

MI Policy Brief:

Why tourism should be viewed as an investment

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The economics of tourism

If there is a silver lining in Arizona's prolonged gloomy economic and budget forecast, it is the proven promise and untapped potential of tourism for the Grand Canyon State. In detail, a sunny picture was painted at the 2011 Arizona Governor's Conference on Tourism,ⁱ which noted that 36.9 million overnight and domestic and international visitors experienced Arizona as a travel destination in 2010 – a 4.5% increase over the previous year.

Boasted at the event was the fact Arizona collected \$17.7 billion in direct travel spending in 2010, (compared with \$16.4 billion in 2009).ⁱⁱ

It should be noted, however, that the most recent figure is well below the previous three years – \$18.5 billion in 2008; \$19.1 billion in 2007; and \$18.7 billion in 2006.

Also, although 2010 direct travel spending in Arizona is nearly identical to 2005 (\$17.6 billion), which when adjusted for inflation, actually equates to a decrease.

Direct Travel Spending in Arizona in 2010

- \$17.7 billion
- 152,200 direct industry-related jobs
- \$4.9 billion in direct earnings
- \$2.5 billion in local, state and federal tax revenues

Source: Arizona Office of Tourism

There are various explanations for the overall decline in tourism and visits, the poor economy and boycotts protesting the controversial SB 1070 immigration law among the

chief reasons cited. But there is another factor that needs to be examined: Arizona's commitment – or rather lack thereof – to tourism.

For every \$1 the state invests in promoting tourism, \$8 is returned to the state general fund.ⁱⁱⁱ But what undoubtedly is a sound financial investment and return on state dollars continues to be viewed by the Legislature as merely another liability and costly expense during an economic crisis. Arizona's commitment to tourism is down 40%, to \$8 million, due to budget cuts.^{iv}

With less investment, there is less return on investment, as evidenced by recent job losses. Arizona has lost 9,400 tourism and restaurant jobs over the past five years.^v Our state now ranks 20th in the number of tourism and hospitality jobs (257,100).^{vi}

There is opportunity for growth, if Arizona is willing to plant the seed.

The Grand Canyon State?

“No other Arizona industry produces the same economic impact to the Grand Canyon State than our travel and tourism industry,” said Sherry Henry, director of the Arizona Office of Tourism.^{vii}

Naturally, the Grand Canyon itself remains a big draw for Arizona, attracting about 5 million visitors each year^{viii} – just 1.4 million short of the state's total population. Total annual economic impact (direct, indirect and induced) of Grand Canyon National Park visitors was at \$687 million and 12,000 full-time jobs to the regional economy, according to a recent study.^{ix}

But there is room for improvement and a marketing opportunity to reclaim the state's greatest natural wonder. For example, Las Vegas, Nevada, (12.7%) beat out all Arizona cities in which visitors spent the night after visiting the national park.^x Las Vegas also is the No. 1 city for rental cars for canyon visitors, and a close second in commercial air travelers (44.3% Phoenix Sky Harbor International Airport compared to 37.5% Las Vegas McCarran International Airport) for Grand Canyon tourists, according to the study.

There is bright spot: Satisfaction rate among visitors was nearly unanimous, with 99.3% of visitors saying they would recommend the Grand Canyon to friends and family. Arizona should work on getting those visitors to recommend to friends to stay in Arizona when they visit the Canyon.

One of the Seven Wonders ... for now

Perhaps up to 17 million years in the making, the Grand Canyon long has been recognized as one of the world's natural seven wonders. At 277 miles long, up to 18 miles wide and more than a mile deep in areas, strata by exposed strata the Grand Canyon offers visitors the greatest life-sized portrait of geological history anywhere in the world.

Truly, the Grand Canyon can be viewed as metaphoric "gold mine" for tourism. But the mining industry is taking a more literal look, hoping to dig even more holes with 8,500 mining claims near the Canyon, up from the 100 claims in January 2003. Presently, in an effort to preserve the Canyon for future generations, U.S. Interior Secretary Ken Salazar is recommending withdrawing more than 1 million acres around the Grand Canyon from mining claims for the next 20 years.

Still the Grand Canyon faces other threats, including having its international status eroded in the digital world. The Canyon is in real danger of being removed from the Seven Wonders of the World designation as part of a worldwide Internet survey.

Presently, the Grand Canyon ranks 23 out of 28 finalists on the New 7 Wonders of the World website^{xi} (www.new7wonders.com). Other finalists include the Amazon in South America, Kilimanjaro in Tanzania, Galapagos in Ecuador and the Cliffs of Moher in Ireland. Voting continues until November 11, 2011.

Some countries are actively campaigning for their natural attraction to be among the Final Seven. Arizona resident Jon Thomas has been trying to get Arizona tourism and other offices on board in pushing the Grand Canyon in the poll. His one-man campaign has been summarily ignored.

For an industry used to relying on traditional methods of outreach such as advertising in magazines and TV, it would be easy to dismiss the Internet survey. But the fact is, the earlier New 7 Wonders of the World for man-made Structures, which concluded in 2007, garnered more than 100 million votes. That is a lot of potential visitors, a lot of potential business partners in an increasingly global economy.

"I started a crusade about 'free' worldwide advertisement (for the Grand Canyon) in the spring. ... I don't get it. The official slogan for Arizona is 'The Grand Canyon State' but nobody in government seems to care about promoting it," said Thomas.^{xii}

This example of individual ambassadorship is a microcosm of the many unexplored avenues of tourism available to Arizona, as well as a lesson that the passion of one man should not be ignored any more than 100 million Internet users. Tourism can be a state's energy.

Conclusion

Arizona has an opportunity to not only improve its bruised national and international image in the wake of controversial and divisive laws such as SB 1070 through tourism, but also repair its financial wounds in the state budget – even as the economy continues to limp along.

Shuttering highway rest stops (as the state did last October), closing state parks (as the state did last year despite studied alternatives^{xiii} and an economic impact of \$223 million) and continuing to fail to recognize Arizona as a chief driver to the state's economy worthy of investment have proven to be unwise public-policy decisions.

Other states have learned this the hard way. Within two years of eliminating its tourism funding, Colorado fell from first in the nation for summer resort travel to 17th.^{xiv} In FY 2008, the Colorado tourism budget was fully restored to \$22.7 million – about equal to Arizona's tourism budget for that year.

Arizona's tourism budget has been reduced nearly two-thirds since then, even though with the growth and housing markets not expected to return anytime soon, tourism has never been more important to the Arizona economy.

“As Arizona's top export-oriented industry, tourism directly impacts all 15 counties within our state. By generating thousands of jobs, millions of dollars in earning and billions of dollars in tax venues, tourism is critical to Arizona's economic vitality,” said Henry, the state's tourism director.^{xv}

Arizona would be wise to invest more – not less – in this endeavor. This could prove to be the way to fund schools, health care, law enforcement, prisons and other state programs. The return on investment would be topped only by the return of reputation for a state rich in beauty, culture, resources and potential.



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SOURCES

- ⁱ Conference held July 14-15, 2011, at Doubletree Paradise Valley Resort in Scottsdale
- ⁱⁱ Dean Runyan Associates/Arizona Office of Tourism
- ⁱⁱⁱ Arizona Tourism Alliance
- ^{iv} The Associated Press, various news reports
- ^v Phoenix Business Journal
- ^{vi} U.S. Bureau of Labor Statistics
- ^{vii} Arizona Office of Tourism
- ^{viii} Grand Canyon National Park
- ^{ix} The W.A. Franke College of Business School at Northern Arizona University
- ^x The W.A. Franke College of Business School at Northern Arizona University
- ^{xi} www.new7wonders.com
- ^{xii} email send in response to blog, "Welcome to Nevada: The Grand Canyon State," by Joseph Garcia, July 2011
- ^{xiii} The Price of Stewardship: The Future of Arizona State Parks, October 2009
- ^{xiv} Elliott D. Pollack & Co., Scottsdale, Ariz., "Findings regarding impacts to tourism funding reduction"
- ^{xv} Arizona Office of Tourism