

TERRORISM'S EFFECTS ON U.S. TOURISM

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMER AFFAIRS, FOREIGN
COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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OCTOBER 12, 2001
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ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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FRIDAY, OCTOBER 12, 2001

U.S. SENATE,
SUBCOMMITTEE ON CONSUMER AFFAIRS, FOREIGN COMMERCE
AND TOURISM,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:30 a.m. in room SR-253, Russell Senate Office Building, Hon. Byron L. Dorgan, Chairman of the Subcommittee, presiding.

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

Senator DORGAN. This hearing will come to order. Good morning to all of you, and welcome to the hearing of the Consumer Affairs, Foreign Commerce and Tourism Subcommittee of the Commerce Committee of the U.S. Senate. My name is Senator Dorgan. I am joined by Senator Boxer and Senator Inouye.

Let me begin with a brief statement and then call on my colleagues for a statement, after which we will have the witnesses come forward. We have given a great deal of focus, and rightly so, to the impact of the terrorist attacks of September 11 on the airline industry, but there are other sectors of the economy that have been deeply affected as well, and this hearing seeks to understand the extent of the damage done to the tourism industry and the people who work in it so that we might determine what, if any, action is necessary to help bring about recovery from what appears to be a very substantial injury.

The freedom to travel is one of our country's basic freedoms. The aviation security bill that we passed last evening around 10 or 11 will help preserve that freedom by securing Americans' safety when they travel by airplane. The airline assistance package we passed several weeks ago will help stabilize that industry, but the network of hotels, travel agencies, car rental companies, restaurants and the attractions, destination tour spots that make up the tourism industry and make it possible for us to travel conveniently and widely must also be preserved.

In my part of the country we are familiar with disasters. We know what it is like when, through no fault of your own, the world falls out from under you as a result of a natural disaster. There was nothing natural, however, about the cowardly and deadly acts of September 11. They were certainly unpredictable, unexpected, and clearly beyond the control of anyone who was affected by them.

Just as America has generously responded to farm disasters and natural disasters, we must now respond to this new disaster and help our fellow countrymen and women rebuild their lives and their livelihoods. The first step toward that end is understanding the size and the scope of the problem, and for that purpose we are gathered here today.

I want to thank all of our witnesses for being here. I know that many of you and your organizations have been directly and personally affected, and you have my sincerest condolences. You also have my admiration for the ways in which you are carrying on and going forward despite all that has happened, and despite all of the burdens.

This is an important hearing, because the U.S. travel and tourism industry is a huge segment of the American economy. It is the third largest retail industry, generating more than \$580 billion in revenue each year, directly and indirectly employing more than 19 million people. Our economy was already softening prior to September 11, and the attacks of September 11 made it that much worse. The impact of those losses is still growing. This hearing has been called to investigate the losses of the tourism industry and what steps are needed to revive it.

In the aftermath of the tragedy, we acted quickly and responsibly to stabilize the airlines with a financial package of grants and loan guarantees. As I mentioned earlier, just last night we passed an aviation security bill that will dramatically increase the number of sky marshals, strengthen cockpit doors, federalize the screening of passengers and luggage at airports, and more.

I am disappointed, however, that we did not add Senator Carnahan's amendment to extend the unemployment benefits and help dislocated workers cover their medical bills. We were right to act to stabilize the airlines so they could keep flying and hopefully the new security measures will increase everyone's sense of confidence in our aviation system. Earlier, I mentioned the unemployment issue. In addition to that, reports about huge losses in revenue to the travel and tourism industry require us to address and consider these issues.

North Dakota is a long, long way from Ground Zero in New York City or from the Pentagon in Virginia, or from that lonely farm field in Pennsylvania, but the violence that took place at each and every one of those locations continues to be felt a half a continent away, in my State of North Dakota, in our hearts and, yes, in our state's tourism industry as well.

Let me just share two reports with this Subcommittee. Randy Hatzenbuehler, Executive Director of the Theodore Roosevelt Medora Foundation, one of our wonderful tourist destinations in the Badlands of North Dakota, says his organization now has great concern about their 2002 season. They are preparing business plans to anticipate significant decreases in visitation.

Catherine Satrom, a friend of mine from Satrom Travel & Tour in Bismarck, says that the week of September 11 and the week of September 17 their company's revenue was 25 percent of what it normally is at best. The following weeks have been 50 percent of anticipated revenue. That is an example of how far-reaching the economic problems are now ripping through the tourism industry,

and those problems grow. It reaches every state, every city, every region.

I want to thank the witnesses today who will join us to discuss these issues. We had many requests for testimony. We were unable to accommodate all of them, but I think we have a group of witnesses that will give us a good idea of what this industry is facing, and give us an opportunity to think through what some of these challenges might require us to do.

The American economy is a very strong, resilient economy, but it has taken a huge hit. A soft economy has already, on September 11, taken a much larger hit, and we have to analyze and work through these issues to evaluate what we can do to give lift to this economy and to help those who have suffered this enormous shock to their businesses and their industries. I am appreciative of my colleagues being here.

We are going to have opening testimony from Senator Clinton and Senator Kyl, and then we will have two panels.

Joining me today is Senator Boxer from California. I am pleased to recognize her for her statement.

**STATEMENT OF HON. BARBARA BOXER,
U.S. SENATOR FROM CALIFORNIA**

Senator BOXER. Thank you so much, Mr. Chairman, for your leadership. I am very pleased to be here. This issue of confronting the crisis of the travel and tourism industry is very important to me and, I know, to a number of our colleagues. I want to say that California has been deeply affected by this, and I want to say that so far 49 people from California have been confirmed dead in the attacks. We mourn for them and for all of the victims, and now we must rebuild, rebuild New York, rebuild the Pentagon, and rebuild our sense of normalcy, which includes rebuilding our tourism and travel industry.

Mr. Chairman, I want to give you the California perspective and why this is so important to me, and I know my friend and colleague, Senator Inouye, feels very strongly about this issue. More than 1 million Californians work in tourism-related fields. They are concerned for their jobs because, since the attacks, the travel and tourism industry has been hemorrhaging money and cutting jobs by the thousands. For example, the Hotel Coronado, that magnificent landmark in San Diego, laid off 225 employees. Wyndham International laid off 1,600 employees, and the MGM Mirage laid off 3,000 employees.

Those who have been laid off will need us to help create jobs and get them working again. Those who still have their jobs are counting on us to make sure they do not lose them, and I join Senator Dorgan in expressing deep regret that we were not able to pass the Carnahan amendments. As our leader said yesterday, we will be back with other packages that deal with the working people of this country.

I have talked to Commerce Secretary Don Evans in the hopes that he would have a plan to assist the travel and tourism industry. Although he is extremely sympathetic to this issue, what I have received from him so far is really not a plan. I think many

of us in Congress do have a plan, and I am going to talk about that today in a bipartisan way.

I know that Senators Clinton and Kyl will come forward. I wanted to tell you about a bill that I have offered along with Senators Allen, Inouye, and Kerry, called the Rediscover America Act, and it will help promote travel and tourism. The act would establish a two-year Travel and Tourism Promotion Bureau. We say two years because we feel it should sunset. If we still need it, we can reauthorize it within the Department of Commerce. The idea is to implement a public-private campaign to encourage people to rediscover America.

Again, the bill is designed to be temporary and nonbureaucratic in its implementation. It directs the Secretary of Commerce to appoint up to three existing Department of Commerce employees to work on this two-year project to create advertising to promote tourism, and we want to move that advertising forward quickly.

We envision celebrities and national leaders participating in the ads that will tout the beauty of the nation and encourage people here and abroad to tour our country. The ads also will educate people on the important new travel safety initiatives that are being put in place.

Mr. Chairman, let me say, yesterday I was so proud that with Senator Hollings' and McCain's leadership we passed a very strong air safety bill. It gives the FAA everything it needs. I hope they will move quickly. People will not get into planes until they feel safe. We gave them what they need, and now they need to move forward. There should be no excuses. We want air marshals in those planes, we want the screeners to be professional, and what I envision is this promotion bureau letting the folks know that it is safe to travel. What we passed, if it is implemented, will restore confidence in air travel.

Promoting travel and tourism is critical to the economy. The industry adds nearly 5 percent to the GDP, generates more than \$578 billion in revenue, supports more than 17 million jobs, and provides a \$14 billion trade surplus for this country. Mr. Chairman, I know you were always interested in those numbers, and getting this industry back on its feet will be central to restoring the health of the economy.

In closing, I want to say that this bureau that we envision creating would be overseen by a number of people as volunteers, one member representing the aviation industry, one member representing the airline workers, one member representing the hotel industry, one member representing hotel workers, one member representing the restaurant industry, one member representing restaurant workers, one member representing amusement parks, and one member of the Rural Tourism Foundation.

The bureau will be authorized at a spending level of \$60 million to carry out its responsibilities. That is less than the U.S. Travel and Tourism Agency had before it was eliminated in 1996. I want to say I voted against doing away with it.

I want to thank Senator Inouye because he had a lot to do with the way this legislation looks. I look forward to working with the Committee on this important issue.

Thank you.

Senator DORGAN. Senator Boxer, thank you very much.

We are very pleased to be joined by a senior Member of this Committee, Senator Inouye, and I know the Lieutenant Governor of his State of Hawaii is testifying today. Senator Inouye, do you have a statement?

**STATEMENT OF HON. DANIEL K. INOUE,
U.S. SENATOR FROM HAWAII**

Senator INOUE. Mr. Chairman, first I would like to commend you for holding this hearing. As you pointed out, the retail industry of the United States is the No. 1 employer of people. Second to that, and a close second, is the tourism industry, and if this industry goes down under, then the economy of the United States is gone, and so I commend you for what you are doing today.

Sometime later this morning, I will have the great privilege of presenting to this Subcommittee the coordinator of all airport and economic recovery programs in the State of Hawaii, our Lieutenant Governor Hon. Mazie Hirono. She is the expert, so I will not try to suggest to you what our problems are. She knows all of them. So if I may be permitted later on to present her to the Subcommittee, I would be most pleased, sir.

Senator DORGAN. Thank you very much.

We are also honored to be joined by Senator Smith from Oregon, a Member of the Commerce Committee. Senator Smith, thank you for joining us.

**STATEMENT OF HON. GORDON SMITH,
U.S. SENATOR FROM OREGON**

Senator SMITH. Thank you, Mr. Chairman. Thank you for holding this hearing today on an industry that is critical, I think, to every State.

I wanted to say very briefly how proud I am of some Oregonians who wanted to help the people of New York. Mayor Katz of Portland and a businessman named Sho Desono decided the best way they could help was to go to New York and go to plays, stay at hotels and eat good food, so they established what they called a "Flight for Freedom." It was just a few Oregonians, but it was publicized, and before they boarded the airplanes, over 1,000 Oregonians from every corner of the State went last weekend to New York City, and I salute them.

I think that what they were saying with their feet and with their dollars, is that part of patriotism is helping in ways that count, and our State has a long tradition of barn-raising, something of a residual from the Oregon Trail, that neighbors help neighbors, and that is the spirit that I think we need to revive in America. These terrorists have revived in America, and I simply want to highlight this particular incident, where people of my State acted in a very patriotic way.

I salute them. I thank them. I think Mayor Giuliani would thank them as well, and I note that tourism is about a \$6 billion industry in a little State like Oregon, so I can only imagine what it is in Hawaii, so thank you, Mr. Chairman. I thank our witnesses, and I am pleased to be here this morning.

Senator DORGAN. Senator Smith, thank you very much. I am going to ask Senator Kyl to come forward, and with his permission I am also going to ask Hon. Anthony Williams, the mayor of the District of Columbia, Lieutenant Governor Hirono of the State of Hawaii, and Senator Clinton to join him as the first panel.

I will ask Senator Kyl for his statement. I believe he is going to be cochairing another hearing very soon, at 10, so let me thank all of you for coming. I will call on Senator Inouye at the appropriate time to introduce the Lieutenant Governor, but let me say, Senator Kyl, how pleased we are for you to be here today, and we appreciate your joining us, and we would welcome your testimony.

**STATEMENT OF HON. JON KYL,
U.S. SENATOR FROM ARIZONA**

Senator KYL. Thank you very much, Mr. Chairman. You are right, at 10:00, Senator Feinstein and I are holding a hearing on immigration aspects of the terrorist issue. As you know, a lot of the terrorists had immigration problems, and it might be that we can do a better job of screening the people who either come here illegally or stay illegally, so that is what that is about.

I really appreciate the hearing that you are holding here this morning, and in view of the fact that you have a lot of real experts who are going to be testifying about the specific impacts, and you alluded to that in your opening statement, I will not discuss the need for help here. I think almost everybody can stipulate to that, and the experts will be able to tell you the size of the industry and the impact on the industry in this first month following September 11, so I will simply describe to you what I think would be one good policy prescription for what ails us here, and let me begin by providing an analogy, Mr. Chairman.

You said it yourself, before September 11, our economy was ailing, and certainly as a result of the impacts after September 11, all of the economy has suffered even more. But, we also know that one specific segment of the economy took a body blow, and that is the travel and tourism segment of the economy. That particular portion of the economy is dragging down much of the rest of the economy.

All the way from the maid that makes the bed in the hotel to the worker that helps to build a Boeing aircraft which is not being bought any more because not as many people are flying, everything in between, and much, much more is affected. The ripple effect of this body blow to the tourism industry is just incredible. I was talking to the CEO of Phelps Dodge Company in Arizona, and I said, well, during times of war you all do a little better, do you not? He said, no. He said, we had a huge contract with Boeing for some special metal alloy that we do, and they are not building planes, so we lost all of that.

I think it is impossible for us to realize the true impact of the body blow to the travel and tourism industry. People think of it as a vacation thing. In Senator Inouye's State and my State, the leading industry is tourism, but that is not all of what this is about. It is about travel generally and all of the different aspects of the economy that are suffering from it.

So here is the analogy. You had a patient that had, I would say, a case of pneumonia, and we were getting ready to treat it with some antibiotics, and we knew the patient, the economy, would recover eventually, but then an accident occurred, an arm is severed, it is bleeding profusely, and this patient is going to bleed to death if we do not do something immediately about the specific problem that is most current.

What is the most specific problem? Everybody knows it is this body blow to the travel and tourism industry, so we have got to focus our attention immediately on this industry, and what we have come up with as a piece of legislation that I hope will be included as a part of the economic stimulus package, and which could receive good support from this Committee, if you would, is a bill cosponsored in the House by Representative Shadegg from Arizona, and the colleague of Senator Inouye, Representative Abercrombie from Hawaii, and my colleague Zell Miller here in the Senate, and there are a lot of Democrats and Republicans who are signing on as cosponsors.

The Travel America Now Act, we call it. It is immediate, specific, quick, and then it goes away, too, just as Senator Clinton's proposal does. It says that if you travel, or if you pay for the travel or the hotel reservation, or whatever it might be, prior to the end of this year, you get a tax credit for this year's taxes of \$500, or if a couple files jointly, up to \$1,000. It is that simple.

What it is designed to do, obviously, is get people to make that reservation now even if you do not travel until next January, or even perhaps next Easter. As long as you make the financial commitment, that qualifies for the tax credit. You get it as a tax credit. Obviously it applies to everybody. It is not just—I mean, we specifically did not make it a deduction which would only help a certain segment of the society.

There are two additional features of it. One has to do with meals. Given the fact that we already have a business travel expense deduction, what we do is to restore a full 100 percent deduction for those travel expenses up until the end of the year, or expenses that are committed by the end of the year, and also there is a provision providing tax relief to those travel-related businesses most hurt, so-called ability to carry back their losses incurred after September 11 for a temporary additional period of 3 years. It is very simple, and as I said, the whole idea of it is to provide a very quick incentive for people to get back to traveling again.

Now, the folks from the industry have told us they could even help us craft a more specific provision, which we are working on now, which would ensure that it does not cover travel that was already anticipated, or that would have occurred anyway, and there is a way that they can do that, as a result of which virtually all of the travel that would occur that would be subject to this would be new travel that otherwise would not have occurred, very much like the travel that Senator Smith alluded to from those great Oregonians who decided to do their part and travel. That is what we are trying to get people to do, and because it is so quick and is over with after the end of this year, I do not think that anybody can contend that this is a big subsidy for the industry, or anything like that.

A final point. This is not a case where the Government is picking winners and losers and saying, we will give you money if you go spend it on this or that or the other thing. What we are saying is, Americans can keep \$1,000 of their own money, and they make the choice of where to go, what to spend it on. All they have to do is go travel. That is all we are asking. It could be airplane, it could be ship, it could be car, whatever, but the idea is to get them traveling again, and I hope that my colleagues will—understanding, as the Senator from North Dakota said, every State has tourist destinations, so everybody can benefit from this, that you will consider helping us try to get this included in the economic stimulus package. The cost should be relatively modest, given the very short timeframe with respect to its applicability.

Mr. Chairman, with that, I ask unanimous consent to put my statement in the record, which contains more of the details.

Senator DORGAN. Without objection.

[The prepared statement of Senator Kyl follows:]

PREPARED STATEMENT OF HON. JON KYL, U.S. SENATOR FROM ARIZONA

Chairman Dorgan and Ranking Member Fitzgerald, thank you for holding this hearing on the State of the Tourism Industry and for allowing me the opportunity to discuss my proposal to help restore confidence in our country's ailing travel and tourism industry and at the same time stimulate our economy in general.

As recent economic data have confirmed, our economy was ailing before the terrorist attacks on September 11, but few were talking about emergency measures to get it going again. What is different after September 11 is the downward spiral of the economy, led by the travel and tourism industry.

Proposals for getting the economy moving have centered on traditional arguments as to whether we stimulate business investment, consumer demand, or infrastructure. Eager for a bipartisan approach, members of Congress and President Bush appear agreeable to splitting the difference and doing a little of each. To me, that's a political solution and it ignores the emergency created in the aftermath of September 11.

I believe that we need to rethink what has happened to our economy to arrive at the stimulus legislation that treats the major problem, and, therefore, will do the most overall good.

Before September 11, our economy was ailing for precisely the reasons Federal Reserve Chairman Alan Greenspan articulated—a lack of business investment. The terrorist attacks have made the general situation worse and caused an absolute emergency in certain sectors of the economy. Although I certainly agree that Congress should stimulate business investment and shore up consumer expectations (for example, by making our recent tax law permanent, cutting capital gains taxes, eliminating corporate AMT, and accelerating our outdated cost recovery periods), I contend that our first focus should be directly on the *sector hardest hit by these events*.

To illustrate my point, an analogy is useful. Our economy had a bad case of the flu before September 11. Reducing interest rates, providing tax relief, and cutting regulatory burdens were all part of the antibiotic medicine needed to get the economy healthy again. During the economy's rehabilitation period, however, it sustained a major trauma. Under these circumstances, what should be a first priority—another dose of flu medication, or treatment applied directly to the wound?

I believe that we must focus an emergency economic stimulus on the sector that has been most harmed: travel and tourism. If we are to prevent thousands of bankruptcies, hundreds of thousands of lost jobs, as well as numerous indirect consequences to the rest of the economy, it is essential that we provide some immediate help to this industry.

Some facts and figures are illustrative of the alarming condition of travel and tourism in the United States. Hotels around the country are reporting reservation cancellations and severely reduced occupancy rates. Industry experts predict that, overall, hotels could lose \$2 billion in room revenue and other associated income. Moreover, a projection by PricewaterhouseCoopers shows revenue per room declin-

ing between 3.5 percent and five percent this year—the largest decrease in room revenue in 33 years.

Business travel has plummeted. The Business Travel Coalition projects that U.S. corporate travel in January 2002 will be about half what it was in January 2001, and the International Association of Convention and Visitors Bureaus reports that 25 percent of conventions and meetings that were scheduled before the end of this year have been canceled in the last few weeks.

The downward spiral of the travel and tourism industry is adversely affecting our economy. According to statistics provided to me by the Travel Business Roundtable, economists are projecting a decrease of 1.8 percent of total GDP as a result and the loss of 1.1 million jobs in the travel and tourism sector.

For an industry that directly or indirectly employs one out of every seven people in the civilian labor force, this is alarmingly grim data. To make matters worse, many industry analysts are predicting that tourism in the U.S. could continue to drop by one-third in the coming months.

Accordingly, I have introduced legislation with Senator Zell Miller that seeks to treat this emergency economic situation. Elements of my legislation, the “Travel America Now Act of 2001,” S. 1500, include:

- Providing a temporary \$500 tax credit per person (\$1,000 for a couple filing jointly) for personal travel expenses for travel originating in and within the United States. This will help encourage Americans to resume their normal travel habits. Unlike general rebate checks to taxpayers, a tax credit conditioned on travel expenses ensures that the money is spent on a specific activity—in this case an activity that will generate positive economic ripples throughout the entire American economy. It will also help create confidence and encourage Americans to get back on airplanes.
- Since business travel expenses are already deductible, temporarily restoring full deductibility for all business entertainment expenses, including meals, that are now subject to a 50 percent limitation, will help bring back the backbone of the travel industry—the business traveler.
- Finally, in order to provide tax relief to those travel-related businesses most hurt by the terrorist attacks, Congress should allow these companies to “carry back” their losses incurred after September 11, for a temporary period of three additional years (a total, temporary, “carry back” period of five years). This will allow companies that had been profitable until September 11, but then lost money in excess of the past two years’ amount of profit, to offset previous years’ profit. Without this relief, many companies will go bankrupt, solely due to the terrorist attacks.
- To be temporary and take effect soon, the credit would be available for expenses incurred before December 31, 2001. (The travel could occur later.)

This legislation meets the criteria set forth by President Bush and the Chairman of the Finance Committee. By definition, the relief would be temporary. The revenue loss attributable to this legislation for 2001 should occur no later than 2002 and so there would not be a long-term, negative drag on our federal budget. In fact, I believe that it would help ensure a positive, long-term budgetary position by getting America moving and doing business again. As for the need to stimulate consumer spending, providing consumers with incentives to travel is clearly a demand-driven idea. I also contend that it will help stem the retrenchment in business investment that the economy is experiencing in the travel industry and many related industries. Finally, travel and tourism is not a partisan issue, it is one of the most bipartisan of all issues.

As Secretary O’Neill said before the Finance Committee on October 3, “The medicine has to work and be worth the cost.” Without travel, collateral consequences to related industries will be substantial. Of all the competing proposals I can think of, none more directly affects the major *cause of the problem* in our economy.

So there it is. Our economy has sustained a specific trauma. We need a quick and focused response to this emergency condition. I believe that the “Travel America Now Act” provides the right medicine for the most acute problem. I hope that the members of this Committee will join with me to advocate its inclusion in economic stimulus legislation.

Thank you for giving me the opportunity to speak to you on the most important and immediate issue affecting our economy at this moment. This hearing highlights the importance of this industry to our economy and the need to immediately address its emergency condition.

Senator DORGAN. Your suggestion is one of the series of suggestions, many of which have great attraction. The purpose of this hearing is to think through with our witnesses and others on how to proceed in a way that provides a jumpstart to this important part of our economy as we try to provide lift to the entire economy during a difficult time, and we appreciate your testimony. I know you have a 10:00 hearing. Do either of my colleagues have questions for Senator Kyl?

Senator INOUE. Senator Kyl, may I request that I be added as your cosponsor?

Senator KYL. Absolutely, and I thank you very much, Senator Inouye, and of course I will be available for your questions. As I indicated to Senator Inouye, we are working on this provision to make sure that every dollar here is a new dollar of travel, and I will share that information with all of the members of this Committee as we get that prepared as well.

Senator DORGAN. Senator Kyl, thank you very much for joining us today, and we appreciate your willingness to stop by before your other hearing.

Senator Clinton I understand will be here about 10:30, so we will take her out of order when she does arrive, with the permission of other witnesses.

We are very pleased today to have the Mayor of the District of Columbia with us, Anthony Williams. I know and I think all of my colleagues know, because we are required to be in the District of Columbia much of the year while the Senate is in session, that after September 11, in the intervening days and weeks, this was a town that had a very different look to it. The streets seemed fairly empty. Hotels had very few guests. Very few people were coming to town, very little tourism, and we thought it was important to invite Mayor Williams to speak, as the Mayor of one of the country's major cities, and America's capital city, on what September 11 has done to one of the major tourist destinations in our country.

So Mayor Williams, thank you for joining us. Why don't you proceed.

**STATEMENT OF HON. ANTHONY WILLIAMS, MAYOR,
DISTRICT OF COLUMBIA**

Mayor WILLIAMS. Thank you, Mr. Chairman. Thank you for having us to testify on the impact, as Senator Kyl put it, of the body blow to an important industry in our Nation's Capital and our national capital region.

I want to begin by thanking you for having this hearing, because while symbolic gestures and acts like my trip with six Governors to New York City and to Washington, D.C., to boost tourism are important, substance is what really counts, and I congratulate and commend the Committee for its important work in a vital area to many of our local jurisdictions.

In the weeks following the September 11 attack, the nation's attention has been focused on caring for the victims and their families and ensuring the physical security of our country, and certainly here in Washington, D.C. This is of prominent importance as we continue to make substantial progress in these areas. We have to also address the issue of our nation's security and to conquer the

terrorist attacks around the world. The U.S. must ensure that we maintain our economic strength at home.

The September 11 attack on our country dealt a major economic blow to our economies, many of which were already facing pressures of a looming recession. My testimony today will focus on how the Washington, D.C. region is uniquely affected by that attack. Now, while the damage to the District's economy is much smaller than the damage to the New York City economy and that regional economy, and while many other regional economies depend heavily on travel-related industries, witness Arizona and Hawaii, these attacks have had a uniquely injurious, damaging effect on the District's economy for a number of key reasons.

The first reason pertains to our airport. Reagan National Airport, which is a lifeline for our economy, remained closed for several weeks longer than any other major airport, and is expected to operate at reduced capacity going forward.

The second reason is that we are uniquely dependent on the hospitality industry. People think of the District and this region as a federal procurement center, and certainly it is, as a technology center, and certainly it is, but tourism is a major industry here. Hospitality companies are the District's major employer, second only to the federal government. I must note, however, that the hospitality industry pays local taxes, whereas the federal government does not, and I know Bill Marriott knows how much taxes they pay. As such, our dependence on tourism makes reduced airport travel and other restrictions uniquely problematic for our economy.

During a typical year, for example, our area has hotel occupancy rates of more than 80 percent. In the months of September and October, at present—and I want to emphasize this—our hotel occupancy rate is at 30 percent. This is also expressed in job loss. Our hotel restaurant workers are suffering job losses of 60 to 80 percent, and I am sure that John Wilhelm will have a lot to say on that.

The third reason why the District's economy is especially challenged is a heightened terrorist threat associated with being the Nation's Capital. Here in the District, we are one of perhaps the greatest targets for terrorism activity in America. This extra exposure requires greater security measures at the airport, on the streets, and at major gatherings, which creates greater concern among people who may decide to live, work, or start a business here.

On the issue of street closings, for example, I understand, I definitely understand the need to protect our federal installations, properties, and personnel, but as we do so we must also acknowledge that by closing more and more major thoroughfares in the District we are constricting the lifelines that keep a local economy viable. This is a conflict that we have to be constantly cognizant of.

The fourth impact here in the District is that, our unique characteristic is that our government has always faced the challenge of providing many services to federal agencies without compensation, resulting in a substantial structural imbalance in our budget.

To make this challenge even greater, the September 11 attacks have diminished our local government revenue and increased ex-

penditure pressure for service. To give you an example, we have got a major emphasis, now, on providing police protection for what we call civil disturbance for what we call the federal enclave. We were just getting to the point of where we were restoring an adequate, not to say optimal, but just adequate level of service out in our neighborhoods. We had turned homicide around in this city over the years, and this year we were on track to produce a 30-percent reduction in homicide. Now we are in danger of backtracking on that substantially, because of that loss of police presence in the neighborhoods occasioned by federal responsibility, all driven by the revenue picture, which is substantially, again, driven by this change in tourism.

The final reason why the District's economy is especially challenged pertains to another major issue, and that is the major issue of, I think, how we move forward to very importantly have an open city and a safe city, and I think we think a lot about safety, but I would urge this Committee and I would urge all of us in the warning business to be constantly cognizant of the fact that while these warnings may have merit from a safety and security point of view, we have to be cognizant of their impact on the tourism business.

These multiple reasons explain why the District is experiencing an exceptionally difficult economic impact in the wake of the September 11 attacks, and having reviewed these reasons, I want to present some data. According to economic projections, the D.C. economy will lose \$750 million in only the first 6 months following the September 11 attack. At least 10,000 small businesses are at risk and, as we know, small business is the engine that generates economic growth.

As a result of the economy's problems, the District government could lose as much as \$200 million in revenue over the next 18 months, and this is a city that is just getting back on its feet financially.

These numbers are even more concerning when put in human terms. The District is projected to lose up to 24,000 jobs at some point over the next 6 months, and these jobs are held not only by District residents, but also by residents in Maryland and Virginia. At least half of these jobs are in the hotel and restaurant business, and right now, approximately half of the members of the local Hotel & Restaurant Employees Union are unemployed. Worse yet, this industry is experiencing setbacks at a time when they usually experience their highest incomes. This revenue typically provides the funds with which their employees, suppliers, and owners tide themselves over the less busy portions of the year, so there is a ricochet effect.

Now, to respond to these challenges we are taking a number of steps:

- First, we have developed a \$100 million loan guarantee program to assist small businesses in the District that have failed or would fail without special assistance.
- Second, we have requested that the Washington Metropolitan Area Transportation Authority, which runs Metro and Metrobus, provide free transportation to and from the District

on October 13 and 14 so that people can come to the District, enjoy our restaurants, enjoy our neighborhoods, and enjoy all the amenities we provide.

- Third, we have established a one-stop service office to assist affected residents and businesses in finding needed services such as unemployment compensation, rent, and subsidies during these economically challenging times.

To truly stem the tide of the coming economic challenges, we want to partner more effectively with the federal government, and to that end we are developing a series of proposals for targeted support to residents and businesses in need, and they are going to include the following:

- Expanded unemployment benefits to displaced workers, that those affected by this crisis may receive temporary focused support until our economy recovers;
- Loans and grants to small businesses are mentioned;
- Extension of temporary assistance to needy families, benefits to needy families and individuals who have been knocked out of work. One of the tragedies of this is that you have many families who have moved from welfare to work, now to be thrown back onto welfare because of this crisis; and
- Infrastructure investments to enhance the general security of our city, while at the same time stimulating the local economy.

Through these and other investments based on our own local initiative and our local self-help effort, and I am confident in partnership with the federal government can go a long way to addressing the peculiar, unique concerns here in the District, but I could not overemphasize, in the same way that Senator Kyl emphasized, the importance of this Congress and specifically this Committee acting in the ways that you have discussed to address a particularly acute need, not only in the general national economy, but certainly in the national capital region.

Mr. Chairman, thank you once again for your invitation to be here to provide this testimony, which we have submitted for the record.

Senator DORGAN. Without objection, the entire testimony will be made a part of the record, Mayor Williams. Thank you very much. That is very interesting testimony, and also alarming in many ways.

[The prepared statement of Mayor Williams follows:]

PREPARED STATEMENT OF HON. ANTHONY WILLIAMS, MAYOR, DISTRICT OF COLUMBIA

Good morning Chairman Dorgan, Ranking Member Fitzgerald, and members of the Committee. I want to begin by thanking you for calling this important hearing on the economic impacts of the September 11 terrorist attacks.

In the weeks following those attacks, the nation's attention has been appropriately focused on caring for the victims and their families and ensuring the physical security of our country. As we continue making substantial progress in those areas, we must also address the issue of our nation's security.

To conquer the terrorist threats around the world, the U.S. must ensure that we maintain our economic strength at home. The September 11 attacks dealt a major economic blow to local economies, many of which were already facing recessionary

pressures. My testimony today will focus on how the Washington, D.C. region is uniquely affected by these attacks.

While the damage to the District of Columbia's economy is much smaller than the damage in New York, and while many other regional economies also depend heavily on travel-related industries, the September 11 attacks have had a uniquely damaging effect on the District economy. This is true for several key reasons:

- The first reason pertains to our airport. Reagan National Airport, which is a lifeline for the District economy, remained closed for several weeks longer than any other major airport, and is expected to operate at reduced capacity going forward.
- The second reason is that we are especially dependent on the hospitality industry. Hospitality companies are the District's major employer, second only to the federal government. I must note, however, that the hospitality industry pays local taxes, whereas the federal government does not. As such, our dependence on tourism makes reduced airport travel and other restrictions uniquely problematic for our economy. During a typical year, for example, our area has a hotel occupancy rate of more than 80 percent in the months of September and October. At present, our hotel occupancy rate is at 30 percent.
- The third reason why the District's economy is especially challenged is the heightened terrorist threat associated with being the Nation's Capital. Here in the District, we are home to perhaps the greatest targets for terrorist activity in America. This extra exposure requires greater security measures at the airport, on the streets, and at major gatherings, which creates greater concern among people who may decide to live, work, or start a business here. On the issue of street closings, for example, I understand the need to protect federal properties and personnel; but as we do so, we must also acknowledge that by closing more and more major thoroughfares in the District, we are constricting the lifelines that keep the local economy viable.
- The fourth unique characteristic of the District is that our government has always faced the challenge of providing many services to federal agencies without compensation, resulting in a substantial structural imbalance in our budget. To make this challenge even greater, the September 11 attacks have diminished our local government revenue, and increased expenditure pressures for service.
- The final reason why the District's economy is especially challenged pertains to the local protection we must provide to the federal government. During threats to federal properties and employees, the District frequently must deploy police and fire resources by diverting them from neighborhood patrols. Even when the District is compensated for the associated costs, the emergency redeployment still leaves our neighborhoods underserved during these all-too-frequent occurrences. This exposure leaves the District with insufficient resources to respond to crime and other emergency calls, and thereby makes the District appear to be a less desirable place for residents and businesses to locate.

These multiple reasons explain why the District of Columbia is experiencing an exceptionally difficult economic impact in the wake of the September 11th attacks. Having reviewed these reasons, I will now present some data on just how severe we expect this challenge to be.

According to economic projections, the D.C. economy will lose \$750 million in only the first six months following September 11. At least 10,000 small businesses are at risk; and as we all know, small business is the engine that generates economic growth. As a result of the economy's problems, the District government could lose as much as \$200 million in revenue over the next 18 months.

These numbers are even more concerning when put in human terms. The District is projected to lose up to 24,000 jobs at some point over the next six months, and these are jobs held not only by District residents, but also by residents of Maryland and Virginia. At least half of these jobs are in the hotel and restaurant business. Right now, approximately half the members of the local hotel and restaurant employees union are unemployed. Worse yet, this industry has experienced these setbacks at a time when they usually experience their highest incomes. This revenue typically provides the funds with which their employees, suppliers, and owners "tide themselves over" the less busy portions of the year. This year, those revenues will not appear.

To respond to these economic challenges, the District has taken several steps.

- First, we are developing a \$100 million loan guarantee program to assist businesses that are likely to fail without that assistance. The mechanics of this pro-

gram, which would supplement Federal Small Business Administration loans, are being worked out between the District and local lending institutions.

- Second, we have requested that the Washington Metropolitan Area Transportation Authority, which runs the Metro and Metrobus, provide free transportation to and from the District on October 13 and 14. This will encourage the District's neighbors and visitors to visit our parks, monuments, and museums, and to dine in District restaurants.
- Third, we have established a "one-stop-service" office to assist affected residents and businesses in finding needed services such as unemployment compensation, rent and subsidies during these economically challenging times.

To truly stem the tide of the coming economic challenges, however, the District will need to partner more effectively with the federal government. To that end, we are developing a series of proposals for targeted support to residents and businesses in need. These proposals will include the following:

- Expanded unemployment benefits to displaced workers, so that those affected by this crisis may receive temporary support until our economy recovers;
- Loans and grants to small businesses, because we recognize that small businesses are key to restarting a stalled economy;
- Extension of TANF benefits to needy families and individuals; and
- Infrastructure investments to enhance the general security of the city, while at the same time stimulating the local economy.

Through these and other investments, the federal government would provide critical assistance to ensure the District can recover economically from the attacks on September 11. Not only will this assistance help support the residents, visitors, and businesses of the District, but it will also allow for our continued support of the critical federal operations that sustain the security and vitality of the entire nation.

In closing, I thank you for this opportunity to testify, and I look forward to our ongoing discussions about federal assistance to the District. I will now be happy to answer any questions you may have.

Senator DORGAN. With Senator Nelson's permission, I am going to go to the Lieutenant Governor from Hawaii, then we will ask for a statement from Senator Nelson of Florida, who has just arrived.

Let me call on my colleague, Senator Inouye, for the introduction of the Lieutenant Governor.

Senator INOUE. Mr. Chairman, I thank you very much. It is my great pleasure to present to the Committee Hawaii's coordinator of airport security and economic recovery programs, our Lieutenant Governor, ladies and gentlemen, Hon. Mazie Hirono.

**STATEMENT OF HON. MAZIE K. HIRONO,
LIEUTENANT GOVERNOR, STATE OF HAWAII**

Lt. Governor HIRONO. Thank you very much, Chairman Dorgan, Senator Inouye, other Members, Hon. Senators, Members of the Consumers Affairs, Foreign Commerce and Tourism Subcommittee. On behalf of the people of the State of Hawaii, I extend to each of you my warmest aloha. We appreciate the opportunity to testify this morning on Hawaii's tourism industry and how our island State has been impacted by the wake of the tragedy on September 11.

After 10 years of economic stagnation, the last 3 years in Hawaii represented a turning around of our economy. September 11 changed all of that and put Hawaii in a serious economic crisis. Hardest hit has been our \$11 billion tourism industry, which accounts for approximately 25 percent of our economy and provides jobs for nearly 200,000 people, almost one-third of the State's total civilian work force.

Normally, about 20,000 passengers arrive in Hawaii per day, with about 5,000 to 6,000 arriving from Japan. Four weeks after September 11, our average daily Japanese visitor count has been cut by over 50 percent. Total average daily passenger counts have decreased nearly 40 percent. Sharp declines in travel to Hawaii have led to employment losses. More than 95 percent of these losses are in tourism-dependent industries.

In the 2 weeks following September 11, 3,607 workers in hotel-related industries filed for unemployment benefits. In the same period only 1 year ago, there were only 184 applicants. Decreases in tourism have immediate negative effects on Hawaii. A 30-percent downturn for the remainder of the year could result in layoffs exceeding 25,000 workers, and as much as \$1 billion loss in gross state product for our State.

Therefore, our State must rapidly pursue initiatives and assistance at all levels of government to curb continued losses. Federal programs that will assist in the promotion of travel and tourism, including promotions of programs that will attract foreign visitors, are needed. We need federal assistance programs that will provide federal dollars to offset State efforts and tourism promotion for Hawaii, especially in the area of international tourism, and federal tax incentives for travelers would be a plus.

Our State response has included the creation of the Governor's Emergency Tourism Marketing Task Force. Additionally, Hawaii's Governor Benjamin Cayetano led a delegation on an aloha mission to Japan this past week to address their safety concerns. Since visitors cannot drive to Hawaii, we are absolutely dependent on air travel. Efforts to restore public confidence in air travel are absolutely critical. A special legislative session has also been called to address ways to stabilize our tourism industry, assist displaced workers, provide aid to small business, and stimulate the economy through capital improvement projects.

At the federal level, Economic Development Administration disaster grants must be made available to the States in this crisis. These grants would assist Hawaii in rebuilding areas like Waikiki, and diversifying our economy through science and technology initiatives on our neighbor islands. Conventions, meetings, and special events are another integral part of our tourism industry. In a typical year, almost 7 million visitors come to Hawaii from all over the world. Over 500,000 of these visitors attend symposiums, forums, and trade shows in Hawaii.

Our meeting and convention industry has been seriously impacted by the events of September 11. Let me give you one example. A Japanese meeting scheduled at our brand-new, state-of-the-art convention center, representing 5,000 attendees and \$26.6 million in visitor spending, was recently canceled. This is where the U.S. Government can help Hawaii immediately. Bringing federal government meetings and conventions to the State of Hawaii will have an immediate positive effect on our economy in all sectors. Hawaii could face its steepest economic decline in our modern history. Swift action is needed by Congress. We urge your support, and thank you for the opportunity to describe for you the gravity of Hawaii's situation.

Mr. Chairman, I would like to have my full remarks entered into the record, which include comments from all of our Mayors and others for the record.

Senator DORGAN. Without objection, the record will include all of that information.

[The prepared statement of Lt. Governor Hirono follows:]

PREPARED STATEMENT OF HON. MAZIE K. HIRONO, LIEUTENANT GOVERNOR,
STATE OF HAWAII

Chairman Dorgan and Members of the Subcommittee on Consumer Affairs, Foreign Commerce and Tourism, on behalf of the people of the state of Hawaii, I extend my warmest aloha. We appreciate the opportunity to testify this morning on Hawaii's tourism industry and how our island state has been impacted in the wake of the events of September 11, 2001.

As our nation moves to resume operations following the terrorist attack on America, we face the second wave of their attack—the consequences on our economy.

After ten years of economic stagnation, the last three years represented a turning around of our economy. September 11th changed all that and put Hawaii in a serious economic crisis. Hardest hit has been our \$11 billion visitor industry, which accounts for approximately 25 percent of our economy and provides jobs for nearly 200,000 people—nearly one-third of the state's total civilian work force.

For the first three days after the attacks, almost no air traffic moved in or out of Hawaii. Normally, about 20,000 passengers arrive in Hawaii per day, with about 5,000–6,000 from Japan. Four weeks after September 11th, our average daily Japanese visitor count has been cut by over 50 percent (from 5,856 on September 10 to 2,453 on October 8th). Total average daily passenger counts have decreased nearly 40 percent (from 19,206 on September 10th to 11,501 as of October 3).

Sharp declines in travelers to Hawaii have led to employment losses. More than 95 percent of employment losses are in tourism dependent industries. Hotel jobs account for 50 percent of the increased jobless claims, with retail taking up 23 percent, transportation 13 percent and eateries 9 percent.

Unemployment filings in the air transportation industry are at seven times the typical levels and retail unemployment filings are at eight times last year's numbers. Most disturbing is the number of hotel workers filing for unemployment benefits—20 times the number a year ago.

Hawaii unemployment claims by industries including transportation, food, retail and hotels totaled 11,750 for the month of September. The total number of unemployment claims when compared to the same period in 2000 rose 447.2 percent.

In the two weeks following September 11th, 3,607 workers in hotel-related industries filed for unemployment benefits. In the same period one year ago, there were only 184 applicants.

Decreases in tourism have immediate negative effects on Hawaii. Economists estimate that if visitor losses average 13 percent for the rest of 2001, as experienced during the Gulf War, our state can expect potential job layoffs nearing approximately 11,000 and a decline in the Gross State Product (GSP) of nearly \$500 million. (Gross state product is considered real income, after costs.)

A 30 percent downturn for the remainder of the year could result in layoffs exceeding 25,000 workers and as much as a \$1 billion loss in gross state product for the State of Hawaii.

Therefore, our state must rapidly pursue initiatives and assistance at all levels of government to curb continued losses.

Federal programs that will assist in the promotion of travel and tourism, including programs that will attract foreign visitors, are needed. We need federal assistance programs that will provide federal dollars to offset our state efforts in tourism promotion, for Hawaii, especially in the area of international tourism. And, promotion of tax incentives for travelers would be a plus.

International travelers account for one-third of all visitors to Hawaii. And, Japanese tourists have accounted for about a quarter of all visitor spending in our state. That equates to \$2.4 billion annually or about 6 percent of the state's \$39 billion gross state product.

Since the September 11th terrorist attacks, the decrease in Japanese tourists has robbed our state of about \$4 million a day in spending, contributing to thousands of layoffs in the tourism industry. Hawaii has a special appeal in Japan and often tops the list of overseas destination for Japanese tourists. Last year 1.6 million came; of those, 60 percent were repeat visitors.

Our state response has included the creation of a Governor's emergency tourism marketing task force. This task force will execute a plan to attract tourists back to Hawaii. Additionally, Hawaii's Governor, Benjamin Cayetano led a delegation on an Aloha Mission to Japan this past week to address safety concerns. Since visitors cannot drive to Hawaii, we are absolutely dependent on air travel. Efforts to restore public confidence in air travel are absolutely critical.

A special legislative session has been called to address ways to stabilize the tourism industry, assist displaced workers, provide aid to small business and stimulate the economy through capital improvement projects.

At the federal level, Economic Development Administration disaster grants must be made available to the states in this crisis. These grants would assist Hawaii in rebuilding areas like Waikiki and diversifying our economy through science and technology initiatives on our neighbor islands. As Hawaii stands ready to support our nation's military efforts through technology development we are hopeful for defense-related job creation.

As noted, Hawaii is experiencing an unprecedented increase in the number of displaced workers in the wake of September 11th. Therefore our state needs assistance from Congress in the area of worker relief. I urge you to support bills to assist our displaced workers introduced in both the House and Senate that supplement unemployment compensation and encourage your support of fully reimbursing all unemployed workers for health care premiums under COBRA law.

Conventions, meetings and special events are another integral part of our tourism industry. In a typical year, almost seven million visitors from around the world come to our islands. On average over 500,000 attend conferences, forums, and trade shows in Hawaii. Hawaii's meeting and convention industry has also been seriously impacted by the events of September 11th. Let me give you one example—a Japanese meeting scheduled at our brand new, state-of-the-art convention center representing 5,000 attendees and \$26.6 million in visitor spending was recently cancelled.

This is where the U.S. government can help Hawaii immediately. Bringing federal government meetings and conventions to the State of Hawaii will have an immediate positive effect on our economy in all sectors.

Hawaii could face its steepest economic decline in modern history. Swift action is needed by Congress. We urge your support and thank you for the opportunity to share with you the gravity of our situation.

I have attached the following and request that they be included in the record:

1. Letter from The Honorable Harry Kim, Mayor, County of Hawaii
2. Letter from The Honorable Jeremy Harris, Mayor, City & County of Honolulu
3. Letter from The Honorable Maryanne W. Kusaka, Mayor, County of Kauai
4. Letter from The Honorable James "Kimo" Apana, Mayor, County of Maui
5. Letter from Murray Towill, President, Hawaii Hotel Association
6. Table 1. Hawaii Average Daily Passenger Count *
7. Table 2. Hawaii Unemployment: Initial Claims by Industry *
8. Table 3. Hawaii GSP and Investment: 1990–2000 *
9. Table 4. Economic Impact of 9-11 on Hawaii's Economy: CY 2001 *
10. Chart 1. Total Hawaii Domestic Passenger Count *
11. Chart 2. Total Hawaii International Passenger Count *
12. Chart 3. Hawaii Initial Unemployment Claims Weekly *

* Source: State of Hawaii, Department of Business, Economic Development & Tourism, October 2001.

Attachment 1

COUNTY OF HAWAII,
Hilo, Hawaii, October 10, 2001.

Hon. BYRON L. DORGAN,
 Chairman,
 Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
 Senate Committee on Commerce, Science, and Transportation,
 Washington, D.C.

Subject: Impact of Terrorist Attacks on Tourism in Hawai'i

Dear Chairman Dorgan:

The tourism industry in Hawai'i has been devastated by the fallout from the recent terrorist attacks in New York. Statewide, the incoming passenger count is down an average 36% since September 11. Also statewide, initial claims for unemployment from employees of hotels and resorts for the last week of September were 1,936, up 2232% from 83 claims filed for the same period in September 2000. Unemployment claims from employees of restaurants are up 668%, and from the transportation sector, up 574% from the prior year. In the County of Hawai'i alone, overall unemployment claims for the last week of September are up 574% from the same time last year.

The economy of Hawai'i is heavily dependent on tourism, and the entire state is suffering from this downturn in the visitor industry. We welcome any and all assistance that the federal government can provide to help us during these difficult times.

Aloha,

HARRY KIM,
Mayor.

Attachment 2

OFFICE OF THE MAYOR,
City and County of Honolulu, Hawaii,
October 12, 2001.

Hon. BYRON L. DORGAN,
 Chairman,
 Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
 Senate Committee on Commerce, Science, and Transportation,
 Washington, D.C.

Dear Senator Dorgan:

Although we did not suffer a direct assault, the attack on our nation last month dealt a major economic blow to the City and County of Honolulu. It sharply increased the costs to safeguard both our citizens and the millions of visitors who come here each year. At the same time, the attacks radically curtailed our major source of revenue, tourism. The war on terrorism promises to be lengthy, and its chilling effects on travel and the costs of added security will remain with us for the duration of the conflict.

Honolulu was better prepared than most cities. Three years ago, we began the process of developing a Terrorism Response Plan. It was a collaborative effort among our emergency response agencies (police, fire, emergency medical and civil defense). We also worked closely with the appropriate state and federal agencies (to include the military) based here. The plan was in place earlier this year. It was exercised during the Asian Development Bank meeting in May of this year, and is now being used as a model for other cities.

In response to the attacks of September 11, 2001, additional police now protect our key infrastructure and public places. But the overtime costs continue to mount, and there is no relief in sight. Added equipment is on order to help us detect biological attacks during their early stages. These are costs that we cannot defer. It will be a major challenge to support the added costs brought on by the attacks—a challenge compounded by bleak revenue projections.

The visitor industry accounts for about a third of the jobs in Hawaii. They are distributed among hotels, airlines, cruise lines, restaurants, ground transportation, attractions and the retail sector. The industry normally generates over \$7 billion in revenue that also makes its way into every other sector of our economy. About 60 percent of that is generated in one square mile of our city—Waikiki. Across the State, revenue is projected to drop by \$1 billion before the year ends, and most of that loss will be felt by Honolulu.

Clearly, we are engaged in a new and pervasive form of warfare, and much of the defense of our nation will rest with municipal governments. If we are to win this war, it is vital that cities—our first line of defense—receive federal support. I strongly recommend that you consider that as these hearings proceed.

Thank you.
Sincerely,

JEREMY HARRIS,
Mayor.

Attachment 3

OFFICE OF THE MAYOR,
County of Kaua'i, Hawaii, October 10, 2001.

Hon BYRON L. DORGAN,
Chair,
United States Senate Committee on Commerce, Science, and Transportation,
Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
Washington, D.C.

Re: Economic summary for the County of Kaua'i

Honorable Chair Dorgan and Subcommittee members:

Allow me to express my aloha and gratitude to our Congressional leaders for your steadfast action in the face of a crisis which is unprecedented in our nation's history. Your display of leadership has helped to inspire our island community to work diligently through these challenges, toward a renewed sense of normalcy and a prosperous economy.

Like many cities and counties across the nation, the events of September 11 have slowed our major commercial engine: tourism. Tourism and related businesses account for nearly 75% of our economy on Kaua'i, and prior to September 11, we were experiencing a sustained economic resurgence following a rebound from Hurricane Iniki in 1992.

After experiencing an exceptional year for the visitor industry in 2000, the current year was seeing visitor arrivals only slightly lower. Since September 11, Kaua'i's hotel occupancies are reported to as much as 30% below earlier annual projections.

Interisland flights into Lihue Airport are at or near full capacity. Daily direct flights from the U.S. mainland to Lihue have held passenger loads at 85%.

Reports from our island businesses indicate a drop off of 20% to 30% of business sales. Most businesses are responding by reducing store and/or employee hours, with the intent to preserve as much capital as possible for the long run. Employees are encouraged to submit for unemployment claims to bridge over the loss in income, while companies are attempting to sustain employee benefits for as long as possible.

Surprisingly, because of our heavy dependence on tourism—with an estimated 11,500 visitor-industry related jobs representing nearly 45% of our workforce—less than 5% have filed for unemployment claims since September 11. Still, 73% of claims for unemployment on Kaua'i have been received from residents employed by the visitor industry.

The fall months are generally a slower period for visitor arrivals, so many businesses were already prepared for a slight decline. However, a sustained or severe economic downturn could have devastating effects on certain sectors of our economy.

Additionally, a downturn in the visitor industry impacts the County directly. Our Finance Department is projecting that transient accommodation tax revenue for the period June through December 2001 will be \$900,000 less than was expected prior to September 11.

Hopefully, this brief synopsis will assist you in further decision-making as it relates to economic matters. Your attention to these critical issues at this early stage will no doubt help to stabilize our economy even in the face of uncertainty.

Please call upon me if I can be of any further assistance.

Aloha pumehana,

MARYANNE W. KUSAKA,
Mayor, County of Kauai.

Attachment 4

OFFICE OF THE MAYOR,
County of Maui, Hawaii, October 12, 2001.

Hon. BYRON L. DORGAN,
Chairman,
Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
Senate Committee on Commerce, Science, and Transportation,
Washington, D.C.

Dear Mr. Chairman:

On behalf of the people of Maui County which includes the islands of Maui, Molokai, Lanai and Kahoolawe, I appreciate the opportunity to comment on the state of the tourism industry in my county in the aftermath of the September 11 attack on America.

The visitor industry is Maui County's main economic driver. Spending by visitors accounts for approximately 80 percent of our county's economic activity, both direct and indirect effects. As a result of the terrorist attacks, the number of visitors to our County has dropped dramatically.

Before September 11 we expected modest economic growth for 2001. "A respectable if-not-good year for Hawaii businesses and consumers" was how one of our leading economists described our economic outlook. Now we expect to end the year in negative numbers and are projecting a 15 percent decrease in visitor arrivals.

We're already seeing the ripple effects throughout the County with double digit increases in the number of individuals filing unemployment claims. Retail, restaurant, activities, hotel and other visitor-related businesses have suffered losses in sales and revenue. Some smaller businesses have closed down altogether; others have cut employee hours or laid off staff to preserve cash.

Hawaii's visitor industry relies mainly on air travel. If consumer confidence does not rebound or is future eroded, our County's economy will face an even greater impact including more business failures and more jobs lost. Although we are taking measures to help ourselves, we do not have the resources to do this alone.

We support our State Administration's efforts under the leadership of Governor Benjamin Cayetano and Lt. Governor Mazie Hirono to seek Congressional assistance for the visitor industry in our State. We greatly appreciate the assistance provided to the airline industry but the overall visitor industry needs additional help at this time.

We thank you for the leadership you and your Committee are providing in this area and appreciate the opportunity to comment. We look forward to welcoming you to Maui in the near future to experience the special aloha and magic of Maui County.

Best wishes.

Sincerely yours,

JAMES "KIMO" APANA,
Mayor.

HAWAII HOTEL ASSOCIATION,
Honolulu, Hawaii, October 10, 2001.

Hon. BYRON L. DORGAN,
Chairman,
Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
Senate Committee on Commerce, Science, and Transportation,
Washington, D.C.

Dear Senator Dorgan:

I want to thank you for the opportunity to provide a letter in support of the testimony provided by Lt. Governor Mazie Hirono of Hawaii. I am Murray Towill, President of the Hawaii Hotel Association. Our Association represents over 180 properties, including all of the major hotels in Hawaii. Our members include over 75% of the visitor accommodation units in Hawaii as well as over 400 businesses that service or supply Hawaii's hotels. Our Association is in strong support of the efforts being undertaken by Lt. Governor Hirono and Governor Cayetano and their administration, to deal with the crisis facing us all. We also appreciate your efforts and those of your colleagues, especially our hard working delegation led by Senators Inouye and Akaka in leading our country through these difficult times.

Nationally, travel and tourism is a \$650 billion dollar industry, which generates \$99 billion in tax revenues and produces a \$14 billion dollar trade surplus. Our industry also involves 1 in every 17 American jobs.

In Hawaii, travel and tourism is our number one industry representing 26% of our gross state product. Hawaii is also unique in this great nation of ours as the only state where, except for limited cruise ship arrivals, one has to fly to visit or return home. The safety of our airlines and their economic vitality along with continued lift isn't a matter of convenience for 1 million Hawaii residents; it is absolutely essential for our way of life. I will try and highlight a few of the factors that indicate how hard hit Hawaii has been in this crisis and how important federal assistance can be in the challenging times ahead of us.

Since visitors cannot drive to Hawaii, we are absolutely dependent on air travel. Efforts to help the airline industry and restore public confidence in air safety are absolutely critical. While we have seen increase in air travel in recent days, total visitor arrivals to Hawaii are still 30% below what they were last year at this time. The decline in international arrivals has been even more dramatic. In recent days, international arrivals have been down between 30% and 44% compared to last year. The Japanese market (our largest international market) has been especially hard hit with arrival decreases often well above that of other international travelers.

This dramatic downturn in arrivals has had a significant impact on the occupancy rates at our member hotels and resort condominiums. In our survey of members, we have learned that their occupancy rates vary between 20 to 40 percentage points below what they were at this time last year. While these occupancies are somewhat better than they were two weeks ago, the lost existing and projected revenue has created severe cash flow problems. The result has been reduced hours and layoffs for workers. In fact, initial unemployment filings for the last 2 weeks in September totaled over 3600 hotel workers. This was more than 19 times higher than the comparable period last year for hotel workers. Unfortunately, unemployment claims in other sectors of the travel and tourism industry are also up dramatically.

Some of the other effects we are seeing in our industry are substantial reductions in purchases, halting of improvement and upgrade projects, as well as stopping of new investments. All of these actions are terribly detrimental to our industry and our community. We must find ways to quickly get our industry back on its feet or the economic impact to Hawaii will be devastating.

We have already begun to see the impacts in increased unemployment claims, many workers and families losing their medical coverage, reduced tax revenue and severe pressure on human service organizations like the Hawaii FoodBank and agencies dealing with the increasing number of homeless.

We are proposing some specific ideas that can help us through this crisis. Our proposals will fall into 2 areas: Assisting People and Assisting Business Travel and Tourism (as well as other Business).

1) Assist People

OBJECTIVE: Help people personally affected by this crisis.

- Extend unemployment benefits and ensure affordability of Cobra-extended health benefits.
- Federal support of retraining programs to enhance skills/future marketability
- Consider use of surgical approach to aid like the Earned Income Tax Credit to assist families who may have fallen behind on mortgage payments/rent, have difficulty paying for utilities, or other ordinary household expenses.

2) Assist Business

OBJECTIVE: Stimulate the economy with an initial focus on travel and tourism.

- Implement an across-the-board, 100% tax deduction on travel and related expenses for both corporations and consumers.
- Extend tax incentives for capital improvements and new construction to all industries to encourage companies to invest.
- Expand “carry back” provisions to allow businesses to soften the impact of huge current operating losses.
- Accelerate federal capital improvement projects especially those that will enhance the visitor/resident experience and infrastructure on all islands.

We need to stimulate the economy and get Hawaii moving. In order to get Hawaii moving we must get Americans moving.

Sincerely,

MURRAY TOWILL,
President.

Attachment 6

Table 1. Hawaii Average Daily Passenger Count

(Excludes Canada)

Passengers	2001	2000	Percent difference
All Passenger Arrivals			
<i>Sept 1–10</i>	19,206	19,158	0.3%
Sept 11–Oct 3	11,501	18,770	–38.7%
Latest 7 days (Sep 27–Oct 3)	14,647	19,910	–26.4%
Latest 3 days (Oct 1–Oct 3)	14,439	18,922	–23.7%
Domestic Arrivals			
<i>Sept 1–10</i>	12,974	12,521	3.6%
Sept 11–Oct 4	9,113	12,901	–29.4%
Latest 7 days (Sep 28–Oct 4)	11,636	13,921	–16.4%
Latest 3 days (Oct 2–Oct 4)	11,013	12,696	–13.3%
International Arrivals			
<i>Sept 1–10</i>	6,232	6,637	–6.1%
Sept 11–Oct 8	2,804	5,970	–53.0%
Latest 7 days (Oct 2–Oct 8)	3,847	6,188	–37.8%
Latest 3 days (Oct 6–Oct 8)	4,097	6,475	–36.7%
Japan Arrivals			
<i>Sept 1–10</i>	5,856	6,041	–3.1%
Sept 11–Oct 8	2,453	5,496	–55.4%
Latest 7 days (Oct 2–Oct 8)	3,486	5,750	–39.4%
Latest 3 days (Oct 6–Oct 8)	3,755	6,004	–36.7%

State of Hawaii, Department of Business, Economic Development & Tourism, October 2001.

Attachment 7

Table 2. Hawaii Unemployment: Initial Claims by Industry
(Percent change from same period in 2000)

Period Week End Date	Transportation		Eat & Drink		Retail		Hotels		TOTAL	
	Num- ber	% Change	Num- ber	% Change	Num- ber	% Change	Num- ber	% Change	Num- ber	% Change
1-Sep	76	43.4%	50	-19.4%	108	-7.7%	134	17.5%	1,135	15.1%
8-Sep	62	1.6%	53	26.2%	113	20.2%	177	53.9%	1,112	19.4%
15-Sep	84	3.7%	43	-12.2%	98	-5.8%	209	69.9%	1,220	24.0%
22-Sep	380	493.8%	214	269.0%	431	278.1%	1,671	1554%	3,654	299.3%
29-Sep	535	710.6%	369	668.8%	915	815.0%	1,936	2233%	4,629	447.2%

State of Hawaii, Department of Business, Economic Development & Tourism, October 2001.

Attachment 8

Table 3. Hawaii GSP and Investment: 1990–2000
(in current dollars)

Year	GSP (\$mil.)	Gross Private		State Government CIP	
		Value (\$mil.)	% share of GSP	Value (\$mil.)	% share of GSP
1990	29,091.0	4,722.4	16.2%	995.2	3.4%
1991	30,729.8	5,857.2	19.1%	1,027.2	3.3%
1992	32,504.3	5,688.7	17.5%	1,323.5	4.1%
1993	33,532.0	5,420.7	16.2%	1,188.3	3.5%
1994	34,354.6	4,553.2	13.3%	1,214.5	3.5%
1995	34,526.4	4,776.9	13.8%	822.3	2.4%
1996	34,893.6	4,355.3	12.5%	720.6	2.1%
1997	35,797.9	3,569.0	10.0%	898.5	2.5%
1998	36,465.2	3,703.4	10.2%	818.2	2.2%
1999	37,395.1	3,834.9	10.3%	627.4	1.7%
2000	39,394.3	5,318.6	13.5%	612.6	1.6%

Source: DBEDT GSP Account

State of Hawaii, Department of Business, Economic Development & Tourism, October 2001.

Attachment 9

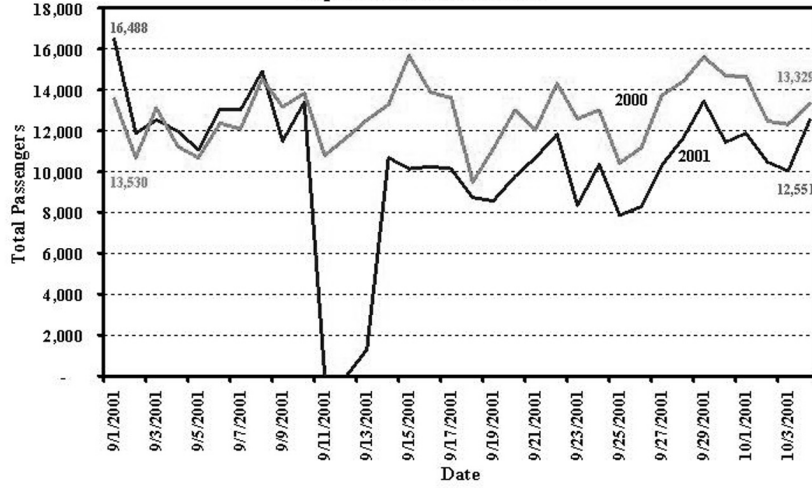
Table 4. Economic Impact of 9-11 on Hawaii's Economy: CY 2001

	Scenario I	Scenario II	Scenario III
Assumptions			
Visitor growth rate, September–December 2001	-13.0%	-20.0%	-30.0%
Visitor growth rate, January–August 2001	-1.0%	-1.0%	-1.0%
% reduction in visitor arrivals, CY 2001	-4.8%	-7.0%	-10.2%
Reduction in number of visitors from Actual CY 2000	-286,441	-440,678	-661,017
Reduction in GSP (\$mil.)	-471.0	-724.6	-1,086.9
Reduction in jobs (incl. self employed)	-10,849	-16,690	-25,035

State of Hawaii, Department of Business, Economic Development & Tourism, October 2001.



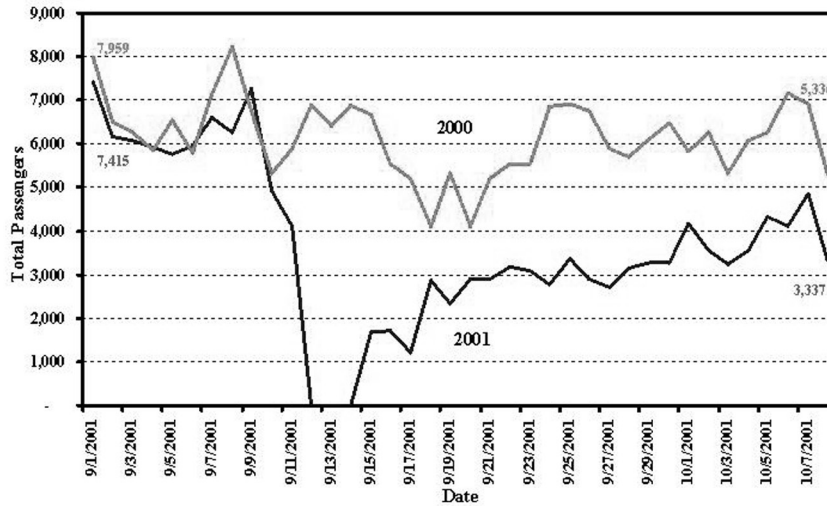
**Chart 1. Total Hawaii Domestic Passenger Count
September 2000 & 2001**



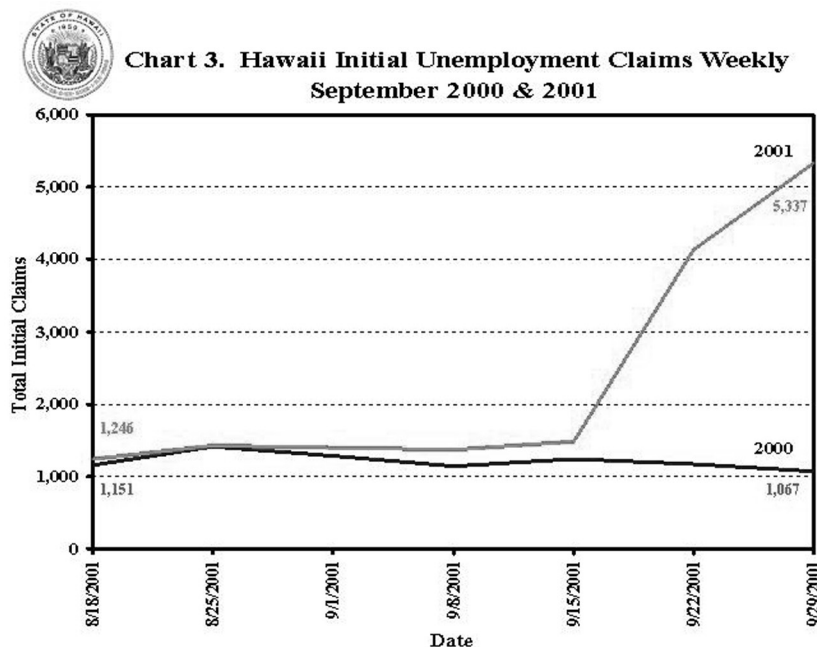
Source : State of Hawaii, Department of Business, Economic Development & Tourism, October 2001



**Chart 2. Total Hawaii International Passenger Count (not including Canada)
September 2000 & 2001**



Source : State of Hawaii, Department of Business, Economic Development & Tourism, October 2001



Source: State of Hawaii, Department of Business, Economic Development & Tourism, October 2001

Senator DORGAN. Senator Inouye.

Senator INOUYE. I would like to commend our Lieutenant Governor, and add a footnote to that. Although we are 5,000 miles away, and far away from New York, the people of Hawaii gave more blood during the first week after September 11 than we did during the same period after December 7. We contributed more money for use in New York during the first week after the disaster than we did all of last year.

I think the people of Hawaii, though far away, felt the pain and misery of the folks in New York. We are trying our best to help ourselves, but we need help, and I am glad that this Committee is doing whatever it can. I appreciate it very much.

Senator DORGAN. Senator Inouye, thank you very much.

I am sure I will embarrass Senator Inouye by pointing out that the September 11 attack on this country by terrorists was certainly an act of war, and as a member of this panel we have a Medal of Honor winner with us today. Senator Inouye is a real hero in my judgment, and has served this country in so many ways, and now continues to serve us here in the U.S. Congress by legislating good public policy to lift this country. I am honored to serve with him, as are all of my colleagues.

Let me call on my colleague from Florida, Senator Nelson, and then if the two of you would be available for a few questions, we would appreciate it, then we will have the next panel.

Senator Nelson.

**STATEMENT OF HON. BILL NELSON,
U.S. SENATOR FROM FLORIDA**

Senator NELSON. And your comments, Mr. Chairman, cause me to reflect to the time that I wore the uniform of this country, and what a great treat it was for me to go to Honolulu and how Honolulu was this wonderful tourist mecca that was always just such a delight to go to.

And at the time that I was a lieutenant, there was an area around the place called Orlando, Florida, that was a lot of orange groves and cow pastures, and is now the No. 1 tourist destination in the world. What you all are suffering in Hawaii is being suffered not only in Orlando, but Tampa, Miami, many of our other areas that are major tourist destinations. Tourism is a \$50 billion per year industry in the State of Florida.

So as we look at what we are going to do to get people back into the airplanes, and try to get that industry back on a footing which will produce the traffic for the hotels, the tourist attractions, the restaurants and so forth, we need to think outside of the box in finding solutions to this vexing problem. With the upcoming consideration of the stimulus package, I approach with a bit of trepidation when I see things being talked about in the Finance Committee like increasing depreciation. That may be good for the long term, but that is not going to be good for the short term that we need as a stimulus.

So maybe we ought to seriously consider in the stimulus package things that would directly help the travel and tourism industry, such as—and I am just throwing ideas off the top of my head—a tax credit for a couple to go out and travel so that there would be a direct incentive for someone to take a trip now, and to stay in a place of public accommodation. Maybe that is one thing. Maybe another thing is that, allow that kind of tax credit that it would apply to the accompanying spouse as well, and as you look on down the road, we can take as a deductible expense if we go to a convention under the present IRS rules and regulations, but if we have our spouse accompany us we cannot. Maybe that is something that we ought to encourage, which interestingly has an implication of keeping families together as well, so there are a lot of things, and I think that this stimulus thing is going to get drug out, because there is so much controversy, but now is the time for us to have our voice heard on what will help this travel and tourism industry, which is one of the largest industries in America, and which so vitally affects constituencies of states such as all of ours, and let us make this stimulus package something that will really work, and work immediately and help these industries that are hurting.

Thank you, Mr. Chairman.

Senator DORGAN. Senator Nelson, thank you very much and, of course, in addition to all of the things you have discussed, there are issues such as loan guarantees, which also could be employed. We did that with the airlines, and so there are many ideas we can discuss, and I think you have touched on several good ones. I think we will hear from witnesses about them as well, as we hear additional witnesses today.

Senator NELSON. By the way, Mr. Chairman, can I say one other thing?

Another thing I think we ought to think about, I never understood, when I was in the House and was the chairman of the U.S. Congressional Travel and Tourism Caucus, that the Reagan Administration was absolutely hell-bent that it was going to get rid of that little tourism office in the Department of Commerce, which was promoting America all over the world very successfully. The Reagan Administration appointee was doing a very good job, but there was this mind set that this was part of bureaucracy that we had to get rid of, and they got rid of it.

All right, what we ought to be thinking about, if not a USTTA, something in the Department of Commerce that would be a focal point for travel and tourism, and a promotion of America outside of America to get people to come and visit in America, and so I would put that on the table as we talk about what ought to be done.

Senator DORGAN. Thank you very much.

Let me ask both witnesses just a couple of questions, and my colleagues likely will have questions.

Both Washington, D.C. and, I assume, Hawaii experienced prior to September 11 a softening of the economy, a more difficult set of circumstances with regard to tourism, and you saw diminished tourism, I assume, leading up to September 10, and then the tragic events of September 11 happened and it changed dramatically, but can you describe the difference pre-September 11 and post-September 11, because both periods represent a decline, what I suspect are sharp or not-so-sharp.

Mayor Williams.

Mayor WILLIAMS. Actually, Mr. Chairman, the District prior to September 11 was enjoying a record economy, a record level of unemployment, a record level of occupancy, both in our office economy and in our hospitality industry, and so we actually were doing very, very well in rebuilding the city, and getting the city to the kind of national standing that our Nation's Capital should enjoy, and that is why the impact of September 11, the closure of Reagan National Airport, the overall loss of consumer confidence in the tourism business, has had such a big effect on our industry.

If you have hotels and we are operating at around 80 percent occupancy, and now they are operating in some cases down as low as 20 percent, or where you are opening up a new restaurant every week, practically, and now there is a situation where after September 11 the restaurant business is struggling, it calls for some type of action. For example, there was a waitress over at the Occidental who was saying that she took in a week the receipts she normally took in in a couple of hours in an afternoon, before September 11. It is anecdotal, but it gives you a kind of sense of the impact that it has had, and the delta between pre- and post-September 11.

Senator DORGAN. With respect to the District, have you seen any substantial change with the opening of Reagan National in just the last few days?

Mayor WILLIAMS. It is too early to tell the actual figures as we are getting from our business industry, but there has been some uptick in some establishments, but in general we are still operating way too slowly. If I could just add, one of the problems, is the grad-

ual phasing in of operations at Reagan National. I do not think anyone is talking about full recovery for the airport, and so it will not be operating at 100 percent of its pre-September 11 capacity, and that is going to have an effect on us. I welcome the re-opening of Reagan National and I salute the President for his bold move.

Senator DORGAN. Lt. Governor, would you tell me about pre-September 11 and post-September 11, and perhaps also reflect on the similar circumstance, but perhaps less dramatic, in the period of the Gulf War, a decade ago?

Lt. Governor HIRONO. Yes. Generally, our economy was actually in a third year of an economic rebound, and for next year we were looking at a growth of about 5 percent. That has all been changed. We were looking at tourism from the West Coast in particular, and from Japan. As we follow very closely the national economy as well as the Japanese economy, things were actually looking very bright for us. Hawaii had already set aside \$60 million for tourism promotion, and we were moving toward promoting Hawaii tourism in new markets, because our West Coast market, our mainland market, and the Japanese market, while we were watching it, seemed to be holding.

Of course, it all came to a screeching halt, and so pre-September 11 our economy was in a growth path. Our unemployment had come down after a decade of economic stagnation.

Senator DORGAN. You indicated that a substantial amount of tourism in Hawaii is international.

Lt. Governor HIRONO. Yes.

Senator DORGAN. Can you describe, whether there is a difference between U.S. citizens and international travelers coming to Hawaii at this point, post-September 11? Has one changed more than the other?

Lt. Governor HIRONO. Certainly the Japanese tourism picture has dropped by 50 percent. In terms of arrivals about one-third of our international tourism consists of Japanese tourists. They do spend more, on average, than tourists from other places. Our tourism from Europe was relatively small. It has gotten even smaller, and so there are differences in the kind of travelers who come to Hawaii. We are very, very dependent on international travelers, especially from Japan, which is why Governor Cayetano embarked on a special mission to Japan from which he is returning to Hawaii only today.

Senator DORGAN. Mayor Williams, you said the District of Columbia is developing a \$100 million loan guarantee for businesses in the District affected by this. With respect especially to the tourism and travel industry, we have already provided loan guarantees, rather significant loan guarantees for the airline industry. Do you think they could be successfully employed, if targeted properly as one of the devices to address this issue with respect to tourism and travel at the federal level?

Mayor WILLIAMS. Yes, I do, Mr. Chairman. I would join with Senator Kyl about the patient on the operating table. If, for example, the arm of the patient is hemorrhaging, and I think the arm of the patient that is hemorrhaging right now is travel and tourism, it needs quick, dramatic, concentrated attention.

Senator DORGAN. Senator Inouye.

Senator INOUE. I would like to commend the Mayor for his statement. As he correctly pointed out, this is not just a city, it is our Nation's Capital, and I commend you for your leadership in making this an open city, albeit a secure one, and I wish to congratulate you on your leadership in reopening Reagan National, because how can we tell the world that everything is fine in the United States and open up all the airports but one, our Nation's Capital?

So your leadership has been most important here. I commend you, sir.

Mayor WILLIAMS. Thank you, Senator. I appreciate that. My dad was a big fan of yours. He was in World War II.

Senator INOUE. Thank you very much.

Mr. Chairman, the statement made by my Lieutenant Governor is a profound one. It may sound strange to some when she recommended among other things that our government send delegates and people to Hawaii for meetings and conferences. Most Americans do not realize this, but in many departments and bureaus Hawaii is considered overseas and, therefore, travel to Hawaii is considered a special luxury, as though you are going to Hong Kong, so even Members of Congress are reluctant to go to Hawaii, because their constituents may criticize them for going to some exotic watering place.

That is not the case, and keep in mind, we are one of the 50 States of the Union, and I would hope that after 50 years, nearly 50 years of Statehood, Hawaii would be considered a full-fledged State and not an overseas foreign destination, and so I hope that the Government of the United States would consider Hawaii as a site for meetings. No one fusses when they have a meeting in Los Angeles, or Pittsburgh, or South Dakota, or any other place, but Honolulu they will say, uh-oh, this is playtime. Well, it is a good place to go.

Lt. Governor HIRONO. But we also do business.

Senator INOUE. I should point out, according to the Internal Revenue Service, the attendance at meetings and conferences in Hawaii are the very best.

[Laughter.]

Senator INOUE. When a man says, honey, I am going to Hawaii for a conference, she says, you go if I go.

[Laughter.]

Senator INOUE. And if she goes, he attends the morning breakfast meeting.

[Laughter.]

Senator INOUE. Mr. Chairman, what my Lieutenant Governor pointed out is very important. I think we should consider Hawaii one of the States of the Union.

Lt. Governor HIRONO. If I may remark, I did wish to address just briefly your question about the impact of the Gulf War, and we did see a downturn, very sharp, but that recovery was about six months in the making, and we were able to come back to our normal levels.

We certainly expect this crisis to last a lot longer than that, and I would like to add my kudos to our great Senator Inouye for mentioning that we do need the people to come from the federal govern-

ment and other states to come to Hawaii as a place not only for relaxation, but for business and, in fact, in early April of the year 2002 we are expecting a Department of Commerce Economic Development Administration Regional Conference that will bring 2,000 people to the State of Hawaii, and I certainly hope that that conference will come.

Senator DORGAN. Governor, thank you very much.

I might say, Senator Inouye, you are not at all denying that Hawaii is exotic.

Senator INOUE. Not at all.

[Laughter.]

Senator DORGAN. We would not want the record to reflect that. Let me call on Senator Smith.

Senator SMITH. I would like to begin my questioning by telling my colleague, Senator Inouye, that it may be that many public officials are reluctant to go to Hawaii, but I have overcome that reluctance many times.

[Laughter.]

Senator SMITH. And I will continue to do so.

Mr. Mayor, and Lieutenant Governor, the fact that you are here indicates that every level of the Government-local, State, and Federal-would like very much to help and very much to respond to this national emergency while helping this most vital industry.

I think we have done a commendable and quick job of trying to send the signal that it is safe to travel. In fact, it has never been as safe as it is now. I wonder, though, if you might have a concern that I am beginning to have. When you go to nearly any airport in this country, even my little home town of Pendleton, Oregon, our airports are beginning to look like military fortresses, and they are safe, but they send, it seems to me, psychologically the message that this is dangerous.

Do you think we need to be thinking about how we might perhaps provide that security but in a less threatening way, and I wonder, Ms. Hirono, how you might do that in Hawaii, or do you have any concern with the imagery of cement bunkers and people in military fatigues with automatic weapons?

Lt. Governor HIRONO. I think that is an image we need to be concerned about nationally, and Hawaii, of course being the Aloha State, that that is a kind of a contradictory message. I think we should really spend a lot of our resources in bringing to bear technological development so that our airports can have the kind of security that would be of a technological nature in terms of how we can process people through the security checkpoints, and Hawaii has been at the forefront where a lot of these new technologies have been used and tested, and we would like to have continuing support for those initiatives.

Senator SMITH. Mayor Williams, do you have any thoughts about that?

Mayor WILLIAMS. Yes, Senator. I think Washington, D.C., I mean, unique among cities, or certainly along with world capitals, financial capitals such as New York City, has always faced the question of maintaining a safe city but also an open city. We should be a living, breathing example of democracy, and democracy is about openness.

We recognize in our form of government it is more difficult to do certain things, and security is one of them. I think that we really tread along a fine line of putting in security precautions and measures, and doing it in a way that reinforces folks' confidence, as opposed to eroding folks' confidence. Certainly the danger here, if left unattended, is a situation where we potentially could have Capitol Hill sealed off, the White House is sealed off, all the major monuments are sealed off, Reagan National Airport is closed, and then I am standing here, another official saying come on down to Washington, we are an open city, and yet all the visible symbols and signs and signals are to the contrary.

Senator SMITH. It says that it is dangerous.

Mayor WILLIAMS. Absolutely. No one would begrudge the need to take strong security measures. I wholeheartedly support what our country is doing and what our President is doing, and I do not want to be in the business of second-guessing.

I just want to say we have to be very, very careful that the threat assessments we are doing, the messages we are sending, and the signals we are sending reinforce people's confidence, and I would think in my humble estimation that the measure that the Senate took to federalize airport security goes a long way toward that, and to put good control over airport security, lessen the need for National Guard troops and everything else at airports, I think helps to do that.

Senator SMITH. I agree with you, and I really think we need to think about sending the message of security without being threatening.

Senator Ensign, who is a member of this Committee from Las Vegas, shared with me a few days ago that after the September 11 attack, tourism to Las Vegas dropped to 20 percent, and his home town seemed virtually empty. Two weeks later, it was nearly at 100 percent again, but that the wait to pass through security at the airport there was taking in some cases up to 5 hours. I would think that is a very retarding message to people to travel.

I think we need to understand no longer can you catch a plane like you catch a cab, but clearly we ought to be focusing more on efficiency on getting people through. Are you doing anything in that regard?

Lt. Governor HIRONO. We have done things such as make sure that there are more people who are at our security points, that we have reconfigured lines, and we have made sure that especially our international travelers, who tend to have to wait longer, and it takes longer to process them, that they get the kind of assistance they need to know which lines to stand in, et cetera, and so we are doing everything we can.

Most people are going to the airport about 3 hours ahead. There have been delays, and this is why I think we really need to look at those ways that will be the least intrusive, but safe way of having people go through the checkpoints.

Senator SMITH. But do not abandon efficiency.

Finally, Mr. Chairman, I took note of Ms. Hirono's outreach to Japan, and I think many of our allies need to understand they can help us and we can help them, but this is how they do it. I assume that is one of the messages your Governor took, and I want to spe-

cifically say, as a Foreign Relations Committee member, I hope we do not forget the Nation of Britain as a tourist destination, just as I hope Japan does not forget us. Britain is going the extra mile every time there is an international conflict that involves us, and we need to say thank you by remembering to go to Britain.

So thank you, Mr. Chairman.

Senator DORGAN. Senator Smith, thank you very much.

Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman. I just wanted to make a statement of compliment to the Mayor. Just to tell him that what a privilege it is for me to be here in our Nation's Capital, which is also the capital of the world. It is the No. 1 sought assignment if you are a foreign diplomat, and it is one of the most beautiful cities that I could ever imagine, and I do not have to imagine, because I have had the good fortune of seeing most of the great cities of the world, and this is one of the most beautiful.

We have in the midst of us people that are poor and that are hungry, and I have had the privilege of participating in some of those efforts, but we have got to do a lot more, so now, with all of this tension, you know, it is just extraordinary that the FBI would release the statement that they did yesterday afternoon at 4, but I think it is a sign of the times to come, and yet in the midst of that, we have got to go on about our normal lives, and this city, the one that is considered one of the targets, has got to function as normal as possible, so as you offer the leadership to this city, as we go through this transition, I wish you Godspeed.

Mayor WILLIAMS. Thank you, Senator, for your kind comments. I appreciate that, and all of the citizens of our city appreciate it as well, and I think that your many gestures, large and small, out in our community, really mirror those that are not only active in their congressional capacities but personal capacities, and I appreciate that.

Senator DORGAN. Mayor Williams, let me add to that to say I am really proud of your leadership. We have had some very uneven times in leadership in this city, but I am heartened by what you are doing for our Nation's Capital, and let me also thank you, and thank Lieutenant Governor Hirono for being with us today and presenting the testimony, so you are excused. Thank you very much.

Next, I indicated Senator Clinton would be with us. Senator Clinton, if you would like to take a chair at the witness table, you are welcome to testify. Senator Clinton, I believe, is on her way to the airport, perhaps going to New York this weekend. In any event, she represents New York, as all of us know, in the U.S. Senate, and front and center on all of these issues dealing with the tragedy of September 11, but also the economic circumstances and especially relating to travel and tourism, are the issues related to New York State and New York City.

Senator Clinton, thank you very much for being here, and you may proceed.

Senator NELSON. Mr. Chairman, may I ask Senator Clinton what she traded with Senator Breaux in order to get to the Super Bowl?

Senator CLINTON. There are some things I cannot reveal except in top secret classified briefings, Senator.

[Laughter.]

Senator DORGAN. Senator Clinton, there are not many of those any more. At least, there are not any secrets. Senator Clinton, you may proceed.

**STATEMENT OF HON. HILLARY RODHAM CLINTON,
U.S. SENATOR FROM NEW YORK**

Senator CLINTON. Mr. Chairman, thank you very much, and thanks to all of my colleagues who are focusing on this very important issue.

One of the devastating effects of the terrorist attacks on September 11 has been the dramatic downturn in the travel and tourism industry, and I know that every one of the Members of this Subcommittee, as well as all of our colleagues, are concerned by the statistics that we are seeing and the stories we are being told by people in our own states, as well as national and international travel and tourism industry representatives. I am very proud to be here representing New Yorkers, who have, as I think everyone recognizes, been extraordinarily brave and resilient in the wake of these horrific attacks on New York City.

It is apparent to all of us that these attacks were meant not only to kill innocent Americans and damage physical structures that symbolized our country's strength and wealth, but also to intimidate us, to test our courage, to undermine our values, and our freedom, our diversity, our joy of life is something that we cannot possibly ever allow to be undermined by those who attempt to impose their own views and ways of life on others.

It is my sincere hope that, as we continue to respond to the emergencies, the removal of debris, the fires unfortunately still smoldering below ground, as we tend to the many human losses that are stalking our land, that we also focus on rebuilding the confidence and the energy and the optimism, and the positive can-do spirit of the American people, and particularly of those who would and should under any other circumstances travel.

I know there are still some concerns in people's minds, but I was in the Columbus Day Parade last Monday, and we have parades for everything in New York, and it was one of the best parades we have had. There was a huge outpouring. I was talking to Mayor Giuliani. He has marched in the parade for a decade or more. I have marched the last couple of years, and we had never seen such large crowds, and as I was going down the street people were yelling, "I am from Oregon, I came to show my support," or I am from somewhere else, and I think that it was a great uplifting moment, certainly for New York City.

But we know we have got to do more. The New York travel and tourism industry has been greatly harmed. In New York City alone, tourism is a \$25 billion industry, including \$17 billion in direct visitor spending, like going to the theater, going to restaurants, going to concerts, going shopping. Last year, New York welcomed 37.4 million visitors. That number supported 282,000 jobs in New York City alone, and generated \$936 million in the city, \$882 million in the State, and \$1.3 billion in federal tax revenues.

All told, it really adds up to about \$3 billion, when you look at all the sources, the dollars that come directly to the federal treasury from New York's tourism and travel industry.

Now, the statistics are grim. In the first weeks following September 11, New York City hotels lost an estimated \$6 to \$10 million daily in room revenues. Even now, weeks after September 11, occupancy rates are down 20 percent. To date, an estimated 4,000 New York City hotel employees have already been laid off, including 1,000 jobs due to lost construction of downtown hotels.

In the period between September 11 and September 30, New York restaurant sales were down 47 percent, compared with last year, and 12 percent of the restaurant work force has already been laid off, and layoffs may rise to 25 percent.

On Broadway, the ticket sales the week of the attacks were down 65 percent. There has been some improvement, but sales are still down 24 percent, and we know that part of what is keeping the theaters open are people in the city and in the surrounding suburbs almost seeing it as their duty to come in and support those who really they identify with, and who give so much joy and energy to our city.

We believe that the sustained losses by the hotel, restaurant, and theater industry combined, according to the New York City Comptroller's Office, were more than \$2 billion collectively, and that probably more than 8,000 total jobs in New York City alone have been lost.

We are also concerned because of the slowdown in international travel. Last year, for example, New York City had 5.1 million visitors from Japan. We do not know when we will ever see that number again. The same is true for people from other parts of the world who used to come to the city, but it is not just the city that is suffering. We have had an impact on the entire State. Upstate New York this time of year is so beautiful. The leaves are turning. It is a breathtaking sight. People drive our windy roads, they go up into the Adirondacks, they go the Finger Lakes, they go to Western New York, and very few people are coming as they usually do.

We often had big tourist groups. Just a few weeks ago, in fact just a week before the attacks, my husband and I were in the Finger Lakes region and going to some of the wineries there, and there were tour buses filled with people from Pennsylvania and Ohio and other nearby States. That has also been severely impacted.

So I hope that as we look at potential solutions we will think not only about New York City, which is most dramatically affected, but the entire State, and I would be remiss if I did not at least recite our 800 number, 1-800-ILOVENY, or 800-456-8369.

Now, may I just say, too, that the concerns we have are not only for the owners of these establishments, but for the workers, the thousands and thousands of workers who have been laid off, or are on the brink of being laid off. I have talked to a lot of business owners, both very large chains as well as small kind of mom and pop operations that do not want to let their employees go, but they are facing some very difficult choices.

The kind of impact that we are looking at means that we should take action quickly. We should not only act to try to provide some incentives to the travel and tourism industry to get us traveling

again, but we have to help support these employees to get them through what all of us hope and pray is a rough patch.

As we consider an economic stimulus package, I hope we will revisit Senator Carnahan's amendment to help the laid-off workers from the airline industry. I hope that we will put together an aid package that will take care of unemployment insurance, and I know that members of this panel have proposed some incentives, some tax credits that I think should be looked at favorably and quickly, because we have to encourage people to get out and enjoy themselves again.

And in the spirit of that, my husband and I are going out to dinner in New York City tonight. We are going to a play. We hope we have lots of company and that many, many people will join us not only here, but throughout our country, and that is something that I think deserves the attention that you are giving it, and I thank you so much, Mr. Chairman, for focusing on this particular consequence of the devastating attacks.

Senator DORGAN. Senator Clinton, thank you so much for joining us. You know from the expressions of our colleagues and all Americans that New York is not alone. This country reaches out to New York, and our thoughts and prayers have been with the folks in New York during this difficult period, and this subject is a particularly acute one, as we deal not only with the security issues and the recovery from the tragedy, we also have to worry about the economy, and because New York is such a significant tourist destination, this has had a significant impact.

I know that you have to travel, and I think we will not ask questions, but we thank you very much for contributing your thoughts to this hearing.

Senator CLINTON. Thank you very much.

Senator DORGAN. Next, we will hear from a panel of witnesses, if they would come forward: Mr. J. W. Marriott, Jr., President and CEO of Marriott International; Mr. Hal Rosenbluth, Chairman and CEO of Rosenbluth International; Mr. John Wilhelm, President of Hotel Employees & Restaurant Employees International Union; and Ms. Marilyn Carlson Nelson, Chair and Chief Executive Officer of Carlson Companies, Inc., and let me ask Mr. Mason Hurst to come forward, as well. We will get another chair.

I have a couple of things to put in the record. One is from the Travel Business Roundtable from Jonathan Tish. Without objection, we will include this as a permanent part of the record, with his views, and views on behalf of the Travel Business Roundtable [refer to Appendix]. I have also information from Alamo National Car Rental [refer to Appendix] and ANC Rental Corporation that we will put in the record, but inasmuch as Mason Hurst, the author of this, is here, I will ask him to come forward and summarize briefly for us with this panel, as well.

Senator DORGAN. Let me begin by welcoming the entire panel. Mr. Marriott, I will ask you to begin. Mr. Marriott, of course, all of us know is President and CEO of Marriott International in Washington, D.C. I guess almost everyone around the world knows about Mr. Marriott, and I think adding your voice to this hearing is very important. We appreciate having you join us. Why don't you proceed.

**STATEMENT OF J. W. MARRIOTT, JR., PRESIDENT AND CEO,
MARRIOTT INTERNATIONAL, INC.**

Mr. MARRIOTT. Thank you, Mr. Chairman. I am delighted to be here, and thank you for the invitation, and to your Members. These past 4 weeks have been the most difficult weeks for the travel and tourism industry that I have ever experienced in 45 years in the business. On September 11, we had our World Trade Center Hotel completely destroyed. Our financial center hotel, 1½ blocks away, was severely damaged. Hopefully, we will be able to reopen that hotel within the next 3 to 4 months.

Tragically, two of our managers were killed at the World Trade Center, as they stayed behind trying to make sure that our guests had been evacuated. Between the two hotels, we successfully evacuated over 2,000 people.

When the weapon of choice for a terrorist attack is 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 for our company in the United States dropped 94 percent. Our room revenues were already down about 10 percent prior to September 11. Some business has come back, but only part-way.

In the past last three weeks in September we were off about 40 percent in revenue. In the first week of October, we were still 25 percent below last year in combined occupancy and room rate, or what we call revpar. Our big city convention resort hotels have been hit the hardest, with massive group cancellations. Business and vacation travel are far below what they should be.

As was mentioned earlier, September and October are the very best months of the year for business and convention travel, and our industry lost all the profit that these good months usually provide.

The hotel industry employs 2 million people in the United States. 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 percent schedule. Planes are half-full. The bigger travel agencies report future bookings are very soft, and now we are coming into the worst part of the year. December is the absolute worst hotel month, and January is the next worst hotel month, and we do not know how we are going to get through these months.

The lodging industry is very capital-intensive, carrying about \$150 billion of mortgage debt, and many hotels will not make their debt service payments. We are not asking for a bail-out, 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 our U.S. economy, but also the global economy.

We in the travel and tourism industry are doing everything within our power to act responsibly in doing our part, both labor and management together. We are embarking on a massive advertising campaign to get America traveling again. We have lowered our room rates, and are offering 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 health coverage for themselves and their families. We have frozen or reduced

executive salaries, and we have laid off about 10 percent of our people at headquarters.

We are looking at every conceivable possibility to build back our business in this difficult time. We ask our government to do the same, to 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 the jobs now, is a tax credit for travel. Congress should enact as part of an economic stimulus plan a temporary, and I stress temporary business travel tax credit and leisure travel tax credit targeted and limited in time and cost.

Senators Kyl and Miller have introduced similar legislation, S. 1500. We support their proposal wholeheartedly.

Let me quote from this week's issue of *Newsweek*. "Business trips are among the terrorist victims." The article goes on to state that in this post-attack period, 58 percent of American business corporations have plans to curtail the travel of their employees. 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 ever get business back to normal faster and more effectively than a targeted travel tax credit. We must do something immediately to get people traveling again, or the consequences for the economy could be disastrous.

The travel and tourism is first, second or third most important industry in 28 states, and here in the District of Columbia. It employs 18 million Americans, pays over \$100 billion a year in federal, state, and local taxes, and generated \$17 billion in trade surplus last year.

I hope you will help us get America moving again. I ask that you include my entire testimony in the record. Thank you.

[The prepared statement of Mr. Marriott follows:]

PREPARED STATEMENT OF J. W. MARRIOTT, JR., PRESIDENT AND CEO,
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 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, 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. We are, through yesterday, 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. We have lost all of the revenue that these months usually provide.

The hotel industry employs over two million people in the U.S. Today, one half of these employees 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 we are coming into the slow season. December is the worst hotel month and January is the second worst.

The industry is very capital intensive, carrying \$200 billion of mortgage debt. Most hotels will not make their debt service payments—this year or next.

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.

Many of the major hotel chains are waiving the charges or providing other relief to franchisees for participation in frequent stay awards’ programs.

We are looking at every conceivable possibility to help our employees, our customers, our owners and franchisees to weather this storm.

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. We know that we can count on you.

There are three proposals we think Congress should consider. I want to emphasize the first because it will provide an immediate shot in the arm for travel and do more to save jobs now.

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

Let me quote from this week’s 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. It must be targeted and limited by time and cost.

Secondly, we propose increasing the deduction for meals and entertainment to 100% from 50% and a re-inclusion of the deduction for spousal travel. This would be a one year program.

Finally, we propose a six-month holiday on payroll taxes for employees and employers in the hospitality industry. This would provide much needed money for employees whose hours have been cut as well as provide liquidity for their employers.

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

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.

Senator DORGAN. Mr. Marriott, thank you very much.

Senator SMITH. Mr. Chairman, I wonder if—and I have to regrettably head to the West Coast as well. Could I indulge my colleagues to ask a question out of turn?

Senator DORGAN. Of course.

Senator SMITH. Bill, if I may call you that, can you give us a sense of what kind of inventory the hotels are coming onto the market, either in your own or the industry generally, and what the multiplier effect will be as to new construction, and the impact on the construction industry?

Mr. MARRIOTT. Well, the construction has been slowed down considerably. We estimate that immediately there has been about a 20 to 25 percent drop in new construction following the September 11 attack.

Senator SMITH. Are there many new hotels coming online right now, or plans that are being shelved?

Mr. MARRIOTT. The plans for things that are not in the ground now have been shelved.

Senator SMITH. Thank you.

Senator DORGAN. Senator Smith, thank you. Again, Mr. Marriott, thank you for your contribution and your leadership.

Next, I will call on Mr. Rosenbluth, and I am going to do it in order of the schedule here. My colleague, Senator Conrad was going to be here to help introduce Mr. Rosenbluth. He is not able to be here.

Let me just say, Mr. Rosenbluth, Hal Rosenbluth is Chairman and CEO of Rosenbluth International, one of the world's largest travel agencies. He is a very, very special friend to the State of North Dakota for a lot of reasons. He has discovered one of the great secrets of our country, and that is, there is an outstanding labor force in the middle of America, in America's heartland, and he has created a large number of jobs in our state, and for that we are grateful, but he is also a remarkable citizen of North Dakota, I guess citizen of the world, given what his corporation does, but Hal, thank you very much for joining us today, and he and I have had an opportunity to visit last week about these issues, and I appreciate your willingness to share them with our Subcommittee.

Why don't you proceed.

**STATEMENT OF HAL F. ROSENBLUTH, CHAIRMAN AND CEO,
ROSENBLUTH INTERNATIONAL**

Mr. ROSENBLUTH. Thank you, Chairman Dorgan, Senator Smith, and Senator Inouye. I am going to add a little bit different perspective to some of the testimony you have heard today, and some of the additional testimony that you will hear following my remarks.

I think that it is very important that Congress recognize the critical role that the travel agency industry plays in making it possible to facilitate travel that would take advantage of any tax credits or any other stimuli for travel in general. Eighty percent of all airline reservations are made by travel agencies. There are 30,000 travel agencies across the United States, which I am here to represent today. Imagine what it would be like if 80 percent of all reservations for airlines, hotels, and car rentals were to cease as a result of the travel agency community becoming a nonentity as a result of the effects of the tragedy of September 11.

There have been tremendous layoffs in the industry. The industry has done its part to, in fact, cut back on salaries. Our company alone reduced executive pay by 20 percent, eliminated bonuses. We were forced to furlough 1,200 of the finest, most wonderful, dedicated people that any company could be blessed with. We have cut our GNA by 55 percent, and I am sure that all other agencies have done something of a similar nature to recalibrate themselves.

However, the 30,000 travel agencies are not in good shape, and we are not talking about months or years here, we are talking about days and weeks. These agencies have gone for the most part with virtually little or no revenue for sometime now. The airline aid package was absolutely critical, and I thank the Government for putting that in place, but if people have no means for making a reservation, then it does not matter how much fuel or how many planes there are that can lift off in the sky, there will be nobody to make reservations for them.

The airlines have laid off over 100,000 people already. The travel agency community is expected to lay off a similar number in the coming weeks ahead. There is no other infrastructure that exists in travel to facilitate reservations for airlines, hotels, and car rental companies, other than the 30,000 travel agencies in the United States.

During the period between September 11 and September 17 of this year, the agency community lost an estimated \$364 million due to the virtual cessation of new sales as a result of the decision to ground flights and to close airports, which was absolutely the right thing to do as a result of the attack on America. However, agencies are also losing today \$26 million a day in airline sales revenue, and agencies will lose \$25 million per day in hotel sales, \$6 million in car rental sales, \$10 million in cruises, and \$6 million in other related industries, so I think it is absolutely critical that if we are to take advantage of any of the stimulus packages that are put in place, that there be the agency community, an active and vibrant agency community to facilitate any travel whatsoever.

We have talked a lot about tourism today, but think about the major corporations, in fact, almost every corporation in America that depends on a travel agency to do business. We alone service the three largest banks in the United States, the largest semiconductor company, the largest application software company, the largest chemical companies and automotive companies, et cetera. These people need travel agencies, and are totally dependent on them for commerce. They must be able to travel from one place to another to conduct commerce, or, in fact, we will see this nation be negatively affected to an even greater degree than it is today.

So I have reviewed the federal aid plan that has been requested by the American Society of Travel Agencies, and have, in fact, attached it to my written prepared remarks. However, I would like to talk about two items which I feel are absolutely critical, as a minimum, for the travel agency as we know it today to survive and to keep America flying and traveling. One is the loan guarantees structured similar to the airlines in their relief package and, given the capital characteristics of the industry, loans should be on the ability to repay, and not collateral. Agencies do not have tangible or hard assets. They have people.

Second, a grant in the amount of \$364 million to offset the damages incurred by the travel agency community during the week of September 11 to September 17, which was a result, once again, of planes being grounded and airports being closed.

I have a lot more to say, but I would like to just end with this, that there are 300,000 people in the travel agency community that make reservations today. The airlines have closed a number of their reservation centers. They have laid off over 100,000 people.

If you remove the travel agency community from its ability to make reservations for the traveling public, whether it be for pleasure or for business, we will find that the airlines will not be able to get off the ground and take people to hotels or to car rental companies or to restaurants or to any other vital parts of our commerce and economy that is involved with travel and tourism.

Thank you very much, and I would ask to put my remarks in the record.

Senator DORGAN. Without objection.

[The prepared statement of Mr. Rosenbluth follows:]

PREPARED STATEMENT OF HAL F. ROSENBLUTH, CHAIRMAN AND CEO,
ROSENBLUTH INTERNATIONAL

Mr. Chairman and Members of the Committee on Commerce, Science, and Transportation, my name is Hal F. Rosenbluth, Chairman and CEO of Rosenbluth International. I am pleased to have the opportunity to speak with you today. Founded in 1892, Rosenbluth International, the world's third largest travel management company, has been servicing people with their travel plans for over 100 years. I offer this testimony to demonstrate the impact the attacks of September 11, 2001 have had on the travel agency community and to outline my proposed federal aid package. In addition, I will illustrate how the agency community is a vital force in the airline distribution network.

I have included with this testimony, (see Exhibit A), The American Society of Travel Agents' (ASTA) plan for federal travel agency relief. I have carefully reviewed their plan and recommend, at minimum, that the federal relief package be designed as such:

- Loan Guarantees—Structured similarly to those made available to airlines in their relief package. Given the capital characteristics of the industry, loans should be based on the ability to repay, not collateral.
- Grants—In the amount of approximately \$364 million to offset the damages incurred by the travel agency community during the week of September 11, 2001 through September 17, 2001 when virtually all commercial aircraft were grounded. This period resulted in essentially no recognizable revenue for the travel agency community.

The recommended package will give agencies the liquidity to keep business moving and to keep people employed. ASTA estimates that job losses will hover in the 100,000 range if immediate action is not taken. Additionally, I have had numerous discussions with travel agencies that are seeking bank loans during this troublesome time. Agencies that have longstanding relationships with banking institutions of all sizes are being declined for extended lines of credit because of the unpredictability of the industry.

While Rosenbluth International is thankful that the United States government has offered aid to the airlines, we are fearful that if aid is not extended to travel agencies, the travel industry will not rebound from the tragic events of September 11, 2001. The airlines are currently dependent on travel agencies as a major facet of the overall distribution channel and we seek to prove that the airlines will not and cannot handle the current volume of bookings that travel agencies facilitate. If agencies cannot succeed in the current industry climate, the U.S. economy would suffer a major hit.

The air travel business facilitated by travel agencies, including the hybrid Internet-based firms, continues to increase despite reduced commission structures imposed by the airlines through the years. Travel agencies currently facilitate reservations and ticket issuance of over 75 percent of all airline bookings.

The airline community is dependent on agencies as their primary distribution channel and has, in essence, become the outsource entity for airline reservation and ticket fulfillment.

If the agency community became unavailable to corporations and the traveling public at large, the airline industry would need to hire approximately 300,000 reservationists to maintain the same volume of bookings.

Hiring approximately 300,000 reservationists would be a challenging endeavor for airlines, which have already had to close numerous reservation centers and lay off over 130,000 people due to the impact of the September 11 attacks. The distribution infrastructure does not exist within the framework of the airline industry and if they were to replicate it they would be forced to petition government for additional funding. The airlines would also be forced to ground their planes until a new reservation and distribution system could be created.

The traveling public continues to demand the services of travel agencies rather than other modes of purchasing. We have found that our clients have relied on us now more than ever before. The American people need us to reassure them of airline and airport safety and they rely on us, knowing that someone will help them get home if they are stranded.

In the days following September 11, agents across the country helped tens of thousands of people stranded by the nationwide airport closure. Agencies performed these services because they were the only people that could. The failure of travel agencies to keep their doors open could further reduce the number of people willing to travel.

To use Rosenbluth International as an example, we suffered through 10 days where we did not generate any perceivable revenue whatsoever while fielding close to 500% more calls as clients requested information on airport openings, flight schedules, arrival times, cancellations, etc., which increased our costs of service considerably.

On the days following the attacks, we issued a handful of tickets—normally we process 20,000 North America bookings per day. Today, we are hovering at around 12,000 bookings per day, 40 percent less than we were doing last year at this time.

This impact has caused us to furlough 20% of our North America workforce and reduce associate benefits and salaries significantly. Not only are we the third-largest travel agency in the world but fortunately, also one of the most financially stable. However, I'm not here today to talk on behalf of Rosenbluth International, but to explain the plight of the travel agency community in general.

The stories of the struggles of smaller agencies abound, many agencies reporting that their gross earnings for the week of September 11 were less than just \$50.00 (see Exhibit B).

Some statistics on the financial problem facing travel agencies include (*data supplied by ASTA*):

- Between September 11 and September 17, 2001, agencies lost an estimated \$364 million due to the virtual cessation of new sales.
- Agencies are losing about \$26 million in airline sales-related revenue per day.
- Agencies lose about \$25 million per day in revenue from hotel sales (\$6.3 million), car rentals (\$4.3 million), cruises (\$10.2 million), tours, rail and other miscellaneous sales (\$4.6 million).
- For the four weeks following the attacks, it is estimated that total losses for all product lines are approximately \$1.36 billion.
- For the period through the end of 2002, estimated total loss for all product lines will exceed \$4 billion (see Exhibit C).

There are 28,939 ARC (Airlines Reporting Corporation) approved retail agency locations in the United States. Under normal times, these businesses handle an enormous volume of air travel. Through July of this year, travel agencies sold \$47 billion in airline tickets, averaging \$297 million per day. Travel agencies have processed over 113 million airline sales transactions so far this year. But few agencies will survive these kinds of losses.

I feel that it's imperative that Congress provides travel agencies with financial relief. Given the magnitude of the short-term losses and the uncertainty of near-term recovery, I am recommending an industry loan guarantee package structured similarly to the one made available to airlines. In addition, I recommend that grants be given in the amount of \$364 million to offset the damages incurred during the period of September 11, 2001 through September 17, 2001 when virtually all commercial aircraft were grounded. This federal relief package, I believe, will ensure the liquidity and viability of the agency community to prevent further employee layoffs and also ensure the vitality of the United States' economy.

Excerpt from:

*Important Points Regarding Disaster Relief for Travel Agencies
From The American Society of Travel Agents, Inc.*

. . . Travel agencies need immediate cash infusions with a plan that includes these elements:

- Immediate cash to stabilize businesses, which may not be there by the time a more elaborate stimulus package is debated.
- Economic disaster loans that are industry-based not regional- or size-based.
- No-interest or low-interest loans below the current disaster loan level of 4% for SBA qualifying businesses.
- Loans should be based on the ability to repay, not collateral.
- Loan forgiveness for agencies on the verge of bankruptcy.
- Loan abatement on both interest and principal to help travel agencies get back on their feet for SBA qualifying businesses.

Travel Agencies Impacted by Aftermath of Terrorist Attacks

(Excerpts of messages from various travel agencies reported to ASTA. ASTA reported these messages to the House of Representatives on September 25, 2001)

AGENCY spent most of last week servicing clients who needed travel rearrangements. Our net air income for the week was 38.97 USD. We have five front line agents and a small supporting staff. Our clients seem to appreciate all the work we are doing for them.

AGENCY employs three full time agents. Last week my net income from air sales were 32.21 USD. We have written one air ticket since Monday . . . a ground operator for incentive groups . . . yesterday, they had all of their fall groups cancel. . . . Another ground operator here . . . has had nine incentive groups cancel . . .

AGENCY had a net revenue stream of 154 USD last week in an office of four full time people. Monday, September 17 we sold one airline ticket and no sales to Europe (our primary destination). Normally we receive 20 to 30 leads for European travel over the weekend . . . this week we have two leads. On Monday we also cancelled six passengers on escorted tours to China, representing more than 5,000 USD in lost commission income for October.

AGENCY will be laying off at least two people at the end of this week. Normal ARC week 100,000, last week less than 7,000 or gross income of 600. Lost in excess of 50,000 in tours prepaid and ready to go. Have waived fees for reaccommodations of people stranded. 12 full time people with one part time person. I figure it cost me about 9,000 loss to operate last week. Out of last week's business, over 60 percent of what we did transaction wise was refunds. 75 percent of the call volume were from stranded passengers or calls from the emergency bank. We are taking calls daily from people who are [squeamish] about traveling. This is having a significant impact on our agency and if things do not change within 30–45 days, we will need to reduce hours and layoff agents to help us get through. This normally is our booking season for fall break and the holidays and as all agencies December traditionally is our slowest month.

AGENCY fared better than we did—we gave back more than we made resulting in a negative of 90.49 USD! Arc Report Ending Sep. 16, 2001, 26 sales and 17 refunds; in addition, 9,000.00 USD paid in full on a tour on Monday, canceled on Tuesday. Several other trips cancelled for travel in October and even for Christmas. Unfortunately, the phone isn't ringing for new business to compensate for the cancellations.

AGENCY spent most of last week and the first part of this week assisting clients who could not get through to the airlines. Since September 11, 2001, we have processed 31,098.32 USD worth of air refunds and 19,889.00 USD in tour and cruise cancellation refunds. Since a large portion of the tour bookings were for inbound tourism, our commission income losses are approximately 13,400.00 USD for last week alone.

We see very little confidence with consumers in our area, as we are having people cancel their travel plans for December, January and February. We are trying to

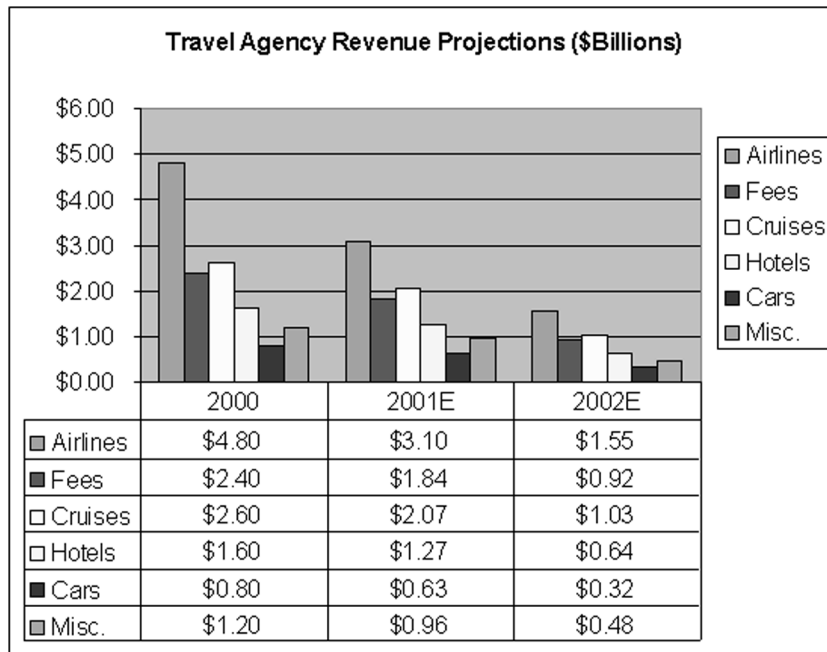
change their minds, but everyone seems to be too depressed to think about travel right now.

AGENCY's agents spent 98 percent of their time last week servicing clients affected by this incident. We charge a processing fee for refunds and decided not to make an exception in this case. The only income we had last week was due to our processing fees, which totaled 1398.00 USD. Any other commission income was negated by commission given back on refunds.

Bottom line is that we lost money last week. That was not enough money to support one part-time and four full-time agents. This week will be even worse. There's very little income being generated and we will lose a lot of income due to the many tours that people have cancelled. Our agency has reduced all employees to 1/2 their regular hours (three full time & two part time employees). Owners will work without pay. Bill must be paid and there is no income. . . . Cancelled trips this week along amount to over 50,000 USD. If I have to close my businesses, eight people will lose their jobs and the service we have provided to over 10,000 local residents and businesses over the last six years will cease.

AGENCY is a family operated agency . . . Air sales for the past week were down over 60 percent. Air cancellations equaled sales leaving us with air sales almost equal to zero. Leisure bookings have come to a virtual halt with 15,000 USD in cancellations for packages under deposit. All calls this morning have centered about canceling ticketed air and canceling leisure travel scheduled to depart in the next few weeks. Total income for this office since September 11 has been negative. All activity has centered about getting clients home, rescheduling and canceling. No sales for future. . . . Since the Sept. 11, we have sold only two airline tickets. No tours and no cruises . . .

Exhibit C



This data was collected by The American Society of Travel Agents. All air data is based on ARC statistics. All other data is based on 2000 Travel Agency survey, Travel Weekly and ASTA's Service Fee Survey.

Senator DORGAN. Mr. Rosenbluth, thank you very much. We would like to ask all of you to stay for questions when we finish the panel.

Next, we are to hear from Mr. John Wilhelm, President of Hotel Employees & Restaurant Employees International Union, and we appreciate you being here.

Let me say to Mr. Marriott that we grieve for the employees you lost, and similarly, Mr. Wilhelm, I know that a number of the employees of your union lost their lives in the terrorist attacks on September 11, and we grieve for them as well, and we are very pleased that you are here.

Might I ask, I understand that you are joined by some members of the Hotel Employees & Restaurant Employees International Union. Is that the case, and if so, might I ask some of those employees to stand up and be recognized?

STATEMENT OF JOHN W. WILHELM, PRESIDENT, HOTEL EMPLOYEES & RESTAURANT EMPLOYEES INTERNATIONAL UNION

Mr. WILHELM. Thank you very much, and I will comment briefly on these folks in the course of my testimony.

Senator DORGAN. Thank you very much for joining us. We appreciate that. Mr. Wilhelm, why don't you proceed.

Mr. WILHELM. Thank you. Mr. Chairman, Members of the Subcommittee, it is an honor to appear before you, and I want to thank you very much for focusing on the dire straits that face us in the hospitality industry, and I might say it is a particular personal privilege to appear before the senior Senator from Hawaii, our friend and champion of our industry, along with the whole Subcommittee.

As you noted, Mr. Chairman, our union lost 43 of our members who were working at the Windows on the World Restaurant on the top of Building 1 of the World Trade Center that morning, and who had no chance. For us, that makes this a particularly personal tragedy, but I am here to talk about the aftermath of the horrific events of September 11, because that tragedy has created an unprecedented crisis in the American hospitality industry.

At least one-third of the members of our entire international union across North America are laid off, many more are on reduced hours, and the same proportions are true of the nonunion workplaces in our industry. The nongaming hotel industry alone estimates that at least 1 million workers are being laid off, and there are many more being laid off in gaming and restaurants and in food service. In addition, our airport food and beverage workers, including those who prepare in-flight meals, are very hard hit.

I want to stress, Mr. Chairman, this is not just a New York-Washington problem, although those cities have certainly been hit very hard. This is a national crisis. One-third of our members in San Francisco and Seattle have been laid off, 27 percent in Minneapolis, 30 percent in Las Vegas, one-third in Boston, 25 percent in Hawaii, and so on. Many others are on reduced hours, and if I may, Mr. Chairman, I have submitted for the record more details in terms of these kinds of statistics.

This is not, unfortunately, getting better, and I would urge the Subcommittee not to be misled by anecdotal suggestions that the picture is getting better in Las Vegas, for example. Senator Smith referred to this. Television has reported the last 2 weekends were

much busier. That is true in terms of the weekend, but business is disastrous during the week in Las Vegas, and lay-offs are accelerating in that community, not slowing down, and the same unfortunately is true in many other places. Lay-offs will be accelerating over the next several weeks in our industry.

I want to stress that there is no labor-management division in this crisis. All of us, the companies, our union, the employees, all of us are on the same ship, and the ship is sinking. This is a crisis not just for our members, but I believe a crisis for America. The hospitality industry is the largest employer of welfare-to-work people, the largest employer of single parents, the largest employer of immigrants. Our industry has driven the economic recovery of cities in America over the last decade.

In this country, we told the poor to go to work, and they did that, and that is a good thing. The hospitality industry is an industry of the working poor, but now those jobs are gone, and regrettably so is most of the safety net. In particular, what is left of the American public health system in most communities cannot possibly absorb these laid-off workers.

Our union strongly supports the call by Bill Marriott and by our industry for short-term temporary stimulus aimed at getting people traveling again. Without that, there is no prospect for the restoration of these desperately needed jobs. At the same time, the workers also need immediate help. These workers are paycheck-to-paycheck people, literally. Many of them will be homeless within a few weeks.

I was accused by a Member of the other House earlier this week of being hysterical or alarmist when I said that, but that is the literal truth. Their unemployment checks are less than \$300 per week, and in many cases a lot less than that, because unemployment is based on income. On that kind of money, laid-off workers will be hard-pressed to pay the rent and feed the kids, and in particular, the possibility that they will be able to pay for continuing health care coverage is nonexistent.

We support extended federal unemployment assistance, but I believe that the most important single thing that Congress and the Administration can do for these workers is to provide 100 percent federal payment of COBRA health care continuation cost for a defined period of time. The COBRA system is an existing, simple, efficient, well-defined private sector mechanism to accomplish federal payment to health plans, both corporate and union plans, which agree to cover laid-off workers for a defined period of time. It does not require any new entitlement or any new bureaucracy, and when the defined period of time is over, the program simply ends.

We desperately need your help. This will be a crisis not just for the hospitality industry, it will be a crisis for America, and I believe it will most fundamentally be a crisis for our message in this country to everyone that if you work hard and play by the rules and go to work every day, your family will be secure.

I would like to conclude, Mr. Chairman, if I may, by briefly introducing a few of our union's laid-off members and telling you a little bit about what faces each of them.

First, Johannes Gezu. Johannes Gezu is a room service waiter at the Chicago Sheraton Hotel and has worked there since 1995. He

has had just 2 days of work since September 11. He is 40 years old, married, with a 1-year-old child. His wife is employed at American Eagle Airlines, and has also lost her job.

He came to the United States as a political refugee from Ethiopia, after being jailed there for over two years because of his political beliefs. Two days of work since September 11.

Marie Alcina is a guestroom attendant at the Boston Park Plaza Hotel. She emigrated to this country from Haiti in 1998. She is the single mother of four children. Her 11-year-old son has a serious heart condition. Before September 11, she made \$461.20 per week with full family health insurance. After the 11th, she is without work and still waiting to receive unemployment benefits. Her monthly rent is \$650, her medical insurance cuts off in one more month. Her COBRA cost, if she were able to pay it out of her own pocket, would be \$966 per month.

Lucy Cedeno works in the change department at the Riviera Hotel Casino in Las Vegas. She has worked in the Las Vegas casino industry for 20 years. In spite of that length of seniority, she was laid off after the September 11 attacks. She is married, and her husband also is unemployed. This is the first time in her 20 years in the casino industry that she has been laid off for economic reasons. Her unemployment check is \$275 per week. She has a mortgage, \$768 a month, her gas bill is \$25, her electric bill is \$130 a month, and she has not bought food yet. She will be unable to afford the cost of continuing medical insurance after her insurance eligibility expires.

Jewel Jackson is also from Las Vegas. She works in the Four Seasons Hotel as a laundry valet. She was laid off after the September 11 attacks. She is an African American, a single mother of two teenage daughters. She moved to Las Vegas from Los Angeles five years ago.

Like thousands of others, she came to Las Vegas to have a better life for herself and her family. She is laid off. Her unemployment check is \$243 per week. Her rent is \$739 a month, her minimal food budget for herself and her family is \$300 a month, her electric bill is \$122 a month. She also will be unable to afford the cost of continuing medical insurance after her eligibility expires.

Hyacinth van Rial works as a guestroom attendant also at the Boston Park Plaza Hotel. She has not been called in to work since September 11. She is a single mother of four children under the age of 17. Before she got her job at the Boston Park Plaza Hotel she was on welfare. She has worked steadily at the Boston Park Plaza Hotel since leaving welfare. She earned \$11.53 an hour in that hotel. She will not be able to meet her COBRA insurance payment of \$966 a month when she loses her insurance in a few weeks. She has been getting groceries for \$1 a bag at the Union Hall since getting laid off.

Mary Wise is a room service cashier at the Capital Hilton Hotel over here in Washington, D.C. She has worked there continuously since 1984. She was laid off on September 13. Her husband, who is a construction worker, was also laid off. She supports her two grandchildren. Her unemployment check is \$280 a week, her rent is \$550 a month, utilities are \$300 a month, food budget, including

grandchildren, is \$300 a month. She will not be able to pay her health coverage.

Finally, Paul Tombs, who lives in Arlington, Virginia. Paul works at the Hilton Crystal City in Arlington, Virginia. He has been a bartender-server there for 22 years. He is the most senior person in that area of the hotel. He has not had any work since September 11. He just was notified that he is going to get two days of work, but will likely once again be fully laid off in the next week or so. No one else in his department is working at all.

We could have filled the room, Mr. Chairman. Regrettably, we could have filled the room with examples just like these, but we wanted to try to give the Subcommittee some sense of the human tragedy that we are talking about here, and we again are very grateful for your focus on this terrible crisis.

Thank you so much.

[The prepared statement of Mr. Wilhelm follows:]

PREPARED STATEMENT OF JOHN W. WILHELM, PRESIDENT, HOTEL EMPLOYEES &
RESTAURANT EMPLOYEES INTERNATIONAL UNION

The aftermath of the horrific events of September 11 has created an unprecedented crisis in the American hospitality industry.

At least one-third of the entire membership of our International Union is laid off. Many more are on reduced hours. The same proportions are true of the non-Union workplaces in our industry. The non-gaming hotel industry alone estimates that at least one million workers will shortly be laid off, and there are many more in gaming, restaurant, and food service. Our airport food and beverage workers, including those who prepare in-flight meals, are especially hard hit.

This is not just a New York-Washington problem, although those cities have been very hard hit. One-third of our members in San Francisco and Seattle are laid off—27% in Minneapolis—30% in Las Vegas—one-third in Boston, and so on.

This is not getting better. September and October are, in normal times, the busiest period of the year for our industry. That busy period has been demolished. November begins the traditional slower period, extending into January, February, and March. Travel agencies report extremely low bookings for months out, and that is our industry's early warning system.

Don't be misled by anecdotal suggestions that the picture is getting better. In Las Vegas, for example, television news has reported that the last two weekends were much busier. That's true, but business is disastrous during the week, and layoffs are accelerating in Las Vegas, not slowing down.

There is no labor-management division in this crisis. All of us—the companies, our Union, the employees—are on the same ship, and the ship is sinking.

This is a crisis not just for our members, but for America. The hospitality industry is the largest employer of welfare-to-work people—the largest employer of single parents—the largest employer of immigrants. Our industry has driven the economic recovery of American cities over the last decade.

We told the poor in America to go to work. They did that. The hospitality industry is an industry of the working poor. Now their jobs are gone, but so is the safety net. In particular, what's left of the American public health system can't possibly absorb these laid-off workers.

Our Union strongly supports the call by Bill Marriott and our industry for short-term, temporary stimulus to get people traveling again. Without that, there is no prospect for the restoration of these desperately needed jobs.

There is also a great need, as part of the airline bail-out, to help the companies in the in-flight feeding and airport terminal food and beverage and retail industries.

At the same time, the workers also need help. These workers are paycheck to paycheck people. Literally, many of them will be homeless within a few weeks. Their unemployment checks are less than \$300 per week, in many cases a lot less, because unemployment is based on income. On that kind of money, laid-off workers will be hard-pressed to pay the rent and feed the kids.

The possibility that they will be able to pay for continuing their health care coverage is non-existent.

We support extended Federal unemployment assistance.

But the most important thing Congress and the administration can do for these workers is to provide Federal payment of COBRA health care continuation costs for a defined period of time—we suggest 12 months.

The COBRA system is an existing, simple, efficient, well-defined, private-sector mechanism to accomplish Federal payment to health plans—both corporate and Union plans—which agree to cover laid off workers for a defined period of time. It doesn't require any new entitlement or bureaucracy. When the defined period of time is over, the program simply ends.

We desperately need your help. This will be a crisis not just for the hospitality industry, but for America, and for our message to everyone in our society that if you work hard and play by the rules, your family will be secure.

I'd like to conclude by briefly introducing a few of our Union's members, and telling you a little bit about what faces each of them.

Attachment

September 11 and the Hospitality Industry

1. The events of September 11th have created a crisis for the nation, the economy, and America's workers, especially those employed in the hospitality industry.
2. This calamity, while most evident and painful in New York City and Washington, DC, has now spread to **every corner of the United States**.
3. HERE members everywhere are being laid off. We estimate that **more than one third of our membership is laid off** with many more on reduced work weeks. Similar percentages have been reported by industry experts in the non-union hospitality sector.
4. For example, we have surveyed our major Local Unions across the country and found the following:

City	% Laid Off
Washington	41%
New York	37%
San Jose	35%
San Francisco	34%
Seattle	33%
Boston	32%
Los Angeles	30%
Las Vegas	30%
Minneapolis	27%
Honolulu	25%
Miami	25%

5. The hospitality industry is a leading employer of our nation's **most vulnerable workers**.
 - More welfare to work participants are employed in the hospitality sector than any other,
 - The hospitality industry is one of the largest employers of single mothers
 - The hospitality industry is a major employer of new Americans:

City	% new American
Los Angeles	75%
New York	68%
San Francisco	60%
Las Vegas	50%

6. According to the National League of Cities, the hospitality industry is cited by city leaders more than any other industry as **critical to the economic development** and well-being of their city.

7. It is imperative that the Congress and the President address this crisis by targeting **financial relief to the workers in this industry**.
8. Hospitality workers subsisting on unemployment have no chance of paying for continued health care coverage. **Families will lose health care coverage** if there is no federal payment to health plans of COBRA continuation costs. The public health system cannot absorb these workers.

Necessary Hospitality Industry Relief Measures

1. For laid-off workers, Federal payment of 100% COBRA health care continuation is the most important priority.
2. Supplemental federal unemployment insurance should both extend and increase unemployment benefits.
3. Temporary tax relief for hospitality employers to restore the industry to health and put employees back to work. Appropriate steps might include a temporary payroll tax holiday for employers and workers.
4. Equal treatment for airport in-flight feeding and airport concession companies and workers under airline industry relief measures.

Senator DORGAN. Mr. Wilhelm, thank you for providing, in a gripping way, a better understanding of the consequences of all of this. This is not just economic theory, it is small businessmen and women who are losing their dreams and their investments and their opportunities. It represents the men and women who find a job and hold that job dear, and work hard, and do the best they can, to be caught up in this web of uncertainty and the downward spiral of an economy that we need to find a way to provide lift to at this point.

But again, it is very important for us to act, and to act boldly. I feel very strongly with respect to this economy that it is important that if we are going to make a mistake, make the mistake of doing something rather than make the mistake of doing nothing. It would be unforgivable for us to sit around here and do nothing to respond to what clearly is a serious, serious challenge posed to us and posed to this economy in the aftermath of September 11.

I am going to call on Mason Hurst, but before I do, we are joined by Senator Fitzgerald from the State of Illinois. He is the Ranking Member on this Subcommittee. I am delighted that he is here, and I know he was delayed for other Senate business. Senator Fitzgerald.

**STATEMENT OF HON. PETER G. FITZGERALD,
U.S. SENATOR FROM ILLINOIS**

Senator FITZGERALD. Thank you, Mr. Chairman. I appreciate your having this hearing. We are all very concerned about the hospitality and tourism industry. As the only Member of the U.S. Senate to vote against the airline bail-out, I want to say just a couple of words here. The reason I voted against the airline bail-out is that I thought it set a very troubling precedent.

We did not compensate the airlines for the 3 or 4 days they were shut down. Their lost revenues each day they were shut down were \$340 million. \$340 million times four, if you give them a 4-day shutdown, is \$1.36 billion, not the \$15 billion Congress gave them. I guess I am hampered in my job as a Senator in that I had a life-long career in banking, and I might not be a very good Senator, but I can read numbers, and I have to tell you that the pay-outs to the airline industry in my judgment were grossly excessive.

I think other industries are not going to get the kind of treatment—and I will be very blunt with you. The other industries do not have the raw political clout that the airline industry has. They had 6-some lobbyists on that bill. They were in almost immediately following the September 11 attacks, and they had commitments by the weekend after the attacks to get a massive, gargantuan infusion of taxpayer dollars, and it was an odd infusion, too, because it really, in my judgment, was a misnomer to call it an industry bail-out. The only people who got bailed out were the shareholders of airlines. They were protected, but the other stakeholders in airlines, the 1 million employees of airlines, were left twisting in the wind. They got nothing. There was no bail-out for the sky caps or the baggage handlers or the mechanics.

So I thought it was a very, very troubling precedent Congress set, and I thought that since the bill we wrote actually said we were going to compensate the airline industry for their losses through December 31 of 2001, not just the period they were shut down, and the troubling precedent is, of course, if we are to compensate that one industry, what about all the others?

What about travel agencies? There are 25,000 brick-and-mortar travel agencies in the country. Where is their bail-out? What about the hotels? They are not getting a bail-out. The car rental companies, they are not being bailed out.

So I thought it was very unfair that we just picked out the one industry that had the most raw political clout and gave them a bail-out, and I think it was in many ways very unfair to you, and I think we are seeing that just bailing out the shareholders of airlines did not solve the problems in your industry.

The claim was made by the airlines that if they got bailed out, all of you folks would naturally be taken care of, but by bailing out creditors and equity investors in airlines, and restoring the balance sheets for the airlines, we are finding that that does not restore your balance sheets or prevent lay-offs in your industry.

In any case, I hope there is something Congress can do. I want to compliment Mr. Marriott on your approach. I know you are not asking for a bailout. I think the CEO of Hilton Hotels, Steven Bollenback, said “I think it would be improper for us to get in line for Government subsidies. It would be kind of unseemly, and if I were the Government, I would not give us anything.” So, I do appreciate the attitude, at least of some in the tourist industry that they do not want to take advantage of the American citizens, because I think there is nothing worse than somebody at a time of crisis like this preying upon the generosity of the American people.

With that, I look forward to working with you all, and hopefully, the next time we have you before this Committee testifying, it will be on a happier subject, and there will not be so much doom and gloom in the economy at the time. Thank you all for being here.

Senator DORGAN. Senator Fitzgerald, thank you very much. As you all can see, respectful disagreement still lives in the U.S. Senate, and it is important for us to get ideas from every sector, and every corner of the Senate, and I think we will work our way through all of these issues in a thoughtful way, and Senator Fitzgerald makes a significant contribution to that.

Next, we will hear from Ms. Marilyn Carlson Nelson, who is the Chair and Chief Executive Officer of Carlson Companies, Inc., and she represents the Travel Industry Association, for which she is the past national chair. I had an opportunity to visit with Ms. Nelson yesterday, I believe it was, and we appreciate your being here. Why don't you proceed.

**STATEMENT OF MARILYN CARLSON NELSON, CHAIR AND
CHIEF EXECUTIVE OFFICER, CARLSON COMPANIES, INC.**

Ms. NELSON. Thank you, Mr. Chairman, for this opportunity, and hello to the other Members of the Subcommittee. These are extraordinary times. They are about difficult choices, and I know that that is what you are about to make. They are about fighting two wars, one against the terrorists and the other an economic one. Your response in each case draws on the same pool of resources, and we understand that. We must be as accurate with our stimulus as we are with our weapons.

To win, the great American people must maintain their energy and their indomitable spirit. We must not, by putting millions of Americans out of work, weaken our resolve and our ability to resist. We must not allow an already somewhat traumatized people to become prisoners of fear, fear not only of the enemy, but now as recent research is clearly indicating, fear of loss of financial security and loss of jobs.

I was deeply moved a moment ago, concerned that I was going to have to speak too quickly after John's presentation, because you cannot imagine what it is to be the CEO of a very large global corporation and make decisions that have the impact on the lives as you have just witnessed.

I come before you this morning urging you to take immediate short-term and significant steps to prevent further job loss, to stimulate the American economy, and to begin what I think is part of the healing process that Americans so desperately need.

I come on behalf of the Travel Industry Association of America, representing all of the travel industry, 1 in 17 jobs directly across the nation, as we have heard over and over, the impact on every congressional district. I submit that in all the discussion about helping industries, that travel is much more than an industry. Travel is a way of life.

I come as well on behalf of Carlson Companies, of which I am the CEO. We are one of the world's largest travel, hospitality, and marketing companies. Our owned and franchised organizations employ 125,000 people in the United States, 190,000 around the world. We embrace every aspect of the lodging, dining, travel industries, other than air and ground transportation.

At this moment, we recognize as never before our interdependence. We recognize our interdependence on our franchisees, on their employees, and on the employees and owners of businesses across this great nation, and indeed increasingly across the world, who are depending upon us. We sink or swim together, and unfortunately right now, we, all of us, are at a tremendous risk of drowning.

On September 11, necessary but unprecedented shutdown of the air travel and resultant consumer inertia have impacted far more

than the airline industry. We have impacted all travel-based businesses. At Carlson, our travel-based businesses are off 35 percent. The entire industry has suffered similar if not greater declines, and this could be tremendously significant for the country, because, as has been mentioned, this industry is the second largest employer nation-wide.

Let us not forget that we are no longer an industrial society. We are, in fact, a service economy, and we are discussing an industry that is the largest, the heart of that service sector. This is not simply an industry issue, it is an entire service economy issue, and we are the third largest in terms of revenue.

We are confident, of course, that this disastrous 35-percent fall-out is not going to continue. We all read each day about the cautious steps the American public is taking, but if we are to improve to a simple decline of 20 percent, which is clearly what you are hearing from this panel and others, if we were to improve to simply a decline of 20 percent, it has been calculated that that 20 percent decline in travel and tourism would put more than 2.2 million people out of work, many of them, like these people here, in the next 60 to 90 days.

It could, as Hal said, bankrupt up to half of the 30,000 travel agencies, affecting over 100,000 travel agents, indeed, the very sales force upon which we are all relying to renew the industry, and it could reduce the U.S. GDP by 3.6 percent.

We are franchisees. Our employees and their employees need three things immediately: an immediate, focused and significant short-term stimulus package that is focused on travel and tourism, that will get Americans traveling and keep people employed, we need help for the industry's displaced workers and, of course, we need liquidity.

In this connection, I want to reemphasize what Senator Kyl has said. The most crucial is the immediate stimulus, and thank you, Senator Inouye, for signing onto that bill. This is not a bail-out. It is not a bail-out for business. I emphasize that, because we have a privately held company that is very entrepreneurial, and we have never, ever asked for anything but our chance to compete.

This is a unique moment. We need a stimulus that is going to treat this crisis that has suddenly arisen like a tidal wave, and not just its symptoms, immediately. This will keep people employed, will be a benefit to consumers, will reduce costs for business, and enable travel agents, restaurants, hotels, and resorts to survive, or at least to bridge to a better time.

I urge you to support S. 1500, introduced by Senators Jon Kyl and Zell Miller as part of the economic package. I urge you to support Senator Boxer's package to improve the articulation of the importance of travel and tourism to our economy today and, indeed, our positioning in the future as a global competitor.

This bill contains three important tax proposals that will provide travelers with an immediate incentive to travel, which means Americans will receive a stimulus to get out of the house, to see each other again, to bond and to heal, and it is also going to help provide liquidity to our industry. Most importantly, the legislation provides a \$500 tax credit to encourage individuals to book travel

by the end of the year, and it provides a stimulus for corporations to rebook conventions, meetings, and to reinstate travel.

One of Carlson's businesses is a \$1 billion marketing business. We understand incentives. We understand that this incentive would release all kinds of marketplace forces that would help to drive the recovery, to speed the recovery. Without this kind of legislation, we fear a recession in our industry. While we do not have final revenue estimates yet in hand, it is clear that without incurring this cost of enacting the legislation, that federal, state, and local governments will incur great losses in forgone tax collections and increased payments to help these displaced workers.

I realize that economists are debating tax reduction versus the stimulus of government spending. However, one thing they agree on is that this is an urgent problem, an emergency requiring significant immediate and short-term solutions. This proposal accomplishes these objectives, plus it is focused on the travel industry.

In this proposal, there is no relief unless there is the desired consumer spending. It works within the existing infrastructure. It releases market forces. It is immediately effective, and it is easily communicated. Without this kind of legislation, a deepening recession is a certainty, and government costs will increase as tax revenues at federal, state, and local levels decline.

I want to thank you so much for giving me the opportunity to discuss with you our people, our industry, our country, and what must be done to provide a travel stimulus, get Americans moving, minimize the harm to all resulting from the September 11 tragedy, and I would respectfully hope you would submit my testimony for the record.

Senator DORGAN. Without objection, that will be done, Ms. Nelson. Thank you very much.

[The prepared statement of Ms. Nelson follows:]

PREPARED STATEMENT OF MARILYN CARLSON NELSON, CHAIR AND CHIEF EXECUTIVE OFFICER, CARLSON COMPANIES, INC.

Mr. Chairman and Members of the Subcommittee:

On behalf of the 124,000 U.S. employees of Carlson Companies, Inc., and the Travel Industry Association of America, I want to thank you for providing us with this opportunity to share our perspective on the state of our industry.

In a word, as a result of the tragic events of September 11, the state of the industry is "desperate." We need to get travelers traveling to keep working people working, and we need your help to do it now.

As you may know, our privately held company is one of the world's largest, global travel and hospitality companies. TIA is the national, non-profit organization representing all components of the \$582 billion travel industry. TIA's mission is to represent the whole of the U.S. travel industry to promote and facilitate increased travel to and within the United States. We hope that we can count on you to work with the entire industry to restore it to health.

Summary

Before September 11, the U.S. travel industry was experiencing a 10 percent decline in business. By the end of September, Carlson travel businesses were off 35 percent. If this were to continue and were to hold true across the nation's travel and tourism industry, it would represent a potential loss of as many as 3.8 million jobs nationwide.

Under ordinary circumstances, we are and have to continue to be highly efficient to survive in a business affected by powerful market forces and characterized by fierce competition. Today, however, we are not confronting ordinary circumstances—these are extraordinary times for all of us. The market simply cannot handle such an unforeseeable, catastrophic, and dislocating externality.

We at Carlson are private and fiercely independent. We have never sought government assistance, but our employees, our franchisees, and we have suffered and will continue to suffer tremendous harm from this totally unforeseen calamity without short-term, immediate assistance from the federal government.

Simply put, Americans are not traveling. In our experience, Americans initially were staying at home primarily out of concern for their own safety. Now, however, they are concerned about a possible recession, the loss of their jobs, and the perceived need to conserve.

Unchecked, this crisis has the potential to put more than 2.2 million (3.8 million if the present falloff were to continue) Americans out of work in the next 60–90 days and to trigger a 3.6 percent decrease in GDP.

Mr. Chairman, we are not asking for a bailout for our business or our industry. Nor are we asking for measures that would only treat the symptoms and not the cause of the affliction we confront. Our industry desperately needs short-term and significant financial incentives to get Americans on planes, in hotels, and dining and using our great entertainment facilities. This will keep people employed, be a benefit to consumers, reduce costs for business, and enable travel agents, restaurants, hotels and resorts, and entertainment providers to survive.

We, our franchisees, our employees, and our industry desperately need three things:

1. An immediate, focused and significant short-term stimulus package that will encourage the American public to travel and thus will help keep people employed,
2. Economic assistance for workers who already have been displaced, and
3. Liquidity to give our businesses a chance to regain their economic footing.

We urge you and your colleagues on the Finance Committee to support S. 1500, introduced by Senators John Kyl and Zell Miller, as part of the economic stimulus package. This bill contains three important tax proposals that will provide travelers with an immediate incentive to travel and will help provide liquidity to our industry. Most importantly, this legislation provides a \$500 tax credit to encourage people to book travel by the end of the year. In addition, this Committee should consider implementing a comprehensive national promotional campaign to encourage visitors to travel to and throughout the United States. The Committee should also take steps to help small businesses and to provide a helping hand to displaced workers.

Without this kind of legislation, we fear a recession in our industry and a catastrophic loss of jobs. It seems clear that the cost of enacting the legislation will be far less than the cost that will be borne by federal, state and local governments in foregone tax collections and increased payments to help displaced workers if our industry collapses.

Background on Industry

Prior to September 11, more than 19,000,000 Americans were employed directly and indirectly in travel and travel-related jobs, with an estimated annual payroll of \$171,500,000,000. In recent years, the travel and tourism industry has grown to be the second largest industry in terms of the number of people directly employed and the third largest industry in the United States as measured by retail sales, with over \$582,000,000,000 in expenditures, generating over \$99,600,000,000 in federal, state, and local tax revenues in 2000. Moreover, the travel and tourism industry last year created a \$14,000,000,000 balance of trade surplus for the United States.

Today, the efforts of the travel and tourism industry and all levels of government—working together to restore confidence among travelers—have largely succeeded. While those efforts will continue, we believe the American public needs a major financial stimulus, an incentive, to travel, because it is no longer fear for personal safety, but primarily concerns about a recession, unemployment and the need to save and conserve that is keeping people at home. If we can provide this stimulus, it means keeping working people working and generating cash flow that can help stimulate a rebound in the Nation's economy.

How do we know what would help the industry? Let me tell you about our company, which is in virtually every segment of the business.

Carlson People and Companies

We and our franchisees employ approximately 124,000 people throughout the United States and 192,000 people worldwide. We also are a major supplier of the services that fuel hundreds of related businesses and provide many times the number of jobs we create, both in our home state of Minnesota and throughout the

United States. We recognize that we sink or swim together. Our fates and theirs are intertwined.

We operate and franchise 1,205 travel agency businesses throughout the United States, under the Carlson Wagonlit Travel, Results Travel and Cruise Holidays brands.

Our 540 owned, operated and franchised domestic hotels include Radisson Hotels & Resorts, Country Inns and Suites By Carlson, Regent hotels, Park Plaza and Park Inn Hotels.

Our Carlson Marketing Group is one of the worlds largest marketing companies, providing incentive travel for over 200,000 people a year.

We own and franchise a total of 749 restaurants in 47 states and 52 countries. These include 671 T.G.I. FRIDAYS, 53 PICK UP STIX, and 25 other concepts.

Our Radisson Seven Seas Cruise line, headquartered in Miami, Florida, is the world's premiere cruise line, operating 6 top of the line cruise ships.

In short, we embrace every aspect of the travel, lodging and dining industry (other than air and ground transportation services).

And our employees are among the best, hardest working people in the world. Notwithstanding the severity of what we all experienced on and after September 11, our people persevered to get the job done. I want to note with a great deal of pride that the owners and employees of our travel agencies worked night and day following the grounding of the airlines to assist stranded travelers with lodging and to rebook flights for them. In almost all cases, we did this without any additional compensation, at the same time that we were experiencing a 45% decline in business.

In particular, I want you to know of the extraordinary efforts of the staff at our Regent Hotel in downtown Manhattan, our Carlson Wagonlit people in the Pentagon who supported our government travelers, our airport Fridays restaurant people who served hungry passengers, and our hotel staffs in Canada and Europe, as well as here in the U.S., who accommodated stranded passengers. They are a credit to our industry and to our nation.

Impact on Our People and Carlson

Travel

Overall, our business travel in the U.S. is down an average of 35% since September 11.

Before September 11, all of our travel agency businesses were severely impacted by the airline commission cutbacks.

Most of our franchisees are small, family owned businesses, employing 3 to 4 people at each location. They rely heavily on small business travelers and leisure travelers. Due to the discretionary nature of leisure travel, that segment of the business, alone, is down more than 45%.

All of these businesses operate in tremendously competitive markets, operating on razor thin margins of 1-2%. A sustained sales decline of only a few percent over a few months doesn't just represent an operating loss, it often means closing their doors.

If something isn't done quickly, I unfortunately can predict with confidence that many of our small travel agent franchisees will be closing their doors due to this unprecedented reduction in travel stemming from this disaster.

Hotels

Our hotels which are primarily dependent on business air travel have experienced a similar 35% decline.

While the numbers of hotels are great, consider a single hotel and its value to people. Here is the break down at a typical 300 room Radisson hotel which employs on average 200 people:

Management	15%	(60% female)
Food/Beverage	50%	(50% female)
Housekeeping	15%	(90% female)
Front Office	10%	(60% female)
Maintenance	2%	(1% female)
Accounting/Purchasing/ Store Room	7%	(50% female)
Sales	1%	(90% female)

We have a large, hard-working immigrant population in housekeeping and in our food and beverage division. Most employees in those 2 groups (which represent 65%

of total hotel workers) are female, at the lower end of the wage scale, some are sole wage earners, and some are single mothers. Many have had little opportunity to have prepared financially for a lay off situation.

Furthermore, our “Typical Hotel” writes 500–600 checks per month to outside suppliers for various products and services. Among these are transfer suppliers (limo services/cab drivers); food suppliers; non- and alcoholic beverage suppliers; linen suppliers; uniform suppliers; laundry suppliers; furniture, carpet, and drapery suppliers; fixture suppliers (lamps/sinks/tubs/showers/toilets); cable TV and movie channel suppliers; china/glass/silverware suppliers; amenities suppliers (soaps, lotions, shower caps, shoe shine mitts, ashtrays, matches, etc.); office supply companies; IT suppliers; utility companies (electric/gas/water); waste removal suppliers; chemical suppliers; air conditioning/electrical/plumbing suppliers; pest control suppliers; and gift shops (and their suppliers, including t-shirt vendors, candy bars, aspirin, magazines, books, and souvenirs).

Restaurants and Cruise

If things do not rapidly change, our restaurants expect losses stemming directly from this crisis in excess of 10 million dollars by the end of the year and we estimate that our Cruise business will suffer in excess of 7 million dollars in losses. If these losses continue, the economic fallout to our employees, small business franchisees and their employees will be staggering.

What Next?

Without the kind of stimulus measures we have advocated, even if the current 35% falloff were to “improve” to a minus 20% long-term decline, such a calamitous fall-off would:

- Put more than 2.2 million Americans out of work, many of them in the next 60–90 days. (Compared to the 100,000 airline workers who have already lost their jobs.)
- Cause failure of and foreclosure on many hotels, sending a shock wave through the banking sector.
- Cause the loss of more than 100,000 U.S. travel agents (who write 80% of airline tickets), thus exacerbating the problem.
- Compound the loss of U.S. restaurant worker jobs, already estimated to exceed 90,000 in September alone.
- Cost federal, state, and local governments more than \$20 billion in tax revenues.
- Reduce the U.S. GDP by 3.6%.

What Can Congress Do To Help?

As I noted at the outset, we hope Congress will adopt an immediate, significant and focused, short-term stimulus package. We’re not seeking a bail out. TIA and our coalition partners support a six-part program that will help keep people working and will be good for all affected by this crisis. We ask Congress to—

1. 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.
2. 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.)
3. 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.
4. Provide substantial federal funding, with private-sector support and input, for advertising campaigns to encourage travel to and originating within the United States.
5. 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.

6. 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.

In short, we need short-term financial incentives to get Americans on planes, in hotels, dining, and using our great entertainment facilities. This will keep people employed, be a benefit to consumers, reduce costs for business and enable travel agents, restaurants, hotels and resorts and entertainment providers to survive.

Without this, we fear a recession and deficits at all levels of government as tax revenues decrease and the cost of helping displaced workers increases.

We look forward to working with you and your colleagues to get legislation enacted quickly to restore our industry to good health.

Thank you.

Senator DORGAN. Finally, Mr. Mason Hurst. I have included the statement you have given the Subcommittee in the record [located after Mr. Hurst's oral remarks]. Inasmuch as you are here, I would ask that you summarize that statement for us discussing the car rental business.

**STATEMENT OF O. MASON HURST II,
ANC RENTAL CORPORATION**

Mr. HURST. Thank you very much, Mr. Chairman Dorgan, Members of the Subcommittee. In particular, Senator Inouye, I would like to recognize you in light of the huge market that Hawaii represents for car rental and for Alamo Rental Car in particular, which is one of the companies that ANC Rental Corporation owns. I am here speaking on behalf of ANC Rental Corporation, which owns National Car Rental and Alamo Rental Car, and also on behalf of independent car rental companies from around the country that have been impacted by the terrible events of September 11.

The independent car rental industry in airports is inextricably tied to airline travel, perhaps more than any other industry. We are one of the few major industries that is actually located on the airport properties themselves. In the case of ANC, 90 percent of our business is derived from airplane deplaning passengers.

We support the Airline Relief Act that was passed. We would submit, however, that we need relief as well, in light of the extent to which we are intertwined with airline travel, we are really part of the air trip, a continuation of it when the customer lands. We are pleased that bipartisan legislation has been filed in the House by Representatives Shaw and Brad Carson.

That legislation provides for 1.5 billion in loan guarantees to the car rental industry. It does not provide for a handout. It does not provide for grants, loan guarantees only. In light of Senator Fitzgerald's comments, I would also like to point out that we are willing to contribute our fair share as part of that legislation, and one proposal is that we would pay 50 cents per car rental day into a fund to pay for security at airports and airline entry points, and at car rental locations on the airports, and we believe that would provide a fund in excess of \$100 million per year for that security.

We are an integral part of the transportation system, when a customer lands and rents a car, he does not just go to one single point for meetings. He has to travel throughout an area.

When it is a tourist, he is able to travel to all of the attractions in the area. If he lands, for example, in Honolulu, he does not just take a cab or a shuttle directly to Waikiki and stay in a hotel

there. He is able to visit the Pauli Overlook, the North Shore, to visit Pearl Harbor, to spend money throughout the island and travel to other islands and travel throughout that area. That happens all around the country with car rentals, and it spreads the impact of tourism and business travel throughout a region, not just to a particular point.

We are a critical part of the auto manufacturers' distribution. Just ANC alone purchases nearly 5 percent of General Motors' new car production. Budget Rent-a-Car, another independent car rental company, purchases 3 percent of Ford's production, and Dollar Thrifty Group purchases 6 percent of Chrysler's production. Combined, the car rental industry purchased 1.2 million new cars last year. Those purchases are threatened. General Motors noted in their statement for the fourth quarter that the single biggest threat that they face is loss of car rental sales.

Airports are extremely dependent on car rental companies. We are the second largest concessionaire in most airports, second only to the airlines. In one airport, Orlando International, we are the largest concessionaire. Airport bonds, general revenue bonds are dependent on the stream of revenue from concessionaires, including most prominently car rental, and they have recently been placed on credit watch by Standard and Poor's. They are special facility bonds issued throughout the country that are directly paid for only from collections from car rental customers.

Those special facility bonds are threatened with default if there is a collapse of the independent car rental industry. Vehicle rentals have plummeted for us since September 11. The markets have dried up, the capital markets. That is our biggest problem. We are unable to obtain the financing we need to weather this storm. That also threatens cities around the country that have special car rental taxes to fund various types of construction or general revenue.

For instance, Multnomah County, Oregon, which is Portland, Oregon, has a 12 percent rental car tax that goes into general revenue, Hawaii has a \$2 daily rental surcharge that goes into general revenue, transportation, and tourism promotion. There are special taxes in place in Dallas, for example, to fund the construction of an arena for the Mavericks. There are taxes in place in Seattle that are rental car taxes for construction of a stadium there as well, and there is a Chicago Convention Center rental tax that funds the debt for the bonds that were issued to build that facility.

We need relief, and unfortunately we need it right away. We are not in a position to weather the storm that is occurring. We cannot afford to weather an unprecedented downturn on the level that we have now, and what we are looking for is loan guarantees, not a grant, not a handout, but loan guarantees.

Thank you very much.

[The correspondence and prepared statement of Mr. Hurst follow:]

NATIONAL CAR RENTAL, ALAMO,
October 12, 2001.

Hon. BYRON DORGAN,
Chairman,
Subcommittee on Consumer Affairs, Foreign Commerce and Tourism,
United States Senate,
Washington, D.C.

Dear Chairman Dorgan:

Attached is testimony I would have delivered orally before your Subcommittee at today's hearing, if time permitted. Understanding the limitations on the Subcommittee's time, I request that it be submitted for the record.

The rental car industry is an integral part of our Nation's transportation system, and is inextricably tied to the passenger airline industry. Almost all airport car rental reservations are made coincidentally with airline bookings. Further, the rental car industry is the only major U.S. industry, other than airlines, operating directly on airport property and are the second largest contributor to airport revenues, approximately.

The devastating impact of the events on September 11, 2001 have affected the car rental industry to the same degree the airline industry's airport operations are impacted. The independent rental car companies, including Alamo, National, Budget, and Dollar-Thrifty have suffered a dramatic decline in airport car rentals since the terrorist attack.

Therefore, Federal assistance is essential to maintain the economic viability of both the airline industry and the car rental industry. The independent rental car industry is in need of \$1.5 billion in loan guarantees. The economic damage to the industry has been dramatic and we will not be able to weather a gradual increase in air traffic; hence the need for the financial assistance in the short term. We are working with Senators from heavily impacted States to seek introduction of legislation and passage of relief.

Thank you for support and we look forward to working with you in the coming days.

Sincerely,

O. MASON HURST II,
*Vice President and
Associate Deputy General Counsel,
ANC Rental Corporation.*

PREPARED STATEMENT OF O. MASON HURST II, ANC RENTAL CORPORATION

Chairman Dorgan and Members of the Subcommittee, my name is Mason Hurst, Vice President and Associate Deputy General Counsel of ANC Rental Corporation which owns and operates Alamo Rent A Car and National Car Rental. I am here speaking to you today on behalf of the independent car rental companies that have been impacted by the terrible occurrences one month ago yesterday.

The level of air travel, perhaps more than any other industry, directly affects the car rental industry. For example, over 90% of ANC's business is derived from airport deplanements.

The nation has recognized the substantial losses that are being incurred by U.S. airlines and the federal government has responded appropriately with passage of Public Law 107-42, the Air Transport Safety and System Stabilization Act. However, similar losses are being incurred by the car rental industry, an industry that is a fundamental component in the nation's air transportation system.

Therefore, Federal assistance is essential to maintain the economic viability of both the airline industry and the car rental industry.

We are pleased that bi-partisan legislation in the House of Representatives, H.R. 3055, has been introduced by Representatives Clay Shaw and Brad Carson that would provide \$1.5 billion in loan guarantees for the car rental industry. We are seeking champions in the Senate.

Let me explain the importance of our business in the transportation system.

Rental cars are an integral part of our nation's transportation system. They enable businesspersons to connect on the ground from airports to their offices, customers and clients. In essence, they are a continuation of the business flight. In addition, rental cars enable vacationers to travel throughout the region in which their air

travel terminated rather than just a single tourist attraction, further stimulating the economy.

Car rental companies are inextricably tied to airlines and are one of the only major U.S. industries operating directly on airport properties. The companies are uniquely linked; car rentals reservations are routinely booked at the same time that airline flights are reserved.

The car rental industry purchased over 1.2 million cars from American manufacturers in 2000. For example, an estimated 5% of General Motors output is purchased by ANC, and an estimated 3% of Ford's output is purchased by Budget, and an estimated 6% of Chrysler's output is purchased by Dollar and Thrifty.

Airports are dependent upon the substantial fees paid by car rental companies. In many locations the revenue stream provided to the airport by car rental concession fees is second only to those from the airlines. Should car rental companies not be able to generate revenue for the airports, airlines themselves may have to make these payments. Thus, the financial health of the airlines is directly linked to our industry.

Our airports' operating budgets are based upon two broad categories of revenue—aviation and non-aviation. If the financial contribution received by an airport from non-aviation sources (of which car rental is a primary example) is inadequate to meet the needs of the airport, the deficit must be made up via one of two sources: (1) the airlines under the provisions of a residual cost recovery agreement, or (2) from the general funds of the airport itself under a "compensatory" operating procedure. Approximately one-half of the country's principal airports operate under each agreement. Under either arrangement, the fact remains that an airport's finances constitute a "zero-sum" system, resulting in economic burden normally carried by a rental car company. This economic burden is shifted either to the airlines or to the airport itself in the event that that car rental company cannot or does not make the contribution the airport had anticipated.

Rental car company revenues from "at airport" operations are down dramatically since September 11. Moreover, most companies are estimating that even barring any further disruptions, revenues for the next year will be down dramatically. The economic impact of this reality has been dramatic, not only for the rental car companies, but also for the airports which have relied upon them for revenues. Since September 11, the debt instruments of several companies have been downgraded, as well as the bonds from all airports in the nation. It is essential to the companies, as well as the airports that action be taken to restore the markets' confidence in these entities.

Despite the importance of the rental car industry to the American economy, the industry structure is not well positioned for economic shock waves, much less the impact of a major terrorist attack. The closure of U.S. airports and the subsequent security regulations following the attack have and will continue to have a major impact on air traffic for the foreseeable future. Some of the effects of the catastrophe are as follows:

Vehicle rentals have plummeted and continue to remain down after the terrorist attack a month ago today.

Capital markets have dried up, particularly for this industry, because the finance sources know how closely we are tied to aviation.

A loss of the rental car industry would likely have a major and dramatic effect on the business environment and overall economy of the U.S.

Airport bonds could be forced into default if airports lose significant car rental concession revenue. Not only is it common for airport general revenue bond issues to reference the revenue stream from airports but several airports including for example, Dallas-Ft. Worth, Houston and Denver have issued special facility loans to fund airport rental facilities with funding for the bonds backed by a per rental collection from car rental customers. Also, many major municipal projects are tied to special taxes on rental cars such as the San Antonio Spur Arena, the Atlanta Hawks Arena, the Convention Center in Milwaukee and minor league baseball parks in Phoenix and Tucson. This financing stream is also in jeopardy.

The auto manufacturing market would be severely affected. If car rental companies go out of business, not only will those companies cease to make fleet purchases from car manufacturers, but also their creditors would flood the used car markets with hundreds of thousands of nearly new vehicles, further depressing an already strapped new car sales market. The volume of major car purchases by car rental companies is staggering. For example, ANC alone purchased approximately 300,000 new cars in 2000.

As I have stated above, many in the industry, particularly those that are independently owned and operated cannot weather the financial trauma of this national catastrophe without temporary government assistance.

We, therefore, are requesting that Congress pass legislation that would allow our industry to qualify for \$1.5 billion in loan guarantees modeled after the legislation that was passed for the air carriers a few weeks ago.

Thank you.

Senator DORGAN. Mr. Hurst, thank you very much. I want to thank all of you for your testimony. It represents perspectives from different parts of the economy and the travel and tourism industry. It is, I suppose, a circumstance where travel is particularly elastic in demand, and I was curious, yesterday, mid-afternoon, our government, through the FBI, issued a warning that credible evidence existed for them to say that there was an imminent threat of a terrorist attack somewhere in this country or internationally in the next several days.

That caused a great deal of consternation, I know, in the cloak-room of the U.S. Senate when that warning came across the screen, and my office has since received a large number of calls about, what does that mean and so on. I am just curious, Mr. Nelson or Mr. Rosenbluth, have you had any reaction to that in the travel industry in just a few hours?

Mr. ROSENBLUTH. Absolutely. As a matter of fact, last night, following the issuance of the warnings, and watching a number of the shows that were talking about not only the President's address and press conference with the nation, but remarks following it, where a number of people suggested that most people will stay home over the weekend, I placed a call to our in-route emergency 24-hour service and asked them what kind of calls they were getting and they responded that they were getting scores of cancellations, where people were canceling flights for today and for over the weekend, and this is part of the emotional and psychological roller coaster that is going on within the travel industry.

I wanted to respond—we do not have a lot of lobbyists. I am here representing travel agencies. I am a rookie at this. The only time I have been in Washington, other than last week, was to come to the Million Man March, and to come to my daughter's soccer game, so I do not have lobbyists. I am representing travel agencies, 3,000 of them, that only two are publicly held, the rest are family-owned single proprietorships. They are not looking for a handout. The loan guarantee that has been requested is based on an ability to pay, and I think that is absolutely critical. The grants that they are looking for are a result of just the business that was lost during the 7-day period following September 11 that wiped out the profitability of most of those agencies.

Once again, if the agency community is not there for the traveling public, it does not matter what kind of federal relief package is going to the airlines. There simply is no other infrastructure in place today to get people onto those planes. They will sit there parked at the gates, and that is not going to help commerce, it is not going to help tourism, it is not going to help anybody here, and it is not going to help any of the tourism for the states, which are very dependent upon it.

Senator DORGAN. It is the case, I expect, that Mr. Marriott, your company, for example, which runs one of the most successful hotel chains in history, you are linked to the workers at every single level.

I heard Mr. Rosenbluth speak about having to lay off some workers, and he describes his workers in a wonderful way, understanding that the company is really the workers in many ways, and so the workers who have come today with Mr. Wilhelm, having lost their jobs, they are tied directly to all of the larger economic questions of economic stimulus, the success of our ability to get the economy moving again, to give people some feeling of security with respect to travel, and then to the other issue dealing with individual needs at a time when the economy is in trouble.

You cannot really just say we will deal with one without the other, and so we have a series of things we have to connect here, because all of these are linked, and you indicated that the hotels are running 30, 40 percent occupancy. Is that across the system at this point?

Mr. MARRIOTT. They are running about 60 percent overall, when they should be running 85 percent.

Senator DORGAN. I guess I was thinking of Mayor Williams talking about—

Mr. MARRIOTT. In Washington they are running in the thirties.

Senator DORGAN. And is there a significant difference here, mainland, versus Hawaii?

Mr. MARRIOTT. Well, Hawaii has been severely impacted.

Senator DORGAN. The Lieutenant Governor testified that a significant difference between cities that are largely host to business travel versus destination tourism sites, Las Vegas, for example.

Mr. MARRIOTT. No, they both have been hurt. Orlando has been hurt severely, Las Vegas, Hawaii, Florida, South Florida. When you see a CNN come and ask a doctor in Florida if it is safe to visit South Florida because there is an anthrax breakout, you begin to wonder if people in this country have lost their mind.

Senator DORGAN. Mr. Wilhelm, we are going to do a stimulus package of some type. We are going to construct a stimulus package to try to lift the economy. We have that need, and at the same time we have a responsibility to deal with the security issues, because if people are afraid to move, especially in a service economy, and afraid to travel, that is a lodestone on the economy, so we are going to do a lot of these things.

I assume that your organization believes that uplifting the economy is going to be helpful to all of your workers, but even as we do that, if we simply try to elevate the economy, the assumption is that you believe that it will have a trickle-down effect maybe at some point. We also have to concurrently provide some help for laid-off workers. Do you agree with that?

Mr. WILHELM. Yes, sir, absolutely. I believe quite strongly that we need to do both ends of that equation. As I said in my testimony, our union strongly supports the kind of proposal Mr. Marriott and others have put forward, because ultimately we need to stimulate demand in our industry in order for the jobs to return, but at the same time, as you indicate, and as the stories of these workers who are here indicate, there is a genuine emergency.

We do not have a safety net in this country that is remotely up to the challenge of this unprecedented set of events, so I believe, as you indicate, that we need to do both of those things, in addition, as you say, to addressing the security issues so that people

will feel more comfortable about traveling, and I think it is fortunate that our government has put itself over the last decade or so into a sound fiscal position.

To me it is like a family that saves for a rainy day. Well, this is not a rainy day, this is a deluge, and I believe it is appropriate for the government to do whatever is necessary on a temporary, time-limited basis in order not to bail out companies and workers, but to stimulate demand in the industry, and to extend a helping hand to the workers who did what we asked them to do.

We said, in this country, from now on what you do every day is, you go to work, and if you are a single parent, you have got to go to work anyway, and I think in the long run that is a good thing, but we cannot forsake these folks when, through no fault of their own, having followed what the society told them, they now have no opportunity to do that work, so I agree with you that we need to do both ends of this equation, and if we do not, I think the impact on our society is going to be very long-lasting, and it is not just going to be on the employees in our industry and their families, it is going to be on the communities they live in, and I think, as I said in my testimony I think it is going to be a very damaging blow to the concept that if you work hard and show up to work every day and do what you are asked to do in this country, that your family will be OK.

Senator DORGAN. The point you made in your testimony needs repeating, and that is, we did welfare reform and a range of other reforms at a time when this economy was expanding, in a very substantial way providing opportunities for people to get trained and go to work. That is changing quickly, and I think poses a series of challenges for us, and I appreciate that point as we try to deal with both ends of this difficult problem.

Let me just ask Mr. Rosenbluth and Ms. Nelson, because you both run some of the largest travel agencies in the world, what if nothing happens at the moment? What if we did the airline piece? We did the security piece last evening, but we really do not get much agreement on the stimulus and so nothing much happens, and we kind of limp along here for the next month. Tell me the consequences from your perspective, Ms. Nelson.

Ms. NELSON. In the first place, we serve, as does Rosenbluth and American Express, the corporate travel industry. Corporations at the present time have either eliminated business travel, or are traveling on an as-needs basis only. This accounts for well over 50 percent of the hotel rooms in the country. It also accounts for over 50 percent of the white tablecloth restaurant business, and I do not know but what exactly the percent of the car rental business.

We need a story. We need to be able to go back to those corporations—I salute you for what has happened in terms of last evening's steps in terms of airline security. That is absolutely essential. I also recognize what Senator Smith spoke about, the fact that the airports right now are a bit ominous, but we need time.

This is about time, because we are a great nation. We will figure out how to secure the airports, and we actually in the travel agency business, when we ticket people and can perhaps be a part of a process, working with corporations and individuals who travel regularly, to find some ways to improve that process and facilitate reg-

ular travelers who are recognized and known, differentiate, so that we can reduce some of that congestion, but we need time.

So it will literally, I believe, change the infrastructure of this nation in such a way that to recover would be very difficult. It not only will put—the first step is putting hotels—we own 600, or under our flags we have 600 hotels. We do not own them all, but many of them are owned, in fact, by franchisees. Not only is new hotel business, or new hotel building being slowed and halted, but there are airport hotels that will go out of business, there are airport restaurants going out of business. It will take a long time for this nation to reabsorb that.

We went through the resolution trust time, where it took a long time to get these properties back into the system and functioning, and contributing. I think that some kind of stop-gap and bridge is absolutely essential, and I like the double approach, taking care of those who we have had to let go, because we cannot compete. We are actually incentivizing people to travel at less than it cost us to provide those services. That is a death wish.

I mean, we are incentivized, and we are doing all we can to provide pricing that will not allow us to stay in business, and so it could not be a more severe situation.

Senator DORGAN. Mr. Rosenbluth.

Mr. ROSENBLUTH. Senators, once again I speak not on behalf of Rosenbluth International per se, but the 30,000 travel agencies that make up the ranks of 300,000 people who take airline and hotel and car rental reservations every day. I can certainly understand where there might be some disagreement when it comes to the airline relief package. However, to protect that investment, that was made for the airlines. You need also to protect the viability of the agency industry, because without it the airlines simply will not get off the ground.

There is no other infrastructure in place in America today to take those reservations and issue those tickets. These are the same 300,000 people who spent days and nights on the phone with hundreds of thousands of stranded Americans throughout the country and overseas, getting them back home, answering their questions as to which airplanes were flying, what schedule changes, what airports have opened.

The airlines could not handle that capacity. They do not have that capacity today. They have closed their reservation centers for the most part. Without the travel agency community and without something being done for the members of it, airlines once again will not be able to fly, and that will have an absolutely dramatic effect.

I am not asking on behalf of the travel agency industry for shareholders to benefit. There are no shareholders. There are only two publicly held corporations, or publicly held travel agencies in the United States. Every other one is privately held, family-owned. These are made up of people who work day and night on behalf of the public in an unbiased way, providing information. They did so for one week solid without any revenue whatsoever, and all I am asking for on behalf of those agencies is to get them back on their feet, because without them there will be hundreds of thousands of additional losses.

I have talked to many CFO's and CEO's of agencies of all sizes. They have gone to their banks, the banks have said, travel-related industries are kind of taboo right now. You cannot get the loans and lines extended if you are in the travel industry for the most part, and as a result of that, there is only one other place to turn for an infusion, and that is the government, and I am vitally concerned about the commerce of our country if corporations and people who travel on vacations cannot get around, and that is why I believe it is critically important that we do something as immediately as possible for those agencies, because we are talking weeks and months, and in some cases they already have closed.

I have taken many an e-mail, many a call from agencies saying, I have already shut down. It is a very people-intensive business. They do not have anything to collateralize. They do not have planes. They do not have buildings. All they have are Americans that are working hard every day to get other Americans around this country to facilitate commerce and tourism, and keeping this country alive, and not falling prey to the terrorist attacks of September 11.

Thank you.

Senator DORGAN. Senator Fitzgerald.

Senator FITZGERALD. I have a question for both Mr. Rosenbluth and Ms. Nelson. The online travel agency Orbitz is now providing pretty stiff competition for the 25,000 bricks and mortars travel agencies in the country. Do bricks and mortars, mom and pop travel agencies think it is unfair that Orbitz just now has a huge infusion of Government cash because it is owned by the Nation's five airlines? Is that unfair to those mom and pops that they have to compete with Orbitz, which is subsidized by the Federal Government? What do you think about that?

Ms. NELSON. I think you have answered your own question, but one thing that I think we would all want to emphasize, I mean, obviously we are trying to be as positive as we can be, and we are trying to do what we can do and what we can control. That particular piece of legislation has been passed, and it has kept the airlines in business.

Senator FITZGERALD. How could Orbitz get money and you will not?

Ms. NELSON. We came to ask those questions, but what we are asking right now, I do not want people to be confused that because we are mom and pop agencies, some of them, that we are not using the most sophisticated electronic methods for serving our customers, because we are, so I do not want for some reason, and I do not think Hal would want anyone to think that any of us, whether it is our hotels, or our restaurants, or our small agencies, that we are not applying technology to improve the efficiency and effectiveness of the process.

We believe that this country is built on a fair market. I think that it is possible that if, indeed, it becomes unfair, that will undermine not only people's interests in working, but people's interest in innovating and investing, and that would be a serious problem with much longer implications than what we are facing now.

Mr. ROSENBLUTH. Senator Fitzgerald, this table here invented e-commerce. For 27 years we have been doing business completely

electronically. Every transaction that takes place between our companies and the car rental and hotel and airline industry is completely electronic. We provide electronic procurement systems to corporations in order to buy better so that they in fact have an advantage over an Orbitz. We provide optimal buying strategies, both of our companies, for corporations and the public to be able to get a better deal than they can get from an online agency, or whatever you would refer to Orbitz, since it is owned by the airlines.

I think it is critical that you look at what the airlines do with their dollars not to create undue competition, or unfair competition for the travel agency community. I think that is something that needs looking into.

But what Marilyn said is absolutely true. We are working with the most sophisticated technology databases that will pull up information databases, that pull up information that has helped the FBI track down the money stream of some of the hijackers, where they came from, where they went to, where they flew before. These are very sophisticated companies, and we all compete very nicely with the Orbitzes of the world.

Senator DORGAN. Senator Inouye.

Senator INOUE. First, Mr. Chairman, I want to commend you for gathering these five leaders of the industry. My only regret is that my colleagues are not here, because we should focus the stimulus bill on the industries that they represent.

As pointed out by some of us here, it is not just airlines. Yes, that is an important part of the industry, but without you, I do not know if we can do it, and I do not know how you did it, but this is the most impressive and articulate group I have ever had the privilege of listening to in all the years I have been here, and I have been here for a long time.

I have been here long enough to remember the glorious days of the Hot Shoppes Drive-in on Connecticut Avenue. I was at the opening of the J. W. Marriott Hotel, and this is a symbol of can-doism of America. This is a success story of America, so we are going to do everything to see that this is not the end of your success story.

I have learned a lot from this panel. I had no idea that the travel agencies sold 80 percent of all the reservations tickets for airlines. I do not think America knows that. And I had no idea about the impact that the car rental business will have on General Motors, that without you they may go out of business. Now, these are the facts that I am sorry my colleagues may not know unless we take it upon ourselves to publicize this.

Mr. Wilhelm, I congratulate you for bringing to our attention the impact your industry, your union has on taking people out of welfare. We do not realize what it takes to do this, and the thing that really impresses me, and I hope America can see this, is the way all of you are working together. This does not happen all the time, but here we have five people who represent the most important segment of our industry working together, and I think America should see this.

Although it is important, we have only one camera here. We have had hearings here of less important matters and we have had this place filled with cameras. I am really sorry that my colleagues

are not here. They should have been here, and I will do my best to see that the transcript of this hearing is shared with my colleagues.

Mr. Chairman, I congratulate you.

Senator DORGAN. Senator Inouye, thank you very much.

As all of us know, many of our colleagues are traveling today, on Friday, and Senator Inouye and I are privileged to participate in this entire hearing, and we certainly will make available all of the information of this hearing to our colleagues. This is a step, just one step, but an important step in working to try to find ways on a bipartisan basis to pass legislation that we think will in various methods and by various means provide a lift to this country's economy.

This industry was hit very hard. The terrorists who murdered thousands of Americans not only committed those heinous acts of murder on September 11, they also shot an arrow directly into the heart of the American economy, and we are feeling significant effects of that. The question for all of us in public policy and in the private sector is, what do we do together to try to overcome this shock to our economic system? We were already going through a contraction phase of the economy. I studied economics, and actually taught some economics in college for a while, and was able to overcome that, however.

[Laughter.]

Senator DORGAN. But when I taught economics, I taught, as all instructors did, that there is an inevitable business cycle of expansion and contraction in our economy. We were going through a contraction phase, with a weak economy, on September 10, and September 11 dealt, as my colleague said, a body blow to this economy, so the question is, what do we do together? The ideas discussed here today by one segment of the economy, but a segment that was perhaps hit more than others, will contribute to our ability to make those judgments.

Senator Inouye.

Senator INOUE. Mr. Chairman, the Congress has made many attempts to respond to September 11. We have done our best to strengthen our military, our intelligence community, our airlines, but to me the most important response and the most powerful response we can make to the tragedy of September 11 is the stimulus bill, and this panel represents that stimulus bill, and I am really sorry my colleagues are not here.

Senator DORGAN. Senator Inouye, let me again, as we conclude, say that I expect that the folks who accompanied Mr. Wilhelm today who have lost their jobs and who provided such gripping evidence of the human cost and the human toll here as a result of a weak economy and the terrorist attack of September 11, I expect that none of them, the person who is with us from Chicago would have on the morning of September 11 watching this terrible tragedy unfold, have expected that, well, there goes my job in Chicago, or someone in Las Vegas, or someone in Boston, having watched this horrible act of terrorism, would not likely have said, well, there goes my job, because people on that morning would not necessarily have felt the connection of what this means to the economy.

It meant first and foremost that September 11 was a massive tragedy for so many Americans, and we all grieve for them, but it meant much more than that. It meant that it cut a hole in this economy, and it meant that all of us have to think a little differently now about how we try to provide a lift to this economy, and as I indicated when I started, we are going to have to do this together.

Last evening, we worked until midnight here in the U.S. Senate. We passed an antiterrorism bill, and we passed an aviation security bill.

Senator Kyl is one voice, an important voice who, along with Senator Miller, has introduced a piece of legislation, and I intend to be a cosponsor of that legislation as well. It is one idea. There will be other ideas that develop, including loan guarantees, for example, and in the area of stimulus, the stimulus package that the President talked about, and that we talked about.

We have to do these things. We have to do them right, but we have to do them soon, because this is not a circumstance where we can sit around and thumb our suspenders and whittle away some time. This is a time for action, and as I said earlier in this hearing, I would much prefer, if we make a mistake, to have made a mistake by taking action than to make a mistake by doing nothing.

It is very important that we recognize what is happening to the Asian economies, and what is happening in the global economy, and especially what has happened to us as a result of September 11 and the interconnection of all of that.

So let me thank you, Senator Inouye, for being here for the entire hearing, and I pledge to those who have come as witnesses today to work with Senator Inouye and our colleagues to find common ground on legislation to take, we hope, effective action to respond to all of these issues.

And let me also say thanks to those of you who came today from the union, accompanying Mr. Wilhelm. It is not easy, I expect, to come to a committee room in Congress and stand up and have someone say publicly that you lost your job. You lost your job, but it is not your fault, and Congress intends to do everything humanly possible to restore these jobs and restore the hope that you might have good-paying jobs that give you an opportunity for a good future and the optimism that this country will grow and expand and provide opportunity for you and for your families again.

So thanks for being here and being willing to stand up and be a part of this hearing, and I hope as a result of your trip, be a part of a solution that will be divined by this Congress to respond to all of these issues. Your trip will make a difference.

This hearing is adjourned.

[Whereupon, at 12:08 p.m., the Subcommittee adjourned.]

APPENDIX

PREPARED STATEMENT OF HON. ROBERT A. UNDERWOOD,
U.S. REPRESENTATIVE FROM GUAM

I am pleased to submit testimony on the state of the tourism industry in my home district of Guam since the September 11 attack on our nation. In the aftermath of this catastrophic event there has been much focus on the financial condition of our nation's commercial airline industry, and while the stability and continuity within the industry is of the utmost importance, we must also look to secure and stabilize other sectors of our economy that are dependent upon the airline industry and which are on the verge of a crisis if we do not act now. This hearing is timely as the work of this committee is important to ensure that the needs of the travel and tourism industry is addressed.

It is critical to assist our businesses and our workers affected in the tourist industry during this national crisis. As Congress considers policy to address these issues, it is equally important that federal policy makers include the U.S. territories 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. Furthermore, unlike the U.S. mainland, Guam's economy is minimally diversified and heavily dependent upon tourism.

On Guam, 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 mainland United States, Guam is heavily dependent on tourists from Asia. 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.

I implore the members of this Subcommittee not to forget Guam and the other U.S. territories as you work to consider possible legislation to assist the travel and tourism industry. The impact of the September 11 attack has also been felt in our region, and since then we have been left out of many of the discussions on relief initiatives to this vital industry. On October 16th the Travel Industry Association of America, in conjunction with the U.S. Department of Transportation, Bureau of Transportation Statistics, will be releasing a report on the economic impact on travel and tourism in the United States for federal policy makers. This report does not include Guam or any of the other U.S. territories. Neither does their "See America" campaign. Most recently, the Post Master General 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.

The lesson to be learned is that we in the territories seem to have to fend for ourselves over and over again. This is not right. With our economies heavily dependent on tourism, the U.S. territories need to be a part of any initiative to help the tourist industry. Please do not forget the territories.

Hon. BYRON DORGAN,
United States Senate,
Washington, D.C.

Dear Senator Dorgan:

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.

TRAVEL BUSINESS ROUNDTABLE,
Washington, D.C., October 10, 2001.

Hon. BYRON L. DORGAN,
United States Senate,
Washington, D.C.

Dear Senator Dorgan:

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 for focusing on the plight of the travel and tourism industry in your hearing this week in the Senate Commerce Subcommittee on Consumer Affairs, Foreign Commerce and Tourism.

As you are well aware, 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.

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 can-

*The information referred to was not available at the time this hearing went to press.

celing 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 official record.

Sincerely,

JONATHAN TISCH,
Chairman,
Travel Business Roundtable.

Attachments

Before and After: The Economics of the U.S. Travel and Tourism in the Wake of September 11, 2001

Travel and tourism is one of our nation's most important and dynamic industries. From hotels to car rental agencies, theme parks and resorts to credit card companies, family-run restaurants to large convention centers, the industry is far more than the sum of its very diverse parts.

Consider these impressive facts about the travel and tourism in the United States:

- In the last decade, travel and tourism has emerged as America's second largest services export and the third largest retail sales industry.
(Tourism Industries, U.S. Dept. of Commerce; Travel Industry Association of America)
- The industry generated a balance of trade surplus of \$17 billion and is a vital job-creation engine for our nation's economy.
(Tourism Industries, U.S. Dept. of Commerce; Travel Industry Association of America)
- Travel and tourism is expected to have a direct and indirect domestic economic impact of more than \$582 billion in 2000.
(Tourism Industries, U.S. Dept. of Commerce)
- Global tourism generated \$3.5 trillion in economic activity in 2000, representing 12 percent of total economic activity.
(Travel Industry World 2000 Yearbook)
- International visitors spent an estimated \$106.5 billion in the U.S. in 2000.
(Tourism Industries, U.S. Dept. of Commerce)
- More than 17 million Americans are employed in travel and tourism-related jobs, with an annual payroll of \$159 billion.
(Tourism Industries, U.S. Dept. of Commerce; Travel Industry Association of America)
- The industry is the first, second or third largest industry in 28 states and the District of Columbia.
(Tourism Industries, U.S. Dept. of Commerce; Travel Industry Association of America)
- It is estimated that in 2000, travel and tourism generated \$99.5 billion in tax revenue for federal, state and local governments.
(Tourism Industries, U.S. Dept. of Commerce; Travel Industry Association of America)

The unprecedented terrorist attacks on New York City and Washington, D.C. are already threatening the vitality and strength of the domestic and international tourism industry. Travel and tourism, long a shining star in a static economy, needs policy focus more than ever at this crucial time of the nation's healing and economic growth.

Below are some examples of the reverberations the industry is feeling around the country in the wake of the September 11 attacks:

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

- In Florida, overall tourist spending has fallen by one-third, or \$20 million per day, since the attacks. Washington, D.C. officials estimate they could lose \$80 million in sales and income taxes in the next six months if tourists do not return in large numbers. Las Vegas officials estimate the city is losing \$30 million per day.
 - U.S. airlines lost an estimated total of \$5 billion in the days they remained grounded following the attacks, and continue to lose millions of dollars a day. Even after drastically reducing their scheduled flights, on average their planes are less than 50 percent full. More than 130,000 airline employees have been laid off as a result, and one airline has folded.
 - Hotels around the country are reporting reservation cancellations and severely reduced occupancy rates. Industry experts predict that, overall, hotels could lose \$2 billion in room revenue and other associated income. Moreover, a projection by PricewaterhouseCoopers shows revenue per room declining between 3.5 percent and 5 percent this year—the largest decrease in room revenue in 33 years.
 - 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; (*Los Angeles Times*, 10/6/01)
 - 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; (*The Washington Post*, 09/19/01)
 - In Central Florida, many hotels are at less than 25 percent capacity, where they would normally more than 50 percent full; (*The Washington Post*, 09/19/01; *Smith Travel Research*)
 - In Seattle, where downtown hotels are typically 90 percent occupied in September, occupancy is as low as 30 percent; and (*Associated Press*, 09/25/01)
 - In Hawaii, where many hotels normally have 80 to 85 percent occupancy, many occupancy rates are at 40 percent or lower. (*Associated Press*, 09/19/01)
 - The International Association of Convention and Visitors Bureaus reports that 25 percent of conventions and meetings that were scheduled before the end of this year have been cancelled. (*International Association of Convention and Visitors Bureaus*)
 - In Las Vegas, more than 50,000 conventioners cancelled in the week following the attack alone, representing a \$61.3 million loss for the city in non-gaming revenues. (*Associated Press*, 09/19/01)
 - In Boston, more than 10,000 conventioners canceled in the days following the attacks. (*Greater Boston Convention and Visitors Bureau*)
 - In New Orleans, four upcoming conventions were immediately cancelled in the wake of the attacks, at an estimated cost of \$37 million to the city. (*Louisiana Department of Culture, Recreation and Tourism*)
 - It is predicted that hotel construction, which reached 105,000 rooms this year, will drop to half that level by 2003. (*Washington Post*, 9/16/01)
 - The American Society of Travel Agents is reporting that travel agencies are losing about \$51 million per day in sales. (*American Society of Travel Agents*)
 - The Business Travel Coalition projects that U.S. corporate travel in January 2002 will be about half what it was in January 2001. (*The Business Travel Coalition*)
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UNGARETTI & HARRIS,
October 11, 2001.

Hon. BYRON DORGAN,
United States Senate,
Washington, D.C.

Dear Senator Dorgan:

Attached is a statement from Brent Garback, Chairman of Total Travel Management, Inc., on behalf of RADIUS Travel for the hearing on Friday, Oct. 12, 2001, before the Commerce, Science, and Transportation Consumer Affairs, Foreign Commerce and Tourism Subcommittee of the Senate Commerce Committee on state of the tourism industry. It is an important hearing for all involved in the travel industry.

We would appreciate it if you would place the statement in the hearing record. In the statement, RADIUS asks that the following two actions be taken to preserve the industry:

1. All airline fares (including Internet-only fares) should be available to all channels of distribution. Give the consumer choice; let the consumer decide how they would like to buy their travel.
2. Restoring a 10% commission level with \$50 domestic and \$100 international caps on all tickets issued through travel agencies for the duration of the war on terrorism.

The proposal to restore the commission caps would only be in place during the war on terrorism. Both of these proposals can be implemented without new legislation.

On behalf of RADIUS Travel, we thank you for addressing these critical issues and for giving us the opportunity to present this statement. Please let us know if you need any additional information on these issues.

Sincerely,

EDWARD P. FABERMAN.

Attachment

RADIUS,
Bethesda, Maryland, October 12, 2001.

Hon. BYRON DORGAN,
United States Senate,
Washington, D.C.

Dear Senator Dorgan:

I am submitting this written statement to the Commerce, Science, and Transportation Consumer Affairs, Foreign Commerce and Tourism Subcommittee of the Senate Commerce Committee on behalf of RADIUS—the global travel company, and other travel companies as both a shareholder and a board member of RADIUS. RADIUS is one of the country's largest travel management companies. RADIUS has 9,500 employees in shareholder agencies in 45 states. As a result of the tragic events of September 11, we have as a group furloughed 2,000 of our fellow travel representatives, many of whom have been in this industry since they started working. Many of these furloughed individuals are from small towns.

We appreciate the significant attention the committee is giving the state and well-being of the travel and tourism industry. It is an important hearing for all involved in the travel industry because it demonstrates your committee's support of the travel and tourism as we endeavor to restore consumer confidence in travel, the vitality of the industry, and the health and safety of our country.

RADIUS and our shareholder agencies supported the financial relief provided to the airlines by Congress and the President. The airline industry is definitely an engine of commerce for our country and, as a first step, getting the fleet back into the air and protecting the short-term viability of the airline industry was vital.

Unfortunately, the events of September 11, 2001 have significantly impacted all of us involved in the travel industry, particularly travel agencies. Travel agencies, which are the legal "agents" of the airlines, represent the consumer. They distribute 75% of airline inventory—or three out of every four airline tickets. American consumers and corporations prefer travel agents because they provide consumers and corporations with convenient, unbiased fare and schedule comparisons, seat selec-

tion, destination consulting, passport and visa services, safety and security advice, information on travel health requirements, insurance, travel and entertainment management reports, and even consumer advocacy.

The importance of the travel agent's role in finding the best fares and accommodations was illustrated in a story in the October 8, 2001 *USA Today* that noted that "William McCormick says the cheapest round-trip fare he could find online from Greensboro, NC to Dallas was \$1,600. A travel agent found one for \$631.00." This is what we do every day.

If travel agencies continue to face financial turmoil, consumers, businesses, and communities will suffer. As one of the nation's strongest advocates for increased travel options and the relationship between state and community economic development and available travel options, you know the importance of maintaining all parts of the travel industry.

In order to help preserve our part of the industry, RADIUS asks that the following two actions be taken:

1. *Give the American consumer a choice—all airline fares should be available to all channels of distribution*

All airline fares (including internet-only fares) should be available to all channels of distribution. Give the consumer choice; let the consumer decide how they would like to buy their travel. Travel agencies are the preferred channel of distribution for airline tickets to the American consumer and corporations. Travel agents sell 75% of all airline tickets, 95% of all cruises, 90% of all tours and packages, 40% of all car rentals and about 25% of all hotels (source—ASTA).

One-reason consumers prefer travel agencies are that we represent the only practical consumer protection. How many letters has your office received from constituents that have registered letters of complaint with the airlines, the FAA, their Attorney General and yourself? The consumer understands that they have very little ability to resolve matters of dispute that arise with the airlines. Their selection of a travel agency is based upon our ability to help arbitrate and resolve consumer affairs issues. This does not make us popular with the airlines. However, this does represent an essential consumer service.

Further, we are the "shopper" for the consumer, even when compared to the various automated/internet reservation systems on average travel agents offer fares that are \$90 less than even when a traveler spends their time and effort "surfing" the Internet (source—Topaz International).

Moreover, when flights are canceled due to bad weather or mechanical problems, most travelers call their travel agent instead of waiting in long lines at airline counters. We are able to present the consumer with options, which are convenient and cost effective, for them not for the airline. Many more of our customers since September 11 now seek our advice, wanting to know when we "feel that it will be safe to travel" and "which destinations will be the safest". One could argue that our newest role is that of crisis management and security advisor.

Without travel agencies, people will continue to be afraid to travel not only because of the recent terrorist acts but also due to reduced service levels in reservation processing. Airlines offer poor en-route traveler assistance and certainly do not represent one-stop access to all segments of the travel industry. Today, not all fares are accessible to all parties. Americans without Internet access should not be denied airfares by airlines. Fair accessibility to all airfare is the first pro-consumer step that Congress can demand. We ask that all published fares be made available to travel agencies to market and sell.

2. *Institute a 10% but capped commission level during the war on terrorism*

Restoring a 10% commission level with \$50 domestic and \$100 international caps on all tickets issued through travel agencies for the duration of the war on terrorism can be effected without new legislation. Airlines have reduced commissions six times since 1995 with the most recent commission cut occurring in August of this year. American consumers and corporations view these actions as back-door price increases. When those cuts were made, fares did not drop!

We propose a pro-employment program, which reinstates a 10% commission level, capped at \$50 domestic and \$100 international caps on all tickets issued through travel agencies. This will enable our travel agencies to keep their doors

open and provide the services that consumers and corporations want. For example, on a domestic ticket of \$600, agencies would make \$50 to cover their costs and make a small profit. This commission level is below what carriers used to pay travel agencies. Considering the amount of federal funds being paid to the airlines under the Airline Stabilization Act, this is a negligible amount in total.

More importantly, this will help build traffic and tourism. This is a temporary measure that would disappear after the "war on Terrorism" is completed. This small commission increase could be quickly implemented with the cooperation of the airlines with no impact on the federal treasury.

Both the Department of Transportation and the Airline Review Board that will be facilitating the loan guarantees could implement both of these proposals. Hopefully, this will not affect the necessary cooperation. We hope that the Committee will urge the Department to immediately take these steps.

The majority of travel agencies are small, independently owned companies, 55% of agencies have an annual income of \$2 million or less. A large proportion of travel agents (85%) are women and minority employees. RADIUS agencies are middle-sized businesses that employ over two hundred people, on average. Unfortunately, that makes us too big to derive any assistance from the Small Business Administration or the newly introduced "American Small Business Emergency Relief and Recovery Act of 2001." At the same time, we are too small to have any access to the capital markets. Travel agencies exist in a business with razor thin margins but have helped create meaningful employment for local citizens across the nation who provide valuable services to consumers and corporations. As you know, each job lost will ultimately create unemployment for 2.5 additional workers! The cascading effect of layoffs and closures in the travel agency industry will clearly roll through the entire economy.

RADIUS is supportive of the positions advocated by other travel agency groups. We urge your committee to continue its review of the situation and provide the guidance and measures necessary to restore consumer confidence and improve the health of all the segments of the strategically vital travel and tourism industry.

Respectfully submitted,

BRENT J. GARBACK,
RADIUS Board Member,
Chairman, Total Travel Management.

THE SECRETARY OF COMMERCE,
Washington, D.C., October 10, 2001.

Hon. BARBARA BOXER,
United State Senate,
Washington, D.C.

Dear Senator Boxer:

Thank you for your letter regarding the issue of travel and tourism. We appreciate your efforts to help revitalize this important industry. In light of the impact the attacks have had on the industry, it is important now to ensure that measures are implemented to restore consumer confidence in travel and in this economy.

While safety and security, of course, are of utmost importance, preserving our citizens' ability and freedom to travel is also key. I fully recognize the strength and breadth of the travel and tourism industry's contribution to the U.S. economy. That sector alone contributes nearly 5 percent to the gross domestic product, generating over \$578 billion in revenues, supporting over 19 million jobs, and providing a \$14 billion trade surplus for the country. In addition, 95 percent of the businesses in travel and tourism are small- to medium-sized companies. It is important to take immediate measures to help ensure their viability. On September 25, I hosted a roundtable with 14 Chief Executive Officers (CEOs) from the travel and tourism industry. During that session, we discussed various issues ranging from the extent of the damage to the industry to recommendations for the U.S. Government's involvement in revitalizing this vital sector of our economy. I later spoke directly with representatives from the restaurant industry, who conveyed their concerns and sought guidance for a government role.

As a result of the CEO roundtable, we are considering several immediate steps, keeping in mind that our efforts must be prioritized, effective, and realistic. First,

we are examining the creation of an interagency task force to coordinate federal policies and programs related to the travel and tourism industry. One possible option, which you have also proposed, is the revival of the Tourism Policy Council, which had a similar mandate when it was active a few years ago. This Council could be an important forum to coordinate and discuss the impact of new and existing agency regulations, policies, and other measures on travel and tourism.

Second, we are also exploring the establishment of a small task force of representatives from the private sector. The purpose of this group would be to coordinate and implement comprehensive strategies to boost consumer confidence and public relations efforts. They would also help with the collection, assessment, and dissemination of current data to assist in the recovery efforts.

Finally, I am asking the Commerce Department's field offices across the United States and overseas to monitor the impact of these events on international travel to the United States, including the perceptions of travel safety in the United States, and to raise travel and tourism as a priority sector in their portfolios.

I have asked the Department's Assistant Secretary for Trade Development, Linda M. Conlin, who oversees our Office of Tourism Industries, to fully explore these options and to strengthen our communications with key travel and tourism organizations and companies.

If you have any further questions, please feel free to contact me or have your staff contact Brenda Becker, Assistant Secretary for Legislative and Intergovernmental Affairs.

Warm regards,

DONALD L. EVANS.

September 26, 2001.

Hon. DON EVANS,
Secretary,
Department of Commerce,
Washington, D.C.

Dear Mr. Secretary:

I am writing to follow-up on my suggestion that we put into place a Travel and Tourism Promotion Bureau within the Department of Commerce. I want to again express my interest in working with you to assist the travel and tourism industry in the wake of the September 11, 2001 terrorist attacks on the United States.

I am concerned that those attacks have shaken consumer confidence to a degree that threatens to decimate jobs in travel and tourism related sectors. As you know, the travel and tourism industry is a source of more than a million jobs in California and more than 17 million jobs nationwide.

As we discussed, I will introduce legislation to establish a temporary Travel and Tourism Promotion Bureau within the Department of Commerce. I hope that you will support this proposal.

The two-year mission of the Bureau would be to help restore consumer confidence in travel and tourism through public service announcements and advertising designed in coordination with industry and workers. Funds will be provided for the Bureau to promote tourism in a number of ways, including promoting the benefits of the new safety initiatives the airline industry and government will have initiated or is in the process of initiating.

I believe that if the public knows that their government is working with industry and its employees to secure their safety, then their confidence in traveling will be restored relatively quickly. I would be happy to discuss with you any other initiatives you think such a Bureau could undertake.

I look forward to working with you on this initiative and hearing any feedback you might have.

Sincerely,

BARBARA BOXER,
United States Senator.

PREPARED STATEMENT OF THE AMERICAN HOTEL & LODGING ASSOCIATION

First and foremost, we would like to thank you for your leadership during our national emergency. It has been gratifying and inspiring to see Members of Congress

from both chambers and both sides of the aisle come together for the good of our country.

On behalf of the American Hotel & Lodging Association (AH&LA) and its 13,000 members, we would like to offer some suggestions to help our industry, our economy, and our country recover from the barbarous attacks of September 11.

The lodging industry is a vital component of the U.S. economy. The industry is composed of 53,500 properties with 4.1 million rooms located in every state and congressional district across the country. In 2000, the tourism sector directly supported more than 7.8 million jobs and directly or indirectly employed one of every seven Americans. Also in 2000, the tourism sector paid \$171.5 billion in travel-related wages and salaries and \$99.5 billion in federal, state, and local taxes.

Smith Travel Research, an independent research firm, estimates that the lodging industry lost \$700 million in revenue in the 10-day period following the terrorist attacks. From September 12–18, lodging properties lost \$70 million a day, and from September 19–24, they lost \$40 million a day. Although we are currently seeing occupancy rates slowly climbing in some sectors of the industry and in certain regions of the country, the overall negative economic impact of the September 11 attacks continues throughout our industry and will be felt into the foreseeable future.

While the lodging industry has been negatively impacted to a severe degree, AH&LA realizes that the country's needs as a whole greatly outweigh the needs of any one specific industry. Right now, the country needs bipartisan leadership from the Congress. Accordingly, we offer these suggestions, which we believe have a legitimate level of bipartisan support in Congress based upon discussions with many of your colleagues and staff.

Further, AH&LA has narrowed the scope of its recommendations for a possible economic stimulus package to those that would STIMULATE the entire economy, as well as the lodging industry. Our industry is at the vanguard of all efforts to have Americans return to normal by getting the public traveling again. Our main concerns are encouraging people to travel, ensuring the liquidity of our businesses, and aiding our employees. We believe accommodating these concerns is both economically feasible and politically viable and ask Congress to implement these suggestions for one year or permanently.

Travel Incentives

Spousal travel

Restore the deduction for travel expenses of a spouse accompanying an employee on a business trip to 100 percent.

Business meals and entertainment

Restore the deduction allowed for business meals and entertainment to 100 percent.

Liquidity

Payroll tax reform

Temporarily cut or defer federal payroll tax payments equally affecting the employer and employee contributions.

Small Business Administration loans

Extend the eligibility requirements for the Small Business Administration's Economic Injury Disaster Relief Program.

Workforce Assistance

State assistance

Aid states that have difficulty processing and paying unemployment and worker compensation claims resulting from the attacks.

Health benefits

Extend health benefits for displaced workers.

A further long-term step Congress may consider to stimulate travel is to set up a temporary fund to promote travel within the U.S. and encourage international visitors to come to America. To achieve this, a new bureaucracy need not be created; states, cities, and convention and visitors' bureaus already have begun marketing efforts. A program disbursing federal matching funds to such entities would significantly leverage these efforts.

Others in our industry and some of our colleagues in certain sectors of the travel and tourism business may make different recommendations or may make no recommendations at this time. We respect their positions.

Thank you for allowing us the opportunity to submit this testimony and for your consideration of AH&LA's proposals, but, most of all, thank you for your service to our country.

PREPARED STATEMENT OF FRANK P. GALLAGHER, CHAIRMAN, COACH USA, INC.

My name is Frank P. Gallagher and I am Chairman of Coach USA, Inc. While I am sorry that I cannot appear before the Committee in person today, I want to express my gratitude to the Committee for inviting me to testify. I also want to express my appreciation to you for your interest in addressing the current crisis in tourism in this nation following the events of September 11, and in giving me the opportunity to discuss the special concerns of the motorcoach industry.

Coach USA, which is based in Houston, is not itself a motorcoach operator, but rather owns and manages over 100 separate motorcoach and taxicab firms that operate around the nation. These companies together employ 11,000 persons and operate over 6,700 motorcoaches, making Coach USA the largest operator of motorcoaches in the nation. Coach companies function in all sectors of the multifaceted motorcoach industry. Some Coach companies provide scheduled, intercity services; some provide commuter services in metropolitan areas; many provide charter, tour and sightseeing services. Many of our companies operate in each of the above sectors, relying on revenues from one type of service to support other types of service. Charter and tour services, however, constitute the bulk of Coach's operations. Our companies, for example, transport conventioners and sightseers in Chicago and San Francisco, among many other major cities, as well as at other popular destination points such as Orlando and Branson. We also operate services linking our nation's largest cities with major tourist destinations, including Las Vegas and points throughout California and Florida. We also operate the largest sightseeing operation in New York City, Gray Line of New York, which transports passengers from around the world via specially designed double-decker tourist buses. This is in addition to the approximately 1,500 commuter and other buses that we operate in the New York metropolitan area daily.

Needless to say, the September 11 attacks, and the public uneasiness about travel that has followed in their wake, have had a substantial adverse impact on the motorcoach industry, and as most relevant to this Subcommittee's concerns, the large segment of our industry dependent on tourism and leisure travel. Indeed, Coach USA's Northeast/New England area has been particularly hard hit by the fallout from the terrorist attacks, with an immediate revenue loss of 30%.

The fall is among the busiest seasons for the bus industry, given school trips, numerous conventions, autumn color tours and other forms of tourist travel. This fall, however, will probably be among the worst in our industry's experience. While I cannot offer you hard data yet, I can tell you that the impact to our business will likely be material. Our Gray Line tours of New York City, for example, are running at only a fraction of the capacity at which they were operating prior to September 11. School trips and conventions have been cancelled throughout the nation, and each cancellation represents to us a loss of revenues on which our industry is highly dependent. These cancellations come at a time when, historically, our industry earns the revenues it needs to withstand the slower, winter months.

Many of our charter and other tourist trips are geared to seniors, who prefer bus trips to travel by air. Seniors, however, are perhaps among the groups most fearful of traveling in these trying times, exacerbating our industry's problem. Also, many of our charter and tour trips, particularly in the nations' biggest cities, are heavily dependent on foreign tourists who arrive by air at JFK, LAX and O'Hare, among other gateway airports. Those tourists are simply not coming any longer, and trips planned over the next several months have largely been cancelled.

Further, we have no reason to believe that our industry's problems will quickly improve in the coming months. Even trips and meetings scheduled for the spring of next year are being cancelled now by schools and other groups. The continued uncertainty in the world situation, and the threat of further attacks discussed regularly by our nation's leaders, offer little solace to those, like our industry, so heavily dependent on tourism. The American Bus Association reports that customers have cancelled up to an estimated 500,000 motorcoach trips/day, and that perhaps somewhere between 20,000 to 40,000 jobs have been lost or idled in our industry.

We recognize that the motorcoach sector of the tourism industry is not the only sector facing serious problems. Obviously, our business is tied to that of hotels, car rental firms, travel agencies and airlines, each of which sectors is also suffering. However, on top of all of the bad economic news for the motorcoach industry, we must now focus on appropriate security measures for our passengers, a subject that

was addressed at a hearing of the Surface Transportation Subcommittee of this Committee just two days ago. Appropriate security measures might include a variety of measures, including more intensive screening of drivers for criminal records, all of which will be expensive to implement.

Given this background, I would like to offer the Subcommittee some thoughts on how we believe Congress can help our industry weather these extraordinary times and stimulate economic recovery. Our specific proposals are as follows:

- A temporary exemption from the 7.4 cent federal fuel tax on diesel for motorcoaches. Our industry provides not only the safest, but a highly fuel efficient means of transporting large numbers of passengers. An exemption will put us on a par with school buses and transit buses, and yield savings of over \$26 million for our industry. Which will allow industry to reduce costs and continue to offer affordable transportation. Economic benefits to the entire travel sector will follow.
- Reestablish a government agency that would promote U.S. tourism, both domestically and by encouraging foreigners to visit the U.S. Until a few years ago, the U.S. sponsored advertising campaigns to promote tourism, which of course is one of the largest industries in our nation today. The time to reestablish this agency, and to persuade people to travel once again, has come in the wake of the September 11 attacks. Further, this agency should be invested with funds sufficient to provide or guarantee loans to travel-related businesses for use in helping them weather the current crisis, advertise their own services and thus promote more travel business and jobs.
- Provide a 10% tax credit for the purchase of new or used commercial motorcoaches. This credit will result in lower lease payments for most carriers that will in turn facilitate the industry's ability to acquire new equipment buses at a time when capital needs are significant, particularly for new commuter services designed to ease congestion and line-haul operations that serve as an alternative to air transportation. With more affordable equipment, our industry will generate more jobs.
- Establish programs to help our industry pay the costs of the security measures that are appropriate to the situation, including more intensive background checks for drivers and technological improvements such as GPS. In this regard, we favor vesting the Federal Motor Carrier Safety Administration with authority to dispense \$50 million in security grants to carriers on a competitive basis, as well as another \$50 million in grants to allow for the development and demonstration of new security technologies designed to enhance security nationwide and formula grants to localities to allow them to "harden" from a security perspective some of the major motorcoach destinations in the country.
- The Americans with Disabilities Act has imposed expensive new requirements on our industry to purchase wheelchair lift-equipped buses. These relatively new requirements for our industry are in effect now, at a time when we can least afford the significant extra expense. The existing federal grant program to allow our industry to defray these costs covers only a small fraction of the costs for a very small number of bus operators. That program either needs to be made more robust with the infusion of new funds, or replaced with a tax credit program that would allow companies to claim a credit for a portion of the costs associated with compliance with the ADA. The relief we propose here would be consistent with public funding that the transit sector and Amtrak have received to defray similar accessibility costs.
- Our industry also needs other forms of assistance. This includes liberalizing the availability of low interest, economic injury disaster loans administered through the Small Business Administration to include companies not located within designated disaster areas. We also need to be protected from subsidized competition from transit agencies that provide charter services in competition with the private motorcoach sector in which we operate. Congress should strengthen the existing prohibitions in the law against such subsidized competition, prohibitions that are not today being adequately enforced by the Federal Transit Administration.

I thank you again for the opportunity to offer these views. I am confident with your assistance we can help stimulate full economic recovery, and create new jobs, in the travel and tourism sector.

PREPARED STATEMENT OF THE 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 85 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 Senate continues its important work to move our country ahead.

PREPARED STATEMENT OF MICHAEL PAYNE, INTERNATIONAL ASSOCIATION OF AIRPORT DUTY-FREE STORES (IAADFS)

The International Association of Airport Duty-Free Stores (IAADFS) would first like to express our heartfelt sympathies to those who have suffered as a result of the tragedies of September 11. Our hearts and prayers go out to those who mourn the loss of loved ones—families, friends and colleagues.

The IAADFS is an international trade association with approximately 500 company members worldwide, including many with both duty-free and standard retail concessions in airports around the United States. We are testifying today to request federal financial assistance for hard-pressed airport duty-free concessionaires. The U.S. Conference of Mayors also recognizes the importance of airport concessionaires to the airport industry and supports a federal aid package that includes airport concessionaires hit by a decline in airport passengers. (See article attached).*

The origins of the duty-free industry go back almost 100 years. The ability of the international traveler to make duty-free and tax-free purchases has its origins in the nineteenth century, when passengers on transatlantic ocean liners took lawful advantage of the tax-free status of ships in international waters. Over the past fifty years in particular, the international community has recognized duty-free sales through a series of formal treaties such as the Chicago Convention of 1944, the 1954 New York Convention on International Travel and the 1974 Kyoto Convention on the Simplification and Harmonization of Customs Procedures. In fact, Congress has expressly recognized the importance of duty-free sales enterprises in the Omnibus Trade and Competitiveness Act of 1988:

The Congress finds that—

- (1) duty-free sales enterprises play a significant role in attracting international passengers to the United States and thereby their operations favorably affect our balance of payments;
- (2) concession fees derived from the operations of authorized duty-free sales and enterprises constitute an important source of revenue for the State, local and other governmental authorities that collect such fees. . . .

Duty-free concessions are truly an integral part of the U.S. travel industry and are important to the financial well-being of America's airports. In the United States, for example, duty-free concessions pay over \$200 million in airport fees. However, duty-free trade has been severely impacted by the well-documented reduction in air travel caused by the September 11 terrorist attack. Moreover, strict security measures and restrictions on ticketed passengers allowed through security checkpoints have severely reduced the number of potential customers for all airport concessionaires. As a result, duty-free and other retailers have experienced a drastic downturn in business. Airports Council International—North America (ACI-NA) estimates that concessions could lose over \$300 million in revenue over the next year. (See article attached).* ACI-NA also reports that concessionaires are “in the process

*The information referred to was not available at the time this hearing went to press.

of" laying off 9,600 employees, or a third of their workforce. We believe the industry will continue to suffer as the United States begins to retaliate against terrorists, and as the uncertainties created by this new type of conflict cause travelers to continue to defer air travel.

It is the uncontrollable uncertainty of this new type of conflict that causes us deep concern over future sales. The duty-free industry expects its sharpest and most prolonged downturn since the Gulf War, when global sales fell by approximately 30%. Industry reports indicate that in the last week, concessionaires have reported sales declines of 30%–40%. We have seen reports that tourists from some countries have cancelled their trips to the United States at a rate of 80% in the next month. It is unknown what cancellation rates for October and beyond may be, as travelers wait to see what the United States will do in response to terrorist activities.

The most serious issue facing airport concessionaires is the payment of their monthly rent, or Minimum Annual Guarantee (MAG). Not only are duty-free stores experiencing severely reduced sales and profits, the stores are dangerously close to being unable to pay their MAG to the airports in which they are located. Most duty-free concessionaires lease their retail space either as a percentage of sales or on a minimum fixed rent (the MAG), whichever is greater. Currently, sales are so low that in most cases the MAG will apply. The concessionaires are not generating enough revenue to pay this fixed rent and their rent obligations may range from 50 to 100 per cent level of sales. Clearly, these circumstances demand relief.

Allowing concessionaires to pay lower rents based on sales (rather than the MAG minimum) is only a partial solution. Airports, concerned about revenue streams to secure bond payments or to finance long-term construction projects and other obligations, would be forced to increase revenues by raising landing fees, for example. This would then force a rise in ticket prices which in turn would continue to depress air travel. The airports would be even further damaged if they were forced to solicit bids for new concessions in the current uncertain market. This combination of circumstances creates a vicious downward economic spiral for all of these inter-related entities.

The losses experienced by duty-free stores and their airport landlords cannot be recouped without federal assistance which replaces revenue lost to the system. The matter is particularly acute given the fact that all indications are the situation will continue to decline in the next few months. As you have seen, airlines have laid off thousands of employees as a result of the crisis facing air travel and related industries. Large and small duty-free entities are facing a similar crisis. These companies are considering layoffs, potentially numbering in the thousands.

The IAADFS believes we are all in this together. To provide stability, we believe the immediate solution involves either providing emergency funds directly to the concessionaires to pay their fixed rent, or to provide money directly to the airports in lieu of the rent due. In this way, airports and concessionaires can continue to work together to ensure their mutual economic survival through this current crisis.

Thank you for your time and your dedicated service to assist the airline and travel industries. We are happy to answer any additional questions you may have.

PREPARED STATEMENT OF LAWTON ROBERTS, OWNER,
UNIGLOBE COUNTRY PLACE TRAVEL

Mr. Chairman and Members of the Committee. Thank you for the opportunity to testify to the critical needs of the Travel Agent Industry portion of the Travel and Tourism Industry, particularly the critical needs of small mom-and-pop travel agencies that comprise the vast majority of the 20,000+ travel agencies in America. Unlike the airlines who have substantial resources to weather the current industry storm, or even the very large corporate travel agencies such as American Express, Carlson or Rosenbluth for example who employ thousands of agents and have sales in the billions of dollars each year, the mom-and-pop portion of The Travel Agent Industry is in a crisis state financially, and is imploding before our very eyes throughout the country. While the events of September 11th, 2001 certainly contributed significantly to an overall depressed travel and tourism industry at this time, the travel agent portion of the travel and tourism industry was already in a severely weakened state prior to September 11th due to years of attack by the same airline industry that recently petitioned this Congress for immediate financial assistance. In my testimony, I will present the specific airline practices that collectively weakened and threatened the financial viability of the travel agent industry before September 11th. I further will present the outrageous airline actions taken against travel agents in the days since they received federal financial assistance in the airline bailout which are causing travel agencies to close in record numbers and thus

threaten an entire industry previously employing between 200,000 and 300,000 taxpayers nationwide. And finally, I will offer specific remedies to these airline practices directed toward travel agencies that if adopted will not only provide immediate assistance in providing travel agencies at least a fair chance to both survive in today's marketplace and thrive in the promising marketplace of tomorrow, but would also assist the airlines in filling empty seats on airplanes, assist consumers in shopping for the best airline/airfare option in a complex airfare marketplace, and very importantly for the American taxpayer, would assist the airlines in reducing their fixed overhead costs and thus reduce the likelihood of any further airline requests for taxpayer bailout. And let me hasten to add that these proposed remedies if adopted will be at no cost to the American taxpayer!!!

Provisions of Proposed Travel Agent Consumer Protection Act of 2001:

Problem #1: Price discrimination by the airlines in the airfare marketplace is running travel agencies out of business: The airlines are driving consumers away from travel agencies and toward airline-owned retail distribution outlets such as individual airline-owned or joint airline-owned websites such as Orbitz by withholding their lowest fares from traditional travel agencies and CRS Computer Reservations Systems which the airlines developed and require travel agencies to use. The price discrimination is blatant, is often advertised in full-page ads in regional and national newspapers and in broadcast media, is often a difference of 10% to 20% across the board, and is widespread to the extent that consumers have now come to learn through advertising that travel agencies are no longer the source of the best airfare. By withholding the lowest fare, even if only by as little as 5% across the board, travel agencies might as well not have access to any fares at all, because by the very nature of the product we are selling, a seat on a plane, since there is no difference in the actual product once the passenger sits in the seat, there is no marketplace reason for any consumer to pay 20% more, 10% more or even as little as 5% more for the same product from any distributor. Consequently, airlines are starving travel agencies to death by no longer letting travel agencies sell their product at the same price the airlines offer it to the same customer themselves. This is a violation of the Clayton Antitrust Act of 1914, wherein Section 2 so states: "That it shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities which different commodities are sold for use, consumption, or resale within the United States or any . . . other place under the jurisdiction of the United States, where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly in any line of commerce." This one widespread airline practice which surfaced with the advent of airline websites has had the single greatest adverse impact on the travel agent industry in recent years. At a time when airlines are asking for taxpayer bailout, flights are being cancelled due to insufficient loads, and airline employees (especially reservations agents and entire reservations centers) are being laid off in the tens of thousands, it would seem to be in the airlines' own best interests to make all of their product available for sale through all distribution channels, especially that distribution channel that carries absolutely no cost to the airlines when the phones don't ring, commissioned travel agents. And as for the commission cost to the airlines when a travel agent does make a sale, the airlines have cut travel agent commissions six times on domestic fares to the extent that now the actual average commission is well below the cost of the airline's own in-house reservations department if they were to issue the same ticket. Travel agent commissions now average less than 3% of the cost of the average ticket price. This isn't rocket science. Just do the math. If an airline loses 10% revenue in order to save 3% commission 'expense' to a travel agent, there is obviously an additional motive for having a net loss of 7% revenue in the case of a 10% lower fare than offered to travel agents, or having a net loss of 17% revenue on each ticket in the case of a 20% lower fare which is also sometimes offered by airlines only to the consumer and not to travel agents. It is clear to me that this practice of blatant price discrimination is intended to drive travel agents out of business by driving consumers to airlines, now the only source of the truly lowest fares. There isn't sufficient time to allow enforcement of existing antitrust laws to remedy this imbalance in the marketplace. That can take years. There must be a new statute introduced in the current session with significant penalties imposed upon each instance of price discrimination.

Solution #1: Make it illegal for airlines to discriminate in price between different distribution channels for airfares, whether airline-owned website

'stores' or independently-owned travel agency website 'stores' or independently owned travel agency brick & mortar 'stores.' The one exception will continue to be contract and/or government fares. Under no circumstances shall contract or government fares be construed to apply to the general public or be interpreted to be published fares which are accessible to the general public. The penalty for violations by the airlines of this air fare price discrimination statute shall be a fine of no less than \$1,000,000 for each incident of air fare price discrimination.

Problem #2: Airlines are billing travel agencies to return commissions for ticket sales lost during the September 11-13 shutdown and immediately following (and for which the federal government has already made the airlines whole), are forcing travel agencies to close in record numbers: By billing travel agencies for tens of millions of dollars in commissions on airline ticket sales lost to cancellations during the shutdown, revenue which has already been reimbursed to the airlines in the federal government's good faith attempt to make the airlines whole following the September 11-13th shutdown, the airlines are dealing thousands of travel agencies with a final crushing blow, which when combined with the effects of an already weakened travel agent industry prior to September 11th from predatory and discriminatory pricing practices by the airlines plus the effects of an overall depressed consumer travel marketplace, travel agencies are closing or laying off employees in record numbers all across America. While small mom-and-pop agencies are often closing, large regional or national travel agencies are laying off thousands of employees, in large part due to the sudden necessity to return airline commissions on tickets cancelled during the shutdown and immediately following.

Solution #2: Require the airlines to suspend all recalls on commissions (bills to return previously earned commissions) for all airline tickets issued for travel through the rest of 2001. This includes the reimbursement by the airlines to any travel agency so billed thus far, by no later than October 30, 2001.

Problem #3: Discrimination by the airlines in unequal enforcement of airfare tariffs is resulting in airlines billing travel agencies as much as hundreds of dollars on an individual ticket, (for which the maximum agency commission possible is no greater than \$20.00), for so-called tariff violations, but these same so-called tariff violations are not enforced by the airline when the consumer purchases these same fares direct from an airline, whether via an airline-owned website or an airline reservationist. An example is a pair of tickets that is commonly known as a back-to-back ticket wherein only the first segment of each ticket is used by the traveler in order to save as much as \$1,000 or more off the cost of a single ticket. While this practice is not permitted by the airlines by travel agencies as per their airfare tariffs (tariffs that still exist post deregulation but without any consumer oversight like in other industries), it is overlooked by the airlines when consumers purchase the same identical ticket combinations direct from the airlines. This practice is costing agencies hundreds or thousands of dollars. A typical example of a single incident might cost a travel agency \$1,000 or more. When multiple incidents occur, the financial impact can be devastating. This is but one additional example of how the airlines are attempting to drive travel agencies out of business by forcing consumers to buy these types of tickets direct from the airlines.

Solution #3: Require the airlines to suspend the issuance of bills to travel agencies (debit memos) for so-called air fare tariff violations that are not being uniformly enforced. Violations of each incident brought to the attention of the department of transportation in the form of consumer records shall result in a fine to the airline of not less than \$100,000 per incident, and triple damages to the travel agency for all debit memos so billed.

In summary, it should be no surprise that the airline industry would like to eliminate independent retail sellers of their product, namely travel agents. This natural tendency in any retail marketplace is usually guarded against through the many provisions of our nations' antitrust and Federal Trade Commission statutes. Unfortunately, the airline industry was singled out and separated from the enforcement arm of the Federal Trade Commission some time ago. This error in federal enforcement jurisdiction needs to be corrected at some time in the future, perhaps in the next session. Perhaps then, both consumers and retailers alike in the airline industry would begin to enjoy the same protection from predatory monopolistic airline suppliers that our citizens now enjoy from other major industry suppliers such

as the oil industry which also at one time saw an opportunity to eliminate independent retailers in order to reduce competition, raise prices and thus profits. Thanks to the Clayton Antitrust Act, the Robinson Patman Act, and various Federal Trade Commission statutes (which the airlines are apparently exempt from), other retail industries and their consumers have protections from the types of problems I have testified to today. But it appears travel agents and their customers do not. With the enactment of these new statutes that I have proposed today in the form of a few simple quick-fix solutions to specific problems of market imbalances in the crumbling travel agent industry, the United States Congress will have provided immediate and significant financial assistance to the well-being of thousands of travel agencies and tens of thousands of travel agency employees all over America, and I might add without spending a single taxpayer dollar!!! Additional and equally important travel agent concerns of dwindling airline compensation with no rights on the part of travel agents to collectively negotiate for better compensation, federal preemption for the airlines from local or state court access by consumers or travel agents who have disputes with airlines, and many other far-reaching issues of marketplace imbalance such as slot control, gate control, the proliferation and exchange of agency customer data among airlines, etc. need to be addressed in a more comprehensive and future effort to bust up the airline oligopoly and return a fair balance of control of this marketplace to the consumer. But time does not permit these issues to be addressed in this session, and time is not on the side of 20,000+ travel agencies or 200,000+ travel agents. The above three issues if remedied in this session will provide a much needed stopgap non-financial bailout for travel agents now, and I point out once again, at NO COST TO THE TAXPAYER!!!

