

## **Presentation to the Western Governors Association**

June 25, 2002

*By Mark McDermott, Director, Arizona Office of Tourism, as Chair, Western States Tourism Policy Council*

Good morning. Governor Martz, Governors, honored officials, delegates... Thank you for this opportunity to present to you regarding issues confronting an industry of great significance to the economies of our individual Western states - and of our region as a whole.

My name is Mark McDermott. I am the director of the Arizona Office of Tourism and am honored to be here today speaking as Chairman of the Western States Tourism Policy Council.

Formed in 1996, the WSTPC is a consortium of 13 western state tourism offices including Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming (aspiring to mirror the membership of the WGA). The mission of the WSTPC is to advance understanding and increase support for public policies that enhance the positive impact of travel and tourism on the economies and environment of its member states and their communities.

A significant percentage of the work of Council is undertaken in formal partnership under a Memorandum of Understanding with nine Federal agencies, most notably the land management agencies.

In its brief history, the WSTPC has played a major role in the outcome of a number of public policy issues critical to tourism in the West. We have co-sponsored with our Federal agency partners 5 highly successful educational conferences whose programs have produced tangible positive outcomes. The subjects of these conferences, such as they represent the priority concerns of the Council, have included:

- Tourism and the Federal Public Lands
- Cultural Tourism in the West
- Gateway Communities in the West
- Transportation and Tourism
- Facilitating International Travel

Among our public policy stances, we support the establishment of a Federal program to promote international travel to the US, and have taken active positions on a wide range of matters related to international traveler facilitation, public recreation initiatives, funding for our Federal partner agencies, and so forth. As recently as last week, I represented the Council and our member states in presenting testimony as a witness before the Committee on Small Business of the US House of Representatives with regard to our concerns about the negative impacts to international tourism of the INS's recently proposed rule on limiting the period of admission for 'B Nonimmigrant aliens'.

The WSTPC is highly encouraged by the fact that the WGA is elevating the importance of tourism to the level of a top priority, and we offer our complete support and to this initiative.

Having said that with regard to the active cooperation taking place among the WSTPC member states and our Federal partners, I would like to address the remainder of my remarks to the broader matter of creative cooperation and the role of tourism in the overall economies and economic development efforts of our states.

A noted Arizona economist, Elliott D. Pollack, asserts that the viability of any economy is a function of the prospects for its export-related industries. Tourism is the primary export industry of many of our Western States and of the region as a whole. It brings in massive spending from outside the region and creates significant incremental demand for local goods and services. In Arizona, tourism-related direct, indirect and induced spending – at \$30 billion - makes up twenty percent of the state's economy, and generates more than a billion dollars in tax revenues. The 13 states that comprise the Western States Tourism Policy Council, collectively own 30% of all traveler spending in the US – about \$175 billion-worth in total.

As we have heard so often recently, tourism's importance to the economies of the Western States has been made painfully clear in the wake of September 11<sup>th</sup>. With that, the industry has a new opportunity to become the priority concern that it should be in the broader economic development strategies of our states. Over the years, tourism has suffered second-tier priority status due to its "service sector/low wage" perception. This is a perception that unfairly obscures a more beneficial reality, and that misses the mark with regard to the tremendous opportunity that exists - in our Western states in particular - to capitalize on this existing strong economic engine to generate the resources needed to support new economic development initiatives, as well as essential services.

Although tourism jobs *are* largely service sector, a recent study by the Travel Industry Association of America revealed the following interesting perspectives:

- Average hourly earnings in the services sector have grown faster than in all other industries except finance, insurance and real estate in the past 10 years.
- Corporate executives, marketing/sales and many operations positions in hospitality earn significant salaries. The transportation sectors of the industry, especially airlines, rank among the highest paying sectors in the U.S. economy.
- Employment in executive positions in travel/tourism is forecast to increase twice as fast as employment in the overall economy by the year 2006.

In many of our states new initiatives for economic development through the high tech and biotech and other emerging sectors are well founded, but lack the resources needed to apply to these efforts. This is where the value of tourism comes in. Tourism could, and should, be more strategically incorporated into mainstream economic development efforts as a key mechanism for the generation of millions of dollars in incremental revenues that could be applied to the funding of new economic development initiatives. The current effort to recruit the International Genomics Consortium to Arizona is a classic example of such a potential collaboration of mutual benefit. The tourism industry in AZ is actively supporting

this economic development effort. Conventions, conferences, and individual travel representing a significant return to the tourism industry, will be a notable by-product of this new development, as will the related state and local tax revenues generated, and employment supported by, the increased travel activity.

Other key considerations apply as well. Quality of life is cited as a top reason for companies to choose one potential site over another. Without question, the quality and diversity of the amenities Westerners enjoy, such as museums and cultural centers, shopping, restaurants, golf and recreational venues would be greatly reduced were it not for the patronage these facilities depend upon from visitors.

Currently, Western States tourism faces enormous competition from other states and regions, as well as other countries. These competitors' marketing efforts are increasingly being aimed at our states' primary customers. We face serious negative ramifications to our economies and tax bases if market share is lost. *A mere one-tenth of one percent of market share of US tourism spending equates to \$545 million in direct visitor spending – and over \$1 billion in total economic impact.* We in the states and our regions are battling for these miniscule tenths of a percent of market share that equate to huge impacts on the revenues to our businesses and tax coffers.

So , while it is great to 'recognize' from the effects of 9/11 that tourism is such an important aspect of our economies, it is far important to act on that recognition in terms of capitalizing on the potential of this important core industry in the West.

A challenge for our states' economic development leaders is to accept that one of the most opportune ways realize immediate economic gains, and generate the resources needed to underwrite longer-term new economic development efforts, is to move tourism more to the forefront of strategic planning. We must all work together creatively to protect our valuable market share and cultivate this - our existing leading export and revenue generating industry.

We of the Western States Tourism Policy Council are excited about the opportunity to bring the perspective of our industry to the Western Governors Association, and we are doubly excited about the prospects of working with the WGA in the interest of tourism-related economic development for our states in the immediate future. We thank you for your interest, and for having us here today, and we pledge our full support to your initiatives, and the achievement of your goals.

Thank you.