

MICHIGAN TOURISM STRATEGIC PLAN PROJECT

Background

Donald F. Holecek
Michigan State University

*Plan Development
Coordination Team*



TOURISM INDUSTRY ON THE GLOBAL LEVEL

- Tourism is the world's largest industry: approx. \$6 trillion. (2005)
- Tourism is the world's largest employer: 221 million jobs (2005) and expected to increase to 269 million jobs by 2015.
- The tourism industry has experienced relatively steady growth over several decades.
- The 10-year annual growth forecast for 2006-2015 is 4.6 percent per year: an outlook for strong, long-term growth.

Source: World Travel & Tourism Council (WTTC).

CARRS Tourism Resource Center, Michigan State University



TOURISM INDUSTRY ON THE GLOBAL LEVEL (cont.)

- The direct and indirect impact of travel and tourism on the world's economy was forecast to be approximately 10.6 percent of total gross domestic product (GDP) in 2005.
- The United States is number one on the WTTC's list of the top ten countries that are expected to grow their travel and tourism demand between 2006 and 2025...
- ... and number two (behind China) on the WTTC's list of the top ten countries that are expected to grow their travel and tourism economy employment the most during that same period.

Source: World Travel & Tourism Council (WTTC).

CARRS Tourism Resource Center, Michigan State University



TOURISM INDUSTRY ON THE NATIONAL LEVEL

The Travel Industry Association of America's (TIA) 2004 statistics show:

- Travel is one of the country's largest employers with 7.3 million travel-generated jobs and a payroll of \$162 billion.
- Travel expenditures reached nearly \$600 billion and generated almost \$100 billion in tax revenue for local, state, and federal governments during that same year.
- Travel and tourism exports accounted for 8 percent of all U.S. exports.
- 2005 marks the 17th consecutive year that the travel and tourism industry has generated a balance of trade surplus.

Source: Travel Industry Association of America.

CARRS Tourism Resource Center, Michigan State University



NATIONAL TRENDS

- Post 9/11 (2002) saw a slight increase nationally. This was probably due to a substitution of overseas travel for more closer-to-home travel.
- In 2003 and 2004, there was substantial growth nationally.
 - +6.2% and +3.8% respectively.
- Preliminary numbers for 2005 suggest it will be another banner year for the US.
- Michigan is not sharing in the recovery.
 - -1.9% in 2003 and +3.5% in 2004.
 - Early indications for '05 are very little or no growth.

Travel Michigan - MEDC



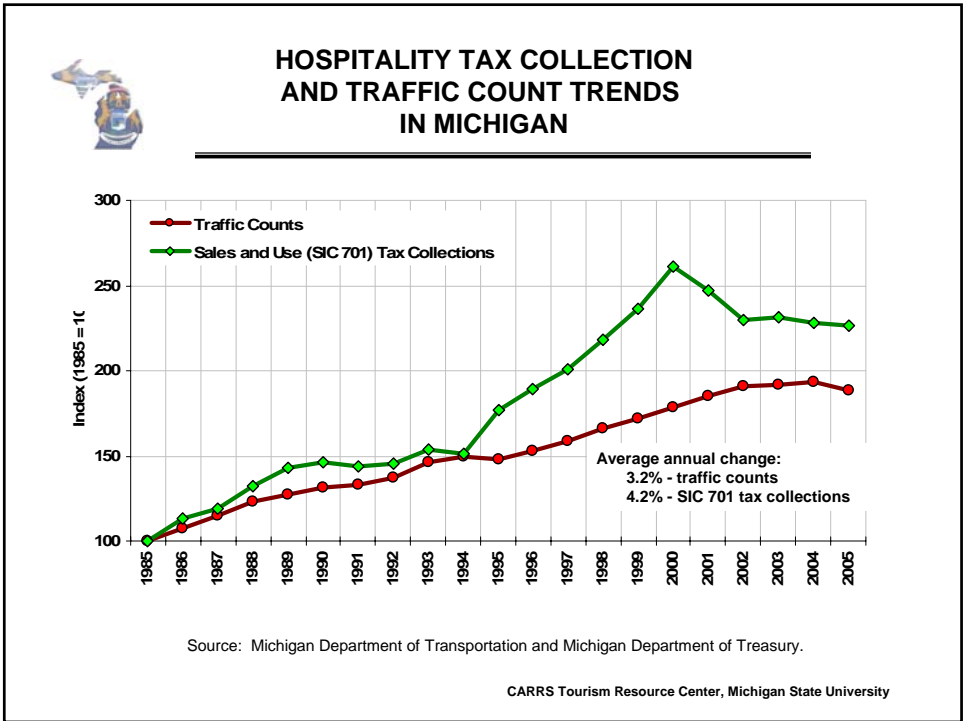
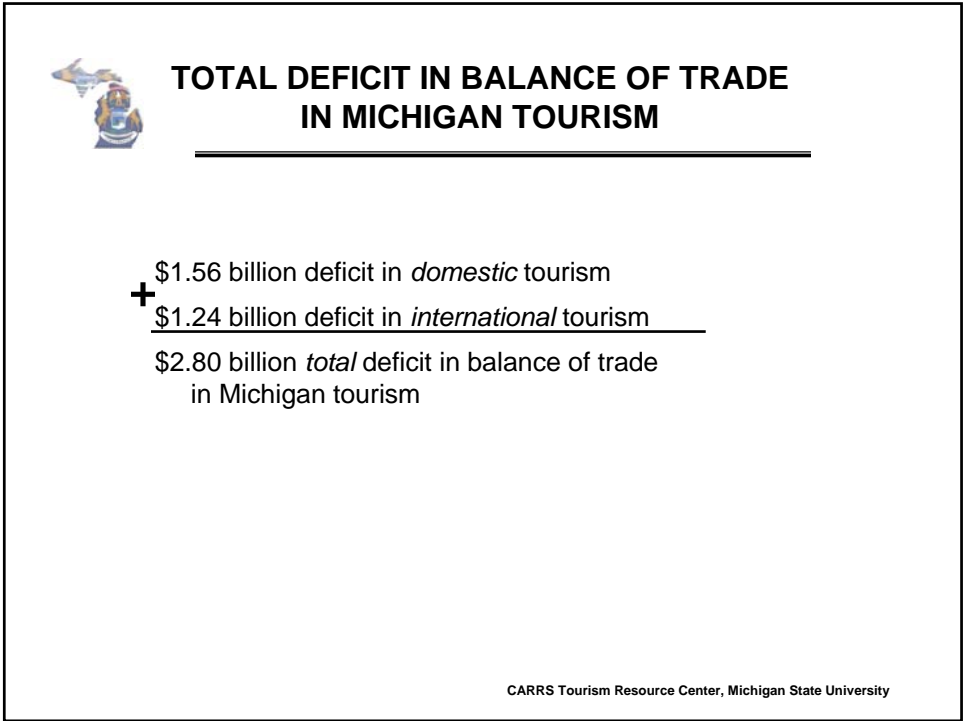
TOURISM INDUSTRY IN MICHIGAN

In 2004:

- Direct travel expenditures reached \$17.5 billion, an increase of 9.8 percent over 2003.
 - Direct expenditures on leisure travel reached \$12.6 billion, an increase of 9.3 percent over 2003, and constituted 72 percent of overall travel expenditures.
 - Resident expenditures constituted 53 percent of overall direct travel expenditures.
- There were 96.8 million person-trips taken in Michigan
 - 78 percent of them were leisure-related
 - 72 percent of them were by taken by Michigan residents.
- At least 210,000 jobs* were supported.

Note: Extrapolated based on TIA's approx. \$83,000 in direct travel expenditures needed to support one tourism job.
Source: D.K. Shifflet & Associates, Ltd. Report issued in February 2006.

CARRS Tourism Resource Center, Michigan State University





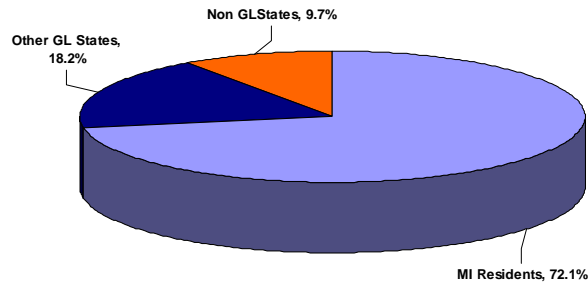
VISITOR ORIGINS

- Michigan is a regional destination ...90% from Michigan and the surrounding G.L. states.
- Greatest growth potential probably lies in regional markets with no current Michigan message.
- National markets need a good reason to come to Michigan.

Travel Michigan - MEDC



ORIGIN OF MICHIGAN VISITORS BY REGION 2002 -2004 (person trips)



Travel Michigan - MEDC



DISTRIBUTION OF DOMESTIC TRAVEL TO MICHIGAN BY VISITOR ORIGIN (HOUSEHOLD TRIPS)

State of origin	Number of household trips* (in thousands)	Percent of total household trips
Michigan	13,561	61.9
Illinois	1,388	6.3
Indiana	1,043	4.8
Ohio	1,297	5.9
Wisconsin	748	3.4
Florida	388	1.8
California	377	1.7
New York	284	1.3
Minnesota	253	1.2
Kentucky	238	1.1
Pennsylvania	227	1.0
Other states	2,136	9.6

* Source: Bureau of Transportation Statistics, U.S. Department of Transportation 1997.

CARRS Tourism Resource Center, Michigan State University



MACKINAC BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

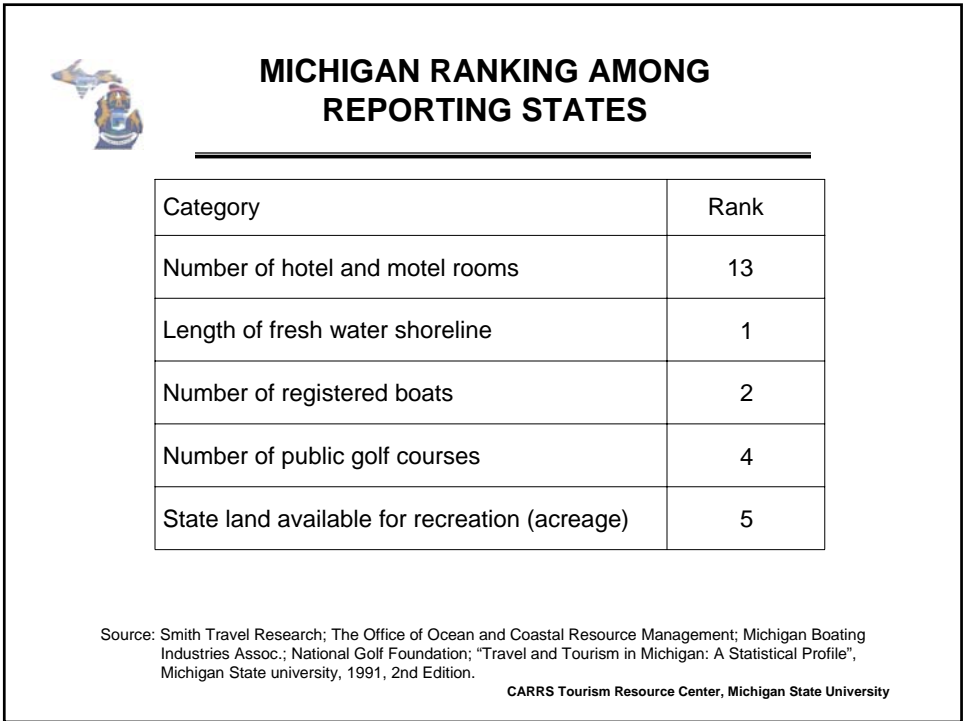
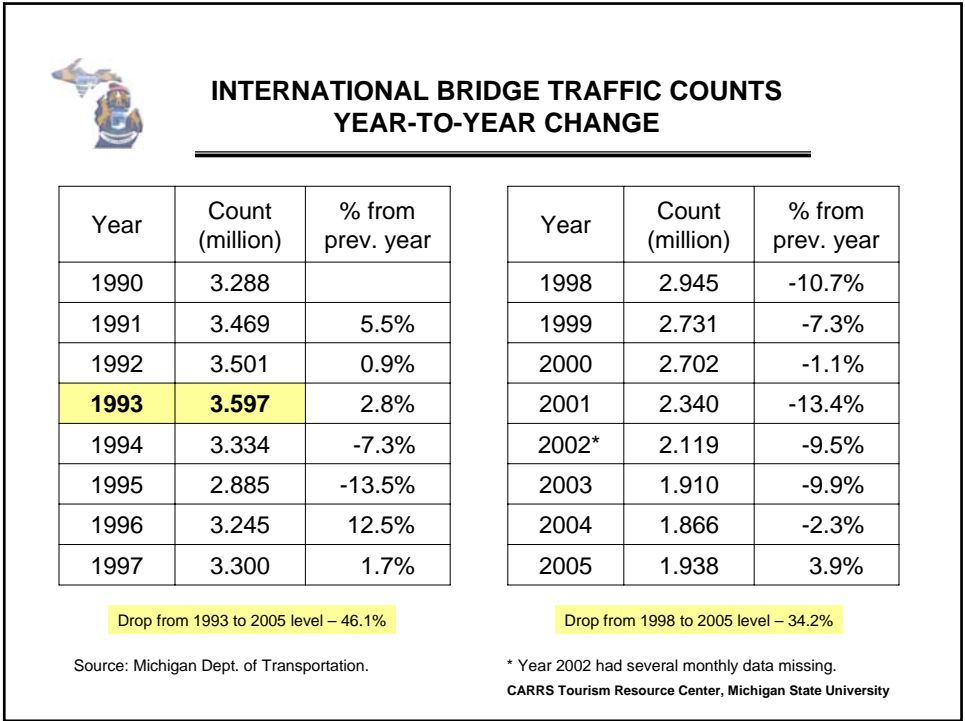
Year	Count (million)	% from prev. year
1986	2.753	
1987	3.033	10.2%
1988	3.229	6.5%
1989	3.350	3.7%
1990	3.390	1.2%
1991	3.535	4.3%
1992	3.678	4.0%
1993	3.993	8.6%
1994	4.333	8.5%
1995	4.557	5.2%

Year	Count (million)	% from prev. year
1996	4.625	1.5%
1997	4.626	0.0%
1998	4.891	5.7%
1999	4.836	-1.1%
2000	4.756	-1.7%
2001	4.676	-1.7%
2002	4.733	1.2%
2003	4.529	-4.3%
2004	4.427	-2.2%
2005	4.236	-4.3%

Source: Mackinac Bridge Authority.

Drop from 1998 to 2005 level - 13.4%

CARRS Tourism Resource Center, Michigan State University





MICHIGAN RANKING AMONG REPORTING STATES (cont.)

Category	Rank
Population	8
Payroll generated by domestic travel	13
Jobs generated by domestic travel	13
Domestic travel expenditures	13
Domestic travel expenditures per capita	48
Vacation cost	27

Source: U.S. Census Bureau; Travel Industry Association of America; AAA.

CARRS Tourism Resource Center, Michigan State University




MICHIGAN RANKING AMONG REPORTING STATES (cont.) STATE TOURISM OFFICE BUDGETS

Year	Rank
1990	7
1995	12
2000	20
2004	27
2005	31

Year 2005	Rank
IL	2
MI	31
MN	26
OH	34
WI	15

Source: Travel Industry Association of America.

CARRS Tourism Resource Center, Michigan State University



RANK BY POPULATION GROWTH PROJECTED FOR 1995 - 2025

Rapid-Growth States	
State	Rank
California	1
New Mexico	2
Hawaii	3
Arizona	4
Nevada	5

Region	
State	Rank
Wisconsin	38
Illinois	42
Indiana	43
Michigan	47
Ohio	48

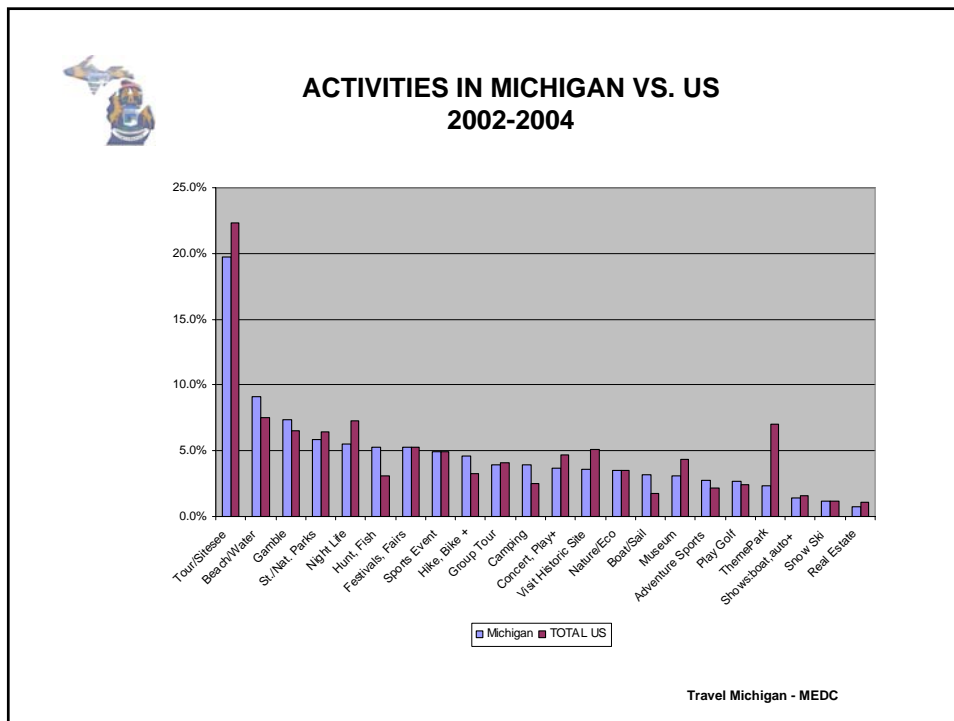
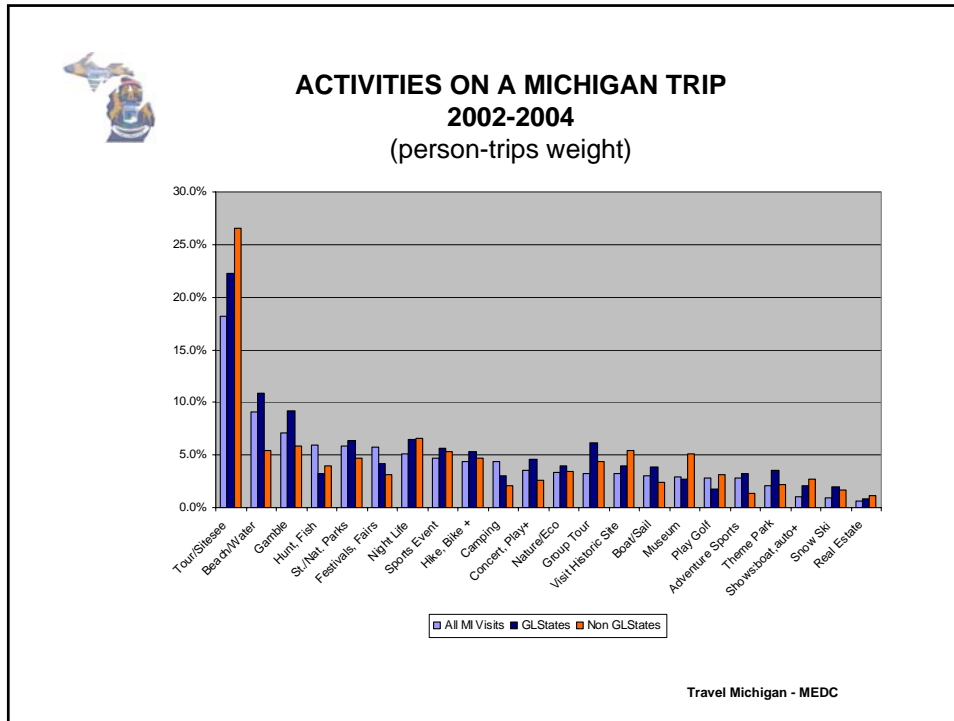
Source: U.S. Census Bureau. CARRS Tourism Resource Center, Michigan State University



MOST DEMOGRAPHIC TRENDS IN MICHIGAN'S TRADITIONAL TOURISM MARKET POSE CHALLENGES

- There is slow population growth in Michigan's primary tourism market region.
- Population growth is concentrated in ethnic market segments, which have not generally been responsive to what Michigan has to offer them.

CARRS Tourism Resource Center, Michigan State University





WHAT ARE THE TRENDS?

- Michigan's share of the national travel market has been very flat.
 - Michigan captured between 3.05% to 3.19% per year of US travel over the 5-year period between '00 to '04.
- Chicago behaved like a close-by market post 9/11, with growth in 2002, but fell in '03 and '04.
- Cleveland and Indy:
 - Fell post 9/11 ('02)
 - Rebounded slightly in '03.
 - But fell again in '04.

Travel Michigan - MEDC

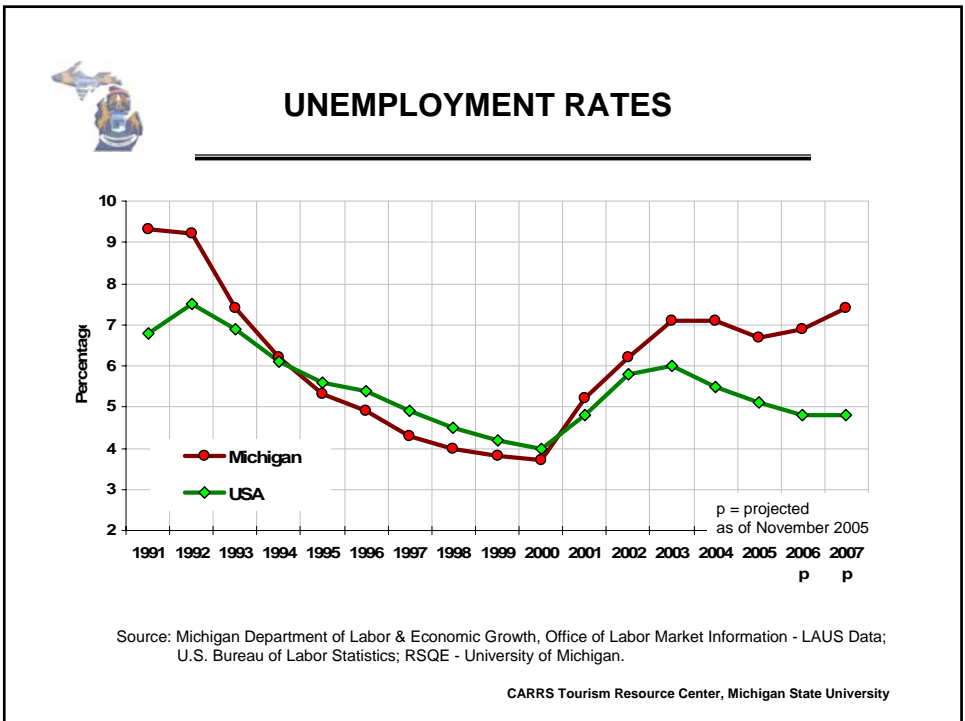


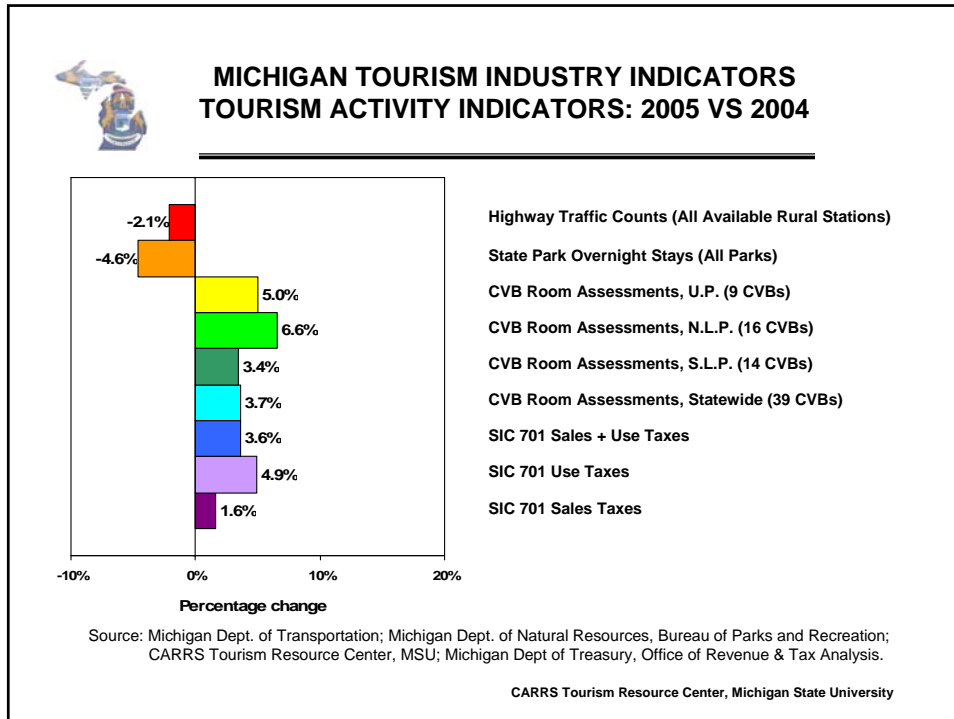
MIDWESTERNERS PROPENSITY TO TRAVEL

- Traveler Sentiment Index (TSI) – [is] “Reflecting negative consumer confidence and rapidly rising travel and gas costs [in] post-hurricane season...”
- “Recent rapid declines in the cost of gasoline, as well as early reports of an improvement in consumer confidence overall, may mitigate some of these negative perceptions in the months to come.”(...)
- “Finances are a particular concern for residents of the Midwest compared to last quarter, with this region showing the largest declines in the perceived affordability of travel (-32.0%) and in the ability to travel based on their finances (-25.6%). (...)”

Source: Travel Industry Association of America. Excerpts from news release of December 22, 2005.

CARRS Tourism Resource Center, Michigan State University





NEGATIVE INDICATORS FOR MICHIGAN 2006

"We are in a pickle. The state of Michigan is in the midst of serious structural economic trouble, probably its worst crisis in our lifetime. Since 2001, the state has lost one-quarter of its automotive work force and is in its sixth consecutive year of job loss, a period of decline unequalled in the 50 years for which we have data."

*George Fulton, Economics Professor
 University of Michigan*

*HomeTownLife.com
 March 23, 2006*

CARRS Tourism Resource Center, Michigan State University



WHY NOW?

- There has never been a better time than now to develop a Michigan Tourism Strategic Plan
- We know that we have a “problem”.
- The ability of Michigan tourism to solve problems has been demonstrated by the passage of post Labor-Day school opening legislation [House Bill 4803 (2005) - Public Act 144 of 2005] (thanks to heroic leadership provided by Steve Yencich!)
- The quick passage and strong support for this legislation also suggests that our political leaders recognize the importance of tourism to Michigan’s economy, that this industry faces serious challenges, and that they stand ready to favorably consider an industry plan to grow Michigan’s tourism industry.

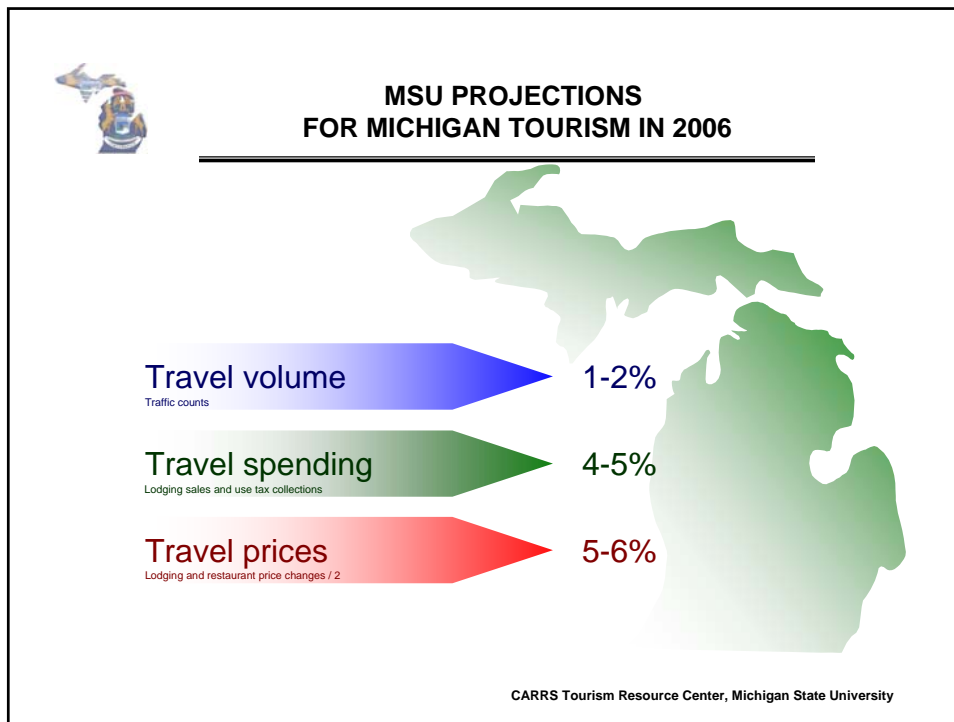
CARRS Tourism Resource Center, Michigan State University



POSITIVE INDICATORS FOR MICHIGAN TOURISM 2006

- It is estimated that post-Labor-Day (PLD) school openings will generate an additional **\$132 million** in direct tourist expenditures and **\$10 million** in total state tax revenues.
- It is estimated that each \$1 million of investment in promotion by Travel Michigan will stimulate about **\$55 million** in direct tourist expenditures and over **\$3 million** in state tax revenues.
- If Travel Michigan’s promotion budget is increased by \$5 million (1/3 of \$15 million earmarked for tourism promotion in 21st Century Jobs Fund), direct tourist expenditures will increase by **\$300 million**.
- The combined projected impact of PLD school openings and increased promotion spending is nearly **\$432 million** on direct tourist expenditures (about a 2% increase on a current \$17 billion in direct tourist expenditures in Michigan).

CARRS Tourism Resource Center, Michigan State University



Do We Have a Problem?

CARRS Tourism Resource Center, Michigan State University



THE RATIONALE FOR A PLAN

- The tourism industry is one of the world's largest industries and is growing at a rapid rate. It is not a dying industry.
- Michigan has many world-class tourism assets (natural, cultural, attractions, etc.) and energetic, friendly and creative human resources.
- But, Michigan's \$16-17 billion tourism industry does not have a plan to employ its assets to capture its fair share of the growing global tourism market.
- The need for a plan was recognized when this Commission was created in 1945.

CARRS Tourism Resource Center, Michigan State University

Michigan Tourism Strategic Plan Project

Donald F. Holecek
Michigan State University

*Plan Development
Coordination Team*

Phone: 517-353-0793
www.tourismcenter.msu.edu/Plan



Thank You!