



2008 Year End Review

Tourism Remains Resilient in 2008

Despite numerous economic variables working against tourism on Prince Edward Island for 2008, occupancy and room-nights sold (RNS) in the province remained strong. Both occupancy and RNS finished up almost one percent for 2008.

RNS is one of the best indicators of tourism performance on Prince Edward Island. Although RNS were good in most regions of the Island, other indicators showed signs of weakness. Bridge and ferry traffic, for example were down considerably for the year. Airport traffic offset some of this decline, finishing up 12% for 2008.

Bridge traffic from major markets like Nova Scotia and New Brunswick were down approximately 7% for 2008. Despite this, RNS to these markets were on par with last year. From this we can conclude that the average length of stay must have increased or there were fewer same day visitors versus previous years. The price of fuel, which peaked in July, may have influenced traveler's decisions to take fewer trips of longer duration.

Increases in RNS to motorcoach (14%), international travelers (16%) and Islanders (24%) have also helped boost RNS in the face of weaker rubber tire traffic. RNS to U.S. visitors were down 16% for the year.

Increases in RNS to these markets provided a cushion against decreases from markets like New England and Quebec.

Occupancy rates and RNS in the fourth quarter were particularly strong for most regions of the Island compared to last year. Several fourth quarter festivals and events such as Fall Flavours, and the Shellfish Festival may have helped boost room-nights sold.

Many Islanders elected to stay close to home in 2008. Even in the fall RNS to Islanders remained robust. RNS to Islanders was up double digits in 10 out of 12 months for 2008. Year-end 2008 RNS to Islanders were up almost 24%

National and Global tourism

For the fourth quarter tourism spending in Canada edged down 0.1%. This was the first time since the SARS outbreak in 2003 where Canada experienced back to back quarterly declines in tourism spending.¹

For 2008, tourism spending increased 1.9% in Canada as spending by Canadians at home continued to rise. Spending by Canadians at home finished the year up 4.1%. This was the smallest gain in 4 years. International spending decreased 5.4%, the seventh decline in eight years.

Travel to Canada from the United States was down 12% for 2008. Travel to Canada from other countries was up 1.8% for the year.

Despite global economic weakness, Canadians took advantage of a relatively strong Loonie and increased their travel to the U.S. (+2.3%) and other countries (+9.7).

Consumer confidence in Canada reached a 26 year low in October.² Consumer confidence in the U.S. wasn't much better as the global economic crisis continued to reduce optimism about the future.

Weather

August and September experienced much more rainfall than normal, while October and November were relatively warm and dry for 2008. December was slightly warmer with much more rain than normal. In addition to many festivals and events across the Island, the warm and dry climate in the shoulder season provided a boost to occupancy and RNS for the fourth quarter. RNS were up over 13% during this period.

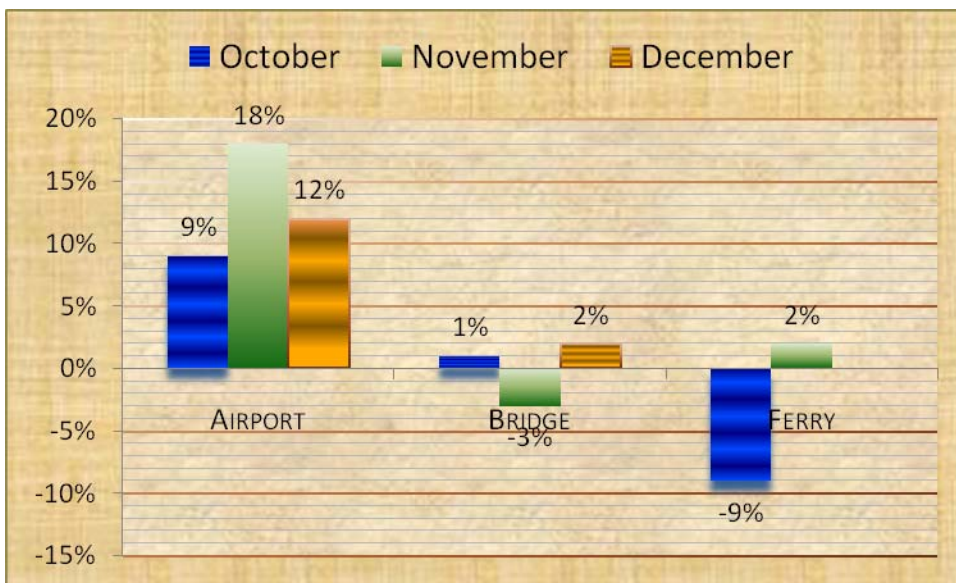
¹ Stats Can. National Tourism Indicators, March 30, 2009

² Financial Post, *Canadian Consumer Confidence falls to 26 year low*, 10/17/2008

Transportation

- Air traffic at the Charlottetown Airport is continuing the pattern of growth seen in 2007. Air traffic was up 12% in 2008. The addition of direct flights to Ottawa and New York (JFK), as well as the continued direct flights to Boston and Detroit, helped keep airport traffic strong in 2008.
- Non-resident traffic leaving Prince Edward Island across the Confederation Bridge was down 11% for the year. The decrease in bridge traffic was predominately due to fewer vehicles from Nova Scotia and New Brunswick.
- Ferry traffic as reported by Northumberland Ferries Limited (NFL) was weaker as well in 2008, finishing down 8% for the year.
- Figure 1 shows comparative traffic data for 2007.

Figure 1: Comparative Traffic Data: 2008 vs. 2007



Inquiries

- Inquiries to the call centre were up 8% for 2008. Inquiries were very strong for Q1 and Q2 and leveled off for the last 2 quarters of the year.
- Visitor information kits sent in 2008 were up 8%. The largest increases in kits sent were to the Maritimes and English speaking Canada. Kits sent to New England finished down 4% for the year. The rest of the U.S. had an increase of 5%.

Historic Site Visitation

With the exception of Beaconsfield (+29%) and the Acadian Museum (+26%) which posted very strong visitation for 2008, visitation was relatively weak at all other historic sites. Total visitation is down 6%.

Golf

- Golf finished the year down 10%. High fuel prices and bad weather, coupled with a relatively strong Canadian dollar and low consumer confidence, resulted in a weak season for golf.

Cruise Ships

- Cruise ship volume was very active this season. Holland America's Maasdam made 8 stops in Charlottetown Harbour during the last 2 quarters, while Royal Caribbean's 1,020 foot Explorer of the Seas made 3 stops during the same period. Cruise traffic finished the year up over 180%. Charlottetown Harbour hosted 36 ships in 2008 versus 16 in 2007. The average time for on-shore visits increased from 4 hours to 6 between 2007 and 2008. This may have influenced spending patterns as the *Profile of Cruise Ship Passengers* survey from the Tourism Research Centre at UPEI indicated spending per person was up almost 30%.

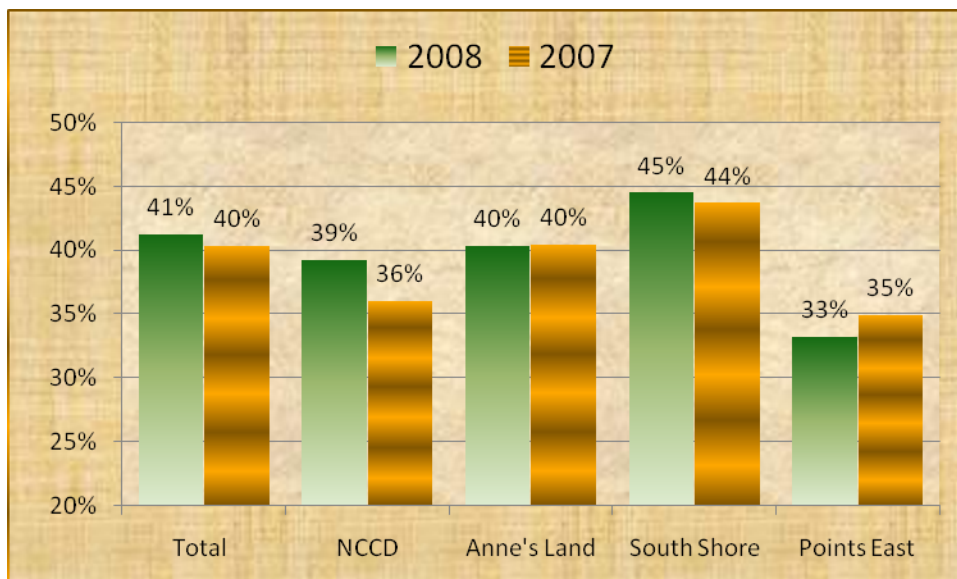
Motorcoach

- It's apparent Prince Edward Island is benefiting from a resurgence in motorcoach travel that is being experienced across North America³. RNS to motorcoach travelers were very strong in 2008, finishing up over 14%.

Occupancy by Region

- Province-wide total room-nights sold for 2008 were up 0.8% versus 2007. Occupancy was also up slightly at 0.9% for 2008. RNS were especially strong in October and November up 13% and 20% respectively. Although RNS during Q3 (the peak season for tourism) were somewhat weaker, the shoulder seasons outperformed 2007 by a healthy margin.
- The North Cape Costal Drive had an especially good year for RNS. Although the summer months were relatively weak for the NCCD, the shoulder seasons were very strong. NCCD increased RNS by 6.1% in 2008.
- Anne's Land and South Shore were -1.0% and +2.8% respectively for RNS in 2008.

Figure 2: Occupancy Rates for 2008 vs. 2007



³ School of Public Service Policy Study, DePaul University, The Return of the Intercity Bus: The Decline and Recovery of Scheduled Service to American Cities, 1960-2007. 12/24/2007.

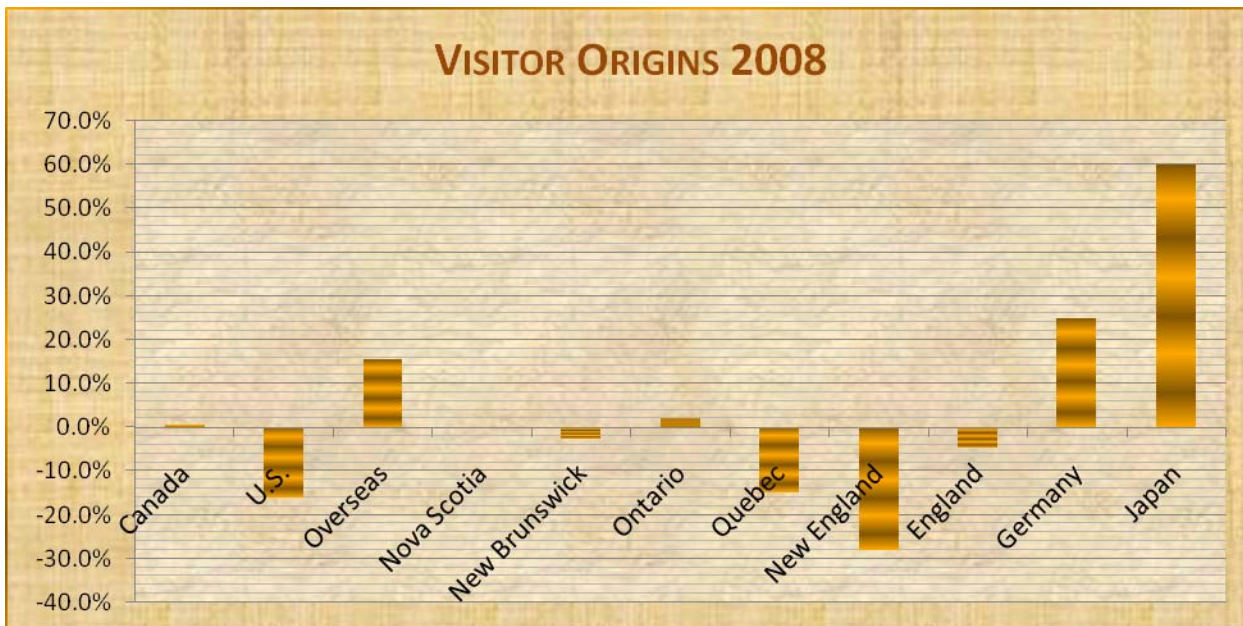
Occupancy by Type of Accommodation

- For 2008 Hotel/Motel/Resort seemed to be the accommodation of choice for travelers. RNS to Hotel/Motel/Resort finished up 3.4% in 2008.
- RNS to Inns were down slightly, 0.3% and while RNS to Cottage/Cabins and Tourist Home/B&B were down 3% and 7.6% respectively.

Room Nights Sold (RNS) by Origin

- RNS to Canadians finished the year up slightly at 0.6%. The growth was led by Newfoundland, Ontario and Prince Edward Islanders. RNS to visitors from Nova Scotia (-0.1%) and New Brunswick (-2.5%) were slightly off last year's pace.
- RNS to visitors from the U.S. were down in all regions. New England was down the most at -27.5%. Overall, RNS to U.S. travelers were down 16.4% for the year.
- The largest domestic increase in RNS was to Prince Edward Island residents. RNS to Islanders were up almost 24% for 2008. Quebec was the worst performing primary market, finishing down almost 15% in RNS in 2008.
- Overseas RNS continued to show strength finishing the year up almost 16%. Germany (+25%) Japan (+60%) and Other (+20%) lead the way for overseas visitors for the year.
- Figure 4 shows the changes in origins compared to the same period in 2007.

Figure 3: YTD Change in Origin Data (in percentage points versus 2007)



Conclusion

Tourism performance for Prince Edward Island, like the other Maritime provinces, was on par with last year. All Maritime provinces had relatively soft peak seasons. While Nova Scotia and New Brunswick enjoyed a strong spring season, PEI posted strong occupancy numbers for both the spring and the fall.

All U.S. visitation was down at the national and provincial level. PEI was no exception. PEI did experience growth in RNS to motorcoach travelers, overseas travelers and Island residents. It appears that travelers have elected to stay closer to home this year. With higher fuel prices and declining consumer confidence in Canada and the U.S., travelers may have been exercising more caution with their vacation dollars.

Fuel prices peaked at the worst possible time in early July, but did retreat quickly across the United States and Canada. The decline in fuel prices was largely the result of the economic slowdown led by the United States.

Going Forward

The financial crisis that originally affected the United States in 2008 quickly became a global phenomenon going into 2009. The crisis has affected economic output, business investment and employment around the world, including Canada. Fortunately the Canadian economy has proven more resilient. Despite record low consumer confidence reported late last year, consumers haven't rolled over and died. A Scotiabank survey, recently done by Harris Decima showed that more than 80% of Canadians are either spending more or the same as they did 6 months ago.⁴

EnviroNics Research Group in Ottawa surveyed 16,000 people in 19 countries around the world. Canadians are amongst the most optimistic. Ranking 2nd, 40% of Canadians think their personal financial prospects will improve in the next six months.

David Redekop, Principle Research Associate with Canadian Tourism Research Institute isn't quite as optimistic although he says the effects on tourism

won't be like the recession of 1991⁵. Back then, unlike today, a slowing economy brought 11% interest rates, and 10% unemployment which had a drastic impact on consumer spending. Redekop states in his report that this recession will feel more like the slowdown after the 9/11 attacks.

It appears the impact of the global recession is being felt more outside of Canada than within. In 2008, increases in visitation to Prince Edward Island from overseas countries as well as strong domestic visitation, helped fill the void left by U.S. travelers. Unfortunately, overseas visitation may be adversely affected for the 2009 season. This will put more pressure on Prince Edward Island's primary markets like Nova Scotia, New Brunswick, Ontario and Quebec.

The U.S. dollar has found strength and stabilized somewhat in the \$1.25 Cdn range. A year ago it was roughly on par with the Canadian dollar. A strong US dollar helps promote tourism in three ways. It stimulates U.S. travel to Canada, keeps more Canadians at home, and lastly it helps stabilize oil prices which have stayed in the \$US50/barrel range since November 2008.

Prince Edward Island does have several large scale events scheduled throughout 2009 that should help mitigate any downward pressure on tourism visitation. Number one is the Canada Games scheduled for mid August. Approximately 4,400 athletes and coaches are expected as well as over 10,000 spectators. Secondly, PEI has a very strong MCIT calendar for this year bringing over 20,000 delegates. Additionally, a large country music festival slated for mid July has attracted a lot of attention from around the Maritimes. Over 35,000 people are expected to attend this 3 day festival. In addition to these events, many smaller festivals and events across the Island such as Festival of Small Halls, Shellfish Festival and Fall Flavours have done well to attract visitors to Prince Edward Island.



⁴ The Financial Post, 4/17/2009

⁵ Conference Board of Canada, "Crisis of Confidence" Hurting the Travel Industry

