The Economic Impact of Heritage Tourism in New Jersey

Proposal prepared for:
Dorothy P. Guzzo, Executive Director
New Jersey Historic Trust
PO Box 457, Trenton, NJ 08625
## Contents

1. Introduction ....................................................................................... 3

2. Methodology ..................................................................................... 4
   2.1 Compile diverse data sets to measure visitor expenditures .......... 4
   2.2 Develop impact analysis ................................................................. 5

3. Project Deliverables and Schedule ................................................. 8

4. Project Terms .................................................................................... 9

5. Expertise ......................................................................................... 10
   5.1 Tourism Economics / Oxford Economics ....................................... 10
   5.2 Key factors underpinning Tourism Economics’ work ..................... 10
   5.3 Previous studies ............................................................................ 11

6. References ...................................................................................... 15

7. Testimonials .................................................................................... 16

8. Project Team ................................................................................... 17

9. Agreement ....................................................................................... 19
   9.1 Scope of Work ............................................................................... 19
   9.2 Costs ............................................................................................ 19
   9.3 Schedule ...................................................................................... 19
   9.4 Limitation of Liability .................................................................. 19
1 Introduction

Heritage tourism represents an integral part of the New Jersey economy. Spending by visitors to heritage sites (both on- and off-site) sustains thousands of jobs and generates millions in state and local tax receipts.

The full economic importance of heritage tourism is currently unknown for New Jersey, though a growing number of states have conducted research on the topic.

By measuring the heritage tourism economy, the New Jersey Historic Trust can inform decisions regarding the funding and prioritization of the sector’s development. It can also carefully monitor its successes and future needs.

Economic impact analysis enables this sort of tracking because it will measure the heritage tourism economy in the categories that allow it to be compared to other sectors and which matter to policy makers. These categories include tax generation, employment, wages, and business sales.

Tourism Economics, an Oxford Economics company, is pleased to submit this proposal to serve these purposes by assessing the economic importance of heritage tourism to New Jersey and each of its counties. The result of our analysis will be a compelling and detailed document which quantifies and explains the economic value of heritage tourism to New Jersey in detail. The report will identify the importance of the heritage tourism sector relative to other economic sectors. In addition, the report will depict the value of heritage tourism to both households and to the public sector. The analysis will provide substantial detail, comprehensiveness, and policy relevance.

Our team brings together a strong complement of leadership, industry experience, and technical expertise for this project. We have conducted over one-hundred economic impact studies and/or visitor projection models for developers, tourism associations, CVBs, state tourism offices, and national tourism offices across every region of the world. Our commitment is to provide an economic impact assessment that is credible, comprehensive, and clear.

Our proposal is organized as follows:

- Section 2 describes our approach;
- Section 3 lays out the project deliverables and schedule;
- Section 4 suggests project terms;
- Section 5 describes our experience;
- Section 6 provides references;
- Section 7 provides testimonials;
- Section 8 sets out the project team; and
- Section 9 is a draft agreement.

Thank you for this opportunity. We would be pleased to support the New Jersey Historic Trust with this important project.
2 Methodology

An analysis of the total economic impact of heritage tourism will provide a comprehensive benchmark to show the importance of the sector to the state of New Jersey and to each of its counties.

Our economic impact methodology is centered on several important principles:

- Clear communication of methodology and results to maximize relevance to stakeholders;
- Credibility grounded in consistency with multiple primary and secondary data sources;
- Ability to benchmark and rank heritage tourism within the total economy; and
- A comprehensive system of measurement.

The Tourism Economics team will take the following steps in the development of the heritage tourism economic impact analysis for New Jersey.

2.1 Compile diverse data sets to measure visitor expenditures

The analysis will begin with a compilation of all relevant data sets that will be used as inputs to the model. Heritage tourism spans many different activities and sectors so a number of perspectives must be brought together to quantify each component of the heritage tourism economy.

We will use these different perspectives to complement and to cross-check one another. The data sets to be compiled include:

- Sites data on the 1,634 identified sites in New Jersey. This will include current data that has been collected by the client as well as a brief online survey that will be distributed by e-mail to supplement this data with figures on visits, origin of visitors, and spending.
- DK Shifflet information on visits and spending by visitor type and by category of spending (local transport, lodging, retail, recreation, food & beverage). This will be filtered for those who visited historic sites.
- Employment (NAICS 700+ industries, source: BEA and BLS) – by industry for museums and historic sites
- Wages (NAICS 700+ industries, source: BEA and BLS) – by industry for museums and historic sites
The Economic Impact of Heritage Tourism in New Jersey

June 2012

- Revenue (NAICS 700+ industries, source: US Census) – by industry for museums and historic sites
- Tax receipts by industry (sales tax and lodging tax) – by industry
- State and county tourism sales by sector as measured by Tourism Economics for the year 2011
- IMPLAN economic impact model for the state of New Jersey to calculate direct, indirect, and induced impacts.

This comprehensive set of data will provide a holistic view of heritage site visitor activity that is constrained by known measurements. Using these diverse and complementary datasets, we will quantify total visitor expenditures at the state and county levels, by industry, for the year 2011.

2.2 Develop impact analysis

Our team will then employ an Input-Output (I-O) model for the State of New Jersey based on an IMPLAN (www.implan.com) model. IMPLAN is recognized as one of two industry standards in local-level I-O models. An I-O model represents a profile of an economy by measuring the relationships among industries and consumers. For example, an I-O model tracks the flow of a visitor’s restaurant expenditures to wages, profits, capital, taxes and suppliers. The supplier chain is also traced to food wholesalers, to farmers, and so on. In this way, the I-O model allows for the measurement of the direct and indirect sales generated by a restaurant meal. The model also calculates the induced impacts of tourism. These induced impacts represent benefits to the economy as employees of tourism sectors spend their wages in the local economy, generating additional output, jobs, taxes, and wages.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators including:

- Business sales (also called gross output)
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes
The modeling process begins with aligning the tourism expenditure measurements with the related sectors in the model (e.g. restaurants, retail, and recreation). The model is then run to simulate the flow of these expenditures through the economy. In this process, the inter-relationships between consumers and industries generate each level of impact for each economic indicator (sales, wages, employment, etc.).

Tourism Economics will then iteratively adjust the model to balance the results with known industry measurements. IMPLAN is flexible, allowing for adjustments in coefficients. This ensures that the results of the model are consistent and reasonable compared with other sources of specific tourism sector employment and taxes.

Figures will be segmented by type of heritage site and by industry—including those industries which benefit indirectly. This will provide valuable insights into the relative value of different types of sites (e.g. museum, historic district) as well as the extent to which various industries benefit from visitor activity.

A detailed tax analysis will combine IMPLAN output with bottom-up calculations of sales taxes, bed taxes, and other tourism-specific taxes to complement the standard model results. Tax impacts will include the following detailed line items.

Federal Taxes
  Corporate
  Indirect Business
Personal Income
Social Security

State Taxes
Corporate
Personal Income
Sales
Casino
State Unemployment
Dividends
Other taxes and fees

Local Taxes
Sales
Property
Lodging
Excise and Fees
Personal Income

In addition to the absolute value of taxes, these will be expressed as “savings in state and local taxes per household” based on the assumption that were it not for visitors, resident households would need to fund these revenues. The methodology will enable the analysis to show the share of the economy (wages and jobs) generated by heritage tourism activity.
3 Project Deliverables and Schedule

Even the best research is only as good as its presentation. Tourism Economics will develop a clear and graphical presentation of the results with narrative explaining the concepts and their importance. The report will be accessible to the layperson with a view towards a diverse set of audiences including market analysts, legislators, the media, planners, and other stakeholders.

Our proven competitive advantage is the ability to communicate complex information in a way that is understandable, relevant, and interesting.

The heritage tourism economic impact analysis for New Jersey and its counties will be completed before September 30, 2012.

In consultation with the client, Adam Sacks, of Tourism Economics will present the results of the economic research at a meeting of interested parties in New Jersey in 2012 or early 2013.
4 Project Terms

State and County level heritage tourism economic impact analysis: $48,000
5 Expertise

5.1 Tourism Economics / Oxford Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination’s full potential.

Oxford Economics is one of the world’s leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University’s business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, its draws on its own staff of 30 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

5.2 Key factors underpinning Tourism Economics’ work

Travel industry expertise

Tourism Economics has vast experience in providing actionable and credible analysis of travel activity. Our combined team has substantial direct hands-on experience in destination visitor economic impact.

Modeling expertise

Tourism Economics and its partner, Oxford Economics, are founded on state-of-the-art modeling expertise. This is best evidenced by the Oxford global economic model which is used by blue chip companies and governments around the world, in addition to the US Treasury, World Bank and IMF. Our Tourism Decision Metrics forecasting model is the most rigorous of its kind, taking into account both economic and destination determinants.

Economic and tourism databases
Our global tourism database of origin-destination visitor flows and spending has the best country and indicator coverage of any private sector provider through our partnerships with the UNWTO, PATA, and the CTO along with our internal updates of the most recent trends. The Oxford Economics global model covers 190 countries and is updated constantly by our data team in Oxford.

Senior staffing

Tourism Economics operates as a boutique tourism consulting company in one important sense: we assign senior staff at the centre of each and every project. Our project directors are integrally involved in every stage of work and are directly involved in its development. The principals who represent our work are the same who conduct the work. We have found this to be an optimal way to sustain high quality and maintain close relationships with our clients. It is also the way we enjoy working.

5.3 Previous studies

Scope: Economic Impact of Tourism

Client: 13 states, 20 cities, 20 countries

Description: Tourism Economics regularly updates analysis for governments seeking to understand the economic contribution of tourism activity on their city, state, or country. Past US state experience of the TE team includes: North Carolina, Minnesota, South Carolina, Delaware, New York, North Dakota, South Dakota, Pennsylvania, Rhode Island, Ohio, Wisconsin, Maryland, New Jersey, Minnesota, and Georgia. (Underlined states are current clients.) We have conducted Tourism Satellite Account analysis for seven states and over twenty countries.

Scope: Economic Impact of Events

Clients: 80 CVBs across the US

The DMAI Event Impact Calculator is an online economic impact analysis tool designed by Tourism Economics for CVBs to calculate the economic value of trade shows, conferences, and other events on their destination. The platform is the established industry standard for economic impact analysis among CVBs.

Scope: Economic Impact of Business Travel

Client: U.S. Travel Association / World Travel & Tourism Council

Tourism Economics quantified the economic impact of business travel on overall corporate and national economic performance for the US and for each world region.
Scope: Visitor Opportunity Market Assessment

Client: Visit Britain, Netherlands Tourism, NYC & Company, Visit Orlando

Description: A Market Analysis Platform (MAP) was developed for the client that ranked the relative strengths of weaknesses of a broad array of international markets. The MAP combined a wealth of economic forecasts and other relevant indicators for each market to determine a series of scores for each market according to factors such as market size, opportunity, alignment, risk and constraint. By combining the scores for each of these factors the relative attractiveness of each origin market can be determined to inform how a marketing budget can be allocated across the markets. This platform allows flexibility in which markets are analyzed and compared as well as in which factors are considered to be important in determining relative opportunity.

Scope: Overseas market strategy for United States

Client: Discover America Partnership

Description: Tourism Economics conducted analysis to identify key competitors for overseas visitors to the US. Our team then assessed potential market gains as a result of a proposed promotional campaign. The project also included a survey of US and international tourism offices to determine their budgets and strategies for destination marketing and promotion. The analysis formed the backbone of the policy recommendations within the Discover America Partnership Blueprint for Change.

Scope: Visa Waiver Program expansion analysis

Client: U.S. Travel Association

Description: Tourism Economics developed a model base on historical benefits of the Visa Waiver Program to evaluate the likely gains that would be realized through expanding the eligibility criteria to include 10 new countries.

Scope: Analysis of travel to America’s cities

Client: Travel Business Roundtable and US Conference of Mayors

Description: Our team conducted a survey of CVBs and Mayors of the top 45 city destinations for overseas visitors to determine the perceived causes and effects of recent declines to the majority of cities. We supplemented this with our own data analysis and review of best practices among competing destinations.

Scope: The economic impact of visas impeding participation in US exhibitions

Client: The Center for Exhibition Industry Research

Description: Tourism Economics assessed the broad economic losses of non-participation in US-based exhibitions as a result of visitor visa issues. This analysis quantified two broad categories of US export losses
from business-to-business (B2B) trade shows (exhibitions). 1) Foregone spending by would-be attendees—
affecting international demand for hospitality services as well as a wide range of spending at the event itself. (These are measured as service exports in balance of trade measures). 2) Lost exports of US companies who are unable to meet with current or potential prospects.

Scope: Economic impact of tourism and the I Love New York campaign
Client: New York Association of Convention and Visitors Bureaus
Description: Tourism Economics developed a county-by-county tourism economic impact model to measure visitor spending, and related jobs, wages, and taxes. The model quantified tourism value added across each affected industry. We then quantified the impact of the I Love New York campaign across the same metrics using the output of a separate marketing conversion study.

Scope: Economic impact of the Grand Prix of Houston
Client: Grand Prix of Houston
Description: In order to quantify the race’s eligibility for a mandated tax rebate, Tourism Economics measured the state and local taxes that would be generated by the event.

Scope: US Domestic Tourism Forecasting
Client: US Travel Association
Description: US Travel has provided forecasts of domestic travel to the industry at large for over a decade. Tourism Economics was approached to construct a new model of US domestic tourism to generate these forecasts. This model separately tracks and forecasts travel flows according to market segment (business, leisure), mode of transportation and trip length (day, overnight). The model considers domestic travel relative to international travel and also considers substitution between these different types of domestic trips. Key model drivers are forecasts taken from Oxford Economics’ US macroeconomic model as well as the TIA travel price index.

Scope: Hotel market forecasts
Client: Smith Travel Research
Description: Tourism Economics is STR’s forecast partner, developing market-level forecasts of hotel demand, supply, ADR, occupancy, and RevPAR for over 70 markets worldwide.

Scope: State of California Tourism Forecasting
Client: California Travel & Tourism Commission
Description: Tourism Economics conducts periodic forecasts of travel demand for the state of California. These forecasts and related analysis include domestic and international market detail.

Scope: New York City Tourism Forecasting

Client: NYC & Company

Description: Tourism Economics conducts periodic forecasts of travel demand for New York City. These forecasts and related analysis include domestic and international market detail.

Scope: Orlando Tourism Forecasting

Client: Visit Orlando

Description: Tourism Economics conducts periodic forecasts of travel demand for Orlando. These forecasts and related analysis include domestic and international market detail.

Scope: Lodging Demand and Performance Forecasts

Client: Intercontinental Hotels Group

Description: Tourism Economics developed a forecast model of hotel room demand, supply, occupancy, ADR and RevPAR for the US as a whole and for each of the 50 states, using data from Smith Travel Research. Hotel room demand was calculated relative to economic developments in key origin markets for each state. Supply forecasts were based upon Smith Travel room pipeline information, and occupancy was derived as the ratio of demand to supply. ADR was found to follow occupancy (and therefore the imbalance between supply and demand) closely, with a slight lag, as well as inflation in the wider economy.
6 References

We are pleased to provide the following references. We encourage you to contact these individuals with any questions you may have.

Client: Ohio Tourism Division
Scope: Tourism economic impact, state and counties
Amir Eylon
Director, Ohio Tourism Division
614.466.3704
Amir.Eylon@development.ohio.gov

Client: Pennsylvania Tourism Office
Scope: Tourism economic impact, state and counties
Elizabeth Sechoka, Director Research & Statistics
(717)720-1308
esechoka@STATE.PA.US

Client: US Travel Association
Scope: Impact Analysis (oil spill, business travel)
Geoffrey Freeman | Executive Director
+1 (202) 408-2124
gfreeman@ustravel.org

Client: NYC & Company
Scope: Economic impact, tourism forecasting, and volume tracking
Donna J. Keren, Ph.D.
Senior Vice President, Research & Analysis, NYC & Company
+ 1 212 484 1221
dkeren@nycvisit.com

Client: Great Philadelphia Tourism and Marketing Corporation
Scope: Tourism economic impact and volume tracking
Ethan Conner-Ross
(215) 599-2297
ethan@gptmc.com
7 Testimonials

“Tourism Economics’ reputation for excellence is well-deserved. We are confident our forecast product will be an invaluable tool set for decision makers during this budgeting season and beyond.”

BRAD GARNER
Chief Operating Officer, STR

“As always, T.E. was a hit! They have a remarkable ability to make economic trends digestible, even to those who insist they don’t understand economics.”

BERKELEY W. YOUNG
President, Young Strategies, Inc.

“Their reports are consistently informative, easy to interpret and apply, and defendable to various stakeholders. Their responsiveness to questions and professional demeanor ensure satisfaction among all our industry members.”

AMIR EYLON
Director, Ohio Tourism Division

“They are incredibly responsive to requests for support and have gone out of their way to help with last minute queries.”

PETER NASH
Head of Strategy Development & Insights, Tourism Ireland

“Our success in informing national travel policy has been linked to T.E. analysis.”

GEOFFREY FREEMAN
Executive Vice President, U.S. Travel Association

“Thank you for the excellent work you performed in terms of the degree of analysis, and especially the recommendations flowing from them. We went well beyond the initial agreed scope and your assessment was quite useful to us.”

DAVID JOHNSON
Director-General, Bahamas Ministry of Tourism

“The Tourism Economics team is a pleasure to work with on projects. They are always willing to talk through different approaches or perspectives to solving problems.”

CANDICE SNOOK
Manager, Performance Strategy & Planning, InterContinental Hotels Group
8 Project Team

Given the importance of this project—both to the client and to Tourism Economics—the project will be directed by Adam Sacks, Managing Director of Tourism Economics. Adam will be ultimately responsible for client satisfaction and will be the first point of contact with the client. His involvement will be integral at every stage of the project, from inception to final presentation to model support.

He will be supported by the staff members listed below.

Adam Sacks – President, Tourism Economics

Adam Sacks is the President of Tourism Economics; an Oxford Economics company dedicated to analytically-based consulting to the tourism sector. Over the past sixteen years, Adam has worked with hundreds of travel sector clients to address fundamental economic questions.

On the public sector side, Adam has worked with national, provincial/state and local tourism offices throughout the world. He is an authority on measuring the economic impact of tourism activity—both broadly and for specific initiatives and projects. He has advised destinations on tourism investment policy, the effects of proposed entry procedures, tourism taxation, and marketing strategies. He has provided numerous destinations with analysis on market positioning and emerging opportunities.

Adam has consulted with multi-national hotel chains, airlines, aircraft manufacturers, theme parks, resort developers, and retail operators to measure current and future market opportunities. He has presented to numerous corporate strategic planning teams on the threats and opportunities facing their businesses within the projected travel and economic climate.

He is an expert in developing custom systems for quantifying relevant tourism market segments and tracking the competitive landscape for clients. Adam has developed tourism forecasting models with unrivalled track records.

Adam has implemented the UN-sanctioned TSA methodology for measuring the economic impact of tourism for over a dozen countries and for seven states in the US.

Adam is a compelling and sought-after speaker on issues related to tourism market analysis, the economic impact of tourism and travel-demand forecasting He also has presented tourism impact results to governments around the world. He is a member of the US Travel Association’s Research Board and the US Department of Commerce Tourism Advisory Board.

Chris Pike – Senior Economist, Tourism Economics

Christopher Pike is a senior economist within Oxford Economics’ Tourism Economics division and is responsible for measuring the economic impact of tourism activity – both broadly and for specific initiatives and projects. With his expertise in economic impact analysis, Chris has worked with dozens of state and local tourism offices. Chris has also been managing a series of consultancy projects related to the tourist sector, including the impact of U.S. visa issues and a quarterly report on Asian Trends and Prospects. Mr. Pike has presented at numerous client sites and at several association meeting along with being quoted in national
and local press outlets. Chris received his Masters in International Trade and Public Economics from the University of Pennsylvania. He is an expert in tourism economic impact analysis with over two-dozen destinations analyzed.

**Michael Mariano – Senior Economist, Tourism Economics**

Michael Mariano is a Senior Economist with Tourism Economics and Oxford Economics. Michael has over 12 years of experience in economic and statistical consulting, and his research interests include economic and fiscal impact modeling, econometric forecasting, retail market studies, and GIS (Geographic Information Systems) modeling and geospatial analytics.

Mr. Mariano has consulted and provided expert testimony for various public, private, and non-profit clients and has managed projects examining public housing, economic development, tax policy, market analysis, and real estate impacts. He has worked on economic impact studies for hotels, casinos, and retail parks nationwide and has extensive experience providing job impact estimates for project funding through the U.S. government’s EB-5 immigrant investor program.

Prior to joining Tourism Economics, Michael was Managing Director of Geospatial Analytics and GIS Solutions at Econsult Corporation, an economic consulting firm based in Philadelphia. Michael received a Bachelor of Science in economics and marketing from the Wharton School and a Master of Science in Urban Spatial Analytics from The University of Pennsylvania.

**Scott Sperling – Senior Economist, Tourism Economics**

Scott recently joined Tourism Economics and Oxford Economics from Moody’s Corporation where he worked at both Moody’s Investors Service and Moody’s Economy.com. At Moody’s Economy.com, Scott performed regional analysis for U.S. state and metropolitan areas and a broad range of industry analysis and modelling. At Moody’s Investors Service, he advised several national and international financial institutions in North America, Europe and Asia on development of credit rating systems and Basel II implementation and validation. Prior to his roles at Moody’s, he was an Economist in the Advisory Services division of Global Insight, Inc. where he worked in consultancy roles with clients from various sectors including financial services, government, health care and high tech manufacturing.

Scott holds Baccalaureate degrees in Philosophy and Economics from George Mason University where he was the only undergraduate student to study with Nobel laureate economist James M. Buchanan. He also holds a Master’s degree in Economics from George Mason University where he was a Bradley Fellow at the James M. Buchanan Center for the Study of Public Choice.
9 Agreement

9.1 Scope of Work

As described in the above proposal.

9.2 Costs

State-level heritage tourism economic impact analysis with county detail: $48,000

9.3 Schedule

The project will be completed before September 30, 2012.

Payment schedule: 50% upon completion of compilation of relevant data sets that will be used as inputs to the IMPLAN model. 50% upon final delivery of report

9.4 Limitation of Liability

Because of the uncertainty of future events and circumstances and because the contents are based on data and information provided by third parties upon which Tourism Economics has relied in good faith in producing the Deliverables, Tourism Economics does not warrant that its forecasts, projections, advice, recommendations or the contents of any report, presentation or other document will be accurate or achievable and Tourism Economics will not be liable for the contents of any of the foregoing or for the reliance by the Customer on any of the foregoing.

Approved

Authorized Signature for Client

Adam Sacks, President, Tourism Economics

Printed Name and Title

June 4, 2012

Date
PHILADELPHIA
303 Lancaster Avenue, Suite 1b
Wayne PA 19087, USA
Tel: +1 610 995 9600

OXFORD
Abbey House, 121 St Aldates
Oxford, OX1 1HB, UK
Tel: +44 1865 268900

LONDON
Broadwall House, 21 Broadwall
London, SE1 9PL, UK
Tel: +44 207 803 1400

BELFAST
Lagan House, Sackville Street
Lisburn, BT27 4AB, UK
Tel: +44 28 9266 0669

NEW YORK
817 Broadway, 10th Floor
New York, NY 10003, USA
Tel: +1 646 786 1863

SINGAPORE
No.1 North Bridge Road
High Street Centre #22-07
Singapore 179094
Tel: +65 6338 1235

PARIS
9 rue Huysmans
75006 Paris, France
Tel: + 33 6 79 900 846

email: info@tourismeconomics.com

www.tourismeconomics.com