



STATUS AND POTENTIAL OF MICHIGAN'S TOURISM INDUSTRY



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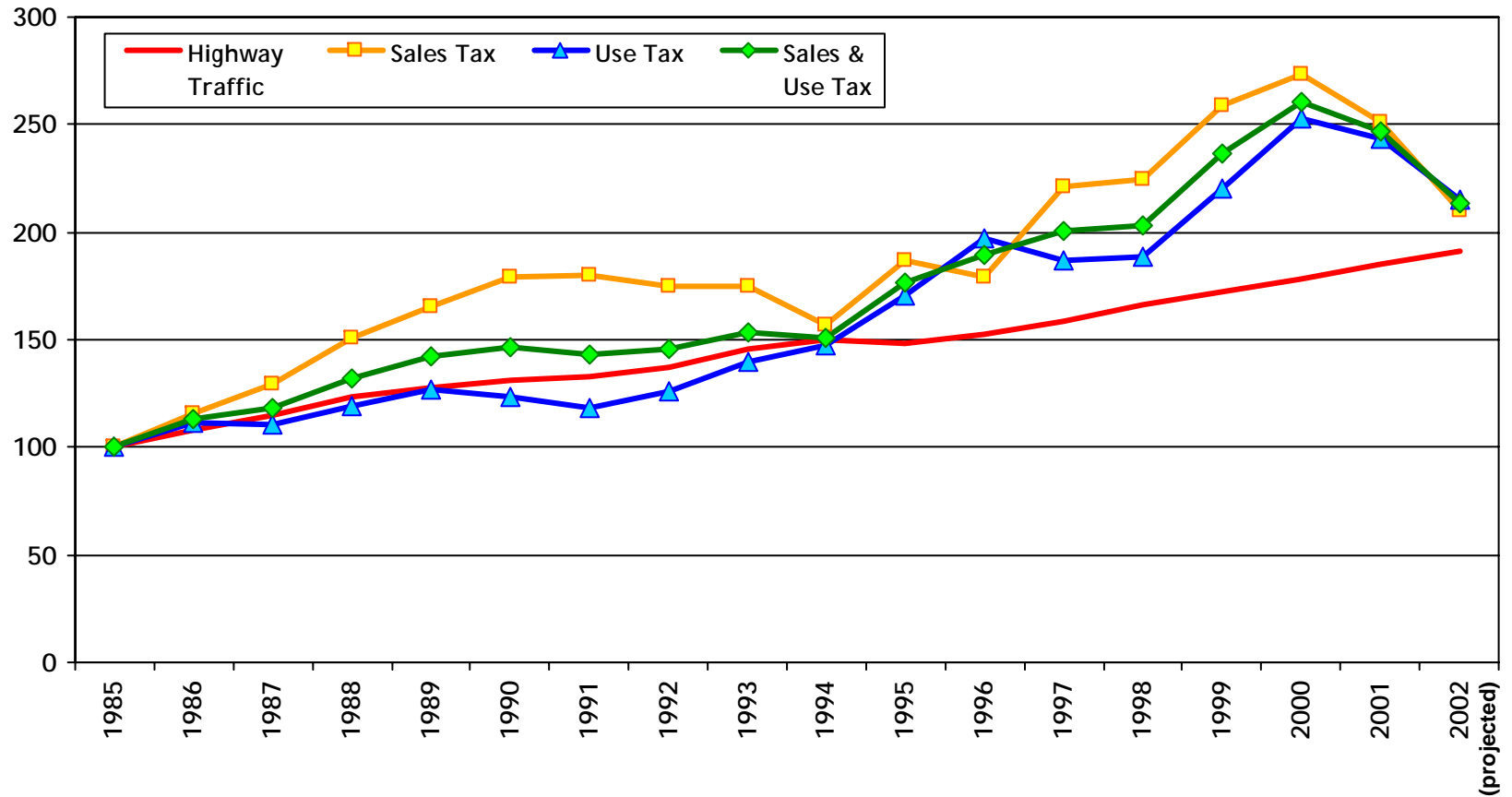
MICHIGAN TOURISM



- \$12+ billion industry (direct expenditures on all trips to Michigan over 50 miles one-way from home)
- 240,000 direct jobs
- Pleasure travel also drives global sales of vehicles



TRENDS IN SELECTED TRAVEL AND TOURISM INDICATORS



Source: MDOT and Michigan Department of Treasury.



- The industry, especially SE Michigan, is suffering from a crash in business-related travel
- Lodging tax trend is negative statewide (can't assess what's going on regionally, because Treasury data are not available)



“Michigan’s second major industry [tourism] has been lapsing into softer economic territory for more than two years and is currently running at levels consistent with 8 to 9 years ago.”

David Littman
Chief Economist of Comerica Bank
November 2002

ASSESSMENT COLLECTIONS IN THE DETROIT METRO AREA



Month	2,000	2,001	2,002
January	947	828	830
February	852	899	734
March	1,043	776	872
1st Qtr Subtotal	2,842	2,503	2,435
April	918	1,046	835
May	1,028	871	864
June	1,063	859	929
2nd Qtr Subtotal	3,009	2,776	2,628
July	1,068	1,111	888
August	1,072	1,041	1,029
September	1,022	945	886
3rd Qtr Subtotal	3,162	3,096	2,803
October	1,072	885	905
November	898	862	732
December	874	853	713
4th Qtr Subtotal	2,843	2,600	2,350
Grand Total	11,857	10,975	10,216
% change to previous year		-7.4%	-6.9%
% change 2002 versus 2000			-13.8%

Note:
Numbers are in thousands
of dollars.
Revenue earned is for the
month stated.

Source: Detroit Metro CVB.



" (...) the 10% decrease in Metro Detroit area tourism spending has a significant negative impact on the southeast Michigan economy and on the 70,000+ local industry-related jobs and income. The Travel Michigan budget should not be cut— we need to spend money to market and attract tourism so that we keep generating the jobs, income and revenue (state, local taxes) based on visitor spending. "

Larry Alexander
Director
Detroit Metro CVB

MICHIGAN SALES AND USE TAX 2002 VERSUS 2001



Month	Sales Tax	Use Tax	Sales & Use Tax
Jan	-3.3 %	-9.6 %	-6.6 %
Feb	-11.9 %	-4.9 %	-8.1 %
Mar	-5.8 %	-7.2 %	-6.6 %
Apr	-24.5 %	-14.1 %	-17.5 %
May	-5.8 %	4.9 %	0.4 %
Jun	-17.7 %	-18.5 %	-18.2 %
Jul	-21.2 %	-1.3 %	-9.5 %
Aug	-13.0 %	-7.8 %	-9.8 %
Sep	1.7 %	-7.1 %	-3.8 %
Oct	2.9 %	-4.2 %	-1.3 %
Nov	-10.8 %	-1.6 %	-5.6 %
Dec	-7.8 %	-3.2 %	-5.5 %
Total	-9.7 %	-6.5 %	-7.8 %

Source: Michigan Department of Treasury.

DEFICIT FROM DOMESTIC TOURISM



In 1995:

- 11.821 million household trip nights more to out-of-state domestic destinations
- \$132.24 - mean expenditure/household trip night
- 11.821 million x \$132.42 = \$1.56 billion
(domestic trade deficit)



Source: American Travel Survey (ATS);
Michigan Travel Market Survey (MTMS).

DEFICIT FROM INTERNATIONAL TOURISM



- 14.166 million household trip nights to out-of-state international destinations
- \$130 - mean expenditure per household trip night
- $14.166 \text{ million} \times \$130 = \$1.84 \text{ billion}$ (imports)
- \$0.6 billion (exports)
- $\$1.84 \text{ billion} - \$0.6 \text{ billion} = \$1.24 \text{ billion}$
(international trade deficit)

Source: American Travel Survey (ATS);
Michigan Travel Market Survey (MTMS)
Travel Industry of America Assoc. (TIA).

TOTAL DEFICIT IN BALANCE OF TRADE IN MICHIGAN TOURISM



\$1.56 billion deficit in *domestic* tourism
+
\$1.24 billion deficit in *international* tourism

\$2.80 billion *total* deficit in balance of trade
in Michigan tourism



MICHIGAN TOURISM'S NEGATIVE BALANCE OF TRADE



- Michigan residents spend approx. \$3 billion more on out-of state trips than the state captures from non-resident visitors; a big deficit and growing ; 40,000+ jobs lost



REASONS FOR THE DEFICIT IN MICHIGAN TOURISM



- Geographic location: not on a crossroad of major migration routes; surrounded by lakes
- Climate
- Relatively affluent population:
13th highest median in 2000
Michigan-\$46,181 versus U.S.-\$42,148
- Product
- Promotion

RATIONALE FOR STATE GOVERNMENT ACTION



1. The economic scale of this industry and the state's multi-billion dollar deficit in travel trade suggests that it merits greater government attention than it has received in the past.
2. The size of the deficit and its persistence and expansion over time would suggest what we have been doing isn't working. It is time to try a new approach.



RATIONALE FOR STATE GOVERNMENT ACTION



3. Given the structure of Michigan's tourism industry (e.g., relatively small unaffiliated businesses), there appears to be no alternative to the state assuming a leadership role in tourism development.
4. The expense associated with well targeted state investments in tourism will be offset by expanded tax revenue collections. Many of these investments can be expected to yield positive rates of return.



WHAT CAN BE DONE



1. Reorganize state government agencies to better reflect the importance of tourism to the state's economy and the state's central role(s) in the industry's development. A separate new department is an option to consider.
2. There is a need for a strategic tourism development plan to guide development activities.

WHAT CAN BE DONE



3. An alternative mechanism for funding tourism promotion, which is more responsive to market conditions and the challenges and opportunities they present, needs to be developed.



TRAVEL MICHIGAN BUDGET HISTORY



Year	Travel Michigan* (\$ million)	Michigan Rank	National Average* (\$ million)
FY '03	10.1 ↓	N/A	N/A
FY '02	12.3	23	13.1
FY '01	12.0	21	12.9
FY '00	12.1	20	13.0
FY '99	11.6	16	11.4
FY '98	11.0	16	10.0
FY '97	11.0	15	9.4
FY '96	10.3	13	8.7
FY '95	9.1	12	8.2
FY '94	9.0	15	7.6
FY '93	6.7	20	6.8
FY '92	6.1	21	6.6
FY '91	8.8	11	6.9
FY '90	13.5	7	6.8

*) Numbers do not include budget for Welcome Centers.

Source: Travel Michigan.

WHAT CAN BE DONE



4. The state should reach beyond promotion to find ways to support tourism development in Michigan. The following avenues could be explored.
 - a. Enhance education and training opportunities for tourism businesses and their employees.
 - b. Develop programs to encourage investment in new and improved tourism product.
 - c. Enhance access to research and technical assistance to help the industry grow profits and target development opportunities.

WHAT CAN BE DONE



5. The state should take a leadership role in marshalling the resources across state government, the industry and its educational institutions to address the economic development needs of Michigan's tourism industry.



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