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1996 Outlook For Travel And Tourism

PROCEEDINGS OF THE TWENTY-FIRST ANNUAL OUTLOOK FORUM AT THE TRAVEL INDUSTRY NATIONAL CONFERENCE

Travel Industry Association of America

1996 Outlook For Travel and Tourism

Proceedings of the Travel Industry Association of America's
Twenty-first Annual Outlook Forum
at the Travel Industry National Conference

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ABOUT TIA .

The Travel Industry Association of America (TIA) is the Washington, D.C. - based national. nonprofit association that serves all the common concerns of all components of the U.S. travel industry, the third largest retail industry and second largest employer in the nation.

Established in 1941 by a group of state and local tourism officials, the organization has evolved from a small association of travel officials into a national nonprofit organization with a membership that now represents all components of travel and tourism.

In sum, TIA is the unifying organization for the nation's travel industry fulfilling its original mandate to "promote and faciliate travel to and within the United States", through a number of programs that generate billions of dollars in revenues for travel and tourism enterprises of all sizes and in every area of industry activity.

TIA and its affiliate. the Travel and Tourism Government Affairs Council, are located at 1100 New York Avenue, Suite 450, Washington. DC 20005-3934; Telephone: (202) 408-8422; Telefax: (202) 408-1255.

William S. Norman
President and CEO

ABOUT THE OUTLOOK FOR TRAVEL AND TOURISM

The Outlook Forum. the educational portion of the TIA National Conference, is held annually in October and is a highly rated and much quoted event. This publication contains the proceedings of the 1996 event, which was themed "Forging Future Strategies." This publication is provided as part of TIA's annual research subscription package, or sold individual y for $100 TIA member/$15 O non-member.

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The Travel Industry Association of America (TIA) is the national unifying organization of the U.S. travel and tourism industry. Through its research department. the U.S. Travel Data Center. TIA provides the industry with a dedicated resource for current travel statistics and economic and survey research.

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TIA provides a variety of seasonal reports that detail U.S. resident travel in the United States. Reports include the economic impact of travel on a national and state level, trip characteristics and forecasting information. Also available through TIA are special segment studies that address the gaming and the minority traveler.

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For additional information on membership in TIA or our research and publications services, call the Publications Department at 202/408-8422.

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Address By

Carol Hallett
President
Air Transport Association

It is indeed a pleasure for me to be the keynote speaker at this year's TIA Outlook Forum. Judging from the impressive lineup of industry executives, analysts and forecasters scheduled to follow me, I am sure the forum will be an extremely interesting and successful event.

Yogi Berra's wit and wisdom is always appropriate -- and even more so as the baseball season comes to a climax. He once said that making predictions is a perilous exercise -- especially when making them about the future! But it also can be lots of fun, and it certainly is important. In the fast-changing world we live in, it is imperative that we regularly consider what the future may bring and what each of us must do to prepare for it. But since much of the next few days will be spent making forecasts about various segments of the travel industry, let me share with you a few about the air] ines.

The airlines are dedicated to meeting the challenge of insuring that the economic strength of the United States and the quality of life for all our citizens will continue to be enhanced by the availability, safety and reliability of the world's finest air transportation system. To meet that challenge, it will be essential to maintain and improve a system of sensible regulation that assures strong competition. To meet the needs of the future and help assure U.S. aviation technological leadership, it will be necessary for the airlines to spend billions of dollars for new aircraft, which will increase productivity, reduce noise, and conserve fuel.

A vital requirement in carrying out this modernization will be an improved level of earnings over that of recent years, and the correction of tax inequities which have denied airlines millions of dollars in credits for capital investments.

Now, you are probably all familiar with the airline industry's past five years of losses totaling $13 billion and the $75 billion in capital investments that will be required to meet the phase-out of older, noisier. stage 2 aircraft by the end of this decade. The sad thing about the forecast I just shared with you a moment ago, however, is that it is now new. Rather. it was made by one of my predecessors at the Air Transport Association 20 years ago! And in looking through the archives, 1 found that many of the issues never really go away. Whether it be federal tax policy, regulation of the industry, or investment in the aviation and air traffic control infrastructure -- I was both amazed and disappointed at how frequently these issues resurface. That is probably one reason why the airline industry continues to underperform compared to other sectors of the economy. The profit margin in our best year --1988 -- was 2.6 percent -- less than half the average profit margin of the rest of the U.S. industry as a whole. Airlines have been working hard to turn that around, and 1995 might just be the year. But the cyclical nature of this industry tells us to not spend too much time gloating, because a downturn is certain to come. and when that happens, the ripple will be felt by many of you in this room.

The trick for all of us in the travel industry is to find a way to resolve issues, so that we can devote our time, energy and resources to a new set of challenges. But as things stand now, people just keep bringing more things to heap on our platters instead of giving us a chance to clear the table and get ready for the next meal.

Now I know that it is common at forums like this for speakers to call for greater industry cooperation in meeting the challenges ahead. However, I think that it's important to repeat that theme here because I believe strongly that cooperation is indeed essential to our future growth and success as an industry. Companies in this industry have shown time and again that they can work well together in the marketplace to boost sales.

We have tremendous expertise in packaging tour and cross promotions. But we're not always good at working together in the political arena, and that is something that must change because politics has an enormous impact on our costs and on the quality of the services we provide.

I realize that there has been some progress of late toward greater industry cooperation on political issues. For example, many segments of the industry signed letters earlier this year supporting the airlines" campaign against the imposition of a new jet fuel tax, and that support certainly helped us gather support in Congress, and was most appreciated by the airlines. The upcoming White House Conference on Travel and Tourism also was a result of concerted industry efforts over many years to gain greater recognition for travel and tourism and the role it plays in the overall economy.

However, we've really only begun to-tap our collective power in lobbying the government. Very few elected officials and public policy makers truly recognize the economic power of our industry -- employing millions of people and generating billions of dollars in taxes. With those kind of numbers we should have the kind of political clout normally associated with agriculture, or the auto or telecommunications industries. Public officials at all levels should recognize our importance to the overall economy and be willing to go to bat to protect travel and tourism from excessive taxation. unwarranted regulation, or anything else that hurts our growth and the prosperity we bring to so many communities around the world.

Now I know that everyone in our industry has different priorities when it comes to politics, and most organizations already are stretched pretty thin trying to fight the battles that are most important to them. But we must bear in mind that we are partners in the same global industry, serving pretty much the same customers. We should never ignore pleas for help from other industry segments because what hurts one segment eventually comes around to hurt the rest of us as well. We only need to look back to 1991, when airline traffic dried up during the Persian Gulf War, to recognize how much of an impact we have on the rest of the travel industry. At that time, all aspects of the industry came together to promote and finance the "GO USA" campaign to get travel and tourism moving again -- because every segment of the industry was suffering from the airline travel crisis.

The jet fuel tax, for example, would obviously hurt the airlines by raising their costs. But it also hurts hotels, restaurants, resorts and other segments of the broader travel and tourism industry. If airlines try to pass the tax along to their customers by raising fares -- a big "if" considering the current competitive environment -- it becomes another of the many hidden taxes that discourage people from traveling. More likely, airlines will swallow the tax, and they will then end up with less money for the capital investments needed to keep the air transport system modern, efficient, and comfortable for their customers. And some of the financially weaker carriers may not survive !

Airport revenue diversion is another issue whose impact goes well beyond the airlines. Some of you may not be familiar with that issue, but we've been seeing increased interest from cities across the country in various schemes to siphon money away from their airports to cover shortfalls elsewhere in their municipal budgets. If successful, those efforts will leave airports short of money, which will force them either to postpone improvements to their facilities or raise rents and landing fees. So either way. travelers lose. And now, the travel industry is getting ready to host its biggest event of the year. Pow Wow 1996 -- in the city of Los Angeles -- which has become the poster child for revenue diversion and the associated pilfering of money from travelers. Over the past year, more than $50 million has been diverted from LAX, and the city is making plans to pickpocket an additional $200 million from airline passengers over the next few months. So despite all the hype and the huge parties that the city will help host at Pow Wow next year, the airlines don't find Los Angeles very friendly to the travel industry.

The biggest challenge 1 think the travel industry faces, however, is an issue that is rarely discussed at these forums -- perhaps because it is so difficult to define and some might feel we do not have a solution. I am talking about the threat of terrorism, and the growing awareness of that threat amongst the American public. The threat to the travel industry is not necessarily a direct one. I believe. for instance, that U.S. airlines and U.S. airports have security procedures in place that far exceed those of other public transportation systems and public facilities. But any terrorist act has the potential of damaging more than buildings or people's lives -- it has the potential of damaging the psyche of the American people.

Luckily, the public-s response to tragedies such as the World Trade Center bombing and the Oklahoma City disaster has been the right one. Americans in their typically generous fashion responded with love and support to the survivors and victims' families. And then the public collectively said that we are not going to be held hostage and forced to change the freedoms and American way of life that we all cherish. That says a lot about the spirit of the American people. And it is a trait that we must not lose. Because if the public ever becomes fearful and anxious about potential threats. the travel industry wi ll be forever changed, because people will choose to stay home, in an environment in which they may view as safer.

There is a delicate balance for all segments of the travel industry to pursue. We must do what is practical and reasonable to maintain the security of the travel system -- whether it be transportation systems, hotels, public facilities or travel destinations. And we must also serve as a constant reminder that the travel industry represents all the wonderful aspects of American life that we hold so dear. Our industry is the way for people to see family and old friends. Our industry allows the public to explore new places and meet people of different cultures and interests. Our industry takes people from the routine of everyday life to places they once just dreamed about. And our industry reduces this big world to a small place that is within reach.

Those are wonderful qualities of the American lifestyle and the U.S. travel industry that we must never lose. Our task then. is for us to recognize this challenge and take any necessary steps to address it -- yet not overreact. And it is not just the responsibility of the airlines, because everyone in the travel industry has a stake.

We have a busy few weeks ahead of us. I hope the next few days prove successful. and I share the hopes of all of us in the travel industry that the upcoming White House conference will only be a springboard for bigger and better things for this great industry. Simply talking about the industry-s potential and making projections about its future are great cocktail party chatter. They do not, however. get us to our goal of greater growth and prosperity. That happens on ly when we gain the respect of the economic giant that we really are. I hope that 20 years from now, my successor at ATA will be able to speak to you, and joke about those issues that persisted in menacing the airlines and the travel industry -- until we successfully joined forces and resolved them.

Thank you.

Questions and Answers

PARTICIPANT: We're all concerned to hear that governmental authorities are trying to syphon off the airline tax revenue of various sources for other maybe worthy projects. We seem to have to fight this battle everywhere in tourism. We don't vote as visitors. we're the goose that lays the golden egg and it seems so easy to kill it off by taxing it more. What is ATA doing to bring an end to what I believe is essentially an illegal activity? Isn't it against the law for them to use these fees for other than airport purposes? And what is the ATA doing and what can the rest of the industry do to help bring an end to this?

MS. HALLETT: This is probably the single-most serious problem that we are now confronted with, the diversion of revenue that by law is to remain on the airport for airport purposes. And I might point out that means for the hiring of all police, fire, and all other services on that airport environs.

And so we have made the decision, because the biggest confrontation. the biggest siphoning off of revenue, is from LAX. We have indeed made Los Angeles our target. And as a result of that we have launched a very significant campaign.

And the famous age-old ploy is we're going to take it to hire more policemen. Well, ladies and gentlemen, I have been in politics, and I know how those statements are made, and I also know how that money ultimately ends up being spent for any number of things other than for the hiring of policemen. But even if that's all it was going to go for, it is, A, illegal; it is, B, taking money away from an airport that is not a cash cow, but in fact one of the biggest revenue producers in terms of tax money for the community, in any community.

And one our biggest fears is that so goes Los Angeles. so goes the rest of the Nation. because many cities, as many as 50 today in America. are waiting to see what happens in Los Angeles before they, too, make a run on that money, and because Los Angeles is now even refusing to accept its almost $300 million in revenue that has already been collected from our passengers because that money cannot be diverted again.

Travel and tourism is the big loser, because that money is not being spent for improvements and being reinvested in the airport facility at Los Angeles. And so we are very concerned and we are fighting it in the courts, we're fighting it through public opinion, which is the campaign we are launching because not only was Senator Wendell Ford a leader in making that legislation even stronger, to prevent that diversion, but the Congress now is starting to really become concerned because they see that the law is being broken.

1996 OUTLOOK FOR TRAVEL AND TOURISM
BASICS FOR BUILDING STRATEGIES

An Address by

Suzanne D. Cook, Ph.D.
Senior Vice President - Research
Travel Industry Association of America

Good morning. I'm glad to see so many of you here today attending our new and improved Travel Industry National Conference and Outlook Forum. While, as you have heard. we have made changes to streamline and enhance our program -- one thing has not changed. As always, we have attempted to bring you the facts. figures and expert projections you need in order to most effectively forge those future strategies referenced in our conference theme. My part of this program is to review briefly this morning some of the basics on which other speakers today will build -- a look at where we've been and how our industry has been performing so far in 1995, as well as a review of some new research we've conducted on the use of technology by travelers.

(CHART 1) Let's start by looking back for a moment. 1994 was a boom year for travel. Our National Travel Survey indicates that total U.S. resident person-trips rose 7 percent to reach 1.13 billion. And, domestic travel outshone international travel to the U. S., which was down I percent in 1994, due to a very weak Canadian market which generated 13 percent less travel to the U.S. than in 1993. U.S. outbound travel in 1994 was up nearly 5 percent. good growth but still short of the 7 percent growth in domestic travel.

In 1994, domestic trips were shorter than the year before, averaging only 3.5 nights away from home. Day trips and one-night stays for business purposes were up significantly.

With such success in 1994. it has proven hard to match the same high levels of growth we saw last year. Growth in U.S. resident travel continued to be strong during the first several months of 1995 before slowing as we entered the summer period. For the year-to-date through August, it's up about 3.5 percent. During the summer months of 1995 - June through August - vacation travel rose nearly 2 percent, just what we had projected in our Summer Travel Forecast last May.

In fact, basically all the growth in travel we've seen this year has come so far from the leisure or pleasure travel side. Business travel is basically flat. or to put it more positively. stable with its high level of last year.

Let's look now at some of the industry's major sectors to see how they have been performing.

(CHART 2) Intercity auto travel rose more than 3 percent last year. Through July of 1995, growth has slowed to about 2.4 percent The same pattern of stronger growth in the first quarter than in the second or into the third has been evident in this sector as well.

The recreation vehicle industry enjoyed a record year in 1994. posting its highest numbers since 1978. RV shipments to retailers increased more than 5 percent. Growth. however, has also slowed in this industry sector in 1995. Yet. the Recreation Vehicle Industry Association believes that demographic and lifestyle trends will help that industry continue to grow.

Growth has been stronger in the airline industry. In 1994, domestic revenue passenger miles on U.S. carriers increased more than 5 percent. During the first four months of 1995, growth rates generally exceeding this were achieved. before slowing in late spring. In July and August. traffic growth was nearly flat, resulting in overall year-to-date growth through August of 4.2 percent. Slower capacity growth leading to record high load factors, aggressive cost cutting, moderate increases in fares, and the airline commission cap, where is reported by the Airline Reporting Corporation to have saved the airlines $180 million in domestic commissions so far this year, all point to the airlines finally achieving a profit in 1995.

(CHART 3) As we saw in 1994, domestic air traffic growth this year has continued to be stronger than international - although the gap has narrowed. While domestic rose 5.4 percent last year as compared to a 3.1 percent increase in international, through August of 1995 domestic air travel is up 4.2 percent versus a *3.7* percent rise in international.

(CHART 4) According to ASTA, full-service travel agency locations in the U.S. now exceed 33.000. This year, the number of agencies has increased some 6 percent. As we've seen in prior years. most of this growth has come from satellite ticket printers. According to the Airline Reporting Corporation, total air ticket sales are up five percent so far this year, although with the new domestic commission caps. agent income from air sales shows no net gain.

Tomorrow, you will be receiving white papers covering trends in two other major sectors - cruise lines and the motorcoach industry. One of these sectors, cruise lines, has experienced some difficulties. After two decades of uninterrupted growth, cruise I ines are reported to have finished 1994 with a I percent drop in passengers. Early reports for this year suggest continued softness in this sector.

But the cruise industry has great potential for growth and has begun to penetrate less traditional demographic groups. A recent Cruise Segmentation Study conducted by The Cruise Lines International Association (CLIA). for example, found that today, only 36 percent of cruisers are 60 years of age and older, meaning that younger age groups are beginning to embrace this form of travel.

The motor coach industry is also bullish on its growth prospects. The National Tour Association (NTA) reports that 62 percent of the tour operators surveyed each quarter say they have enjoyed increased passenger volume so far this year, and 60 percent say their gross revenues are up. NTA expects to end 1995 with positive numbers. a trend which they believe will carry into 1996.

Greyhound Lines - the only scheduled intercity bus company - reports in another white paper that 1995 has been a pivotal year for them. showing a dramatic reversal in the downward trend they have been experiencing for a number of years. Through August, passenger miles are up nearly 13 percent and the number of passengers has increased nearly 1 l percent. These are the first real gains they've seen since 1989 and Greyhound expects this growth to continue throughout 1995 and into 1996- probably in the range of from 5-8 percent.

(CHART 5) 1994 was also a banner year for the nation's 45,000 lodging industry properties. Last year, occupancy rates reached a 10 year high of 65 percent, real demand rose 4.6 percent, rates rose 4 percent to average $64 and revenues were up 7 percent.

Like the airline industry, however, the boom in the hotel industry appears to be slowing. The rate of growth in the first half of 1995 is the lowest since the same period of 1992. Through July, occupancy rates are up only 1.3 percent compared to 2.8 percent for same period of 1994. Demand rose 3.3 percent through July, versus 4.4 percent last year.

Again, like airlines, hotels have been able to start to raise rates. 1994 was the first time since the 1980s that hotel rates have risen more than the CPI. Increased demand and rising rates have resulted in nice gains in lodging receipts so far this year.

(CHART 6) 1994 was also an excellent year for the foodservice industry - with growth the strongest since the late 1980s. Total commercial foodservice sales, not including military and institutional establishments, rose 4.6 percent last year. The National Restaurant Association expects these sales to rise another 4.8 percent in 1995 to total $258 billion.

(CHART 7) 1994, then, was a pretty good year for our industry. In terms of money, -- real travel sales, after adjusting for inflation, -- rose 4 percent last year, very close to the 4.1 percent rise we saw in real GDP.

This year, although we have seen a slowdown in the growth of travel - as we have also in the overall economy - real travel sales growth is exceeding that of real GDP and we project they will rise 3.4 percent this year. as compared to a projected 2.9 percent gain in real GDP.

(CHART 8) On the employment front, once again our industry has outperformed the overall economy in producing new jobs. Last year, total non-agricultural employment in this country rose 3.o percent. In our industry, however. it was up 3.5 percent. This year, while travel's rate of employment growth is slower than in 1994, at 2.9 percent it is growing at a rate more than twice as fast as total employment.

Growth rates. however. have varied considerably depending on the sector of the travel industry considered. For example, employment in intercity and rural bus transportation has declined in 8 of the last 10 years. Employment in the airline industry, on the other hand, grew considerably during the 1985-90 period, then fell, not surprisingly, in 199 I and 1992. Attempts by the airlines to control costs are reflected in the very small increases in employment during the last 3 years, despite much larger gains in passenger volume. A similar pattern is evident in the hotel industry.

Let's turn now to look at where people are going and what they're doing.

(CHART 9) The National Park Service reports that total visits to its areas have risen 2 percent so far this year. At an estimated volume of 259 million, 1995 recreation visits to National Park Service areas will approach the previous all-time high set in 1992.

Here we see that growth in national park visitation so far this year has been strongest in the Middle-Atlantic, East South Central and New England states. Visitation is relatively flat in the Mountain and Pacific states. and down in the West North Central and West South Central regions of the U.S.

What's even more interesting is that, while visits are up 2 percent. campground overnight stays are down 8 percent from 1994. Part of this effect is attributed to bad weather ranging from the cold, wet spring in the West, spring floods in the Midwest, the summer beat wave here in the East and in the Mid-West, and most recently a series of tropical storms.

The National Park Service sees a trend for the demand for day use access to the parks to increase, while the capacity to provide overnight accommodations for park visitors to weaken during the peak summer months. As a result, the traditional peak season running from June through August has already stretched out to include May and September, with October and April close behind. This trend will continue.

What else are travelers doing?

(CHART 10) Our ongoing Travel Scope study shows the popularity of various activities on trips. Not surprisingly, shopping tops the list -44 percent of all travelers did that last year. Through our Travel Economic Impact Model, we estimate they spent over $29 billion shopping.

TravelScope also indicates that 9 percent of travelers said they gambled. We all know Americans are visiting casinos in record numbers. According to Harrah's Survey of Casino Entertainment, American households made 125 million visits to casinos in 1994, generating revenue of $16.5 billion. We are starting to see. however, some less rosy reports - stories about the disappointment of unrealized expectations. For your "information, we plan to publish a new report later this year which will profile these traveling gamblers or gaming travelers.

Travel Scope also shows that 21 percent of travelers visited historical sites or museums, and 12 percent attended cultural events and festivals last year. TIA's quarterly intentions survey, Travelometer. suggests that the interest in these types of sites and activities has grown significantly in the last few years.

Let's turn now to destinations.

(CHART 11) Once again this year, we surveyed state travel officials to get their update on economic and travel trends within their states. The survey found that most - 71 percent - say that economic conditions have improved in their states and an equal 71 percent expect continued improvement in 1996. Most of the others report no change in economic conditions. with only a very few expecting a worsening economy.

CHART 13 shows these data by region. The greatest optimism for the economy this year seems to be coming from the Mid-West, West and South states, in that order. For next year. states in the South appear more bullish than anyone else.

(CHART 12) Even larger percentages reported increases in visitation this year and next.

In all regions but the Mid-West. well over half the states reporting said they expected to have an increase in visitation of 4 percent or more this year. One-quarter of the states in the Mid-West reported no change in visitation this year, while a few states in both the South and West are experiencing declines of 3 percent or less this year.

For 1996, not one of our reporting states expects a decline. Most bullish are states in New England - three quarters of them think visitation will be up 4 percent or more.

A few specific destinations have been in the news of late because of major shifts in their visitation patterns. For example. after a two-year visitor boom. a temporary building lull in Las Vegas has returned that city to more modest rates of growth after double digit rates in 1993 and 1994.

On the other hand. Florida has rebounded from the lows of last year. Arrivals through July were up nearly 8 percent. Overnight visits to Miami during the first six months rose more than 9 percent. reflecting a 25 percent gain in the domestic market. Florida reports that its European market has apparently recovered, showing double digit gains. after double digit losses last year, in the wake of concerns about crime.

And, Hawaii had a much better summer than some people were expecting. 1.8 million people visited Hawaii this summer, an increase of nearly 7 percent, led by an increase in Japanese visitors. Year-to-date through August. visitation to Hawaii is up about 3.5 percent. There seems to be continuing weakness in the U.S. market, although the number of visitors from the U.S. is up nearly 2 percent this year. Hawaii anticipates that it will achieve a 4-6 percent increase in visitation in 1996.

Finally, in California. Disneyland in Anaheim celebrated its 40th anniversary in July. State officials are predicting a 5 percent increase in visitors this year. following a 7 percent increase in 1994. California expects continued growth of up to 3 percent in visitation during 1996.

These then are some highlights of what we've seen so far this year. The growth in travel we experienced in 1994 and during the first part of 1995 appears to be slowing. While we continue to see economic growth, its not what you would call robust. and consumers. while still fairly optimistic. are a bit more cautious as shown by the small recent declines we've seen in consumer confidence. It should also be noted that intentions for fall travel were down a rather significant five points in our most recent Travelometer survey. Consumers are also carrying a lot of new debt that is becoming harder to pay off, so spending is likely to remain uneven and hard to predict. Many businesses are flourishing, joblessness is low, yet pay is inching up more slowly than in the four prior recoveries. Nonetheless, wage growth is keeping up with inflation.

These conflicting and confusing indicators make it hard to project for the coming months and into next year. My best judgement now is that we will end the year with about an overall 3 percent increase in travel - just about all of it coming from the leisure side. For 1996, I think growth could slow even more to about 2 percent. again with more strength in the leisure than in the business segment.

How successful we will all be next year and in the future will, I think, greatly depend on our ability to harness new technologies.

1995 has been a year in which we've seen the introduction and increased application of a number of these new technologies. Ticketless travel, introduced just one year ago, has grown significantly and is likely to be a big trend in 1996. Many analysts believe airlines will be completely ticketless in 5 years. .

And smart cars are now a reality. available in a growing number of markets by our nation's major car rental companies. In addition to all these new developments. technology is creating a whole new marketplace for the distribution of travel products and services. From electronic brochures to on-line bookings, the traveling public is increasingly gaining new ways to relate to our industry. For example. in the past year, a number of new travel-related home pages and web sites have appeared or been greatly enhanced.

To help you better assess the consumer's reaction to all of this. we recently added series of questions to our National Travel Survey. Some of these are a repeat of questions we asked two years ago.

(CHART 14) We asked 1.500 U.S. adults if they were aware of a number of different ways to plan trips and make reservations. Of all the choices asked about, PC on-line services - such as America On-Line, Prodigy, CompuServe or the Internet itself - ranked first as having the greatest level of public awareness at 56 percent - a dramatic increase from its 34 percent awareness level in 1993. Travel clubs enjoy similar levels of awareness. At the other end of the spectrum, 21 percent of the public is now aware of virtual reality, up from 15 percent two years ago.

(CHART 15) Gains have also been made in the percentage of adults actually using some of these planning and booking means. For example, while in 1993, only 3 percent said that they had ever used an on-line computer service to plan or book travel, 5 percent said they had in our current survey.

The only thing ahead of this was travel clubs, now reported to have been used by 12 percent of all U.S. adults, up from 10 percent in 1993.

(CHART 16) Even more impressive is the fact that 33 percent of adults expressed interest in using on-line services to plan or book travel in the next 12 months. 10 percent of adults said that they would definitely do so within the next year, while another 23 percent stated that they might.

Similar levels of interest were reported for most other methods of planing and booking trips, with the least interest being expressed in travel television shows.

(CHART 17) Of course, the people we are really interested in are those who travel. This chart shows some very interesting details about the ownership of PCS and related devises, as well as interest in and usage of on-line travel services among travelers in general, frequent pleasure travelers - those taking 5 or more pleasure trip in the past year, and frequent business travelers - those taking five or more business trips in the past year. All of these are indexed against rates in the general population which equals 100.

We found. for example. that 45 percent of those who had taken at least one trip in the last 12 months. said that they have a computer at home - an incidence about 14 percent above that of the general public. This is shown by the index value of 114 on top of the first bar to the left.

Ownership of modems, CD-ROM drives and awareness and usage of on-line services. in general and for travel, are all about 10 - 15 percent higher among travelers than among adults in general.

Frequent pleasure travelers are, probably not surprisingly, even more technologically-active. Their incidence of computer ownership is nearly 50 percent higher than among all adults. This group is also 66 percent more likely to have a CD-ROM drive and 70 percent more likely than the general public to have ever used on-line travel services.

Among frequent business travelers, the results are even more dramatic. 68 percent of this group said they own a computer -73 percent higher than among all adults. The incidence of CD-ROM drive ownership is twice as high as among the general public. They are also active users of on-line services. Compared to U.S. adults overall, frequent business travelers are 74 percent more likely to be users of such services, 49 percent more likely to be aware of on-line travel services and 162 percent more likely to have ever used on-line travel services.

It is clear that travelers - especially frequent pleasure or frequent business travelers - are a very important segment for computer-related hardware and services. If 1 were selling these things, this is certainly a group I would target.

But, it also makes clear that an increasing share of your market already have the equipment and services in place for you to reach them electronically y.

(CHART 18) And, these shares will grow in the next 12 months. Travelers are about 20 percent more likely than the general public to say they plan to get various new pieces of hardware, as wel l as to access on-line services in the next year. Frequent pleasure travelers are from about 75-90 percent more likely than adults overall to plan to get these same items. And frequent business travelers show index values above 200 for all of these - meaning that they are more than twice as likely to do so. Look particularly at their plans to use on-line services of travel - 152 percent higher than among all adults.

(CHART 19) Let's look at the data another way -to see if technology owners and on-line service users are good prospects for travel. The answer is, of course, yes.

Again, these data are shown as index numbers where 100 equals the rate among the U.S. adult population. Computer owners, for example. are 37 percent more likely to know about on-line travel services than the general public. as shown by the index value of 137. They are twice as likely to have ever used on-line travel services and 75 percent more likely to do so in the next 12 months. Regarding their travel habits, 45 percent of computer owners said they traveled on business in the past year, an incidence 41 percent higher than the general public. They took a mean of 6.4 business trips, 16 percent more than the average business traveler.

Modem and CD-ROM owners are even more above-average on all of these measures. For example. those having CD-ROM drives are 63 percent more likely to be business travelers than adults in general.

(CHART 20) Not surprisingly, those already subscribing to on-line services are even more likely to know about travel services on-line -87 percent do and that's 55 percent above the adult norm. On-line service users are also 63 percent more likely than adults in general to have traveled on business in the past year.

Users of on-line services specifically related to travel are even more business travel inclined. Their incidence of business travel is 94 percent above average. We can see, however, that their frequency of business travel is below that of business travelers overall - shown by the figure 89 in the last row of the second column - perhaps a reflection of their ability to use their technical knowledge to do more of their business electronically, such as through video- or desk-top conferencing. This could also reflect, however, the demographics of this group

(CHART 21) Let's explore the demographics of these various groups for a moment. Looking at travelers who own computers. modems and CD-ROM drives. we see that most are married, more than half of each group are Boomers - aged 35 to 54, and around one-third have annual households incomes of $75,000 or more - with median incomes of between $57.000 and $62.000 a year.

(CHART 22) And. here are travelers who use on-line services. While similar to travelers who own computers in general, those now subscribing to on-line services, as well as those who have actually used on-line services specifically for travel, are more likely than computer owners in general to be in the 35 - 54 age group, and only half as likely to be 55 years of age and older. They also have somewhat higher incomes. Users of on-line travel services, however, are much less likely to be married.

The group profiled in the last column - those who plan to use on-line travel services in the next year - are very interesting because they seem to represent new demographic groups entering this segment. For example, only 55 percent of future users are married, and 45 percent are young adults, under age 34. Correspondingly, they have somewhat lower household incomes. averaging $55,000. This suggests to me that we will see more diversity - both in terms of age and income levels - in users of on-line travel services in the future - an opportunity to many of you who may not represent travel products or services preferred by the rather elite groups now on-line.

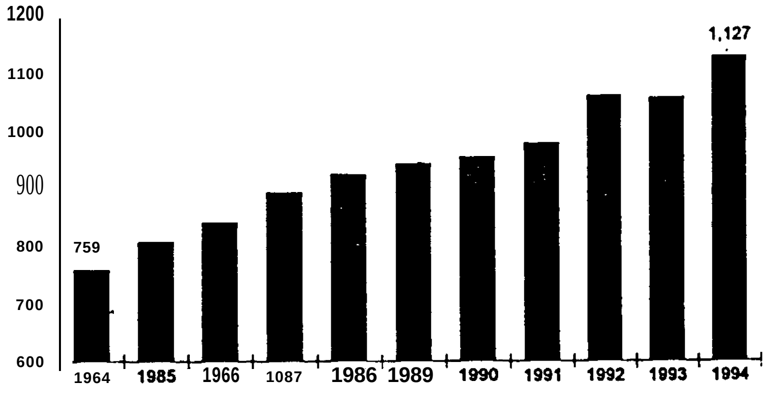
These, then, are some new research results about travelers use of technology.

Many studies suggest that the market for on-line services will grow rapidly in the years ahead. Others analysts are more skeptical. And. it's clear that the same marketing and sales techniques you now use may not be appropriate to be on-line. Also, not every product or service is appropriate for on-line selling - for example, most people like to try on clothes before they buy them. But for travel. it appears to be a natural fit. Nor will you be able to reach all your markets in this way - some people will probably never feel comfortable with a computer. But, I think it is clear, this *is* an important area to follow and we will try to help by updating this research periodically.

Earlier today, Ms. Carol Hallett quoted Yogi Berra. 1 like another of his quotes. "If you don't know where you are going, you're bound to wind up someplace else." I hope that what we all learn today and tomorrow will help us all get the right place. Thank you.

U.S. Resident Travel Volumes
(1984-1994)

CHART 1

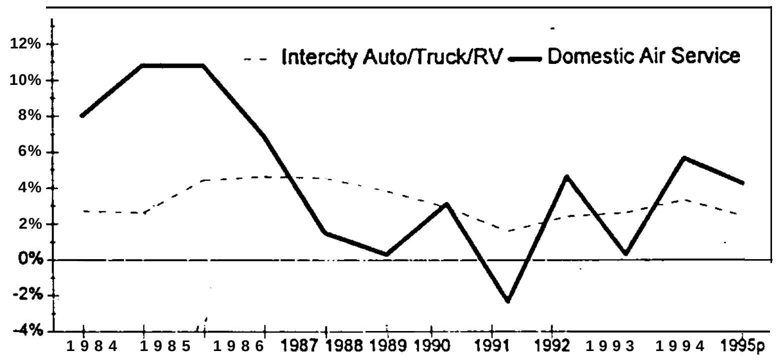


Source: U.S. Travel Data Center's National Travel Survey

AIR TRAVEL GROWTH STRONGER THAN AUTO IN 1995

CHART 2

Percent change in passenger-miles from previous year

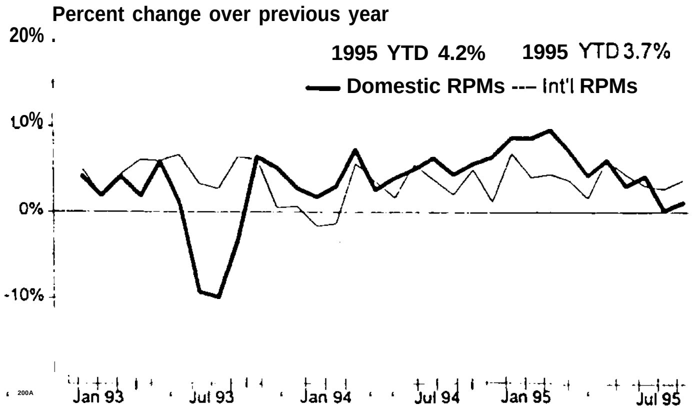


● Ak-First Eight Months of 1994; Auto-First Seven Months
Source: Air Transport Association, Federal Highway Administration

DOMESTIC AIR TRAVEL STRONGER THAN INTERNATIONAL IN 1995

CHART 3

Percent change over previous year



Source: Air Transport Association

CHART 4

TRAVEL AGENCY PERFORMANCE
1995 YEAR -TO- DATE

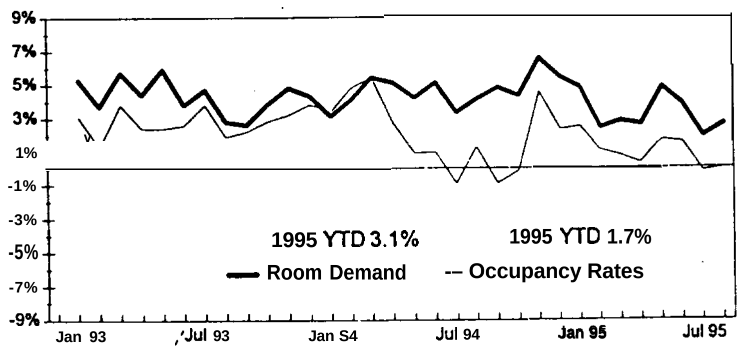
	1995/94 YTD % Change
AGENCIES	6%
Retail	3%
STP	15%
TICKETS/DOCUMENTS ISSUED	1%
TOTAL SALES	5%
TOTAL COMMISSIONS	0%

Source: Airlines Reporting corporation

CHART 5

DEMAND FOR HOTELS RISES IN 1995

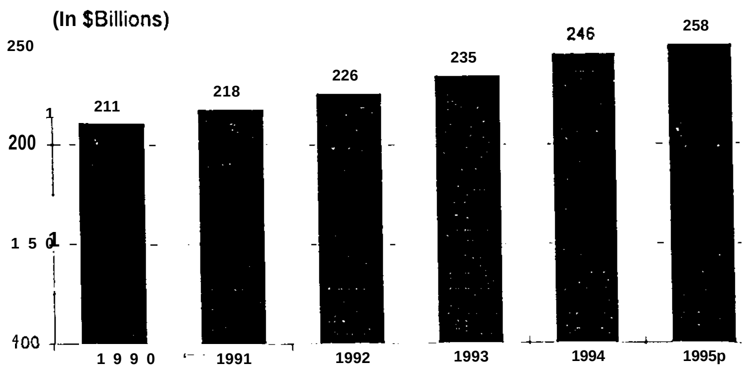
Percent change over previous year



Source: Smith Travel Research

CHART 6

U.S. Commercial
Food & Beverage Sales *
(1990-1995p)



" Excludes military & institutional establishments.
Source: National Restaurant Association

CHART 7

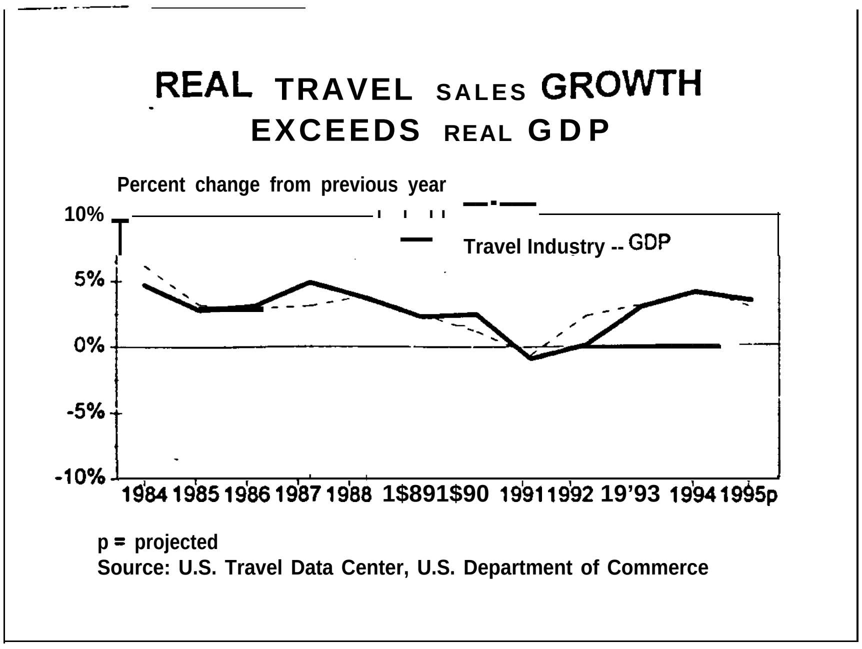


CHART 8

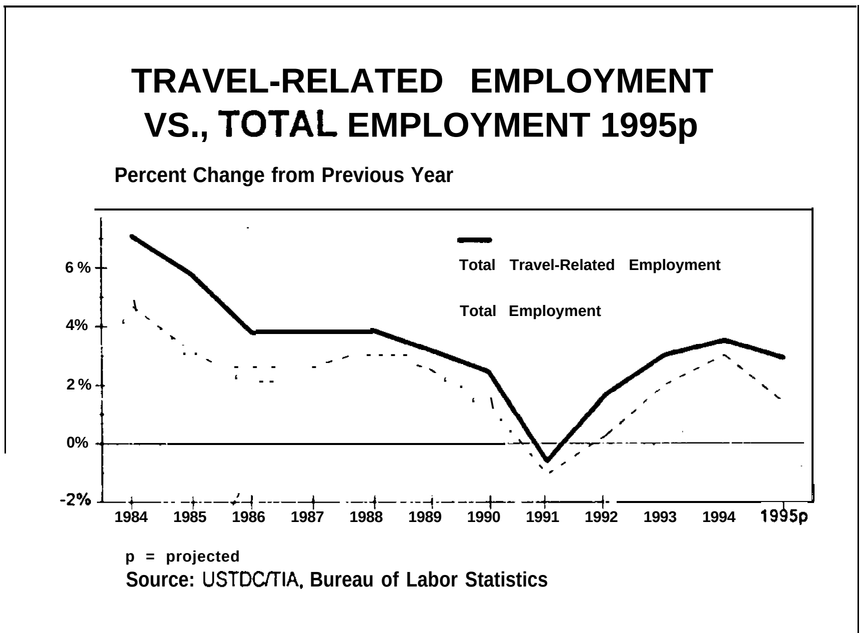


CHART 9

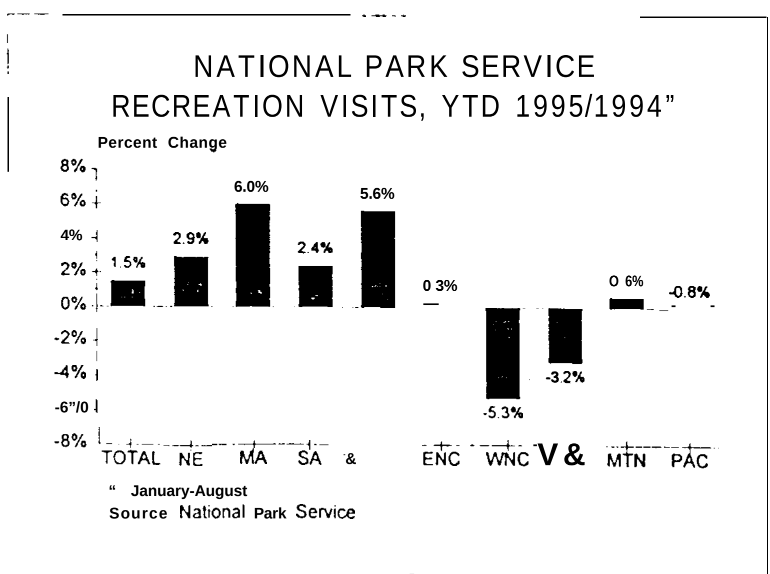
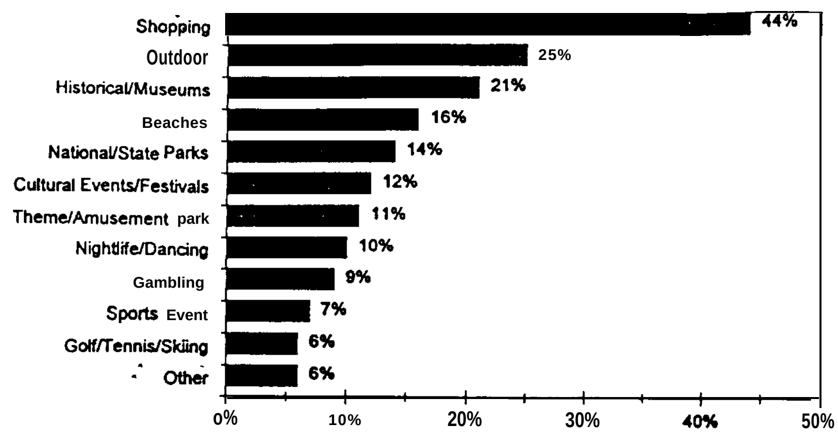


CHART 10

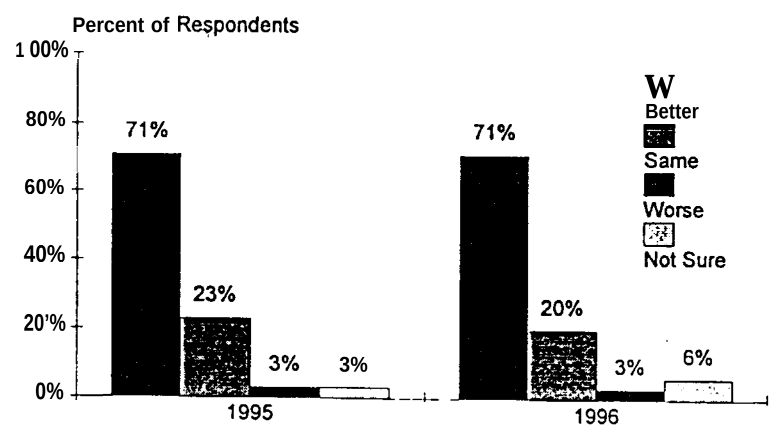
U.S. Resident Traveler's Activities, 1994
(% of Person-Trips)



Source: U.S. Travel Data Center's TravelScope

CHART 11

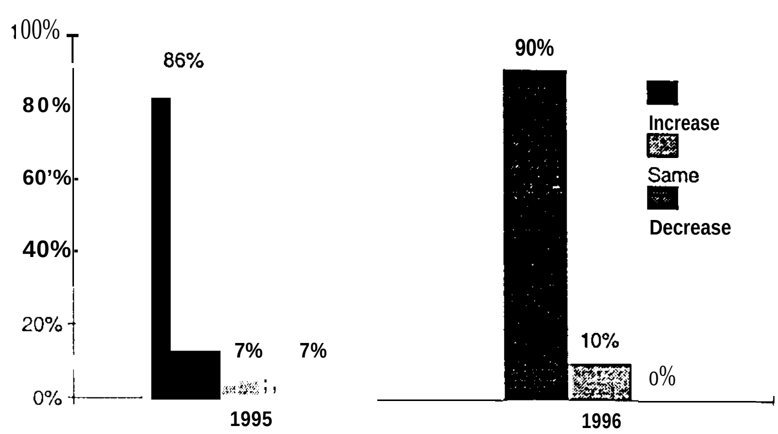
STATE TRAVEL OFFICIALS' VIEW OF 1995 AND 1996 ECONOMY



Source: U.S. Travel Data Center

CHART 12

STATE TRAVEL OFFICIALS' REPORT OF 1995 AND 1996 VISITATION



Source: U.S. Trav[redacted]Center[redacted]

REGIONAL ECONOMIC AND TRAVEL TRENDS

	Northeast (n=4)	South (n=11)	Midwest (n=8)	West (n=8)	TOTAL (n=31)
1. 1995 Economv					
Better	25%	73%	88%	75%	71%
Same	50	18	12	25	23
Worse		9			3
Don't Know	25				3
2. 1996 Economy					
Better	50%	82%	75%	63%	71%
Same	25	9	12	37	20
Worse		9			3
Don't Know	25		12		6
3. 1995 Visitation					
+ 7 or More	25%	18%		29%	17%
+ 4-6%	50	45	25	29	38
+ 1-3%	25	18	50	29	31
No Change			25		7
-1-370		18		13	7 "
4. 1996 Visitation					
+ 7 or More	25%	18%		13?40	13%
+ 4-6 %	50	45	50	25	42
+ 1-3%	25	36	38	37	35
No Change			12	25	10

Source: U.S. Travel Data Center

CHART 14

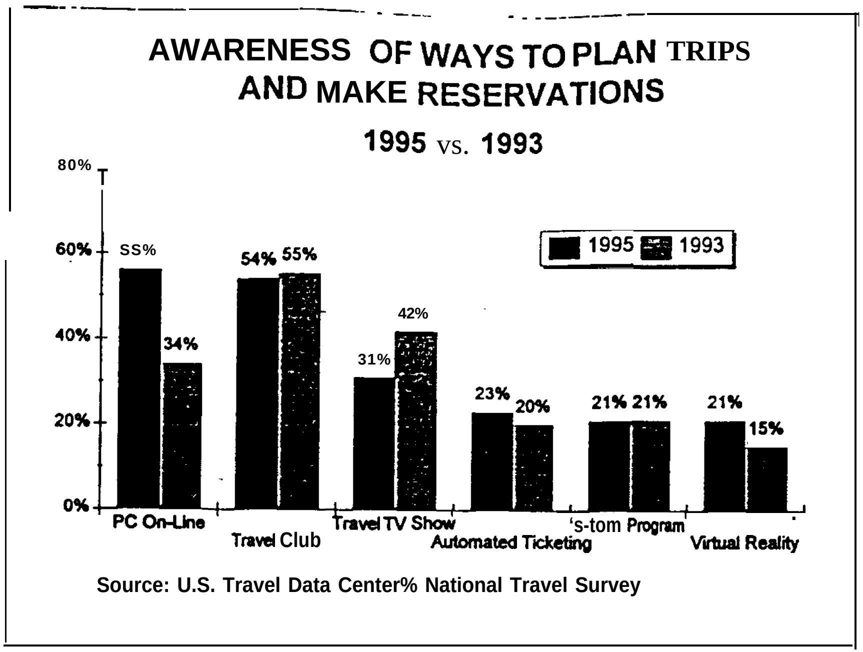


CHART 15

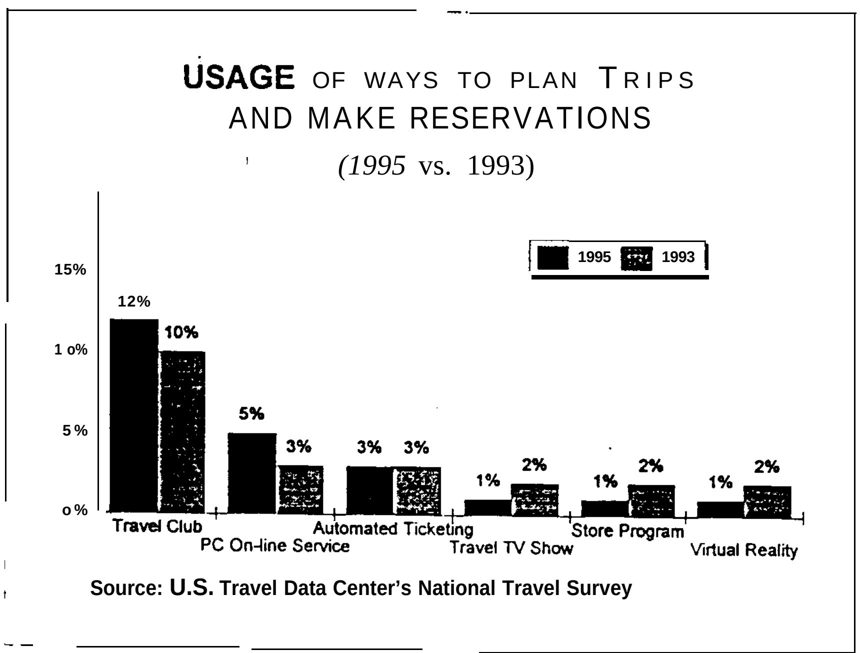
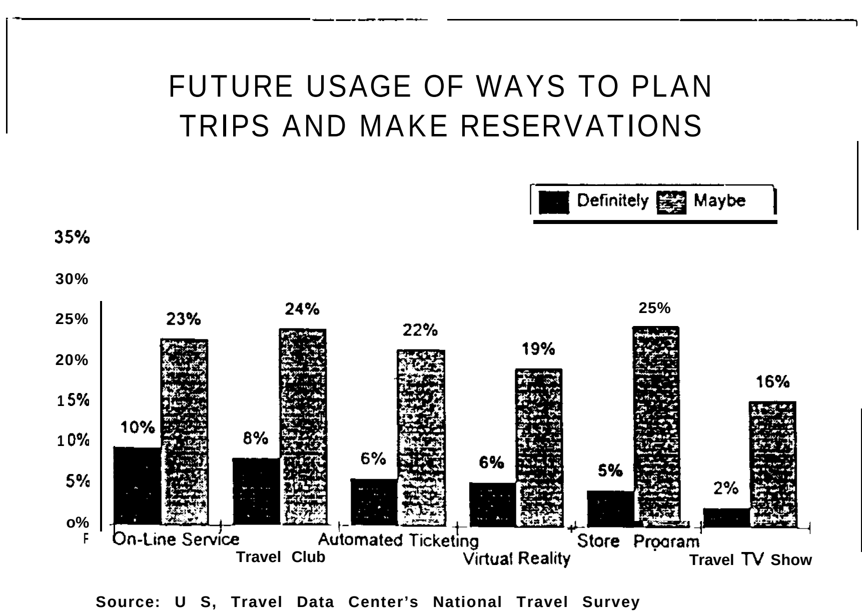
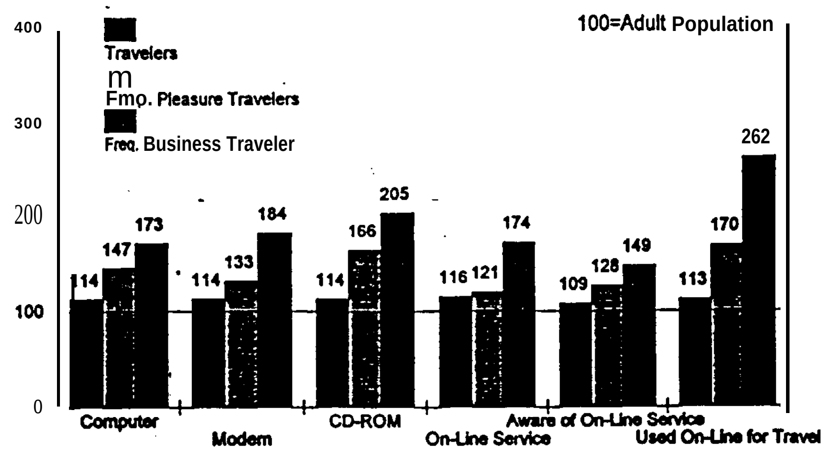


CHART 16



INDEX OF TECHNOLOGY USAGE AMONG TRAVELERS, 1995

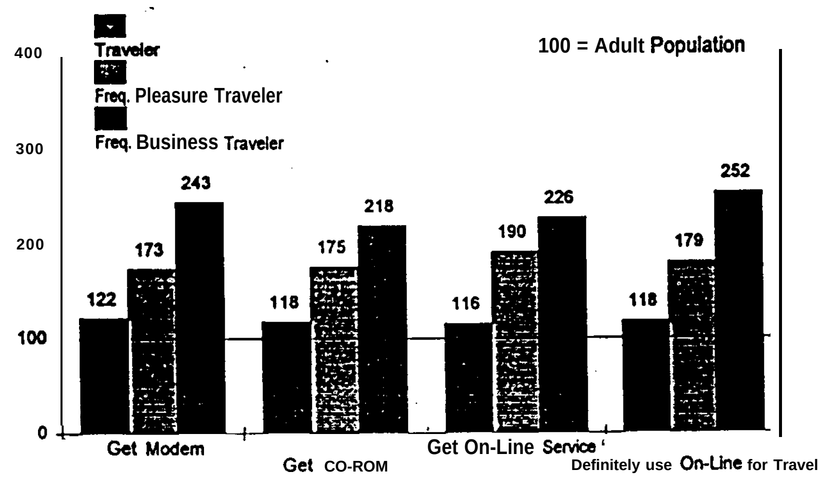
CHART 17



Source: U.S. Travel Date Center's National Travel Survey

INDEX OF TECHNOLOGY USAGE AMONG TRAVELERS, NEXT 12 MONTHS

CHART 18



Source: U.S. Travel Data Center's National Travel Survey

INDEX OF TRAVEL AMONG TECHNOLOGY OWNERS, 1995

CHART 19

	Computer	Modem	CD-ROM
Aware of On-Line Travel Services	137	142	145
Ever Used On-Line Travel Services	206	289	262
Will Use On-Line Travel Services	175	201	200
Traveled on Pleasure	102	103	104
Frequency	107	111	122
Traveled on Business	141	150	163
Frequency	116	118	13

NOTE: 100=Adult Population
Source: U.S. Travel Data Center's National Travel Survey

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CHART 20

INDEX OF TRAVEL AMONG TECHNOLOGY USERS, 1995

	PC On-Line Service	Used On-Line Travel Service	Will Use On-Line Travel Service
Aware of On-Line Travel Services	155	—	—
Ever Used On-Line Travel Services	428	—	—
Will Use On-Line Travel Services	307	474	—
Traveled on Pleasure	103	106	106
Frquency	102	122	111
Traveled on Business	163	194	178
Frequency	111	89	100

NOTE: 1 00=Adult Population
Source: U.S. Travel Data Center's National Travel Survey

CHART 21

TRAVELER DEMOGRAPHICS AMONG TECHNOLOGY OWNERS, 1995

	cOMPUTER	MODEM	CD-ROM
Married	70%	71%	74%
Age			
18-34	32%	32%	33"%
35-54	53	54	54
55+	15	14	13
Income			
Under S40,000	32%	28%	30%
WI-74,999	37	37	36
$75*000 +	31	35	35
Median HH Income	$57,400	$61,900	$61,200

Source: U.S. Travel Data Center's National Travel Survey

CHART 22

TRAVELER DEMOGRAPHICS AMONG TECHNOLOGY USERS, 1995

	PC On-Line Service	Used On-Line Travel Service	Will Use On-Line Travel Service
Married	71%	58%	55%
Age			
18-34	3570	31%	45"?40
35-54	56	61	49
55+	9	8	6
Income			
Under $40,000	26%	21%	36%
$40-74.999	31	42	33
$75,000 +44	44	37	31
Median HH Income	$68,300	$65,200	$54,900

Source: U S. Travel Data Center's National Travel Survey

1996 OUTLOOK FOR THE ECONOMY

An Address By

Alan Murray
Washington Bureau Chief
The Wall Street Journal

I have a little cartoon that 1 keep above my desk for occasions like this. It was done by a cartoonist named Toles, who works for the Buffalo Evening News. and it imagines what if economists were asked to give a daily forecast, the way weather forecasters are.

The guy is on the television. and he says, "And now today's forecast. A beautiful day, partly to mostly sunny, a chance of showers or thunderstorms, with brief periods of heavy snow possible, or mud storms, an outside chance of frogs, locusts, drought, famine, and a wild pig watch is in effect."

Well, that says a lot about how I feel about forecasting. I have another friend. an economist, who is asked to make these kind of speeches fairly often, and 1 called him up and I said, " have to do this for the Travel Industry Association tomorrow. could you tell me what your secrets are?"

He said, "I have two pieces of advice. One is, you can give them a number, or you can give them a date, but don't ever give them both." And the second piece of advice is, whatever you do, don't speak to the same group twice."

So let me say, I hope you enjoy what I have to say here, I hope you appreciate it, but if you don't, don't worry, because 1 won't be back.

I believe that the United States economy, looking forward, is in the best shape. fundamentally, that it has been in two decades. Now. that is not to say that we are on the verge of a boom next year. 1 don't think there will be any kind of a boom next year.

We're talking about a 2%-3 percent growth next year, but in terms of the fundamentals and the ability to sustain that growth for a period of time, 1 think we're in better shape today than we have been for two decades. And that means while you may have moderate growth next year, there's a good chance you can have it the year after next, and the year after that. There's really nothing on the horizon right now that would necessarily keep the economy from growing for the next 4 or 5 or 6 years, and that's what I'd like to talk to you about a little bit today. but 1 want to do it by taking the long view, if you don't mind.

I'm not really an economist. I'm a journalist, a journalist who has studied economics. I'm not going to give you a lot of numbers this morning, but I am going to make you tolerate a little bit of history.

1 was born in 1954. At that time. economic growth was something that had come to be taken for granted in this country. Those were the golden years of the U.S. economy. Everybody was buying new houses, buying new cars, everyone was buying televisions, appliances -- the economy was growing at a pace that living standards in this country would double every 20 years, and as I said, economic growth was something that people took for granted.

The American Dream came to mean that everyone could take confidence that each generation would live better than the last generation. The only real threat that the economy faced at that time was not an economic threat, but a security threat, the threat from the Soviet Union, the possibility of nuclear annihilation. That was what obsessed us. and most of the great things that we accomplished as a Nation in the fifties and the sixties were justified not by economic development but by defense, defense from the Soviet Union.

When we built the Interstate Highway system it was called the National Defense Highway Act. Sending a man to the moon was something we did in the name of competing with the Soviet Union. It was what defined us as a nation. and then. of course. it disappeared. Five years ago it was gone. The Cold War was over. The Soviet threat had simply disappeared.

I had an opportunity to travel in Russia right after the revolution that brought Yeltsin to power that meant the end of the Communist Party. It was astonishing to me -- having grown up in this period of economic prosperity but nuclear threat -- to sudden ly discover for the first time what a complete economic basket case the Soviet Union was and had been.

This was 4 years ago when I made the first trip I ever made to Russia, and at that time people were lining up in the streets. Really, if they saw a line they would get in it, figuring that whatever was at the other end of the line was worth more than the rubles they had in their pocket.

When McDonald's opened at Pushkin Square -- a big, shiny new facility, something like 25 cash registers -- and the Russians would all come in and line up behind the same cash register because they figured that's where the good stuff was. McDonald's actually had to hire people to say, it's okay. you can go to the other cash registers.

At that time you had to wait for 4 years to buy a television set, you had to wait for 10 years to buy a car. and there was a joke that was going around Moscow at the time about the guy who called a car maker and said, "I need a new car."' and they said. "well. that's fine. we can deliver it to you on May 2 in the year 2001.'" And he said, "well could you make it in the afternoon'? I have a plumber coming that morning. "

I don't think you can underestimate the effect that the end of the Cold War had on the psyche of the American people. It was such a part of our self-definition as a nation, and when it ended, people started looking around and rethinking where we stood in the world, and rethinking where we were going.

Initially, they tended to focus a little more on economics. and initially they didn't particularly like what they saw. Because what we discovered was that somewhere around 1973 or 1974, the path of the American economy and living standards had slowed noticeably. We were growing at a pace in the fifties and the sixties where living standards doubled every 20 years; if you look at the pace of the seventies and eighties, it would take more like 200 years for living standards to double. Wages, which had grown pretty steadily in the fifties and sixties, slowed down dramatically.

In fact, if you adjust for inflation using the government's numbers, what you find is that the average wage of nonsupervisory workers today is about $1 an hour less than it was, adjusted for inflation. in 1973.

Now, there are all sorts of potential problems with those statistics. I'm not sure we do a very good job measuring inflation. Perhaps it has increased a little bit, but the point is, it has been relatively stagnant for 20 years. and that's the average.

When you go underneath the average, what you find is that the people who have college educations, who have the skills to really thrive in a modern economy, have done quite well, but the people who don't have college educations. who only have a high school education, who don't have those kinds of skills, have actually seen their earning power drop quite dramatically.

And when you hear people in the political environment talk about angry white males, and what a volatile part of the electorate that is today, this is. I believe, principally what they're angry about. They're angry about the fact that in many cases today they cannot earn as much in the marketplace as they did 10 years ago or 20 years ago, and in many cases the only way they've been able to keep up in terms of living standards is by sending a second person, sending a spouse into the work place.

At the same time, we looked across the Pacific Ocean, and we saw Japan coming on strong. We all had Japanese appliances in our houses. Japan looked like it was a real juggernaut. We did polling at *The Wall Street Journal* about 3 years ago where we would ask people. which is the stronger economic power in the world today, the United States or Japan. By ratios of 3 to 1, people would say, Japan.

Now, I don't think that's correct. It's certainly not correct today, it wasn't correct then, but it tells you something about what was going on in the psyche of the American people as we came into the 1990s.

As the Cold War ended. and we looked back at the previous two decades of economic performance, it had been a pretty gloomy decade. The reason why 1 say today I'm more optimistic. and I think the economy is fundamentally stronger than it has been in two decades, is because there's an awful lot of evidence that those trends of the 1970s and 1980s are now turning. We're at the beginning of the turn.

Certainly in terms of the competitiveness of American industry, you can see it quite sharply. Japan fell into a devastating recession. American companies restructured. You can see American industries in all the leading industries of our time. American companies lead, whether it's computer software, biotechnology, really pretty much across the board.

The World Economic Forum, which is an association of economists and business leaders that meet a couple of times a year, declared last year that the 'United States is once again the most competitive country on the face of the globe, so you can certainly see it happening in American business.

Second, inflation. If you go back and you try to think about what it is that happened around 1973 that caused the positive trends of the fifties and sixties to turn into the more stagnant trends of the seventies and eighties. what's so special about 1973?

Well, a lot of people have a lot of different answers to that question. but one of the things that definitely happened in 1973 was the first oil embargo, the beginning of our inflation problems, the inflation of the 1970s and the efforts of the 1980s to wring that inflation out of the economy. It is now gone.

In fact, we are now in an extraordinary period, in terms of inflation. that we haven't seen in three decades. We're several years into an economic expansion. Everybody has been sitting around for the last 2 years saying when the economy starts to heat up like this. when the economy grows, inflation always picks up. Surely inflation is going to pick up. Surely inflation is going to pick up. It has not.

Over the last 12 months, we have had inflation of 2.8 percent. I mentioned earlier that there are a lot of problems with the way we measure inflation. There are a lot of economists out there who will tell you that that could knock as much as a full percentage point off that measure, so we're talking about inflation of 1.8 percent.

It's basically negligible inflation. There are no signs that it's accelerating. 1 wouldn't expect it to be any greater next year than it has been this year. That's quite an extraordinary accomplishment. It's taken a high tol 1 on the economy to both have the kind of inflation we had in the 1970s and then to wring it out of people's expectations in the 1980s. For a decade. everyone has continued to assume that inflation will be back. The effect of that is to force you to pay higher interest rates when you have to borrow in the money markets, much higher interest rates than we've had historically, because this fear of returning inflation has been there.

I think we're about to see that disappear. because I think we've proven now that we've succeeded in getting inflation out of the system.

The third, which is related to inflation, is the budget deficit. We area nation that saves very little. Most of what we saved for the last decade-and-a-half has been used to finance the Federal Government's budget deficit. That means that very little is left over for investment. unless you borrow heavily from abroad. in any event, the effects on the economy have probably been fairly severe over the last decade-and-a-half.

I think we are probably only 2 months away now from seeing the most significant, by far, deficit reduction measure that we've seen in this country ever.

I spoke in February to a group in town called the Committee for a Responsible Federal Budget, which is a bit of an oxymoron if you think about it for long, but it's made up of people who used to chair the Senate Budget Committee, the House Budget Committee, Republicans and Democrats.

It's a bipartisan group, and they've wrestled with this problem for a decade-and-a-half to no avail. Why they didn't break up a long time ago, I'm not sure, but they continue to plod along, and I said in February I think this is the year that you're really going to see something happen, and all of them, Republicans and Democrats alike. scoffed at me and laughed at me.

And it's understandable why they did it, because everyone in this town has assumed for a decade-and-a-half that if we were ever going to solve the deficit problem, it was going to have to be a compromise between the hvo parties. and it was going to have to be a 50-50 kind of deal, 50-percent increase in taxes, 50-percent reduction in spending.

Nobody really thought that the country was ready to do it all on the spending side. Nobody really thought that the trend towards slightly higher Federal spending as a percentage of GN P, which got us Up to about 21 percent today, was going to be turned back, that we would go back down to 20. 19 percent, but that's exactly what's happening.

The legislation that is likely to be enacted -- it may well take them right up to Christmas Eve -- is going to put us on a pretty solid path towards a balanced budget by the year 2002. It's going to do it all on the spending side. In fact. it's going to do it with some-kind of a tax cut.

Before it's all over, I suspect a tax cut won't be as big as it looks right now. but there will be some sort of a tax cut built into that, and that is an extraordinary change in the political environment in Washington, and I think you can attribute it to the members of Congress who were elected in the last two elections, the freshmen and sophomore Republicans in Congress. These people have a very different approach to this thing.

You know, we got a big wave of Republicans who came into office in 1981, but they had a different attitude towards the budget deficit. They were supply siders. Their first goal was to cut taxes, then if they had any energy left over. maybe they'd cut spending, and when they actually got around to it they didn't have any energy left over, and we never really did much to cut spending, and nobody really cared because they didn't have much stomach for it anyway.

This crew is totally different. You talk to them. and they'll tell you that they pledged to their voters they were going to come up here and deal with this deficit problem. They're not going to go home until they deal with it. They didn't come here to be permanent members of Congress. They don't care if they lose their jobs, if the result of dealing with it is losing their jobs.

1 think that reflects the political sentiment in the country at large. I think after 15 years of this, people have kind of gotten fed up, saying why can't you deal with this problem. Just go up there and deal with it and don't come home until you've dealt with it.

So 1 think we're going to see an extraordinary piece of legislation enacted, as I said. sometime around Christmas Eve, that will bring the deficit down dramatically. I spend a fair amount of time talking to people at the Federal Reserve. I know most of the Governors. I know Chairman Greenspan. 1 can tell you that when that happens, the Federal Reserve will begin to bring down interest rates.

I wouldn't expect a dramatic move at the end of the year, but certainly a quarter to a half a percentage point. I think their expectation is that over the course of 12 months after a budget package is enacted, that you could see short term interest rates drop a full percentage point. to 4-3/4 percent - the Federal funds interest rate is now at 5-3/4 percent.

There's no reason why short-term interest rates should beat 5-3/4 percent when we have 2.8 percent inflation, It has been that way in the 1980s partly because deficits have bred a fear of inflation. and that causes the markets to demand a higher real interest rate than they have in the past. But if a deficit reduction package is put into law, I don't think there's any reason why, over the course of the next 12-18 months, you couldn't see short term interest rates drop by a percentage point, maybe a percentage point and a half.

That's extraordinary, when you think about where we are in the economic expansion. We've been growing for more than 3 years now. Normally you expect to see interest rates rise at this point in an expansion, but because of what's being done on the budget deficit, I think you'll see them fall and fall pretty sharply.

You actually have already seen it in long-term interest rates, which are anticipating this action that is going to happen in the next 2 months and have already come down noticeably in anticipation of that action.

So we're going to go into 1996 on a path towards a balanced budget, interest rates coming down, an economy growing at 2½ to 3 percent, unemployment at a little over 5½ percent. It will probably keep coming down barring some sort of an outside shock. There is no particular reason why we can't keep that up for quite a few years. and that's why I'm optimistic about the future.

Let me also say that the restructuring of American industry that I talked about is already resulting in an increase in productivity. Increases in productivity wi II inevitably -- not immediately -- but will inevitably lead to higher increases in wages and earnings, and overtime we ought to see the stagnant trend in living standards of the last two decades start to pick up.

Now, what are the risks to this relatively rosy scenario that I've painted here? I think there are a couple of them. There are probably lots of them, but let me just mention two that stand out. First of all, this is a pretty dramatic change in the role of government that we're seeing happen here in Washington right now, and that may well have some effects on the economy.

When Bill Clinton ran for President; he talked a lot about the importance of public investment. The argument he made was that in today's world. giving tax breaks to businesses. for instance, doesn't really do a lot of good, because capital markets are global. General Electric has more money, they could just as easily take it and build in South Korea, or build in Mexico, as build here in the United States. so giving tax breaks to business, boosting the profits of business doesn't necessarily result in more investment here.

And what President Clinton argued in that campaign was, what you need to do to increase investment here is to invest in the American infrastructure, educate the American people, train the American people, make sure we have the best highways. make sure we have the best airports, make sure we have the best FAA air traffic control because obviously if you don't, people aren't going to want to fly, and if people don't want to fly they're going to be less anxious to put their facilities in the United States and may put it in other places where the infrastructure is better -- the best technological infrastructure, the best fiber optic network for telecommunications and communications, all things that will stay in this country that will help encourage businesses to come to this country, and that have traditionally been done with some degree of Federal government involvement.

That philosophy was the philosophy of President Clinton. It is clearly not the philosophy of the Republicans who now control Congress. Their view is that with the possible exception of the national defense, there isn't anything that the Federal Government does that's much worth along.

We're cutting across the board. all of the so-called investments that President Clinton put into place the Republicans are taking out. and the kinds of cuts that are going to be on tap for the next 7 years, if they follow through with this plan. will lead to pretty serious reduction in Federal spending, or what President Clinton would have called Federal investment.

Does it matter? Can the private sector pick up the slack? Can states and localities pick up the slack? We don't know. We've never been through anything quite like this, and I think that's one of the risks not to economic growth next year, but to economic growth 5 years from now and 10 years from now to this long-term path that I'm talking about.

The second risk is a little less tangible, but probably even more worrisome. I don't know where any of you were when the O. J. Simpson verdict came down, but I suspect most of you watched it. I watched it. I watched it in an office that has a fair number of black reporters in it, and I can tell you that the racial divide that showed up at 1:10 when that verdict was announced was tangible.

You saw visible depression among virtually all the whites in the groups. and you heard audible elation among virtually all the blacks in the groups. That tells you something about the divide that exists between the races in this country.

The march in the mall yesterday (the Million Man March) tells you something about the divide that still exists between the races in this country. It was a wonderful event in the sense of promoting responsibility, promoting all the right things, but unlike the civil rights marches of the 1960s, unlike the event where Martin Luther King gave his "I had a Dream" speech, it was an all black, all male crowd. The civil rights movements of the past obviously included many. many whites.

So there is something very serious going on in terms of the separation of the races in this country, and I think that is going to be greatly exacerbated by what is going on in our political dialogue at the moment, and let me try and explain what 1 mean here.

If you look at the people who elected Democrats in '92 and then Republicans in '94. if you look at the swing vote, the people who are really the volatile part of the electorate right now. they tend to be those angry white men I was talking about earlier.

The polls show that it's people who don't have college degrees, they have high school educations, they are predominantly male, overwhelmingly white, people who have been at the wrong end of the economic stick for the last two decades. but what you also find among those people is a great deal of resentment towards things like immigration. things like affirmative action, things like government welfare programs, all of which they see as efforts of the system that help other groups of people but that don't help them.

That resentment has become a focus of a political debate, and you have Democrats and Republicans both competing to try and win that vote, because very likely whoever wins that vote is going to win the next election.

As a result, Republicans have turned away from affirmative action. are drastically cutting every program that helps the inner cities, which are in many cases populated with poor minorities. They're turning away, across the board. from programs that may not have worked very wel 1, but programs that were designed to deal with these problems, and they aren't putting replacement programs in their place.

On the Democratic side of the aisle, it's not a whole lot better. There was a moment 3 weeks ago when two things were going on in Congress. One was, the Senate passed a welfare reform bill that really gutted most of the programs aimed at helping the urban poor.

Now, President C linton had always talked about welfare reform, but his visions of welfare reform actually would have cost more money than the current system because you have to put kids in child care if you're going to send people into the work force. You have to train people if you're going to send them into the work force, so his vision was very different, and yet, President Clinton said, I can sign that bill.

The same week. the Republicans began to talk about something called means testing Medicare. That is to say that people who make more than $75,000 or $100,000 a year ought to pay the full cost of Part B Medicare -- something that in the past President Clinton has supported, and something that all his advisors supported -- but the President on that issue said, I can't go for that. That's merely money going to fund the Republican tax cuts.

I think that gives you a strong indication of where the President is headed as he goes into this campaign, and that is that he's not going to be seen as the candidate of the poor, the disenfranchised, or the minorities, because if he is, he's going to lose, and so he's trying to play to a much more middle ground.

As a result, anyone who's watching can see that the whole system is turning away from the very pressing problems of the Nation's cities, the very pressing problems of the Nation's urban poor, the urban minorities, and over time, that's not sustainable.

I don't know if something will happen next year, or 2 years, or 3 years from now, but 1 think that if things keep going in that direction, you could have a very explosive situation, and I think that's a major risk to the economic outlook.

Anyway, thank you very much for tolerating my comments here. I have time to take questions that anyone would like to ask on the economic outlook or the political outlook, so please feel free to step up to the microphones.

Questions and Answers

PARTICIPANT: The point you raise about rising standards of living are important to us in the travel industry. Most travel is discretionary, and only with rising standards of living does our business grow.

Unfortunately, two points that you make, 1) that American business has restructured, but the benefits of that restructuring have not been passed on, after 3 consecutive years of record profits, to the worker, and 2) that policies of the Government, tax policies, seem to be favoring the affluent more than the middle class - and I guess I have difficulty in seeing, as we look ahead, factors that wi II contribute to a renewal of the growth rate in terms of real incomes after taxes.

MR. MURRAY: Well, there's no question that what you say is correct, that if you look at the last 2 or 3 years, the share of the increased earnings that has gone to workers has been relatively low.

But if you take a little longer view and look over time, living standards are inevitably -- eventually and inevitably -- linked to productivity. In the fifties and sixties, the productivity of American business increased at 3 percent a year. In the seventies and eighties, it increased less than 1 percent a year.

The trend of the past 6 months or so suggests we may be on a path that's certainly not back to the 3 percent of the fifties and sixties, but may be getting closer to 2 percent, or somewhere in between.

I think history says that eventually that will result in higher living standards. You're right, it hasn't happened yet, but inevitably it has to happen.

In terms of the tax policies, the Republicans are in kind of an interesting situation here. They were elected as a result of the enormous cynicism that this group of people I talked to -- you can call them Perot voters. you can call them angry white males, call them whatever you want to -- they became very cynical against government. It's kind of a populist sentiment.

I believe, and I think the smartest among the Republican leadership believe, that that populist sentiment could just as easily turn against them if they are seen as blatantly favoring the wealthy, blatantly favoring large corporations, and you're starting to see them make some adjustments. You look at the tax bill that the Senate Finance Committee came out with last week, it was changed fairly noticeably from the one that went through the House.

In the House there's this $500 tax credit for children -- you could earn as much as $200,000 a year, and still get that tax credit. In the Senate. they brought it down to $100,000 a year in order to avoid favoring the wealthy.

So I think there are some adjustments being made. It's still certainly true that the tax bill tilts heavily to the people who are at the very top of the income scale. To the extent your industry thrives on a broad middle class, it's not the ideal bill, but it's moving in the right direction.

PARTICIPANT: If you look at the Conference Board Consumer Confidence Index, one striking piece of data is in New England and the Mid-Atlantic States, where the index is running about 30 to 35 points behind the U.S. Any idea why that's happening, and whether that's likely to change or not?

MR. MURRAY: You can see the following most clearly in New England. Ten years ago, if you said to people who are roughly my age, "what are you doing to save for your children's education? If you're going to send them to private schools, maybe it's going to cost a whole lot of money. What are you doing about that'?"

And people would say, "oh, my house -- I have my house. I have the appreciation in my house. When the time comes, I'll borrow against my house."

Or you would say, "what are you doing about your retirement?" They'd say, "well, I have my house. My house is appreciating steadily. 1'11 borrow against my house." That's part of the inflationary psychology that set in.

When that ended, I think it had a pretty strong psychological effect on people.

But then you look at what happened in New England, it didn't just end. it turned in the opposite direction. In many cases, people saw 25 percent of the value of their residential property disappear.

1 think that has to have a profound effect on the outlook of consumers, and I suspect that that sharp drop in real estate values has something to do with why consumer optimism has been so slow to come back in the New England states. I think it will come back. 1 think it will come back over time, but I think that's why you haven't seen it bounce back quickly.

PARTICIPANT: You point out that a large component in the Consumer Confidence Index is the outlook for jobs. I think there was a story in the paper yesterday that maybe only half of the people who were released in jobs at Electric Boat in Connecticut or other defense contractors or in some medical thing are getting the level of job that they've had before. This is liable to have a big impact particularly on the middle area of travel.

The high end seems to be fairly secure, but not this middle area. I'm just wondering if this productivity increase that is going to help get higher wages is going to be enough to offset this displacement that we've been having.

MR. MURRAY: Yes. I think it is. I mean, first of all, throughout this restructuring we are creating jobs. net. We're creating 150,000 jobs a month, roughly.

Now, people worry that those jobs may not be as good as, say, as you mentioned the defense-related jobs that people are losing, or the middle management jobs where a lot of the restructuring is occurring. Certainly, anecdotally, you can find lots of cases of people who are leaving well-paying jobs and having to take less well-paid jobs.

But the interesting thing about the productivity increases is that they are no longer limited to manufacturers. They're now taking place in the service industry as well. as we get much smarter about using information technology, using computers. As the information industries begin to grow and thrive, I think there will be a lot of good, well-paying jobs out there that will bring up living standards.

Now, you may have some regional disparities. If you talk about an area of the country, whether it's in Southern California or Long Island or Connecticut. where these defense industries have been heavily concentrated. you could see localized recessions and declines in living standards. Nation-wide, however, 1 think over the next few years you're going to see an increase, and a better increase than we've seen over the last 20 years.

PARTICIPANT: The condition of the dollar is very important to the international aspect of this industry. You seem to be suggesting a great strengthening of the dollar on the basis of a stronger U.S. economy and floundering international economies. Can you comment on this?

MR. MURRAY: It's not necessarily true. If you consider the effect of reducing the budget deficit, eliminating the budget deficit over 7 years, therefore reducing the borrowing requirement of the United States. I've talked to people at the Fed about this. I've talked to a lot of smart economists about this, and they'll tell you that there are going to be forces working on the dollar in both directions, and it's not a clear call which way the dollar will move.

But 1 agree, it's something that you all, if you're at all dependent on -- and you are, the degree to which either Americans travel overseas or foreigners come to the United States, it's going to be critical. If I were doing my job right, I should probably give you a firm, confident outlook for the path of the dollar, but all I can really tell you is, it's just as likely to go down as it is to go up.

PARTICIPANT: With *The Wall Street Journal* being the voice of corporate America. I'd like you to comment for a minute on another oxymoron, and that's the oxymoron of corporate leadership. I raise this issue because I've worked in both the public sector and the private sector, and I'm getting a little tired of government-bashing, because I think we all have a role to play in this.

What does corporate America think about their leadership role in terms of an educated work force for the future, the disparity between rich and poor Americans, and all these growing problems that we tend to call social problems but are really business problems. Could you comment on that?

MR. MURRAY: That's a fascinating question for this reason. I mean. you have to make a distinction between the Fortune 500 executives, the people who are in the

Business Council and the Roundtable, and smaller businesses.

The Republican revolution was really driven by smaller businesses, or medium-sized businesses that had never really been part of the elite before. If you look at the funding of the Republican Party today, what you find is things like the American -- or the Golden Rule Insurance Company -- which is kind of an outlier among insurance companies, or Amway, or the tobacco companies, which are outliers in their own way, are at the top of the list.

But the major corporations of America felt that in many ways the Clinton administration was one of the friendliest administrations that they had dealt with. Many of them would say -- the chairman of Ford, the chairman of a number of companies -- that they found the Clinton administration much easier to work with than the Bush administration. ,

That's because the Clinton administration would get involved in promoting international trade in a way that the Bush administration wouldn't, because the Clinton administration had a lot of these projects which are now being called corporate welfare, but a lot of these projects for joint research to build up infrastructure. to deal with problems that the Fortune 500 business community cared about.

So there was kind of this relationship forged between certain leaders of the corporate world and the Clinton administration. but as soon as the '94 elections took place, those people all dropped out of sight. They didn't necessarily reverse their positions, but it looked like there was kind of a juggernaut going on the Hill.

There were other things going on in the tax area, for instance, that would be quite beneficial for them, and they didn't want to upset the Republicans. so they didn't say anything about the things that were being dismantled that they liked.

We had a reporter last weekend down at the Business Council, which is several hundred of the most prominent chief executives in the country, and the only one who would speak was John Bryan. He was the only one who would speak up and say, hey, some of these things that they're tearing down ought not to be torn down.

And there is a middle ground here. Let me end with this. There is a middle ground. You don't have to take the Democratic position that all government is good, or the Republican position that all government is bad. You can make distinctions here between types of government spending that can at least have a reasonable chance of encouraging economic growth, building up the nation's infrastructure, and types of government spending that merely feeds consumption.

The problem is, the types of government spending that merely feed consumption are things like Social Security, Medicare, veterans benefits, farm spending, things that politically are extremely difficult for either party to do much with, and so politically, it's hard to square the circle, to get the Federal Government to play a more active role in areas where it might actually be helpful in encouraging economic growth and a less active role in other areas, and that's why we end up with this extreme debate.

1996 OUTLOOK FOR INTERNATIONAL TRAVEL AND TOURISM

Presentation by

U.S. Travel & Tourism Administration Staff
Helen Marano, Director of Research and Policy

MS. MARANO: Forging new strategies. This morning I'm going to focus on new strategies for collecting and disseminating international traveler data built upon public-private partnerships.

One of the prime examples of USTTA strategies is now going to be presented by a senior analyst from our staff in the office of research, Scott Johnson.. He has pursued how to merge the need to get our data out to our customers, you. and technology.

Now, what we are unveiling today is the concept. There is still more to be done, but we're all so proud of this innovative approach to ensure that your questions are answered in the way that you ask them, and more importantly, in a timely manner.

MR. JOHNSON: The technology that Helen is referring to is the use of the information highway, or the Internet. Most of our industry's Internet attention today is focused on advertising and communicating the products and services that the travel and tourism industry can offer the consumers.

The USTTA has a different kind of customer. The USTTA helps the researchers using the Internet to help you, the travel and tourism industry, our customer, access the vast international travel statistics collected by the USTTA.

The goal of the research automation project is to expand the number of people accessing our data in order to analyze the international market. Today's competitive reality dictates that you cannot market successful ly without marketing intelligently.

In order to target your international marketing programs. detailed market analyses are necessary. The research automation project puts the complicated international data base systems into the computers of the industry so that the industry sectors can analyze data that they need when it is needed.

The best way to explain the research automation project is to give you an example. Let's answer a question like, how many business travelers from Europe came to the U. S., according to our in-flight survey.

The front end, the search engine. first asks the user to choose between resident and nonresident data. We are interested in nonresident data, because we are looking for Europeans to the United States.

Next, you can submit key words related to our area of interest, in this case, purpose of trip. Now you can describe a geographical area of interest. Choices include the primary travel destination, place of embarkation or debarkation (in case you're an airline or related data base collector), port of customs and city, country and region of residence.

Your question was about European visitors, so you type in Europe. Now, you can submit these key words to the server by clicking on the "do it". Each data source in the server that has information relevant to the key words that you submitted comes back from the server, posting relevant information.

You can now refine your question. The server provides you with options related to the key word, purpose. for purpose of trip. Choices include study, teaching, vacation or holiday, etc.

You are interested in business travelers as the primary purpose of trip, so you click on business. You can also refine the residency of the visitor, so you click on that, because the key word was Europe. All of the countries in the data base from Europe appear. Your question was on Europe, so you click on it again.

Now you can submit your query to the server over the Internet. The server processes our question and returns a result, hopefully. The result will be the number of business travelers from Europe to the U.S. that responded to the in-flight survey.

Now, let's quickly go back and ask another, a more refined question. We can leave purpose of trip, and add another key word. like ticket type. We can refine our query more, and focus on visitors to New York State, for the main destination of the visitors. We will leave the region of residency as Europe for now, and again submit the key words to the server.

The server processes our key words again, and once again the various purpose of trip options appear, and so does class of ticket. Click on class of ticket, and we are given options such as executive, business, first class, or economy tourist.

Let's choose economy tourist for ticket type, and now let's change the purpose of trip to vacation and holiday.

Then we look at main destination. Our key word was New York, so all of the above selections on New York appear. Let's stick with New York State for now.

Again, we are interested in Europe, but this time let's focus on the British travelers. so we click on the United Kingdom. We can now submit our question to be processed by the server. This time, the result will be the number of British travelers who responded to our survey and flew on an economy tourist ticket whose primary purpose of travel was for vacation or holiday, and their main destination was New York -- New York State. There we go.

Over the next few months, the USTTA Office of Research is going to refine the research automation project. We will add time series capabilities in order to better analyze the data results. We're also going to expand the survey results to the whole population, giving you percentages and whole numbers.

We're going to add other data, such as the summary and analysis of international travel to the United States and the international air travel statistics of passengers trafficking between the U.S. and foreign countries.

We're also going to be seeking partners, partners to help make this service fee based. We're also going to seek partners who wi ll add other relevant data resources to the system, both public data from states and cities, and private research data as well.

We believe that this system will allow you, the industry, to better analyze your destination to market it intelligently, just like some of the analysis that you're about to hear from Helen.

MS. MARANO: Thank you, Scott.

More importantly, though, is the dream of having a centralized system where you al l could put your data, and have it go to one place to pull it up, and have it be interactive. That will be our future working with all of you.

But one thing you need to write down is USTTA'S Internet address - http://www.doc. gov/resources/ ustta.html

Now, is this not our future language?

Let's move into the numbers.

(CHART 1) Let me start by showing you some perspectives. Looking at employment growth generated through international visitor spending in the U.S. over the past 5 years, we have genuinely outpaced key industry sectors -- 18 percent growth versus negative growth among mining, construction, and manufacturing.

(CHART 2) According to the Bureau of Labor Statistics, the service industries will continue to account for virtually all of the job growth to the year 2000.

We expect to hold this same level of job growth from international travelers to the U.S. in the next 5 years, about 18 percent, while construction undergoes a tremendous reversal of growth from minus 6 percent to a plus 9 percent.

Our growth is totally dependent, however, on how well we continue to attract our international travelers. That's up to our national policies in furthering facilitation and removing barriers. and it's up to you as well in forming partnerships.

(CHART 3) In the world of international travel, though, our projected growth in arrivals is doomed to put us in a downward spiral for receipts from our high of almost 19 percent in 1993 to a low of 14 percent by the year 2000, over a 26 percent drop in market share.

By **2000,** this could cost us nearly 375,000 jobs that could have been created if we had stayed at the 18.7 percent market share level of 1993.

(CHART 4) Now, even though our growth rates for receipts will be trailing the growth rate for world receipts, we still showed a continuing increase through 1994. We expect a slight decline in 1995 and a projected increase in 1996, to $62 billion, up over $40 billion since 1986.

(CHART 5) Travel and tourism has a trade surplus, and the travel account is 9 percent of all exports for this country and 40 percent of all service exports. Despite the imbalance in 1994 and 1995 of more U.S. travelers internationally than international arrivals to the U. S., we still managed to maintain a surplus, albeit smaller than in the past 4 years.

(CHART 13) So let's take a quick look at what happened in 1994 to give us a perspective. Nearly 46 million visitors directly generated nearly I million jobs and just as important, nearly $8 billion in tax revenues. Overall we declined 1 percent from 1993 in visitors, primarily due to a sharp decline in Canadian travelers.

The second negative trend observed in 1994 was that we had a significant decline in first-time visitors from overseas, from 34 percent of al I visitors in 1993 to on] y 22 percent in 1994. Economies and safety issues played a role. Those who knew our country weren't necessarily deterred, and those with friends and relatives made the journey anyway.

(CHART 18) Before we move past 1994, though, let's look at the relationship between arrivals and receipts. In terms of share of arrivals, Canada generates 33 percent; Mexico, 25 percent; Japan, 9 percent; U. K.. 6 percent; Germany. 4 percent.

Now, if you were marketing, you might go after Canada and Mexico. That would make sense, since they represent 51 percent of all of our arrivals, but how lucrative are they? What would their return on investment be?

(CHART 19) What is their share of receipts? Canada produces only 10 percent of receipts versus 33 percent of arrivals. Mexico, 7 percent versus 25 percent of arrivals, Japan -- reverse process --22 percent of the receipts versus only 9 percent of the arrivals. U.K. is 11 percent of receipts versus 7 percent of arrivals.

So it's not just the numbers, it's the relationship you have to assess.

(CHART 23) Now, what about 1995 and 1996? Right now we have to hold pat with our May forecast. The only major shift that may occur in an update to these numbers deals primarily with Mexico. There may be less of a decline in 1996 due to their anticipated economic recovery. Overall, we still anticipate an increase in international arrivals, with a slight recovery in 1997, primarily due to slower decreases from our major markets, Canada and Mexico. Slower decreases, not 15 percent. but down to maybe 3 percent and a growing increase in overseas arrivals.

(CHART 24, 25) Where are the strengths of the projected arrivals? Japan and Brazil project double digit growth. Enter, Korea. Also, we'll experience a recuperation in the U.K. and German markets.

(CHART 30) Now, let's look at the long-term -- 1998 versus 1994 final year results.

Overal 1, we' II see a 6 percent increase. Canada and Mexico will still show declines in arrivals, but our bread and butter basically is the overseas market, and travel from these countries will be up 26 percent over the next 5 years.

(CHART 31) Now, where is the strength of the overseas long-term growth? Brazil displaces France, South Korea displacing both Italy and France. The strongest market receipts-wise is Japan, underscored by a major public-private partnership promotional initiative between the U.S. and Japan to increase travel between the two countries. Our staunch U.K. and German markets are also expected to undergo steady and strong growth over the next 5 years.

(CHART 6, 7) Let's look at potential travel. One of the more frequent questions we receive is: which markets have the best potential? Well, we've just looked at projected growth to 1998, but does that mean there's good potential? Well, we dedicate a large portion of our budget to investigating just that.

In conjunction with Canada and Mexico, our country partners, and under the capable management of Colleen Flannery, a senior analyst in our Office of Research, we have studied and continued to update the studies of 16 countries. This program is expansive for investigating characteristics of the travelers as well as market segmentation analyses on what they like, how they make their travel decisions, and special psychographic and traveler behavior segments.

For those ad executives in the audience, they also assess image and perceptual issues of this country and destinations.

Japan has the highest potential overall and the highest potential for the U.S. in long haul travel -- that is, those adults who are very or somewhat interested in visiting the U.S. for pleasure purposes within the next 5 years. We have just looked at our forecast, where by 1998 we will have penetrated less than one-third of this market, but then our forecast includes business travelers and kids and repeaters, not just adult pleasure travelers.

We are in the middle of completing a new study of Japan, as these figures represent, and it's an update from our 1989 study. This year we just completed the Australian pleasure market study, updating the 1988 data.

Of the 17.6 million people in Australia as of 1993 or 1994, the adult population totals 13.2 million. The potential adult population traveling long-haul, at least outside of their area. 4.4 million, or 33 percent of their adult population.

Total potential travelers to the U.S. is 2.8 million, or 63 percent of all long haul travelers. The strongest potential market for travel to the U.S. are adults, estimated at 2.3 million. That is, those who are interested and actually likely to visit over the next 5 years, so that gives you something to fix on for looking at one market, the Australian market.

By activity, you can look at both the size of the potential market and the expenditures expected. This gives you the ability to measure the possible return on your investment if you pursue this market. One of the highest returns would surely be those enjoying nature and wildlife.

In 1994, 34 percent of all overseas travelers rented cars while in the U. S., and 82 percent stayed in hotels, or a hotel/motel, during their trip.

Now, partnerships come from understanding the symbiotic relationship between these two industry sectors. From the USTTA in-flight survey we can tell you that Hertz and Alamo were the top rent-a-car companies for overseas visitors in 1994.

Market share data among hotel users reveals that Holiday Inn led the pack, closely followed by Hilton, Sheraton, Marriott, Hyatt, and Best Western.

While forming partnerships or confirming the success of current partnerships was evident when you look at the interrelationships of where the car renters stay, in hotels or motels, overall they reflect the general overseas market choices. Basically, they stay in Holiday Inn and the Marriott. Hertz renters are no different.

Let's look at Alamo and Dollar Car renters. For Alamo renters, the top five hotels include Days Inn and Ramada, with Best Western cited as the second most frequently used lodging. In contrast, Dollar Car renters are staying at a Hilton or Best Western, and interestingly enough, Circus Circus.

There are also regional differences among the overseas travelers who are car renters. Those who travel to New York City, for instance, use Hertz, Alamo, and Avis while in the U.S. Now. those who travel to San Francisco use Alamo and Hertz, but Dollar is revealed as another major selection.

What's my point? The data are here. If you're not partnering now, do it when you leave this conference and help us grow the international market faster than our current forecast to help stave off this loss in world market share.

[n 1994, Miami was the top port of entry for overseas travelers to the U. S., followed by JFK, Los Angeles. Honolulu, and San Francisco, all hosting at least a million of these passengers.

So how did they do in processing these travelers, in treating them to their first welcome to our fair land?

USTTA started collecting these data in 1993, and the results are more positive than one would expect. Overall, the average processing time for the INS and customs for the overseas traveler in 1994 was 27,4 minutes.

Now, among the top five ports, Honolulu and San Francisco had the fastest processing time, while Miami and Los Angeles had the longest.

Now, here's the twist. When asked to rate on a five-point scale (with five being excellent and one being poor) both INS and customs on their processing time and staff courtesy -- Miami rated the highest, while Honolulu rated the lowest among the top five ports. despite their speedy record. So, you can see the difference between perception versus reality.

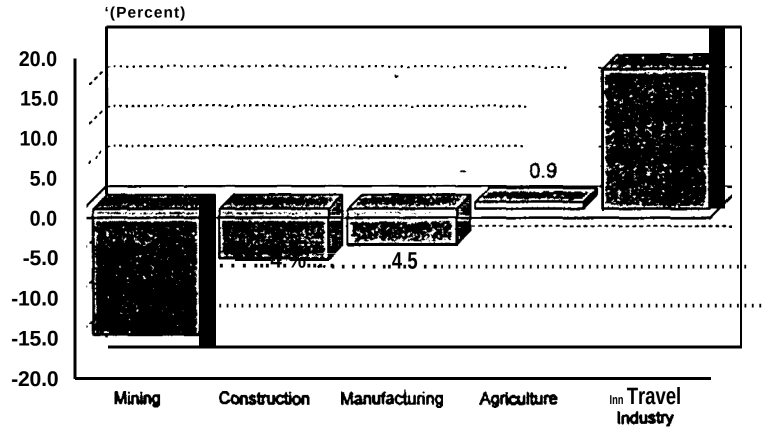
Another part of the perception issue here, however, is the difference between the travelers to these ports of entry. Honolulu hosts a majority of the Japanese pleasure travelers using package plans, while Miami welcomes Latin American travelers with a higher incidence of independent and business travelers, so it's not just in the numbers. It's also cultural aspects and purpose of visit that can affect perception.

We started talking about forging new strategies through partnerships. Hopefully we've given you data today that may have given you new ideas for partnerships.

Employment Growth Rates by Industry

From 1990 to 1995(e)

CHART 1

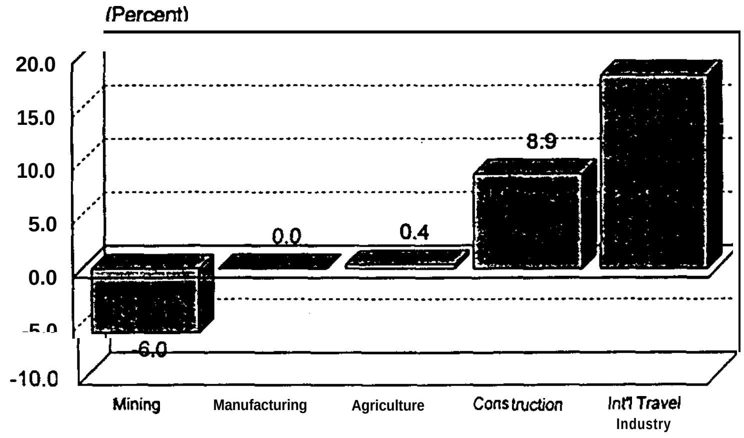


Source: U.S. Travel and Tourism Administration, Bureau of Labor Statistics. September 1995.

Forecasted Employment Growth Rates by Industry

. From 1995(e) to 2000(p)

CHART 2

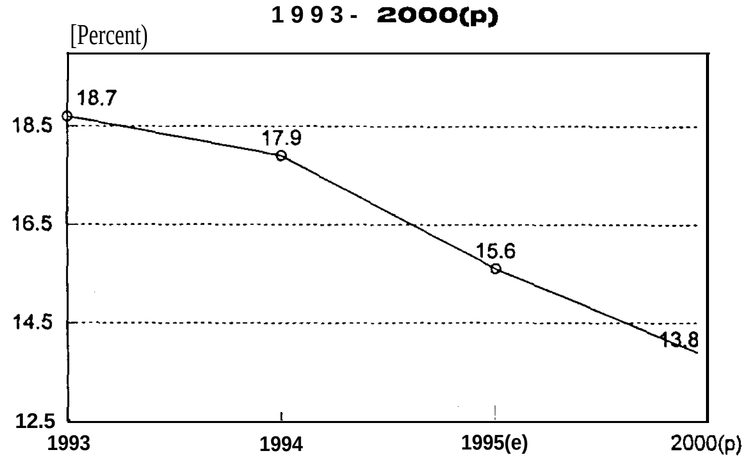


Source: U.S. Travel and Tc.@Jill Administration, Bureau of Labor Statistics. September 1995.
e = estimate, p = projection

Declining US. Market Share of World Tourism Receipts

1993- 2000(p)

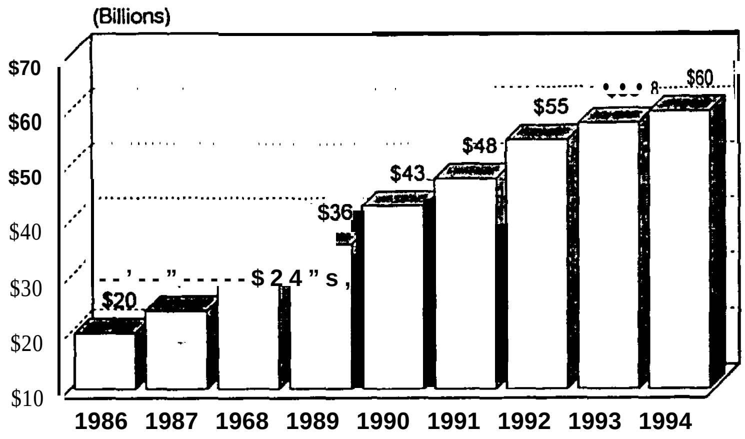
CHART 3



Source: U s . Travel and Tourism —ion, World Tourism Organization. September 1995.
e . estimate, p = projection

International Travel Receipts* to the U.S. 1986 - 1994

CHART 4

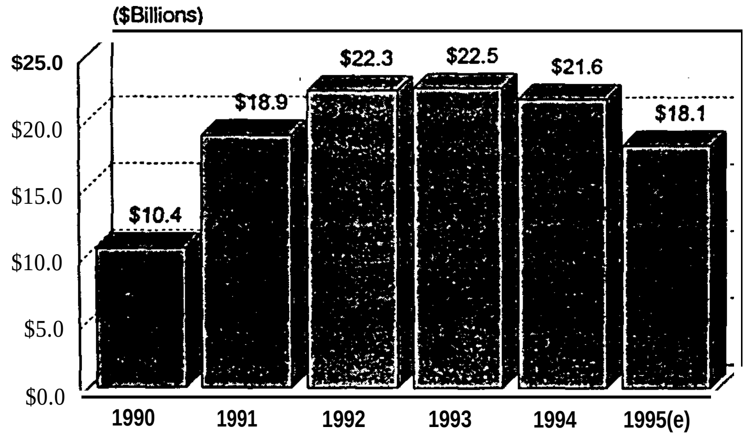


Source: U.S. travel and Tourism Administration, Bureau of Economic Analysis, September 1995.
* = Excludes Transportation Receipts.

The Positive Travel Trade Surplus Shows Declines in 1994/1995

1990 - 1995(e)

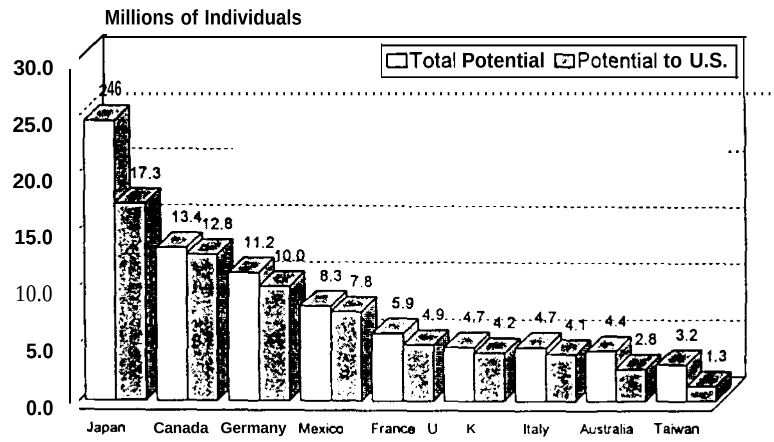
CHART 5



Source: U.S. Travel and Tourism Administration, Bureau of Economic Analysis, September 1995
.. estimate

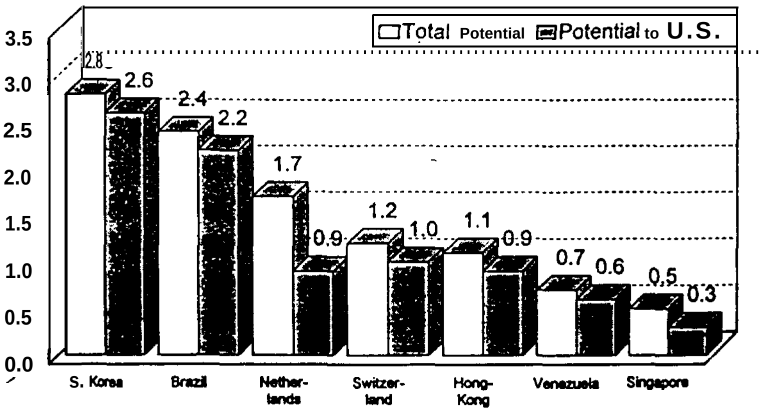
POTENTIAL ADULT LONG-HAUL PLEASURE TRAVELERS

CHART 6



Source U S Travel and Tourism Administration Pleasure Market Studies Oct 1995

POTENTIAL ADULT LONG-HAUL PLEASURE TRAVELERS

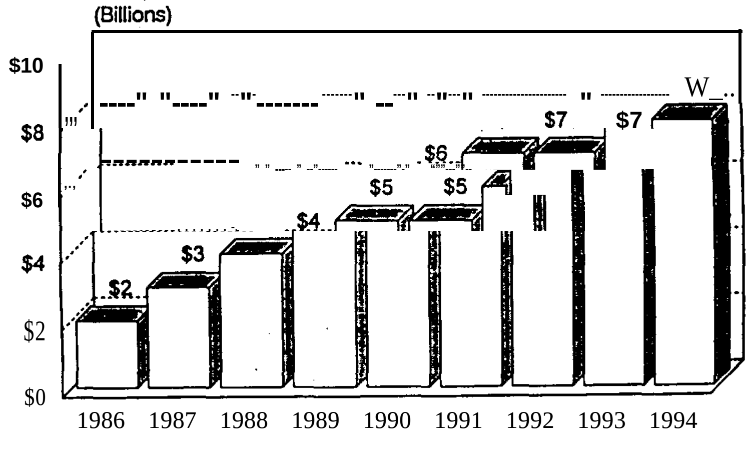


Source: U.S. Travel and Tourism Administration. Pleasure Market Studies. Oct. 1995

CHART 7

Total Tax Revenue Generated by International Travel to the U.S.

1986 - 1994

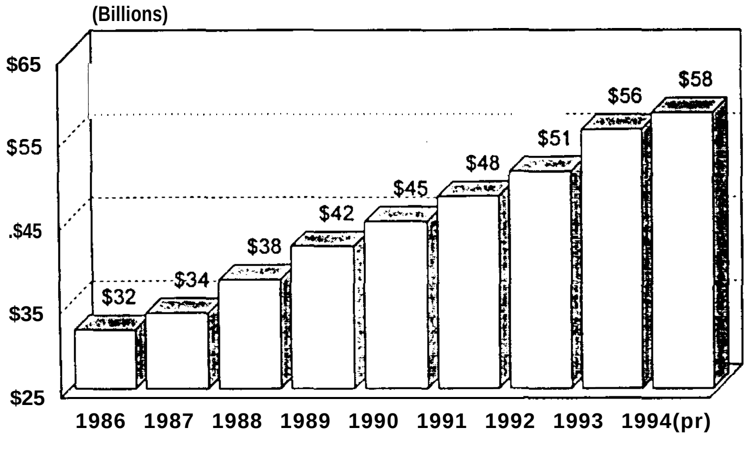


Source: U.S. Travel and Tourism _ September 1995.

CHART 8

U.S. Tax Revenue Generated from Spending by International and Domestic Travelers

1986 - 1994(pr)

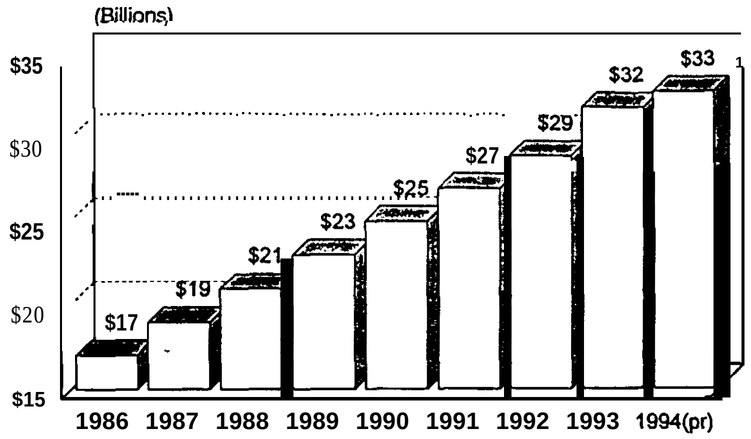


Source U S Travel and Tourism Administration, USTDC September 1095

CHART 9

CHART 10

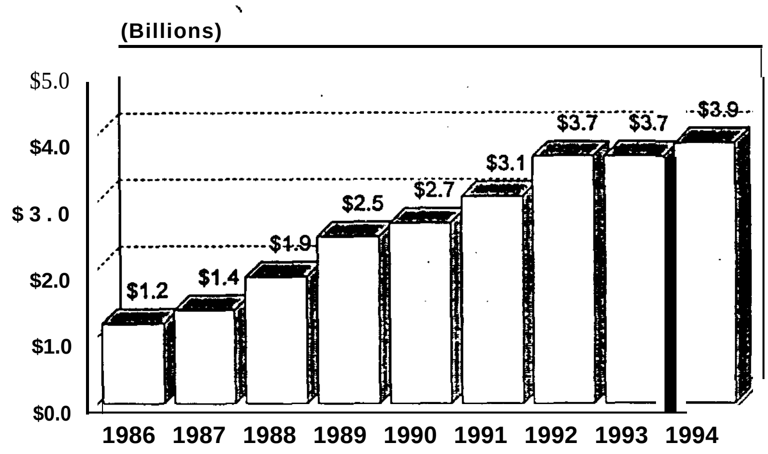
U.S. Federal Tax Revenue Generated by International & Domestic Visitor Spending
1986 - 1994 (pr)



Source: U.S. Travel and Tourism Administration, USTDC. September 1995

CHART 11

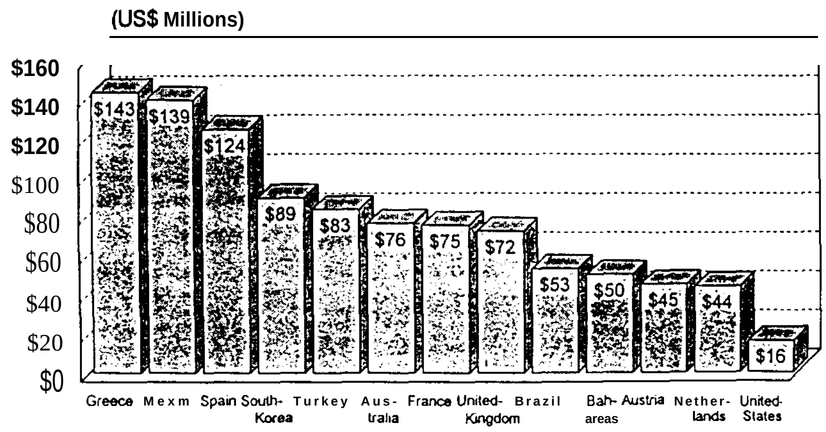
Federal Tax Revenue Generated by International Travel to the U.S.
1986 - 1994



Source: U.S. Travel and Tourism Administration. September 1995.

CHART 12

TOTAL BUDGETS OF NATIONAL TOURISM ADMINISTRATIONS
TOP 12 COUNTRIES
1993
U.S. RANKS *33rd*

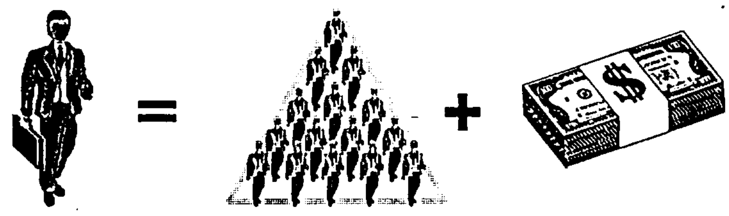


Note = In 1992, the United States ranked 31st for Total National Tourism Budgets.
Source: World Tourism Organization, U S Travel and Tourism Administration, Sept 1995

The 1994 Visitation Equation

International Tourism Means American Jobs and Tax Revenue

CHART 13



45.5 Million Arrivals	953,000 American Jobs	$7.5 Billion In Tax Revenue

Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration,
Summary & Analysis, Economic Impact, BEA

May 1995

International Visitor Arrivals
7993 ***And*** *7994*

CHART 14

Origin	1993 (000)	% Change 93/92	1994 (000)	o/o Change 94193
Canada	17,293	-7	14,970	-13
Mexico	9,824	-10	11,325	+15
Overseas	18,662	+5	19,209	+3
Total	45,779	-3	45,504	-1

Source: U.S. Department of Commerce
U.S. Travel and T- Administration, Summary & Analysis
Statistics Canada & Banco de Mexico

May 1995

International Visitor Arrivals
For The Top Overseas Markets*
1993 *And* 1994

CHART 15

Origin	1993 (000)	% Change 93192	1994 (000)	% Change 94193
Japan	3,543	-3	4,065	+15
United Kingdom	2,999	6	2,921	-3
Germany	1,827	+8	1,705	-7
France	845	+6	863	+2
Brazil	555	+17	661	+19
Italy	556	-6	551	-1
Korea, Republic of	408	+20	504	+23

Source: Us. Department of Commerce
U.S. Travel and Tourism Administration, Summary & Analysis
*Ranked by 1ss4

May 1ss5

international Visitor Arrivals For The Second **Tier Overseas** Markets *

1993 AND 1994

CHART 16

Origin	1993 (000)	% Change 93/92	1994 (000)	%0 Change 94193
Venezuela	444	+19	424	-5
Australia	449	-8	411	-8
Netherlands	379	+11	393	+4
Argentina	387	+13	390	+1
Taiwan	327	+14	379	+16
Switzerland	342	+6	366	+7
Spain	310	-10	295	-5

Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration, Summary & Analysis
*Ranked by 1994

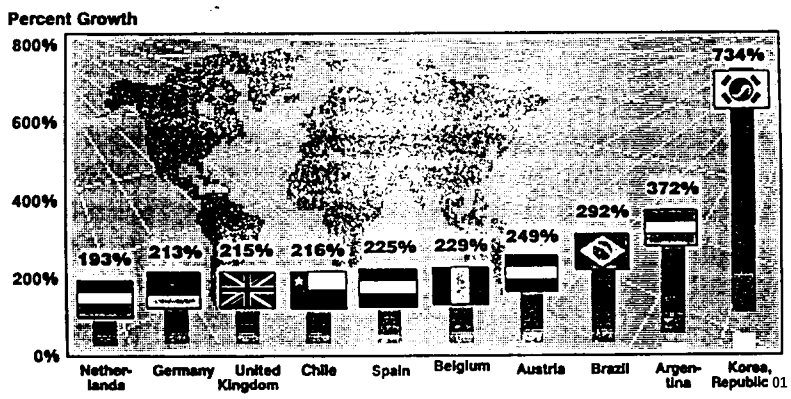
May 1995

Reaching New Heights

America's *Ten* Fastest ***Growing***

International Travel Market 7984-7994

CHART 17



Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration, Summary & Analysis

May 1995

Slicing the Pie

International Arrivals to the U.S. -1994

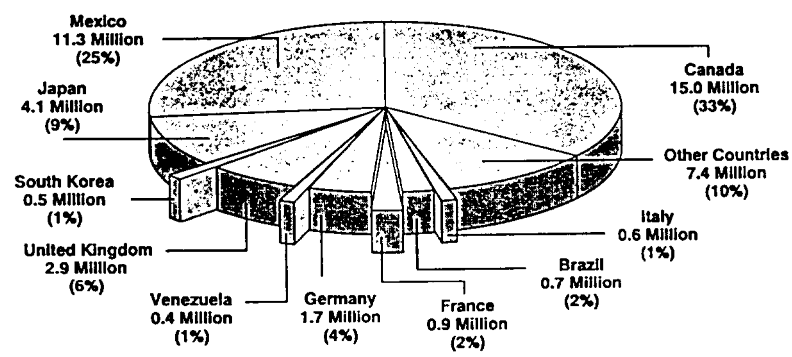


CHART 18

Total: 45.5 Million

Source: Us. Department of Commerce
U.S. Travel and Tourism Administration, Summary & Analysis

May 1995

Slicing the Pie

U.S. International Tourism Receipts -7994

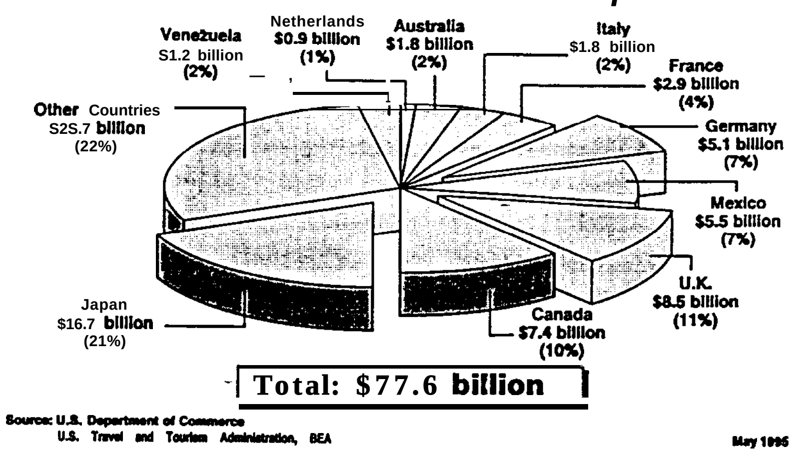


CHART 19

Tipping The **Scales**

Travel and Tourism Helps Balance Trade -1994

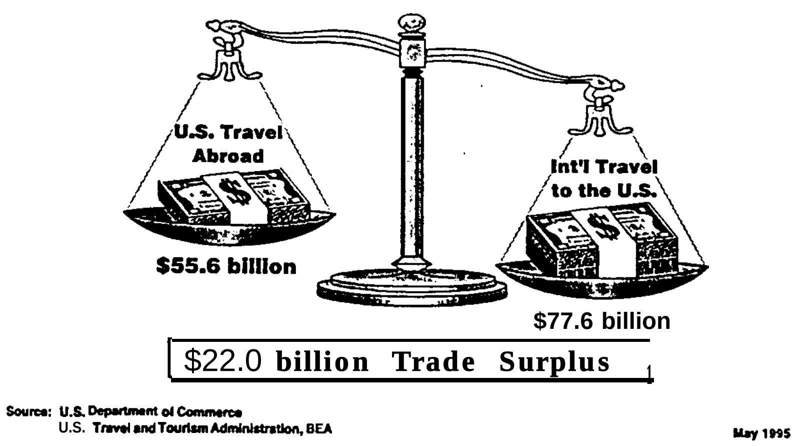


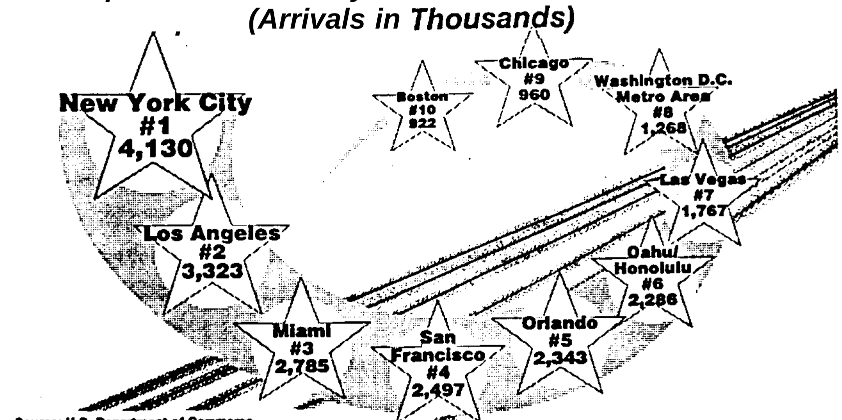
CHART 20

CHART 21

"Star Attractions"

Top Cities Visited by Overseas Travelersin 7994
(Arrivals in Thousands)

CHART 22



Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration, In Flight Survey

May 1995

Estimates And projections Of International Visitor Arrivals

7995 and 7996

CHART 23

Origin	1995e (000)	o/o Change 95194	1996p (000)	% Change 96195
Canada	13,668	-9	13,299	-3
Mexico	9,612	-15	9,465	-2
Overseas	20,213	+5	21,584	+7
Total	**43,493**	**-4**	**44,348**	**+2**

Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration, Forecast of Arrivals
● .
p = projection

May 1995

Projected International Visitor Arrivals For The Top Overseas Markets

1995 And 1996

Origin	1995e (000)	o/o Change 95/94	1996p (000)	o/o Change 96/95
Japan	4,412	+9	4,847	+10
United Kingdom	2,992	+2	3,079	+3
Germany	1,795	+5	1,905	+6
France	895	+4	938	+5
Brazil	745	+13	847	+14
Korea, Republic of	604	+20	735	+22
Italy	546	-1	556	+2

CHART 24

Source: US. Department of Commerce
U.S. Travel and Tourism Administration, Forecast of Arrivals
● - ● still'int*
P = projection

May 1995

Projected International Visitor Arrivals For The Second Tier Overseas Markets
7995 And 1996

Origin	1995e (000)	% Change 95/94	1996P (000)	% Change 96195
Taiwan	450	+19	538	+20
Australia	437	+6	469	+7
Venezuela	416	-2	412	-1
Netherlands	409	+4	430	+5
Argentina	398	+2	409	+3
Switzerland	394	+8	426	+8
Spain	287	-2	290	+0.3

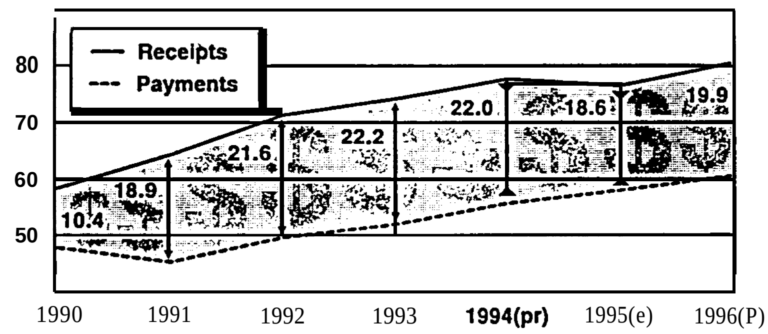
Source: U.S. Department of Commerce
U.S. Travel and Tourism Administration, Forecast of Arrivals
e = estimate
p = projection

May 1sss

CHART 25

The Travel Trade **Is** Positive but Gap Narrows **In** 1994 and 1995 Expansion Due **In** 1996

$Billions



Source: US. Travel and T- Administration, BEA
pr = preliminary; e = estimate; p = projected

May 1995

CHART 26

ESTIMATES AND PROJECTIONS OF INTERNATIONAL TRAVEL TO THE U.S.
(Estimates in Thousands)

ORIGIN	1994	% Change 94/93	1995e	% Change 95/94	1996P	% Change 96/95
Mexico	11,325	15%	9,612	-15%	9,465	-2%
Canada	14,970	-1 3%	13,668	-9%	13,29'	-3%
Overseas	19,209	3%	20,213	5%	21,584	7%
Europe	8,509	-1%	8,803	3%	9,196	4%
Asia/Middle East	6,265	13%	6,882	9%	7,636	11%
South America	2,143	6%	2,266	6%	2,426	7%
Central America	522	-4%	510	-2?4	520	2%
Oceania	565	-7%	591	5%	626	6%
Africa	177	5%	185	5%	194	5%
Caribbean	1,006	-8%	975	-3%	985	1%
Grand Total	45,504	-1%	43,493	-4%	44,348	2%

e= estimate; p= projection
Source: U.S. Travel and Tourism Administration

May 26, 1995
revised July 27, 1995

CHART 27

ESTIMATES AND PROJECTIONS OF TOP OVERSEAS TRAVELERS TO THE UNITED STATES

(Estimates in Thousands)

CHART 28

	1994	% Change 94193-	1995e	% Change 95194	1996p	% Change 96/95e
Japan	4,065	15"7&	4,412	9%	4,847	10%
United Kingdom	2,921	-3%	2,992	2%	3,079	3%
Germany	1,705	-7%	1,795	5%	1,905	6%
France	863	2%	895	4%	938	5%
Brazil	661	19%	745	13%	847	14%
Italy	551	-1 %	54[illegible]	-1%	556	2%
South Korea	504	23%	604	20%	735	22%
Taiwan	379	2%	450	19%	538	20%
Venezuela	424	-4%	416	-2%	412	-1 %
Australia	411	-9%	437	6%	469	7%
Netherlands	393	4%	409	4%	430	5%,
Argentina	- 390	1%	398	2%	409	3%
Switzerland	367	7%	394	8%	426	8%
Spain	295	-5%	289	-2%	290	o%

e = estimate; p= projection
Source: U.S. Travel and Tourism Administration

May 26,1995
revised July 27, 1995

ESTIMATES AND PROJECTIONS OF NEW FORECASTED COUNTRIES

(Estimates in Thousands)

CHART 29

	1994	1995e	% Change '95e/94	1996p	% Change 96/95e
PRC	158	166	5%	180	8%
Ireland	140	151	8%	166	1 o%
Austria	155	152	-2%	157	3%
Chile	125	130	4%	137	5%
Peru	121	124	2%	128	3%
India	108	112	4%	118	5%
Ecuador	98	106	7%	114	8%
Denmark	106	109	3%	114	4?40
Thailand	81	94	16%	110	17%
Norway	105	105	0%	108	2%
Philippines	107	105	-2%	105	0%
South Africa	79	83	5%	87	6%

e = estimate; p= projection
Source: U.S. Travel and Tourism Administration

May 26, 1995

ESTIMATES AND PROJECTIONS OF INTERNATIONAL TRAVEL TO THE U.S.

(Estimates in Thousands)

CHART 30

ORIGIN	1994	1997p	% Change 97/96	1998p	% Change 98197	Change 98p/94
Mexico	11,325	9,375	-1 %	9,449	1 %	-6%
Canada	14,970	13,408	1%	13,743	3%	-1170
Overseas	19,209	22,961	6%	24,418	6%	26%
Europe	8,509	9,612	5%	10,049	5%	16%
Asia/Middle East	6,285	8,384	10%	9,150	9%	46%
South America	2,143	2,583	6%	2,771	7%	35%
Central America	522	525	1%	534	2%	7%
Oceania	565	659	5%	694	5%	-170
Africa	177	204	5%	215	5%	26%
Caribbean	1,008	994	1%	1,006	1%	3%
Grand Total	45,504	45,744	3%	47,610	4%	6%

p= projection
Source: U.S. Travel and Tourism Administration

May 26, 1995
revised July 27, 1995

ESTIMATES AND PROJECTIONS OF TOP OVERSEAS TRAVELERS TO THE UNITED STATES

(Estimates in Thousands)

	1994	1 997p	% Change 97/96	1998P	% Change 98/97	Change 98p/94
Japan	4,065	5755	8%	5,665	8%	39%
United Kingdom	2,921	3,174	3%	3,260	3%	12%
Germany	1,705	2,027	6%	2,164	7%	27%
France	863	978	4%	1,017	4%	18%
Brazil	661	940	11%	1.054	12%	59%
Italy	551	571	3%	587	3%	7%
South Korea	504	872	19%	1,030	18%	104%
Taiwan	379	637	18%	723	13%1	90%
Venezuela	424	419	2%	429	2%	1%
Australia	411	499	7%	5 32	7%	30%
Netherlands	393	448	4%	472	5%	20%
Argentina	390	423	3%	438	4%	12%
Switzerland	367	455	7%	487	7%	33%
Spain	295	298	3%	306	3%	4%

p= projection
Source: U.S. Travel and Tourism Administration

May 26,1995
revised July 27,1995

CHART 31

TOP STATES VISITED BY OVERSEAS TRAVELERS TO THE U.S.
1993 AND 1994
(Overseas excludes Canada and Mexico)

TOTAL OVERSEAS ARRIVALS IN 1993 = 18,663000, Up 5%
TOTAL OVERSEAS ARRIVALS IN 1994 = 19,209,000, Up 3%

Rank IN 1994	STATE	1993 MARKET SHARE	1993 Visitation (000)	1994 MARKET SHARE	1994 Visitation (000)	% CHANGE 94/93
1	California	26.9%	5,020	27.2%	5,225	4%
2	Florida	29.1?"0	5,431	26.3%	5,052	-7%
3	New York	22.0%	4,108	22.7%	4,360	6%
4	Hawaii	14.0%	2,613	1 4.4%	2,766	6%
5	Nevada	8.0'%	1,493	9.8%	1,682	26%
6	Massachusetts	5.2?4	970	5.3'%	1,018	5%
7	Illinois	5.3%	989	5.2%	999	1%
8	Guam	4.0%	746	5.0%	960	29%
9	Texas	4.7%	877	5.0%	980	1 0%
10	Arizona	4.9%	914	4.9%	941	3%
11	Georgia	2.8%	523	3.1%	595	14%
11	New Jersey	2.6%	523	3.0%	576	10?/0
11	Pennsylvania	2.6%	523	3.0%	576	1 0%
14	Washington	2.1%	392	2.5%	480	23%
15	Louisiana	2.5%	467	2.4%	461	-1%

Source: U.S. Travel ● d Tourism Administration, 1993& 1994 Survey of International Travelers, MAY 19S5.

CHART 32

TOP CITIES VISITED BY OVERSEAS TRAVELERS TO THE U.S.
1993 AND 1994
(Overseas excludes Canada and Mexico)

TOTAL OVERSEAS ARRIVALS IN 1993= 18,662,000, Up 5%
TOTAL OVERSEAS ARRIVALS IN 1994= 19,209,000, Up 3%

Rank IN 1994	CITY	1993 MARKET SHARE	1993 Visitation (000)	1994 MARKET SHARE	1994 Visitation (000)	% CHANGE 94/93
1	New York City	20.4%	3,807	21.5%	4,130	8%
2	Los Angeles	16.9%	3,154	17,3%	3,323	5%
3	Miami	16.4%	3,061	14.5%	2,785	-9%
4	San Francisco	13.1%	2,445	13.0%	2,497	2%
5	Orlando	14,1%	2,631	12.2%	2,343	-11%
6	Honolulu	11 .4%	2,127	11.9%	2,286	7%
7	Las Vegas	7.5%	1,400	9.2%	1,767	26%
8	DC Metro Area	6.6%	1,269	6.6%	1,268	-0%
9	Chicago	5.0%	933	5.0%	960	3%
10	Boston	4.7%	877	4,6%	922	5%
11	San Diego	3.5%	653	3.8%	730	12%
12	Atlanta	2.5%	467	2.7%	519	11%
13	Anaheim	2.1%	392	2.4%	461	18%
14	Dallas/Ft. Worth	2,0%	373	2.2%	423	13%
14	New Orleans	2.4%	448	2.2%	423	-6%
14	Seattle	18%	336	2.2%	423	26%

Source: U.S. Travel and Tourism Administration, 1993 & 1994 Survey of International Travelers, MAY 11, 1995

CHART 33

CHART 34

** Revised 9/13/95 **

INTERNATIONAL ARRIVALS (Inbound) AND DEPARTURES (Outbound)
TREND ANALYSIS
1986 . 1996p

	194s	1257	1988	1989	1990	1991	1992	1423	19s4	1995e	1996p
INBOUND TOTALS (000) % Change	26,008 2.4%	29,500 13.4%	34,095 15.6%	36,564 7.2%	39,539 8.1%	42,986 8.7%	47,261 N/A	45,779 -3.1%	45,504 -0.6%	43,490 r -4.4%	44,345 r 2.0%
OVERSEAS (000) % Change	8,860 17.6%	10,534 18.9%	32.512 18.6%	13,s4s 11.s%	15,059 7.s%	16,155 7.3%	17,7s1 10.1%	1s.ss2 4.9%	19,209 2.4%	203s01 5.2%	213S0 r 6.S%
CANADA (000) % Change	10,7s2 0.7%	12253 13.5%	13,700 11.s%	15,325 11.9%	17352 1 2.6%	19,113 10.7%	18,SS4 -2.7%	17,293 -7.0%	14,s70 -13.4%	13nss -s.7%	13300 -2.7%
MEXICO (000) % Change	6355 -11.0%	6,713 5.6%	7,ss2 17.4%	7240 -8.2%	7217 -0.3%	7,716 6.S%	10,872 * N/A	0.s24 -s.6%	11,325 15.3%	%s10 -15.1%	0,4s5 -1.5%
	1986	1987	1988	1989	1990	1991	.1992	1993	1994	1995e	1996p
OUTBOUND TOTALS (000) % Change	37,158 7.0%	39,410 6.1%	40,669 3.2%	41.138 1.2%	44,623 8.5%	41,566 -6.9%	43,547 5.5%	44,411 1.2%	46,451 4.9%	47,419 2.1%	49,220 3.8%
OVERSEAS (000) % Change	12,02s -5.2%	13,616 13.1%	14,442 6.1%	14.7s1 2.4%	15,990 8.1%	14,S21 -9.2%	1s,sss 9.9%	f7.102 7.1%	18,149 6.1%	18,740 3.3%	19,375 3.4%
CANADA (000) % Change	13,s0s 17.7%	12.720 4.s%	12,763 0,3%	12,1s4 .4.5%	12,252 0.s%	12.002 -2.0%	11,818 -1 .5%	12,024 1.7%	12.542 4.3%	12,920 3.0%	13305 3.0%
MEXICO (000) % Change	11,512 10.0%	13.074 13.6%	13,4s3 3.0%	14.1s3 52%	16,341 15.7n	15,042 -62%	16.114. N/A	1528s -s.1%	15,759 3.1%	15,759 0.0%	18.540 5.0%

-0WIIma(lumd9Q
r = revised
p = projection (rounded)
N/A = not applicable
" Implementation of new methodology by Banco de Mexico at the US/Mexico border makes arrivals/departures totals for 1992-1995p not comparable to previous reported figures.

Source: U.S. Travel and Tourism Administration, Office of Research, Secretaria de Turismo (Mexico), Statistics Canada, Canadian Tourism Research Institute, cdf, trw.9/13/95

CHART 35

Revised 7/10/95

RECEIPTS ANO PAYMENTS TREND ANALYSIS
1986 - 1996p

	1966	1907	1988	1989	f 990	1991	1992r	1993r	1994	1995e	1996p
TRAVEL TRADE BALANCE ($Mil) % Change	(s6,450) -26.9%	(36.0271 -6.6%	(s1,434' -78.2%	$5,198 -	$10,42S 1006%	$18.s04 61.3%	$222s1 1 7.7%	$22,460 0.9%	$21,62S -3.7%	$15,145 -16.1%	$10.445 7.2%
RECEIPTS - TOTAL ($Mil) % Change	$25,967 17.1%	$30,566 17.7%	$38,409 2s.7?4	S46.4S3 22.0%	S56.305 24.4%	SS4,237 102%	$71,359 11.1%	$74,486 4.4%	$77,883 4.6%	375,715 -1 .s%	3s08- 5.1%
TRAVEL ($Mil) % Change	$20,385 14.6%	223,553 15.6%	$29,434 24.9%	$36,205 23.0%	343.007 18.8%	348,354 12.5%	SS4,742 13.1%	$57,875 5.7%	360.406 4.4$4	$58,575 -3.0%	3s1.s4s 5.1%
TRANSPORTATION ($Mil) % Change	$5,582 26.5%	$7,003 2S.5%	S4,076 28.2%	S10,6S6 18.7%	$15,298 43 5%	$1s,s54 36%	S16,618 4 8%	S15.611 -0.0%	$17,477 5.2%	$18,140 3.8%	$19,060 s 1%
PAYMENTS TOTAL ($Mil) % Change	332,418 4.6%	$36,593 12.9%	$39,443 5.9%	541,sss 46%	347,680 14.9%	345,334 -5.3%	349,10s 8 3%	$52,026 5.9%	593,255 8.1%	$55,570 4.1%	361,160 4.5%
TRAVEL ($Mil) % Change	42s,913 5.5%	329.310 13.1%	S32,114 9.6%	333.416 4.3%	$37,349 11.8%	$35.322 -5 4%	338.552 0.1%	340,713 5,6%	443.552 7.0%	$45,350 4.1%	347.375 4.5%
TRANSPORTATION ($Mil) % Change	36,s0s 0.9%	$7283 1 2.0%	$7,729 6.3%	46,249 6.7%	S10,53I 27.7%	$10,012 -4 9%	$10,s56 s 4%	$11.313 7.2%	S12,6SS 12.2%	$13.220 4.1%	$13,805 44%

r = revised by BEA
pr = preliminary
p = projection (rounded)
Travel (Receipts) = Spending by international visitors h the U.S. on travel-related expenses, i.e., lodging, food, entertainment, etc.
Transportation (Receipts) = Spending by international visitors traveling to the U.S. on U.S. flag carriers, and other misc. transportation.
Travel (Payments) = Spending by U.S. citizens outside the U.S. on travel-related expenses. i.e., lodging, food, entertainment, etc.
Transportation (Payments) = Spending by U.S. citizens traveling outside the U.S. on foreign flag carriers, and other misc. transportation.

Source: U.S. Travel and Tourism Administration, Office of Research. Bureau of Economic Analysis, calf, trw, 7/6/95

CHART 36

OUTLOOK OF INTERNATIONAL TRAVEL TO AND FROM THE UNITED STATES

This presentation is a compilation of data bases prepared on the international travel market for the U.S., both inbound (non-resident) and outbound (resident) travel by the U.S. Travel and Tourism Administration (USTTA). Some sources are partnerships with various organizations that enables us to bring you our customer the most up-to-date information of the impact of international travel to the U.S.

- Baseline arrivals data are available through the "Summary and Analysis of the International Traveler to the U.S."
- Receipts/Payments are provided by the Bureau of Economic Analysis and are reported quarterly in the USTTA Research Information Updates and Alerts.
- Traveler characteristic and destination information is available from the USTTA "In-Flight Survey of International Air Travelers."
- Projections of Arrivals/Departures available from USTTA "Forecasts of Arrivals."
- Potential Pleasure Traveler information for 17 countries are reported in USTTA "Pleasure Travel Market Studies."

For more In formation on the data presented here, please contact the U.S. Travel and Tourism Administration, Office of Research by faxing a request for more information regarding this data @ 202.482.2887.

Or write *to:*

U.S. Department of Commerce
U.S. Travel and Tourism Administration
14th and Constitution, Room 1868
Washington D.C. 20230
202.482.4028

AN OVERVIEW OF THE AMERICAN TRAVEL SURVEY

An Address by

Philip N. Fulton, Ph.D.
Associate Director, Bureau of Transportation Statistics
U.S. Department of Transportation

Thank you. It is a real honor and a pleasure to be here. And I want to thank TIA for inviting me to participate.

The Bureau of Transportation Statistics is our Nation's newest Federal statistical agency. We were created by the Intermodal Surface Transportation Efficiency Act of 1991 or ISTEA.

As any large organization or government agency, we have a mission. First of all, we were chartered by the Congress to compile transportation data from all the various sources available, analyze them, and describe the condition and performance of the transportation system, as well as make that data available so that people can use it.

Our second activity is to collect information on intermodal transportation. We are an intermodal agency. We are chartered to look at transportation as a system and how things all link together and how that system impacts and serves the country. So we take a broad view.

The third aspect of our mission is to serve as the Department's statistical agency and enhance the quality and effectiveness of statistical programs within DOT and also work closely with other statistical organizations and programs. such as TIA and its research department, the U.S. Travel Data Center.

Okay, now let us look at what we came hereto look at -- what we have called, in all modesty, the 1995 American Travel Survey (ATS), which in fact is in the field at this very moment.

There are 80,000 households nationwide that are participating in this survey. It is a survey of long-distance travel of U.S. residents during the entire year of 1995. It is a longitudinal panel survey. The same addresses are in the sample the whole year.

In our transportation jargon, it will provide us with passenger flow data by origin and destination on the Nation's transportation system. It will answer the question: How many people are traveling from where, to where, on what, and why?

It is being conducted by the Census Bureau not as a freestanding survey, but with all the aura of the census of transportation. The last time anything like this was done as part of the census of transportation was way back in 1977. And I would imagine that, to the extent that we can compare the data between 1995 and 1977, we are going to see some interesting changes.

Now, why are we, the DOT, conducting this immense survey? It is one of the largest going on in the country.

Well, first of all, we do not really know what the current and anticipated use of the transportation is. We have no statistics. And this survey will tell us that.

Secondly, once we have it, it will allow us to forecast future demand for transportation and make decisions.

Thirdly, it will be the basis for analysis of alternatives for investment, as investment dollars become scarcer and scarcer in the development of the transportation system. Numbers help target investment rationally.

It also will allow us and allow the Congress to assess the potential effects of legislation and regulations on the transportation system and its use.

And, finally it will identify critical links between transportation investments and economic productivity at regional and national levels. And one of the key aspects of productivity, obviously, is the travel and tourism industry.

About the methodology -- it is a survey of 80,000 households, a representative sample for the entire United States. These households are keeping track of any trip of 75 miles or more they make during 1995. And they get interviewed quarterly by telephone.

It is an interesting survey design in the sense that it is not a random digit dialing telephone survey, where the phone rings and the person, to their surprise, is asked questions about travel. All 80,000 of these households received a letter in December of 1994, informing them that they had been selected to participate in the survey, why we were doing the survey, how important it is, and what they would be expected to do.

And then a few weeks later, they received an envelope in the mail that included explanatory information and a travel calendar diary on which they were to keep track of their travel. And we tried to promote it to the extent that we can as a government agency. We could not send them free airline tickets and vacations to Cancun and so forth. But we try to appeal to the responsibility and the responsiveness of the people.

Then to have a "hot contact," these folks, in early January, got a phone call. And the person on the other end of the line explained why they were in the survey. Did they get the mailing package in the mail? Did they have any questions? Do we have their address correct? And tried to invest them in why we were doing this survey.

Then they began to keep track of their travel.

In the interim between the time they received the material and the time they are interviewed, they get postcards from the Census Bureau, reminding them, to keep recording their travel. We are going to call you one of these days. And then, two weeks before the call is made, they get a reminder letter that says in two weeks you are going to be called by an interviewer.

And then, finally, the interviewer calls and collects the information that the person reports from their memory or from the travel diary.

Now, what kind of information are we going to get from this survey? I referred to it as a passenger flow. It wi ll give us state-to-state passenger travel. It will tell us how many people from state A travel to state B during 1995, for what reason, on what type of transportation and so forth.

It will also tell us information on passengers in intercity corridors, for example, the Northeast corridor. We can accumulate information, if you will, on travel between Boston and Washington, looking at how many people originate in Boston, Philadelphia, New York, Washington, and vice-versa, to accumulate the flows. So this is very important for transportation planning purposes.

It will give us travel to and between metropolitan areas. With this sample size, we will be able to show how many people travel to each metropolitan area in the country during 1995, where did they come from, what kind of transportation did they take, why did they go there, what kind of accommodations did they stay in, how many nights, etc. And as a by product, we will get travel by Americans to other countries because we collect all kinds of trips, not just domestic trips.

From the characteristic standpoint, the ATS is going to give us information on trip characteristics. It will also give us the demographics of the travelers. Because it is a longitudinal household survey, we will get information on both travelers and non-travelers. And we will also get both cross sectional data from the standpoint that the interviews are quarterly, but also longitudinal data so that we will be able to study behavior of the same household over the course of a full calendar year.

When we organize the data for analysis, we are going to produce demographic files of persons and households, and we will produce trip files for the traveler characteristics. Now, I said before we are collecting trips of 75 miles or more. We are going to calculate the distance of the trips using the actual highway network. And I think this will be most useful or more useful for other users as well. But our tabulation universe will be ail trips of 100 miles or more.

Now, let us look briefly at demographic characteristics. We will have the full complement of demographic statistics that one would get in any demographic survey, or the Census, including age, sex, race, or Hispanic origin of the travelers, their household relationship and marital Status, their educational level, their employment or activity status if they are employed, unemployed, retired, looking for work, in school, whatever, the number of vehicles and type of vehicles that they have available, and, finally, the key variable, family or individual income for people who are not in families.

The trip characteristics are a wealth of information. Most of the survey time is spent collecting the trip characteristics. We wi II have the origin and destination of the trip, the period of travel, the time that the trip took place, the begin point and end point, the distance of the trip, the number of people and the characteristics of the people in the travel party. We will also collect the reason for the trip, the total number of nights away from home, the type of lodging and the number of nights at each type of lodging, the type of transportation used on the trip. We will also determine the access mode, as we call it, to and from the airport or the train station or the bus station.

And, unique to this survey, we are asking for stops along the way. If people took a linked trip, in our jargon, flew from Washington to Chicago to Los Angeles, came back Los Angeles to Denver to Washington, we ask about those stops. If they report Chicago-Denver, we ask why they stopped. Did you stay there? If you stayed there, how many nights did you stay? What kind of lodging? What did you do while you were there?

And we also ask about side trips at the destination. Based in large part to the counsel of the Travel Industry Association of America. in addition to making this a transportation survey, we are trying to, to the extent we can, have a complete accounting of the total nights away from home that these travelers spent, either at the destination stops or side trips, the type of lodging they were in, and what they did while they were there.

Our product program wi ll be heavily electronic, as most data are going these days. We are a big proponent and producer of CD-ROMs. So our data files will largely be released on CD-ROMs. But we will provide on those CD-ROMs software to tabulate the data and retrieve the data. We will not hand you ASCII files or SAS files and a manual to figure out how to get the information off the CD. If you can figure out how to put the CD in your machine and type in a few basic start commands, you should be able to run this information.

We will also put it up on the Internet, to the extent that our Internet node will handle the volume of this information. This is going to be a massive database. We certainly will put summaries up there, if we cannot put all the detailed data. And we also will do publications, probably highlight publications and summaries, staying away from very detailed statistical tomes, three inches thick, where you have tables of numbers. You can get that off the CD-ROM.

In terms of the product schedule, we are projecting to do a set of products off of the first six months of travel by the fall of 1996. And that should give researchers an opportunity to learn the file formats and learn the software, so that when we come out with the final data in early 1997, everyone will be ready to run.

It is very important to have information like this. It should be a very nice complement to the annual surveys that are done in the travel industry. It should provide benchmark information for the annual travel industry surveys to calibrate to. And it should provide all of us with a wealth of important information.

So that, in a brief overview, is our American Travel Survey.

1996 OUTLOOK FOR ACCOMMODATIONS

An Address by

Mark V. Lomanno
Executive Vice President
Smith Travel Research

MR. LOMANNO: Thank you, and good afternoon.

What I want to do is to give a brief overview of the lodging industry from an historical perspective, follow that with the current performance of the industry, and focus on the supply side of the lodging industry. It has been a while since there's been significant supply growth. We are on the horizon. Then 1 want to give you our outlook for 1996.

CHART 1 reviews occupancy rates for the industry for the years 1984 through 1994. For the years between 1984 and 1993, lodging industry occupancy traveled in a very narrow range, between 64 and approximately 61 percent. Since 199 l there's been a significant improvement in lodging industry occupancies, going all the way from just under 61 percent in 1991 to an excess of 65 percent last year.

There are two things to point out about that. The first is that the 60.9 percent occupancy in 1991 was the lowest industry occupancy for a 20-year period up to that point in time. And then that was quickly followed three years later by the highest industry occupancy since 1981. So in three short years, the industry went from being in what could be described as a horrendous occupancy state to the best in over 15 years.

CHART 2 shows the supply and demand performance of the industry over the period of time that resulted in the occupancies on the previous chart. What you see over that 10-year period is fairly significant and consistent demand growth. With the exception of 1991, where demand growth was actually flat, if you average the past 10 years, the lodging industry has averaged demand growth of 2.9 percent per year.

Now, if you think about that in terms of room nights occupied, a 2.9 percent increase right now would mean that every single day approximately 70,000 more hotel rooms are sold than the same period of the prior year. That kind of an increase -- that 2.9 percent increase -- is actually extremely healthy and extremely positive performance for the industry.

CHART 3 shows room rates over the period, and again, in a period of the mid- '80s to the early '90s, there was virtually no room rate growth. very flat. It was only in 1993 and 1994 that there was any meaningful room rate growth.

CHART 4 shows percent changes in room rate compared to the percent changes in the Consumer Price Index. Even though occupancies have been improving and the demand situation has been improving, because through the late '80s and early '90s supply growth was going at such a rapid rate, the industry's ability to raise room rates was depressed. In each of the years between 1987 and 1993, the percent change in room rates actually lagged the inflation rate, and in some years by a substantial margin.

What that means in terms of the consumer and-in terms of real dollars. is that in 1993 he or she was paying less for that room than in 1986. Consumers were unaware of the situation, and that influenced some of their buying decisions over that period of time. Even though the industry's occupancies have been recovering since 1991, it has only been since 1994. or last year, that the industry's recovery has been a twofold recovery: 1) the ability to get more people in the rooms to increase the occupancy, and 2) the ability to charge those guests the increased costs of doing business.

(CHART 5) Now, over that period of time, the supply and demand situation, the resultant occupancy situation coupled with the ability of hotels to raise room rates resulted in the following profitability picture. In the years "1985 through 1992, the lodging industry didn't make any money. In fact. over that period of time it lost just under $14 billion. But again, notice the remarkable recovery that the industry has made. There are two things I want to point out quickly about this chart.

First, the recovery between 1990 and 1993 was probably due to two major factors. The first was the improving occupancy situation, butthe second was an improving efficiency situation where the hotels were able to do a better job of controlling costs and controlling expenses. In that period of time between '90 and '93, they were able to institute many of those efficiencies. By 1994, profits jumped from $2.4 billion to $5.5 billion. which was again primarily the result of two factors: one is the occupancy improvement, but the second one was the industry's ability to raise room rates above the inflation rate. They had already achieved levels of efficiency, so the increased dollars from having more people in the rooms, and from being able to charge those people more dol lars than their increase in the cost of doing business, resulted in an extremely improving profit picture.

One of the things that I like about this conference is there's a lot of talk about overall economic conditions and how they relate to not only the hotel industry but also to the other hospitality and travel and tourism industries. The following charts show information on just how direct a correlation you can make between economic performance and lodging industry performance.

CHART 6 shows percent change in the Gross Domestic Product and percent change in room nights sold or demand in the years of 1978 through 1994. The first thing that you notice immediately is the direct correlation between the two measures, how they travel in almost an identical direction.

The other thing to point out is that even though they travel in an identical direction, sometime around 1986 there was a shift from the lodging industry's percent change or growth in demand lagging the growth in the Gross Domestic Product to outperforming the percent change in the Gross Domestic Product. And that has been the case in every year since 1986, again, extremely parallel lines, but with lodging industry demand growing at a slightly faster rate than the GDP.

So if one, in a very general sense. wants to estimate how the lodging industry is going to be doing next year, and if you look at a consensus of forecasts for Gross Domestic Product and say it's going to be growing at 2.4, 2.6, or whatever the percentage happens to be, it's probably a reasonable assumption that lodging industry demand growth is going to be very closely correlated to that number.

Demand at airport hotels and the percent change in revenue passenger miles, again show another close correlation, again traveling, in many cases, directionally in the same way, but again showing that what happens with revenue passenger miles and how many people are traveling and how far they're going has a good correlation to lodging industry demand.

Another correlation that one could draw would be for lodging demand and vehicle miles. Here we see the same kinds of relationships taking place, the percent change in demand for hotels at highway locations very closely correlating to the percent change in demand in vehicle miles. The overall economic information actually can do a great job of forecasting what the lodging industry is going to do.

(CHART 7) I'm going to show current performance for different industry groupings. The first is by what we call region, and it's supply/demand percent change by region. It compares the 12 months ending in July of 1995 with the 12 months ending July of 1994.

All nine census regions have experienced significant demand growth. In ail but two, demand growth has exceeded supply growth. The only two where supply growth exceeds demand is the Mountain region, where the casinos in Las Vegas and the tremendous year they had in prior years has slowed down some of the demand growth, and in the East South Central region where supply and demand are the same.

CHART 8 shows the resultant occupancies for each of the nine census regions for the two periods of time. Based on the supply/demand relationship from CHART 7, seven of the nine regions show an occupancy increase. occupancies are flat in the East South Central, and declined slightly in the Mountain region.

There are two other things to point out: One, even though the Mountain region was the only region to report declining occupancies, it still reported the highest occupancies of any region of the country at over 67 percent. The other point to make is that in the New England region, even though the situation is improving, occupancies there lag the rest of the country by a significant margin -- two full percentage points.

(CHART 9) Again for the same time period, 12 months ending July of '95 versus 12 months ending July of '94, we can look at the percent change in supply and demand by what we call our price categories. We classify each hotel in one of five price categories. Within a particular market, if a property is one of the 15 percent highest-rated properties in terms of average rate, it is classified as luxury, the next 15 percent are upscale, the next 30 percent are mid-priced. the next 20 percent are economy, and the remaining 20 percent are budget.

What's interesting about CHART 9 is that if you look at the supply growth over a 12 month period by each of those five price categories, you have in effect an almost normal distribution of a bell curve, with a majority of new rooms being built in the mid-price segment, and less being built at the high-priced end and at the low-priced end. This actually reflects the overall -- in some ways -- demand situation in the industry, with all segments reporting at least 2.5 percent demand growth, but the highest demand growth at the mid-priced and economy segments of the industry.

Again, that's not surprising. As soon as the lodging industry came out of the recession in mid 1991, the first segments to take off and do the best was the luxury and upscale properties. There are two reasons that happened. One is: many business travelers who had been asked to scale down some of their travel plans, to stay at a lower priced product or not to stay as long, began going back to their old habits of staying at some of the higher-priced products.

The other reason is people accustomed to staying at the high-end product recognized that the price value relationship of staying at those high-end products was probably the best buy at that point in time.

By the time you get two to three years into a recovery, what you find is a more normal distribution of demand. Demand growth surge that hits the high-end product first kind of slows down a little bit, and again you find a distribution of demand that's a more normal kind of distribution, with highest growth in the mid-priced product.

CHART 10 shows occupancies by each of the five price categories. As has been the case for the past several years, the higher priced the product, the higher the occupancy rate. It kind of, in some ways, flies in the face of conventional wisdom, but it's been a situation that the lodging industry has experienced for about the last four or five years. The situation has actually remained fairly stable, with the high-end product running occupancies in the low 70s, and the economy and budget product running occupancies in the low 60s.

We saw significant occupancy growth in the summer months of June, July, and August in the years 199 I through 1995.

Every day in the three months of the summer of 1995 the lodging industry sold 59,500 more rooms than it did the year before, over the same 3-month period. Now, if you aggregate these 5 years together, what you see is an interesting development . . . every single day this past summer the lodging industry sold more than a quarter of a million additional rooms than it did over the same period of time in 1990.

The lodging industry's demand rebound that we talked about, in terms of percentage numbers of 2.9 percent, 3.5 percent, whatever the number happens to be, actually translates into a significant number of room nights sold for the industry. I show this analysis just to put it more into perspective. If some people had trouble finding rooms in the summertime it was because the industry is selling a quarter of a million more rooms a day than it did a couple of years ago during that same 3-month period.

Let's look at percent changes in demand and percent changes in room rates, again over the summer months. In the first couple of years, '91. '92, and even '93, there was a fairly strong correlation between demand growth and room rate growth with demand growth growing in each of the years'91 through '94, but room rate growth just growing significantly in the latter years. By 1995, demand growth slowed down a little bit, but lodging industry pricing decisions remained the same, with room rates growing at about 4.2 percent. And that really highlights the situation that the lodging industry is in right now, with demand slowing down slightly, but the lodging industry maintaining its pricing policy at slightly above the inflation rate.

One of the things that's happening right now in the industry, with occupancy rates so high, with interest rates lowering and, if the forecast from the economist this morning is correct -- to go even lower, what you have is a situation where more dollars will become available for new construction in the lodging industry. When that happens, the kind of-product that's being built is very reflective of what's happening now.

CHART 13 shows new construction by size of property, and it contrasts two periods of time, calendar year 1989 and 12 months ending in August of 1995. What you see in 1989 is a fairly normal distribution, again. of all size properties being built. But by 1995 you get a very uneven distribution. You have an overwhelming majority of the properties being built-with less than 150 rooms. Almost half of all properties built in the 12 months ending in August 1995 have less than 75 rooms in them. So what the industry's building, again, is very small properties or very large ones.

(CHART 14) Another way to look at this is by location type. Again, in 1989 you had a fairly even distribution of the hotel population among suburban, airport. highway, resort, and urban locations. By 1995, almost 90 percent of all the properties built in the 12 months ending in August were either built in suburban or highway locations. Very few urban properties, very few resorts, and very few airport properties were built.

(CHART 15) And the final way that 1 want to look at this is by price. Again, in '89 we see the normal distribution between the five price categories. But by 1995 you have 41 percent of the properties being built classified as mid-priced, another 24 percent are upscale and 23 are economy. a very biased picture toward mid-priced properties. So if you add those three things together -- the size of the properties being built. where they're being built, and what price they're charging -- you see what's happening right now is the industry evolving from a normal distribution of product to building smaller properties in secondary and tertiary markets, and those new properties targeting the mid-priced segment of the marketplace in terms of price.

CHART 16 shows the number of rooms built in 1989. and the 10 markets that had the largest number of new rooms added. What you can see is that they are al l either major metropolitan areas, business destinations or resort destinations -- Las Vegas, Chicago, D. C., all the way down to Riverside.

(CHART 17) By the 12 months ending in August of 1995, you have a completely different picture. The largest market built was the State of Nevada, outside of Las Vegas, where there was 2,000 rooms built, which would have barely even made the list in 1989, but now it's number one on the list. And if you look at those markets, there's still some bigger ones. But there are, in our definition, much smaller markets -- Knoxville, Tennessee, Mississippi, half of Missouri, the Missouri South, the whole State of Iowa. What's even more dramatic is, if you look at Orlando. that 1920 rooms is one Disney property. If you look at Philadelphia, 1,200 rooms is one Marriott.

(CHART 18) Let's look at who built properties in 1989. These are the top 15 chains by the number of rooms that they actually opened in 1989, the largest being independent, and those are really a combination of properties in Las Vegas and Disney properties that in that year contributed to that high number. But if you look at the rest of the change, it's a fairly normal distribution. You have Comfort Inns, the high-end economy chain, Marriott, and you go all the way down the list, Hampton, Holiday Inn. Hyatt. You have a very nice mix of chains. some upscale chains, some mid-priced chains, and some economy chains.

(CHART 19) If you look at that same thing for the 12 months ending in August of 1995, you only find one chain that is not either economy or mid-priced -- Hampton Inn, mid-priced chain; Holiday Inn Express, economy chain; Comfort, economy; Fairfield; Best Western; Super 8; Day's Inn; Sleep Inn; Marriott, again, the only one that is not a mid-priced or economy chain, one hotel, and it's in downtown Philadelphia, and then the remaining economy chains.

So you can see, if you look at that, and then you think about some of the other charts. about the size of the property and the location types and the pricing, what you have is formerly economy kinds of chains building mid-priced product, and even in some cases in some markets, even upscale type of product, from a pricing standpoint. So it's an interesting evolution of the industry, and as the next couple of years evolve and more money becomes available, we think that these are the chains that are going to be doing most of the building, at least in the short term.

(CHART 20) Now we'll get to the outlook for 1996. You can draw a strong correlation between lodging demand growth and Gross Domestic Product. So we're expecting 1995 to finish off with demand growth of 3.3 percent, and that to drop slightly to 2.9 percent in 1996, which will be about a half-a-point higher than the percent change in GDP.

Earlier I said that the average demand growth over the past 10 years was 2.9 percent. So if our projection for 1996 is correct. that would mean demand growth for the industry will be about the average of what it's been over the past decade. and we think that in general that's a very positive statement.

Again, there's the demand growth we're looking at, 2.9 percent. However, we're going to see for the first time a significant jump in the number of rooms that are being built, from 1.5 percent growth this year to about 1.8 percent growth in 1996. That 1.8 percent will mean that somewhere between 60.000 and 70,000 rooms are going to be built, new product coming into the lodging industry next year.

(CHART 21) If those supply/demand projections are correct, industry occupancy will rise from 66.4 percent in 1995 to 67.3 percent in 1996.

(CHART 22) Room rates will go from $66.30 in 1995 to $68.95 in 1996, which is a four percent change in room rates.

(CHART 23) This chart again shows percent change in room rates versus percent change in the Consumer Price Index. We expect 1995 to be the second year that room rate growth exceeds percent change in the CPI, and we think that situation will continue in 1996. Because of a closer supply/demand relationship, we think that room rate inflation will be a little lower, but still much higher than the general inflation rate.

And finally, we're looking for industry profitability in 1995 to grow from $5.5 billion last year to $6.5 billion this year.

In conclusion, in looking forward to 1996, the best two words to describe the hotel industry would be: slow growth. All the positive things that have happened over the past couple of years will continue to happen, they will just happen in slightly smaller numbers. Demand growth will be slightly slower, occupancy growth will be slightly slower, room rate growth will be slightly slower, but the overall picture will be a healthy industry, and one that's going to make more money in 1995 and 1996 than it did in the years prior to that.

Thank you very much for your attention.

CHART 1

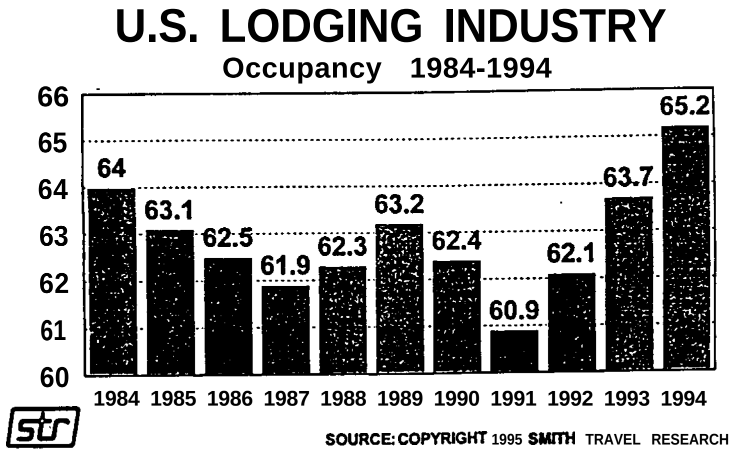


CHART 2

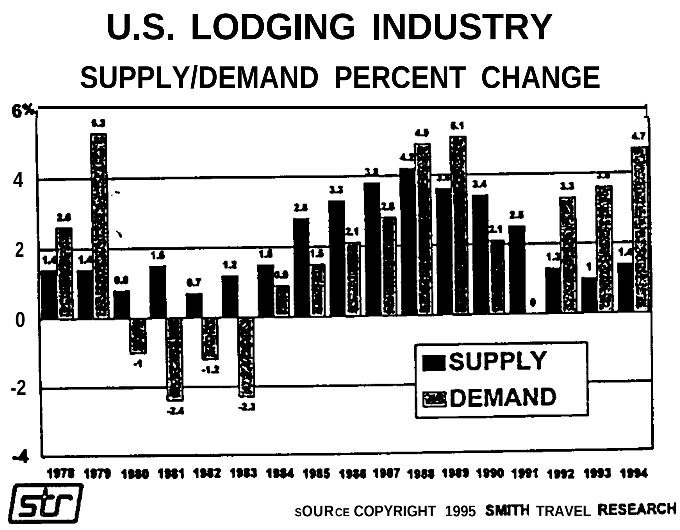
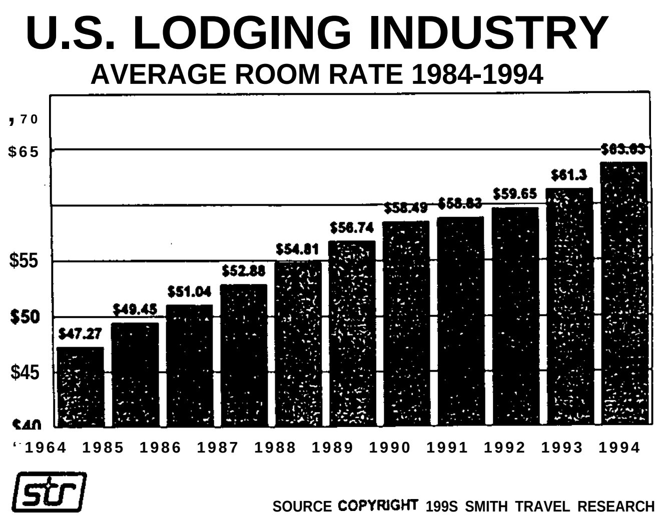


CHART 3



U.S. LODGING INDUSTRY
AVERAGE ROOM RATE % CHANGE VS CPI % CHANGE
1984-1994

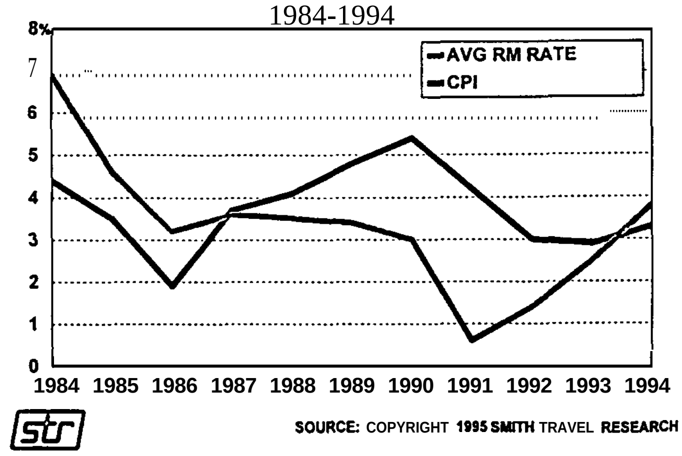


CHART 4

LODGING INDUSTRY PROFITABILITY
1982 - 1994
Billions of Dollars

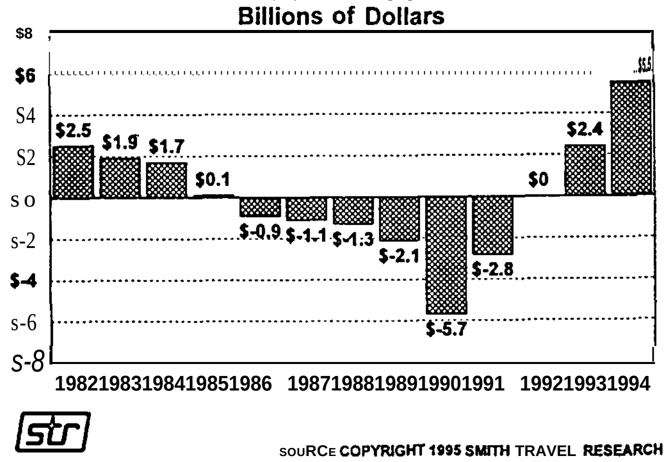


CHART 5

Lodging Demand vs GDP
Percent Change 1978- 1996P

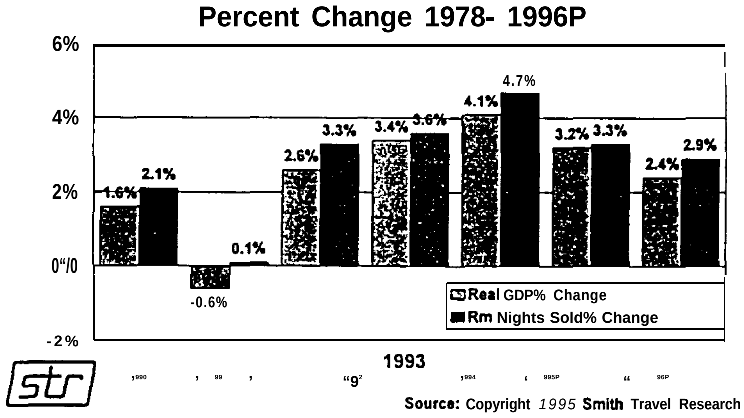
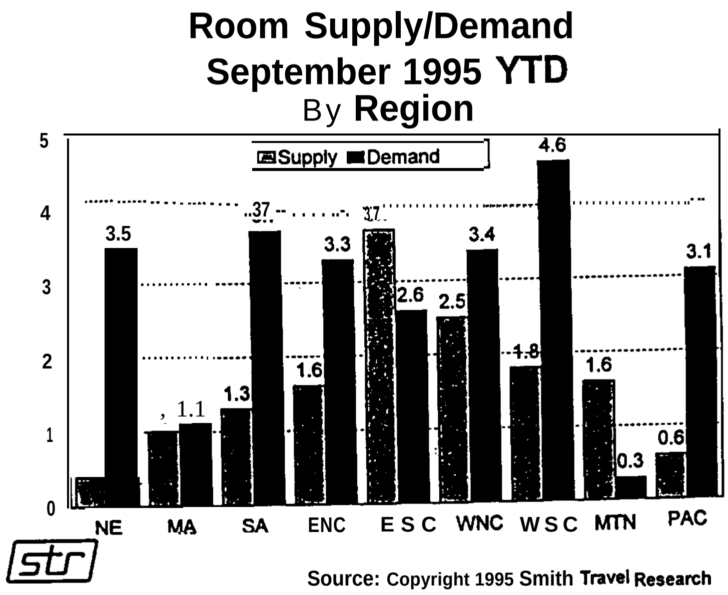


CHART 6

CHART 7



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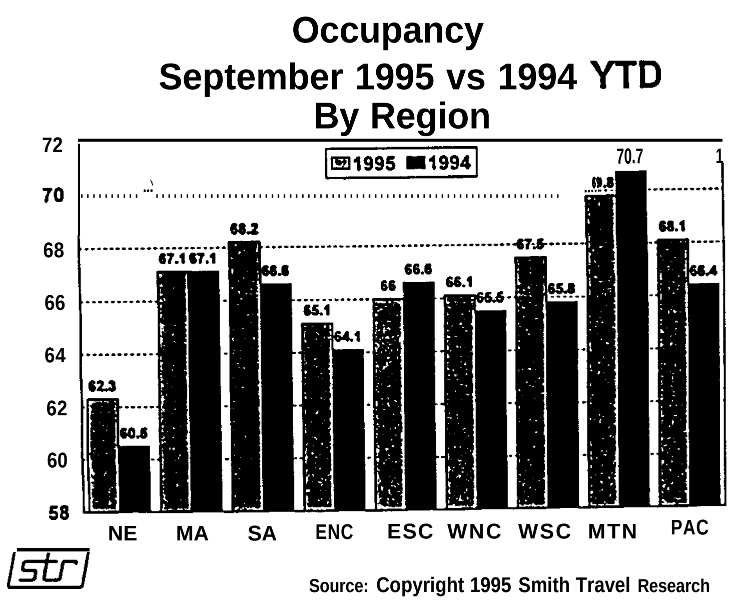

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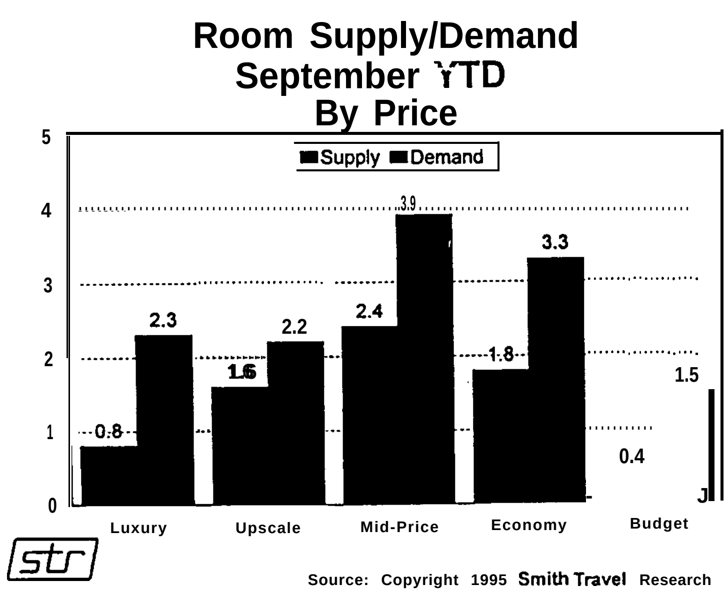


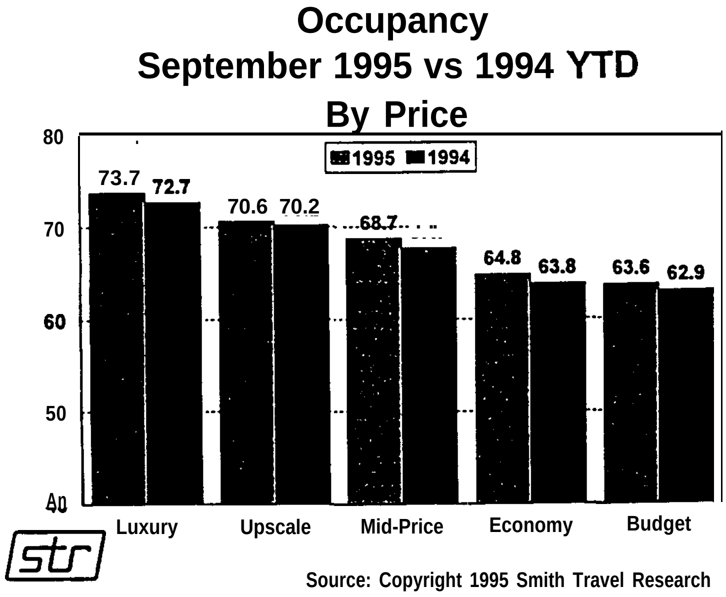
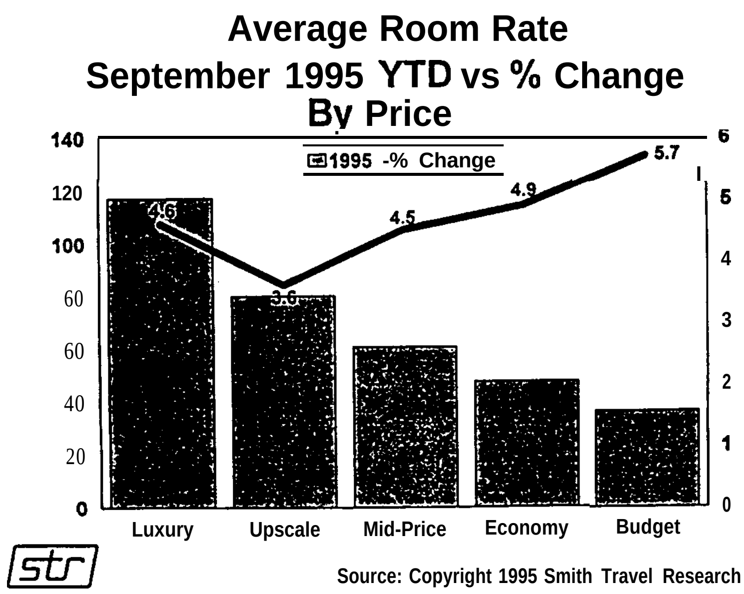


CHART 10



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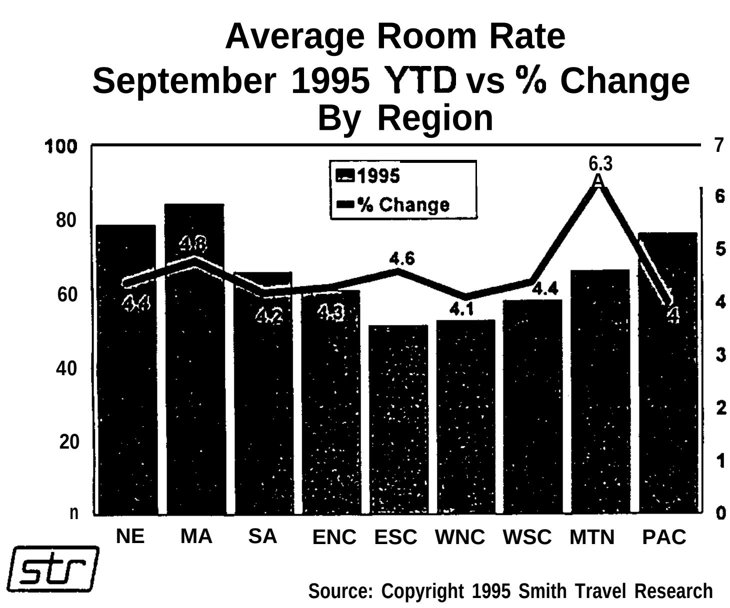
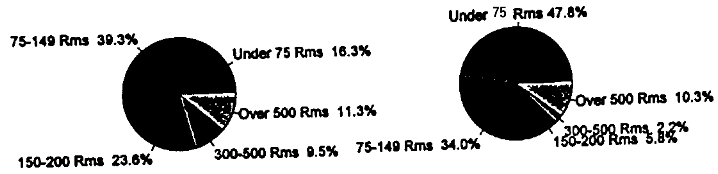


CHART 12

New Construction By Size

CHART 13

1989 1995



New Construction By Location

1989 1995

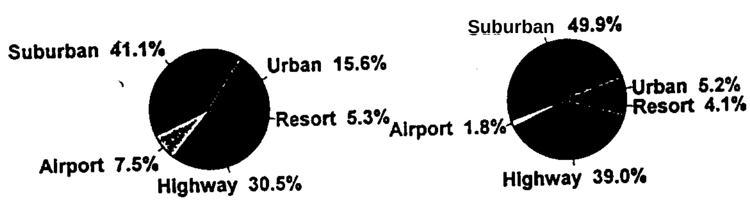


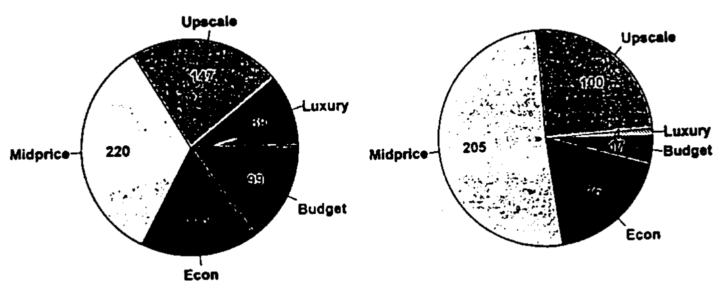
CHART 14

Source: Copyright 1995 Smith Travel Research

New Construction By Price

1989 1994

CHART 15



Source: Copyright 1995 Smith Travel Research

1989 New Construction
Top 10 Markets

1.	Las Vegas, NV	4472
2.	Chicago, IL	3772
3.	Washington, DC-MD-VA	3517
4.	Atlanta, GA	3425
5.	Los Angeles-Long Beach	3402
6.	Detroit, MI	3045
7.	Orlando, FL	2894
8.	San Diego, CA	2685
9.	Charlotte, NC-SC	2120
10.	Riverside-San Bernardino, CA	2015

CHART 16.

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Source: Copyright 1995 Smith Travel Research

1995 New Construction
Top 10 Markets

1.	Nevada	2156
2.	Orlando, FL	1920
3.	Knoxville, TN	1566
4.	Mississippi	1403
5.	San Antonio, TX	1283
6.	Philadelphia	1200
7.	Missouri South	1093
8.	Houston, TX	901
9.	Atlanta, GA	820
10.	Iowa	752

CHART 17

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Source: Copyright 1995 Smith Travel Research

1989 New Construction
Top 15 Chains

1.	Independent	13958
2.	Comfort Inn	8124
3.	Marriott	6112
4.	Super 8	5625
5.	Courtyard	5120
6.	Days Inn	4887
7.	Doubletree Guest Ste	275
8.	Holiday Inn	3506
9.	Fairfield Inn	3323
10.	Embassy Suites	2530
11.	Hyatt	2507
12.	Residence Inn	2134
13.	Motel 6	2010
14.	Best Western	1886
15.	Crowne Plaza	1650

CHART 18

str

Source: Copyright 1995 Smith Travel Research

CHART 19

1995 New Construction
Top 15 Chains

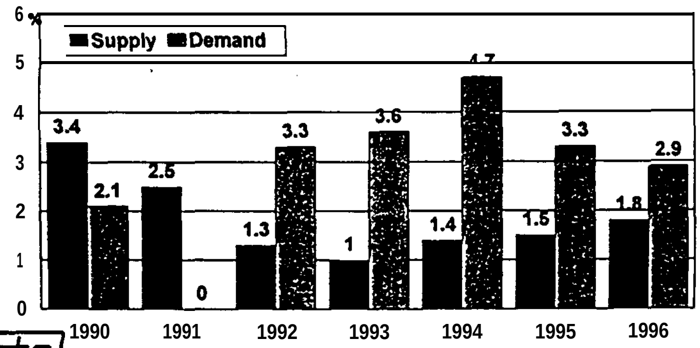
1.	Hampton Inn	7028
2.	Independent	5753
3.	Holiday inn Express	4757
4.	Comfort Inn	4679
5.	Fairfield Inn	3187
6.	Best Western	2895
7.	Super 8	2650
8.	Days Inn	2324
9.	Sleep Inn	1416
10.	Marriott	1200
11.	Ramada Limited	1o11
12.	Budgetel	1007
13..	Shoney's Inn	984
14.	Country Lodging	708
15.	Drury Inn	683

Source: Copyright 1995 Smith Travel Research

CHART 20

Total U.S. Supply/Demand

Percent Change

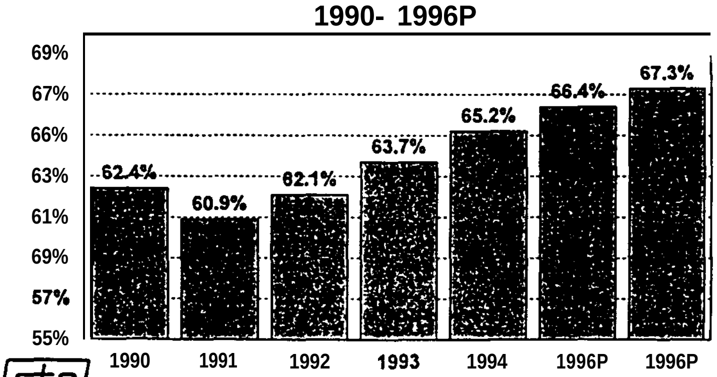


Source: Copyright 199S Smith Travel Research

CHART 21

Total U.S. Occupancy Percent

1990- 1996P



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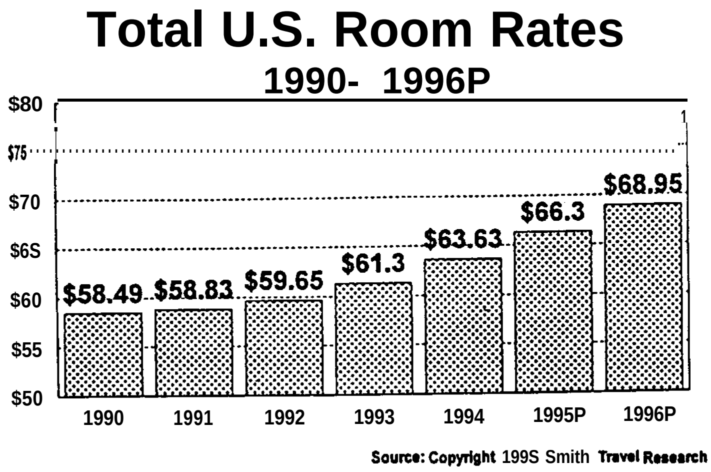

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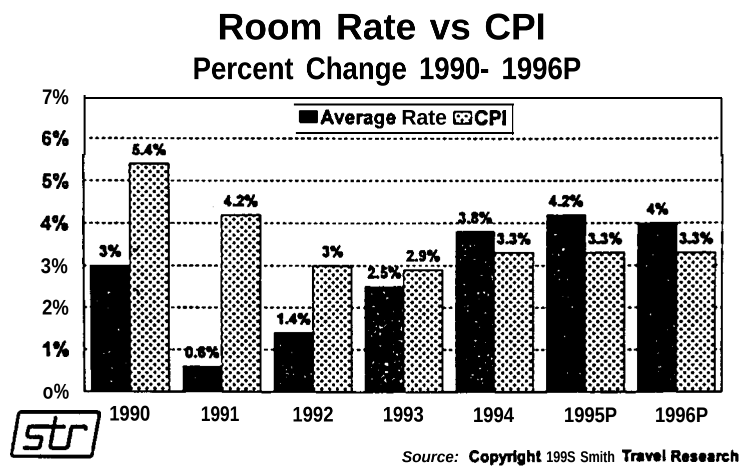

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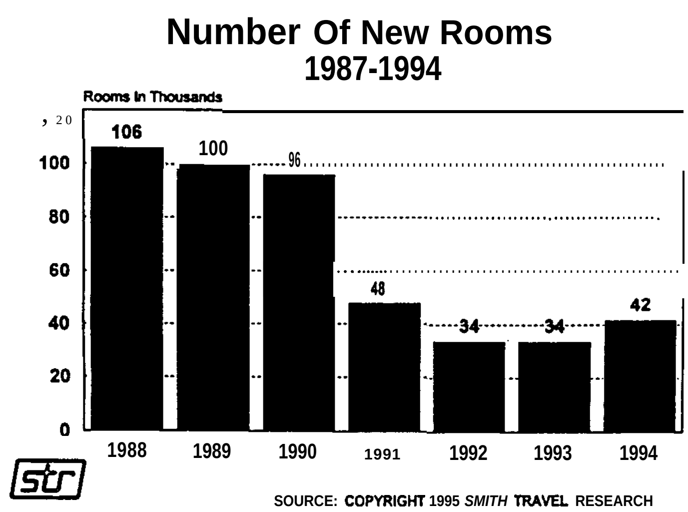


CHART 24

CHART 25

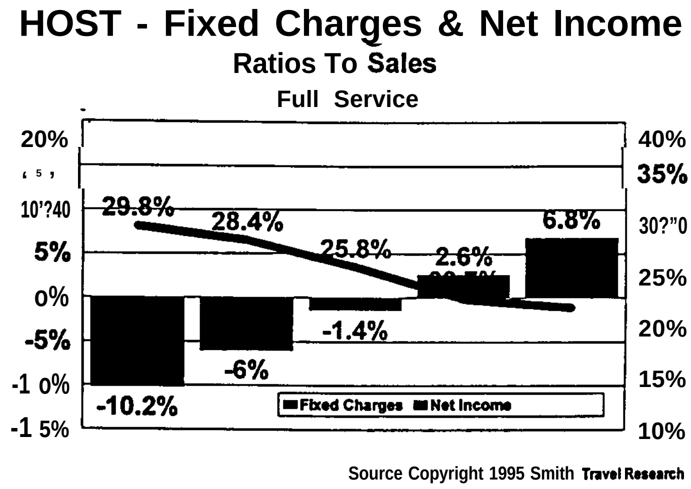


CHART 26

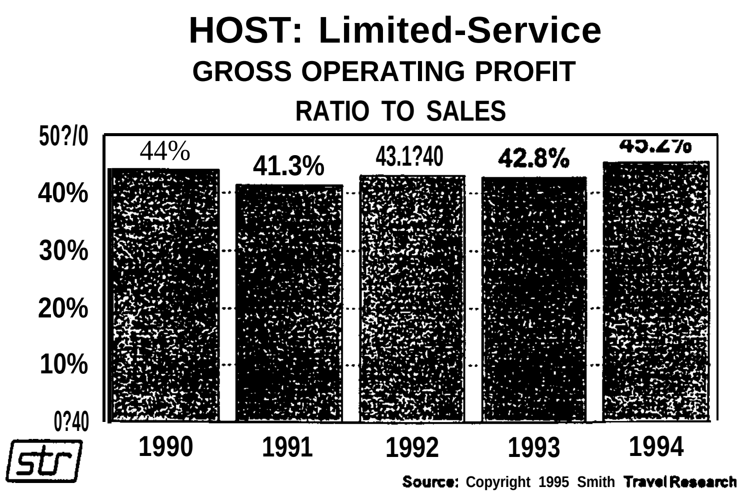


CHART 27

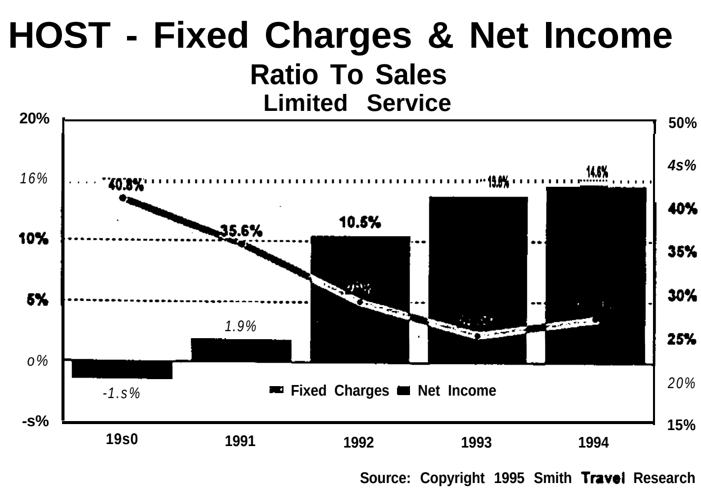
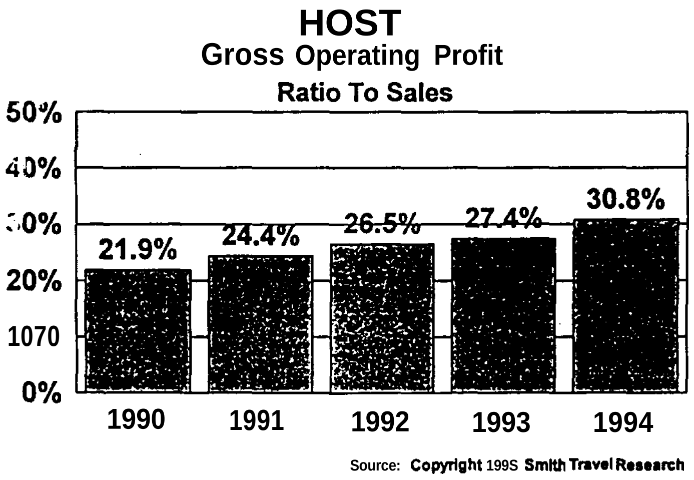


CHART 28



HOST
Gross Operating Profit
Ratio To Sales
50%
40%
30%
20%
1070
0%
21.9%
24.4%
26.5%
27.4%
30.8%
1990
1991
1992
1993
1994
Source: Copyright 199S Smith Travel Research

1996 OUTLOOK FOR AIR TRANSPORTATION

An Address By

David A. Swierenga
Chief Economist
Air Transport Association of America

It's a pleasure to be here again, especially as we are standing on the eve of our first profitable year in many.

(CHART 1) The last 5 years --$13 billion in losses -- a pretty sorry performance for our industry. Warren Buffett, a fairly successful investor, commenting on one of his less successful ventures into air transportation. said: "despite the efforts of skilled management, the reward is survival, not prosperity. " In fact, there have been a number of air carriers that have not survived the last 5 years, and we certainly have not gotten to a level of prosperity. What I'd like to do is to take you through where we are today.

(CHART 2) Traffic: First of all, what we're looking at here is month by month for 1994, and 1995 through September. And you can see that for the most part international travel has bounced along at about 2 to 6 percent growth during most of that period of time, remaining relatively constant. In 1994, the average for the year was 2.9 percent, doing a little bit better in 1995, 3.8 percent.

Domestic travel rose toward a peak in growth rates at the end of 1994 and early in 1995, and since then the rate of growth has been coming down fairly steadily so that in September we, in fact, saw a decline in our domestic passenger traffic. The numbers that I have seen so far for October indicate something like a 2 percent decline for October. So this sort of ominous trend in airline traffic has some of us in the industry concerned that what looks I ike a profitable year may in fact finish rather dismally.

(CHART 3) Looking at our international traffic. breaking it down into three major traffic areas of the world, the Latin American and Caribbean markets have been the fastest growing markets. although those are our smallest international markets. They are generally growing at about 10 percent, a pretty healthy rate of growth.

The Pacific, after declines early in 1994, began to pick up a bit, and we now are seeing growth rates in about the 7 percent range. So far for the year we have 5.5 percent growth in our Pacific markets.

The Atlantic markets have had slow growth through most of 1994, but have recently dropped into negative territory. Part of the reason for this distribution in our traffic growth rates has to do with price. Prices on the Atlantic are generally up about 7 percent; prices in both Latin American and Pacific markets have been declining about that same rate, about 7 percent. So what you're really seeing here in part is the volume of traffic reacting to different pricing levels in those different markets.

(CHART 4) Turning our attention now to the capacity side of the equation, you find that all during 1994 our international capacity was on the decl inc. For the year, it averaged a 1.6 percent drop in capacity. Domestic grew. but very slowly, only 9/ 10ths of 1 percent. 1995 growth rates in both markets began to pick up a bit, although the domestic rate peaked early in the year just as our traffic did, and has also been coming down steadily with our traffic. International growth rates. on the other hand, have continued to pick up steam.

(CHART 5) If you look at traffic growing at around a 3 or 4 percent rate and capacity growing at about a point less than that, what you get is a sharply rising load factor in 1994. That was a record for the industry since World War 11, and it looks to me like 1995 will see load factors edge up ever so slightly to 66.9 percent.

The interesting thing, of course, is the dotted line. The dotted line is the break even load factor, the percentage of seats that need to be filled in order for us to have zero profits. You can see that that number has been pretty steadily in about the 65 percent range. In 1994 we just about broke even. We had a loss of $280 million in our industry, essential y a break-even year. 1995 looks I ike it will be profitable, and part of that profitability is the fact that we have continued high load factors -- record high load factors -- but more importantly our costs have come down and prices have moved up. Each of those things means we need to fill fewer seats to break-even.

(CHART 6) One thing about capacity that we can say looking ahead is that 1 think we'll see relatively modest growth in capacity for the next 3 years or so. The number of aircraft that our industry has had on order or option since 1990 has come down steadi I y. Now, what that means is that aircraft have been delivered to the industry, and relatively few new aircraft orders have been placed with manufacturers, so that today -- as of June 1995 -- we have about 1,300 aircraft on order or option compared to 1990 when we had more than double that number of aircraft on order and option.

At that time, in early 1990, we were taking about 250 new airplanes into our fleet every year. It peaked at that time. The rate that we are looking for, based on the orders that we have now and the schedule of deliveries for those that are firm, looks like something under 100 airplanes a year coming into the fleet. So that means that capacity in our industry is going to be growing slowly for the next several years. We won't see much in the way of new service because airlines will not have the capacity to enter new markets.

(CHART 7) On the other hand, this is the number of used aircraft that are available for sale or lease. Some of these are parked in deserts; others you've seen stashed away in far corners of airports, that sort of thing. That, you can see, has also come down. It peaked in 1991 at 727 surplus aircraft. Today we're looking at something like 500 airplanes available for sale, and many of those airplanes are the old noisy aircraft, the less fuel efficient aircraft, the ones that are least likely to be recalled into service. But nonetheless, this capacity is available. Should the industry need to ramp-up quickly, this is probably going to be one of the places where they would go for additional capacity. Again though, 1 think that the key thing is that airlines have few aircraft on order. they are being relatively cautious about adding capacity to our industry.

(CHART 8) Turning our attention now to the revenue side after looking at traffic and capacity, domestic prices for 1995, are running one-tenth of 1 percent down from 1994 levels. All of the declines in prices occurred early on in the year, when we had the very high rate of traffic growth.

Since April, prices have moved ahead of 1995, and are now running at essentially 1993 levels. In every single month in 1994 we saw price declines in our industry, and now that capacity is firming up a bit we are starting to see some increases in our pricing, but we are still only back to essentially 1993 levels.

(CHART 9) Turning our attention to expenses, now you remember I said that the break-even load factor had come down because of the rise in prices and the decline in expenses. The largest single element of expense is labor costs, and that has not been coming down. In fact, if you look at this chart you see that the average compensation, wages and benefits, per airline employee, full-time equivalent employee, is $60,300. Airline employees are pretty well-compensated employees. Their compensation has been growing at above the rate of inflation since 1987, a 4.4 percent rate of growth.

(CHART 10) On the other hand. while wages and benefits have continued to increase, productivity has increased at an even faster pace, growing at nearly 6 percent annually since 1990. Of course, 1990 was the beginning of our financial woes, and the industry really began to cut back in its workforce, so output per employee has grown significantly. This means, though, with rising wages and rising productivity, that unit labor costs have been generally on the decline for our industry.

(CHART 11) You can see also that revenue per employee -- another measure of productivity -- has risen fairly substantially since 1991.

(CHART 12) The second largest item of expense is jet fuel, and here is one of the areas that has really made a substantial contribution to the return to profitability that we are seeing in our industry. The average price per gallon in 1993 was almost 60 cents, and early in the year that it was running closer to 62 cents; 1994 the price averaged about 55 cents a gallon: in 1995 we're now running slightly less than that.

Every" penny decline in the price of jet fuel is a $170 million reduction in our operating expenses. So when you heard my boss Carol Hallett this morning talking about the big concern that we have about the jet fuel tax, that 4.3 cent a gallon tax, looks to us like over half a billion dollar increase in our expenses. A half a billion dollar increase in our expenses has the real potential of dropping us back into a loss position.

(CHART 13) Here is something that I know that many of you are interested in, a real area of contention between travel agents and the airline industry, commissions, which had been our fastest rising element of expense. From 1982 -- actually, this goes back even further than that, but starting in 1982 where we had commissions at about 7.5 percent of passenger revenue, they peaked at almost 13 percent of passenger revenue in 1992, stayed high in 1993, and have come down sharply in 1994 and 1995.

(CHART 14) If we take a look at this decline by looking at those major market areas that we talked about before, you see that the biggest decline in fact occurred in the Pacific, and this really was not a reduction in commission expense at all. What you had was commissions at the astronomically high rate of 36 percent of passenger revenue. In other words, we were paying out more than a third of our revenue in commissions to the agent.

Now, we know that those agents were kicking that back to the traveler, and so the net cost to the traveler was significantly less than the ticket price. So airlines have begun to change their accounting procedures, and instead of recognizing a very high level of passenger revenue, what they are doing is netting some of the commission cost against that. They are still paying a high commission in the Pacific, higher than any of our other markets, but in fact it has not come down by half. And you see also in the domestic markets -- this is our largest market -- that commission rates have come down by nearly a full percentage point since 1993.

(CHART 15) Let's turn our attention to the future of our industry. As we've already seen, our business depends largely on what's happening with the U.S. economy. This chart summarizes some of the things that you've already heard earlier today about the outlook for the economy.

The consumer is seeing things a little bit more positively. You're seeing consumer spending picking up a bit; consumer confidence holding at high levels; unemployment rates at fairly low levels and declining; inflation, relatively modest levels of inflation, 2.5 to 3 percent; monetary policy looks like it's headed towards even lower rates of interest, which will be a real stimulus to the economy.

On the other hand, fiscal policy, the continuing whittling away at the budget deficit, means that there will be less of a stimulus from fiscal policy, so that's going to hold down some of our growth, and you can see some of the results of this when you look at what's going on, corporate profits continuing to rise and their spending plans along with that continuing to rise, although corporate profit's rate of increase is slowing down a bit, but nonetheless still growing. Housing showing signs of rebounding with the lower interest rates, and to some extent you're also seeing that with auto sales. So the long and short of this is that I think that economic growth will continue to increase through 1996.

Now, when I stood here last year one of the real concerns that I laid out for you was whether we might have a hard landing in our industry?

(CHART 16) The outlook for economic growth is that the quarter that has just ended will probably see about 2 percent rate of growth, and I'm showing here that the next couple of quarters might be as high as 3.5 percent. There are some economists that are now getting much, much more cautious as we see things unfolding. They're getting more cautious about those early quarters in 1996. But overall we're looking for something like about a 3 percent rate of growth in 1995, and 1996 something close to that, but the pattern will be considerably different.

(CHART 17) Traffic is directly linked to two primary things. First, our prices, which I believe will be headed up because of the tight situation on capacity. I think that the increase will be less than the rate of increase in inflation -- in other words, if the CPI is going up 3 percent, I expect price increases to be less than that 3 percent. Second, what's going on with the economy. Slow growth in the economy and rising prices in our industry means that we can really only expect modest growth in traffic, 3.6 percent in 1995, and almost all of that occurred early in the year, you'll recall, and dropping down to under 3 percent in 1996.

(CHART 18) For profitability, most of the Wall Street analysts have the industry profitable. So far, two quarters of earnings have been reported and some carriers will report their earnings today. For the third quarter, which is generally the industry's most profitable quarter, we're looking at $1 billion already in reported profits, and at least one more good quarter to come, the third quarter.

The fourth quarter is likely to beat best break even. As you know, in our industry we make our money in the second and third quarter and try and hold onto it as long as we can through the fourth and the first. Those quarters are often loss quarters for the industry. So the Wall Street analysts have it pegged at something like $2.5 billion for the industry. That 'would be a profit margin that would be a lot like 1988: one of our better years.

So, not a bad year in terms of our own history, our own record of profitability, but if you stack our record of profitability up against total U.S. industry average profitability which runs at about 5 percent, you can see that even in our best years we fall far, far short of what's only average for other industries. So we really do have quite a long ways to go before we get to that "prosperity" that Warren Buffett spoke about.

(CHART 19) What will we do with this profit? One of the things that I want to point out to you is that over the last 5 years the industry has kept itself alive by borrowing a lot of money. Our debt equity ratio went from about 54 percent in 1989 to 64 percent today. This is something that will have to be whittled away. The average corporation in America has about 39 percent of its capital from debt, as opposed to our industry which has over 65 percent of its capital in debt.

And, in fact, if you add to that the operating leases for aircraft in our industry, there are many air carriers who have 100 percent of their capital in the form of debt, which is extreme and very, very risky. When the industry is faced with a downturn in demand, I think that what we're looking at are a number of carriers facing bankruptcy, maybe even going out of business.

So one thing we're going to have to do is pay off some of that debt, restructure our balance sheet, and hopefully we' 11 get into a reasonably good picture as far as our bankers are concerned because we still have something like $75 billion of equipment to buy by the year 2000.

(CHART 20) Just looking at the orders and options that are scheduled for delivery between now and 2000, firm orders, $29 billion; options that we expect will be exercised during that period of time, $47 billion; for a total price tag between now and the next millennium, $76 billion. That's an average of almost $13 billion a year. For an industry who in its very best year is looking at something like $2.5 billion in profits, that $13 billion in capital expenditures looks like a staggering, impossible sum of money. We're going to see slow growth because of this.

We now have two quarters of profits under our belt, and we have a government standing there with the offering plate out already. It's hard to believe for an industry such as ours that has lost so much money, that has seen so many carriers go out of existence, so many employees lose their jobs, that our government feels that it's now an appropriate time to tax us, but they do.

So with that, I will thank you very much for your attention, and I think it's now time for questions.

CHART 1

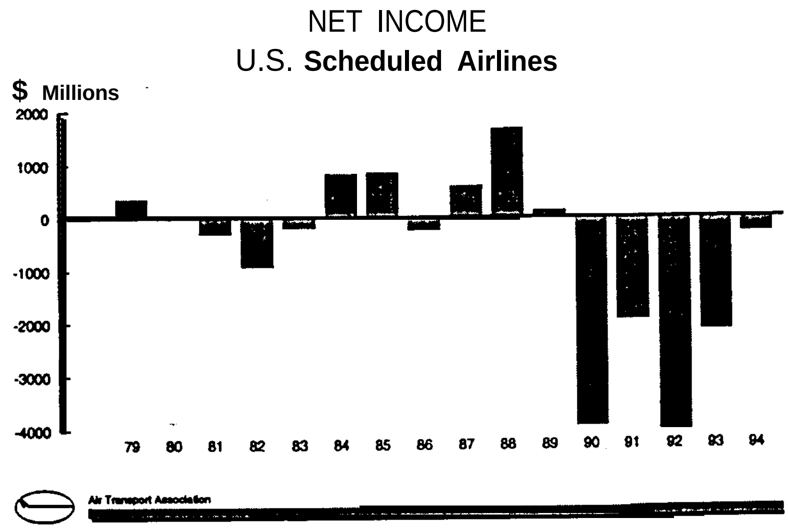
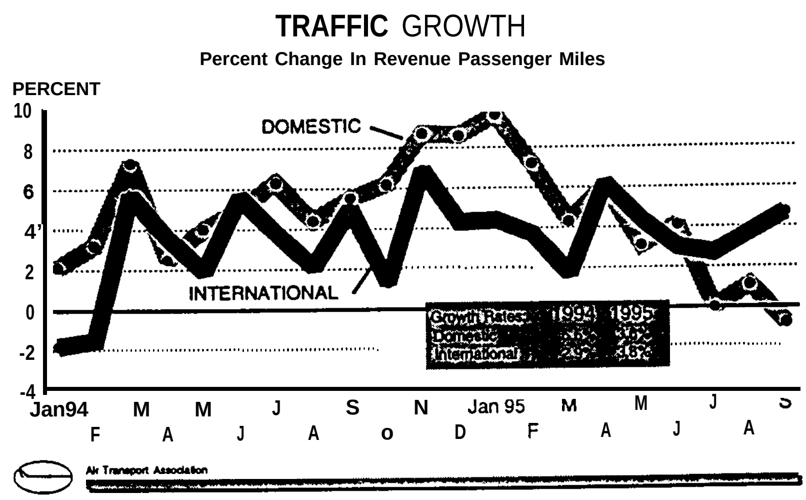


CHART 2



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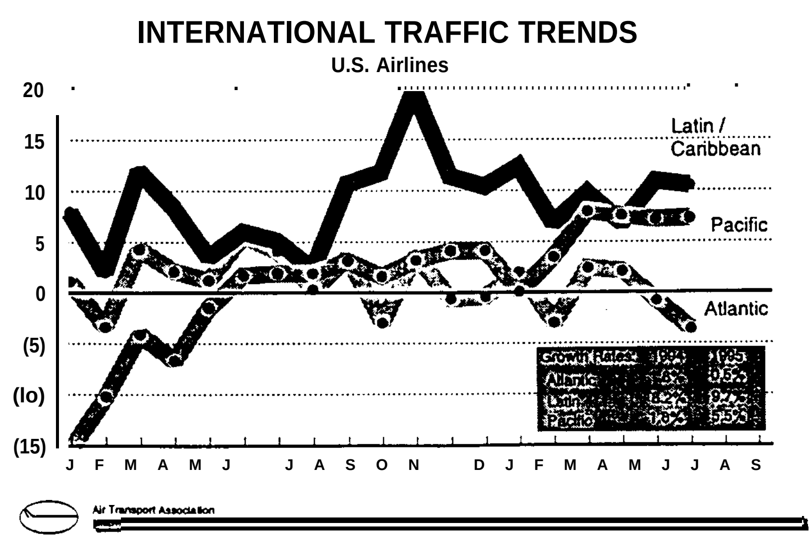


CAPACITY GROWTH

Percent Change in Revenue Passenger Miles

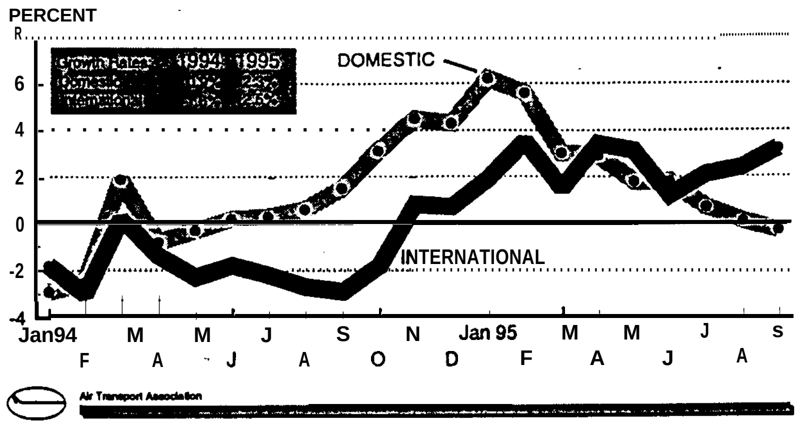


CHART 4

LOAD FACTOR

Percent of Seats Filled

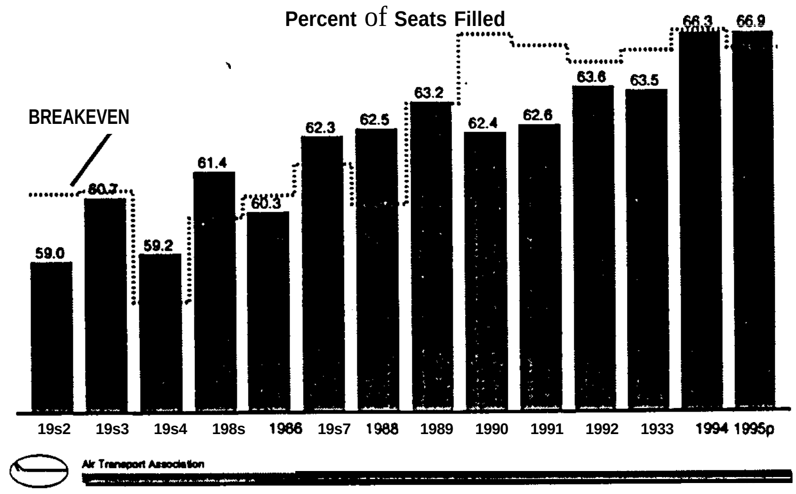


CHART 5

AIRCRAFT ORDERS AND OPTIONS

ATA Members

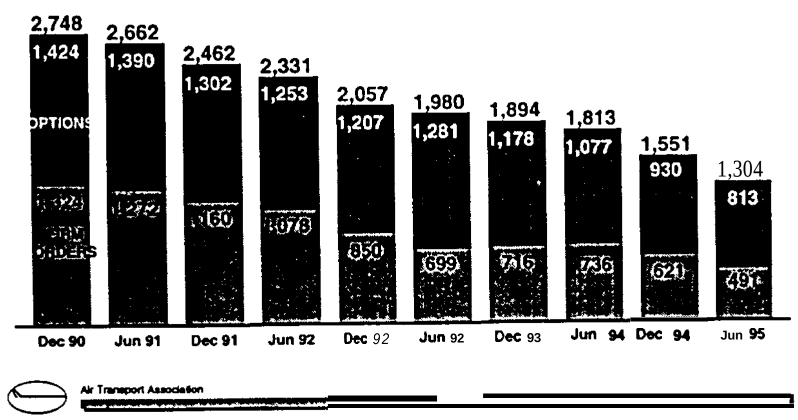


CHART 6

CHART 7

CHART 8

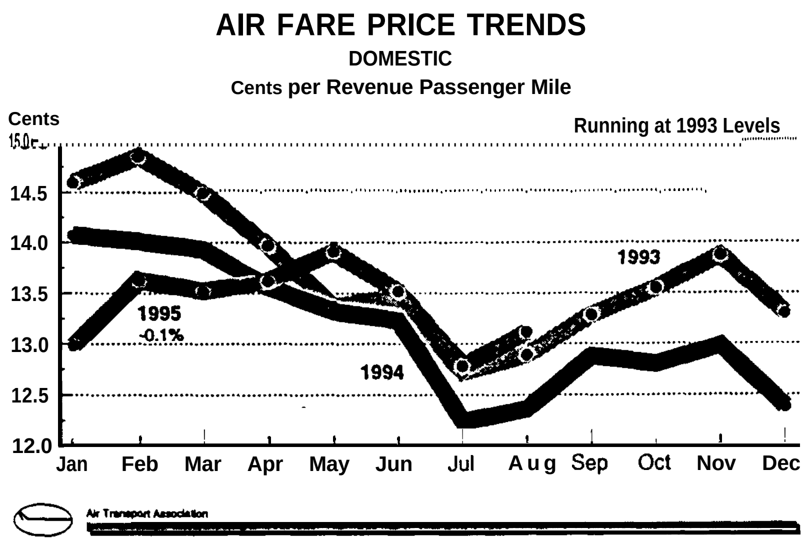
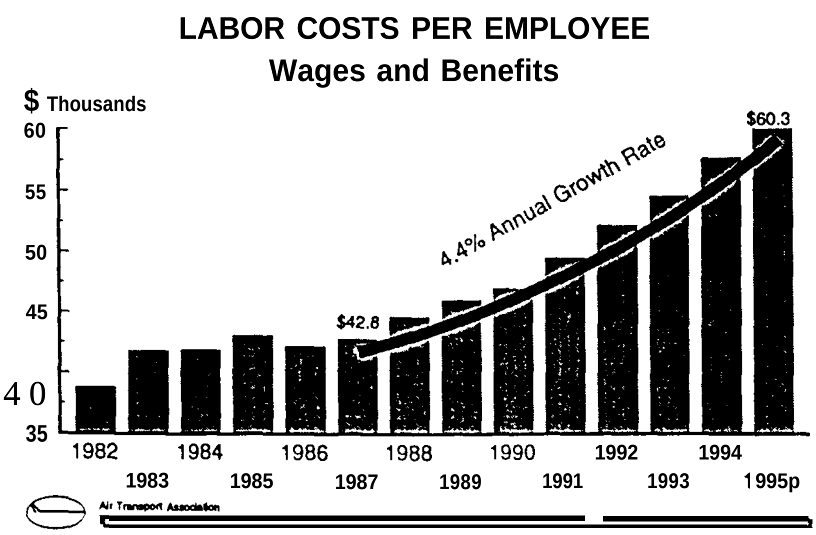


CHART9



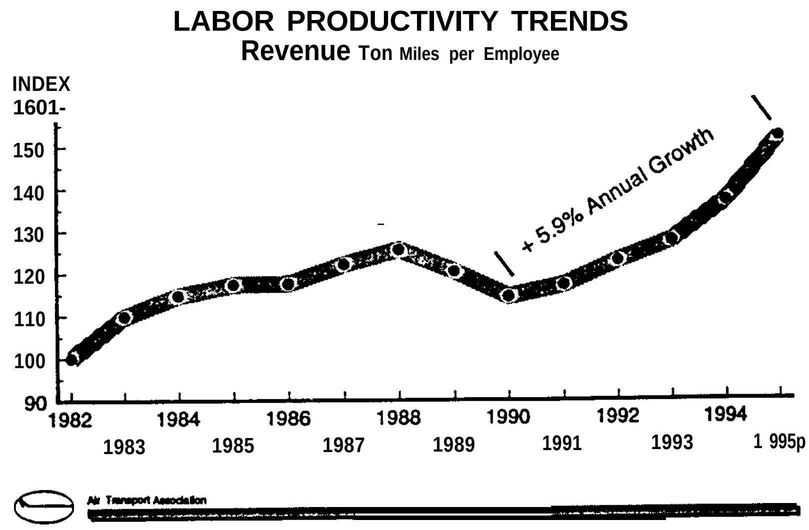
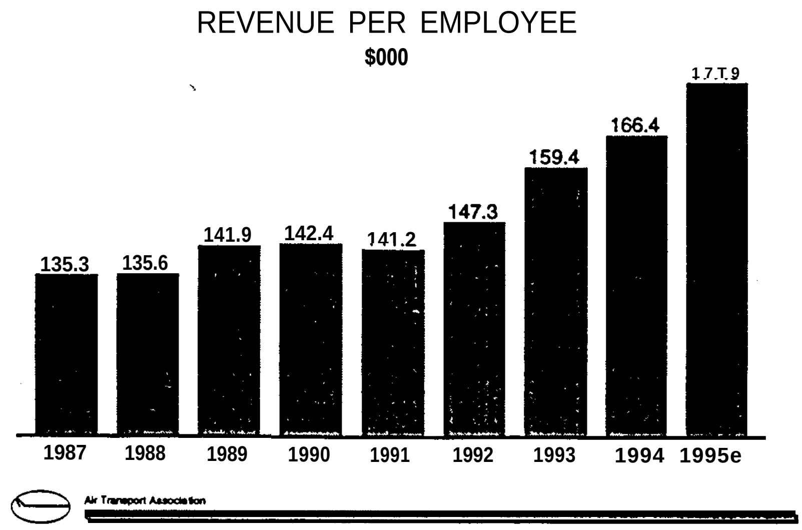


CHART 10



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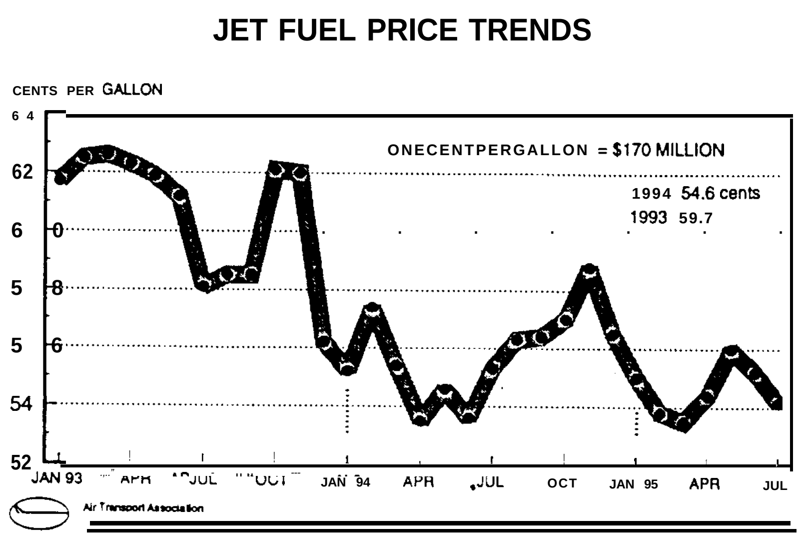
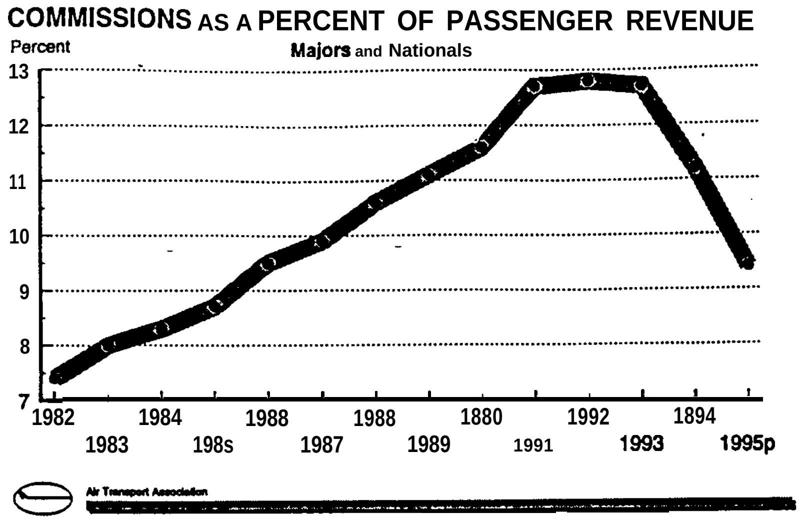


CHART 12

CHART 13



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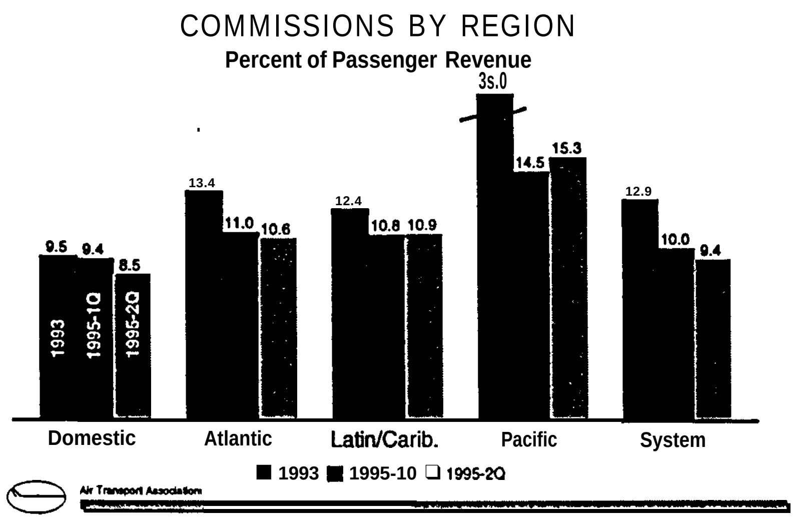


CHART 15

U.S. ECONOMIC CONDITIONS

Soft Landing?

- CONSUMER
  - UNEMPLOYMENT is about 5.5% and heading lower.
  - CONSUMER SPENDING weakened in the 2nd Qtr but is rebounding.
  - CONSUMER CONFIDENCE holding at a relatively high levels.
- INFLATION AND INTEREST RATES
  - INFLATION running between 2.5% and 3%.
  - MONITARY POLICY biased toward lower INTEREST RATES.
  - FISCAL POLICY will continue to hold down growth.
- OUTPUT
  - CORPORATE PROFITS continue to improve.
  - CAPITAL SPENDING plans are strong.
  - HOUSING showing signs of rebounding.
  - AUTO SALES also rebounding.
- ECONOMIC GROWTH should increase slowly through 1996

Air Transport Association September, 1995

U.S. GDP GROWTH RATES

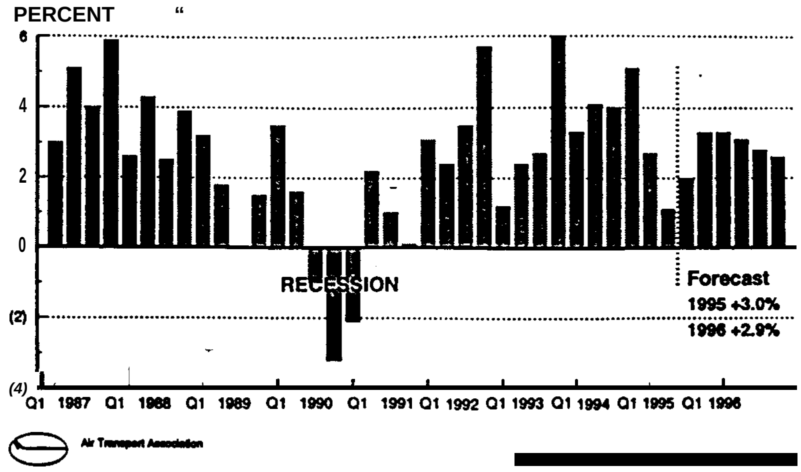


CHART 16

PASSENGER TRAFFIC OUTLOOK

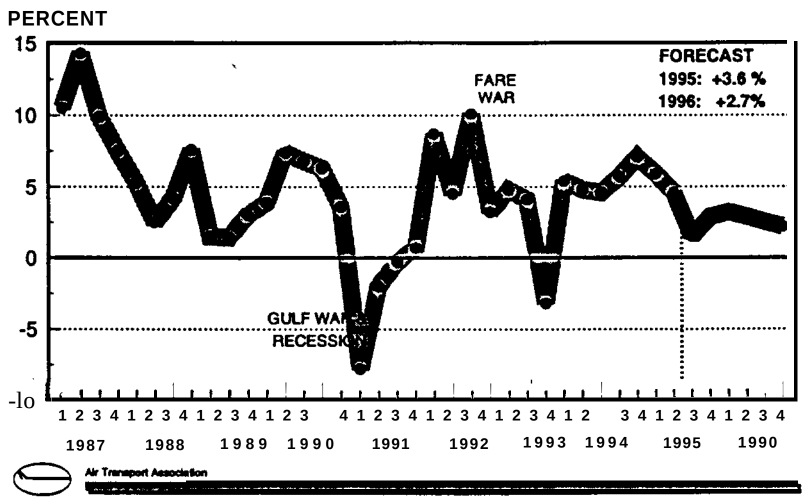


CHART 17

NET PROFIT MARGIN
U.S. INDUSTRY VS. AIRLINES

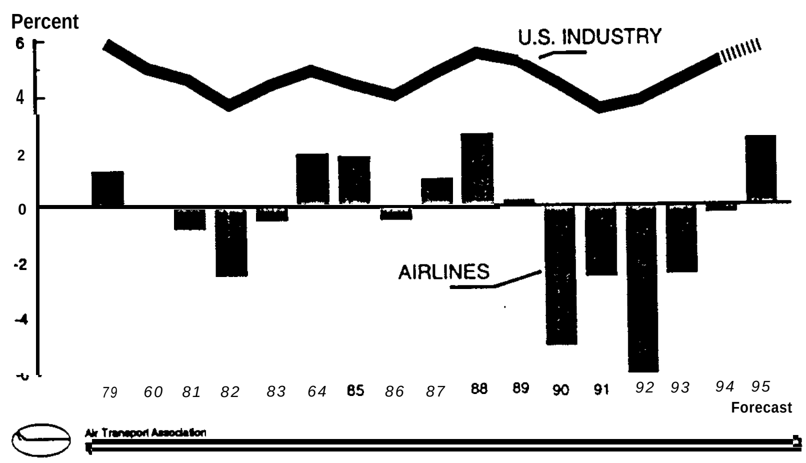


CHART 18

CHART 19

DEBT AS A PERCENT OF CAPITAL

U.S. Major and National Airlines & U.S. Industry

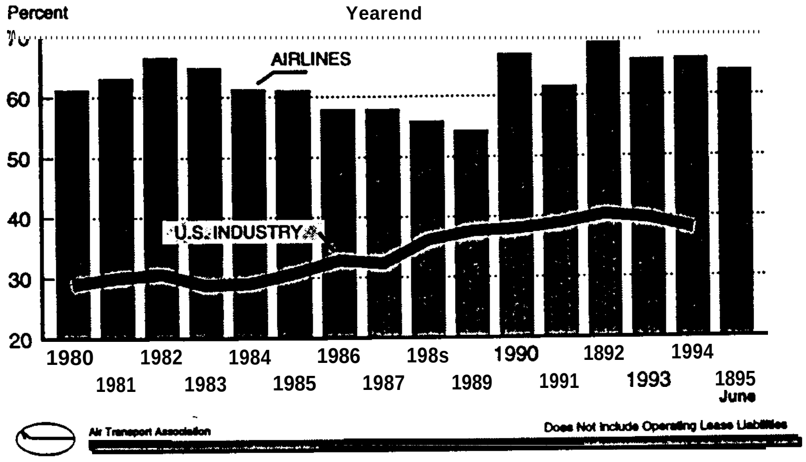


CHART 20

AIRCRAFT CAPITAL NEEDS UNTIL 2000

	AIRCRAFT	cOST
FIRM ORDERS	558	$29 Bill.
OPTIONS	887	47
TOTAL	1,445	76

$12.7 Billion per Year

Air Transport Association 1994 dollars

OUTLOOK FOR AIR TRANSPORTATION & ACCOMMODATIONS QUESTIONS & ANSWERS

Mark V. Lomanno
Executive Vice President
Smith Travel Research

David A. Swierenga
Chief Economist
Air Transportation Association of America

PARTICIPANT: Are you seeing airlines focus more on serving increasing first class service or economy?

MR. SWIERENGA: In terms of classes of service that are being expanded, I think that you'll see, particularly in the Atlantic and Pacific markets, an expansion of business class service and a reduction in first-class service, not too much change in coach.

PARTICIPANT: The question relates to pricing. Mark is a little bullish on price increases for next year and he indicated that you need a 4 percent increase in monetary prices which would beat the inflation. Now, I was wondering what the basis is for that estimate which is bullish, as contrasted with David's more conservative estimate of only being able to squeeze 2.5 percent in fares, and what's holding you back?

MR. LOMANNO: Well, I think there's a couple of factors that will contribute to continued -- I would stop short of calling it aggressive pricing -- but pricing above the inflation rate. The first would be that it's an industry that went almost a decade of rate increases below the inflation rate. And even though the supply/demand situation has shifted somewhat and the differential between supply and demand is much lower than it has been, occupancies industry wide are still going to be probably in excess of 67 percent next year.

That means that in many of the major metropolitan areas you will have several days a week where they will be sold out. When you get in that kind of a situation where you have a number of sell-out days, what tends to happen is that your pricing strategy tends to change, and that, therefore, you will hold more rooms available till day of arrival so that you can sell those rooms to somebody at a higher rate than you would booking them ahead of time.

So as long as industry occupancy rates stay over that 67 percent and start getting toward 68 percent range you're going to have a situation where there is going to be a number of nights where they can price the rooms higher than they might normally, and will exercise the option to do that.

MR. SWIERENGA: For airline prices, first of all, the relationship of airline prices and the CPI is that almost invariably our prices do increase less than the rate of increase in overall inflation. What that really says is that there has been steady growth in productivity and efficiency in the industry. You have an additional factor which is going to be really important in the years ahead, and that is the continued rapid growth of the low-cost carriers, and I'm talking about carriers like Continental Light, like Southwest, like Valuejet. These carriers will put pressure on the established carriers to keep their prices competitive.

So I, in fact, think that 2.5 percent price increase for our industry is really very optimistic. Couple that with the kind of traffic growth that I was talking about, close to 3 percent, and you're looking at a revenue increase in our industry of close to 6 percent, which is, I think, going to be a stretch for us. In fact, if I were to say anything about my forecast, I'd have to say that prices may in fact increase a little less rapidly than I have projected here.

1995 OUTLOOK FOR AUTO TRAVEL

An Address By

Richard F. Hebert
Managing Director,
Public & Government Relations
American Automobile Association

Thank you very much. It is great to be back with you once again.

If there was any one word that I would use to describe what has happened so far in 1995, it would be paradox, which Webster defines as something that is seemingly contradictory or opposed to common sense, and yet is perhaps true. I do not find any other way to describe some of the things that have happened so far during 1995.

For example, this past summer was one of the hottest on record in many parts of the country. And yet, Americans flocked to places like Las Vegas -- certainly one of the hottest destinations in the summertime, literally. And they also fled to the beaches to escape the heat. Then fled the beaches to escape the hurricanes.

Value Rent-a-Car began offering vehicles for as little as 99 cents an hour. all the while other car rental firms began imposing mileage caps. I do not know what you do with a rental car for an hour, but they apparently have found a niche.

Another paradox of 1995, at least it seemed so for us at AAA, Amtrak has proposed having its New York to Washington tracks declared a highway, so it can qualify for gas tax money from the Highway Trust Fund. Now 1 know why Amtrak has been saying all these years there is something magic about a train.

This is the year when less is more. The airlines are going ticketless and they are raising fares. Restaurants are going smokeless, and then they sell designer water.

We have casino-less gambling, checkless banking, keyless car door locks, storeless shopping, campus-less education, and travel-less meetings. Now, the ultimate fly-drive package, it seems to me, is that you can save money by driving an hour or two to another airport to get a lower fare. So everything is less.

But one thing that will not be less of in 1996 is automobile travel. But I will get to that a little bit later. First, let me take a look at some of the things that happened during 1995 that affected automobile travel this year.

The sale of new cars and light trucks is always a harbinger of automobile travel. For the auto industry, new car sales this year will fall short of expectations. Back in December, we thought it looked as though 1995 might top the 1986 record of 16 million units. But now, as it turns out, the 1995 model year will come in at about 14.9 million. But that would be still be the best model year since 1989.

RVIA, the Recreation Vehicle Industry Association, reports that through July, deliveries of RVS to retailers were down 7.2 percent from the first seven months of 1994. Shipments will continue to inch downward until next June, as the whole economy slows down, according to RVIA. But Americans still rely on the family car or its cousin -- a light truck or RV -- as their primary mode of transportation. Cars, trucks and RVS sti ll account for more than 75 percent of all travel by Americans.

Auto travel -- and by that I also mean travel in cars, as well as in light trucks and RVS -- was up 2.4 percent through July, growing, but at a slower pace than in the past. Total auto travel is expected to reach 880 million person-trips in 1995, an increase of 2 percent over 1994.

By comparison, air travel was up 4.2 percent through August. I think, from what I am hearing today, it flattened out in the third quarter, but air travel is growing at a faster rate than auto travel.

The average annual vehicle miles traveled for all purposes remained at about 15,100. Pleasure and vacation trips account for about 27 percent of that, or about 4,000 miles a year.

The cost to own and operate a car went up 4.5 percent, or about $269, in 1995, according to AAA's Driving Cost Study. It now costs an average of $6,185 a year to own and operate a new car, or about 41.2 cents a mile.

The average price of gasoline hit a 10-year high just prior to the 4th of July weekend, according to AAA's Fuel Gauge Report. Self-serve regular unleaded gasoline was $1.228 a gallon, the most for a July 4th since 1985. The price jumped 11.3 cents a gallon over last year. By Labor Day, however, the price had dropped 5 cents a gallon, to an average of $1.178.

The cost to vacation by car went up 3 percent this summer. AAA's Vacation Cost Study shows that a family of four should plan on spending an average of $221.80 per day of travel. That is $6.50 a day more than last summer. The average daily cost of food and lodging was $193 for that family of four, up $5 a day from last year. Auto expenses were at $28.50 for a 300-mile trip, up $1.50 from 1994.

As you may remember, we held a joint news conference with TIA just prior to the Memorial Day weekend, and we predicted then that Americans would take 230 million person trips over the summer. That would be a 2 percent increase over the summer of 1994. Auto travel was expected to account for about 80 percent of all summer vacation trips. Air travel 16 percent. And the remainder by train, bus, cruise ship, and other modes.

Well, it looks like that forecast will be very close -- about 228 million person trips.

The top five most popular destinations this summer, according to Preference Surveys: Orlando; Myrtle Beach, South Carolina: Grand Canyon National Park; Yellowstone National Park; and Williamsburg, Virginia.

Myrtle Beach was new to the top 10 list this year. replacing Washington, D.C.

Requests for AAA maps and trip-tiks to Florida, Georgia, and Tennessee, three very popular destinations among AAA members. were up 15 percent this summer. Overall, the orders for AAA tour books and guides and city books and camp books are up 2.4 percent so far this year. Orders for sheet maps and strip maps are up just seven-tenths of a percent.

Recreational visits to National Parks through August were up 1.4 percent from a year ago. The 183.5 million recreational visits is 2.9 million more than the same period in 1994. The National Park Service credits the cheap dollar for attracting more foreign visitors to the National Parks.

The top 15 North American theme parks drew 145.9 million visitors in 1994, up 2 percent from 1993. Eight of the top 50 parks reported record attendance last year. The industry does not generally issue year-to-date figures and we are not expecting full figures from the theme park trade association until some time in December.

Theme parks worldwide were expected to spend more than $300 million in capital improvements for new attractions this year, which usually translates into more traffic at the gate. If that is so, this could be the best year ever for the amusement and theme park business worldwide according to *Amusement Business Magazine.*

In keeping with the theme of this year's conference, forging new strategies, I want to give you a brief report on some of the new auto travel initiatives that are underway at AAA. This summer, AAA unveiled a series of special air and fly-drive packages to many of the more popular destinations in the U.S. through AAA Vacations, which is a new partnership program with one of our preferred suppliers, Certified Vacations. The program targets such major travel markets as Branson, Missouri; Williamsburg, Virginia; and Washington, D.C.

We have also introduced a series of special Gary Player golf vacations featuring travel packages to golf resorts that are recommended by players.

AAA has begun testing club travel stores, designed to sell journey collection, publications and videos, as well as a variety of other travel items. Test stores have been set up in Florida, Alabama, Louisiana, and Mississippi.

As you may know, AAA and Walt Disney now operate the Disney-AAA Travel Center off Interstate 75 in Ocala, Florida, which offers one-stop shopping for AAA memberships and travel services, Disney theme park tickets, hotel reservations, and travel information.

And this summer we began testing the distribution of American Express travelers cheques from special automated teller machines in sites in Garden City, Long Island; Torrance. California; and in Vienna, Virginia. If the service proves popular, ATMs will be installed at participating AAA offices nationwide. And in addition to travelers cheques, they may be expanded to include dispensing amusement park passes, movie tickets, and airline tickets.

And this fall we are entering the online market in a test involving four AAA clubs and America Online.

I want to give you a rundown on some of the numbers that will affect auto travel in 1996.

We expect new car sales to be probably at or near 1995 levels, meaning about 14.8 million units. Sport and utility vehicles are still the hot sellers, and these are an absolute necessity now for all those off-road trips to the shopping center.

Gasoline prices are now down 5 cents a gallon from the summer, and should remain fairly stable through the winter. Supplies are tight, but we do not foresee any serious problems. barring some unforeseen circumstance.

Demand for rental cars is expected to grow in the range of 4 to 5 percent through the end of this year. And major rental car companies are boosting the size of their fleets this year, perhaps in anticipation of higher fleet costs, as well as market growth. Look for more rental agencies to begin imposing a fee for no-shows, the way some of the hotels are doing.

Shipments to RV dealers are expected to be in excess of 380,000 units in 1996, just below the forecast for 1995 shipments, according to RVIA. RVIA also is heartened by the influx of new buyers, particularly among baby boomers and the strong RV rental market. All of this will help boost the Nation's campgrounds, which are anticipating a 2 to 3 percent increase in fall and winter bookings over last year.

Travel from Canada is down for the third year in a row. That means fewer Canadians are heading south for the winter because of the continuing economic problems at home. Canadian tourism to Florida was down 15 percent last winter. And that trend is expected to continue. Meanwhile, Mexico. seizing an opportunity, is aggressively targeting Canadian snowbirds.

There is a new survey just out from the *Miami Herald* that paints a disappointing picture of the impact of crime on tourism to south Florida. And as you know, tourism to the Miami area has been rebounding. And crime against tourists has been on the decline, but the image of the area is still linked with crime. The survey showed that more than half the victims surveyed said they would never return to the Miami area -- very disappointing. The impression was that police need to be more supportive, road signs more helpful, and the travel industry -- meaning us -- needs to be more responsive.

Another paradox for you is the cost of a one-day lift ticket will break through the unthinkable $50 ceiling this winter at Aspen, Colorado. And yet that comes at a time when there are a million fewer skiers last season than eight years ago.

Some other trends that we have spotted: after a two-year boom, look for a slowdown in the rate of growth in visitors to Las Vegas -- no new mega-casinos coming online for another couple of years. More states will have second thoughts about allowing land-based and riverboat casinos. Already there is a growing voter backlash in Louisiana.

Theme entertainment districts are sprouting up all over, in abandoned piers. factories, warehouses, department stores and office buildings. Even shopping centers are beginning to look more like theme parks.

More theme restaurants, too, like Hard Rock Cafe and Planet Hollywood. The Fashion Cafe and Motown Cafe in New York are just two recent examples.

And there is a new market in weddingmoons. Those are destinations that combine weddings and honeymoons all at one resort. The Disney Wedding Chapel is just one example.

And you can look for more business travel by car. It is a large and growing segment says American *Demographics.* And more extended-stay hotels are coming.

Theme parks are targeting the seniors market by making the parks more inviting to us. At the Anheuser-Busch theme parks in Florida, seniors now account for 26 percent of the gate. And some of them even take their grandchildren along.

One trend we do not want to see grow is that 38 percent of Americans say they do not take a vacation. Others say that planning a vacation is more fun than actually taking one.

And, finally, some of the more popular foliage routes in New England are becoming so crowded and accommodations are so hard to find that the leaf peepers are turning into what one publication called forest grumps.

Well, the Travel Industry Association said in its latest Travelometer that the likelihood of people to travel for pleasure or vacation this fall fell to its lowest level of any previous fall reporting period. Sixty percent of respondents said they were likely or somewhat likely to take a pleasure or vacation trip this fall compared to 65 percent last year. Not too encouraging.

So when we put al I the numbers together and look into a crystal ball, we come up with a forecast of 1 to 2 percent for increase in auto travel for 1996. Not great, but not bad considering that it comes on the heels of several good years. And that would still make 1996 a record. but a slim one nevertheless.

A headline in the *Miami Herald* this past weekend caught my eye. And it sort of summed up how I felt about trying to figure out what is going on this year. It said: “If the economy is up, why is America down?” A good question. And the answer is that the economy and the outlook for travel is just one more paradox for us to ponder.

1996 OUTLOOK FOR LEISURE TRAVEL

An Address By

Peter W. Mason
Travel Marketing Director
Better Homes and Gardens

The theme of this conference is forging future strategies. However. you have to remember what Pogo once said, "The future ain't what it used to be. " This is especially true with the fami I y vacation market. The family vacation market is changing, and it will continue to change demographical y, psychographicaI ly, and geographical] y.

In order to increase your share of the vital family vacation market, you must determine your demographic and geographic target markets. And you have to remember, you cannot be all things to all people.

I have talked recently to many state travel directors, and each reports that their states had good spring and summer family vacation travel. The hotels have been up. The one thing they have noticed, almost without exception, is that families are still watching their consumer dollars very closely. They are not spending like they used to in gift shops. They are traveling, but they are watching their hard-earned, discretionary dollars.

(CHART 1, 2) The family vacation market is vital to each of us. It accounts for about 73 percent of all vacation travel in the United States. The study we commissioned from the Travel Industry Association's research department, the U.S. Travel Data Center. indicated that in 1995, 92 million American adults --48 percent of all the U.S. adult population -- planned to take a family vacation trip. That was an increase of 4 percent over 1994.

51 percent, or almost 46 million adults. planned to travel with children on their 1995 vacation, up from 44 percent in 1994.

(CHART 3) A few brief highlights of the 1995 intentions: 39 percent intend to take more family vacations in 1995 than in the previous year; 40 percent plan to travel farther away from home than they did last year.

(CHART 4) One-third of the people planned to spend more money. I feel that when the final figures are in for 1995, they will show that more American families vacationed than ever before.

What caused this increase? Measured consumer confidence was high. Many families decided the worst was over, and they took their children to those places they have always wanted to see, but were holding back on.

What exactly is a family vacation? It is two or more members of the same household, traveling 100 miles or more away from home on a vacation trip.

Please notice most of the charts show figures with and without children. There is a big difference, in most cases, between families who travel with and without children. Families with children plan to take more vacations.

Nothing has changed. Never has there been a time of more uncertainty for the U.S. travel industry. We think the economy is under control, but you never know. Corporate layoffs are still happening. That affects the family vacation market.

Then, there are fluctuating travel costs. Airline costs are up. Hotels are doing well, but room rates are up. Gasoline prices will be going up, although, I do not think gasoline prices are ever going to stop American families from traveling.

It is extremely important that you get your hands on all the research and marketing information you can.

Because, I assure you, your competition is doing it.

(CHART 5, 6) The intended number of family vacationers from 1992 to 1995 has gone up, Again, there is a difference with and without children. Seventy-eight percent of all family vacation travel with children is by automobile, recreational vehicle, or truck.. However, airplane travel without children is up. And 17 percent of families with children traveled this year by air. That is a strong increase from last year.

CHART 7 shows intended vacationers for 1995, again, with and without children. Forty-two percent of families with children plan to travel farther; 38 percent of those without children plan to do so; of those with children, 46 percent plan to travel the same distance and 10 percent will stay closer to home. So there is a difference. What is your market? If it is with children, it is one market. If it is without children, it is another.

American families today are looking for value for their vacation dollar like never before. They do not want to go cheaply, but they do want to get value for their dollar. Certain little added incentives can mean a lot to them and a lot to your business.

(CHART 8, 9) Here we see the cost of family travel with children. You wi ll notice that in 199430 percent of those traveling with children spent $500 to $1,000; 27 percent of childless travel parties did so. So families with children are spending more money because it costs more money to travel with children. A major market for you !

CHART 10 indicates frequency of budgeting for family vacations. This is something that is new this year in our study. It is interesting that almost 75 percent of the people actually budget for a vacation every year.

A major part of the family market is husbands and wives without children. Another part is single-parent households, which are growing rapidly in number. And if you get single parents, do not stick them off in the corner of the dining room like they have leprosy. They do not want to feel that they are different.

There is also the rapidly growing older market and the grandparent market. Today, about 3 million children today under the age of 18 live full-time with their grandparents. And, as more and more households are made up of two-income households, you find that a lot of people cannot get the time off to take their kids on vacation. Therefore, the grandparents are taking the younger children on vacations, while the two-income household parents stay home and work.

AdvertisingAge reported under the headline, “One Big Happy Family,” that the number of two-parent households is on the upswing in the U.S. Married couples without children represent 29 percent of the nation’s households. Married couples with children represent 25 percent. And this is an increase from last year -- or the last couple of years.

(CHART 11, 12) Households traveling with children in 1993, 88 percent; 1994, 93 percent; and 1995 -- that number is going to be even higher.

CHART 13 shows the top reasons for not planning a family vacation in ’93, ’94, ’95. You will notice the importance of economic concerns. The column went up significantly in 1994 from 1993. People really started getting worried.

Now, let’s consider consumer confidence. Uncertainty leads to fear, which leads to pessimism. The consumer confidence index recently has been doing very well. But you still see negative headlines, especially with corporate cutbacks. That scares people. They are afraid to spend their money on a vacation. Remember, vacation dollars are discretionary income.

Consumer confidence is high, but it varies in different parts of the country. What is your major geographic target area? Consumer confidence might be high in the United States as a whole, but if your geographic target area’s consumer confidence is low, you may have to change your approach. Consumer confidence is 120 in the Mountain States, 57 in New England. If your basic target is New England, you have a lot more to worry about.

(CHART 14) Here we look at expected standard of living over the next three years. This is a question we asked this year for the first time in the U.S. Travel Data Center study. I think it is good news. You will notice families with children are most likely to feel that over the next three years it is going to get better. This is a good sign for the family vacation market. Forty-four percent of households without children are optimistic.

So there is a difference, again, with and without children. But, at this point, unless the economy turns sour, the consumer confidence index should stay high.

(CHART 15, 16) Standard of living over the next three years by spending segments. You will notice better, higher people spend more money on vacations. Worse is fairly low. The same is about equal. But there is a big difference, again. Intended vacations, the standard of living over the next three years, better, families with children, 59 percent feel it is going to be better in the next three years. Only 4 percent feel it is going to be worse.

The family vacation market is strong, especially the family vacation market with children.

There are all different generational groups, so your ads cannot be the same. It is not going to work. You cannot run an ad aimed at a mature couple and expect it to have the same effect on a couple in their twenties.

The boomers are going to dominate your industry market. There are 77 million baby boomers. They are the epicenter of the American society now and will be for many years to come. The entire industry is being reshaped by the boomers, and the boomers are taking their kids every place. They have this desire to get away, especially to spend time with their families.

Now, who are the boomers? The boomers got out of college and they were the "Me Generation." They decided they would never get married, because that is old-fashioned, like mom and dad. They would have lots of money and they can shop till they drop. And they spent a lot of money traveling.

But some of them discovered that snuggling up to a BMW or a Rolex watch was not too much fun. So they decided they would get married, but they would never have any kids. because that is old-fashioned, like mom and dad. Well, because of something in the water, they went from the "Me" to the "We" generation. And sure enough, they are living just like their parents.

But one big thing about the way they are living is that many are going through corporate layoffs their parents never really experienced. Forty-six percent of all intended vacationers are boomers; 67 percent of all those who plan to travel with children are boomers; 46 percent who plan to spend more money on travel were boomers.

Many boomers put off having children while they got their two-income careers established, now they are having children later in life. And what has happened is they are in their late-thirties and have a one-year-old child, at the same time their aging parents need help. Normally, if they had gotten married when they were 20, the child would be a teenager when their aging parents need help.

This group of Boomers is called the "sandwich generation." They are raising very small children, planning for their education, and of course their own retirement, and are helping their parents financially. This really cuts down on the amount of money available for family vacation travel.

(CHART 17) The working couple market is vital to the travel industry. This chart shows the cost of family vacations from 1992 to 1994. Here is the profile of the highest spenders, those who spend $2,000 or more on their most recent family vacation. They are married travelers (80 percent), two-, or more, income households (65 percent), $50,000+ annual income households (66 percent), college-educated, 55-plus. etc.

The profile of those who plan to spend less tend to be one-wage-earner householders, slightly older, lower income. The profile of the group that plan to spend the same are the boomers and the younger ones, households with children, $50,000-plus households, three or more wage earners.

A lot of households now have three or more wage earners, because children are moving back in. They are called the "boomerang generation". They go away to college, and then they come back again. Of course, a lot of them come back and say, "I want my old room back, but, by the way, I got a wife and three kids." That makes things a little tight.

The baby boomers, 56 percent plan to spend less money. Upper-income households, 47 percent plan to spend less money. Professional and managerial, 33 percent plan to spend less.

It shows that even though a lot of them are very well off, they are not yet confident enough to spend a lot of money on a family vacation or other incidental expenses as well.

Then there is the "X Generation." It is a group that nobody has ever real I y been able to figure out how to sell. The "X Generation" does not trust anyone that is a boomer.

The "X Generation" does not want anything to do with the boomers. So if you are a boomer and writing advertising copy or doing marketing, you cannot direct it to your own peers if you expect to get the "X Generation" to react. It is simply not going to work.

The "X Generation" missed the recovery in a lot of cases. They are bitter about that. The "X Generation" was brought up on television. TV was their baby sitter. The average "X Generation" member, by the time he or she was 21, has seen 28.000 murders on television. They do not like to be sold to. They have had every pitch in the world aimed at them by television, magazines, newspapers, billboards, and now the Internet! They like to make up their own minds.

I have lectured at several universities, and I have asked them, "What sells you?" The only thing that comes across is word of mouth of our friends. So if you are going to have the "X Generation" at your areas or your resorts, make them happy. Because if not, they will kil 1 you when they talk to their friends about your destination.

Now, here is some good news regarding the changing family market. While our society has been fixated on the vast number of boomers, the ranks of teenagers are starting to grow again. It began in 1992, when the U.S. population aged 13 to 19 inched up by 70,000, to 24.8 million, ending the 15-year decline produced by the baby bust. Now the pace is picking up as the boomers' babies grow up and new immigrants arrive.

This year, the teen population should hit nearly 25 million. During the next decade, it will grow at close to twice the rate of the overall U.S. population. By the time the bulge peaks in 2010. it will top the baby boom market in numbers.

Again, it is going to be an entirely different market. You cannot market to them like you did the boomers or the generation before the boomers.

What are the most important reasons families travel?

The most important reason. research shows, is "Being Alone Together As A Family." Seventy percent of married boomer women are working. They find they can have very little time together as a family, without a lot of outside distractions. They come home at night and they have their own work to do. The kids are running around to soccer practice or something like this. They never have a chance to be alone together as a family.

So taking a vacation, whether it is long or short is vital to them. They cherish these moments together as a family.

The next reason is: "Getting away from the stress of home and work." People are living a frantic lifestyle. Stress is one of the number one family health problems.

(CHART 18, 19) This is a new question this year -- the importance of a vacation for health and well being, with and without children. Eighty-three percent of families with children felt that vacations are vital to their family's health and well being.

You should emphasize that a vacation in your area or at your resort helps guests recover from the stress of everyday life.

The third reason for family vacations is: "Finding rest and relaxation." People do not want to all be couch potatoes. But. again, they want to get away. They want soft adventure. As the boomers get older, they are no longer jumping out of airplanes or repelling down cliffs. They want adventure vacations, but soft adventure vacations.

(CHART 20) Short weekends or long trips? It mayor may not continue, but for the first time in many years long trips are making a comeback. Fifty-one percent of trips in 1994 were long trips, short weekend trips were down.

Again, I think that is tied in with the economic forecasts and the consumer confidence. People are feeling a little more confident they can travel a little further and take more time away from their jobs.

(CHART 21) In terms of duration of stay: notice there are differences between families with or without children.

CHART 22 shows the number of family vacations in 1994: notice that the families without children are more apt to take more vacations than families with.

(CHART 23) Types of family vacations in 1993 and 1994: oceans and beaches, historical sites, city, lake, family reunions. The important thing I think here is historical sites. Every state, every town has some sent of an historical site. You would be amazed at the number of states that have all sorts of things that went on there during one war or another. And it is a secret. They do not tell anybody about it.

Families are looking for value for their vacation dollar. Visiting a historical site takes up time but it does not cost an arm and a leg. And more and more families are trying to turn family vacations into an educational experience as well, for themselves and their children. Historical sites are strong. They will continue to be strong.

If you have historical sites, clear the weeds out from them and show them to people, and tell them where they are.

(CHART 24) Notice the difference for families without children. Cruises are down. That is a trend, but with proper promotion to the family market, it can be reversed. Overseas travel plans down slightly.

For all family vacations, beaches are about even. Again, historical sites are up. Lakes are up. Cities are up slightly. And theme parks are up.

Looking at the five types of family vacations for families with children - theme parks are up for 1995. Family reunions are up again with more and more families being scattered all over the United States, reunions are important. Adventure trips are up, but again it is soft adventure in most cases, lakes and sports related. Now. it is with children.

(CHART 25) The top intended vacations with children. Theme parks are getting stronger. Family reunions. Lakes. Again, historical sites. Look at the jump here, 8 percent. That is an important thing. Keep your historical sites open. And adventure trips.

They want to take kids on adventure trips. But they want to come back alive. So soft adventure.

(CHART 26) A growing trend is the push for year-round schooling. This trend is being discussed all over the country. What effect will it have on vacations? Sixty percent of people -- based on those who said that the school calendar affected their vacation plans --60 percent said they would change the month, 20 percent took shorter vacations, 16 percent did not do anything about it at all, 6 percent changed locations, and 5 percent traveled a shorter distance. Two percent said "the heck with the kids, you can stay home, we' ll go anyway."

(CHART 27) But the point is as more and more schools change their school calendars, if they do not have a three-month summer vacation, it means shorter seasonal travel will be much stronger, but in the summertime it will flatten out. So that is important to keep in mind.

(CHART 28) The planning cycle of family vacations. It is interesting to note that almost 50 percent of family vacations are actually planned within one month. Another 26 percent or so are planned within three months, and approximately 21 percent within six months or more.

The conclusion I draw from this information is that it is important for marketers to get the information into the hands of potential travelers as soon as possible because if they are going to make a decision on where to go within a month they don't have time to send away for material and wait six or eight weeks to get back to them. This will also be true with 800 #s unless information can be faxed immediately.

(CHART 29) The planning cycle for long trips vs. short weekend trips is considerably different. Here you will see that approximately 65 percent of short weekend trips are planned within a month compared to about 35 percent of longer trips that are planned within that period. Short weekend vacations are planned within two to three months about 22 percent of the time, in longer trips approximately 29 percent of the time. Only 12 percent of short weekend trips are planned six months or more in advance, whereas approximately 33 percent of long trips are planned six months or more in advance. This further emphasizes the importance of getting material into the hands of potential travelers, especially short weekenders as soon as possible.

(CHART 30) Who **decided to take a trip** in 1994: as you will see from this chart, 42 percent of all family vacation decisions are joint husband and wife decisions, but again there is a difference between those traveling with and without children. The female household head is more apt to make decisions on taking vacations with children. whereas the male household head is more apt to make a decision that they should take a vacation without children.

(CHART 31) Who decided to take a vacation - short weekend trips vs. longer trips. Here we see that once again the predominate decision is that of husbands and wives together. However, female household heads are slightly more important for short weekend trips whereas the male household head is slightly more important on longer trips.

(CHART 32) Who decided on where to go? About half the family destination decisions were made by husband and wife together. Once again, the female household head is slightly more influential on destinations and traveling with children while the male head of the household is more important that those families traveling without children. Although not a large number, children do have input into family vacation destinations.

(CHART 33, 34) Number of vacation days in 1995 vs. three years ago. In CHART 33 you see among families traveling without children 35 percent had more vacation time, whereas 12 percent had fewer vacation days than three years ago. CHART 34 shows among families traveling with children 43 percent had more vacation days than they did three years ago, and nine percent had fewer. In other words. this shows that families traveling with children have more vacation days than those without children.

Competition is and will continue to be fierce in the travel industry in the years to come. Every state is trying to get the other state's customers, as are European countries as well. Trips to Europe are at a peak in 1995 despite the weak dollar. European countries are spending more and more money to lure Americans overseas -- this is definitely competition for you, especially for the upscale traveler.

Do you have a contingency plan if a disaster strikes your region? I cannot emphasize strongly enough how important it is that you have a contingency plan in place before a negative impact hits your area - the perception via television when one is hit is the entire state is wiped out. This is true with the forest fires in Montana and the hurricane in Florida. In fact Disney World was asked after the last major hurricane in the Florida Keys if it was still in business. That day it didn't even rain in Disney World, but because of television coverage, people thought the entire state was wiped out. It is vital when something happens in your area that you get the word out to the press as soon as possible explaining exactly what the situation is.

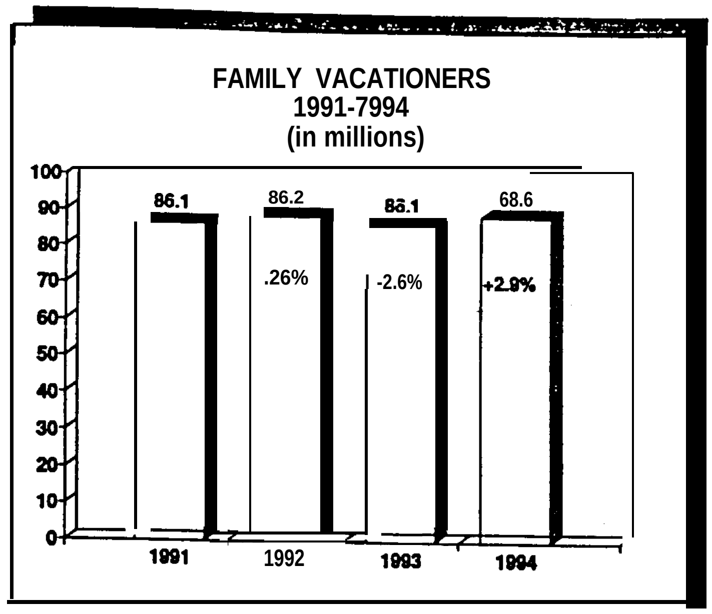
For instance, a few years ago when the floods hit the Midwest a major market for tourism throughout the U.S. was impacted. Instead of traveling that summer, many Midwesterners shoveled mud out of their basements. Smart marketers however, had a secondary geographic target ready so that they can switch gears and go after the secondary target immediately. What is your contingency plan if your major marketing area has a disaster.

Is your area tourist friendly? Each fall my wife and I spend two weeks in Europe, in England, Spain and France. We have noticed that starting 15-20 miles outside of town you start seeing signs that say Office of Tourism and these signs lead you right into town. And these Offices of Tourism are open from dawn to dusk with people there who speak several languages. Imagine if you're coming into your area, you could not speak a word of English or even read American road signs, where would you go for help? Do you have an Office of Tourism? Is that office manned with real live people? Or just a bunch of brochures. English brochures are useless to the German, the French or the Japanese traveler who cannot speak English.

A happy customer is your best salesman. It is extremely important that you turn your customers into your own salespeople - one unhappy customer can kill you! In fact the average unhappy customer tells fifteen people, who in turn tell other people about unhappy experiences. All the advertising in the world cannot counteract the bad mouthing of your area. Everyone from hotel desk clerks to gas station attendants to waiters and waitresses should be told how important a happy customer is to their business. to repeat business and to getting new customers.

I will stop there and say what is my forecast for the next year. If the economy stays strong and if the consumer confidence index stays strong, I predict next year volume will be up anywhere from 4 to 6 percent in family vacation travel.

Thank you very much.



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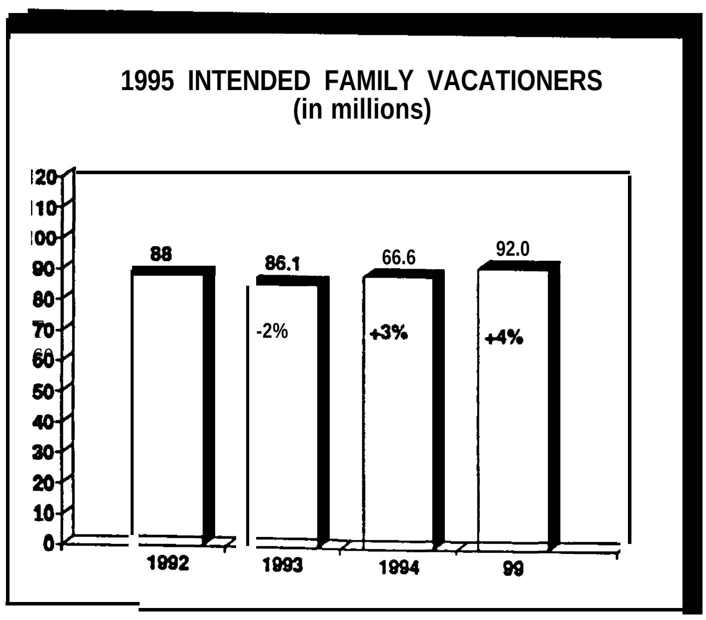

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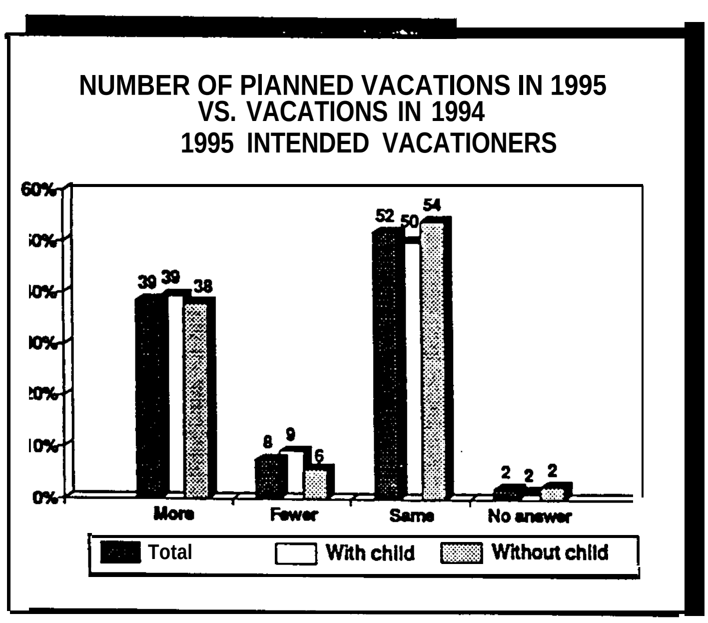

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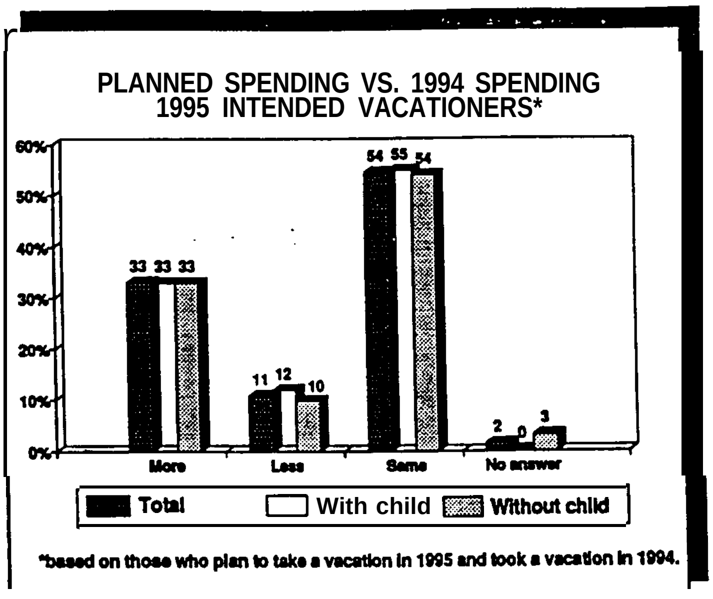

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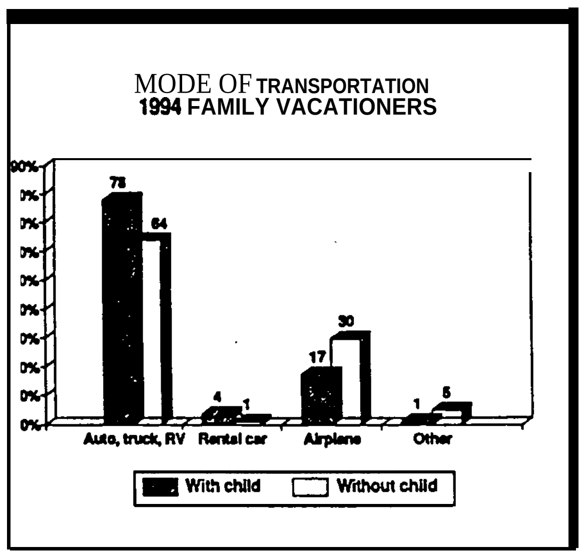

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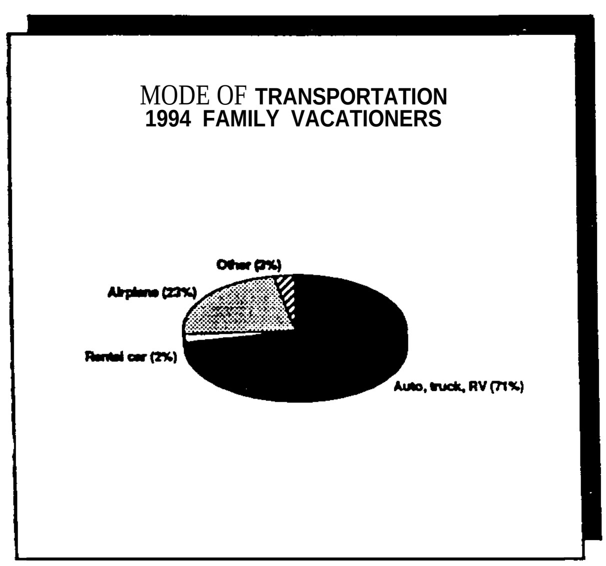

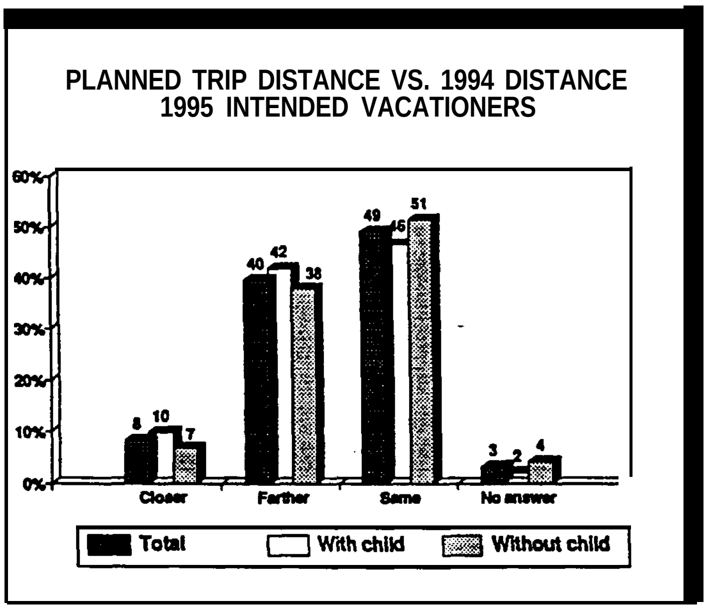

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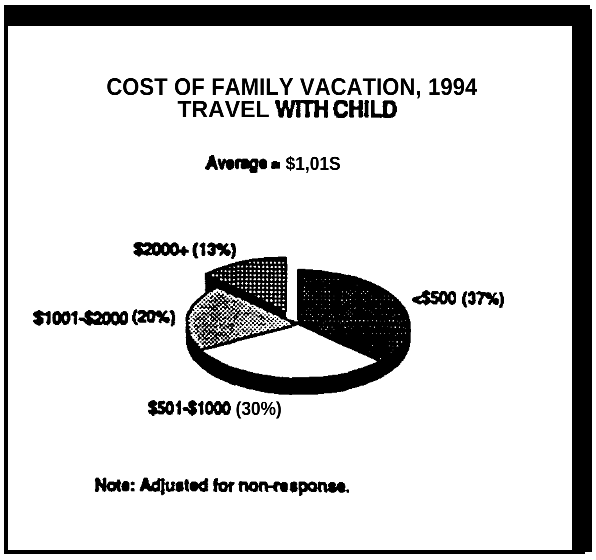

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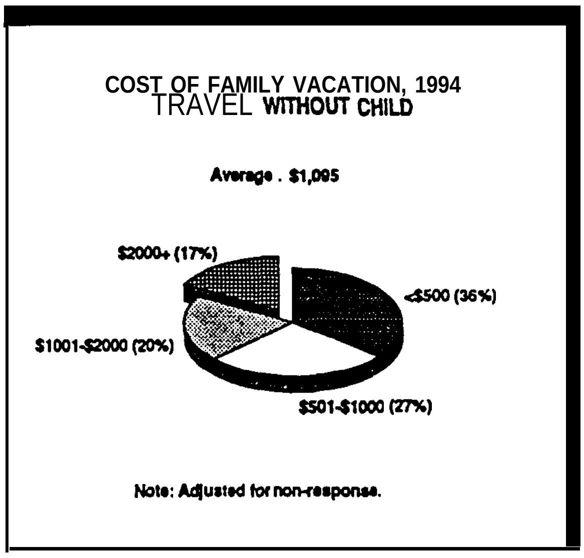

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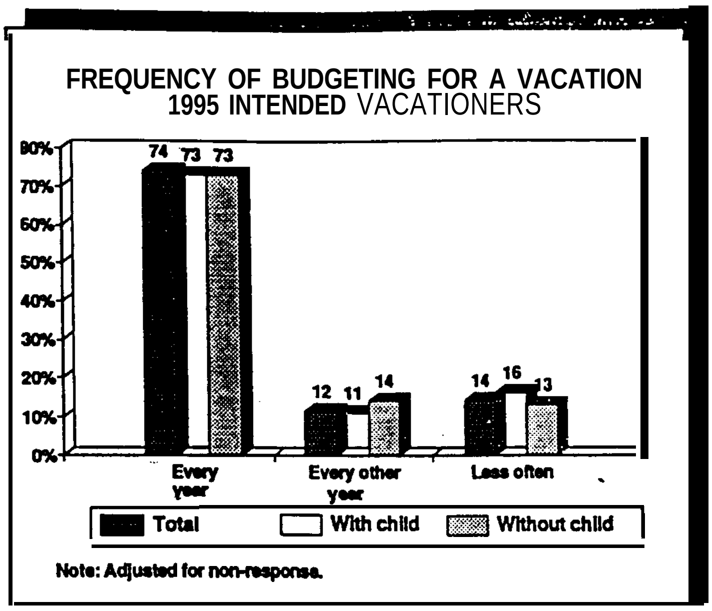

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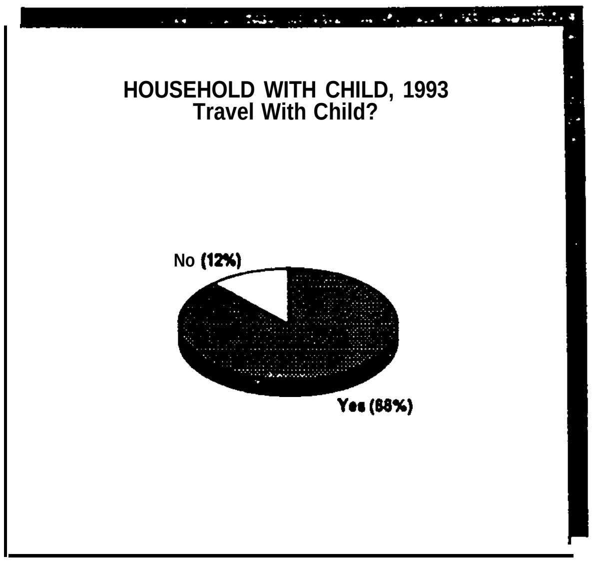

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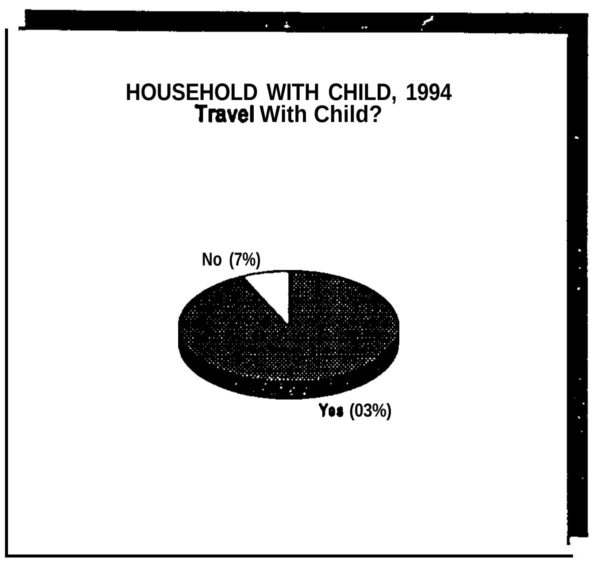

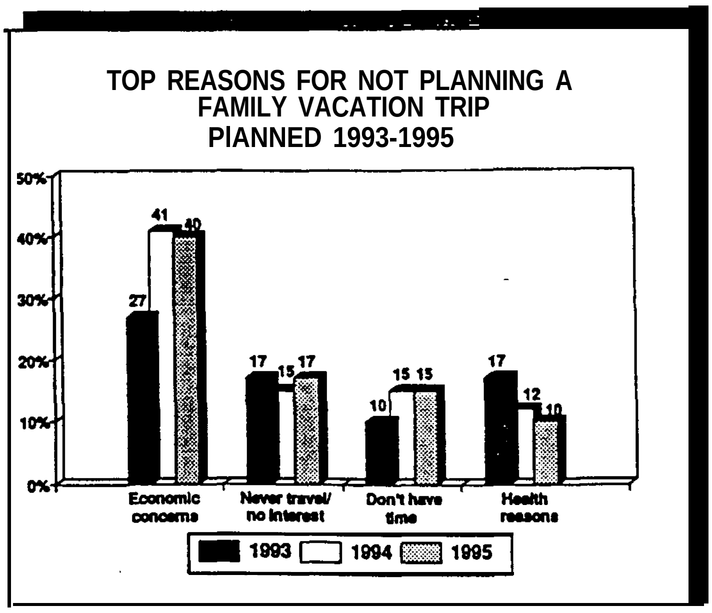

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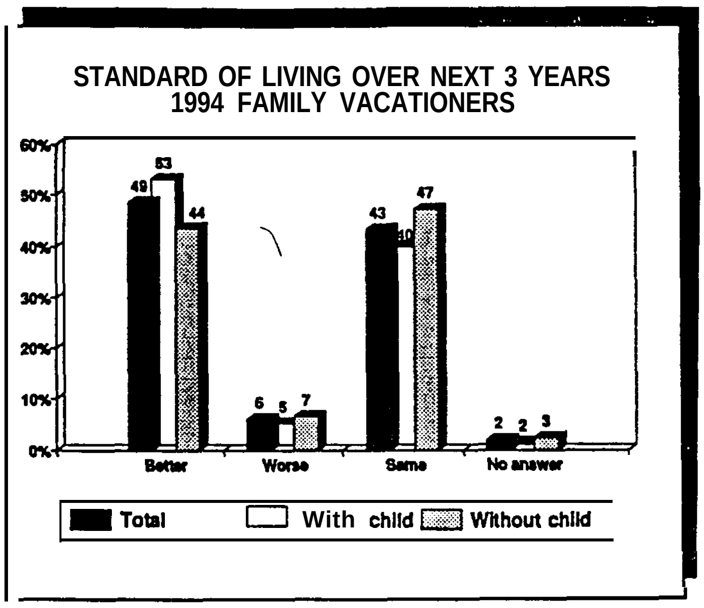

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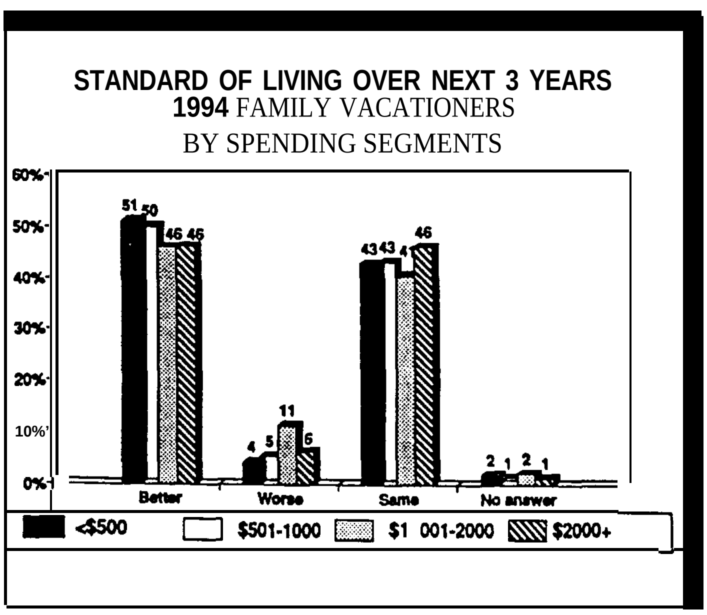

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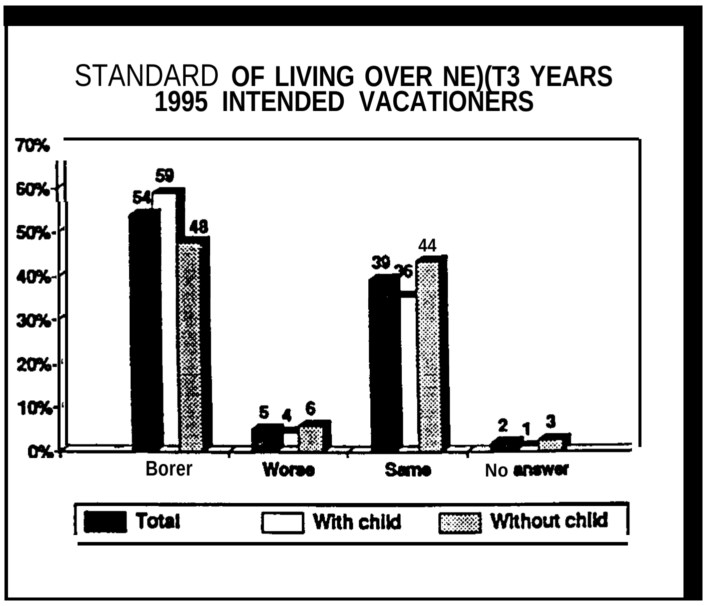

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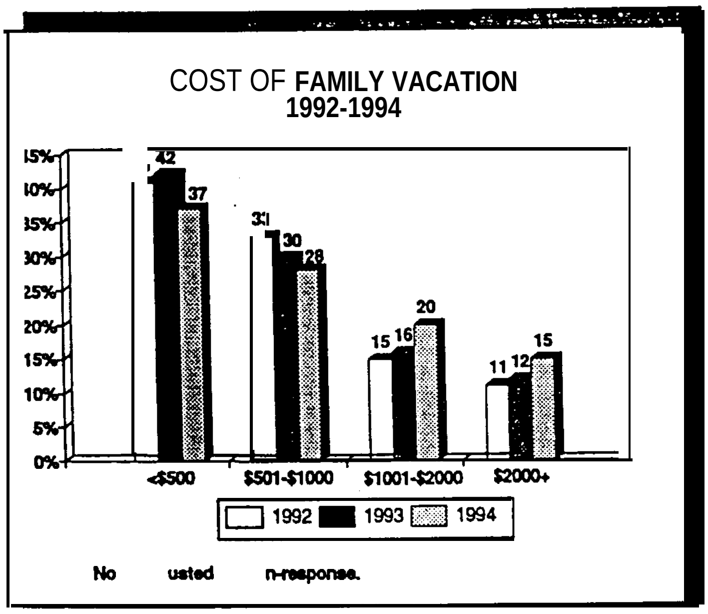

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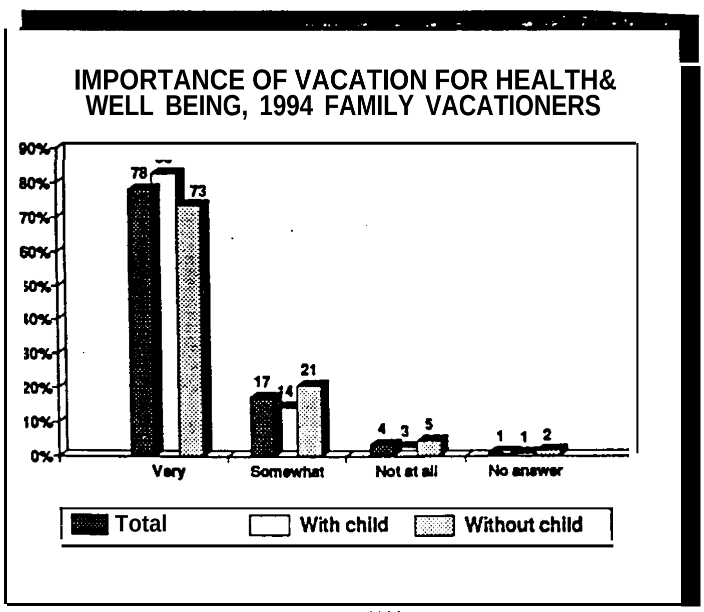

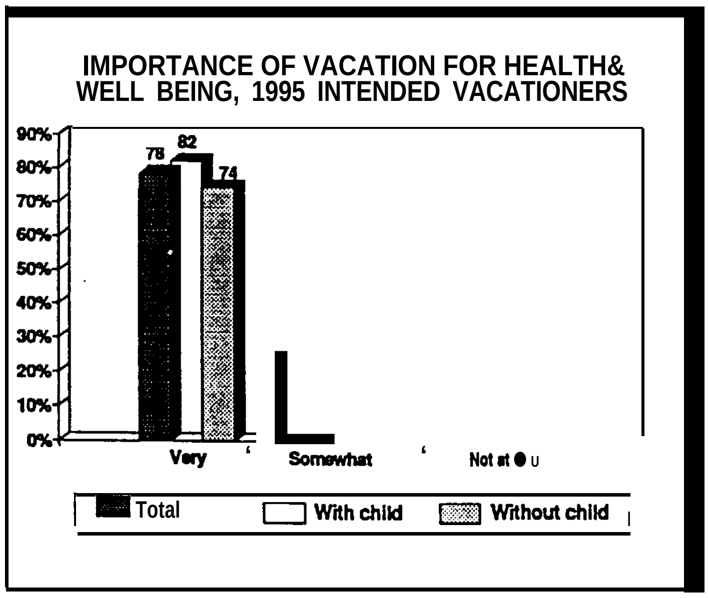

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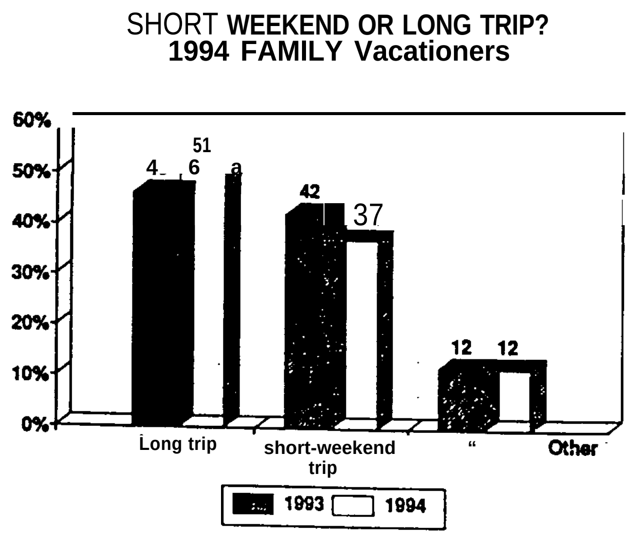

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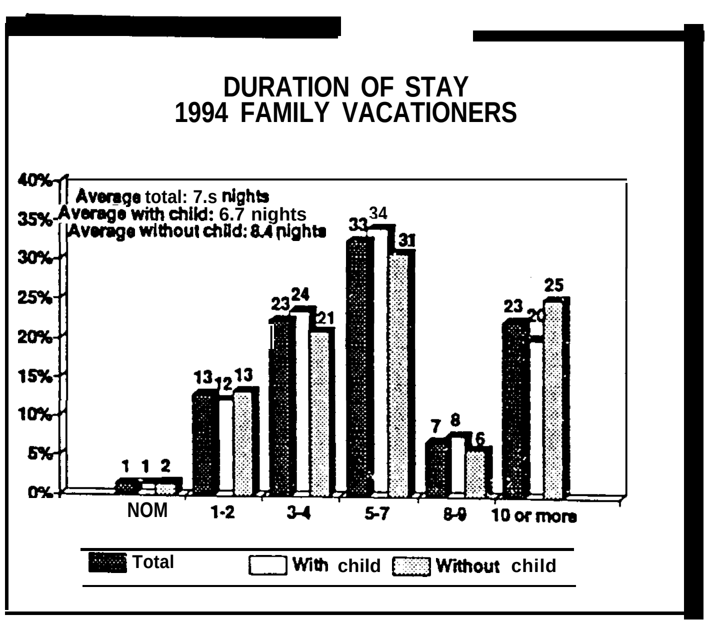

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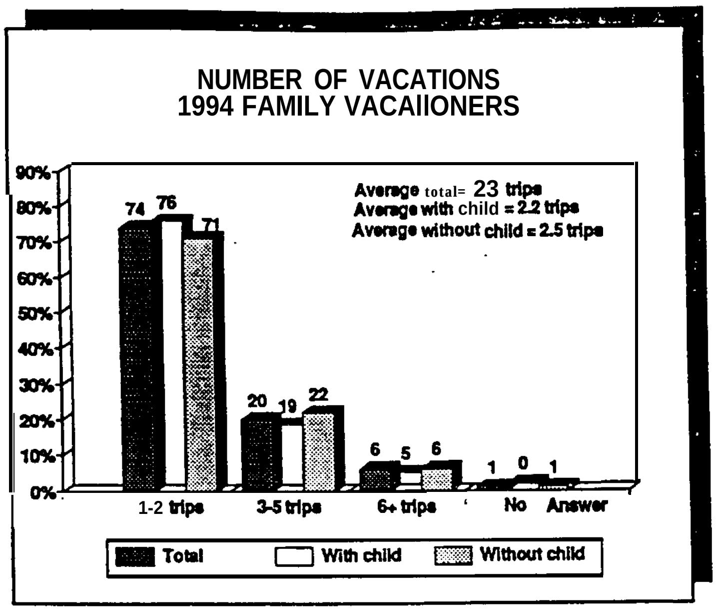

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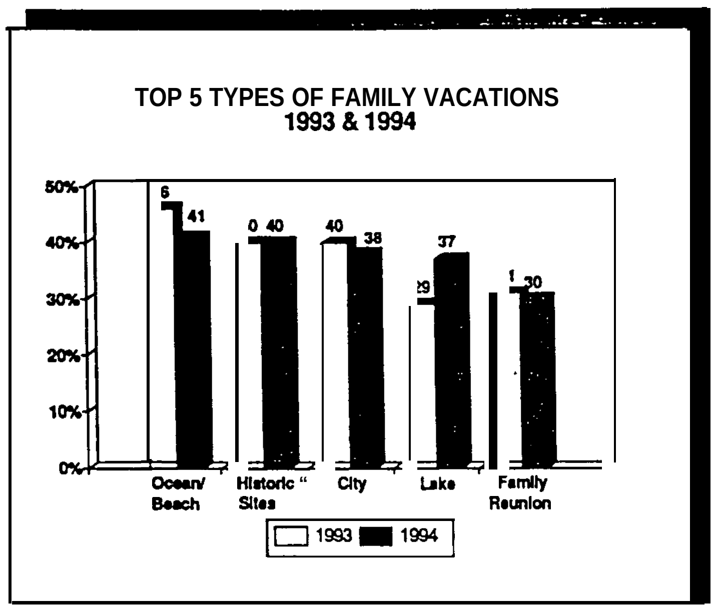

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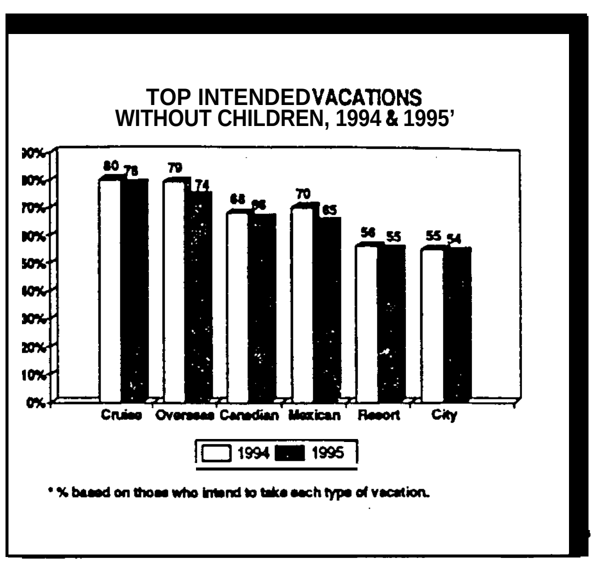

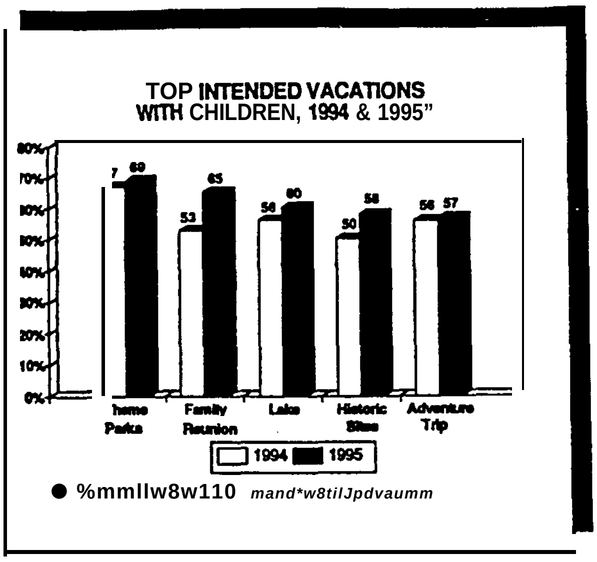

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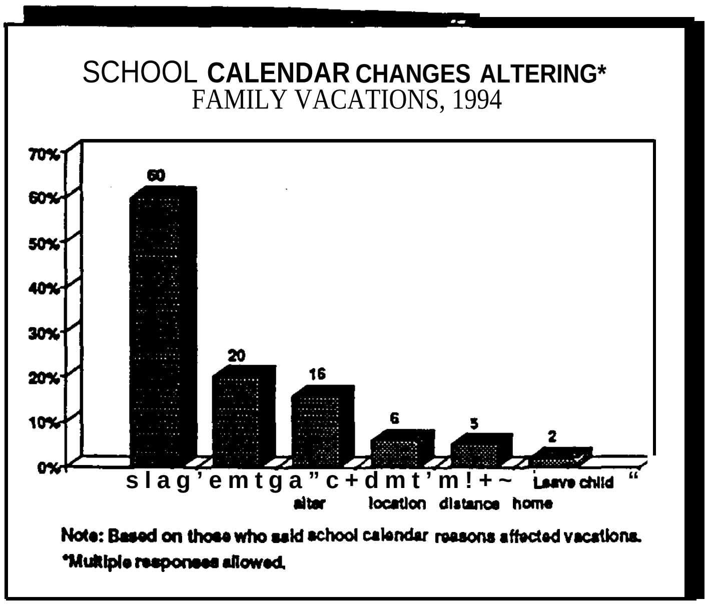

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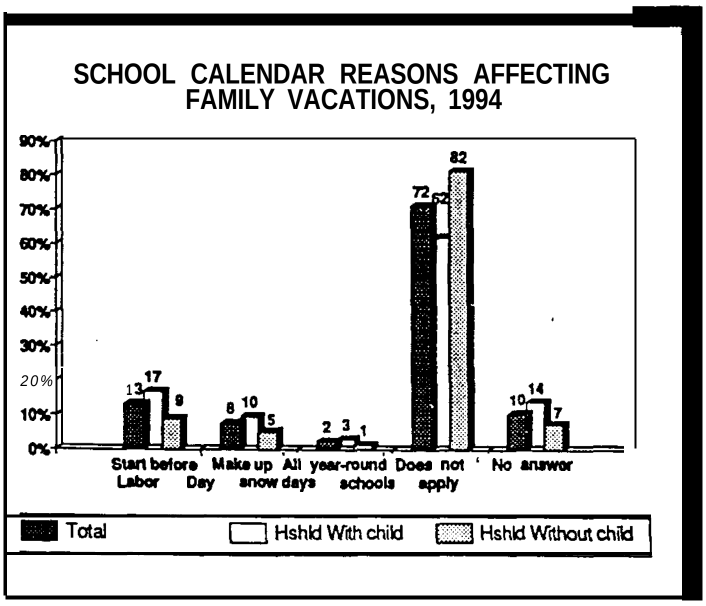

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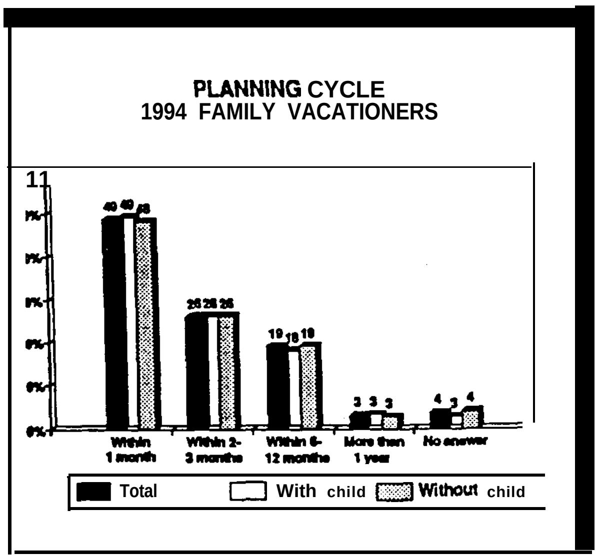

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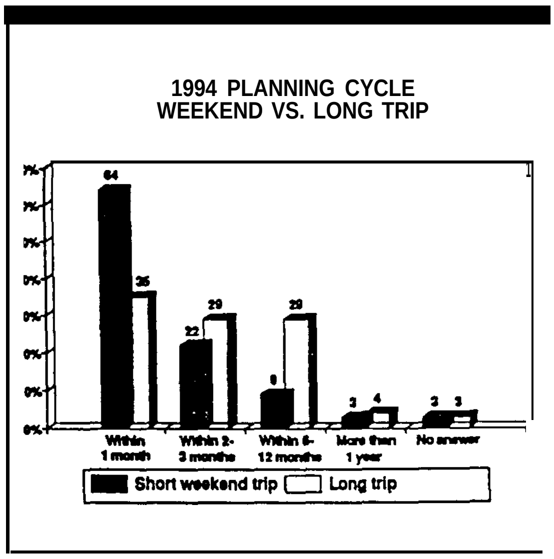

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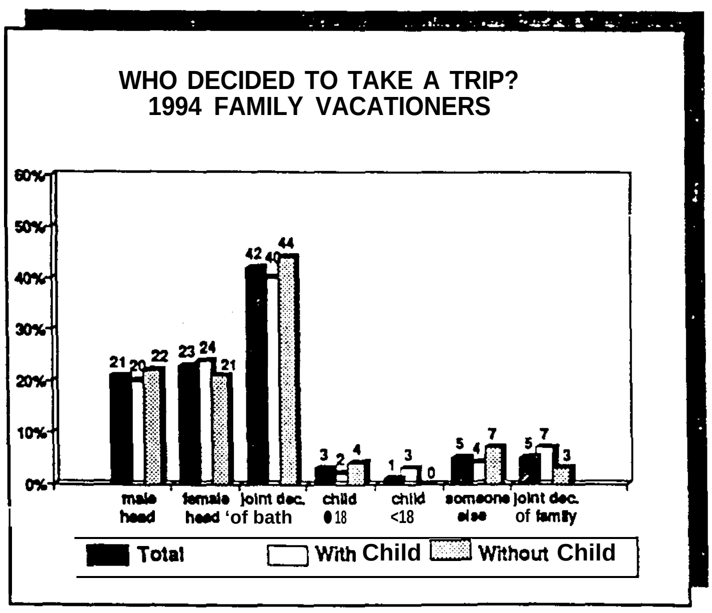

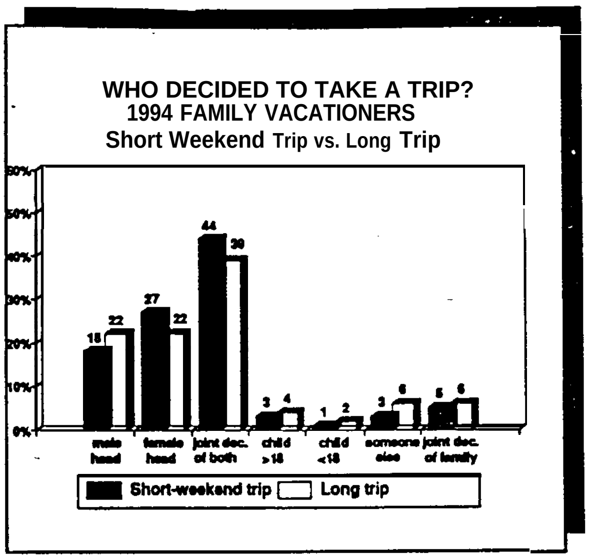

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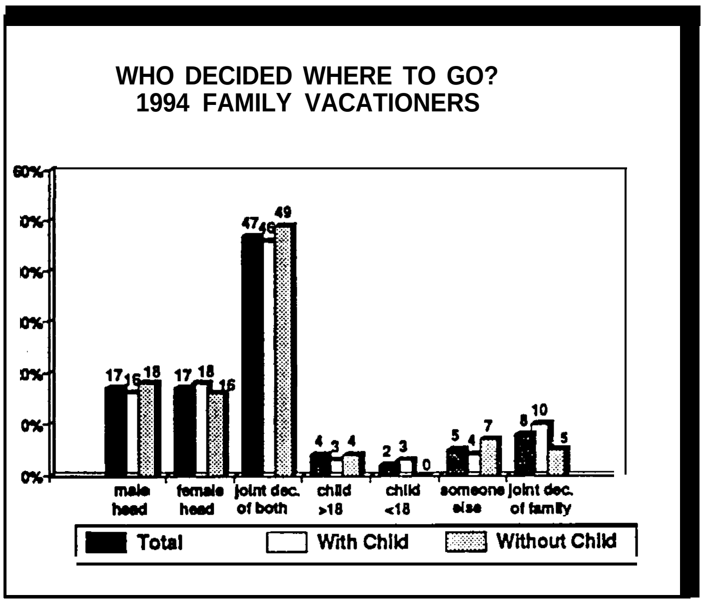

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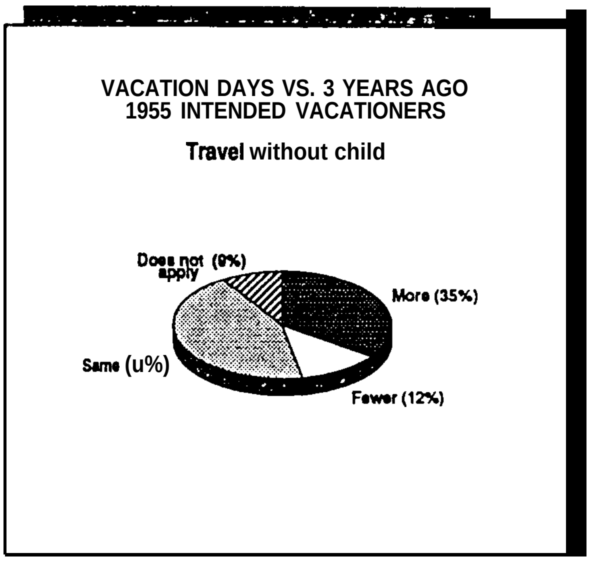

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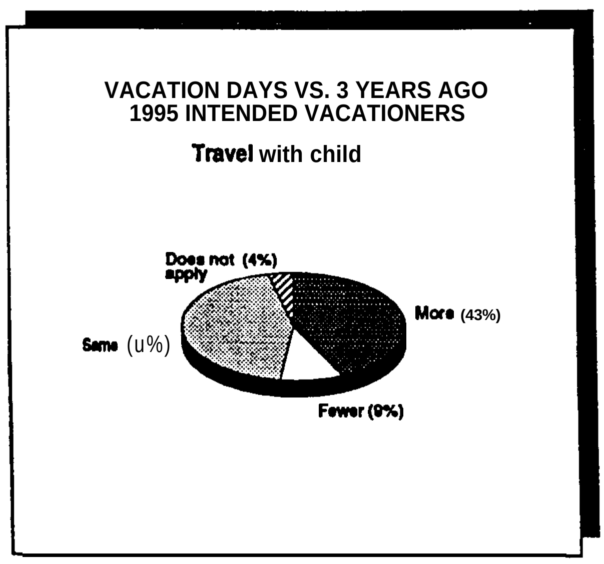

VACATION DAYS VS. 3 YEARS AGO
1995 INTENDED VACATIONERS
Travel with child
Does not apply (4%)
More (43%)
Same
Fewer (9%)

1996 OUTLOOK FOR BUSINESS TRAVEL

An Address By

Lyndsey Whitehead
Director of Market Research
Official Airline Guides
Division of Reed Travel Group

Thank you. I'm so pleased to have been invited here today to present the findings from the 1994 *Survey of Business Travelers*.

OAG sponsored the 1994 survey. The survey had been conducted annually until 1991, but was not carried out in '92 or '93. It is now our intention to sponsor the survey on a biannual basis. so I hope to be back here in a couple of years time to tell you about the 1996 survey.

The Survey of Business Travelers is part of the National Travel Survey (NTS), and it is conducted by the Travel Industry Association of America. Approximately 1,500 U.S. adults are interviewed each month as part of the NTS, and those who have taken a business trip in the past 12 months are also asked to answer the Survey of Business Travelers questionnaire. In all. nearly 4.000 interviews were conducted as part of the business traveler survey. and these are weighted so that the data is nationally representative.

My presentation today will cover five areas. We'll start with an overview of business travel, and then look at a profile of travel in 1994. Then. we'll look at who those travelers actually were, followed by a look at changes in business travel since the last time we did the survey. We will then look at the prospects for business travel in 1995 and 1996

(CHART 1) The first section is an overview of business travel. 20 percent of U.S. adults traveled on business in 1994. This is the highest percentage recorded since 1986. There has been a very gradual percentage increase since the low of 18 percent in 1988.

(CHART 2) This 20 percent of the adult population translates into 38.4 million business travelers. This is an increase of nearly 9 percent over the 35.3 million which were recorded in 1991. Again, the chart shows an increase in the number of business travelers since the low in 1988.

(CHART 3) These travelers made 220 million business trips in 1994. which is an increase of 10 million over the 210 million recorded by the National Travel Survey last year. The number of business trips is now at an all-time high, with travelers averaging six trips each.

Now, as an aside, these results question the theory that videoconferencing actually has impacted business travel. We can see that travel is increasing, even with new technological developments. I suppose it must support the theory of increasing communications in general, however. We're all talking, faxing, and seeing each other more often in this modern world.

Moving on to look at the specifics of business travel. let's first look at the reality behind the average six trips per traveler.

(CHART 4) As you can see. the majority of business travelers are only taking one or two business trips each year (56 percent). Fifteen percent of them, or nearly 6 million people, are taking over 10 trips each year. however, with 7 percent taking over 20 trips.

(CHART 5) Looked at another way, those 56 percent of travelers only taking one or two trips per year in reality only account for 16 percent of all business trips generated. On the other hand. the 15 percent of travelers carrying out over 10 trips each year actually account for the majority of trips which are generated, 56 percent.

(CHART 6) Looking at the last business trip taken by these travelers. and I must stress. it's the last business trip, 50 percent attended a convention, meeting, or trade show.

Business travelers who attend trade shows and conferences are far more likely to be infrequent travelers, and in reality. only 9 percent of all business trips during the year are for the purpose of meetings and conventions. Other reasons for traveling, as we can see, include consulting, sales, company operations, and so on.

(CHART 7) Nearly 48 percent of business travelers used their own car as their main mode of transportation on their most recent business trip, with the next main source of transportation being by air. accounting for 31 percent of business travelers.

Rental cars only account for 6 percent of these travelers' main mode of transportation, but they were used by an additional 19 percent as a secondary mode of transport on their most recent trip. Thus, in total, 25 percent, one in four business travelers, did actually use a rental car at some stage on their last business trip.

(CHART 8) Let's look specifically at air business travel. Here, we can see that exactly half, 50 percent of travelers. did take at least one air trip during the past 12 months. The average number of air trips taken by these air travelers was four.

But again. this hides the rule that we saw earlier of a few people who are making a lot of trips, as well as a lot of people who are making a few trips. In total. there were 94 million air trips carried out by business travelers in 1994.

CHART 9 shows how airline reservations were made by those air business travelers. Thirty-eight percent of airline reservations were made through a travel agent, with a further 29 percent made through a company travel department. Twenty-eight percent of reservat ions were made by the traveler, or the traveler's secretary or colleague or assistant, directly with the airline rather than through a third party.

(CHART 10) If we look at a similar chart for hotel bookings, we can see that over 50 percent of travelers book hotels directly. Company travel departments are used more than travel agents for booking hotels, and 10 percent of travelers didn't bother to make an advance booking at all.

Among business travelers as a whole, one-third belong to a frequent flyer program. but this figure increases to over one-half when looking at air business travelers. Of those who participated in frequent flyer programs, they belong to an average of two programs each.

CHART 11 shows that among frequent flyers, 84 percent actively participate in at least one airline frequency program and 29 percent actively participated in four or more programs.

(CHART 12) Now for hotels. Only 16 percent of business travelers belong to a hotel lodging program, but those that do belong to an average of two. Again, the more frequent the traveler. the more likely they are to belong to a hotel lodging program. with 7 percent of frequent travelers belonging to four or more hotel lodging programs.

(CHART 13) Perhaps the membership in these hotel lodging programs seems low when you put it in the context of the length of business trips. The average duration of a business trip in 1994 was 3.6 nights, and for air business travelers this was even higher, at 5 nights away from home. Only 14 percent of business travelers didn't stay away on their last business trip.

So much for travel. Now let's go on and look at who these business travelers are.

Well, I have to tell you the sad news that. as a female business traveler, I am still in the minority. Sixty-two percent of business travelers are male, which leaves only 38 percent who are female.

The only time this gender gap comes anywhere near to closing is when you look specifically at travel to meetings, conferences. and trade shows, and for this occasion, nearly half of travelers are female.

(CHART 14) Tbe average age of business travelers in 1994 was slightly over 40 years, 40.6, to be exact, but the largest age group is the 35-to-44 -year-oids. with another 35 percent of travelers aged over 45.

(CHART 15) We also collected occupational groupings as part of the survey. Over 50 percent of business travelers fall into the highest occupational classification of the professional/managerial category, with the remaining categories having almost equal shares between them.

(CHART 16) We also examined household income. I stress this is household income, not personal income. More than half of business traveler households earned $50,000 or more in 1994, with the average mean figure of $68.900. For those of you who are statistically minded. the median income figure is slightly lower than that, $53,000.

Looking at which industries business travelers work in, the largest sector is still health, legal, and education, which accounts for over one-fifth of travelers. There is a close second. manufacturing. which accounts for 18 percent of ail travelers. All of the other industrial groupings account for between 6 and 11 percent of all business travelers.

(CHART 17) Finally, business travelers are generally very well-educated. with over 50 percent being college graduates. Only I percent have not completed high school.

Well, that was a very quick summary of the 1994 results, but what I haven't mentioned so far is how things have changed since the last time the survey was undertaken in 1991. Let's remind ourselves of those first few charts where 1 showed some time trends in terms of travel and trips.

(CHART 18) in 1991, the number of business travelers was 35.3 million. The survey this time found it to be 38.4 million, which is a growth of 8.8 percent over 3 years. However, you'll see the growth in trips is much greater than that, at 24 percent, rising from 179 million to 220 million, so there's been a far greater growth of trips than travelers. Let's look at air travel specifically, because this really has been the high growth. The number of travelers by air has increased nearly 12 percent. but the number of trips by air has grown by 68.5 percent.

(CHART 19) The report gives much more detail in terms of changes since '91, but this chart highlights some of the findings. The proportion of travelers who are females is unchanged since '91. and remains at 38 percent. Of course, let's remember that the number of travelers has increased. so the number of female travelers has also increased by I million.

Travelers are also older, as the effects of the baby boomers come into play. For instance, business travelers aged over 35 years has increased from 60 percent to 65 percent of the total.

Travelers are also now more highly educated. In 1991, 51 percent were college graduates. This has now increased to 57 percent.

The percentage of travelers falling into the professional/ managerial occupational grouping has jumped from 39 percent to 55 percent.

Household incomes have increased. In '91. 21 percent of travelers were in households that had incomes of over $75,000. This time, 28 percent of travelers fell into this top income group.

Manufacturing has increased its share of travelers from 14 percent to 18 percent. and travelers are staying away for longer. The average duration of a business trip in 1991 was 3.2 nights. and this time we've seen it's 3.6 nights. For air travelers the increase was even greater, from 4 nights in '91 to 5 nights this time in 1994.

The use of a travel agent in booking airline reservations has fallen from 47 to 38 percent. while the use of a company travel department has increased from 20 to 29 percent.

(CHART 20) Participation in frequent flyer programs has increased by 5 percentage points, from 29 to 34 percent. However, participation in hotel lodging programs has only increased by 2 percentage points.

Okay, that's enough of charts. What about the future outlook? I'm sure you're al I interested in the future, and I just wish it was an easy market and one that 1 could say I could accurately predict. TIA has come to my rescue. They've looked at all the relevant information and, as Suzanne Cook said this morning, they predict the business travel market has now grown as much as it is likely to, and that we will now be faced with a period of stability and consolidation over the next couple of years.

Although they see leisure travel growing, business trip volume has plateaued, and if anything it's likely that the number of travelers will actually fall slightly, although those that do travel will travel more often.

So what does this mean'? Well. it will inevitably mean that the people like yourselves -- hotels, airlines, and travel agents -- will need to increase your share of the business segment to experience growth.

Airlines, for instance. may need to offer incentives for business people to fly, because as we've seen, over half of all business trips are still by car.

Hotels should be wary of raising prices. because the number of nights away is predicted to actually fall slightly now, and price sensitivity is still a concern.

Now, we heard a lot about the economy this morning. Economic signs are good and travel patterns are obviously related to the economy, but there is evidence that the past recession has led to a new company culture of cost containment. Companies are now letting their staff travel more than during the recession, but they are keeping a much closer eye on travel expenditures as a normal part of their business life.

Now, I was asked to add the Reed Travel Group's point of view about the future of the market. We don't actually project future market sizes. We leave that very much up to the TIA. But we do. however, take views on the changing requirements of the business traveler, and it's this angle that I'd like to finish on.

There are three trends within companies which are influencing the direction of Reed and OAG at the moment. The first is their need to have access to all types of travel information. whether it's airline schedules, hotel information, car rental, and so on. This gives a company greater knowledge of all available options.

The second important factor, as we've mentioned earlier, is the recession, which has changed the business travel culture within companies, even though the economy has now picked up. Thus. companies are looking for the best value options in travel. To get this, they like to have the facts in-house.

The third factor is the interest in new technology. Reed is moving into the area of on-line products.

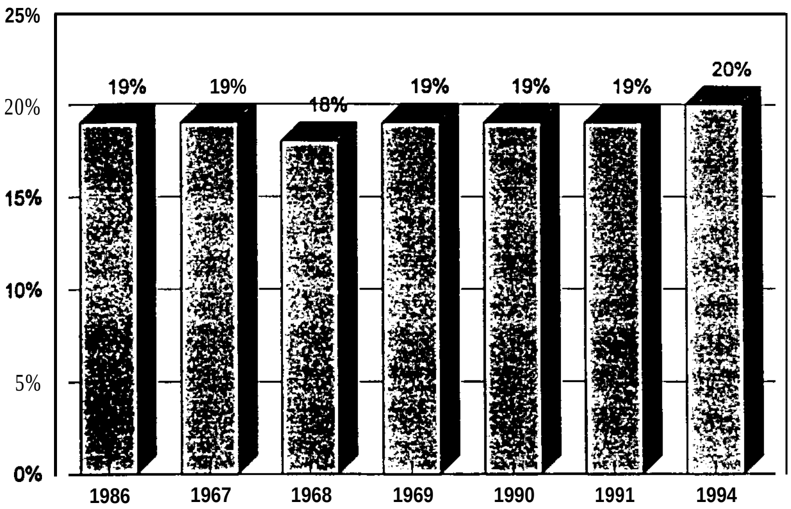
Our most successful product at the moment is not an on-line product, but a PC disk-based product called *Flight Disk*, which companies usually purchase to go on their local area network. By doing this, they make the data available to anyone within the company who is involved in business travel. I should also plug that we have also now launched *Hotel Disk* as a companion.

But why are they interested in disk-based products rather than on-line? Well, it's for the very same reason that companies want travel information to begin with. for cost control. Companies are actually fearful, at the moment. of the type of in-house costs which they might be liable for if all employees had access to on-line facilities. By purchasing data on disk, they can therefore control costs.

Now. in the future. this will obviously change. We are preparing for a migration towards CD-ROM products and, of course, on-line access. I'm not going to stick my neck out on the line here to give you a date for that one -- I'm learned from the advice of our earlier speaker -- but 1 certainly think that it should be a topic which the next Outlook Forum could look at in a year's time.

BUSINESS TRAVEL

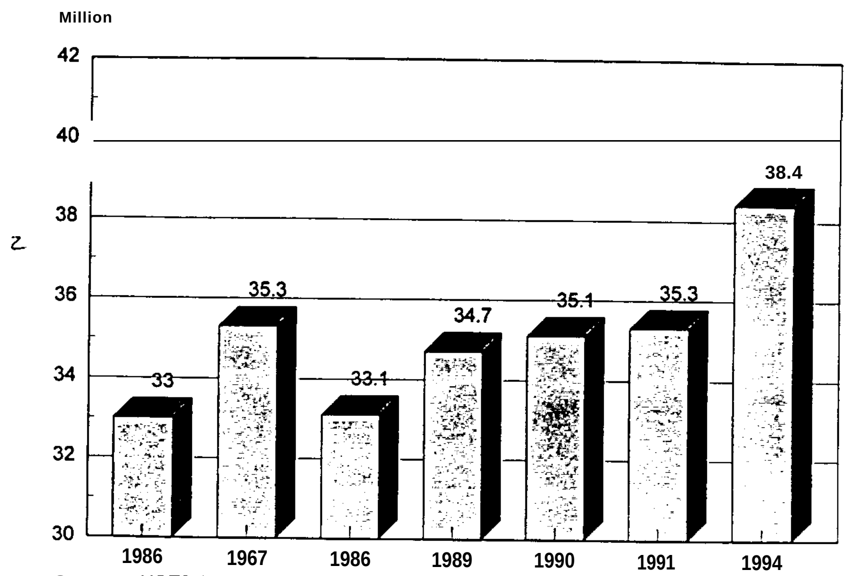
(% of U.S. adult population)



Source: *USTDC Survey of Business Travelers*

CHART 1

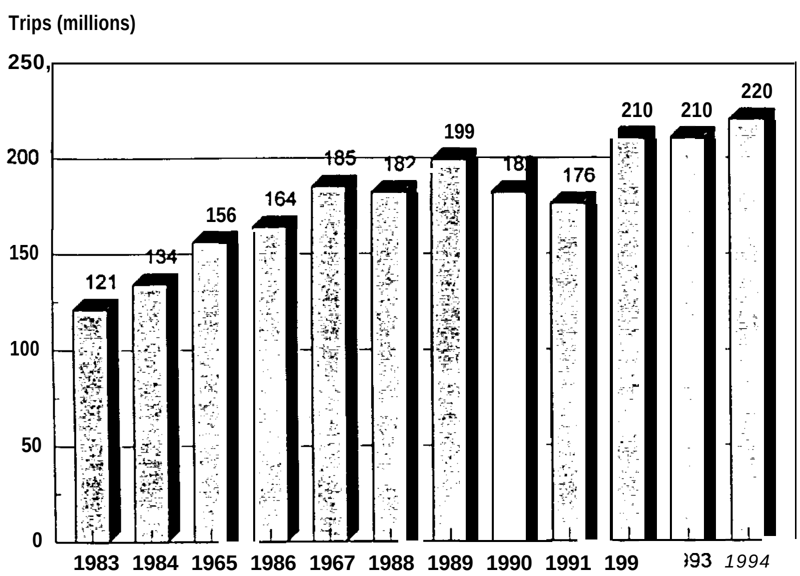
BUSINESS TRAVELERS



Source: *USTDC Survey of Business Travelers*

CHART 2

U.S. RESIDENT BUSINESS TRAVEL

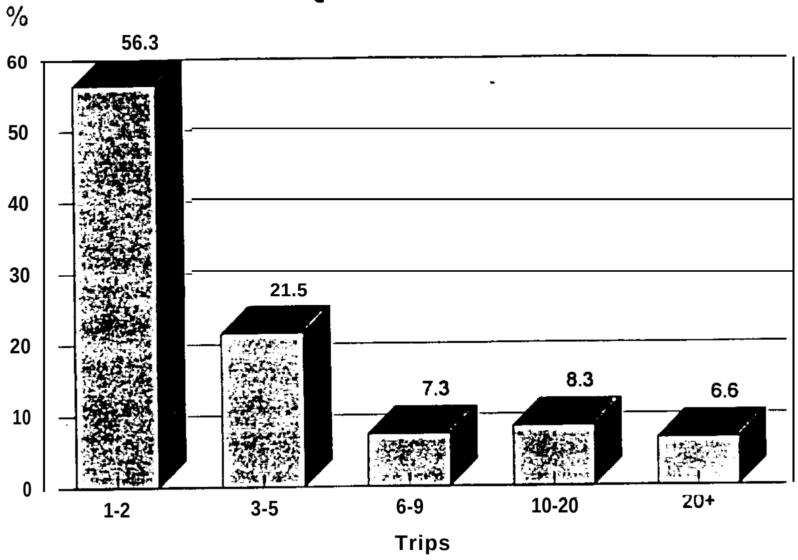


Source : *National Travel Survey (USTDC)*

CHART 3

CHART 4

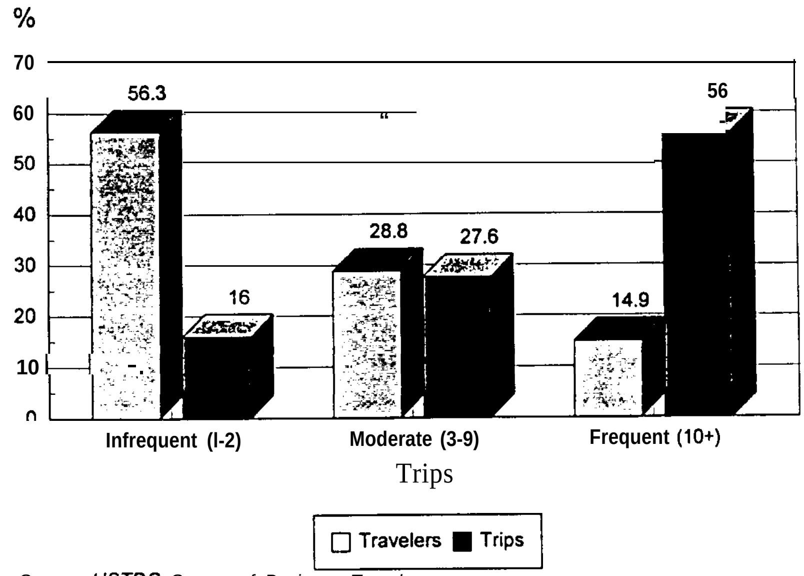
FREQUENCY OF TRIPS



Source: USTDC Survey of Business Travelers

CHART 5

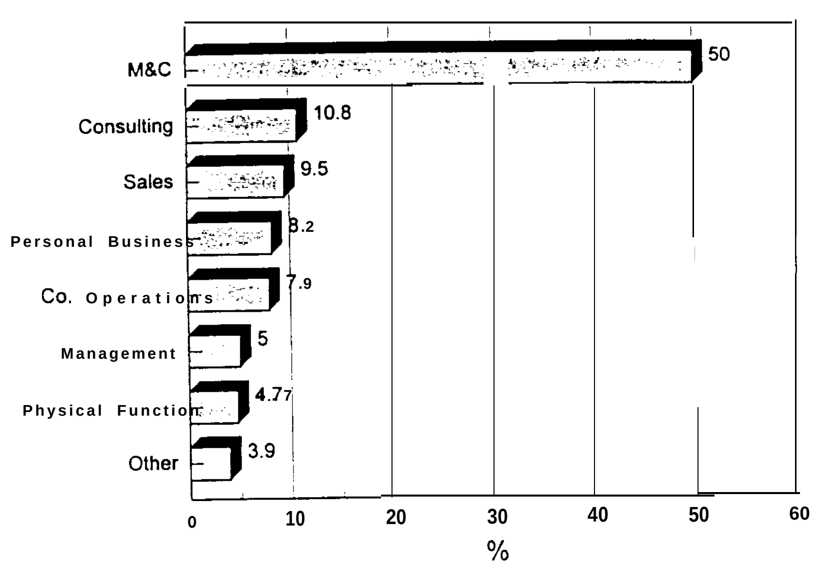
SHARE OF TRIPS BY TRAVELER SEGMENT



Source: USTDC Survey of Business Travelers

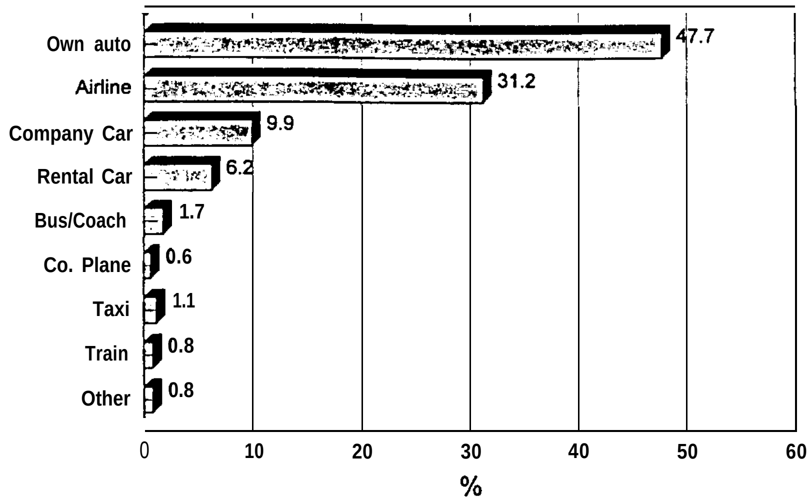
CHART 6

MAIN PURPOSE OF MOST RECENT TRIP



Source: USTDC Survey of Business Travelers

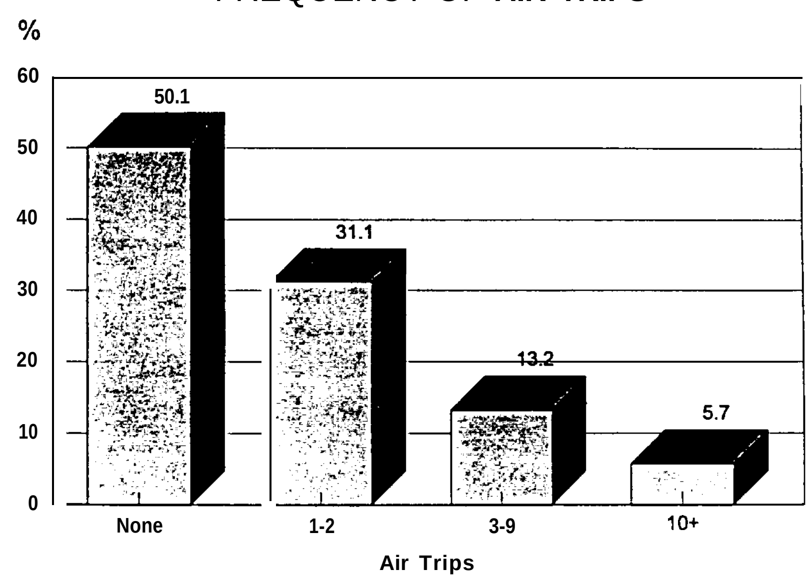
MAIN MODE OF TRANSPORTATION ON MOST RECENT TRIP



Source: USTDC Survey of Business Travelers

CHART 7

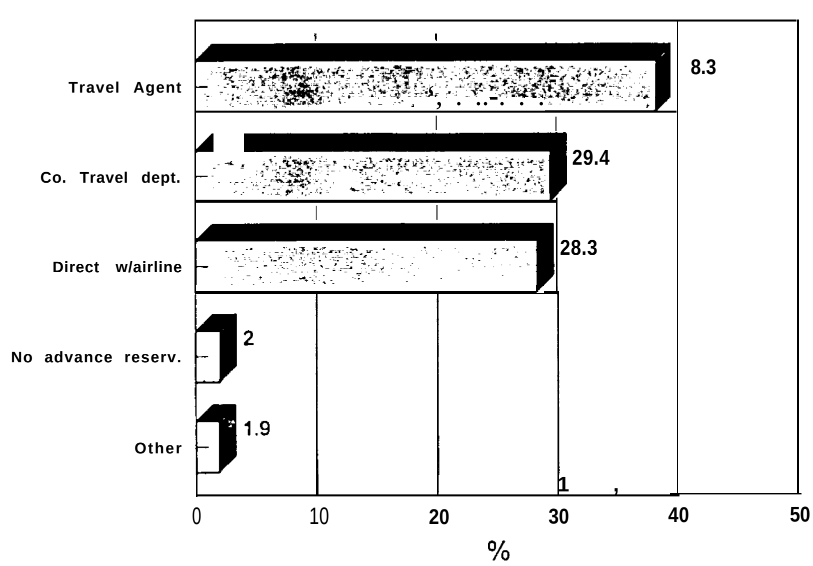
FREQUENCY OF **AIR TRIPS**



Source: US TDC Survey of Business Travelers

CHART 8

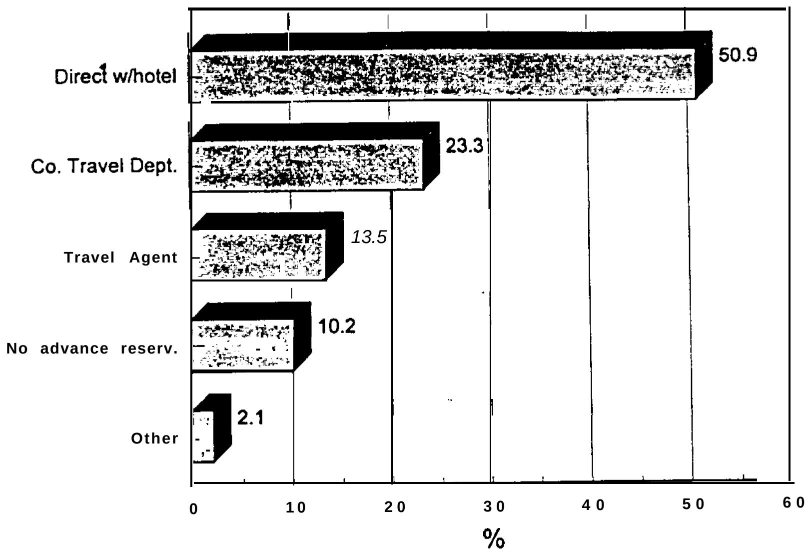
AIRLINE RESERVATIONS BOOKED THROUGH:



Source: USTDC Survey of Business Travelers

CHART 9

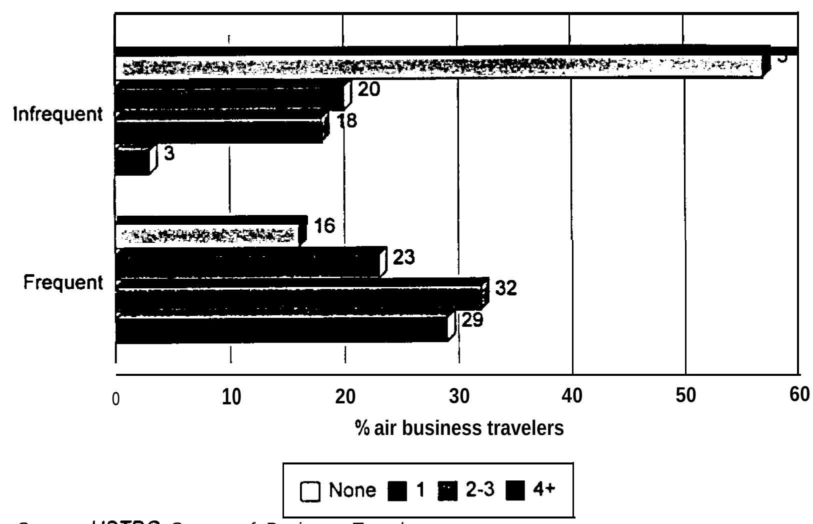
HOTEL RESERVATIONS BOOKED THROUGH:



Source: *USTDC Survey of Business Travelers*

CHART 10

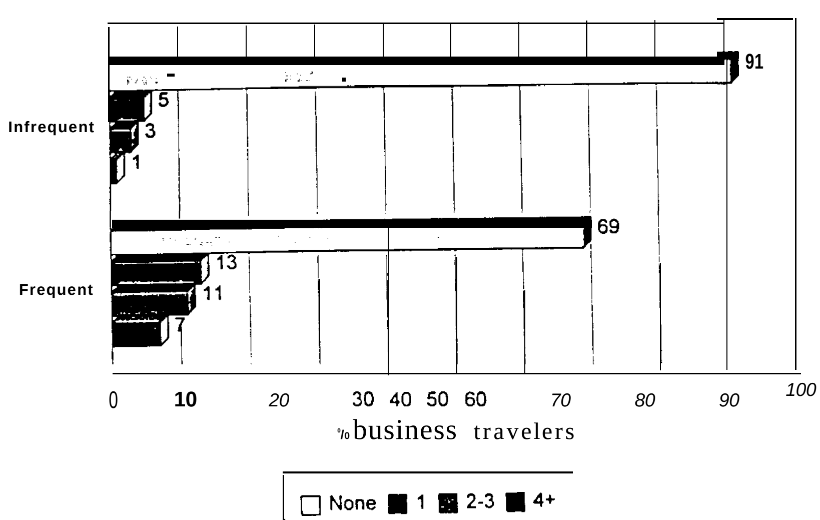
NO. ACTIVE MEMBERSHIPS IN FREQUENT FLYER PROGRAMS



Source: *USTDC Survey of Business Travelers*

CHART 11

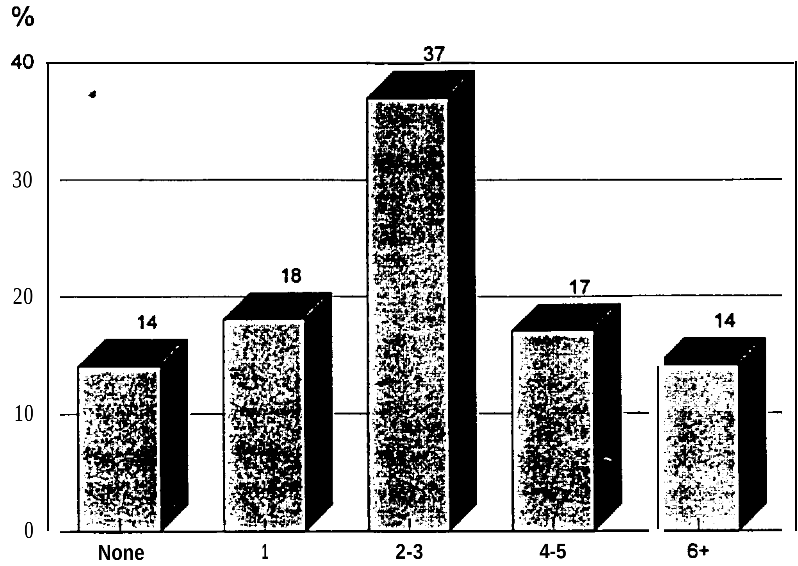
NO. ACTIVE MEMBERSHIPS IN HOTEL LODGING PROGRAMS



Source: *USTDC Survey of Business Travelers*

CHART 12

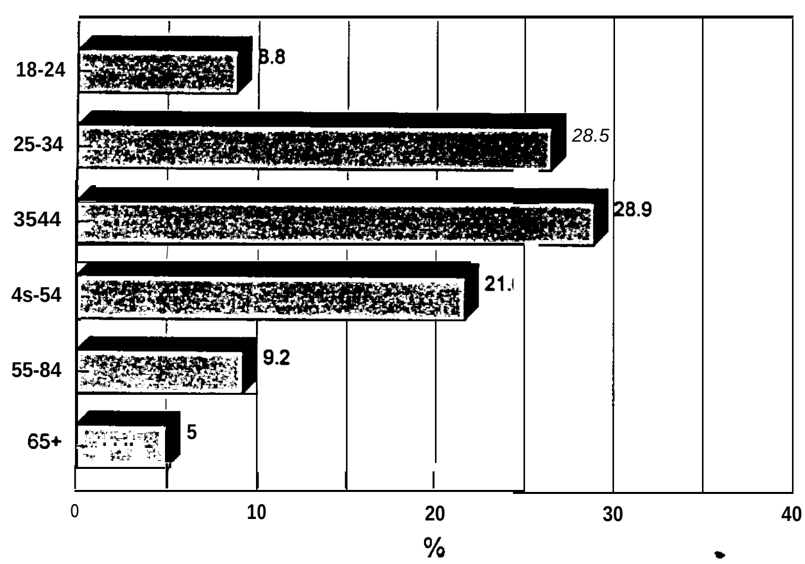
NIGHTS PER TRIP



Source: USTDC Survey of Business Travelers

CHART 13

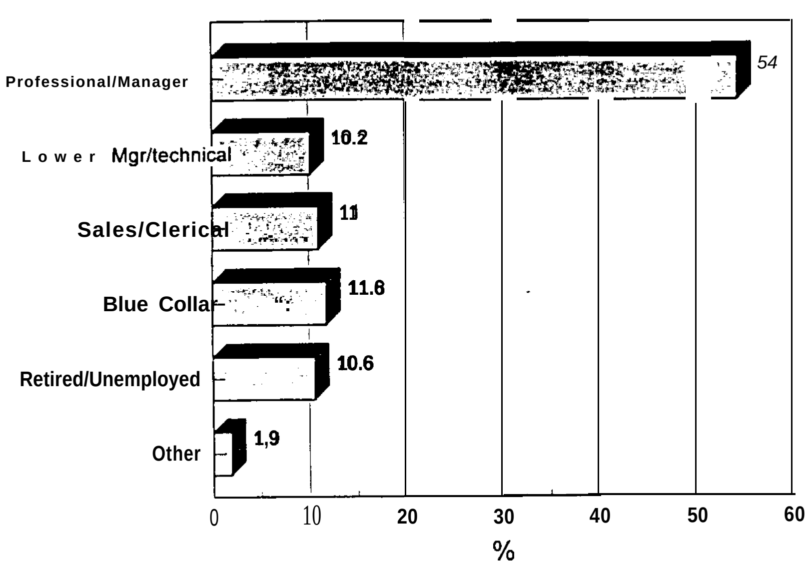
AGE



Source: USTDC Survey of Business Travelers

CHART 14

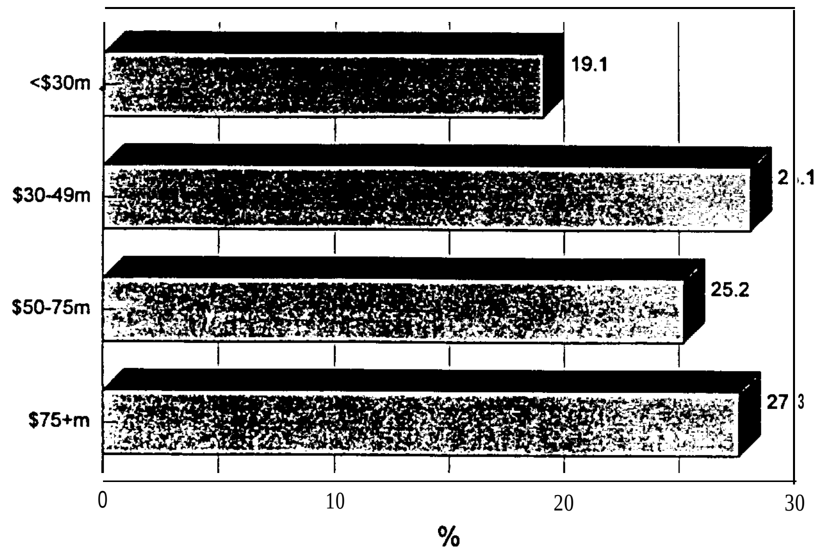
OCCUPATION



Source: USTDC Survey of Business Travelers

CHART 15

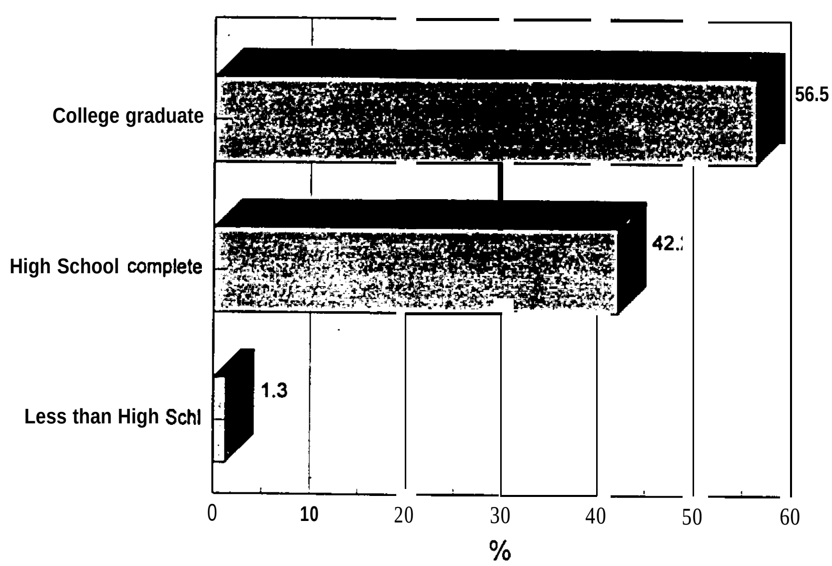
INCOME



Source: *USTDC Survey of Business Travelers*

CHART 16

EDUCATION



Source: *US TDC Survey of Business Travelers*

CHART 17

VOLUME (millions)

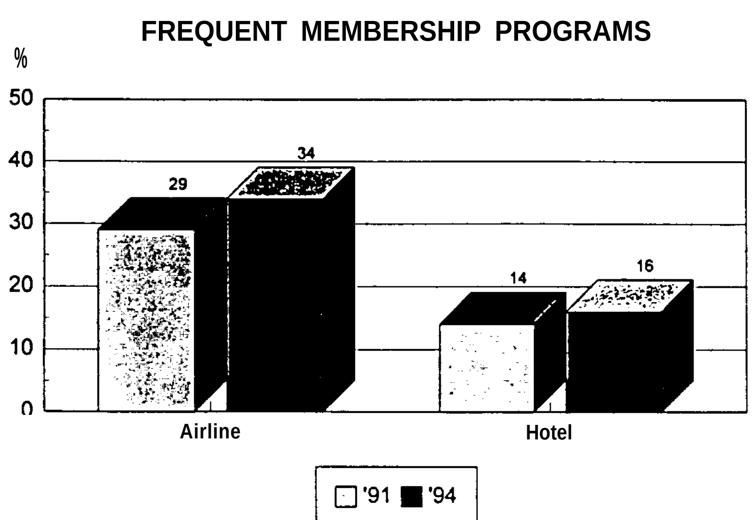
	1991	1994	%change
Travelers	**35.3**	**38.4**	**8.8**
Trips	*176.9*	220	24.4
Travelers **by** air	*17.2*	*19.2*	11.6
Trips by air	*55.8*	94.0	68.5

CHART 18

CHART 19

- The percentage of females has remained unchanged at 38%
- There has been an increase in the proportion of business travelers who are college graduates (51 % to 57%)
- Older age groups now account for a higher proportion of travelers as more baby boomers fall into the 35+ age group (59.5% to 64.6%)
- The percentage of Professional/Managerial travelers has increased significantly from 39% to 55%
- Travelers in households earning more than $75,000 have increased from 210/0 to 28%
- Manufacturing has increased its share of travelers from 14% to 180/0
- The average duration of a business trip has increased marginally from 3.2 to 3.6 nights. For air travelers the increase is greater (4.1 to 5 nights)
- The use of a Travel Agent in booking airline reservations has fallen from 46.5% to 38.3% whilst the use of a Company Travel Dept. has increased from 20% to 29.4%

CHART 20



Source: USTDC Survey of Business Travelers

1996 OUTLOOK FOR MEETINGS AND CONVENTIONS

An Address By

Elissa Matulis Myers, CAE
Publisher
Association Management Magazine
American Society of Association Executives

I'd like to share a perspective on the association meetings market in the U.S. and why associations ought to be important to you. I'd like to talk a little bit about factors that association executives seem to be considering when they select the venues for their meetings and conventions, and then I'd like to touch on some key issues that I think are important in our relationship to the greater hospitality community.

Associations are in the meetings business in a very big way. To understand their impact, it's useful to stop for a minute and ask ourselves how big is the association community itself. and what is it.

In the 1800s, a Frenchman by the name of the Marquis Alexis de Tocquevi lle toured the United States. He was a world traveler himself, and he wrote a book called "Democracy" about his experiences. In the book he said that Americans have an unusual propensity to associate.

In fact, Americans still have an unusual propensity to associate. Seven out of every 10 adult Americans belong to one or more associations, and, in fact, a quarter of us belong to four or more. We're a nation of joiners.

Do you know how many not-for-profit membership organizations there are, by the way, in the United States? There are. in fact, 1.4 million nonprofit associations. organizations. who were large enough to file their own individual tax return with the IRS last year.

There are more people employed by associations than by the Federal Government and all 50 State governments combined, 7.6 million employees.

For now, though, I want to focus on that small, narrow tip of the pyramid of the association marketplace that represents ASAE members, the largest associations.

ASAE members have a combined underlying membership of 204 million. Everytime 1 say that, I question it myself. What's the population of the U. S.? 260 million, and a lot of those people are babies, and quite a few are retired, so again, you're seeing a number that reflects overlapping memberships among our members.

Together, these associations hold about 12,500 membership-wide conventions each year, involving about 22 million delegates and using more than 28 million room nights. They hold another 230,000 educational seminars. with almost 67 million delegates, and another 14 million room nights.

Associations hold trade shows, and in fact the propensity to hold trade shows is on the upswing. The number of ASAE member associations holding a trade show this year has grown from about 50 percent in 1990 to almost two-thirds of all associations holding an annual exposition, with an average of 4,014 attendees, 133 exhibitors, and using over 64,000 square feet of exhibit space. Of importance in understanding our market, the average venue for a membership-wide meeting or a trade show is selected and booked contractually 3 years, on average, in advance of the event.

The economic impact of the meetings industry is staggering. According to a study done recently by the Convention Liaison Council and Deloitte Touche, the meetings industry is a small piece of this business travel market that Lyndsey Whitehead was describing and represents a $76-billion annual industry. Associations represent about 70 percent of that $76 billion.

Meetings represent $1 in every $4 spent on air travel. They account for over $10 billion in taxes, 44 percent at the State level and 56 percent at the Federal level.

In the U. S., meetings represent $23 billion of the hotel industry's operating revenue, or, that is, 36 percent of all hotel income. and an even higher percentage among the business hotels. Almost 4 of every 10 room nights is used in conjunction with a meeting.

If you look not at tourism as a whole but at the meetings niche of tourism, the meetings industry ranks seventeenth among al l U.S. private sector industries, and association meetings represent 70 percent of that volume.

When associations are seeking venues for their meetings, they're looking at a variety of factors, and ASAE has done research on this since the mid- 1950s.

In 1990 for the first time, and again in 1995, the number one factor that associations considered when they were selecting a venue for their meetings was the quality of service at the destination or venue.

When we saw this pop out of the list, we were troubled. We knew that it was significant, we knew that it was important, but we weren't quite sure we knew what it meant. What is quality of service? You know it when you feel it, but how do you measure it?

To try to measure it or establish some benchmarks, we worked together with Meeting Professionals International (MPI) and *Meeting News Magazine* to survey our members and determine some benchmarks. I don't have time to go through all of it today, but as a highlight, we asked the question, "what personal services and amenities are you expecting hotels to offer?"

Top on the list of responses for meetings and convention executives was, no smoking rooms. The second most commonly cited factor was a concierge. The third was 24-hour room service and a gift shop.

We asked the question, "what do you consider minimum equipment in the hotel for meeting space?" High on the list were light and temperature controls in each room.

Variety in table size and chair types, overhead projectors and projection screens and flip charts, and a variety of microphones were also mentioned. Simultaneous translation and videoconferencing capabilities were at the bottom of the list of priorities, but a quarter or more of the respondents cited them. Increasingly, we're looking for things like in-room modem lines in order to be able to integrate on-line technology.

The second most important factor was the presence of adequate meeting facilities. It's not surprising to you that if you're going to hold a meeting you need a meeting facility or configuration that will adequately hold your meeting. When asked about one of the greatest frustrations they had with meeting venues, the planners that we surveyed said they were frustrated at the configurations.

Overall appeal of a destination and overall affordability was toward the bottom of the 1 ist, followed by accessibility by air and highway. and then finally the dining, entertainment, and recreational facilities in a venue.

There's one more statistic worth noting. Most conventions are held at downtown hotels, a full 56 percent of them, followed by conventions held at resorts and conference centers.

Technology is affecting everything that you do, it's affecting everything that we do, and association meetings are not immune. Members are demanding more opportunities for distance learning. For a national association with members all over the country, a frequent pattern of meetings in Washington may be excluding people in Wisconsin and California and other parts of the world

Does this distance learning through CD-ROMs, on-line video and audioconferencing, suggest a downturn in face-to-face meetings? We definitely think it does not.

In fact, in a recent trend analysis survey, 41 percent of our members reported that they expect to hold more meetings in 1996 and 47 percent said they would hold the same number as they held in 1995. In our meetings, however, we are looking for more sophisticated use of technology connected to those meetings.

Members want to register on line. Meeting planners want to lay out their meeting room setup electronically on your on-line hotel meeting blueprints. Exhibitors want modem hookups. cellular phone service that's affordable, and more.

It's worth noting. too, that almost two-thirds of our members expect to hold 1996 meetings at international -- that is, non-U. S. -- destinations.

Increasingly, the associations that I represent are facing the reality of baby boomers and post-boomers in their membership, and baby boomers place a premium on services tailored to the individual.

We have moved. as you wel I know. from a mass society to a mosaic society, and associations are feeling that fragmentation. Members increasingly want educational sessions that are tightly focused on their particular interests. That means that while association meetings will still have everybody-come sessions, they will also have a ton of breakout sessions and mini-meetings within the meeting. much as this meeting is structured. They will want more and more flexible breakout space in which to hold those meetings.

Also, baby boomers want fewer weekend meetings, more opportunities to include families, and more emphasis on learning.

Fifty-five percent of the associations represented in ASAE are offering specific programming for spouses. and 13 percent do so for kids. encouraging family involvement. More than a third this year will schedule pre or post tours following their meetings. There's also a greater demand for diversity in accommodations within a single meeting, different prices with different amenities and with different levels of quality.

While cost is always an issue. we believe that many associations, if not most, are discovering that when you have finished cutting all the frills and niceties out of your meetings, what you are left with are some pretty unattractive meetings.

Boomer delegates don't accept business travel as a way of life in the way that the generation behind them did. When they must travel, they want to feel good about where they're staying.

Delegates are looking for value, yes. It is the no-nonsense nineties. They're looking for value. yes, but not necessarily at cut-rate prices. They're willing to pay for a level of service and amenities at least within the market that I represent that is commensurate with a lifestyle that they otherwise enjoy.

And as I have said, customer service is the buzzword of the nineties. and that means that associations have a high expectation for outstanding customer service from the top to the bottom of the staffs in the facilities that they use.

Sales execs from the convention center, hotels. convention bureaus and the other support services in the community, as well as in State Tourism offices, must be service-oriented and empowered to make necessary decisions that will make a meeting or a convention run especially well.

I know we're tired of hearing about customer service, but in my experience, we're a long way from achieving sustained, excellent customer service in the hospitality community.

And there is one more aspect of customer service. For my members who are often running city-wide meetings, there is a very high expectation for a destination to work as a team, with great coordination around the convention bureau. To be able to coordinate and develop a city-wide convention, a full-service convention bureau is required and is expected to provide the team leadership.

[n conclusion, in order to compete. we need you to work up and down the industry together in a more coordinated fashion than perhaps has been true in the past.

Number two, as an industry, you and we together need to better understand and document the economics of travel and meetings. We need to better understand the relationships between the many components of the tourism industry. When the average association comes into a city with a city-wide convention, they're going to spend just over $2 million, but they're going to have, on average, a $30-million economic impact.

We need to be better able to harness our understanding of that economic impact of meetings and conventions and what the repeat business is coming in at the tai I end of the convention once the convention is over, the repeat business that is coming back from delegates exposed to destinations.

We need to stop selling price, and we need to focus on value, reinvesting in our product, and not allowing our product to be devalued in order to shave a few more nickels off the room rate, or a few more nickels off the cost of the airline ticket.

Finally, we need a national strategy for the industry that you and I and my constituents work in. Perhaps the shape of one will emerge during the White House Conference on Tourism and Travel.

1996 OUTLOOK FOR GAMING

An Address By

John J. Robs
Managing Director and Associate Director of Research
Schroder Wertheim & Company, Inc.

Schroder Wertheim is an investment banking and research firm. It's been around since 1937. I have been tracking the gaming industry for 17 years. Over that period I doubt that there has been a time during which it has been more exciting than right now.

My daily bread and butter is dealing with stocks, so we've got some things I want to show you in the context of stock performance and how the environment has changed investment-wise over the last several years. 1 want to provide information on several things: number one, the three phases of gaming that have characterized the period from 1991 to 1995; second, the three types of casinos that are in existence, and what opportunities each one of those offers for the travel industry; third, what lies ahead in 1996 to 1998 in the way of exciting new attractions in gaming; and fourth, provide you with some projections for the industry for 1995 and 1996.

(CHART 1) The first thing in the way of excitement and change is the performance that has occurred in the gaming group over three distinct periods of time. From 1991 until 1995 there has been a rather distinct change in the performance of gaming stocks--the number of stocks that have been public over that period of time and the total market capitalization of the group. As you can see, from the beginning of 1992 until the beginning of 1994, being invested in gaming stocks was a very rewarding experience. There were a lot more issues that came public during that period of time, and the valuation of those rose very substantially over the period.

(CHART 2) But to give you an idea of the volatility that has occurred in the stocks over that period, let's look at the Schroder Wertheim gaming index.

If you look at the performance of the group between 1991 and 1994, it's almost a straight up line. During that period of time, there was a substantial amount of money raised in the gaming group and a substantial number of companies coming public. Then 1994 was an extremely difficult period for gaming stocks, and 1995 has seen a period of rally.

Let me go through what we consider to be the three phases in this period and try and shed a little light on what was going on.

The first phase: a casino on every corner, a slot machine in every garage. Consider this: From 1931, when gaming was first legalized in Nevada--for a period of about 45 years--there was only one location to legally gamble in this country, and that, of course, was Nevada. For about another dozen years there were two, as Atlantic City joined Nevada in the mid- 1970s. By February of 1994, when we consider land-based gaming, river boats and dockside gaming, small stakes gaming, and video lottery machines that were in existence in several states, that number went from two to fourteen states.

If, in addition, we include Indian gaming, the total went up to 25; half the states! Moreover, in February of 1994 the prospects were considered to be extremely favorable to have gaming approved in another 13 states. That would mean that sometime in the middle of 1996, it is anticipated that as many as three quarters of the states could have had some form of gaming available. A slot machine on every corner.

Let's take a look at the second phase: the people and the politicians say no. I mentioned that in February 1994, thirteen states were examining proposals to approve gaming. Approximately a year and a half later, none of those 13 have okayed gaming proposals. As a matter of fact, it has either been defeated or not considered in some fairly visible locations. including Pennsylvania; Massachusetts, where the political ball is still bouncing around; Texas, where it was not even considered in the legislature: and Florida, where gaming suffered a resounding defeat in the November 1994 elections.

Proliferation of gaming is not sunk as yet, but it has, in the last couple of years, taken a very substantial broadside.

(CHART 3) What is the size of this industry that we're talking about? As of the 1995 forecast period. we're talking about a fairly substantial business, $19 billion worth. Nevada is approximately $7.2 billion of that total, and Las Vegas represents $4.2 billion of the $7.2 billion, by our estimate. Atlantic City is a pretty substantial market, itself. That's $3.7 billion. New Orleans, which has a temporary casino being run by Harrah's which just opened up in the springtime, is expected to generate revenues of approximately $140 million dollars this year. Indian gaming — this may surprise you — $3.4 billion, and river boats, all those little river boats that are operating currently in five states and soon to be six, that's a $4.8 billion business.

(CHART 4) By share of market instead of in dollars, Nevada is 37 percent (and Las Vegas represents about 58 percent of that), river boats 25 percent, Atlantic City 19 percent, Indian gaming 18 percent, and New Orleans is less than 1 percent.

Where do we go from here. and what is really happening in gaming, at least as it impacts the travel business? Well. that is phase three: build it--where it's legal--and they will come. Several things have become very apparent since 1990. Number one, casino gaming is broadly accepted as a form of entertainment by 92 percent of the public, according to surveys done by Harrah's Entertainment.

Number two, entertainment means a lot more than gaming. It means fake volcanos in Las Vegas, it means jousting matches. it means pirate battles, it means theme park rides. It does not just mean slot machines. In order to make it in today's gaming environment you've got to have more.

Also, if you want to participate, you need three things that are extremely important. Number one, you need management: in this industry it is absolutely crucial.

Number two, money. Some of these projects are very expensive. To give you an idea, Mirage, one of the leading companies in this industry, has a credit line with the banks of $1 billion. Circus Circus, another leading company in this industry, has a credit line that they are in the process of finalizing right now which will aggregate between $1.25 and $1.5 billion.

Lastly. besides management and money, you need a good site, and you need it in an approved jurisdiction.

(CHART 5) There are basically three types of casino locations. One, the transient location, that's essentially built for and utilized by the day tripper market. People travel to that location by car or by bus, with very few air arrivals. The use of lodging and off-premise food consumption is extremely low. The best example of it is most--not all, but most--Indian casinos and many river boats.

Second, destination casinos. Only one location is a destination market and it's Las Vegas. This obviously is a market that is terrific for the travel industry. Las Vegas is a market where 44 percent of the clients arrive by air. 39 percent come by car, by the way. The average stay is 4 days, 3.1 nights. Ninety percent of the visitors to Las Vegas stayed in hotels and motels, spending an average of $52 in those properties. Average gaming budget for that period, $120 a day. $75 was spent on shopping, $53 on shows, $4 on sightseeing, and $24 a day on food.

The third type of casino location is evolving. These are really the destination wannabes. There are some of these that will succeed, and some of them that obviously will not succeed in trying to make the transition. What do you need to do so? Well, you certainly need proximity to a major population center to do so. Number two, and here we are again, you need money.

These things are not cheap. Number three, you really need a hook to get people to come more often and to stay longer when they do come. And part of what these wannabe destinations are doing is building more hotels, building off-premise restaurants. retail space. convention facilities.

One place doing this is St. Charles Riverfront Station in suburban St. Louis. Today this property has 2,200 parking spaces. 47,000 square feet of casino, seven bars. a fast food court, an entertainment lounge, and a gift shop. It's a nice place. but it's really not a destination at this point in time.

The property is master planned for one million square feet of retail space. five restaurants, and other entertainment facilities. It has in the master plan 6,000 parking spaces. 750 hotel rooms, and a 330-seat, 20,000 square foot restaurant complex has recently opened. and a parking garage is underway right now.

Even more ambitious than that is the Kansas City Station, operated by the same company, Station Casinos based in Las Vegas. Kansas City Station will be 100,000 square feet of casino space, a 200-room hotel, four full service restaurants, five fast feeders, 150-seat entertainment lounge, two bars, a gift shop, 10,000 square feet of convention space. 3.000 parking spaces, and the master plan, rather than the 200 room hotel. calls ultimately for a 1.200 room hotel.

Now. let's take a look at a destination wannabe with a fairly good chance of success. I mentioned some numbers to you before on Las Vegas. Atlantic City and Las Vegas are really day and night in a number of ways, most notably in length of stay. Las Vegas. as I mentioned, is 4 days, Atlantic City is 4 to 8 hours. Another contrast. Las Vegas, 44 percent of the people come by air. in Atlantic City l percent of the people come by air.

Now, there are a goodly number of new hotel rooms that are being added to Atlantic City. There is a new convention facility underway, there are airport improvements. but the big change in this marketplace will come from the joint project that has been announced by Mirage and Circus Circus. These two companies are probably the two most creative in the gaming industry, as reflected in some of their projects. They are also probably the two companies, as we mentioned earlier, with the deepest pockets. These projects will cost between $500 million and $750 million each. They are going on 178 acres in Atlantic City, and we think that the 1.500 to 2,000 rooms that each of them will put up and the rest of what goes with it will probably be the first time that Atlantic City has seen spectacle facilities much like what have been going up in Las Vegas since 1989.

(CHART 6) Let me give you some forecasts for the industry for 1996. We are looking at the gaming industry in total growing at about 12 percent in 1996. River boats are going to post about a 12 percent gain; Indian gaming, 20 percent; Atlantic City, which is enjoying a very good year this year, should post another 8 percent increase; Nevada should be up around 6 percent; Las Vegas itself up about 7 percent; and I should note to you in the context of these forecasts and the preceding comments about expansion that major gains in Las Vegas and Atlantic City revenues come when the spectacle properties open up. They are an enormous draw.

One of the questions that I dealt with most frequently from investors back in 1991, when the three new spectacle properties -- Mirage, Excalibur, and Luxor -- were announced, was that's a 14 percent increase in room capacity in Las Vegas that you're talking about, 10,500 rooms in just three facilities. How can they possibly absorb it? Well, the answer was a 20 percent increase in visitation in Las Vegas in 1994, the year after ail three of those properties opened. Build it. and they will come.

So what's the outlook for gaming? The outlook for gaming is for growth and for a changing landscape. Gaming is a new, exciting, and 1 might add permanent, part of the travel industry's customer options. particularly the destination or evolving destination markets that we described.

Second, it's a legitimate challenger for the vacation dollar to Orlando, to Opryland. and to a whole lot more locations that you could list. And it's a very exciting enhancement for the convention, group sales, or the incentive markets. and an attractive option for clients young and old.

Third, it's an integral part of the entertainment industry, so much so that for our final comment on the industry's outlook we're going to venture a prediction. The prediction is that a different gaming landscape will exist a few years down the road, one where some oftoday's gaming companies. leading gaming companies. have been bought out and become subsidiaries of even bigger companies. Sony, Sega, Time Warner, all of those are possibilities. And if you let your imagination wander, you can come up with a few other possibilities. But as I said at the outset, the gaming industry has seldom been more exciting than it is today, and with all that's happening and that promises to happen, we expect it to stay that way.

Interest in gaming heats up...

CHART 1

	1/92	1/94	9/95
#of Public Companies	23	50	63
Aggregate Market Capitalization ($ Bil)	$10.0	$28.1	$24.5

Schroder Wertheim & Co. Incorporated

Schroder Wertheim Gaming Index

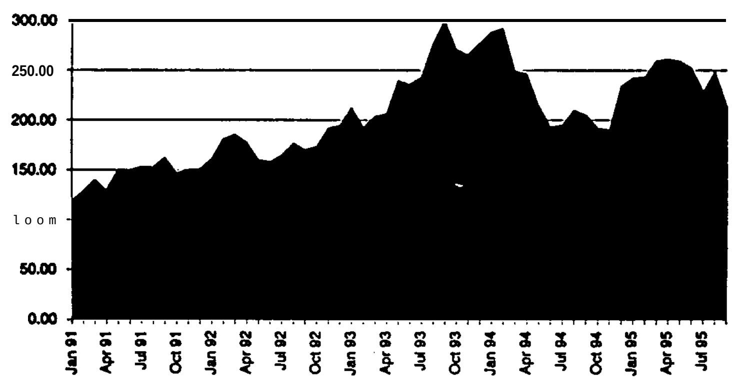


CHART 2

Schroder Wertheim & Co. Incorporated

1995 Major Market Forecasts ($ Bil.)

	1995 Forecast	Yr./Yr. % Cha.
LasVegas	$4.2	1%
OtherNevada	3.0	6%
Total Nevada	7.2	3 %
Atlantic City	3.7	9 %
NewOrleans	0.1	N.A.
Riverboats	4.8	47%
Indian	3.4	31%
TOTAL	$ 19.2	18%

CHART 3

Schroder Wertheim & Co. Incorporated

Major Gaming Markets By Share

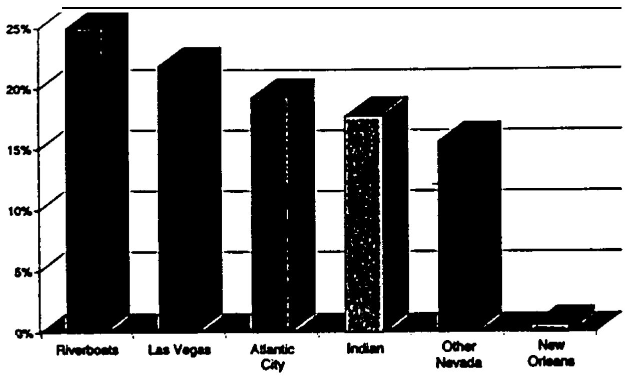


CHART 4

Market Segmentation

o *Transient* ⇨ riverboats, Indian casinos

Q *Destination* ⇨ Las Vegas

❸ *Evolving* - Trying to become destination ➡ Atlantic City, Foxwoods, some riverboat locations

Schroder Wertheim & Co. Incorporated

CHART 5

1996 Major Market Forecasts ($ Bil.)

	1995	1996	% Chg.
Las Vegas	$4.2	$4.5	7%
Other Nevada	3.0	3.2	5%
Total Nevada	7.2	7.7	6%
Atlantic City	3.7	4.0	8%
New Orleans	0.1	0.3	187%
Riverboats	4.8	5.4	12%
Indian	3.4	4.1	20%
TOTAL	$ 19.2	$21.5	12%

Schroder Wertheim & Co. Incorporated

CHART 6

OUTLOOK FOR SPORT TOURISM - OLYMPICS

An Address By

Lisa Delpy, Ph.D.
Professor
The George Washington University

Thank you, John. You've provided a great lead-in for the presentation on sports tourism. Gambling is an integral part of sports in two ways. One, $2 billion worth of wagers. legal wagers. are made each year in gambling, and that's not counting the $100 billion of illegal wagers. And then two, John just talked about the different attractions that casinos use to bring in their high rollers.

Well, we all know boxing events at different casinos in Las Vegas and Atlantic City have brought quite a few people, and the casinos continue to request to have boxing events there. in fact, in Las Vegas we know there's a big fight right now because there's two fights scheduled during the same weekend, and the casinos would rather split them up so they can bring in the high rollers at two different weekends versus the same weekend.

(CHART 1) Let's start with an overview of sports tourism. Sports tourism is one of the fastest growing segments of the tourism industry. I just want to give a brief overview. start with hallmark events, and this is the area that I'll be discussing most in this presentation; Superbowl, Olympic Games. the World Cup. Then you go to nature activities. adventure, recreation. entertainment, education. and many charter airlines are getting into the team travel.

Why is sports tourism increasing in popularity? Today, there's an increase in emphasis on health and family. With increased leisure time and universal appeal across all sexes, races. and denominations. sports tourism provides economic and social impact. economic benefits, increased exposure to the community. enhanced image. direct and indirect spending. and economic development.

In Atlanta, they are expecting a number of international companies to start up subsidiaries or satellite offices there because of the exposure they will receive during the Olympic Games, and the improved infrastructure. Sarajevo, even though the facilities are not there now, all the infrastructure that wou Id have led to great tourism in the years. they were able to produce in 10 years which would have taken over 50 years.

There are now 150 sports commissions. Most of them are aligned with convention and visitors bureaus which go out and bid actively for sports events to bring them into their community.

There are 40 national sport governing bodies under the umbrella of the United States Olympic Committee. Each of these governing bodies produce or conduct at least 23 sport events, from the local. regional, national and international level. ['m going to give you an example of some of these.

The National Gymnastics Championships: 52 cities bid to host that. New Orleans received the bid. It was a 5-day event, 8,000 participants and spectators, and the economic impact was estimated at $5 million.

At the professional sports level, we have the Superbowl. The last one held in South Florida attracted 142,000 travelers. although only 74,000 attended the game. The direct impact was $204 million, with a total impact of $365 million.

You can really look at the local level for sports events to bring in economic impact. The State High School

Girls Basketball Tournament. which is 4 days, brings in approximately $1 million worth of economic impact into a city.

Then you can also be creative and produce your own unique sport event, for example, the Grand Prix of Antique Cars or Iowa has a great race across Iowa. Inline skating is the fastest growing sport. There's even synchronized diving, box football, beach soccer, and the extreme games. You've all seen the popularity of these games produced by ESPN over the summer.

There is also sport business meetings. A lot of people fail to realize that sport attracts many sponsors -- board members. and corporate executives -- and they all attend these big meetings. The United States Olympic Committee has an annual U.S. Olympic Congress that attracts over 1,000 participants. In New York 2 years ago they booked 300 room nights, and the total estimated impact was $3.2 million. The National Collegiate Athletic Association, the AAU, and many other organizations host at least annual events, if not semiannual.

Now I'm going to talk about the Olympic Games. ACOG commissioned a marketing survey through the Wirthlin Group and these were some of the results.

(CHARTS 2-6) Four percent of households interviewed indicated that they were interested in the Olympics. 47 percent of these were from the South, 30 percent from South Atlantic States, and 9 percent have been to previous games. Only 13 percent have done any planning as of summer 1994, so it's not too late for all of you to attract people to go to Atlanta.

The average intended travel group size was 3.4 people. 57 percent planned to come by car and 39 percent planned to travel by air. 27 percent planned to stay with friends. 44 percent planned on staying in an average-priced hotel, and 17 percent planned to stay in the major hotels. Those people who planned to stay in the major hotels also planned to fly. Those are the ones on the VIP packages, we assume, because most of the major hotels are locked up by sponsors or the organizing committee. Overall. most would tolerate a stay 1 hour from the venue.

The sports that are most appealing to the travelers to the Olympic Games are swimming and gymnastics, followed by track and field, basketball, and opening ceremonies. Four out often want to attend the opening ceremonies, and the average expected stay is just over five days.

Expected spending is $1,800 on tickets for the travel group. That's about 1 to 2 tickets per day, 8 per person for their entire stay at the games. Eighty-five percent will attend even if they do not receive tickets. People want to come for the experience. They're going to travel to Atlanta just to say that they have been to the happening event of the year. And 60 percent expect to buy tickets individually, 20 percent to buy through packages, 38 percent plan to buy by phone, 36 percent by mail, and 22 percent plan to buy tickets right at the game.

According to the research, the targeted segments include: day trippers, 40 percent; experiential, 27 percent — they categorize the experiential as older families, incomes of $55,000 or more; sport enthusiasts, people who just want to go to the games and see the sport; and then high rollers, people who want to rub elbows with the stars.

(CHART 7,8) Now. another survey was conducted by World Travel Partners, who are the official travel agency of the Olympic Games. They paid a fee to ACOG to become the official travel agent, and in exchange for that fee they received some hotel blocks as well as some tickets to offer to potential travelers. They found that among the people they surveyed -- people who already have tickets --73 percent plan to travel by car, 19 percent by plane. Seventy-six percent want to stay in a hotel, 12 percent want private accommodations, and 60 percent expect to use Olympic transportation. The average intended stay is 6 nights. For 27 percent, it's their first visit to Atlanta. Thirty percent plan to make side trips, so any of you who have businesses in or around Atlanta should really capitalize on that; and the average size of the party they predict is four.

Conclusion: Olympic visitors value choice as they make their travel plans. They want to choose where they're going to spend their money. They are interested in a wide array of Olympic elements, and they want a flexible experience.

What about Olympic decision making factors? Forty percent said it is a once in a lifetime experience. You can see that people just want to do -- go to the Olympic Games -- because it's a once in a lifetime opportunity. So if you were creating a marketing campaign, these are the items that you would focus on.

Other primary reasons include sport competition, the party environment, and business. Many people attend international events because they are sponsors, they can bring their guests. incentive trip, and then the cultural experience.

(CHART 9) In terms of marketing strategy, the Atlanta campaign is that these are the games of the century -- historical, don't miss it. They have put out media campaigns in *USA Today*, and *Sports Illustrated — Sports Illustrated* is an Olympic sponsor. They are looking at where they can reach 92 percent of their target population.

(CHART 10) They utilize their sponsors. Coca Cola produced the Olympic ticket application booklets.

Home Depot is another sponsor. They put the ticket applications out in their stores. and they also mailed them out with their catalogs. And Visa inserted into their bills information about where to get the ticket application forms and tried to motivate people to buy tickets. Sara Lee has an Olympic T-shirt countdown that they're taking to 150 different cities. Maybe some of you will be involved with that. They even have recruited an official game show, Wheel of Fortune and Jeopardy. All the questions and prizes will relate to the Olympics during 44 shows. That is just one more way that they are trying to promote the games. Swatch watches are also in retail stores all over and you'll see the Olympic insignia.

Now, these are all tourism-related activities, such as acclimation sites. Atlanta not only is hosting the Olympic Games. but prior to the Games they've been able to organize acclimation sites. Countries have chosen different cities around Atlanta to come and stay for a year or 2 years to get acclimated to the area. They've also held 22 test events, so that's generated economic impact beyond the Olympics.

The Atlanta Convention and Visitors Bureau has a theme, "Come Celebrate our Dream. " They've also had trips for journalists and travel agents to come in and see Atlanta prior to the event, prior to the Olympic Games. Georgia's Department of Industry, Trade, and Tourism also developed a $10 million multi-media international campaign to let people know not so much about the Olympic Games but about Atlanta, and they attract the attention of people through the means of the Olympic Games.

The Tennessee OCOEE Development Agency, site of the Whitewater competition, has seen an increase in the number of whitewater rafters from 100,000 to 300,000 over the last 3 years.

(CHART 12) Let's look at economic impact overall. The Olympics is expected to attract 2 million people, and generate $5.1 billion in economic impact between 1991 and 1997. That includes direct spending, and the average multiplier that was used was 2.2. That includes the 23 test events.

(CHART 11) How can the travel industry capitalize on sport tourism? Although you all can't host the Olympic Games, you can get involved. Partner with- sport commissions and CVB's to support event bids. This is real important as sport tourism continues to grow. They need your support at the front, and then once they receive the bid, then they go out and contact Fortune 500 companies. But it doesn't make sense for, say, Xerox to come in and sponsor the up-front cost, because it's really the travel industry that is going to benefit most, so you partner with them at the front end and then you go out and get other sponsors at the back.

Create tour packages. Be recognized on all event collateral material. If there is going to be a golf tournament. a PGA tournament in your area, all of those golf tournaments now have home pages. World Wide Web sites. Make sure that there's some information about your community. your town in there. Or, if you're a sponsor or you contributed to the event, make sure that your information about your agency or your business is included on that home page.

Avoid sell-out propaganda. 1 hear over and over in the travel industry that hotels are hurt by things like room blocks at the recent World Cup games. If your hotel was inside that block, rooms were often released too late for you to sell to people who wanted to come in. And I've seen that happen in all the Olympic Games, as well. What I can say is that if there's too much hype that it's going to be too crowded, that keeps people away. If at all possible, try to put out your own information that says come to Atlanta, enjoy the celebration, and try to encourage them still to come. Have a backup plan for release of room blocks. Try to negotiate with the organizing committee. This doesn't always happen, but say that you are going to have a reserve list that if within a month you cannot guarantee this that you're going to take over those rooms.

CHART 1.

SPORT TOURISM

* Hallmark events (Super Bowl, Olympic Games)

* Nature activities (hiking, boating)

* Adventure (rock climbing, white water rafting)

* Recreation (golf, tennis, aquatic activities)

* Entertainment (corporate retreats, celebrity cruises, sales incentive)

* Education (sport museums, halls of fame, venue tours, study tours)

* Team Travel

CHART 2

ACOG Marketing Survey

(Wirthlin Group)

- 4% of All Households Indicate Interest
- 47% From South; 30% South Atl. States
- 9% Have Been to Previous Games
- Only 13% Have Done any Planning (as of Summer 1 994)
- Average Travel Group Size: 3.4 People
- 57% Come by Car

CHART 3

ACOG Marketing Survey

Continued

- 27% Plan to Stay With Friends
- Most Tolerate One Hour From Venue
- Swimming, Gymnastics Most Universal Appeal
- Followed by Track & Field, Basketball, & Opening Ceremony (These Five Appeal to at Least 50°/0)

CHART 4

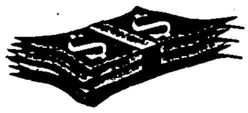
ACOG Marketing Survey "

Continued

- Four out of Ten Want to Attend Opening Ceremonies
- Average Expected Stay Just Over Five Days
- Expected Spending $1800 on Tickets for the Travel Group
- 85% Will Attend Even if Don't Get Exact Tickets They Want

CHART 5

ACOG Marketing Survey
Continued



- 60% buy Individually
- 20% buy Packages
- 38°/0 Plan to buy by Telephone
- 36% Plan to buy by Mail
- 22% Plan to buy at the Games

CHART 6

ACOG Marketing Survey
Continued

Target Segments	Positioning
■ Daytrippers 40%	● **Daytrippers:** ***Novelty of*** *Event*
■ **Experientials 27%**	● Experiential: ***Possibility of Seeing*** *Sports Legends*
■ Sport Enthusiasts 17%	■ **Sports Enthusiasts: *"Once-In-a -Lifetime-Opportunity"***
■ High Rollers 16%	■ High Rollers ***Global*** *International Dimensions*

CHART 7

World Travel Partners Survey

- 73% Plan to Travel by Car
- 19°A Plan to Travel by Plane
- 76% Want to Stay in Hotel/Motel
- 12% Private Accommodations
- 60% Expect to Use Olympic Transportation
- Average Stay: 6 Nights

CHART 8

World Travel Partners Survey
(Continued)

- 27% First Visit to Atlanta
- 30% Will Make Side Trips
- Average Size of Party: Four

CHART 9

ACOG Marketing

Campaign/Theme:

- Games *of Century*
- *Historical*
- *"Don't Miss*

Began May 1, 1995

Coincide with Tickets Release

CHART 10

Sponsor Marketing

- **OTAB-Coke** ***(15, 000 Outlets, 9wk*** *Media **Blitz,** Press Conference, Displays)*
- Home Depot ***(35Million Catalogs-*** *Direct **Mail** and 357 Store Displays)*
- **VISA** ***(Bill Inserts*** *to* 75-20 *Million Households)*

CHART 11

HOW CAN THE TRAVEL INDUSTRY CAPITALIZE ON SPORT URISM?

* PARTNER W/ SPORT COMMISSIONS & CVB'S TO SUPPORT EVENT BIDS

* CREATE TOUR PACKAGES

* BE RECOGNIZED ON ALL EVENT COLLATERAL MATERIAL (e.g. WWW)

* AVOID "SELL OUT" PROPAGANDA

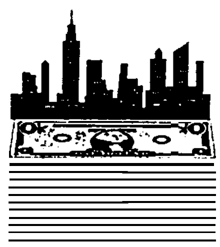
* HAVE A BACK UP PLAN FOR RELEASE OF ROOM BLOCKS

CHART 12

Economic Impact

Dr. Jeffrey M. Humphreys, University of Georgia & Michael K. Plummer, IRE Advisors

- **Overall $5.1 Billion Impact (1991-1997)**
- **ACOG and ACOP Direct Spending $2.3 Billion**
- **Indirect (Induced) Spending $2.8 Billion**
- **Average Multiplier 2.2**
- **23 Test Events**
- **6,000 ACOG Employees**



SECURING YOUR FUTURE WITH MARKETING KNOW-HOW

An Address By

Peter Francese
President
American Demographics, Inc.

The title of my talk is Securing Your Future with Marketing Know-How. The central message of this talk is that only those firms that have intimate knowledge of their market segments and who their target markets are. and then take that knowledge and integrate it into every single aspect of their operations will have a secure future. Only those firms that integrate that knowledge into all their operations: into marketing, into advertising, into whatever you do--the entire organization must know about the results of your knowledge of your market segments--will be able to secure their future and feel secure that, in fact, they have a future.

That is my conclusion.

I will now introduce a few demographic concepts, which I am sure most of your are familiar with. I will bring you up to date on a few trends. Then I am going to talk about three databases that are crucial to having marketing know-how and to understanding the marketplace.

Trend number one is slowing growth. It is a fact that there is very little income growth, and very little population and household growth in many parts of the country.

For example, in New England, between 1990 and 1995, there has been only about one percent growth in population or households. Rhode Island declined in both population and households, as did Connecticut. But the Pacific Northwest, in the same period of time. had a 10 percent increase in population and households.

During the 1970s and 1980s, you could have counted on 2 to 2.5 percent household growth every year. That higher growth fueled a lot of travel and an awful lot of investment in housing and new home construction.

This decade, we will be very fortunate if we see one percent per year growth in both population and households. That is less than half of what we enjoyed during the 1970s, and about 50 percent less then what we enjoyed during the roaring 1980s.

So growth in the marketplace is extremely slow, and it is not likely to speed up any time soon.

The second demographic trend is the aging of the population. Aging is something we all know about because we are all getting older every day.

But the population in general is getting older.” There are three aspects to this phenomenon. There is, first, the baby bust (a.k.a. Generation X). They are the people who are now in their twenties, just going into their thirties.

Generation X is an interesting group. Their mantra is “I am not a target market. ” Now, how do you market to somebody who does not wish to be a target market? The answer is very carefully.

Generation X has three characteristics which are important to consider. Characteristic number one is that those who are college graduates are burdened down with debt. They are taking on a lot more debt than their predecessors ever took on in order to go to college and to get a degree and to go out in the work force.

Secondly, they are working for less -- a lot less. The average 25-year-old today is making between 20 and 25 percent less than the 25-year-old of 15 years ago. That is, in real inflation-adjusted dollars, they are trying to get by with less money.

And, thirdly, there are fewer of them. There are fewer people today in their twenties than there were, say, 10 years ago. So you are dealing with smaller numbers, less money, and more debt than any previous generation.

However, they are quite technologically savvy. And they can log onto the Internet, find out about your location, find out about the packages that you offer, find out about what you have to say about yourself. So if you are not on the World Wide Web and you wish to attract some people in their twenties. that is the place to be, I believe, for this most technologically savvy generation.

Then, of course, there is the baby boomers. I have to be very careful what 1 say about baby boomers, because inevitably the room is two-thirds full with them. And you know baby boomers' mantra because you probably are one. It is, "I want something very unique. "

And so whatever travel package you are putting together, whatever destination you are promoting, make sure that the baby boomers think that you are offering something that can be obtained nowhere else. Because they like to purchase something and tell people about it, and make themselves feel that they are special. Even though there are nearly 80 million of them, they like something that is unique.

Many baby boomers are just now realizing that they have not saved very much and retirement is close at hand. The first baby boomer turns 50 at the end of this year.

But now many baby boomers are starting to save for their future big time. The financial services industry, coincident with the baby boomers starting to save money, have developed many new investment options. some with high returns, also with high risk.

Think about that from a travel point of view. They are going to be more price-sensitive because they realize that their retirement is, so to speak, just around the corner.

The second aspect of baby boomers worth talking about is the fact that millions and millions of them have been downsized out of their job or have taken cuts in pay, or have decided that they have no future in corporate America and are starting their own businesses. This has had the effect of creating enormous wealth for the lucky ones and also created great opportunities for you to sell the expensive travel packages to those that have made it.

But it also means they are working harder, longer hours. and they are more savvy consumers, because they are in business. And they know how well they have to treat their customers, so you had better treat them well too, because their expectations are really quite high.

When they go on a vacation, they expect to be treated extremely well, because it is probably the only vacation they are going to get that year. if they are working as hard as 1 think they are.

Now, the third thing I want to say about baby boomers is that quite a few of them are also fixing up their home. The question is: if you are spending thousands of dollars. maybe $10.000 or $15.000 -- putting on a new wing or new bathroom, are you going to spend as much money as you did in the previous year traveling? Maybe not.

So they may be more price-sensitive than they have been in the past. And I think the baby boomers may be a tougher market when it comes to spending money on travel and tourism.

So if the travel market has seemed a little shaky to you. a little soft, and quite price-sensitive, it is because Generation X and the baby boomers are diverting some of that money that they might otherwise spend traveling to other pursuits.

Now, one of m y favorite markets, because I am about to enter it, is the mature market. The mature market is anybody over 55. And you know what their mantra has always been: "Do 1 get a discount?"

But despite what you may have heard, their incomes have been rising faster than any other age group. So, you would think that they would be ready to loosen up a little bit. But the interest rates going down have resulted in lower yields from the CDs, cutting into discretionary income. However, they still have quite substantial nest eggs, and the early retirement programs have created a larger number of retired folks, some of whom have the money for traveling, buying RVS, or whatever.

Mature Americans tend to take longer trips, spend a bit more money, and I would think would still be a pretty robust market. But remember, the age group 55 to 70, has almost no growth in it projected for the next five years.

We have been used to thinking of a very rapidly growing, mature market. Not so in the near term. The only rapid growth part of that market are those 75 years old and older.

A problem right now for this group is that annual adjustments to retirement programs are not going up very much, because inflation. as measured by the CPI, is so low. And yet. the cost of health care, which is important to them, is rising much faster than inflation. So they too have money that they must spend on other things besides travel. And that market will continue to be price-sensitive.

One final trend is fragmentation. When I think of fragmentation, I think of three simple products that those of you in travel are familiar with: coffee, beer, and milk. And anybody who is in travel and tourism probably serves those three beverages at one time or another.

The coffee market has fragmented itself into thousands of different kinds of lattes. The bottom *line* is that offering just a cup of coffee does not work well anymore. You need to serve different market segments with different kinds of coffee.

It is the same thing in beers. The beer market is now fragmented into many specialty beers. They are at a point now where people will travel to the opening of a new microbrewery. It is a new marketplace out there, with intense fragmentation.

Intense fragmentation means that it is of vital importance that you understand the segments that you serve. You serve, if you are in the RV market, a completely different segment from the cruise market. The cruise market is a completely different segment from the people who go camping up in the Adirondacks.

And there are other segments, such as the gay travel market, the senior citizen travel market, and I believe that there is an emerging market of smokers. Since we make them go outside, perhaps there is an outdoor recreation opportunity for smokers.

The point is that whatever part of the travel market you are in, you serve one or more of those market segments, and it is crucial that you understand the dynamics of those segments. When you focus on your particular part of the market, the rest of the country might as well not exist. Because it is your segment that is important to you. And how you serve that segment determines how secure your future is likely to be.

Now, when talking about market segments, slowing growth, and aging of the population, the next subject is to keep up on specific market segments. '

There are three components to marketing know-how that I think you should focus on to secure your future. The first component is a customer database.

I do not think there is anybody today who does not have a customer database. But the point is, what do you have on the customer database?

If in your customer database is the fact that they purchased something from you and how much they spent with you and so forth, that is fine. But let me suggest three things that should be on that customer database. The first thing is the basic attributes of the customer: their demographics and what zip code, or neighborhood they came from.

If you do not know their demographics, it is very easy and cheap to determine these -- any number of firms could geographically code your customer database and tell you what neighborhoods they come from. If it is business to business, you can tell what SIC codes they are in.

So the basic demographics and geography is extremely important. Because with the basic knowledge of who they are and where they live, you can determine something about how far they have to come to your location, and perhaps how they got there.

The second thing you want to know about them -- your customers -- is what are their lifestyles like. Are they smokers? Are they gay? Are they something else? What are their lifestyles like?

Do they travel a lot? Do they travel a little? Do they travel to other places like yours? Do they use your mode of transportation exclusively, or do they travel in some other way at some other time? Their lifestyles, how they live their lives can be obtained from focus groups, survey research, any number of ways.

I think also, we want to understand more than we know now about their media preferences. We have to reach them efficiently with a marketing message. If we are only going after three or four segments in the population, we cannot go on network television and spend $100 million. We have to target for those people who are going to go on cruises, or those people who are going to buy RVS, or those people who are going to take an airplane trip, or only those people who are going to go into the mountains of New England.

And in order to target that group, we have to understand their media habits, whether it be that they surf the Internet, whether it be that they are heavy television watchers, magazine readers, or just read direct mail.

We have to know more, as well, about what else they are buying. If you find out for example, that your customers are in fact spending a lot more than they used to spend on fixing up their homes, that is important for you to know. Because when you go back out to them, maybe you can sell them something in the fall or in the spring, because in the summer they are working on their house.

Purchasing behavior and how people live their lives is a very useful point to know, because if you know something about their lifestyles, the messages that you put in your advertising can resonate. If you can say in an advertisement, “Take a break from working on the house and come stay with us,” that will resonate with all the people who are fixing up their home. They may be your best customers.

Understanding what they do with their time and what they are buying besides travel gives you message development ideas to get a message into their mind so that they understand that you know something about them and that you are familiar with their habits and their lifestyle.

The second kind of database that is crucial for you to have, in addition to a well-fortified customer database, is a marketplace database. A marketplace database says how much business are we getting from Cleveland, how much business are we getting from Vermont, how much business from New York City, how much business from zip code 12345.

Understanding where your business is coming from by geographic unit is important for many purposes.” And it may be different for each of you -- for some of you it is a specific group of zip codes, for others it is this group of metropolitan areas, for others it may be just a bunch of states. Whatever the geography is, whatever the geographic unit is, you can then say what is Cleveland worth to me as a marketplace. Is it worth $4 million, $5 million, $10 million?

Consider this: if 10 percent of my business comes from Boston or 12 percent of my business comes from Cleveland, perhaps I should start allocating my advertising on that basis. Maybe if I have one market that is really important to me, I should start getting the newspapers from that marketplace. Maybe I should start learning what economic vitality is like there.

If it is suffering, perhaps that explains why my business is down. If it is doing well, maybe I can recognize that in my advertising and promotion. And maybe, just maybe, I could donate something to a charity in that area, make a gesture and say you have helped me out, maybe it is time for me to return the favor and do something for you.

Because a piece of geography is just as important in customers as the individuals or businesses within that unit of geography. So understanding the marketplace enables you to target the geography as well as to target the individuals for promotion, advertising, or other marketing efforts.

Thirdly, I think it is important to have an industry database. And I think it is important to know what is happening in this industry.

I would like to know what is going on in the magazine industry. Because if my business is poor, I would like to know that other people are doing as badly as I am doing. And if I am doing well, 1 like to know that other people are doing well too. I want to do just a little bit better than they are doing.

So understanding how the industry is doing can explain some things. And it can also let me know that, well, maybe other players in the industry are making some mistakes, and I can do better by understanding my customers and my marketplaces a little better than they do. Maybe they are not securing their future quite as well as I am.

So I believe three databases are the three components of marketing know-how. The bottom line is this: databases allow you to act as if you had just one customer in each of your market segments, however many you have. Once you define them, imagine that I had only one person in each segment.

Suppose you had only five customers, what would you do? On each day of the week, would you take one of them out to play golf? If they played tennis, would you go play tennis with them? No doubt. You would become intimately familiar with every aspect of their lives, because those five customers were all you had.

Well, if you treat your segments like that, and you become as intimately familiar with them as you can, then you do the next most important thing: you tel I absolutely everyone in your organization everything you can about those market segments.

I will give you an example from another industry. There is a catalog company, one of the largest in the world, that takes photographs of some of its customers that are in certain segments. And then it shows those photographs as a slide show to its telephone sales representatives. So when one of those people calls on the phone, the sales reps have a mental image of who they are talking to.

And they feel like they know the customer. It makes them familiar with the customer because they have a mental picture of the customer, even though they obviously cannot see them on the phone.

I believe you can do the same thing. I have seen too many companies in other industries, who have a market research department who understands everything about their customers, and they tell no one. Nobody in operations has a clue as to what the market research department knows.

I say tell everyone. Because the more every single person, from the top to the bottom. in your organization knows about your customers, the more creative they will become in targeting what you offer -- the services, the rooms, the travel -- to that marketplace.

And then, ultimately, they will feed back information to you -- the line people will feed back information to you and say, “Ah, the customers are changing. The customers are asking for something different. ” And now you have achieved what 1 believe is the ultimate in marketing know-how. It is the perfect integration of marketing with market research.

Every time you talk to a customer, every time you interact with a customer, every time the customer stays with you, you should obtain some information from that customer that helps you to serve them better the next time. That is the ultimate in marketing know-how.

My **conclusion is: those with marketing knowledge, with marketing knowhow, will** have a secure future. I cannot promise anything for those who do not pay attention to marketing know-how.

Thank you very much.

Questions and Answers

PARTICIPANT: We are facing a challenge in this industry that is going to be grappled with in a couple of weeks at the White House Conference. Do you know of any other industry as reliant as ours is on the Department of Commerce? And can you comment on the potential loss of our funding-- the real heart of our research program here for this entire industry?

MR. FRANCESE: I am the only other industry that relies more on the statistics than you do. So I think I can speak to this issue with some authority. At the White House Conference on Travel and Tourism, I do not think there is anything more important for you to do than to explain to the people who make their living representing their constituents in Washington, D. C., how important Federal statistics are.

They are under the incredible illusion that you can replace Federal statistics with private sector data. Let me tell you why that is an illusion. The difference between marketing in America and marketing in almost any other country in the world -- with a couple of exceptions -- is the difference of universally available, incredibly inexpensive marketplace data.

Whether you employ three people and have a marketing budget of $2,000. or whether you are a multi-billion-dollar corporation with hundreds of millions of dollars in marketing, both of you have the same access to really inexpensive CD-ROM databases for about $150. It levels the playing field. Everyone here, regardless of size of marketing budget, can get access to the same high-quality annual data from the Department of Commerce.

Take that away and only the top 5 to 10 percent of the travel industry will be able to afford the hundreds of thousands -- probably millions of dollars -- it will cost to replace that data. The choice is yours.

It is an easy call for me. I prefer the democratization of data myself. I want everybody to have the same access to quality information. And we are only going to get it as long as the Department of Commerce -- that is the Bureau of the Census and the Bureau of Labor Statistics -- keeps producing it.

PARTICIPANT: You talked about the 55 to 70 age group as basically stagnant. Could you talk a little more about that? Because we were under the impression --1 think many of us anyway -- that that was a growth market.

MR. FRANCESE: Oh, yes. I had been, too. We are talking short-term here. In the next five years, 1995 to 2000, the 55 to 64 age group is in a zero growth mode.

Now, the fact that the numbers are not growing is important, if you are selling condominiums, second homes or RVS or something like that. But one of the things that the 55- to 64-year-olds have enjoyed for a long time has been rising incomes and rising discretionary income as well.

And so the fact that there is no short-term growth in the numbers may not be very significant if their incomes keep growing. If their incomes keep going up faster than other age groups, it may not matter if there is no growth in numbers of people. I do not care.

If there is income growth in the segment of that marketplace that you serve, then it is very important. That is extremely well illustrated with the segment of the market that is the top 20 percent of the income distribution (most of whom are college graduates, by the way). The top fifth of the income distribution has seen almost all of the growth in income in the last decade.

The top fifth of the income segment has not been growing in numbers, but it has been becoming much wealthier, and therefore they are traveling more. By contrast the bottom 60 percent has actually seen their incomes decline for quite a long time.

And so, in whatever age group you are in, it is important to segment it by income. And the top 20 percent of the mature market is doing very well.

So I do not necessarily see it as a problem for the travel industry, the fact that the growth is not occurring numerically.

PARTICIPANT: A fairly significant portion of our economic segment in the attraction side is tied to non-profit organizations, specifically, historical arts. etc., that are heavily dependent upon charitable giving. What is the projection for charitable giving within the demographics?

MR. FRANCESE: That is a very good question. It is actually dependent on two things. It is dependent on the level of charitable giving and it is dependent on those nonprofit organizations learning more about marketing. And, have those folks become sophisticated!

I read a long-range planning document out of the Science Center in Ithaca, New York the other day, and was incredibly impressed with the level of sophistication of this small non-profit organization, which is attracting visitors by the thousands to little Ithaca, New York.

They are learning marketing, and they are understanding target marketing, and they are doing a much better job than they ever have before. They are just now transferring that marketing over to fundraising. And that target marketing and fundraising will enable them to raise more funds.

The fact that the baby boom is moving into its peak earning years (age 45-54) means that they will give more to charitable organizations as they become wealthier. This is particularly true for the entrepreneurs who obtain lots of money from selling their firms.

Universities are also becoming incredibly sophisticated in obtaining part of that new wealth and putting it into endowed chairs and other such things. So it is a competitive market for charitable giving. And good marketing will win the day on the part of those non-profit.

So I think it is not a bad future for them because charitable giving will rise with the rising incomes of the top 20 percent. But whether or not any individual organization will get their piece, I do not know.

Thank you very much. My e-mail address is Peter @demographics.com for those who have additional questions or comments. Mail can be sent to P.O. Box 69, Ithaca, NY 14851.

EMERGING MARKETING TECHNOLOGIES

An Address By

George E. Williams
Executive Director
Maryland Tourism Development Board

There is a lot of confusion about information technology. I do not know very much about information technology. I do not know anything about computers. But I certainly have had the privilege and the opportunity to have tracked the way by which we have marketed this industry over the last 20-odd years.

And believe me, we are already in the next millennium in marketing opportunities and marketing strategies. Information technology is just simply nothing more than a transition from the old ways. There are state tourism directors out there who have heard me say time and time again that we cannot any longer depend on the printed travel guides and the bulky brochures and the literature and the distribution process of finding brochure racks in the lobbies of every hotel and motel. and on the street corners.

We cannot any longer afford that -- for two reasons. One is that it is certainly cumbersome and expensive. But, secondly, once you print a brochure, you cannot change the message. And we must be adaptable to change for our business's sake and certainly for the consumer's benefit.

Secondly, as we all know, the marketing technology or marketing strategies have changed in the sense that we are now dealing with individuals. We are dealing with personal service. We have always dealt with personal service, but we are now dependent on our ability to communicate with a single individual, and convince that individual to buy a product within this industry. And we must continue to enhance and advance our capabilities of focusing on that single individual.

So, what we have is an emerging technology that is going to allow us to do just that. It is going to allow us to communicate our message directly to individuals on an individual basis. But we are going to have so many different ways of doing it, just as we had so many different archaic printed versions and printed methodologies.

But there is a lot of different activities and a lot of different programs that are offering ways and means for us to get into the marketplace -- CD-ROMs, the Internet, online networks, and kiosks. And soon, I think we will certainly have every person in America with the capability of using his television set to do anything and everything that he needs to do or she needs to do without even getting out of the chair in the den.

And that is going to even revolutionize more the need for us to be in front and in the lead on using this technology. But we have some concerns. We have dealt with this for the last several years, and w-e must also recognize that this is not going to be a magic bullet. We are not going to be able to just snap our fingers and say that because we have all this technology capability that we are able to do everything that we want to do.

We must overcome the idea and the concept that now that we have information delivery capabilities at our fingertips that the problems are solved. We have got to overcome some parochialism. I think that one of the benefits of this business and certainly of what we know in this industry is that we are in the free enterprise system. And certainly there are lots of free enterprise experts out there that are offering all kinds of options to us.

Within that field of options, we form a certain parochialism that one segment of the industry has got the solution of how that segment is going to handle and treat information technology, that one region of the country has the solution. that one individual state has the solution. And it is that parochialism that continues to keep us, I think. from succeeding and from using the technology to our best advantage.

We have, in turn, created a tremendous amount of confusion in the consumer's mind. I had someone call me the week before last to say, "I thought you were on the Internet. I thought Maryland was on the Internet." And I said, "We are." He said "Well, I searched for it for three and a half hours last night and I have not found it yet." And that is exactly one of the issues that we certainly need to look at and that TIA has got to look at.

We need to have some central communications process, some management process that we all support, that we all in this industry work toward, to ensure that we ease the confusion in the consumer's mind. We have got to have an organizational management process. I think this industry and this association has the opportunity of offering to all of the segments of the business community and all the segments of the industry an organizational process. And we have got to do that. We have got to have it, and I think TIA and its "Action Plan for the Next Century" will demonstrate that capability.

We have got to have cooperation. While we are all competitive and this industry is certainly full of competitors. we are all in it for the very same reason -- to satisfy our customers, to pass the customers through the network of this industry with the greatest amount of ease, with the greatest amount of pleasure. The full cooperation of the industry is going to have to be necessary.

I have had the privilege over the last two years of working with my good friend, Bill Maloney, from The Hertz Corporation. co-chairing the Discovery America Task Force. And we have looked at and we have discussed, on a number of occasions, a model that we think would demonstrate for you what we are talking about when we talk about consumer confusion.

There is no reason why the various segments of this organization cannot be represented on the Internet, for instance, with a very simple Discover America page, that everyone in this industry would hyperlink into. If consumers need transportation they can get it. If they need lodging, they can get it. 1 f they need destination information, they can get it, without having to spend three and a half hours in the sea of electrical impulses, lost.

So that is one of our suggestions. And we could break this down in such a way that it would make it very easy for the consumer to search through. So 1 would suggest that we, in our technologies portion of the Discover America Program, consider this.

Over the last two and a half years or so, while I have been working on the Discover America Task Force, the State of Maryland has been a major player in suggesting the idea of a kiosk delivery system that was online, that was structured in such a way, with a platform that would interface with other technologies, such as Internet and such as interactive television. We have been working on the Discover America Information Center Program and been there from the very start.

This program has grown. and I am very pleased to say that Texas and California have joined. We are very close to working out an arrangement with the company in Florida and Delaware, as well as Maryland, and are moving very rapidly to tie ourselves together in this kiosk program. A number of the businesses in this industry are participating with us.

We have made some vast improvements. I do not know if any of you have had an opportunity to play with the kiosk, but it is actually online. So if you were on there, you may have been actual ly booking or making some reservations or calling and ordering travel kits from various states.

We have made some vast changes since that kiosk was here last year. We also have another multi-user kiosk that was too large for the space. We have changed the screens. We have added options for the consumer. We have given more information. We have broken the state down in a better way to deliver the information.

We also have advertisements. We had test advertisements for the past year. And now we have changed to a different type of advertisement which offers an additional option of printouts that the consumer can walk away with that ad in their hand as they leave the kiosk.

We have a new investor in the Discover America information kiosk program. and we will be receiving a $5 million infusion over the next 12 months. And this $5 million will ensure that every state tourism office who wants to put their information in the Discover America information kiosk, if they will do that, there will be no cost to the state to place kiosks in the state.

So the Discover America program is truly growing and truly working. And I would expect that next year when we are here that we will be able to say to you that the vast majority of the states in this country are all linked together with an information delivery system that is delivering to the consumer the very same format and the very same basic information on any state that they choose from any of the hopefully 2,000 or 3,000 locations around the country.

Now, let me just recap three very significant points. This is emerging technology and there are lots of options. We must look at our concerns and realize that they are just simply issues that we, together, must address, and we must move forward. And we need to also look for continued ways of managing this expanding technology and the capabilities that it offers us to move into the new millennium with even more new and aggressive marketing strategies.

EMERGING MARKETING TECHNOLOGIES

An Address By

Ed Dreistadt
Vice President of Marketing
Busch Gardens, Williamsburg, and Water Country USA

You know. I am 41 years old, and if I do not learn all this new interactive stuff right now, one of these Generation X kids is going to take my job, and that is going to be it. The only solace is that he will not make as much as I am making.

I promise I will not talk about megabytes and gigabytes and gigahertz and all that other stuff, because, frankly, I do not understand it either -- but what I would like to do is to discuss what all this digital stuff means, and how the world is about to turn on its head and how we are going to have to market a lot different than the way we have marketed in the past.

I would like to start out explaining to you how the Internet works. You have to understand that the Internet is like a bad science fiction movie. It goes back to World War II, when Eisenhower was in Germany, and was impressed by the highway system over there, the autobahn. Because they built this web of roads, where they could do high-speed transport of material from one city to another, and because it was a web and because it was decentralized, you could blow up any road you wanted, and it did not matter, because there was always an alternate route around it.

So he came back with the plans tucked under his arms, put together our highway system, and we have this decentralized web of roads. to where, if we are ever attacked, you cannot blow up the road between Chicago and Washington, because there is any number of alternate routes.

So, in time of war. our ability to move material around is pretty secure. You cannot go and bomb the headquarters of the highway system and knock it out, because there is not one. It is decentralized.

Well, you need two things when you are in a war. You need material moved around and you need information. We had the material thing licked, but the information thing was still a problem.

So back around 1968. they sat down and configured a network that is completely decentralized, just like our highway system, so our enemies cannot come in and bomb one or two AT&T switching stations and make the whole country go dark. With this thing, we can design a system that can heal around a nuclear attack.

What I would like to do now is to show you how it works. If you could do me a favor and everybody clap. Just clap.

Now, I want you to do something else. I want everybody to clap in unison.

Now, I want you to clap in unison again, and completely ignore what I am doing. Ready, one, two, three, go.

Congratulations, you are the Internet, and you just learned how it works.

Let me tell you what was going on. You formed a network. Who was telling you when to clap and at what frequency? Nobody. Right. Nobody at all. You did not have a leader.

Each one of you was a server in the system. Each one of you had an output -- (clap) -- and an input, through your ears. Each one of you had the programming installed in your brain, saying the goal is to clap in unison. The goal is to communicate with these claps.

I left the stage. There was nobody up here saying follow me. Keep in time. You did it all by yourself.

Let us say each table was a different country across the world. Let us say the table I ran down to was the United States of America. And I did not like what was on the Internet, so I shut it down. Did the system quit? No, it healed around the damage and kept on rolling.

That is the Internet. That is how it works. It is completely decentralized. It does not have an off switch. It was designed to heal around a nuclear attack. It is like a genie that has been let out of the bottle, and it cannot be shut off.

It means a lot of strange things to marketers. Let us say that you were Disney World and let us say that you were a bed and breakfast. Disney, could you clap louder than a bed and breakfast? No, you cannot.

You can try. You can claim that you did, but you cannot do it. The playing field levels. Which is either great or very scary. 1 am sitting here as Busch Entertainment Corporation saying, if a bed and breakfast can be just as popular that is pretty scary. Yet, you look at TV, and the way that model works is you have a central source of programming that ships programming one way, down a pipe, and you sit there on your living room sofa and kind of glaze over and watch. It is passive entertainment.

This interactive stuff is the opposite. As much information flows out as comes in. It is active.

It is completely different from the way we usually do media. It also imparts a tremendous amount of control. I sat through some of the most frightening focus groups in my life in D.C. a couple of years ago. We went up there and we were trying to figure out how people were perceiving our advertising. And we did one focus group. And then we did two. And then we did three. Then we came back the next year and did some more.

We could not find anybody who had seen our TV spot, and we were dumping tons of money up there. And we probe and we probe and we probe. And, we found that people know everything about Kings Dominion and their new attractions and everything else, but our message is not getting through.

So I am blaming the ad agency and making them do new creative strategies and everything else. We finally figured it out. The Kings Dominion message was getting across because they were printing coupons on the bags of the Giant Food Store and people were reading it off the bags. Their TV was not getting through either.

Now, the reason it was not getting through is because interactivity was beginning to creep in. They had this thing called cable TV come in, where most people up here have 105 channels. There is also this other thing called a remote. So when Mr. Whipple comes on squeezing the Charmin, guess what happens? Boom, he is gone.

All of a sudden, I am buying TV -- like there is three network affiliates and a UHF station you get with a coat hanger on the back of your TV set, when in reality there is 105 channels. I have got a 4 in 100 chance of even being on the right station, whatever the odds are on top of that of being there at the right time, and the odds on top of that of not being zapped by the zapper. Scary, scary stuff.

The old stuff does not work the way it used to.

So take that and multiply it by 100, where you huve got complete and total control over what is on that screen, and that is the Worldwide Web, that is this interactive media, that is interactive TV, that is everything coming down the pike. What you have is a customer, once he gets used to it, who is going to refuse and be offended by information that they did not request.

You lose your ability to be rude. You lose your ability to intrude. You lose your ability to shove 30 seconds of stuff they do not want in front of their face and expect them to put up with it. It is scary stuff.

But you gain something, too. Here is what you gain. You gain the ability to invite people into your information. You gain the ability of getting their attention. Instead of having their attention for 30 seconds, like you have now, you can invite them in and show them information on your product in-depth,

You can invite them in, and, if you are clever enough, if you are fun, if you present it the right way and it is interesting, you can get them in there and have them play with your stuff for hours. And it is interactive. It is not them sitting there passively drooling in front of the TV set, just kind of looking at your stuff. They are in there, actively, interactively playing with it.

You have a chance, on a one-to-one basis, to turn these people into your best friends, to start a dialogue with them, to convince them that you and you alone can meet all their needs and make them happy. Tremendous opportunity. But you cannot be rude. You cannot go in and say, like it or not, here is my information, boom, it is in front of your face.

Everything you have heard about the Internet -- there are 30 million people online, it is a global medium you can get onto for next to nothing, you can post products and sell things -- there is a little bit of hype there.

A little bit.

We have done a lot of research, and let me tell you a couple of things we have found. First of all, 30 million people on the Internet. That is sort of, kind of true.

Worldwide, yes, there is kind of 30 million people on it. But if you take out the people who only use it for E-mail, if you take out the business-to-business use that does not count, if you take out all the people who do not have Web browsers, who cannot really look at your page, it is a worldwide population of maybe, maybe 5 million. It is not as big as they are saying it is.

The number of web users is expected to top 5 million by the end of '95 and to continue to grow 15 to 20 percent a month. Prodigy users have downloaded 500M copies of the Prodigy web browser in the last couple of months. All two million AOL users now have web access.

About 70 percent of new Internet addresses are assigned to commercial entities (sites designed to market and sell products).

The most quoted research shows net users to be 90 percent male and 10 percent female. That's no longer true. More recent surveys show a 66 percent male/34 percent female split. The gender gap is closing instead of widening.

I am going to put my vacation packages up there to a global audience and watch the business roll in, No, it's not going to happen. Not yet, anyway.

The problem is people have shown little confidence in the Internet. You read all these horror stories about some hacker burrowing into America Online and getting on the CEO's personal database and playing games, credit card information being lifted from Netcomm and ending up in some hacker's account, and other bizarre stuff. People do not trust it. It scares them.

And when that screen pops up, it says for your Busch Gardens vacation, just give me your credit card number and your expiration date -- the hell I will. You know, there is no trust there.

People are using it as a library right now, not as a store. Now, that is going to change. You have got people like Visa, MasterCard, every major credit card company, Sears, the post office, everybody is trying to come up with the accepted way to do credit card financial transfer information, with encryption or whatever. Basically, what it is going to boil down to is a matter of trust.

If I can go in there and there is a button that says Visa, and with that button comes a guarantee that even if this thing does end up paying for Yaks in Afghanistan, that I am not liable and that Visa stands behind it, my comfort level goes up and I will start to buy things. But it is not there yet.

If you think you are going to get on and all of a sudden, boom, get rich off the Internet, it is not going to happen.

What you do get, though, is you get your materials -- I mean, picture being able to have every rack slot in the world with every scrap of information you have, seven days a week, 24 hours a day, all the time.

It is like a super brochure rack. And, you do not have to I ive in fear of typos or mistakes anymore. Right now, the way you do a brochure is you go to your agency, they type all the copy on a PC. they go in, they do all the separations and art and everything on a Macintosh. And then you do all this wonderful digital work, and when the time comes to actually give that brochure to somebody, what do you do? You take dead trees and you slap ink on it.

And you end up with this giant pile of atoms that cannot be changed. I mean have you ever screwed up a rack brochure? It is nightmarish.

I mean we had one for our water park. where instead of 1 -804-xxx-xxxx. the 804 became 800 by mistake, which happened to be a medical supply company in New England, who was not real amused that there were 2 million of these brochures out there. But 1 could not afford to reprint.

If I had that same info on the Web, it would be, oh, gee, I am sorry, and I would just change it. And, from that point forward, everything would be perfect and fine. It is pretty neat stuff.

The other thing, too. is it is all brand-new. The Web browsers have only been around for a year, a year and a half now. And one of the things you really need to keep in mind is there are no experts yet. Like it or not, when you go to do the stuff, it is going to be a bunch of pimple-faced kids right out of college, who have no social skills. that you do not understand, who can do this stuff.

And, believe me, I have run the gamut. We have a database we put together for Sea World Florida and Busch Gardens. We took all of our education materials and converted them to digital and put them on the Web. This cost us nothing. We sent some people to Virginia Tech. They went through some programming courses.

The Tech people were doing this as an experiment in distance learning. And the whole thing is really a nickel-dime kind of operation. We were named one of the top 5 percent Web sites on the Web, which is a major, major honor. And we also got an American Zoological Association Distinguished Award for this web site. Which is not too bad for a very, very inexpensive homemade kind of thing.

But it is up to about 500 different pages now. If you have any kids that are ever working on a report and want to do anything on land and marine mammals, this is the definitive site on the Internet. It has got a teacher's guides, exercises. You can download animal sounds, clips of Shamu jumping out of the water.

And, believe it or not, it is not rocket science. You know. to get on the Web, you are talking maybe fifty dollars a month per page. I mean anybody can afford to do it. And it is a global medium.

The trick right now it is kind of coming up and crashing over. It is like a wave. Right now, the modems are slow. The modems are clunky. Things do not move very fast. But it is going to get better. Things are going to happen.

The trick is to learn to think in this new medium. And you really have to twist your head around and get over the way you used to do things.

What you need to do is -- with a project like this or working with your local university or talking to USTTIN -- get some of your folks trained, learn how to do it, do a minimal investment. do not bet on hardware, do not bet on software, because everything is going to change. And nobody knows the direction this thing is going to go into. But learn to organize your information.

Because if you learn to think in an interactive manner, if you can learn to organize your information like we have done here in an interactive fashion, no matter what format comes down the pike, no matter whether it is CD-ROM or Internet or kiosk or whatever, the information, the content is the key. You can always convert it.

There is no magic to the Internet. There is no magic to a kiosk. There is no magic to a CD-ROM. They are just delivery systems of your information. The key is to organize your information in an interactive fashion that is entertaining and fun.

We will have a large commercial site up and running in a couple of months. To give you an idea of some of the things you can do and some of the games you can play, we will have a little shop you will be able to go into when you are on the Busch Gardens database.

You will be able to go in there and pick a postcard. We have got the Loch Ness Monster and the Clydesdale and whatnot. And click on the picture you want. The picture comes up. And there is a little thing you fill out, and it sends an E-mail to anybody who is on that you want to send an E-mail to, and it downloads as a color picture postcard. It will drop it into a file in their computer.

EMERGING MARKETING TECHNOLOGIES QUESTIONS & ANSWERS

George E. Williams
Executive Director
Maryland Tourism Development Board

Ed Dreistadt
Vice President of Marketing
Busch Gardens, Williamsburg, and Water Country USA

PARTICIPANT: Would you please tell us what the costs are for a presence on the Internet?

MR. DREISTADT: It depends on the deal that you cut. There is all sorts of stuff out there. That Shamu database we have up at Virginia Tech. We are paying zero for that one. That is part of an education sponsorship we are doing, and it is the sweetest deal in the world, through the university.

The down side of that thing is it is on an educational server, so we are not allowed to sell anything. It is just that it has to be educational things.

But in terms of public relations and getting the word out and that type of thing, that one is at no cost whatsoever. And there are so many providers out there right now that you are in a wonderful bargaining position.

Fifty dollars a page is just from some of the quotes we have received from people we have talked to. My guess is there are better deals than that out there.

PARTICIPANTS: How many kiosks do you have in Maryland now?

MR. WILLIAMS: Five. We have five in right now.

QUESTION: Where are they located?

MR. WILLIAMS: We have been moving them around. trying different locations, in some retail areas, some service station areas for automobiles, as well as our information centers. We are just testing them out -- getting it visible and testing the different types of audience. Some are local audiences, because we are trying to expand the versatil ity and the use of the kiosk into providing other government service options in addition to travel information.

PARTICIPANT: Ed, I have heard two sides of an argument on the Internet versus America Online or Microsoft Network. One side of the argument will say the Internet only attracts the high-techies, it does not have the mainstream America in it. And with Microsoft Network, when it comes of age, which, if the Justice Department lets it do that, which it looks like it will, we will have many more millions of active players.

So for large companies or small companies that wish to represent themselves to the general public. what is y-our view of America Online or Microsoft Network, when it comes up, versus the Internet?

MR. DREISTADT: Well, actually, in a way, you are talking about one in the same. America Online is a little gated community, and the original intent was you would go into their little mini-Internet and never leave, and be happy with what is in there. Well, the problem is everybody wanted Net access. And now, if you go into America Online, there is a little button that says Web access, and they will let you out.

Now, if you are on the Internet and you are not on America Online, you cannot get into America Online. But, you know, again, that is no big loss.

I have just been dismissing the Prodigies and America

Onlines and whatnots of the world, figuring that the real action is on the Web, until I sat through a presentation the other day from Prodigy, and realized something very important. They make their money by having enough interesting stuff up and in thereto where people burn up time, because they are charging them by the minute.

You can go in there, if you have a very popular Web site or if you are sponsoring chat rooms or if you are doing things to encourage people to use the service, and you can actually cut deals with those folks to share revenue. So if you can come up with enough things to get people to burn up time and put money in Prodigy's pocket, Prodigy will spin money off to you to offset your cost to do so. Which is real ly fascinating. We are just kind of now into talks with them. But that hit my hot button. I like things that are free.

PARTICIPANT: We have an industry that is searching for answers as it relates to appropriate use of these systems. We are concerned about information clutter. How can these systems be regulated, systematized, so that information needed can be found easily, quickly, and efficiently?

MR. WILLIAMS: I think it is going to be absolutely paramount that this industry get together and create an index that is simple and easy. We need to agree that we are going to hyperlink our individual pages -- which is exactly what we would propose -- hyperlink our individual pages, to a page that is advertised, that is publicized vastly to the consumer.

If you want travel information, we must be able to say just look for the Discover America page, just go call this one number. And you can get in and get out to any of a number of other travel-related pages. This is very similar to what AOL was saying - you get into their network, and you can escape now. They have found that they cannot provide everything that their customers want, so they allow them to get out into the rest of the Internet.

That is what we are going to have to do. And I think it is very important that we al I recognize the interdependence that we have on each other in our businesses, in sharing our customers, and we have got to do the very same thing to harness this technology, to make it easy for the consumer.

PARTICIPANT: I recognize that this is a new technology and that we do not yet have a lot of information out there, but what I was wondering is what evidence is there that the gigs-nerd who gets on and, surfs the Web and plays around with information is actually going to be a conversion and will come down and visit Busch Gardens or whatever?

MR. DREISTADT: Good question. We do not know. You have to understand how new it is. And to be perfectly and bluntly honest with you, we are making it up as we go along. The education database, like I said, we cannot sell anything off that. All we can do is be informational and educational.

On our system, we tell users that if they have questions about Shamu or whatever, to hit this button and send us an E-mail. Three-quarters of those are: "I am thinking about going to Williamsburg, can you send me information?"

So it is generating inquiries almost inadvertently. My guess is, once we are serious about it and get the commercial side up, where that is its intent and purpose, we are going to see even more than that.

How efficient is it? How is it on the cost-per-inquiry? We do not know yet, because we are just not that far into it. But it does seem to actually generate some business.

EXECUTIVE ROUNDTABLE

An Address By

Brian J. Kennedy
Executive Vice President,
Marketing and Sales
The Hertz Corporation

The travel industry has a tendency to change as rapidly as it takes to get from one place to another these days. There was the jet age, the all-747 age, the deregulation era. and now the age of the Internet that we were just talking about, and perhaps a whole new cycle of distribution options. The speed with which we are moving in pursuit of customers and interacting with partners is accelerating. And no matter how fast we move, there is the perpetual sense and frustration of having to catch up.

It was not long ago that a travel agent's primary access to a supplier and, conversely, the supplier's access to the market, was by a means of a proprietary phone number. And that was an advance over anything that existed before.

CRSS became the workhorse of the industry, and still constitute the single biggest change in how we do business. But technology, the agent of change. is changing the CRSs. We are seeing competitive moves now by the CRS, for example, to provide seamless real-time access to supplier databases at considerable investment and perhaps even questionable payback for suppliers like us.

At the same time. we are seeking new channels for access to open up. A recent study by the Institute of Certified Agents shows that travel agents continue to rely on the CRS — not a surprise — but are adopting a wider range of new technologies, such as printed indices, on line computer systems, and CD-ROM. Technology is opening new channels and providing new options. It is enabling consumers and companies to connect directly with suppliers. It is making possible ticketless transactions for seamless service that eliminates some of the intermediaries.

In the midst of this, the role of the travel agent is changing, whether you are talking about reservations. planning, ticketing, or cost management. The linear, often one-way, action that link customers, through travel agents, to a supplier. has been supplanted by dynamic, multidimensional, interactive channels of commerce and communication that much more resemble a marketplace than a distribution system.

The difficulty for those of us on the supply side is finding the customer. He or she could be anywhere, and most definitely is everywhere. Because the new technologies driving all of this means options, some consumers can call us directly to book a reservation, to talk to a real person. our reservation center based in Oklahoma City, to hear a human voice. Others go through a travel agent. who comes to us through CRS, and others are booking us on the Internet, through such devices as Easy Saber.

What it means is that we have to be everywhere. Because I wear a marketing hat and have responsibility for advertising, among other things. I can give you a parallel which was referred to this morning from the advertising field. Twenty years ago there were three TV networks and they delivered all your customers, so that is where you placed your advertising dollars. Today there are a zillion cable channels, and viewers surf the channels. and it is no longer possible to reach your customers in one, two. or three places.

However, like the TV landscape, the primary distribution channels are the travel agents on CRSS. But the new forms of distribution, like the Microsoft project, among others, will change the landscape, over time, much like cable TV, led by the likes of CNN, ESPN, and others. So the first rule of today's travel industry environment is that you have to be a lot more places than you were before. Not as valuable as the CRSS or proprietary phone lines of the past, but each one vitally important.

There is a flip side, too. And that is what we can get out of this expanding array of optional channels — information, knowledge of your customer, discrete customer data bases. Prices, products, and services flow one way and information flows the other, which means we have the capability today to know more about our customers' wants and behavior. And, once found, we know where to locate him or her when we market.

That enables us to better understand and meet the needs of the customer and to deliver value, which is the maximum quality and service at the price I, the consumer, can afford.

Hertz's Number One Club Gold Service is a good example of this. The discrete customer database enables us to meet the needs and wants of the customer base and deliver consistent value. A recent example comes to mind. An identifiable segment of our Number One Club Gold base was renting Lincoln Town Cars in West Palm Beech in the winter. Why'?

Through qualitative research and monitoring customer request calls, and even by reviewing comment cards and some complaint calls regarding rentals in this area, we discovered that a lot of our customers in the winter fly to West Palm to play golf, and the Lincoln Town Car has more trunk space to store more golf bags than any other car.

With this information. we were able to properly fleet for seasonal demand. And from the customer standpoint, we were able to understand and service their needs.

The informational flow that has enabled the development of discrete database there enables us more direct -- read that targeted -- marketing and the creation of more partnerships to create more value and to broaden customer bases.

By partnering, you leverage your strengths, you share your costs, and you pursue common goals, while gaining access to target markets in a cost-effective manner. The right partnership also helps you to punch through the commodity aspect of travel industry products and services, and build loyalty with your customer base.

Importantly, it also enables you to track each program and to measure the results. Through partnerships targeting the frequent traveler, for example, we are able to reach the high-use customer in the hope of generating crossover business on the leisure side. British Airways, for example, is one of our partners. We participate in their frequent flier program on a global basis, and we have access to that membership through newsletters and direct marketing.

In fact, we just announced a new global preferred agreement with British Airways. And to mark that event, this fall, we will celebrate with a global contest for all the frequent flier club members. And we will communicate with them through inserts in their program statements.

Partners are not always big airlines or even other big companies. We are doing a lot with so-called start-up companies. such as Value-Jet. Kiwi. Reno Air. We are doing special rate programs — what we call reservation solicitation programs — when after booking the airline, the reservation agent offers to book a car rental.

We are doing cooperative consumer newspaper advertising with Value-Jet. We have done onboard contests and in-flight magazine advertising with Kiwi. We are also doing in-flight announcements and other in-flight merchandising.

On the frequent flier front, too, we are doing value-added offers that increase the value of our partner's package, while exposing our products to potential new customers. The example I have in mind here is our Hertz Number One Club Gold. We offer to the elite membership files of various airline frequent flier programs complimentary Gold memberships. Good for the airline, good for us.

Marriott is another good example. A longstanding Hertz partner — and this is an exclusive arrangement for us — making it particularly valuable — not only do we participate in Marriott's Honored Guest Program, we even go so far in our partnership relationship as to have concession agreements with Marriott Hotels, where we operate Hertz rental counters inside certain properties. We are also doing reservation solicitation programs with Marriott.

We will participate in newspaper and magazine advertising, direct marketing, and point-of-sales displays at Marriott and Hertz locales, promoting this program. One novel medium we are making available to partners to reach our customers are the hang-tags in our cars.

Partnering, of course, is not brand-new, well, it is a lot more innovative today. And one of our largest partner relationships is with the American Bar Association. In 1970, Hertz became the ABA's first member benefit provider. That partnership is so strong today that Hertz actually prints the ABA plastic membership card, and on the face of the card imprints the membership's Hertz Number One Club number and on the back the logo, the association account number, and reservations phone numbers for Hertz.

CitiBank is another example. We participate in various promotional programs and offers, but most valuable from our perspective as a partner, twice a year we have an opportunity to speak to C itibank's full credit card membership file by means of inserts.

We also do direct mailings. In a recent case, we went to different Citibank card holders — one segment that consisted of both Hertz renters and non-Hertz renters, and the other consisted only of those who rented from other car rental companies. It gave us exposure and a chance to try to convert these renters from our competition over to us. The code numbers on such mailings obviously allow us to track these efforts and to measure results.

Needless to say, with a global partner like Citibank, a good match for a global company like Hertz, we are now looking to partnering opportunities in other parts of the world.

Speaking of other parts of the world, we have been the only car rental partner in the La Shuttle since the Channel Tunnel opened between Folkstone, England and Calais, France. We have developed some specially priced packages, combining car rental with passage on the Shuttle.

And we have just announced in France, with Disneyland Paris, a new relationship under which we will have exposure as a sponsor of Main Street USA, as well as two dedicated facilities just outside the park.

In today's fast-paced environment, we find customers coming to us, and at us, from all different directions. We make use of more distribution channels. We mesh with a variety of technologies, many of which are still evolving. We not only sell products, but we gather information which enables us to define discrete customer databases for which then we can shape products and services responsive to their particular wants and needs.

We then are in a position, through direct marketing, to target those sales efforts to specific customer databases, and broaden that, and to increase the value of our products through these strategic alliances and partnerships of which I just spoke.

Closing on this note of partnership, I would like to mention one more example. And that is our partnership with AAA, our single most valuable partnership at Hertz. We have an exclusive with the AAA organization. We collaborate as partners — and it enhances the value of their benefits and increases our exposure to prospective renters.

EXECUTIVE ROUNDTABLE

An Address By

John D. Snodgrass
President and COO
HFS, Inc.

I would like to share some thoughts with you from a political standpoint this morning. In addition to being the President of HFS, I also serve with the American Hotel & Motel Association (AH&MA) as chair of the governmental affairs committee.

I believe it is a critical time politically for our industry. And I also believe that politics always has a great degree of influence on our business. We all know that politics can create obstacles or it can also create opportunities. We are headed into two critical periods.

The White House Conference on Travel and Tourism is just two weeks away. That is an important political forum for our political message. And meanwhile. the Congress, with its pro-business Republican majority, has fully settled in. They are able to debate and legislate with better confidence and enthusiasm, having had a year under their belt. They now have time to listen to our story, now that the Contract with America is substantially completed.

We have an opportunity to take advantage of these two political gifts. the White House Conference on Travel and Tourism and our new Congress, to get our message known.

But, first, we have to overcome a great obstacle. Before we can get our message across, we need to let people know who we are. Travel and tourism is the most splintered $400 billion industry in the United States. Its 6 million employees and direct contractors work primarily in small- and medium-sized businesses. They are housekeepers at hotels, agents at local travel agencies, cashiers at airport gift shops, mechanics for car rental agencies.

Our first task is to show Congress that all these people are working in a single industry, an industry that is vital to the United States economy. The shocking attack on the U.S. Travel and Tourism Administration shows just how splintered we really are. Our government barely recognizes who we are as an industry. Let me share some statistics courtesy of the AH&MA.

First, travel and tourism is the largest global industry and the largest generator of jobs in the world. Last year in the United States, it generated $400 billion in sales, behind only the auto and retail food industries. Travel and tourism paid $105 billion in salaries and wages. It contributed $58 billion in Federal, State and local taxes. Travel and tourism ranked as the first, second, or third largest employer in 34 states. It is the number one employer in 11 states. And the industry is a leader in the employment of women and minorities.

Those are great numbers, but a lot of people in government do not know them and do not know that those 6.3 million jobs are held by people who vote.

Texas and a number of other states spend more on travel promotion than the United States does. Hawaii, alone, spent double the U.S. budget. In all, individual states spent $339 million promoting tourism last year, 20 times more than the pittance budgeted by Congress.

So how do we get the Federal Government to notice us? How do we get our message across? And how do we begin to gain influence?

The White House Conference provides us with a number of strategies, ranging from recommendations to expand national promotional efforts, improvements in international signage in the United States, and revising the Nation's Standard Industry Codes (SIC). This last recommendation wi 11 great I y improve our recognition and our industry's influence in the halls of Congress and the 50 state capitals.

In a nutshell. the **problem is that the travel industry codes are splintered and hidden under other industry** codes. This matters because SIC codes translate into political clout. For instance, everyone agrees on the importance of agriculture and manufacturing in our economy. The government measures their collective revenues in jobs as reported under the national SIC numbers. Those measurements translate into policy.

As Congress decides farm policy, every congressman can have a rough handle on how many farmers and farm-related workers are in his or her district or state. Those workers mean votes. To protect the votes for those workers. Congress protects their industry.

The tourism classifications are splintered, and there is no simple way for the Labor or Commerce Departments to report on our industry. When tourism does not show up in its rightful place as the third largest industry in America — second in terms of employment — Congress does not see the need to promote it.

The present accounting of SIC codes translates into a huge gulf that we have to cross every time our industry marches on Washington. Congress is simply not used to seeing us as a collection of over 6 million jobs. And the axiom in Washington is that jobs translate into votes, and votes relate to action. This is the perfect time to make ourselves known to Congress.

In the lodging industry, we learned last year just how powerful an ally this Congress can be. They listened and defeated the health care package that would have been highly injurious to the thousands of small businesses that make up the lodging industry. Whether the issue is health care. taxes. labor. or the environment. this Congress appears to be willing to be our partner in growth. It is now our duty to blow our horn and take advantage of this opportunity in an organized fashion.

And it is not just Washington that needs to be told the story. We have the same challenge at the state level. It is time for more of us to harness the power of the many governors' offices that have long understood the importance of tourism. The Nation's governors meet frequently. And we need to interject ourselves into these conferences to show how state-to-state tourism can be promoted for the benefit of everyone.

Keeping our industry healthy is another way to keep America competitive. The world is shrinking, and the international market for the middle-class traveler is expanding. To protect and increase the U.S .'s rightful share of that market, we need to keep up with the international demand and keep an American imprint on global travel.

We are in the infancy of establishing tourism as a unified global industry. Over the last decade, especially with the collapse of the Iron Curtain, we have all been told that successful companies must look beyond their native borders and think internationally. For the hotel industry, the opportunities are enormous, and many of us are joining in the global push.

Throughout most of the world outside the United States. hotels have been traditionally available in the two-and five-star categories, with small bed and breakfasts or luxury hotels. **But until recently** in most of the world. there has been a huge void in the middle market. That is changing. And it is changing explosively.

A global middle-class has developed, and it is demanding middle market hotels. Weekend leisure travel is no longer a purely American concept. Meanwhile, business travel has expanded rapidly abroad as world markets expand and sales people venture into these new territories.

The result. a number of national hotel chains are establishing themselves in new regions abroad, bringing middle market hotels to the world. They include such brands as Holiday, Comfort, Days Inn, Howard Johnson, Sleep Inn, Super 8. These are American-style hotels, designed originally for the U.S. mass market.

They are taking American know-how and exporting it to Europe, Asia. Africa, the Middle East, and places far beyond.

And they are bringing in an identity that is clearly American in origin and global in appeal. These new international representatives of our national brands can become singular points of influence to promote inbound U.S. tourism throughout the world.

Using existing and proven technology in these new hotels abroad, a guest can be sitting in the lobby of a Tel Aviv Days inn and click on a computer screen that provides a catalog of information on airlines, rental cars, amusements, and hotels for virtually any city in the United States. That is a lot more effective and persuasive a forum than hit-or-miss newspaper advertising and expensive third-party representation that has traditionally typified sales efforts abroad.

The explosion and acceptance of U.S. concepts in literally hundreds of international markets is one of the most promising trends in the growth of America as a global destination, in my opinion.

We will continue to see travel-related companies linking their services electronically. It is starting with seamless hotel and car rental bookings through the airline CDS system and Internet.

In the end, will a single booking system for the travel industry eventually prevail? No one knows. Personally, 1 doubt it.

But, in the meantime, all sorts of global links between industry segments will naturally arise. And they all provide additional opportunities to cooperate and get the message out that travel is an industry that pays taxes, employs more people than any other industry except health care, and deserves the support of our government.

In less than two weeks 1,700 of us will convene in Washington for the White House Conference on Travel and Tourism. Preparing for the Conference has been a wonderful experience in unifying our industry. The Conference will be a success. Our voices will be heard.

But the true test will be how we keep up the momentum and how we forge more partnerships and join in collegial efforts.

Only through cooperation will the travel industry assume its rightful place in the forefront of American and global industries.

EXECUTIVE ROUNDTABLE

An Address By

Sarah Graham Mann
Managing Director
Discover New England

I do not belong up here. These people control hundreds of thousands of jobs and people and cars and — good, Lord, I cannot relate to them at all.

There are 10,000 ladies this morning that got up in the U.S. and made the muffins for the B&B guests. I can relate to them. And I love eating their muffins. It makes my day.

What is it all about at the end of this conference, folks? Most of us in tourism are not here. Most of us are home making the muffins. Most of us are home answering the phones, and saying, "Good morning, Discover New England. What kind of brochure would you like?" Most of us are home changing the linens. Most of our industry is not here this morning.

Now, for those of us who are, are we leaving here any different? Are we leaving here with a message for those folks that are home doing the work? Are we bringing anything home to them, two weeks out from the first White House Conference on Travel and Tourism ever?

We are going to have the President talking to us. Like him, do not like him, who cares, he is there. What are we going home to do differently?

The national plan, the strategic plan for creating a new National Tourism Office is the most exciting thing that has happened to this industry, to me, to you. and to those 10,000 ladies making muffins in more years than we can account for. And it is all right here.

There is nothing in this document that is controversial. There is nothing in this document that is not good, old--fashioned common sense. I am a Yankee, born and bred in New England. 1 run a nonprofit organization that leverages public and private money — a novel idea — it is not just rhetoric — but we do it.

I run an organization that has probably the leanest budget of any of the multi-state organizations in the country. I run an organization that has fine, free, fine leadership from our state directors, and a little bit of seed money, and that organization and their inbound arrival numbers beat ail the national trends last year.

I run an organization that takes and bridges the ladies who make the muffins, because we care about them, the big boys, when I genuflect, the state government, and the Feds. And, folks, we are talking about a National Tourism Office that does that.

For the first time, every one of those people changing those linens can and may be involved in this. Are we going home with that message? Are we going home invigorated, saying 1 have heard articulate, bright, wonderful people and new ideas of partnerships — and we are doing some very strange partnerships in New England — we have got some new ones coming up that are just wonderful?

But, right now, it is not about New England: it is about the new national picture. 1 am not here this morning for my six state directors. I am not here this morning for the major donors who help keep my doors open, and that got those award-winning numbers for New England last year — and, God bless them for doing it. I am here this morning for the ladies making the muffins. They are self-employed, but are the American dream.

I was out in the Berkshire a couple of weeks ago. I stayed overnight with a lady named Inna, a German immigrant. And Inna and her husband own a chain of tourist cabins. There are seven of them out in the woods. Remember those in the fifties, where you go and stay?

I did not have any money, so I decided I would bunk with Inna that night. Her husband was making the fudge, and Inns had cleaned the cabins. And she said, "Welcome. I am glad you are here. How are you?"

I am coming back to the White House Conference on Travel and Tourism in two weeks for Inns. And I am going to come down and find out how we can create a National Tourism Office--a destination marketing organization--that can and wil I involve everybody. It is about us. It is about Inns. It is about the 6.3 million of us that represent that American dream.

Now, if 10 percent of the 6.2 million of us wrote a $100 check, we would raise $62 million. Now, that is enough to start the marketing program that the promotions task force has outlined. That is enough to start some of the safety, security, technology and the other motherhood and apple pie things that are in the report.

The state that our industry is in is because we have not done the job.

It is not up to them anymore. And when I come back — and that is chamber by chamber and that is community by community. Because that is where it happens. It does not happen up here. It happens in my community and in yours. It is all about people. It is ethics. We have not talked about ethics yet, folks. How many of you belong to IQUEST, the ethics group in tourism? Call me. I will give you their number.

It is all about service. And it is all about people. It is about sending out the brochures and making sure you are on the Web. and having somebody there at 4 o'clock in the morning when the French wake up and want to complain. It is not complicated.

But if we are going to run a National Tourism Office, let us run it right. And let us run it with everybody involved. Not just the folks that have the megabucks. But let us run it for Inns. Let us run it for the lobstermen who sells me my lobster at our summer house.

And when we come back here in two weeks, no matter what happens with government policies, no matter what happens with TIA, I am hereto tell you that tourism and small business does belong on the podium this morning.

Because as far as I am concerned, and with the deepest respect for the gentleman and al I of you here in the room, they are what makes this industry great. They are what makes it work. And they are the ones who will make this work.

Thank you for letting me sit with these fellows.

FEATURED SPEAKER
FUTURIST

An Address By

Watts Wacker
Executive Vice President
Stanford Research Institute

I want to talk about the future. and 1 particularly want to talk about the future as it relates to travel. And then 1 want to talk about a major new megatrend and where I think people are going to go and what they want and how they want to get there, with some specifics. So let's go.

First, how I do what I do? These are what I would call the futurist's tools. I like to do motives analysis. SRI is famous for that. You're basically being driven by being principled or being status seeking or being action-oriented in the decisions you make. I like to do longitudinal study of trends. Yankelovich is famous for that. I have an ongoing relationship with Yankelovich.

I like to do cultural anthropology, or what I would call content analysis. I spent a lot of this last year working with a man named Don Johanson, who was the man who discovered Lucy, the first primate, the first bipedal. I shouldn't say the first primate, the first bipedal. He has an institute for human origin out in the Bay area, and Don and I have come to the conclusion that while bipedalness may have been the single greatest phenomenon of humanity, the second-greatest is that we collect things.

We didn't just want a rock to smash our next door neighbor over the head with and take their carcass, it had to be a pretty rock. And we saved it. And then they got prettier and prettier. and then we started adorning them. A very interesting concept of collectibility and adornment. So cultural anthropology helps us look at the icons that translate across culture.

I like content analysis. 1 spent lots of the last couple of years doing scenario planning work, which SRI invented with Royal Dutch Shell. Scenario planning is, in effect, looking at the givens of the future and then the critical uncertainties against those givens. By the year 2010 the world population reaches 6 billion people. At that point in time, 2 billion of the people in the world will be teenagers. That's one-third of the population of the world wi II be teenagers. That's a given.

Now, what are the critical uncertainties? Will teenagers behave the same way, and will we treat teenagers the same way? So you go back and you look at history and you see that in the 14th, 15th, 16th centuries when we had that kind of pyramid shape to the population we had our biggest wars to get rid of all those teenagers. I have a feeling we won't be doing it the same way in the future, although we may think about it.

And I also like observational work. both formal and informal. I've talked to you in the past about being a cowboy in Montana. Right now 1 have a project going where we have cameras up -- I have a friend whose job title is even cooler than mine. He is the Mayor of Disneyland. It doesn't get any cooler than that. And we have lights -- or we have, in the light standards, cameras looking at people's trunks and how they pack their trunks. for a car company, an unintrusive observational technique.

Well, as a result of all these tools, some people suggest I'm supposed to be some sort of an arbiter of truth. And anytime the word truth is invoked around my name, I like to bring out my favorite philosopher, Obie Wan Kenobie. I don't know how much you remember about old Ben.

But you may remember in the first movie Obie Wan told Luke that Darth Vader killed his dad. In the second movie Luke found out Darth Vader was his dad. Search your feelings, Luke. You know me to be true, right? And it was not till the third movie that Luke caught back up with Obie Wan. And he said, "Obie Wan, you told me Darth Vader killed my dad. I subsequently found out he was my dad -- a bit of a difference -- what's the truth here?" And Luke looks at Obie Wan, and Obie Wan says, "Luke, you will soon learn that the truths that we hold sacred are all driven by one's point of view. What I said to you about your father was correct, from my perspective."

So with that. I'd just like to admit I make this stuff up. And any futurist that tel Is you they really know what's going to happen is probably full of it. But a good futurist, to me, is like a good science fiction writer. 1 don't read a ton of science fiction, but I do read some. And when you read good science fiction you go, God, that could happen. It's not that it's going to happen, it's that it could.

So with that, I hope you'll find that there is some logic behind what 1 have to say, and with that, let's get into cultural schizophrenia.

Cultural schizophrenia is the ability to move in two directions at the same time, and not have it feel like it's inconsistent. It's why we can have the woman who created Mothers Against Drunk Drivers as a lobbyist for the spirit beverage business. It's why we can ask for more from our government at the same time we want less government. It's why we can have 100 wars of nationalism going on at the same time as we create the World Trade Organization. It's a global phenomenon as well as national.

It says that our attitudes and our behaviors may no longer be necessarily consistent. I maybe telling you I really want to spend more time traveling at the same time as I really am not doing it, or vice versa. And in the most macro of measurements, would I rather spend money on things or on experiences? I'm starting to see a subtle shift already back to spending on things versus on experiences. Whereas a year ago that issue was more of a 60-40 balance, now it's 55-45. So a pretty significant change in a year, although it still tips to the side of experience.

It's why we can say that service is getting better at the same time we complain more vociferously about it when it isn't very good. And generally speaking, people say service is getting better, except for air travel.

Well, there's three reasons why this is happening, at least three, minimum, much like the three things that happen in your own life. You're never supposed to change your job status, change your marital status, and change your address, at least ail at the same time. I, of course, was one of these dumb people to do this -- get married, take a new job, and move to Memphis. On my third day of work I think my wife called and said, you know, I've figured this out, honey. We're in a witness relocation program.

There's absolutely no support. But it's happening -- the micro -- on a macro basis. Demographic change, which I know my good friend Peter Francese would have talked to you about yesterday like we haven't seen in 50 years, a values revolution like we haven't seen in 30, from the me ethic of Tom Wolf to the victim ethic of today, and a macroeconomic base change which we don't really fully recognize that we've already passed through the threshold of the movement from an industrial to an information society.

We are on the ninth generation of PC's. The computing power that in 1975 cost $10 million, today we can buy 10 times more powerfully for $500. We are not in the information society. We have in effect, in my opinion, already passed through the information society, but at least the economics of society are built upon that.

Things are already this different. Think of it in the context of education. the flexible school schedule. My son actually, where we live, could have come to school with me today by coming here to Washington and going to the Smithsonian and e-mailed in a paper about his experience, and had a complete credit for having gone to school. He went with me last spring to the Greenbrier and went falconing, and did a paper on falconry and the sport of kings, and was given complete credit as if he was at school. That's what the flexible school schedule is all about.

We're seeing all sorts of the, if you will, crisis of confidence of institutions being manifest in creating new institutions. The example I'm giving now is one of the institution of education, but there's even others. We saw the president of Yale become part of the Edison project. We've seen a company in Minneapolis run the Hartford School District. privatizing it for a $350 million contract. We've seen the President of Bodin College saying college should become a 3-year phenomenon. And in effect, there are that many views of change of how we want to educate our children.

I thought about it in the context of the Bible to the future. I like to think of *Wired Magazine* as kind of the Gutenberg Bible of the information society. And *Wired Magazine* has already identified the two-most unlikely constituents to read their magazine. Those two people who are the least likely to read *Wired Magazine* are the primary and secondary educators. The ones responsible for taking our children to the future are the least likely to be on the cutting edge of where the future's going.

There's no wonder that in the crisis of confidence in education we're seeing things like the following: New values emerge when you see that 75 percent of the student body of a college will admit to cheating and two-thirds of them say it's no big deal. Researchers in the room would know that there's a pro-social bias that argue that the number is actually understated. It says that kids aren't going to college today for an education, they are going to college to get their meal ticket punched to get onto the next level of where they want to go in life.

All of our institutions are changing. The laws of physics have changed from the Newtonian to the particle age or subatomic physics. Newtonian laws of physics are now obsolete. Humans are not trying to conquer nature. Humans are now living in synch with nature.

The laws of economics are now obsolete, or at least the ones I studied. Adam Smith's invisible hand has given way to a Nobel Prize in game theory. In game theory there's a thing called the winner's dilemma. This is your customer. In winner's dilemma, when you win you're not happy. You're afraid you paid too much. We have cognitive dissonance before we buy, not after we buy, in this new age.

There's even new metrics. Now the World Bank has changed the definition of wealth. Wealth is no longer just about mineral deposits and production capability. It's also mental capability for change. And the World Bank has said the number one economy in the world set for the future on a per capita basis is Australia.

And we have new metrics such as the genuine progress index, a filter for the gross domestic product that hits it by three factors, impact on the ecological environment; impact for social change, the cost, if you will, of divorce; and impact for whether or not money is bifurcating to the ends or in effect being more well dispersed and spread across in total.

When you take the genuine progress index and you filter or factor that onto the gross domestic product, our gross domestic product has been coming down steadily since 1972. Again, new filters, new metrics, new economics, new laws of production.

There's even now a theory that the economy is like an ecosystem, that in this room we all have four types of relationships. We have competitive, symbiotic, predatory, and parasitic. The problem is we don't know who falls into which category anymore. And in effect. we can all be in all four categories with someone at the same time. It was just 2 weeks ago that Sony and Phillips made a decision to create a joint digital storage CD capability. That doesn't sound like competitors to me anymore. That's a very symbiotic approach.

In effect, the new economics suggest that there will be a true enlightened self-interest to cooperation, and that many of the people you look at as competitors in this room are actually going to be either symbiotic, predatory, or parasitic to you in the future.

I'd argue that we even have a 500-year change, that beyond the 50-year change of demographics, the 30-year change of values, and the 200-year change of macroeconomics, the 500-year change or the 500-year delta is that we are coming to the end of Western civilization. Well, I mean, it's not like we're going to fall off the planet.

It also says that we are coming to the end of the renaissance, and I would argue, and you're seeing a little of my R&D in progress here, that the 500-year rules of Lockian reason and logic are giving way to what will become a personal approach to life driven by chaos theory, that we can't expect people to do logical things anymore. It says that we need to look at tastes, styles, textures, approaches, from the East coming West. Even Alfred Demming came from East to West, and I would argue that some of the hotter spots to look at as destinations will be coming from the East as a result.

1 would argue as well that just at the time when we need cohesion we are having ultrafragmentation. Now that we have actually been able to create manufacturing as a service industry, where we have gone from effect custom massification to true mass customization, people don't want it, at least in some of the areas that I think that we are trying to provide. Just that we're at the point of being able to create, if you will, and the marketing and management gurus suggest segments of one, customers of one, we see a significant change going on relative to where people are that says I want it at a higher order where I'm connected to people.

1 spend a lot of my summers trying to study different disciplines. Last summer was physics. This summer it was evolutionary biology. And I kept hearing about these people called evolutionary biologists, so I went out and interviewed them. And almost to a person they believed that humans have stopped evolving.

Now, I don't know if that strikes you, but to me that meant I had to ask this question: Does that mean we're on the road to extinction? And they all said yes, it does. It may be 70 years, it may be 700,000 years, but yes. And they said by the way, don't miss the fact that in Russia they have the highest infant mortality rate of any industrialized country, and they happen to have had the longevity for men go from 72 to 57 in just five years. In effect, their population would be called imploding as opposed to exploding, and it's because they think that country was the most cavalier in the ultimate issue of the industrial revolution, which was nuclear power. And they see the industrial revolution as aberrant to the way humans relate, live, and react, and communicate, and in effect we are and always want to be hunter gatherers. And that we will move from what was the preindustrial approach of group loyalty, physical power, and flexibility to mental flexibility, initiative, and learning and learning how to learn.

Well, I took all this stuff and rattled it through my brain and threw out the dice and said this means that we're going to become tribes. And when I went back and asked them that, they said absolutely, we are. And there's three unbelievably well-defined tribes in this country, Krips and Bloods -- or gangs; the radical Christian Right, and the United States Marine Corps.

The U.S. Marine Corps has eradicated AWOL, drug abuse, and alcohol abuse. They take any person from any strata of society and put them through Paris Island for 12 weeks, and they don't want to go home. They don't want to be anything but in the corps. It says that ritual mythology, icons. and reinforcement of all three is a huge issue, and one of the things people are doing is desperate to find what are the tribes that they are part of. And I think it suggests that group trips can benefit dramatically from that as you think about part of your future.

Well, there's no wonder we all say I'm confused. What am I supposed to do in this arena that is so different. Every time I look at something, I don't know who wins. Is it Smokin' Joe or is it Mohammed Ali in the thriller in Manilla? Sometimes it's government; sometimes it's business. General Motors settled a suit with the Government for $51 million for the side-saddle gas tanks, but which would have cost thousands and thousands and thousands of millions if they had to recall the trucks. At the same time, Conoco, after 6 years of on a monthly basis reporting to the Government what they were doing to try to go through the Iraqi oil fields, the day they signed the contract had it removed as a national security issue. Who wins? Well maybe Government and business are no longer to be competitors as we move forward.

I believe we truly have a new age that's dawning, and I like to refer to it as the I-can-oclast, or Icon age. And in this age the key is who do we trust? The '90s are over.

The '90s came early and ended early. The '90s came with the stock market crash in '87, and ended on April 2nd, 1993. That was the day that Marlboro lowered its price point 20 percent. We forget that Marlboro wasn't just the number one revenue producer for Philip Morris, it was also the number one profit producer. Lower your price point on your number one profit producer 20 percent and see if you run your business the same way after that.

We, in effect, challenged and came up with all of our institutions not being where we need to have them to take us forward, and the three that are already emerging are, number one, myself; number two, people who have wisdom; and. number three, people with experience. And you don't necessarily have to be formal in that. As a matter of fact, what I really like to call this all is more of a possibility agenda.

I don't have to be a wizard with technology. I just have to be smarter than you. And you know what? I can. 1 can do that. I can't be a hacker, but I can sure look at the cubicle next to me and say that I'm capable of being better on knowing how to use Windows '95 than that guy, or that woman, as the case would be. Anything is possible.

At the MIT media labs they actually had to do away with titles and putting doctor on your name plate because of all the Ph.D. close-to Nobel laureate-type winning types. they weren't performing as well as the high school dropouts. I don't have to have had a Ph.D. in computer science from Cal Tech to be a high performer. I could have taught myself. I could have that wisdom. It says that experts and experience come from all places. And one of the key things I see that the travel industry needs to get across to the travelers is how much expertise and wisdom we truly have.

1 think the future is a lot about the concept of access, and I like to call the future the age of access. In the age of access, literally anything is available. Think of it this way: What is magic? Where do we get magic anymore? Anything we can conceive of comes true. But we are almost genetically programed to crave scarcity. In the age of access. what is truly scarce? I think the things that are scarce. that are hard to get to, will have an unbelievably greater influence of allure. So far there is nothing designed around -- and put governing in quotes -- "governing" scarcity. I like to study the social, the political, the economic, and the technological agendas, and apply this just to the political front for the moment. The thing that people here in Washington aren't getting is that Newt Gingrich is not a conservative, he's a radical. The issue is not about conservative and liberal to him, it's about that the politics of the past paradigm were built around the politics of scarcity. You either had it and you didn't want to give any up, or you didn't have it and you wanted some.

The politics of the future are going to be built around access, because the accessibility to a vastly greater number of people as a result of the information society is changing the paradigm. And therefore, those people who think that it was a Republican mandate that caused the '94 election, I would ask you to rethink that, because in effect today we are not electing officials, we are hiring and firing them, particularly firing those who don't understand that what we're looking for is access.

Well, one of the tools that I think we can employ relative to that is the concept of limited availability. I think this is a wonderful thing to apply relative to the travel initiatives. Here's how many seats are available, and when they're gone, they are gone, I am so sorry. Limited availability is something that is very motivating to people today.

I also look at access in the context of technology in your business, and think about what is happening with language. In a world where you have instantaneous and simultaneous translation, does anyone not only need to learn, but are they afraid of not knowing a second language? In the past 20 years -- just 20 years -- we have cut the number of languages in the world from 6,000 to 3,000. That was scary to me. I wonder if in the not-too-distant future we wi ll have very few, and maybe even a language, of the universe. It says to me that I think people will not be as afraid as we have seen in the past of going to countries where they don't know the language.

Access should also be thought about in the context of the media. I did a content analysis this past year on celebrity, and I came to see that 64 million people in America have had a meaningful experience on television. This means basically you've been on the local news, you've been seen by your six degrees of separation, you've been called by all your friends in your outer edges of the network, and you are treated as a celebrity.

In effect, all of us are acting like we are a celebrity. We all feel as if we are a celebrity, and we all basically feel like we are dictating the terms of pop culture. A full 80 percent of the population feel like we are heavily involved in pop culture, and two-thirds of us think that we are actually dictating the terms of pop culture. So 1 would suggest one of the things that we want to keep looking at would be celebrity transference as part of the whole package of what we're doing relative to personal travel. In other words, I want to keep going where celebrities go, would be also something that we should use as a motivating tool.

Access, unfortunately, has tentacles to crime, as in we have too much access to guns. Only 25 percent of people today think that a mall is a safe place to go. Up through 1994, the fastest-growing trend in America was the desire for personal safety, and while it is no longer the fastest growing, it is still the number one in magnitude. It's one of the top three as far as still growing.

The issue of safety is important on how I get where I'm going, how I feel when I'm there, and what I do while I'm there, and it is something whether it's business travel or whether it's leisure travel, it is no longer just something that is a casual thought or influence on the decisions that people are now making.

1 think safety and the issues of crime also has major impact on what will be the greatest killer of my generation. stress. Stress is a uniquely American phenomenon. I think now perhaps maybe our biggest export. They even call it le stress. I'm going to have a Mac Doo because I'm le stressed. A Mac Doo is, by the way, how the French call a Big Mac -- a Mac Doo.

It is a uniquely American concept that is not only growing in what I talked about in the past about the fact that you have to put it in the context of time; it's the time and stress continuum says that people will give you time to lower stress. It's changing our lifestyle approaches. I believe we are living now very situational lives. When I was a kid we had a roast every Sunday, we had leftovers every Monday, Tuesday was meat loaf, Wednesday was prince spaghetti night. I'm not even from Boston, and it was prince spaghetti night. Thursday was city chicken, and I'm not Catholic and we still had fish on Friday nights. We had the same thing on Friday. We had the same thing every night of the week, 50 weeks of the year. The only weeks different, Christmas and New Years.

There's not a Tuesday in my life like any other Tuesday in my life. I live situationally in my need structure. I never have the same needs when I come to see you twice. I go to a store in different situational need structures. It says that service now has to be much more dynamic in its orientation and context. So think that one through, relative to the importance for you.

It says that what I used to think of was the 2-week vacation, and then you all made the great application of the week-end getaway, has become nothing but 4 hours of getting out to dinner; that I am literally, as a consumer in this country, looking at 4 hours out to dinner with my spouse, with the same need structure as I used to have when I went on vacation. That is now a competitor for my time of true R&R, and R&R is really the operative thing of what people want.

Leisure today is greater and greater in the orientation of R&R as opposed to hobbies and activities of enjoyment. We are changing our definition from health care and fitness to a sense of well-being.

Doing nothing. R&R is so powerful that doing nothing is a major option. If I had an extra Saturday or Sunday, the two things I'm most likely to do is either take a nap or watch television. Television, the only thing that when we do more of it we get less satisfaction but we keep doing more of it anyway. Figure that one. Talk about cultural schizophrenia.

It's moving us to an arena of what I would call well-being and self-care, as opposed to health care and fitness. It's more of a gestalt of well-being that combines what in my opinion heretofore has been the spa of asceticism with the prozac populace. I want prozac and spa put together. I don't want to be spa'd into health, I want to be spa'd into a sense of well being. The prozac populace says I am more acceptant of things like taking sleeping pills or having a few drinks to relax. It doesn't mean 1 do it all the time, or the megatrend for living for today. In the end I like to call all of this the James Brown effect: "I feel good. Like I knew that I would."

It is not overt hedonism for hedonism's sake. It is in effect putting it all together so that it's not just one component of the issue.

First is I'd make sure that you think of the concept of new metrics. I don't think the consumer confidence measurement works anymore. The consumer product index overstates inflation. And they think it overstates it by 1 percent. And it would save some ungodly amount of money every year if they indexed it back at 1 percent lower than the adjustment, which right now is 2.6. Because the market basket of goods is changing more dramatically than the 10-year horizon the government uses to adjust it.

I think we need new metrics. Confidence can be going down and sales up. confidence can be going up and sales down. So I wouldn't use the old metrics. And one of the things you need to charge yourself with doing is creating your own. I have a company that's now charting for themselves how many people are moving into the alternative work approach and how quickly. the people who go to work for 2 weeks in their case, and never leave, and then don't go to work for a week. Because those people who are on that week of not working look at their leisure like vacation. They don't feel like it's odd that they want to have a martini at 8:00 in the morning while they are doing their laundry, because it's not just a Saturday, it's a vacation. So they're not developing the products yet, they're developing a metric to understand how many people are moving into that life style and putting it into all their research.

I think we need to start playing better with the concept of inherent obsolescence. I grew up in the era of planned obsolescence. When the Timex broke, you threw it away. Today, when you buy your new computer, before you take it out of the box it's too slow and not enough memory. To show you how profound that is, before I left Yankelovich, we have 125 employees, and therefore 125 computers. In 2-1/2 years we replaced every computer in the company, and in that 2-1/2 years 70 percent of them became obsolete.

That's a lot of money for a little company. That's how inherent there is in obsolescence, and we're starting to see the application. People don't want to take things that are broken back to get fixed, they want to take things that work and upgrade them. Play with that concept for yourself. I have things that work. 1 bought a vacation, and between the time I planned it and when I went on it I wanted to upgrade it. Are you offering the opportunity for people to be able to do that?

The influence of kids upon particularly what families are doing with their leisure, and the influence of kids on going on business trips with their families, is going to grow dramatically over the next 10 years, particularly as the millennium generation reaches the teenagers. With the two-parent-working households, I think you'll see a lot of opportunity for kids to become part of business trips even during the week, not over the weekend.

The man/woman thing continues. It gets more fun to watch every year. I'm sure in the past I've told you that men are perilously close to becoming pets. It's even more profound today than it was in the past. 1 had the good fortune of having breakfast a few weeks ago with one of my idols. It doesn't matter who it was other than the fact than this is someone who's much smarter than I and much more studied than I and much more important than 1'11 ever be, and I was just damn glad to be able to get a chance to meet him. His thought on it was that there is a real restlessness because of the things that women can now do that they couldn't do before as it relates to men. And men are still very tentative of knowing who, what, when, how, or what we're supposed to be.

But one application is that women are exploring the areas that heretofore used to be men's domain, like hedonism, and men are exploring heretofore what had been women's domain, like introspection. So don't expect the expected. 1 think you should look to the huge opportunity of men and women being dealt with individually, with specific product approaches and specific communication approaches. In the case of communication, we've historically sold women ring around the collar and hope in a jar, vulnerability and desirability, and we've sold men bottom-line benefit and skill. In my opinion, it's time to invert the approaches.

Last would be the five trends that I would pay attention to, two of which I talked about, and I'll just close with a little more on it. and three more just to throw in.

Creativity: Creativity is a huge issue of the future. In the access age it's one of the most scarce commodities. Anything that allows people to feel a sense of creativity I think is a motive worth trying to explore. Customization, and I'm talking about the it is better to be wrong and fix it than it is to strive to be perfect. If you haven't been following what's going on with Starbucks Coffee, 1 suggest you do. A person bought an expresso maker from Starbucks who felt that it was a used apparatus. It was actually going to be a wedding present and it broke on top of the fact that he could tell it had been used. He went back to Starbucks to try to get some restitution. They didn't know how to fix it, figuratively speaking. He put an add in *The Wall Street Journal* and the New *York Times* and got 20,000 responses on the television, and initiated, if you will, a grass roots campaign that now has Starbucks saying "I will do anything for you to make you happy." And the anything he has requested is a $10 million youth center in San Francisco, where he happens to live.

In other words, people are much less likely to let go when they are unsatisfied. Ensuring that we have programs in place to make sure that we know how to fix our mistakes is just. as if not more, important than all the energies we put into eliminating them in the first place.

I'm high on religion. in quotes. But we are looking at all of our institutions for new manifestations. I think that the issue of artifacts and places that have antiquities wi 11 benefit dramatically from that, and particularly antiquities that haven't been explored in the past.

And then I also referenced the hedonism issue, which is the fact that it's not hedonism in the context of the old, it's well being and making sure I indulge myself from the fronts of purification and indulgence at the same time.

Well, those are the things 1 wanted to talk about today -- that the change is here, that we are marching to it, and, in effect, in an exact opposite way than we did at the turn of the 19th to the 20th century. The concept of a New Year's Eve party was invented at the turn of the 19th to the 20th century because people thought we were going to perish, so we might as well have the greatest party of our history. That mythology has carried with us today to the way we celebrate New Years' Eve.

We, in effect, were sure the change was going to stop us. Today, I think we are all much more attuned to the fact that we are going to change and prosper in the future. So I'm going to close the way I've been closing lately. If I did this before, I will indulge myself again, but I'm going to close the way I opened, which is to admit that I just make this stuff up, and give you the greatest commencement address I heard, as uttered at its entirely at Lake Forest College in 1974. Are you ready?

My uncle ordered popovers from the restaurant's bill of fare, and when they were delivered he regarded them with a penetrating stare, and spoke great words of wisdom as he sat upon his chair. To eat these things, you must exercise great care. You may swallow down with solid, but you must spit out the air.

That's dam good advice to follow. Do a lot of spitting out of the hot air, and be careful what you swallow.

Thank you, Dr. Seuss, and thank you, very much.

Questions and Answers

PARTICIPANT: Yesterday's *Wall Street Journal* carried an article about a new Yankelovich Partners survey on advertising. And it found that only 25 percent of those questioned said television ads would induce them to try a new product.

The news is worse for the print media. Only 15 percent said a newspaper ad would entice them to buy, while 13 percent said a magazine ad would influence them.

"Advertising has little confidence among consumers," said Hal Quinly, one of the partners at Yankelovich Partners. "It ranks below the Federal Government."

First of all, do you subscribe to this study and its results, and second of all, what are the implications for the tourism industry'?

MR. WACKER: As far as do I subscribe, in the broadest context the answer would be yes, I do. that the only place that people want more regulation in their life than in things that kill them is advertising, and that there is -- if in effect there's been a crisis of confidence in our institutions, the biggest institution of which is in crisis has been the paid message.

What should we do about it is interesting, because people still want the information that helps them make better buying decisions. And so the paradigm that I'm starting to try to play with my clients is built around the concept of starting with the classified advertising. And the classified ad of the past was a message from one to many. You have a car to sell, and you broadcast that out to many. But the future of the classified ad as a metaphor for all advertising is that it will become a message from many to many as opposed to one from many.

In an information society, when you list your ad for your 1989 Volvo, you're going to have 40,50,400,500, 4000, 5,000 people who owned an '89 Volvo respond to that ad based on their experience, what to look for, whether the mileage had -- at this mileage these things happen. So in effect the person who is on the many side of the receiving is going to be able to sift through many messages to get what they want. The company's job in the future is not to use advertising to make them more knowledgeable. but to use advertising to make the potential buyer more knowledgeable. from the many to many versus the one to many concept.

I know I'm speaking in tongues, but that's -- obviously, because a lot of people are nodding -- I've got too many witnesses.

Advertising has to have the leverage to go from the provider of it to the receiver of it. And that is best metaphorically talked about in that messages are no longer from one to many, but will end up having to be built around many concepts. So that I'm not just hearing what Procter & Gamble wants to say about the soap, I'm hearing what people who use that particular soap on a rayon dress had to say about it, if that's what I need to know the most about.

So there's going to be a fundamental difference and shift that I don't think the advertising community has figured out.

The second answer I want to give is about the whole concept of the role of media and pop culture, because advertising is now a real part of pop culture. And media is no longer just about information and entertainment. The whole essence of media is more about self exploration and self discovery, and it's now a status symbol. And knowing how to use the media is more important than whether you do or you don't.

If you were 25 years old today and you know how to get someone on the Internet, that's more important in impressing them than having a fancy car or a high-paying job. It's not that you were actually going on the net, it's that you know how, and can actually help someone else figure out how to do it.

PARTICIPANT: The book, "Popcorn Report," has a concept called "cocooning," where we are hyper-sheltering ourselves--because of the safety issue and other things, we're not going out. So information has to come to us in order to make buying decisions. I find this significant to making travel buying decisions. Do you have a comment on cocooning?

MR. WACKER: I have two. Four years before anyone in this society created a lexicon called "cocooning," Yankelovich had a concept called the "return to the home."

Second, is that my perspective on it is that home is no longer a location, it is a concept, and I want home wherever I go. And so people do not want to spend more time in the physical locale known as their principal domicile which you just referred to as home. What they want is to be able to feel like the feelings they have there carry with them wherever they happen to be, in a taxi, in an airplane, at a hotel, at a resort, on a train, at work.

And to the point, people are looking at home more as command center than bunker, back to the pre-metaphor. the physical domicile called principle residence. I'm not going in there to borrow or cocoon. I'm going in there to plan my sorties into life. We are becoming very optimistic.

This possibility agenda is that we're moving out of this funk that I like to refer to as the decade of denial, which was the '90s. We were all supposed to be winning, but in the '90s we all got fatter. Every age cohort in America today is fatter than they were 10 years ago. We made less purchasing power, and our government went hugely into debt.

Instead of saying what's wrong, we kept saying it's not my fault. And so we've gotten through our societal denial, and are very optimistic about what we can do in the future, relatively speaking, over the past 10 or 15 years.

And so I think it's more in face language, home as command center than cocoon.

1996 OUTLOOK FOR CULTURAL HERITAGE TOURISM

A White Paper By

Cheryl M. Hargrove
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National Trust for Historic Preservation

Cultural Heritage Sites Predict Banner Year in 1996

Over 900,000 sites, objects and monuments are listed on the National Register of Historic Places, managed by the Department of Interior. There are over 6,000 historic house museums in the United States that are open to the public. The American Association of Museums has over 3,000 institutional members. Despite the abundance of cultural and heritage attractions, there currently exists no uniform market research to determine national visitation and predict trends in this growing tourism industry sector. The National Trust for Historic Preservation, a non-profit organization that manages or owns 17 historic sites and coordinates a heritage tourism technical assistance program, joined with the American Association of Museums to collect information on cultural heritage tourism. Over 350 institutions -- representing large and small attractions and accommodations -- responded to the survey.

More than three-fourths of the historic attractions responding to the National Trust survey predict an increase in attendance next year. Of the 173 respondents representing large and small heritage attractions -- battlefields, historic house museums, living history parks, and heritage attractions -- from across the country, 80 percent predict an increase in visitation averaging almost 14 percent over 1995. Less than two percent predicted a decline; the remainder indicated no change in their level of visitation next year. Of the National Trust member properties, a collection of 17 historic sites located across the country, 60 percent predict an increase in visitation for 1996.

This good news for cultural heritage tourism's future is also demonstrated through responses from members of the Historic Hotels of America, a National Trust membership program for heritage accommodations. Of the 42 respondents, 74 percent predict an average increase in occupancy of 6 percent. Only one property predicted a decrease in visitation; 10 sites predict no change in occupancy levels.

Historic sites predict a strong increase in motorcoach travel, the #1 growth market for more than 68 percent of the respondents. Other markets predicted to boost visitation include educational tours, including student groups (50 percent); families (46 percent); seniors (45 percent); and international visitors (25 percent). The convention market is seen as one of the emerging audiences for heritage sites as more attractions package their programs for day trips and special events. Historic hotels see conventions as their primary group market: 65 percent indicated an increase in convention business during 1996. Couples and international visitors tied as the second predicted growth market; group tour and families follow.

Cultural attractions -- art museums, science centers, gardens from across the country -- also predicted increases in visitation for 1996. More than three-fourths (77 percent) of the cultural sites responding to the National Trust/AAM survey expect higher visitation next year. Only two sites of the 75 responding projected a decline in visitation, while 15 indicated no change.

The primary reason for increased visitation included new programming, events or exhibits at the site. Several southern attractions predict greater visitation due to the Centennial Olympics scheduled in Atlanta next summer. Sites anticipating a decline indicated construction, restoration or lack of new programs as deterrents to visitation.

1995 Mixed Bag for Heritage Tourism

The first three quarters of 1995 showed extremes in attendance at heritage attractions and accommodations. Some attractions recorded double digit increases. while others saw significant declines in visitation. More than half of the survey respondents (56 percent) recorded increases for an average of 16 percent escalation in visitation at their sites. The remaining sites equally indicated either a decline or no change in attendance: 22 percent indicated a decline (an average decrease of around 13 percent) and 22 percent will experience no change in attendance from the previous year.

More than 60 percent of the historic hotels completing the survey indicated an increase in occupancy during 1995; 19 percent indicated a decline and 6 reported no change from the previous year.

Of the 78 cultural attractions responding to the survey, 55 percent indicated an increase during the first three quarters of 1995. Several sites indicated double the attendance from the preceding year, based on well-publicized and popular exhibits. A quarter of the respondents experienced no change in visitation over last year, while almost 20 percent saw a decline in visitation in 1995.

According to the Fall 1995 *Travelometer*, a quarted y forecast report prepared by the Travel Industry Association of America, 46 percent of Americans planning a pleasure trip this quarter intend to include a visit to an historic site on their itinerary. While this represents a three percentage point decline from Fall 1994, visiting historic sites remains the fourth most desired activity each quarter (out of 18 categories) and represents an 11 percentage point increase over Fall 1993.

Visiting cultural attractions is traditionally the fifth most desired activity, according to the same *Travelometer* report. In Fall 1995, 43% indicated inclusion of a cultural event on their tour itinerary compared with 45 percent in 1994.

The most frequent reasons for visiting historic sites were: 1) interest in history; 2) quality of exhibits; and 3) special events and programs. The historic site or building itself was a strong, obvious reason for visitation, in addition to the appreciation of its architecture. The primary reasons for not visiting a site include: 1) lack of awareness about the site; 2) location (remote or hard to get to); and 3) no interest in history. Several sites that recorded declines in 1995 or predict decreases in visitation next year cited price, competition, lack of new programming, and decrease in hours open as reasons visitors are not touring their attractions.

Historic hotels cited "ambiance of property" as the number one reason people visit. Quality service and recreational offerings also ranked highly as reasons for frequenting these historic hotels. Conversely, lack of awareness was the primary reason for not staying at the site, followed by lack of spa/recreational facilities and inclement weather.

Cultural sites attract visitors primarily because of 1) special events or exhibits: 2) interest in their permanent collection; and 3) quality programs such as lectures, classes and other activities. The # 1 reason visitors do not include cultural attractions on their tour itinerary is lack of awareness or unfamiliarity with site and/or collection. Other reasons for not visiting include: location (remote, difficult to find): lack of interest; and limited/no parking.

Trends Affecting Heritage Tourism Growth

The increasing number of "new" heritage sites -- old buildings rehabilitated as historic house museums, interpretive centers, Main Street shopping and dining areas or hotels -- and cultural attractions -- museums, theaters, gardens -- provide additional opportunities for visitation and thereby increase the impact of this tourism industry sector. The increased number of attractions also enhance the product options available for travelers. To stay competitive. the cultural heritage attractions will have to provide quality travel experiences that do not compromise the historic or cultural resource, nor negatively impact the community.

"Heritage Tourism provides a great opportunity to educate travelers about America's unique places," says Richard Moe, president of the National Trust for Historic Preservation. "Visiting historic sites and cultural attractions is a popular activity for international and domestic travelers because it provides people the opportunity to experience real America."

To compete with the other consumer activities, cultural heritage sites will need to 1) increase the visibility of their product; 2) enhance the visitor experience by making sites come alive through additional or special programming and events that draw repeat customers and attract new audiences; 3) focus on authenticity and quality to provide the "point-of-difference" for value-conscious travelers; and 4) conduct market research to track visitation and predict trends.

1996 OUTLOOK FOR THE CRUISE INDUSTRY

A White Paper By

James G. Godsman
President
Cruise Lines International Association

Cruise Industry Readies for Expansion

As the cruise industry plans for the introduction of some 30 new ships between now and 1999, Cruise Lines International Association (CLIA) is in the midst of introducing new marketing and promotional strategies to support this period of tremendous expansion.

From the debut of the industry's most extensive-ever promotional campaign (it began in September and runs for seven months) to a major study on the lifestyles and attitudes of prospective cruise vacationers, the industry is positioning itself to attract a tremendous and relatively untapped market of new, first-time cruisers [only 8 percent of the population has ever taken a cruise].

Last year, nearly 2 million North Americans tested cruise waters for the first time. They were a cross-section of all kinds of people. not just the wealthy and retired, but a whole new generation. one that is younger and of more moderate income. Findings of an exciting new study support this.

First, according to the "Cruiser Segmentation Study," you don't have to be rich to afford a cruise vacation. Forty-five percent of cruisers (and 53 percent of first-timers) earn less than $60.000 per year per household, well within the range of people who take vacation trips in general.

Today's cruise vacationers represent a cross-section; they are split fairly evenly among the under 40s (21 percent), 40- to 59-year-olds (36 percent) and over 60s (36 percent).

In fact, they're getting younger. Among first-time cruisers, almost half of them (47 percent) are now under 40. two in five (38 percent) are 40 to 59 years old. and 15 percent are over 60.

CLIA's research identifies six distinct types of cruisers, the largest of which is the "Baby Boomer" category. Considered the wave of the future, this category will be a lucrative and influential force in the growth of the cruise industry. It is roughly between the ages of 35 and 50, making up some 40 million North American households.

The attitude of the Boomer category is that they'll try new things, and by the year 2000. experts predict they will comprise 30 percent of the population.

Happily, boomer attitudes are very receptive to the cruise message. They're a fun-loving group, who are active vacationers, but perhaps, inexperienced travelers. They enjoy family-oriented vacations, and while they are price-conscious and shop for value. they are willing to spend. What's more, they feel under stress and consider a vacation an escape.

In short, all the characteristics of cruise vacations -- from the fun, ail-inclusive price. good value, relaxation, pampering and comfort, to the opportunity to visit several destinations, fine dining. freedom from hassles and variety of activities and entertainment -- suit just what baby boomers are looking for in their dream vacation.

The research further differentiates baby boomers as:

0 **Enthusiastic Babv Boomers** -- They are excited about cruising and its many activities. They live intense, stressful lives and look to vacations for escape and relaxation.

0 **Restless Babv Boomers** -- They are newest to cruising. They've enjoyed their cruise experience and would like to cruise again, but cost may be an impediment in the near term. They also are at the point where they are trying different vacation experiences.

Other categories of cruisers include:

0 **Luxurv Seekers** -- They can afford deluxe accommodations and pampering, and are willing to spend money for them.

0 **Consummate Shoppers** -- This group is looking for the best value (not necessarily the cheapest) in a vacation and in a cruise. They are very committed to cruising because it has met their needs versus other types of vacations.

0 **Explorers** -- They are well-educated. well-traveled and have intellectual interest and curiosity when it comes to different and exotic destinations.

0 **Ship Buffs** -- This is the most senior segment. They have cruised extensively and expect to continue because they find it so pleasurable and comfortable.

With customer satisfaction one of the key priorities of the cruise industry and one big reason why the majority of first-timers wi I I be repeat cruisers for years to come, no research study would be complete without an update.

CLIA's Segmentation Study shows that first-timers continue to take the plunge with high expectations and that their expectations are greatly exceeded. Regardless the category of cruiser, their satisfaction with the cruise experience is extremely high, as is their intention to cruise again. Well over 90 percent were satisfied with their most recent cruise and nearly nine out of ten say they will cruise again. And with almost missionary zeal, 94 percent say they expect to recommend cruising to others.

With new cruisers overwhelmingly positive about the cruise experience, we as an industry have one task: to get the word out that cruises are the best possible vacation.

CLIA's newest promotional effort is under way. With important enhancements and expansion, we've combined fall and winter marketing activities into a "National Cruise Promotional Campaign." It will offer maximum impact and momentum, and an umbrella under which the industry can sail through 1996 and beyond with significant increases in cruise passengers and cruise awareness.

OUTLOOK FOR 1996 VISITATION AT NATIONAL PARK SERVICE AREAS

A White Paper By

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As new park attendance records are set in 1996, park managers will be scrambling for tourist information about alternatives for visitors who are crowded out. Of special interest will be destinations which can offer overnight accommodations. As visitors themselves anticipate heavy use periods they will be considering the many advantages of shoulder season travel especially at less well known destinations.

Visits

The pressure was on the national parks during the summer of 1995. Total visits at all National Park Service areas were up 2 percent over last year. At an estimated volume of *259* million, the 1995 recreation visits to NPS areas will tailgate the previous all-time record of 259.4 million set in 1992. (Data adjusted for changes in counting procedures).

Ironically, in 1995, while overall attendance was up 2 percent. campground overnight stays were down 8 percent from 1994. Tent camping was off by 12 percent, overnights in recreational vehicles were down 7 percent, and backcountry use down by 5 percent. The difference between high visits and low overnights is attributed to weather: a cold, wet spring along the West Coast, spring floods in the Midwest, record water in the Rockies through mid-June followed by a severe Midwestern heat wave, and an East coast drought and sizzling temperatures in the West by the end of August. not to mention a dozen tropical storms. No part of the country escaped unfavorable conditions for planning or taking a camp-out. Even overnights in lodging facilities (20.8 percent of all overnights) were down by 2 percent. Weather conditions will keep NPS overnight stays at 16.7 million in 1995, down from the all-time record of 18.2 million set in 1994.

Despite the apparent relief for overnight accommodations in 1995, visitors looking for lodging and camping spaces in parks see the “No Vacancy” signs earlier in the day every year. The reason is the relationship between overnight and day use: the availability of overnight space declines as the volume of day use grows. Personnel who might initially be assigned to campgrounds are increasingly needed to assist with daytime crowd and traffic management problems. Fewer rangers are available for the long hours needed to cover campground operations. Campground operations tend to be abbreviated, shut down, or turned over to concessioners. For example, the large increase in concession operated campgrounds in 1995 (+46 percent) is due to the closing of NPS operated campgrounds and the shift of campers to concessioner operated campgrounds at Yellowstone.

The pressure on NPS staff services is also seen in the reduction of miscellaneous overnight stays, a mixture of large group camping, cabin rentals, and on-board occupancy. These types of park use are also labor intensive (in reservation making, fee collections, upkeep and checkup) and tend to be curtailed when the demands of other activities increase.

As the demand for day use access to the parks continues to grow, the capacity to provide accommodations is likely to weaken during the peak summer months. Even as many people love the parks too much there appears to be an increasing minority who are responding to these conditions in a way that will help. More visitors are noticing that the parks stay open after school starts and are prepared to take advantage of the opportunity.

Accommodations

Advertising from a national retailer of outdoor apparel asks: "What unstoppable force of nature empties campgrounds and national parks at this time every year? Autumn!" Many people have discovered how different parks are when the wind blows colder and the sun sets earlier. For starters, the crowds drift away and the roads clear. It doesn't hurt any that recreation vehicles seem to beg for more use because of improvements in insulation and convenience. With similar material and technological improvements in the intended uses of camping equipment and apparel in general, park visitors don't have to stand on their toes to see the sights.

The traditional peak season running from June through August has already stretched out to include May and September for many vacationers who stay overnight with October and March/April close behind. Over 400,000 more overnight stays a year are enjoyed by park visitors in the March/April pre-season than ten years ago. Add another 800,000 for the September-October period. Even in the deep draft of winter over four hundred thousand overnight stays per month are provided by the N PS (November- February).

Outlook For 1996

The peak seasons of park use will again be subject to high volumes of cars and people. We believe that more of that demand will spill over to lessor known areas as people begin to respond to the growing frustration of summer crowds. Significantly, retired people and those traveling without children will elect to take advantage of the softer parts of the shoulder seasons. We are looking for a 2 percent increase above 1995 again in 1996. That is slightly less than the 3 percent average annual increase experienced in the 1980s but more parks are reaching the point of saturation.

1996 OUTLOOK FOR THE TOUR OPERATOR INDUSTRY

A White Paper By

Gerald DiPietro
President
National Tour Association

Packaged travel continues to grow during 1995. During 1994 the direct impact of the group tour industry in the United States was $7.8 billion, an increase of 6.9 percent over 1993. More than 19 million group tour passengers spent nearly 52 million passenger days in the United States in 1994. The average daily expenditure for a person traveling on a multi-day group tour was $154.63 during 1994. Those traveling on a one-day group tour spent $66.00 per person per day. All indications show that the group tour industry is continuing to strengthen during 1995.

In an ongoing research project conducted by the National Tour Association (NTA), the Tour Industry Outlook, 100 randomly selected tour operators are surveyed each quarter. More than one half (56 percent) of the tour operators surveyed stated that the number of departures during the second quarter of 1995 was greater than the same period during 1994. Only 15 percent state that the number of departures is less than 1994, while 29 percent of the tour operators suggest that the number of departures has stayed the same.

Consistently, the number of passengers during the second quarter of 1995 is also greater than 1994, according to 62 percent of the tour operators surveyed. Less than one quarter (22 percent) say the number of passengers is the same. Only 16 percent indicated that the number of passengers was less during the second quarter of 1995 compared with 1994.

During the second quarter of 1995 six in 10 (60 percent) of the tour operator respondents said that their gross revenue was greater than the same quarter in 1994. Less than one quarter (24 percent) said their gross revenue was less than during the second quarter of 1994, while 15 percent of the tour operators said it was the same. Of the tour operators who said their gross revenue was higher during the second quarter of 1995, more than nine out of 10 (93 percent) said the number of passengers served was also greater. Of the 60 percent who reported a higher gross revenue, 78 percent stated their number of departures was also higher.

The Tour Traveler Index, a consumer panel of tour travelers sponsored by the National Tour Foundation, reveals that tour travelers are becoming increasingly confident about the state of our economy and predict being able to travel more in the immediate future. Nearly 50 percent of the tour travelers surveyed expect to travel more during 1995 than they did in 1994.

In a recent study conducted by the National Tour Association, tour operators were asked to list their company's best selling tour - the top three were Branson, Missouri followed by Washington, DC and New York City. They were then asked the most often requested types of tours by their customers. The most requested type of tour was a fall foliage tour, followed closely by scenic tours (sightseeing), cruises, theater and dinner theater tours and historical tours. Both shopping and gaming were also among the top types of tours requested.

This confirms the findings of the Tour Traveler Index, in which a tour with evening entertainment like dinner theaters was of great interest to 50 percent of the tour takers. Another popular activity of group tour travelers is a history tour which has the flavor of stepping back in time - nearly half (47 percent) found this type of tour to be of interest to them. Dinner cruise tours also continue to be popular.

The Tour Traveler Index also shows that tour travelers are interested in taking tours where they learn about nature, history and culture. Tour travelers don't necessarily want to "view nature" as they drive by in a motorcoach. A walk on gentle trails with a naturalist is a tour that is of interest to tour travelers'. This suggests that tour travelers want to be more active rather than passive on the tours they take. A half day visit to a history museum where people dress up and act out activities of that particular time period is also popular. This continues to illustrate that learning on group tours is important, but it also needs to be fun.

According to the Tour Traveler Index, tour travelers tend to be on average 68 years of age, and more than three quarters (78 percent) are retired. More than half are married and living with their spouse.

Based on the early returns in 1995, trends for 1996 should also follow positively. The continuing outlook for an improving economy suggests that all signs point towards continuing growth of the group tour industry during 1996.

1996 OUTLOOK FOR INTER-CITY BUS INDUSTRY

A White Paper By

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This paper is a discussion of the <u>scheduled</u> intercity bus industry. It does not address the charter and tour segment of the bus market. Most of the emphasis is on Greyhound Lines.

Introduction

1995 has been a pivotal year for Greyhound and the intercity bus industry. This decade has been marked by several occurrences, all resulting in a continuing decline in intercity bus travel. 1995 has shown a dramatic reversal in this downward trend and will be discussed later in this paper.

The '90s began with a major driver strike that did not reach true resolution unt i l early this year. Greyhound restarted the business with replacement drivers; however. lost revenue and the cost of the work stoppage resulted in a Chapter l l bankruptcy filing in June of 1990. The company emerged from bankruptcy in October of 1991 and the company, which was privately held, went public. During the next three years. the primary emphasis of the company was on the development of a bus reservation system. Management during that time believed that the success of the business hinged on improvements in efficiency and load factor which would result from the reservation system. The system made its debut in August of 1993, and was called "TRIPS". The last key event for Greyhound in the '90s was the management changeover that occurred late in 1994. The previous president and CEO was replaced by Craig Lentzsch, who had been involved in the intercity bus industry since the '70s. Most recently, he was executive vice president at Motor Coach Industry International, a manufacturer of intercity motor coaches. Prior to that, he was executive vice president at Greyhound with the team that acquired the company from the Dial Corporation in 1987. Craig was also president of Bus Lease, Inc., a leaser of intercity motor coaches, and was with Trailways, Inc. in the late '70s. It was Craig's objective to return to managing and operating in more traditional ways, and to bring back seasoned bus industry professionals who had left the company during the four prior years. This sets the stage for Greyhound's performance in 1995.

Everyday Low Prices and Increased Schedule Frequency

In general, people who travel by intercity motor coach can be described using two characteristics. They are very price sensitive and they are not very time sensitive. We know from customer research that the bus customer wants to be assured of a low price that he or she can purchase shortly before trip departure. These travelers do not want to be hassled with advance purchase requirements, weekend stayover requirements, and mandatory reservations. It was for these reasons Greyhound abandoned previous discount based pricing structures in favor of a position of "everyday low prices." Because of the demographic characteristics of the bus customer, the key test a ticket price had to pass was one of affordability (a more complete profile of the bus passenger is presented below.) The everyday low price position was established in November of 1994, and remains in place today. 99 percent of ticket sales now occur as walk-up, everyday low price sales. In addition to the everyday low price position, Greyhound has been increasing the amount of scheduled service offered. This year through the month of August, Greyhound has operated in excess of 172 million bus miles, a 7.9 percent increase or an additional 12.9 million miles over last year. Greyhound customers can now be assured of a high value trip consisting of a low price and frequent schedule departures to their destination.

Who Rides the Bus

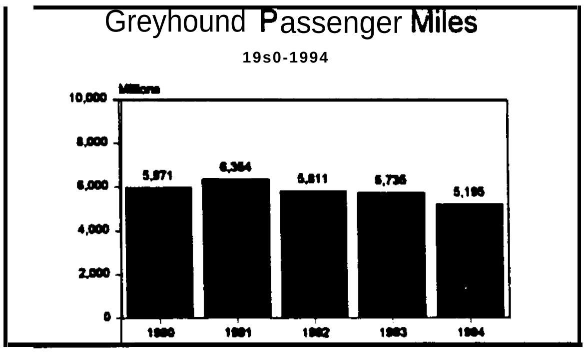
Greyhound and the intercity bus industry provide vital transportation services to a large percentage of the U.S. population. Approximately 34 million households in the United States have incomes less that $25,000 per year. These households represent 36 percent of all U.S. households and about 93 million people. It is from this large segment of the U.S. population that the intercity bus industry receives the majority of its passengers (for Greyhound about 70 percent). Many of these households cannot afford other modes of travel; in fact, many do no even own a reliable automobile. The choice for a person from this segment is often not whether to fly, take the train, or drive - but whether to take the trip at all. The intercity bus is also an important mode of travel for the non-white minority population of the United States. 26 percent of Greyhound ridership comes from African American travelers, 10 percent from Hispanic travelers, 6 percent from Asian travelers, and 5 percent from other ethnic categories. Thus, a total of 47 percent of Greyhound ridership comes from non-white ethnic segments of the population. The intercity bus passenger skews both young and old. 43 percent of bus passengers are under the age of35 (12.5 percent are students), and 26 percent are over the age of 55 (19 percent are retired). Only about 30 percent are between the ages of 35 and 54. Despite a lower income skew, Greyhound passengers are highly educated. 65 percent have at least some college, with 18 percent having a four-year college degree, and 15 percent in graduate school or with a graduate degree. People who travel on intercity buses are not usually taking a vacation. Less than 20 percent typically report that their trip is for vacation or leisure. More than 50 percent say their trip is to visit friends or relatives, and about 25 percent say that their trip is for personal reasons. There are a very few (<1 O percent) intercity bus trips that are for business purposes.

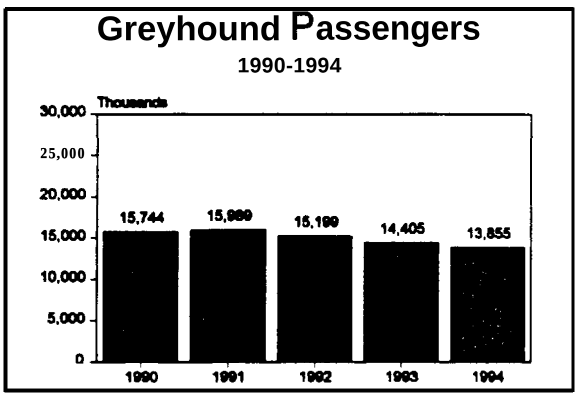
Not ail intercity bus passengers are from households with incomes under $25,000 per year, and not all live in urban areas. For example, the bus is an important mode of travel for college students traveling to and from school. Certain travelers do not feel comfortable driving or are afraid to fly. Intercity bus service is also an important transportation link for rural America. Combined, the U.S. intercity bus network provides transportation services to thousands of small town and rural locations. It is the objective of Greyhound, in 1996 and beyond, to expand the number of smaller population areas it serves.

The motivations for intercity bus travel are, therefore, different than for most other modes of travel. Bus travelers are frequently visiting relatives or friends; however, in most cases. they do not view this trip as a vacation, but more as a necessity of life. When deciding to take a trip, the issue is not what mode of travel will be used, but whether the trip will be taken at all. The most important variable in this decision making process is usually affordability; however, many travelers prefer the bus because they are either uncomfortable with other modes of travel or live in areas without available transportation alternatives. Finally, a person who takes a bus trip (especially a long one) is usually not very sensitive to the amount of time the trip will take. The sensitivity to the price of travel and the affordability of the ticket price will far outweigh the time it takes to travel from origin to destination.

Greyhound Business Performance

As stated earlier, beginning in early 1990 (with the bus driver strike), Greyhound experienced a downward trend in business and ridership. The following charts show annual passenger miles and passenger from 1990 to 1994.





In 1995, Greyhound significantly reversed the downward trend from the previous four years. The Craig Lentzsch management team began a program of everyday low prices, improved schedule frequency, a reliance on experienced bus industry professionals to run the field organization, and an improved level of cooperation with other intercity bus carriers. In 1995, through the end of August, passenger miles have increased by nearly 13 percent over the prior year and the number of passengers is up nearly 11 percent. These are the first real year-over-year gains the company has experienced since 1989. It is difficult to determine the performance of the total scheduled intercity bus industry (other than Greyhound). but the total industry is really a network of origins and destinations served by both Greyhound and other bus carriers. This is a synergistic relationship where improvements for one carrier usually result in improvements for other carriers. As Greyhound generates increased levels of ridership, it also produces increases in passengers that are ultimately "interlined" with other carriers. It is probably a safe assumption that improvements in ridership experienced this year by Greyhound have also resulted in improvements for other intercity carriers.

Outlook for 1996

After the difficulties of the early '90s, 1995 has been, so far, a year of dynamic growth for Greyhound. We expect this growth to continue through the remainder of 1995, and to continue for much of 1996. Although I cannot report a specific growth target for 1996, I can estimate that the intercity bus industry will increase in passengers and passenger miles in the range of 5 to 8 percent next year. There is every reason to believe that the scheduled intercity bus industry will continue to grow beyond 1996. If we look at the composition of the population in terms of income and need for transportation, we could argue that there is actually growing need for the services provided by Greyhound and other intercity carriers.

Conclusion

Several negative forces caused a decline in ridership on scheduled intercity bus service from 1990 to 1994. With a new management team and a new orientation on the business, 1995 has been a year of renewed growth. We expect the growth to continue in 1996 and beyond. Greyhound and the rest of the intercity bus industry provides a vital transportation service to a huge segment of the U.S. population. With the emphasis on destinations, air travel, cruise ships, etc., this segment of the population and this mode of transportation are frequently ignored by the rest of the travel industry. If the readers of this paper take away anything, it should be that over one-third of the U.S. population have transportation needs that are not usually filled by the more high-profile modes of travel. In the future, I would hope that the needs of this segment can be more fully addressed at this and other transportation forums.

1996 OUTOOK FOR THE RV MARKET

A White Paper

David J. Humphreys
President
Recreation Vehicle Industry Association

Midway through the 1990s, this is indeed proving to be the "RV Decade", as predicted by the University of Michigan Survey Research Center. Wholesale shipments grew by 50 percent from 1991 to 1994. The industry outperformed the weak economy in the early '90s and grew with the recovery due in part to high consumer confidence. attractive interest rates and stable gas supplies and prices.

Baby boomers are beginning to enter the market even as older Americans continue to show strong interest in this style of travel. Additionally, RV travel appeals to today's consumers who value activities that promote family togetherness, being outdoors and leading a "simpler" life. This is a powerful combination that will help propel the RV industry into the next century.

TOTAL 1996 SHIPMENTS

Total motorized and towable wholesale shipments in 1996 are expected to be in excess of 380,000 units, just below 1995 shipments forecasts. On the heels of the marked increases recorded early in the '90's, this should be another solid year.

RV TRAVEL TRENDS

The influx of new buyers is increasing the level of RV travel. Findings from RVIA's most recent "Campfire Canvass," a semiannual nationwide survey of RV owners' travel plans and preferences. show that 15 percent of survey respondents had bought their RV in the past twelve months. The research also shows that RVers are traveling more often. year round. Since 1993, the "Campfire Canvass" has shown consistently strong RV travel intentions during the spring and summer. The latest survey also reveals a developing trend toward increased RV travel during autumn. Four out often owners say they will use their RV more in the fall of 1995 and winter of 1996 than they did the previous year. Another 40 percent plan the same amount of use while only four percent plan less use. The 92 percent of owners who plan a fall RV trip in 1995 is slightly above last year's 91 percent and significantly more than the 80 percent reported in 1993.

Business is expected to be strong for the RV rental market, which has grown by 29 percent since 1986 according to the Recreation Vehicle Rental Association (RVRA). Cruise America, the nation's largest RV rental company, reports that fall bookings are 20 percent ahead of last year. "There is a good mixture of domestic and international reservations," said Bob Calderone, vice president of marketing. "Fall foliage states and Washington, D.C. are very popular areas with many offices fully booked."

The nation's campgrounds stand to benefit from the growing popularity of RVS. "We anticipate a two to three percent increase in our fall and winter business over last year," reports David Gorin, executive vice president of the National Association of RV Parks and Campgrounds (ARVC). Kent Zimmerman, senior vice president at Campgrounds of America, the nation's largest campground chain, also forecasts increased interest in camping vacations. "An ever-growing number of people are seeking outdoor experiences as a means to relax, reduce stress and enjoy quality time with family and friends. Camping, with its many options for outdoor activities and recreation, is a natural outlet for folks to break the daily routine and get away from it all."

THE BOOM AHEAD

Two recent RVIA consumer studies and, the market performance of entry-level RV products favored by young families indicate that the baby boomer market has a keen interest in RV travel and camping. A study by Louis Harris and Associates of new market entrants shows that more than half of those most likely to buy an RV in the future are 30-49 years old. The research found that the adventure, excitement and freedom of RV travel especially appealed to those in this age group.

Spending quality family time together is also a strong motivation. An overwhelming 92 percent of RV owners surveyed by Harris said that RVS are the best way to travel with family and children. Even among those who never owned, 63 percent agreed.

A study of the RV market by the University of Michigan Survey Research Center confirms that younger consumers will embrace the RV market in coming years. The research found that purchase intentions were strongest among the youngest age groups with 30 percent age 18-34 and 16 percent age 35-54 expressing interest in buying an RV. A current demographic look at the RV market shows that one out of every 10 vehicle-owning families owns an RV. That number rises to one in nine among households headed by 35- to 54-year olds. Contrary to widely held stereotypes, the median age of the typical RV owner is only 48.

Proof of the boomers' impact on the RV market is already being seen. Leading the RV market's resurgence in recent years have been entry level RVS, such as folding camping trailers, truck campers and smaller travel trailers. Since 1990, shipments of folding camping trailers, which are favored by young families with children, have more than doubled, and shipment figures are expected to remain at high levels through 1996.

THE MATURE MARKET

While baby boomers hold tremendous potential, the mature market remains an integral segment of the RV industry. According to the University of Michigan study, nearly half of the nation's 9 million RVS are owned by people over 55 with ownership rates rising consistently with age, reaching their highest levels among those aged 55 to 74. In particular, ownership rates ofmotorhomes, conversion vehicles, travel trailers and fifth-wheels reach their highest among RVers age 55 to 64.

Mature owners surveyed in the University of Michigan research said the top benefits of RV ownership were the freedom to go where and when you want, going camping, visiting family, friends and new places, using the vehicle as a vacation home and traveling in comfort.

The popularity of RV travel with this age group has important long-term implications. With the over-50 generation being the fastest growing population group, it is likely that RV ownership and usage rates will rise as more people move into the prime RV buying years.

CONCLUSION

With baby boomers entering the RV market in growing numbers and the consistent popularity of RVing with older consumers, both the long-term and short-term prospects for the industry are promising. Additionally, the trend toward year round RV travel and usage will drive the RV travel market in 1996 and beyond.

1996 OUTLOOK FOR FOODSERVICE

A White Paper By

B. Hudson Riehle
Senior Research Manager
National Restaurant Association

The foodservice industry is a large and diverse business:

- Industry sales will reach $290 billion in 1995 and account for over four percent of the U.S. Gross Domestic Product (in current dollars).

- There are almost 739,000 locations offering foodservice in the United States.

- Forty-four percent of the consumer's food dollar goes to meals and snacks away from home, up from 25 cents in 1955.

- More than nine million people are employed in the foodservice industry, with employment expected to exceed 12 million by the year 2005.

- The foodservice industry continues to be mostly small businesses. Average unit sales in 1992 were $501.000 at tableservice restaurants and $473,000 at fast-food restaurants.

- Almost one-half of all adults are foodservice patrons on a typical day.

THE INDUSTRY IN 1995

Continued solid growth essentially summarizes the 1995 outlook for the foodservice industry.

When viewed in tandem with the industry's encouraging 1994 performance, foodservice is posting its best two-year growth period since the late 1980s. Foodservice industry sales in 1995 are expected to total $289.7 billion -- an increase of $12.9 billion over 1994 and representing a fairly substantial gain of 4.7 percent. Real sales, which are sales adjusted for inflation. are projected to advance 2.4 percent.

Regarding lodging and transportation foodservice sales, the National Restaurant Association forecasts that 1995 restaurant sales at lodging establishments (which include hotel restaurants, motel restaurants and motor hotel restaurants) will reach $16.9 billion. Transportation foodservice sales (on airlines, passenger/cargo liners and railroads) this year are expected to approach $3.1 billion.

In 1995, combined foodservice sales for transportation and lodging will total $20.1 billion or approximately 7 percent of industry-wide foodservice sales.

Restaurants in hotels account for the bulk of the $16.9 billion lodging place foodservice market, and foodservice contractors account for over half of the $3.1 billion transportation foodservice market.

The industry's 2.4 percent real gain in 1995 comes on the heels of a 2.7 percent real increase in 1994, the industry's best growth since 1988. Real growth in the foodservice industry remains constrained by the more modest economic environment of the 1990s. Unlike foodservice of the 1970s and early 1980s, when overall economic growth was stronger and the industry was in a less mature phase, foodservice in 1995 will continue re-engineering to mesh gears with the lower growth economic climate of the 1990s.

Perhaps the most critical component of the industry's ongoing re-engineering effort is the rapid addition of technology in the front and back of the house. Although the limited-service (fast-food) segment of the industry has applied innovative technological solutions to its operations, fullservice operations are now assimilating and employing technology more diligently as well. Fullservice restaurateurs are more fully embracing the growing power of technology to realize more efficient management and superior customer service.

Technology has become a critical means to ensure a restaurant operat ion's survival, growth and differentiation from competition. More restaurant operators are realizing that they can reap a tremendous informational and productivity edge as well as competitive advantage, by folding technology into their operations.

From computerized reservation systems to hand-held wireless ordering units, which directly link servers to food-preparation kitchen staff, technology is having a revolutionary effect on restaurant operations. Simply put, the new economic environment of the 1990s -- the Information Age -- is fundamentally and substantially different. It is being driven at a breakneck speed by technological advances centered on the rapidly growing power of the computer chip and microprocessor.

Restaurant operators are learning a basic rule of survival in the 1990s -- if what happened at one or several dozen locations is known within hours instead of weeks or months later, a tremendous competitive advantage is achieved, not only with direct competitors but also with the most important foodservice constituency -- customers.

These types of organizations have even earned a nickname --gazelles -- indicating their ability to leap over the competition by remaining flexible and fleet-footed. In addition to participating in the ongoing technological revolution. restaurateurs are embracing new business cultures to increase customer satisfaction and enhance customer service. Based on powerful information systems, these new cultures speed information to rank-and-file employees who make frontline decisions previously reserved for management. Consequently. employee training is receiving greater emphasis to more effectively develop decision-making and customer-service skills.

More restaurants are also forcefully seeking to expand their operations at "nontraditional" locations. These new points of access for customers can vary widely from a mobile push cart to units in schools, hospitals and airports, to a compact, scaled down version of an original concept. The basic premise is to conveniently serve food to consumers no matter where they may be.

On the consumer front, customers remain anxious about the social and economic uncertainties of the 1990s. Many restaurant operators are providing an upbeat atmosphere where people can escape the concerns of life -- an oasis amid the daily stress. Eating away from home remains an important component of consumers' lifestyles, and restaurants should continue to play an important role in social interaction.

Because of modest income gains and a fickle employment market, consumers remain resistant to price increases and preoccupied with value. Menu price inflation for 1995 will likely approximate 2.2 percent, up somewhat from the 1.6 percent advance posted in 1994. This reflects general inflationary pressures but is once again below the overall inflation rate.

Food-and-drink sales for the commercial Foodservice Group in 1995 are forecast to advance 4.8 percent to $258.0 billion. Real sales are expected to advance 2.6 percent, again reflecting ample growth opportunity for both foodservice operators and suppliers.

Within the Commercial Foodservice Group, eating-place sales are forecast to reach $201.0 billion. The first time that eating-place sales will exceed the $200 billion mark will likely be in 1995. Eating-place sales are expected to increase 5.0 percent in 1995, or 2.8 percent in real terms. By comparison, real eating-place sales advanced 3.2 percent in 1994.

The Institutional Foodservice Group is forecast to post sales of $30.6 billion in 1995, a 3.5 percent increase over sales of $29.5 billion in 1994. In real terms, this translates into a 1.4 percent advance, driven by population gains in several markets.

EATING PLACE TRENDS

Operations

Operational costs, which include costs of food, equipment, labor and utilities, all continued to experience upward price pressures in 1994. Meanwhile, continued consumer resistance to price increases have dictated that restaurateurs not raise menu prices to remain in step with overall inflation. Competition within the industry has also broadened and intensified, with many operators having to lower prices to remain competitive. The possibility of increased government regulation threatens to increase operating expenses. Profit margins - the fruit of restaurateurs' labor - continue to remain under siege from practically every front.

Computer usage eases labor burdens

How can computers help restaurateurs improve their operations? Data from the association's tableservice operator surveys from 1990, 1992 and 1994 illustrate that as more operators turn to computers to help them in their operations, some grow less concerned with the challenges of finding, hiring and retaining qualified, motivated employees.

Current computer technology allows restaurateurs to wear a variety of hats - manager, accountant, market researcher, human resource manager, financial consultant, nutritionist and graphic designer. Many tasks are done by computer with lightning speed and accuracy, such as generating daily profit-loss statements by menu item or calculating labor costs.

With this in mind, it is no wonder that the results of the association's 1994 Tableservice Operator Survey reveal that computers are continuing to become more prevalent in tableservice operations. The majority of tableservice operators reported that they use computers, particularly larger establishments (by sales size and number of units) and those with higher check averages.

Companies with higher annual sales are able to absorb the initial costs of implementing technology better than companies with lower annual sales. About nine out of 10 tableservice operators with annual sales of at least $1 million reported using computers in 1994, compared with about half with annual sales of less than $500,000.

POS systems

As POS (point of sale) systems have grown in sophistication and ease of use, more restaurateurs are using them in their operations. About seven out of 10 tableservice operators reported using POS systems in 1994, up dramatically from 1990, when about half reported using POS systems.

The main benefits of a POS system are that it makes employees more productive and it helps service staff provide customers with attentive service. With a POS system, service staff no longer need to turn in order slips at food-preparation areas because the system automatically sends a printed slip to the appropriate preparation area. It also automatically tallies customer checks and can act as a cash register and as a credit card authorization center.

Such a system also allows restaurateurs to gather meaningful financial and operating data, making it easy to track sales over time, track order frequency of specific menu items and examine food-and-labor costs relative to sales.

Hand-held ordering terminals, which are showing up in more restaurants, take fixed POS systems one step further. Service staff carry wireless electronic notepads or keyboards as ordering terminals. This eliminates the time it takes for a server to walk to a fixed POS terminal and punch in the order, which can help reduce traffic in dining areas and enhance server productivity.

Seating management

Relatively new seating-management systems help restaurateurs maximize guest counts and keep tables full. Current systems provide greeters with the status of seated tables and approximate times when each table will again be open for reseating. These systems take the guesswork out of quoting waiting times when the dining room is full, and customers appreciate being quoted a realistic wait time. About one out of 10 tableservice operators reported using a seating-management system in 1994.

Menu planning and nutritional analysis

Powerful new software packages can either help restaurateurs devise menus based on the food they have on hand, or indicate what they need to order based on menu items they want to offer. Chefs can investigate a new menu item on the computer to determine pricing and a list of possible vendors who can supply the materials needed to prepare a dish. In addition, many packages will provide a nutritional analysis and breakdown of menu items.

Many operators realize that they can lower food costs by using such packages. In 1994, roughly half of all tableservice operators reported using computer-recipe-costing packages, and about one in five used computers to provide nutritional analyses of food on their menus.

Inventory tracking and purchasing

Operators who use inventory-tracking software and on-line purchasing software realize that it is one of the best tools to help minimize food costs and reduce food spoilage. Roughly two out of three operators reported using inventory-tracking software in 1994.

Based on data taken from a point-of-sale system, inventory-tracking software automatically calculates the amount of food and supplies that have been sold and determines the amount of inventory remaining. These computer software packages can be linked electronically to various vendors and suppliers with a modem. At the precise moment when inventory becomes low, the computer can order additional inventory from vendors.

Finance and accounting

Tableservice Operator Survey results indicate that computers in tableservice restaurants are used most often for financial and accounting recordkeeping and analyses. About nine out of 10 operators who used a computer in their establishments in 1994 reported that it was used for accounting and bookkeeping. Approximately eight out of 10 operators reported using computers for sales analyses and tracking.

Restaurateurs remodel to generate excitement

Remodeling a restaurant can not only make it more attractive, it can also revitalize customer interest and nourish employee morale. Almost six out of 10 tableservice operators believe that a restaurant needs to remodel its dining area at least every six years. A higher proportion of operators with annual sales of at least $1 million tend to think remodeling is warranted more often. About two out of three with annual sales of at least $1 million believe that the dining area should be remodeled at least every six years, compared with about four out of 10 with sales of less than $500,000.

With this statistic in mind, it is not surprising that more than two out of three tableservice operators remodeled their dining rooms in 1994, or plan to do so in 1995. About eight out of 10 operators with an average dinner check of $20 or more remodeled their dining rooms in 1994, or plan to do so in 1995, compared with about two out of three operators with an average dinner check of less than $15.

About half of all tableservice restaurant operators remodeled their kitchen areas in 1994 or plan to in 1995. Those most likely to remodel kitchen areas include those with an average dinner check of $30 or more and operators with higher annual sales.

MENU

The American palate goes international

As the baby-boom generation matures and Generation X comes of age, Americans' taste for different cuisines will most likely continue to evolve. The widespread availability of international cookbooks and television cooking shows, as well as the increased availability of ethnic dishes on restaurant menus, should continue to pique Americans' interest in non-American foods. The increasing ethnic diversity of the United States also will most likely accelerate this trend.

Which cuisines have whetted the American appetite? Cantonese Chinese, Italian and Mexican top at least 85 percent of all adult Americans' lists, according to the association's 1994 research on ethnic cuisines. About one-third of al I adult consumers are eating foods from these three cuisines more often than they were two years ago. These three "traditional" ethnic cuisines are generally available in restaurants throughout the country.

Meanwhile, about one-third of all Americans are looking for new cuisines to try, according to association research. About two out of five adult consumers enjoy finding a restaurant that offers unique menu choices. Adult consumers relish experimenting with other ethnic cuisines by trying them at fullservice restaurants.

Which new cuisines are Americans trying? The "second wave" of ethnic cuisines to hit the United States, which more than half of all adult consumers have tried at least once, includes Szechuan Chinese, Hunan Chinese, German. Greek, Japanese, Tex-Mex and Cajun-Creole. A majority of those who tried these cuisines enjoyed the experience and are likely to eat them again.

The fastest-growing cuisines among adult consumers strongly reflect the growing influence of Asians and Hispanics in American society, as well as the passionate love affair between the American palate and Italian cuisine. More adult consumers are increasing the frequency of their consumption of Italian, Mexican, Thai, Mandarin. Szechuan and Hunan cuisines.

Operators have taken advantage of the growing appreciation of ethnic cuisines by spicing up their menus with authentic ethnic dishes, dishes combining two or more ethnic influences and American adaptations of ethnic dishes. Operators not only meet customer demand for these items, but also breathe new life into menus and generate consumer excitement.

CONSUMER ATTITUDES AND DEMOGRAPHICS

During past U.S. economic recovery periods. demographics have helped the country get back on its feet. However, this recovery period following the recession of 1991 is not demographically driven as in prior recoveries.

Baby busters affect the market

One major demographic trend centers on the baby busters -- or lack thereof. The baby buster generation, Americans age 25 to 34, is the smallest to enter adulthood since the 1950s and the only one to be smaller than its predecessor. According to the U.S. Bureau of the Census, the number of 25-to-34-year-olds will shrink 12.5 percent between 1994 and 2003, a loss of an estimated 5.3 million would-be consumers.

Not only are there fewer 25-to-34 year olds, but they are also not forming as many households as members of this age group have in the past. Instead, they stay in school longer, continue to live with parents or rely on roommates for support, all of which keep baby busters from forming households - a booster of economic growth.

Restaurateurs cannot afford to ignore these trends and expand business with the hope that baby -boomer spending will fill the gap left by the baby busters. Nevertheless. baby busters are millions strong and cannot be neglected.

Because the nation is not producing youthful consumers as rapidly as in prior decades, restaurant operators are putting more emphasis on retaining current customers while still encouraging baby busters to patronize their establishments.

The baby buster generation has emerged as its own consumer segment, distinguishing itself from baby boomers. For instance, younger adults tend to spend relatively more per visit per person at restaurants than older consumers. They spend a higher proportion of their total food budget on food away from home than other age groups. In addition. busters tend to eat at tableservice restaurants more often than older adults and are frequently attracted by the convenience of quickservice restaurants, which comprise eight out of 10 of restaurant eater occasions.

Cocooning is "out," socializing is "in"

Fed up with the steady stream of negative information about issues and events (that may or may not touch their world), consumers are actively seeking ways to reconnect the fragmented social aspects of their everyday lives. Socializing with family, friends and acquaintances in public areas has become the popular alternative to cocooning at home.

Consumers' emergence from their cocoons can be an opportunity for fullservice restaurants. Adept fullservice operators have turned their restaurants into social oases, where patrons can feel safe and secure in a pleasant atmosphere. About two out of three adult consumers were satisfied in 1994 with the job tableservice restaurants were doing to provide a comfortable atmosphere, practical ly unchanged from 1992. Adult consumers were more satisfied in 1994 than in 1992 with the noise level and dining-room cleanliness at tableservice restaurants.

Number of births still high

The high number of births in the United States remains one of the more notable demographic trends of recent years. Although the number of births in 1993 (4.0 million) was slightly lower than the 4.1 million recorded in 1992, it represents the continuation of a trend. The annual number of births from 1989 to 1991 was the highest recorded in the United States since the peak baby-boom years of 1954 to 1965, according to the Census Bureau.

The number of births is projected to remain relatively high in years ahead. The Census Bureau projects the number of births will hold at 4.1 million this year and fall to 4.0 million per year in 1995.

Based on their record numbers alone, children's impact on foodservice should become more apparent. Children often influence the decision to eat out or utilize delivery services. They tend to be loyal customers and the effort to attract and retain them can add directly to a restaurant's bottom line.

Providing more "child-friendly" environments that cater to the special needs of children and their parents will help to capture this flourishing market. Amenities such as menus with children's favorite items, speedy service, child-sized menu portions at lower prices and reduced-price promotions for children are all important to parents wishing to dine out with their children.

Handling customer complaints

As restaurateurs know, there will always be some customers who are not completely satisfied with their dining experience. What is changing, however, is how customers are dealing with their dissatisfaction - customers are more apt to complain today than in the past.

To develop and maintain customer loyalty, successful complaint-handling is imperative. Allowing a complaint to be ignored or handled poorly will result in a disgruntled customer becoming a "terrorist" to the restaurant operation. "Terrorists" actively spread negative word-of-mouth advertising about their experience and the establishment. Handling a complaint in a manner that is more than satisfactory can convert the "terrorist" into an "apostle" who repeats positive word-of-mouth about the experience.

The art of keeping customers happy is more important today than in past decades. With the baby busters leaving a gap in the market that makes it harder for businesses to attract them as consumers, it is going to be more essential than ever to hold on to current customers. Customer loyalty, enhanced by above-average handling of complaints, will likely continue to become an even more critical component of successful restaurant operations.

LIMITED-SERVICE RESTAURANTS

Since the early 1970s, eating-place sales have been driven primarily by growth at limited-service (fast-food) restaurants, which have garnered an ever-increasing proportion of eating-place sales - from 28.6 percent of total eating-place sales in 1970 to 48.7 percent in 1995.

Sales at limited-service restaurants are projected to rise to $93.4 billion in 1995 and again account for the largest proportion of eating-place sales. The limited-service segment wi ll generate nearly two-thirds of real growth in the foodservice industry for 1995, and more than 80 percent of the real growth projected for eating and drinking places. In real terms, sales will increase a substantial 5.0 percent in comparison with an increase of 5.4 percent in 1994.

Limited-service restaurants have resumed their position as value leaders. As the number of employed persons in the United States grows, dining out at limited-service restaurants, especially at lunch, will likely continue to draw time-conscious consumers into trying new convenient concepts and into dining out more frequently. This trend should continue to provide much of the growth at limited-service restaurants in 1995.

Attractive price points for individual menu items and bundled value meals have been key components in driving sales growth at limited-service restaurants, as more consumers find such offerings fit a budget constrained by meager real wage growth.

Association research indicates that bundled value meals, in which operators bundle a main dish, a side dish and a beverage together and sell it for one price, are likely to become more popular at limited-service restaurants in 1995, according to about four out of five limited-service operators. Bundled value meals not only make it easier for customers to order, but they also make it easier for service staff to process orders. These meals also encourage customers to order side dishes and beverages that they otherwise might not order. Attractive price points for value meals should look even better to consumers in 1995, as the pace of economic growth slows down somewhat and consumers seek even better perceived value for meals.

Meals that include branded food items will likely also grow in popularity in 1995, as consumers - faced with an ever-increasing array of food choices - seek food of known quality. About three out of five limited-service operators say that meals with branded food items wi ll become more popular at limited-service restaurants in 1995.

Unit expansion continues to be a key component of the rapid growth in the limited-service segment. In 1995, an increasing proportion of limited-service expansion will come from nontraditional sites, such as service stations, airports and convention centers. Nontraditional units such as push carts and kiosks tend to be more mobile than traditional units.

The strategy underlying the use of nontraditional "points of access" is to take the food to the consumer, rather than asking the consumer to come to the food. An association survey of the top 20 limited-service restaurant chains, conducted in October 1994, found that such a strategy can build consumer awareness of and loyalty to menu items, brands and businesses. It also offers a venue for consumer trial of new items and new concepts, often at a lower initial cost than opening a traditional unit.

Also, many of the larger limited-service restaurant companies are increasingly viewing themselves as participants in the global marketplace and have ambitious international expansion plans.

FULLSERVICE RESTAURANTS

Sales at fullservice restaurants will likely reach $87.8 billion in 1995, up 2.9 percent over 1994's 2.8 percent growth. After adjusting for inflation, sales at fullservice restaurants will post a modest 0.7 percent gain in 1995, down from the 1.2 percent real advance posted in 1994. Fullservice restaurants, the second-largest segment in the eating-place category, should account for 30.3 percent of total foodservice industry sales in 1995.

Fullservice operators will most likely continue to feel competitive pressures in 1995 as customers increase their expectations regarding every aspect of dining away from home and as new units continue to proliferate. No longer can fullservice restaurateurs focus on excellent food and service offered at an attractive price. Architecture, decor, landscaping and site location are now gaining in importance among consumers as markets saturate and competition intensifies.

Independent fullservice operators will bear the brunt of many competitive pressures in 1995, as chain dinner-house restaurant companies continue ambitious expansion plans. The larger, multiunit chains are in a much better position (in relation to independent fullservice operators) to reach larger audiences with targeted advertising and promotional campaigns.

Independent operators are in a much better position (in relation to multiunit chains) when it comes to reacting quickly to the needs of the changing marketplace. Independents can change their menus and pricing strategies as often as necessary, make operational changes and react to the regulatory environment much faster than larger companies.

Consumers now expect superior food and service at full-service restaurants, and offering excellence is a must for a restaurant's survival. To offer superior food, operators are making sure that the ingredients they buy are top quality and fresh. More than two out of three adult consumers stated in 1994 that they were satisfied with the freshness of ingredients at tableservice restaurants, up from about three out of five in 1992.

Tableservice operators have dramatically improved the service their customers receive in the 1990s. In 1994, seven out of 10 adult consumers were satisfied with the service that they received at tableservice restaurants, up from six out of 10 in 1990. Operator efforts at re-engineering and empowering employees have resulted in more satisfied customers.

A LOOK AT FOODSERVICE IN 1996

Economic factors play an ongoing and critical role in determining the performance of the foodservice industry. Because business conditions within the industry mirror general economic conditions. it is important to understand how we expect the economy to perform in 1996 in order to determine what will occur with foodservice sales over the year ahead.

We expect real GDP growth in 1996 around the mid 2 percent level. An expanding economy -- even modest economic growth -- signals growth in the restaurant industry as well, with a high correlation traditionally existing between changes in real GDP and changes in inflation-adjusted industry sales.

The rate of increase in disposable income is another indicator of restaurant industry performance. Changes in real disposable income are positively related to changes in restaurant sales. In general. as the rate of change in disposable income rises or falls, similar behavior is observed for restaurant sales.

Advances in real disposable income in 1996 are expected to be in the low 2 percent level. Accordingly, positive advances in industry-wide foodservice sales, as well as in the transportation and lodging sectors, are likely.

Lodging Place Foodservice Sales
($ billion)
1995

Hotel restaurants	$15.6
Motel restaurants	0.8
Motor hotel restaurants	**0.5**
Total lodging places	$16.9

Source: National Restaurant Association.

Transportation Foodservice Sales
($ billion)
1995

Transportation*	$ .5
Contractors. in transit commercial airlines	.6
Local transportation	$3.1

Note: ‘includes sales on airlines, passenger/cargo liners and railroads
Source: National Restaurant Association

Foodservice Industry Sales 1994 and 1995 ($ billion)		
Total Foodservice	$276.7	$289.7
Commercial Foodservice	246.1	258.0
Eating Places 182.5	191.7	
Fullservice Restaurants	85.3	87.8
Limited-Service (Fast Food) Restaurants	87.1	93.4
Institutional Foodservice Group	29.5	30.6
Military Foodservice Group	1.1	1.1

Source: National Restaurant Association.

Foodservice Industry Percent Change in Dollar Sales, 1993 - 1995						
Current Dollars	Constant Dollars					
	'93	*'94*	*'95*	*'93*	*'94*	*'95*
Total Industry	3.9%	4.4%	4.7%	2.0%	2.7%	2.4%
Commercial Foodservice	4.1	4.6	4.8	2.2	2.9	2.6
Eating Places	4.8	4.8	5.0	3.0	3.2	2.8
Full-Service Restaurants	3.3	2.8	2.9	1.5	1.2	**0.7**
Limited-Service Restaurants	6.6	7.0	7.2	4.8	5.4	**5.0**
Institutional Foodservice	2.9	3.0	3.5	0.6	1.1	1.4

Source: National Restaurant Association.

APPENDIX A

SPEAKER BIOGRAPHIES

SUZANNE D. COOK

Dr. Suzanne D. Cook is the senior vice president of research for the Travel Industry Association of America. Dr. Cook was instrumental in the development of the National Travel Survey and TravelScope, two ongoing national surveys providing national as well as state and city specific data on Americans' travel behavior. Dr. Cook is a frequent speaker at travel and tourism conferences specializing in consumer marketing research related to travel and tourism

LISA DELPY

Dr. Lisa Delpy is assistant professor, International Institute of Tourism Studies, School of Business and Public Management, The George Washington University. Dr. Delpy has been a professor of Sport and Event Management at The George Washington University for five years. In addition to speaking at various conferences, consulting with corporate sponsors and sport commissions, Dr. Delpy is the co-author of *The Ultimate Guide to Sport Event Management and Marketing.*

ED DREISTADT

Ed Dreistadt is the vice president of marketing for Busch Gardens Williamsburg and Water Country USA. Mr. Dreistadt's background includes more than 15 years experience in promotions and advertising. He began his career with Busch Entertainment in 1989. Mr. Dreistadt's currently serves as chairman of Busch Entertainment Corporation's Emerging Marketing Technologies Task Force.

PETER FRANCESE

Peter Francese is president and founder of American Demographics, Inc., which publishes *American Demographics* and *Marketing Tools* magazines. As a widely recognized expert on consumer trends. Mr. Francese has written numerous magazine and newspaper articles and is the creator of the column "People Pattens" which appears exclusively in *The Wall Street Journal.*

PHILIP N. FULTON

Dr. Philip N. Fulton is associate director of the Bureau of Transportation Statistics (BTS), U.S. Department of Transportation (DOT). Dr. Fulton joined the BTS in 1993 after an 18 year career at the U.S. Bureau of the Census. Dr. Fulton is the author of over 20 journal articles and professional papers.

CAROL HALLETT

Carol Hallett is the president of the Air Transport Association of America. Ms. Hallett has a background in politics, management and transportation, Ms. Hallett is a former U.S. Customers Service Commissioner, ambassador to the Bahamas, and Republican leader of the California Assembly.

RICHARD F. HEBERT

Richard F. Hebert is the managing director-public and government relations for the American Automobile Association and editor-publisher of *Travel Advance.* Mr. Hebert is a frequent interviewee on radio and television newscasts that focus on travel and tourism matters.

BRIAN J. KENNEDY
Brian Kennedy is the executive vice president, marketing and sales for The Hertz Corporation. Previously, Mr. Kennedy served as executive vice president and general manager of the company's domestic Rent A Car division. Prior to joining Hertz 12 years ago, Mr. Kennedy was vice president, advertising and sales for Trans World Airlines.

MARK V. LOMANNO
Mark V. Lomanno, nationally recognized expert on the hospitality industry, is the executive vice president for Smith Travel Research (STR). Prior to joining STR, Mr. Lomanno was the national director of research for Laventhol & Horwath and has over ten years experience in lodging industry research.

SARAH GRAHAM MANN
Sarah Graham Mam is the managing director of Discover New England, the international marketing partnership of the six New England state tourism offices. Prior to being named managing director, Ms. Mann served as chairman of DNE, and also was the director of tourism for Massachusetts. Ms. Mann is a frequent business speaker at both the regional and national levels on tourism matters.

HELEN MARANO
Helen Marano is the director of research and policy for the U.S. Travel and Tourism Administration. Ms. Marano is currently responsible for overseeing research programs for the U.S. and directing policies which affect tourism in the global arena. Prior to joining USTTA, Mr. Marano was the director of research for the Orlando/Orange County Convention & Visitors Bureau and had previously served as marketing research manager for the Gallup Organization.

PETER W. MASON
Peter W. Mason is the travel marketing director for *Better Homes and Gardens.* Mr. Mason's expertise is the family vacation industry, and he is a featured speaker on that subject at numerous' industry functions. Mr. Mason has been a guest on CNBC'S "Money line" and American Public Radio's "Marketplace", and lectures on family tourism at several universities. Mr. Mason is a member of the Board of Directors of the Travel and Tourism Research Association and president of the New England Chapter of TTRA.

ALAN MURRAY
Alan Murray joined *The Wall Street Journal* in 1983, becoming Washington bureau chief in 1993. Prior to that, he had served as business and economics editor of the *Chattanooga Times,* a reporter for *Congressional Quarterly,* and as reporter at the *Japan Economic Journal* in Tokyo. Mr. Murray appears weekly on "NBC News at Sunrise" and is a regular panelist on PBS's "Washington Week in Review. "

ELISSA MATULIS MYERS
Elissa Matulis Myers vice president of publishing for the American Society of Association Executives and pub lisher of *Association Management* Magazine. *Leadership* Magazine. *Who's Who in Association Management* and the host of other ASAE periodicals and non-periodical publications.

Ms. Myers is responsible for publication studies like *Association Meeting Trends; Fundamentals of Convention Management;* and *Making Your Convention More Effective.* Ms. Myers serves on the Board of the Association of Convention Marketing Executives.

JOHN J. ROHS
John Robs is the managing director of Schroder Wertheim & Co., Inc. Mr. Robs has been an investment analyst for 26 years, twenty-one of them tracking the lodging industry, seventeen covering gaming and eighteen following restaurants. *Institutional Investor* magazine's All-America Research Team recognized Mr. Robs each year since 1985 in the Lodging and Restaurants category.

JOHN D. SNODGRASS
John D. Snodgrass was named president and chief operating officer of HFS, Inc. in 1992. In addition, he serves as a chairman and chief executive officer of the Days Inn, Howard Johnson, Park Inn International, Ramada, Super 8 and Villager Lodge brands. Mr. Snodgrass serves as chairman of the American Hotel & Motel Association's Governmental Affairs committee and as a fellow on the 1994 Board of Trustees for the Educational Institute of the AH&MA.

DAVID A. SWIERENGA
David A. Swierenga is the chief economist for the Air Transport Association of America (ATA). Mr. Swierenga joined ATA in 1977. and is the senior association officer responsible for airline industry-wide economic and financial information. In addition, he supervises the preparation of periodic opinion surveys regarding the airline industry.

WATTS WACKER
Watts Wacker is the Executive Vice President of the Stanford Research Institute. Previously, he was with Yankelovich Partners since 1986. While with Yankelovich, Mr. Wacker oversaw the company's trends prediction service and was responsible for its global expansion. Mr. Wacker is a regular contributor and commentator to the PBS program, "Nightly Business Report," and frequently appears on ABC's "Good Morning America" to discuss emerging trends.

LYNDSEY WHITEHEAD
Lyndsey Whitehead is director of market research at Official Airline Guides (OAG), a division of Reed Travel Group. Ms. Whitehead has been with OAG since 1992 and is responsible for commissioning international research programs in the aviation, travel trade, and leisure traveler markets. Ms. Whitehead's business research experience includes several years as market research manager for the Post Office's parcels division, Parcelforce and as a research consultant with a property consultancy.

GEORGE E. WILLIAMS
George Williams has been director of Maryland's Office of Tourism Development since March 1990. Prior to becoming Maryland's tourism director, Mr. Williams served in the same capacity for the State of Mississippi for eight years. Mr. Williams has served on the Board of Directors for TIA, the National Tour Association. and has served as Chairman of the Board for Travel South, USA.