

"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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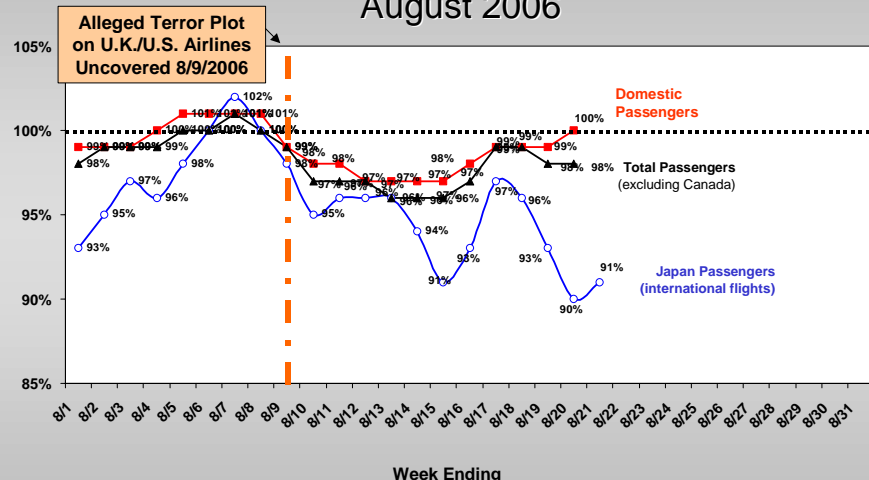
1. FEATURE

⇒ Domestic Passenger Volume on Par with Prior-Year Levels for the Seven-Day Period

Despite increased airport security measures nationwide following the alleged terrorist plot involving U.S.-bound airplanes from the U.K., Hawai'i domestic passenger volume on nonstop flights to the Islands ended the latest seven-day period (August 20, 2006) on par with prior-year levels, according to statistics published by the state [Department of Business, Economic Development and Tourism](#).

- Domestic passenger volume had been declining since early August versus prior year levels.
- Domestic performance for the latest seven day period is especially noteworthy, considering that August 2005 figures were some 10.4 percent higher than August 2004 passenger arrivals.

7-Day Moving Average Daily Passenger Volume (2006 Volume as Percentage of 2005 Volume) August 2006



Source: HVCB analysis based on data from DBEDT

Note: Passenger volume figures include both visitors and residents

- Total domestic passenger volume to Hawai'i (which also includes returning residents to Hawai'i) is currently down 1.5 percent for the month (through August 20th), though the count is still on pace to reach a record this summer.
- Nonstop passenger volume from Japan was nine points below prior-year levels for the seven-day period, but not inconsistent with past month's trends. Japanese passenger volume is currently down 4.8 percent for the month of August (results through August 21).
- Total domestic and international (excluding Canada) passenger volume was two points below prior-year levels for the week. Through August 20, total passenger volume is 1.9 percent below prior-year levels for August.

For the most recent Seven Day Moving Average chart, visit HVCB's Market Trends Online: <http://www.hvcb.org/trends>

2. HAWAII

■ CURRENT INDUSTRY DEVELOPMENTS

➤ Domestic Air Seat Capacity Projected to Increase Ten Percent Between August and October

Domestic air seats are projected to increase 10.3 percent, while international air seats are forecasted to decline 3.2 percent during the three-month rolling period between August and October, compared to the same period last year, according to the [Department of Business, Economic Development, and Tourism](#) (DBEDT) analysis of OAG flight schedules:

- Scheduled non-stop air seats to Hawai'i from the U.S. West are projected to reach 1.6 million between August and October, up 15.6 percent over prior-year levels. Hawai'i's top domestic market, Los Angeles, is expected to see a 3.9 percent increase in seats during the three-month period. However, Hawai'i's second largest market, San Francisco, is projected to experience double-digit declines in air seats (-10.7%). Gateways with the highest percentage increases over prior-year levels include: San Jose (+181.0%); Oakland (+152.6%); and Phoenix (+125.4%).
- Scheduled air seats from the U.S. East are projected to decrease 11.9 percent between August and October. Significant drops are expected to be seen in Cincinnati (-35.1%) and Minneapolis (-20.0%), the MMA's seventh and fifth largest gateways, respectively. The U.S. East's largest gateway, Chicago will also experience a double-digit decrease (-18.2%), while the second largest gateway, Dallas, will see a 3.3 percent boost in air seat capacity for the period.

Hawai'i Scheduled Air Seats Outlook*
August - October 2006

	STATEWIDE	
	August-October 2006	% Change
TOTAL SEATS	2,583,450	6.4%
U.S. TOTAL	1,909,791	10.3%
-U.S. West	1,616,313	15.6%
-U.S. East	293,478	-11.9%
INTL TOTAL	673,659	-3.2%
-Japan	456,544	-7.7%
-Canada	65,938	30.0%
-Other Asia	32,622	-9.3%
-Oceania	58,957	2.3%
-Other	59,598	4.8%

* DBEDT analysis based on flights in OAG flight schedules as of July 2006. These are scheduled air seats and may be subject to change.

➤ Jetstar Approved by DOT to Market New Honolulu-Australia Routes

Qantas subsidiary and budget airline, [Jetstar](#), has recently received U.S. regulatory permission to commence marketing its future international long-haul services between Australia (Sydney and Melbourne) to Honolulu. Jetstar hopes to operate five weekly flights to Honolulu (three from Sydney and two from Melbourne) beginning in late November, pending all regulatory approvals. An official commercial launch date to pre-sell and market the new Honolulu service has not yet been confirmed.

➤ Hawaiian and Harmony Announce New Codeshare Agreement

[Hawaiian Airlines](#) and Canadian airline, Harmony Airways, jointly announced a code share agreement and interline electronic ticketing system. The agreement will allow the airlines' mutual customers to make seamless flight connections between the two carriers, as well as allow consumers to purchase single e-tickets. Harmony's Canadian consumers, for example, will be able to make interisland connections once arriving in Honolulu. The code share effectively expands Harmony's route system to Hawai'i, and allows the company to book flights on Hawaiian Airlines in its worldwide computer reservations system.

3. NATIONAL / INTERNATIONAL

■ CONSUMER TRAVEL BEHAVIORS

➤ One-Third of American Families Scale Back Summer Vacation Plans Due to Higher Gas Prices

A recent survey of 5,000 U.S. households, conducted by TNS for The [Conference Board](#), reveals that one in three respondents (33%) have significantly changed their summer travel plans due to higher gas prices. Of those changing their plans, 74 percent will be driving less; 63 percent will be staying closer to home; 26 percent will postpone their vacation; 26 percent will shorten their vacations; and 25 percent will cancel their vacation plans altogether due to the rise in gas prices (multiple responses allowed). The Conference Board notes that the survey was conducted before the alleged terrorist plot against flights between the U.K. and U.S., and states that Americans' summer travel plans may be further impacted by the recent threat.

➤ Survey: Japanese Travelers Look for "Cheap, Near, Short" Vacations this Summer

According to a "Long Holiday Travel" survey conducted by Tokyo-based *goo Research*, an increasing number of Japanese consumers are planning their summer travel around three main criteria: 1. Cheap (tour prices); 2. Nearby (destination selection); and 3. Short (duration of travel), reported *Travel Journal International*. Of the over 2,000 Internet respondents, 70.0 percent stated that they wanted to travel this summer season, of which 78.5% have selected domestic Japanese destinations. The survey also notes a rise in vacations of "three days or less," and "four to six days," due mainly to a slight decrease in the average number of travel days this year compared to 2005. Survey results also suggest that consumers' travel budgets have also dropped compared to last year.

- The share of Japanese travelers visiting Hawai'i, Saipan and Guam has fallen to 2.7% this year (from 3.4% in 2005), according to the survey
- Other top destinations, aside from domestic Japan, by share are as follows:
 - Asia, 9.5%
 - Europe, 4.6%
 - U.S. Mainland, Canada 2.8%
 - Hawai'i, Saipan, Guam, 2.7%
 - Australia, New Zealand, 0.9%

■ CURRENT INDUSTRY DEVELOPMENTS

➤ ARC: Domestic and International Airfares Increase in July

The Airlines Reporting Corporation (ARC) released its July 2006 operating statistics, showing that sales totaled \$5.8 billion, up eight percent over July 2005. Total airfares increased in July compared to the same month last year with a strong growth in both domestic fares (+9.0%) and international fares (+7.0%). E-ticketing transactions were significant in July, with 95.6 percent of all ARC transactions being paperless during the month. Results represent ARC's processing and settlement of travel agency and CTD sales transactions on behalf of 147 airlines and railroads.

➤ U.S. Airlines Plan To Increase Seat Capacity This Year

For the first time since summer 2005, U.S. airlines are scheduled to increase domestic seat capacity on a year-over-year basis, according to a [USA Today](#) report. Passengers should expect to see a two percent increase in domestic seat offerings in November 2006 compared with November 2005, and a three percent increase in December 2006 compared to the same month last year. The report suggests that the increase in seat capacity reflects the airline industry's optimism for future profits and may lead to lower airfares.

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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