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Tourism on the rebound after rough '09

By Kevin Herrera

write the author

May 08, 2010

OCEAN AVE — After an inhospitable year in which tourism spending dropped by 5.6 percent and City Hall saw a serious dip in hotel tax revenue because of the great recession, experts in the hospitality industry on Friday said conditions are improving and they expect tourism to rebound later this year.



Tourists Uif Gardenier (right) and his wife Sabine from Dusseldorf, Germany walk to the beach on Friday afternoon. A report by the Santa Monica Convention & Visitors Bureau found that the number of international visitors are down but they still spent more than domestic. photo by BRANDON WISE.

That prediction was welcomed by City Hall officials and business leaders who attended the first annual Santa Monica Travel and Tourism Summit produced by the Santa Monica Convention and Visitors Bureau (CVB) at the Loews Hotel.

"While the signals are still mixed for 2010 it seems that we are on the slow road to recovery," said Caroline Beteta, president and CEO of the California Travel & Tourism Commission and the lead spokesperson for the state's \$97.6 billion tourism industry.

Tourism is a significant contributor to the local economy, funneling more than \$1 billion into Santa Monica while supporting nearly 12,000 jobs, according to a report released Friday by the CVB. It is also a major revenue stream for City Hall, generating roughly \$34.4 million in tax revenue in 2009, helping to pay for police and fire, libraries, street cleaning and other essential services for residents and local merchants.

While Santa Monica's tourism industry is strong, the recession of 2008-09 did have a negative impact on several areas. Annual visitor volume did reach a record high of 6.3 million visitors in '09, a 13.5 percent leap from 2006-07 (the last time the CVB paid for a comprehensive, independent report), but the total amount of money spent dipped by 5.6 percent for a total of \$1.115 billion. Per-capita daily visitor spending also dropped by 22.4 percent to \$118, with hotels, retail and spas taking the biggest hits.

"It was probably one of the worst tourism years I have seen in my life," said Lauren Schlau, a consultant hired by the CVB to conduct the report. "The good news is that Santa Monica did much better than other destinations we looked at."

Schlau's team conducted over 620 interviews with tourists from outside Los Angeles County and called 300 residents to find out how many people they hosted over the last year as part of the research needed for the report. Local hotels were also surveyed to get a clearer picture of occupancy and room rates, key indicators of demand.

Schlau found that the number of international visitors, who tend to stay longer in Santa Monica and spend more money, dropped while the number of U.S. visitors

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increased by more than 10 percent. California continued to be the largest market, followed by visitors from New York, Arizona and Michigan. Internationally, the United Kingdom was on top, followed by Germany, Australia and Canada.

Also among the findings was that the average length of stay for all visitors increased by 6.2 percent, and among the top visitor spending categories were lodging, meals, beverages, and shopping, comprising over 80 percent of the total spending in Santa Monica.

Santa Monica has fared better than other destinations because of its diverse tourism base, with about one-third of visitors coming for your typical leisure vacation, another third for business and another third for group trips, said Jeff Lugosi, senior vice president of PKF Consulting. Lugosi is an expert on real estate, with a special focus on the value of lodging and recreation properties.

"While the numbers may have been bleak for Santa Monica, in comparison to other markets, you have been fortunate," Lugosi said.

Room rates have not dropped off at the same level as other destinations, and occupancy rates in Santa Monica have not dropped below 75 percent, whereas in West Hollywood the number of rooms occupied fell to 66.9 percent in 2009 and 64 percent in Beverly Hills.

Lugosi said 2010 offers some good news. He expects the occupancy rate in Santa Monica to jump to 78 percent while the rest of Los Angeles County will hover around 66 percent. He anticipates room rates to drop by 2 percent but start to climb in 2011, meaning more revenue for City Hall, which in turn means less money residents have to pay in taxes for the services they receive.

"Our recovery depends on every single person, from the hotel staff to the resident who is nice and helpful, getting visitors to their destination," said Misti Kerns, president & CEO of the CVB.

While there is a temptation for local governments to pull back because of a decline in revenues, experts said it is more important now than ever before to remain aggressive and continue to promote Santa Monica as a premiere destination.

Beteta called on those in the industry to reach out to elected officials and help them understand how important tourism is to local economies. She pointed to the oil spill in the Gulf of Mexico, which has hoteliers and tourism chiefs in the south on edge.

One factor that could help boost tourism in the coming years is the Transportation Promotions Act, signed by President Obama in earlier this year. The act will generate millions of dollars annually by charging international visitors who come from countries that do not pay for a visa a \$10 fee every two years, money which will be used to pay for billboards, television and radio commercials and other promotions to attract foreign travelers. The public-private partnership has a goal of raising \$200 million each year.

Despite a weak dollar, international travel still fell by 10 percent in the first quarter of 2009, according to the U.S. Department of Commerce. The U.S. welcomed 633,000 fewer overseas visitors in 2008 than in 2000, remaining below pre-9/11 levels. Overseas visitors spend an average of \$4,500 per person, per trip to the U.S.

At the summit, the CVB unveiled new efforts to enhance awareness of Santa Monica. In addition to the "I Love Santa Monica Blog," the CVB is partnering with the state Travel & Tourism Commission on the "SpendTom!" program, which aims to track \$2 bills from their city of origin throughout the world as they are spent, to show the scope and economic impact of tourism. Over \$4,000 in two-dollar bills will be distributed as change by participating local businesses in Santa Monica alone. Those who receive a two-dollar bill as change are invited to go to SpendTom.com and register their bill, telling California where they received the bill and how they spent it.

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
CVB also launched the "Santa Monica Snapshots Photo Contest," encouraging people from around the world to submit original photographs of their favorite Santa Monica location in the beachside city. The winner will be announced by May 24, and will win a two-night stay at the Holiday Inn Santa Monica Beach hotel. More information on the contest can be found at [Facebook.com/VisitSantaMonica](https://www.facebook.com/VisitSantaMonica).

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