TOURISM ECONOMICS

The Economic Impact of Tourism in Lancaster County
Contents

1. Executive Summary ................................................................. 3

2. Visitor Spending and Growth Analysis ................................. 5
   2.1 Visitor spending ............................................................... 5
   2.2 Tourism employment ...................................................... 8
   2.3 Room revenue based on bed tax receipts .......................... 9
   2.4 Hotel performance as measured by STR ......................... 10

3. Economic Impact Analysis .................................................... 13
   3.1 Economic impact of travel and tourism in Lancaster County . 13

4. About Tourism Economics ................................................... 18
1. Executive Summary

To provide a timely view of the importance of the travel and tourism sector in Lancaster County for Discover Lancaster, Tourism Economics prepared an analysis of visitor spending, growth, and economic impact. The key findings of our research are summarized as follows.

Solid Visitor Spending Growth Builds on Recent Gains

Tourism Economics estimated visitor spending growth for 2015 and conducted a benchmarking analysis across multiple measures of tourism activity, supporting the following findings.

- Visitor spending in Lancaster County increased 2.8% in 2015, from $1.92 billion to $1.97 billion. The estimated number of visitors, including both day and overnight visitors, increased 2.3% from 8.15 million to 8.34 million, with average spending per visitor of $237. International visitors accounted for approximately $44.0 million of total visitor spending in 2015, an increase from approximately $42.4 million in 2014. Since 2005, total visitor spending in Lancaster County has increased by more than a third (37.4%).

- Lancaster County has maintained a slight lead in terms of visitor spending growth relative to the state (excluding Philadelphia and Pittsburgh), based on the most recent year of comparable data across regions (2014). In terms of tourism employment, Lancaster County has recorded faster growth than the nine-county Dutch Country Roads region overall.

- Strong performance in the lodging sector shows Lancaster County outpacing the state (excluding Philadelphia and Pittsburgh) and the Dutch Country Roads region. Lancaster County hotels have posted stronger gains in occupancy, average daily rate (ADR), and revenue per available room (RevPAR) than comparable regions.

Tourism Supports Lancaster County Business Sales and Jobs

Tourism Economics finds that tourism supports a substantial portion of Lancaster County business sales and jobs.

- The total impact of travel and tourism in terms of output, or business sales, including indirect and induced sales, during 2015 in Lancaster County was $2.64 billion, which represents a 2.7% increase from $2.56 billion in 2014.

- Visitor spending supported more than 24,000 Lancaster County jobs, with $801.1 million of wages and salaries. Of these total jobs, approximately 15,970 were direct tourism industry jobs, such as at restaurants, hotels, and visitor attractions, while the remaining approximately 8,070 jobs were supported by the indirect and induced
effects of visitor spending, such as jobs at businesses providing goods and services to tourism sector businesses or their employees. The total of approximately 15,970 direct tourism industry jobs in 2015 represents an increase of 1.5% from 2014, marking the sixth consecutive year of growth following the national recession.

- Tourism ranks as the fifth largest sector in Lancaster County in terms of private non-agriculture employment, ahead of construction, transportation, and finance. Due to the size of the tourism sector, and its continued growth, it represents a major contributor to private non-agriculture employment growth in the county overall. Indeed, in 2015, tourism industry employment was 8.2% greater than in 2011, representing more than 1,200 new jobs.

- The tourism sector directly accounts for 1 out of every 15 non-agriculture private sector jobs in Lancaster County.

Tourism Supports the Tax Base in Lancaster County

Tourism Economics estimates the Lancaster County tourism sector supported $193.9 million in state and local taxes and $190.1 million in Federal taxes last year. Without this contribution, each Lancaster County household would, on average, pay an additional $997 in state and local taxes annually (i.e. a tax burden of $193.9 million spread across the county’s approximately 194,500 households).

Background on Tourism Economics

Tourism Economics is part of Oxford Economics, one of the world’s leading providers of economic analysis, forecasts and consulting advice. More than 300 leading companies, associations, and destinations work with Tourism Economics as a partner for economic impact, forecasting, and market assessments every year.
2. Visitor Spending and Growth Analysis

Lancaster County has grown its level of visitor spending and improved its tourism market share in recent years, and is well-positioned to further grow tourism as a key industry in the local economy. This section summarizes our analysis of visitor spending trends and market share benchmarks with comparable regions.

2.1 Visitor spending

As part of its annual analysis for the Commonwealth of Pennsylvania, Tourism Economics estimates visitor spending in each county. To provide a more timely perspective of performance in Lancaster County, we have estimated 2015 visitor spending based on tourism sector performance indicators. These indicators include:

- lodging sector data, such as occupied room nights and average room rates as gathered from local hotels by STR, a third-party lodging research firm;
- bed tax collections reported by Lancaster County;
- information on local employment in tourism-related sectors; and,
- trends in visitor spending surveys.

Our estimates show a total of $1.97 billion of tourism spending by visitors to Lancaster County in 2015, representing a 2.8% increase over 2014 ($1.92 billion) and a 37.4% increase from the level of $1.44 billion in 2005. The 2015 increase represents a continuation of solid growth in the Lancaster County tourism sector. The accompanying table summarizes our estimates of growth in tourism spending by category. The strongest gains are evident in the lodging sector (5.9% increase), followed by recreation (4.3% increase). Transportation spending is estimated to have declined due to substantially lower gasoline prices throughout 2015.

Based on estimated trends in spending per visitor, we estimate that the total number of day and overnight visitors to Lancaster County increased 2.3% in 2015, to 8.34 million, from 8.15 million in 2014.

---

1 Tourism Economics (2016, April). The Economic Impact of Travel and Tourism in Pennsylvania, Tourism Satellite Account Calendar Year 2014.

2 The definition of day visitors includes visitors who traveled outside of their normal pattern to spend time in Lancaster County.
The spending estimates presented in this report also reflect updates to figures previously released for 2014. These updates reflect the availability of more complete information, such as data sources that become available as part of our state-level analysis. In particular, transportation spending has been updated to reflect spending that was approximately flat in comparison with 2013 (again, due to lower gas prices).

International visitors represent a valuable growth opportunity for Pennsylvania and Lancaster County. Nationally, spending by international visitors has outpaced domestic visitor spending in recent years, growing at an annualized rate of 5.4% between 2005 and 2015. While the recent appreciation of the US dollar continues to weigh on international visitor spending, particularly by visitors from Canada, the outlook for spending growth in future years remains positive. Tourism Economics estimates that international visitors spent approximately $44.0 million in Lancaster County in 2015, up from approximately $42.4 million in 2014.²

To put recent visitor spending gains in context, Tourism Economics analyzed visitor spending in Lancaster County in relation to the following areas:

- Dutch Country Roads region, of which Lancaster County is one of nine counties (Adams, Berks, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York counties);

² This estimate is based on Tourism Economics’ analysis of international visitor spending by region as part of annual research for the Commonwealth of Pennsylvania, scaled for the characteristics of the visitor economy in Lancaster County.
- Valleys of the Susquehanna, a five-county region (Columbia, Montour, Northumberland, Snyder, and Union counties);
- The Alleghenies, an eight-county region (Bedford, Blair, Cambria, Centre, Fulton, Huntingdon, Juniata, and Mifflin counties); and,
- The state, adjusted to exclude the counties that are part of the Philadelphia and Pittsburgh metropolitan statistical areas (for Philadelphia this includes five Pennsylvanian counties, and for Pittsburgh this includes seven).

The Lehigh Valley region was excluded from the comparisons, as the opening of a casino in Bethlehem, PA in 2009 impacts the visitor spending growth in ways that are not comparable with Lancaster County.

Estimates for 2015 visitor spending for the state and the select comparable regions are not yet available. As a result, our comparisons are focused on performance through 2014. To support comparability across the regions, Tourism Economics indexed the spending levels such that spending in each region was equal to 100 in 2005. In the accompanying graph, the index value of 133.7 for Lancaster County in 2014 shows that Lancaster County’s 33.7% increase from 2005 to 2014 slightly leads each of the comparable regions and the state (excluding Philadelphia and Pittsburgh).

Visitor spending
Index (2005=100)

Index values for 2014 are reported in parentheses

- Lancaster County (133.7)
- Dutch Country Roads (131.4)
- Valleys of the Susquehanna (127.1)
- The Alleghenies (129.7)
- State (excluding Phila. and Pitt.) (126.8)

Source: Tourism Economics
2.2 Tourism employment

Visitor spending supported approximately 15,970 tourism sector jobs in Lancaster County in 2015, based on Tourism Economics’ updated analysis. This represents an increase of 1.5% from 2014, and marks the sixth consecutive year of growth following the national recession. Additional background on tourism sector employment in Lancaster County is provided in the economic impact analysis section of this report.

An accompanying graph shows tourism employment in Lancaster County as compared to selected comparable regions. Tourism employment in 2014 in Lancaster County was 11.4% higher than in 2005. Historically, Lancaster County tourism employment growth has been somewhat slower than at the state level, but stronger than in the Dutch Country Roads region overall, and stronger than the Alleghenies region.

Tourism employment
Index (2005=100)

Index values for 2014 are reported in parentheses

- Lancaster County (111.4)
- Dutch Country Roads (106.7)
- Valleys of the Susquehanna (113.6)
- The Alleghenies (103.2)
- State (excluding Phila. and Pitt.) (112.9)

Source: Tourism Economics
2.3 Room revenue based on bed tax receipts

Bed tax collections in Lancaster County indicate a favorable 4.5% increase in room revenue at local lodging establishments in 2015.\(^4\) As shown in the accompanying graph, through 2014 (the most recent year of data available across comparable regions), Lancaster County bed tax receipts had increased 21.0% from 2011, slightly more than the state excluding Philadelphia and Pittsburgh, as well as the Dutch Country Roads region overall, and well ahead of the Valleys of the Susquehanna and the Alleghenies.

### Room revenue based on bed tax

Index (2011=100)

![Graph showing room revenue based on bed tax receipts](image)

Index values for 2014 are reported in parentheses

- Lancaster (121.0)
- Dutch Country Roads (117.3)
- Valleys of the Susquehanna (101.3)
- The Alleghenies (105.6)
- State without Philadelphia and Pittsburgh (116.4)

Source: Tourism Economics

\(^4\) Lancaster County collects an excise tax of 1.1% on room rental revenue at all hotels, motels and bed and breakfasts; plus an additional 3.9% room rental tax on hotels, motels and bed and breakfasts that have greater than ten rooms.
2.4 Hotel performance as measured by STR

Hotel performance statistics aggregated from individual hotel and motels by STR, formerly Smith Travel Research, provide a timely measure of hotel performance. Based on this information, we observe that lodging supply as measured by the STR census of lodging properties has expanded more slowly in Lancaster County than in comparable regions, but performance levels have improved more strongly than average.

Occupancy levels at Lancaster County hotels have improved substantially from 2008 levels, surpassing the gains achieved by the Dutch Country Roads region more broadly and the adjusted state total. As a result, since 2013, hotels in Lancaster County have been operating at higher occupancy rates (57.8% in 2015) than the state overall (excluding Philadelphia and Pittsburgh) (56.8%).

### Lodging Occupancy Relative to Comparable Regions

<table>
<thead>
<tr>
<th>Year</th>
<th>Lancaster County</th>
<th>Dutch Country Roads</th>
<th>State (excluding Phila. and Pitt.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>2009</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>2010</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>2011</td>
<td>95</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>2012</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>2013</td>
<td>105</td>
<td>105</td>
<td>105</td>
</tr>
<tr>
<td>2014</td>
<td>110</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>2015</td>
<td>115</td>
<td>115</td>
<td>115</td>
</tr>
</tbody>
</table>

Index values for 2015 are reported in parentheses

- **Lancaster County (109.4)**
- **Dutch Country Roads (102.0)**
- **State (excluding Phila. and Pitt.) (101.7)**

Source: STR; Tourism Economics
Room rates at Lancaster County hotels have outpaced comparable regions, with an increase of 5.9% in 2015, building on a strong gain in 2014. As a result, room rates in Lancaster County have increased 21.0% since 2008, as compared to Pennsylvania excluding Philadelphia and Pittsburgh, which has experienced a 12.2% increase in ADR since 2008. Stronger room rate gains in Lancaster County are further evidence of strong demand for rooms in the area, and solid tourism sector performance.

**Lodging ADR Relative to Comparable Regions**

Index (2008=100)

![Graph showing Lodging ADR relative to comparable regions. Index values for 2015 are reported in parentheses.

Index values for 2015 are reported in parentheses.

Lancaster County (121.0)  
Dutch Country Roads (111.6)  
State (excluding Phila. and Pitt.) (112.2)

Source: STR; Tourism Economics
Revenue per available room (RevPAR), a key lodging industry measure that reflects both occupancy performance and room pricing, provides a summary indicator of hotel performance. RevPAR at Lancaster County hotels increased 7.1% in 2015 to $64.65 (occupancy of 57.8% with average daily rate of $111.91), which is 32.4% higher than in 2008. In comparison, as shown in the accompanying graph, adjusted state RevPAR has increased 14.2% since 2008, and Dutch Country Roads RevPAR increased only 13.8%.

**Lodging RevPAR Relative to Comparable Regions**

Index (2008=100)

Index values for 2015 are reported in parentheses

- Lancaster County (132.4)
- Dutch Country Roads (113.8)
- State (excluding Phila. and Pitt.) (114.2)

Source: STR; Tourism Economics
3. Economic Impact Analysis

3.1 Economic impact of travel and tourism in Lancaster County

As part of its annual research for the Commonwealth of Pennsylvania, Tourism Economics analyzes the economic impact of travel and tourism in Lancaster County on an annual basis. To provide a timely perspective on impacts, we have updated this analysis to quantify the economic contribution of travel and tourism in Lancaster County in 2015. We have presented these estimates in historical context by also reporting several years of historical data.

Key points of background on economic impact analysis of travel and tourism are summarized as follows.

- Travelers create direct economic value within a discreet group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.

- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.

- Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the state economy.

Specific terms are used in the economic impact analysis.

- Traveler: Includes both leisure and business travelers.

- Travel and tourism industry: The value of traveler activity within “travel characteristic industries.” This concept measures only the direct impact of the travel industry from the sales made to travelers.

- Travel and tourism economy: This expands the focus to measure the overall impact of tourism on all sectors of the economy. This represents the value of

---

traveler activity plus government spending and capital investment in support of travel and tourism and certain personal consumption expenditures. This is the basis of the total economic impact analysis, including the direct impact and the downstream indirect and induced impacts.

Tourism Economics used the IMPLAN modeling system, a well-respected economic impact analysis tool, to quantify key relationships in the Lancaster County economy. The IMPLAN model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. For example, when a visitor purchases a meal at a local restaurant, a portion of the sale supports wages for restaurant employees, while a portion of the sale may consist of locally produced food and beverages. The IMPLAN model captures these types of relationships based on a structured analysis of economic statistics. Tourism Economics’ annual report for the Commonwealth provides further discussion of the economic impact methodology.

Overall, as presented in the previous section of this report, Tourism Economics estimates that Lancaster County visitor spending totaled $1.97 billion in 2015, representing the spending of an estimated 8.34 million day and overnight visitors. Overall, the average spend per visitor is estimated at $237, which includes some visitors who stay one or more nights, as well as day visitors.

The estimated $1.97 billion of direct visitor spending, plus corresponding impacts of more than $660 million of indirect and induced business sales, is estimated to have supported approximately $2.64 billion in total visitor-generated business sales in Lancaster County. For example, direct spending by visitors on food and beverages results in additional demand in industries that supply the restaurants, such as food inputs, energy, capital equipment and professional services such as legal and accounting services. Additionally, induced impacts are produced as incomes earned through visitor spending are spent in Lancaster County. To a degree, such impacts tend to leak out of the area in which the direct spending occurs, for example as local businesses purchase inputs that are produced outside of Lancaster County. However, there are also some tourism-related impacts that relate to spending by visitors to other Pennsylvania counties but that accrue to businesses and households in Lancaster County, and these are included.
As shown in the accompanying table, this annual spending activity is estimated to support 24,031 total jobs in Lancaster County, including 15,967 direct tourism industry jobs. Total employee wages and other labor income are estimated at $801.1 million, including $417.2 million of direct labor income. These 2015 impacts represent gains ranging between 6.7% to 16.4% relative to 2011.

Tourism Economics’ estimate of direct tourism sector employment is also useful in considering the importance of tourism in the Lancaster County economy relative to other sectors. As shown in the accompanying table, we have summarized employment levels for sectors as reported by the Bureau of Labor Statistics (BLS), and consolidated our estimate of direct tourism employment, moving direct tourism jobs from the sector in which they were originally reported to the tourism sector row. Based on this analysis, tourism ranks as the fifth largest non-agriculture private sector employer in Lancaster County, accounting for one out of every 15 such jobs and ahead of construction, transportation, and finance.
Several additional comments are also relevant:

- This analysis shows employment as tracked using standard BLS categories, adjusted to reclassify tourism sector employment as its own sector. For example, this moves more than 8,800 tourism jobs from the accommodation and food service sector to the tourism sector, leaving approximately 10,300 non-tourism food service (e.g. restaurant dining by local residents) and other accommodation jobs (e.g. dormitories).

- This analysis only includes direct tourism employment, and does not include jobs in other sectors of the economy that are indirectly supported.

- Even beyond this type of ranking relative to other sectors, tourism is also important as an industry because it represents an “export sector”, in which services are provided to visitors from other regions, representing a source of revenue and income that can be spent on services from local businesses, such as at local retail establishments.

As shown in the following graph, Lancaster County tourism industry employment has increased steadily in recent years. In 2014 and 2015, broader private sector job growth improved, so that now both the tourism sector and the broader private sector have increased employment by slightly more than 8.0% since 2011. The tourism sector has been an important part of private sector job growth, contributing new jobs supported directly by visitor spending, as well as by drawing new dollars into the local economy and thus supporting additional jobs indirectly.

**Lancaster County Employment**

Index (2011=100)

![Graph showing employment index](image)

Index values for 2015 are reported in parentheses

- Private sector (108.4)
- Tourism industry (108.2)

Source: Bureau of Labor Statistics; Tourism Economics
Tourism also supports the Lancaster County tax base. Tourism Economics estimates the Lancaster County tourism sector supported $193.9 million in state and local taxes and $190.1 million in Federal taxes. Without this contribution, each Lancaster County household would, on average, pay an additional $997 in state and local taxes annually.\textsuperscript{6}

The following recaps the 2015 economic impact of tourism in Lancaster County:

- $2.64 billion in business sales (output), including $1.97 billion in direct visitor spending
- $801.1 million in labor income
- 24,031 jobs, including 15,967 directly in industries serving visitors (one out of every 15 non-agriculture private sector jobs)
- $193.9 million in state and local taxes
- $190.1 million in Federal taxes

\textsuperscript{6} Calculated as $193.9 million of annual state and local taxes supported by Lancaster County tourism, divided by approximately 194,500 households in Lancaster County as estimated by the Census Bureau, equals $997 per household.
4. About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, its draws on its own staff of 30 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.