

### Summary of tourism performance trends

Key tourism trends related to Greater Victoria are presented below, as general context for the remainder of this report.

Greater Victoria Tourism Industry Performance (estimated)	2006	2007	2008	2009	2010
Overnight Visitors (millions)	3.56	3.63	3.15	2.38	3.08
Overnight Visitor Spending (billions)	\$1.19	\$1.23	\$1.15	\$0.97	\$0.97
Overnight Visitor Spending/Visitor/Trip	\$334	\$339	\$365	\$408	\$315
Accommodation Properties	222	207	197	199	197
Total # of Rooms	9,059	8,877	8,769	9,064	8,905
Average # of Rooms per Property	41	43	45	46	45
Total Available Room Nights per Year	3,306,535	3,240,105	3,200,685	3,308,360	3,250,325
Average Occupancy	68.3%	69.4%	66.4%	63.7%	62.9%
Average Daily Rate (PKF sample)	\$126.24	\$131.60	\$130.60	\$122.92	\$121.50
Average Daily Rate (assuming broader sample than that used in PKF survey)	\$80.95	\$86.13	\$86.23	\$77.97	\$79.56
Room Revenue (millions)	\$182.83	\$193.68	\$183.27	\$164.32	\$162.66

Sources: Tourism Victoria, BC Statistics Room Revenue Report, Pannell Kerr Forster/Tourism British Columbia

### Estimated impacts resulting from decreases in tourism activity and spending

#### Overnight visitor spending

Direct overnight visitor spending was estimated to be \$970 million in 2009. The table below shows a decrease in tourism activity (measured in direct overnight tourism spending) in 5% increments, ranging from 5% to 25%.

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Estimated Spending	\$970,000,000	\$921,500,000	\$873,000,000	\$824,500,000	\$776,000,000	\$727,500,000
Net Decline	\$0	\$48,500,000	\$97,000,000	\$145,500,000	\$194,000,000	\$242,500,000

### Accommodation performance impacts

- Room revenue for Greater Victoria in 2009 is estimated at \$164.3 million.<sup>1</sup>
- Total commercial accommodation revenue (including room revenue, in-house food and beverage revenue, hotel banquet/conference revenue, etc.) for Greater Victoria in 2009 is estimated at \$368.8 million.<sup>2</sup>
- Accommodation services employed an estimated 4,215 people in the Capital Regional District in 2006.<sup>3</sup>
- Assuming an average annual salary per accommodation service job of \$26,782<sup>4</sup>, the estimated direct employment revenue for the Greater Victoria accommodation sector in 2009 is estimated to be \$112,886,130.
- The estimated loss in room revenue to Greater Victoria ranges from \$8.2 million (assuming a 5% reduction in tourism activity) to \$41.1 million (assuming a 25% reduction in tourism activity).
- The estimated loss in total accommodation revenue (including room revenue, in-house food and beverage revenue, hotel banquet/conference revenue, etc.) to Greater Victoria ranges from \$18.4 million (assuming a 5% reduction in tourism activity) to \$92.2 million (assuming a 25% reduction in tourism activity).
- The number of jobs that would be lost in the accommodation sector in Greater Victoria is estimated to range from just over 100 (assuming a 5% reduction in tourism activity) to just over 500 (assuming a 25% reduction in tourism activity).
- The estimated loss in employment income (salaries and wages) in the accommodation sector in Greater Victoria ranges from \$3.4 million (assuming a 5% reduction in tourism activity) to \$17.2 million (assuming a 25% reduction in tourism activity).
- Based on this analysis, it is anticipated that serious impacts on businesses could occur when tourism activity declines by 20% to 25%. When tourism activity declines by 25%, demand for accommodation is estimated to drop considerably and occupancy levels are estimated to decline to below 50%, for many properties. The resulting impacts could be as follows.
  - Most properties would experience a significant decline in revenues and profits.

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*1 Source: BC Statistics Room Revenue Report*

*2 Proportion of overnight visitor spending as per Tourism Vancouver (as similar proportions have not been formulated for Tourism Victoria, Tourism Vancouver's proportions of visitor spending by sector have been adjusted [e.g., removal of private transportation spending as Tourism Victoria's overnight visitor spending estimates do not include spending on private transportation] and used in this analysis). Note that "Total Accommodation Spending" includes spending on room rental, food and beverage in hotels/accommodation properties, and other visitor expenditures in hotels/accommodation properties.*

*3 Statistics Canada.*

*4 Based on metrics for British Columbia documented in The Value of Tourism in British Columbia Trends from 1999 to 2009, Ministry of Tourism, Trade and Investment, February 2011. Note that statistics specific to Greater Victoria are not available; therefore, provincial averages have been used.*

- Independent property revenues and profits would decline to uneconomic levels for a portion of properties.
- Some properties may have to shut down operations.
- Staffing levels in many properties would be reduced.
- The number of accommodation sector jobs lost could be as high as 500, with a corresponding loss in salaries and wages as high as \$13.5 million.
- The ability for properties to re-invest in facility maintenance and upgrades would be constrained.

#### Food and beverage performance impacts

- Food and beverage spending resulting from overnight visitation in Greater Victoria in 2009 is estimated at \$283.2 million.<sup>5</sup> Note that this includes spending at food and beverage establishments outside of commercial accommodation properties; this does not include spending at food and beverage establishments within commercial accommodation properties.
- Food and beverage services employed an estimated 12,160 people in the Capital Regional District in 2006.<sup>6</sup>
- The impacts resulting from a decline tourism activity could be as follows:
  - Estimated declines in food and beverage spending by overnight visitors at establishments outside of accommodation properties ranges from \$14.2 million (5% decline) to \$70.8 million (25% decline).
  - The Canadian Restaurant and Food Service Association estimates that the average British Columbia food and beverage establishments generated \$699,092 in sales revenue and \$28,663 in profit (4.1% of revenue) in 2009 (note that statistics specific to Greater Victoria are not available). Based on these averages, a loss of \$28.3 million in food and beverage revenue (scenario that entails a 10% decline in visitor spending on food and beverage), could result in considerable negative impacts on the equivalent of up to 41 establishments. However, in reality, this figure could be lower or higher, as the extent to which food and beverage outlets rely on tourism spending varies from establishment to establishment.
  - The resulting reduction in food and beverage revenue and profit would, in turn, result in a reduction in staffing levels and lost jobs.

#### Retail impacts

- Retail spending resulting from overnight visitation in Greater Victoria in 2009 is estimated at \$193.4 million.<sup>7</sup>

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<sup>5</sup> Proportion of overnight visitor spending as per Tourism Vancouver.

<sup>6</sup> Statistics Canada.

<sup>7</sup> Proportion of overnight visitor spending as per Tourism Vancouver.

- Estimated declines in retail spending by overnight visitors ranges from \$9.7 million (5% decline) to \$48.3 million (25% decline).
- The resulting reduction in retail revenue and profit could, in turn, result in the marginal operation and/or closure of some retail shops that are heavily dependant on tourism spending, a reduction in staffing and lost jobs.

#### Recreation and entertainment impacts

- Recreation and entertainment spending resulting from overnight visitation in Greater Victoria in 2009 is estimated at \$98.3 million.<sup>8</sup>
- Estimated declines in recreation and entertainment spending by overnight visitors ranges from \$4.9 million (5% decline) to \$24.6 million (25% decline).
- The resulting reduction in recreation and entertainment revenue and profit could, in turn, result in economic strain for related businesses and potentially a reduction in staffing and lost jobs.

#### Employment impacts

- Tourism employment (number of jobs) in Greater Victoria was estimated at 21,756 in 2009.<sup>9</sup> The Canadian Tourism Human Resource Council published an estimate of 23,646 jobs in 2010.<sup>10</sup>
- As shown earlier, a reduction in tourism activity (as measured by overnight visitor spending) would impact the profitability of business in the accommodation, food and beverage, retail and recreation and entertainment sectors. While it is difficult to quantify the number of jobs that would be lost due to a 5% to 25% reduction in tourism activity, it is safe to assume that the loss in part-time and full-time positions would increase as the severity in the drop in tourism activity increases.

We would be pleased to discuss this research and analysis with you at any time. Please contact me (604 443-2149) or Jennifer Nichol (604 443-2146) as needed.

Yours truly,



Per: Doug Bastin, CMC  
Partner, Grant Thornton Consulting

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<sup>8</sup> Proportion of overnight visitor spending as per Tourism Vancouver.

<sup>9</sup> Application of the Tourism Economic Assessment Model multiplier to overnight visitor spending

<sup>10</sup> Demographic Profile of Tourism Sector Employees, Canadian Tourism Human Resource Council, based on 2006 Census data.

### **Appendix A: Qualifiers Regarding Research and Analysis Used in this Study**

Please note the following qualifiers with regard to this letter report.

- The findings and conclusions are provided for illustrative purposes only.
- The findings and conclusions are based on an assessment of existing data and information that could be accessed for this analysis. The scope of this study did not include conducting primary survey research and data collection. Sources used are documented throughout the report.
- In the event that metrics related specifically to the Greater Victoria market were not available, metrics from Greater Vancouver were used. For example:
  - Tourism Vancouver has estimated the proportion of visitor spending allocated to each tourism industry sector. Grant Thornton adapted these proportions (adjusting them by removing “Private Transportation” as Tourism Victoria’s visitor spending statistics exclude spending on this sector) and applied them to visitor spending estimates provided by Tourism Victoria.
  - To date (and to the best of Grant Thornton’s knowledge), Tourism Victoria has not conducted a tourism economic impact assessment and has not generated multipliers related to tourism output, gross domestic product impacts, taxation impacts, employment impacts and number of jobs. For illustrative purposes, Grant Thornton has applied the Tourism Economic Assessment Model multipliers to tourism spending in Greater Victoria to gain an understanding of the magnitude of these types of economic impacts for Greater Victoria.
- 2009 is used as a base year for the analysis because this is the most recent year for which data and metrics were available for all of the categories used in this study.

## Appendix B: Summary of Estimated Tourism Economic and Employment Impacts

A summary of estimated tourism economic and employment impacts is provided below. It should be noted that tourism spending and related impacts do not include “day visitor” visitation and spending, as these statistics have not been collected nor estimated, to the best of Grant Thornton’s knowledge. As a result, the overall estimates for tourism spending are likely underestimated; for example, organized day bus tours between Vancouver and Victoria have been operating regularly for many years and spending related to these visitors is not captured in the current visitor spending statistics.

Estimated Impacts Generated by Overnight Visitors to Greater Victoria	2009	Notes
Overnight Visitors <sup>11</sup>	2,380,000	Tourism Victoria estimate
Overnight Visitor Spending (direct) <sup>12</sup>	\$970,000,000	Tourism Victoria Estimate
Room Revenue <sup>13</sup>	\$164,323,000	BC Statistics Estimate
Total Accommodation Spending <sup>14</sup>	\$368,769,063	Based on Tourism Vancouver proportions for overnight visitor spending by industry sector, applied to Tourism Victoria overnight visitor spending estimates  This figure includes room revenue, in-house food and beverage, banquet spending, etc.)
Food and Beverage Spending <sup>15</sup>	\$283,180,828	Based on Tourism Vancouver proportions for overnight visitor spending by industry sector
Retail Spending <sup>16</sup>	\$193,366,013	Based on Tourism Vancouver proportions for overnight visitor spending by industry sector
Recreation and Entertainment Spending <sup>17</sup>	\$98,267,974	Based on Tourism Vancouver proportions for overnight visitor spending by industry sector
Tourism Employment (jobs) <sup>18</sup>	21,756	Based on application of Tourism Economic

<sup>11</sup> Source: Tourism Victoria

<sup>12</sup> Source: Tourism Victoria

<sup>13</sup> BC Statistics Room Revenue Report

<sup>14</sup> Proportion of overnight visitor spending as per Tourism Vancouver (as similar proportions have not been formulated for Tourism Victoria, Tourism Vancouver’s proportions of visitor spending by sector have been adjusted [removal of private transportation spending as Tourism Victoria’s overnight visitor spending estimates do not include spending on private transportation] and used in this analysis). Note that “Total Accommodation Spending” includes spending on room rental, food and beverage in hotels/accommodation properties, and other visitor expenditures in hotels/accommodation properties.

<sup>15</sup> Proportion of overnight visitor spending as per Tourism Vancouver. Note that “Food and Beverage” spending includes spending at food and beverage establishments outside of accommodation properties.

<sup>16</sup> Proportion of overnight visitor spending as per Tourism Vancouver.

<sup>17</sup> Proportion of overnight visitor spending as per Tourism Vancouver.

Estimated Impacts Generated by Overnight Visitors to Greater Victoria	2009	Notes
		Assessment Model multiplier
Tourism-Related Wages and Salaries <sup>19</sup>	\$720,230,251	Based on application of Tourism Economic Assessment Model multiplier
Industry Output <sup>20</sup>	\$1,896,336,579	Based on application of Tourism Economic Assessment Model multiplier

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*18 Based on application of Tourism Economic Assessment Model (TEAM) multipliers (Tourism Vancouver) to Tourism Victoria's overnight spending estimates.*

*19 Based on application of Tourism Economic Assessment Model (TEAM) multipliers (Tourism Vancouver) to Tourism Victoria's overnight spending estimates.*

*20 Based on application of Tourism Economic Assessment Model (TEAM) multipliers (Tourism Vancouver) to Tourism Victoria's overnight spending estimates*

## Appendix C: Tables Summarizing Estimated Impacts by Industry Sector

### Accommodation performance impacts

The following table presents potential declines in commercial accommodation performance resulting from the declines in tourism activity (measured in overnight tourism spending) that are shown in the previous table. Assumptions used in this analysis are as follows.

- As the industry experiences declines in tourism activity, posted room rates are not reduced immediately and the average daily rate does not decline.
- Demand for accommodation (as shown by occupied room nights) does decline.
- Room revenue and total accommodation revenue do decline.
- Average occupancy also declines.

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Room Revenue (millions) <sup>21</sup>	\$164.3	\$156.1	\$147.9	\$139.7	\$131.5	\$123.2
<i>Net Decline (millions)</i>	<i>\$0</i>	<i>\$8.2</i>	<i>\$16.4</i>	<i>\$24.6</i>	<i>\$32.9</i>	<i>\$41.1</i>
ADR <sup>22</sup>	\$77.97	\$77.97	\$77.97	\$77.97	\$77.97	\$77.97
<i>Net Decline</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Total Accommodation Revenue <sup>23</sup> (millions)	\$368.8	\$350.3	\$331.9	\$313.5	\$295.0	\$276.6
<i>Net Decline (millions)</i>	<i>\$0</i>	<i>\$18.4</i>	<i>\$36.9</i>	<i>\$55.3</i>	<i>\$73.8</i>	<i>\$92.2</i>
Occupied Room Nights <sup>24</sup>	2,107,425	2,002,054	1,896,683	1,791,312	1,685,940	1,580,569
<i>Net Decline</i>	<i>0</i>	<i>105,371</i>	<i>210,743</i>	<i>316,114</i>	<i>421,485</i>	<i>526,856</i>
Average Occupancy <sup>25</sup>	63.7%	60.5%	57.3%	54.1%	51.0%	47.8%
<i>Net Decline</i>	<i>0%</i>	<i>3.2%</i>	<i>6.4%</i>	<i>9.6%</i>	<i>12.7%</i>	<i>15.9%</i>
Direct Jobs <sup>26</sup>	4,215	4,114	4,013	3,912	3,812	3,711
<i>Net Decline</i>	<i>0%</i>	<i>101</i>	<i>202</i>	<i>303</i>	<i>403</i>	<i>504</i>

21 Base year source is BC Statistics Room Revenue Report

22 Average Daily Rate (calculated by dividing occupied room nights into room revenue)

23 Proportion of overnight visitor spending as per Tourism Vancouver; Includes room revenue, in-house food and beverage spending, conference/meeting room rentals, etc.)

24 Calculated by multiplying average occupancy by available room nights

25 Pannell Kerr Forster

26 Statistics Canada

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Total Salaries/Wages <sup>27</sup>	\$112,886,130	\$109,448,932	\$106,011,735	\$102,574,537	\$99,137,340	\$95,700,142
<i>Net Decline</i>	<i>\$0</i>	<i>\$3,437,198</i>	<i>\$6,874,395</i>	<i>\$10,311,593</i>	<i>\$13,748,790</i>	<i>\$17,185,988</i>

#### Food and beverage establishment impacts

Approximately 29.19% of direct overnight visitor expenditures is attributed to spending at food and beverage establishments outside of accommodation properties. Based on this assumption, an estimated \$283.2 million was spent by overnight visitors at food and beverage establishments outside of accommodation properties in 2009.

The following table presents potential declines in food and beverage spending at establishments outside of accommodation properties resulting from the declines in tourism activity (measured in overnight tourism spending).

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Food and Beverage Spending (millions) <sup>28</sup>	\$283.2	\$269.0	\$254.9	\$240.7	\$226.5	\$212.4
<i>Net Decline (millions)</i>	<i>\$0</i>	<i>\$14.2</i>	<i>\$28.3</i>	<i>\$42.5</i>	<i>\$56.6</i>	<i>\$70.8</i>

#### Retail impacts

Approximately 19.93% of direct overnight visitor expenditures is attributed to retail spending. Based on this assumption, an estimated \$193.4 million was spent by overnight visitors on retail items in Greater Victoria in 2009. The following table presents potential declines in retail spending at establishments resulting from the declines in tourism activity (measured in overnight tourism spending).

<sup>27</sup> Grant Thornton LLP analysis based on metrics published in *The Value of Tourism in British Columbia Trends from 1999 to 2009*, Ministry of Tourism, Trade and Investment, February 2011.

<sup>28</sup> Proportion of overnight visitor spending as per Tourism Vancouver

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Retail Spending (millions) <sup>29</sup>	\$193.4	\$183.7	\$174.0	\$164.4	\$154.7	\$145.0
<i>Net Decline (millions)</i>	\$0	\$9.7	\$19.3	\$29.0	\$38.7	\$48.3

**Recreation and entertainment impacts**

Approximately 10.13% of direct overnight visitor expenditures is attributed to spending on recreation and entertainment. Based on this assumption, an estimated \$98.3 million was spent by overnight visitors on recreation and entertainment in Greater Victoria in 2009. The following table presents potential declines in retail spending at establishments resulting from the declines in tourism activity (measured in overnight tourism spending).

Assuming 2009 as Base Year and Decreases in Overnight Visitor Spending in 5% Increments						
	0% (2009 Base Year)	Decrease of 5%	Decrease of 10%	Decrease of 15%	Decrease of 20%	Decrease of 25%
Recreation and Entertainment Spending (millions) <sup>30</sup>	\$98.3	\$93.4	\$88.4	\$83.5	\$78.6	\$73.7
<i>Net Decline (millions)</i>	\$0	\$4.9	\$9.8	\$14.7	\$19.7	\$24.6

<sup>29</sup> Proportion of overnight visitor spending as per Tourism Vancouver

<sup>30</sup> Proportion of overnight visitor spending as per Tourism Vancouver