,315	618,056	2,236,997	4,829,317
1992	799,831	1,018,174	395,698	675,837	2,390,626	5,280,166
1993	773,678	1,107,951	434,844	610,707	2,392,580	5,319,760
1994	777,178	1,028,134	429,921	605,324	2,270,871	5,111,428
1995	859,374	994,548	448,769	648,864	2,430,162	5,381,717
1996	856,016	1,269,600	447,527	678,012	2,498,001	5,749,156
1997	858,525	1,174,824	432,697	625,680	2,445,534	5,537,260
1998	837,161	1,166,331	436,524	656,026	2,370,048	5,466,090
1999	869,980	1,081,521	446,160	680,153	2,449,664	5,527,478
2000(r)	786,429	1,099,275	401,558	612,656	2,432,348	5,332,266
2000(e)	748,054	1,071,671	361,557	525,885	2,249,922	4,957,089

Percent Change

1981-2001	129.1%	126.0%	302.1%	32.2%	74.6%	92.4%
2000-2001	-4.9%	-2.5%	-10.0%	-14.2%	-7.5%	-7.0%

Average Annual Rate of Change

1981-2001	4.2%	4.2%	7.2%	1.4%	2.8%	3.3%
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r = revised  
e = estimate

Sources: Estimates based on information gathered from a variety of sources including National Park Service, Utah State Tax Commission, Utah Department of Transportation, Utah Department of Workforce Services, Utah Department of Natural Resources, Salt Lake International Airport and Ski Utah