



**House
Legislative
Analysis
Section**

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INTERNATIONAL TOURISM

**House Bill 5089 as introduced
First Analysis (2-14-96)**

**Sponsor: Rep. Greg Kaza
Committee: Tourism and Recreation**

THE APPARENT PROBLEM:

Under the Michigan Tourism Policy Act, the Michigan Travel Bureau works to promote Michigan as a tourist destination; both for people from other states within the U.S., and for individuals from foreign countries. Because of the importance of tourism to the state's economy (it contributes well over \$1 billion to the state and its communities annually), careful consideration of how the bureau's limited funds are spent marketing Michigan as a tourist destination is necessary. This is particularly true of the bureau's international marketing efforts.

When marketing Michigan as an international tourist destination, consideration is given to a number of different factors, including the cost of doing business in the particular country, the potential for attracting tourists from that country to Michigan, the potential return on investment, the currency exchange rates, and the existence of advertising and commercial partnerships. Legislation has been introduced to statutorily require the bureau to consider currency exchange rates before instituting any international marketing efforts.

THE CONTENT OF THE BILL:

Under the Michigan Tourism Policy Act, certain functions related to the development and promotion of the state's tourism industry are assigned to the Travel Bureau, including the administration of programs to market the state as a travel destination. House Bill 5089 would amend the act to require the Travel Bureau to consider foreign currency exchange rate differentials before undertaking any international marketing efforts. Under the bill, the bureau would be required to take into consideration currency exchange rates, along with other relevant factors, when evaluating the potential for attracting visitors from a given country to the state. The currencies to be considered would include, but not be limited to, the Japanese yen, the German deutschmark, the Canadian dollar, the U.K. pound sterling, and the Mexican peso.

MCL 2.102a

FISCAL IMPLICATIONS:

Fiscal information is not available. (2-13-96)

ARGUMENTS:

For:

The Michigan Travel Bureau's funds are limited and with decreasing federal assistance are becoming more limited. As a result it is increasingly important that marketing strategies be carefully thought out. Although the bureau already considers the potential effect of currency exchange rates when planning its marketing strategies, insertion of such a requirement in statute will serve to ensure that this practice will be retained regardless of any change in the administration and/or the bureau's leadership.

Against:

Exchange rates are too volatile to rely upon in planning marketing strategies. Suddenly changing exchange rates could force the bureau to change its strategies so often that it might be unable to accomplish anything.

Response:

The bureau would not have to react to every fluctuation of the currency exchange rates. However, there are some clear trends which should not be ignored. For example, for some time the value of the U.S. dollar has been declining as against the currencies of Germany and Japan, and as a result tourists from these countries would be more likely to desire to travel to Michigan than tourists from a country like Mexico, whose currency has lost value against U.S. currency.

Against:

Consideration of the exchange rate between the Canadian dollar and the U.S. dollar might result in neglecting an important market. Even though the Canadian dollar is, and has been, performing quite poorly against the U.S. dollar, tourism from Canada to Michigan is significant and should continue to be encouraged in spite of the poor exchange rate.

Response:

The bill would only require that the issue of currency exchange rate be considered when making marketing decisions. It would not require that the exchange rate

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be made an overriding priority when making such decisions. Clearly, in the case of Canada, other considerations could outweigh the negative impact of the exchange rate. Such decisions would remain within the purview of the Michigan Travel Bureau.

POSITIONS:

The Michigan Travel Bureau, within the Michigan Jobs Commission, supports the bill. (2-13-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.