

TOURISM IN TROUBLED TIMES

HEARING

BEFORE THE

SUBCOMMITTEE ON COMPETITIVENESS,
INNOVATION, AND EXPORT PROMOTION

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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MAY 13, 2009
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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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TOURISM IN TROUBLED TIMES

WEDNESDAY, MAY 13, 2009

U.S. SENATE,
SUBCOMMITTEE ON COMPETITIVENESS, INNOVATION, AND
EXPORT PROMOTION,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10 a.m. in room SR-253, Russell Senate Office Building, Hon. Amy Klobuchar, Chairman of the Subcommittee, presiding.

OPENING STATEMENT OF HON. AMY KLOBUCHAR, U.S. SENATOR FROM MINNESOTA

Senator KLOBUCHAR. Thank you very much. We are going to call the Subcommittee, the hearing to order.

I am sitting in Jay Rockefeller's chair. I realize he has much longer legs than I do. We want to welcome you all and thank you for coming this morning.

Senator Martinez will be here shortly. I am proud to be here with Senator Dorgan, who has done so much work in the area of tourism. We know how important this hearing is today for an industry that employs one out of eight people in this country.

I am honored to have Majority Leader Reid with us to kick off the hearing before the witnesses come up, and we will turn it over to him.

Thank you so much, Senator Reid. We know how important the tourism industry is in Nevada.

STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM NEVADA AND SENATE MAJORITY LEADER

Senator REID. Senator Klobuchar, Senator Dorgan, thank you very much for holding this hearing, and inviting me to testify this morning.

Tourism is an important industry for our country and especially for my state, Nevada. I appreciate each of your interests in this.

I also want to recognize a long-time friend of mine, Rossi Ralenkotter, the President and Chief Executive Officer of the Las Vegas Convention and Visitors Authority, who will be testifying later this morning.

Rossi has been at the Las Vegas Convention and Visitors Authority for decades. He can take enormous credit for the successes of Las Vegas as a tourism and business destination. His agency is responsible, among other things, for the branding and rebranding of Las Vegas.

I come to this Committee today with a simple message—Nevada is open for business, and we eagerly await your visit. We are ready to host your business meetings and serve all of your related needs. We are ready to host your next vacation, whether that be on the Las Vegas strip, the shores of Lake Tahoe, or the trails and crags of the beautiful Rocky Mountains in eastern Nevada.

For business meetings, Las Vegas remains an unmatched destination, and that is an understatement. Nowhere else in the world will you find the amenities, service, convenience, and value that our hotels and convention center offers. Las Vegas has more than 10 million square feet of convention space, 2,000 restaurants, 140,000 rooms with 13,000 more scheduled to open later this year. The average nightly room rate is \$98, which is far lower than any other major convention city in the country.

Almost 1,000 flights come and go from Las Vegas each day. And McCarran International Airport connects with 132 cities across America and around the world. Outside of Nevada, much attention is paid to Las Vegas, and rightfully so. But many do not realize that Nevada is also an outdoor enthusiast's dream.

Nevada has 26 State and National Parks covering 3.2 million acres. We have millions of acres of wilderness. In these areas of wilderness and parks, we have mountain sheep. We have mountain goats, which are rare in this country, but we have them. Antelope. We have basically everything.

We have 10 mountain ranges that host peaks as high as 13,000 feet. We have 32 mountains over 11,000 feet high. There are only two lakes like it in the world, Lake Tahoe, an Alpine glacial lake, and the other is Lake Baikal in the former Soviet Union, now Russia. Indeed, Mark Twain described Lake Tahoe as, "the fairest picture the whole Earth affords." That is his quote. And he was right.

Nevada's many destinations, of course, benefit travelers from all over the world. But tourism is also critical to those who call Nevada home. Almost a quarter of a million Nevada jobs depend on tourism. Nevada has no State income tax, and in 2007, almost 30 percent of the State budget came from revenues generated by the travel industry.

Revenues from hotel room taxes, car rentals, and sales taxes fund most of the basic services provided by local governments scattered around the State. The recent decline in visitors to Nevada has, unfortunately, contributed to the worst State budget shortfall in our State's history. Simply put, our State depends on visitors. The more who come and enjoy our State, the better off is Nevada.

We can be proud of the work we have done in Congress. We have done it to get people traveling and to make it easier and more inviting for them to do so. Last Congress, we authorized and funded the Model Ports of Entry program that places more Customs and Border Patrol agents at McCarran airport and other places. We are getting more foreign visitors through customs more quickly.

Our economic recovery plan includes tax cuts for the middle class to make it easier for them to afford travel, and we have funded vital infrastructure projects that will improve roadways and transportation facilities.

I am a co-sponsor of the Travel Promotion Act, a measure re-introduced this week by Senator Dorgan. He has been really a pio-

neer in this area, and I commend and applaud the work he has done.

In many respects, this bill uses Rossi Ralenkotter and his team's model for Las Vegas but applies it to the country as a whole. It creates a corporation for travel promotion to market the United States around the globe as a tourist destination.

This is what the Las Vegas Convention and Visitors Authority has been doing for Las Vegas for a long, long time. I am confident success can be replicated at the national level to benefit all of us.

Madam Chairman, tourism is the number one, two, or three economic driver of every State. Every State depends on tourism without exception.

We know that we continue to endure a very serious recession, and it is no surprise that business and leisure travel have fallen off as a consequence. But with our important work to date and a continued commitment to turn our economy around and to promote tourism, the economy will improve for Nevada and the entire Nation.

Madam Chairman, unless you have some questions, could I be excused?

[The prepared statement of Senator Reid follows:]

PREPARED STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM NEVADA
AND SENATE MAJORITY LEADER

Let me begin by thanking Senator Klobuchar for convening this hearing and inviting me to testify this morning. Tourism is an important industry for our country and especially for my state, Nevada, and I appreciate the Chairwoman's interest in this topic.

I also want to recognize Rossi Ralenkotter, the President and CEO of the Las Vegas Convention and Visitors Authority, who will be testifying later this morning. Rossi has been at the LVCVA for decades and can take enormous credit for the successes of Las Vegas as a tourism and business destination. His agency is responsible, among other things, for the branding, and re-branding, of Las Vegas.

I come to this Committee today with a simple message: Nevada is open for business, and we eagerly await your visit. We are ready to host your business meetings and serve all of your related needs, and we are ready to host your next vacation, whether that be on the Las Vegas Strip, the shores of Lake Tahoe or the trails and crags of the Ruby Mountains of eastern Nevada.

For business meetings, Las Vegas remains an unmatched destination. Nowhere else will you find the amenities, service, convenience and value that our hotels and convention centers offer. Las Vegas has over 10 million square feet of convention space, nearly 2,000 restaurants, 140,000 rooms, with 13,000 more scheduled to open this year. The average nightly room rate is \$98, which is far lower than most of the other major convention cities in the country.

Almost 1,000 flights come and go into and out of Las Vegas each day, and McCarran International Airport connects directly to 132 cities across America and around the world.

Outside of Nevada, much attention is paid to Las Vegas, which is deserved. But many do not realize that Nevada is also an outdoor enthusiast's dream. Nevada has 26 state and national parks covering 3.2 million acres, 10 mountain ranges that host peaks as high as 13,000 feet—32 over 11,000 feet—and one of the highest alpine lakes in the world in Lake Tahoe. Indeed, Mark Twain described Lake Tahoe as "the fairest picture the whole earth affords," and he was right.

Nevada's many destinations of course benefit travelers from all over the world. But tourism is also critical to those who call Nevada home.

More than 230,000 Nevada jobs depend on tourism. Just yesterday, hundreds of workers from the tourism sector participated in a rally at the Las Vegas Convention Center to celebrate their contributions to the Nevada economy as well as celebrate National Travel and Tourism Week.

Nevada has no state income tax, and in 2007, 27 percent of the state budget came from revenues generated by the travel industry. Revenues from hotel-room taxes,

car rentals and sales taxes fund most of the basic services provided by local governments scattered around the state. The recent decline in visitors to Nevada has unfortunately contributed to the worst state budget shortfall in the state's history.

Simply put, our state depends on visitors. The more who come and enjoy our state, the better off is Nevada.

We can be proud of the work we have done in Congress to get people traveling and to make it easier and more inviting for them to do so. Last Congress we authorized and funded the Model Ports of Entry program that places more Customs and Border Patrol agents at McCarran Airport. They are getting more foreign visitors through customs more quickly.

Our economic recovery plan included tax cuts for the middle class that will make it easier for them to afford travel, and we funded vital infrastructure projects that will improve roadways and transportation facilities.

I am a cosponsor of the Travel Promotion Act, a measure re-introduced this week by Senator Dorgan. In many respects, this bill uses Rossi and his team's model for Las Vegas, but applies it to the country as a whole: it creates a Corporation for Travel Promotion to market the United States around the globe as a tourist destination. This is what the LVCVA has been doing for Las Vegas for decades, and I'm confident its success can be replicated at the national level to benefit all of us. In virtually every state, tourism is the number one, two or three industry.

We know that we continue to endure a very serious recession, and it's no surprise that business and leisure travel has fallen off as a consequence.

But with our important work to date, and a continued commitment to turn our economy around and to promote tourism, the economy will improve for Nevada and the Nation.

Senator KLOBUCHAR. You certainly can, Mr. Leader. Thank you very much for being here.

We have been joined by Ranking Member Martinez and welcome you here.

Senator MARTINEZ. Thank you, Madam Chairman.

Senator KLOBUCHAR. We are going to give some statements up here, and should we have the witnesses come up right now, if you want to just get ready to go for when we are done?

I also wanted to introduce, while they are getting up here, a few of the workers that are here because we want to all remember what this industry really is about, and that is the people working on the front line.

We have Johnny Harrington. Where are you, Johnny? He is a cook at the Gaylord National. Thank you for being here with us.

Paul Jones? Where are you, Paul? Right there. He is a houseman with the Marriott Wardman.

Josefa Andrade. There you are. Good to see you. She is a housekeeper at the Marriott.

Velma Terrell. She is in laundry at the Capitol Hilton, reminding me what I need to do when I get home. Thank you.

[Laughter.]

Senator KLOBUCHAR. And Ernest Bester. Where are you? Right there, Ernest. He is also a cook at the Gaylord National.

I just want to thank you because people have to remember when we are talking about this industry and these jobs, they are the ones that we are talking about.

I want to thank you again for coming. We really see this industry as major backbone to our economy, and we have to look at both the challenges and the opportunities ahead today.

As we head into the summer months, families, both here and in countries around the world, are sitting around their kitchen tables looking at their budgets. We want them to know, first of all, that

there are a lot of opportunities for affordable travel in the United States.

I have a lot of memories from my own family vacations growing up. We would rent a camper and attach it to the back of my dad's car. Only one time did he drive one way and the camper drove the other. But we would head to the Black Hills or to Wyoming. We took the Milwaukee Railroad to Wisconsin, and we would bike in northern Minnesota, up where the cabins and lodges are.

As the Leader mentioned, America is home to some of the world's wonders with so much to offer travelers, whether it is the stunning national landmarks, like the Grand Canyon, Mount Rushmore, and the Statue of Liberty; whether it is our oceans, lakes, and rivers, or our mountains, forests, and beaches; whether it is the scenic country towns or the bright lights of the big cities; whether it is the centers of fun and entertainment, like Las Vegas or Disney World.

From the heartlands to the coast, every State has an economic stake in the tourism industry. Throughout the United States, many communities, large and small, have discovered and successfully developed the economic potential of travel and tourism.

As I mentioned, one out of eight Americans is employed in our travel economy in some way. Each year, travel and tourism contribute approximately \$1.3 trillion to the American economy, and the travel economy contributes \$115 billion in tax revenue to State, local, and Federal governments.

I remember back in the old days up in Duluth in northern Minnesota, which can be a pretty cold place, and they were having economic troubles. And there used to be a billboard on the edge of town that said, "Last one out, turn off the lights."

Well, I can tell you the lights are still on in Duluth, and despite this economy, tourism has made a major impact there. They bring in nearly 4 million visitors each year, with an annual economic impact of over \$700 million. That is not bad for a city that is frozen half the year.

As we know, travel is part of the fabric of our country. As someone once said, Americans have always been eager for travel, that being how they got to the New World in the first place.

But today, the tourism industry is feeling the impact of the economic downturn. Families are cutting back on vacations to save money, and businesses are, unfortunately, cutting back on meetings.

When a family decides to forgo a vacation or a business cancels a meeting, there is a ripple effect across the country. Fewer airline tickets are sold. Fewer cars are rented. Hotels and lodges rent fewer rooms. Tourist attractions have fewer visitors.

These are serious challenges. But even in the midst of these troubled times, there are also opportunities to help promote the tourism industry.

First, we need to promote the United States to international travelers. International visitors to the U.S. spend an average of \$4,000 per person when they are here. That is money that is going into our big cities and to lodges in our national parks and into places like the Mall of America in my State.

In economic terms, international tourism to the U.S. counts as an export, and here we actually have a trade surplus. Last year, travel and tourism accounted for 8 percent of all U.S. exports and 26 percent of all U.S. service exports. In fact, tourism is one of the few economic sectors where we enjoy such a substantial trade surplus.

But things aren't going as well as they should. While more people around the world are traveling, a smaller percentage of them are visiting the United States. Since 2000, the U.S. share of the world travel market has decreased by nearly 20 percent. This is lost market share, and we must recapture it.

We are a country that has opened our arms to people around the world. So we need to look at new, creative, and compelling ways to promote travel to the U.S.

That is why I am so pleased that Byron Dorgan is here with me today. He has worked very hard on the Travel Promotion Act. We are co-sponsors up here, and I have to tell you, I think that this is the year that we are going to get this done.

Second, we need to encourage close-to-home trips and make sure people know that there are affordable travel deals out there for their families. This year, due to the economy, many families are rethinking their vacation plans. But they have to understand that there are great deals out there—and I am sure we are going to hear about that from some of our witnesses—and they need to look at those deals and do that research, get on the Internet, make the calls, and they can figure out how they can make it within their own budget.

Finally, we need to encourage business travel again. Unfortunately, travel is often one of the first things that is cut when a company's budget is tight. But most business travel is essential to doing business and succeeding at business.

Companies use travel to seek new customers, to develop client relationships, to shop for suppliers, to encourage professional development, and to reward and incentivize employees for a job well done. For companies, these kinds of travel are considered investments in their business.

Business travel is also important to the rest of the economy. Meetings and events make up nearly 15 percent of all domestic travel, accounting for more than \$100 billion in spending.

Yet, we know that many businesses are canceling their travel in the current environment. The U.S. Travel Association and the tourism industry lost more than \$1 billion from meeting and event cancellations, and that was just from the beginning of January to the end of February of this year.

As we know, the highly publicized excesses of a few bad actors have discouraged many companies from spending on meetings and events, even when they know it is not in their best interests. There are ways for businesses to conduct meetings and events in a way that is responsible and productive. And when they are not, it isn't good for business, and it is not good for tourism and the travel industry.

So we need to do what we can to encourage companies to spend on travel again in an ethical, acceptable manner so these investments can pay off for individual businesses and for the travel industry. These are just some of the things we need to get the travel

industry moving again and to get the American economy moving forward.

I look forward to hearing from our witnesses, and I will now turn it over to Mel Martinez, the ranking member, who knows a little something about tourism, being that he is from Florida.

**STATEMENT OF HON. MEL MARTINEZ,
U.S. SENATOR FROM FLORIDA**

Senator MARTINEZ. Thank you, Madam Chair.

I really appreciate you putting this hearing together. It is timely, and it is important. And I am delighted to have a chance to participate.

I was also so pleased to see Leader Reid here with us today.

And I want to also welcome Jay Rasulo, who is with Walt Disney World Parks and Resorts. Mr. Rasulo, we are so glad to have you here. A place where dreams come true, back in Florida. We are glad to have you.

And I believe that it is very timely and also very important, Senator Dorgan, that we move forward on the Travel Promotion Act. I am a big supporter of it and a co-sponsor with you. And I really do believe that at this moment in time and in this kind of an economy, it makes it very apparent that we need that kind of a shot in the arm to the travel and tourism industry.

There is no question in my mind that for some time, as we look at the competitiveness of the world travel dollar, the United States is not only falling behind, we are not even in the game when it comes to competing for it. We just have so much to offer that we need to get our share. But the fact of the matter is that the competition around the world is promoting themselves in a way that we just don't do.

So I am looking forward to making sure that we get back in the game of international tourism in a way that can really continue to promote and help us with job growth and promotion.

Our Nation's tourism economy is, in fact, in trouble at the moment. For the first time in 7 years, the number of visitors traveling to Florida last year actually declined by roughly 2.3 percent. In the fourth quarter of 2008 alone, the number of visitors declined by 13.6 percent.

While these numbers give you an idea of how hard the global economic recession has hit Florida's tourism economy, they don't tell the story of Floridians personally impacted by this crisis.

When I served as Mayor of Orange County, I saw firsthand the impact that tourism had on our economy. As someone who lived in Orange County, Florida, when the biggest thing we did in Orange County was grow and pick oranges, and then obviously saw the transformation from a certain mouse taking residence in the county, what a difference it made in the whole environment of the place and the economic engine that it has become. It is easy for me to understand what a difference tourism can make.

But anytime fewer visitors come to Florida, it creates tremendous uncertainty for the men and women working in the hotels, restaurants, theme parks, retail stores, and other establishments that have helped make Florida one of the world's top tourism destinations.

But today, the economic recession has had an unwelcome impact on the tourism industry. According to the Department of Labor, almost 200,000 travel-related jobs were lost in 2008, and an estimated 147,000 jobs will be cut this year.

The downturn impacts all areas of tourism. Orlando International Airport reports that passenger traffic fell off by 12.8 percent in the first quarter of 2009, compared to the same period of time last year. And attendance at the Orange County Convention Center was down 21.3 percent year-over-year. Demand for hotel rooms, the number of rooms sold was down 14.2 percent during that same time.

Making matters worse, there has been an intentional smear campaign against companies gathering for their annual retreats. Talking heads, policymakers, and others have been denigrating the companies holding meetings in places like Las Vegas, Orlando, or Miami. While it might make for a popular talking point for some, fewer conventions simply means fewer jobs, fewer business opportunities, and greater anxiety for many hard-working families.

In March, the Orlando Travel and Visitors Bureau conducted a survey among the area's major convention hotels to determine the number of meetings canceled since the first of the year due to either tighter budgets or, frankly, equally as much, the stigma attached to holding meetings in attractive destinations.

The survey found that in the first 2 months of the year, 114 events were canceled, which translated into 150,000 hotel room cancellations. The Bureau estimated these meetings resulted in a loss of about \$26 million in revenue for central Florida alone, which does not include spending from friends and family members traveling with the person who might be attending the event.

Keep in mind these numbers are for only one city in one State. According to the U.S. Travel Association, during the first 2 months of 2009, the U.S. lodging industry lost more than \$1 billion in revenue from the cancellation of corporate meetings and events.

If we continue marginalizing those who help generate jobs and generate economic activity in places like Florida, the climb out of the recession will be much steeper than is necessary. So I urge my colleagues to consider the difficulties facing Americans working in our Nation's tourism, hospitality, and service industries. They play an important role in Florida's economy and in our Nation's prosperity.

I do look forward to hearing from the witnesses today. And again, I want to thank you, Madam Chair, for this very, very important and timely hearing.

Senator KLOBUCHAR. Thank you so much.

Senator Dorgan?

**STATEMENT OF HON. BYRON L. DORGAN,
U.S. SENATOR FROM NORTH DAKOTA**

Senator DORGAN. Well, Senator Klobuchar, thank you. As Chair of the Subcommittee and to Senator Martinez, thanks for your leadership.

We are writing over in the Energy Committee a new energy bill this morning. So I have to spend my time over there during that

markup. But I wanted to be here to say thank you for your work and your leadership.

As you know, we have once again reintroduced a bipartisan piece of legislation called the Travel Promotion Act of 2009, and Senator Ensign joined me as the original co-sponsor. And Senator Klobuchar, Senator Martinez, and Senator Begich are all co-sponsors. It truly is bipartisan.

Let me just say quickly that there are a lot of things we are grappling with here that are mysteries, that are difficult, troublesome to find exactly the right answer—healthcare, cap and trade, you know, lots of issues for which there is not an obvious, easy answer. This is not one of them.

This just isn't one of them, this issue of trying to get our share of international tourism. We know how to do this.

Now you can do a couple of things in life. You can let things happen to you, or you can make things happen. We understand that other countries are out there saying to the international tourists, "Come to Rome. See the beauty of Italy." "Visit Paris. See the wonders of France." "Come to London."

Other countries are actively engaged because they know it is a huge job generator. Four thousand dollars apiece international tourists spend. They spend it for everything. They spend it at the corner market, the gas station, the car rental, airlines, hotels. And it creates massive numbers of jobs.

Now we can decide to be disarmed, and we can be in a competition in which we are not competing. Or we can decide to do it differently, and we can ramp up a competition. And that is what the Travel Promotion Act of 2009 is. It creates an Office of Travel Promotion, with the Department of Commerce to serve as a liaison. But more importantly, it creates a nonprofit corporation to create and execute a nationally coordinated travel promotion program.

And part of that is advertising. There are a lot of dimensions to it. And you know, advertising works. How else would people be able to sell bottled water, which most of us can walk out the door and get free, right?

I mean, we understand advertising works. This country has so much to offer international tourists. To come here and experience what America is about does two important things. One, it creates jobs in our country by competing for that tourism dollar. But second, when they leave this country—and we know this because we have sampled opinions of people leaving this country—the people from around the world who come to this country and just get a taste of what America is about leave here with an unbelievably positive feeling about what America is.

So in our own selfish interest, we need to be seeking out our share of international tourism to say to people around the world, "Come here. America wants you to come here, to visit, to see the wonders of our country, to understand what America is about."

It is long past the time for us to pass this piece of legislation. We weren't able to get it completed. We got it out of this committee in the last Congress. But this time, we are going to roll up our sleeves and get this done in this Congress.

I believe it will be—even as we suffer some significant economic weakness in this country—another way to begin to shore up this

economy, shore up some jobs, create new opportunities, and with the unbelievable dividend of giving the rest of the world a much better impression of what America is all about.

Senator KLOBUCHAR. Senator Begich?

Thank you, Senator Dorgan, for your leadership.

**STATEMENT OF HON. MARK BEGICH,
U.S. SENATOR FROM ALASKA**

Senator BEGICH. Thank you, Madam Chair.

And again, I want to echo that to Senator Dorgan. Thank you for introducing this legislation in a bipartisan way.

I, like the Chairwoman, am a member of six in our family. We didn't have a camper to go around in. We went in a station wagon around the country, if you can imagine that, six kids traveling the countryside. I think our last count, from when I finished being a young person of under 18, was 46 states that we had traveled through by station wagon. It was a great experience, but it also showed us what a great country this is.

But this is an area, as a former Mayor of Anchorage, Alaska, and as now Senator from Alaska, we understand this business. And we understand it from two ends. One, as someone who is in the business. My wife operates four retail stores predominantly focused on tourism business—three of them in the international airport, one in the downtown core.

And oddly enough, I own a small hot springs resort in Carson City, Nevada, in Senator Reid's home area, which I love to remind him of that fact on a regular basis. But the business of tourism is something that I am personally very familiar with.

But also from an Alaskan perspective, we see the impacts of the change that is occurring in the economy. And the danger is if we don't continue to do what we can, and this Promotion Act is one of the pieces, it will have a multi-year effect if we don't do something now.

An example of that is, as many in the tourism business know, by the end of this summer, you are already designing your next season's brochures, material, and all the things you need to promote your business. So you need to know really by the end of this year what you might be doing next year.

That is a very different model than most businesses, where they can advertise for their Christmas sales or their Thanksgiving weekend sales as it occurs. But in this business, it is a longer view that you have to take.

The efforts that I am looking for today—and usually, I don't get into long speeches. I like to hear what you all have to say. But this is one that, again, from Alaska's perspective, we see a lot of impact. We estimate that in some areas, we will see some 30 percent decline in our tourism business, affecting upwards to about 140,000 visitors, 1,800 approximately employees, directly and indirectly, in a variety of industry related to our tourism business.

So your ideas, and I have read some of your testimonies, and there is some really good stuff in there. And one area that I know a couple of you kind of touched on that I would be interested in, the biggest chunk of the tourism business is the small business community—the mom and pop operators.

I know Judy is going to do some testimony later, and I have heard her present before in Michigan. But how do you get capital for those small businesses? Any suggestions or ideas that you have, in order to ensure that those small businesses have the working capital that they will need, and also the expansion capital they need in this very tight market.

Some of the tourism business is somewhat risky in the minds of a banker, but in reality, it is good business. It just happens to be seasonal. So I would be interested in expanding in any way you can on those comments.

Also, from the gentleman from Disneyland, I will tell you, we could learn a lot from Walt Disney. There is a great statistic, and you know it probably better than I do. Disneyland was created and built from the idea to the finish in 1 year, the whole complete operation, which we can learn a lot of how that was done. I mean, it is basically a city built in a year out of an idea.

And there is an amazing story around every tourism operator, no matter how big they are or how small they are, of what they have done with ingenuity.

So I am excited to have you here. I want to thank the Chairwoman for doing this hearing because it really is an industry that not only is important for our economy, but promotes, as Senator Dorgan said, promotes our country around the world.

I will say one bright spot, and we have already seen it a little bit in Alaska. Japan Airlines will now have an additional two or three new charters coming into Alaska because of the international effort we have done on promotion.

We see the value. The dollar may be low. When we go overseas, we are not very excited by what we spend over there. But for the foreign traveler, this country is the best deal and in a lot of ways. And so, we did some additional promotion. We are going to experience that benefit in this tight economy by bringing in foreign travelers.

So I look forward to your testimony, especially ideas and thoughts you have around how we help the small business, mom and pop operation to expand the capital base they will need to meet this growing economy, and then how you will deal with this kind of extended period of planning that you have to do now in order to achieve next year's opportunity.

Thank you, Madam Chairman.

Senator KLOBUCHAR. Thank you very much, Senator Begich.

We are going to have a roll call vote, where we are going to have to leave for a little bit. So we want to get started, and I will introduce each witness as they come up.

And I also note we are going to have a little movie that Mr. Rasulo brought along. So our second panel may have someone that will sing a travel jingle. Just want to whet your guys' appetites for a good hearing.

So we are going to start with Mary Saunders. She is the Acting Assistant Secretary of the Department of Commerce, and her office oversees the Department of Commerce's Office of Travel and Tourism.

Ms. Saunders?

**STATEMENT OF MARY SAUNDERS, ACTING ASSISTANT
SECRETARY FOR MANUFACTURING AND SERVICES,
INTERNATIONAL TRADE ADMINISTRATION,
U.S. DEPARTMENT OF COMMERCE**

Ms. SAUNDERS. Thank you, Chairman Klobuchar, Ranking Member Martinez, and distinguished Members of the Committee.

Thank you very much for the opportunity to speak with you today concerning the state of the U.S. travel and tourism industry. I welcome your interest in this topic.

In the interest of time, I have prepared a short oral statement, and I request that my full written statement be entered into the record.

The Department of Commerce's economic accounts data shows that the travel and tourism industries generated a record \$1.38 trillion in sales for the economy in 2008. The industry directly and indirectly supported more than 8 million jobs. From a trade perspective, international travel to the United States represents over one-fourth of all U.S. services exports. In 2008, this translated to over \$142 billion in receipts generated from a record 58 million international visitors.

For the 20th consecutive year, travel and tourism produced a travel trade surplus for the United States, a record \$29.7 billion, and directly supported more than 900,000 jobs in the United States in 2008.

Like many other industries, the economic downturn has affected the travel and tourism industry significantly. Although 2008 produced record visitation levels for 13 of the top 25 international markets, visitation showed deepening declines during the fourth quarter of 2008. This trend continued with a 10 percent drop in visitation levels for the first 2 months of 2009, compared to the same time last year. This was met by a 13 percent decline in receipts.

As these numbers underscore, the travel and tourism industry is important to our Nation's economy, employment, and trade. The Department of Commerce works to support the industry through our travel and tourism promotion activities.

As the Acting Assistant Secretary for Manufacturing and Services, I oversee the Department's Office of Travel and Tourism Industries. My team and I work to remove barriers to the growth of tourism exports, and we support our commercial service offices around the world to assist American travel and tourism businesses and destinations to market and sell their products. We are also the primary Government source for travel and tourism statistics.

Within the Federal Government, we work with the Departments of State and Homeland Security and other Federal agencies to develop policies and programs that enhance the competitiveness of the U.S. travel and tourism industry and ensure that we continue to facilitate travel to the United States as we provide for our security.

Interagency deliberation on these issues is undertaken through the Tourism Policy Council, comprising 15 members from Federal agencies and offices. We are reinvigorating the Council's role under Secretary Locke's leadership. We anticipate the Secretary calling a meeting of the Tourism Policy Council in early fall.

As you are aware, the Assistant Secretary for Manufacturing and Services is also the Executive Director of the U.S. Travel and Tourism Advisory Board, an advisory board consisting of representatives from companies and organizations in the travel and tourism industry appointed by the Secretary.

The Board advises the Secretary on government policies and programs that affect the U.S. travel and tourism industry, offers counsel on current and emerging issues, and provides a forum for discussing and proposing solutions to industry-related problems. We are in the process of organizing a meeting of the Board. It is scheduled for June 9.

Secretary Locke personally has taken an active interest in the travel and tourism industry. On May 20, he will be in Miami to deliver the keynote luncheon address at International Pow Wow, the top U.S. industry trade show with 5,000 buyers and sellers of international travel to the United States.

In closing, the U.S. travel and tourism industry continues to be a key part of our Nation's economy. The United States generates more revenue from travel and tourism than any other country in the world. The Department of Commerce has an active program dedicated to expanding travel and tourism business opportunities for employment and for economic growth.

We look forward to working with the Congress and with the travel and tourism industry on policies and programs that will continue to enhance the competitive position of the United States.

I thank the Chairman and the members of the Committee for the opportunity to testify, and I look forward to answering any questions you might have.

[The prepared statement of Ms. Saunders follows:]

PREPARED STATEMENT OF MARY SAUNDERS, ACTING ASSISTANT SECRETARY FOR MANUFACTURING AND SERVICES, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Introduction

Chairman Klobuchar, Ranking Member Martinez, and distinguished members of the committee, thank you for the opportunity to speak with you today concerning the state of the U.S. travel and tourism industry. I welcome your interest in this topic.

Overview—Statistics

The Department of Commerce's economic accounts data show that the travel and tourism industry generated a record \$1.38 trillion in sales for the economy in 2008. The industry directly and indirectly supported more than 8.6 million jobs. From a trade perspective, international travel to the United States represents over one-fourth (26 percent) of all U.S. services exports. In 2008, this translated to \$142.1 billion in receipts generated from a record 58 million international visitors. For the 20th consecutive year, travel and tourism produced a travel trade surplus for the United States—a record \$29.7 billion—and directly supported more than 900,000 jobs in the United States in 2008.

Canada continues to be the top overall market for international visitors to the United States. Canadian visitors pumped nearly \$19 billion into the U.S. economy in 2008, breaking their previous record for the fifth consecutive year. U.S. travel and tourism exports account for 40 percent of all U.S. services exports to Canada. Spending by Mexican visitors also remained strong for the fifth consecutive year. Travelers from this second top market spent more in the United States on travel and tourism-related goods and services than ever before—\$9.8 billion.

Expenditures generated from European visitors also increased substantially in 2008, up 25 percent. Visitors from the United Kingdom rank second overall in terms of dollars spent on U.S. travel, growing 17 percent to \$17.5 billion. Growth in spend-

ing from Germany jumped 26 percent to \$6.5 billion, and growth from France and Italy surged by an incredible 38 percent, to \$4.6 billion and \$3.7 billion respectively.

Elsewhere, we saw strong growth in spending by visitors from India and Brazil, increasing by 18 percent and 26 percent respectively over 2007 tallies.

Like many other industries, the economic downturn has affected the travel and tourism industry significantly. Although 2008 produced record visitation levels for 13 of the top 25 international markets, visitation showed deepening declines during the fourth quarter of 2008. This trend continued with a 10 percent drop in visitation levels for the first 2 months of 2009 compared to the same time last year. This was met by a 13 percent decline in receipts. The Department's forecast to be released later this month indicates a continued decline for the rest of the year in this valuable export, with a weak recovery expected by the end of 2010.

Most recently, the spread of the H1N1 virus has affected the performance of the industry, compounding the challenges associated with the volatile global economic environment. Department officials met with representatives of nine travel and tourism associations on May 1 to discuss the impact of the situation on the industry. The Secretary's office is receiving weekly status reports from Commerce staff. Industry reports indicate that the impact on travel to the United States and other destinations, with the exception of Mexico, is likely to be minor, provided the flu outbreak continues to subside.

Commerce Travel and Tourism Promotion

As these numbers underscore, the travel and tourism industry is important to our Nation's economy, employment, and trade. The Department of Commerce works to support the industry through our travel and tourism promotion activities.

As the acting Assistant Secretary for Manufacturing and Services, I oversee the Department of Commerce's Office of Travel and Tourism. My team and I work to remove barriers to the growth of tourism exports and support our Commercial Service offices around the world to assist American travel and tourism businesses and destinations to market and sell their products. We also are the primary government source for travel and tourism statistics.

Within the Federal Government, we work with the Departments of State and Homeland Security and other Federal agencies to develop policies and programs that enhance the competitiveness of the U.S. travel and tourism industry and ensure that we continue to facilitate travel to the United States as we provide for our security. Interagency deliberation on these issues is undertaken through the Tourism Policy Council (TPC), comprising 15 members from Federal agencies and offices. We are reinvigorating the Council's role under Secretary Locke's leadership. One of the Council's roles will be to further the coordinating work begun under the now defunct Secure Borders and Open Doors Committee. This Committee had functioned under the Rice-Chertoff Initiative—designed to improve travel procedures for entry to the United States while still meeting security requirements. Commerce Department staff actively served on this Committee which also included private sector representatives. We anticipate the Secretary calling a meeting of the Tourism Policy Council in early Fall.

As you are aware, the Assistant Secretary for Manufacturing & Services also is the Executive Director of the U.S. Travel and Tourism Advisory Board (TTAB), an advisory board consisting of representatives from companies and organizations in the travel and tourism industry appointed by the Secretary. The Board advises the Secretary on government policies and programs that affect the U.S. travel and tourism industry, offers counsel on current and emerging issues, and provides a forum for discussing and proposing solutions to industry-related problems. We are in the process of organizing a meeting of the Board for later this spring.

Secretary Locke has taken an active interest in the travel and tourism industry. On May 20, he will be in Miami to deliver the keynote luncheon address at International Pow Wow, the top U.S. industry trade show with 5000 buyers and sellers of international travel to the United States. With over 300 foreign and American members of the press in attendance, Pow Wow provides an important opportunity for destinations and businesses to showcase the best that America has to offer for enticing international travelers to our country. The Secretary will be able to relay to all of them the importance of this industry and his gratitude for their dedication and interest in spurring economic recovery and job growth.

Closing

The U.S. travel and tourism industry continues to be a key part of our Nation's economy. The United States generates more revenue from travel and tourism than any other country in the world. The Department of Commerce has an active program dedicated to expanding travel and tourism business opportunities for employ-

ment and economic growth. We look forward to working with the Congress and with the travel and tourism industry on policies and programs that will continue to enhance the competitive position of the United States.

As Secretary Locke said before members of this Committee at his confirmation hearing, "There's a great deal of interest and fascination with America among people all around the world. They think of the great cities of America, but they also think of the great majestic, natural beauty of America from the Grand Canyon to the Badlands and to our incredible, beautiful national parks. And they think of America as a place of great pristine environment, a place to visit, a place for recreation."

I thank the Chairman and the members of the Committee for the opportunity to testify, and I look forward to answering any questions you may have.

Senator KLOBUCHAR. Thank you, Ms. Saunders.

Our next witness is Mr. Jay Witzel, who is the President and CEO of Carlson Hotels. Carlson is a Minnesota-based company with a global hotel, restaurant, and marketing business. The hotel division that Mr. Witzel heads includes brands such as Radisson, Park Inn, and Country Inn & Suites.

Mr. Witzel?

**STATEMENT OF JAY S. WITZEL, PRESIDENT AND CEO,
CARLSON HOTELS**

Mr. WITZEL. Thank you.

Chairman Klobuchar, Ranking Member Martinez, and other distinguished members of the Committee, Senator Begich, thank you for the opportunity and the privilege to appear before you on behalf of Carlson Hotels Worldwide and the greater Carlson organization.

I would like to particularly thank Senator Klobuchar for your leadership in calling this hearing and your passion and support of the travel industry, both in our home State of Minnesota and the national arena.

Carlson is a Minnesota-based company with global hotel, travel, restaurant, and marketing businesses that are interrelated in and to the travel industry. I lead the Carlson Hotels Worldwide, which has 1,020 locations under 5 brands. Other parts of the Carlson organization include Carlson Wagonlit Travel, TGI Fridays restaurants, Carlson Marketing, which is one of the Nation's premier leading meeting, event, and incentive companies.

Globally, Carlson and its brand employ 160,000 people in more than 150 countries, with over 50,000 jobs here in the United States. The jobs of these individuals and the overall vibrancy of our business are reliant on the health of the travel industry.

Specifically, today I would like to address the topic of business-related travel, including travel for meetings, conferences, events, and performance incentives. Business travel creates 2.4 million American jobs, \$240 billion in spending, and \$39 billion in tax revenues. These statistics are provided by the U.S. Travel Association, of which Carlson is a member.

This part of our industry has been the source of undeserved and crippling attacks in recent months. Critics have mislabeled many meetings and events as unnecessary and frivolous, causing companies that have received Federal Government support, plus many more that have not, to cancel business travel activities.

An environment has been created in America where legitimate business travel is being questioned and canceled. This translates into additional loss of jobs, taxes, and travel-related revenues for

an industry that is already hard hit from the general economic recession.

Business travel is not an optional luxury or a perk for well-paid executives. Meetings mean business in the American economy. There is no substitute for face-to-face, hand-to-hand, and heart-to-heart results of business meetings. They are a strategic tool for training, education, sales, customer interface, new product development, and motivating performance.

All of these are vital in rebuilding the American economy and creating new jobs that we so badly need at this time. But the trend is ominous. According to the estimates by Smith Travel Research and the U.S. Travel Association, meeting and events and incentive cancellations in January and in February of 2009 resulted in more than \$1.9 billion in lost travel spending and cost nearly 20,000 American jobs.

Nearly 200,000 travel-related jobs were lost in 2008, and an additional 247,000 will be cut this year, according to data compiled by the U.S. Department of Labor. Those who are losing their jobs represent the hard-working faces of America—the bellmen, the room attendants, the banquet servers, and our cooks.

With so much at stake, we seek your support on three key fronts. First, we are asking all Members of Congress and Federal policymakers to change the rhetoric that labels business travel, meetings, and incentive travel as frivolous and unnecessary. The unintended consequence of this mischaracterization is job loss, loss of tax revenues, and further stress on this important industry.

Second, we ask your support for a unified set of meeting standards for companies receiving the emergency Government assistance funds that have been developed by the hotel, travel, meeting, and incentive industries. These guidelines have been submitted to the Treasury Department as a policy for companies to guide them in organizing justifiable meetings, events, and incentive travel.

They also represent a common-sense approach that would apply to any business. They serve as a standard of best practices for corporations to conduct meetings, incentives, and events with complete transparency and accountability.

And finally, you will be hearing this morning about another vital initiative to build the vibrancy of America's travel industry, the Travel Promotion Act. We fully support this pending legislation as a foundational strategy to create jobs in travel, tourism, and hospitality. It will make America more competitive in the global travel market and grow the Nation's inbound travel.

Today, the news is filled with commentary on how to get America moving again on all economic fronts to recover from this deep recession. For the one in eight Americans who are part of the travel industry, getting America moving again literally is the solution. Today, we ask for your support in making that happen.

Thank you again, Chairman Klobuchar, Ranking Member Martinez, and the Senator from Alaska, for your leadership and engagement on these issues.

Thank you.

[The prepared statement of Mr. Witzel follows:]

PREPARED STATEMENT OF JAY S. WITZEL, PRESIDENT AND CEO,
CARLSON HOTELS WORLDWIDE

Chairman Klobuchar, Ranking Member Martinez and other distinguished Members of the Committee: Thank you for the opportunity and privilege to appear before you on behalf of Carlson Hotels Worldwide and the greater Carlson organization. I would particularly like to thank Senator Klobuchar for your leadership in calling this hearing and your passionate support of the travel industry both in our home state of Minnesota and in the national arena.

Carlson is a Minnesota-based company with global hotel, travel, restaurant and marketing businesses that are inter-related in and to the travel industry. I lead Carlson Hotels Worldwide which has over 1,020 hotel locations under five brands. Other parts of Carlson include Carlson Wagonlit Travel, T.G.I. Friday's Restaurants and Carlson Marketing which is one of the Nation's leading meeting, event and incentive companies. Globally Carlson and its brands employ 160,000 people in more than 150 countries, with over 50,000 of those jobs here in the United States. The jobs of these individuals and the overall vibrancy of our businesses are reliant on the health of the travel industry.

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This part of our industry has been the source of undeserved and crippling attacks in recent months. Critics have mislabeled many meetings and events as unnecessary and frivolous, causing companies that have received Federal Government support—plus many more that have not—to cancel business travel activities. An environment has been created in America where legitimate business travel is being questioned and canceled. This translates into additional loss of jobs, taxes and travel-related revenues for an industry that is already hard-hit from the general economic recession.

Business travel is not an optional luxury or a perk of well-paid executives. Meetings mean business in the American economy. There is no substitute for the face-to-face, hand-to-hand and heart-to-heart results of business meetings. They are a strategic tool for training, education, sales, customer interface, new product development and motivating performance. All of these are vital in rebuilding America's economy and creating new jobs that we so badly need at this time.

But the trend is ominous. According to estimates by Smith Travel Research and the U.S. Travel Association, meetings, events and incentive cancellations in January and February of 2009 resulted in more than \$1.9 billion in lost travel spending and cost nearly 20,000 America jobs. Nearly 200,000 travel-related jobs were lost in 2008 and an additional 247,000 will be cut this year, according to data compiled by the U.S. Department of Labor. Those who are losing their jobs represent the hard working faces of America: bellmen, room attendants, banquet servers and cooks.

With so much at stake, we seek your support on three key fronts. First, we are asking all Members of Congress and Federal policymakers to change the rhetoric that labels business travel, meetings and incentive travel as frivolous and unnecessary. The unintended consequence of this mischaracterization is job loss, lost tax revenues and further stress on this important industry.

Second, we ask your support for a unified set of meeting standards for companies receiving emergency government assistance funds that have been developed by the hotel, travel, meeting and incentive industries. These guidelines have been submitted to the Treasury Department as a policy for these companies to guide them in organizing justifiable meetings, events and incentive travel. They also represent a common sense approach that would apply to any business. They serve as a standard of "best practices" for corporations to conduct meetings, incentives and events with complete transparency and accountability.

And finally, you will also be hearing this morning about another vital initiative to build the vibrancy of America's travel industry: The Travel Promotion Act. We fully support this pending legislation as a foundational strategy to create jobs in travel, tourism and hospitality. It will make America more competitive in the global travel market and grow the Nation's inbound travel.

Today's news is filled with commentary on how to "get America moving again" on all economic fronts to recover from this deep recession. For the one in 10 Americans who are part of the travel industry, "getting America moving again" literally *is* the solution. Today, we ask for your support in making that happen.

Thank you again Chairman Klobuchar, Ranking Member Martinez and other Members of the Committee for your leadership and engagement on these issues.

Senator KLOBUCHAR. Thank you very much. That was very good testimony, and I think the point about business is well taken.

Mr. GILLILAND IS NEXT. He is the chairman and CEO of Sabre Holdings, a global travel distribution company, which includes *Travelocity.com*—something I have used before—an online travel site that allows consumers to compare travel deals and purchase rental cars, hotels, and airfares.

Mr. Gilliland?

**STATEMENT OF SAM GILLILAND, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER, SABRE HOLDINGS CORPORATION**

Mr. GILLILAND. Chairman Klobuchar, Ranking Member Martinez, and Members of the Committee, thank you for the opportunity to appear before you here today.

Sabre Holdings, the world's largest travel distribution company, includes the Sabre Global Distribution System that powers corporate and leisure travel agencies and airline technology business as well as *Travelocity.com*, a leading online company.

At Sabre, we believe that travel is good, and let me tell you what I mean when I wear this button here today. Travel is good for businesses and the economy. It is good for jobs. It is good for our states and local communities. It is good for connecting us with our families, and it is good for understanding and enjoying the many diverse cultures of the world.

Travel is good for America, but the state of the travel industry is not good. I hope we can leave today dedicated to making it better together.

I have attached to my testimony a listing of some of the compelling offers available in 2009, what we are calling "the year of the travel deal." When you and your constituents are ready to take that vacation to a theme park, a national park, or a beach via cruise, air, or car, Travelocity has some of the best values on the planet at prices straight from the 1960s. All of these deals and many more are offered on *Travelocity.com*.

That is the good news. But here is the bad. The remarkable online consumer deals and prices found in the marketplace today must be put in context. Eventually, just as airlines have canceled airplane orders and opted to park airplanes in the desert, hotels, resorts, and cruise lines will eventually reduce their inventory of properties and ships if they cannot realize acceptable financial returns on those assets.

From a legislative perspective, here are some of the key initiatives I think will help us out of our economic malaise that I respectfully ask you to consider.

On energy, we must reduce American dependence on foreign oil and incentivize alternative energy research and deployment. Today, competition to petroleum-based fuels is woefully inadequate. It is not that the industry isn't doing its part. U.S. commercial airlines improved their fuel efficiency by 110 percent between 1978 and 2007, which resulted in 2.5 billion metric tons of CO₂ savings, the equivalent of taking 18.7 million cars off the road in each one of those years.

Indeed, there are alternatives to gasoline to power cars, including ethanol, methanol, plug-in hybrids, and more. Among other

things, we need to require carmakers to equip more vehicles with flexible fuel converters that will create an incentive to those who would bring alternative fuels to market.

Our objective isn't to eliminate oil as a transportation fuel, but to provide incentives for viable competition to it. I am supportive of your efforts, Chairman Klobuchar, in promoting the Open Fuel Standards Act that would require automobile manufacturers to produce more cars that run on flexible fuels.

Air traffic control (ATC) modernization in our Nation cannot wait any longer. It is a bankable way to achieve much-needed energy, environmental, and transportation policy objectives and improvements. Deployment of global positioning systems will enable airlines to fly shorter, more direct routes to destinations, which will reduce fuel needs. At times of peak demand and at many chokepoints in the system, passengers are experiencing unacceptable delays and sometimes flight cancellations.

Next generation air traffic control, or "NextGen," must become "NowGen," and a national priority not only in words, but in action. The inability of the U.S. Government to finalize funding and approvals for ATC modernization has prevented the use of technologies available today that would bring immediate and significant improvements to ATC systems.

Regarding the environment, we must establish policies that reduce greenhouse gases, while insisting that such policy burdens take account of the international dimensions of the problem and don't fall disproportionately on the travel and tourism industry.

If revenue related to carbon emissions is raised from the commercial aviation industry, for example, it should be redirected back into aviation-related environmental and efficiency improvements.

Finally, paralyzing confusion abounds in our industry about what the Treasury Department considers excessive expenditures on business travel. Meetings are proven business tools. Unfortunately, given the current state of uncertainty, many companies are opting to disengage from all forms of business travel. Congress should urge Treasury to endorse the U.S. Travel Association guidelines which are widely supported by our industry and provide businesses with the peace of mind they require.

Chairman Klobuchar, I would like to commend you for taking the time to hear from our industry. Your interest is strong validation that travel and tourism is vital to our country and its prosperity. As you and your colleagues consider policies and legislation, such as the Travel Promotion Act, we encourage you to remember that travel is good for America.

Thank you.

[The prepared statement of Mr. Gilliland follows:]

PREPARED STATEMENT OF SAM GILLILAND, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER, SABRE HOLDINGS CORPORATION

Chairwoman Klobuchar, Senator Martinez, Members of the Committee, my name is Sam Gilliland, and I am Chairman and CEO of Sabre Holdings, the world's largest travel distribution company. Among our businesses are the Sabre global distribution system, which powers corporate and leisure travel agencies, and *Travelocity.com*, the online travel company that gives consumers the opportunity at any time, day or night, to find and compare amazing travel bargains in the U.S. and around the world. Today, I'll share with you a sampling of these deals that I

hope will push Americans out of their nests and back into the air to destinations both here and abroad.

Travel is Good

At Sabre, we firmly believe that “Travel is Good.” Let me tell you what the button I’m wearing means. Travel is good for the economy and for business, it’s good for our Nation’s jobs, it’s good for our states and our local communities, it’s good for connecting us with our families and friends, and it’s good for understanding and enjoying the many diverse cultures and peoples of the world. Travel is good for America, Madam Chairwoman. But the state of the travel industry in America today is not good. I hope we can leave this hearing today dedicated to making it better together.

For every dollar spent on travel, the U.S. Travel Association (of which Sabre is a member) estimates that \$2.34 of additional spending cascades through the economy. With that sort of multiplier for a sector that represents \$740 billion in spending each year, travel and tourism can provide not just a stimulus, but a jolt, to the U.S. economy if Congress and the Administration were to put policies in place that help, rather than hinder, its recovery.

I’ve attached to my testimony a listing of some of the most compelling offers available in 2009—what we’re calling “The Year of the Travel Deal.” When you and your constituents are ready to take that vacation, to a theme park, National Park or beach via cruise, air or car, Travelocity has some of the best values on the planet at prices straight from the 1960s. They include:

- Orlando theme parks from \$34 a night with free admission for kids.
- Alaska cruises for \$47 a night.
- Hotels near Glacier National Park in Montana at 35 percent off.
- Puerto Rico discounts combining \$200 off air+hotel packages and a night free for every three paid nights.
- \$400 discounts on Bermuda hotels and packages.

All of these deals, and many more, are offered on *Travelocity.com*, along with their applicable terms and conditions. That’s the good news.

But here’s the bad: The remarkable online consumer deals and prices found in the marketplace today must be put in context. They are not likely to be around for long. Eventually, just as airlines have opted to park airplanes in the desert rather than operate them at a loss, hotels and resorts and cruise lines will eventually reduce their inventory of properties and ships if they cannot realize an acceptable return on these assets; and in fact we’re already starting to see that occur. Put another way, for our industry to regain its footing and stimulate the economy as we know it can, it first has to achieve economic sustainability. That’s a term that resonates for me, as I serve as the Chairman of the Economic Sustainability Subcommittee of the U.S. Travel and Tourism Advisory Board, a group of travel industry executives appointed by the Secretary of Commerce to provide him with policy guidance. Our group will tell Secretary Locke in its final report that there is much work to be done to achieve economic sustainability in the travel and tourism sector. That’s also the message I’d like to deliver to you today.

Here are some of the sobering year on year booking trends we are seeing in the travel and tourism industry:

- The volume of domestic air travel and hotel stays made by corporations are both down nearly 20 percent, with airfares and price of hotel stays down 7 percent.
- The volume of domestic air travel for leisure is down almost 5 percent and average airfares are down 10 percent.

Behind these numbers are legions of people—your constituents and our industry’s employees—whose jobs have either been eliminated or are at risk. At one independent Chicago hotel, the front desk staff was recently cut in half and the reservation and revenue teams were eliminated with the exception of one director. Nearby, a midsized chain hotel conducted major layoffs, and for those employees who remain, the hotel has eliminated 401K matching and imposed salary cuts. This is typical of what is happening around the country.

Also travelers, whose rear-ends are not in airplane seats and whose heads are not in hotel beds, are not bringing their tourism dollars to spend on dinners, taxis, theater tickets, tips and more. Taken together, these statistics, which feature many double digit declines in volume and price, paint a picture of an industry with unsustainable economics that is contributing far less than it could to the recovery of the U.S. economy.

Our country and the world are on sale because the travel and tourism industry is reeling from a perfect storm of crisis, fear and ignorance. In recent months, we've experienced the worst economic downturn in 80 years; a swine flu outbreak that is serious and demands precaution, but has spawned an "infodemic" that has led to unhelpful panic; unstable fuel prices that were a major factor in leading airlines to park aircraft that would otherwise be productively flying people to meetings and conventions in Las Vegas and Orlando; corporations that are fearful they will be publicly criticized for holding legitimate meetings and conventions, which are proven and effective business tools; and a crumbling U.S. aviation infrastructure that, as Chairman Rockefeller memorably reminded us, currently ranks behind Mongolia's.

This does not have to be so. From a policy perspective, there are several key and often inter-related initiatives that will help us out of our malaise and, therefore, require your urgent attention. They include energy policy, air traffic control modernization, environmental policy, and Treasury travel guidelines.

Energy Policy

We must reduce American dependence on foreign oil and provide incentives for alternative energy research and deployment. Today, there simply is insufficient competition to petroleum-based fuels—oil has travel and tourism "over a barrel." We're seeing encouraging work in developing alternatives to jet fuel for aircraft engines as well as alternatives to gasoline for automobiles, but more needs to be done to expedite this work for the sake of our Nation's security and prosperity.

The International Air Transport Association (IATA) has established a 10 percent target for alternative jet fuels by 2017. Recent tests by Continental Airlines, JAL Airlines, Air New Zealand and Virgin Atlantic Airlines prove that next generation sustainable biofuels (such as algae, camelina and jatropha) work, and there is even a possibility for improved fuel efficiency. Certification for some of these fuels by 2010 or 2011 is a real possibility, but much more work needs to be done to bring these fuels into commercial production.

Currently, there are many viable alternatives to gasoline to power automobiles, including ethanol, methanol, plug in hybrids and more. We need to require car-makers to equip more vehicles with flexible fuel converters, which will create an incentive for those who would bring alternative fuels to market.

Our objective isn't necessarily to eliminate oil as a transportation fuel, but to provide incentives for viable competition to it. The potential benefits of alternative fuels are enormous, including up to an 80 percent reduction in emissions over the fuel's life-cycle and increased energy security for our Nation. A biofuel industry could also be a major generator of employment and wealth for the U.S. and the developing world, and that's why I'm supportive of your efforts, Chairwoman Klobuchar, in S. 835 to drive open fuel standards for automobile manufacturers.

The Nation's airlines and airports, in a very real sense, are the key parts of a transportation grid that is every bit as vital as the power grid to our national economy. When you get right down to it, energy and travel and tourism are closely intertwined. Without access to sustainable—by which I mean predictable, abundant, affordable and environmentally sound—energy to move business and leisure travelers as well as goods to their destinations, our industry could not exist. And this applies not only to airplanes, but also to cars, buses, trucks, ships and trains.

Last summer, oil prices skyrocketed, reaching a peak of \$147 per barrel in July 2008 and were the subject of much debate in the Senate. These soaring oil prices threatened the U.S. economy, and our Nation's airlines and airports were in an especially precarious position. Fuel jumped ahead of labor and equipment costs to become the number one airline expense. Data showed that if these soaring costs did not abate, we would soon see major U.S. airlines fail and many more U.S. airports close, and in so doing, threaten our primary means of intercity transportation, millions of jobs and our American way of life. To stay alive, airlines began cutting capacity in September 2008 to levels that were last seen in 2002 when they were trying to recover from 9/11.

Since then, the price of oil has fallen dramatically—at one point to the mid \$30s per barrel, and currently hovering just below \$60 per barrel. However, while the acute crisis of massive energy-related failures has temporarily abated (largely because the worldwide demand for oil has dropped dramatically in step with the global financial crisis and recession), the chronic problem of wildly fluctuating oil prices remains unsolved, and in time will once again devastate travel and tourism—and jeopardize our national security and broader economic well-being—unless we demand and secure a sound energy policy from the current Administration and Congress.

I'm encouraged that energy policy is one of President Obama's announced policy priorities, and significant funding for R&D tax incentives for alternative fuel figures

prominently in his proposed budget. I support these initiatives; they must remain a priority. We must insist on a comprehensive U.S. energy policy that will, among many other benefits, deliver travel and tourism from its current unacceptable and unsustainable situation.

Air Traffic Control Modernization

Lost in the debate about funding the long-overdue “NextGen” Air Traffic Control (ATC) systems, is the astonishing and sad fact that the navigation systems used in cars and mobile phones today are light years ahead of the technology used in our Nation’s ATC systems. Modernization of the U.S. air transportation network cannot wait any longer—it is a bankable way to achieve much needed energy, environmental and customer-service improvements for our Nation’s aviation industry. “NextGen” must become “NowGen.” I am pleased that the Senate’s Aviation Operations, Safety and Security Subcommittee is holding a hearing on FAA Reauthorization later this afternoon, in which perspectives on industry participants will be heard. I expect “NowGen” will be a focus.

We can no longer afford inaction. Even with lower traffic volumes, U.S. air space continues to be overcrowded in many places, causing costly flight delays and forcing airlines to operate inefficiently. This adds unnecessary expense for both airlines and the traveling public. Despite significant advances in available modern-day technology, our airlines are forced to find their way using ground-based navigation points, a method that is only a few small steps ahead of where we were in the early days of aviation, when railways and bon fires were used for air navigation. The radar system used today to guide U.S. flights is more than 40 years old, which may help explain why nearly one-quarter of all those flights are late. If we do it right, ATC modernization will:

- Allow all airplanes to fly more direct, efficient routes, significantly reducing fuel burn and CO₂ emissions,
- Reduce congestion and open up access—more flights—in crowded airspace,
- Reduce flight delays and inconvenience to passengers and shippers,
- Create or save 77,000 jobs, and
- Be transformational for the broader economy.

“NowGen” MUST become a national priority, not only in words, but in action. There are enormous benefits that flow from timely action, including an improved transportation infrastructure and economic stimulus as well as positive impacts on the environment and, of course, on travelers. It will also encourage, rather than impede, sustainable growth in the airline industry.

In these troubled times for the tourism industry, all industry participants should be committed to working with Congress, the Administration and, most importantly, each other to ensure ATC modernization will be done early, right and in a way that transforms air travel in this country and keeps the U.S. competitive on the world stage.

Environmental Policy

We must establish policies to reduce greenhouse gasses that threaten our environment, and insist that the burdens of such policies take into account the international dimensions of the problem, and be fairly shared so they don’t fall disproportionately on the travel and tourism industry.

In particular, we must not unfairly scapegoat the airline industry, which has done much to make itself more energy efficient as a matter of economic necessity. U.S. airlines have a longstanding commitment to improving fuel efficiency and, therefore, reducing their carbon footprint. Since 1978, the Air Transport Association reports that its member airlines have improved fuel efficiency by 110 percent, which has resulted in significant reductions of CO₂ emissions. The airlines’ impact on the environment is relatively small: airlines today account for between two and 3 percent of the world’s man-made carbon emissions.

As legislation concerning carbon emissions is considered, it’s important to simultaneously pursue global approaches to aviation emissions to ensure fairness and equity to all participants. If revenue related to carbon emissions is raised from the commercial aviation industry, it should be re-directed back into aviation-related environmental and efficiency improvements. Further financial burdens on our economically challenged industry must be weighed with extreme care to avoid negative impacts, not only to the airlines, but also to the cities and communities they serve and the jobs they generate.

Treasury Travel Guidelines

Paralyzing confusion abounds in our industry, and in corporations, about what the Treasury Department considers “luxury” and “excessive” expenditures in the area of business travel. Meetings, conventions and incentive travel are proven business tools that allow companies to establish valuable relationships, solicit feedback and reward employees. Of course, these tools must be used responsibly by all corporations. Unfortunately, given the state of uncertainty, many companies are opting not to engage in any form of business travel, even when that means forfeiting large deposits and foregoing important business opportunities. This makes no sense at all. Many of these companies are customers of our company, and because we provide travel policy automation solutions to them, many have asked us for guidance.

Sabre’s GetThere division is in the process of developing a formal education and consulting solution for corporations, which will focus on managing corporate governance and compliance, reducing unnecessary travel and driving accountability. We intend to be part of the solution that will help all companies make wise travel decisions. However, the Treasury Department needs to do its part in giving clear, specific guidance to our industry. I understand that Treasury is expected to weigh in soon in this area, but it is not clear how detailed and satisfactory this guidance will be.

I urge this Committee to watch these developments carefully and encourage Treasury to stem the continuing confusion in the marketplace about which travel policies are acceptable and which are not. Travel and tourism cannot absorb further paralysis and retrenchment based on fear of criticism and negative publicity. Treasury should provide a framework, and with it peace of mind, so all businesses can confidently conduct legitimate meetings, events and incentive travel.

The U.S. Travel Association has developed such a framework that has been widely supported by our industry. A timely endorsement of these model guidelines by the Treasury Department would provide businesses with the peace of mind they require.

Conclusion

Our troubled industry has a number of pressing problems that demand urgent action in Washington. Energy, infrastructure and environmental reforms should be included at the top of the priority list. These issues are intertwined and therefore making a positive difference on one will lead to positive differences on the others. Glenn Tilton, CEO of United Airlines, put it best when he said that these reforms create and complete a “virtuous circle.” Moving forward with ATC modernization reduces demand for fuel and, thus, the carbon footprint of our industry. If we can move forward on finding solutions to these problems, we will take a giant leap toward economic sustainability.

We must also give corporations the confidence that they can once again hold business meetings and conventions in order to achieve their corporate objectives. Timely guidance from the Treasury Department, in the form of an endorsement of the U.S. Travel Association’s model guidelines is urgently needed.

The storm clouds that have been hanging over our industry do have a silver lining. They provide an unprecedented opportunity for our industry’s participants—airlines, hotels and resorts, car rental companies, cruise lines, technology providers, travel agents, tour operators, convention and visitor bureaus (CVBs), union groups and corporate and leisure travelers—to come together to look for ways we can cooperate and make a difference on major policy issues that impact not just some of us, but all of us. As the largest industry in the world, we are an inherently powerful, but historically fragmented, industry. But I believe we are realizing that we can have an impact that befits our importance when we work more closely together and with policymakers who understand our role and want to help us succeed.

It is an honor to be invited here today to speak to you about tourism in troubled times, although I am looking forward to the day when I can come back and speak about tourism in stable, if not booming, times. I hope this hearing proves to be one of the watershed events that helps put our industry back on the flight path toward a better future. Chairwoman Klobuchar, I commend you for taking the time to hear from our industry. Your interest is strong validation that travel and tourism is vital to our country and its prosperity.

The impact that Congress and the Administration can have on the health of travel and tourism is profound, not just in the legislation you pass, but also in the signals you send, particularly now. Words do matter, especially when they come from our leaders in Washington. As you speak about this industry and consider policy matters that impact our recovery and well-being, I encourage you to act deliberately and remember that “Travel is Good” for America. Thank you again for the opportunity to testify today.

Senator MARTINEZ [presiding]. Thank you very much, Mr. Gilliland.

As you know, Senator Klobuchar had to run to vote, and she is going to come back, hopefully, within 15 minutes so that I can get there within 15 minutes. And so, if we can make all that happen.

Mr. Rasulo, I am so pleased to have you here today. We thank you for coming.

Mr. Rasulo, Jay Rasulo is the Chairman of Walt Disney Parks and Resorts, which, obviously, I am well aware of the fact that they are a huge employer. Over 90,000 people are employed by them, and they operate 11 theme parks on 3 continents. And Mr. Rasulo is also the former Chairman of the U.S. Travel Association.

Jay?

**STATEMENT OF JAY RASULO, CHAIRMAN,
WALT DISNEY PARKS AND RESORTS**

Mr. RASULO. Thank you.

Good morning, Madam Chairman, Senator Martinez, and other Members of the Subcommittee. I appreciate the opportunity to be here this morning to discuss America's competitive position in travel and tourism and to explain how increasing foreign travel to the United States can play a vital role in our Nation's economic recovery.

I come wearing two hats, both as immediate past Chairman of the U.S. Travel Association, which represents \$740 billion of industry spending, employing 7.7 million Americans, and as Chairman of Walt Disney Parks and Resorts, which employs, as the Senator said, 90,000 people. We operate 11 theme parks on 3 continents, a top-rated cruise line, a major tour wholesaler, and more than 34,000 hotel rooms.

The travel industry is vital to our Nation's economic health. It generates \$2 billion of spending every day, and provides \$115 billion in tax revenue to Federal, State, and local governments. But along with the rest of the economy, the travel industry has suffered during this recession, incurring its share of lost revenues and jobs.

Ladies and gentlemen, there is a way we can stem these losses, improve the Nation's competitive edge, and advance America's public diplomacy, by forging a partnership between government and industry to promote international travel to the U.S. And the time to act is now.

Two years ago, I had the honor of testifying before you to present a document called "A Blueprint To Discover America," which looked at how we can regain our Nation's once-dominant position in the market for international travel. After 9/11, overseas travel to the U.S. dropped significantly and has never fully recovered.

Competition from foreign travel destinations has increased significantly, and that is something we can't change. In addition, many overseas visitors stopped coming to America because they perceived that they were no longer welcome here. That is something we can change.

Back in 2007, we had the luxury of talking about the Blueprint as a way to gain jobs and revenue. But now, in the midst of this recession, it is painfully clear how much we have lost by not fully implementing the Blueprint.

Overseas visitors spend an estimated \$4,500 per person when they come here. And if arrivals had kept pace with global trends since 2001, that would have totaled \$182 billion in spending. That is enough to support 245,000 jobs. Moreover, the added revenue generated by those visits would have yielded \$27 billion in tax receipts.

The “Blueprint To Discover America” recommended improvements in three critical areas to attracting international visitors, and thanks to the efforts of Congress, we have had some important achievements on those. But much more work remains.

First, we need a secure but user-friendly visa process. We applaud Congress for expanding the Visa Waiver program. But for those travelers requiring a visa, the system needs to be more efficient and easier to navigate while continuing to put America’s security first.

Second, we need to continue making the entry process a more positive experience, something that is already starting to happen thanks to the Model Ports program to improve our Nation’s busiest airports.

Third, we need to promote the United States abroad, and that is where the most work remains. We need to tell the world about improvements that we have made to the entry process. We need to invite international travelers to visit the United States, and we need to tell them they are welcome here.

The Travel Promotion Act, introduced yesterday by Senators Dorgan and Ensign and co-sponsored by Chairman Klobuchar and Ranking Member Martinez, among others, would create a public-private entity that could speak with the authority of the U.S. Government to the world, telling the world, “We want you to visit.”

It would work to reverse widespread negative perceptions that the U.S. is an unwelcoming country to overseas travelers. And it would complement and augment our Nation’s public diplomacy efforts. We know from research that those who have visited the U.S. are 74 percent more likely to have an extremely favorable opinion of America than those who haven’t traveled here.

This new entity would combine the expertise of the private sector with the oversight and coordination of the Federal Government. It would serve as the primary voice for all travel-related policies. It would coordinate our national strategies to maximize the benefits of travel to America.

And it would ensure that international travel benefits all 50 States and the District of Columbia, including areas not traditionally visited by foreigners. We are only asking the United States to establish what nearly every major foreign market already has, a nationally coordinated and well-funded travel promotion campaign.

To give you an idea of just how competitive the overseas travel market has become, Greece and Mexico each spend \$150 million a year on promotion campaigns to attract tourists. China spends \$60 million. France, Germany, Italy, and the UK spend a combined \$250 million.

It is important to point out that in these times, when Congress is understandably wary of new spending, the Travel Promotion Act would use no taxpayer dollars. Instead, it would be funded through a small fee collected from overseas visitors, combined with match-

ing funds from the travel industry. This isn't a free ride for the industry. We will be contributing our fair share to make it work.

Indeed, we are already contributing. Recently, Walt Disney Parks and Resorts funded and produced a \$2.5 million video to welcome overseas travelers to the United States, which we donated to the U.S. Government. You can now see that video at several of the Nation's busiest airports, at 105 American consular and embassy offices around the world, and even on some airlines just before arriving to the U.S.

And thanks to the interest of this subcommittee, you will see it here today. The idea behind this video was that if you make the entry process a more welcoming experience, more international travelers will visit our shores.

The starting point for this project was to decide what story to tell. Creating compelling stories is, after all, what Disney does best. As we considered the options, we realized that America's greatest story is her people—their friendliness, their openness, their hospitality. That is what visitors find the most remarkable thing when they come to the United States, and that is why we chose to showcase the people of America in this welcome video.

From the time visitors apply for a visa in a consulate overseas to their arrival at an airport here in the U.S., they will be greeted by ordinary people who make this Nation extraordinary. And through every step of the entry process, the message to these visitors will be expressed in a single word with universal meaning, "Welcome."

I thank you again for the opportunity to speak here today, and I look forward to addressing your questions.

[The prepared statement of Mr. Rasulo follows:]

PREPARED STATEMENT OF JAY RASULO, CHAIRMAN,
WALT DISNEY PARKS AND RESORTS

Good morning Madame Chairman, Senator Martinez, and other members of the Subcommittee.

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I come wearing two hats, both as immediate past Chairman of the U.S. Travel Association—which represents a \$740 billion industry employing 7.7 million Americans—and as Chairman of Walt Disney Parks and Resorts, which employs 90,000 people and operates 11 theme parks on three continents, a top-rated cruise line, a major tour wholesaler and more than 34,000 hotel rooms.

The travel industry is vital to our Nation's economic health. It generates \$2 billion in spending every *day*, and provides \$115 billion in tax revenue to the Federal, state and local governments. But along with the rest of the economy, the travel industry has suffered during this recession, incurring its share of lost revenue and jobs.

Ladies and gentlemen, there is a way we can stem these losses, improve the Nation's competitive edge and advance America's public diplomacy—by forging a partnership between government and industry to promote international travel to the U.S. And the time to act is now.

Two years ago, I had the honor of testifying before you to present a document called "A Blueprint to Discover America," which looked at how we can regain our Nation's once-dominant position in the market for international travel. After 9/11, overseas travel to the U.S. dropped significantly and has never fully recovered. Competition from foreign travel destinations increased significantly, and that is something we can't change. In addition many overseas visitors stopped coming to America because they perceived they were no longer welcome here. That is something we *can* change.

Back in 2007, we had the luxury of talking about the “Blueprint” as a way to *gain* jobs and revenue. But now, in the midst of recession, it’s painfully clear how much we’ve *lost* by not fully implementing the Blueprint. Overseas visitors spend an estimated \$4,500 per person when they come here, and if arrivals had kept pace with global trends since 2001, that would have totaled \$182 *billion* in spending. That’s enough to support 245,000 jobs. Moreover, the added revenue generated by those visits would have yielded \$27 billion in tax receipts.

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Second, we need to continue making the entry process a more positive experience—something that is already starting to happen thanks to the Model Ports program to improve our Nation’s busiest airports.

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This new entity would combine the expertise of the private sector with the oversight and coordination of the Federal Government. It would serve as the primary voice for all travel-related policies. It would coordinate our national strategies to maximize the benefits of travel to America. And it would ensure that international travel benefits *all* 50 states and the District of Columbia, including areas not traditionally visited by foreigners.

We are only asking the United States to establish what nearly every other major foreign market already has: a nationally coordinated and well-funded travel promotion campaign. To give you an idea of just how competitive the overseas travel market has become: Greece and Mexico each spend \$150 million a year on promotion campaigns to attract travelers; China spends \$60 million; France, Germany, Italy and the U.K. spend a combined \$250 million.

It is important to point out that in these times when the Congress is understandably wary of new spending, the Travel Promotion Act would use NO taxpayer dollars. Instead, it would be funded through a small fee collected from overseas visitors, combined with matching funds from the travel industry. This isn’t a free ride for industry. We will be contributing our fair share to make it work.

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The starting point for this project was to decide what story to tell (creating compelling stories, after all, is what Disney does best). As we considered the options, we realized that America’s greatest story is her people . . . their friendliness, their openness, their hospitality. *That’s* what visitors find most remarkable when they come to the United States. And that is why we chose to showcase the people of America in this Welcome Video.

From the time visitors apply for a visa in a consulate overseas, to their arrival at an airport here in the States, they will be greeted by the ordinary people who make this Nation extraordinary. And through every step of the entry process, the message to these visitors will be expressed in a single word, with universal meaning.

Welcome.

I thank you again for the opportunity to speak here today, and I look forward to addressing your questions.

May we please show the video.

Mr. RASULO. May we please show the video?

[Video presentation.]

Senator KLOBUCHAR [presiding]. All right. Thank you so much, Mr. Rasulo, for bringing that. And just tell me what you would really like to see that video used for in the best-case scenario. I know it is being used at a few airports and places, but what is your vision for this?

Mr. RASULO. It is. Thank you, Senator.

It is being shown today at a number of major points of arrival, but we know that about 85 percent of travelers to the U.S. arrive within 20 airports that have been part of the model airport program. And we would love to see the use of that video more broadly to these 20 airports and continue to extend that into the consulates around the world. About a little less than half of the consulates today show the video to folks as they are queuing and processing through the visa experience, and we would love to see that.

We would also like to see additional collateral that has been used by the different agencies that are part of the entry process to our country as they show information about the many details and requirements for entry into the country, that this be kind of packaged up with that.

And of course, we would like to see it expanded not in the role of this committee or the Government, but expanded for more use on international carriers into the U.S. It is on some carriers today, but we continue to encourage more and more to show this, as many of them also show entry information as people approach the U.S.

So I think there has been very good progress. We know that about 600,000 people have viewed this on the *Discoveramerica.com* website, a website that is run as the official U.S. tour and travel website by the U.S. Travel Association on behalf of the Government. And while the progress is good, we would like it seen by as many people as possible.

Senator KLOBUCHAR. Thank you.

Could you, maybe Mr. Witzel, do you want to try this one? It is just the Travel Promotion Act, and Mr. Rasulo was talking about making our country more welcoming, like some other countries.

And we are clearly losing part of this international market share, some because of the economy, but some because other countries have been promoting their countries for tourism. And could you talk a little bit about how you think this act would help?

Mr. WITZEL. Today, we don't compete on a level playing field with other competitive countries. We as an industry, and individually as corporations, do the best we can to promote our industry and to promote America and travel globally, I might add. So we not only don't play on a level playing field, we actually help other people just by promoting our own assets in other places.

The Travel Promotion Act will provide a funding vehicle that is not at the expense of the taxpayers. It will give a common pool of money to promote America. We, as an industry, will support it.

Senator KLOBUCHAR. And you explain that is because it is, what, \$10 for visitors from other countries on the visa?

Mr. WITZEL. Yes, right. And we would take a piece of that.

Those of us in the industry believe we still have the best country to come visit. Certainly from all your stories this morning, as children, I was in the “back, back” of the station wagon, unfortunately. That was my place. So every time my father stopped short, I banged into the seat.

But it did bring on a love of travel and certainly a love of the industry. And so, we would like other families from around the world to experience the same thing.

Thank you.

Senator KLOBUCHAR. Very good.

You talked about the best practices for business travel. Do you want to give us some examples of the industry standards for best practices?

Mr. WITZEL. Yes, I do. As a general policy statement, the CEO shall be responsible for implementing adequate controls to assure the company-sponsored meetings, events, and incentive recognition travel serve legitimate business purposes and are cost justified.

All proposed meetings, events, and incentive recognition travel sponsored by the company must serve one or more specific legitimate purposes.

Each proposed meeting, event, or incentive recognition travel with a cost exceeding \$75,000 must be supported by a written business case, identifying a specific business purpose. Total annual expense for meetings, events, and incentive recognition travel should not exceed 15 percent of the company’s total sales and marketing spend.

The amount spent for an employee performance incentive recognition event shall not exceed 2 percent of the total compensation of the eligible participants, or 10 percent of the total award earner’s compensation.

The process for approving meetings, events, and incentive recognition travel and the procedures for assuring adherence to this policy will be subject to independent audit to confirm policy adherence.

At least 90 percent of incentive program attendees shall be other than senior executives, as defined by applicable Treasury Department guidelines, from the host organization.

Performance incentives shall not promote excessive or unnecessary risk taking or manipulation of financial results.

And the CEO of the company shall certify to the Board at least annually the foregoing travel policies are followed and are sufficient to provide reasonable assurance that the company’s expenditures for such purposes are not excessive.

We put this forward as a guideline, and we seek the Treasury’s endorsement of that guideline. We don’t propose to say that that should be the practices for every company. But it is a good standard list of common-sense practices.

Senator KLOBUCHAR. OK. Mr. Rasulo, do you want to comment just a little bit about how you see this business travel fitting in?

Mr. RASULO. Yes, absolutely. I think that the perception that business travel is not an essential part of conducting commerce has really had a very deleterious effect on business travel, particularly, as Senator Dorgan said earlier in his opening statement, that if

business travel comes to a place like Las Vegas, Miami, Walt Disney World, for that matter, or any other attractive destination, it suddenly becomes demonized as being a meeting of less worth than, I don't know, unattractive locations. And I won't list those at the risk of offending someone.

[Laughter.]

Mr. RASULO. But I think that being a practitioner, as many of the folks testifying with me here today, of business, we don't hold meetings that don't have a return to our company. Auto companies don't send dealers to Hawaii out of the goodness of their heart. They send them as a powerful incentive to increase commerce in their business.

We know that incentives that involve travel, particularly if they involve travel for spouses along with them, are incredibly motivating goals for salespeople, are motivating goals to push business performance, and are not frivolous rewards used by companies. Otherwise, we simply wouldn't do them.

So I think that the notion that somehow travel should be equated with the soft or a frivolous side of business is erroneous in its very nature and is something to what Jay Witzel said that we just need to stop talking about. And since folks listen to all of you a lot more than they listen to all of us—

Senator KLOBUCHAR. Oh, dream on.

[Laughter.]

Mr. RASULO.—I encourage the members to remember that, that sometimes things that sound smart in a given circumstance are often misused later and create an impression that was unwanted even by the person who said it. And I think that is what has happened on this issue of business travel.

Senator KLOBUCHAR. OK. Thank you.

I am going to turn it over to Senator Begich. We also have some deals that Travelocity has which we have passed out here, for those interested.

And I also have about 14 letters with more to come. Twenty letters from various states around the country, talking about how much the tourism industry means to their State that we will put in the record for the public record as well.

[The information is contained in the Appendix.]

Senator KLOBUCHAR. Senator Begich, I turn this over knowing that the last witness just referred to travel in Hawaii and not Alaska. So you are at your own risk.

Senator BEGICH. Actually, during the month of December, probably one out of five in Hawaii are Alaskans. Matter of fact, Alaska has right now—

Mr. RASULO. No comment.

[Laughter.]

Senator BEGICH.—two direct flights from Alaska to Maui and Honolulu. So we understand the value, and I have already booked my timeshare in December. So, saying that, Travelocity, I know, has a good deal on cruises—\$47 a night to Alaska.

Mr. GILLILAND. That is right. It is cheaper than staying at home.

Senator BEGICH. That is right. But these are incredible—

Senator KLOBUCHAR. Forty-seven dollars a night?

Senator BEGICH. Forty-seven dollars a night on a cruise to Alaska, and that is—not that I am doing some promotion here—but that is the way it works. That is what we are talking about today.

But this is great. I mean, and this information, I think it is very unique right now for a lot of people to travel and I think for folks to travel within this country themselves, but also from foreign travel. And I don't know, Scott, if you want to add a little bit to that, but when you just look at these on the surface, they are fantastic.

And tell me, give me a little comment on how you are seeing this.

Mr. GILLILAND. We have, and particularly here in the first 6 months of this year, seen fantastic promotions and discounts from my colleagues here, and from many in the travel industry. That is what you see in my written statement, a representation of some of those travel deals.

It is reflective of the American people and their desire to travel, and while it has become a way of life to travel and to travel to the destinations you talked about—in campers and in station wagons—many people have gotten used to air travel and deals that include air travel. And certainly, we are very passionate about these types of deals.

One of the things I would say is that if the core economics of the industry change, which we saw happen mid last year when oil prices went up to \$147 a barrel, we won't see those types of deals anymore. In fact, we won't see some of those airlines in existence if we are seeing oil at those levels.

And that is why, as I think about these deals, as I think about the passion that we have at Travelocity for bringing people to destinations that they will remember for a lifetime, we really must focus in on what we should be doing to improve the core economics. What can we do in terms of oil prices and fuel prices to ensure that people are traveling, that they have the benefit of these deals, and that we can continue to offer up deals like this in the future?

So the other thing I would say—and this is something I think that Jay Rasulo said, certainly that Jay Witzel commented on—our companies spend a lot of money promoting America, but we do need help, and we need help from the Travel Promotion Act to bring people to America. And it is important that we not only have great travel deals, but that people know about them and that we communicate well with international travelers that America is open for business and we want them here.

Senator BEGICH. Thank you very much.

I have two other quick questions, and I apologize, I am going to have to slip out because I have the Mayor from Kenai, Alaska, here. And they are gearing up for their summer season, and I have a feeling they are going to talk to me about what it is looking like.

But two pieces. One, and I agree with your comment and others who made comments regarding the role we have in discussing the importance of travel and convention business. I can speak to this as a mayor who constructed, built, completed a \$100 million convention center in our community in about a 2.5-year spread because it is good business, but it is also a way we introduce Alaska to the people who come back later, independent travelers, cruise travelers, and so forth.

So I just want to echo that my efforts will continue to be pushing out there why it is good to travel for these conferences. It is good education for the people who go there. It is an exchange of ideas. It is an opportunity to meet other business people.

But I do think there were some that made some mistakes in what they said, to be very frank with you. And it is our job to, even though sometimes—I think the gentlewoman is correct. Sometimes we think people are listening, but they are really not. This was one time they probably were listening, and it had a ripple effect in the wrong direction. But it is our job to really promote the value of convention business.

In regards to the standards that you laid down, you have submitted that to the Treasury?

Mr. WITZEL. We have. Yes, we have.

Senator BEGICH. Can I just ask how long ago that was?

Mr. WITZEL. Actually, would somebody like to help me on that?

Senator BEGICH. About a month ago?

Mr. WITZEL. About a month ago.

Senator BEGICH. And have you engaged in any conversation about it since then or just kind of waiting to hear a response?

Mr. WITZEL. I believe we are waiting to hear a response.

Senator BEGICH. The second question is, from any one of you, what do you think the amount of money should be spent for promotion? And I know that is a tricky question, depending on how you do it. But can you give us kind of a feel of what you think is the appropriate amount on an annualized basis that should be spent on promotion, not only international, but I would also suggest domestic?

Because there are people who want to travel domestically, but they are a little nervous right now. Give me your thoughts, whoever can answer that.

Mr. RASULO. Well, I could take a crack at it because we have been working on this at the U.S. Travel Association for a few years.

We thought that on an international basis to be competitive, given the size of the market we are trying to attract and the regaining of share from 9 percent of international travel that it was not so many years ago to only a little over 6 percent that it is today, that about \$200 million was the right level to think about, given the markets that that money would probably be spent in, the cost of media in those markets, and the amount of media weight you need just to wake anybody up and have them see your promotion and your ads.

Now that, of course, we, as private practitioners, continue to market in the countries where we think are most attractive to have people come to our own destinations. But there is a level of voice that has to come from the authority of the U.S. Government, and that level of voice has to do with improved policies for entry that people around the world know are controlled by the Government, and private companies speaking about them has almost no weight.

And second, a certain amount of coordination and authority in saying that we do, as a country and as a Government, welcome international travelers. And it is very hard for private companies to do that.

Domestically, many destinations market domestically freely. And whether it is Las Vegas or Walt Disney World or Miami or Alaska or Hawaii or wherever, and we really haven't studied that as a problem. We don't expect the Government really to—at this point to help us with that.

Senator BEGICH. What about \$200 million? Do you kind of all agree with that kind of number?

Mr. GILLILAND. Yes, and just to put that into context, I think there is a view that the \$200 million would be really helpful, I think, for a company our size. And we are a relatively small business in the whole scale of things, as I think about some of the folks that are represented at this table. We spend globally for *Travelocity.com* more than \$200 million on advertising, both online and offline.

So I think, as we think about the number, it sounds like—to us, it sounds like a lot in the context of what has been spent historically. On the other hand, as you think about what we have to spend to promote brands on a global basis and what we need to do to communicate with a very large global audience, it is a very reasonable amount.

Senator BEGICH. Very good. Thank you very much.

Senator KLOBUCHAR. OK. Thank you.

Thank you, Senator Begich.

Senator Martinez?

Senator MARTINEZ. Mr. Rasulo, I wanted you to know that I saw the film. I think you may have shown it to me yourself when we first acquired it and you first put it together. And I want to tell you that about 2 or 3 weeks ago, I was returning to the U.S. through Miami, and it was there playing for all to see, and it is wonderful.

And I find that that is a very positive and needed thing because I have seen studies or polls that would suggest that about 54 percent of foreign travelers to the U.S. feel that U.S. immigration officials were rude to them when they come through. And we understand that. That is not a good thing.

And there ought to be some things we can do about that, shouldn't there? I mean, maybe they ought to go through the Disney college for a little bit of friendly environment, management training, or something.

So anyway, I want to commend you for the film. I think it is terrific. It really shows the best of America in a very compelling way.

And I also want to just, before I ask a question or two, make a comment that some years ago, when I was mayor of Orange County, because of our expanded convention center, the fact that it was really an international destination in many respects, they urged me to attend a travel show in Berlin. And it is a big annual travel show there. I am sure all of you are familiar with it.

Mr. RASULO. It is called ITB.

Senator MARTINEZ. Exactly. And it was there that I really had my eyes opened to what world competition in this business really was because there is one exhibit after the other, after the other showing the best of countries around the world. When it came to us, there was a Disney booth. I remember there was a Texas dis-

play, and there might be a random number of things, but there was no cohesion. There was no coordination.

And when it came to marketing themselves, I promise you, people from all over the world were there. So the competition for travel dollars is keen, is tremendous, and all that we can do to improve the travel experience, as well as promote it, I think, is necessary. So I am a strong supporter of the bill, and I hope we can get it done this year because this is a year where the industry absolutely needs it.

Along those lines, I wanted to ask each of you to comment, if you have any knowledge on this, as to whether you felt we had made progress in facilitating travel to the U.S. for foreign visitors in a post-9/11 world?

I know we had a lot of problems, and I know I have worked with the Disney folks and others about our Brazilian travelers, for instance, who have such difficulties just to get a visa in a very, very large country. And have we made enough headway in that direction?

Mr. RASULO. I will start. I am sure my colleagues have things to add. We have made some headway.

I think that the expansion of the Visa Waiver Program has been an absolutely terrific first step. There has been some additional customs officers that were hired, recommended and hired. And I think the number was about 200. And that, just speeding people through the borders.

There is remaining work that needs to be done in using more technology to do interviews for visas in countries like Brazil, where people sometimes have to travel 500 miles to get to a consular office to just start the process of maybe coming to the U.S. because they may, of course, be denied.

So they have to take a trip out of their own home, stay overnight—

Senator MARTINEZ. And bring the kids.

Mr. RASULO.—and you have to bring every member of the family who is traveling. So they have to—we say they have to take a trip to make a trip. And with expensive and uncertain outcome.

So we encourage the State Department to continue the use of whatever available technologies can be done, videoconferenced interviews and so on and so forth, to make that a little easier. It still remains the most difficult aspect of acquiring a visa.

Senator MARTINEZ. Any other comments?

Mr. WITZEL. I would mirror what Jay said and add one last thing to your point. We have a lot of colleagues from around the globe who come to Minneapolis, come to Minnesota. And we, too, have a problem with how they are greeted. And that does leave an impression that we are not as welcoming as we should be.

Senator MARTINEZ. May I ask one other question?

I have recently learned of the staggering drop in tourism to a good friend and neighboring country, Mexico, as a result of the H1N1 problem. And I know, Mr. Rasulo, that your very fine cruise line also travels to Mexico from time to time. Apparently, the World Health Organization suggested that there was no rational basis for travel restrictions to Mexico.

I was wondering has that eased now? Are we back to traveling to Mexico? We are talking about a drop in our tourism. Can you imagine what they are going through when you are talking about drops in the 80 percent numbers?

Mr. RASULO. Well, I think most cruise lines, including our own, did restrict travel to Mexico, mostly because of concerns of travelers who were basically going to cancel their cruise if the cruise ship went to Mexico. So it was very much a response to the public reaction to travel to Mexico.

And I think you will continue to see those itineraries being changed through the month of June. I don't think any cruise lines have announced beyond the month of June continuing to avoid ports of call in Mexico.

Mr. GILLILAND. We have a lot of data on travel to and from Mexico, both through travel agencies and through our own travel agency, *Travelocity.com*. We saw, as you would imagine, a dramatic drop-off in volumes to Mexico during that period of about a week. Corporations did not put in place specific policies broadly saying that they wouldn't allow their employees to go to Mexico. But because the country was, in essence, closed for a week, there was no reason really to go there or be there.

It is back open again. We are seeing volumes begin to pick up a bit. But the other thing that we will need to change, as itineraries change and travelers start to go back to Mexico again, airlines will need to restore capacity and schedules back to Mexico, too, because, as I think you are aware, many canceled their schedules into Mexico.

So we will look for that to occur over probably about the next month as well.

Senator MARTINEZ. Well, I thank all of you, and I think, for sure, what we need to do is avoid doing more harm to the industry by rhetoric. Whether it made good politics, it certainly doesn't make for good business, and that translates to jobs. People's livelihood depends on the travel industry in places like Florida and Minnesota and around the country, Vegas and other places.

And so, we need to be rational about how we talk about this situation and encourage the type of responsible business travel that is the part of American business that it has been in the past, as well as family travel as we start into the summer vacation season.

Thank you all very much.

Senator KLOBUCHAR. Well, thank you very much, Senator Martinez.

Ms. Saunders, I just had one last question. You have been sitting there, so patient. And I know that the Administration, because the Travel Promotion Act was just introduced this week, you have to go through the process to give an endorsement of the bill. But I believe that President, then-Senator Obama was the co-sponsor of the bill. Is that correct, Ms. Saunders?

Ms. SAUNDERS. Yes, that is my understanding.

Senator KLOBUCHAR. Well, that is good news, I think. I just thought I would get that on the record there, and that is really all you need to say, Ms. Saunders.

[Laughter.]

Senator KLOBUCHAR. OK, I wanted to thank all of you. You were wonderful witnesses. We are going to have our second panel come up right now. And thank you so much. If you can stick around, do. Otherwise, safe travels.

Thank you.

[Pause.]

Senator KLOBUCHAR. OK. We are going to start with our second panel here. We have, first of all, Rossi Ralenkotter. Did I say your name right, your first—

Mr. RALENKOTTER. Yes, you did.

Senator KLOBUCHAR. Excellent. And this panel, by the way, we are going to promise a song at the end, right, Ms. Keller, if we are lucky?

Ms. KELLER. Sure.

Senator KLOBUCHAR. All right. Good.

Rossi Ralenkotter is the President and CEO of the Las Vegas Convention and Visitors Authority. Travel and tourism employs around 30 percent of the workers in Las Vegas. So we are very interested, Mr. Ralenkotter, in what you have to say about the state of the industry.

I think I will just go through and introduce all three of you here. Chad Prosser, who is the Director of South Carolina Department of Parks, Recreation, and Tourism. Mr. Prosser has testified before this Committee. Senator Graham said good things about you. Thank you.

And then Judy Zehnder Keller, who is the Owner and Operator of the Bavarian Inn Lodge in Frankenmuth, Michigan. And I should point out that the website to Ms. Keller's lodge tells visitors that the Bavarian Inn Lodge is "a place to step into the heart of Germany with your feet planted firmly in Michigan."

And we felt it was very important to have one of our smaller lodges or hotels represented here, compared to some of the large-scale businesses that we have been talking about. And the focus of this panel is some of the regional problems we have seen with the downturn in the travel industry and how to improve that.

Mr. Ralenkotter?

**STATEMENT OF ROSSI RALENKOTTER, PRESIDENT/CEO,
LAS VEGAS CONVENTION AND VISITORS AUTHORITY**

Mr. RALENKOTTER. Thank you.

Good morning, Madam Chairman and Senator Martinez and distinguished members of the Committee. Thank you for allowing us to participate in the hearing today.

I think it is significant that we are having this testimony since this is the celebration of National Travel and Tourism Week throughout the United States. In fact, yesterday, throughout the country, there were over 42 rallies held by employees in our industry to talk about the significance of tourism and travel and what it means to their lives and jobs.

And in Las Vegas, we had a rally in front of the Las Vegas Convention Center, and we had over 500 employees from our resort industry. In fact, I have a photo of the entire crew that happened to be there.

You will notice that the color blue is significant because it was “wear blue on Tuesday” because blue is one of the primary colors of the State of Nevada. And if you look very closely, there are three members of the Blue Man Group that are there.

Senator KLOBUCHAR. Pretty cool.

Mr. RALENKOTTER. So we even brought them in from the Venetian Hotel.

Senator KLOBUCHAR. We should have had them here.

Mr. RALENKOTTER. Well, if we had known, we would have brought them in.

Senator KLOBUCHAR. All right. Next time.

Mr. RALENKOTTER. But I think it is significant that we are celebrating National Tourism Week as we talk to you about the value of travel, conventions, and tourism. I am going to give you a little perspective from a destination standpoint, then kind of go into some thoughts about the Travel Promotion Act and some of the impacts and effect on conventions and meetings in Las Vegas.

But I had to go back to Wayne Newton, years ago, when asked, “What is the difference between Las Vegas and other destinations?” He said that we truly are the only city that evolved to host people. And that is what we do.

And so, today, over 250,000 people in Las Vegas are employed because of tourism. Three out of every four jobs in Las Vegas are directly related to travel. The industry generates more than \$30 billion for the local economy every year. The Las Vegas Convention and Visitors Authority last month celebrated its 50th anniversary. We have been in existence since 1959, and we are funded by room tax revenue.

And in that 50-year period, just the room tax generated by the visitors to our hotels with our resort partners has generated over \$2 billion of tax money that has gone back to our community for schools, for parks, and for recreation. In fact, in the last 10 years, one out of every four schools built in Las Vegas in Clark County has been built with room tax.

So it is a true partnership with the community. So as the industry grows for Las Vegas and the State of Nevada, all of us who live there have a better quality of life because of travel and tourism.

Over the last two decades, Las Vegas has truly evolved into more than just a gaming destination. We offer world-class entertainment, exquisite dining, fabulous shopping, in addition to the finest resorts anywhere in the world. We currently have over 140,000 rooms in our inventory, and within the next 12 months, we will add another 13,000 rooms, which will give us 150,000 rooms to fill each day.

And traditionally, Las Vegas runs about 25 percentage points above the national average when it comes to occupancy. So you can see it is a tremendously large industry for Las Vegas. It truly is the engine that drives our economic train.

We host about 38 million visitors annually. Eighty-five percent of our visitors are leisure visitors. The other 15 percent come for conventions and business travel.

Last year, we hosted over 22,000 meetings, conventions, and trade shows. Fortune 500 companies are in Las Vegas on an annual basis, having their shows, having corporate meetings. And for

the last 15 years, Las Vegas has been the number-one trade show destination in North America, according to the Trade Show Week 200, in hosting the top 200 trade shows, the largest 200 trade shows, in North America.

Now we didn't get there overnight. It took us about 35 years to become number one, and we are dedicated to maintaining that position. But that commerce is good not only for Las Vegas, but for the country as a whole because people do conduct business when they are at the meetings and the trade shows.

This week, as an example, we have RECon, which is the global retail real estate convention, which was formerly known as the International Council of Shopping Centers, meeting in our city to exhibit, to conduct commerce, to talk about industry issues that they have. So you can see we are a part of the entire fabric of America when it comes to business.

As we analyze the current trends in data for Las Vegas, I can absolutely say the current recession has had the most severe impact on our industry than ever before. I have been at the LVCVA for a little over 36 years. I have seen a variety of impacts on our industry, but this is the greatest that I have seen in that time-frame.

I have been calling it "the imperfect storm" because there are so many variables that have contributed to the downturn—fluctuating gas prices, housing foreclosures, unemployment, the banking system collapse, volatility in the stock market, airline cutbacks, unemployment, and now the challenges to the meetings and convention market.

We began to see a softening in our market last spring, the middle of the year. For 2008, our visitation was down 4.4 percent. Our convention attendance was off 5 percent, and our passengers coming into McCarran International Airport off almost 8 percent.

But that trend continued, and it has become more severe in the first quarter of 2009. Visitor volume is off 9 percent for the first 3 months. Our convention attendance is down 29 percent.

So you can see that we have seen that in a very short period of time. Unemployment is at the highest rate in more than 25 years in the State of Nevada at 10.4 percent. Approximately 16,000 people have lost their jobs in the State of Nevada that were directly employed in the tourism industry.

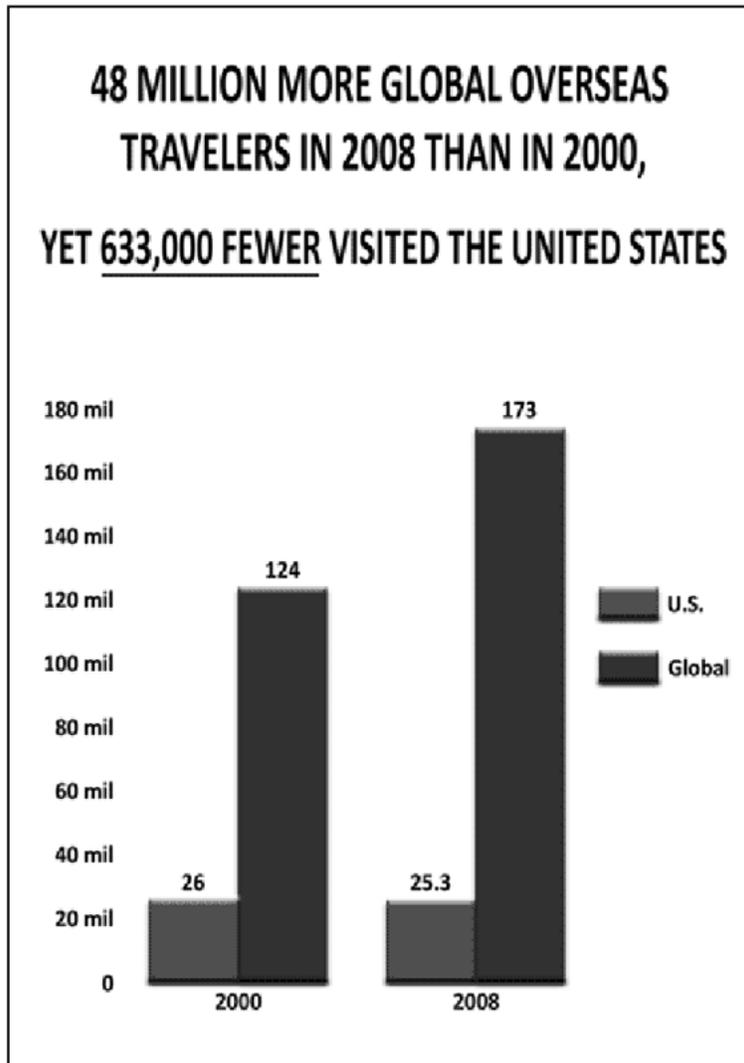
And when you look at the national projections—that is, the number of potential job losses in our industry for 2008–2009—that number could reach 450,000 across the country. So this is about jobs. The stimulus to bring people to Las Vegas, to bring people to the United States, to travel between States does equate to jobs.

Las Vegas truly is a microcosm of the entire tourism industry. And while many of the challenges are because of the recession, there are long-term issues we must address. Foremost is the tremendous disadvantage the travel and tourism industry faces when competing with other countries. Travel and tourism is one of America's most successful industries, generating a trade surplus that helps offset the Nation's trade deficit.

While international travel has boomed over the past several years with 48 million more overseas trips booked in 2008 than in 2000, America actually lost visitors, welcoming 633,000 fewer over-

seas travelers last year. If the United States had simply kept pace with the growth in global sales overseas, 58 more million overseas travelers would have visited the United States in that period, and approximately 245,000 new jobs would have been created.

If you look at this chart here, it gives you an example of that. And I will talk just specifically about Las Vegas. In the year 2000, our market share of international arrivals was 18 percent. Today, it is 12 percent. So we have seen an erosion of our market share in that period of time from 18 to 12.



And I will give you another statistic, which kind of drives what my office does every single day, is that for every 1,000 rooms that are built in Las Vegas, we need to have 200,000 additional visitors

to maintain the same levels of business. And if you equate that to the international side, to be able to get back to the market share we need, we need to drive a million more international visitors just to Las Vegas.

So the scope of what we need to do is something that is a competitive issue. We need to get our brand out, but we also need to get the brand of the United States out.

As Jay had mentioned, Jay Rasulo had mentioned, every developed nation except for the United States is doing national travel programs. This chart over here kind of gives you a synopsis of that. In this country, we are being outspent collectively 100-to-1 when it comes to travel promotion.

We talk about what we need to do to get in the game. I don't even think we are in the game. And so, the Travel Promotion Act is going to allow us to compete across the country.

And I am going to use the example of the Las Vegas Convention and Visitors Authority as kind of the template of how we can do this. Because it is a public-private partnership, the way we market Las Vegas is very easily transferred as to how we would do this for the United States.

We are the brand marketers for our destination. We talk about the essence of our brand. We reach out and create demand for Las Vegas as a brand. And then within that, the individual hotel properties, whether it is the Venetian or the Bellagio or Caesar's Palace, they market with us.

And so, the amenities that they have, the services that they provide, the types of convention facilities they have come under our umbrella of our brand. And that is exactly the way the national—the Travel Promotion Act should work. So it is brand USA, and within that, all of us can promote the greatest travel destination on Earth.

If you look at all the diversity, all the things that the United States has to offer for travelers and conventions and meetings, no one can beat us. But we collectively are not positioning our brand. And so, that is what the Act would do. All of us would work very closely with the branding of the USA, and then we will go and sell our individual products as we go forward.

And there is enough activity, there are enough markets out there, there is enough demand for the United States that all of us can profit, whether it is a small city, large city, resort destination, such as Las Vegas.

The other long-term issue that we need to address is the perception that business travel is not a worthwhile investment. Actually, it is a necessary investment, and I will just give you an example.

The National Association of Broadcasters, which held their convention in Las Vegas in 2008, indicated to us that they conducted over \$68 billion worth of commerce when their convention was in Las Vegas. Having conventions, corporate meetings are part of the fabric of the United States economy. We need to go out and promote that.

Anything that deters people from making the decision to have a corporate meeting or to travel to a trade show or convention hurts everyone. But more importantly, it impacts jobs. And so, we need to make sure that Congress and everyone in our industry are pro-

moting the value of meetings and conventions, the fact that we do need to meet face-to-face, and so those are very important things for us.

And so, as we go forward, we need to be able to promote and make it easy for corporations to make a decision to have a meeting someplace else. Even if it is an incentive meeting because, as has been indicated earlier, incentives are the core of what makes the economy go, too. And so, it is important for us there.

So just kind of talking about that, Las Vegas, just in the period of the last 4 months, I will tell you how much business we lost. We had 402 meetings canceled, with an impact of \$166 million in lost business. And that impacted, directly impacted over 46,000 employees in our destination.

And so, we need to be able to have some accountability for the companies that received the TARP funds, but we also need to be able to encourage travel and corporate meetings. And so, therefore, we need to look at some of these guidelines so that people continue to travel. And we have to be concerned about business into the future because all of us survive on these corporate meetings.

So, again, just two things I want to leave the Committee with. Number one is the fact that we need to encourage business travel, corporate travel, and incentive travel collectively. It is good for the country. And then the Travel Promotion Act, which will allow us, as a country, to promote brand USA and to allow all of us to be part of that marketing.

Thank you for your time. And if there are any questions, I am sure we will have those at the end.

Thank you.

[The prepared statement of Mr. Ralenkotter follows:]

PREPARED STATEMENT OF ROSSI RALENKOTTER, PRESIDENT/CEO,
LAS VEGAS CONVENTION AND VISITORS AUTHORITY

Good morning Senators and thank you for the invitation to participate in today's hearing. As you are aware, May 9–17 is National Travel and Tourism Week. Yesterday in Las Vegas, hundreds of individuals rallied at the Las Vegas Convention Center in a show of unity and pride for what travel and tourism provides to Southern Nevada. It is the number one industry for Las Vegas. In fact, the travel and tourism industry is the number one economic stimulus for the entire State of Nevada.

Approximately 250,000 people in Las Vegas are employed because of tourism. Three of every 10 jobs in Las Vegas are directly related to travel and tourism. The industry generates more than \$30 billion for the local economy every year. Over the past 50 years, room tax revenue generated by leisure tourists and conventions and meetings delegates has contributed approximately \$2 billion to help fund the construction of schools, roads, parks and other local government services.

Over the last two decades, Las Vegas has evolved into more than a gaming destination. We offer world-class entertainment, exquisite dining and fabulous shopping, in addition to the finest resorts anywhere in the world. Las Vegas has over 140,000 hotel rooms, more than any other destination and we are scheduled to add an additional 13,000 rooms to our inventory this year. Hotel occupancy is traditionally 25 percent points higher than the national average.

Las Vegas hosts approximately 38 million visitors annually. Eight-five percent of our visitors are leisure travelers, and 15 percent are business travelers. Las Vegas hosts more than 22,000 meetings, conventions and trade shows every year. Fortune 500 companies routinely meet in Las Vegas and conduct business. For 15 consecutive years, Las Vegas has been the number one trade show destination in North America, according to the *Tradeshaw Week 200*, a trade media publication that analyzes data from all destinations. In fact, this week we have RECON—the Global Retail Real Estate Convention—formerly known as the International Council of Shopping Centers Show—in Las Vegas.

As we analyze the current trends and data for Las Vegas, I can absolutely say the current recession has had the most severe impact on the industry than ever before. I refer to it as the “imperfect storm” because there are so many variables that have contributed to the downturn: gas prices, housing foreclosures, the banking system collapse, volatility in the stock market, airline cutbacks, unemployment and challenges for the meetings and conventions market. We began to see a softening of the Las Vegas market around the middle of last year and all indicators began to drop dramatically when fall arrived. For 2008, visitation was down 4.4 percent, attendance at meetings and conventions decreased 5 percent and the number of airline passengers coming into and leaving McCarran International Airport was down almost 8 percent.

Through the first 3 months of 2009, visitor volume is down almost 9 percent, passenger traffic and McCarran is off 14 percent, and convention attendance is down 29 percent, a reflection of the economy but also because of the regular industry practice of some shows rotating cities for their event. Unemployment is at its highest rate in more than 25 years and is at 10.4 percent. Approximately 16,000 people in the travel and tourism industry in the State of Nevada have lost their job within the last year because of the recession.

Las Vegas is a microcosm of the entire tourism industry. And while many of the challenges are because of the recession, there are long-term issues we also must address. Foremost, is the tremendous disadvantage the travel and tourism industry faces when competing with other countries. Travel and tourism is one of America’s most successful industries, generating a trade surplus that helps offset the Nation’s trade deficit. While international travel has boomed over the past several years, with 49 million more overseas trips booked in 2008 than in 2000, America actually lost visitors, welcoming 633,000 fewer overseas travelers last year. If the United States had simply kept pace with the growth in global overseas travel, 58 million more overseas travelers would have visited the United States in that period and 245,000 new jobs would be been created in 2008 alone.

Every developed nation—except for the United States—operates a nationally coordinated travel promotion campaign. Other countries outspend the United States by enormous amounts when promoting travel and tourism. According to the World Travel Organization, Greece spends more than \$151 million to promote the travel industry. Spain sends nearly \$120 million, Australia over \$113 million and the United Kingdom more than \$89 million. Canada spends \$58 million and that will probably increase with the 2010 Winter Olympics in Vancouver. The United States spends approximately \$6 million.

The Travel Promotion Act would address this issue and help create new jobs. It would provide a national platform—brand U.S.A.—for the country and states could leverage the brand with their own marketing efforts. It would be similar to what Las Vegas has done. The Las Vegas Convention and Visitors Authority provides the brand marketing platform for the destination, and private industry resorts develop marketing campaigns to attract visitors to their specific properties and attractions. The Travel Promotion Act will help address the tremendous disadvantage the United States has when competing for travelers with other countries. We appreciate the leadership of Senator Byron Dorgan and Nevada’s own Senator John Ensign, Majority Leader Harry Reid and the United States Travel Association on this proposed legislation.

The other long-term issue we need to address is the mindset or perception of some that business travel is not a worthwhile investment. On the contrary, it is a necessary investment. The National Association of Broadcasters holds its annual trade show in Las Vegas and the organization reported that more than \$68 billion of business was secured from the 2008 event because of the face-to-face meetings on the trade show floor. The industry trade organization Meetings Professional International released a study this spring that showed face-to-face meetings is still the most valuable sales tool for organizations. Even with all the technology today, a face-to-face meeting is still required to lay the foundation or finalize a business agreement.

Recently, the meetings and convention industry has received a lot of attention, especially the incentive-based travel programs. It caused many corporations—both those receiving TARP funds—and those who did not receive TARP funds—to postpone, reschedule or cancel their business travel. In Las Vegas, the impact was 402 canceled meetings and more than \$166 million in lost business. This directly impacted the 46,000 individuals who work in this particular industry segment in Las Vegas. We certainly understand the need for accountability for those companies receiving TARP funds. However, the concept of Federal meetings guidelines for those organizations receiving Federal aid may be a solution to address accountability while not harming an industry that contributes nearly \$16 billion in tax revenue

to Federal, state and local levels. When the meetings and convention industry is harmed, individual jobs, small businesses, corporations and the national economy are impacted.

In these trying economic times, we are all looking for ways to stimulate the economy. The Travel and Tourism Industry is one of the answers. We need to encourage people to travel for leisure and to attend trade shows and meetings—both domestically and internationally. Travel and tourism is the number one, two or three economic stimulus in most states. For Las Vegas, and Nevada, it is the number one industry. Long-term, the future of Las Vegas is bright and our brand is strong.

Senator KLOBUCHAR. Mr. Prosser?

**STATEMENT OF CHAD PROSSER, DIRECTOR,
SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION
AND TOURISM AND CHAIRMAN, TRAVEL SOUTH USA**

Mr. PROSSER. Good morning, Madam Chairman, Ranking Member Martinez. I appreciate the opportunity to be here again with you and to talk about what the Federal Government can do to assist the States in growing U.S. tourism.

Tourism for South Carolina generates over \$17 billion a year. It is our largest export. It employs nearly 12 percent of the State's work force.

And unlike other mature export industries, there is still a lot of opportunity for growth in tourism in South Carolina and nationally. I say "potential" because it is not a given. The trends are very positive in tourism, but recent declines in consumer spending and corporate travel are quick reminders of the threats to our industry.

While tourism has always had a great capacity to rebound, like we did after 9/11, we can't afford to have a critical sector of our economy underperforming at a time when our Nation is grasping for economic recovery. From 2002 to 2007, South Carolina's tourism grew by over 30 percent. Beginning in the summer of 2008, however, growth began to slow and eventually turned negative.

In the first quarter of 2009, hotel occupancy statewide dropped 12.3 percent, with decreases in all of our major tourist markets. Furthermore, business travel and meetings are down dramatically more than leisure travel.

For instance, in Greenville, one of our business hubs, hotel revenue fell by 20 percent in the first quarter, and meeting facility bookings were down by 35 percent. Two of our best-known sporting events, the Family Circle Cup in Charleston and the Verizon Heritage PGA tournament on Hilton Head Island, both reported a significant loss of ticket sales and corporate sponsorship this year.

And I think both of those events, which take place in the spring, are good examples of what we are seeing in the downturn in leisure travel and the downturn in corporate travel due to both the economy and pressure that is being put on corporations. We appreciate your continued focus on these issues.

There are basically three areas where the Federal Government can help us in returning tourism to the engine of growth industry that it has historically been. One is improved facilitation of the travel process; second, coordination of a public-private partnership to promote U.S. tourism abroad; and public leadership to encourage both leisure and appropriate corporate travel.

Two years ago when I testified here to talk about some of the obstacles international travelers were facing in coming to the United

States, we were talking about the Model Ports of Entry program. That program has since passed, and some improvements have been seen. And we have discussed some of those this morning.

I would encourage Congress to continue to push the Federal agencies to fully and completely implement that program. We are seeing positive things happen, but we need to see them happen more quickly, particularly in the current environment.

Additionally, improvement of the air travel experience, from TSA screenings to flight delays, should be a top priority as we try to return our tourism market to a competitive status.

Now, as Rossi mentioned, marketing travel is really the same as marketing any consumer product. Just as most successful international franchises promote themselves through coordinated marketing, they begin with an overall brand identity and then move down to an individual point of sale, the travel industry does much the same thing.

We compete in the global market for travelers. Our competitors are organized by national governments, and as we have discussed this morning, they are well-funded. Even collectively, the States do not have the resources to substitute for the Federal Government in promoting our country to visitors abroad.

Many of us are facing budget cuts. My own organization has had its advertising budget cut this year by half due to severe State revenue shortfalls. And so, what we are having to use our revenue for is to defend against the erosion in the domestic market. So we are seeing less money spent on international travel, and certainly that makes it tougher even for the States to continue to carry this burden without Federal Government assistance.

Now, we are different from most export industries in that tourism is comprised mainly of small businesses, over 90 percent according to the U.S. Chamber of Commerce. Given the fragmented nature of the industry, no single association can really represent us abroad, and that is why I would encourage you to pass the Travel Promotion Act that was just reintroduced this year.

Now, lastly, a simple, but powerful way that you can help us is to use your influence over public perception to promote leisure and appropriate business travel. Simply restoring the spousal travel deduction, as proposed by Senator Graham, would be a great message to send as part of that process. This costs nothing, but the financial dividends are real and immediate.

With hotel rates reduced by as much as 40 percent in destinations such as Myrtle Beach, there has really never been a better time for Americans to travel. Consumers simply need a nudge of confidence to get them traveling again.

Ultimately, the solution is not found in discounting, but in deliberate action to improve the travel process and let our visitors know that we are open for business.

Thank you.

[The prepared statement of Mr. Prosser follows:]

PREPARED STATEMENT OF CHAD PROSSER, DIRECTOR, SOUTH CAROLINA DEPARTMENT OF PARKS, RECREATION AND TOURISM AND CHAIRMAN, TRAVEL SOUTH USA

Good Morning Madam Chair and Members of the Committee. I am the Director of the South Carolina Department of Parks, Recreation and Tourism and I also

serve as Chairman of Travel South USA, a regional marketing organization that represents the 12 Southeastern states. I appreciate the opportunity to appear before you today to discuss the importance of tourism to South Carolina and what the Federal Government can do to assist state tourism organizations in growing our national economy through tourism.

Tourism generates over \$17 billion annually in economic activity for South Carolina. It is our state's largest export and accounts for more than 12 percent of total employment. And, unlike many other mature export industries, tourism in our state is still growing with potential for future expansion. I use the word "potential" deliberately because continued growth is not a given. While long-term growth trends in tourism are positive, recent declines in consumer spending and corporate meetings travel are quick reminders of the near-term volatility of our industry. And while our industry has always had great capacity to rebound, just as we did following 9/11, we can ill afford for such a critical sector of our economy to be underperforming just as the Nation is fighting recession and grasping for recovery.

From 2002 to 2007, South Carolina's gross tourism product grew by over 30 percent, surpassing the state's overall Gross State Product growth of 23 percent. Beginning in the summer of 2008, however, growth began to slow and eventually turn negative. The dramatic fall in consumer confidence levels has significantly affected hotel bookings and attraction visits, as well as, many small businesses that rely on tourism. In the first 3 months of 2009, hotel occupancy statewide dropped 12.3 percent, with decreases being experienced in all of our major tourist destinations. Furthermore, business travel and the corporate meetings business is down more dramatically than leisure travel. For instance, one of our business hubs, Greenville, has seen hotel revenue fall by 20 percent in the first quarter and bookings at meeting facilities down by 35 percent.

Two of South Carolina's best-known sporting events—the Family Circle Cup women's tennis tournament in Charleston and the Verizon Heritage PGA Golf Tournament on Hilton Head Island—both reported a significant decrease in ticket sales and corporate sponsorship this year. These spring events clearly demonstrate both the decline in leisure travel due to the economy and the severe drop in corporate travel due to economic strain and public pressure on corporations.

We appreciate the Senate's continued focus on improving tourism within the United States. There are three areas where the Federal Government can have a positive impact in returning tourism to the engine of growth it has historically been. These are: Improved facilitation of the travel process; Coordination of a national public/private partnership to promote U.S. tourism abroad, and Public leadership to encourage both leisure and appropriate corporate travel.

Two years ago, I testified here regarding the obstacles faced by many international travelers to the United States. Since that time, the Model Ports of entry program and the expansion of the Visa Waiver Program have led to some improvements for our international visitors. However, Congress should continue to push Federal agencies to fully and quickly implement these initiatives. Additionally, improvement of the air travel experience, from TSA screening to flight delays, should be a top priority. A survey released last May showed that air travelers avoided 41 million trips in the prior year due to frustration with the air travel process. These unnecessary obstacles hinder our ability to compete.

Marketing travel is the same as marketing any international consumer product. Just as the most successful international franchises promote themselves through coordinated marketing that begins with an umbrella brand identity and follows through to each local point of sale, the travel industry must do the same to be successful. States and our tourist destinations compete in a global market for travelers. Our competitors are organized by national governments and well-funded. Even collectively, the states do not have the resources to substitute for the Federal Government in promoting our country to international visitors. Over the last year, most state tourism organizations have been hit hard by budget cuts. My organization's advertising budget has been cut in half this year due to severe shortfalls in state revenue. Thus, while real opportunities exist to grow U.S. market share in tourism, fewer dollars are being spent on this task as states and destinations use their limited funds to defend against further erosion in the domestic travel market.

Tourism is distinctly different from most large export industries because it is comprised mostly of small to medium-sized businesses, over 90 percent according to the U.S. Chamber of Commerce. Given the fragmented and diverse nature of the industry, no single group or trade association can effectively represent the entire industry abroad without the coordination of the Federal Government. That is why I encourage you to pass the Travel Promotion Act when it is reintroduced this year to establish a public/private partnership to promote U.S. tourism. This legislation will enable the U.S. tourism industry to compete internationally on a level playing field.

Lastly, a simple but powerful way for you to help U.S. tourism is by using your influence over public perception to promote leisure travel and encourage appropriate business travel. This action cost nothing but the financial dividends are real and immediate. With hotel rates reduced by as much as 40 percent in Myrtle Beach, Charleston and Hilton Head Island and gasoline costs this summer projected to be 42 percent lower than last year, there has never been a better time to travel. Consumers simply need a nudge of confidence to get them traveling again.

Your leadership on this issue is crucial. The travel industry is doing everything it can to promote recovery. But ultimately the solution is found not in discounting but in deliberate action to improve the travel process and let visitors know that we are open for business.

Madam Chair and Members of the Committee thank you again for focusing on this issue.

Senator KLOBUCHAR. Thank you very much.
Ms. Keller?

**STATEMENT OF JUDY ZEHNDER KELLER, PRESIDENT,
BAVARIAN INN LODGE**

Ms. KELLER. Good morning, Senators.

Thank you for the opportunity to join in this discussion regarding the current challenges facing the tourism industry in our country.

My family has been in the hospitality business in the small town of Frankenmuth, Michigan, population 5,000, since 1927. I am part of a fourth-generation family business known as Bavarian Inn Restaurant and Lodge.

Our restaurant seats 1,200 guests in 11 dining rooms. Our adjacent lodging property has 360 guest rooms, with 5 indoor pools and a family fun center, indoor 18-hole miniature golf course, and over 100 video games. The lodge also caters to the meeting and conference market, accommodating 500 delegates in one area and 300 delegates in another.

On the national scene, we would be considered a small business. However, in our town of 5,000, we are considered big business as we employ about 1,000 people locally. Our 2008 payroll was \$11.4 million. This is 7 percent less than 2007.

We have eliminated hundreds of positions as our monthly sales have declined anywhere from 7 to 20 percent. It is hard to make payroll every week and even harder to make our interest and monthly principal payments.

Of course, in the State of Michigan, we can certainly point to the crumbling auto manufacturing industry as the most significant reason for our situation. The workers of the auto companies, their vendors, and suppliers are our customers.

Like so many other private family businesses, we feel helpless as our customers lose their jobs. People out of work do not even travel locally, not in their backyards, when they don't know how they are going to make their house payments or pay their electric bills.

So what have we been doing to try and survive in this downturn? Private sector tourism businesses in our small community have not cut back on advertising. Four million dollars per year in paid advertising is substantial but has not brought about the desired results. For decades, we experienced 3 million visitors annually to our small town of 5,000. That sure is not the case now.

This year, Frankenmuth, along with 23 other travel destinations in our State, began partnering with the State of Michigan and its tourism promotional efforts. Total dollars being spent on promoting

Michigan as a travel destination has now increased to an all-time high of \$30 million.

Ten million dollars has been devoted to the first-ever national campaign to promote the four seasons enjoyed in Michigan. Hopefully, you have seen some of our Pure Michigan ads. I saw two of them last night on CNN.

You might ask how the State of Michigan can justify spending tax dollars on tourism promotion given the huge deficit we are experiencing with the auto industry meltdown? Visitors spend over \$18 billion annually in Michigan, generating \$874 million in State taxes, accounting for 192,000 jobs.

The latest research found that each advertising dollar Michigan spent in out-of-state markets over the past 4 years generated \$2.86 in new additional State tax revenues. To repeat, \$1 gets you \$2.86 in return. For the most part, those tax dollars came back to Michigan in the same year the advertising dollars were spent.

As we diversify our industry base in Michigan for the long term, we are very mindful that tourism is the only industry that does not require huge amounts of infrastructure funding to bring about new facilities and job opportunities. Our natural attractions are already in place, and we couldn't expand on them if we wanted to.

We can't build any more Great Lakes, sand dunes, rivers, forests, or inland lakes. Every State in this great Nation has similar natural tourism attractions. The great cities and manmade attractions are simply a big plus for Americans and foreign visitors to enjoy on their way to and from our natural wonders.

It seems rather strange that over 50 years ago, we had major campaigns in this country asking our citizens to visit America first. A bittersweet memory for people over 60 like me would be Dinah Shore, singing that famous General Motors commercial in the 1950s, which started out with—and you have to excuse me, my voice is not as good, but—

Senator KLOBUCHAR. You are better than we could do. Go ahead.

Ms. KELLER. All right. "See the USA in your Chevrolet. America is asking you to call. Drive your Chevrolet through the USA. America is the greatest land of all."

Now what can we do as a Nation to encourage our citizens to stay in the USA for their recreation and vacationing? Seeing America first would help retain millions of jobs for our citizens and would create new jobs for our millions of unemployed.

At the same time, our message to all parts of the world should be "come visit the USA now." The natural wonders and the vibrant cities of America have not changed at all during the worldwide economic slump and may never be as affordable to visit as right now.

Our Pure Michigan campaign has been the most successful tourism campaign in our State's history. I feel all 50 States need an opportunity to partner in a similar way with the Federal Government to attract the international visitor as no individual State can accomplish this on their own.

Ladies and gentlemen, I appreciate the opportunity to be with you today. I invite you all to visit my hometown of Frankenmuth and experience firsthand Pure Michigan.

Danke schoen.

[The prepared statement of Ms. Keller follows:]

PREPARED STATEMENT OF JUDY ZEHNDER KELLER, PRESIDENT, BAVARIAN INN LODGE

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Our 2008 payroll was \$11.4 million. This is 7 percent less than 2007. We have eliminated hundreds of positions as our monthly sales have declined anywhere from 7–20 percent. It is hard to make payroll every week and even harder to make our interest and principal payments monthly.

Of course, in the State of Michigan, we can certainly point to the crumbling auto manufacturing industry as the most significant reason for our situation. The workers of the auto companies, their vendors and suppliers are our customers. Like so many other private family businesses we feel helpless as our customers lose their jobs. People out of work do not even travel in their own backyards when they can't make their house payments or electric bills. So what have we been doing to survive in this downturn? Private sector tourism businesses in our small community have not cut back on advertising. \$4 million per year in paid advertising is substantial but has not brought about the desired results. For decades we experienced 3 million visitors annually to our small town of 5,000. That sure is not the case now.

This year, Frankenmuth, along with 23 other travel destinations in our state began partnering with the State of Michigan and their Tourism Promotional efforts. Total dollars being spent on promoting Michigan as a travel destination has now increased to an all time high of \$30 million. \$10 million has been devoted to the first ever national campaign to promote the four seasons enjoyed in Michigan. Hopefully you have seen some of the "Pure Michigan" ads.

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As we diversify our industry base in Michigan for the long term, we are very mindful that tourism is the only industry that does not require huge amounts of infrastructure funding to bring about new facilities and job opportunities. Our natural attractions are already in place and we couldn't expand on them if we wanted to. We can't build more Great Lakes, sand dunes, rivers, forests or inland lakes.

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It seems rather strange that over 50 years ago we had major campaigns in this country asking our citizens to: "Visit America First".

A bittersweet memory for people over 60, like me, would be Dinah Shore singing that famous General Motors commercial in the 1950s which started out with:

"See the U.S.A. in your Chevrolet.
America is asking you to call.
Drive your Chevrolet through the U.S.A.
America's the greatest land of all."

Now, what can we do as a Nation to encourage our citizens to stay in the U.S.A. for their recreation and vacationing?

Seeing America First would help retain millions of jobs for our citizens and would create new jobs for our millions of unemployed.

At the same time, our message to all parts of the world should be: "Come Visit the U.S.A. Now!" The natural wonders and vibrant cities of America have not

changed at all during the worldwide economic slump and may never be as affordable to visit as right now.

Our Pure Michigan Campaign has been the most successful tourism campaign in our state's history.

I feel all 50 states need an opportunity to partner in a similar way with the Federal Government to attract the international visitor as no individual state can accomplish that on its own.

Ladies and gentlemen, I appreciate the opportunity to be with you today. I invite you all to visit my hometown of Frankenmuth and experience first hand, "Pure Michigan."

Danke Schoen and Auf Wiedersehen!

Senator KLOBUCHAR. There you go, Mr. Ralenkotter.

Mr. RALENKOTTER. There we go.

Senator KLOBUCHAR. Thank you very much, Ms. Keller.

Senator Martinez?

Senator MARTINEZ. Ms. Keller, I was really hoping you were going to sing that jingle.

Ms. KELLER. I would have tried, but as you can see, I am a little hoarse today.

Senator MARTINEZ. I can remember Dinah Shore doing that. I think it was——

Ms. KELLER. Maybe you would like to sing it.

Senator MARTINEZ. Well, I am about dying to, actually.

[Laughter.]

Senator MARTINEZ. I didn't think I would be asked. Otherwise, I would have rehearsed and be prepared. But I wouldn't do that to the rest of you, for sure.

Where are you located, by the way? Let us do a little promotion here.

Ms. KELLER. Well, if you are from Michigan, everybody does this. Senator MARTINEZ. OK.

Ms. KELLER. They show you the hand. And we are here. We are about an hour and a half north of Detroit right off of I-75.

Senator MARTINEZ. On the lake?

Ms. KELLER. No.

Senator MARTINEZ. Oh, no?

Ms. KELLER. We are right in the middle. We have only manmade attractions. We are a German community that has developed into a shopping mecca. And we have over 100 and some different mom-and-pops shops.

Senator MARTINEZ. Wow.

Ms. KELLER. And we specialize—we have one store specializing in Christmas, 7 acres under one roof. We have these big restaurants of which my family are part of, and we are listed in the National Restaurant Association as a top 100, I think we are 2 and 3 top independent restaurants in the United States due to the volume of people we serve.

Senator MARTINEZ. Fantastic. And you have 3 million visitors a year? That is an incredible number.

Ms. KELLER. We used to, yes.

Senator MARTINEZ. And are they local, or were they coming from all over?

Ms. KELLER. Well, they are from Michigan, Ohio, Indiana. We have a lot of regional conferences, a lot of national. I am just now

finishing the Newfoundland National Dog Show in my hotel. We had every—50 states represented and 8 countries.

Canada has, in the past, been a very good market for us. It is not as good as it used to be.

Senator MARTINEZ. Well, Mr. Ralenkotter, we share communities that are very similar. Las Vegas and Orlando probably compete but, at the same time, have the same sort of vibrant convention and visitors opportunities that I think are unparalleled anywhere in the world really. And I realize that in this current situation, business travel has been hampered obviously by the economic conditions.

But I wondered if you could tell me whether you feel that the rhetoric and the atmosphere that has been created has had an impact, independent and above that which comes from the economic downturn we are facing today?

Mr. RALENKOTTER. It most definitely has. And the numbers that I gave to the Committee on the direct impact of cancellations that we saw in the first few months when the rhetoric did heat up and talk about corporate meetings as well as incentive.

The other unknown is how much of this is going to impact future bookings because we are now, especially on the corporate meeting side, which is short term, some of those are 30 days, 60 days out, of companies that may make a decision not to have their meeting or to change location because they are concerned of being criticized for going to a resort destination such as Orlando or Las Vegas or Hawaii, New Orleans. And so, we have to be concerned about that.

And it is not only the companies that received the TARP funds, but it is just corporations in general concerned of the impression that they may give to their stockholders or to the general public or to the media.

So we need to be able to go out and talk about the importance of meetings and conventions. In fact, I am a member of the United States Travel Association. And with the meetings industry, we have collectively gotten together to talk about the value of meetings. I have got here—

Senator MARTINEZ. Is there a game plan? I mean, is there any—what can you, what can we do to try to change that perception, which is clearly there? And I know, Mr. Prosser, you have seen it, too.

Mr. RALENKOTTER. I think that it is a matter of us all collectively, together, giving the same message that conventions, trade shows, corporate meetings are good for America. It is important for us to keep those meetings going forward. Incentive travel is critical to the vibrancy of sales organizations in the country.

And so, all of us need to stay on message and not be critical because it impacts every single State, every single Congressional district because all of us have convention facilities of some sort, all of us have meetings within our areas. And so, we need to be positive and promote that.

In fact, as I was mentioning, we did do some things with the meeting industry. Here is a petition that is signed by over 22,000 employees in the resort industry and the meetings industry, talking about the impact cancellations have had on their jobs. And so, the biggest stimulus, I mentioned it before, for this economy, which

doesn't cost us anything, is to promote travel, both the leisure side as well as the corporate meeting side.

So we are all collectively moving forward with some campaigns.

Senator MARTINEZ. I am all for you, and I hope if I can in any way be of help, you will let me know.

Mr. RALENKOTTER. Thank you.

Senator MARTINEZ. Because I think it is very, very important, certainly to your community and my home community as well, and not only the State of Florida, but very specifically the convention and visitors.

But you know, by the way, the ironic thing about what we have done to ourselves here with this kind of rhetoric is that I know we always thought of the convention and trade show business to be almost recession proof. It seemed like it went on, even though the family traveler may not travel to Disney, say, with a family because of the economic circumstances of the moment.

But with this sort of atmosphere that has been created, then the visitors coming to trade shows and conventions seems to have also been impacted. Would you agree with that?

Mr. RALENKOTTER. Yes, in fact, we have seen a 29 percent decline. All of our major trade shows are seeing declines, and most of them are seeing declines in both exhibitors as well as delegates coming to the convention. Some of the spousal travel has been impacted. So this recession, along with the rhetoric, has had that direct impact.

The other thing that is critical for a destination is that, many times, someone's first visit to your city is for a convention or a trade show, and they get exposed to your city and then later on decide they are going to take a vacation there. So it has some long-term impact as well as the short term. And so, we need to encourage that commerce.

Senator MARTINEZ. Thank you all very much.

Senator KLOBUCHAR. Thank you, Senator Martinez.

I was listening to Mr. Ralenkotter talk about the big trade shows and the business conventions they would have in Las Vegas or in Orlando. I think it is very important for people to know that smaller resorts and areas that aren't in the top four tourist destinations have also seen a decrease because you have businesses and trade shows that come to your States.

And so, could you talk a little bit about the kind of businesses that you have come in, the kind of trade shows, and what you have seen as the change?

Mr. PROSSER. Right. Absolutely. We obviously don't see the large conventions that an Orlando or Las Vegas would. But we see a lot of corporate travel, a lot of what we call incentive travel for smaller groups, corporate boards. That is very prevalent at many of our resorts, and we have seen a dramatic impact on bookings and cancellations, and even cancellations where the fees paid by business to cancel are greater than what they would have paid to have the actual event take place.

And they are doing it with no business purpose.

Senator KLOBUCHAR. I have heard stories about that from businesses. And they are not financial companies, right? They may or may not be, but I have heard stories of nonfinancial companies.

Mr. PROSSER. We have seen it with both. I think the corporations, particularly public companies and CEOs, are very gun shy about any type of travel or being criticized for travel. So we see it across the spectrum, not just with banks.

Senator KLOBUCHAR. The international travel issue, we are talking about this Travel Promotion Act, and I know in our State of Minnesota, we actually have international travelers come in to see the Mall of America, and then they go to some of our other places. They see the State.

What do you see coming out of that? I think immediately people think, "Oh, it won't help our States because they are just going to go to New York," or something like that. What do you see the potential, and how can we best try to promote other areas of our country?

Mr. PROSSER. Well, for instance, a State like South Carolina, we consider ourselves to be very competitive in that what we call second tier. Once a visitor has been to the United States once—they have visited New York or California or other States, some of the larger States—then they want to come back and find out a little more about the product here in America, particularly the South.

All of our areas within the Southern States tend to get those repeat visitors as they come back, seeking a slightly different experience. So we do have international travel. We benefit from it. It is a very high-spend visitor, and so it is something that we want to attract.

It is difficult, however, because we have to go out and take the place individually as States of the Federal Government without any coordination or economies of scale that would come from having that Federal level of coordination. And we just simply don't have the funding to do that. But we do have competitive product once people discover us.

Senator KLOBUCHAR. So an argument could be made that if we had this kind of national promotion, it would actually be of great benefit to some of the what you call second-tier tourism?

Mr. PROSSER. Absolutely.

Senator KLOBUCHAR. Now who brought this board right here with the USA?

Mr. RALENKOTTER. That is from the United States Travel Association. It just kind of gives you an idea of how we are being outspent and the fact that, as I indicated, we are being outspent by more than 100-to-1 in the marketplace. So we really don't have—

Senator KLOBUCHAR. By what? Which countries or just overall?

Mr. RALENKOTTER. Right. Collectively. But that is just a representative sample of that, the \$100 million plus that Australia spends on promoting Australia.

Going back to your question on how can it benefit all of the other locations, if we truly get this brand platform and we market brand USA, then all the other areas in the country—regions, cities—large, medium, and small—can target particular market shares, market areas that have been productive for them as well as some potential ones and then be a part of that because collectively we are going to be selling the destination. And so, there is a way for everyone to get involved once this Act is passed.

Senator KLOBUCHAR. Well, I think that that video, which didn't say the word "Disney" and had little of California, a little——

Mr. RALENKOTTER. A little Las Vegas, too.

Senator KLOBUCHAR. But I think a little Las Vegas. But mostly, it was about the entire country, and I think that was the message that was trying to be sent there, that there is a lot of beautiful places to visit and that we need to do that.

Ms. Keller, maybe we will just end with you. You were talking about the jobs that have been lost at the Bavarian Inn because of this downturn in the economy, and I know you also have some business groups that come from and meet in your place, as you described, this convention center.

Could you maybe talk a little bit about those kinds of losses, the kinds of jobs of the people that have lost their jobs? What types of jobs they are, so people understand this isn't about some CEOs, that this is about people who are on the front line doing their work.

Ms. KELLER. Unfortunately, most people think that if you are in the tourism industry that you are not well paid. And when we are young and we are 16 and 17, and we take these minimum wage jobs, and it is usually our first job and could be at a camp ground or running a restaurant, working as a——

Senator KLOBUCHAR. That was when I was little. My dream was at the Jackson Lake Lodge in Wyoming. They would have their name and what they were——

Ms. KELLER. Sure.

Senator KLOBUCHAR. But I never got there. But anyway, but I did OK.

[Laughter.]

Ms. KELLER. Well, there is always retirement jobs.

But what has happened is you still need these entry-level positions, but what you do is you just structure it different. So in the last year, we have eliminated 28 percent of our full-time management positions. Those are the biggest dollars.

And those are not the jobs we want to eliminate as a country because those are the ones where everybody has hospitalization, and those are the ones we have eliminated. So with the conferences that are coming, they are coming short or there is that stigma. They are just not booking.

Actually, the bookings just kind of have stopped. And as we make all our cold calls—we have about 10 people in our sales staff. So we are continually calling, and everyone is saying, "We haven't forgotten you, but right now is not the right time."

So pretty soon, that will change. But how quickly that changes and to what extent, I don't know. I think what may happen is that some of the areas will go closer to home.

But using the Las Vegas as an example, I go there four times a year for trade shows. I have to. I go to gift shows, and I go to the clothing show.

How am I going to sell my merchandise if I don't go to your community? So I have to go. So it is accepted for me to go because I am buying, but——

Senator KLOBUCHAR. And so, what are you selling? You are showing the inn, and you are showing——

Ms. KELLER. Well, I have clothing stores. So we have dresses——

Senator KLOBUCHAR. So these trade shows give smaller businesses a big opportunity—

Ms. KELLER. Oh, I would say the majority of his attendees at these gift shows that I go to are all small people.

Senator KLOBUCHAR. So without these trade shows, it would be very hard for smaller businesses to make their sales—

Ms. KELLER. You can't.

Senator KLOBUCHAR.—because you are not a huge chain that can just, everyone knows your name and so you—

Ms. KELLER. I have to go to these trade shows where I am exposed to hundreds of vendors, so I can then make a determination of what I want to be. You can't buy things out of a catalogue when you want to sell it. You want to see the product.

Senator KLOBUCHAR. And then these jobs, just last, Mr. Prosser, I have talked to people that have lost their jobs like this. It is not just the hotel workers and the people that make the beds and make the meals. They have lost some jobs, too. But it is also people, florists and cab drivers and people that are ancillary to this business and you don't always think about it.

Mr. PROSSER. Well, it is all of those small businesses that come into the mix. It is the florist. It is the AV companies that support the conventions and the meetings. In the hotels, most of those services are outsourced, and they are all very small businesses and vendors who are providing those services.

And when the meetings are not there, they get no business. And so, it has really impacted many of those types of businesses.

Senator KLOBUCHAR. OK. Well, I think that is a good way to end. And just to summarize what we have learned in this hearing, Senator Martinez and I and our other members, is that, first of all, there are good deals out there for the summer. I know I am going to look at some of them now.

We are going to spend Fourth of July week in Minnesota, up north, our family. I think people have to look at their own budget, see if they can afford anything. But there are things to do from campgrounds to, what did he say, a cruise in Alaska for \$49-a-night on Travelocity. So people, families should look for the deals.

The second thing is that we need to get business travel going again, and people need to be careful. There are a few bad actors out there. It is OK to talk about that, but overall, business travel is a big part of the tourism industry. It is important for small businesses to come together in order to promote their own goods, and that means travel. And that means staying in hotels and going out to eat and things like that.

And then the third thing is that we should pass the Travel Promotion Act, which will market our country in a way that so many other countries have done for so long. And I think these figures that—I don't think people have focused on it because they have been talking a lot about the economy hurting the tourism industry. We all know that, and we know it really hurt it after 9/11.

But what we have found is that our market share has been declining in our country, having really even before the time of the economic downturn. Is that right, Mr. Ralenkotter?

Mr. RALENKOTTER. That is correct. Yes.

Senator KLOBUCHAR. And so, what is the percentage you used for Las Vegas?

Mr. RALENKOTTER. We went from 18 percent market share to 12.

Senator KLOBUCHAR. Eighteen to 12 percent of this international travel market share, which we are seeing nationally as well. This isn't just about Las Vegas.

So, this idea of promoting our country. We have found a cost-effective way to do this that won't cost our taxpayers money, and we will be pushing the Administration, through the Commerce Department, to get this done. I know that long before I took over this Subcommittee, Senator Dorgan had been working on this for years and had been frustrated. We haven't been able to get this bill passed.

I hope that this is the year to do it. I think it is—the silver lining is, what does Rahm Emanuel say, “You don't want to let a good crisis go to waste?” The silver lining is that this has focused attention on the travel industry, the importance of it, and the importance of doing what a lot of these other countries learned a long time ago, that tourism is a booming business for our country.

We have got a trade surplus. Let us keep it that way, and let us make it even bigger.

So thank you for your time.

Thank you.

[Whereupon, at 12:09 p.m., the hearing was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. JOHN ENSIGN, U.S. SENATOR FROM NEVADA

Thank you, Mrs. Chairman and Sen. Martinez for calling this hearing today on an issue that is very important to me and my home state of Nevada. As you know, tourism is an indispensable part of our economy and a vital part of our society. Tourism fuels commercial activity, creates jobs, and provides Americans with much needed physical and mental relief from the stresses of their lives. Travel and tourism account for about \$1.7 trillion in economic activity each year and employs almost 8 million people in the United States. Unfortunately, this important industry is suffering greatly from our current recession.

This is a very difficult time for America. Much attention is rightly being paid to struggling industries like the banking and automobile sectors. I am glad, however, that Chairwoman Klobuchar called this hearing to focus attention on the travel and tourism industries that have been hit so hard by the economic downturn. The Department of Labor estimates that nearly half a million jobs in travel-related industries will be lost in 2008 and 2009 combined. These job losses will be felt in big cities and small cities throughout the country, and we cannot lose sight of them.

Few states benefit from and rely upon tourism more than my state. Travel and tourism is the number one industry in Nevada. In just a few decades, tourism has turned Las Vegas from a sleepy desert town into an international city with world-class entertainment and hospitality options. (Thanks, by the way, to my colleagues' constituents and to our foreign visitors who made that transformation possible.) Nevada also has boundless outdoor attractions to offer visitors, from the pristine solitude of the high desert to the magnificence of Hoover Dam to the dramatic beauty of Lake Tahoe.

We will be hearing later this morning from Rossi Ralenkotter, President and CEO of the Las Vegas Convention and Visitors Authority. He is an excellent advocate for the city and the travel industry as a whole. I expect he will tell us exactly the sort of challenges facing the tourism industry today, especially in the business travel sector.

From an economic standpoint, the travel and tourism industries are faced with their biggest challenge since the tragedy of September 11. During these trying times, I hope our Nation's leaders will step forth and encourage Americans to continue traveling. Words matter and Americans often heed the suggestions made by their political and business leaders. One way to ensure a prolonged and painful recession is for Americans to stop traveling, to stop going to conventions, and to stop taking vacations. I hope my colleagues will join me in promoting tourism and business travel, particularly as a means to stimulate our sluggish economy.

I also believe that foreign tourists can be part of our economic recovery. Overseas visitors and business travelers bring an influx of money to the United States, bolstering the economies of our local communities. We can do more, however, to encourage people to visit our country. In fact, according to the World Travel Organization, the United States only spends about \$6 million a year to promote travel and tourism. Canada spends about ten times as much. Greece, a country of less than 11 million people, spends more than \$150 million a year. Sen. Dorgan and I yesterday introduced the Travel Promotion Act of 2009. If enacted, our bill would leverage public and private dollars to promote the United States overseas as a tourist destination. Our bill would help make the United States much more competitive at attracting foreign tourists without placing a heavy burden on the American taxpayer.

Thank you again, Mrs. Chairman, for holding this hearing today. This hearing will inform people about the importance of the travel and tourism industries. Even as we grapple with the huge issues faced by the country, I encourage my colleagues to take every opportunity they can to promote tourism. It will lift the spirits and fortunes of our constituents, and lift our economy as well. I look forward to the testimony of our distinguished panel of witnesses.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
MARY SAUNDERS

Question 1. My understanding is that many foreign governments have ministries of tourism or other high profile positions dedicated to promoting their countries as tourist destinations. In comparison, our Federal Government does much less to promote the United States as a tourist destination for foreign visitors.

I would appreciate hearing the panel's views on whether establishing an Under Secretary for Tourism within the Department of Commerce would help the United States capture a greater share of international tourism. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the United States?

Answer. To my knowledge, the Administration has no plans to create an Under Secretary for Tourism in the Department of Commerce. We are working actively within the existing structure to support the visibility and promotional needs of the travel and tourism industry. All levels of management from the Secretary, to the Under Secretary for International Trade Administration, to the Deputy Assistant Secretary for Services, are fully engaged in addressing industry needs and concerns.

The Secretary of Commerce leads a Travel and Tourism Advisory Board, comprising 15 private sector travel and tourism CEOs, and a Tourism Policy Council, an interagency group comprising 15-plus Federal agencies that are involved in travel and tourism. This ensures cabinet level access and advocacy for the industry. The Department of Commerce also has a travel and tourism team that encompasses over 100 Commercial Services offices within the United States and offices in over 80 countries globally for export promotion activities. The Office of Travel and Tourism Industries (OTTI) within Manufacturing and Services is a key member of this team. In addition, OTTI serves as Chair of the Tourism Committees in the OECD and APEC, which provides top level U.S. Government influence and leadership internationally.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. The Department of Commerce and other Federal agencies already work closely with rural communities to enhance their economies through tourism promotion. The Department is actively engaged with the Western States Tourism Policy Council and the Southeast Tourism Policy Council to address rural community needs for travel and tourism. This year, both Councils will host an annual Gateways conference that focuses on educating small- and medium-sized travel and tourism businesses about the opportunities that exist for economic development in rural areas through tourism.

Question 3. Do you support increased funding for state tourism offices through the Department of Commerce's Market Development Cooperator Program?

Answer. The Market Development Cooperator Program (MDCP) is a competitive grant program that is available to all nonprofit organizations in all sectors of the U.S. economy. The Office of Travel and Tourism Industries, and the Commercial Service Travel and Tourism team work with the industry and state governments to encourage them to submit proposals to the MDCP program.

Question 4. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. Travel industry representatives have informed the Secretary that it is paramount for public leaders and Congress to clearly convey the benefits of reasonable corporate travel to business health and economic recovery. The Secretary has encouraged business and his counterparts within the government to support reasonable corporate travel. He has also made business-related visas a priority for the Commerce Department and is working with the State Department and Homeland Security to ensure international business and convention travelers have appropriate access to the U.S. market.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
SAM GILLILAND

Question 1. My understanding is that many foreign governments have ministries of tourism or other high profile positions dedicated to promoting their countries as tourist destinations. In comparison, our Federal Government does much less to promote the United States as a tourist destination for foreign visitors. I would appreciate hearing the panel's views on whether establishing an Undersecretary for Tour-

ism within the Department of Commerce would help the U.S. capture a greater share of international tourism.

Answer. There's no question that the Federal Government needs to take a more active role in the promotion of our Nation to foreign visitors as a tourist destination. The Travel Promotion Act will accomplish exactly that by establishing a non-profit corporation to promote travel to the U.S. These goals will be accomplished through better communication of entry policies and a more comprehensive marketing effort to all types of international travelers.

We should see what the Office of Travel Promotion, which is also established under this broadly-supported legislation, is able to accomplish in restoring the health of the beleaguered U.S. travel and tourism industry before we take further action.

Question 1a. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the U.S.?

Answer. The Administration and Congress need to take great care not to use rhetoric that undermines business travel and face-to-face meetings. As I mentioned in my testimony, the U.S. Travel Association has published a list of clear guidelines to help businesses spend responsibly when it comes to business travel, and I encourage Congress to urge the endorsement of those sound principles.

I also am convinced that modernizing our air traffic control system will go a long way toward improving transportation across the country and minimizing the delays and cancellations that make air travel challenging. NextGen must become NowGen.

And finally, the Travel and Tourism Advisory Board (TTAB) on which I serve should be empowered to make policy recommendations not only to the Department of Commerce but to the Departments of State and Homeland Security. This group of executives and travel industry experts that has been convened by the Commerce Department can be an important resource for the government on a number of levels. Increasing the profile of TTAB will help insure better tourism policy and better communication of that policy in the U.S. and around the world.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. There isn't a state in the country that doesn't depend in part on tourism. The Travel Promotion Act specifically requires that all 50 states, rural states like New Hampshire and Nebraska alongside popular tourist destinations like Nevada and Florida, be promoted under that legislation. The passage of TPA would be an enormous help to the economies of rural states that aren't necessarily known primarily as tourism destinations, but have much to offer international travelers.

Question 3. Do you support increased funding for state tourism offices through the Dept. of Commerce's Market Development Cooperator Program?

Answer. Sabre supports increased Federal funding for state tourism offices. Tourism promotion facilitates interstate commerce and provides much needed stimulus to the national economy. Travelocity, a unit of Sabre Holdings, partners with many state and local tourism authorities throughout the country.

State and local tourism offices are often funded through taxes on tourism. This often results in an unfair tax burden being shouldered by travelers, who not only pay for promotional activities, but for other state and local services. This model also means there is insufficient funding for promotional activities during economic downturns when travel promotion is needed most. This situation can lead to even greater pressures to apply new debilitating taxes, including increased hotel occupancy and rental car taxes, on the travel and tourism industry.

A more sustainable source of funding, or even a contribution to this funding, from the Department of Commerce would help ease these burdens.

Question 4. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. It should be noted, that while there were some extraordinary examples of corporations acting irresponsibly, the vast majority of corporations are incredibly disciplined with their travel spending. They recognize it as an essential element of conducting business—negotiating and closing business deals, networking with potential business partners, training for employees—to name a few.

Unfortunately, those companies receiving government assistance today are reluctant to travel or hold meetings at all, impeding their ability to conduct business and thereby slowing economic recovery.

Therefore, businesses receiving government assistance need guidance from the U.S. Government about what constitutes responsible spending when it comes to business travel. The U.S. Travel Association has come up with a set of guidelines

to this end and I strongly encourage Treasury's endorsement and adoption of these rules which provide for responsible, accountable travel by these companies.

Sabre's GetThere unit provides business travel automation and consulting services to TARP and non-TARP receiving companies alike, and we can be a very helpful partner with the government in educating the business community about responsible business travel practices. However, we need greater clarity on what the government expects of our customers. The U.S. Travel guidelines are the best way to give that clear guidance.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
JAY RASULO

Question 1. My understanding is that many foreign governments have ministries of tourism or other high profile positions dedicated to promoting their countries as tourist destinations. In comparison, our Federal Government does much less to promote the United States as a tourist destination for foreign visitors. I would appreciate hearing the panel's views on whether establishing an Undersecretary for Tourism within the Department of Commerce would help the U.S. capture a greater share of international tourism. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the U.S.?

Answer. I certainly believe the U.S. Government should make it a priority to attract international travelers to the U.S., both because it benefits our Nation economically and because it promotes our public diplomacy efforts. We need a more user-friendly entry process that is both efficient and secure, and we need a nationally coordinated travel promotion effort, which most countries already have. A high-level focus on travel interests at the Federal level would allow us to achieve the goal of boosting overseas travel to the U.S.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. The Travel Promotion Act is designed to promote tourism to rural areas and other regions not usually visited by overseas travelers, as well as to major American cities and popular vacation spots. At present, our Nation's rural destinations have no ability to promote themselves abroad, and so by passing the Travel Promotion Act, Congress would be taking a huge step forward in promoting and supporting tourism in our Nation's rural areas. In addition, I would suggest additional government funding for the National Scenic Byways Program, which would help draw more visitors to rural locations.

Question 3. Do you support increased funding for state tourism offices through the Department of Commerce's Market Development Cooperator Program?

Answer. Given that the directive of the Market Development Cooperator Program is to support projects that enhance global competitiveness of U.S. service and manufacturing industries, I think Congress should make funding from this program available to state tourism offices.

Question 4. Mr. Rasulo, I come from a border state and am sensitive to the need to ensure security and safety at our border crossings. Yet we certainly do not want the first impression of America for legitimate tourists to be a security screening that is so onerous that it discourages repeat visits to the U.S. I am impressed by the video Disney produced to help U.S. passport and customs control areas at airports appear more inviting. Are there any lessons learned from this effort that could apply to Canadian and Mexican border crossings where travelers arrive by car?

Answer. Right now there is no coordinated effort by the U.S. Government to effectively communicate to prospective travelers the details of the many new security programs being developed and piloted in certain locations along our borders. And the end result is confusion among travelers from Mexico and Canada, many of whom perceive that they are not welcome here. The reason we partnered with the U.S. State Department to create the "Welcome" video is that we wanted to let travelers know that America does indeed want them to visit. Before visiting the U.S., travelers from Canada and Mexico can view the video at www.DiscoverAmerica.com, but I think the video should also be shown in waiting areas at land border crossings to help create a more welcoming environment. The increased use of signage and banners at land crossings could also help make the entry process more efficient and welcoming.

I think the video exemplifies exactly why the government and private sector must be partners in any successful travel promotion program. Government and private sector officials each bring unique skill sets to the table. The private sector provides some of the world's greatest marketing expertise and is best positioned to design

and execute communications campaigns and promotional efforts. Public officials can ensure that messages best represent the whole of the United States, accountability measures are met, and viewpoints of different Federal agencies are coordinated. We believe that S. 1023, the Travel Promotion Act, fits the right mold.

Question 5. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. The public backlash against corporate travel has had serious unintended consequences on the travel industry and its workers. Companies and Federal agencies have been canceling business meetings because they think the media or lawmakers will single them out for public ridicule. I don't think it's wise or fair to punish the many for the errors of the few, and this backlash has certainly been a punishment to both the travel/tourism industry and American industry at large. Corporate travel is a necessity, and for government to restrict it, either overtly or through suggestion, simply impedes business from getting done. I also think it's unfair to blacklist certain convention-travel markets like Las Vegas, New York or Hawaii simply because they are perceived to be more desirable destinations than others. Just because a convention is held in a more desirable location doesn't mean the participants aren't working hard. As an example, at Walt Disney World, many convention-goers never even get a chance to see our parks unless they stay extra days on their own dollar.

The Walt Disney Company appreciates President Obama's commitment to a strong travel and tourism industry in the U.S., and the support of many Members of Congress for business travel. We urge public leaders and Congress to promote business meetings and events in their local communities as a cost-effective way to help stimulate recovery and growth. Additionally, I would encourage the government to support a model policy for responsible meetings and events, built on existing corporate best practices, to provide clarity on what is acceptable business travel.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
ROSSI RALENKOTTER

Question 1. I would appreciate hearing the panel's views on whether establishing an Undersecretary for Tourism within the Department of Commerce would help the U.S. capture a greater share of international tourism.

Answer. We believe creating an Undersecretary position would increase the profile of travel and tourism and reinforce the commitment to the industry. The travel and tourism industry is a great stimulus to the national economy, providing jobs for 7.5 million Americans and generating \$110 billion in tax revenue for local, state and national governments. An Undersecretary position would provide a platform to ensure the issues impacting the industry and its stimulus to the forefront.

Question 1a. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the U.S.?

Answer. Passing the Travel Promotion Act would give the United States more opportunities to compete with other countries that are currently diluting our market share. In addition, it is important that the United States improve the entry process to make it more efficient and welcoming to international visitors. Research has indicated that overseas visitors enjoy the United States once they are in the country; however, the entry process causes a great deal of stress and may deter international visitors.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. Creating grant opportunities will give rural destinations a greater opportunity to promote their travel and tourism amenities. This is another area that the approval of the Travel Promotion Act would provide assistance. Rural areas with limited promotion budgets could work with the Federal program to promote visitation to international visitors. Increased support of the National Scenic Byways program will also help assist rural areas to promote visitation.

Question 3. Do you support increased funding for the state tourism offices through the Department of Commerce's Market Development Cooperator Program?

Answer. The Market Development Cooperator Program provides increased ability for states to market travel and tourism and should continue to be supported by Congress. This will allow states to individually market their destinations to both domestic and international travelers and continue to support the travel and tourism industry.

Question 4. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. It is important that all elected officials and other leaders understand the importance of the meetings industry and the economic stimulus and job creation that results from meetings. Those leaders need to refrain from making broad-sweeping comments that mischaracterize the industry and inhibit companies from committing resources and staff to business travel. In Las Vegas, the 22,000 meetings and conventions we host each year provide 46,000 jobs and an \$8.5 billion boost to the economy. When unemployment is at 10 percent and the economy needs a stimulus to growth, we need to support industries, such as meetings and conventions, which create jobs and stimulate the economy.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
CHAD PROSSER

Question 1. My understanding is that many foreign governments have ministries of tourism or other high profile positions dedicated to promoting their countries as tourist destinations. In comparison, our Federal Government does much less to promote the United States as a tourist destination for foreign visitors. I would appreciate hearing the panel's views on whether establishing an Undersecretary for Tourism within the Department of Commerce would help the U.S. capture a greater share of international tourism.

Answer. The issue of whether or not to establish an Under Secretary for Tourism within the Department of Commerce is secondary to the overall importance of establishing an entity to market U.S. tourism in a coordinated manner as contained in the current version of the Travel Promotion Act. An Under Secretary, or similar high-level position within the U.S. Government, would benefit the tourism industry by giving the industry a voice within Federal Government that is commensurate with tourism's economic impact and global reach. I would ultimately encourage the Federal Government to create this high-level position for tourism. But this issue is not as urgent and critical as the need for a well-funded, coordinated marketing effort at the national level.

Question 1a. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the U.S.?

Answer. Since 9/11, international visitors to the U.S. have been met with increasingly long lines at immigration checkpoints, and have been subject to more rigorous, often abrasive, interviews by immigration and security officials. While the events of 9/11 have necessitated the need for heightened security measures, changes in screening and security procedures over the last 8 years have had a noticeable negative impact on international tourism to the U.S.

In addition to passing the Travel Promotion Act, it is also important that the United States communicate a welcome message to international visitors and implement security and screening procedures that will facilitate an easier entry process for these visitors.

We must continue efforts to expand the Visa Waiver Program and to fully and effectively implement the improvements begun under the Model Ports of Entry Program to better facilitate international travel. In a global market for tourists, prospective visitors have a world of choices. Any progress to eliminate the friction involved when international visitors come to the United States will benefit our country in regaining market share in the global market.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. Some of our most-treasured historical, cultural and natural assets can be found in our Nation's rural areas. However, many of these communities lack the resources to effectively promote these assets, particularly to the international market.

Considering the fragmented nature of our current tourism market, it is especially difficult for rural destinations to establish a significant presence through their own marketing efforts. The Travel Promotion Act provides a mechanism to close the missing link and bring fragmented local, state and regional marketing campaigns into a coordinated program to better reach the international visitor. Doing so will provide greater exposure to many secondary destinations and attractions allowing them to benefit from the growing international tourism market.

Question 3. Do you support increased funding for state tourism offices through the Department of Commerce's Market Development Cooperator Program?

Answer. Increased funding for state tourism offices through the Dept. of Commerce's Market Development Cooperator Program would allow states to establish marketing programs for emerging feeder markets. China is a good example of a feeder market with vast undeveloped potential. Outbound visitation numbers from the Chinese market reached 25 million in 2006, a 350 percent increase since 1997. This is particularly important as visitation from traditional international markets have shown signs of decline over the last few years.

This year, Travel South, USA—a cooperative marketing organization comprised of 12 Southeastern states—has applied for a grant through the Market Development Cooperator Program to promote the Southeastern U.S. in mainland China. If this grant is awarded, it will allow many of these states, most of whom have seen significant budget reductions since last year, to maintain a presence in the Chinese market at a cost-effective rate.

While this program creates opportunities for this type of regional promotion, increased funding will only produce significant results as a supplement to the Travel Promotion Act. While the MDCP generates greater opportunities for new marketing initiatives, it cannot create the type of sustainable program necessary for the U.S. to achieve significantly greater market share in the international tourism market.

Question 4. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. In order to counter-act the recent public backlash against corporate travel, the public must be made aware of the benefits of corporate travel to cities, towns and communities across the U.S. Accounting for 15 percent of all domestic travel nationwide, corporate travel generates significant amounts of revenue for businesses in both traditional and non-traditional tourism destinations.

However, this public backlash, in combination with our current recession, has had a devastating effect on corporate travel. For example, a significant portion of travel to South Carolina's major inland cities, Columbia and Greenville, is business-related. In the first half of 2009, following the public outcry against business travel, both cities have seen double digit decreases in hotel room occupancy and meeting space reservations. This translates to millions of dollars in lost business for these two cities over the last 6 months.

Given the difficult economic times that many of our cities currently face, it is important that Congress and other public leaders acknowledge the benefits of corporate travel to our Nation's business and industry hubs and the many businesses in those areas that heavily rely on corporate travel.

Appropriate corporate meetings and incentive travel also benefits productivity and revenue growth for companies. In the current environment, corporations are canceling business travel that is completely justified by a business case. Absent the overreaction among the public and media, these companies would be traveling. We must encourage companies to travel when it makes sense for their business, their shareholders and their customers.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO
JUDY ZEHNDER KELLER

Question 1. My understanding is that many foreign governments have ministries of tourism or other high profile positions dedicated to promoting their countries as tourist destinations. In comparison, our Federal Government does much less to promote the United States as a tourist destination for foreign visitors. I would appreciate hearing the panel's views on whether establishing an Undersecretary for Tourism within the Department of Commerce would help the U.S. capture a greater share of international tourism.

Answer. Having an Undersecretary of Tourism in the Department of Commerce, while helpful, is not the primary activity needed to increase the U.S. marketshare of international tourism. America needs to do what most developed countries do to attract international visitors—it must market to them via advertising and public relations.

Question 1a. How else might the Federal Government elevate the profile and importance of tourism in order to attract more visitors to the U.S.?

Answer. The most important thing Congress can do is to pass the Tourism Promotion Act, which will provide the first significant tourism marketing budget in U.S. history. This funding will allow the U.S. to market itself to potential international visitors around the world.

Question 2. How can Congress or the Federal Government help support and promote tourism in rural areas of the United States?

Answer. In most states, promotion of both rural and urban tourism is intertwined. We do not need separate rural tourism promotion, just more promotion of tourism in general, both domestically and overseas.

Question 3. Do you support increased funding for state tourism offices through the Department of Commerce's Market Development Cooperator Program?

Answer. The states have historically funding state tourism promotion efforts. Federal dollars and activities should be focused on international tourism promotion, to attract more international visitors to the U.S.

Question 4. Several witnesses note that the public backlash against corporate travel and lavish conventions for bailed out Wall Street firms has actually discouraged many firms from traveling for even legitimate business reasons. How should public leaders and Congress respond to this situation?

Answer. Congress should refrain from general anti-travel and anti-meetings travel messaging. The issue of how companies should or should not use Federal bail out funds should not be allowed to be generalized to a "all business meetings and travel is bad" message.

TOURISM, ARTS AND HERITAGE CABINET
Frankfort, KY, May 8, 2009

Dear Commerce Subcommittee:

It is a pleasure to share with you some of the positive things that are happening in Kentucky. As the Secretary of the Kentucky Tourism, Arts and Heritage Cabinet, I have the privilege of seeing the hard work and determination of our tourism industry and how we all work together to overcome these tough times.

I am delighted to report that tourism is alive and well in Kentucky. In fact, we are well positioned to take on the current economic situation. Research indicates that families will continue to travel but will be taking shorter trips to closer destinations. They are also seeking cost savings and packaged travel. This presents great opportunities for Kentucky because of its central location and great travel value for the dollar spent.

Our recent focus on Adventure Tourism is aimed at drawing visitors with excitement and value. Kentucky's scenic landscape creates the perfect backdrop for hiking, biking, camping, and boating activities. This initiative encourages visitors to explore our rural regions, bringing dollars to the often underserved areas of the state.

Last year, our state travel department initiated the Discover Your Own Backyard marketing campaign as a response to high fuel cost and flagging economy. First planned as a month-long event, this promotion garnered such a huge response that it was extended and continues this summer. Since the campaign began in May of 2008, the dedicated website has had 85,000 visitors from 56 nations and all 50 states.

The Kentucky tourism industry also has much reason to be optimistic as we prepare to host the 2010 Alltech FEI World Equestrian Games at the Kentucky Horse Park. The Kentucky Experience, part of the village staged for the Games, will showcase Kentucky's culture, attractions, and locally produced products at the sixteen-day event. Spectators from across the globe are expected to travel throughout our Commonwealth during their visit, and we will be ready to show the world all the great attractions Kentucky has to offer!

Again, I appreciate the opportunity to share our success with all of you.

Sincerely,

MARCHETA SPARROW,
Secretary.

WISCONSIN DEPARTMENT OF TOURISM
May 12, 2009

Hon. MEL MARTINEZ,
 U.S. Senate,
 Washington, DC.

Dear Senator Martinez:

On behalf of Wisconsin's tourism industry, let me be the first to offer my sincere appreciation for your support of the Nation's travel and hospitality industry and for holding a hearing this week to discuss the importance of tourism in our country today.

Travel is critical to the Nation's economy. When measured against comparable industries, travel is the fifth largest employer in the nation—generating one out of every eight American jobs. Businesses across many sectors rely on tourism and that is definitely the case here in Wisconsin, where tourism is one of the state's top three industries. May I provide just a few statistics to plead our case?

- Tourism in Wisconsin generated over \$13 billion in traveler spending in 2008.
- Traveler spending in Wisconsin supports 310,330 jobs and \$7.3 billion in income for our residents. The travel industry is the main employer in many communities and in other areas serves to provide stability and diversity, complementing manufacturing, agriculture and our knowledge-based sectors.
- While jobs disappeared in other industries and economic sectors in 2008, that was not the case for tourism in Wisconsin, showing the industry's resilience during challenging economic times.
- Traveler spending also generated \$1.5 billion in state government revenues and \$664 million in local government revenues.

These are just a few examples that demonstrate the power of travel and its impact on the economy here in our state.

As we continue to work hard here to grow our state's tourism industry, efforts on the national level will go a long way to attract visitors to our country and inject vitality into our economy at a time when we need it most.

Again, we very much appreciate the time and attention you've given us.

Warm regards,

KELLI A. TRUMBLE,
Secretary.

TRAVEL OREGON
May 12, 2009

Hon. AMY KLOBUCHAR,
 U.S. Senate,
 Washington, DC.

Hon. MEL MARTINEZ,
 U.S. Senate,
 Washington, DC.

Dear Senator Martinez:

On behalf of the Oregon Tourism Commission, dba Travel Oregon, I am writing to thank you for scheduling a hearing on May 13, 2009, to discuss the importance of tourism and travel in our country today. Thank you for your support of this industry. Travel and tourism are critical to both the Oregon and U.S. economies, providing good jobs for 93,000 workers in Oregon. We will continue to work hard to grow the tourism industry in Oregon and appreciate your efforts to attract visitors to our country and to our state.

Tourism is Vital Oregon's economy today and a key component of our economic health for tomorrow. Investments in marketing in Oregon have generated immediate economic stimulus: Expenditures from visitors have grown 29 percent since 2003 to \$8.4 billion; tourism-related employment is up 9 percent to over 93,000 jobs; and state and local tax revenues generated by visitors are up 30 percent and exceed \$320 million annually. Tourism is also a gateway industry, pointing visitors to a variety of agricultural products as well as our ever-increasing wine industry.

A continued commitment to the tourism and hospitality industry will ensure that this powerful economic engine endures, running strong in support of Oregon and communities nationwide.

Sincerely,

TODD DAVIDSON,
CEO.

DELAWARE TOURISM OFFICE
Dover, DE, April 24, 2009

U.S. Senate Commerce Committee,
U.S. Senate,
Washington, DC.

Dear Commerce Committee Members:

It is with pleasure I write to you about Tourism in Delaware. Tourism is Delaware's fifth largest industry representing over \$ 1.5 billion in GDP to Delaware's economy—surpassing agriculture and the automotive sectors. We employ over 38,000 people in Delaware's tourism industry. In 2007 over 8 million visitors came to Delaware to enjoy all that our fine state has to offer.

Even though our industry is feeling the effects of the economic downturn we are positioning the industry for the future with initiatives our current Push Button to Escape Campaign will run through the summer with wonderful opportunities and bargains for the traveler to experience in Delaware.

Sincerely,

LINDA M. PARKOWSKI,
Director of Tourism.

MYRTLE BEACH AREA CHAMBER OF COMMERCE
Myrtle Beach, SC, May 12, 2009

Hon. AMY KLOBUCHAR,
Chairman,
Washington, DC.

Hon. MEL MARTINEZ,
Ranking Member,
Washington, DC.

Dear Chairman Klobuchar and Senator Martinez:

I am writing you on behalf of the Myrtle Beach Area Chamber of Commerce, an organization that serves as the primary tourism promoter for the Myrtle Beach area of South Carolina. We represent nearly 2,700 members and 50,000+ employees, most of whom are tied directly or indirectly to the tourism industry. I ask that my letter be added to the record of discussion in the upcoming hearing "*Tourism in Troubled Times*" held by the U.S. Senate Commerce Subcommittee on *Competitiveness, Innovation and Export Promotion*.

Tourism is one of America's largest industries, generating an economic impact of \$700+ Billion, taxes of \$100+ Billion, and nearly 8 million jobs. In Myrtle Beach, SC and the surrounding communities, tourism is our economic engine. It accounts for nearly 2/3 of our workforce and a large portion of our local economy. Tourism feeds other industries, including transportation, healthcare and real estate/development.

Tourism also delivers many unseen benefits that often go unnoticed. Tourism revenues and the taxes collected upon tourism revenues pay for education, law enforcement, infrastructure and other important public services. In the City of Myrtle Beach, nearly 90 percent of the city's operating budget is derived from tourism taxes and business taxes, affording the local residents a high level of service at a relatively low cost.

While our Nation faces serious economic challenges, recent surveys reveal that most Americans will continue to travel. In fact, for many Americans, the summer vacation is almost a birthright. Travelers in 2009 may reduce the number of trips, the length of stay and/or the amount of discretionary expenditures, but they will continue to travel where possible. *Tourism is one industry that will never be exported.* Rather, tourism offers unique growth opportunities that can create jobs and spur economic recovery almost immediately.

One serious problem we have recently encountered in our industry is the tendency of companies and associations to cancel meetings and group events for fear of a backlash about travel budgets. It is unfortunate that a few misguided corporations did not pay more attention to where they were spending their money, as the criticism over conventions, meetings and other group travel activities has negatively impacted travel and tourism. Often, these trips educate employees, spur productivity and help foster economic expansion.

A second problem we clearly recognize is the status of the Nation's infrastructure. For Americans to travel freely and efficiently, we must invest in our infrastructure. In Myrtle Beach, the expansion of our airport, expansion of the convention center and the completion of Interstate 73 will help to sustain the level of growth we have targeted. Without sufficient investment in our infrastructure, our tourism industry will struggle to maintain market share.

This is an ideal time to travel to Myrtle Beach, South Carolina. Today, we offer unprecedented values and bargains. Competition has increased but the level of business activity has declined somewhat, making it an increasingly competitive environment. This situation benefits the consumer, as there has never been a more opportune time to enjoy a Myrtle Beach vacation. In addition to 60 miles of gorgeous sandy beaches, we offer 100-plus championship golf courses; 1700-plus restaurants and six live entertainment venues. In addition to being value-oriented, we truly offer a diverse vacation experience that will be fun and very memorable for the entire family.

While it is true that our Nation faces serious economic challenges, *tourism can be part of the Nation's budget solution, not part of the budget problem.* Few industries can deliver the quick economic impact that tourism can deliver. Now is the time to invest in tourism, one of our Nation's most important industries.

I thank you for scheduling this hearing and applaud you for taking the initiative to invite public comment on this most important topic. Tourism is a key industry and your leadership in protecting this industry is essential.

With great admiration, I am,
Sincerely,

BRAD DEAN,
President and CEO.

HILTON HEAD ISLAND-BLUFFTON CHAMBER OF COMMERCE
May 13, 2009

Hon. AMY KLOBUCHAR,
Chairman,
Senate Committee on Commerce,
Subcommittee on Competitiveness, Innovation, and Export Promotion
Washington, DC 20510

Hon. MEL MARTINEZ,
Ranking Member,
Senate Committee on Commerce,
Subcommittee on Competitiveness, Innovation, and Export Promotion,
Washington, DC.

Dear Chairman Klobuchar and Ranking Member Martinez:

The Hilton Head Island-Bluffton region is the third largest travel and tourism destination in the state, garnering over 2.1 million visitors that generate an estimated \$1.5 billion in economic impact.

Over twenty thousand jobs in our region, and thousands of small businesses depend on the travel and tourism industry and its vitality for their livelihood. Every business in the region, from real estate and construction to retail and restaurants is tied to the tourism economy that brings \$16 million in economic impact as the engine that drives the South Carolina economy.

Just as it is for the state of South Carolina, the lifeblood of our economy is tourism and our industry continues to suffer significantly due to the current economic downturn. We have experienced a 10 percent reduction in lodging occupancy since January 2009, as well as, a significant decline in lodging rates.

We've looked toward new marketing approaches and initiatives to meet the market where it is. The Town utilized a small portion of its disaster recovery funds for this purpose publicly stating regarding the economy and tourism: "if this isn't a disaster, we don't know what is."

The business community has rallied around the Chamber's subsequent drive-market campaign. It has helped us lessen the loss and mitigate potentially stronger economic damage in leisure and family travel where we are down, but not yet out.

Where we are experiencing the most critical level of loss is in business and group travel, which impacts not just large resorts and hotels, but the tour companies, restaurants and retailers that serve them, and in some cases, shutting the doors of businesses that have been part of the fabric of our destination for decades.

A survey this month of Hilton Head Island convention properties shows a loss of over 10,000 room nights and \$2.4 million in lost revenue from corporations and groups that have canceled their bookings. These cancellations will effect this industry, not just for today, but long-term through 2012.

This loss is not just about revenue and occupancy, it's about lives, jobs and the security of those in our community to provide for their families and their future. From Earl "Happy" Mitchell, a 41+ year veteran of the Sea Pines Resort to Patricia Owen, owner of Faces DaySpa and a U.S. Chamber national Blue-Ribbon Award-winning business, these are hard-working Individuals earning a living in an industry near and dear to them and to our economy at the local, state and national level.

These are just a few of the hard working individuals who deserve the full support of their Federal Government in viewing travel and tourism for what it is: one of the Nation's top economic producers and a critical part of the health and vitality of our Nation's economy.

Sincerely,

WILLIAM G. MILES, IOM, CCE,
President and CEO.

CITY OF CHARLESTON
Charleston, SC, May 12, 2009

Hon. AMY KLOBUCHAR,
Chairman,

Hon. MEL MARTINEZ,
Ranking Member,

U. S. Committee on Commerce, Science, and Transportation,
Subcommittee on Competitiveness, Innovation, and Export Production,

Dear Senators Klobuchar and Martinez:

I so much appreciate the opportunity to be able to submit comments to you for the Senate Committee on Commerce, Science, and Transportation subcommittee hearing on Tourism in Troubled Times.

Charleston is certainly a fortunate city when it comes to the beauty that the city was given by our creator, but also by our forbearers who built one of the world's most beautiful cities. Consequently, tourism has become the major driver of our economy and provided opportunities for economic prosperity for a wide range of our citizens. While our Nation's economic situation has certainly had an impact on our tourism economy, Charleston has weathered the economic downturn better than some of the other East Coast destinations. We are optimistic that Charleston's position as one of the Nation's premiere visitor destinations will keep tourist coming to our city.

Through March of this year the number of hotel rooms sold in the peninsula of Charleston, or the historic downtown, was down only about three and one-half percent. Hotels are offering packages and more attractive rates in order to encourage people to make the decision to visit. We are trying to work and market our city smarter so that Charleston stays at the top of destinations list when they make the decision to travel. This summer we are concentrating our marketing efforts on the drive market; that is, people living within a four to 6 hour drive of Charleston and are launching a marketing campaign to encourage family vacations this summer. We have seen some positive results from our marketing campaigns as our arts, culture, sporting events and culinary festivals have all seen good attendance numbers only off slightly from previous years.

Despite tourism numbers only down a small amount from previous years, our tourism economy has been affected by the economic downturn. There are two major areas of concern. First is the fact that tourism offers many people their first jobs, which lead them to careers in tourism and hospitality or to careers in other fields. We have seen that of those people affected by the downturn, it is these entry level positions that have been most drastically affected. Likewise, tourism in Charleston is primarily a small to medium-size enterprise. While there are some major players in Charleston, it is the small businesses that primarily benefit from our tourism

economy, and it is the small businesses that have been most severely affected by the economic downturn. It is the restaurateur, the bed and breakfast, the small hotel, the small retail shop and tour guide operator who have taken the brunt of this recession.

I thank you again for the opportunity to submit this letter to you about the state of tourism in Charleston and welcome any future opportunities to share what lessons we have learned here with the U.S. Senate.

Most sincerely yours,

JOSEPH P. RILEY, JR.,
Mayor, City of Charleston.

