

REPRINT

**REPORT OF THE
JOINT SUBCOMMITTEE
ESTABLISHED TO STUDY**

Promotion of Tourism in Virginia

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



House Document No. 21

**COMMONWEALTH OF VIRGINIA
RICHMOND
1987**

MEMBERS OF THE JOINT SUBCOMMITTEE

The Honorable Robert B. Ball, Sr.
(Chairman)

The Honorable Alson H. Smith, Jr.

The Honorable Ford C. Quillen

The Honorable Robert E. Harris

The Honorable Robert S. Bloxom

The Honorable Clive L. Duval 2d

The Honorable William A. Truban

Mr. Bill M. Douthat

Mr. Cornelius T. Rogers

STAFF ASSISTANCE TO THE JOINT SUBCOMMITTEE

Kathy J. Reynolds
House Appropriations Committee

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INTRODUCTION

The 1986 Session of the Virginia General Assembly created a joint subcommittee to study the Commonwealth's effort to develop tourism and thereby encourage economic development (House Joint Resolution No. 13. Appendix A). The joint subcommittee was created in recognition of the importance of the travel and tourist industry in Virginia and out of a concern that the Commonwealth's program may not be keeping pace in a highly competitive environment. The joint subcommittee was charged to examine the adequacy of the funding and programs designed to promote Virginia as a travel destination.

The membership of the joint subcommittee included members of the House Appropriations Committee appointed by the Speaker of the House; Robert B. Ball, Sr., Alson H. Smith, Ford C. Quillen, Robert E. Harris and Robert S. Bloxom; and members of the Senate Finance Committee appointed by the Senate Privileges and Elections Committee; Edward E. Willey, Clive L. DuVal 2d and William A. Truban. Senator Willey passed away before the first meeting of the joint subcommittee and was not replaced. Three citizen members were appointed by Governor Baliles: Bill M. Douthat, Cornelius T. Rogers, and Joel Krisch. However, Mr. Krisch resigned due to ill health.

EXECUTIVE SUMMARY

The joint subcommittee recommends the following adjustments to the fiscal year 1988 budget of the Division of Tourism:

- a. That the domestic advertising budget be increased by \$4.1 million dollars to retain the desired share of voice in six traditional markets, to expand to new markets, and to add specialty market coverage.
- b. That the support services be increased by \$432,000, including two new positions, for public relations, enhanced market research, computer development and operational costs.
- c. That a new program for meetings and conventions be established at a cost of \$550,000 and two new positions.
- d. That a new program for international promotion be established at a cost of \$250,000.

- e. That six positions be added at a cost of \$180,000 to serve as tourism development specialists, working with local and regional groups and state entities which require technical and organizational assistance to successfully market their attractions as tourist destinations.
- f. That the Washington, D.C. sales office be re-opened at a cost of \$150,000 and two new positions.
- g. That the operating hours of the welcome centers be extended to 7:00 p.m. during peak season on a pilot basis, at a cost of \$50,220.
- h. That the Division of State Parks and Recreation be appropriated \$325,000 to develop, in conjunction with the tourism development specialists and other outdoor agencies, an outdoor recreation campaign that would increase state park visitation and utilization of other outdoor resources, especially during off season.

In addition, the joint subcommittee recommends that the Division of Tourism, the Virginia Community College System, and the Vocational and Adult Education Division of the Department of Education work cooperatively in developing curriculum and course offerings that will better prepare the work force for jobs in the tourist-related industry.

Lastly, the joint subcommittee recommends that the Division of Tourism remain within the Department of Economic Development, but that the Division be recognized as a coequal division within the Department. The Director of the Department should strive to allocate equal attention to the activities of all Divisions. The Division of Tourism's requirements for automation, relocation and administrative support from the Department should not be overlooked. Given the significant increases in programmatic funding recommended above, the Department should consider increases in the administrative and management staff as a top priority.

If these improvements have not been implemented within the next two years, the joint subcommittee recommends that full consideration be given to the creation of a new department - the Department of Tourism.

BACKGROUND

Interest in promoting Virginia as a travel destination is not new. In fact, Virginia mounted one of the first campaigns which attracted national acclaim and millions of visitors. In 1969, the Virginia State Travel Service (VSTS) hired the advertising firm of Martin & Woltz, who conceived of the slogan "Virginia is for Lovers". Initially, the idea suggested Virginia is for lovers of history, mountains, and beaches.¹

However, the lovers theme anticipated a changing sentiment in the American public and a changing demographic profile. The theme coincided with the beginning of a national revival of love, i.e. love-ins, Love Story, peace demonstrations.² Aimed at a younger audience easily reached through the mass media, people throughout the country began sporting buttons, sweatshirts and bumper stickers. One of the most visible supporters was Governor Linwood Holton, who displayed his "Lovers" lapel button when addressing national organizations. By 1972, more than 300,000 buttons had been distributed.³

Until the late 1970's, Virginia's tourist industry flourished. Millions of tourists arrived, partly in response to the "Lovers" campaign and to the historic activities surrounding the bicentennial celebration. However, by 1979, the number of visitors was 2.5% less than the number 10 years earlier. While total expenditures were up by 6.4% in 1979 compared to 1969, inflation alone accounted for a 90% increase. One of the biggest growth industries in the Commonwealth was stagnating.

Several factors were cited for this decline. First, the oil crisis and the national recession contracted travel expenditures nationally. The health of the national economy is one of the single biggest factors impacting the travel industry. Importantly, it is one factor which state media campaigns cannot influence. However, a well researched marketing program can be effective in containing the losses by tailoring the media message where it is most effective.

Second, other states had become aggressive competitors for the travel dollar. During the early 70's, many states recognized tourism as a smokeless industry, which employed residents with salaries paid from out of state dollars. Except for the demands on the infrastructure, i.e., roads, utilities, water and sewer, tourism required few public services. Before 1950, only 15 states were active in tourism development. Most of these programs were found in the least industrialized states, where the more traditional economic development approach had proven difficult to accomplish.⁴ Today all states have tourism promotion programs and eight of these were begun since 1980.

Third, Virginia's travel promotion budget had not kept pace with inflation in media costs. Between 1972 and 1982, the cost of media advertising had increased 2.7 times due to inflation, while the advertising budget had increased 2.2 times. Therefore, the advertising dollars could no longer stretch to the same audience.

Fourth, the tourism budget had not kept pace with competitors budgets. In 1972, during the peak of the "Lovers" campaign, Virginia's tourism budget was the largest in the nation. Just 10 years later, Virginia had fallen to 15th position. Although Virginia's tourism budget had more than doubled during those 10 years, our competitor states had increased their tourism budgets by 5 times. Virginia's location on the Eastern Seaboard places her in one of the most competitive regions. Nationally, the aggregate for state tourism budgets were increased only four times between 1972 and 1983.5

Tourism promotion was rejuvenated during the administration of Governor Charles Robb. The drive was led by the Governor's Secretary of Commerce and Resources, Betty J. Diener, and supported by senior members of the legislature. The advertising budget for tourism promotion was increased by \$1 million annually. Beginning in fiscal year 1984, the tourism budget exceeded \$5 million a year.

However, with such a large one-time increase, legislators also expressed concern that the advertising dollars would actually influence the vacationers travel destination. At the request of members of the House Appropriations Committee, a two year project was undertaken to develop a reliable method of estimating the return on investment (ROI) for the advertising expenditures. The information generated by this ROI has also proven valuable in identifying successful strategies and locating potential new markets.

Since the 1984-86 biennium, the advertising budget has received small increases based upon inflation. All other funding increases have been tied to particular programs or projects, such as the Thanksgiving Festival and the "See Virginia First" campaign. Funding for other agency expenses and staffing levels have remained constant for many years.

FINDINGS AND CONCLUSIONS

The joint subcommittee held two information meetings, including a public hearing, and one work session. At these meetings information was presented which reviewed the impact of the industry, described the competitive environment of state tourism promotion, explained the Division's current activities and outlined potential expansion strategies. The information is summarized below.

Impact of the Industry on Virginia's Economy

Tourism is big business in Virginia. Travel revenues totaled \$5.4 billion in 1985. More than 130,000 Virginians were directly employed in businesses which rely on travel expenditures. State and local governments collected over \$288 million in tax revenues assessed on the travel expenditures. Of the 26.2 million person trips made last year, more than 60% were out-of-state travelers.

By any measure, citing only the direct economic impact of the industry is an understatement. Due to the multiplier effect, the travel dollar generates two or three times the income. Given the rapid growth of tourism in recent years, tourism may now rank as the largest private industry sector in the Commonwealth.

Nationally, tourism is also a significant economic sector. "Travel and tourism is the second largest private employment sector. It is the primary employer in 13 states and accounts for the second largest number of jobs in 16 other states."⁶ In terms of tax revenues, the industry contributed \$8.9 billion, a large and growing portion of which was paid by foreign visitors.

Obviously, tourism constitutes a major portion of the economic base. In addition, tourism is a growth industry. During the past several years, the growth rate for the travel industry has outpaced the growth of the national GNP. In Virginia, travel expenditures have increased 93% in the eight years since 1977. This growth is especially significant since several of those years were marred by the oil crisis and the national recession. Futurists predict that tourism will be one of the world's largest industries by the end of the century.

Competitive and Dynamic Environment of Tourism Promotion

The value of the tourism industry to state and local economies has been recognized across the country. Because the stakes are so high, many states have mounted an all out effort to attract tourists. This competition can be measured in terms of advertising, in terms of specialization, and in terms of sophistication.

Advertising

New York has an advertising budget of \$15 million a year, while Illinois' budget is \$10 million. Following in rank order are Pennsylvania at \$5.8 million, New Jersey at \$5.3 million, Florida at \$4.8 million, Michigan and Tennessee both at \$4 million, North Carolina at \$3.3 million and Virginia at \$3 million. All of these high budget states are advertising in the same midatlantic region as Virginia. In fact, six states have out spent Virginia in Virginia's traditional markets.

The concern here is more than just dollars. Traditionally, Virginia has been a travel destination for residents in this region. Fifty percent of our vacation travelers hail from this region. To the extent that other states can appeal to these travelers and alter their traditional travel plans, Virginia's base tourism market is eroded. To avoid this situation, Virginia must counter with media coverage sufficient to retain her "share of voice." In Virginia's six television markets, Virginia held a 35% share of voice in Cleveland, but only a 20% share in New York. A declining share of voice can be expected as more states enter the market, especially if they are able to run more ads over a longer time period and span several seasons.

In addition to retaining a traditional market, the current trend is toward market expansion, domestic and international. For example, South Carolina is marketing in West Germany and the United Kingdom. Expanding to a nationwide market appears to be the goal in Pennsylvania, which runs in 75 TV markets and 36 magazines and newspapers. Currently, Virginia participates in six TV markets, six newspaper markets, two national magazines, and no international markets.

Specialization

In order to attract more tourists, states are developing new techniques to get an edge. Besides advertising, state tourism agencies now perform a full range of public relations and marketing functions, including travel writers, convention planning, education, and market research. As states may gain or lose traditional travelers in the media war, these targeting strategies become even more important. Each state strives to be first in an untapped traveler market. Several years ago, convention travel was the emerging market. Today, states are targeting certain segments of the population. For example, North Carolina has developed a travel guide for the disabled. Arkansas and Kansas are marketing state birthdays, while Tennessee is promoting a statewide homecoming. Here the appeal is to a unique market, people who hail from the state.⁷

However, as one state develops a successful new strategy, the other states are quick to follow. What was once a unique appeal becomes a basic service. In this way, interstate competition continually ups the ante.

Sophistication

Being a successful player in the competition demands a higher level of resources and sophisticated management. Marketing a state requires the same level of expertise as marketing any other billion dollar commodity. Professional advertisements with the appropriate messages are expensive to produce and broadcast. Extensive market research must precede the production of an ad to determine what the public wants and how the product can be made to appeal to that desire. The public's tastes in travel and the demographic composition of the traveling public are continually changing. A well run program anticipates these changing conditions.

Sophisticated management is also necessary for greater accountability. As tourism budgets escalate, public officials expect to see demonstratable results. One concern is that a point of diminishing returns may be on the horizon. While spending \$5 million in the mass media market is simple, spending tourism promotion dollars effectively is a challenge. A Return on Investment (ROI) measure is a good indicator of the advertising payoff. Virginia's ROI for 1985 showed that for every dollar spent in advertising \$39.40 was returned in travel expenditures. Also, \$1.97 was paid in state and local tax revenue assessed on those expenditures.

It is important to note that Virginia's ROI is structured to be a very conservative indicator. The formula excludes Virginians traveling in state, foreign visitors, business and convention travelers and visitors staying with relatives. As such, the ROI indicates how much revenue was generated by those out-of-state tourists who saw the state's advertisement and decided to vacation in Virginia.

Mission and Organization

Programs to promote tourism in Virginia are administered by the Department of Economic Development, Division of Tourism. The Division of Tourism was merged with the Division of Industrial Development to form the new Department in 1984. Previously, the Division of Tourism was part of the Department of Conservation and Economic Development.

The Division's mission is "to serve the broader interest of the economy of Virginia by expanding the Commonwealth's domestic and international travel market, thereby generating increased visitor expenditures, tax revenues and employment." To accomplish this mission, four objectives are pursued:

1. to promote and facilitate pleasure and business travel to and within Virginia.
2. To make available to prospective new and existing travel industry entities basic tourism development information.
3. To promote a wider understanding of travel as a major Virginia industry that contributes substantially to the economic well being of the Commonwealth.
4. To develop and implement programs beneficial to Virginia travel suppliers and/or consumers, which no single industry component or organization would be expected to carry out on its own.

The Division employs 61 professional and support staff. An annual budget of \$5,963,258 has been appropriated for each year of the current biennium (1986-88). Of that amount \$3,959,530 is budgeted each year for tourist promotion; \$957,251 is set aside annually for operational costs of ten welcome centers, including the New York office; \$910,311 is allocated each year for salaries, benefits and overhead; \$136,166 is dedicated to the salt water fishing promotion.

The major activities of the Division include:

- o The production and broadcast of media campaigns, both print and video.
- o Increasing Virginia's coverage in feature articles and talk show programs.
- o Participation in national and international travel-trade shows.
- o Development of a Tour Planner's guide.
- o Operation of the Welcome Centers.
- o Conducting research which will identify new markets and strategies.
- o Responding to phone and mail inquiries for information.
- o Development of the return on investment measure.

Review of Organization and Management Study

At the final meeting of the joint subcommittee, preliminary findings of a management and organization study were presented. The study was performed by a team from the Management Consulting Division of the Department of Information Technology. The team reported six major issues relating to the Division of Tourism and its operation within the Department of Economic Development. The preliminary findings suggest:

- a. That better communication and coordination would occur if both Divisions were co-located in the Washington Building.
- b. That efficiencies would result from resource sharing, such as audio-visual aides, processing equipment, vehicles, and graphics equipment.
- c. That the Division of Tourism needs to replace certain obsolete word processing equipment. This requirement should be addressed in an information management plan for the entire Department.

- d. That the staff and resources of the Division have been overextended and underfunded. Within the existing resources, the Division has aggressively pursued new initiatives, but cannot continue this high level unless new programs are fully funded and staffed.
- e. That the level of support staff in the Division has not increased with the higher level of activities, programs and special projects.
- f. That the level of responsibility vested in employees has increased in recent years. Therefore, the position classifications require further study by the Department of Personnel and Training to determine if salaries are competitive with similar jobs in the private sector market.

A final report, including detailed documentation, will be available in January 1987.

Summary

The joint subcommittee finds that tourism is a major contributor to the economic well-being of the state. The industry employs 130,000 Virginians directly and countless more in the indirect, support, and spin-off industries; it attracts dollars from outside the state as does basic industry; it develops land which enhances the local tax base; and supports public revenues through sales, property and special taxes. Given the growth of the industry world-wide, maintaining and expanding the Commonwealth's activities to promote tourism is a cornerstone in developing a solid, diversified economic base.

The joint subcommittee also recognizes that a successful program of travel promotion requires a high level of resources, a dedicated and professional staff, timely data, and extensive marketing research. If the Commonwealth is to maintain and expand tourism-related revenues, the Division should be allocated sufficient resources to conduct a first quality program with a complete range of strategies.

BUDGET RECOMMENDATIONS

Domestic Advertising

The joint subcommittee recommends more than doubling the domestic advertising budget, moving from \$3.9 million to \$8 million. Greater advertising dollars are required to successfully compete for both the current base of tourists and new growth in the industry. Included in this \$4.1 million increase is \$300,000 to adjust the current budget for media inflation and \$572,500 to maintain Virginia's share of voice in the six traditional markets. Expansion to new video and print markets would account for \$2,922,200. Adding specialty markets would account for \$305,300 of the increase.

Support Services

Expanded advertising results in more inquiries, more sophisticated market research, more demands on the staff and a greater need for accountability. To address these issues the joint subcommittee recommends two positions and \$52,000 for public relations feature writing; \$100,000 for additional market research; \$30,000 to improve the ROI measurement; \$100,000 to enhance computer capability; \$120,000 for increased mail response and phone inquiries resulting from the higher visibility; and \$30,000 as a one-time expense to purchase a travel van used in familiarization tours.

Meetings and Conventions

More and more travelers combine business and pleasure travel at the site of large meetings and conventions. The joint subcommittee recommends that \$300,000 be allocated for development of generic advertising to interest meeting planners in Virginia as a convention site. An additional \$250,000 is recommended to market Virginia in the major trade publications and with corporate travel planners to encourage business travelers to extend their visit for vacation purposes.

International Promotion

With the development of Washington-Dulles as a major international gateway, several airlines are interested in cooperative promotion of international travel to Virginia through Dulles. Also, as the domestic travel market matures, international travel represents the growth area of the future. The joint subcommittee recommends \$250,000 to develop these promotions in the West German, United Kingdom and Japanese markets.

Tourism Development Program

Many opportunities to market state-supported attractions and local/regional functions are not fully developed because there is a shortage of available technical expertise. The joint subcommittee recommends that six positions be added to work as tourism development specialists. The four specialists and two clerical positions would help local and regional groups to develop marketing programs for tourist destinations, especially to tie local events with state generic advertising campaigns. In addition, assistance could be provided to state-supported entities for promotions of arts, museums, festivals, and special events. The recommendation for \$180,000 includes only salary and support costs for the staff members. Project cost, such as publications, production, broadcasting, advertising, would be contributed by public or private groups supporting the project.

Re-Open Washington D.C. Office

The Washington sales office of the Virginia Division of Tourism was closed in 1982 due to budget cutbacks. Since that time Virginia has lost opportunities to encourage visitors in the Capitol to lodge in Northern Virginia or to extend their visit to destinations in Virginia. In addition, a Washington location would enable the state to better reach tour operators and meeting planners, many of which operate out of Washington D.C. offices. The joint subcommittee recommends the office be reopened at a cost of \$150,000.

Extending Welcome Center Hours

During the peak tourism season, many travelers are still on the road when the welcome centers close at 5:00. Some opportunities to supply information to travelers in the area, especially those seeking lodging, may be lost. On a trial basis, the subcommittee recommends that hours be extended until 7:00 during the peak travel season. After the first season, an evaluation will be conducted to determine the effectiveness of the program. The cost of the one year pilot will be \$50,220.

Outdoor Recreation Campaign

Virginia has a wealth of outdoor resources, many of which are not fully appreciated by our citizens. The joint subcommittee recommends that the Division of Parks and Recreation be provided \$325,000 to develop, in cooperation with the tourism development specialist, a promotion campaign to encourage the use of outdoor recreation facilities. This program would include publications listing public access to state owned-facilities and a media campaign to stimulate interest. It is believed that such a program will encourage Virginia outdoorsman to stay in Virginia and will attract some visitation from adjoining states. Also, some spill over benefits are anticipated for private concerns in the outdoor recreation field.

Budget Summary

The above recommendations pertain to adjustments in fiscal year 1988 appropriations. Such increases would be retained in the base to continue program activities in the 1988-90 biennium. In total, \$5,712,220 is recommended for the Division of Tourism and an increase of 12 positions. In addition, \$325,000 is recommended for the Division of Parks and Recreation to support the outdoor recreation campaign.

OTHER RECOMMENDATIONS

Hospitality Training

Due to the rapid growth of travel-related businesses, a concern has arisen about the availability of a trained workforce for jobs in the industry. The joint subcommittee recommends that the Virginia Community College System and the Division of Tourism explore the possibility of expanding the existing curriculum for hotel and motel management to other campuses in regions of the state where tourism is growing.

A second employment concern centers around hospitality training for entry level workers. The objective of hospitality training is to ensure that visitors receive courteous and responsive service. Training would concentrate on public contact skills, such as reception, politeness, speech and appearance, and on basic job skills, such as taking orders, making change, and using equipment. The joint subcommittee recommends that the Division of Tourism explore opportunities to develop such a training program with the Virginia Community College System and the Vocational and Adult Education Division of the Department of Education. The program should be constructed as an ongoing or regularly scheduled class and may be provided onsite at a fee to the employer.

Organization

The joint subcommittee expressed concern that the success of the Division of Tourism's program may be handicapped by inadequate management and support from the Department of Economic Development. Since the Department was created in 1984, the three Divisions remain physically separated in three locations. Several administrative and management functions were not adequately staffed given the size and complexity of the new Department. As a result of these factors the Division of Tourism operates, for the most part, as a separate entity.

Several options were discussed to address the lack of coordination and administrative support available to the Division of Tourism. At this time, the joint subcommittee recommends that the Division of Tourism remain as a division of the Department, provided that the Department is able to increase the administrative and management support staff. Improvements in the administrative staff would relieve marketing and advertising professionals of the burden of performing administrative functions and allow more time to be allocated to their programmatic duties. Also, improvements in the management staff would provide the Department-wide communication, coordination, planning and direction which would integrate the operations of the several Divisions into a cohesive Department. In addition, more executive level management staff would allow the Director of the Department to allocate more time to the activities of the Division of Tourism.

Should the Department be unable to improve the level of management and administrative support to the Division within the next two years, the joint subcommittee recommends that a new department be created as the Department of Tourism.

FOOTNOTES

- 1 "Virginia is for Lovers", The Commonwealth, July 1971, p.23.
- 2 Ibid.
- 3 Ibid., p. 24
- 4 Richter, Linda K. "State-Sponsored Tourism: A Growth Field for Public Administration?" Public Administration Review, November/December 1985, p. 833.
- 5 Ibid., p. 833-834.
- 6 Ibid.
- 7 "As American Rediscover America in 1986", Governors' Weekly Bulletin, June 20, 1986, Volume 25, p. 1.



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

ALSON H. SMITH, JR.
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TWENTY-NINTH DISTRICT

COMMITTEE ASSIGNMENTS:
APPROPRIATIONS
CORPORATIONS, INSURANCE AND BANKING
CONSERVATION AND NATURAL RESOURCES
MINING AND MINERAL RESOURCES

December 15, 1986

I strongly support the recommendations of this report to expand the programs of the Division of Tourism. Clearly, the tourism field has undergone substantial changes. A successful tourist promotion program will require the level of resources and sophistication herein recommended.

I disagree with the recommendation to retain the current structure of the Division of Tourism within the Department of Economic Development. With the current organization, I am concerned that the needs of tourism will continue to take a back seat to those of industrial development. Given the importance of the travel industry in Virginia, I believe that travel promotion should be elevated to departmental status. Therefore, I support the creation of a new Department of Tourism under the Secretary of Economic Development.

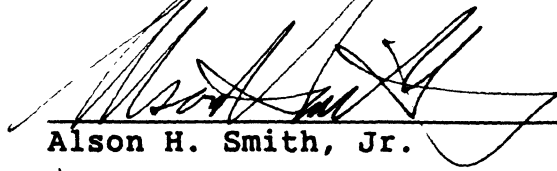


Alson H. Smith, Jr.
Member, HJR 13 Study

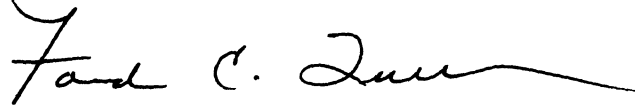
Respectfully submitted,



Robert B. Ball, Sr., Chairman



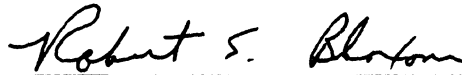
Alson H. Smith, Jr.



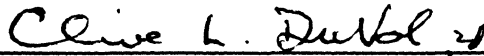
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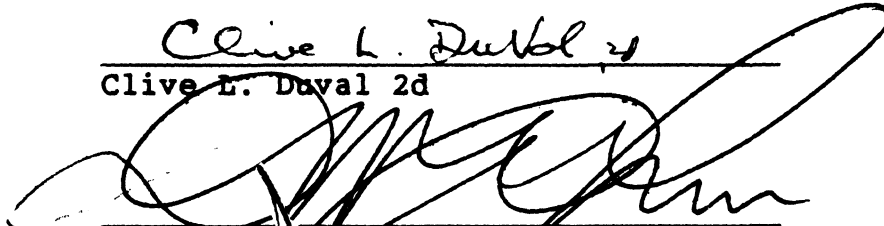
Robert E. Harris



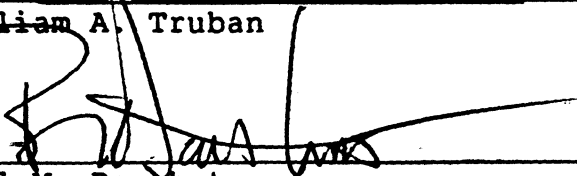
Robert S. Bloxom



Clive L. Duval 2d



William A. Truban



Bill M. Douthat



Cornelius T. Rogers

APPENDICES

GENERAL ASSEMBLY OF VIRGINIA -- 1986 SESSION

HOUSE JOINT RESOLUTION NO. 13

Establishing a joint subcommittee to study the Commonwealth's spending and support for promoting tourism and economic development.

Agreed to by the House of Delegates, February 10, 1986

Agreed to by the Senate, March 7, 1986

WHEREAS, tourism is the second largest industry in Virginia, generating over \$4 billion in travel expenditures and providing direct employment for nearly 91,000 individuals; and

WHEREAS, Virginia's growth and the prosperity of her citizens has been achieved at least in part by the Commonwealth's economic development; and

WHEREAS, Virginia's tourism industry and economic development have been a result of Virginia's scenic beauty, historical significance, excellent transportation facilities and location, government philosophy, sound fiscal policies, and the education and character of her citizens; and

WHEREAS, the Commonwealth has encouraged tourism and economic development by promoting Virginia to individuals in other states as well as to economic development prospects throughout the world; and

WHEREAS, there has been an increasing amount of competition among the states for the tourism dollar and for attracting economic development to provide employment, higher incomes and an improved standard of living; and

WHEREAS, since tourism and economic development are vital to the growth of Virginia's economy, it is important to review and evaluate how much Virginia spends on promoting tourism and economic development to determine if the level of support is appropriate in today's environment; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to review Virginia's efforts to develop tourism and encourage economic development. The joint subcommittee shall also examine the amount of funding the Commonwealth provides for tourism and economic development and the distribution of state funding between these two areas.

The joint subcommittee shall consist of eleven members to be appointed as follows: five members of the House Appropriations Committee appointed by the Speaker of the House, three members of the Senate Finance Committee appointed by the Senate Committee on Privileges and Elections and three citizen members appointed by the Governor.

The joint subcommittee shall complete its work prior to November 15, 1986.

The direct and indirect costs of this study are estimated to be \$18,600.

PRESENTATION TO H.J.R. 13 JOINT SUBCOMMITTEE

SEPTEMBER 15, 1986

MR. FRITS HUNTJENS

CHAIRMAN, VIRGINIA HOSPITALITY ASSOCIATION

AND

GENERAL MANAGER

RICHMOND MARRIOTT HOTEL

RICHMOND, VIRGINIA

Mr. Chairman...Members of the Committee, thank you for allowing me to address the issue of increased funding for the Virginia Division of Tourism's programs.

The Virginia Hospitality Association is very pleased with the positive direction your Committee is taking in effecting such an increase. Your support underscores the necessity of strong programs which will sell the entire Commonwealth of Virginia as a desirable destination.

V.H.A. is a coalition of the Virginia Restaurant Association, the Virginia Hotel & Motel Association and the Virginia Campgrounds Association. Its primary purpose is to address legislative issues on behalf of its members who collectively represent the majority of the industries' revenues in our state. The Board appreciates the unprecedented opportunities in providing the Divisions Director with its input and endorses his and his team's direction in capturing measurable additional tourism dollars. V.H.A. also appreciates the already outstanding leadership that is being provided by the Division of Tourism and will continue to lend its support.

The Board regards, from a business standpoint, "Destination Virginia" as a "Product". This product requires a common image which can best be provided by the Division of Tourism as an umbrella organization. The present and proposed activities will effectively increase our marketshare although the percentage the proposed marketing budget represents is still minute in relation to the potential revenues to be gained.

Mr. Chairman, we believe that a strong and healthy hospitality, travel and tourism industry also provides a quality of life in the State of Virginia which can only enhance the state's prospects for sound, economic development and growth in the future.

Thank you for allowing me to address you on behalf of the V.H.A. If there are any questions, I will be more than happy to try and answer them.

PRESENTATION TO HJR 13 JOINT SUBCOMMITTEE

September 15, 1986

Mrs. Kay Gardner
Chairman, Governor's Tourism & Travel
Services Advisory Board
and
General Manager
Commonwealth Park Hotel
Richmond, Va.

Mr. Chairman and members of the Committee, I am extremely pleased to be able to address you on this important subject.

All of us in Virginia's tourism industry applaud the direction that this Committee is taking to expand the Virginia Division of Tourism's capabilities to accomplish its goals within an ever-expanding competitive marketplace.

The Governors' Tourism Advisory Board is charged with advising both the Governor and the Director of Economic Development on ways to improve travel and tourism services so as to provide a better economic climate for the citizens of the Commonwealth.

The Board is composed of members of the travel industry and are appointed by the Governor for staggered four-year terms. The Advisory Board has 30 members, representing all components of the travel industry and the six state regions. Both the private sector and public sector are members of this Board.

All members of this Board not only attend three Board meetings a year, but also serve on different committees and task force groups to study and support the Division's programs. The relationship with the Division is a true partnership and has never been adversarial or watchdog in nature, though the Board is always demanding excellence in efficient and effective operations from the Division.

This working relationship has been amplified in the last year and half with the appointment of Pat McMahon and the reorganization of the Division staff, which are all tourism professionals in their own right.

For the last year the Board has been studying, with the Division, the competitive environment and in turn together have been developing a tourism strategic plan for the future.

Much of the thinking and information provided by the Division's Director in his remarks to you have come from that plan as have the funding recommendations. Mr. Chairman as you are aware the funding initiatives are basically the same as those discussed with you earlier this year and have been shared with both our former Governor, Charles Robb, and with Governor Baliles.

All of us on the Board are involved daily in tourism development and marketing and agree that Virginia must work harder to again capture the competitive edge that it once held.

The Board also has evaluated the Division's current programs which are outstanding in themselves, but we all agree that more funding is required to get the job done. We have no doubt that these recommendations will not only get the job done, but are also measurable and will produce the return on investment that you, Mr. Chairman now require of the Division.

Mr. Chairman, we feel that the programs as currently being carried out by the Division and those outlined by them in their recommendations meet the domestic and international economic development goals of our Governor and urge you to consider them in the most positive light possible.

Thank you for allowing me to speak for the Board and we stand ready to assist the Committee in any way we can in completing it's deliberations.

TESTIMONY TO BALL COMMITTEE

SEPTEMBER 15, 1986

Richard E. Sorensen, Dean

College of Business, Virginia Tech

and Chairman of Southwest Virginia Economic
Development Commission, Tourism Task Force

I appreciate this opportunity to address the Ball Committee.

I represent the Tourism Task Force of the Southwest Virginia Economic Development Commission -- these recommendations have not been formally acted on by the full commission, but appear to have their full support.

- Tourism is important to Virginia with ^{5A.} ~~\$4.6~~ billion spent in the state in 1985.
- Tourism is increasingly more important as we change to a service economy.
- Tourism development is becoming more difficult with increasing activities of surrounding states -- for example, Tennessee and North Carolina.
- Tourism is an important part of economic development for Southwest Virginia -- perhaps the most important.

We support the Division of Tourism and its efforts to expand the development and promotion of tourism for Virginia and have the following recommendations:

- Out of state marketing must be expanded.
- Welcome Center services must be expanded with more staff, increased hours of operation, and more service to the traveling public to lengthen their stay in Virginia.
- We also feel Welcome Centers should have more local or regional materials, brochures and displays to give a "feeling" for the area.
- We endorse regional tourism development programs that will lead to more public-private cooperative efforts.
- We recommend that more "destinations" be developed in areas lacking them, such as Southwest Virginia.
- We have commissioned a study for the development of the Black Mountain Interstate Mine Park as a joint venture of Virginia and Kentucky.
- We are suggesting to the Blue Ridge Parkway the development of Fisher Peak in Grayson and Carroll Counties.
- We recommend expanding State Park facilities so they can attract more visitors from greater distances.
- We believe that special consideration must be given to developing tourism in Southwest Virginia.

We appreciate the current level of support for the Division of Tourism and recommend increased support for tourism in Virginia.

THE SOUTHWEST VIRGINIA ECONOMIC DEVELOPMENT COMMISSION

- 17 counties and 4 cities of Southwest Virginia including
 - Giles, Montgomery, Floyd, Carroll counties and West
 - 11% of population
 - 16% of area
 - 4% of state travel expenditures
 - 4.4% of Welcome Center destinations
- Median family income 75% of state average.
- Unemployment for area over ¹⁰18% with some counties over 20% and increasing.
- Relatively poor roads.
- Relatively low level of educational attainment
- Unfair image of labor unrest.
- Limited water-sewer-and developable industrial land.
- Limited local tourism promotion because of large Federal land ownership, large absentee land ownership, and lack of private tourist destinations.
- Excellent potential for tourism development.



COMMONWEALTH of VIRGINIA

Department of Economic Development

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Richmond, Virginia 23219
(804) 786-3791*

November 14, 1986

MEMORANDUM

TO: Chairman Ball and Members of the HJR 13 Subcommittee

FROM: Scott Eubanks, Director *SE*
Department of Economic Development

I am sorry that a prior commitment at a national conference keeps me from attending your meeting. However, I wanted to express my interest in your deliberations today.

Specifically, I hope you will reconsider the recommendation, voted on at your October 20 meeting, regarding removing the division of Tourism from the Department of Economic Development. I view travel and tourism, Virginia's second largest industry, as an integral and major component of the State's economic development program. Having both the tourism and industrial development divisions in one department has already developed synergy, created cost savings and increased marketing effectiveness in our international promotions. The divisions share common missions to create tax revenue and jobs in the Commonwealth, and the future potential for increased program effectiveness and cost savings is significant.

We have recently embarked on a strategic planning process for the Department, involving management input from both divisions. Also, as you know, several other groups, including the Department of Information Technology's (DIT) management consulting division and the HJR 132 joint subcommittee, are currently studying the Department. Until the recommendations of all groups have been studied and implemented, I believe it would be premature to decide that the current structure is unworkable.

I have met with the directors of tourism and industrial development concerning the administrative changes and new positions necessary to make the Department function more efficiently in support of both divisions. We fully agree with Dr. Lee Bowman and the DIT study team's initial recommendations, which will be presented to you today, on the need for a departmental deputy director, a director of administration and additional administrative staff to provide support services and guidance for both divisions.

Let me assure you that the budgets and programs of each of the divisions will remain autonomous. Tourism's personnel and budget will not be used for industrial development programs or vice versa. Also, I am confident that when the administrative positions and funds recommended by DIT are in place, the Department will be able to provide better support services for the Division of Tourism.

I hope you will support the new positions recommended in DIT's report and give us the time to develop a more cohesive and effective Department of Economic Development.

Thank you for your consideration.

SE/pb

GOVERNOR'S TOURISM & TRAVEL SERVICES
ADVISORY BOARD

RESOLUTION

WHEREAS, travel and tourism is the second largest industry in Virginia, generating over \$5.4 billion in travel expenditures and providing employment for 130,000 individuals; and

WHEREAS, Virginia's growth and the prosperity of her citizens has been achieved at least in part by the Commonwealth's economic development; and

WHEREAS, since tourism as a part of economic development is vital to the future growth of Virginia's economy and the standard of living of its citizens, now, therefore,

BE IT RESOLVED, that the Governor's Tourism and Travel Services Advisory Board conceptually supports the Department of Information Technology recommendations pertaining to the structure and funding for an effective Department of Economic Development. We support action in fiscal 1987 to fund this department in accord with the Department of Information Technology recommendation, with special priority placed on the need to provide administrative support to the Divisions of Industrial Development and Tourism.

Approved by the Board
December 2, 1986