

## DISCLAIMER

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## ROOM TAXES

- 1.) **Good afternoon members of the committee.... my name is Rossi Ralenkotter – I am the Executive Vice President for the Las Vegas Convention and Visitors Authority.**
- 2.) **For the past 46 years, the mission of the LVCVA has been to expand the visitor base of Clark County. We are the destination marketers for Las Vegas – we aggressively promote our brand throughout the U.S. and the world.**
- 3.) **All of our marketing programs are research driven. This marketing research allows us to analyze not only the general market conditions but the customer trends in both the leisure and convention markets.**
- 4.) **This research indicates that because of current market conditions and increased competition, now is not the time to increase room taxes or any other type of fee that is attached to room rates. The room tax is a tax that is paid directly by the visitor. To remain competitive we can't afford to increase these costs to our customers.**
- 5.) **Let's take a look at the current state of the travel and consumer markets.**

**A. The war in Iraq**

- (1) Creating consumer uncertainty and anxiety.**
- (2) Uncertainty to length of war.**
- (3) Travel demand has softened.**
- (4) Air traffic – down 10% since start of war.**
- (5) Consumer confidence – lowest since 1993 recession.**
- (6) International traffic off – Singapore Airlines suspend April/May flights. 23%**
- (7) Business travel is down.**

**B. Terrorism and threat of terrorism alerts impact travel plans.**

**C. Uncertain economy – unemployment 5.8%.**

**D. Volatile stock market.**

**E. Reduced travel spending – all spending categories for Las Vegas visitors are down.**

- F. Last minute bookings for travel – consumers can shift destinations or cancel trips.**
- G. Airline industry in turmoil – National – out of business – bankruptcies – 100,000 jobs cut - \$18 billion projected loss since 9-11 – LV – 47% of market for Las Vegas.**
- H. Increased competition**
- (1) Other travel destinations.**
  - (2) Cruise Lines.**
  - (3) Travel in-state promotions.**
  - (4) Convention destinations – increased meeting space – competing with price.**
  - (5) Increased gaming competition – within 250 miles of Las Vegas, there are 17 gaming locations – Indian gaming increase in California – direct threat to Las Vegas and Nevada.**

- I. In over 30 years of marketing Las Vegas, I have seen 1 or 2 types of these challenges occurring at the same time. But even after the Gulf War ends – the rest of these market challenges will exist. We are still not back to our pre 9-11 levels of business. It has created the new normalcy.
6. I have talked about our research and how we listen to our customers. I would now like to convey to you some thoughts provided by our customers relative to the proposed room tax increases.

1.) Barbara Esterling, Secretary Treasurer, Communication Workers of

America. ---- As you know we are one of the unions that schedules frequent conventions in Las Vegas. With the down turn in the economy we must look for reasonable room rates for our attendees. Those cities with high tax rates are no longer given consideration by this organization.

We like Las Vegas! It is a good Union City! Don't let the Nevada State Legislature prevent us from returning.

**2.) Jack Knebel, Executive Vice President, National Association of Broadcasters**

**Meet in Las Vegas: 95,000 delegates - \$129 million non-gaming impact ----**

**In a general sense it seems quite illogical to levy a tax in an area that directly supports one of the state's most important revenue sources – tourism. The characteristic that has made Las Vegas one of the most attractive destinations in the country is its affordability. To cut into that advantage at a time when the economy continues to flounder and discretionary spending is being squeezed would seem to be ill-advised at the very least. A new tax could further discourage travel to the state at a time when those of us tied to the travel and tourism industries are searching for ways to push travel back to the levels we enjoyed prior to the World Trade Center attacks.**

**From a convention perspective, the positioning of Las Vegas as the most affordable place to hold a major convention is critical to our success. We**

are already fighting an uphill battle in this regard within the trade show industry as a whole. The costs of trade show services have been rising steadily. This, in combination with the rising costs of hotel rooms and airline fares, has created an enormous pressure on organizers like us.

Cost is at the center of the issue. Ultimately we all lose when our customers perceive that the costs of participating in our shows exceed the potential return. A new tax will only contribute to the perception that Nevada and Las Vegas are no longer interested in remaining cost competitive.

3.) Bill LaMacchia, Chairman, The Mark Travel Corporation - -

#1 Wholesaler for Las Vegas: 1.5 million visitors - \$957 million non-gaming economic impact. ---- The Mark Travel Corporation work strategically with our Las Vegas Hotel partners in achieving creative marketing incentives to attract the traveler to Las Vegas. Travelers are shopping prices as never

**before. Consumers are more price sensitive than they have ever been, especially in matters of discretionary income. As a destination, Las Vegas must continue to be perceived as a good value. Increasing taxes on visitors sends the wrong message, and provides a disincentive to prospective visitors.**

**The travel industry is more competitive than ever before. Increasing taxes that visitors pay means increased prices, which could undermine your competitive advantages.**

**We provide incentives to people to travel and travel to Las Vegas. Anything you do that would discourage visitors from coming to Las Vegas will only exacerbate your budget shortfalls, not help alleviate them. We strongly oppose any increase in taxes at this time.**

4.) **Karen Hoffman, Director United Steelworkers of America** ---- The Hotel and Travel industry has felt the impact of September 11 and now faces the probability of further cuts with our pending war with Iraq. The United Steelworkers of America has selected Las Vegas for its International convention with few exceptions over the past 20 years due to the fact that it is cost-effective and a unionized location.

The Nevada tax issue and the proposed increase will affect travelers that have so many other options in today's struggling economy. Not only in the business environment, but on a personal matter, our members can rate shop while sitting in the comfort of their homes and I fear that Las Vegas will lose their competitive edge. While we continue to find the best value for our association meetings, our 650,000 members have the choice whether to travel at all, both professionally and personally.

**I would encourage you to vote against the Nevada tax increase in a time when our interests within the industry are of concern.**

**Increasing room taxes or fees on rooms at this time in Las Vegas and throughout the state will put all of us at a competitive disadvantage. The traveling public is very price sensitive – in order for Las Vegas to grow as a tourist destination, we need to deliver value and a value message to our customers. Our challenge each year is to expand our visitor base. To put this challenge into perspective, with the 7600 rooms being added to our market by the year 2005, we need to attract 4 million additional visitors each year to maintain pre-9-11 levels of occupancy and volume.**

**Room rates are a competitive tool that is utilized by the resort industry to stimulate current and new demand. Our research indicates that value drives people to Las Vegas. This value messaging along with our brand messaging will allow us to remain competitive. For these reasons, we oppose any increase in room taxes or fees for the resort industry of Nevada.**

**THANK YOU.**