

A Brief Analysis of Tourism in the Genesee/Finger Lakes Region



GENESEE/FINGER LAKES
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In recent years, tourism has become a major focus of economic development organizations across the nation. Increased tourism, through better promotion and marketing combined with projects to enhance existing attractions and create new ones, has enabled areas to increase spending by non-residents at local businesses resulting in an influx of out-of-area dollars.

Using data from the US Department of Commerce, Bureau of the Census' County Business Patterns (CBP) and Empire State Development's Division of Policy and Research, changes in tourism related industries within the Genesee/Finger Lakes Region are examined from the period 1980 through 1995.

The data analyzed and presented in this report is classified using the Office of Management and Budget's Standard Industrial Classification Code (SIC). For those unfamiliar with the SIC, industries are classified into divisions, two-digit major group, three-digit industry group, and four-digit industry code. Each classification is more specialized than the preceding one.

Based on the level of data available, this allows for analysis at either a very general level or at a more specific level depending upon the industry or industries being studied and the availability of data. The example below illustrates how crop harvesting by machines is classified by industry code within the division, major group, and industry group.

Division	A - Agriculture, Forestry, and Fishing
Major Group	07 - Agricultural Services
Industry Group	072 - Crop Services
Industry Code	0722 - Crop Harvesting, Primarily by Machine

Using the SIC, tourism related industries are analyzed at the three-digit industry group level and compared with their own and division as well as against other divisions. By analyzing tourism related industry groups within their division it is possible to view the rate of growth or decline in comparison with other industry groups based on the rate of growth or decline in the division as a whole (including tourism related and non-tourism industries).

It should be noted that the number of tourism related businesses will be understated because the data have been collected at the three-digit level and federal law prohibits disclosing data that will not allow an individual business to keep its anonymity.

In addition, to view the growth tourism related industries provide to the economy of the Genesee/Finger Lakes Region, the tourism related industry groups are compared with

other divisions that do not have tourism related industry groups; i.e. manufacturing and wholesale trade.

Finally, the indirect and induced effects of increased investment in tourism related businesses are discussed. The *indirect* economic impacts of tourism related growth or decline are the changes in sales to tourism related businesses by their suppliers. The *induced* economic impacts include shifts in spending by households as a result of the jobs generated by the tourism related businesses and their suppliers. These indirect and induced impacts are what are referred to as the “multiplier effects” of increased investment in an industry.

It is important to note that these businesses do not serve tourists and travelers exclusively. The main obstacle to measuring tourism related economic development is the lack of available data. Even the collection of primary data through expensive surveys sometimes yields only minimal results. The primary cause of this difficulty is that businesses have no way of knowing whether the purchaser of a good or service is a resident or tourist. Table 1 presents travel and tourism related businesses as defined by the US Travel Data Center.

Table 1

Primary Travel and Tourism Related Businesses		
Division	SIC Code	Type of Business
Transportation	412	Taxis
Transportation	413	Intercity Bus Lines
Transportation	414	Bus Charter
Transportation	417	Bus Terminals (commercial)
Transportation	448 (partial)	Ferries, Sightseeing and Excursion Boats
Transportation	449 (partial)	Marinas and Yacht Basins
Transportation	451	Scheduled Airlines
Transportation	452	Charter Airlines
Transportation	458	Airports and Terminals Services
Transportation	472	Tour Operators, Ticket Agents, Travel Agencies
Retail Trade	554	Gasoline Service Stations
Retail Trade	555 (partial)	Boat Dealers
Retail Trade	556	Recreational Vehicles
Retail Trade	581	Eating and Drinking Establishments
Retail Trade	594 (partial)	Gift, Novelty, Souvenir Shops/Sports & Recreational Equipment Dealers
Services	701	Hotels and Motels
Services	702	Boarding Houses
Services	703	Campgrounds
Services	704	Organization Hotels and Resorts
Services	751 (partial)	Automobile and Recreational Vehicle Rentals
Services	783	Motion Picture Theaters
Services	792	Theatrical Productions
Services	794	Commercial Sports
Services	799	Amusement and Recreation Services
Services	841	Museums and Art Galleries
Services	842	Aquariums, Zoos, and Botanical Gardens

Source: Empire State Development Corporation, June 1999.

Between 1980 and 1995, the creation of 597 establishments in tourism related industries resulted in 16,332 more jobs. The largest increase in new jobs occurred between 1990 and 1995 with 491 new establishments, yet employment increased the least at only 3.2

% . Table 2 below displays the percent change of tourism related businesses in the Genesee/Finger Lakes Region between 1980 and 1995.

Table 2

Percent Changes for Tourism Related Businesses in the Genesee/Finger Lakes Region 1980-1995		
	Number of Establishments	Average Annual Employment
1980-1985	-0.7%	28.9%
1985-1990	4.4%	15.7%
1990-1995	16.3%	3.2%
1980-1995	20.5%	53.8%

Source: Empire State Development Corporation, June 1999.

Of all the SIC divisions, only services had a larger increase in percentage of new jobs created between 1980 and 1995. However, referring back to Table 1, over one-third of the tourism related industry groups as defined by the US Travel Data Center are in the services division.

The remaining divisions with industry groups classified as tourism-related (retail trade, transportation, and services) each increased employment significantly, but not at as large a rate as tourism-related businesses. Table 3 shows the percent increase of intra-division employment for the major SIC divisions of the regional economy between 1980 and 1995. Of the two divisions without tourism related businesses in them, only wholesale trade increased and not nearly at the rate that tourism related businesses did.

Table 3

Percentage Change of Intra-division Employment between 1980 and 1995 in the G/FL Region	
Services	87.7%
Construction	28.9%
Retail Trade	27.2%
Wholesale Trade	27.2%
Transportation	26.3%
Manufacturing	-24.1%

Source: US DOC, 1997 & ESD, 1999.

Compared with the percent change in employment by SIC division for New York State, only the services division at the state level grew faster than tourism related businesses in the region. In fact, all of the divisions in the region's economy grew at a faster rate than the state average.

Investment in tourism related businesses increases economic activity throughout the region through the "multiplier effect". The multiplier effect is used to define and measure the indirect and induced economic impacts of increased investment in a particular industry on the region's economy as a whole.

Indirect and induced economic impacts result from the increase of sales by suppliers to tourism related businesses (indirect) and the increased sales of suppliers to households who receive increased wages as a result of increased sales by their employer to the tourism related businesses (induced).

The multipliers shown for tourism related businesses in Table 4 are final-demand employment multipliers. They represent the number of jobs that would be created for each \$1 million of increased investment (final-demand) in each of the detailed industries that serve tourists within the nine county Genesee/Finger Lakes Region. These multipliers represent the gross economic impact of \$1 million of investment in the industry.

Table 4

Final-Demand Employment Multipliers for Tourism Related Businesses in the Genesee/Finger Lakes Region	
2 or 3-Digit SIC/ Detailed Industry	Jobs created per \$1 Million Investment
41/Passenger Transportation	36.7
44/Water Transportation	11.6
45/Air Transportation	13.5
472/Arrangement of Transportation	34.6
55/Retail Trade	34.0
58/Eating and Drinking	33.3
70/Hotels and Lodging Places	25.2
78/Motion Picture Theaters	13.6
792/Theatrical Productions	19.7
794/Commercial Sports	20.9
799/Amusement and Recreation	34.8
84/Other Member Organizations	20.0

Source: US DOC, BEA, 1995.

The net economic impact will be slightly lower as some employees will shift from other occupations into these newly created jobs, others will be taken by out-of-region residents, and some of the investment would have been made in the region anyway; only in other industries. However, it is quite reasonable to assume that the net economic impact would be near the gross impact because the region has the ability to attract new workers and capital.

While it is difficult to measure the direct impacts of tourist spending in the region, tourism and the creation and enhancement of further opportunities provides a direct positive impact to the region. Tourism related establishments provide goods and services to travelers that result in an influx of outside dollars for circulation to regional producers and households. In addition, tourism related industries provide entry-level and other workers with part-time and full-time employment. This is particularly important when the region faces a tight labor market.