

ROADMAP TO RECOVERY

A PLAN TO ACCELERATE ECONOMIC RECOVERY IN THE GULF COAST AND FUTURE DISASTER AREAS

“When a disaster strikes and travel to an impacted region declines, local economies can never fully recover until travel is restored to pre-disaster levels.”

– Roger Dow, President and CEO, U.S. Travel Association

U.S. Travel’s Roadmap to Recovery is built upon lessons learned from more than two dozen recent disasters and is applicable to situations the nation is likely to confront in the future. The plan provides government with tools to mitigate crisis-related damage to local economies and utilize travel as a driver of economic recovery. In addition to recommended policies for all crisis situations, the plan highlights specific proposals to address the ongoing disaster created by the BP oil spill.

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

- ★ **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 that government can do in the wake of a crisis situation.

Recommendation: The federal government should secure \$500 million from BP to be used over the next three years to fund information-based marketing campaigns designed to increase travel to the Gulf Coast.

- ★ **Incentivizing Travel:** The federal government can spur economic recovery and send a clear message that an impacted region is safe and open by providing individuals and businesses with incentives to travel to and do business in a disaster-affected region.

Recommendation: The Department of Commerce should consider organizing 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.

- ★ **Making Businesses Whole:** Unfortunately, disasters will inevitably cause a certain amount of economic and physical damage. In order to help businesses and families survive a major crisis, the federal government will need to provide increased access to capital, low interest loans and tax incentives.

Recommendation: Expand the categories eligible for the Net Operating Loss tax credit to include items such as casualty losses, employment-related moving expenses, temporarily housing 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 a crisis.

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%

Source: Oxford Economics

POTENTIAL IMPACT OF THE GULF OIL SPILL ON TOURISM

A REPORT BY OXFORD ECONOMICS

Travel and tourism is critical to the economies of Gulf Coast states, responsible for \$34 billion in direct traveler-generated spending along coastal communities' Congressional districts in Alabama, Florida, Louisiana, Mississippi and Texas.

An independent analysis conducted by Oxford Economics measured the current and potential damage to the travel and tourism industry in the Gulf Coast region over a likely prolonged period of impact resulting from the Deepwater Horizon Oil Spill.

In its study, the global research firm monitored a range of indicators detailing how the disaster is already affecting traveler behavior and assessed the potential longer term impacts by examining 25 previous historic crises in the U.S. and abroad.

“Business as Usual” Not Expected for Two to Three Years

- ★ The potential impact of the oil spill disaster in the Gulf of Mexico could adversely affect tourism arrivals in coastal communities for up to three years (36 months) at a cost of \$22.7 billion in lost revenues. At minimum, Oxford estimates Gulf region travel would be impacted for 15 months at a cost of \$7.6 billion in unrealized revenues, though it is expected that this event will trend to the higher end of impact estimates.
- ★ The high profile of the spill has led to incredibly widespread economic impacts. Although the losses have been concentrated where oil has come ashore, visitors have shifted away from the entire region in significant numbers, creating a striking effect on travel to the Gulf region.
- ★ Current indicators show double-digit declines in plans to travel to the region. A series of surveys, along with greatly reduced searches on the travel website TripAdvisor®, reveals that the oil spill has already affected perceptions and intentions to travel to affected areas.
- ★ Expected losses fall heavily on Florida due to the larger area at risk on both the Gulf and Atlantic Coasts; however, coastal areas of Louisiana, Mississippi and Alabama are more directly exposed to the disaster and the proportional effects are projected to be larger. The impacts on Texas are minimal.

The Cost of Returning to “Normal” Travel

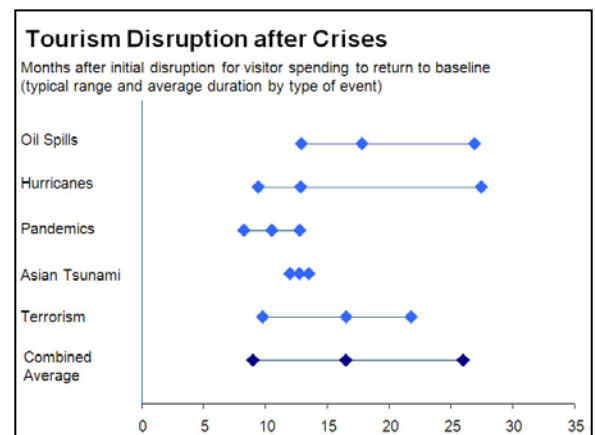
- ★ The industry calls for a \$500 million emergency marketing fund to counter misperceptions and encourage travel to the affected region. Oxford estimates this would generate \$7.5 billion in tourism spending based on a return-on-investment of 15:1 (which is conservative in light of a documented ROI of 20:1 for post-SARS campaigns in 2004).

Perceptions Matter More Than Reality

- ★ Available research affirms that travel intentions are down significantly for the Gulf, misperceptions abound regarding which areas are affected and that travelers believe the impacts of the oil spill disaster will be felt for a long time.
- ★ A review of disasters affecting tourism destinations reveals that the impact endures beyond the resolution of the crisis itself, due to brand damage and ongoing traveler misperceptions.

Case Studies: Examining 25 Past Disasters Worldwide

- ★ There is a clear, but not linear, relationship between the length of the disruption and the overall scale of impact on tourism. In its review of a variety of previous events worldwide – including oil spills, hurricanes, pandemics and terrorism attacks – the combined average length for a return to baseline visitor spending following crises ranged from nine to 26 months. The range of initial impacts does differ somewhat across previous crises, and perceptions also affect the peak impact likely to be felt in 2010 in this case.



Source: Tourism Economics