

"HVCB Tourism Industry Update" is a bi-weekly briefing of travel news and developments affecting Hawai'i's visitor industry, compiled by the HVCB Market Trends Department.

FOR IMMEDIATE RELEASE

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1. FEATURE

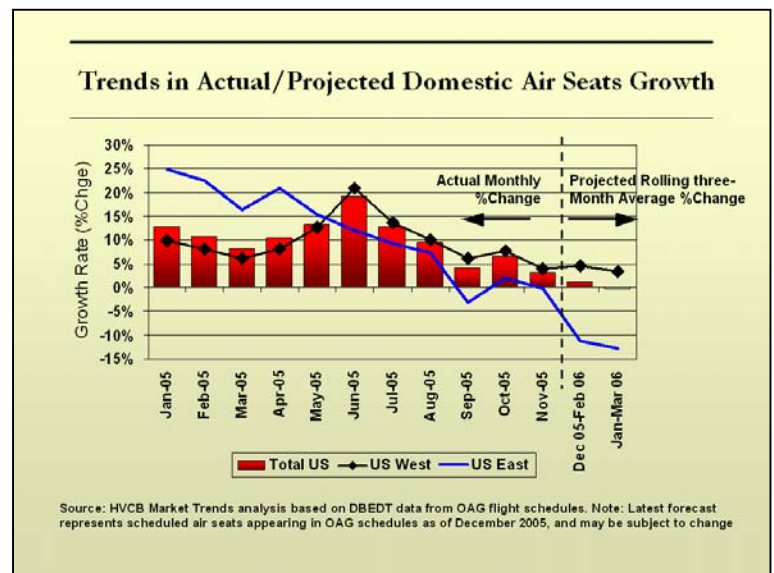
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➤ Following Record Year, Domestic Leisure Travel Growth May Ease in First Quarter 2006

In-line with national travel trends, a first quarter slow down may be ahead for Hawai'i's domestic visitor market, as noted by easing growth rates in nonstop air seats to the state, a dip in U.S. traveler sentiment, and a shift in the timing of the Easter holiday from March (2005) to April (2006). However, market conditions are expected to improve in the months ahead.

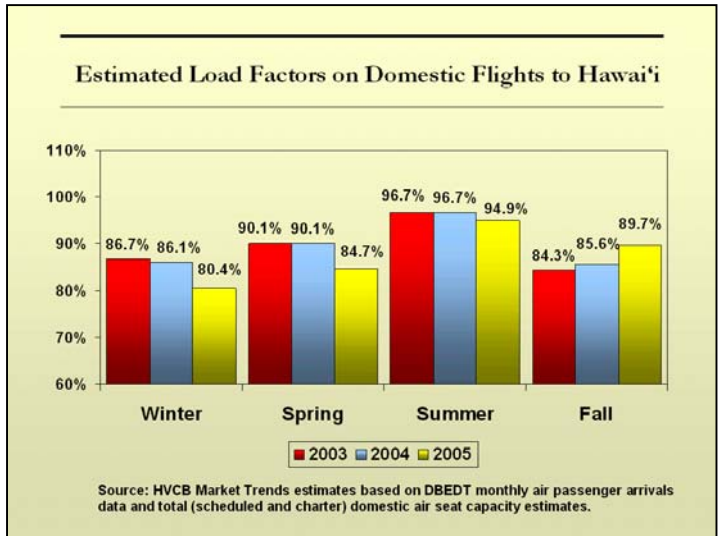
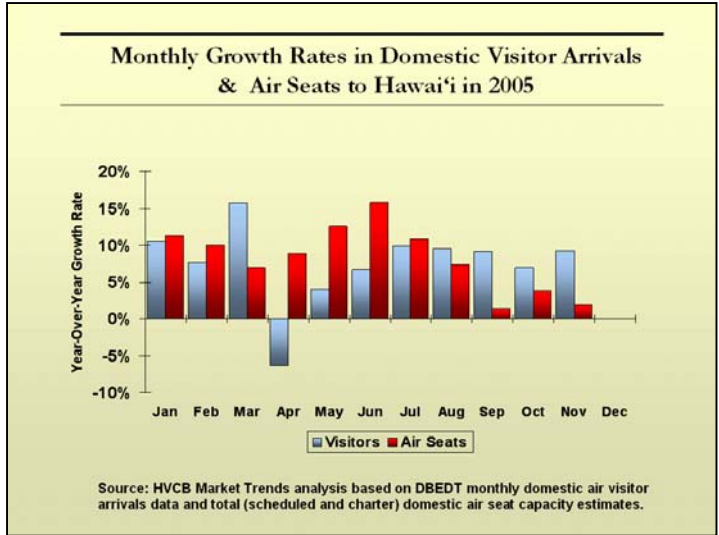
Capacity Gains Continue to Slow

- Growth in scheduled domestic air seat capacity to Hawai'i is expected to slow in the first quarter of 2006, according to the Department of Business, Economic Development and Tourism's (DBEDT) latest rolling three-month air capacity outlook.
- The outlook for the first quarter of 2006 projects growth in scheduled domestic seats to slow to -0.1 percent; down from actual air seat increases observed through most of 2005, and below forecasts of +7.3% and +1.1% for the two prior rolling three-month outlooks as of November and December 2005, respectively.
 - The slow down in capacity gains is projected to occur on Hawai'i routes from both the western and eastern regions of the U.S. mainland. Moving into the first quarter, scheduled capacity out of U.S. West is expected to continue to top prior year levels, with



an increase of 3.3 percent compared to the first quarter of 2005. However, nonstop seats from U.S. East are expected to run 12.8 percent below prior year levels.

- HVCB estimates of domestic load factors (based on an analysis of monthly passenger and air seat data from DBEDT) indicate that while air seat growth has been slowing, load factors have been improving. Thus, over-capacity in the Hawai'i market early in 2005 may have contributed to the slowing growth rates in air seats observed later in the year.
- Growth in domestic capacity out-paced gains in visitor arrivals for most of the first half of 2005, resulting in lower load factors than observed in the previous two years. As capacity gains eased and visitor growth continued strong through the end of 2005, load factors surpassed 2003 and 2004 levels by the fall travel season.
- While load factors aboard domestic flights to both O'ahu and the Neighbor Islands showed signs of improvement as 2005 progressed, load factors tended to be lower on nonstop flights to the Neighbor Islands.
- Assuming load factors continue to surpass prior year levels, positive growth could be seen in domestic travel despite the slowing air seat outlook (albeit likely at a slower pace than seen in 2005).
 - This is consistent with HTA's 2006 growth targets, which call for increases of 2.3 percent and 2.7 percent from the U.S. West and U.S. East, respectively.
 - Forecasted 2005 growth from DBEDT is 6.0 percent and 5.2 percent from the U.S. West and U.S. East, respectively.
- Additional load factor estimates and analyses are available on the HVCB Market Trends Online website: <http://www.hvcb.org/trends>



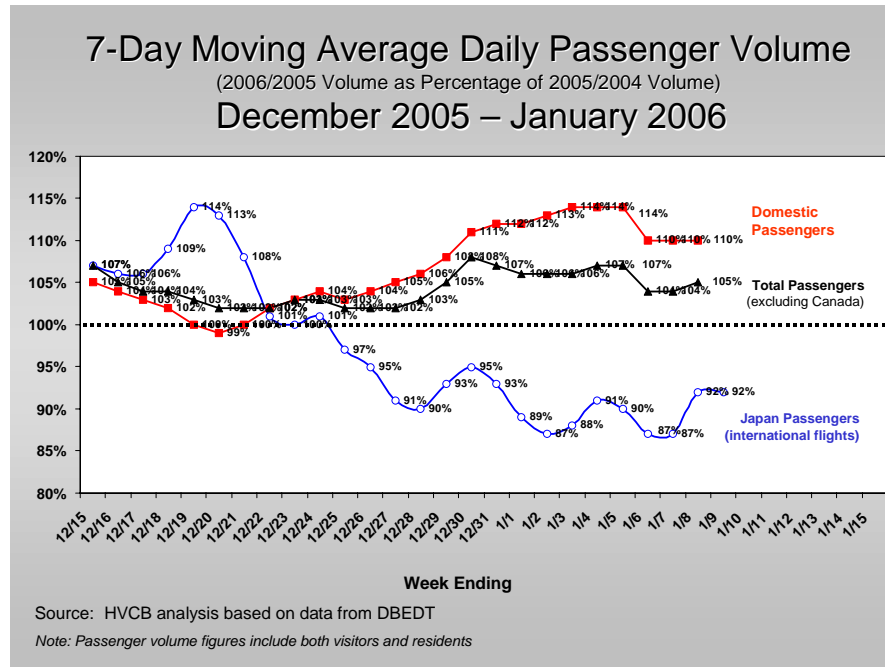
U.S. Traveler Sentiment Weakens, Leisure Travel to Continue Growing, but at Slower Pace

- Nationally, the Travel Industry Association of America's (TIA) latest Traveler Sentiment Index (TSI) dropped 13 percent from a year ago in the fourth quarter of 2005 to 83.8 – the lowest point ever for the index which tracks consumers' interest in leisure travel and their perceived ability to travel. Strong consumer concerns about the affordability of travel and personal finances weighed heavily in the decline. In issuing the latest TSI results, TIA notes that the TSI survey was conducted in October 2005, and therefore does not take into account improvements in consumer confidence and the nation's employment situation, which began later in the year.
- Separately, TIA released its Annual Travel Forecast for 2006, which predicts that domestic leisure travel will rise two percent in 2006. While the latest forecast represents continued growth for the new year, this growth is not expected to be as robust as the four percent increase observed in nationwide leisure travel in 2005. "The industry is holding strong but a number of indicators, such as vacillating consumer confidence, waning CEO confidence and an expected sharp rise in energy costs are having an effect on consumer and business attitudes," said Dr. Suzanne Cook, Senior Vice President of Research for TIA.

■ CONSUMER TRAVEL BEHAVIORS

➔ Domestic Passenger Volume to Hawai'i 10 Points Ahead for Latest Seven Day Average

According to statistics published by the state [Department of Business, Economic Development and Tourism](#), domestic passenger volume on nonstop flights to Hawai'i ended the latest seven-day period up 10 percent compared to prior-year levels for the period ending January 8, 2006. Total domestic and international (excluding Canada) passenger volume on nonstop flights to Hawai'i ended the week five percent above prior-year levels, while nonstop passenger volume from Japan was down eight percent below prior-year levels for the period. For the most recent Seven Day Moving Average chart, visit HVCB's Market Trends Online: <http://www.hvcb.org/trends>



■ CURRENT INDUSTRY DEVELOPMENTS

➔ Hawai'i Tops List of U.S. Destinations Most Desired by Canadian Leisure Travelers

"Hawaiian Neighbor Islands" and "Honolulu/O'ahu" ranked one and two, respectively, as the top U.S. destinations Canadians are most interested in visiting, according to the *2005 Portrait of Canadian Leisure Travelers*, released by [Yesawich, Pepperdine, Brown and Russell](#) (YPB&R) and InterVISTAS Consulting Inc. The study, which analyzed the lifestyles, motivations, and future vacation plans of Canadian leisure travelers, also revealed that over 60 percent of these travelers feel that it is extremely important to experience new things while on vacation, and to discover new and different destinations. Other desired U.S. destinations for Canadian travelers include:

Top U.S. Destinations Canadian Travelers Most Interested in Visiting	
Destination	Percent
1. Hawaiian Neighbor Islands	51%
2. Honolulu/O'ahu	47%
3. U.S. National Parks	40%
4. New York City	40%
5. New Orleans	38%
6. Las Vegas	36%
7. San Francisco	36%
8. Orlando	35%
9. The Florida Keys	33%
10. Los Angeles	31%
11. Alaska	30%
12. Miami	28%

Source: YPB&R and InterVISTAS Consulting, Inc.
 2005 Portrait of Canadian Leisure Travelers

We welcome any suggestions or comments that you may have that will help us improve the quality of the Tourism Industry Update. Please feel free to share your ideas:

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