

John Longstreet

President & CEO



Competitive Analysis of Pennsylvania's Tourism Budget

*Executive Summary
Presented to the
HHRVB*

October 11, 2016



Pennsylvania
Restaurant & Lodging
Association

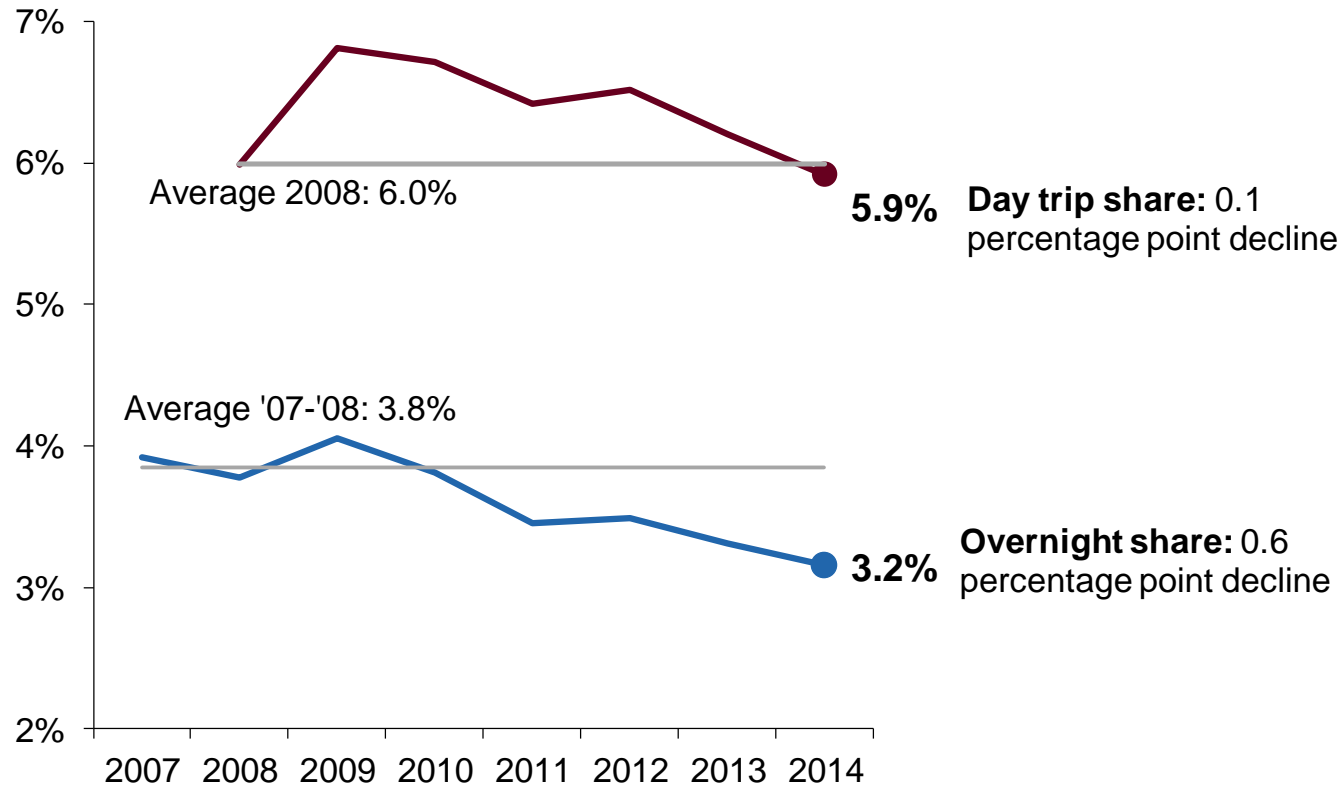


**HERSHEY &
HARRISBURG**

Assessing PA market share declines

PA market share of national trips

Share of marketable trips



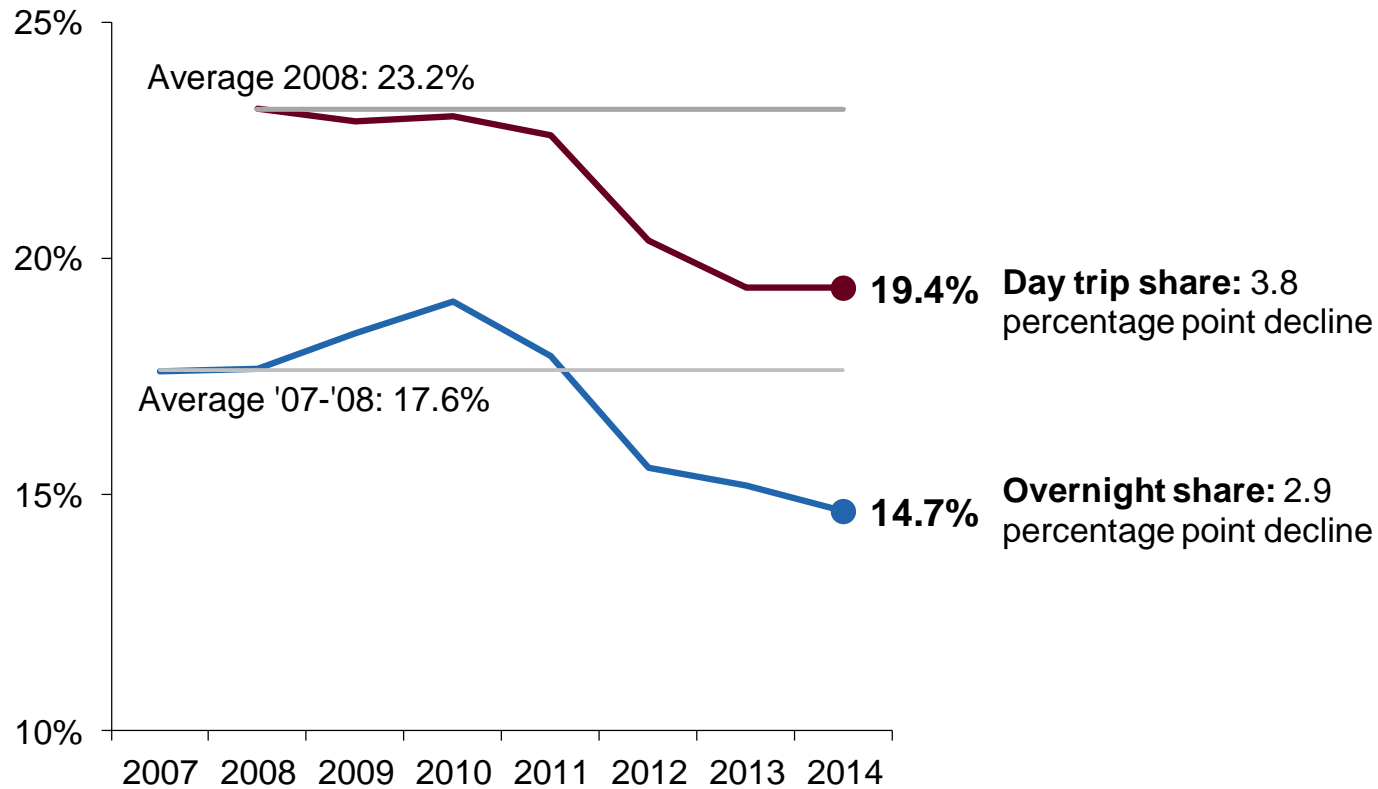
Source: Longwoods International; Tourism Economics

PA's share of national overnight marketable leisure trips has declined in recent years.

Assessing PA market share declines

PA market share among competitive states

Share of marketable trips

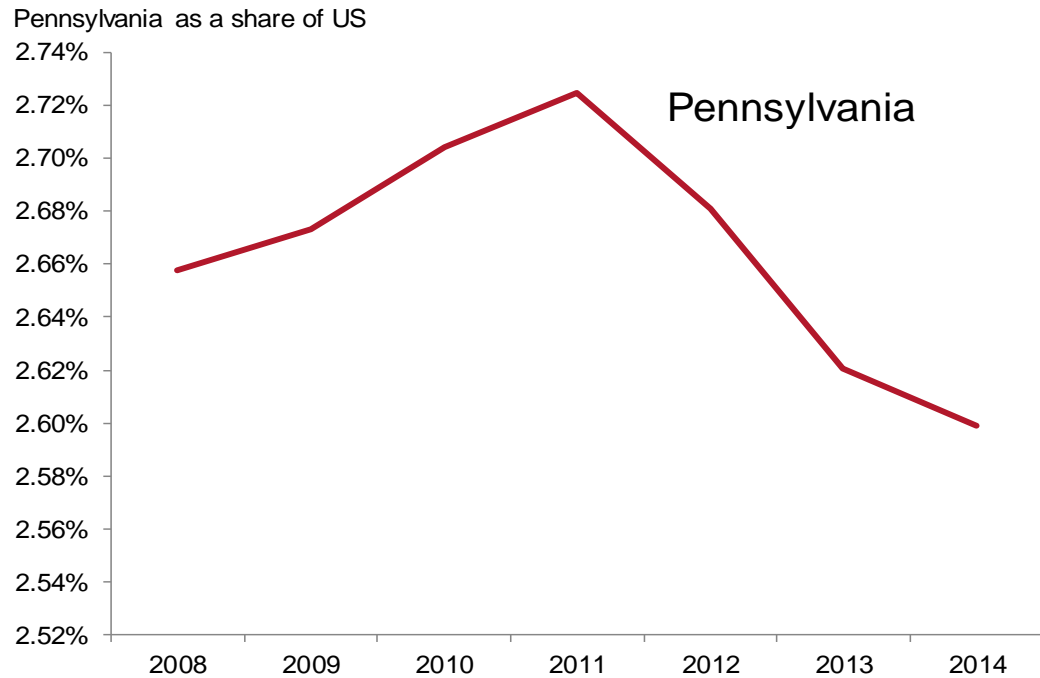


Source: Longwoods International; Tourism Economics

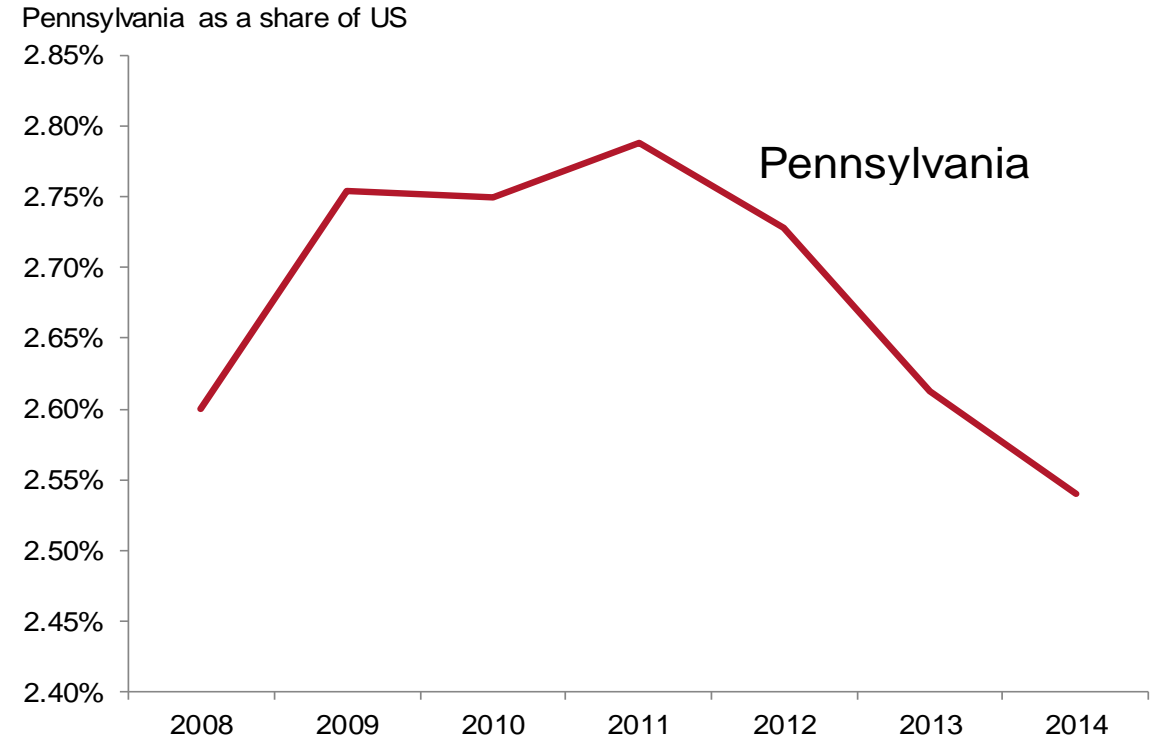
PA's share of overnight marketable leisure trips to the nine-state region has declined 16.9% since 2007.

Assessing PA market share declines

Hotel room demand



Hotel room revenue

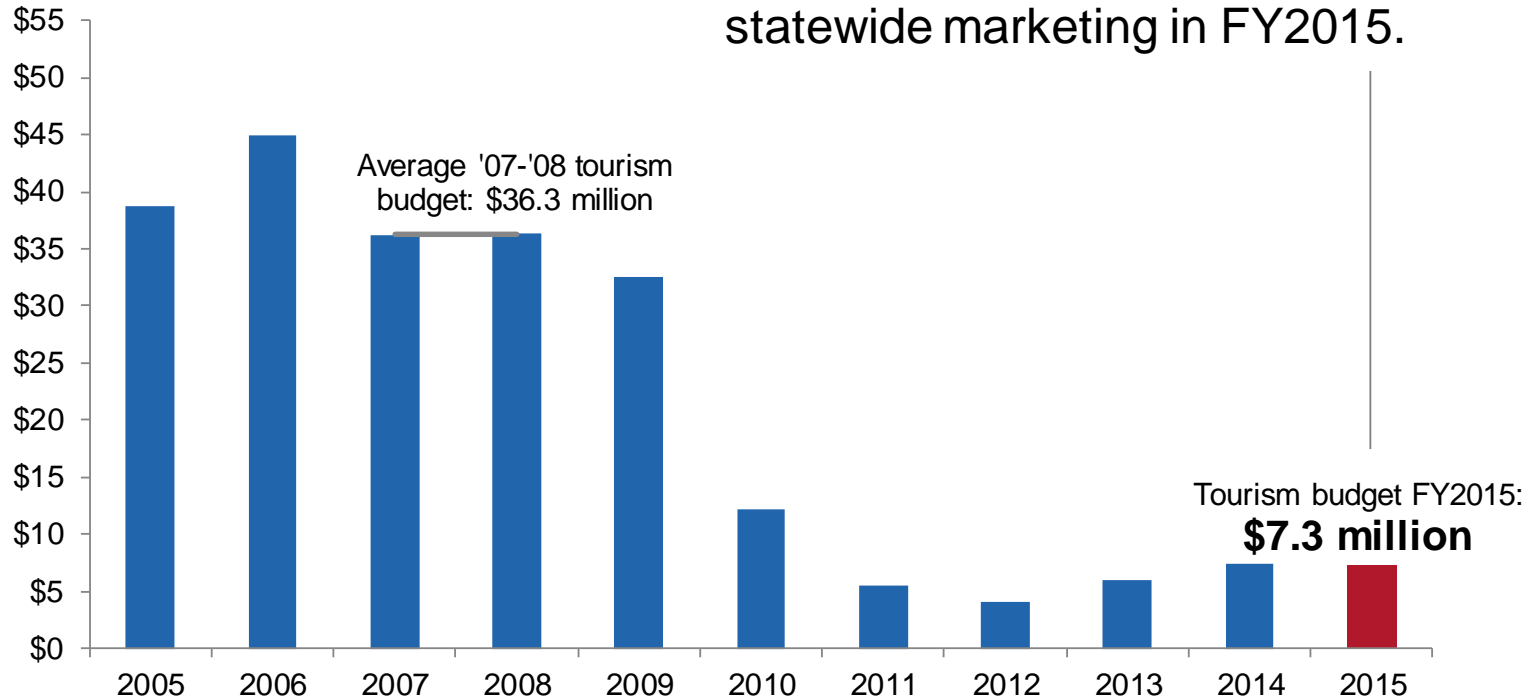


Pennsylvania lodging performance has lagged the national recovery

PA tourism budget reductions

PA budget

Budget, in millions of constant 2014 dollars



Note: PA tourism budget adjusted to real terms (i.e. constant dollars adjusted for inflation).
Source: US Travel Association; Tourism Economics

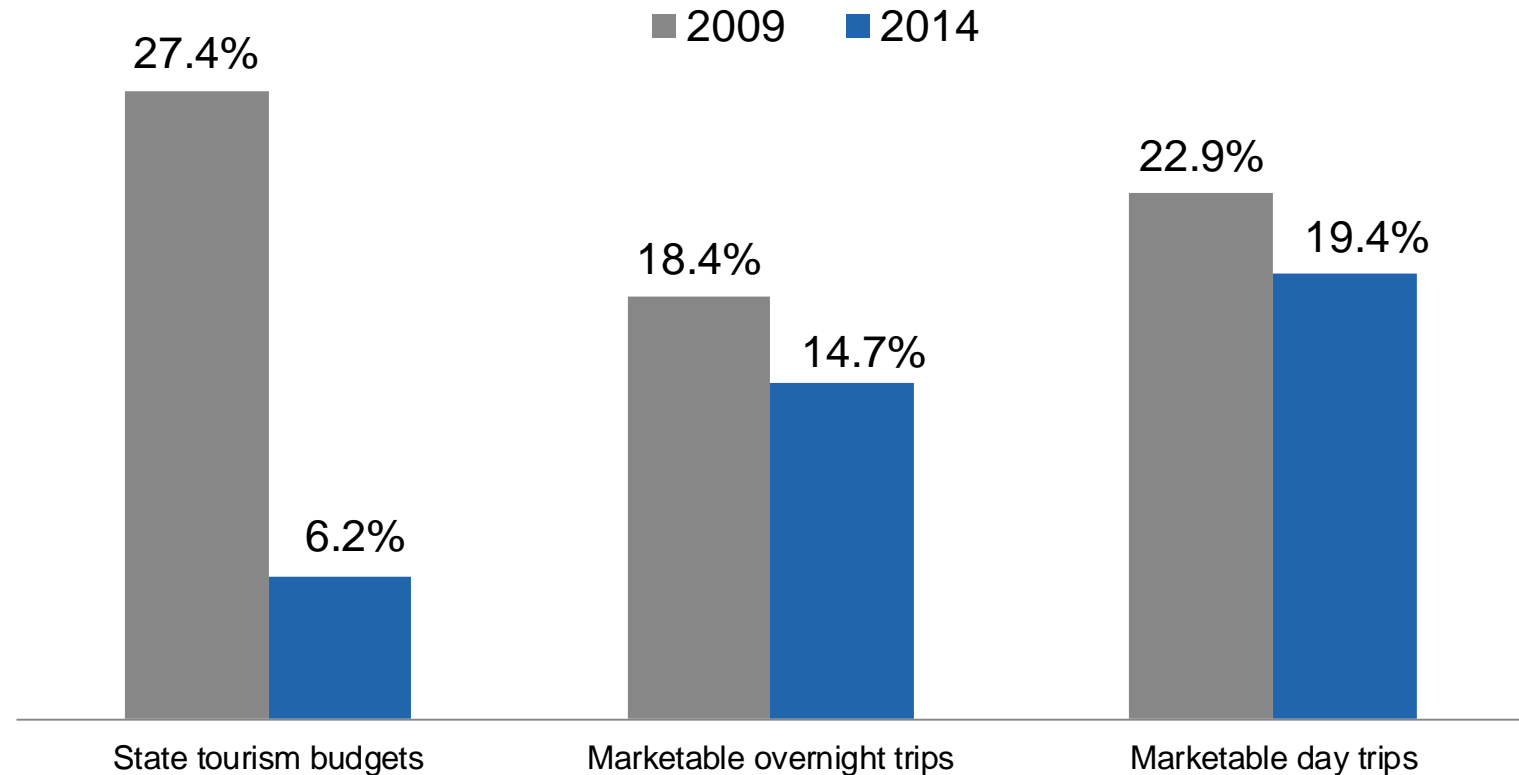
Since FY2007 and FY2008, PA's tourism budget declined 80.0% in real terms, and PA's market share of overnight marketable trips declined 16.9%

PA tourism budget reductions

PA's tourism budget is no longer competitive.

PA share of competitive state total

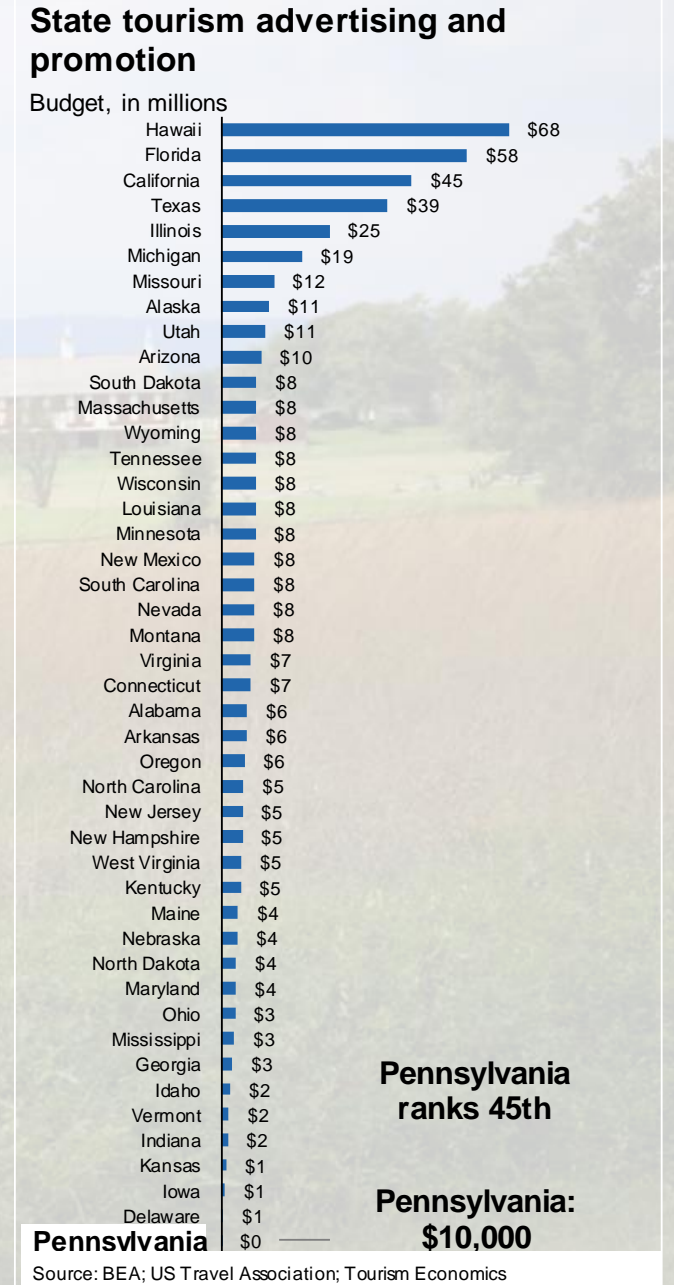
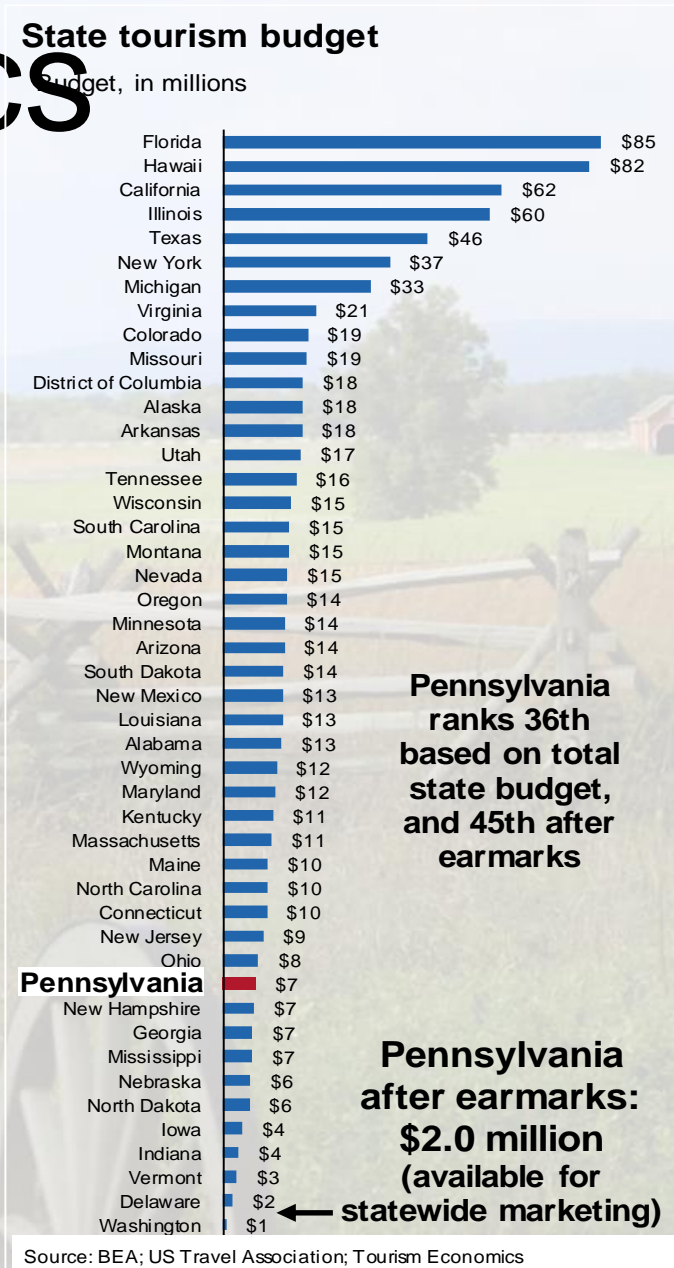
PA share of nine-state total



Note: Nine-state competitive state region includes Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, Ohio, West Virginia, Virginia and District of Columbia. Tourism budgets for 2009 are the FY 2008-09 fiscal year, where available.
Source: US Travel Association; Longwoods International; Tourism Economics

Funding metrics

Despite having one of the largest state tourism economies, PA's state tourism budget ranks 36th among 46 states by dollar amount before earmarks, and 45th after earmarks. PA ranks last based on its amount of state tourism advertising and promotion



Notes:

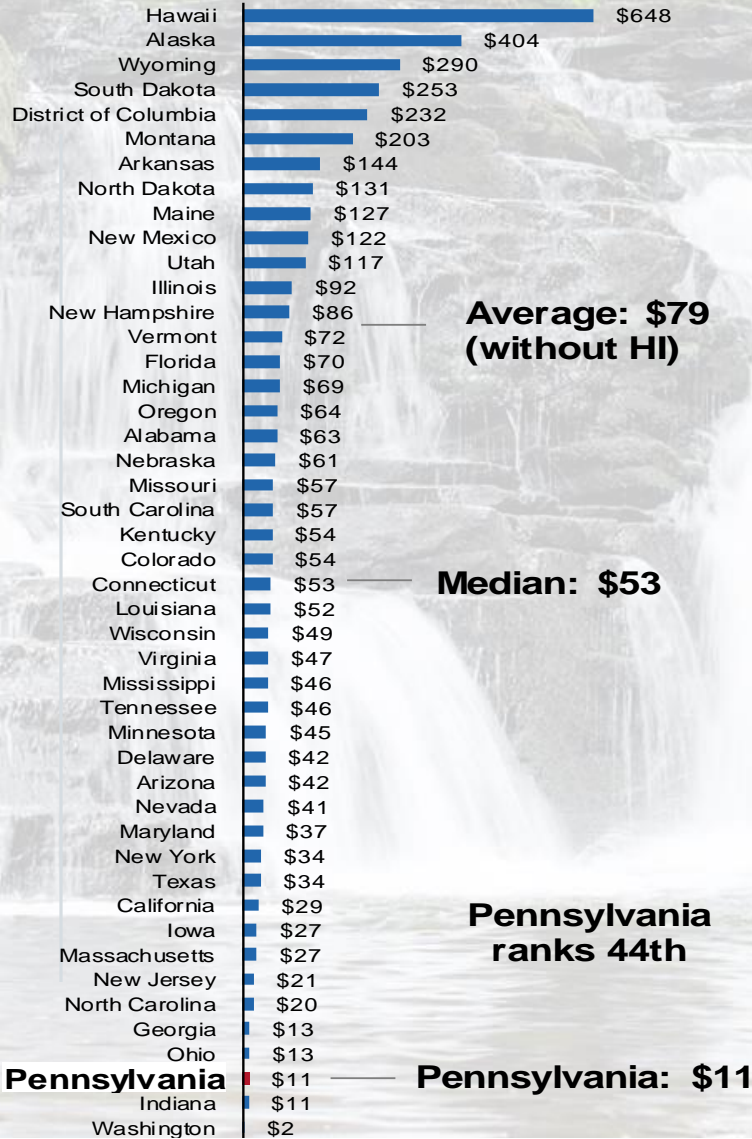
State tourism budget amounts are based on the provisional FY 2014-15 budgets as reported in the annual Survey of State Tourism Office Budgets conducted by the US Travel Association, and supplemented with additional data gathered by Tourism Economics. The analysis of state tourism budgets covers 46 states, including the District of Columbia. The analysis of state tourism advertising and promotion covers 45 states.

Funding metrics

PA's state tourism budget is even smaller than average when considered in relation to the size of the state's travel and tourism industry.

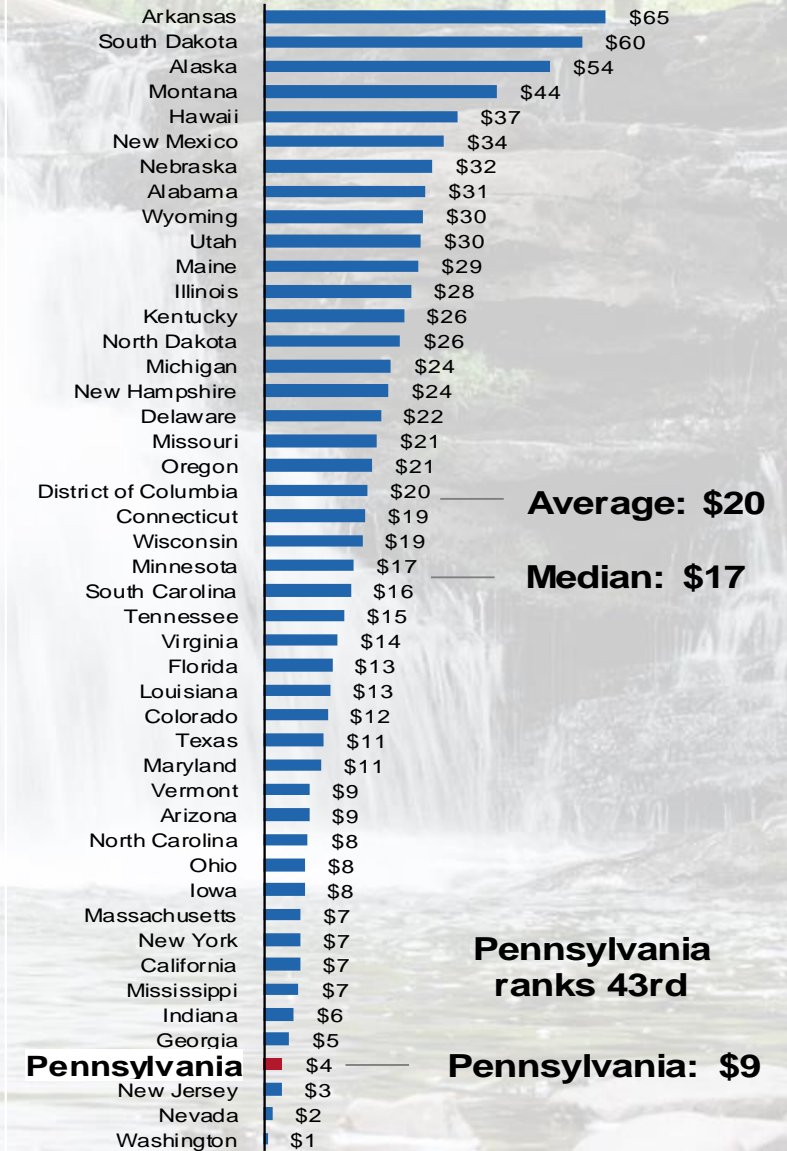
State tourism budget per L&H job

Budget, amount per leisure and hospitality job in 2013



Source: BEA; US Travel Association; Tourism Economics

Budget per \$1,000 of earnings in accommodations sector



Source: BEA; US Travel Association; Tourism Economics

Notes:

Employment in the leisure and hospitality sectors represents a proxy for the relative importance of tourism in each state. These sectors include recreation and entertainment establishments, as well as hotels, other accommodations, and restaurants.

Another proxy for tourism sector importance is the level of earnings in the accommodations sector (i.e. wages and salaries). This sector includes hotels, motels, and bed and breakfasts, as well as RV parks and other accommodations.

Comparison of increased DMO funding to benchmarks

The study recommends that PA increase its tourism funding to \$35 million annually

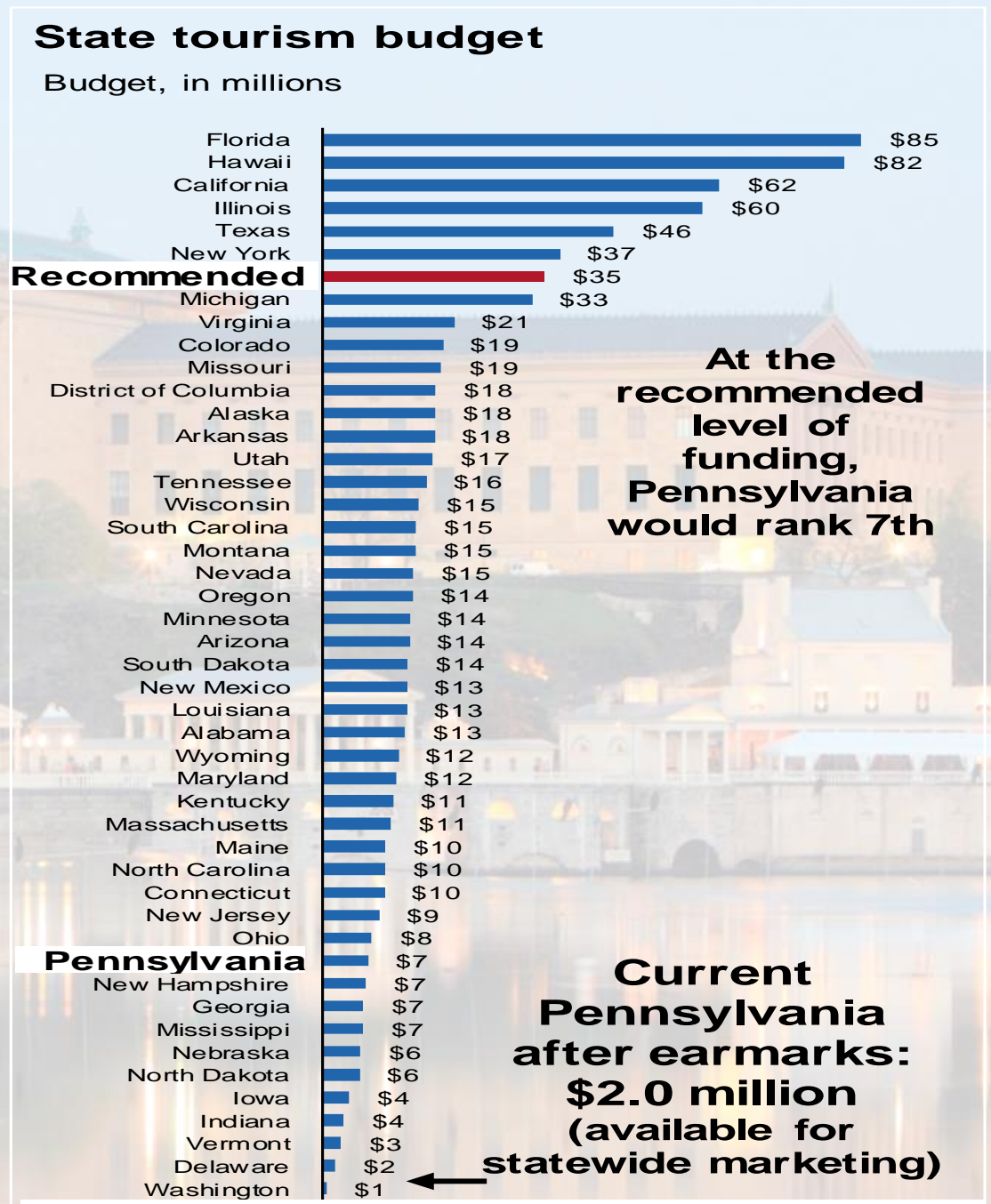
Recommended PA tourism funding

	State averages	Eight competitive states	Pennsylvania current	Recommended PA funding
Destination metrics				
Leisure and hospitality jobs (2013)			636,044	636,044
Earnings in accommodation sector (2013, in millions)			2,019	2,019
Marketable trips (day and overnight, 2014, millions)		440.2	95.6	95.6
Destination marketing funding ratios				
Funding as a ratio to average				90%
Amount per leisure and hospitality job	\$79		\$11	\$71
Amount per \$1,000 of earnings in accom. sector	\$20		\$4	\$18
Amount per 100 marketable trips		\$27	\$8	\$24
Potential PA tourism budget funding at benchmark levels				
Amount based on leisure and hospitality job ratio (in millions)				\$45.4
Amount based on earnings in accommodations (in millions)				36.4
Amount based on number of marketable trips (in millions)				23.2
Average (in millions, rounded)				\$35.0
Recommended PA tourism funding				
PA tourism office budget (in millions)			\$7.3	\$35.0

Source: BEA; US Travel Association; Tourism Economics

increased tourism budget to benchmarks

At \$35 million of recommended annual funding, Pennsylvania would rank 7th among the 45 states analyzed. This would be much more in line with the size of Pennsylvania's tourism industry than current funding. For example, on the basis of leisure and hospitality sector jobs, Pennsylvania ranks 6th out of 51 states (includes DC). On the basis of earnings in the accommodations sector (i.e.



Return on Investment for Pennsylvania

Scenario results

Dollar amounts in millions, 2014 dollars

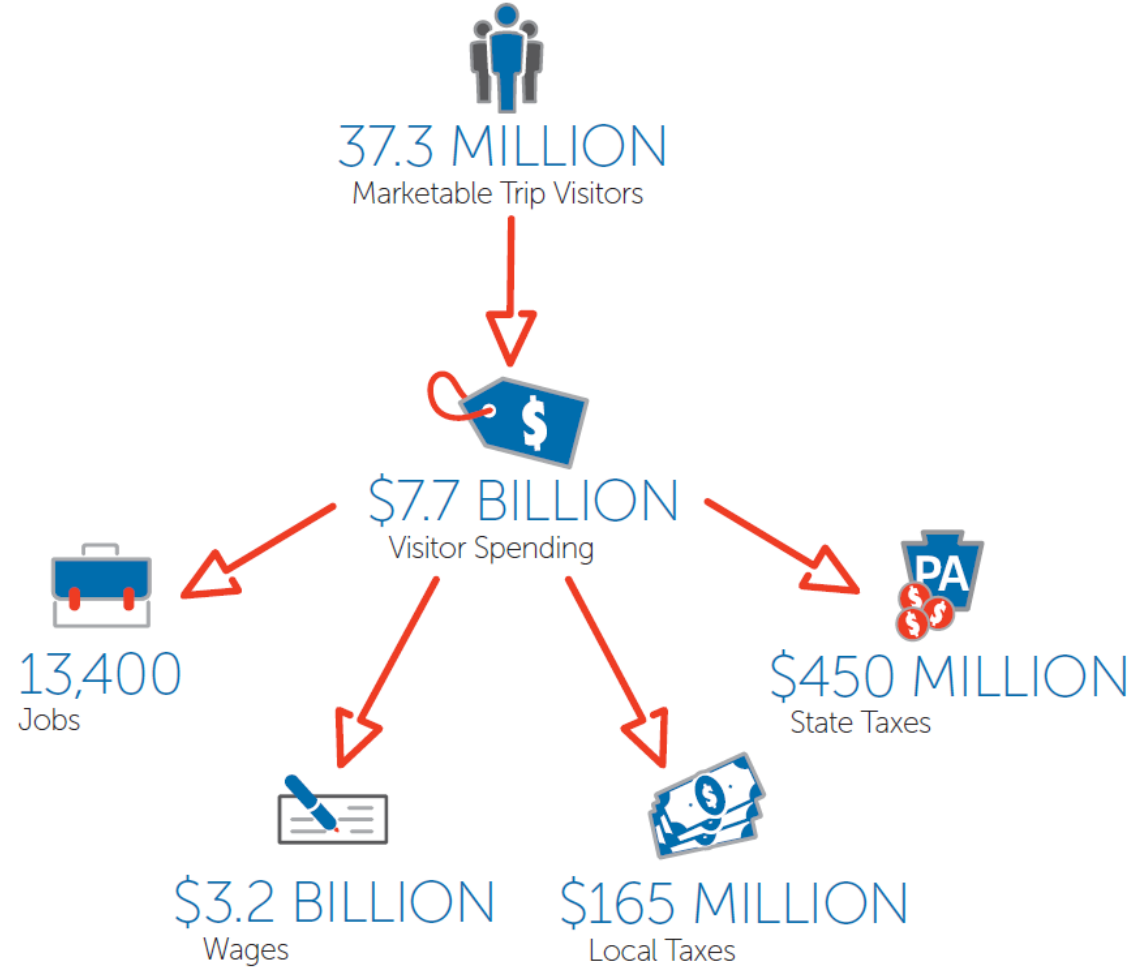
Scenario	Historical losses	Potential gains
	Cumulative impact ('09 to '14)	Cumulative impact ('17 to '20)
	Losses relative to lost opportunity scenario with \$30 million tourism budget	Gains in alternative scenario with \$35 million tourism budget relative to baseline
Travel impact		
Marketable trips (in millions)	(37.3)	31.9
Visitor spending	(\$7,683.0)	\$6,691.4
Total impact		
Economic output	(\$13,148.9)	\$11,452.0
Labor income	(\$3,203.2)	\$2,796.9
Jobs (average)	(13,384.8)	15,311.6
State tax revenue	(\$449.2)	\$391.2

Note: Cumulative impacts except jobs, which are average.

Graphic Summary of PA's losses since the defunding of Tourism Marketing

LOST

(2009-2014)



\$6.7 BILLION in visitor spending

\$390 MILLION in state taxes

\$140 MILLION in local taxes

15,300 new jobs

\$2.8 BILLION in wages



EVERY **\$1**
INVESTED

=



\$3.43 IN TAX
REVENUE

**TOURISM IS NOT AN EXPENSE.
IT'S AN INVESTMENT IN PENNSYLVANIA.**

Statewide Tourism Funding Benefits All

