2006 MICHIGAN TOURISM

PAST PERFORMANCE AND FUTURE EXPECTATIONS

Michigan
Lodging and Tourism
Conference
Mount Pleasant, Michigan
March 28-29, 2006

Presented by:
Donald F. Holecek, Lori Langone,
Teresa Herbowicz and Charles Shih
CARRS Tourism Resource Center
Michigan State University

TOURISM INDUSTRY:

GLOBAL, NATIONAL AND MICHIGAN PERSPECTIVE

Presented by:
Donald F. Holecek
CARRS Tourism Resource Center
Michigan State University

TOURISM INDUSTRY ON THE GLOBAL LEVEL (I)

- Tourism is the world's largest industry: approx. $6 trillion. (2005)
- Tourism is the world's largest employer: 221 million jobs (2005) and expected to increase to 269 million jobs by 2015.
- The tourism industry has experienced relatively steady growth over several decades.
- The 10-year annual growth forecast for 2006-2015 is 4.6 percent per year: an outlook for strong, long-term growth.

Source: World Travel & Tourism Council (WTTC).

TOURISM INDUSTRY ON THE GLOBAL LEVEL (II)

- The direct and indirect impact of travel and tourism on the world's economy was forecast to be approximately 10.6 percent of total gross domestic product (GDP) in 2005.
- The United States is number one on the WTTC's list of the top ten countries that are expected to grow their travel and tourism *demand* between 2006 and 2025…
- … and number two (behind China) on the WTTC's list of the top ten countries that are expected to grow their travel and tourism economy *employment* the most during that same period.

Source: World Travel & Tourism Council (WTTC).

TOURISM INDUSTRY ON THE NATIONAL LEVEL (I)

The Travel Industry Association of America's (TIA) 2004 statistics show:

- Travel is one of the country's largest employers with 7.3 million travel-generated jobs and a payroll of $162 billion.
- Travel expenditures reached nearly $600 billion and generated almost $100 billion in tax revenue for local, state, and federal governments during that same year.

Source: Travel Industry Association of America.

TOURISM INDUSTRY ON THE NATIONAL LEVEL (II)

In 2005:

- Total international travel and tourism exports (i.e., travel-related tourism spending in the United States) reached a record $104.8 billion, surpassing the $103.1 billion mark set the year before 9-11.
- This represents a 12 percent increase ($11.5 billion) in travel exports over 2004.
- International visitation to the United States reached 49.4 million visitors, a 7 percent increase over 2004.
- Travel and tourism exports accounted for 8 percent of all U.S. exports.

Source: International Trade Administration (ITA): “Commerce News” of March 8, 2006.

TOURISM INDUSTRY ON THE NATIONAL LEVEL (III)

In 2005:

- Travel and tourism exports represented 29 percent of all private service exports, positioning it as the single largest private service export.
- The U.S. travel and tourism industry finished the year with a $9.7 billion surplus.
- The surplus gained $6 billion over 2004, an increase of 142 percent. It is the second consecutive year the surplus has more than doubled.
- 2005 marks the 17th consecutive year that the travel and tourism industry has generated a balance of trade surplus.

Source: International Trade Administration (ITA): “Commerce News” of March 8, 2006.

TOURISM INDUSTRY IN MICHIGAN

In 2004:

- Direct travel expenditures reached $17.5 billion, an increase of 9.8 percent over 2003.
  - Direct expenditures on leisure travel reached $12.6 billion, an increase of 9.3 percent over 2003, and constituted 72 percent of overall travel expenditures.
  - Resident expenditures constituted 53 percent of overall direct travel expenditures.
- There were 96.8 million person-trips taken in Michigan
  - 78 percent of them were leisure-related
  - 72 percent of them were by taken by Michigan residents.
- At least 210,000 jobs* were supported.

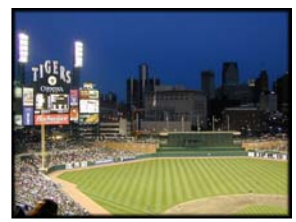
Note: Extrapolated based on TIA's approx. $83,000 in direct travel expenditures needed to support one tourism job.

Source: D.K. Shifflet & Associates, Ltd. Report issued in February 2006.

MICHIGAN TOURISM:

A LOOK BACK AT THE YEAR

2005



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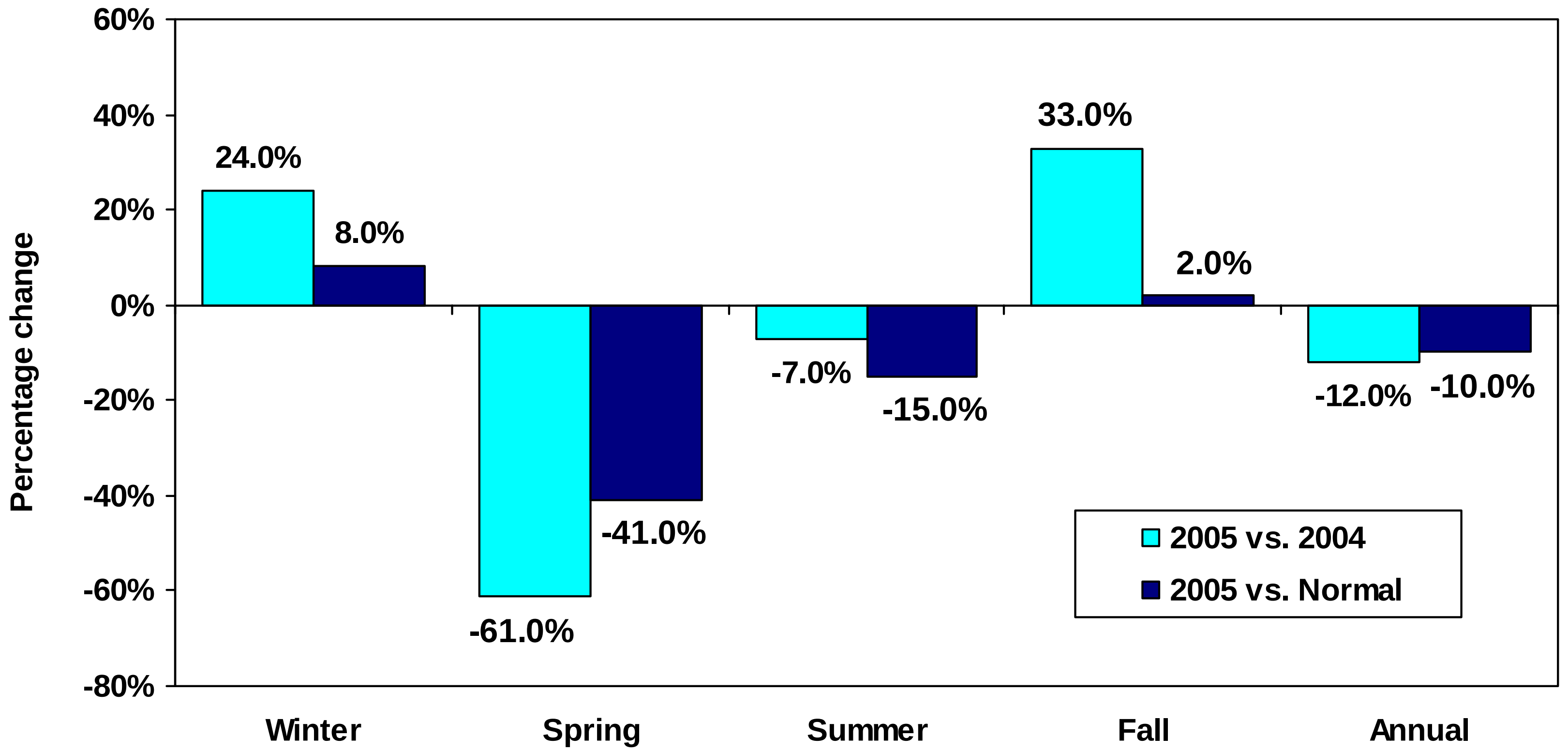
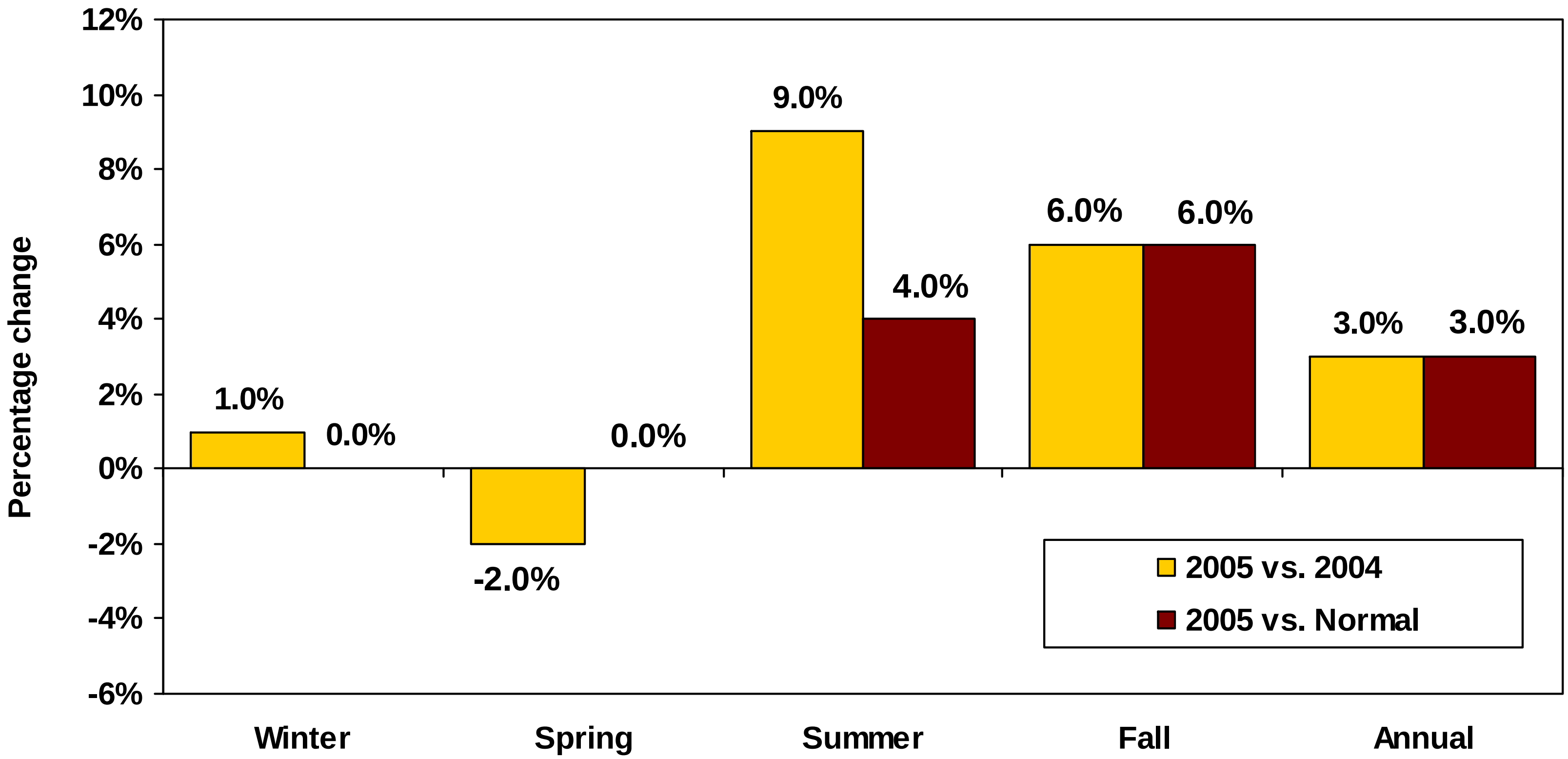
MICHIGAN TOURISM INDUSTRY INDICATORS: OVERALL PRECIPITATION



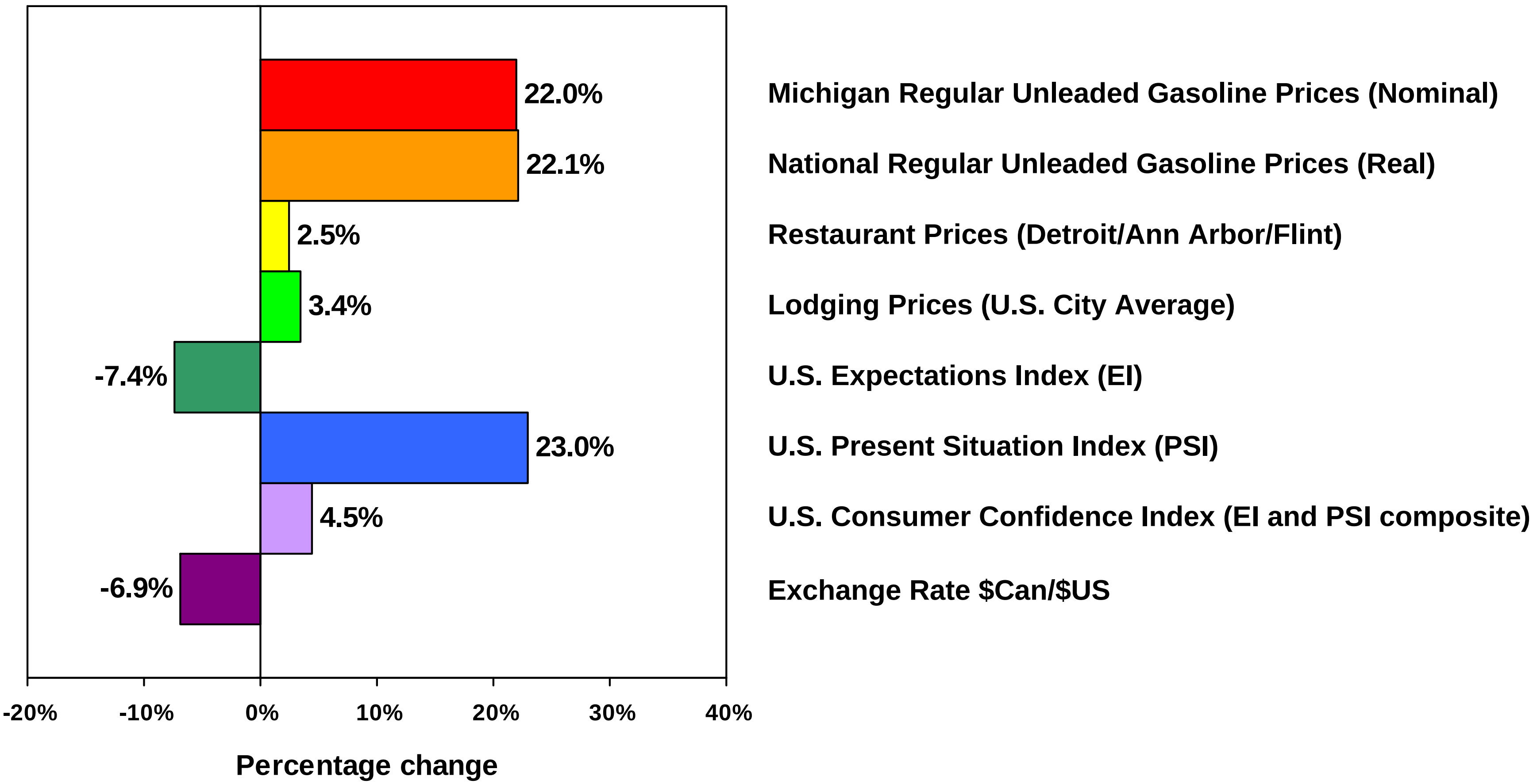
Source: Data for 12 weather stations obtained from the Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE MAXIMUM TEMPERATURES



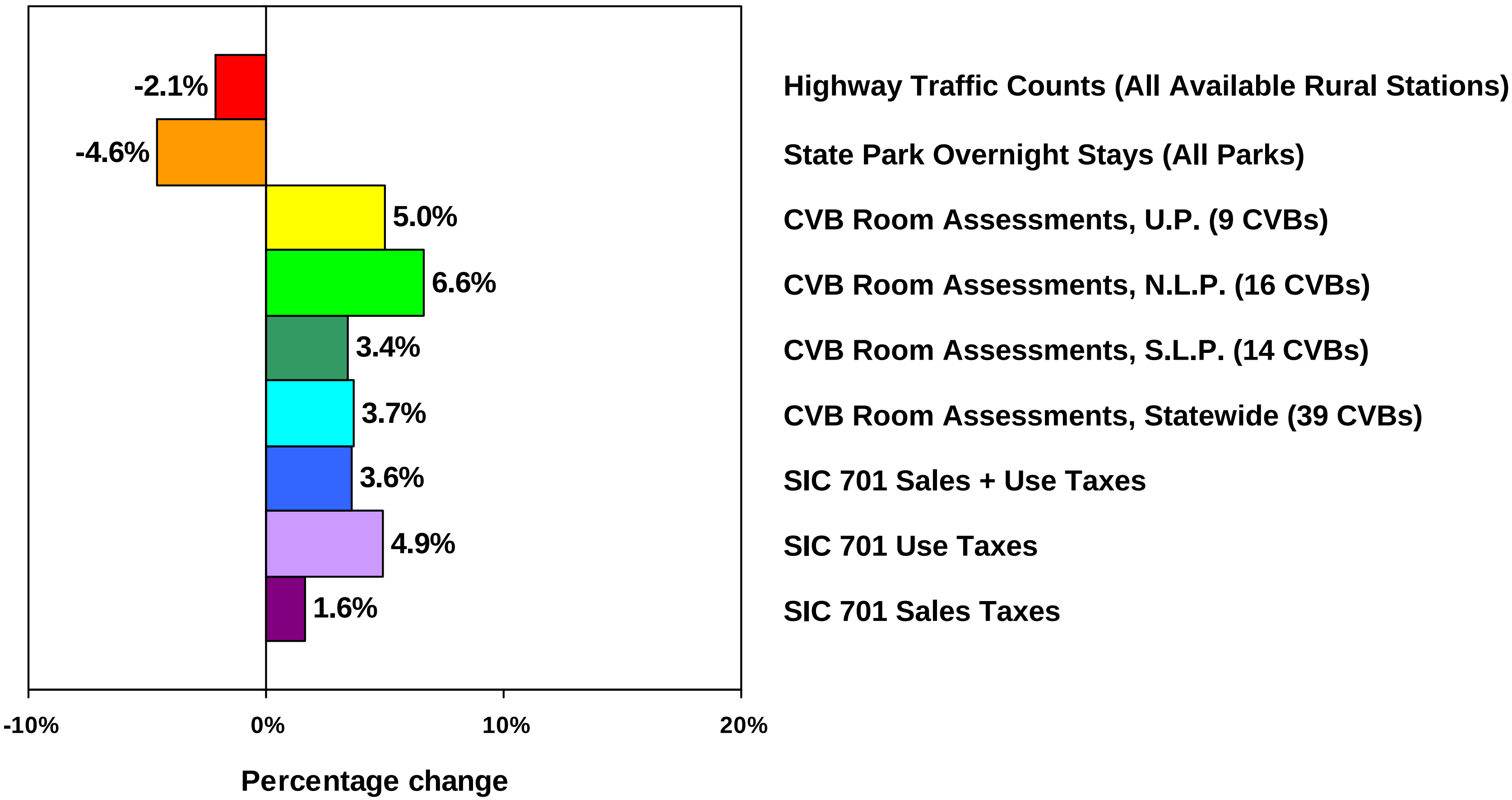
Source: Data for 12 weather stations obtained from the Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS
ECONOMIC INDICATORS: 2005 VS 2004



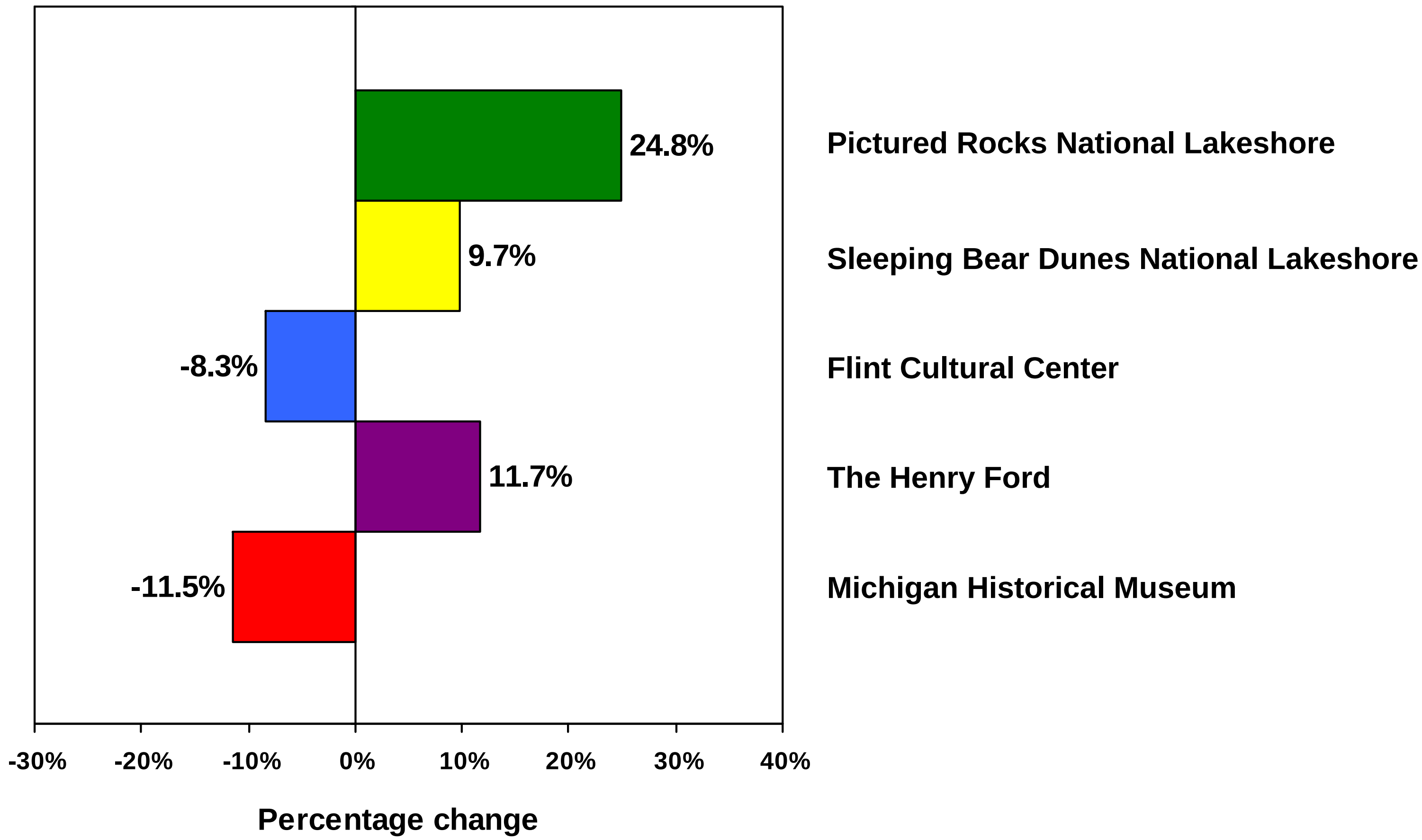
Source: Bureau of Economic Analysis; AAA Michigan; The Conference Board; Federal Reserve Board.

MICHIGAN TOURISM INDUSTRY INDICATORS
TOURISM ACTIVITY INDICATORS: 2005 VS 2004



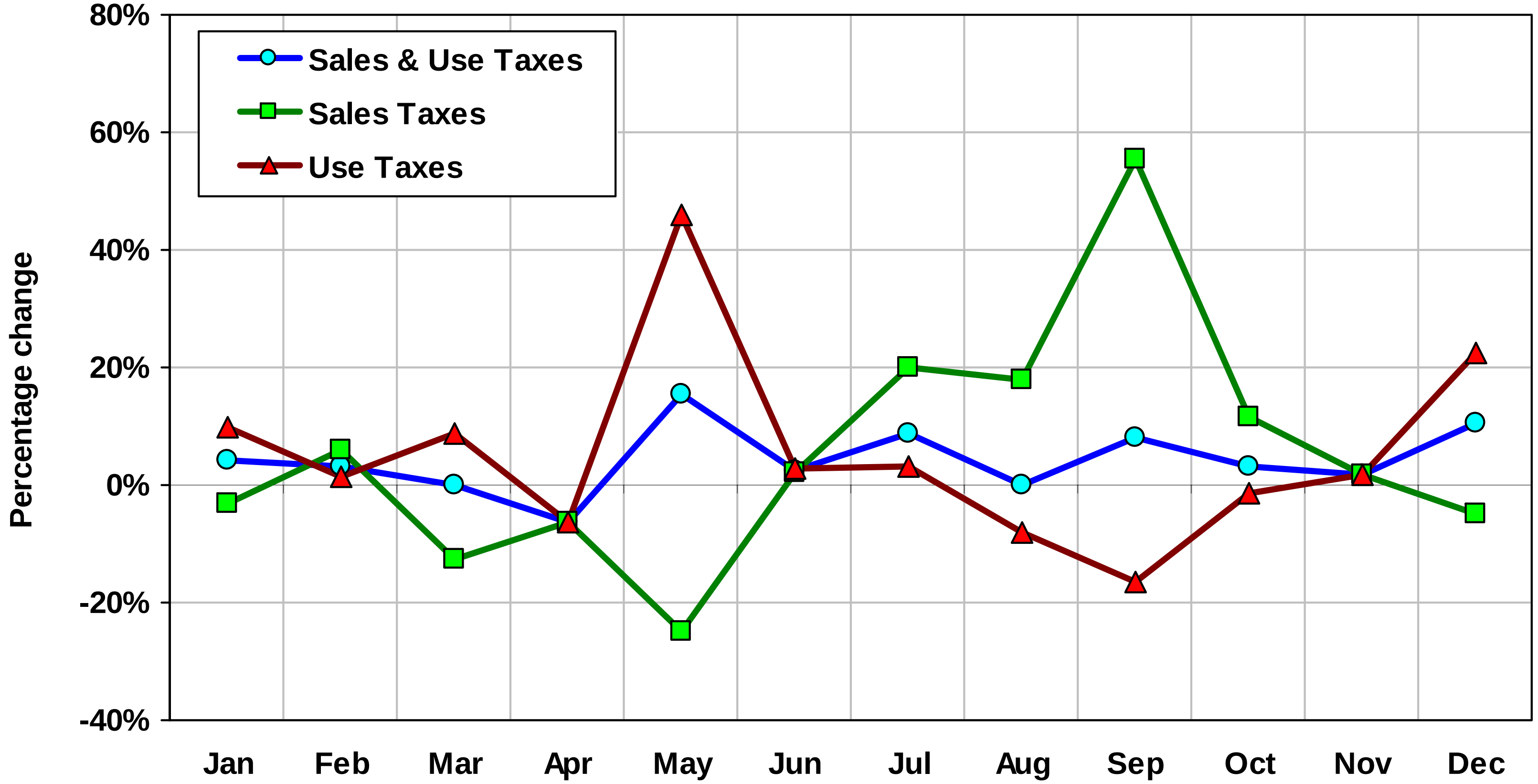
Source: Michigan Dept. of Transportation; Michigan Dept. of Natural Resources, Bureau of Parks and Recreation; CARRS Tourism Resource Center, MSU; Michigan Dept of Treasury, Office of Revenue & Tax Analysis.

MICHIGAN TOURISM INDUSTRY INDICATORS
TOURISM ACTIVITY INDICATORS: 2005 VS 2004



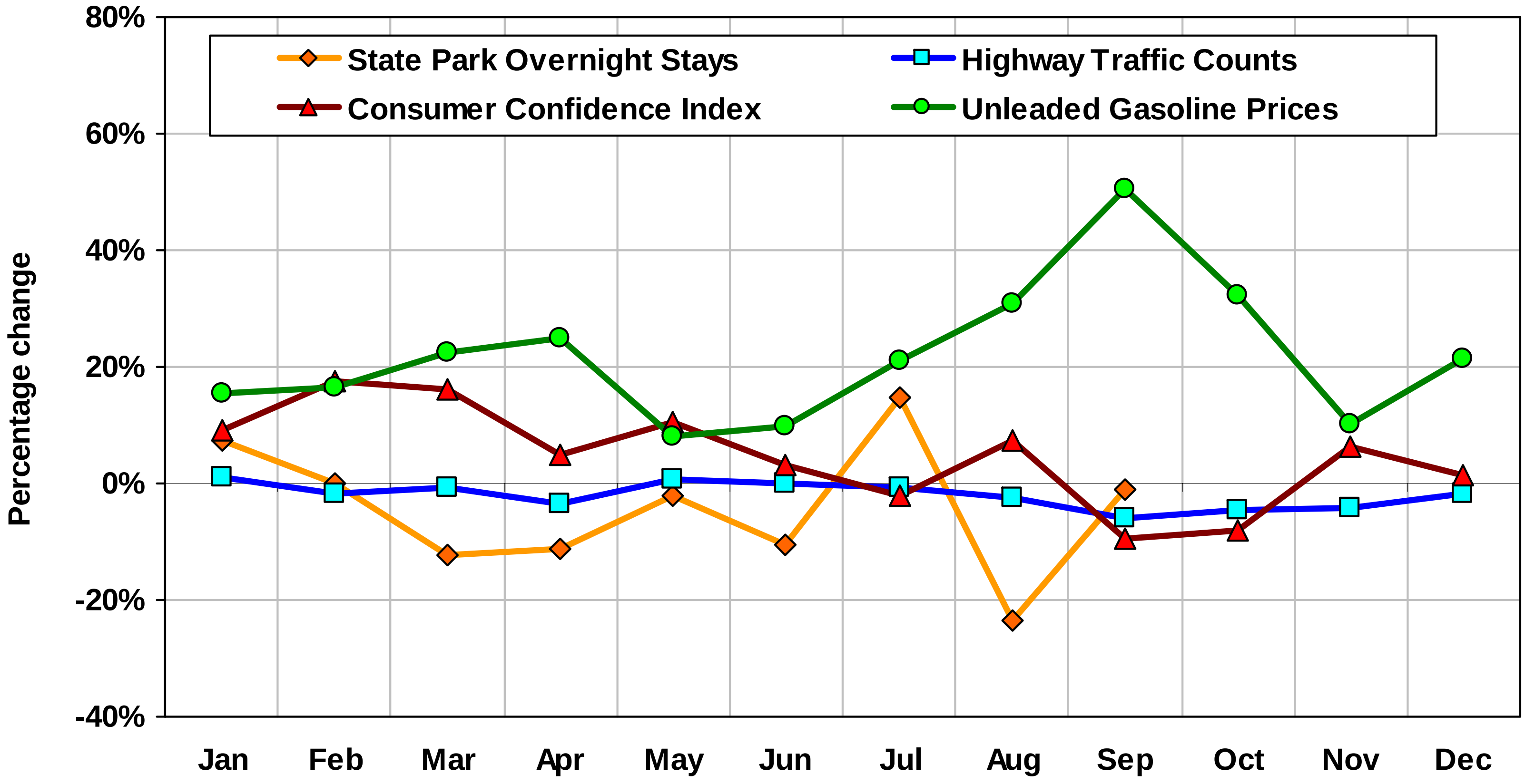
Source: National Park Service, Flint Cultural Center, The Henry Ford, Michigan Historical Center.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)



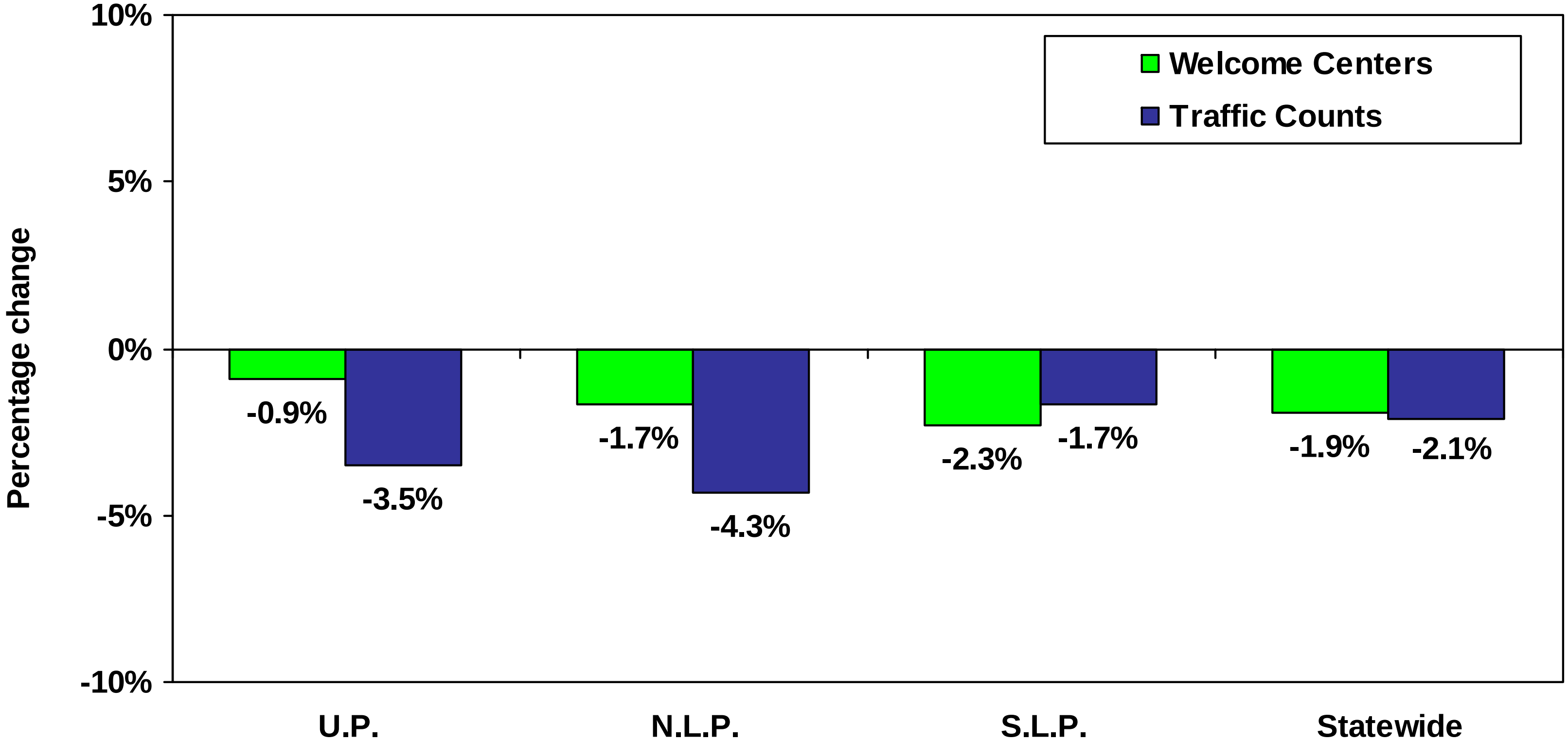
Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
MONTHLY CHANGES IN TOURISM ACTIVITY INDICATORS



Source: Michigan Department of Transportation; AAA Michigan; The Conference Board;
Michigan Department of Natural Resources, Bureau of Parks and Recreation.

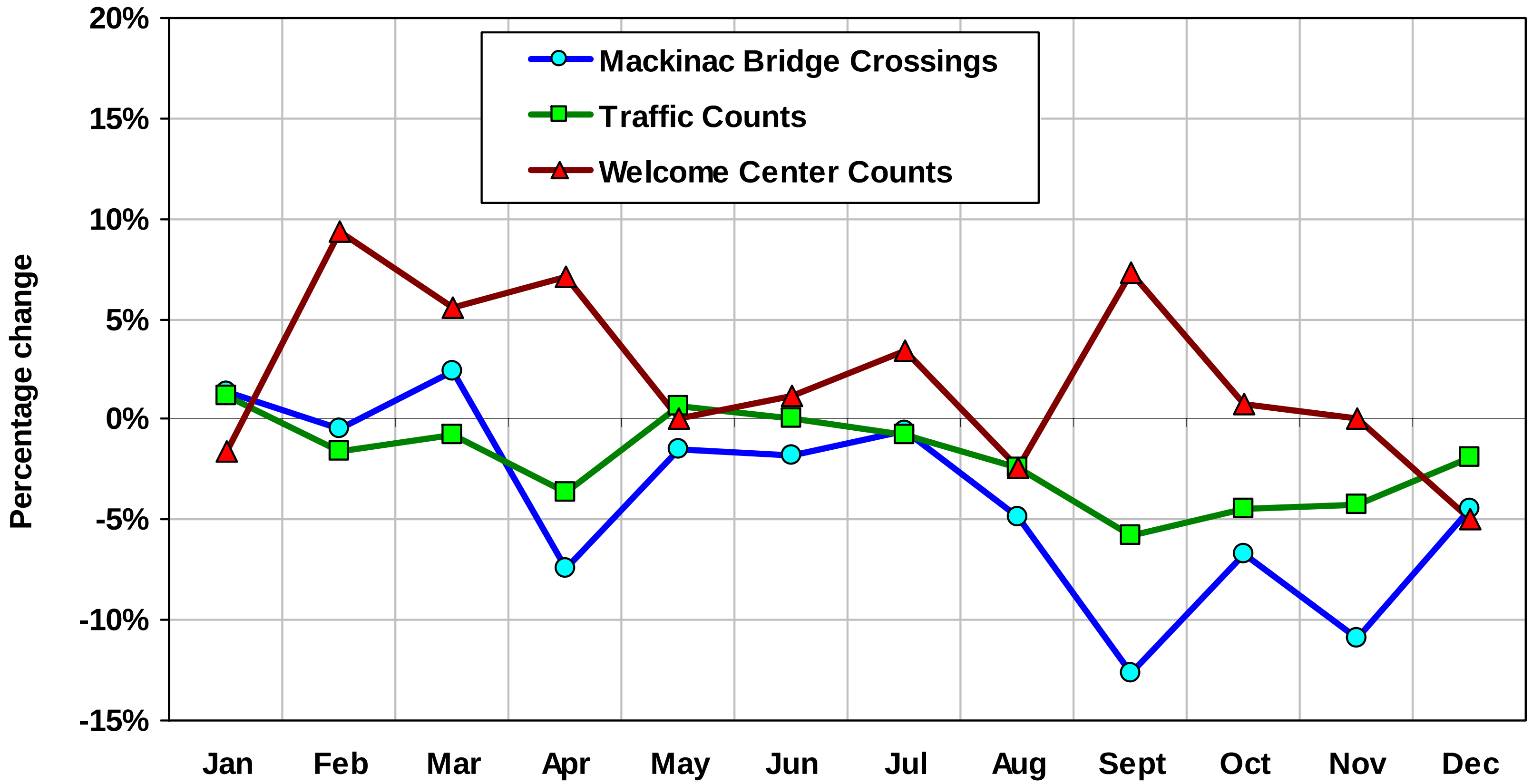
MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
WELCOME CENTER VISITOR COUNTS & TRAFFIC COUNTS



Welcome Centers: U.P. Data = Sault Ste. Marie, Marquette, St. Ignace, Ironwood, and Iron Mountain.;
N.L.P. Data = Mackinaw City and Clare;
S.L.P. Data = Coldwater, Port Huron, New Buffalo, and Dundee.

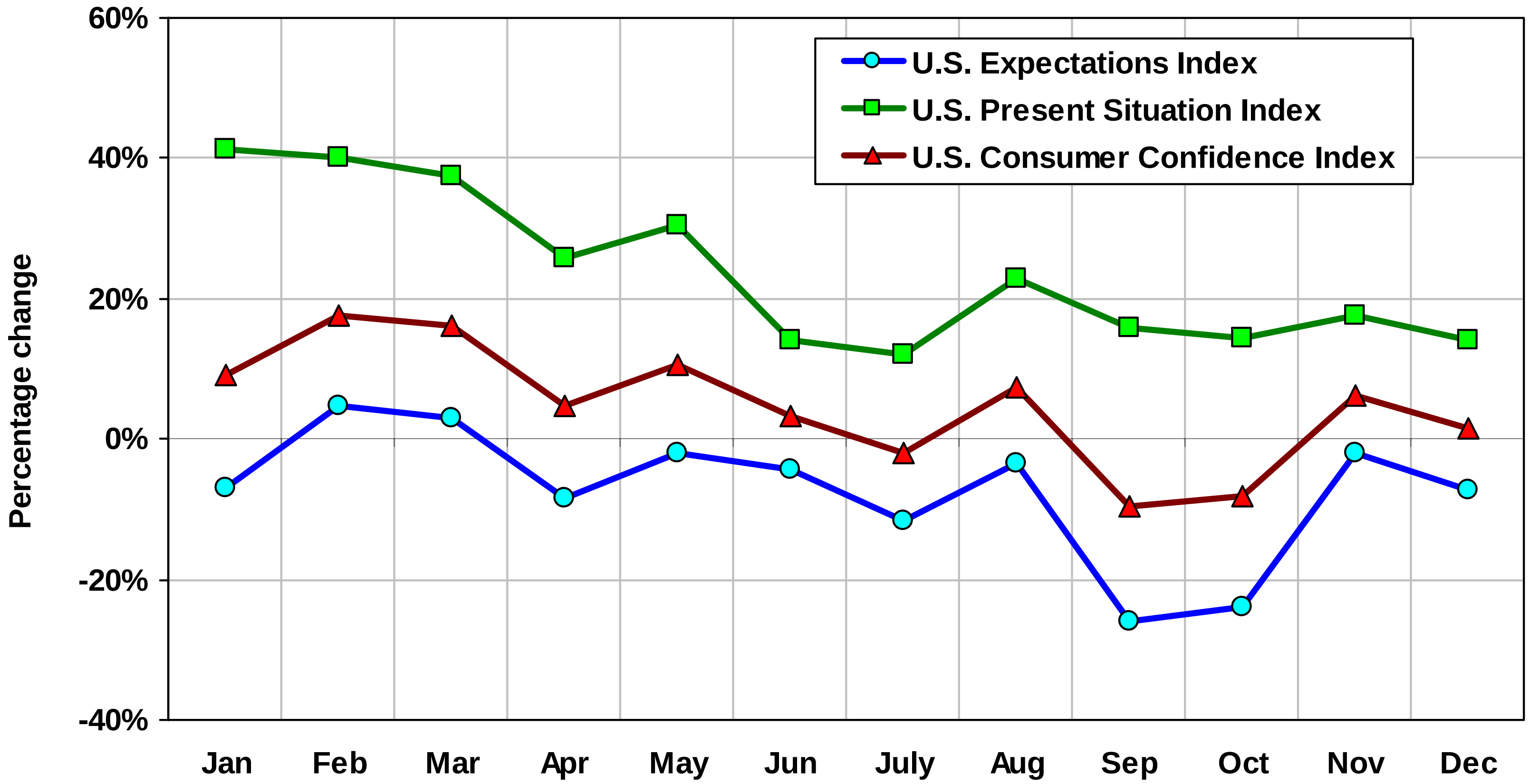
Source: Travel Michigan, Michigan Department of Transportation.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
UPPER PENINSULA TOURISM INDICATORS



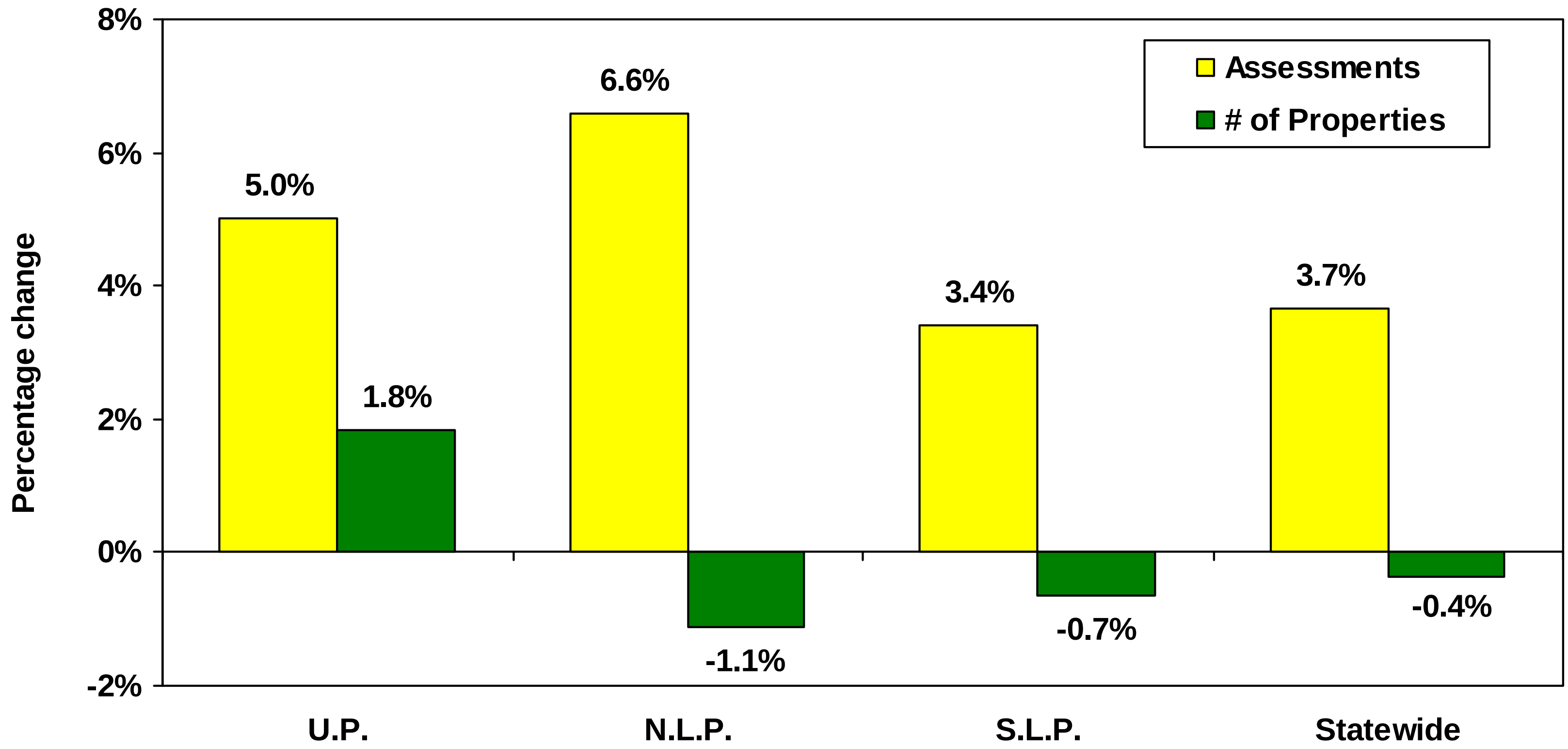
Source: Mackinac Bridge Authority; Michigan Department of Transportation; Travel Michigan.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
MONTHLY CHANGES IN INDICATORS



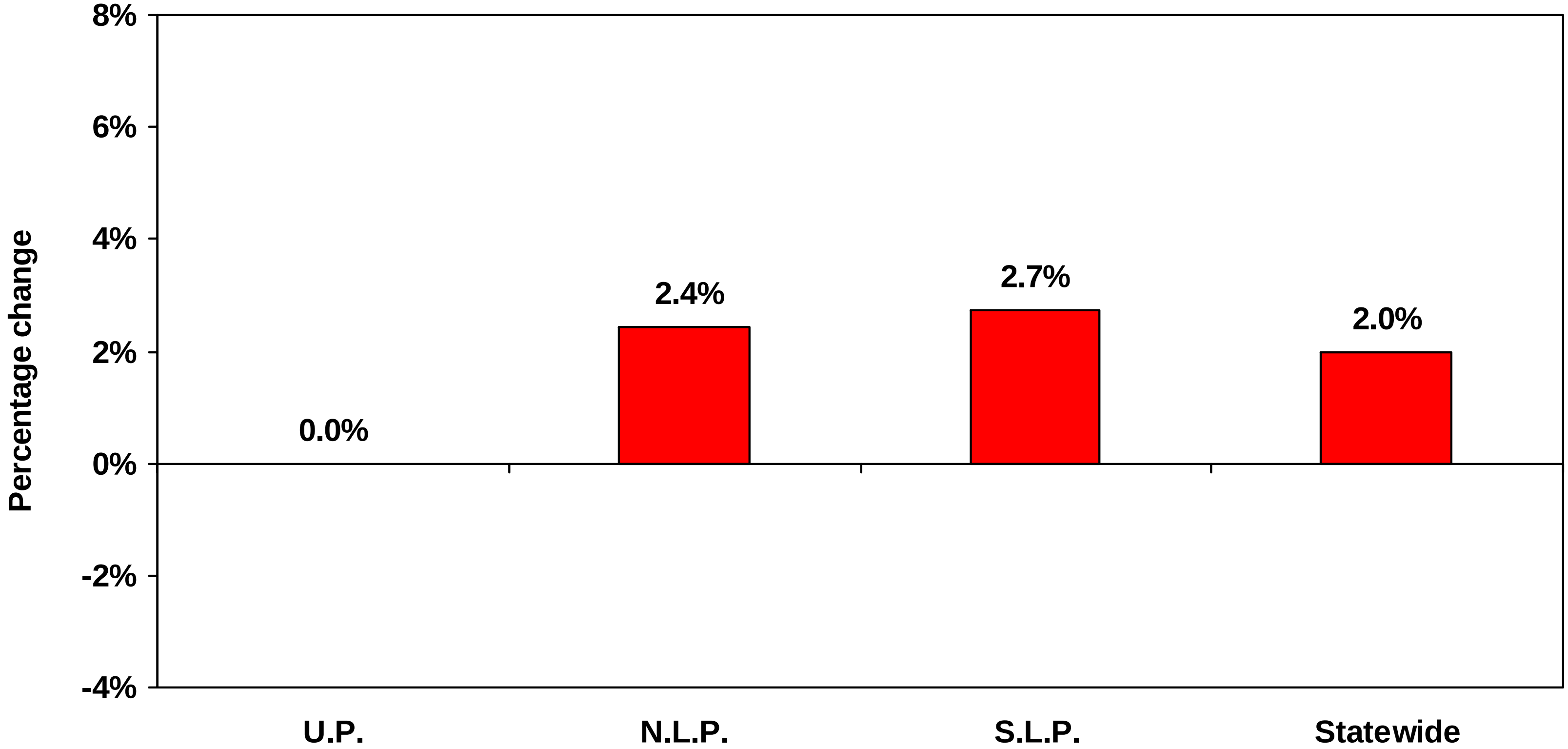
Source: The Conference Board.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES



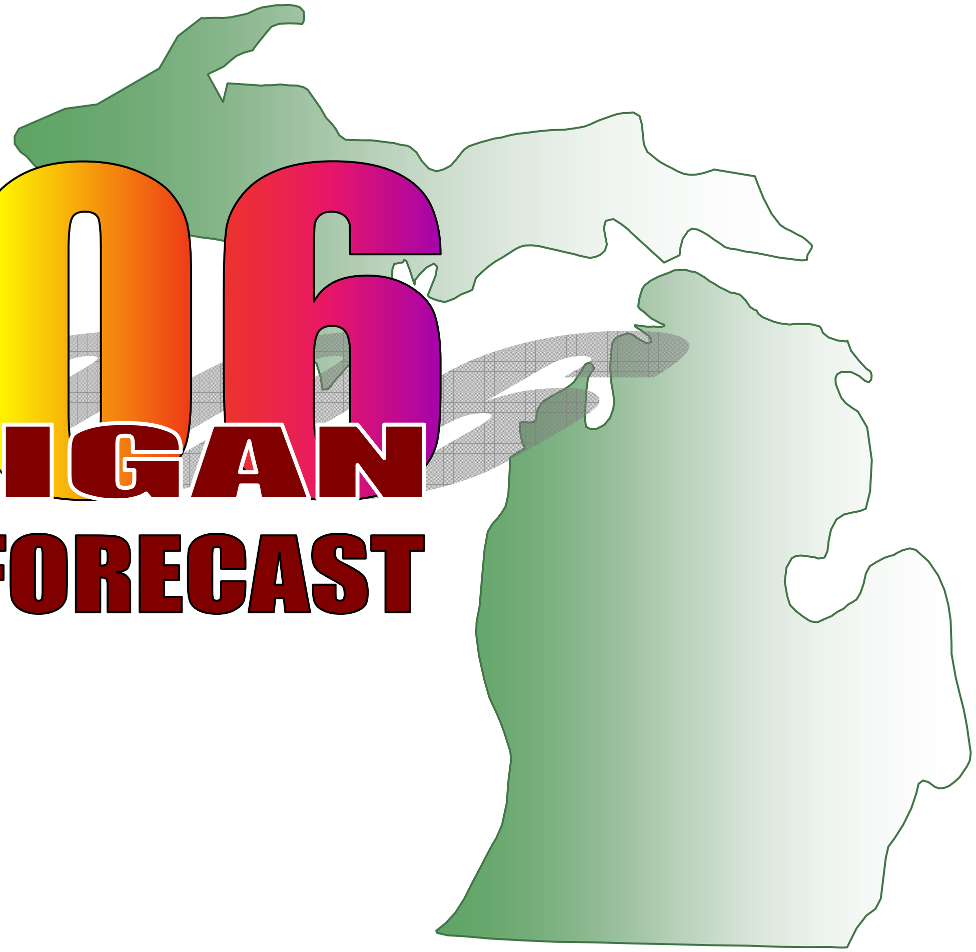
Source: 2006 CARRS Tourism Resource Center's Survey of Assessment Districts.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2005 VS 2004
PERCENT CHANGE ANTICIPATED FOR 2006 ASSESSMENTS



Source: 2005 CARRS Tourism Resource Center's Survey of Assessment Districts.

2006 MICHIGAN TOURISM FORECAST



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SESSION ON A LONG-TERM STRATEGIC PLAN FOR MICHIGAN TOURISM

- Tomorrow, Wednesday
- Concurrent Session A
- 10:45 a.m. – 12:00 p.m.

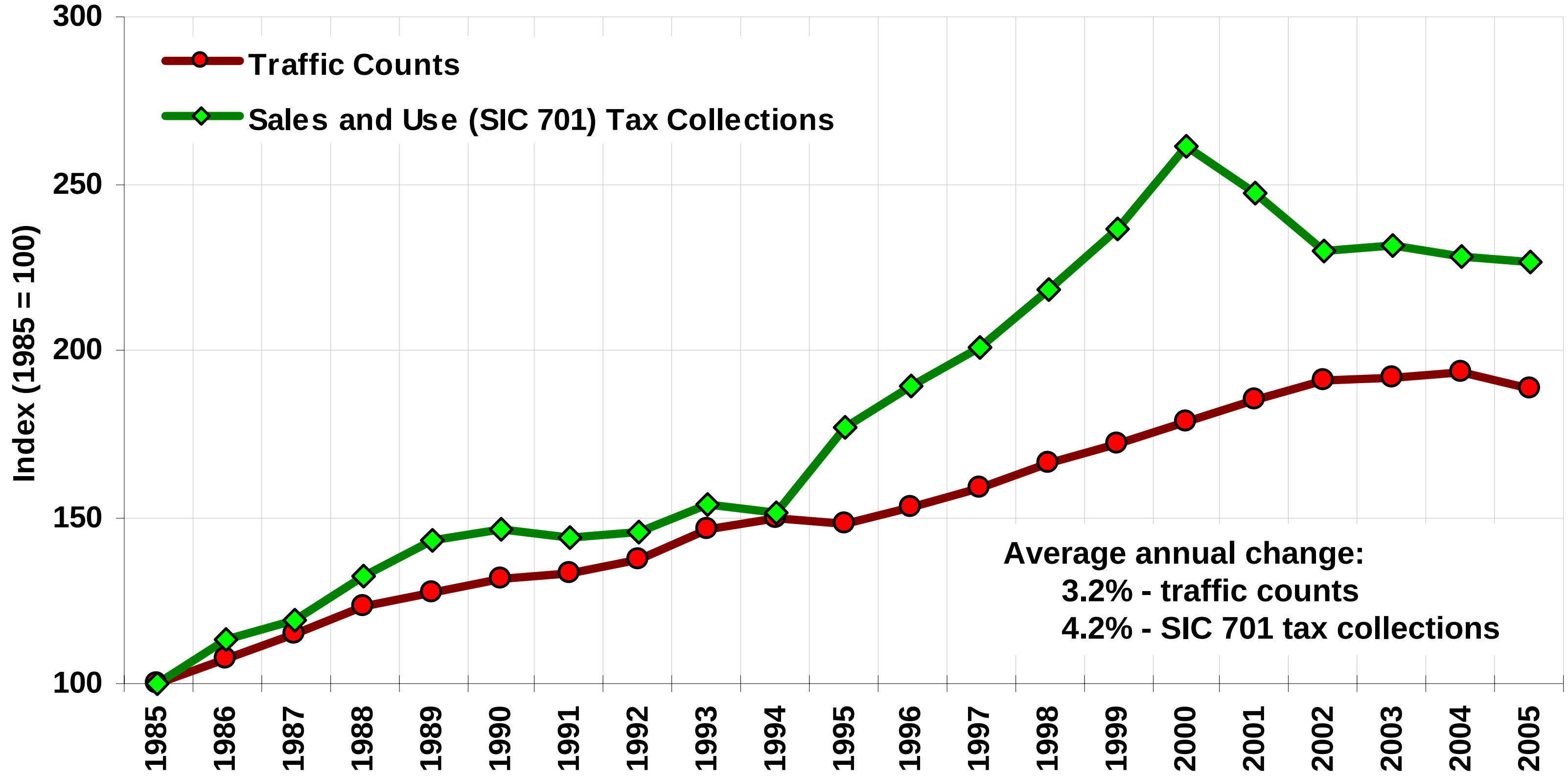
HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM IN 2005?

	Projected by MSU	Actual data
Travel volume	2-3%	-2%
Travel spending	2-3%	4%
Travel prices	3-4%	3%

WHY 2005 RESULTS WERE AT OR BELOW THE LONG-TERM TREND?

- The U.S. economy rebounded, but Michigan's job growth was anemic.
- Michigan's unemployment rate remained high.
- Michigan's travel promotion budget remained at a low level.
- Only few new products were offered to stimulate Michigan travel.
- An unprecedented spike in gas prices due to Hurricane Katrina occurred at the end of the summer season.
- Consumers traveled less, but spent more on their trips.
  This is the opposite behavior of what occurred in 2004.
- A number of national events were hosted in the Detroit metro area.
- Michigan experienced nearly perfect weather pattern during the peak summer travel season.

HOSPITALITY TAX COLLECTION AND TRAFFIC COUNT TRENDS IN MICHIGAN



Source: Michigan Department of Transportation and Michigan Department of Treasury.

HOTEL SECTOR PERFORMANCE: OCCUPANCY RATES

	2004	2005	% Change Over '04 Occupancy
Michigan	52.8%	53.5%	+1.3%
Detroit	56.1%	57.1%	+1.8%
U.S.	61.3%	63.1%	+2.9%

Note: Estimated Michigan lodging revenue in 2005 increased by 4.1%.

Source: Smith Travel Research.

THREE DETROIT CASINOS: TOTAL ADJUSTED GROSS RECEIPTS

Month	2004 (in $ millions)	2005 (in $ millions)	% from prev. year
January	93	101	8%
February	101	102	1%
March	102	109	7%
April	112	104	-7%
May	109	106	-2%
June	93	93	-1%
July	103	107	4%
August	98	103	5%
September	92	95	3%
October	96	104	8%
November	93	100	7%
December	96	105	9%
Total	1,189	1,229	3%

Source: Michigan Gaming Board Commission.

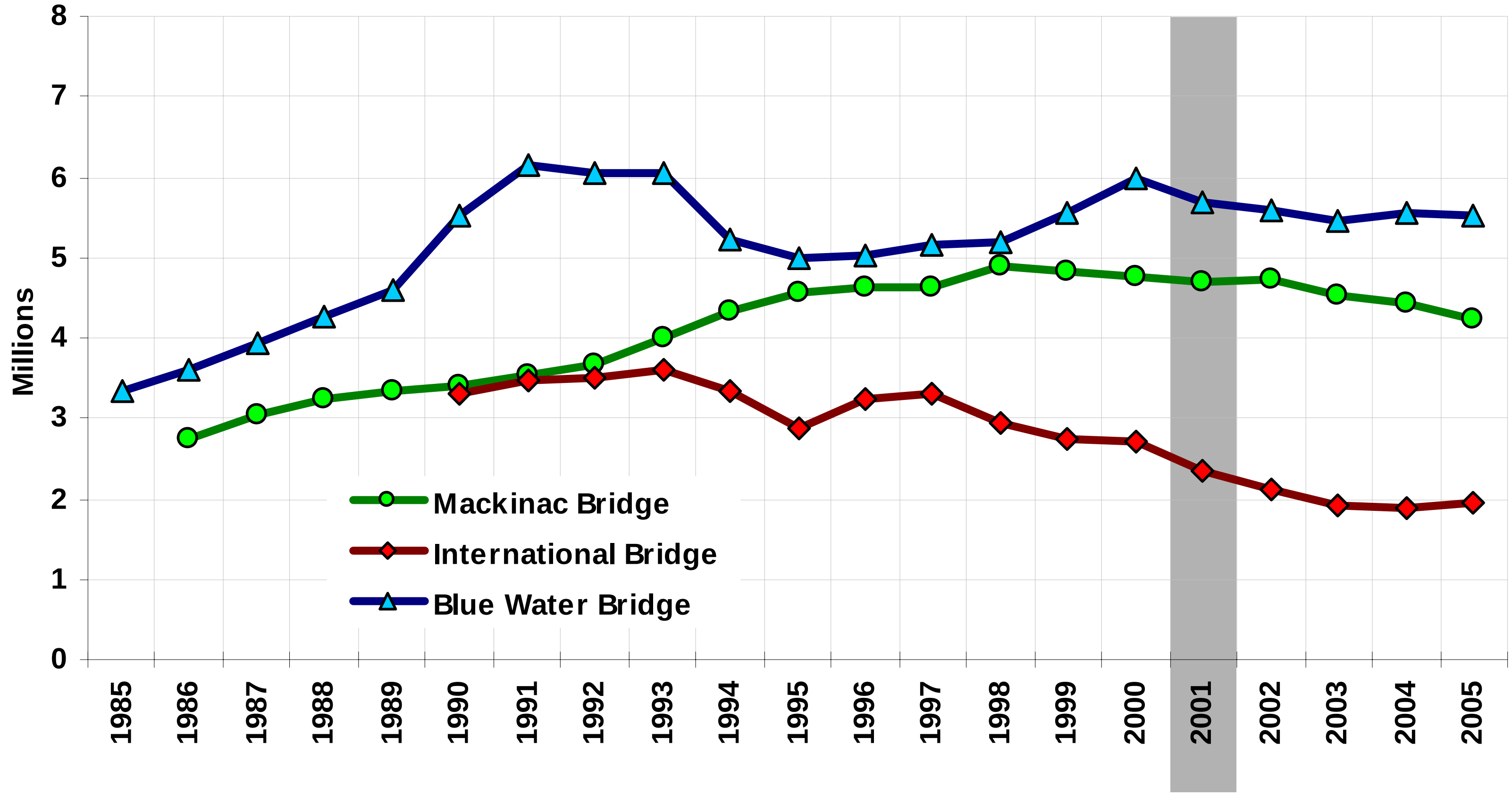
MICHIGAN HIGHWAY TRAFFIC COUNTS
YEAR-TO-YEAR CHANGE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓
2001	↑	↑	↑	↓	↓	↑	↑	↓	↓	↓	↑	↑
2002	↑	↑	↓	↑	↑	↑	↑	↑	↑	↑	↑	↑
2003	↑	↑	↑	↑	↑	↓	↓	↑	↓	↑	↑	↑
2004	↓	↑	↑	↑	↓	↓	↑	↓	↑	↓	↓	↓
2005	↑	↓	↓	↓	↑	No change	↓	↓	↓	↓	↓	↓
2006												

Note: There are 26 lower monthly counts in comparison to the same month in the prior year.

Source: Michigan Department of Transportation.

TRENDS IN TRAFFIC COUNTS ON SELECTED MICHIGAN BRIDGES



Source: Michigan Department of Transportation; Mackinac Bridge Authority; Blue Water Bridge Authority (Canada).

MACKINAC BRIDGE TRAFFIC COUNTS
YEAR-TO-YEAR CHANGE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓
2001	↓	↓	↑	↑	↓	↓	↑	↑	↓	↓	↑	↑
2002	↓	↑	↓	↓	↑	↑	↑	↑	↑	↑	↓	↑
2003	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2004	↓	↑	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓
2005	↑	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓
2006	↓											

Note: There are 52 lower monthly counts in comparison to the same month in the prior year.

Source: Mackinac Bridge Authority.

MACKINAC BRIDGE TRAFFIC COUNTS
YEAR-TO-YEAR CHANGE

Year	Count (million)	% from prev. year
1986	2.753	
1987	3.033	10.2%
1988	3.229	6.5%
1989	3.350	3.7%
1990	3.390	1.2%
1991	3.535	4.3%
1992	3.678	4.0%
1993	3.993	8.6%
1994	4.333	8.5%
1995	4.557	5.2%

Year	Count (million)	% from prev. year
1996	4.625	1.5%
1997	4.626	0.0%
1998	**4.891**	5.7%
1999	4.836	-1.1%
2000	4.756	-1.7%
2001	4.676	-1.7%
2002	4.733	1.2%
2003	4.529	-4.3%
2004	4.427	-2.2%
2005	4.236	-4.3%

Source: Mackinac Bridge Authority.

Drop from 1998 to 2005 level - 13.4%

INTERNATIONAL BRIDGE TRAFFIC COUNTS YEAR-TO-YEAR CHANGE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	↑	↑	↑	↓	↑	↓	↑	↓	↓	↓	↓	↓
2001	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2002*	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓	↓
2003	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2004	↓	↓	↓	↑	↑	↓	↑	↓	↓	↓	↑	↓
2005	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↓	↑
2006												

Note: There are 51 lower monthly counts in comparison to the same month in the prior year. Missing data were estimated as the average of the same month previous year and next year. Most missing data were in 2002.

Source: Michigan Dept. of Transportation.

INTERNATIONAL BRIDGE TRAFFIC COUNTS
YEAR-TO-YEAR CHANGE

Year	Count (million)	% from prev. year
1990	3.288	
1991	3.469	5.5%
1992	3.501	0.9%
1993	**3.597**	2.8%
1994	3.334	-7.3%
1995	2.885	-13.5%
1996	3.245	12.5%
1997	3.300	1.7%

Drop from 1993 to 2005 level – 46.1%

Year	Count (million)	% from prev. year
1998	2.945	-10.7%
1999	2.731	-7.3%
2000	2.702	-1.1%
2001	2.340	-13.4%
2002*	2.119	-9.5%
2003	1.910	-9.9%
2004	1.866	-2.3%
2005	1.938	3.9%

Drop from 1998 to 2005 level – 34.2%

Source: Michigan Dept. of Transportation.

* Year 2002 had several monthly data missing.

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

Exchange rates

per $1.00 U.S.:	March 2 2006	March 2 2005	% change	U.S. $ is ...
Canada	1.14	1.24	-8%	weaker
Japan	115.91	104.42	+11%	stronger
Euro	0.84	0.76	+11%	stronger
Mexico	10.48	11.14	-6%	weaker
J.P. Morgan Index	90.2	88.4	+2%	stronger

Source: Currencies - www.oanda.com; J.P. Morgan – The Wall Street Journal.

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

	2006	2005	% change
Interest rates – March 2-3			
30-year mortgage (average)	5.81%	5.38%	+8%
10-year treasury bond	4.69%	4.32%	+9%
90-day treasury bill	4.59%	2.75%	+67%
Prime rate	7.50%	5.50%	+36%
Gasoline prices - February			
Unleaded regular - Michigan	$2.27	$1.97	+15%

Source: The Wall Street Journal; www.bloomberg.com; AAA Michigan.

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

	2006	2005	% change
Consumer Confidence Index			
End of February	101.7	104.4	-3%
Unemployment (January; seasonally adjusted)			
U.S.	4.7%	5.2%	-10%
Michigan	6.2%	7.1%	-13%

Source: The Conference Board; Bureau of Labor Statistics; Michigan Department of Labor & Economic Growth.

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (IV)

Stock market

	Dow Jones Industrial Avg.	Nasdaq composite	S&P 500
March 2, 2006	11,026	2,311	1,289
March 2, 2005	10,833	2,058	1,210
12-month change	+193	+253	+79
% change (year-to-year)	+2%	+12%	+7%
% change (year-to-date)	+3%	+5%	+3%
Record levels	11,722 Jan 2000	5,048 Mar 2000	1,500+ Mar 2000

Source: The Wall Street Journal.

GOING GLOBAL

Gas prices in the U.S. are rising but American drivers still pay a lot less than other motorists around the world.

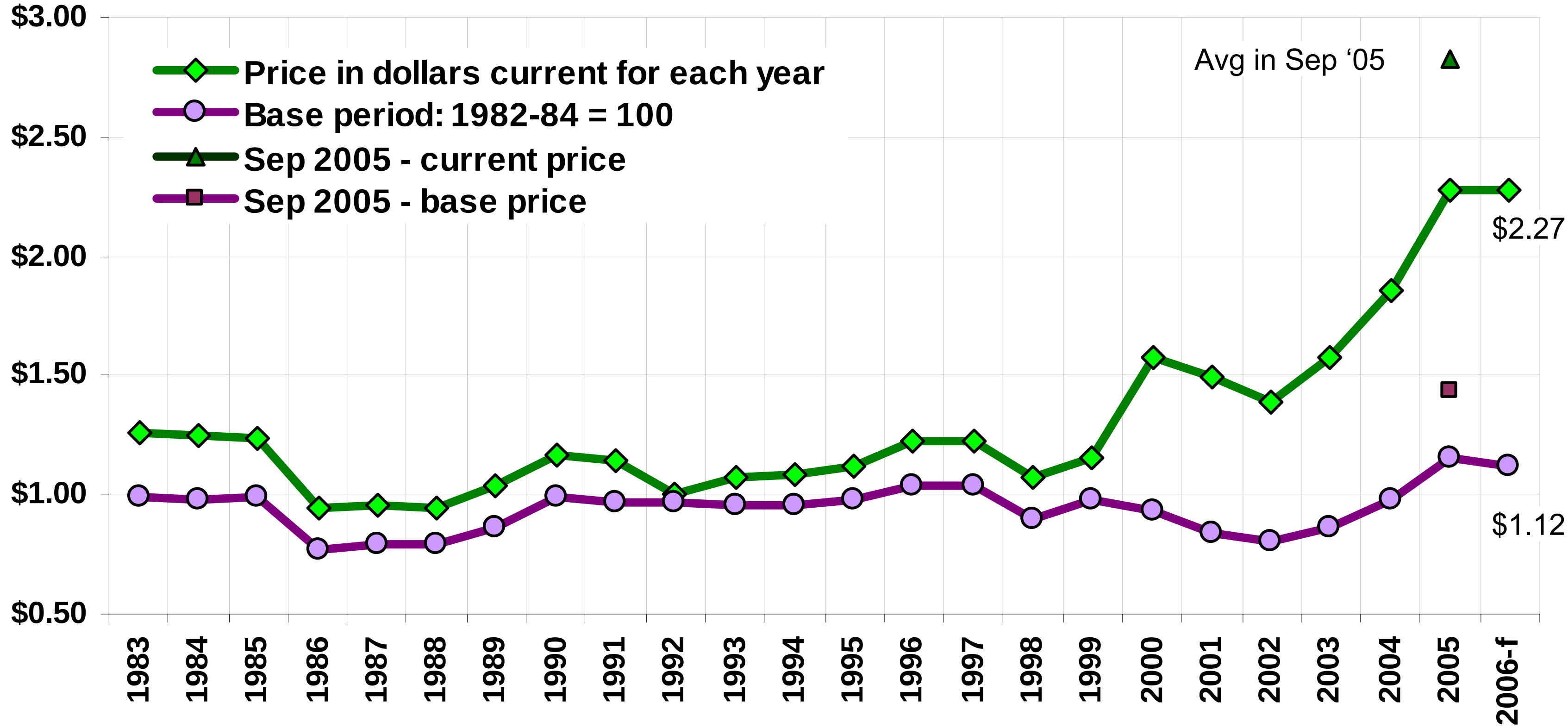
CITY	PRICE (REGULAR)	DATE
Amsterdam	$6.21	May 2005
Paris	$5.43	May 2005
Tokyo	$4.61	May 2005
U.S.	$2.62	Aug. 2005
Kuwait City	$0.68	Aug. 2005
Caracas	$0.12	Aug. 2005

SOURCES: ARINC, AAA

CNN/Money.com
Aug 31, 2005

CNN/Money.com
September 1, 2006

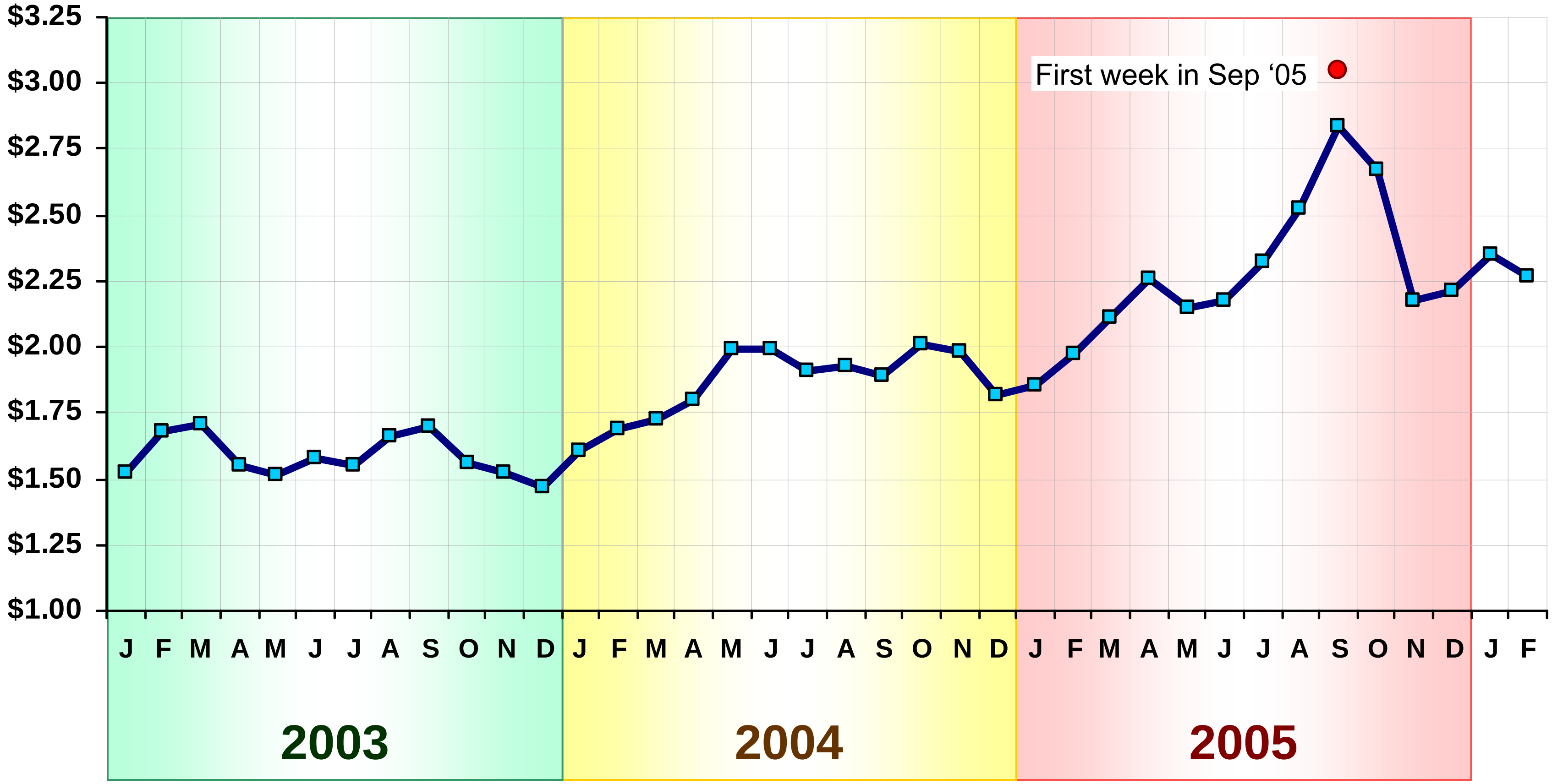
GASOLINE PRICES – NATIONAL AVERAGE (Unleaded regular)



f- avg. for February

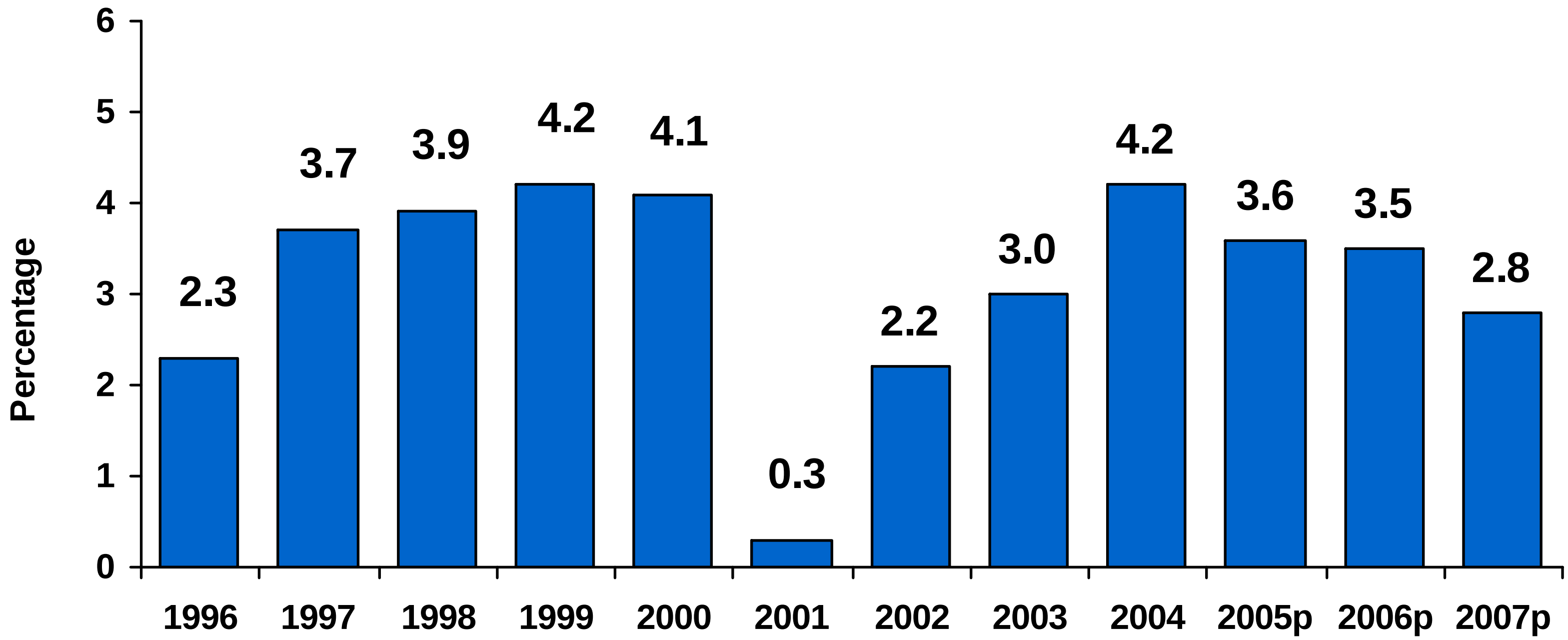
Source: AAA Michigan; Federal Reserve Bank of Minneapolis.

MICHIGAN GASOLINE PRICES – STATEWIDE AVERAGE (Unleaded regular)



Source: AAA Michigan.

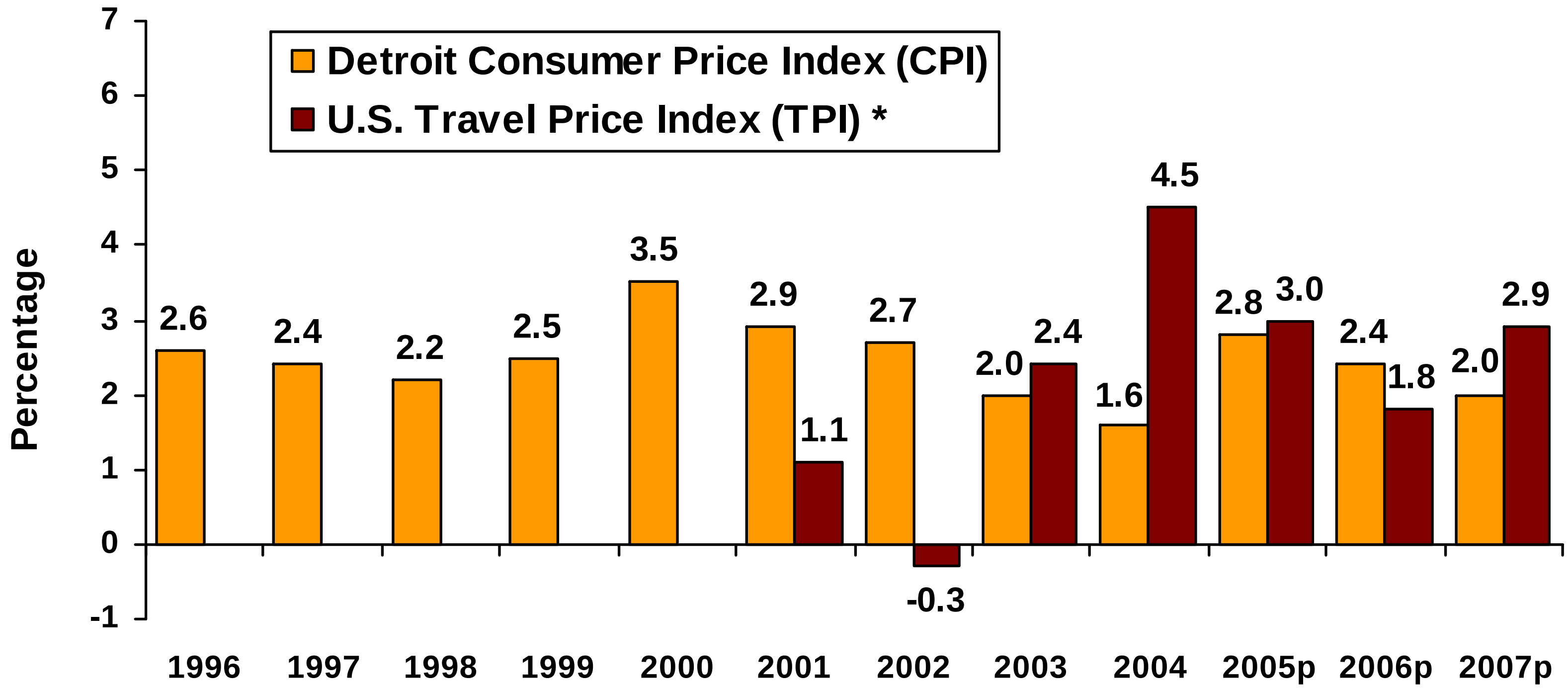
GROWTH OF REAL GDP
UNITED STATES



p = projected
as of February 2006

Source: RSQE - University of Michigan.

RATE OF INFLATION
DETROIT CPI and U.S. TPI

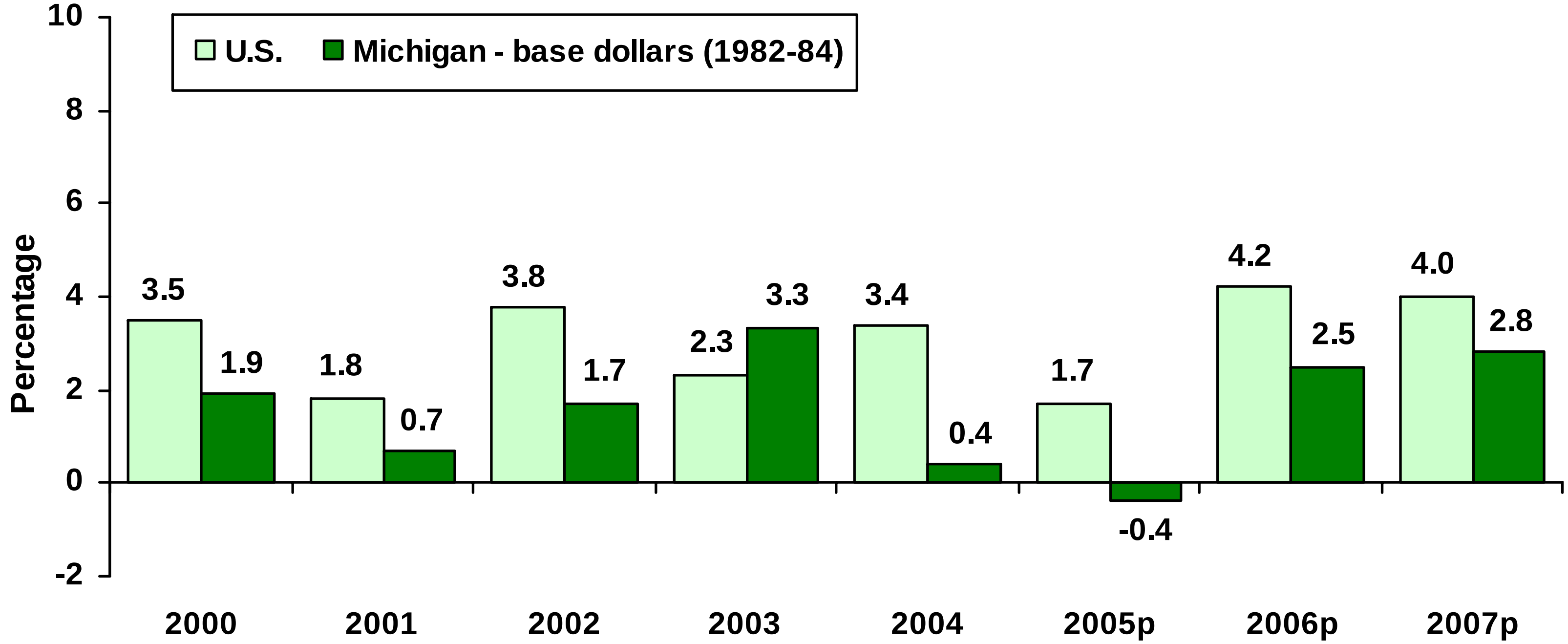


* TPI base for 1982-1984=100

p = projected
as of fall 2005

Source: Detroit CPI - RSQE - University of Michigan; TPI – Travel Industry Association of America.

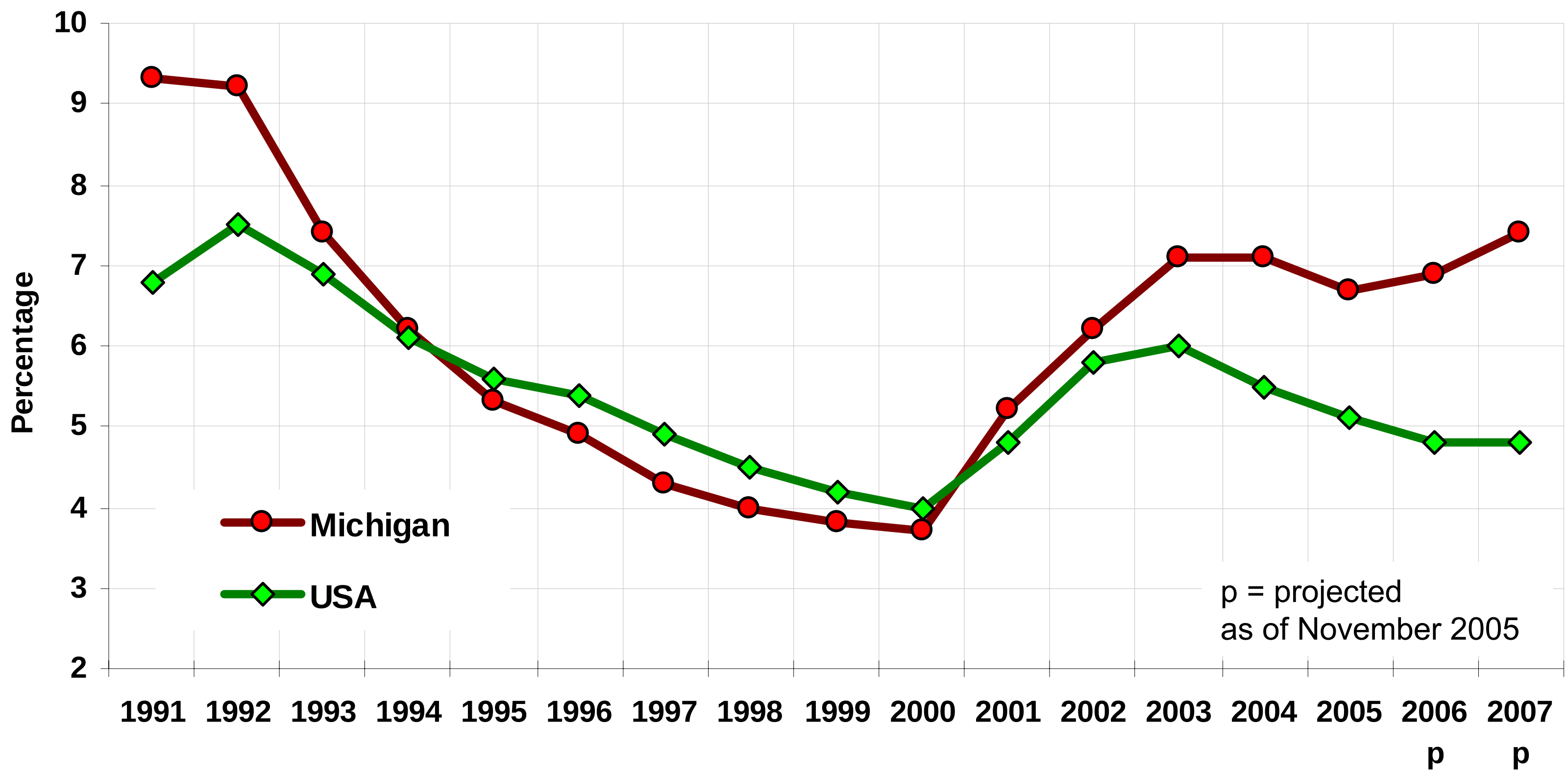
GROWTH OF REAL DISPOSABLE INCOME
UNITED STATES VERSUS MICHIGAN



p = projected
as of February 2006

Source: RSQE - University of Michigan.

UNEMPLOYMENT RATES



Source: Michigan Department of Labor & Economic Growth, Office of Labor Market Information - LAUS Data; U.S. Bureau of Labor Statistics; RSQE - University of Michigan.

NEGATIVE INDICATORS FOR MICHIGAN 2006 (I)

"For the past two years, the Michigan economy has been trending sideways,"(…)

"The good news is that the state economy is holding up reasonably well, despite the aggressive restructuring in the auto manufacturing sector.

The disappointment is that Michigan continues to badly lag the national economy."

Dana Johnson, chief economist
Comerica Bank
Detroit; March 13, 2006

UNEMPLOYMENT RATES IN THE GREAT LAKES REGION

State	Unemployment rate (%)	
	2004	2005
Illinois	6.20	5.70
Indiana	5.30	5.40
Michigan	**7.00**	**6.70**
Ohio	6.20	5.90
Wisconsin	5.00	4.70
Mississippi	6.30	7.90
Louisiana	5.70	7.10
Alaska	7.40	6.80

Region	Unemployment rate (%)	
	2004	2005
New England	4.90	4.70
Middle Atlantic	5.50	4.90
East North Central	**6.10**	**5.80**
West North Central	4.90	4.60
South Atlantic	4.80	4.50
East South Central	5.60	5.60
West South Central	5.80	5.40
Mountain	5.10	4.60
Pacific	6.30	5.40

Note: Employment status of the civilian non-institutional population 16+ years of age (2004-05 annual averages).

Source: U.S. Bureau of Labor Statistics.

NEGATIVE INDICATORS FOR MICHIGAN 2006 (II)

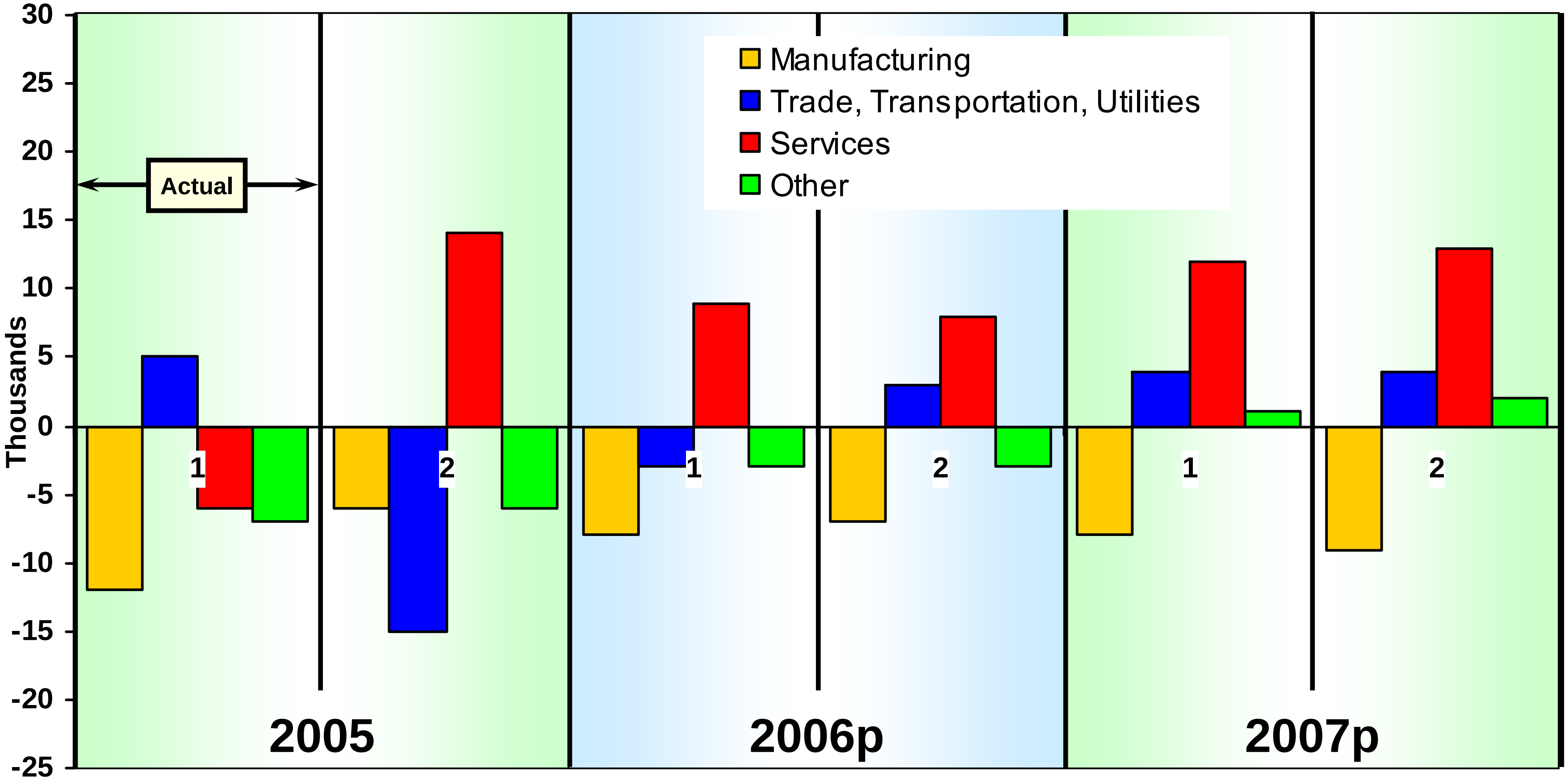
"We are in a pickle. The state of Michigan is in the midst of serious structural economic trouble, probably its worst crisis in our lifetime.

Since 2001, the state has lost one-quarter of its automotive work force and is in its sixth consecutive year of job loss, a period of decline unequaled in the 50 years for which we have data."

George Fulton, Economics Professor
University of Michigan

HomeTownLife.com
March 23, 2006

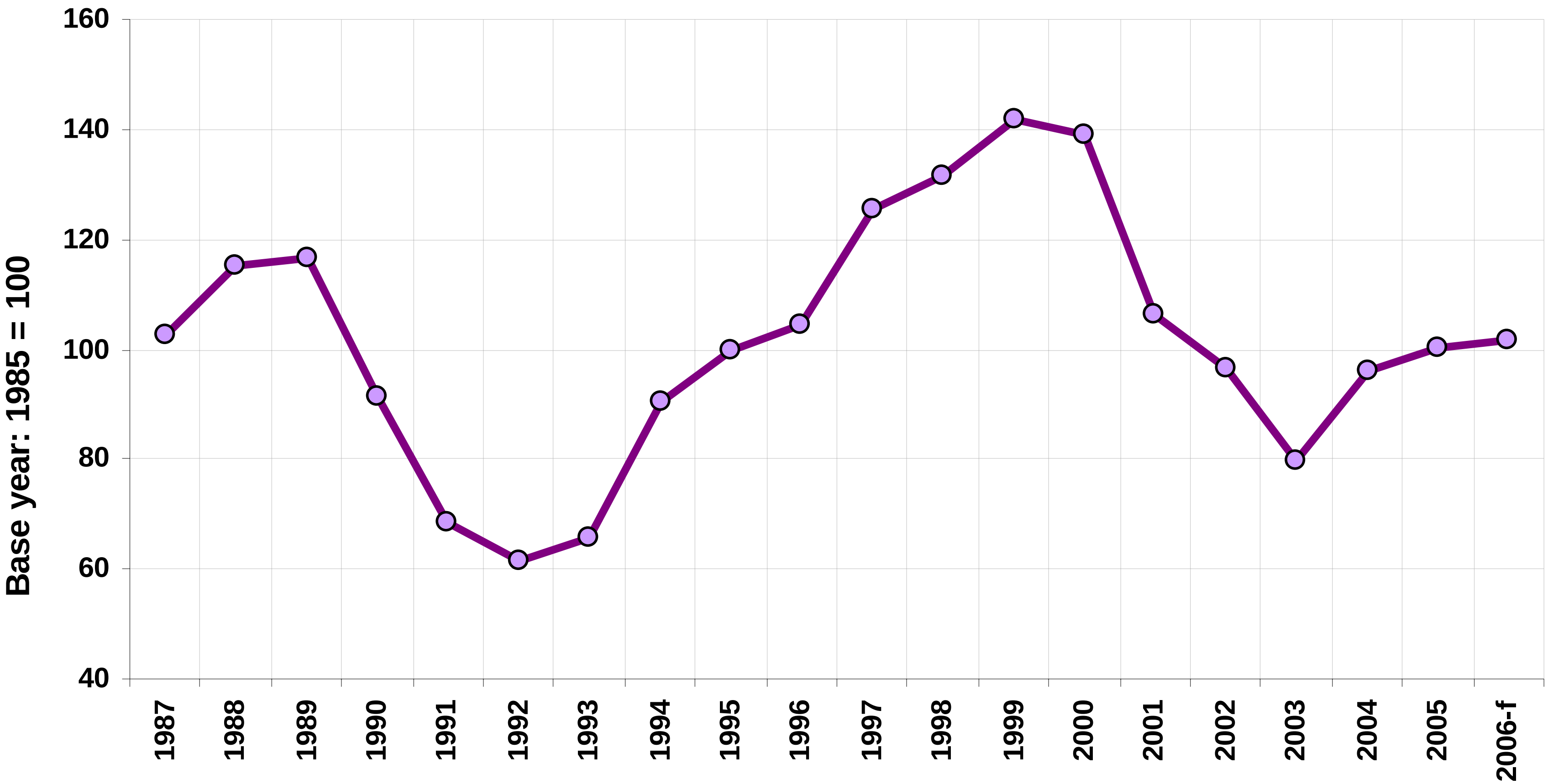
COMPOSITION OF CHANGES IN MICHIGAN EMPLOYMENT



Source: RSQE - University of Michigan.

p = projected
as of November 2005

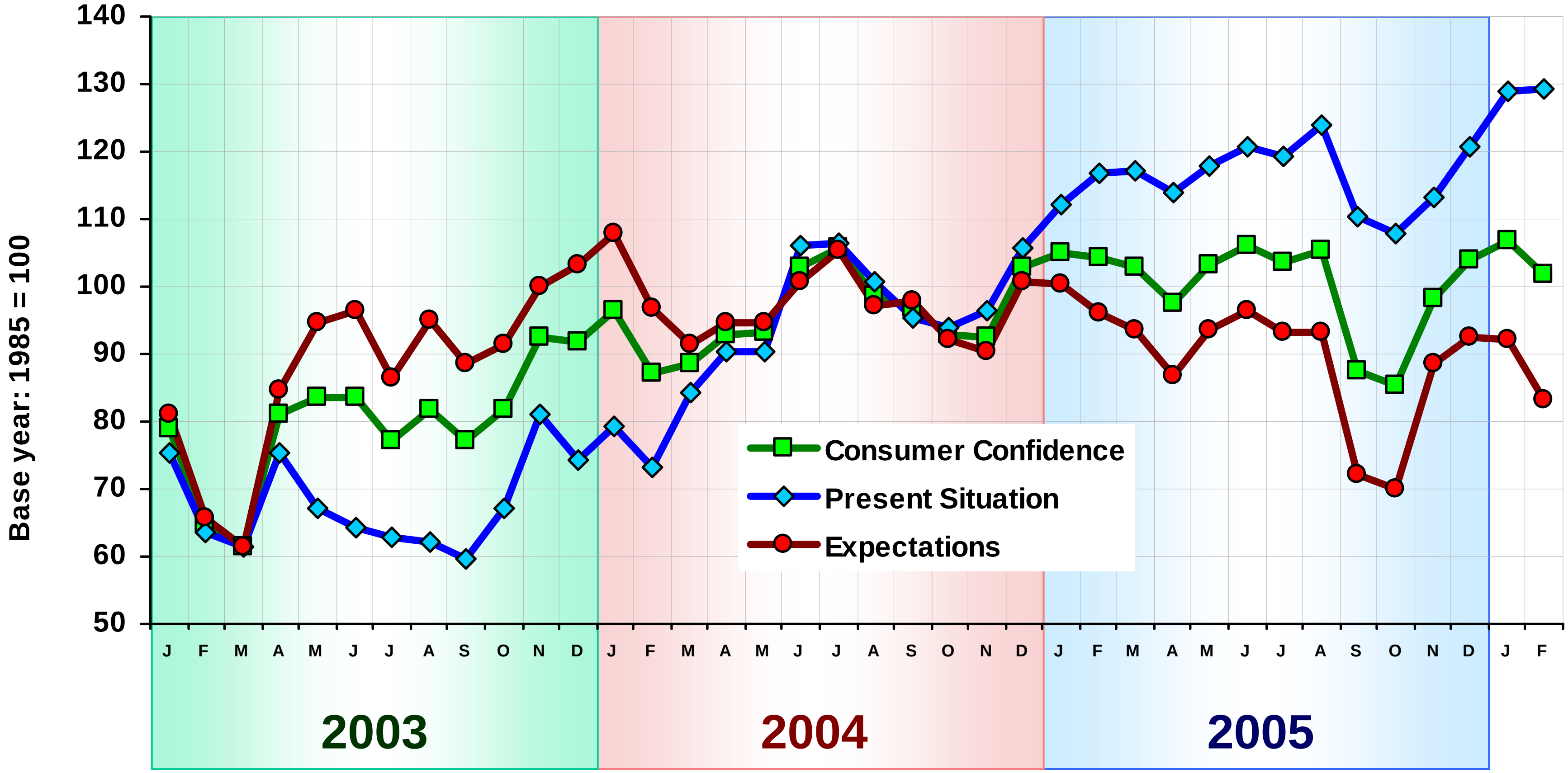
CONSUMER CONFIDENCE INDEX
U.S. RESIDENTS



f- datum for February

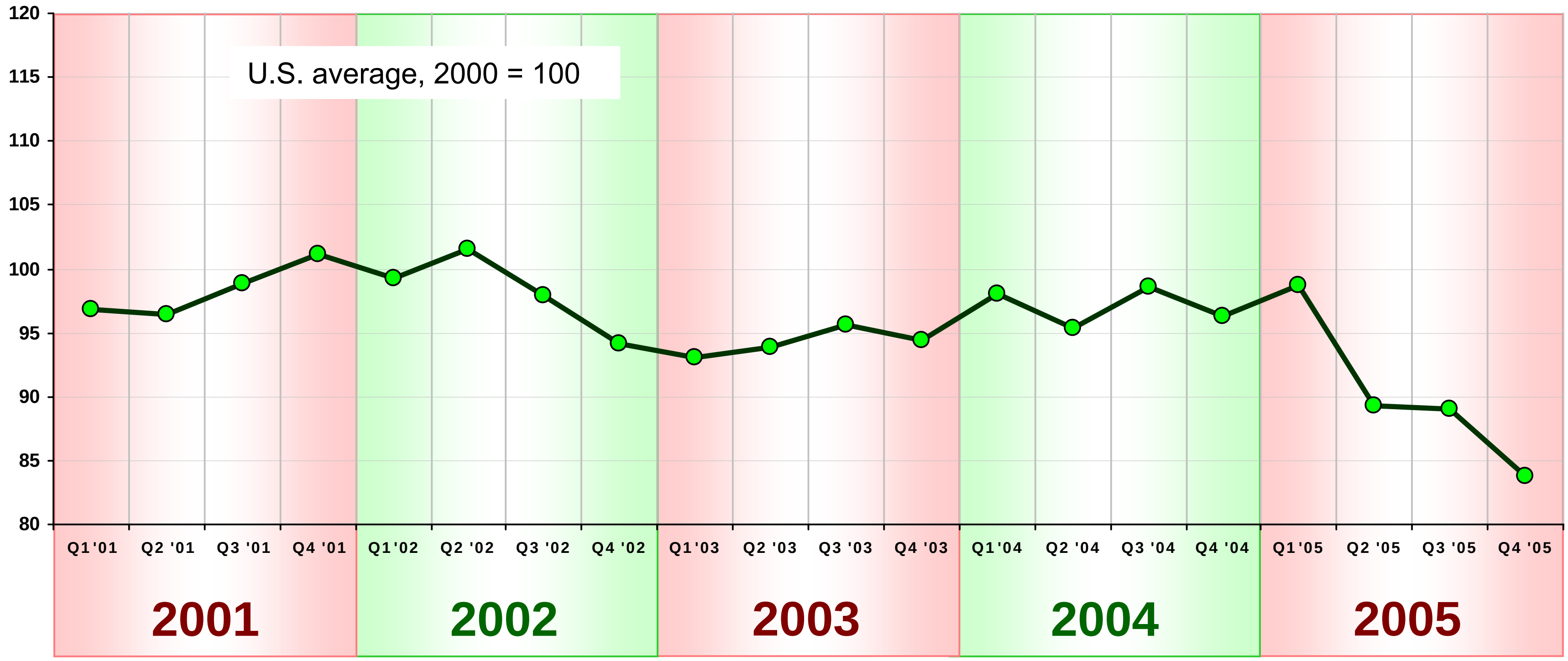
Source: The Conference Board.

CONSUMER CONFIDENCE INDEX
U.S. RESIDENTS



Source: The Conference Board.

OVERALL U.S. TRAVELER SENTIMENT INDEX



Index – A measure of travelers' financial and time-wise ability to travel, interest in leisure travel, perception of service quality, and affordability of travel.

Source: Travel Industry Association of America.

FORECAST FOR U.S. TRAVEL IN 2006

Travel volume	1.3%	Business travel
	1.8%	Leisure travel
Travel spending	4.0%	U.S. residents
Travel prices	1.8%	

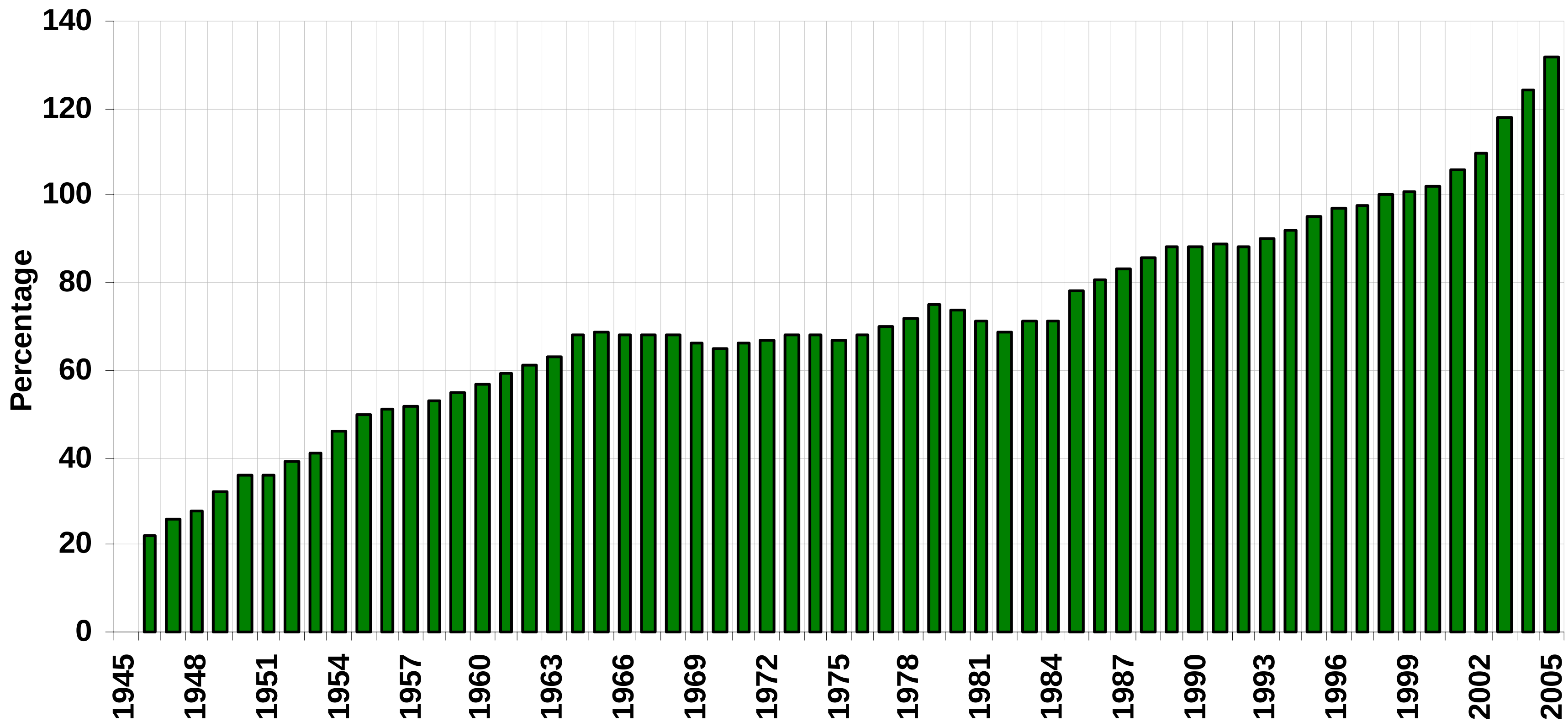
Source: Travel Industry Association of America.

MIDWESTERNERS PROPENSITY TO TRAVEL

- Traveler Sentiment Index (TSI) – [is] “Reflecting negative consumer confidence and rapidly rising travel and gas costs [in] post-hurricane season…
- “recent rapid declines in the cost of gasoline, as well as early reports of an improvement in consumer confidence overall, may mitigate some of these negative perceptions in the months to come.”(…)
- “Finances are a particular concern for residents of the Midwest compared to last quarter, with this region showing the largest declines in the perceived affordability of travel (-32.0%) and in the ability to travel based on their finances (-25.6%). (…)”

Source: Travel Industry Association of America. Excerpts from news release of December 22, 2005.

TOTAL OUTSTANDING DEBT AS A PERCENTAGE OF PERSONAL DISPOSABLE INCOME (U.S.)



Source: "Surveys of Consumers" University of Michigan; March 10, 2006.

NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2006 (I)

GM offers 113,000 workers up to $140K to leave

Auto industry “troubles”:

- Massive down-sizing of the workforce is planned.
- There will be a negative ripple effect on employment across the Michigan economy.
- Those still employed will earn less (e.g., no bonuses, little over-time pay).
- Employees’ and retirees’ benefits will be scaled back.
- Pension plans are significantly under-funded.
- Everyone is asking: How much worse will the “troubles” become?
- <u>The bottom line</u>: A whole lot of people will have less money to spend than they’ve had in the past, AND uncertainty about the future will make them reluctant to spend what they have.

NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2006 (II)

- Unemployment is high in Michigan and in its prime travel markets, and it is projected to remain high.
- Reductions in government employment and services, and closing of some facilities can be expected due to sliding tax revenue collections.
- Pricing power is limited by lower prices offered on the Internet.
- Consumer confidence is lower than last year.
- High and rising energy costs are slowing the overall economy and raising travel costs.

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2006 (I)

- Economic forecasts are moderately positive.
- Moderate inflation so far, but…???
- Strong auto travel is probable: new car sales, less air travel, reduced travel budgets.
- Underlying demand is growing (e.g., the baby boomer effect).
- U.S. dollar is weaker versus Canadian currency.
A Michigan trip is available to Canadians at nearly a 10% discount over last year.
- Spending growth in 2005 demonstrates that Michigan tourism "can take a hit and keep on going forward".

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2006 (II)

- Consumers are likely to continue to limit air and long-distance travel.
- Air fares are rising.
- Negative psychology may be unwarranted and/or overblown.
- The national travel forecast improved over last year's.
- Business and conference travel is recovering with the domestic economy.
- Business profits are strong – more investments, more travel.
- With less to spend and higher gasoline prices, Michigan residents are more likely to travel in Michigan where they can get "more bang for their bucks."

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2006 (III)

- It is estimated that post-Labor-Day (PLD) school openings will generate an additional $132 million in direct tourist expenditures and $10 million in total state tax revenues.
- It is estimated that each $1 million of investment in promotion by Travel Michigan will stimulate about $55 million in direct tourist expenditures and over $3 million in state tax revenues.
- If Travel Michigan's promotion budget is increased by $5 million (1/3 of $15 million earmarked for tourism promotion in 21st Century Jobs Fund), direct tourist expenditures will increase by $165 million.
- The combined projected impact of PLD school openings and increased promotion spending is nearly $300 million on direct tourist expenditures (about a 2% increase on a current $17 billion in direct tourist expenditures in Michigan).

REMIND, REMIND, REMIND

Remember to keep reminding your current and prospective visitors that:

- With the new law passed, Michigan schools open AFTER the Labor Day weekend.
- They now have additional weeks and opportunities to take another trip and visit your business late in the summer.

COPING STRATEGIES FOR 2006 (I)

- Promote to Canadians: “Your dollars buy more in Michigan this year!”
- Promote in Michigan: “Stretch your vacation dollars, save on gas, rediscover what Michigan has to offer!”
- This is a good year to develop a “We’ll help to pay for your gas” promotion.
- The auto industry has been good for Michigan’s tourism industry. This would be a great time for “We feel your pain” promotions.

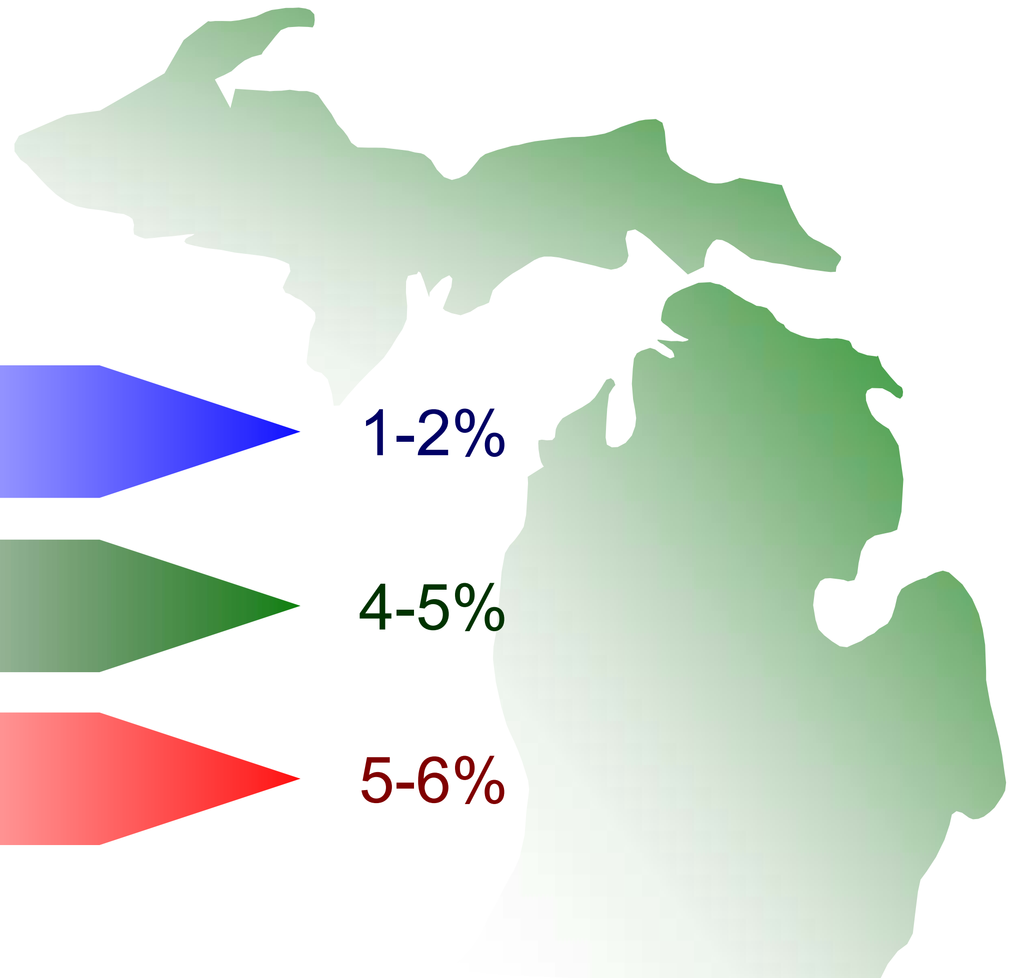
COPING STRATEGIES FOR 2006 (II)

- Reach out to tap more distant markets where economies are stronger than in Michigan's traditional markets. Partner to boost promotion dollars and develop packages (think: cruises) that new visitors will find appealing (good price, lots to do).
- Reach out to attract more minority groups.

THE WILD CARDS

- Terrorism – will it strike again this year? Where?
- Bird flu outbreak in humans.
- Disruption in fuel supply and/or even higher gasoline prices.
- Weather – rarely “normal” in Michigan.
- Are we aware of the extent of auto industry “troubles”?

MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2006



Travel volume — 1-2%
Traffic counts

Travel spending — 4-5%
Lodging sales and use tax collections

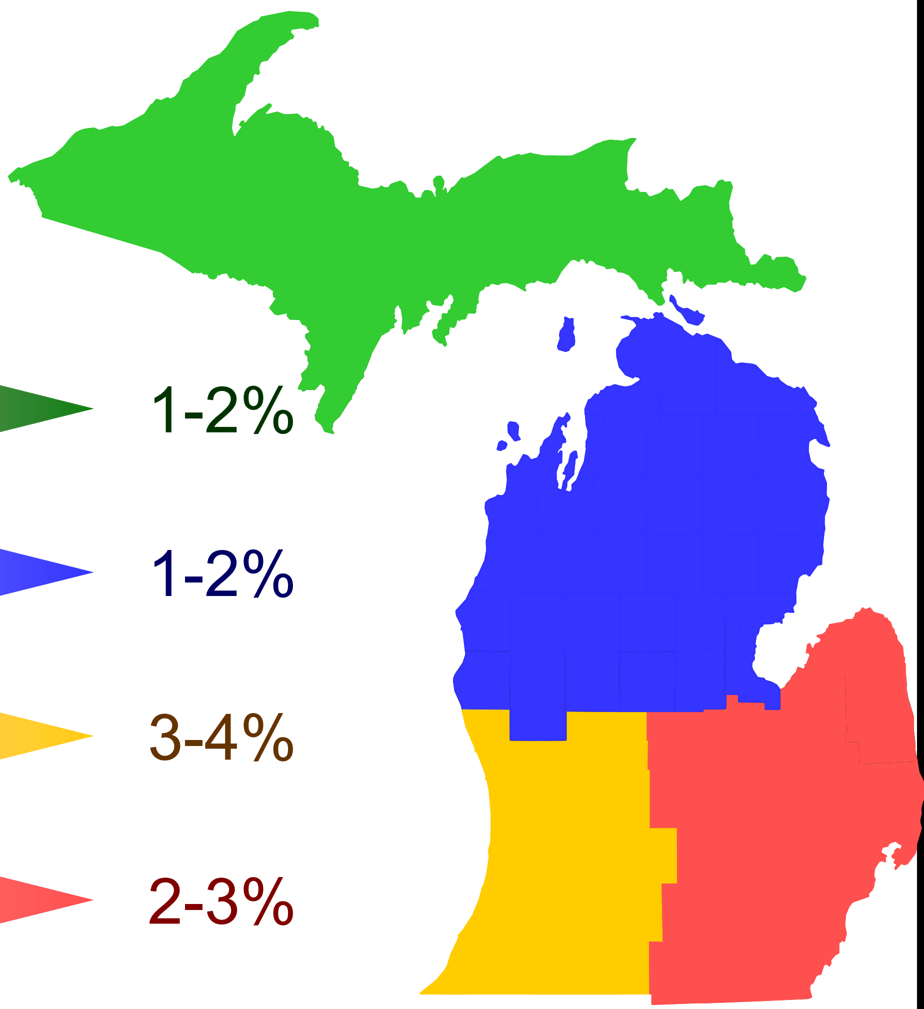
Travel prices — 5-6%
Lodging and restaurant price changes / 2

MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2006 BY SELECTED SEGMENT

Outdoor recreation/camping -	2-3%
Golfing (upscale resorts) -	3-4%
Gaming -	5-6%
Shopping -	2-3%
Lodging -	2-3%

MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2006 BY REGION

Upper Peninsula	1-2%
Northern Lower P.	1-2%
Southwestern region	3-4%
Southeastern region	2-3%



MICHIGAN RANKING AMONG REPORTING STATES (I)

Category	Rank
Number of hotel and motel rooms	13
Length of fresh water shoreline	1
Number of registered boats	2
Number of public golf courses	4
State land available for recreation (acreage)	5

Source: Smith Travel Research; The Office of Ocean and Coastal Resource Management; Michigan Boating Industries Assoc.; National Golf Foundation; "Travel and Tourism in Michigan: A Statistical Profile", Michigan State university, 1991, 2nd Edition.

MICHIGAN RANKING AMONG REPORTING STATES (II)

Category	Rank
Population	8
Payroll generated by domestic travel Jobs generated by domestic travel	13 13
Domestic travel expenditures Domestic travel expenditures per capita	13 48
Vacation cost	27

Source: U.S. Census Bureau; Travel Industry Association of America; AAA.

MICHIGAN RANKING AMONG REPORTING STATES (III)
STATE TOURISM OFFICE BUDGETS

Year	Rank
1990	7
1995	12
2000	20
2004	27
2005	31

Year 2005	Rank
IL	2
MI	31
MN	26
OH	34
WI	15

Source: Travel Industry Association of America.

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