

Travel and Tourism

Global and National Travel

Global tourism continued to post strong growth in 2014 according to the World Tourism Organization, despite economic and geopolitical challenges. Destinations around the world received 1.14 billion international overnight visitors during 2014, an increase of 4.4% over 2013. Global tourism has been robust for five consecutive years, with annual average growth of 5.0% per year since 2009.

Travel to Canada increased last year, with about 25.6 million trips to the country, an increase of 1.6% over 2013. This growth reflected a substantial increase in overseas visitors which offset lower numbers from the United States. U.S. visits to Canada have been substantially lower in recent years, reflecting a number of factors including tighter border regulations and increased competition from other destinations. Visitors to Canada from outside the U.S. increased 10.2% last year, with Asia and Europe accounting for most of the increase.

The accommodation industry recorded higher occupancy rates last year, reflecting growth in both domestic and international tourism. The average Canadian hotel occupancy rate for the year was 64.3%, up 1.5 percentage points (ppt.) from 2013. The average revenue generated per room sold in 2014 increased 3.7% to \$137.28 compared with the previous year.

Provincial Travel

Travel and tourism in Newfoundland and Labrador consists of residents who travel within the province and non-residents who visit the province. In recent years, the sector has recorded annual expenditures of about \$1 billion. There has been considerable investment in the sector, including



the expansion of airports; replacement of ferry vessels; construction of restaurants, convention facilities and hotels; and increased marketing initiatives. These investments have served to enhance the quality and quantity of travel and tourism services. Residents engaging in tourism activities within the province typically represent between 50% and 60% of spending in the province's tourism sector. Non-resident tourists, who generate economic wealth by bringing in new spending from outside the province, account for the remainder of the spending. Ontario and the Maritimes typically account for the majority (62% in 2011) of non-resident visitors to the province.

The number of non-resident visitors to the province reached an estimated 507,900 in 2014, an increase of 2.0% over the previous year. More visitors arriving by air offset a decline in visitors arriving by automobile and cruise ship. Expenditures by non-resident visitors are estimated to have totalled around \$491 million in 2014, up over 5% from 2013.

Visitors arriving by air are the largest segment of the province's non-resident tourism sector, accounting for approximately 76% of visitors and 82% of spending in 2014. During 2014, the number of air visitors reached 388,400, up 5.8% compared to 2013 (see chart).

Air passenger traffic has been supported in recent years by additional seat capacity. Inbound non-stop seat capacity totalled almost 1.3 million in 2014, up 11.0% or nearly 126,200 seats from 2013. The increase was mainly driven by Canadian domestic flights, although expanded capacity has also occurred on routes to and from Europe and sun destinations.

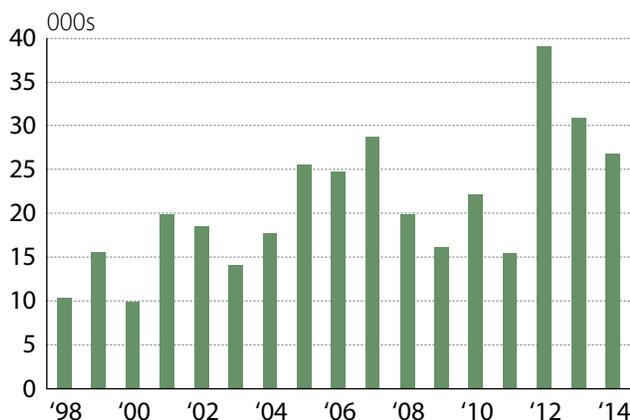
Seat capacity on intra-provincial flights (flights within the province) reached nearly 447,000 seats in 2014, up 5.9% over the previous year. This offset the decline that occurred in 2013. In 2014, capacity increases occurred for intra-provincial flights to airports on the island portion of the province as well as to airports in Labrador. With this latest increase, the number of intra-provincial seats has expanded 17% (or more than 64,000 seats) in four years.

Non-resident automobile visitation continued to decline in 2014. The number of automobile visitors arriving by Marine Atlantic ferry totalled 92,600, down 7.3% from 2013. Declines were recorded in most major markets (i.e. Maritimes, Ontario, Québec, Western Canada and the U.S.). Travelling by auto continues to be challenged by many factors, including volatile fuel prices, ferry rates, the convenience of air travel, and a general shift in travel behavior and preferences.

Non-Resident Visitors by Mode of Travel to the Province, 2014



Cruise Ship Visitors



Note: These figures are estimates of unique visitors based on detailed cruise ship itineraries. Passengers are counted once regardless of the number of ports visited.

Source: Department of Business, Tourism, Culture and Rural Development; Cruise Newfoundland and Labrador

The decline in automobile visitors is part of a downward trend which started approximately 10 years ago. While automobile visitors only accounted for 18% of non-resident visitors in 2014, these travelers provide considerable benefits to tourism operators throughout all regions of the province, in particular those that operate in the corridors of the ferry ports in Argentia and Port aux Basques.

Estimates indicate that there were about 26,800 unique non-resident cruise visitors during the cruise ship season this year.⁵ Although this figure represented a decline of 13.0% from the 2013 cruise season, it was a reasonably high level of activity compared to historical cruise visitors (see chart). The 2014 cruise season did see an expanded itinerary of ports visited and number of port calls. The lower number of unique visitors reflected smaller expedition cruises.

Demand for accommodation services declined slightly in 2014, but remained at very high levels. Approximately 1.35 million accommodation room nights were sold, down 1.0% from 2013; however, the average revenue generated per room sold increased 4.4% to \$133. The overall accommodation occupancy rate for the province was 50.9% during 2014, a decrease of 0.7 percentage points compared with 2013. On a regional basis, occupancy rates declined in Labrador (down 5.4 ppt.), Avalon (down 3.6 ppt.) and Central (down 0.8 ppt.) areas. Occupancy rates in the Eastern and Western regions of the province increased 5.0 ppt. and 1.5 ppt., respectively.

The Avalon is the largest accommodation market in the province. This region has experienced considerable investment in hotel facilities in recent years. The year-over-year decline in occupancy rates in this region in 2014 reflected both lower room sales and increased capacity (number of rooms available).

The major meetings and convention market (i.e. events booking 50 or more guest rooms per night) in the St. John's Metropolitan Area recorded a decline in activity in 2014. Approximately 24,490 delegates attended various events, down 5% from the previous year. The number of room nights purchased by the delegates totalled 37,600, down 11% from 2013. The \$64 million expansion to the St. John's Convention Centre continued in 2014. The St. John's Convention Centre closed its doors on October 28, 2014, and will reopen as a new, state-of-the-art facility, ready to welcome guests in early 2016.

The Provincial Government has promoted tourism through many channels including award-winning marketing campaigns and mobile applications. Over 38,000 enquiries for provincial travel-related information from all sources (i.e. web, e-mail, telephone) were reported in 2014. In addition, approximately 1.9 million visits were registered at the tourism website. Combined, these interest levels in the province as a travel destination represent an increase of about 2% compared to 2013. To translate this interest into visitation and to ensure an exceptional visitor experience, the Government of Newfoundland and Labrador continues to work in partnership with industry and other tourism stakeholders to advance several visitor-focused initiatives.

5 This figure is a Department of Business, Tourism, Culture and Rural Development estimate based on a review of itinerary information. This estimate only counts passengers once regardless of the number of ports visited. This should be distinguished from "cruise ship passenger visits", which is the industry standard, whereby passengers are counted at each port call made by their vessel.

Outlook 2015

Travel and Tourism

- Global international tourist travel is expected to grow between 3% and 4%, reaching a new record.
- Non-resident pleasure travel to the province should benefit from lower fuel costs and the weaker Canadian dollar, which acts as an incentive for American tourists and also makes vacationing within Canada more attractive for Canadians. Non-resident corporate or business travel, however, is expected to be negatively impacted by the weaker economic outlook.
- In terms of resident tourist activity, the lower dollar may curb resident travel to international destinations. Weaker income growth may also prompt more residents to opt for a vacation at home.
- Cruise activity is expected to be solid. There are 73 port calls tentatively booked for the 2015 cruise season, with more expected as cruise lines finalize itineraries.
- Planned hotel projects in the St. John's area could boost accommodation capacity by more than 25% over the next several years.
- The number of bookings for major meetings and conventions in the St. John's area is expected to be down somewhat due in part to the construction related closure of the St. John's Convention Centre. However, the expansion of the St. John's Convention Centre bodes well for event activity beyond 2015.
- St. John's International Airport will continue with the expansion of the airport terminal building and installation of a new landing system. The new landing system will be operational in 2016, and will allow more flights to operate on schedule regardless of low visibility, increasing airport accessibility.

