

Tourism, Travel, and Recreation

Overview

The lingering effects of 9/11, heightened geopolitical tensions, and uncertain economic conditions presented a challenging set of circumstances for the travel industry in 2002. A successful 2002 Olympic Winter Games helped mitigate the negative effects of uncertainty in the marketplace, as it provided much needed growth during the first quarter and boosted the state's visibility around the world. The domestic leisure travel segment provided the only source of growth in 2002, as both business travel and international travel suffered declines. Fortunately, the recent addition of Olympic facilities, resort expansions, hotels, and infrastructure improvements have increased the state's tourism capacity and improved its competitive positioning.

2002 Summary

Utah Bucks the National Trend. Despite many challenges, Utah's travel and tourism sector performed admirably in 2002. Following two years of declines, non-resident tourism arrivals to Utah increased slightly in 2002, to 17.5 million. Domestic travelers accounted for all of the increase, as international visitation fell dramatically for the second straight year. Visitation reports indicated increases in vehicle traffic along Utah's interstates and more visitors at national parks and state-operated welcome centers. Hotel occupancies increased to nearly 62% in 2002, marking the first increase in eight years. Despite falling prices nationally, statewide room rates held steady or increased, indicating strong demand and improved performance in the state's lodging sector. Buoyed by huge increases during the Olympics and steady performance through the remainder of the year, hotel room rents posted a strong 10% gain during 2002. The downturn in air travel continued during 2002, with 2% fewer passengers at the Salt Lake International Airport compared to 2001. Drought-induced difficulties at many state parks prompted a 5% decline in state park visitation during the year. As expected, ski resorts reported a 9% decline in skier days as the Olympics kept many skiers away.¹

In 2001, consumers began retrenching, given the increase in economic uncertainty related to employment, income growth, and the stock market. Reactions to the terrorist events of September 11th prompted further changes in travel behavior. Continued economic uncertainty, combined with the war on terrorism (including Iraq), further entrenched those changes in 2002. The most salient changes in travel behavior include:

- ▶ Shorter trips closer to home
- ▶ Less air travel and more drive traffic
- ▶ Reduced spending
- ▶ More interest in making connections - with family, nature, heritage, and culture
- ▶ More interest in outdoor recreation activities and travel to rural America
- ▶ Shorter planning and booking horizons

Utah was well positioned to benefit from many of the changing travel patterns among domestic leisure visitors. Utah's gains among domestic leisure travelers, combined with the effects of the Olympics and a strong convention year, helped offset declines in business and international travel. Total traveler spending remained flat in 2002, at \$4.15 billion.

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

² *Salt Lake 2002 Marketing Report*, IOC, November 2002.

Total state and local taxes generated by travel spending totaled \$332 million in 2002, or \$475 per Utah household. Strong gains in the hotel and restaurant sectors and increases from regional and discount airlines prompted travel-related employment to increase slightly in 2002. Total travel-related employment was 130,000 in 2002, accounting for nearly 12% of total Utah nonfarm jobs.

Impact of the 2002 Olympic Winter Games

According to a recent IOC report, "the 2002 Olympic Winter Games are remembered today as a peaceful and safe gathering amidst turbulent times."² Salt Lake hosted nearly 2,400 athletes from 77 countries through 16 days of competition. More than 220,000 visitors came from around the world to participate in the Olympic experience. Another 2.1 billion viewers from 160 countries consumed over 13 billion viewer hours. When news and other media coverage are considered, approximately 3 billion people were exposed to Utah, Salt Lake City, and the Olympic movement.

The 2002 Olympic Winter Games provided a much-needed stimulus to Utah's tourism industry during the first quarter of 2002. Like the rest of the country, Utah's tourism sector declined during the last half of 2001, contracting significantly in the last four months of the year. During the third and fourth quarters, taxable sales in Utah's key tourism sectors declined 0.3% and 3.3%, respectively. However, during the first quarter of 2002, Utah tourism bucked the national trend by posting an Olympic-induced 5.4% gain. The significant increase helped Utah's tourism community prevent a decline in traveler spending, and produced an increase in tourism-related jobs. Hotel and restaurant spending led the way, offsetting declines in transportation and auto rentals.³ Statewide hotel occupancies, which had declined for six consecutive months prior to the 2002 Olympic Winter Games, began increasing in the lead up to the event and jumped nearly 19% in February. Even after the event, statewide occupancies remained above 2001 levels.

The effect of the 2002 Olympic Winter Games was not limited to the hotel sector. During the first few months of the year, visitation to national and state parks, statewide vehicle traffic, and visitors to state operated welcome centers all increased. Partially offsetting these gains were anticipated declines in airport passengers and skier days.

Despite the significant gains for the state's tourism industry during the Olympic period, research indicates that part of the 2002 Olympic Winter Games legacy may be in increased tourism opportunities in the future. A survey among U.S. residents shortly after the conclusion of the event identified the following changes in Utah's domestic image:⁴

- 1) Utah's image improved slightly as a result of the 2002 Olympic Winter Games;
- 2) 7.1 million more adults say they are likely to vacation in Utah than before the Games;
- 3) Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people after exposure through the Games; and
- 4) Utah's high quality workforce is more recognized by executives around the country following the Games.

³ Utah State Tax Commission, tourism sectors include: Transportation, Eating & Drinking, Auto Rentals, Hotels & Lodging, Amusement & Recreation.

⁴ *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Wirthlin Worldwide, Spring 2002.

Because of the depth of the 2002 Olympic Winter Games exposure, similar image and awareness improvements are expected in key markets in Western Europe, North America, and Asia. Despite the increased visibility of Utah among consumers, three major factors influence the effect of the Olympics on future travelers: 1) increased geopolitical tensions; 2) continued economic uncertainty; and 3) ongoing memory decay (Utah's Olympic memory is expected to last only until the torch is lit for the 2004 Games).

Utah has already enjoyed tremendous gains from the event. In addition to the immediate economic impact of planning and hosting the 2002 Olympic Winter Games, Utah's citizens will benefit from the legacy of sport facilities, transportation infrastructure, additional hotel capacity, and resort improvements. Added benefits that are often overlooked are the intangible elements of civic pride, cultural development, and the impact of community outreach programs. Overall, hundreds of thousands of Utah residents joined millions worldwide in experiencing the emotion and excitement of the 2002 Olympic Winter Games. Through increased tourism and business opportunities, this international event will continue to positively impact Utah's economy.⁵

⁵ For more information on the economic impacts of planning and hosting the 2002 Olympic Winter Games, consult *2002 Olympic Winter Games: Economic, Demographic & Fiscal Impacts*, GOPB, November 2001.

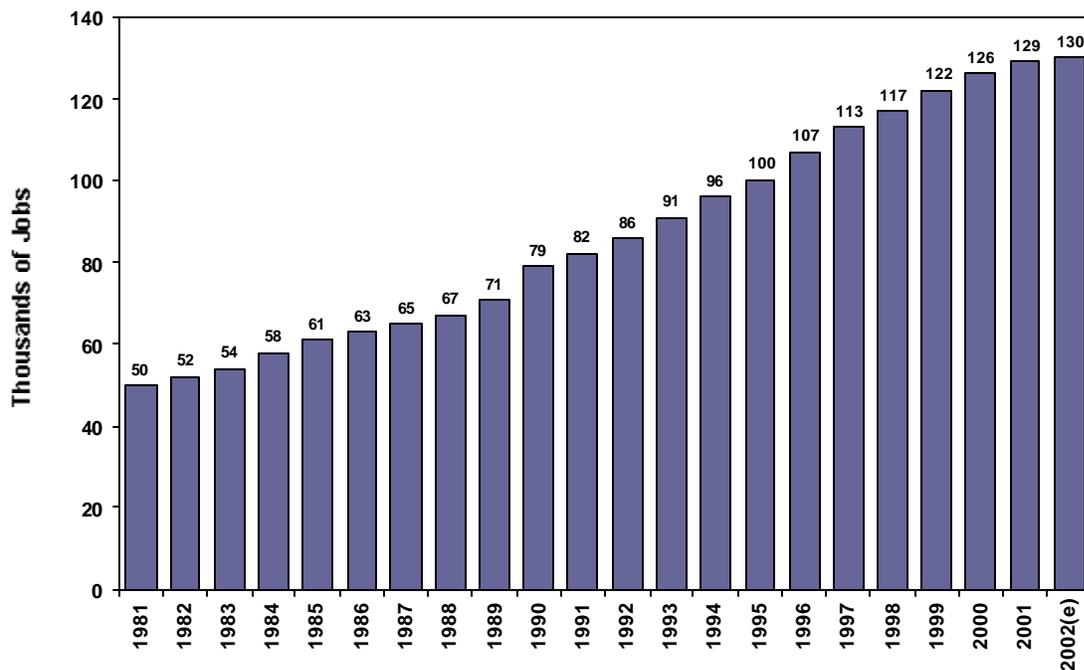
2003 Outlook - Cautious Optimism

There is an unusual amount of uncertainty regarding this year's outlook. Factors such as the economy, consumer confidence, the stock market, shifting travel preferences, and the possibility of war with Iraq all cloud the outlook for 2003. Adding further uncertainty is the magnitude and timing of future visitation increases as a result of the Olympic exposure from the 2002 Olympic Winter Games. Nonetheless, Utah tourism is expected to increase in 2003. Olympic-induced awareness gains combined with product improvements, improving economic conditions, and regional population increases should stimulate growth in Utah's tourism industry during the next several years.

Competition among nearby destinations for the local and regional markets will continue to intensify, as marketers re-focus their priorities towards close-to-home markets and quick getaways. With the notable exception of North America and the United Kingdom, foreign visitation will likely remain weak during the year as sluggish economies and unresolved geopolitical tensions continue to act as a deterrent to international travel.

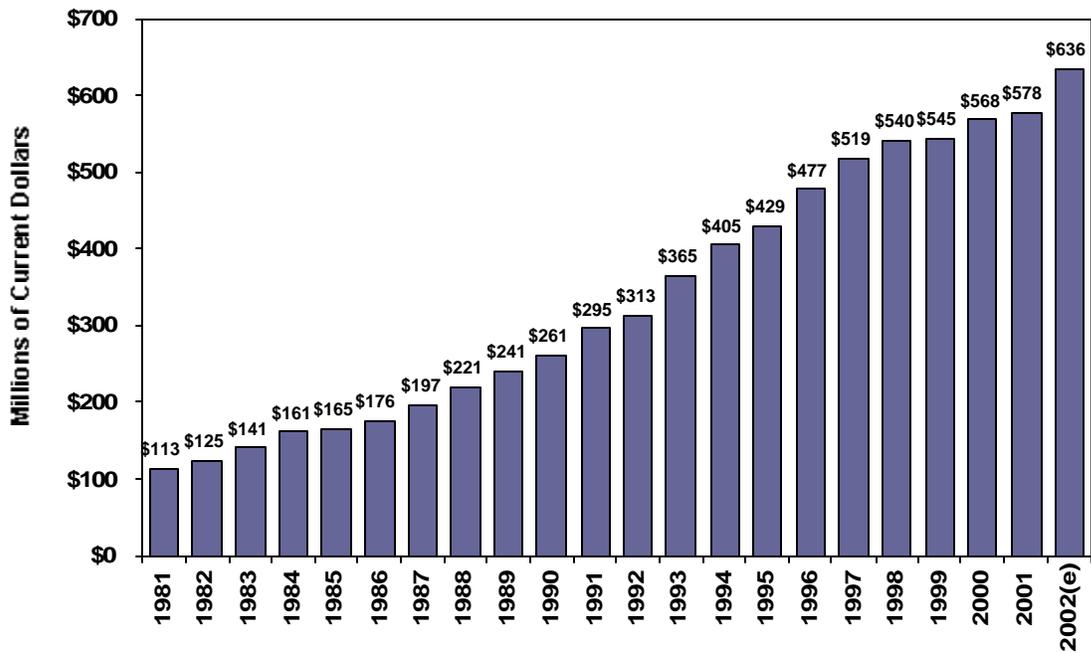
Capital investments in ski resorts, Olympic attractions, hotel construction, and infrastructure development bode well for the future. National trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel, and family travel. Utah is well positioned to attract visitors seeking a higher quality, more unique experience.

Figure 62
Utah Tourism Indicators -- Travel-Related Employment (Thousands of Jobs)



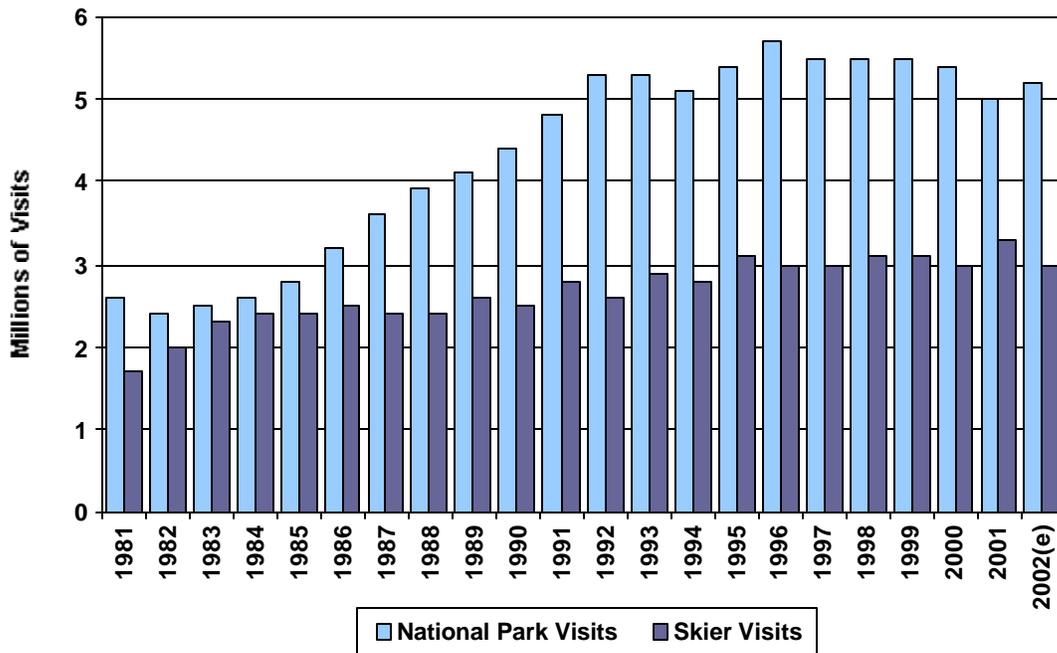
Source: Utah Department of Workforce Services, adapted by the Utah Travel Council

Figure 63
Utah Tourism Indicators -- Hotel Room Rents (Millions of Current Dollars)



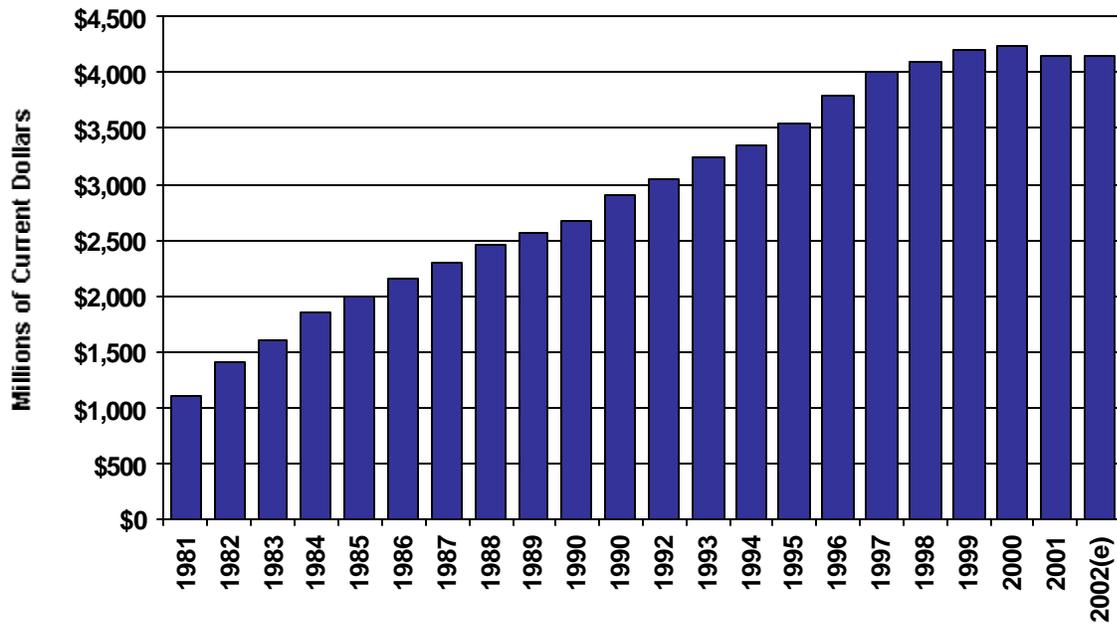
Source: Utah State Tax Commission

Figure 64
Utah Tourism Indicators -- National Park and Skier Visits (Millions of Visits)



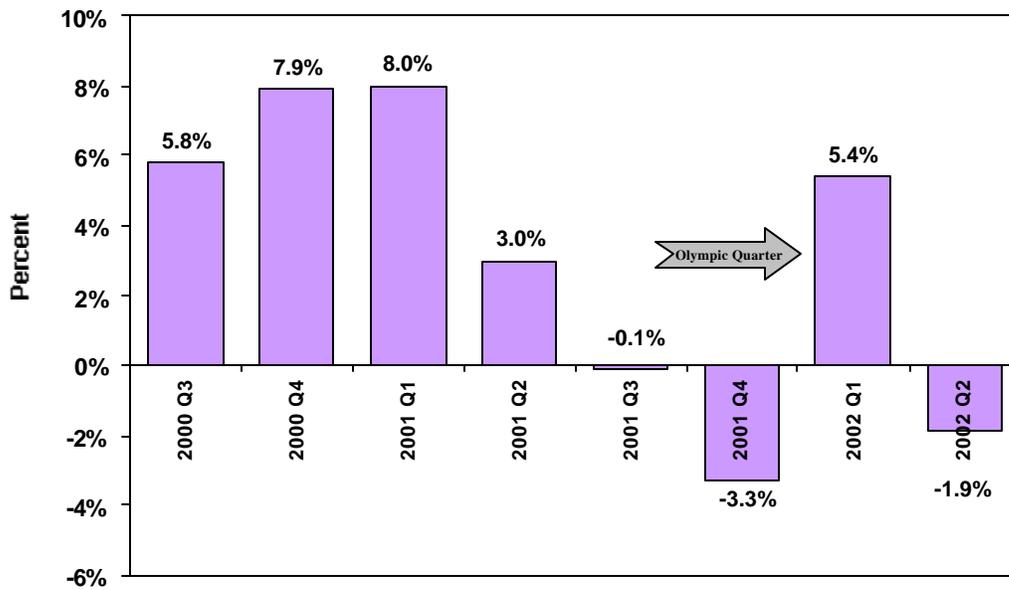
Sources: National Park Service; Ski Utah

Figure 65
Utah Tourism Indicators -- Traveler Spending (Millions of Current Dollars)



Source: Utah Division of Travel Development

Figure 66
Utah Tourism Indicators -- Tourism Sector Taxable Sales, Percent Change: FY 2001 - FY 2002



Source: State Tax Commission

Table 82
 Tourism Indicators -- Impacts of the 2002 Olympic Winter Games

ECONOMIC INDICATORS	2001 Q3	2001 Q4	2002 Q1	2002 Q2
Transportation	4%	-17%	-25%	-30%
Eating & Drinking	1%	-1%	6%	3%
Auto Rentals	-4%	-1%	-15%	-25%
Hotels & Lodging	-4%	-7%	31%	6%
Amusement & Recreation	1%	-6%	1%	3%
Total Tourism Sector	0%	-3%	5%	-2%

VOLUME INDICATORS	2001 Q3	2001 Q4	2002 Q1	2002 Q4
Airport Passengers	-9%	-8%	-6%	-5%
National Park Visitors	-7%	-9%	30%	12%
National Mon. & Rec. Area Visitors	-5%	0%	-6%	-12%
State Park Visitors	-7%	-8%	42%	-11%
Welcome Center Visitors	-15%	1%	11%	0%
Stateline Interstate Traffic	3%	5%	8%	6%
Statewide Hotel Occupancy Rate	-3%	-2%	4%	2%
Utah.com Website Visits	17%	8%	108%	58%

Note: Percent changes are for the same quarter of the previous year.

Source: Utah Division of Travel Development, compiled from reporting agencies.

Table 83

Profile of the Utah Travel Industry

Category	1996	1997	1998	1999	2000	2001 (f)	2002 (e)	% Change 2001-2002	AAPC
Total Spending by Travelers and Tourists (millions)	\$3,800	\$4,000	\$4,100	\$4,200	\$4,250	\$4,150	\$4,150	0.0%	1.5%
Total Number of Foreign and Domestic Visits (millions)	17.0	17.4	17.8	18.2	17.7	17.3	17.5	1.2%	0.5%
Number of U.S. Visits	16.1	16.7	17.2	17.5	17.1	16.7	17.0	1.6%	0.8%
Number of Foreign Visits	0.88	0.72	0.64	0.69	0.70	0.60	0.54	-10.0%	-7.8%
Total Travel and Recreation-Related Employment	107,000	112,000	117,000	121,500	125,500	128,500	130,000	1.2%	3.3%
Direct Travel and Recreation-Related Employment	60,000	62,500	65,500	68,100	70,400	72,000	72,800	1.1%	3.3%
Indirect Travel and Recreation-Related Employment	47,000	49,500	51,500	53,400	55,100	56,500	57,200	1.2%	3.3%
Percent of All Utah Non-Agricultural Jobs	11.2%	11.3%	11.4%	11.6%	11.7%	11.8%	11.8%	0.0%	0.9%
Total State and Local Taxes Generated by Travel Spending (millions)	\$304	\$320	\$328	\$336	\$340	\$332	\$332	0.0%	1.5%
State Government Portion	\$225	\$237	\$243	\$249	\$252	\$246	\$246	0.0%	1.5%
Local Government Portion	\$79	\$83	\$85	\$87	\$88	\$86	\$86	0.0%	1.4%
Total Airline Passengers at Salt Lake International Airport (millions)	21.1	21.1	20.3	19.9	19.9	18.4	18.1	-1.6%	-2.5%
Total Traffic Count at Interstate Borders (millions)	18.0	18.7	19.6	20.7	21.2	21.7	22.9	5.5%	4.1%
Total National Park Recreation Visits (millions)	5.7	5.5	5.5	5.5	5.4	5.0	5.2	4.0%	-1.5%
Total Skier Visits (millions)	2.9	3.0	3.1	3.1	3.0	3.3	3.0	-9.1%	0.6%
Total State Park Visits (millions)	7.5	7.2	6.9	6.8	6.6	6.1	5.8	-4.9%	-4.1%
Taxable Room Rents (millions)	\$477	\$519	\$540	\$545	\$568	\$578	\$636	10.0%	4.9%
Hotel/Motel Occupancy Rates	73.1%	68.0%	63.8%	61.6%	60.9%	59.9%	61.9%	2.0%	-1.9%

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, Ski Utah, Rocky Mountain Lodging Report

Table 84
Utah Tourism Indicators

Year	Hotel Room Rents (Current \$)	National Park Visits	State Park Visits	Salt Lake Int'l. Airport Passengers	Skier Visits	Stateline Vehicle Crossings	Hotel Occupancy Rate	Travel-Related Employment	Traveler Spending (Millions)
1981	\$113,273,174	2,577,112	6,430,174	4,149,316	1,726,000	na	na	50,000	\$1,100
1982	124,787,207	2,443,787	6,436,488	5,861,477	2,038,544	na	na	52,000	1,400
1983	140,728,877	2,465,294	5,214,498	7,059,964	2,317,255	na	na	54,000	1,600
1984	161,217,797	2,616,301	4,400,103	7,514,113	2,369,901	na	na	58,000	1,850
1985	165,280,248	2,804,693	4,846,637	8,984,780	2,436,544	na	na	60,700	2,000
1986	175,807,344	3,224,694	5,387,791	9,990,986	2,491,191	na	na	62,500	2,150
1987	196,960,612	3,566,069	5,489,539	10,163,883	2,440,668	na	na	64,500	2,300
1988	220,687,694	3,941,791	5,072,123	10,408,233	2,368,985	na	na	67,000	2,450
1989	240,959,095	4,135,399	4,917,615	11,898,847	2,572,154	na	na	71,000	2,570
1990	261,017,079	4,425,086	5,033,776	11,982,276	2,500,134	14,135,400	63.8%	79,000	2,660
1991	295,490,324	4,829,317	5,425,129	12,477,926	2,751,551	14,886,000	69.4%	82,000	2,900
1992	312,895,967	5,280,100	5,908,000	13,870,609	2,560,805	15,510,600	70.3%	86,000	3,050
1993	352,445,691	5,338,707	6,950,063	15,894,404	2,850,000	15,669,500	71.9%	91,000	3,250
1994	378,024,547	5,111,400	6,953,400	17,564,149	2,800,000	16,589,300	73.7%	96,000	3,350
1995	429,189,045	5,381,717	7,070,702	18,460,000	3,113,800	17,301,000	73.5%	100,000	3,550
1996	477,409,577	5,749,110	7,478,764	21,088,482	2,954,690	17,963,500	73.1%	107,000	3,800
1997	519,160,181	5,537,260	7,184,639	21,068,314	3,042,767	18,696,400	68.0%	112,000	4,000
1998	540,424,182	5,466,090	6,943,780	20,297,371	3,101,735	19,590,300	63.8%	117,000	4,100
1999	545,328,875	5,527,478	6,768,016	19,944,556	3,144,328	20,675,000	61.6%	121,500	4,200
2000	567,708,954	5,322,266	6,555,299	19,900,770	2,976,769	21,191,900	60.9%	125,500	4,250
2001(r)	578,445,705	4,946,487	6,075,456	18,367,961	3,278,291	21,721,698	59.9%	128,500	4,150
2002(e)	636,290,276	5,189,187	5,802,060	18,092,442	2,974,574	22,916,391	61.9%	130,000	4,150

Percent Change

1981-2002	461.7%	101.4%	-9.8%	336.0%	72.3%	62.1%	-1.9%	160.0%	277.3%
2001-2002	10.0%	4.9%	-4.5%	-1.5%	-9.3%	5.5%	2.0%	1.2%	0.0%

Average Annual Rate of Change

1981-2002	8.6%	3.4%	-0.5%	7.3%	2.6%	4.1%	67.1%	4.7%	6.5%
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r = revised
e = estimate

Sources: 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, Ski Utah, adapted by Utah Division of Travel Development

Table 85
National Parks' Recreation Visits

Year	Arches	Bryce Canyon	Canyonlands	Capitol Reef	Zions	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	786,429	1,099,275	401,558	612,656	2,432,348	5,332,266
2001(r)	754,026	1,068,619	368,592	527,760	2,227,490	4,946,487
2002(e)	769,740	886,954	370,435	522,482	2,639,576	5,189,187

Percent Change

1981-2002	135.7%	87.1%	312.0%	31.3%	104.8%	101.4%
2001-2002	2.1%	-17.0%	0.5%	-1.0%	18.5%	4.9%

Average Annual Rate of Change

1981-2002	4.2%	3.0%	7.0%	1.3%	3.5%	3.4%
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r = revised
e = estimate

Sources: National Park Service