

EXECUTIVE SUMMARY

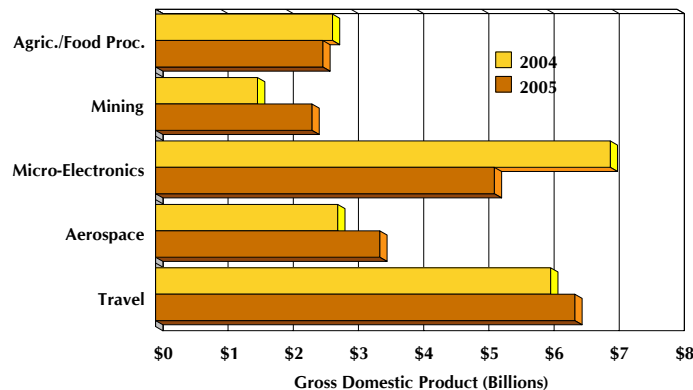
This report describes the economic impacts of travel to and through Arizona and the state’s fifteen counties. The estimates of the direct impacts associated with traveler spending in Arizona were produced using the Regional Travel Impact Model (RTIM) developed by Dean Runyan Associates. The estimates for Arizona are comparable to the U.S. Travel and Tourism Satellite Accounts produced by the Bureau of Economic Analysis. The estimates of spending, earnings, employment and tax receipts are also used as input data to derive estimates of other economic measures, including gross domestic product (GDP) and secondary effects of the travel industry.

THE ARIZONA TRAVEL INDUSTRY IS A LEADING EXPORT-ORIENTED INDUSTRY

Travel and tourism is one of the most important **“export-oriented”** industries in Arizona. Spending by visitors generates sales in lodging, food services, recreation, transportation and retail businesses – the “travel industry.” These sales support jobs for Arizona residents and contribute tax revenue to local and state governments.

In recent years, the travel industry has been one of the top two export-oriented industries in the state in terms of Gross Domestic Product (GDP).

GDP of Arizona Export-Oriented Industries



Note: Data not available for comparison industries for 2006.

THE TRAVEL INDUSTRY SUPPORTS EMPLOYMENT IN OTHER INDUSTRIES

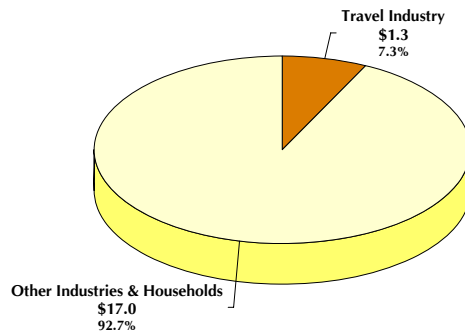
Secondary impacts include the purchases of goods and services by travel industry businesses (indirect effects) and by travel industry employees (induced effects). In 2006 (preliminary), direct travel industry employment was 173,000 with earnings of \$4.9 billion. The total (direct and secondary) impact of the Arizona travel industry in 2006 was 321,000 jobs and \$10.0 billion earnings. Most of the secondary impacts were in professional services, government, finance, real estate and construction.

In addition, the value of new private sector construction in the travel industry approached \$1 billion in 2006. This investment supported 13,400 construction jobs with earnings of \$660 million – more than 16 percent of all non-residential construction in the state.

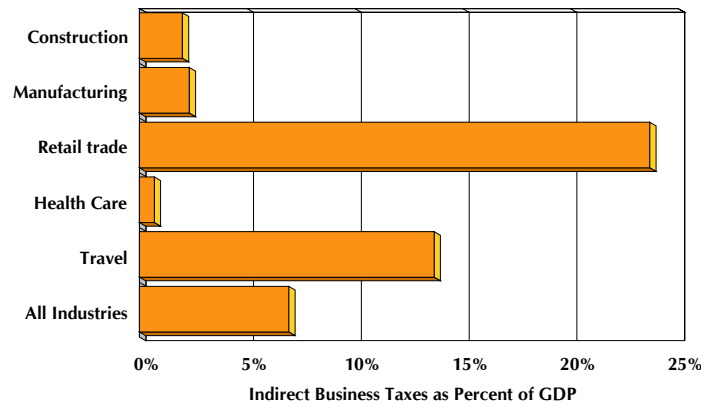
THE TRAVEL INDUSTRY PRODUCES SIGNIFICANT TAX BENEFITS

- In 2006 (preliminary), the state and local tax revenues associated with the travel industry were \$1.5 billion. The federal tax revenues associated with the Arizona travel industry were \$1.2 billion. The combined sum of local, state and federal tax revenues were equivalent to \$1,150 per Arizona household.
- In recent years, the state and local tax revenues supported by the travel industry represented over 7 percent of all state and local tax revenues in Arizona. The visitors who purchase goods and services in the state directly pay most of these taxes.
- Compared to other industries, the travel industry produces a proportionately large amount of tax revenue in relation industry gross domestic product (GDP). Only retail trade has a higher proportion of indirect business taxes (sales, property taxes & other business payments to government) in relation to industry GDP. However, in contrast to the travel industry, the sales taxes paid by retail establishments are primarily taxes on residents rather than visitors.

**State and Local Government Tax Revenue
 Arizona, 2004-05 Fiscal Year (Billion)**



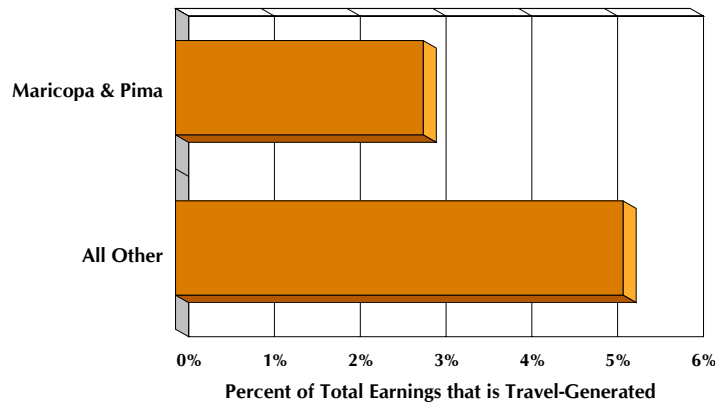
**Indirect Business Taxes as a Percent
 of Industry Gross Domestic Product,
 Arizona, 2005**



THE TRAVEL INDUSTRY BENEFITS ALL REGIONS OF ARIZONA

About three-fourths of all travel spending occurs in the two most populous counties of the state – Maricopa and Pima. But in relation to the size of the regional economies within Arizona, travel is actually more important in the non-metropolitan areas of the state.

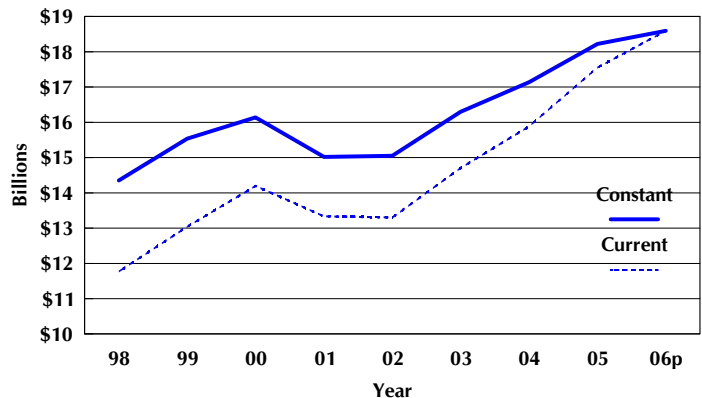
**Travel-Generated Earnings as a Percent of Total Earnings
 Arizona Counties, 2006p**



THE ARIZONA TRAVEL INDUSTRY CONTINUES TO GROW

The Arizona travel industry has rebounded strongly from the decline associated with the events of 9/11 and the decrease in business travel. Total direct travel spending in Arizona in 2006 (preliminary) was \$18.6 billion – compared to \$13.3 billion in 2001 and 2002. Since 2002, the travel industry has added 25,000 jobs and earnings have increased by \$1.3 billion. State and local tax revenues have increased by \$381 million over the same period.

**Direct Travel Spending in Current and Constant Dollars
 Arizona, 1998-2006p**



SUMMARY OF FINDINGS

- Total direct travel spending in Arizona in 2006 was \$18.6 billion (preliminary). This represents a 5.9 percent increase over 2005. This compares to a 10.5 percent increase from 2004 to 2005. In constant (inflation-adjusted) dollars, travel spending increased by 2.0 percent from 2005 to 2006. Increased room rates, gasoline prices, and airfares contributed to most of the travel spending inflation.
- Approximately 7.5 million domestic visitors traveled to Arizona in 2006 by air. This is 1.8 percent increase over 2005 (compared to a 5.0 percent increase from 2004 to 2005).
- Visitors that stayed overnight in lodging establishments accounted for 42.4 percent of all visitor spending in 2006. Visitors that stayed in the private homes of friends or relatives accounted for 29.1 percent. Day travelers accounted for about 20.9 percent. More than one-half (52.9 percent) of spending by all categories of visitors in 2006 was for leisure and hospitality services (arts, entertainment, recreation, accommodations, food service). Spending on retail was 22.1 percent and transportation was 25.0 percent.
- In 2006, direct travel spending was associated with \$1.5 billion in state and local tax revenues and \$1.2 billion in federal tax revenues. This is equivalent to \$1,150 per Arizona household. The travel industry share of all state and local tax revenues is more than 7 percent.
- The tax revenues supported by the travel industry are high relative to other industries (more than 13 percent of Gross Domestic Product for the travel industry versus 8 percent of GDP for all Arizona industries). In addition, most of the taxes generated by travel industry taxes are imposed on *visitors* rather than *residents*.
- Direct travel spending in Arizona generated 172,700 jobs with earnings of \$4.9 billion in 2006. Three-fourths of these jobs were in the accommodations, food services, and arts, entertainment and recreation industries.
- Travel spending in Arizona generated a total (direct and secondary) impact of 321,000 jobs with earnings of \$10.0 billion in 2006. Most of the secondary impacts were in professional and business services. Investment in new travel industry construction supported another 13,400 construction jobs with earnings of \$660 million.
- The employment, earnings, and tax revenues generated by travel spending are relatively more important for the non-urban areas of the state, than for the more urbanized areas of greater Phoenix and Tucson.