The economics of tourism

Travel Prices Expected to Resist Usual Summer Rise

101 Ways to Predict Consumer Behavior

Travel Industry Cites a Lag in Consumer Confidence — Now Fares Are Up, Too

Foreigners Increasing Travel to U.S.

Predicting Consumer Spending

TOURISM ECONOMICS

Predicting Consumer Attitudes

U.S. Posts First Trade Surplus From Tourism

FEARING RECESSION, AMERICANS SKIMP ON VACATION COSTS

Consumers of the 1990s Will Be Particular

Entrance Fees and the National Parks
Economic Issues and Consequences

New Per Capita Income Projections Indicate Future States of Well-Being

GOOD BUYS STILL SELL

United States Department of the Interior

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TAKE PRIDE IN AMERICA

IN REPLY REFER TO:

September 6, 1990

Memorandum

To: Park Superintendents

From: Assistant to the Director for Science and Technology

Subject: THE ECONOMICS OF TRAVEL AND TOURISM IN THE U.S.

The U.S. Travel Data Center issues an annual study concerning the economic consequences of travel in America ..... i.e. for trips greater that 100 miles from home, or trips involving overnight stays. I have extracted some information from their August, 1990, report that you may find interesting. While I cannot relate this general U.S. travel data specifically to park visitation, we nevertheless do know that parks are a significant contributor in the vacation/recreation travel sector. We also know that park visitation is in some fashion driven by and responsive to local and national economic conditions, but the relationships that exist here are unclear. In this context, then, it would seem useful to be kept apprised of both the magnitude and the trends of travel-related expenditures and impacts as compiled by the Travel Data Center.

- Travel Destinations: Regional Travel Patterns

The South Atlantic region continued to be the most popular regional travel destination by far, attracting nearly one-quarter of all U.S. trips during 1989. The Pacific region, dominated by California, took second place (14%), followed by the East North Central region around the Great Lakes (13%). The smallest number of trips were made to New England, comprising less than four percent of all U.S. person-trips for the year. (See Figure 1)

The South Atlantic region also enjoyed the greatest growth: Up more then twenty percent in person-trips over the previous year. The Mountain region posted a 14 percent growth rate. The Pacific Region recorded the largest decrease in person-trips for the year, down 11 percent.

- Travel Duration

The durations of trips for personal reasons -- vacation, visiting friends/relatives, sightseeing/recreation -- have shown an interesting pattern this decade. Average nights away from home on these trips rose steadily from the recession years of 1980-82 and peaked in 1985. Overall durations reached an average of five nights per trip that year, and vacation trips topped 5.7 nights.

Since then, however, personal trip durations have trended steadily downward. Vacation trips now show the shortest duration in this decade (4.7 nights) and travel to visit friends/relatives has fallen to 4.1 nights from its 1985 peak of 5.4 nights.

Explanations for this pattern may be found in employment trends. The proportion of Americans with jobs is at the highest level this century, putting a squeeze on time available for leisure travel. When both husband and wife hold full-time jobs, scheduling a week or two away from home proves quite difficult. Moreover, the explosive growth of resorts and other recreational opportunities near major population centers coupled with expanding airline capacity and discount fares for discretionary travel have encouraged and permitted Americans to take more trips in a year's time and spend fewer nights away from home on each.

Except for weekend travel, travel for all purposes is tending toward the average of four nights per trip. Vacations of two weeks or more still abound, but they are dwarfed by weekend pleasure trips and business travel. This trend will continue as multi-wage earner households grow and nearby leisure opportunities abound.

- Travel Expenditures

When viewed as a single retail industry, the travel and tourism sector is the third largest retail industry in business receipts, after automotive dealers and food stores. This represents 6.7 percent of the GNP.

U.S. residents spent $316 billion in the U.S. traveling away from home during 1989, up seven percent from the previous year. Foreign visitors spent $34 billion in the U.S. in 1989, an increase of 17 percent over 1988, and the fourth consecutive year of double-digit increases.

Travel expenditures by region are shown in Figure 2 for 1987, the latest data available. The South Atlantic region, ranking first in travelers, also holds first place in expenditures with one-fifth of the total ($56.9 billion). The Pacific region ($47.2 billion) and the Middle Atlantic region ($42.2 billion) followed in second and third places, respectively. Travellers in the East South Central region spent the least -- less than four percent of the U.S. total -- but still more than ten billion dollars.

- Travel and Tourism Economic Impacts

Travel in America is a major economic force, providing tax revenue for thousands of governments, receipts for hundreds of thousands of business firms, and income for millions of employees. Specifically, the $350 billion spent last year on travel and tourism in the U.S.

-- generated $339 billion in business receipts;

-- contributed $73.5 billion in wage and salary income; and

-- contributed $23 billion in federal tax revenues and $20 billion in state and local tax revenues.

In terms of employment, travel and tourism in America directly supported 5.8 million jobs in 1989. This is more than 5.3 percent of total nonagricultural payroll employment in the U.S., and more jobs than any other U.S. industry except health services (doctors, nurses, hospitals, laboratories, etc.). Travel activities directly provided more jobs in 1989 than total payroll employment in 15 states combined. As a growth industry, the travel industry over the long term has created new jobs more than twice as fast as the overall economy. It also is relevant to note that during this period of slowing national economic activity that employment in the travel industry has risen in every year since 1958, despite five economic recessions.

Figure 3 shows the regional distribution of jobs attributable directly to travel and tourism expenditures for the year 1987, the latest data available. The South Atlantic region led this category with more than one million travel-generated jobs, 18 percent of the total. The Pacific region held second place. The East South Central showed the least employment of any region, but still boasted 215 thousand travel-related jobs. The Mountain region was most dependent on travel and tourism for employment. More than one job in ten there was directly generated by travel spending, a higher percentage than any other region.

Finally, it is interesting to note that total foreign visitor spending in the U.S. has doubled in just the last four years, and further that each foreign visitor spends seven times as much as the average U.S. traveler to domestic destinations. Employment directly supported by foreign visitors reached 570 thousand jobs and pay income topped $8 billion. In short, the international tourism market is a lucrative one for the U.S., stimulating economic growth, jobs and income.

- The Impacts of Travel Price Inflation

The same factors that influence national travel patterns and tourism expenditures also can be expected to influence NPS visitation levels. One important variable here is the price of

fuel and energy costs, coupled with uncertainties that affect consumer confidence and that drive consumer spending patterns.

Price inflation can be a major obstacle to travel and tourism growth in America through two major relationships. First, if prices rise more rapidly than personal income on a per capita basis, consumers will tend to reduce spending on discretionary items such as tourism in order to continue to fund necessities such as food, shelter, and energy.

The second inflation relationship affecting travel demand is that between the cost of travel and the prices of other, competing items. If the costs of travel related goods and services rise faster than the prices of other items that consumers can substitute for travel, they will be encouraged to switch to the less expensive alternatives to travel. These tend to be durable items such as audio and video equipment, home computers, and major home additions and renovations.

Also important here is whether disposable income keeps pace with changes in travel prices. If the costs of travel rise more rapidly than personal income, households will tend to cut back on real travel activity. The converse also holds. If personal income increases faster, consumers are likely to spend more on travel. Also, if all consumer prices are rising or dropping rapidly in comparison to personal income, travel expenditures will tend to decrease or increase respectively.

SOME OBSERVATIONS

To date, we have not attempted to draw correlations between economic conditions versus NPS visitation levels, visitation use-patterns or visitor-related tourism expenditures. However, we do know from our visitation statistics that public use of parks is affected by periods of economic slowdown, recession and expansion. In the aggregate, it is reasonable to expect that park visitation will tend to mirror national vacation travel and recreational behavior patterns ..... for example, with periodic shifts away from extended duration, more expensive, longer trips to rural or remote park areas, to be replaced by increased use of recreational opportunities at nearby NPS urban parks. It is in this sense, then, that the income, inflation, travel-price, and other socio-economic factors cited above by the U.S. Travel Data Center have considerable relevance to the NPS.

Finally, I think it is fair to say that in the Service's commitment to provide outstanding services and a quality experience to visitors, we sometimes fail to recognize the very substantial economic benefits that accrue to local and regional economies as a result of the parks. As we have noted previously, we will be working extensively in this area in the months ahead. Our immediate goal is to provide park managers with the tools and the methodologies needed to estimate the economic impacts of visitor expenditures and park expenditures on local economies. Over the

longer term we will develop and promulgate economic models that can be used by Superintendents to determine the combined local, regional and statewide benefits associated with parks, including the benefits attributable to visitor expenditures, park expenditures, the intrinsic resource values of the park, and the community value of the park as measured by new recreational and educational opportunities, new public services, and an improved quality of life for nearby residents.

Dick Briceland

WASO Social Science Program: Superintendents' Memorandum Series

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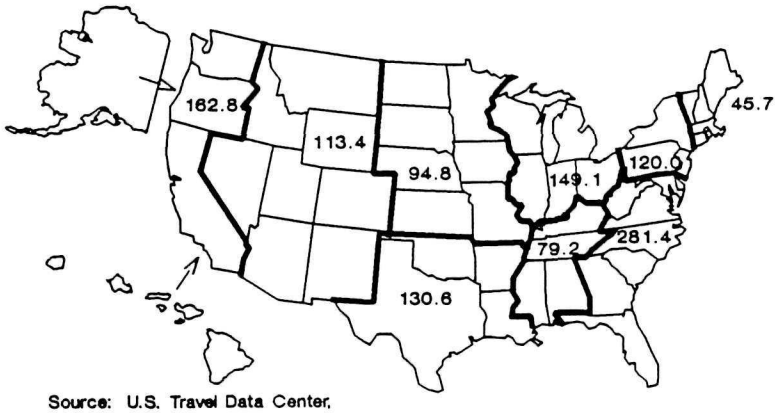
FIGURE 1

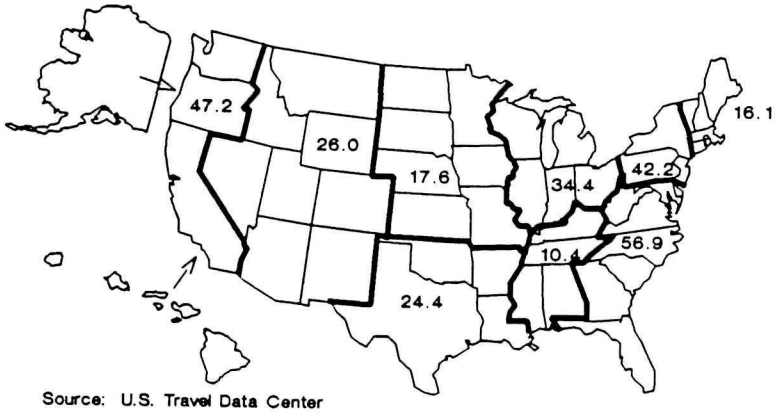
U.S. RESIDENT TRAVEL BY DESTINATION REGION
1989 (MILLIONS OF PERSON-TRIPS)



Source: U.S. Travel Data Center.

FIGURE 2

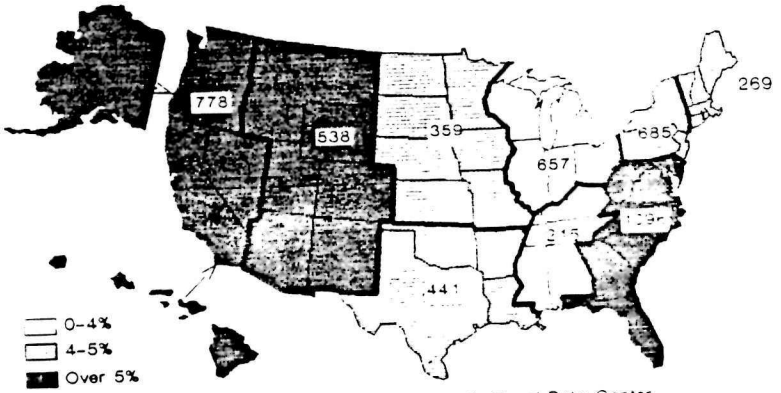
U.S. TRAVEL EXPENDITURES
IN U.S. REGIONS, 1987 ($ BILLIONS)



Source: U.S. Travel Data Center

FIGURE 3

EMPLOYMENT GENERATED BY U.S. TRAVELERS
IN U.S. REGIONS, 1987 (THOUSANDS)



Source. U.S. Travel Data Center.