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AN EVALUATION OF PENNSYLVANIA'S TOURISM PROMOTION PROGRAMS

June 1993

EXECUTIVE SUMMARY

Background

Several state agencies administer tourism promotion programs within the Commonwealth. This study focused on the tourism promotion programs administered by the Department of Commerce's Office of Travel Marketing and the Welcome Center program.

The Pennsylvania Department of Commerce, through its Office of Travel Marketing, administers the state's Tourist Promotion Assistance program. This program provides matching grants to 51 Tourist Promotion Agencies, most of which represent single counties. TPAs promote travel attractions through activities such as working with tour operators, developing tour packages, distributing brochures, and participating in travel shows.

The Department also contracts with a private advertising firm to promote Pennsylvania as a vacation destination and to distribute the *Pennsylvania Visitors Guide* to potential tourists and visitors. In FY 1992-93 the Department budgeted about $12 million for state tourism promotion, including $7.2 million for the TPA program, $4.6 million for the state tourism marketing campaign, and about $300,000 for administrative costs in the Office of Travel Marketing.

The Pennsylvania Department of Transportation and the Pennsylvania Turnpike Commission also promote tourism through 11 state-funded Welcome Centers on major interstate highways. The cost to operate these centers in FY 1991-92 was about $1.1 million.

Conclusions and Recommendations

1.1 *Consolidation of the State's 51 TPAs Into a Smaller Number of Regional Organizations Could Improve the Effectiveness of the TPA Program*

Tourism promotion is generally acknowledged to be most effective when promoting regional, rather than county-specific, attractions. Many TPAs are involved to some degree in such regional promotions. However, most TPAs have small budgets, and some must rely on part-time or volunteer staff. Consolidating the TPAs into a smaller number of regional organizations could provide a broad financial base to support expanded promotional efforts and allow TPAs to take greater advantage of economies of scale in both administrative and promotional activities. **The General Assembly should consider creating a State Tourism Promotion Board within the Department of Commerce to develop and implement state tourism promotion policies, including steps to encourage administrative consolidations among the Commonwealth's TPAs. If substantial progress is not made toward greater regionalization of the TPAs within three to five years, the General Assembly should consider amending the Tourist Promotion Law to grant the Board responsibility to establish tourist promotion regions.**

1.2 *Consideration Should Be Given to Using Performance-Based Funding for Agencies Receiving TPA Program Grants*

The Office of Travel Marketing awards TPA grants based largely on historical precedent, in part because the TPA appropriation has not been large enough to fund TPAs as anticipated in the Tourist Promotion Law. Performance measures--such as job creation, attracting private-sector matching funds, and tourist satisfaction with the state-funded tourism agency--are not systematically incorporated into grant decisions. **The Department of Commerce--or the proposed State Tourism Promotion Board--should develop a plan for incorporating performance results as a factor in grant decisions.**

2.1 *The Number of Leads Generated Through the Commonwealth's Tourism Promotion Efforts Has Increased Over the Past Five Years, but About 60 Percent of the Tourists Who Request the Visitors Guide and Subsequently Vacation in Pennsylvania Are Pennsylvania Residents*

In FY 1991-92, the Commonwealth tourism promotion efforts generated 407,584 requests for the *Pennsylvania Visitors Guide*, up from 216,085 in FY 1987-88. Each such request is considered a lead. The increase in leads has occurred despite a reduction in the tourism component of the state marketing appropriation. A recent study found that of those who requested the *Visitors Guide* and vacationed in Pennsylvania, most (about 60 percent) were Pennsylvania residents. Because Pennsylvania residents comprise a high percentage of the state's tourists, about 40 percent of the media dollars for the state advertising campaign are spent in-state to keep Pennsylvania residents from being lured to nearby out-of-state attractions.

The Department also receives information from its contractor on net conversion rates, which is a measure of the effectiveness of the *Visitors Guide* in influencing tourists to vacation in Pennsylvania. Such information can be useful in evaluating the state's marketing campaign, but we found the Department's contractor did not calculate these rates properly. **The Department of Commerce should ensure that its contractor properly calculates the net conversion rates for the state's marketing campaigns.**

2.2 *Telemarketing Savings May Be Possible*

Pennsylvania's telemarketing costs appear high compared to other states surveyed. Pennsylvania's telemarketer receives $1.50 per lead; the average telemarketer cost for six states we surveyed was $1 per lead. The higher costs can be attributed in part to the high standards the Department of Commerce requires of its telemarketer. Most of the states we reviewed do not require such high standards. If costs were reduced to $1 per lead--the average of the six states we surveyed--savings would amount to about $173,000. **To reduce its telemarketing costs, the Department of Commerce should reconsider its**

contractual standards for telemarketing services. We also recommend the Department evaluate customer satisfaction with the automated 1-800-FALL-IN-PA promotional campaign to assess the feasibility of incorporating automated response technology as a cost saving measure in the 1-800-VISIT-PA program.

2.3 *The Department of Commerce Makes Reasonable Efforts to Promote International Tourism; However, Overseas Tourism Depends in Large Part on Airline Traffic, and Relatively Few Overseas Travelers Arrive at Pennsylvania's International Airports*

In 1990 Pennsylvania ranked twelfth in the nation in the number of international travelers, up from fourteenth place in 1989, due in large part to Canadian visitors. Pennsylvania's advertising to international markets appears comparable to efforts made in other states. However, Pennsylvania's international airports receive a relatively small portion of the nation's overseas traffic which makes it more difficult to attract overseas tourists to our state.

3.1 *Pennsylvania Welcome Centers Receive Good Marks From Motorists and Tourism Professionals, but Steps Could Be Taken to Reduce Reliance on State General Fund Monies*

Pennsylvania's 11 Welcome Centers received good marks for their effectiveness in promoting Pennsylvania attractions and for the quality of service they provide to motorists. The General Fund supports the operating costs for the nine Centers operated by PennDOT (about $916,000 in FY 1991-92). The other two Centers are supported by Turnpike Commission operating revenues. PennDOT plans to open four more Centers by the end of 1995. **To reduce the Welcome Center program's reliance on the General Fund, PennDOT should consider (1) charging rent for brochure rack space at Welcome Centers and (2) transferring responsibility to the Turnpike Commission for the one Welcome Center on the Turnpike still being operated by PennDOT.**

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CHAPTER I

INTRODUCTION

The Legislative Budget and Finance Committee conducts performance audits and evaluation studies as part of the Legislature's oversight responsibility for public programs. The primary objective of these projects is to provide information the Legislature can use to improve programs and allocate limited public resources.

Objectives

The objectives of this study were:

1. To determine whether the Commonwealth's Tourist Promotion Assistance (TPA) program could be operated in a more efficient or more effective manner.
2. To determine the effectiveness of the Commonwealth's marketing campaign in encouraging Pennsylvania residents to vacation in Pennsylvania rather than go out of state and in attracting out-of-state tourists to Pennsylvania.
3. To determine the effectiveness of the Pennsylvania Welcome Centers in promoting Pennsylvania attractions to motorists who visit the Centers.

Scope and Methodology

This audit focused primarily on the Tourist Promotion Assistance program and the state marketing campaign, both administered by the Department of Commerce's Office of Travel Marketing. We also reviewed the Pennsylvania Welcome Center program, which is administered by the Department of Transportation and the Pennsylvania Turnpike Commission.

To determine whether the TPA program could be operated in a more efficient or effective manner, we reviewed selected Department contracts and records and sent questionnaires to all TPA directors and members of the Department of Commerce's Tourism and Travel Advisory Council. We also met with representatives of the Travel Pennsylvania Association, which represents TPAs; the Pennsylvania Travel Council, which represents the tourism industry; and officials from the Department of Commerce's Office of Travel Marketing. We reviewed reports done on tourism by the Economic Development Partnership's Tourism and Travel Task Force and the Center for Rural Pennsylvania. We also spoke with academics and reviewed tourism promotion programs in other states.

To assess the effectiveness of the state marketing campaign, we reviewed selected reports and documents prepared by the Department of Commerce's prime contractor, Elkman Advertising and Public Relations, Inc., and its subcontractors. We also sought the opinions of TPA directors and other tourism professionals familiar with the campaign and collected information on marketing campaigns in other states.

To assess the effectiveness of Pennsylvania's Welcome Centers we solicited the opinions of TPA directors and tourism professionals, reviewed evaluations on Welcome Centers prepared by a PennDOT contractor, and collected information on welcome center programs in other states.

Acknowledgements

The LB&FC staff express appreciation to all state and local agencies that provided input and assistance to this study. The cooperation and assistance of the Department of Commerce and the Department of Transportation was instrumental to the completion of this project. Special appreciation is extended to Brian P. Walsh, Deputy Secretary for Administration, Department of Commerce; to Mark Hoy, Director of the Office of Travel Marketing, Department of Commerce; and to Betty L. Serian, Director of the Office of Special Assistant to the Secretary/Customer Relations, Department of Transportation.

Valuable assistance was also provided by the Pennsylvania Travel Council, the Travel Pennsylvania Association, the Department of Commerce's Tourism and Travel Advisory Council, and the Tourist Promotion Agency directors. We also thank Linda D. Trommsdorff, Mary Ann Sesso, and Thomas Garrity of Elkman Advertising and Public Relations, Inc., for their cooperation throughout the audit and William J. Capone, Assistant to the Deputy Executive Director of Marketing, Pennsylvania Turnpike Commission.

The LB&FC staff responsible for the preparation of this report were under the direction of LB&FC Executive Director Philip R. Durgin and Assistant Chief Analyst Alan L. Herd. The Project Team Leader was Senior Analyst Maryann R. Nardone. Peter L. Halvorsen and Randal E. Mortimore, Analysts, also worked on the project.

IMPORTANT NOTE:

This report contains information developed by LB&FC staff. The release of this report should not be construed as an indication that the Committee's members endorse all of the report's findings and recommendations.

Any questions or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg, Pennsylvania 17105-8737.

CHAPTER II - BACKGROUND INFORMATION ON PENNSYLVANIA TOURISM PROMOTION PROGRAMS

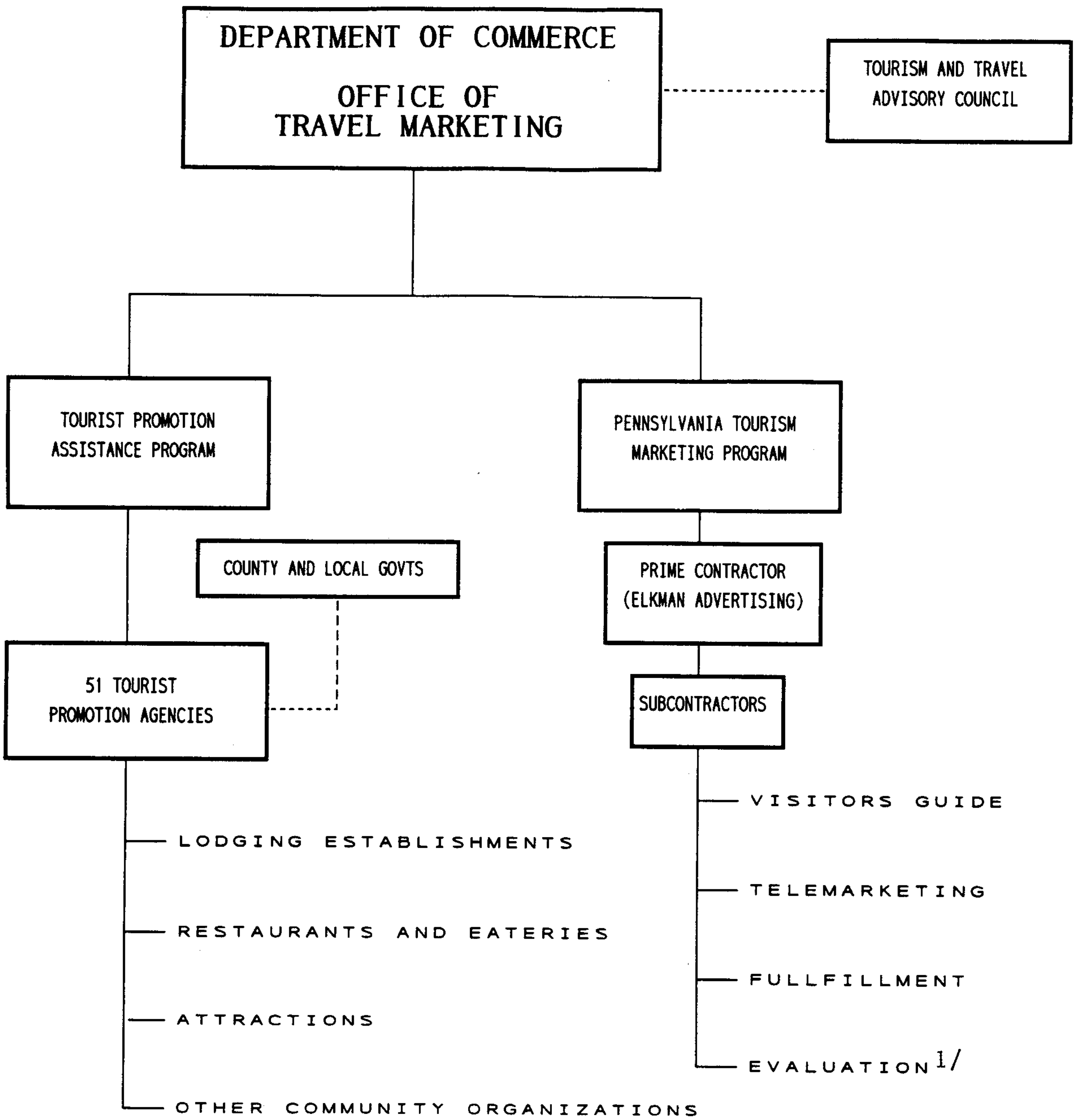
According to the U.S. Travel Data Center, Pennsylvania's share of direct U.S. domestic traveler spending at $9.7 billion was eighth highest in the nation in 1990. When the indirect effects of this spending are included, travel-related spending estimates increase to $16.2 billion. During 1990, travel-generated state and local tax receipts totaled $475.7 million ($364.1 million in state taxes and $111.6 million in local taxes). The USTDC's 1989 data indicated that travel-related employment was the state's sixth largest nonagricultural job grouping.

FY 1992-93 state tourism promotion expenditures by the Department of Commerce were about $12 million, including the $7.2 million Tourist Promotion Assistance program, the $4.6 million tourism marketing campaign, and about $300,000 in administrative costs for the Office of Travel Marketing. Appendix A provides additional information on Pennsylvania's travel-related spending, tax receipts, jobs, and per capita state tourism expenditures compared to selected other states.

Pennsylvania's Tourism Promotion Programs

Several state agencies administer tourism promotion programs within the Commonwealth. The Pennsylvania Department of Commerce, through its Office of Travel Marketing, provides grants to 51 primarily county-based Tourist Promotion Agencies (TPAs). The Department also contracts with Elkman Advertising and Public Relations, Inc., to promote Pennsylvania as a vacation destination and to distribute the *Pennsylvania Visitors Guide* to potential tourists and visitors. Exhibit 1 provides an overview of these two programs.

EXHIBIT 1. OVERVIEW OF DEPARTMENT OF COMMERCE TOURISM PROMOTION PROGRAMS



1/The Department noted that while Elkman issues payments to the evaluator, upon approval by the Department of Commerce, it does not supervise the evaluator's activities as it does with the telemarketing, fulfillment, and Visitors Guide subcontractors.

Source: Developed by LB&FC staff.

The Pennsylvania Department of Transportation and the Pennsylvania Turnpike Commission both operate state-funded Welcome Centers on major interstate highways. The 11 Welcome Centers distribute brochures on points of interest within the Commonwealth. Welcome Centers also operate a lodging reservation service and provide travelers with information on weather and road conditions.

Other state agencies administering tourism-related programs include the Pennsylvania Historical and Museum Commission, the Bureau of State Parks (Department of Environmental Resources), the Game Commission, the Fish and Boat Commission, and the Departments of Agriculture and Community Affairs.

Tourist Promotion Assistance Program

The Commonwealth's Tourist Promotion Law, 73 P.S. §401 et seq., was first enacted in 1961. This law created a matching grant program within the Department of Commerce to fund nonprofit Tourist Promotion Agencies (TPAs). Under the law, county and local government officials designate the TPA to serve their county. Most (42) TPAs serve only one county, but a county can decide to join a multi-county TPA, known as a regional TPA. As of March 1, 1993, the Commonwealth had 9 such regional TPAs, including 5 two-county TPAs, 1 three-county TPA, and 3 four-county TPAs.[1/]

To receive state matching grant funds, TPAs must submit grant applications to the Department of Commerce and follow contractual guidelines. TPAs, however, have a substantial degree of freedom to operate their programs. TPAs carry out activities such as distributing brochures on lodging and tourism destinations within their counties; operating local travel information centers; advertising in trade journals, newspapers and on radio; participating in joint promotional efforts with other TPAs; working with motor coach operators to develop tours; and attracting conventions.

1/The law also designated two single counties (Philadelphia and Allegheny) as regional TPAs.

Most TPAs are independent, nonprofit agencies, some are staffed by county employees, and some operate through local Chambers of Commerce.

TPAs receive state funds through the General Fund's Tourist Promotion Assistance appropriation. This appropriation, which has been $7.2 million for each of the past four fiscal years, is made to the Department of Commerce to fund the TPA matching grant program. For FY 1993-94, the TPA appropriation was increased to $7.4 million. In FY 1991-92, TPAs received 26 percent of their total funding from the TPA appropriation, 35 percent from local room taxes, 35 percent from tourism-related businesses and member dues, and 4 percent from county grants. These percentages, however, vary widely among TPAs. Table 1 shows the actual amount received by each TPA from each source during FY 1991-92.

State Marketing Campaign

The Department of Commerce also receives a marketing appropriation from the General Fund. Over the past ten years approximately 75 to 80 percent of this appropriation has been allocated to tourism marketing, with the remainder going to other economic development marketing efforts within the Department. In FY 1992-93, the tourism marketing component of this appropriation was $4.6 million, down from $4.8 million in FY 1991-92, $7.2 million in FY 1990-91, and $8.4 million in FY 1989-90.

The marketing appropriation supports the Department's effort to promote Pennsylvania as a vacation destination in both in-state and out-of-state markets. Much of this work is carried out through Elkman Advertising and Public Relations, Inc., a Bala-Cynwyd firm under contract with the Department of Commerce. Elkman, working with the Department of Commerce, is responsible for developing the state tourism marketing plan, publishing and distributing the *Pennsylvania Visitors Guide*, operating a toll-free information

TABLE 1. SOURCES OF FUNDING FOR TPAs: FY 1991-92

TPA	State Matching Grant	Membership Dues and Cooperative Advertising	County Grants	Local Room Tax	Other State Grants	Other Income Non-State	Total
Adams	$ 200,207	$ 111,718	$ 14,744	$ 0	$ 12,000	$ 133,896	$ 472,565
Allegheny	707,175	289,591	0	3,087,011	0	249,529	4,333,306
Armstrong	20,333	2,982	29,301	0	0	1,783	54,399
Beaver	30,666	4,655	99,000	0	0	814	135,135
Bedford	63,198	104,955	9,898	0	0	3,367	181,418
Berks	109,800	203,158	30,000	0	0	5,388	348,346
Blair	76,465	99,314	29,560	0	0	53,212	258,551
Bradford/Sullivan/ Susquehanna/ Wyoming	47,146	28,919	22,860	0	0	38,394	137,319
Bucks	143,706	93,996	92,902	106,531	0	4,973	442,108
Cambria	49,679	1,700	25,000	0	0	21,726	98,105
Cameron	4,500	1,810	1,000	0	0	4,649	11,959
Carbon	52,278	15,000	18,000	0	10,000	17,846	113,124
Centre	63,790	109,064	13,210	0	0	43,118	229,182
Chester	168,160	89,134	154,154	0	0	101,551	512,999
Clarion/Butler/ Clearfield/ Jefferson	93,833	98,897	43,000	0	0	7,848	243,578
Clinton	38,402	24,024	21,344	0	0	2,996	86,766
Columbia/Montour	53,623	53,554	15,510	0	0	51,117	173,804
Crawford	42,100	37,847	15,000	0	0	16,163	111,110
Cumberland/Dauphin	74,795	180,632	24,000	0	7,365	11,411	298,203
Delaware	126,496	44,232	0	458,260	0	13,368	642,356
Elk	19,913	30,406	5,773	0	6,000	26,847	88,939
Erie	125,310	51,825	24,600	0	0	22,755	224,490
Forest	7,578	17,706	1,500	0	5,000	2,856	34,640
Franklin	30,595	36,564	18,750	0	5,000	124,406	215,315
Fulton	4,723	16,580	0	0	0	8,124	29,427
Huntingdon	88,072	83,126	7,000	0	0	28,448	206,646
Indiana	10,710	3,385	13,700	0	0	25,085	52,880
Juniata/Mifflin	13,700	9,700	3,000	0	0	563	26,963

TABLE 1 (CONTINUED)

TPA	State Matching Grant	Membership Dues and Cooperative Advertising	County Grants	Local Room Tax	Other State Grants	Other Income Non-State	Total
Lackawanna/Luzerne	$ 112,283	$ 66,532	$ 27,100	$ 0	$ 2,000	$ 43,047	$ 250,962
Lancaster	662,710	833,464	0	0	0	779,274	2,275,448
Lawrence	21,634	46,845	17,502	0	5,000	16,945	107,926
Lebanon	63,653	41,266	10,000	0	6,500	101,514	222,933
Lehigh/Northampton	147,170	137,677	103,250	0	25,000	56,236	469,333
Lycoming	66,500	26,513	30,000	0	0	109,287	232,300
McKean	10,800	39,804	5,000	0	5,000	5,615	66,219
Mercer	32,171	125,057	38,250	0	0	18,013	213,491
Monroe	1,223,127	1,678,853	12,500	0	15,000	177,830	3,107,310
Montgomery	449,450	104,478	0	1,317,000	0	143,876	2,014,804
Perry	1,700	0	3,000	0	0	121	4,821
Philadelphia	1,265,886	824,345	0	4,600,410	0	157,943	6,848,584
Pike	21,763	60,323	5,000	0	0	16,164	103,250
Potter	29,072	43,300	6,000	0	0	501	78,873
Schuylkill	37,390	38,367	22,500	0	10,397	9,081	117,735
Somerset/Fayette/ Greene/ Westmoreland	270,615	388,247	75,428	0	0	33,364	767,654
Tioga	31,730	13,023	4,500	0	0	14,386	63,639
Union/Snyder/ Northumberland	59,869	120,294	16,250	0	0	24,833	221,246
Venango	30,000	5,575	5,520	0	0	1,285	42,380
Warren	19,855	47,829	5,175	0	800	8,635	82,294
Washington	52,826	37,808	37,500	0	0	24,385	152,519
Wayne	30,438	45,000	0	0	0	0	75,438
York	112,502	12,606	56,246	0	0	78,381	259,735
Total	$7,220,097	$6,581,680	$1,213,527	$9,569,212	$115,062	$2,842,949	$27,542,527

Source: Developed by LB&FC staff from FY 1992-93 tourist promotion assistance applications (DC 414A) submitted by TPAs to DOC.

request line, implementing an advertising campaign, and evaluating the advertising campaign. Much of this work is done through subcontractors.

Welcome Centers

The Commonwealth operates 11 Welcome Centers, 9 under the Pennsylvania Department of Transportation (PennDOT) and 2 under the Turnpike Commission (PTC). All of the Centers are on major interstates, and all but one is located near the state border. In 1987, the General Assembly transferred funding for the Welcome Centers from the Department of Commerce to PennDOT. The nine Centers now operated by PennDOT, including one on the Pennsylvania Turnpike, are funded by the Welcome Centers appropriation made to PennDOT from the General Fund. Two other Centers on the Turnpike are funded by PTC operating revenues.

Welcome Centers distribute travel and tourism brochures developed by local attractions, TPAs, and state agencies. They also operate a lodging reservation service and can provide travelers with current weather and road conditions. Each Center operates year round and is typically staffed nine hours a day during non-peak months and ten hours a day from mid-May through mid-October.

In FY 1991-92, PennDOT reported spending $916,055 in General Fund monies to operate its nine Centers. In FY 1992-93, $899,000 was appropriated to operate these Centers. The Turnpike Commission funds its Centers from its operating budget, not from General Fund monies. The PTC reported spending $215,861 in FY 1991-92 to operate its two Centers and budgeted $229,197 for Welcome Center operations in FY 1992-93.

Other State Agencies

The Pennsylvania Historical and Museum Commission promotes and administers 28 historical sites and museums throughout the

Commonwealth. The Commission is also associated with 34 other historical properties operated by local agencies. The Bureau of State Parks of the Department of Environmental Resources maintains and operates 114 sites that attract an estimated 37 to 38 million visitors annually. The Department of Agriculture assists in promoting farm vacations. The Fish and Boat Commission and the Game Commission promote fishing, boating, and hunting to both resident and out-of-state sportspersons. The Department of Community Affairs administers the State Heritage Park Program.

CHAPTER III - STUDY CONCLUSIONS AND RECOMMENDATIONS

SECTION 1

TOURIST PROMOTION ASSISTANCE PROGRAM

FINDING 1.1

CONSOLIDATION OF THE STATE'S 51 TPAs INTO A SMALLER NUMBER OF REGIONAL ORGANIZATIONS COULD IMPROVE THE EFFECTIVENESS OF THE TPA PROGRAM

As of March 1, 1993, Pennsylvania had 51 independent Tourist Promotion Agencies (TPAs). As shown in Exhibit 2, 42 of these TPAs are single-county TPAs.[1/] In FY 1991-92, Pennsylvania's 51 TPAs received $27.5 million in revenues, including $7.2 million in state tourist promotion assistance funding and $20.3 million from local and county governments, tourism-related businesses, and member dues.

Pennsylvania's 51 TPAs vary greatly in size, budgets, and promotion capabilities. In FY 1992-93, four TPAs alone--Philadelphia, Monroe, Allegheny, and Lancaster--received a total of $3.9 million in state general funds from the Tourist Promotion Assistance appropriation. This represents 54 percent of the $7.2 million TPA appropriation. Twelve rural TPAs received less than $25,000 each from the TPA appropriation. These 12 TPAs had average total annual budgets, including local funds and member dues, of $53,000 in FY 1991-92.

Smaller TPAs typically focus on distributing brochures and other promotional activities directed toward individuals. Larger TPAs are able to focus more of their resources on working with tour

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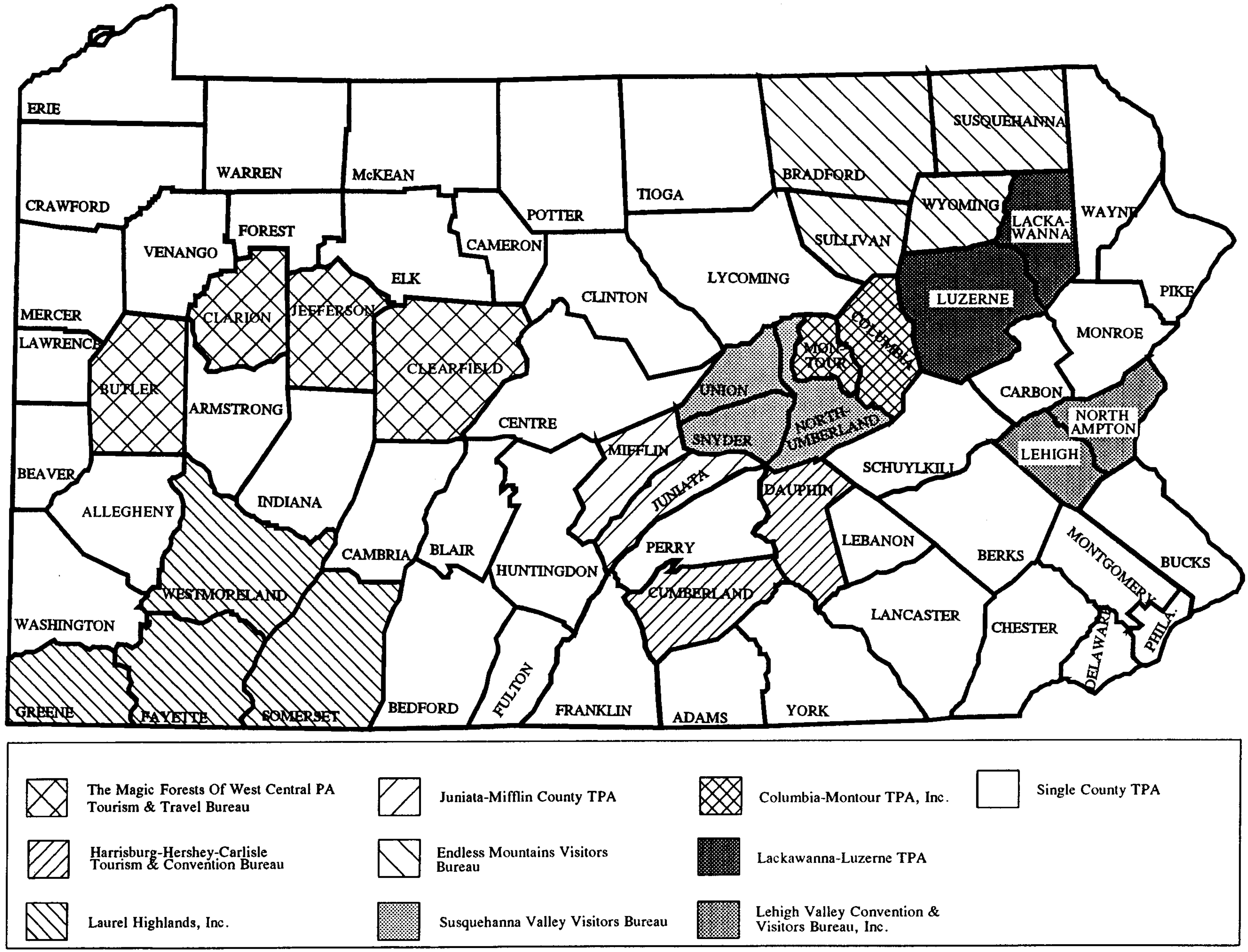
1/Four of these single-county TPAs--Monroe, Pike, Wayne, and Carbon--share one executive director and are considering forming a multi-county TPA.

EXHIBIT 2. PENNSYLVANIA TOURIST PROMOTION AGENCIES AS OF MARCH 1, 1993



Source: Developed by LB&FC staff from information provided by the Department of Commerce.

operators, developing tour packages, and booking conventions and trade shows.

1986 Amendments to the TPA Program

In 1985 the Pennsylvania Travel Council, representing the tourism industry, and the Travel Pennsylvania Association, representing TPAs, convened the Pennsylvania Matching Fund Law Review Committee. This Committee was formed to make recommendations to maximize the effectiveness of Pennsylvania's tourism promotion dollars--both the state matching grant monies and other government and private revenues--and to encourage regional destination promotions. Department officials reported that during the early 1980s TPAs were spending over 40 percent of the state TPA appropriation on administrative and overhead costs rather than on direct tourism advertising and promotion. The Review Committee was also concerned that the TPA program tended to promote counties rather than travel destinations.

The Review Committee made many recommendations to amend the Tourist Promotion Law (73 P.S. §401 et seq.) to encourage greater efficiency and effectiveness in the TPA program. In response to the Review Committee's recommendations, in October 1986 the Tourist Promotion Law was amended to provide incentives for single-county TPAs to join with other TPAs to form multi-county TPAs, called regional TPAs. One such amendment made regional TPAs eligible to receive $2.25 in state funds for every $1 in non-state funds budgeted for eligible costs. Single-county TPAs are eligible to receive only $2 in state funds for each $1 in non-state funds. (See Finding 1.2 for more information on TPA funding).

The 1986 amendments also increased the maximum amount a TPA can receive of the Tourist Promotion Assistance appropriation from 20 to 30 percent. This change was made to address a concern that if several counties merged together to form one regional TPA their combined grants could exceed the 20 percent statutory cap. Since the 1986 amendments were adopted, the number of single county TPAs has decreased from 48 to 42, and the number of multi-county TPAs has increased from 8 to 9.

The 1986 amendments also established a 5 percent "set-aside" program to encourage cooperative promotional projects involving two or more TPAs. In FY 1992-93, the Department awarded $360,000 (5 percent of the $7.2 million TPA appropriation) to support such cooperative efforts. The TPA directors we surveyed were largely supportive of the set-aside program. (See Exhibit 3 for TPA comments about the set-aside program.)

To address concerns over the high percentage of state funds used for TPA administrative costs, the Review Committee recommended that the state TPA appropriation only be used to reimburse TPAs for advertising and promotional expenses. This recommendation was incorporated into the law, and now TPAs cannot use monies from the TPA appropriation for administrative expenses.[2/]

Potential Benefits of Consolidating TPAs

Although the Tourist Promotion Law includes several incentives to encourage multi-county TPAs, most counties have chosen to remain as a single-county TPA.[3/] Moreover, five of the nine multi-county TPAs are still quite small, with total annual budgets of less than $250,000 in FY 1991-92. By supporting many small TPAs, it is difficult to take advantage of operating efficiencies and marketing opportunities that might be possible through larger, regional organizations.

2/The law does, however, allow a maximum of 50 percent of the salaries and wages of persons responsible for fulfillment services; salaries, benefits, and wages of persons employed solely to staff an information center located at the TPA office; and salaries, benefits, and wages of staff and rent, utilities, and insurance for an information center which is not located at the TPA office.

3/The requirements for the designation of Tourist Promotion Agencies are shown in Appendix D.

EXHIBIT 3. TPA DIRECTOR COMMENTS ON THE SET-ASIDE PROGRAM

- The set-aside program has enabled us to participate in regional and international programs that would have been financially impossible to accomplish as an individual bureau. Regional promotions have introduced many Pennsylvania destinations to each other.

- Because our staff is small (one person), this is the only way we can participate in tourism trade shows. We find this program . . . extremely beneficial.

- The 5% set-aside program has allowed us to combine resources with other TPA's for promotions . . . such as the national tour association marketplace, some international promotions, [and] promotion in . . . the New York Times. In addition, by working together we have heard about the surrounding area and are able to cross sell within the region.

- It is a good program . . . to reach and achieve markets we cannot reach on our own . . . . [However], we need to make a state-wide or at least a regional showing at market places, and shows that will draw more attention to our areas.

- By using this program we have been able to increase tourism in our area and work closely with other counties. Although we all have unique markets and attractions, the tourist does not know when they are leaving one county and entering another. We all work well to promote the tourism industry.

- Through the set-aside fund we are able to promote, with neighboring TPAs, the region. [The program] encourages an extended stay while visiting neighboring attractions.

- We appreciate the opportunity to participate in this program. Neighboring destinations are a strong promotion for us.

- Through this regional opportunity we are able to promote through an eight county region . . . which our budget would not allow us to do [alone].

- Twenty-five percent of my grant total is 5% set-aside. It has been very valuable. Individual counties should be funded at a much lower percent. This would encourage regions.

- [The set-aside program] encourages smart marketing of complementing counties via regional promotions.

Source: Developed by LB&FC staff from questionnaire responses.

Improved Administrative Efficiency

Department of Commerce Efficiencies. If more single-county TPAs were consolidated into multi-county, regional TPAs, the Office of Travel Marketing could operate more efficiently. With 51 TPAs, Office staff must review 51 different TPA contracts. With a smaller number of regional organizations the amount of time Office staff spend processing these contracts could be reduced. Savings could also be realized through reduced expenses for copying, mailing, and responding to the various letters, memos, and phone calls which flow between the Department of Commerce and the TPAs. However, because of the Office's small size (seven employees, only one of whom works primarily on the TPA program), it is unlikely that the Office would realize significant savings through TPA consolidations.

TPA Efficiencies. Because TPAs incur most of the administrative costs to operate the TPA program, greater opportunities for savings and efficiencies exist at the TPA level than at the state level. For example, if the number of TPAs was reduced in half through consolidations, the number of TPA directors could also be reduced from the 36 full-time and 12 part-time directors currently employed by TPAs.[4/]

Additional efficiencies could be achieved by consolidating TPA clerical and program staff. For example, if six single-county TPAs were consolidated into one regional TPA, there would be only one grant agreement, not six. Consolidation would also likely result in cost savings in other areas, such as the required annual financial audits, administrative systems, postage, rent, and telephone costs. Larger regional TPAs could also take better advantage of

4/Four TPAs share one full-time director.

economies of scale, such as volume discounts for printing brochures and developing advertising campaigns which could be used in several major markets.

Several multi-county TPA directors told us that administrative savings from consolidations can be partially offset by factors such as increased travel time and vehicle costs associated with covering larger geographic areas. However, the director of one of the state's larger, more established multi-county TPAs confirmed that consolidations can yield administrative savings and efficiencies, particularly if the TPA does not maintain separate offices in each county within the TPA region.

In FY 1991-92, TPAs received revenues of $27.5 million for promotional and administrative expenses. Even if TPAs saved only 10 percent through consolidations, the savings would be substantial.

Improved Effectiveness

Perhaps the greater benefit of consolidation lies in the potential for improving the effectiveness of the state's tourism promotion efforts. Improved effectiveness could be achieved through (1) better regional destination planning and promotion, (2) reducing competition between TPAs for day trips, and (3) improved staffing.

Regional Destination Planning and Promotion. Tourism promotion is generally acknowledged to be most effective when promoting regional destinations, rather than county-specific attractions. This is because tourists are interested in attractions throughout a geographical region, not whether the attractions are located within a particular county. In the tourism industry, this is known as regional destination planning and promotion.

In discussing regional destination planning and promotion, Clare A. Gunn, Professor Emeritus in the Recreation and Parks Department of Texas A&M University, notes:

> The "go-it-alone" policies of many tourism sectors of the past are giving way to stronger cooperation and collaboration. . . . Better understanding of the tourism "product"--a satisfied traveler experience--is fostering integrative planning. No one business or government establishment can operate in isolation.

The Council of State Governments, in a 1979 report prepared for the U.S. Department of Commerce's United States Travel Service, outlined several advantages for states engaging in regional cooperation. The report noted that similar benefits apply to intrastate regional cooperation. According to the report, regional tourism promotion:

- Establishes a geographic identity which is generally more easily identifiable as a location in the traveler's mind.

- Is easier and less costly to promote.

- Provides a wider range of attractions or areas of scenic beauty which are of interest to travelers rather than political boundaries.

- Increases travelers to an area and, once there, increases the length of stay, thus increasing the economic impact and distributing it more broadly within the region visited.

- Allows marketing to more areas than could occur on an individual basis.

- Is the most effective method of developing and marketing packaged tours to tour operators.

- Offers the professionalism and overall knowledge required to develop successful tour packages and market them after they have been developed.

- Allows for research which cannot be supported by single agencies.

- Creates cooperation within the region and discourages counterproductive local jealousies.

Several states (e.g., Massachusetts, Kentucky, Arkansas, and Utah) have adopted such a regional approach in their state matching grant programs. Massachusetts operates its matching grant program in conjunction with 13 regional tourist councils. Kentucky operates its matching grant program for tourism promotion through nine regional committees. The regional committees are made up of one representative from each county in the region. Utah has nine Travel Regions, which are independent organizations. Appendices E and F contain additional information provided by the States of Kentucky and Utah on the advantages they believe are offered by a regional approach to tourism promotion.

The Executive Director of the Travel Pennsylvania Association, an association representing Pennsylvania's TPAs, also sees advantages in cooperative efforts among counties. In a February 1993 letter to LB&FC staff, he wrote that "if counties share similar attractions and marketing objectives, selling a region is a better way to promote tourism than trying to sell an individual county's attraction." He noted that "for several years, some TPAs have been moving towards regionalization if two or more counties share similar attractions and marketing goals." The TPA Executive Committee, consisting of the Executive Directors of six TPAs, told us that they support regional promotion efforts and endorse the concept of administrative TPA regions but oppose mandated or forced regions.

Reducing Competition Between TPAs for Day Trips. If the 51 TPAs were consolidated into a smaller number of regional organizations, state-funded competition between TPAs for short day trips could be reduced. An LB&FC survey of Pennsylvania TPA directors (42 of 48 responded) found that 19 reported that they directed over half of their promotion efforts to Pennsylvania residents. Eight of the 19 directors reported that over half of their in-state marketing efforts were within 100 miles of the TPA. We made the 100-mile distinction because the U.S. Travel Data Center does not consider most expenses made within 100 miles from a traveler's home as "travel spending."[5/] The 13 largest TPAs, which together received 80 percent of the state matching funds in FY 1992-93, reported directing 25 percent of their promotional efforts in-state. These 13 TPAs reported that about half their in-state marketing efforts were for promotions within 100 miles of their TPA.

Advertising and promotional efforts directed toward residents within a short driving distance of the TPA may help boost attendance at attractions within the TPA. However, such efforts do little to further two primary goals of a state tourism promotion program: (1) attracting out-of-state visitors and (2) encouraging state residents to spend their tourism dollars within their home state rather than in another state.

If the state were divided into a fewer number of regional TPAs, competition between neighboring counties for short day trips could be reduced. Assume, for example, that four counties in the Lake Erie area (Erie, Crawford, Mercer, and Venango) were consolidated into one regional TPA. Current TPA program guidelines state that "there can be no reimbursement on cooperative advertising whose primary market is the county(ies) represented by the tourism promotion agency(ies)." Under these guidelines, the new consolidated TPA could use state funds to attract tourists living outside the Lake Erie region. However, the Department's guidelines would restrict state-funded competition between the four counties--each of which now have their own TPA--because all four counties would be in the same TPA region.

Improved Staffing. Consolidating the state's 51 TPAs into a smaller number of regional TPAs could also result in improved staffing of the tourism agencies. As noted by the Travel Pennsylvania Association's executive director, "One of the critical

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5/The USTDC defines travel as "activities associated with all overnight trips away from home in paid accommodations and day trips to places 100 miles or more away from the traveler's origin."

problems for TPAs is the high turnover of directors and staff. This occurs primarily because of low salaries and benefits." A recent (May 1993) report on tourism by The Center for Rural Pennsylvania made a related point citing that few TPAs, with notable exceptions, have the expertise to develop the kinds of programs needed to develop and promote tourism in rural areas.[6/]

Our review found that 7 of the 12 smallest TPAs had part-time directors. Three of the seven part-time directors are volunteers, and three others are employees of the county or local Chamber of Commerce who devote part of their time to the TPA. Of the 35 full-time TPA directors who returned our questionnaire, 5 had been in their position less than one year, and 10 others had been in their position only one to three years. Exhibit 4 contains comments made by TPA directors on budgetary and other difficulties in operating promotion programs, especially for smaller TPAs.

TPAs which consolidate into a regional structure have a broader pool of tourist attractions and tourism-related industries. Such resources should help enable regional TPAs to hire and retain full-time directors and support staff with expertise in developing tourism promotion programs.

Achieving Greater TPA Regionalization

This section describes efforts the Department of Commerce and the General Assembly could take to encourage TPAs to form regional TPAs. A second possibility--mandating TPA regions--is also discussed.

6/In 1991 the Travel Pennsylvania Association, which represents the TPAs, developed a TPA Certificate Education Program in conjunction with the Bloomsburg University School of Extended Education. The course is a two-year, four-workshop program of one day each.

EXHIBIT 4. TPA DIRECTOR COMMENTS ON DIFFICULTIES IN OPERATING TPA PROGRAMS

- Finding promotional dollars to invest in our ongoing campaign comes down to deciding which operational expenses can be deferred. Being a small rural TPA surrounded by large urban TPAs makes this problem even more pronounced, since the competition is already well established in their positions.

- Smaller TPAs do not have the funds available to do a good job. We need help to staff the office. We need equipment. We need an office that can handle the many requests. When you have so little to work with, you have to pass on a lot of advertising that would help the area.

- Budgetary constraints make it very difficult for small medium-sized TPAs to adequately promote the area. All TPAs are constantly competing for each other's dollar share; this should not be. We should be working together for common goals. We need more financial assistance.

- Not enough incentive to develop a strong TPA management team well versed in the business aspects of the local economy.

- The events that are created and sponsored by TPAs to raise funding need to receive more support by way of matching funds from the state. In most instances, there is only one or two events organized each year to keep us operating.

- After more than 10 years of observing TPAs in Pennsylvania, I see that many are woefully ill-prepared to execute successful marketing programs. Travel Pennsylvania Association workshops in the past two years have successfully addressed some of the knowledge gaps; however, more effective training, workbooks, etc., could be incorporated into the TPA program.

- Rural TPAs need some additional help to maintain continuity and to develop new programs. With the increase in costs, without some additional help we cannot maintain the same level.

- In these hard economic times we find it extremely difficult if not impossible to continue with our existing programs and have given up all hopes of growth.

- In some of the smaller more remote counties where there may be few attractions, the grant becomes a "must give them something" item which may not wind up being well spent money.

- Not enough staff in Harrisburg to work with rural TPAs.

Source: Developed by LB&FC staff from questionnaire responses.

Encouraging Voluntary TPA Regionalization

As noted earlier, the Tourist Promotion Law has modest incentives to encourage joint promotions and the formation of regional TPAs. The Department of Commerce also encourages joint promotions and has supported efforts to form regional TPAs. Listed below are three initiatives that could be undertaken to further encourage such regionalization.

Educating Local Officials. Several states encourage regionalization through educational efforts. New Mexico's state tourism office, for example, is planning a conference in conjunction with the University of New Mexico to educate local tourism officials about the advantages of regionalization. Virginia's state tourism office conducts a program which brings together local officials to consider how best to promote their communities' tourism assets, including the benefits of regional promotion efforts. The Texas state tourism office also sponsors tourism development workshops to assist local officials. Texas, in its workshop guide, describes regional cooperation as one of six conditions for effective tourism development. According to the guide:

> Regional cooperation is a condition of effective tourism because as the public becomes more discriminating and mobile, they will more likely demand a wider range of quality attractions and amenities before embarking on a trip.

By educating local officials on the merits of regional planning and promotion, important ground work can also be done to overcome resistance to the idea of regional TPAs.

Earmarking More State Funds for Regional Promotions. As required by the Tourist Promotion Law, the Department of Commerce earmarks 5 percent of the TPA appropriation for cooperative promotions by two or more TPAs. These "set-aside" monies are also used to help support Department initiatives such as the $203,800 rural initiative and the $182,510 international initiative. In addition to the set-aside program, many TPAs voluntarily fund other cooperative regional promotions. To ensure that TPAs direct a substantial portion of their state funds to regional promotions, the General Assembly could amend the Tourist Promotion Law to increase the percentage of state funds dedicated to such cooperative promotions. Increasing the percent of the TPA appropriation devoted to the set-aside program would encourage more regional promotions which, in turn, could lead to more TPA administrative consolidations.

Increasing Financial Incentives for TPA Consolidation. The Tourist Promotion Law provides only a modest incentive for a single-county TPA to merge with another TPA to form a regional TPA. Specifically, single-county TPAs are eligible to receive $2 in state funds for each $1 budgeted for eligible costs, whereas regional TPAs are eligible to receive $2.25 in state funds for each $1 in eligible costs. However, as shown in Finding 1.2, these ratios have had little effect on actual grant awards. If the state offered a clear, substantial financial incentive to regional TPAs, county commissioners and TPA members might be more inclined to consider TPA consolidations.

Mandating Regionalization

The incentives discussed above might be sufficient to prompt single-county and small multi-county TPAs to consolidate into broader regional TPAs. However, past history suggests that resistance to forming regional TPAs is likely to be strong. The Executive Director of the Travel Pennsylvania Association noted that "a merger requires not only the cooperation of each TPA involved, but each TPA must have cooperation of its members and the ability to convince their own county commissioners that a merger is appropriate and can save administrative costs."

The large number of small, single-county TPAs currently in existence demonstrates the resistance among TPA members and county commissioners to embrace regional organizations. One reason for such resistance is that TPA members and county and local government officials may believe that regional organizations will not be responsive to their concerns, particularly if the regional office is not located in their county. Also soliciting support from organizations and attractions can be difficult if they believe the regional TPA will not promote their county's attractions as fully as a TPA representing only their county. Indeed, the two most recent consolidations occurred largely in response to financial difficulties rather than long-term strategic planning.

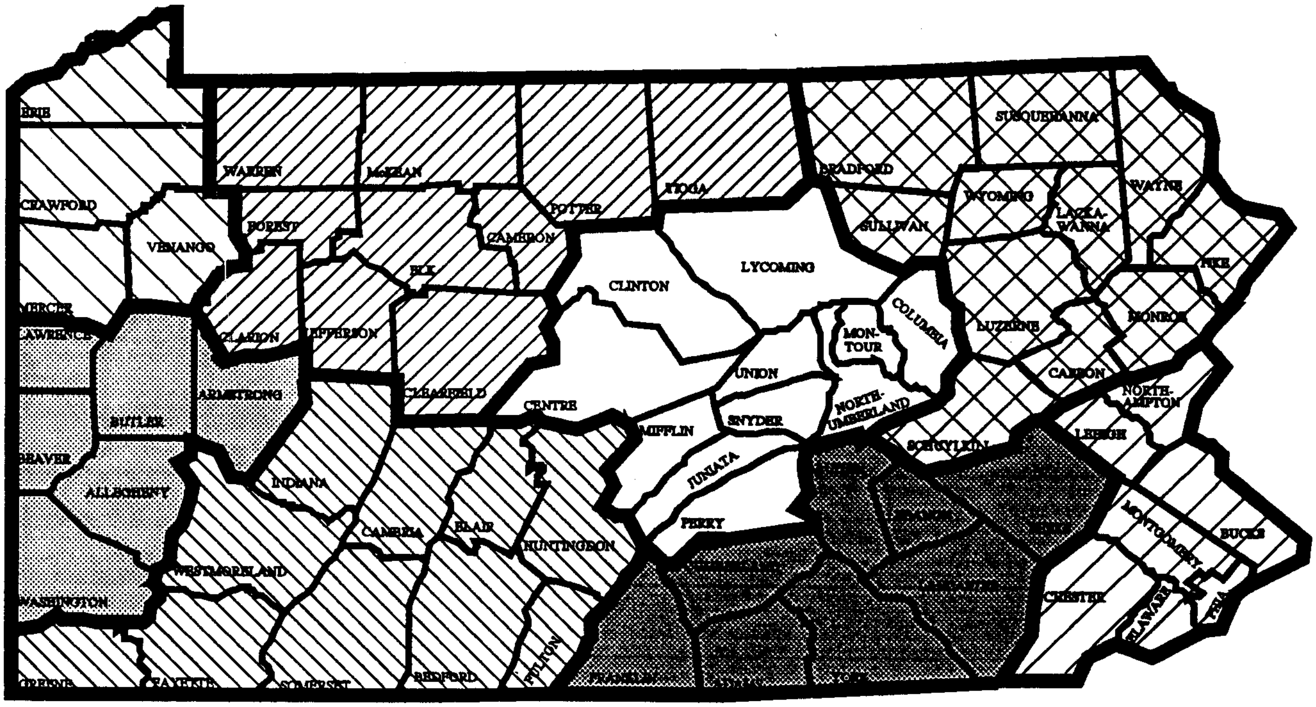
Because widespread voluntary consolidations are unlikely in the near future, if the General Assembly thinks a regional TPA structure is desirable it may need to amend the Tourist Promotion Law to effectuate the change. One of the major concerns about mandating TPA regions is that it would be difficult to develop a consensus on the appropriate number and geographic borders of the regions as there is no single, clear-cut way to divide the state into tourism regions.

For example, the eight regions designated in the *Visitors Guide* (shown on Exhibit 5) have been criticized by the President of the Pennsylvania Travel Council as confusing to someone who is unfamiliar with the state because the names of the regions are not very descriptive. A Department of Transportation official similarly commented that the *Visitors Guide* regions are not readily understandable to the out-of-state travelers who visit Pennsylvania Welcome Centers. Moreover, the eight regions presented in the *Visitors Guide* were developed for the state's marketing campaign and were not intended as proposed administrative regions.

Creating a State Tourism Promotion Board

The Department of Commerce has a Tourism and Travel Advisory Council to assist it in developing tourism promotion policies. The Council is comprised of the members of the executive committees of the Pennsylvania Travel Council and the Travel Pennsylvania Association. The Council meets periodically and provides input into the

EXHIBIT 5. PENNSYLVANIA VISITORS GUIDE REGIONS



LAKE ERIE REGION
There are more than 32,000 acres of inland lakes and hundreds of miles of rivers here, anchored by this region's greatest lake, Lake Erie. History buffs won't want to miss Commodore Perry's U.S. Brig Niagara.

LAUREL HIGHLANDS REGION
The Allegheny Mountains begin in the rolling hills and small peaks of this region, making it a prime area for outdoor activities. The valleys below the highlands are filled with mining towns like Johnstown, part of America's Industrial Heritage Project.

POCONO MOUNTAINS REGION
Both the Endless and Pocono Mountains provide incredible scenic vistas for nature lovers and great challenges for skiers of every age. Hundreds of freshwater lakes mean spring and summer fun for boaters, swimmers and fishermen. And the towns of Scranton and Wilkes-Barre are alive with reminders of our industrial age.

PITTSBURGH REGION
Visitors to this region will be amazed at the proximity of city to country. Just a short drive takes you from the tall spires of one of America's most spectacular urban skylines to Amish farmland and historic small towns.

VALLEYS OF THE SUSQUEHANNA
Streams, creeks and rivers criss-cross this region. You'll find traditional river towns here, plus old mills and more covered bridges than anywhere else in the state. This region is also the home of the famous Nittany Lions of Pennsylvania State University.

PHILADELPHIA COUNTRYSIDE
Here you'll find America's most historic square mile, including the Liberty Bell and Independence Hall, surrounded by one of our nations most diverse cities. Outside the city there's a lively artists' colony in Bucks County, Bethlehem's Moravian settlements, Langhorne's Sesame Place amusement park and quaint towns along the Delaware River.

ALLEGHENY NATIONAL FOREST
The centerpiece of this region is the Allegheny National Forest, a half-million acres of paradise for nature lovers. This region also boasts The Magic Forests, plus more acres of state game land than anywhere else in the Commonwealth.

HERSHEY/DUTCH COUNTRY REGION
The golden fields and rolling hills are home to Amish and Mennonite farmers who have cultivated this land for generations. There's also national history here: the famous Gettysburg battlefield. Have present-day fun at the Reading shopping outlets and Hershey, the amusement resort known as "Chocolatetown, U.S.A."

Source: 1992 Pennsylvania Visitors Guide state's tourism marketing plan.[7] The Council and its role in developing and promoting tourism is not, however, established in statute.

Successful tourism promotion depends on effective partnerships between state and local government and the tourism industry. To strengthen this partnership, we believe the General Assembly should consider replacing the Tourism and Travel Advisory Council with a permanent, statutorily established State Tourism Promotion Board. This Board could continue to review and provide input into the state's tourism marketing plan. The Board could also work with the Department to develop a plan to further encourage a regional approach to tourism promotions, including administrative consolidations among the Commonwealth's TPAs. Other issues the Board could address include how to fund TPAs (see Finding 1.2 on performance-based funding) and whether state funds should be allowed to pay for TPA administrative expenses. If the General Assembly decided to mandate regional TPAs, such a Board could also be used to decide issues such as the boundaries of tourism regions and whether to allow state-funded promotions within a region.

A possible model for such a board--the Ben Franklin Partnership Fund Board--already exists within the Department of Commerce. Act 1982-223 created this Board to promote scientific and technological education and development within the Commonwealth. The act specifies the Board's membership to include four executive branch officials, four legislative members, the Chairman of the Milrite Council, and five additional members appointed by the Governor. The Board's duties include overseeing a matching grant program and sponsoring conferences and studies to promote scientific and technological education and development.

The Ben Franklin Partnership Fund program has several similarities to the tourism promotion program. Both programs are economic

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7/See Finding 2.1 for information on the state marketing plan.

development programs; both fund matching grant programs; both rely on cooperation between government and private-sector businesses; both contract with nonprofit entities; and both operate with small staffs at the state level.

RECOMMENDATIONS

1. ***The General Assembly should consider amending the Tourist Promotion Law to create a State Tourism Promotion Board within the Department of Commerce to develop and implement state tourism promotion policies. Such a board should be structured as a departmental administrative board and should include representation from executive branch departments, the General Assembly, and other affected parties such as county governments, Tourist Promotion Agencies, and tourism-related business.***

2. ***The State Tourism Promotion Board should develop a state plan for tourism promotion based on the principles of regional destination planning and promotion. The plan should include the steps the Department of Commerce and the General Assembly need to take to increase the number of regional Tourist Promotion Agencies serving three or more counties.***

3. ***If substantial progress is not made toward greater regionalization of the Tourist Promotion Agencies within 3 to 5 years, the General Assembly should consider amending the Tourist Promotion Law to grant the State Tourism Promotion Board the power and duty to establish geographic boundaries for tourist promotion regions within the state. If such an approach is used, the General Assembly should also consider placing a limit on the maximum number of tourist promotion regions the Board could be allowed to establish.***

FINDING 1.2

CONSIDERATION SHOULD BE GIVEN TO USING PERFORMANCE-BASED FUNDING FOR AGENCIES RECEIVING TPA PROGRAM GRANTS

The Department of Commerce receives an annual appropriation for the Tourist Promotion Assistance (TPA) program. For each of the past four fiscal years, this appropriation has been $7.2 million. Ninety-five percent of the TPA appropriation is for base grants to TPAs. The remaining five percent is "set aside" to fund joint projects between TPAs. (See Appendix G for information on the set-aside program.)

TPA Grant Awards

As shown in Table 2, over the past three years TPAs have been generally funded at about the same level as the previous year. During this period (FY 1990-91 through FY 1992-93) no TPAs had a major change in the amount of their grant.[1/] The static nature of the state funding for TPAs has occurred in large part because the TPA appropriation has not been large enough to fund TPAs as anticipated in the Tourist Promotion Law (73 P.S. §401 et seq.).

Under the Tourist Promotion Law, regional TPAs are eligible to receive state funds equal to 2.25 times their eligible costs subject to certain statutory maximums.[2/] Single-county TPAs are eligible to receive state funds equal to 2 times their eligible costs subject to the same statutory maximums. Eligible costs are

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1/We defined "major" as an increase or decrease of more than 5 percent and more than $20,000.

2/The funds received may not exceed the greater of 10 cents per inhabitant of the city, county, or counties represented by the TPA, or an amount equal to 2.25 times the local funds expended in the prior fiscal years for eligible costs by regional TPAs and 2 times the local funds expended for eligible costs by county TPAs. The law also prohibits any one TPA from receiving more than 30 percent of the TPA appropriation.

TABLE 2. TPA APPROPRIATION MATCHING GRANT AWARDS, FY 1990-91 THROUGH FY 1992-93*

TPA	TPA Allocation		
	FY 1990-91	FY 1991-92	FY 1992-93
Adams	$ 213,706	$ 213,706	$ 216,706
Allegheny	688,400	706,175	716,175
Armstrong	18,333	19,333	19,333
Beaver	29,333	31,333	31,333
Bedford	67,232	63,198	64,198
Berks	111,040	111,040	113,040
Blair	76,651	74,735	76,735
Bradford/Sullivan/ Susquehanna/Wyoming	53,863	47,938	48,938
Bucks	138,706	142,706	144,706
Cambria	52,020	49,679	45,208
Cameron	4,100	4,500	4,900
Carbon	51,400	47,802	47,802
Centre	69,337	63,790	64,790
Chester	178,127	168,160	168,160
Clarion/Butler/ Clearfield/Jefferson[a/]	91,833	93,833	89,845
Clinton	54,172	46,877	43,947
Columbia/Montour	50,623	52,623	49,601
Crawford	42,100	44,100	38,918
Cumberland/Dauphin	79,160	82,160	84,160
Delaware	126,041	130,041	132,041
Elk	17,913	19,913	20,413
Erie	105,285	101,073	96,585
Forest	8,083	7,578	7,978
Franklin	30,526	30,526	31,526
Fulton	3,723	4,723	6,197
Huntingdon	85,072	88,072	88,072
Indiana	12,000	10,710	11,210
Juniata/Mifflin	12,700	13,700	11,371
Lackawanna/Luzerne[b/]	129,515	122,283	122,283
Lancaster	645,334	668,609	671,609
Lawrence	18,908	18,908	19,658
Lebanon	67,510	60,422	59,422
Lehigh/Northampton	147,170	147,170	149,017
Lycoming	66,500	62,510	57,509
McKean	9,800	10,800	11,300
Mercer	34,500	32,171	33,171
Monroe	1,198,837	1,223,127	1,200,675
Montgomery	470,000	449,450	453,450
Perry	1,700	1,700	1,700
Philadelphia	1,249,110	1,265,886	1,275,118
Pike	19,763	21,763	21,763

TABLE 2 (CONTINUED)

TPA	TPA Allocation FY 1990-91	FY 1991-92	FY 1992-93
Potter	$ 26,625	$ 28,625	$ 29,625
Schuylkill	40,097	37,390	38,140
Somerset/Fayette/ Greene/Westmoreland	279,376	270,615	273,615
Tioga	34,000	27,200	27,200
Union/Snyder/ Northumberland c/	58,176	61,176	62,176
Venango	21,416	23,416	23,416
Warren	22,913	24,913	25,663
Washington	55,900	52,826	52,826
Wayne	30,000	32,000	29,760
York	97,224	87,016	87,016
Total	$7,195,853	$7,200,000	$7,200,000

*/Counties that became part of a regional TPA after FY 1990-91 are included in the regional TPA in FY 1990-91 to make the data comparable.

a/Butler County joined this regional TPA in FY 1991-92.

b/Lackawanna and Luzerne became a regional TPA in FY 1992-93.

c/Northumberland joined this regional TPA sometime in FY 1991-92. No grant award was reported for Northumberland for FY 1990-91 or FY 1991-92.

Source: Developed by LB&FC staff from Department of Commerce data.

defined as costs incurred in connection with advertising and promotional activities. Most administrative costs--such as salaries, benefits, rent, and office supplies at TPA headquarters--are not considered eligible costs.

However, TPAs receive far less in state funds than the maximum allowed under the TPA law. Table 3 shows both the maximum amount each TPA was eligible to receive under the law (as determined by the Department of Commerce) and the amount each TPA actually received for FY 1992-93. As the table shows, to meet the statutory maximum the FY 1992-93 TPA appropriation needed to be $14.6 million. Instead, the TPA appropriation was $7.2 million, or less than half the amount needed to provide all TPAs the full amount they were eligible to receive. As a result, the Department has funded TPAs based largely on their prior year funding level.

Department officials informed LB&FC staff that they do, however, consider a TPA's effectiveness when determining grant awards. For example, for FY 1992-93 the Department reduced the state grant to one TPA because its nonstate (local government and private sector) support had dropped in recent years. The Department also noted that TPAs which have improved their efforts have been rewarded. The Department cited an example in FY 1991-92 when it increased one rural multi-county TPA's grant because it was a strong promoter of the "America Starts Here" theme, had increased local support, and had been marketing in Canada. Another small rural single-county TPA had its grant increased because it had been active in promotions with neighboring TPAs and no longer just conducted an annual festival.

However, the Department does not comprehensively or systematically evaluate the performance of all the TPAs. With 51 TPAs and only one of the seven staff in the Office of Travel Marketing working primarily with the TPAs, such reviews are probably unrealistic.

TABLE 3. TPA FY 1992-93 ALLOCATIONS COMPARED TO THEIR MAXIMUM ELIGIBLE ALLOCATIONS

TPA	Maximum Eligible Allocation	Actual Allocation
Adams	$ 305,076	$ 216,706
Allegheny	1,407,168	716,175
Armstrong	40,462	19,333
Beaver	132,800	31,333
Bedford	164,058	64,198
Berks	335,978	113,040
Blair	246,510	76,735
Bradford/Sullivan/Susquehanna/ Wyoming	142,835	48,938
Bucks	276,308	144,706
Cambria	53,914	45,208
Cameron	12,300	4,900
Carbon	61,738	47,802
Centre	148,700	64,790
Chester	208,048	168,160
Clarion/Jefferson/Clearfield/Butler	103,327	89,845
Clinton	57,146	43,947
Columbia/Montour	112,880	49,601
Crawford	48,474	38,918
Cumberland/Dauphin	371,732	84,160
Delaware	423,536	132,041
Elk	59,122	20,413
Erie	104,882	96,585
Forest	36,400	7,978
Franklin	163,168	31,526
Fulton	35,068	6,197
Huntingdon	131,292	88,072
Indiana	44,404	11,210
Juniata/Mifflin	15,959	11,371
Lackawanna/Luzerne	220,766	122,283
Lancaster	1,755,278	671,609
Lawrence	72,034	19,658
Lebanon	83,829	59,422
Lehigh/Northampton	361,141	149,017
Lycoming	95,994	57,509
McKean	80,996	11,300
Mercer	168,444	33,171
Monroe	1,786,976	1,200,675
Montgomery	1,194,092	453,450
Perry	3,540	1,700
Philadelphia	2,160,000	1,275,118
Pike	124,240	21,763

TABLE 3 (CONTINUED)

TPA	Maximum Eligible Allocation	Actual Allocation
Potter	$ 55,154	$ 29,625
Schuylkill	98,000	38,140
Somerset/Westmoreland/Fayette/ Greene	516,992	273,615
Tioga	39,054	27,200
Union/Snyder/Northumberland	193,325	62,176
Venango	46,454	23,416
Warren	90,008	25,663
Washington	80,512	52,826
Wayne	37,646	29,760
York	100,416	87,016
Total	$14,608,176	$7,200,000

Source: The Department of Commerce.

Also, the Department does not specify performance data TPAs must report, so there is little comparative information available against which to assess a TPA's performance even if the Office had the staff available to conduct the reviews.

Performance-Based Funding

Some government programs are now being funded, at least in part, based on the outcomes or results they achieve. Pennsylvania's Ben Franklin Partnership Program has been cited as an example of such a performance-based program.[3/] Coincidentally, the Ben Franklin Partnership Program is also administered by the Department of Commerce.

The Ben Franklin Partnership Program is essentially a grant program for four regional networks called Ben Franklin Technology Centers. Each Center makes matching grants, called Challenge Grants, to small businesses, academic organizations, and other organizations that invest in technological innovation. Each Center collects information on past results using measures such as job creation, corporate match, and the ability of grantees to attract venture capital. Until recently, this information was then used directly in a performance-based funding formula. The formula resulted in Centers with higher performance scores receiving more state funding.

For FY 1992-93 the Department decided to abandon the traditional performance-based formula. The Department reported that the formula had resulted in some unintended consequences. For example, the Ben Franklin Technology Centers (BFTCs) were rewarded for obtaining corporate matching funds. This resulted in the Centers often funding projects proposed by large corporations

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3/Gaebler, Ted & Osborne, David, Reinventing Government, Reading, MA: Addison-Wesley, 1992.

rather than the projects of smaller companies that were originally envisioned as the program's primary beneficiaries. LB&FC staff spoke to a BFTC director who said that the formula also had a tendency to encourage "creaming," whereby Centers would fund projects which were sure to create eligible jobs rather than taking risks on more innovative projects.

The BFTC director emphasized, however, that both the Department of Commerce and the Centers remain committed to a strong link between funding and performance. The BFTC director noted that the performance-based funding formula was beneficial to the program particularly in the early years as a way of focusing the Centers on their primary missions. However, as the program became more sophisticated, they needed a more sophisticated system for incorporating performance information into the funding decision.

For FY 1993-94, the BFTC directors are working on a system whereby the Centers would receive a base grant plus a "bonus" based on performance. Under the new approach, the bonus would be determined by an analysis of a Center's performance information rather than by a strict formula. The BFTC director said that in anticipation of this new approach, the Centers have been collecting even more detailed job and other information. The Centers are also making a greater effort to ensure that the information being collected can be compared on a consistent basis across the Centers.

The BFTC director characterized the new approach as a "win-win" situation, with the BFTCs still being performance driven but with a greater emphasis on cooperation and friendly competition that will improve the program for the benefit of all. The BFTC director also noted that part of what helps the new system work is that all BFTCs are now separate, non-profit corporations governed by boards made up primarily of private sector community leaders. These boards are now part of the review process, and they help to insure that the Centers are focusing on real community needs.

Applicability to the TPA Program

The Department of Commerce could take a similar performance-based approach in funding TPAs. Those agencies which perform well on such measures as job creation in tourism-related businesses[4/] and attracting private-sector matching funds could receive a "bonus" in the form of additional state funds.

Effectiveness could also be measured through program records and by surveying tourists who contact the tourism agency for information. Monitoring the Outcomes of Economic Development Programs by Harry Hatry, et al., lists several possible performance indicators and includes a sample client questionnaire to assess the quality and effectiveness of tourism promotion programs. The performance indicators attempt to measure (1) quality of service, such as the attractiveness of the information received by prospective visitors; (2) intermediate outcomes, such as the number of persons requesting information; and (3) longer-term outcomes, such as the average dollar amount spent by respondents who visited the jurisdiction. The full list of performance indicators is included in Appendix H. Several TPAs have done studies which may identify other relevant performance measures.

Performance measures such as job creation, attracting private-sector matching funds, and tourist surveys all have potential flaws, especially if used as exclusive measures. For example, although extensive employment information is available through the Department of Labor and Industry's Bureau of Labor Statistics, the information may not be as current or comprehensive as would be desirable. Similar to what happened in the Ben Franklin Partnership Program, the use of private-sector matching funds as a performance measure may

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4/Data on jobs in tourism-related businesses can be extracted from Pennsylvania Department of Labor and Industry monthly employment reports. These reports are compiled by standard industrial codes (SIC) and include information on jobs in such tourism-related services as eating and drinking places; hotels and motels; camps and recreational vehicle parks; automotive rentals; commercial sports; miscellaneous amusement, recreational services; museums and art galleries; and botanical and zoological gardens.

skew a tourism agency toward promoting large attractions that can afford to contribute to the agency. Tourist surveys, moreover, can be expensive to administer and the data collected is often based on the tourist's memory and perceptions.

The current structure of the TPA program, with a large number of single-county TPAs, also presents a challenge to implementing performance-based funding. As noted in Finding 1.1, tourists visit regional destinations which may be located in several counties. Therefore, tourists who are attracted to an area because of the efforts of one TPA may spend a significant amount of time and money in a neighboring county whose TPA may have done little to promote the region.

The small size of the Office of Travel Marketing is a further complication. With such limited resources, compiling accurate performance information for even eight to ten regions would be difficult; compiling such information on 51 TPAs would probably be impossible. The Ben Franklin Partnership program, which also has a very small staff within the Department of Commerce, relies heavily on the BFTC directors to develop and report accurate and comparable performance measures. The Office of Tourism Marketing might also have to rely heavily on the expertise of the TPA directors. Because the TPAs' level of funding would be contingent, at least in part, on the data developed, the TPA directors would have a vested interest in monitoring the performance information reported to the Department to ensure it is accurate and meaningful.

Despite such difficulties, we believe it is important that the TPA program begin placing greater emphasis on measuring and rewarding results. As noted in Reinventing Government and confirmed by the experience of the Ben Franklin Partnership Program, performance measurement often follows a pattern: adoption of crude performance measures, followed by protest and pressure to improve the measures, followed by the development of more sophisticated measures. The authors state:

> Many public organizations have discovered that even a poor start is better than no start, and even crude measures are better than no measures. All organizations make mistakes at first. But, over time, they are usually forced to correct them.

Additional Issues to Consider in Performance-Based Funding

Several additional issues would need to be considered in developing a performance-based method for funding TPAs. One such issue would be to devise an approach which does not unduly penalize tourism agencies for factors they cannot control. For example, a major plant closing might have a significant affect on employment in a region's hotels, restaurants, and other tourism-related businesses. If tourism-related employment was used in a performance-based formula without any adjustment, such a closing might make an effective agency appear ineffective. Similarly, TPAs located in regions experiencing strong economic growth might appear effective simply because the regional economy is strong.

Another factor not under the TPA's control is the amount it receives in local room tax revenue. Only five counties have the authority to collect such taxes--Philadelphia, Allegheny, Montgomery, Delaware, and Bucks. In FY 1991-92, this tax generated $9.6 million for the TPAs in these five counties. Because the formula for determining maximum TPA grant awards is based largely on the TPA's eligible expenses incurred, TPAs which can spend local room tax revenues on promotional activities potentially have a major advantage over TPAs in counties which do not have this source of revenue. Many TPAs which do not have local room tax authority noted the unfairness in the current formula which counts local room tax revenues the same as the dues and contributions a TPA receives from a private tourist attraction.

Secondly, a decision would need to be made as to what portion of the tourism agency's grant should be based on performance. At one extreme, the state grant could be based entirely on performance. As noted above, however, many of the factors affecting tourism cannot be controlled by the tourism agency. A mid-way approach which provides a base-level award that is supplemented with additional funds based on performance is probably a better alternative. The Ben Franklin Partnership Program used such a mid-way approach by providing Centers with a base-level award that was supplemented with additional state funds based on performance. For example, during FY 1987-88, 33 percent of available state funds were awarded equally to each of the four regional Centers. The remaining state funds were then divided based on the amount of nonstate dollars the Centers could attract (45 percent) and the Center's relative performance in eight areas (55 percent).

Thirdly, if TPAs are funded based on performance, the General Assembly may need to consider increasing the appropriation if necessary to reward effective agencies. As noted above, the TPA appropriation has been $7.2 million for the past four fiscal years. It would be demoralizing if an innovative agency that worked hard to improve its effectiveness found that its state grant decreased or changed only marginally because of a reduced or static TPA appropriation. Improved performance measures could help make the case for an increase in the appropriation by allowing the TPAs to demonstrate their effectiveness.

RECOMMENDATIONS

1. ***The Department of Commerce or the proposed State Tourism Promotion Board should work with TPAs, the House Tourism and Recreational Development Committee, and the Senate Community and Economic Development Committee to develop valid, reliable, and agreed-upon measures of tourism agency performance. To the extent possible, these measures should be results oriented (e.g., number of new tourism jobs created) rather than measures of outputs (e.g., number of brochures distributed) or inputs (e.g., number of dollars spent).***

2. ***The General Assembly should amend the Tourist Promotion Law to require the Department of Commerce--or the State Tourism***

Promotion Board proposed in Finding 1.1--to develop a plan for systematically incorporating performance results into TPA program grant decisions. In developing this plan, the Department (or the Board) should consider (a) the need for minimum-level base grants, (b) ways to adjust for factors such as regional economic conditions and local room tax revenues which tourism agencies cannot control, and (c) the advantages and disadvantages of using a defined formula to determine how performance information is incorporated into the grant award decision.

SECTION 2

STATE MARKETING CAMPAIGN

FINDING 2.1

THE NUMBER OF LEADS GENERATED THROUGH THE COMMONWEALTH'S TOURISM PROMOTION EFFORTS HAS INCREASED OVER THE PAST FIVE YEARS, BUT ABOUT 60 PERCENT OF THE TOURISTS WHO REQUEST THE VISITORS GUIDE AND SUBSEQUENTLY VACATION IN PENNSYLVANIA ARE PENNSYLVANIA RESIDENTS

In addition to administering the TPA matching grant program, the Department of Commerce is also responsible for the state's marketing campaign. The state marketing campaign is financed through a General Fund appropriation, called the marketing appropriation. Typically, 75 to 80 percent of the Department's marketing appropriation is used for tourism promotion. The remainder is used to promote other economic development programs. In FY 1992-93 the Department budgeted $4.6 million for tourism marketing. As shown in Table 4, these funds pay for media purchases, telemarketing and fulfillment (see Finding 2.2), administration, and other services and projects.

TABLE 4. PROPOSED FY 1992-93 TOURISM MARKETING APPROPRIATION BUDGET

Media	$1,515,000
Administration/Miscellaneous	1,012,000
Telemarketing and Fulfillment	1,000,000
Production	600,000
Co-Op Marketing	250,000
Public Relations	100,000
Research	65,000
Other	90,000
Total	$4,632,000

Source: Office of Travel Marketing, July 29, 1992.

As shown in Table 5, the tourism component of the marketing appropriation has decreased significantly in recent years from a high of $8.4 million in FY 1989-90 to $4.6 million in FY 1992-93. As a result of these cuts, the Commonwealth has had to scale back its tourism promotion efforts, reducing print ads by 94 percent, television ads by 44 percent, and radio ads by 35 percent over FY 1989-90 levels.

Since FY 1987-88 the Department has contracted with Elkman Advertising and Public Relations, Inc., to design and implement Pennsylvania's marketing campaign.[1/] Elkman develops a plan for the marketing campaign subject to the Department's approval.

TABLE 5. THE TOURISM COMPONENT OF THE STATE MARKETING APPROPRIATION

Fiscal Year	Amount
1987-88	$6,134,400
1988-89	7,200,000
1989-90	8,400,000
1990-91	7,200,000
1991-92	4,800,000
1992-93	4,632,000

Source: Developed by LB&FC staff.

The plan includes ideas for advertisements and promotional materials, selecting and placing media buys, publishing and distributing the *Visitors Guide*, and conducting market research.

1/First awarded contract through RFP in FY 1987-88. Awarded contract again via RFP in July 1991. (Contract allows annual extensions through June 30, 1995.)

The state's advertising campaign, one component of the overall marketing program, is a direct response advertising campaign. In direct response advertising, the reader or viewer is typically asked to respond to an advertisement by telephone, often using a toll-free number, or by returning a postcard or coupon. The inquirer is then sent promotional materials. In Pennsylvania's campaign, potential tourists are asked to call 1-800-VISIT-PA. Callers are then sent the *Visitors Guide* and a state map. Finding 2.2 contains more information on the telemarketing component of the marketing campaign.

The state's marketing campaign has received several travel promotion industry awards. The Department received a Gold Award in the State Convention/Tourist Bureaus category for its overall marketing campaign at the 1992 International Travel Competition sponsored by the Hospitality Sales and Marketing Association International. At this same competition, Pennsylvania also received a Silver Award for outdoor and transit advertising and was one of two Bronze Award recipients for its spring/summer television campaign.

Department of Commerce officials also reported that Pennsylvania's seasonal vacation guides were selected in both 1990 and 1991 from among an estimated 30 competing states as the nation's best nonadvertising visitors guide by the National Council of State Travel Directors of the Travel Industry Association of America. Moreover, a 1992 survey conducted for the Department of Commerce of persons who received the *Pennsylvania Visitors Guide* found that 85 percent of those surveyed who also received guides from other states believed Pennsylvania's visitors guide was better than or equal to those of other states.

Effectiveness in Attracting Tourists

Generating Leads. A key objective of the state's direct response advertising campaign is to generate "leads." A lead is a request from a prospective tourist for the *Visitors Guide* and a state map. Table 6 shows the number of leads generated and the advertising dollars expended through the marketing appropriation for the past five years. The table shows that despite reductions in the advertising budget the number of leads generated has increased by 89 percent since FY 1987-88.

Leads can also be generated as a result of other promotional efforts that may include the 1-800-VISIT-PA number. Therefore, the number of leads generated cannot be attributable exclusively to the state media campaign.

Conversion Studies. The effectiveness of the state's marketing campaigns is also evaluated through "conversion studies." The conversion studies attempt to determine how many of the people who request the state's promotional materials actually vacation in Pennsylvania. The studies also collect information to help improve the effectiveness of the marketing campaign. The studies involve telephone surveys of individuals who have requested state tourism promotional materials. To help ensure a degree of objectivity, the conversion studies are done by a separate contractor (referred to below as the evaluator) who is paid by Elkman, the prime contractor.

The conversion studies report a "net conversion rate." The net conversion rate attempts to measure the impact the promotional materials had on a requester's decision to vacation in Pennsylvania (i.e., whether the requester was "converted" by the materials). Mathematically, a net conversion rate is the number of persons who visit a destination who were undecided about visiting that destination prior to being exposed to the promotional materials divided by the total number of requesters. The net conversion rate, therefore, attempts to gauge the effectiveness of the *Visitors Guide*

TABLE 6. LEADS DEVELOPED AND MARKETING DOLLARS EXPENDED FOR MEDIA AND PRODUCTION BY SEASONAL CAMPAIGN: FY 1987-88 THROUGH FY 1991-92

Fiscal Year	Season	Leads[a/]	Advertising Dollars Expended[b/]
1987-88	Fall	40,427	$ 579,420
	Winter	47,164	1,603,500
	Spring/Summer	128,494	1,168,088
	Total	216,085	$3,351,008
1988-89	Fall	81,323	$1,267,496
	Winter	60,544	1,335,507
	Spring/Summer	140,225	1,521,003
	Total	282,092	$4,124,006
1989-90	Fall	69,849	$1,119,997
	Winter	74,336	1,327,315
	Spring/Summer	230,455	1,600,600
	Total	374,640	$4,047,912
1990-91	Fall	60,929	$1,113,800
	Winter	69,119	956,500
	Spring/Summer	267,686	1,228,100
	Total	397,734	$3,298,400
1991-92	Fall	78,770	$ 690,450
	Winter	35,309	470,150
	Spring/Summer	293,505	1,661,400
	Total	407,584	$2,822,000

a/Includes leads to the telemarketer (Matrixx, Inc.) and mailed-in leads.

b/Includes production costs and media buys through the marketing appropriation. Telemarketing and fulfillment costs are not included. Also not included are the costs of leads which may have been generated by other promotional efforts.

Source: Elkman Advertising and Public Relations, Inc.

in convincing undecided requesters to vacation in the state.[2/]

The net conversion rate is important because many of the people who request the *Visitors Guide* have already decided to vacation in Pennsylvania. According to the spring/summer 1992 conversion study, 69 percent of those who called the state's toll-free number and subsequently vacationed in Pennsylvania had made their decision to vacation in Pennsylvania prior to receiving the state's promotional material. Therefore, although the promotional material may have enhanced the callers' knowledge of an area, it did not influence their decision to vacation in Pennsylvania. The materials can still be important, however, because they may influence the prospective tourist when making choices in accommodations and activities. The spring/summer 1992 conversion study found, for example, that 15 percent of those surveyed who vacationed in Pennsylvania reported they contacted one or more of the advertisers listed in the *Guide*.

LB&FC staff calculated the net conversion rates per 100 inquiries for the spring/summer 1990, spring/summer 1991, and spring/summer 1992 advertising campaigns. The net conversion rates were 5.8, 4.8, and 7.0 percent, respectively. This means that for every 100 persons who called the 1-800-VISIT-PA number during the spring/summer 1992 campaign, 7 who had not yet decided to vacation in Pennsylvania before they received the *Visitors Guide* had visited the state by the time of the evaluator's call.

The evaluator makes the survey calls about six weeks after the prospective tourist calls the 1-800-VISIT-PA number. Thus a

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2/The studies also report a "gross conversion rate" which is the percent of all inquirers who vacationed in Pennsylvania. As stated by one tourism evaluator, "While it is true that all tourists who visit an area and spend money will produce economic impact, conversion estimates which take credit for those who visit a state, but were not actually 'converted' by the promotional program, are inflated. . . . It is important that researchers recognize that such 'gross' conversion estimates (all inquirers who visited a destination) must be adjusted accordingly to produce a 'net' conversion rate which reflects the number of inquirers who are actually influenced by the promotional campaign to visit the destination."

tourist who called in May in anticipation of a late July or August vacation may receive the evaluator's call in June or early July and be counted as not having vacationed in Pennsylvania. As part of the spring/summer 1992 conversion study, the evaluator made a series of follow-up calls in October to identify *Guide* requesters who initially reported not vacationing in Pennsylvania but who subsequently vacationed in Pennsylvania at some point during the summer or early fall. If these tourists are included, we estimated the net conversion rate for the spring/summer 1992 advertising campaign to increase from 7 percent to 13.6 percent.

The net conversion rates as calculated by LB&FC staff differ from the net conversion rates as calculated by the Department's contracted evaluator. This difference is attributable, in part, to different definitions of the term. As noted above, our calculation of the net conversion rate, derived from academic literature, is based on the number of "undecideds" who later vacation in Pennsylvania divided by the total number of persons receiving the *Visitor's Guide*. The Department's evaluator defines the net conversion rate using essentially the same numerator, but using a much smaller number for the denominator--the number of *Guide* receivers who were undecided about visiting Pennsylvania when they requested the *Visitor's Guide*.

Although both approaches can produce useful information, the difference in denominators can yield substantially different net conversion rates. For example, due in part to the difference in denominators, the Department's evaluator reported a net conversion rate of 50.1 percent for the Spring/Summer 1992 marketing campaign versus a net conversion rate of 13.6 percent as calculated by the LB&FC staff.

We also found that when calculating net conversion rates, the Department's evaluator includes as "converted" many persons who report they had already decided to vacation in Pennsylvania prior to receiving the *Guide*. This happens because the evaluator calculates the net conversion rate based on a question pertaining to the reason for requesting the *Guide*, rather than on the evaluator's direct question which asks, "Had you decided to vacation in Pennsylvania prior to receiving the travel information [i.e., the *Visitor's Guide*]?" If the persons who respond "yes" to this question are excluded--as we believe they should be--the net conversion rates reported by the Department's evaluator would be substantially lower. Because the Department uses data from these studies in assessing and reporting on the state marketing campaign's effectiveness, it is important that the rates be reported accurately.

Comments From TPA Directors and Others. The TPA directors surveyed were, in general, supportive of the state advertising campaign. Fifteen of the 42 TPA directors responding to the survey (36 percent) described the advertising campaign as "very effective" and 21 (50 percent) rated the campaign as "somewhat effective" in promoting tourism in their region. Only four (9 percent) of the TPA directors described the campaign as "ineffective" or "not very effective" in promoting tourism in their region. Two expressed no opinion.

When we asked the TPA directors for suggestions on how the state's advertising campaign could be improved, the most frequent suggestion (made by 6 of the 20 TPA directors offering suggestions) was that more advertising should be directed to out-of-state markets (see below). The other recurring suggestion was that the campaign do more to promote rural areas of the state.

Of the nine members of the Tourism and Travel Advisory Council that responded to a similar question (six of whom are also TPA directors) five rated the state's advertising campaign as "very effective" and three thought the campaign "somewhat effective." Only one of the Council's members thought the campaign was "ineffective." This member suggested that the campaign should be oriented more toward activities rather than geographic regions.

In-State Versus Out-of-State Advertising

The evaluation contractor reports in the spring/summer 1992 conversion study that 59 percent of the tourists who requested the *Visitors Guide* and subsequently vacationed in Pennsylvania are Pennsylvania residents. Because Pennsylvanians comprise a high percentage of the state's tourism market, Elkman Advertising, the Department's advertising contractor, has decided to spend about 40 percent of its FY 1992-93 media dollars on in-state promotions.

Elkman notes that Pennsylvania is surrounded by major travel destinations such as New York City, Washington, and Baltimore. Pennsylvania also must compete with the New Jersey, Delaware, and Maryland shores in the summer and New England in the fall for foliage and in the winter for skiing. Elkman also notes that New York, New Jersey, and Virginia typically target the Philadelphia, Pittsburgh, Harrisburg, and Wilkes-Barre/Scranton areas when advertising on television and that Massachusetts targets the Philadelphia area. Elkman believes Pennsylvania needs to advertise in-state to compete with the promotional messages from these states.

For FY 1992-93 Elkman reported spending a higher percentage of its television and radio budget out-of-state than in the prior two fiscal years (see Table 7). For the key season of spring/summer, where the majority of the state's advertising dollars are spent, Elkman reported shifting from 54 percent out-of-state in FY 1990-91 to 65 percent out-of-state in FY 1991-92 and FY 1992-93.

Nevertheless, compared with several nearby states, Pennsylvania appears to spend a high percentage of its advertising dollars on in-state markets. FY 1988-89 data from the U.S. Travel Data Center show that Pennsylvania directed 50 percent of its media purchases out-of-state. In comparison, Delaware directed 85 percent of its advertising to out-of-state markets; Ohio, 65-70 percent; and Virginia, 100 percent. New York, like Pennsylvania,

TABLE 7. PENNSYLVANIA TOURISM ADVERTISING CAMPAIGN: DISTRIBUTION OF IN-STATE AND OUT-OF-STATE EXPENDITURES

	1990-91		1991-92		1992-93	
	Percent In-State	Percent Out-of-State	Percent In-State	Percent Out-of-State	Percent In-State	Percent Out-of-State
Medium						
Television/Cable TV ...	40%	60%	41%	59%	35%	65%
Radio	--	--	100	--	50	50
Magazines (Consumer) ..	20	80	22	78	22	78
Outdoor	--	--	100	--	87	13
Minority (Magazine/Newspaper) ..	--	--	30	70	30	70
Motorcoach (Magazine) .	10	90	10	90	10	90
Newspaper (Consumer) ..	54	46	--	--	--	--
Season						
Fall	35%	65%	60%	40%	55%	45%
Winter	35	65	80	20	50	50
Spring/Summer	46	54	35	65	35	65

Source: Elkman Advertising and Public Relations, Inc.

reported a 50/50 split between in-state and out-of-state advertising. FY 1988-89 data was not available for West Virginia and Massachusetts, but in FY 1987-88 both these states directed about 90 percent of their advertising to out-of-state markets. (Information was not available for either year for New Jersey, Maryland, and Illinois.)

RECOMMENDATION

1. ***The Department of Commerce should ensure that the net conversion rates reported by its evaluator factor out persons who had decided to vacation in Pennsylvania prior to receiving the state's tourism promotion materials.***

FINDING 2.2

TELEMARKETING SAVINGS MAY BE POSSIBLE

The Department of Commerce's state marketing campaign promotes tourism in Pennsylvania primarily through direct response advertising. This type of advertising prompts the television viewer, radio listener, or magazine or newspaper reader to call a telephone number for more information about the product being advertised. The viewer, listener, or reader of Pennsylvania's tourism advertisements is asked to call 1-800-VISIT-PA for more information about vacationing in Pennsylvania.

The Department contracts with Elkman Advertising, a Pennsylvania firm, to develop and manage the state's direct response advertising campaign. Elkman, in turn, subcontracts with a Utah-based telemarketing firm (Matrixx Marketing, Inc.) to answer calls to the 1-800-VISIT-PA number.[1/] Every call received is considered a "lead" once the caller's name, address, and telephone number is entered into the telemarketer's data base. In FY 1990-91 the Department of Commerce reported over 345,000 such leads.

Matrixx electronically transmits the computerized leads to the "fulfillment" subcontractor (MSP, Inc., based in Pittsburgh) who generates a mailing label and sends the caller a *Pennsylvania Visitors Guide* and state map.

Cost Per Lead

Pennsylvania pays its telemarketer $1.50 for each lead recorded from a call to 1-800-VISIT-PA. The cost per lead does not

1/DOC's advertising contractor conducts a competitive evaluation of vendors for this subcontract. The Secretary of Commerce, however, must give final approval.

include the cost of mailing the *Visitors Guide* and the state map, which is done by the fulfillment subcontractor. The telemarketer also provides referrals to local Tourist Promotion Agencies. These referrals are generated when (1) callers from certain zip codes previously specified by a TPA request information or (2) when inquirers request information about selected activities previously specified by a TPA (e.g, skiing). The telemarketer is paid an additional three cents for each address label generated by these referrals.

LB&FC staff contacted officials in Massachusetts, New York, New Jersey, Delaware, Maryland, Virginia, West Virginia, Ohio, and Illinois to identify the cost per lead in these states. Texas was also surveyed because we were told New York and Texas are the only states conducting direct marketing campaigns on a scale similar to Pennsylvania's. Exhibit 6 shows the results of this survey.

Massachusetts, New Jersey, Maryland, Virginia, Ohio, and Texas pay an average of $1 per lead. New York, Delaware, Illinois, and West Virginia were unable to identify their cost per lead. Department of Commerce staff and its advertising contractor expressed concern that such cost comparisons may not be entirely valid because Pennsylvania's telemarketer provides referral services to TPAs which telemarketers in other states are typically not required to provide.

Telemarketing Standards

Because Pennsylvania's cost per lead ($1.50) was notably higher than the average for the other six states surveyed ($1), we compared Pennsylvania's telemarketing program to the programs of surrounding and competing states.

EXHIBIT 6. TELEMARKETING COST PER LEAD FOR SELECTED STATES

State	Cost Per Lead
Massachusetts	$1.12
New York	a/
New Jersey	$1.01
PENNSYLVANIA	$1.50
Delaware	a/
Maryland	$0.95
Virginia	$1.17
West Virginia	a/
Ohio	$1.00
Illinois	a/
Texas	$0.76b/

a/Not available.
b/For domestic calls. For calls from Mexico, the cost per lead is $1.

Source: Developed by LB&FC staff from information reported by the selected states.

The Department of Commerce requires its telemarketing firm to respond to inquiries 7 days a week, 24 hours a day. Calls must be answered by a live operator, rather than an answering machine. Ninety-five percent of the calls must be answered within an average of 15 seconds or 3 rings. The contract also specifies that no more than 3 percent of the calls received may be blocked, that is, encounter a busy signal. To monitor compliance with these contract requirements, the Department receives reports from the telemarketer, and both Elkman and Department staff reported they make periodic calls to test compliance. LB&FC staff also made 33 test calls as part of this audit. The average number of rings for these 33 calls was 3.

Massachusetts, Maryland, Virginia, Ohio, and Illinois, like Pennsylvania, contract with a private firm for telemarketing services. Texas uses a private firm from 6 a.m. to 10 p.m. but uses its Department of Corrections for overnight inquiries. New York, New Jersey, Delaware, and West Virginia provide these services through the state tourism office or another state agency.

Massachusetts, Maryland, Virginia, Illinois, and Texas, like Pennsylvania, have live operators answering their toll-free number 7 days a week, 24 hours a day. West Virginia, New Jersey, Ohio and Delaware use live operators during daytime and evening hours but use answering machines during the off hours.

Pennsylvania and Maryland are the only states surveyed which have established contractual standards concerning the number of rings within which a call is to be answered and the number of callers who may encounter a busy signal. Maryland requires that all calls be answered within three rings and that no callers receive a busy signal, while Pennsylvania requires that 95 percent of the calls be answered within an average of three rings, and 3 percent of the calls may receive a busy signal.

None of the states surveyed expressed dissatisfaction with the performance of their current telemarketers. Only one state indicated, in response to a specific LB&FC staff survey question, that it might consider changing its telemarketer in the upcoming year.

Department officials acknowledge that Pennsylvania's telemarketing standards are among the highest in the nation and that it chose Matrixx over five lower cost telemarketers because Matrixx was the only vendor able to meet its standards. Department officials explained that one reason for the high standards is that the Commonwealth's direct advertising campaign generates a large number of calls and is central to the success of Pennsylvania's promotional efforts. The Department, therefore, does not want to lose potential tourists as a result of callers hanging up before their calls are answered.

State Efforts to Reduce Telemarketing Costs

Several of the states surveyed have recently introduced cost cutting measures; others reported they were considering such measures. New York, which receives over 600,000 requests a year, has recently introduced an automated system. Calls are taken by an answering machine which gives the caller a menu of options. An automated system eliminates the need for an operator to deal with routine requests for the travel guide. Operators are, however, available to assist callers seeking specific information from 8 a.m. to 5 p.m. during the business week.

Illinois is considering use of a partially automated system. For ad campaigns targeted to large cities, Massachusetts directs listeners to participating retail stores. These stores distribute the state visitors guide at no cost, thereby bypassing the telemarketer. New Jersey officials reported that their telemarketing costs decreased 34 percent by changing from a private contractor to a state agency.

Pennsylvania does not use an automated system for persons calling the 1-800-VISIT-PA number. The Commonwealth has, however, contracted with a Conshohocken-based voice response company which used such a system in FY 1992-93 to handle calls to 1-800-FALL-IN-PA. Callers to this number received information about Pennsylvania's fall foliage.

Pennsylvania's annual cost for telephone inquiries to 1-800-VISIT-PA is about $519,000 (346,000 calls at $1.50). A reduction in unit costs from $1.50 to $1.00 would save about $173,000, or 33 percent of current costs. A reduction in unit costs from $1.50 to $1.25 would save about $86,500, or 17 percent of current costs.

RECOMMENDATIONS

1. *The Department of Commerce should should review the telemarketer's telephone records to determine what percentage of callers to 1-800-VISIT-PA wait for 3, 4, 5, and 6 rings. If a high percentage of callers are willing to wait beyond three rings, the Department of Commerce should consider modifying its telemarketing specifications as a way to reduce the cost per lead.*

2. *The Department of Commerce should evaluate customer satisfaction with the automated 1-800-FALL-IN-PA telephone service if such a service is used again in 1993. If customer satisfaction is high, the Department should consider ways to incorporate this technology as a cost saving measure in the 1-800-VISIT-PA program.*

FINDING 2.3

THE DEPARTMENT OF COMMERCE MAKES REASONABLE EFFORTS TO PROMOTE INTERNATIONAL TOURISM; HOWEVER, OVERSEAS TOURISM DEPENDS IN LARGE PART ON AIRLINE TRAFFIC, AND FEW OVERSEAS TRAVELERS ARRIVE AT PENNSYLVANIA'S INTERNATIONAL AIRPORTS

The U.S. Department of Commerce, Travel and Tourism Administration (USTTA) reports that from 1989 to 1990, the number of international visitors to the United States increased nearly 7 percent. Spending by these visitors, according to the U.S. Travel Data Center (USTDC), increased nearly 19 percent during this period. The USTDC also found that international visitor spending in the United States rose from about 11 percent of total estimated traveler spending in 1989 to about 13 percent in 1990.

The USTTA ranked Pennsylvania twelfth in the nation in the number of international travelers in 1990. This was an improvement over the previous year's fourteenth-place ranking and represents a nearly 13 percent increase in the number of international visitors to Pennsylvania. About 60 percent of the international travelers to Pennsylvania are Canadians. From 1989 to 1990 the number of Canadian visitors increased by nearly 15 percent, making it the fastest growing segment of Pennsylvania's tourism market for that year.

Canadian Promotions

Department of Commerce and TPA marketing initiatives to Canada have included newspaper and magazine advertising of the 1-800-VISIT-PA number, motor coach trade shows directed at Canadian-based tour operators, and exposure in Ontario to Pennsylvania television and radio advertising from Buffalo, Erie, and Cleveland. In June 1992 the Department of Commerce also participated in a four-day meeting in Canada with 31 tour operators to promote visits from Canadians.

An LB&FC questionnaire (42 of the 48 TPA directors responded) also found that at least 28 TPAs representing 42 counties reported having spent money promoting tourism from Canada. These include 21 single county TPAs and seven multi-county TPAs.

Overseas Promotions

The Department of Commerce also promotes Pennsylvania attractions to overseas tourists, particularly from the United Kingdom and Germany. As part of this effort, the Department is participating in international travel shows in New Orleans, London, Brussels, and Berlin in FY 1992-93. The Department does not aggressively market Pennsylvania to Pacific Rim countries because of the travel distances involved, the differences in culture, and the cost of translating advertising and promotional materials. However, Pennsylvania did market in Japan in FY 1992-93 as a member of the Mid-Atlantic USA consortium.

Pennsylvania is also a member of the Council of Great Lakes Governors, which markets the Great Lakes region to visitors from the United Kingdom (UK).[1/] Pennsylvania also participates in the Mid-Atlantic USA consortium (New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia)[2/] which periodically markets in the UK and Japan. Pennsylvania participates in such consortiums to spread the cost of advertising and promotion among participants and to take advantage of federal monies and assistance available for regional efforts to promote internationally.

1/The cost of this three-year initiative is supported with contributions from the participating states, the U.S. Department of Commerce, and the private sector.
2/Mid-Atlantic USA also includes major cities and other tourist promotion entities.

To attract visitors from Germany, Pennsylvania is cooperating with the state of Rhode Island, USAir, and the USTTA to take advantage of USAir's direct flights between Frankfurt and both Pittsburgh and Providence.[3/] Pennsylvania and Rhode Island market themselves as "bookends" for the start and finish of German tours to destinations in the northeastern United States.

The Department of Commerce also promotes international tourism in cooperation with TPAs. Under this initiative, the Department and seven TPAs (Philadelphia, Delaware, Bucks, Montgomery, Chester, Lehigh-Northampton, and Allegheny) contributed $182,510 in FY 1992-93 to promote tourism in the United Kingdom and elsewhere.[4/]

TPA initiatives also occur independent of the set-aside program. For example, the Greater Pittsburgh Convention and Visitor's Bureau has employed a full-time international tourism sales manager since November 1991 to solicit tour business from the UK, Germany, Canada, and Japan. For the last four years, the TPAs serving Philadelphia, Adams, and Lancaster Counties have jointly maintained a presence in both Canada and Europe.

When promoting Pennsylvania in overseas markets, the Department of Commerce strategy tries to attract visitors considering their second or third trip to the United States and to entice first-time visitors to make a side trip into Pennsylvania. The Department has adopted this strategy because they have found that Pennsylvania is typically not considered by overseas visitors for their first United States vacation.

3/The cost of this three-year initiative is also supported with contributions from the participating states, the U.S. Department of Commerce, and the private sector.

4/The FY 1992-93 $182,510 international tourism promotion program consists of three components--$90,840 from the Tourist Promotion Assistance appropriation set-aside funds, $50,000 from the Marketing appropriation, and $41,670 from the seven participating TPAs.

Overseas Promotions by Other States

LB&FC staff surveyed surrounding and competing states--Massachusetts, New York, New Jersey, Delaware, Maryland, Virginia, West Virginia, Ohio, and Illinois--to gauge the extent of their efforts at international tourism promotion. (Illinois did not respond to the international tourism promotion part of the survey.) All of the surveyed states promote international tourism cooperatively with other states and/or with local agencies and authorities.

Massachusetts, in cooperation with the Massachusetts Port Authority, markets in the UK and Japan. New York and New Jersey work cooperatively with the Port Authority of New York and New Jersey to attract overseas visitors. All three of these states reported that much of the advertising for overseas visitors to their states is paid for by airline companies through their port authorities.

Delaware markets cooperatively in the UK with the city of Wilmington. Virginia, with ten other southern states, helps staff an office in Japan. Maryland, Washington, D.C., and Virginia, each of which made an initial investment of $200,000, cooperatively market their area overseas. Each partner is responsible for marketing in two countries and represents the other partners as well. Maryland promotes in England and Scandinavia; Washington, D.C. promotes in France and Germany; and Virginia promotes in Spain and Italy.

The seven-member states of the aforementioned Mid-Atlantic USA consortium--New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia--cooperatively promote tourism from the UK and Japan. West Virginia also markets the UK through the Appalachian Regional Commission. Ohio and Illinois, along with New York, Pennsylvania, and other states, market in the UK through the aforementioned Council of Great Lakes Governors.

International Airports

A state's ability to attract overseas visitors depends to a large extent on its international airport traffic. Pennsylvania's international airports received only one-half of one percent of all overseas visitors arriving at United States airports in 1991. Pennsylvania airports received about 1 percent of all arrivals from Western Europe, including 1 percent of all arrivals from the UK and 2 percent of all arrivals from Germany. Pennsylvania airports received only two-tenths of 1 percent of all arrivals from Japan. Therefore, the number of foreign visitors arriving at airports in many competing and surrounding states in 1991 greatly exceeded the arrivals at Pennsylvania's international airports. (See Exhibit 7.)

EXHIBIT 7. INTERNATIONAL VISITORS ARRIVING AT AIRPORTS IN SELECTED STATES IN 1991*

	International Total	Japan	Western Europe Total	United Kingdom	Germany
Massachusetts	5x	3x	5x	8x	x
New York	38x	225x	25x	16x	8x
New Jersey	6x	28x	6x	6x	2x
PENNSYLVANIA[a/]	x	x	x	x	x
Maryland/D.C./ Virginia	4x	79x	3x	3x	2x

*/Expressed relative to Pennsylvania. For example, Massachusetts has 5 times more international arrivals than Pennsylvania.
a/Period reported (first 11 months of CY 1991) precedes the opening in late 1992 of the greatly expanded Pittsburgh International Airport.

Source: Developed by LB&FC staff from information obtained from the U.S. Travel and Tourism Administration Summary and Analysis of International Travel to the United States, 1991.

SECTION 3

WELCOME CENTERS

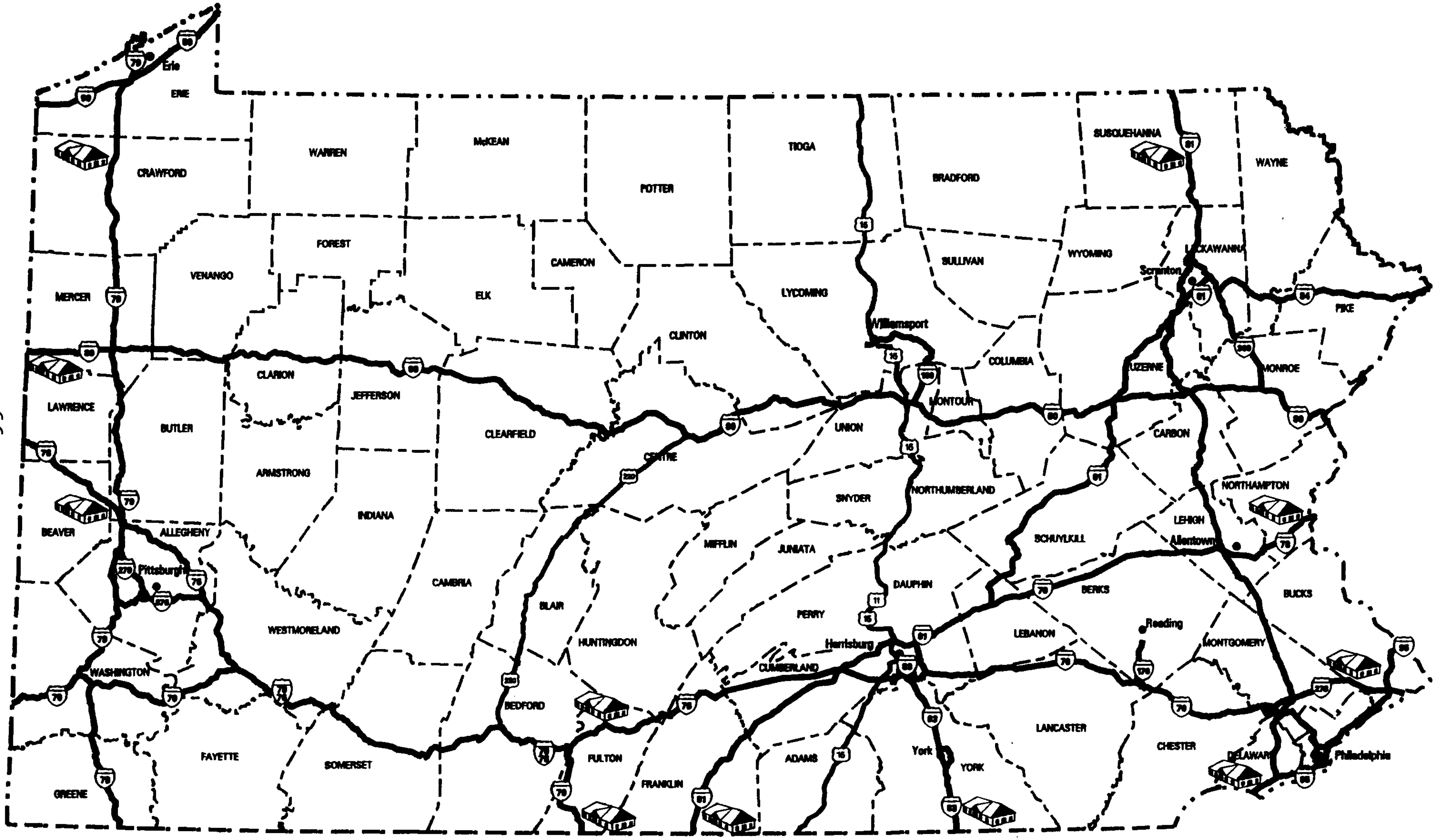
FINDING 3.1

PENNSYLVANIA WELCOME CENTERS RECEIVE GOOD MARKS FROM MOTORISTS AND TOURISM PROFESSIONALS, BUT STEPS COULD BE TAKEN TO REDUCE RELIANCE ON STATE GENERAL FUND MONIES

Pennsylvania, like the majority of states, operates welcome centers to provide motorists with travel and tourism information at major highway rest areas. Pennsylvania currently has 11 such centers, known as Pennsylvania Welcome Centers. (Exhibit 8 shows the location of these Centers.) The Pennsylvania Department of Transportation (PennDOT) staffs nine of the Centers, including one which is located on the Pennsylvania Turnpike and one which is part of a facility owned by the Delaware River Joint Toll Bridge Commission (DRJTBC). The Pennsylvania Turnpike Commission (PTC) operates the remaining two Centers using PennDOT's standards. PennDOT is responsible for literature distribution to all 11 Centers.

The staff at Pennsylvania's Welcome Centers, known as hosts, distribute tourism brochures intended to encourage travelers to extend their stay and visit attractions while in Pennsylvania. Hosts also provide travelers with directions, current weather and road conditions, and operate a hotel reservation service. In FY 1991-92, the state's Welcome Centers served over 1.4 million guests and had operating costs of about $1.1 million, including $916,055 in General Fund monies. Each Center operates year round and is staffed seven days a week, including most major holidays. From mid-May through mid-October the hours are 8 a.m. to 6 p.m.; from mid-October through mid-May, 8 a.m. to 5 p.m. Additional information concerning Welcome Center staffing, expenditures, and counts of guests is provided in Table 8 and Appendices I and J.

EXHIBIT 8. PENNSYLVANIA WELCOME CENTERS



Source: Map provided by the Pennsylvania Department of Transportation.

TABLE 8. WELCOME CENTER EXPENDITURES AND GUESTS SERVED: FY 1991-92

Object of Expenditure	PennDOT[a/]	Turnpike Commission[b/]	Total
Personnel	$ 794,559	$185,025	$ 979,584
Operating	116,496[c/d/]	30,836[d/e/]	147,332
Fixed Assets	5,000	0	5,000
Total	$ 916,055	$215,861	$1,131,916[f/]
Number of Centers	9	2	11
Counts of Guests Served[g/] ..	1,250,584	167,123	1,417,707

a/The Welcome Centers appropriation, which funds the Welcome Centers operated by PennDOT, was $946,000 in FY 1991-92. PennDOT operated nine Pennsylvania Welcome Centers in FY 1991-92, one of which is located on the Pennsylvania Turnpike.

b/The Pennsylvania Turnpike Commission's budget also provided other funds to indirectly support the operation of the two Centers operated by the Turnpike in FY 1991-92.

c/Excludes certain expenditures supported by PennDOT Engineering District offices.

d/Excludes certain expenditures paid by the Marriott Corporation for Welcome Centers located on the Pennsylvania Turnpike.

e/Includes $22,000 for the purchase of Pennsylvania highway maps.

f/Excludes capital budget expenditures.

g/Method of counting guests varies significantly by Center. The Turnpike-staffed Centers count guests more conservatively than PennDOT and include the only Center with no self-service capacity. See Appendix J, "Welcome Center Guest Counts."

Source: Developed by LB&FC staff from information provided by PennDOT and the Pennsylvania Turnpike Commission.

Welcome Centers Receive Good Marks

LB&FC staff surveyed the Department of Commerce's Tourism and Travel Advisory Council (TTAC) members and Tourist Promotion Agency directors for their opinion on the effectiveness of Pennsylvania's Welcome Centers. Seven of the nine responding TTAC members believed that the Centers are effective in promoting state tourism. Seventy-six percent of the TPA directors responding (32 of 42) reported the Welcome Centers are well run and help promote tourism statewide. Key concerns raised by the directors included the need for more Welcome Centers and more direct communication between TPA and Welcome Center staff. Many directors also thought that PennDOT should reduce its brochure quantity requirements for smaller TPAs. (Exhibit 9 presents selected TPA responses.)

PennDOT officials reported they recognize these concerns and are attempting to promote greater coordination between TPA and Welcome Center staff. The Department conducted a series of meetings in December 1992 between Welcome Center staff and TPA directors to consider, among other issues, how the Welcome Center brochure approval and distribution process can be improved. PennDOT intends to modify current brochure volume requirements by the end of FY 1992-93.

Pennsylvania Welcome Centers have also received good marks from travelers, according to an independent 1991 study of Welcome Center guests funded by PennDOT. Only 2.8 percent of the responding guests indicated that they had not received the services they desired. The study also reported that of the four major aspects of a Welcome Center--hosts, facilities, services, and materials--hosts are the most important and that Pennsylvania hosts as a group are superior to those in other states.

The study, while citing the inherent difficulties in such customer surveys, estimated that Pennsylvania's eight original Centers generated about $4.5 million per year in additional traveler

EXHIBIT 9. SELECTED COMMENTS FROM TOURIST PROMOTION AGENCY DIRECTORS ABOUT PENNSYLVANIA WELCOME CENTERS

Positive

- Not being located on the Turnpike or on Interstate, the Welcome Center systems provides us with a way to get our information to the people using the Interstate and Turnpike. We couldn't afford to pay for the services they provide.
- This is one outlet for interstate tourists to receive our brochure.
- [The centers provide] a professional, helpful, friendly image for all of Pennsylvania. People tend to remember that and come back.
- An excellent example of different agencies working together toward a common goal.
- Welcome centers have been very helpful in getting information on our areas out to travelers.
- I really appreciate the brochure distribution services PennDOT provides--I couldn't do it myself.
- The staff of our welcome center works well with our TPA . . . in promoting our area.
- We do not have a Welcome Center in our immediate area, but hope to soon. This would be a definite boost for our tourism business.

Negative

- We need a Welcome Center on US219. So many foreign travelers find their way into my office over an hour into the state and remark how they haven't found a Welcome Center like they usually do on entering a state.
- [PennDOT needs] to simplify the warehouse procedure . . . . Preparing literature for shipment . . . . It takes forever and I suspect keeps some from sending literature as often as they should.
- For a small TPA to send 10,000 brochures, that's one-fifth of our stock, that's a lot.
- Our TPA cannot provide . . . 10,000 copies. It would take up 80 percent of our annual printing budget.
- Direct communication [is needed] between TPAs and welcome center personnel.

Source: Developed by LB&FC staff from comments received from Tourist Promotion Agency directors.

spending. The study report noted, "If the budget to operate [the] eight WCs were approximately $1 million, this . . . translate[d] into a yearly payback ratio of 4 to 1."

The Number of Welcome Centers Is Increasing

In 1987 the General Assembly transferred staffing responsibilities for the state's then eight existing Welcome Centers from the Department of Commerce to PennDOT. Since 1989 seven Centers have been renovated, including Zelienople in Beaver County and Neshaminy in Bucks County, both of which had been closed by the Pennsylvania Turnpike Commission since the early 1980s. The I-81 Welcome Center in Cumberland County was closed and a new Welcome Center was built closer to the Maryland border on I-81 in Franklin County.[1/]

A new Center on I-78 westbound in Northampton County opened in 1990 in a facility owned by the Delaware River Joint Toll Bridge Commission. Under an agreement with the Commission, PennDOT staffs the Welcome Center and provides it with travel brochures. PennDOT is also responsible for furniture, equipment, and other necessary materials such as office, janitorial, and sanitary supplies. Appendix K contains additional information on Welcome Center renovations and expansions.

PennDOT is planning to increase the number of Centers from 11 to 15 by summer 1995. New Centers are planned for Greene, Washington, Pike, and Adams Counties.[2/] The Greene County site has been selected and environmental impact approvals obtained. PennDOT anticipates that the rest area and Welcome Center, to be constructed primarily with federal funds, will open in fall 1994. Possible

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1/PennDOT estimates that the Commonwealth expended $1.32 million in state capital budget funds to renovate four of the existing WCs, $2,487,000 to build the Center on I-81 northbound in Franklin County, and that the Marriott Corporation expended $185,000 to renovate one Center and to reopen two PTC Centers.
2/A replacement Center is also planned for Susquehanna County to open in summer 1995.

sites have also been identified for the Washington and Pike County Centers; however, the environmental studies have not been completed. A site for the proposed Center in Adams County has not yet been selected and necessary environmental studies and approvals have not been secured. PennDOT anticipates that the Washington and Pike County Centers will open in late 1994 and the Adams County Center in fall 1995.

Some TPAs Maintain Brochure Racks at PennDOT Rest Areas

In addition to the 11 Pennsylvania Welcome Centers, some TPAs maintain information centers at PennDOT rest areas on interstate highways. Typically, the TPAs install and maintain brochure racks, but do not staff these sites. The Pocono Mountains Vacation Bureau (PMVB) does staff information centers at several rest areas in the Poconos, including a former Welcome Center site at Delaware Water Gap.

The Department of Commerce had previously staffed the Welcome Center at Delaware Water Gap. In the early 1980s the Department decided to stop staffing the Center. However, PennDOT allowed PMVB to operate the Center. The arrangement has worked well, according to the PMVB director, because of the many attractions in the area. The Center is rent-free to the PMVB and the state provides the maintenance. PMVB members must pay the costs to staff the Center. Federal requirements prohibit the PMVB from earning revenue through commercial enterprises at the Center.

In 1985, the Turnpike Commission approached 14 TPAs to encourage them to join together to staff the Center at the Neshaminy service plaza in Bucks County in exchange for free rent and maintenance. This Welcome Center is located at a major entry point for travelers from New Jersey and New York. The TPAs, however, were not interested in pooling their resources to staff the Center.

Reducing Reliance on the General Fund

Many nearby states (New Jersey, Delaware, Maryland, Virginia, West Virginia, Ohio, and Illinois) operate state-staffed welcome centers. (New York does not have a welcome center program.) In FY 1992-93 the Massachusetts Legislature withdrew funding for staffing the state's six centers. The state turnpike authority assumed responsibility for funding the four centers located on the turnpike. The two remaining centers, which are not on federal highways, were turned over to regional tourism councils along with one-time grants of $20,000 each. The regional councils are responsible for staff, utilities, and maintenance at these two centers. The councils are required to display state tourism information free of charge and are allowed to rent brochure rack space to finance center operations.

The Virginia General Assembly, when faced with a $2 billion deficit, did not appropriate funds to continue staffing the state's welcome centers. The state tourism office and the Virginia Travel Council, an industry group, pursued alternative ways to continue center staffing. Local tourism agencies reportedly did not have funds to operate the centers. The travel industry, moreover, favored continued state staffing because it believed local agencies would have primarily local, rather than statewide, promotional interests. The travel industry was also concerned that, without direct state involvement, a loss of professionalism might occur at the centers.

The travel industry proposed the alternative which Virginia subsequently implemented with Federal Highway Administration (FHWA) approval. The state now staffs the centers and rents brochure rack and other advertising space. In this way, the centers raise approximately $400,000 annually. The General Assembly has also appropriated an additional $450,000 in revenues to be derived from sales at highway rest area vending machines.

A PennDOT official expressed reservations about turning over responsibility for Welcome Center staffing to membership organizations (such as TPAs) which may not have an incentive to promote tourist attractions statewide. The Department considers the Delaware Water Gap information Center situation to be unique because a high percentage of the guests at that Center plan to visit the Pocono area. PennDOT, however, is considering alternatives to reduce the Welcome Center program's reliance on the General Fund. PennDOT is engaging a contractor to research how it can generate revenues to support Welcome Center operations and still comply with federal and state requirements concerning interstate highway rest areas. The official stressed that the travel industry and FHWA would need to be involved when considering possible options.

PennDOT staff also noted that rest areas, including the Welcome Centers, already generate revenue for the state. In FY 1991-92 vending machine operations generated over $1.2 million in commissions and $145,000 in state taxes. However, to comply with federal requirements which apply to vending concessions on interstate highways, the vast majority of these revenues were transferred to the Department of Public Welfare for services for the blind and visually handicapped.[3/]

RECOMMENDATION

1. ***PennDOT, with the involvement of Tourist Promotion Agencies and the travel industry, should consider ways to finance Welcome Center operations which reduce dependence on the General Fund. In particular, PennDOT should consider charging rent for brochure rack space at the Welcome Centers. PennDOT should also consider transferring responsibility for the one remaining Welcome Center on the Turnpike still managed by PennDOT (Sideling Hill) to the Pennsylvania Turnpike Commission.***

3/Virginia, according to the state tourism director, was able to use vending machine revenues to fund welcome center operations because the Virginia Association for the Blind agreed to allow the transfer. This agreement was necessary because the federal Randolph-Sheppard Act requires that income from vending machines operated on federal property are to accrue to the blind licensee operating the vending facility or, if there is no blind licensee, to the state agency responsible to provide certain benefits for blind licensees.

IV. APPENDICES

APPENDIX A. TRAVEL-RELATED SPENDING, TAX RECEIPTS, JOBS, AND PER CAPITA STATE TOURISM EXPENDITURES

The United States Travel Data Center (USTDC), a national non-profit research center affiliated with the travel industry, collects and disseminates travel statistics. The USTDC uses a Travel Economic Impact Model to develop annual estimates of the impact of the travel activity of U.S. residents on national, state, and county economies. This model estimated 1989 U.S. direct domestic traveler spending in Pennsylvania at $8.7 billion.[1/] This represents 3.2 percent of the estimated $272 billion spent nationwide.[2/]

The USTDC defines travel as "activities associated with all overnight trips away from home in paid accommodations, and day trips to places 100 miles or more away from the traveler's origin." The USTDC data includes both business and pleasure activities. The USTDC divides domestic traveler spending into six categories:

- Public Transportation Expenditures - Traveler spending on air, bus, rail, and boat/ship transportation, and taxicab or limousine service between airports and central cities. Also included are expenditures for "other transportation" as identified in the 1987 National Travel Survey.

- Automobile Transportation Expenditures - A prorated share of the fixed costs of owning an automobile, truck, camper, or other recreational vehicle, such as insurance, license fees, tax and depreciation costs. Also included are the variable costs of operating the vehicle on a trip, such as gasoline, oil, tires, and repairs. The costs of renting an automobile or other motor vehicle are also included in this category.

- Lodging Expenditures - Commercial lodging room receipts, campground site rentals, and payments for the ownership or rental of second or vacation homes.

- Food Expenditures - Traveler spending in commercial eating facilities and grocery stores, as well as on food purchased for off-premise consumption.

1/The USTDC uses the term "travel expenditures" when referring to the economic impact of travel activity. This report, however, uses the term "traveler spending" when referring to such expenditures. This is done to avoid confusion with references to government tourism promotion expenditures.

2/The USTDC model does not include spending by international visitors. Direct traveler spending by international visitors was 13 percent of all direct traveler spending in the United States in 1990, up from 11.3 percent in 1989. The U.S. domestic traveler direct spending data included in the USTDC model therefore comprised, for 1989 and 1990 respectively, only 88.7 percent and 87 percent of all direct traveler spending in the United States.

- Entertainment/Recreation Expenditures - Traveler spending on recreation facility user fees, admissions at amusement parks and attractions, attendance at nightclubs, movies, legitimate shows, sports events, and other forms of entertainment and recreation.

- Incidental Purchase or General Retail Expenditures - Traveler spending on retail trade purchases including gifts for others, medicine, cosmetics, clothing, personal services, souvenirs, and other items of this nature.

Generally, expenditures are assumed to take place at the point where the good or service is bought while traveling. The USTDC allocates the fixed costs of operating a motor vehicle while on a trip to the owner's area of residence. The USTDC allocates the "imputed rent" of spending nights in the traveler's own vacation home to the area where the vacation home is located.

Traveler Spending in Pennsylvania

According to USTDC, in 1989 Pennsylvania ranked eighth in the nation in U.S. domestic traveler spending behind California, Florida, New York, Texas, Illinois, Nevada, and New Jersey. One-half of Pennsylvania's $8.7 billion share of U.S. domestic traveler spending was for public and automobile transportation. As shown in Appendix B, the remaining half was distributed among the other four categories--lodging, food service, entertainment and recreation, and general retail.

Pennsylvania's share of U.S. domestic traveler spending remained virtually unchanged between 1987 and 1989--3.20 percent in 1987 and 3.19 percent in 1989. Pennsylvania's performance mirrors the nine other states we surveyed--the six states contiguous to Pennsylvania (New York, New Jersey, Delaware, Maryland, West Virginia, and Ohio), two non-contiguous competitor states (Massachusetts and Virginia) and one other state with similar demographics (Illinois). As can be seen in Appendix C, the share of U.S. domestic traveler spending for most of these states remained about the same between 1987 and 1989.[3/]

Pennsylvania's rate of growth in U.S. domestic traveler spending during this period was similar to the rate of growth nationally. From 1987 to 1989 Pennsylvania experienced a 15.3 percent increase in U.S. domestic traveler spending compared to a 15.8 percent increase nationwide. Nationally, consumer price inflation for the same period was 9.3 percent.

3/Recently released USTDC information on U.S. domestic traveler spending in 1990 shows Pennsylvania's 1990 market share to be 3.13 percent. (The 1990 ranking of the top eight states in the nation remained unchanged from 1989.)

Travel-Related Tax Receipts in Pennsylvania

The USTDC also estimates federal, state, and local travel-generated tax receipts. The USTDC defines travel-generated tax receipts as:

> . . . federal, state, and local tax revenues attributable to travel in an area. For a given state locality, all or some of the taxes may apply. "Local" includes county, city or municipality, and township units of government actually collecting the receipts, and not the level that may end up receiving it through intergovernmental transfers.

- Federal receipts include corporate income taxes, individual income taxes, employment taxes, gasoline excise taxes, and airline ticket taxes.

- State receipts include corporate income taxes, individual income taxes, sales and gross receipts taxes, and excise taxes.

- Local receipts include county and municipal receipts from individual and corporate income taxes, sales, excise and gross receipts taxes, and property taxes.

In 1989 the USTDC estimated that travel-generated state and local tax receipts in Pennsylvania totaled $429.4 million--$332.7 million in state taxes and $96.7 in local taxes.

Travel-Related Jobs in Pennsylvania

The USTDC estimated that in 1989 Pennsylvania had 148,900 travel-related jobs. About 30 percent of these jobs were in food service and about 20 percent were in lodging. The USTDC data showed that travel-related employment was the sixth largest nonagricultural job grouping within the Commonwealth. The top five nonagricultural job groupings were wholesale trade-durable goods, food stores, eating/drinking place sales to residents, business services, and health services.

State Expenditures for Tourism Promotion - Pennsylvania and Other States

Per capita expenditures for tourism promotion (advertising and grants, but excluding Welcome Centers) for selected states is shown on the following page.

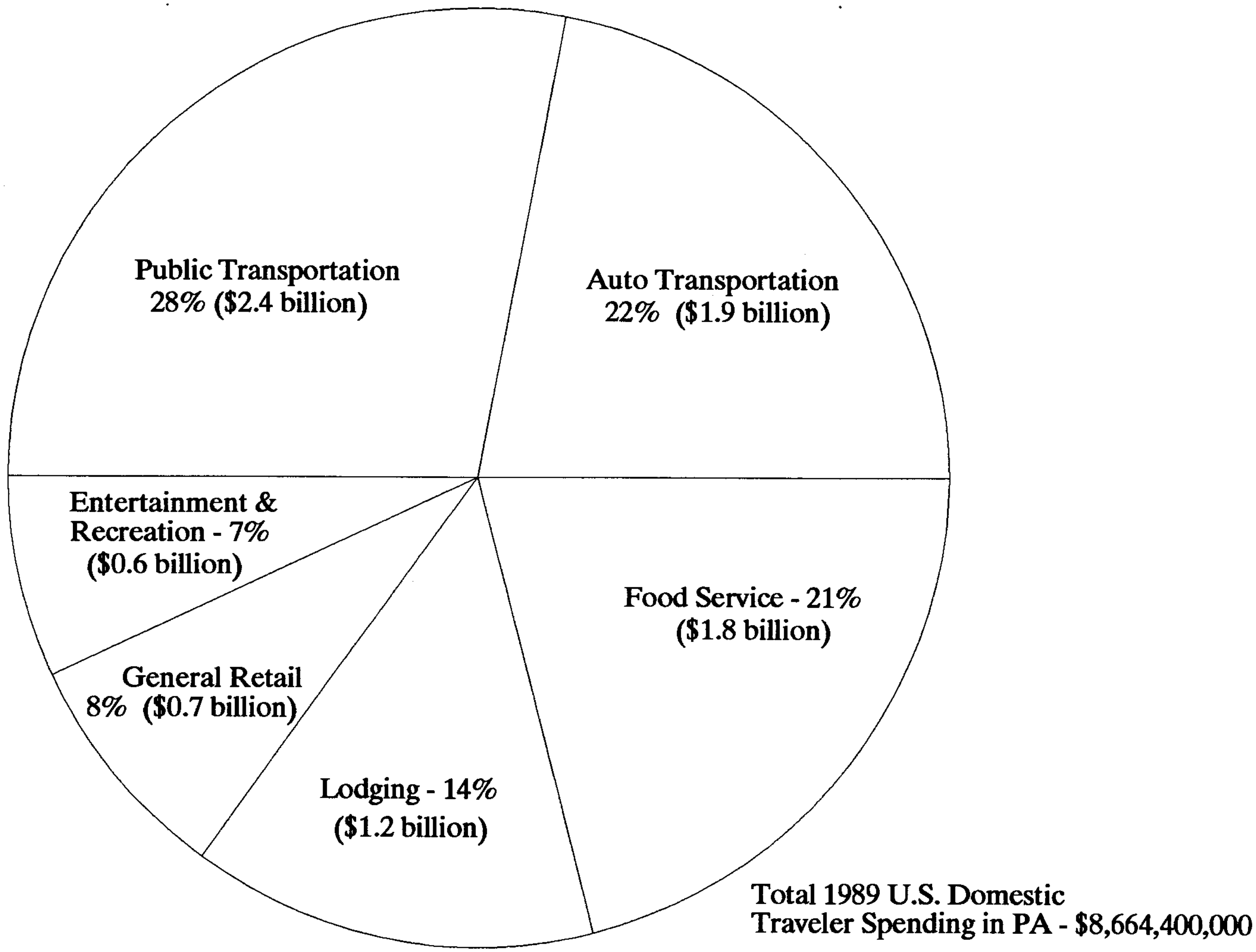
APPENDIX A (CONTINUED)

State	FY 1986-87	FY 1988-89	FY 1989-90
Massachusetts	$1.24	$ .91	$ .63
New York	.85	.98	.83
New Jersey	.70	.96	.51
PENNSYLVANIA	.82	.88	.95
Delaware	.85	.77	.96
Maryland	.30	.27	.49
Virginia	.67	1.23	1.21
West Virginia	.39	.31	.90
Ohio	.23	.26	.16
Illinois	.97	1.53	1.42

Note: State government expenditures for tourism promotion include advertising, matching grants, and direct grants only.

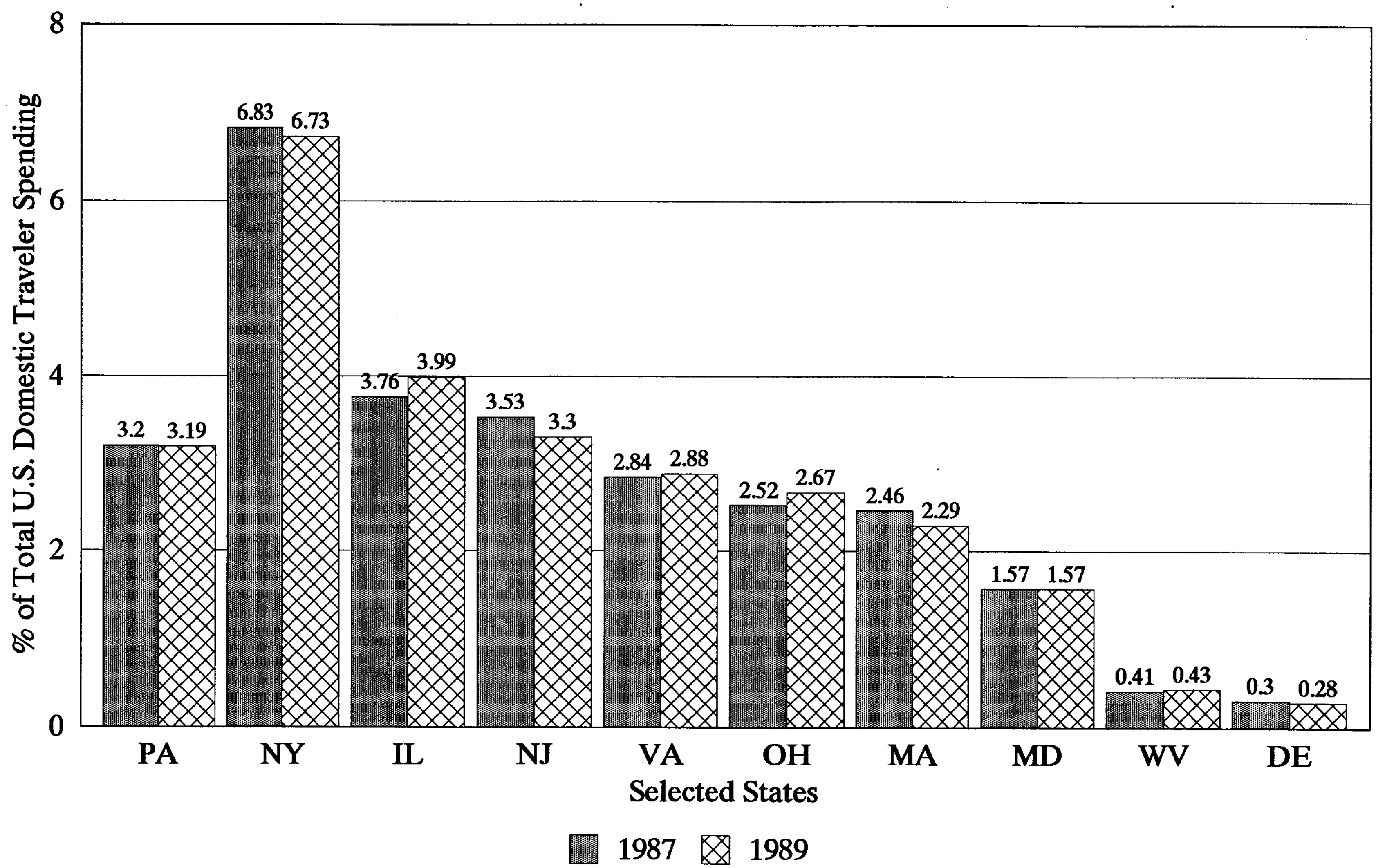
Source: Developed by LB&FC staff using information obtained from the U.S. Travel Data Center and the U.S. Bureau of Census.

APPENDIX B. DISTRIBUTION OF U.S. DOMESTIC TRAVELER SPENDING IN PENNSYLVANIA: 1989



Source: Developed by LB&FC staff from U.S. Travel Data Center data.

APPENDIX C. SHARE OF U.S. DOMESTIC TRAVELER SPENDING IN SELECTED STATES



Source: Developed by LB&FC staff from U.S. Travel Data Center data.

APPENDIX D. STATUTORY REQUIREMENTS FOR DESIGNATION OF TOURIST PROMOTION AGENCIES

In a county of the first class (Philadelphia only), the designation of a tourism promotion agency is made by ordinance adopted by the Board of County Commissioners. In all other counties, the designation of a county tourism promotion agency is made by resolution adopted by the Board of County Commissioners, with the additional requirement that said resolution have concurrence by various county subdivisions (boroughs, towns, and townships) representing over 50 percent of the total county population.

A regional tourism promotion agency is designated by ordinance in cities of the first class and by proper resolution of the governing body of a county or counties.

Using the above procedures, two or more counties may designate a single tourism promotion agency. According to Act 139, in those cases where two or more counties are served by the same tourism promotion agency, the agency will be considered a regional tourism promotion agency, along with the agencies which represent Philadelphia County and Allegheny County. Under the program, tourism promotion agencies which are not regional will qualify for reimbursement as a county tourism promotion agency.

Upon receipt of appropriate ordinance or resolutions designating a specific tourism promotion agency, the Department of Commerce, Bureau of Travel Marketing, will recognize that agency as the sole representative for the county or counties, and consider its application for matching funds accordingly.

Source: Tourism Promotion Agency Matching Fund Manual, Department of Commerce, June 1992.

THE REGIONAL CONCEPT

the role of regional committees and an explanation of regional projects

Numerous benefits are reaped through regional marketing:

- an area increases its appeal as a travel destination by offering a wide variety of travel options
- duplication of promotional projects is decreased or eliminated
- the look and content of promotional pieces are enhanced
- state, region and local budgets are made more efficient by pooling funds
- increased promotional projects such as advertising in national magazines can be done which would otherwise not be possible

To increase the effectiveness of the regional marketing efforts, the state's 120 counties are divided into nine tourism regions. Each region has similar tourism characteristics, traffic patterns, and common markets. (A map identifying these regions and a list of counties they include can be found in the back of this guide.)

RECENT REGION ACCOMPLISHMENTS

The regions developed and adopted five-year strategic master plans beginning in FY 1991/92. All nine regions advertised in various national, regional, and state leisure magazines. Eight regions advertised in newspapers – one region inserted its regional travel guide directly into the papers. Two regions advertised on television and three regions developed a media relations program.

Regional responses to advertising generated approximately 95,000 inquiries during 1991 and surpassed the 1991 total by May of 1992.

All nine regions now print regional travel guides. In addition, two regions have printed a regional group tour manual, one has printed a regional sportsman's guide, and five have now produced regional videos.

In FY 1991/92 seven regions attended over 30 consumer travel shows and group tour marketplaces.

To assist regions in sharing ideas, a regional report is completed at the end of each calendar year and a regional roundtable is held in the spring.

COMMITTEE SELECTION

In order to incorporate input from the state's tourism industry this program has been structured to include substantial involvement from regional committees.

Region committees are made up of one representative from each county in the region. Representatives are appointed for two-year terms by either the county's tourism commission (in counties where a tourism commission exists) or the county judge executive. Current representatives are serving for the 1992-94 biennium.

With the increased regional marketing efforts now being implemented by these committees, this agency strongly suggests that appointed county representatives be both knowledgeable in tourism promotion and willing to actively participate in these endeavors. (A list of current committee members can be found in this guide.)

COUNTY PARTICIPATION ENCOURAGED

If a county does not appoint a representative or if the appointed representative does not attend committee meetings and take an active role in the committee process, the county will forego the opportunity to be represented in official funding recommendations and tourism marketing decisions passed by its region committee.

Strong efforts will be made by both committee officers and the state manager to increase involvement from the county representatives. If an appointed representative can no longer fulfill his/her obligations, efforts will be made to seek a replacement.

COMMITTEE RESPONSIBILITIES

The committee members will be requested to attend an allocation meeting as well as regularly scheduled meetings held throughout the year to complete regional projects. Only elected committee members or designated proxies are allowed to participate in the voting portion of region meetings. A quorum is not mandatory. Region committee responsibilities include:

- coordinating regional promotions and advertising activities
- promoting tourism education and awareness
- maintaining financial records for regional projects
- providing marketing assistance to local applicants
- reviewing applications
- establishing priorities for funding of local projects
- recommending distribution of region allotments
- providing input regarding possible revisions in program policy
- performing routine committee administrative functions

Subcommittees are established through the annually adopted Strategic Master Plans to include advertising and promotional campaigns, education and awareness efforts, research marketing projects, legislative coordination, and funding methods. Industry professionals (outside the formal committee) are also allowed to serve on these subcommittees.

Source: Kentucky Department of Travel Development

UTAH TRAVEL COUNCIL*
POSITION PAPER ON REGIONS

The Utah Travel Regions are nine independent organizations that represent a unique cooperative effort by county governments and the private sector to promote tourist travel in Utah. Each region is organized with a board of directors and a full or part-time executive director. Each region operates differently, depending on the demands of its particular area.

Regions were formed to improve the cost effectiveness of dollars spent, create a greater variety and larger product base within the various communities for marketing, and to improve the efficiency of administering programs.

With the formation of the "regions," the Utah Travel Council made a conscious decision to organize a communication network and its detailed promotional responses through the regions. The "*Utah Travel Guide*," the state's main response piece to its general advertising, is organized by region. This creates a secondary point of reference for those travelers interested in a specific area. The regional entities then pool funds and attractions from their counties to create a regional brochure which corresponds with state literature and better represents the needs of the traveler.

The regions are also better suited to address and become involved in association matters (hotel/motel, campground, ski). Their immediate contact with association members within communities provides them with an excellent opportunity to influence the particular association and understand trends within each of these industry segments.

The regional directors meet once a month to discuss individual plans and joint promotions and to coordinate efforts with the state. The monthly meetings keep all participants aware of promotions, events and developments happening statewide. For instance, each year the Utah Travel Council goes before the legislature for funding. The regional directors are able, because of their working knowledge of the Utah Travel Council budget needs, to go to their local representatives prior to the session and discuss critical funding issues.

The travel regions have become an extension or "arm" of the Utah Travel Council, and by speaking for their collective counties, the regions have the ability to help determine future direction of the state's promotional efforts.

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*/The Utah Travel Council is within the Department of Community and Economic Development. Members of the the Board of Commissions of the Utah Travel Council are appointed by the Governor with consent of the Senate. This appendix is an excerpt from the Council's Position Paper.

APPENDIX G. TPA APPROPRIATION FIVE PERCENT SET-ASIDE PROGRAM

Act 1986-139 provides for a five percent set-aside from the annual TPA appropriation to support cooperative promotional projects involving two or more Tourist Promotion Agencies (TPAs). Since FY 1989-90 the annual appropriation has remained at $7.2 million. Five percent of this amount ($360,000) has been awarded each year to TPAs participating in cooperative marketing projects.

The TPAs planning to work together on a cooperative marketing project need only file one application on behalf of their jointly planned effort. The single application is to describe the entire project, list the total project cost, and the cost that will be incurred by each participating agency. Application for funding from the set-aside appropriation must be received by August 15, except when enabling legislation for that fiscal year has been delayed.

Each agency involved in a cooperative marketing project that receives funding assistance from the five percent set-aside allocation is awarded a grant amount which is included within its total Matching Fund grant agreement. Each agency is responsible for submitting the necessary information pertaining to its expenses, payments, and involvement in the cooperative marketing project.

In FY 1992-93 the Department of Commerce (DOC) approved 11 cooperative promotional projects. Of the 51 TPAs, 43 are participating in one or more of these projects. Nine of the cooperative promotional projects were suggested by the TPAs. The funding for these projects represent 47 percent ($169,160) of the total set-aside appropriation. The two remaining cooperative promotional projects were initiatives supported by DOC to promote more rural areas of the state and to promote Pennsylvania internationally. Thirty-three TPAs are participating in the rural set-aside, six TPAs are participating in the international set-aside, and one additional TPA is participating in both the rural and international set-aside cooperative projects. These rural and international set-aside cooperative projects are using 53 percent ($190,084) of total set-aside funds.

Source: Developed by LB&FC staff from the Tourist Promotion Agency Matching Fund Program manual (June 1992) and from other information received from the Department of Commerce.

EXHIBIT 5.1

PERFORMANCE INDICATORS FOR TOURISM PROGRAMS[1]

Service Quality Indicators:

PI-1 Percentage of respondents who rated the information they received as to its (a) completeness, (b) speed, and (c) attractiveness as excellent or good (Question 2, Exhibit 5.2).

PI-2 Percentage of respondents who reported that they did not receive the information they requested before they went on their trip (Question 4, Exhibit 5.2).

PI-3 Percentage of respondents who reported as factors leading them to visit *other* locations one or more of the following: did not receive enough information, the information received arrived too late, or the material from other locations was more attractive (Questions 18f, g, and h, Exhibit 5.2).

Intermediate Outcome Indicators:

PI-4 Number of persons requesting information from the tourism program (program records).

PI-5 Percentage of respondents who reported that the information received from the tourism office had been useful in *planning their trip* (Question 8, Exhibit 5.2).

PI-6 Percentage of respondents who indicated that the information they received influenced their selection of places to visit in the state (Question 6, Exhibit 5.2).

Longer-term Outcome Indicators:

PI-7 Percentage of respondents who visited the jurisdiction *and* indicated that the information provided had: (a) influenced their *decision* to visit or (b) increased the *length of their visit* (Questions 5 and 7, Exhibit 5.2).

PI-8 Average dollar amount spent by respondents who visited the jurisdiction and also reported that the information received had influenced their decision to visit or the length of their visit (Questions 5, 7, and 14, Exhibit 5.2).

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1. The information in parentheses refers to the source of data for each indicator.

Source: Hatry, Harry P.; Fall, Mark; Singer, Thomas O.; and Liner, E. Blaine; Monitoring the Outcomes of Economic Development Programs: A Manual, Washington, D.C., Urban Institute, 1990.

APPENDIX I. PENNDOT WELCOME CENTERS APPROPRIATION BUDGET AND EXPENDITURES*

	FY 1989-90	FY 1990-91	FY 1991-92	Percent Change FY 1989-90 to FY 1991-92
Budget				
Personnel	$753,000	$818,000	$ 816,000	8.4%
Operating	147,872	139,000	120,000	-18.9
Fixed Assets	85,128	26,000	5,000	-94.1
Budget Reserve	0	0	5,000	--
Total	$986,000	$983,000	$ 946,000	-4.1%
Expenditures[a]				
Personnel	$733,605	$760,180	$ 794,559	8.3%
Operating	116,253	129,012	116,496	0.2
Fixed Assets	85,128	0	5,000	-94.1
Budget Reserve	0	0	0	0.0
Total	$934,986[b]	$889,192	$ 916,055[b]	-2.0%[c]
Counts of Guests Served[d]	816,387	944,802	1,250,584	
Number of PennDOT Welcome Centers Open Year Round	6	8	9	
Number of PennDOT Welcome Centers Open Part of the Year	3	1	0	

*/Budget and expenditure data for the two welcome centers (WCs) administered by the Pennsylvania Turnpike Commission (PTC) in FY 1989-90 and FY 1990-91 were not available. Therefore, budget and expenditure data for PTC administered WCs are excluded. See Table 8 for information on PennDOT and PTC welcome centers for FY 1991-92.

a/All PennDOT WC costs are not paid from the Welcome Centers Appropriation. Some PennDOT costs (such as heat, electricity, maps, brochures, brochure warehousing and distribution, and certain telephone costs) are not included in reported WC expenditures.

b/Includes nonrecurring costs of $85,128 in FY 1989-90 and $28,600 in FY 1991-92.

c/If nonrecurring expenditures are excluded, the percent change in reported PennDOT WC expenditures from FY 1989-90 to FY 1991-92 changes from a 2 percent decrease to a 4.4 percent increase.

d/Method of counting guests varies significantly by center and for different years. See Appendix J, "Welcome Center Guest Counts."

Source: Prepared by LB&FC staff from information provided by PennDOT.

APPENDIX J. WELCOME CENTER GUEST COUNTS

	1987[a]	1988[a]	1989[a]	1990	1991
PA Turnpike, East/Westbound, Sideling Hill, Fulton County[b]	122,971	117,360	183,045	160,220[c]	227,833
I-78 Westbound, Easton, Northampton County[b]	--	--	--	74,674	110,301
PA Turnpike, Westbound, Neshaminy, Bucks Co.[d]	--	--	--	4,211[e]	83,755
PA Turnpike, Eastbound, Zelienople, Beaver County[d/f]	--	--	42,080[g]	88,912	83,393
I-79 Southbound, Edinboro, Crawford County[b]	42,009	47,279	56,950	72,329[h]	77,842
I-81 Southbound, Lenox, Susquehanna County[b]	56,283	50,030	71,319	78,062	74,424
I-83 Northbound, Shrewsbury, York County[i]	82,762	75,835	167,055	198,208	233,373
I-81 Northbound, Newville, Cumberland Co.[i/j]	54,507	57,003	66,289[k]	81,625	80,457
I-95 Northbound, Linwood, Delaware County[g/i]	44,726	45,685	60,856	103,628	108,366
I-70 Westbound, Warfordsburg, Fulton County[g/i]	55,907	58,486	80,346	111,195	102,298
I-80 Eastbound, West Middlesex, Mercer Co.[g/i]	50,940	48,331	52,561	56,557	54,962
Total	510,105	500,009	780,501	1,029,621	1,237,004

a/Prior to 1989 parties were counted as a guest (i.e., one car or bus equaled one guest counted).
b/Since 1989 these WCs count as guests only adults and children who come to the counter to request information.
c/Closed for renovations March 20 through May 5, 1990.
d/These WCs count as guests only adults who come to the counter to request information.
e/Officially opened October 1990.
f/This WC has no self-serve capacity.
g/For July through December 1989 only. Not open prior to July 1989.
h/Closed for repairs to the rest area from September 4, 1990, through January 9, 1991. Center relocated to I-90 Westbound, Erie County, during repairs.
i/Since renovation or replacement, these WCs count as guests any adult or child who takes brochures from the racks as well as those who come to the counter to request information.
j/WC was moved to Franklin County in July 1992 so that it was closer to the Pennsylvania border.
k/Closed for repairs to the rest area in November 1989. Reopened on February 20, 1990.

APPENDIX K. PENNSYLVANIA WELCOME CENTER RENOVATIONS AND EXPANSIONS, 1989-1992

	Date Completed
Existing Welcome Centers That Were Renovated	
Pennsylvania Turnpike East/Westbound, Fulton County	1990
I-83 Northbound, York County	1991
I-95 Northbound, Delaware County	1992
I-70 Westbound, Fulton County	1992
I-80 Eastbound, Mercer County	1992
Welcome Centers That Were Moved	
I-81 Northbound, Franklin County, Replaced I-81 Northbound, Cumberland County	1992
Closed Welcome Centers That Were Renovated and Reopened	
Pennsylvania Turnpike Eastbound, Zelienople/Beaver County	1989
Pennsylvania Turnpike Westbound, Neshaminy/Bucks County ..	1990
New Additional Welcome Centers	
Delaware River Bridge Commission's Facility, I-78 Westbound, Northampton County	1990

Source: Developed by LB&FC staff from information obtained from the Pennsylvania Department of Transportation.

APPENDIX L

RESPONSES TO THIS REPORT

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMERCE
HARRISBURG

OFFICE OF SECRETARY

June 22, 1993

Mr. Philip R. Durgin
Executive Director
Legislative Budget and Finance Committee
Box 8737, Room 400 Finance Building
Harrisburg, Pennsylvania 17105

Dear Mr. Durgin:

The Department of Commerce is pleased to offer a response to the draft report of the Legislative Budget and Finance Committee's audit of the Department's travel and tourism program. I welcome the thoughtful study and analysis conducted by you and your staff. You are to be commended for a professional and thorough evaluation.

We have carefully reviewed the report's findings and recommendations. Our response includes an executive summary as well as more expansive responses on each finding.

We view this report and its findings and recommendations as an opportunity to reassess our program's effectiveness and strive for continuous improvement.

Brian Walsh, Deputy Secretary for Administration, and Mark Hoy, Director of the Office of Travel Marketing, will represent me and the Department at the Committee's meeting on June 30, 1993.

Again, thank you for the fine work you and your staff put forth in preparing this important report. I appreciate the opportunity to respond.

Sincerely,

Andrew T. Greenberg
Secretary of Commerce

RESPONSE TO THE LEGISLATIVE BUDGET AND FINANCE COMMITTEE'S EVALUATION OF PENNSYLVANIA'S TOURISM PROMOTION PROGRAMS

EXECUTIVE SUMMARY

SECTION 1 - TOURIST PROMOTION ASSISTANCE PROGRAMS

Finding 1.1 Consolidation of the State's 51 TPAs Into a Smaller Number of Regional Organizations Could Improve the Effectiveness of the TPA Program - Page 12

We support this finding. In fact, the Pennsylvania Department of Commerce has been a consistent advocate of TPA mergers and resulting regionalization of tourism promotion efforts.

From both an administrative and a marketing viewpoint, a consolidation of tpas has tremendous merit. Administratively, the Matching Fund Program would become more efficient with a smaller number of agencies than the current 51. More importantly, the consolidation of tpas would enable the local tourism promotion programs to become more effective from a marketing standpoint. Duplicative operational expenses would decline if county tourism promotion agencies merge into larger and more effective regional agencies.

Regional Names

The names of the eight regions of Pennsylvania as used in the Visitors Guide are descriptive rather than geographic-based because the Visitors Guide is a marketing tool, not a directory. As stated in the report, the regional names were developed for marketing purposes, and not intended as proposed administrative regions.

The regional names incorporate the major tourist magnets within the region to promote the diversity of the state and entice the reader to examine the region more carefully. Many other states use descriptive names to differentiate among their regions which, like Pennsylvania, are not geographically based.

Finding 1.2 Consideration Should Be Given to Using Performance-Based Funding for Agencies Receiving TPA Program Grants - Page 30

While we concur with this finding, as written, the finding implies that the Department does not currently evaluate TPAs, when in fact, evaluation has been an integral part of the Matching Fund grant process for many years. The Matching Fund manual lists seven criteria upon which the grant applications are reviewed and evaluated. Six of those seven criteria deal, either directly or indirectly, with the performance of the tourism promotion agency.

SECTION 2 - STATE MARKETING CAMPAIGN

Finding 2.1 The Number of Leads Generated Through the Commonwealth's Tourism Promotion Efforts Has Increased Over the Past Five Years, but About 60 Percent of the Tourists Who Request the Visitors Guide and Subsequently Vacation in Pennsylvania Are Pennsylvania Residents - Page 43

While this finding represents a statement of fact, we disagree with the conclusions drawn or implied from a number of the supporting statements.

In-State vs Out-of-State Spending

When discussing the issue of in-state vs out-of-state media spending, it is important to consider the dual role of the state's tourism marketing efforts and the eventual economic impact of buying decisions influenced by promotional efforts.

The Department of Commerce's goal in tourism advertising is two-fold. We are trying to convince out-of-state residents to make their purchase of travel-related services in Pennsylvania, rather than in a competitive state. At the same time, we are attempting to convince Pennsylvania residents to also make their travel purchases in-state, rather than out-of-state - to "Buy Pennsylvania" as it were.

Both audiences are subjected to considerable advertising and promotional pressure by out-of-state competitive destinations and attractions. Thus the Department divides its advertising efforts between in-state and out-of-state markets in an effort to counter the influence of competitive states' advertising and to convert prospects into visitors.

When measuring the economic impact of travel and tourism, and the influence of the state's marketing efforts, it can be argued that a positive decision by an out-of-state family to spend their vacation in Pennsylvania can have the same impact on the state's economic bottom line as a decision by a Pennsylvania family to spend their vacation in Pennsylvania rather than in a competitive state.

Conversion Studies

We disagree with a number of conclusions made in the LB&FC report regarding the Department's conversion study processes.

In our opinion, the LB&FC does not understand the intent of the Commerce Department's measurements of the conversion behaviors and, therefore, the methodology applied to arrive at those measurements. We cannot accept the LB&FC definition of net conversion and the resultant recalculation of the net conversion rates. To do so would result in the loss of important measurements that now contribute to critical management decision-making for Commerce's promotion campaign planning. Finally, it needs to be noted that the LB&FC report publishes recalculated net conversion rates and compares them to previously reported rates in a manner that is misleading.*

The LB&FC recalculations of the net conversion rates differ from those reported in past years. But the different results do not demonstrate that "the Department's contractor did not calculate these (net conversion rates) properly" as the LB&FC report states. More importantly, neither do the different results demonstrate that the "evaluator's report overstates the net conversion rate".*

Because the LB&FC used a different definition of the net conversion and applied it to a different population, the recalculated results can't be compared with previous years' reportings. The two approaches measure different things.

Once again, then, what LB&FC cites as their net conversion rates cannot be compared with the net conversion rates arrived at in the Commerce Department's reports.

This subject is complex and incorporates numerous issues which are addressed in the complete response (attached).

Finding 2.2 Telemarketing Savings May Be Possible - Page 54

We agree that periodic re-evaluation of telemarketing methods and solicitation of competitive proposals from telemarketing firms can lead to cost savings. We disagree with the recommendation that telemarketing performance standards should be lowered. At issue is not only the "cost" of telemarketing services but also the "cost" implicit in responding effectively to calls generated by the Department's multi-million dollar advertising and promotional campaigns.

The Department of Commerce and Elkman have invested considerable time over the past several years to develop a telemarketing system that provides the highest level of service to the Department, the TPAs, the Pennsylvania travel industry, and most importantly, the taxpayers of Pennsylvania who benefit from an efficient and effective tourism promotion program. We stand by our commitment to the travel industry and the resulting telemarketing performance standards.

In the complete response (attached) we have sought to clarify a number of statements and observations made by LB&FC staff regarding telemarketing.

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*/LB&FC comment: Revisions have been made to the final report in these areas. Please see "LB&FC Staff Comments on Department of Commerce Response."

Finding 2.3 **The Department of Commerce Makes Reasonable Efforts to Promote International Tourism; However, Overseas Tourism Depends in Large Part on Airline Traffic, and Relatively Few Overseas Travelers Arrive at Pennsylvania's International Airports - Page 60**

While having international gateways within the state is a decided advantage when seeking overseas visitors from the country markets serviced by those gateways, a significant number of Pennsylvania's international visitors arrive at a gateway city outside of Pennsylvania's borders.

Pennsylvania is well-positioned by its location in proximity to some of the nation's largest international airports. Many eventual Pennsylvania overseas visitors originally arrive in the U.S. at airports in New York City, Newark, Baltimore and Washington DC.

According to the United States Travel and Tourism Administration in Washington, DC, more and more overseas visitors to the US are 1) repeat visitors making their second, third or fourth trip to the US; 2) visiting a number of states rather than confining their visit to one state; and 3) spending an average of 14-21 days on their US visit.

Again, the combination of these factors, along with Pennsylvania's proximity to major out-of-state overseas gateways, and the development of Pennsylvania's own international airports, lead the Department of Commerce to conclude that international tourism is one of the state's emerging growth markets.

SECTION 3 - WELCOME CENTERS

Finding 3.1 **Pennsylvania's Welcome Centers Receive Good Marks From Motorists and Tourism Professionals, but Steps Could Be Taken to Reduce Reliance on State General Fund Monies - Page 65**

The Department of Commerce stands ready to assist PaDOT, the TPAs and the travel industry in making any improvements or enhancements in the Welcome Center system.

RESPONSE TO THE LEGISLATIVE BUDGET AND FINANCE COMMITTEE'S EVALUATION OF PENNSYLVANIA'S TOURISM PROMOTION PROGRAMS

SECTION 1 - TOURIST PROMOTION ASSISTANCE PROGRAMS

Finding 1.1 Consolidation of the State's 51 TPAs Into a Smaller Number of Regional Organizations Could Improve the Effectiveness of the TPA Program - Page 12

We support this finding. In fact, the Pennsylvania Department of Commerce has been a consistent advocate of TPA mergers and resulting regionalism of tourism promotion efforts. Nevertheless, despite the advantages, several obstacles to significant regionalism exist. First the advantages -

From both an administrative and a marketing viewpoint, a consolidation of tpas has tremendous merit. Administratively, the Matching Fund Program would become more efficient with a smaller number of agencies than the current 51. At present, the Office of Travel Marketing must review and process audits, applications, contracts, and quarterly reports from each of these agencies. Communication with 51 different agencies is more cumbersome due to the large volume of agencies and with only one staff person in the Office of Travel Marketing working on a daily basis with the Matching Fund program.

More importantly, the consolidation of tpas would enable the local tourism promotion programs to become more effective. Regional tourism marketing efforts would offer a broader range of vacation opportunities, showcasing the entire region's travel highlights.

While many of the 51 agencies are involved in some regional tourism promotion activity, most of their budget is spent on marketing their individual counties. This results in tremendous overlap as many of them compete with each other in the same market. Operational, and duplicate expenses would continue to decline if county tourism promotion agencies would merge into larger, and more effective regional agencies.

Act 139 of 1986 and Act 14 of 1989 have provided some incentive for tourism promotion agencies to consider merging into regional agencies. For grant determination purposes, a regional agency is eligible for $2.25 of Matching Fund money for every $1 that is spent on promotional efforts. A county agency is eligible for $2.00 on every $1 spent on promotional activity. The 20% ceiling, or cap, on the maximum grant level that can be awarded to any one agency has been raised to 30%. This is to allow an agency, who may be near the maximum cap, to merge with one or more agencies without losing the capability to receive a larger grant.

Act 139 also provided a 5% fund within the Matching Fund program to provide grants to those agencies who are working cooperatively with other agencies on specified projects. This new feature was to encourage agencies to begin working informally together, with the possibility that they may someday formally merge their agencies.

Since 1985, there have been 11 tourism promotion agency mergers. And since 1985, there has been only one dissolution of a regional agency back into two separate county agencies. The success rate here shows that many agencies have found common interests upon which to enter into a formal regional effort, and have, with only one exception, been able to turn those agencies into growing, thriving, successful regional tourism efforts.

In spite of these incentives, however, in the recent reform legislation, there are several factors which are inhibiting mergers. One is that the original legislation, Act 50 - which created the Matching Fund program, had allowed for each county to establish a tourism promotion agency. And while the recent legislation has created some incentive to merge, there was no mandate which forced 51 agencies to merge together into a smaller and more efficient number.

A second inhibiting factor is that there is an implied loss of jobs when several agencies merge together.There is the fear that one of the two current directors will no longer be needed when two agencies become one, and that some of the support staff will also be without employment.

The third factor is that when counties merge, it becomes more difficult for travel industry leaders in that region to meet. A few of the current executive directors say that they would not look forward to traveling 100 miles or so for a meeting because of the increased regional territory. It is difficult to convince them that visitors do not know or care what county they are traveling in, and that a broader tourism appeal would be of benefit to the local travel industry.

Again, regional tourism promotion agencies makes good administrative and marketing sense. But we feel it will take reform legislation to mandate Matching Fund grants only to regional, rather than, county tourism promotion agencies.

Marketing within 100 Mile Radius - Page 20-21

LB&FC makes the 100-mile distinction in the report based on the fact that the U. S. Travel Data Center (USTDC) does not consider most expenses made within 100 miles from a traveler's home as "travel spending." USTDC provides information on travel patterns and expenditures on a state, national and international level. While using information supplied by the USTDC as the basis for comparison for one state's efforts to another, one must realize that there may be little application of the information and definitions to the local TPA level.

Marketing within a 100 mile radius varies drastically from TPA to TPA and takes on a totally different meaning for promoting the State. These differences affect the in-state versus out-of-state expenditures. For example, a 100 mile radius for a TPA on or near the state border includes a large percentage of out-of-state markets (e.g. Poconos, Philadelphia, Erie, Pittsburgh).

In addition, advertising traditionally considered "in-state" can reach out-of-state residents, even when the medium is exclusively in-state. A key example is outdoor advertising. Although the promotional message is in-state, it can reach many out-of-state residents who are in Pennsylvania or "passing" through the state. Out-of-state travelers in Pennsylvania can be important prospects for return visits, particularly if their initial experience in the state was a good one.

A number of TPAs in Pennsylvania have relatively small geographic area to market with a very limited number of attractions and relatively small marketing budgets. It may be unrealistic to expect that promotional dollars spent outside a 100-mile radius will provide a reasonable return on investment.

The importance of the local market should not be overlooked when considering where to spend a limited advertising budget. The local market can be an important influencer, by word of mouth, to out-of-state family and friends.

The travel industry has repeatedly reported a trend in travel over the past few years of shorter, closer-to-home vacations. Some of the reasons cited are:

- The depressed economy which has forced people to take less expensive vacations.

- A renewed interest in family-oriented vacations by car versus adult-oriented vacations by air travel.

- The increase in dual-income households resulting in a phenomenon where people are busier, have less time available for vacations and couples have difficulty scheduling mutually convenient times away from their employment. The result is more short trips that are closer to home and scheduled on short notice.

Names of the Eight Regions in the Visitors Guide - Pages 26-27

The names of the eight regions of Pennsylvania as used in the Visitors Guide are descriptive rather than geographic-based because the Visitors Guide is a marketing tool, not a directory. As stated in the report, the regional names were developed for marketing purposes, and not intended as proposed administrative regions. Their purpose is to provide organizational structure, i.e. chapters, to the Visitors Guide and other Office of Travel Marketing publications.

The regional names incorporate the major tourist magnets within the region to promote the diversity of the state and entice the reader to examine every region of Pennsylvania. Once the consumer reads into the regional sections of the Guide, full factual information is provided, including the region's geographic specificity within the state.

Many other states use descriptive names to differentiate among their regions which, like Pennsylvania, are not geographically based. Some examples include:

- o Maine's Visitors Guide has regions with names such as Kennebec/Moose River Valley, Sunrise Coast, Aroostook County, Katahdin/Moosehear.
- o West Virginia's Vacation Guide has regions with names such as Potomac Highlands, Mountain Lakes, Montaineer Country, Meltro Valley.
- o South Carolina's Guide has regions with names such as Lowcountry & Resort Islands, Santee Cooper Country, Pee Dee Country, Thoroughbred Country.

Because of the layout of Pennsylvania, it would be difficult to designate adequate geographic names to the regions. While "Northwest Region" could be a designation for Erie, and "Southeast Region" for the Philadelphia area, finding designations for the interior central regions would be difficult and confusing and would not hold the same immediate tourist appeal as the names now used.

Recommendations 1,2 & 3 - Page 29

These recommendations are made to the General Assembly rather than to the Department of Commerce and therefore we have not stated any direct response to the recommendations.

Finding 1.2 Consideration Should Be Given to Using Performance-Based Funding for Agencies Receiving TPA Program Grants - Page 30

We agree with this finding, however, as written this finding implies that agency evaluation is something that is not being currently done, when in fact, it has been an on-going part of the Matching Fund grant process for many years. The Matching Fund manual lists seven criteria upon which the grant applications are reviewed and evaluated. Six of those seven criteria deal, either directly or indirectly, with the performance of the tourism promotion agency.

Criteria such as participation in Commonwealth marketing programs, regional affiliation and participation, program quality, tie-in and support of the state advertising themeline, and pursuit of travel-related professional training and education are performance-related issues that are used when evaluating and determining each agency's grant.

The agency applications submitted at the beginning of each fiscal year outline the agency's workplan providing detail on their advertising, printing, public relations, and other marketing strategy. The subsequent quarterly narratives provide a summation of the accomplishments that have been achieved during that three month reporting period. These reports enable the Office of Travel Marketing to compare them with the agency's application, and to begin a "check-off" process to ensure that the projects outlined in the application have been completed.

As proposed by the LB&FC staff, using job creation within each county as an indicator in a tourism promotion agency performance review may inhibit regional promotional efforts. Would tpa's continue to work cooperatively with others on cooperative marketing projects if they were concerned with which county showed any increase in tourism-related employment? TPAs are also not the agency solely responsible for the creation or retention of jobs in their county. In fact, economic factors totally outside the agencies' control or scope of work could lead to decreases, or increases, in employment and therefore influence the agencies' evaluation.

Tourism promotion agencies also undergo a review of their program performance at the local level. Most agencies seek and receive some level of financial support from their county government, but must compete for that support with other worthy and needy county agencies and programs. And tourism-related businesses and individuals will only remain a member of and financially support a tourism promotion agency who has a marketing program from which they can derive benefit.

Finally, limitations in the number of Office of Travel Marketing staff available to deal with the Matching Fund program on a daily basis, and the large volume of tourism promotion agencies (51) may inhibit any more detailed review of program measures or further performance-related criteria.

Recommendation 1 - Page 41

We disagree that promotional agencies should be held accountable for performance standards that are more commonly applied to development agencies. TPAs (Tourism Promotion Agencies) should be evaluated based on their promotional accomplishments rather than, for example, the number of new jobs created which is a traditional performance evaluation standard commonly applied to economic or industrial development agencies.

Recommendation 2 - Page 42

If the General Assembly were to take action on the creation of the proposed State Tourism Promotion Board, we would agree that the points of this recommendation should be discussed and carefully considered.

SECTION 2 - STATE MARKETING CAMPAIGN

Finding 2.1 — The Number of Leads Generated Through the Commonwealth's Tourism Promotion Efforts Has Increased Over the Past Five Years, but About 60 Percent of the Tourists Who Request the Visitors Guide and Subsequently Vacation in Pennsylvania Are Pennsylvania Residents - Page 43

While the this finding represents a statement of fact, we disagree with the conclusions drawn or implied from a number of the supporting statements.

Decreases in Tourism Promotion Efforts - Page 44

Decreases in marketing appropriations obviously affect media expenditures. The percentages shown in the report, however, reflect dollar expenditure decreases, not "ads" as stated. Decreases in advertising dollar expenditures do not automatically lead to decreased media exposure or "tourism promotion efforts" when techniques such as cooperative marketing and value-added media purchases are employed.

In addition, expenditure decreases should be looked at from fiscal year to fiscal year, not over a three-year period. Decreases in specific media vehicle spending are not necessarily a result of budget reductions. Rather, changes in marketing strategies (e.g. less print/more broadcast, cooperative magazine advertising, success of various advertising media and mediums) and responsiveness to economic and market conditions also affect dollar allocations.

Elkman's Role in Conducting Market Research - Page 44

The report is incorrect in stating that Elkman conducts market research.* All research is conducted by an outside contractor, The Melior Group, who receives their work assignments from and reports directly to the Department of Commerce.

*/LB&FC comment: This revision was made to the final report.

Conversion Studies - Pages 46-50

We disagree with a number of conclusions made by the LB&FC staff regarding the Department's conversion study processes, beginning with the statement in the Executive Summary that "The Department of Commerce should ensure that its contractor* properly calculates the net conversion rates for the state's marketing campaigns." - and ending with the recommendation that "The Department of Commerce should ensure that the net conversion rates reported by its evaluator* factor out persons who had decided to vacation in Pennsylvania prior to receiving the state's tourism promotion materials."

* Both of these terms refer to the same ogranization. The Melior Group, located in Philadelphia, is an independent marketing research firm that conducts the Department's tourism research studies.

In our opinion, the LB&FC does not understand the intent of the Commerce Department's measurements of the conversion behaviors and, therefore, the methodology applied to arrive at those measurements. We cannot accept the LB&FC definition of net conversion and the resultant recalculation of the net conversion rates. To do so would result in the loss of important measurements that now contribute to critical management decision-making for Commerce's promotion campaign planning. Finally, it needs to be noted that the LB&FC report publishes recalculated net conversion rates and compares them to previously reported rates in a manner that is misleading.

To clarify the issue of the measurement of net conversions as performed since the Spring-Summer 1989 promotional campaign, it is necessary to recognize that the research was designed and has been conducted to provide managerialy usable answers to two essential questions regarding conversion:

1. What proportion of the people who respond to the promotional campaign by contacting the State for the travel guide actually visit Pennsylvania?

2. Of the people who contact the State, receive the travel literature and then visit Pennsylvania, what proportion were already planning to visit the Commonwealth before the promotional campaign reached them -- and what proportion are undecided when they contact the State and so can be, or are, influenced to visit by the promotional campaign?

Answers to question 1 help the Department of Commerce management assess the relative effectiveness, season-to-season, of campaign communications to reach and attract inquiries from people who will subsequently be visitors.

The conversion studies develop this visitor-attracting measure simply by asking all survey respondents whether they have visited Pennsylvania since the time of having requested the travel information. The "Yes" responses constitute the Gross Conversion Rate -- a frequency distribution; and the rate of the "positive" conversion visits among the total survey population receiving the travel literature. It should be noted that the LB&FC report does not dispute the department's Gross Conversion Rate calculations.

Answers to question 2 assist Commerce management to assess and compare, season-to-season, the proportion of requesters who do in fact visit, but whose minds were not already made up to visit Pennsylvania before they contacted the State to request travel information. That is, they were undecided. The calculation of the net conversion rate is designed to measure conversion among those visitors who were undecided when they requested the travel literature.

It is of significant importance in the planning of the Department's seasonal promotional campaigns to be able to track the proportion of visitors who are undecided at the time of requesting information. These undecided requesters are the pool of requesters able to be influenced by the Commerce Department's promotional campaign(s). In contract, other visitors whose minds were made up to visit Pennsylvania before they even contacted the State are, by definition, persons not able to be influenced to visit by the Commonwealth's promotion campaign.

Because it affects future season's promotion planning, Office of Travel Marketing planners want to know what proportion of the able-to-be influenced requesters actually convert.

To create this information, a Net Conversion Rate is developed. The formula for the calculation of this Net Conversion Rate is published in each conversion study report. It is as follows:

$$\frac{\text{Number of guide receivers who subsequently vacationed in Pennsylvania and decided on trip after request of information}}{\text{Total number guide receivers who decided whether to travel to Pennsylvania after request of information}}$$

Note: The population base for calculating the rate is those people who made their vacation decision after requesting.

This calculation excludes those visitors who had already decided to visit Pennsylvania before exposure to the promotional campaign -- that is, those who say their reason for requesting the information was: "I had already decided to vacation in Pennsylvania and wanted more information". The net conversion rate, therefore, attempts to measure the effectiveness of the promotional campaign only on the undecideds, the "able-to-be-influenced" requesters.*

* In Question 1 of the survey instrument, all respondents are read multiple choice reasons to select among as to why they requested the Pennsylvania vacation information. Those who do not opt for the reason: "I had already decided to vacation in Pennsylvania and want more information", are, it is deduced, the "undecided" group who can be influenced by the travel information.

The procedure of excluding those who had already decided on Pennsylvania before requesting the information was first established in the Spring-Summer 1989 Conversion Study. Such exclusion, and the use of the decided-before-request response as the factor upon which to determine exclusion from the net conversion rate calculations is commented upon in Travel, Tourism and Hospitality Research: A Handbook for Managers and Researchers (Copyright 1987).

The editors comment upon works excerpted from the Proceedings of the XIII Annual Meeting of the Travel and Tourism Research Association: "They (Ellerbrock (1981) and Ballman et al (1983) propose that a true conversion rate is one in which inquirers who decide to visit the destination before ad exposure are not included. Ballman et al (1983) suggest that gross conversion rates may be overestimating conversion... in their study the gross conversion rate was 33%, while the net rate was 22%. Their results are based on answers to the following question: "Did you request information from us before or after you decided to vacation in X?"

The previously described definition and formula for calculating the net conversion rate was initiated in the Spring-Summer 1989 conversion study and has been applied consistently in each of the five succeeding season studies.

However, the LB&FC report defines net conversion rate in a different manner: "a net conversion rate is the number of persons who visit a destination who were undecided about visiting that destination prior to being exposed to the promotional materials, divided by the total number of requesters".

In this calculation, then, the population base is not the same as is currently used to determine net conversions. The LB&FC approach is based on the entire requester population; the approach used in the Commerce Department's studies is based to the able-to-be-influenced population only.

It is inevitable, then, that the LB&FC recalculations of the net conversion rates differ from those reported in past years. But the different results do not demonstrate that "the Department's contractor did not calculate these (net conversion rates) properly" as the LB&FC report states. More importantly, neither do the different results demonstrate that the "evaluator's report overstates the net conversion rate".*

Because the LB&FC used a different definition of the net conversion and applied it to a different population, the recalculated results can't be compared with previous years' reportings. The two approaches measure different things.

What appears to be at issue are differing points of view as to what constitutes net conversion. Not at issue, however, is the fact that the Department of Commerce promotion planning requires tracking of the rate at which the able-to-be-influenced requesters convert. The LB&FC calculation does not provide this.

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*/LB&FC comment: This sentence was deleted from the final report. Please see "LB&FC Staff Comments on Department of Commerce Response."

Further, the net conversion rates as calculated by LB&FC staff used a different survey response than the Commerce studies use, to define their "persons who visit a destination who were undecided about visiting that destination prior to being exposed to the promotional materials." LB&FC used the results of responses to the conversion study's question 5 which asks respondents whether they had decided to vacation in Pennsylvania prior to receiving the travel information they had requested.

All Commerce Department conversion study reports clearly describe the results to Question 1 as the basis for defining "undecided" requesters, i.e., those who are undecided as to whether they will vacation in Pennsylvania at the time of requesting the information. Question 5 (used by the LB&FC) asks about respondents' state of mind at a later point in time.

Once again, then, what LB&FC cites as their net conversion rates cannot be compared with the net conversion rates arrived at in the Commerce Department's reports.

Again we see the issue as being different points of view. In this instance, Commerce views all visitors who decided after they requested the travel information as persons who were and are "available", i.e., able-to-be-converted (as contrasted with those whose minds were already make up and who were out of the potential conversion pool).

A reality of destination marketing is that some people, although undecided at the time they request information, are alert to and exposed to continuing advertising impressions and promotional messages. Most obvious in this instance is the on-going Department of Commerce promotional campaign. Since the telephone survey is conducted in the sixth week after an inquiry and the Commonwealth's promotional campaigns span seven to eight weeks and longer, there are heightened opportunities for early-responding consumers to be exposed to and affected by additional promotional messages.

Thus, some respondents may recall that they decided to visit Pennsylvania before they received the requested travel information. Given the numerous potential stimuli, it has been felt that the more reliable estimate of whether a person was undecided or already decided about visiting Pennsylvania before exposure to the promotional campaign is their recollection of whether they had make up their mind to visit the State before they requested the information.

LB&FC, in using the after-receipt responses, has made a judgment that the potential effects of an on-going Pennsylvania promotional campaign and other promotions are to be discounted. In other words, even though these people say they had not make up their minds to visit Pennsylvania before they requested travel information from the state, the LB&FC net conversion calculation treats them as though they had - it eliminates them from the able-to-be-converted pool of requesters.

Using this approach, LB&FC calculated net conversion rates and "compared" these incomparable results to the rates reported by the Commerce Department.

Using just the Spring-Summer 1991 comparison from the LB&FC Table 7 as an illustration of the misleading presentation of data, note the following: The "Evaluator's reported net conversion rate", 21.6%, is displayed in a column with the "LB&FC net conversion rate", 4.8%.* Note also that in reference to this Table, LB&FC states, "the evaluator's report overstates the net conversion rate."

The discrepancy appears to be enormous. Except that, inexplicably, no representation of the sample or population sizes is shown. The reader is given to believe that both conversion rates are reported on the same population - and that the higher rate grossly overstates net conversion. (The explanatory footnotes do not acknowledge that the sample sizes and populations differ.)

In fact, the LB&FC Table presents the results of differing calculations of net conversion rates. And, the populations reported on are entirely different:

- The sample reported on by the "Evaluator" is the 538 respondents who in that year had not made their decision to vacation in Pennsylvania prior to <u>requesting</u> the information; 21.6% represents the proportion of those respondents (n=116) who had vacationed in Pennsylvania after receiving the promotional material.

- The population reported on by LB&FC is the total sample, the 846 respondents who received the promotional material in the mail by the time of the survey that year; 4.8% represents the proportion of those respondents (n=40) who had vacationed in Pennsylvania and who had not decided on visiting the State before they received the promotional material.

It should be noted here that all of the data used by the LB&FC to develop their net conversion rates is published in the Commerce Department's conversion studies. Population and sample sizes are displayed for all analyzed data. The method by which the net conversion rate is calculated is published. Constituencies who have need to use the results of the conversion studies for planning purposes have, to the best of our knowledge, all of the data necessary for analysis (and all of the data that is available). And, they have, if desired, all of the data necessary for the pursuit of alternate analysis to that provided by the Department of Commerce, such as that conducted by LB&FC.

Finally, the LB&FC has helped the Department of Commerce to recognize a reason to re-address the manner in which all net conversions appear to be attributed <u>specifically</u> to the influence of the Visitors Guide. In future reports, more precise language will be considered to distinguish among the person in the net conversion calculation who decided to visit after receiving the Guide.

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*/LB&FC comment: This table was deleted from the final report. Please see "LB&FC Staff Comments on Department of Commerce Response."

State Versus Out-of-State Spending - Page 51

When discussing the issue of in-state vs out-of-state media spending, it is important to consider the dual role of the state's tourism marketing efforts and the eventual economic impact of buying decisions influenced by promotional efforts.

The Department of Commerce's goal in tourism advertising is two-fold. We are trying to convince out-of-state residents to make their purchase of travel-related services in Pennsylvania, rather than in another competitive state. At the same time, we are attempting to convince Pennsylvania residents to also make their travel purchases in-state, rather than out-of-state - to "Buy Pennsylvania" as it were.

Both audiences are subjected to considerable advertising and promotional pressure by out-of-state competitive destinations and attractions. Thus the Department divides its advertising efforts between in-state and out-of-state markets in an effort to counter the influence of competitive states' advertising and to convert prospects into visitors.

When measuring the economic impact of travel and tourism, and the influence of the state's marketing efforts, it can be argued that a positive decision by an out-of-state family to spend their vacation in Pennsylvania can have the same impact on the state's economic bottom line as a decision by a Pennsylvania family to spend their vacation in Pennsylvania rather than in a competitive state.

In-state versus out-of-state expenditures for each state can vary for a number of reasons. For example, Virginia's marketing expenditures are exclusively out-of-sate due to state legislation. New Jersey and Delaware have no major commercial television stations in state, so any television expenditures would be credited as out-of-state. Other states have major media influences from out-of-state media and, if they are targeting in-state consumer, the dollars are credited as out-of-state.

The LB&FC report uses 1988-89 data from the USTDC in reporting that New York has a 50/50 split between in-state and out-of-state advertising and that Ohio spends 65-70% out-of-state. However, the most recent information available shows that in 1992, New York and Ohio's television advertising expenditures were reported to be exclusively in-state.

It is important to note that when reporting expenditures in-state versus out-of-state, the allocated dollars are based on market/state of origin. Except for cable television, exposure for all other media can cross state lines. For example, a portion of viewership for every television market (DMA) in Pennsylvania is out-of-state. Philadelphia has the highest percentage and Johnstown/Altoona has the lowest. "Spill-out" exposure also occurs for radio, newspaper and, to a smaller extent, outdoor. Therefore, the in-state expenditure levels are actually "overstated" and, in reality, include out-of-state exposure.

Finally, in magazine spending, most states buy regional editions of national magazines. In many cases, you cannot buy a single state and there are major media efficiencies for buying "regions" rather than "states." As a result, advertising expenditures skew out-of-state, even if the intended marketing strategy is to target in-state.

Recommendation 1 - Page 53

As stated above, we disagree with this recommendation.

Finding 2.2 Telemarketing Savings May Be Possible - Page 54

We agree that continual re-evaluation of telemarketing methods and solicitation of competitive proposals from telemarketing firms can lead to cost savings. We disagree with the recommendation that telemarketing performance standards should be lowered. At issue is not only the "cost" of telemarketing services but also the "cost" implicit in responding effectively to calls generated by the Department's multi-million dollar advertising and promotional campaigns.

The Department of Commerce and Elkman have invested considerable time over the past several years to develop a telemarketing system that provides the highest level of service to the Department, the TPAs, the Pennsylvania travel industry, and most importantly, the taxpayers of Pennsylvania who benefit from an efficient and effective tourism promotion program. We stand by our commitment to the travel industry and the resulting telemarketing performance standards.

Cost Per Lead - Page 54

In comparing Pennsylvania's cost per lead to other states, it is important to make a distinction between what the cost includes. Pennsylvania's cost covers an average 90-second call (longer than most states), direct labor, numerous reports (including lead counts, media sourcing and TPA database activity on a daily, weekly, seasonal and campaign basis), back-end processing, and database maintenance for the state as well as TPA secondary lead system. Most states do not have an expanded database of secondary data to offer the consumer and, as a result, have a shorter average call length.

The report states that the telemarketer is paid an additional amount for generating the secondary lead labels to TPAs. It should be noted, however, that the $.03 per lead label covers only the cost of printing the label. All other costs involved in the secondary lead program, including maintaining the TPA database with over 800 activities and destinations, is covered under the $1.50 per call cost.

TPAs have commented repeatedly on the benefit of the lead labels that are provided them as a result of our telemarketing lead referral program. Some TPAs use their lead labels as their primary distribution vehicle for their promotional materials.

Because of the TPA lead referral program and the sourcing reports (which aid the Department of Commerce in measuring the effectiveness of various advertising media), Pennsylvania's cost per call must be viewed in a broader context than most states in terms of overall marketing and TPA support.

Pennsylvania's telemarketing firm provides live-operator service seven days a week, 24 hours a day, 365 days a year. The cost comparison chart on page 62 of the report does not reflect the fact that some of the states to which Pennsylvania's costs are being compared, do not. New Jersey, Delaware and Ohio have live operators during certain dayparts only and an automated system in the off hours.

It should be noted that the report states that New Jersey uses live operators around the clock. As noted above, this is not correct.*

<u>Telemarketing Standards - Page 55-57</u>

As stated in the report, Pennsylvania chose its telemarketing vendor (Matrixx Marketing) because it is the only vendor that has been identified to date as being able to meet the standards on a consistent basis. While other states surveyed by the LB&FC state that they are satisfied with their (lower performance) telemarketers, Pennsylvania's telemarketing needs are much more demanding.

Pennsylvania is a <u>television-based</u>, <u>high volume</u>, <u>800 number</u>, <u>direct response</u> advertiser. Call volume can fluctuate drastically within a very short period of time, from a few hundred calls per day to over 6000 calls in a 24 hour period, depending upon advertising and promotional activity and effectiveness. Our high standards insure that service is consistent throughout the year.

Pennsylvania's conversion rate of callers to visitors is high, therefore it is critical to the success of the overall marketing effort that every call gets through and is answered promptly. The cost of paid advertising in the major media markets that Pennsylvania must compete in dictates that the fewest possible number of leads be lost. Bell Labs Research Reports on Customer Access reveal that only 75.5% of those callers who don't get through on their first call will try again. Almost a quarter of those who can't get through will give up after only one attempt. And those who will call back will make an average of just 1.6 additional attempts before also giving up. High performance standards are critical to providing the best possible service to Pennsylvania's travel industry.

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*/LB&FC comment: This revision was made to the final report.

Evaluation of automated versus live operator service - Page 58

The report suggests that the Department of Commerce evaluate customer satisfaction with its automated 1-800-FALL-IN-PA telephone service and consider ways of incorporating this technology as a cost saving measure in the 1-800-VISIT-PA program. The Department has reviewed telemarketing proposals from automated telemarketing vendors for the 1-800-VISIT-PA program and will continue to do so.

However, it should be noted that these are two different programs with very different objectives. 1-800-FALL-IN-PA is strictly used to provide pre-recorded information to consumers on the foliage conditions on a particular week in Pennsylvania's three foliage regions. This program does not attempt to capture information. 1-800-VISIT-PA is an interactive, lead-generating program.

In most cases, Pennsylvania's telemarketing operators are the first point of contact for the potential visitor. The experience of a friendly, professional person is an important marketing tactic in the overall success of the tourism program.

The benefit of a live operator program is that the information is captured and forwarded in an immediate fashion. It is first-generation information. With automated systems, the information is recorded, then needs to be transcribed at a later time. It is one generation old. If someone does not speak clearly into the answering machine, the information can be inaccurately recorded and the lead lost.

Although an automated system might be less expensive than a live operator program, all information recorded by a voice response unit requires transcription and data entry at an additional expense. Some of the leads are lost because the recording is incoherent and many calls are not completed because people hang up when they discover that they are speaking with a machine.

Recommendation 1 - Page 59

As stated above, we disagree that telemarketing standards should be lowered.

Recommendation 2 - Page 59

As stated above, we have considered automated telemarketing services for the 1-800-VISIT-PA program in the past, and will continue to do so.

Finding 2.3 **The Department of Commerce Makes Reasonable Efforts to Promote International Tourism; However, Overseas Tourism Depends in Large Part on Airline Traffic, and Relatively Few Overseas Travelers Arrive at Pennsylvania's International Airports - Page 60**

We appreciate the positive observations made by LB&FC staff on the Department's successful international tourism marketing efforts. However, we are concerned about the statement found on page 70 - "A state's ability to attract overseas visitors depends to a large degree on its international airport traffic." - and the implicit conclusion that since "relatively few overseas travelers arrive at Pennsylvania international airports ..." Pennsylvania does not fare well in international tourism competition.

In fact, while having international gateways within the state is a decided advantage when seeking overseas visitors from the country markets serviced by those gateways, a significant number of Pennsylvania's international visitors arrive at a gateway city outside of Pennsylvania's borders.

Pennsylvania is well-positioned by its location in proximity to some of the nation's largest international airports. Many eventual Pennsylvania overseas visitors originally arrive in the U.S. at airports in New York City, Newark, Baltimore, Washington, and Boston.

According to the United States Travel and Tourism Administration in Washington, DC, more and more overseas visitors to the US are 1) repeat visitors making their second, third or fourth trip to the US; 2) visiting a number of states rather than confining their visit to one state; and 3) spending an average of 14-21 days on their US visit.

Again, the combination of these factors, along with Pennsylvania's proximity to major out-of-state overseas gateways, and the development of Pennsylvania's own international airports, lead the Department of Commerce to conclude that international tourism is one of the state's emerging growth markets.

Finally, our confidence in Pennsylvania's potential is being borne out by the change over the past several years in Pennsylvania's ranking as an international tourism destination from 14th to 10th place nationally.

SECTION 3 WELCOME CENTERS

Finding 3.1 **Pennsylvania's Welcome Centers Receive Good Marks From Motorists and Tourism Professionals, but Steps Could Be Taken to Reduce Reliance on State General Fund Monies - Page 65**

As this finding relates directly to the operation of the Welcome Centers as administered by the Pennsylvania Department of Transportation, we have not developed a direct response to the finding or recommendation. However, the Department of Commerce stands ready to assist PaDOT, the TPAs and the travel industry in making any improvements or enhancements in the Welcome Center system.

LB&FC STAFF COMMENTS ON DEPARTMENT OF COMMERCE RESPONSE

We wish to comment on one point made in the Department of Commerce response.

Net Conversion Rate. The Department disagrees with our criticism of the way its marketing research firm calculates net conversion rates for the state's marketing campaign (pages 103 - 107). We agree with the Department that, to a large extent, what is at issue are differing points of views as to what constitutes net conversion.

In essence, the Department's position is that they are primarily interested in--and thus define the net conversion rate as--the percentage of persons receiving the *Visitors Guide* who were undecided about vacationing in Pennsylvania when they requested the information and who subsequently vacationed in Pennsylvania.

Our calculation of the net conversion rate, derived from the academic literature,[1/] is based on those who were undecided about vacationing in Pennsylvania prior to receiving the *Guide* and who subsequently vacationed in Pennsylvania as a percentage of all persons receiving the *Guide*. As a result, the denominator we used (all persons receiving the *Guide*) differs significantly from the denominator used by the Department's marketing research firm (only those who were undecided about vacationing in Pennsylvania when they requested the *Guide*).

Although we believe our net conversion rate definition to be correct, we do not dispute that the information the Department seeks to obtain can be useful in managing and evaluating the state's marketing campaign. As the Department notes in its response, "The two approaches measure different things." For this reason we have deleted the table (referred to as Table 7 on page 107 of the report) which showed side-by-side comparisons of the net conversion rate as calculated by the Department's marketing research firm and the net conversion rate as calculated by LB&FC staff. In its place we have inserted information on how the Department's market research firm defines the term "net conversion rate" and why its rates differ from the net conversion rates calculated by LB&FC staff.

1/See, for example, Accountability Research: Getting the Right Numbers and Getting the Numbers Right (1991) from the U.S. Department of Commerce's Travel and Tourism Research Handbook.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION
HARRISBURG, PENNSYLVANIA 17120

OFFICE OF
SECRETARY OF TRANSPORTATION

June 17, 1933

Mr. Philip R. Durgin, Executive Director
Legislative Budget and Finance Committee
Box 8737, Room 400 Finance Building
Harrisburg, PA 17105-8737

Dear Mr. Durgin:

I have received your draft report on the Legislative Budget and Finance Committee's audit of PennDOT's Welcome Center Program. My thanks and commendation to you and your staff on your attention to detail, the thoroughness in which the audit was completed and the professional effort put forth by many members of your staff.

My Director of the Office of Customer Relations, Betty Serian, and I have reviewed the findings and recommendations of your report. Our comments regarding the key areas noted are summarized on the attached.

As you know from past experience with PennDOT, we take this audit process seriously. We are committed to following through on viable recommendations and we are always looking for ways to continually improve our operations and our organization.

Betty Serian will represent me and the Department at the planned Committee meeting on June 30, 1993 to release and discuss this report. We look forward to the opportunity to highlight the advancements made in our Welcome Center program and to detail for you and the Committee our planned improvements. Once again, thank you for the professional effort put forth.

Sincerely,

Howard Yerusalim

Howard Yerusalim, P.E.
Secretary of Transportation

DEPARTMENT OF TRANSPORTATION RESPONSE
LEGISLATIVE BUDGET AND FINANCE COMMITTEE DRAFT REPORT
JUNE 17, 1993

RESPONSE TO NOTED FINDINGS

1. Department of Transportation should take steps to reduce reliance on the General Fund. PennDOT supports this finding. We have and will continue to take steps to operate the Welcome Center Program as effectively and cost consciously as feasible. In the last four years, we have reduced full-time positions (through attrition) at three of our Centers and have realigned Center staff complement levels to reduce personnel costs. Additionally, we have incorporated the use of part-time, on-call temporary employees to handle peak service periods. In the operational area, we have continued to develop partnerships with the Tourist Promotion Agencies to complete activities such as travel shows. These partnerships, both cooperative and financial in nature, will continue. The Department too will continue to seek other creative and feasible ways to operate the Welcome Centers as effectively as possible.

2. There is a need for better direct communications with local Tourist Promotion Agencies. Communication with these critical industry partners remains an essential element in allowing the Welcome Centers to deliver on their mission and meet or exceed the expectations of our customers. As your report noted, we have taken steps (already in place) to improve in this area. Regional meetings have been conducted with local Tourist Promotion Agencies to outline the Welcome Center Program and to solicit feedback and suggestions as current and future services. These meetings also served as PennDOT's opportunity to listen to improvement suggestions. These communication forums will continue on a yearly basis. However, they will not be a substitute for direct communications between the Welcome Center Supervisor and Tourist Promotion Agency. Additionally, Welcome Center Supervisors are encouraged and have participated as speakers and as advisory board members with local Tourist Promotion Agencies. Our communication efforts in this area, as suggested in the findings, will continue. We believe this is essential.

3. Welcome Center Brochure Quantities. We fully concur with the need to provide flexible services in our Welcome Centers with respect to handling needed quantities of brochures at our Centers. As noted in the report, we have substantially relaxed past requirements that outlined the need for 10,000 brochures for statewide distribution. This key area of emphasis continues to be addressed with the input of Tourist Promotion Agencies and based on the needs and expectations of our customers.

4. Welcome Center Warehouse Procedures. While these procedures were noted as cumbersome by Tourist Promotion Agencies in the report, standardized warehousing procedures remain necessary. They are necessary to expedite delivery from our central warehouse in Harrisburg to the eleven Welcome Centers, to ensure accurate deliveries and to monitor and track publication usages.

RESPONSE TO RECOMMENDATION

1. PennDOT, with the involvement of Tourist Promotion Agencies and the travel industry, should consider ways to finance Welcome Center operations which reduce dependence on the General Fund. In particular, PennDOT should consider charging rent for brochure space at the Welcome Centers. PennDOT should also consider transferring responsibility for the one remaining Welcome Center on the Turnpike still managed by PennDOT (Sideling Hill) to the Pennsylvania Turnpike Commission.

Our responses to this recommendation are:

a. As noted, we will continue to work with local Tourist Promotion Agencies and the travel industry to find feasible ways to partner, reduce reliance on the General Fund and continue to run an effective Welcome Center Program.

b. Charging for brochure space may be a possibility but needs to be further investigated to determine the legalities of this action and the impact it would have on the industry, our customers and especially the smaller, more financially strapped attractions and tourism establishments. Additionally, the mechanics and logistics of completing this suggestion would need to be determined in more detail.

c. PennDOT currently has entered into a study agreement with Penn State University to research the use of modern technology and other high tech and low tech methods to improve service and serve our growing customer base. Part of this project also includes tasks to research and evaluate possible directions to generate operational revenues for the Welcome Centers. This two-year project will look at such items as charging for brochure space, charging for displays, charging for reservations made to properties and possible revenue generation from other marketing and advertising possibilities at the Centers. Above all else, existing laws and regulations will be reviewed that could permit or prohibit this direction.

d. The Sideling Hill Welcome Center is one of the busiest Welcome Centers on the state network. PennDOT believes that, while the Turnpike Commission has done an excellent job at the two other Welcome Centers on the Turnpike, this site should continue to be operated by PennDOT. Consistency and standardization are key components in the delivery of Welcome Center services to both the customer and the Tourist Promotion Agencies. Consistency and standardization of the operations at this site can be better achieved if it remains under PennDOT's responsibility. Even though this site is a Commonwealth run facility, we continue to work closely with the Turnpike Commission.