

Tourism

Strong Marketing Effort Enhances Impact of Major California Industry

Summary

Background

The California tourism industry, arguably the nation's largest at \$97.6 billion annually, has been through one of the most tumultuous decades in its history. The decade opened with tourism declines in early 2001 that escalated after the events of 9/11. Tourism levels recovered and grew from 2004–2006, then began an historic fall at the end of 2008 that remains in play today. California suffered a 4 percent decline in visitor volume and an 8 percent decline in visitor spending in 2009.

With high unemployment rates nationally and in California, travel volume should grow moderately in 2010—about 2 percent—and travel spending should grow a bit more, about 4 percent. Forecasts call for total travel volume to return to 2007 levels in 2011, with domestic business travel likely lagging, returning to its 2007 mark in 2012 or 2013. California still is the most visited state in the nation, accounting for 11.5 percent of all domestic travel.

The decline in tourism is both national and international, and is not unique to California. Despite the current economic situation, the state is uniquely poised to take advantage of an economic rebound. California has a healthy and sustainable tourism marketing program. The California Travel and Tourism Commission, created and supported through the California Travel Industry Association, now has a \$50 million annual marketing budget, one of the largest in the country, which is primarily self-funded by California's tourism-related businesses and the car rental industry. This program has allowed the state to open offices in major international markets that are critical for the state's tourism success.

Impact of Tourism on State Economy

The California Travel and Tourism Commission reports:

- Travel spending in California directly supported 924,000 jobs, with earnings of \$30.6 billion.
- Travel spending in 2008 generated \$1.6 billion in local taxes and \$2.8 billion in state taxes.
- Tourism is California's third largest employer and fifth largest contributor to the gross state product.

Anticipated Action

The nation's tourism effort has been non-existent for almost 20 years. The United States remains the only industrialized nation in the world to not have its own promotional program. Congress recently approved the Travel Promotion Act, to be sent to the President early this year, creating a \$120 million marketing program modeled in part after California's. The new federal program will be funded entirely by international visitors and will have a positive impact on California since international visitors spend more money in California than any other state in the nation.

CalChamber Position

The California Chamber of Commerce promotes policies to increase travel visits within and to California to help stimulate the economy and provide jobs to Californians.

Reasons for Position

- Tourism is a significant contributor to California's economy in employment, income and development opportunities.
- Tourism contributes to a positive balance of trade by bringing in foreign spending and domestic spending from out-of-state visitors while keeping local residents in state for their tourism activities.

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