

Reviving Travel and Tourism in the Gulf Coast Region *A Report by the U.S. Travel and Tourism Advisory Board*

The following recommendations are designed to leverage targeted government actions in order to unleash the power of private industry – particularly travel and tourism – to drive the long term recovery of the Gulf region.

We believe that the recovery must ultimately be driven by the private sector, working with state and local governments, if it is to be strong and permanent. We also believe that the Federal government has an important role to play in addressing certain barriers that impede the private sector's ability to drive the recovery. Once these barriers are removed, the travel and tourism industry will serve as a powerful engine of recovery in the region, creating jobs, economic growth and revitalizing the cultural identity of the Gulf Coast.

In talks with professionals in both government and industry who have a first-hand, on-the-ground knowledge of the situation, we have identified two primary barriers to recovery in the travel and tourism industry:

- Negative perceptions of the region that continue to be driven by the media.
- Inability to hire employees due to lack of available housing

PERCEPTION

From the point of view of travel and tourism, the intensive media coverage of the hurricanes and their aftermath amounted to thousands of hours of negative advertising. Who, after all, wants to take a vacation or schedule a business convention in a disaster area?

Even today, media reports on the region remain almost exclusively centered on the devastation caused by the hurricanes and the despair they left in their wake. Television stories almost invariably re-play file footage of flooded streets and wind-torn terrain. According to a recent survey of key national markets conducted on behalf of the Louisiana Department of Culture, Recreation and Tourism, likely visitors believe that the region remains unsafe, toxic and flooded:¹

- About 40% of those surveyed believe that some neighborhoods are still flooded.
- Almost half those surveyed in Houston – one of New Orleans' two largest tourist markets – believe that the water is unsafe to drink.
- One-quarter of all respondents believe that the air is contaminated and poses a health risk.
- About half believe there is a lack of police presence due to the storm.
- About half believe that the historic districts, such as the French Quarter, are severely damaged or destroyed.

For instance, despite the fact that almost the entire visitor experience in New Orleans remains intact – from the original Historic New Orleans, to the French Quarter and other attractions, museums, tours, restaurants and clubs – the city's most likely visitors are canceling booked engagements and staying away in droves, due largely to misperceptions of the conditions on the ground and fear of another bad hurricane season.

¹ Study conducted in conjunction with the Louisiana Department of Culture, Recreation and Tourism, January 8-13, 2006, cited in: "Louisiana: The Big Picture," Marketing Plan 2006-2007, Louisiana Department of Culture, Recreation & Tourism; New Orleans Tourism Marketing Corporation; New Orleans Metropolitan Convention & Visitors Bureau.

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Similar misperceptions plague the ability of Mississippi and the entire Gulf Coast to attract vital tourism dollars. Ironically, local Convention and Visitor Bureaus (CVBs) that rely on hotel, restaurant and other tourism taxes find themselves starved for revenue at the very time they most need advertising to market their attractions.

Clearly, the region needs help in restoring its *image* if it is going to be able to restore its *culture* and *economy*. With help it can effectively market itself to the national audience, overcome the media storm of negative publicity, and reestablish itself once again as a destination of choice for America's businesses and millions of vacationing families.

Congress and the Administration have already appropriated significant funds for disaster relief, including the targeted tax relief and other initiatives of last December's Gulf Opportunity Zone legislation. Meanwhile, Louisiana has requested an additional \$1.579 billion to rebuild the state's tourism and cultural economy.² In important areas, however, funding for marketing and rebuilding of the tourism industry has not been made available, and the need for immediate action is critical.

The good news is that investments in marketing produce highly leveraged results. In Louisiana, research has shown that every dollar spent on advertising returned almost \$14 in state taxes³, which indicates even greater benefits to employment and overall economic growth. Furthermore, many of the action items outlined here require no additional funding to be carried out.

We applaud Secretary Gutierrez for leading the "Gulf Coast Business Investment Mission" together with Donald Powell on May 4-5 to highlight investment opportunities in the Gulf Coast. This is exactly the kind of positive awareness and publicity the region so desperately needs. The following are other suggested action items that we believe could have a strong positive impact.

These targeted action items are intended to leverage the power of private industry to power a full and sustained recovery.

- **Market the Region.** We recommend that the Secretary work with Congress, the White House and appropriate federal agencies to make immediate funding available for activities including TV, radio, online and print advertising, along with other marketing activities, in order to spur short-term and future bookings. Special attention should be given to local Convention and Visitor Bureaus whose revenues are dependent on tourism taxes that have evaporated as tourism itself has dried up. Unfortunately, last December's Gulf Opportunity Zone legislation left this need unaddressed. As Craig Ray, Director of the Mississippi Authority/Tourism Division points out, their bureau has had to lay off 90% of its workers and the rest are working from home or out of FEMA trailers. They have practically no funds to get the positive message out.
- **Strengthen Cultural Attractions and Businesses.** We recommend that the Secretary also endorse the immediate funding proposal put forth by the State of Louisiana for \$50 million in small business grants for the tourism and cultural industries, which might otherwise be unable to secure funding in the near term.⁴ A large part of enticing visitors back to the region is to have the high-profile attractions up and running. It is difficult to ask visitors to come back if the attractions they once came to see are not open for business.

² "Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries," Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

³ "Louisiana: The Big Picture," Marketing Plan 2006-2007, Louisiana Department of Culture, Recreation & Tourism; New Orleans Tourism Marketing Corporation; New Orleans Metropolitan Convention & Visitors Bureau.

⁴ "Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries," Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

- **Bring Meetings and Conventions Back.** We recommend that the Administration endorse a time-limited expanded deduction of up to 150% for all business conventions and corporate meetings in the GO region, to sunset on December 31, 2008. Corporate participation in association meetings could be stimulated by a similar expanded deductibility of 125 % for associated expenses of corporations exhibiting at such meetings, as these corporations would not otherwise be eligible for the expanded deduction. Tourism officials in New Orleans estimate that over \$2 billion of booked convention business has been cancelled since Katrina.⁵ A tax break of this magnitude would help re-focus corporate America on the Gulf region as a destination of choice and probably pay for itself in increased revenue from ancillary expenditures and economic revival.
- **Accelerate the Cleanup.** We recommend that FEMA-reimbursable expenses for debris clean up, set to expire in June,⁶ be extended for at least one year. The unsightly debris left by the hurricanes continues to litter the region's most attractive tourist destinations. Unfortunately, this is an all-to-real image that will continue to keep visitors away, and the economy from revival, until it is thoroughly addressed. That takes time, however, and we urge the Administration to extend the deadline, given the unprecedented extent of the disaster.
- **High-Profile Vacations.** When high-profile government officials visit the Gulf Region, cameras follow. Unfortunately, visits to date have necessarily focused on the hardest hit areas. We recommend that officials such as the President and Secretary of Commerce balance tours of stricken areas with vacation activities that highlight the areas that *are* open for business -- perhaps a stroll through the French Quarter, dining at restaurants and listening to music, a golfing and fishing trip, or even a "Spring Break" on Mississippi's Gulf beaches. For instance, Secretary Gutierrez' "Gulf Coast Business Investment Mission" on May 4th and 5th just happens to coincide with "Jazz Fest." We urge the Secretary to put a visit to "Jazz Fest" on his itinerary as a way to focus media attention on the positive story of recovery. After 9/11, Barbara Bush took a commercial airline flight to demonstrate that air travel was once again safe and convenient. Similarly, the message of these trips should be: the Gulf is back, it's fun, and it's open for business.
- **Get the Positive Story Out.** We recommend that the Secretary use his personal prestige to brief the editors of major television and press outlets on the importance of projecting accurate and up-to-date information on the region and urge them to also tell the positive story. As part of this effort, we recommend that the Secretary of Commerce create a special task force within the Commerce Department to assemble such information and become a clearing house for media interest on the issue.

HOUSING

The other immediate barrier to recovery is the lack of available temporary housing for employees in the travel, tourism and culture industries. Travel and tourism is one of the most labor intensive industries: without workers to cook and serve the food, service the rooms, guide the tours, perform the music and entertain in general, the industry will never be able to get back on its feet and the regional economy will be caught in an inescapable cycle of decline.

Further exacerbating the problem is that schools and daycare facilities are not up and running – so even if working parents have housing, they may not have care for their children. Additionally, FEMA employees, insurance adjusters, and other recovery workers are presently housed in the region's hotels (along with the hotel employees themselves). Once these relief workers leave, occupancy levels will drop drastically because tourists and travelers are not filling the gaps.

⁵ Conversation with Mr. Stephen Perry, President, New Orleans Metropolitan Convention and Visitors Bureau.

⁶ "Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries," Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

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Clearly, housing is a critical and immediate need across the board in the Gulf Region, and Congress and the Administration have responded with both immediate assistance and a package of tax incentives and relief funds. For the millions who have lost their homes, in whatever industry they work, there is certainly no greater imperative than a chance to begin rebuilding their lives and communities.

As this massive effort goes forward, however, we would urge the Administration to pay particular attention the critical issue of housing workers in the businesses that will drive the leading edge of the recovery. The need is particularly acute among culture industry employees – the artists, musicians, performers, designers, non-profits and small cultural businesses – who cannot demonstrate the ability to repay the SBA loans that have been approved, as their venues and audiences were wiped away with the storm. To this effect:

- **Temporary Housing for Employees.** We urge the Secretary of Commerce to create a joint task force with the Department of Housing and Urban Development and other applicable federal agencies to work with state and local governments to resolve the pressing need for temporary shelter for travel, tourism and culture employees.
- **Publicize Existing Tax Incentives.** Launch efforts to publicize and make employers aware of the 30% housing credit for employer-provided housing included in the Gulf Opportunity Zone Act. At present, too few are even aware of this vital provision, let alone taking advantage of it.

In conclusion, we stand ready to assist the Secretary, the Administration and Congress in what must be a continuing and concerted effort to revive one of this country's most cherished regions and the vital natural resource of its travel and tourism industry. The extent of the natural disaster of the hurricanes is unprecedented, but we have no doubt that the people of the region, with timely and well-placed assistance, can rise to the occasion and bring their economies back to the vibrant and growing state of health they enjoyed in the days before the storm.

APPENDIX I

The Travel and Tourism Industry
A Vital Component of Economic Recovery in the Gulf Region

No industry has been more immediately affected by the devastation wrought by Hurricane's Katrina, Rita and Wilma, and no industry is more vital to the region's economic rebirth than travel and tourism.

The following numbers demonstrate the key economic role of travel and tourism and give the latest estimates of the on-going damage the hurricanes continue to inflict on the industry and the region as a whole:

The Region

- Approximately 18% of total employment for Louisiana, Mississippi and Alabama, or one out of every five jobs, are travel and tourism specific, and have been impacted by the hurricanes.⁷
- In 2004, there were \$18.3 billion in total sales in major travel-related industries, or about \$50 million a day.⁸
- Those sales supported 260,000 jobs and \$3.7 billion in payroll income for these travel-related industries.⁹

Mississippi: State of the Recovery

Indicator	Post-Katrina	Pre-Katrina
Hotel/Motel Rooms	5,690	15,959
Restaurants	155	333
Hospitality Workers	15,300	31,630
Visitors	4.6 million (10 months)	9.6 million (12 months)

- It is projected that Mississippi's Tourism Industry will suffer an approximately one-quarter (24%) loss for the July 2005 to June 2006 time period.¹⁰
- That translates into a loss of some 22,000 direct and 8,000 indirect tourism jobs, for a total statewide employment loss of 30,000.¹¹
- State and local tourism taxes are expected to decrease 20 to 23 percent, and tourism's "total value added" to the State economy is expected to decline by one-half billion dollars.¹²

⁷ "Economic Impact of the Travel and Tourism Industry in the Gulf Region," Travel Business Roundtable.

⁸ "Economic Impact of the Travel and Tourism Industry in the Gulf Region," Travel Business Roundtable.

⁹ "Economic Impact of the Travel and Tourism Industry in the Gulf Region," Travel Business Roundtable.

¹⁰ "FY 2006 Post-Katrina Projections, February 2006," Mississippi Development Authority.

¹¹ "FY 2006 Post-Katrina Projections, February 2006," Mississippi Development Authority.

Louisiana: State of the Recovery

Indicator	Post-Katrina	Pre-Katrina
Hotel/Motel Rooms	68,195	79,466
Restaurants (New Orleans only)	2,515	6,519
Hospitality Workers	51,500	83,600
Visitors	N/A	4.35 million

- Tourism is the second largest industry in the state and the largest in New Orleans, accounting for more than 175,000 direct jobs and almost 76,000 indirect jobs..¹³
- Louisiana has already lost more than \$1 billion in travel and tourism since Katrina.¹⁴
- Since the storms, The New Orleans region is losing an average of \$15.2 million per day, and the Lake Charles region is losing an average of \$1.5 million per day in direct tourism income.¹⁵
- If Louisiana lost 20 percent of its visitor spending in one year – approximately \$2 billion – the loss of state tax dollars would be approximately \$80 billion.¹⁶

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¹² “FY 2006 Post-Katrina Projections, February 2006,” Mississippi Development Authority.

¹³ “Louisiana: The Big Picture,” Marketing Plan 2006-2007, Louisiana Department of Culture, Recreation & Tourism; New Orleans Tourism Marketing Corporation; New Orleans Metropolitan Convention & Visitors Bureau.

¹⁴ “Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries,” Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

¹⁵ “Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries,” Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

¹⁶ “Louisiana Rebirth through the Recovery of Our Tourism and Cultural Industries,” Executive Summary, Louisiana Department of Culture, Recreation & Tourism.

APPENDIX II

INDUSTRY CONTRIBUTIONS

To Katrina Relief

U.S. TRAVEL-AFFILIATED INDUSTRY CORPORATIONS

Alaska, America West, American, ATA, Continental, Delta, JetBlue, Northwest, United, U.S. Airways, and Air Canada worked together during "Operation Air Care" to fly more than 13,000 New Orleans residents from the area. It was an unprecedented U.S. civilian airlift.

American Express has donated \$1 million to the American Red Cross, plus employee matching. AmEx is also contributing \$1 for every donation to a FEMA-recommended relief organization made on an AmEx card and will match up to an additional \$1 million in total donations.

The **Boyd Gaming Corporation** is providing payroll benefits for eight weeks to its 1,000 affected employees in Kenner, Louisiana. The company has established a relief center at Sam's Town Tunica and is operating an employee assistance hotline.

Carlson's TGI Friday's restaurants in Florida, Mobile and Gulfport helped feed thousands of victims and rescue workers in the immediate aftermath of Katrina. Carlson raised \$120,000 from employee payroll donations in the two weeks following the hurricane. The Carlson Foundation matched the amount, bringing the total relief gift to \$240,000.

Carnival Cruise Lines chartered three ships to the federal government to house evacuees and/or emergency workers.

Cendant Corporation, which established a special employee hotline to coordinate distribution of pay and other benefits to employees in the region, is providing temporary housing for displaced employees in its hotel and time-share affiliates and providing housing and rental vehicles to emergency response personnel. It is also active in relief fundraising and will match employee donations up to \$500,000.

The **Coca-Cola Company** has committed \$5 million to the American Red Cross, the Salvation Army and its displaced employees. Coca-Cola has also committed to providing 40 truckloads of filtered water per day to two key FEMA centers, has sent over 100 employees to Miami to assist Florida Power & Light, and has provided 250,000 cases of water, POWERade and juices to FEMA and other agencies.

Delaware North raised more than half a million dollars for Katrina including the establishment of the KARE (Katrina Associate Relief Effort) a fund dedicated to employees in the impacted area. In addition, Delaware North donated in excess of \$200,000 in supplies, food and direct aid.

Delta Air Lines operated 25 flights with FEMA, lifting 3,000 evacuees. SkyMiles can be donated to the American Red Cross or the Salvation Army to send relief workers to the affected areas.

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The **Enterprise Rent-A-Car** Foundation immediately donated \$1 million to hurricane relief. The company is also shipping thousands of vehicles to affected areas to provide transportation to residents and emergency workers.

Harrah's Entertainment opened the Harrah's Gulf Coast Region Assistance Center to provide health services to employees, assistance with compensation and benefits, assistance with housing and access to Internet communications. Harrah's has established a \$1 million Employee Recovery Fund, is paying full base pay to affected employees for 90 days and is giving preference in hiring at other locations for their more than 6,000 affected employees. The company is also paying the difference in pay for employees who have been activated to serve in National Guard or Reserve military units.

Isle of Capri Casinos established a \$500,000 relief fund.

Loews Hotels has established the Loews Foundation Hurricane Relief Fund, which will benefit the employees of Loews Corporation and its subsidiaries, including employees of Loews New Orleans Hotel, Diamond Offshore, Boardwalk Pipelines, as well as other local subsidiaries. Loews led an effort to locate its New Orleans employees for transfer and employment at other Loews hotels around the U.S.

McDonald's Corporation has made an initial contribution of \$5 million to the American Red Cross and established a payroll deduction charity contribution campaign for company employees. McDonald's will match contributions, initially up to \$2 million, and is providing mobile units and has committed its distribution system to Red Cross relief efforts. They are additionally converting 100 percent of the proceeds of the Ronald McDonald House Charity canisters to hurricane relief efforts.

Marriott International and **The Ritz-Carlton Hotel Company** will contribute a total of \$500,000 to the Marriott & Ritz-Carlton Disaster Relief Fund to directly assist Marriott associates and Ritz-Carlton employees with both managed and franchised hotels. Marriott International and The Ritz-Carlton Hotel Company will donate another \$500,000 to the American Red Cross Hurricane Katrina relief efforts to benefit all who live in the affected communities. In addition, the J. Willard and Alice S. Marriott Foundation will contribute up to \$2 million to hurricane relief efforts. The Foundation will match dollar-for-dollar all contributions received by the Marriott and Ritz-Carlton Disaster Relief Fund up to \$1 million dollars. Separately, the Marriott family has pledged an additional \$1 million towards longer-term disaster relief efforts.

MGM Mirage established a call center and a paycheck distribution center for its more than 3,400 affected employees in Biloxi.

The **National Basketball Association** has contributed \$2 million.

The **National Football League** is contributing \$1 million to the Red Cross, and NFL Commissioner Paul Tagliabue and players are appearing in public service announcements encouraging donations to relief organizations. Additionally, 15 teams are staging stadium collections at games and making their own contributions.

A team of **Papa John's International** volunteers made 10,000 pizzas to help feed evacuees staying in Houston's Astrodome and also provided bottled water and mobile pizza kitchens to feed people in affected areas.

Penn National Gaming Co. is establishing a \$1 million Employee Recovery Fund in addition to paying displaced employees for the next 90 days.

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Pinnacle Entertainment is organizing donations of supplies from sister properties, payroll deductions to the Red Cross and matching the first \$300,000 of such donations.

The **Southeast Tourism Society** raised over \$27,000 for the Red Cross at the Silent Auction during its annual conference in Charleston, South Carolina, September 6-8, 2005.

Visit Florida created a Gateways for Gulf Aid online auction where consumers can bid on Florida vacations with 100 percent of the proceeds going to the American Red Cross for Hurricane Katrina relief.

The Walt Disney Company has contributed \$2.5 million to relief and rebuilding efforts, including a \$500,000 grant to the Points of Light Foundation & Volunteer Center National Network to aid volunteer center efforts.

Wendy's organized a special team to address the needs of employees displaced by the hurricane. Additional benefits include ongoing paychecks for those who are out of work, assistance in finding another job and additional stipends to help meet immediate needs.

U.S. TRAVEL INDUSTRY ASSOCIATIONS

The **Airports Council International** coordinated efforts to restore and repair critical air transport infrastructure in affected areas and created a humanitarian relief fund.

The **Air Transport Association** coordinated with the Department of Homeland Security and the Department of Transportation to launch "Operation Air Care." The rescue effort, operated by passenger and cargo carriers of their membership, provided emergency airlift to more than 25,000 New Orleans residents.

The **American Association of Museums** provided information on how to access federal preservation funds following disasters and similarly for cultural institutions such as universities, libraries, and museums.

The website for the **American Bus Association** includes a weblog where members can get information from and about bus industry colleagues in affected areas as well as information on federal rules related to buses that have been revised due to the hurricane. It also has information about an ABA golf tournament to raise money for victims.

The **American Gaming Association** has donated \$10,000 to the American Red Cross or the Salvation Army. It has set up the Gaming Industry Katrina Relief Fund to raise industry dollars to provide disaster relief and assistance to affected gaming employees in Mississippi and Louisiana. Throughout the Global Gaming Expo, individuals are able to submit donations at kiosks on-site.

The **American Hotel & Lodging Association** is operating a Katrina job board for restaurant, hospitality and retail employees. The association has worked with its members to secure blocks of hotel rooms for evacuees and emergency contractors. They are also coordinating with the Department of Homeland Security on the Long-Term Hurricane Survivor Housing Assistance Program.

The **American Society of Travel Agents** has an initiative to connect members in affected areas with other members who can provide assistance.

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The **Asian American Hotel Owners Association** has contributed \$50,000 to the American Red Cross and \$50,000 to other relief efforts.

The **Destination Marketing Association International** has worked to provide updated information on the status of and efforts by convention and visitor bureaus in affected areas.

The **International Council of Cruise Lines** has documented cruise line-related relief such as chartered cruise ships housing emergency workers, fundraising through industry employer matches to employee pay deductions, and direct relief efforts such as transportation of fresh water to affected areas and of housing related goods.

In response to the devastation of Hurricane Katrina, the **Hospitality Sales & Marketing Association International (HSMIAI)** has spearheaded a series of initiatives in an attempt to reach out to members and the industry-at-large. HSMIAI has also created an In-Depth Hurricane/Disaster Recovery Resource Center on the HSMIAI Foundation eConnect Web site. This resource center will be updated daily with the latest news related to the impact on the industry, statements from industry companies, disaster-related recovery resources, and perspectives from industry leaders. Access is available to all HSMIAI members, as well as non-members who register for a 60-day trial use of eConnect.

The **International Council of Shopping Centers** coordinated an effort with FEMA to identify and catalog empty shopping center and retail space in the impacted areas that could potentially be used for housing for hurricane victims. To date over, over 7 million square feet of space has been made available for FEMA's use. Additionally, ICSC's Educational Foundation will be accepting and matching members' cash contributions to the American Red Cross.

A weblog at the **Meeting Professionals International** web site connects all members with those in the affected areas and another weblog connects organizations with available meeting space with those who've had to change locations for meetings and events originally scheduled in affected areas

The **National Business Travel Association** has focused on extensive links updating the status of hotels and airlines affected by the hurricane, and is documenting stories about successfully relocated travelers.

The **National Restaurant Association** is organizing a "Dine Around" October 5, a national fundraising effort to support the American Red Cross Disaster Relief Fund. They're also maintaining a master reference for national restaurant relief funds and initiatives.

The website of the **National Tour Association** includes a Hurricane Katrina Update section including information from travel industry organizations in many sectors and a member weblog to exchange information with or about those in affected areas. The association's member magazine includes a special supplement of to raise money for "Build Back Our Coast Fund."

The **Travel Industry Association of America** and the **Travel Business Roundtable** launched KatrinaJobs.org, a clearinghouse for travel and tourism industry jobs. The website will make available thousands of jobs to workers displaced by Hurricane Katrina.