



GLOBAL INSIGHT

How Important is Tourism in Delaware?

The Tourism Satellite Account Perspective

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About Global Insight



- Premier economic analysis and consulting organization created by the integration of **DRI** and **WEFA**
- Provides the most comprehensive coverage of countries, regions and industries available from any single source
- Brings a common analytical framework and a consistent set of assumptions to diverse capabilities and products
- Provides a broad range of consulting capabilities covering:
 - **Market Analysis**
 - **Investment Strategy**
 - **Infrastructure Analysis**
 - **Economic Development**
 - **Business Planning**
 - **Risk Assessment**
 - **Policy Evaluation**
 - **Economic Impact**
- Over 3,000 clients in industry, finance, and government
- Over 500 employees and 30 international offices
- Strong reputation and experience within the tourism sector

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- **What is a Tourism Satellite Account?**
- **Why is it Helpful?**
- **How Important is Delaware Tourism?**

Tourism Satellite Account: The UN-approved standard for measuring tourism

⇒ **U.S. Bureau of Economic Analysis (BEA)**

⇒ **South Carolina**

⇒ **Virginia**

⇒ **Hawaii**

⇒ **Delaware**

⇒ **New Jersey**

⇒ **Rhode Island**

⇒ **Alaska**

⇒ **North Carolina**

The TSA has been adopted at the national level and by a growing number of states.

⇒ **Plus over 50 countries worldwide**

What is a TSA?

- **The Tourism Satellite Account (TSA) is the international standard for measuring the contribution of tourism to an economy (approved by WTO, OECD and United Nations)**
- **The TSA is consistent with the UN System of National Accounts approach for measuring an economic sector.**

Why is a TSA Necessary?

- ◆ The tourism 'industry' is not measured in standard economic accounting systems.
- ◆ 'Industry' is a *supply-side* concept: the focus is on *what* is being produced.
- ◆ But 'Tourism' is a *demand-side* concept: the focus is on *who's* buying products - the visitor.
- ◆ Tourism affects parts of many industries.

Enter the TSA concept.

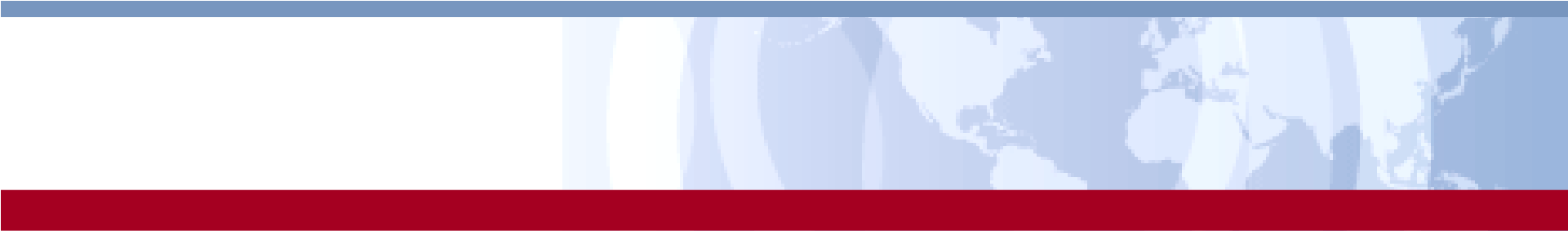
T&T Industry and Economy

The TSA provides both a narrow and a broad understanding of the tourism "industry".



Benefits of a TSA

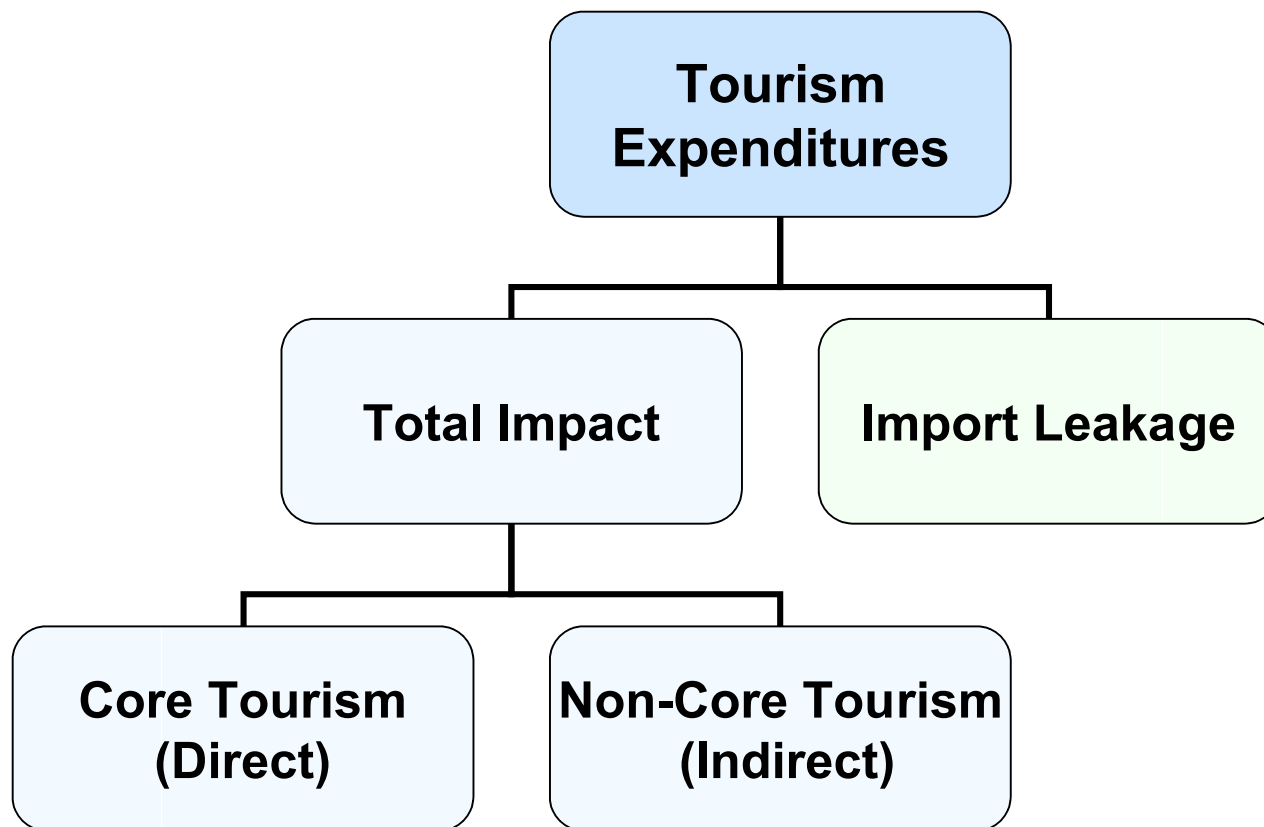
- ◆ The TSA compares government support of the tourism sector with government revenue generated by tourism.
- ◆ The TSA allows policy-makers to compare the size and growth of tourism to other industrial sectors.
- ◆ The TSA enables analysts to assess the long term health of the tourism sector via capital investment and government support.
- ◆ The TSA provides an accepted international standard for benchmarking.
- ◆ The TSA quantifies how other industry sectors benefit from tourism.



How Important is Delaware Tourism... Really?

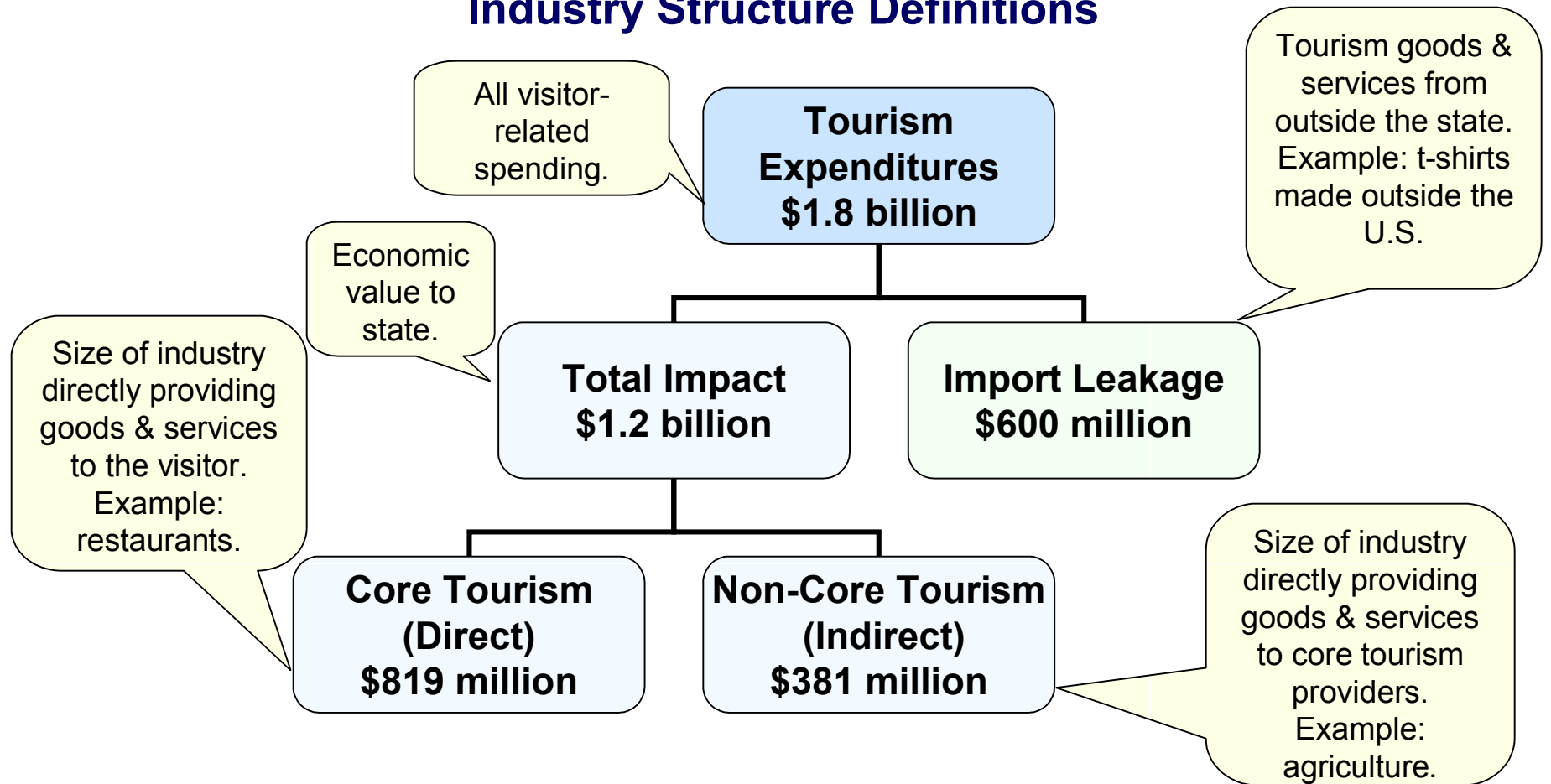
Executive Summary

Delaware Travel & Tourism Industry Structure



Executive Summary

Industry Structure Definitions



Key Findings

- **The Travel & Tourism sector continued to grow in 2004.**
- **It has a diverse composition and is a strong job generator.**
- **Travel & Tourism is a major contributor to state revenues.**
- **Travel & Tourism depends on public support (transportation/infrastructure, promotion).**

Executive Summary

Summary of Key Concepts

Category	Total Impact	Core Tourism
Economic Value	\$ 1,199,738,249	\$ 819,077,597
Wages & Salaries	\$ 759,105,797	\$ 523,212,756
Employment	28,823	22,980

Executive Summary

Important Concepts

- **Sales** represents all expenditures

\$1.82 billion

- **Economic Contribution** factors out those goods and services coming from outside the state (import leakages)

\$1.2 billion

- **Core Industry** considers only the direct impact of those sectors touching the visitor

\$819 million

Executive Summary

- Using the most narrow Core Industry definition, Tourism is the **5th largest employer in the state** with **22,980** direct full-time equivalency jobs in 2004.
- Tourism generated **6.8% of total employment** in 2004 on a total Economic Contribution basis. The Core Industry generated **5.4%** of employment.
- Tourism-generated jobs provided **\$759 million in labor income** in 2004.

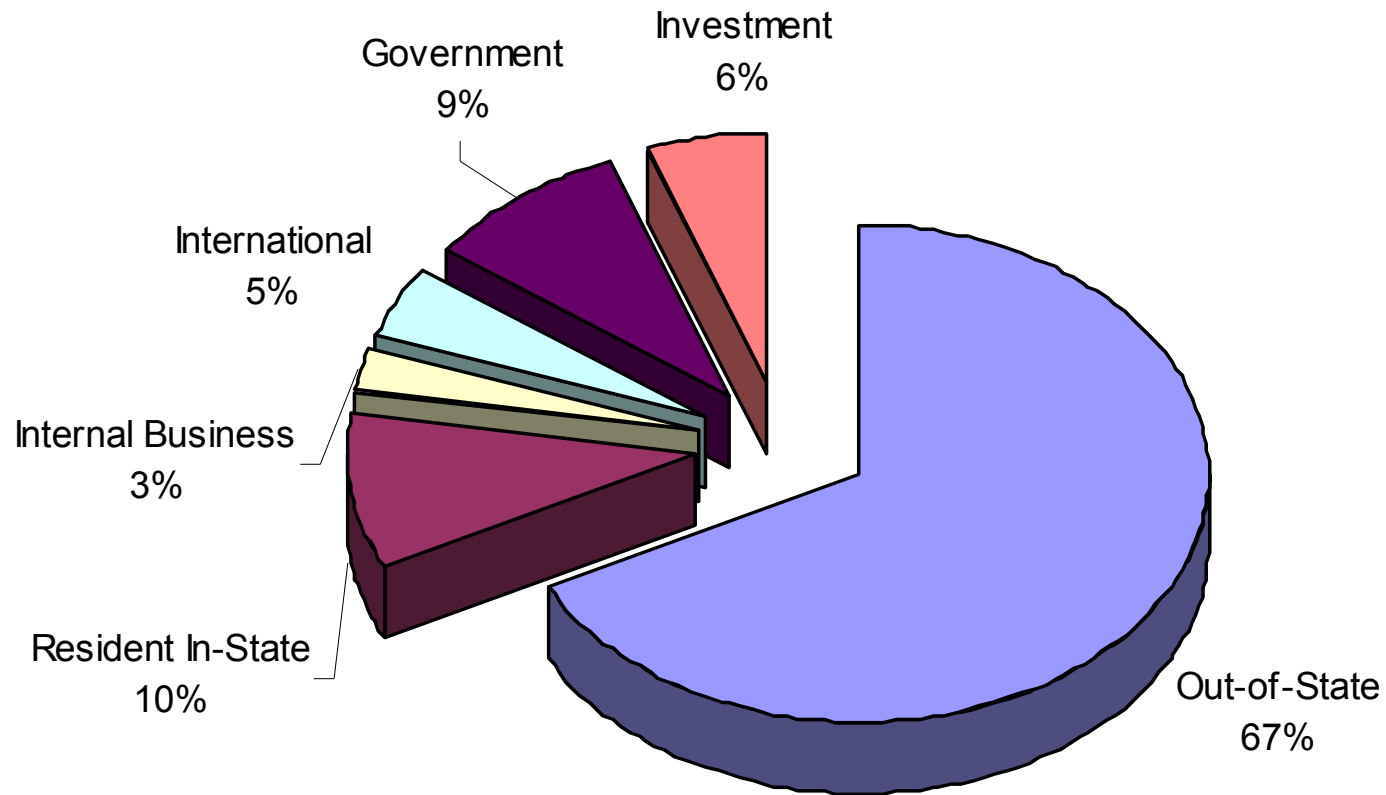


The Details

Breaking Down Tourism Sales

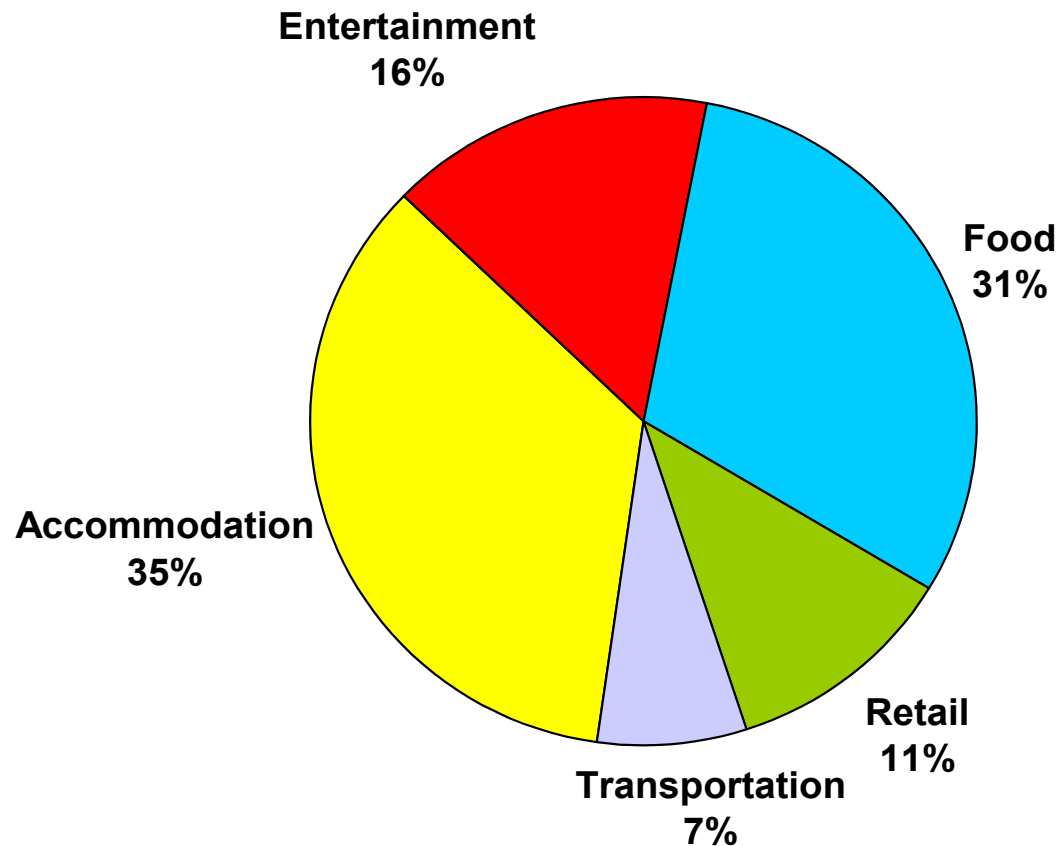
- **Resident In-State** – In-state travel expenditures of Delaware residents.
- **In-state Business Travel** – This includes Delaware businesses' spending within the state economy on travel.
- **Government Spending** – The budgets of the Delaware Tourism Office, transportation functions related to tourism, publicly funded attractions and funding for security in tourism-intensive areas are included.
- **Investment** – Construction of hotels, attractions, tourism infrastructure, operating and transportation equipment are included.
- **Domestic Out-of-State** – This key category includes the spending of all visitors to Delaware coming from other parts of the country.
- **International** – Spending of international visitors to Delaware.

Tourism Spending by Source - \$1.8 Billion



Tourism Spending by Category - \$1.8 Billion

Accommodation accounts for the largest share of tourism expenditure in the state of Delaware. Combined with food and entertainment, these three components represent over 80% of visitor expenditures.



Total Economic Impact of Tourism

- In 2004, travel & tourism (direct and indirect) contributed \$1.2 billion to Delaware Gross State Product (GSP). This accounts for 2.5% of GSP.
- The ratio of the total economic contribution to total sales reveals that 67% of each tourism dollar spent in Delaware is retained in the state.
- Almost 29,000 jobs – direct and indirect – were created by travel & tourism economic activity. This accounts for 6.8% of total employment in the state.
- Almost \$760 million in labor income was generated by travel & tourism in 2004.

Core Tourism Industry

- Answers the question “How does tourism compare with other industries?”
- The Core Tourism Industry measure includes only the direct value added of the sectors touching the visitor.
- Therefore, all indirect effects are excluded (these are part of other industries) and the effects of investment and most government spending are also excluded.
- Tourism’s Core Industry generated \$819 million in value added production in 2004, equaling 1.7% of total GSP.

Core Tourism - Gross State Product

Core Tourism contributed \$819 million in economic value in 2004. It ranked as the 15th largest private industry in the state.

(Millions)		
Rank	Industry	GSP
1	Credit Intermediation	\$10,771
2	Professional and Technical Services	\$3,846
3	Insurance Carriers	\$3,296
4	Nondurable Goods Manufacturing	\$3,070
5	Real Estate	\$3,019
6	Health Care	\$2,728
7	Retail Trade	\$2,604
8	Wholesale Trade	\$2,152
9	Management of Companies	\$2,150
10	Durable Goods Manufacturing	\$2,038
11	Construction	\$1,938
12	Administrative and Waste Services	\$985
13	Information	\$938
14	Utilities	\$831
15	Tourism	\$819

Core Tourism - Employment

- Core Tourism is the 5th largest private sector employer in the state with 22,980 direct (full-time equivalent) jobs in 2004.
- Core Tourism generated **5.4% of non-farm state employment** in 2004.
- Core Tourism jobs provided **\$523 million in wages & salaries** in 2004.

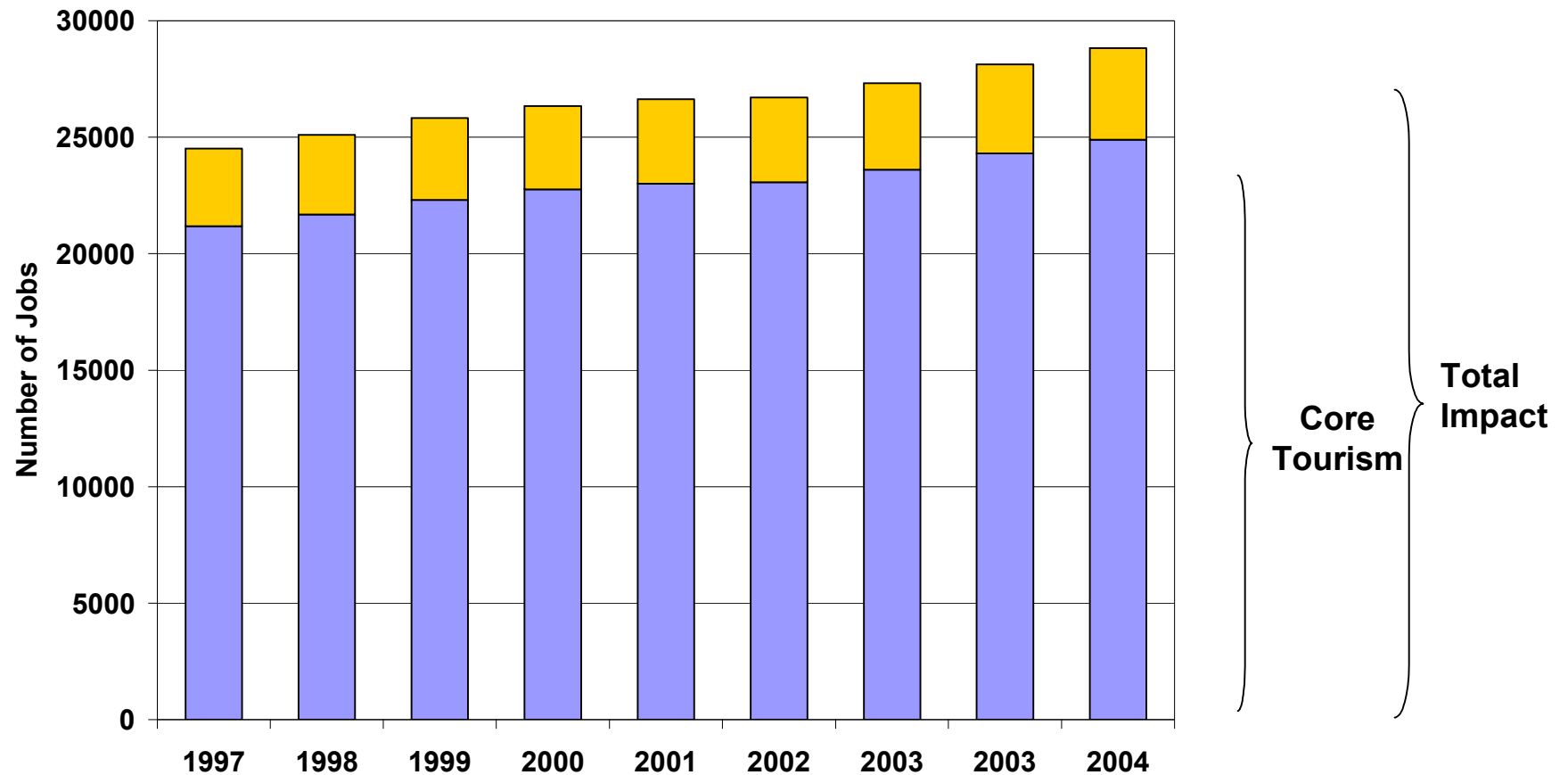
Core Tourism Industry

The Core Tourism Industry represented 22,980 jobs in 2004. This ranks tourism as the 5th largest private sector employer in the state.

Rank	Industry	Employment
1	Retail Trade	50,678
2	Health Care & Social Assistance	44,868
3	Professional & Technical Services	26,060
4	Construction	25,042
5	Travel & Tourism	22,980
6	Depository Credit Intermediation	22,459
7	Administrative & Waste Services	22,087
8	Wholesale Trade	17,196
9	Management Of Companies & Enterprises	12,143
10	Chemical Manufacturing	11,061
	Total	423,163

Core Tourism Industry

Core Tourism Industry jobs comprise 86% of total tourism-generated employment and have grown steadily over the past nine years.



Core Tourism Industry - Composition

The TSA model measures how spending of visitors touches diverse sectors to create the aggregate Core Tourism Industry.

Rank	Industry	\$ Value	% Total
1	Accommodations	208,520,400	25.5%
2	Food Services & Drinking Places	176,965,184	21.6%
3	Amusement - Gambling & Recreation	116,668,384	14.2%
4	Real Estate	59,972,720	7.3%
5	Administrative Support Services	48,475,780	5.9%
6	Utilities	39,734,364	4.9%
7	Rental & Leasing Services	34,053,036	4.2%
8	Food & Beverage Stores	28,455,004	3.5%
9	Repair & Maintenance	25,561,388	3.1%
10	Performing Arts & Spectator Sports	17,349,522	2.1%
11	Government	15,458,051	1.9%
12	Clothing & Accessories Stores	12,737,124	1.6%
13	Museums	7,561,547	0.9%
14	General Merchandise Stores	7,466,222	0.9%
15	Transit & Ground Passengers	5,633,046	0.7%
	Other Industries	14,465,825	1.8%
	Total	819,077,597	100.0%

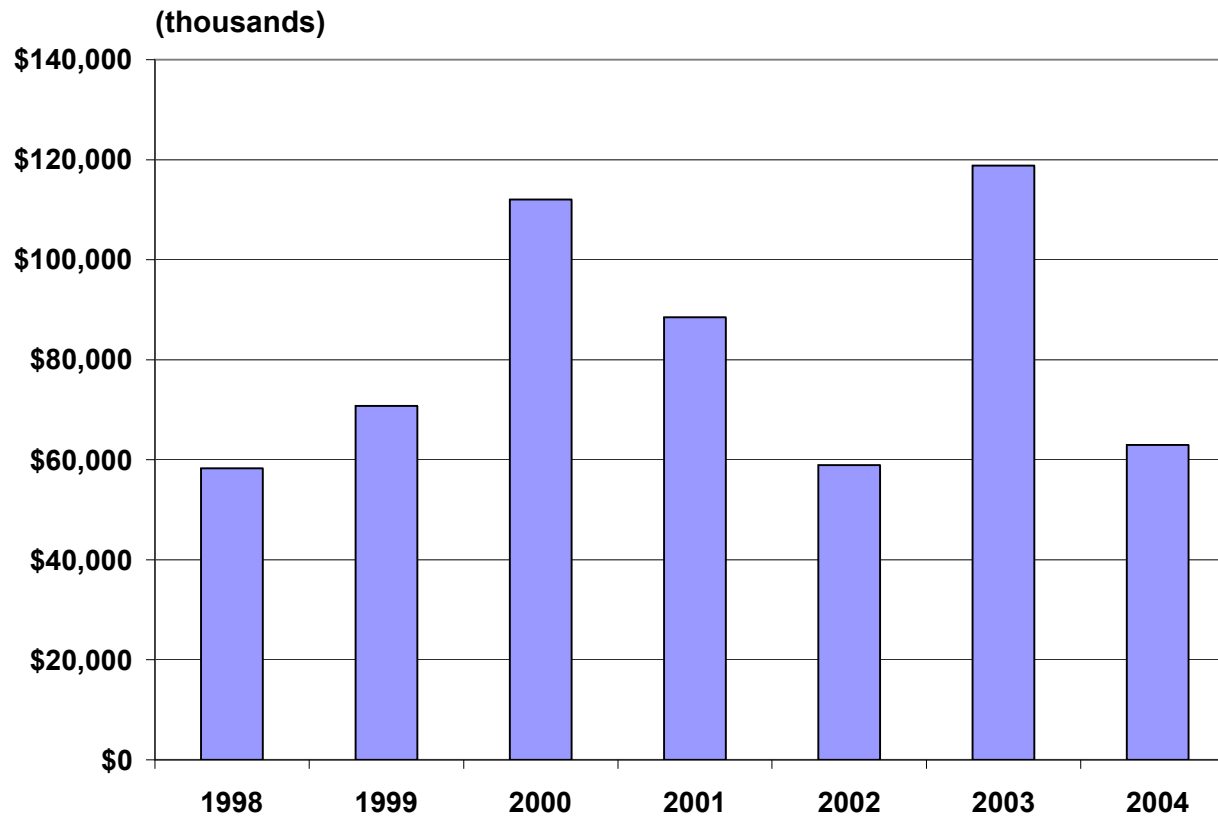
Indirect Benefits of Tourism

TSA analysis shows the degree to which industries that supply goods and services to the core industry benefit from tourism.

Rank	Industry	\$ Value	% Total
1	Government	121,012,063	31.8%
2	Real estate	37,800,832	9.9%
3	Construction	35,952,307	9.4%
4	Professional, Scientific & Technical Services	28,247,735	7.4%
5	Utilities	20,091,254	5.3%
6	Wholesale Trade	14,027,423	3.7%
7	Food Products	12,530,681	3.3%
8	Administrative Support Services	12,521,243	3.3%
9	Credit Intermediation	8,064,793	2.1%
10	Performing Arts & Spectator Sports	6,675,979	1.8%
11	Management of Companies	6,515,219	1.7%
12	Repair & Maintenance	4,064,500	1.1%
13	Truck Transportation	3,908,306	1.0%
	Other Industries	69,248,317	18.2%
	Total	380,660,652	100.0%

Indirect Benefits of Tourism

The Construction sector is also a significant beneficiary of tourism. New tourism-related construction (on hotels, tourism infrastructure, race tracks, museums, etc.) tallied \$63 million in 2004 and \$119 million in 2003.



State Government Revenue

- Last year, nearly \$163 million in state and local tax revenue was generated by the travel & tourism sector in Delaware. Property and personal income taxes are the two highest contributors.
- This generated an implicit savings for each Delaware household of \$536 in taxes.
- Tourism contributes disproportionately to state revenue vis-à-vis its economic value. Tourism was responsible for 6.0% of all state revenue in 2004. Recall that tourism generated 2.5% of gross state product. The reason for this is that several key state revenue sources have a concentrated dependence on the tourism industry.

State Government Revenue

Tourism generated nearly \$600 million in taxes last year. Over \$160 million of that stayed in the state through state and local taxes.

Revenue Category	
Accommodations Tax	\$ 10,200,000
Corporate Income Taxes	\$ 5,179,415
Indirect Business Taxes	\$ 93,006,189
Property Taxes	\$ 33,257,144
Personal Sales Taxes	-
Personal Income Taxes	\$ 17,395,995
Personal Licenses & Fees	\$ 3,003,456
Social Security	\$ 676,643
State/Local Total	\$ 162,718,842
Federal Total	\$ 409,916,393
Grand Total	\$ 572,635,235

Regional Distribution of Tourism

Five regions considered in the analysis:

- 1. *Wilmington & North* – Strong hotel sector for business travel, regional airport, Delaware Park**
- 2. *Newark and South* – Visitors to University of Delaware (students excluded)**
- 3. *Kent County* – Dover International Speedway (The Monster Mile - NASCAR), Dover Downs, Harrington, hotel sector**
- 4. *Central / Western Sussex County* – Minimal tourism activity**
- 5. *Beaches / Eastern Sussex County* – Rental properties, retail, marinas, hotels/B&B's, recreation**

Tourism Expenditure by Region

The Beaches and Wilmington regions are the largest in terms of tourism expenditures. These two regions contribute 70% of Delaware's total tourism expenditure.

Region	Tourism Sales	Region Share
Beaches / Eastern Sussex	\$627,991,447	40.6%
Kent	\$179,800,653	11.6%
Newark	\$204,763,551	13.3%
Central / Western Sussex	\$81,138,336	5.3%
Wilmington	\$451,583,032	29.2%
Total	\$1,545,277,019	100.0%

Tourism Expenditure by Region – Share of Total Region Expenditure

Tourism is of greatest relative importance in the Beaches region – representing 18.8% of the region’s economy. It is significantly less important in the other regions especially Newark and Sussex.

Region	Tourism Sales	Tourism's Share of Total Region Expenditure
Beaches / Eastern Sussex	\$627,991,447	18.8%
Kent	\$179,800,653	1.7%
Newark	\$204,763,551	0.8%
Central / Western Sussex	\$81,138,336	0.9%
Wilmington	\$451,583,032	1.4%
Total	\$1,545,277,019	1.9%

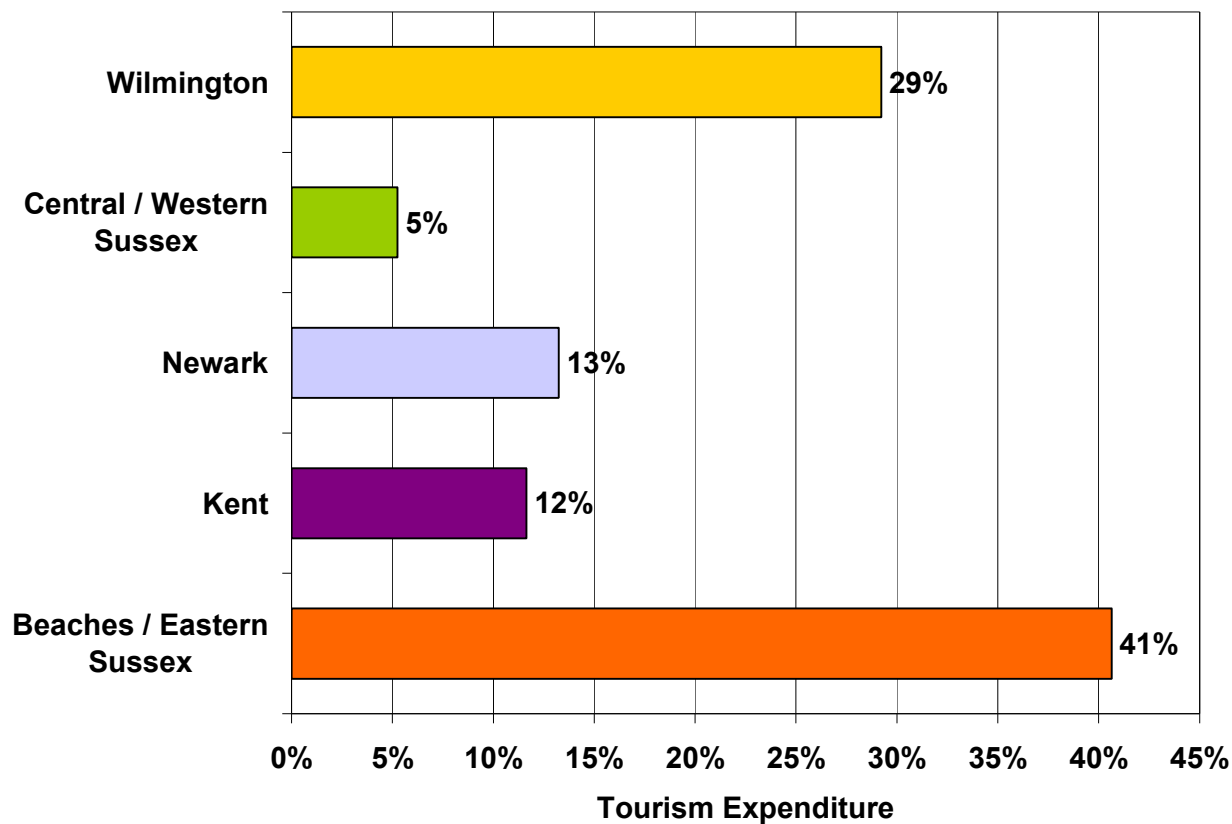
Accommodation – Seasonal 2nd Home

The Census tells us that Sussex County has a large number of seasonal 2nd homes. The lion's share of these are located in the Beaches region and the rental of these homes during the summer months contributes significantly to accommodation expenditures.

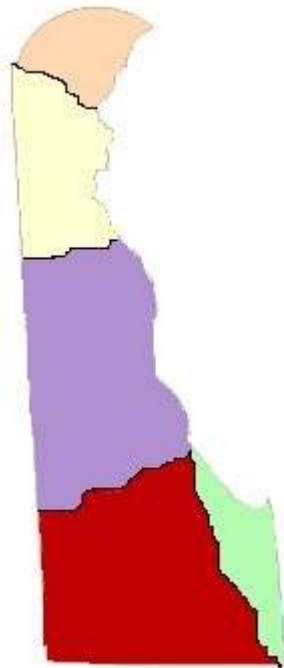
County	# of Seasonal 2nd Homes
Kent	364
New Castle	707
Sussex	24,906
Total	25,977

Regional Distribution of Tourism

Wilmington and the Beaches make the largest contribution to Delaware's tourism industry.



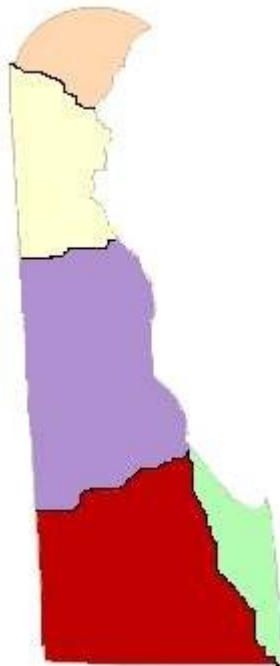
Tourism Employment by Region



- Beaches / Eastern Sussex: 41%**
- Central / Western Sussex: 5%**
- Kent: 12%**
- Newark: 13%**
- Wilmington: 29%**

Region	Tourism Related Emp, 2003	Tourism Share of Regional Employment, 2003
Beaches / Eastern Sussex	9,339	41%
Kent	2,674	12%
Newark	3,045	13%
Central / Western Sussex	1,207	5%
Wilmington	6,716	29%
Total	22,980	100%

Tourism Share of Regional Expenditures

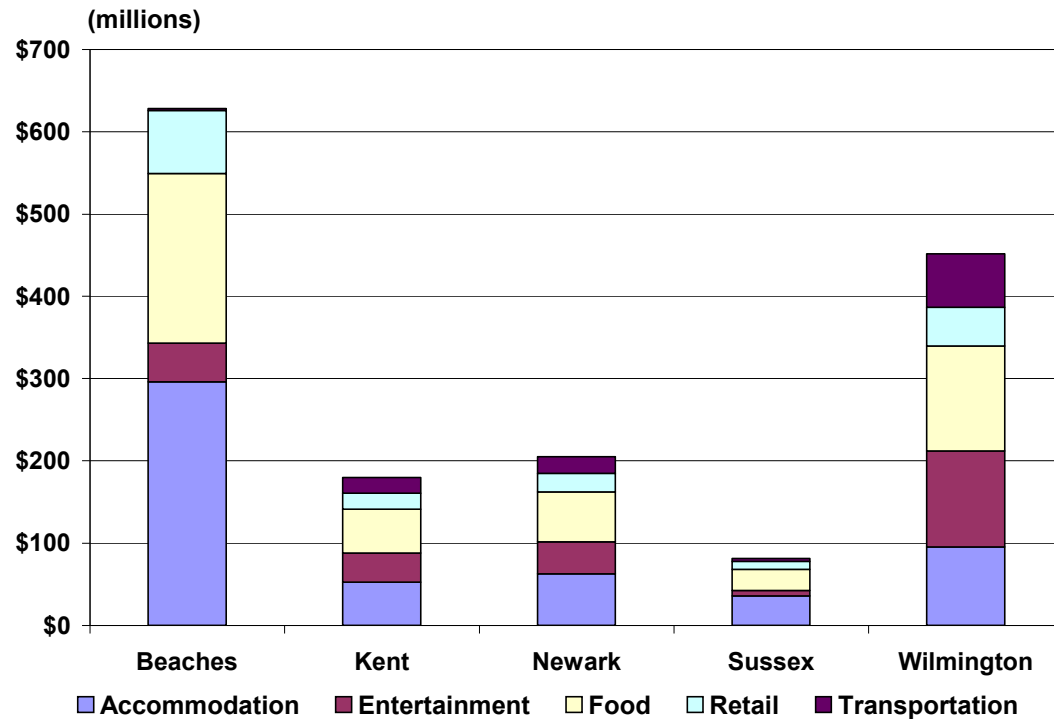


- Beaches / Eastern Sussex: 18.82%**
- Central / Western Sussex: 0.92%**
- Kent: 1.68%**
- Newark: 0.75%**
- Wilmington: 1.38%**

Region	Tourism Region Sales	Total Region Sales	Share
Beaches / Eastern Sussex	\$ 627,991,447	\$ 3,337,363,793	18.82%
Central / Western Sussex	\$ 81,138,336	\$ 8,780,053,763	0.92%
Kent	\$ 179,800,653	\$ 10,681,555,747	1.68%
Newark	\$ 204,763,551	\$ 27,171,191,738	0.75%
Wilmington	\$ 451,583,032	\$ 32,788,067,319	1.38%
Total	\$ 1,545,277,019	\$ 82,758,232,360	1.87%

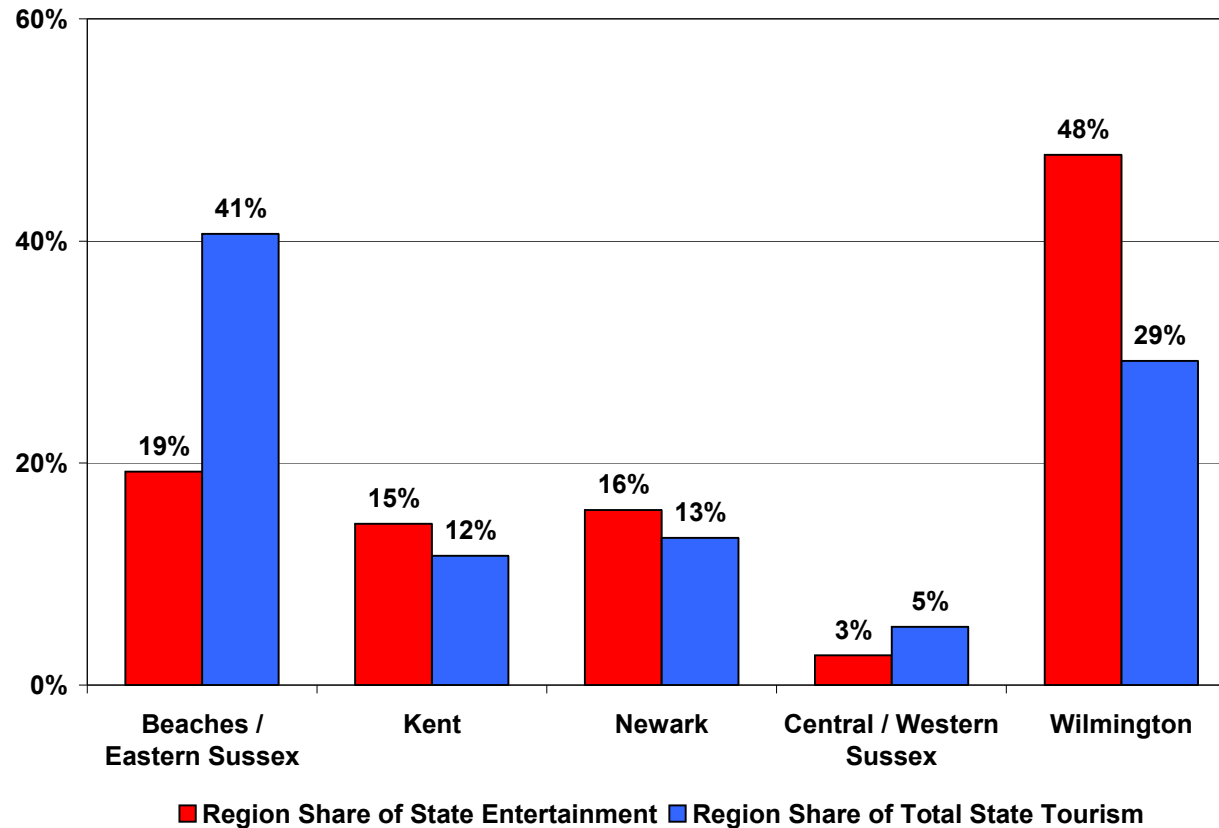
Region Detail - Tourism Expenditures by Industry

	Accommodation	Entertainment	Food	Retail	Transportation	Total
Beaches / Eastern Sussex	\$296,045,160	\$46,993,357	\$206,052,236	\$76,462,002	\$2,438,691	\$627,991,447
Kent	\$52,559,306	\$35,480,536	\$52,882,710	\$19,623,751	\$19,254,350	\$179,800,653
Newark	\$62,679,160	\$38,555,750	\$60,808,564	\$22,564,883	\$20,155,194	\$204,763,551
Central / Western Sussex	\$36,058,241	\$6,539,667	\$25,587,197	\$9,494,914	\$3,458,317	\$81,138,336
Wilmington	\$95,330,619	\$116,712,631	\$127,367,580	\$47,263,647	\$64,908,556	\$451,583,032



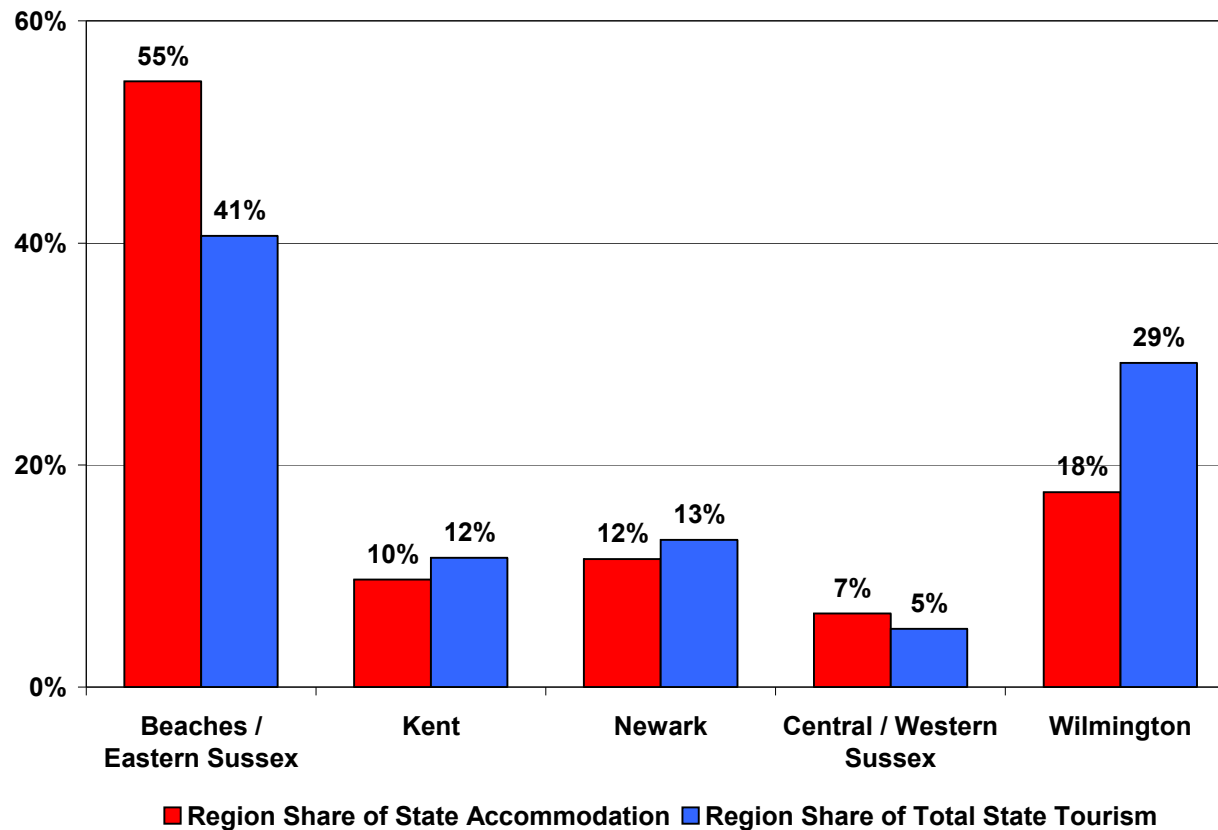
Regional Shares of Statewide Tourism Entertainment Expenditure

Wilmington and North Region has the largest tourism entertainment expenditure share (48%) and is second in terms of total tourism sales (29%).



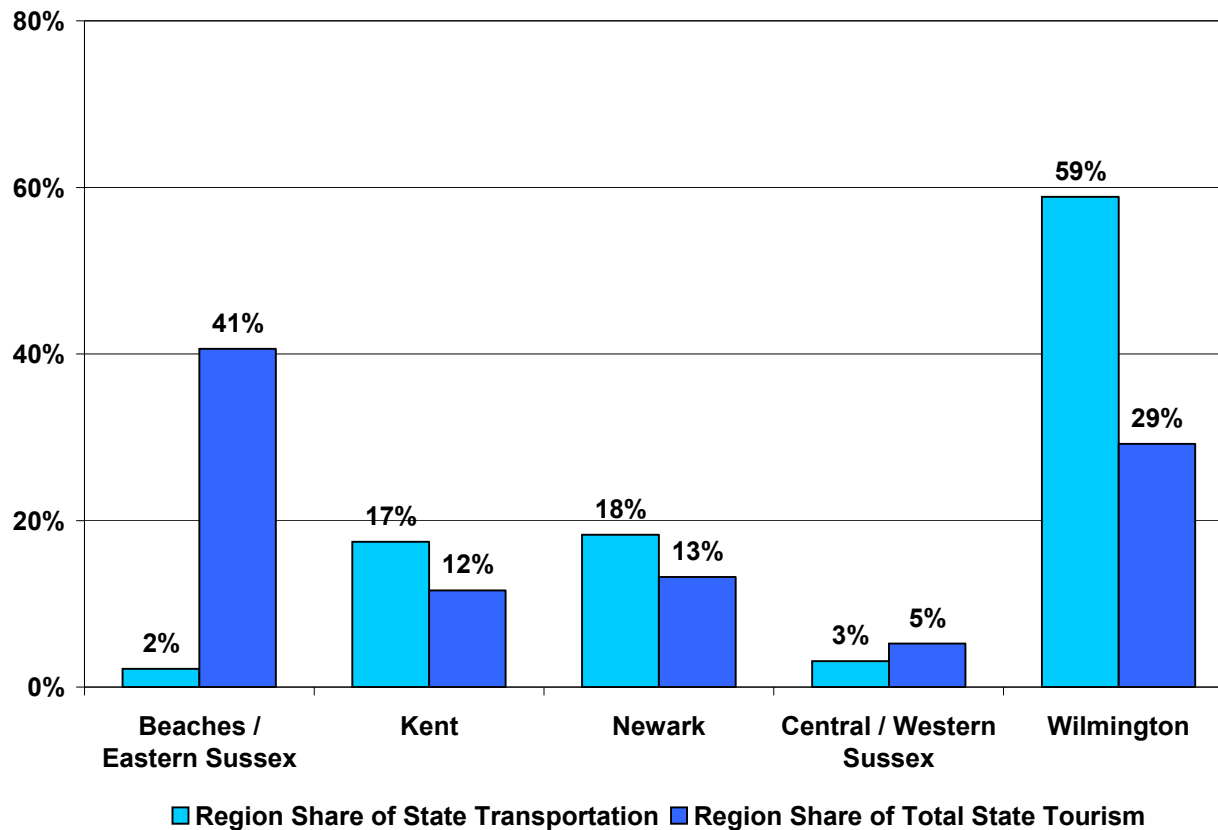
Regional Shares of Statewide Tourism Accommodation Expenditure

Beaches region holds the largest share in accommodation sales (55%) which is boosted by a large number of seasonal second homes.



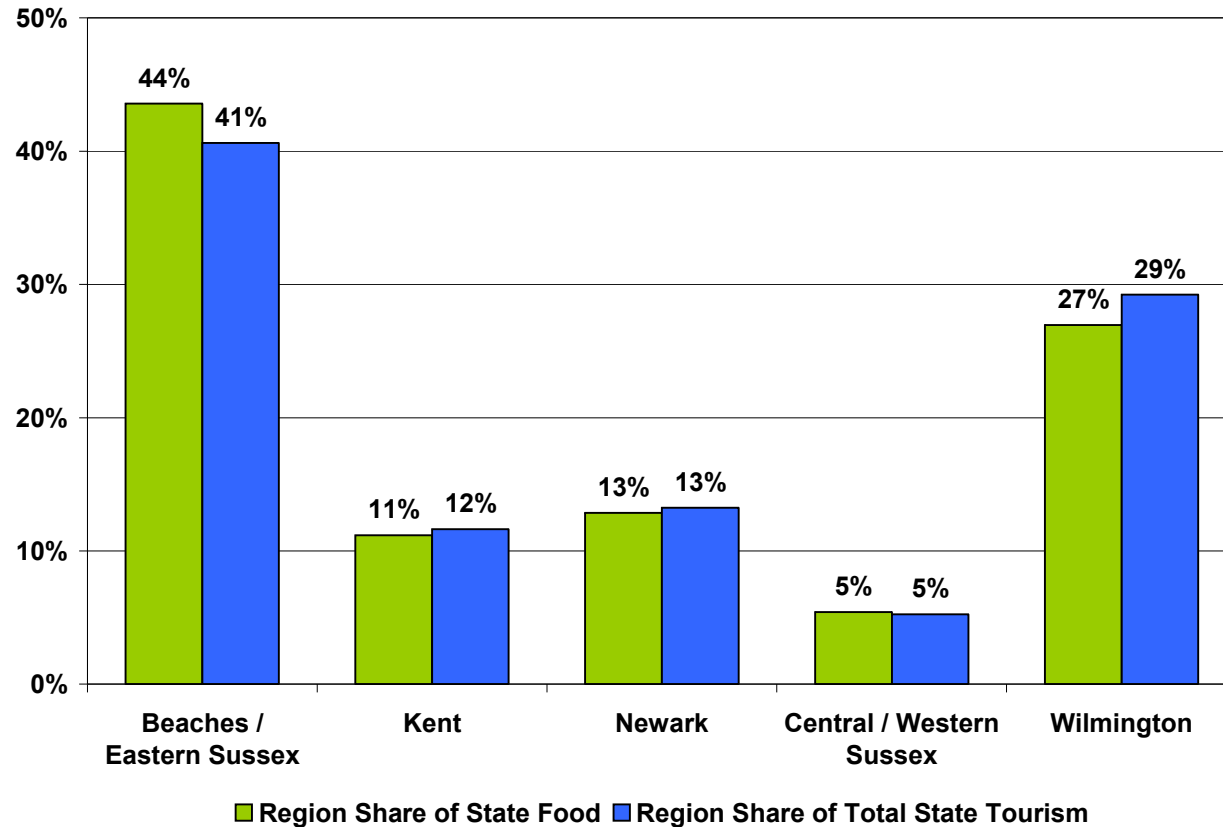
Regional Shares of Statewide Tourism Transportation Expenditure

With a regional airport in its territory, Wilmington region dominates tourism-related transportation sales (59%). This does not include cargo transportation.



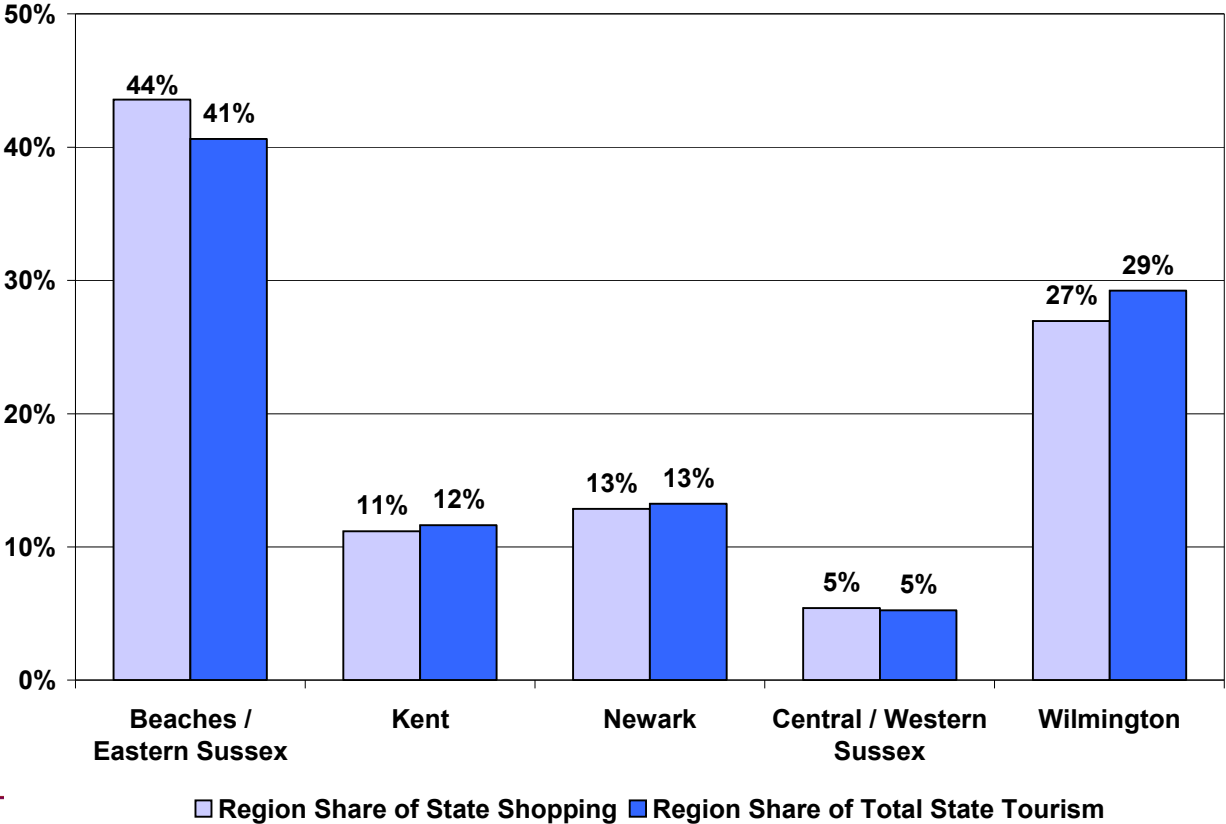
Regional Shares of Statewide Tourism Food Expenditure

Beaches followed by Wilmington and North regions have the first and second largest share of tourism-related food expenditure in the state.



Regional Shares of Statewide Tourism Shopping Expenditure

After the Beaches region (44%), Wilmington (27%) holds the largest share of tourism-related shopping expenditure.





Appendix

Beaches region – Zip Codes

19930	Bethany Beach
19944	Fenwick Island
19958	Lewes
19969	Nassau
19970	Ocean View
19971	Rehoboth/Dewey Beach

Wilmington and North region – Zip Codes

19703	Claymont	19850	19898
19710	Montchanin	19880	19899
19732	Rockland	19884	
19735	Winterthur	19885	
19736	Yorklyn	19886	
19801	Downtown Wilm	19887	
19802	Northeast Wilm	19889	
19803	Talleyville	19890	
19804	Stanton/Newport	19891	
19805	Elsmere	19892	
19806	West Wilm	19893	
19807	Greenville	19894	
19808	Marshallton	19895	
19809	Holly Oak/Edge Moor	19896	
19810	Arden/North Wilm	19897	

Kent and South region – Zip Codes

19901	Dover	19955	Kenton
19902		19961	Little Creek
19903		19962	Magnolia
19904		19963	Milford
19905		19964	Marydel
19906		19977	Smyrna
19934	Camden Wyoming	19979	Viola
19936	Cheswold	19980	Woodside
19938	Clayton		
19942	Farmington		
19943	Felton		
19946	Frederica		
19952	Harrington		
19953	Hartley		
19954	Houston		

Newark and South region – Zip Codes

19701	Bear	19725	
19702	Christiana	19726	
19706	Delaware City	19730	Odessa
19707	Hockessin	19731	Port Penn
19708	Kirkwood	19733	St. Georges
19709	Middletown	19734	Townsend
19711	Newark		
19712			
19713	Ogletown		
19714			
19715			
19716			
19717			
19718			
19720	New Castle		

Central and Western Sussex region - Zip Codes

19931	Bethel	19975	Selbyville
19933	Bridgeville		
19937	Clarksville		
19939	Dagsboro		
19940	Delmar		
19941	Ellendale		
19945	Frankford		
19947	Georgetown		
19950	Greenwood		
19951	Harbeson		
19956	Laurel		
19960	Lincoln		
19966	Millsboro		
19968	Milton		
19973	Seaford		