

Michigan Tourism Outlook 2006

Text to accompany Lori's slides

- 1) Hello and welcome! Once a year, I'm asked to do a daunting series of tasks... First, I'm asked to compile information about the past year in Michigan tourism... from my office on campus which doesn't even have a window with a view of the lawn outside, much less any tourism destination! Then, I'm asked to make it coherent and understandable...which is made much easier with the assistance of my colleagues Charles Shih and Teresa Herbowicz. And then I'm asked to present it to all of you who actually work out in the real world of Michigan tourism, right after you've eaten lunch! Anyway, I think there is some value in being an unbiased examiner of the larger trends that are affecting Michigan tourism so... here it goes...
- 2) To celebrate the merging of three conferences into one new synergist event, which the conference organizers hope will expand and grow in future years... My colleagues and I thought this would be a good time to take a quick look at the larger tourism world outside of Michigan.
- 3) Beginning at the global level... Did you know that tourism is the world's largest industry? The world's largest employer? Has been growing steadily for decades? And is forecasted, barring any major negative global events, to grow at nearly 5% a year for the next 10 years?
- 4) Travel and tourism account for more than 10% of the world's GDP. And according to the World Travel and Tourism Council, the United States is number one on a top ten lists of countries expected to grow travel and tourism demand between now and 2025, and number two on a top ten list of countries expected to grow their travel and tourism employment during those same years.
- 5) At the national level... you probably already know that travel and tourism is one of the country's largest employers with a payroll of more than 160 billion dollars. And, travelers spend nearly 600 billion dollars annually, generating nearly 100 billion dollars in tax revenues, according to the Travel Industry Association of America.
- 6) A news release on March 8 from the International Trade Administration reported that... 2005 was a very good year for U.S. tourism destinations capturing international visitors. (Remember that from an economist's perspective tourism is an export, although one which customers must travel to experience, rather than having shipped to them.) In 2005, international visitation to the U.S. surpassed the 103 billion dollar mark set in 2000, the year before 9-11.
- 7) From a balance of trade perspective, the U.S. travel and tourism industry finished the year with a nearly \$10 billion surplus, the second consecutive year the surplus has more than doubled. 2005 marked the 17th consecutive year that the travel and tourism industry generated a balance of trade surplus.
- 8) Now, let's look at Michigan. In 2004, the most recent year for which data is available, travelers spent more than 17 billion dollars in Michigan, nearly 13 billion of which was spent by pleasure travelers or tourists. More than half of that money was spent by our own Michigan residents who were traveling around the state, while the other half was new money coming into our state's economy. In 2004, there were 96.8 million personal trips taken in Michigan, supporting at least 210,000 jobs (according to TIA and D.K. Shifflet and Associates).
- 9) Now, let me shift gears to all that Michigan tourism trend data for 2005 that I mentioned to you earlier.
- 10) We purchase data for twelve Michigan weather stations from the Midwestern Regional Climate Center; then we compile the data from those 12 stations, located across the state, into quarterly indicators allowing us to compare the current year's weather with the weather of the prior year and the long-term averages dating back to about 1900.
 - These data tell us that the winter months of January, February, and December of 2005 were 24% wetter than those same months in 2004, and 8% wetter than normal. (Keep in mind that these data include all types of precipitation and don't differentiate between rain and snow.)
 - Spring 2005 was extremely dry.
 - Summer 2005 was about 15% dryer than normal, great for most sectors of tourism, but not so great for agriculture.
 - And fall 2005 was close to normal, but 33% wetter than the same season in 2004.
- 11) So, what happened with temperatures last year?
 - Winter and spring were normal, but summer and fall daily maximum temperatures were well above normal. And, I was still water-skiing three weeks after Labor Day...without a wet suit...which is unheard of in Michigan!
 - If you remember back to last year's peak tourism season, we had the "perfect storm" for summer and fall outdoor recreation activities...dryer than normal conditions and warmer than normal temperatures.

- 12) What about some of the economic indicators of Michigan tourism?
 - Gas prices were up 22% in 2005, both nationally and in Michigan.
 - Restaurant prices were up more than two percent in the Detroit/Ann Arbor/Flint area.
 - Lodging prices were up more than 3%, nationally.
 - According to The Conference Board which conducts monthly national consumer confidence surveys, consumers' confidence in the U.S. economy was up 4.5% over 2004, with the composite components of expectations index being down 7.4% and present situation index being up 23% over 2004. This means that U.S. consumers felt better about the current state of the national economy in 2005 than in 2004 but less confident about the future state of the national economy. Don Holecek is going to share more data about projected economic conditions in his presentation.
 - When comparing the Canadian Looney to the U.S. dollar, in 2005, exchange rate conditions were more favorable for Canadians to travel into Michigan.
- 13) Highway traffic counts at all available rural MDOT stations were down about 2% in 2005. State park overnight campgrounds stays were down nearly 5% in 2005, surprising given the great weather we experienced last summer and fall. A survey of CVBs indicated that assessments (of 39 responding CVBs) were up an average of 3.7% statewide. [5% U.P., 6.6% N.L.P, 3.4% S.L.P.] Perhaps more people opted to stay in hotels and motels rather than pay for gas to fuel their RVs last summer? I can only speculate! As we would expect, given increases in assessment totals, combined sales and use taxes collected by the lodging sector were up more than 3.5% in 2005, with the primary increase coming from the use tax charged on rooms.
- 14) A quick look at some attractions indicators shows that visitation to Pictured Rocks was up 25% and Sleeping Bear Dunes was up nearly 10% in 2005. Remember what I said about great weather for outdoor recreation? The Henry Ford in Dearborn had nearly 12% more visitors, perhaps due to renovations and increased promotion. But the Flint Cultural Center and the Michigan Historical Museum both received fewer visitors, primarily, I'm told because of reduced numbers of school field trips.
- 15) Now let's look at a couple of crazy charts showing monthly trends across the year. Combined sales and use taxes as reported by the lodging industry were relatively flat across the year as compared to 2004. Notable differences were a spike in May use taxes, paired with a decline in May sales taxes. The Michigan treasury is currently investigating the September totals and suspects there may be a reporting problem with the data for that month's allocation between sales and use taxes, so let's not review what may have happened in September.
- 16) This chart plots state park overnight stays (the line with diamonds), consumer confidence (the line with triangles), and gas prices (the line with circles) across the months of 2005 as compared to 2004. Most notably, we can see gas prices were higher during every month of 2005 than during the same month of 2004.
- 17) When comparing MDOT traffic counts and the number of visitors to the welcome centers in each region of the state in 2005 to 2004, we can quickly see that counts were down statewide and in each region, especially traffic to the northern Lower Peninsula and to the Upper Peninsula. [Bear in mind, that commuter and business travel cannot be teased out of the traffic data, so things like increased commuter car pooling may be impacting these numbers.] Counts from the Monroe and Menominee welcome centers were excluded due to construction and closure.
- 18) What has been happening in the U.P.?
 - Mackinac Bridge crossings were down every month in 2005 except for January and March, with a 4.3% decline for the year, as compared to 2004. Don Holecek will talk about this in more detail.
 - Traffic was down 3.5% in the U.P., compared to the total statewide decline of 2.1%.
 - Welcome center counts in the U.P. were down nearly 1%, compared to a total statewide decline of nearly 2%.
 - I cannot explain how traffic counts and bridge crossings could have been down so much in September, while welcome center visits were up so much during that month. But sometimes it's a bit difficult to explain the anomalies that happen when comparing one year to another.
- 19) This graph just illustrates the monthly percent changes in consumer confidence variables in 2005, compared to 2004. The present situation index was higher for every month, while the expectations index was lower nearly every month in 2005.
- 20) Getting back to the CVB assessment survey (39 participating) that I mentioned earlier... You can see that assessments in all regions of the state were up in 2005, which means more money for local promotion budgets. But the number of lodging properties declined in the Lower Peninsula, while increasing in the Upper Peninsula.
- 21) CVB directors in the Upper Peninsula expect to receive similar levels of assessments in 2006, while those in the Lower Peninsula anticipate more than a 2% increase in assessments in 2006.

Let me sum this all up for you.

- Tourism is expected to continue growing both globally and nationally.
- Visitor spending is increasing in Michigan.
- In Michigan, winter was wetter in 2005, spring and summer were drier, and fall was close to normal.
- Winter and spring temperatures were normal, but summer and fall temperatures were much warmer than normal.
- Gas prices, restaurant prices, and lodging prices were all up in 2005.
- U.S. consumers were more confident about the nation's economy, but less certain about the future.
- The Canadian dollar was stronger, as compared to the U.S. dollar.
- Highway traffic counts, Mackinac Bridge crossings, welcome center counts, and state park overnight stays were all down in 2005.
- CVB assessments and lodging industry sales and use tax collections were all up in 2005.
- Visitor counts at attractions received mixed results in 2005.
- Many CVB directors are hopeful that assessments will continue to increase in 2006.

22) Keeping all this in perspective, it's now time for the 2006 Michigan Tourism Forecast. I give you Dr. Donald Holecek!