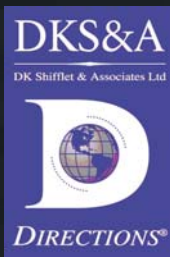


Worldwide Travel Trends The Big Picture

Rebound Abounds



Douglas K. Shifflet
President & CEO



D.K. Shifflet & Associates Ltd.
Excellence in Travel Intelligence SM

November 20, 2004

D.K. Shifflet & Assoc., Ltd.



Agenda



Who is D.K. Shifflet & Associates, Ltd.?

- Worldwide Travel Volumes
- Key Drivers of Change
- Hotel & Restaurant Impacts
- Worldwide Outlook

D.K. Shifflet & Associates Ltd. Background



- DKS&A, est. 1982 - the **Leading Provider** of USA traveler research & consulting
- **MONTHLY** Syndicated Surveys: Continuous monitor of U.S. traveler volumes, behaviors and attitudes
- DKS&A **PERFORMANCE/MonitorSM**: Largest of 6 Survey For each MONTH 50,000+ USA household data returns (10 years of history)
 - Focus: recent travel with great detail: maximum accuracy
 - Covers travel to every U.S. and int'l destination at the city level
- **Custom Research**
- **Worldwide** data integration, consulting, & partnerships
 - IPK, Global Insight

DKS&A Client Types

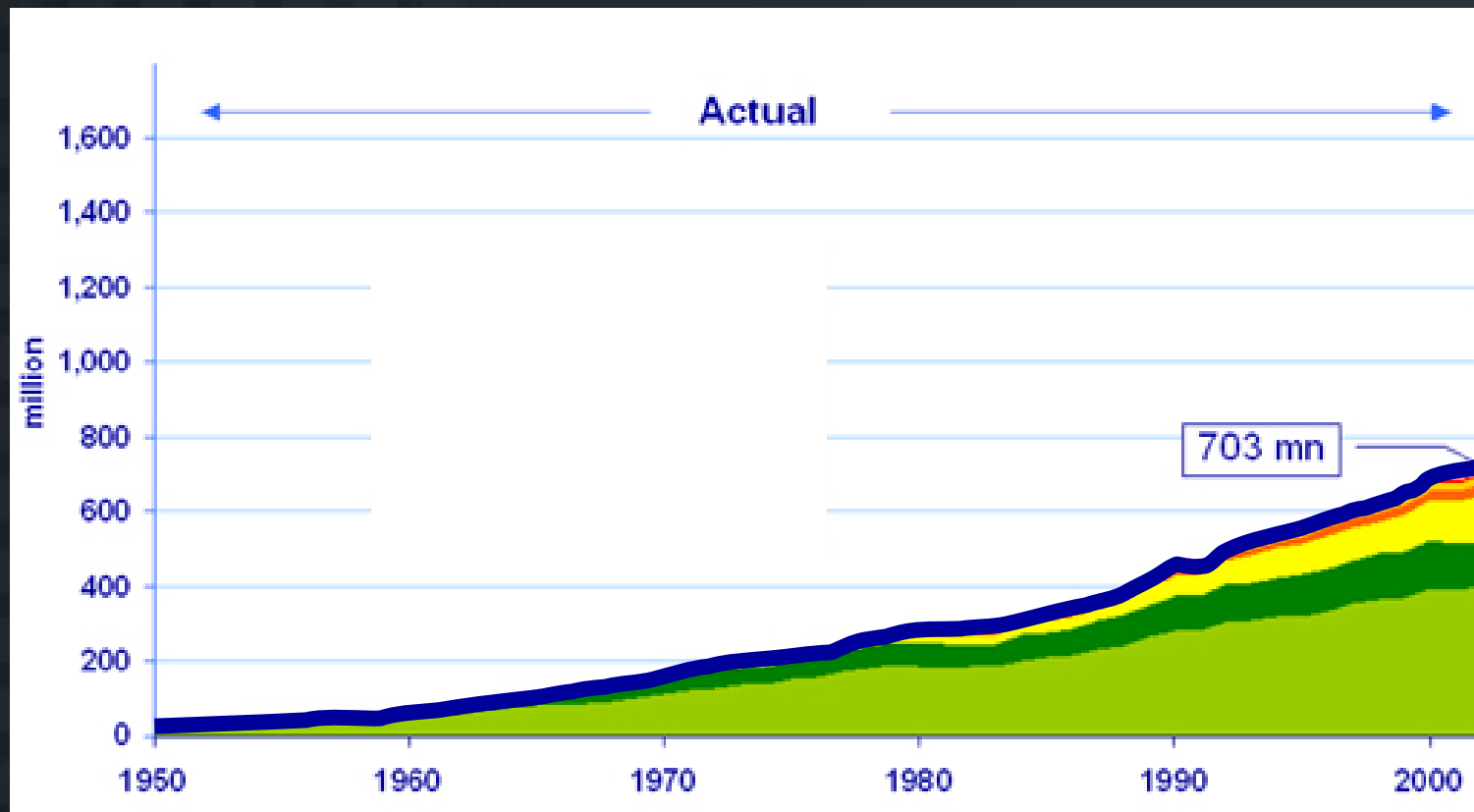
- ✓ **Governments:** U.S.A., Canada, Germany
- ✓ Destinations: 20+ States, 50+ CVBs, Non-USA
- ✓ **Hotels:** 35+ Separate Chains
- ✓ Timeshare Companies
- ✓ Attractions: 3 Major Theme Park Operators
- ✓ Rental Cars, Airlines, Credit Card Companies
- ✓ Financial: Accounting Firms, Wall Street
- ✓ Associations: AH&LA, **IH&RA**, PATA, IACVB

Worldwide Travel Volumes

D.K. Shifflet & Assoc., Ltd.



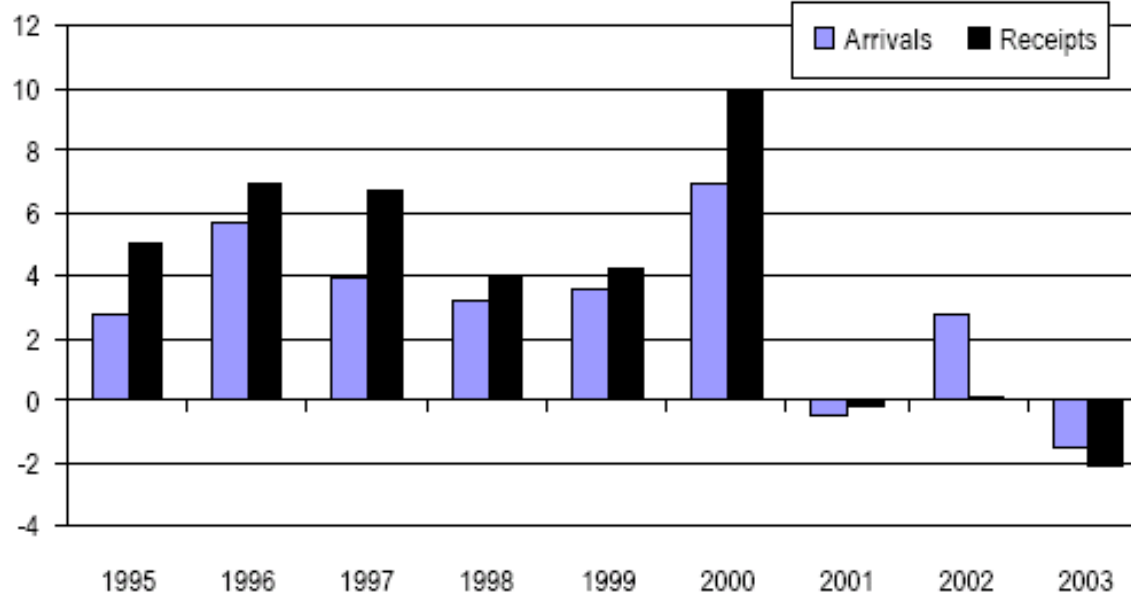
Worldwide Tourist Arrivals (Persons): Generally Continuous Growth



Source: WTO & DKS&A

Worldwide Arrivals and Receipts '01-'03 Receipts Off More Than Arrivals

International tourist arrivals and receipts^a, 1995-2003
(% annual change)



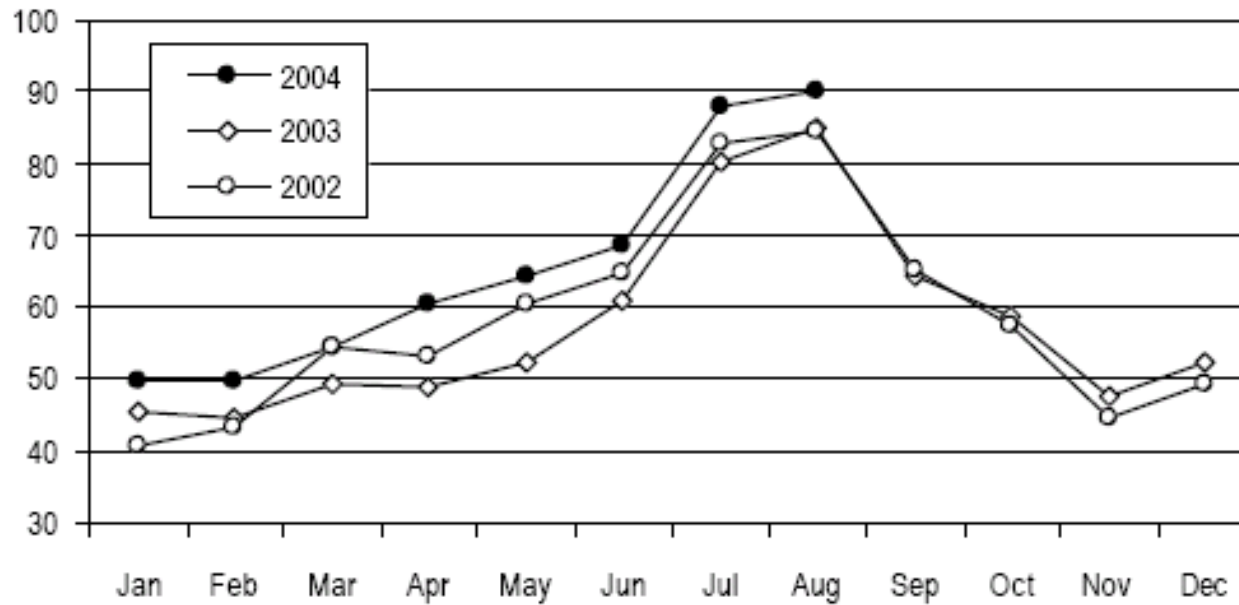
^a At constant prices

Source: World Tourism Organization (WTO)

2004 World Int'l Arrivals: 12%+ (Contrast - 8 mos. Of 2004)



Monthly growth trends in international tourist arrivals, 2002-04
(mn)



Source: WTO

'04 Rebound: U.S. & Middle East (contrast) Europe Modest, Asia Very Strong



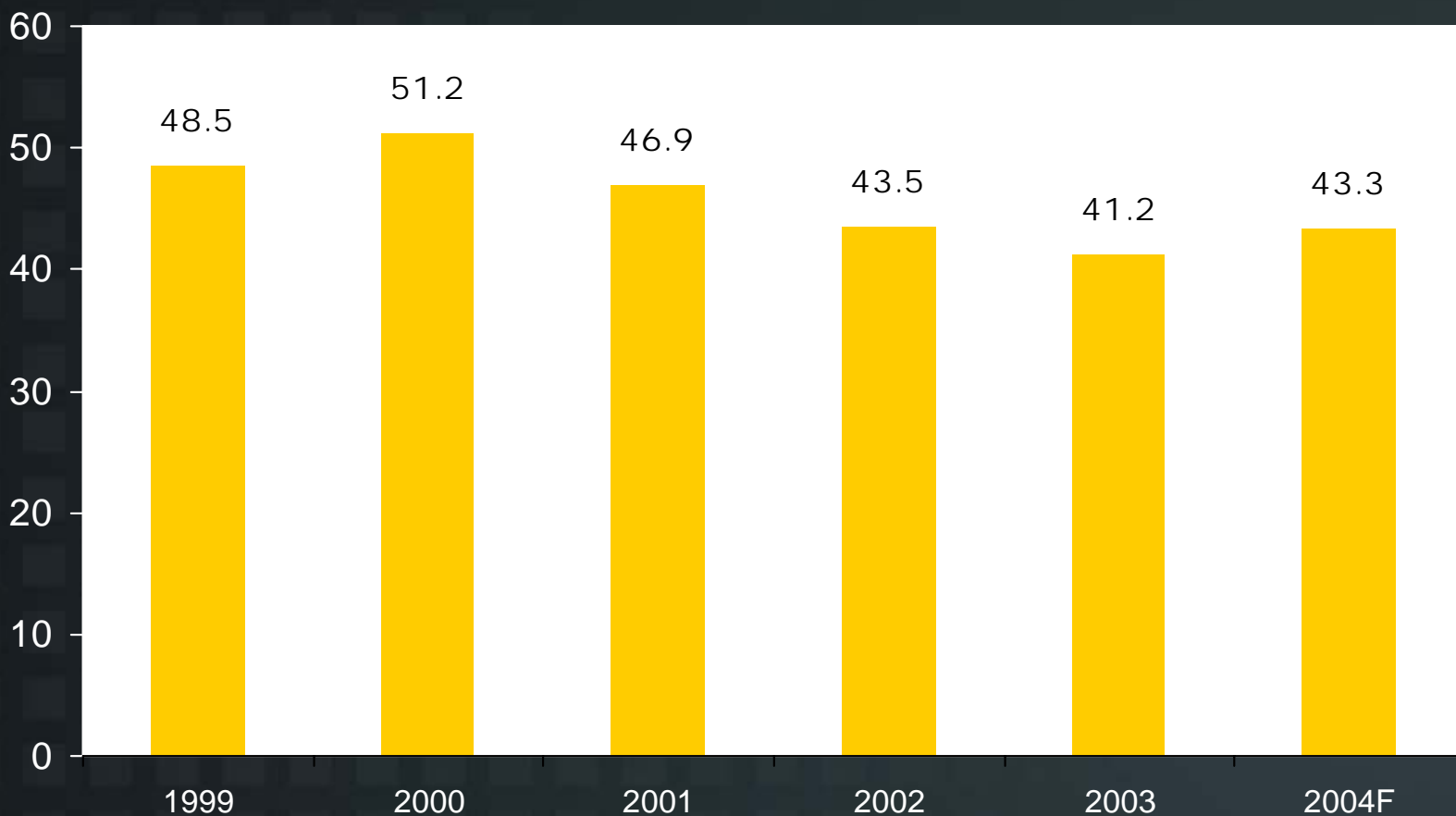
Source: WTO & DKS&A



US Arrivals: '04 Reversing 3-Yr. Slide But Still 15% Below 2000 Level



OTTI Millions of Arrivals (Persons)



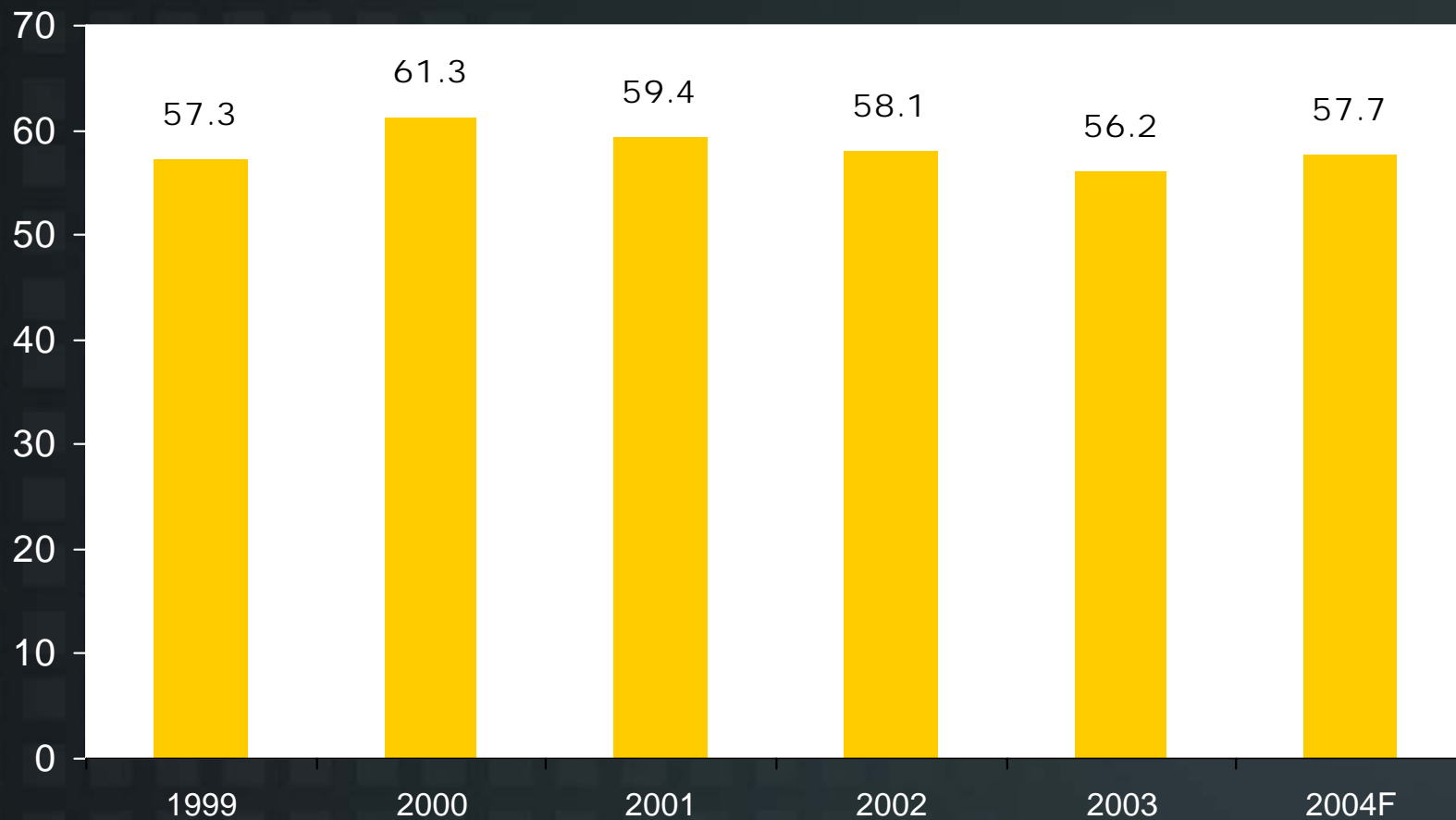
YE
Expect
~7%+

Source: U.S. Department of Commerce,
Office of Travel & Tourism Industries

U.S. Outbound Similar Rebound But Still 6% Below 2000 Level



OTTI Millions of Departures (Persons)



'04/'03
+5.7%

Source: U.S. Department of Commerce,
Office of Travel & Tourism Industries

U.S. Int'l Destinations Now Closer



DKS&A % INTERNATIONAL Room-Nights Share

1998-1999

North America 41%

(Caribbean 9%)

Europe 35%

Asia / Pacific 16%

South America 3%

Middle East 3%

Central America 1%

Africa 1%

2002-2003

North America 45%

(Caribbean 12%)

Europe 30%

Asia / Pacific 18%

South America 2%

Middle East 2%

Central America 2%

Africa 1%

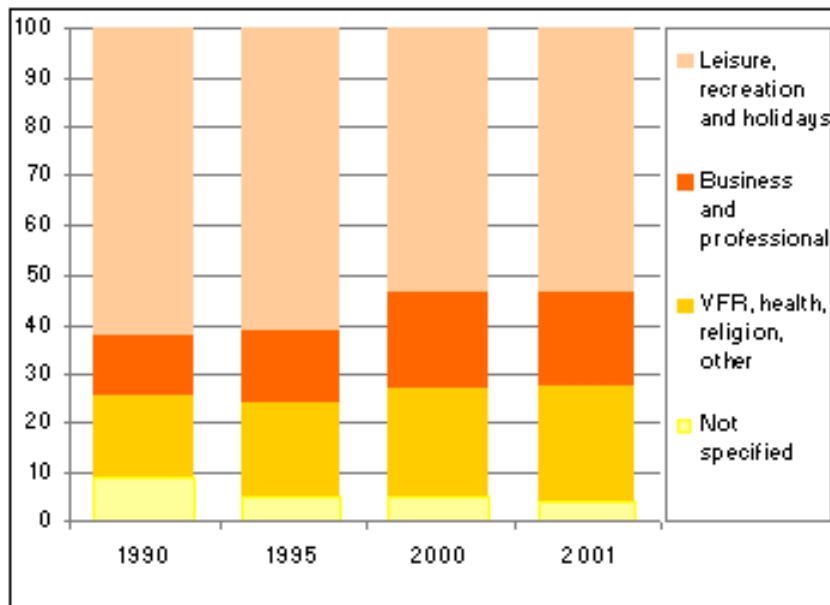
Worldwide: '90s Business Share Grew Recent Business Generally Weaker



World: Inbound tourism by purpose of visit

International Tourist Arrivals

(share, %)

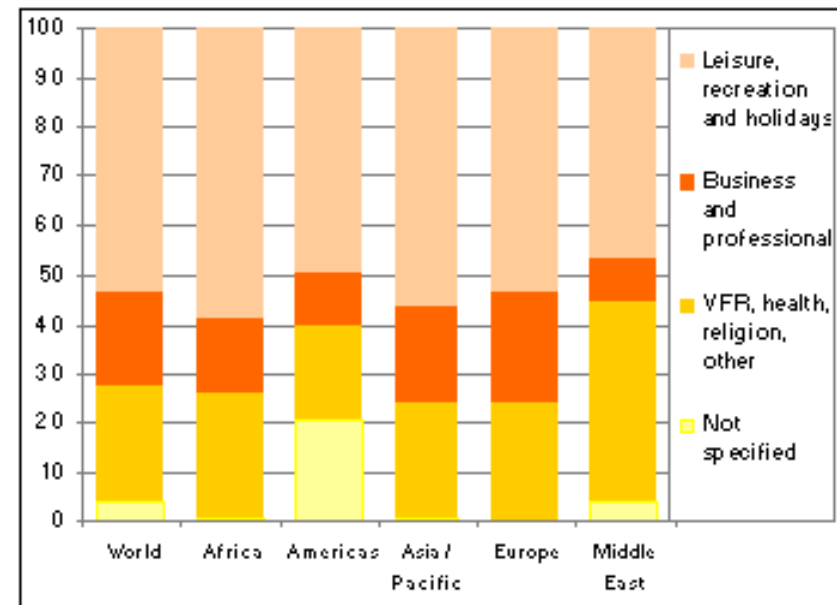


Source: World Tourism Organization (WTO) ♦

World and regions: Inbound tourism by purpose of visit

International Tourist Arrivals

(share, %)



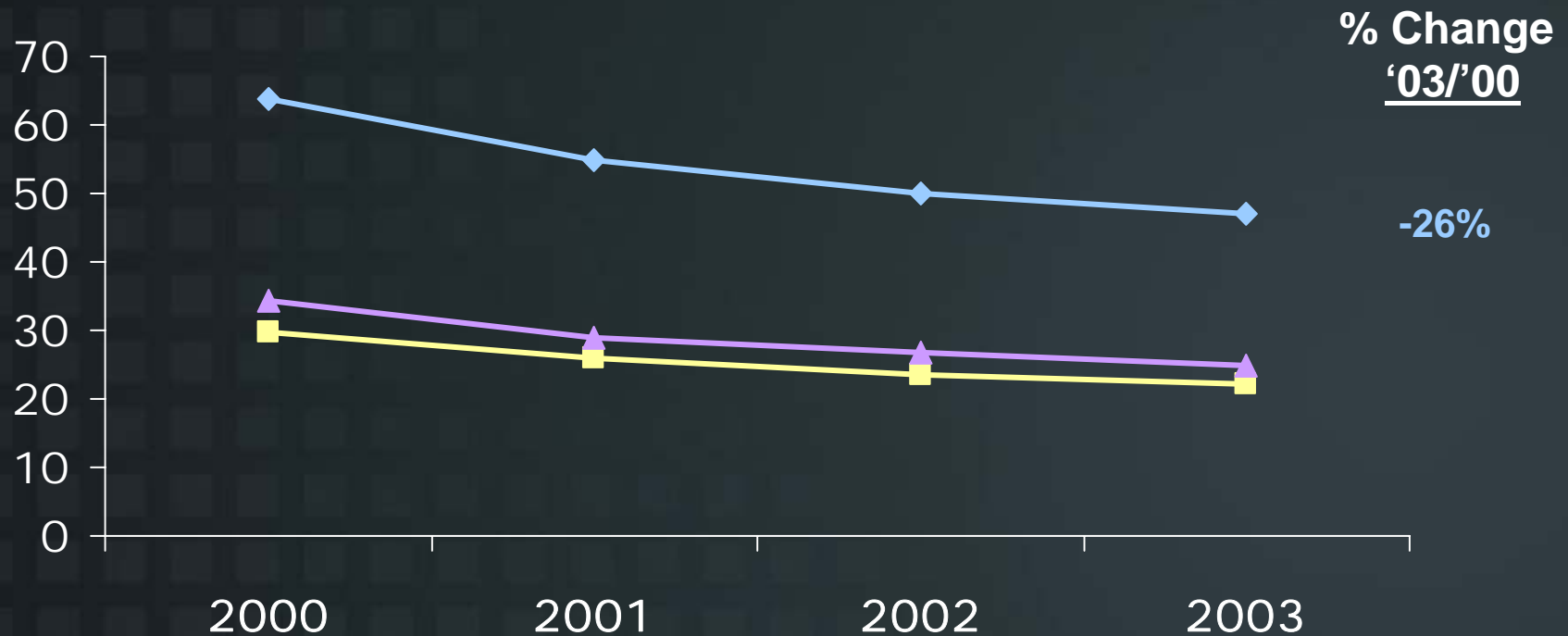
Source: World Tourism Organization (WTO) ♦

U.S. Total Outbound: Nights Off 26% - Shorter Trips

DKS&A Millions Total INTERNATIONAL Room-Nights



◆ Total ■ Business ▲ Leisure

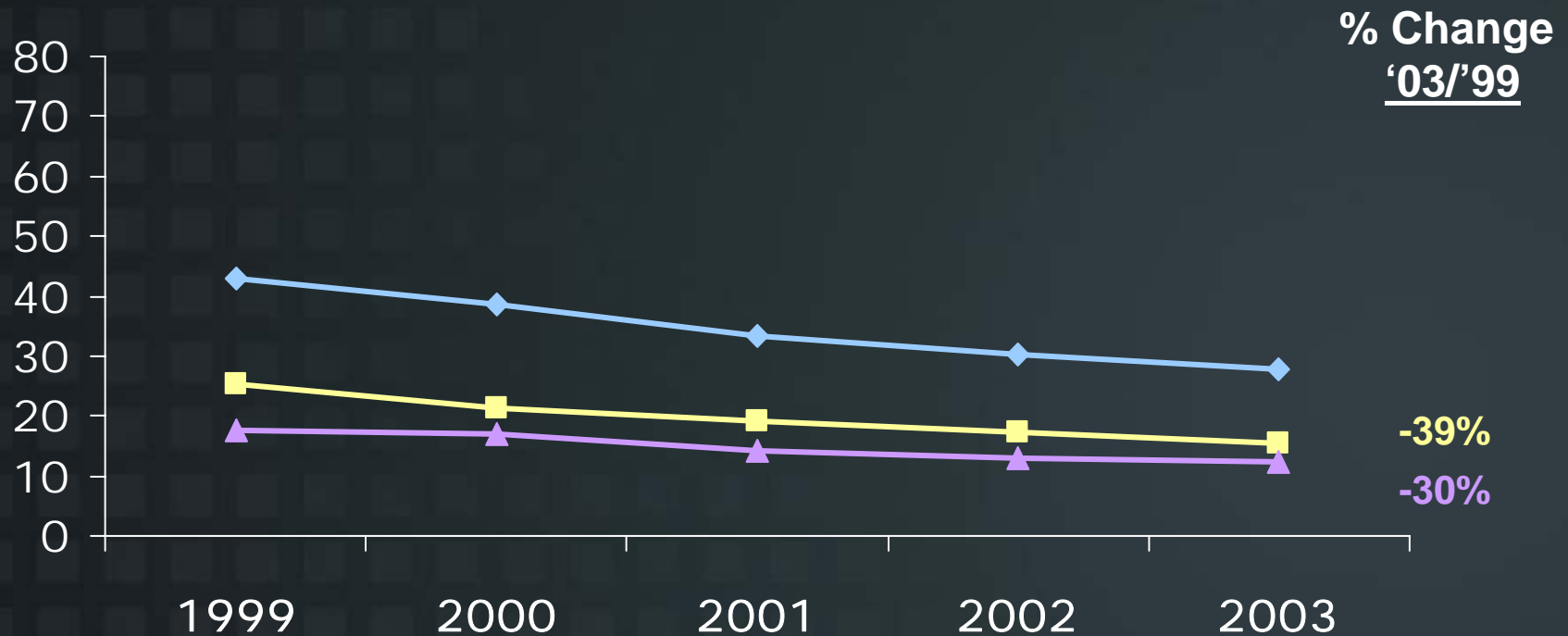


U.S. Overseas Only: Business Loss 1/3 More Than Leisure

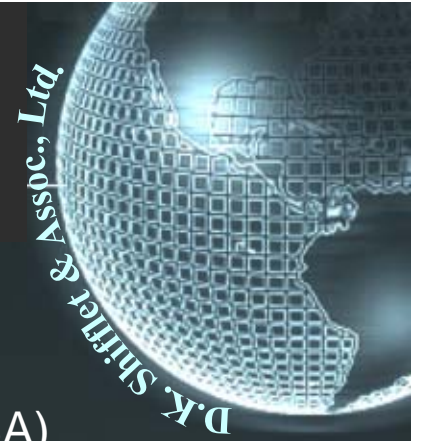
DKS&A Millions INTERNATIONAL Room-Nights
Excludes Canada, Mexico, Caribbean



◆ Total ■ Business ▲ Leisure



Worldwide Volumes--Summary



'90s UP; '01-'03 DOWN

- '95-'00 Arrivals: Steady Growth
 - '98-'00 U.S. Outbound: 7.9%/yr (US BEA – TTSA)
- '01-'03: Most Travelers Stay Closer to Home
 - '01-'02 U.S. Outbound Down >6%
 - Business Declines More Than Leisure
 - Stay Length and Related \$ Off More Than Persons
 - '01 Cost to US: Total Tourism Output = \$860 Bil. (BEA)

'04 REBOUND

- Growth strong in most regions – but behind 2000
 - Asia very strong, Europe modest, U.S. up after 3 yrs.
- Leisure growth strong, business returning - group

Key Drivers Of Change

D.K. Shifflet & Assoc., Ltd.

A glowing wireframe globe with a grid pattern, set against a dark background with a blue light flare. The globe is rendered in a light blue/cyan color, and the grid lines are also in this color. The globe is positioned on the right side of the slide, and the text 'D.K. Shifflet & Assoc., Ltd.' is written vertically across it in a white, italicized font.

Cross-Border Events: Dramatic Travel Impacts

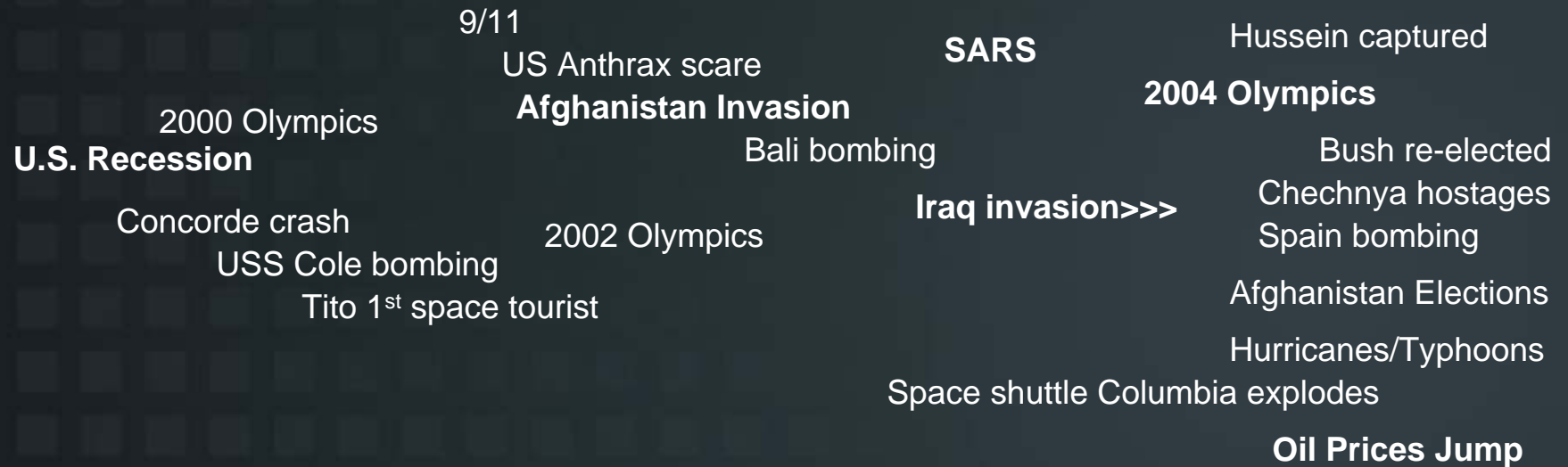


- ❖ **Negative** War, Terror, Disease (SARS),
Increased Security Hassles
- ❖ **Positive** Olympics, Low-Cost Air,
New Markets/Venues, Space
- ❖ **Pos. & Neg. ECONOMICS!**

World Events Impacting Travel



Global Economy Slide

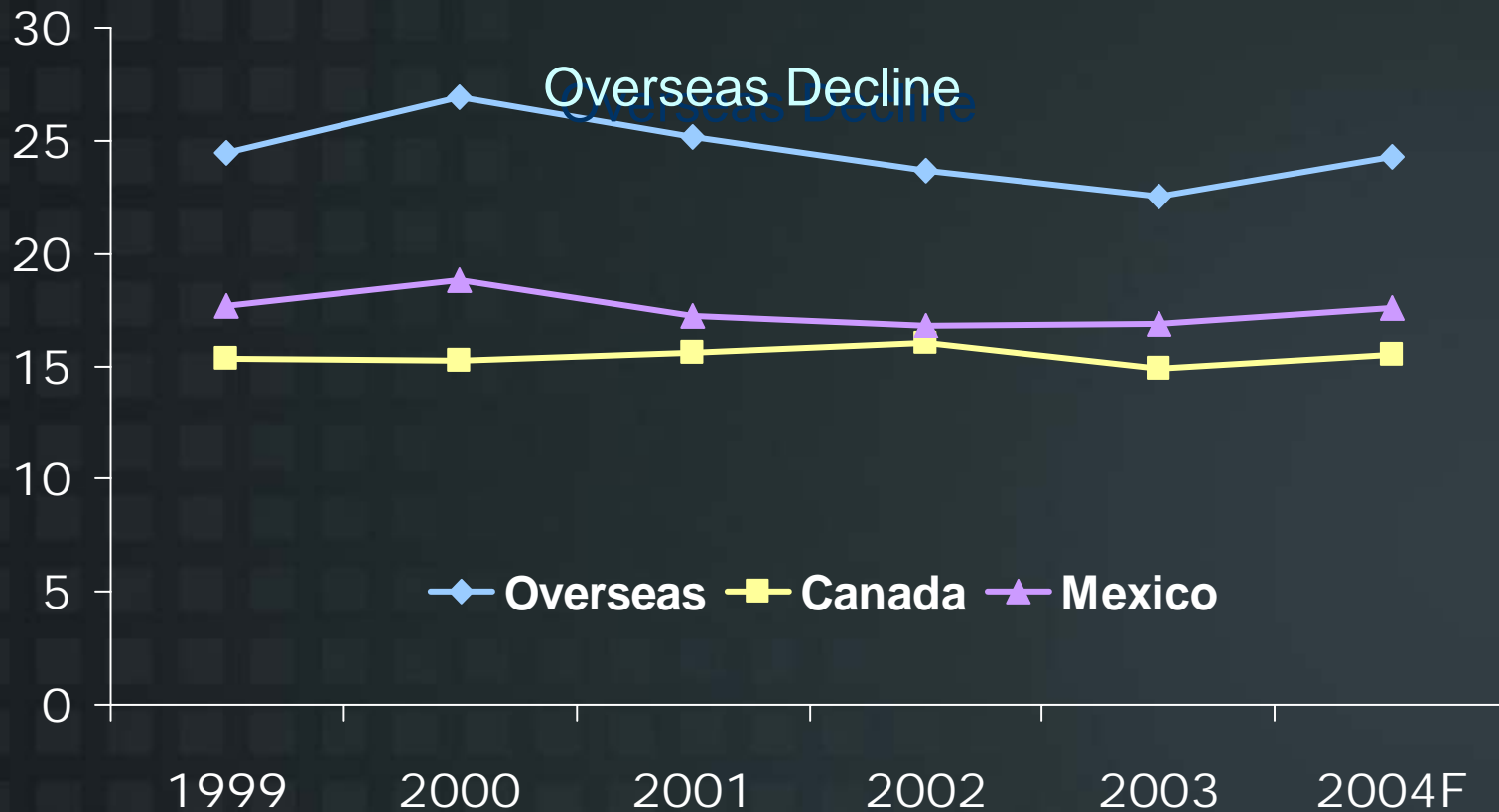


1-00 4-00 7-00 10-00 1-01 4-01 7-01 10-01 1-02 4-02 7-02 10-02 1-03 4-03 7-03 10-03 1-04 4-04 7-04 10-04

U.S. Residents Travel (esp. leisure), But Change Where They Go



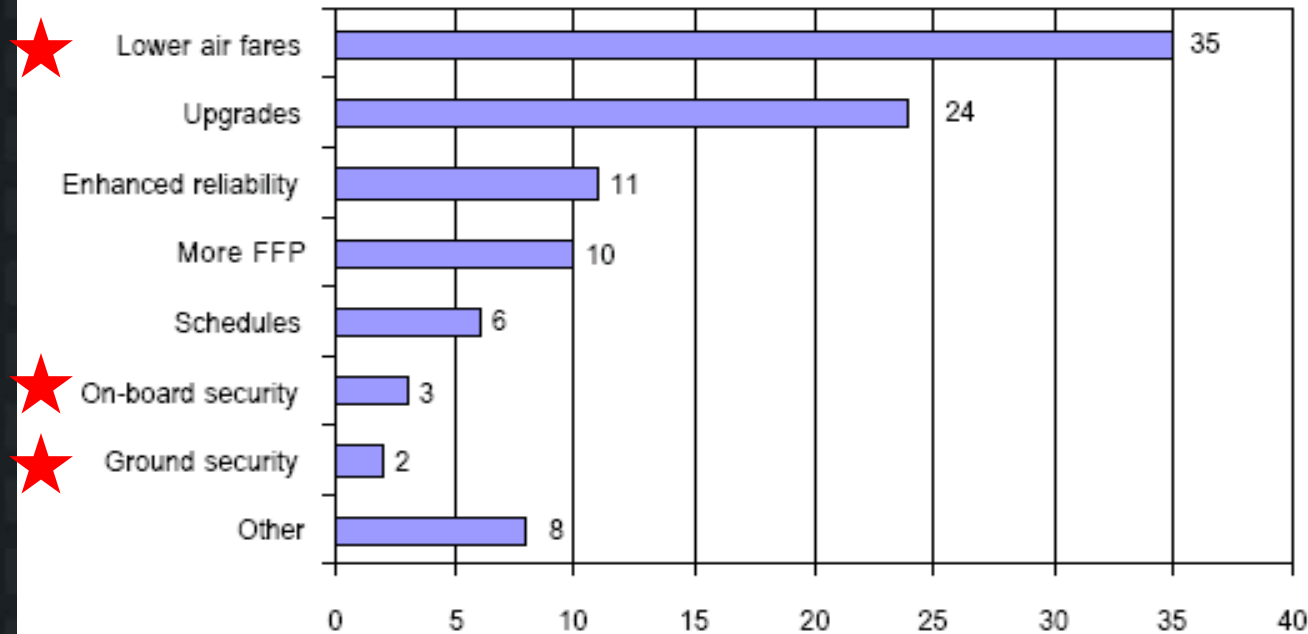
DKS&A Millions of Travelers



Business Travel Volume Dominated by Economic Issues, Not Security



What single factor would encourage you to fly more frequently?
(% of respondents)

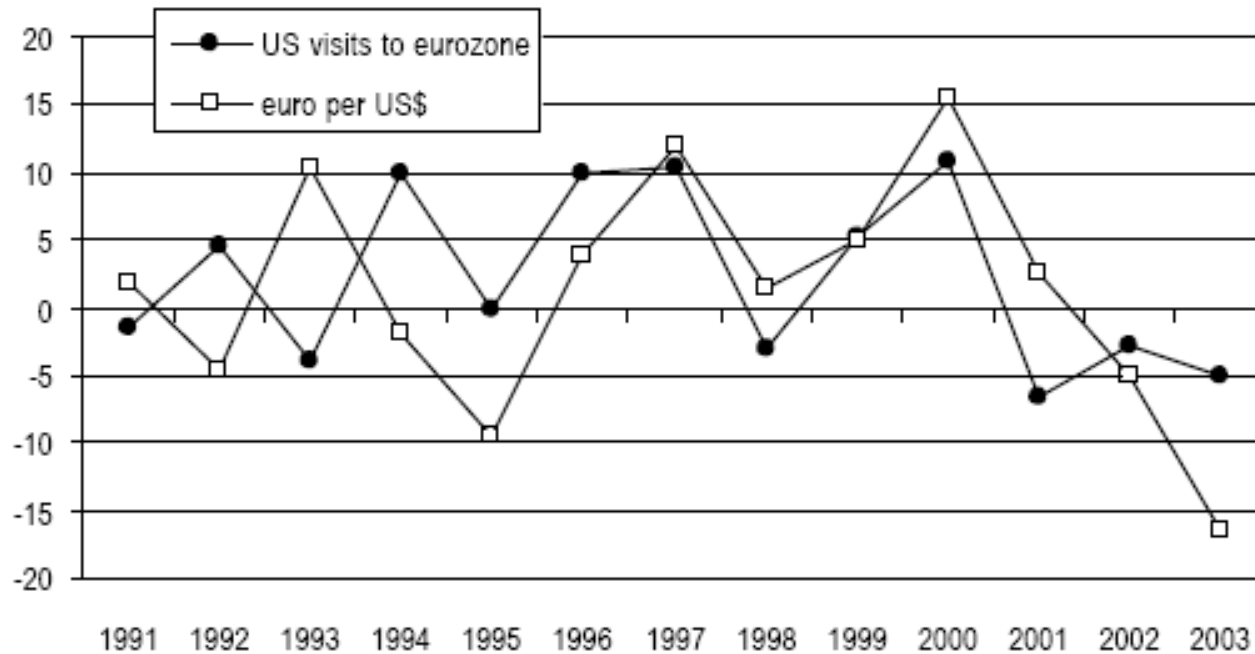


Source: Airclaims Corporate Air Travel Survey, August 2004

USA Travel To Europe: Elastic With Currency Rates



Trends in US travel to eurozone compared with the exchange rate, 1991-2003
(% annual change)

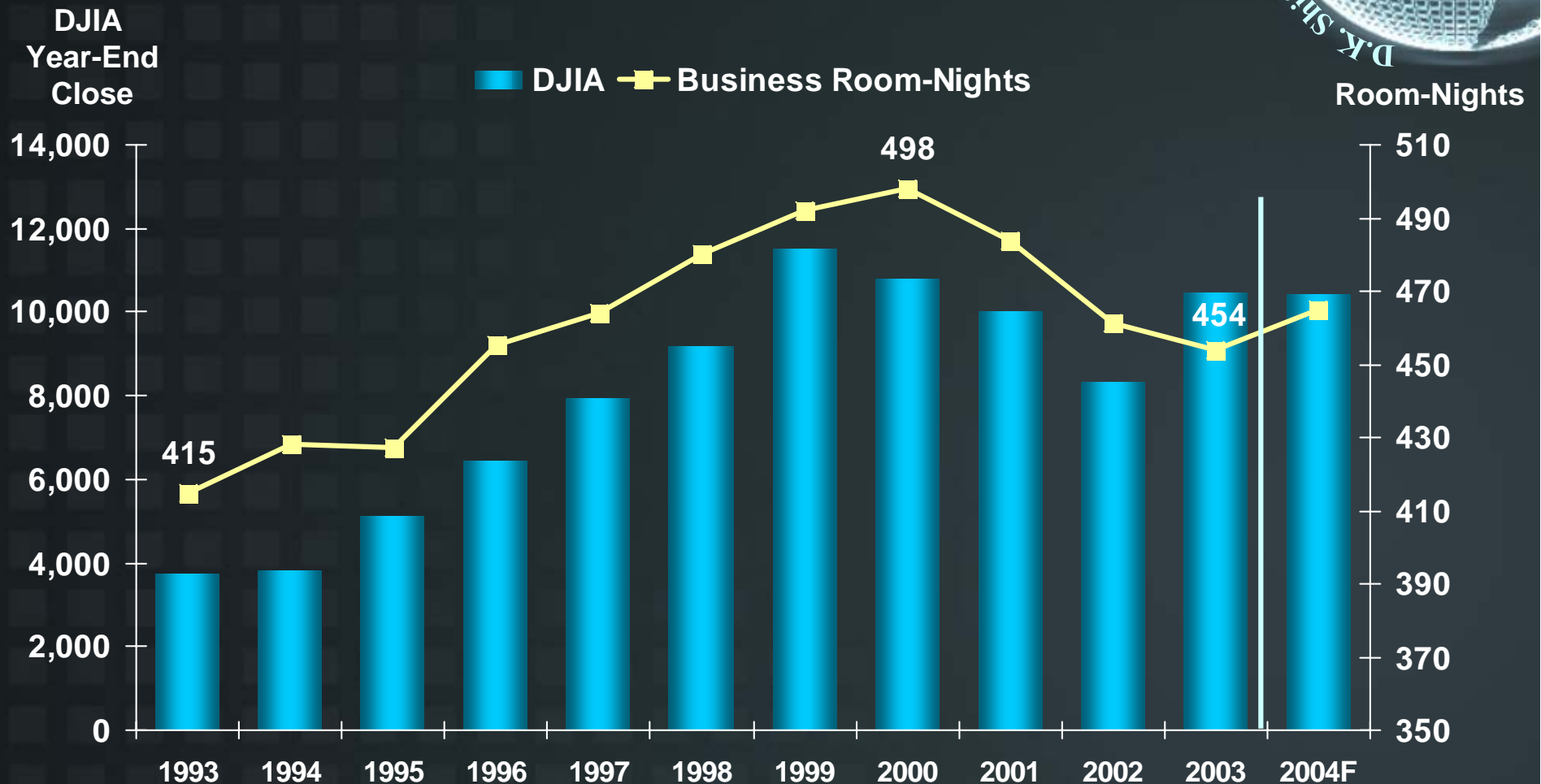


Source: Global Insight

U.S. Business Typically Tracks Dow (lag), Bus. Travel Upturn Began this Year ('04)

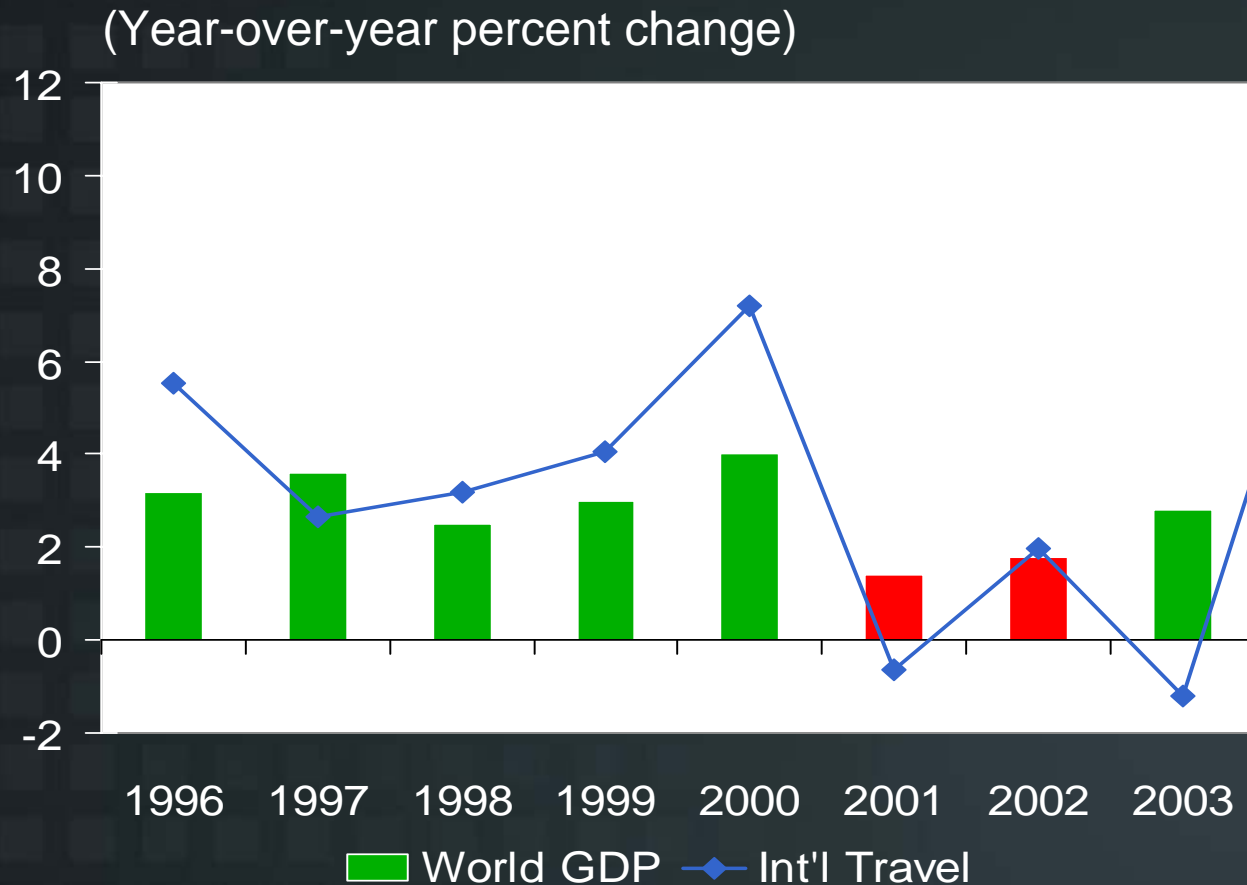


DKS&A Millions of DOMESTIC Room-Nights



* DJIA as of June 30, 2004

More Economics: World Arrivals Growth Overreacts To GDP



Source: WTO, International Monetary Fund

China/India Emerging: Pop. + Income Major Sources of Travelers



Base: # of households with income >US \$20k
(PPP, \$1997)

1993	2003	2010	2020
U.S.	U.S.	China	China
Japan	China	U.S.	U.S.
Germany	Japan	India	India
China	Germany	Japan	Japan
France	France	Germany	Germany
Italy	U.K.	France	U.K.
U.K.	India	U.K.	France
Mexico	Italy	Italy	Mexico
S. Korea	S. Korea	Mexico	Bangladesh
India	Mexico	S. Korea	Indonesia

China's growing
"traveling HH's"
represent an
expanding market

Italy drops out of
the TOP 10

Source: Global Insight International Consumer Model (incorporating U.N. and World Bank data).

Key Change Drivers--Summary



Negatives Drive Travel Down '01-'03

- Politics: Terror, War & Suppression
- Pestilence
- Economics (-) Most People Direct/Personal Impact

Economics Drive Travel Up '04+

- Economics (+) More Personal Impacts
 - Improving discretionary income, Low-cost air + Internet
 - Origin countries improving (especially China),
 - Currency exchange rates (destination impact): U.S.+ , Europe (-)
- Also
 - Getting used to terror, war, pestilence, U.S. boarder policies
 - Policies: Less suppression (East Europe, China)

RESULT = REBOUND!

Hotel & Restaurant Impacts

D.K. Shifflet & Assoc., Ltd.

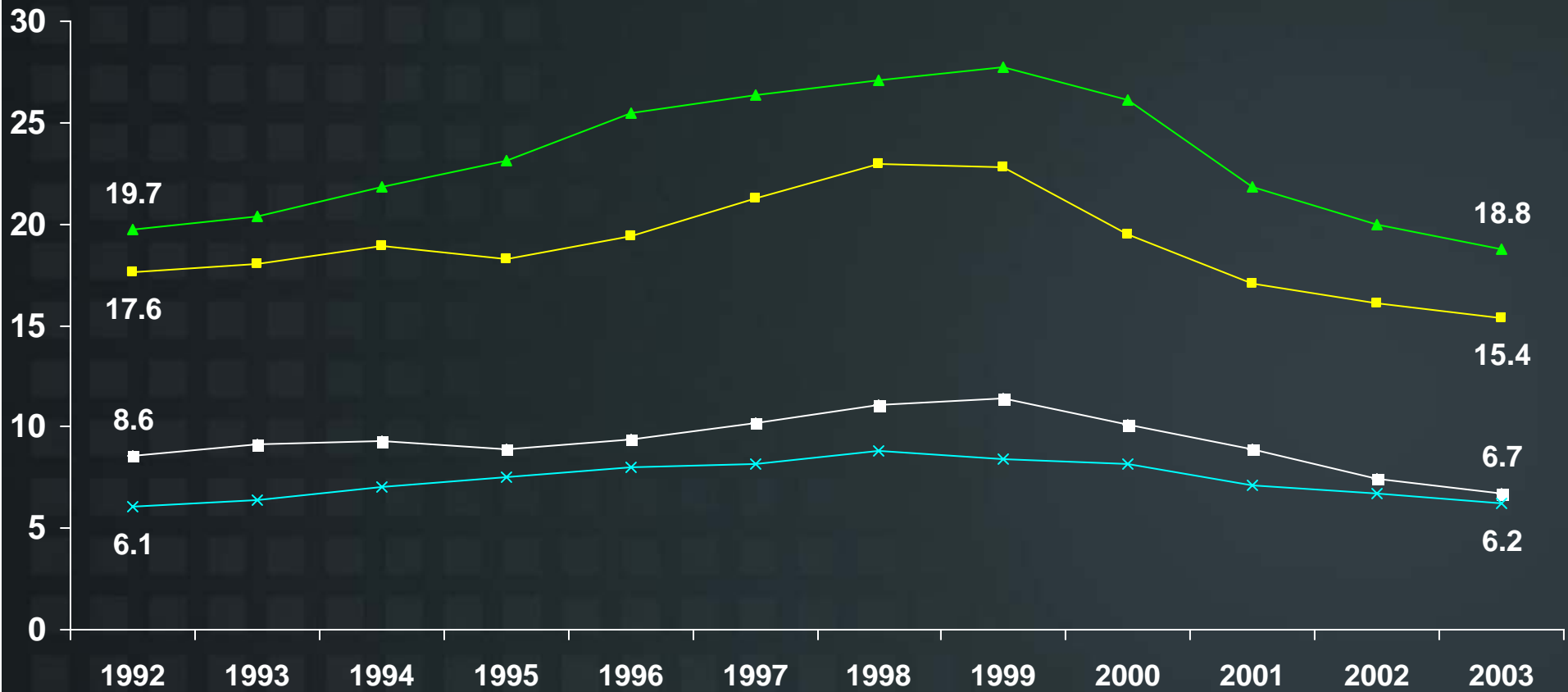


USA Int'l Traveler Days: Discretionary Down (Group Bus. & Vacations). Now Leisure Rebound More Than Bus. (Also Europeans – IPK)

DKS&A Millions of INTERNATIONAL Room-Nights

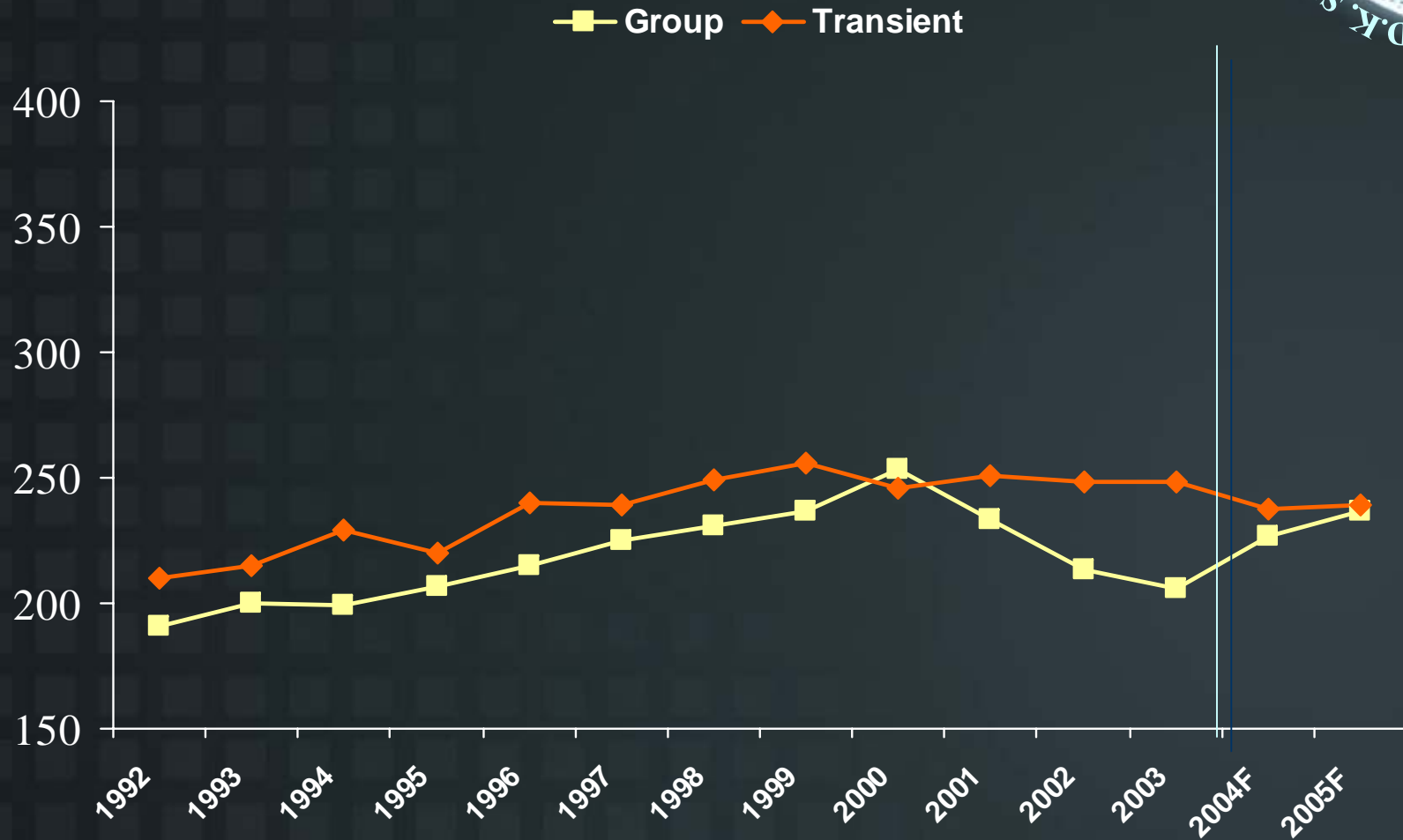


■ Group ■ Transient ▲ Vacation × Non-Vacation



USA Business Group Meetings: Caused U.S. Business Decline, '04 Up

DKS&A Millions of USA Room-Nights
Hotel/Motel Paid U.S. DOMESTIC

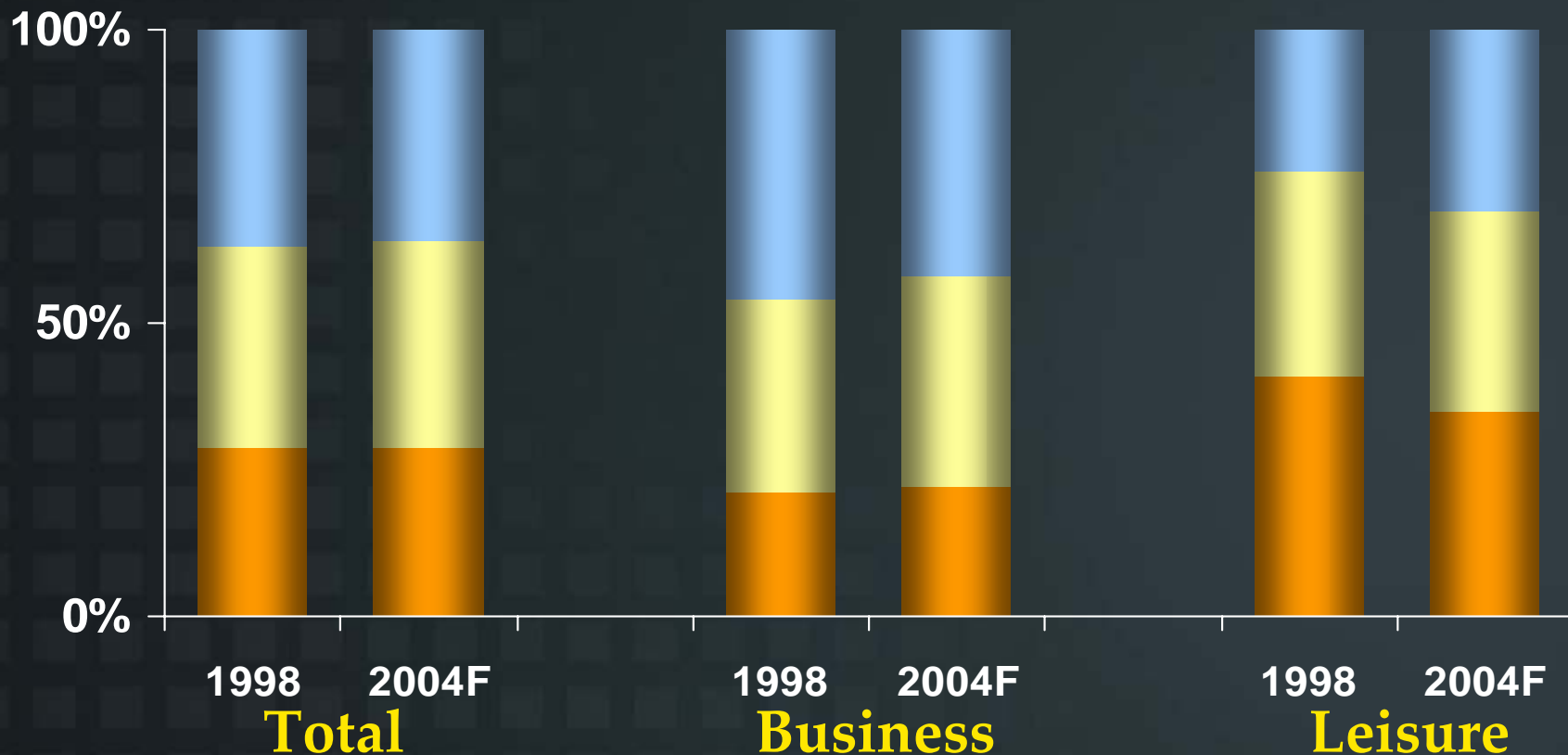


U.S. Business High-End Losses/Trade-Downs Mitigated By Leisure Trade-Up in '02-'03 '04 Rates Up: RevPar ↑, But Trade-Down



DKS&A Hotel/Motel Paid, US DOMESTIC Room-Nights

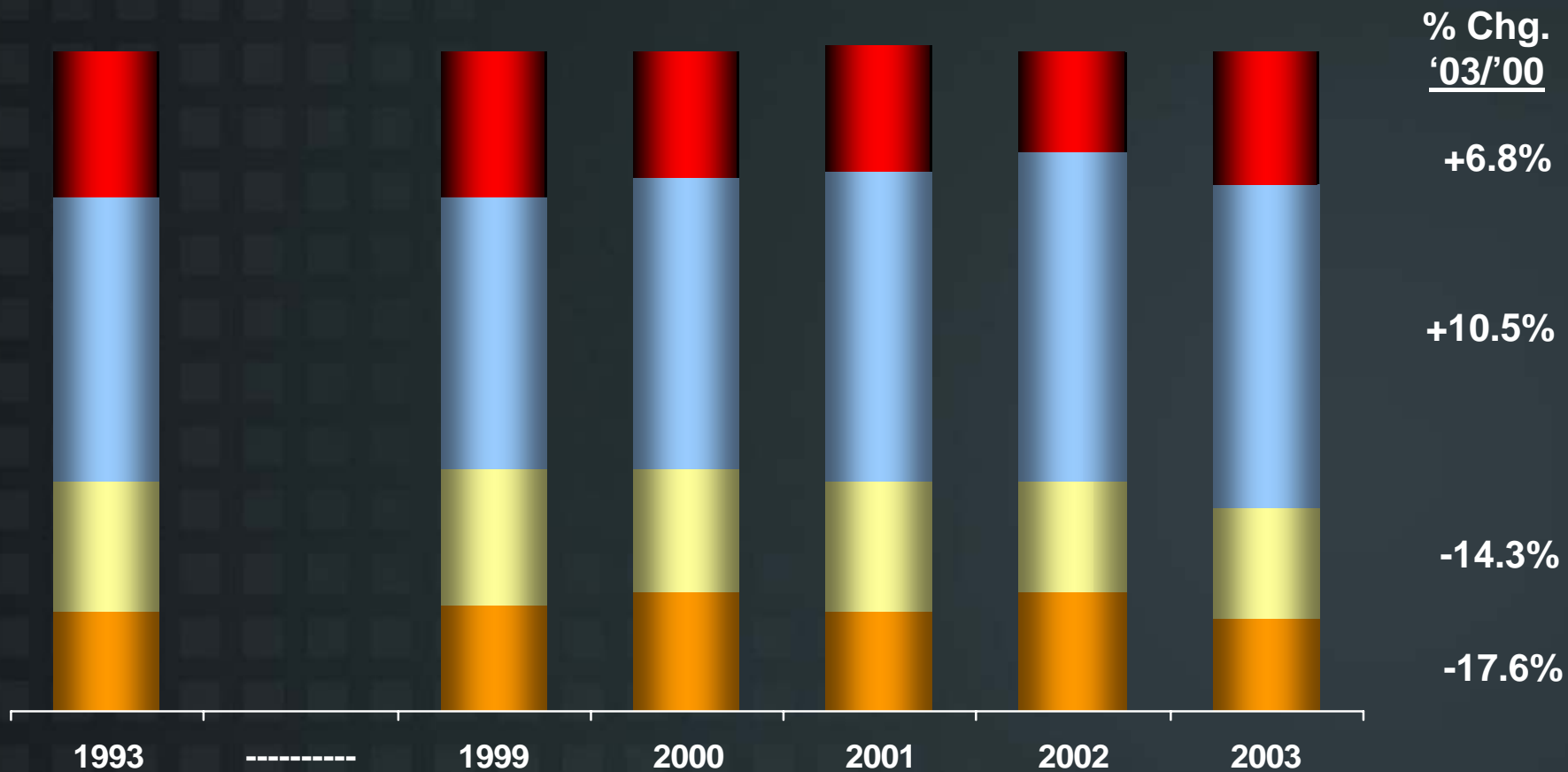
■ Economy ■ Mid-Level ■ High



USA Residents Int'l Travelers: Stay Up-Segment Since 2000

DKS&A % INTERNATIONAL Total Room-Nights

■ Economy
 ■ Mid-Level
 ■ Upscale
 ■ Luxury



Worldwide: Basic Impact Hypotheses

Restaurants Up: Key leading indicator of travel

International Leisure Travelers – Now Higher Income

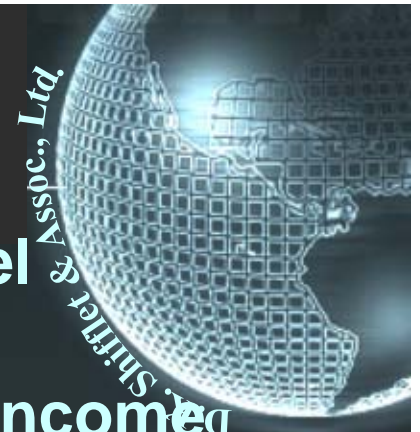
- Can afford to go & stay more upscale
- Travel more so more experienced, confident, less fearful
- Country discriminating (less negative halo effect)

Business: Financially Cautious

- Discretionary group drove bus. down
- Now starting to return – but currency exchange guides locations

Internet Acceleration

- Looking/booking deals and value added
- Information available: Exchange rates, Health, Terrorism, Deals
- Younger, computer savvy to take advantage



Hotel & Restaurant Impacts Summary



Economics Driven

- Restaurants strong growth indicates travel growth
- Exchange Rates impact destination choice - €
- U.S. leisure: all time high & nearing business level
- Upscale: LO/FB ('Last Out/First Back')

Generation X Heavy Travel Potential

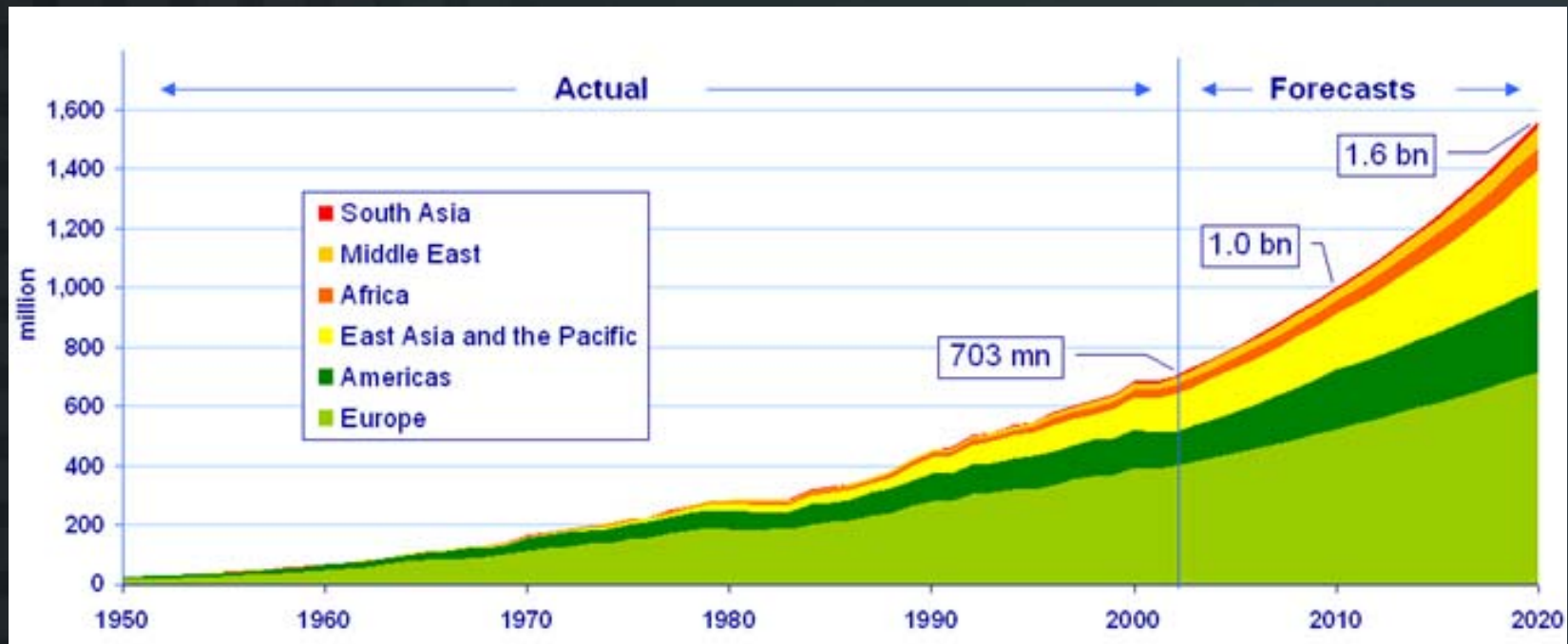
- Confident, "right" to travel
- Strong with Internet – find deals and go

Worldwide Forecasts

D.K. Shifflet & Assoc., Ltd.



Worldwide Arrivals Forecast 6% Average Growth

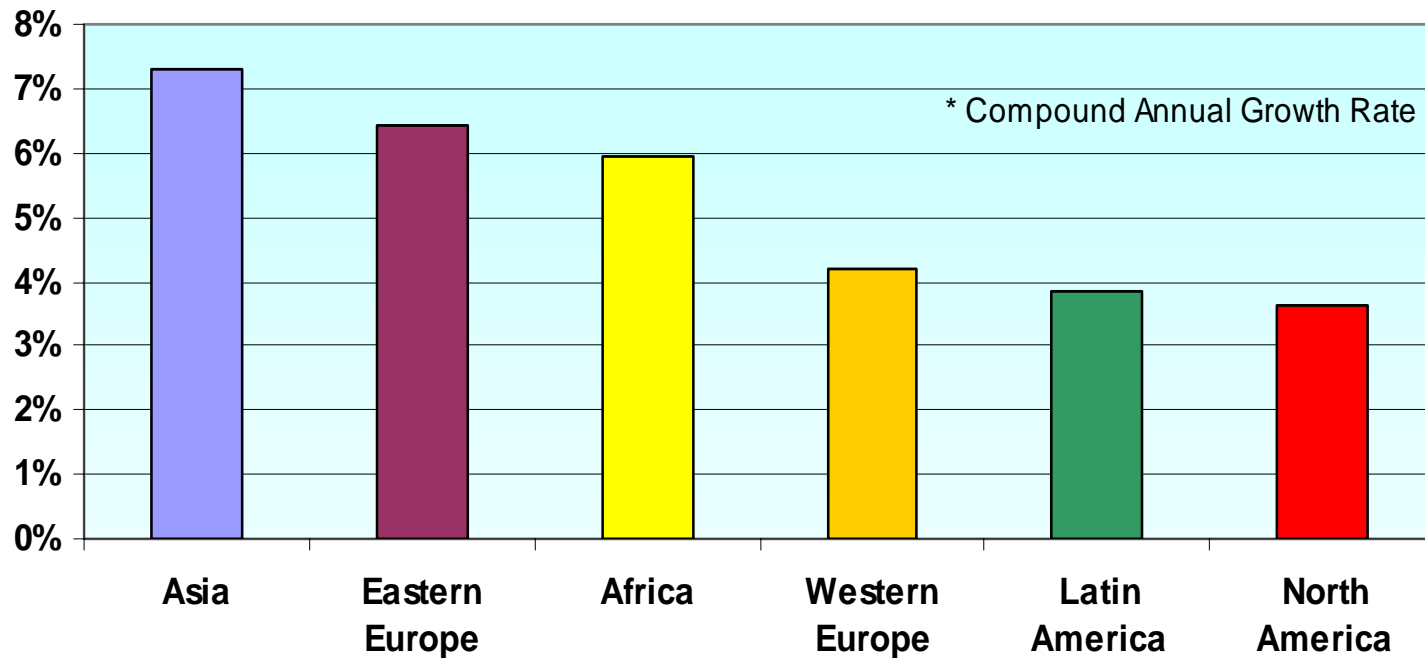


Source: WTO & DKS&A

Outbound Growth Highest from Eastern Europe and Asia (esp. China)



Regional Outbound CAGR (2004-09)*



Regional Arrivals: Asia Strength; Economies Steady Up: Growth Rates Decline

Forecasts for international tourists arrivals worldwide, 2004-2005
(% annual increase)

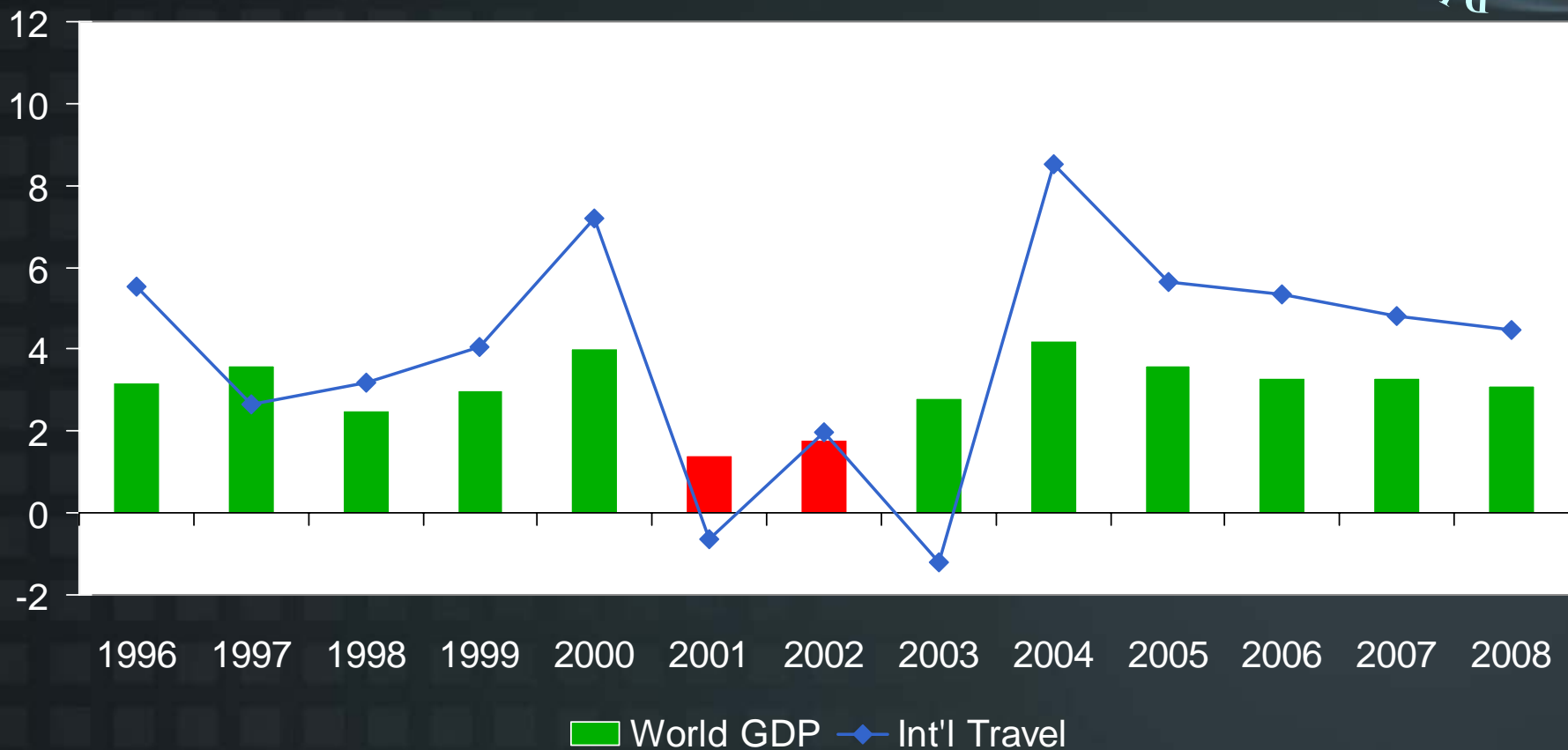


Source: WTO & DKS&A

Arrivals Growth Expected to Continue to Exceed GDP Growth



(Year-over-year percent change)



Source: WTO, International Monetary Fund

Worldwide Forecast--Summary

2004 International Growth Above Expectations

- Contrast with '03's weak economies and war = strong ↑
 - No SARS, Better Economies, War "wear in"
- Short-Haul/within Region Travel Performing Best
- Long-haul Trending Up: Leisure + Business Recovery
 - Upscale/Luxury Lodging Current Strength
 - Generation X Ascending

Normal Factors Returning: Products & Price By Target

Worldwide Forecast—Summary

(continued)



Politics of Terror and Disease Generate Fear

- Business Fear: Reduced Sales = Pull Back
- Leisure Fears: Change Location

Economics Drive Travel: Improving Worldwide - Uneven

- Asia Increasing HH With Income & Ability to Travel
- EURO Zone Recovering, but at Slower Pace - Strong €
- U.S. Growth Strong. Weaker \$ Increases Arrivals, But Passport & Biometric Hassle Perceptions May Restrain U.S.

Global Growth to Continue Through 2005+ (Inshallah)

REBOUND ABUNDANCE!

Thank You!



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