# Summer economic travel expectations – fair

**By Scott Mayerowitz and Jonathan Fahey, AP**

NEW YORK – The forecast for summer travel 2013: Partly sunny.

Airlines, hotels and campgrounds are commanding higher rates and seeing more customers than a few summers ago, and luxury hotels are selling out. Local businessmen and state officials are optimistic.

But for a travel industry still stinging from the Great Recession, the best it can likely hope for is another summer of steady, but slow, recovery. The blockbuster crowds seen in 2007 have become a distant memory.

Americans' plans for summer travel mirror the current state of the economy. Rising home prices and a soaring stock market are encouraging those at the top of the income ladder to take more lavish trips. But large segments of the population are staying close to home because wages are stagnant, rents are high and the end of the payroll tax holiday has shrunk their take-home pay.

Camping is expected to continue to be popular this summer. Photo/LTN file

As vacationers set out this summer, here’s what they can expect:

• Gas prices about the same as last year. The national average price of gasoline was $3.66 a gallon Thursday, 2 cents higher than during last year’s Memorial Day weekend.

• More-expensive hotel rooms. The average hotel will cost $112.21, before taxes and any other add-on such as resort fees. That’s up 4.4 percent from last year’s $107.52, according to hotel research firm STR. Hotels are also expected to be slightly fuller, with occupancy rates climbing from 69.3 percent last summer to 70 percent this year.

• Packed planes, steady airfare. Airlines for America, the industry’s lobby group, expects 208.7 million people to fly, up 1 percent from last year. About 87 percent of airplane seats will be filled with paying passengers. Domestic fliers will pay $421 on average for a round trip ticket, down $6 from last summer. International fliers will pay $1,087, up $8, according to the Airlines Reporting Corp.

• Amtrak expects to meet or exceed the 8.3 million passengers it carried last summer. But the taxpayer-backed railroad wouldn’t disclose how fares compare with last summer’s average one-way ticket of $66.39.

Mike Klopp, a commercial insurance salesman in Irvine is starting to feel better about the economy. He and his wife plan to take their three kids on a vacation up the coast to Monterey in August – a trip they skipped last year.

But Klopp says local trips are the limit because they’re cheaper. Like many others, he’s not yet willing to splurge on a dream vacation.

“The kids would love to go to Hawaii, but there’s no way I’m going to do that. We’ve been hunkering down; money is tight right now,” he says.

“I’m not sold that things are better,” he says.

Other Americans likely agree. Although the unemployment rate has dropped to 7.5 percent, compared with a post-recession high of 10 percent, the Federal Reserve doesn’t see it falling below 7.3 percent this year. And economic growth still isn’t as strong as it has been after previous recessions. The economy grew at an annual pace of 2.5 percent from January to March. Economists expect the rate to slow to 2 percent from April through June, partly because of the federal budget cuts that started taking effect March 1.

Those with higher incomes never stopped traveling, but thanks to new highs in the stock market they now feel secure enough to take longer vacations.

Patrick Veling, the owner of a California real estate data analysis and consulting business, says he’s taking his “most expensive vacation ever” this year. Instead of the normal one-week vacation, he and his wife, Susan, are taking their two adult kids on a three-week vacation through northern Europe that will include a 12-day cruise. They’ll see Denmark, Norway, the Shetland Islands, Ireland and the Netherlands.

“My confidence in the economy and my business is now strong enough that my wife and I have pretty much insisted we make this trip,” says Veling.

“The improvement in confidence is all in the upper income brackets,” says Diane Swonk, chief economist at Mesirow Financial.

During the worst days of the recession, travelers mostly stayed home. Hotels desperate to fill rooms started marketing “staycations” to local families who couldn’t afford to drive or fly somewhere. Summer air travel fell by nearly 8 percent in two years, from 217.6 million passengers in 2007 to 200.3 million in 2009. Luxury hotels saw their occupancy levels plummet during that period from 72.5 percent to 59.3 percent.

More than half the rooms at economy and midscale hotels sat vacant.

There has been a slow and steady climb back, but not all parts of the recovery have been equal.

Luxury hotels such as Four Seasons, Park Hyatt, Ritz-Carlton and Mandarin Oriental are filling 73 percent of their rooms on average, surpassing their pre-recession peak, according to an Associated Press analysis of data from hotel research firm STR.

But budget hotels like Days Inn, Econo Lodge and Motel 6 are still below their 10-year occupancy average, more than 3 percentage points below their peak.

The same pattern holds for fliers.

Domestic traffic is projected to grow 0.7 percent this summer, while the number of people buying more expensive international tickets will climb 2.6 percent, according to Airlines for America.

“Expect luxury travel to continue to rebound — consistent with luxury across all industries — while the rest of summer travel will be flat” as the economy still weighs heavily on middle-income families, says Adam Weissenberg, who heads the travel and hospitality consulting group at Deloitte.

But some less-expensive destinations are seeing a recovery.

Campgrounds fared well during the downturn because they are relatively affordable. Some are now doing better business than ever because the operators have retooled their facilities to entice visitors beyond the typical outdoor types.

Steve Stafford, general manager of North Texas Jellystone Park Camp-Resort in Burleson, Texas, has attracted a broader swath of people with “homesteads.” These are recreational vehicles that look like cottages. Now the camp can accommodate campers with tents, who only have to pay $32 a night for an empty patch of ground, and those who want to stay in the comfort of the largest homesteads for $209 a night.

His 37 homesteads were booked solid last year. So he is adding a dozen more, which are already booked.

The hunt for inexpensive vacations is helping companies that rent recreational vehicles, too. Traveling by RV means families don’t need to pay for hotels and can cook most of their meals. Families may not be ready to buy one – sales are only up slightly – but more are choosing to rent one this summer for as little as $100 a day, or $300 during peak weeks.

At El Monte RV, one of the country’s largest RV rental companies, summer bookings from domestic customers are up 20 to 25 percent over last year.

“It has stunned us,” says marketing director Joe Laing. “We’re looking forward to this year. We think it’s going to be a good one.”