

Overview

Utah's travel and tourism sector saw improvements in many leading indicators in 2006. Each of the five major tourism sectors--transportation, eating and drinking, hotels and lodging, amusement and recreation, and car rentals--experienced gains. For the third consecutive year, the Utah ski industry experienced an all-time record in terms of skier visits. Hotel occupancies were also up. Visitation decreased slightly at the national parks and state-operated welcome centers but increased somewhat at the state parks. Overall, the Utah tourism industry benefited from higher traveler spending and increased travel-related employment in 2006.

The outlook for 2007 is cautiously optimistic, as it is expected that travel among business and leisure travelers, both international and domestic, should increase. There are still concerns about consumer confidence, gasoline prices, home heating costs, terrorism, the war in Iraq, and the U.S. image abroad, but industry experts forecast continued but slower growth in 2007.

2006 Summary

Utah's Travel Industry Experiences Gains

Utah's travel and tourism sector saw improvements in 2006, as did the industry on a national basis. Estimates of non-resident tourism arrivals to Utah surpassed 2005 levels, increasing 1.0% to 19.3 million. It is estimated that the number of domestic travelers grew by 1.1% to 18.6 million, while the international visitation estimate rose 4.5% to 690,000. Despite high gas prices, visitation reports indicated a 1.3% increase in vehicle traffic along Utah's interstates, but visitation decreased 1.8% at state-operated welcome centers. The number of visitors at Utah's five national parks decreased 3.4%, and overall visitation at Utah's national monuments, recreation areas, and historic sites decreased approximately 5.0%.

Hotel occupancies were 68.2% in 2006, compared to 65.0% in 2005. Following a national trend, statewide room rates increased 11.2% in 2006, indicating higher demand in the state's lodging sector. Hotel room rents for 2006 surpassed room rents for 2005 by 16.4%, continuing an upward trend that has lasted over 20 years. This trend coincided with a 115% increase in the supply of rooms since 1994.

Delta Air Lines declared bankruptcy in 2005, yet the airline increased the number of flights to its Salt Lake City hub. Accordingly, Salt Lake International Airport had its highest number of passengers in 2005. In 2006, the number of passengers declined 1.3%, but still enjoys its second highest amount of passengers in the last ten years. Delta also announced renewed emphasis on international travelers, which could also ultimately benefit Utah.

In the last decade, state park visitation had slowly been dropping, in part due to a drought which lasted for several years. The drought ended in 2005 and the rate of decline slowed. Now, in 2006 the visitation actually increased slightly at 0.5%. As reservoirs continue to fill up and return to normal levels, visitation is expected to increase.

The 2005-2006 ski season was the third consecutive record-breaking year in Utah based on skier visits. For the first time ever, Utah skier visits surpassed the 4 million mark. Several ski resorts enjoyed over 600 inches of snowfall, while an average season usually includes over 500 inches of snow. Additionally, Utah resorts are ranked very favorably by major ski publications, and the resorts continue to make yearly infrastructure improvements. Additionally, Salt Lake City and Utah were mentioned many times around the world during the 2006 Winter Olympics in Turin, Italy, and Utah resorts continue to enjoy Olympic-related publicity.¹

By the end of 2004, many in the travel industry felt the industry had finally recovered from the negative effects of September 11, 2001. Despite concerns about the economy, the war in Iraq, the U.S. image abroad, and high gas prices, the tourism industry enjoyed robust growth in 2004. This growth continued in the first half of 2005 until hurricanes Katrina and Rita hit the Gulf Coast, causing gasoline prices, which were already perceived as high, to rise dramatically. The high gas prices continued in 2006, but finally began to decline in several parts of the country. Unfortunately, prices still remained unusually high in Utah for much of the year. With 76% of Utah's overnight leisure visitors traveling via automobile, there was concern that visitation would drop. Although growth did slow, it still continued.

In the years following September 11, 2001, domestic leisure travel has remained a bright spot. Some trends in domestic leisure travel include:²

- Despite the impact of the Internet on travel bookings, nearly 30% of affluent travelers (those with a household income of \$150,000 or more) contacted a travel agent to gather information and/or make travel plans involving luxury accommodations
- A growing number of Americans are taking "volunteer vacations" to help less fortunate people or support a humanitarian cause. There are now over 150 organizations that facilitate these volunteer vacations.
- In 2006, 29% of active leisure travelers in America said they are planning to take fewer vacations this year. The

most common reasons for taking fewer leisure trips are financial reasons and an inability to get away from work.

- A growing number of business travelers (44%) say they extend their business trips for pleasure purposes whenever they can. Before September 11, 2001, 60% of business travelers said they would extend their trip for pleasure purposes. The number declined after September 11, 2001 but appears to be on the rise again.

Utah has benefited from an improving economy. Traveler spending has grown and each of the tourism sectors--transportation, eating and drinking, auto rentals, hotels and lodging, and amusement and recreation--experienced gains in 2006.³ Total traveler spending rose 7.7% in 2006 to \$5.9 billion. Total state and local taxes generated by traveler spending totaled \$467 million in 2006. The increase in traveler spending also prompted travel-related employment to increase 4.9% in 2006. Total travel-related employment was 125,800 in 2006, accounting for approximately 9.8% of total Utah nonagricultural jobs.⁴

Utah's Market Share for U.S. Domestic Traveler Spending

In 2006, Utah experienced continued increases in traveler spending and employment. However Utah's share of U.S. domestic traveler spending had been trending downward since 1996.⁵ Now that trend may be flattening. One study showed that Utah's share of U.S. domestic traveler spending has increased slightly from 0.89% in 2004 to 0.91% in 2005.⁶ Once additional figures are released in 2007, one can determine if Utah improved its share of the market in 2006.

2007 Outlook

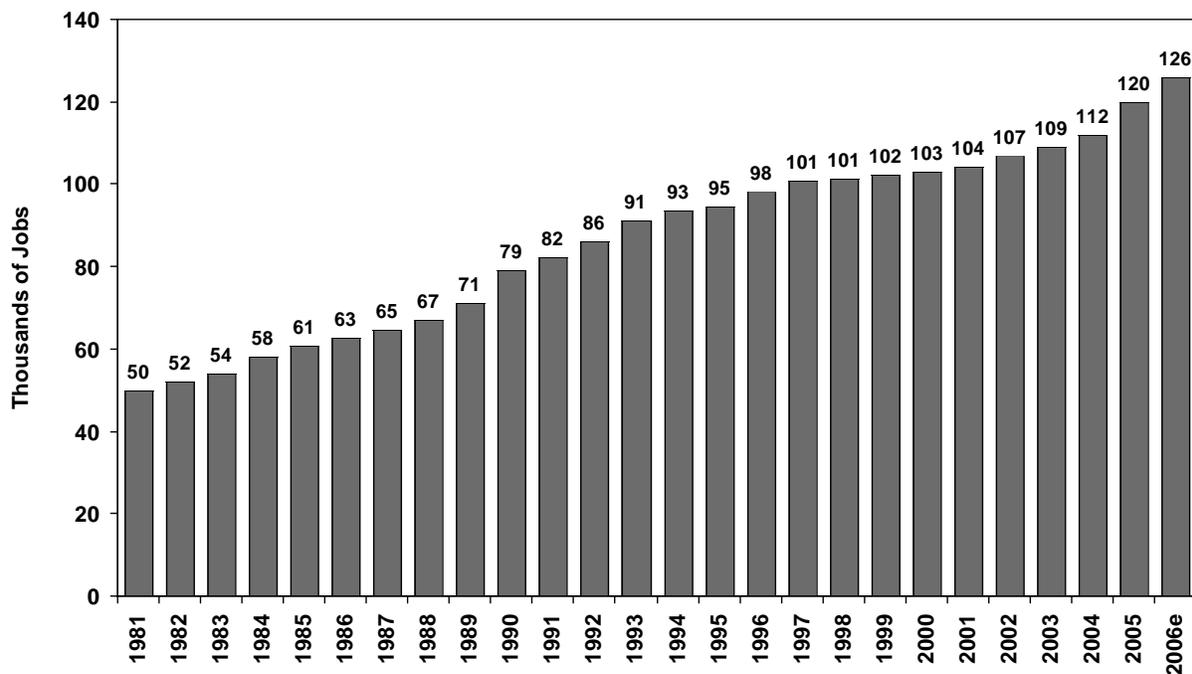
The outlook for 2007 is cautiously optimistic. Despite factors such as the economy, high fuel prices, consumer confidence, health scares, the continued presence of U.S. troops in Iraq, and the possibility of another major terrorist attack, Utah tourism is expected to increase in 2007. Slow but steady growth in domestic leisure travel should occur, especially if the economy continues to remain fairly strong. While gas prices are still high, they appear to have peaked and are declining. Business travel may be constrained but is expected to grow 1% to 2% over the course of the entire year. Airfares may rise, but the airlines should enjoy more business, especially from international travelers who stay longer and spend more money.⁷ Additionally, travelers continue to show strong interest in national parks, and Utah should benefit. Several of Utah's ski resorts opened early again in 2006 and hope to build on the record-breaking success of the 2005-2006 season.

Competition among nearby destinations for the local and regional markets will continue to intensify as many states are

increasing their marketing and promotion expenditures. 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 these types of visitors.

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- 1 Reports collected from the Salt Lake City Department of Airports, National Park Service, Utah Office of Tourism, Utah State Tax Commission, Utah Division of State Parks, Utah Department of Transportation, Ski Utah, and the Rocky Mountain Lodging Report.
 - 2 Yesawich, Pepperdine, Brown, & Russell Market Intelligence eNewsletters from June, July, August, and October 2006.
 - 3 First and Second Quarter 2006 Taxable Sales, Utah State Tax Commission.
 - 4 The Utah Governor's Office of Planning and Budget, using a model from the former Utah Department of Community and Economic Development, that includes numbers provided by the Utah Department of Workforce Services and the Utah State Tax Commission, generate traveler spending and employment figures.
 - 5 Based on two independent studies: 1) Travel and Tourism Works for America, Travel Industry Association of America updates this study each year - latest results are from 2004; 2) Utah U.S. Final Visitor Volume and Spending Estimates, D.K. Shifflet and Associates has provided visitor volume and spending information to the state since 1992.
 - 6 Final Utah U.S. 2005 Volume, D.K. Shifflet and Associates, July 2006.
 - 7 Outlook based on information from the 2007 Outlook for U.S. Travel and Tourism, Suzanne Cook, Travel Industry Association of America, October 2006 including data from the Energy Information Administration and Air Transport Association.

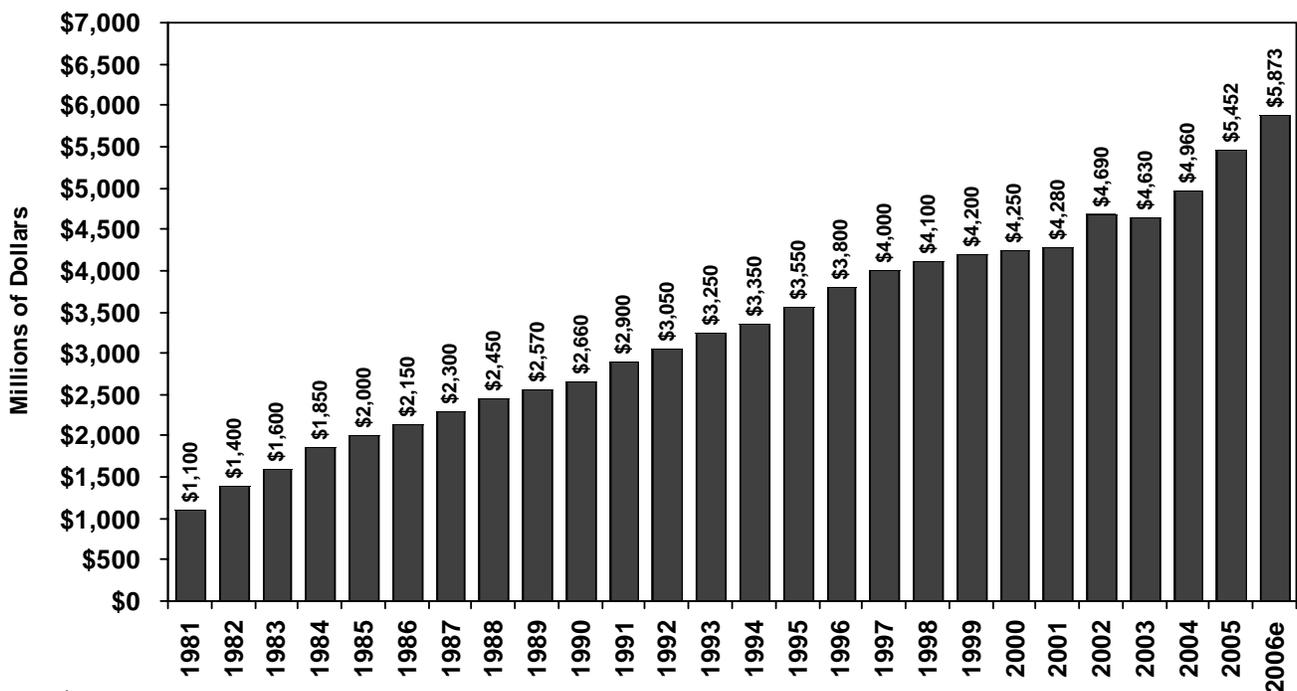
Figure 75
Utah Tourism Indicators: Travel-Related Employment



e = estimate

Source: Governor's Office of Planning & Budget, using figures provided by the former Department of Community & Economic Development, the Department of Workforce Services, and the Utah State Tax Commission

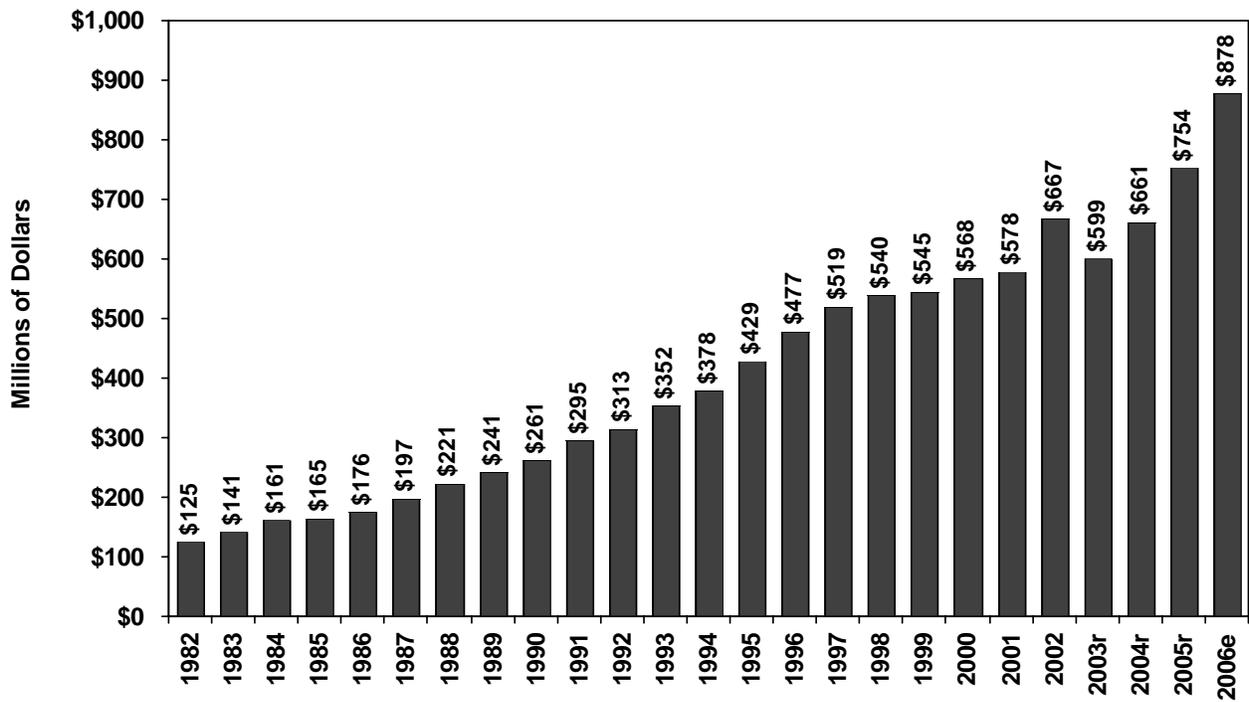
Figure 76
Utah Tourism Indicators: Traveler Spending



e = estimate

Source: Governor's Office of Planning & Budget, using figures provided by the former Department of Community & Economic Development, the Department of Workforce Services, and the Utah State Tax Commission

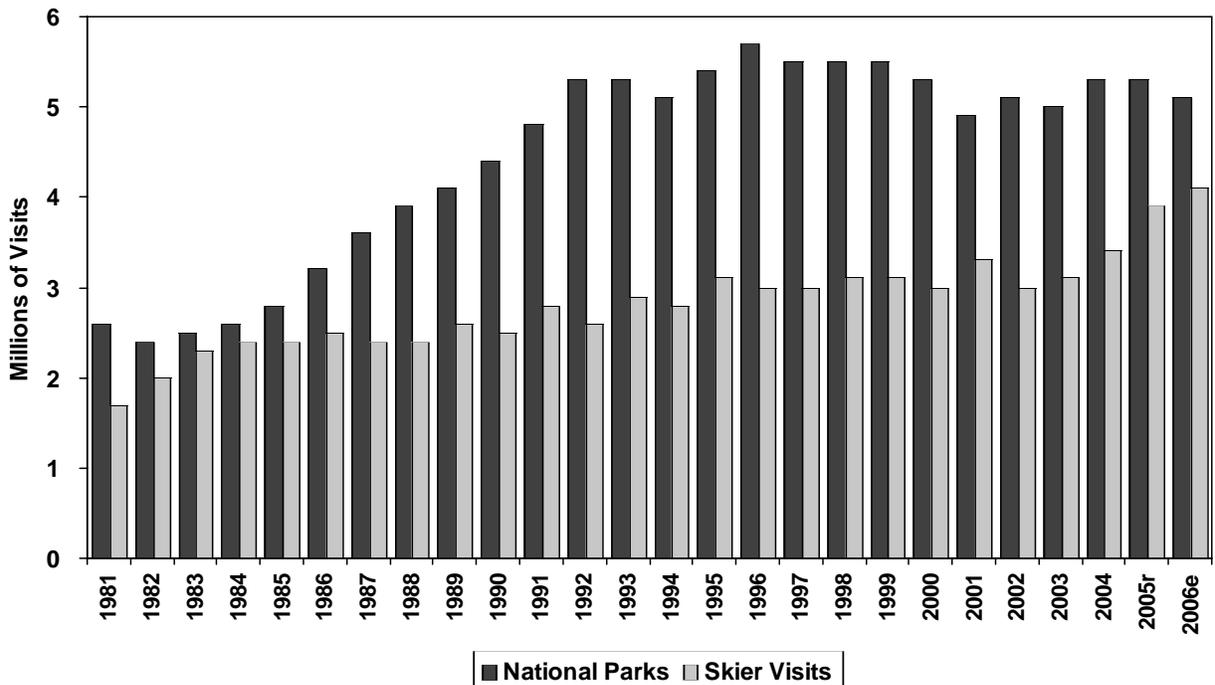
Figure 77
Utah Tourism Indicators: Hotel Room Rents



r = revised e = estimate

Source: Utah State Tax Commission; Governor's Office of Economic Development – Office of Tourism

Figure 78
Utah Tourism Indicators: National Park and Skier Visits



r = revised e = estimate

Source: Utah State Tax Commission; Rocky Mountain Lodging Report; Governor's Office of Economic Development – Office of Tourism

Table 100
National Parks Recreation Visits

Year	Arches	Bryce	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	786,429	1,099,275	401,558	612,656	2,432,348	5,332,266
2001	754,026	1,068,619	368,592	527,760	2,227,490	4,946,487
2002	769,672	886,436	375,549	523,458	2,592,835	5,147,950
2003	757,781	903,760	386,985	535,439	2,458,791	5,042,756
2004	733,129	987,250	371,706	551,910	2,674,162	5,318,157
2005r	781,667	1,017,680	393,672	550,253	2,586,659	5,329,931
2006e	830,912	884,364	412,962	517,788	2,503,886	5,149,912

Percent Change

2005-2006	6.3%	-13.1%	4.9%	-5.9%	-3.2%	-3.4%
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Average Annual Rate of Change

1981-2006	3.8%	2.5%	6.3%	1.1%	2.7%	2.8%
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r = revised
e = estimate

Source: National Park Service; Governor's Office of Economic Development - Office of Tourism

Table 101
Profile of the Utah Travel Industry

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005r	2006e	% Change 2005-2006	AARC 1997-2006
	Total Spending by Travelers and Tourists (millions)	\$4,000	\$4,100	\$4,200	\$4,250	\$4,280	\$4,690	\$4,630	\$4,960	\$5,452	\$5,873	7.7%
Total Number of Foreign and Domestic Visits (millions)	17.4	17.8	18.2	17.7	17.3	17.3	16.9	17.5	19.1	19.3	1.0%	1.2%
Number of U.S. Visits	16.7	17.2	17.5	17.1	16.7	16.7	16.3	16.9	18.4	18.6	1.1%	1.2%
Number of Foreign Visits	0.72	0.64	0.69	0.70	0.60	0.61	0.59	0.62	0.66	0.69	4.5%	-0.5%
Total Travel and Recreation-Related Employment	100,800	101,200	102,200	102,900	104,000	106,700	108,700	112,000	119,900	125,800	4.9%	2.5%
Direct Travel and Recreation-Related Employment	69,100	69,400	70,100	70,600	71,500	73,300	74,700	77,000	82,400	86,500	5.0%	2.5%
Indirect Travel and Recreation-Related Employment	31,700	31,800	32,100	32,300	32,500	33,400	34,000	35,000	37,500	39,300	4.8%	2.4%
Percent of All Utah Nonagricultural Jobs	10.1%	9.9%	9.7%	9.6%	9.6%	9.9%	9.9%	9.9%	10.3%	9.8%	0.5%	-0.4%
Total Direct State and Local Taxes Generated by Travel Spending (millions)	\$320	\$328	\$336	\$340	\$336	\$372	\$367	\$394	\$433	\$467	7.9%	4.3%
State Government Portion	\$237	\$243	\$249	\$252	\$247	\$274	\$270	\$290	\$319	\$343	7.5%	4.2%
Local Government Portion	\$83	\$85	\$87	\$88	\$89	\$98	\$97	\$104	\$114	\$123	7.9%	4.4%
Total Airline Passengers at Salt Lake International Airport (millions)	21.1	20.3	19.9	19.9	18.4	18.7	18.5	18.4	22.2	21.3	-4.1%	0.1%
Total Traffic Count at Interstate Borders (millions)	18.7	19.6	20.7	21.2	21.7	22.9	22.0	22.2	22.7	23.0	1.3%	2.3%
Total National Park Recreation Visits (millions)	5.5	5.5	5.5	5.3	4.9	5.1	5.0	5.3	5.3	5.1	-3.8%	-0.9%
Total Skier Visits (millions)	3.0	3.1	3.1	3.0	3.3	3.0	3.1	3.4	3.9	4.1	5.2%	3.4%
Total State Park Visits (millions)	7.2	6.9	6.8	6.6	6.1	5.8	4.6	4.4	4.4	4.4	0.5%	-5.3%
Taxable Room Rents (millions)	\$519	\$540	\$545	\$568	\$578	\$667	\$599	\$661	\$754	\$878	16.4%	6.0%
Hotel/Motel Occupancy Rates	68.0%	63.8%	61.6%	60.9%	59.9%	62.1%	58.8%	60.8%	65.0%	66.2%	3.2%	0.0%

r = revised

e = estimate

AARC = Average Annual Rate of Change

Sources: Estimates are based on information gathered from a variety of sources including National Park Service; Utah State Tax Commission; Utah Department of Transportation; Department of Workforce Services; Department of Natural Resources; Salt Lake International Airport; U.S. Department of Commerce; Ski Utah; Rocky Mountain Lodging Report; Department of Community & Economic Development; Governor's Office of Planning and Budget; and Governor's Office of Economic Development - Office of Tourism

