

Louisiana Tourism Forecast: 2009-2013

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Louisiana Department of Culture,
Recreation and Tourism

by



THE UNIVERSITY of
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Hospitality Research Center
Defining Tourism Opportunities

and



LSU LOUISIANA STATE UNIVERSITY
Division of Economic Development

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Executive Summary

New Since Last Forecast

- The forecast has been revised lower to show more severe effects from the recession. Visitor expenditures are expected to be particularly hard hit. The expectation is that the financial situation in the U.S. and around the globe will lower travel indicators through 2010 and into 2013.
- The number of visitors statewide is now expected to exceed 2004 levels by 2012, with 25.3 million people expected to visit the state that year.
- After a weak autumn in 2008 and slow 2009, more New Orleans' visitors will likely return in 2010. However, visitation to New Orleans is not expected to reach pre-Katrina levels until after 2013.
- Travel activity in the rest of Louisiana seems relatively stable in comparison to New Orleans. Other areas kept up their hotel sales volume after the storm, despite the lack of some traditional tourists. However, as the recession went on in 2009, casino admissions and hotel room sales in some areas started to drop.
- Louisiana employment has remained relatively stable compared to the nation, though the recession has taken its toll. The relative economic strength kept some local travel activity better than in some other parts of the United States.
- National trends in reducing airport capacity hit Baton Rouge airport especially hard with a 31% reduction in scheduled seat capacity in the 2 years ending in November 2009. This is much harsher than the national average cut of 13%. New Orleans lost 5% in the same period.
- A survey of New Orleans hoteliers revealed that international visitors dropped from a share 9% of all visitors in 2004 to just 3% in 2008. In the first half of 2009, 4.9% of visitors to New Orleans hotels were international, which is evidence of a movement towards a normal visitor mix.

Unchanged Observations

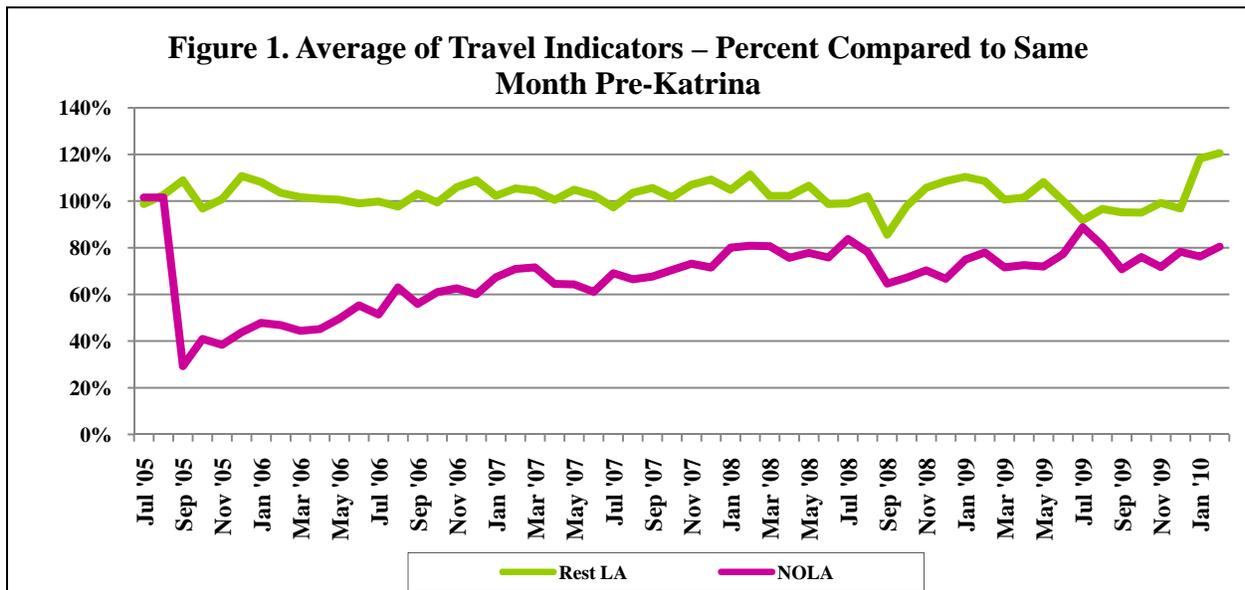
- The sight-seeing leisure traveler is the type of visitor whose numbers have been low consistently across Louisiana. Even as the visitor count and spending approach pre-storm normal in the near future, the mix of visitors will likely differ.
- New Orleans tourism recovery is critical to the Louisiana tourism recovery. Because of the size of the market, movement in the New Orleans region dominates the history and forecast, both in terms of damage and recovery. Because New Orleans visitors stay longer and spend substantially more per person than the average visitor to the rest of the state, they are especially critical to spending figures and economic impact.

Introduction

During the fall of 2005, Hurricanes Katrina and Rita left their mark on the state of Louisiana, changing lives, property and industry. Notably among those affected by the devastation was the state’s tourism industry, a major contributor to the economy of the state of Louisiana. In 2004, the Louisiana tourism industry was responsible for \$10 billion in visitor spending and the direct employment of 165,000 Louisiana residents. In the aftermath of the hurricanes, Louisiana’s tourism resources were reallocated to tend to the needs of its citizens, as residents, as well as government and contract workers, lived in hotel rooms. Some Louisiana casinos were damaged to the point of having to be closed, at least temporarily. Many restaurants and hotels in the New Orleans area were closed, or were operating on a reduced schedule due to an inability to find workers. The net effect of the hurricanes’ aftermath resulted in a 24% decline in visitor spending from 2004 to 2006. As tourism is such a vital part of Louisiana’s economy and culture, this forecast was undertaken to help gain insight into when the industry might expect a return to 2004 levels of tourism visitation and spending in the state of Louisiana. A less dramatic impact on visitation was imposed by Gustav and Ike in the fall of 2008.

Current State of Louisiana Visitor Activity: New Orleans vs. Rest of State

Before Hurricane Katrina, the tourism market in the New Orleans area was roughly the same volume as the areas in the rest of the state of Louisiana put together. Because of the severity of the impact on tourism activity in New Orleans, it has been studied separately. Figure 1, below, shows the trend of travel indicators compared to the same month pre-Katrina. Pre-Katrina “normal” is defined as the average of the applicable month in the period of August 2003 through July 2005. Sources for the indicators for this graph and all similar index graphs throughout the report are listed in Appendix A.



Results – All Visitors – Domestic and Foreign

Forecast for Louisiana

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Visitors (Millions)¹	26.2	24.8	19.6	18.2	23.8	24.4	24.0	24.2	24.7	25.3	25.7
Total Spending (Billions)²	\$9.4	\$10.0	\$8.2	\$6.6	\$9.0	\$9.5	\$8.1	\$8.3	\$8.7	\$9.1	\$9.5

¹ Source: 2003-5 TIA in combination with CRT

² Source: 2003-5 Louisiana TSA

Underlying Indicators

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tourism Employment (Thousands)³	--	165	122	108	143	145	121	118	117	113	111
Airport Passenger Enplanements (Millions)	5.7	6.0	5.2	4.5	5.1	5.2	5.1	5.1	5.3	5.5	5.7
Hotel Room Nights Sold (Millions)⁴	16.9	17.8	18.9	17.3	16.9	18.2	16.9	17.1	17.2	17.7	18.0
Convention Room Nights Sold (Millions)	2.7	2.6	2.1	1.2	1.9	2.0	2.0	2.0	1.8	2.0	2.0

³ Direct employment, includes construction work on infrastructure

⁴ In 2005, 2006, and 2008, many hotel rooms were not attributable to visitors.

State Taxes

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hotel Sales Taxes (Millions)⁵	\$76	\$61	\$58	\$66	\$73	\$66	\$67	\$70	\$74	\$77
Non-hotel State Tax Revenue (Millions)	\$635	\$600	\$589	\$709	\$750	\$665	\$683	\$714	\$742	\$769
Louisiana Superdome and Exposition Tax (Millions)⁶	\$34.6	\$28.1	\$24.7	\$26.6	\$29.7	\$27.7	\$28.6	\$30.3	\$32.6	\$34.1

⁵ 4% state sales tax, FEMA residents removed in hurricane periods

⁶ Orleans and Jefferson parishes only. In 2006, only \$19.8 mil. attributed to visitors. In 2008, only \$27.2 to visitors. Due to rounding, Louisiana totals sometimes do not equal sum of underlying areas exactly.

The forecast has been revised in this cycle to show more of an impact from the recession than in the last forecast cycle. The national recession is sure to affect some travel decisions. National travel researchers suggest that the current economic situation in the U.S. will have a depressive effect on travel for a 2-year window, with a turnaround starting in late 2009. Recent revisions suggest that it may take many more months for travel to return to normal.

The number of visitors statewide is now expected to exceed 2004 levels by 2012, with 25.3 million people expected to visit the state that year. However, visitor expenditures are not estimated to reach 2004 levels during the forecast window. The estimates of visitors for 2004 through 2005 were done by TIA and Travelscope and used with a different methodology. Spending at the state level was also supplied by these sources through 2006. So, though they are not from the same source or methods, the two series are concatenated to provide comparison with past estimates. Since TIA and Travelscope only measured domestic visitation, an effort was made in this cycle to estimate foreign visitation and to correct the series. The main tables include visitation for all visitors – whether foreign or domestic. Domestic visitation estimates are included in Appendix B.

Also, it should be noted that in the table, tourism jobs are proportionally high in 2007 and 2008 and start to drop off even as the forecast has travel and spending increasing. This is because the jobs shown here match the TSA definition of tourism jobs and thus include jobs for infrastructure spending, i.e., the building and repair of things like highways and hotels. Since Katrina, there has been a surge in hotel construction in the north part of the state and many repairs to bridges and other travel infrastructure in the south. This component should decrease over the next few years as projects are completed. Thus, the total of all travel-related jobs is expected to gradually decrease.

Even as the total number of visitors approaches normal levels statewide in the next few years, it does not mean that the travel industry is the same as it was before Katrina at that point. New Orleans will still be lagging, not expected to get back to pre-Katrina levels in number of visitors until after 2013. Travel to the remainder of the state, whether due to displacement from New Orleans or to independent growth, has compensated for the decline in the number of visitors to New Orleans. However, even far from the coastal damage, there is evidence that throughout the state, the visitor mix is not the same. In particular, the sight-seeing leisure traveler segment has been the most damaged and has the most to recover. In recent times, the void left by the sightseeing leisure visitor has been filled (at various times) by travelers for hurricane, oil and gas business and gambling as well as people visiting relatives and friends.

This forecast works on the assumption that trends upward in the New Orleans area, which are shown in Figure 1, will continue but that the rest of the state will hold at somewhat higher levels. The assumption is also made that some displacement of population and activity will remain in the rest of the state. Indeed, the travel activity in Shreveport and the rural northern part of the state is more than 20% of pre-Katrina levels. An adjustment downward in most areas was made for effects from the expected upcoming recession on travel in the second half of 2008 through part of 2010. Further, it is assumed that visitor mix and lengths of stay will gradually move in the direction of pre-Katrina norms.

The table below shows the percent recovery in various segments of the travel industry at the current time. The base for each indicator is the average value for that time period in the two years prior to Katrina.

Index of Current Travel Indicators

<i>Average for the last 12 months</i>	<i>New Orleans</i>	<i>Rest of Louisiana</i>
Travel infrastructure	78%	116%
Hotel/plane demand	80%	101%
Drive market leisure	73%	87%
Conventions (annual)	74%	102%*
Casino attendance	81%	105%

*Annual estimate for year 2009

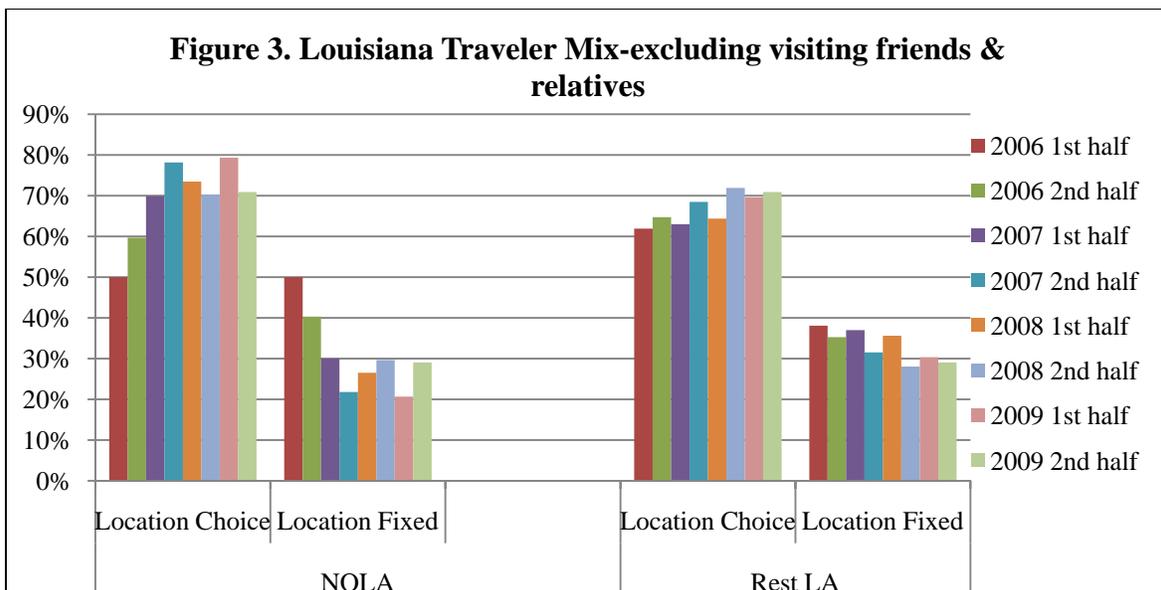
A segment which seems to have been damaged by Hurricane Katrina is that of conventions in New Orleans, which will have difficulty reaching pre-storm levels within the forecast window. Conventions in New Orleans had a particularly bad autumn of 2008. In 2009, attendance at conventions was scheduled to high, but the recessionary pressures impacted by business cutbacks. Elsewhere in the state, total convention bookings remain good, with some cities managing to expand their market to smaller meetings that may not have considered their location before.

Hotel rooms sold in the rest of Louisiana (represented by the green line below), in comparison to New Orleans, (indicated by the red line) seem relatively stable. Figure 2 below shows the proportion of hotel rooms sold in the New Orleans area relative to the other Louisiana markets around the state put together. The volume of rooms sold in the rest of the state has traditionally approximately matched that of the New Orleans metropolitan area. However, even after the high-volume of room sales after Katrina relaxed, most of the rest of the state has stayed above its old normal levels. There was also a smaller Gustav/Ike bump in rooms sold in autumn 2008. In particular, Shreveport and the rural areas in the north portion of Louisiana have added a great deal of hotel capacity and sales. Details for specific areas are shown in the section on the rest of Louisiana, including a graph (Figure 14), showing the relative volume of hotel sales in the individual areas.



Source: Smith Travel Research

There is evidence of recovery in conventions and leisure travel, though recent trends may be complicated by the recession. Below, in Figure 3, travelers in the TNS survey of Louisiana travelers were split into 2 groups – those whose destination was “discretionary” and those whose destination was not. Leisure travelers and convention visitors (since convention planners, with input from organization members, choose the place) were considered to have a choice of destination. Travelers for personal business and regular business were put into the other category because their destination is more or less fixed. People whose primary purpose was visiting friends or relatives were excluded, because their destination is also fixed. Also, this group is so dominant in Louisiana that it obscures the trends in the other groups. The graph shows the distinct upward trend in the mix of people who choose to visit Louisiana while there is a decline in fixed destination travel. In New Orleans, the trend is extreme in an upward direction until 2008 when the signs become mixed. The same trend, softened, can be seen in the remainder of Louisiana and it continues into 2008. This observation gives hope that the Louisiana tourism “brand” is improving. If recession pressures do not significantly damage domestic travel in the near term, this evidence gives hope for future improvement.



Source: TNS survey data files, 2006, 2007, 2008 and second half 2009

Two hurricanes hit Louisiana in September of 2008. These hurricanes disrupted the tourism industry in the southern part of the state. As usual, they also added a burst of activity in hotel sales during the next few months in the regions where there was damage. An effort has been made to remove hotel rooms sold to evacuating Louisiana residents or Louisiana residents with damaged homes during the recovery period when doing calculations about visitors.

New Orleans – All Visitors

Forecast for New Orleans

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Visitors (Millions)	8.5	10.1	6.7*	3.7	7.1	7.6	7.5	7.7	7.9	8.1	8.2
Total Spending (Billions)	4.8	\$5.1	\$4.3*	\$3.1	\$4.8	\$5.2	\$4.4	\$4.6	\$4.8	\$5.0	\$5.2

* Data for 2005 only collected through August

Underlying Indicators

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tourism Employment (Thousands)¹	--	81	69	44	72	79	66	65	64	62	61
Airport Passenger Enplanements (Millions)	4.6	4.9	3.9	3.1	3.8	4.0	3.9	3.9	4.1	4.3	4.4
Hotel Room Nights Sold (Millions)²	8.5	8.9	8.2	6.8	6.9	7.7	7.2	7.5	7.6	7.9	8.1

¹ Direct employment only. Includes work on infrastructure.

² In 2005, 2006 and early fall 2008, many hotel rooms were not attributable to visitors.

New Orleans Taxes (paid by visitors)

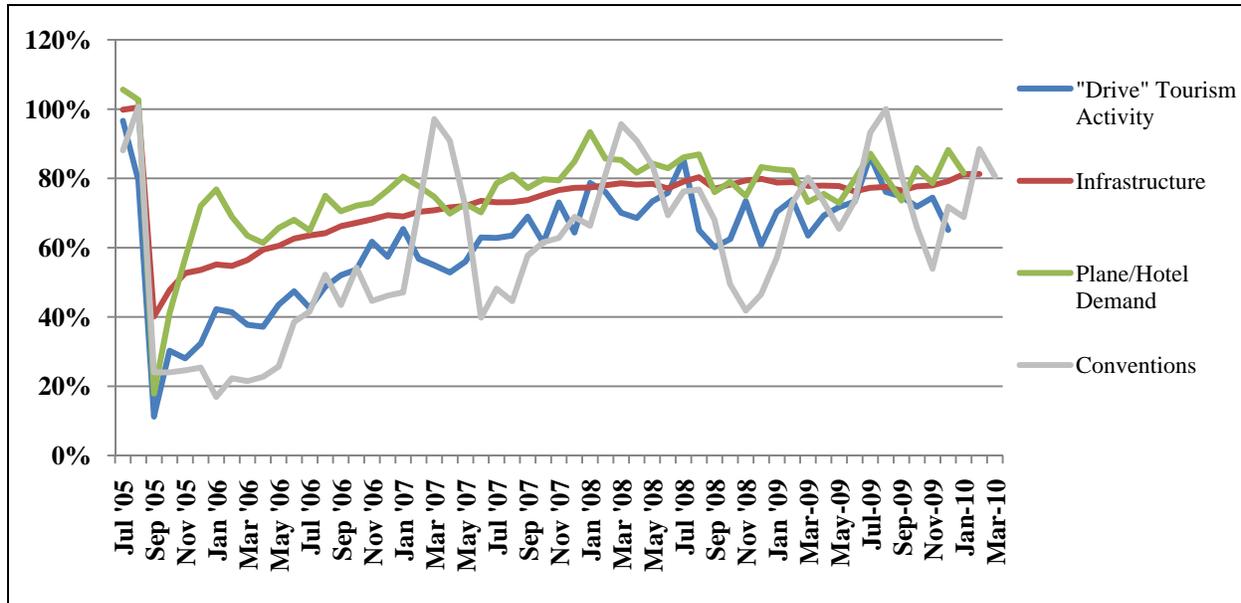
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hotel Sales Taxes (Millions)³	\$48	\$41	\$29	\$36	\$40	\$36	\$38	\$40	\$43	\$45
Non-hotel State Tax Revenue (Millions)	\$285	\$260	\$158	\$252	\$283	\$239	\$249	\$257	\$270	\$280
Louisiana Superdome and Exposition Tax (Millions)⁴	\$34.6	\$28.1	\$24.7	\$26.7	\$29.7	\$27.7	\$28.6	\$30.3	\$32.6	\$34.1

³ 4% state sales tax, residents removed

⁴ Orleans and Jefferson parishes only. In 2006, only \$19.8 mil. attributable to visitors. In 2008, only \$27.2 from visitors.

New Orleans visitation indicators showed an upward trend until midway through 2008 when there was dip. 2008 had an especially strong spring and a better than expected summer. However, the autumn was marred by a visit by Hurricanes Gustav and Ike, lower than average autumn convention bookings and the influence of the national economic crisis. The number of visitors to New Orleans in 2009 was down just over 50,000, a small move downward from the 2008 pace. The number of occupied hotel rooms fell in 2009, but visitor surveys reveal of more daytrips and more visitors who stay with friends and relatives.

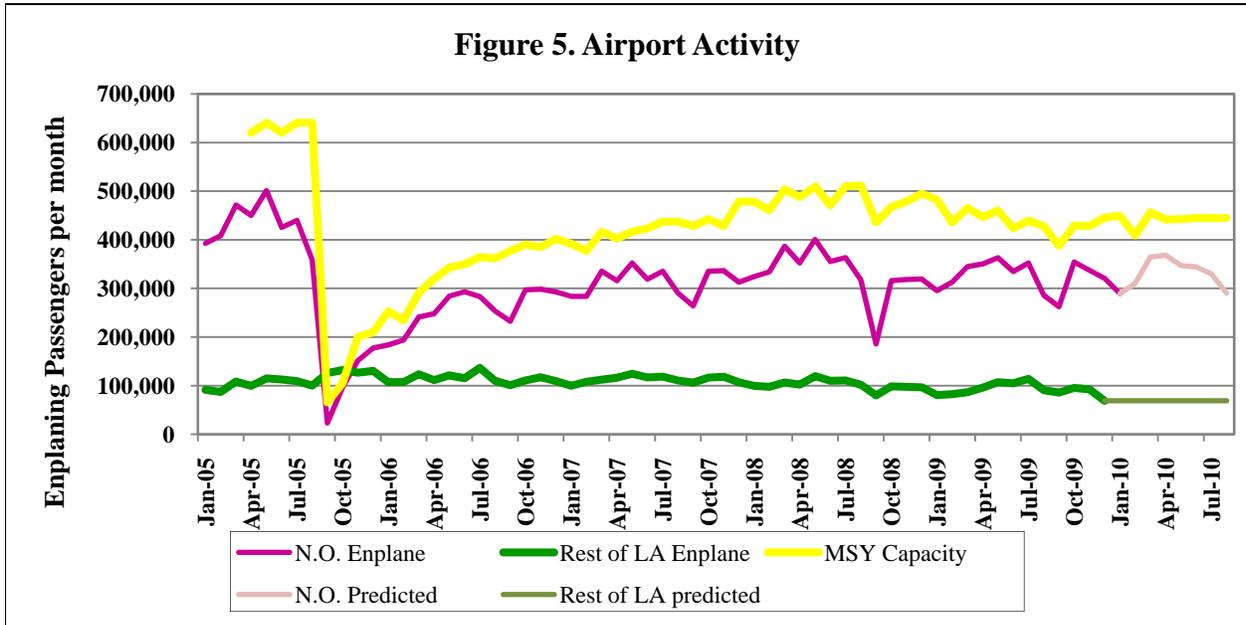
Figure 4. Travel Indicators for the New Orleans Area – Percent of Pre-Katrina Normal for Month



Sources: See Appendix A

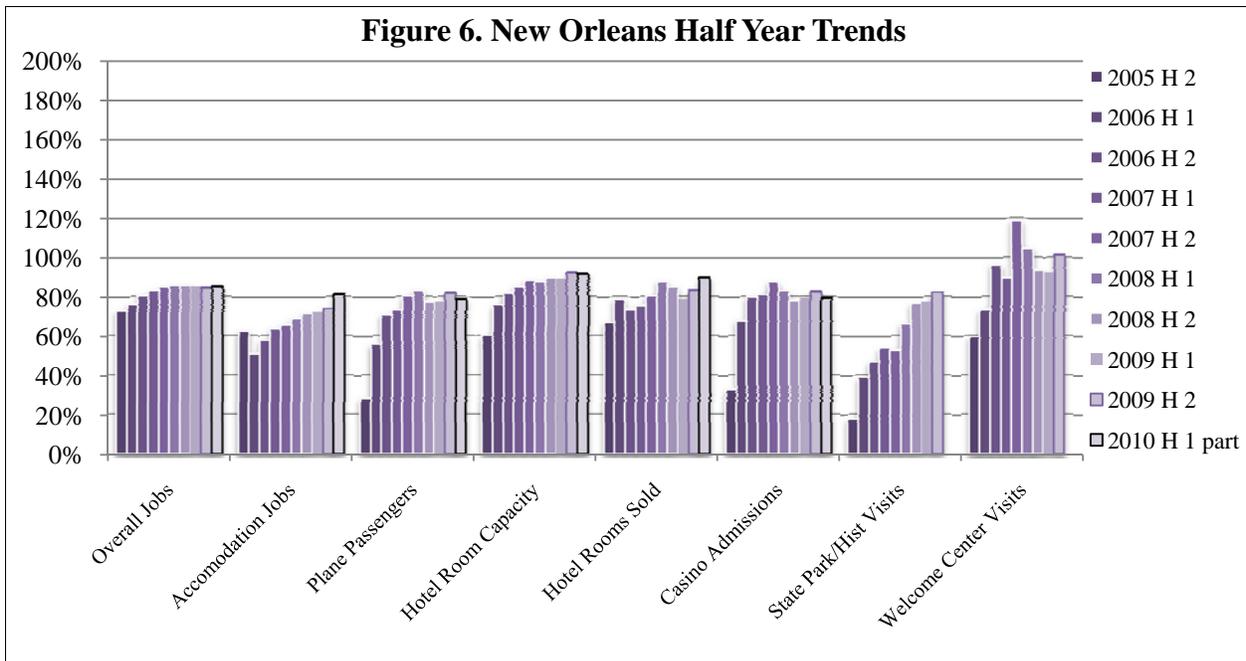
In the graph above, indicators of different types have been averaged together to show overall trends. Infrastructure, as measured by hotel room capacity, airport capacity and accommodation employment have shown a general recovery. Above the plane/hotel demand recovery line is the actual demand of hotel rooms and airport enplanements. It shows that, at times, the demand, (particularly at the airport) has recovered quicker than capacity. In other words, flights are often flying more full than pre-Katrina (a national trend especially noticeable in New Orleans). Although hotel room capacity has continued to grow, airport capacity has been cut.

The position of the blue line represents the damage to the leisure travel market. The blue line is an average of indicators such as visits to Jean Lafitte National Historic Park and Preserve, state parks and historic sites in the area, and welcome center traffic. This line has been approaching the airport and hotel line. Another important segment in the New Orleans tourism mix is that of conventions. The gray line represents the proportion to “normal” of convention room nights sold. This series is volatile but shows a trend upwards except for a large dip in autumn of 2008. 2009 started the year with strong bookings; however, attendance was lower than originally anticipated.



Source: CRT, Louis Armstrong Airport, Forecasts UNO Hospitality Research Center

The number of passenger enplanements leaving New Orleans Armstrong airport is currently at about 80% of pre-Katrina levels after peaking at about 85% in early 2008. The number of seats available is currently about 69% of pre-Katrina levels. This statistic had actually peaked at about 80% earlier in 2008, but ExpressJet going out of business and national airline trends to keep empty seats at a minimum brought it down to 76%. Over the last 2 years, New Orleans has lost of about 4.9% of seat capacity actually compares favorably to the national reduction of 13% scheduled seat capacity found in nationwide statistics. With 69% of the seats being filled by 80% of the passengers, airplanes are definitely still flying more full than they were pre-Katrina. This increase in load factor in New Orleans is also part of a national trend by the airline industry.

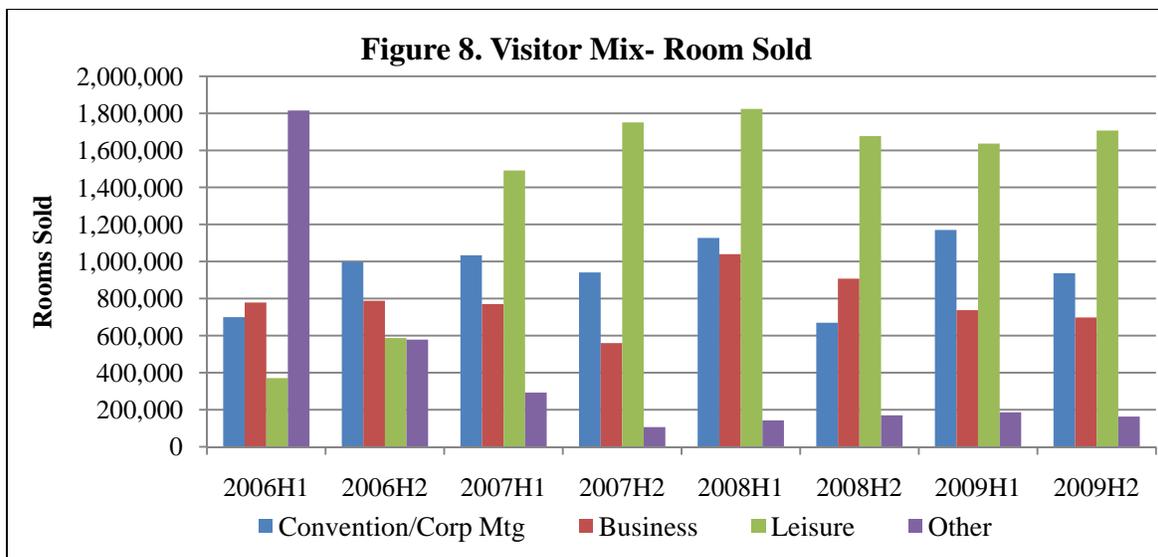


In Figure 7 below, it can be seen that there is a large drop in the share of international visitors to New Orleans as shown by the results of a survey done of hoteliers in the New Orleans area. However, there is evidence that international visitors are starting to return. The low value of the dollar compared to international currencies may help contribute to the recovery.



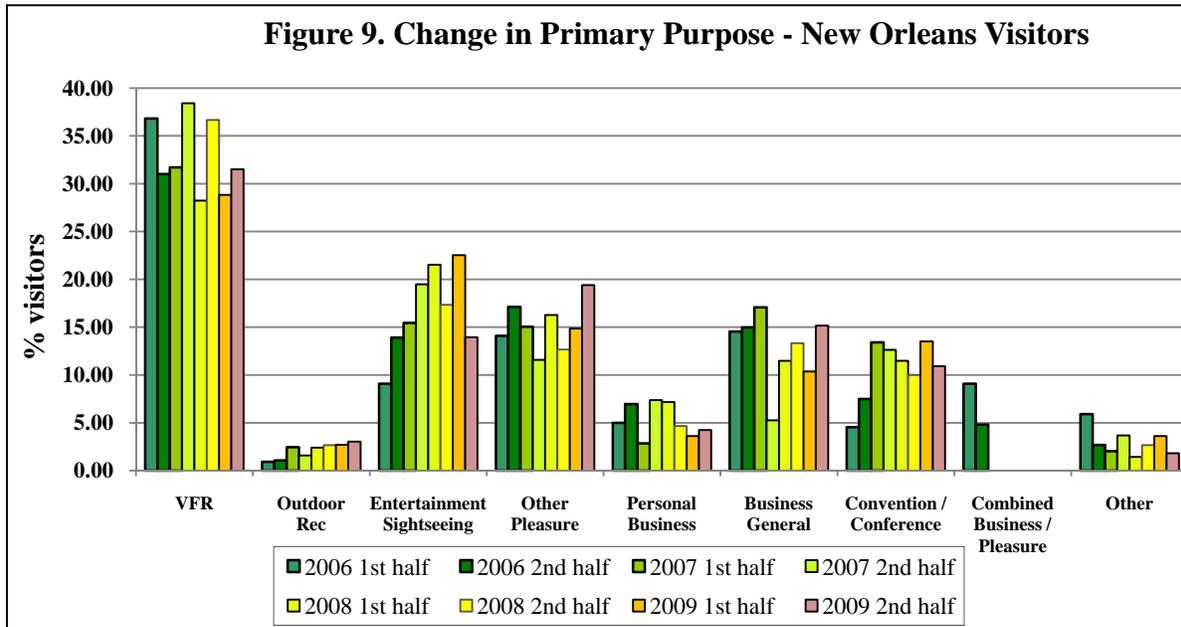
Source: UNO HRC Hotelier Survey

As further evidence that the leisure market is improving, results from a survey of area hoteliers revealed that in the New Orleans area, the number of room nights sold to leisure visitors went from a low of 6% in the first quarter of 2006 to a high of 52% in the first half of 2008. From the same hotelier survey, it was found that long term hurricane-related guests, including residents, who are in the “other” category, took up 62.1% of the hotel rooms sold in January 2006. This group had virtually disappeared by the end of 2007. Looking at this shift, an estimate of room volume by visitor type is shown in Figure 8, below. The number of rooms sold to leisure visitors increased, showing high points in the first halves of 2008 and 2009.



Source: Hotel Association of New Orleans, surveyed by UNO Hospitality Research Center, and Smith Travel Research room volumes

Changes in convention and sightseeing visitors can be seen in TNS data below showing the difference in purpose. There are a relatively small number of observations but it is interesting to see indications of potential trends.

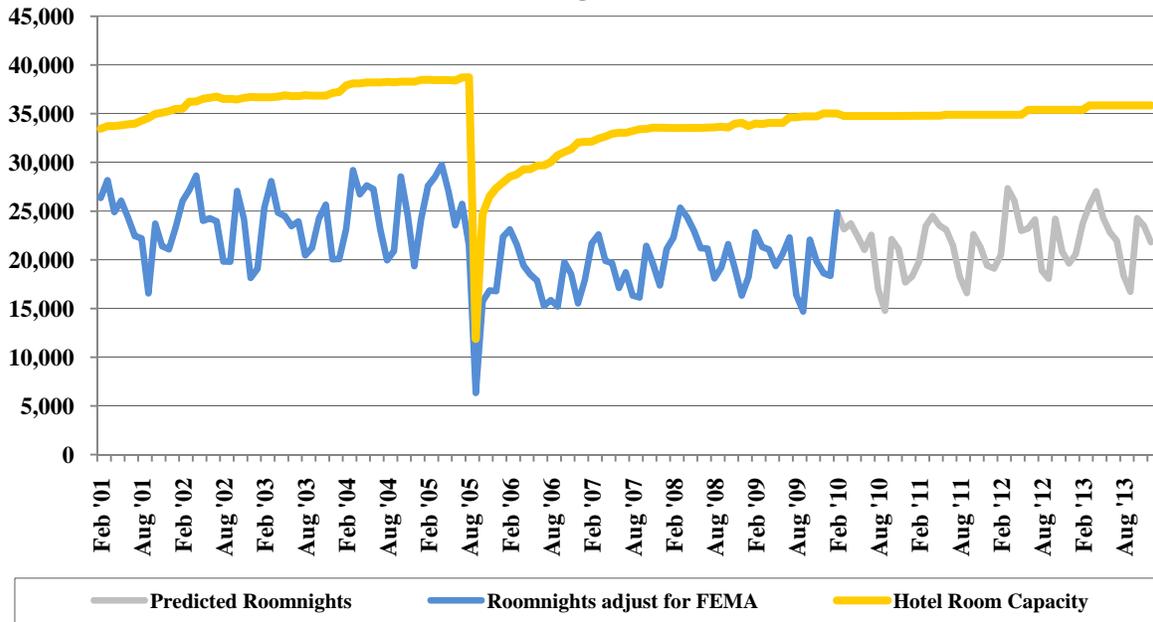


Source: TNS data files, 2006, 2007, 2008, and 2009

During 2007, and still during 2008, the typical New Orleans visitor stayed longer on average than prior to Katrina. A longer trip means more money spent. However, spending increases can be partially attributed to higher costs. Wages and the costs of doing business, particularly insurance, have increased substantially in the New Orleans area. However, in 2009, the number of visitors to New Orleans stayed almost the same, but their expenditures dropped by \$800 million. The national recession caused some people to spend less on restaurants, shopping and other discretionary items.

New Orleans' tourism recovery is critical to the Louisiana tourism recovery. Because of the size of the market and the amount of the damage to the industry, movement in the New Orleans region dominates the history and forecast, both in terms of damage and recovery. New Orleans' visitors spend more per person than visitors to the rest of the state, and are, therefore, critical to spending figures. This means that, though the number of visitors to New Orleans may be lower than those to the rest of the state, their economic impact is higher.

Figure 10. Predicted Room Nights- New Orleans Average Sold per Night



Sources: Smith Travel Research, UNO Hospitality Research Center

Forecast – All Visitors

Rest of the State

Forecast For Areas Outside New Orleans

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Visitors (Millions)¹	17.7	14.7	12.9	14.5	16.7	16.8	16.5	16.5	16.8	17.2	17.5
Total Spending (Billions)²	\$4.6	\$4.9	\$3.9	\$3.5	\$4.2	\$4.3	\$3.7	\$3.7	\$3.9	\$4.1	\$4.3

1 2003-5 estimated from combination of TIA data with UNO data

2 2003-6 estimated from combination of TIA data with UNO and TSA data

Underlying Indicators

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tourism Employment (Thousands)³	--	84	53	64	71	66	55	53	53	51	50
Airport Passenger Enplanements (Millions)	1.1	1.2	1.3	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.3
Hotel Room Nights Sold (Millions)⁴	8.4	9.0	10.7	10.5	10.0	10.5	9.7	9.6	9.6	9.8	9.9

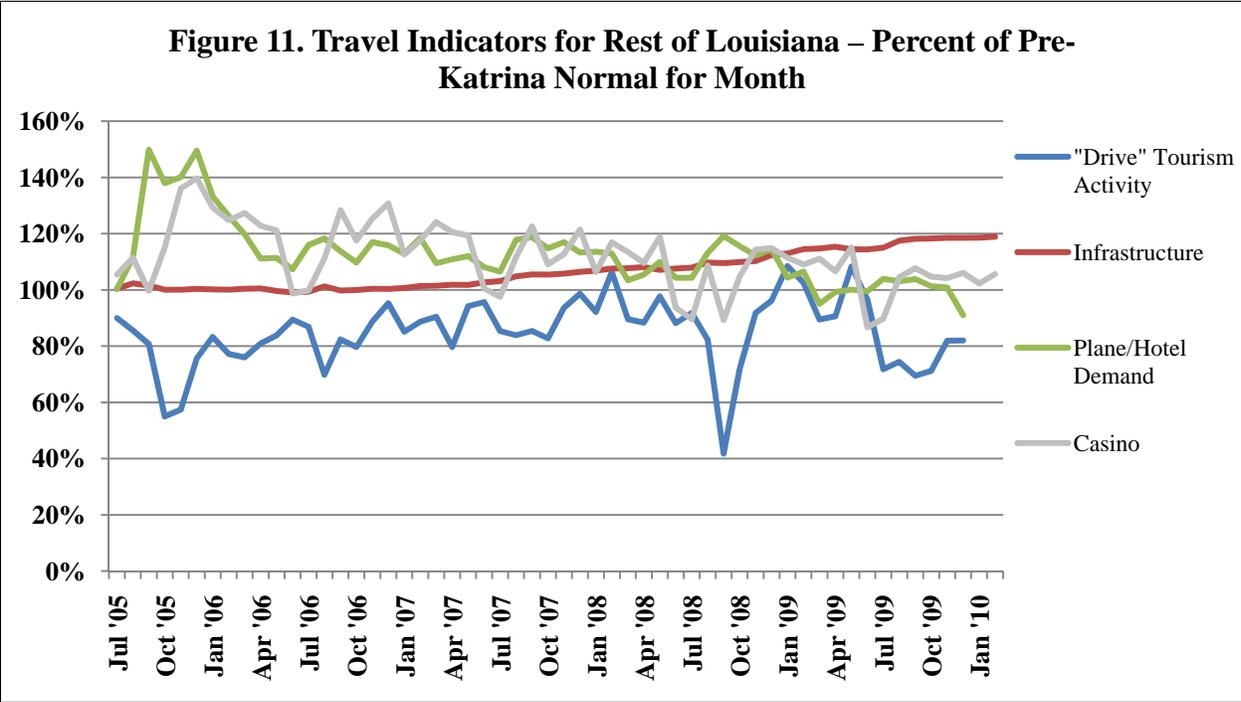
3 Direct employment only, includes infrastructure

4 Not all hotel rooms in 2005, 2006, and Fall 2008 can be attributed to visitors

Taxes for Rest of the State

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hotel Sales Taxes (Millions)⁵	\$28	\$20	\$29	\$30	\$33	\$29	\$29	\$29	\$31	\$32
Non-hotel State Tax Revenue (Millions)	\$350	\$340	\$431	\$457	\$467	\$426	\$434	\$457	\$472	\$489

⁵ 4% state sales tax, FEMA residents removed



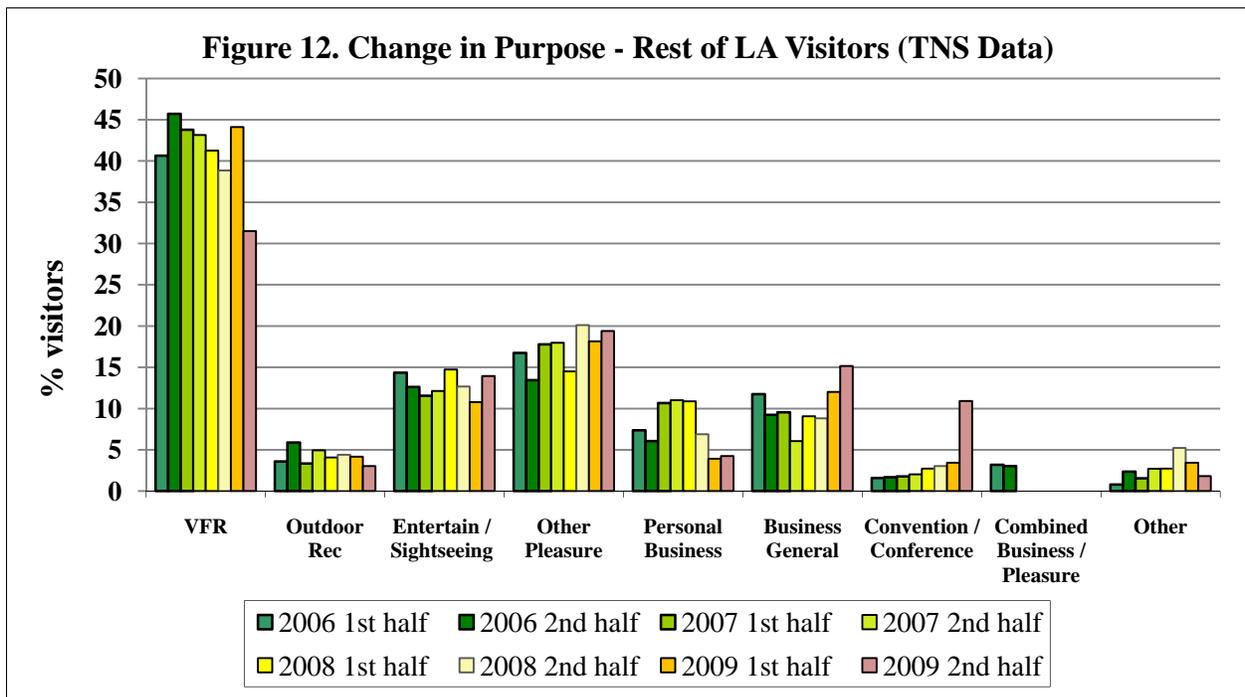
As in New Orleans, it is the traditional leisure sight-seer who has been absent in other Louisiana markets. The levels of this type of tourist can be represented by the blue line above which is the average of indicators measuring things like welcome center and state historic site visitation. It shows a slow upward trend. In the rest of Louisiana, after Katrina, there was above-normal travel activity in planes, hotels and casinos. Much of this can be explained by business travel due to economic activity (film, oil and gas), recovery business, and some leisure and casino travel displaced from the damaged New Orleans and Mississippi areas. Small conventions and casino attendance benefited from this trend. However, as time progressed, the green and gray lines have stayed above normal but have trended down from their post-Katrina highs. In fact, since 2008, the casino and sometimes the hotel lines have occasionally dropped below the old norms.

Note the still dramatically increasing line in travel infrastructure in the graph above (red line). In this study, for the rest of Louisiana, travel infrastructure is represented by room capacity and accommodation jobs. The area around Lafayette and the northern parts of the state have opened many new hotels. The dramatic drop in “drive” traffic in September 2008 with a bump in hotel sales was due to the two hurricanes of that year.

An interesting report by PKF entitled “PKF says Worsening Economy Extends U.S. Lodging Recovery Timeline,” (March 18, 2009) states that “70 percent to 80 percent of a hotel’s performance is systematically linked to the local economy.” If this is true, it would explain some of the above-normal performance in travel indicators in the part of the state outside New Orleans in the recent past. All metro areas in the rest of state have added substantial numbers of jobs since Hurricane Katrina with the exception of Monroe which has seen about a 3% drop in jobs since 2005. Houma added 14% more jobs during that time while Lafayette and Baton Rouge have added 8.5% and 16%, respectively. Also, despite some manufacturing losses and other

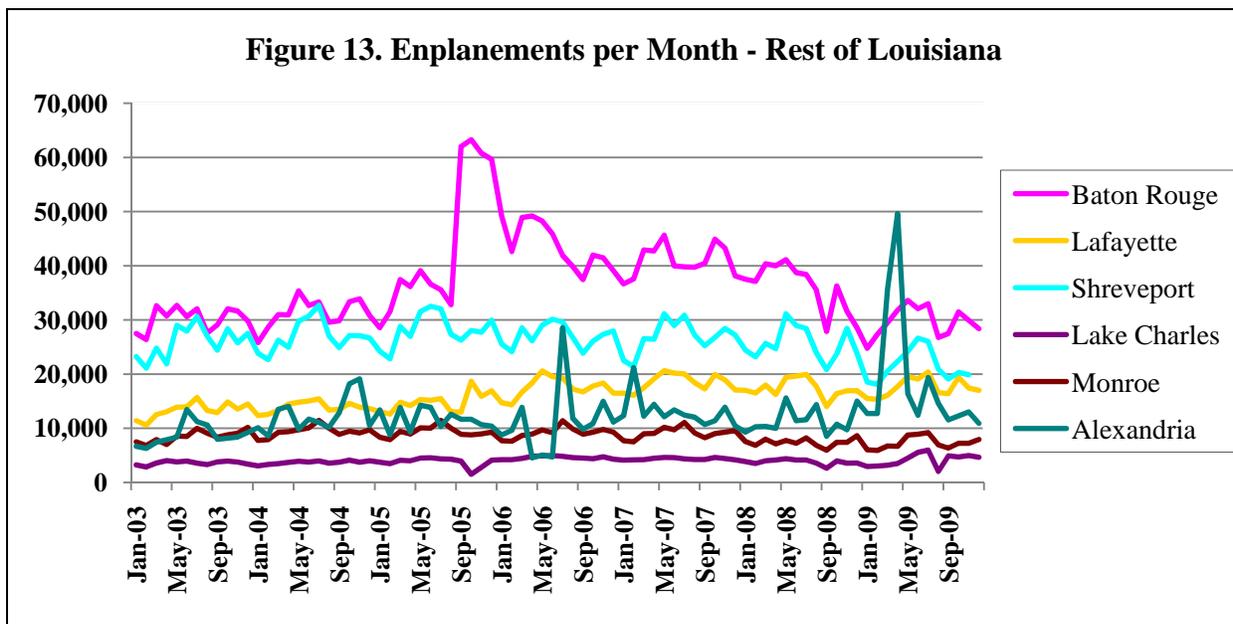
recessionary effects, Louisiana still is doing better economically than the rest of the nation. In February, Louisiana's unemployment rate of 7.3% compared favorably to the nation's 9.7% rate. Therefore, it makes sense that Louisiana's hotels would be doing relatively well outside New Orleans since business there has been doing very well over the last few years. However, with the recession reaching Louisiana and with national recessionary effects on travel also affecting Louisiana, travel traffic may be low. This, combined with the increasing number of open hotels, could make some hotels run at a much lower occupancy rate than normal.

The active oil and gas industry especially stimulated visitor activity in Lafayette and the non metropolitan areas of the state near shale gas finds. After reaching historic highs, the prices of oil and natural gas have dropped. Activity in Lafayette and the rural southern part of the state has been partially replaced by gas production in the rural northern parts of the state.



Source: TNS data files, 2006, 2007, 2008, and 2009

Later in this section, starting with Figure 15 on page 19, individual areas of the state's indicators are examined. Several interesting trends can be observed. All areas showed better than normal hotel activity in January through April 2006 due to displacement of residents and a shortage of housing for hurricane-related workers. All areas have come down from that "bubble," but some have seen surprising robustness since that time. It can be seen it is only recently that the recession is reaching travel indicators in Lafayette, Houma, and the Rural South, which prospered for a few years after Katrina. Monroe is also experiencing tough times. Lake Charles, with its successful L'Auberge du Lac, seems to have captured a lion's share of the casino attendance. Shreveport and the Rural North of the state are thriving with activity more than 20% above pre-Katrina levels. Alexandria and Monroe are showing recovery in visits to state parks and historic sites.



Source: CRT

There has been a national trend towards cutting capacity in airports, particularly small regional airports. Baton Rouge airport has been particularly badly hit, with a 30.9% reduction in seats scheduled in the 2 years between November 2007 and 2009. In March 2009, Baton Rouge airport announced an incentive program trying to reverse some of that trend. The table below shows the changes in scheduled seats per day for airports in Louisiana.

Airport Capacity – Scheduled Seats per Day

	Nov 2007	Nov 2009	Change Over 2 years	Nov 2009	Mar 2010	Change Over 4 mo
New Orleans	15,001	14,266	-4.9%	14,266	14,725	3.2%
Baton Rouge	1,849	1,278	-30.9%	1,278	1,257	-1.6%
Shreveport	1,225	1,187	-3.1%	1,187	1,184	-0.3%
Lafayette	818	861	5.3%	861	879	2.1%
Alexandria	564	635	12.5%	635	563	-11.3%
Monroe	542	462	-14.8%	462	499	8.0%
Lake Charles	347	331	-4.7%	331	342	3.3%
LA outside N.O.	5,346	4,754	-11.1%	4,754	4,724	-0.6%
Louisiana	25,693	23,774	-6.0%	23,774	24,173	1.7%
USA			-13.0%			

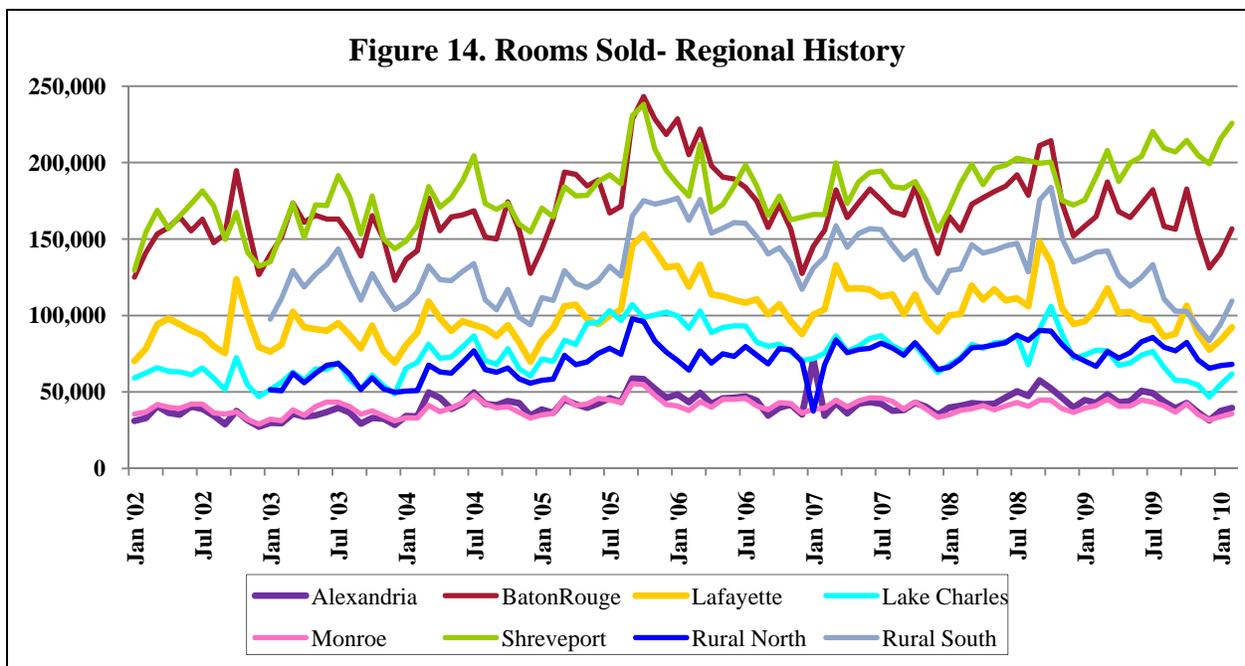
Can be Domestic and International flights

Source: Official Airline Guide from USA Today and DBER calculations

There has been a national downward trend in gambling due to recessionary factors. The one exception is Lake Charles, where admissions and gambling dollars are much higher than pre-Katrina levels due to L'Auberge du Lac. Casino admissions are down near 78% of seasonal pre-Katrina norms in Baton Rouge and Shreveport so far in the last half of 2009. The dollars taken in, however, have not been reduced to the same extent. The overall gambling take in Louisiana, outside New Orleans, is still close to 20% above pre-Katrina levels. However, Shreveport and Baton Rouge are showing distinct reductions from their previous levels in revenue as well as admissions. The recession has taken its toll on gambling take per person.

Figure 14 on this page show the relative size of the different markets within the state as represented by airport enplanements and hotel room sales. Note the Gustav/Ike boost in hotel sales in 2008.

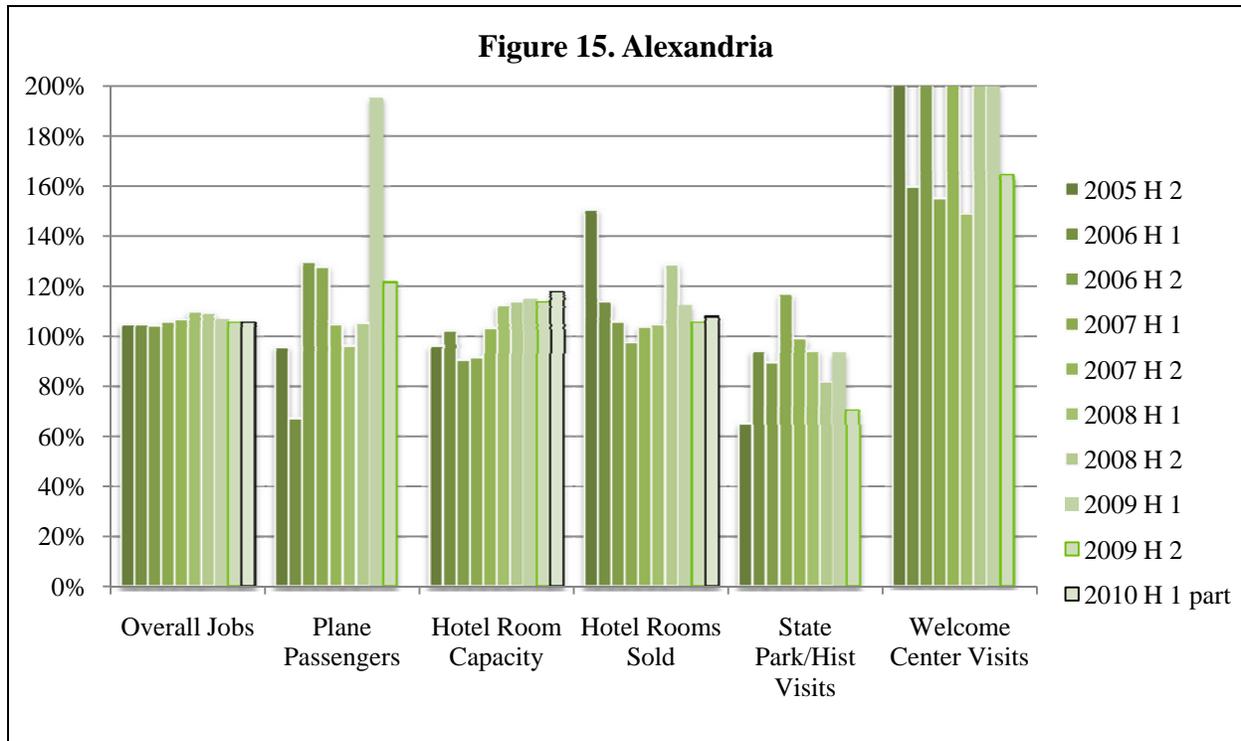
Baton Rouge and Lafayette tourist traffic historically correlates with New Orleans. As New Orleans improves, Baton Rouge and Lafayette should also see more traditional leisure tourists.



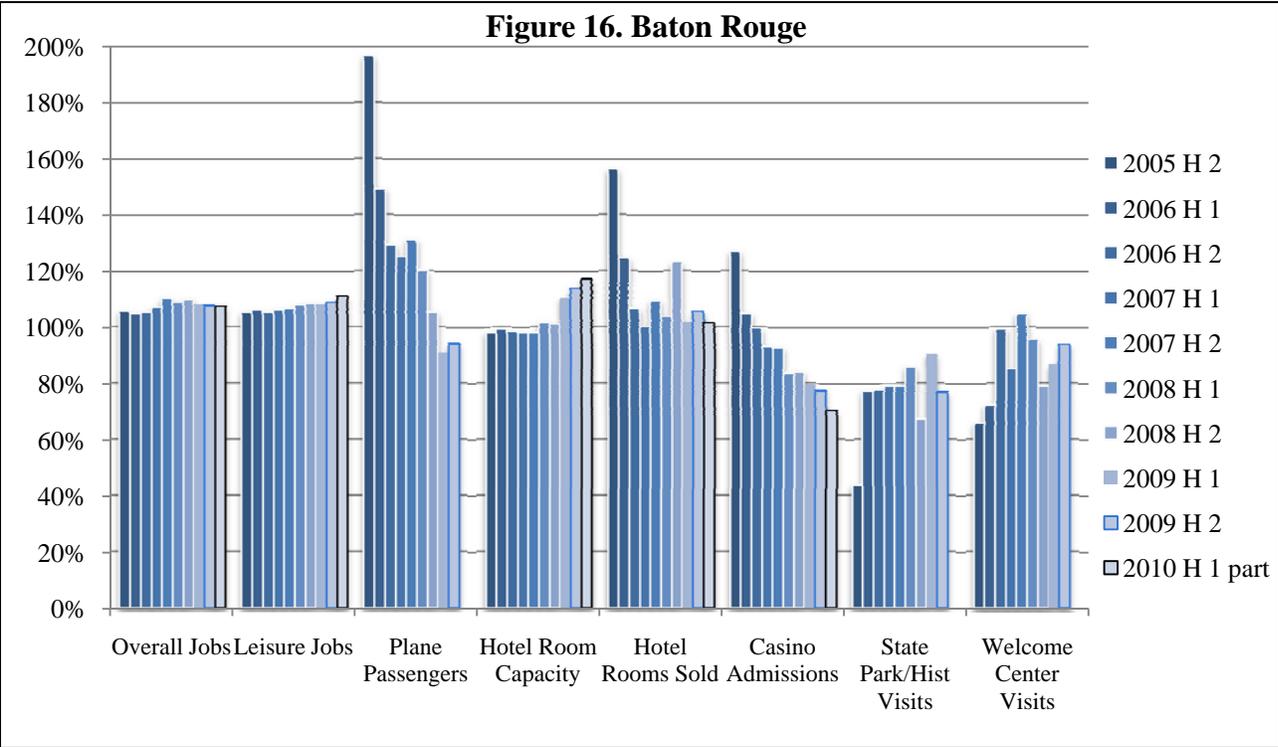
Source: Smith Travel Research

Individual Areas

A look at each region in areas outside New Orleans follows comparing to their seasonal activity in 2003 through mid-2005. Please note that 2009 2nd Half includes only about 2 or 3 months of data.

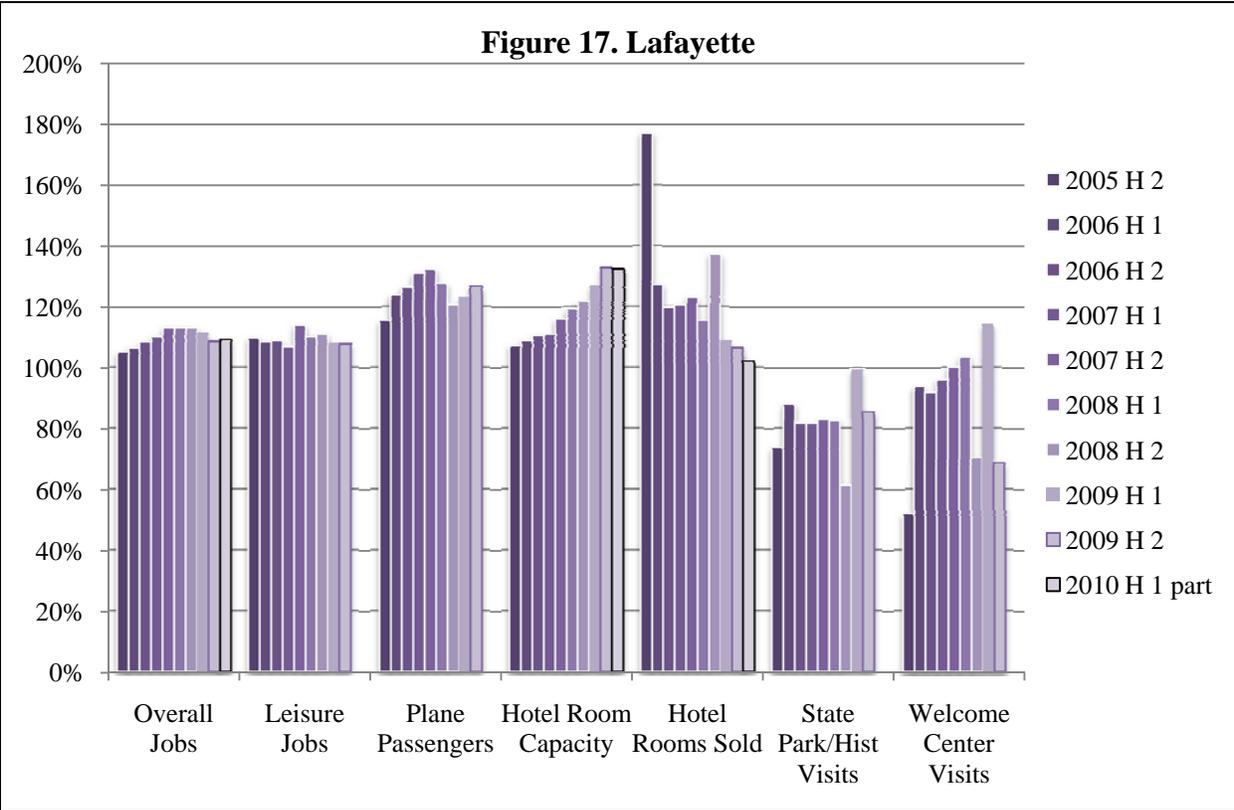


Alexandria hotel rooms sold have stayed above normal levels. Note that the state park and historic site visitation have shown a recovery trend but have not been able to maintain normal activity levels. Welcome center visitation shows increase in auto traffic in the roads leading to Alexandria, perhaps due to the casino in Marksville. Hotel capacity has been added in the area since 2007.



The Baton Rouge economy has done well since Katrina. There was a bump in activity in hotel sales from Hurricane Gustav, with Baton Rouge sustaining major damage. Note the drop in airport passengers. Baton Rouge has been a victim of cuts in airline capacity by national airlines. The early activity in casinos has dropped to well below normal. Park and welcome center visits show that sight-seeing leisure tourist may be returning.

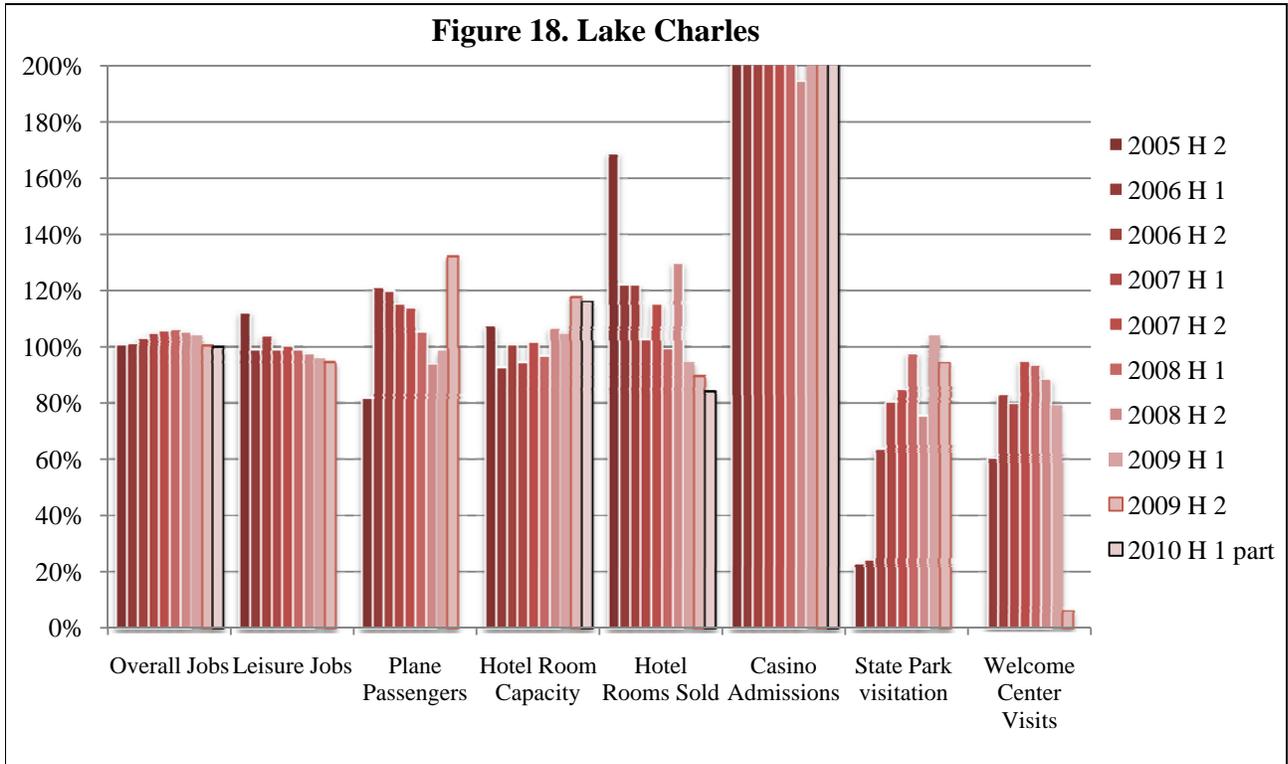
As New Orleans tourism volume improves, Baton Rouge should also see more traditional leisure tourists.



Lafayette has held onto its jobs which were gained during a post-Katrina economic boom shown by the increase in overall jobs. Activity, often fueled by the oil industry, is responsible for part of the growth in plane and hotel activity which are still far above normal and fueled a surge in hotel construction. However, the actual rooms sold have fallen back to old pre-Katrina normals in the first half of 2010. The traditional visitor as indicated by visits to state parks and welcome centers in the area have shown improvement if the Gustav bump in hotels and simultaneous drop in park/welcome center visits last year are ignored.

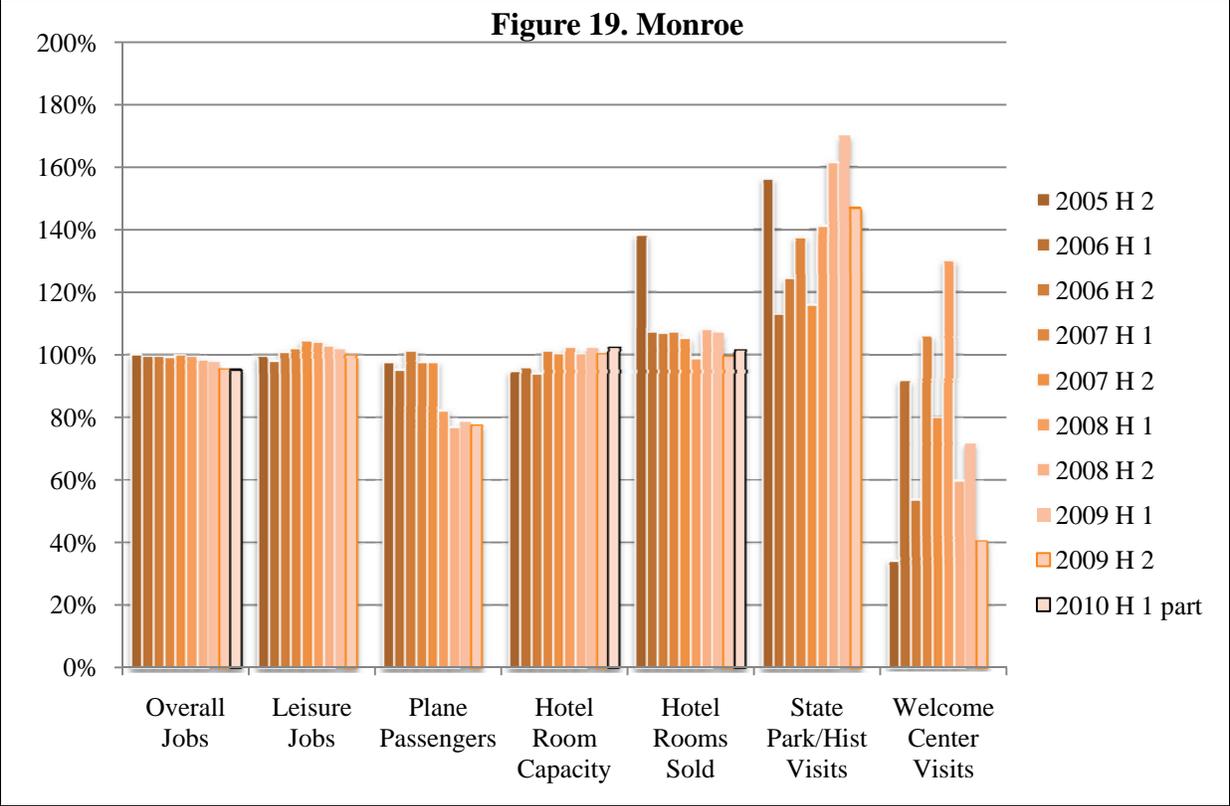
As New Orleans tourism volume improves, Lafayette should also see more traditional leisure tourists. Due to the interest in Acadian culture by international visitors, the return of the international visitor to New Orleans should also help Lafayette’s tourism activity.

Figure 18. Lake Charles



Lake Charles suffered damage in 2005 due to Hurricane Rita. Damage to park facilities can be seen in the very low state park visitation numbers.

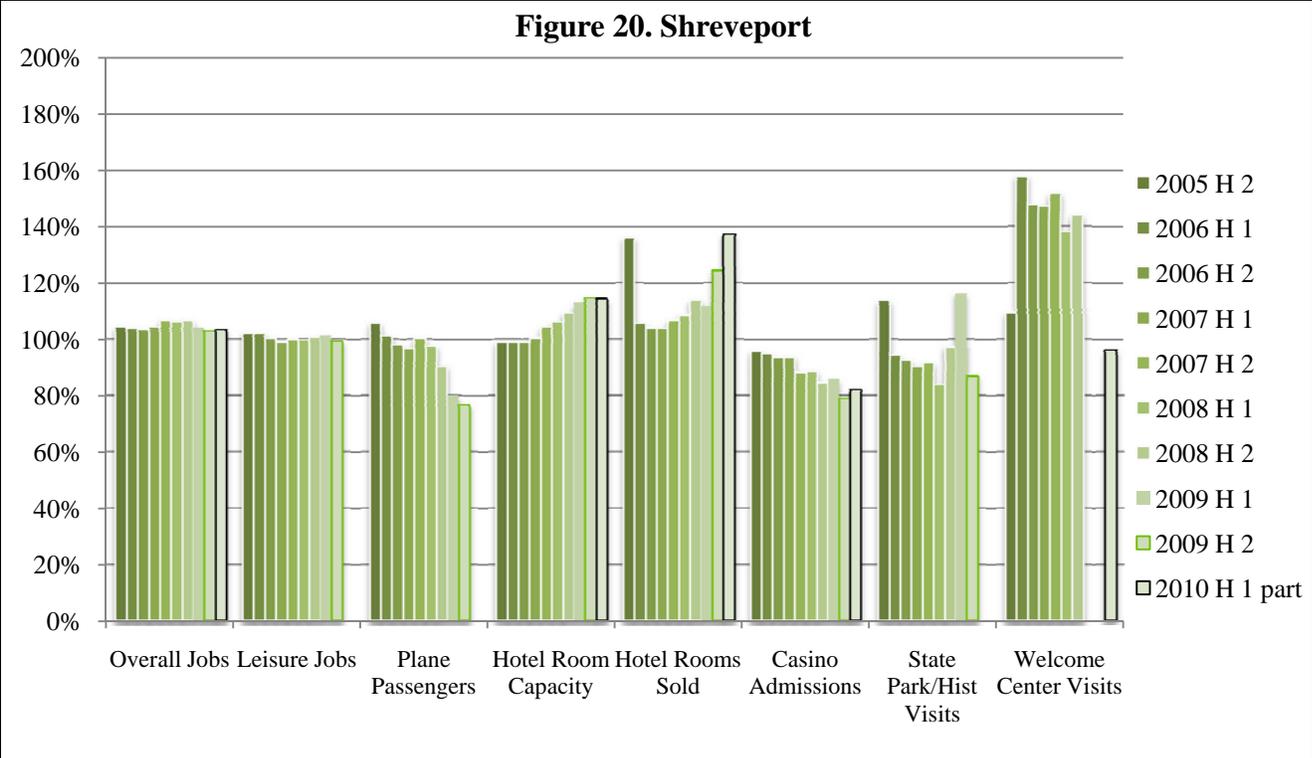
Casino admissions show the enormous impact of the opening of L'Auberge du Lac casino. Hotel rooms sold, as measured by Smith Travel, do not include casino hotels so there is more hotel traffic than shown here. Hotels received a bump in activity from Hurricanes Gustav and Ike in late 2008 while state park visitation obviously suffered.



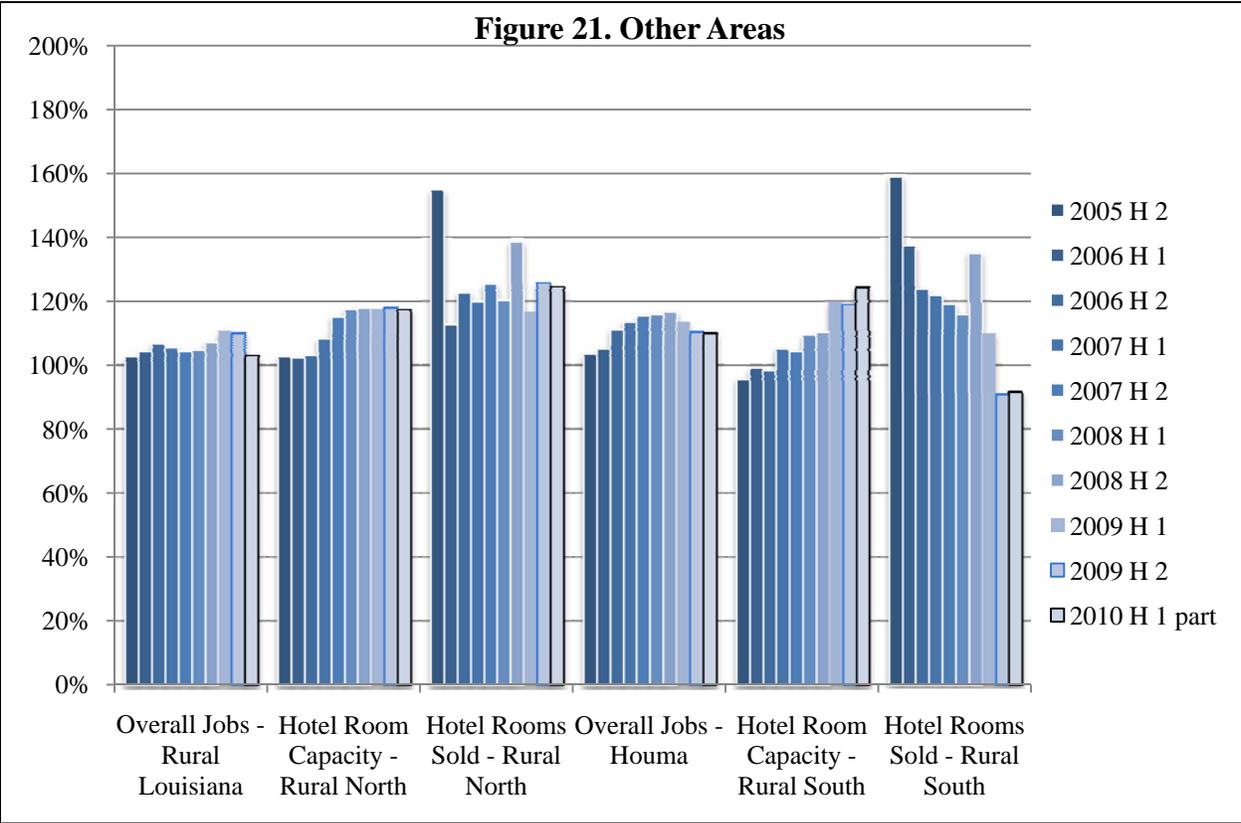
Monroe has had job losses recently, but still has slightly above normal activity in hotels, and some improvement in welcome center visits. Monroe is one of the few areas where state park and historic visits are up above pre-Katrina levels.

Staff at the Monroe visitor’s bureau stated that in 2008, they have found that Monroe’s visitor mix does not include many traditional sight-seeing visitors. Instead they have concentrated their efforts on encouraging visits to their city for activities such as youth sports. They feel that their efforts have been successful and that youth activities are one of the last items to be cut in a recession.

Figure 20. Shreveport



The economy in Shreveport is been relatively stable recently. Hotels keep selling rooms and keep adding available rooms. With casino activity dropping, the explanation to some extent probably revolves around the film industry and nearby natural gas discovery and production. Both hotel rooms sold and capacity have climbed steadily. However, admissions to casinos, state parks, historic sites, and welcome centers have declined.



Non-metropolitan areas show the Gustav/Ike bump in hotel sales. Hotel room activity and capacity are both substantially above old normal levels. Economic activity in Houma, helped out by high oil prices, has probably spilled over to fuel some hotel activity in the area. Also Houma hotels would have supported efforts to repair damage from both Hurricane Rita and Katrina and now Gustav and Ike. Recent figures show that as jobs decrease, the new hotel capacity has not been filled.

In the rural northern part of the state, new hotels have been built and rooms are being filled. Activity in the natural gas shale in northwestern Louisiana could contribute to strong hotel sales in the rural north.

Appendix A contains sources and some other details on the combined regions for the rest of Louisiana.

Technical Changes

Spending

At the state level, spending numbers in 2003 and 2004 are from a different source, TIA, and do not necessarily match up exactly with those being calculated for this series. One major difference is that the 2003 and 2004 spending numbers include some transportation purchased outside Louisiana such as airfare. TNS which is the main data source for spending numbers for areas outside New Orleans includes only money spent inside Louisiana. This means that pre-storm dollar values are higher and this feeds into calculations for jobs created and taxes.

TIA also did not measure spending by foreign travelers to Louisiana. An attempt was made to correct for spending and visits by foreign travelers and the table entries in 2003 through 2005 have been adjusted. Domestic visitation numbers are in Appendix B.

Conclusion

These forecasts continue to be refined as new information is released (e.g., new hotel openings, flights, perceptions, etc.). Data and methodology have been improved substantially but are being further studied and continually updated. The forecast can also change based on new, exogenous factors.

Many factors are outside of the direct control of the Department of Culture, Recreation and Tourism. Examples include perceptions, which are being influenced by the media; gambling legislation in other states; and business decisions being made as uncertainty declines. The state of the national economy will likely play a substantial role in state tourism figures during the next forecast period. However, there are factors within the Department of Culture, Recreation, and Tourism's influence, such as influencing perceptions by advertising and attempting to increase in airport capacity as a result of successful airport negotiations and tax incentives.

Appendix A

Sources for Tourism Indicators

Rooms sold – Smith Travel Research, courtesy of Louisiana Dept. of Culture, Recreation, & Tourism (CRT)

Enplanements –

 New Orleans – Louis Armstrong Airport

 Other cities – CRT

Casino revenue and attendance – Louisiana State Police

Hotel room capacity – Smith Travel Research

Welcome center traffic – CRT

State Historic Site and Park Visitation – CRT

Employment – United States Bureau of Labor Services

Convention Roomnights – New Orleans Convention & Visitor Bureau,

 Baton Rouge Area Visitor's Center, Lafayette Visitor's Bureau, Lake Charles Visitor's Bureau, Shreveport Convention Center. Forecasts by UNO Hospitality Research Center.

Visitor Mix – TNS: data files Full year 2006, 2007, 2008 and 2009.

Airport capacity –

 New Orleans – Louis Armstrong airport

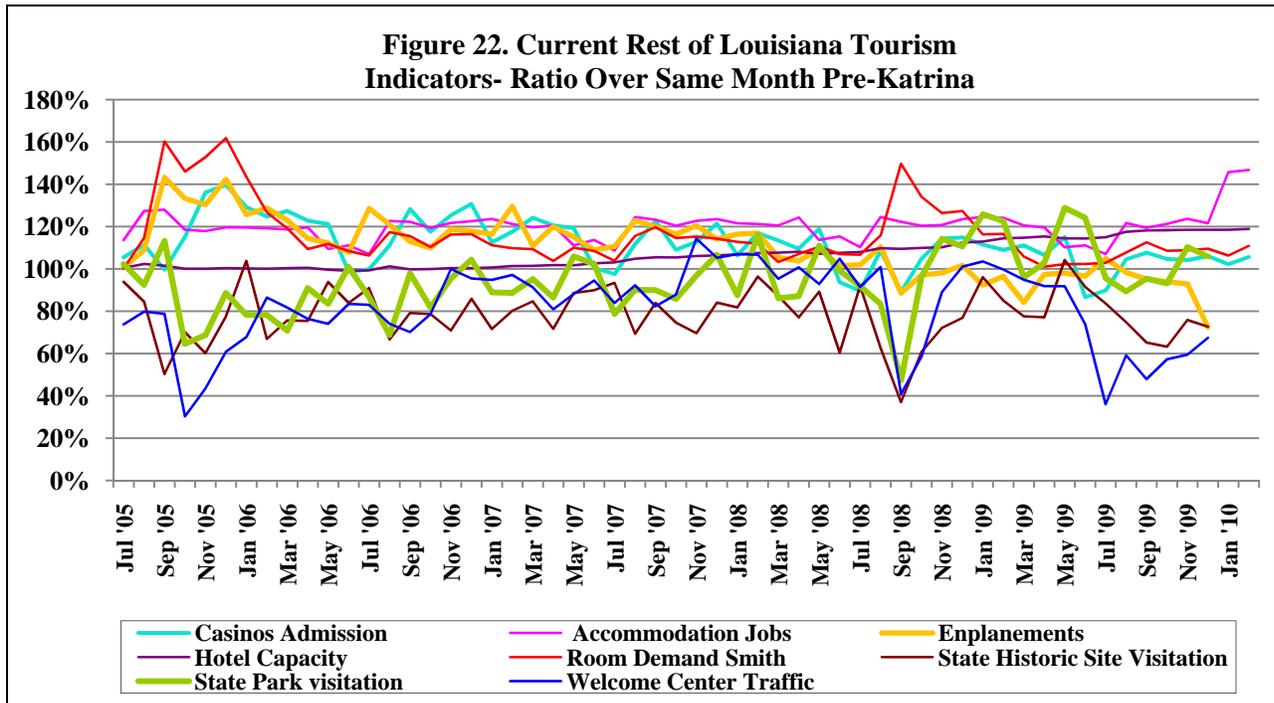
 Other Cities – Official Airline Guide as published in USA Today

Calculation of Percent Pre-Katrina Normal Graphs, Both Bar and Line:

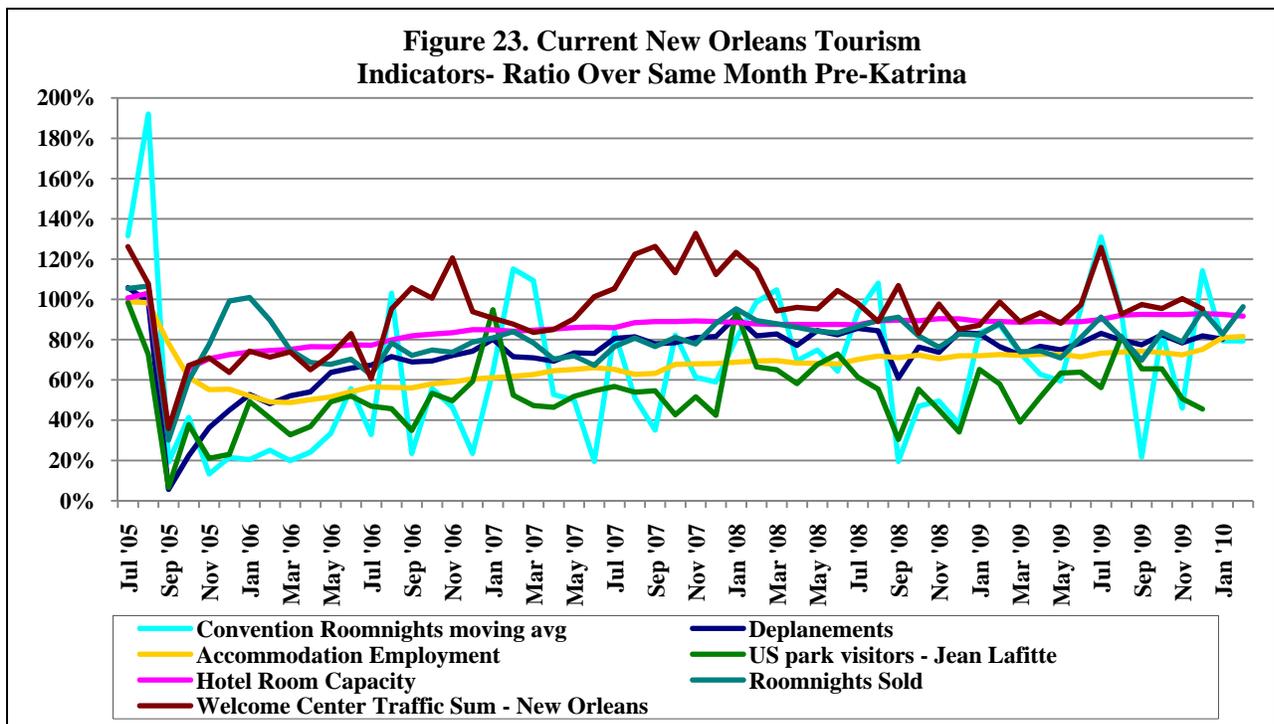
In the case of measures of facilities such as welcome centers and state parks, only welcome centers that were open during the analysis window were included. However, those which were closed briefly during the storm recovery period were included since their return to use is a measure itself of recovery.

“Normal” or 100% is defined as the average of the measure during the same month during the period from August 2003 through July 2005.

A detailed look at some indicators for areas outside New Orleans follows. These indicators were combined into groups in Figures 1 and 11.



A detailed look at some New Orleans area indicators is below. These indicators were combined into groups in Figures 1 and 4.



Appendix B

Forecast for Louisiana – Domestic Visitors Only

Forecast for Louisiana

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Visitors (Millions)¹	25.3	23.8	18.9	17.7	23.0	23.5	22.5	23.0	23.4	23.9	25.1
Total Spending (Billions\$)²	\$8.9	\$9.5	\$7.8	\$6.3	\$8.5	\$9.0	\$7.9	\$8.1	\$8.2	\$8.6	\$9.1
Taxes Generated to State by Domestic Visitation (Millions\$)	---	\$715	\$659	\$685	\$787	\$851	\$746	\$767	\$784	\$819	\$868

¹ Source: 2003-5 TIA

² Source: 2003-8 Louisiana TSA

Appendix C

Methodology

- Forecast number of hotel rooms sold for different regions of Louisiana.
- From hotel data rooms and visitor survey data, estimate types of visitors to obtain total number of visitors.
- From visitor survey data, calculate average spending for types of visitors to calculate total spending.

The first step is to explore relationships in available data in the history of tourism in the New Orleans region. These data include:

- Louisiana Department of Labor employment statistics for leisure and hospitality
- Smith Travel Research occupancy rate, room rate, room inventory
- Airport passenger statistics
- Convention booking patterns
- Hotel taxes
- Louisiana Welcome Center statistics on travelers
- Types and numbers of visitors and spending of those visitors from past Visitor Profile reports and their survey data files
- Past relationships between historical visitor measurements and spending

In addition, the Hospitality Research Center (HRC) convention bookings model provides insight into the future of New Orleans' convention bookings and their impact. Other areas around the state provide valuable bookings information along with historical delegate numbers and roomnights booked.

A survey of hoteliers and tourist intercept surveys from other HRC and UNO Division of Business and Economic Research (DBER) festival intercept studies were used to determine ongoing shifts in the types of visitors. An attempt was made to quantify shifts in perception from ongoing perception studies and the TNS survey data to assist in picking up shifts in visitor behavior.

The model projects the trends in the number of hotel rooms sold, enplanements, and visitors for regional segments of Louisiana outside the New Orleans area. TNS survey data is used to provide insight into visitor type and spending in the regions. The number of observations does not allow analysis of smaller markets so the area outside New Orleans is analyzed as a whole. From past visitor spending and future visitor projections, estimates of visitor spending were made.

The forecast is based on the best available data, historical information and multiple current tourism indicators, including primary data collection. The forecast is for the New Orleans metro region, and for the state as a whole. The outlook is updated regularly to provide the most effective information for related policy and reporting. The model provides information for visitation by segment for a forecast period through 2013.

LSU Division of Economic Development plays an important role in reviewing UNO's forecasts of tourism indicators, especially employment and tax figures based on its role in constructing the state's Tourism Satellite Account. In this particular effort, LSU's work on the TSA proved valuable in understanding the shifting tax base as a result of the larger share gambling has been comprising of visitor spending totals. As the number of visitors has declined and their traditional spending has followed, gambling spending by visitors has been robust. Because gambling in our state is taxed at substantially higher rates than other visitor spending, state tax on visitor expenditures has remained surprisingly high, despite dramatic changes in their number and spending. As a more traditional visitor mix returns, this gambling revenue bonus will be replaced by the more normal pattern. Connections such as this illustrate the importance of the interaction between the TSA and the tourism forecast.

Appendix D

Forecast History

Louisiana Total	2006	2007	2008	2009	2010	2011	2012	2013
Hotel Room Nights Sold (Millions)								
<i>as of Nov 06</i>	16.5	16.4	17.1	17.6	17.4			
<i>as of Mar 07</i>	17.3	17.0	17.1	17.1	17.4			
<i>as of Sep 07</i>	17.3	16.7	16.9	17.0	17.2			
<i>as of Mar 08</i>		16.9	17.4	17.6	17.5	17.9	18.0	
<i>as of Sep 08</i>			17.2	17.6	17.6	18.1	18.2	
<i>as of Mar 09</i>			18.3	17.5	17.2	18.0	18.1	
<i>as of Sep 09</i>			18.3	17	17.3	17.5	17.8	18.1
Current Forecast Mar 10	17.3	16.9	18.2	16.9	17.1	17.2	17.7	18.0
Change from baseline	4.8%	3.0%	6.4%	-4.0%	-1.7%	-3.9%	-1.7%	-0.6%

Airport Passenger Enplanements (Millions)	2006	2007	2008	2009	2010	2011	2012	2013
<i>as of Nov 06</i>	4.5	4.9	5.1	5.3	5.3			
<i>as of Mar 07</i>	4.5	5.0	5.2	5.3	5.4			
<i>as of Sep 07</i>	4.5	5.0	5.2	5.3	5.4			
<i>as of Mar 08</i>		5.1	5.4	5.5	5.6	5.7	5.7	
<i>as of Sep 08</i>			5.2	5.4	5.5	5.6	5.7	
<i>as of Mar 09</i>			5.2	5.1	5.2	5.3	5.5	
<i>as of Sep 09</i>			5.2	5.1	5.1	5.4	5.5	5.6
Current Forecast Mar 10	4.5	5.1	5.2	5.1	5.1	5.3	5.5	5.7
Change from baseline	0.0%	4.1%	2.0%	-3.8%	-3.8%	-7.0%	-3.5%	1.8%

Hotel rooms and airport enplanements are examined first because their values are reported by external sources and can easily be checked. (Note that 2006 hotel rooms sold reported at the time was hotel rooms with FEMA residents removed. At the request of the CRT, this has been adjusted to be consistent with Smith Travel hotel room demand.)

Methodologies for forecasting hotel rooms and air passengers have remained relatively unchanged since the start of this project. In 2007, in particular, hotel sales were better than predicted (up 3%) and the traffic at airports has been better than expected (4.1%). The trend continued into 2008. However the 7% increase in hotel rooms sold in 2008 could partially be due to Hurricanes Gustav and Ike visiting Louisiana. Up to that point recovery may have happened faster than expected and this resulted in the forecast for future years being lifted slightly.

However in late 2008, a credit crisis at the national level caused chaos in the national financial situation leading to a long recession. This external factor resulted in future numbers being revised lower.

Further, airlines reduced flights allocated to regional airports. Baton Rouge lost nearly a third of its seats. New Orleans lost approximately 5% more seats from post Katrina figures.

Visitation is tougher to quantify. It is an estimate which may evolve over time, but which cannot be checked directly against an external source – except other estimates. Data for the part of Louisiana is limited in scope. The TNS data set has a relatively small number of observations to cover such a large area. The March 2007 forecast methodology changed to include a better estimate of visitors who do not stay in hotels to be more consistent with other sources. However even after that adjustment, the number of visitors forecast for 2007 kept moving up. Better activity in underlying indicators such as hotels and planes above was a component. There was also an unexpected spike in people visiting friends and relatives in the last half of 2007. 2007's increase has resulted in the forecast of the future year's activity being lifted, as well.

In the 2009 forecasts, the recession was given a weightier effect on the future forecast years.

Louisiana Total	2006	2007	2008	2009	2010	2011	2012	2013
Visitors (Millions)								
<i>as of Nov 06</i>	17.7	19.4	20.9	21.5	22.0			
<i>as of Mar 07</i>	18.2	22.2	23.4	23.4	24.0			
<i>as of Sep 07</i>	18.2	23.4	24.1	24.3	24.7			
<i>as of Mar 08</i>		23.8	24.4	24.8	25.0	25.3	25.5	
<i>as of Sep 08</i>			22.8	24.0	24.3	24.9	25.2	
<i>as of Mar 09</i>			24.1	23.3	23.3	24.2	24.5	
<i>as of Sep 09</i>			24.4	23.3	24.0	24.3	24.8	26.0
Current Forecast Mar 10	18.2	23.8	24.4	24.0	24.2	24.7	25.3	25.7
Change from baseline	2.8%	22.7%	16.7%	11.6%	10.0%	-2.4%	-0.8%	-1.2%
Change from Mar 07	--	7.2%	4.3%	2.6%	0.8%	--	--	--

Spending is the most difficult calculation. It is dependent on accuracy in the visitor forecast. The TNS sample size for visitor spending for the area outside New Orleans is small. Also, the methodology for calculating spending has continually evolved over the last 2 years of this project. For instance, methods for estimating spending for transportation for New Orleans visitors as they move through the rest of the state have been estimated and then revised in later forecast cycles. This was not included in the first baseline calculation. The September 2007 forecast is probably the point where the forecast methodology becomes somewhat stable. The latest revision to transportation was the September 2008 cycle which contributed to the spending being lowered as well as the external factors of looming recession and new hurricanes.

However, the spending numbers have also moved up as data came in. Spending per person, particularly in New Orleans was higher than expected. Sometimes the spending increase reflects prices going up as well as visitors choosing to spend more. Also unexpectedly, hotel visitors continue to stay longer than before the storm. Visitors who stay longer naturally, spend more per visit. The average hotel stay in New Orleans has started to decrease but not as quickly as originally expected.

Louisiana Total	2006	2007	2008	2009	2010	2011	2012	2013
<i>Visitor Spending Estimate (\$Bill)</i>								
<i>as of Nov 06</i>	5.2	6.7	7.6	7.9	8.3			
<i>as of Mar 07</i>	6.0	7.2	7.9	8.2	8.6			
<i>as of Sep 07</i>	6.6	8.8	9.1	9.5	9.8			
<i>as of Mar 08</i>		9.5	9.7	9.9	10.1	10.6	10.9	
<i>as of Sep 08</i>		9.0	9.3	9.9	10.2	10.7	11.0	
<i>as of Mar 09</i>			9.4	8.8	8.9	9.5	9.8	
<i>as of Sep 09</i>			9.4	8.8	8.9	8.7	9.1	9.6
<i>Current Forecast Mar 10</i>	6.6	9.0	9.5	8.1	8.3	8.7	9.1	9.5
<i>Change from baseline</i>	26.9%	34.3%	25.0%	2.5%	0.0%	-17.9%	-16.5%	-1.0%
<i>Change from Sep 07</i>	--	25.0%	20.3%	-1.2%	-3.5%	--	--	--