

Editor's comment from *City Profiles* No. 15 – January 2004

California is counting on Arnie to reverse the state's tourism fortunes

California's tourism industry is cautiously optimistic about its prospects for 2004 after the difficulties of the past 12 months. First, the depreciation of the US dollar should boost demand for the USA's favourite tourism region from international markets in Europe and Asia Pacific. But, much more importantly, the election of Arnold Schwarzenegger, the former Mr Universe, to the post of governor of the state of California is seen as a really positive move for tourism generally, since he has already earmarked it as one of his development priorities.

Just one year ago Schwarzenegger's predecessor, Gray Davis, proposed that the state tourism office be closed as a way of saving money. California was facing a US\$35 billion shortfall and, in his wisdom, he thought that the annual state budget of around US\$7.5 billion (a mere 0.02% of the shortfall) was worth saving. But it would, of course, make a big difference to California's tourism industry, since it represents 50% of marketing and promotion funds.

Davis's mistake, and one which is so often made by governments the world over – whether at national, state/provincial or local level – was to underestimate the contribution of tourism to California's economy. In 2002, its 317 million visitors – 8 million international, 44 million from out of state and 265 in-state visitors – were responsible for some US\$75.8 billion in direct travel spending, supporting jobs for more than 1 million Californians and generating US\$5 billion in direct state and local tax revenues.

In 2001, California was one of only three US states to increase market share – due in large part to the highly leveraged US\$25 million post-11 September tourism recovery campaign initiated by California Tourism. The California Tourism programme was so successful, in fact, that it became a model for the nation and for destination management organisations (DMOs) outside the USA.

A model public-private sector partnership

From 1998 to 2002 the state's annual allocation to tourism, coupled with near-matching funding from the industry body, the California Travel & Tourism Commission (CTTC), provided seed funding that generated over US\$80 million in co-operative partner funds to promote travel to California. This was no mean achievement, especially since co-operative funding was generated from private and other government sources in every major category of California Tourism's programme.

The partnership – considered unique in the USA – not only allowed California Tourism to retain a competitive edge in the global marketplace, but also represented the most progressive marketing programme in the country.

Arnie would do well to revive this partnership since the US travel and tourism industry cannot rely on getting any support at national level. Rumour has it that the US\$50 million allocated last year for international marketing and promotion – administered by a special committee designated by the US Department of Commerce's Office of Travel & Tourism Industries – could be drastically cut. The US Government, it seems, also has other spending priorities.