Tourism Is Everybody’s Business
By Dr. Richard Kelley

Aloha!

I am honored to be with you today to discuss one of my favorite topics: Travel & Tourism. In my 76 years on earth, I have learned a couple of things about this industry. But first, to give you a bit of an idea about where I am coming from, I’d like to share a few notes on a personal level.

My wife Linda, who unfortunately could not join me here today, has deep ties to this part of the country – in fact, to the Greenville area itself.

Her mother, Violet Lee Gosnell, and her grandparents were born here. Linda has told me that the family was dirt poor and survived by working in the cotton mills and sharecropping cotton and watermelon. They lived in this unheated log cabin whose walls were insulated with catalogue pages. There was a wood stove, a hand pump outside for water, and an outhouse.

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At age 16, during World War II, Linda’s mom married a local boy. They were together only a few weeks before he was shipped off to Europe, where, sadly, he was killed in combat. Linda’s mom used the insurance on her husband’s life to enter business college in Buffalo, New York, and start a new life in the Midwest. She returned to Greenville every year, however, usually with Linda, until Linda was 18 years old.

How a young lady named Linda with ties to Greenville met up with a guy from Hawaii is a story for another time.

I was born in Honolulu in 1933 during the Great Depression. Our home was a bungalow. But, we had a patio with a lily pond in front, and the beach was just a block away. We didn’t have any heating either – but that was because in Waikiki, you don’t need it!

My mother was a Secretary. My father was an Architect. They had moved to Hawaii just before the start of the Depression because my father had lost his job in California and couldn’t find new work there.

Around 1940, we moved across the street. My father had his office on the ground floor of our new home, and we lived upstairs with an outdoor patio on the third floor with a great view.

On December 7, 1941, we stood on that patio and watched in amazement as Pearl Harbor was bombed. I can still remember seeing the planes diving toward the huge cloud of black smoke rising into the sky. When a bomb or a faulty anti-aircraft shell fell back to earth and exploded just two blocks away, and shrapnel fell onto our patio, we ran for cover.

When the war was over, my parents built a five-story walk-up hotel, The Islander. My sisters and I learned the basics of the hospitality industry by helping with the laundry and serving a breakfast of pineapple, rolls, and coffee to guests outdoors under the palm trees. Rooms were about $7.50 a night. Sometimes, I earned a 25- or 50-cent tip when I hauled guests’ luggage to the upper floors.

Some 25 years later, in 1970, after following my dream of becoming a physician, I found myself back in the hospitality industry. Not unlike Kemmons Wilson who developed Holiday Inns in Memphis, my parents had been pioneers in developing a number of economy hotels that made Hawaii affordable to middle-class travelers. In fact, there are many other similarities between Kemmons Wilson and my father, Roy Kelley – it is really amazing.

At any rate, I joined my parents in expanding their Waikiki base, but I also developed an interest in Travel & Tourism beyond Hawaii. Over the years, I have traveled all across our country and all around the globe for both business and pleasure. More than most travelers, I cannot help but notice the degree of professionalism of the people in this industry that I meet and interact with, whether in hotels, airplanes, restaurants, or wherever. So, for me, travel has been both a pleasure and a never-ending learning experience.

One thing I have learned is that, done right, travel is one of the best ways to bring prosperity and job opportunities to an area. Unfortunately, the full economic benefits of Travel & Tourism are usually underestimated.

That may be because when economists first set up the Standard Industrial Codes, no code was established for Travel & Tourism. The economic activity generated by Travel & Tourism is scattered across many of the ten standard categories. So for most people, Travel & Tourism is off the radar screen.

To paraphrase comedian Rodney Dangerfield, “We get no respect!”

The economics of Travel & Tourism remind me of an iceberg. Above the surface, you can see activities, such as people arriving at an airport or hotel. However, “below the surface,” an unbelievable amount of additional activity is needed to keep visitors housed, fed, and entertained.

Some years ago, the World Travel & Tourism Council and Oxford Economics developed the concept of satellite accounting, which aggregates the total impact of Travel & Tourism. Satellite accounting has now become the world standard by which the economic contribution of Travel & Tourism is measured.

Travel & Tourism represents more than 9 percent of all the world’s economic activity – global GDP … worth nearly $5.8 trillion dollars … and providing over 235 million jobs.

That’s over 8 percent of ALL of the jobs in the world – about 1 out of every 12 jobs on earth.
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In Hawaii, with the help of the World Travel & Tourism Council, we commissioned several satellite economic studies of Travel & Tourism in the mid- and late 1990s. They found that the travel industry accounts for at least 25 percent of Hawaii’s entire economic activity (GDP), a little over 25 percent of government tax revenue, and one job out of every three.

That is a huge impact — an enormous benefit to my home state.

But there’s even more to it than that. Why? Because satellite accounting scrupulously avoids including any multiplier effect, that is, the ripples of Travel & Tourism dollars across the rest of the economy.

However, the multiplier effect is a fundamental fact of economic life. It’s what happens when Travel & Tourism employees, for example, spend their money in the community – at the local supermarket, drugstore, or dentist – and that money is re-spent again and again.

It also happens when hotels, airlines, tour operators, restaurants, taxi companies, and other service providers make local purchases of goods and services.

So if we consider the multiplier effect, it’s clear that the overall contribution of Travel & Tourism is even greater than the impacts shown by satellite accounting.

How big is the multiplier? That’s a little complicated.

Suffice it to say that the satellite accounting studies were recently reviewed in a major research report by one of Hawaii’s most respected economists, Dr. Leroy Laney. He estimated – very conservatively – that the multiplier effect for Travel & Tourism in Hawaii is 1.5, considerably lower than the 2.0, 2.5 and even larger multipliers that are commonly cited in other studies.

However, applying that conservative estimate to the 25 percent figure derived from satellite accounting, Dr. Laney concluded that the true impact of Travel & Tourism in Hawaii is about 40 percent of both GDP and of tax revenues. He also estimated that an astounding three quarters of Hawaii’s employment is in some way associated with or affected by tourism.

Dr. Laney made one more key point. He wrote that in Hawaii, because the industry’s impact is so pervasive, “for all practical purposes, it is impossible to draw the line between shares of the economy affected and unaffected by tourism.” He said, “It is almost analogous to talking about the removal of 40 percent of the vital organs from the human body and speculating on the survival of the individual.”

As both a physician and a hotelier, I think that’s exactly right.

Of course, Hawaii is a special case. There is probably no other state in the country where Travel & Tourism plays such a dominant role in the economy. Nonetheless, the contribution of Travel & Tourism to our national economy is nothing to sneeze at.

Today, Travel & Tourism accounts for some 9.2 percent of our nation’s GDP … That’s worth almost $1.4 trillion dollars … And it provides nearly 14 million jobs.

That’s practically 10 percent, or 1 out of every 10 jobs in the United States of America.

As far as the Southeast is concerned, I have seen satellite accounting studies only for North and South Carolina and Georgia.

For these three states, the impact of Travel & Tourism is noticeably lower than the national average. It’s about 4 percent of GDP in North Carolina, 5 percent in Georgia, and 6 percent in South Carolina. I suspect it’s much higher – likely well above the national average – in Florida, Louisiana, and, perhaps, Virginia. In all three of the states for which I’ve seen satellite accounting studies, Travel & Tourism accounts for 9 or 10 percent of jobs, right on par with the nationwide percentage.

In any case, in light of the natural beauty, pleasant climate, and abundance of historical sites and attractions that your states have to offer, I think it’s clear that the Southeast is a natural magnet for visitors and that Travel & Tourism should not be taken lightly. In Georgia, it’s the fifth-largest source of jobs; in North Carolina it’s seventh.

My friend Hank Koppelman tells me that there is no consensus among the members of the Southeast Tourism Society regarding the gathering and reporting of visitor statistics and identifying the economic impact of Travel & Tourism in your states.

Now that’s quite understandable in light of the fact that, unlike Hawaii, almost all of whose visitors arrive by air, in this part of the country, visitors don’t just fly in, a great many of them drive. And many come from other localities within the region rather than from outside. And then there’s the fact that the Southeast includes not only huge destinations like Orlando, Miami, Atlanta, and New Orleans, but scores of mid-size and smaller ones as well.

One thing is certain, however, and that is that the visitor industry plays a substantial role in the economy of this region and of most of the states and many of the cities and towns that comprise it.

So, IF you feel that your state and local governments are not taking this industry seriously …

IF they’re not investing in needed infrastructure like roads and airports …

IF they’re not providing a competitive level of funding for destination marketing …

IF they’re taxing you to death and as a result driving would-be visitors across your state or county line …

Then you might be well advised to consider pulling together the funding needed to underwrite satellite accounting studies.

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It was for precisely reasons like these that we finally bit the bullet in Hawai‘i and arranged for the World Travel & Tourism Council studies for our islands. Despite the evidence right before people’s eyes that Travel & Tourism was underpinning Hawai‘i’s economy, it has repeatedly been threatened with – and often subjected to – targeted tax increases and cuts in government funding for destination marketing.

In fact, for what seemed like eons, Hawai‘i lagged light-years behind competing destinations in the amount of government funding for marketing – a need far greater than can possibly be met by the private visitor industry sector alone.

The problem is that, in our islands at least, the political class loves tourism’s golden eggs, but often seems ignorant of what it takes to keep the goose that lays them in good health. I’m guessing that such short-sightedness affects politicians not only in Hawai‘i, but perhaps here in the Southeast as well.

What it took – in Hawai‘i – to get the political class to sit up and listen was, first, a nearly decade-long economic slump that made mincemeat out of the government’s budget …

And second, a lot of shoe leather walking the halls of the Legislature …

Speaking to any group that would listen …

Writing newspaper columns …

AND writing in our weekly employee newsletter – because employees are great ambassadors to the community.

All of this to pound home the theme that …

In Hawaii, Tourism is Everybody’s Business.

I suspect that here in the Southeast, tourism is a lot more important than most people outside this room think it is. In fact, I’m confident that it’s an awful lot of people’s business here too … and that in many locations it is, indeed, Everybody’s Business.

If this requires any proof, we have only to look at the impact of the Gulf oil spill to find it.

According to a study by the U.S. Travel Association facilitated by Oxford Economics, the spill and its aftermath are predicted to cost coastal communities from Florida to Texas at least $7.6 billion over 15 months and perhaps as much as $22.7 billion over three years in lost tourism revenues.

Just 20 days after the spill began, TripAdvisor was reporting that interest in traveling to the Gulf region had already slipped by double digits. According to a report earlier this summer, it had plummeted by two thirds in some locations. Now, although the well has been capped and many beaches cleared – not to speak of the long stretches that escaped the oil altogether – tourism is still way down.

This is despite the fact that in August the President and his daughter Sasha went for a swim in Gulf waters off Panama City on the Florida panhandle …

And despite the fact that BP gave $25 million to Florida and $15 million each to Louisiana, Mississippi, and Alabama to help them bring the visitors back.

If a report I read is correct, that $70 million in tourism promotion money, most of it already spent, has brought minimal results. According to Adam Sacks, Managing Director of Oxford Economics, “There is an above-average dependency on travel along the entire Gulf Coast,” with between 13 and 22 percent of jobs being related to leisure and hospitality, as compared to the U.S. average of 10 percent.

Travel and tourism bring $34 billion in direct traveler-generated spending annually to the coastal areas of Florida, Alabama, Mississippi, Louisiana, and Texas. “There are 400,000 [travel industry] jobs on the coast.” “There is a lot at stake here,” says Sacks.

Actually, there’s a lot at stake far beyond the areas directly hit by the spill. According to Sacks, tourism along “the entire Florida Gulf Coast area is down substantially,” even though there is no oil south of the panhandle. The “declines are affecting the whole region.”

As US Travel President and CEO Roger Dow points out, that is because “Travel is a perception business. … We know from [the Oxford Economics] research that the oil spill will have long-term effects on businesses and jobs in the …

Price tag in lost tourism along Gulf Coast: $22.7 billion
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region unless we counteract the usual course of events with an unprecedented response.”

The Oxford Economics study looked at 25 previous natural and manmade disasters in the U.S. and abroad. In New Orleans, for example, according to one report I read, tourism is still down 25 percent from pre-Katrina levels. According to another report, tourism may have already been approaching pre-Katrina levels – but only after five years!

Overall, according to the Oxford Economics study, the combined average length of time needed for a return to previous visitor spending levels following a disaster ranged from nine to 26 months – even 60 months – five years – in the case of Katrina!

To deal with the oil spill crisis, for the Gulf states, US Travel is calling for a new massive public education/marketing effort to bring visitors back to the area. The concept sounds good to this guy from Hawai’i and right on target.

Whatever the effort and whatever the result, it is quite clear that …

Here in the Southeast, just as in Hawai’i, Tourism Really IS Everybody’s Business.

Now, as long as I’m up here, there are a couple of other points I’d like to leave you with …

First is the value of government funding for destination marketing.

It’s enormous.

In Hawai’i, the funds that government spends for Travel & Tourism return a spectacular $4.70 for every dollar invested.

That’s a return on investment (ROI) of 370 percent!

Now, in places whose economies are relatively less dependent on tourism, the returns aren’t quite so phenomenal, but according to the research I’ve seen, the worldwide average is $1.70 in return for every government dollar invested.

That’s a 70 percent ROI. Not too shabby!

And I’ll bet there are plenty of places here in the Southeast where the return would be far above 70 percent – especially in the case of efforts to correct misinformation about the impact of the oil spill!

Another point is that contrary to popular belief, the job opportunities in Travel & Tourism are broad.

They go far beyond the burger flipping, towel washing, and other entry-level work that is so often pooh-poohed … even though those jobs give many people a start on a career that may include advanced technology, high-level management, finance, flying and maintaining airplanes, and a great deal more.

It’s also important to remember that the dollars earned from Travel & Tourism are export dollars.

When people talk about exports, they generally visualize manufacturing and shipping a product.

Few people understand that the Travel & Tourism industry is also selling an export. We export an experience to visitors from outside who bring in new money that supports local infrastructure, small businesses, individual employees, and, of course, government – thanks to taxes.

Hawai’i is a perfect example. Other than our islands’ beauty, delightful climate, and the fascinating cultural mix of the population, we have no natural resources. We depend on our tourism exports to pay for virtually everything we consume, which is almost all imported – a lot of it from China.

Before I close, I would like to offer a few more words of advice rooted in my more than six decades of hospitality experience.

Work to convince your politicians not to tax visitors more heavily than local residents. It’s so easy to start down that path because visitors come and go, and it’s easy to think they don’t vote. Some might call it a “no-brainer,” but actually it’s a different kind of no-brainer – the kind that can, as we say in Hawai’i, “land you in deep kim-chee.”

There’s an old saying attributed to former Louisiana Senator Russell B. Long: “Don’t tax you. Don’t tax me. Tax that fellow behind the tree!”

Visitors are too often seen as “That Fellow Behind The Tree.” But visitors do vote. Not at the ballot box, but with their pocketbooks. Information about rip-off taxes on visitors is now flashed around the globe on the Internet. That’s why it’s a no-brainer to start down that path. The only ones who benefit from it are competing destinations that are smart enough to keep their tax-collecting avarice in check.
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Finally, I’d like to turn for a moment in a completely different direction and share with you something that I recently experienced. I’d like to enlist your help and support for an effort that will benefit the Travel & Tourism industry all across our country.

A couple of months ago I attended a Global Travel & Tourism Summit in Beijing. While in China, my first visit there in many years, I was reminded of the fabulous potential of that country’s outbound tourist market.

With one out of every five humans on the planet – more and more of whom are beginning to enjoy middle-class incomes for the first time – China is rapidly becoming the biggest outbound tourism market in Asia.

China is now one of the world’s top five tourism source markets, according to Professor Wolfgang Arlt, Director of the China Outbound Tourism Institute. It will soon be the world’s largest.

In the past decade, the number of outbound tourists from China has exploded from 10 million to over 50 million per year. The China National Tourism Administration projects that 52 million Chinese will travel abroad this year. Over 60 percent of all China’s outbound travel over the past 15 years has occurred in just the last four years.

So, why do more Chinese travel to Paris than to the entire United States?

The answer lies in Washington, D.C., where the U.S. State Department apparently believes that hordes of Chinese would become illegal immigrants, using a tourist visa as a one-way ticket to America.

Thanks to this mindset, for a Chinese citizen to get a visa to enter the U.S., he or she must first travel to one of the five cities in China where there is an appropriately staffed U.S. consulate, or to Hong Kong, and have a personal interview alone with a member of the consular staff.

The description of the interview process on the website of the American embassy in Beijing makes clear how difficult, if not degrading, the interview process is. I will not bore you with the details. Suffice it to say that all that’s missing from the instructions is an insincere, parting wish for the potential interviewee to “have a nice day!”

Oh, and the website also informs visitors that the “typical wait time” for this delightful interview appointment is one hundred days!

Imagine how motivated you might be to travel to, say, London or Tokyo if you first had to make an appointment a hundred days in advance and then go to Chicago to be grilled on your motives for travel by a consulate staffer from your destination country.

If the United States is to have any hope of sharing in the bounty of outbound tourism from China, the second-largest economy in the world, this “visa prevention” policy will have to change.

And the quicker the better.

What we need is a new visa application procedure that would be a lot easier, swifter, and more efficient than the way the State Department has traditionally worked – a process that, in addition, is not personally degrading.

It need not be a virtual Visa Waiver program, which benefits visitors from developed countries, but it should break the logjam and allow the potential river of inbound tourists from China and other countries to flow freely.

At present, the State Department’s “visa prevention” policy is designed primarily to respond to two domestic political imperatives – blocking illegal immigrants … and blocking would-be terrorists.

Those are certainly important objectives, but State needs to use a little imagination and find a practical way to balance them with a third goal – the need to bring more visitors to our country and repatriate some of those billions of dollars we spend on imports, especially from … you guessed it … China!

As you know, the State Department is sometimes referred to as Foggy Bottom. I believe that to dispel the fog at Foggy Bottom, we’ll need to create some heat.

We’ll need to generate strong, sustained pressure from as many members of Congress as possible, demanding that State figure out a way to stop choking off the huge economic stimulus that a much greater influx of visitors from abroad would bring.

So I encourage you to become as informed as possible about inbound travel from abroad. And let your U.S. Senators and Representatives know that we need to ease the barriers to visitors from dynamic, growing countries like China. Write them … or bug them personally in the next few weeks while they’re back home asking for your vote! It’ll be good for your states and cities – and for the entire country.

In closing, finally, I’d like to return to the central point of these remarks, namely that … “Tourism Is Everybody’s Business.”

I hope you’ll do what it takes to measure the full, widespread impact of Travel & Tourism on your states and cities …

Get out there …

Speak to any groups that will listen …

Write about it in your newspapers and your employee newsletters …

Shout the message from the rooftops …

“Tourism Really Is Everybody’s Business.”