

Dashboard for Vermont Travel and Tourism

The Pulse of Vermont's Visitor Sector

Issue One: The Aftermath of Hurricane Irene on Vermont Tourism

On August 28th, Hurricane Irene swept through Vermont leaving in its wake damage that may take years to fix. Cost estimates of the destruction caused by Irene are now approaching \$1 billion for state and local government infrastructure and complexes, private businesses, and homeowners. Sue Minter, deputy secretary of the Agency of Transportation (Vtrans) has estimated the damage to state highways and major municipal roads at \$700 million. Repair of damages to state highways are eligible for 100% funding by the US Department of Transportation, up to \$100 million. Vermont's Congressional delegation is applying for a waiver to this cap, and for the requirement that the funds be spent within 180 days. Municipal roads, along with businesses and homeowners, are eligible for recovery of damages from the Federal Emergency Management Agency (FEMA). The reimbursement formula for municipal infrastructure is 75% federal funds, 12.5% state funds, and 12.5% municipal funds. The federal ratio increases to 90% for any damage that exceeds \$79 million, including the damages to businesses and homeowners-likely to be the case for Vermont. Lost business, such as lost tourism activity and damage to agriculture will also pile on to this already large figure.

It is estimated that 1,767 segments of municipal road and 211 municipal bridges were damaged by Irene. As of the end of September, the VTrans website lists the number of miles of state highway closed to all traffic or all but emergency vehicles as 36 miles. They also list the number of state bridges still closed at 7. VTrans has made an expansive and concerted effort to repair the major state highways in advance of the fall foliage season and winter. Major east-west routes in the southern portions of the state have recently been reopened. New segments are being opened daily. These routes are Route 4 between Rutland and Woodstock, Route 103 between Rockingham and Rutland, Route 11 between Chester and Manchester, and Route 9 between Bennington and Brattleboro. The opening of these major east-west routes should help diminish the effect of Hurricane Irene on the important fall foliage and ski seasons for Vermont tourism.

Since Irene's wrath, Vermonters have impressively been banding together to help the

state recover from the aftereffects of Irene. Many volunteers from out of state have also been helping the state recover. Several Facebook groups have been formed to help Vermonters and tourists navigate the state during this trying time. Groups such as "Vermont Flooding 2011" and "Irene in VT" have popped up to allow Vermonters to advise each other on detours around closed roads. Government and business groups have also joined the Facebook effort. The Facebook group "Vermont Chamber of Commerce" has been helping businesses and residents by informing them of opportunities for aid and how to apply for it. Travelers to Vermont have also been posting on the group's wall seeking help on travel. VTrans has created a Facebook group specifically for communicating with the community about road and bridge closings, repairs, and openings in the near and long-term. The group is called "Vtrans Irene Response." The wall for the group has turned into a place where residents and government officials can help others trying to navigate the state's roads. The state is also working to make sure that the world knows that nearly all of Vermont's attractions are "open for business." Hopefully, this effort will help prevent the possibility of a poor Fall and Winter tourism season from compounding this tragedy.

(Sources: Vermont Agency of Transportation website [<http://www.aot.state.vt.us/>], "Route 4 Opens" as published by Vermont Public Radio [<http://vprnews.wordpress.com/>], "Irene damage edges toward the \$1 billion mark" as published by VTDigger [<http://vtdigger.org/>], and "Vermont Residents Turn to Facebook after Irene Floods" as published by International Business Times [<http://www.ibtimes.com/>].)

Status	Miles	Segments	Bridges
Closed:	13	6	7
Emergency Vehicles Only:	23	9	0
Open with Restrictions:	72	21	4
Open at Reduced Levels:	245	75	57
Returned to Normal Service:	178	39	0
Open:			125

Note: State Highways Only

Source: Vermont Agency of Transportation website (<http://www.aot.state.vt.us/>)

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Issue Two: Regional Enplanements Calendar Year

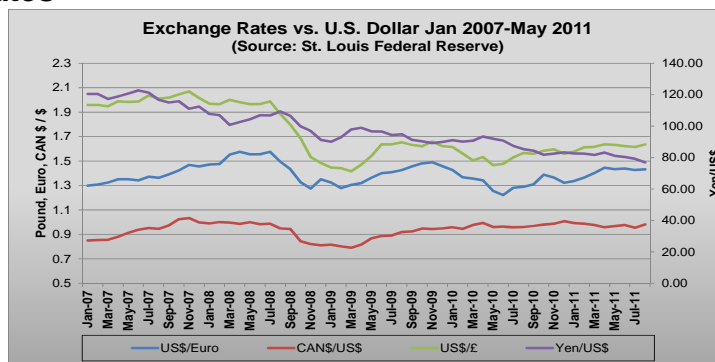
Monthly Regional Airport Enplanements	Aug-11	Aug-10	# Change Last Year	% Change Last Year
<i>Current Month</i>				
Burlington International Airport	63,860	62,839	1,021	1.6%
Manchester-Boston Regional Airport	131,309	140,813	(9,504)	-6.7%
<i>Calendar Year-to-Date Total</i>				
Burlington International Airport	430,110	433,916	(3,806)	-0.9%
Manchester-Boston Regional Airport	917,550	939,638	(22,088)	-2.4%
Sources: Burlington International Airport; Manchester Regional Airport				
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Enplanements at the Burlington International Airport (BTV) experienced a small increase of 1.6% in August 2011 versus August 2010. Even though this was only a small increase, August's positive data was a break of the mostly negative trend in enplanements over the last two years. In contrast, the Manchester-Boston Regional Airport continued to experience significant declines in enplanements (or by 6.7% over the same time period). This was a downturn from the enplanement increases for May and July at the Manchester Airport. Overall, year-to-date enplanements for 2011 remain negative at both the Burlington and Manchester Regional airports, with cumulative year-to-date declines at each facility of 0.9% and 2.4%, respectively, in comparison to 2010 through August totals.

Issue Update: Higher Costs for Travelers to Reduce the Federal Deficit?

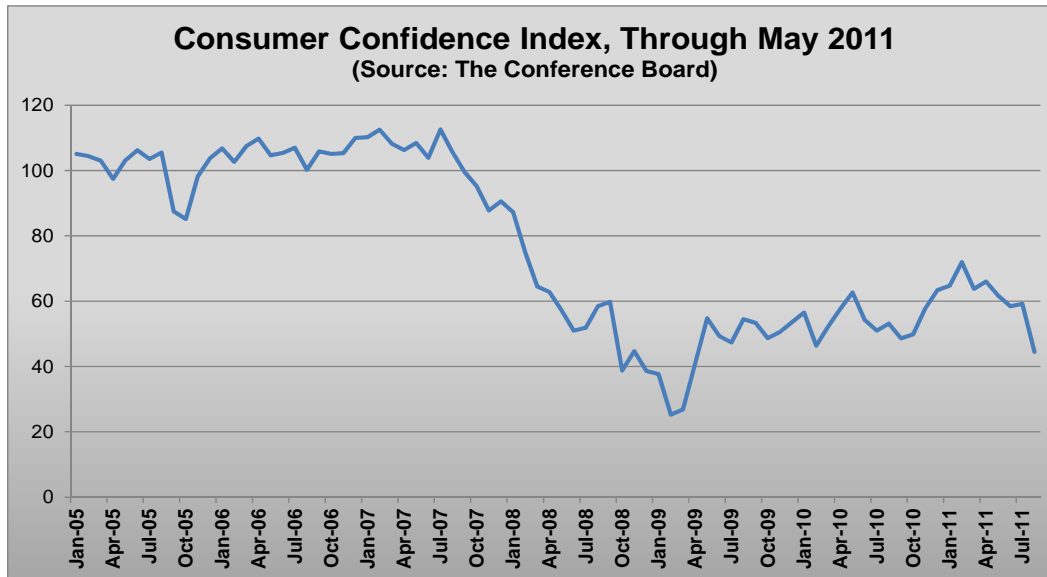
The recent deficit reduction plan of President Obama included an increase in federal security fees. In the plan, the President has proposed a doubling of current security fees to \$10 from \$5 for a nonstop round-trip. These fees could triple by 2017 to \$15. The Obama administration estimates this will raise \$25 billion for the federal budget over the next ten years representing a significant diversion of funds from the air system for deficit reduction.

Issue Three: Exchange Rates



The U.S. Dollar remained relatively stable against most major currencies over the last quarter. The Federal Reserve's so called QE2 (quantitative easing) effort came to an end in June. However, the Federal Reserve announced "Operation Twist" on September 21st, a move designed to extend the maturity of their treasury holdings and drive down long-term interest rates. The Fed's latest move is expected to help the housing sector and push down the value of the U.S. Dollar. Over the last few months, the U.S. Dollar has shown some strength against the Euro and the U.K. Pound, likely due to concerns in Europe over the sovereign debt crisis and the latest "Greek drama" regarding its austerity measures. The sovereign debt crisis in Europe has weighed heavily on the Euro, and on the currencies of other countries with strong financial linkages to Europe. In contrast, the Japanese Yen showed continued strength against the U.S. Dollar, as investors have flocked to it as a safe haven, along with the Swiss Franc.

Foreign tourism to the United States is considered an export-like industry, and foreign travel to the U.S. could acutally benefit from the recent weakness in the U.S. Dollar. However, the weak U.S. Dollar can also lead to an increase in oil and gas prices-neither of which is a positive for the majority of visitors to Vermont who travel to the state "on four tires and a tank of gas."



Continuing an unprecedented period of weakness, the Consumer Confidence Index (CCI) dipped significantly in August after recovering a small portion of the ground it lost in May and June in the July reading. The August 2011 CCI numbers were down 24.8% versus the July index level and was down 16.4% versus August 2010. The Expectations Index and the Present Situations Index both fell in August versus the July reading, by 30.7% and 6.7%, respectively. These significant setbacks in the Consumer Confidence Index in August likely reflect the impact of the recent debt ceiling debate on top of the rising concerns about the health of the economy and high energy prices.

Consumer Confidence	Aug-11	Jul-11	Aug-10	% Change Last Month	% Change Last Year
U.S. Consumer Confidence Index	44.5	59.2	53.2	-24.8%	-16.4%
Expectations Index	51.9	74.9	72.0	-30.7%	-27.9%
Present Situations Index	33.3	35.7	24.9	-6.7%	33.7%

Source: The Conference Board

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Issue Five: Travel Price Index

U.S. Travel Association Travel Price Index (1982-1984 = 100)	Jul-11	Jul-10	% Change Last Year
Travel Price Index	274.4	255.0	7.6%
Lodging Index	306.7	296.1	3.6%
Transportation Index	307.5	253.3	21.4%
Food Away From Home Index	232.5	226.4	2.7%
Recreation Index	269.6	271.4	-0.7%
Consumer Price Index (CPI)	226.5	218.3	3.8%

Source: Travel Industry Association

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Over the past year, the U.S. Travel Association's Travel Price Index (TPI) has increased by 7.6%. This represents a rate of increase that is two times the overall Consumer Price Index's 3.8% over the same time period - which was "high" in its own right. The Transportation Index portion has, not surprisingly, had the fastest rate of growth over the past year of 21.4%. However, this does represent a slowing in the year-over-year growth rate since the last "Dashboard" (23.4% April 2011 over April 2010). The Recreation Index recorded a decline of 0.7%. Rising energy and commodity prices have, of course, been the culprit behind the uptick in both inflation and travel costs.

Issue Six: Vermont Consumption Tax Revenues

Monthly Vermont Tax Revenues (in thousands)	Aug-11	Aug-10	\$ Change Last Year	% Change Last Year
<i>Current Month:</i>				
Meals and Rooms	\$12,418.8	\$11,422.7	\$996.1	8.7%
Sales and Use	\$26,007.6	\$24,238.6	\$1,768.9	7.3%
Gasoline [1]	\$5,522.8	\$5,706.2	(\$183.4)	-3.2%
<i>Cumulative Fiscal Year:</i>				
Meals and Rooms	\$22,792.6	\$21,488.7	\$1,303.9	6.1%
Sales and Use	\$57,982.2	\$54,062.2	\$3,919.9	7.3%
Gasoline [1]	\$10,632.5	\$10,854.3	(\$221.7)	-2.0%

Source: VT Agency of Administration

Note:

[1] Tax is assessed in cents per gallon. Does not include receipts to the Transportation Infrastructure Bond Fund

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Results were mixed in August, prior to Irene, for Vermont's major travel-related Consumption Tax revenues. Both Meals and Rooms and Sales and Use receipts were moderately higher than the August 2010 receipts levels, with increases of 8.7% and 7.3%, respectively. However, Gasoline receipts were down, posting a decline of 3.2%. The Meals and Rooms data from this period prior to Irene suggest increased visitor travel to Vermont and the Sales and Use data suggest increased levels of activity once visitors are in Vermont. However, it appears that visitors to Vermont are traveling less around the state and focusing their activities around the location of their accommodations.

The cumulative fiscal year totals for each tax source also display mixed year-over-year results for visitor spending in Vermont. The Meals and Rooms Tax's and Sales and Use Tax's cumulative, year-over-year receipts totals show gains of a few percentage points more than overall inflation (at 6.1% and 7.3%, respectively). Gasoline tax receipts through August show a slight decline in the cumulative year-over-year totals at 2.0%. Overall, the data suggest a continued trend toward higher levels of visitation, but more focus on planning one's trip around their Vermont destination.

Issue Seven: Leisure and Hospitality Employment

Employment in Leisure and Hospitality (In Thousands, Non-Seasonally Adjusted)	Aug-11 (preliminary)	Aug-10	# Change	% Change
Vermont	35.5	33.5	2.0	6.0%
New Hampshire	81.2	72.9	8.3	11.4%
Maine	79.1	75.6	3.5	4.6%
Peer-State Totals	1,661.5	1,591.2	70.3	4.4%

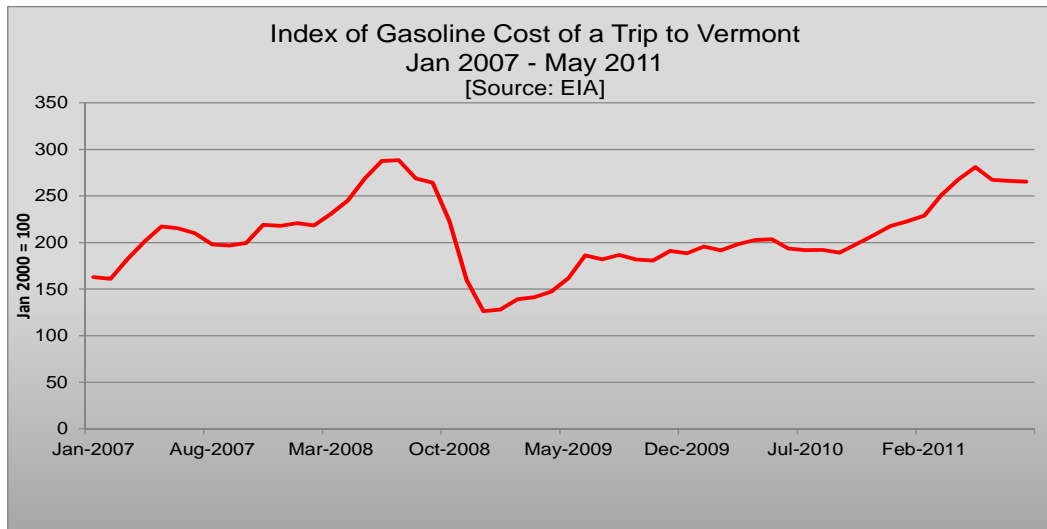
Source: US BLS

Note: Peer-States include Colorado, Nevada, Florida, and Hawaii

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Vermont's employment in the Leisure and Hospitality sector reversed course and began to grow, rising to a job count level above August 2010, at +2,000 jobs or 6.0% above last year. This August year-over-year job increase was not unique to Vermont among the peer states. New Hampshire outperformed Vermont with a year-over-year increase of 11.4% in August 2011. The increase in Maine and the peer-state total was lower than Vermont, with respective year-over-year increases of 4.6% and 4.4% (versus August 2010). This data suggests that higher Rooms and Meals tax revenues successfully translated in jobs for Vermonters during August. The Vermont data should continue to be viewed with caution, as has been noted in earlier issues of "Dashboard." Data problems appear to be the result of "survey problems" in this job category for a "small sample size" state like Vermont.

Issue Eight: Gasoline Costs



Roundtrip Gas Cost	Aug-11	Jul-11	% Change Last Month	Aug-10	% Change Last Year
New York to Woodstock	\$90.49	\$90.80	-0.3%	\$65.52	38.1%
Boston to Killington	\$53.75	\$53.93		\$38.92	

Sources: US EIA, EPA

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Gas prices continued their downward trend in August 2011 (a trend which began in June 2011) with an actual decline versus July 2011. Although the 0.3% decline was “good news” and represented the first actual decline since September 2010, it comes against the backdrop of a 38.1% increase since August 2010. Further, the decline likely reflects a worsening economy around the world. Looking ahead, visitors to Vermont can expect to see continued fluctuations, both up and down, in the cost of gasoline for the rest of calendar year 2011.

Issue Update: Libya Resumes Oil Production/Keystone XL Pipeline Update

On September 13, 2011 the Libyan oil firm Arabian Gulf Oil Co. (Agoco) began pumping 160,000 barrels of crude oil a day into the Tobruk pipeline—a level of crude production that represents one-tenth of the pre-civil war production of Libya. The Tobruk pipeline services a Libyan refinery and the export market. Estimates by Libya and OPEC place Libyan oil production at 1.0 to 1.6 million barrels a day by the end of the year. The International Energy Agency has a more conservative estimate of 1.1 million barrels a day by the end of 2012. It is expected that much of this production gain will be offset by decreased production among the other OPEC nations that raised output at the beginning of the Libyan civil war.

A proposed Canadian oil pipeline that could transport a million barrels of oil a day through six U.S. states to refineries in Texas has received environmental approval from the US State Department. This pipeline, known as the Keystone XL Pipeline, would connect the Texan refineries to a 170 billion barrel deposit of crude oil in Alberta, Canada. This deposit represents the world’s third largest known deposit of crude oil. This pipeline still faces stiff opposition from environmentalists and the Environmental Protection Agency regardless of the State Department’s finding. The pipeline crosses an important water source in the Midwest known as the Ogallala Aquifer. Canada is currently the largest foreign supplier of crude oil to the US at approximately 2.0 million barrels per day. This represents about 10.6% of us crude consumption, and 65.4% when combined with the production of crude consumed in the US by the US (9.1) and Mexico (1.2). The US consumes about 18.8 million barrels of oil per day. It is likely, however, that if this capacity were to come online, OPEC would cut its output in order to offset the price decrease, as it has said it will do with Libya.