



# The Economic Impact of Tourism on Galveston Island, Texas

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## 2012 Analysis



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# Headline Results

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# Headline results

- Tourism is a significant contributor to business sales, employment, and taxes on Galveston Island.
- Visitors to Galveston Island spent \$654.6 million in 2012, which generated \$908.2 million in total business sales, including indirect and induced impacts.
- Tourism on Galveston Island generated \$126.9 million in tax revenues in 2012, with \$59.9 million accruing to state and local governments.





# Headline results



- A total of 9,963 jobs were sustained by visitors to Galveston Island in 2012. This includes 7,681 direct and 2,282 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 \$249 million in 2012.

# Key Themes for 2012

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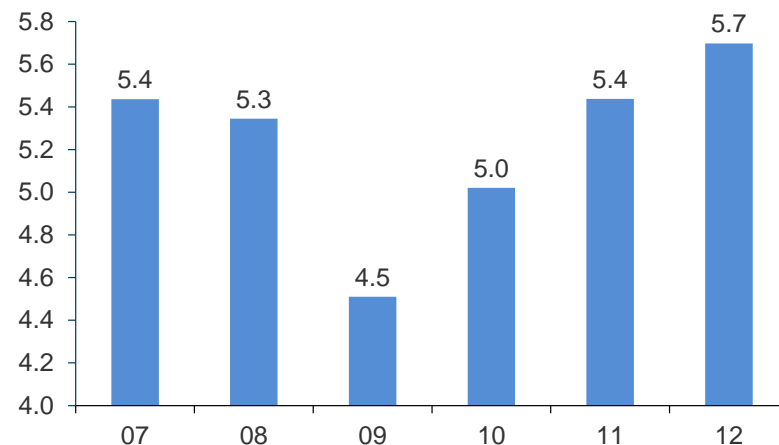
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# Key themes for 2012

- Local restoration efforts of more than \$2 billion and faster than average growth in Texas are driving a strong tourism recovery.
- Hurricane Ike and the broader economic slowdown of 2007-2009 are firmly in the past.
- Visitor volume increased 4.8% and lodging spending increased 15% in 2012, and both visitor volume and lodging spending have exceeded the 2007 peak.

## Volume of Visitors to Galveston

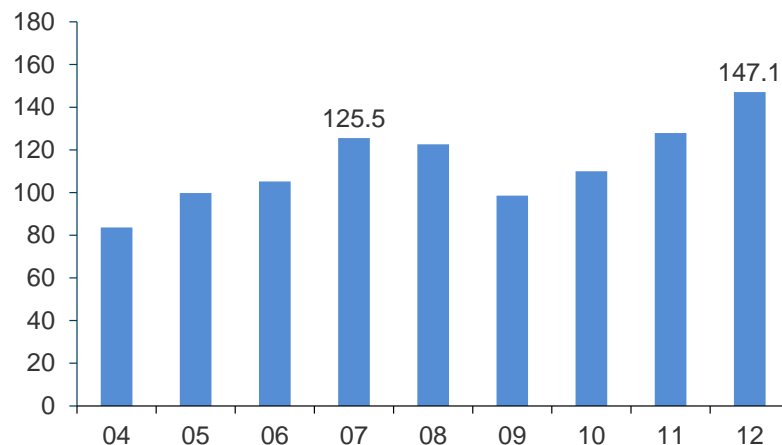
Millions, including day and overnight visitors



Source: Tourism Economics

## Accommodations Spending in Galveston

\$ million



Sources: State of Texas Comptroller, Park Board of Trustees, and Tourism Economics

# Key themes for 2012

- The Galveston Island visitor economy is following the trends of improvement in the broader economy.
- After three years of recovery, total visitor volume reached a new peak in 2012 of 5.7 million visitors. The spending associated with these visitors is also gaining traction and driving local economic impacts.

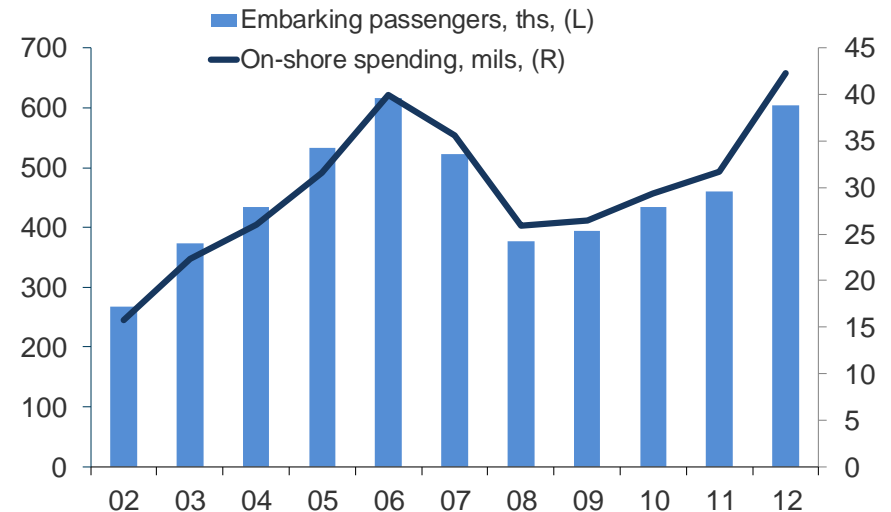
Visitor Volume Trends						
Thousands						
	2007	2008	2009	2010	2011	2012
Cruise Passengers	523	377	395	435	459	604
% change		-28.0	4.8	10.1	5.7	31.5
Total Visitors	5,436	5,345	4,510	5,020	5,437	5,697
% change		-1.7	-15.6	11.3	8.3	4.8
Sources: Port of Galveston, Tourism Economics						

# Key themes for 2012

- Cruise passengers are playing an increasingly important role in the Island's tourism industry. Embarkations from Galveston increased by an average of 12.5% per year since 2008.
- The Port of Galveston is now the fifth largest home port in the US when measured by embarkations.
- Cruise activity generated \$42.3 million in passenger on-shore spending, and another \$11.4 million in services provided at the port.



**Cruise Passengers and On-Shore Spending**



Sources: Port of Galveston, CLIA, Tourism Economics

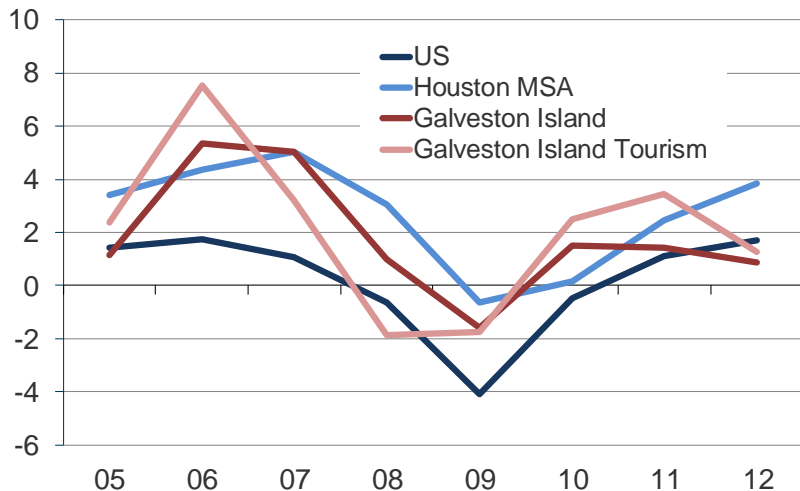


# Key themes for 2012

- Galveston Island's tourism industry is leading the recovery with above average employment growth. The change can be measured since the 'bottom' of the recent economic downturn, which was in 2009 nationally and locally. Since this bottom, tourism jobs in 2012 were 7.4% higher, compared with 3.8% for total jobs on the Island.

## Annual Employment Trends

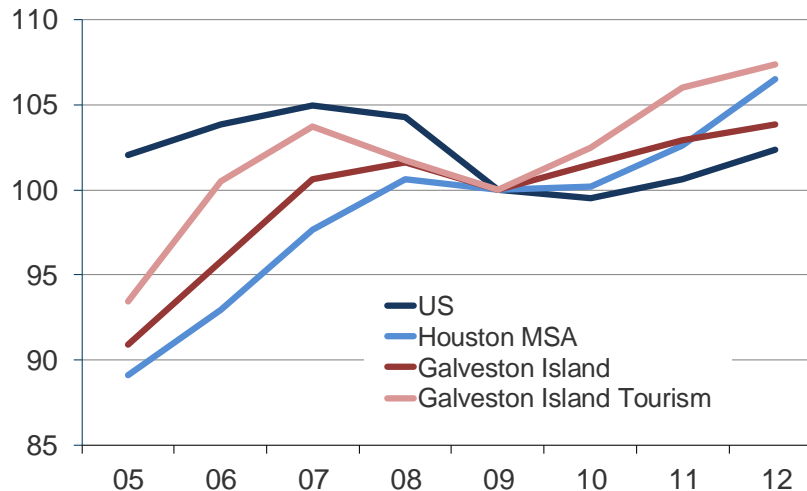
% change



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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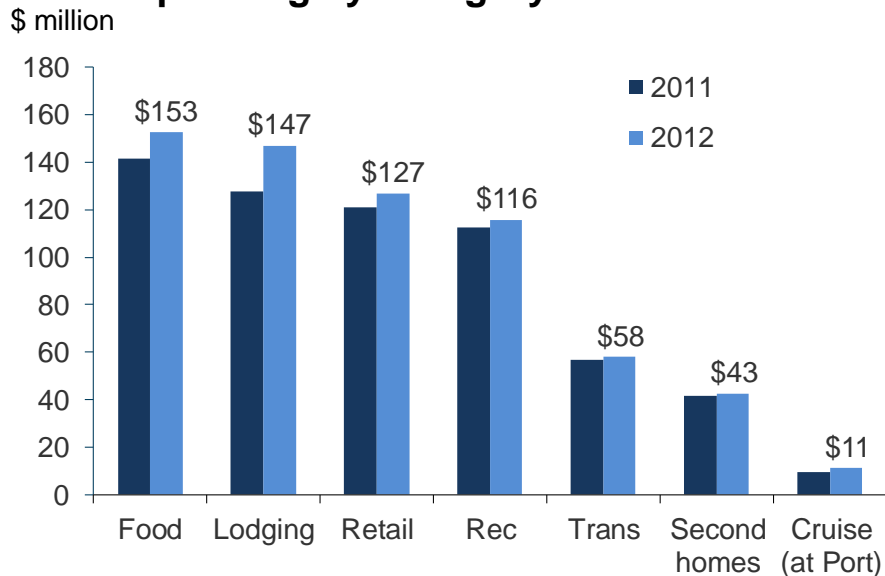


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# Composition of tourism spending

## Visitor Spending by Category



Source: Tourism Economics



- Visitors spent \$153 million on food and beverage, \$147 million on lodging, and \$127 million on retail shopping in 2012.
- The value of second home accommodations tallied \$43 million.
- Cruise-related spending at The Port of Galveston totaled \$11.4 million, including parking, ship fees, water, porter, security, and utilities services. Cruise passengers' on-shore accommodations spending tallied \$13.5 million.

# Composition of tourism spending

- Visitor spending reached a new peak in 2012 with cruise and the lodging sector leading growth. Lodging sales increased 15.0% as both rates and nights sold advanced.
- Visitor spending on food and beverage and retail increased 7.9% and 4.9%, respectively, both changes that were similar to those of a year earlier.

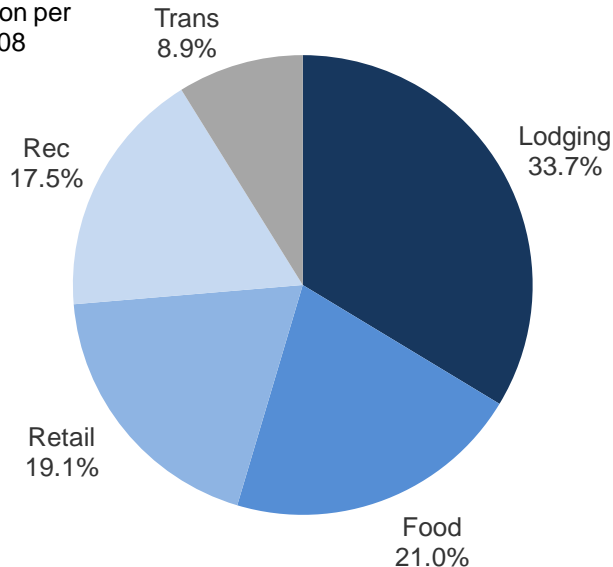
Visitor Spending By Category							
(US\$ Million)							
	2007	2008	2009	2010	2011	2012	2011-12 % ch
Food	140.1	139.3	114.9	132.6	141.4	152.6	7.9%
Lodging	125.5	122.6	98.5	110.0	127.9	147.1	15.0%
Retail	122.3	121.6	100.4	114.7	121.0	126.9	4.9%
Rec	104.4	103.9	87.5	103.3	112.7	115.8	2.8%
Trans	49.0	48.5	42.9	51.5	57.0	58.0	1.8%
Second homes	28.9	34.3	35.8	38.1	41.4	42.6	2.9%
Cruise (at Port)	9.9	7.4	8.0	8.7	9.6	11.4	18.9%
<b>Total</b>	<b>580.0</b>	<b>577.6</b>	<b>488.0</b>	<b>558.9</b>	<b>611.1</b>	<b>654.6</b>	
% change		-0.4%	-15.5%	14.5%	9.3%	7.1%	

# Visitor spending by industry

- Overnight visitors to Galveston spent \$108 per person per day, while day trippers spent \$50 per person per day. An estimated 57.2% of all visitors were day trippers.
- The shares of spending on food and beverages and accommodations increased in 2012, while shares of spending on recreation, retail, and transportation decreased.

## Overnight Visitor Spending by Category

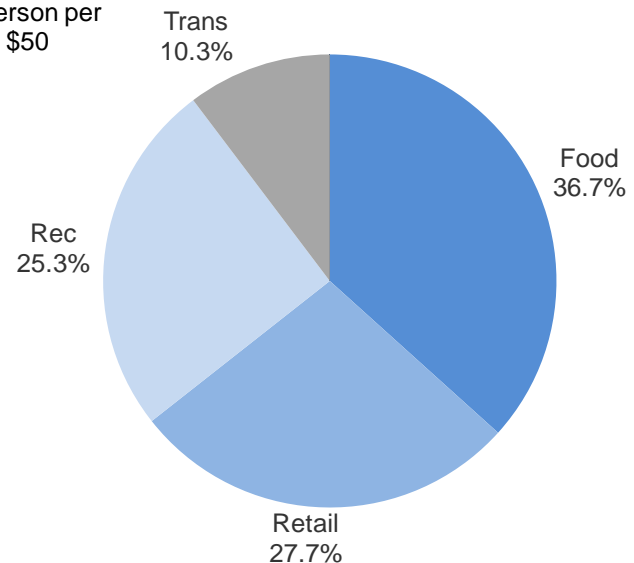
Avg per person per day = \$108



Source: Tourism Economics

## Day Visitor Spending by Category for 2012

Avg per person per day = \$50



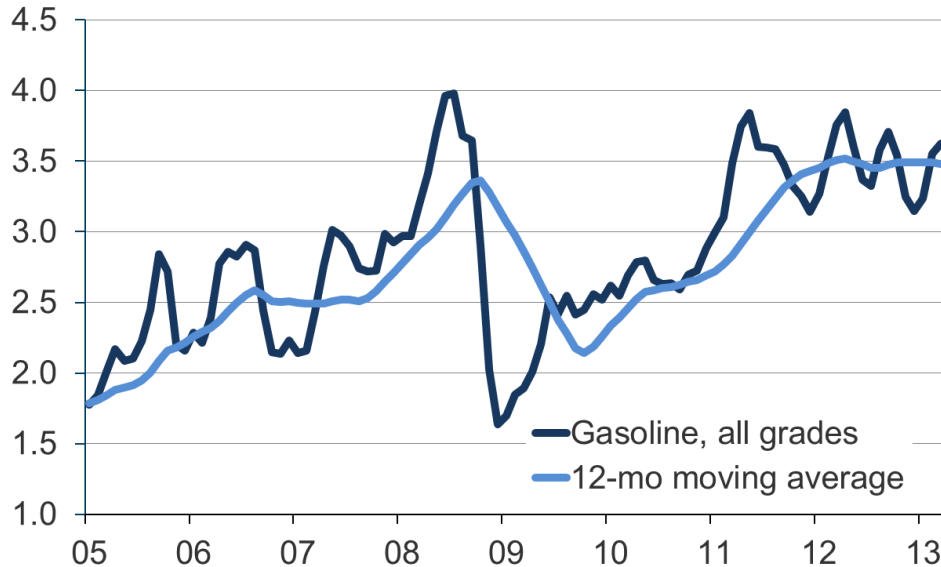
Source: Tourism Economics



# Stable fuel prices boosted other spending

## Fuel Prices Were Flat in 2012

Texas gasoline price, dollars per gallon



Source: Energy Information Administration

- While still high, fuel prices were more consistent in 2012 than in recent years. The stable prices meant travelers were less likely to substitute spending in other categories to pay for gas.
- Higher gas prices have supported a trend to vacation closer to home, cutting overall transportation costs.
- Visitors are still conscious of high fuel prices, but are likely getting used to a 'new normal.'

# Economic Impacts

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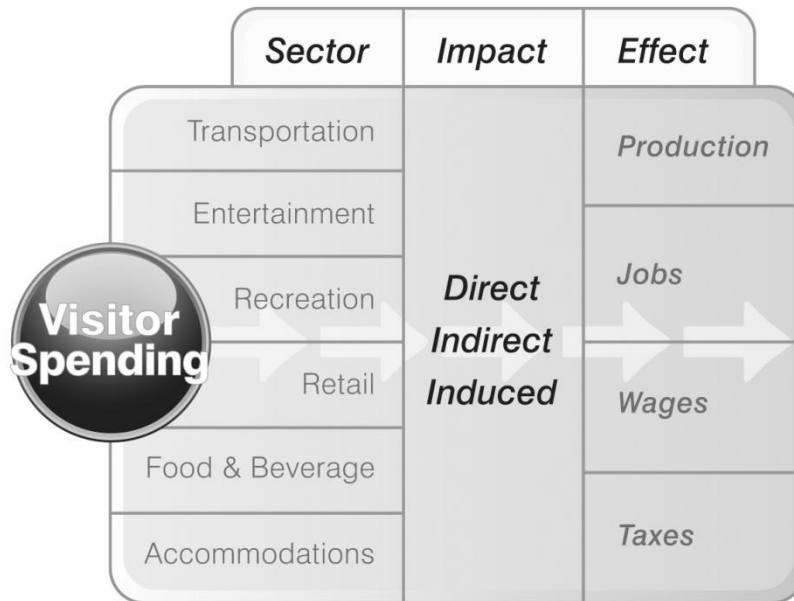


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# How visitor spending generates impact

- 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 local economy.

# Tourism sales

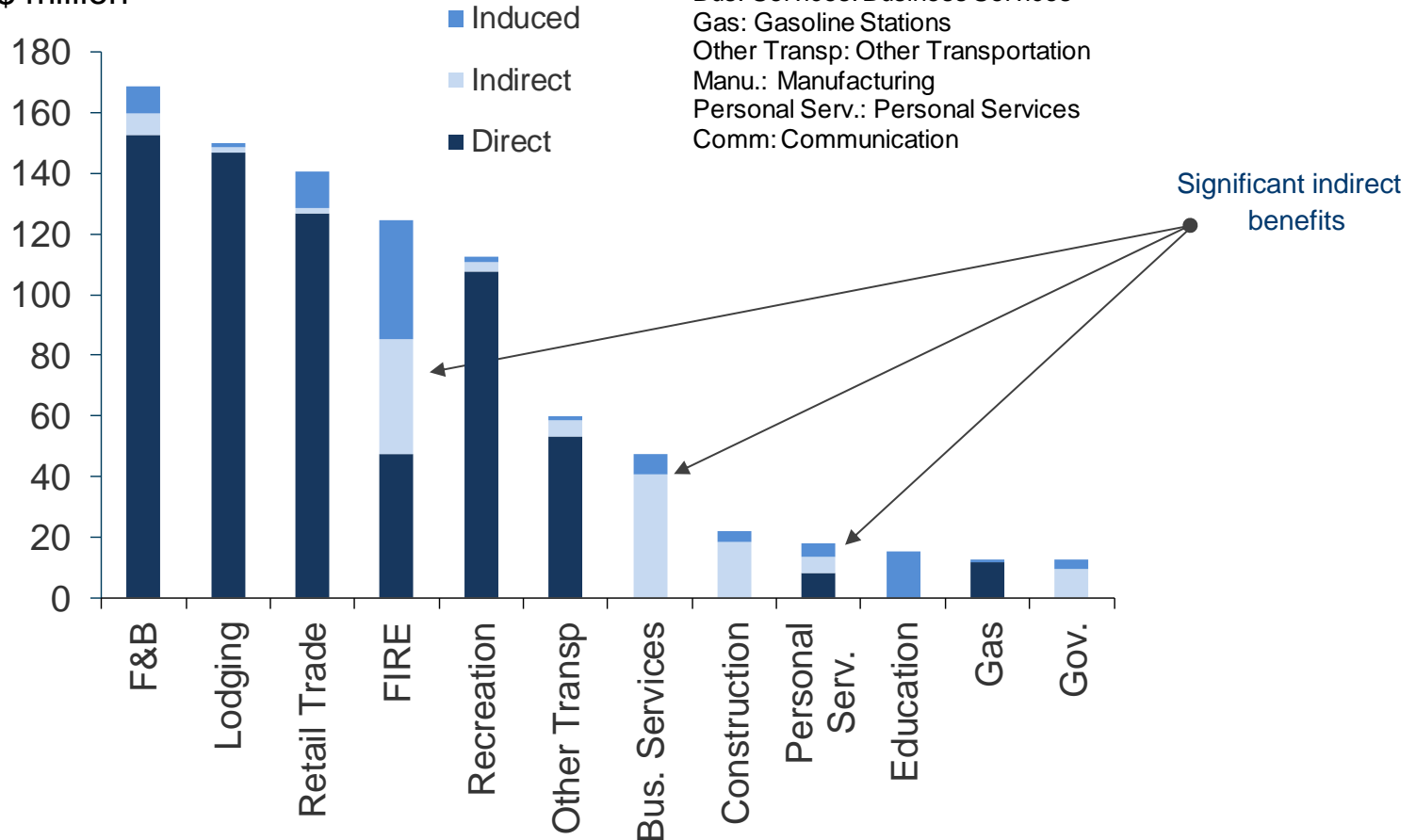
- Including indirect and induced business sales, tourism generated \$908.2 million in revenue in 2012.

<b>Tourism Sales</b> (US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	1.3	0.5	1.9
Construction and Utilities	-	18.2	3.8	22.0
Manufacturing	-	2.7	0.9	3.6
Wholesale Trade	-	3.1	4.5	7.6
Air Transport	-	0.6	0.8	1.4
Other Transport	53.2	5.3	1.4	59.9
Retail Trade	126.9	1.5	12.2	140.7
Gasoline Stations	11.6	0.1	1.1	12.7
Communications	-	6.9	2.4	9.4
Finance, Insurance and Real Estate	47.3	38.0	39.1	124.4
Business Services	-	40.7	6.9	47.6
Education and Health Care	-	0.2	15.1	15.3
Recreation and Entertainment	107.7	2.9	2.0	112.6
Lodging	147.1	1.7	1.2	150.0
Food & Beverage	152.6	7.2	8.9	168.7
Personal Services	8.1	5.2	4.6	17.9
Government	-	9.7	2.9	12.5
<b>TOTAL</b>	<b>654.6</b>	<b>145.4</b>	<b>108.3</b>	<b>908.2</b>

# Tourism sales

## Tourism Sales by Industry

\$ million

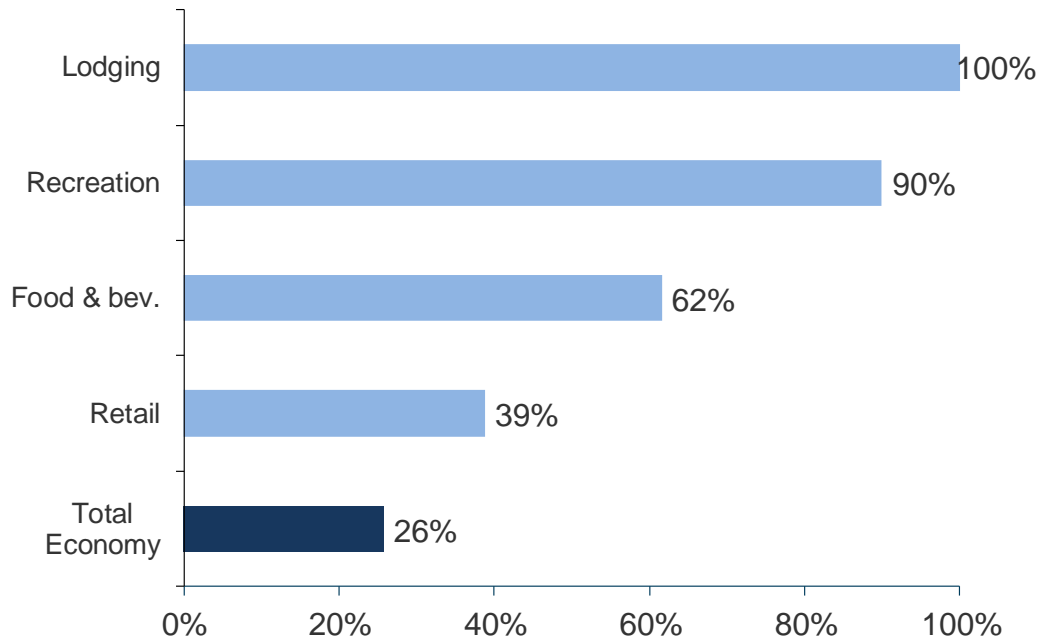


\* Direct sales include cost of goods sold for retail



# 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 more than half of food and beverage employment.

# Tourism employment details

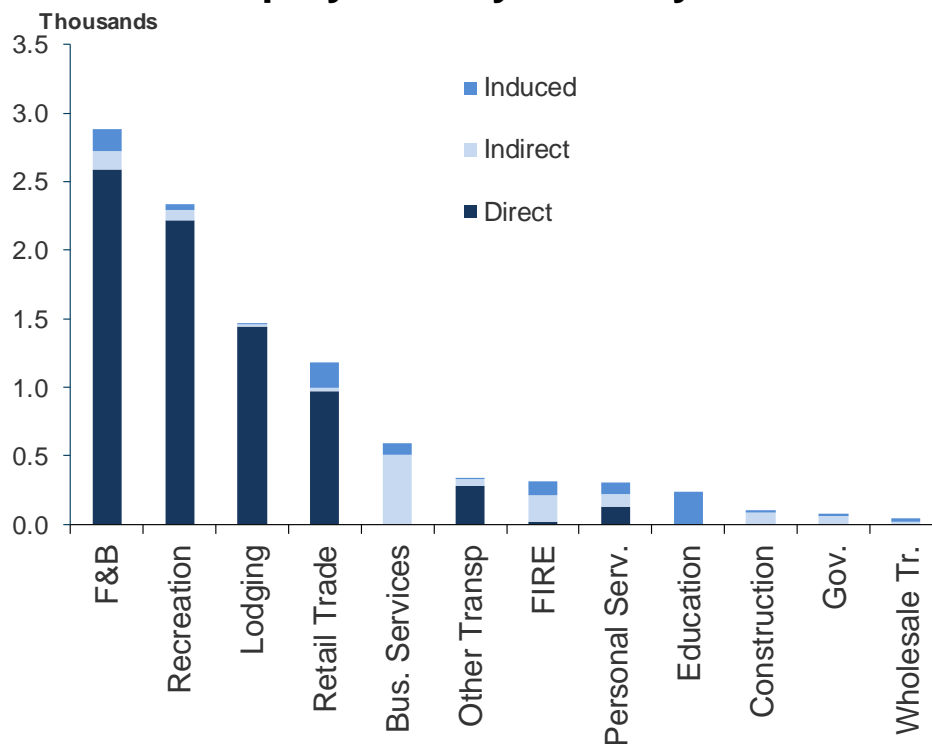
Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	4	2	5
Construction and Utilities	-	90	14	104
Manufacturing	-	9	2	11
Wholesale Trade	-	17	26	43
Air Transport	-	2	2	4
Other Transport	285	42	10	337
Retail Trade	969	24	188	1,181
Gasoline Stations	18	1	11	30
Communications	-	22	6	28
Finance, Insurance and Real Estate	21	193	102	316
Business Services	-	506	83	589
Education and Health Care	-	4	231	235
Recreation and Entertainment	2,221	71	43	2,335
Lodging	1,443	17	12	1,471
Food & Beverage	2,593	132	163	2,888
Personal Services	132	89	83	304
Government	-	64	17	81
<b>TOTAL</b>	<b>7,681</b>	<b>1,287</b>	<b>995</b>	<b>9,963</b>

- The tourism sector supported 9,963 jobs or 33.5% of employment (1-in-3 jobs) on Galveston Island in 2012, 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 10,000 jobs supported by Galveston Island tourism span every sector of the economy, either directly or indirectly.
- More than 500 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

<b>Tourism Labor Income (Compensation)</b>				
<b>(US\$ Million)</b>				
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Agriculture, Fishing, Mining	-	0.4	0.2	0.5
Construction and Utilities	-	4.6	0.8	5.4
Manufacturing	-	0.4	0.1	0.5
Wholesale Trade	-	1.1	1.7	2.8
Air Transport	-	0.2	0.2	0.4
Other Transport	32.3	2.9	0.7	35.8
Retail Trade	18.5	0.6	4.8	23.9
Gasoline Stations	0.7	0.0	0.4	1.2
Communications	-	1.4	0.4	1.7
Finance, Insurance and Real Estate	1.4	6.2	3.5	11.1
Business Services	-	15.1	2.7	17.8
Education and Health Care	-	0.1	8.0	8.1
Recreation and Entertainment	28.0	1.0	0.5	29.4
Lodging	38.2	0.4	0.3	39.0
Food & Beverage	48.5	2.5	3.4	54.4
Personal Services	5.1	3.1	2.6	10.8
Government	-	5.1	1.2	6.2
<b>TOTAL</b>	<b>172.7</b>	<b>45.0</b>	<b>31.3</b>	<b>249.0</b>

- Workers on Galveston Island earned \$249 million as a result of visitor activity in 2012.

# Tourism tax generation

<b>Tourism-Generated Tax Revenues</b> (US\$ Million, 2012)	
	Total
<b>Federal</b>	<b>67.1</b>
Personal Income	17.0
Corporate	23.7
Indirect business	4.3
Social Security	22.0
<b>State</b>	<b>26.8</b>
Sales	18.0
Lodging	7.8
Social Security	0.9
<b>Local</b>	<b>33.1</b>
Sales	5.8
Lodging	11.7
Excise and Fees	1.7
Property	13.9
<b>TOTAL</b>	<b>126.9</b>

- Tourism generated \$126.9 million in taxes in 2012.
- Tourism-driven state and local tax proceeds of \$59.9 million helped offset the average household tax burden by \$2,840 per household.
- \$33.1 million in local taxes were generated by tourism in 2012.

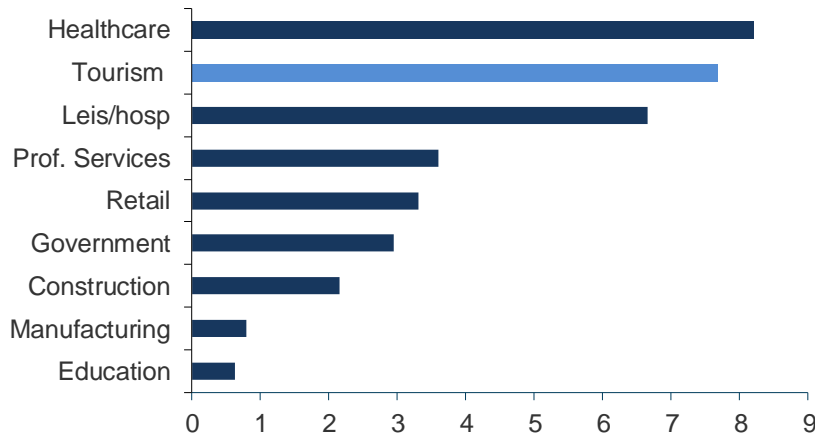


# Galveston Island Tourism In Context

- Tourism jobs span across sectors and include many small businesses. Taken as an industry, tourism was the second largest employer on the Island in 2012.
- 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 29,755 in 2012.

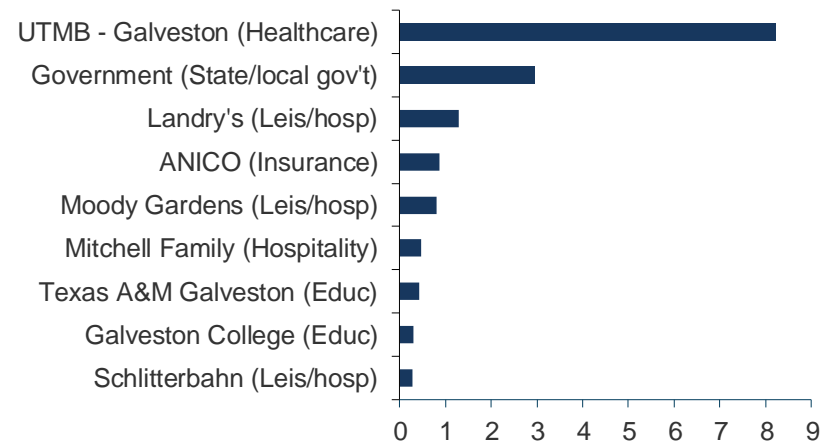
## Galveston Island Jobs by Industry

Thousands, by industry



## Top Galveston Island Employers

Thousands, by employer



Sources: Census, IMPLAN, Tourism Economics

Sources: UTMB - Galveston, GEDP 2012 Investor Profile

# Galveston Island Tourism In Context

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- Tourism-generated tax revenues, not including hotel occupancy tax revenues, tallied \$21.4 million in 2012.
- This accounted for 51.6% of the City of Galveston's General Fund revenues, based on an estimated calendar year budget of \$41.4 million.
- Tourism-generated revenues would be sufficient to fund:
  - Police (\$16 million) 1.3 times over
  - Fire (\$10 million) 2 times over
  - Public works (\$3 million) 7 times over
  - Parks and rec (\$2 million) 10 times over

# Methodology and Background

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# Why quantify the tourism economy?

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- 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?

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- 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

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- 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.
- The source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data because sole-proprietors, which do not require unemployment insurance and are not counted in the ES202 data.

# Description of spending categories

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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 spending at restaurants and bars.



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