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Testimony of Lt. Governor Lorraine T. Hunt  
*before the*  
Nevada Assembly Committee on Taxation  
Cashman Theatre  
850 Las Vegas Blvd. North, Las Vegas, NV  
3:30 P.M.  
March 20, 2003

Good afternoon Chairman Parks and committee members:

Thank you for inviting me to present a report on the status of tourism in Nevada. I speak today not only as Lt. Governor and chair of the Nevada Commission on Tourism but also as a former chair of the Las Vegas Convention and Visitors Authority.

This is a momentous time in our history. We have embarked on the first war of the 21<sup>st</sup> century. Now more than ever, the fragility of our tourism industry is a major challenge to our economic stability. In Nevada, tourism is the epicenter of our economy. Tourism is our 35 billion dollar baby. It provides the paychecks that sustain at least 229 thousand Nevada families. That is 30% of our workforce. Tourism is the engine that drives our economy.

On Monday of this week, I reconvened the Tourism Stability Panel that I created after 9/11 consisting of state tourism leaders to discuss strategies of unifying our efforts to get out the message that Nevada is still "open for business 24/7," that it is a safe place to relieve stress and enjoy a multitude of entertainment and recreational opportunities, positioning Nevada as the USO of the nation.

Perception is key. The traveling public must perceive that Nevada is a secure place to visit. Working with Jerry Bussell, Nevada's Homeland Security Advisor and our city, county and state law enforcement and public safety agencies, we are meeting the challenge. The panel also discussed that when war comes, tourism will likely fall victim to the CNN-FOX News factor of people staying close to home and monitoring developments on television. We expect this in the short term, about one week. During this first week, it may be impossible to penetrate the flow of news with tourism messages.

But in the second week or so, the media begins to resume more normal coverage. The public begins to experience "CNN -FOX TV fatigue" and tries to get back to normal routines as best they can.

As Bill Bible, president of the Nevada Resort Association, told the panel, the post 9/11 procedures that the industry adopted are still in place. He said the resort industry

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SUBMITTED BY: Lorraine Hunt, Lieutenant Governor

expects that war may have a short-term impact, but our tourism packages still provide the best bargain.

We all know that tourism took a big hit on 9/11 and has not fully recovered from this staggering blow. This is particularly true in the international markets, which are extremely significant and whose potential for visitors to Nevada is not yet fully developed. The international visitor stays longer and spends more and we need to be offering these visitors every possible incentive.

Nevada is a world market, and we will be expanding our tourism investment to a more global extent in the future. China, for example, has nearly 1.4 billion people, the world's fastest growing economy, and approaching 100 million people who can afford to travel. It is a virtually untapped market. Right now, Nevada's share of the lucrative Chinese tourism market is only No. 20 on our international list, but we could get a larger share of this and others if we invested in more marketing overseas.

The revenue from tourism is the lifeblood of our economy and we have relied on it for decades, but realistically it is vulnerable to war, terrorism, and a troubled national economy. It fluctuates. It is an unstable revenue source. At this point, I would like to interject a related point that concerns me greatly.

The fact that tourism dollars are an unstable revenue source is a compelling reason to not tie public school funding to tourism. The security of our children's education should come first in our state and not be forced to rely on uncertain revenue sources. At this time, it is absolutely imperative that public schools rely on a more stable tax base, not one that can fluctuate in event of a national crisis. It also important to remember that although our tourism revenues fluctuate, tourism is an enterprise that carries its own weight. Tourism marketing does not eat up revenues, it generates revenues. Nevada does not spend money on tourism, we invest it. For every one dollar that the Nevada Commission on Tourism spends in marketing Nevada as a destination, our state receives \$121 in direct visitor expenditures and this is a conservative number without using multipliers. Remember, if you use one dollar of our marketing budget, you lose \$120 for the state.

Besides the harsh and uncertain conditions of war and the economy, our tourism base -- gaming -- is facing unprecedented and intensifying competition from the rise of Indian-owned casinos and the proliferation of gaming across the nation.

New and emerging technologies also are being brought to bear on our tourism product. We are transitioning from bricks and mortar to clicks and mortar. As we enter new frontiers of Internet gaming and cyber entertainment, our tourism industry must not just stay abreast of developments, but always keep a berth at the forefront.

Nevada's tourism is imaginative, innovative, visionary and bold. Our industry is a pacesetter whose success has exceeded even the wildest dreams. For this longstanding trend to continue in the climate of heavy competition, economic uncertainty and rapid technological advances I have described, we must guide its course wisely. We must resist the temptation to "fix" things that aren't broken or to take actions likely to discourage visitors.

As I have said, tourism is a highly competitive industry. Every state is angling to get more tourists, and if we rest on our oars, we decrease our visibility. Then the visitor volume can be expected to shrink. Aggressively marketing and promoting Nevada's tourism product and visibility is absolutely essential to stay in the game.

Las Vegas, Reno, Lake Tahoe and some other cities have their own marketing entities, but some cannot afford to do very much. The Nevada Commission on Tourism markets the entire state. But neither NCOT nor any single city, industry sector or other entity can or will successfully market Nevada as a tourism destination without working in conjunction with all of the others. "The whole is greater than the sum of the parts."

Colorado found out the hard way in 1997 when they decided to let individual areas market themselves and dropped their statewide program. This ill-conceived move caused Colorado to also drop 30 percent of its tourism market share.

What would happen if Nevada lost 30 percent of our \$35 billion market? In Nevada, this would mean layoffs, unemployment, and people who cannot pay the sales and property taxes that fund our needs as a society. Let's never set out on that path.

The importance of tourism to Nevada's economy cannot be overstated.

Nevada welcomed 48 million visitors last year. Our state is the 5th favorite destination of overseas travelers and ranks number 6 domestically.

War could certainly hurt Nevada's economy, and to what extent we cannot yet know. That is the downside. The upside is that our tourism industry is prepared and we are resilient.

During a war, bad as war always is, we who are here at home, supporting our armed forces, must go on with our lives and doing our best to stay the course. This is one of the underlying goals for war in the first place, to protect American lives and liberty.

We know, and we confirmed after the devastation of 9/11, that people must go on with their lives, even during war. And after a period of time, people want, need and seek a break.

As I have said before, even in the darkest days of World War II, our nation had the USO to entertain our troops and to help Americans find a little relief from the tension and tragedy of war.

People will venture forth for recreation, and Nevada is ideally situated to be a top choice. Our state is a highly desirable destination and easily accessible to the West by short-flight air service and by car. These assets, combined with our secure hotels and airports, give us every reason to be optimistic about our future.

Of course, we have our work cut out for us. We must ensure that the West and the rest of America and, indeed, the world know that Nevada is a secure, convenient destination that offers great values. We do this through marketing and promotion.

Nevada's tourism industry has the benefit of experience overcoming the effects of the 9/11 attack on America 18 months ago, and this will stand us in good stead.

A quick decisive resolution in the Middle East may create a rapid, strong recovery. Historically, the stock market has risen approximately 10 percent within six months after a calamity, and that kind of economic surge could have a very positive effect on our state.

If war were prolonged, we would be required to dig in for a longer ordeal. Either way, we are prepared to face whatever comes with the confidence that our tourism industry will bounce back.

Mr. Chairman and committee members, be assured that Nevada's tourism industry and the Nevada Commission on Tourism are prepared to deal successfully with both scenarios.