



Corvallis Tourism Travel Projection for 2009

Corvallis Tourism projects a 3% to 3.5% decrease in lodging room demand for 2009 over 2008 with losses continuing well into the third quarter 2009.

Last year the Corvallis Tourism outlook, published in January 2008, projected a flat, no-growth scenario for 2008. That outlook proved to be a little optimistic as Corvallis Lodging finished the year with a -4.8% loss in occupancy for the calendar year and a -3.3% loss for the running 12 months up to November 2008.

The Willamette Valley (not including Portland), received a -3.8% reduction in occupancy, year to date (November 2008).

The most recent lodging report from Smith Travel Research states that hotel occupancy is softening even in Portland.

The following are changes in hotel occupancy for November 2008 versus November 2007.

Portland	down 7.3%
Oregon	down 6.4%
Corvallis	down 3.2%
Pacific Region	down 8.6%
USA	down 6.2%

Year-to-date, Portland hotel occupancy is down just 1.2% when compared against the same period in 2007. Oregon, the Pacific Region, and USA are down 4.1%, 4.2%, and 4.0% respectively when compared with 2007.

The Global Recession:

We have entered into the second global recession since WWII. The United Kingdom is in its first major recession in 16 years as is Germany. Eurozone has not experienced such a bad economic downturn in 30 years. Even India and China have started to see a drastic slowing in their economic growth starting in September of 2008.

Whereas lack of time was the number one excuse for not taking a vacation over the past five years, the most recent TIA poll indicated that it is now “lack of money” that is the excuse, therefore destinations have to promote a value proposition.

Airlines:

Airlines are expected to continue to reduce capacity by 10% annually for the next two years. There was a 7% reduction in available air seats in the Q4 2008 vs Q4 2007. Airlines continue to struggle with financial losses with even Southwest Airlines experiencing their first loss in 2008.

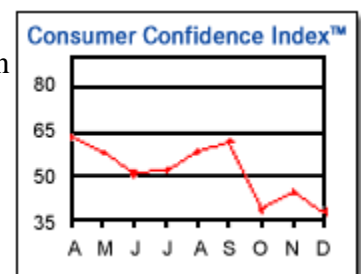
PDX airport in Portland has experienced a -14% loss of carrier capacity YTD up to November 2008 vs November 2007.

Compared to November 2007, domestic air RPMs were down 14.2 percent and international air RPMs decreased 4.4 percent. Hotel/motel room demand dropped 7.8 percent and room revenue decreased 10.1 percent from twelve months earlier. Airline employment was down 3.3 percent and lodging employment decreased 6.1 percent from November 2007. Amtrak ridership decreased 3.6 percent from the same month of 2007. (TIA)

Consumer Confidence:

The consumer confidence index tends to be a reliable pre-cursor for both corporate and leisure travel, proceeding a drop in travel by 4-6 months.

The Conference Board Consumer Confidence Index™, which had increased moderately in November, declined to a new all-time low in December. The Index now stands at 38.0 (1985=100), down from 44.7 in November. The Present Situation Index plummeted to 29.4 from 42.3 last month. The Expectations Index decreased to 43.8 from 46.2 in November.



The Meeting Industry

The storm buffeting the U.S. economy threatens to swamp the \$175 billion corporate meetings industry as companies seek to cut back on expenditure by reducing the number of conferences they hold.

By organizing fewer big meetings in distant cities, companies can save millions on airline seats, conference hall bookings, hotel rooms and a range of smaller items.

But those savings -- while smart for the companies -- are provoking a crisis in the industry that provides the services.

'I've been in this business 40 years and I've never seen anything like this before,' said Kevin Maguire, president of the National Business Travel Association.

'I call it the DDE for 'devastating domino effect',' said Maguire. It is having an impact from cab drivers and florists to restaurants and street vendors, he said.

Tammi Runzler, vice president of convention sales and services at the Orlando Convention and Visitors Bureau, compared the situation to the weeks after the attacks of Sept. 11, 2001, when fear of air travel gripped much of the business world.

A total of 64 percent of companies globally will reduce spending on meetings next year, a figure that has doubled since August, according to research by Meeting Professionals International, the world's largest organization for meeting executives.

A separate survey, by Maguire's National Business Travel Association, presented a more mixed picture. It showed that about 38 percent of U.S. companies will maintain their meeting budgets next year, with the remainder about equally split between those planning to cut their budgets and those increasing them.

Companies that are increasing spending on meetings understand that during an economic slump training conferences and sales meetings are even more important, Maguire said.

'AIG SYNDROME'

To make matters worse, many companies have slashed their meetings budget based on the experiences of insurance company AIG, said Meeting Professionals International President Bruce MacMillan.

AIG ran into a storm of negative publicity in October, when it flew top independent brokers and some of its executives to California for a lavish week-long retreat shortly after it received an \$85 billion government bailout. Brokers had earned the trip based on their sales prior to the bailout.

The situation was made worse by media coverage of a conference in November for 150 of AIG's top independent brokers at the Pointe Hilton Squaw Peak Resort in Phoenix.

In the hotel industry, such cancellations were known as 'AIG syndrome,' said Barry Brown, director of sales and marketing at the landmark Hotel del Coronado in San Diego.

Among other signs of a downturn in corporate meetings, new business leads are down 21 percent from 2007 at the Orlando Convention and Visitors Bureau, according to said Tammi Runzler, vice president of convention sales and services.

Business is down 15 to 20 percent at Baskow & Associates, one of the leading destination management companies in Las Vegas. The company provides services for corporate events such as transportation to entertainment.

'Bad news is breeding more bad news. When companies see other companies stop spending, they stop spending,' said Jaki Baskow, whose 32-year-old company employs 28 people.

CHICKEN NOT LOBSTER

New Orleans, on the other hand, has seen a 10 percent increase in business for 2008 over last year and expects to see a 7.5 percent increase next year, said Stephen Perry, president of the city's Metropolitan Convention and Visitors Bureau.

That's because 75 percent of his business is with large conventions held by national associations and only 25 percent is from the more volatile corporate sector.

On a national basis, however, the consequences of the meeting downturn could be severe.

Employees paid by the hour, such as bellboys and busboys will be hit hardest by the slump, said Bob Gilbert, president of the Hospitality Sales and Marketing Association International.

'We're also starting to see salary freezes for hotel executives,' he said.

And even hotel owners are now being hit by a combination of declining occupancy and falling average daily room rates, said Robert Mandelbaum, director of research information services at PKF Hospitality Research.

That in turn will lead to layoffs among hotel staff.

Even so, some cities could benefit. Kansas City expects an uptick in 2009 business as it is perceived as an affordable destination, said Bill Bohde, vice president of convention sales and services at the Kansas City Convention and Visitors Bureau.

And corporate meetings will always be needed.

'Smart companies will still hold meetings,' Baskow said. 'Instead of lobster, they might serve chicken.'

U.S. business travelers join in cutting costs .

By Susan Stellan

Published: November 18, 2008.

With the economy in a downturn, U.S. corporate travel managers are using strategies from other frugal eras to save money - pushing advance purchases of airline tickets, moving meetings to cheaper destinations, skipping trips that are not likely to generate revenue, or requiring employees to refuel before returning a rental car.

But the difference this time is that travel managers are getting much more support from employees.

"That's the main difference - the mind-set of the traveler," said Mary Ellen George, general manager for Advito, a travel management consultant based in Dallas. "Now it's, 'How can I not support that? I'm glad I have a job.'"

George said she has seen a big shift toward thrift in the past two months, helped by online booking tools that help nudge travelers toward cheaper options - an effect commonly referred to as "visual guilt."

"They're more likely to take the lower fare when they actually have to select it online themselves," she said, adding that booking tools are getting more sophisticated with features that can even encourage travelers to consider whether a trip is necessary at all.

"They have to click on a box that says, 'Yes, I did consider a video conference or teleconference in lieu of taking this trip,'" George said.

Even companies not feeling a pinch are finding frugality is now in vogue.

Jim McMullan, travel manager for Monsanto, the global agricultural biotechnology company based in St. Louis, Missouri, said employees have been opting for the lowest airfare more than 90 percent of the time, using the company's online booking tool and even downsizing to premium economy instead of business class to save money.

"This is all without a message to cut travel - this is people reacting to the headlines and trying to be conservative," he said.

The National Business Travel Association forecast that the number of business trips would actually rise in 2009, extrapolating from member survey data. But the Travel Industry Association predicted a drop of nearly 3 percent in business trips in 2009.

Susan Mays, a travel manager for FedEx, the global delivery company based in Memphis, Tennessee, said it had recently imposed limits on how much employees can spend on hotels in about four dozen cities and was rigorously enforcing the policy.

"Say you stayed in a hotel that costs \$400 and we have a negotiated rate with a hotel that's \$300, then we don't reimburse you for the difference," she said.

FedEx is also encouraging employees to book trips earlier to get better deals, and is compiling reports about trips that could have been planned ahead but were not - like a training class scheduled weeks in advance.

Companies are also getting creative about finding ways to encourage employees to embrace frugality. A survey conducted in the United States by the National Business Travel Association cited a member whose company is considering using carbon emissions data as a way to lead increasingly environmentally conscious employees to think twice about flying. Another mentioned offering financial incentives to employees who fly coach even when business class is allowed.

Kathleen Hall-Zientek, travel manager for Moog, an aerospace manufacturer in East Aurora, New York, said her company had been urging employees to use the travel department's services to reduce costs.

She is also considering investing in software that continues to monitor a fare even after a ticket has been bought, issuing an alert if the price drops.

One strategy is better management of the credits travelers accrue when they cancel nonrefundable tickets; such credits can generally be used within a year, minus a change fee of up to \$150.

"Our system identifies the unused tickets, and if we can't use them for the same traveler, we'll use that credit for someone else," Hall-Zientek said.

Oregon Economic Outlook

Unemployment Rates SEASONALLY ADJUSTED

	Nov 2008	Oct 2008	Nov 2007
Oregon	8.1%	7.2%	5.4%
United States	6.7%	6.5%	4.7%
Benton County	5.6%	4.9%	3.7%

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