

Approved March 4, 1992
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./~~p.m.~~ on March 3, 19⁹² in room 123-S of the Capitol.

All members were present except:

Senator Bill Brady (Excused)
Senator Janice McClure (Excused)

Committee staff present:

Lynne Holt, Legislative Research Department
Bill Edds, Revisor of Statutes' Office
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Laura Nicholl, Secretary, Kansas Department of Commerce
Dr. David Edgell, U. S. Department of Commerce

Laura Nicholl introduced Dr. David Edgell and described his background, experience, education and qualifications.

Dr. David Edgell spoke on the travel and tourism industry and the work of the United States Travel and Tourism Administration, gave an analysis of the international marketplace for tourism and commented on tourism opportunities for Kansas (Attachment 1). Dr. Edgell described the importance of tourism in the world economy and in the United States economy. He discussed new trends in tourism, especially rural tourism, and how this provides a real opportunity for the "heartland" area of the U.S. He detailed the benefits of international tourism and noted that the international visitor spends six times more than the domestic visitor and that these dollars are "fresh currency". Dr. Edgell discussed the interest in recreational facilities by international visitors, particularly hunting and fishing opportunities. He mentioned that Kansas has experienced the largest percentage increase in international tourism between 1985 and 1990.

In response to questions from Senator Petty, Dr. Edgell described coordination efforts between his agency and other federal agencies to maximize tourism efforts. Chairman Kerr asked about the impediment of transportation in developing international tourism in Kansas. Dr. Edgell advised that efforts are underway to get more international flights into the midwest area and originating tours at airports. Answering questions from Senator Feleciano about the most effective use of funds for tourism promotion, Dr. Edgell said that international visitors will visit more than one state so states with small budgets receive greatest benefit when a regional concept is utilized. Senator Feleciano asked about areas of weakness, and Dr. Edgell responded that one of Kansas' strengths is the friendliness of the people but it is important to further this welcoming atmosphere by accommodating needs of international visitors such as language, foods and signage.

The Committee was also provided with a letter from Charles Krider concerning estimates of costs of obtaining base-line tourism data (Attachment 2).

Senator Moran moved that the minutes of the February 26, 1992 meeting be approved. Senator Petty seconded the motion, and the motion carried.

The meeting was adjourned at 9:00. The next meeting of the Committee will be Wednesday, March 4, 1992.

TESTIMONY

DAVID L. EDGELL, SR., Ph.D.
SENIOR EXECUTIVE DIRECTOR
OFFICE OF POLICY AND PLANNING
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

ON PRINCIPLES OF TOURISM DEVELOPMENT,
ORGANIZATION AND ADMINISTRATION AND
MARKETING FOR ECONOMIC SUCCESS

BEFORE THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
OF THE STATE OF KANSAS

MARCH 3, 1992
TOPEKA, KANSAS

Attachment 1
3/3/92
Sen. Eco. Dev.

Mr. Chairman, and members of the Committee, it is an honor and privilege for me to have this opportunity to appear before you to describe some of the broad aspects of the Nation's travel and tourism industry, to bring you up to date on the work of the United States Travel and Tourism Administration (USTTA), to present a brief analysis of the international marketplace for tourism, and to offer my comments on what I believe to be special tourism opportunities for the State of Kansas.

Before I address these issues, I would like to take this opportunity, Mr. Chairman, to thank you for your commitment to the thoughtful interest of tourism policy through the holding of this hearing. I believe that for the most part tourism is an under utilized economic development tool---the economic significance of which will be more clearly realized by all of us well before the year 2000.

As a preface to my remarks on international tourism, let me suggest for all of us interested in tourism: that we not refer to tourists from other countries as being "foreigners." Rather, let us refer to them as what they are: our "international" guests. After all, it was Homer, in The Odyssey, in the 9th century B.C. who said that (quote): "A guest never forgets the host who had treated him kindly" (unquote); a good 20th century tourism philosophy in my opinion.

TRAVEL AND TOURISM IN THE WORLD ECONOMY

Today tourism is indeed an activity of considerable economic importance throughout the entire world. This growing significance of tourism as a source of income and employment, and as a major factor in the balance of payments for many countries, has been attracting increasing attention from national government, regional, state and local authorities, and others with an interest in economic development. A few brief statements compiled by the World Travel and Tourism Council and the World Tourism Organization suggest the importance of tourism from a worldwide perspective:

- o Travel & Tourism is the world's largest industry and a major contributor to global economic development.
- o Travel & Tourism (domestic and international travel expenditures) generates more than \$2.5 trillion in gross output revenues, which is about 5.5% of the World's Gross National Product.
- o Travel & Tourism employs more than 112 million people worldwide, or about 1 in 15 employees.

- o Travel & Tourism invests more than \$350 billion a year in new facilities and capital equipment, or 7.3% of worldwide capital investment.
- o Travel & Tourism contributes \$300 billion in direct, indirect, and personal taxes each year, more than 6% of total tax payments.
- o Travel & Tourism provides more than \$278 billion in world trade receipts.
- o Travel & Tourism is growing faster than the world economy in terms of output, value added, capital investment, and employment.

TRAVEL AND TOURISM IN THE UNITED STATES ECONOMY

Probably no country in the world has a greater comparative advantage in tourism than the United States. Tourism is an important source of income, foreign exchange receipts, and employment for the United States. The following facts illustrate how the travel and tourism industry impacts on the U.S. economy:

- o In the United States the tourism industry is currently the third largest industry behind auto sales and food sales, and the second largest industry in terms of employment behind health services.
- o The tourism industry in the United States includes 15 inter-related businesses, from lodging establishments, airlines and restaurants to car rental firms, travel agencies and tour wholesale companies.
- o Domestic and international travelers spent \$338 billion in 1991 in the United States on air, bus, taxi, cruise ships, and rail travel; hotel and motel accommodations; camping; food and drink; retail purchases; and amusement and recreation services. That amounted to 6 percent of the Gross National Product.
- o Total tourism in the United States supports almost six million jobs, a payroll of over \$80 billion and federal, state and local taxes of about \$45 billion.
- o Travel and Tourism ranks as the first, second or third largest employer in 37 states; it is the number one employer in 13 states. The industry leads the nation in terms of employment of women and minorities.

- o International travel to the United States showed substantial increases for the sixth consecutive year, with more than 42.1 million arrivals in 1991, up 8 percent over 1990 (in spite of the Gulf crisis). This continues the recent growth cycle in international travel to the United States which has increased by 61 percent in the last 5 years.
- o Expenditures by international travelers on travel services in the United States in 1991 reached \$59 billion (including international payments to U.S. carriers), up more than 10 percent from 1990. Such expenditures are critical in reducing the U.S. trade deficit.

NEW TRENDS IN TOURISM

A growing segment of the U.S. travel industry is not only new to the international market; it is new to tourism. As rural areas have struggled to diversify their economies and owners of family farms have sought new sources of income, a new kind of tourism entrepreneur has entered the market, offering bed and breakfast inns, farm vacations and recreational opportunities such as hunting, fishing, hiking, horseback riding, and camping.

These rural entrepreneurs are emerging at a time when the market is changing: (1) seven out of every ten international visitors to the U.S. are repeat visitors, and many repeat visitors wish to travel beyond the traditional "gateway" cities or favored destinations into the U.S. interior; (2) the U.S. international visitor mix is rapidly changing; a higher proportion of visitors are originating from emergent markets, as for example, East and South Asia and, because of cultural and linguistic differences, are demanding very different travel-related services than visitors from more traditional markets in North America and Western Europe; and (3) recent travel surveys show a decided interest by overseas visitors in "touring the countryside."

Tourism is one of the United States largest exports in terms of dollars brought into the U.S. economy. It is the largest business services export and the second largest export overall, ranking only behind the machinery and transport equipment sector. It is considerably larger than agricultural exports traditionally one of the major exports for the United States.

Since 1989, international visitors have spent more in the U.S. than U.S. citizens spent abroad. While the United States had a trade in tourism deficit of \$9.8 billion in 1985, by 1991 that figure had reversed and we had an estimated surplus of almost \$11 billion. Much of this surplus can be attributed to Canadian and Japanese visitors. Canadians spent \$2.7 billion more in this country than U.S. travelers spent in Canada. Likewise, Japanese visitors spent nearly \$11 billion more here than Americans spent traveling in Japan.

We expect significant growth in international tourism to the United States for the next several years. This growth will provide jobs and economic opportunities. Most experts predict that the rate of growth for tourism around the globe will range between 5 and 10 percent annually. Clearly, with increasing levels of disposable income and leisure time increasing in Asia, Eastern Europe and Latin America, the tourism industry will grow tremendously.

Over the past five years, the United States has ranked first worldwide in international travel receipts. The U.S. garnered nearly 16.5 percent of total international tourism spending globally in 1990. In the world's top tourism destinations, the United States ranks second in international tourist arrivals; this represents over 9 percent market share of all world tourist arrivals.

While the U.S. travel and tourism industry has done well internationally, the international tourism market has grown increasingly competitive. Of the countries which ranked among the world's top 15 tourism earners ten years ago, five are no longer even on the list. Only eight of the countries that ranked among the world's top 15 tourism earners in 1985 have managed to increase their share of the market; four have lost market share; and three have remained about even. Economic factors such as changes in exchange rates played a significant role in the shifts.

So far, the United States remains the world's top international tourism earner, with earnings double the size of our closest competitor. However, dynamic new tourism performers are emerging, especially in the Pacific. Japan and its East Asian neighbors recently have moved into the ranks of the top tourism performers in part due to economic factors such as changes in exchange rates. Ten years ago, the world's top 15 tourism earners included:

- o eleven Western European countries;
- o three North American countries; and
- o one Pacific nation.

The line-up now consists of:

- o seven Western European countries;
- o five Pacific nations (Hong Kong, Korea, Thailand, Australia and Japan); and
- o three North American countries.

Western Europe and North America continue to out-earn the Pacific in terms of total tourism revenue, but the Pacific countries are experiencing faster earnings growth. In fact, in the last five years, the Pacific's top tourism earners have achieved a rate of receipt growth that has been:

- o double the world's;
- o more than double Western Europe's; and
- o almost triple North America's.

Clearly, if this performance continues, we will see a very different "top 15" by the end of the decade.

There is no guarantee that the U.S. tourism industry will be able to maintain its position as the world's number one tourism earning nation. Not only is the competitive environment growing more formidable by the year, the U.S. tourism industry is highly fragmented. It is composed of pieces of industries occupying nearly 30 Standard Industrial Classification categories and comprises more than 1 million enterprises, many of whom are ill-prepared to compete in a global market place.

Most are independent small businesses whose proprietors are unfamiliar with the imperatives and pitfalls of the international market place. Many do not offer a "world class" product; they have neither foreign subsidiaries nor representatives and do not conduct international market research; and they do not have the benefit of corporate strategic plans. Actually, they owe much of their market penetration success in the last six years to the decline in the value of the dollar and, more recently, to the disinclination of residents of this Hemisphere to travel outside the Americas.

As I will discuss later, these small tourism "providers" are some of my agency's most important clients. These are the entities that most need help from the United States Travel and Tourism Administration. Many are located right here in Kansas.

Given this intensely competitive world environment, I would now like to discuss what my agency is doing to help develop and promote tourism to the United States---and particularly to under utilized areas and destinations.

INTERNATIONAL TOURISM DEVELOPMENT AND PROMOTION

As the national tourism office of the United States, the United States Travel and Tourism Administration represents and supports all parts of the U.S. tourism industry: states, regions, cities, rural areas, private sector companies and public nonprofit organizations. In doing so, we attempt to bring to bear, in the

highest potential international travel markets, this country's very best tourism offerings--mixtures of the highly popular and well-known and the lesser-known, less-visited, but still tremendously rewarding, destinations and services.

Most of this work is done through our offices in Canada, Mexico, Japan, the United Kingdom, France, Germany, the Netherlands, Italy, Australia and our South American office located in Miami. These are the official U.S. Government travel offices that support the travel trade by serving as the "eyes and ears" for the industry, gathering market data and intelligence and facilitating entry to market of states, cities, rural areas, regions, and companies trying to become involved internationally.

The way we "market" the United States remains the same whether the area being promoted is highly utilized or under utilized. But bringing under utilized areas to market receives considerable attention from us because those areas need our technical assistance the most. Further, under utilized areas are potential destinations for many of our repeat visitors who, after seeing our prize destinations on earlier visits, want to see "the real America" which is often "rural America."

However, in promoting under utilized areas, we cannot ignore the incredible drawing power of the better known destinations and tourism services in this country, particularly for potential first-time visitors to our shores. Nor can we ignore the tourism infrastructure built around these popular cities, attractions, and services. Indeed, we must use these popular destinations to their maximum advantage in the international marketplace, both as tourism magnets and delivery systems. Accordingly, we must strategically use linkage--linkage between the "haves" and "need mores." By connecting the sectors of this industry which need proportionately more assistance with those already well-established, we assist both in benefitting from the growing inbound market.

This strategy is embodied in the concept of "regionalism." We encourage states, cities, and private sector components to band together as regional coalitions in their international marketing efforts. The reasons and benefits are impressive:

- o Organizations which alone cannot effectively market their products and services abroad can do so, as part of a larger regional group; enabling greater participation in marketing efforts by firms and organizations which would or could not otherwise get involved;
- o Regionalism provides the means for strengthening the relationship between public and private sector groups;

- o Regionalism facilitates the international promotional effort--providing the international consumer with a consistent, recognizable, and manageable U.S. tourism product. Research clearly shows that tourists from abroad rarely visit only one city, state, or attraction in the U.S.; thus, regional packaging of tourism offerings takes advantage of this buying pattern.
- o Regionalism coordinates and thereby increases the, marketing impact of promotional efforts. My agency, for example, has prepared 2.5 million copies of a special regional brochure, in six foreign languages, "Heart of America" which includes Kansas, Missouri, Oklahoma and Arkansas and which is being utilized to promote this region in our offices abroad.

USTTA actively seeks to work with regional coalitions by providing research, technical planning assistance, and cooperative marketing support in implementing regions' promotional activities in targeted international markets.

An excellent recent example of this assistance concerns the Mississippi River Country (MRC), a special regional organization, comprising the 10 states of Montana, Wisconsin, Illinois, Iowa, Missouri, Arkansas, Kentucky, Tennessee, Mississippi, and Louisiana. We have been working extensively with this organization, providing technical guidance and research in their planning and program development efforts currently targeting a market in which USTTA is well-entrenched--Japan.

Let me briefly describe one of the success stories associated with this project. Our staff in Japan generated a unique promotional project on behalf of the MRC which fits well in the region's overall Japanese marketing plan. Specifically, the Mainichi Shimbun, Japan's third largest national daily newspaper (with a readership of over 10 million or one tenth of Japan's population), was persuaded to produce and publish a 2-page MRC travel supplement--the first such "travel section" of this magnitude in any Japanese newspaper. The supplement will be published sometime in mid-March 1992. With four color pictures and editorial features, this insert will effectively promote the MRC to potential Japanese visitors. Also, we have arranged for a familiarization tour, consisting of three teams of the newspaper's journalists to visit the region in order to develop the editorial content for the supplement. The value of this project is enormous; simply in terms of editorial space value, if purchased as advertising, the product is worth well over \$1.5 million. In terms of impact, USTTA will work with MRC to track and measure the increase in Japanese visitation to the region attributable to this project.

USTTA is actively working with several other regional groups to assist their international travel marketing efforts. These include Foremost West, Travel South, Southeast Tourism Society, New England USA, the Great Lakes States, Visit U.S. West, America's Heartland (which includes Kansas), the Old West Trail Foundation, as well as other, smaller regional groups. Regionalism, we believe, is an excellent vehicle for effective and efficient travel promotion, particularly in the international marketplace. And the prime beneficiaries are those states and destinations not immediately recognized as the best known or most popular destinations.

Before I continue, I would like to address a misconception that some have about USTTA. Our activities are structured to avoid duplicating the work of the tourism private sector and we do not expend scarce resources on subsidizing the promotional activities of the large business sector component of the industry. While we necessarily work hand-in-hand with large airlines and hotel chains in our regional promotions as well as with as many small and medium-sized entities that we can get to participate, the bulk of USTTA's activities is the provision of in-kind services to regions, states, cities, and small and medium-sized companies that do not otherwise have "eyes and ears" overseas and do not have the know-how to enter and compete successfully in international markets.

We have stepped up our work to provide communities and businesses just beginning to incorporate tourism as an economic development tool or seeking to enter international markets, with technical assistance and informational support. For example, we have just expanded our international marketing workshops, co-sponsored with the Travel Industry Association. After a very successful launch of this program with a regional seminar in Memphis, Tennessee in 1990, two such additional workshops were successfully conducted in August 1991 this past year, in Philadelphia and in Anaheim. This year we will again double this educational service by carrying out four international marketing workshops, in Charleston, South Carolina, Dearborn, Michigan, San Antonio, Texas, and Seattle, Washington. These events are designed to provide basic "do's and don'ts" and "how to's" of planning for, entering, and promoting in travel markets abroad. We are gratified by the enthusiastic reaction to these outreach efforts.

Another technical assistance tool worthy of note is the newest edition of Tourism USA--Guidelines for Tourism Development. This planning manual was produced by the University of Missouri for the Department of Commerce as an aid to communities interested in initiating or developing tourism as part of their economic development plan. It has essentially become the tourism development "bible" for hundreds of users throughout the country. In its

most recent edition, it has been expanded to include guidelines for developing international marketing and visitor services for special populations. This manual has proven particularly valuable to rural and ethnic tourism communities.

Additionally, we co-sponsored an important rural tourism economic development training session in cooperation with the University of Minnesota Tourism Center, the Economic Development Administration, the Department of Agriculture and the Small Business Administration. This past November 20, a teleconference on rural tourism development was broadcast to approximately 150 locations throughout the country with more than 4,000 participants. At those locations, hundreds of local government and business officials heard rural tourism experts discuss how to develop and maintain a prosperous tourism industry in their particular rural areas.

One of USTTA's most important new rural development initiatives, in connection with the President's Rural Development Program was announced by the Under Secretary of Commerce for Travel and Tourism on December 3, 1991, when he stated that: "Tourism can play a critical role in revitalizing rural America. Towards that goal, the U.S. Travel and Tourism Administration will organize a "Train the Trainers" rural tourism conference April 22-24, in Kansas City, Missouri." USTTA is currently developing, organizing and preparing for this conference, which will be the beginning phase of a national effort to utilize tourism as an economic development tool in rural areas.

TRAVEL AND TOURISM IN KANSAS

This section of my testimony is an attempt on my part to relate to you my own observations about travel and tourism in Kansas --- with special emphasis on international tourism from my agency's perspective. Before making comments on ways and means that I believe that Kansas can increase its participation in international trade in tourism, I want to compliment the excellent efforts currently underway by the Kansas Department of Commerce and its Travel and Tourism Development Division. This Department has recognized that the global marketplace is where important growth will occur in the 1990s and is developing plans and strategies to better impact on the international marketplace.

The following comments help reinforce the many reasons why Kansas needs to give special focus toward marketing and promoting its tourism products globally.

- o First, the international visitor spends more than six times as much on tourism services as does a domestic visitor from another state. Such visitors buy enormous amounts of locally made products, gifts and souvenirs which stimulate economic benefits for local merchants and businesses in Kansas. Thus Kansas should strive to get its fair share of the international tourism marketplace and think beyond just providing tourism services to helping stimulate tourist purchases of Kansas-made products.
- o Second, such "dollars" from international visitors are "fresh currency" rather than "recycled currency" already in the domestic income stream; hence economists term such expenditures as having a greater multiplier effect on the economy. Kansas and the nation benefit simultaneously from such expenditures because it improves the overall trade balance. These kinds of expenditures also stimulate new demand for a broader range of products and services to accommodate the needs and desires of the international visitor.
- o Third, generally speaking, the taxes paid by international visitors on tourism services yield a higher benefit to the state and nation because such visitors utilize only a limited amount of the services paid for by such taxes. The international visitor is a very "temporary" resident who spends large amounts of money and then leaves. The taxes they pay benefit the State of Kansas directly and indirectly.
- o Fourth, international tourism expenditures contribute to the creation of jobs and, over the past decade, expenditures on tourism services have directly generated more jobs than any other industry sector except health services. The jobs often provide special opportunities for minority groups or disadvantaged rural areas. Such job creation is critical to Kansas and the Nation.
- o Fifth, international visitors seek variety and flexibility in their tourism products. This year, Kansas has a unique opportunity to lay out the welcome mat to international visitors by supporting a variety of tourism products and services being promoted through Kansas City's participation in Expo '92, the world's fair in Seville, Spain. Kansas should be up front in marketing its tourism product to the ten million international visitors who will be exposed to America's heartland during Expo '92 (SEE ATTACHMENT A).
- o Sixth, it is estimated that more than one million enterprises are involved in travel-related businesses in the

United States, of which 98 percent can be classified as small, such as travel agencies, family-owned motels, restaurants, amusement areas, and souvenir gift and other retail establishments all of which are important to the Kansas economy.

- o Seventh, tourism plays an important role in economic development, stimulating improvements in roads, transportation systems, agriculture, food processing, construction and so fourth. For example, the more international tourists who visit the United States, regardless of whether or not they specifically visit Kansas, they eat bread from Kansas wheat, Kansas beef, fly on airplanes made in Wichita, and on and on.
- o Eighth, the local benefits from tourism are usually in such categories as employment, income, diversification of economic base, tax revenues, visibility, and/or cultural benefits. In brief, tourism properly developed can add greatly to the quality of life in a local community. There are numerous recent examples of this phenomenon happening throughout Kansas.
- o Ninth, most recent surveys have indicated a strong desire by international visitors to travel to areas with good recreational facilities, rural areas and a clean environment. Kansas fits this profile perfectly.
- o Tenth, there is considerable interest by international visitors, particularly those who are repeat visitors, in seeing "real America" or "rural America." Usually on his or her first or second trip to the United States they have likely gone to the big cities or well known attractions, but during repeat visits (and 76 percent of the international visitors are repeats), they want to visit the interior, wide open spaces, frontier West; in brief, the very kind of tourism product that Kansas does offer and can readily expand.

The above comments merely illustrate a very few of the potential opportunities for increasing visitation to Kansas and why Kansas should seek to increase its share of international visitors. This analysis suggests that Kansas needs to "think globally" and "act locally". In other words, Kansas should play an important and active role in local, state, regional and national efforts to market and promote its tourism product in the international marketplace.

Now I would like to take a moment to concentrate on some of the very positive avenues which Kansas has already taken to make the general public and potential tourists aware of the wonderful

tourism opportunities in the State of Kansas. These comments are limited to only what I have seen or heard about and reflect information I began to collect on Kansas after my initial trip to Fort Scott, Kansas in 1990. The purpose of my trip at that time was to support the impressive rural tourism initiative taken by Fort Scott through the preservation, restoration, development and marketing of this interesting area in Kansas. (As reference to this testimony, a copy of Business America, November 5, 1990 is included as ATTACHMENT B). I have tried to describe this impressive record in chronological order with some brief comments about each article.

1. "How One Kansas Town Used Tourism To Revitalize Its Economic Base", Business America, November 5, 1990. An excellent commentary on the rural tourism success story of Fort Scott, Kansas. Parts of this article were reprinted nationally and internationally.
2. "A Resurgence in Rural Trips for Rest and Relaxation," USA Today, January 24, 1991. Article focuses on the desire of international visitors to "get off the beaten path" and explore the countryside and rural areas. Special mention of Fort Scott, Kansas with a photo of the Fort was included in the article.
3. "Fort Scott Lures Visitors with its Past", The Kansas City Star, May 27, 1991. Special story on Fort Scott, Kansas as a popular new destination. Interesting commentary on how Fort Scott markets its tourism product on a "shoestring" budget.
4. "A Meca Called Kansas", Adweek's Marketing Week, June 3, 1991. Cites the fact that the United States Travel and Tourism Administration announced that international tourism to Kansas jumped 213 percent between 1985 and 1990, the biggest increase of any state.
5. "Suddenly, the U.S. is Everybody's Oyster", Business Week, July 15, 1991. An interesting commentary on the large increase of international visitors to the United States and specific reference to Kansas as a fast-growing destination for international tourists.
6. "Tourists from Abroad Discover Mid-America", The New York Times, October 20, 1991. Excellent article pointing out that repeat international visitors (76 percent of total) are travelling to places with the Old West flavor, for example, Dodge City, Kansas.

7. In early 1992 there was an interesting series of articles by The Capital-Journal pointing out that international travelers specifically cite the friendliness of Kansans, that Kansas needs to be even more cognizant of the importance of the special needs of international visitors and a special commentary on new efforts by Kansas in rural tourism.

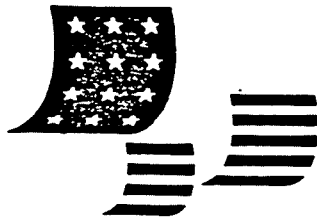
CONCLUSION

In conclusion, I would simply like to say that not only is my agency pleased with our current working relationship in tourism with the Kansas Department of Commerce and its Travel and Tourism

Development Division but look forward to even closer cooperation in the future. Secretary of Commerce Laura Nicholl provides unusually dynamic leadership in this effort and I am honored to have the opportunity to work with her and her very able Travel and Tourism Director, Greg Gilstrap. My agency is committed to working with states, local communities and the private sector. I believe that Kansas offers a great opportunity for tourism development and marketing and through individual and cooperative efforts with USTTA, Kansas will be the recipient of increases in employment and economic and social benefits through tourism. In summary, in my opinion, Kansas is like a secret hideaway just waiting to be discovered and I believe now is the time to release the tourism secrets of Kansas and let the world know more about this beautiful and progressive state and her serious commitments towards tourism development.

"The opportunities that international travel and tourism provide for developing greater national and international understanding and goodwill cannot be measured, but tourism can develop the international context leading to a reduction of international tension, and in so doing develop an avenue for friendship and respect among nations. In brief, tourism can provide the moral and intellectual basis for international understanding and interdependence. Tourism policy must chart the course so that international leaders will recognize that tourism is an important tool leading toward a higher quality life for mankind."

(Quote from the book: International Tourism Policy, by David L. Edgell, Sr., Ph.D. as published by Van Nostrand Reinhold, New York, 1991)

Expo '92 *continued*

Expo '92 is a Special Welcome Mat to the Heart of America

*By David L. Edgell, Sr., U.S. Travel and Tourism Administration
Robert MacGregor, Chairman, Seville Sister City Association
and Jody Edgerton, President, Expo '92 Kansas City/Seville*

Kansas City, Missouri, is like a bottle of vintage champagne just waiting to be uncorked. And Kansas City's participation in Expo '92 is just the event to release that cork and to let the world know about this beautiful and progressive city. Expo '92 will be the biggest, most broadly representative world's fair of all time, and Kansas City will be the only U.S. city with its own display at the U.S. Pavilion. This attractive city, which represents "authentic Americana," has been America's best kept secret. Expo '92 will provide Kansas City with a rich opportunity to showcase its very European character, with Spanish architecture, Roman fountains, and broad boulevards that could be in Paris. Its special relationship with Seville, Spain, and its entry into the global marketplace of trade, investment, tourism, and culture through participation in Expo '92, is an important story that needs to be told.

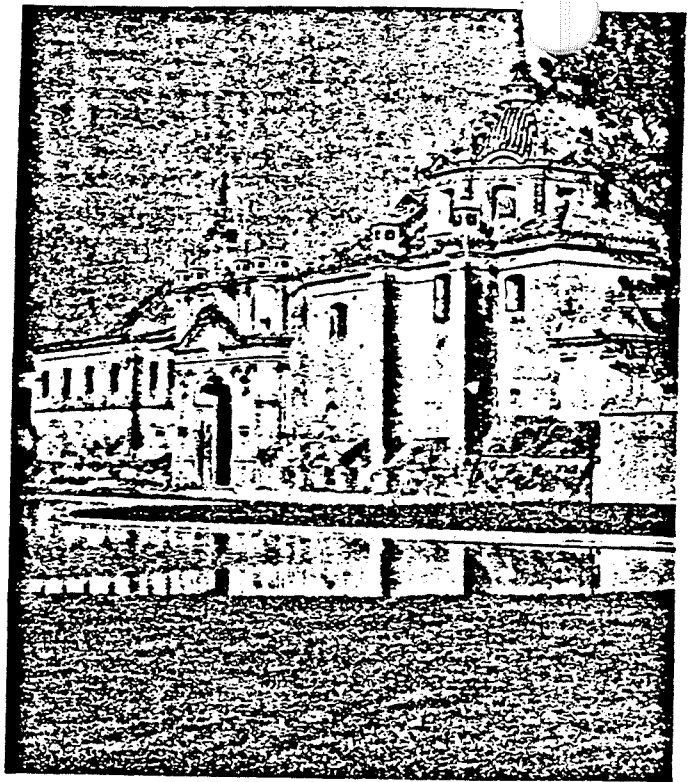
For centuries, Seville, Spain remained the Spanish city known for Christopher Columbus' departure port, as well as for Don Juan and the Barber of Seville. Then,

in 1922, a man by the name of Jesse Clyde Nichols gave Seville something more—a sister. After many trips to Europe, Nichols brought a bit of Seville back to the Kansas City area. There he built a social gathering place called the Country Club Plaza. It has shops, restaurants, statues, fountains, and a special friendly ambience. This architectural masterpiece made history as the world's first mall. It was completely fashioned after Sevillian/Moorish architecture. With its red tile roofs, ceramic, stucco, and brick walls, the Country Club Plaza imparts such a precise image of Seville, that Nichols, and then-Mayor Davis of Kansas City, decided to form a sisterhood alliance with Seville. Thus the Kansas City-Seville sister city relationship was born. Expo '92 also recreates opportunities to nurture and sustain the special friendship existing between Kansas City and Seville while simultaneously adding to the economic development of America's Heartland.

In 1992 Seville, Spain will be hosting the Universal Exposition, "The Age of Discoveries," from April 20

Pictured studying the latest documents for Kansas City's participation in Expo '92 are, from left, Robert MacGregor, Chairman, Seville Sister City Association; David L. Edgell, Sr., United States Travel and Tourism Administration; and Emanuel Cleaver, Mayor, Kansas City, Missouri.





The view at left of The Plaza neighborhood of Kansas City illustrates the European flavor of the city and the similarity of its architecture with that of Seville, Spain, above.

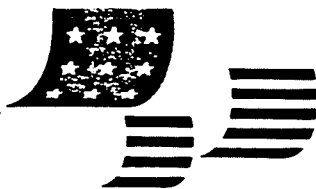
to Oct. 12. More than 100 nations will have pavilions in Seville presenting their historic, current, and future innovations. The U.S. Pavilion, one of the largest, will have a 750-seat movie theater and a performing arts stage, and provide opportunities for exhibits from the country's many states, all supporting its theme of "Discovery." For Kansas City, as a special part of the U.S. Pavilion, Expo '92 will bring new international attention to America's Heartland and create an invaluable network of contacts for future cooperation. This recognition will heighten the awareness of visitors to the Fair about the Heartland so that this region will be perceived as a viable market for trade, tourism, and investment.

In addition to its exhibit in Seville, Kansas City will be holding its own promotion at home called "Discover Kansas City." This festival will run concurrently with the exposition in Spain. In both Seville and Kansas City it will be hard for tourists not to notice their sibling connection. At the Seville Expo, 40 million visitors will walk down the main road named "Avenida de Kansas City." An estimated 10 million of them will see the Kansas City exhibit in the U.S. Pavilion. Both festivals promise to be filled with exciting events promoting business and tourism in Kansas City. After the Seville Exposition is over in October, the Kansas City Exhibit in the U.S. Pavilion will be brought back to Kansas City and placed in a centrally located area as a permanent tourist information center.

Coastal cities such as Los Angeles and New York have long been global business centers, and Kansas City is ready to become their midwest partner. By presenting its attractive cultural and commercial qualities at the exposition, Kansas City hopes to strengthen existing relationships with foreign nations while enticing other countries to have ties with Kansas City.

Through Expo '92, Kansas City can demonstrate to the world its economic, political, and social stability and offer a comfortable midwestern style to draw tourists and business persons to the Heartland. Kansas City has the charm of Europe because of its magnificent plazas, parks, and fountains, yet maintains its true American feeling. Kansas City offers a variety of exciting cultural experiences: from its famous jazz, to its magnificent zoo; from its world-class sporting events, to its architecture; and from its exciting festivals to its excellent educational institutions. In addition, products and services in Kansas City are very inexpensive for international tourists because of the deflated U.S. dollar, making shopping and staying in hotels a real value. The Kansas City airport is also being renovated in order to provide quality service as a major airline hub.

Products donated for the Kansas City exhibit will help increase business between the United States and Spain, thus bringing the two countries closer together. When conducting business the United States and Spain



will be trading products, services, currency, and in turn cause better government relations. Supporters can receive future business prospects from the publicity of their product or service in the expositions both nationally and internationally. Business that companies gain can be handled in Kansas City, a centrally located, easily accessible, economically reasonable, and exciting city, rather than in the more traditional locations. Investors will receive a number of benefits, including use of the Sprint Video Teleconferencing Center, which features a state-of-the-art conferencing system. Companies will be invited to join celebrities and dignitaries at a number of events such as the opening and closing day celebrations, National Day, and the Fourth of July celebration. Supporters may also have use of the Commissioner General's lounge, sponsored by Coca-Cola, a quiet retreat well suited for entertaining special guests. Finally, companies that invest in the Kansas City exhibit will receive use of the U.S. Pavilion logo for certain advertisement and promotion of their product.

In conclusion, the story of Kansas City's involvement in the international marketplace through Expo '92 would not be possible without the special charm of the city, its futuristic outlook, and its friendly people. In the 1990s the city will host many world-class events such as the 1991 U.S. Davis Cup tennis matches, the Expo '92 festivals, special international art exhibits, and, if selected, World Cup Soccer Matches. Such efforts will be rewarded as Kansas City begins to increase its share of the multi-billion-dollar global tourism market. And finally, through Expo '92 Kansas City will leave the visitors with the perception that this city and the Heartland region is a viable market for trade, tourism, and investment, and that Kansas City is a center of educational excellence and ultimately provides a quality place to live and work.

For information, contact Jody Edgerton, President, Expo '92 Kansas City/Seville, 7600 W. 110th St., Suite 100, Overland Park, Kansas 66210; tel. (913) 338-4100; fax (913) 451-1507.

Hilton Targets Japanese Tourists

The United States Travel and Tourism Administration (USTTA) has just announced final figures for U.S.-Japan travel in 1990 and the first quarter of 1991. These data show that Japanese spent \$10.5 billion on tourism in the United States and that Americans spent \$2.6 billion on tourism in Japan, yielding a favorable travel balance for the United States of almost \$8 billion. For the first quarter of 1991, total tourism receipts from Japan were \$2.6 billion, with total U.S. tourism payments to Japan of \$586 million, resulting in a favorable U.S. travel balance of \$2.0 billion. These statistics indicate why USTTA has been working vigorously with the various U.S. tourism components, especially with hoteliers, to further increase their efforts in the Japanese marketplace. As is indicated in the following paragraphs, one of the U.S. hoteliers has made dramatic new progress in encouraging Japanese travel to the United States.

More than 25 Hilton executives representing 16 key hotel properties and the company's Beverly Hills headquarters just returned from an intensive, four-day sales initiative in Japan.

The tour, designed to meet the needs of Japanese travelers, covered Osaka and Tokyo and was geared toward Japanese-based travel wholesalers. The itinerary featured more than 30 appointments, each allowing participants to focus on specific properties and ask questions of U.S.-based Hilton management on a one-on-one basis. Hilton planned the activities in conjunction with its Japanese-based operations, patterned after a similar venture last year.

"Hilton has always taken every step to understand and cater to its guests' needs," said Brian Stevens, the company's vice president of sales. "However, the time has come when that 'extra step' is literally half-way around the world. Japanese-based travelers play an increasingly vital role in the U.S. travel industry, both from a business and leisure perspective. As the Japanese visit more U.S. destinations, both on an individual and group basis, it has become essential that we offer them the personal touches they expect from Hilton."

One survey conducted for *Nihon Keizai Shimbun*, a leading Japanese business newspaper, revealed that Japanese business travelers consider "reliability" among the most important factors in making travel decisions. The same survey ranked Hilton at the top of six evaluation categories, including "name recognition," "have stayed there overseas," and "would like to stay there."

Properties participating in the tour included The Waldorf-Astoria, Hilton Hawaiian Village, the Chicago Hilton & Towers, Hotel Conrad Hong Kong, Anaheim Hilton & Towers, San Francisco Hilton on Hilton Square, the Las Vegas Hilton, and Hotel Conrad & Jupiters Casino in Queensland, Australia.

How One Kansas Town Used Tourism To Revitalize Its Economic Base

By David L. Edgell
U.S. Travel and Tourism Administration
and
Mary Lynn Cartwright
Area Chamber of Commerce, Fort Scott, Kansas

A year ago if one had mentioned Fort Scott, Kansas, as an international tour destination, there would have been general disbelief. But today, Antonio Terracciano, a major Italian tour operator, is preparing special promotions to bring international tours to this historic rural town.

Terracciano believes that many repeat visitors who have already visited urban America now want to see the "real America" or "rural America," and experience the authenticity which exists in parts of their own countries through historic preservation. He suggests that: "Europeans are interested in true history, not what they have seen represented on TV. They go to Disneyland and San Francisco because they know about those places. Let them know who you are (Fort Scott); they will come if you present a quality experience and authenticity."

Terracciano is not the only European talking about the importance of rural tourism. Peter Keller, head of the Swiss National Tourism Office, says: "'rurality'—proximity to nature and village life—has become a resource which can be capitalized and given commercial value."

Fort Scott's use of tourism as a means of diversifying its economy, and its venture into the international tourism market, offers a lesson for other small towns and rural communities. Today, rural America is looking for a way to revitalize its economic base and to develop industries other than agriculture. Recently, the White House Economic Policy Council's Working Group on Rural Development concluded that "the revitalization of rural America depends upon off-farm employment opportunities, especially in industries such as tourism and retirement living." Rural economic development is suddenly a high priority, and the important role of tourism in the future of rural America is rapidly becoming apparent.

Changing Patterns

The problems that plague rural America today are extensive. Until the 1980s, unemployment rates were consistently higher in urban areas than in rural areas. However, during the 1981-82 recession, rural unemployment rates rose faster and peaked higher than urban unemployment rates.

This was a significant break from past patterns, and

represented a warning flag that fundamental conditions had shifted in rural America. During much of the 1980s, about 400,000 rural residents packed their bags and left rural America each year to seek employment in the cities. Although agriculture remains the most important industry in rural America, it now employs relatively few people, and that trend is likely to continue. Only 400 of America's 2,400 rural counties are now considered "agriculture dependent." Any new lifeblood for rural America will be found primarily in off-farm employment opportunities, especially in industries such as tourism, retirement living, and commercial recreation, which all serve to bring additional income to rural communities.

Last year, recognizing the dire state of rural America and also travel and tourism's potential importance as a tool for rural economic growth and diversification, Congress directed the United States Travel and Tourism Administration (USTTA) to undertake a two-part national study. The purposes of this study were to determine:

- The ways in which small businesses in rural areas can be promoted through travel and tourism; and
- Whether there is a need for federal policy concerning the development and promotion of small businesses in rural communities through travel and tourism, and whether or not there should be a federal program to support such a policy.

USTTA responded to this Congressional directive by retaining a consulting team headed by the firm Economics Research Associates (ERA) and supported by the University of Missouri and the U.S. Travel Data Center to conduct this study. This extensive and comprehensive inquiry was conducted between April and September 1989. The study team sought out grassroots opinion, conferring with agricultural extension agents, small business owners, and residents of rural America. Among the major conclusions emanating from this study are:

- Yes, there is a need for federal policy on rural tourism; travel and tourism could be an important tool for rural economic revitalization, and it should be an essential component of broader rural economic development strategies; and
- Yes, strategic responses on the part of the federal government are needed if the new policy is to be implemented effectively on behalf of the nation's rural areas.

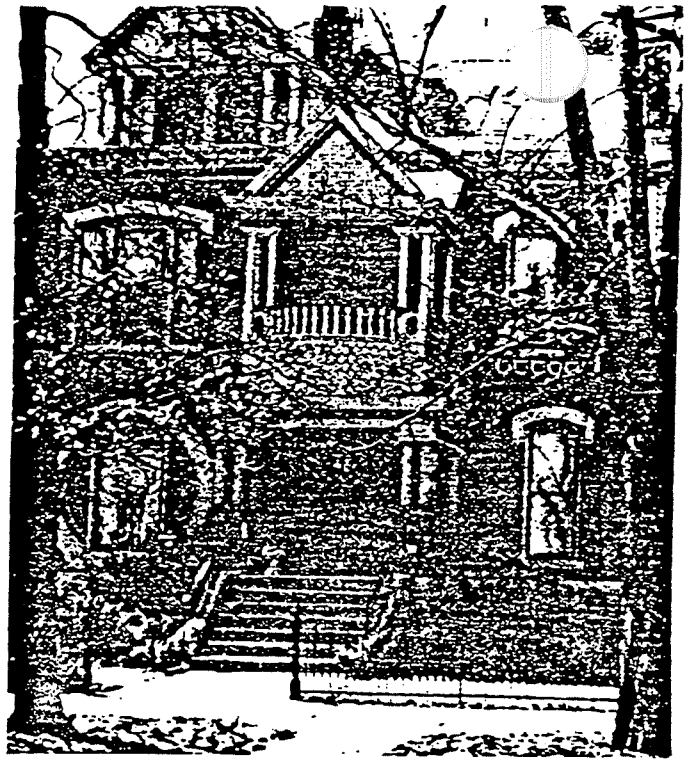
A Presidential Initiative

White House recognition of the importance of tourism as an important policy tool in rural revitalization efforts came on Jan. 22, 1990, when the President ordered implementation of the report on Rural Economic Development for the 90s. Among the important results of this report were the addition of the Secretary of Agriculture as a member of the national interagency Tourism Policy Council chaired by the Secretary of Commerce, and a directive to formulate a national policy on tourism development in rural America. The Presidential initiative calls for a study of the feasibility of siting "tourism development zones" within federal rural enterprise zones to encourage the orderly planning, development, and clustering of necessary tourism services, and to facilitate the establishment of enterprises of high economic impact, such as year-round resorts and retirement communities.

Rural Tourism Competitiveness Initiative

On Aug. 21, 1990, the Secretary of Commerce signed an operational policy statement assigning responsibility for implementing the Department's Rural Tourism Competitiveness Initiative to the interagency Tourism Policy Council which he chairs and the U.S. Travel and Tourism Administration. The objectives of this policy are to: 1) establish a national policy on rural tourism development; 2) improve coordination between federal agencies whose policies and programs affect the competitiveness of tourism-related businesses in rural America; 3) improve the quality and competitiveness of tourism services provided by rural Americans; and 4) determine the viability and competitiveness of rural tourism "enterprise zones."

The concept of rural tourism is not new; what is new is the recent policy focus on rural tourism as an economic development tool in the overall strategic planning for rural revitalization. In many parts of the United States there are numerous success stories which demonstrate the positive results emanating from a concentrated effort in rural tourism development. One such story is Fort Scott, Kansas.

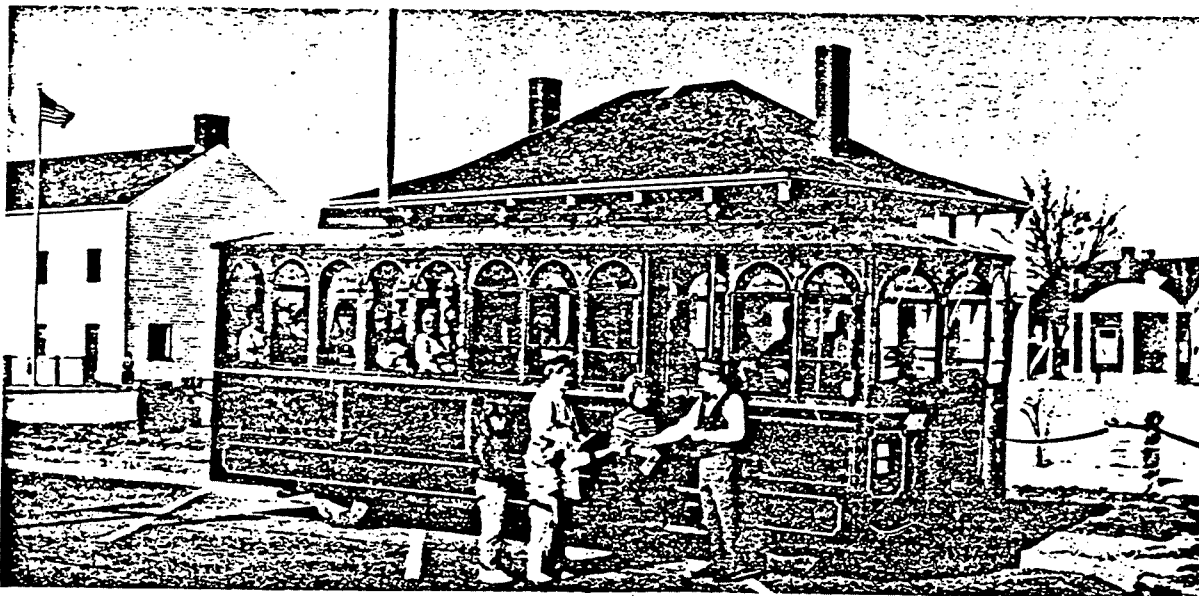


The 1887 home of Kenneth and Charlotte Lunt, with its dark red exterior and lavender, buff, and blue columns, balconies, and turrets, is a popular attraction for tour groups.

A Rural Tourism Success Story

Shortly after the National Policy Conference on Rural Tourism and Small Business Development was held at the Adam's Mark Hotel in Kansas City, Mo., September 1989, a number of new or revitalized initiatives towards rural tourism development were undertaken. One such effort at the local level was a tourism development initiative by the Area Chamber of Commerce and the city of Fort Scott, Kan., a rural town of 8,500. The initiative was partially stimulated by a sense of new direction resulting from the Kansas City conference and by the resurgence of interest in scenic byways.

The initiative taken by Fort Scott was a region-wide approach to economic development through the preservation, restoration, development, and marketing of sites along an old military road which ran through Indian ter-



Purchased in April and donated to the city by Dan Ellis, the "Dolly Trolley" takes visitors past the historic sites of Fort Scott.

territory from Fort Leavenworth, Kan. south to Fort Scott, Kan. This road linked some of the oldest and/or nationally significant sites in Kansas which typify the expansion movement. Much of this rich heritage was lost in the dust of time until recently revitalized as a touristic vision of the old west. The official historian for the Fort Scott National Historic Site researched the military road and documented its route and sites with meticulous attention to maintain historical accuracy. The area Chamber of Commerce of Fort Scott then sponsored state legislation which designated the route of interconnecting modern highways as the "Frontier Military Scenic Byway." The Governor of Kansas recently signed that bill into law.

Fort Scott National Historic Site is a substantially restored 1842 fort which is one of the few remaining forts of the permanent Indian frontier and the only Mexican war era fort in the national park system. The city of Fort Scott was a hotbed of controversy during the turbulent and radical "Bleeding Kansas Period" in the 1850s, and the Fort was the headquarters of the Army of the frontier during the Civil War. It was also a major quartermaster supply depot, recruitment center, training area, and refugee haven. The Army returned to Fort Scott between 1869 and 1873 to settle land disputes during the coming of the railroad. In the 1880s, Fort Scott vied with Kansas City to become the largest railroad center west of the Mississippi.

Today the 17-acre site of the Fort consists of 20 stately buildings interpreting the 1840s period. The city which grew up adjacent to the Fort was a premier city of the frontier. The gracious victorian downtown, and the city's mansions, brick streets, and many other historic sites, give the visitor an extraordinary experience of the 1842-1920 period of our country's western history.

A pristine way of life is preserved in Fort Scott, and the enthusiasm for sharing this historic area is expressed by the open friendliness and graciousness of

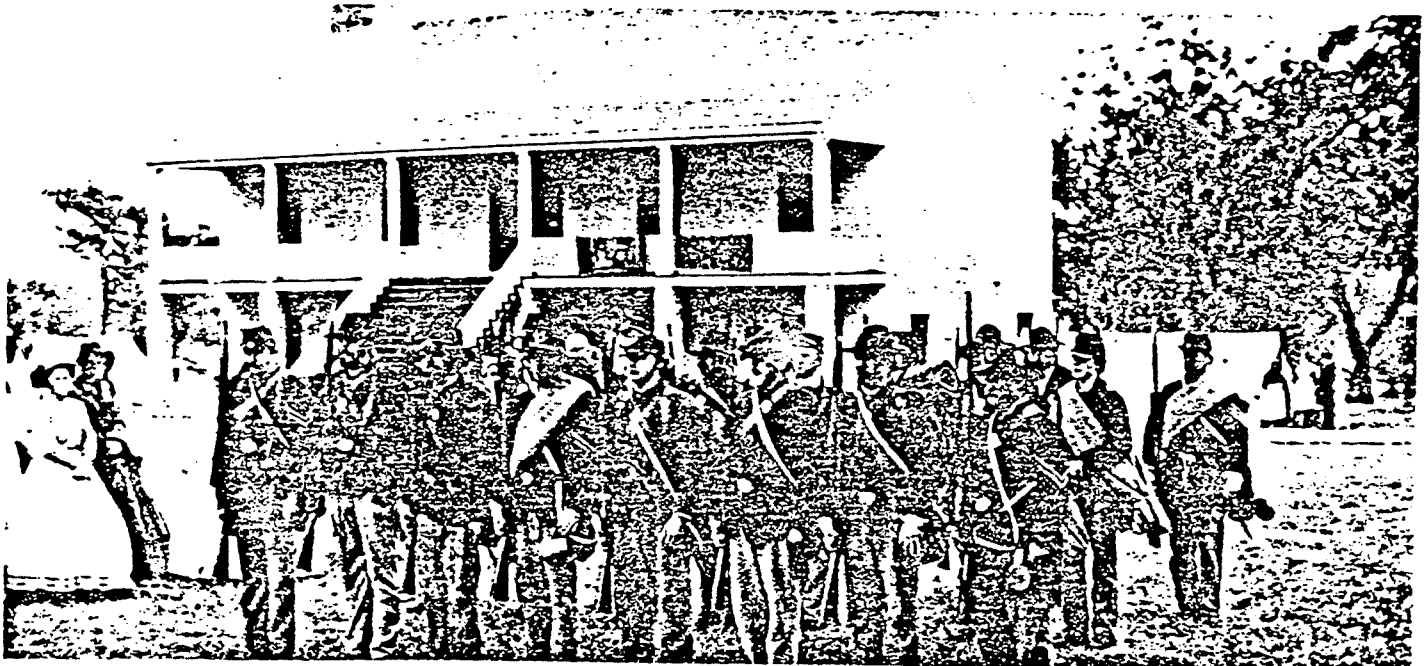
the people. This is an aspect of Fort Scott which is just beginning to be discovered regionally, nationally, and internationally.

The town was recently given a trolley by Dan Ellis (he purchased the \$50,000 trolley with his own money), an entrepreneur who believes that tourism could be big business for Fort Scott. The "Dolly" trolley tours past the Fort, the 1862 National Cemetery (older than Arlington), restored churches, victorian commercial area and mansions, a museum, a one-room schoolhouse, beautiful parks, and an active commercial area. Visitors are invited to join a daily walking tour of the downtown area and then glimpse victorian life of the 1890s in an elegantly restored downtown residence. Using the National Historic Site as a role model, the city strives to preserve its homes, buildings, brick



Arnold Schofield, the Fort Scott historian, shows his dragoon sword to a pair of impressed visitors. Since revitalization of the fort, tourism has increased substantially.

Historical reenactments add to the aura of authenticity at Fort Scott. These are dragoons from the 1840s.





These photos of reenactment ceremonies at Fort Scott depict an Indian ceremony and the Mexican War era.

streets, history, and traditions. The town's events and celebrations seek to recapture an authentic part of its history. The Mountain Man, Frontier, and Indian eras, and the Mexican and Civil War periods, spring to life as reenactors from across the United States portray these periods of American history with a thundering of hooves, roar of the cannon, clash of sabres, and soft glow of the evening campfire at Fort Scott National Historic Site.

The town's festivals and events line the brick streets under the awning-shaded buildings detailed in victorian paint schemes. The three-day Good Ol' Days festival—a recreation of an 1899 street fair—fills the restored downtown with four stages of entertainment, country foods, 200 craft exhibitors, a 19th century children's fair, and a myriad of other events drawn from the town's history.

Nineteenth century farming heritage is portrayed at the fair grounds during the Pioneer Harvest Fiesta. Early steam-powered tractors and engines perform farm chores such as hay baling, cider pressing, sorghum making, and wheat threshing. The celebration also includes a quilt show, arts and crafts fair, and flea market.

A century-and-a-half holiday tradition of hospitality and open houses comes to life by daylight or candlelight, with carolers, festive foods, and sumptuous decorating during the Christmas holiday celebration. The National Historic Site and some of the city's most interesting homes open their doors to guests for a Yuletide celebration. Unique tours and reenactments let the visi-



tor step back in time and experience the Christmas festivities of 1842 to 1890 in Fort Scott.

As a result of these dynamic efforts by the community, the fruits of this labor of love have resulted in dramatic increases in tourism. Fort visitation was up by 18 percent in July and 24 percent in August. The Chamber's visitor center showed a 297 percent increase for the same period.

Tourism is not a panacea, and it may not be an appropriate development strategy for all rural regions or communities. The successful development of a tourism industry is a long-term endeavor; it depends upon planning and the existence of infrastructure, attractions, essential services, management, maintenance, and an accessible market. In the absence of any one of these elements, a rural region may find that tourism is not a cost-effective option, or that other development tools, such as investment in infrastructure and education, must precede the development of tourist attractions and services.

However, when the proper conditions prevail, tourism can be a contributor to rural economic development in other areas just as it is in Fort Scott. Tourism redistributes income throughout the nation, and from foreign countries to U.S. rural communities. Tourism-generated income circulates from hand-to-hand through such communities, and creates and supports jobs, not only in those businesses which directly serve the traveler, but also in firms which supply the local travel industry. Increasingly, this fact is receiving policy-level attention both in Washington and in rural America.

FEB 24

The University of Kansas

Institute for Public Policy
and Business Research

*Copy for
Committee*

February 20, 1992

Senator David Kerr
Chairman, Senate Economic Development Committee
Room 120-S, State Capitol
Topeka, Kansas 66612

Dear Senator Kerr:

After my testimony on the evaluation of programs within the Kansas Department of Commerce (KDOC), you indicated that you were interested in an estimate of the cost of obtaining base-line tourism data.

Because of the costs of gathering such data vary by type of survey and from state-to-state, we have contacted surrounding states -- Arkansas, Iowa, Missouri, Nebraska, and Oklahoma -- to determine what types of tourism data they collect on a regular basis and the approximate cost of their efforts. Overall, we found that all of the states have in-house research capacity for state tourism efforts. Some states gather economic data from key tourism attractions and hotels/motels in the state, in addition to computing an estimate of the dollar impact of tourism on the state's economy.

In specific terms, other types of tourism data collected include:

1. **Visitor Surveys** - All states indicated that they conduct such surveys, with some conducting them annually or at irregular intervals. Costs vary by length of survey, sample size, and whether the survey is processed in-house or by an outside firm. Range is from \$10,000 to \$40,000.
2. **US Travel Data Center** - Three of the five states are members of the Data Center. Cost includes annual membership fees and economic impact data and cost approximately \$20,000.
3. **Conversion Studies** - Four of the five states conduct these studies which follow-up on requests for information and determine impact of literature sent (i.e. did a tourist visit the state as a result of the promotional literature). Range is from \$15,000 to \$36,000.

Senator David Kerr
Page 2

4. **Image Strengths** - One state used this information which is obtained through the Longwood US Travel Survey. Cost is approximately \$36,000.

It is difficult to estimate the cost of collecting the baseline data suggested by Professor Singh, due to the variability in the potential scope of the study, sample size, and most importantly, the firm conducting the survey. It would be safe to assume, however, that it would be significantly more than the figures for conducting visitor surveys.

I hope that this information is helpful. If you have any questions or comments, please feel free to contact me immediately.

Sincerely,



Charles E. Krider
Associate Dean of Academic Affairs,
School of Business
Director of Business Research