

The Economic Impact of Tourism on Galveston Island, Texas

2014 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 2014.
- Visitors to Galveston Island spent \$723.3 million in 2014, which generated \$1.0 billion in total business sales, including indirect and induced impacts.
- Tourism on Galveston Island generated \$145 million in tax revenues in 2014, with \$69.3 million accruing to state and local governments.



Headline results



- A total of 10,469 jobs were sustained by visitors to Galveston Island in 2014. This included 8,083 direct and 2,386 indirect and induced jobs.
- Approximately 33.5% (1 in 3) of all jobs on the Island were sustained by tourism.
- Tourism-sustained jobs generated total income of \$267 million in 2014.

Key Trends in 2014



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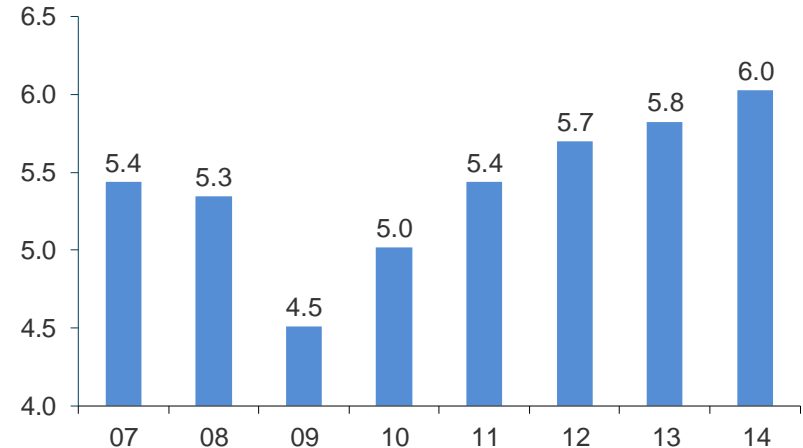
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Key trends in 2014

- On-going restoration and beach improvement efforts and faster than average growth in Texas are driving Galveston Island's expanding tourism economy.
- The effects of Hurricane Ike in 2008 are more than six years in the past.
- Visitor volume increased 3.5% and lodging spending increased 7.0% in 2014. Visitor volume and lodging spending are 10.8% and 31.4%, respectively above their 2007 peaks.

Volume of Visitors to Galveston

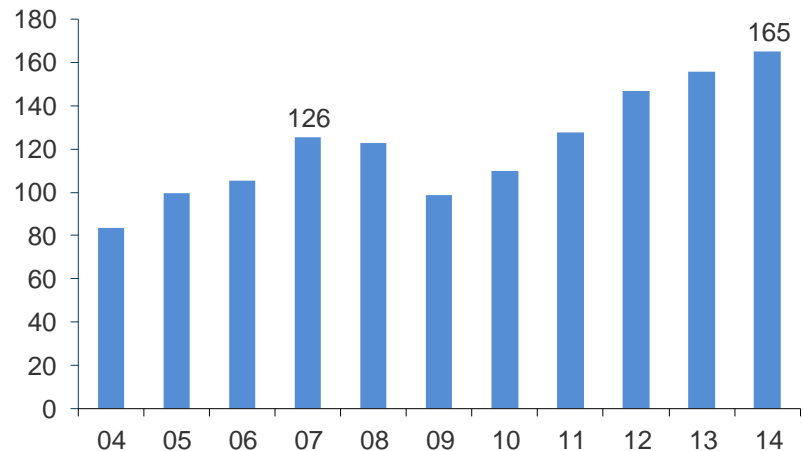
Millions, including day and overnight visitors



Source: Tourism Economics

Accommodations Spending in Galveston

\$ millions



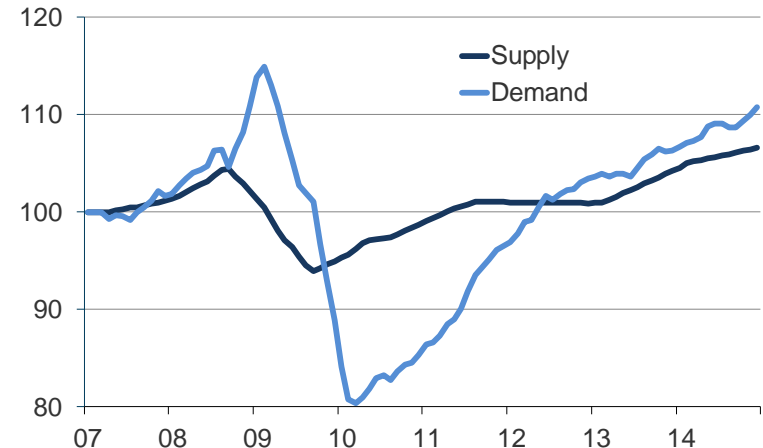
Sources: State of Texas Comptroller, Tourism Economics

Key trends in 2014

- Galveston Island's lodging market continues to tighten, and supply is responding to demand.
- Room-night demand increased 4.2% in 2014, compared with a 2.2% increase in supply.
- The occupancy rate rose by 1.1 percentage points, from 59.6% in 2013 to 60.7% in 2014.
- Average room rates also increased 2.5%. Rising demand and higher prices lifted overall room revenues.

Supply Is Responding to Demand in Galveston

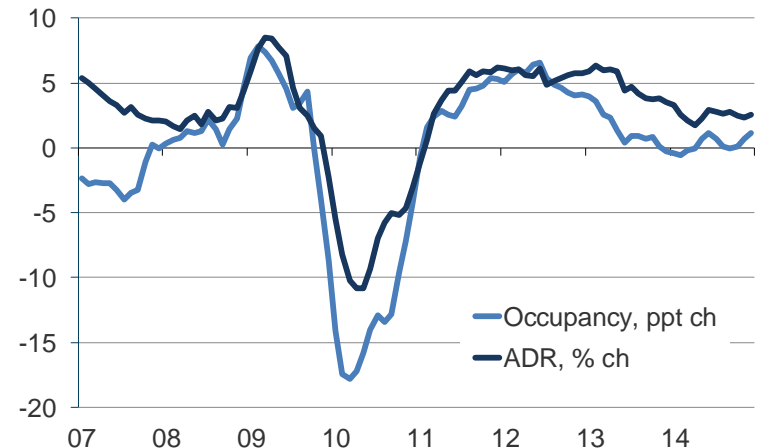
Room-nights, 12-mo moving sum, indexed to Jan 2007=100



Sources: STR, Tourism Economics

Average prices are still rising

12-mo moving sum, change from year ago



Sources: STR, Tourism Economics

Key trends in 2014

- Galveston Island's visitor volume expanded 3.5% in 2014, a rate of growth higher than the previous year.
- After five solid years of recovery, total visitor volume again reached a new peak in 2014 just over 6 million visitors. The spending associated with these visitors also increased in 2014 and is driving local economic impacts.

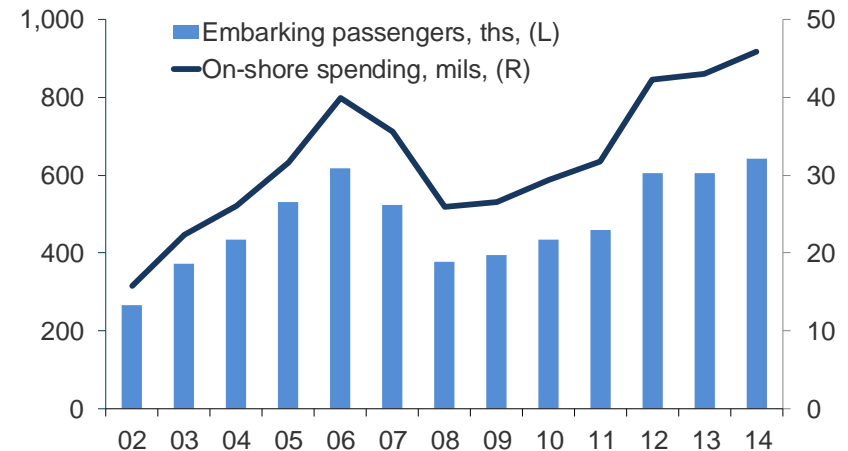
Visitor Volume Trends								
Thousands								
	2007	2008	2009	2010	2011	2012	2013	2014
Cruise Passengers	523	377	395	435	459	604	605	642
<i>% change</i>		(28.0)	4.8	10.1	5.7	31.5	0.1	6.1
Total Visitors	5,437	5,345	4,510	5,020	5,437	5,697	5,823	6,026
<i>% change</i>		(1.7)	(15.6)	11.3	8.3	4.8	2.2	3.5
Sources: Port of Galveston, Tourism Economics								

Key trends in 2014

- Cruise passengers were flat in 2013, but increased 6.1% in 2014.
- At 642,000, embarkations surpassed the 2006 peak of 617,000.
- The Port of Galveston is the fourth largest home port in the US when measured by embarkations.
- Cruise activity generated \$46 million in passenger on-shore spending, and another \$13.2 million in services provided at the port in 2014.



Cruise Passengers and On-Shore Spending



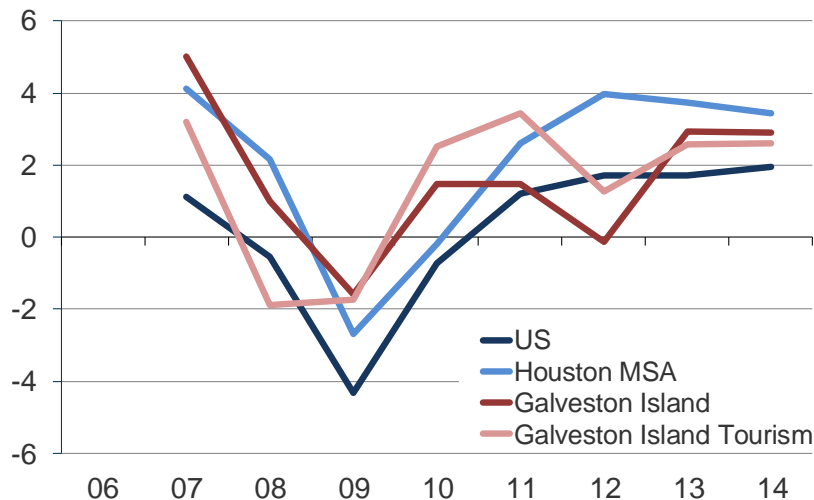
Sources: Port of Galveston, CLIA, Tourism Economics

Key trends in 2014

- 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 13%, compared to 8.9% for total employment on the Island.

Annual Employment Trends

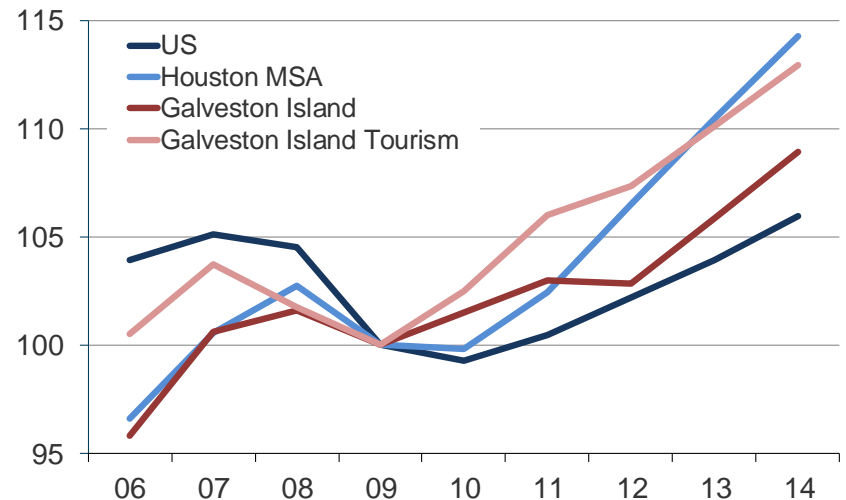
% change



Sources: BEA, BLS, Tourism Economics

Job Growth Since the Bottom

Employment indexes, 2009=100



Sources: BEA, BLS, Tourism Economics

Visitor Spending



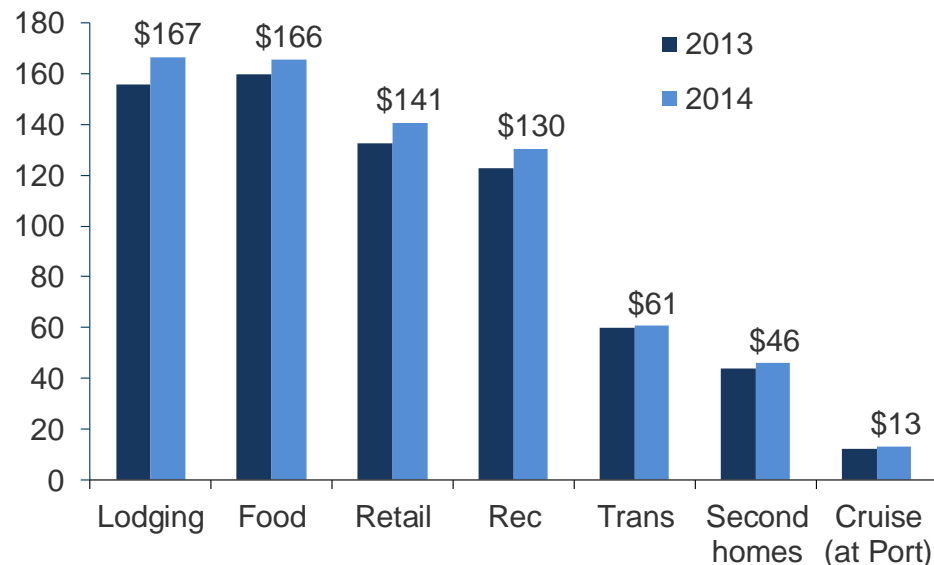
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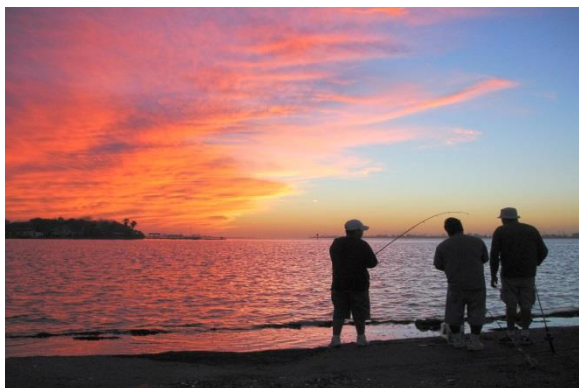
Composition of visitor spending

Visitor Spending by Category

\$ millions



Source: Tourism Economics



- Visitors spent \$167 million on lodging, \$166 million food and beverages, and \$141 million on retail shopping in 2014.
- The value of second home accommodations tallied \$46 million.
- Cruise-related spending at The Port of Galveston totaled \$13 million, including parking, ship fees, and water, porter, security, and utilities services. Cruise passengers' on-shore spending tallied \$46 million.

Composition of visitor spending

- Visitor spending increased 5.3% and reached a new peak in 2014.
- Growth in visitor spending was led by lodging, recreation, and retail.

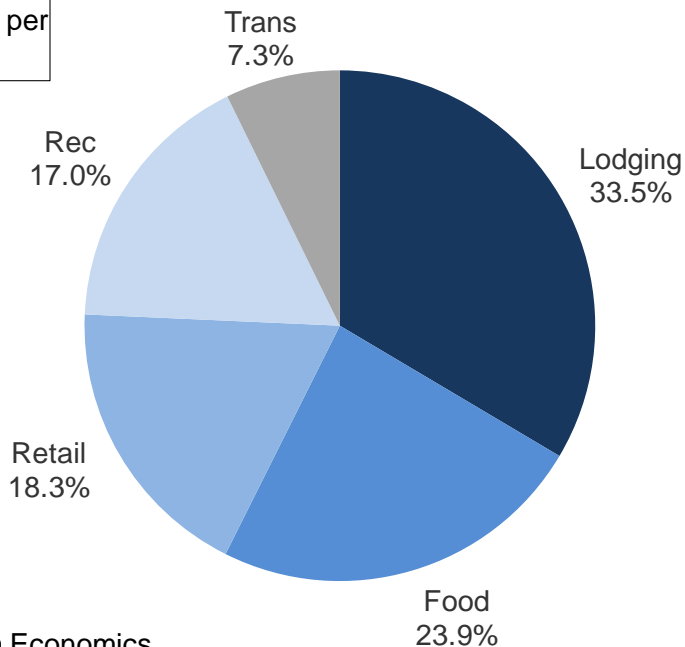
Visitor Spending By Category						
(US\$ Million)						
	2010	2011	2012	2013	2014	2013-14 % ch
Lodging	110.0	127.9	147.1	155.7	166.7	7.0%
Food and Beverage	132.6	141.4	152.6	159.9	165.6	3.5%
Retail	114.7	121.0	126.9	132.8	140.7	5.9%
Recreation	103.3	112.7	115.8	123.0	130.4	6.0%
Transportation	51.5	57.0	58.0	60.1	60.6	0.9%
Second homes	38.1	41.4	42.6	43.7	46.0	5.5%
Cruise (at Port)	8.8	9.5	11.3	12.0	13.2	10.5%
Total	559.0	610.9	654.5	687.2	723.3	5.3%
<i>% change</i>	14.6%	9.3%	7.1%	5.0%	5.3%	

Visitor spending profiles

- Overnight visitors to Galveston spent \$112 per person per day, while day trippers spent \$52 per person per day. An estimated 55.9% of all visitors were day trippers.

Overnight Visitor Spending by Category

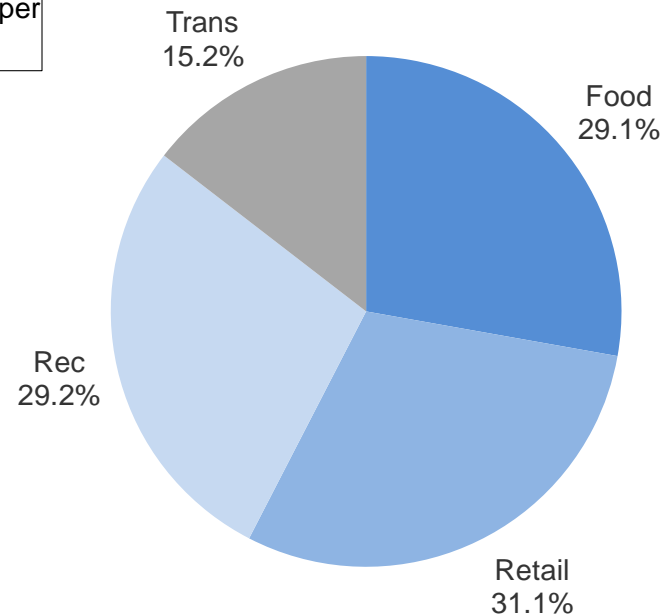
Avg per person per day = \$112



Source: Tourism Economics

Day Visitor Spending by Category

Avg per person per day = \$52



Source: Tourism Economics

Lower fuel prices free up resources

Fuel Prices on a Two-Year Decline

Houston gasoline price, dollars per gallon



Source: Energy Information Administration

- Fuel prices have been on a two-year slide, 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 \$80 per barrel through 2018, which implies a gas price under \$3.00 per gallon for an extended period.

Economic Impacts

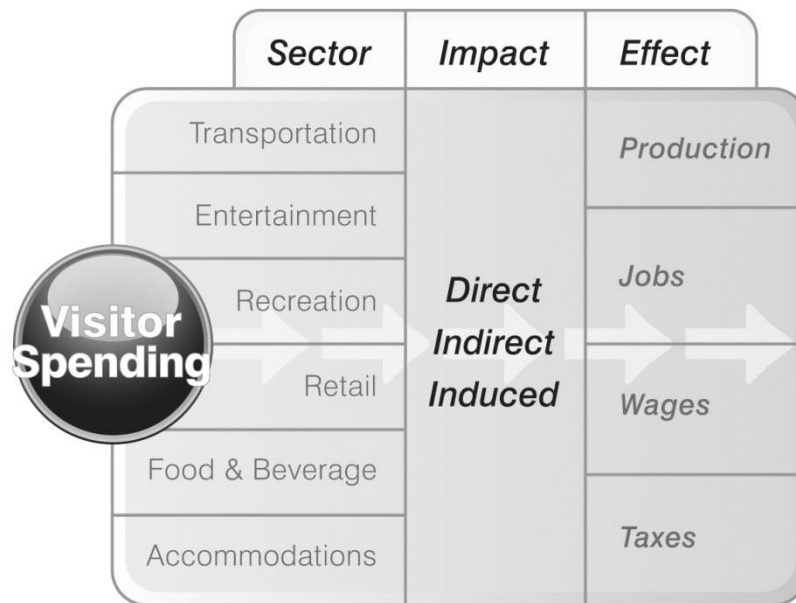


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How visitor spending generates impact

- **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 billion in revenue in 2014.

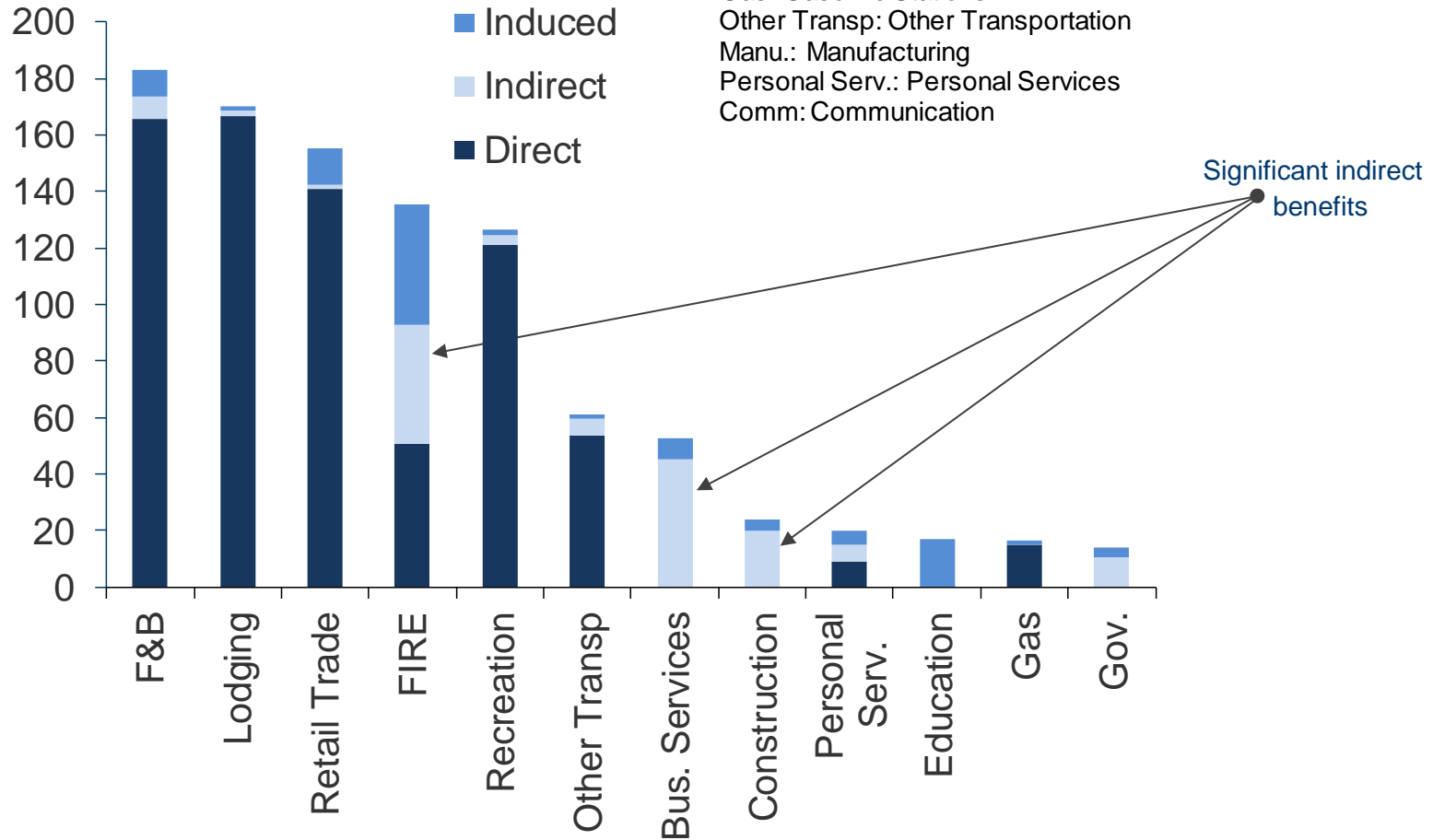
Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0.0	1.5	0.6	2.1
Construction and Utilities	0.0	19.9	4.1	24.0
Manufacturing	0.0	2.9	0.9	3.8
Wholesale Trade	0.0	3.3	4.8	8.1
Air Transport	0.0	0.7	0.8	1.5
Other Transport	53.8	5.8	1.5	61.2
Retail Trade	140.7	1.6	13.1	155.4
Gasoline Stations	15.1	0.1	1.1	16.4
Communications	0.0	7.6	2.6	10.2
Finance, Insurance and Real Estate	50.9	42.0	42.6	135.6
Business Services	0.0	45.3	7.5	52.9
Education and Health Care	0.0	0.2	16.6	16.8
Recreation and Entertainment	121.3	3.2	2.2	126.7
Lodging	166.7	1.9	1.3	170.0
Food & Beverage	165.6	8.0	9.6	183.2
Personal Services	9.1	5.7	5.0	19.8
Government	0.0	10.6	3.2	13.8
TOTAL	723.3	160.3	117.5	1,001.0
<i>Annual growth, % ch</i>	5.2	5.3	4.6	5.2

* Direct sales include cost of goods sold for retail sectors

Tourism sales

Tourism Sales by Industry

\$ million

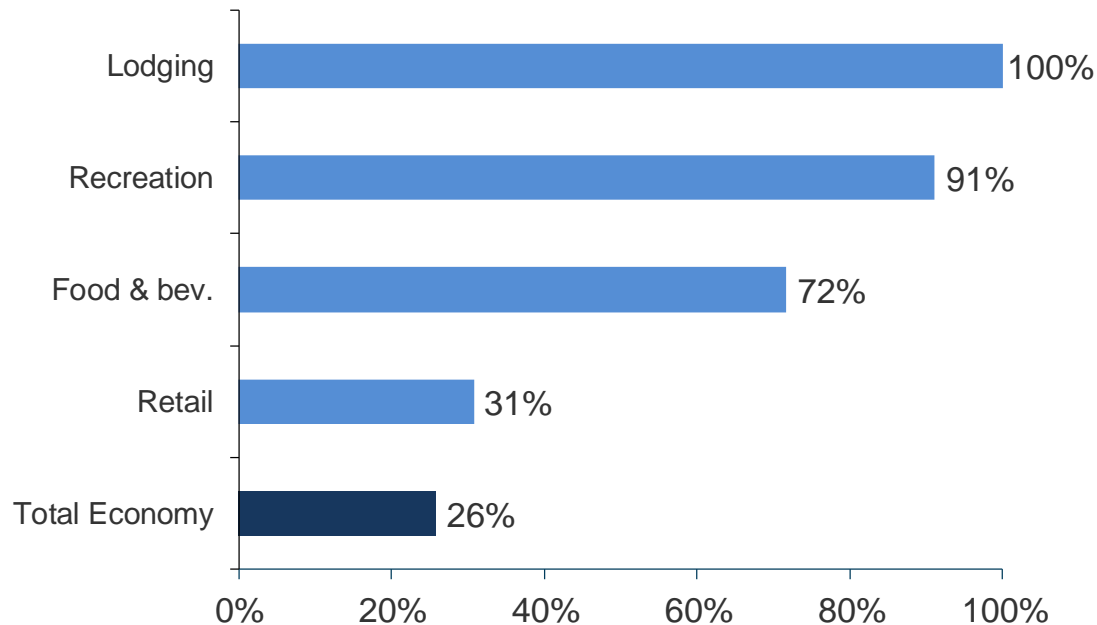


* Direct sales include cost of goods sold for retail

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

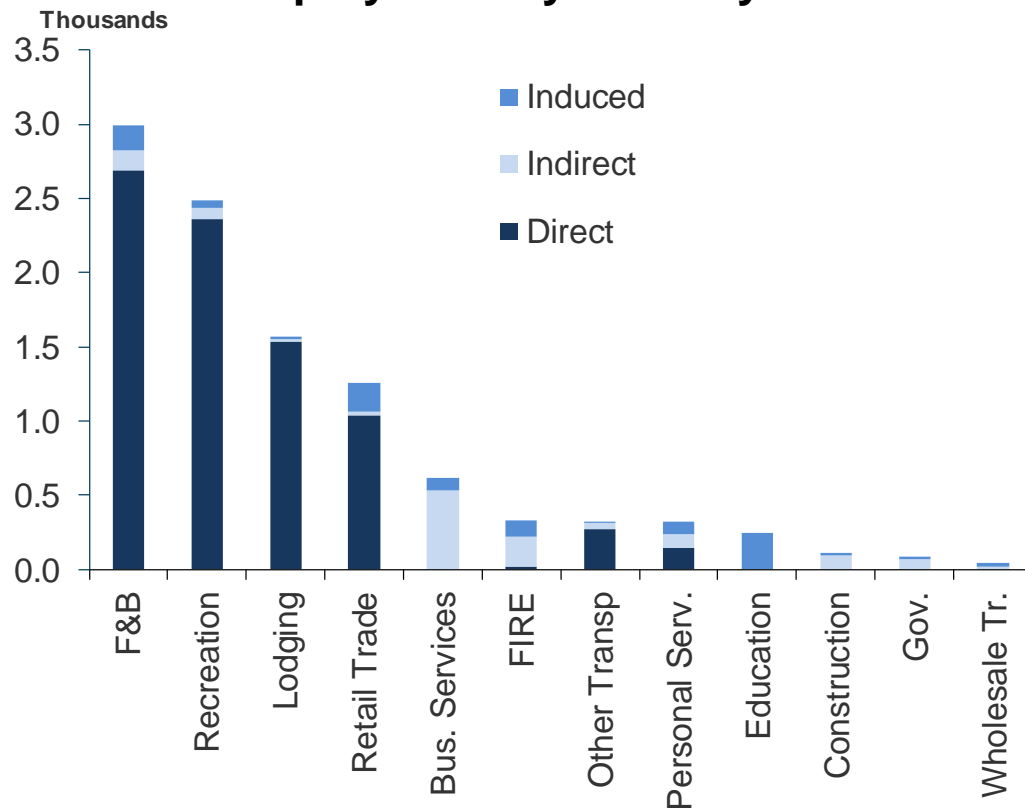
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0	4	2	6
Construction and Utilities	0	95	15	110
Manufacturing	0	10	2	12
Wholesale Trade	0	18	27	45
Air Transport	0	2	2	4
Other Transport	268	44	10	322
Retail Trade	1,040	25	195	1,261
Gasoline Stations	23	1	12	35
Communications	0	23	6	30
Finance, Insurance and Real Estate	21	203	106	330
Business Services	0	533	87	619
Education and Health Care	0	5	239	244
Recreation and Entertainment	2,366	75	45	2,485
Lodging	1,536	18	12	1,566
Food & Beverage	2,687	140	169	2,995
Personal Services	142	93	86	321
Government	0	67	17	85
TOTAL	8,083	1,355	1,032	10,469
<i>Annual growth, % ch</i>	2.6	2.9	2.2	2.6

- The tourism sector supported 10,469 jobs or 33.5% of employment (1-in-3 jobs) on Galveston Island in 2014, 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.
- 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	5.0	0.8	5.9
Manufacturing	0.0	0.4	0.1	0.5
Wholesale Trade	0.0	1.2	1.8	3.0
Air Transport	0.0	0.2	0.2	0.4
Other Transport	31.1	3.1	0.7	34.9
Retail Trade	20.6	0.6	5.1	26.4
Gasoline Stations	0.9	0.0	0.5	1.4
Communications	0.0	1.5	0.4	1.9
Finance, Insurance and Real Estate	1.4	6.7	3.8	11.9
Business Services	0.0	16.4	2.9	19.3
Education and Health Care	0.0	0.1	8.6	8.6
Recreation and Entertainment	30.8	1.1	0.5	32.4
Lodging	42.1	0.5	0.3	42.9
Food & Beverage	52.0	2.7	3.6	58.4
Personal Services	5.7	3.3	2.8	11.8
Government	0.0	5.5	1.2	6.7
TOTAL	184.6	48.9	33.6	267.1
<i>Annual growth, % ch</i>	3.8	4.6	4.1	4.0

- Workers on Galveston Island earned \$267 million as a result of visitor activity in 2014.

Tourism tax generation

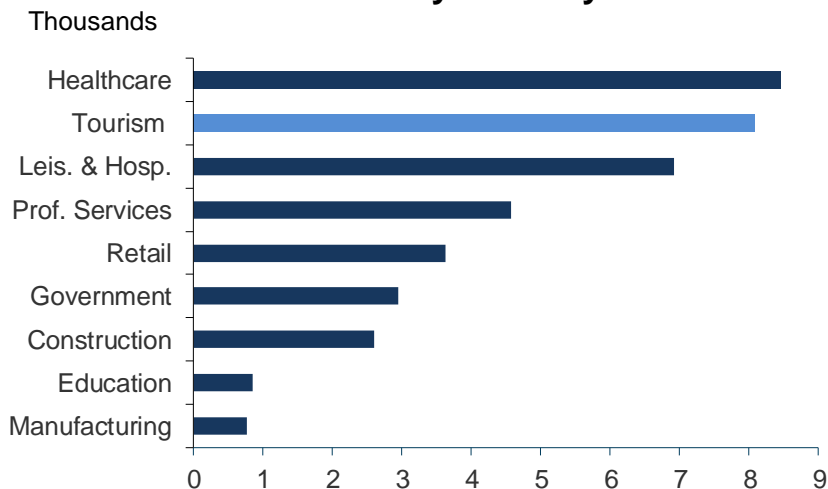
Tourism-Generated Tax Revenues			
(US\$ Millions)			
	2013	2014	% ch
Federal	72.4	75.5	4.2
Personal Income	18.6	19.4	4.0
Corporate	24.4	25.5	4.6
Indirect business	4.5	4.7	4.6
Social Security	24.9	25.9	3.9
State	28.3	30.6	8.1
Sales	18.8	19.7	4.6
Lodging	8.5	9.9	16.6
Social Security	1.0	1.0	3.9
Local	35.3	38.8	9.8
Sales	6.0	6.3	4.6
Lodging	12.7	14.9	16.6
Excise and Fees	1.7	1.8	4.0
Property	14.8	15.8	6.7
TOTAL	136.0	144.8	6.5

- Tourism generated \$145 million in taxes in 2014, 6.5% more than in 2013.
- Tourism-driven state and local tax proceeds of \$69.3 million helped offset the average household tax burden by \$3,406 per household.
- \$39 million in local taxes were generated by tourism in 2014.

Galveston Island tourism in context

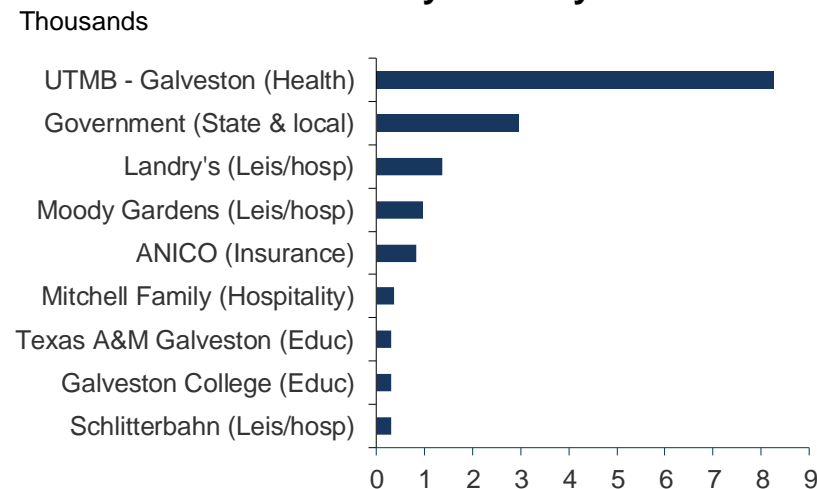
- Tourism jobs span across sectors and include many small businesses. Taken as an industry, tourism was the second largest employer on the Island in 2014.
- By establishment, key employers on the island are the University of Texas Medical Branch - Galveston, Landry's, ANICO, and Moody Gardens. Total employment was estimated as 31,230 in 2014.

Galveston Island Jobs by Industry



Sources: Census, IMPLAN data, Tourism Economics

Galveston Island Jobs by Industry



Sources: GEDP Investor Profiles 2013-14, Tourism Economics

Galveston Island tourism in context

- Tourism-generated tax revenues, not including hotel occupancy tax revenues, tallied \$23.9 million in 2014.
- This accounted for 50.1% of the City of Galveston's General Fund revenues, based on an estimated calendar year 2014 budget of \$47.7 million.
- Tourism-generated revenues would be sufficient to fund:
 - Police (\$16.9 million) 1.4 times over
 - Fire (\$10.0 million) 2.4 times over
 - Public works (\$3.4 million) 7 times over
 - Parks and rec (\$2.3 million) 10.3 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 2012.
 - 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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