

"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

⇒ National Travel Industry Experts Predict U.S. Domestic Travel Slow Down Ahead

Nationwide U.S. leisure travel is expected to continue to grow in 2007, but at a slower rate than observed in recent years. That was the consensus of predictions shared at the Travel Industry Association of America's (TIA) Marketing Outlook Forum held last week in Florida.

Following an estimated two percent increase in 2006, TIA projects that leisure travel will rise by another one to two percent in 2007. TIA predicts that 2007 will be a year of slow growth, one in which travel businesses will more likely achieve revenue gains through stealing market share rather than by simply enjoying a growing piece of a growing pie.

The Air Transport Association's (ATA) forecast echoed TIA's. In 2007, ATA projects that domestic air passenger travel will inch up 0.5 percent on a capacity gain of 1.5 to 2.0 percent in Available Seat Miles (ASMs). Prospects for U.S. air travelers heading abroad are brighter, with ATA forecasting a 5.0 percent increase in international passenger traffic on a 5.0 to 5.5 percent increase in ASMs.

ATA notes that things are starting to look up for the airline industry, boosted by a strong revenue environment. Capacity reductions brought on by carriers operating under bankruptcy protection have pulled capacity down about five percent. Meanwhile, passenger traffic has continued to grow, sending load factors to record levels in 2005 and 2006. On the other hand, air fares are well below the peak of the previous revenue cycle, failing to keep pace with inflation due to increased competition in the marketplace.

Hawai'i Earthquake Information

Hawai'i is fortunate that the October 15 earthquake did not result in any loss of life or serious injury. The earthquake did cause a power outage, which temporarily disrupted air traffic and transportation systems. Electrical power has been restored and conditions in Hawai'i have returned to normal.

All hotels and resorts in Hawai'i are reported open and operating. Scheduled flights are generally operating; however, some flights have been delayed due to Sunday's disruptions, so passengers are advised to reconfirm their flights prior to going to the airport. Callers to airline reservations systems should anticipate that, with heavy call volume, they may experience a delay in having their call answered.

All main roads in Hawai'i are open; however a rural highway on the Big Island of Hawai'i (between Kawaihae and Hawi) is temporarily closed. Visitors who are sightseeing by car in that area are advised to check with their hotel for current conditions.

While media outlets carried pictures of isolated damage in Hawai'i, hotel operations are unaffected.

Hawai'i is welcoming visitors.

Updates will be posted at www.gohawaii.com or, from North America, you may call **1-800-gohawaii**.

Lodging industry predictions also foretell the coming of a slow down in 2007. According to Smith Travel Research, occupancies in 2007 are expected to advance only 0.1 percentage point on increases of +1.6 percent in room supply and +1.7 percent in demand.

The nationwide gains in average daily room rates in 2007 are not expected to be as robust as in 2006, but are nonetheless expected to continue to climb +6.5 percent next year. The continued growth in ADR is expected to drive nationwide revenue per available room +6.7 percent next year. Overall, Smith Travel Research predicts 2007 will be a year in which::

- Supply growth accelerates
- Demand growth stabilizes
- Occupancies level off
- Increased profitability
- Still good, but slowing

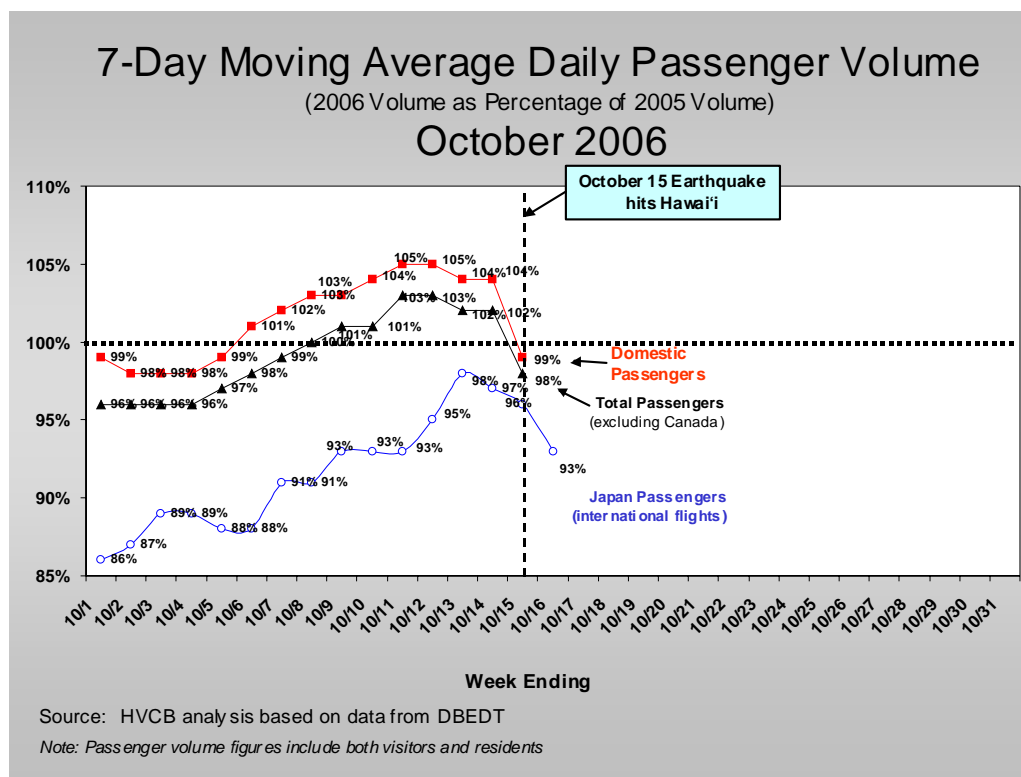
2. HAWAI'I

■ CONSUMER TRAVEL BEHAVIORS

➤ Total Passenger Volume to Hawai'i Down Two Points for the Week

According to statistics published by the state [Department of Business, Economic Development and Tourism](#), total domestic and international (excluding Canada) passenger volume on nonstop flights to Hawai'i fell two points below prior-year levels for the seven-day period ending October 15, 2006 – figures that were directly affected by the temporary disruption of air traffic and transportation systems due to the earthquake that hit Hawai'i on October 15th. Domestic passenger volume ended the period one point down from prior-year levels, while nonstop passenger volume from Japan to Hawai'i fell seven points for the week.

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



3. NATIONAL / INTERNATIONAL

■ CONSUMER TRAVEL BEHAVIORS

⇒ International Consumer Survey: European Union Has Highest “Brand Appeal”

The European Union ranked as having the highest national “brand appeal,” according to the quarterly National Brands Index conducted by [Anholt-GMI](#). The poll surveyed over 25,000 consumers in 35 countries on their perceptions about how they view other world nations. The factors taken into consideration include tourism; culture; people; government; and investment appeal. Australia was ranked as the most attractive tourism destination, according to the poll.

- Using the same criteria, Hawai'i ranked as having the third highest brand appeal out of all 50 states in the U.S. Only California and Florida ranked higher overall.
- Of all U.S. states, Hawai'i ranked as the top choice for offering the most to do for a week by both American and foreign respondents.

⇒ JATA: China Leads All Regions in Latest Japanese Travel Demand Index

The Japan Association of Travel Agents' (JATA) latest short-term quarterly Diffusion Index (DI) survey shows that travel demand for China will be higher than all other major regions for the fourth quarter 2006 (October-December), according to *Travel Journal International*. On a scale of +100 (very good) to -100 (very poor), JATA-member travel agencies scored China +10, down one point from third quarter figures (+11). Hawai'i registered an index score of -13, ranking fourth out of seven world regions. Overall Japanese propensity to travel overseas fell from +15 in the third quarter to +5 in the fourth quarter. Destination results for the fourth quarter 2006 in rank order:

- China (10)
- Asia (3)
- Europe (0)
- **Hawai'i (-13)**
- Micronesia (-29)
- North America – U.S./Canada (-32)
- Oceania (-34)

The Diffusion Index is a quarterly survey monitoring business sentiment among JATA-member travel agencies in Japan.

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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