SPECIAL OUTLOOK EDITION SPECIAL OUTLOOK EDITION

MONTANA VISION

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Travel Outlook for 2000

- Nonresident travel in Montana will increase another 2 percent in 2000.
- Primary and secondary roads will continue drawing nonresidents off the Interstate system.
- With airline flight schedules intact or increased, Montana will see more people flying into the state and renting vehicles once they arrive.
- National Park visitation is expected to increase nationwide, but Glacier and Yellowstone will likely remain stable for 2000 while other areas will experience increases.

Economic Variables Affecting US Travel

Positive

+ Lowest unemployment in 30 years.
+ Inflation is still low.
+ Growth in personal consumption in 2000.
+ Growth in real disposable income in 2000.

Negative

- Americans spend more than they earn.
- Rise in crude oil prices.

International Travel to the United States: Estimates and Projections*

	98/97	99/98	00/99	01/00	02/01
From Canada	-11.3%	0.8%	2.9%	2.7%	2.9%
From Overseas	-4.2%	1.4%	4.3%	4.9%	4.8%

* Source: Tourism Industries, 1999 TIA Marketing Outlook Forum

1999 Montana Travel Highlights

- Overall, 1999 visitation to Montana was up 2 percent over 1998.
- Interstate travel remained stable throughout 1999 compared to 1998.
- Primary and secondary roadway traffic increased 3 percent each in 1999 compared to 1998.
- Montana airport traffic was up 5 percent.
- Lodging occupancy was up 1 percent.
- Yellowstone National Park had no increase while Glacier National Park was down 8 percent.
- Skier visits were up 9 percent in the 1998-99 season.
- Nonresident travelers spent $1.6 billion in Montana, directly supporting 27,600 jobs in 1999.
- The nonresident travel industry accounted for $359 million in employee income plus $54 million in proprietary income.
- Residents redistribute approximately $255 million for pleasure travel within Montana.
- The travel industry in Montana is at least a $2 billion industry in the state of Montana.
- Attractions near the Lewis and Clark Trail in Montana generally experienced visitation increases, while attractions nearer Interstate highways tended to report no increase or even declines in 1999.
- When surveyed, 59% of Montana's chambers of commerce and the six travel regions indicated that visitation was up in 1999.

Montana Travel and Recreation Behavior

Changes in Nonresident Travel 1999 showed a switch from the typical visitation centered around the national parks to increases in other areas of the state. Traffic patterns show that more nonresidents are getting off the Interstate highways and taking to the scenic secondary roadways. While most nonresidents are still entering Montana on the interstate, they are then dispersing throughout the state after arrival.

This can partially be explained by the graying of America, which in turn represents a greater interest in cultural events/sites and exploration of the back roads previously not explored with children in the car. Another indicator of a graying America is the increase in the number of people flying to Montana. These people have more time and money, better enabling them to fly rather than drive. Over 340,000 more people now deboard the airlines in Montana compared to1991. This increase is due to increased air availability to Montana as well as increased demand for flights.

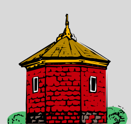
Increases are also being seen along the roads paralleling the Lewis and Clark Trail. Areas such as Fort Union Trading Post and Fort Peck Lake in the northeastern part of the state and Clark Canyon Reservoir in the southwestern corner of the state all had tremendous visitor increases in 1999. Interest in Lewis and Clark appears to already be showing itself in Montana, and it is very likely that this trend will continue as marketing and advertising about the Lewis and Clark commemoration begin to appear around the region and country.

Resident Travel Revealed The resident travel and recreation market has been an unknown variable in Montana's economy for more than 10 years, so ITRR conducted a resident travel study in 1999 to learn about these important travelers. The study indicates that Montanans like to travel more than other U.S. residents, with 75 percent of all Montana households taking trips in a year and most taking 3 trips per month. This can be partly explained by the need to "go on a trip" simply to get anywhere in this large state, but it is also partly explained by what Montana has to offer residents of the state. Outdoor activities are important components of a resident trip, but so are history and cultural activities.

Montana Resident Travel

- 75% of Montanans take pleasure trips in a year.
- 44% of pleasure trips are day trips and travelers spend $20 per trip.
- 29% are overnight trips in Montana and travelers spend $65 per trip.
- 27% of pleasure trips are to destinations outside MT and travelers spend $285 per trip.
- Montana residents spend $962 million on pleasure travel annually, which is 9.5% of household income.
- $707 million is spent by Montana residents out of the state for pleasure travel.
- $255 million is spent by residents in Montana for pleasure travel.
- Residents are less likely to fish while traveling in other states and more likely to attend or participate in sporting events or go boating while out of state.

Montana Resident Pleasure Trip Activities



Day Trips
History/culture
Day hiking
Nature photo
Special event
Fishing
Sporting event

MT Overnight Trips
Day hike
History/culture
Fishing
Nature photo
Sporting event
Special event

Trips Out of MT
History/culture
Sporting event
Nature photo
Day hike
Special event
Boating

>>> ITRR Research Reports, including Montana Resident Pleasure Travel, are downloadable for no charge at www.forestry.umt.edu/itrr. <<<

Percent Change in Visitation 1998 to 1999			
Glacier Country	**-1%**	**Russell Country**	**2%**
National Bison Range	2%	Lewis & Clark Interpretive Center	2%
Hist. Museum at Fort Missoula	-5%		
Marcus Daly Mansion	-5%	**Missouri River Country**	**14%**
Flathead Lake State Park System	-2%	Fort Union Trading Post	6%
		Fort Peck Lake	14%
Gold West Country	**6%**		
Lewis and Clark Caverns	-5%	**Custer Country**	**-4%**
Bighole National Battlefield	-5%	Bighorn Canyon National Rec. Area	-16%
Grant-Kohrs Ranch	-7%	Little Bighorn Battlefield	7%
Montana Historical Society	11%	Makoshika State Park	-11%
Bannack State Park	2%		
CM Russell Museum	-3%	**Yellowstone Country**	**7%**
Clark Canyon Reservoir	25%	Museum of the Rockies	**7%**
Statewide Change (includes listed attractions only) 2%			

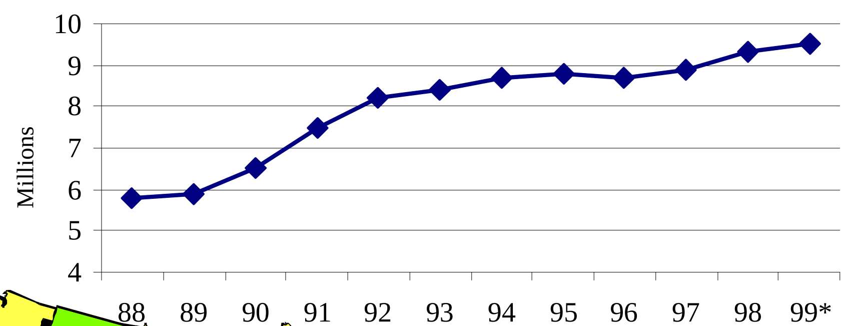
Montana Travel Trends

Nonresident visitation to Montana increased again in 1999, bringing the annual total of nonresident visitors to 9.5 million individuals and 3.9 million groups. This is a two percent increase over 1998, which recorded 9.3 million visitors and 3.8 million groups. Visitors spent a total of $1.6 billion* in the state, compared with $1.56 billion in 1998.

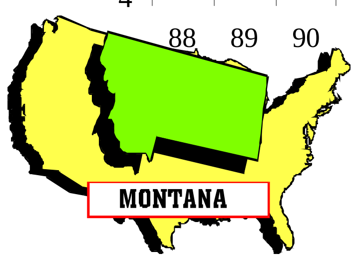
Montana highway traffic showed the most interesting change in 1999 of all visitation indicators. Interstate traffic held constant with 1998 while primary and secondary roadway traffic increased for the third year in a row. This suggests that while visitors still enter the state on the Interstates, they then travel throughout the state on the smaller, two-lane highways.

* 1998 Dollars.

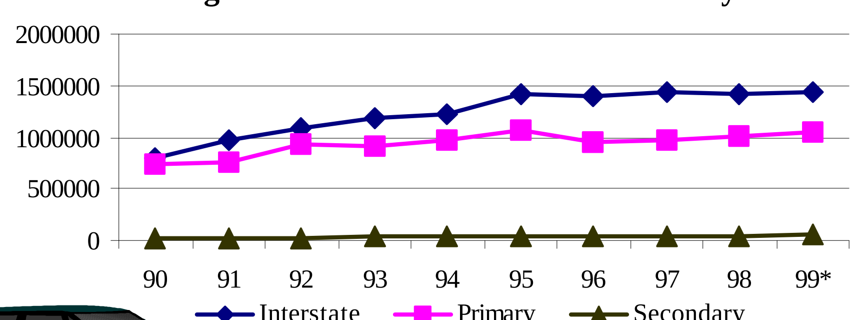
Nonresident Visitation to Montana



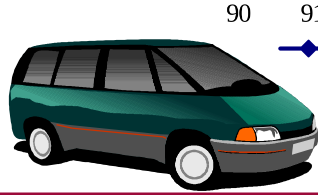
* Preliminary year-end data



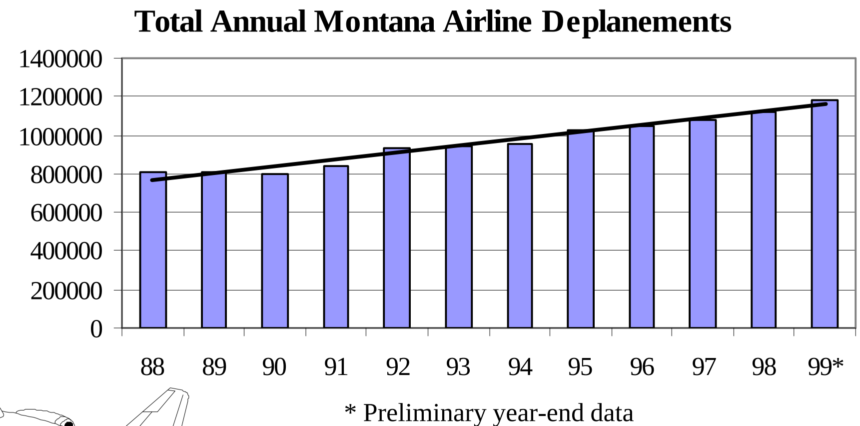
Average Annual Traffic on Montana Roadways

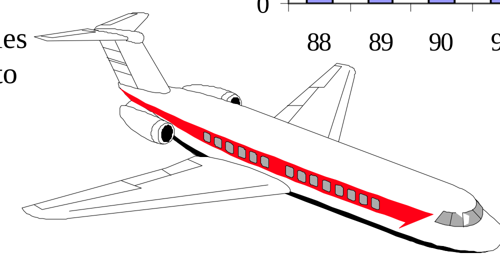


* Preliminary year-end figures

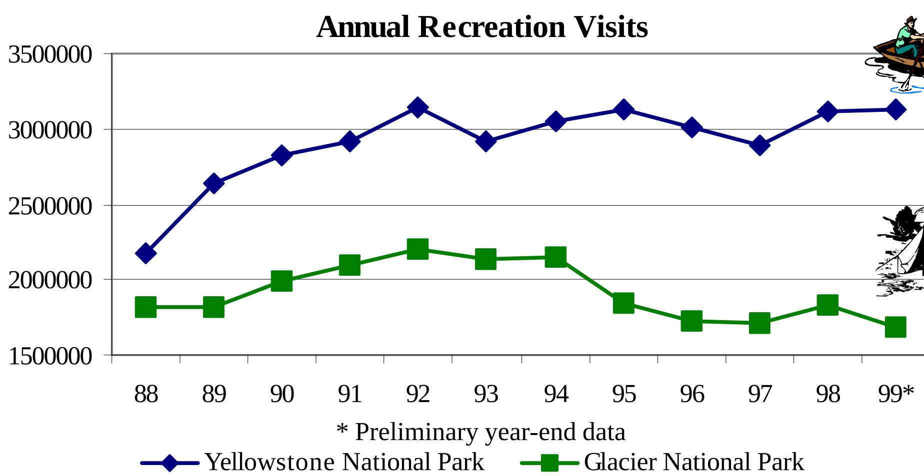


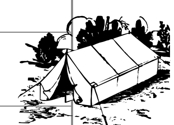
Statewide airline deboardings continued to increase in 1999, showing a preliminary year-end increase of five percent. This equals nearly 1.2 million passengers - resident and nonresident - flying into Montana airports annually. This will continue to increase as flights are added to schedules and the demand for flights to Montana remains stable.



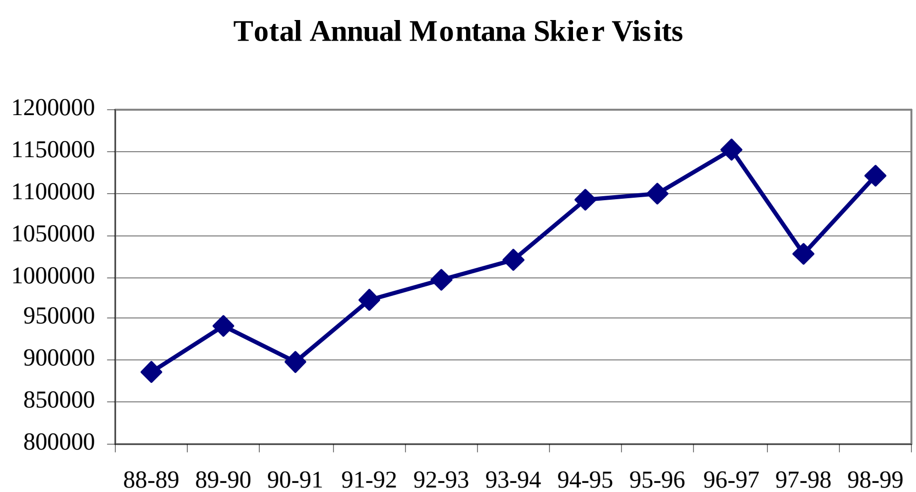


Glacier and Yellowstone National Parks did not report increases in visitation for 1999. While Yellowstone was even with 1998 visitation, Glacier has an estimated 8 percent decline for 1999. Typically this would indicate a decrease in overall visitation to Montana, but 1999 had a unique and emerging trend that saw visitors traveling to attractions off the Interstate highways other than these two large National Parks.





Skier visits for the 1998-99 season increased 9 percent over the previous season. This nearly makes up for the 11 percent decline experienced in 1997-98, putting skier visits at the second highest level behind 1996-97 for a decade. Recall that the 1997-98 season had inconsistent pockets of snowfall regionally, which caused many skiers to visit other areas for better ski conditions.



Economic and Demographic Variables Affecting Travel

The biggest influence on domestic and international travel to and within Montana is by far the economic conditions of the area, other states and foreign countries. The second largest influence on Montana's travel industry is regional demographic characteristics. With this in mind, the Institute for Tourism and Recreation Research at The University of Montana explored the many variables currently affecting Montana's travel industry and those variables with potential to influence future travel behavior.

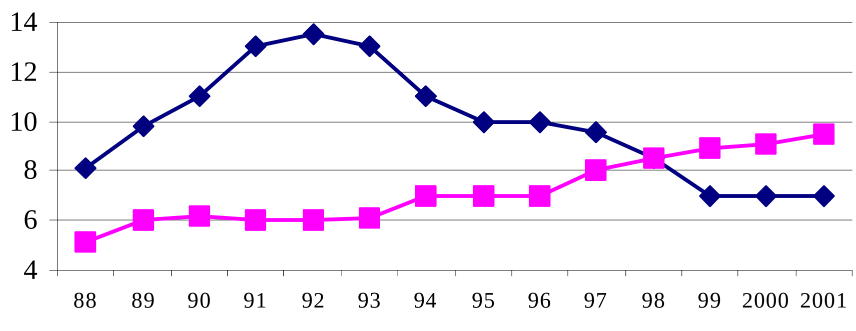
Economics and Travel Volume U.S. economic conditions determine the amount, type, and destination of travel engaged in by Americans. Many people say that economic conditions in the United States have never been better. The United States is experiencing the lowest unemployment in 30 years, inflation is still low, growth in personal consumption spending will continue into 2000, and real disposable income is expected to grow rapidly again in 2000 just as it has in the past few years. All these indicators show that the U.S. is a country where people have the money for luxury items such as travel. Under these good economic times Americans are traveling more, are traveling by plane more than in the past, and are traveling to destinations further away.

On the negative side, however, two economic indicators point to a shadow on the horizon. First, Americans spend more than they earn. This suggests a future need to slow down personal spending and start saving. Second, according to PNCBank's December 1999 National Economic Outlook, crude oil prices have risen to over $27/barrel, pointing to a greater potential downslide in the economy and travel in general.

> The U.S. recessions in the mid 1970s, the early 1980s, and 1990-91 all had their roots in a sharp oil price spike and a shortage of gasoline. The associated rise in inflation and interest rates (reflecting a tighter monetary policy) helped drive our economy into a business downturn.

The economic well-being of other countries also has a big influence on the amount of Americans traveling to and foreigners traveling from those countries.   Canada still provides the greatest number of foreign visitation to the U.S. even though the number of visitors declined over 11 percent from 1997 to 1998. The projection of nearly three percent growth in visitation from Canada in years to come is based on a slight rise estimated in the exchange rate for the Canadian dollar. A weak Canadian dollar leads to more Canadians flying to the U.S. rather than driving because a better value is achieved by paying for Canadian flights than by paying for gas in the United States. This, however, is not beneficial to border states like Montana. With no regularly scheduled flights directly into Montana from Canada, Montana is overlooked as a vacation destination when the Canadian exchange rate is poor.

Millions of Out-Bound Visits by Canadians, 1+ Nights



Source: Statistics Canada; CTRI Forecast

Demographics and Travel Behavior While the strengths of an economy predict the amount of travel, consumer demographics determine travel behavior. The demographic changes that most affect travel to and within Montana include population growth in the western United States, the cultural diversity of that growth, life-stage changes of the population, and income levels.

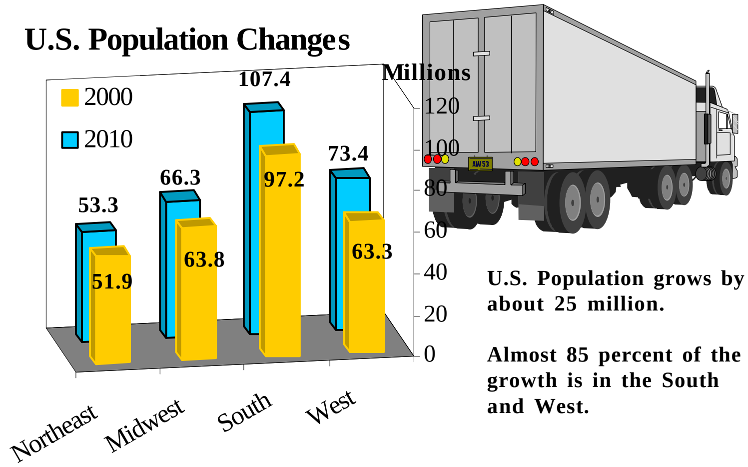
Population Growth By the year 2010, the U. S. population will have grown by about 25 million people, with nearly 85 percent of that growth occurring in the south and west. Nine of the 13 fastest growing states are in the western part of the United States. The top four states that travel to Montana are among the fastest growing states in the country. The 12th fastest growing state, Washington, contributes the highest number of visitors to Montana. The fastest growing state, California, contributes the second largest number of visitors to Montana. Idaho, which is the 6th fastest growing state, and Wyoming, which is the 11th fastest growing state, provide Montana's 3rd and 4th largest groups of travelers.

Comparing population growth to visitation in Montana indicates that Montana should continue to see growth in visitation for years to come. Resident growth in neighboring states will automatically translate into nonresident visitor growth for Montana since residents of neighboring states have historically been Montana's visitors.

Cultural Diversification Population growth will also increase the cultural diversity of the United States. Almost 40 percent of the nation's population growth will be of Hispanic origin while almost 75 percent of the western U.S. growth will be of Asian and Hispanic descent. By the year 2010, Asian-Americans and Hispanics will compose the majority of California's population.

Montana's visitor industry should be looking at ways to attract visitors of diverse cultural backgrounds. It will be important to understand the travel behavior of different cultural groups and what their travel needs and desires are in order to fully capitalize on these visitor segments. If Montana does not begin to understand different heritages, travelers such as Hispanics and Asian-Americans will be more inclined to go elsewhere.

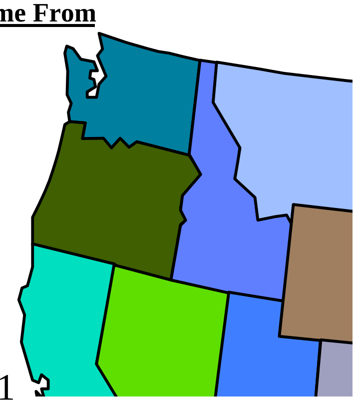
U.S. Population Changes



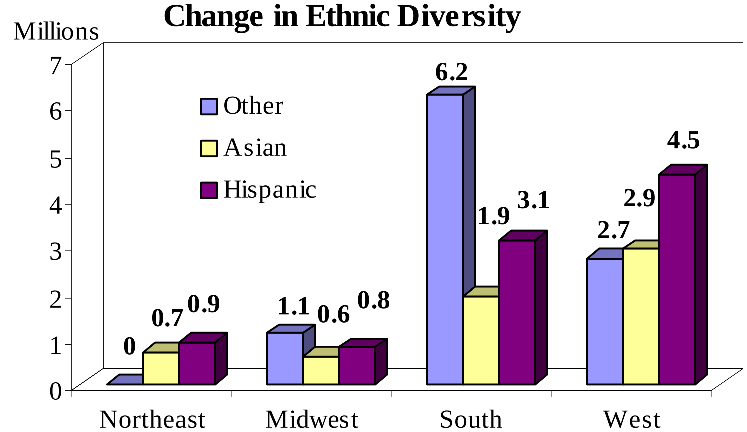
U.S. Population grows by about 25 million.

Almost 85 percent of the growth is in the South and West.

The Fastest Growing States	**Where MT Summer Visitors Come From**
1. California	#2
2. New Mexico	
3. Hawaii	
4. Arizona	
5. Nevada	
6. Idaho	#3
7. Utah	
8. Arkansas	
9. Florida	
10. Texas	
11. Wyoming	#4
12. Washington	#1
13. Oregon	



Change in Ethnic Diversity

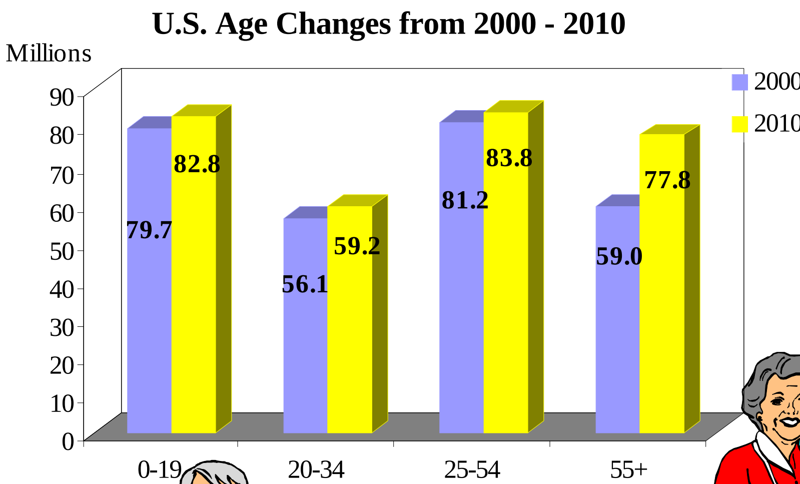


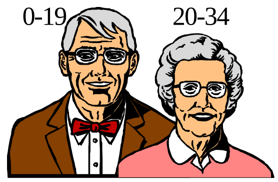
Almost 40 percent of the Nation's Population Growth will come from those of Hispanic Origin.

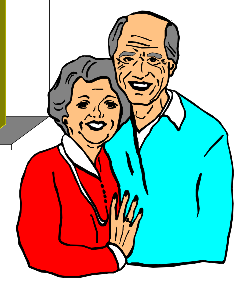
Almost 75 Percent of the Growth in the West will come from those of Asian and Hispanic Origin

Life-stage Changes A change in the U.S. household make-up and life-stage will have a major impact on the travel industry. The largest growth in the next 10 years will occur in the 55+ age group, which will increase 32 percent.

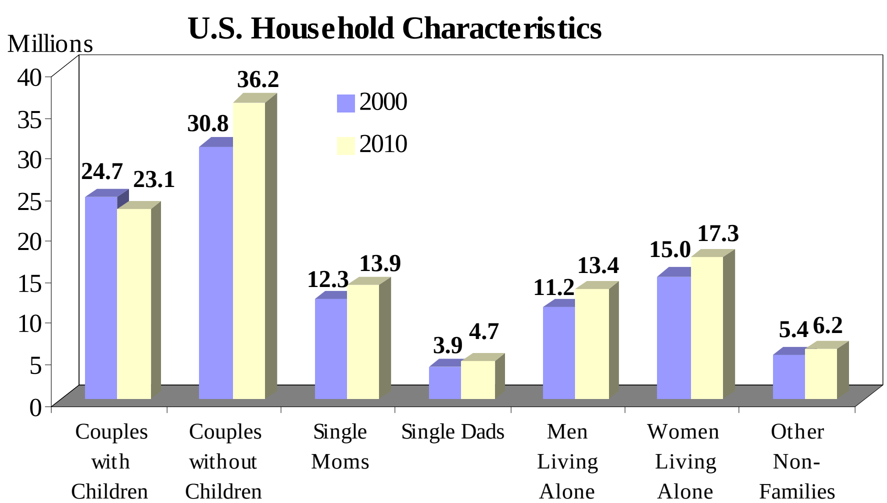
The 55-65 age cohort has time and money to spend. Their employment situation allows more vacation time and their income is at its highest. We can expect increases in RV vacations, "once-in-a-lifetime" vacations, and more frequent, shorter vacations.





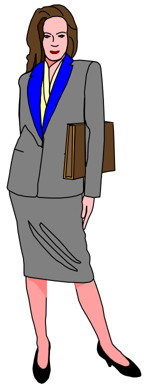


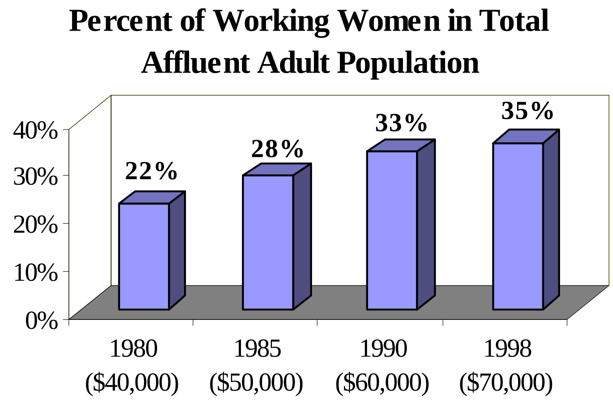
The 65-80 age cohort has the time, the health, and the desire to travel during all seasons of the year, reducing the "seasonal" effect of the younger traveling public. In the past, traveling retirees were considered to be between 60 and 70 year olds. Today, with Americans living longer, healthier lives, an additional 10 years of traveling can be added to their life. While these mature travelers will not be in the market for rock climbing and river rafting, cultural activities and cultural experiences will top their list along with visiting friends and relatives.



In the next ten years, couples with no children at home will represent the highest percent of households. Sixty percent of married couples will have no children at home and an additional 25 percent of households will be people living alone. These households will change the travel scenes from typical family outings to couples traveling without children. Additionally, more people will be traveling with groups of friends either in private vehicles or through tour packages. According to COACH USA (1999 TIA Marketing Outlook Forum), the motorcoach industry is expecting a five to six percent annual increase in group tours for years to come.

Travelers' Income One-fourth of the U.S. population has a household income greater than $70,000. These households account for 80 percent of all domestic travel dollars spent. According to The Mendelsohn Affluent Survey 1998, the greatest influence on the number of affluent households within the United States has been the growth in the female labor force. Mendelsohn Media Research, Inc., identified affluency as the top 25 percent of income levels in the United States. In 1980, affluence meant a $40,000+ household income. In 1998, affluence meant a $70,000+ household income. In short, dual-working households with incomes greater than $70,000 is the target market for pleasure travelers in the United States.





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