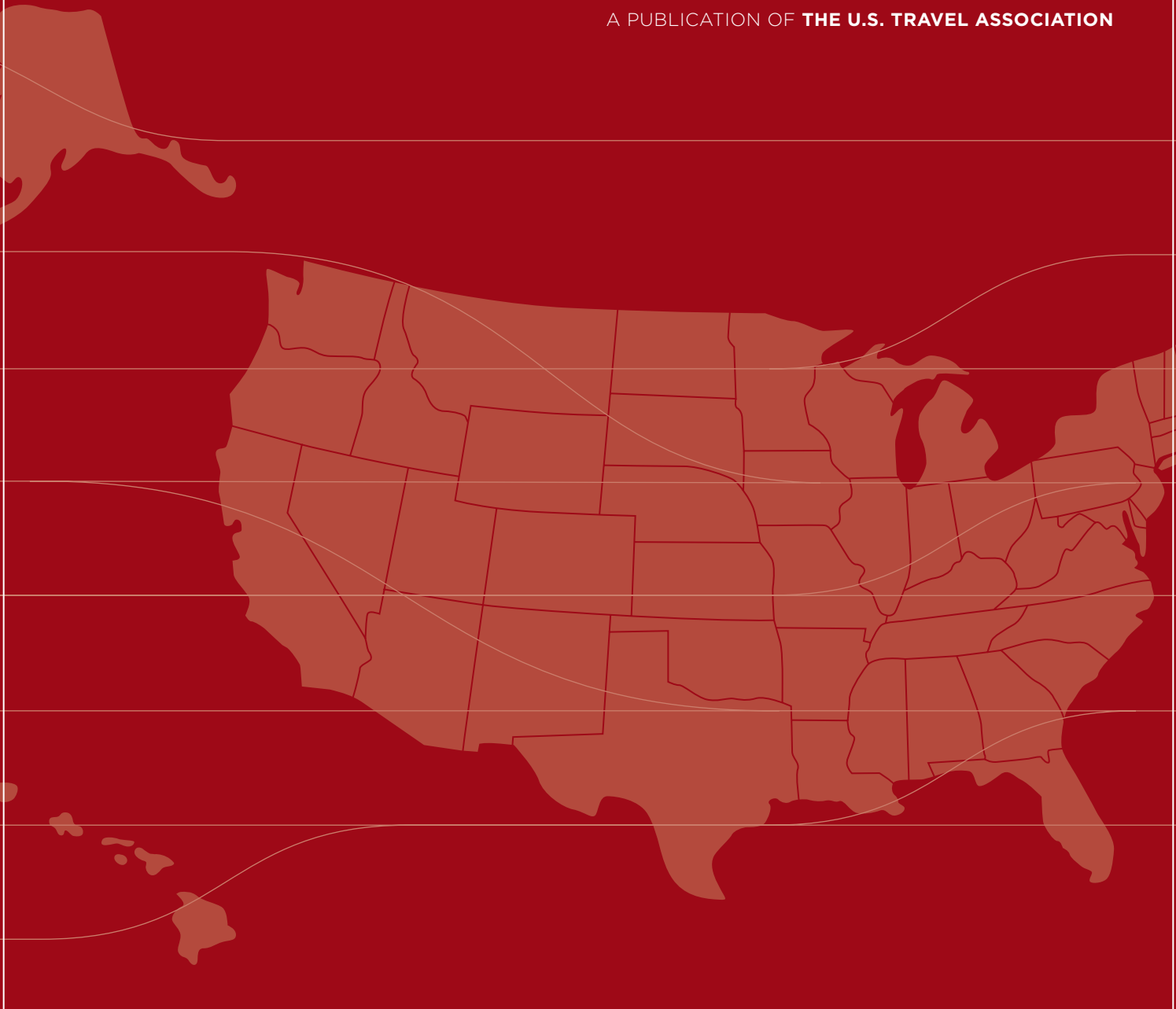


Roadmap to Recovery

A Plan to Accelerate Economic Recovery in the Gulf Coast
and Future Disaster Areas

A PUBLICATION OF THE U.S. TRAVEL ASSOCIATION



U.S. TRAVEL
ASSOCIATION

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History shows that when natural or manmade disasters strike, the travel industry often experiences significant economic losses. Moreover, according to groundbreaking research by Oxford Economics, the damages experienced by the travel industry are often predictable, long-lasting and far beyond the areas of immediate physical impact.

It is also true that travelers can serve as the leading edge of economic recovery. Attracting travelers to an area that has experienced a crisis is one of the most effective means of rapidly spreading new dollars throughout an economy. In fact, maintaining visitation to a given area can prevent the full force of economic damage that a disaster is capable of inflicting.

This plan, produced by the U.S. Travel Association, provides government with tools to mitigate crisis-related damage and utilize travel as a driver of economic recovery. The plan is built upon lessons learned from more than two dozen recent disasters and is applicable to situations we are likely to confront in the future. In addition to recommended policies for all crisis situations, we highlight specific proposals to address the ongoing disaster created by the BP Oil Spill.

The recommendations included are not a comprehensive guide to disaster response and recovery. There are additional areas — such as environmental cleanup, rebuilding infrastructure and mitigating human health and safety risks — that are essential to disaster response and recovery but outside the scope of this report.

DID YOU KNOW?

Each individual traveler to a region spends an average of \$1,000. This spending does not merely take place at hotels and attractions; it takes place at restaurants, retail stores and a host of other service providers. In fact, the multiplier effect of travel-related spending generates jobs and economic activity far beyond travel-related businesses.

Travel and Disasters 101

Independent analysis performed by Oxford Economics clearly demonstrates that following a major disaster the travel industry experiences steep declines in traveler levels for an average of 17 months. In extreme cases, like Hurricane Katrina, impacts can be felt for upwards of five years. Using 25 previous disasters as a guide, the research shows that economic damage significantly outlasts the immediate physical impacts of a disaster and extends far beyond its geographical boundaries.

When these results are applied to the current crisis in the Gulf, the projected economic damage is staggering. According to the Oxford report, the disruption to visitor patterns in the Gulf is expected to last a minimum of 15 months. This implies a minimum impact scenario that tourism flows to the region return to “normal” levels by late 2011 and would entail an aggregate cost of \$7.6 billion in lost tourism revenues. However, there is a clear risk that impacts may be greater than this and that

TOTAL IMPACT ON GULF REGION

	Low Impact			High Impact		
	US\$ (billions)	% 1 year outlook*	% 3 year outlook**	US\$ (billions)	% 1 year outlook*	% 3 year outlook**
Months	15			36		
Impact on Tourism Revenues						
Total Region	\$7.6	12%	4%	\$22.7	25%	8%
Florida	\$6.3	13%	5%	\$18.6	27%	14%
Louisiana	\$0.7	17%	6%	\$2.0	37%	18%
Mississippi	\$0.4	19%	7%	\$1.2	41%	20%
Alabama	\$0.3	19%	7%	\$0.8	41%	20%
Texas	\$0.0	0%	0%	\$0.1	1%	0%

* potential lost revenues in the first 12 months relative to business as usual for coast economies

** potential lost revenues over the next 36 months relative to business as usual for coast economies

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the crisis will adversely impact tourism arrivals for up to 36 months. In this maximum impact outlook, tourism flows to the region would not return to “normal” until early 2013, involving lost revenues of almost \$22.7 billion.

The projected damage of the BP Oil Spill is put in perspective when compared with the size of the travel industry in the Gulf Coast. In the four states of Louisiana, Mississippi, Alabama and Florida, the travel industry generates \$94 billion in direct revenue and accounts for more than 1 million jobs. In fact, tourism comprises a larger portion of the Gulf Coast economies when compared with every other region of the country. Leisure and hospitality employment represent 15 percent of total private employment for the counties along the Gulf shore compared with 12 percent for the rest of the country. In Mississippi, 22 percent of private employment on the coast is in the leisure and hospitality sector.

Given the economic importance of travel to the Gulf Coast region, the road to recovery becomes increasingly clear — local economies can never fully recover until travel is restored to pre-disaster levels.

Recovery Roadmap

Utilizing travel to stimulate local economies and speed recovery from disasters requires the federal government to focus in three areas:

1. *Inform Public Perceptions:* Travel is a perception business where, in the wake of a disaster, facts often take a backseat to fears and rumors. Informing public perceptions is the single most important thing government can do in the wake of a crisis situation.

Natural or manmade disasters are regularly followed by intense media coverage and state or federal emergency declarations that play a powerful role in shaping public perceptions elsewhere. Oftentimes, exaggerated or prolonged coverage can influence consumer behavior and drive travel elsewhere, exacerbating the losses to local businesses and workers. If a region experiences prolonged declines in travel resulting from consumer misperceptions, economic hardship and job loss can ripple throughout a local economy.

The federal government can mitigate these economic losses by taking an active role in providing credible and accurate information. One example is to provide consumers with up-to-the-minute information about which areas are safe and open for travel and business.

2. *Incentivize Travel:* As demonstrated by the Oxford Economics study, travel levels can remain low for many years following a major disaster. Yet, travel can serve as a vehicle to spur economic growth in disaster impacted areas. The federal government should consider a range of incentives to business and leisure travelers that will help rebuild travel economies in affected areas. One example is providing an increased business meal tax deduction in a disaster-affected area to give business travelers added incentive to travel to and do business in that region.
3. *Make Businesses Whole:* Following any disaster, certain levels of property damage, revenue loss, increased unemployment and declines in travel are unavoidable. In order for the local travel industry to remain intact and weather a crisis, the federal government must intervene to provide increased access to capital, low interest loans and tax incentives that allow businesses to remain open and retain employees. In the event that a disaster is caused by a liable party, those responsible must provide proper compensation to make businesses whole.

Recommendations

Informing Public Perceptions

Once a disaster has occurred, consumers receive information about the disaster’s impact from a variety of media and government resources. However, these resources often provide conflicting, outdated or overly inflammatory information, and can use technical terminologies that are confusing to the consumer. Such factors heavily influence public perceptions and, when it comes to consumer behavior, perceptions often matter more than reality. Consequently, misperceptions can increase the impact of events and lengthen the period of time affected.

In a survey conducted for the Louisiana Office of Tourism,

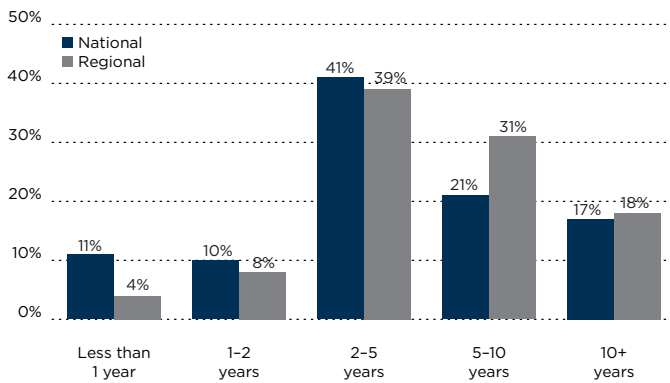
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nearly 80 percent of national respondents believed the BP Oil Spill would impact Louisiana for at least two years. Moreover, nearly 40 percent stated that the impact will extend five years or longer. Regional respondents from Texas, Mississippi and Florida had an even bleaker view of the future, with 88 percent indicating an impact of at least two years and nearly 50 percent expecting an impact lasting at least five years.

PERCEPTION OF EFFECTS ON LOUISIANA

Share of Respondents



The federal government must have a standing capability to address perceptions and counteract inflammatory information that will inflict greater economic harm than necessary. Activities the federal government should pursue include:

CREATE AN “OPEN FOR BUSINESS” GRANT PROGRAM: The sheer volume and attention created by wall-to-wall media coverage on disaster areas has the unintended consequence of discouraging visitors from traveling to a region. Counteracting what often amounts to hundreds of millions of dollars of negative publicity and resulting traveler misperceptions requires an information-based marketing campaign. Developing and executing information campaigns is one of the most effective and efficient methods of correcting consumer perceptions and motivating travelers to come back to the region. According to the Oxford study, tourism marketing campaigns yield a return of \$5 to \$64 in visitor spending for every dollar spent on marketing. These efforts are a proven method for increasing traveler levels, which help to sustain or grow employment and generate economic growth in a disaster-affected region.

EXPECTED EVENT IMPACTS

\$ Million, Three-year Cumulative

Tourism Industry Loss	
Low Impact	\$ 7,621
High Impact	\$ 22,737
Difference	\$ 15,115
Suggested Marketing	\$ 500
Assumed ROI (Visitor Spend Per Dollar Marketing)	15:1
Visitor Spend Benefit	\$ 7,500
% of High-Low Difference	50%
% of High-Impact Scenario	33%

Following a major disaster, there is precedence for this type of federal assistance. In 2005, the Department of Housing and Urban Development provided a \$28.5 million Community Development Block Grant to the Louisiana Office of Tourism to increase the number of visitors to the regions impacted by Hurricanes Katrina and Rita.

As part of its federal disaster relief efforts, the federal government should create a standing “Open for Business Grant Program” that provides funds to destination marketing organizations (DMOs) in disaster-impacted regions. The grants should be used to design and execute information-based marketing campaigns aimed at increasing traveler levels, which will generate economic activity and quicken the pace of recovery.

GULF COAST RECOMMENDATION: BP — as the responsible party for the oil spill — must dedicate at least \$500 million over the next three years to specifically fund information-based marketing campaigns designed to increase travel to the Gulf Coast region. These funds should be distributed through a transparent and open process with a defined set of criteria for award. Any city, state or DMO in the Gulf Coast region that reasonably demonstrates a decline in travelers due to the BP Oil Spill and develops an information-based marketing strategy to correspondingly increase traveler levels should be eligible to receive funding from BP. An investment of this type could prevent up to \$7.5 billion in tourism revenue losses in the Gulf Coast region.

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To supplement these efforts, the federal government should air public service announcements promoting travel and tourism to the Gulf Coast region.

DEVELOP A “ONE-STOP-SHOP” COMMUNICATIONS

MECHANISM: Following a disaster, the federal government should work with local businesses in a disaster-affected region to develop a “one-stop” public-private website that provides accurate information to individuals seeking to travel to, or do business in, that region. Depending on the nature of the disaster, the public-private website should include:

- Up-to-date and accurate information from governmental agencies on the damage caused, and threat posed, by a given disaster;
- Maps detailing various safety levels in a disaster-affected region that clearly show which areas are safe or unsafe for travel; and
- Industry-specific information regarding which businesses remain open or closed as a result of a disaster. (For example, a city’s beaches may be closed but convention centers, museums and restaurants are open for business.)

GULF COAST RECOMMENDATION: The current federal website for the Gulf Coast recovery efforts (www.restorethegulf.gov) can be improved to better communicate information to those individuals seeking to travel to, or do business in, the Gulf. The U.S. Travel Association recommends that the federal government work with Gulf Coast businesses to create a one-stop, consumer-friendly webpage that specifically shows the various safety levels of beaches and coastal waters along the Gulf, with a clear and identifiable legend. The webpage should contain travel advisories for various Gulf Coast destinations, clearly communicate the standards used to define water quality and safety, provide live webcam feeds and uploaded pictures from across the Gulf Coast, and include links to attractions and businesses that remain safe and open. The webpage should also consolidate and provide links to the various travel and tourism-related sites that already provide information about conditions on the Gulf Coast (for example www.visitflorida.com/floridalive).

LAUNCH A TRAVEL INDUSTRY DISASTER IMPACT

ASSESSMENT CAPABILITY: Following a disaster, it can be hard to accurately assess economic losses sustained by the travel industry because the industry itself has such a broad and diverse composition. Currently, the federal government does not have the economic modeling or data sets necessary to carry out this type of assessment. The true extent of disaster-related damages and the level of assistance required to rebuild and grow local economies cannot be understood without obtaining these measurements.

As part of its disaster response efforts, the federal government should create a Travel Industry Disaster Impact Assessment that estimates the business, revenue and job losses resulting from a decline in travelers to a disaster-affected region. These assessments should be carried out in coordination with U.S. Travel, state tourism offices, DMOs and travel businesses, to ensure that accurate information is acquired and proper measurements are utilized.

GULF COAST RECOMMENDATION: To track actual losses and measure the short- and long-term economic impact of the BP Oil Spill on the Gulf states, the U.S. Travel Association recommends that the federal government undertake research in the following three areas:

- **Destination Travel Data:** Collect and track affected areas’ visitation and spending data from travel-related sectors such as lodging; attractions, parks and sporting activities; restaurants; retailers and others. This data may be obtained from travel research consultancies as well as from local and state authorities.
- **“Relief Workers” Data:** Workers visiting affected Gulf communities to serve the relief effort should be counted as “non-normal travelers” in order to evaluate the losses associated with typical and normal travel trends to Gulf region hotels and other related businesses that provide services to travelers (such as attractions, restaurants and retailers).
- **Visitor Perception and Behavioral Studies:** Information related to prevailing perceptions of travelers and their adjusted behavior impacted by the oil spill situation can be collected through consumer surveys. Information collected through surveys of this nature is critical to marketing decisions and can be further utilized as inputs for measuring economic impact. It is recommended that the federal government utilize existing consumer surveys and/or conduct additional studies as deemed necessary.

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REVISE THE “STATE OF EMERGENCY” DECLARATION: The declaration of an “emergency” or a “disaster” by state governors and the federal government is an official government action used to unlock funding for disaster relief and assistance. However, these declarations often are issued in cases where there is no threat to human life, natural resources, personal property or general public safety — but as a pro forma measure to unlock government aid. In those instances, the term “state of emergency” creates a misleading and negative perception that it is not safe to travel to that destination.

To ensure that the term “state of emergency” is not improperly used, federal and state governments should implement a tiered system of declarations that accurately reflects the danger posed to human life, natural resources, personal property, regional infrastructure and general public safety. For example, a tiered declaration system could include the following terminologies to accurately convey the danger posed by a disaster:

1. State of Preparedness,
2. State of Emergency, and
3. State of Recovery.

GULF COAST RECOMMENDATION: To date, the federal government has not declared the Gulf Coast as a federal emergency or major disaster area as defined by the Robert T. Stafford Disaster Relief and Assistance Act. However, on April 30, 2010, the State of Florida issued a state of emergency for several counties on its Gulf Coast. The U.S. Travel Association strongly advises the federal government and Gulf Coast states to make available any necessary disaster and emergency relief funding without the formal declaration of an emergency or a disaster — unless it is necessary to do so because of immediate or persistent life-threatening or dangerous conditions caused by the oil spill.

providing individuals and businesses with incentives to travel to and do business in a disaster-affected region. This, in turn, will spur economic recovery and send a clear message that an impacted region is safe and open for business.

Following a major disaster, the federal government should employ a ready-made travel incentive package that includes:

BUSINESS MEAL TAX DEDUCTION: Many businesses rely on the meal and entertainment tax deduction to save on costs and promote business growth. Under current law, a taxpayer is permitted to deduct 50 percent of meal and entertainment expenses for tax purposes, as long as the expenditures are considered ordinary and necessary business expenses.

Following a major disaster, the federal government should increase the business meal tax deduction to 100 percent for disaster-impacted regions. Tens of thousands of small businesses and self-employed individuals conduct business meetings and promote their products over a meal at restaurants. An increase in the business meal tax deduction to 100 percent for disaster-impacted areas promotes job growth for small businesses and various sectors of the travel community by increasing the income tax deduction for business meals and entertainment expenses.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends the federal government increase the business meal tax deduction to 100 percent for areas of the Gulf impacted by the BP Oil Spill. An increase in the business meal tax deduction to 100 percent for those areas impacted by the oil spill would promote job growth for small businesses and various sectors of the travel community and decrease the need for these businesses to file claims for damages with the Independent Claims Facility.

Incentivizing Travel

The study conducted by Oxford Economics clearly demonstrates that levels of travel and tourism can remain low for many years following a major disaster. In order for a local economy to fully and quickly recover, traveler levels must return to pre-disaster levels. The federal government can assist in the effort by

GOVERNMENT “WHITE LIST” FOR MEETINGS AND

CONVENTIONS: Federal and state governments frequently hold productive meetings and conventions at large hotels and convention centers. These meetings and events provide valuable boosts to local economies and help to sustain jobs and increase revenues for small business. According to estimates by the U.S. Travel Association, business travel in the United States alone

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created more than 2 million jobs, injected more than \$215 billion into the national economy and generated \$34 billion in federal, state and local tax revenue in 2009.

Following a major disaster, the U.S. Travel Association recommends that federal, state, and local governments develop a “White List” of recommended destinations that agencies must consider when planning meetings and conventions. The “White List” would be composed of regions that are recovering from or have recently experienced a natural or manmade disaster. This list would demonstrate to individuals and businesses that an area is safe and open for business and, if federal or state governments book events in such a region, would surely provide a much-needed boost to disaster-impacted economies.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends that federal, state and local governments consider Gulf Coast destinations as high-priority locations in which to hold government attended or sponsored meetings and conventions.

WAIVE FEES FOR TRADE MISSIONS: Multiple federal agencies organize and facilitate trade missions to the United States. The U.S. Trade and Development Agency funds the full cost of trade missions but most federal agencies, including the U.S. Commercial Service, charge for the costs they incur when organizing a trade mission. These costs are typically paid for by the trip participants or a sponsor (such as a state or industry association) in addition to the travel, lodging and dining expenses incurred during the trip.

After Hurricane Katrina, the U.S. Commercial Service waived 50 percent of their trade mission planning costs for a two-year period for services provided to impacted Gulf states and cities. Using Hurricane Katrina as a model, following any major disaster, the federal government should waive all — or a portion — of the fees and costs associated with planning and executing trade missions to disaster-impacted areas. In addition, the federal government should work with state tourism offices and local CVBs to organize trade missions of international travel buyers to areas recovering from a disaster as a means of increasing international travel and tourism. Such trade missions could

significantly bolster an area’s long-term economic prospects — most notably because international travelers typically spend in excess of \$4,000 when they visit the United States.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends that the Department of Commerce organize travel- and tourism-specific trade missions to the Gulf Coast states. These trade missions will allow international buyers to visit the region, put the oil spill in perspective and, in turn, educate their clients about the spill’s impacts. The federal government should also consider requiring BP, as the responsible party, to pay for the costs associated with planning these trade missions.

Make Businesses Whole

The prolonged economic downturns caused by a major disaster can change the makeup of an entire community by uprooting businesses, shrinking workforces and reducing access to resources and capital. If a local economy is to stay intact, the federal government must intervene to provide increased access to capital, low interest loans and tax incentives that will help businesses and families survive a major crisis. These steps are particularly important for the travel industry, which is largely populated by small businesses and relies heavily on demand-based, seasonal employment.

To prevent a community from suffering long-term or permanent economic damage, the federal government must help sustain and grow local business by providing assistance in the following areas;

NET OPERATING LOSSES: Following a major disaster, Congress should expand the categories eligible for the Net Operating Loss tax credit to include items such as casualty losses, employment related moving expenses, temporary housing for employees, depreciation and repair expenses. This expanded tax break would provide disaster-affected businesses with a smaller short-term tax liability during the first year of the crisis.

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GULF COAST RECOMMENDATION: The U.S. Travel Association urges Congress to expand the categories eligible for the Net Operating Loss tax credit for businesses in the Gulf Coast region to include items such as casualty losses, employment-related moving expenses, temporary housing for employees, depreciation and repair expenses.

NEW MARKETS TAX CREDIT: The Gulf Opportunity Zone Act of 2005 (P.L. 109-135) provided an increase in the new markets tax credit (NMTC) of \$300 million in 2005 and 2006; and a \$400 million increase for 2007. These credits were used among qualified community development entities to make investments in qualified low-income communities of the Gulf Opportunity Zone to provide investors, such as banks, insurers, investment funds, corporations and individuals, with credits against federal income tax in return for new investments made in eligible businesses and commercial projects.

Given the success of these investments, tax credits styled after the NMTC should be provided to impacted low-income communities in the event of a major disaster.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends that a NMTC be crafted to provide assistance in low-income communities affected by the BP Oil Spill. These credits should be used among qualified community development entities to make investments in qualified low-income communities of the Gulf Opportunity Zone.

EMPLOYEE RETENTION TAX CREDIT: The Gulf Opportunity Zone Act of 2005 (P.L. 109-135) included a tax credit for businesses damaged by the hurricane that continued to pay their employees' wages, regardless of whether the employees performed services for a specific period of time. Given the high rates of unemployment in the travel industry following a disaster, a tax credit for employee retention would help businesses affected by a major disaster to continue paying employees' wages, regardless of whether the employees performed services, for a specific period of time.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends that an employee retention tax credit be crafted for the areas of the Gulf Coast heavily affected by the BP Oil Spill to help small and large businesses retain employees. These tax credits should remain in place until businesses and communities begin to fully recover from the economic damage caused by the BP Oil Spill.

EXPAND THE WORK OPPORTUNITY TAX CREDIT: Travel businesses often depend on service employees whose jobs are directly tied to seasonal travel, volume of customers and other revenue-related factors. Following a disaster, these types of service-related jobs are often the first to be cut due to declines in business and leisure travelers.

In the event of a major disaster, the Worker Opportunity Tax Credit (WOTC) should be expanded to include individuals who have lost employment as a result of damage or business losses caused by a disaster. The tax credit would reduce an employer's federal tax liability by as much as \$2,400 per new hire.

GULF COAST RECOMMENDATION: The U.S. Travel Association recommends that the WOTC program be temporarily expanded to include businesses impacted by the BP Oil Spill. The expansion of the WOTC should also simplify the process that employers in the Gulf need to follow in order to avail themselves of the tax credit.

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