

**ECONOMIC IMPACTS OF TRAVEL, 1991-2008P
SALEM, OREGON**

Prepared for the

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ECONOMIC IMPACTS OF TRAVEL, 1991-2008P SALEM, OREGON

This study, prepared for Travel Salem, documents the economic significance of the travel industry in Salem from 1991 through 2008p (preliminary estimate). This study provides estimates of visitor spending and the earnings, employment and tax revenues generated by these travel expenditures.

MEASUREMENT OF TRAVEL IMPACTS

The impact estimates associated with traveler spending in Salem were measured using the Regional Travel Impact Model (RTIM) developed by Dean Runyan Associates. The RTIM was calibrated specifically to represent the unique characteristics of the travel industry in Salem.

INTERPRETATION OF IMPACT ESTIMATES

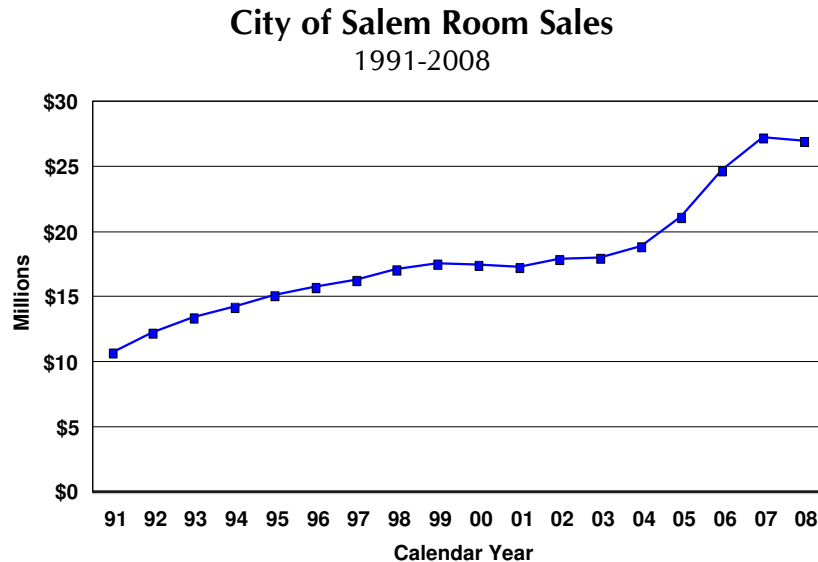
Users of this report should be aware of other issues regarding the interpretation of reported impact estimates

- The findings in this report supersede the estimates reported in our previous report for Salem for the years 1991-2007.
- The estimates in this report are expressed in *current* dollars. There is no adjustment for inflation.
- Economic impact measurements reported herein represent only direct economic impacts. Direct economic impacts include only the spending by travelers and the employment generated by that spending. Secondary effects related to the additional spending of businesses and employees are not included.
- The employment estimates in this report are estimates of the total number of full and part-time number of jobs directly generated by travel spending, rather than the number of individuals employed. Both payroll and self-employment are included in these estimates. Caution should therefore be used in comparing these estimates with other employment data series.

A description of the RTIM methodology can be found in Appendix A. Definitions of the travel terms used in this report can be found in Appendix B. Appendix C provides a listing of the relevant business classifications (NAICS codes) used to represent travel industry businesses. Appendix D discusses the revisions to employment and earnings related to NAICS.

TRAVEL TRENDS

As indicated in the graph below, room sales in Salem were relatively flat from 1999 through 2003 after a prolonged period of strong growth. This pattern is similar for the Willamette Valley region and the Portland metro area. From calendar year 2003 through 2007, room sales in the City of Salem grew significantly, with 2008 holding at nearly the same level.



Source: City of Salem Finance Department.

Note: Room Sales calculated by dividing lodging tax receipts by tax rate. The tax rate was 6% for the 1991 through 1999 fiscal years, and 9% beginning July 1, 1999. These estimates are in current dollars (not adjusted for inflation).

A summary of direct travel impacts shown on the following page. Travel impacts in Salem are largely driven by room sales. Though room sales have grown substantially in recent years, a notable portion of the increase in travel spending from 2003 through 2008p was also the direct result of the increase in the price of gasoline. Thus not all of this spending increase was translated into new earnings and employment.

TRAVEL IMPACTS IN SALEM

The City of Salem received about two-thirds (\$242.6 Million) of direct travel spending made in Marion County during 2008. Though a small portion of the City of Salem lies within Polk County, travel impacts in Polk County are largely dependent on Spirit Mountain Casino, which is well outside the city limits.

City of Salem Direct Travel Impacts, 1991-2008p

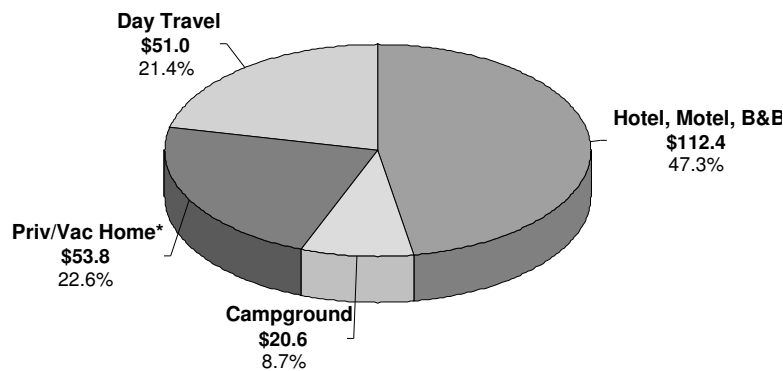
	Spending	Earnings	Employment	Tax Receipts (\$ Million)		
	(\$ Million)	(\$ Million)	(jobs)	Local	State	Federal
1991	95.7	20.1	1,770	0.6	5.3	6.0
1992	105.1	22.2	1,860	0.7	6.0	6.7
1993	112.3	23.9	1,930	0.8	6.4	7.2
1994	117.9	25.3	1,970	0.9	6.7	7.6
1995	124.3	26.9	2,000	0.9	6.9	7.8
1996	129.9	28.0	2,030	0.9	6.9	7.8
1997	133.5	29.2	2,020	1.0	6.8	7.8
1998	132.9	30.9	2,120	1.0	6.9	7.9
1999	142.2	32.1	2,060	1.3	7.0	8.4
2000	157.0	33.2	2,070	1.6	7.5	9.1
2001	157.8	33.7	2,080	1.6	7.5	9.1
2002	158.7	34.8	2,120	1.6	7.3	8.9
2003	169.7	35.6	2,140	1.6	7.6	9.2
2004	182.9	37.1	2,160	1.7	8.0	9.7
2005	203.9	39.5	2,220	1.9	8.5	10.4
2006	229.6	43.2	2,390	2.2	9.2	11.4
2007	239.4	46.5	2,530	2.5	9.3	11.7
2008p	242.6	46.2	2,430	2.4	8.9	11.3
<i>Annual Percentage Change</i>						
07-08p	1.4	-0.8	-3.8	-1.0	-4.4	-3.7
91-07p	5.6	5.0	1.9	8.1	3.0	3.8

Note: p = preliminary

TRAVEL SPENDING BY TYPE OF ACCOMMODATION

Visitors to Salem spent \$237.8 million in 2008p. About one-half of this spending is attributable to visitors staying overnight in commercial accommodations. This is a reflection of the relative importance of business and conference/event related travel to Salem. Day travel and private home stays are also important due to Salem's proximity to the Portland metro area and its central location within the Willamette Valley.

**Travel Spending by Type of Accommodation
City of Salem, 2008p**

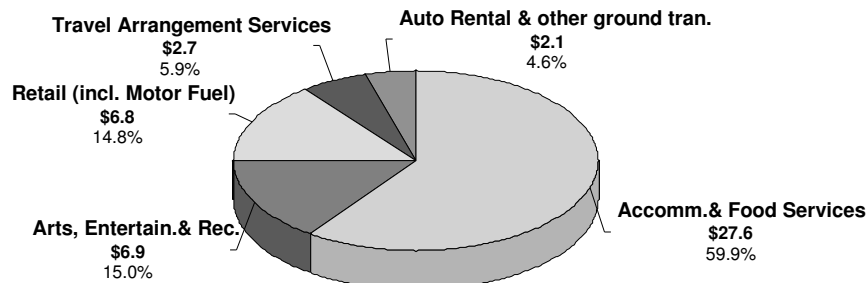


Note: *Priv/Vac Home is sum of spending by visitors staying overnight in own vacation home or home of friend or relative.

TRAVEL-GENERATED EARNINGS

Visitor spending generated \$46.2 million in earnings in 2008p that supported more than 2,400 jobs. Most of the earnings and employment impacts were in service-oriented businesses in the accommodations, food services, and arts, entertainment and recreation industries.

**Travel-Generated Earnings by Industry
City of Salem, 2008p**



Salem Travel Impacts, 1991-2001

	1991	1993	1995	1997	1999	2001
Total Direct Travel Spending (\$Million)						
Visitor Spending at Destination	92.5	109.0	120.4	128.9	137.0	152.8
Other Travel*	3.2	3.3	3.9	4.6	5.2	5.0
Total Direct Spending	95.7	112.3	124.3	133.5	142.2	157.8
Visitor Spending by Type of Traveler Accommodation (\$Million)						
Hotel, Motel	37.8	48.0	54.1	57.8	61.9	67.2
Private Campground	10.6	11.1	11.5	12.0	12.4	13.9
Private Home	20.5	22.5	24.4	26.4	27.7	32.4
Vacation Home	0.4	0.5	0.7	0.8	1.0	1.2
Day Travel	23.2	26.8	29.6	31.9	34.1	38.1
Spending at Destination	92.5	109.0	120.4	128.9	137.0	152.8
Visitor Spending by Commodity Purchased (\$Million)						
Accommodations	11.4	14.3	16.2	17.4	19.0	19.0
Food & Beverage Services	17.0	20.2	22.6	24.5	26.9	28.9
Food Stores	6.2	7.3	8.1	8.8	9.5	10.3
Ground Tran. & Motor Fuel	36.8	42.3	45.9	48.4	49.1	59.3
Arts, Entertainment & Recreation	9.5	11.5	12.9	13.9	15.2	16.5
Retail Sales	11.5	13.3	14.7	15.9	17.3	18.8
Spending at Destination	92.5	109.0	120.4	128.9	137.0	152.8
Industry Earnings Generated by Travel Spending (\$Million)						
Accommodations & Food Service	11.0	13.3	14.9	16.1	17.6	18.6
Arts, Entertainment & Recreation	2.8	3.4	3.9	4.2	4.5	4.9
Retail**	3.8	4.3	4.6	4.9	5.5	5.7
Auto Rental & other ground tran.	0.7	1.0	1.3	1.4	1.5	1.6
Other Travel*	1.8	1.9	2.2	2.6	2.9	2.8
Total Direct Earnings	20.1	23.9	26.9	29.2	32.1	33.7
Industry Employment Generated by Travel Spending (Jobs)						
Accommodations & Food Service	990	1,090	1,110	1,120	1,140	1,190
Arts, Entertainment & Recreation	290	330	350	340	370	360
Retail**	320	340	340	340	340	330
Auto Rental & other ground tran.	50	60	70	80	70	80
Other Travel*	120	110	130	130	140	120
Total Direct Employment	1,770	1,930	2,000	2,020	2,060	2,080
Tax Receipts Generated by Travel Spending (\$Million)						
Local Tax Receipts	0.6	0.8	0.9	1.0	1.3	1.6
State Tax Receipts	5.3	6.4	6.9	6.8	7.0	7.5
Total Direct Tax Receipts	6.0	7.2	7.8	7.8	8.4	9.1

Details may not add to totals due to rounding.

* Other Travel includes resident air travel and travel agency services. ** Retail includes gasoline.

Salem
Travel Impacts, 2003-2008p

	2003	2004	2005	2006	2007	2008p
Total Direct Travel Spending (\$Million)						
Visitor Spending at Destination	165.5	178.5	199.5	225.1	234.6	237.8
Other Travel*	4.2	4.4	4.4	4.5	4.8	4.8
Total Direct Spending	169.7	182.9	203.9	229.6	239.4	242.6
Visitor Spending by Type of Traveler Accommodation (\$Million)						
Hotel, Motel	73.4	79.4	90.9	105.7	112.9	112.4
Private Campground	14.9	16.2	17.0	18.7	18.9	20.6
Private Home	34.8	38.0	42.6	46.9	48.9	51.9
Vacation Home	1.3	1.4	1.5	1.6	1.7	1.9
Day Travel	41.1	43.6	47.5	52.1	52.1	51.0
Spending at Destination	165.5	178.5	199.5	225.1	234.6	237.8
Visitor Spending by Commodity Purchased (\$Million)						
Accommodations	19.8	20.9	23.4	27.4	30.2	29.9
Food & Beverage Services	31.8	33.4	35.8	39.0	40.6	39.9
Food Stores	11.2	11.9	12.4	13.2	13.8	14.0
Ground Tran. & Motor Fuel	65.3	74.3	88.6	103.6	108.0	114.1
Arts, Entertainment & Recreation	17.8	18.4	19.2	20.7	20.9	19.8
Retail Sales	19.6	19.7	20.2	21.3	21.1	20.0
Spending at Destination	165.5	178.5	199.5	225.1	234.6	237.8
Industry Earnings Generated by Travel Spending (\$Million)						
Accommodations & Food Service	20.1	21.1	22.9	25.5	27.6	27.6
Arts, Entertainment & Recreation	5.3	5.4	5.6	6.2	7.0	6.9
Retail**	6.1	6.3	6.6	7.0	7.1	6.8
Auto Rental & other ground tran.	1.8	1.9	2.0	2.1	2.1	2.1
Other Travel*	2.4	2.5	2.5	2.6	2.7	2.7
Total Direct Earnings	35.6	37.1	39.5	43.2	46.5	46.2
Industry Employment Generated by Travel Spending (Jobs)						
Accommodations & Food Service	1,220	1,230	1,270	1,380	1,460	1,420
Arts, Entertainment & Recreation	400	400	410	440	520	500
Retail**	350	360	370	380	380	350
Auto Rental & other ground tran.	80	80	80	80	80	80
Other Travel*	90	90	90	90	90	90
Total Direct Employment	2,140	2,160	2,220	2,390	2,530	2,430
Tax Receipts Generated by Travel Spending (\$Million)						
Local Tax Receipts	1.6	1.7	1.9	2.2	2.5	2.4
State Tax Receipts	7.6	8.0	8.5	9.2	9.3	8.9
Total Direct Tax Receipts	9.2	9.7	10.4	11.4	11.7	11.3

Details may not add to totals due to rounding.

* Other Travel includes resident air travel and travel agency services. ** Retail includes gasoline.

VISITOR VOLUME AND AVERAGE SPENDING

Visitor volume figures for the city of Salem are based on the economic findings of this report and other data, as noted in the table below. *It should be emphasized that visitor volume estimates are extremely sensitive to small changes in travel party characteristics, such as length of stay, that are difficult to reliably track on a year-to-year basis.* For this reason, the values shown below should be considered approximate.

Salem Visitor Volume Estimate, 2008p

	Travel Parties		Persons		
	Days (000)	Size (persons)	Days (000)	Avg. Stay (days)	Trips (000)
Accommodation					
Hotel/Motel	276	1.9	524	2.1	250
Other Overnight	372	2.1	782	3.1	252
Total Overnight	648	2.0	1,306	2.7	502

Sources: Dean Runyan Associates, TNS Travels America Survey, Smith Travel Research and Bureau of Transportation Origin and Destination Survey.

Estimates of average daily and average trip spending for overnight and day visitors are shown below. Transportation expenditures are included only for the total. Spending on resident air transportation and travel agencies are not included.

Average Daily and Average Trip Spending By Overnight Visitors to Salem, 2008p

Accommodation	Total	Travel Party		Person	
	(Millions)	Per Day	Per Trip	Per Day	Per Trip
Overnight*	\$91.5	\$141	\$381	\$70	\$189
Hotel/Motel	\$65.6	\$238	\$499	\$125	\$263
Other Overnight	\$26.0	\$70	\$216	\$33	\$103
Transportation	\$95.3	N/A	N/A	N/A	N/A
Total	\$186.8	\$288	\$778	\$143	\$386

- Note: Overnight travel expenditures do not include ground transportation costs. Transportation total includes all fuel purchases made in Salem by pass through and outbound travelers to other destinations in Oregon.

Sources: Dean Runyan Associates, TNS Travels America Survey, Smith Travel Research and Bureau of Transportation Origin and Destination Survey.

APPENDICES

Appendix A. RTIM Methodology

Appendix B. Definition of Terms

Appendix C. NAICS Revisions

Appendix D: Travel Impact Industries Matched to 1997 NAICS

**REGIONAL TRAVEL IMPACT MODEL (RTIM)
TRAVEL IMPACT ESTIMATION PROCEDURES**

TRAVEL SPENDING

Hotel, Motel, B&B. Spending on commercial accommodations by hotel and motel guests is estimated from transient lodging tax collections at the city/county jurisdictional level. Spending by hotel and motel guests in other business categories, such as food and transportation, is estimated using spending distributions reported in the visitor survey data. The spending distribution shows how travelers divide their spending between lodging and other purchases.

Private Campground. Spending by campers using commercial campgrounds is estimated from the number of commercial campsites, the average occupancy of these campsites and the average daily expenditures of visitor camp parties reported in survey data. Spending in other business categories is estimated in the same way as for hotel guests.

Public Campground. Spending by campers using public campgrounds is estimated from visitor counts at national and state parks, national forests, and state and federally managed recreation areas and then multiplying the visitation by daily spending estimates from the visitor survey.

Private Home. Spending by private home guests is determined from visitor survey data estimating the number of visitors staying as guests of friends and relatives and applying these rates to the household population base in individual counties.

Vacation Home. Estimated spending by vacation home renters and owners is based on a ratio derived between the number of visitors staying in commercial accommodations and those staying in vacation homes and the relative expenditure levels for each type of visitor. The state total is distributed among the counties using housing data from the U.S. Bureau of the Census.

Day Travel. The share of day visits as a percentage of total travel is estimated from visitor survey data and applied to average daily spending estimates to produce day visitor spending.

Note: The visitor survey data referenced above was provided by Dean Runyan Associates and Longwoods International under separate contracts to the Oregon Tourism Commission. Detailed findings can be requested from the Oregon Tourism Commission.

Travel Arrangement Services. This category consists of travel agents, tour operators, and other travel arrangement and reservation services. Employment and earnings are estimated from covered employment and wage data. Sales estimates are not included in this report.

RELATED TRAVEL IMPACTS

Spending by travelers generates jobs, payroll, and state and local tax revenue.

Earnings generated directly from traveler expenditures are estimated from a payroll-to-receipts ratio obtained from the 1997 Economic Census and earnings estimates from the Bureau of Economic Analysis.

Employment in each business category is calculated from wage data supplied by the Oregon Employment Department and earnings estimates from the Bureau of Economic Analysis.

Local Taxes consist of local room taxes, or transient lodging taxes as well as local taxes applicable to traveler purchases in eating and drinking establishments and on automobile rentals.

State Taxes consist of corporate income taxes and gasoline taxes attributable to travel expenditures, and personal income taxes based on the associated travel-generated employment.

Personal income taxes are estimated by applying the average state

personal income tax rate to payrolls resulting from traveler spending. Corporate income taxes are estimated by applying the applicable corporate tax rate to the business receipts, or sales, generated from traveler spending.

State sales taxes are not applicable in the state of Oregon and are not included in the state tax revenue attributable to traveler spending.

DEFINITION OF TERMS

Accommodation: Spending for lodging by hotel and motel guests, campers and vacation home users.

Campers: Travelers staying at RV parks and commercial campgrounds or at public campgrounds such as those in National Parks and National Forests.

Day Travel: Day travel is defined as a trip of 50 miles or more (one way) that does not include an overnight stay away from home. Day travel does not include routine commutes for business or school.

Destination Spending. Spending by travelers at or near their destinations. This excludes spending on air transportation and for travel arrangement. All automobile operating expenses are included in the ground transportation component of destination spending.

Earnings: Total earnings include wage and salary disbursements, other earned benefits and proprietor income. Only the earnings attributable to travel expenditures are included.

Eating, Drinking: Businesses serving food and beverages for immediate consumption. In addition to table-service restaurants, this category includes fast-food outlets and refreshment stands.

Employment: Industry employment (jobs) associated with the travel-generated payroll and proprietors. This includes both full- and part-time positions.

Expenditures: Purchases by travelers during their trip, including lodging taxes and other applicable local and state taxes paid by the traveler at the point of sale.

Food Stores: Grocery stores, supermarkets, fruit stands, retail bakeries and other businesses selling food for consumption off the premises.

Ground Transportation: Spending on car rentals, gasoline and other vehicle operating expenses and on local transportation such as taxi, bus and train.

Hotel and Motel Guests: Travelers staying in hotels, motels, resorts, bed & breakfast establishments, condominiums and other lodging places where the Transient Lodging Tax is collected.

Local Tax Receipts: Tax revenue collected by counties and municipalities, as levied on applicable travel-related businesses. Consists of transient lodging taxes and local use taxes.

Private Home Guests: Travelers staying as guests with friends or relatives.

Receipts: Travel expenditures less the sales and excise taxes imposed on those expenditures. Also referred to as business receipts.

Recreation: Spending on amusement and recreation, such as admissions to tourist attractions.

Retail Sales: Spending for gifts, souvenirs, and other items. Excludes spending listed separately, such as food stores or recreation.

Spending Distributions: Information from visitor surveys showing how spending by each type of visitor is divided among various business categories.

State Tax Receipts: State corporate income taxes and motor fuel taxes attributable to travel expenditures and personal income taxes based on the associated travel-generated employment.

Transient Lodging Tax: A local tax charged on lodging. Also referred to as room tax, transient occupancy tax, hotel tax or bed tax.

Travel: A day or overnight trip that is not of a local or commuting nature. Travel may be for business or pleasure purposes.

Travel Arrangement: Spending for fees paid to travel agents and tour operators.

Traveler: A person traveling in the Portland Metro area. A traveler may be an Oregon resident or a resident of another state. The terms traveler and visitor have the same meaning in this report.

Vacation Home User: Travelers using their own vacation home or timeshare and those renting a vacation home or privately owned cabin where transient lodging tax is not collected.

NAICS REVISIONS

There are two revisions to this year's report. Both are a consequence of the incorporation of the 1997 North American Industry Classification System (NAICS) into the RTIM methodology. NAICS is now used by the Bureau of Labor Statistics (BLS) to report payroll statistics and by the Bureau of Economic Analysis (BEA) to report earnings and total employment. Prior to 2001, the 1997 Standard Industrial Classification (SIC) was the reporting scheme used by federal and state agencies. The conversion to NAICS has changed both the estimates of employment and earnings, and the way in which the findings are reported.

Estimates of Employment and Earnings

The conversion to NAICS does not affect our estimates of travel spending. Our estimates of the tax receipts generated by travel spending are only minimally affected. However, the conversion to this system has altered our estimates of the employment and earnings generated by travel spending. The fact that specific industry groups under the NAICS scheme are not always comparable to those under SIC is one reason for the revised estimates. A second, more important, reason is that the new classification scheme permits more reliable estimates from the BEA's employment and earnings data.

Because of these changes, all of our estimates of employment and earnings have been adjusted. Prior years have been revised to reflect these more current estimates. In general, employment is now somewhat lower, while earnings (and average annual earnings) are now somewhat higher. This is particularly true of the Accommodation and Food Services industry. Some other estimates, specific to particular industries and locales have also been adjusted.

Reporting Format

The format of the detailed impact tables has been changed this year to reflect the conversion to the NAICS system, and to provide more meaningful industry estimates of earnings and employment.

The first three sections, *Visitor Spending by Type of Traveler Accommodation*, *Visitor Spending by Commodity Purchased* and, *Total Direct Travel Spending* provide the same information on visitor spending as in previous reports. Only the headings and organization have changed.

- *Visitor Spending by Type of Traveler Accommodation* refers to the total direct spending of each category of visitor at that destination (county or state). For example, the spending of visitors that stayed at hotels, motels, or B&B's includes their spending on accommodations, food & beverage service, recreation and all other visitor related commodities.

- *Visitor Spending by Commodity Purchased* refers to the total spending on each commodity for all types of visitors. For example, the total spending on Food & Beverage Services includes spending by visitors staying in hotels, private campgrounds, private homes and the other types of accommodation. The total spending on commodities is identical to the total spending by type of accommodation.
- *Total Direct Travel Spending* includes the total visitor spending at destination, described above, plus spending on air transportation. Total direct travel spending does not include secondary (indirect and induced) effects.

The next two sections, *Direct Travel-Generated Earnings by Industry* and *Direct Travel-Generated Employment by Industry*, provide estimates of travel-generated earnings and employment that are based on an industry, rather than a commodity, classification. A business that is classified in a particular industry may include more than one commodity. For example, a resort that is classified in the accommodation industry may provide accommodations, food and beverages, and recreation.

- *Direct Travel-Generated Earnings by Industry* includes the payroll, other earned benefits, and proprietor income of all employees in that industry classification.
- *Direct Travel-Generated Employment by Industry* includes all full- and part-time employees. This includes payroll employees covered by unemployment insurance and those that are not, as well as proprietors.

The final section, *Tax Revenues Generated by Travel Spending*, is identical to last year's report. Local taxes include all room taxes, local sales taxes, and local auto rental taxes. State taxes include the state sales tax, the state motor fuel tax, the state auto-rental tax, and the business and occupation tax.

TRAVEL IMPACT INDUSTRIES MATCHED TO 1997 NAICS

TRAVEL IMPACT INDUSTRY	NAICS INDUSTRIES* (code)
Accommodation & Food Services	Accommodation (721) Food Services and Drinking Places (722) Residential Property Managers (531311)
Arts, Entertainment & Recreation	Performing Arts, Spectator Sports (711) Museums (712) Amusement, Gambling (713) Scenic and Sightseeing Transportation (487) Miscellaneous Industries (see note**)
Retail	Food & Beverage Stores (445) Gasoline Stations (447) Clothing and Clothing Accessories Stores (448) Sporting Goods, Hobby, Book, and Music Stores (451) General Merchandise Stores (452) Miscellaneous Store Retailers (453)
Ground Transportation	Interurban and rural bus transportation (4852) Taxi and Limousine Service (4853) Charter Bus Industry (4855) Passenger Car Rental (532111) Parking Lots and Garages (812930)
Air Transportation	Scheduled Air Passenger Transportation (481111) Support Activities for Air Transportation (4881)
Travel Arrangement Services	Travel Arrangement and Reservation Services (5615)

Notes: * Government enterprises (e.g., park systems) are included in this classification.

** Includes parts of industries in other sectors (e.g., accommodation, charter bus).

A more detailed description of these industries can be found at <http://www.ntis.gov/naics>.