REGIONAL ECONOMIC STRATEGY
TOURISM AND VISITOR WORKING GROUP
MEETING #2 SUMMARY: July 17, 2008

ATTENDEES

Working Group Members

Bob Aylward, Co-chair, Seattle Mariners
Carla Murray, Co-chair, Starwood Hotels & Resorts
Matt Allen, Chambers Bay, represented by Jamie Fay
Donna Ambrose, Snohomish County, represented by Brett Lambert
Lori Banaszak, Clover Park Technical College
Tammy Blount, Tacoma Regional Convention and Visitors Bureau
John Christison, Washington State Convention and Trade Center, represented by Linda Willanger
Amy Dee, WashingtonFilmWorks
Bob Derrick, City of Bellevue
Dr. Bonnie Dunbar, Museum of Flight, represented by Dr. Caren Handleman
Cara Egan, Seattle Art Museum, represented by Nicole Chism Griffin
Dr. Dogan Gursoy, Washington State University, represented by Marcia Garrett
Ada Healy, Vulcan Inc.
Jane Kilburn, Port of Seattle
Eleanor Kittelson, Washington's National Park Fund
Josh LaBelle, Seattle Theatre Group, represented by Terri Hiroshima
Chad MacKay, MacKay Restaurants
Ralph Morton, Seattle Sports Commission
Robert Nellams, Seattle Center
Jim Pearman, Mayor of Mercer Island
Robin Pollard, Washington Wine Commission, represented by Ryan Pennington
Michael Rogers, Bee Line Tours
Joy Skaardal, Scandinavian Airlines System
Amy Spain, Snohomish County Tourism Bureau
Sandy Ward, Future of Flight
Frank Welton, Doubletree Hotel Seattle Airport

Staff

Bill McSherry, Puget Sound Regional Council
Eric Schinfeld, Puget Sound Regional Council
Chris Strow, Puget Sound Regional Council

Consultants

Bonnie Berk, Berk & Associates
Fauna Doyle, Berk & Associates
Kapena Pflum, Berk & Associates

WELCOME AND PROJECT PURPOSE

Bill McSherry, Bob Aylward, and Carla Murray welcomed the Working Group members to the second meeting of the Visitors and Tourism Working Group. They thanked those who had been able to attend the first meeting and spoke to the purpose of the second meeting, describing it as drilling down on a few core issues which surfaced in the first meeting. They then asked each attendee to introduce him/herself and the organization he/she represented.

REVIEW AND DISCUSSION OF SECTOR EMPLOYMENT DATA

Kapena Pflum of Berk & Associates presented an analysis of wage and employment data for the tourism and visitor industry in the four-county region. He began by noting that this analysis is the first component of the data analysis; Working Group members are invited to identify questions and areas for secondary research and analysis. Working from a presentation and discussion guide, key points were:

Employment and Wages by Industry, 2006 and 2007

- The industry sectors and subsectors analyzed are the same as those used in the 2004-05 Prosperity Partnership cluster work, so we have a baseline for comparison. The 2007 data used in the analysis are preliminary; they have not been officially released, however it is not expected that they will change significantly
- Overall, the Tourism & Visitor Cluster has almost 109,000 jobs and grew by almost 5,000 jobs between 2006 and 2007
- The full-service restaurant category has more than 58,000 jobs, and comprises the majority of cluster employment (54%)
- Industries experiencing significant growth include: Sightseeing Transportation (354 jobs/99% increase), Other Amusement and Recreation (701 jobs/42% increase), and several of the smaller accommodations industries
- The largest numbers of new jobs were created in Full-Service Restaurants (2,262 jobs), Hotels (830 jobs), and Casinos (569 jobs)
- The industry that experienced the most significant decline in jobs was Other Gambling, which declined by 8% (369 jobs). Emerald Downs and card houses are examples of business that are classified as Other Gambling

Wage Data and Analysis: Top-Level Findings

- Overall, the average annual wage for a job in the Tourism & Visitor Cluster is $26,800.
- The highest paying industries in the cluster include Spectator Sports ($236,300) and Travel Arrangement and Reservation Services ($73,900). The Spectator Sports category includes the salaries of professional athletes
- The lowest average wages are found in several of the food services and accommodations industries, which likely include a higher concentration of part-time, temporary, and lower hourly wage jobs
- Wages in the analysis include only reported wages, and likely do not include all income from tips. Therefore, it is likely that actual wages earned in some of these categories are higher than shown in the analysis

Employment and Wages: State and County Comparisons

- Overall, the region has grown at a faster pace (4.7%) than the State (3.3%) and has an average wage ($26,800) that is higher than the statewide average ($23,500)
- King County comprises the majority of Tourism & Visitor jobs in the region (67%), has grown by the highest percentage in the past year (4,180 jobs at 6% growth rate), and has the highest average wages ($30,500)

Location Quotient Analysis

- The Casinos and Other Gambling industries have extremely high Location Quotients (LQs) – of over 5.0. This is likely due to the large number of tribal gaming institutions in the state
- Sightseeing Transportation, Performing Arts, Other Recreation, and Travel Arrangement Services all have strong LQs above 1.5. An LQ of 1.5 or greater means the industry is very concentrated

- Several of the accommodation-related industries have relatively low LQ values, ranging from 0.3 to 0.8.
- Conventions and Visitors Bureaus (CVBs) are part of the travel arrangement services industries
- The majority of Tourism & Visitor industries experienced employment growth between 2006 and 2007. As mentioned earlier, only Other Gambling experienced a significant loss of jobs during this period
- Several of the largest industries, such as Restaurants and Hotels/Motels, have LQs at or below the national average. Casinos and Other Gambling are the most highly concentrated larger industries in the cluster

Working Group Discussion: The following questions and issues were posed and discussed:

Transit/Ground Transport, Other Recreation, and Sightseeing

- Transit/Ground Transport, Other Recreation, and Sightseeing are all growing quickly – is it because there is so much to see in the region?
- The growth in Transit/Ground Transport, Other Recreation, and Sightseeing employment could also be a result of increased travel to national parks
- There are only three tour operators that offer trips to Mt. Rainier National Park and no tour operators that offer trips to Olympic National Park. There could be real opportunity for growth in that market

Cruise Industry

- The growth in Transit/Ground Transport, Other Recreation, and Sightseeing employment can be attributed in significant part to the cruise industry
- Tourists arriving in Seattle to take cruises now fly into Sea-Tac Airport one to three days early. This is due to the poor performance of airlines; people are concerned about making connections on-time
- When did the cruise terminal open? A: 1999 was the first year that cruise ships called at Seattle; 2001 was a year when critical mass through growth was achieved
- The employment numbers for the cruise industry appear in two different places, they are in the Scenic and Sightseeing Transportation, and in the Water NAICS category if the jobs are through businesses like Argosy. The larger cruise ship employment probably does not show up in these numbers (since the cruise ships are registered out of state and out of the country)
- It would be great to see the actual employment of the people on the cruise ships, and to know for sure whether those numbers were reflected in the LQ analysis

Performing Arts

- The Performing Arts is a strong industry within the cluster. There are definitely opportunities to create package tours pairing performing arts with wine and dining experiences
- There is some concern that Performing Arts actually shows declining employment, it might be important to know how long has it been declining; it is an industry with great strength, but also risks
- For the purposes of the analysis, the Performing Arts industry includes theater companies and dinner theaters, dance companies, musical groups and artists, and other performing arts categories
- The Performing Arts industry is concentrated, with an LQ of 1.8; that is what makes the Puget Sound region a great place to visit, and also makes it a great place to live; Seattle is a very artsy place
- ArtsFund has done a lot of tourism related data gathering and analysis; we will follow up with them
- An analysis done by Americans for the Arts showed that Seattle has the most arts-related employment per capita than any other in the city in the country

Casinos

- Currently, the data does not distinguish between tribal and non-tribal casinos; Berk is working on acquiring those data
- Regarding recent trends, in the City of Lakewood citizens have signed an initiative to disallow non-tribal casinos; it is possible that the initiative will be on the ballot in November. It is unclear if this is an isolated situation or reflective of a trend that will becoming more widespread

Golf

- We don't have enough hotels, golf courses or drinking places
- Are we limited by weather in terms of seasonality, do people only play golf in good weather? People don't necessarily want to play in the rain, but there is snow at a lot of other golf sites, so comparatively, we are a good location. There is also potential to attract people away from the Southwest
- Previously, Seattle did not have a reputation as a place for destination golf, but that is changing
- Regionally, with the advent of Gortex, people play year around. In the Northwest people are used to playing through wind and rain!
- Golf in the region will get a big boom soon, with the two courses involved in U.S. Amateur and U.S. Open, golf is expected to grow exponentially over the next couple of years
- It is important to look at the seasonality of things and identify the opportunities at the shoulders of the seasons; that is where our real need and opportunity are

Restaurants

- Restaurants serve locals, not just tourists, but it is impossible to determine what part of restaurant industry employment is due to tourism and what part is due to locals. This is one of the trickiest industry clusters to analyze, due to lots of cross-over. Nonetheless, what is important is that the employment concentration is an indicator of the strength of the industry
- From a workforce development perspective, it is problematic that the largest employment sector can be one of the lowest paying; restaurant employment makes up 50% of the industry and yet the wages are considered to be low, so the state doesn't fund occupational training for the industry
- It is important to note that the restaurant employment numbers are not showing FTEs, but rather reflect the number of actual jobs; these include part-time jobs. It would be beneficial to be able to compare the employment data by wage stratification
- According to the Washington Restaurant Association (WRA) surveys, there is an additional 12-20% of income due to tips that is not reported. Some people working in the industry are making $40.00 an hour – this is not widely known or understood, and its an important part of the story
- It would be great to acquire the WRA data and pair it with the cluster wage and employment data to further develop the story for this industry

Convention Centers

- Convention centers shouldn't be lumped in with travel arrangements in the data
- Convention center data can be analyzed at a regional level but can't be compared nationally
- Dean Runyan Associates has data that stratifies visitors at the regional level and broken down by city
- Its important to identify and target the people who bring the most economic impact to the region

Additional Data Requests

- It would be great to see the associated tax revenues from each of these industries
- How does our tax burden compare with other industries?
- The tourism industry has relatively fast moving career pathways; you can come in at an entry level and move up fairly easily. Is there any data that compares the rate of movement or growth from entry to mid-level employment with that of other industries?

DISCUSSION OF KEY STRATEGIC ISSUES/OPPORTUNITIES FOR THE SECTOR

Working from a discussion guide that identified several preliminary strategic issues, the group discussed the following topics:

The Visitor Segment – in General

- Visitors are defined as group travel, not people coming in twos and fours. A core question is who are the visitors and how do we attract more of them?
- Corporate group activity is about 60% of the business and another 40% is transient visitors and tourism, which includes corporate business and leisure. From the hotel perspective, leisure travel is a small percentage of our focus, it becomes important if we can't get larger groups or corporate events
- Occupancies are high for June, July, and August. In those three months we are full – we don't need more visitors or tourists! The challenge is the rest of the year, where we are really reliant on group travel. Leisure travel here is almost non-existent October through May

The Convention Market

- The American Dental Association, Microsoft's TechReady convention are recent examples of super-high impact visitors. Conventions of associations and larger local companies holding trainings or meetings are great for generating revenue
- How do we build up the convention business and corporate group activity? We need to focus first on where the demand is currently, then fill out around that. Groups are biggest piece of the pie for the whole region, not just Seattle
- We are a niche convention market; we have focused on the professional and technical market in particular, with good success. The medical industry especially loves coming here, and there is significant demand for medical conventions
- There is a thought that the global health industry market will be robust in the future, we have no data on this and its not yet happening, but we think there is potential
- Seattle is in a good position for convention business, but Portland is about to make a decision to build a 600 room hotel at the convention center. This will increase demand for Portland and is likely to take some of Seattle's business
- It should be noted that pre- and post-conference travel happens throughout the region, so more conventions and events are not just good for downtown Seattle, they are good for everyone
- National conventions plan 5-10 years in advance. To really attract and get those attendees to go out into the region, we need to grab the event planners' attention in advance, at least a year, when they do site visits
- We also need to meet planners' needs and wants for winter meetings. We need to make it easy to for them to make the decision. We have to prove that even though it is going to rain, we offer the hotels, centers, and experiences that will make their delegates and exhibitors happy and their event a success
- Last January we hosted the Professional Convention Management Association (PCMA) convention. Most of the planners had never been to Seattle; we provided them with a lot of information and a great visit. It has been paying off in new business

Working Group Discussion: Expanding the Washington State Convention & Trade Center

Linda Willanger, representing the Washington State Convention & Trade Center provided the Working Group with a detailed briefing on current plans for expanding the Convention Center. The following points were made:

- The current Convention Center is too small for many groups, and has been for some time
- Many potential convention customers start out on the radar but have out-grown Seattle before they even have the chance to come here. For example, we would like to host Starbucks' Associates meeting, but we can't because we do not have facilities large enough. We are about to lose an excellent repeat customer that has been coming here for 20 years because they are now too big for our facilities
- There are so many hotels and restaurants in Seattle; we want to increase the "size of the barn" so that we can get the economic benefits from all those opportunities
- Currently we have about 200,000 square feet of exhibition space. We host 45-52 national conventions and 700-800 regional conventions a year
- We want to be able to host two national events at the same time, meaning as one group moves out another is moving in; this means increasing loading dock space
- We want to increase the Convention Center to 400,000-500,000 total square feet in exhibition space, plus more meeting rooms, ballrooms, and banquet spaces
- The Convention Center has just hit its 20th year and at a strategic planning retreat the Board decided to undertake future expansion for the facility. The Board has formed a committee for the project and we have sent out an RFP for a market analysis/economic feasibility study and an RFQ for architectural planning for expanded facilities
- Realistically, the time horizon for this expansion is 5 to 10 years; we are going to have to go to the Legislature for approvals and funding
- The first step is a feasibility study to determine what site or sites would work; we also need to look at marketability and answer the question "What does an expanded Convention Center bring to Seattle?"
- Ideally, we would like the expansion to connect to our current facility. We are looking at the feasibility of expanding to several spaces, including the bus tunnel site nearby
- At the same time, we are also gutting and expanding within the existing envelope. We are renovating the MOHAI space, to contain about 125,000 square feet of exhibition space on three levels. The retrofit will be LEED silver certified

Working Group Discussion: the Visitor Segment and Group Travel

- Are our hotel facilities sufficient to attract larger conventions? Yes, if the Convention Center expanded we have the hotel rooms to support it
- We could support an even larger Convention Center expansion based on how many rooms we have
- Previously a one thousand room hotel didn't exist in downtown Seattle. With the Sheraton Hotel expansion, now we have that size hotel
- Regarding expanding group travel, there are many groups of people with special interests, including wine and culinary, gardens, and art. These are groups that we could attract to the region
- There has been an increase in international travel to Seattle; plane-loads of Japanese tourists arrive daily, what are they interested in?

- The lack of multi-lingual bus drivers and guides to go with the groups on tours is a real weakness for the region. There are only two Spanish-speaking tour guides in the city, and you are really on your own if those tour guides are not available
- The Cascadia concept was Portland-Seattle-Vancouver, B.C. all working together to attract major events, sports and arts. The concept still makes sense; we should work with Tourism Vancouver to create cross-border travel incentives and opportunities. We could encourage Seattle people to go to Vancouver and work on attracting more Canadians to visit here

Working Group Discussion: Building a 12-month Tourism Season

- During June, July, and August, the hotels are full, but the other nine months we need to grow the sector
- Key Arena is now vacant in the winter and there are a lot of nights to sell events that could draw people in nationally
- We should promote the arts and more indoor activities in the off-season
- We don't have a ski destination, Crystal Mountain is the closest thing we have, there is an opportunity there
- There are football events in the winter time
- The boat show in January attracts West Coast and some East Coast visitors
- The fall, winter, and spring months are primary months for the performing arts, including theatre, ballet and opera. That is a real opportunity
- How many of the people that currently attend arts events are visitors? How many arts events actually bring people into town? What events should we have to draw in more people?
- When we are competing to launch major blockbuster musicals, we sell the fact that Seattle is a huge theatre town and we have booked hotel rooms through the summer. This is counter-intuitive to what we are talking about for the other 9 months.
- We've got to make having rain be a cool thing. Until we can do that, it will be hard to get major companies to launch theatre events
- We need to rebrand the off-season as "the entertainment season." Vancouver did something like this very successfully 10 years ago
- Movies during the winter are great around here, we also have great night life and music in the winter
- The world will watch the region during Olympics, it will be a great opportunity to be visible to the world in the wintertime. We need to get people to focus on visiting the region for its beauty (the number one reason to come here)

Working Group Discussion: Obstacles to Sector Vitality and Growth

Taxi Service and Availability

- Taxis are fully dispatched, so there are lots of drive bys. If you go to other cities you can flag down a taxi, in Seattle that is very difficult to do. Why is that?
- Taxicab service is terrible; it can be difficult to get a cab dispatched
- City regulations require that taxis have to be dispatched or wait at a stand
- The city limits the number of taxi permits. This has driven up the cost of a taxi permit – to $80,000-$100,000. The number of taxis on the street is limited; just having more taxis would help. For example there are 20,000 taxis in Las Vegas – the number in Seattle has to be much smaller
- There is a problem with cleanliness and ability to communicate, we need to continue to work with the taxicab associations
- At sporting events you pray that taxis will show-up post game, there is no coordination and it is like the Wild West

- Regarding drive-bys – the cities of SeaTac and Seattle only allow their taxis to pick up fares one way. This is a city regulatory issue
- Taxis are also an issue in Tacoma, from training, to cleanliness. In response, Tacoma recently started a Taxi Task Force, to work on improvements
- In Vancouver, the CVB has a program to work with taxi hosts; they provide directions and training, in collaboration with the taxi associations. Cabs can't get licensed unless they pass the class

Regulations and Taxes

- The bed tax is too high; it is very high compared to others around the country. Seattle is not the easiest or cheapest place to get to, and the tax is higher than in San Francisco. We are one of the three cities with the highest bed taxes in the nation
- The rental cars tax rate is 25%. How does that rate compare to other cities?

Transportation Options

- The frustration on the eastside is that there are great winery and outdoor attractions, but no easy way to get there by transit
- Old downtown Issaquah, the Salish Lodge, Woodinville – are all inaccessible unless the visitor rents a car; there is no public transportation to those locations or to other regional attractions
- Van tours are an opportunity to provide transportation service to these areas
- Snoqualmie Falls gets a few organized tours, but no one is doing tours to Snohomish for antiquing
- Buses stop running from Seattle to Bellevue relatively early in the evening, it is hard to keep restaurants open on the eastside if employees can't get home after midnight
- Expanding transit hours and service is in the interest of not just tourists and tourism, but people living here too

Liquor Regulations

- The State's liquor laws have been on the books since Prohibition
- The difficulties are many. They range from restrictions on the number of tasting rooms a winery can have, to issues in retail and restaurant establishments
- Liquor and shipping restrictions around the country are also a problem; every state is left to its own devices to establish regulations. There is little consistency across states about shipping wine into various states; often people can't buy wine here and ship it back home
- We can't keep building up the "whole wine experience" only to frustrate people because they can't take their wine home
- It would be great if hotels and tour companies could offer proper wine storage capacity, and provide proper handing of wine before it is shipped or taken home
- In one example of over-regulation, cooking classes that included pairings with wines were shut down. They were told that this service needs to be hosted at restaurants
- We will soon run out of liquor licenses for the entire State – that is a major problem
- Oregon and California do a better job with their regulations, partly because Washington is a "controlled state," while California is not controlled by a state liquor board
- A Washington winery can't even list restaurants that carry their wine
- It is important for us to be educated about what is happening in other states, and appeal to our legislators for improvements and a better business climate
- Here's some of the reasoning behind all the regulations – the issue for the Legislature is not wanting to encourage behavior that leads to more drunk drivers on the road. Statistics demonstrate that the stricter the control of the state, the lower the DUI and accident rates

STRATEGIC CLUSTER MAP

Carla Murray and Bill McSherry lead a discussion about the preliminary draft of the Tourism and Visitor Industry Strategic Cluster Map. The Working Group members suggested many additions to the existing categories and identified several new categories. The map will be revised to incorporate those changes.

ROUNDTABLE COMMENTS

At the conclusion of the meeting, Working Group members provided the following comments and questions:

- I didn't get the opportunity to attend the last meeting, but I thoroughly enjoyed today's conversation. I think we honed in on the right things and it is exciting to see the leadership come together on this issue; it is exciting to be part of this group. There is a lot of work to do, especially on the legislator front, they just see us as a hotel business with deep pockets, when we are really about taking care of people, and creating jobs, and small businesses. A lot of education is needed in Olympia, let's continue the dialogue
- This is my first meeting, and I appreciate the preplanning. This is extremely important for us as we think broadly about tourism and visitors, and focus on ways to help clients to make their conventions successful and easy for delegates
- Excellent meeting, love the work
- I am looking forward to the next meeting, to start to see what might be our outcome, where this is all heading
- Good meeting, I'm excited to see what we will do
- I would like information on the expansions in the region like PACE and Husky Stadium
- I would like to stress what was said about cooperation with Portland and Vancouver. When Americans go to Europe; their likeliest path is into London and out of Paris. We need something that would bring in people, like two countries for the price of one. I also want to echo that there should be no "off-season" or "low season" but we should have a "cultural season." For example, if arts are our strengths we could bundle performances with September wine and October microbrews
- This was my first meeting,; I enjoyed the interactions and am looking forward to the next meeting
- We need to address border crossing issues and the perception of border crossing issues. The biggest part of our business is small businesses, fishing charters and river rafting in Snohomish County. We need think about how to incorporate and support the small businesses
- This continues to be a good process. Through this process we should think about assessing and amalgamating aviation tourism into a destination product and conscious marketing direction. This is an opportunity too for the region to stand out
- Vancouver, Seattle, and Portland could be packaged into a beautiful trip with Amtrak. The Mariners hosted a wildly successful needle point/knitters event; we should get Boomer generation knitters to come to the region in January, February, and March
- Did we try to get anyone from tribes on the Working Group? Yes, Mel Sheldon and Susie Sourwine, are involved; there are also a few groups that we are keeping in the loop off-line, like labor
- I wasn't sure how my area and background fit into this process; today's discussion helped me see that there is a fit. Film and music is a gold mine, we have the largest film festival in the world and Sub Pop is celebrating its 20th anniversary. We've never been seen as a partner before in tourism, so its great that this is happening

- The biggest challenge for golf tourism and travel is that people think the weather here is atrocious. I am excited to hear what comes out of the branding discussion in terms of breaking down the rain stereotype
- Sometimes there is a tendency to focus on the legislature; the people in this room need the will and the vision to grab people and get things done, go after the low hanging fruit
- I want to underscore the role of the arts in the fall and winter; arts can work with tourism and conventions. There should be some great ways we can work together
- I feel really encouraged that there will be a force that could help the arts push through. If there were a body behind it, then marketing and programming efforts to attract tourists could happen, especially If we can make a case that programming would draw tourists
- It is great that the PSRC has taken the initiative to bring a diverse group of people together. There are a lot more linkages across visitors and tourism than we might have been aware of. Also, the better we can understand the countervailing rationales against tourism, the better we will be at identifying early or easy wins, and gaining momentum
- I believe that our opportunities are to take on projects that we can win, and where we can have an impact. We don't have to rely on others to provide us with data or funding

Summary and Next Steps

In closing, Bill McSherry made the following comments:

Thank you for showing up and staying actively engaged. I am feeling energized by the process, and I am hoping we can share that around the room. If you aren't sure about how you fit in this process please call the project management team, and lets talk. We want to make sure that your time is well spent here.

Our goal is 3-7 action strategies that we can work on as a coalition. Some actions will be legislative and non-legislative; we will have success if we do what is in our power, rather than thinking about the universe of action items or what the State can do for us. There is likely to be a mix of small and larger action items, things, with the small actions getting the ball rolling and showing what we can accomplish. Also, this needs to be a grassroots effort, it is about the support for this work that exists outside this room. So talk to as many people as you can about work we're doing and about potential projects

Next Meeting: September 10. Our next meeting with be at McCaw Hall, where we will start to identify the 3-7 action items, including key evaluation criteria and who will work on each strategy. There will probably be a sign-up sheet and some off-line work to develop the strategies. So please come to the next meeting because it will be very important. Plan to make sure the projects you want to work on are on the table and you are volunteering to work on them. Thank you all, great meeting. We'll be in touch by email, enjoy the rest of summer.