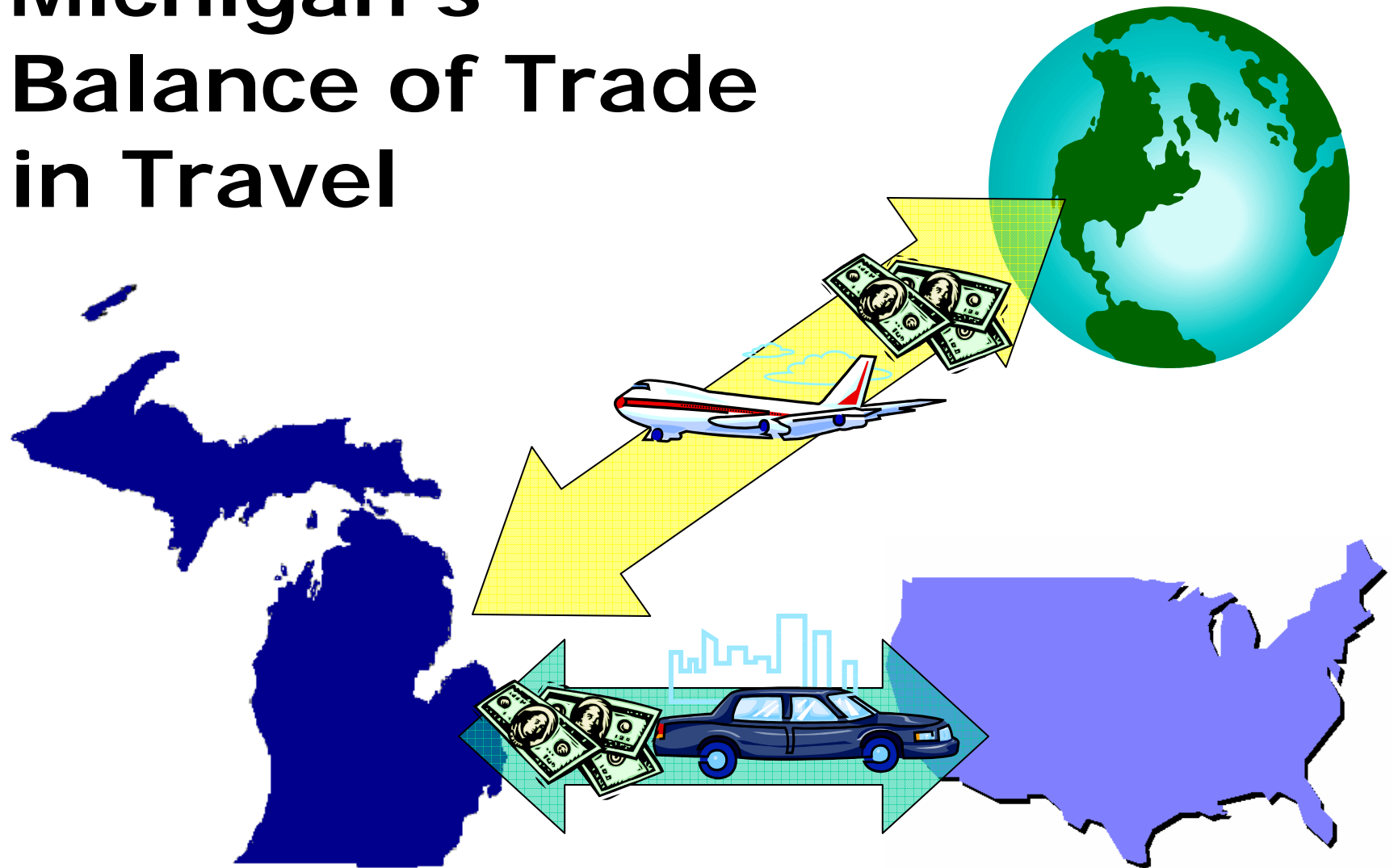
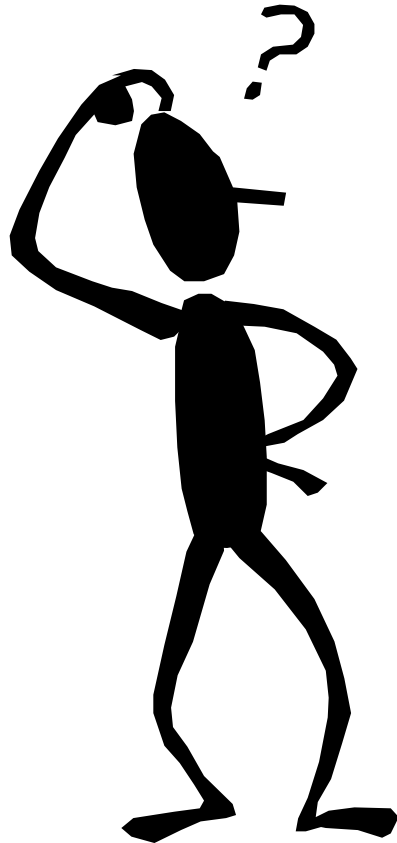


# Michigan's Balance of Trade in Travel





**Is Michigan's travel  
trade balance:**

**Positive?**

**Negative??**

**Neutral???**



**D**o Michigan residents spend more (or less) traveling outside of Michigan than non-residents spend when visiting our state?



## Implications of a negative balance of trade in travel

- Leakage of dollars and a negative multiplier impact on the Michigan economy
- Lost jobs to competing destinations
- Lost income to Michigan businesses
- Lost state and local tax revenue



## Indicators that Michigan may hold a negative balance of trade in travel

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The Travel Industry Association of America in its most recent report, "Impact of Travel on State Economies", states that:

- Direct spending by domestic travelers in Michigan was \$12 billion
- Direct spending by international visitors was \$765 million
- This spending produced 173,000 jobs and \$2.45 million in tax revenue



## **These TIA data indicate that Michigan...**

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- Ranks 13<sup>th</sup> in domestic expenditures captured
- Ranks 16<sup>th</sup> in international expenditures captured

**BUT...**

Michigan also ranks 12<sup>th</sup> in population among U.S. states...



## Travel expenditures per resident

State	Population (millions)	Direct travel expenditures (\$ millions)	Direct travel expenditures (per resident in \$)	Rank
Nevada	1.20	\$21,034.2	\$17,528.5	1
Hawaii	1.21	\$14,223.6	\$11,755.0	2
Florida	15.98	\$55,784.9	\$3,490.9	3
Wyoming	0.49	\$1,496.4	\$3,029.1	4
Alaska	0.63	\$1,507.5	\$2,404.3	5
Vermont	0.61	\$1,441.9	\$2,367.7	6
Colorado	4.30	\$9,354.6	\$2,175.5	7
<b>Michigan</b>	<b>9.94</b>	<b>\$11,511.6</b>	<b>\$1,158.1</b>	<b>44</b>
Alabama	4.45	\$5,109.5	\$1,148.2	45
Ohio	11.35	\$12,748.3	\$1,123.2	46
Oklahoma	3.45	\$3,734.5	\$1,082.5	47
Indiana	6.08	\$6,057.5	\$996.3	48
Rhode Island	1.48	\$1,425.2	\$963.0	49
W. Virginia	1.80	\$1,642.3	\$912.4	50



## Michigan residents' out-of-state trips

Month in which trip began	% of out-of-state trips
January	62.1%
February	59.8%
March	72.1%
April	76.8%
May	58.3%
June	53.7%
<b>July</b>	<b>44.8%</b>
<b>August</b>	<b>46.9%</b>
<b>September</b>	<b>49.6%</b>
October	56.8%
November	62.5%
December	55.4%



A Michigan travel trade deficit was confirmed in the 1995 American Travel Survey conducted by the U.S. Census Bureau for the U.S. Dept. of Transportation.

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### Household trip nights

Originated in MI.....	150,043,000
Destination in MI (from all U.S. origins).....	138,222,000
Deficit.....	(11,821,000)



## Estimates of MI's domestic travel trade deficit in \$

$$11,821,000 \quad \times \quad \$132.24 \quad =$$

Household trip night deficit (ATS)                      Expenditures/household trip nights (MTMS)\*

**(\$1,560,000,000)**



\* Travel, Tourism and Recreation Resource Center, MSU



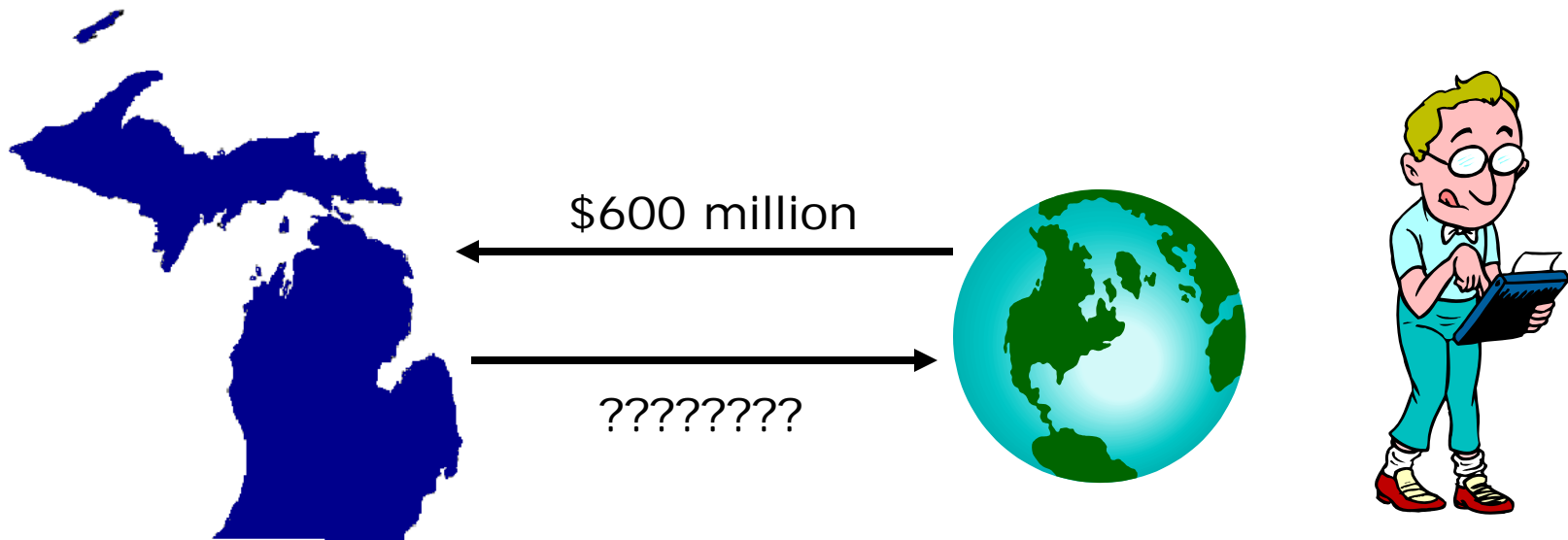
**Balance of trade in international travel for Michigan isn't directly available from any source....BUT, it can be estimated by combining data from:**

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- American Travel Survey
- Travel Industry Association of America
- Michigan Travel Market Survey



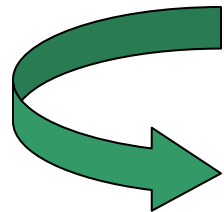
- TIA reported that Michigan captured \$600 million from international visitors in 1999.
- Therefore, while travel exports are known, travel imports (what Michigan residents spend on trips to international destinations) must be derived.



## Estimate of Michigan's international travel imports

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$$\begin{array}{r}
 14,166,000 \quad (\text{HH trip nights by MI residents to int'l destinations}) \\
 \times \quad \$130 \quad (\text{Expenditures/HH trip night}) \\
 \hline
 = \quad \$1.84 \text{ billion} \quad \text{Total international travel imports}
 \end{array}$$



$$\$1.84 \text{ billion (imports)} - \$600 \text{ million (exports)} =$$

**\$1.24 billion (deficit)**



## Total Michigan Travel Trade Deficit

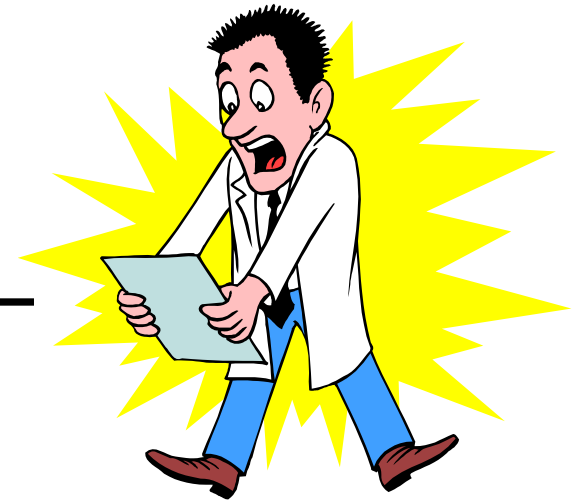
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Domestic travel: (\$1.56 billion)

International travel: (\$1.24 billion)

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Total: (\$2.80 billion)



## Conclusions

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- There is ample evidence to conclude that Michigan has a travel trade deficit and that it is very large.
- I have combined the data in several ways and the result is always a deficit of at least \$2.5 billion.
- The size of the deficit is very sensitive to the number used for household/trip nights spending or \$130/night. The relationship between the deficit estimate and the expenditure per night metric used is linear---a 10% increase in the latter yields a 10% increase in the deficit estimate.

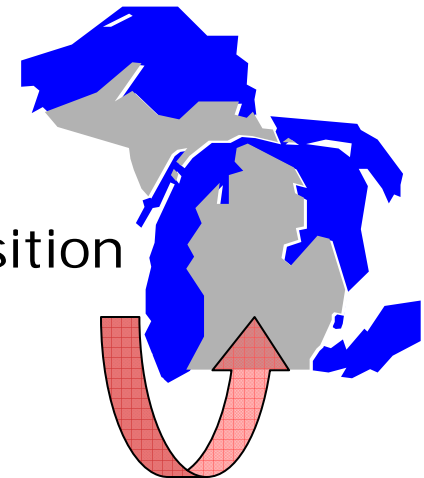


## Why a deficit?



# Climate

Geographic/population position



Relatively wealthy residents with a high propensity to travel

NOTE: All states in this region have a deficit with the exception of Wisconsin, which has a slight surplus. Illinois has an even larger deficit than Michigan.



## Recommendations to policy makers

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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.
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.



## Recommendations to policy makers, cont.

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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.



## **Recommendations to policy makers, cont.**

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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.



## Contact Information

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