

THE STATE OF THE U.S. TOURISM INDUSTRY

HEARING
BEFORE THE
SUBCOMMITTEE ON
COMMERCE, TRADE, AND CONSUMER PROTECTION
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS
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THE STATE OF THE U.S. TOURISM INDUSTRY

WEDNESDAY, OCTOBER 17, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON COMMERCE, TRADE, AND
CONSUMER PROTECTION,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2322, Rayburn House Office Building, Hon Cliff Stearns (chairman) presiding.

Members present: Representatives Stearns, Shimkus, Shadegg, Pitts, Terry, Bass, Tauzin (ex officio), Towns, John, and Deutsch.

Staff present: Brian McCullough, majority counsel; Ramsen Betfarhad, majority counsel/policy coordinator; Kelly Zerzan, majority counsel; Shannon Vildostegui, majority counsel; Will Carty, legislative clerk; Jon Tripp, deputy communication director; and Bruce Gwinn, minority professional staff.

Mr. STEARNS. Good morning. The Subcommittee on Commerce, Trade, and Consumer Protection will come to order. I want to welcome everybody this morning.

I represent a State that boasts one of the largest tourism industries in the country, but it would be foolish to think that only States with warm weather and beaches attract tourists. Just the opposite is true. We have world-renowned cities rich in tradition and culture, from New York to New Orleans. Our diverse topography allows every activity imaginable, whether it is skiing our mountains in the winter, exploring the desert canyons, or sailing in the Great Lakes in the summer. Every State and territory offers tourists something unique, enhancing the United States as the destination of choice for domestic and international tourists.

Because every State and territory maintains an interest in our tourism industry, the health of this sector of our economy has taken on increasing importance. While I could quote impressive statistics demonstrating how important tourism is to our economy, allow me to share just two.

The travel and tourism is a \$600 billion industry, representing a little over 5 percent of our GDP and employing over 17 million Americans. In my home area of central Florida, tourism brought in \$21 billion in visitor spending to the local economy last year and accounted for 211,000 jobs, with a total amount wages earned of \$5 billion.

That was last year. While the tourist industry is not isolated from the economic slowdown, the attacks of September 11 have changed the dynamic immeasurably. Through no fault of their own,

tourism and tourist-dependent businesses large and small that were already weathering economic challenges have been thrust into a more serious dilemma that could not be predicted.

My State of Florida is especially hard hit for two reasons. First, Florida's economy is disproportionately dependent on travel and tourism revenues; and, like Nevada, New Hampshire and a few other States, Florida, not having an income tax, is heavily dependent on sales tax revenue to meet its public service obligation. An initial estimate puts the cost of the attacks to Florida at \$183 million just in lost sales tax from tourists' spending by the end of the year.

Though the Commerce Department has recently issued forecasts for a healthy return in the long-term outlook, the short-term outlook is less optimistic. I don't know that any of us could write a cure-all prescription, but the President's call to our routine and our way of life seems to be an excellent starting point. However, restoring the confidence to do that appears to be the obstacle holding back a full and fast recovery.

If we are to restore confidence in travel, it is natural that we pay particular attention to the airline industry. The subcommittee held a hearing earlier this year on airline mergers, during which we received testimony highlighting the importance of air travel to our economy. No one doubts those claims now as we witness the struggles of every business dependent upon air travelers.

Many Floridians' livelihoods are highly dependent on air travelers visiting the State. Before the attack, 55 percent of visitors to Florida arrived by air, so any substantial decrease in the number of air travelers creates serious ripple effects within Florida's economy. This is true of other parts of the country, including Nevada, Hawaii and indeed our own Washington, DC, where travel and tourism is the second-largest employer behind the Federal Government.

Restoring the confidence in travel in general and air travel in particular in the wake of the September 11 attacks is one of the more difficult challenges we face today. Still, I am confident we can restore confidence and businesses will again flourish.

The Federal Government immediately implemented new security measures for air travel and will continue to make any necessary changes. There are no guarantees in this world, but given our country's history of success we will find solutions that work.

I welcome our witnesses today and thank them for their participation. I look forward to their insights so Congress can accurately identify the public policy issues where it is appropriate for the Federal Government to be involved. In that light, I am carefully reviewing with my colleagues the proposals offered on the Senate side by Senator Kyl and Senator Miller and on the House side by my colleagues Congressmen Shadegg, Abercrombie, and Ms. Wilson, including the \$500 tax credit bill that they support.

So, with that, I want to welcome our witnesses and also have the ranking member, Mr. Towns—welcome him for an opening statement.

[The prepared statement of Hon. Cliff Stearns follows:]

PREPARED STATEMENT OF HON. CLIFF STEARNS, CHAIRMAN, SUBCOMMITTEE ON
COMMERCE, TRADE AND CONSUMER PROTECTION

I am proud to represent a state that boasts one of the largest tourism industries in the country. But it would be foolish to think that only states with warm weather and beaches attract tourists. Just the opposite is true. We have world-renowned cities rich in tradition and culture, from New York to New Orleans. And our diverse topography allows every activity imaginable, whether it be skiing our mountains in the winter, exploring the desert canyons, or sailing the Great Lakes in the summer. Every state and territory offers tourists something unique, enhancing the United States as the destination of choice for domestic and international tourists.

Because every state and territory maintains an interest in our tourism industry, the health of this sector of our economy has taken on increasing importance. While I could quote impressive statistics demonstrating how important tourism is to our economy, allow me to just share two. The travel and tourism is a \$600 billion industry representing little over 5% of our GDP and employing over 17 million Americans.

Specifically, in my home area of central Florida, tourism brought some \$20.9 billion in visitor spending to the local economy last year and accounted for over 211,000 jobs with total annual wages earned of \$5 billion. That was last year. While the tourism industry is not isolated from the economic slowdown, the attacks of September 11 have changed the dynamic immeasurably. Through no fault of their own, tourism and tourism dependent businesses large and small that were already weathering economic challenges have been thrust into a more serious dilemma that could not be predicted.

My state of Florida is especially hard hit for two reasons. First, Florida's economy is disproportionately dependent on travel and tourism revenues. And like Nevada, New Hampshire and a few other states, Florida not having an income tax is heavily dependent on sales tax revenues to meet its public service obligations. An initial estimate puts the cost of the attacks to Florida at \$183 million just in lost sales taxes from tourist spending by the end of the year.

Though the Commerce department has recently issued forecasts for a healthy return in the long-term outlook, the short-term outlook is less optimistic. I don't know that any of us can write a cure-all prescription, but the President's call to return to our routine and our way of life seems to be an excellent starting point. However, restoring the confidence to do that appears to be the obstacle holding back a full and fast recovery.

If we are to restore confidence in travel, it is natural that we pay particular attention to the airline industry. The Subcommittee held a hearing earlier this year on airline mergers during which we received testimony highlighting the importance of air travel to our economy. No one doubts those claims now as we witness the struggles of every business dependent on air travelers. Many Floridians' livelihoods are highly dependent on air travelers visiting the state. Before the attacks 55% of visitors to Florida arrived by air. So any substantial decrease in the number of air travelers creates serious ripple effects within Florida's economy. This is true of other parts of the country, including Nevada, Hawaii and indeed our own Washington, DC, where travel and tourism is the second largest employer behind the federal government.

Restoring confidence in travel in general and air travel in particular, in the wake of the September 11 attacks, is one of more difficult challenges we face today. Still, I am confident we can restore confidence and business will once again flourish. The Federal government immediately implemented new security measures for air travel and will continue to make any necessary changes. There are no guarantees in this world, but given our country's history of success, we will find solutions that work.

I welcome all our witnesses today and thank them for their participation. I look forward to your insight so that Congress can accurately identify the public policy issues where it is appropriate for the Federal government to be involved. In that light, I am carefully reviewing various proposals calling for direct federal assistance, including the \$500 dollar tax credit bill introduced in the Senate by Senators Kyl and Miller and here in the house by my colleagues Mess. Shadegg, Abercrombie and Ms. Wilson.

Mr. TOWNS. Thank you very much, Mr. Chairman.

I would like to thank the witnesses for appearing here today to talk about the state of their industry. I would especially like to thank my colleagues and Mrs. Nicholas, who is the President and

CEO of the New York City Travel and Tourism Board, for being here to discuss the state of the tourism industry in New York.

Mr. Chairman, I would like to submit a letter from the Travel Business Roundtable which has compiled some statistics on the tourism industry which I feel members of the committee may find useful and, as a longstanding tradition, I would like to move that this information become a part of the record.

Mr. STEARNS. By unanimous consent, so ordered.

Mr. TOWNS. I would like to use the remaining time to encourage all Americans to get out and travel this fall. There is nothing better than a weekend away in your favorite location, whether it is enjoying a golf weekend, relaxing on a beach or at a resort.

My No. 1 suggestion, Mr. Chairman, is take a trip to New York City. There is no better place to spend a weekend, and there is certainly no better place to spend your money right now. Come to New York and see that Broadway show you wanted to see for the past year. Do your Christmas shopping a little early. Come walk the streets and get a feeling of patriotism rivaled by nowhere in America. Come see the baseball playoffs, and let me inform you in advance, come to the World Series. Come help rebuild New York City and get our economy moving again.

Last, Mr. Chairman, I would urge all of my colleagues to support H.R. 2940, the I Love New York Tax Deduction Act. This bill would give tax deduction for meals, travel, entertainment in New York City until the end of 2002. I think it is so important that we do this and we do it now.

Once again, I look forward to the testimony today, and I yield back my time.

[The prepared statement of Hon. Edolphus Towns and the letter follow:]

PREPARED STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK

Thank you Mr. Chairman and I too would like to thank the witnesses for appearing here today to talk about the state of their industry. I would especially like to thank Cristyne Nicholas, who is President and CEO of the New York City Travel and Tourism Board for being here today to discuss the state of the tourism industry in New York.

Mr. Chairman, I would first like to submit a letter from the Travel Business Roundtable. The T-R-B has compiled some statistics on the tourism industry which I feel members of the committee may find useful and I would like to move that this information be made part of the record...

As everyone knows, my city along with the entire nation is still reeling from the effects of the September 11th tragedy. Our psyche has been damaged in many ways, but it has not been destroyed. We are a resilient people and are bouncing back from this attack. To do this, we need to start walking a little bit taller, keeping our chins held a bit higher and lastly Mr. Chairman, we need to get back to traveling!

I would like to use my time today to encourage all Americans to get out and travel this fall! There is nothing better than a weekend away in your favorite location, whether it's enjoying a golf weekend getaway, relaxing on a beach or at a resort in Las Vegas OR—and this is my number one suggestion Mr. Chairman, take a trip to New York City!!! There is no better place to spend a weekend and there is certainly no better place to spend your money right now either!

Come to New York and see that Broadway show you've wanted to see for the past year. Come do your Christmas shopping a little early! Come walk the streets and get a feeling of patriotism rivaled by nowhere in America today. Come see the baseball playoffs and hopefully, the World Series!!! Lastly, come help rebuild New York City and get our economy moving again.

Lastly Mr. Chairman, I would urge all of my colleagues to support H.R. 2940, The I Love New York Tax Deduction Act. This bill would give tax exemptions for travel,

meals and entertainment in New York City until the end of 2002. I think it is an important piece of legislation and one that should be passed as quickly as possible.

Once again, I look forward to the testimony today and I yield back the balance of my time.

TRAVEL BUSINESS ROUNDTABLE
October 15, 2001

The Honorable EDOLPHUS TOWNS
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, DC 20510

DEAR CONGRESSMAN TOWNS: In my capacity as Chairman of the *Travel Business Roundtable (TBR)*, and on behalf of the thousands of small, medium and large scale travel and tourism businesses around the United States, I am writing to thank you and Chairman Cliff Stearns for focusing on the plight of the travel and tourism industry in your hearing this week in the House Energy and Commerce Subcommittee on Commerce, Trade and Consumer Protection.

Travel and tourism is one of the few industries whose economic reach touches upon each congressional district in all 50 states. In 2000, travel and tourism generated a trade surplus of \$17 billion, helped support more than 17 million domestic jobs, and created local tax revenues of \$99.5 billion. The industry is the first, second or third largest employer in 28 states and the District of Columbia.

As you and Mr. Stearns have witnessed in your own states, since the horrific acts of September 11, 2001, the travel and tourism industry has been affected on a broad scale. Businesses are being forced to lay off workers, hotel occupancy rates have plummeted in major metropolitan areas and the uncertainty of future attacks is taking its toll, as both business and leisure travelers are canceling conventions, planned business trips and family vacations. The numbers are staggering (see attachments).

As you prepare to investigate the large-scale economic impact on the travel and tourism industry, please know that we are here and willing to help with any solutions you propose to the industry.

Respectfully, on behalf of TBR's 55 members, I request this letter and the attachments be submitted for the Subcommittee's official record on the hearing.

Sincerely,

JONATHAN TISCH
Chairman

Attachments

TRAVEL BUSINESS ROUNDTABLE
October 5, 2001

The Honorable EDOLPHUS TOWNS
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, DC 20510

DEAR CONGRESSMAN TOWNS: On behalf of the Travel Business Roundtable ("TBR"), I am writing to alert you to the crisis now confronting the U.S. travel and tourism industry and to outline several concrete steps that the Administration and Congress can take to help the industry recover from the crushing blow it received as a result of the September 11th terrorist attacks on our country.

Comprised of more than 60 corporate, labor, and trade association members, the TBR is proud to represent the broad diversity of the U.S. travel and tourism industry. During the past decade, travel and tourism has emerged as one of our nation's most productive engines of economic growth. As of last January, more than 17 million Americans were employed in travel and tourism-related jobs, with an annual payroll of \$159 billion. Travel and tourism was the first, second, or third largest industry in 28 states and the District of Columbia. And last year, travel and tourism generated an annual trade surplus of \$17 billion as well as nearly \$100 billion in tax revenues for Federal, state, and local governments.

Unfortunately, the September 11th attacks have crippled our industry as public confidence in the safety of travel has been severely undermined, if not shattered. Hard data as well as anecdotal experience suggest that meetings are being postponed; all but critical corporate travel is being delayed; and individuals are canceling or postponing personal travel plans within the U.S. and abroad. These disturbing trends are all occurring against the backdrop of an overall U.S. economy that is in decline.

Let me be even more specific: Since September 11, hundreds of thousands of travel and tourism jobs have been lost across the country; major U.S. cities are already reporting tens of millions of dollars in tourism-related losses; airlines, having drastically reduced their flight schedules are filling less than 60 percent of their seats on most flights; hotels stand to lose more than \$2 billion in room revenue; more than 25% of meetings and conventions scheduled to take place by the end of the year have been canceled; and travel agencies are reporting tens of millions of dollars in sales losses each day. *To stop and reverse these alarming trends, we need your help and we need it now.*

As an immediate step, we urge you to speak out in as many forums as possible about the continued safety of travel and its importance to the U.S. economy. The message to the American people must be clear—to change our way of life is a capitulation to the terrorists. We applaud President Bush's recent public comments about the importance of travel as well as his decision to reopen Reagan National Airport.

We also understand that Congress and the Administration are developing a package of tax relief and other initiatives designed to stimulate economic growth. As you review the range of options available to you, we hope you will consider the following proposals that will be particularly helpful to the U.S. travel and tourism industry in the near term as the industry tries to get back on its collective feet. These proposals are designed to achieve three goals: 1) to assist the hundreds of thousands of workers within the travel and tourism industry who have been displaced since September 11th; 2) to encourage people to travel again for both business and leisure purposes; and 3) to increase liquidity for travel and tourism-related businesses, both large and small, that are currently confronting severe cash flow problems. Accordingly, we propose:

Helping Displaced Workers

- Direct assistance by the Federal government to those states that may be overwhelmed with worker compensation and unemployment claims resulting from the September 11th attacks.
- Assurance by the Federal government that health benefits will be continued for displaced workers.

Encouraging People to Travel Again

- Full restoration of the business meal and entertainment deduction.
- Restoration of the tax deduction for travel expenses of a spouse accompanying an employee on a business trip to 100%.
- Support for a Federal tax credit to encourage people to travel or make travel plans by December 31, 2001. Amounts and effective dates to be determined by Congress.

Liquidity

- Payroll tax relief for employers and employees.
- Extension of eligibility for the Small Business Administration's Economic Injury Disaster Relief Program to otherwise qualified small businesses across the country that are unable to meet necessary financial obligations as a result of the September 11th attacks.
- Granting discretionary authority to the SBA Administrator to adjust size standards for eligibility to ensure that firms falling outside the SBA's definition of "small" are not inadvertently left behind.

On a longer-term basis, two additional steps should be taken. First, a top priority for the TBR has been the creation of a Presidential Advisory Council on Travel and Tourism. We envision the Advisory Council, whose members would hail from the public, private and non-profit sectors, as the fulcrum for tourism policymaking and implementation within the Executive Branch. The Advisory Council should be established as quickly as possible. Second, the Federal government, in partnership with the private sector, should help finance an advertising campaign that promotes the United States as a travel destination of choice for the foreign tourist and stimulates greater travel within the United States. The TBR strongly believes that such a campaign, if properly conceived, can pay substantial dividends in the form of increased tourism throughout our country.

As more governors and mayors speak out about the damaging consequences of September 11th for state and local governments, both in terms of lost revenues and spiraling unemployment claims, one salient truth emerges: Travel and tourism is a nationwide industry whose enormous economic presence in all 435 Congressional Districts must not be ignored.

Thank you for giving me this opportunity to share my thoughts with you. If you have any questions or suggestions, please contact me directly or call Chuck Merin, TBR's Washington representative, at (202) 530-4829. For your review, I have also

attached TBR's membership list and a snapshot summary of the devastating impact that September 11th has had on our industry.

Those of us at the TBR wish you every success as you undertake your important responsibilities during these difficult times. Our thoughts and prayers are with you.

Sincerely,

JONATHAN M. TISCH
Chairman

Attachments
cc: TBR membership

THE EFFECTS OF THE SEPTEMBER 11 ATTACKS ON THE U.S. TRAVEL AND TOURISM INDUSTRY

Analysts project tourism in the U.S. could drop by nearly one-third in the coming months.

Hundreds of thousands of U.S. airline, hotel and other travel industry workers have lost their jobs.

U.S. airlines are flying with 40 percent to 50 percent of their seats empty, even after drastically reducing their scheduled flights.

Across the U.S., 25 % of conventions and meetings scheduled before the end of 2001 have been cancelled.

Per-room revenue is projected to decline between 3.5 percent and 5 percent this year—the largest decrease in room revenue in 33 years.

Hotels could lose \$2 billion in room revenue and other associated income. Specifically, cities around the country are already experiencing tremendous losses:

- In New York, the overall occupancy rate is at 45 percent, where it would normally be at 75 percent, and 3,000 employees have been laid off;
- In Washington, D.C., room occupancy plummeted from 80 percent to less than 20 percent, and experts say more than 50,000 hospitality jobs in the region are at risk;
- In Central Florida, many hotels are at less than 25 percent capacity, where they would normally more than 50 percent full;
- In Seattle, where downtown hotels are typically 90 percent occupied in September, occupancy is as low as 30 percent; and
- In Hawaii, where many hotels normally have 80 to 85 percent occupancy, many occupancy rates are at 40 percent or lower.

Travel agencies are losing an estimated \$51 million per day in sales.

Corporate travel is projected to fall by 50 percent by January 2002.

One estimate states our economy will decrease by 1.8 percent of total GDP, directly resulting in a loss of 1.1 million U.S. jobs.

MEMBERSHIP

Larry Alexander *Detroit Metro Convention and Visitors Bureau*; Steven C. Anderson *National Restaurant Association*; Sean Anderson *WH Smith USA Travel Research*; Richard A. Anderson, *Carey International Limousine*; Adam M. Aron *Vail Resorts, Inc.*; Gloria Bohan *Omega World Travel, Inc.*; Christopher Bowers *United Airlines*; Melinda Bush *HRW Holdings, LLC*; Sila M. Calderon Sol, *Commonwealth of Puerto Rico*; Thomas J. Corcoran Jr. *FelCor Lodging Trust*; Manuel Cortez *Las Vegas Convention and Visitors Bureau*; John F. Davis, III *Pegasus Systems, Inc.*; Roger J. Dow *Marriott Lodging*; William H. Friesell *Diners Club International*; Michael Gehrisch *International Association of Convention and Visitors Bureaus*; Laurence S. Geller *Strategic Hotel Capital Incorporated*; Vicki Gordon *Six Continents Hotels Inc.*; Michael W. Gunn *American Airlines*; Bjorn Hanson PhD *PricewaterhouseCoopers LLP*; Wolf H. Hengst *Four Seasons Regent Hotels & Resorts*; Stephen P. Holmes *Cendant*; Dieter H. Huckestein *Hilton Hotels Corporation*; Robert E. Juliano *Hotel Employee and Restaurant Employee International Union*; Jacki Kelley, *USA Today*; Thomas A. Kershaw *The Hampshire House Corporation*; George D. Kirkland *L.A. Convention & Visitors Bureau*; Fred Kleisner *Wyndham International*; Jonathan S. Linen *American Express Company*; Joseph A. McInerney, *American Hotel & Lodging Association*; David Meyer *Business Travel News*; Sandy Miller *Budget Group Inc.*; Scott D. Miller *Hyatt Hotels Corporation*; Marc Morial *Mayor of New Orleans*; Patrick Moscaritolo *Greater Boston Convention and Visitors Bureau*; Curtis Nelson *Carlson Hospitality Worldwide*; Cristyne Nicholas *NYC & Company*; Howard C. Nusbaum, *American Resort Development Association*; Michael S. Olson *CAE American Society of Association Executives*; William J. Overend *The Coca-Cola Company*; Paul S. Pressler, *Walt Disney Attractions*; Lalia Rach, *Center for Hospitality, Tourism & Travel*; Barbara J. Richardson, *Amtrak*; John T. Riordan *International Council of*

Shopping Centers; Lamar Smith Visa USA, Inc.; Randell A. Smith Smith Travel Research; Barry Sternlicht Starwood Hotels & Resorts; Paul Tagliabue National Football League; William Talbert Greater Miami Convention & Visitors Bureau; Robert S. Taubman, Taubman Centers, Inc.; Jonathan M. Tisch, Loews Hotels; Tom Williams, Universal Studios; Scott Yohe, Delta Air Lines, Inc.; and Tim Zagat, Zagat Survey, LLC.

Mr. STEARNS. I thank the gentleman.

Now the distinguished chairman of the full committee, the gentleman from Louisiana, Mr. Tauzin.

Chairman TAUZIN. Thank you, Chairman Stearns. Let me thank you for holding this important hearing.

As the committee with primary jurisdiction over travel and tourism, it is our job to examine the state of the industry and to focus America's attention once again on how critical and important this industry is and how much it does for this country in terms of jobs and economic effect and balance of trade. For the last decade this has been one of the shining lights in our balance of trade portfolio. Americans need to think about that.

And I want to welcome the distinguished members joining us today, Ms. Berkley of Nevada. You, I know, will excuse me when I leave quickly to go downstairs because we are marking up your bill on the regulatory reform of the Center for Medicare and Medicaid Services in our country. It is a very important bill that we are going to try to get to the floor as soon as we can, and I want to thank you for working with our committee and not only putting together what I think is an excellent package but I think making a great difference for all the Medicare and Medicaid providers and, most importantly, the patients in America who are going to benefit from that very important effort you are making.

I want to welcome Mr. Abercrombie of Hawaii, my dear friend, and Mr. Underwood of Guam, my dear friend, from the Resources Committee. We worked together daily on areas of interest to this committee because we worked together in preserving America's great resources on that committee, many of which are the things America travels to see and be a part of. While we encourage foreign travel, we always remind Americans we have got a great country. If you haven't seen it all, you are missing out. You ought to see it all before you decide to go anywhere else.

And, of course, Mr. Keller from Florida, who joins Mr. Stearns in reminding all of us that if any committee is going to put a favorable light upon all the efforts to rejuvenate travel and tourism in this country, it is one that is chaired by the gentleman from New Orleans and the subcommittee chaired by the gentleman from Florida. Of course, New Orleans and Florida are great tourists sites.

And I want to tell my friend from New York I love New York. I have a son who works there, and I agree that we ought to encourage travel in New York. We ought to rebuild New York. That is part of what I think our Nation needs to do, not just the great folks in New York.

But two comments about it. I have never seen New Yorkers be more pleasant in all my life, and I want to thank you for all the folks in New York for the incredible way in which New York is re-making itself.

And, by the way, that is also true in the airlines in America. Travelers are telling us that all the time now. People are being

nicer to one another. They are paying attention to one another a little more, obviously, but they are also being nicer to one another. We are seeing a great attitude in travel. Travel has never been the easiest because you have got to go through the lines and get your baggage checked and there is more inconvenience than before, but the bright side is people are being nicer and kinder to one another and more caring for one another.

So our country is going through something pretty nice that New York is experiencing and travelers are experiencing and in the face of all this ugly atrocity and terror at the same time our country is refinding—finding again I should say—a part of its character and a part of its good side, its good nature, and I think that is maybe a plus here.

Today the Speaker announced, by the way, that we are probably going to adjourn session early today and allow a full sweep of all the buildings and all the offices to make sure that our staff and all the Members and our guests who come here to work on important issues like this are safe when they come to work in the Capitol. So we are taking this very seriously.

The incident on the Senate side in Mr. Daschle's office was a very profound incident. About 20 people I think have been affected by it.

In yesterday's leadership meeting, Mr. Chairman, I can tell you that everyone spoke with a common mind, one, that we were going to continue to do our business calmly and responsibly for the American people but at the same time we were going to act very responsibly to make sure that our staffs and the folks who come up here to testify and work with us are assured of their safety, just as we are working to make sure that travel and tourism is safe again in this country.

The President was asked about sacrifice as we enter this new kind of war against terrorism in the world. He was asked what has he asked Americans to sacrifice, and he gave a great answer, I think the best answer anyone can give. He said, well, what is it if it isn't sacrifice when you lose a part of your soul?

We can't win back everything we lost on September 11. We can't win it all back. We did lose a part of our soul. We lost something sacred in this country on September 11, and we are going to have to fight to bring this country back to a sense of itself and sense of security and a sense of peace and calm again. But that is all our job, and that is the sacrifice he is asking all of us to make.

He is asking this industry to pick itself up by its bootstraps, and he is asking us to help where we can to make sure it is revitalized. But he is also asking all Americans I think to understand that in our very special, personal way we have to win back much of what we lost on September 11, and that means going back to business and hugging our children, going back to work and doing the things that make our country great and special, and part of that is indeed spending time with each other, with families and gathering together in special places in this country of beauty and calm and places where we can entertain and enjoy the incredible blessings that God has bestowed upon our country. And so travel and tourism are critical parts of that.

Thank you, ladies and gentleman, for coming from all parts of America to remind us of that this morning. Thank you in the industry for being with us today. How important you are and how important this industry is to the country.

Most importantly, Mr. Chairman, I think our message today is to all Americans that this country will come through this. We will be okay as long as every American does his and her part. And part of it is just that, experiencing the blessings of this great country in the way in which we conduct our lives and our businesses and again reminding each other how important we all are to one another and renewing that new spirit in New York and on the airlines, in the travel houses and destinations and the cruise ships and all the different parts and parcels of this industry that we are coming back and we are coming back strong.

There is a revitalization going on in the industry. To the extent this committee can help, I know the chairman is dedicated to doing that and so am I.

[The prepared statement of Hon. W.J. "Billy" Tauzin follows:]

PREPARED STATEMENT OF HON. W.J. "BILLY" TAUZIN, CHAIRMAN, COMMITTEE ON
ENERGY AND COMMERCE

First, let me thank Chairman Stearns for holding what promises to be a very informative hearing this morning on the state of the U.S. tourism industry. I also would like to thank the distinguished Members—Mrs. Berkley of Nevada, Mr. Abercrombie of Hawaii, Mr. Underwood of Guam, and Mr. Keller of Florida—for taking the time to come and speak to us on the first panel this morning. We appreciate how important this issue is to you and your constituents. And, I welcome the industry representatives, who will testify on the second panel. Thank you all for participating in this hearing.

The travel and tourism industry is an important component of the American economy that is sometimes under-appreciated. It doesn't grab the headlines like the high tech industry does; yet it provides millions of jobs and accounts for billions of dollars in services each year. The industry directly employs an estimated 8 million workers. It accounts for approximately 5% of our nation's Gross Domestic Product. And, as one of our largest service exports, it has run a trade surplus every year for the past decade. These statistics help underscore just how vital this industry is to the American economy and the American way of life.

September 11th significantly effected the travel and tourism industry, perhaps more than any other sector of our economy. The industry already had been facing many of the same challenges of a slowing economy that were confronting other sectors before the attacks. However the direct financial impact from the two days of grounded flights, and the phase in of flights after that, were just the beginning of its problems.

After flight service resumed, according to numbers recently released by the Air Transport Association, one of our witnesses here today, passenger loads were cut nearly in half when compared to pre-September 11th travel. Passengers are slowly returning, but flight schedules have been cut back. What had previously been a problem of fewer travelers due to concerns about the family budget has been compounded by all the caution and worry about travel stemming from the attacks—and the whole of the country is experiencing the impact of these added concerns.

The reduction in travel has produced a quick and severe domino effect. Hotels, restaurants and entertainment destinations have felt the impact, as have the industries that support the tourism industry.

Although it is difficult to determine how much of this reluctance to travel is related to economic concerns and how much is related to September 11th, we must address both. The President has developed a stimulus package to help aid the slowing economy. The federal government has also worked with industry groups to increase security and ease public concern. Meanwhile, recent statistics and forecasts suggest air travel and the rest of the tourism industry are slowly and steadily recovering.

We will not get back what was lost on September 11th. However, we can and must learn from the tragedies. Our response to these events will help determine the future of this great country and ensure we preserve our way of life as we move for-

ward. I urge those here today and others in the industry to keep up the good work strengthening confidence in travelers. I also want to let you know that Congress will continue to seek to do what is necessary to assist you in those efforts.

Thank you, Mr. Chairman.

Mr. STEARNS. Thank you for your spirited opening statement.

The gentleman from Louisiana, Mr. John, is recognized for an opening statement.

Mr. JOHN. Thank you, Mr. Chairman. I will be very brief. I have a statement that I will enter into the record.

I want to thank the chairman and also the ranking member, Mr. Towns, for holding this important hearing.

The events of September 11 have adversely, and to dimensions that we could never have imagined, affected tourist-dependent States and obviously the State of Louisiana—the great State that I represent is one of those States. It is the second largest economy of Louisiana. It employs about 120,000 people. It is important to our economy.

Some estimates through the Lieutenant Governor's Office—which handles all tourism for Louisiana—say that we have lost \$100 million up to this point in time, and for a State the size of Louisiana that is significant. In particular, some of the events that have been hardest hit are conventions, corporate conventions that come into New Orleans and other cities in our great State, and they are very dependent on flying in and flying out traffic. I think that type of tourism is very, very important, and that has been the sector that has been impacted the most.

But I think that Louisiana has stepped up to the plate. Local convention centers and visitors bureaus are committed and started a campaign of a million dollars that began I think this week trying to get people back to Louisiana under the guise of the Louisiana Purchase. So it is important that the State and local governments play their role, and they are doing that, and I think that shows a commitment of how important this industry is to our great State.

Louisiana is preparing for three very massive events in the coming months—the Super Bowl; Mardi Gras, that draws people from all over; and if the Saints continue to win, maybe an NFL playoff game in the Superdome, which will be great. But I believe the economic success of these events, which are really the bellwether—they are the golden eggs of our tourist events of the whole year. Mardi Gras obviously is something that is there annually and the Super Bowl which New Orleans will host this year.

The success of these very major events that are attended by people from all over the world I think are going to be contingent upon how comfortable and secure we can make travelers feel that come not only to New Orleans and Louisiana but to other States that are so dependent on tourism. I am very comforted that this committee is playing a part to start opening the dialog toward that end, and I look forward to the testimony from four of my distinguished colleagues that have similar situations to the State of Louisiana with Nevada and Hawaii and Florida and Guam. I mean, those are very tourism-dependent States.

So thank you for holding this hearing, and I look forward to the testimony.

[The prepared statement of Hon. Chris John follows:]

PREPARED STATEMENT OF HON. CHRIS JOHN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF LOUISIANA

Thank you Mr. Chairman, I appreciate the opportunity to comment on today's hearing and will be brief with my remarks so that we may proceed with our two witness panels.

Mr. Chairman, the September 11 terrorist attacks have affected every tourism-dependent state. In Louisiana, tourism is the second-largest industry and employs over 120,000 people. It is estimated that we have lost \$100 million so far as a result of the September 11 tragedy. In particular, tourism markets in the state that are dependent on fly-in and corporate convention business have felt the largest impact. The state and our local convention and tourism bureaus have responded with a variety of promotions, including a \$1 million advertising campaign to attract visitors.

Mr. Chairman, Louisiana is preparing to host two massive events in the coming months—the Super Bowl and Mardi Gras—that draw visitors from all over the world. The economic success of these events will largely be determined by how secure Americans and international visitors feel heading into next year. I look forward to the testimony of our witnesses here today to help define the role our federal government can play in making tourists feel more secure so that we can continue to grow America's tourism industry.

With that Mr. Chairman, I will conclude my remarks by welcoming our witnesses and thanking them for their appearance before our subcommittee.

Mr. STEARNS. I thank my colleague and recognize the gentleman from New Hampshire for an opening statement, Mr. Bass.

Mr. BASS. Thank you, Mr. Chairman. I, too, appreciate this hearing, and I would like to lend my support to what I think are really great comments by our full committee chairman.

These are not easy times for any of us and what we are going to do this week is going to be quite a bit out of the ordinary, but it is going to make working here a lot safer, and I think it is the right decision. I also feel that although all of us are going to have to make sacrifices and some of them may be quite significant, not only will our country, as he said, be okay, I think we are going to come out of this experience stronger and more vital than ever before because we are unified in our objective to root out and end this cancer we call global terrorism, state-sponsored terrorism.

I could be sitting there with you four today because my home State of New Hampshire, which has no sales or income tax, is obviously very dependent upon revenues it receives from room and meals, from business profits and business enterprise taxes. We have a flourishing tourist industry right now in foliage viewing, and the ski industry is coming up, and then of course all the summer activities, and we are probably—I am not sure what the statistics are for New Hampshire—having as much trouble as any other State in this area.

Mr. Chairman, I think it might be more appropriate, however, for us to make this a field hearing in the four localities. I have never been to Guam before. Just to see for ourselves.

Mr. TOWNS. Will the gentleman yield?

Mr. BASS. Yes, sir.

Mr. TOWNS. I support that.

Mr. ABERCROMBIE. Mr. Chairman, you have to come through Hawaii in order to hit Guam.

Mr. BASS. All I can say, I was on an important mission with you once and you wanted to stop in Iceland on the way home because you figured that nobody in Hawaii would worry if they knew you had stopped in Iceland.

But this is an important issue and in my home State it ripples down through all kinds of different industries, through every town and city. I am looking forward to hearing the testimony you bring forward today and hope that if there is any role for Congress to play in revitalizing tourism that we will be leading the way from this subcommittee in reaching that objective, and I yield back.

Mr. STEARNS. I thank the gentleman.

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF HON. JOHN SHADEGG, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ARIZONA

I want to thank the Chairman for holding this important hearing.

As America moves forward following the unspeakable terrorist attacks of September 11th Congress is considering ways to help our economy recover. Talk has centered on an economic stimulus package that focuses on pro-growth policies that keep and create jobs. As one element of that package we should include legislation that will jump-start the ailing travel and tourism industry.

No sector of our economy has been more damaged. And, few industries in our country have such far-reaching impact on the U.S. economy as travel and tourism. In fact, it is America's third largest retail industry with \$582 billion of total expenditures, generating nearly \$100 billion in tax revenue for local, state, and federal governments. Without this revenue, each U.S. household would need to pay an additional \$964 in total taxes.

The catastrophic events of September 11th have had a disproportionately negative impact on the U.S. travel and tourism industry. Not only have airline, hotel, car rental, restaurant, and other travel and tourism businesses suffered, but the attacks have had a dramatic ripple effect that has damaged businesses only indirectly related to the travel and tourism industry.

We need to get Americans traveling again. That is why I, along with my colleague, Mr. Abercrombie, have introduced H.R. 3041, the Travel America Now Act.

The incentive is simple and modest. It will encourage Americans to resume recreational travel and tourism, as well as provide a much-needed stimulus to the entire American economy. It would provide a \$500 tax credit per person (\$1,000 for a couple filing jointly) for personal travel expenses for travel originating and taken within the U.S.

The tax credit would cover travel expenses associated with personal automobiles, airplane, cruise, train, and bus tickets; hotel and motel accommodations; restaurant meals; and rental cars. It would also restore full deductibility for business entertainment expenses, including meals, that are now subject to a 50 percent limitation. In addition, the measure expands (from two years to five years) the "carry back" period to allow travel-related businesses to retroactively apply post-September 11th losses against tax liabilities incurred in previous years.

Every tax paying American can take advantage of this incentive provided: (1) the travel is taken, or paid for, after the date of enactment of the legislation and before the end of the year; (2) he or she travels at least 100 miles from his or her residence, and (3) his or her trip involves an overnight stay at a commercial lodging facility.

The goal of an economic stimulus should be job preservation and creation, and there is no better stimulus than one directed at the travel and tourism industry. It is one of America's largest employers—7.8 are million people directly employed and 11.5 are million indirectly employed in the U.S. travel and tourism industry (19 million total jobs amounts to one out of every seven people employed in the U.S. civilian labor force).

While there are some media reports that the industry is coming back, these stories are misleading. Travel and tourism is far from pre-September 11th levels. Thousands of baggage handlers, cab, limousine and shuttle bus drivers, hotel maids, bellhops, industrial laundry workers, airplane manufacturing employees, flight attendants, pilots and countless others have lost their jobs. An extension of unemployment benefits, even with supplemental healthcare, will not get these people their jobs back. Virtually every business in this sector is reducing staff and operating at restricted levels merely to stay afloat.

For instance, as of October 5th the nation's airlines have cut nearly a 100,000 jobs, slashed flights by 20 percent and even those are one-third empty. Hotel occupancy is 30 percent below normal levels, and the highly popular Smithsonian Museums, which usually get 70,000 visitors a week, are down to 32,000.

The downturn in the travel and tourism industry is having a domino effect on other economic sectors and in some cases has come full circle. Take for example Joe Barner, a beverage manager for a catering company in Florida. Shortly after the attacks he was warned that the company was cutting hours and pay for managers for “the good of the company.” But, a week later he lost his job, even though October business was promising.

Though Mr. Barner is looking for another job in the hospitality business, he’s worried that the slowdown in tourism will narrow or eliminate his prospects. Preparing for the long haul, he cancelled his newspaper, pared back his cable service and traded in his car for lower payments on the same day he was laid off. And, he might not be able to enjoy one luxury he has already paid for—tickets to a football game in Wisconsin—because he and his wife can’t afford to travel.

The TAN Act would help people like Joe Barner and serve as a timely response to the job losses and business downturn affecting millions of working families in every part of the country.

As a complement to the enhanced safety measures that are being implemented, Congress should include in the economic stimulus package a temporary incentive to travel. It would be an important step to help maintain a vibrant travel and tourism industry, keep working people working, and stimulate economic growth.

Once again, Mr. Chairman, I commend you for holding this hearing and sincerely hope that we come to some real conclusions.

PREPARED STATEMENT OF HON. ED BRYANT, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF TENNESSEE

The September 11th tragedies have had an impact on many various sectors of our nation’s economy.

However, the effect of the attacks on the United States tourism industry has been particularly strong. For weeks following September 11th, I didn’t see one constituent darken the door of my Washington, DC office.

The impact of the 11th on the tourism industry has been felt at home in my district in Tennessee as well.

As you all know Memphis is the birthplace of rock and roll and the home of the blues—we have Elvis, Graceland, Beale Street, and the mighty Mississippi River.

It is no wonder that the city’s second greatest industry is tourism. Elvis impersonators obviously aren’t the only people who flock to Memphis. Many others from this country and from around the world visit Memphis every year.

However, since the eleventh, tourism revenue has dropped significantly.

The Memphis Convention and Visitors Bureau estimates that the city has lost about \$20 million in economic impact from tourism revenues. With hotel occupancy levels in Memphis down 14.8%, it is reported that these hotels have lost about \$1 million a week in room revenues.

I look forward to hearing from our panelists today. It is important to look at the changes that have occurred in our nation’s economy and try to distinguish how much is a result of the attacks on the 11th and how much is a part of the economic downturn that we were experiencing prior to the 11th.

I believe President Bush has done a good job renewing Americans’ confidence in flying.

The President has strengthened security at our airports in the short term and we are working with the President on legislation to make permanent changes in this area. I look forward to hearing from our witnesses today on how these changes have made Americans more secure about flying.

I also would like to hear from you about any recommendations you may have for federal involvement and more specifically suggestions for ways that this committee can be of assistance.

Finally, I thank the witnesses for coming today and I thank the chairman for holding this important hearing.

PREPARED STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEBRASKA

As the representative of Omaha, I take great pride on behalf of the city in recognizing outstanding businesses that are friends of the community. Marriott Hotels is one such friend, and a loyal one at that. Many of us in this room have reserved rooms at a Marriott Hotel recently; we did so by calling the Marriott Reservation Center, headquartered in Omaha, Nebraska. Marriott is an important player in the Omaha economy, employing hundreds of hardworking Nebraskans and contributing

heavily to the community by way of product donations, employee volunteerism, and financial contributions for community projects. It can be honestly said that without Marriott's presence in the Omaha community, the city would not be as enjoyable of a place to live.

Recently, the City of Omaha broke ground on a new convention center, which will house, among other things, a hotel that will be a central component of the building. With my deepest regrets, the contract was awarded to a Marriott competitor. It was an ugly battle, filled with questionable politics that filled the local paper's front page. It is not a decision of which the people of Omaha should be proud, and were I still an Omaha City Councilman instead of a U.S. Congressman, I hope the decision would have gone the other way.

Nevertheless, Mr. Marriott, you can be certain that the people of my district hold a few things close to their hearts: Nebraska football, Offutt Air Force Base, and Marriott Hotels. No matter what hotel's name is atop our city's convention center, I join many Omahans when I say that Marriott is my hotel of choice.

Mr. STEARNS. At this point, we will take the opening statements from our colleagues. We will start with Congresswoman Shelley Berkley from the First District of Nevada.

Your opening statements will all be made is the part of the record. We are trying to keep it under 5 minutes. We have eight witnesses on the second panel, but we thought it was important to hear from you firsthand, so we welcome you for your opening statement.

**STATEMENT OF HON. SHELLEY BERKLEY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEVADA**

Ms. BERKLEY. Thank you very much, Mr. Chairman and Ranking Member Towns, for holding this very important hearing today.

I just returned from New York City, and I can't encourage people to go there more than you. I had a wonderful time. The atmosphere is terrific. People are very enthusiastic, and they want tourists to come and see New York.

But after they go to New York, I can't encourage them enough to come to Vegas. Because not only when you come to Vegas can you see Paris, Venice, the Roman Empire, Egypt, New Orleans, the Middle Ages, you could also see New York, New York as well. While I can't offer a World Series, I can certainly offer great shows, great restaurants and wholesome family entertainment.

Tourism is the No. 1 industry in the Las Vegas Valley. Tourism drives the economic train of my community. People's livelihood depend on it. Indeed, the entire community depends on one industry. That is all we have. The effects of the September 11 attacks have been devastating on Las Vegas.

Before September 11, the Las Vegas economy was one of the strongest in the Nation. You have all heard me brag about it since I came to Congress. Unemployment was virtually nonexistent. Smaller businesses were flourishing, and millions of people were visiting. Last year, 38 million people visited southern Nevada.

Now, Las Vegas is experiencing economic upheaval. A week after the attacks, hotel occupancy rates dropped from 100 percent to nearly 40 percent; and 240 conventions were canceled immediately. While the weekend hotel occupancy rates have improved, the mid-week rates remain terribly depressed, and my district will likely lose 20 percent of its convention business in the coming months. Revenues from casino entertainment, shopping, showrooms, lodging and dining have plunged. The hotels have laid off more than 15,000 workers and reduced the hours, often voluntarily by the workers,

for many, many more. For each displaced hotel worker another worker is laid off in a related industry. Unemployment, which was virtually nonexistent before September 11, has now reached 7 percent and rising.

Last week, I hosted two displaced hospitality workers—and “displaced” is the nice word for saying they don’t have a job. Jewel Jackson and Lucy Cedenó told their stories.

Jewel is a single mother of two teen-aged girls. She worked at the Four Seasons Hotel as a laundry valet worker and was laid off 2 days after the attack—2 days. Her unemployment benefits amount to \$243 a week. Her rent alone is \$739 per month. When her electric and food bills are included, her monthly expenses amount to more than \$1,100. This does not include health care, clothes for herself and her children, and other daily expenses.

She told the panel that she just doesn’t know what she is going to do now. She is looking for a job but so is everybody else, and we don’t have another industry where she could be retained to go to work.

Lucy Cedenó and her husband have both been laid off by the hotel industry. In my town most people are working in the hotels; and if there are two breadwinners in the family, they are both working in the hotels.

When both women were asked what they needed the most, both emphatically stated that the health insurance was the most important. They are scared to death.

Las Vegas was one of the best metropolitan areas to start a new business. However, at this point, small businesses throughout southern Nevada are experiencing a dramatic decline in business. One third of small companies cited a decrease in business of a minimum of 25 percent in the last month. These businesses are being forced to take drastic measures such as hiring freezes, delaying payments to vendors, which of course has a terrible ripple effect, and laying off workers. If the current situation continues, businesses will close and unemployment will go up dramatically.

Congress must move quickly on legislation to turn the economic tide. We must extend unemployment compensation and COBRA. Health insurance is the workers’ biggest worry. It can cost up to \$500 a month for health insurance for families. Small businesses that have experienced losses as a result of the attacks must receive relief.

General aviation businesses have lost revenue while grounded by the FAA. Air tour operating companies in Las Vegas have experienced losses ranging from \$25,000 to \$700,000 as a result of airport closures. Small Business Administration loans should be expanded to help businesses in areas hard hit by the ripple effect of September 11.

Full deductibility—and I can’t emphasize this enough. My workers want it. My casinos want it. My restaurants want it. Full deductibility for business meals must be included in the economic stimulus package. Allowing for full deductibility of business meals will encourage business to increase travel by making travel less expensive. A business meals tax deduction benefits the entire economy.

Confidence in air travel must be restored. Forty-six—not 55 percent but 46 percent of Las Vegas tourist business arrives by air.

The Senate has overwhelmingly passed a security package. I implore the House to do the same. We can talk about confidence. We can talk about people going their own way and enjoying their lives as they did before September 11. They are scared to death to get on a plane, and it is getting worse instead of better. Serious consideration should be given to a \$500 tax credit for people traveling within North America. This credit would give people an incentive to get back on the planes, trains and in cars to travel.

I urge quick passage of legislation that will enable areas such as Vegas to rebound, putting people back to work and restoring the economic health of our country with vast and expanding unemployment. How are we going to restore consumer confidence? They can have all the confidence in the world. If they haven't got any money to spend, they are not going to be in the stores; and we have got, needless to say, a big shopping time coming up with the holidays. I urge us to move as quickly as possible on this package.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Shelley Berkley follows:]

PREPARED STATEMENT OF HON. SHELLEY BERKLEY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEVADA

Thank you, Mr. Chairman and Ranking Member Towns for holding this very important hearing today. Tourism is the Number 1 industry in the Las Vegas Valley. Tourism drives the economic engine of my community. People's livelihoods depend on it.

The effects of the September 11th attacks have been devastating on Las Vegas. Before September 11th, the Las Vegas economy was one of the strongest in the nation. Unemployment was low, small businesses were flourishing and millions of people were visiting. Last year, 38 million people visited southern Nevada. Now, Las Vegas is experiencing economic upheaval.

A week after the attacks, the hotel occupancy rates dropped from 100 percent to nearly 40 percent and 240 conventions canceled. While the weekend hotel occupancy rates have improved, the midweek rates remain depressed. And, my district will likely lose 20% of its convention business in coming months. Revenues from casino entertainment, shopping, showrooms, lodging and dining have all plunged.

The hotels have laid off 15,000 workers and reduced the hours for many more. For each displaced hotel worker, another worker is laid off in a related industry. Unemployment has reached 7 percent. Before September 11th, this rate was just 4.8 percent.

Last week, I hosted two displaced hospitality workers from Nevada. Jewel Jackson and Lucy Cedeno told their stories to a House panel. Jewel is a single mother of two teenaged girls. She worked at the Four Seasons Hotel as a laundry valet worker and was laid off two days after the attack. Her unemployment benefits amount to \$243 per week. Her rent alone is \$739 per month. When her electric and food bills are included, her monthly expenses amount to more than \$1,100. This does not include health care, clothes for herself and her children and other daily expenses. She told the panel that she just doesn't know what she is going to do now. She is looking for a job, but there is not much out there now.

Lucy Cedeno and her husband have both been laid off by the hotel industry. When both women were asked what they needed, both emphatically stated that health insurance was the most important.

Las Vegas was one of the best metropolitan areas to start a new business. However, at this point, small businesses throughout southern Nevada are experiencing a decline in business. One third of small companies cited a decrease in business of 25 percent. These businesses are being forced to take drastic measures such as hiring freezes, delaying payments to vendors and laying off workers. If the current situation continues, businesses will close and unemployment will go up dramatically.

Congress must move quickly on legislation to turn the economic tide. We must extend unemployment compensation and COBRA. Health insurance is the workers' biggest worry. It can cost upward of \$500 per person per month. Displaced workers

collecting only unemployment insurance cannot afford these costs and still pay for other necessities.

Small businesses that have experienced losses as a result of the attacks must receive relief. General aviation businesses have lost revenue while grounded by the Federal Aviation Administration. Air tour operating companies in Las Vegas have experienced losses ranging from \$25,000 up to \$700,000 as a result of airport closures. Small Business Administration loans should be expanded to help businesses in areas hit hard by the ripple effect of September 11th.

Full deductibility for business meals must be included in the economic stimulus package. Allowing for full deductibility of business meals would encourage business to increase travel by making travel less expensive. A business meal deduction benefits the entire economy.

Confidence in air travel must be restored. 46 percent of Las Vegas' tourists arrive by air. The Senate has overwhelmingly passed its security package. I implore the House to do the same.

Serious consideration should be given to a \$500 tax credit for people traveling within North America. This credit would give people an incentive to get back on planes, trains and in cars and travel.

I urge quick passage of legislation that will enable areas such as Las Vegas to rebound, putting people back to work and restoring the economic health of our country.

Mr. STEARNS. I thank my colleague.

The gentleman from Hawaii Congressman, Neil Abercrombie.

**STATEMENT OF HON. NEIL ABERCROMBIE, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII**

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

I will in fact submit a statement.

I would like as well, Mr. Chairman, in conjunction with what I am about to say, to submit—I have got a bunch of copies here which actually, if I can get some help from the staff, I would like to pass along to you right at this moment.

Some of you maybe didn't have an opportunity to see the paper this morning. The headline here is, United Chief Says Head Airline Could Fail. The Chairman of United Airlines has sent a letter to company employees yesterday warning the carrier will perish sometime next year—that is a direct quote—unless it stops the financial losses that have accelerated dramatically since the September 11 terrorist attack.

Mr. Chairman, I want to follow up on what Shelley had to say by starting out a little by stating the obvious. Everybody has a story here, but I think it is important to establish this perspective for what I have to say that follows.

Tourism obviously, in Hawaii, it is more than a third of our income. We are affected by international travel as well—not just going out, coming in. New York City, New Orleans, wherever it happens to be, Florida, I am sure you do a tremendous amount of business. Mr. Keller, I know, does a tremendous amount of business in Orlando from international travel.

Our international travel is down 47 percent right now, and it has a tremendous effect immediately on the bottom line, on the immediate bottom line for us. This was—it is now 47 percent. That is an improvement for what it was the rest of the September, which was 78 percent. You just cannot continue to do business under these circumstances when you are taking that kind of a hit. Some of the hotels are reporting they are only down 20 percent or 40 percent in terms of their occupancy. That is because they closed down whole sections of buildings and simply laid people off.

In Hawaii last week things are improving in the headlines of the newspaper because we only have 3,600 people applying for unemployment when it was 5,000 2 weeks previous. That is an improvement for us simply because the numbers are going down.

I will be speaking shortly about the bill that Mr. Kyl and Mr. Miller and Mr. Shadegg and myself have on the \$500 tax credit. You can get from New York to Hawaii for \$400 round trip. That is one of the reasons that United is having the trouble. And, you know, I see people smiling and saying that sounds good, let us go. You have to have a job and confidence to do it. But they are not going to make money with that. They simply can't keep up that kind of a so-called bargain, 8 full package days from San Francisco for \$359. I mean, that is how desperate we are trying to get people out there.

The Los Angeles Times has a story here: Hawaii takes a big hit waiting for tourists to come flying back. These are two kids from the Hilton Hawaiian Village Hotel down in my district with their two children there. Between them they make good money. I have always been a big fan of the tourist industry because it does give people an opportunity, men and women. There is no glass ceiling in this industry. You produce, you compete, you can rise in it. They make \$60,000 between them, \$60,000 income between them. They are both out of work.

It isn't so much whether people are doing all right at the end of the month. It is what happens 45 days from now. They have got mortgage payments to make and bills to pay. They can't go out Christmas shopping.

And one of the great things about being a Member of Congress, as opposed to—you know, Mr. Greenspan is speaking somewhere on the Hill today. That is great for him. Greenspan will have a paycheck at the end of the month. Greenspan will have a paycheck next month and the month after, and when he retires he is not worried about whether he and his family are going to be able to take care of themselves and pay their bills.

These folks and our folks—one of the things about being a Member of Congress, we add votes up one at a time here and one at a time at home. If there is anybody in the country that understands what it is, it is the Members of the House of the Representatives. As my wife says to me all the time, you don't get elected every 2 years. It is every other year. We have to renew our licenses every other year. If there is anybody in this country that understands what individual pain is all about and what individual problems are that need solutions, it is the Members of the House of Representatives.

So I am very happy to be here in that sense, Mr. Chairman, today because I know that you and the members of your committee can help us with that. And I want to get directly to what that is. We have got to take up the question of legislation. It is one thing to try to save the airlines, and we have tried to do that. It is another thing to try to get confidence in air safety, and we are struggling with that, and I know you are working on it. But then we have to get legislation that get these tax credits going, that will get the spousal travel back into effect and will allow for business net operating loss carry-backs to come in.

If we put that combination in and you can prevail upon Mr. Thomas and the leadership and we can in the Democratic Caucus to come in with a travel and tourism package that is going to address individual families in this country, then we can succeed. Absent that, I think we are going to face a worse crisis 45 or 60 or 90 days from now than we could prevent if we take action now. That is why your hearing today is vitally important, and we are very grateful to you for it.

Thank you, Mr. Chairman, and aloha.

[The prepared statement of Hon. Neil Abercrombie and the article follow:]

PREPARED STATEMENT OF HON. NEIL ABERCROMBIE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF HAWAII

Chairman Stearns, Ranking Democrat Towns and Members of the Subcommittee: Thank you very much for affording me the opportunity to testify before you here today on the state of the travel and tourism industry. As you well know, it is not a pretty picture. The toll of the terrorist attacks continues, not just in New York and here in Washington but across the nation, much to the undoubted satisfaction of the attackers. I hope to be able to give you a clearer picture of the industry's condition and some solutions.

Hawaii is one of the most desirable tourist destinations in the world. While it has delivered economic blessings, it is also highly vulnerable to disruption. Tourism now dwarfs all other sectors of our economy. Over \$12.0 billion in revenue comes to Hawaii through travel and tourism, 25% of the state economy, according to the Bank of Hawaii.

When a downturn occurs, it has a serious and immediate impact, as is the case today. As of October 14, international arrivals have declined 47%, and the key Japanese arrivals have declined 36%. Arrivals from the mainland have declined "only" 20%. These figures, as bad as they are, represent improvements from late September when international travel was down by 78%.

The Hawaii Hotel Association reported lately that hotel occupancy is down 40% in up market resort areas, such as Waikiki Beach which I represent and the Kona-Kohala area on the Big Island of Hawaii.

Hawaii's travel and tourism industry *is* responding. You can find round-trip airline tickets from New York to Hawaii for \$400. From Los Angeles or San Francisco, you can get an eight day Hawaii vacation, including hotel, airfare and most expenses for \$359 per person.

But good deals are not worth a nickel if people do not get on airplanes to go places, whether Hawaii, Orlando, Las Vegas, New Orleans, Chicago or New York. It takes people willing and confident to travel by air to occupy the hotels, attend the theater, fill the restaurants, take the cabs and tip the waitresses, the sky caps, the doormen and the hotel maid service. While Hawaii is an integral part of the United States, there are no alternatives to getting there other than flying.

That makes apparent the fundamental and most important steps we in Congress can take: making air travel safe, and communicating air travel security to the public. Nothing short of re-establishing that confidence will succeed in getting the industry hardest hit by the terrorist attacks back on its feet.

We've gotten assistance quickly and generously to the airlines. Now Congress must put two more legs on the three-leg stool. We must move equal speed to pass airplane and airport safety and security laws. Although I favor federalizing the baggage checking and security system, I am open to other solutions if they can provide comparable protection. If it requires National Guard troops in the interim, this is a legitimate use of personnel in a national emergency. Clearly, trained security personnel must be put on board and airline employees, flight attendants and pilots given appropriate equipment and training. Cockpit safety is essential. Although these may seem elementary steps, they must be accomplished and we're not there yet.

After assuring essential safety and security, there must be a stimulus or incentive to encourage people to travel. There are a number of proposals that have been brought forth, but having been a proponent of the travel industry since elected to Congress eleven years ago, I'd like to focus on a couple of ideas that would succeed in boosting travel.

First, Congressman John Shadegg and I have introduced the Travel American Now Act (H.R. 3041) in response to the crisis. It consists of a temporary income tax credit of \$500 for Americans to travel by plane, train, bus or auto to destinations at least 100 miles from home. Reasonable expenses, such as meals, lodging, entertainment and recreation within the U.S. would qualify for this credit for expenses between enactment and December 31 of this year. Group tour fees and agent fees would be covered.

Another provision would allow a 100 percent business meals and entertainment deduction through December 31. Some have projected that business travel has been the hardest hit segment of the industry, especially with some sectors of the economy clearly softening before September 11. This would help get business travelers back moving throughout the country.

Lastly, it would allow Net Operating Loss carryback for taxes paid by travel-related industries adversely affected by the attacks for an additional 3 years. Companies that were profitable before September 11 would be able to recover at least some of their losses.

Separate from H.R. 3041, I have introduced legislation in each of the last Congresses to re-establish the spousal business travel deduction, allowing a spouse who materially participates in business activities to claim a legitimate business-associated deduction. This will greatly help tour packagers to offer even more attractive combinations of air fares, lodging, meals and other travel-related items. Not only will this encourage individuals businesspersons to travel, but it will be a great boost to convention and trade show destinations. It is pro-family, encouraging spouses to travel together, and will often allow them, perhaps with children, to spend an extra day or two at their destination.

And speaking of families and children, the real tragedy of the results of the terrorist attacks has been hundreds of thousands of jobs lost, and many more working people have had work levels and hours reduced. The impact on hundreds of thousands of American's families is only now being felt. For many, there are little or no financial reserves, and people could be homeless in Hawaii in another 4 weeks. Unemployment compensation pays only a fraction of normal expenses. These benefits are less than rent and mortgages, and they does not count food, medicine and utilities. Congress must act speedily to increase and extend unemployment compensation. Even though it is only a temporary and inadequate cushion, it is better than no safety net at all.

A portion of the COBRA health insurance benefits premiums should be provided. Currently, an unemployed person must pay 102 percent of the costs. Job training needs to be provided to those permanently affected. Employers should assure full benefits and seniority be provided to those who return to work.

Chairman Stearns, these are practical, attainable and effective measures we can move on quickly. I have spoken to the House leadership on these matters in an effort to move them forward. I very much encourage you and the members of the Commerce Committee to do so as a result of the testimony you have solicited and receive today. I am encouraged by your attention to the crisis in the industry that is so vital to Hawaii and my constituents, as well as to millions of others in the industry across American. This is one of the perhaps few actions taken since September 11 that have the potential for reviving this industry.

[Wednesday, October 17, 2001—The Washington Post]

UNITED CHIEF SAYS AIRLINE COULD FAIL

By Frank Swoboda, Washington Post Staff Writer

The chairman of United Airlines sent a letter to Company employees yesterday warning that the carrier "will perish sometime next year" unless it stops the financial losses that have accelerated dramatically since the Sept. 11 terrorist attacks.

"Today, we are literally hemorrhaging money," James Goodwin wrote in the letter. "Clearly this bleeding has to be stopped—and soon—or United will perish sometime next year."

United would not comment on the letter, but a source at the airline confirmed it and said it had gone to the company mailroom to be sent to the airline's 100,000 employees.

The letter's existence and contents were first reported yesterday on the Web site of Air Transport World, a monthly trade publication.

Some analysts have projected that United, the nation's second-largest airline, could lose more than \$1 billion this quarter. United had been experiencing heavy

losses even before the attacks because of a sharp drop in business travel and labor problems.

United, US Airways, America West and possibly Continental are generally regarded as being in the most precarious financial positions, all for different reasons. United is heavily dependent on business travel, which fell off at the beginning of the year and hasn't come back. Southwest and Delta are financially strongest among the major airlines.

Company officials would not speculate on whether Goodwin's letter might be part of a campaign to pressure its unions into a new round of contract concessions.

The fourth quarter is expected to be significantly worse for almost all the airlines than the quarter just ended—which is projected to be the third-worst in industry history.

Michael Linenberg, an airline analyst for Merrill Lynch & Co., predicted yesterday that the industry would lose \$2.1 billion in the third quarter and \$3.5 billion in the fourth quarter. The largest quarterly loss ever for the airline industry was \$3.7 billion in the fourth quarter of 1990.

Glenn Engel, an analyst for Goldman Sachs Group Inc., said he would be "shocked if United perishes a year from now," according to the Associated Press. But another analyst, Helene Becker of the Buckingham Research Group, said Goodwin's scenario rings true for United and probably every major U.S. airline. "The numbers they're going to report in this quarter are going to be ridiculously horrible," she said.

Since terrorist hijackers attacked the Pentagon and the World Trade Center, passengers have been staying away from the airlines by the thousands. Those who are flying are mostly being lured by low fares that the airlines cannot afford to continue indefinitely. Although several airlines have reported that the number of passengers on their flights has increased recently, since dropping off dramatically after the attacks, the financial yields—the revenue—from each ticket sale has dropped significantly, according to industry officials.

Almost all the airlines have cut flights, some by as much as 23 percent, since the attacks. United has already announced plans to cut 20,000 workers.

In his letter, Goodwin said: "Before September 11 we were not in a comfortable financial state, with costs exceeding our revenue on a daily basis. Today the situation is exacerbated with costs exceeding revenues four times the pre-September 11 rate."

Goodwin said that in the aftermath of the attacks "we are in nothing less than a fight for our life." He added: "Never in our 75-year history have we faced an economic challenge of this magnitude, when the drop-off in air travel has been so unexpected and prolonged. In the past we struggled to make a profit. Now we're in a struggle just to survive."

Mr. STEARNS. Thank you.

I welcome my colleague from Florida, the congressman from Orlando, Mr. Ric Keller.

STATEMENT OF HON. RIC KELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. KELLER. Good morning, and I want to thank you, Chairman Stearns, and the other subcommittee members for allowing me to brief you today.

I can tell from looking at some of the empty chairs that one of you must have leaked the word that I would be speaking today.

I represent Orlando, Florida, the world's No. 1 tourist destination, and I can tell you that we have been uniquely impacted by the events of September 11. Specifically, because people are afraid to fly, our tourism-based economy has been devastated. It has hurt us in two ways, in terms of job losses and decreased local tax revenues.

First, I will address the issue of job losses. One in four people in my district is employed by the tourism industry. I have personally spoken with theme park workers, hotel workers, convention workers and cabdrivers that have lost their jobs. From September 12 until today, there has been a 55 percent increase in the number

of daily unemployment claims, and the majority of these unemployed workers are linked to tourism.

Following the terrorist attacks of September 11, the Governor of Florida conducted an industry-wide survey to estimate the economic impact on tourism-related businesses in Florida, and let me tell you what the survey indicated.

Hotel occupancy rates, which normally average about 75 percent this time of year, are only 40 percent.

Florida's major tourist attractions experienced a 50 to 70 percent drop in attendance.

Rental car companies have seen a 50 percent drop in business.

Airlines had to lay off thousands of employees as a result of plane loads averaging only 35 percent of capacity in the period after September 11. The lack of passengers traveling to Florida will continue to impact tourism since over 50 percent of all tourists arrive in Florida by air.

The second way the tourist attacks have impacted central Florida is by a dramatic decrease in local tax revenues. Since Florida does not have a State income tax, we are dependent in large part upon sales tax revenues to fund our government. In fact, visitors generated approximately 48 percent of the \$1.5 billion in sales tax collected in Orange County in 2000. Without these tourist tax revenues, every household in Orange County would have to pay an additional \$551 a year in taxes to receive the same level of service they currently enjoy.

I believe that increased consumer spending on travel and tourism is absolutely critical to revitalizing central Florida's tourism-based economy. For this reason, I strongly support giving travelers a \$500 tax credit if they book a trip before December 31, 2001. This \$500 tax credit is also supported by major employers in my district, tourism leaders and our local political leaders. In fact, in just a few minutes you will hear directly from one of our major employers. Mr. Fred Lounsberry is the senior executive with Universal Studios. You will hear directly from him.

I want to conclude by thanking the committee again for giving me the opportunity to brief you on the state of the tourism industry in central Florida. Thanks.

[The prepared statement of Hon. Ric Keller follows:]

PREPARED STATEMENT OF HON. RIC KELLER, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF FLORIDA

I want to thank Chairman Cliff Stearns and the Subcommittee members for allowing me to brief you today.

I represent Orlando, Florida—the world's number one tourist destination—and I can tell you that we've been uniquely impacted by the events of September 11th.

Specifically, because people have been afraid to fly, our tourism-based economy has been devastated. It's hurt us both in terms of job losses and decreased local tax revenues.

First, I'll address the issue of job losses. One in four people in my district are employed by the tourism industry.

I have personally spoken with theme park workers, hotel workers, convention workers, and cab drivers that have lost their jobs. From September 12th, until today, there has been a 55% increase in the number of daily unemployment claims. The majority of these unemployed workers are linked to tourism.

Following the terrorist attacks of September 11th, the Governor of Florida's Office of Tourism and Economic Development conducted an industry wide survey to estimate the economic impact on tourism related businesses in Florida. The survey indicated:

- Hotel occupancy rates, which normally average about 75% this time of year, are only 40%.
- Florida's major tourist attractions experienced a 50% to 70% drop in attendance.
- Rental car companies have seen a 50% drop in business.
- Airlines have had to layoff thousands of employees as a result of plane loads averaging only 35% of capacity in the initial period after September 11th. The lack of passengers traveling to Florida will continue to impact tourism since over 50% of all tourists have arrived by air in the past years.

The second way the terrorist attacks have impacted Central Florida is by a dramatic decrease in local tax revenues. Since Florida does not have a state income tax, we are dependent in large part upon sales tax revenues to fund our government. In fact, visitors generated approximately 48% of the \$1.5 billion in sales tax collected in Orange County in 2000.

Without tourism tax revenues, every household in Orange County would have to pay an additional \$551.00 in taxes each year to receive the same level of service they currently enjoy.

I believe that increased consumer spending on travel and tourism is absolutely critical to revitalizing Central Florida's tourism based economy. For this reason, I strongly support giving travelers a \$500 tax credit if they book a trip before December 31, 2001. This \$500 tax credit is also supported by major employers in my district, tourism leaders, and local political leaders.

I thank the committee for giving me the opportunity to brief you on the state of the tourism industry in Central Florida. Thank you.

Mr. STEARNS. I thank my colleague.

The gentleman from Guam, Congressman Bob Underwood, welcome.

STATEMENT OF HON. ROBERT A. UNDERWOOD, A DELEGATE IN CONGRESS FROM THE TERRITORY OF GUAM

Mr. UNDERWOOD. Hafa Adai and good morning, Mr. Chairman and members of the subcommittee. I am very happy to have the opportunity to testify on the case of Guam, and for all the reasons that have been outlined I certainly support any and all legislation which will help the tourist industry as well as directly the workers that are affected.

It is important to understand that, for Guam in particular, the focus on international tourists is vital. We also want to be included in any and all initiatives, and I will just give you a couple of examples of problems that we have had as a territory.

Simple oversights include the Travel and Tourism Congressional District Economic Impact Study issued by the Travel Industry of America, which was alluded to earlier by Mr. Towns, does not include Guam or any of the territories. Recently, the Postmaster General unveiled the greetings from American's stamp series in order to encourage tourism and travel, and it included only the 50 States. The territories were not included. I guess we are not part of America in the stamp series. Incredibly, even the District of Columbia was not included in that.

Now, as background to understanding the state of tourism in Guam, it is important to know where we are located. We are on the other side of the international dateline. It takes me 19 hours just to get home. So, as a consequence, I can't invite you to spend a weekend in Guam but more likely a week in Guam. But it is important to understand how vital tourism is important to our economy. It drives our economy.

Sixty percent of government of Guam revenues are derived directly and indirectly from travel and tourism. Forty percent of our island's workforce works in tourism. And, unlike the Continental

United States, Guam is heavily dependent on tourists from Asia, with 80 percent coming from Japan. We contribute enormously to the balance of trade situation for this country.

After September 11 the loss of consumer confidence to travel has cost the government of Guam millions of dollars in revenue. Japanese travel agents report a 50 percent cancellation rate after September 11 and anticipate a 30 percent reduction in travel to Guam by December. Taiwan and Hong Kong travel will be down 50 percent in the next 3 months and a 35 percent decline from Korea is anticipated.

I believe that one way the Federal Government can assist Guam and other U.S. areas dependent upon international travelers is to encourage U.S. officials, particularly the State Department, to promote international traveling, whether it be international travelers coming to the U.S. or Americans traveling abroad. This is why I want to commend President Bush for taking the step to go to Shanghai today to indicate his confidence in our capacity to continue to be engaged overseas.

More than 50 million international visitors spent over \$100 billion in the U.S. in 2000. Fortunately, the countries that generate the most international travelers to the U.S. come from our strongest allies. In descending order of travelers they include Canada, Mexico, Japan, the U.K., Germany, and France. The top 10 U.S. destinations affected by international travelers, excluding travelers from Canada and Mexico, are, in descending order, California, Florida, New York, Hawaii, Nevada, Massachusetts, Illinois, Guam, Texas, and New Jersey.

Given our size, we are very highly dependent on international tourists. While Guam may have the smallest population and land size on this list, it is important to understand that disproportionate impact that any disruption in tourism has on our economy. Prior to September 11, Guam's economy was already struggling as a result of the Asian economic crisis. Our unemployment rate was already 15 percent. For 2001, our unemployment rate continues to increase and has dramatically increased as a result of the September 11 terrorist attacks and including not just people losing their jobs but hours being cut back dramatically, threatening health insurance and other matters pertinent to the health and safety and stability of the families that work in the travel and tourism industry. It is important to understand that these things indicate that the Federal Government needs to help directly the travel and tourism industry and to provide a package that provides assistance directly to the workers.

For the record, I would like to introduce also a report by the Guam Hotel and Restaurant Association.

Mr. STEARNS. Without objection, so ordered.

Mr. UNDERWOOD. I also want to point out that I support Senator Boxer's legislation, S. 1505, the Rediscover America Act of 2001. The bill seeks to temporarily re-establish the U.S. Travel and Tourism Promotion Bureau within the Department of Commerce, and I am intending to introduce companion legislation today.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Robert A. Underwood follows:]

PREPARED STATEMENT OF HON. ROBERT A. UNDERWOOD, A DELEGATE IN CONGRESS
FROM GUAM

Good morning Mr. Chairman and members of the subcommittee. I am very grateful for the opportunity to testify on the state of the tourism industry since the September 11 terrorist attacks on our nation, particularly in my home island of Guam.

This hearing is timely in light of the various economic stimulus proposals being considered by the Administration and the Congress and I am glad that the needs and concerns of the travel and tourism industry are being heard in this debate.

Clearly, the travel and tourism industry has a large impact on our economy by adding nearly 5 percent to the GDP, generating more than \$578 million in revenues, supporting more than 17 million jobs, and providing a \$14 million trade surplus for the country. It is critical to assist our businesses and our workers affected in the industry, particularly since 95 percent or more businesses in travel and tourism are small to medium size firms. That is why I support Senator Boxer's legislation, S. 1505, the Rediscover America Act of 2001. The bill seeks to temporarily reestablish the U.S. Travel and Tourism Promotion Bureau within the Department of Commerce to assist the travel and tourist industry and to help restore consumer confidence. I intend on introducing a companion measure to S. 1505 today.

INCLUSION OF U.S. TERRITORIES IN TRAVEL AND TOURISM INITIATIVES

As Congress considers these important policy initiatives, it is equally important that federal policy makers ensure that the U.S. territories are included in any proposed initiatives that would bring economic relief to our communities. Any relief package is particularly vital to Guam and other U.S. territories, whose geographical isolation and distance from the U.S. mainland makes air service costly and challenging to begin with and that much more vulnerable to cutbacks and downsizing in times of difficulty. The other areas include the Commonwealth of the Northern Mariana Islands, American Samoa, the Virgin Islands, and the Commonwealth of Puerto Rico.

Simple oversights include the Travel and Tourism Congressional District Economic Impact Study issued by the Travel Industry Association of America, in conjunction with the Commerce and Transportation Departments. The report excludes the U.S. territories from its study. Another example includes the recent announcement by the Post Master General who unveiled the "Greetings from America" stamp series covering the 50 states. Its purpose is to generate tremendous pride in each state and to help raise awareness of their efforts to promote and facilitate increased travel to and within the U.S. Once again, Guam and the U.S. territories were left out of this very important initiative to assist the travel and tourism industry. What is more disappointing is that our nation's capitol—Washington, D.C.—was also left out.

GUAM'S TOURISM INDUSTRY

As background to understand the State of the Tourism Industry in Guam, it is important to know where we are located. Guam is the furthest U.S. jurisdiction from Washington D.C., and we are on the other side of the international dateline. Although flying time between D.C. and Guam is about 19 flying hours, it usually takes me a full day to get home. Yet Guam is only three to four hours away from major Asian countries, including Japan, Taiwan, and the Phillippines. Due to Guam's small size and geographical isolation, Guam's private sector economy is minimally diversified and heavily dependent upon tourism, particularly from international travelers.

Tourism drives our economy. Sixty percent of Government of Guam revenues are derived directly and indirectly from the travel and tourism industry and accounts for close to 40% of the island's workforce. In 1997, the retail trade division, gift, novelty and souvenir shops sold \$415.6 million in merchandise, reporting nearly one-quarter of the total \$1.8 billion in service industry receipts. Within the service division, hotels and motels were the leading industry with \$460 million in receipts and passenger transportation arrangement industries, including travel agencies and tour operators, reported receipts totaling \$143.1 million.

Unlike the continental United States, Guam is heavily dependent on tourists from Asia, with 80% coming from Japan. After September 11, the loss of consumer confidence to travel has cost the Government of Guam millions of dollars in lost revenues. Japanese travel agents report a 50% cancellation rate after September 11 and anticipate 25%-30% reduction in travel to Guam in December. Taiwan and Hong Kong travel will be down 50% in the next three months and a 20% to 35% decline of travelers from Korea is anticipated. The hotel industry reports occupancy levels

at a low of 20-30% and foresee a constant decline in the months to come. The projected losses for the hotel industry alone is approximately \$30 million in gross revenues since September 11.

INTERNATIONAL TRAVELERS

I believe that one way in which the federal government can assist Guam and other U.S. jurisdictions dependent on international travelers is to encourage U.S. officials, particularly the State Department, to promote international traveling, whether it be international travelers coming to the United States or Americans traveling abroad. That is why I want to commend President Bush for traveling to Shanghai, China, for the Asian Pacific Economic Cooperation meeting. This is the kind of signal that U.S. leaders must send to other countries.

More than 50 million international visitors spent \$103 billion in the United States in 2000. Fortunately, the countries that generate the most international travelers to the United States come from our strongest allies. In descending order of travelers, they include Canada, Mexico, Japan, the United Kingdom, Germany, and France. I would encourage that U.S. leaders take advantage of every diplomatic opportunity available to send a message to the leaders and citizens of these countries that the tourism and travel industry in America is alive and well.

The top ten U.S. destinations affected by international travelers, excluding travelers from Canada and Mexico, include California, Florida, New York, Hawaii, Nevada, Massachusetts, Illinois, Guam, Texas, and New Jersey. These destinations include the largest and most populous states in the nation, whose economies are greatly impacted by the travel and tourism industry. While Guam may have the smallest population and land size on this list, it is important to understand the disproportionate impact that any disruption in tourism has on our economy.

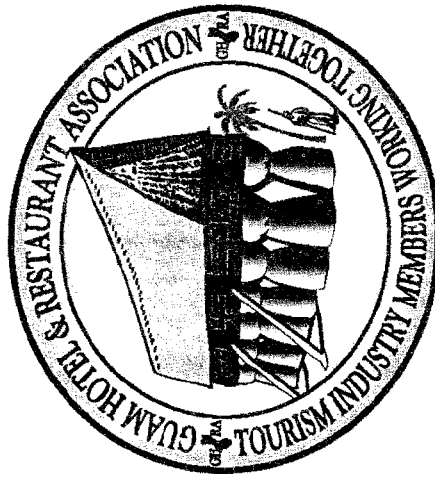
Prior to September 11, Guam's economy was already struggling as a result of the Asian economic crisis. During 1999 and 2000, Guam's unemployment rate was 15.2% and 15.3% respectively. For 2001, Guam's unemployment rate is already over 15%, and is anticipated to increase by the end of the year. This rate is more than three times the national average.

It is for all of these reasons, that I ask that Guam and the other U.S. territories not be forgotten in any travel and tourism initiatives being considered by this Congress.

Once again, I wish to thank the Chairman for giving me the opportunity to testify and to tell Guam's story.

Guam Hotel & Restaurant Association

Preliminary Assessment of 9-11/10-13 Incidents
THE ROAD TO RECOVERY



A Little Bit On Guam

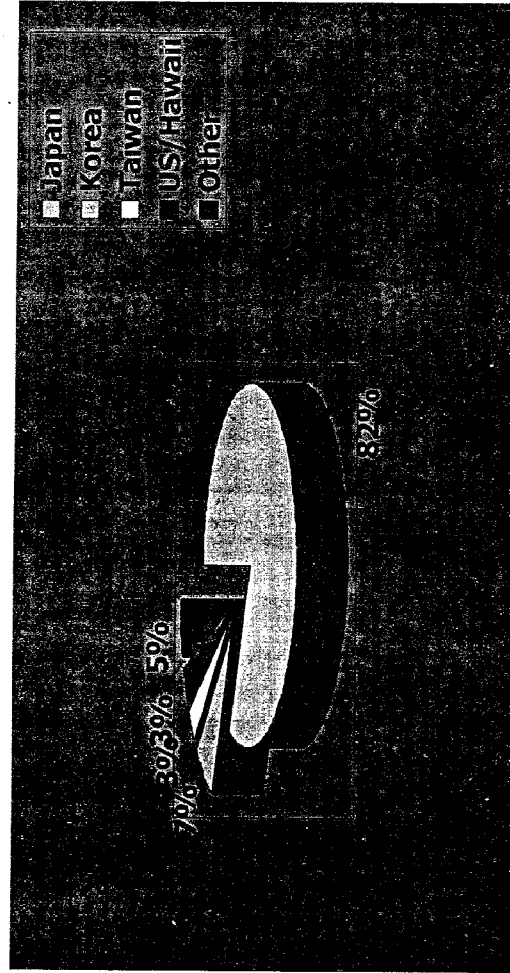
- Size: 212 Square Miles - Population: 155,000+
 - Native People: Chamorro
- Direct Service From and Flight Times:
 - **8 Major Gateways in Japan - 3.5 – 4 Hrs.**
 - **Seoul, Korea - 4 Hrs.**
 - **Taipei - 4 Hrs.**
 - **Hong Kong - 5 Hrs.**
 - **Manila - 3 Hrs.**
 - **Honolulu - 7 Hrs.**
 - **Micronesia - 30 Minutes - 2 Hrs.**
 - **Bali - 5 Hours**
 - **Cairns - 6 Hours**

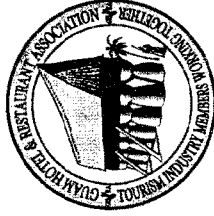




Visitor Market By Location

82% Japan, 7% Korea, 3% US, 3% Taiwan 5% Other





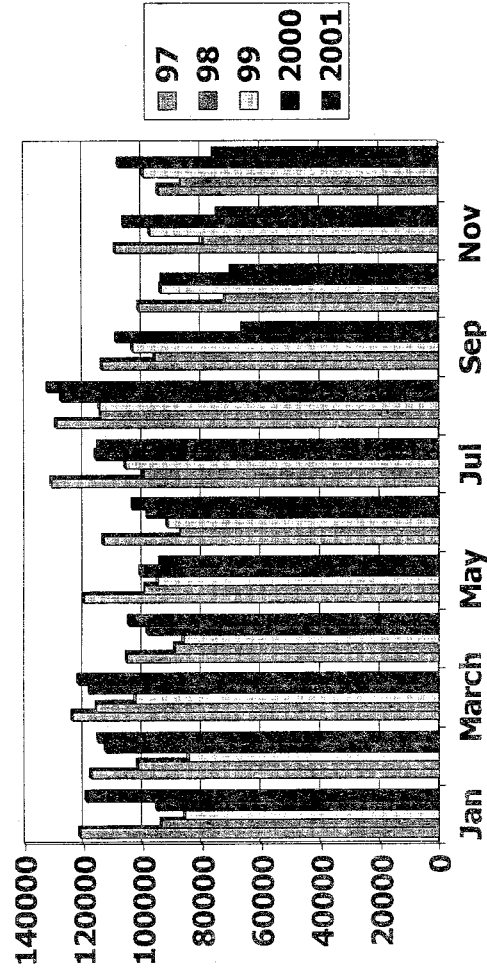
Conditions after 9-11-01

- Japanese Travel Agents Report 50% Cancellation Rate in September after Guam Airport Re-opened.
- Japanese Travel Agents anticipate 25%-30% reduction in travel to Guam to December.
- Korea is reporting a 20% to 25% decline in traffic to Guam over the next few months.
- Taiwan and Hong Kong will be down 50% for the next three months.



Visitor Arrivals Taking a Dive

- Decline in Japan Market Since May 2001, Sept 01 Preliminary Estimate of 62,000 arrivals – Expected over 100K arrivals prior to WTC/Pentagon Event. Estimates Provided for October to December @ 30% reduction in arrivals vs. 2000.

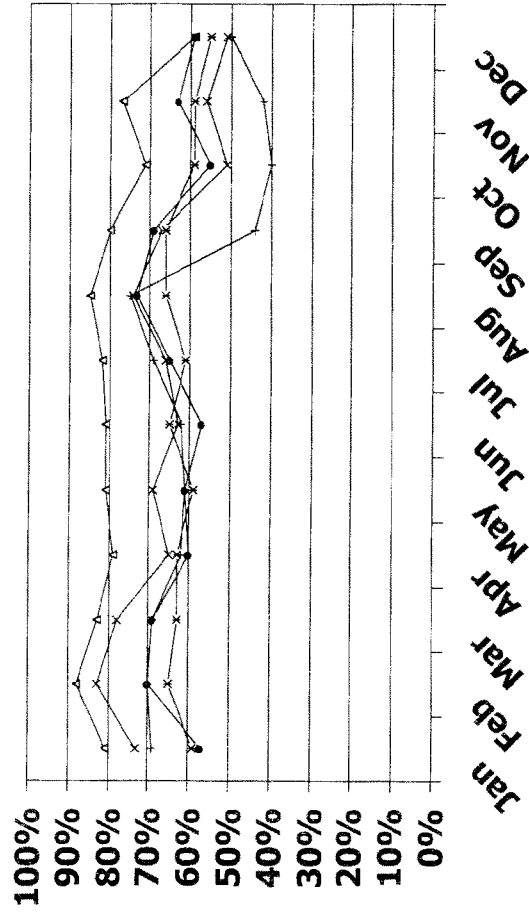




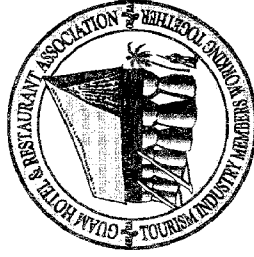
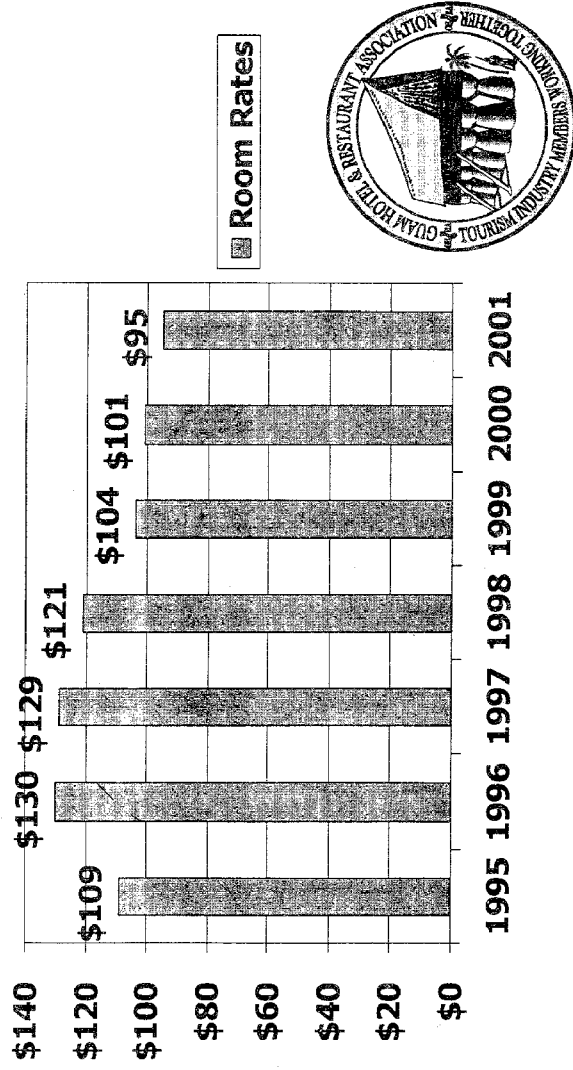
Hotel Occupancy-Guam

'97: 79%; '98: 67%; '99: 62%; '00: 63%; 01: 60%*

*Estimated and Assumes No Negative Reaction to any US Retaliatory actions.



Average Room Rates '95 to Present (01 Figure Estimated)





Projected Losses – Hotel Industry

- With member hotels reporting, estimated loss for the year is approximately \$30 million in Gross Revenues between Sept 11 – Dec 31, 2001.
- Staff reductions are currently being implemented. Existing workforce in hotel industry have been either placed on leave w/o pay or have work hours reduced by 40%.
- Health care concerns exist, as employees may not be able to earn enough wages to afford appropriate health insurance coverage.
- Financial obligations such as mortgages and other consumer loans are also major concerns for employers and employees. SHRM Seminar 10-19



The Road to Recovery - GuamBare

- Nation-wide Ad campaign in Japan Oct 3/4
- Travel Mission visited 8 cities with TA Seminars and Press Conferences Oct 8-12
 - Tokyo, Nagoya, Okayama and Fukuoka
 - Osaka, Niigata, Sendai Sapporo
 - Over 1,200 Travel Agents attended Seminars
 - Approximately 300 media personnel at all press conferences.

Specials

- Guam tourists tempted to triumph over terrorism
- Careerforum.net special feature
- ASEAN special feature
- Indonesian president inaugurated visit to Japan
- "Capture Malaysia" Indonesian TV winner announcement
- Italian Technology Fair shows the technical face of a technologically advanced nation
- Saudi Arabia Royal Cup 2001 Online stakes

Guam tourists tempted to triumph over terrorism

By Campbell James
Staff Writer

"The island where America's day begins is also the place where the sun sets and open for business." That was the unanimous sentiment of the Japanese delegation, which was delivered to Japan by the Japanese government in an urgent effort to counter the effects of last month's terrorist attacks.

Plans for a new discount system to lure Japanese tourists to Guam were partially revealed at a press conference held at the Dai-Ichi Hotel in Tokyo's Shinjuku district. The conference, scheduled for release Nov. 1, allows holders to receive discounts at the currently 67 participating tourism-related businesses. Benefits include optional tours, souvenirs - a total value of over 600 dollars.

Further details of special offers to help restore Guam's appeal will be revealed by the Japanese delegation, which is scheduled to go live on Nov. 1. The website will replace the heartfelt message soon after the Sept. 11 tragedy.

The executive delegation of the Guam tourism industry arrived in Japan earlier this month for a series of emergency events to reassure potential visitors that the island's business as



Members of the delegation for Guam's tourism industry gathered for a press conference in Tokyo.



Hilton Guam, featuring 960 guest rooms, is located on the main island of Guam, USA. Tel: 1 (671) 646 6036. Reservation: www.hilton.com



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The Road to Recovery - GuamBare

- **Guam Monitor Campaign**
 - All TA's and Media that Participated in Seminars and Press Conferences Invited to Guam Between Oct. 15 – Dec 15
- **GuamBare Card Introduced – Nov 1 – Jan 31**
 - Added value for all guests – Approx. \$700 Value
 - Win a trip around the world for two each month during promo sponsored by GIAA
 - To be distributed by TA's on Guam and at Hotels for FIT's – Must show Airline Ticket to Qualify



The Road to Re-Earthquake 10-13

- Damage Assessment Complete
 - No Major problems reported to Tourism Infrastructure
- GHRA to meet w/JGTA and GVB to Update Forecasts to be released Friday
 - Information will be passed onto members via Membership Alert

Mr. STEARNS. I thank my colleague.

I think hearing the opening testimony of our colleagues gives real evidence to what this impact has been, and I think for members and citizens alike who are out there and can see people suffering through either being laid off or perhaps trying to meet their mortgage payments, their rental, it is a huge impact; and as long as this continues, the worse it gets. So I thank my colleagues for coming very much.

Mr. UNDERWOOD. Thank you.

Mr. STEARNS. We will now have the second panel, which we have eight separate witnesses. The second panel would come to the table if they would.

We have Linda Conlin, the Assistant Secretary for Trade Development from the Department of Commerce. We have William Norman, Travel Industry Association, CEO and President. We have Robert Warren, the General Counsel and Secretary for the Air Transport Association of America. We have here the Chairman and CEO of Marriott International Corporation, J.W. Marriott. We have the President and CEO of New York City and Company, Cristyne Nicholas. We have the Universal Studios Recreation Group Senior Vice President, Fred Lounsberry. We have the President of the International Cruise Lines Council, Michael Crye. And then we have the President and CEO, Terrell Jones, of Travelocity.Com. So this is a very important hearing to hear from industry.

We have heard from Members of Congress who talk to their constituents and know about the small businesses, but now we have a unique opportunity to hear from industry.

I thought we would start from my left to the right.

Ms. Conlin.

Mr. DEUTSCH. If I can ask for unanimous consent.

Mr. STEARNS. For unanimous consent, the gentleman from Florida, Mr. Deutsch, is recognized.

Mr. DEUTSCH. I apologize. You are probably aware the building is going to be evacuated at 3 o'clock. I haven't figured out why we are not evacuating now. We are evacuating at 3 o'clock.

But as someone who represents South Florida, we are as affected maybe as other areas in the country. There may be other areas like Hawaii and Las Vegas that might be a little bit proportionally affected. Almost on a daily basis we are seeing the impact, and literally anything this Congress can do to make sure that the continuation of tourism is able to work I am supportive of.

Thank you.

Mr. STEARNS. I thank my colleague who, again, is in a very tourist-oriented area like myself and Florida.

So we are most appreciative of all of you taking your time. We know how valuable your time is. You are just as busy if not more than any of us in Congress.

Mr. STEARNS. Ms. Conlin, the Assistant Secretary of Trade Development, Department of Commerce, if you would start out with an opening statement, we would appreciate it.

STATEMENTS OF LINDA M. CONLIN, ASSISTANT SECRETARY, TRADE DEVELOPMENT, DEPARTMENT OF COMMERCE; WILLIAM S. NORMAN, PRESIDENT AND CEO, TRAVEL INDUSTRY ASSOCIATION; ROBERT WARREN, SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY, AIR TRANSPORT ASSOCIATION OF AMERICA, INC.; J.W. MARRIOTT, JR., CHAIRMAN AND CEO, MARRIOTT INTERNATIONAL, INC.; CRISTYNE L. NICHOLAS, PRESIDENT AND CEO, NYC & COMPANY; FRED LOUNSBERRY, SENIOR VICE PRESIDENT OF SALES, UNIVERSAL STUDIOS RECREATION GROUP; J. MICHAEL CRYE, PRESIDENT, INTERNATIONAL CRUISE LINES COUNCIL; AND TERRELL B. JONES, PRESIDENT AND CEO, TRAVELCITY.COM

Ms. CONLIN. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Towns, members of the subcommittee, I am honored to be invited to provide testimony this morning regarding the impact of the tragic events of September 11 on the travel and tourism industry and U.S. Government efforts being made toward supporting the industry's recovery.

I have provided, Mr. Chairman, a more detailed written account for the record, and I will summarize its key points this morning.

Undoubtedly, the terrorists have caused a terrible loss of life and created concern among many Americans about basic safety and security across all walks of life, but I have to tell you that during these times I have never felt more proud to be an American and to have the privilege of serving as a member of this administration. I have faith in our great country and in our strong leadership, and I feel fortunate to be in the Department of Commerce as the Assistant Secretary for Trade Development where I can call upon close to 20 years experience in the travel and tourism industry to help in the efforts for this industry's recovery. It is my honor to have the opportunity to work together with President Bush, Secretary Evans and Under Secretary Aldonas in this effort.

I want to begin my testimony by providing a few key facts; and, Mr. Chairman, you have already mentioned some of them. But I think they bear repeating to demonstrate the importance of the travel and tourism industry to the U.S. economy.

According to the Travel Industry Association of America and the U.S. Department of Commerce, total spending in calendar year 2000 by domestic and international travelers in the United States reached beyond \$582 billion. Spending by these travelers supported some 19 million jobs, and certainly the distinguished member from Hawaii gave a very human face to those 19 million jobs. Total tax revenues generated by travel and tourism amounted to almost \$100 billion.

As a former small businesswoman in the travel and tourism industry, I fully appreciate that 95 percent of the travel and tourism industry is comprised of small- and medium-sized businesses. International travel to the United States is this country's top services sector export. In 2000, international travelers to the United States pumped some \$103 billion into the economy, supporting nearly 1 million jobs, and for the 11th year in a row international travel contributed positively to the balance of trade, generating a \$14 billion trade surplus.

So the administration is therefore aware that restoring consumer confidence in travel is a key factor to help generate recovery for the economy as well as travel and tourism overall. Preserving our citizens' ability and freedom to travel is pivotal to generating economic recovery.

With the support of key industry trade associations and leaders such as the Travel Industry Association and the Travel Business Roundtable, on September 25 Secretary Evans organized a business leaders roundtable with 15 CEOs from the travel and tourism industry. Some of them join me here today. These individuals represented companies in the hotel and resort, rental car, theme park, travel agent, rail, bus tour operator and airline businesses. This discussion allowed Secretary Evans to learn firsthand from each representative about the impact of the terrorist attacks on their individual industry sectors as well as hear perspectives on the role that the U.S. Government should play in helping to revitalize this vital sector of the U.S. economy.

Two days later, Secretary Evans continued this dialog, speaking with representatives from the National Restaurant Association; and, in turn, they similarly conveyed their concerns and perspective on appropriate responses.

Since the attack, I have also personally met and spoken with a number of travel and tourism industry leaders to learn more about the impact of these events and to hear additional suggestions for government action. As a result of these meetings and conversations, Secretary Evans determined that a restoration of confidence in leisure and business travel can be assisted and helped through stronger government coordination and greater partnership with the private sector.

Specifically—and I would just like to comment on some of these measures if I may, Mr. Chairman—one of these measures is Secretary Evans' decision to reconvene regular senior level meetings of the Tourism Policy Council, known as the TPC. The TPC's overall function is to serve as the primary forum to coordinate Federal policies and regulations affecting travel and tourism. Let me tell you why that is so important.

By bringing together the key departments and agencies that oversee policies affecting travel and tourism, the TPC provides the appropriate framework for addressing short-term recovery support and preparedness. Over the medium to long term, the TPC also provides a mechanism to ensure that the national interest in tourism is fully considered in Federal decisionmaking. The Council has been enthusiastically endorsed by the White House Domestic Consequences Policy Council and will hold its first meeting at the Department of Commerce next week, 1 week from today, on October 24.

I have outlined the membership of this Council in my written testimony. However, I think it is important to note that Secretary Evans will chair the Council, which will include senior representatives from a broad range of departments and agencies, including the State Department, the Department of Transportation, Customs, the Immigration and Naturalization Service, the FAA, and the newly created Office of Homeland Security. In addition, to ensure

coordination with Congress, the Secretary has extended invitations to the co-chairs of the Senate and congressional tourism caucuses.

The second key initiative in Secretary Evans plan to support recovery—

Mr. STEARNS. I need you to summarize.

Ms. CONLIN. Yes—will be to further public sector and private sector cooperation through an ad hoc roundtable.

Overall, Mr. Chairman, in concluding, let me say that it is absolutely essential that the Federal Government play a key role in restoring public confidence in not only our air transport system but also travel and tourism in general. We believe that the measures that we are now undertaking will help to do that.

I thank you once again, Mr. Chairman, for allowing me to inform you about the measures that we are taking. Thank you.

[The prepared statement of Hon. Linda M. Conlin follows:]

PREPARED STATEMENT OF HON. LINDA M. CONLIN, ASSISTANT SECRETARY FOR TRADE DEVELOPMENT, DEPARTMENT OF COMMERCE

I am honored to be invited to provide testimony before the House Committee on Energy and Commerce, Subcommittee on Commerce, Trade and Consumer Protection, regarding the impact of the tragic events of September 11, 2001, on the travel and tourism industry as well as on industry recovery efforts. The terrorists have caused a terrible loss of human life and created concern among many about basic safety and security across all walks of life. During these times, I have never felt more proud to be an American and to have the privilege of serving as a member of this Administration. I have faith in our great country and in our strong leadership, and I feel fortunate to be in the Department of Commerce serving as the Assistant Secretary for Trade Development where I can use the expertise I have in the travel and tourism industry to be of help in bringing about this industry's economic recovery. It is my privilege to be working to support President Bush, Secretary Evans and Under Secretary Aldonas in this endeavor.

I want to begin by emphasizing that the travel and tourism industry is extremely important to the U.S. economy. According to the Travel Industry Association of America and the U.S. Department of Commerce, total spending in calendar year 2000 by domestic and international travelers in the United States was \$582 billion. Total direct and indirect employment supported by travel spending was 19 million people. Total federal, state and local tax revenues generated by spending on travel and tourism in 2000 was almost \$100 billion. The vast majority (95 percent) of the travel and tourism industry is comprised of small and medium enterprises. International travel to the United States is the top services sector export for the country. In 2000, the total impact of international travel (the sum of travel and passenger fares exports) on the United States was \$103 billion, and it generated a \$14 billion trade surplus. The international travel export sector supported nearly one million jobs, generating \$14 billion in tax revenue in 2000.

The Administration is aware that restoring consumer confidence in travel is a key factor to help generate recovery for the travel and tourism industry as well as the overall economy. Preservation of our citizens' ability and freedom to travel is pivotal to ensuring a rapid economic recovery. With the support of key industry trade associations and leaders such as the Travel Industry Association of America and the Travel Business Roundtable, Secretary Don Evans organized and hosted a business leaders roundtable on September 25, 2001, with fifteen CEOs from the travel and tourism industry. These executives represented companies with operations in the hotel and resort, rent-a-car, amusement, travel agent, rail, bus, and airline businesses. The discussion gave Secretary Evans first-hand information from each participant on the impact of the terrorist attacks on their individual industry sectors as well as perspectives on how the U.S. Government could be involved in revitalizing this important sector of our economy.

"The fundamentals of our economy remain sound," observed Secretary Evans following that meeting. He added, "A reinvigorated U.S. travel and tourism industry is important to economic vitality at home and abroad. International travel represents one of the top exports for our country, generating over \$103 billion in revenue last year, and supporting nearly one million jobs."

On September 27, 2001, Secretary Evans conducted a conference call with six key representatives from the restaurant industry and the National Restaurant Association. Each participant similarly conveyed their business concerns and perspectives on appropriate responses from government. Since that time, I have personally met and spoken with a number of other travel and tourism industry leaders to learn more about the impacts of these events on the industry and gather additional suggestions for governmental action.

As a result of the meetings and discussions taking place, Secretary Evans has determined that a restoration of confidence in leisure and business travel can be accomplished through stronger governmental coordination and new partnerships with the private sector. I am here to present what we view as a response that can be accomplished rapidly without new funding requirements.

First among these measures is Secretary Evans' decision to reconvene regular, senior-level meetings of the Tourism Policy Council (hereafter referred to as the TPC). This proposal has been endorsed enthusiastically by the White House Domestic Consequences Policy Council, and the Secretary will be holding the next meeting at the Department of Commerce on October 24. The TPC was originally established in 1981 and re-authorized by the U.S. National Tourism Organization Act of 1996 (22 U.S.C. 2124). The TPC's overall function is to serve as the primary forum to coordinate federal policies and regulations affecting travel and tourism. This must be done in a manner that preserves overriding safety and security considerations. We seek to support a restoration of confidence while also supporting convenience where possible in order to help stimulate a renewed appetite to travel by individuals and businesses. By bringing together the key agencies that oversee policies affecting travel and tourism, the TPC currently provides an appropriate forum for short-term recovery support and preparedness. Over the medium to long-term, the TPC also provides a continuing forum for coordinating U.S. Government efforts on behalf of travel and tourism.¹ The Secretary serves as the chair of the Council. According to the statute, other regular members of the TPC include the Director Office of Management and Budget, the Secretary of State, the Secretary of the Interior, the Secretary of Labor, the Secretary of Transportation, the Commissioner of the United States Customs Service, and the Commissioner of the Immigration and Naturalization Service. The Act also allows the Secretary of Commerce to include representatives of other federal agencies as needed, and as a result he has expanded his invitee list to include the Administrator for the Federal Aviation Administration, the Secretary of the Treasury, the Attorney General of the United States, the Secretary of Housing and Urban Development, the Administrator of the Small Business Administration, and the Assistant to the President for Homeland Security. In order to ensure that we are also coordinating with the Congress as effectively as possible, the Secretary also has extended invitations to the Co-Chairs of the Senate and Congressional tourism caucuses.

Secretary Evans also is looking at instituting ad hoc meetings between government and private sector representatives to coordinate implementation of an effective public relations strategy to help restore confidence in travel and tourism. The mandate for this roundtable would include sharing and disseminating government and private data on travel and tourism to monitor recovery efforts and learning from industry about specific communications plans and activities for restoring consumer confidence in the safety and security of travel.

There are various promotional activities that the Federal Government can institute to more actively support the industry, both over the short term to aid recovery as well as over the long term. Messages are important. The President's statements at Chicago O'Hare Airport, as an example, were enough to buoy the bookings of future British travelers to the United States. In addition, the Secretary of Commerce took a flight with his peers to Kansas City, Missouri, and had lunch in a local establishment to underscore the safety of travel and the need to "get back to business." As you may know, nine Governors took trips on commercial airlines as well to convey the safety message. Mayors of large cities, in particular Mayor Williams of Washington, D.C., and Mayor Giuliani of New York City, have extended invitations to the public to come to their cities and support the industry by taking in the wealth of entertainment and attractions available to tourists. Outgrowths of these invitations even resulted in nearly 1000 Oregonians taking a Flight to Freedom trip to enjoy New York City. Certainly, Congressional members have participated in this intrinsic way to convey first-hand that every effort is being made to provide for traveler safety.

We are aware of the involvement of Congress in various other hearings that have given the travel and tourism industry the prominence and attention needed at this crucial time. I applaud the Congress for passing the Air Transportation Safety and

Systems Stabilization Act to provide economic assistance to airlines and to bolster confidence within the industry, in financial circles, and among the flying public.

The travel and tourism industry differs from many others in that the product is generally considered expendable. Once the day is gone, you can not recover the loss of the hotel room not sold or the airline ticket not purchased. These are not inventory to be sold at a later date. Let me share some of the short-term projections from various components of the industry.

According to the Travel Industry Association of America, projected total U.S. domestic travel will be down 5 percent in 2001. The growth in 2002 is forecasted at only around 1 percent, keeping it below 2000 levels.

The U.S. Commerce Department's revised forecast on international travel indicates that this segment of the industry will experience a 13 percent decline for 2001, but shows signs of recovery by the end of 2002 (up 4 percent) and over the next few years (this travel is projected by 2005 to be 12 percent above 2000 levels, reaching an estimated 57.2 million international travelers).

According to the Air Transport Association forecasts released at a recent Travel Marketing Outlook Forum in Atlanta, revenue passenger miles are projected to decline around 12 percent. Growth for calendar year 2002 will be less than 5 percent over 2001.

According to Smith Travel Research, the hotel industry will see its overall 2001 occupancy down 2.4 percent to 60.7 percent with revenues per room at a lower 4.7 percent than 2000. Although less than projected, the industry is still estimated to make a \$16.7 billion profit level in 2001. Weak growth in room demand (1.2 percent increase) and flat growth in revenue per room is projected for 2002, suggesting that it will take at least nine months for the industry to recover from the September 11 attacks.

According to the American Society of Travel Agents, the 2001 travel agent revenue will decline by 26 percent to less than \$10 billion. They expect revenues to dramatically decline again in 2002 to less than half the 2001 level.

Not everyone is forecasting declines for 2001. The National Restaurant Association is projecting a 5 percent increase in total restaurant industry sales for 2001. The American Automobile Association has stated that auto travel will most likely increase in 2001. Amtrak has seen increased ridership and Greyhound has seen an increase in revenues.

The impact of the September 11 attacks on the travel and tourism industry is significant, but the industry can and will recover. The individuals whom I know well and respect who make up the travel and tourism industry are hard-working, dedicated, resilient and resourceful. They are committed to working together to reassure the public in the safety of travel. The Administration, the Secretary of Commerce and I all share your appreciation for the importance of the travel and tourism industry to our country and the economy. I am grateful to have had this opportunity to inform you of the steps we are taking to facilitate the industry's recovery.

Mr. STEARNS. I thank you.

Mr. Norman, your opening statement.

STATEMENT OF WILLIAM S. NORMAN

Mr. NORMAN. Mr. Chairman, Ranking Member Towns and members of the subcommittee, thank you for the opportunity to appear before you today to comment on the current state of the U.S. travel and tourism industry.

The Travel Industry of America, or TIA, represents some 2,600 organizations that encompass every segment of the \$582 billion travel industry in the United States. TIA's mission is to represent the whole of the travel industry to promote and facilitate increased travel to and within the United States.

I am also pleased to represent a broad coalition of travel industry members who comprise the travel industry recovery coalition. These two dozen travel industry organizations are working in a unified fashion to support marketing and legislative proposals that will get the travel industry back to business as usual.

The tragedies experienced by our Nation on September 11 have had a disastrous impact on our Nation's travel and tourism indus-

try. You will hear from a number of industry leaders this morning who will detail the impact of these recent events on their particular segments of travel and tourism. But overall, Mr. Chairman, U.S. travel in the fourth quarter of 2001 is expected to drop significantly, causing travel for all of 2001 to experience an average drop of 5 to 10 percent.

We are also experiencing and expect the travel to remain soft in the first half of 2002 before returning to normal levels later in the year, but that would still be below the 2000 record, year of 2000. While business travel was already slightly down for the year, prior to September 11, it came to a virtual standstill in the first 2 weeks following the attack. Business travel is now showing some signs of recovery. But the trend is fragile. While personal travel is not down as significantly as business travel, many States and cities across this Nation have experienced major declines in visitation.

As you can imagine, destinations such as Washington, DC, and New York City have been especially hard hit. But so have places such as Florida and Hawaii and California and many other States as well. Because of the significant declines in travel, a number of States have already announced major budget cuts. For some States, Florida and Hawaii in particular, this is a direct result of lost tourism. While in other places it is a combination of lost tourism revenue and a general slowdown in the economy. But why have some Americans stopped traveling or changed their plans? There are currently some concerns about traveling by air or traveling to certain major urban areas. However, our recent surveys show that adults not planning trips in the next 6 months are driven primarily by financial concerns. While we commend all levels of government for the extraordinary efforts that have been made to provide improved security for travelers, much work remains to be done.

We urge the Congress and the administration to reach agreement soon on an aviation security package and come to a quick agreement on an economic stimulus package. A matter of days after the attacks of September 11, TIA developed a comprehensive recovery plan on behalf of the entire U.S. travel industry. With significant input from industry leaders, we initiated various efforts aimed at helping the industry get back to business as usual.

On behalf of the unified travel and tourism industry, we have two major objectives that guide our recovery program. Our first objective has been and remains to work with the government to insure that travel in the United States is safe and secure. Our second major objective remains rebuilding confidence among travelers. Travel is one of our most cherished freedoms, and a return to travel is a return to normalcy. TIA and two dozen other national travel and tourism organizations have joined in a coalition effort to support a six-point plan.

We believe this should be included in an economic stimulus package. We believe this plan is very workable since its impact will be immediate, it is truly stimulative and its provisions are short-term. This plan would provide incentives for personal and business travel and improve cash-flow for ailing travel companies and establish a private public sector travel promotion campaign. It would also extend benefits for unemployment or unemployed workers and assist small businesses with expanded loans.

A complete description of all six provisions is included in the written testimony which we provided to the subcommittee. I am also pleased to report, Mr. Chairman, that H.R. 3140, which was introduced last evening by Representatives Patrick Kennedy and Alcee Hastings, includes all six provisions endorsed by the Travel Industry Recovery Coalition. We thank both of those representatives for their strong support during these challenging times. Also, three of our six provisions are tax related and are included in H.R. 3041, and S. 1500, supported by Representative John Shadegg of this committee and Heather Wilson and Senators Jon Kyl and Zell Miller.

We thank these members for their leadership for introducing these bills and urge all Members of Congress to support these bills.

In closing, I would like to say once again that the U.S. travel industry intends to do all it can to get back to business as usual, and during this time of national testing, travel may best symbolize the normalcy of our Nation's leaders have called for us to restore.

We thank you for the opportunity to tell our industries story and our current plans for recovery.

[The prepared statement of William S. Norman follows:]

PREPARED STATEMENT OF WILLIAM S. NORMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. Chairman, Ranking Member Towns, and Members of the Subcommittee, on behalf of our 2,600 member organizations and a broad coalition of travel industry members, I want to thank you for the opportunity to testify about the current state of the U.S. travel industry.

The Travel Industry Association of America (TIA) is the national, non-profit organization representing all components of the \$582 billion U.S. travel and tourism industry. TIA's mission is to represent the whole of the travel industry to promote and facilitate increased travel to and within the United States. Our 2,600 member organizations represent every segment of the industry, and I am pleased to be joined on this panel today by several TIA members. We are also pleased to represent a broad coalition of industry members, who are listed in the attachment to my testimony.

The tragedies experienced by our nation on September 11 have had a disastrous impact on this nation's travel and tourism industry. While the most immediate and dramatic impact was felt by the nation's airlines, many other companies and organizations that cater to business and personal travel have been affected as well. Airline capacity and load factors are down, hotel occupancy is down, while many meetings and conventions have been canceled or deferred. Car rentals at airports have declined, tour bus bookings are off, and there are fewer guests visiting amusement parks and attractions. Because a number of these industry segments are represented at this hearing today, I will defer to them in providing the subcommittee with details about the current state of affairs in their sectors.

Overall U.S. travel in the fourth quarter of 2001 is expected to drop significantly, and travel for all of 2001 will experience a modest drop. We are also expecting travel to remain soft in the first half of 2002 before returning to year 2001 levels later in the year. All of this assumes, of course, there are no additional incidents.

With a softening economy in 2001, corporate travel was already slightly down for the year prior to September 11. In the first few weeks following the attacks, business travel came to a near standstill. While many companies declared themselves open for business and said they were allowing their employees to travel, the simple truth is that many employers significantly cut back on business travel. While these "road warriors" are flying and driving again to conduct the nation's business, travel in this segment is still off significantly.

While most association meetings and conferences are continuing, dozens of major corporate meetings and conventions have been canceled or postponed. Shortly after September 11, for example, the Orlando Convention and Visitors Bureau announced it had experienced a nearly \$200 million loss in convention business. Right after the attacks it was said by one industry executive that you could roll a bowling ball right down International Drive in Orlando and not hit anything. While cancellations have

slowed, major convention facilities across the country have experienced hundreds of millions of dollars in lost revenue from dropped meetings.

While personal, or leisure, travel is not down as significantly as business travel, states and cities across the nation have experienced major declines in visitation. Because travel and tourism is one of the top industries in terms of jobs and revenue in so many states, business revenue is way off, employees are being laid off, and sales tax collections are down dramatically. Many state governments already have announced the need to make major budget cuts.

Two examples are particularly illustrative. Visitation to the state of Florida is down dramatically, and it is expected the state could lose as much as \$3 billion in sales through the end of this year. Hawaii Lt. Governor Mazie Hirono reported to the Senate Commerce Committee last week that overall visitation to Hawaii is down by 40%, with their largest overseas travel segment—Japan—down by 50%. The downturn in Japanese travel alone to Hawaii has caused the state to lose \$4 million each day.

Every state and city has a similar story to tell about the falloff in visitation to their destinations. And because the travel industry is a top 3 employer in 28 states, the downturn in this industry has caused a great deal of hardship throughout the nation. One out of every seven Americans is directly or indirectly employed in the business of travel and tourism. The livelihood of these 19 million Americans depends on travelers having the confidence to travel.

Why have some Americans stopped traveling, or changed their plans? There is certainly concern about getting on airplanes or traveling to major urban centers such as New York City or Washington, DC. We commend all levels of government (local, state and federal) for the extraordinary efforts that have been made to provide safety and security for travelers, whether flying or driving around this great country. We must continue to be vigilant in our security efforts to prevent further acts of violence, which will only cause Americans to hunker down and abandon their normal way of life—including travel for business or personal reasons.

Others are not traveling, or have altered their plans, out of concern over the nation's softening economy and their own financial security. Still others have delayed making travel plans because they question the viability of the company they would buy a ticket or tour package from. They wonder if the travel company they deal with will be in business weeks or months from now and how they would collect a refund if the company went bankrupt.

Government and travel industry leaders must work in partnership to reassure the American people that both their physical security and the nation's economic security will be protected in this time of crisis. Congress and the Administration must act expeditiously to approve an aviation security bill, and also devote resources and planning to provide for safety in all modes of travel. Congressional leaders and the White House must also come to a quick agreement on an economic stimulus package to keep the nation's economy from slipping into a major recession.

Restoring confidence in Americans to travel through their country is also critical if we are to lure back international travelers, who spend nearly \$100 billion in the U.S. each year, and account for 1 million direct U.S. jobs. Travel and tourism is big business and a major services export, and until these recent events the industry was actually producing a \$14 billion positive balance of trade in international tourism.

A matter of days after the attacks on September 11, TIA developed a multi-faceted recovery plan on behalf of the U.S. travel industry. With significant input from industry leaders, TIA has instituted various efforts and programs in areas such as marketing and public relations, research, and government affairs—all aimed at helping the industry get back to business as usual.

TIA, on behalf of the unified travel and tourism industry, has two major objectives that guide its recovery program. *Our first objective has been, and remains, to ensure that travel in the United States is safe and secure.* The travel industry pledges to work with our nation's political leaders to support policies to enhance the nation's security in all areas of travel and tourism. We have also called on all travel companies to do a thorough review of their security procedures and make any necessary changes or enhancements to protect their guests and customers.

Our second major objective remains rebuilding confidence among travelers. Travel is one of our most fundamental freedoms and a return to travel is a return to normalcy. TIA and its member companies and organizations have already dedicated millions of dollars in resources to get Americans traveling again. We also support a public-private sector campaign to promote travel that will tell the industry's story and help to restore consumer confidence in travel. In addition, there is much the industry is doing in the area of public relations and research to support our recovery efforts.

Most importantly for Members of this Subcommittee, and the U.S. Congress, TIA and more than twenty other national travel and tourism organizations that have joined in our coalition effort, have developed a six-point plan we believe should be included in an economic stimulus package to restore the U.S. travel industry to its pre-September 11 condition. We believe this plan is very workable since its impact will be immediate, it is truly stimulative, and its provisions are short-term.

This plan would provide incentives for personal and business travel, improve cash flow for ailing travel companies, and establish a public-private sector travel promotion campaign. In addition, it would extend benefits for workers who are unemployed or under-employed, and would broaden loan programs for small businesses in travel and tourism harmed as a result of the September 11 tragedies.

The following is a brief description of all six provisions:

- Provide substantial federal funding, with private-sector support and input, for advertising campaigns to encourage travel to and within the United States.
- Provide a workforce tax credit for training, retention, and hiring of travel and tourism industry workers; financial assistance to help employees meet COBRA payments and maintain their health insurance; and payroll tax relief for employers and employees.
- Expand the SBA loan program to small businesses that would not otherwise qualify for the Economic Injury Disaster Loan Program, with loans to be available at the lowest possible loan rate.
- Provide for a \$500 tax credit (\$1000 for taxpayers filing jointly) for enumerated personal travel expenses for travel originating and occurring within North America (airplane, cruise, train and bus tickets, hotel and motel accommodations, and rental cars, but not meals) through the end of 2002.
- Restore full deductibility for those business entertainment expenses, including meals, that are now subject to a 50% deduction through the end of 2002. (The average business meal is less than \$20 and does not include any alcoholic beverages at lunchtime.)
- Expand the allowance for the carry back of net operating losses for taxpayers in the travel and tourism industry beyond the current two-year limit for losses attributable to the period 9/12/01-12/31/02.

The three tax provisions are included in H.R. 3041 and S. 1500 sponsored by Representatives John Shadegg, Neil Abercrombie, and Heather Wilson, and Senators Jon Kyl and Zell Miller. We thank these Members for their leadership in introducing these bills, and urge all Members of Congress to support these bills. We are pleased that the Ways and Means Committee has included the net operating loss proposal in its economic stimulus package, and hope that the proposed tax credit and business entertainment provisions can be included in the final package sent to the President.

As Senator Kyl stated so correctly in testimony before the Senate Commerce Committee just last week, the U.S. travel industry has taken a major "body blow" as a result of the September 11 tragedies. Few industries have been so directly and negatively impacted, and now we are looking to the Congress and Administration for leadership in providing safety and security and helping to restore consumer confidence in travel once again.

In closing, I would like to say once again that the U.S. travel industry intends to do all it can to get back to business as usual. During this time of national testing, travel may best symbolize the normalcy our nation's leaders have called on us to restore. Please join with us in reminding the American people at every opportunity to defy international terrorists by exercising America's precious freedom to travel. Work with us create the conditions that will once again allow Americans to begin traveling again, so we can put America's workers back to work, and help to restore the nation's economy to its fullest potential. Thank you for the opportunity to tell our industry's story and our current plans for recovery. I would be happy to answer any questions you may have.

MEMBERS OF THE TRAVEL INDUSTRY RECOVERY COALITION

Air Transport Association; American Association of Museums; American Bus Association; American Recreation Coalition; American Society of Travel Agents; Association of Retail Travel Agents; Association of Travel Marketing Executives; Carlson Companies; Hospitality Sales & Marketing Association International; International Association of Amusement Parks & Attractions; International Association of Convention & Visitors Bureaus; International Council of Cruise Lines; National Association of RV Parks and Campgrounds; National Business Travel Association; National Council of Attractions; National Council of Destination Organizations; National Council of State Tourism Directors; National Tour Association; Receptive Services

Association; Recreation Vehicle Industry Association; Society of Government Travel Professionals; Travel Goods Association; Travel Industry Association of America; US Tour Operators Association.

Mr. STEARNS. I thank the gentleman.

Mr. Warren, the general counsel for Air Transport Association of America.

STATEMENT OF ROBERT WARREN

Mr. WARREN. Thank you. Mr. Chairman, Ranking Member Towns, members of the committee. I am Robert Warren, senior vice president, general counsel of the Air Transport Association of America. And on behalf of our members, I want to say thank you very much for holding these very important hearings today. This morning I want to talk about the current conditions of the airline industry and its effect on tourism. More importantly, I want to talk about what we, those in the airline business and all of us in the tourism industry can do to improve that condition.

We first, however, need to follow, I think, President Bush's clear admonition to return to our daily lives and not let the terrorists win. And part of this return to normal lives involves travel for both business and pleasure. We face a long and difficult climb back to a robust economic well-being and we recognize that our industry is not alone in dealing with economic woes brought on largely by the rippling effects of the terrorist actions of September 11 and thereafter. And when business in America hurts, the airlines and all facets of the tourism industry feels the pain even more acutely.

For every airline employee, 16 jobs are provided by business that depend all or in large part on the airlines for their existence. This total adds up to nearly 10.5 million jobs and accounts for 4 percent the gross domestic product. The President and the Congress have not only recognized our problems, but also have recognized a national need for a viable and vigorous airline industry and have taken steps to help us deal with our predicament, and we in the airline industry are, of course, very grateful.

The \$15 billion in loans and grants for which Congress has voted will enable the airline industry to continue to be a vital part of the tourism industry in the United States. The only permanent cure for what ails our industry is to get America flying again, to get people and products back on board our planes for business, for vacation to visit relatives, and for all the reasons that Americans and visitors alike have chosen to fly.

Currently, we are flying close to 30 percent fewer passengers each day than we were a year ago. We need to get back to where we were and until that happens, hotel rooms, restaurants, cruise ships remain substantially and adversely affected. When we do get back to where we were, it will also help travel and tourism and it will increase needed State and local tax revenues. And this can only happen by convincing the American people as well as businesses and industry that flying today is safer and more secure than it ever has been. We need to restore the confidence of the American people in the safety and convenience of air travel.

President Bush certainly contributed mightily in this effort by his personal involvement in a national campaign to get Americans off the ground and onto our planes and back to business. As well,

confidence in aviation security is also a key to our recovery. As you know, the airlines and the government have already taken steps to increase security and are communicating that information to the traveling public through a variety of channels.

So I want to assure you of three things: First, our job, our responsibility in the airline industry, is to remind people that flying is a safe way to travel and that safety and security of our passengers and crew is always our first priority. Second, we will work very hard in our efforts to enforce the FAA's new security procedures so as not to unnecessarily delay or inconvenience passengers, but at the same time, to make them feel secure throughout their travels. And third, with every step we take, we are going to work with the flying public to help them understand the importance of improving safety and security, and at the same time educating them as to the need for each step and the time it may take to accomplishing these goals.

In closing, let me assure you that we in the airline industry are absolutely committed to achieving these goals and encouraging all of America to get back to business as President Bush did when he urged us to get on board. In the long run, it is up to us in the airline industry and the entire tourism industry to renew and invigorate this important segment of the Nation's economy. Working together, we will keep America flying, and I urge everyone to get on board and join us in promoting travel and tourism in this great country.

Mr. Chairman, this concludes my prepared remarks and I would be happy to answer any questions that you have.

[The prepared statement of Robert Warren follows:]

PREPARED STATEMENT OF ROBERT WARREN, SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY, AIR TRANSPORT ASSOCIATION OF AMERICA, INC.

Mr. Chairman, members of the Committee, I am Robert Warren, Senior Vice President, General Counsel and Secretary of the Air Transport Association of America, Inc. On behalf of our member airlines, and, indeed, I would venture to say on behalf of all aviation consumers, thank you for holding today's important hearing on the state of the tourism industry.

This morning, I want to talk about the current condition of the airline industry and its effect on tourism. And, more importantly, I want to talk about what we—those in the airline business and all of us in the tourism industry—can do to improve that condition.

Sadly, I have no easy answers and I have no magic wand. But we need to follow President Bush's admonition to return to our daily lives and not let the terrorists win—and part of this return to normal involves travel for both business and pleasure.

Even in the best case, we face a long and difficult climb back to economic stability. It is small solace to know that our industry is not alone in dealing with economic woes.

Wherever we look across our land, we see that the businesses that propel America, indeed, the industries that propel the world—are hurting—largely because of the ripple effects of the terrorist actions of September 11th. And when business in America hurts the airlines and all facets of the tourism industry hurt as well.

For every airline employee, 16 jobs are provided by businesses that depend—all or in large part—on the airlines for their existence. The total adds up to nearly ten-and-a-half million jobs and accounts for four percent of the gross domestic product.

While you may find these statistics interesting, when I look at them today, I find them alarming. Because they are not holding up under today's conditions. Too many jobs are being lost. Too many schedules are being cut back. Too many planes are no longer flying. And too many employees are being furloughed.

The President and the Congress have not only recognized our problems, but also recognized the national need for a viable and vigorous airline industry, and have

taken action to help us deal with our predicament. And, we in the airline industry are, of course, grateful. The \$15 billion in loans and grants—for which Congress has voted—will enable the airline industry to continue to be a vital part of the tourist trade in the United States.

The only permanent cure for what ails our industry is to get America flying again. To get people and products back onboard our planes—for business, for vacation, to visit relatives—for all the reasons that Americans and visitors alike have always chosen to fly.

Currently, we are flying close to 30 percent fewer passengers each day than we were a year ago. We need to get back to where we were. And, until that happens, hotel rooms and restaurants and cruise ships will remain substantially and adversely affected. When we do get back to where we were, it will also help local travel and tourism, and it will increase needed state and local tax revenues.

So, how do we make it happen?

Again, there are no easy answers.

First, we have to convince the American people, as well as business and industry, that flying today is safer and more secure than it has ever been. We need to restore the confidence of the American people in the safety and convenience of air travel. We need to tell them again and again. And, we need to show them that flying is safe, and that we are making it safer all the time.

When the public sees members of the President's Cabinet flying, as six of them did last month; and when the public sees members of Congress flying every week, we hope they will too.

President Bush's personal involvement in a national campaign to get Americans off the ground, onboard our planes and back to business is a very important development.

Communication is also a key component of our recovery and, as you know, the airlines and the government have already taken a number of steps to increase security, and are communicating that information through a variety of channels.

For instance, only ticketed passengers—with special exceptions for minor children and persons with disabilities—are allowed in boarding areas. Curbside parking and curbside check-in have been reinstated at a number of airports that meet certain FAA criteria, and everything is being evaluated for what works and what should be changed. Airports have added more police. And, as President Bush directed, the state governors are supplying armed and trained National Guard troops for increased security at airports. This additional law enforcement presence should also give passengers a greater sense of confidence.

In addition, the Air Transport Association has called on the government to reinstitute the use of air marshals and to federalize airport security.

Additionally, the President announced an aggressive security package including:

- \$3 billion in funding to improve security of airplanes and airports
- \$500 million in grant funding to make cockpits and pilots more secure
- a dramatic increase in the number of federal air marshals on airplanes and
- management of all airport security and screening services by the federal government

Needless to say, improving airport and airplane safety and security are not new approaches for the airline industry. As far back as 1996, following the TWA Flight 800 accident, the ATA presented a far-reaching security plan to the White House Commission on Aviation Safety and Security, chaired by then Vice President Gore.

At that time, we warned that "terrorism has come to our shores and we need aggressively to combat the threat to our nation."

We promised then to do everything in our power to assist the government in improving aviation security. Our plan then included a recommendation that the FBI dedicate a significant amount of its resources to the problem of aviation terrorism.

That, of course, included keeping careful track of persons coming from nations known to harbor terrorists, as well as persons believed to have ties to terrorist organizations.

Other recommendations included:

- the use of air marshals and of bomb-sniffing dogs,
- the deployment of explosive-detection devices and,
- U.S. government certification of companies contracting to provide airport passenger screening
- The use of effective computer-assisted passenger screening technology and techniques, known as CAPS.

And so, I want to assure you of four things:

First, our job and our responsibility in the airline industry is to remind people that flying is so safe that even the most timid should not be afraid to fly. The safety and security of our passengers and crews is always our first priority.

Second, we are doing everything in our power to bring that about. Among other things, we are taking another look at the proposals we made five years ago to the Gore Commission, to update them and come back and push for the implementation of those that have not been adopted.

Third: We will work very hard in our efforts to enforce these new security precautions, so as not to unnecessarily delay or inconvenience our passengers.

And Fourth: With every step we take, we are going to work with the flying public to help them understand the importance of improving safety and security. And, at the same time, educating them as to the need for each step and the time it may take to accomplish these goals.

In closing let me assure you we in the airline industry are absolutely committed to achieving these goals and to encouraging all of America to get back to business—as President Bush did when he urged us to “Get Onboard.”

In the long run, it is up to those of us in the air transport industry and the entire tourism industry to renew and reinvigorate this segment of the nation’s economy.

Government must do its part. I know you are doing your part. And I assure you that we in the airline industry are doing and will continue to do ours.

Working together, we will keep America flying. I urge all of you to “Get Onboard” and join us in promoting travel and tourism in our great country.

This concludes my prepared remarks. I would be happy to answer any questions you may have.

Mr. STEARNS. I thank the gentleman.

We have been called for a vote and we have just about 10 minutes left. And I want to be sure that members come back, so I think we are going to adjourn right now, vote, and I will be right back. And Mr. Towns will be right back and we will continue. And I think other members will too. But I would say to all of you, most of us didn’t even know about the Kyl bill or the Shadegg bill. We got the “dear colleague,” but we get “dear colleague” letters all the time. But the fact that this hearing has come about, it certainly spread across the House that we now know about Shadegg’s bill. We know about Senator Kyl’s bill. And as chairman 2 days ago, I didn’t even—I mean, until late last week I didn’t know about Congressman Shadegg’s bill.

So by you coming here, you are impacting the Members of Congress to look at these bills. And now Congressman Patrick Kennedy’s bill I heard about today for the first time. So we are going to vote. We will be right back. You are very important to be here to spread the word so the other Members of Congress know about it and we can get this stimulus package going.

So with that I will adjourn and we will be right back.

[Brief recess.]

Mr. SHIMKUS [presiding]. Let me be so bold to call this hearing back into order. And our desire is to try to move as expeditiously as we can. We want to make sure we get the opening statements on record, and I will be presumptuous in taking the chair until the chairman gets back. We now would like to hear from Mr. Marriott, Chairman and CEO of Marriott international. Welcome. Your full statement is in the record and you are recognized for 5 minutes.

STATEMENT OF J.W. MARRIOTT, JR.

Mr. MARRIOTT. Thank you. Mr. Chairman and members of the committee, I thank you very much for this invitation. These past 5 weeks have been the most difficult weeks for the travel and tourism industry that I have ever experienced in the 45 years I have

been in the business. When the weapon of choice for a terrorist attack is four airlines filled with fuel and passengers, it is bound to have a devastating effect on all of us.

Immediately following the attack our net reservations dropped 94 percent. Our room revenues were already down about 10 percent prior to September 11. Business has come back, but only part way. In the past 3 weeks, in September, we were about off about 40 percent in revenue. In the first week of October, we are 25 percent below last year in combined occupancy and room rate, what we call rev par. And we seem to have plateaued at that level. So we are running about 20 to 25 percent below last year in sales. Our big city and resort and convention hotels have been hit the hardest with massive group cancellations. Business and vacation travel are far below what they should be.

September and October are the very best months for business and convention travel. Our industry has lost a lot of the profit, almost all the profit that these months usually provide. The hotel industry itself employs over 2 million people. Today, about half of these employees either have been laid off or are working 1 or 2 days a week. While some conventions have been rebooked for next year, the airlines are running an 80 percent schedule, planes are half full. Big travel agencies continue to report future bookings are very soft and now we are coming in for what is the very slow season for the hotel business. December is the worst hotel month and January is the next worse. The lodging industry is quite capital intensive with over \$150 billion in mortgage debts, and many hotels will not make their debt service payments.

We are not asking for a bailout, just your leadership in recognizing a major problem and its tremendous impact on our economic stability and jobs. Your immediate action is needed to help us resolve the situation before it completely erodes not only the U.S. economy, but also the global one. We in the industry are doing everything possible to act responsibly, both with labor and management. We have a massive advertising campaign. We have lowered our room rates. We are offering one of the most attractive travel packages we have ever offered. We have waived the minimum hours required for our benefits-eligible employees so they can keep their medical coverage for themselves and their families during this emergency period. We have frozen and reduced executive salaries. We are looking at every conceivable possibility to build back our business. We ask our government to do the same. To join us, labor and management, as partners in solving our travel and tourism crisis.

In bipartisan meetings with Members of Congress, we have been challenged to make recommendations. Of those measures which provide an immediate stimulus to our economy for a temporary period, I believe that one of the best proposals which Congress should consider, because it will provide an immediate shot in the arm for travel and do more to save jobs, is a travel tax credit. The Congress should enact as part of an economic stimulus plan a temporary, and I stress temporary business travel tax credit targeted and limited in time and cost. The Travel America Now Act of 2001 has been introduced in both the House and the Senate.

The House legislation is H.R. 3041, introduced by Representative Shadegg of Arizona, Abercrombie of Hawaii, and Wilson of New Mexico. We strongly support their proposal. Let me quote from a recent issue of Newsweek, "Business Trips Among the Terrorist Victims." the article goes on to state in this post attack period, 58 percent of American business corporations have plans to curtail travel. I know a lot of Members of Congress don't like tax credits, but we believe they can be used effectively. We use them effectively in getting people back to work and getting them off the welfare payrolls, and this small investment has saved a lot of money both for employees and employers.

Our company has employed 3,000 former welfare recipients through our pathways to independence program. Now is the time for Congress and the administration to be creative by using the tax credit process to get us traveling again. There is nothing that will get business back to normal faster and more effectively than a travel tax credit. You must do something immediately to get our people traveling, or the consequences for our economy could be disastrous. Labor and management are united in this effort. Just as labor supports our efforts to stimulate the economy through a travel tax credit, we support their efforts to assist workers who have been laid off as a result of the events of September 11. This is a big industry. It is an important industry. I hope you will help us get America moving again. Thank you very much.

[The prepared statement of J.W. Marriott, Jr. follows:]

PREPARED STATEMENT OF J.W. MARRIOTT, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MARRIOTT INTERNATIONAL, INC.

Mr. chairman and members of the subcommittee, I'm Bill Marriott. Thank you for the invitation to testify this morning.

These past four weeks have been the most difficult weeks for the travel and tourism industry that I have experienced in the 45 years I have been in the hotel business.

On September 11 we had our World Trade Center Hotel completely destroyed and our Financial Center Hotel, one-and-a-half blocks away, severely damaged. Hopefully, we will be able to reopen it in four or five months. Tragically, two of our managers were killed at WTC as they stayed behind trying to make sure that our guests had been evacuated.

Between the two hotels we successfully evacuated over 2000 people.

When the weapon of choice for a terrorist attack is four airliners filled with fuel and passengers, it is bound to have a devastating effect on all of us.

Immediately following the attack, our net reservations dropped 94%. Our room revenues were already down about 10% prior to September 11. Business has come back. But only part way. In the last three weeks in September we were off about 40% in revenue. In the first week of October we are 25% below last year in combined occupancy and room rate—or what we call revpar.

Our big city and resort convention hotels have been hit the hardest with massive group cancellations. Business and vacation travel are far below what they should be. September and October are the best months for business and convention travel. Our industry has lost all of the profit that these months usually provide.

The hotel industry employs over two million people in the U.S. Today, one half of these employees either have been laid off—or are working one or two days per week.

While some conventions have rebooked for next year, the airlines are running an 80% schedule and planes are half full. The big travel agencies report future bookings are very soft and now we are coming into the slow season. December is the worst hotel month and January is the second worst.

The lodging industry is very capital intensive, carrying \$150 billion of mortgage debt. Many hotels will not make their debt service payments.

We are not asking for a bailout—just your leadership in recognizing a major problem and its tremendous impact on our economic stability and jobs. Your immediate

action is needed to help us resolve this situation before it completely erodes not only the U.S. economy, but also the global one.

We in the travel and tourism industry are doing everything within our power to act responsibly in doing our part—both labor and management. We are embarking on a massive advertising campaign to “get America traveling again”.

We have lowered our rates and are offering the most attractive travel packages ever.

We have waived the minimum hours required for our benefits eligible employees so that they can keep their health coverage for themselves and their families during this emergency period. And we have frozen or reduced executive salaries.

We are looking at every conceivable possibility to build back our business in this difficult time.

We ask our government to do the same—join us, labor and management, as partners in solving our travel and tourism crisis. We need your leadership as never before.

In bipartisan meetings with Members of Congress, we have been challenged to make recommendations of those measures which would provide an immediate stimulus to our economy for a temporary period.

The one best proposal I think Congress should consider, because it will provide an immediate shot in the arm for travel and do more to save jobs now is a travel tax credit.

The Congress should enact, as part of any economic stimulus plan, a temporary—and I stress temporary—business travel tax credit, targeted and limited in time and cost.

The “Travel America Now Act of 2001” has been introduced in both the House and Senate. The House legislation is H.R. 3041 introduced by Representatives Shadegg of Arizona, Abercrombie of Hawaii, and Wilson of New Mexico. We support their proposal.

Let me quote from a recent issue of Newsweek: “Business trips are among the terrorists’ victims”. The article goes on to state that in this post-attack period 58% of American business corporations have plans to curtail travel.

I know that many Members of Congress do not like tax credits—but they can be effective when used prudently and cautiously.

A great example is the work opportunity tax credit, in which our government and business have worked in partnership to get many of our citizens off the welfare rolls and onto payrolls where they want to be and deserve to be. All of you know how this small investment has saved money, helping both employee and employer. Our company alone has been able to train and put 3,000 former welfare recipients on our payroll through our “Pathways to Independence” program.

Now is the time for the Congress and the administration to be creative by using the tax credit process to get us traveling again. There is nothing that will get businesses “back to normal” faster—and more effectively—than a travel tax credit.

We must do something immediately to get people traveling again—or the consequences for our economy could be disastrous.

Let me also stress that labor and management are united in this effort. Just as labor supports our efforts to stimulate the economy through a travel tax credit, we strongly support their efforts to assist our workers who have been laid off as a result of the events of September 11.

Travel and tourism is the first, second, or third most important industry in 28 states and the District of Columbia. It employs 18 million Americans, and pays over \$100 billion per year in federal, state and local taxes.

Last year it generated a \$17 billion trade surplus.

I hope you will help us get America moving again.

Thank you, and I request that my entire testimony be included in the record.

Mr. SHIMKUS. Thank you, Mr. Marriott.

Now we will turn to Ms. Nicholas, president and CEO of NYC and Company. Thank you. Your full oral statement is in the record. You have 5 minutes.

STATEMENT OF CRISTYNE L. NICHOLAS

Ms. NICHOLAS. Thank you, Mr. Chairman and ranking members. NYC & COMPANY Company is New York City’s official tourism and convention marketing organization. We are a private not-for-profit organization representing more than 1,400 tourism-related businesses, including museums, hotels, restaurant, retail stores,

theaters, tour operators and attractions. I would like to thank the subcommittee for this opportunity to testify about the current state of New York City's tourism industry. Tourism is a vital component of the city's economy. It generates \$25 billion in spending. It equals 3,100 for every man, woman and child in our city. The more than 37 million visitors who we welcomed to New York last year had a tremendous and positive impact throughout all five boroughs.

First, they supported 282,000 New York City jobs from the hotel bellhop to the executive director of the Metropolitan Museum of Art. Tourism offers a career opportunity for individuals from all walks of life. Our visitors generated \$936 million in safety tax revenues, 882 million in State tax revenues, and \$1.3 billion in Federal tax revenues. Tourism is one of the largest job producers in New York City with a growth rate that has been among the most stable of the city's major industries. And in addition, the tourism industry has been a key employer in the Nation's welfare-to-work initiatives.

The tragic events of September 11 have been devastating to our city's tourism industry. In the first 4 weeks following the attacks, we estimate that \$271 million were lost in New York City visitor spending. New York City's hotels have experienced a tremendous drop in activity, during what is traditionally their strongest quarter. In the weeks following the attacks, the city's hotels lost an estimated \$6 to \$10 million a day in room revenues. And while hotel activity has picked up to some extent, it is nowhere near normal levels. The number of hotel room nights sold down 29 percent from originally forecast. And occupancies are currently hovering around 67 percent, compared to the 84 percent the same period last year.

To date, an estimated 6,000 New York City hotel union employees, 25 percent of the entire union membership have been laid off. A figure that includes 1,000 jobs lost due to the destruction of our downtown hotels. New York City restaurants, a \$9 billion industry, employ more than 160,000 people. Since September 11, more than 30 restaurants have closed permanently and an additional 40 temporary closed. According to the New York State Restaurant Association, restaurant sales among their New York city members declined 47 percent between September 10 and September 30. To date, these restaurants have laid off 12 percent of their employees and anticipate further layoffs up to 25 percent of the entire work force.

New York City theater community has also sustained significant losses. Broadway ticket sales are down 26 percent since September 11 compared to the year 2000. In addition to immediate revenue shortfalls, the advanced ticket sales which sustain cash-poor Broadway are virtually nonexistent, making it increasingly difficult to forecast future activity. As for the city's cultural institutions and attractions, the combined attendance at the Metropolitan Museum of Art and the Museum of Modern Art and the Bronx Zoo is down 47 percent over a comparable period in 2000.

Citywide the cost associated with the destruction of the World Trade Center is enormous. New York City is expected to lose 110,000 jobs. And we will lose an estimated \$1 billion in tax revenues, including \$86 million in hotel tax revenues and \$270 million in sales tax revenues. Tourism industries, the travel research agency for the U.S. Department of Commerce expects international

visitorship to the United States to decline 13 percent. While these valuable international travelers make up only 18 percent of New York City's annual visitors, or 6.8 million people, they are responsible for 41 percent of all visitor spending, which means New York, which is the country's number 1 destination for international visitors, stands to be disproportionately hurt.

New York City & Company joins the Nation's tourism industry and Travel Industry Association of America in supporting immediate legislative efforts to stimulate travel and tourism. Specifically we encourage Congress to restore the full deduction for all business meals and entertainment expenses now subject to a 50 percent limitation, institute a temporary Federal tax credit of 1,000 per person and 2,000 for a couple filing jointly for personal travel expenses for travel within the United States and restore the spousal travel deduction to 100 percent.

We support the recommendation of the travel business roundtable for the creation of a Presidential advisory counsel on travel and tourism. We urge the Federal Government to fund national and international tourism marketing efforts as they do in other countries. And finally, we ask the Federal Government to lift the NEA funding caps on New York City cultural institutions. These legislative efforts are important, immediate and necessary steps to maintain a vibrant tourism industry, generate much needed jobs, and drive economic growth now and into the future. With the help of our friends in this room and around the Nation, together we can act immediately to spur this country, the vitally important tourism economy, create jobs and generate taxes. And as Mayor Giuliani has been saying for weeks now, and also Congressman Towns, the best way that people can help New York City is to come to the city, eat out in the restaurants, stay in a hotel, go to a Broadway show, a museum, take a tour. We will be happy to help you with that. It is also the best way that I know of that can also show the world that in the wake of this tragic event of September 11, both our city and Nation will emerge stronger than ever. Thank you for your time.

[The prepared statement of Cristyne L. Nicholas follows:]

PREPARED STATEMENT OF CRISTYNE L. NICHOLAS, PRESIDENT & CEO, NYC & COMPANY

Good Morning, Chairman Stearns and members of the Subcommittee.

My name is Cristyne L. Nicholas, President & CEO of NYC & Company, New York City's official tourism organization. A private, non-profit organization, NYC & Company represents more than 1,400 tourism-related businesses, including museums, hotels, restaurants, retail stores, theaters, tour organizations, and attractions. It has a current budget of \$12 million and is the leading force in attracting visitors and visitor revenue to New York City.

I would like to thank the Subcommittee for its invitation to testify about the state of New York City's tourism industry following the events of September 11.

Tourism is a vital component of New York City's economy. A \$25 billion industry (equivalent to \$3100 for every man, woman and child in the city), tourism's economic impact from its more than 37 million visitors is extensive:

- Tourism supports 282,000 NYC jobs directly and indirectly. From the hotel bellhop to the Executive Director of the Metropolitan Museum of Art, tourism offers career opportunities for individuals from all walks of life.
- Taxes generated by NYC tourism in 2000:
 - \$936 million city tax revenues
 - \$882 million state tax revenues
 - \$1.3 billion federal tax revenues

And even more impressive is the growth the industry has experienced in the last five years: visitor spending is up 34%; city and state tax revenues rose 35% and 33%, respectively; federal taxes also rose during this time period, up 30%.

And most importantly, the number of jobs supported by tourism has increased 26% since 1996. Tourism is currently one of the top five largest providers of jobs in New York, with a job growth rate that has been one of the most stable and sustaining year after year among the city's major industries including health services, business services and Wall Street. In addition, tourism has long been an active participant in the nation's Welfare-to-Work programs and initiatives.

The events of September 11th have been devastating to the city and its tourism industry. In the time period of September 11th through October 6th, we estimate that \$270.8 million dollars has been lost in New York City visitor spending.

And the losses continue. Tourism is greatly dependent on the consumer's sense of well-being and financial security. The events following those of September 11, many of which are heightening consumer anxiety, are challenging the industry's ability to reassure the consumer, and probably decelerating the nation's economic recovery period.

Tourism is not recession-proof. In addition to well-known names such as Marriott, the Empire State Building and Circle Line, the city's tourism industry is a community of small businesses, many of whom will not be able to sustain long-term declines in activity.

The following explain how individual segments of the city's tourism industry are faring:

NYC Hotels

New York City's hotels experienced a tremendous dropoff in activity during what is traditionally one of the strongest visitor months for the city. In the first few weeks since September 11th, the city's hotels lost an estimated \$6-\$10 million daily in room revenues. While hotel activity has picked up to some extent, it is nowhere near where it was forecast to be. Specifically, in terms of the percentage of hotel rooms occupied since September 11th:

9/11/01-9/15/01: 63.1% NYC hotel rooms occupied
 9/16/01-9/22/01: 45.4%
 9/23/01-9/29/01: 59.3% (comparable 2000 period: 86.2%)
 9/30/01-10/6/01: 67.5% (comparable 2000 period 83.7%)
 (Source: Hotel RevMax)

An estimated 6000 NYC hotel union employees (25% of the entire union membership) have already been laid off (includes 1000 jobs lost due to destruction of downtown hotels). In addition, the remaining employees have voluntarily reduced the number of days in their work week from five to three or four to prevent any further layoffs.

NYC Restaurants

The NYC restaurant industry is a \$9 billion industry, employing over 160,000 individuals.

More than 30 restaurants have permanently closed following the events of September 11th with an additional 40 temporarily closed. (Source: Zagat Survey)

According to the New York State Restaurant Association, restaurant sales among their New York City members declined 47% in the period 9/10-9/30 compared to same period in 2000. Furthermore, these members have, so far, laid off 12% of their employees and anticipate that further layoffs up to 25% of the workforce may be necessary.

Broadway and Attractions

NYC's theater community also sustained significant losses due to the events of September 11. Immediately following that morning's events, Broadway cancelled its Tuesday evening and Wednesday matinee and evening performances. And while the theaters reopened on Thursday, September 13th, the performances played to considerably smaller audiences than is normal in September. In terms of weekly ticket sales, for the weeks ending:

9/16: down 65% over same 2000 period (three performances cancelled)
 9/23: down 24%
 9/30: down 10%
 10/07: down 9%

(Source: League of American Theatres and Producers)

All told, Broadway ticket sales were down a cumulative 26% for this period over the comparable period in 2000. The challenge now facing Broadway is that advance

ticket sales are not at previous levels, making it increasingly difficult to forecast future activity and respond accordingly.

The city's cultural institutions and attractions continue to feel the impact of last month's events. For the time period of September 11 to October 1, the combined attendance at the Metropolitan Museum of Art, the Museum of Modern Art and the Bronx Zoo is down 47% over the comparable period in 2000.

Overall NYC Economy—Estimated Impact

The costs associated with the destruction of the World Trade Center, the damage to Lower Manhattan, the disruption of business, the decline of consumer confidence and a deeper-than-previously-expected recession are staggering.

NYC Office of Management & Budget reports:

- Total loss of 110,000 NYC jobs
- Estimated loss of \$1 billion in tax revenues including over \$100 million in hotel tax revenues and \$270 million in sales tax revenues
- NYC Comptroller Office reports:
 - Retail/Wholesale: \$1.7 billion in losses and 17,500 lost jobs
 - Hotel/Restaurants/Theaters: \$2.3 billion in losses. Job losses: 8000 restaurant jobs, 6000 hotel jobs
 - Airlines: 7000 job losses

Travel Forecasts for 2001 and 2002

While it is too soon to forecast the specific long-term impact of September 11th and subsequent events on NYC's tourism industry, it is important to understand the national tourism picture in which NYC operates. The Travel Industry Association of America, the trade association for the nation's tourism industry, has forecast the following for domestic travel within the US:

3rdQ 2001 volume: 5% decline over same period 2000
 4thQ 2001 volume: 10% decline over same period 2000
 x2001 volume: 5% decrease over 2000
 2002 volume: 1% increase over 2001
 2002 will remain below 2000 levels

The international travel picture is even more grim. This is particularly troubling to the tourism industry in New York City, given our position as the number one US destination for international visitors. More importantly, while international visitors represent 18% of all NYC visitors, they generate 41% of all NYC visitor spending.

As for the outlook for international travel to the US, Tourism Industries, the travel research agency for the US Department of Commerce, anticipates that:

2001 volume, already declining due to a economic slowdown, will see an accelerated drop in 2001, resulting in double-digit declines for almost all international markets

2002 will see steady recovery, more likely in the latter half of the year. Volume will not, however, reach 2000 levels

With the exception of the United Kingdom and Canada, most international markets will not fully reach 2000 levels until 2004/2005. Especially troubling is Japan, which may not fully recover until 2006.

Forecast of International Travel to the US—Top Visitor Producing Markets

	2000	2001	% chg over	2002	% chg over	When this will match 2000
Total	50.9m	44.5m	-13%	46.4m	+4%	2004
Canada	14.6m	13.4m	-8%	14.0m	+5%	2003
Japan	5.1m	4.0m	-21%	4.1m	+4%	beyond 2005
UK	4.7m	4.1m	-13%	4.3m	+5%	2003
Germany	1.8	m1.3m	-25%	1.4m	+6%	2005
France	1.1m	878,000	-19%	917,000	+5%	2004
Brazil	737,000	650,000	-12%	680,000	+5%	2004
South Korea	662,000	547,000	-17%	579,000	+6%	2004
Italy	612,000	495,000	-19%	522,000	+6%	2005
Argentina	534,000	438,000	-18%	419,000	-5%	beyond 2005

NYC Tourism Industry's Immediate Response to September 11th Events

Tuesday, September 11

The first concern was for the thousands of visitors who found themselves stranded in a city that was virtually shut down. NYC & Company made the immediate decision to keep NYC's Official Visitor Information Center open throughout the day and reached out to the media to alert travelers in need that the Center was ready to assist them.

A list of hotel room availability was immediately posted to NYC & Company's website, www.nycvisit.com, and updated on a 24-hour basis throughout the week to reflect the visitor industry's quickly changing status. This list was supplemented with a list of which businesses were open and what services they were providing.

Meanwhile, the Convention Sales, Convention Services, and Conference Express departments began reaching out to meetings and conventions scheduled in New York this fall to update them on events and to reassure them that we were working closely with the city's hotels and event venues to minimize any possible disruptions of their plans.

Wednesday, September 12

NYC & Company began to coordinate the efforts of the hundreds of city restaurants in order to feed emergency workers—a massive, complex, and unprecedented undertaking.

At the same time, NYC & Company joined forces with Hotel Association of New York City to begin canvassing the city's hotels regarding the free and deeply discounted rooms available for the rescue workers and the victims' family members who would be coming into the city.

Thursday, September 13

NYC & Company brought a cross-section of industry leaders to Mayor Rudolph Giuliani's temporary command center to communicate the entire industry's willingness to help and to begin the important process of coordinating our broader actions and messages with those of the city.

Friday, September 14

NYC & Company established a toll-free **New York City Visitor Hotline** (888/805-4040 domestic, 860/496-5972 international) as a resource for travelers in New York City and for those with plans to visit. NYC & Company's professional staff of multilingual visitor information counselors—available on the phone through the hotline and in-person to walk-in visitors—were joined by NYC & Company staff volunteers to extend the hours of NYC's Official Visitor Information Center. NYC & Company staff also established a help desk at the Mayor's Office of Operations at the piers to assist emergency workers and the families of the victims with housing and general information.

NYC Tourism Industry's Short-term and Long-term Responses

Meetings and Conventions

In an overwhelming show of support for New York City, significant meetings, conventions and tradeshows have rescheduled so they could meet in NYC, including:

- The American Society of Travel Agents' (ASTA) World Travel Congress will bring its 2,500 attendees to New York's Jacob K. Javits Convention Center on November 4-7, 2001.
- The American Society of Association Executives (ASAE), representing the nation's top trade associations and hundreds of millions of dollars of potential convention business, will hold its 150-person Board of Directors meeting on November 16-18, 2001.
- The American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO is bringing the 1,500 attendees of its biennial Women's Conference on November 16-18. The meeting will be dedicated to union member Father Mychal Judge and seven people who remain missing.
- The Magazine Publishers of America (MPA) will bring the 600 attendees of the annual American Magazine Conference on October 21-24.
- Meeting Planners International (MPI) will bring the MPI Foundation Meeting on October 27.

Major organizations reaffirmed their choice of New York City for their high-profile events, including:

- Microsoft will hold the official kickoff for the new Windows operating system XP in Times Square and Rockefeller Center on October 25, 2001; events will in-

clude a free concert by a major popular music act and a high-profile media event featuring Chairman Bill Gates.

- The Audio Engineering Society is bringing its 15,000 to 20,000 attendees to New York from November 30 to December 3, 2001.
- The International Engineering Conference and Exposition is bringing 2,500 attendees to New York City from November 11 to 16, 2001.

I Love NY

New York State and the Port Authority of New York and New Jersey each contributed \$20 million to a greatly enhanced I Love NY advertising campaign to encourage business travelers and tourists to come back to New York in the wake of the World Trade Center attack. The \$40 million ad campaign features the "I Love New York" theme and well-known New Yorkers from entertainment, news, sports and government.

The tourism outreach campaign will initially feature a television ad with notable New Yorkers including Yankee shortstop Derek Jeter, Regis Philbin and Kelly Ripa, CNBC's Maria Bartiromo, Ben Stiller, Governor Pataki and Mayor Rudolph W. Giuliani. The television ad began airing last week. In addition to the new television ad, the multi-media tourism outreach campaign will also feature radio and print ads in newspapers, magazines, and travel trade publications as well as outdoor advertising, Internet ads and direct mail in ensuing weeks.

Consumer Marketing Efforts

NYC & Company has renamed its Paint the Town Red: NYC's Winter Celebration promotional campaign **Paint the Town Red, White & Blue**, adding travel package options, and moving up the start date to November 5 to drive immediate business to New York City.

A special **Restaurant Week** promotion to drive business for the New York restaurant community has been launched. From Monday, October 15 through Sunday, October 21, 2001, almost 150 of the city's best restaurants are offering prix-fixe, three-course lunch menus for just \$20.01 and prix-fixe dinner menus for \$30.01—a fraction of their usual cost. For the first time ever, this Restaurant Week includes a dinner option and extends through a weekend.

NYC & Company just signed a multi-year agreement with **Delta Airlines** to provide added tools with which to jump-start New York City visitorship. As part of Delta's commitment to New York City's efforts to revitalize travel, they have committed 10,000 free domestic tickets for use in targeted promotions and are waiving the normal rapid redemption fees charged to travelers wishing to redeem their frequent flyer miles to travel to New York City in the near future.

NYC & Company aggressively pursued pro-bono advertising space from local, national, and international newspapers and magazines for a print advertising campaign. The ad, which tells people "New York City Would Like to Thank You. In Person," has run in the *New York Post*, *USA Today*, *The Boston Globe*, *Chicago Tribune*, *WHERE Magazine*, *Travel + Leisure*, several Condé Nast titles, and in British publications.

NYC & Company will also be repositioning our own television ad campaign, originally scheduled to run this fall, to address the current situation and promote immediate, short-term business.

Support for Legislative Efforts to Encourage Tourism to NYC

NYC & Company joins the nation's tourism industry and the Travel Industry Association of America in supporting those legislative efforts that would provide immediate relief for U.S. travel and tourism by allowing for:

- restoration of full deductibility for all business meals and entertainment expenses that are now subject to a 50 percent limitation
- instituting a temporary federal tax credit of \$1000 per person (\$2000 for a couple filing jointly) for personal travel expenses for travel within the United States
- restoration of spousal travel deduction to 100% to encourage spousal travel to meetings and conventions

We also support the recommendation of the Travel Business Roundtable for the creation of a Presidential Advisory Council on Travel & Tourism.

Furthermore, we urge the federal government to fund national and international tourism marketing efforts, thus joining those countries that understand the value of tourism and the importance of maintaining presence in the global marketplace. And finally, we ask the federal government to remove the NEA funding caps on New York City's cultural institutions, a group who has been greatly impacted.

We feel all these legislative efforts are important steps in helping to maintain a vibrant travel and tourism industry, to keep working people working, and to stimulate economic growth.

New York City absolutely, positively needs a strong, flourishing tourism industry. As Mayor Giuliani has been saying for weeks now, the best way people can help New York City is to come to the city, eat out at a restaurant, stay in a hotel, go to a Broadway show, a museum, an attraction; take a tour. And it is the best way I can think of to show to the world that in the wake of the tragic events of September 11th, our city and nation will emerge stronger than ever.

Thank you.

Mr. STEARNS. I thank you.

Senior vice president, Mr. Fred Lounsberry, Universal Studios.

STATEMENT OF FRED LOUNSBERRY

Mr. LOUNSBERRY. Thank you, Mr. Chairman, and thank you for the opportunity to be here today. I wear three hats before you today: Senior VP of Sales for Universal Theme Parks in Hollywood and Florida, the incoming national Chair of the Travel Industry Association of America, and the current Chairman of the Visit Florida public-private partnership responsible for the promotion of tourism in Florida.

I want to just focus on some of the key points in my testimony which has been submitted for the record. Tourism has taken a direct hit and the impact is now cascading throughout our economy. We are now seeing the full impact of how far the absence of tourism has impacted many facets of our economy. When you and your constituents think about tourism, the first thing that probably comes to mind is the annual family vacation, a trip by air or auto to a hotel or resort or to visit friends and relatives, visit attractions, renting a car and dining out.

However, it is also critical to recognize how tourism impacts our economy far beyond these travel businesses which first come to mind. All of these businesses have hundreds of suppliers, food and beverage suppliers, paper products and services. In addition, there are hundreds of peripheral businesses which support tourism and the convention industry, transportation companies, catering, gasoline, services, tour operators and travel agencies. As we see retail sales drop, it is also important to note that one of the top activities when Americans travel is to shop.

Tourism is the first, second or third largest industry in 29 of our States. In Florida that represents 20 percent of Florida's economic engine, employs 850,000 Floridians and generates \$3 billion in State sales tax, and those taxes generated by tourism in Florida and elsewhere fund critical social needs. Sales tax, hotel bed taxes and gasoline taxes fund highway construction, convention centers and other infrastructure projects as well as schools. We must restore confidence in travel and get tourism back on its feet. We urge the Federal Government to provide funding and create a national advertising and marketing campaign to encourage travel to and within the United States. This can best be accomplished by establishing a public-private partnership through Federal matching funds to support State tourism campaigns as well as support for a national marketing effort through TIA, which is ideally positioned to fulfill such a role. We urge the Federal Government to raise the public-private partnerships, such as the one which exists in Florida, to a national level.

Visit Florida, which is a unique public-private partnership, is responsible for marketing tourism in Florida. Last week, Florida Governor Jeb Bush unveiled an economic stimulus package proposing an additional \$20 million for Visit Florida on top of the existing \$20 million budget which would be matched and leveraged into a \$100 million plus campaign to promote Florida tourism. I would like to show you the 30-second public service announcement which kicked off the Florida campaign to Floridians, which was produced by Universal on behalf of Florida tourism and is now airing throughout the State.

Mr. STEARNS. Is this airing throughout the United States or through—

Mr. LOUNSBERRY. Just in Florida, in all the key markets through the Florida Association of Broadcasters, and it is being put on the air by the stations in support of tourism.

Mr. STEARNS. And is that part of this \$20 million effort?

Mr. LOUNSBERRY. Rebuilding tourism will not be a quick fix. It will take time and a concentrated effort on all fronts of our industry to rebuild consumer confidence and get Americans traveling again. We need your support and help. Thank you very much.

[The prepared statement of Fred Lounsberry follows:]

PREPARED STATEMENT OF FRED LOUNSBERRY, SENIOR VICE PRESIDENT OF SALES, UNIVERSAL STUDIOS RECREATION GROUP, CHAIRMAN, VISIT FLORIDA, & CHAIRMAN-ELECT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to be with you today. My name is Fred Lounsberry, and I come before you wearing several hats. One for my role as Senior Vice President of Sales for Universal Studios Recreation Group. One for my role as Chairman of Visit Florida—the public-private partnership that promotes tourism in Florida. And one for my role as incoming Chairman of the Travel Industry Association of America.

As Chairman of Visit Florida, I have spent the weeks since the September 11th tragedy working with our state's unique coalition of tourism leaders to develop a recovery plan. As I will detail a bit later, Florida is taking bold and innovative steps to revitalize its most valued asset. It is imperative that we do this on a national level as well, and the federal government has a significant role to play. We will ask you to provide critical leadership and resources, and to partner with state and local governments and the private sector to help get the American people traveling again.

Many of us remember piling into the family station wagon to head to our favorite destinations. As the Chairman knows very well, the great state of Florida which we both call "home," is blessed with that incredible aura and sense of "getting away from it all" that inspires so many families and businesses to plan their vacations and meetings there. It has become a way of life—a habit—simply "routine" for so many Americans. And that translates into a \$50 billion a year industry for Florida.

But on September 11, that all changed. Our nation is still sorting out the crippling effects of the most horrific act of terrorism we have ever witnessed. And even as our men and women in uniform go after an enemy so many of us don't fully understand beyond its sheer evil, we are still realizing the incredible ripple effect of that fateful day.

Perhaps nowhere has the economic ripple effect been more evident than within the tourism industry. When terror struck New York, Washington, DC and Pennsylvania, it struck the heart of America and the spirit of its people. That newfound fear and jolt to consumer confidence scored a direct hit on the tourism industry.

Are we struggling? Yes. It's no secret that airline travel is down, hotels are at record low capacities, rental car companies are hurting and theme parks are being forced to reduce operations. An already fragile economy prior to September 11 has now plummeted below where anyone could have imagined.

Will we recover? The answer is also a resounding yes. Just as we are witnessing the resilience of Americans and courage of ordinary people performing heroic acts, I am here to tell you the tourism industry will thrive again.

As our country enjoys being the number one tourist destination, our competitors throughout the world are watching to see what actions we take—and they have

been swift. New York is investing \$40 million; Las Vegas, \$13 million; and California has stepped in with \$10 million. In Florida, Governor Jeb Bush has taken to the airwaves at the industry's request, and has pledged to do "whatever it takes" to help rebuild the state's economy. I'd like to take this opportunity to show you a 30-second public service announcement that was produced by Universal on behalf of Florida's tourism industry and is now airing throughout the state.

Florida's efforts do not stop with the PSA. Even when faced with a budget shortfall no one could have anticipated, Governor Bush has committed to set aside critical funds to help tourism recover. Last Friday, the Governor unveiled an economic stimulus package that includes an additional \$20 million for Visit Florida to help promote tourism. These initiatives include targeted advertising to Florida and out-of-state markets to encourage tourists to visit the state by automobile, national marketing campaigns, and partnerships with tourism-related businesses throughout the state to create special discount programs and other incentives to attract visitors to Florida.

But if the efforts of Governors Bush, Davis, Pataki and others are to succeed, they must be supplemented with federal resources. We urge the federal government to raise public-private partnerships like the one that exists in Florida to the national level. The federal government should partner with the states, local Convention and Visitors Bureaus and private sector partners to create a national advertising and marketing campaign to encourage Americans to travel again.

In order to succeed, this must be funded at a level sufficient to reach all traveling Americans. Experts in the tourism and communications industries estimate that such a campaign would cost \$50-\$60 million, leveraged additionally with our national broadcast partners. The commitment of federal funds would supplement spending by state and local governments and private sector partners I mentioned earlier. Other incentives such as a travel tax credit, a return to full deductibility of business entertainment expenses and aid to displaced workers are also of great importance.

We need your assistance and leadership, and most of all your continued confidence in our industry to know how and when any recovery plan should be implemented. Just as our military effort is strategic, methodical and calculated to have long-term impact, the tourism recovery plan must follow suit. The world is watching to see how we take action, and we must set the bar high during this vulnerable time.

In the short term, we need you to continue being ambassadors of good will whose mission is to rebuild consumer confidence. Never before has your ability to use the bully pulpit to impact those you represent been more critical. We implore you to talk with your constituents and to the media—encourage travel, tout all our many destinations have to offer, reinforce safety measures and reassure Americans that a return to "reasoned normalcy" is in our best interests.

Make no mistake, while we will put a timeframe on this recovery, this is a long-term effort. Yes, there have been and may continue to be blips of positive news for the tourism industry. But the reality is, we've been hit hard. Ground zero of the horror on September 11th was also ground zero for a great deal of our nation's economic health.

As evidenced by this panel before you today, every faction of the tourism industry has been adversely affected, and is now putting its collective mind together to come up with a solution. Yes, we are competitors, but we are also partners in an industry that is absolutely vital to our nation's livelihood.

It will take a sustained, concerted effort on all fronts to rebuild consumer confidence and get Americans traveling again. I can say with confidence that the entire industry stands ready and united for that challenge. With your support we will succeed.

Thank you.

Mr. STEARNS. Thank you.

Michael Crye, President of International Cruise Lines. Welcome.

STATEMENT OF J. MICHAEL CRYE

Mr. CRYE. Good morning, Mr. Chairman, Mr. Towns, Mr. Bryant. My name is Michael Crye. I am the President of the International Council of Cruise Lines. I am honored to appear before the subcommittee today to highlight the measures that the cruise industry is taking to restore the confidence of the traveling public and to assure passengers that it is safe to travel on cruise vacations. I have

a written statement that I would request to be entered into the record of this hearing.

Mr. STEARNS. By unanimous consent, so ordered.

Mr. CRYE. While the tragic events of September 11 have had a tremendous impact on the entire tourism industry, I wish to reassure the subcommittee that the cruise lines are taking every safety precaution, as their highest priority has always been the safety and security of all their passengers and cruise. Within hours after the terrorist attacks, members of the International Council of Cruise Lines had implemented the highest security measures, known as Level III, even before it was ordered by the U.S. Coast Guard and the Department of Transportation. We have since that day been working with all appropriate Federal agencies to ensure that traveling Americans are protected to the maximum extent possible.

The International Council of Cruise Lines is a nonprofit trade association that represents the interests of 16 of the largest cruise lines operating in the North American cruise market and over 73 associated members companies that are cruise industry business partners and suppliers. ICCL member cruise lines serve major ports in the United States and call on more than 1,800 ports around the world. Last year ICCL member lines carried more than 7 million passengers on 95 vessels.

The passenger cruise industry is an exciting, modern and rapidly expanding global industry. According to the World Trade Organization, world demand reached 9.8 million passengers last year. With the North American market representing two-thirds of this global volume by the year 2010, total cruise passengers worldwide are forecasted to grow to 20.7 million passengers. Before the attacks of September 11, the North American market was projected to rise from 7 million to 12 million and mainland Europe was expected to grow from 1.3 million to 5.3 million. These numbers reflect the cruise industry's dynamic contribution to the global economy.

The U.S. economic impact in the North American market. U.S. citizens were the dominant source of cruises, accounting for 82 percent of all passengers. As a result, the cruise industry has developed into a significant economic contributor to the United States economy. Since 1990, cruise ship embarkations from North American ports have increased by almost 70 percent. The major U.S. ports of call are located in Florida, Alaska, California, Louisiana, New York, Texas and Massachusetts. Last year, the total economic benefit generated by the cruise industry was approximately \$17 billion. Of this, the cruise industry contributed \$9.4 billion in direct spending for the products and services of U.S. companies.

The industry's extensive economic relationships include high tech equipment, travel services, banking and insurance, textiles, technical services, dry-docking and ship repair. Other major U.S. industries that benefit from the cruise business are the airlines, travel agents, food and beverage suppliers, and the business and service sectors. As a result of these economic partnerships, the cruise industry is able to create employment for approximately 257,000 Americans and support for State and local economies in all 50 States. Total wages generated by the industry in 2000 were approximately \$8.7 billion in the United States.

Clearly these numbers demonstrate that the industry is a significant contributor to the U.S. economy and any negative economic downturn it experiences has a ripple effect on jobs and other related industries. In recent days the industry has had a cautiously optimistic view of prospects despite reporting a precipitous drop in bookings since September 11. On September 12, cruise line reservation offices were overwhelmed by requests for cancellations and new bookings were nearly nonexistent. Since that time, the trend in future passenger bookings is at 60 to 70 percent of pre-attack levels and is increasing slowly but steadily over the weeks. Industry executives are exercising every available marketing and communications measure to stimulate travel and believe that occupancy levels will eventually return to normal. Our major members have just increased to 20 percent the commissions paid to travel agents in an effort to incent them and provide additional compensation to this very hard hit segment of the industry.

The cruise industry is the second largest purchaser of airline tickets, spending over \$2.1 billion on airline tickets every year. Over 65 percent of cruise passengers arrive at the port city via air travel, spending an average roundtrip airfare of \$450 per passenger. With the impact that recent events have had on the airline industry, the cruise industry in particular has been disproportionately impacted since we are dependent on the airlines for our passengers. Therefore, both the airline and cruise industries are taking additional steps to reassure passengers that it is safe to travel.

In a move to reassure consumer confidence and travel, the individual cruise lines and their associations have been actively communicating the safety and security procedures in place to protect passengers and crew by media interviews, Web sites, direct communications with travel agents and governmental forums such as this. The cruise industry is proud to highlight our environmental safety record and to detail the heightened measures in place today. In 2 weeks the industry will conduct a media tour in six major media markets, and today the prices on a cruise vacation are so good that the consumer will find it is less expensive to go cruising than to stay at home. The cruise lines are rerouting itineraries to move ships away from danger spots in the world. They are bringing the ships closer to home, where it is more expensive to be able to come and enjoy a cruise.

Our security measures, both on and off the vessel are, as I said before, our highest priority and we—I believe I am about to overrun my time here. So I am sorry. I will go to the conclusion paragraph.

Mr. STEARNS. If you just summarize.

Mr. CRYE. Mr. Chairman, in conclusion, we believe that the cruise industry has taken the appropriate additional steps to restore the public's confidence. In the short term cruise lines are rerouting itineraries. In the long term we will continue to be proactive in developing additional security measures. These are challenging times, but our industry pledges its cooperation and working as partners to maintain the outstanding safety record and to reassure the traveling public.

Thank you.

[The prepared statement of J. Michael Crye follows:]

PREPARED STATEMENT OF J. MICHAEL CRYE, PRESIDENT, INTERNATIONAL COUNCIL OF
CRUISE LINES

Mr. Chairman, my name is Michael Crye, and I am the President of the International Council of Cruise Lines (ICCL). I am pleased to appear before the Subcommittee today to highlight the measures that the cruise industry is taking to restore the confidence of the traveling public and to assure passengers that it is safe to travel on cruise vacations. While the tragic events of September 11th has had a tremendous impact on the entire tourism industry, I wish to reassure the Subcommittee that the cruise lines are taking every safety precaution, as their highest priority has always been the safety and security of all of their passengers and crew. Within hours after the terrorist attacks, ICCL member operators had implemented the highest security measures, known as Level III, even before it was ordered by the US Coast Guard (USCG), and have since that day been working with all appropriate federal agencies to ensure that traveling Americans are protected to the maximum extent possible.

ICCL is a non-profit trade association that represents the interests of 16 of the largest cruise lines operating in the North American cruise market and over 73 Associate Member companies that are cruise industry business partners and suppliers. ICCL member cruise lines serve major ports in the United States and call on more than 400 ports around the world. Last year, ICCL's member lines carried more than 7 million passengers on 95 vessels. Our efforts to communicate and reassure the traveling public is a coordinated effort, involving sister cruise industry organizations such as Cruise Lines International Association. This coordinated effort permits us to provide information and reassurance to many audiences including the public, government officials, the media and over 19,000 travel agencies across North America.

GLOBAL ECONOMIC DIMENSION OF THE CRUISE LINE INDUSTRY

The passenger cruise industry is an exciting, modern and rapidly expanding global industry. During the current decade, the cruise industry has continued to expand its capacity and develop new cruising opportunities for vacationers. According to the World Trade Organization (WTO), world demand reached 8.7 million passengers in 1999. The North American market covers $\frac{2}{3}$ of the global volume, primarily due to the renaissance of the cruising destinations in the Caribbean. By 2010, total cruise passengers worldwide are forecasted to grow from 9.8 million last year, to 20.7 million. Within these figures, the North American market is projected to rise from 6.8 million to 11.9 million and mainland Europe will grow from 1.3 million to 5.3 million, demonstrating that the cruise industry is a dynamic sector of the global economy. The cruise industry brings a burgeoning tourism economy to American ports and over 1800 port destinations around the world. The importance of the social and economic opportunities cannot be understated. It has an effect on all sectors in the port city and country. The cruise lines' presence in port cities, even on a seasonal basis, strengthens the economy for many local elements. In addition to local port user fees and head taxes and surcharges, cruise ships purchase supplies and services such as pilots, tugboats, food and beverage, waste disposal services, fuel and fresh water at ports of call worldwide. In addition, the guest and crew purchases at port destinations provide a major contribution to the local economies including lodging, restaurants, attractions, retail shops, tour operators and other businesses. It is estimated that a typical cruise ship generates \$260,000 in passenger and crew expenditures during a port of call visit.

CONTRIBUTION OF THE NORTH AMERICAN CRUISE INDUSTRY TO THE U.S. ECONOMY

In the North American market, the United States is the dominant source of cruise passengers. Comparing 1998 to 1990, cruise ship embarkations from North American ports increased by almost 70 percent. The major U.S. ports of call are located in Florida, Alaska, California, Louisiana, New York, Texas and Massachusetts. In Florida alone, over 3.2 million passengers embarked last year. An additional 1.1 million passengers also boarded in San Juan, Puerto Rico and non-U.S. ports, primarily Vancouver and Montreal, Canada. As a result, the cruise industry has developed into a significant economic contributor to the United States economy.

Last year, the total economic benefit by the cruise industry and cruise-related activities was approximately \$17 billion. Of this, the cruise industry contributed \$9.4 billion in direct spending for the products and services of U.S. companies. The industry's extensive economic relationships include high-tech equipment, travel services, banking and insurance, textiles, technical services, dry-docking and shipyard repair. Other major U.S. industries that benefit from the cruise business are the airlines, travel agents, food and beverage suppliers and the business and service sec-

tors. As a result of these economic partnerships, the cruise industry is able to create employment for thousands of U.S. citizens and support for state and local economies in *all 50 states*. Total wages generated for U. S. employees in 2000 were \$8.7 billion and the industry generated jobs for 257,067 Americans.

Clearly, the cruise industry is a significant contributor to the U.S. economy and any negative economic downturn it experiences has a ripple effect on jobs and other related industries. In recent days, the industry has had a cautiously optimistic view of prospects for the cruise industry despite reporting a precipitous drop in bookings since September 11th. On September 12th, cruise line reservation offices were overwhelmed by requests for cancellations and new bookings were nearly non-existent. Since that time, we have experienced a positive trend in passenger bookings with many lines reporting reservation volume at 70-80% of the pre-attack levels. Industry executives are exercising every available marketing and communications measure to stimulate travel and believe that occupancy levels will eventually return to normal. A key variable in this forecast is the continuation of consumer confidence in travel.

The cruise industry is the second largest purchaser of airline tickets, spending over \$2.1 billion in airline tickets purchases last year. With the impact that recent events have had on the airline industry, the cruise industry, in particular, has been disproportionately impacted, since we are so dependent on the airlines for our passengers. Therefore, both the airline and cruise industries are taking additional steps to reassure passengers that it is safe to travel.

In a move to reassure consumer confidence in travel, the individual cruise lines and their associations have been actively communicating the safety and security procedures in place to protect passengers and crew. Via media interviews, our web sites, direct communication with travel agencies and governmental forums such as this, the cruise industry is proud to highlight our enviable past history and to detail the heightened measures in place today. In addition, cruise lines are now in the process of re-routing itineraries to move ships away from the Eastern Mediterranean, northern Europe, and the Middle East as a short term measure to meet an anticipated trend for U.S. passengers wanting to sail closer to home. Ships will still be cruising in Europe, but instead of cruising the Eastern Mediterranean, they will sail the Western Mediterranean and the Baltic. Most cruise lines are re-positioning their ships to the Caribbean and other North American ports. And, of course, the cruise industry is implementing aggressive marketing initiatives to further stimulate demand for travel. Cruise pricing, which is always viewed as a good value, now features a variety of promotional fares designed to get America traveling again. Many cruise lines have also implemented travel agency incentives to motivate cruise sales and to show support for a distribution system that is suffering terribly in the wake of this national tragedy.

SECURITY MEASURES

As I mentioned at the outset, the cruise industry has heightened its security measures both on and off the vessel in order to provide the most secure environment for its passengers and crew. A cruise ship is unique in that it is inherently secure because it is a controlled environment with limited access. However, in order to maintain this secure environment, cruise lines have established strict and highly confidential ship security procedures that cannot, for obvious reasons, be discussed in detail. These procedures are, in part, outlined in measures set forth by the International Maritime Organization (IMO), and the regulations established by the U.S. Coast Guard (USCG). In the United States, the USCG oversees the enforcement of these security measures. Regulations address both passenger ship and passenger terminal security and outline methods to deter unlawful activities onboard passenger vessels.

In 1986, the IMO adopted *Measures to Prevent Unlawful Acts Against Passengers and Crew*. These measures address restricting access to authorized personnel onboard the ship and at the passenger terminal, and monitoring the flow of materials and consumable supplies brought onboard a ship. Security procedures within these measures include inspection of all carry-on baggage and the use of metal detectors for embarking passengers. Strict passenger screening to prevent unauthorized entry or carriage of weapons onboard is only one component of the security procedures implemented to deter unlawful acts on board and to provide for the safety of all passengers.

In 1996, the USCG implemented an Interim Final Rule on *Security for Passenger Vessels and Passenger Terminals*, which was finalized in October of 1999. This rule sets three levels of security (low, medium, and high) based on the nature of the threat received and requires vessel operators and port terminal operators to adjust security levels accordingly. These regulations also require ship operators to submit

Comprehensive Security Plans to the USCG for review and acceptance. *All* ICCL member lines have submitted the required security plans. These plans have been accepted by the USCG and are audited annually. The security plans, which are sensitive law enforcement documents and therefore not available to the public, include the following major components:

- Identification of three levels of security and specific procedures to follow at each level
- Prevent unlawful acts on board
- Prevention and deterrence of weapons and other unauthorized items onboard
- Prevention and deterrence of unauthorized access to vessels and restricted areas
- A security officer onboard every passenger vessel
- Security training for all crew members
- A security plan that is coordinated with the terminal security plan
- Reporting of violations and unlawful acts
- Annual security audits for each ship and reviews by the USCG

Passenger vessel security plans and their amendments are reviewed by the USCG National Maritime Center and inspections are conducted by the Captain of the Port to verify that all security practices and procedures are effective and up-to-date.

The U.S. Department of Transportation Office of Intelligence and Security and the USCG Commandant direct the implementation of nationwide and local security levels. Domestic threat advisories are provided to the industry summarizing the nature of the security threat and specifying changes to security levels both locally and nationally. As a result of the attacks in September, implementation of Level III security was directed by the U.S. Coast Guard at U.S. ports.

Security Level III is the highest level of security set by Coast Guard Passenger Vessel Security regulations. At U.S. cruise terminals, passenger vessel security measures include passenger screening procedures similar to those found at airports. This includes 100% screening of all passenger baggage, carry-on luggage, ship stores and cargo, and also includes higher levels of screening of passenger identification. Official passenger lists are carefully reviewed and proper identification is ensured before anyone is allowed to board the vessel. Even before the attacks of September 11, all passenger lists were made available to the INS and Customs for screening. Passenger identification is now subject to even stricter scrutiny and the industry is working closely with the INS and other federal agencies to ensure that those passengers suspected of being on the INS "Prevent Departure" list are reported to the federal authorities for further action.

Another component of Level III Security requires ship operators to restrict access to authorized personnel and to identify restricted areas on the vessel that require positive access control such as intrusion alarms, guards, or other measures to prevent unauthorized entry. Restricted areas on a vessel will include the bridge, the engine room, and other areas throughout the ship where operations are conducted. Other onboard security measures, not generally discussed for obvious reasons, are employed to maximize shipboard security and to deter unauthorized entry and illegal activity. Every vessel has a trained security staff responsible for monitoring activities and responding to any suspicious activity that may jeopardize the safety of the passengers and crew.

For many years, the cruise industry has been pro-active in developing effective security measures and has looked for ways to increase passenger safety. In fact, most ICCL member lines now utilize advanced technologies to control access to our vessels. The Passenger Access Control System, that has been installed on most of our member's vessels, utilizes a passenger identification card that takes a picture of the passenger at the time of boarding and scans the picture into an onboard computer. During the course of a cruise, the identification card is presented each time a passenger departs or boards the vessel. The picture appears on a computer screen that is matched against the person's face for identification purposes before they are allowed to board the ship. This new technology is part of an overall onboard security system that further enhances the proper identification of all passengers and crew boarding the vessel.

Since 1998, ICCL and its member operators have been members of the U.S. Inter-agency Task Force on Passenger Vessel Security. This group meets every 60 days to discuss emerging security issues, receive updated threat information, and address specific security concerns. Since September 11, the ICCL Security and Operations Committee members have efficiently communicated and resolved problems in daily conference calls with all of the appropriate federal agencies. This information exchange has proven to be valuable both to our member lines and the federal agencies involved as we mutually address matters impacting both ship operations and security. We are committed to providing the highest levels of security for our passengers

and to working with appropriate federal agencies to address additional security measures that may become necessary.

CONCLUSION

Mr. Chairman, in conclusion, we believe that the cruise industry is taking the appropriate additional steps to restore the public's confidence that it is safe to travel. In the short term, cruise lines are rerouting itineraries to move away from the Mediterranean, northern Europe, and the Middle East so that U.S. passengers will be able to sail closer to home. In the long term, we will continue to be pro-active in developing effective security measures to increase passenger safety as well as maintain close working relationships with federal regulatory agencies. We are cautiously optimistic that occupancy levels will return to normal, as the consumer is increasingly reassured that the tourism industry is actively working with all appropriate federal agencies to ensure that traveling Americans are protected to the maximum extent possible. Of course, all of the additional security measures that we have put in place are consuming resources and money at a rapid pace. I would urge you to ensure that there is adequate funding that comes with any additional mandates that you place on agencies, ports or industry in any legislation you may consider. These are challenging times, but our industry pledges its cooperation in working as partners to maintain the outstanding safety record of the cruise industry. As I stated before, the highest priority of the cruise industry is to provide a safe and secure vacation experience for our passengers. The cruise industry will do everything possible to protect those who choose this outstanding and safe vacation option.

Thank you for the opportunity to appear before you today.

Mr. STEARNS. I thank you.

Mr. Jones, President and CEO of Travelocity.com, your opening statement

STATEMENT OF TERRELL B. JONES

Mr. JONES. Mr. Chairman and members of the subcommittee, thanks for the opportunity to testify this morning. Travelocity is the leading travel Web site with more than 30 million registered members. Like all travel and tourism participants represented here today, Travelocity was profoundly impacted by the event of September 11. This morning I would like to share some thoughts about how we have been affected, what we have been hearing from many of our members in recent surveys and what the government can do to help stimulate travel and tourism.

Here are some key statistics about our company's experience. Travelocity air ticket sales were down 75 percent in the days following the tragedy in September, but have since trended upward to be at about 70 to 80 percent of expected October levels. This is an encouraging rebound, but these levels remain below what we would expect for October, normally the busiest traveling purchasing month of the year. And I would like to point out to the subcommittee that we are kind of a leading indicator, because most of our customers book about 45 days in advance. So we are kind of a picture of what could be happening some months from now.

We have laid off employees for the first time in our 5-year history. We have reduced our management head count by 10 percent and announced we will close one of our call centers at the end of the year, affecting a further 300 people. These were painful decisions for us to make. As challenging as the last 5 weeks have been for us, I know they have been as bad or worse for others.

Steps must be taken to reassure the American people that our transportation system is effective and to stimulate their interest in travel spending. In the last few weeks I have heard from many people who are reluctant to travel. Some are afraid to fly. Others

want no part of the hassles and the inconsistencies they believe await them at the Nation's airports. And still others are worried about their personal financial future in an uncertain world, foregoing vacations until they feel more confident about their jobs and the economy.

There are initiatives that Congress can take to get these people traveling again. Our industry needs you and your colleagues to make it a national priority in the weeks ahead. In a recent random survey of Travelocity members, nearly 3,000 people participated. Here is what they told us. 83 percent are frustrated by the lack of consistency in security procedures at the Nation's airports. Some passengers have complained that they are waiting in extremely long lines and encountering screeners who seem to be enforcing inconsistent rules. Others have complained that they are waved through checkpoints without appropriate screening. Over half the people traveling through Baltimore, San Francisco and Denver since September 11 have had to spend at least 1 additional hour or more due to enhanced security at the airports. Sometimes the wait at the airport is more than the time in the air. However, at other airports, such as O'Hare, Dallas, Ft. Worth and Newark, many travelers said they are experiencing waits of 30 minutes or less. So inconsistency is an issue.

Surprisingly, 71 percent of those who have traveled five or more times in the last year told us they were likely to apply for a voluntary national travel ID card if it would speed up their wait at airports. Above all, security must be executed by professional workers who are properly trained and properly compensated for the critical work that they do. Higher pay, higher benefits and training are critical. In Europe, for example, screeners receive an average of five times the amount of training that screeners in the U.S. are given. No matter who ultimately signs the screener's paycheck the Federal Government must use its oversight to insist on turning this unacceptable state of affairs around, and I urge the Congress to pass security legislation quickly.

In addition, I believe that Congress as part of an economic stimulus package must take specific targeted action to convince Americans to travel again. As many companies and individuals reduce or eliminate their spending on travel the downward spiral begins. Airlines flew fewer flights and laid off employees. Out of work employees cut back on their spending. And in addition to those, others that depend on airlines and hotels for tourist dollars, including car rental companies and cruise lines and travel distributors like Travelocity, react similarly. That is why it is so essential that Congress act quickly to stimulate travel purchases and stop the spiral.

What should Congress do? I urge you to support the Travel America Now Act sponsored by Congressman Shadegg. This legislation provides immediate relief through a targeted temporary tax credit for personal vacation travel, among other things. This measure is designed to rebuild the vibrant travel and tourism industry to keep working people working and to stimulate economic growth.

I commend Congressman Shadegg and Congressman Abercrombie for their leadership on this issue. We at Travelocity feel so strongly about this bill that over the weekend we contacted millions of Travelocity members across the country urging them to

contact their Senators and Representatives to urge them to cosponsor this legislation, and you will undoubtedly be hearing from them soon.

A few weeks ago Congress took steps to provide relief to the airline industry, an important and necessary first step. But that package does not address the underlying problem, which is demand. If we want to get Americans flying again, we should spend money on revenue stimulating activities.

Mr. Chairman, this is a tough time for our Nation and its people. It is a particularly tough time for the travel and tourism industry. With carefully considered government help I believe we will come through with the traveling public feeling a greater sense of security and a renewed passion for travel. Travelocity.com looks forward to working with you and your colleagues and with our colleagues in the industry to help make this happen.

Thank you, Mr. Chairman.

[The prepared statement of Terrell B. Jones follows:]

PREPARED STATEMENT OF TERRELL B. JONES, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TRAVELOCITY.COM

Chairman Stearns, Congressman Towns, Members of the Subcommittee, thank you for the opportunity to testify before you this morning. My name is Terry Jones, and I am President and Chief Executive Officer of Travelocity.com. Travelocity is the leading travel website in the world, with more than 30 million registered members. Like all travel and tourism companies represented here today, Travelocity was profoundly impacted by the events of September 11. While our business has been slowly coming back, some major hurdles remain to getting Americans traveling again in healthy numbers. This morning, I'd like to share some thoughts about how we've been impacted, what we've been hearing from many of our members in recent surveys, and what the government can do to help stimulate travel and tourism.

When we launched in 1996, Travelocity was the 33,000th largest travel agency in the United States. Today, we are the sixth largest. We have sold more than 18 million airline tickets, as well as millions of hotel room nights and car rental days. We are already a top-10 agent for many cruise lines and a leading seller of vacation packages. In the generally dismal world of e-commerce since the dot-com crash last year, online travel has been one sector that has thrived on the Internet. Travel is a virtual product well suited for distribution online—there are no products to ship, and the popularity and wide acceptance of electronic tickets mean a customer may purchase an airline ticket on her computer, print the itinerary and (in most cases) head straight to the gate. In all, our business doubled last year and was expected to grow as much as 60% this year.

Yet even with our momentum and the resiliency of our category and our business, we have faced a tough downturn since September 11. Since much of the travel purchased on Travelocity is booked far in advance, we consider our business to be a strong leading indicator of the health of our country's travel and tourism industry. Here are some of the key statistics about our company's experience:

Travelocity's sales were down 75% in the days following the tragedy in September. Air ticket sales have since trended upward at 80% to 90% of pre-September 11 levels and at 70% to 80% of expected October levels. This is an encouraging rebound, but these levels remain far below what we would expect for October, normally the busiest travel purchasing month of the year.

We have aggressively reduced our costs and have laid off employees for the first time in our five-year history. We have reduced management headcount by 10%, and we have announced that we will close our call center in Rancho Cordova, California in December, further reducing our workforce by 285 employees. These were painful decisions for us to make, as they have affected many of our employees and their families, and I sincerely hope that the steps we have already taken will enable us to weather whatever remains of the downturn in the travel business.

Of course, online travel is only one part of the travel and tourism industry, and as challenging as the last five weeks have been for us, I know it has been as bad or worse for others. Travelocity is an industry-leading company with a strong balance sheet, more capable than most of staying on course despite a slower economy and the impact of the events of September 11. However, I regularly speak with peo-

ple in the vacation, cruise, hotel, car rental, convention and airline businesses, and I continue to hear troubling, pessimistic predictions from them about the future of their sectors. The *Los Angeles Times* reported on October 15 that by the end of the year, travel experts are predicting that one out of five of the country's 37,000 travel agencies will be out of business. In addition, countless communities around the country that rely heavily on tourism dollars to fuel their economies are suffering today because of a lack of travel demand.

Steps must be taken to reassure the American people about our transportation system and to stimulate their interest in travel spending. In the last five weeks, I've heard from many people who are reluctant to travel. Some of them are afraid to fly and are looking to the government to enhance aviation security at the nation's airports and on commercial aircraft to restore their confidence. Others want no part of the hassles and inconsistencies that they believe await them at some of the nation's airports, which can turn even short flights into long nightmares. They want the government to help streamline the travel process. And still others are worried about their personal financial futures in an uncertain world, deciding to skip their vacations until they feel more confident about their jobs and the economy.

There are initiatives Congress can take to help get all of these people back into the air—and onto cruises and into hotels and rental cars as well. Our industry needs you and your colleagues to make this a national priority in the weeks ahead.

We recently conducted a random sample survey of Travelocity customers, asking them about their opinions and experiences following the events of September 11. Nearly 3,000 respondents participated. The results underscore the need for Congress and the Administration to act quickly to put a comprehensive air travel security plan into action.

The biggest frustration that our travelers mention is lack of consistency—specifically, lack of consistency in security procedures at the nation's airports. I can also tell you from my own experience—I've been on several flights in recent weeks—that these standards throughout U.S. airports vary greatly, and travelers do not know what to expect.

Over four in five—83 percent—of Travelocity customers who traveled since September 11 said that security between airports was either “not at all” or only “somewhat” consistent. Some passengers have complained that they are waiting in extremely long lines and encountering screeners who seem to be enforcing arbitrary rules; others have complained that they are waived through checkpoints without appropriate screening. Security procedures can vary greatly from departure airport to arrival airport. Indeed, security procedures at a single airport can vary on a daily or weekly basis and among security checkpoints at that airport. This creates anxiety for those afraid to fly, and frustration for those who count on the air transportation system to get them where they need to go reliably and conveniently. Our customers tell us that they are willing to invest more time at the airport in order to ensure greater safety and security, but they are not willing to put up with uncoordinated, inefficient procedures.

Based on our survey, over half the people travelling through Baltimore-Washington International Airport (BWI), San Francisco International Airport (SFO), and Denver International Airport (DEN) since September 11 have had to spend *AT LEAST* an additional hour or more at the airport because of new security procedures. Sometimes the time at the airport is more than the time in the air.

At other major airports, however, security clearance has been much more manageable. At Chicago O'Hare International Airport (ORD), Dallas-Fort Worth International Airport (DFW), and Newark International Airport (EWR), about half of travelers said they experienced security waiting time of thirty minutes or less.

Unharmonized standards throughout the country translate into long lines at some airports, short lines at others, and questions throughout about the effectiveness of the system at a time when American travelers really need reassurance. This is neither good for travelers nor for security. We must make the security experience more uniform and dependable, and it must be executed by professional workers who are properly trained and properly compensated for the critical work they do. Screeners in Europe receive on average five times the amount of training that screeners in the U.S. are given. The yearly turnover rate at many U.S. airports can exceed 140%. No matter who ultimately employs the screeners, the federal government must use its oversight to insist on turning this unacceptable state of affairs around—and quickly.

Our survey suggests that those who travel most would look favorably on some form of voluntary travel identification system that could streamline air travel for those who choose to participate. Seventy-one percent of those who have traveled five or more times in the last year told us that they are likely to apply for a national travel ID card if it were implemented. Our customers are telling us that they are

willing to make reasonable tradeoffs regarding privacy if they can expect a streamlined travel process in return. Biometric technologies, such as fingerprints and iris scans, could be part of such an ID card solution.

Security is not only confined to airports, it also involves the airplanes. Of the more than half dozen actions that we listed, Travelocity customers said that the two measures that would have the greatest impact on improving security on U.S. flights were reinforcing cockpit doors and deploying sky marshals, measures that are in fact being implemented today.

In addition to passing meaningful security legislation as soon as possible, I believe Congress, as part of an economic stimulus package, must take specific, targeted action to convince Americans to travel again. Travel and tourism is not only one of the largest industries in the United States, it is also a linchpin to the economy as a whole. We have already seen countless stories in the newspapers about the ripple effects from the dramatic slowdown in travel spending.

As many companies and individuals reduce or eliminate their spending on travel, the airlines now fly fewer flights, and because they have fewer passengers, they must lay off employees. Those out of work employees take steps to cut back their own spending. But it doesn't end there. The airports that now have fewer flights must in turn curtail retail operations, and the employees of these stores cut back spending in their own lives. The taxis that serve the airport have fewer riders. Hotels and resorts receive many fewer visitors and host fewer conventions and events, causing them to cut back on their own staffing levels and the services they sell to their customers. And those that depend on airlines and hotels for tourist dollars—including car rental companies and cruise lines—react similarly.

The trouble for us is that all travel services are perishable. The new car or truck that is not purchased today can still be purchased tomorrow. But the hotel room, airline seat or available rental car that goes empty represents a permanent loss to the economy, and the compounding nature of these losses for the rest of the economy should be of the highest concern to Congress. That is why it is essential that Congress act quickly to stimulate travel purchases. Unless things change, there will be dramatically less choice for those who want to travel.

We support the Travel America Now Act, H.R. 3041, sponsored by Congressman Shadegg. This bill provides much needed incentives to get America traveling again. Most importantly, this legislation provides immediate relief through a targeted temporary tax credit (\$500 for individuals; \$1000 for couples) for personal vacation travel. In addition, it would temporarily restore the full tax deductibility of meals and entertainment expenses and help travel and tourism companies sustain losses that occurred since September 11. This measure is designed to rebuild a vibrant travel and tourism industry, to keep working people working and to stimulate economic growth. I commend Congressman Shadegg for his leadership on this issue.

I believe this is the right way to proceed. Rather than giving direct aid to companies and putting the government in an awkward position of deciding who deserves aid and who does not, a tourism tax credit puts money into the hands of consumers who will choose who deserves their support. It makes economic sense to stimulate travel and tourism now, before the ripple effects of this downturn grow wider and the travel and tourism sector plunges the economy into a deep and costly recession.

We at Travelocity feel so strongly about this bill that over the weekend we contacted millions of Travelocity members across the country, urging them to contact their Senators and Representatives to urge them to cosponsor and support this legislation. These are your constituents, and if you haven't heard from them already, I expect you will soon. And in the meantime, I hope you'll consider my request to support this critical measure.

A few weeks ago Congress took steps to provide relief to the airline industry—an important and necessary first step. But that relief package, which provided direct aid and facilitated loans to airlines, did not address the underlying problem of a lack of demand. Such packages have only the effect of making up losses or, in some instances, forestalling bankruptcy. If we want to get America flying again, we should spend the money on revenue stimulating activities.

Mr. Chairman, this is a tough time for our nation and its people. It's a particularly tough time for the travel and tourism industry. With carefully considered government help, I believe we will come through it with the traveling public feeling a greater sense of security and a renewed passion for travel. Travelocity.com looks forward to working with you and your colleagues, and with our colleagues in the industry, to help make this happen.

I look forward to answering your questions.

Mr. STEARNS. I thank you for your opening statement. I will start with my questions. And Mr. Marriott, just to commend you and

your employees for your commitment to having the Marriott Center, which was severely damaged on September 11, opened in the next 4 or 5 months, and I think you are trying to send a message to the rest of America that we are going to try to continue business as usual. I guess a question is, when do you think the new Marriott World Trade Center will sort of be a Phoenix and rise from the ashes?

Mr. MARRIOTT. Well, we don't know. As soon as the Port Authority decides what they are going to do with the land, I guess, and as soon as there is a master plan developed for the property, including office buildings as well as hotels. I would hope the sooner the better.

Mr. STEARNS. I think in your opening statement you said that if something is not done immediately to get people traveling again, the long-term consequences for our economy are disastrous and that sort of goes in with what the CEO of United Air Lines said, that he might, his company might vanish next year if we don't get this going. And we mention, all of us, Mr. Shadegg's bill. If you were President of the United States, can you just tell me what you would do, beyond maybe what, including the Shadegg bill and Senator Kyl's, what would you do to get this economy going so that long term the consequences are not disastrous?

Mr. MARRIOTT. Well, we need an immediate stimulus, and I think the Shadegg bill gives that immediate stimulus. We need to get through the sound barrier here. There are a lot of people holding back from travel because of the reasons that have been stated by so many here about fear, about long lines at airports, just a general malaise. Let's stay home this year. Let's not get out and travel. We need to encourage people to travel and it needs to be immediate. We can't wait for a year or 2 years for some drawn out program. We don't need to have a lot of meetings. We really need to get an individual tax credit passed so that business travel can get a tax credit for encouraging their people to travel and we can also get the personal travel started again because we really have got to get this started.

If we don't, we are going into the worst time of the year for the hotel business. December, January and February months are just really really bad months, and usually all the money you make in September, October and November gets you through December, January and February, and we are not making any money in September, October or November. So we really have to spike this and get it moving.

Mr. STEARNS. I think a lot of businesses are not as much dependent as the hotel business on the capital that you have to pay the debt service on, and so when a lot of people realize that a lot of the hotel industry and many other businesses are leveraged out because of the mortgage payment, that when this amount of money is not provided in the busy season then this has a huge impact on paying that capital expense.

In your opinion, Mr. Marriott, do you think that the people that you are laying off part-time, or full-time—will some of these jobs be lost permanently? Or do you think, assuming that we had an economic tax package, including one that includes a \$500 tax credit for airlines, do you think then these jobs would come back then?

Mr. MARRIOTT. I do. I think that if we can get people flying again and traveling again and get back to normal. Right now we are running 20 percent below where we should be in occupancy, and if we could get those people traveling back again to get up to a normal occupancy rate the jobs would be filled and people would be put back to work. Now, there would be some jobs probably that would be eliminated, but I think they would be a small number compared to what they are now.

Mr. STEARNS. Mr. Norman, the puzzling question I have is, you explained that business travel is down more than leisure travel. Are businesses cutting travel for economic reasons or because of security concerns?

Mr. NORMAN. I think it is a combination of both, but we have started to see some recoveries, as I indicated earlier. But we think that is very, very fragile in terms of what is happening now. If you bear in mind that leisure travel, which may not be as much, but it is depended upon in filling the airlines and the biggest quantity of yield is coming from that. And we have seen the difference, as Mr. Marriott has indicated, in some of the upscale hotels versus the lower ones, but the overall effect of all of it is that we have started to see some recovery. But the net effect is that they are going to have a disastrous fourth quarter and it is probably going to be by the middle of next year before we start seeing some recovery done. And with that recovery it still will be below the record levels of 2000.

Mr. STEARNS. Mr. Crye, what ports and States are experiencing the biggest impact from cancellation in the cruise lines industry?

Mr. CRYE. Mr. Chairman, the long distance air carriage exotic locations are experiencing the most adverse impact. The further away you are from the customer, the more difficult it is.

Mr. STEARNS. And Mr. Jones, with Travelocity.com, you are probably—what you are saying is because people book 45 days in advance that you can see it. What are you doing besides laying off employees? Are you advertising more? I mean, like some of the bargains that have been mentioned here by the Members of Congress, I mean the fact that for \$395 I could go on an 8-day package to Hawaii from San Francisco. I mean that is the first I heard about it. And I think if somehow, like Governor Bush did with his package in Florida, if somehow, not saying the government or the Commerce Department, but somehow all these packages could be made known, I think people would say, by golly, I am going off to Hawaii for 8 days for \$400.

Mr. JONES. Well, that is important, and our advertising is back and we are also talking to our 30 million members through e-mail. We communicated with 11 million last week, telling them about these bargains. But I think in addition, you know our surveys showed that infrequent travelers, 58 percent, are most worried about security. So people are on the edge, and pricing will help. Advertising will help and I think an industrywide program will be good. But I think also a stimulus has to be there, and we have to get the security bill passed because it is the infrequent traveler, the leisure traveler, who is kind of on the edge about this whole thing and they have to believe it is safe.

Mr. STEARNS. When I am back in my district talking to different people, what they say is it looks like a hassle to me, Cliff. I don't want to go on the airlines. This is on the leisure side.

Mr. JONES. Right.

Mr. STEARNS. I don't want to stand in line and it is just too much of a hassle. I will go when things calm down. So, speeding up airline security would be a big plus. Is that possible?

Mr. JONES. Yeah, I think it is. I think if we have consistent procedures—it varies wildly from airport to airport. I flew seven times last week. It was different every time. Sometimes I needed a boarding pass, sometimes I didn't, and that wasn't because of an enhanced security. Obviously we should have random checks and we shouldn't be exactly the same. But I think today because it is up to the individual airport and airline to decide that it is not efficient everywhere and it could certainly be made more efficient through effective application of national policy.

Mr. STEARNS. Your survey showed that the travel I.D. Card or something on the order of that, some travel identification system, would expedite; and I don't think Americans have taken that approach before September 11, but now I am starting to hear more about people saying more than showing your license, which anybody can fraudulently alter.

Mr. JONES. Apparently.

Mr. STEARNS. So how do you feel about that?

Mr. JONES. I think this is something like the success the immigration services had with an INS pass. The INS pass is very difficult to get. When you use one, you use hand geometry, that is a good identifier; and I can't get an INS pass because I lost my passport once.

That is good. It is hard to get. I think if we have something that is hard to get, but it does speed you through security and that leaves the security screeners time to perform good checks on the people who don't have that hard-to-get I.D. Card, I think it makes sense and so do our members.

Mr. STEARNS. I would be curious if anybody else on the panel has some feelings about this new I.D. Card that would replace identification for the airlines for people traveling. If anyone else—

Mr. CRYE. Mr. Chairman, in the Cruise Lines we have a system that most of our members are using now that has a card that you use to purchase goods on board the ship. This particular card is also used to go on and off the ship. When you first present it, there is a picture identification taken of you, and then every other time you present this card into the machine, the operator of the machine sees a picture of you, and that prevents anybody from obtaining that card and then using it to try to identify themselves otherwise.

Mr. STEARNS. We are down to, I think, less than 5 minutes on the vote, so I am going to temporarily adjourn. John Shimkus is going to come back and reconvene.

I guess there are two votes, but we will have someone come back in a little over 15 minutes. So we appreciate your patience here while we temporarily adjourn and then the ranking member, Mr. Towns, will have questions.

[Brief recess.]

Mr. STEARNS. We will have the committee reconvene here. I had finished up with my 5 minutes of questions, and we have our colleague John Shadegg from Colorado here.

So, John, you are welcome with your questions.

Mr. SHADEGG. Thank you, Mr. Chairman. I presume—if the ranking member returns, I will be happy to stop and start again.

Mr. Chairman, thank you for holding this hearing. I greatly appreciate it, as I am sure the witnesses do. I apologize that I was not able to be here in the beginning. I was in a markup downstairs in the Health Subcommittee, where I had an amendment of my own to carry. So that is the reason for my not arriving in a timely fashion.

I also want to thank each of the witnesses for being here today and for their thoughtful testimony and for all of your efforts on behalf of the industry.

I want to make comments about three different issues and ask a few questions going to each of them. The first, of course, is the Travel America Now Act. I will say that to the extent that some of you weren't consulted before it was introduced and to the extent that, Mr. Chairman, we didn't work closely with you before it was introduced, Senator Kyl and I moved very quickly between concept and introduction for various, obvious reasons.

As Mr. Marriott has said, this is not something we need to do 6 months from now or a year from now; this is something we need to do right now. So whereas in the normal course of legislation we might have consulted further with people in the industry, we might have consulted further with other Members of Congress, we felt it was important to move very quickly. And there really were just four conversations that occurred, conversations between Senator Kyl and myself, those between myself and Mr. Abercrombie to get a bipartisan cosponsor on this side, and those between Senator Kyl and Senator Zell Miller from Georgia to make the bill bipartisan on his side.

I am very pleased with the response we are getting from members, the cosponsorships that are coming in. Though I appreciate Travelocity and everyone else in the industry for urging their Congressional delegation to get on the bill, things around this place happen or don't happen based on the amount of velocity force you can build behind them.

This is an issue where you are contacting, for example, at Travelocity, Mr. Jones, all of your members saying, Call your Member of Congress and tell him or her to get on this bill to give us a leg up.

As you know, one thought, and the thought I prefer is that it be made a part of the economic stimulus package. There is some sentiment that there should be no, quote, "industry-specific legislation" in that stimulus bill. Rest assured we will oppose that and try to get it in the stimulus package, notwithstanding other sentiments.

But for those who oppose the idea, rest assured if we don't get it into the economic stimulus package, we will try to get it as a freestanding bill. And my commitment is not just from now until the economic stimulus package moves, but from now until we get this enacted, because I think in a brief period of time virtually every Member of Congress is going to realize this is a prudent step

in the right direction, that it does affect their district, that it does affect the economy of their district; and the notion that this just goes to hotel or motel or aircraft or rental car companies and that it has some narrow focus is simply wrong.

At our press conference, when we announced the introduction of the bill, Senator Kyl went at that issue by pointing out that he had the day before been speaking with Phelps Dodge industry representatives and had said to them, I assume with the war economy, you are feeling good about things going on. And I believe it was the CEO of Phelps Dodge, which as you know produces copper, said, No, quite frankly, we sell a huge amount of product to the Boeing Aircraft Company, and the downturn in the travel industry and the cancellation of those orders is having a huge impact on us.

So it is not a narrow piece of legislation. It is intended to be an economic stimulus.

I think it is important to focus on the fact that it is a tax credit, so it goes to everybody equally. It is not a deduction favoring people who will benefit by deduction because they are in a higher bracket; it is the same amount for everybody.

I also want to talk about airport security. I am very aggressively working on the airport security issue. I think we do have to rebuild that confidence. Regrettably, Mr. Jones, that bill has some danger of being embroiled in a partisan fight over who pays the paycheck; and I debated one of the advocates on the other side of that issue last night on "Crossfire." and the reality is, the issue isn't who writes the paycheck; the issue is the competency of the people involved, their training—may well be their pay, their supervision.

Of course, there should be law enforcement personnel at every single gate. The question is, is it necessary to make everyone at every gate and everyone in every baggage inspection facility a Federal employee. If we can't resolve that political divide quickly, then the President ought to move by executive order. We could then perhaps legislate in that area 6 months or a year from now when things are calmer.

And so I do agree with you, there needs to be consistency, although I think things are improving, the changes you see in inconsistency, or the inconsistencies you see, are because they are trying to do two things—make the airports more secure and also more efficient.

I have flown a lot since September 11. I have been in about half the airports you named, and you named a pretty good list, not just the airports in Phoenix or Washington. I have been in a number of airports across the country, including California and New York and Illinois and Texas. I noticed the first time I went to board a plane I had to present my I.D. To get my ticket and boarding pass, but when I went through security I did not have to re-produce a picture I.D. That gave me grave concern.

The second time I went through, I noticed they had changed that, and now they are requiring that you show your I.D. Not only when you get the boarding pass, but when you go through security; and that gives me some level of confidence because obviously it would be fairly easy to get your boarding pass, be paid \$1,000 or \$2,500, get a boarding pass it and hand it off to somebody else, and a stranger goes on the plane.

We have to do a great deal in that area, and I agree, consistency is an incredibly important part of it.

I also want to talk about the airline relief package because I think that is certainly critical for the industry. I believe it will do grave damage if some of these airlines go under, and in that regard, Mr. Warren, I want to ask you—I applaud what has happened so far, but it is my understanding that at the Treasury Department we are getting a little bit of a slow walk in the processing of the loans, and that there is some sentiment that they have to wait until they hire a staff, even though the legislation says they should be using Treasury Department staff in the interim.

And there is some resistance to the funding of the loans, and I would like to ask you if you heard that; and second, I would like to ask everybody on the panel, if they hear that or if they hear that in the near future, that we might all agree to pressure to get that job done. Because some of those loans are vitally important, and we can't stall and pass them out 6 months or a year from now after the urgency of their need occurs.

Mr. Warren.

Mr. WARREN. Yes. I agree with you 100 percent that they are vitally important for the industry and for every one of the carriers that ATA represents, as well as the regional airline association and others who are members of that organization.

I am, as I sit here today, not privy to exactly how many members have applied or what particular obstacles they are encountering at the moment, but certainly if there is a problem, it should be brought to your attention.

Mr. SHADEGG. I would ask each of you to please monitor that, and if in fact we get a slow roll because the executive branch does not want to process those loans, perhaps everyone in the travel industry join us in trying to get that concluded.

I am sure my time has run out, but with your indulgence, Mr. Chairman, I would like to ask one other question.

Mr. STEARNS. Sure.

Mr. SHADEGG. Mr. Warren, you made reference to the airline security package and I don't know if you looked at the Senate bill, but I see some problems with the Senate bill as passed and I was encouraged that the House member I debated last night was not urging us to just pass the Senate bill. One of the things that I have heard about the Senate bill, for example, is that it does not define the term "screening," and so it is left uncertain whether screening meant just the people at the metal detector that we walk through or also baggage and also the question about what food goes on the airplanes and cleaning crews.

Have you looked at that issue, Mr. Jones? Did I say Mr. Warren?

Mr. JONES. Yes.

Mr. SHADEGG. I meant Mr. Jones.

Mr. JONES. No. I have not looked at that issue and it is important that we define that. We need very good security everywhere in the airport—the perimeter, the food service, the baggage. We also need to understand that the screening positions are kind of a symbol to the traveler. That is what they see. So we need to understand there is a psychological impact of that that needs to be han-

dled in addition to making sure that everything is correct in all of those places, including the doors. They are all important.

Mr. SHADEGG. I certainly agree with you that there needs to be Federal supervision of all aspects and there needs to be consistency.

Another issue that I am concerned about with regard to the Senate is that the Senate bill apparently draws a line between larger airports and smaller airports and perhaps imposes a different set of standards and a different supervision over those airports. I can tell you that in my home State of Arizona we have some large airports. Phoenix and Tucson would probably fit in that that category. But I can go to Flagstaff and Prescott and Page, I can get on an airline and then I fly into a secure area, that is, Sky Harbor, much as the terrorists did here and go from—once I am inside the secure area, go from that plane to a plane that is flying to Reagan or Baltimore or anywhere in the country, and I think that is another flaw in the Senate bill.

Mr. JONES. Absolutely. We saw the photographs of the hijackers going through a small airport, and it is exactly that. So I think it is very clear that we shouldn't have different standards and it needs to be consistent.

Mr. SHADEGG. I would just conclude, Mr. Chairman, by noting that in Europe there are 16 major airports in Europe and virtually every country in Europe at one time an all-government employee staff and they have now gone to a mix of government and private sector employees, and that should not just be rejected out of hand as politics. We need to look at this issue seriously, and if we can't get the politics out of it, we need to encourage the President to act by executive order and legislate perhaps when emotions are a little calmer.

With that I yield back my time.

Mr. STEARNS. I thank the gentleman.

Just to comment, in the Ben Gurion Airport, Israel has taken the private/public approach with the work force for the airlines as well as in most of the airlines in Europe. In the 1970's and 1980's, they had to change that, and they went to private because they found it a more suitable way to go.

So I think the case can be made clearly for a public/private work force in airlines, and experience has borne that out. I don't think we have any additional members—

Mr. SHADEGG. Mr. Chairman, apparently Mr. Shimkus could not be here, and a representative of the International Association of Amusement Parks and Attractions also could not be here, but they asked if we could offer—they did—

Mr. STEARNS. We will be glad to put that in, and all the opening statements will be obviously part of the record.

Mr. SHADEGG. Thank you, Mr. Chairman.

Mr. STEARNS. I would say to Ms. Conlin, from what you have heard today, is there something you could take back to your boss that you would communicate to him, based upon what you heard, where the administration could be creative and work out not only just tax credit but other ways to get us back to a normal situation with the airlines and in the long term make sure we don't have consequences that are disastrous for this economy?

And the other thing is, is there something you could do without Congressional support that would expedite this without Congressional initiative; I mean, you could do on your own, sort of like an executive order that the White House has?

Ms. CONLIN. Thank you, Mr. Chairman.

First of all, I compliment the members of the industry that have come forward not only to express their concern, but to share their ideas and recommendations. And I really feel—and this is something that Mr. Norman said earlier—the heart of this is making sure the system is safe and secure; making sure that travelers are aware that the system is safe and secure; and No. 3, make sure that people in the government, whether it is the Secretary of Commerce, whether it is Members of Congress, whether it is the President, that we all work together to convey the message that everything is being done to ensure passenger safety and to help restore consumer confidence.

I also think that the work of the Tourism Policy Council, which is going to start a week from today, is very important to make sure that all Federal agencies and departments are coordinating Federal policy vis-a-vis travel and tourism. In response to your question, Mr. Chairman, that is something that can be done immediately to help short term and long term. And I invite the members of the industry to convey to me concerns that they have, whether it is issues with the Treasury Department, as Congressman Shadegg mentioned, so that these issues can be raised in that forum; and conversely, I will make every effort on behalf of the Secretary to make sure we convey the information that is shared in this forum to members of the industry.

So in response to your question, that is something we are doing absolutely immediately that is very important and that I think will have real value.

Mr. STEARNS. Let me conclude by saying I think it has been very helpful to all of you to take your valuable time to speak. It is being put together in a package and it will be reviewed. Your time is very valuable, but I think you made an impact in a much broader way than you believe.

The message is, we need to get back to normality, to business here in America. And, more importantly, in the disastrous effects to our economy, if we do not do this, the consequences thereof are something we want to mitigate and obviate.

So I again thank you for your time and the hearing is adjourned.

[Whereupon, at 12:32 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows:]

PREPARED STATEMENT OF HON. MARY BONO, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF CALIFORNIA

Thank you Mr. Chairman. I would like unanimous consent to have my complete opening statement included in the record.

The events of September 11th have been felt throughout the Palm Springs region and Southern California. Although California is nearly 3000 miles away from both the World Trade Center and the Pentagon, the impacts of this tragedy have been profound throughout the state.

Tourism is the single largest industry in the greater Palm Springs desert resort community and a significant portion of the non-tourist businesses rely on the tourist industry for their well being.

With over 500 restaurants, 300 hotels, and 100 golf courses, the Palm Springs area is the destination of over 3 million people a year.

The warm and dry climate attracts people from all 50 states and over 100 countries throughout the world. In calendar year 2000, tourism accounted for more than \$42,000,000 in spending into our local economy. In Palm Springs alone, it is estimated that tourism is down 25% since the events of September 11th. I have heard reports of hotels suffering anywhere from \$100,000 to \$1 million in cancellations immediately after the attacks.

However, the biggest threat to the tourist industry in Palm Springs is the financial status of the Palm Springs International Airport. Without our local airport bringing tourists from across the country into Palm Springs, our tourist industry would collapse completely. In light of the recent financial problems with our nation's airline industry, secondary commercial airports such as Palm Springs are currently suffering severe revenue shortages.

Immediately after the terrorist attacks on September 11, the Federal Aviation Administration (FAA) understandably required airports to deploy more law enforcement officers and spend more funds to improve security at our nation's airports. These new security requirements will cost airports across the country billions of dollars.

However, smaller airports such as Palm Springs do not have the funds to pay for these increased security costs. Unlike America's major hub airports that have billions of dollars in reserve funds, secondary commercial airports do not have the funds to sustain themselves during a time of declining passenger taxes and reductions in airline landing fees.

Therefore, I am encouraged that the Chairman of the House Transportation and Infrastructure Committee has been in conversations with smaller commercial airports, such as Palm Springs, and is aware of the recent financial shortfalls at these air facilities. I believe that for the financial well-being of this nation's smaller commercial airports, airport improvement program dollars should be used at the discretion of each airport for one year in order to cover much needed increases in operational costs.

I am pleased that our President and Congress have done so much to revive our tourist economy. The passage of H.R. 2926, the "Air Transportation Safety and System Stabilization Act" is a great first step in keeping our nation's civilian airline system, and its tourism industry, running during a time of fiscal crisis. I would like to thank Chairman Stearns for this opportunity to study this issue in greater detail. Thank you.

PREPARED STATEMENT OF INTERNATIONAL ASSOCIATION OF AMUSEMENT PARKS AND
ATTRACTIONS

The International Association of Amusement Parks and Attractions (IAAPA) thanks the Committee for holding this hearing focusing on the travel and tourism industry. IAAPA appreciates the opportunity to inform the Committee of the situation faced by its members following the tragic events of September 11, 2001. IAAPA is the world's largest association of permanently situated amusement parks, family entertainment centers, waterparks, attractions, and industry suppliers. IAAPA represents more than 5,000 members in 101 countries.

Our members in the United States face both short-term and long-term consequences following the September 11 attacks. In the short term, the shut-down of America's air transportation system following the attacks resulted in a drastic reduction in attendance at destination parks, particularly in Florida and California. On September 28, the Orlando Sentinel had the following to say about the status of tourism in that city:

"The marketing campaigns can't come soon enough for many in the tourism industry.

"Immediately after the terrorist strikes, the number of tourists and business travelers flying to Central Florida fell swiftly.

"Hotel occupancy, ordinarily about 60 percent in September, plunged below 10 percent at some properties.

"Lines at popular theme-park attractions such as Space Mountain at Disney's Magic Kingdom practically disappeared.

"Since then, business has picked up, but only a little, and then mostly on weekends. Hotel occupancy has climbed to the 20 percent to 40 percent range, but that still is far below the 55 percent innkeepers generally need to break even.

"And with business down, thousands of service- and hospitality-industry workers had their work hours reduced or lost their jobs outright."

Because many IAAPA member facilities are closed for the season or operating only on weekends, the long-term effects of the impact of the events of September 11 on the industry are more difficult to determine. It is clear, though, that if potential guests are afraid to travel and this continues into 2002, the entire industry will be severely affected.

With these considerations in mind, IAAPA makes the following recommendations:

- *Make travel safe again.* Most importantly, the federal government should do whatever is necessary to make air, and all other forms of travel safe for Americans and for those visiting the United States. Air marshals and the highest security precautions should be added to airports that serve major tourist destinations.
- *Restore confidence in travel safety.* Once every effort is made to ensure that travel is safe, the government needs to take a leading role in informing the public that it is safe to travel. Americans' confidence with the safety of travel has been so shaken that we believe it will take the government's credibility to bring confidence back to the public.
- *Promote the travel and tourism industry.* The federal government should directly support promotional campaigns overseas, urging travel to the United States. Within the United States, federal-state matching grant program should be set up to fund state-run travel and tourism promotional campaigns. A matching grant program would provide the resources, scale, encouragement and credibility needed to kick-start an effective campaign to get Americans feeling good about traveling again.

Economic Stimulus Recommendations

IAAPA commends Congress and the Administration on the work being done to pass legislation to stimulate the economy. The industry would greatly benefit by any legislation that encourages consumer and business spending and gets the economy back on its feet as quickly as possible.

Temporary changes to tax law should include the following:

- Temporary payroll tax credit for both employees and employers applied towards taxes paid this year. It is important that this provision be either retroactive to the beginning of the year or the total allowed be an average for 2001.
- Accelerated or bonus depreciation retroactive to January 2001.
- Extension of the work opportunity tax credit for an additional year, through the end of 2002.

Finally, we would like to lend our support to the proposals being promoted by the Travel Industry Association of America (TIA). Among those proposals, IAAPA would highlight the following:

- \$500 tax credit per person (\$1,000 for a couple filing jointly) for personal travel expenses for travel originating and within North America.
- Expanded allowance of carry back of net operating losses for taxpayers in the travel and tourism industry beyond the current two-year limit to five years for losses attributable to the period between September 11, 2001 and December 31, 2002.

Additionally, the industry supports any efforts the government may take to ensure that parks continue to be able to obtain their usual reinsurance coverage at rates that are not cost prohibitive and that acts of terrorism are not excluded from insurance coverage.

IAAPA thanks you for inviting our comments as the United States House of Representatives continues its important work to move our country ahead.