

TOURISM WORKS FOR VIRGINIA

VIRGINIA IS FOR LO♥ERS

Tourism Works for Virginia

Tourism is a growing industry in Virginia and is playing an increasingly important role in the overall economic development of the state. Beyond its many economic benefits, tourism is an industry that closely affects all Virginia citizens. Development of tourism assets not only accommodates visitors, but has the additional benefit of improving the overall quality of life for Virginians.

Tourism is an economic engine for the Commonwealth of Virginia. While there is no commonly accepted definition of travel, this article defines travel as activities associated with all overnight and day trips at least 50 miles from an individual's home. All economic activities associated with providing products and services to travelers under this definition are classified as tourism, calculated using travel-related North American Industry Classification System (NAICS) codes. See the box on the final page for the NAICS codes used in this definition. In 2012, tourism accounted for more than \$21 billion of spending in the state and employed 210,020 Virginians. Moreover, it dampened the impact of the Great Recession in many areas across the state and provided much needed jobs in rural areas where traditional manufacturing industries have been shedding jobs.

The Commonwealth's rich history, natural beauty, and abundant cultural resources make it a top destination for visitors. As worldwide population continues to grow and the middle class expands in emerging markets such as China and Brazil, tourism in Virginia will continue to grow. The incoming dollars from tourism have the power to support communities with economic, socio-cultural, and environmental improvements—all of which improves the quality of life for residents.

The remainder of this article provides three reasons to invest in tourism. First, it contributes to economic diversity and is not as sensitive to the business cycle as are many other industries. Second, most Virginians believe it improves their quality of life. Third, tourism-related sales and employment are forecast to grow through 2016 based on Chmura's forecasts.

Tourism Adds to Economic Diversity

Tourism employment in Virginia was relatively recession-proof, dipping initially in the last recession, but bouncing back quickly to increase its share in the state. Employment in sectors such as manufacturing, finance and insurance, and information plunged by an average 10.6% during the U.S. recession from December 2007 through June 2009. Tourism employment in Virginia was more resilient—it dropped only

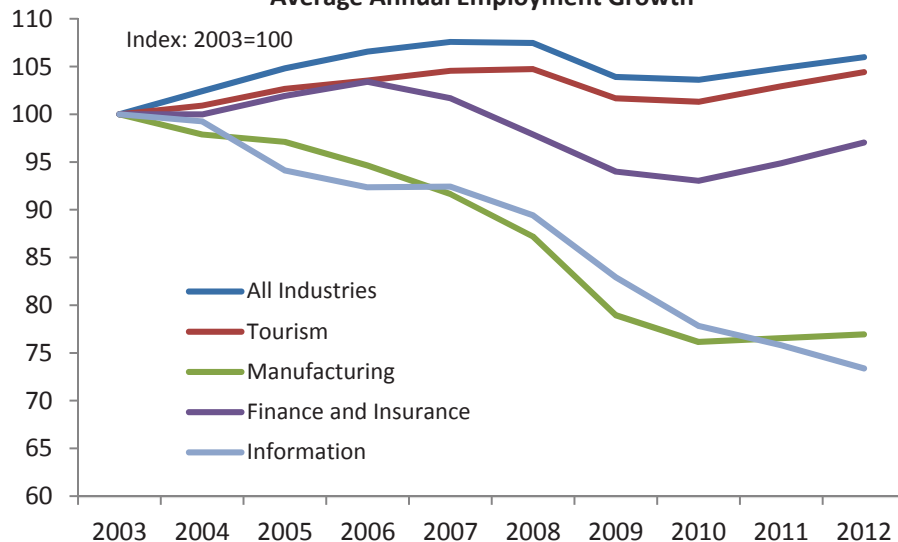
3.0% below its 2008 peak before sprinting back between 2010 and 2011. Tourism employment has since hit a new employment peak—about 210,000 jobs in 2012.¹ By comparison, total employment in Virginia in 2012 was still 54,822 jobs below its pre-recession peak.

Tourism is also growing in its importance in the state's economy. Jobs in the tourism industry accounted for 5.7% of total employment in Virginia at its lowest point in 2006*, and its share has grown each year since. It accounted for 5.8% of Virginia's employment in 2012.

As tourism's share of employment in Virginia increases, it could help minimize overall employment losses in the state during recessions. A vibrant tourism industry may be especially important for small towns or rural areas in Virginia that are hard hit by the declining manufacturing and mining sectors. In a recent survey of prospective travelers to Virginia, nearly 20% of respondents said they engaged in rural sightseeing and/or in agritourism on their most recent leisure trip.²

Examples around the country show that beyond providing retail or hospitality jobs, tourism can have the additional benefit of marketing destinations to potential residents and

Tourism Industry Performed Well Over the Past Decade
Average Annual Employment Growth



Source: Virginia Tourism Corporation and JobsEQ®

* The earliest data available is 2003, when the percentage of tourism-related employment was 5.9%

1 Tourism employment data were provided by Virginia Tourism Corporation, from studies conducted by the Research Department of the U.S. Travel Association. Data available from: <http://virginiascan.yesvirginia.org/localspending/localspending.aspx>.

2 Results from a study of individuals who have traveled for a vacation within the past 18 months but have not taken a trip to Virginia in at least in the last 10 years; conducted by Chmura Economics & Analytics for Virginia Tourism Corporation in 2013Q4.

entrepreneurs who may return to retire, begin, or expand a business.³

Tourism Improves Quality of Life

Tourism can affect the quality of life (QOL) in Virginia communities, in both positive and negative ways. For example, tourism activities and resources such as festivals, restaurants, outdoor recreation opportunities, and cultural and artistic institutions that usually cater to visitors can also be enjoyed by local residents. Alternatively, some residents might perceive tourism in a negative light if it contributes to crowded public space and issues with parking availability.

Based on a 2012 survey, the vast majority of residents in Virginia see tourism as a positive asset that contributes to their quality of life:⁴

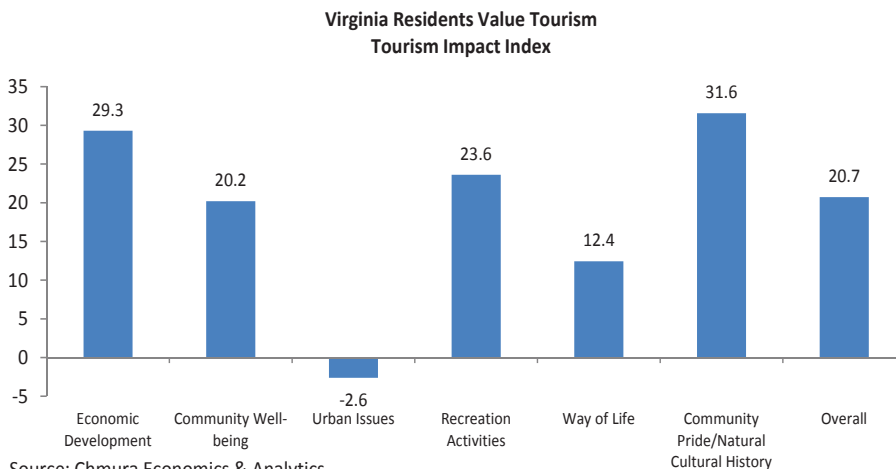
- Over 80% of Virginia residents consider tourism a positive asset in their communities. Among those, 37% say that tourism plays a strongly positive role and 46% say that tourism plays a slightly positive role in their community.
- Similarly, over 80% of survey respondents think that tourism plays a positive economic role (e.g., impact on taxes, jobs, sales, prices, maintenance of infrastructure, etc.) in their communities. Statewide, 37% of all respondents said that tourism plays a strongly positive economic role and 46% responded that tourism plays a slightly positive economic role in their community.
- Almost two-thirds of survey respondents (65%) support the development of additional tourist assets in their communities.

The 2012 survey also identified residents' perceptions of 31 detailed quality of life and economic development indicators that can be impacted by tourism to create an index that rates residents' perception of tourism. Those 31 indicators are grouped into the following six major categories:

- Economic development,
- Community well-being,
- Urban issues,
- Recreation activities,
- Way of life, and
- Community pride and natural and cultural history.

With index values ranging between -100 (strongly negative impact) and 100 (strongly positive impact), the average statewide tourism impact index of 20.7 was positive, meaning that surveyed Virginia residents perceive positive effects from tourism on quality of life, including economic development of their communities. Among the six categories, community pride and

natural and cultural history received the highest tourism impact index score (31.6), followed closely by economic development (29.3), and recreation activities (23.6). The tourism impact index for urban issues was slightly negative (-2.6), meaning that surveyed Virginia residents perceived a negative impact of tourism on urban issues such as traffic congestion, crowded public spaces, and the availability of parking spaces.



Although the perceived value of tourism varies by region, the majority of survey respondents agreed that tourism has a positive impact on their quality of life. The regional indexes ranged from 15.9 in the Chesapeake Bay area to 26.2 for the Hampton Roads region. The residents of Hampton Roads, which boasts some of the most important tourism attractions in Virginia, including Colonial Williamsburg and Virginia Beach, have a very positive view of tourism. Residents in Southern and Central Virginia also had a very positive view of tourism's impact on their quality of life. On the other hand, residents in the Northern Virginia and Chesapeake Bay regions had the lowest impact scores. Chesapeake Bay residents perceived lower positive impacts from tourism overall, but urban issues and congestion negatively impacted scores from residents in Northern Virginia.

Tourism Impact Index	
Region	Tourism Impact Index Value
Blue Ridge	20.6
Central Virginia	23.7
Chesapeake Bay	15.9
Eastern Shore	20.4
Hampton Roads	26.2
Heart of Appalachia	18.3
Northern Virginia	16.5
Shenandoah Valley	19.6
Southern Virginia	23.8

Source: Chmura Economics & Analytics

³ For a complete report, please see Virginia Residents' Perception of Tourism's Impact on Quality of Life and Economic Development. Prepared for Virginia Tourism Corporation, by Chmura Economics & Analytics, December 2012.

⁴ See, for example, Rural Tourism: An Annotated Bibliography from the Economic Research Service of the U.S. Dept. of Agriculture, http://www.nal.usda.gov/ric/ricpubs/rural_tourism.html.

Tourism Industry is Forecast to Grow

Tourism is a growing industry, and will continue to play important roles in Virginia's diverse economy. Due to the confluence of globalization and new technology advancements, some industries will experience stagnant growth or even decline in the future. For example, plagued by outsourcing and competition from low-cost countries, manufacturing in Virginia is projected to decline at 0.1% per year over the next 10 years.⁵

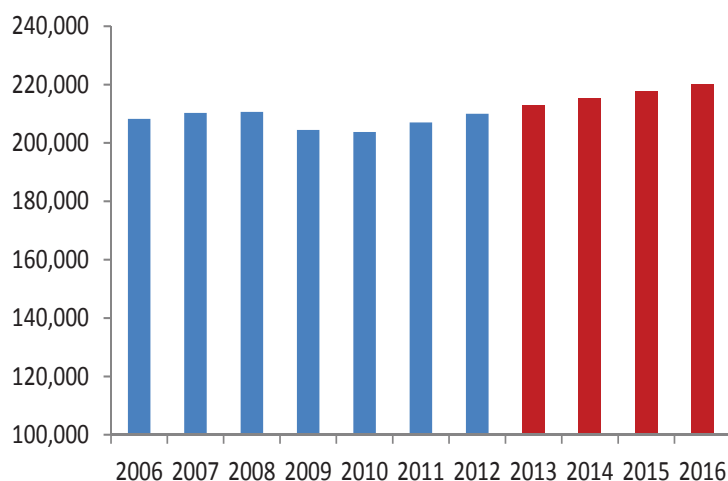
Tourism is an industry where physically experiencing an attraction, a culture, or an activity is the ultimate goal. Consequently, tourism is a labor-intensive industry, and it less threatened by the ongoing trend of outsourcing. More importantly, as incomes increase, households will have the opportunity to devote a larger share of their earnings to traveling. With the explosive growth of middle-class households in fast-growing economies such as China and Brazil, the number of international tourists is expected to rise.

The fundamental drivers for the tourism industry—typically measured by total expenditures, employment, or visitor volume—are economic and demographic conditions of both the traveler's destination and origination locations.⁶

The following charts illustrate historic as well as projected tourism expenditures and employment in Virginia from 2003 to 2016, with the red bars identifying projections. Total domestic expenditures increased from \$13.9 billion in 2003 to \$21.2 bil-

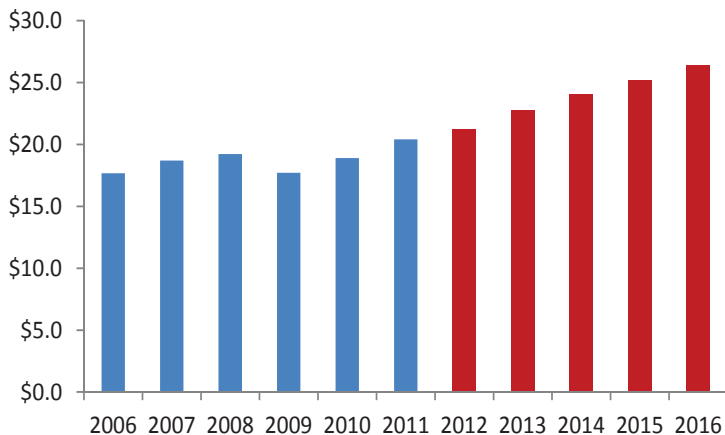
lion in 2012—the latest year where actual full-year data were available, averaging 4.8% growth per year. Total expenditures declined in 2009 due to the recession that lasted from December 2007 to June 2009, but has been growing every year since then. In the next four years, it is projected that statewide tourism expenditures will increase 5.6% per year, reaching \$22.8 billion in 2013 and \$26.4 billion in 2016. Underlying these projections are continued improvement of macroeconomic conditions and the steady increase in Virginia's population. For example, real GDP growth is expected to accelerate, reaching 2.9%, 3.3%, and 3.6% in 2014, 2015, and 2016, respectively, while the national unemployment rate is expected to decline from 7.4% in 2013 to 5.5% in 2016.⁷

Total Tourism Employment in Virginia is Expected to Continue Growing



Source: Chmura Economics & Analytics

Total Tourism Spending in Virginia is Expected to Continue Growing (\$Billion)



Source: Chmura Economics & Analytics

Tourism-related employment in Virginia followed a similar pattern as spending. Between 2003 to 2012, tourism employment grew an average of 0.5% per year, from 201,130 to 210,020. The recession resulted in job losses in the industry, which took longer to recover to pre-recession levels than tourism spending.

With the improving economy, it is projected that employment growth in this industry will accelerate. In the next four years, it is projected that statewide tourism employment will expand at an average of 1.2% per year, reaching 213,068 in 2013 and growing to 220,092 in 2016. This is consistent with overall employment growth in Virginia.⁸

⁵ Source: JobsEQ.com.

⁶ For examples of national and state tourism forecasts methodology, please see Australian Tourism Research Forecast 2013, available at: http://www.ret.gov.au/tourism/Documents/tra/Forecasts/2013/TFC_Forecast_2013_Issue_1_FINAL.pdf; Louisiana Tourism Forecast:2010-2014, available at: <http://crt.louisiana.gov/tourism/research/Documents/2010-11/LouisianaForecast2010-14.pdf>. International tourism forecasts also must consider restrictions such as visa requirements and airline capacity limits.

⁷ Please see the Chmura publication Virginia Economic Trends for macroeconomic forecasts.

⁸ Please see the Chmura publication Virginia Economic Trends for state employment forecasts.

Industry Definitions and Forecasting Background

Travel-Related Industries

Activities associated with all overnight and day trips at least 50 miles from an individual's home is one of the more accepted definitions of travel, but economic activities associated with providing products and services to travelers cross over many different industries. For this article, Chmura used travel-related North American Industry Classification System (NAICS) codes as defined by the U.S. Travel Association below.

Accommodations		Public Transportation	
7211	Traveler Accommodations	481	Passenger Air Transportation
7212	Recreational Vehicle Parks & Campgrounds	4884	Airport Support Activities
Auto Transportation		4821	Rail Transportation
532111	Passenger Car Rental	4852	Interurban and Rural Bus Transportation
447	Gasoline Stations	4853	Taxi & Limousine Services
4411	Automobile Dealers	485510	Charter Bus
4412	Other Motor Vehicle Dealers	483112	Deep Sea Passenger Transportation
4413	Automotive Parts, Accessories and Tire Stores	483114	Coastal and Great Lakes Passenger Transportation
8111	Automotive Repair and Maintenance	483212	Inland Water Passenger Transportation
Entertainment and Recreation		487	Scenic & Sightseeing Transportation
711	Performing Arts, Spectator Sports & Related Industries	Retail	
712	Museums, Historical Sites & Similar Institutions	451	Sporting Goods, Hobby, Book, and Music Stores
713	Amusement, Gambling & Recreation	452	General Merchandise Stores
Food		453	Miscellaneous Store Retailers
7221	Full service Restaurants	443	Electronics and Appliance Stores
7222	Limited Service Eating Places	444	Building Material and Garden Equipment and Supplies Dealers
7224	Drinking Places	446	Health and Personal Care Stores
445	Food and Beverage stores	448	Clothing and Clothing Accessories Stores
		Travel Arrangement	
		5615	Travel Arrangement & Reservation Services (includes travel agencies and tour operators)

Source: U.S. Travel Association

Forecasting Background

Chmura chose two key indicators of the state tourism industry—total spending and employment—to project tourism activity. These two variables represent the role of tourism in the state's economy and labor markets. Chmura's model concluded that tourism spending and employment in Virginia are both strongly influenced by total state population and national economic indicators such as the unemployment rate and the overall economic growth as measured by real gross domestic product (GDP).⁹ Note that the most recent available data are through 2012.

⁹ While national population and unemployment can also influence Virginia tourism, those variables are highly correlated with Virginia population and unemployment rate. Thus, those variables were omitted.

TOURISM WORKS FOR YOU



IN 2012, THE VIRGINIA DOMESTIC TOURISM INDUSTRY:



GENERATED \$21.2 BILLION IN VISITOR SPENDING



SUPPORTED 210,000 JOBS



TOURISM IS THE FIFTH LARGEST EMPLOYER



PROVIDED \$1.36 BILLION IN STATE AND LOCAL TAXES

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