



The Economic Impact of Tourism in Laurel Highlands



March 2015



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Region Overview



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Recent trends

- 2014 marks the fifth straight year of spending growth in the Laurel Highlands region as the expansion of the visitor economy continues.
 - Tourism industry sales (visitor spending) rose 4.2%.
 - Overnight visitation grew with hotel nights increasing 1.4% and revenue increasing nearly 7.5%.
 - Per trip spending increased slightly; a combination of higher prices in several key sectors along with improving consumer confidence resulted in travelers opening their wallets a bit more.
- Visitors spent \$1.5 billion in Laurel Highlands in 2014.
- Visitor spending of \$1.4 billion in 2013 generated \$1.9 billion in total business sales throughout all industries in Laurel Highlands.

Key results

- Tourism-related economic activity sustained 19,200 jobs in 2013, both directly and indirectly, representing 7.5% of total employment in the region.
- Including indirect and induced impacts, tourism in Laurel Highlands generated \$120 million in state and local taxes and \$116 million in Federal taxes in 2013.

One-in-13 workers in Laurel Highlands is supported by tourism.

Tourism saved each household in the region \$510 in tax payments.

Conceptual Overview



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Data sources

- STR statistics on hotel industry performance
- Sales tax revenue reports by county for tourism-impacted industries
- Multiple governmental employment and wage datasets:
 - BEA (SA25, SA05)
 - BLS (QCEW)
 - Census (County Business Patterns)
- Longwoods survey of US household travel patterns
- And more...

Why quantify the tourism economy?

- By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- It can also carefully monitor its successes and future needs.
- In order to do this, tourism must be measured in the same categories as other economic sectors – i.e. tax generation, employment, wages, and gross domestic product.

What is this a challenge?

- Most economic sectors such as financial services, insurance, or construction are easily defined within a country's national accounts statistics.
- Tourism is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents...

Detailed Results for Laurel Highlands



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Key trends in 2013

- The Laurel Highlands is a growing visitor destination based on both nationally and locally known attractions.
- The Laurel Highlands performance from a paid lodging perspective has outperformed the state as a whole.
- The impacts of the more than \$1.4 billion from travelers to the region support nearly 19,200 total jobs – one in 13 jobs in the region is supported by tourism.
- Direct tourism employment grew by 2.5% in 2013, bucking the regional employment total which declined 0.3%.

Laurel Highlands is home to varied attractions

Impacts are generated by a wide range of attractions and activities:

- Fallingwater
- Flight 93 Memorial
- Whitewater rafting
- Biking trails
- Nemacolin Casino
- Airport

All add to the base of traveler offerings from natural to man-made in the region.

Accumulation of data shows growth

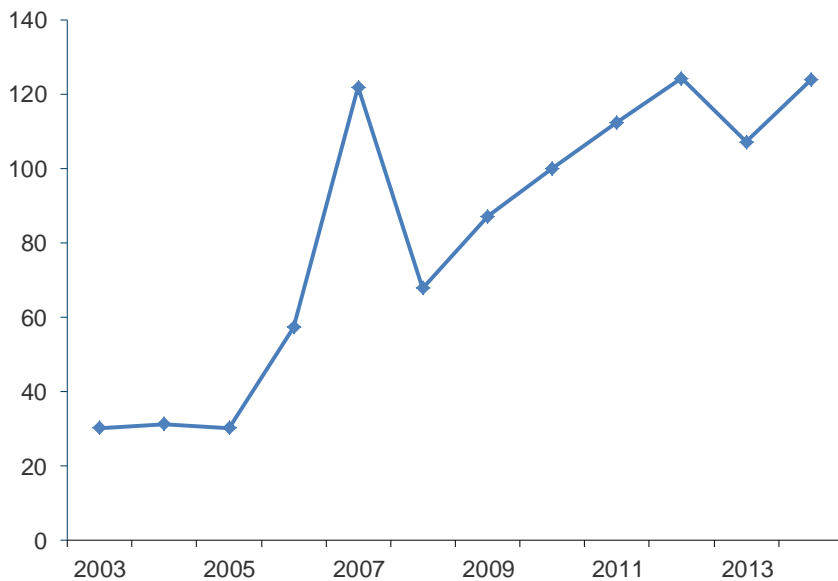
Evidence of the growth and importance of the tourism industry in the Laurel Highlands is seen from many different viewpoints:

- Attraction counts
- Industry metrics
- Employment concentration

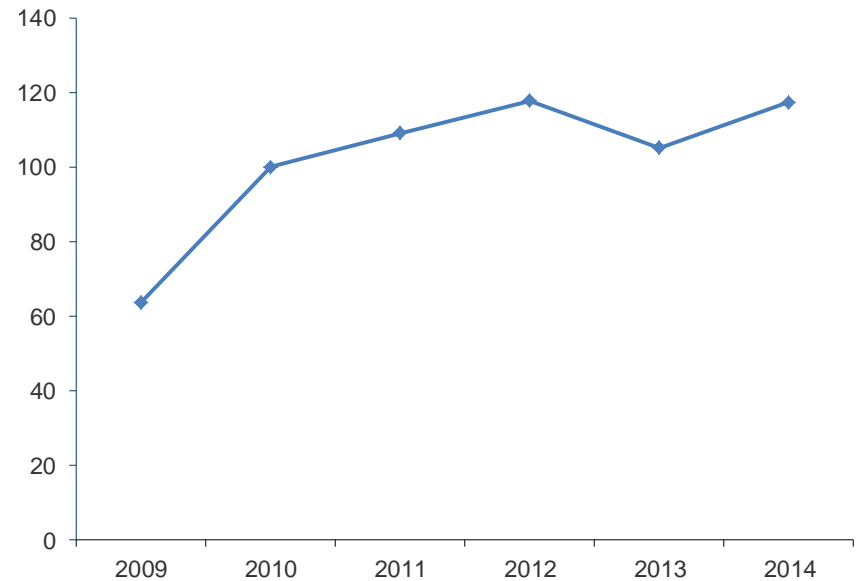
Visitor activity in the region is growing

- Attendance counts from local attractions are increasing.
- Indices include data from the National Park Service, PA State Parks, Arnold Palmer Airport, Fallingwater and more and show the increasing patronage to a wide-variety of facilities and attractions in the region.

NPS Attendance Index



Attendance Index

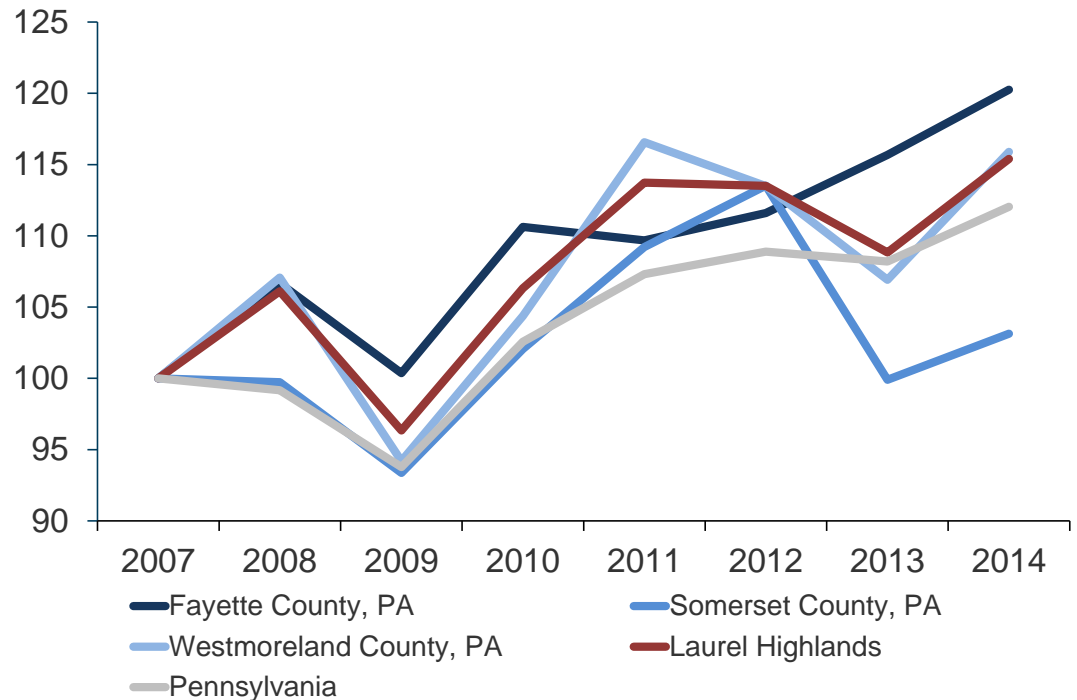


Increasing room demand in Laurel Highlands...

- Room rental growth in Laurel Highlands outpaced the state post-recession before slipping a bit in 2013.
- 2014 saw the Laurel Highlands room demand outpace the state.
- Fayette County's strong revenue growth is bolstered by the over-performance in room demand with the county leading the way since 2012.

Rooms Rented

Index, 2007=100



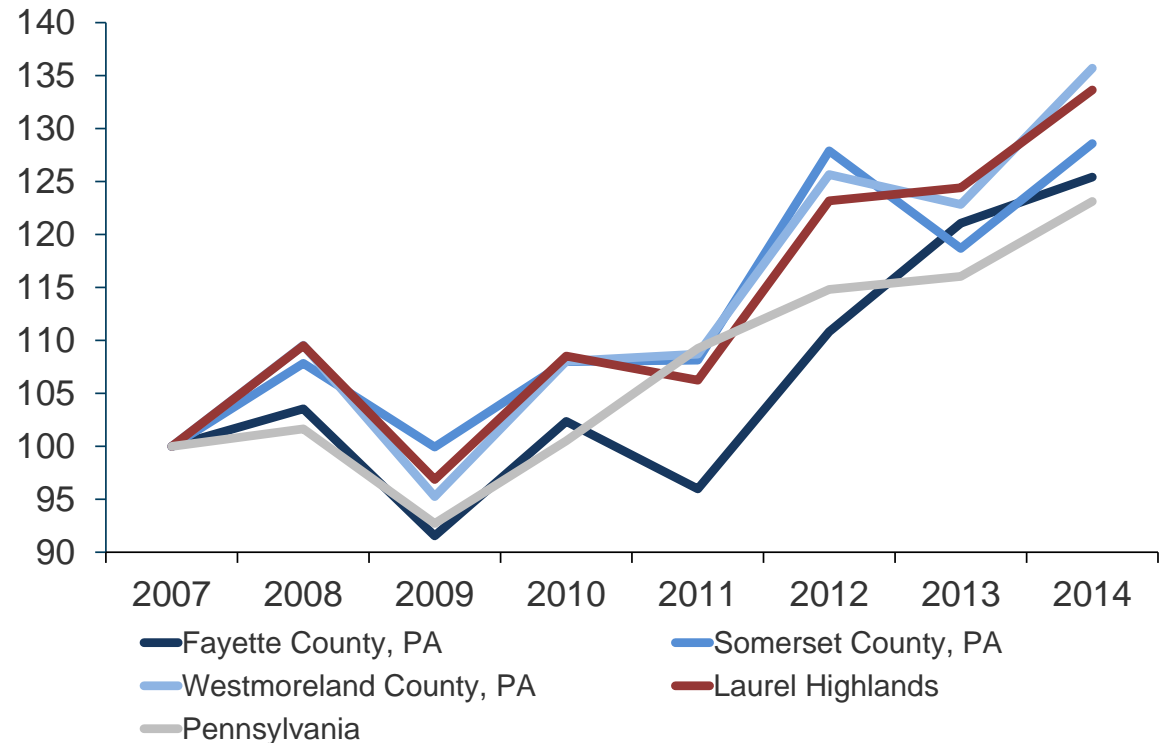
Sources: STR, Tourism Economics

...supporting higher industry revenues

- Lodging revenue in the Laurel Highlands outperformed state averages during the recession, dipped in 2011 back to state levels before outperforming the state again in 2012.
- Fayette County rebounded from below state averages in 2011 to above the state in just two years.

Lodging Revenue

Index, 2007=100



Sources: STR. Tourism Economics

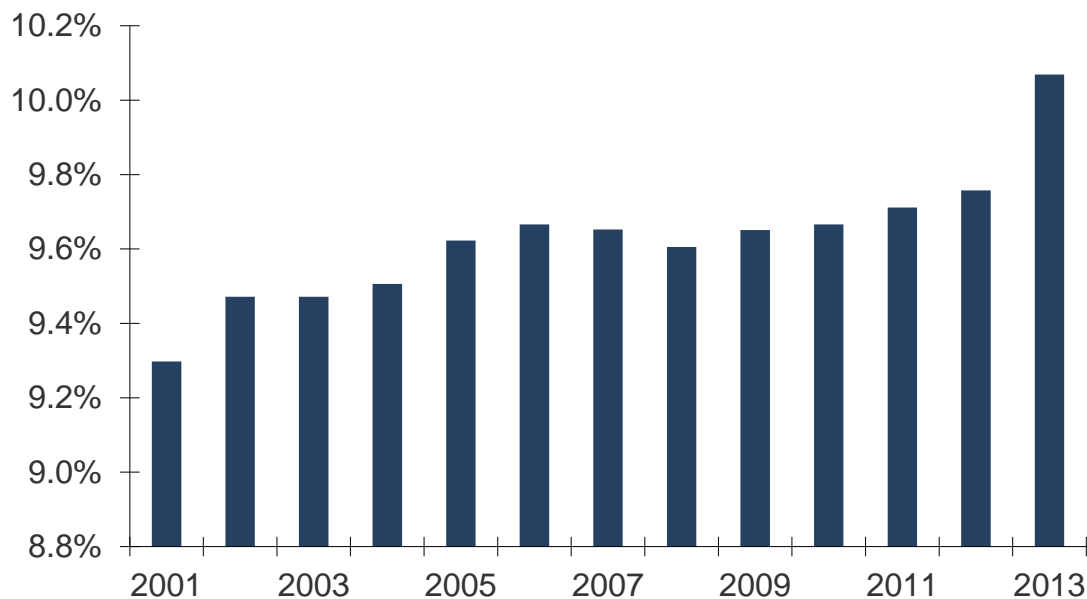
Tourism-related industries are vital to the region..

- The Accommodations, Food Services and Recreation industry make up:
 - 10.6% of all employment in Fayette County
 - 10.8% of all employment in Somerset County
 - 9.7% in Westmoreland County
- Statewide, the average is only 8.6%.

..as their importance to the region grows

- The growth of tourism in Laurel Highlands means more than just higher visitor counts, tourism supports a greater share of the overall economy.
- The leisure and hospitality share of employment in the Laurel Highlands has grown over the past 12 years, reaching 10.1% in 2013. One out of every ten jobs in Laurel Highlands is in leisure and hospitality.
- After plateauing during the recession, the share jumped 0.3 percentage points in 2013.

Leisure & Hospitality Employment Share



Source: BEA Regional Economic Accounts

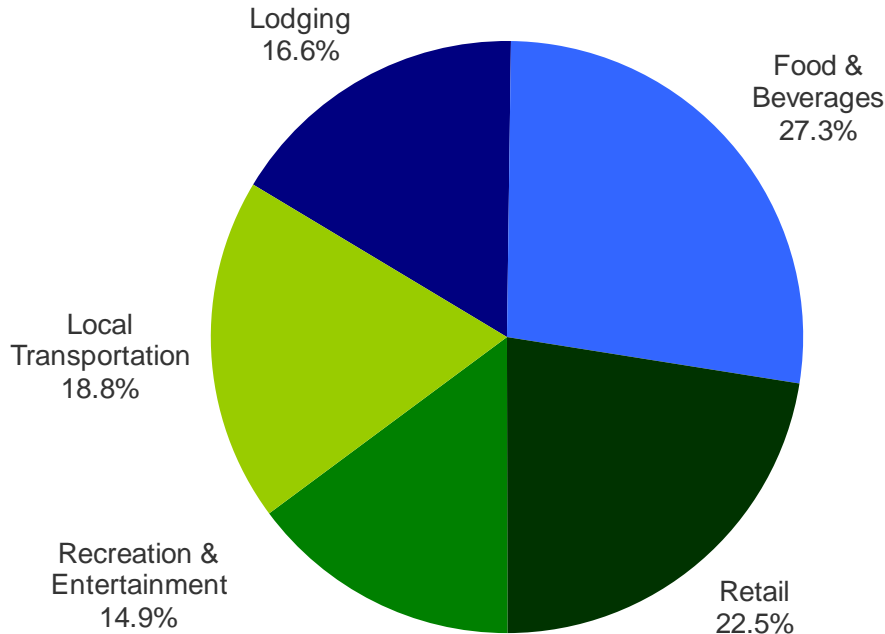
Visitor spending in Laurel Highlands

- 2014 will mark five straight years of spending growth in Laurel Highlands.
- Growth strengthened in 2014 as strong lodging performance in the region supported visitor spending growth of 4.2%.

| Traveler Spending | | | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| (US\$ Million) | | | | | | | |
| Sector | 2009 | 2010 | 2011 | 2012 | 2013 | 2014* | % Change |
| Lodging | \$193 | \$215 | \$233 | \$234 | \$234 | \$251 | 7.4% |
| Food & Beverages | \$336 | \$364 | \$377 | \$374 | \$384 | \$397 | 3.3% |
| Retail | \$316 | \$316 | \$316 | \$316 | \$316 | \$329 | 3.9% |
| Recreation & Entertainment | \$168 | \$189 | \$204 | \$204 | \$209 | \$221 | 5.7% |
| Local Transportation | \$189 | \$208 | \$253 | \$264 | \$264 | \$269 | 1.9% |
| TOTAL | \$1,202 | \$1,293 | \$1,383 | \$1,392 | \$1,408 | \$1,467 | 4.2% |
| % Change | | 7.6% | 6.9% | 0.7% | 1.1% | 4.2% | |

Tourism industry sales by sector

Laurel Highlands Traveler Spending



Sources: Longwoods International, NTTO, Tourism Economics

- In 2013, travelers visiting the region spend 27 cents of every dollar on food & beverages.
- 22.5% of each visitor dollar is spent in Laurel Highlands retail businesses.
- Lodging represents about 17% of each visitors dollar spent in the region.

Region Tourism Industry Impacts

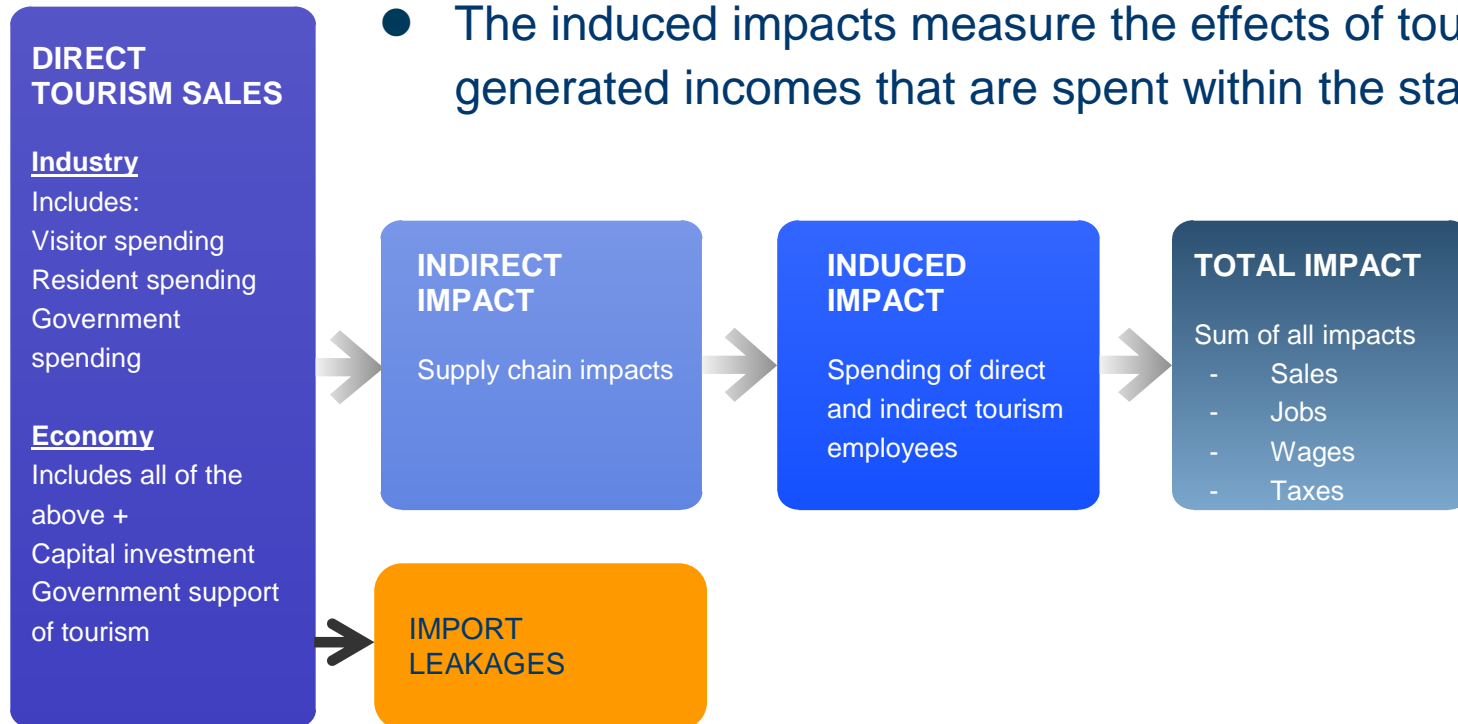


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Translating sales into impact

- Direct tourism sales flow through the local economy, generating GDP, jobs, wages, and taxes.
- The indirect impacts measure supply chain (b2b) activity generated by tourism sales.
- The induced impacts measure the effects of tourism-generated incomes that are spent within the state.



Travel generated sales

| Travel Sales | | | | |
|------------------------------------|----------------|-----------------|----------------|----------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 2.2 | 0.6 | 2.8 |
| Construction and Utilities | - | 24.5 | 7.9 | 32.5 |
| Manufacturing | - | 7.5 | 3.1 | 10.6 |
| Wholesale Trade | - | 6.8 | 5.7 | 12.5 |
| Air Transport | - | 0.1 | 0.2 | 0.3 |
| Other Transport | 26.4 | 19.5 | 6.0 | 51.9 |
| Retail Trade | 316.2 | 12.6 | 20.8 | 349.6 |
| Gasoline Stations | 224.6 | 0.8 | 1.4 | 226.8 |
| Communications | - | 13.7 | 8.7 | 22.4 |
| Finance, Insurance and Real Estate | 28.3 | 60.0 | 69.5 | 157.9 |
| Business Services | 1.0 | 52.1 | 12.1 | 65.3 |
| Education and Health Care | - | 0.5 | 41.4 | 41.9 |
| Recreation and Entertainment | 187.3 | 4.4 | 3.5 | 195.3 |
| Lodging | 233.7 | 1.0 | 1.7 | 236.4 |
| Food & Beverage | 384.2 | 8.1 | 19.9 | 412.2 |
| Personal Services | 10.5 | 9.6 | 13.1 | 33.1 |
| Government | 10.5 | 10.9 | 4.7 | 26.1 |
| TOTAL | 1,422.7 | 234.5 | 220.3 | 1,877.5 |

* Direct sales include cost of goods sold for retail sectors

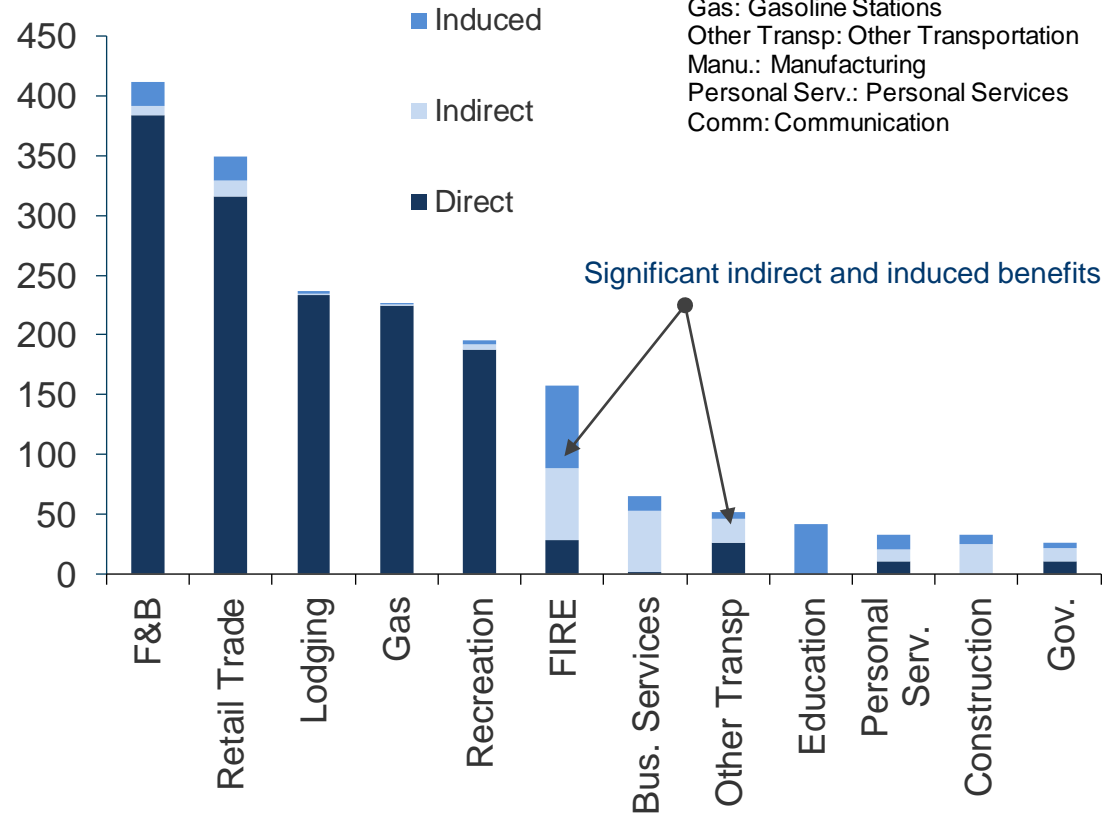
Traveler spending of \$1.4 billion generated a travel generated economic impact of \$1.9 billion in 2013 as traveler dollars flowed through the Laurel Highlands economy.

Travel sales

- All business sectors of the Laurel Highlands economy benefit from tourism activity directly and/or indirectly.
- Sectors that serve the tourism industry, like business services, gain as suppliers to a dynamic industry.

Travel Sales by Industry

\$ million



F&B: Food and Beverage
FIRE: Finance, Insurance, Real Estate
Bus. Services: Business Services
Gas: Gasoline Stations
Other Transp: Other Transportation
Manu.: Manufacturing
Personal Serv.: Personal Services
Comm: Communication

Travel employment

- The tourism sector supported nearly 19,200 jobs in 2013.
- 7.5% of all employment in Laurel Highlands is supported by visitor spending – one of every 13 jobs.

| Travel Employment | | | | |
|------------------------------------|---------------|--------------|--------------|---------------|
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 12 | 5 | 18 |
| Construction and Utilities | - | 75 | 24 | 99 |
| Manufacturing | - | 25 | 5 | 29 |
| Wholesale Trade | - | 32 | 27 | 58 |
| Air Transport | - | 0 | 1 | 1 |
| Other Transport | 318 | 190 | 55 | 563 |
| Retail Trade | 2,022 | 188 | 292 | 2,502 |
| Gasoline Stations | 398 | 14 | 23 | 435 |
| Communications | - | 57 | 19 | 76 |
| Finance, Insurance and Real Estate | 54 | 329 | 195 | 578 |
| Business Services | 8 | 549 | 145 | 702 |
| Education and Health Care | - | 12 | 517 | 530 |
| Recreation and Entertainment | 2,614 | 82 | 56 | 2,752 |
| Lodging | 2,820 | 12 | 21 | 2,853 |
| Food & Beverage | 6,680 | 139 | 381 | 7,200 |
| Personal Services | 236 | 113 | 228 | 577 |
| Government | 98 | 77 | 23 | 523 |
| TOTAL | 15,247 | 1,906 | 2,017 | 19,171 |

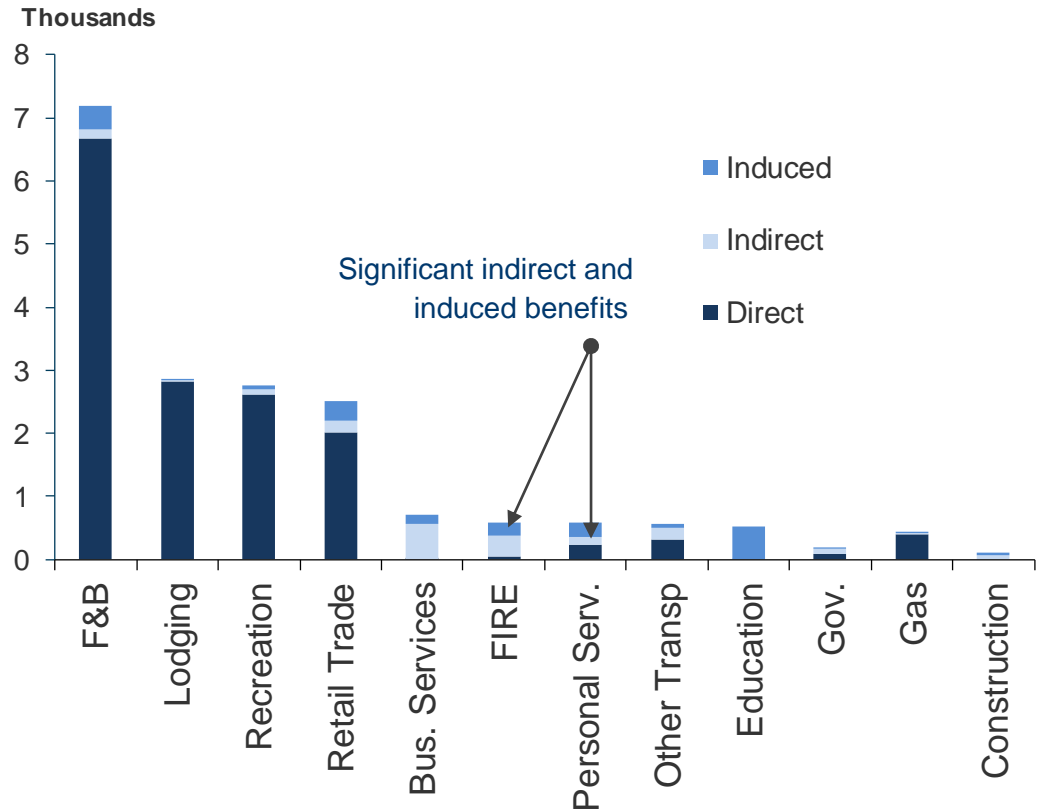
Indirect impacts quantify the supply chain to those industries directly providing goods or services to travelers.

Induced impacts are generated when employees whose incomes are generated either directly or indirectly by travel, spend those incomes in the state economy.

Travel employment

- Travel is an employment intensive industry directly supporting 6,680 jobs in the food & beverage industry.
- Travel spending supported a total of more than 2,850 jobs in the lodging industry.
- Secondary benefits are realized across the entire economy through the supply chain and incomes as they are spent.

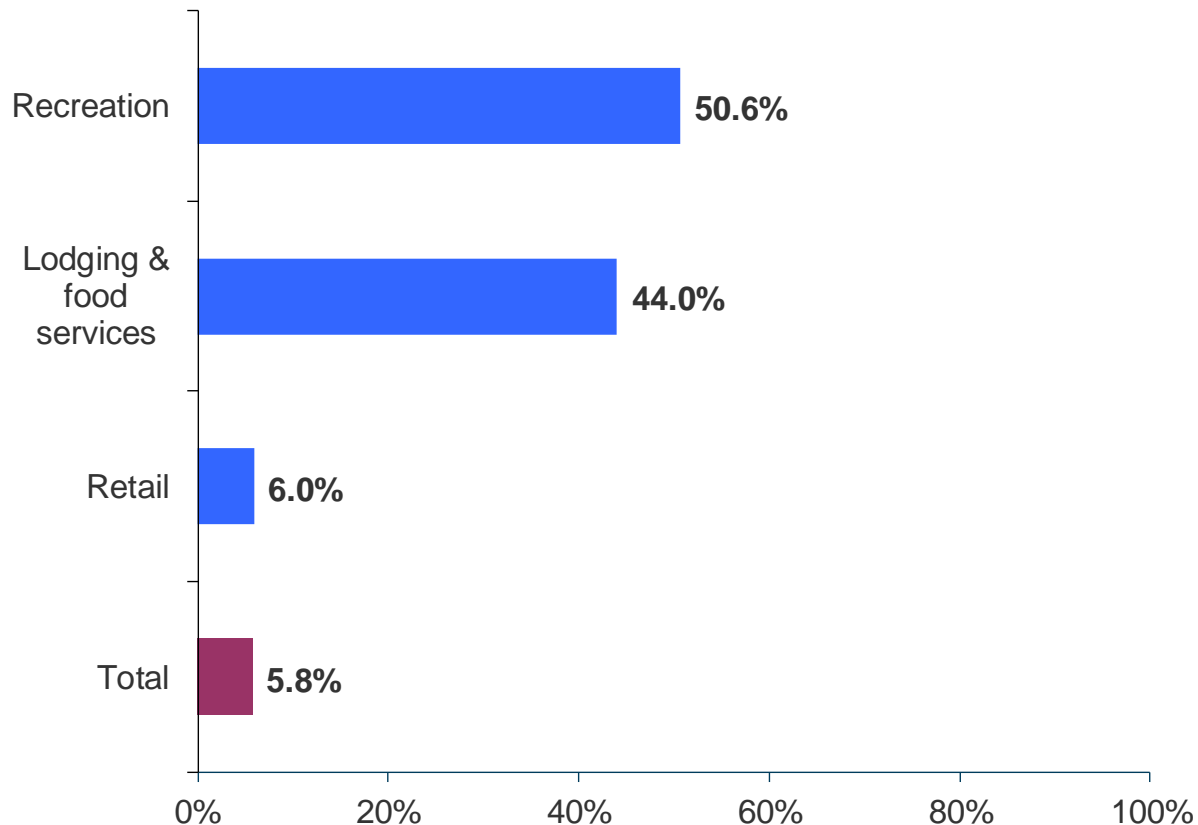
Travel Employment by Industry



Travel employment intensity

- Tourism is a significant part of several industries – around half of the recreation and lodging/F&B industry is supported by tourism spending.

Tourism Employment Intensity by Industry



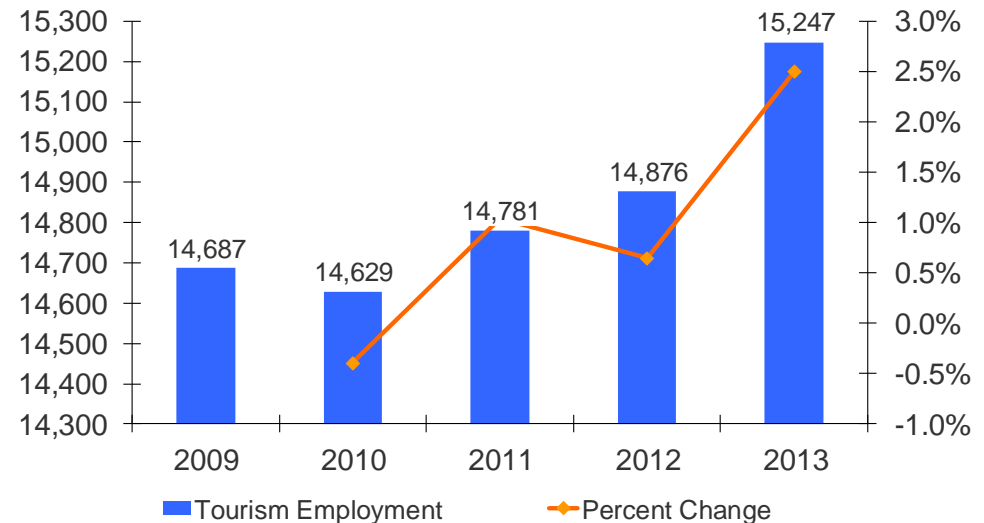
Travel employment growth

| Tourism Employment | | | | | |
|--------------------|--------|--------|--------|--------|--------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Tourism Employment | 14,687 | 14,629 | 14,781 | 14,876 | 15,247 |
| Percent Change | | -0.4% | 1.0% | 0.6% | 2.5% |

- Tourism employment grew 2.5% in 2013, posting three straight years of employment growth.

Tourism Employment

Number of Jobs



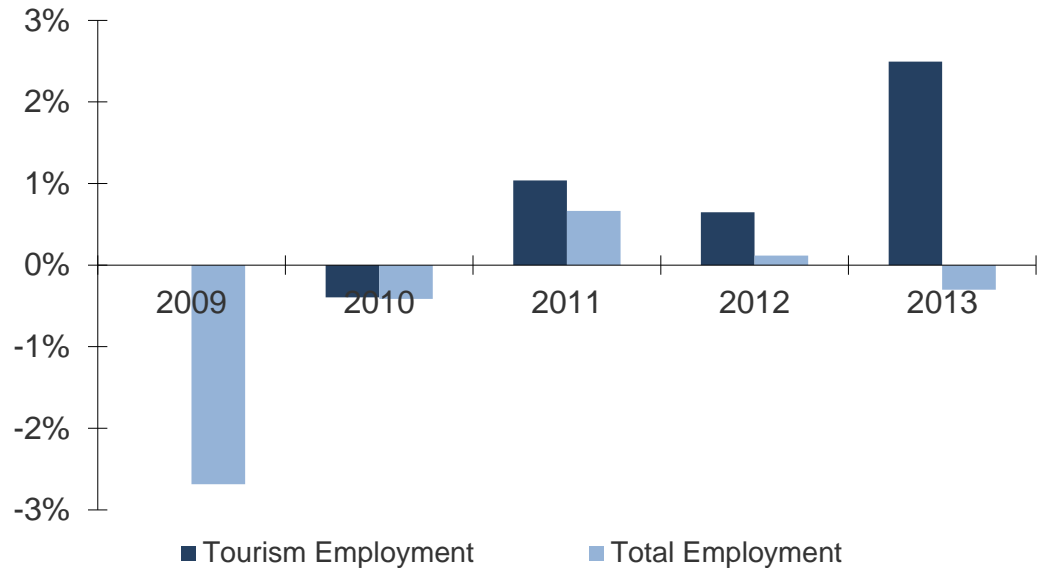
Source: Tourism Economics

Travel employment growth

- Tourism employment in the region grew 2.5% in 2013 while overall employment fell 0.3%.
- Tourism employment growth has outpaced region employment growth in each of the last three years.

Tourism Employment

Number of Jobs



Source: Tourism Economics

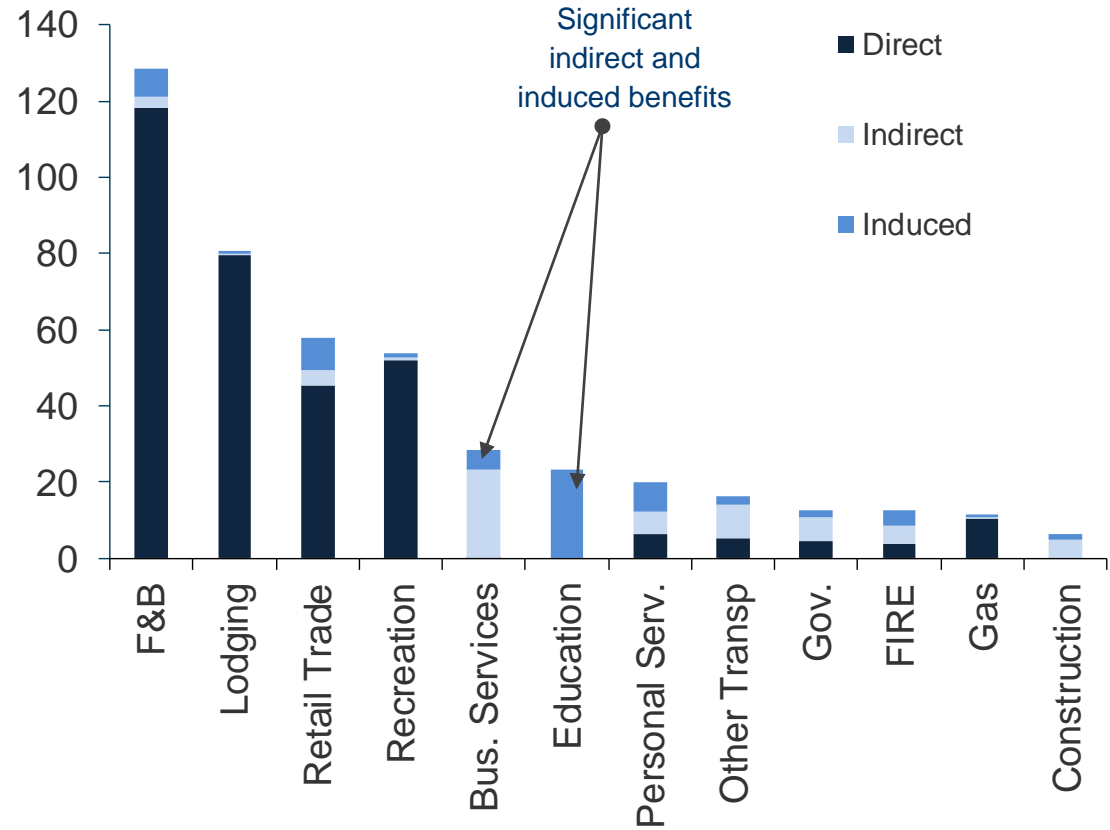
Travel personal income

| Travel Labor Income (Compensation) | | | | |
|---|---------------|-----------------|----------------|--------------|
| (US\$ Million) | | | | |
| | Direct | Indirect | Induced | Total |
| Agriculture, Fishing, Mining | - | 1.0 | 0.3 | 1.3 |
| Construction and Utilities | - | 4.7 | 1.5 | 6.3 |
| Manufacturing | - | 1.1 | 0.2 | 1.3 |
| Wholesale Trade | - | 2.1 | 1.8 | 3.9 |
| Air Transport | - | 0.0 | 0.0 | 0.1 |
| Other Transport | 5.2 | 8.8 | 2.5 | 16.4 |
| Retail Trade | 45.4 | 4.1 | 8.3 | 57.9 |
| Gasoline Stations | 10.4 | 0.4 | 0.6 | 11.4 |
| Communications | - | 3.3 | 1.1 | 4.4 |
| Finance, Insurance and Real Estate | 3.7 | 5.1 | 3.9 | 12.7 |
| Business Services | 0.3 | 22.9 | 5.3 | 28.5 |
| Education and Health Care | - | 0.3 | 23.1 | 23.4 |
| Recreation and Entertainment | 52.0 | 0.8 | 1.0 | 53.9 |
| Lodging | 79.7 | 0.3 | 0.6 | 80.7 |
| Food & Beverage | 118.4 | 2.6 | 7.3 | 128.4 |
| Personal Services | 6.3 | 6.0 | 7.6 | 19.9 |
| Government | 4.7 | 6.2 | 1.9 | 12.8 |
| TOTAL | 326.2 | 69.8 | 67.0 | 463.0 |

Travel personal income

- Significant employment in F&B and lodging drives high labor income in those industries.
- Above average wages drive labor income in supplier industries such as business services.
- The average labor income of workers directly supported by traveler spending was \$21,400 in 2013.

Travel Labor Income by Industry
\$ million



Travel tax generation

| Traveler-Generated Tax Revenues | | | |
|--|---------------|------------------------------|--------------|
| (US\$ Million, Year) | | | |
| | Direct | Indirect/ Induced | Total |
| Federal | 79.5 | 36.0 | 115.6 |
| Personal Income | 24.6 | 10.8 | 35.4 |
| Corporate | 7.4 | 7.5 | 14.9 |
| Indirect business | 7.4 | 2.2 | 9.6 |
| Social Security | 40.1 | 15.5 | 55.6 |
| State and Local | 93.3 | 26.6 | 119.9 |
| Sales | 42.5 | 10.3 | 52.8 |
| Bed Tax | 2.9 | - | 2.9 |
| Personal Income | 7.2 | 3.1 | 10.3 |
| Corporate | 1.4 | 1.4 | 2.7 |
| Social Security | 0.5 | 0.2 | 0.8 |
| Excise and Fees | 8.7 | 2.8 | 11.5 |
| Property | 30.0 | 8.9 | 38.9 |
| TOTAL | 172.9 | 62.6 | 235.5 |

- Tax revenue as a result of visitor activity reached \$235 million in 2013.
- State and local taxes alone tallied \$120 million in 2013.
- \$93 million in state and local tax revenue was a DIRECT result of visitor activity in the state.
- Each household in Laurel Highlands would need to be taxed an additional \$510 per year to replace the traveler taxes received by state and local governments.

Methodology and Background



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Methods and data sources

- Domestic visitor expenditure estimates are provided by Longwoods International representative survey of US travelers. These are broken out by sectors (lodging, transport at destination, food & beverage, retail, and recreation), by purpose (business and leisure), and by length of stay (day and overnight).
- Tourism Economics then adjusts these levels of spending based on a range of known measures of tourism activity:
 - Overseas visitor spending (source: OTTI, TE)
 - Canada visitor spending (source: Statistics Canada, TE)
 - Bed tax receipts
 - Sales tax by sector
 - Spending on air travel which accrues to all airports and locally-based airlines
 - Gasoline purchases by visitors (source: TE calculation)
 - Smith Travel Research data on hotel revenues
 - Industry data on employment, wages, GDP, and sales (source: BEA, BLS, Census)

Methods and data sources

- An IMPLAN model was compiled for the Laurel Highlands. This traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism.
- All results are benchmarked and cross-checked and adjusted based on the following:
 - US Bureau of Labor Statistics and Bureau of Economic Analysis (employment and wages by industry)
 - US Census (business sales by industry)
- The source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis, U.S. Department of Commerce. All employment rankings are based on Bureau of Labor Statistics (ES202/QCEW) data.

Definition of a trip

- An **overnight trip** is any journey for business or pleasure outside your community not part of your normal routine, where you spent one or more nights away from home.
- A **day trip** is any journey for business or pleasure outside of your community not part of your normal routine that does not include an overnight stay. In this survey, a day trip would involve **travel of more than 50 miles** from your home.

Description of spending categories

| Spend Category | Description |
|-----------------------|---|
| Lodging | Includes visitor spending in accommodation sector. This includes food and other services provided by hotels and similar establishments. |
| Recreation | Includes visitors spending within the arts, entertainment and recreation supersector. |
| Air transport | Includes the local economic activity generated by visitors within the air transport (airline) and support services (on air-port) sectors. |
| Other transport | Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses. |
| Shopping | Includes visitor spending within all retail sectors within the Philadelphia economy. |
| Service stations | Visitor spending on gasoline. Only the margin counts as local economic impact. |
| Second homes | Spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Department. |
| Food and beverage | Includes all spending at restaurants and bars. |

Selected recent economic impact clients

Associations / Companies

Center for Exhibition Industry Research (Economic Impact of Visa Restrictions)

DMAI (Event Impact Calculator for 80 CVBs)

US Travel Association (Impact of travel promotion)

InterContinental Hotels

States

California

Georgia

Maryland

New York

North Carolina

Ohio

Pennsylvania

Wisconsin

Cities

Baltimore, MD

Columbus, OH

Kansas City, MO

London, United Kingdom

New York City

Omaha, NE

Orlando, FL

Philadelphia, PA

Pittsburgh, PA

Rockford, IL

Countries / Provinces

Bahamas

Bermuda

Cayman Islands

Dubai

Ontario Canada

St. Lucia

United Kingdom



About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
- Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics is founded on a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 40 highly-experienced professional economists; a dedicated data analysis team; global modeling tools; close links with Oxford University, and a range of partner institutions in Europe, the US and in the United Nations Project Link.
- For more information: info@tourismeconomics.com.



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