

The Economic Impact of Tourism on Galveston Island, Texas

2013 Analysis



Prepared for:



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Headline Results



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Headline results

- Tourism was a key driver of business sales, employment, and tax revenue on Galveston Island in 2013.
- Visitors to Galveston Island spent \$687.2 million in 2013, which generated \$951.8 million in total business sales, including indirect and induced impacts.
- Tourism on Galveston Island generated \$136 million in tax revenues in 2013, with \$63.6 million accruing to state and local governments.



Headline results



- A total of 10,205 jobs were sustained by visitors to Galveston Island in 2013. This included 7,879 direct and 2,326 indirect and induced jobs.
- Approximately 33.6% (1 in 3) of all jobs on the Island were sustained by tourism.
- Tourism-sustained jobs generated total income of \$257 million in 2013.

Key Trends in 2013



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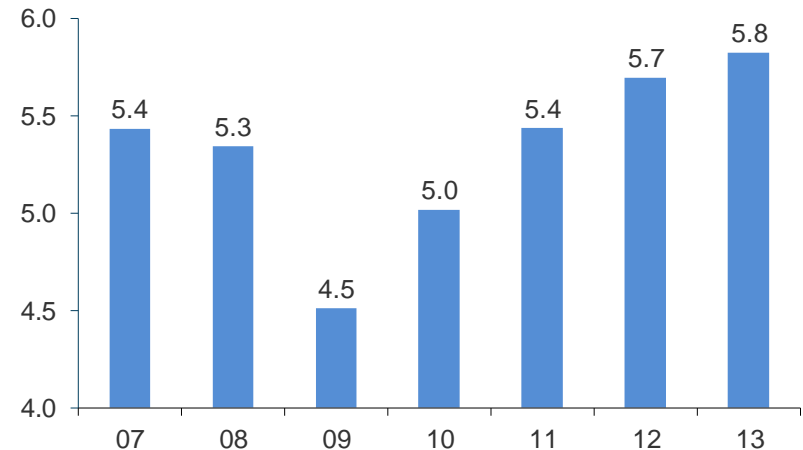
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Key trends in 2013

- On-going restoration efforts and faster than average growth in Texas continue to drive Galveston Island's expanding tourism economy.
- The effects of Hurricane Ike in 2008 are more than five years in the past.
- Visitor volume increased 2.2% and lodging spending increased 5.9% in 2013. Visitor volume and lodging spending are 7.1% and 24.2%, respectively above their 2007 peaks.

Volume of Visitors to Galveston

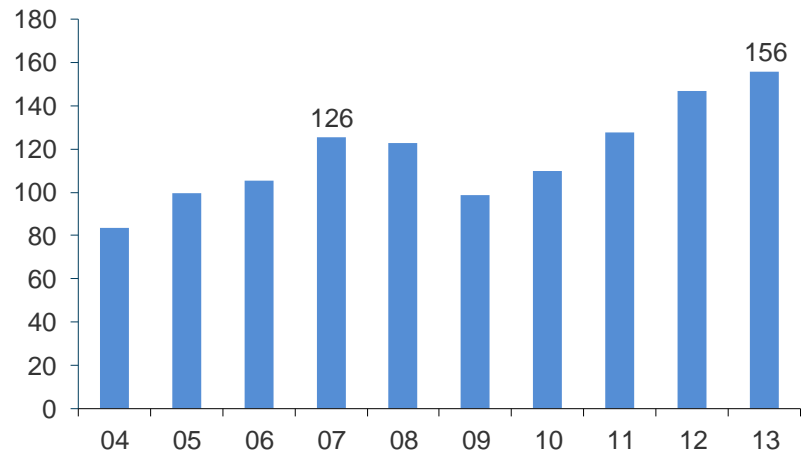
Millions, including day and overnight visitors



Source: Tourism Economics

Accommodations Spending in Galveston

\$ millions



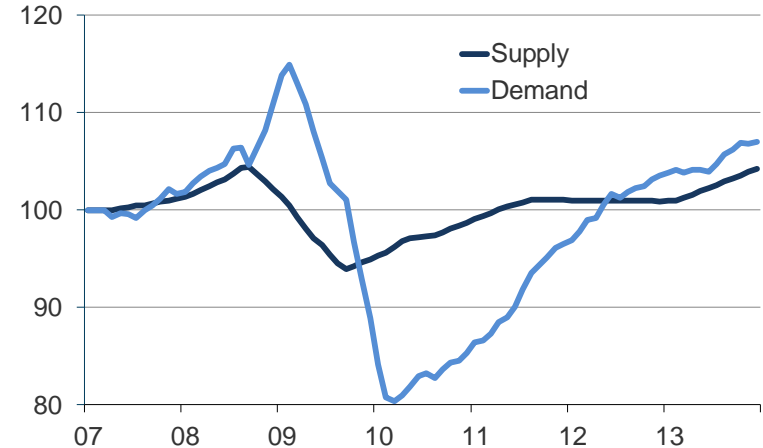
Sources: State of Texas Comptroller, Tourism Economics

Key trends in 2013

- Galveston Island's lodging market is tightening, as growth in demand has exceeded growth in supply since 2010.
- Room-night demand is 7.8% higher than in 2010, compared with a 1.8% increase in supply over the same time period.
- In 2013, supply kept up with demand, both increased 3.3%.
- Demand growth and price increases of 2.8%, pushed room revenues up 6.2% in 2013.

Demand Is Outpacing Supply in Galveston

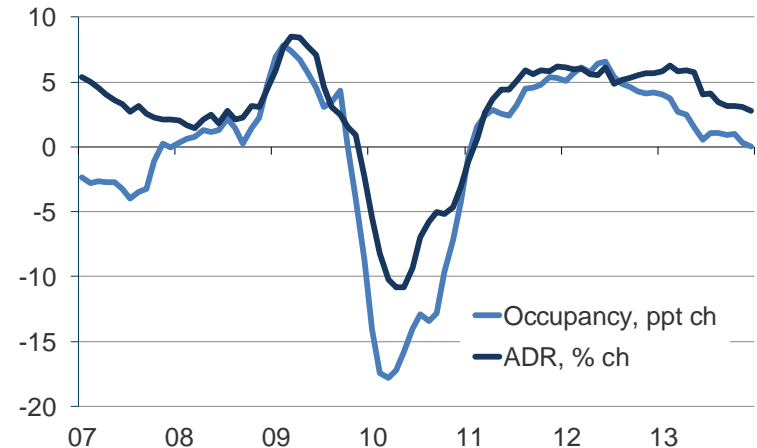
Room-nights, 12-mo moving sum, indexed to Jan 2007=100



Sources: STR, Tourism Economics

Tighter Occupancy Boosts Prices

12-mo moving sum, change from year ago



Sources: STR, Tourism Economics

Key trends in 2013

- Galveston Island's visitor volume continued to expand in 2013, although at a slower rate than in 2012.
- After four years of recovery, total visitor volume again reached a new peak in 2013 of 5.8 million visitors. The spending associated with these visitors also increased in 2013 and is driving local economic impacts.

Visitor Volume Trends							
Thousands							
	2007	2008	2009	2010	2011	2012	2013
Cruise Passengers	523	377	395	435	459	604	605
<i>% change</i>		(28.0)	4.8	10.1	5.7	31.5	0.1
Total Visitors	5,437	5,345	4,510	5,020	5,437	5,697	5,823
<i>% change</i>		(1.7)	(15.6)	11.3	8.3	4.8	2.2

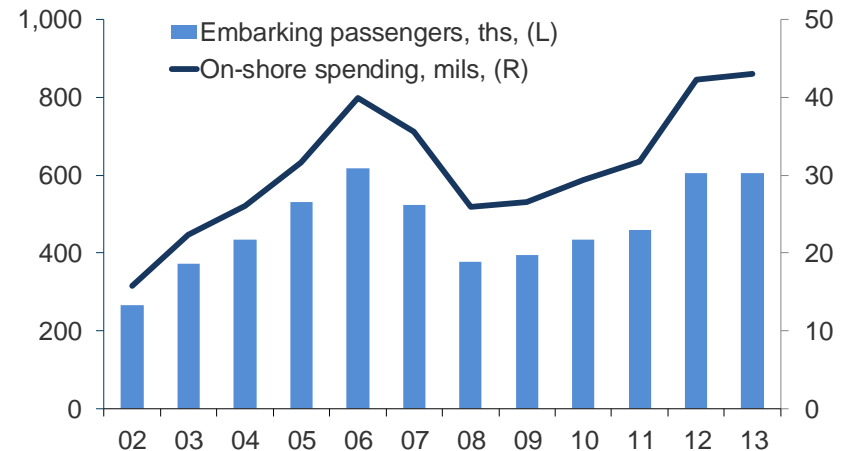
Sources: Port of Galveston, Tourism Economics

Key trends in 2013

- After a 31% increase in 2012, there was minimal growth of 0.1% in embarkations in 2013.
- At 605,000, embarkations were still down 1.9% from the 2006 peak of 617,000.
- The Port of Galveston is the fifth largest home port in the US when measured by embarkations.
- Cruise activity generated \$43 million in passenger on-shore spending, and another \$12 million in services provided at the port in 2013.



Cruise Passengers and On-Shore Spending



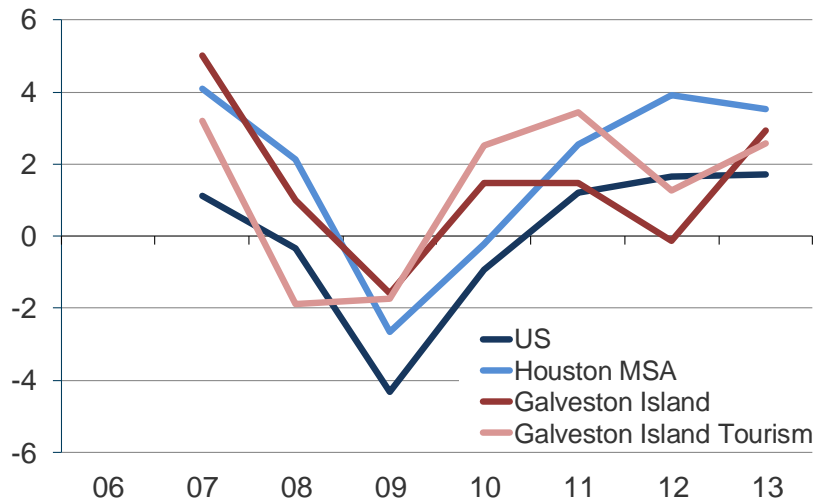
Sources: Port of Galveston, CLIA, Tourism Economics

Key trends in 2013

- Employment growth in Galveston Island's tourism industry is outpacing overall job growth on Galveston Island. Since the 2009 employment trough, tourism job growth amounts to 10%, compared to 6% for total employment on the Island.

Annual Employment Trends

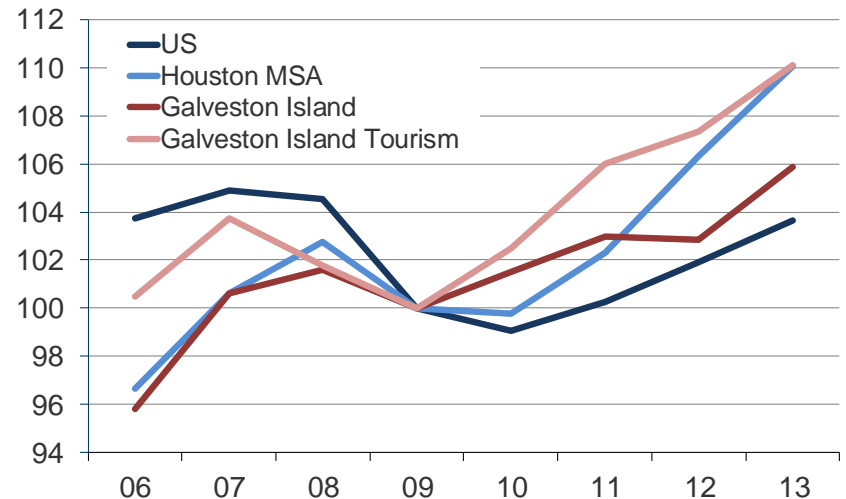
% change



Sources: BEA, BLS, Tourism Economics

Job Growth Since the Bottom

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitor Spending

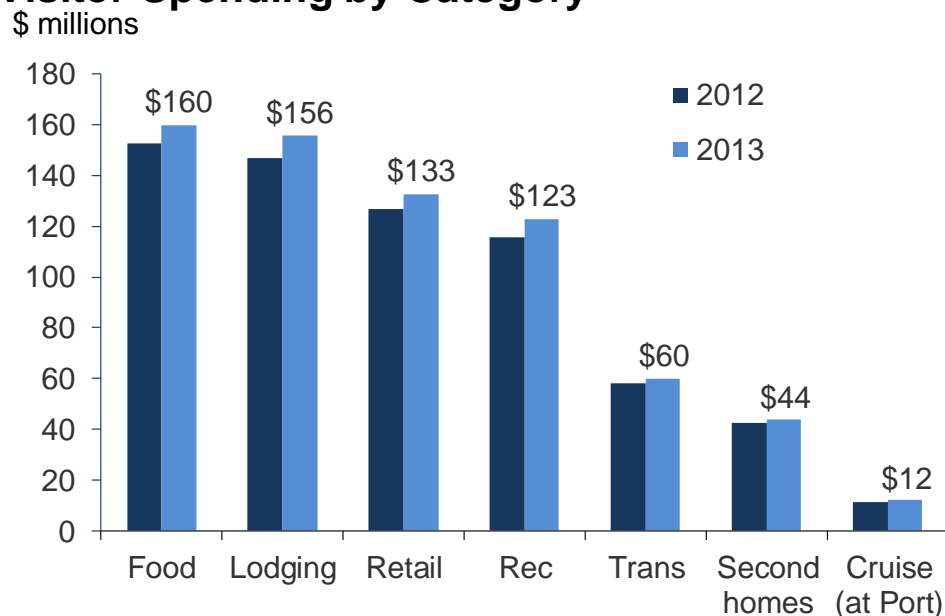


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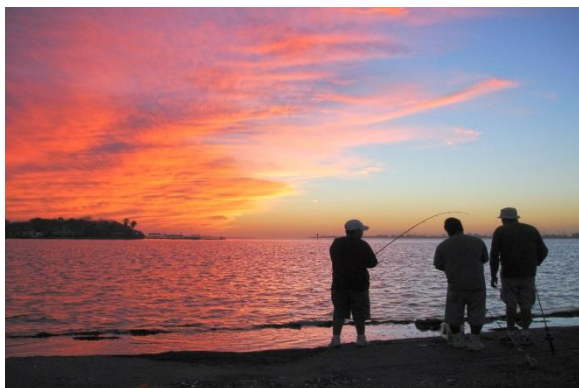
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Composition of visitor spending

Visitor Spending by Category



Source: Tourism Economics



- Visitors spent \$160 million on food and beverages, \$156 million on lodging, and \$133 million on retail shopping in 2013.
- The value of second home accommodations tallied \$44 million.
- Cruise-related spending at The Port of Galveston totaled \$12 million, including parking, ship fees, and water, porter, security, and utilities services. Cruise passengers' on-shore spending tallied \$43 million.

Composition of visitor spending

- Visitor spending increased 5% and reached a new peak in 2013.
- Growth in visitor spending was led by recreation, lodging, food and beverage, and retail.

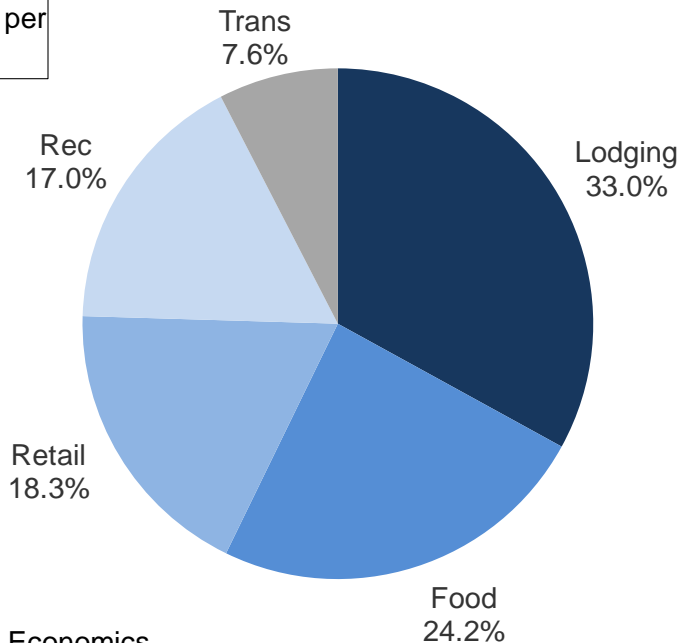
Visitor Spending By Category							
(US\$ Million)							
	2008	2009	2010	2011	2012	2013	2011-13 % ch
Lodging	122.6	98.5	110.0	127.9	147.1	155.7	5.9%
Food and Beverage	139.3	114.9	132.6	141.4	152.6	159.9	4.8%
Retail	121.6	100.4	114.7	121.0	126.9	132.8	4.6%
Recreation	103.9	87.5	103.3	112.7	115.8	123.0	6.2%
Transportation	48.5	42.9	51.5	57.0	58.0	60.1	3.6%
Second homes	34.3	35.8	38.1	41.4	42.6	43.7	2.4%
Cruise (at Port)	7.3	8.0	8.8	9.5	11.3	12.0	5.5%
Total	577.4	488.0	559.0	610.9	654.5	687.2	5.0%
% change		-15.5%	14.6%	9.3%	7.1%	5.0%	

Visitor spending profiles

- Overnight visitors to Galveston spent \$110 per person per day, while day trippers spent \$52 per person per day. An estimated 56.1% of all visitors were day trippers.

Overnight Visitor Spending by Category

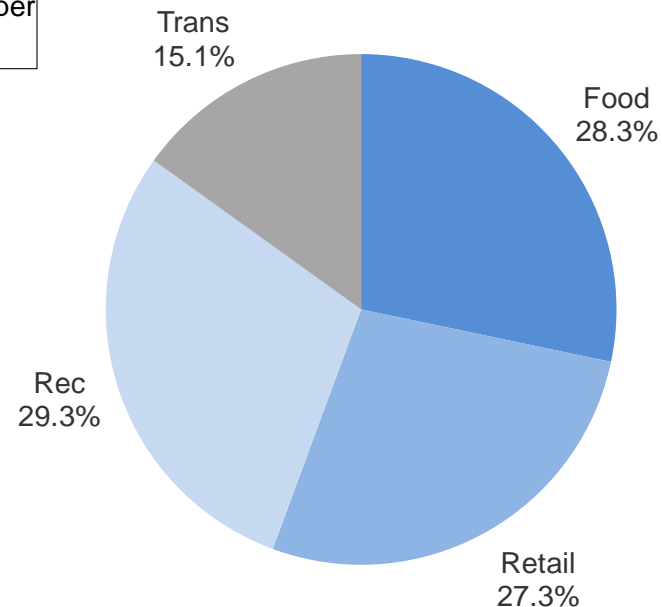
Avg per person per day = \$110



Source: Tourism Economics

Day Visitor Spending by Category

Avg per person per day = \$52

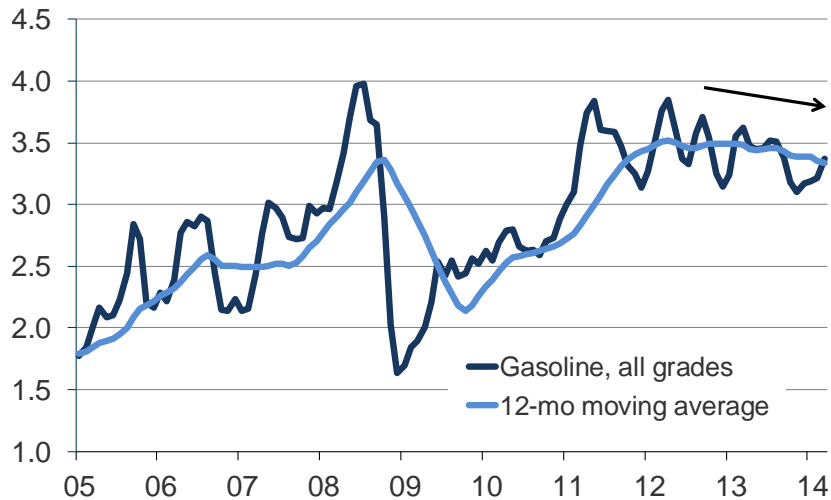


Source: Tourism Economics

Lower fuel prices frees up resources

Fuel Prices Declined Slightly in 2013

Texas gasoline price, dollars per gallon



Source: Energy Information Administration

- Fuel prices slightly declined in 2013, likely boosting some spending in other categories.
- Gas prices are still elevated and encourage vacationing closer to home, cutting overall transportation costs, likely supporting Galveston Island's regional draw.
- Visitors are still conscious of high fuel prices, but are getting used to a 'new normal.'

Economic Impacts

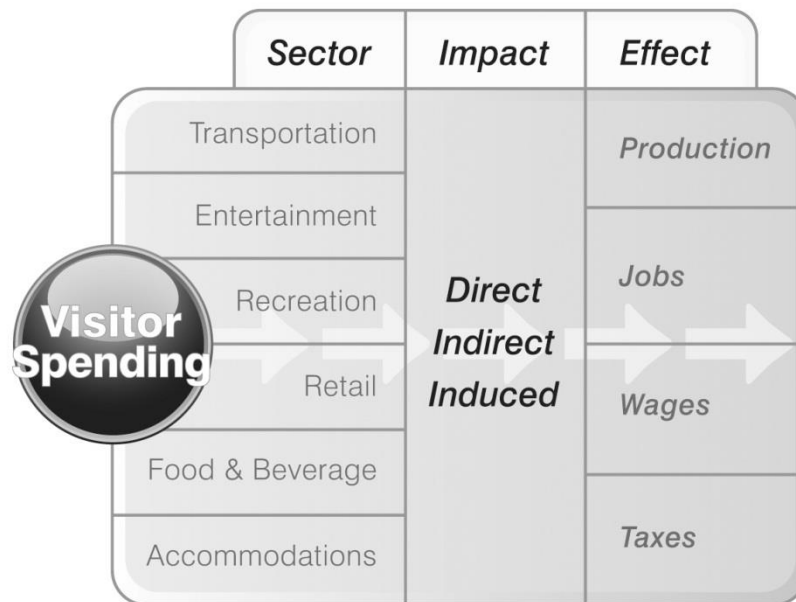


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How visitor spending generates impact

- Travelers create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



- Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the Galveston Island economy.

Tourism sales

- Including indirect and induced business sales, tourism generated \$951.8 million in revenue in 2013.

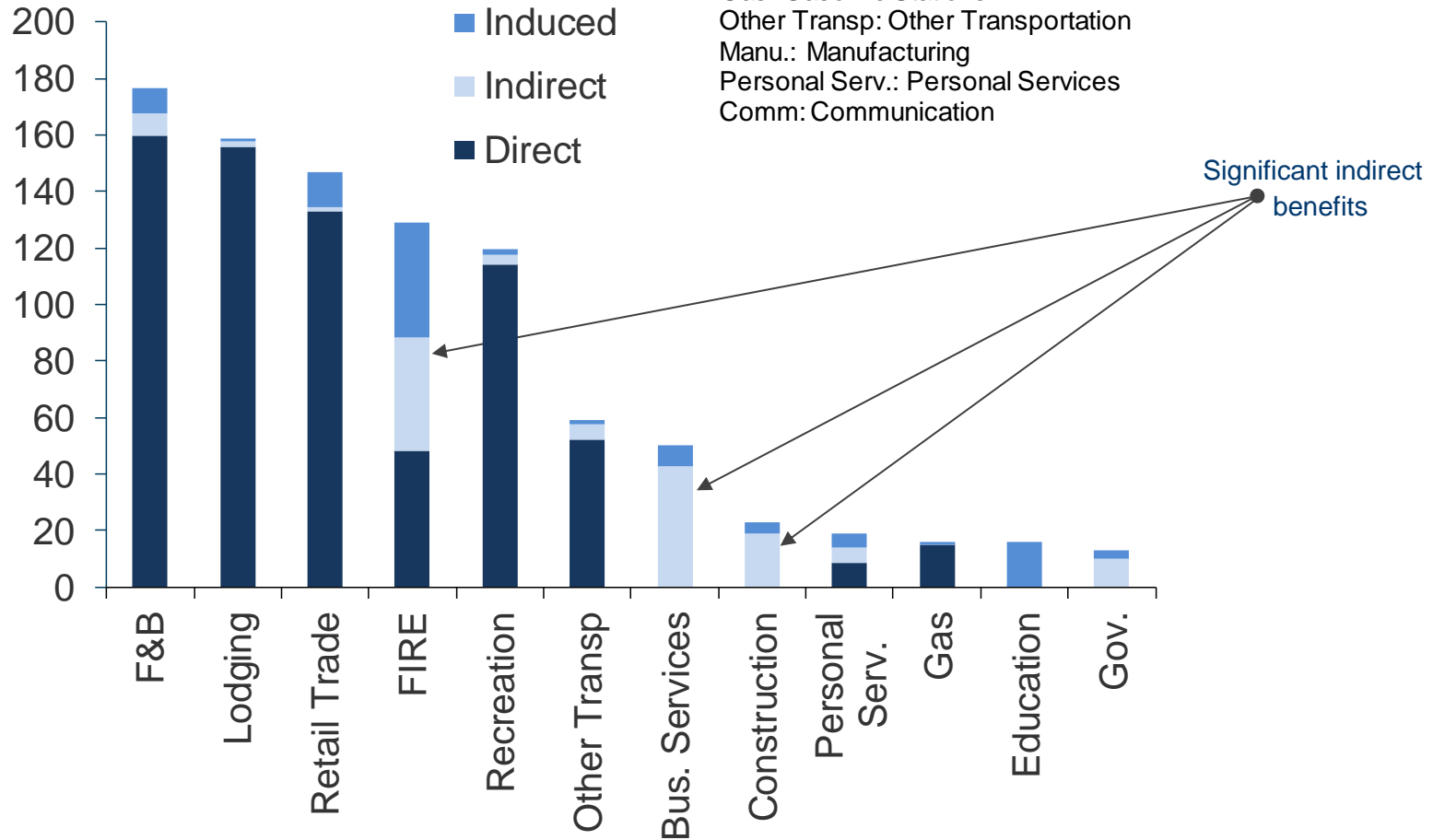
Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	1.4	0.6	1.9
Construction and Utilities	-	19.0	3.9	22.9
Manufacturing	-	2.8	0.9	3.7
Wholesale Trade	-	3.2	4.6	7.8
Air Transport	-	0.6	0.8	1.4
Other Transport	52.2	5.5	1.5	59.2
Retail Trade	132.8	1.6	12.6	147.0
Gasoline Stations	15.0	0.1	1.1	16.2
Communications	-	7.2	2.5	9.7
Finance, Insurance and Real Estate	48.5	39.9	40.7	129.0
Business Services	-	42.8	7.2	50.0
Education and Health Care	-	0.2	15.7	15.9
Recreation and Entertainment	114.4	3.1	2.1	119.5
Lodging	155.7	1.8	1.2	158.8
Food & Beverage	159.9	7.6	9.2	176.7
Personal Services	8.6	5.4	4.8	18.8
Government	-	10.1	3.0	13.1
TOTAL	687.2	152.3	112.3	951.8
<i>Annual growth, % ch</i>	<i>5.0</i>	<i>4.7</i>	<i>3.8</i>	<i>4.8</i>

* Direct sales include cost of goods sold for retail sectors

Tourism sales

Tourism Sales by Industry

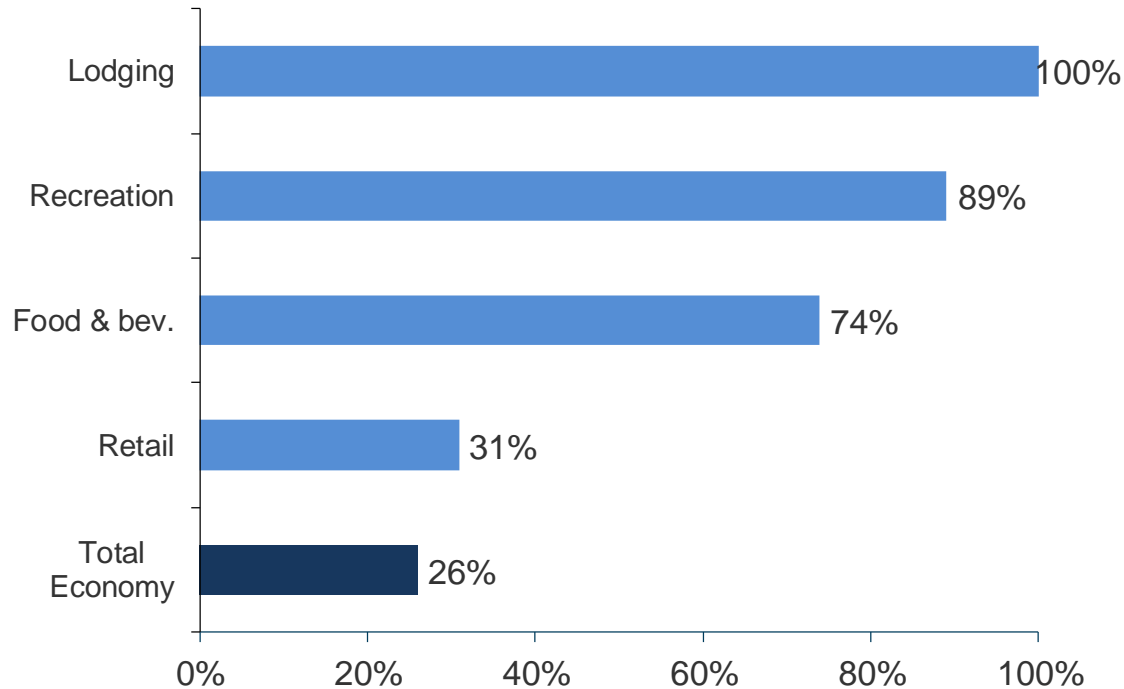
\$ million



* Direct sales include cost of goods sold for retail

Tourism share of key industry employment (direct only)

Tourism Employment Intensity by Industry



Source: Tourism Economics

- Tourism is a significant part of several industries – tourism directly supports 100% of employment in lodging, nearly all of recreation, and nearly three-quarters of food and beverage employment.

Tourism employment details

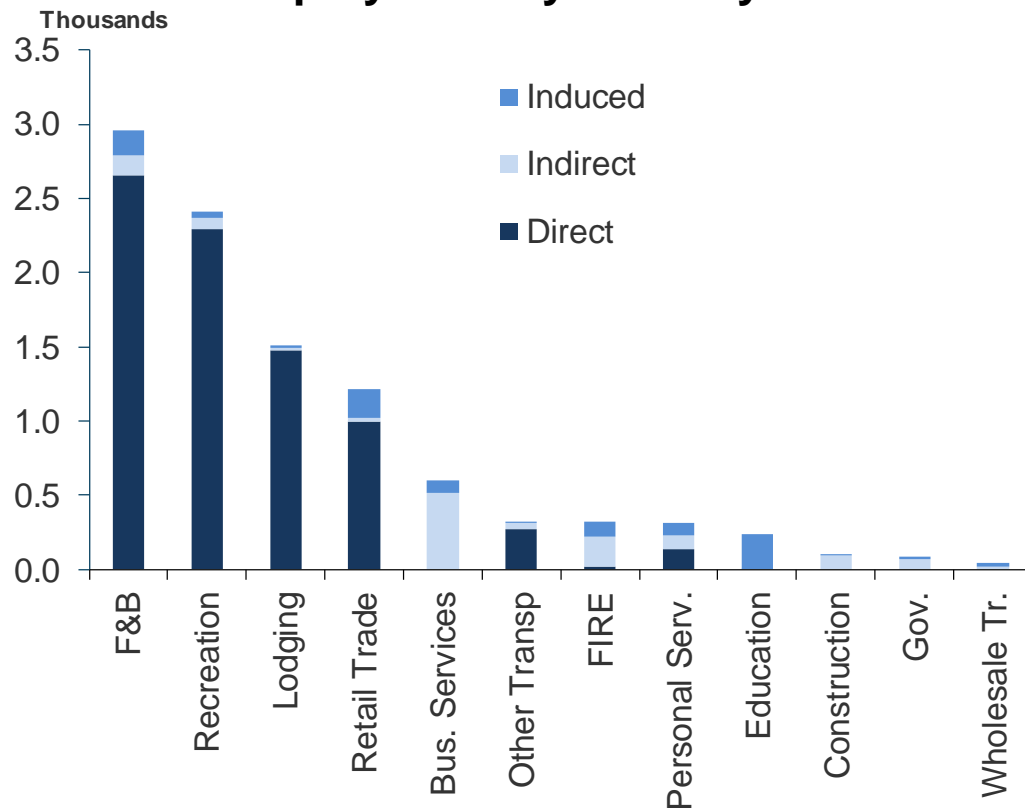
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	4	2	6
Construction and Utilities	-	92	15	106
Manufacturing	-	10	2	11
Wholesale Trade	-	18	26	44
Air Transport	-	2	2	4
Other Transport	271	43	10	324
Retail Trade	998	25	191	1,213
Gasoline Stations	23	1	11	35
Communications	-	23	6	29
Finance, Insurance and Real Estate	21	197	104	322
Business Services	-	518	85	602
Education and Health Care	-	5	234	238
Recreation and Entertainment	2,294	73	44	2,411
Lodging	1,481	17	12	1,510
Food & Beverage	2,655	136	165	2,956
Personal Services	137	90	84	312
Government	-	66	17	83
TOTAL	7,879	1,317	1,009	10,205
<i>Annual growth, % ch</i>	2.6	2.3	1.5	2.4

- The tourism sector supported 10,205 jobs or 33.6% of employment (1-in-3 jobs) on Galveston Island in 2013, including indirect and induced impacts.

Tourism employment summary

- As a labor intensive collection of services, tourism-related sectors represent significant employment to Galveston Island.
- The more than 10,000 jobs supported by Galveston Island tourism span every sector of the economy, either directly or indirectly.
- More than 600 jobs in business services were sustained by supporting the tourism industry.

Tourism Employment by Industry



F&B: Food and Beverage
 FIRE: Finance, Insurance, Real Estate
 Bus. Services: Business Services
 Gas: Gasoline Stations
 Other Transp.: Other Transportation
 Personal Serv.: Personal Services
 Wholesale Tr.: Wholesale Trade
 Gov.: Government

Tourism personal income

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.4	0.2	0.6
Construction and Utilities	-	4.8	0.8	5.6
Manufacturing	-	0.4	0.1	0.5
Wholesale Trade	-	1.2	1.7	2.9
Air Transport	-	0.2	0.2	0.4
Other Transport	30.9	3.0	0.7	34.6
Retail Trade	19.4	0.6	4.9	25.0
Gasoline Stations	0.9	0.0	0.4	1.4
Communications	-	1.4	0.4	1.8
Finance, Insurance and Real Estate	1.4	6.4	3.6	11.5
Business Services	-	15.7	2.8	18.5
Education and Health Care	-	0.1	8.3	8.3
Recreation and Entertainment	29.4	1.0	0.5	30.9
Lodging	39.9	0.5	0.3	40.7
Food & Beverage	50.5	2.6	3.5	56.6
Personal Services	5.4	3.2	2.7	11.3
Government	-	5.3	1.2	6.5
TOTAL	177.8	46.7	32.3	256.9
<i>Annual growth, % ch</i>	3.0	3.9	3.2	3.2

- Workers on Galveston Island earned \$257 million as a result of visitor activity in 2013.

Tourism tax generation

Tourism-Generated Tax Revenues			
(US\$ Millions)			
	2012	2013	% ch
Federal	67.1	72.4	8.0
Personal Income	17.0	18.6	9.6
Corporate	23.7	24.4	2.8
Indirect business	4.3	4.5	4.3
Social Security	22.0	24.9	13.0
State	26.8	28.3	5.6
Sales	18.0	18.8	4.3
Lodging	7.8	8.5	8.9
Social Security	0.9	1.0	3.0
Local	33.1	35.3	6.8
Sales	5.8	6.0	4.3
Lodging	11.7	12.7	8.9
Excise and Fees	1.7	1.7	3.2
Property	13.9	14.8	6.4
TOTAL	126.9	136.0	7.2

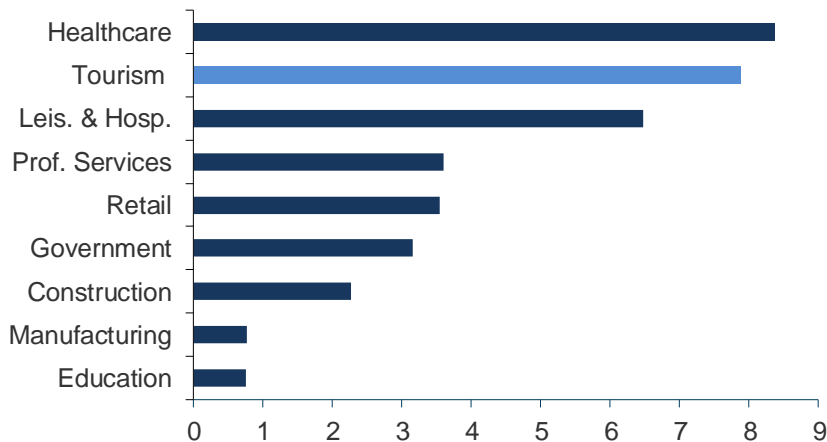
- Tourism generated \$136 million in taxes in 2013, 7.2% more than in 2012.
- Tourism-driven state and local tax proceeds of \$63.6 million helped offset the average household tax burden by \$3,116 per household.
- \$35.3 million in local taxes were generated by tourism in 2013.

Galveston Island tourism in context

- Tourism jobs span across sectors and include many small businesses. Taken as an industry, tourism was the second largest employer on the Island in 2013.
- By establishment, key employers on the island are the University of Texas Medical Branch - Galveston, Landry's, ANICO, and Moody Gardens. Total employment was estimated as 30,337 in 2013.

Galveston Island Jobs by Industry

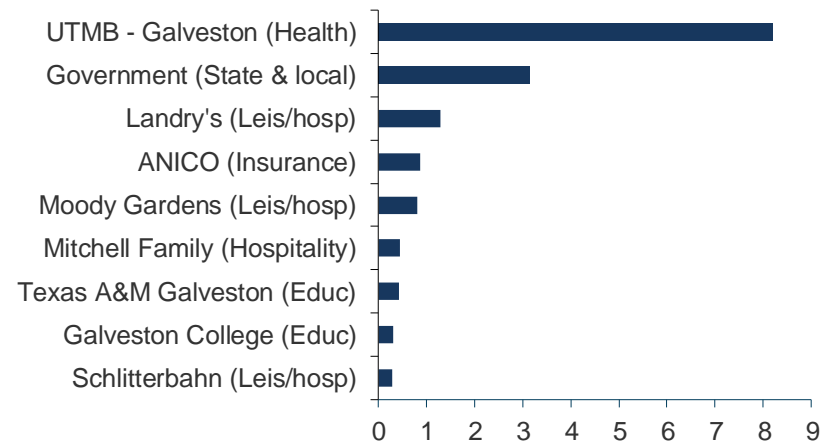
Thousands



Sources: Census, IMPLAN data, Tourism Economics

Galveston Island Jobs by Industry

Thousands



Sources: UTMB-Galveston, GEDP Investor Profiles 2012 and 2013

Galveston Island tourism in context

- Tourism-generated tax revenues, not including hotel occupancy tax revenues, tallied \$22.6 million in 2013.
- This accounted for 52.6% of the City of Galveston's General Fund revenues, based on an estimated calendar year budget of \$42.9 million.
- Tourism-generated revenues would be sufficient to fund:
 - Police (\$16.9 million) 1.3 times over
 - Fire (\$9.8 million) 2.3 times over
 - Public works (\$3.4 million) 6.6 times over
 - Parks and rec (\$2.2 million) 10.1 times over

Methodology and Background



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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.

Why 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, museums, and theme parks.

Methods and data sources

- Estimates of visitor expenditures in Galveston were based on several sources including:
 - Smith Travel Research (STR) data on room demand, supply and hotel revenues.
 - City tax data on hotel occupancy receipts and sales tax receipts by industry.
 - Visitor profile and spending reports produced by the Texas Office of the Governor, Economic Development and Tourism Division.
 - A tourism economic impact analysis completed for Galveston Island in 2008.
 - An economic impact analysis of cruise passengers completed by the Cruise Lines International Association (CLIA) in 2011.
 - Port of Galveston cruise passenger and port revenues data.
 - Recreational second home expenditures based on US Census data.
- An IMPLAN model was compiled for Galveston Island consisting of three zip code areas. 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. Tourism Economics then cross-checks these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- Employment and wage data were obtained from the Bureau of Labor Statistics, and the US Census Bureau.
- Fuel prices were obtained from the Energy Information Administration (EIA).

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.
Local transport	Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses.
Shopping	Includes visitor spending in all retail sectors within the Galveston Island 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 visitor spending at restaurants and bars.



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