

# The 1996 Outlook for Travel and Tourism in Montana

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## The Ups and Downs of 1995

- + 7.9 million persons visited Montana in 1995, up 1.0 percent over 1994.
- + Fiscal year 1995 accommodations tax collections were up 5.2 percent over FY94.
- + Nonresident and resident interstate travel was up 4.1 percent.
- + Airport deboardings in Montana were up 8.0 percent through November.
- + The 1994/95 skier visits were up 4.6 percent from the previous year.
- + Yellowstone National Park recreation visits were up 2.6 percent to exceed 3.1 million .
- + Lodging room demand was up 1.1 percent through October 1995.
- + Lodging supply was up 3.0 percent through October 1995.
- + Average room price was up 4.2 percent through October 1995.
- o Highway travel to Montana showed less than a 1 percent increase compared to 1994.
- o Nonresident visitors to Montana spent \$1.2 billion while in Montana during 1995.
- Canada to Montana border crossings were down 9.6 percent from 1994.
- Glacier National Park visits were down 13.5 percent to 1.8 million.
- Occupancy rates at lodging establishments in Montana were down 1.9 percent through October 1995.

## 1996 Outlook

- Expected growth in visitation between 1 to 2 percent.
- Industry mood more optimistic than cautious.
- Canadian visitation will drop another 3 percent nationwide.

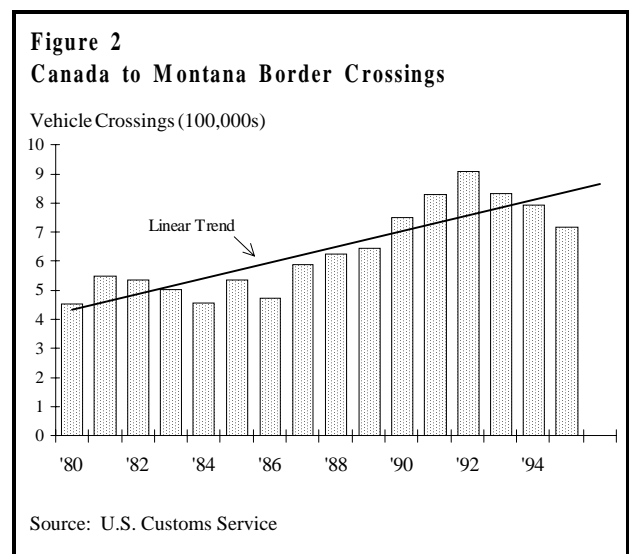
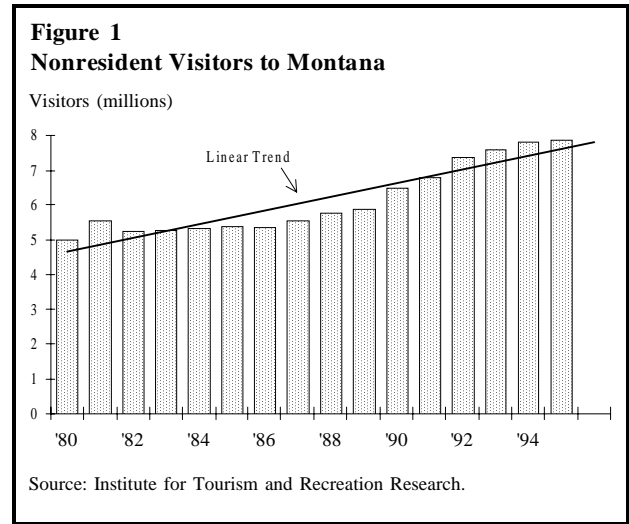
## 1995: Slow growth

The national travel and tourism scene for 1995 showed an overall growth of 3.0 percent over 1994. Growth occurred in almost all sectors. It was a good year, but not a banner year for the national travel and tourism industry.

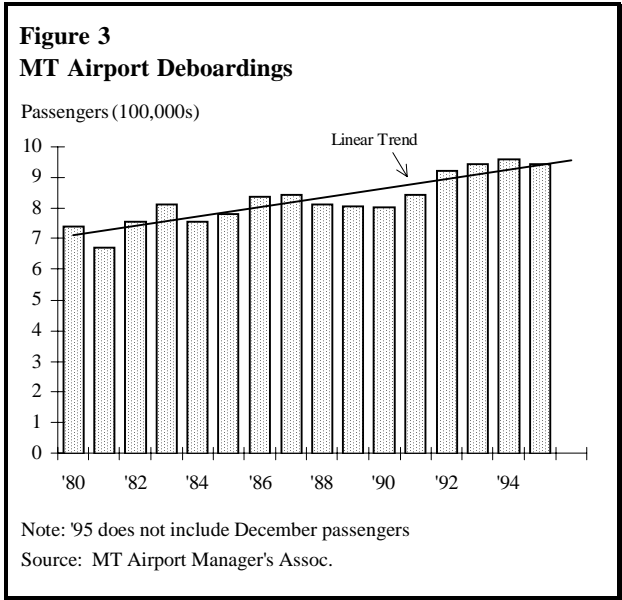
Montana, on the other hand, was even slower in its growth of nonresident visitors. The 1.0 percent increase over 1994, was the slowest growth since 1986. According to estimates from the Institute for Tourism and Recreation Research at The University of Montana, 7.9 million persons visited Montana in 1995. These visitors spent \$1.22 billion compared to the \$1.19 billion from the previous year. Be cautious, however. These figures represent travel to Montana without the numbers showing the impact of the federal government shutdown. Optimistically, it is hoped the growth is 1.0 percent. Realistically, it may be lower once the final numbers are available (Figure 1).

Highway visits to Montana remained the same from 1994 to 1995. Even though travel into the state from the east, south and west was up on all highways, the overall leveling off shows the tremendous impact a 9.6 percent reduction in Canada to Montana border crossings has on Montana (Figure 2). In fact, interstate travel was up 4.1 percent from 1994 and the other primary roads were up 3.3 percent.

Nationally, auto traffic was up 2.0 percent. This traffic, however, did not come from Canada. In 1995, the decrease in Canadian visits to the US was 9.0 percent. Montana went right along with the national average showing a 9.6 percent decrease in Canadian border crossings.



Montana was ahead of the national percentage increase in airport traffic. Montana airport deboardings through November of 1995 were up 8 percent over 1994 compared to a national increase of 4.2 percent. Increases in airport deboardings were shown in each city of the state with Kalispell showing the highest increase at 14.4 percent followed by Billings with an 8.2 percent increase (Figure 3).

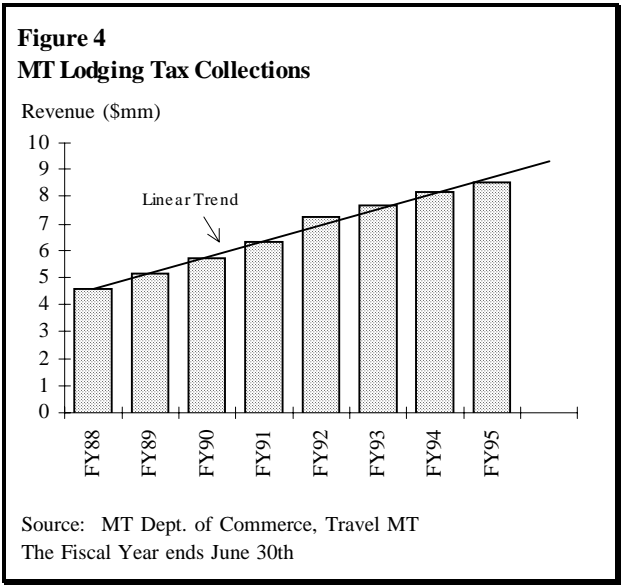


The direct expenditure estimate of dollars spent by nonresidents in Montana increased 3.3 percent from 1994. This estimate takes inflation into account, and therefore, does not reflect the same 1.0 percent increase in visitation numbers for the year. Overall, expenditures have increased 13 percent in the past five years and are slowly approaching the \$1.5 billion mark.

Accommodation tax revenues increased 5.2 percent in FY95 over FY94. These tax revenues have increased yearly since inception in 1988. This increase is a result of three main factors: visitors, room rate, and population growth. Visitor numbers have increased 36 percent since 1988. Room rates have increased 38 percent since 1988. Additionally, Montana's population has been on the increase since 1988 (Figure 4).

**Industry Segments**

Montana's lodging industry saw a slightly lower occupancy rate than the rest of the nation in 1995. While the nationwide occupancy was 67.6 percent and the mountain region was 66.7 percent, Montana had a 63.6 percent occupancy rate. Occupancy rates reflect changes in both room supply and demand. In Montana, supply was up 3 percent from 1994 compared to 1.5 percent



nationally and 1.9 percent in the mountain region. Room demand was up 1.1 percent in Montana, 2.9 percent nationally, and 0.9 percent in the mountain region. Montana seems to be building motels at a faster rate than the mountain region but faster than the visitors can fill them at the national occupancy rate. In comparing Montana lodging to neighboring states, only Idaho had a higher increase in room supply.

Visits to Montana attractions and destinations were up in almost all segments. However, our two most popular destinations displayed extremes. While Yellowstone was close to an all time high, Glacier was down. After six consecutive years of increased visitation, Glacier experienced a 13.5 percent decrease from 1994. Many have speculated the reasons for this drastic decline but it is apparent that the Canadian exchange rate is a major factor along with the park experiencing the latest opening season in its history. Other factors like a statement in USA Today saying that the park was closed due to construction did not help visitation. On the other hand, Yellowstone was up 2.6 percent from 1994. The combination of a perceived lack of snow in December and the federal government shutdown probably reduced Yellowstone's chance of having a record number of visitors for 1995.

Other attractions with visitor increases were at the three dams: Hungry Horse Dam, Libby Dam, and

Fort Peck Dam. Perhaps it was the year of the dam or simply that water levels were finally high enough to encourage visitation (Table 1)! Weather seemed to be a major factor affecting Big Horn Recreation visitor numbers. While it is only speculation, it seems that the three summer holiday weekends of bad weather could have been the major reason Big Horn Recreation was down so much this past year. People are not as interested in boating when the weather is bad.

**Table 1: Park and Recreation Visits**

	% Change	Region in State
Glacier	↓ 13.5%	northwest
Yellowstone	↑ 2.6%	south central
Big Horn Recreation	↓ 7.3%	southwest
Bison Range	↑ 2.4%	west
Fort Peck Dam	↑ 7.5%	northeast
Lewis & Clark Caverns	↑ 3.5%	west

The 1994/95 skier visits were up 4.6 percent from the previous ski season. This was due, in part, to an early opening and late closing at most ski areas in Montana.

Visits to museums and historical sites were generally up which parallels the national trend of increased interest in history. Grant Kohrs Ranch had the highest increase of all sites reporting, followed by the Montana Historical Society. While the Museum of the Rockies has been up and down in visitation in the past five years, there was an increase from 1994 to 1995. (Table 2).

**Table 2: Museums and Historic Sites**

	% Change	Region in State
Grant Kohrs Ranch	↑ 12.8%	west
Montana Historical Society	↑ 8.4%	west central
Little Bighorn Battlefield	↑ 2.0%	east
Big Hole Battlefield	↓ 2.4%	west
Museum of the Rockies	↑ 1.9%	west

Other happenings in 1995 included the first ever White House Conference on Travel and Tourism, held October 1995 in Washington, D.C. Many of the concerns of the Montana contingency were addressed in the four most critical goals:

- 1) Demonstrate the economic power of the travel and tourism industry through expanding communication, adjusting the SIC codes and developing tourism related curricula in K-12.
- 2) Ensure an American travel experience that is second to none by preservation of our natural, historic and cultural resources, providing multi-lingual visitor information and emergency service, and increasing transportation funding.
- 3) Promote and facilitate travel to the US as the international destination of choice by reducing barriers to entry and creating a national tourism office chartered by the federal government but managed by the private sector.
- 4) Create a structural framework to implement this national tourism strategy by forming a public/private partnership of tourism businesses and organizations to drive the efforts of the industry.

In conclusion, 1995 turned out slightly different than expected. A 3 to 5 percent increase was predicted while a 1 percent increase was experienced. The major factor impacting growth was the unusually low Canada to Montana border crossings and visitation to Glacier National Park. However, the year was still one of growth. The slower rate of growth may give the state some breathing room. It may allow industry people and residents to sit back and evaluate how they want tourism to affect Montana in the future.

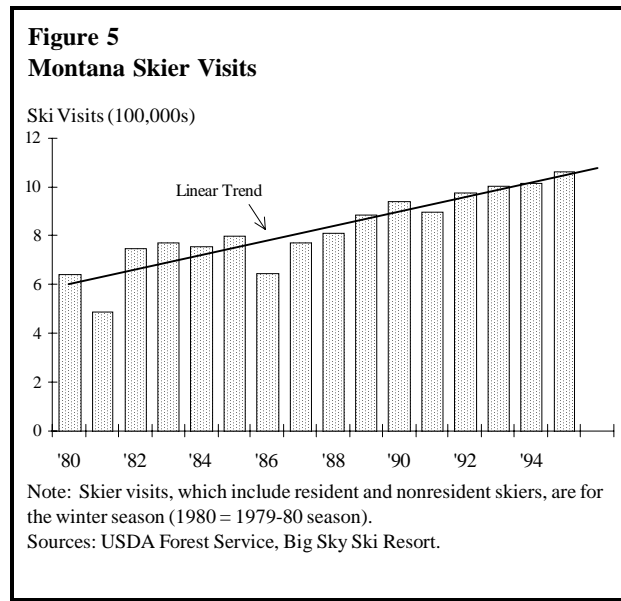
## 1996: Reasonable and Prudent

Reasonable and prudent are the two words which could easily describe the outlook for 1996. This does not necessarily mean highway speeds although that issue does come into the 1996 outlook. What is meant is that the outlook is reasonable, as Webster describes reasonable: not excessive; and prudent: as cautious in conduct; not rash. We will be reasonably cautious in our predictions.

## Trend Predictions

In looking at all the statistics from 1995 and before, trends and the lack of distinguishable trends give insight into the future. First, looking at the trends in overall nonresident visitation to Montana, there were approximately five years of stability until the noticeable increase in visitation began around 1988 (refer back to Figure 1). Serious promotion of the state began at about that same time. Then, in 1995, growth tapered off to barely a percentage point. It could be that Montana has peaked in its ability to draw nonresidents, at least through the tried and true promotional methods. Now it may be a matter of maintaining that level of visitation.

Skier visits have seen a steady increase barring the low snow years (Figure 5). This can be expected to continue as visitors to the Colorado and Utah ski areas look for new frontiers with shorter lift lines.

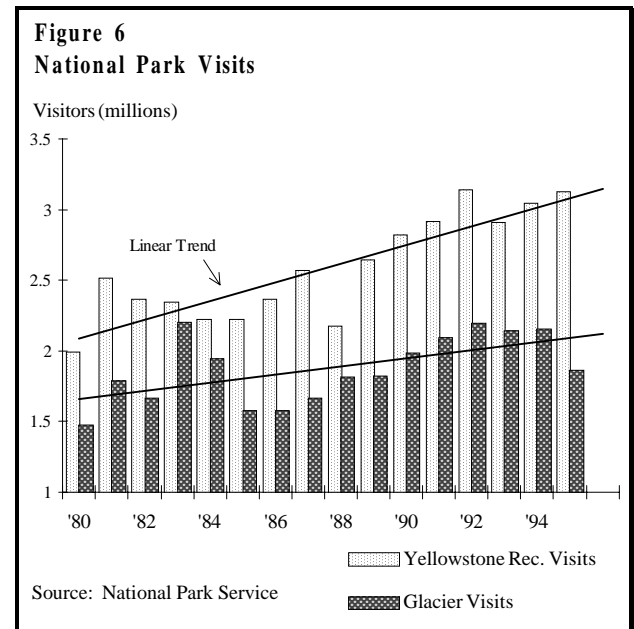


Other indicators point to growth in 1996. The hotel demand rate in Montana increased between 1988 and 1993. With a slight dip in 1994, demand seems to have rebounded in 1995. This apparent trend in increased demand will probably continue unless unforeseen events take place (Table 3).

**Table 3: Lodging Industry Figures**

Montana	Percent Change			
	Room Demand	Room Supply	Room Sales	Occupancy
1995 (thru Oct.) compared to 1994	1.1	3.0	5.3	-1.9
1994 compared to 1993	-1.2	1.8	2.4	-2.9
1993 compared to 1992	1.3	3.2	7.7	-1.9
1992 compared to 1991	0.4	1.9	6.5	-1.5
1990 compared to 1989	4.1	0.7	10.3	3.4
1988 compared to 1987	4.4	0.1	7.8	4.3

Glacier and Yellowstone National Parks will continue to be the largest drawing card for Montana in the summer months. The park trend lines, however, are much more difficult to interpret (Figure 6). If publicity about Glacier's road construction is handled in a positive manner, Glacier should rebound a bit in visitation numbers. Yellowstone will again be popular especially with the foreign visitors.



Other recreation sites throughout the state will continue to benefit from visitors traveling to Glacier and Yellowstone National Parks. These sites will be desirable side trips and are an important component of the overall package Montana can provide.

Perhaps the most disturbing trend is the decrease in Canada to Montana border crossing numbers (refer back to Figure 2). This trend is highly correlated with exchange rates, therefore, Canadian visits are expected to drop by another three percent in 1996.

### **International Influences**

It is believed that the summer Olympics in Atlanta, Georgia will take international as well as domestic visitors south instead of northwest. For many people the Olympics is a once-in-a-lifetime trip. Montana, for them, can wait another year. US involvement in Bosnia leaves questions about travel in the United States. While it is all speculation, that involvement could suddenly curtail travel as the Persian Gulf war did a few years back.

### **National Influences**

National travel and tourism is predicted to increase a moderate 2 percent. Montana rarely outpaces the national average, therefore our 1 to 2 percent increase is reasonable.

Nationally, family travel is growing and is expected to continue. Longer trips are making a comeback, too, which is a good sign for Montana. With longer trips, people have more time to visit Montana. The environment will draw the outdoor people and those who simply want to see the outdoors through their window. It is a comfort for them to know that natural beauty and unimpaired landscapes still exist. Montana should benefit from these national trends.

Another issue which deserves attention and greatly affects travel is consumer income. According to Travel Industry Indicators (October 1995), government consumer income data show household incomes continue to stagnate. Adjusting for inflation, the median household income in the five years between 1989 and 1994 has remained unchanged at \$32,265. Today, 62 percent of that income is needed for essentials compared to 20 years ago when only half of the middle-income family budget was needed for housing, food and health care.

As mentioned earlier, until the Canadian exchange rate alters a bit, Canadians are more likely to travel at home than suffer the loss of money value in the United States. Therefore, it will be important for Montana to continue to increase its nonresident visitation from other states.

The federal government's attempt at budget deficit reduction is leaving the consumer wondering what will be left for them. This may cause some people to delay their trip or stay closer to home. Publicity about events such as the Oklahoma bombing brought attention to militia in Montana. While people tend to forget these things over time, it could easily resurface, bringing safety issues into trip plans.

### **State Influences**

There are no new destinations or attractions in Montana to draw more people to the state. There are no new laws which discourage travel. To the contrary, our lack of speed limits in the state may encourage people to pass through. That's the problem. They may just pass through and not spend much time in Montana. That, however, remains to be seen.

The high water saturation in the state points to a lower fire season which is encouraging for the outdoor activities for which Montana is so famous. Whirling disease will have an influence on nonresident fishing in Montana especially as the perception of its impact is viewed by outdoor enthusiasts. While Whirling disease is here, Montana stills holds on to the "River Runs Through it" dream.

On another note, Montana holds the mystic of wolves and no speed limits. This will draw the curious and adventurous to the state. Additionally, 1996 is an election year. Election years bring promises of good times ahead and many people want to believe. This brings hope to the American people.

The mood of Montana tourism industry leaders is positioned between cautious and somewhat

optimistic but leaning to the somewhat optimistic direction. This is reasonable and prudent.

Montana tourism industry leaders all project an increase in visitation based on business experience. 60 percent are optimistic about 1996 while 40 percent are cautious or concerned. No one was pessimistic about the coming year.

While industry leaders appear confident about 1996, concern was noted regarding the continued effort to maintain the bed tax for tourism, infrastructure and roads in Montana, the need to educate the public on the positive impacts of tourism, whirling disease, and maintaining the environment.

Looking ahead to the 21st century, Montana tourism industry leaders see three top issues which need to be addressed:

- 1) environment which includes sustainable growth, land use planning, and quality of life;
- 2) infrastructure, and;
- 3) marketing which includes distribution of use geographically, encouraging repeat visits, developing shoulder seasons, upgrading the product, increasing international visitation, and upgrading service in the state.

In conclusion, 1996 will be a slow growth year. The Olympics and Canadian exchange rates will hamper travel to Montana. On the up side, longer trips, outdoor opportunities, and good weather (we hope) will make 1996 a good year for travel and tourism in Montana.

In the future we may look back on 1995 as the turning point year. Rather than growth in leaps in bounds, 1996 will probably act much like its predecessor. In fact, there will probably be a number of stable years of very slow growth, with possible slight decreases, until the turn of the century.

As stated a few years ago in this Outlook, "No industry, including tourism, should be expected to show continuous upward growth." We, however, are still optimistic. Montana's tourism will grow another one or two percent in 1996.

**Sources Used in This Report:**

Nonresident visits by highway and air	ITRR
Nonresident expenditures	ITRR
Highway traffic volumes	Montana Department of Transportation
Airport deboardings	Montana Airport Manager's Association
Accommodations tax revenues	Travel Montana
Lodging industry figures	Smith Travel Research
Canada to Montana vehicle border crossings	U.S. Customs Service
Park visits	National Park Service
Skier visits	USDA Forest Service and Big Sky Ski Area
Park and recreation visits	Travel Montana
Museums and historical site visits	Travel Montana
National travel figures	1995 Travel Industry Outlook Forum
Consumer income figures	Travel Industry Indicators

**About This Report**

This report was produced for the 1996 Economic Outlook Seminar Series and sponsored by The University of Montana, Bureau of Business and Economic Research.

Estimates presented in this report are based upon the latest statistics available as of early January 1996. Some estimates may change as final 1995 data become available.

This report was written by Norma P. Nickerson, Director, and Neal A. Christensen, Research Specialist, Institute for Tourism and Recreation Research.

The Institute for Tourism and Recreation Research (ITRR) at The University of Montana administers the legislatively-established University Travel Research Program.

The mission of ITRR is to help both public and private segments of Montana's tourism and recreation industry make informed decisions about planning, marketing, development, and management.

For additional information about Montana travel and recreation research, contact ITRR at (406) 243-5686.