2007 MICHIGAN TOURISM

PAST PERFORMANCE AND FUTURE EXPECTATIONS

Michigan
Lodging and Tourism
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TOURISM INDUSTRY:

GLOBAL, NATIONAL AND MICHIGAN PERSPECTIVE

TOURISM INDUSTRY ON THE GLOBAL LEVEL (I)

"…Travel & tourism…the world's largest generator of wealth and jobs."

In 2006:

- Tourism was the world's largest industry: approx. $6.5 trillion.
- The direct and indirect impact of travel and tourism on the world's economy was forecast to be approximately 10.3 percent of total gross domestic product (GDP).
- Tourism was the world's largest employer: 234 million jobs and expected to increase to 279 million jobs by 2016.
- The tourism industry has experienced relatively steady growth over several decades.
- The 10-year annual growth forecast for 2007-2016 is 4.2 percent per year: an outlook for strong, long-term growth.

Source: World Travel & Tourism Council (WTTC); http://www.wttc.org/2006TSA/pdf/World.pdf.

TOURISM INDUSTRY ON THE GLOBAL LEVEL (II)

Tourism in 2006

- 842 million international tourist arrivals
- World tourism increased by 4.5% since 2005
- Africa – biggest growth rate – 8%
- Americas – slowest growth rate – 2%

Forecast 2007

- The increase in international tourist arrivals is projected to be around 4%, much in line with the forecast long-term annual growth rate of 4.1% through 2020.
- Growth is expected to be more solid as businesses, consumers, governments and international institutions such as the UNWTO are now better able to anticipate shocks and to respond more effectively to crises.

Source: UN World Tourism Organization (Madrid, 29 January 2007; http://world-tourism.org/newsroom/Releases/2007/january/recordyear.htm).

TOURISM INDUSTRY ON THE GLOBAL LEVEL (III)

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'S GLOBAL CARD" AND THE U.S.

THE BIG PICTURE

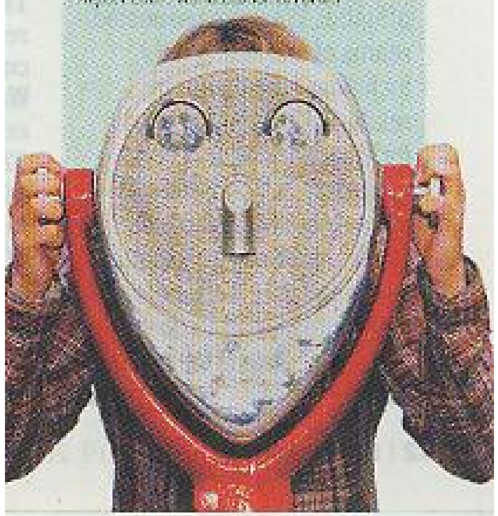
TOURISM'S GLOBAL REPORT CARD

SWITZERLAND tops the World Economic Forum's first-ever ranking of 124 countries based on their appeal as a tourist destination. Austria and Germany were Nos. 2 and 3, respectively. Iceland was No. 4, with the U.S. rounding out the top five. The list is based on 52 variables, from a country's culture to its security. America could improve in a few areas, such as its citizens' attitudes toward foreign visitors—though it still beats France, No. 122, on that score.

–*Lindsey Gerdes*

Factors affecting travel-and-tourism appeal	U.S. rank (out of 124 countries)
Travel-and-tourism environment and infrastructure	1
Natural and cultural resources	3
Price competitiveness	99
Citizen attitudes toward tourists	101

Data: Travel & Tourism Competitiveness Report 2007, World Economic Forum



Source:
Business Week
of March 11, 2007, p. 11

TOURISM INDUSTRY ON THE NATIONAL LEVEL (I)

In 2005:

The Travel Industry Association of America's (TIA) statistics show "travel was…:

- One of the country's largest employers with
  - 7.5 million direct travel-generated jobs and
  - $171 billion direct travel-generated payroll.
- One of the country's largest industries with
  - $654 billion in direct spending (…)
  - $1.3 trillion in direct, indirect and induced travel expenditures (…)
  - $105 billion in tax revenue for local, state and federal governments. (…)" during that same year.

Source: "Tourism Works for America. Travel industry snapshot 2007", Travel Industry Association of America.

TOURISM INDUSTRY ON THE NATIONAL LEVEL (II)

In 2006:

- "Travel and tourism supported 8.3 million American jobs, of which 1.1 million were supported by travel and tourism exports.
- More people were employed by travel and tourism-related industries than were employed in the construction industry, the business and financial industries, agriculture, education, or healthcare."
- Travel and tourism exports accounted for 7 percent of all U.S. exports.
- The U.S. travel and tourism industry finished the year with a $7.3 billion surplus, $2.4 billion less than in 2005.
- The 18th consecutive year that the travel and tourism industry has generated a balance of trade surplus.

Source: The U.S. Office of Travel and Tourism Industries (OTTI), news release of February 15, 2007.

TOURISM INDUSTRY IN MICHIGAN

In 2005:

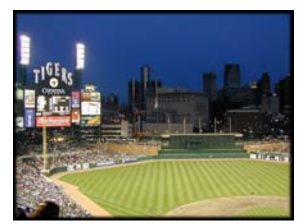
- Direct travel expenditures reached $17.6 billion, an increase of 0.4 percent over 2004.
  - Direct expenditures on leisure travel reached $12.1 billion, a decrease of 3.4 percent over 2004, and constituted 69 percent of overall direct travel expenditures.
  - Resident expenditures constituted 51 percent of overall direct travel expenditures.
- There were 107 million person-trips taken in Michigan
  - 79 percent of them were leisure-related
  - 72 percent of them were by taken by Michigan residents.
- $270 – average resident travel party spending per Michigan trip.
- $630 – average non-resident travel party spending per Michigan trip.

Source: Strategic Research Unit, Research and IT Division, Michigan Economic Development Corporation.

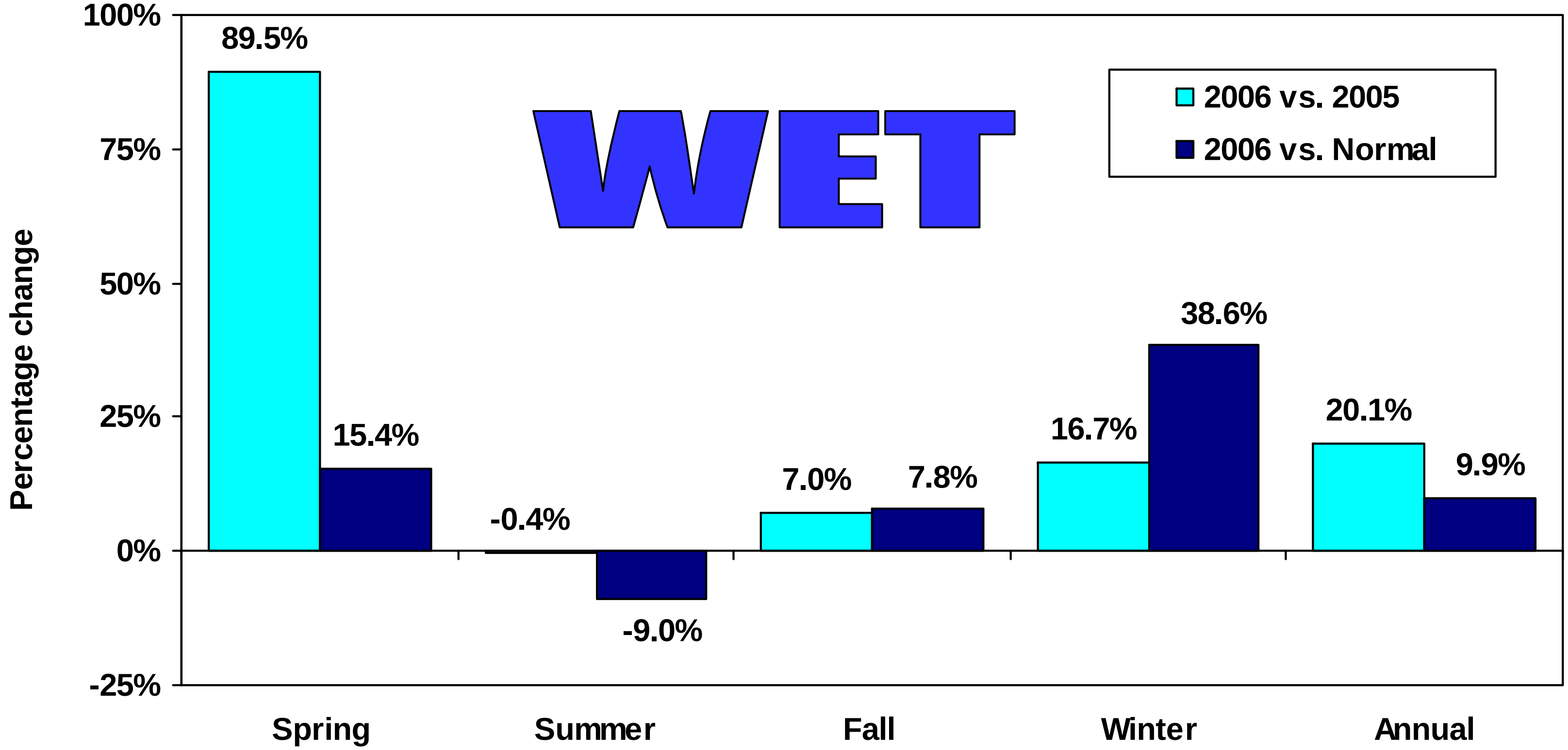
MICHIGAN TOURISM:

A LOOK BACK AT THE YEAR

2006



MICHIGAN TOURISM INDUSTRY INDICATORS: OVERALL PRECIPITATION

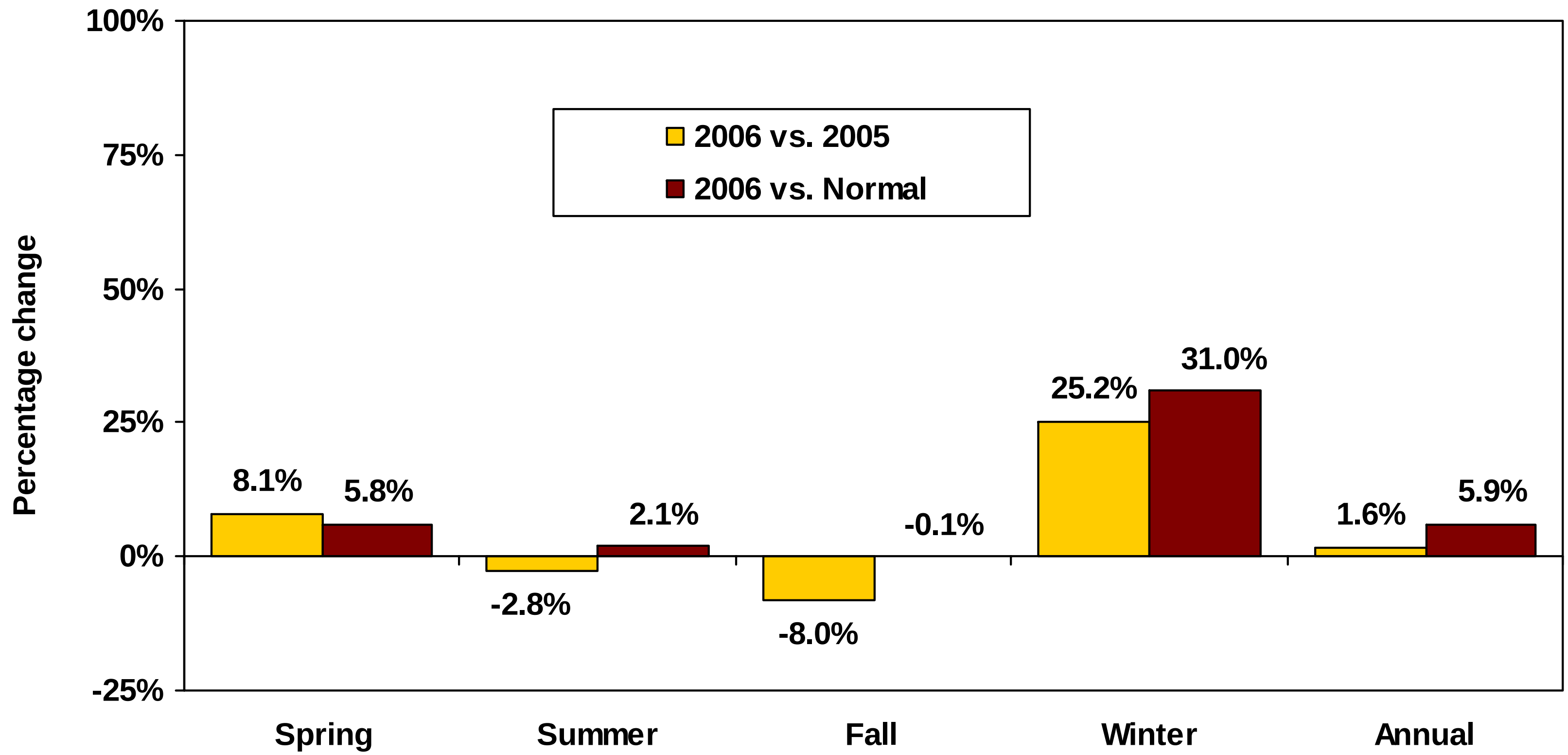


Spring: March, April and May
Summer: June, July and August

Fall: September, October and November
Winter: January, February, December of the same year

Source: Midwestern Regional Climate Center.

MICHIGAN TOURISM INDUSTRY INDICATORS: AVERAGE MAXIMUM TEMPERATURES



Spring: March, April and May
Summer: June, July and August
Fall: September, October and November
Winter: January, February, December of the same year

Source: Midwestern Regional Climate Center.

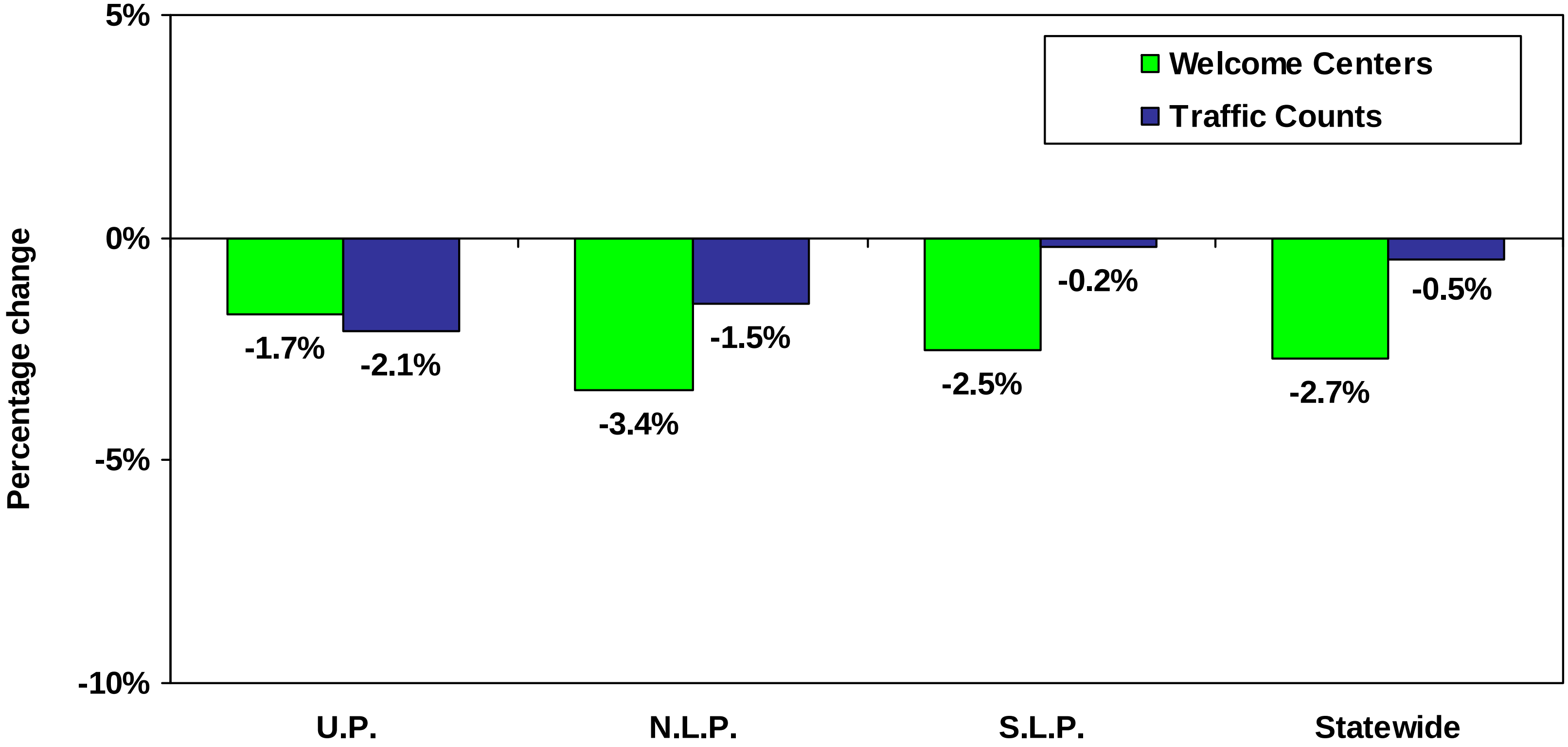
MICHIGAN HIGHWAY TRAFFIC COUNTS
YEAR-TO-YEAR CHANGE

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

Note: There are 32 lower monthly counts in comparison to the same month in the prior year.

Source: Michigan Department of Transportation.

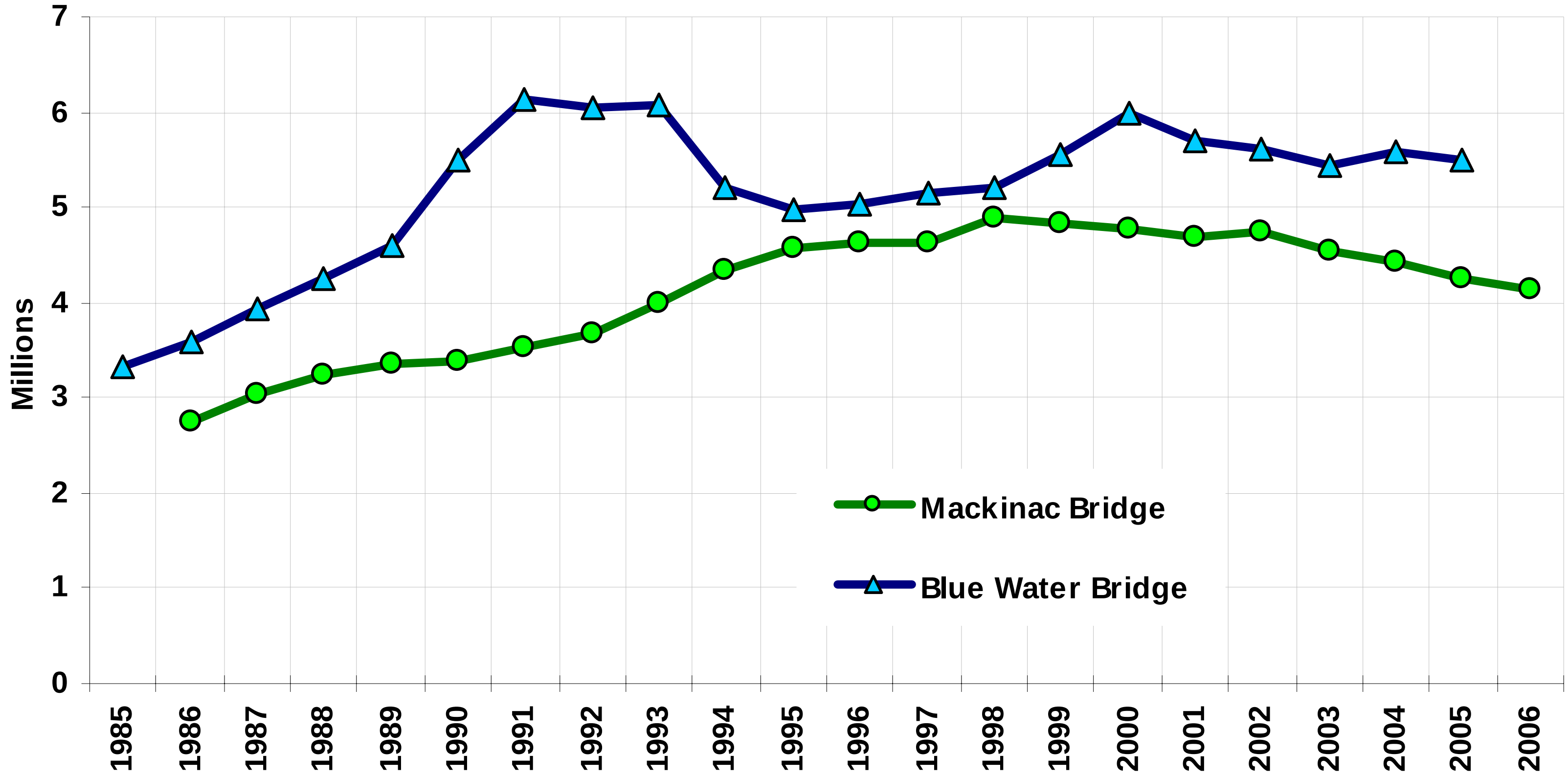
MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005
WELCOME CENTER VISITOR COUNTS & TRAFFIC COUNTS



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.

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
2001	↓	↓	↑	↑	↓	↓	↑	↑	↓	↓	↑	↑
2002	↓	↑	↓	↓	↑	↑	↑	↑	↑	↑	↓	↑
2003	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
2004	↓	↑	↓	↓	↓	↓	↓	↓	↑	↓	↓	↓
2005	↑	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓
2006	↓	↓	↓	↑	↓	↓	↓	↓	↑	↓	↑	↑
2007	↓											

Note: There are 50 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

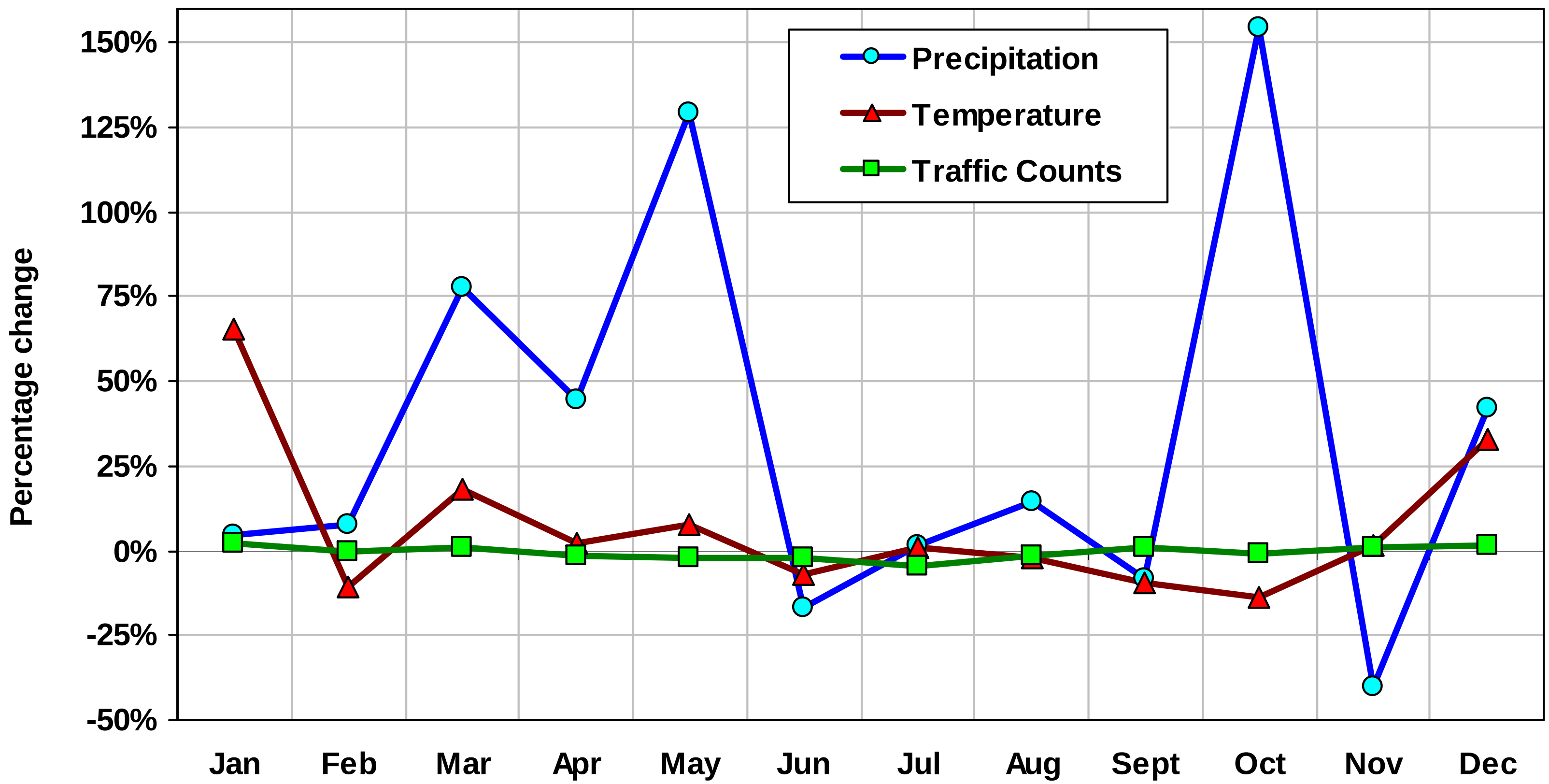
Year	Count (million)	% from prev. year
1987	3.033	10.2%
1988	3.229	6.5%
1989	3.350	3.7%
1990	3.390	1.2%
1991	3.535	4.3%
1992	3.678	4.0%
1993	3.993	8.6%
1994	4.333	8.5%
1995	4.557	5.2%
1996	4.625	1.5%

Year	Count (million)	% from prev. year
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%
2006	4.133	-2.4%

Source: Mackinac Bridge Authority.

Drop from 1998 to 2006 level – 15.5%

MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005
WEATHER AND TRAFFIC



Source: Midwestern Regional Climate Center; Michigan Department of Transportation.

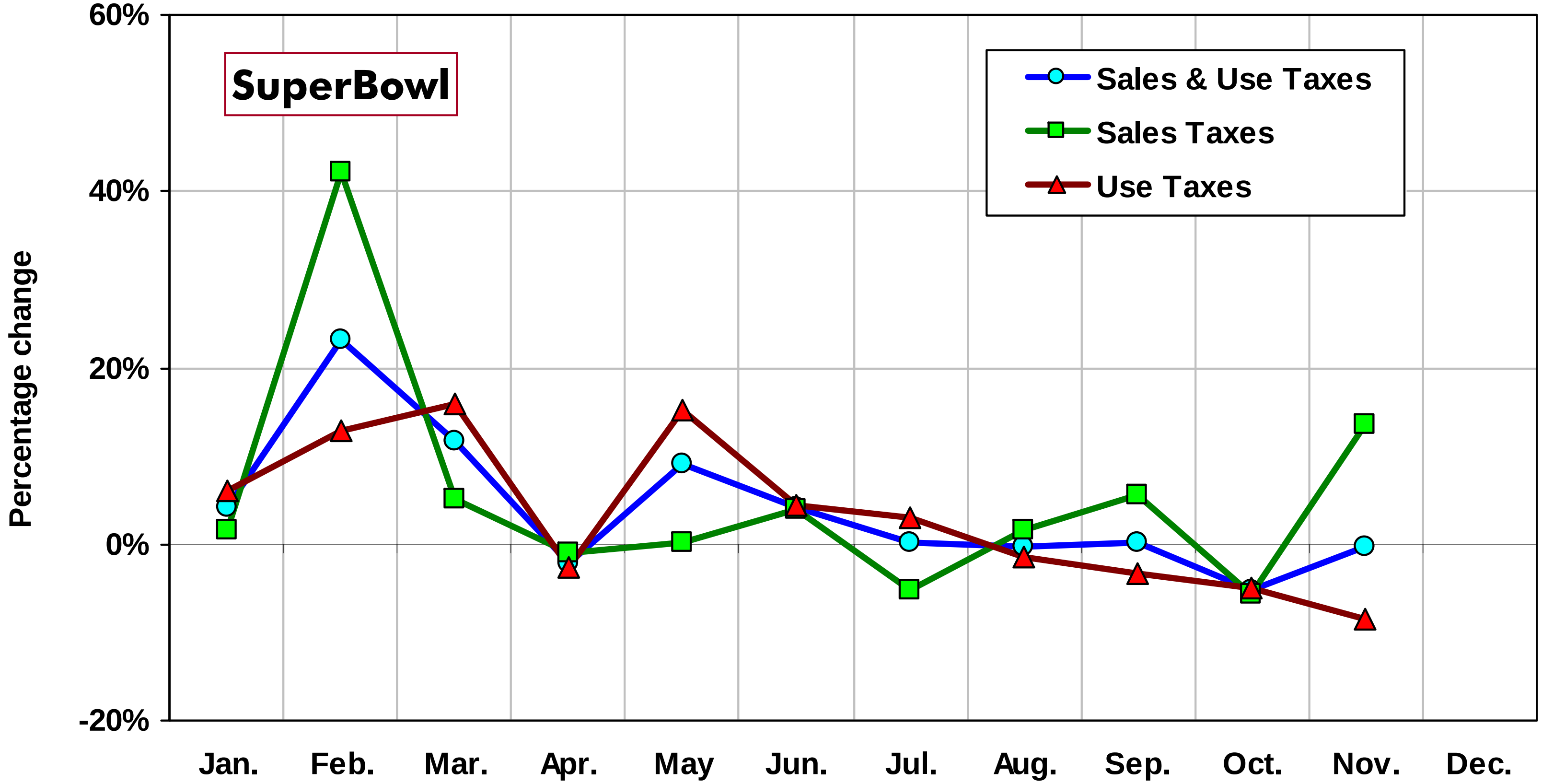
HOTEL SECTOR PERFORMANCE: OCCUPANCY RATES

	2005	2006	% Change Over '05 Occupancy
Michigan	53.4 %	53.9%	+0.9%
Detroit	57.0 %	56.9%	-0.2%
U.S.	63.1 %	63.4%	+0.5%

Source: Smith Travel Research.

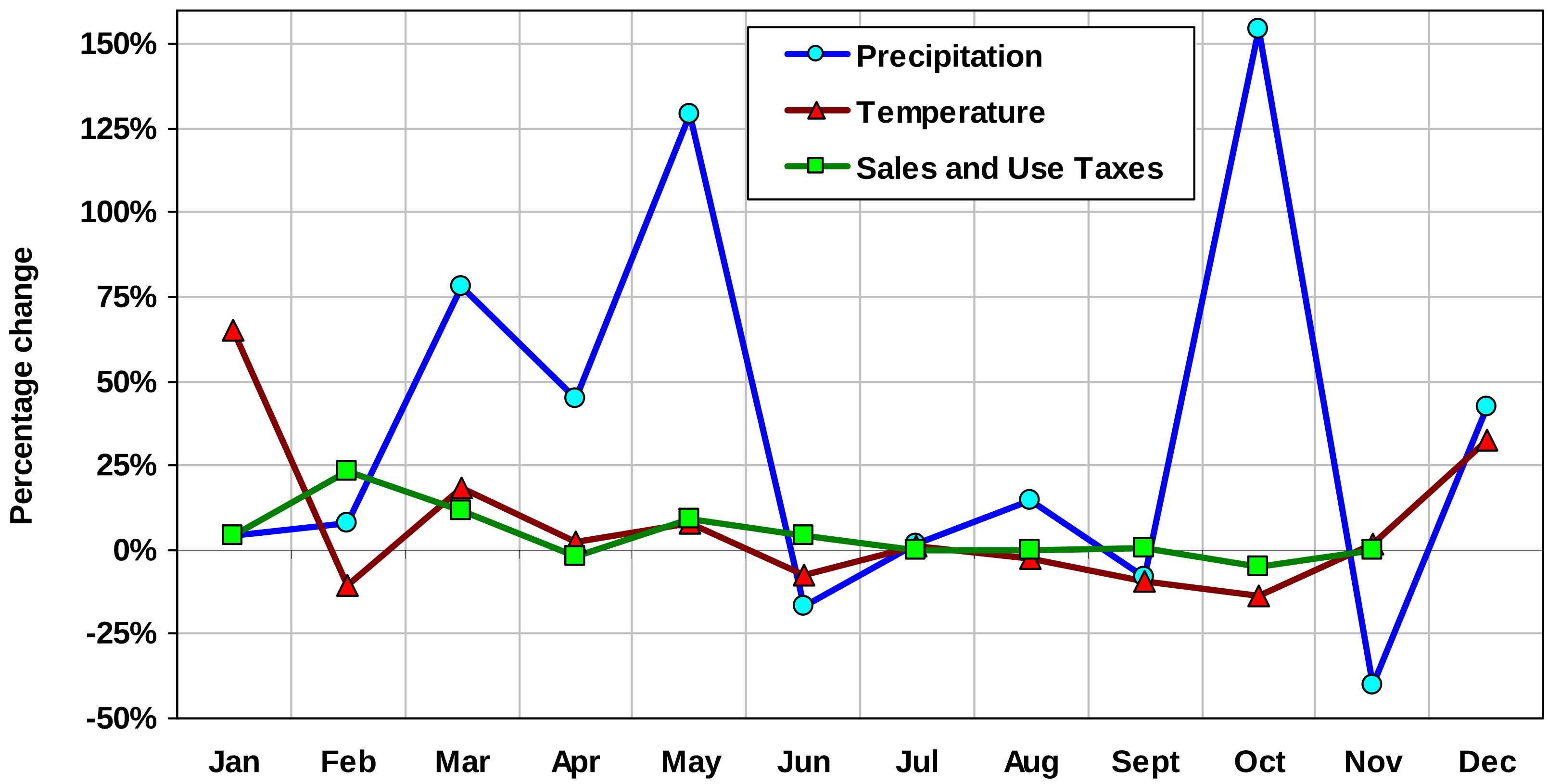
Source: "The State News", Feb 7, 2007, p.5B

MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005 MONTHLY CHANGES IN HOSPITALITY TAXES (SIC 701)



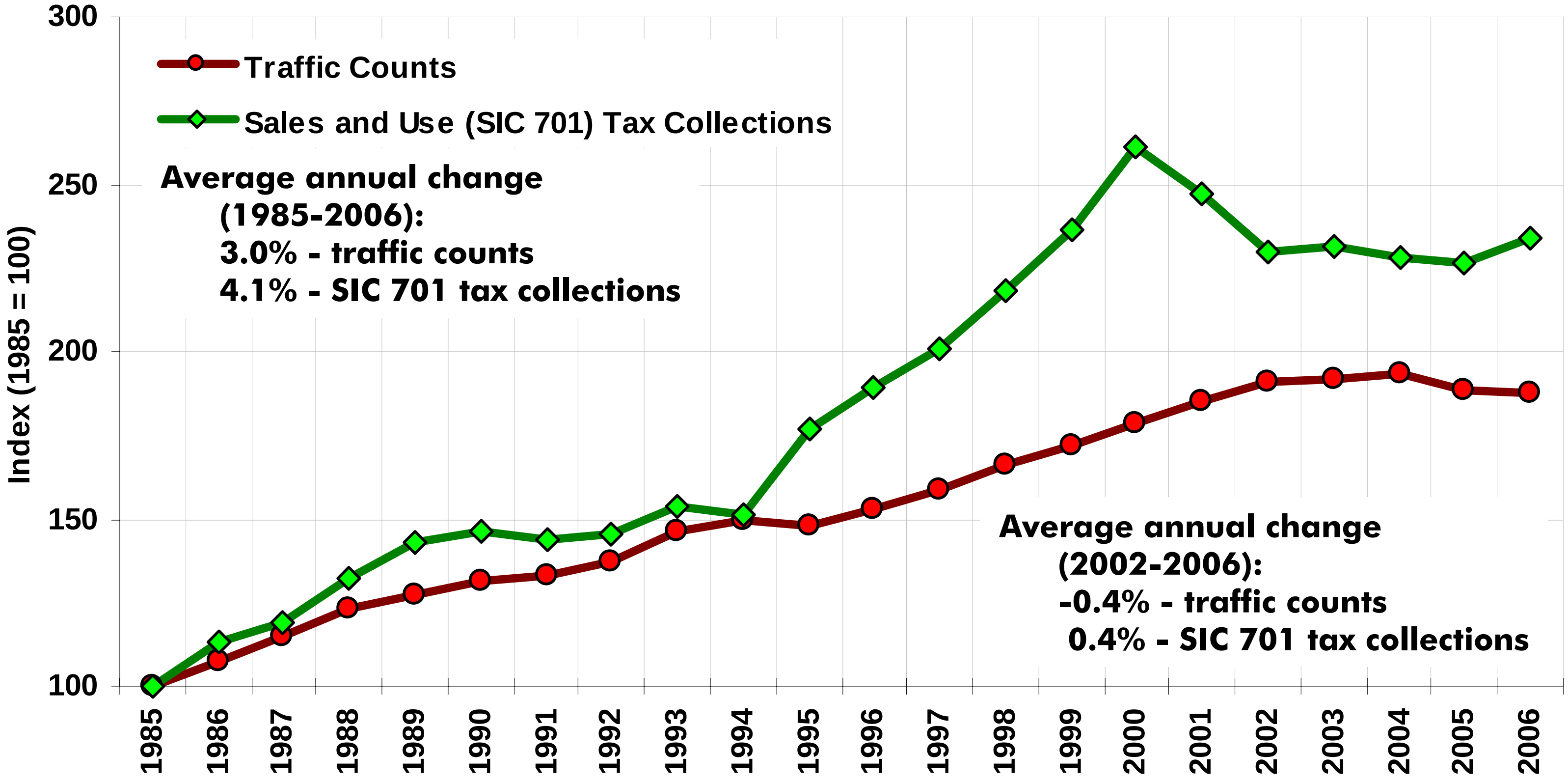
Source: Michigan Department of Treasury, Office of Revenue and Tax Analysis.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005
WEATHER AND TAXES



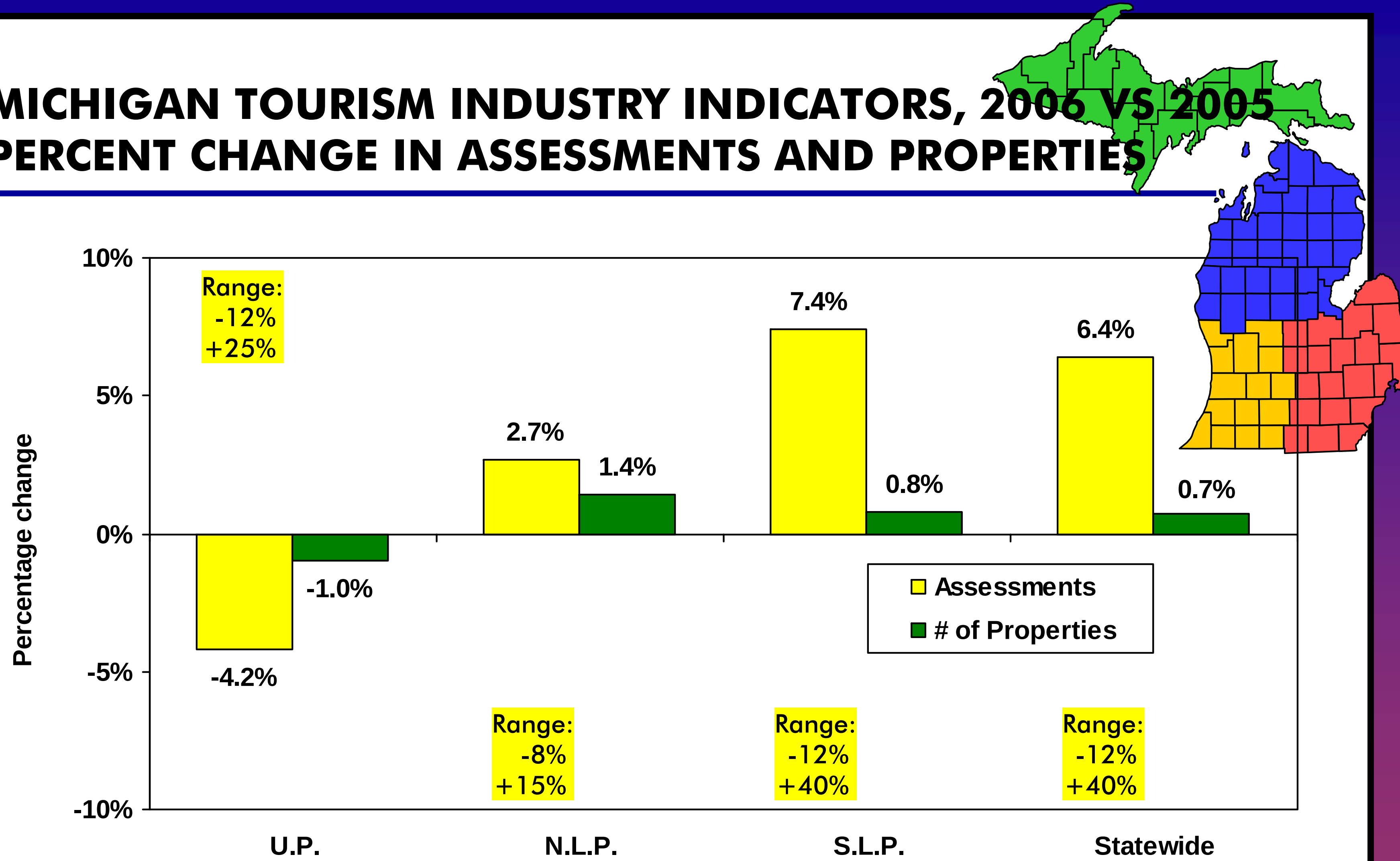
Source: Midwestern Regional Climate Center; Michigan Department of Treasury, Office of Revenue & Tax Analysis.

HOSPITALITY TAX COLLECTION AND TRAFFIC COUNT TRENDS IN MICHIGAN



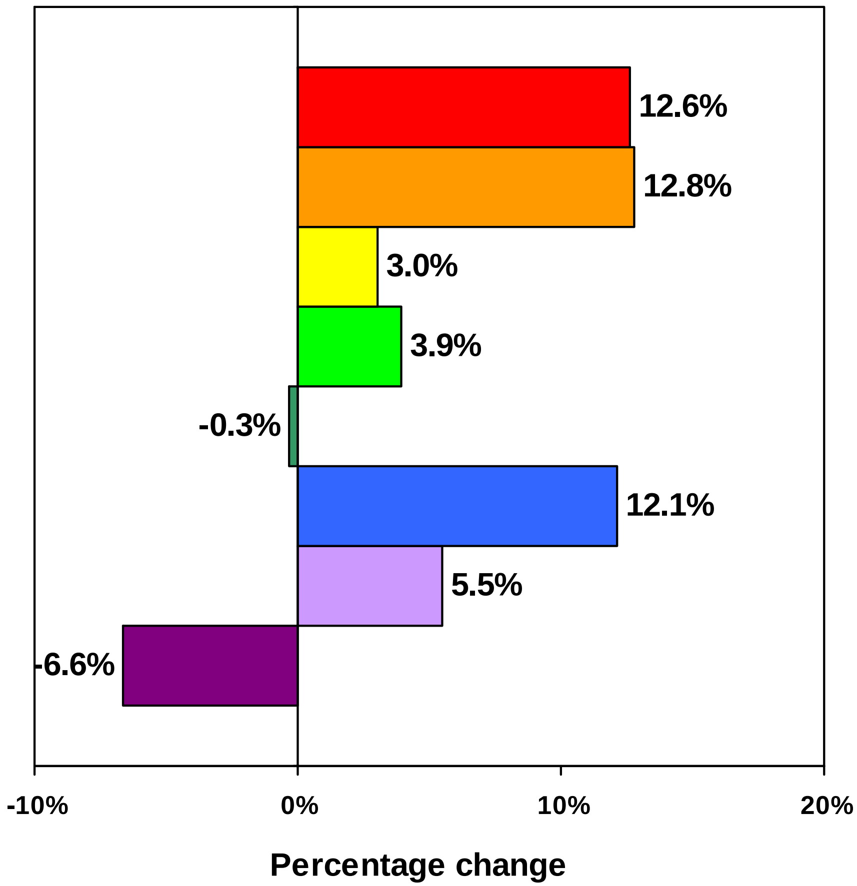
Source: Michigan Department of Transportation and Michigan Department of Treasury.

MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005
PERCENT CHANGE IN ASSESSMENTS AND PROPERTIES



Source: 2007 CARRS Tourism Resource Center's Survey of Assessment Districts (36 CVBs reporting).

MICHIGAN TOURISM INDUSTRY INDICATORS
ECONOMIC INDICATORS: 2006 VS 2005



Michigan Regular Unleaded Gasoline Prices (Nominal)

National Regular Unleaded Gasoline Prices (Real)

Restaurant Prices (Detroit/Ann Arbor/Flint)

Lodging Prices (U.S. City Average)

U.S. Expectations Index (EI)

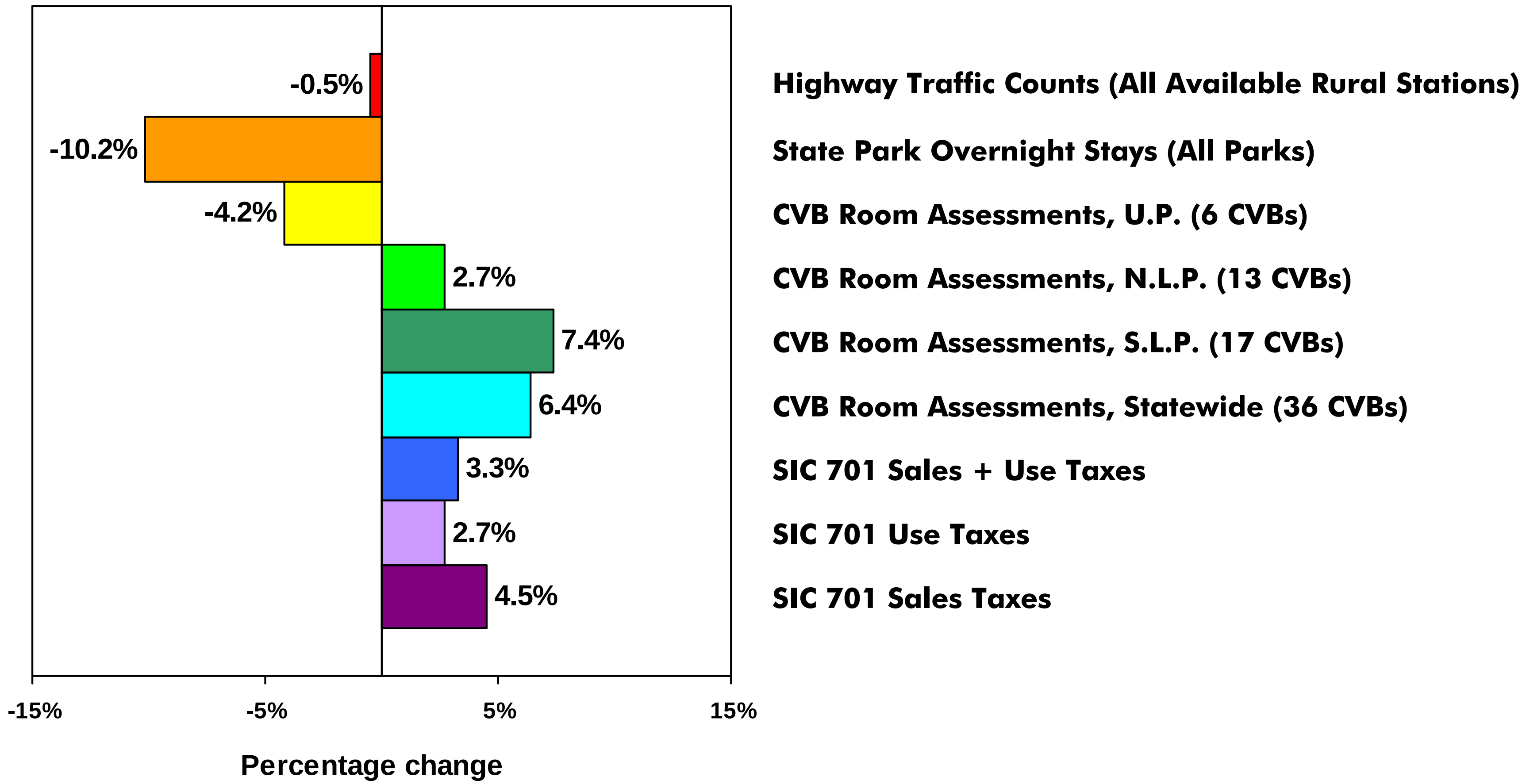
U.S. Present Situation Index (PSI)

U.S. Consumer Confidence Index (EI and PSI composite)

Exchange Rate $Can/$US

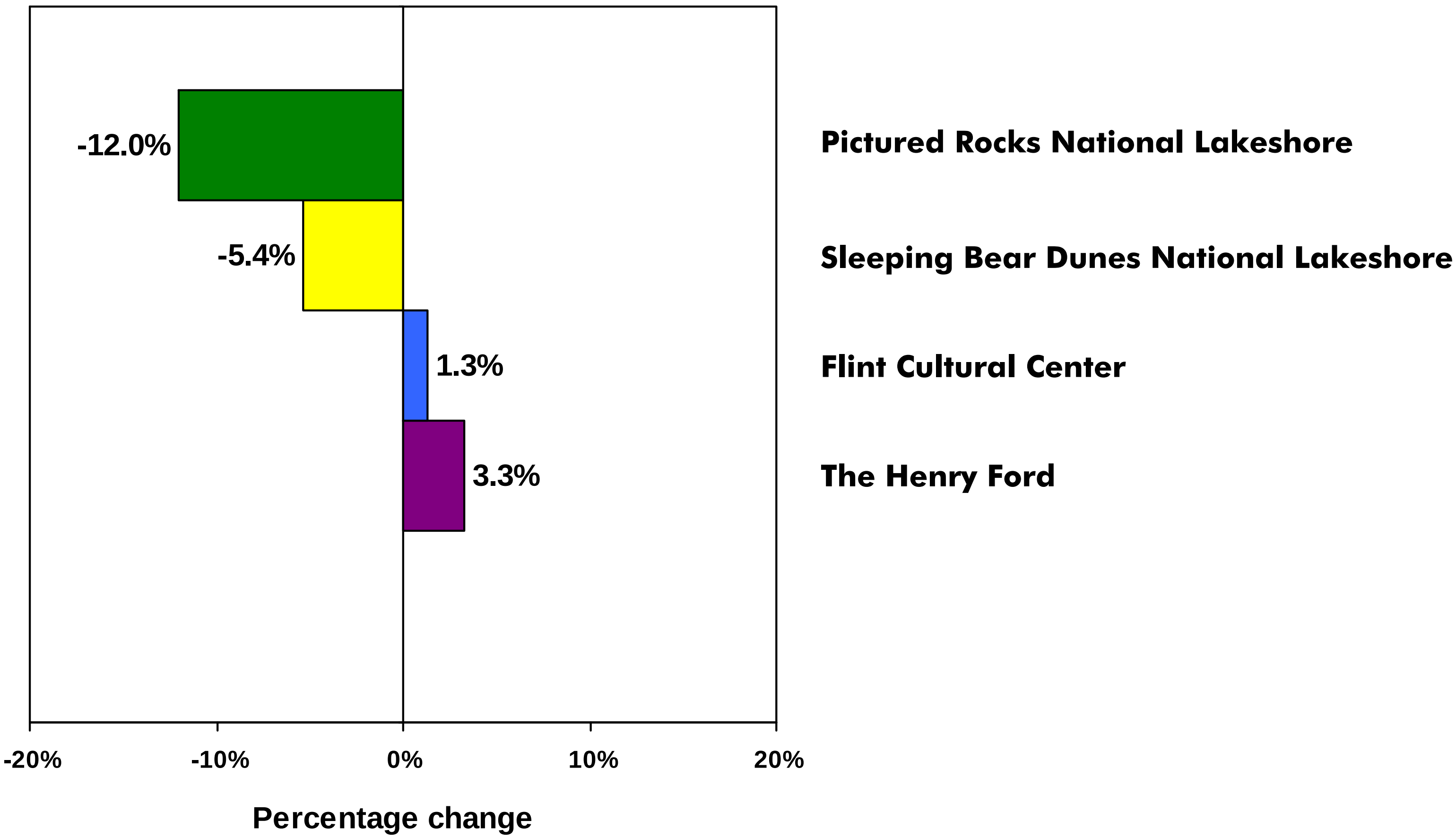
Source: Bureau of Economic Analysis; AAA Michigan; The Conference Board; Federal Reserve Board.

MICHIGAN TOURISM INDUSTRY INDICATORS
TOURISM ACTIVITY INDICATORS: 2006 VS 2005



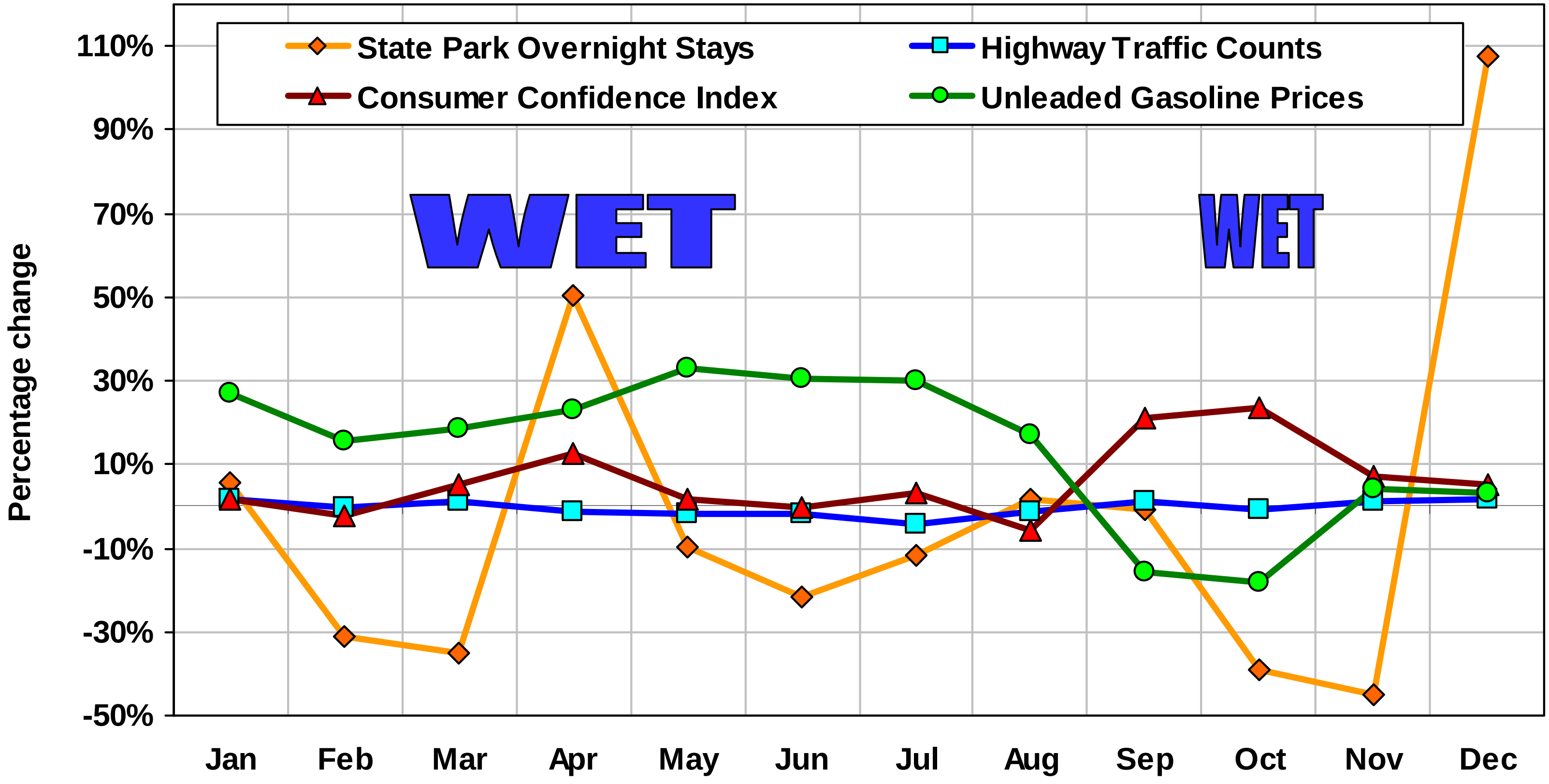
Source: Michigan Dept. of Transportation; Michigan Dept. of Natural Resources, Bureau of Parks and Recreation; CARRS Tourism Resource Center, MSU; Michigan Dept. of Treasury, Office of Revenue & Tax Analysis.

MICHIGAN TOURISM INDUSTRY INDICATORS
TOURISM ACTIVITY INDICATORS: 2006 VS 2005



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

MICHIGAN TOURISM INDUSTRY INDICATORS, 2006 VS 2005
MONTHLY CHANGES IN TOURISM ACTIVITY INDICATORS



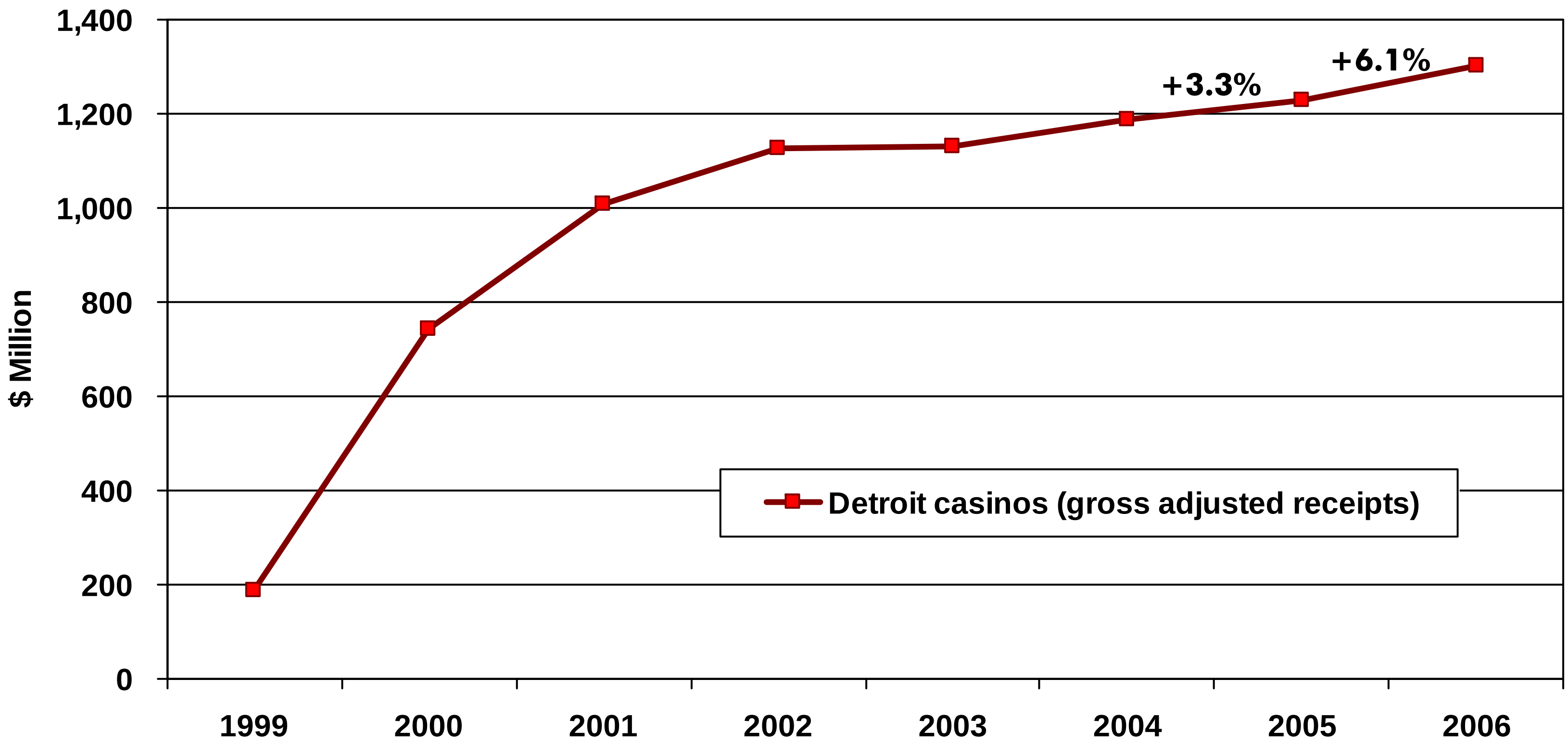
Source: Michigan Department of Transportation; AAA Michigan; The Conference Board;
Michigan Department of Natural Resources, Bureau of Parks and Recreation.

THREE DETROIT CASINOS: TOTAL ADJUSTED GROSS RECEIPTS

Month	2005 (in $ millions)	2006 (in $ millions)	% from prev. year
January	101	104	3%
February	102	109	7%
March	109	115	6%
April	104	106	2%
May	106	107	1%
June	93	106	14%
July	107	110	3%
August	103	109	6%
September	95	110	16%
October	104	103	-1%
November	100	108	8%
December	105	116	10%
Total	1,229	1,303	6%

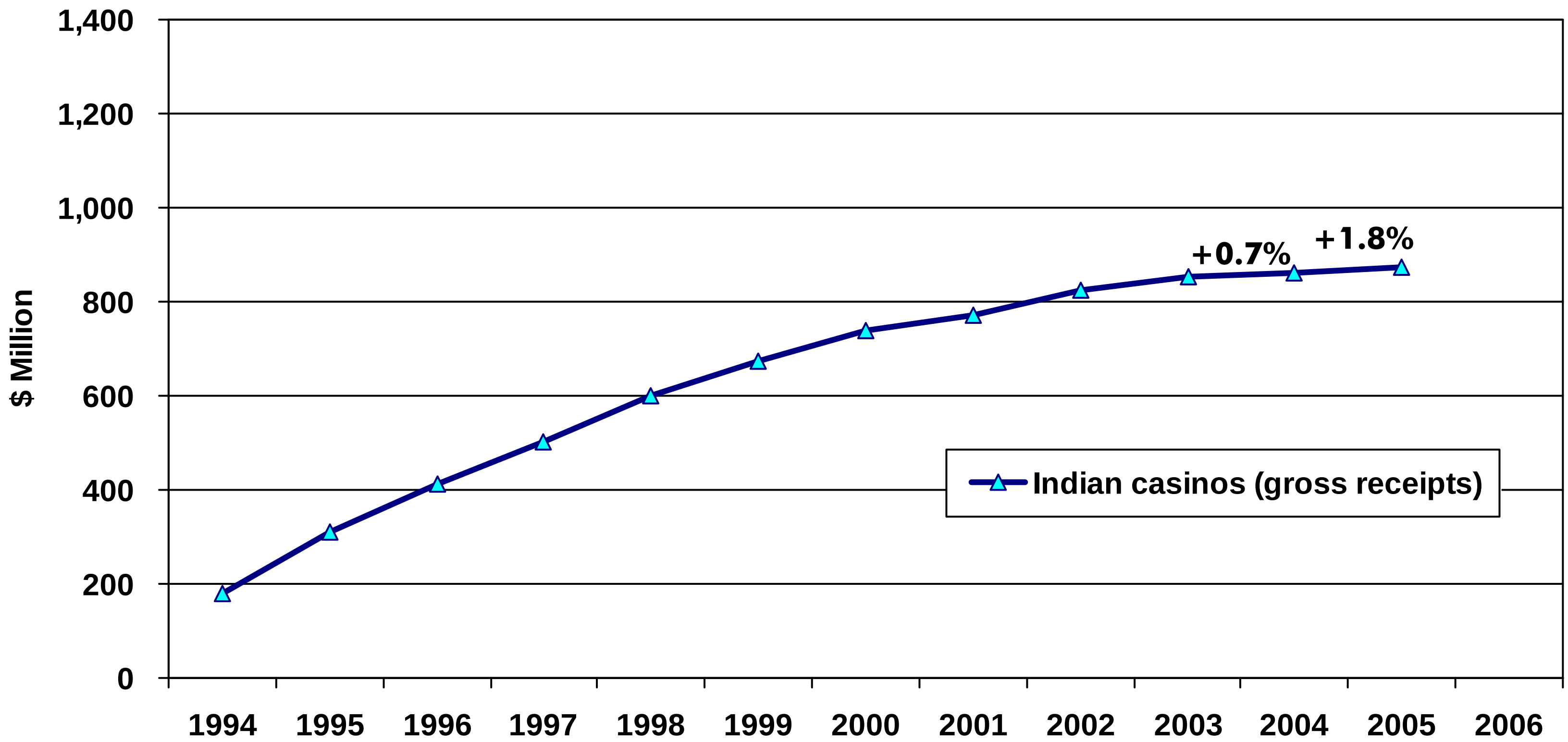
Source: Michigan Gaming Board Commission: http://www.michigan.gov/documents/revstaxes_2006_150384_7.xls

THREE DETROIT CASINOS:
TOTAL ADJUSTED GROSS RECEIPTS



Source: Michigan Gaming Board Commission (http://www.michigan.gov/mgcb/).

INDIAN CASINOS' REVENUES: TOTAL GROSS RECEIPTS



Source: Michigan Gaming Board Commission (http://www.michigan.gov/mgcb/).

2007

MICHIGAN
TOURISM FORECAST

DEVELOPING THE FORECAST (I)

- Michigan travel activity is tracked by the Tourism Resource Center throughout the year.
- Current data are added to extend the long-term trend, but we believe that the industry may have slipped to a long-term slower growth pattern.
- Trend data and economic forecasts are reviewed for their expected impacts – positive and negative.
- One time events (e.g., SuperBowl) are noted for both the last and current years.
- We review weather patterns for the previous year.

DEVELOPING THE FORECAST (II)

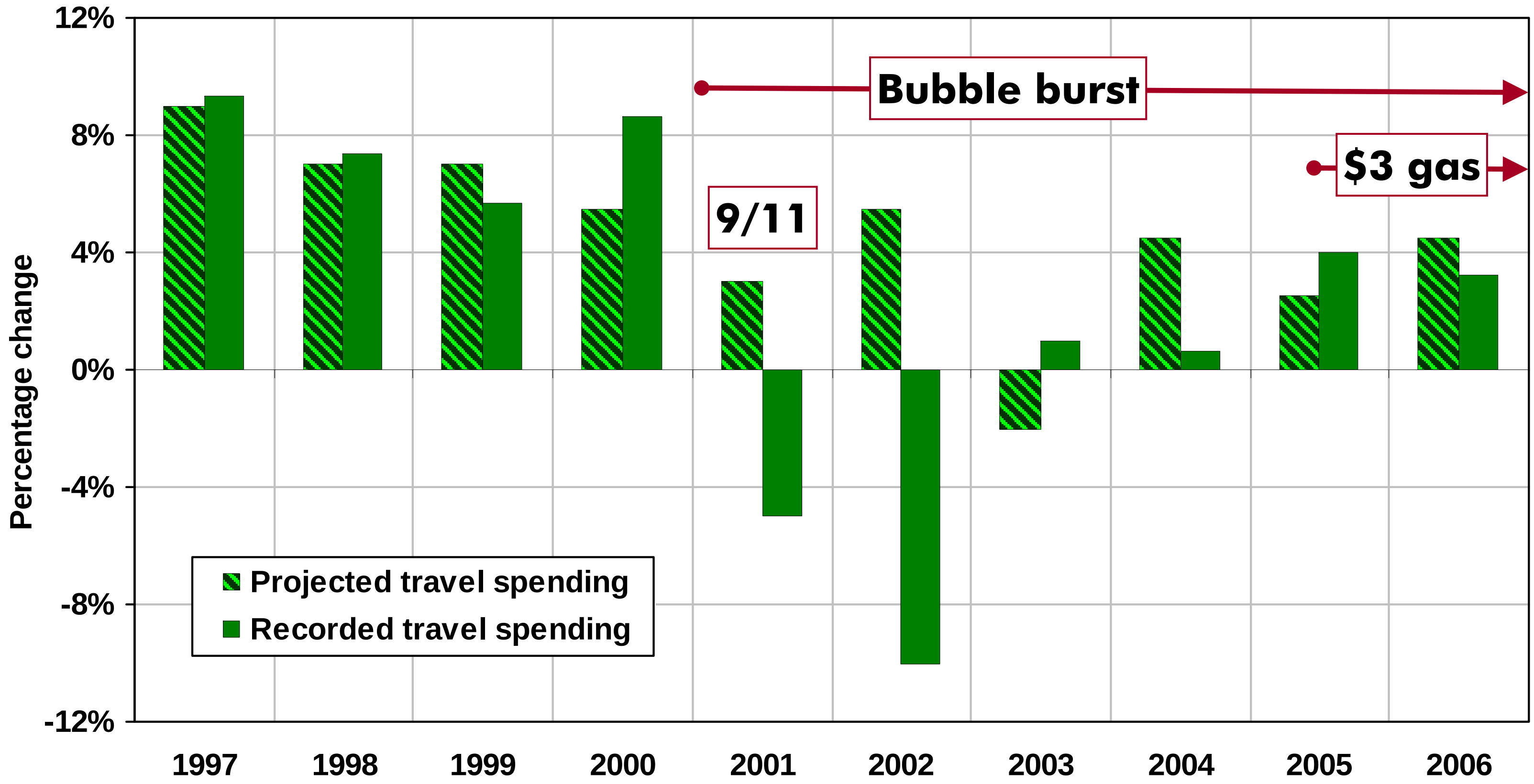
- A survey of CVBs is conducted to assess performance in previous year.
- All of the above are presented and discussed by an assembled “Brain Trust” (in 2007, we met on March 1).
- Each member provides his/her projection and they are averaged to arrive at our collective forecast.
- Staff continue to track events and may “tweak” the original forecast, if any dramatic shifts occur.
- Participants in ‘Brain Trust” meeting 2007:
  David Lorenz, George Moroz, David Morris, Michael O’Callaghan, Dr. Robert Richardson, Annette Rummel, David Smyth, Dr. Christine Vogt, Dr. Donald Holecek and Teresa Herbowicz.

HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM IN 2006?

	2006		2005	
	Projected by MSU	Actual data	Projected by MSU	Actual data
Travel volume	1-2%	-0.5%	2-3%	-2%
Travel spending	4-5%	3.2%	2-3%	4%
Travel prices	5-6%	3.2%	3-4%	3%

Source: CARRS Tourism Resource Center (MSU); Michigan Department of Transportation; Michigan Department of Treasury.

HOW ACCURATE WERE MSU'S PROJECTIONS FOR MICHIGAN TOURISM OVER THE YEARS?



Source: CARRS Tourism Resource Center (MSU); Michigan Department of Treasury.

WHY 2006 RESULTS WERE AT OR BELOW THE LONG-TERM TREND?

- Michigan’s unemployment rate remained high.
- Only few new products were offered to stimulate Michigan travel.
- Auto industry “troubles” worse than expected.
- Gasoline prices persistently high from April to August.
- Most problematic was weather pattern – wet fall hurt color season, warm weather in late fall hurt snow sports.

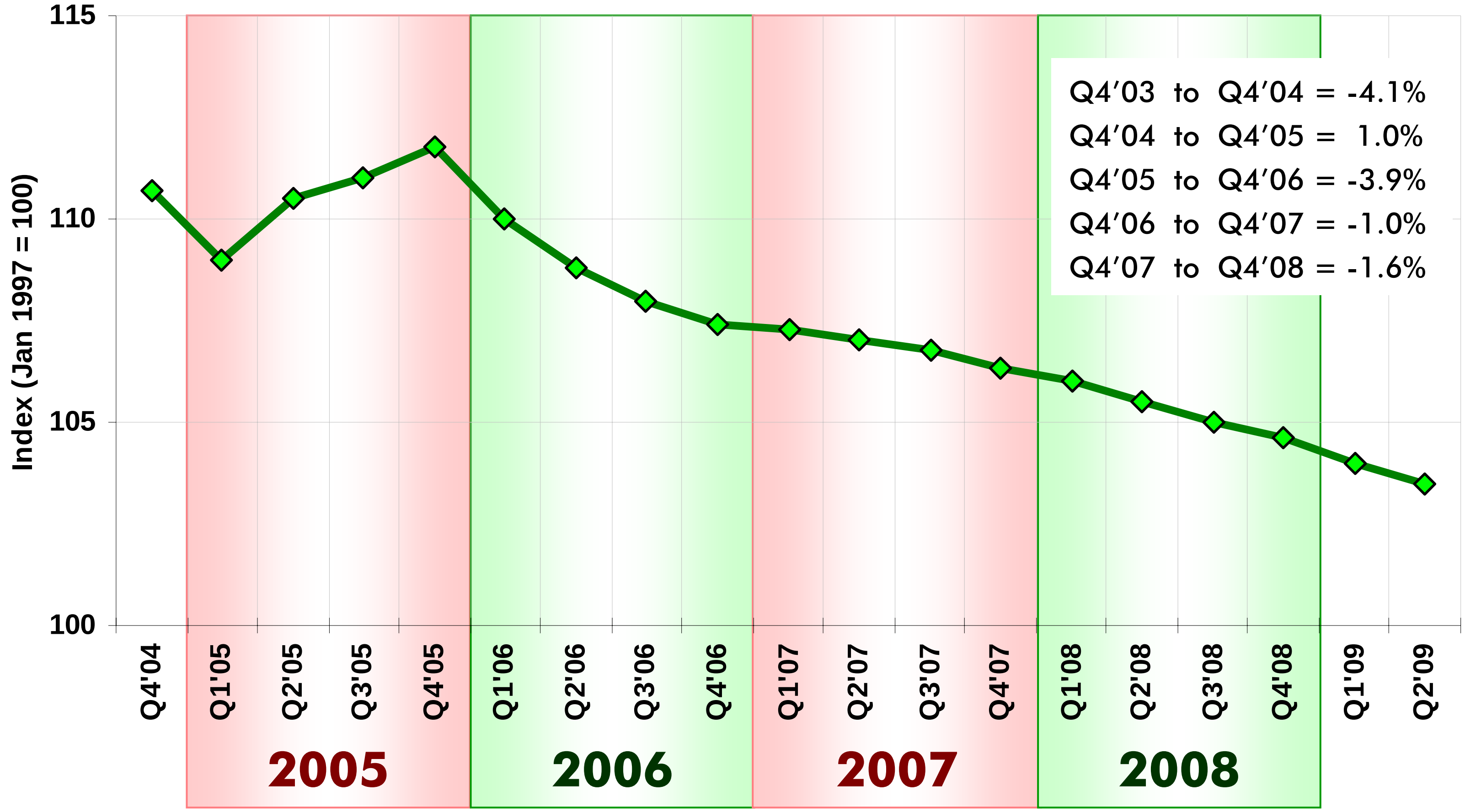
TRENDS IN FACTORS THAT INFLUENCE TRAVEL (I)

Exchange rates

per $1.00 U.S.:	March 2 2007	March 2 2006	% change	U.S. $ is ...	In 2000
Canada	1.17	1.14	+2%	stronger	1.46
Japan	116.85	115.91	+1%	stronger	109.09
Euro	0.76	0.84	-10%	weaker	N.A.
Mexico	11.21	10.48	+3%	stronger	9.36
J.P. Morgan Index	88.6	90.2	-1.7%	weaker	109.0

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

VALUE OF U.S. DOLLAR (FRB BROAD INDEX)



Source: RSQE - University of Michigan.

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (II)

	2007	2006	% change
Interest rates – March 2-3			
30-year mortgage (average)	5.71%	5.81%	-2%
10-year treasury bond	4.63%	4.69%	-1%
90-day treasury bill	5.13%	4.59%	+12%
Prime rate	8.25%	7.50%	+10%
Gasoline prices - February			
Unleaded regular - Michigan	$2.31	$2.27	+2%
	March 12 – $2.55		

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

TRENDS IN FACTORS THAT INFLUENCE TRAVEL (III)

	2007	2006	% change
Consumer Confidence Index			
End of February	112.5.	101.7	+11%
Unemployment (January; seasonally adjusted)			
U.S.	4.6%	4.7%	-2%
Michigan	6.9%	6.2%	+11%

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, 2007	12,114	2,368	1,387
March 2, 2006	11,026	2,311	1,289
12-month change	+1,088	+57	+98
% change (year-to-year)	+10%	+3%	+8%
% change (year-to-date)	+3%	-2%	-2%
Record levels	11,722 Jan 2000	5,048 Mar 2000	1,500+ Mar 2000

Source: The Wall Street Journal; www.CNNMoney.com

HOUSING PRICES: UNITED STATES VERSUS MICHIGAN (ANNUAL CHANGE)

Metro Area	Median Price 4Q 2005 (in 000s)	Median Price 4Q 2006 (in 000s)	% Change (1-yr)
U.S.	$225	$219	-2.70%
Northeast	$282	$275	-2.50%
Midwest	$169	$162	-4.20%
South	$189	$182	-3.70%
West	$354	$355	0.40%
Grand Rapids, MI	$135	$130	-4.10%
Detroit-Warren-Livonia, MI	$156	$155	-10.50% *
Lansing-East Lansing, MI	$139	$135	-2.90%

Source: http://money.cnn.com/2007/02/15/real_estate/latest_prices_q4/index.htm.
* http://www.forbes.com/2007/01/25/strongest-housing-markets-forbeslife-cx_mw_0125strongestlosses_slide_2.html

GOING GLOBAL

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

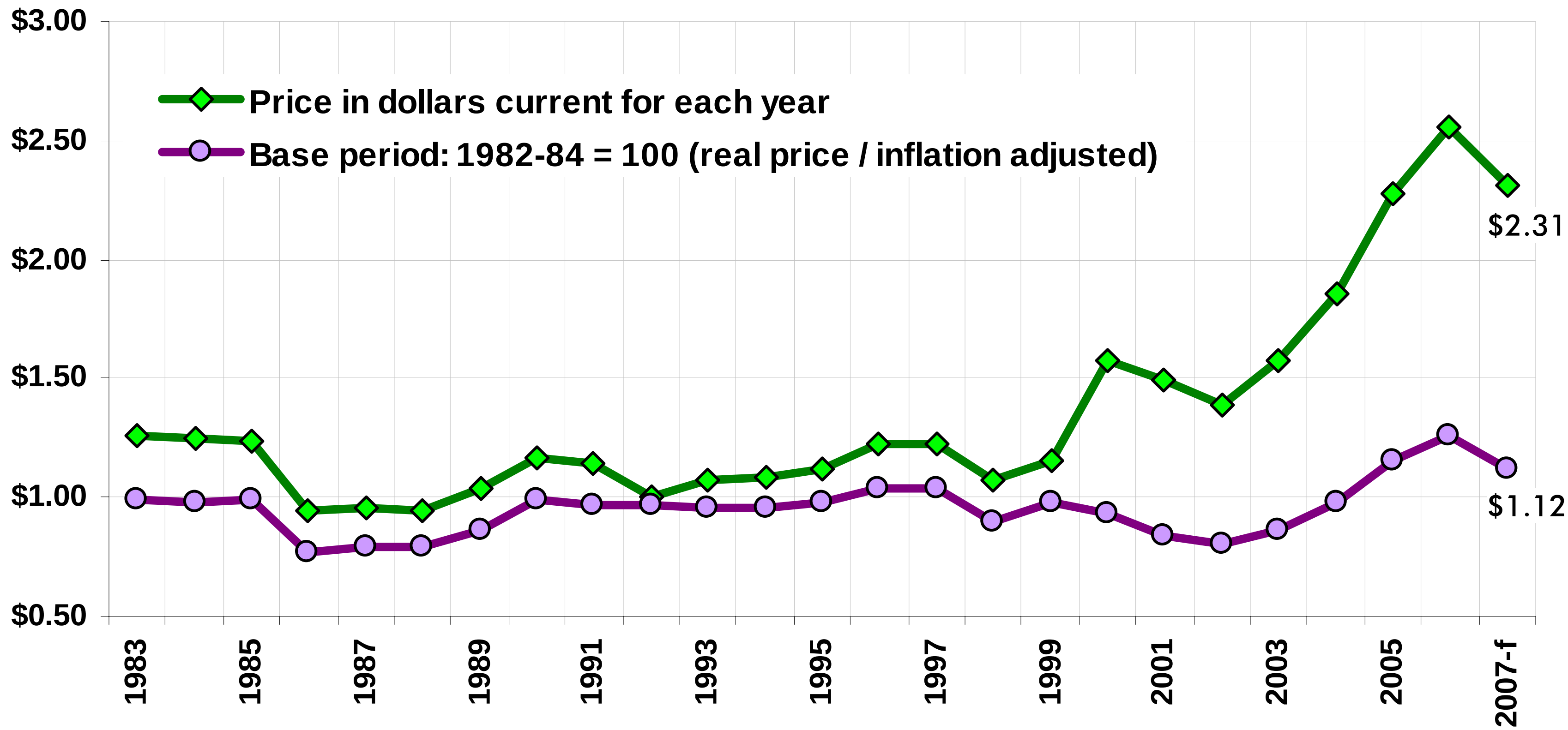
CITY	PRICE (REGULAR)	DATE
Amsterdam	$6.21	May 2005
Paris	$5.43	May 2005
Tokyo	$4.61	May 2005
U.S.	$2.62	Aug. 2005
Kuwait City	$0.68	Aug. 2005
Caracas	$0.12	Aug. 2005

SOURCES: ARINC, AAA

CNN/Money.com
Aug 31, 2005

CNN/Money.com
September 1, 2005

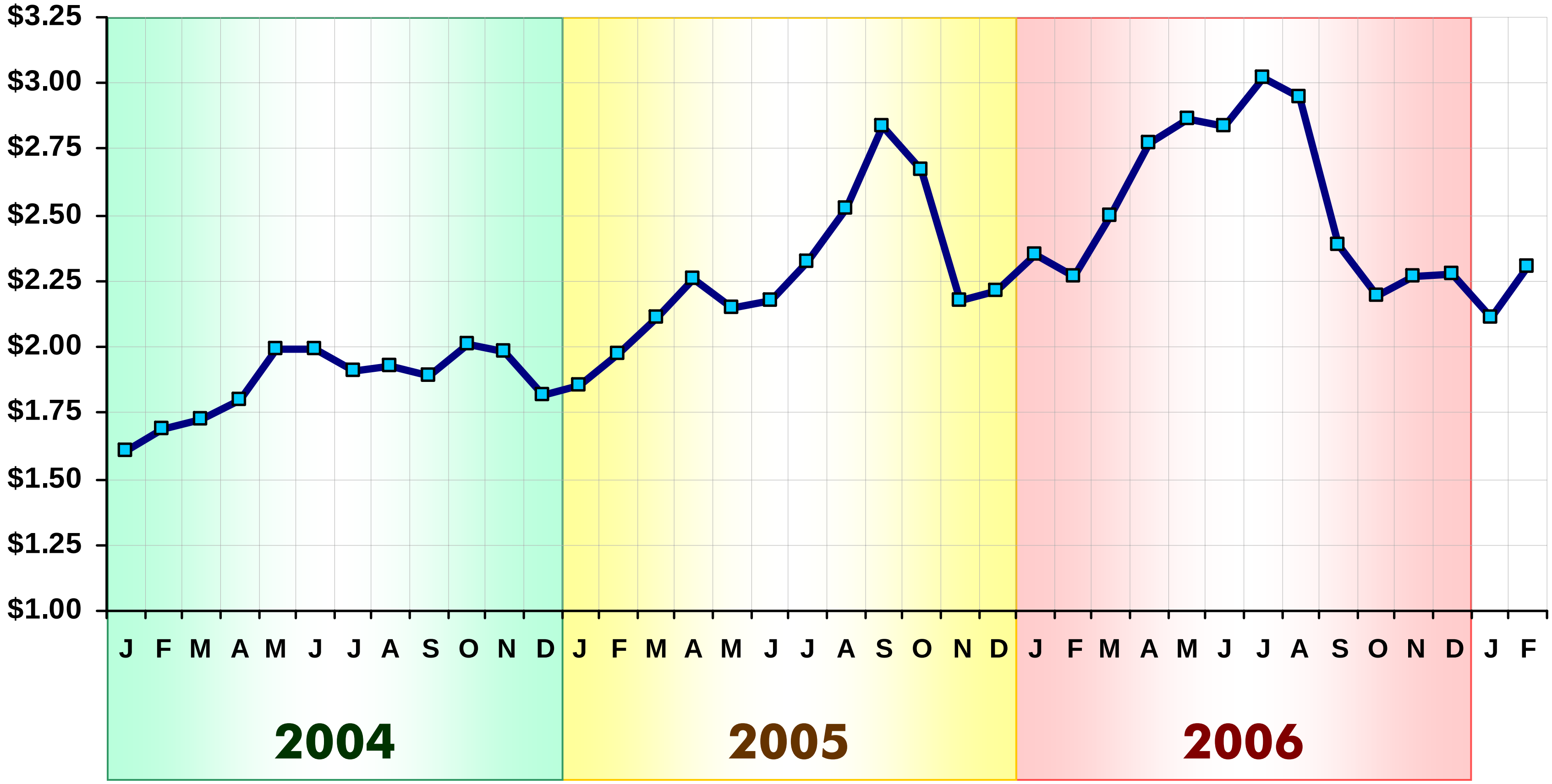
GASOLINE PRICES
(Unleaded regular)



f- avg. for February

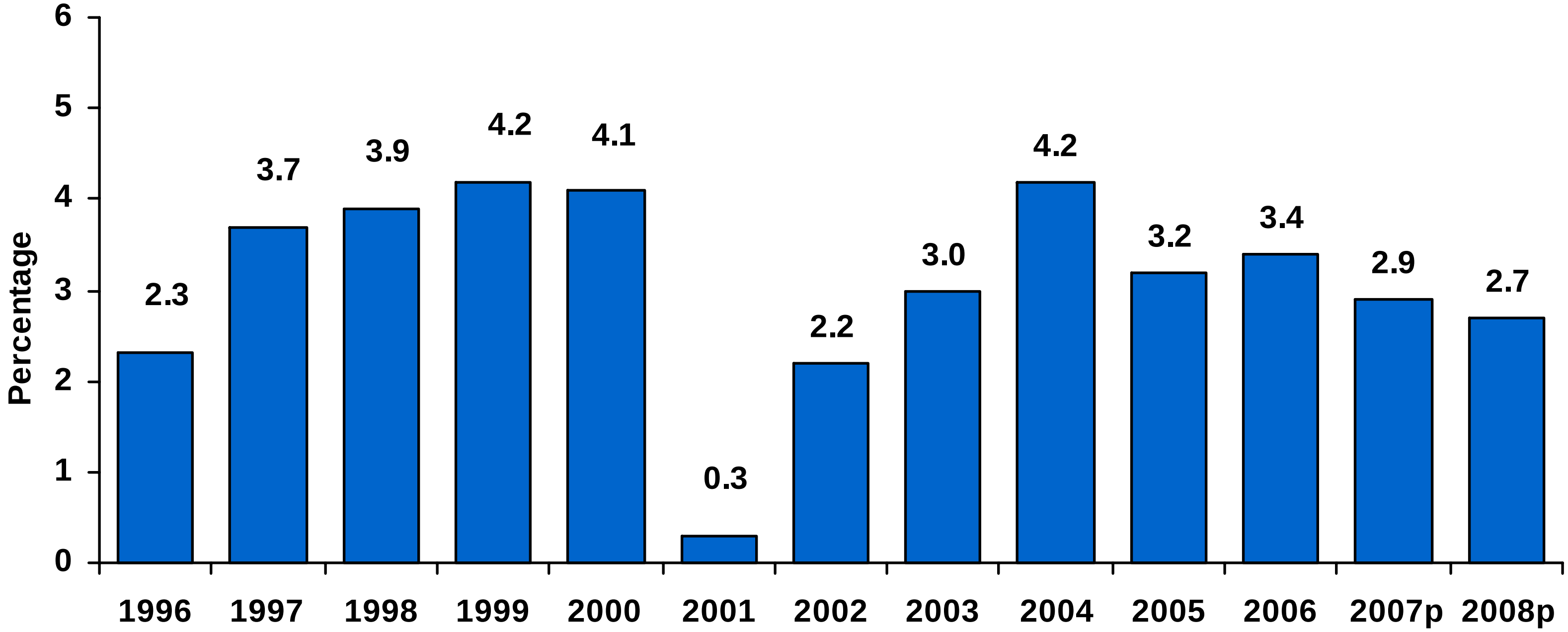
Source: AAA Michigan; Federal Reserve Bank of Minneapolis.

MICHIGAN GASOLINE PRICES – STATEWIDE AVERAGE (Unleaded regular)



Source: AAA Michigan.

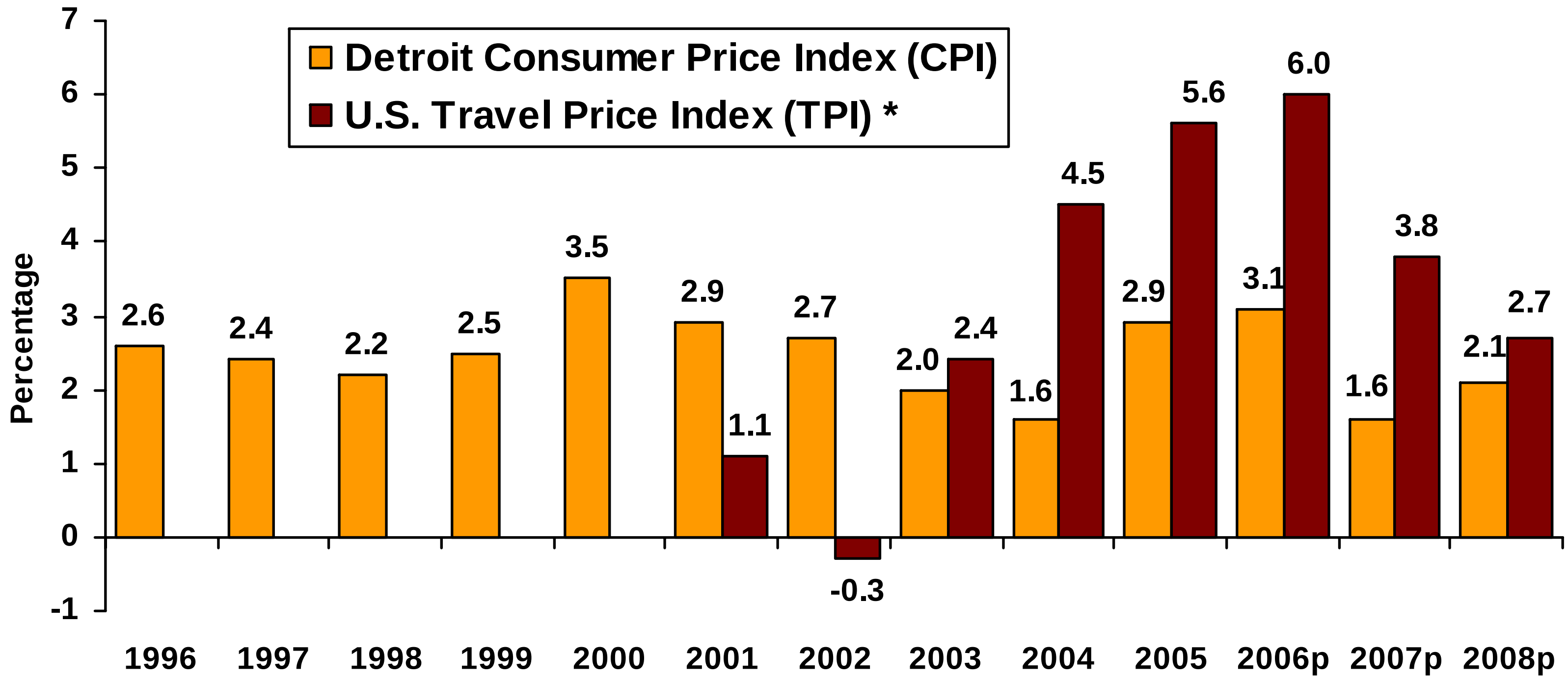
GROWTH OF REAL GDP
UNITED STATES



p = projected
as of February 2007

Source: RSQE - University of Michigan.

RATE OF INFLATION
DETROIT CPI and U.S. TPI

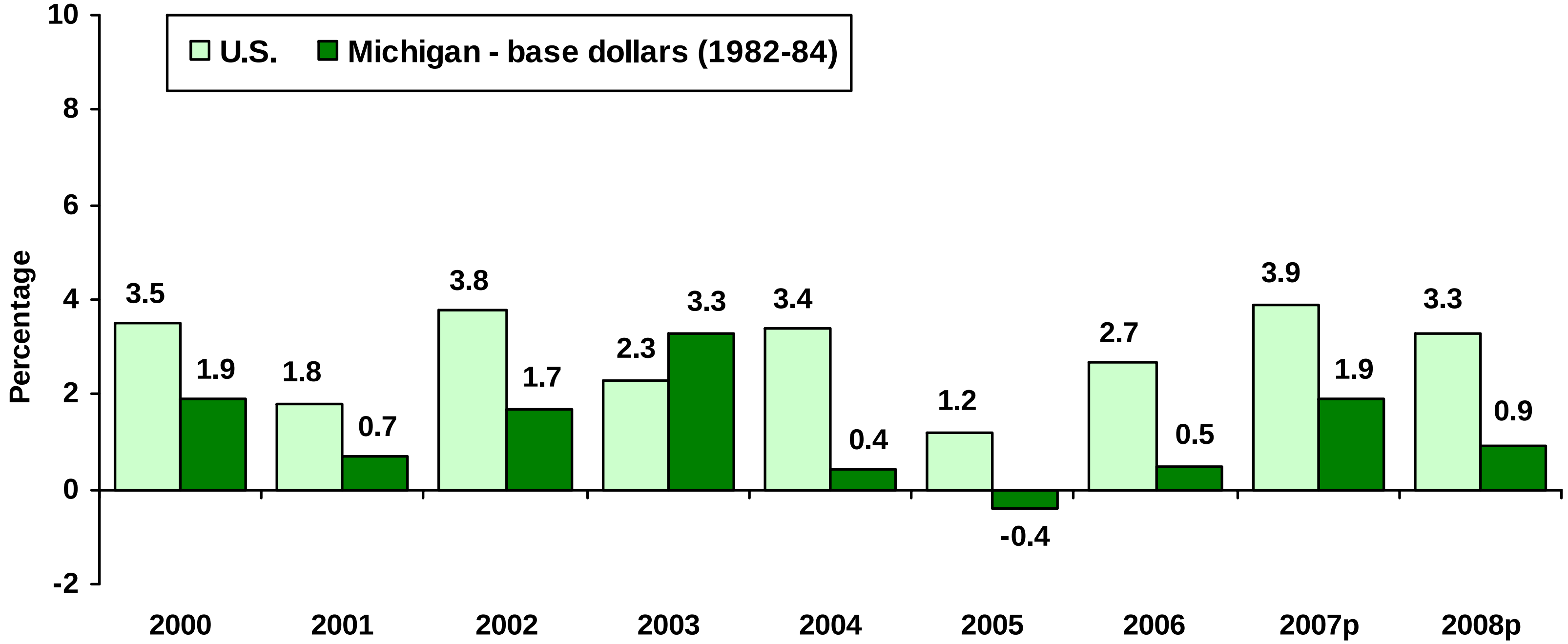


* TPI base for 1982-1984=100

p = projected
as of fall 2006

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

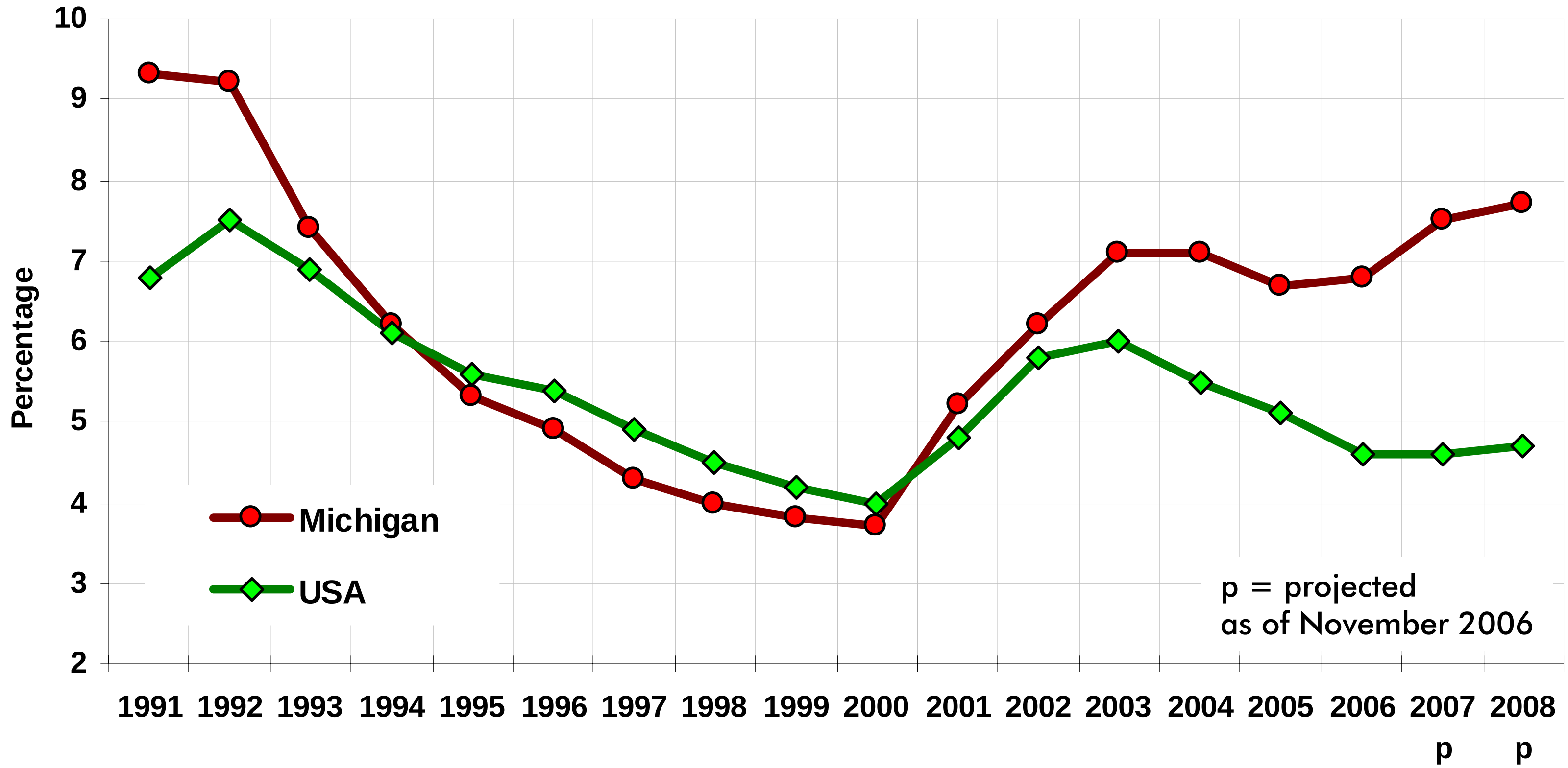
GROWTH OF REAL DISPOSABLE INCOME UNITED STATES VERSUS MICHIGAN



p = projected
MI – as of November 2006
US – as of February 2007

Source: RSQE - University of Michigan.

UNEMPLOYMENT RATES



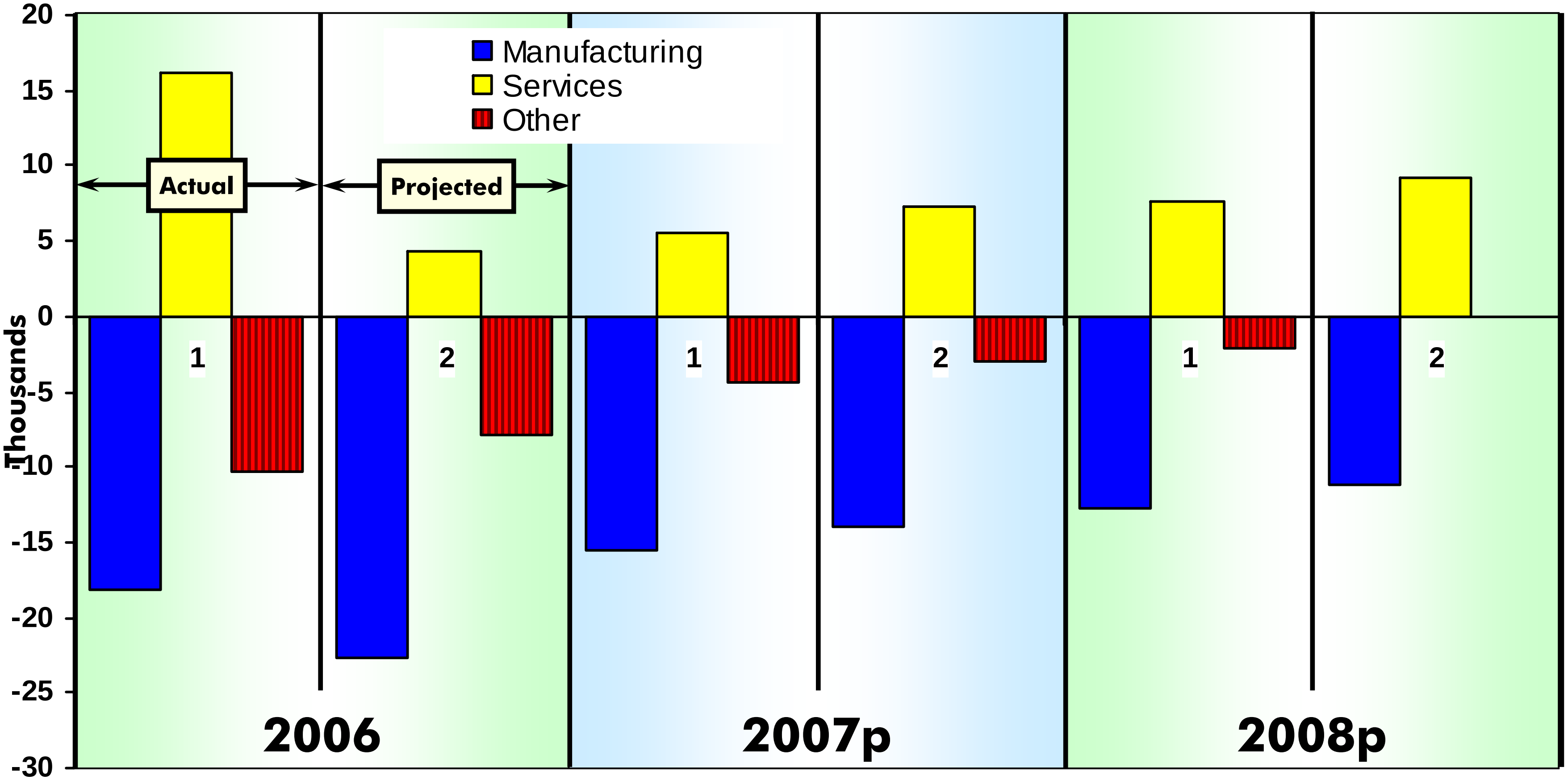
Source: Michigan Department of Labor & Economic Growth, Office of Labor Market Information - LAUS Data; U.S. Bureau of Labor Statistics; RSQE - University of Michigan.

CHANGES IN MICHIGAN EMPLOYMENT

- "Employment in auto and auto parts manufacturing in Michigan declined by 25,000 last year.
- Remarkably, employment in other Michigan industries showed a net increase of 5,000. The resilience of these other sectors strongly suggests that the state will begin to perform noticeably better soon after the headwind from autos begins to subside. Unfortunately, there is no sign of a let up in job losses in the auto sector. (…)
- The key takeaway is that the Michigan economy will continue to under perform in 2007 due mainly to the restructuring of the auto manufacturing sector. " Michigan Brief of February 26, 2007
- "(…) on the very conservative assumption (…) the multiplier is still at least 3(…)" [1 job in the auto sector affects 3 jobs in other sectors]. Michigan Brief of November 28, 2006

Dana Johnson, chief economist
Comerica Bank

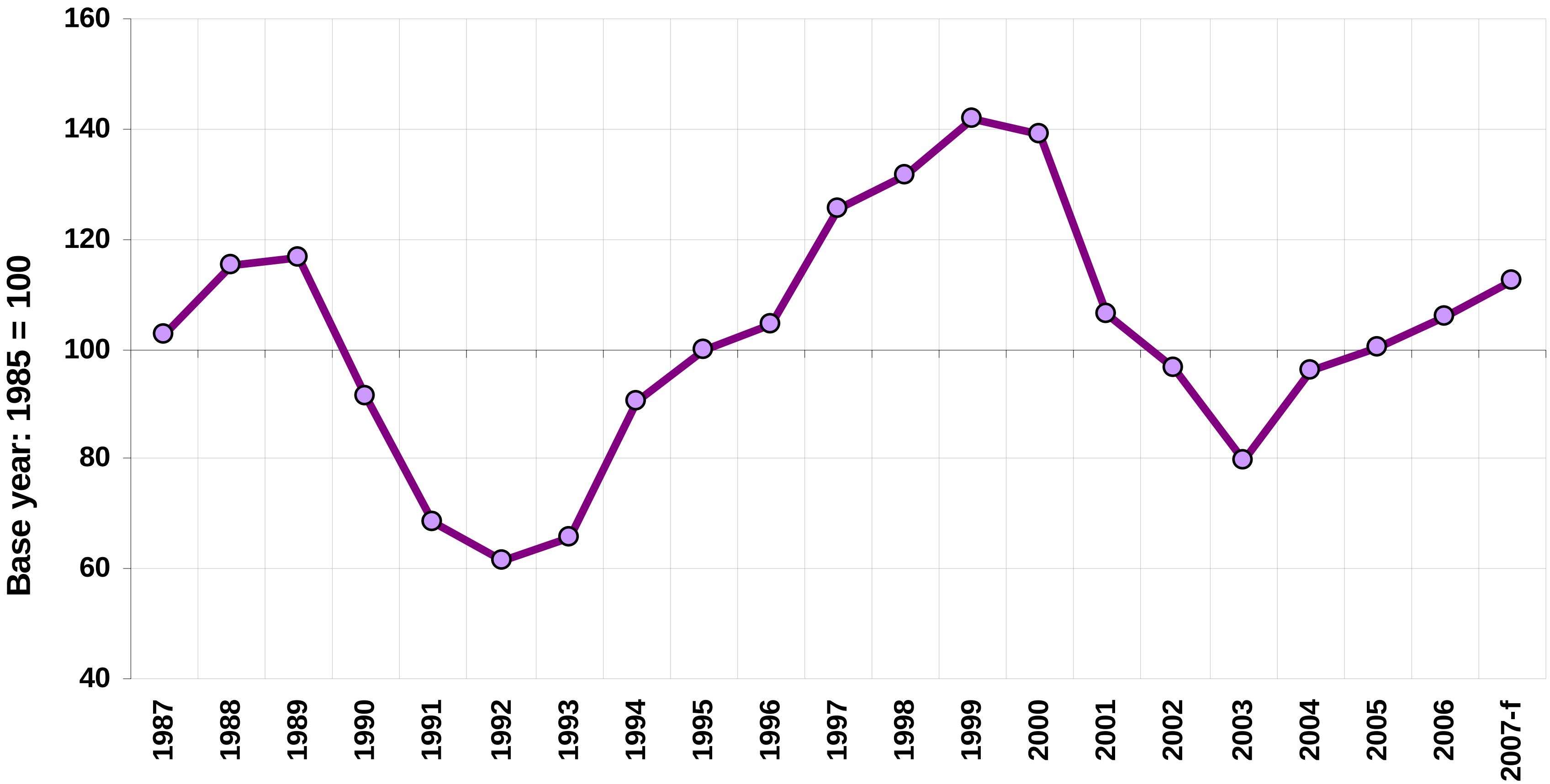
COMPOSITION OF CHANGES IN MICHIGAN EMPLOYMENT



Source: RSQE - University of Michigan.

p = projected
as of November 2006

CONSUMER CONFIDENCE INDEX
U.S. RESIDENTS



f- datum for February

Source: The Conference Board.

ECONOMIC FORECASTS FOR 2007

	Real GDP	Consumer prices	Unemployment rate
Business Week's economic forecast	2.6%	2.5%	4.8%

Source: Business Week. December 25, 2006 / January 1, 2007.
Consensus values; based on opinions of 58 representatives of major companies.
Real GDP and unemployment rates for fourth quarter of 2007.

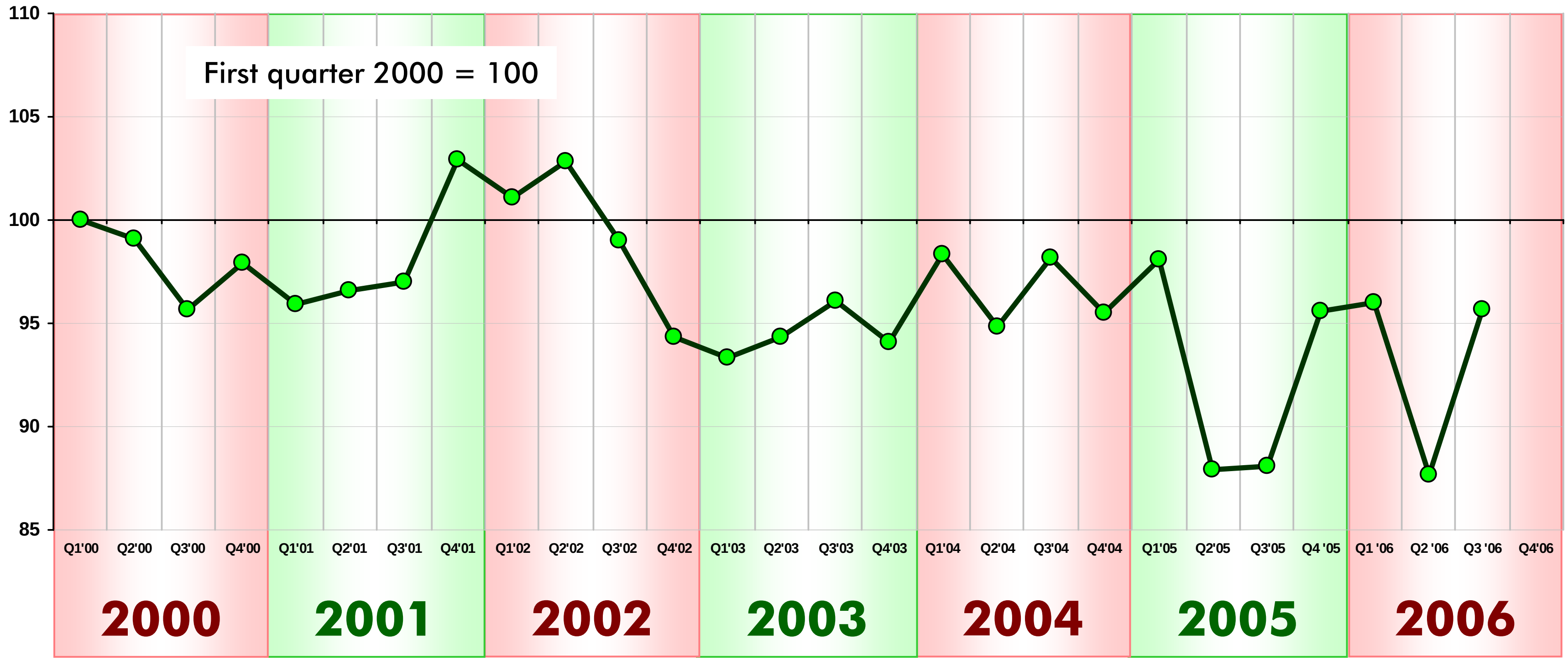
	Real GDP	Consumer prices	Unemployment rate
The Livingston survey	2.9%	2.1%	4.7%

Source: Research Dept., Federal Reserve of Philadelphia, Livingston Survey. December 7, 2006.
Average values; based on opinions of 40 forecasters.

	Real GDP	Consumer prices	Unemployment rate
Federal Reserve	2.8%	2.3%	4.6%

Source: Federal Reserve Board."Monetary Policy Report to the Congress" of February 14,2007.
http://federalreserve.gov/boarddocs/hh/2007/february/0207mpr_sec1.htm
Percentages represent means of central tendencies; real GDP and unemployment rates for fourth quarter of 2007.

OVERALL U.S. TRAVELER SENTIMENT INDEX
(Seasonally adjusted)



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 2007

Travel volume	1-2%	Business travel
	1-2%	Leisure travel
Travel spending	5%	U.S. residents
	5%	International visitors
Travel prices (index)	3.8%	

Source: Travel Industry Association of America (Annual Travel Forecast).

MICHIGAN NEWS HIGHLIGHTS

- "DaimlerChrysler to cut 13,000 jobs, close plants; eyes possible sale of troubled North American automaker." CNNMoney.com, Feb 14, 2007
- "Auto Supplier Buying Local Plant will hold on to the workers [30] and possibly hire 30 more workers." wlns.com, Feb 20, 2007
- "State Helping Businesses Increase Jobs
  …an engine technology firm in Auburn Hills, a computer company in Southfield, a new state-of-the-art manufacturing plant in Highland Park and a new world headquarters in Lansing for computer software company Techsmith."
  wlns.com, Feb 14, 2007
- Migration to Nevada: What's cooking in Michigan?
  State's struggling economy contributes to influx of workers to Nevada"
  Las Vegas Review-Journal, Mar 19, 2007
- "Experts: State may not regain jobs for years"
  Lansing State Journal, Mar 4, 2007; page 2B
- "Once-glamorous hotel getting long-awaited makeover
  …the Book-Cadillac is poised to again become Detroit's ultimate luxury destination." www.cnn.com/2007/TRAVEL/03/20/book.cadillac.hotel.ap/index.html , Mar 20, 2007

NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2007 (I)

- Return of La Niña may bring greater number of Atlantic hurricanes and thus affect operations of oil refineries.
- Pricing power is limited by lower prices offered on the Internet.
- High and rising energy costs are slowing the overall economy and raising travel costs.
- Housing “bubble” has burst:
  - Will it spill over to push the U.S. economy toward recession?
  - One less source of spending for consumers to tap.

NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2007 (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.
- A lot more road construction in Michigan.
- Extensive media coverage of Michigan's economy equates to a massive negative advertising campaign that is damaging the state's image as an attractive tourism destination.
- Employment reductions in the Big Three to continue, but at a smaller scale.

NEGATIVE INDICATORS FOR MICHIGAN TOURISM 2007 (III)

Auto industry “troubles”:

- More 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?
- The bottom line: 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.

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2007 (I)

- U.S. economy is relatively robust.
- Value of Canadian dollar has slipped but is still relatively strong.
- Economic forecasts are moderately positive.
- Strong auto travel is probable: less air travel, reduced travel budgets.
- Consumers are likely to continue to limit air and long-distance travel.
- Air fares are rising.
- Negative psychology may be unwarranted and/or overblown.
- Underlying demand is growing (e.g., the baby boomer effect).

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2007 (II)

- Spending growth in 2006 demonstrates that Michigan tourism "can take a hit and keep on going forward".
- 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."
- A lot of (early) retired auto-workers with great "exit" pays – a lot of people with leisure time and money.
- More school districts covered by the Post Labor-Day School Opening legislation.
- Michigan's fall weather this year should be better than last year.
- "Pure Michigan" advertising campaign will benefit from carry-over effect from 2006 and early start in 2007.

POSITIVE INDICATORS FOR MICHIGAN TOURISM 2007 (III)

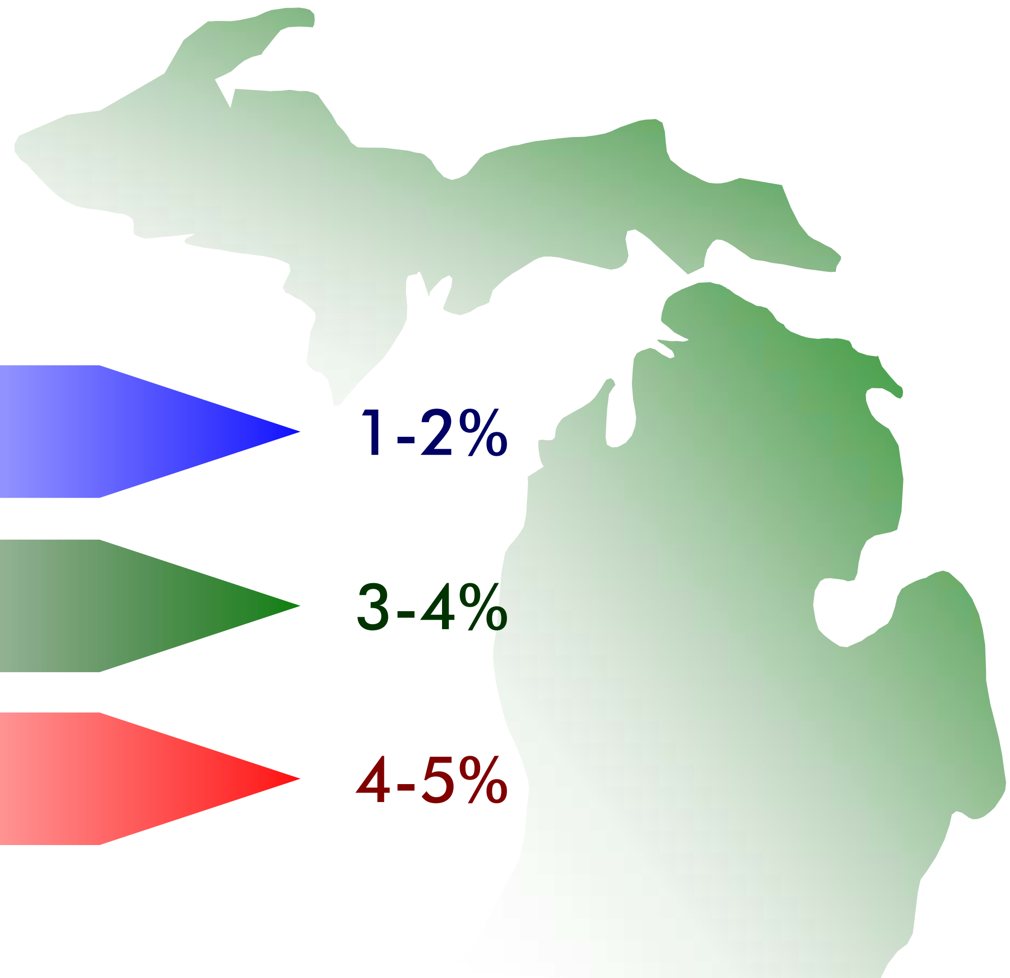
- Employment in service sector is growing.
- "(…) In all, from mid-2006 to the end of 2008, the service industries are forecast to contribute 34,000 jobs. (…)
- About two-fifth of the additions come equally from professional and business services and leisure and hospitality services. (…)"

"The Economic Outlook for 2007". 2007. Fifty-Third Annual Conference on the Economic Outlook, November 16 and 17, 2006. Research Seminar in Quantitative Economics. University of Michigan, Ann Arbor. p 237.

THE WILD CARDS

- Terrorism – will it strike again this year? Where?
- Disruption in fuel supply and/or even higher gasoline prices.
- Weather – rarely “normal” in Michigan.
- Will hurricane season disrupt fuel supply system?

MSU PROJECTIONS FOR MICHIGAN TOURISM IN 2007

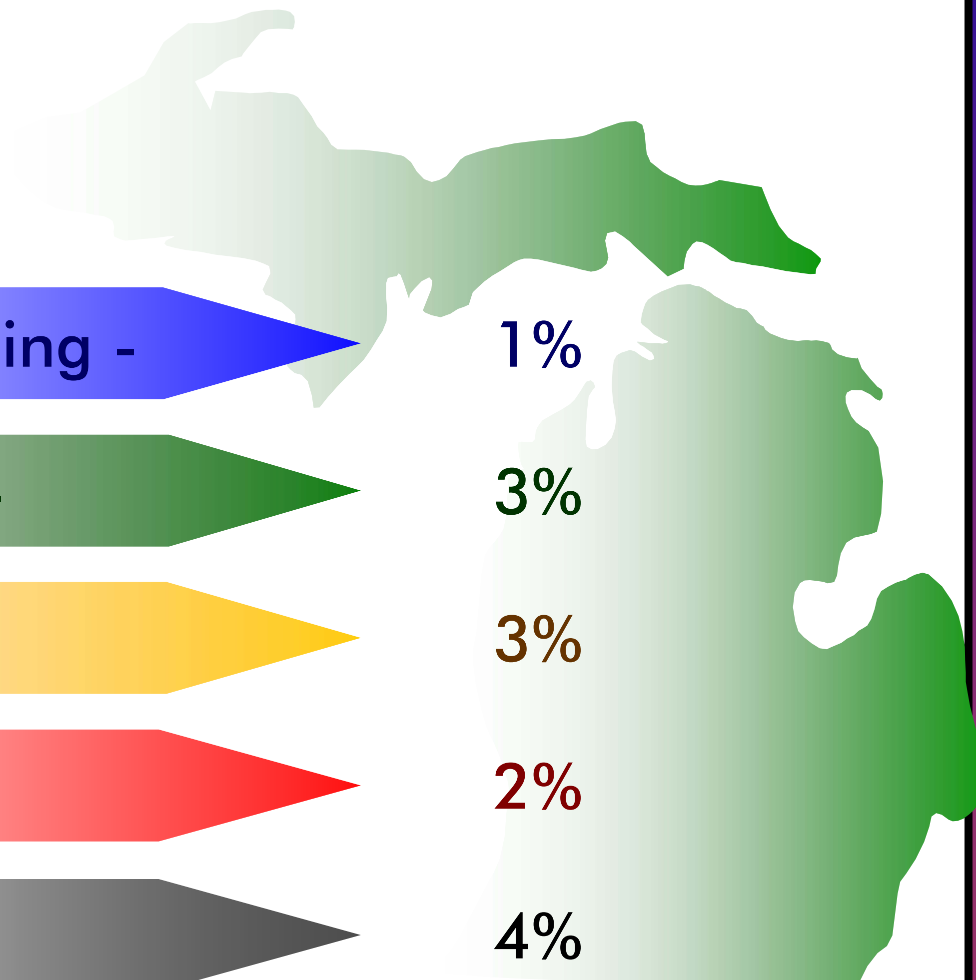


Travel volume — 1-2%
Traffic counts

Travel spending — 3-4%
Lodging sales and use tax collections

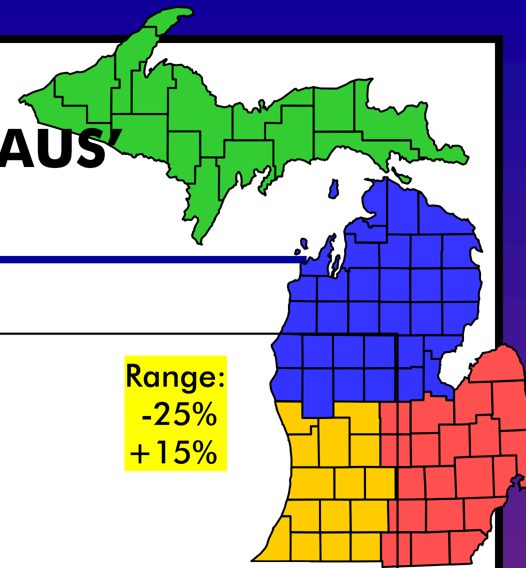
Travel prices — 4-5%
Lodging and restaurant price changes / 2

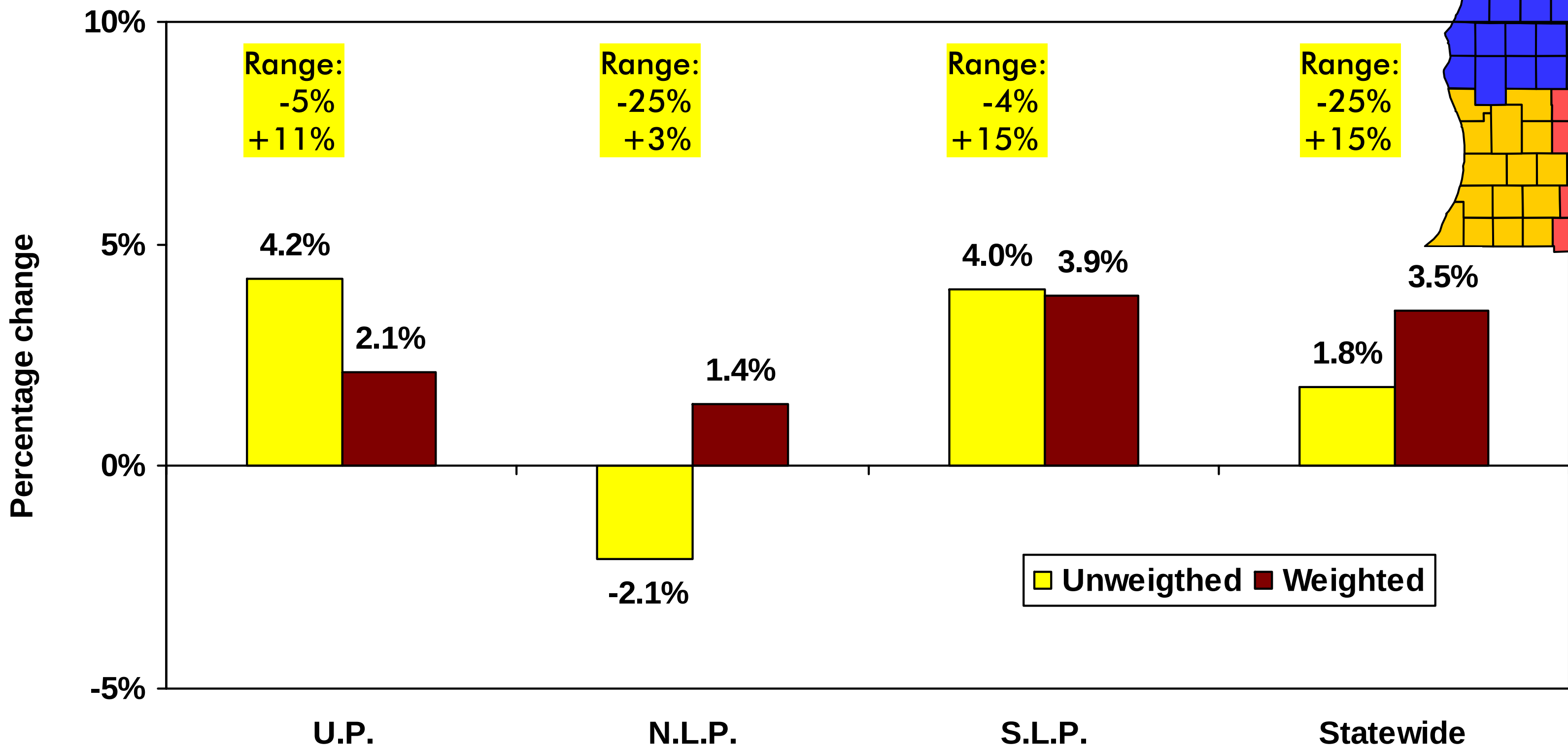
MSU REVENUE PROJECTIONS FOR MICHIGAN TOURISM IN 2007 BY SELECTED SEGMENT



Outdoor recreation/camping -	1%
Golfing (upscale resorts) -	3%
Gaming -	3%
Shopping -	2%
Lodging -	4%

MICHIGAN CONVENTION AND VISITOR BUREAUS' PROJECTIONS FOR 2007 ASSESSMENTS

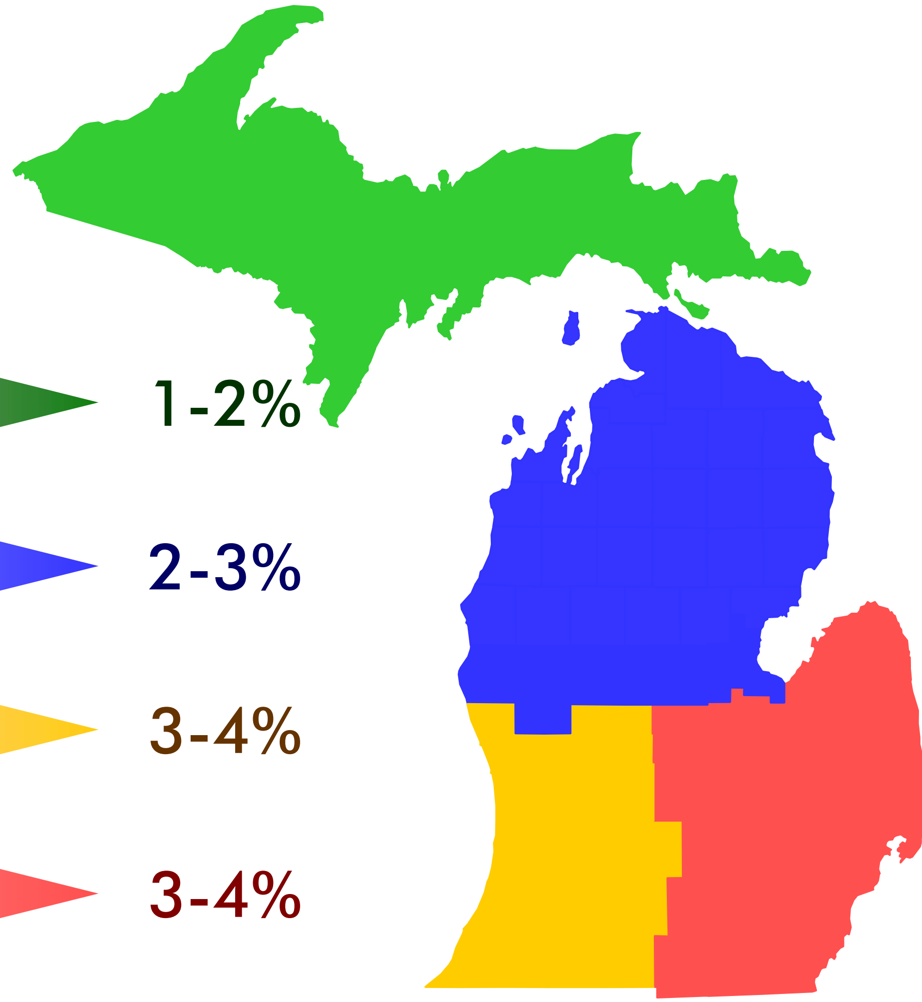




Source: 2007 CARRS Tourism Resource Center's Survey of Assessment Districts (37 CVBs reporting).

MSU REVENUE PROJECTIONS FOR MICHIGAN TOURISM IN 2007 BY REGION

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



COPING STRATEGIES FOR 2007 (I)

- 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 the opportunity to take another trip and visit your business late in the summer.
- Promote to Canadians: “Your dollars still buy a lot in Michigan this year!”

COPING STRATEGIES FOR 2007 (II)

- 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.
- 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.

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