The Travel and Tourism Industry in Vermont

A Benchmark Study of the Economic Impact of Visitor Spending on the Vermont Economy—2007

Prepared for:

The Vermont Department of Tourism and Marketing
National Life Building, Sixth Floor
Montpelier, Vermont 05620-0501

Prepared By:

Economic & Policy Resources, Inc.
400 Cornerstone Drive, Suite 310
Williston, Vermont 05495
www.epreconomics.com

Table of Contents

Listing of Tables & Graph

Introduction

The travel and tourism industry continues to be an integral part of the Vermont economy. In 2007, 86.2 percent of the $1.6 billion in direct visitor spending came from out-of-state visitors, contributing an estimated $206.9 million in tax and fee revenues to the State of Vermont.

Since the last benchmark study was completed, the United States has experienced some watershed events. The most notable examples are Hurricane Katrina, enormous and economically damaging price run-ups in the cost of energy, the worst housing market downturn since the Great Depression of 1929-1933 and the attendant financial crisis which has shaken the underlying infrastructure of the U.S. and global banking-financial systems. The result has been a deep and longer than average economic recession. As a small state that is part of the broader United States economic system, Vermont has been unavoidably swept up in these developments. However, as this report will discuss, the travel and tourism industry continues to be a source of economic stability even during uncertain and challenging economic times.

The strength of the industry comes from the businesses themselves and their ability to cater to all types of visitor needs. Vermont has the capacity in place to service all who come and the Vermont Department of Tourism and Marketing (VDTM) continues their efforts to aggressively market the unique and high quality services and attractions that Vermont has to offer. It is this ability to provide and the dynamic nature of marketing to specify targeted areas which has allowed, not just the industry to thrive, but the thousands of economic participants within the Vermont economy who benefit from a strong local export industry.

It is often overlooked that the travel and tourism industry is substantially an export industry—but it is true. Visitors bring their dollars into the state when they come to vacation, shop, relax, recreate in Vermont. When they leave, they take with them souvenirs, their experiences, and their memories. But they also leave behind their dollars and these are spent and re-spent as the so-called economic multiplier effect runs its course.

The multiplier effect measures how this dollar inflow of expenditures into the Vermont economy provides not only for those directly participating in the industry, but also to the suppliers of industry businesses and local support services (such as food suppliers, property management, construction, bookkeeping and many other professional services) that indirectly interact with direct industry participants. And what do these businesses represent? They represent business owners, entrepreneurs and workers—all of whom spend their wages and salaries at—on other Vermont business services.

The 2007 benchmark report quantifies the impact of this effect on the Vermont economy and on the fiscal health of the state of Vermont. In that way, this report tries to quantitatively measure the robustness of the Vermont brand. While some of the credit for the $1.615 billion in direct visitor spending must go to the natural beauty of the state and the fortuitous placement of the border to the north with which we share with Canada, it is important to recognize the industry for their efforts and the Vermont brand which has been built over many decades by those who provide goods and services to the state's visitors. In the midst of all the aforementioned economic challenges, the Vermont travel and tourism industry showed not just remarkable stability but also some sustainable growth. The industry should be recognized for its performance during tough economic times. It has been a counter-weight to the increasingly strong gales of economic hardship which have been blowing into Vermont from around the nation and the globe. Welcome to the 2007 Travel and Tourism Benchmark Study, a story of success in presence of the most significant economic challenges for our nation since the Great Depression.

The National Travel Industry – 2007

Preliminary figures show that total United States travel volume increased in 2007 to an all time high of 2.083 billion person trips. This fourth straight year of increases confirms the United States tourism industry's recovery from the post-September 11th drop in visitor activity. The industry during calendar year 2007 was pressured by volatile oil prices and an economy that was entering the final, unsteady phase of its expansion. However, these challenges are at least partially off-set by the activity-stimulating effects of a weak U.S. dollar versus other major currencies, which provided a strong incentive for Americans to travel domestically and international travelers to tour within U.S. borders.

The net effect of these counter-veiling forces is seen in Table 1 below which tracks the number of person trips to the United States over the calendar year 2000 to 2007 period. From the table, travel activity within the United States has recovered from the adverse impacts of the terrorist attacks of September 2001, growing at an annual rate of 1.0% over the 2001-07 period. Although visitor activity moved side-ways from 2001-03, activity has increased by 1.9% per year over the 2003-07 period.

Table 1: Travel Volume for the United States (in billions of person trips)

Year	2000	2001	2002	2003	2004	2005	2006	2007
Trips	1.94	1.92	1.96	1.93	2.00	2.04	2.05	2.08
% Change	na	-1.0%	2.1%	-1.5%	3.6%	2.0%	0.5%	1.5%

Source: Travel Industry Association Prepared by: Economic & Policy Resources, Inc.

Travel in America is dominated by the middle class. In 2007, the typical trip participant was an adult, either alone or with others, but traveling without children with a mean household income of approximately $70,000. This typical traveler was most likely on a leisure trip, with an 80% chance of traveling by auto. Most trips by Americans in 2007 were within their state of origin (56%). Parties were also most likely to spend money on dining, shopping, and entertainment establishments. As a result, indicators from these parts of the tourism economy were good proxies for overall tourist spending. In 2007, approximately 20% of all trips in the United States involved spending more than $500. Overall, travel parties spent an average of $349 per trip in 2007. Consistent with past research, it is reported that couples of any age spend more per trip than other demographics.

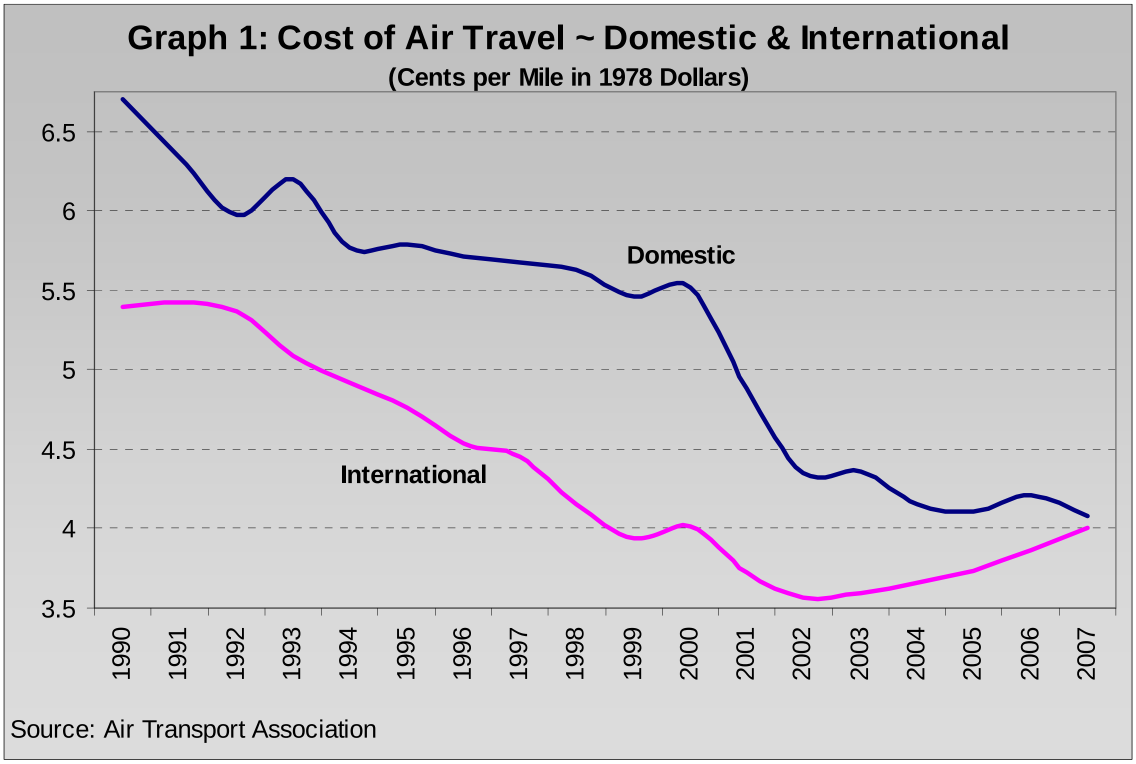
Total international arrivals to the United States grew to nearly 900 million in 2007, up from 800 million in 2005. This increase has been driven mostly by the growing middle class in emerging economies, and should continue to grow in coming years. The Travel Industry Association (TIA) reports that combined domestic and international visitors to the United States spent $737 billion in 2007. TIA concludes this visitor spending supported or created 7.7 million jobs in the U.S. economy.

Looking ahead, new requirements for travel into and out of the United States will place downward pressure on demand by Americans for international travel. The Western Hemisphere Travel Initiative (WHTI) requires travelers (including U.S. citizens) to present a passport or other qualifying document when returning from Canada, Mexico, Bermuda, and the Caribbean. The $100 cost of a passport could reduce the number of casual trips into Canada and Mexico by U.S. citizens. Over the long run, this effect will likely abate due to the gradual expansion of passport ownership by U.S. citizens living near the Canadian and Mexican borders. It remains to be seen which, if any, of these effects - volatile gas prices, a weak dollar, or barriers to international travel - will result in a persuasive trend in the industry.

Higher oil prices and consequently increasing airline fares should be expected to reduce demand for international travel, both into and out of the United States. In a 2006 study, researchers modeling oil price and tax scenarios for the Scottish tourism industry found significant increases in oil prices resulted in roughly a halving of the baseline tourism revenue growth rate[1]. The resulting relationships between tourism demand and oil prices cannot be assumed to apply directly to the much larger, and more geographically further removed United States tourism industry, though recent experience seems to indicate that the price of oil is an important variable when talking about the economics of tourism nearly everywhere around the globe.

Current data show that the real pre-tax price per mile in both the domestic and international airline industry managed to remain essentially flat even as oil prices rose to new highs during calendar year 2007. Since the United States tourism industry grew during all but the most recent oil price run up there is some reason for optimism. However, this optimism appears to hinge on the weak U.S. dollar's ability to attract enough foreign spending to outweigh American's slow income growth and difficulty buying energy with a depressed currency.

[1] Visit Scotland Research. When the Oil Runs out: What does this mean for Scottish Tourism?. March 2006



In addition to record fuel prices, the tourism industry is also threatened by stagnant income growth, low consumer confidence, and as of the end of calendar year 2007 a national economic recession. Since travel is considered a discretionary household expenditure, is can be an easy way for consumers to reduce their household spending. The success of the domestic tourism industry will certainly be linked to the length and severity of the downturn. The United States travel sector is at a crossroads. How the impacts from slowing income growth, volatile fuel prices, and a weak dollar play out will be important in determining the future output and employment in the national tourism industry.

International Picture

Despite recent increases in airline prices, overseas flights are still relatively inexpensive by historical standards. This fact, combined with the weakest U.S. dollar in the history of modern foreign exchange during calendar year 2007, spurred an increase of foreign travel to America. According to the United Nations World Tourism Organization (UNWTO) report for calendar year 2007, the United States ranks third in international arrivals; just ahead of China but behind Spain and France. The UNWTO also reports the United States as first in total tourism receipts. The United States' rank for both arrivals and receipts has remained unchanged since calendar year 2006.

The majority of international visitors to the United States come from Western Europe and Japan. UNWTO figures show that in 2006, 45% of overseas visitors to the United States came from Western Europe (with 19% from the United Kingdom) and 17% from Japan—the second largest supplier of foreign visitors to the United States. While the proportional share of travel to the United States from residents of Western Europe and Japan has been stable over the recent past, a significant trend is developing from China and India. The upward trend by the people of China and India (specifically East India) is most likely due to two reasons. The first is a softening in visa requirements for non-immigrant Chinese and Indian visas to the United States. The second reason is the increasing size of the middle class in these two Asian countries. As neither of these factors is expected to reverse, the upward trend of Chinese and Indian visitors to the United States should continue.

As discussed above, international visitation to the United States has been increasing over the past several years. This growth is apparent in the reported number of international passenger arrivals by major U.S. airport. New York, Los Angeles, and Newark received the highest number of international arrivals during calendar year 2007 according to the U.S. Department of Transportation. Each experienced significant increases in international passenger arrivals between 2005 and 2007. Atlanta was not in the top three for international passenger arrivals, though it did report the greatest increase (22% over the two year period). Detroit and Boston were the only major U.S. airports to report a decrease in international passenger arrivals.

Table 2: International Arrivals by Selected Cities (# of Passengers)

	2007	**2005**	**Nominal % Change**
Atlanta	4,483,528	3,675,320	22.0%
New York City	11,396,535	10,104,602	12.8%
Washington D.C.	3,003,482	2,569,882	16.9%
Los Angeles	8,285,874	8,091,618	2.4%
Detroit	1,917,070	1,938,219	-1.1%
Newark	5,328,501	4,593,384	16.0%
Boston	1,938,921	1,983,281	-2.2%

Source: Bureau of Transportation Statistics
Note: U.S Citizens are included in these arrival counts
Prepared by: Economic & Policy Resources, Inc.

After arrival, overseas visitors are most likely to visit major urban areas. In calendar year 2007, Times Square in New York City, the National Mall in Washington, DC, and Disney World in Orlando, Florida were reported as the most visited locations in the United States though “eco-tourism” and travel to wilderness areas are also popular by overseas visitors. The U.S. Department of Commerce’s Office of Travel and Tourism Industries (OTTI) reports that in calendar year 2007 international visitors from outside North America spent an average of over $3,000 per trip to the United States, excluding fare. While informative, such an average does not truly depict the differences in travel patterns by country. For instance, according to the OTTI, the average length of stay of a visitor from India to the United States is 42 days which is significantly higher than the same metric for a visitor from Japan or the United Kingdom (UK). Similarly, measures of average spending per day (spending per arrival divided by the average length of stay) reveal that visitors from Japan have the most cost intensive trip. This is due to their relatively average level of spending ($3,121) dispersed over a brief period of time (an average of 7.3 nights). This cost intensity is apparent by comparing the overall spending by visitors from the UK and Japan. In total, visitor spending in United States from visitors from each of these two countries exceeded $11 billion in calendar year 2007. However, Japan had 1 million fewer visitors than the UK.

Table 3: International Visitor Characteristics by Country of Origin

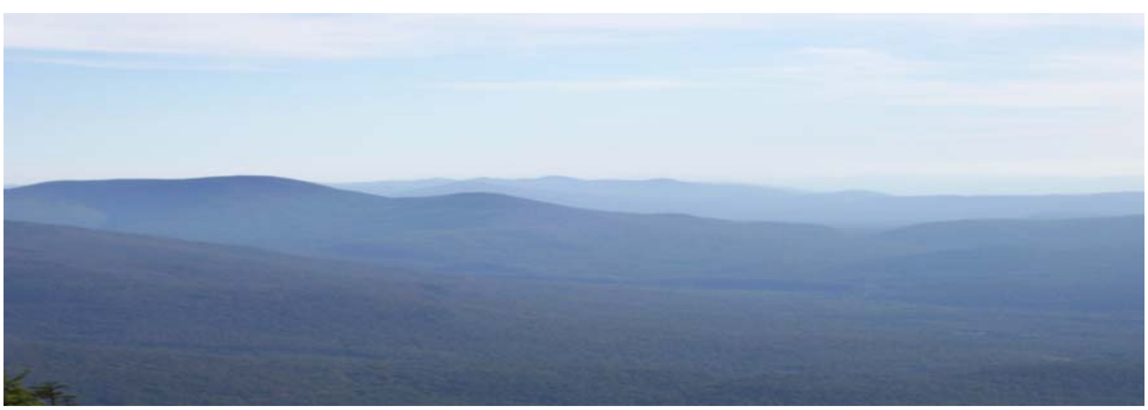
Results for 2007	Australia	UK	Germany	Japan	China	India	Weighted Average
Length of Stay in U.S. (average nights)	22	12.3	17	7.3	27.5	42	14.0
Length of Stay in U.S. (median nights)	15	9	9	4	11	21	8.5
Average Number of States Visited	2.2	1.4	1.6	1.2	2	1.9	1.5
Spending Per Arrival	$4,046	$2,654	$2,629	$3,121	$5,242	$4,672	$3,075
Total Arrivals (thousands)	670	4,498	1,524	3,531	397	567	NA
Total Spending (millions USD)	$2,711	$11,936	$4,007	$11,019	$2,081	$2,649	NA

Source: Office of Travel & Tourism Industries

NA = Not Applicable

Prepared by: Economic & Policy Resources, Inc.

As detailed in economic theory and inferred in the above example of Japan, visitors' household income level is an important determinant in demand for international travel. All else being equal, higher household income levels will correspond to more international travel. The rapid economic growth in mainland Asia and Latin America can therefore be expected to increase worldwide demand for travel. Due to the unprecedented cultural influence of the United States, especially in Asia, the American tourism industry is uniquely positioned to benefit from the rise of these new economic powers should the witnessed economic growth continue. The outlook for overseas travel in the United States looks promising although major disruptions in energy markets, world financial market uncertainty and on-going concerns about terrorism could impede future growth in international visitor activity.



International Focus: Exchange Rates

The U.S. Dollar depreciated against most major currencies during the 2007 calendar year. The most important exchange rate for Vermont's travel industry is the U.S. Dollar/Canadian dollar. This is because there were an estimated 2.8 million person trips made by Canadians to Vermont in calendar year 2007. This reported activity corresponds to approximately 19.3% of total visitation to Vermont. With a population of approximately 4.5 million Canadians living within 60 minutes drive of the Vermont border, the U.S. to Canadian Dollar exchange rate can have a big impact on travel.

The Canadian Dollar (also known as the "Loonie") gained throughout the year and traded on par with the U.S. Dollar on September 20, 2007. The Canadian Dollar then continued its upward trend and on November 18, 2007, the Canadian Dollar traded at nearly a 50-year high versus the U.S. Dollar. This was a large swing in the U.S. Dollar to Canadian Dollar exchange rate given the fact that the U.S. Dollar reached its highest value relative to the Loonie dating back to 1949 as recently as January 21, 2002.

Exchange rates are important because of the way exchange rates can impact the purchasing power of Canadian visitors to the United States and Vermont. Even beyond exchange rates, prices for the same good or commodity in Canada and the United States are often very different. The reasons for such a difference can range from different tax structures and labor costs to the differing transportation costs that goods or commodities can have as they travel from their point of production, through the distribution system, and onto the shelves of retailers. In a February 2008 report, the World Bank published price levels for all countries for different categories of goods and services. By comparing the differences in price levels and tax rates, it is possible to calculate the impact on purchasing power for the Canadian visitors to Vermont and the United States during calendar year 2007.

The analysis assumes that Canadians comply with national and provincial laws which require them to stop and declare their purchases made in the United States at the border, including an effective sales tax rate of 12.875% for goods and services. This is comprised of a 5% Goods and Services tax (GST) levied at the Federal level and a 7.5% provincial Sales Tax on top of the 5% federal tax. If Canadian (in this case Quebec) resident visitors were to purchase items in Vermont, then the analysis assumes that they would pay Vermont's 6% sales tax and the 5% GST assessed at the Canadian border.

For example, Canadian prices in the food and beverage category are much higher than in the United States and Vermont's tax rates are lower than in Canada. Because of the differences in price level and tax rates, Canadians visiting Vermont in 2007 had roughly $0.30 more in spending power for every dollar spent on food in the United States relative to the same purchase in Canada.

This also appeared to be the case for clothing and footwear during calendar year 2007. While Canadians must declare goods purchased in the United States at the border and pay the 5% Goods and Services Tax on the purchase price as well as Vermont's 6% sales tax, the lower price level in the United States gave Canadians an extra $0.30 of buying power for every dollar spent on those items.

The recent and rapid exchange rate gain for the Canadian Dollar gave Canadians extra incentive to visit the United States in 2007. This was important for Vermont's travel and tourism industry, especially in light of the struggling national, New England, and Vermont economies.

International Focus: Canadian Travel

Proximity, wide variety of climates and common language make travel to the United States a natural choice for many Canadians. Like overseas international visitors, Canadians have been drawn to the United States in increasing numbers due to lower prices in America, strong household income growth at home, and a relatively stronger local currency vis-à-vis the U.S. dollar as described above. The United States is by far the most visited foreign country by Canadians by a ratio of approximately 17 to 1. Statistics Canada reports 17.8 million Canadian person trips to the U.S. in 2007. That was the third year in a row of growing arrivals. These new highs contrast with the large declines in arrivals seen during the post September 11th tourism slowdown. Since 2005, Canadian visits to the United States have increased by a nominal rate of 19.5%. In comparison to the 17.8 million visits to the United States in 2007, Canadian's next highest visited location was Mexico with just over 1 million visits. Mexico, notably, experienced a significant rate of growth of 28.3% during the period from 2005 to 2007.

This significant increase in travel by Canadians, both to the U.S. and other locales, provides an extremely important boost to the economies of host countries. For the United States, and more specifically Vermont, Canadian visitors in 2007 acted as a counter-cyclical force during domestic periods of sub par economic growth. As Canadians are motivated to travel based on the factors in their economy, they represent a significant opportunity when United States domestic travel is weak. The Canadian travel activity over the past few years is case in point.

As reported, Canadians increased their travel to the United States by over 19% between the last benchmark study in 2005 and this current 2007 study. Canadian spending in the United States more than kept pace with increased visitation by rising from C$9.5 million in 2005 to C$11.5 million. This represents a 21.1% nominal increase in spending. Since spending increased faster than visitation, it can be concluded that average spending per visit increased during the 2005-2007 period of comparison. However, Canadians reported shorter trips to the United States over the same period. This means that while Canadian visitors are coming more frequently to the United States and spending more money, they are doing so over a shorter time period.

Table 4: Canadian Travel Activity in the United States

Category	Units	2007	2005	Nominal % change
Visits	(000s)	17,759	14,862	19.5%
Nights	(000s)	130,801	117,164	11.6%
Spending	(C$ mils)	11,545	9,537	21.1%

Source: Statistics Canada

Prepared by: Economic & Policy Resources, Inc.

International Focus: Border Crossing Data

As Canadian visitors have increased their visitation to the United States, there has not been a corresponding increase in cross border vehicle traffic Border crossings by passenger vehicles for all northern states have declined over the past couple of calendar years, with a rate of decline across the United States / Canadian border of about 1% per year. A closer look at Vermont specific data shows an even larger decrease in passenger traffic, approximately 2.5% per year over the last two calendar years where data is available.

Table 5: Vermont Border Crossing Data

	Northern States		Vermont	
Year	Number of Passenger Vehicles	Annual % change	Number of Passenger Vehicles	Annual % change
2005	30,351,683	-	1,443,439	-
2006	30,038,327	-1.0%	1,405,572	-2.6%
2007	29,763,178	-0.9%	1,370,588	-2.5%

Source: Bureau of Transportation Statistics

Prepared by: Economic & Policy Resources, Inc.

While the increase in Canadian visitation coupled with declining border traffic seems counter intuitive, there is a rationale explanation. Border crossing data is origin non-specific and therefore does not explicitly relate if it is an entry to or an exit from the home country of the traveler. Therefore, it is likely that a more pronounced decline in United States visitors to Canada relative to the increase in Canadian travel south explains the difference. Statistics Canada reports a significant decline in Americans visiting Canada dating back to calendar year 2003. Between the 2003 benchmark study and the current 2007 study, there has been a nominal decrease of nearly 10 million total visits by United States residents to Canada. This decrease represents a nominal decline of 27.6% over the four year period. Personal vehicles or ‘Auto’ is the most popular form of transportation between Canada and the United States and this subset of the total has declined by an even larger percentage. Of the 9.8 million fewer total visits, auto trips accounted for 98% of the decline or 9.6 million visits. Clearly, the same economic-purchasing power advantages Canadians have been experiencing which have encouraged travel to the United States are working in reverse on the American visitor and their decisions to travel north.

Table 6: United States Residents Entering Canada (in 000s)

	2007	2005	Nominal % change 2007-05	2003	Nominal % change 2007-03
Total	25,694.5	31,655.0	-18.8%	35,509.5	-27.6%
By Auto	19,124.9	24,486.4	-21.9%	28,749.2	-33.5%

Source: Statistics Canada

Prepared by: Economic & Policy Resources, Inc.

Weather in Vermont – 2007

This section of the 2007 benchmark study is comprised of excerpts from a weather diary compiled by Vermont residents over the course of calendar year 2007. Their vigilant recantation of the ever changing Vermont weather provides a first person narrative into what is now only weather data and legend. Their purpose was to relive with the reader all the hot and cold of 2007 and how these weather patterns could have influenced visitor levels and visitor activity in Vermont during calendar year 2007.

<u>Winter / Ski Season 2007</u>

January of 2007 was a continuation of the dismal winter skiing conditions that occurred from Thanksgiving though the Christmas/New Years week of 2006. The only positive that could be taken from the month was that temperatures were at least cold enough to make snow. Reports indicated that the state's resort area snow-guns could not make enough snow to make the all important Martin Luther King holiday weekend a success for resorts. While the ski areas had a large portion of their terrain open, Southern New Englanders had not seen much—if any—snow where they lived. As such, many potential visitors to Vermont ski resorts did not appear to have the New England or Vermont skiing experience on their minds.

The weather pattern of dry bitter cold lasted into mid-February when one of the largest snow storms of the past 20 years hit the state on Valentine's Day.[2] The timing of this storm was perfect for visitors who had planned to spend the Presidents' Day Holiday Week in Vermont and may have done a lot to attract last minute visitors. This set the stage for the rest of the ski season which lasted into late April. Measurable snowfalls occurred almost every weekend for the next nine weeks with two more large snow storms occurring in mid-March and even

[2] It was almost as if nature was trying to make up for the entire lower than average snowfall for the winter season in only one storm system.

during the 3rd weekend in April. The snow may have come too late to save the ski season for the major resorts that depend on visitors from Southern New England and the Middle Atlantic states. However, for those visitors that did come to patronize the state's resorts after Valentines Day experienced some of the best skiing in years with most resorts making their average snow fall figures for the entire season over those last two months.

Spring/Summer

While we could not avoid the occasional rain storm or extended period of precipitation, overall the spring / summer of 2007 was sunny and mild. During early- to mid-spring there was an abnormal period of about three to five days in which Vermont was inundated with intense heat and humidity typically associated with mid-summer. These days were soon forgotten as spring eased gratuitously into summer and the mild temperatures resumed. It was not until the beginning of August when the summer heat really took hold and reached over 90 degrees during that period.

August and September proved to be favorable travel months as temperatures and weather conditions were conducive for outdoor adventure and travel. Canadians continued to flood the local region taking advantage of a 'par' conversion rate of Canadian to American dollars. Some retailers even further enticed Canadian visitors by accepting Canadian dollars at par on the Canadian holiday of Thanksgiving. By the third full week in September fall foliage started to become present in regions where trees were under more 'distress'. The Northeast Kingdom displayed the early signs of a fantastic foliage season at this time. By the end of September, the larger more urban areas such as Chittenden County began to see signs of the change in seasons with vibrant fall foliage colors lasting into October.

Fall

Fall weather was not felt until the last days of September. There was a temporary reprieve from fall conditions as one last warm front moved in through the state during the first week of October. Then Mother Nature brought the fall season a week of rain and grey skies which closed out the foliage season during the second week of October.

October passed into November and the Fall conditions persisted, making for a grace period before the first Winter storm of the season during mid-November—a welcome turnaround from the previous season. The mountain tops cooled and remained cold from that point on, allowing for ideal snow making conditions. Jay Peak was one of several ski resorts able to open before the Thanksgiving holiday. With the mountain tops covered in white by the end of the month of November, residents of the valleys and flatlands around the state did not have to wait too long before they were to experience a significant snowfall. A November start to the 2007-08 ski season, even though mostly man-made, represented a good start for the resort and resort-dependent businesses across the state.

The Winter Begins Again

While the end of November and the beginning of December provided dustings or incremental levels of snowfall, Vermont received its first major snowfall on or thereabout December 16th. By Monday morning residents of Vermont were blanketed in 12 to 18 inches of fresh powder as a large storm that had debilitated the Midwest made its way to the northeast region of the country. Snowy conditions persisted after that major snowfall, with an additional 6 to 8 inches added following that major storm. Fox News reported that the famous skiing trails of Stowe had the most snow in the past 20 years.[3] Temperatures increased to be in the upper 20s making the combination of substantial amounts of snowfall and 'mild' winter temperatures perfect conditions for Vermont's ski resorts. State and local road crews worked hard to keep access safe and mostly clear and the state's resorts experienced a good end to calendar year 2007—just as the national recession began to set in.

Vermont Tourism Industry

In addition to hosting thousands of out of state person trips to Vermont, the travel and tourism industry also services Vermonters as they fulfill their in-state travel needs as well. With the United States, New England and Vermont economies struggling during much of calendar year 2007 before falling into recession at the end of 2007, the concept of Vermonters and other New Englanders staying closer to home (e.g. for a "stay-cation") began to move to the forefront of the visitor sector. Beyond the individuals acting as visitors, regardless of the visitor's origin, the Vermont tourism industry services the local population acting as consumers in their everyday life. While not considered visitor activity, the transactions of local consumers are part of the broader context of the industry. This section examines activity pertaining to the health and vitality of the overall travel and tourism sector in Vermont. This holistic approach does not bifurcate between visitor and non-visitor activity which is the subject of subsequent sections of this analysis and report. For example, meals and rooms tax receipts from 2005 to 2007 are examined. This section focuses on the nominal changes (not including inflation) of statewide data as well as various activity measures for the state's individual counties.

Meals and rooms tax receipts for each month are released by the Vermont Department of Taxes at two different times. First is a release of preliminary data roughly 75 days after the end of the period that is reported. The second release of more complete and final data is made roughly 180 days from the end of the period that is the subject of the reporting. The first initial data release is considered preliminary because the data does not include data from filers who may be late. The second release is considered final since it includes data

[3] December 20th, 2007 broadcast

reported by all required filers, including those late-filed returns that were not included in the preliminary data release, and any amended returns or adjusted returns that were made over the intervening period since the preliminary data release. To reduce data suppression, the state reports Essex and Orleans counties together, as well as Franklin and Grand Isle counties.

For this analysis, the 180 day monthly data was grouped into seasons, representing different tourist groups. The winter season includes the months of January, February, March, and December of the same calendar year (instead of four consecutive months from December 04 to March 05), and is closely related to the ski season. Spring is the shortest season in this analysis and is comprised of the months of April and May. Summer includes the months of June, July and August, corresponding to a configuration ideal for a variety of outdoor activities. The fall season encompasses the months of September, October, and November, including the so-called “leaf peeper” season highlighted by the state’s consistently beautiful autumn foliage.

For all destinations, weather plays a critical role when making travel decisions, especially if the decision to travel is made at the last moment. Vermont is particularly susceptible to the impact of weather for travel decisions due to several reasons. The first is the dependence on personal vehicles to travel to Vermont which allows for more last-minute and changeable travel planning. When the high usage of personal vehicles is combined with the shear magnitude of the population base within Vermont’s primary market area, the weather clearly becomes an extremely important travel determinant. Being so close, potential visitors have a more in depth understanding of the regional weather patterns from first hand experience and local broadcasts—including such real time information sources as the Weather Channel which is in nearly all cable TV packages. Positive news about early snow fall can make a tremendous difference in the perspective of a potential winter visitor. The seasonal and county breakouts of the reported tax data are predominately reporting the annual fluctuations of weather.

The combined total of Vermont Meals and Rooms Taxable receipts rose by $73.0 million in calendar year 2007, increasing from $1,072.2 million in 2005 to $1,145.2.0 million in 2007. That increase corresponds to an average annual rate increase of 3.3% over the calendar year 2005 to calendar year 2007 period. As displayed in the table below, each season in each year over the 2005 to 2007 period showed an increase in nominal dollar terms. The majority of the overall increase occurred in the summer and fall seasons, with average growth rates of 5.0% (or $30.6 million in new receipts generated over the two year period) and 4.3% ($22.7 million) per year, respectively. Spring taxable receipts also grew at a strong pace, with a particularly strong increase between calendar year 2006 to calendar year 2007, with an average increase over the full two year period of 3.8% per year or $10.4 million for the two-month season. Winter growth was more modest with annual increases of 1.4% between calendar year 2006 and calendar year 2005. This was followed by a 1% growth in the subsequent calendar year 2006 to calendar year 2007 period. The growth across the seasons provides a strong indicator to the strength of the overall industry. As discussed above, this is an encouraging performance given the otherwise disruptive economic events and unusual weather patterns which could have resulted in a poorer or more constrained industry growth performance over the period.

Table 7: Vermont Taxable Meals & Rooms Receipts by Season

Year	Winter	Spring	Summer	Fall	Total
2005	377,643,324	136,135,843	301,001,597	257,404,529	1,072,185,293
2006	382,978,213	139,020,469	312,578,529	268,215,089	1,102,792,300
% Change ('05-'06)	1.4%	2.1%	3.8%	4.2%	2.9%
2007	386,959,000	146,580,428	331,600,318	280,055,376	1,145,195,122
% Change ('06-'07)	1.0%	5.4%	6.1%	4.4%	3.8%

Source: Vermont Department of Taxes

Prepared by: Economic & Policy Resources, Inc.

Taxable Meals Receipts

To provide greater insight into the industry activity patterns, this analysis examines meals and rooms taxable receipts separately by region. Such an analysis will highlight the variability which exists regionally within the state. This geographic detail is observed when the analysis is performed at the county level.

Between calendar year 2005 and calendar year 2007, taxable meals receipts for the state rose at a nominal rate of 7.3%. The annual growth rate was slightly higher during the calendar year 2005 to calendar year 2006 period than it was from calendar year 2006 to calendar year 2007, with gains in receipts levels of $27.8 million (corresponding to a 3.8% increase) and $25.6 million (corresponding to a 3.4% increase), respectively. This equates to a nominal increase of $53.4 million over the two year period, leading to total taxable meals receipts of $788.5 million in calendar year 2007.

Table 8: Taxable Meals Receipts by County, 2007 & 2005

	2007	2005	Nominal % Change
Vermont	**788,519,259**	**735,124,799**	**7.3%**
Addison	29,513,631	26,976,712	9.4%
Bennington	52,211,902	49,106,212	6.3%
Caledonia	23,956,140	22,402,936	6.9%
Chittenden	226,489,302	207,298,779	9.3%
Essex/Orleans	20,299,382	20,761,782	-2.2%
Franklin/Grand Isle	30,732,819	28,858,149	6.5%
Lamoille	44,205,613	41,151,394	7.4%
Orange	12,713,924	13,384,511	-5.0%
Rutland	80,703,346	78,334,341	3.0%
Washington	68,400,406	63,158,509	8.3%
Windham	69,142,149	64,362,578	7.4%
Windsor	65,386,604	59,963,871	9.0%
Other [1]	64,764,038	59,365,031	9.1%

Notes:

[1] "Other" as a county name represents businesses with no fixed location within Vermont and businesses such as grocery and convenience stores reporting for multiple locations.

Source: Vermont Department of Taxes

Prepared by: Economic & Policy Resources, Inc.

By season, the four month winter season has the largest amount of taxable meals receipts. This is followed in descending order by the summer, the fall and then the spring season. This has consistently been the case between the calendar year 2005 benchmark study and the current 2007 benchmark study. Of note, the increase in taxable meals receipts was most pronounced for the fall and summer seasons between calendar years 2005 and 2007 with nominal growth rates of 8.9% (corresponding to $15.9 million in total additional fall taxable receipts over the two years) and 8.7% (or $17.8 million in summer taxable receipts), respectively. The nominal growth in spring taxable meals receipts (at 6.4%, or $6.9 million for the two years) and winter meals taxable receipts (at 5.3% or $12.8 million for the two years) were positive, albeit at a slower rates.

Among the counties, Addison, Chittenden, and Windsor counties experienced the highest rates of taxable meals receipts growth. Each of which reported a nominal increase of at least 9.0% in total meals receipts between calendar years 2005 and 2007. Two counties-groups experienced an overall decline in receipts for the period: Orange County and Essex/Orleans counties. Orange County experienced the largest decline in taxable meals receipts between calendar year 2005 and calendar year 2007, with a nominal decline of 5.0%. In the combined Essex-Orleans county area, taxable meals receipts declined in all seasons except fall, which had a slight increase at 0.2% per year. Overall, the Essex/Orleans region posted a nominal decrease of 2.2% in taxable meals receipts between the benchmark years of calendar year 2005 and calendar year 2007.

These data are indicative of the relative strength of more concentrated areas to maintain and grow the travel industry relative to the smaller regions. Chittenden County, the largest county in terms of population and economic activity, fared well during the 2007 benchmark study year, as did surrounding counties such as Addison, Lamoille, and Washington despite the industry's handicaps. The northwestern and central Vermont regions performed well as did some of the southeastern, more resort-intensive counties (such as Windsor and Windham counties). The areas of relative strength also appear to be linked by the Interstate 89 transportation corridor. The more rural northeastern and the less cosmopolitan southwestern counties of Vermont are less integrated by proximity and did not fare as well during the calendar 2007 benchmark year. The reader is again reminded that the data reported and analyzed in this section reflects industry-wide activity and includes both visitor and local resident activity.

Taxable Rooms Receipts

Throughout the state, taxable rooms receipts increased from calendar year 2005 to calendar year 2007 at a nominal rate of 5.8% to $356.7 million in calendar year 2007. This represents a nominal increase of $19.6 million since calendar year 2005. Virtually all of this growth (86%) occurred from calendar year 2006 to calendar year 2007, with the addition of $16.8 million in rooms receipts (an increase of 4.9% over the previous calendar year). While still an industry wide measure, taxable rooms receipts—more so than taxable meals receipts—provides a better view of visitor activity since the overwhelming majority of room nights serve visitors. As the demand for lodging services is typically related to travel, there will be many similarities to the conclusions presented in this section and the discussion of visitor activity which follows.

Table 9: Taxable Rooms Receipts by County, 2007 & 2005

	2007	2005	Nominal % Change
Vermont	**356,675,863**	**337,060,494**	**5.8%**
Addison	12,851,222	11,142,345	15.3%
Bennington	33,066,589	31,987,632	3.4%
Caledonia	6,476,356	6,607,478	-2.0%
Chittenden	77,408,338	64,764,152	19.5%
Essex/Orleans	10,350,588	8,979,897	15.3%
Franklin/Grand Isle	11,065,410	9,936,629	11.4%
Lamoille	51,841,923	47,497,802	9.1%
Orange	4,699,703	4,154,411	13.1%
Rutland	44,085,309	43,646,394	1.0%
Washington	21,181,999	19,428,033	9.0%
Windham	32,930,247	50,334,952	-34.6%
Windsor	50,718,180	49,429,170	2.6%

Source: Vermont Department of Taxes

Prepared by: Economic & Policy Resources, Inc.

A comparison of total taxable rooms receipts by season yields similar results to the analysis of taxable meals receipts presented above. First, the four month winter season, like taxable meals receipts, was the largest season of the 2007 benchmark year. The winter season is followed in receipt prominence by the summer season, with fall and spring following in descending order in terms of the scale of taxable receipts reported. In terms of growth or change, the summer season experienced the highest nominal growth rate from the calendar 2005 benchmark year to the calendar 2007 benchmark year at 13.4% (or $12.8 million over the two year period). The spring season followed with the second largest rate of growth, with a nominal increase of 12.7% or $3.5 million over the same period. The fall season also showed respectable nominal growth of $6.8 million over the calendar 2005 benchmark year to calendar 2007 benchmark year period, equating to an 8.5% nominal increase over the two years. The winter season experienced a decline over the two year period in nominal terms by a total of $3.5 million. This decline corresponded to a two-year nominal rate of change of -2.6%.

The decline in winter taxable rooms receipts was led by Windham, Rutland, and Windsor counties—with nominal rates of change on a seasonal basis of -20.2%, -8.3%, and -2.9%, respectively. These counties represented three of the top four generators in winter room taxable receipts in calendar year 2005, but Windham fell to fifth behind Chittenden in calendar year 2007. Windham and Caledonia counties were the only counties with negative annual growth rates for the full calendar year across all seasons. However, the decline in Windham (-34.6%) was significantly higher than the 2.0% drop in Caledonia's rooms taxable receipts. The experiences in Windham were quite likely related to the perception of unfavorable winter conditions (i.e. a lack of snow) which would have discouraged overnight visitation to the region during the 2007 benchmark year.

On the positive side, Chittenden had the strongest growth over the two benchmark years, with this growth coming from (in order of strongest to weakest) the summer (28.7%), fall (20.1%), winter (11.6%) and spring (9.9%) seasons, in nominal dollar terms. Addison County and the combined region of Essex and Orleans counties round out the top three as determined by rate growth, with each area posting a 15.3% nominal increase from calendar years 2005 to 2007. The growth in taxable rooms receipts in the Essex/Orleans county region is indicative of a strong visitor demand. This adds further dimension to the previously reported decreases in taxable meals receipts for the region over the same time period. The dimension being that the decline in taxable meals receipts may be predominately attributed to a decline in local demand and/or to visitors spending less on meals outside of their accommodations than has typically been the case in the past.[4]

[4] This could be part of a substitution effect for off-resort spending due to elevated energy (gasoline) prices.

Measures of Visitor Activity

The Vermont travel and tourism infrastructure provides services to visitors and non-visitors alike. As discussed above, the industry is an important contributor to the state economy. This section focuses on a sub-sector of the total industry—the activity that is solely attributable to visitors. As explained in the previous two benchmark studies in 2003 and 2005, a visitor is defined as an individual traveling outside their normal travel pattern for the purpose of leisure, business, or personal business.[5] This includes persons from another country, another state, and also those Vermonters traveling within their own state. Visitors made an estimated 14.3 million person trips to Vermont in calendar year 2007. This section presents trends in state data and important visitor groups which comprise Vermont's 14.3 million person trips made by visitors.

As referenced in Table 10 below, the number of visitor person trips to Vermont has been increasing since calendar year 2003. The largest nominal growth was between the benchmark years of 2005 and 2007. During this time frame, person trips increased by almost 1.0 million from 13.4 million in 2005 to 14.3 million in 2007—a 7.0% nominal increase. As is evident from the table, there have been underlying changes to the characteristics and composition of visitors, and it is clear that the growth in visitor spending did not keep pace with the rate of increase in visitation. In total, visitors spent over $1.6 billion in the Vermont economy in calendar year 2007. This represents a nominal change of 2.6% over the two year period between calendar years 2005 and 2007.

The estimates of visitor spending reflect a combination of the less than ideal weather conditions during the 2007 benchmark year and a struggling economic climate with rising energy prices. The spending data indicate that the 2007 benchmark year appeared to have marked the beginning of a period of significantly tighter spending habits by visitors in response to the weather and economic realties of the times. This is a theme that carries through much of the rest of this 2007 benchmark study.

Table 10: Visitor Activity by Benchmark Year

Visitor Metric	2007	2005	2003
Total Person Trips (in millions)	14.3	13.4	12.8
2-Year Nominal Change	7.0%	4.8%	-
Total Visitor Spending (in millions)	$1,615.0	$1,574.4	$1,462.0
2-Year Nominal Change	2.6%	7.7%	-

Prepared by: Economic & Policy Resources, Inc.

[5] 2003 Benchmark Study, page 13.

Domestic Visitors

Domestic visitors consistently represent the largest visitor segment for the Vermont market. In total, the domestic visitor activity accounted for 57.8% of all person trips to Vermont during the calendar year 2007. Table 11 shows there were over 1.5 million day trips by domestic visitors to Vermont in calendar year 2007 and nearly 5.4 million overnight person trips. In addition, out of state residents who own a second or vacation home in Vermont made an additional 1.3 million overnight person trips during the 2007 benchmark year. The total 8.3 million domestic person trips represented a nominal increase of 11.7% over calendar year 2005 levels.

Table 11: Domestic Visitors by Trip Type

Type of Person Trip	2007 (000s)	2005 (000s)	Nominal % Change
Day	1,567.5	1,026.7	52.7%
Overnight	5,384.7	5,086.1	5.9%
Second Home	1,340.9	1,310.6	2.3%
Total Domestic	8,293.1	7,423.4	11.7%

Prepared by: Economic & Policy Resources, Inc.

While this growth was significant, the majority of the increase came from the day trip visitor segment. On a share basis, 18.9% of total domestic person trips were day trips during calendar year 2007 versus 13.8% in calendar year 2005. This increase appears to have been dwarfed by the magnitude of the nominal change of 52.7% in domestic day trips between calendar year 2005 and calendar year 2007. Clearly, Vermont tapped into some local regional demand during the period.

This increase in day trip volume was consistent with Vermont's targeted market area which is within one day's drive. Excluding Vermonters traveling in Vermont (which will be discussed in a later section), approximately 70% of the domestic visitor market came from the New England States and the Mid-Atlantic States during the calendar 2007 benchmark year. These data showed that Vermont's close proximity to Boston and New York City made it an attractive weekend destination.

The total nominal increase of 11.7% in domestic person trips between the most recent benchmark years—calendar years 2005 and 2007—resulted in an overall decrease in domestic visitor spending of -0.5% or virtually flat. Therefore, it took more visitors in calendar year 2007 to create a comparable visitor impact than in calendar year 2005. The overall flat performance by visitor spending was the result of a 12.8% nominal decrease in the average spending of the domestic overnight visitor during the calendar year 2005 to calendar year 2007 period. As this is the largest domestic visitor sub-section, the decreased spending on an individual basis had a large offsetting impact against the positive gains of the day and second home visitor levels. Both of these categories—day and second home visitors—showed positive increases in spending per person per trip (1.9% and 6.0%, respectively).

Table 12: Spending by Domestic Visitors to Vermont by Trip Type

	Individual Spending			Total Spending		
Type of Person Trip	2007 ($)	2005 ($)	Nominal % Change	2007 (millions$)	2005 (millions$)	Nominal % Change
Day	$67.16	$65.94	1.9%	$105.3	$67.7	55.5%
Overnight	$156.84	$179.91	-12.8%	$879.7	$930.5	-5.5%
Second Home	$302.37	$285.24	6.0%	$98.4	$90.7	8.5%

Prepared by: Economic & Policy Resources, Inc.

Embedded in the lower spending estimates by domestic overnight visitors was a larger party size. While visitation continued and even grew during the tough economic climate, visitors appeared to have found ways to lower travel expenses by traveling in larger parties. Table 13 shows there were significant increases in average party size for all lodging types as reported by domestic overnight visitors during the calendar 2007 benchmark year. As measured by incidence of usage, the two largest lodging options—visitors staying with friends & family or staying at a hotel or motel—each reported at least a half-a-person increase in the average party size. A larger party size was an easy way for parties to cost share some 'fixed' travel costs—such as lodging and gasoline for a personal vehicle—of their 2007 trip.

Table 13: Domestic Overnight Party Size by Lodging

Lodging Type:	2007	2005	Nominal % Change
Friends & Family	2.2	1.7	28.8%
Hotel or Motel	2.5	1.9	34.2%
Inn or B&B	2.4	1.7	42.0%
Rental Home	3.2	2.1	50.2%
Park or Campground	2.9	2.0	44.2%

Prepared by: Economic & Policy Resources, Inc.

Notes on the Second Home Market

The second-home market in Vermont is considerable at over 70,000 homes. Vermont, similar to the national real estate market, has seen significant changes in second-home market. In calendar year 2005, there were 1,048 vacation homes (with less than 6 acres) sold in the State of Vermont. By calendar year 2007, this activity had declined to 579 second home sales. This was a substantial decrease in the number of vacation home sales. While the sales volume fell in calendar year 2007, the price of vacation homes sold in Vermont remained relatively stable. The average sales price for a vacation home during calendar year 2005 was $226,394. For calendar year 2007, the average sales price had increased to $251,885, an 11.3% increase, even though sales volume had declined by nearly one-half over the calendar year 2005 to calendar year 2007 period.

Overall, both visitation and spending associated with travel to a second home increased between the calendar 2005 and calendar 2007 benchmark years. A 2.5% nominal increase in spending and 6.0% nominal increase in visitation by out of state owners increased total spending from this visitor segment from $90.7 million in 2005 to $98.4 million in 2007. These visitor expenditure amounts excluded expenses associated with the property itself such as maintenance, landscaping, durable equipment purchases and security services. During the 2007 benchmark year, the second home market appeared to have acted like an economic stabilizer amidst tough economic climates despite the decline in real estate sales activity. Second home ownership encouraged cost effective travel for the owner, their friends and their relatives by creating a magnet which encourages visitation to Vermont. In addition, the second home market encouraged the use of property management and other auxiliary services, which have not been explicitly measured in this analysis, but which created economic opportunities for proprietors to develop business services that serve the needs of out of state/out-of-the-region property owners.

Canadian Visitors

During the calendar 2007 benchmark year, Vermont benefited greatly from sharing a border with Canada. As discussed above, the favorable U.S. Dollar/Canadian Dollar exchange rate and lower consumption tax rates in the United States/Vermont provided a significant financial incentive for Canadians to visit the United States/Vermont. With Vermont being within a 2 hour drive of several million Canadian residents, Canadian visitors again represented a significant source of visitor demand for Vermont's travel industry.

During the benchmark 2007 calendar year, Canadian visitors made nearly 2.8 million person-trips to Vermont. This represents 19.3% of the total person trips to Vermont during the year. This represented a 7.8% increase from approximately 2.6 million person-trips made by Canadians during the calendar 2005 benchmark year. This growth in Canadian person trips is proportional to the overall growth in the number of person trips to Vermont in 2007. At nearly 20% of person trips, the Canadian visitor segment is an important component in the success of the Vermont travel and tourism industry.

Conversely from the Canadian perspective, Vermont's close proximity to a large southern Canadian population makes it an ideal destination, especially for day visitors. Of the 2.8 million Canadian person trips, 2.0 million (or 72%) were day trips to Vermont. The balance of the 765.9 thousand person trips were overnight trips. Overnight Canadian visitors spent an average of 2.9 nights in calendar year 2007, an increase from calendar year 2005's average of 2.7 nights. Aside from longer stays, there was increased frequency of Canadian overnight person trips with an 18.9% nominal growth between the calendar 2005 benchmark year and the calendar 2007 benchmark year.

Table 14: Canadian Travel to Vermont

Type of Person Trip	2007 (000s)	2005 (000s)	Nominal % Change
Day	2,001.3	1,921.0	4.2%
Overnight	765.9	644.0	18.9%
Total Canadian	2,767.2	2,565.0	7.9%

Prepared by: Economic & Policy Resources, Inc.

In calendar year 2007, Canadian day visitors spent an average of $80.63 per person per trip, while overnighters spent an average of $193.31. These were significant increases from the calendar 2005 benchmark year when Canadians spent $65.94 and $168.11 for day and overnight trips, respectively. From calendar year 2005 to calendar year 2007, this represented nominal increases of 22.3% for day trip expenditures and 15.0% for overnight expenditures. For aggregate expenditures, Canadian day trip visitors spent $161.4 million and overnight visitors spent $148.1 million, for a grand total of $309.4 million in total spending. This represented 19.2% of total visitor spending in Vermont by visitors in calendar year 2007 which is consistent with Canadian relative share of person trips. With a nominal increase in total Canadian spending in Vermont of 31.7% between the two benchmark years, this is a substantial increase from the calendar year 2005 levels of $234.9 million when Canadian spending accounted for approximately 15% share of Vermont's total visitor spending.

Table 15: Spending by Canadian Visitors to Vermont by Trip Type

	Individual Spending			Total Spending		
Type of Person Trip	2007 ($)	2005 ($)	Nominal % Change	2007 (millions$)	2005 (millions$)	Nominal % Change
Day	$80.63	$65.94	22.3%	$161.4	$126.7	27.4%
Overnight	$193.31	$168.11	15.0%	$148.1	$108.3	36.8%

Prepared by: Economic & Policy Resources, Inc.

The visitation by Canadians not only benefits Vermont's travel and tourism industry in the direct manner as all other visitors to Vermont, but it also can provide a stabilizing effect for the industry. When the economy of the United States experiences difficulties, Canadian visitors may not be subjected to the same negative economic influences that United States domestic visitors may be experiencing. This can provide an important counter-cyclical balance to domestic visitation and visitor spending—such was the case for the Vermont economy back during the early 1990s deep and protracted economic downturn. The increases in travel, spending and even length of stay witnessed between the calendar 2005 and 2007 benchmark years are examples of this phenomenon, where much of this gain appears to have been related to the gains made by the Canadian dollar against the U.S. dollar as explained above.

In-State Travel

The Vermont travel industry serves not only individuals who reside outside the state, but also Vermonters undertaking a non-routine trip within Vermont. Vermonters visiting Vermont is a significant component of the Vermont tourism industry. Many Vermonters have consciously chosen to live in Vermont because it offers a quality of life and outdoor experience which they enjoy and is consistent with their lifestyle. Excluding this important visitor segment would undervalue the importance of the Vermont population's contribution to the state's travel and tourism industry.

In calendar year 2007, Table 16 shows that Vermont residents made over 2.3 million non-routine day person-trips within the state. This represented a slight decrease from the estimated 2.4 million person-trips made during the calendar 2005 benchmark year by in-state visitors. This decrease represented a nominal decline of 4.8% over the two year period between the calendar 2005 and calendar 2007 benchmark years. Overnight person-trips increased slightly from 569,100 person-trips in calendar 2005 to 574,400 person-trips in calendar 2007 for a nominal increase of 0.9%. Consistent with results from the Canadian overnight visitor, in-state visitors reported an increase in the average nights stayed from 1.5 nights in calendar year 2005 to 1.9 nights in calendar year 2007.

Table 16: Vermonters Visiting Vermont

Type of Person Trip	2007 (000s)	2005 (000s)	Nominal % Change
Day	2,318.9	2,435.6	-4.8%
Overnight	574.4	569.1	0.9%
Second Home	390.5	410.8	-4.9%
Total Person Trips	3,283.8	3,415.5	-3.9%

Prepared by: Economic & Policy Resources, Inc.

Day visitors spending decreased from $66.19 per person per trip during the calendar 2005 benchmark year to $60.20 during the calendar 2007 benchmark year. This represented a nominal decrease of 9.0% over the two year period. Lower per person spending combined with fewer person-trips contributed to an aggregate decline in expenditures from in-state day visitors to $139.6 million in calendar year 2007 from $161.2 million in calendar year 2005. The lower per person expenditures were also the case for overnight visitors who spent an average of $124.76 per person per trip in calendar year 2007 compared to $137.96 in calendar year 2005. Expenditures related to overnight visits by Vermonters totaled $71.7 million during the calendar 2007 benchmark year, a decline from $78.5 million from the calendar year 2005 study. Vermonters reported a higher incidence of staying with friends and family, which is a continuation of cost-reduction/cost-sharing methods seen throughout the industry in calendar year 2007. The aggregate visitor spending from in-state second home owners was nearly flat showing a modest gain of a nominal 1.1% between calendar years 2005 and 2007. This slight increase was the result of a larger gain in average spending per trip (6.3%) versus a smaller percent decline in the number of person trips (-4.9%) over the two year time frame.

Table 17: Spending by In-State Visitors by Trip Type

	Individual Spending			Total Spending		
Type of Person Trip	2007 ($)	2005 ($)	Nominal % Change	2007 (mils$)	2005 (mils$)	Nominal % Change
Day	$60.20	$66.19	-9.1%	$139.6	$161.2	-13.4%
Overnight	$124.78	$137.96	-9.6%	$71.7	$78.5	-8.7%
Second Home	$72.86	$68.51	6.3%	$10.9	$10.8	1.1%

Prepared by: Economic & Policy Resources, Inc.

Overall, the calendar 2007 benchmark year was a tough year economically, an unfortunate reality that is highlighted by the fact that the country officially tipped into recession in December of 2007. Vermonters were not spared from the negative effects of the tough economic times and felt the impacts of rising energy prices and higher unemployment rates that accompany tough economic times. While both total visitation and expenditures from in-state visitors were down in calendar year 2007 compared to calendar year 2005, it is important to note that meals taxable receipts did not decline during the calendar 2007 benchmark year. To understand this seemingly paradoxical situation, it is necessary to explain the definitions used in the context of the data.

The declines in Vermonter spending and visitation are for non-routine trips, a strict definition that covers any trip outside a normal commuting pattern. Because taxable meals receipts have not decreased, the data suggests that Vermonters are still going out and eating at restaurants, but they are doing so more within their local area. As Vermont is consistently ranked well within the top ten states for personal vehicle miles traveled, the impact of increased gasoline costs can have a significant impact on household budgets—especially for discretionary "big-ticket" items such as overnight travel. As the price of gasoline has eased back recently (over the second half of calendar year 2008), the background economic environment is becoming more supportive of a return to higher levels of in-state travel activity.

Notes on International Visitation

Tracking and measuring the visitor activity of international[6] visitors to individual states has been a difficult task, especially in small states. In previous studies, it was determined to be prudent to report the total number of international visitors to Vermont as determined through data provided by the Office of Travel and Tourism Industries (OTTI), a department within the United States government. This data historically has been compiled from in-flight surveys and customs forms which are completed by passengers on international flights to the United States.

[6] Throughout this report, 'international' visitors refer to individuals living outside the United States and Canada.

Due to the limitations in the survey design and difficulties with survey completeness and then ultimately with the imprecision of the final survey data produced, the determination of an estimate of international visitors to Vermont has been problematic. At best, the estimate of international travelers is usable, albeit a conservative estimate. However, a combination of anecdotal information collected from industry participants in Vermont and newly acquired credit card purchase data by country of origin has raised concerns of the true magnitude of the conservative nature of the OTTI estimates.

Based on OTTI data, it was determined in the calendar 2005 benchmark year that there were approximately 66 thousand international person trips to Vermont. Using a similar methodology in the calendar 2007 benchmark year, it was estimated there were nearly 72 thousand international person trips to Vermont equating to a nominal increase of 8.5% during the two year period. However, based on the above-mentioned anecdotal data and recent credit card data, it was believed the international visitor market to Vermont could be as much as three or four times greater than previously estimated. Because of these estimating uncertainties, a separate estimate of this visitor segment cannot be developed to the level of rigorousness required in this benchmark study. In the interest of maintaining the highest quality in the development of these estimates, it was determined for this 2007 benchmark study that the estimated person trips and subsequent visitor spending associated with international visitors would be aggregated and folded into the domestic visitor market estimates.

To be consistent, all comparisons presented in this report have incorporated this methodological change to ensure appropriate conclusions. Overall estimates of the visitor activity in Vermont in 2007 as well as in the two previous benchmark reports are thoroughly reconciled to tax data. This process allows for an accurate representation of visitor activity as a portion of the overall industry. While some smaller individual visitor sub-sectors, such as the international visitor, may not be known within a reasonable margin of error, the overall visitor activity is. As such through the reconciliation process, any increase in a single visitor category could not occur without a corresponding decrease in one or more visitor categories, all things being equal.

The Impact of Visitor Activity

As previously discussed, there are a number of different methods of categorization in which to report the magnitude of the travel and tourism industry. The majority of this report has focused on the visitor related activity while carefully delineating it from the overall industry activity. In this section, the calendar year 2007 benchmark study continues this discussion by presenting estimated levels of visitor intensity by category of visitor expenditure. In addition, the study looks at the impact of the visitor activity on employment. Finally, the study reports the estimated total benefits of the visitor portion of the travel and tourism industry using the same comprehensive methodology established in the calendar 2003 and calendar 2005 benchmark studies.

Table 18: Best Estimate of Job Impact Attributable to Visitor Spending - 2007

Direct Wage & Salary Jobs		19,704
Proprietors in the Industry	+	7,630
Indirect Wage & Salary Jobs	+	10,156
Total Direct/Indirect Jobs & Proprietors [1]		37,490

Notes:

[1] Does not include second home construction and related expenditures

Prepared by: Economic & Policy Resources, Inc.

For this study, total visitor spending was derived by multiplying the estimated number of visitors by visitor category by the average spending by spending category for each visitor category and then summing across the visitor and spending categories to arrive at a total visitor spending estimate. This study estimated there was a total of $1,615 million in visitor expenditures during calendar year 2007 which directly benefited travel industry participants. An estimated 37,490 direct and indirect, full-time and part-time jobs (including proprietors) were estimated to have been supported by this visitor spending in Vermont during the 2007 calendar year. This total included over 10,156 indirect and induced jobs which were created due to the economic linkages in the Vermont economy. Also included in this total were an estimated number of 7,630 proprietors, who had been able to craft their own employment within the industry—either directly tied to visitor activity or indirectly tied to visitor activity through support businesses and employees to visitor related industries.

These estimates show that the tourism industry is vital to the economic performance and standard of living maintained in the state of Vermont. As an industry, it is a major employer providing thousands of job opportunities for the residents of Vermont. Focusing solely on jobs directly attributable to visitor spending, which represents a fraction of the total industry, it continues to rank as the 4th largest industry in the Vermont economy with an estimated 19,704 jobs (see table below). For this relative ranking, the number of proprietors is excluded from the employment counts because there currently is no reliable way to allocate the state's agricultural and non-agricultural proprietors by major employment sector—as was the analysis protocol in the two previous benchmark studies in calendar years 2003 and 2005. Even so, it should be remembered that proprietors remain a very important part of the state's tourism industry's job picture. This method of approach likely is a conservative way of assessing the industry's relative economic importance because of the employment dynamic within the industry. Even under conservative measurement methodology, the tourism industry remains as one of the most important job sectors in the Vermont economy.[7]

[7] For a more elaborate explanation of the various sources of employment counts and the differences between them please refer to the 2003 Benchmark Study pages 35-37.

Table 19: Rank Order of Major Vermont Sectors -- Estimated Direct Employment in 2007 [1]

Rank	Industry Sector	NAICS Code	QCEW [2] Direct Employment
1	Health Care and Social Assistance	62	44,250
2	Retail Trade [4]	44, 45	39,099
3	Durable Goods Manufacturing	--	26,109
4	Travel & Hospitality (Visitor Portion) [3]	--	19,704
5	Construction	23	16,831
6	Professional and Technical Services	54	13,306
7	Wholesale Trade	--	10,300
8	Non-Durable Goods Manufacturing	42	9,791
9	Finance and Insurance	52	9,596
10	Education Services	61	9,341
11	Other Services, except Public Administration	81	8,974
12	Transportation -Warehousing [4]	48, 49	6,543
13	Information	51	5,933
14	Real Estate and Rental and Leasing	53	3,309
15	Natural Resources	11	2,361
16	Utilities	22	1,737
17	Mining	21	723

Notes:
[1] Includes wage and salary employment only
[2] QCEW refers to the Quarterly Census of Employment and Wages.
This employment concept excludes proprietors.
[3] "Visitor Portion" refers to employment directly attributable to visitor spending.
[4] Excludes employment attributed to visitor spending.

Sources:
EPR and Vermont Department of Employment and Training

Prepared By: Economic & Policy Resources, Inc.

Sub Table 19: Visitor Portion of Travel & Hospitality Employment by Industry

Industry Sector	NAICS Code	Employment
Hotel & Lodging PLUS	721	
Eating & Drinking Places	722	15,743
Recreation & Entertainment	71	1,702
Transportation	48	247
Gasoline & Oil	447	864
Retail & Retail-Related	44,45	1,148
Total		**19,704**

As a region, Vermont has relied more heavily on visitor activity when compared to national averages. In some industry sectors, this reliance has been as much as nearly two times greater than the corresponding national average. A cursory review of Table 20 below illustrates and details this point. Eating and Drinking establishments in calendar year 2007 have a relative dependence of 19.6% nationally versus the Vermont industry's estimate of 32.3%. Vermont shows an even stronger dependence on retail and retail related activity with an estimated level of 5.5% reliance versus 2.5% on the national level in calendar year 2007.

The one commodity sector on which Vermont ranked as less reliant than national estimates is Transportation. As noted in the table, Vermont lacks a major transportation hub from which to generate-perpetuate visitor activity. Conversely, as a counter balance and an indication of the differing nature of Vermont visitation, the dependence on retail gasoline consumption has been more heavily relied upon for visitor support in the calendar 2007 benchmark year as it was during the calendar 2003 and calendar 2005 benchmark years. As previously stated, personal auto is the most frequent means visitors use to travel to Vermont. In addition, Vermonters are mobile people which also rely heavily on personal auto travel in the pursuit of their own tourism activities—both in- and out–of-state. The northeast corner of the United States is a concentrated area with numerous popular visitor destinations, including Vermont's many destinations. Whether dollars originate from out–of-state visitors or from in-state residents, visitor activity has been and likely continues to be an important economic driver in the creation and retention of employment opportunities in Vermont.

Table 20: Share of Total Sector Jobs Supported by Visitor Spending - U.S. vs. VT

Commodity Category - Sector	**United States**	**Vermont**
	(%Total Jobs in Sector)	(%Total Jobs in Sector)
Hotel and Lodging	74.0%	88.3%
Eating and Drinking	19.6%	32.3%
Transportation [1]	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%

Notes:

[1] The share of transportation is lower because VT is not home to major transportation industries such as airlines and shipping.

Prepared by: Economic & Policy Resources, Inc.

Aside from the job impact, visitor activity also generates significant benefits to the state's fiscal performance and overall financial health. As part of this calendar year 2007 benchmark study, a complete analysis of the impacts associated with visitors activity in Vermont was conducted consistent with the methodical procedures established in the calendar 2003 benchmark study and continued in the calendar 2005 benchmark study update.

The results of this analysis are highlighted in Table 21 (below). From the table, visitor spending in the travel industry was estimated to have contributed $206.9 million to Vermont state coffers in calendar year 2007. An estimated $107.7 million or over 52.1% of the total tax revenues generated by visitors in calendar year 2007 was contributed by the state's General Fund revenue sources. Another $16.3 million or 7.9% of the total was contributed by Transportation Fund sources during calendar year 2007. The Education Fund sources were estimated to have contributed $82.9 million or 40.0% of the total for the calendar 2007 benchmark year.

Further, it was estimated that $16.2 million or 7.8% of the total in 2007 was contributed by in-state visitor spending. The other 92.2% of the total for calendar year 2007, corresponding to $190.6 million, was attributable to expenditures made by out of state visitors. Overall the total revenue benefit of $206.9 million in calendar year 2007 demonstrated a nominal percentage increase of 5.3% from the calendar year 2005 total revenue benefit of $196.4 million. The largest reported gain was attributable to the nominal increase of $9.5 million in additional revenue generated from out of state visitors.

Table 21: Estimated Direct State Revenue Impact of the Travel-Tourism Industry from Visitor Demand (Calendar Year 2007$)

Fund-Component	Revenue Benefit	Related to: In-State Visitors	Out-of-State Visitors
	(Millions of Calendar 2007$)	(Millions of Calendar 2007$)	(Millions of Calendar 2007$)
General Fund:			
Personal Income Tax	$12.7	$1.7	$10.9
Sales & Use Tax (@6%)	$19.0	$2.6	$16.4
Rooms & Meals Tax	$58.8	$4.7	$54.1
Property Transfer Tax	$1.5	NA	$1.5
Other Taxes/Revenues	$15.8	$2.4	$13.4
Total	$107.7	$11.4	$96.3
Transportation Fund:			
Gasoline Tax	$11.6	$2.7	$8.9
Motor Vehicle Purchase & Use Tax (@6%) [1]	$1.6	$0.2	$1.3
Other Transportation Revenues	$3.1	$0.5	$2.6
Total	$16.3	$3.4	$12.9
Education Fund:			
Sales & Use Tax (@6%)	$9.5	$1.3	$8.2
Motor Vehicle Purchase & Use Tax (@6%) [1]	$0.8	$0.1	$0.7
State Education Property Tax	$72.6	NA	$72.6
Total	$82.9	$1.4	$81.4
Total Combined Funds Revenue Impact	**$206.9**	**$16.2**	**$190.6**

Notes:
NA means Not Available
[1] Includes Rental Portion Only

Prepared By: Economic & Policy Resources, Inc.

By consuming local goods and services, expenditures from visitors act as a source of additional monies resulting in economic benefits for local state residents. Visitors provide a unique opportunity to expand the state's tax base without directly increasing local tax burdens. By encouraging out-of-state visitor activity and retaining more of local Vermonters' leisure budget, the state is able to expand the depth and scale of its fiscal resource base without directly burdening state residents. Visitor dollars create and support employment opportunities for the residents of Vermont. The availability of visitor related jobs provide many households with alternative sources of income to supplement full-time breadwinners and tend to have atypical work schedules which can be attractive to some labor force participants.[8] The diversity of visitor related occupations enrich and enhance the sustainability of the economic performance and climate for the state of Vermont.

[8] Profile of the Vermont Tourism Industry Worker – November 2005.

The Future–The Short Run Outlook for the Visitor Industry

As supported by recent data and travel trends, the tourism industry in calendar years 2008 and 2009 will face many of the same challenges as in 2007. In fact, with all the uncertainty surrounding the overall health of the global, United States and New England economies, the near-term outlook for the visitor industry has more than its fair share of headwinds. These headwinds include: (1) price volatility in the energy markets, (2) the most significant housing market decline since the Great depression, and the attendant fallout in money and credit markets, (3) significant declines in equity markets which have adversely impacted household wealth, (4) increased unemployment, and (5) the first synchronized global recession in 25 years. These headwinds recently have, and will likely continue to have a direct and indirect negative effect on travel budgets and the consumer psyche of the traveling population here in the United States, but also in Canada, Europe and other important markets throughout the world.

As summarized in the Travel Industry Indicators Newsletter dated January 31, 2008, changes in five broad visitor behavioral categories can be expected during a period of economic recession or a time of economic hardship. These include: (1) trips tend to be closer to home, (2) parties-individuals take fewer impulse trips, (3) parties reduce the length of their stays, (4) travelers-visitors become thriftier in terms of the services they seek, and (5) travelers-visitors become more discriminating in their spending—including a habit of increased comparison shopping based on price. In this section, we will review each of these five trends as it relates to the visitor sector in Vermont within the broader national market.

Traveling Closer to Home–This change in behavior has the potential to increase near-term visitor activity for the Vermont travel industry. With a large population base within one day's driving distance, Vermont appears well positioned between major metropolitan areas to capitalize on the trend of visitors preferring travel destinations closer to home. The calendar 2007 benchmark study already shows evidence of this trend. While travel from other New England states and mid-Atlantic states has remained proportionately flat over the past two years, the number of Canadian visitors has dramatically increased. North of the Vermont border there are millions of Canadians within a day's drive who are motivated by different economic factors than U.S. residents. The combination of the Vermont brand and the proximity to large population bases—both domestically and Canadian—will potentially be a positive factor for the Vermont travel industry should the "close to home travel" trend develop further.

Fewer Impulse Trips—As an emerging factor, 'fewer impulse trips' would likely be "neutral" to slightly negative for the Vermont visitor sector. In recent years, the state has benefited from the increase in impulse according to anecdotal information gleaned from both national and Vermont visitor profile data. Over this period, visitors have been reporting a decrease in the time between trip planning and date of departure as vehicles such as the internet and other forms of information technology have grown in importance-utilization in the everyday lives of Americans. Including the observations made above describing where the potential benefit to the state from increasing amounts of ‘travel closer to home,’ the trend of fewer impulse trips will likely have some, but a limited effect on Vermont visitor traffic levels. Surveys indicate that part of the appeal of travel to Vermont is the flexibility it avails to a potential visitor within its primary market area. Within a matter of hours, a visitor can depart from downtown Boston or Montreal and can reach a number of Vermont resorts based on an updated, favorable weather forecast. The impact of the proposed trend conflicts with the Vermont brand and hence seems more relevant on a broader, national front than to the would-be experiences of the Vermont tourism industry.

Shorter Length of Stays—As an emerging trend in visitor travel, shorter length of stays will likely result in lower activity levels in Vermont—such as lower rooms receipts—unless the number of visitor parties increase to offset this trend. Lower rooms receipts would not be a positive for lodging establishments but could result in increased revenue for other tourism industry suppliers. For example, the savings to the travel budget achieved from a shorter trip duration may in part or in total be offset by increases in other visitor spending categories—such as restaurant or retail purchases. In some respects, the results of the 2007 benchmark study support such an assertion. Although the reported increase in travel party size by overnight domestic visitors during the 2007 benchmark year resulted in cost savings per person, the increase in the total number of parties overall helped to produce a small increase in overall visitor spending for the year. This is another example of the adaptive nature of Vermont visitors. It also is a re-affirmation of the healthy mix of attractions and the high quality service offerings the Vermont tourism industry businesses provide that kept visitor volumes increasing despite the challenging economic environment during calendar year 2007.

Downgrading Services—The underlying message in this emerging trend is that visitors are becoming more cost conscious as the economy and other issues compel still traveling visitors to do so on a smaller budget. In Vermont, a trend of larger party sizes has already been identified. The effect of such a trend is similar in goal in that fixed expenses of travel (e.g. gasoline, lodging, or other rental costs) are spread across a great number of people thereby reducing the cost per trip per individual. As with the ‘shorter length of stays’, there will be winners and losers with the emerging trend. The Vermont travel industry covers the entire spectrum of cost regarding services. However, there is no evidence at this point to support the view that this thriftiness means that visitors will accept a lower standard of quality in Vermont-offered services or amenities. This is where the brand name of the Vermont travel experience will be of importance. According to a visitor profiling study completed in 2007, visitors see Vermont as “unique”, “special” and a provider of high quality visitor services.[9]

[9] Vermont Visitor Profiling Research, September 2007.

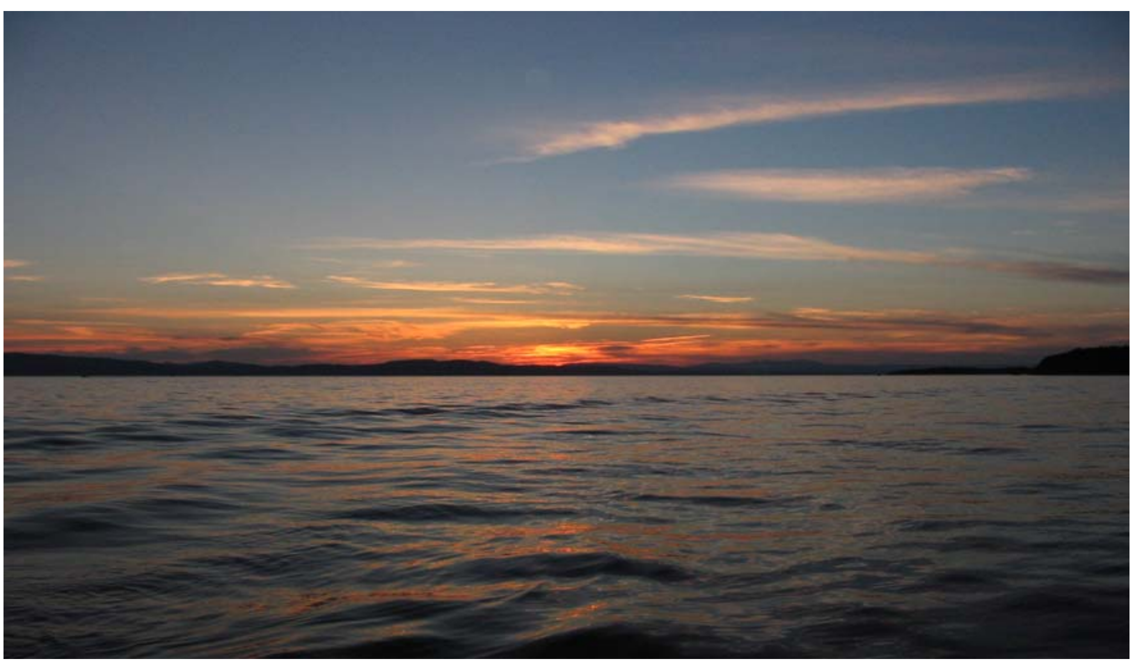
Increased Price Shopping–Comparable to the last two projected trends, ‘increased price shopping’ is consistent with the economic trends that are impacting the industry. It also is tied to the ‘fewer impulse trips’ trend, at least psychologically. The Vermont travel industry and brand is built on the ability to offer quality vacationing experiences at competitive, if not more cost effective, methods than their competitors. If the trend is visitors are becoming shrewder in their travel decisions by obtaining more information through research, then the Vermont travel industry appears well positioned for the future.

Conclusions

The Vermont tourism industry in calendar year 2007 was a major importer of dollars into the Vermont economy. During the calendar 2007 benchmark year, the industry combined to inject or retain a total of $1.6 billion into the Vermont economy. In the absence of this economic activity, more than 37,000 employment opportunities would not be present and the state would have had $206.9 million less in fiscal resources to meet its myriad of obligations and programs.

The 2007 calendar year was remarkable for the Vermont tourism industry in that it showed resilience against a wide range of negative economic factors and the growing negative psychology that has gripped many households and businesses during the period. Although certain segments of Vermont's visitor sectors did lag relative to historical growth rates (such as domestic overnight and in-state day visitors), other visitor sectors performed well (domestic day visitors and Canadian overnight visitors), thanks to the dynamism of the Vermont brand.

Whether for the outdoor recreation amenities, the diverse cultural experiences or the unique blend of shopping opportunities, the Vermont brand and therefore the whole industry, finds something for everyone and creates the wonderfully positive experiences which visitors return to recreate again and again and again. In these economically challenging times, the Vermont tourism industry continues as a source of economic stability and sustainable growth which can be built upon as the state moves forward in these challenging times.



This study follows the methodology and therefore the sources referenced in the 2003 & 2005 Tourism Benchmark Studies performed by EPR. In addition, the following websites provided information on tourism and economic trends:

www.bea.gov; Bureau of Economic Analysis
www.census.gov; United States Census Bureau
www.tinet.ita.doc.gov; Office of Travel & Tourism Industries
www.tia.org; Travel Industry Association
www.bls.gov; Bureau of Labor Statistics