

The Travel and Tourism Industry in Vermont

A Benchmark Study of the Economic Impact of
Visitor Expenditures on the Vermont Economy — 2005



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November, 2006

This 2005 update of the original benchmark study (2003) shows steady growth for Vermont's travel and tourism industry.

In reviewing this report, keep in mind that it specifically addresses the impact of visitor spending, including that of Vermonters when they make discretionary trips in Vermont. And remember that our recreation and tourism industry also serves the local resident population in their home communities, creating economic activity and impact in addition to what is presented in this report.

The focus on visitor spending is important because the services and sales provided to visitors bring new dollars into Vermont. This is ultimately the measure of success for all of the promotional efforts, both state and private, aimed at bringing visitors to the state and encouraging Vermonters to discover and enjoy this extraordinary state.

Maintaining clear and useful performance measures for Vermont's travel and tourism industry is essential for guiding both our marketing strategies and long-term public policy. Because tourism impacts many sectors of the economy — hospitality, recreation, amusements and retail — a profile of the travel and tourism industry must be carefully drawn from those sectors.

The 2005 update includes additional detail about the spending impact of second homeowners, both resident and non-resident, based on extensive primary research that shows the significant impact of this tourism sector.

In preparing each estimate reported in the following pages, Economic and Policy Resources, Inc. has reconciled independent data sources to verify the accuracy of the estimates. This high standard of impact analysis stands out by providing clear and justifiable benchmark estimates of visitor impact on the overall state economy, industry employment and output.



Bruce Hyde, Commissioner
Vermont Department of Tourism & Marketing

In 2005:

- Visitors made an estimated 13.4 million trips to Vermont for leisure, business, or personal travel.
- Their expenditures for goods and services totaled \$1.57 billion.*

* This estimate of visitor spending and each of the economic components reported here is based on a careful reconciliation of data from independent sources. For example, visitor survey data have been reconciled with taxable room receipts collected by the Vermont Department of Taxes.

- Visitor spending supports, both directly and indirectly, more than 36,250 jobs for Vermont workers and proprietors.
- The health and potential of the state travel industry is closely linked to the marketability of the "Vermont Brand." Because visitors are attracted to Vermont for the entire experience the Green Mountain State provides, an accurate understanding of the economic and fiscal impact of the industry and its development is essential for informed policy decision-making.

For the purpose of this study:

- A visitor is defined as a person traveling to a place outside his or her normal commuting pattern for the primary purpose of leisure, business or personal business. This includes domestic visitors from other states, visitors from Canada and other foreign countries, as well as Vermont residents visiting other areas of the state.
- A person trip accounts for each individual in a travel party; two people on a trip equals two person trips. If an individual makes multiple trips, he or she is counted as a visitor on each trip.
- When a visitor, as defined above, spends money in Vermont for activities, services or goods, the size of the state's economy grows. The economic impact is comparable to selling maple syrup, cheese, granite, furniture, or high-tech goods in out-of-state markets. Because of its dollar-importing capacity, the tourism industry behaves like an export industry by bringing new dollars into the Vermont economy from out-of-state visitors and/or by retaining those dollars that might otherwise be spent out-of-state by Vermonters.

Visitors made an estimated 13.4 million trips to Vermont in calendar 2005, including those of domestic (both in- and out-of-state) and international origin. Visitor trips in 2005 experienced an annual growth rate of 2.3% over the 2003-05 period.

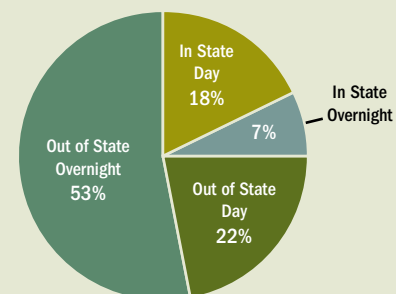
VISITORS TO VERMONT BY ORIGIN & TYPE OF TRIP

Person Trips (thousands)	
Domestic Origin	
Day	1,026.7
Overnight	5,020.0
Second Home	1,310.6
Foreign Origin	
Canadian	
Day	1,921.0
Overnight	644.0
International	
Overnight	66.0*
Vermont Origin	
Day	2,435.6
Overnight	569.1
Second Home	410.8
TOTAL PERSON TRIPS 2005:	13,404

*Conservative estimate from in flight survey US Dept. of Commerce.

59.8% of all visitors, corresponding to an estimated 8.0 million visitors, spent one or more nights in Vermont in calendar 2005. Of that total, over 4.4 million domestic origin visitors reported staying in commercial lodging such as a motel, hotel, B&B, rental home, or campground.

VISITORS TO VERMONT BY ORIGIN & TYPE OF TRIP



In State Day = 2.4 million

In State Overnight = 1.0 million

Out of State Day = 2.9 million

Out of State Overnight = 7.0 million

COMPARISON OF BENCHMARK YEARS - 2005 v. 2003

	2005	2003	Annual % Growth
Person Trips	13,404.0	12,795.5	2.3%
Visitor Days/Nights	29,743.1	25,814.9	7.3%
Visitor Expenditures	\$1,574.4	\$1,462.0	3.8%

A survey of lodging operators indicates that 40.7% of visitors to Vermont in 2005 staying in commercial lodging originated from New England states other than Vermont. Visitors from the Mid-Atlantic States of New York, New Jersey and Pennsylvania accounted for another 32.6% of visitors staying in commercial lodging.

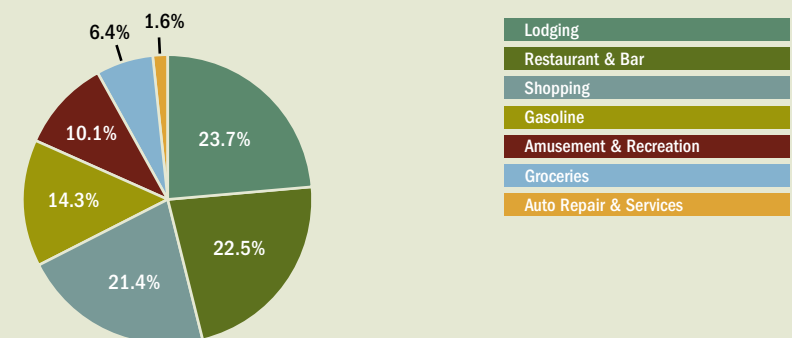
Overnight visitors to Vermont stayed an average of 3.0 nights in calendar 2005. The majority of this group was comprised of domestic origin non-second home owner visitors who averaged 2.9 nights per trip. Smaller visitor categories such as International origin visitors and second home owners of domestic origin had longer average night stays at 4.2 and 4.0 nights per trip respectively.

AVERAGE LENGTH OF STAY BY OVERNIGHT VISITOR TO VERMONT BY ORIGIN

	# of Nights per Trip	# of Visitor Nights (in millions)	% of Visitor Nights
Non-Second Home Owner			
Domestic Origin	2.9	14.8	60.8%
Canadian Origin	2.7	1.8	7.2%
International Origin	4.2	0.3	1.1%
Vermont Origin	1.5	0.9	3.5%
Second Home Owner			
Domestic Origin	4.0	5.2	21.5%
Vermont Origin	3.5	1.4	5.8%

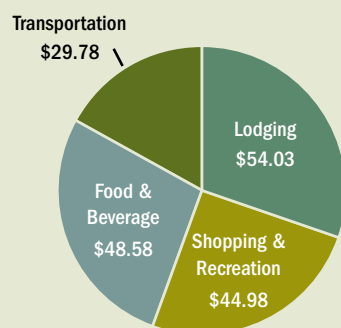
Total visitor spending on all items was estimated to total \$1.57 billion in calendar 2005. This includes out-of-state and in-state day and overnight visitors to Vermont. This estimate does not include the spending by second and vacation home owners on durable goods, or the initial purchase-construction of a second home. Total visitor spending grew by 3.8% annually since the 2003 Benchmark Study.

TOTAL VISITOR EXPENDITURES BY CATEGORY = \$1.57 BILLION



The average overnight visitor to Vermont spent \$177.37 per person trip on transportation, lodging, food and beverages, and retail shopping items in calendar 2005. Visitors staying in commercial lodging spent more than those staying with family and friends or staying in owned or rented second homes.

AVERAGE OVERNIGHT VISITOR* SPENDING = \$177.37



*Does not include second home visitors

The average day-visitor to Vermont spent \$66.05 per person trip on transportation, food and beverage, and retail shopping items in calendar 2005. The largest increase in the day visitor population came from Canadian visitors, at least in part due to favorable currency exchange rates.

AVERAGE DAY VISITOR SPENDING = \$66.06



Of the \$1.57 billion in visitor expenditures in calendar 2005, lodging was the largest category of total visitor spending at \$372.9 million. The second largest was restaurants/bars (at \$354.2 million) and shopping (at \$337.2 million). The largest increase in expenditures relative to the 2003 benchmark study was for gasoline, as the entire U.S. economy dealt with rising energy prices and the hurricane-induced energy price spike that occurred late in 2005.

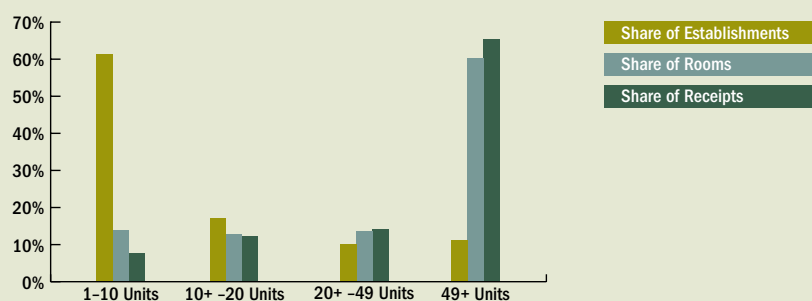
TOTAL VISITOR EXPENDITURES BY CATEGORY

Category	Expenditures (in millions)	% of Total
Lodging	\$372.9	23.7%
Restaurant & Bar	\$354.2	22.5%
Shopping	\$337.2	21.4%
Gasoline	\$225.0	14.3%
Amusement & Recreation	\$158.8	10.1%
Groceries	\$100.7	6.4%
Auto Repair & Services	\$25.6	1.6%
TOTAL	\$1574.4	100.0%

A typical overnight visitor party to Vermont staying in commercial lodging including motels, hotels, B&Bs, rental housing and campgrounds spent \$462.04 per visit with an average party size of 2.3 persons and a stay of 2.3 nights in 2005.

A total of 872 establishments, or 61.3% of all establishments, offered 10 or fewer units during the year.

COMPARISON OF LODGING ESTABLISHMENT BY SIZE



	# of Est.	% of Total	Rooms	% of Total	Receipts*	% of Total
1-10 Units	872	61.3%	3,311	13.8%	\$28.2	7.6%
10+ -20 Units	245	17.2%	2,968	12.4%	\$47.6	12.9%
20+ -49 Units	146	10.2%	3,243	13.5%	\$52.2	14.2%
49+ Units	160	11.3%	14,462	60.3%	\$240.3	65.3%
Total	1,424	100.0%	23,984	100.0%	\$368.2	100.0%

*In millions of dollars

The 160 largest establishments offering 49 or more units accounted for 11% of the total number of establishments during the peak season and over 65% of the total lodging receipts during 2005.

AVERAGE ROOM RATES BY ESTABLISHMENT SIZE & SEASON

	Winter Dec. - March	Spring April - May	Summer June - August	Fall Sept. - Nov.
1-10 Units	\$119.19	\$112.74	\$118.60	\$118.87
10+ -20 Units	\$117.33	\$106.06	\$114.56	\$121.04
20+ -49 Units	\$126.05	\$113.58	\$129.61	\$145.08
49+ Units	\$124.29	\$112.99	\$123.83	\$117.83

Average room occupancy varied markedly by size of establishment and by season. Establishments with 49 or more units reported the highest occupancy rates. The Summer season had the highest occupancy levels, followed by Fall.

OCCUPANCY BY ESTABLISHMENT SIZE & SEASON

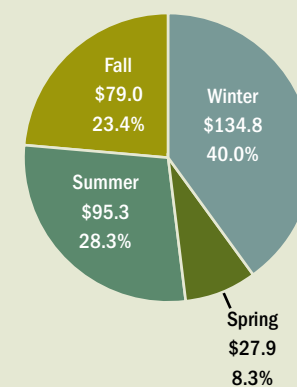
	Winter Dec. - March	Spring April - May	Summer June - August	Fall Sept. - Nov.	Total By Size
1-10 Units	15.2%	8.6%	25.2%	24.0%	18.8%
10+ -20 Units	37.5%	21.3%	44.4%	42.2%	37.7%
20+ -49 Units	42.9%	16.1%	37.2%	38.5%	36.0%
49+ Units	44.5%	32.0%	54.3%	50.0%	46.3%
Total By Season	38.6%	24.6%	45.9%	43.1%	

Note: Averages are weighted based on relative size of actual responses.

Note: Due to changes in participating establishments, direct comparisons to previous studies are statistically valid only at the 'Total' level - whether 'By Size' or 'By Season.'

40.0% of all commercial lodging receipts in 2005 were the result of visitors during the winter months (January, February, March and December of 2005). This was followed by a 28.3% share of total commercial lodging receipts during the Summer season, a 23.4% share of the total for the Fall, and an 8.3% share for the Spring.

TAXABLE ROOMS RECEIPTS BY SEASON - 2005



A total of 36,250 jobs (approximately 12% of all jobs) were supported in the Vermont economy by visitor spending in the travel industry in calendar 2005. This includes wage and salary employees and proprietors in the lodging, entertainment, transportation, food and beverage, retail, and supporting sectors supplying the industry.

JOB & PROPRIETORS ATTRIBUTABLE TO VISITOR SPENDING

Direct Wage & Salary Jobs	19,235
Proprietors in the Industry	7,513
Indirect Wage & Salary Jobs	9,502
Total Direct/Indirect Jobs & Proprietors*	36,250

*Does not include second home construction and related expenditures.

Every million dollars of visitor spending supports more than 23 jobs in the Vermont travel and tourism industry.

The share of employment that depends on visitor activity in the sub-sectors of hotel and lodging, eating and drinking, recreation and entertainment, gasoline, and retail sales were, on average, significantly higher in Vermont than nationally.

SHARE OF TOTAL SECTOR JOBS SUPPORTED BY SPENDING - U.S. vs. VERMONT

Commodity Category - Sector	United States (% Total Jobs in Sector)	Vermont (% Total Jobs in Sector)
Hotel and Lodging	74.0%	88.3%
Eating and Drinking	19.6%	32.3%
Transportation*	33.5%	17.5%
Recreation and Entertainment	27.2%	35.3%
Gasoline and Oil	6.6%	22.0%
Retail and Retail-Related	2.5%	5.5%

*The share of transportation is lower because Vermont is not home to major transportation industries such as airlines and shipping.

Restaurants in Vermont were nearly one and one half times as dependent on visitor spending than the national average. The retail sector in Vermont was more than doubly reliant on visitor spending relative to its U.S. industry counterpart.

The 2005 benchmark study estimated that an additional 8,514 visitors will increase travel industry output by \$1.0 million.

Visitors to Vermont in 2005 contributed an estimated \$196.4 million in tax and fee revenues to state coffers in the General, Transportation and Education Funds. This amount does not include a full accounting of expenditures by second and vacation home owners. An estimate of the impact of second home construction is currently under development.

TAX AND FEE REVENUES FROM VISITORS

State Tax or Fee Source	State Totals (in millions)	Visitor Totals* (in millions)	Visitor Portion (as % of total fund)
Total General Fund	\$1,070.2	\$99.3	9.3%
Transportation Fund	\$209.8	\$15.1	7.2%
Education Fund	\$832.0	\$82.0	9.9%
Total All Funds	\$2,112.0	\$196.4	9.3%

*Does not include second home construction, related expenditures and real estate capital gains.

TOP 4 VISITOR CONTRIBUTIONS TO STATE REVENUE

State Tax or Fee Source	State Totals (in millions)	Visitor Totals* (in millions)	Visitor Portion (as % of total fund)
Rooms & Meals Tax	\$112.8	\$55.1	48.8%
Gasoline Tax	\$65.9	\$12.1	18.4%
State Education Property Tax	\$676.5	\$72.6	10.7%
Sales & Use Tax	\$317.5	\$26.8	8.4%

*Does not include second home construction, related expenditures and real estate capital gains.

The 2005 Benchmark Study is the second in a biennial series of studies to estimate the economic and fiscal impact of Vermont's tourism industry on the Vermont economy. The study adheres to the objective and defensible methodologies established in the 2003 study. Comparisons between the two benchmark years provide reliable measures of performance and trends the Department of Tourism and Marketing will use to develop and strengthen the visitor industry in Vermont.

- The 2003 and 2005 benchmark studies, and the supporting research conducted over the past three years, underscore the importance of a healthy and vibrant tourism industry as an economic driver for the Vermont economy. Because the tourism industry has an impact across many sectors of the federally defined categories, this analysis is a complex undertaking. What emerges is that Vermont's tourism industry is a dynamic combination of entrepreneurs, small businesses, and outstanding natural amenities that provides a robust contribution to the economic well-being of thousands of state residents.
- The industry is an integral part of a rural, working landscape, and whether looking at the jobs created or taxes collected, visitor spending provides a significant portion of local and regional economic activity in virtually every part of the state.
- Tourism has a stabilizing effect in Vermont's economy by insulating the state's residents from the inevitable ups and downs of national-global business cycles, while providing individuals and their families with a diverse set of earning possibilities and challenging occupations that fit into their lifestyle and family situation.

This study provides a great deal of useful information and highlights some very important facts, including:

- The Vermont tourism industry directly and indirectly employs 36,250 Vermonters (approximately 12% of all jobs).
- Direct spending by visitors adds \$1.57 billion to the Vermont economy, representing an annual growth of 3.8% from the 2003 study.
- Five out of the six key sectors of the Vermont tourism economy are more dependent on visitor spending than the national average; some by as much as two and even three times greater than the comparable sector nationally.
- Visitor spending in 2005 contributed an estimated \$196.4 million in tax and fee revenues to the state of Vermont.

Analysis of this important job and income-generating sector of the Vermont economy will be ongoing, looking at different aspects of the tourism industry in greater detail. Every sector study undertaken will conform to the benchmark standards so that results across the years are consistent, comparable and defensible. The complete 2005 report, including appendices, can be found online on our industry website at www.VermontPartners.org.

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