

**ECONOMIC IMPACT OF TRAVEL
ON GEORGIA STATE
2007**

A Study Prepared for the
Georgia Department of Economic Development (DECD)
By the
Travel Industry Association
Washington, D.C.
July 2008



PREFACE

This study was conducted by the Research Department of the Travel Industry Association (TIA) for the **Georgia Department of Economic Development (DEcD)**. The report presents state-level estimates of travel's economic impact on Georgia State in 2007. Domestic travelers' expenditures, domestic travelers' expenditures generated employment and payroll income by industry sector, as well as tax revenues for state and local governments are included in this report. Detailed estimates of domestic travel spending by category and traveler type are also provided. In addition, total international travelers' expenditures, international travelers' expenditures generated employment and payroll, and total state and local tax revenue generated by these expenditures are covered in this report. Annual 2006 travel economic impact estimates are displayed for comparison purposes.

Research Department
Travel Industry Association
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INTRODUCTION

This report presents estimates of the economic impact of U.S. domestic and international travelers in Georgia during 2007. These estimates are produced via TIA's Travel Economic Impact Model (TEIM), a computerized economic model producing estimates of travelers' expenditures and its impact on employment, wage and salary (payroll) income, state and local tax revenues.

The TEIM, initially developed in 1975 for the U.S. Department of the Interior, measures the economic value of travel and tourism to states and counties. The original model has since been extensively revised using more accurate and targeted input data available from governments and the private sector. The TEIM is based upon national travel surveys conducted by TIA and other data developed by the Bureau of the Census, TIA, various federal agencies and national travel organizations each year. A description of the TEIM is provided in *Appendix A*. Estimates of travel economic impact in Georgia are based on the most recent version of the TEIM. Travel data provided by Georgia Department of Industry, Trade and Tourism and other sources are employed in the model.

U.S. domestic travel includes both state residents and out-of-state visitors to Georgia traveling away from home overnight in paid accommodations, or on day or overnight trips to places 50 miles or more, one way, away from home during 2007. Travel commuting to and from work; travel by those operating an airplane, bus, truck, train or other form of common carrier transportation; military travel on active duty; and travel by students away at school, are all excluded from the model.

The international travel expenditure estimates are based on the Office of Travel and Tourism Industries' (OTTI) In-Flight Survey and data provided to OTTI from Canada and Mexico. Other estimates of the economic impact of international visitors to the U.S. are generated by the TEIM by incorporating the estimated international travelers' expenditures with the data series utilized to produce the domestic estimates.

Since additional data relating to travel and its economic impact in 2007 will become available subsequent to this study, TIA reserves the right to revise these estimates in the future.

EXECUTIVE SUMMARY

Total domestic and international travelers directly spent over \$20.2 billion in Georgia during 2007, up 5.8 percent from 2006.

In addition to direct spending on travel, domestic and international travelers in Georgia produced nearly \$5.9 billion in indirect expenditures, and almost \$8.0 billion in induced expenditures. Total domestic and international travelers' expenditures, including direct, indirect and induced impact in Georgia reached \$34.1 billion in 2007, up 6.0 percent from 2006.

In 2007, total domestic and international travelers' expenditures directly generated 241.8 thousand jobs within Georgia, a 2.2 percent increase from 2006.

On average, every \$83,713 spent in Georgia by domestic and international travelers generated one job in 2007.

During 2007, total domestic and international travelers' expenditures in Georgia directly brought nearly \$6.9 billion payroll income for the employees in the travel industry, up 3.5 percent from 2006.

Total domestic and international travelers' expenditures in Georgia generated over \$1.5 billion in tax revenue for state and local governments in 2007, up 5.6 percent from 2006.

2007 TRAVEL IMPACT ON U.S. ECONOMY

The U.S. economy continued to grow in 2007, but at a slower pace. The real GDP increased 2.2 percent compared with 2006. Real disposable income was up 3.1 percent and real personal consumption expenditures rose 2.9 percent from 2006. Annual average total non-farm employment in the U.S. increased 1.5 million to 137.6 million, up 1.1 percent over 2006. The national unemployment rate remained the same as 2006 at 4.6 percent. The travel industry performed better in the job market than national average, nearly 133 thousands jobs were added during 2007, a 1.8 percent increase from 2006. The Consumer Price Index (CPI), an indicator of the level of price inflation, was up 2.8 percent in 2007, while TIA's Travel Price Index increased 4.5 percent during the same period. The total U.S. current account deficit decreased to \$731.2 billion in 2007, down 7.2 percent from 2006. The U.S. travel industry generated more than \$17.6 billion trade surplus for the country in 2007.

U.S. Travel Volume in 2007

In 2007, total U.S. domestic person-trips were up 0.4 percent over 2006. International visitors to the U.S. increased 10 percent in 2007 to nearly 56 million. Among the international visitors, overseas visitors were up 10 percent to 23.9 million, Canadian visitors increased 11 percent to 17.8 million, and Mexican visitors increased 8 percent to 14.3 million. However, the volume of overseas visitors traveled to the U.S. in 2007 remained 8 percent lower than its historical record set in 2000.

Travel Expenditures in 2007

In 2007, domestic and international travelers' expenditures in the U.S. totaled \$739.4 billion, 5.7 percent more than in 2006. Foodservices sector continually ranked number one among the six industry sectors investigated in this report, totaling \$175.2 billion and representing 23.7 percent of the total travelers' spending. Travel spending on auto transportation reached \$125.8 billion in 2007, a 6.7 percent increase over 2006, largely due to higher gasoline prices. Travel spending on lodging increased 7.6 percent over 2006, the greatest growth among the six industry sectors. According to Smith Travel Research, hotel room demand (hotel room-nights sold) grew 1.2 percent and average daily rate jumped 5.9 percent in 2007.

International travelers' spending jumped 12.8 percent from 2006, totaling \$96.7 billion, while domestic travelers' spending reached \$642.7 billion, up 4.7 percent from 2006.



Table A: Domestic and International Travelers' Expenditures in the U.S. 2006-2007

<u>Industry Sector</u>	2007 Travel Spending in The U.S. (\$ Billions)	2006 Travel Spending in The U.S. (\$ Billions)	2007 Percent Change Over 2006 (%)
Public Transportation	\$132.5	\$127.6	3.9%
Auto Transportation	125.8	118.0	6.7%
Lodging	145.9	135.6	7.6%
Foodservice	175.2	166.1	5.5%
Entertainment/Recreation	82.8	79.6	4.1%
General Retail	77.1	72.9	5.8%
Total	\$739.4	\$699.8	5.7%
International*	\$96.7	\$85.7	12.8%
Domestic	\$642.7	\$614.1	4.7%

Source: TIA

* Excludes international passenger fare payments.

Travel Employment in 2007

More than 1.5 million jobs were added to the non-farm sector in 2007, a 1.1 percent increase from 2006, according to the U.S. Bureau of Labor Statistics (BLS). The national unemployment rate kept unchanged compared with 2006 at 4.6 percent. Total domestic and international travelers' spending in the U.S. directly generated nearly 7.7 million jobs for the U.S. economy in 2007, up 1.8 percent from 2006.

Among the seven travel industry categories investigated in this report for employment, the greatest gain occurred in the arts/entertainment/recreation industry, with employment up 2.5 percent from 2006. The employment generated by total travelers' spending in the foodservices industry reached 2.9 million, up 2.0 percent over 2006. The jobs generated by total travelers' spending in lodging sector increased 1.5 percent from 2006 to 1.5 million. Total travel-generated employment in the public transportation sector increased 1.4 percent.

International travelers' spending generated more than 972 thousand jobs, up 8.8 percent from 2006, while domestic travelers' spending generated 6.7 million jobs, a 0.8 percent increase over 2006.

Table B: Travel-Generated Employment in the U.S., 2006 and 2007

<u>Industry Sector</u>	<u>2007 Travel-Generated Employment (Thousands)</u>	<u>2006 Travel-Generated Employment (Thousands)</u>	<u>2007 Percent Change Over 2006 (%)</u>
Public Transportation	996.5	983.2	1.4%
Auto Transportation	272.6	270.3	0.8%
Lodging	1,520.6	1,498.6	1.5%
Foodservice	2,930.2	2,874.0	2.0%
Entertainment/Recreation	1,289.7	1,258.1	2.5%
General Retail	489.7	482.9	1.4%
Travel Planning	176.9	176.2	0.4%
Total	7,676.2	7,543.4	1.8%
International*	972.2	893.5	8.8%
Domestic	6,704.0	6,649.9	0.8%

Sources: TIA, BLS

* Excludes jobs generated by international passenger fare payments.

Table C: Overall U.S. Economic Developments, 2005-2007

<u>Sector</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Nominal gross domestic product (\$ Billions)	\$12,433.9	\$13,194.7	\$13,841.3
Real gross domestic product (\$ Billions)*	\$11,003.4	\$11,319.4	\$11,566.8
Real disposable personal income (\$ Billions)*	\$8,147.9	\$8,396.9	\$8,658.6
Real personal consumption expenditures (\$ Billions)*	\$7,803.6	\$8,044.1	\$8,277.8
Consumer price index**	195.3	201.6	207.3
Travel Price Index**	222.6	233.5	244.0
Non-farm payroll employment (Millions)	133.7	136.1	137.6
Unemployment rate (%)	5.1	4.6	4.6

Percentage change from previous year

Nominal gross domestic product	6.4%	6.1%	4.9%
Real gross domestic product	3.1%	2.9%	2.2%
Real disposable personal income	7.8%	3.1%	3.1%
Real personal consumption expenditures	3.2%	3.1%	2.9%
Consumer price index	3.4%	3.2%	2.8%
Travel Price Index	5.3%	4.9%	4.5%
Non-farm payroll employment	1.7%	1.8%	1.1%

Sources: U.S. Dept. of Commerce, U.S. Dept. of Labor, U.S. Census Bureau, TIA

* Chained 2000 dollars

** Base period: 1982-84=100

Table D: U.S. Travel Trends, 2003-2007

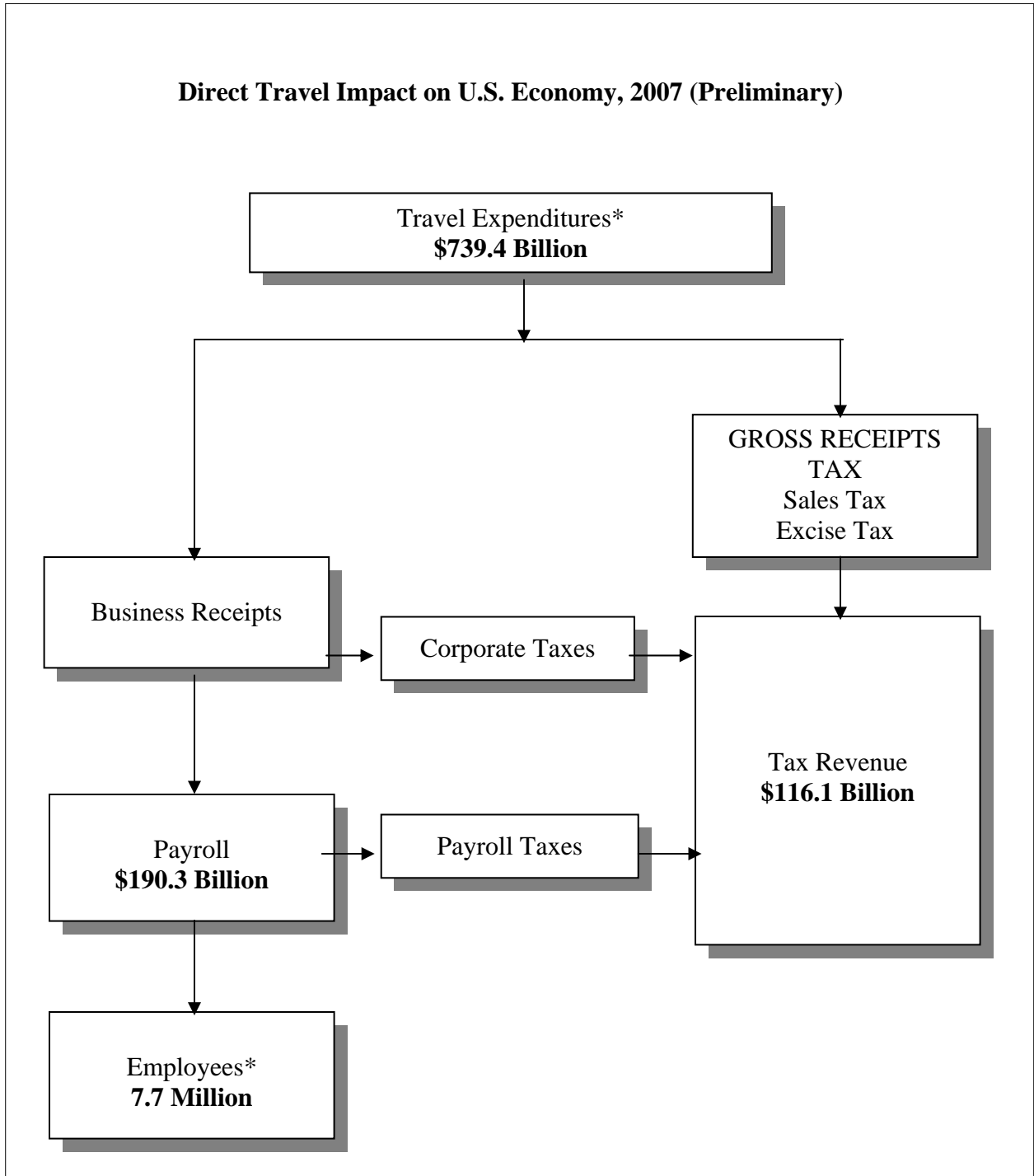
<u>Category</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total travel expenditures (\$ billions)	\$560.1	\$606.9	\$653.8	\$699.8	\$739.4
<i>U.S. travelers' expenditures (\$ billions)</i>	\$495.8	\$532.4	\$572.1	\$614.1	\$642.7
<i>International travelers' expenditures In the U.S.* (\$ billions)</i>	\$64.3	\$74.5	\$81.7	\$85.7	\$96.7
Travel price index**	202.0	211.3	222.6	233.5	244.0
Travel-generated employment*** (thousands)	7,335.7	7,452.7	7,508.8	7,543.4	7,676.2
Percentage change from previous year					
Total travel expenditures	2.8%	8.3%	7.7%	7.0%	5.7%
<i>U.S. travelers' expenditures</i>	3.7%	7.4%	7.5%	7.3%	4.7%
<i>International travelers' expenditures in the U.S.</i>	-3.4%	15.8%	9.6%	4.9%	12.8%
Travel price index	2.5%	4.6%	5.3%	4.9%	4.5%
Travel-generated employment	-1.4%	1.6%	0.8%	0.5%	1.8%

Sources: TIA, Office of Travel and Tourism Industries (OTTI)/International Trade Administration, BLS, BEA

* International traveler spending does not include international passenger fares.

** Base period: 1982-84=100

*** Includes employment generated by both domestic and international traveler expenditures.



Source: TIA

* Excludes international passenger fare payments and other economic impact generated by these payments.

TRAVEL IMPACT ON GEORGIA

TRAVEL EXPENDITURES

Travel expenditures are assumed to take place whenever a traveler exchanges money for an activity considered part of his/her trip. Travel expenditures are allocated among states by simulating where the exchange of money for goods or services actually took place. By their nature, some travel expenditures are assumed to occur at the traveler's origin, some at his/her destination and some en route. With the exception of expenses for air, interstate rail and bus transportation, other travelers' expenditures estimated in this study represent only spending that occurred in Georgia. In this report, direct domestic travelers' expenditures are grouped into six categories – public transportation, auto transportation, lodging, foodservices, entertainment and recreation, and general retail trade. Travel agents, receives no travel expenditures as these purchases are allocated to the category (i.e. air transportation) actually providing the final good or service to the traveler.

Direct Domestic Travelers' Expenditures by Category

Domestic and international travelers in Georgia directly spent over \$20.2 billion during 2007, a 5.8 percent increase over 2006. Domestic travelers' expenditures reached \$18.7 billion in 2007, up 5.3 percent over 2006 while total direct international travelers' expenditures jumped 12.2 percent from 2006 to nearly \$1.6 billion in 2007. Related figures are shown in Table 2.

For purposes of this study, direct domestic travel expenditures are grouped into six categories – public transportation, auto transportation, lodging, foodservices, entertainment/recreation and general retail trade.

Domestic travelers spent \$5.6 billion on foodservice sector during 2007, accounting for 30.1 percent of total domestic travelers' expenditures in Georgia, the largest spending category in Georgia. Spending in this sector grew 4.7 percent over 2006.

Public transportation ranked second in domestic travel expenditures with nearly \$4.3 billion, 22.8 percent of the state total, up 7.0 percent from 2006, the highest growth among the six spending categories investigated in this report. Expenditures on auto transportation, the most popular travel mode in Georgia, increased 6.6 percent from 2006 to \$2.7 billion. This above-average increase in spending reflects rising gasoline prices in 2007.

Domestic travelers' spending on lodging was up 4.2 percent from 2006 to \$2.9 billion. Spending on lodging accounted for 15.8 percent of the state's total domestic travelers' expenditures. The general retail trade sector received almost \$1.8 billion from domestic travelers in 2007, 9.6 percent of the state total. Spending on entertainment and recreation activities and services rose 4.4 percent from 2006.

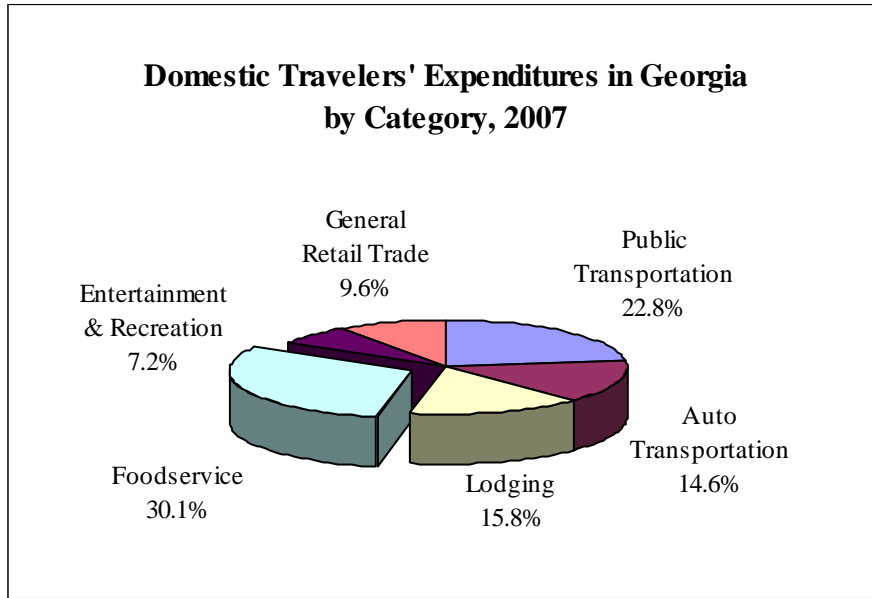


Table 1: Travelers' Expenditures in Georgia by Industry Sector, 2006-2007

Industry Sector	2007 Expenditures (\$ Millions)	2006 Expenditures (\$ Millions)	2007/2006 Percent Change (%)
Public Transportation	\$4,250.3	\$3,972.9	7.0%
Auto Transportation	2,736.3	2,567.3	6.6%
Lodging	2,947.4	2,829.4	4.2%
Foodservice	5,617.9	5,365.9	4.7%
Entertainment & Recreation	1,337.5	1,280.8	4.4%
General Retail Trade	1,790.3	1,726.8	3.7%
Domestic Total	\$18,679.6	\$17,743.1	5.3%
International Total	\$1,558.8	\$1,389.2	12.2%
Grand Total	\$20,238.3	\$19,132.3	5.8%

Source: TIA

Notes:

1. Auto transportation sector includes privately-owned vehicles that are used for trips (e.g., automobiles, trucks, campers or other recreational vehicles), gasoline service stations, and automotive rental.
2. Foodservice sector includes restaurants, grocery stores and other eating and drinking establishments.
3. Public transportation sector comprises air, intercity bus, rail, boat or ship, and taxicab or limousine service.
4. Lodging sector consists of hotels and motels, campgrounds, and ownership or rental of vacation or second homes.
5. General retail trade sector includes gifts, clothes, souvenirs and other incidental retail purchases.
6. Entertainment and recreation sector includes amusement parks and attractions, attendance at nightclubs, movies, legitimate shows, sports events, and other forms of entertainment and recreation while traveling.

Direct Domestic Travelers' Expenditures by Traveler Type

The following analysis of travel expenditures by traveler type focuses on domestic travelers' spending occurring within the state. Thus, spending on air transportation, interstate rail and bus are excluded from total direct domestic travelers' expenditures. Direct travel spending within Georgia by U.S. travelers, excluding these categories, totaled \$14.7 billion in 2007. Of this total, non-Georgia residents (out-of-state travelers) spent close to \$11.5 billion in Georgia, while Georgia residents (in-state travelers) spent more than \$3.2 billion in 2007.

More domestic travelers' expenditures occurred in the third quarter than in any other quarter of 2007. Expenditures were lowest in the first quarter of 2007.

Table 2: Domestic Travel Expenditures in Georgia by Quarter, 2007
(Excludes Spending on Air, Rail and Bus Transportation)

Impact (\$ Millions)	Annual	Q1	Q2	Q3	Q4
Travel Expenditures	\$14,687.5	\$3,435.1	\$3,739.1	\$3,874.1	\$3,639.1
In-State Travelers' Expenditures	\$3,220.8	\$805.9	\$783.5	\$776.0	\$855.3
Out-of-State Travelers' Expenditures	\$11,466.7	\$2,629.2	\$2,955.6	\$3,098.0	\$2,783.9

The following table provides detailed estimates of direct domestic travelers' expenditures occurring in the state, as well as average per person/day spending for overnight travelers vs. day-trippers, in-state travelers vs. out-of-state travelers, as well as pleasure travelers vs. business travelers.

Table 3: Total and Average Domestic Travel Expenditures in Georgia, 2007
(Excludes Spending on Air, Rail and Bus Transportation)

	Expenditures (\$ Millions)	% of Total Expenditures (Percent)	Person/Daily Average Spending (\$)
Total	\$14,687.5	100.0%	\$99
Overnight Travelers	\$13,023.3	88.7%	\$109
Day-Trippers	\$1,664.1	11.3%	\$50
In-state Travelers	\$3,220.8	21.9%	\$84
Out-of-state Travelers	\$11,466.7	78.1%	\$101
Leisure	\$9,247.5	63.0%	\$78
Business	\$5,439.9	37.0%	\$175

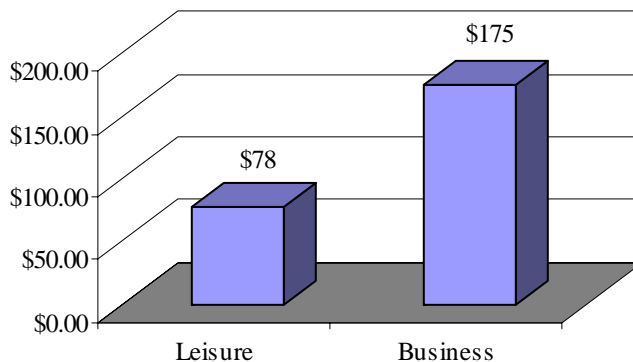
Source: TIA

Domestic overnight travelers (stayed at least one night in the state) spent \$13.0 billion in Georgia in 2007, accounting for 88.7 percent of total direct domestic travelers' expenditures in Georgia. Average spending per person per day by domestic overnight travelers was \$109, while day-trippers spent an average of \$50 per person. Lodging played a major part in this differential.

Of total domestic travelers' spending, 78.1 percent, or \$11.5 billion was spent by non-Georgia residents traveled to Georgia in 2007. Georgia residents spent \$3.2 billion during their travel in the state during 2007, accounting for 21.9 percent of total domestic travelers' spending in the state. Average spending per person per day by out-of-state travelers was \$101, while in-state travelers spent \$84.

Domestic leisure travelers in Georgia spent more than \$9.2 billion in 2007, 63.0 percent of total direct domestic travelers' spending in the state. However, compared to business travelers, leisure travelers spent far less on average, \$78 per person per day. Average spending per person per day by business travelers was \$175, over two times the level of leisure travelers. Business travel expenditures accounted for 37.0 percent of total direct domestic travelers' expenditures in the state. Business travelers are typically less budget-conscious than leisure travelers, especially in terms of lodging and foodservice choices.

Average Spending Per Person/Day for Domestic Travelers in Georgia by Purpose of Trip, 2007



DIRECT TRAVELERS' EXPENDITURES GENERATED EMPLOYMENT

The most impressive contribution that travel and tourism makes to the Georgia economy is the number of businesses and jobs it supports. Due to the diversity of the travel industry in Georgia, a wide variety of multi-level jobs are supported. These jobs include various executive and managerial positions, as well as a large number of service-oriented occupations.

During 2007, direct domestic and international travelers' spending in Georgia generated 241.8 thousand jobs, including full-time and seasonal/part-time positions in the state, up 2.2 percent from 2006. These travel-generated jobs comprised 5.8 percent of the state's total non-farm employment in 2007. On average, every \$83,713 spent by domestic and international travelers in Georgia directly supported one job in 2007.

During 2007, direct domestic travelers' expenditures generated 223.1 thousand jobs, a 1.7 percent increase over 2006. Direct domestic travelers' expenditures generated employment reached its highest level in the second quarter of 2007 at 226.8 thousands. International travelers' expenditures directly generated 18.6 thousand jobs for Georgia economy, up 8.4 percent over 2006.

Table 4: Domestic Travel-Generated Employment in Georgia by Quarter, 2007

Impact	Annual	Q1	Q2	Q3	Q4
Travel-Generated Employment (Thousands)	223.1	215.7	226.8	226.1	223.9

Direct Domestic Travelers' Expenditures Generated Employment by Category

Among 223.1 thousand jobs supported by direct domestic travelers' spending, the foodservice sector provided more jobs than any other industry sector in Georgia during 2007, with 89.3 thousand jobs, or 40.0 percent of the state domestic travelers' expenditures generated jobs. The labor-intensiveness of these businesses and the large proportion of travel expenditures spent on foodservice contribute to the importance of this sector. Employment in this industry increased 1.9 percent from 2006.

The public transportation sector ranked second in domestic travelers' expenditures generated employment in Georgia with 46.8 thousand jobs, 21.0 percent of the state domestic total. The jobs in public transportation sector were up 3.7 percent from 2006, representing the largest percentage increase among the seven domestic travelers' spending generated employment sectors in this report. The lodging industry provided 35.7 thousand jobs to local residents, 16.0 percent of the state domestic total. The entertainment and recreation sector generated 26.0 thousands jobs by domestic travelers' spending, up 2.9 percent from 2006 and 11.6 percent of the state domestic travel generated employment.

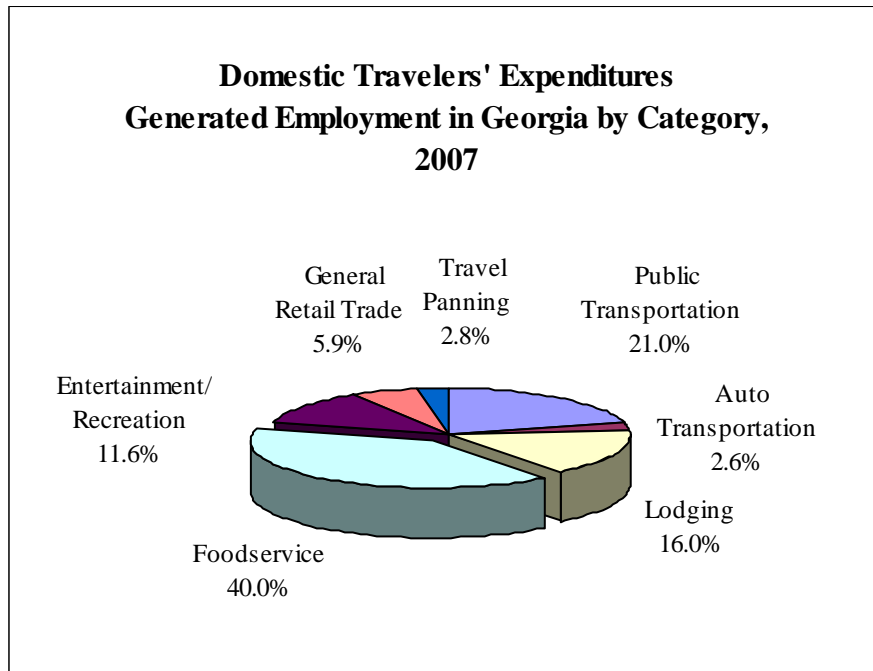


Table 5: Travel-Generated Employment in Georgia by Industry Sector, 2006-2007

Industry Sector	2007 Employment (Thousands)	2006 Employment (Thousands)	2007/2006 Percent Change (%)
Public Transportation	46.8	45.1	3.7%
Auto Transportation	5.8	5.8	1.5%
Lodging	35.7	35.9	-0.7%
Foodservice	89.3	87.6	1.9%
Entertainment & Recreation	26.0	25.2	2.9%
General Retail Trade	13.3	13.3	-0.2%
Travel Planning*	6.3	6.4	-1.2%
Domestic Total	223.1	219.3	1.7%
International Total	18.6	17.2	8.4%
Grand Total	241.8	236.5	2.2%

Source: TIA

Note: * Refers to employment in travel agents, tour operators, and other travel service who arrange passenger transportation, lodging, tours and other related services.

DIRECT TRAVELERS' EXPENDITURES GENERATED PAYROLL

Travel-generated payroll is the wage and salary income paid to employees directly serving the traveler within the industry sectors from which travelers purchase goods and services. One dollar of travel spending generates different amounts of payroll income within the various travel industry sectors depending on the labor and the wage structures of each sector.

Payroll (wages and salaries) paid by Georgia travel-related firms and directly attributable to direct domestic and international travelers' spending totaled nearly \$6.9 billion in 2007, up 3.5 percent from 2006. On average, every dollar spent by domestic and international travelers produced 34 cents in wage and salary income for Georgia residents in 2007.

In 2007, total direct domestic travelers' expenditures generated nearly \$6.4 billion payroll income in Georgia, a 3.0 percent increase from 2006, while total direct international travelers' expenditures generated \$531.3 million payroll income, up 9.8 percent over 2006.

The highest level of payroll income for the domestic travel industry in Georgia was shown in the third quarter.

Table 6: Domestic Travel-Generated Payroll in Georgia by Quarter, 2007

Impact	Annual (\$ Millions)	Q1 (%)	Q2 (%)	Q3 (%)	Q4 (%)
Travel-Generated Payroll	\$6,366.8	24.3%	25.3%	25.3%	25.1%

Domestic Travelers' Expenditures Generated Payroll by Industry Category

Public transportation in Georgia posted the largest payroll generated by domestic travelers' spending in 2007 at nearly \$2.6 billion, 40.4 percent of the state total. This high proportion of payroll reflects the high wage structure of the airline industry.

Payroll in the foodservice sector ranked second with nearly \$1.4 billion in 2007. This represented 21.4 percent of the state domestic total.

The lodging industry generated \$868.3 million in payroll income by domestic travelers' spending, 13.6 percent of the state domestic total.

Entertainment and recreation sector represents the largest growth in payroll among seven domestic travelers' spending generated payroll sectors, up 6.3 percent from 2006.

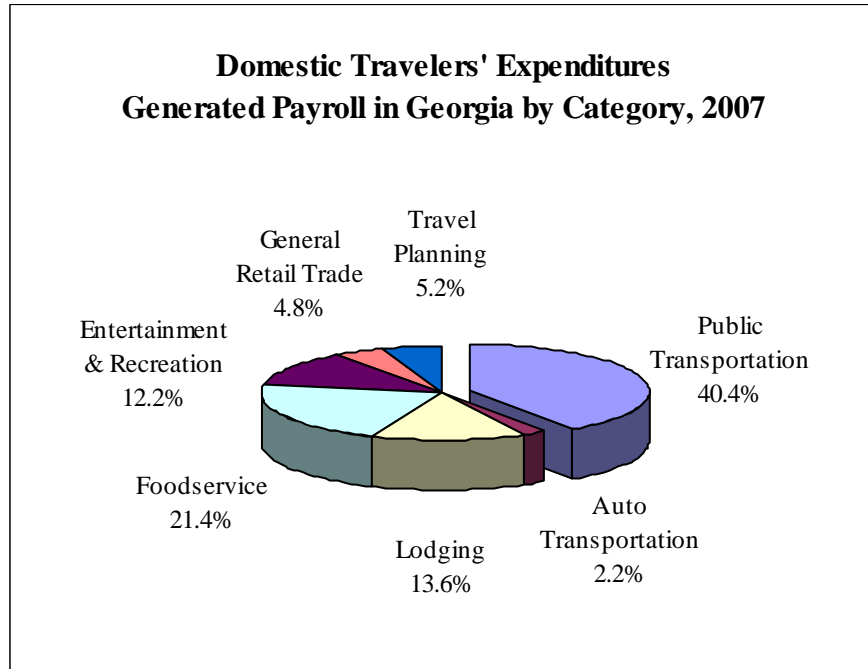


Table 7: Travel-Generated Payroll in Georgia by Industry Sector, 2006-2007

Industry Sector	2007 Payroll (\$ Millions)	2006 Payroll (\$ Millions)	2007/2006 Percent Change (%)
Public Transportation	\$2,571.9	\$2,519.2	2.1%
Auto Transportation	142.3	138.2	3.0%
Lodging	868.3	870.7	-0.3%
Foodservice	1,364.5	1,309.0	4.2%
Entertainment & Recreation	779.6	733.7	6.3%
General Retail Trade	307.5	294.3	4.5%
Travel Planning*	332.6	317.5	4.8%
Domestic Total	\$6,366.8	\$6,182.7	3.0%
International Total	\$531.3	\$484.1	9.8%
Grand Total	\$6,898.1	\$6,666.7	3.5%

Source: TIA

Note: * Refers to payroll income that goes to travel agents, tour operators, and other travel service employees who arrange passenger transportation, lodging, tours and other related services.

DIRECT TRAVELERS' EXPENDITURES GENERATED TAX REVENUE

Travel tax receipts are tax revenues attributable to travelers' spending in Georgia. Travelers' spending generated tax revenue is a significant economic benefit, as governments use these funds to support the travel infrastructure as well as a variety of public programs.

In 2007, total tax revenue, including state and local taxes, generated by direct domestic and international travelers' spending in Georgia was over \$1.5 billion, up 5.6 percent from 2006. Domestic travelers' expenditures generated \$1.4 billion, up 5.1 percent, while international travelers' expenditures generated \$118 million, a 12.0 percent jump over 2006.

Direct Domestic Travelers' Expenditures Generated Tax Revenue by Level of Government

Direct domestic travelers' spending in Georgia generated \$844.9 million in tax revenue for the state treasury in 2007, up 4.1 percent over 2006. On average, each travel dollar produced 4.5 cents in state tax receipts. The state sales tax was the largest source of state travel-related revenue.

Georgia's local governments also directly benefited from domestic travel. During 2007, direct domestic travelers' expenditures generated \$567.0 million in sales and property tax revenue for local governments, up 6.5 percent from 2006. Each domestic travel dollar produced 3.0 cents for local tax coffers.

Table 8: Travel-Generated Tax Revenue in Georgia by Level of Government, 2006-2007

<u>Level of Government</u>	<u>2007 Tax Revenue (\$ Millions)</u>	<u>2006 Tax Revenue (\$ Millions)</u>	<u>2007/2006 Percent Change (%)</u>
State	\$844.9	\$811.5	4.1%
Local	567.0	532.3	6.5%
Domestic Total	\$1,411.9	\$1,343.8	5.1%
International Total	\$117.8	\$105.2	12.0%
Grand Total	\$1,529.7	\$1,449.0	5.6%

Source: TIA

LODGING PROFILE: GEORGIA, 2007

According to Smith Travel Research, Georgia's hotel/motel industry showed mixed results in 2007. Compared to 2006, the average hotel room rate was up 4.7 percent, room sold decreased 1.0 percent and room revenue increased 3.6 percent.

The average campground occupancy rate in Georgia was up from 32.5 percent in 2006 to 33.7 percent in 2007.

Table 11: 2007 Lodging Profile

Hotel/Motel	<u>CY 2007</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Hotel ADR	\$84.08	\$82.65	\$86.15	\$82.98	\$84.47
Average Hotel Occupancy Rate (%)	60.4%	61.1%	64.4%	61.4%	54.9%
Total Room Nights Available (millions)	60.5	14.8	15.0	15.3	15.4
Total Room Nights Occupied (millions)	36.5	9.1	9.7	9.4	8.4
Campground	<u>CY 2007</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Campground Rental Rate (Average Daily)*	\$21.00				
Average Campground Occupancy Rate (%) **	33.7%	22.4%	44.5%	36.7%	31.0%
Total Site Nights Available (000)	904.9	223.1	225.6	228.1	228.1
Total Site Nights Occupied (000)	304.7	50.0	100.3	83.7	70.7

Sources: Smith Travel Research and GDITT

Note: Occupancy rate, room/site nights available and room/site nights occupied include both domestic and international travelers.

*Campsites only. No quarterly data available.

**Includes camping, cottage and lodge accommodations.

APPENDICES

APPENDIX A: TRAVEL ECONOMIC IMPACT MODEL

Introduction

The Travel Economic Impact Model (TEIM) was developed by the Research Department at TIA (formerly known as the U.S. Travel Data Center) to provide annual estimates of the impact of the travel activity of U.S. residents on national, state and county economies in this country. It is a disaggregated model comprised of 16 travel categories. The TEIM estimates travel expenditures and the resulting business receipts, employment, personal income, and tax receipts generated by these expenditures.

The TEIM has the capability of estimating the economic impact of various types of travel, such as business and vacation, by transport mode and type of accommodations used, and other trip and traveler characteristics. The County Impact Component of the TEIM allows estimates of the economic impact of travel at the county and city level.

Definition of Terms

There is no commonly accepted definition of travel in use at this time. For the purposes of the estimates herein, *travel* is defined as activities associated with all overnight trips away from home in paid accommodations and day or overnight trips to places 50 miles or more, one way, from the traveler's origin.

The word *tourism* is avoided in this report because of its vague meaning. Some define tourism as all travel away from home while others use the dictionary definition that limits tourism to personal or pleasure travel.

The *travel industry*, as used herein, refers to the collection of 16 types of businesses that provide goods and services to the traveler or potential traveler at the retail level (see Glossary of Terms). With the exception of Amtrak and second home ownership and rental, these business types are defined by the Office of Management and Budget in the 1997 North American Industry Classification System (NAICS) and well as in its predecessor, the 1987 Standard Industrial Classification System (SIC). In each case, the relevant NAICS and SIC codes are included.

A *travel expenditure* is assumed to take place whenever a traveler exchanges money for an activity considered part of his/her trip. Total travel expenditures are separated into 16 categories representing traveler purchases of goods and services at the retail level. One category, travel agents, receives no travel expenditures as these purchases are allocated to the category (i.e. air transportation) actually providing the final good or service to the traveler. Travel expenditures are allocated among states by simulating where the exchange of money for goods or service actually took place. By their nature, some travel expenditures are assumed to occur at the traveler's origin, some at his/her destination, and some enroute.

Economic impact is represented by measures of spending, employment, payroll, business receipts and tax revenues generated by traveler spending. *Payroll* includes all forms of compensation,

such as salaries, wages, commissions, bonuses, vacation allowances, sick leave pay and the value of payments in kind paid during the year to all employees. Payroll is reported before deductions for social security, income tax insurance, union dues, etc. This definition follows that used by the U.S. Census Bureau in the quinquennial Census of Service Industries.

Employment represents the number of jobs generated by traveler spending, both full and part-time. As such, it is consistent with the U.S. Department of Labor series on nonagricultural payroll employment. *Tax revenues* include corporate income, individual income, sales and gross receipts, and excise taxes by level of government. *Business receipts* reflect travel expenditures less the sales and excise taxes imposed on those expenditures.

Description of the Model

Estimates of Travel Expenditures

Total travel expenditures includes spending by travelers on goods and services during their trips, such as lodging, transportation, meals, entertainment, retail shopping. Sixteen (16) categories of activities are covered in the TEIM. Generally, the TEIM combines the activity levels for trips to places within the United States with the appropriate average costs of each unit of travel activity, (e.g., cost per mile by mode of transport, cost per night by type of accommodation), to produce estimates of the total amount spent on each of 16 categories of travel-related goods and services by state. For example, the number of nights spent by travel parties in hotels in Georgia is multiplied by the average cost per night per travel party of staying in a hotel in the state to obtain the estimate of traveler expenditures for hotel accommodations.

The data on domestic travel activity levels (e.g., number of miles traveled by mode of transportation, the number of nights spent away from home by type of accommodation) are based on national travel surveys conducted by TIA, The Bureau of Labor Statistics' Survey of Consumer Expenditures, Smith Travel Research's Hotel and Motel Survey, etc. Average cost data are purchased and collected from different organizations and government agencies. Total sales and revenue and other data collected from state, local and federal government and other organizations are employed to compare, adjust and update the spending database of TEIM, as well as linking spending to other impact components.

The international travel expenditure estimates are based on Tourism Industries' (OTTI) In-Flight Survey and data provided to OTTI from Canada and Mexico. Other estimates of the economic impact of international visitors to the U.S. are generated by TEIM by incorporating the estimated international traveler expenditures with the data series utilized to produce the domestic estimates.

Estimates of Business Receipts, Payroll and Employment

The Economic Impact Component of the TEIM estimates travel generated business receipts, employment, and payroll. Basically, the 16 travel categories are associated with a type of travel-related business. For example, traveler spending on commercial lodging in a state is related to the business receipts, employment and payroll of hotels, motels and motor hotels (SIC

701; NAICS 7211) in the state. It is assumed that travel spending in each category, less sales and excise taxes, equals business receipts for the related business type as defined by the U.S. Census Bureau.

It is assumed that each job in a specific type of business in a state is supported by some amount of business receipts and that each dollar of wages and salaries is similarly supported by some dollar volume of business receipts. The ratios of employment to business receipts are computed for each industry in each state. These ratios are then multiplied by the total amount of business receipts generated by traveler spending in a particular type of business to obtain the measures of travel generated employment and payroll of each type of business in each state. For example, the ratio of employees to business receipts in the state commercial lodging establishments is multiplied by travel generated business receipts of these establishments to obtain traveler generated employment in commercial lodging. A similar process is used for the payroll estimates.

The total sales, payroll and employment data of each travel related industry (by SIC and NAICS) are provided by and collected from state, local and federal government, such as the Bureau of Labor Statistics, the Bureau of Economic Analysis, Census Bureau and The Bureau of Transportation Statistics.

Estimates of Tax Revenues

The Fiscal Impact Component of the TEIM is used to estimate traveler generated tax revenues of federal, state and local governments. The yield of each type of tax is related to the best measure of the relevant tax base available for each state consistent with the output of the Economic Impact Component. The ratios of yield to base for each type of tax in each state are then applied to the appropriate primary level output to obtain estimates of tax receipts generated by travel. For example, the ratio of Georgia State personal income tax collections to payroll in the state is applied to total travel generated payroll to obtain the estimate of state personal income tax receipts attributable to traveler spending in Georgia.

Estimates for Counties and Local Areas

Local area travel impact estimates is derived by distributing the state estimates to the area using proper proportions of each related category in the area. The proportions of a local area are calculated based on a set of data collected from federal, state and local governments and private organizations. The data can be gathered at the zip code level.

Data from the U.S. Bureau of the Census, Smith Travel Research, Enos Foundation, Runzheimer International, Cruise Lines International Association, Prentice-Hall, U.S. Department of Labor's Consumer Expenditure Survey and ES-202, American Society of Travel Agents, the Federal Aviation Administration, the Department of Transportation, Amtrak, the Federal Highway Administration, state revenue departments, TIA's travel surveys and other sources are used in building and updating the model. These data indicate the change in travel spending for each of the expenditure categories for each state over the previous year, as well as changes in the relationship of travel spending to employment, payroll and tax revenue.

Limitations of the Study

This study is designed to indicate the impact of U.S. traveler expenditures on employment, payroll, business receipts and tax revenue in each of the states. These impact estimates reflect the limitations inherent in the definition of travel expenditures. Two important classes of travel-related expenses have not been estimated due to various reasons. Consumers purchase certain goods and services in anticipation of a trip away from home. These include sports equipment (tennis racquet, skis, scuba gear, etc.), travel books and guides, and services such as language lessons and lessons for participatory sports (tennis, skiing, underwater diving, etc.). The magnitude of these purchases in preparation for a trip cannot be quantified due to lack of sound, relevant data.

The second type of spending not covered due to lack of sufficient data is the purchase of major consumer durables generally related to outdoor recreation on trips. Further research is required in this area to determine to what extent pre-trip spending on consumer durable products can justifiably be included within a travel economic impact study.

APPENDIX B: GLOSSARY OF TERMS – TEIM

Automobile Transportation Expenditure. This category includes a prorated share of the fixed costs of owning an automobile, truck, camper, or other recreational vehicle, such as insurance, license fees, tax, and depreciation costs. Also included are the variable costs of operating an automobile, truck, camper, or other recreational vehicle on a trip, such as gasoline, oil, tires, and repairs. The costs of renting an automobile or other motor vehicle are included in this category as well.

Entertainment/Recreation Expenditure. Traveler spending on recreation facility user fees, admissions at amusement parks and attractions, attendance at nightclubs, movies, legitimate shows, sports events, and other forms of entertainment and recreation while traveling.

Food Expenditure. Traveler spending in commercial eating facilities and grocery stores or carry-outs, as well as on food purchased for off-premise consumption.

Incidental Purchase Expenditure. Traveler spending on retail trade purchases including gifts for others, medicine, cosmetics, clothing, personal services, souvenirs, and other items of this nature.

Lodging Expenditure. Traveler spending on hotels and motels, B&Bs, campgrounds and trailer parks, rental of vacation homes and other types of lodging.

Public Transportation Expenditures. This includes traveler spending on air, bus, rail and boat/ship transportation, and taxicab or limousine service between airports and central cities.

Travel-generated Tax Receipts. Those federal, state and local tax revenues attributable to travel in an area. For a given state locality, all or some of the taxes may apply. "Local" includes county, city or municipality, and township units of government actually collecting the receipts and not the level that may end up receiving it through intergovernmental transfers.

Federal. These receipts include corporate income taxes, individual income taxes, employment taxes, gasoline excise taxes, and airline ticket taxes.

State. These receipts include corporate income taxes, individual income taxes, sales and gross receipts taxes, and excise taxes.

Local. These include county and city receipts from individual and corporate income taxes, sales, excise and gross receipts taxes, and property taxes.

APPENDIX C: SOURCES OF DATA

This appendix presents the sources of data used in this report.

Sources

Air Transport Association
American Automobile Association
Amtrak
American Society of Travel Agents
Bureau of the Census, U.S. Department of Commerce
Bureau of Economic Analysis, U.S. Department of Commerce
Bureau of Labor Statistics, U.S. Department of Labor
Federal Aviation Administration, U.S. Department of Transportation
Federal Highway Administration, U.S. Department of Transportation
National Park Service
Georgia Department of Economic Development (DEcD)
Georgia Department of Revenue
Georgia Department of Labor
Smith Travel Research
The Office of Travel and Tourism Industries (OTTI)/ITA, U.S. Department of Commerce
Travel Industry Association

APPENDIX D:

RIMS II

REGIONAL INPUT-OUTPUT MODELING SYSTEM

A BRIEF DESCRIPTION

Regional Economic Analysis Division
Bureau of Economic Analysis
U.S. Department of Commerce
Washington, D.C. 20240
(202) 524-0594

RIMS II

Many types of public sector and private sector decisions require an evaluation of probable regional effects. For example, Federal requirements for environmental impact statements and the urban impact of Federal policies necessitate regional impact analyses. A growing concern, therefore, about the effects of public and private decisions has created a demand for regional economic models.

As a result of this demand, economic impact models have been developed for many States and regions. These models vary considerably in terms of structure, reliability, sectoral and geographical detail, flexibility in application, and cost of development and use. In general, the models that provide the most reliable and industrially-detailed secondary impact estimates are the most expensive to construct, while the less costly models that can be used in numerous small-area studies often provide less accurate estimates.

In response to the growing need for improved techniques for regional impact analysis, the Regional Economic Analysis Division of the Bureau of Economic Analysis (BEA) developed the Regional Industrial Multiplier System (RIMS) in the mid-1970's. RIMS was designed to estimate input-output type multipliers for use in estimating the secondary regional impacts of public and private economic development policies. RIMS was capable of estimating multipliers for any region composed of one or more contiguous counties and for any of the 478 industrial sectors in the 1967 BEA national input-output (I-O) table. A significant improvement over the more summary measures often used in regional impact analysis, RIMS was capable of providing reliable multiplier estimates without the high cost of gathering survey data.

The Regional Input-Output Modeling System (RIMS II) is a major revision of RIMS. The basic differences between RIMS II and RIMS are the use of more recent national I-O tables (1987), the use of more detailed and more current data for regionalizing the national I-O tables, and greater flexibility in the derivation of regional impact estimates through the use of a matrix inversion technique that provides industrially-disaggregated impacts. RIMS II developmental research is focused currently on estimating regional transaction tables, and comparing RIMS II estimates of state-specific imports and exports with survey-based estimates from the Census Bureau's Commodity Transportation Survey. RIMS II is also being adapted to analyze the regional and industrial impacts of defense procurement.

RIMS II METHODOLOGY

In order to estimate impacts such as those presented above, RIMS II uses the BEA national I-O tables that show the input and output structure of 500 industries. Since firms in all national industries are not found in each region, some direct requirements that are not produced in a study region are identified, using Bureau of Economic Analysis (BEA) 4-digit Standard Industrial Classification (SIC) county earnings data. The earnings data are used as proxies for the industry-specific input and output data which are seldom available at the small-area level. Using the same earning data, the resulting regional I-O table then can be aggregated to the level of

industrial detail appropriate for the impact study. More specifically, the RIMS II approach can be viewed as three-step process. In the first step, the national I-O matrix is made region-specific by using corresponding 4- digit SIC location quotients (LQ's). The LQ's are used to estimate the extent to which requirements are supplied by firms within the region. For this purpose, RIMS II employs LQ's based on two types of data. According to this mixed- LQ Approach, BEA county personal income data, by place of residence, are used for the calculation of LQ's in the service sectors, while BEA earnings data, by place of work, are used for he LQ's in the nonservice sectors.

The second step involves estimations of the household row and the household column of the matrix. The household-row coefficients are estimated based on value- added gross-output ratios from the national I-O table and introduced into each industry's coefficient column. A household column is constructed, based on national consumption and savings rate data and national and regional tax rate data.

The last step in the RIMS II estimating procedure is to calculate the multipliers. Since it is most often necessary to trace the impact of changes in final demand on numerous individual directly-and indirectly-affected industries, RIMS II applications employ the Leontief inversion approach for obtaining multipliers. This inversion process produces output and earnings multipliers for all additionally affected industries.

ACCURACY OF RIMS II

Empirical test of the accuracy of RIMS II multipliers indicates that RIMS II yields estimates that are not substantially different from those generated by regional I-O models based on the costly gathering of survey data. For example, a comparison of 224 industry-specific multipliers from survey based tables for Illinois, Washington, and West Virginia indicate that the RIMS II average multipliers overestimate the average multipliers from the survey based tables by approximately 5 percent, and, for the majority of individual industry-specific multipliers is less than 10 percent. In addition, RIMS II and survey multipliers show a statistically-similar distribution of affected industries.

ADVANTAGES OF RIMS II

There are numerous advantages to RIMS II. First, it is possible to provide estimates of economic impact without building a complete survey I-O model for each region under study, since RIMS II produces multipliers that are derived from secondary data sources. Second, the RIMS II multipliers are derived from a limited number of secondary data sources, thus eliminating the costs associated with the compilation of data from a wide variety of these sources. Third, because of the disaggregated sectoring plan employed by RIMS II, analysis may be performed at a detailed industrial level, thereby avoiding aggregation errors that often occur when different industries are combined. Fourth, the RIMS II multipliers are based on a consistent set of procedures across areas, thus making comparisons among areas more meaningful than would be

the case if the results were obtained from incompatible impact models designed only for an individual area. Fifth, the multipliers can be updated to reflect the most recent local area earning and personal income data.

The industrial output and personal earnings impacts estimated by RIMS II can be crucial for estimating effects not directly specified by RIMS II itself. For example, the estimation of regional, fiscal, labor migration, and environmental effects often depends on the estimation of the regional output and earnings impact of the initial stimulus. Since many of these important effects are often best analyzed on a case-by-case basis, one of the major advantages of using RIMS II is that valuable research resources can be spent on the analysis of these effects, rather than on the construction of an impact model. Therefore, when using RIMS II, a cost-effective impact study might devote most of its research budget to specifying initial impacts in industry specific detail, and analyzing the implications for other important aspects of regional economic activity of the RIMS II estimates impacts.

This overview briefly describes RIMS II multiplier, the multiplier-estimation procedures, and some of the advantages and uses for RIMS II. For additional information, see *Regional Multipliers, A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, third edition. This handbook is produced by the U.S. Department of Commerce and available from the U.S. Government Printing Office.