

InterVISTAS

a company of Royal HaskoningDHV

Economic Impact of Tourism in Greater Victoria, BC

FINAL REPORT



Photo Credit: www.tourismvictoria.com

PREPARED FOR
Tourism Victoria

PREPARED BY
InterVISTAS Consulting Inc.

25 May 2018

Executive Summary

Tourism is a major economic contributor to Greater Victoria.¹ The tourism industry contributes directly to the employment and economic growth of the region through activities and operations of firms providing products and services to tourists, and is therefore a significant source of economic development for Greater Victoria, the province of British Columbia (BC), and beyond.

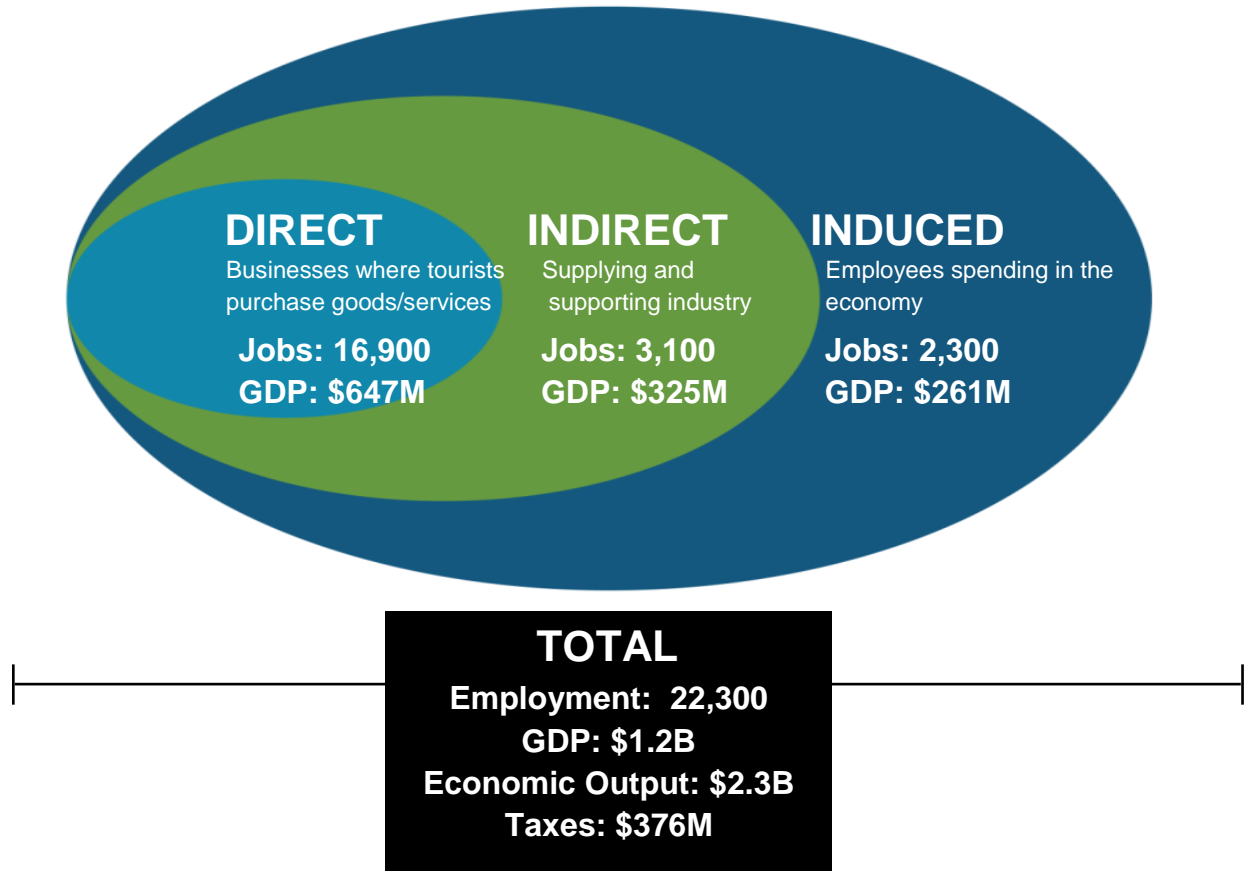
The main objective of this analysis is to estimate the economic impact of tourism in Greater Victoria based on expenditures by domestic visitors as well as visitors from the United States (U.S.) and overseas. Expenditure data are for 2016 (as the most-recent complete records) and monetary impacts have been inflation adjusted to 2018 Canadian dollars.

Economic impact is a measure of the spending and employment associated with a sector of the economy (e.g., tourism), a specific project, or a change in government policy or regulation. In this report, economic impact refers to the economic contributions attributable to visitor expenditures on food/beverage, retail, accommodations, ground transportation, attractions, entertainment, and other related activities in Greater Victoria. Economic impact is commonly measured and reported as employment (jobs), wages (salaries), Gross Domestic Product (GDP), and economic output.

Total economic impact has three components, classified as direct, indirect, or induced impacts (see Appendix A). Together these components estimate and reflect the role of the tourism industry in Greater Victoria's economy. **Figure 1** illustrates the extent of direct, indirect and induced impacts accounting for the total economic impact of Greater Victoria's tourism industry.

¹ Greater Victoria is defined to comprise Victoria CMA (Census Metropolitan Area), which includes the Township of Esquimalt, District of Oak Bay, District of Saanich, City of Victoria, Town of View Royal, District of Central Saanich, District of North Saanich, Town of Sidney, City of Colwood, District of Highlands, City of Langford, District of Metchosin, and District of Sooke. (see <https://www.crd.bc.ca/docs/default-source/crd-document-library/maps/census/victoria-census-metropolitan-area-cma.pdf>)

Figure 1: Economic Impact of Greater Victoria's Tourism Industry



Note:

The economic impacts are based on visitor spending in Greater Victoria, BC during 2016, inflation adjusted to 2018 dollars. The impacts are presented in 2018 dollars.

Economic Impact of Greater Victoria's Tourism Industry

Statistics Canada data for 2016 shows that overnight and same-day visitor spending in Greater Victoria exceeded \$1.3 billion (*almost \$1.4 billion in 2018 dollars*).

Table 1 summarizes person-visits and spending by domestic, U.S. and overseas visitors to Greater Victoria in 2016.

Table 2 summarizes the economic impact of visitor spending in Greater Victoria, in terms of jobs, wages, GDP and economic output.

Table 1: Summary of Person-Visits and Visitor Spending in Greater Victoria

Sector	Person-Visits	Visitor Expenditures (2016 dollars)	Visitor Expenditures (2018 dollars)
Domestic	2,579,000	\$656,279,000	\$681,874,000
U.S.	795,000	\$341,174,000	\$354,480,000
Overseas	588,000	\$308,137,000	\$320,154,000
Total	3,962,000	\$1,305,590,000	\$1,356,508,000

Source:

Statistics Canada, International Travel Survey and Travel Survey of Residents of Canada, 2016

Table 2: Summary of Economic Impact of Tourism in Greater Victoria

Impact	Employment (Jobs)	Wages (\$ Millions)	GDP (\$ Millions)	Output (\$ Millions)
Direct	16,900	\$458	\$647	\$1,357
Indirect	3,100	\$166	\$325	\$576
Induced	2,300	\$105	\$261	\$407
Total in BC	22,300	\$729	\$1,233	\$2,340

Note:

The economic impacts are based on visitor spending in Greater Victoria, BC during 2016, inflation adjusted to 2018 dollars. The impacts in the table are presented in 2018 dollars. Employment figures are based on visitor spending in 2016.

Direct Tourism Related Impacts

Tourism in Greater Victoria contributes significantly and directly to the region's economy through employment and related activities. In 2016, visitor spending in Greater Victoria supported 16,900 jobs directly. This employment generated almost \$460 million in direct wages and salaries, and additionally contributed almost \$650 million in GDP and more than \$1.3 billion in economic output for the provincial economy. These direct impacts occurred within Greater Victoria. Methods used to estimate direct impacts are outlined in **Appendix A**.

Indirect and Induced Economic Impacts

Measurement of indirect and induced economic activity is difficult. While it might be possible to conduct a survey of such employers, the survey would need to cover thousands of firms for indirect employment. For induced employment, the entire economy would need to be scrutinised. In addition to the time and financial resources needed to conduct such surveys, the quality of responses would be suspect.

As an alternative to costly and inaccurate surveys, indirect and induced impacts are typically measured using economic multipliers derived from economic, statistical, and/or accounting models of the general economy.² Because multipliers can differ in definition and application, care must be exercised in choosing the appropriate set of multipliers to use. Factors affecting the use of multipliers in analysis, and taken into account in this study, include:

- accuracy of the structure and parameters of the underlying model;
- level of unemployment in the economy;
- assumption of constant returns to scale in production;
- assumption that the economy's structure is static over time; and
- assumption that there are no displacement effects.

Multiplier impacts must be interpreted with caution since they may be illusory when the economy experiences high employment and output near industry capacity. When they are reported, it is recommended that the reader should be aware of the limitations on the use of multipliers. Mindful of these limitations, this study has undertaken multiplier analysis to estimate indirect and induced employment.

The total impact of Greater Victoria's tourism industry including indirect and induced impacts amounts to 22,300 jobs, earning almost \$730 million in wages and salaries. Total contribution to the provincial economy's GDP and economic output exceeds \$1.2 billion and \$2.3 billion respectively.³ Methods used to estimate indirect and induced impacts are outlined in **Appendix A**.

Estimated Taxation Impacts of Tourism in Greater Victoria

Tourism expenditures in Greater Victoria also generate government revenue in the form of taxes at federal, provincial and municipal levels. Statistics Canada data for Government Revenue Attributable to Tourism (GRAT) confirms the total for 2016 was \$25.5 billion (*\$26.5 billion in 2018 dollars*).⁴ The breakdown of GRAT by level of government is as follows:

- Federal: \$11.4 billion (*\$11.8 billion in 2018 dollars*)
- Provincial: \$12.7 billion (*\$13.2 billion in 2018 dollars*)
- Municipal: \$1.3 billion (*\$1.4 billion in 2018 dollars*)

The tax impacts of tourism in Greater Victoria are allocated in proportion to Greater Victoria's share of total tourism expenditures across Canada for all levels of government. Based on Statistics Canada's National Tourism Indicators Report for 2016, total tourism expenditures amounted to \$91.6 billion (*\$95.2 billion in 2018 dollars*).⁵ In the same year, as shown in **Table 1**, visitors spent approximately \$1.3 billion (*almost \$1.4 billion in 2018 dollars*) in Greater Victoria, which is equivalent to 1.4% of total visitor expenditures in Canada. Greater Victoria's 1.4% share of total visitor expenditures equates to a total tax impact of \$376 million across all levels of government.

² Multipliers used for analysis are based on Statistics Canada economic multipliers for British Columbia from the 2014 Interprovincial Input-Output model (the most recent data available) and were updated using Consumer Price Indices to account for inflation.

³ The indirect and induced impacts may occur within Greater Victoria or other areas of BC. Statistics Canada's ratios and multipliers are at overall Provincial BC level.

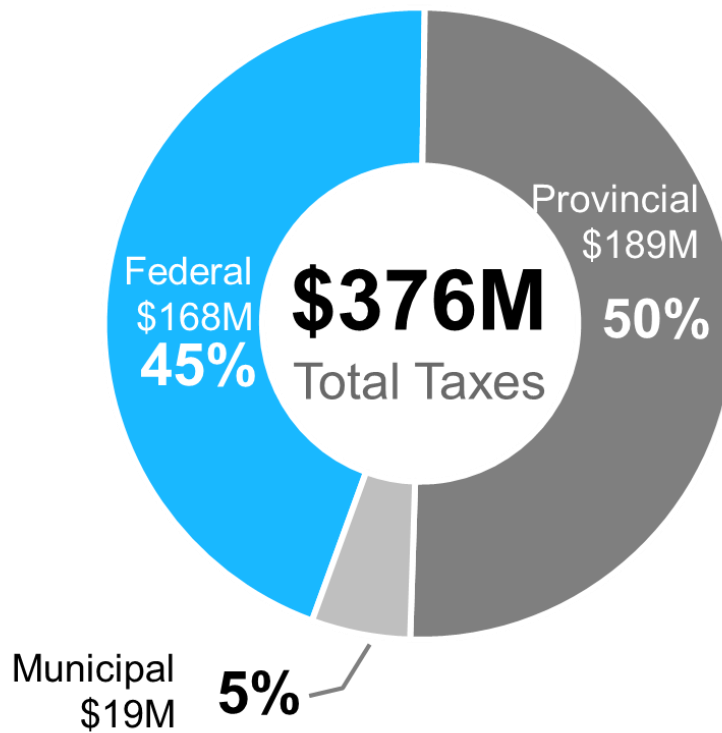
⁴ Source: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3870015&p2=33>

⁵ Source: https://www.destinationcanada.com/sites/default/files/archive/691-national-tourism-indicators-q4-2017/national-tourism-indicators-highlights-2017_final.pdf

Figure 2 illustrates tax impact for each level of government.

- The federal government received approximately \$168 million, amounting to 45% of total tax revenue impacts.
- The provincial government received \$189 million, amounting to 50% of total tax revenue impacts.
- Municipal governments received \$19 million in tax revenue, amounting to 5% of total tax revenue impacts.

Figure 2: Annual Estimated Tax Revenues of Greater Victoria’s Tourism Industry, by Level of Government (2016 data inflation adjusted to 2018 dollars)



Appendix A: Economic Impact Methodology

It is InterVISTAS' standard practice that economic impacts are broken down into direct, indirect and induced impacts:

- **Direct Tourism Related Impacts** – These are impacts directly associated with employment in tourism in Greater Victoria. This includes employment in all types of accommodation as well as related tourism-oriented services such as restaurants, attractions, tours and transportation.
- **Indirect Economic Impacts** – These are impacts associated with employment in industries that depend on tourism. For example, wholesalers that supply food to Greater Victoria area restaurants that serve visitors are considered to be providing indirect employment. Indirect employment is generated within industries that supply or provide services to support direct employment.
- **Induced Economic Impacts** – These impacts stem from expenditure by individuals employed either indirectly or directly. This is often referred to as the “household spending effect”. For example, if a hotel employee expands or re-models his/her home using wages earned directly in the tourism industry, this would result in additional (induced) employment in the general economy. The home renovation project would support induced employment hours in the construction industry, the building materials industry, and so forth.

Direct Impact Estimates

Total visitor spending in Greater Victoria was derived from Statistics Canada data obtained through the International Travel Survey and Travel Survey of Residents of Canada.

Statistics Canada Input-Output multipliers are used to estimate the impacts generated by visitor spending in Greater Victoria. Visitor spending is assessed by expenditure category (including accommodation, food/beverage, retail, ground transportation) and then economic multipliers for each industry are applied. This approach is consistent with the Statistics Canada Tourism Satellite Account framework.

Total spending by visitors in Greater Victoria is converted to employment, wages, GDP and economic output using InterVISTAS' proprietary economic impact model utilises the most recent Statistics Canada multipliers and ratios (currently 2014). The multipliers and ratios are derived from the Statistics Canada Input-Output model of the Canadian and Provincial economies. Monetary measures such as wages, GDP, and economic output are adjusted for inflation to 2018. GDP is a measure of the monetary value of final goods and services produced as a result of economic activity, while economic output is the dollar value of industrial output produced.

Indirect and Induced Multiplier Impacts

Multipliers are also used to estimate indirect and induced economic impacts of total visitor spending in Greater Victoria in terms of employment, wages, GDP and economic output. Estimates have been adjusted for inflation to 2018.



Prepared by

InterVISTAS Consulting Inc.

Airport Square – Suite 550
1200 West 73rd Avenue
Vancouver, BC
Canada V6P 6G5

Telephone: +1-604-717-1800

Facsimile: +1-604-717-1818

www.intervistas.com