

The Economic Impact of Tourism on Galveston Island, Texas

2015 Analysis



Prepared for:



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Headline Results



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Headline results

- Tourism continues to be a key driver of business sales, employment, and tax revenue on Galveston Island in 2015.
- Visitors to Galveston Island spent \$766 million in 2015, which generated \$1.1 billion in total business sales, including indirect and induced impacts.
- Tourism on Galveston Island generated \$153 million in tax revenues in 2015, with \$73.8 million accruing to state and local governments.



Headline results



- A total of 10,857 jobs were sustained by visitors to Galveston Island in 2015. This included 8,402 direct and 2,455 indirect and induced jobs.
- Approximately 34.5% (1 in 3) of all jobs on the Island were sustained by tourism.
- Tourism-sustained jobs generated total income of \$279 million in 2015.

Key Trends in 2015



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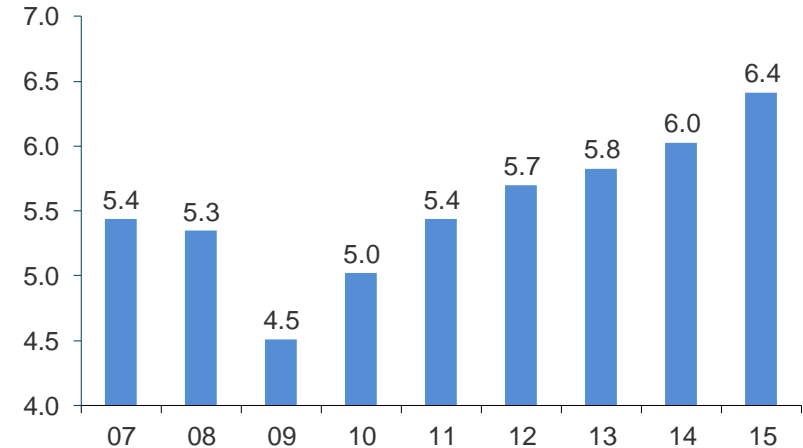
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Key trends in 2015

- On-going restoration and beach improvement efforts and faster than average growth in the Houston region are driving Galveston Island's expanding tourism economy.
- Visitor volume increased 6.4% and lodging spending increased 4.3% in 2015. Visitor volume and lodging spending are 17.8% and 38.4%, respectively above the previous peaks in 2007.

Volume of Visitors to Galveston

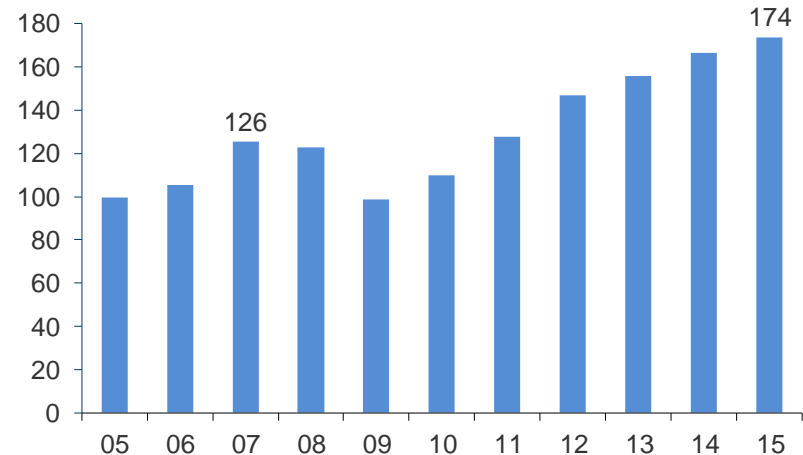
Millions, including day and overnight visitors



Source: Tourism Economics

Accommodations Spending in Galveston

\$ millions



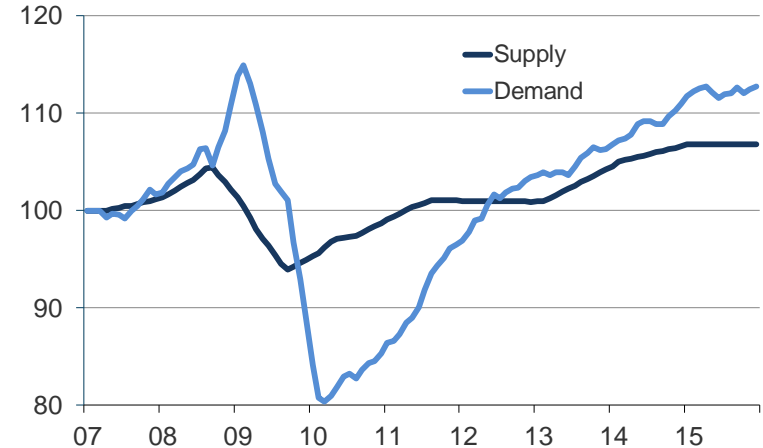
Sources: State of Texas Comptroller, Tourism Economics

Key trends in 2015

- Galveston Island's lodging market continues to expand, and demand is outpacing supply.
- Room-night demand increased 1.5% in 2015, compared with a 0.2% increase in supply.
- The occupancy rate rose by 0.8 percentage points, to 61.6% in 2015 from 60.8% in 2014.
- Revenue growth is moderating, but both demand and prices are driving balanced total revenue growth.

Demand Is Outpacing Supply in Galveston

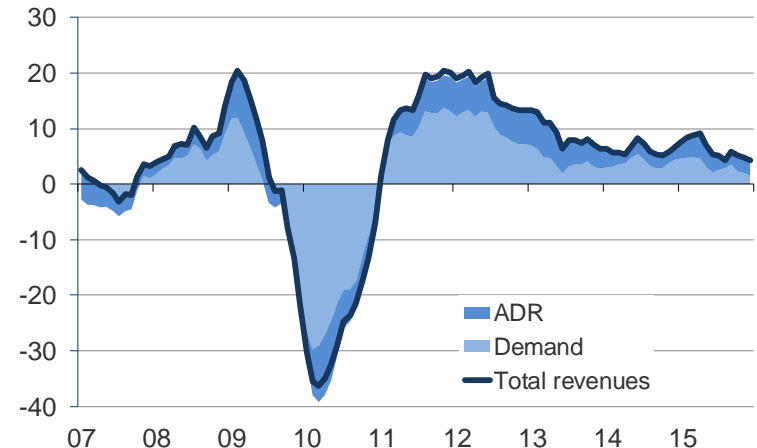
Room-nights, 12-mo moving sum, indexed to Jan 2007=100



Sources: STR, Tourism Economics

Demand and price growth boost revenues

Contribution to total revenue growth, %



Sources: STR, Tourism Economics

Key trends in 2015

- Galveston Island's visitor volume expanded 6.4% in 2015, driven primarily by a surge in cruise visitors.
- After six solid years of expansion, total visitor volume again reached a new peak in 2015 at 6.4 million visitors. The spending associated with these visitors also increased in 2015 and is driving significant local economic impacts.

Visitor Volume Trends								
Thousands								
	2008	2009	2010	2011	2012	2013	2014	2015
Cruise Passengers	377	395	435	459	604	605	642	837
<i>% change</i>	(28.0)	4.8	10.1	5.7	31.5	0.1	6.1	30.5
Total Visitors	5,345	4,510	5,020	5,437	5,697	5,823	6,026	6,409
<i>% change</i>	(1.7)	(15.6)	11.3	8.3	4.8	2.2	3.5	6.4

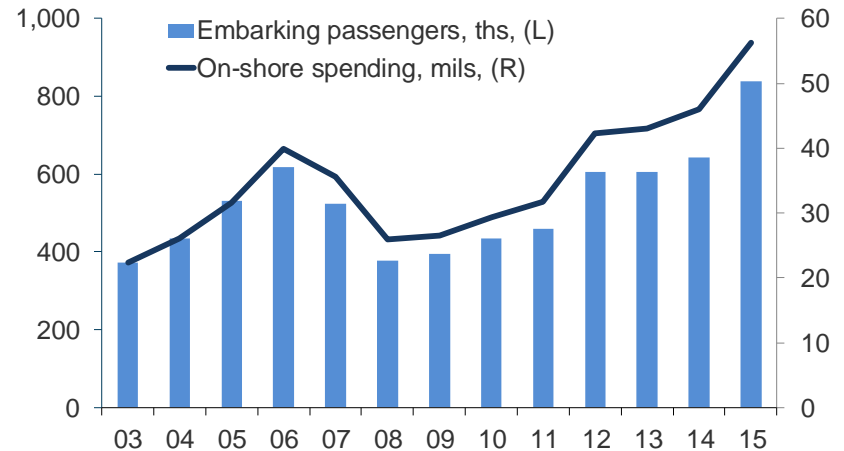
Sources: Port of Galveston, Tourism Economics

Key trends in 2015

- Cruise passengers surged more than 30% in 2015.
- At 837,000, embarkations are 36% higher than the 2006 peak of 617,000.
- The Port of Galveston maintains its ranking as the fourth largest home port in the US when measured by embarkations.
- Cruise activity generated \$56 million in passenger on-shore spending, and another \$18.1 million in services provided at the port in 2015.



Cruise Passengers and On-Shore Spending



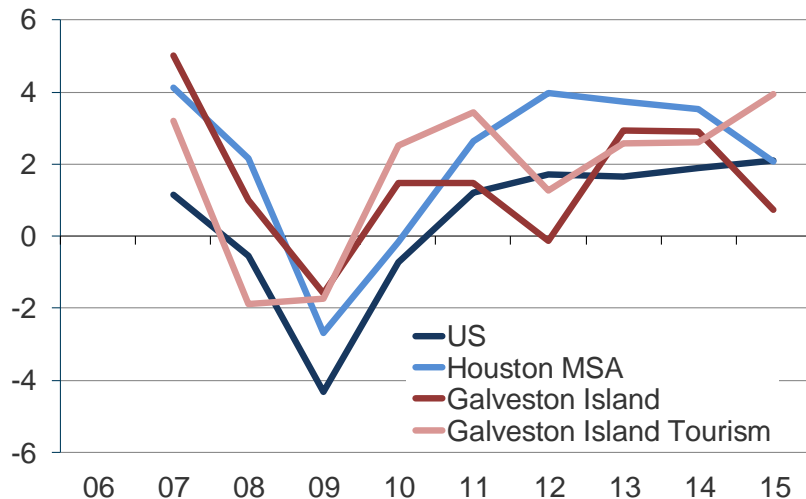
Sources: Port of Galveston, CLIA, Tourism Economics

Key trends in 2015

- 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 17.4%, compared to 9.7% for total employment on the Island.

Annual Employment Trends

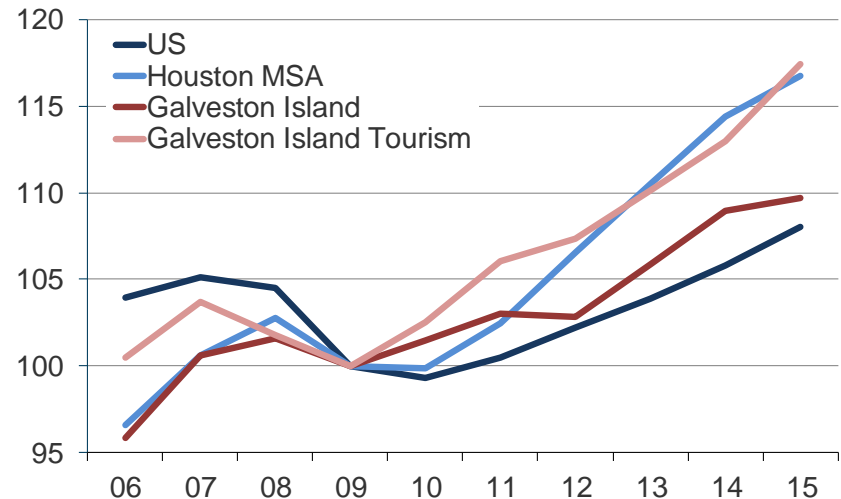
% change



Sources: BEA, BLS, Tourism Economics

Job Growth Since the Bottom

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitor Spending

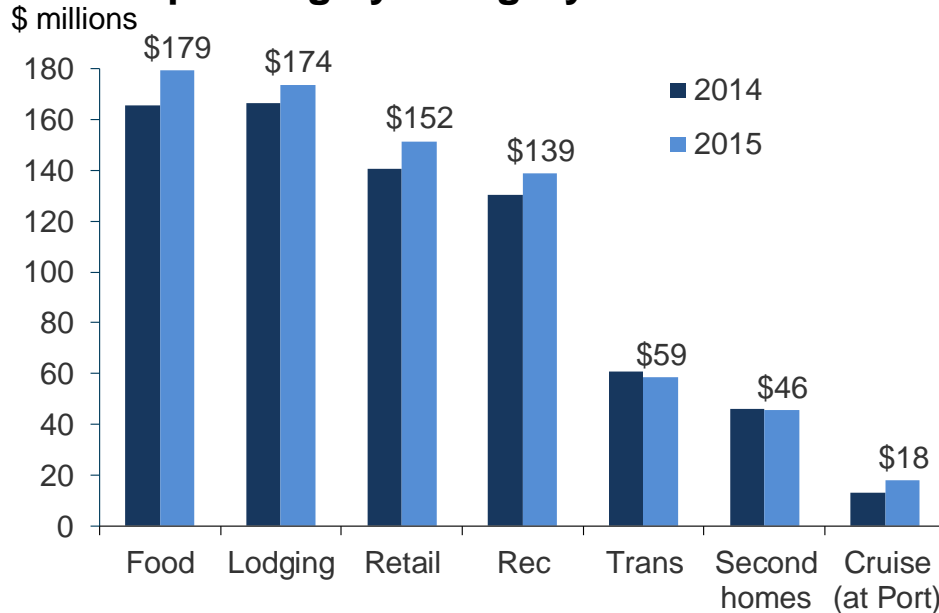


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Composition of visitor spending

Visitor Spending by Category



Source: Tourism Economics



- Visitors spent \$179 million on food and beverages, \$174 million on lodging, and \$152 million on retail shopping in 2015.
- The value of second home accommodations tallied \$46 million.
- Cruise-related spending at The Port of Galveston totaled \$18 million, including parking, ship fees, and water, porter, security, and utilities services. Cruise passengers' on-shore spending tallied \$56 million.

Composition of visitor spending

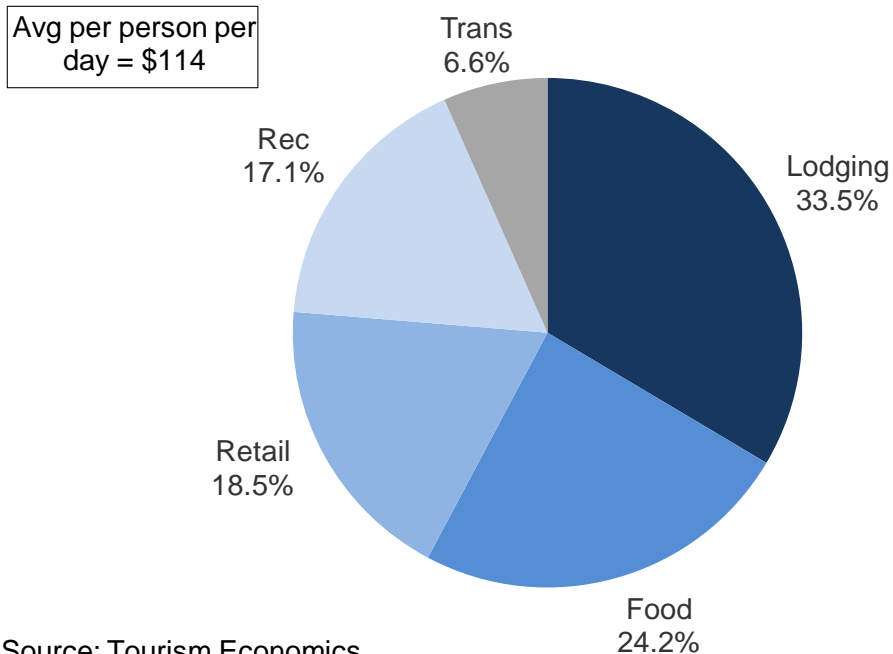
- Visitor spending increased 5.9% and reached a new peak in 2015.
- Growth in visitor spending was led by the food and beverage, retail, and recreation sectors.

Visitor Spending By Category						
(US\$ Million)						
	2011	2012	2013	2014	2015	2014-15 % ch
Lodging	127.9	147.1	155.7	166.7	173.9	4.3%
Food and Beverage	141.4	152.6	159.9	165.6	179.3	8.3%
Retail	121.0	126.9	132.8	140.7	151.6	7.7%
Recreation	112.7	115.8	123.0	130.4	138.9	6.5%
Transportation	57.0	58.0	60.1	60.6	58.6	-3.4%
Second homes	41.4	42.6	43.7	46.0	45.6	-1.0%
Cruise (at Port)	9.5	11.3	12.0	13.2	18.1	36.6%
Total	610.9	654.5	687.2	723.3	765.9	5.9%
<i>% change</i>	9.3%	7.1%	5.0%	5.3%	5.9%	

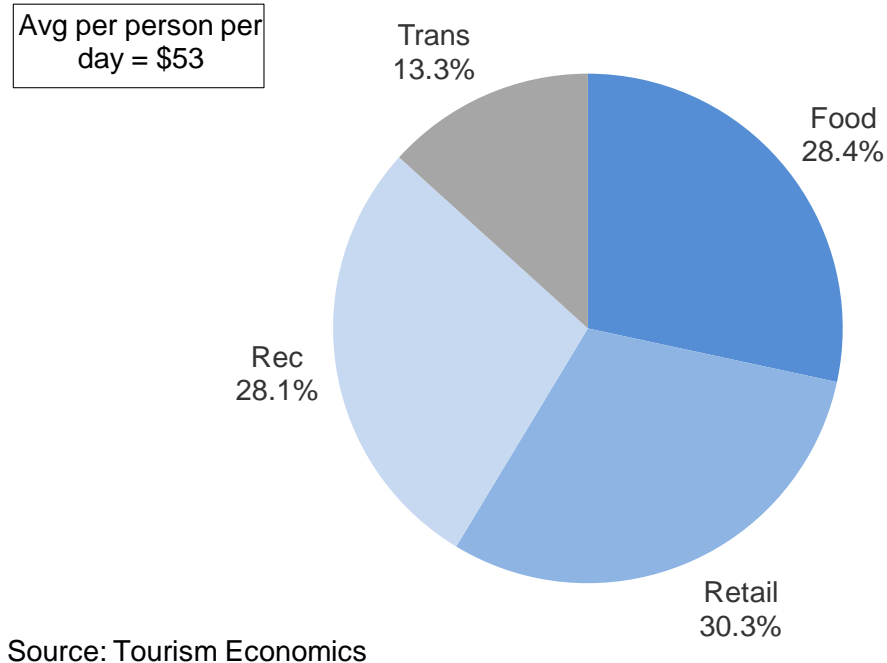
Visitor spending profiles

- Overnight visitors to Galveston spent \$114 per person per day, while day trippers spent \$53 per person per day. An estimated 59.8% of all visitors were day trippers.

Overnight Visitor Spending by Category



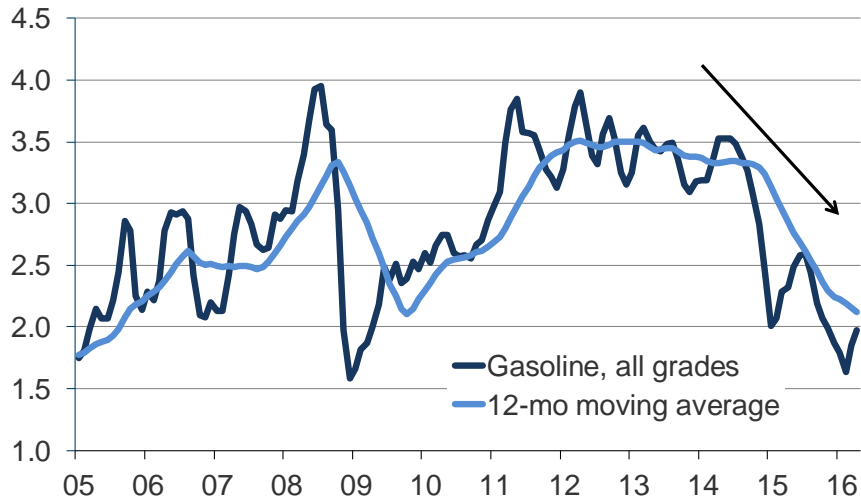
Day Visitor Spending by Category



Lower fuel prices free up resources

Fuel Prices on a Three-Year Decline

Houston gasoline price, dollars per gallon



Source: Energy Information Administration

- Fuel prices are at a six-year low, freeing up resources to spend in other categories.
- Low gas prices also boost consumer confidence, encouraging more trips and visitor spending that otherwise might not occur.
- Oxford Economics forecasts oil prices to remain under \$70 per barrel through 2018, which implies a gas price in the Galveston area under \$2.50 per gallon for an extended period.

Economic Impacts

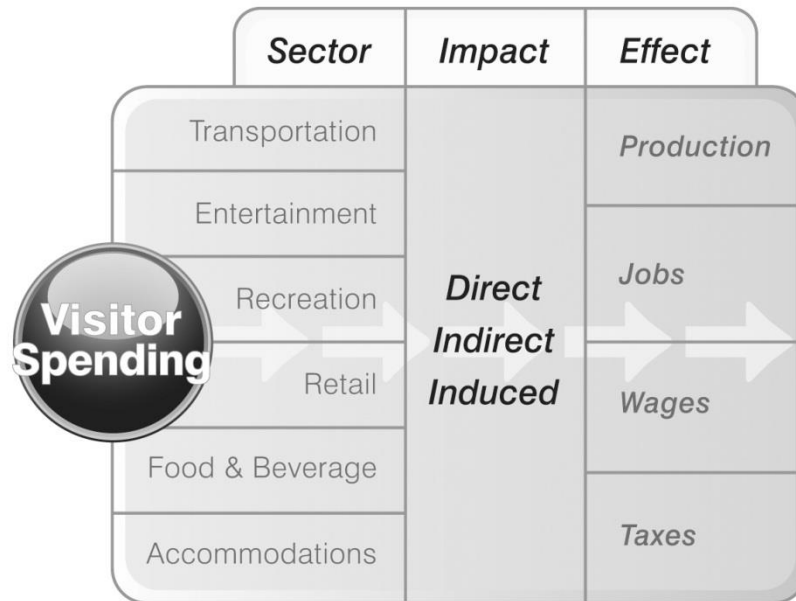


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How visitor spending generates impact

- **Direct:** 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.
- **Indirect:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.



- **Induced:** 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 \$1.1 billion in revenue in 2015.

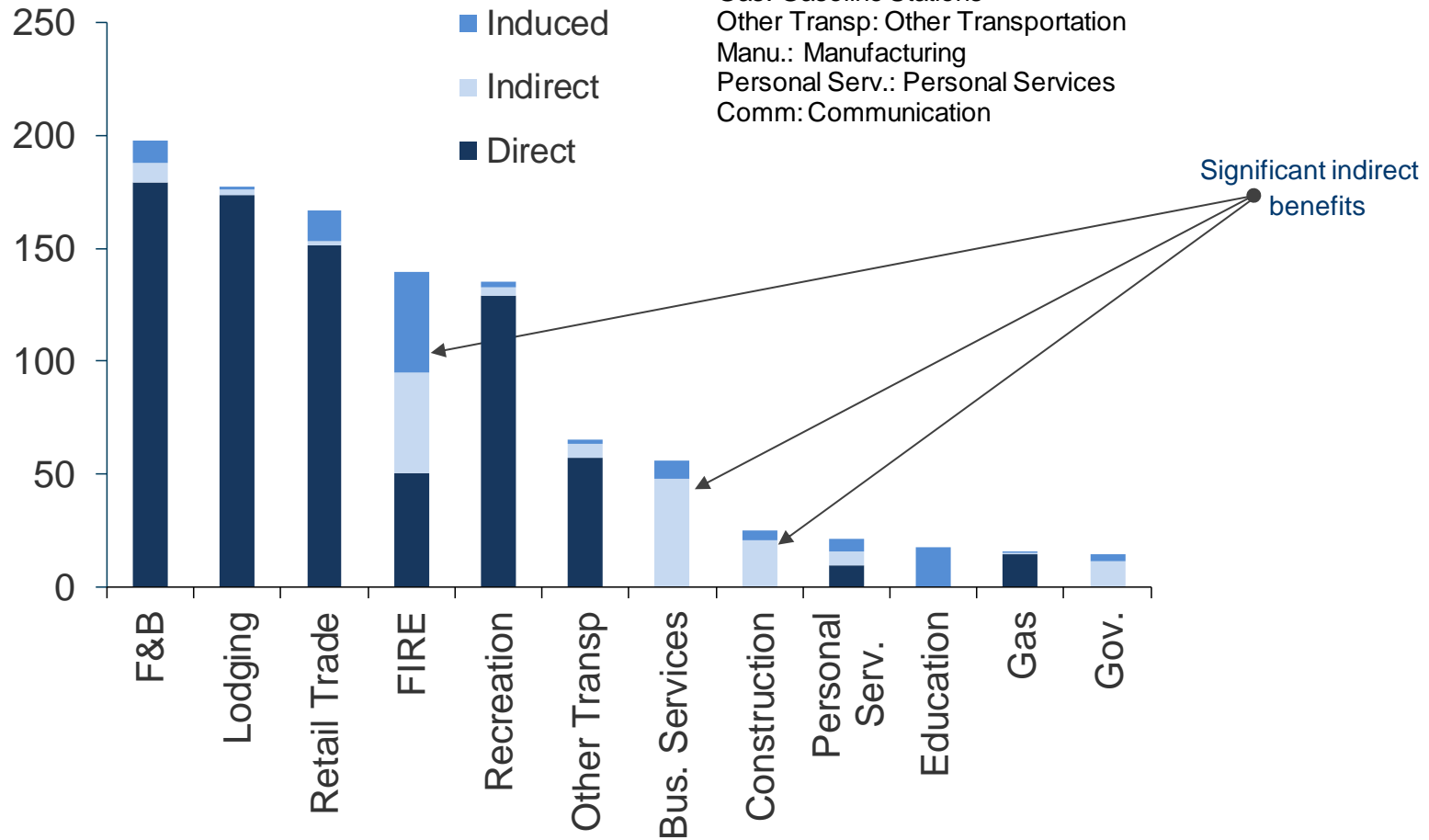
Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0.0	1.6	0.6	2.2
Construction and Utilities	0.0	20.7	4.3	25.0
Manufacturing	0.0	3.1	0.9	3.9
Wholesale Trade	0.0	3.4	5.0	8.4
Air Transport	0.0	0.7	0.9	1.6
Other Transport	57.3	6.3	1.6	65.2
Retail Trade	151.6	1.7	13.7	166.9
Gasoline Stations	14.6	0.1	1.2	15.9
Communications	0.0	7.9	2.7	10.6
Finance, Insurance and Real Estate	50.3	44.4	45.0	139.6
Business Services	0.0	48.0	8.0	55.9
Education and Health Care	0.0	0.2	17.5	17.7
Recreation and Entertainment	129.2	3.5	2.3	135.0
Lodging	173.9	2.1	1.4	177.3
Food & Beverage	179.3	8.4	10.1	197.8
Personal Services	9.7	6.0	5.2	20.9
Government	0.0	11.2	3.3	14.6
TOTAL	765.9	169.1	123.6	1,058.6
<i>Annual growth, % ch</i>	5.9	5.5	5.2	5.8

* Direct sales include cost of goods sold for retail sectors

Tourism sales

Tourism Sales by Industry

\$ million

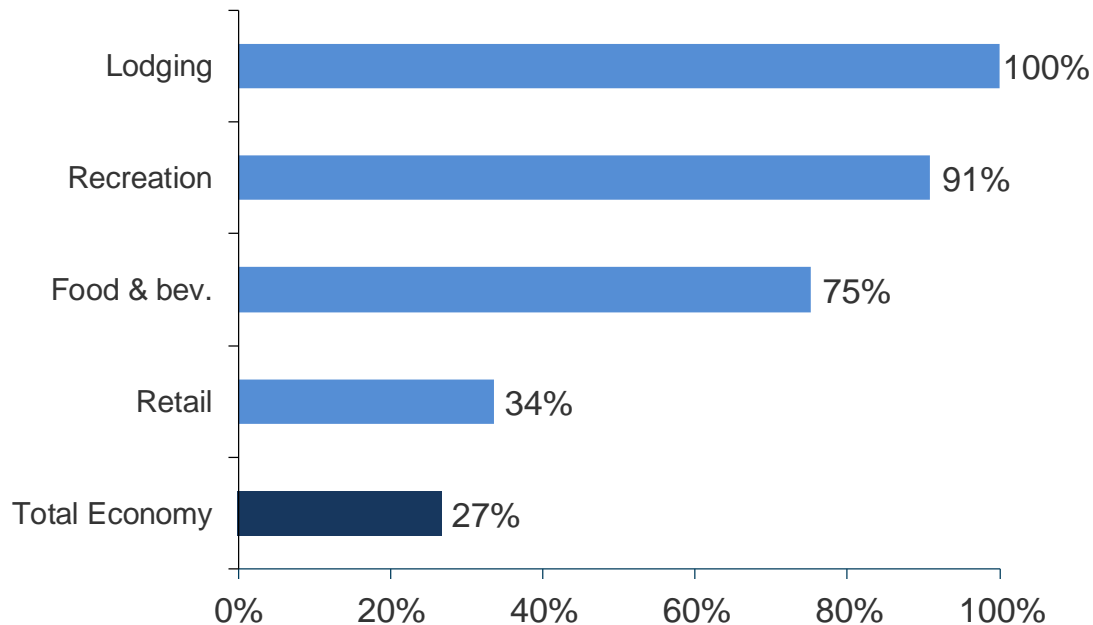


* Direct sales include cost of goods sold for retail

Tourism share of key industry employment

Tourism Employment Intensity by Industry

Direct jobs only



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

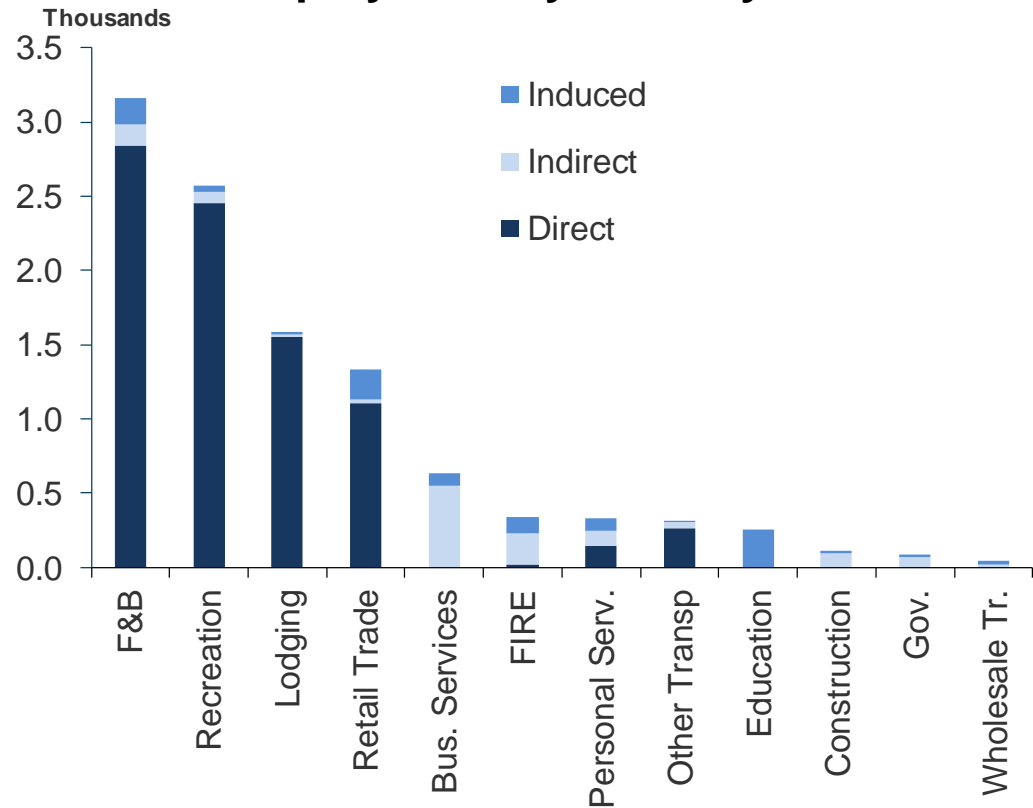
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0	4	2	6
Construction and Utilities	0	96	15	112
Manufacturing	0	10	2	12
Wholesale Trade	0	19	27	46
Air Transport	0	2	2	4
Other Transport	261	47	11	318
Retail Trade	1,103	26	201	1,329
Gasoline Stations	21	1	12	34
Communications	0	24	7	31
Finance, Insurance and Real Estate	20	209	109	338
Business Services	0	547	89	636
Education and Health Care	0	5	246	251
Recreation and Entertainment	2,451	78	46	2,575
Lodging	1,553	18	12	1,584
Food & Beverage	2,844	143	174	3,160
Personal Services	148	95	88	331
Government	0	70	18	87
TOTAL	8,402	1,394	1,061	10,857
<i>Annual growth, % ch</i>	3.9	2.9	2.9	3.7

- The tourism sector supported 10,857 jobs or 34.5% of employment (1-in-3 jobs) on Galveston Island in 2015, 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 nearly 11,000 jobs supported by Galveston Island tourism span every sector of the economy, either directly or indirectly.
- The most significant indirect impacts come in business services and FIRE.

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	0.0	0.4	0.2	0.6
Construction and Utilities	0.0	5.2	0.9	6.1
Manufacturing	0.0	0.4	0.1	0.6
Wholesale Trade	0.0	1.3	1.9	3.1
Air Transport	0.0	0.2	0.2	0.4
Other Transport	30.5	3.4	0.7	34.7
Retail Trade	22.2	0.7	5.4	28.2
Gasoline Stations	0.9	0.0	0.5	1.4
Communications	0.0	1.6	0.4	2.0
Finance, Insurance and Real Estate	1.4	7.0	4.0	12.3
Business Services	0.0	17.2	3.0	20.2
Education and Health Care	0.0	0.1	9.0	9.0
Recreation and Entertainment	32.5	1.1	0.6	34.1
Lodging	43.3	0.5	0.3	44.1
Food & Beverage	56.0	2.8	3.8	62.6
Personal Services	6.0	3.5	2.9	12.4
Government	0.0	5.8	1.3	7.1
TOTAL	192.7	51.2	35.2	279.1
<i>Annual growth, % ch</i>	<i>4.4</i>	<i>4.8</i>	<i>4.6</i>	<i>4.5</i>

- Workers on Galveston Island earned \$279 million as a result of visitor activity in 2015.

Tourism tax generation

Tourism-Generated Tax Revenues			
(US\$ Millions)			
	2014	2015	% ch
Federal	75.5	79.2	4.9
Personal Income	19.4	20.2	4.5
Corporate	25.5	27.0	5.7
Indirect business	4.7	5.0	5.3
Social Security	25.9	27.0	4.5
State	30.6	32.4	5.9
Sales	19.7	20.7	5.3
Lodging	9.9	10.6	7.3
Social Security	1.0	1.0	4.5
Local	38.8	41.5	7.0
Sales	6.3	6.6	5.3
Lodging	14.9	15.9	7.3
Excise and Fees	1.8	1.9	4.5
Property	15.8	17.0	7.7
TOTAL	144.8	153.0	5.7

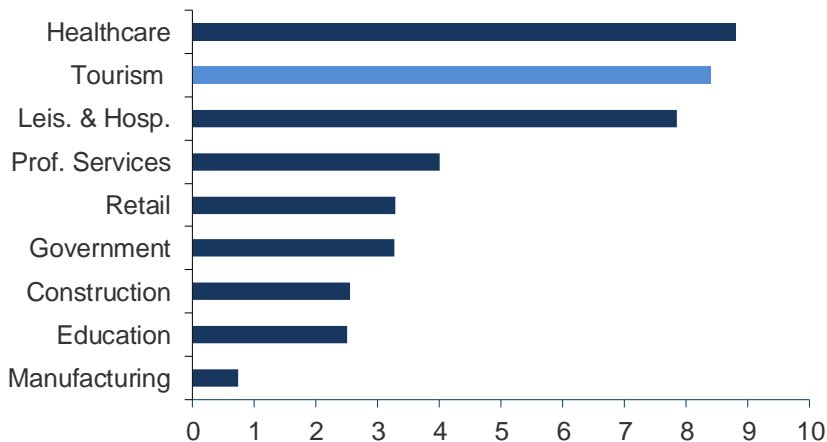
- Tourism generated \$153 million in taxes in 2015, 5.7% more than in 2014.
- Tourism-driven state and local tax proceeds of \$73.8 million helped offset the average household tax burden by \$3,620 per household.
- \$41.5 million in local taxes were generated by tourism in 2015.

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 2015.
- By establishment, key employers on the island are the University of Texas Medical Branch - Galveston, Landry's, Moody Gardens, and ANICO. Total employment was estimated as 31,459 in 2015.

Galveston Island Jobs by Industry

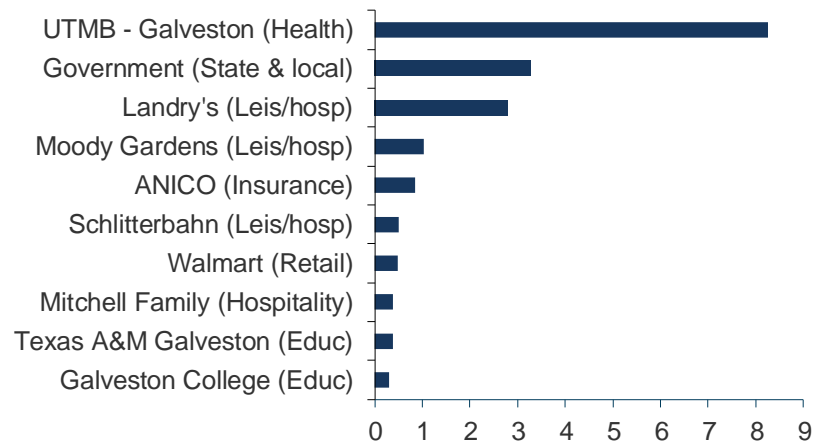
Thousands



Sources: Census, IMPLAN data, Tourism Economics

Galveston Island Jobs by Top Employers

Thousands



Sources: GEDP Investor Profiles 2014-15, Tourism Economics

Galveston Island tourism in context

- Tourism-generated tax revenues, not including hotel occupancy tax revenues, tallied \$25.5 million in 2015.
- This accounted for 53.1% of the City of Galveston's General Fund revenues, based on an estimated calendar year 2015 budget of \$48.2 million.
- Tourism-generated revenues would be sufficient to fund:
 - Police (\$16.8 million) 1.5 times over
 - Fire (\$10.0 million) 2.5 times over
 - Public works (\$3.3 million) 7 times over
 - Parks and rec (\$2.3 million) 11 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 2014.
 - 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, the Bureau of Economic Analysis, 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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For more information:

info@tourismeconomics.com