

# Dashboard for Vermont Travel and Tourism

A look into issues of significance for Vermont's visitor sector

## Issue One: Metrics for Measuring the Impact of the Recession on the Leisure and Hospitality Industry

The "Great Recession" is different from previous economic downturns for various reasons. One of the more distinctive aspects of this current downturn is how widespread its damage has been in the national economy. Almost all industries have lost jobs and nearly all states have seen spikes in their unemployment rate, bringing the national unemployment rate to 10.0% in November. Governments, on all levels and in all regions, have seen large declines in tax revenues. The Leisure and Hospitality industry has shouldered its share of the economic downturn, enduring reduced consumer spending, lower sales, and now, like all industries, has to respond to best prepare to position itself to take advantage of future opportunities.

### Employment Change from Peak by Industry (Seasonally-Adj, in Thousands)

NAICS Code	Industry	Peak Employment	Month of Peak	Nov 2009 data	# of Jobs	% of Peak
NAICS 71 & 72	Leisure and Hospitality	13,551	Dec-07	13,129	-422	-3.1%
NAICS 71	Arts, Entertainment, Recreation	1,996	Mar-08	1,901	-94.7	-4.7%
NAICS 721	Accommodations	1,899	Nov-07	1,696	-202.4	-10.7%
NAICS 722	Eating and Drinking Places	9,666	Dec-07	9,532	-133.8	-1.4%
NAICS 44-45	Retail Trade	15,590	Nov-07	14,628	-962.3	-6.2%

Source: U.S. BLS

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The table above shows the peak national employment level for the Leisure and Hospitality industry overall, as well as its key component industries. The peak employment level for each of the four industries occurred roughly at the same time. The accommodations industry has had the largest decline of employment at -10.7%, while Eating and Drinking Places have had the smallest decline at -1.4% from peak employment. Of the sectors, all but Accommodations performed better than the U.S. Private Sector average peak to trough decline.

Hotels have seen a significant fall off in demand and average revenue per room. They subsequently have had to adjust. Calendar 2009 to date data show that, through September, rooms rented have fallen 7.0% compared to the previous year while the national occupancy rate has fallen by 3.8 percentage points to 56.6%. Hotels have had to adjust their prices in reaction to falling demand and the average daily room rate is down -9.1%, to \$98.01. The weakened demand combined with the decline in room rates has led to a decline of -18.1% for the revenues per available room. By most measures, the tough economy from the Fall of 2008 through mid-calendar year 2009 has made for a difficult environment for the Leisure and Hospitality sector.

The airline industry has also seen a loss in demand for personal air travel. In response, airlines removed seat capacity, which led to an overall contraction in seat capacity by 10%; a capacity level last seen in 1998. This is the largest drop in seats since 1942 according to the Air Transport Association. Airlines have also reduced fares. The average roundtrip fare in the second quarter of 2009 was \$301.26, just over the average of \$300.99 recorded 11 years ago. The airline industry has optimism for the future which is buoyed on lower, stable fuel costs and the future of business travel. Nearly 70% of travel managers expect their business travel to increase in 2010, according to the National Business Travel Association.

Despite the tough economy, the Leisure and Hospitality sector is consistently adapting to respond to the ever changing market.

### Issue Two: Regional Enplanements

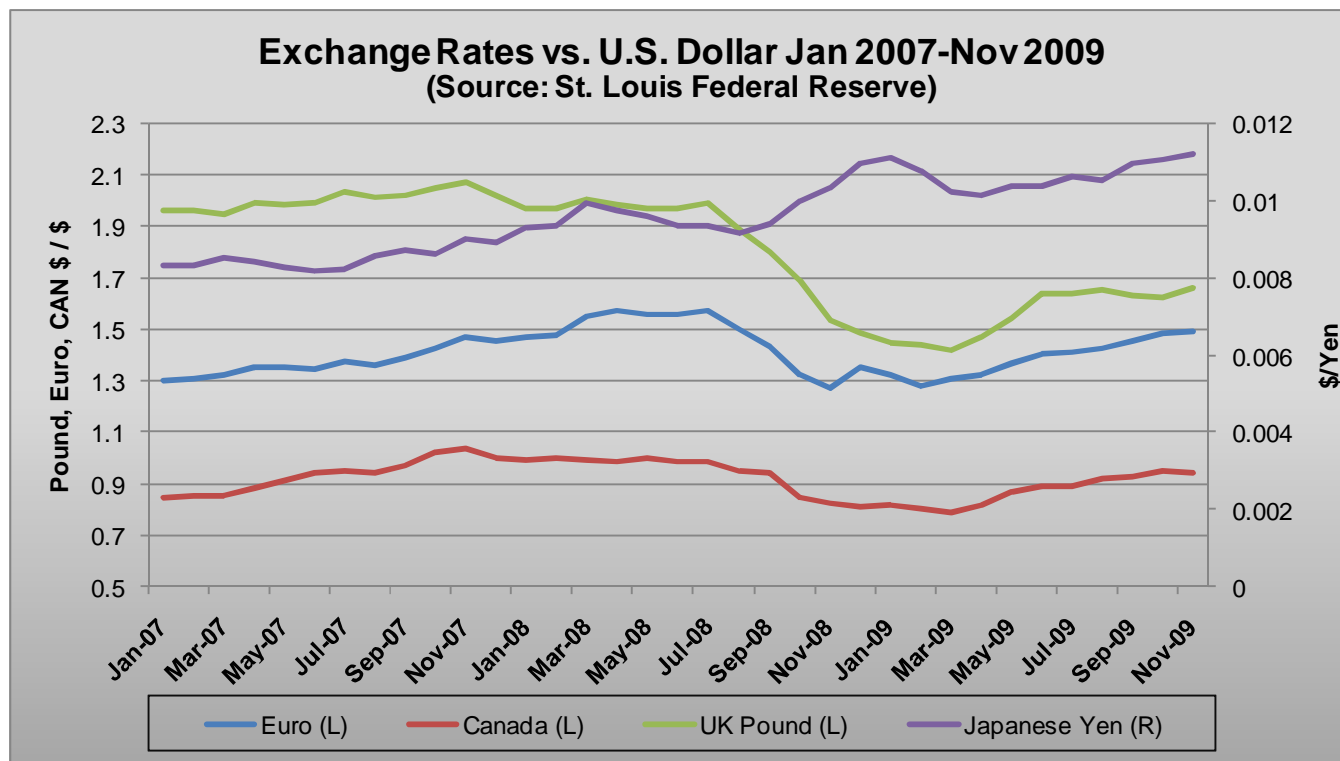
Monthly Regional Airport Enplanements	Oct-09	Oct-08	# Change Last Year	% Change Last Year
<i>Current Month</i>				
Burlington International Airport	62,052	69,556	(7,504)	-10.8%
Manchester-Boston Regional Airport	141,924	167,356	(25,432)	-15.2%
<i>Calendar Year to Date</i>				
Burlington International Airport	608,680	649,130	(40,450)	-6.2%
Manchester-Boston Regional Airport	1,372,347	1,595,625	(223,278)	-14.0%

Sources: Burlington International Airport; Manchester Regional Airport

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Burlington International Airport (BIA) saw enplanements fall by -10.8% in October 2009 compared to October of 2008. This was a comparatively better performance than the Manchester Regional Airport which experienced a decline of more than 15% over the same time period. The difference between the airports is also reflected by cumulative year to-date enplanements. BIA's 2009 year to-date enplanements through October are -6.2% compared to 2008, while Manchester's enplanements have fallen by -14.0% over the same time period. Looking at the data, it appears that the ongoing influence of Canadian travelers and Burlington's lower proportional share of business travelers, which nosedived in early 2009, at least partially explain this difference.

### Issue Three: Exchange Rates



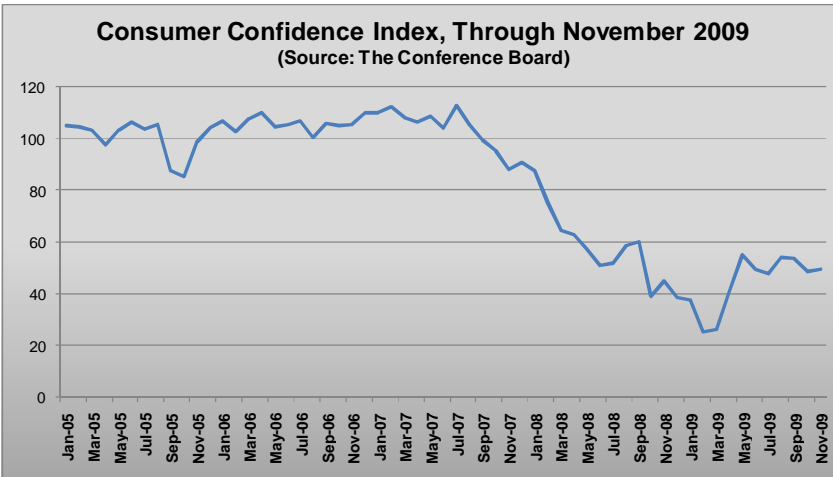
The past three months have seen most major currencies gain strength against the U.S. Dollar. Most importantly to the Vermont travel industry, the Canadian Dollar has picked up most of its lost ground since the financial crisis and is almost back to par with the U.S. Dollar. The Japanese Yen has continued to strengthen against the U.S. Dollar for a greater part of the past two years. The strengthening of the Canadian Dollar is important to Vermont's travel industry, and will help give Canadian travelers an inducement to travel south for Winter recreation and shopping.

## Issue Four: Consumer Confidence

<b>Consumer Confidence</b>	Nov-09	Oct-09	Nov-08	% Change Last Month	% Change Last Year
U.S. Consumer Confidence Index	49.5	48.7	44.7	1.6%	10.7%
Expectations Index	68.5	67.0	46.2	2.2%	48.3%
Present Situations Index	21.0	21.1	42.3	-0.5%	-50.4%

Source: The Conference Board

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The Conference Board's Consumer Confidence Index moved up slightly for the month of November. The Index currently stands 10.7% above last year's level. The Expectations Index, which measures consumers' expectations of the future economy, rose 2.2% over the month, and has jumped 48.3% compared to a year ago.

Consumer confidence has increased substantially from its lows reached last in February and March, but appears to have plateaued for the past several months. For the past 30 years, the normal reading has been 95, indicating that consumer confidence, though higher, is anything but "normal" at its current level of 49.5. Confidence has to nearly double before returning to pre-downturn levels. This means the Leisure and Hospitality sector will need to keep aggressively pursuing reluctant consumers who are still apprehensive about their economic future.

## Issue Five: Travel Price Index

U.S. Travel Association Travel Price Index (1982-1984 = 100)	Oct-09	Oct-08	% Change Last Year
Travel Price Index	244.7	256.3	-4.5%
Lodging Index	277.1	294.9	-6.0%
Transportation Index	236.9	272.7	-13.1%
Food Away From Home Index	224.2	219.3	2.2%
Recreation Index	268.7	266.7	0.7%
Consumer Price Index (CPI)	216.2	216.6	-0.2%

Source: Travel Industry Association

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The U.S. Travel Association's Travel Price Index was 4.5% lower in October 2009, compared to a year ago. Like most of the comparative data over the past 6 months, the decline was mainly due to the fall in the Transportation Index component. Also down by a significant margin, was the Lodging Index component which was -6.0% lower compared to last year. The Food Away from Home Index component increased by 2.2% versus last year, while the Recreation index was essentially flat at +0.7%. This compares to an overall Consumer Price level that registered a more flat performance at -0.2% over the same time period. While the direction is the same for both Travel and overall consumer prices, the data reflect the underlying trends in the industry and the relatively higher degree of importance of lodging and transportation as cost items in the travel sector versus overall consumer prices.

**Issue Six: Vermont Consumption Tax Revenues**

Monthly Vermont Tax Revenues (in thousands)	Nov-09	Nov-08	\$ Change Last Year	% Change Last Year
<i>Current Month:</i>				
Meals and Rooms	\$10,150.6	\$9,900.3	\$250.3	2.5%
Sales and Use	\$23,136.3	\$23,031.7	\$104.6	0.5%
Gasoline [1]	\$4,602.1	\$4,947.5	(\$345.4)	-7.0%
<i>Cumulative Fiscal Year:</i>				
Meals and Rooms	\$53,642.3	\$53,918.4	(\$276.1)	-0.5%
Sales and Use	\$129,735.6	\$134,633.1	(\$4,897.5)	-3.6%
Gasoline [1]	\$26,310.1	\$26,356.2	(\$46.1)	-0.2%

Source: VT Agency of Administration

Note:

[1] Tax is assessed in cents per gallon. Does not include Transportation Infrastructure Bond Fund

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Vermont's Consumption Tax revenue sources were both up in November compared to the previous year. Meals and Room Tax revenue was 2.5% greater than a year ago, while Sales and Use Tax revenues had increased slightly by 0.5%. However, Gasoline Tax revenues declined significantly by -7.0% over the same time period. Year to-date cumulative tax revenues in fiscal year 2010 have held up reasonably well compared to the previous year. Sales and Use Tax Revenues have turned in the lowest performance, with a -3.6% decline compared to a year ago. Meals and Rooms Tax and Gasoline Tax revenues were down by -0.5% and -0.2%, respectively, over the same time period.

**Issue Seven: Leisure and Hospitality Employment**

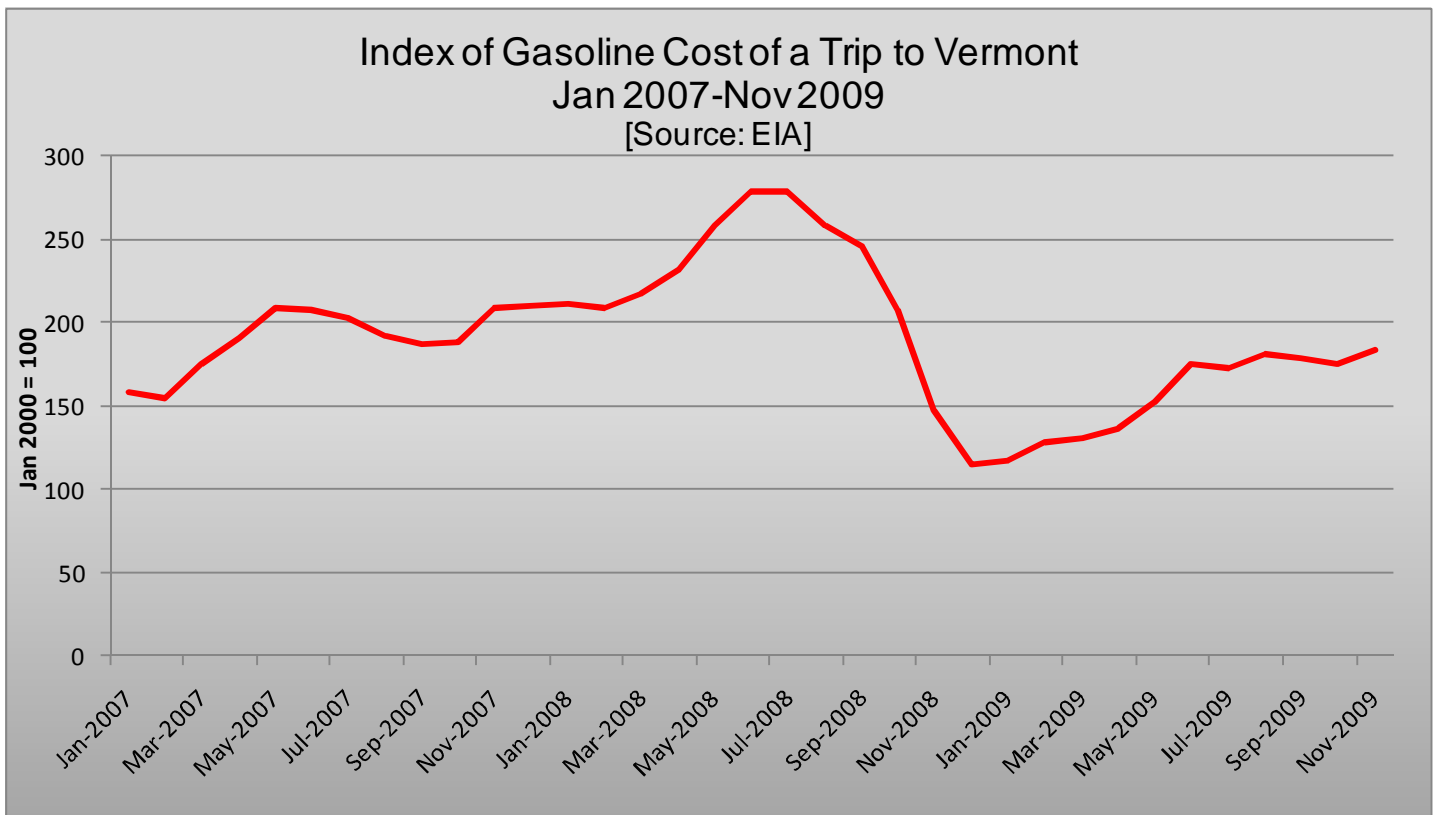
Employment in Leisure and Hospitality (In Thousands, Non-Seasonally Adjusted)	Nov-09 (prelim)	Nov-08	# Change 09-08	% Change 09-08
Vermont	27.4	28.4	-1.0	-3.5%
New Hampshire	58.1	58.0	0.1	0.2%
Maine	51.3	53.3	-2.0	-3.8%
Peer-State Totals	1,548.3	1,592.4	-44.1	-2.8%

Source: US BLS

Note: Peer-States include Colorado, Nevada, Florida, and Hawaii

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According to preliminary Federal data, Vermont's payroll Leisure and Hospitality employment declined by 1,000 jobs or -3.5% over the year. This trailed New Hampshire which saw an increase of 100 jobs or 0.1%, but was ahead of Maine which experienced a decline of 2,000 jobs, or -3.8%. The Peer-State group also declined but at a more moderate -2.8% rate relative to Vermont. It should be noted that Vermont, as a small state with a comparatively small employment base, small fluctuations can lead to large percentage changes which may explain part of the reason for its weaker year over year performance.



Gasoline costs in the region rose 5.0% in November compared to the previous month. Some of the recent price increases in crude oil/gasoline have been due to the continuing weakness of the U.S. Dollar, which drives up the cost of all dollar-denominated commodities, including the price of oil and its derivative fuels. Energy prices have also increased along with expectations of economic recovery, including the cost of gasoline which is almost 25.0% higher compared to a year ago. The low level of November and December 2008 prices were a reaction to the sky high energy prices and were an unsustainably low level. This explains the large increase in prices since this time last year.

Roundtrip Gas Cost	Nov-09	Oct-09	% Change Last Month	Nov-08	% Change Last Year
New York to Woodstock	\$65.49	\$62.40	5.0%	\$52.65	24.4%
Boston to Killington	\$38.90	\$37.07		\$31.27	

Sources: US EIA, EPA

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