



2004 Abaco Tourism in Review

The lesson of 2004 is that the unique business mix of the Abaco tourism experience, the take charge character of its people in adversity and the tremendous reputation it has in the market place means that tourism here can be down but never out and never down for long. This view of Abaco tourism that is fully supported by the key indicators of success:

- Visitors spent \$1.883 billion in The Bahamas in 2004 compared to \$1.757 billion in 2003 for a 7.5% increase in expenditure. Stopover spending totaled \$1.692 billion of which Abaco stopovers contributed about \$91 million or 5.3% of total Bahamas stopovers expenditure and about \$920 average spend per stopover to Abaco.
- Visitors spent 978,000 nights in the Abacos in 2004 compared to 830,000 in 2003. This 17.9% increase in visitor nights in the Abacos compared to a one percent increase in Grand Bahama, an 11.7% increase in Nassau and Paradise Island and a 13.2% increase in the rest of the Out Islands.
- About 99,500 stopover visitors spent at least one night in the Abacos in 2004 compared to 94,600 in 2003. This 5.2% increase in stopovers in the Abacos compared to a 2.5% increase in stopovers in Nassau/PI, 0.6 % decrease in Grand Bahama and a 14.4 % increase for the rest of the Out Islands.
- The Abacos hotel room revenue fell slightly by just over one percent in 2004. This decrease compares to a 2.5% increase in room revenue for the 12 – 14 large hotels in Nassau and on Paradise Island in 2004, a 32.6% hurricane increase in Grand Bahama's five major hotel properties and a 10.4% increase in the rest of the Out Islands. The Abacos average daily room rate or the room revenue divided by the hotel rooms sold increased from \$147.90 in 2003 to \$156.02 in 2004. Average daily room rate in the rest of Out Islands went from \$140.70 in 2003 to \$182.16 in 2004.
- Hotel Visitors spent about 204,000 nights in hotels in the Abacos in 2004 compared to 152,000 hotel nights in 2003. This 34.1% increase in Abaco hotel nights compared to a 13.7% increase in Grand Bahama, 9.9% increase in Nassau/PI hotel nights and a 47.4% increase in the other Out Islands.
- This was generated by about 31,500 hotel visitors in the Abacos in 2004 compared to 29,200 in 2003. This 7.9% increase in hotel visitors in the Abacos compared to a 4.7% increase in Grand Bahama, 1.4% increase in Nassau/PI and a 44.0% increase for the rest of the Out Islands.
- Visitors staying in apt/villas, in their own properties or in a timeshare spent 301,200 nights in the Abacos in 2004 compared to 184,900 nights in 2003. This 62.9% increase in Abaco compared to a 12.3% increase in Grand Bahama, 51% in Nassau/PI and a 49.7% in the other Out Islands.
- About 29,000 visitors staying in apt/villas, in their own properties or in a timeshare in the Abacos generated this in 2004 compared to 21,700 in 2003. This 33.6% in the Abacos compared to a 2.8% decrease in Grand Bahama, 40.7% increase in Nassau/PI and a 79.3% for the rest of the Out Islands.



- Stopovers staying on boats spent 202,600 nights in the Abacos in 2004 compared 173,000 nights in 2003. This 17.1% increase in Abaco boater nights compared to a 25.3% decrease in Grand Bahama, 23.7% increase in Nassau/PI hotel nights and a 9.3% percent increase in the rest of the Out Islands.
- This was generated by about 14,900 staying in their boats while in the Abacos in 2004 compared to 13,700 in 2003. This 8.6% increase in visitors on boats in the Abacos compared to 6.7% decrease in Grand Bahama, 14.9% increase in Nassau/PI and 38.6% increase for the rest of the Out Islands.
- There were 604,000 cruise visitors coming to Castaway Cays in 2004 compared to 601,000 in 2003. This 0.5% increase in cruise visitors in the Abacos compared to a 60.6% increase in Grand Bahama, an 18.7% increase in Nassau and an 18.3% decrease in other Out Islands. (All Ports of Entry).
- Of 24,106 stopovers, who filled in the recommendation question on the Immigration Departure Card as they left the Abacos in 2004, 84.1% said they were very likely to recommend The Bahamas compared to 62.4% of those leaving GBI, 69.4% of those leaving Nassau and Paradise Island and 81.9% of those leaving other Out Islands. Within the Abaco, 85% of those leaving after staying in the Abaco Cays said they were very likely to recommend The Bahamas, compared to 78.1% for Marsh Harbour and 78.1% of those staying in Treasure Cay.

Performance Factors

What are the decisive factors driving the Bahamian and Abaconian tourism performance in 2004?

First, with the emergence of terrorism, war and increased time spent ensuring that neither show up in an airport nearest you, finding a safe and close destination is primary in vacation making. In this regard, The Bahamas represents probably the best opportunity for Americans to minimize their travel to and maximize their time on our beaches in the sun.

There are several indicators of this trend:

- Stopovers, from the US to The Bahamas have remained steady between 2000 and 2003 and grew by 3.9% in 2004. European travel on the other hand fell by 10.9% between 2000 and 2003, with a further 10.5% decline between 2003 and 2004. Europeans coming to Abaco dropped by 12.8% comparing 2004 to 2000 and by almost one percent between 2003 and 2004.
- By 2009, Global Insight forecasts that North Americans vacationing in The Bahamas will be 22% over 2004 levels.
- By 2009, Global Insight forecasts that Europeans traveling in Europe will grow by 28% while in 2009 levels of North American traveling to Europe will actually fall below 2000.



Taken together, there is a strong will in people to stay close to home, whether Europeans going to other European nations or North Americans to the Caribbean.

Second, in exploring the question why hotel room revenue in Abaco decreased by almost one percent while hotel visitors increased by about eight percent, a significant finding was revealed. Vacation homes in the form of Apt/Villas have an important impact on hotel bottom lines. Isolating those visitors who indicated they stayed at licensed hotels in Abaco, and looking at their accommodation checked on the Immigration card shows that there were some 2,600 visitors staying at these hotels who said that they were staying in an apt/villas. These 2,600 visitors represented some 2,000 more visitors than in 2003. On the other hand, those staying in these hotels checking hotel only decreased by almost 600 visitors in 2004, from 28,600 hotel only visitors to about 28,000 in 2004. Thus this divergence between room revenue and hotel visitors maybe accounted for by what is recorded as room revenue. Those visitors whose stay in a hotel is reflected in the hotel room revenue – i.e., hotel visitors only – decreased in 2004 while those visitors who stay in a hotel as some purchaser of a vacation home in the form of an apt/villa offering and whose purchase may or may not be reflected in hotel room revenue, increased in 2004.

The above analysis also suggests that there is a larger vacation home segment. Adding those who checked off apt/villas, own property and timeshare under another accommodation types like private boat, hotel and friends and relatives and to those checking apt/villas, own property and timeshare only and the vacation home segment accounts for about 40,500 stopovers and 447,000 visitor nights.

Third, the Internet is growing as a significant source of tourist business in the Abaco. Isolating only the core booking engines – Expedia, Travelocity, Yahoo Travel, Orbitz and Cheap Tickets - on the Internet, figures from the Immigration show that stopovers use of booking engines grew by 1129%. Expedia and Orbitz produce the most business.

Finally, hurricanes Francis and Jeanne caused a temporary but severe halt to a robust Bahamas tourism year. However, this impact of the damage varied throughout The Bahamas. Nassau and Paradise Island was not anyway near as severe as in the rest of The Bahamas or the Caribbean. This frequently resulted in redirected tourist traffic from these areas to Nassau.

Daily arrivals hotels tracked from August 25th to November 30th show:

- That from the date of Hurricane Francis, September 3rd, daily hotel arrivals to Nassau stayed a little below 9/11 levels through September 30th. Tracking hotel daily hotel visitors to Nassau/PI hotels from



September 3rd through the 28 days to the end of September showed an average of 677 hotel arrivals per day. Tracking from September 11th to end of September 2001 produced on average 715 hotel visitors per day. The average daily hotel arrivals for 2003 in Nassau/PI were 1,125.

- That, by November, Nassau and Paradise Island had fully recovered and showed an 11% increase in hotel visitors compared to November 2003.
- That GBI averaged 16 hotel visitors per day from September 3rd to September 30th 2004, 354 hotel visitors per day in September following September 10th, 2001 and 413 hotel visitors per day for September, 2003. For the month of November hotel visitors were still 50% below November 2003 levels.
- That Abaco averaged five hotel visitors per day from September 3rd to September 30th 2004, 15 hotel visitors per day in September after September 10th in 2001 and 29 hotel visitors per day for September 2003. For the month of November hotel visitors were 21% below November 2003 levels.

Competitive Position

How did the Abacos's tourism year compare to the rest of the Caribbean?

- The Abacos share of overall tourist arrivals in the Caribbean did not slip in 2004, despite the CTO's estimate of seven percent growth in tourist arrivals. In 2004, the 94,600 stopover visitors coming to the Abacos represented about 0.4% of the 21.8 million tourist visiting the Caribbean, almost exactly the same as it was in 2003. This compares to 1.7% for GBI, 4.2% for Nassau and 0.7% for the rest of the Out Islands.
- According to CTO Smith Travel Research, the international performance analyst reported, in its 11 CTO member countries, an average room occupancy of 67.9% in 2004 compared to 62.8 in 2003. Abaco's hotels recorded a 36.7% occupancy rate in 2004 compared to 32% in 2003. While The Bahamas is in the Smith report and therefore, contributes to the increase in the Caribbean, it is still important to note that occupancy for Caribbean hotel grew by about five points compared to 4.7 points in Abaco. Nassau/PI large hotels grew by 4.5 points, GBI large hotel occupancy grew by 13.8 points and by 0.9 points for the rest of the Out Islands.
- Finally, it is in the cruising sector that The Bahamas remains the unquestionable leader and is still growing. Of the 20.5 million cruise visitors CTO estimates to have visited the Caribbean, 3.4 million came to The Bahamas or 16.6% of all Caribbean cruise visitors – the leader in the region. The growth of cruise visitors to The Bahamas matched the Caribbean growth of 13 percent. Abaco welcomed 604,000 of these 3.4 million cruise visitors to The Bahamas. The growth in these arrivals was well below the Caribbean growth – 0.5% compared to Caribbean's 13%. In 2004, Abaco's share of Caribbean cruise traffic, 2.9%, compares



to Cozumel's (14.1%), Caymen Island's (9.8%), USVI (9.6%), and Puerto Rico (7.8%). GBI share of Caribbean cruise visitors is two percent, Nassau's 11.4%, while the Out Islands attracts almost as many as Puerto Rico at 7.5% of Caribbean cruisers.

Forecasts

According to Global Insight the US economy is forecast to grow at about 3.3% in 2005, which will sustain the United States as the primary growth engine for the global economy and therein our tourism sector. It makes several predictions that undergird this growth as well as sends several good signals for the tourism industry in particular. First of all, this sustaining 3.3% growth coupled with their prediction of a continued fall in the US dollar with the euro reaching \$1.40 US, makes The Bahamas a more cost attractive destination for Europeans while making The Bahamas a more inexpensive destination for Americans than European ones. Also for our industry partners there is good news. They predict that oil prices will come down from the \$49 a barrel in December to about \$40 to \$45 dollars a barrel, providing some comfort to our airline partners. Couple this with a low level inflation threat and a steady but low level increase in interest rates and all industry partners should get some relief to their bottom lines in 2005.

But the really good news from Global Insight is their belief that even major shocks such as 9/11, corporate scandals and the war in Iraq will not derail the economic recovery in the US. Even a 70 dollar a barrel oil shock would only slow economic growth to about two percent in their estimation.

Turning more specifically to forecasts for the tourism sector, Global Insight indicates that tourism should see a 4.5% increase in global tourism in 2005, supported by many of the factors previously outlined. In the Caribbean the initial forecast by Insight point to a 4.3% growth in stopovers to The Bahamas and a 6.3% increase in stopovers expenditures. This compares to 4.5% growth in stopovers and a 6.4% growth in stopover expenditures forecast for the rest of the Caribbean. Much of this larger growth in the rest of Caribbean may reflect the lower cost structure of the other destinations and the established preference for them by those most likely to travel more in 2005 – Europeans.

Finally given the expected five percent increase in berths in the cruise industry, it is reasonable to expect a similar raise in level of arrivals to The Bahamas in 2005.

By the end of June, stopovers are on track for four percent increase over 2004.



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Stopovers	04 Stopovers	% Chg	04 Visitor Nites	% Chg	04 Ave Stay
Nassau/PI	917,649	2.5%	5,239,443	11.7%	5.7 nts
Grand Bahama	374,987	-0.6%	2,059,878	1.0%	5.5 nts
Abaco	99,472	5.2%	978,454	17.9%	9.8 nts
Eleuthera	36,176	18.7%	355,838	31.2%	9.8 nts
Exuma	30,958	116.6%	251,433	68.9%	8.1 nts
Other Islands	95,824	-1.9%	943,305	-0.6%	9.8 nts
Unidentified	1,040	-7.0%	13,193	-46.3%	12.4 nts
Total	1,555,206	3.0%	9,841,544	9.9%	6.3 nts
Hotel Visitors	04 Hotel Vsts	% Chg	04 Hotel Nites	% Chg	04 Ave Stay
Nassau/PI	784,499	1.4%	3,862,425	9.9%	4.9 nts
Grand Bahama	251,998	4.7%	1,019,134	13.7%	4.0 nts
Abaco	31,501	7.9%	203,735	34.1%	6.5 nts
Eleuthera	14,790	18.3%	100,558	37.6%	6.8 nts
Exuma	20,455	299.3%	109,028	276.2%	5.3 nts
Other Islands	43,860	17.5%	305,725	23.4%	7.0 nts
Unidentified	141	120.3%	565	54.4%	4.0 nts
Total	1,147,244	4.5%	5,601,170	14.0%	4.9 nts
Cruise Visitors	04 First Port of Entry	% Chg	04 All Visitors to Port	% Chg	% All Cruise Vsts
Nassau/PI	1,981,883	17.4%	2,339,961	18.7%	69.6%
Grand Bahama	327,933	61.3%	402,316	60.6%	12.0%
Out Islands	1,050,196	-2.7%	1,533,749	-11.8%	45.6%
All Cruise Vsts	3,360,012	13.1%	Not Applicable	N/A	N/A
Hotel Statistics	2004 Occupancy	2003 Occupancy	2004 Ave. Daily Room Rate	2003 ADR	%Room Revenue Chg
Nassau/PI*	71.2%	66.7%	\$177.58	\$176.68	2.5%
Grand Bahama*	62.5%	48.7%	\$81.18	\$61.56	32.6%
Out Islands	37.8%	34.9%	\$171.14	\$161.10	6.2%
2004 Spending	Nassau/PI	GBI	Out Islands	Total	% Chg 04/03
Stopovers				\$1,691.8 m	6.0%
Cruise Vsts				\$185.8 m	18.4%
Other				\$5.2 m	2.8%
Total				\$1,882.8 m	7.5%

*Large hotels in GBI and Nassau only