From: Bonnell, Steve
Sent: January-28-13 7:51 PM
To: Campbell, Lanna
Subject: FW: S.E.A. C-NLOPB

From: Peter Baker [mailto:baker@islandwindcraft.com]
Sent: December-23-12 1:15 PM
To: Bonnell, Steve
Subject: S.E.A. C-NLOPB

Dear Steve, It was a pleasure meeting you in Charlottetown at the public consultation session put on by AMEC. As I mentioned to you at that time: offshore oil exploration and production within the western newfoundland and labrador offshore area is a benefit only to Newfoundland-Labrador but also a liability to the tourism industry and fishery in that area of Newfoundland-Labrador. Based on documented past experience there is no question of a level of pollution generated by offshore petroleum activities and the genuine threat of an oil spill into the gulf of St. Lawrence. This body of water is bordered by 4 other provinces besides Newfoundland-Labrador which will only bear the liability of this petroleum development and none of the benefit whatsoever. The fisheries and tourism industry of P.E.I., New
Brunswick,Quebec,and Nova Scotia depend on the relatively high quality of the eco-system of the gulf of St. Lawrence.Any pollution and especially an oil spill small or large generated in western Newfoundland&Labrador waters will be circulated,because of the counterclockwise current ,into the waters of the other 4 provinces bordering the gulf. I have emailed seperately a study done by Oxford economics for the U.S. Travellers Association in 2010 for your reference in the effects of an oil spill on tourism. The tourism industry on P.E.I. is at present worth about $483 million annually to the economy of P.E.I.and is predicted to reach about $500 million annually by 2015-2016. There is no question that without tourism the province would have a significantly lower standard of living and is second only to the agriculture industry in wealth generation on P.E.I. Based on the findings of the Oxford economics report; P.E.I. tourism would take a minimum $165 million loss in the event of an oil spill anywhere in the gulf of St. Lawrence. Just the perception of oil washing up on island beaches would negatively impact the P.E.I. tourism industry regardless of whether any oil actually washed ashore. If $165 million is multiplied by the 5 provinces bordering the gulf ,there could be losses of $825 million which is a conservative prediction:tourism is a major industry in all 5 provinces. This figure only represents losses to tourism, I think the fisheries in the gulf would sustain perhaps an equal if not larger loss. C-NLOPB has $30 million available for claimed losses due to an oil spill or other petroleum related disaster in the gulf of St. Lawrence:this is woefully inadequate. The 5 provinces should be asking for a minimum $2billion disaster relief fund to cover damages of an oil spill or other petroleum event. Every industry and businesses thereof have various types of insurance to cover economic losses due to unforeseen events:this is taken for granted. As a tourism operator on P.E.I. whose family's living depends on the tourism industry I am asking for either the C-NLOPB, the provinces, or the federal government orall three to create a damages fund of at least $2 billion to cover losses to myself,other tourism businesses and the fisheries in the gulf
of St. Lawrence against an oil spill or other petroleum disaster. This again is only a low estimate of funds necessary.It would only be due diligence on the part of the 5 provinces bordering the Gulf and their tourism and fisheries associations to ask for this damages fund to cover losses resulting from a Gulf oil spill or petroleum disaster.

Thank you,
Peter W. Baker,
South Granville, P.E.I.
baker@islandwindcraft.com

OXFORD ECONOMICS

Potential Impact of the Gulf Oil Spill on Tourism

A report prepared for the
U.S. Travel Association

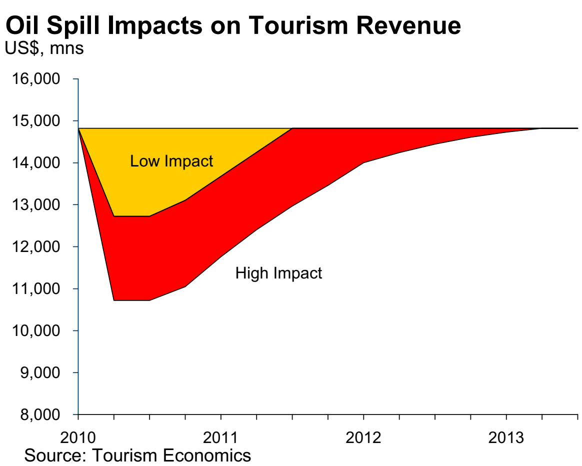
OXFORD
ECONOMICS

Contents

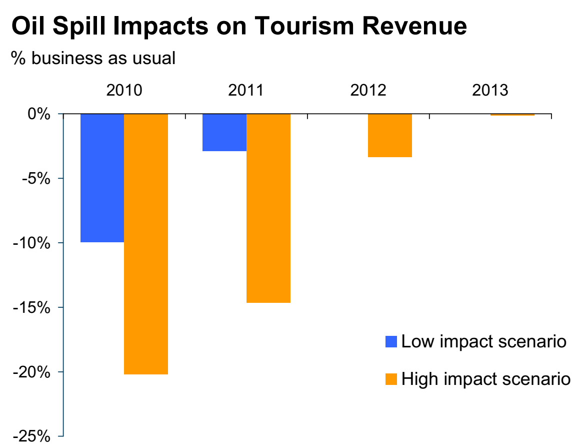
1 Introduction

1.1 Summary of Findings

- Tourism is one of the top economic drivers of the Gulf region. Visitors to Congressional Districts along the Gulf coast spent in excess of $34 billion in 2008, sustaining 400,000 jobs.
- Current indicators show double-digit declines in plans to travel to the region.
- The potential impact of the Deepwater Horizon oil spill could cost the U.S. coastal economies $22.7 billion over a period of three years.
- 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.
- The potential economic impacts of the crisis could be cut by one-third ($7.5 billion) with the establishment of a $500 million emergency marketing fund to counter misperceptions and encourage travel to the affected regions.



Source: Tourism Economics



Source: Tourism Economics

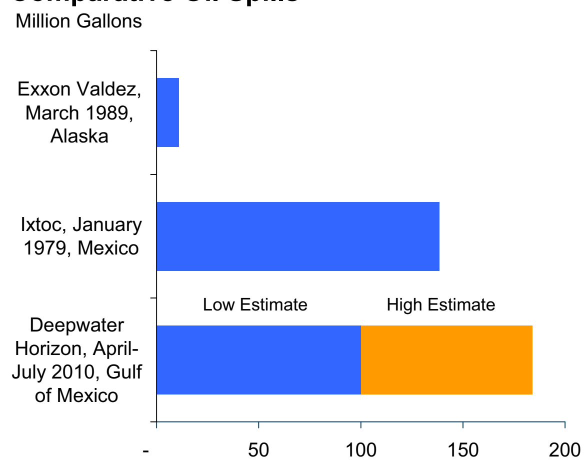
1.2 Overview

The Deepwater Horizon oil spill in the Gulf of Mexico is the largest offshore spill in U.S. history. Hundreds of millions of gallons have spilled since the explosion of the rig on April 20, 2010. The resulting oil slick covers at least 2,500 square miles. Large underwater plumes of oil not visible at the surface have also been reported. Estimates of the total spill range from 100 million to 184 million gallons of oil.

The spill has already had a massive impact on the environment and is severely affecting the economies of the region.

This study seeks to understand the current and potential damage to the tourism industry in the region over a likely prolonged period of impact. To do this, we look at a range of indicators of how the disaster is already affecting traveler behavior. To assess the potential longer term impacts, we assessed the duration and magnitude of impacts of a broad range of historic crises around the world as inputs into a risk-weighted scenario model.

Comparative Oil Spills

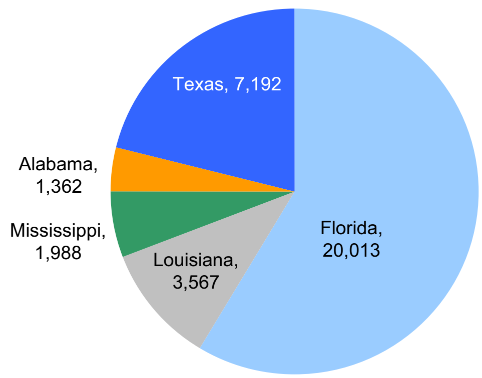


2 What Is At Stake?

- Tourism is one of the top economic drivers of the Gulf region. Visitors to the Gulf Coast Congressional Districts spent more than $34 billion in 2008. The largest share of this spending is received by Florida with more than $20 billion in visitor spending, followed by Texas with $7.2 billion and Louisiana with $3.6 billion.
- This spending sustains nearly 400,000 jobs within the Gulf Coast Congressional Districts.

Visitor Spending in Gulf

Aggregate of Gulf Congressional Districts, $ millions

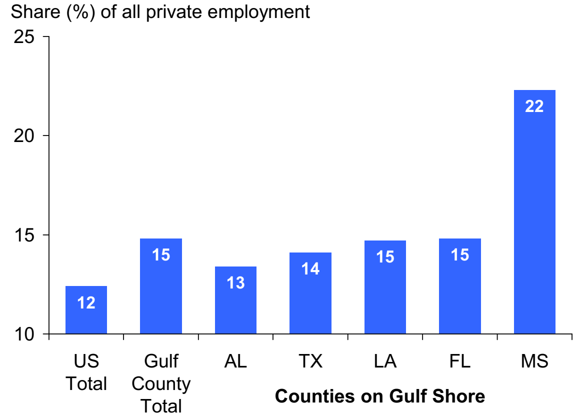


Source: U.S. Travel Association

- As a generator of employment, tourism is more important to the Gulf economies than to the rest 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 entire country. In Mississippi, 22 percent of private employment on the coast is in the leisure and hospitality sector.

Leisure and Hospitality Employment

Share (%) of all private employment

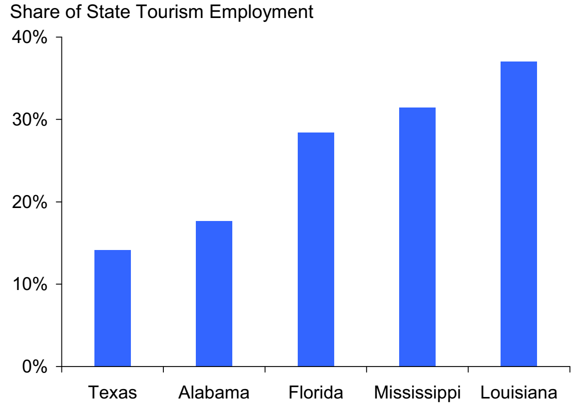


Source: BLS

- The 18 congressional districts touching the Gulf Coast represent a significant share of each state's total tourism economy. In Louisiana, nearly 40 percent of the state's tourism employment exists along the Gulf Coast. A full 25 percent of tourism employment in the five affected states is on the Gulf.

Gulf Shore Tourism Employment

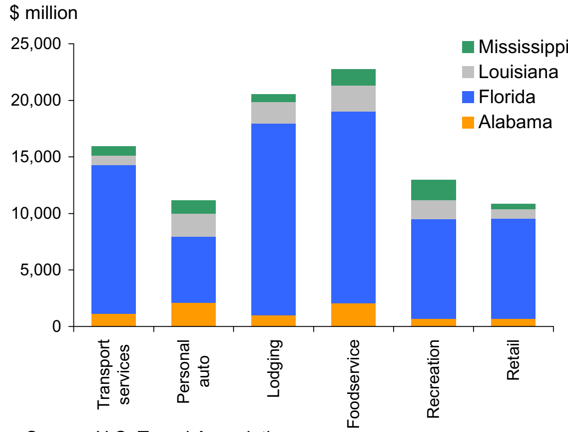
Share of State Tourism Employment



Source: U.S. Travel Association

- The visitor economy is a diverse composite of sectors. When destinations are affected by a disaster, the impacts are felt by a broad spectrum of hospitality, transport, recreation, and retail sectors.

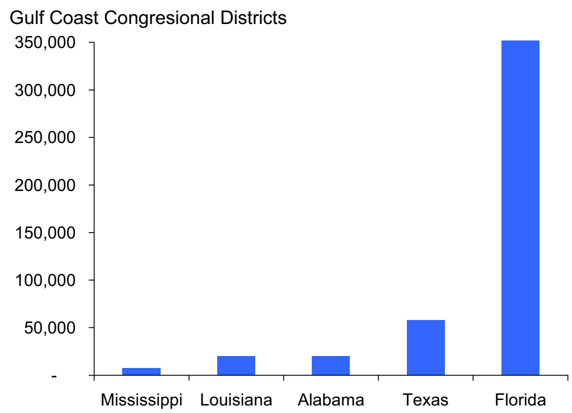
Visitor Spending



Source: U.S. Travel Association

- In addition, the real estate sector and rental income are highly tied to the tourism industry. More than 459,000 homes along the Gulf are for seasonal or recreational use, representing 7 percent of all homes in the congressional districts along the shore.
- The current crisis puts into jeopardy not only rental income and the ancillary spending of guests, but also real estate values.

Homes for Seasonal or Recreational Use



Source: U.S. Census

3 Understanding the Impacts So Far

The high profile of the oil spill has led to incredibly widespread economic impacts. Although the losses have been concentrated where oil has come ashore, tourists have shifted away from the entire region in significant numbers. Though hard figures are not yet available, several surveys and indicators help provide a range of the impacts which are being, or will be, experienced.

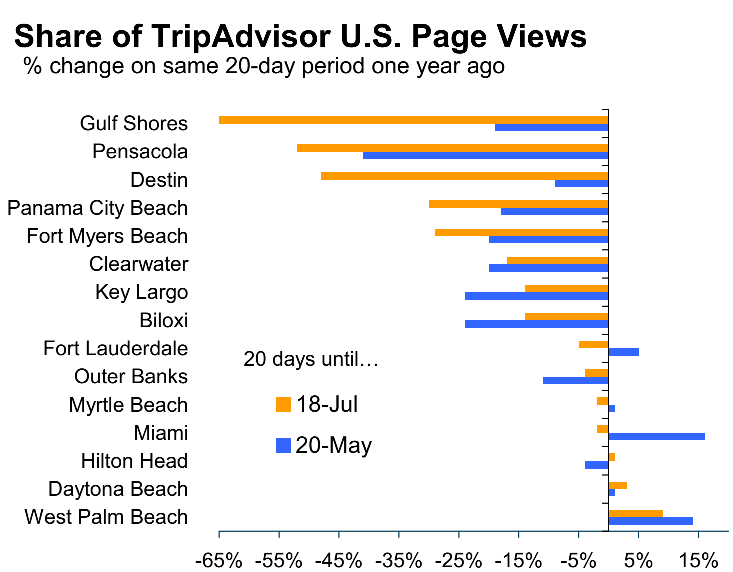
The available research tells us a few things about the crisis for the tourism sector in these early days. First, travel intentions are down significantly for the Gulf. Second, misperceptions abound regarding which areas are affected. And third, travelers believe the impacts of the disaster will be felt for a long time.

3.1 Decline in Gulf shore interest

With nearly 47 million monthly visitors, TripAdvisor® is the world's largest travel website featuring consumer reviews for destinations, hotels, B&Bs, inns and restaurants, offering tools to search everything from flights to vacation rental properties. The company has provided two revealing snapshots of the decline in searches for Gulf shore destinations.

The chart below shows the percentage drop in the share of TripAdvisor U.S. page views for various destinations for the 20 days leading up to May 20 and to July 18 compared to the same 20-day period one year earlier. The effect of the oil spill on interest in the region is striking and in most cases has only increased over time.

This decline in searches represents a leading indicator of booking as fewer travelers are planning trips to the region. Consumers searched 52 percent less for Pensacola, Fla. in July, 65 percent less for Gulf Shores, Ala., and 48 percent less for Destin, Fla.



Source: TripAdvisor

TripAdvisor Page Views % Change in Share of U.S.			
Twenty days until…	20-May	20-Jun	18-Jul
West Palm Beach	14%	17%	9%
Daytona Beach	1%	-4%	3%
Hilton Head	-4%	0%	1%
Miami	16%	1%	-2%
Myrtle Beach	1%	3%	-2%
Outer Banks	-11%	-8%	-4%
Fort Lauderdale	5%	-1%	-5%
Biloxi	-24%	-16%	-14%
Key Largo	-24%	-28%	-14%
Clearwater	-20%	-26%	-17%
Fort Myers Beach	-20%	-31%	-29%
Panama City Beach	-18%	-31%	-30%
Destin	-9%	-25%	-48%
Pensacola	-41%	-52%	-52%
Gulf Shores	-19%	-47%	-65%

Source: TripAdvisor

A more detailed look at the data in the above table shows that the impact may already be extending beyond where oil has come to shore. For example, the Outer Banks has been consistently negative since the crisis began, as has much of the Florida Gulf coast, even though oil has only been spotted in the state's panhandle region. Also, it is noteworthy that the east coast of Florida has experienced increases in interest, possibly as an alternate destination.

3.2 Declining Traveler Intentions: TNS Survey

TNS is a leading provider of market research and conducted a representative survey of U.S. households regarding their travel intentions and how they have changed. The survey was conducted in June and found that 10 percent of those already intending to travel to the Gulf region had changed their plans due to the oil spill. Another 22 percent had decided not to go for unspecified reasons, leaving only 68 percent of would-be travelers to the region holding onto their plans.

This figure is substantial in two regards. First, it represents the average for the entire Gulf shore region though large parts have been untouched by oil. Clearly some regions are bearing the greater brunt of these cancellations. Second, these are changed plans only and therefore do not include any losses of trips that would have been planned and booked on short notice apart from the oil spill.

The TNS survey also asked which destinations were chosen as substitutes when Gulf trip plans were changed. Remarkably, North Carolina, Massachusetts and Maine were among the top alternative destinations indicating a high aversion even to proximity to the Gulf region.

3.3 Declining Traveler Intentions: Louisiana Tourism Survey

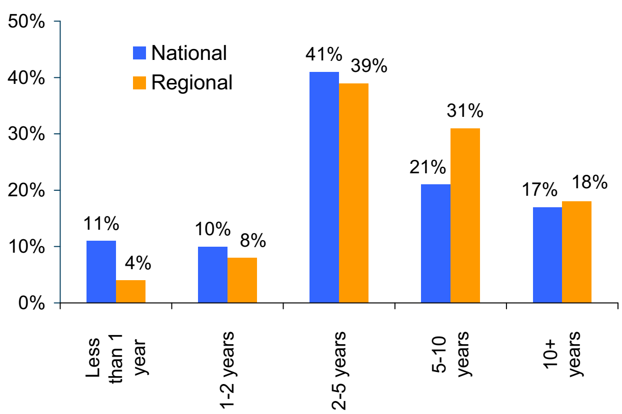
The Louisiana Office of Tourism commissioned two successive surveys which were fielded by MDRG. The first was a national survey conducted from May 19-21. The second was a regional survey of key visitor source markets conducted June 18-21.

The May survey found that 26 percent of those who had plans to visit the state of Louisiana had postponed or canceled their trip. The June survey, which focused on relatively nearby visitor markets in Texas, Mississippi and Florida, found that 17 percent had postponed or canceled their planned vacation to Louisiana.

Equally serious is the perception that this disaster will affect Louisiana for years to come. Nearly 80 percent of national respondents believed the disaster would impact the state for at least two years with nearly 40 percent stating that the impact will extend five years or longer. Regional respondents 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 Effect on Louisiana

Share of respondents



Source: Louisiana Office of Tourism

Significant misperceptions were also identified by these surveys. For example, only 14 percent of national respondents realized that Louisiana oyster beds have not been contaminated with oil and only 45 percent of respondents believed that seafood at Louisiana restaurants is safe.

4 What is the Outlook for Recovery?

Estimating the eventual impact of the spill on the tourism economies of the Gulf faces several uncertainties. In order to begin to assess the duration and extent of the impact, ranges must be established for these variables. We note four critical uncertainties below as well as the most likely outcome for each.

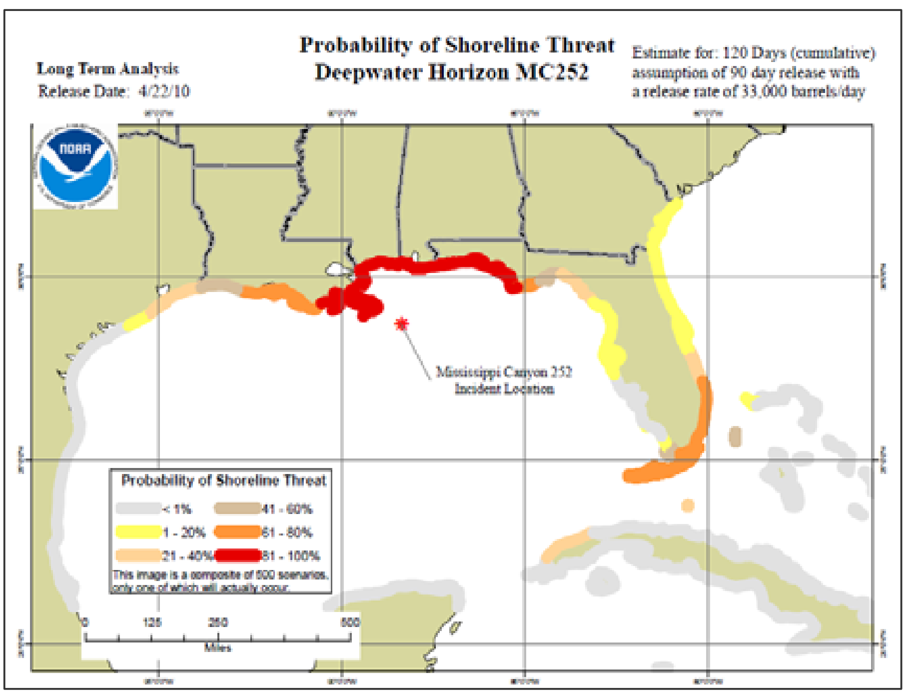
4.1 Has the flow of new oil been permanently halted?

At the time of writing, a cap has successfully stopped the flow of oil for three days. This is clearly encouraging, but the risk of additional oil flowing into the Gulf remains.

4.2 Where will the oil flow?

Somewhere between 100 million and 184 million gallons of crude has spilled. Projections indicate it could show up as far west as Corpus Christi, Texas, or as far north as North Carolina's Outer Banks. The most widely accepted forecasts are being conducted by The National Oceanic and Atmospheric Administration (NOAA) which has used computer models to estimate the likelihood of various oil flow scenarios:

- The coastlines from the Mississippi River Delta to the western panhandle of Florida: 81-100 percent oil probability
- Texas: low probability (less than 1 percent in the south to 40 percent near the Louisiana border)



- Florida Keys, Miami and Fort Lauderdale: 61-80 percent due to the potential influence of the Loop Current
- East coast of Florida and other Eastern Seaboard: 20 percent or less with impacts less likely north of North Carolina as the Gulf Stream moves away from the mainland

4.3 How long will cleanup take?

Here, estimates vary widely. The U.S. Coast Guard has talked about a multi-year process. The existence of oil plumes that have been found deep in the water column add uncertainty to any estimates of the time required for recovery. The comparably sized Ixtoc Oil Spill (140 million gallons) off Mexico's coast in 1979 suggests that affected beaches could return to pre-spill conditions within about three years.

However, tar balls and patties could wash ashore for longer. Some of the mangrove swamps in the Yucatan Peninsula, an ecosystem similar to the one found off the Louisiana Gulf coast, are currently 80 percent recovered from that spill, and tar can still be found in some areas.

4.4 How will travelers react?

This is the true wild card. Leisure travelers have ultimate discretion in their choice of destination and may avoid regions which have only slight contamination or perhaps even the risk of oil. This can affect a destination for much longer than the disaster itself and may be the most significant factor in determining the eventual impact on the affected tourism economies. The next section of this report addresses this issue in more detail.

5 Case Studies and Potential Impacts

In order to understand the potential role of traveler behavior, we have assessed a range of disaster case studies to determine the range and duration of impacts. From these, we can then draw conclusions on the possible outcomes for the current oil spill.

5.1 Duration of tourism impacts

A number of comparable crises have been considered to determine a range of possible direct impacts on tourism in the affected areas. The duration and scale of the previous crises have been considered at a national or state level since data and case studies are more readily available. The impacts will clearly be higher for specific coastal areas.

Duration is calculated as the combined length of time that there was physical disruption to tourism services in addition to the time period for which perceptions were affected. This is measured as the time between the start of each event and the time that visits and spending return to business as usual estimates.

The scale of the current oil spill as well as the potential tourism disruption has no exact precedent. While earlier oil spills have been environmental disasters, the immense scale of the current oil slick implies that the potential damage is larger. And the proximity to unique fishing activity and tourism hotspots also places the event apart from previous events.

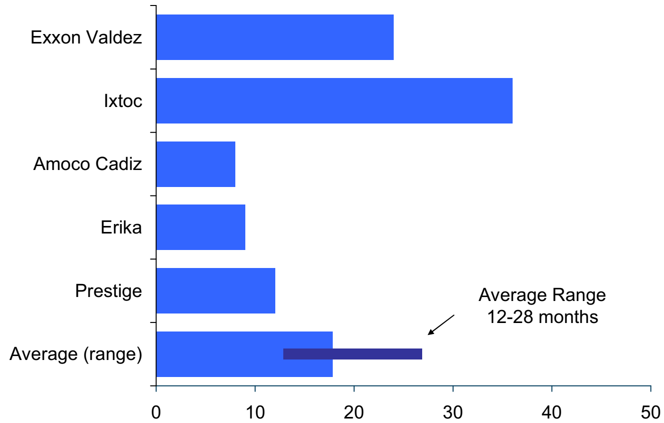
A variety of events have been examined in terms of duration and scale to determine the expected range of impacts on tourism activity:

- Previous oil spills
- Harmful Algal Blooms (HABs)
- Hurricanes
- SARS / H1N1
- Asian Tsunami
- Terrorist attacks

All of these events share some common characteristics in that they are either natural disasters or unpredictable events and that they have influenced perceptions of destinations even after the initial physical disruption is over. The following charts document the tourism impact duration of a wide range of events in terms of the months required to attain prior visitor spending peaks. The average ranges are based on a single standard deviation of the recorded durations.

Duration of Oil Spill Tourism Impacts

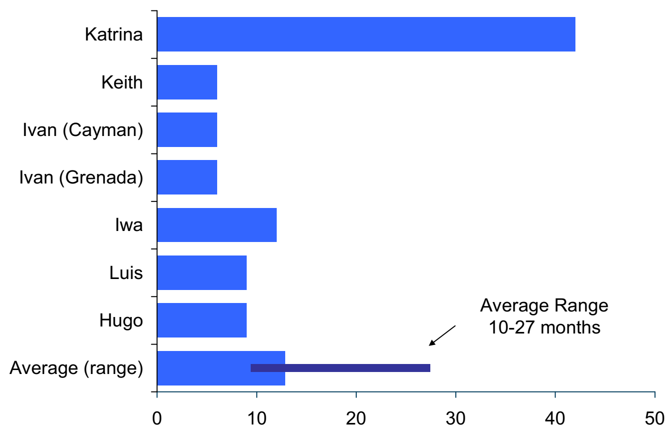
Months after initial disruption for visitor spending to return to baseline



Source : Tourism Economics

Duration of Hurricanes Tourism Impacts

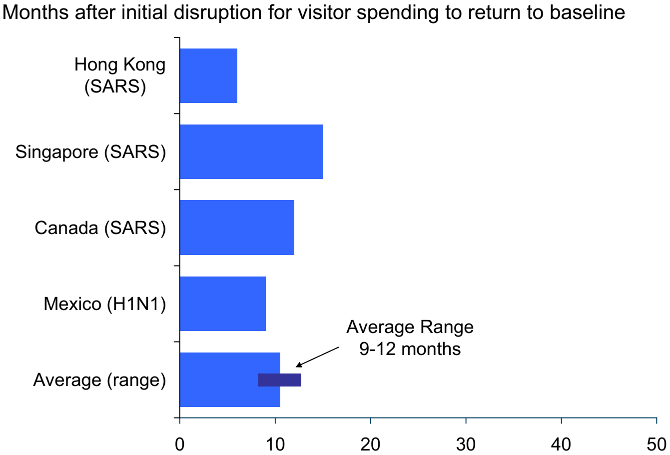
Months after initial disruption for visitor spending to return to baseline



Source : Tourism Economics

Duration of Pandemic Tourism Impacts

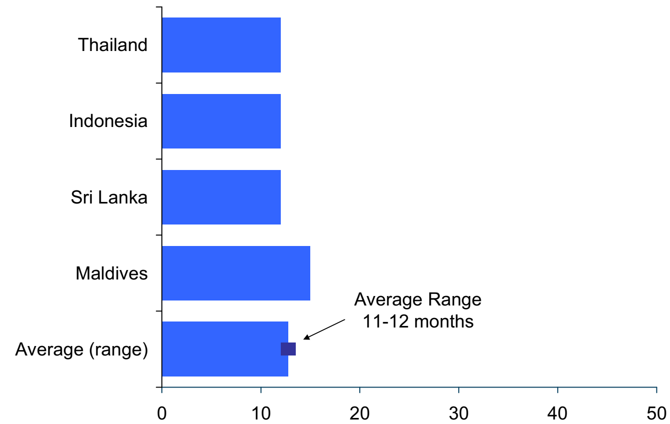
Months after initial disruption for visitor spending to return to baseline



Source : Tourism Economics

Duration of Asian Tsunami Tourism Impacts

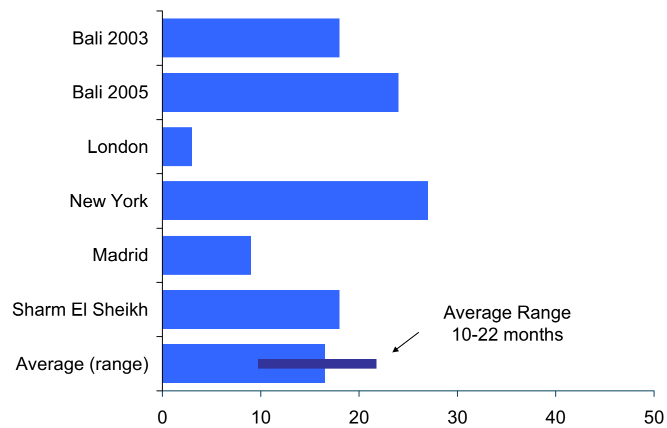
Months after initial disruption for visitor spending to return to baseline



Source : Tourism Economics

Duration of Terrorism Tourism Impacts

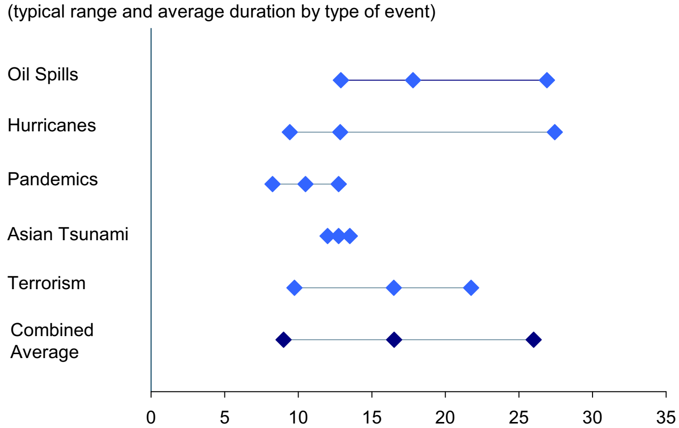
Months after initial disruption for visitor spending to return to baseline



Source : Tourism Economics

Tourism Disruption after Crises

Months after initial disruption for visitor spending to return to baseline
(typical range and average duration by type of event)



Source : Tourism Economics

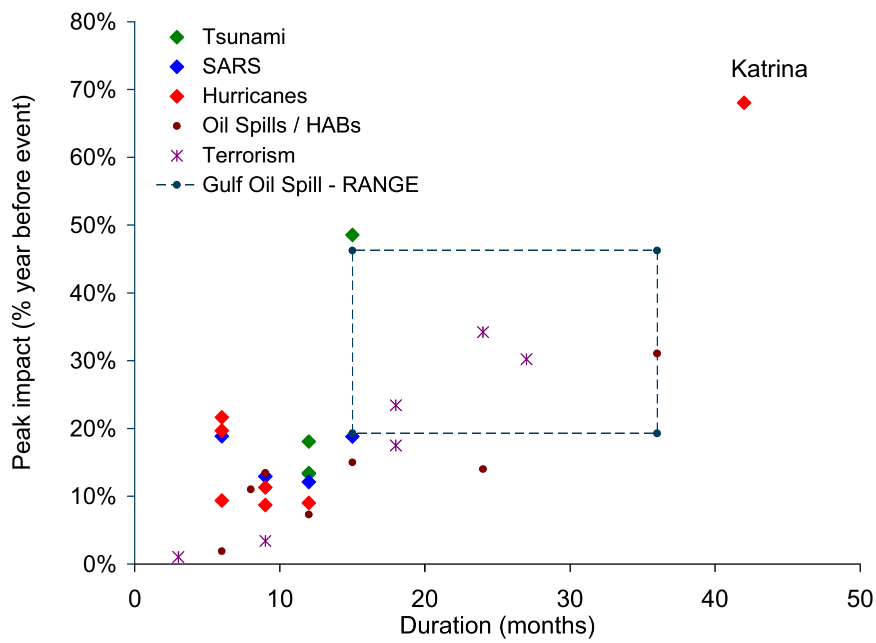
The far left and far right markers represent the range of impact duration. The middle marker represents the average of all observed timeframes.

5.2 Duration and Scale of Impacts

The following chart illustrates that there is a clear relationship between the length of the disruption and the overall scale of the tourism impact. In addition, we see that some relatively short-lived events can also have very large effects on tourism for that period. This is used as an input into calculating the range of possible impacts.

The analysis shows a broad range of impacts which provides a context for the current disaster. Some hurricanes have reported only a single-season impact while Katrina stands out in terms of its duration and scale of impact.

Event Duration & Scale



The left axis shows the peak percentage loss in tourism spending. The bottom axis shows the duration for spending to return to pre-disaster levels.

The dotted box represents the potential range of impacts, both in magnitude and duration, of the current crisis.

The dotted-line box represents the estimated range of impacts in terms of duration and scale for the current oil spill. This is based on current estimates of the length of time of cleanup as well as traveler uncertainty created by misperceptions. On this basis, the Deepwater Horizon oil spill impact could reasonably extend to three years beyond the initial spill.

5.3 Description of Key Case Studies

5.3.1 Ixtoc Oil Spill

- In 1979, an oil rig exploded off the coast of the Yucatan in Mexico. The Ixtoc well poured 140 million gallons of oil into the Gulf of Mexico. Massive slicks reached the northern Mexican Gulf coast and Texas, where it would eventually coat almost 170 miles of U.S. beaches. The beaches were largely clear within three years. However, it was five years before all tar mats on Texas beaches disappeared.
- The Deepwater Horizon spill is closer to and, therefore, affecting Louisiana marshlands that are more sensitive than the sparsely populated Texan and Mexican coastlines that Ixtoc reached. While beaches are relatively easy to clean, getting the oil out of the delta's fragile marshlands is much more difficult, according to scientists.

5.3.2 Other oil spills / Harmful Algal Blooms

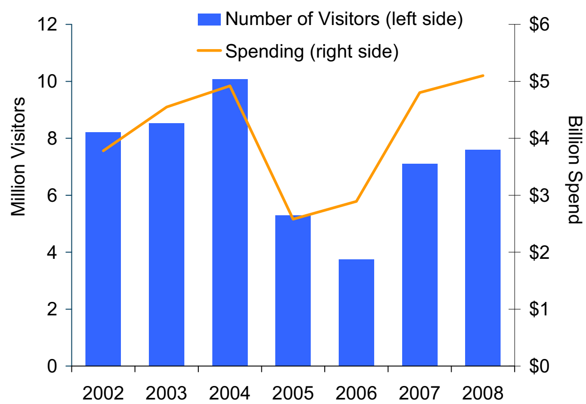
- Previous oil spills have involved huge cleanup operations and disruption to ocean activities such as fishing with some clear implications for tourism. However the potential disruption to numerous tourism destinations and activities is a unique feature of the current spill. It is likely that tourism disruption will be higher than suggested by previous spills.
- Harmful Algal Blooms (HABs) also present similar disruptions to coastal tourism activity. Previous effects have affected fishing activities more than broader coastal tourism activities.

5.3.3 Hurricane Katrina

- On August 29, 2005, Katrina's storm surge caused 53 different levee breaches in greater New Orleans, submerging 80 percent of the city. The storm surge also devastated the coasts of Mississippi and Alabama, making Katrina the most destructive and costliest natural disaster in the history of the United States with total damage of more than $100 billion.
- In 2004, New Orleans received 10.1 million visitors. The city hosted 7.6 million in 2008, the last year of available figures, and remains roughly 25 percent below its pre-Katrina peak. Visitor spending in New Orleans finally recovered fully in 2008 with $5.1 billion compared to $4.9 billion in 2004, marking a three-year process to reach prior peak spending levels.

- The impact on the meetings sector endures to this day. After Katrina, 4.6 million cumulative room nights were canceled, extending out to 2025.

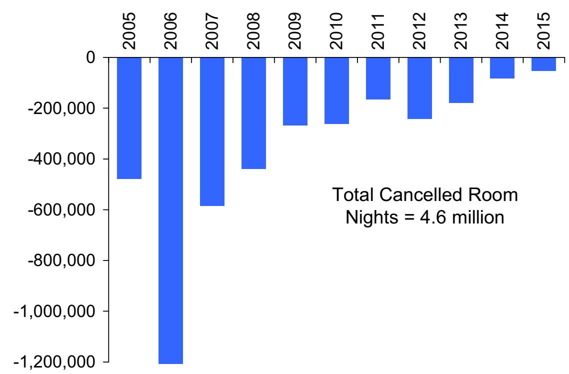
New Orleans Tourism Recovery



Source: University of New Orleans

Katrina Impact on New Orleans Meetings

Room nights cancelled by scheduled date of meeting



Source: New Orleans CVB

5.3.4 Other hurricanes

- Hurricanes have been considered that have significantly disrupted tourism infrastructure across Central America and the Caribbean measured at the country level. These tend to be short-lived events, with disruption of less than a full year but with very high short-term impacts.
- Hurricanes are expected annually to some degree, although the affected locations are unknown and short-term impact is comparable. However, the legacy of the impact does not tend to persist beyond the physical rebuilding.
- An obvious exception to general analysis here is Hurricane Katrina and its impact on Mississippi and Louisiana.

5.3.5 Exxon Valdez

- In 1989, the *Exxon Valdez* spill dumped nearly 11 million gallons of oil into Prince William Sound, and it spread down the Alaska coast, ultimately oiling 1,200 miles of shoreline.
- Recreation and tourism in the spill area dramatically declined in 1989 in Prince William Sound, Cook Inlet and the Kenai Peninsula. Injuries to natural resources led resource managers to limit access to hunting and fishing areas, and users such as kayakers were prevented from enjoying those beaches that harbored visible oil. Recreation was also affected by changes in human use in response to the spill, because areas that were

unaffected become more heavily used as activity was displaced from the oiled areas.

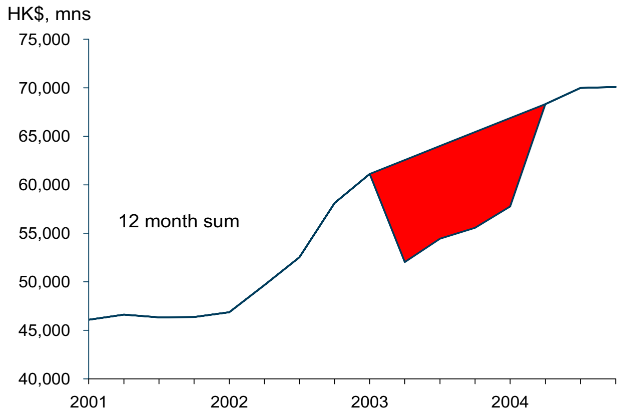
- More than 40 percent of businesses in the affected region reported significant or complete losses and visitor center inquiries fell 55 percent in the year after the spill. $19 million in visitor spending was lost in one season.
- Of particular note, 27 percent of businesses in parts of Alaska with no oil reported moderate or significant losses
- A 2001 National Oceanic and Atmospheric Administration (NOAA) study surveyed 96 sites along 8,000 miles of coastline. The survey indicates a total area of approximately 20 acres of shoreline in Prince William Sound is still contaminated with oil. Oil was found at 58 percent of the 91 sites assessed.

5.3.6 SARS / H1N1

- The experience of SARS in 2003, followed by the Asia-wide avian flu outbreak, reminded the world of the active threat of serious global pandemics. None of the outbreaks to date (including swine flu in 2009) have caused global devastation on a level with true historic pandemics but there have been some significant impacts on local economies, not least from sharp falls in tourism arrivals to areas with a high perceived risk. In most observed cases these sharp falls have been short-lived, but it has taken on average a full year for activity to return to business as usual levels.
- Recorded SARS cases in 2003 were predominantly located in East Asia with adverse affects to travel across the region as confidence was hit. The important travel hubs of Singapore and Hong Kong were significantly affected. Travel spending in Hong Kong fell by 60 percent on a year-over-year basis in mid-2003, but a return to more normal travel patterns was evident within a year.
- The number of reported cases in Singapore was much lower than other countries, but its position as a regional travel hub meant that it was hit by low confidence in travel. Inbound revenues fell by 40 percent year-over-year in mid-2003 and it took more than a year for a return to baseline trends.
- Outside of Asia, a large number of reported cases in Toronto affected travel to Canada. Total inbound travel spending fell by more than 15 percent compared with the previous year. This can also be explained by a general blow to travel confidence from key Asian origin markets and highlights the importance of destination perceptions in travel decisions.

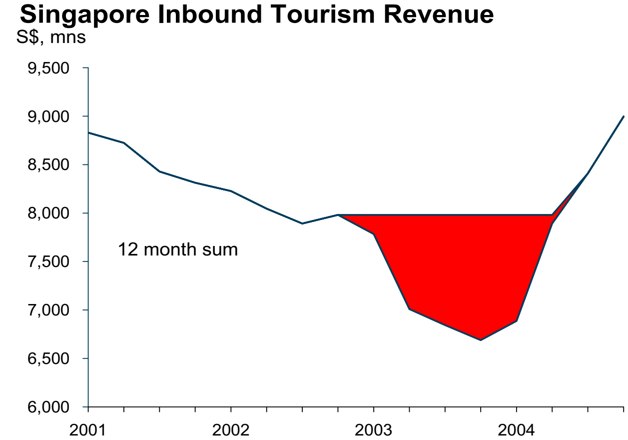
- The swine flu (H1N1) outbreak in 2009 was not as virulent as was feared and did not significantly disrupt global activity. However, the high number of initial cases in Mexico adversely affected tourism perceptions of the country. Tourism arrivals and revenue fell sharply in mid-2009 and remain low in early 2010, but almost back to levels experienced before the outbreak.
- The following charts show the losses in tourism spending by country on account of SARS and H1N1 (for Mexico). The upper line represents the pre-pandemic forecast. The lower boundary shows actual revenues.

Hong Kong Inbound Tourism Revenue



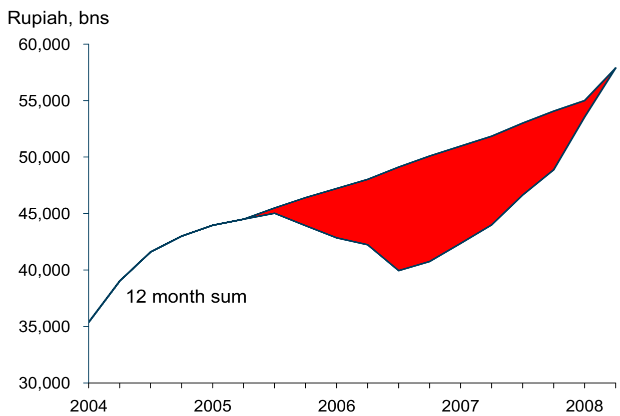
Source : Tourism Economics / IMF BofP

Singapore Inbound Tourism Revenue



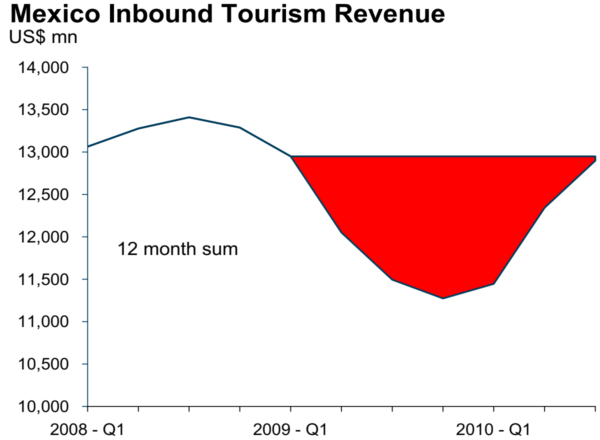
Source : Tourism Economics / IMF BofP

Indonesia Inbound Tourism Revenue



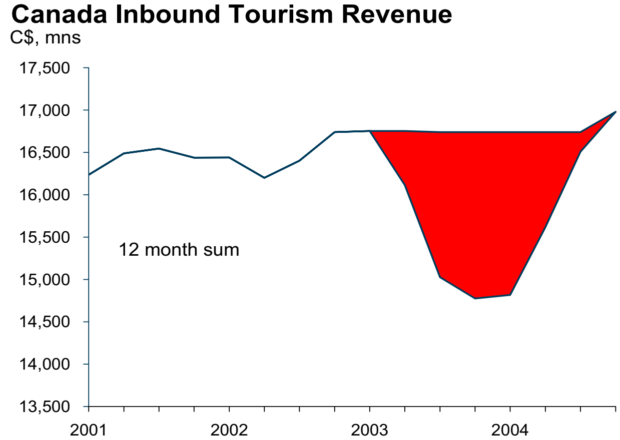
Source : Tourism Economics / IMF BofP

Mexico Inbound Tourism Revenue



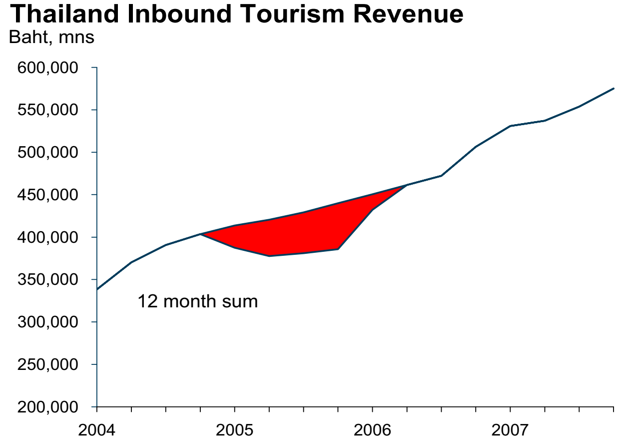
Source : Tourism Economics / IMF BofP

Canada Inbound Tourism Revenue



Source : Tourism Economics / IMF BofP

Thailand Inbound Tourism Revenue



Source : Tourism Economics / IMF BofP

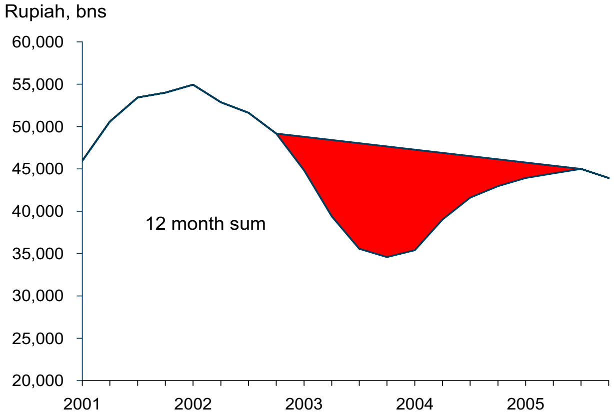
5.3.7 Asian Tsunami

- The Asian Tsunami of 2004 devastated coastal communities and resorts across Asia and rebuilding is ongoing in some cases, even though the actual event was brief. It still took at least a year in most cases to rebuild visitor confidence in destinations to return to business as usual.

5.3.8 Terrorism

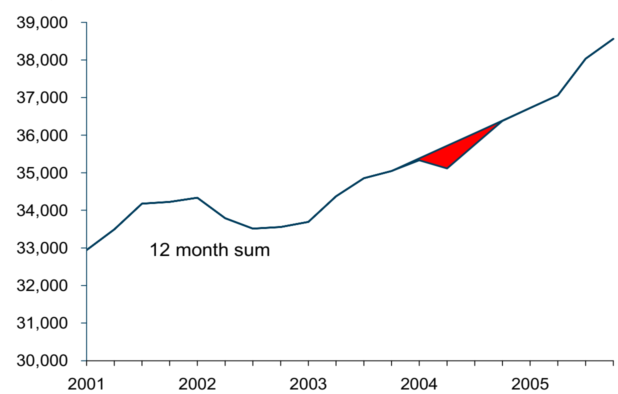
- The duration and scale of terrorism on tourism is largely dependent on the scale and unexpectedness of the incident. If there are already question marks regarding the safety of a destination then the effect will be lower than if a destination has previously been considered safe.
- For example, the 2005 Bali bombing caused less disruption than the 2003 incident, although comparison is complicated by the effect of the Tsunami in 2004 on Bali and Indonesia in general.
- Overall tourism event studies provides good examples of how the impact of an event can persist for many months and even years by altering tourists' perceptions of destinations.

Indonesia Inbound Tourism Revenue
Rupiah, bns



Source : Tourism Economics / IMF BofP

Spain Inbound Tourism Revenue
Euro, mns



Source : Tourism Economics / IMF BofP

6 Estimates of Impact

6.1 Summary of Impacts

Case studies provide historic benchmarks for both the duration and scale of the impact. The below table lays out the results of a model of potential impacts under two scenarios. The low impact scenario is based on the lower range of NOAA oil flow probabilities for each potentially affected region, observable impacts to date and lower boundaries of historic disaster impacts.

The model behind the high impact scenario is based on the high range of NOAA oil flow probabilities for each potentially affected region, observable impacts to date and upper boundaries of historic disaster impacts. Due to the scale of the current oil spill it is more likely that the disruption to tourism in the region will be towards the upper end of the historic range of impacts as reviewed in the previous section.

The disruption to visitor patterns 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.

Total Impact on Gulf Region						
	Low Impact			High Impact		
Months	15			36		
Impact on Tourism Revenues						
	US$ Bn	% 1 year outlook*	% 3 year outlook**	US$ Bn	% 1 year outlook*	% 3 year outlook**
Total Region	$7.6	12%	4%	$22.7	25%	8%
Florida	$6.3	13%	5%	$18.6	27%	14%
Lousiana	$0.7	17%	6%	$2.0	37%	18%
Missisippi	$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

However, there is a clear risk that impacts may be greater than this and that the crisis will adversely impact tourism arrivals for up to 36 months. In this high impact outlook, tourism flows to the region would not return to "normal" until early 2013, involving lost revenues of almost $22.7 billion.

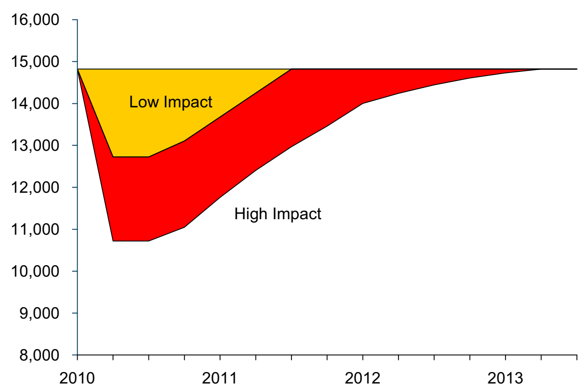
The expected losses fall heavily on Florida due to the larger area at risk on both the Gulf and Atlantic coasts. However, the coastal areas of Louisiana, Mississippi and Alabama are more directly exposed to the disaster and the proportional effects are expected to be larger. The impacts for Texas are minimal in both scenarios due to the likely direction of oil flows.

In comparing these two scenarios, not only would tourism be affected for a longer period in the high impact scenario, but the initial impacts are also expected to be larger. This fits the usual profile of tourism impacts seen in previous extended crises. A large initial response is observed, driven by both the supply and demand side. This tends to be followed by a partial recovery as supply is restored but perceptions and demand still take time to return to normal levels.

For example, visits to New Orleans fell sharply in the year following Katrina with a large drop in the number of available hotels and rooms. A little more than a year later, more than 80 percent of capacity had been restored but room demand lagged.

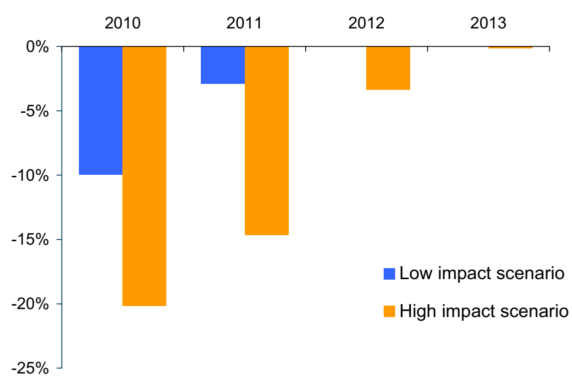
In the case of the Gulf Oil Spill, comparable impacts for 2010 are expected to be roughly twice as large under the high impact scenario as under the low impact scenario.

Oil Spill Impacts on Tourism Revenue
US$, mns



Source: Tourism Economics

Oil Spill Impacts on Tourism Revenue
% business as usual



Source: Tourism Economics

6.2 Methodology

Potential high and low tourism losses were identified from case studies and have been applied to Gulf Coast tourism revenues. Since these estimated impacts are derived from comparable case studies they are net impacts and include any offset from relief workers, government officials and media. It should be noted that the spending and activity patterns of these visitors are much more limited than leisure travelers.

A range of impacts for the Gulf Coast as a whole has been estimated according to the range of impacts in case studies. The expected duration of the crisis was estimated within the range of 15 to 36 months. However, the range of overall impacts is not purely due to different durations. Case studies also indicate a range of proportional responses in tourism revenues, relative to pre-crisis levels. This informs the range of estimates of the peak one-year response to the crisis.

Specific ranges of impacts can be determined by adjusting the overall potential loss by the relative risk of oil reaching shores using the probabilities derived from NOAA ocean current and wind probabilities. Accordingly, the coastline between the Mississippi River Delta and the western panhandle of Florida are expected to experience the greatest proportional losses in tourism revenues in both low and high scenarios.

Potential losses are applied to tourism revenues for Gulf Coast congressional districts grouped by state, as described in Section 2. The exception is Florida since the full extent of its coastline is at risk to a relatively high degree.

This methodology has the important implication that Texas is expected to be largely unaffected despite having a large Gulf coastline. NOAA sees a minimal risk to the bulk of Texas shore. Less than 2 percent of its Gulf revenues are at risk in the worst case scenario.

7 Mitigating Losses

The difference between the low and high boundaries of the impact over a three year period is $15 billion. This poses the question, "What can be done to move the impact toward the lower boundary?"

The range of potential impacts depends largely on the uncertainties described in Section 4. Namely:

- Has the flow of new oil been permanently halted?
- Where will the oil flow?
- How long will cleanup take?
- How will travelers react?

Of the four major uncertainties, the last one is the easiest to influence. As noted in many of the case studies and even in the current crisis, perceptions are critical to the recovery. In many instances, the impact of misperceptions on travel and tourism is greater than the effects of reactions to the real disaster. Current data from surveys and TripAdvisor show that this is happening already with vacationers avoiding the entire region, partly for lack of information.

Therefore, a critical part of the recovery strategy should include a robust communications and marketing plan for the entire region to both inform and motivate travel to the broadly affected region.

This is the key lever available to the travel and tourism industry to move the total impact toward the lower boundary of total impact over the next three years.

Separate research by Oxford has determined a range of tourism marketing ROI for various destination campaigns over the past decade. This analysis showed that some of the most effective campaigns were conducted after a crisis. This was observed in campaigns both for Canada after SARS and for Alaska after the *Exxon Valdez* spill. After eliminating outliers on both the low and high end, we found tourism marketing campaigns to yield a return of $5 to $64 in visitor spending for every dollar spent on marketing.

The industry has called for a dedicated emergency marketing fund of $500 million as a means of reducing the medium and longer term impacts of the oil spill. If we assume an average ROI of 15:1 (which is conservative in light of a documented ROI of 20:1 for post-SARS campaigns in 2004), the $500 million in marketing would generate $7.5 billion in tourism spending in the regions affected by the oil spill.

Another way to describe this scenario is that $500 million in marketing spending could relieve half of the $15 billion uncertainty between the lower and upper boundaries of potential impact. This would effectively cut the total impact on the travel and tourism economy by a third in comparison to the high impact scenario.

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%

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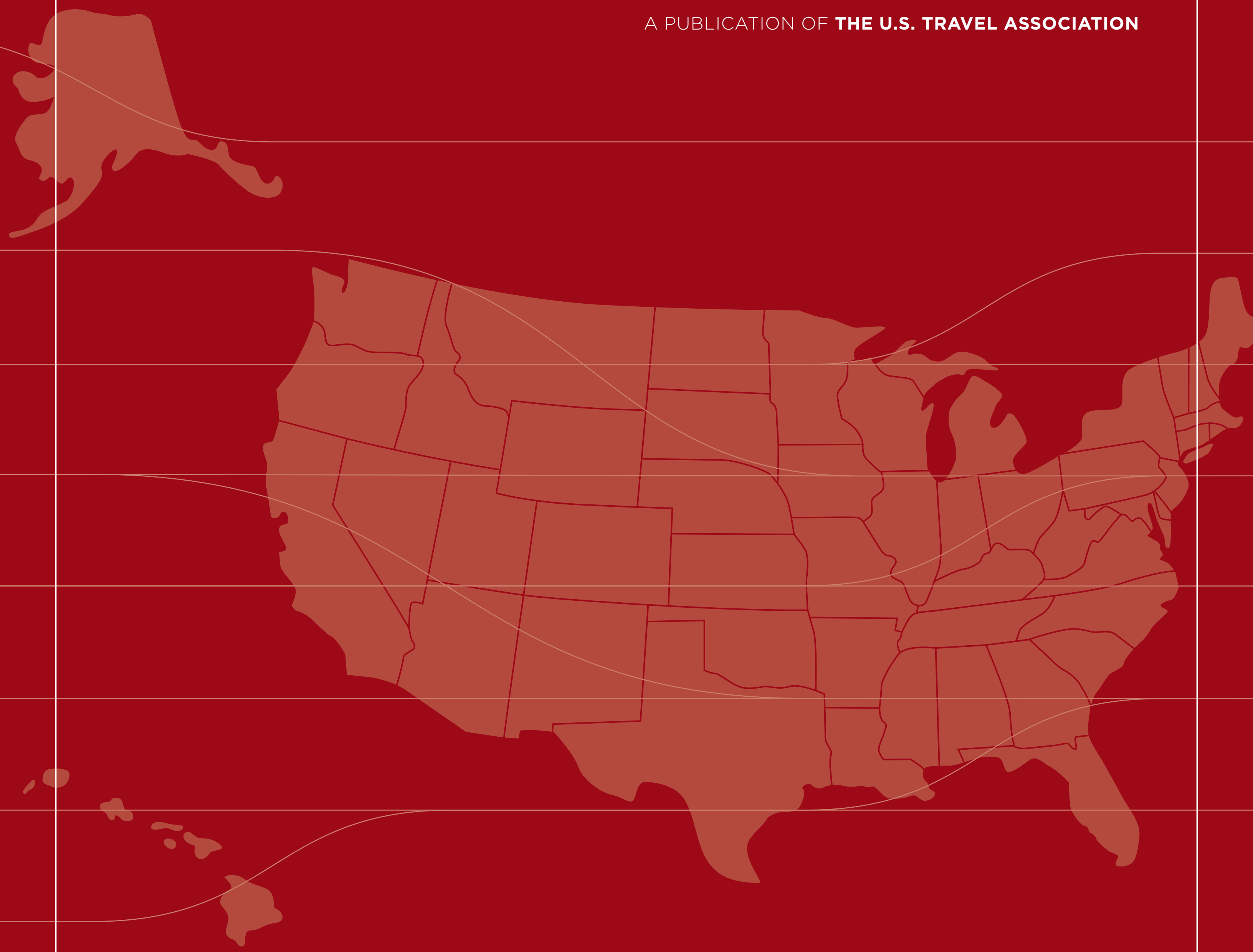
Roadmap to Recovery

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

Roadmap to Recovery

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

U.S. TRAVEL ASSOCIATION

U.S. Travel Association, 1100 New York Avenue, NW, Suite 450, Washington, D.C. 20005, 202-408-8422

Roadmap to Recovery

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

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		
Months	15			36		
Impact on Tourism Revenues						
	US$ (billions)	% 1 year outlook*	% 3 year outlook**	US$ (billions)	% 1 year outlook*	% 3 year outlook**
Total Region	$7.6	12%	4%	$22.7	25%	8%
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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

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

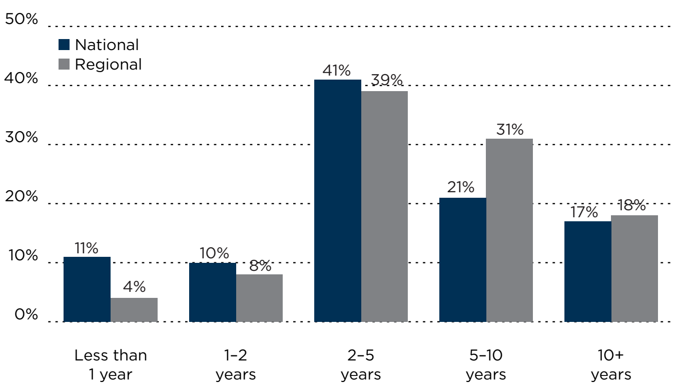
Informing Public Perceptions

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, 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

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Low Impact	$	7,621
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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.

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.

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.

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 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.

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 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.

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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