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The Economic Review of the Travel Industry in Montana: 2000 Biennial Edition

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AN ECONOMIC REVIEW OF THE TRAVEL INDUSTRY IN MONTANA

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PREPARED BY
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EXECUTIVE SUMMARY

- Total nonresident travel expenditures in Montana totaled $1.59 billion in 1999. This constitutes an increase of 3.8 percent over 1998.
- Over 9.6 million nonresident visitors traveled the state in 1999, up from 9.4 million in 1998.
- Nonresident travel expenditures in Montana generated 29,900 jobs in the course of 1999, over 5 percent of all jobs in the state. Every $53,124 in expenditures supported one job.
- The state's nonresident visitors spent enough money in Montana to generate $479 million in personal income. Every nonresident dollar spent in the state generated 30 cents in personal income.
- Each dollar spent by nonresident travelers in Montana generated 8 cents in state and local tax revenue, as well as 11 cents in federal tax revenue.
- Montana ranks 43rd in the nation in terms of total tourist spending, but 10th in the nation when it comes to per capita tourist spending.
- Montana receives 88 percent of its visitors from other U.S. states, 7 percent from Canada, and a full 5 percent from other foreign countries.
- Glacier and Yellowstone National Parks attract the most visitors to Montana, while wildlife watching is the most popular recreational activity.
- Amtrak ridership is increasing steadily over the years, making up for a slump due to reduced traffic.
- Airline traffic increased 6.7 percent between 1998 and 1999 due in part to expanded flight schedules.
- The hotel industry is experiencing fluctuating occupancy rates but room revenues are increasing steadily despite of this.
- Prices in the foodservice industry are rising faster than the CPI. However, employment in this sector is not increasing.
- Montana's amusement and recreation industry is outpacing all the other travel-related industries in terms of employment growth. Industry GSP is also exhibiting strong growth trends.

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INTRODUCTION

This report is intended to document the nature and impact of the nonresident travel industry on the state of Montana. Rather than providing a snapshot of the industry at a point in time, this document places current conditions in a historic perspective by providing time series data where possible.

Defining Travel and the Travel Industry

There exists considerable discussion as to what really constitutes “travel”. ITRR defines two types of travel engaged in by two separate groups of people, the nonresident and the resident traveler. When Montana residents travel within the state, they are termed “resident travelers”. “Nonresident travelers” are those who travel within Montana, but do not maintain permanent residency in the state.

Whereas the definition of nonresident travel is rather straightforward, resident travel runs the risk of being too inclusive. For instance, commuting to and from work or school constitutes travel by the broad definition above. To eliminate this type of excessive inclusion, various travel studies have employed different definitions of the concept of travel. Often a distance away from home is incorporated into these definitions, limiting travel to trips of at least 50 or 100 miles away. In Montana however, due to the vast distances under the Big Sky, most trips would still be considered “travel” by such a definition. The solution ITRR has adopted in defining resident travel in its surveys is to let survey subjects themselves be the judges of what constitutes travel and what does not.

The travel industry is difficult to define due to its very diverse and complex nature. It is composed of such different industry segments as airlines, guide services, hotels and restaurants, to name a few, that are related not because of the nature of their product, but due to the nature of their consumer—the traveler. The difficulty of measuring the travel industry is compounded by the fact that these industry segments usually derive only a portion of their business from the traveler.

This extreme diversity is the industry’s strength as well as its weakness. In the words of the Travel Industry Association of America (TIA):

> . . . a very wide variety of businesses and their employees benefit from travelers. Buses, automobiles, airlines, rail, and other transportation companies bring travelers into an economic area. These travelers then purchase products and services offered in the area by lodging establishments, restaurants, amusement, recreational and entertainment establishments, and general retail outlets. This activity generates many diverse employment and business opportunities, as well as helping to sustain and expand the local economy.

As such, the travel industry contributes to a diversified economic base, making the economy of a tourism area much more resilient than one relying on a single industry, especially when it comes to the effects of adverse economic conditions, shifting consumer preferences and technological advances.

As for weaknesses, due to the varied nature of the types of businesses that benefit from tourism and travel in general, the travel industry faces a number of problems. The very complexity that is one of the industry's strengths also makes it hard to quantitatively measure its economic impact and thus to compare it to that of other, more easily quantifiable, industries. As a consequence, government officials, business executives and the public in general have been slow in grasping the significance of the industry.

This lack of recognition is perhaps the industry's greatest problem, making it vulnerable to a certain measure of hostility from local residents, as well as to negative policy decisions.

The format of this report is based on the Travel Industry Association of America's annual publications The Economic Review of Travel in America. Much of the data contained here is quoted directly with permission from Suzanne Cook, Senior Vice President of Research at TIA. All information is given both in text and table format, and all sources are indicated in the tables. In addition to publications, ITRR sources include figures estimated using the IMPLAN input/output model. These numbers are previously unpublished.

This publication focuses on the impact of spending by nonresidents in Montana because by definition, an economic impact to the state entails the expenditure of out-of-state dollars within the state's economy. While ITRR recognizes the importance of *resident* travel spending within the state, the Institute has concentrated its data collection at the statewide level, focusing on money moving into the Montana economy rather than between counties and communities within the state. In order to report accurate information regarding economic impacts at the county level, data would need to be collected at this level. With 56 counties in Montana, the expense of conducting such research has so far not justified the expense.

This report, therefore, is a statewide nonresident travel profile. However, the actual travel industry in Montana is much larger, including the contribution of Montana residents, which adds approximately $255 million per year to the travel spending total. How these resident dollars are distributed across sectors and between counties has not yet been determined. It is simply the hope of these authors that readers of this report recognize that what is reported here is but a piece of the total Montana travel industry.

All dollar figures in this review are given in 1999 currency to isolate changes in receipts, income, revenue and so on from the effects of inflation. In other words, what is reported here is nominal change.

ITRR would like to thank Travel Montana for their help in graciously providing the images that adorn the front cover of this report. More Montana photographs can be seen on their web site www.visitmt.com

TRAVEL AND THE ECONOMY

Volume and characteristics of travel in Montana and the United States are influenced by economic conditions on a local and national as well as international level. Conversely, travel to and within Montana affects the state economy, along with local economies within the state. Clearly, the travel industry can have considerable impact on a region's economic conditions, while being itself strongly influenced by economic conditions elsewhere. Changes in the economy have the power to impact travel volume and travel spending, which in turn affects the related economic benefits associated with travel spending.

Travel and Tourism: Powerful Economic Force

Tourism's contribution to Montana's economy increases continually. As the industry grows, so does its impact on employment, income and tax revenue in the state. In 1999, estimated travel expenditures by all nonresident travelers to Montana reached $1.59 billion, up 4 percent from 1998. This expenditure contributed to the generation of 29,900 jobs, and over $479 million in personal income. Taxes on the state and local levels amounted to $131 million, while federal tax revenue exceeded $184 million.

Additional tax revenue is generated by nonresident travelers' contributions to the statewide Lodging Facility Use Tax. This revenue is distributed to the Montana Historical Society, the University Travel Research Program, the Department of Revenue, Montana State Parks, and the Department of Commerce, who in turn distributes funds to communities and regions across the state.

Travel Throughout the Economic Cycle

In contrast to many other industries, the travel industry is often considered to be relatively resistant to recessions. Although travelers are likely to take shorter trips, less expensive trips, or fewer business trips, they still travel enough to keep the travel industry growing during recessionary periods. An exception is the recession of 1991-92, which coincided with the Gulf War and its negative effect on fuel prices. With travel thus more expensive and difficult, both real travel sales and travel employment fell in 1991.

In the years following a recession, the travel industry has a tendency to lag behind the overall growth in the economy. At this point in the economic cycle leisure travel has to compete with the purchase of durable goods such as refrigerators and television sets, items that consumers have put off buying during the recessionary period. Other competitors for travel spending are new high-tech durable products that offer consumers alternative leisure activities.

Currently, the United States is experiencing an unprecedented economic boom. With tight labor markets, increasing corporate profits and a growing GDP, business travel volume is increasing. These factors have also stimulated leisure travel. Research by TIA (1999) indicates that U.S. travel volume and spending are at all-time highs. However, some of this benefit may by-pass Montana because during times when the economy is strong, travelers tend to go on once-in-a-lifetime vacations, usually to destinations further away.

It is the prediction of ITRR that nonresident travel to Montana will increase about two percent in 2000. While still a small percent of overall Montana travel, visitors will increasingly be coming by plane, renting vehicles as they arrive and exploring the state via primary and secondary roads as well as the Interstate system. This emerging travel pattern will help distribute the benefits of tourism spending to local areas.

In terms of nonresident expenditures moving through the economy, outside dollars affect the Montana economy on various levels. The *direct impact* of nonresident expenditures results from the initial purchase of goods and services by travelers. The businesses that provide these goods and services have to purchase inputs such as raw materials and labor from their suppliers, who are then experiencing the *indirect impact* of the initial expenditure. The *induced impact* is the result of the increased spending power of the people employed in the directly and indirectly affected businesses. The sum of the direct, indirect and induced impacts is called *total impact*.

It is important to note that one dollar of travel spending can generate different amounts of personal income within the various travel industry sectors depending on the labor content and the wage structure of each sector. Additionally, the same direct impact can generate various levels of indirect and induced effects, depending on the availability of raw materials and labor within the economic region. The more of these inputs that need to be imported from outside the region, the smaller the indirect and induced impacts on Montana.

TABLE 1: Economic Contribution of the Nonresident Travel Industry in MT, 1999

Key Measurement	Direct Impact	Indirect Impact	Combined Impact
Contribution to output ($thousands)	1,188,900	332,700	1,521,600
Contribution to individuals			
Personal income ($thousands)	383,900	95,400	479,300
Employment (jobs)	25,800	4,100	29,900
Contribution to governments ($thousands)			
Federal	N/A	N/A	184,200
State/Local	N/A	N/A	131,400

Source: ITRR

TRAVEL VOLUME

Nonresident Travel in Montana

- Nonresident travel to Montana, including both pleasure and business travel[1], increased 1.6 percent during 1999, topping 9.4 million travelers. This constitutes a 25 percent increase since 1991.

- Of Montana's 9.4 million visitors, 6 percent or 564,000 people, travel in the state primarily for business reasons. Forty-nine percent, or 4.6 million people, come to Montana primarily for vacation, while another 16 percent are here to visit family or friends. Twenty-one percent, or almost 1.9 million travelers, are passing through the state on their way to somewhere else.

Resident Travei in Montana

- With 75 percent of Montana households taking one or more pleasure trips in a year, Montana residents travel more than other U.S. residents.

- Montana residents spend $962 million annually on pleasure travel, which is equal to 9.5 percent of household income. $255 million, or 27 percent of the total, is spent in the state.

- Of all the pleasure trips taken by Montana residents, 44 percent are day trips within the state, 29 percent are overnight trips within the state, and 27 percent of trips are to destinations outside of Montana.

- While resident travel constitutes an important part of the Montana travel industry, it does not introduce new money into the state economy. Rather, it redistributes what is already here. As such, its economic impact on the state as a whole is problematic to quantify and is therefore not included in the estimates presented in this report.

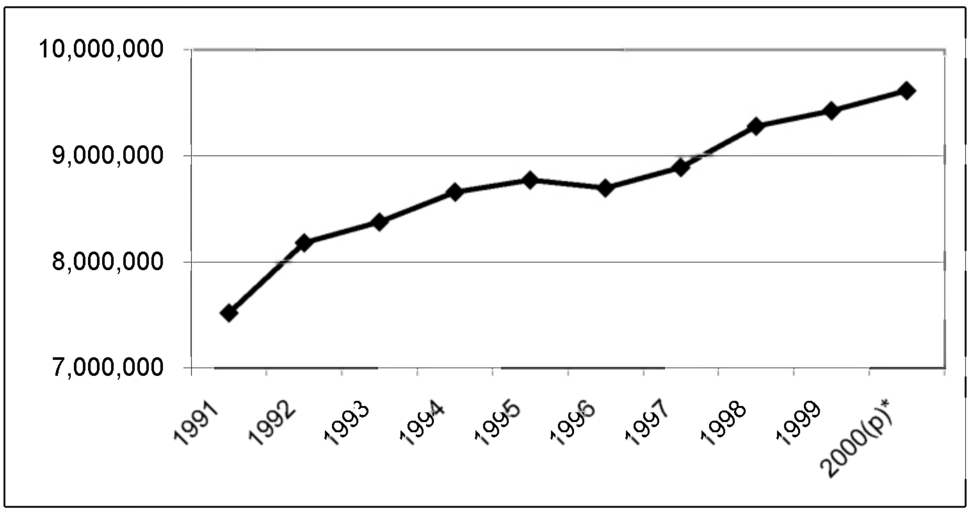
[1] While nonresident travel to Montana includes both pleasure and business travel, excluded from the surveying are business vehicles such as semi-trucks, as well as vehicles with state and federal government license plates.

TABLE 2: Montana Travel Volume, 1991-1999

Year	Visitation	% change from previous year
1991	7,519,000	N/A
1992	8,181,000	8.8%
1993	8,375,000	2.4%
1994	8,657,000	3.4%
1995	8,772,000	1.3%
1996	8,696,000	-0.9%
1997	8,889,000	2.2%
1998	9,279,000	4.4%
1999	9,425,000	1.6%
2000(p)*	9,614,000	2.0%
1991-2000 changes	2,095,000	28%

Source: ITRR
*Projected visitation for 2000

Chart 1: Annual Nonresident Visitation



TRAVEL EXPENDITURES

Trends and Outlook

- Nonresident travel expenditures, including those of both domestic and international visitors, totaled $1.59 billion in 1999, up four percent from the previous year. Montana residents spent $255 million on pleasure travel within the state.

- With the exception of 1996, when a slight decline occurred, travel expenditures have been growing steadily, showing an increase between 2 and 7 percent each year since 1991. The 1996 decline coincided with a visitation decrease caused by a complexity of factors, including a plummeting exchange rate for the Canadian dollar, problematic weather conditions, and a decreasing growth rate for disposable income in the U.S.

- Growth in nonresident expenditures is expected to keep pace with the increase in visitation.

TABLE 3: Travel Expenditures in Montana, 1991-1999

Year	Expenditures ($ million)	% change from previous year
1991	$1,240	N/A
1992	$1,350	7%
1993	$1,380	2%
1994	$1,430	3%
1995	$1,450	2%
1996	$1,440	-1%
1997	$1,470	2%
1998	$1,530	4%
1999	$1,588	4%

Source: ITRR

Expenditures in Montana

- Nonresident travelers spent $1.59 billion on travel-related goods and services in Montana in 1999. The largest spending category was retail sales, accounting for over 24 percent of the total, or in excess of $383 million.

- Gasoline and oil constituted the second-largest spending category, representing 22 percent of the total, or $353 million.

- Lodging accounted for 16 percent of total expenditure, or nearly $256 million, while expenses in restaurants and bars constituted 18 percent, or $291 million.

- While travel spending has shown steady increases over the years, with the noted exception of 1996, the growth in GSP has been even higher. While the growth in Montana's gross state product outpaced that of the GDP in the early nineties, and the 1996 slump is not observable on a national level, the growth in GDP and Montana GSP are roughly at pace with each other.

TABLE 4: Travel Expenditures in Montana Compared to Gross State Product, 1991-1999

Year	Total Travel Spending in MT ($millions)	Real Gross State Product ($millions)	Travel Spending as % of GSP
1991	1,240	13,494,	9.2
1992	1,350	14,988	9.0
1993	1,380	16,085	8.6
1994	1,430	16,867	8.5
1995	1,450	17,567	8.3
1996	1,440	18,268	7.9
1997	1,470	19,160	7.7
1998	1,530	N/A	N/A
1999	1,590	N/A	N/A
Percent change from previous year			
1991	N/A	N/A	N/A
1992	8.9	11.1	-2.0
1993	2.2	7.3	-4.7
1994	3.6	4.9	-1.2
1995	1.4	4.2	-2.6
1996	-0.7	4.0	-4.5
1997	2.1	4.9	-2.7
1998	4.1	N/A	N/A
1999	3.9	N/A	N/A

Source: ITRR; Bureau of Economic Analysis

TRAVEL-GENERATED INCOME

Personal income generated from the expenditures of nonresident visitors to Montana is comprised of two categories. Employee compensation is wages and salary income paid to employees of businesses within the travel industry from which travelers purchase goods and services. Proprietors' income is the income of self-employed workers in businesses serving travelers' needs.

- Personal income paid by travel-related firms in Montana attributable to nonresident visitor spending exceeded $479 million in 1999, up 3.8 percent from 1998.

- On average, every dollar spent by nonresident travelers in Montana in 1999 generated approximately 30 cents in wage and salary income for Montana residents. The national equivalent is also 30 cents.

- Personal income generated by nonresident spending in Montana constituted 2.6 percent of Montana residents' total personal income in 1997[2], comparable to 2.1 percent on the national level.

- In 1992 and again in 1994, the growth rate in personal income generated by nonresident expenditures in Montana exceeded that of total personal income in the economy as a whole.

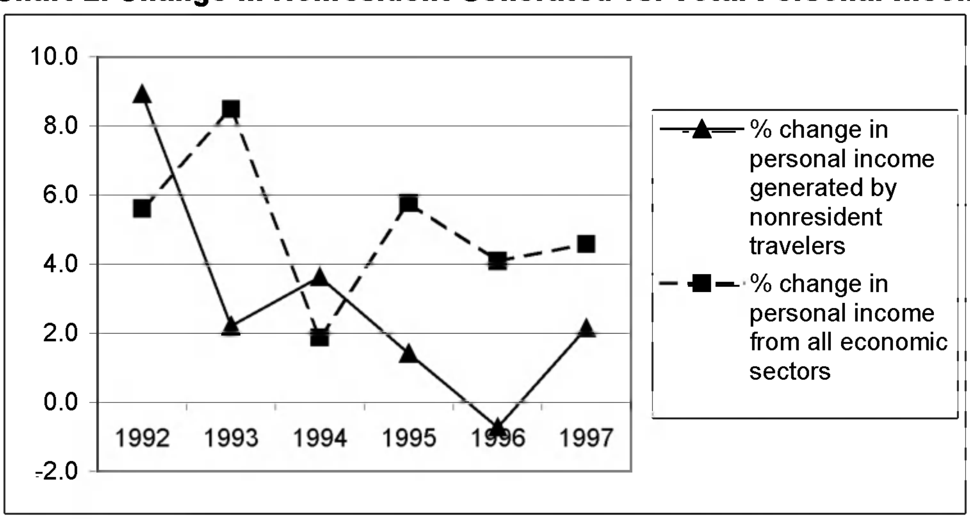
[2] Based on figures from ITRR and from the MT Dept. of Labor & Industry, Office of Research and Analysis.

TABLE 5: Nonresident Generated vs. Total Montana Personal Income, 1991-99

Year	Travel-Generated Personal Income ($1,000)	Personal Income ($1,000)	Disposable Personal Income ($1,000)
1991	374,300	12,833,000	11,325,000
1992	409,700	13,605,000	11,926,000
1993	416,600	14,761,000	13,004,000
1994	431,700	15,038,000	13,176,000
1995	437,700	15,906,000	14,052,000
1996	434,600	16,557,000	14,557,000
1997	443,700	17,316,000	15,103,000
1998	461,700	N/A	N/A
1999	479,300	N/A	N/A
Percent change from previous year			
1991	N/A	7.1	7.8
1992	9.5	5.6	5.3
1993	1.7	8.5	9.0
1994	3.6	1.9	1.3
1995	1.4	5.8	6.6
1996	-0.7	4.1	3.6
1997	2.1	4.6	3.8
1998	4.1	N/A	N/A
1999	3.8	N/A	N/A

Source: ITRR; Bureau of Economic Analysis

Chart 2: Change in Nonresident Generated vs. Total Personal Income, 1992-97

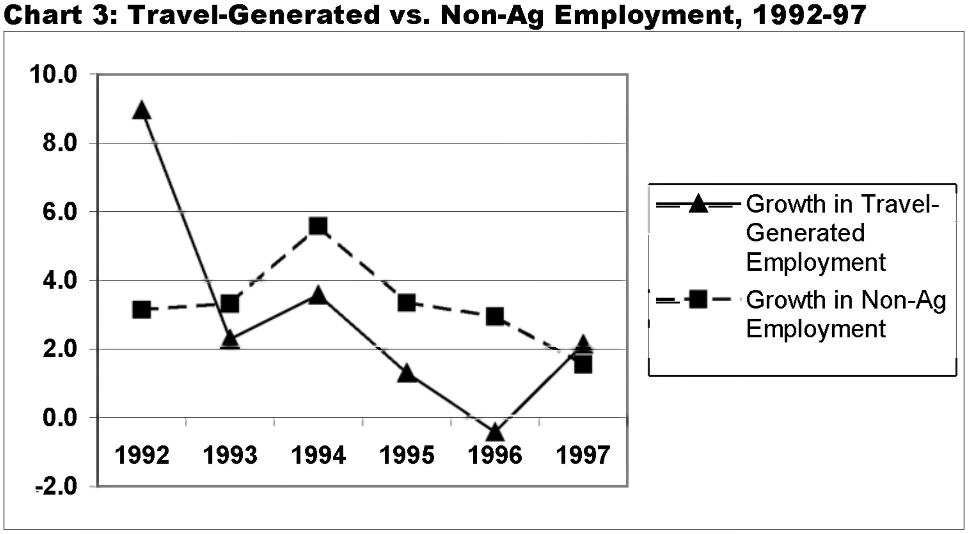


TRAVEL-GENERATED EMPLOYMENT

Nonresident travel supports numerous businesses and jobs. This is one of the industry's key contributions to the Montana economy. Because the Montana travel industry is so diverse, it supports a wide variety of jobs, including executive and managerial positions, as well as service-oriented occupations.

- In 1999, nonresident expenditures in Montana generated approximately 29,900 jobs. This was a 4 percent increase over 1998.
- On average, every $53,124 spent by nonresident travelers in Montana directly supports one job[3]. The equivalent figure for the nation as a whole is $65,334.
- In 1997, the 27,700 jobs generated by direct nonresident expenditures represented 5.5 percent of all non-agricultural employment in the state[4].
- Twice during the past decade did growth in the number of travel-generated jobs exceed growth in the state's non-agricultural jobs. This happened in 1992 and again in 1997.
- Nationally, travel-generated employment has kept largely ahead of non-farm employment. At the state level, the opposite is the case. Currently, however, both Montana and the nation are seeing reversing trends. Montana's travel-generated employment is increasing faster than non-farm employment in general, whereas the nation is experiencing a decreasing growth rate for travel-generated employment while non-farm employment is remaining steady.

Chart 3: Travel-Generated vs. Non-Ag Employment, 1992-97



[3] Based on ITRR estimates: $1.59 billion spent by nonresident visitors generated 25,800 jobs.
[4] Based on figures from ITRR and from the MT Dept. of Labor & Industry, Office of Research and Analysis.

TABLE 6: Travel-Generated vs. Total Montana Non-Agricultural Employment, 1991-99

Year	Travel-Generated Employment (jobs)	Total Non-Ag Employment (jobs)	Total Manufacturing Industry Employment (jobs)
1991	23,400	417,600	25,600
1992	25,500	430,700	26,900
1993	26,100	444,900	27,600
1994	27,000	469,700	28,500
1995	27,400	485,400	28,700
1996	27,100	499,700	29,300
1997	27,700	507,400	29,700
1998	28,800	N/A	N/A
1999	29,900	N/A	N/A
Percent change from previous year			
1991	N/A	2.9	-2.7
1992	9.0	3.1	5.0
1993	2.4	3.3	2.6
1994	3.4	5.6	3.2
1995	1.5	3.3	0.8
1996	-1.1	2.9	2.1
1997	2.2	1.5	1.4
1998	4.0	N/A	N/A
1999	3.8	N/A	N/A

Source: ITRR; Bureau of Labor Statistics

THE MONTANA EMPLOYMENT STRUCTURE

Market Share of the Travel Industry within the Montana Economy

Over the past two decades, the U.S. economy has shifted significantly away from manufacturing and towards services. The service sector of the economy has boomed with new technologies, creating industry segments and niches that did not exist 20 years ago. Additionally, as the world has become more globalized, the travel industry has expanded to become an increasingly vital element in the service segment of the economy.

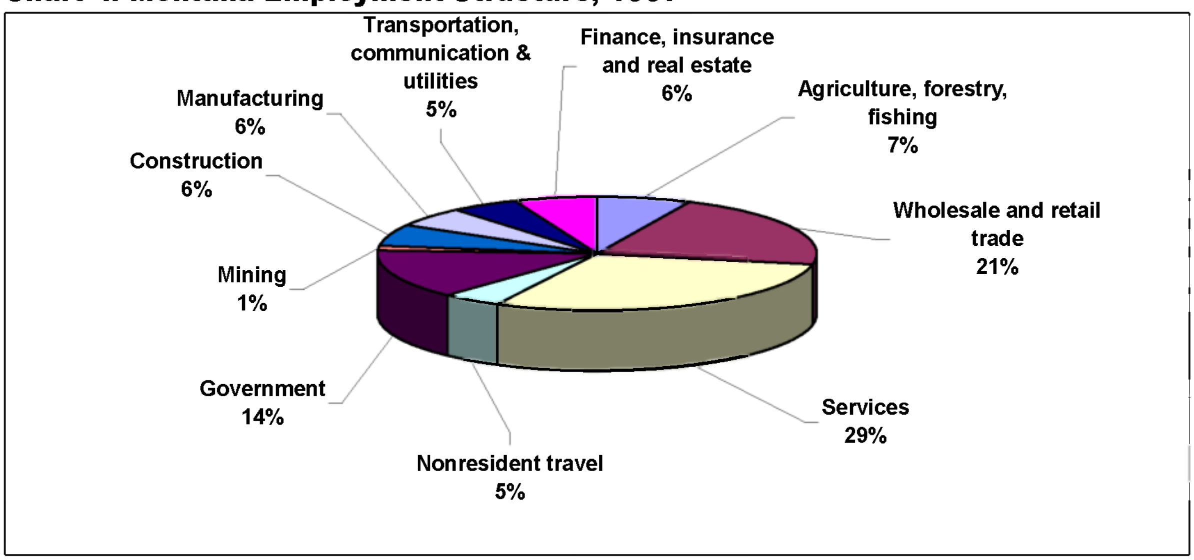
Montana has not fully experienced this shift in the economic structure. Although the service sector has increased significantly, so has the manufacturing sector. The areas where Montana has seen decreased employment include agriculture, mining and, to a small extent, the lumber and wood products sector.

- In the years between 1991 and 1997, the construction sector has seen the largest increase in terms of employment, boosting the sector's share of the total labor market from 4.7 percent to 6.1 percent. This increase is a reflection of the building boom the state has experienced in recent years.

- In the service sector, Montana has witnessed the same upward trend as the nation as a whole. Between 1991 and 1997 employment in this sector increased 32.5 percent, changing the sector share from 26.5 to 29.1 percent.

- The nonresident travel industry has maintained its share of the labor market at approximately 5 percent, the result of an 18.3 percent increase in number of jobs supported by this sector.

Chart 4: Montana Employment Structure, 1997



Source: ITRR; Bureau of Economic Analysis

TABLE 7: Montana Employment Structure, 1995

Sector*	Employment, 1997 (jobs)	% of total	% change 1991/1997
Agriculture	26,500	5.0	-10.8
Ag, forestry, fishing and other	9,200	1.8	41.5
Mining	6,500	1.2	-11.0
Construction	32,100	6.1	55.1
Lumber and wood products	9,400	1.8	-1.1
Petroleum and coal products	900	0.2	28.6
Other manufacturing	18,700	3.6	25.5
Transportation, communication and utilities	26,000	4.9	8.8
Wholesale trade	19,300	3.7	10.9
Retail trade	91,300	17.4	29.7
Finance, insurance & real estate	31,300	6.0	16.4
Services	153,000	29.1	32.5
Federal government	12,400	2.4	-3.9
State & local government	61,000	11.6	7.8
Nonresident travel**	27,700	5.3	18.4
Total	525,300	100.0	20.4

Sector*	Employment, 1991 (jobs)	% of total
Agriculture	29,700	6.8
Ag. services, forestry, fishing and other	6,500	1.5
Mining	7,300	1.7
Construction	20,700	4.7
Lumber and wood products	9,500	2.2
Petroleum and coal products	700	0.2
Other manufacturing	14,900	3.4
Transportation, communication and utilities	23,900	5.5
Wholesale trade	17,400	4.0
Retail trade	70,400	16.1
Finance, insurance & real estate	26,900	6.2
Services	115,500	26.5
Federal government	12,900	3.0
State & local government	56,600	13.0
Nonresident travel**	23,400	5.4
Total	436,300	100.0

Source: Bureau of Economic Analysis; ITRR
*Order of industries follows order of the Standard Industrial Classification (SIC) index, with nonresident travel added at the end.
**Nonresident travel figures are ITRR estimates based on expenditures. Travel is not an isolated industry in that activity associated with travel is part of other sectors. ITRR has estimated the impacts of nonresident travel to various sectors and subtracted those impacts from the affected industries' employment figures to avoid overlap with the travel sector.

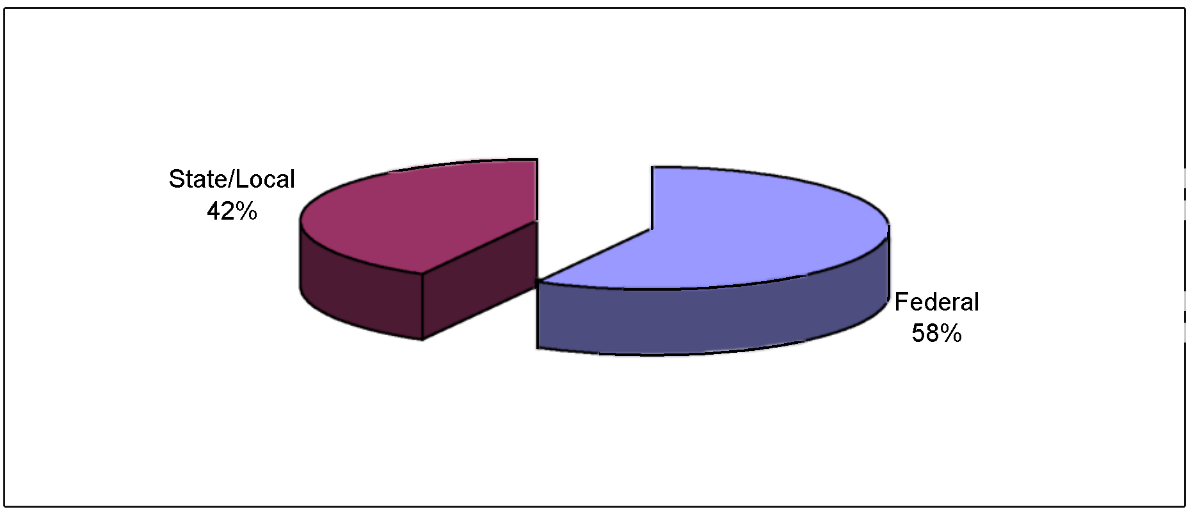
TRAVEL-GENERATED TAX REVENUE

The travel tax receipts discussed below consist of the federal, state and local tax revenues attributable to nonresident travel spending in Montana[5]. Because Montana does not have a sales tax, the state and local tax receipts attributable to nonresident travelers are low compared to those of other states.

Montana does, however, have a statewide Lodging Facility Use Tax of four percent on over-night accommodations. In addition, nonresident travelers contribute to the tax base through the payment of excise taxes, such as those on gasoline, and indirectly by supporting employment in industries that pay corporate taxes and whose workers pay income, property, and other taxes.

- Nonresident travel spending in Montana generated close to $316 million in revenue for federal, state and local governments in 1999. This is an increase of 3.8 percent over 1998.
- In 1998, federal tax revenue attributable to nonresident travel expenditures in Montana exceeded $177 million, 12 percent of the state total. Each dollar spent by nonresident travelers in Montana generated 11 cents in federal tax revenue. On the national level, each travel dollar spent generates close to 10 cents.
- At the state and local level, nonresident travel expenditures generated over $126 million in tax revenue for 1998, 18 percent of the Montana total. This is equivalent to nearly 8 cents per tourist dollar spent in the state.

Chart 5: Travel-Generated Tax Revenue in Montana, 1999



[5] Tax impacts are estimated using the IMPLAN input/output model, and include indirect business taxes, personal taxes, social security taxes, corporate profits tax, and gross interests at federal, state, and local levels. Also included are federal excise taxes on such items as alcohol, tobacco, fuel, air transportation, etc.

TABLE 8: Nonresident Travei Tax Revenue in Montana by Level of Government, 1998-99

Level of Government	Revenue ($thousands)	% of total
1999 Tax Revenue		
Federal	184,200	58%
State/Local	131,400	42%
Total	315,600	100%
1998 Tax Revenue		
Federal	177,400	58%
State/Local	126,600	42%
Total	304,000	100%
Percent change 1999 over 1998		
Federal	3.7	
State/Local	3.8	
Total	3.8	

Source: ITRR

TABLE 9: Nonresident Travel Tax Revenue vs. Total Tax Revenue, 1998

Level of Government	Travel Industry Total ($thousands)	Montana Total ($thousands)	% of Montana Total
Federal	177,400	1,498,000	12%
State/Local	126,600	696,000	18%
Total	304,000	2,194,000	14%

Source: ITRR; Bureau of Economic Analysis

TRAVEL INFLATION

The following section provides information developed by the Travel Industry Association of America (TIA), and deals with national conditions rather than conditions specific to Montana. This is due to incomplete or nonexistent information at the state level. The material is reproduced with the permission of TIA.

Travel demand is highly sensitive to price inflation. When overall consumer prices increase faster than per capita personal income, which usually occurs during economic downturns, consumers tend to reduce discretionary spending on items such as leisure travel to continue to buy necessities. During periods of economic growth, incomes usually rise faster than prices and consumers enjoy greater purchasing power for discretionary purchases, including leisure travel.

Travel demand is also affected by the prices of competing items such as audiovisual equipment, personal computers, home improvements and nearby entertainment facilities. When the prices of travel-related goods and services rise faster than prices overall, consumers may substitute these alternative leisure-time items for travel.

TIA developed the Travel Price Index (TPI) to measure changes in the cost of travel within the United States. The TPI is based on price data collected by the U.S. Department of Labor for its monthly Consumer Price Index (CPI). Because the TPI is based on the CPI series, it does not necessarily represent all the discounting which occurs in the pricing structure of airline seats and motel rooms.

- Table 10 provides data on travel price inflation by various segments as compared to the Consumer Price Index since 1993. Both the CPI and the TPI have increased moderately during the past seven years, making travel more affordable to the U.S. consumer.
- During 1998, the TPI rose two percent, the slowest rate of growth since 1991. Overall consumer prices increased only 1.6 percent that year.
- The average price index for all transportation modes decreased 3.7 percent in 1998, primarily reflecting falling fuel prices (-13.2% compared to 1997) throughout the year.
- Airline fares remained in check, rising three percent in 1998.
- Hotels and motels showed the greatest travel-segment price growth during 1998, at 4.6 percent.
- Growth in both the TPI and CPI is expected to be greater in 1999 compared to 1998. Through September of 1999 the TPI increased 3.2 percent over the same period of 1998. Increasing fuel prices throughout 1999 has driven up overall travel price inflation, specifically in the transportation sector.

TABLE 10: Travel Price Index, 1993-99*

Component	1993	1994	1995	1996	1997	1998	1999*
Transportation	132.3	135.5	138.0	142.8	145.6	140.2	147.8
Airline Fares	178.7	185.0	189.7	192.5	199.2	205.3	216.5
Intracity Public Trans.**	150.7	152.8	156.5	173.2	175.8	174.2	172.2
Other Intercity Trans.***	150.9	153.0	153.3	156.0	155.1	160.4	160.7
Motor Fuel	98.0	99.0	100.0	106.3	106.2	92.2	97.4
Lodging Out of Town	189.4	195.5	203.1	213.7	224.1	234.5	243.9
Food & Beverage	144.3	146.8	150.2	154.0	158.5	162.6	166.3
Entertainment Services	160.8	166.8	172.0	178.1	183.8	189.0	195.1
TPI	154.0	157.7	162.1	168.1	173.7	177.1	183.4
CPI-U	144.5	148.4	152.4	156.8	160.5	163.0	166.0
Percent change from previous year							
Transportation	7.3	2.4	1.8	3.5	1.9	-3.7	4.7
Airline Fares	15.1	3.5	2.5	1.5	3.5	3.0	5.1
Intracity Public Trans.**	2.6	1.3	2.5	10.7	1.5	-0.9	-1.6
Other Intercity Trans.***	-1.0	1.4	0.2	1.7	-0.6	3.5	0.4
Motor Fuel	-1.0	1.0	1.0	6.3	-0.1	-13.2	4.5
Lodging Out of Town	2.8	3.2	3.9	5.2	4.9	4.6	3.1
Food & Beverage	1.9	1.7	2.3	2.5	2.9	2.6	2.6
Entertainment Services	3.2	3.7	3.1	3.6	3.2	2.9	3.6
TPI	3.4	2.4	2.8	3.7	3.4	2.0	3.2
CPI-U	3.0	2.7	2.7	2.9	2.3	1.6	2.0

Source: TIA
*Year-to-date TPI ending September of 1999
**Includes intracity mass transit and taxicabs
***Includes intercity bus and rail. Base year for index: 1982-84=100.

Section 2: Montana as a Tourist Destination

Montana’s Place in National Tourism

MONTANA'S PLACE IN NATIONAL TOURISM

Tourism Receipts

When people think of tourist destinations, states like Florida or California usually spring to mind rather than Montana. This is reflected in the amount of money expended by travelers in each state.

- In terms of expenditures, California is the largest destination state with an influx of tourism dollars approaching $66 billion. Montana is ranked as number 43 with an income from tourism of only $1.59 billion.

- Due to its small population base Montana fares rather well when per capita tourist receipts are considered. While there is still a wide gap between Montana and the big earners, Hawaii and Nevada, Montana has climbed in the rankings to number 10, with per capita tourism receipts of $2,026. Hawaii's per capita receipts are an impressive $11,979, whereas the national average is $1,785.

TABLE 11: Tourist Spending per State

Rank 1995	1997	State	Receipts, 1997 ($million)	% of Total 1997
1	1	California	$65,820	13.8%
2	2	Florida	$52,135	10.9%
3	3	New York	$32,922	6.9%
4	4	Texas	$29,248	6.1%
5	5	Illinois	$19,550	4.1%
6	6	Nevada	$18,498	3.9%
7	7	Hawaii	$14,247	3.0%
8	8	New Jersey	$13,922	2.9%
9	9	Pennsylvania	$13,746	2.8%
10	10	Georgia	$12,637	2.6%
43	43	Montana	$1,588	0.4%
		Top 10 State Total	$272,725	57%
		U.S. Total	$477,893	100%
42	42	Idaho	$1,916	0.4%
46	45	Wyoming	$1,421	0.3%
49	49	North Dakota	$1,123	0.2%
50	50	South Dakota	$1,073	0.2%

Source: TIA

TABLE 12: Per Capita Tourist Spending

Rank 1995	1997	State	Per Capita Receipts, 1997
1	1	Hawaii	$11,979
2	2	Nevada	$11,040
3	3	Washington D.C	$10,260
4	4	Florida	$3,551
5	5	Wyoming	$2,960
7	6	Vermont	$2,310
6	7	Alaska	$2,263
8	8	Colorado	$2,257
10	9	California	$2,043
9	10	Montana	$2,026
		USA	$1,785
24	16	North Dakota	$1,752
23	27	Idaho	$1,468
38	30	South Dakota	$1,583

Source: TIA

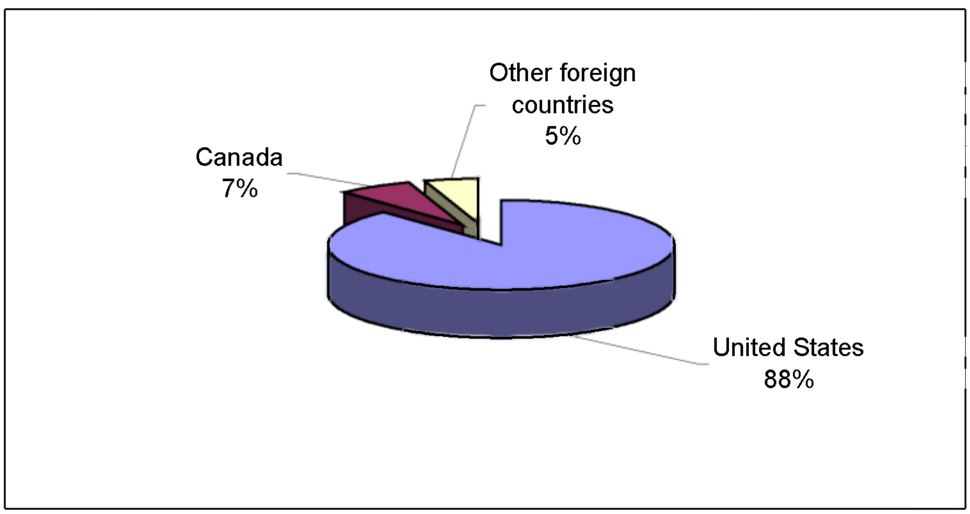
Visitor Population's Place of Residence

Visitors to Montana come from all over the world. Although the state receives a majority of its visitors from neighboring states, many come from abroad. A full five percent of Montana's visitors come from foreign countries other than Canada. Canada is considered separately from other foreign countries because it supplies such a large share of visitors to Montana. In 1996, seven percent of the visitor population was Canadian. However, this share has been lower in subsequent years due to the poor Canadian exchange rate. The remaining 88 percent are from the United States.

When looking at general U.S. regions, it is evident that most Montana visitors do indeed come from the same neighborhood. Almost one-fourth come from the northwest region, while the western region supplies 20 percent.

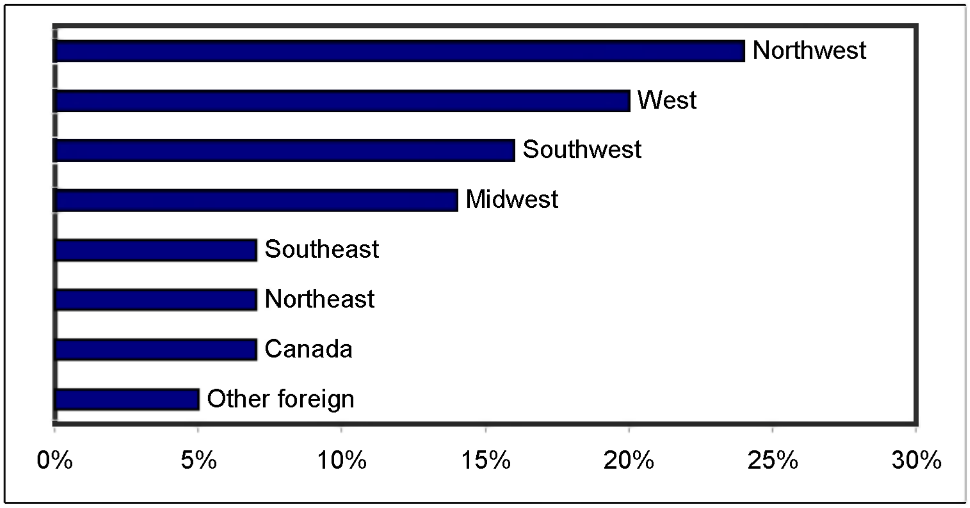
A breakdown by state of residence of Montana's domestic visitors reveals that although Washington, a state in the same region, is the place of residence for the majority, California is the second-largest supplier of tourists. Montana's neighboring states are all prominently featured, except for South Dakota, which together with 36 other states make up three percent of Montana's visitors.

Chart 6: Composition of Montana's Visitor Poplation



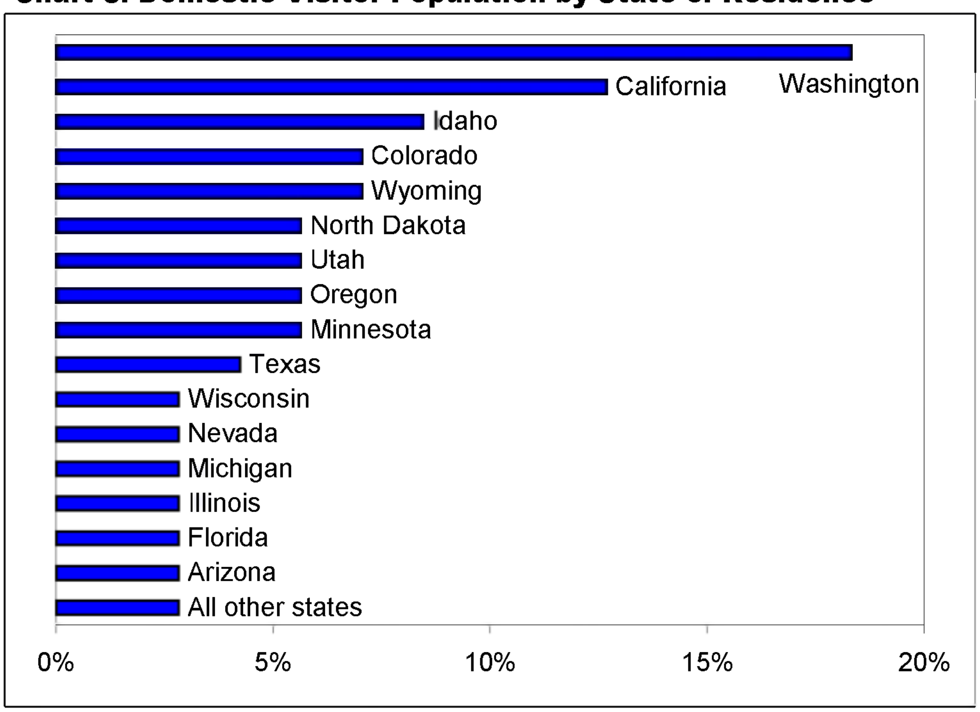
Source: ITRR

Chart 7: Montana's Visitor Population by Region of Residence



Source: ITRR
Northwest Region: WA, ID, OR, AK, HA
Southwest Region: CA, NV, UT, AZ
West Region: WY, CO, NM, TX, OK, KS, NB, SD, ND
Midwest Region: MN, WI, MI, IA, IL, IN, MO, AR
Northeast Region: ME, NH, VT, NY, PN, OH, MA, CT, RI, NJ, MD, WV, DE
Southeast Region: KY, VA, NC, SC, TN, GA, AL, MS, LA, FL

Chart 8: Domestic Visitor Population by State of Residence



Source: ITRR

Visitor Attractions

Visitors cite many reasons for coming to Montana. The majority of visitors are drawn to Montana primarily because of either Glacier or Yellowstone National Parks. Other attractions for nonresident travelers are the mountains, fishing, and open space.

When in Montana, nonresident travelers participate in numerous recreation activities, usually engaging in more than one activity during their stay. The most frequently cited activity is wildlife watching, with a participation rate of 45 percent. Other popular activities include visiting family and/or friends, and nature photography. Recreational shopping is also frequently cited as a favored activity.

Montana offers many attractions for travelers to visit. Although these sites do not distinguish between resident and nonresident visitors, it is natural to assume that they are visited by both resident and nonresident travelers alike. Some attractions have reliable mechanisms in place for counting their visitors, whereas many other tourist destination sites rely on voluntary contributions and guest book sign-ins and have therefore been excluded.

Besides the highly visited attractions of Yellowstone and Glacier National Park, Little Bighorn Battlefield receives the most visitors in a year. Their visitation numbers in 1999 approached 396,400, up seven percent from 1998. At Fort Peck Lake, visitation reached 323,441, up a full 14 percent from 1998, whereas Bighorn Canyon National Recreation Area saw numbers declining 16 percent from 1998 to 1999 due to poor fishing conditions. At Clark Canyon Reservoir on the other hand, visitation was up a full 25 percent due mostly to good fishing conditions.

TABLE 13: Montana's Top 10 Attractions, 1996

Rank	Attractions	% who cited item as primary attraction
1	Glacier National Park	25%
2	Yellowstone National Park	22%
3	Mountains	12%
4	Fishing	6%
5	Open Space	6%
6	Uncrowded Areas	4%
7	Friendly People	3%
8	Wildlife	2%
9	Visiting Historic Sites	2%
10	Camping	2%

Source: ITRR

TABLE 14: Top 10 Montana Activities for Nonresident Visitors, 1996

Rank	Activity	% who indicated participation*
1	Wildlife watching	45%
2	Visiting family and/or friends	34%
3	Nature photography	33%
4	Recreational shopping	32%
5	Day hiking	29%
6	Visiting historic/interpretive sites	29%
7	Camping in developed areas	28%
8	Picnicking	26%
9	Visiting museums	21%
10	Fishing	15%

Source: ITRR
*Total exceeds 100% because visitors indicated all activities participated in.

TABLE 15: Montana's Top 10 Tourist Destinations, 1999*

Rank	Destinations**	# of visitors	% changes 1998/1999	% of Top 10 Total 1999
1	Glacier National Park	1,683,993	-8%	50%
2	Little Bighorn Battlefield	396,396	7%	12%
3	Fort Peck Lake	323,441	14%	10%
4	Bighorn Canyon National Rec. Area	234,013	-16%	7%
5	National Bison Range	191,200	2%	6%
6	Flathead Lake State Park System	146,310	-2%	4%
7	Clark Canyon Reservoir	125,000	25%	4%
8	Museum of the Rockies	123,000	7%	4%
9	Lewis & Clark Interpretive Center	88,957	2%	3%
10	Montana Historical Society	83,000	11%	2%
	Top 10 Total	3,395,310	3%	100.0%

Source: ITRR
*Including only attractions with reliable visitation counts.
**While Yellowstone National Park attracts numerous visitors to Montana, visitation numbers for the park are not included in this list because it is not known how many of the park's visitors are also visitors to Montana, and how many visit only Wyoming.

SectIon 3: NonresIdent Travel Industry Segment Data

Transportation Overview

Montana Travel Industry Overview

TRANSPORTATION OVERVIEW

Amtrak Performance

Montana is criss-crossed by railroad tracks, offering excellent rail connections for freight lines. However, passenger transit through the state is limited. The Amtrak line connecting Montana to Chicago in the east and to Portland and Seattle in the west runs in the northern portion of the state, providing passenger train access to only a few locations. Stops are limited to the towns of Browning, Belton, Cut Bank, Essex, Glasgow, Glacier Park, Havre, Libby, Malta, Shelby, Whitefish and Wolf Point.

Even for those Montana residents with a convenient rail connection, there is only one train in each direction per day. This is none the less an improvement over the period from February 1, 1995 to May 11, 1997 when the rail connection was reduced from 7 to 4 days per week. Consequently, this period shows a marked decline in Amtrak ridership for the state.

Subsequently Montana passenger traffic has recovered, reaching levels higher than 1994, although this rebound has been unequally distributed among the various stations. In fact, boardings and deboardings at Whitefish have not quite reached pre-1995 levels.

It is Amtrak's policy to collect data and statistics on individual train lines rather than on a per-state basis. For that reason ridership figures are the only statistics available for Montana, and include both resident and nonresident riders.

TABLE 16: Amtrak Performance in Montana, 1994-99

Key Measurement	1994	1995	1996	1997	1998	1999	Change 1994/99
Ridership	139,796	117,586	97,855	123,140	138,251	163,402	23,606
Percent change from previous year							
Ridership	0.2	-15.9	-16.8	25.8	12.3	18.2	16.9

Source: Montana Department of Transportation

TABLE 17: Montana Station Totals, 1994-1999

Station	1994	1995	1996	1997	1998	1999	% of total, 1999
Browning	900	1,296	1,019	1,421	1,455	1,953	1%
Belton	3,262	2,749	2,720	3,779	3,571	4,765	3%
Cut Bank	2,278	2,012	1,729	2,100	2,767	2,626	2%
Essex	2,331	2,596	1,931	3,080	3,132	4,344	3%
Glasgow	4,763	4,116	3,744	4,445	6,046	7,014	4%
Glacier Park	11,099	11,021	10,541	12,936	14,688	17,073	10%
Havre	14,769	12,818	10,495	12,107	15,633	18,073	11%
Libby	4,235	3,937	3,604	4,655	5,393	6,729	4%
Malta	3,342	2,702	2,384	3,021	4,065	3,850	3%
Shelby	14,886	13,249	11,270	14,868	15,685	18,502	11%
Whitefish	69,470	54,538	42,533	53,371	57,320	68,756	42%
Wolf Point	8,461	6,552	5,885	7,357	8,496	9,717	6%
Total	139,796	117,586	97,855	123,140	138,251	163,402	100.0

Source: Montana Department of Transportation

Airline Performance

The major airports in Montana include Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, Missoula, and West Yellowstone. The latter is open only during the months of June, July, August and September. These airports record the number of passengers boarding and deboarding at their facility. ITRR uses the deboarding numbers as a count, as well as for calculating the number of nonresident travelers at each airport.

The airline industry has seen a healthy growth in passenger traffic over the past several years. The growth is due to increased demand, which in turn has lead to expansion of flight schedules. This again leaves more room for growth. An emerging travel trend is to arrive in Montana by plane and then rent a vehicle to continue exploring the state by car.

One important reason for the growth in demand is the strong economy which allows an increased number of people to travel by plane. Another reason is the so-called "Graying of America", a term used for the aging trend of America's population. As the ranks of the frequently affluent elderly swell, more and more people are able to afford air travel, and thus stimulate growth in the airline industry.

TABLE 18: Airline Performance in Montana, 1995-99

Key Measurement	1995	1996	1997	1998	1999
Passengers deboarded	1,026,336	1,044,940	1,083,446	1,127,533	1,202,834
Nonresident passengers	465,522	468,131	488,112	535,674	571,716
Percent change from previous year					
Passengers	N/A	1.8	3.7	4.1	6.7

Source: ITRR, Montana Airport Managers' Association

MONTANA TOURIST INDUSTRY OVERVIEW

Hotel Industry

The information for this section has been provided by Smith Travel Research.

Occupancy rates are often considered a measure of the state of the hotel industry. However, occupancy rates fluctuate based on changes in the room supply-demand relationship and as such should not be considered a static measure. Occupancy rates increase when the growth in room demand exceeds the growth in room supply. Conversely, they decrease when room supply increases faster than room demand.

- Occupancy rates declined in 1994, 1995, and 1996, when demand growth was either moderate or negative while supply increased sharply. In 1999, occupancy rates averaged 58 percent, up from 1998, but still lower than in 1994.

- The Montana hotel industry generated a record high $243.5 million in room revenues during 1999, an increase of 6.8 percent over 1998. Total hotel room revenues have grown over 28 percent since 1994.

- Room supply grew faster than room demand for the first part of the time period, reflecting a hotel construction boom resulting from an increased number of national chains moving into the state. While room supply has increased by 16 percent since 1994, room demand has experienced an increase of only 12 percent.

- Average daily room rates continued to grow during 1999, rising 2.6 percent from $52.64 to $54.02. Except for 1996, this is the lowest rate increase since 1994.

- Despite increasing room supplies and increasing room rates and revenues, there has been a decrease in the number of people employed in the hotel and lodging industries. 1999 figures are unavailable, but the industry experienced a 1.8 percent decrease in 1998, putting employment at 9,300. This figure is down 4 percent from 1996, the all-time high.

TABLE 19: Hotel Industry Performance, 1994-99

Key Measurement	1994	1995	1996	1997	1998	1999
Occupancy Rate	61.0	59.0	55.6	56.1	57.1	58.2
Room Nights Demanded* (thousands)	4,041	4,090	4,049	4,230	4,331	4,511
Room Nights Supplied* (thousands)	6,706	6,934	7,202	7,424	7,586	7,750
Room Revenues ($thousands)	$189,626	$200,434	$203,374	$216,648	$228,066	$243,537
Average Daily Rate	$45.30	$47.80	$48.35	$51.48	$52.64	$54.02
CPI	148.4	152.4	156.8	160.5	163.0	166.6
Employment**	8,826	9,511	9,705	9,475	9,300	N/A
Percent change from previous year						
Occupancy Rate	-2.7	-3.3	-5.8	0.9	1.8	1.9
Room Nights Demanded*	-1.2	1.2	-1.0	4.5	2.4	4.2
Room Nights Supplied*	1.8	3.4	3.9	3.1	2.2	2.2
Room Revenues	2.4	5.7	1.5	6.5	5.3	6.8
Average Daily Rate	2.5	5.5	1.2	6.5	2.3	2.6
CPI	2.7	2.7	2.9	2.3	1.6	2.2
Employment**	6.5	7.8	2.0	-2.4	-1.8	N/A

Source: Smith Travel Research; Bureau of Labor Statistics
*Denotes total number of hotel/motel rooms demanded and supplied over the course of a year.
**Denotes employment in the lodging industry.

Foodservice Industry

The foodservice industry comprises what is termed "Eating and Drinking Establishments", and includes restaurants ranging from fast food to full-menu table service establishments, as well as places primarily serving alcoholic beverages. It represents the third largest expenditure category among nonresident travelers in Montana, generating over $291 million in exogenous dollars for the state. The following represents aggregate foodservice data, including sales and employment derived from expenditures by both travelers and local patrons.

- For the early part of the period, the Consumer Price Index rose faster than the index for food away from home. The index for alcohol away from home was lower than the CPI only in 1994. It consistently outpaces the index for food away from home.

- Employment in Montana's foodservice industry, although growing rapidly in the early part of the period, has been experiencing slow or negative growth rates in most recent years. In 1998, an estimated 30,987 people were employed in the foodservice industry in Montana, down 0.1 percent from 1997.

Chart 9: Rates of Inflation, 1994-98

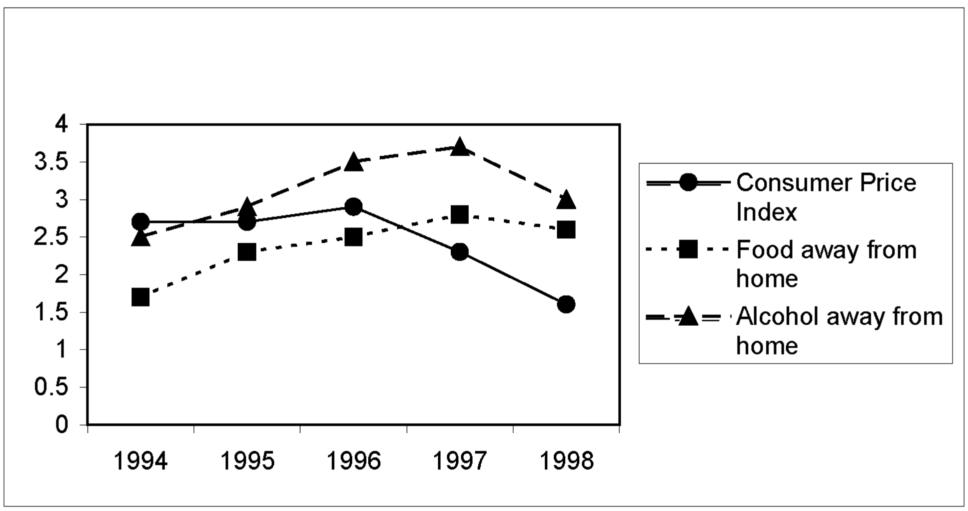


TABLE 20: Foodservice Industry Performance, 1994-98

Key Measurement	1994	1995	1996	1997	1998
Price Index					
Food away from home	145.7	149.0	152.7	157.0	161.1
Alcohol away from home	171.6	176.5	182.7	189.4	195.0
Consumer Price Index	148.2	152.4	156.8	160.4	163.0
Employment	28,920	29,999	31,012	31,018	30,987
Percent change from previous year					
Price Index					
Food away from home	1.7	2.3	2.5	2.8	2.6
Alcohol away from home	2.5	2.9	3.5	3.7	3.0
Consumer Price Index	2.6	2.8	2.9	2.3	1.6
Employment	7.5	3.7	3.4	0.02	-0.1

Source: MT Dept. of Labor and Industry, Office of Research and Analysis; Bureau of Economic Analysis; TIA
*Figures are based on data for eating and drinking places, excluding possible impact of institutional and military restaurant services.

Amusement and Recreation Services

The amusement and recreation services industry includes theatrical producers (except motion pictures), bowling centers, amusement parks, commercial and membership sports and recreation facilities, and public golf courses. Again, data includes sales and employment derived from the expenditures of both nonresident and local patrons.

- In 1998, employment generated within Montana's amusement and recreation industry reached a record high of over 7,200 jobs, up almost five percent from 1997. Employment generated by this industry segment has increased by over 75 percent since 1991, outpacing the employment growth in all other travel industry sectors.

TABLE 21: Amusement and Recreation Industry, 1991-98

Year	Industry GSP* ($1,000)	% increase from previous year	Employment (jobs)	% increase from previous year
1991	117,000	20.6	4,082	N/A
1992	157,000	34.2	4,620	13.2
1993	149,000	-5.1	5,448	17.9
1994	168,000	12.8	5,947	9.2
1995	185,000	10.1	6,271	5.4
1996	199,000	7.6	6,704	6.9
1997	213,000	7.0	6,898	2.9
1998	N/A	N/A	7,220	4.7

Source: Bureau of Economic Analysis; MT Department of Labor and Industry, Office of Research and Analysis
*Figures for Gross State Product are substituted for unavailable revenue data. GSP is defined as " . . . gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported) (Beemiller, 1999)".

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