



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OFFICE OF THE LEGISLATIVE SECRETARY
 ACKNOWLEDGMENT RECEIPT
 Received By: [Signature]
 Time: 3:55pm
 Date: 3-11-98

MAR 11 1998

The Honorable Antonio R. Unpingco
 Speaker
 Twenty-Fourth Guam Legislature
 Guam Legislature Temporary Building
 155 Hesler Street
 Agana, Guam 96910

Refer to
 Legislative Secretary

Dear Speaker Unpingco:

Enclosed please find a copy of Substitute Bill No. 494 (LS), "AN ACT TO APPROPRIATE THE SUM OF FIVE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$5,700,000) FROM THE TOURIST ATTRACTION FUND TO THE GUAM VISITORS BUREAU FOR THE PURPOSES OF DEVELOPING AND IMPLEMENTING A MARKETING PROGRAM TO ASSIST IN THE RECOVERY OF GUAM'S TOURIST MARKET", which I have signed into law today as **Public Law No. 24-148**.

We are now experiencing a downturn in the visitor industry. Much of this downturn is due to factors outside of our immediate control. This decline impacts the revenues of the government and the economic underpinnings of the livelihood of most island residents and businesses.

Rather than sitting down helplessly, more marketing activities need to be pursued in the countries where our visitors come from. Other tourist destinations are quite competitive at this time, and these competing destinations are investing more than we are to attract new visitors. By increasing our marketing activities, we can stabilize this essential industry and minimize the current trend of decline and loss.

Very truly yours,

[Signature]
 Carl T. C. Gutierrez

Attachment 00700

cc: The Honorable Joanne M. S. Brown
 Legislative Secretary

Office of the Speaker
 ANTONIO R. UNPINGCO
 Date: 3/11/98
 Time: 2:05p.m.
 Rec'd by: [Signature]
 Print Name: Janice Iregan

TWENTY-FOURTH GUAM LEGISLATURE
1998 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 494 (LS), "AN ACT TO APPROPRIATE THE SUM OF FIVE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$5,700,000) FROM THE TOURIST ATTRACTION FUND TO THE GUAM VISITORS BUREAU FOR THE PURPOSES OF DEVELOPING AND IMPLEMENTING A MARKETING PROGRAM TO ASSIST IN THE RECOVERY OF GUAM'S TOURIST MARKET," was on the 27TH day of February, 1998, duly and regularly passed.




ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 4th day of March, 199~~8~~⁹, at
8:54 o'clock a.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: 3-11-98

Public Law No. 24-148

TWENTY FOURTH GUAM LEGISLATURE
1998 (SECOND) Regular Session

Bill No. 494 (LS)

As substituted by the Committee on Tourism,
Economic Development & Cultural Affairs and
amended on the Floor.

Introduced by:

A. C. Lamorena V
A. C. Blaz
Mark Forbes
Felix P. Camacho
Francisco Camacho
T. C. Ada
F. B. Aguon, Jr.
E. Barrett-Anderson
J. M.S. Brown
M. C. Charfauros
E. J. Cruz
W. B.S.M. Flores
L. F. Kasperbauer
C. A. Leon Guerrero
L. Leon Guerrero
V. C. Pangelinan
J. C. Salas
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. Won Pat-Borja

**AN ACT TO APPROPRIATE THE SUM OF FIVE
MILLION SEVEN HUNDRED THOUSAND
DOLLARS (\$5,700,000) FROM THE TOURIST
ATTRACTION FUND TO THE GUAM VISITORS
BUREAU FOR THE PURPOSES OF DEVELOPING**

**AND IMPLEMENTING A MARKETING PROGRAM
TO ASSIST IN THE RECOVERY OF GUAM'S
TOURIST MARKET.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** The Guam Legislature
3 finds that our tourism industry is suffering a major decline in tourists visiting our
4 Island as a result of the problems facing outbound travel from Asian countries
5 affected by wavering economies. Reports from the tourism industry estimated
6 a thirty percent (30%) decline in arrivals, resulting in the potential loss of an
7 estimated Three Hundred Million Dollars (\$300,000,000) in business revenue, and
8 another Twenty Million Dollars (\$20,000,000) in local taxes. Additionally, the
9 Guam Legislature finds that Guam's visitor arrivals have shown a decline in the
10 last two (2) months, whereby jeopardizing the arrival numbers for the remainder
11 of 1998. The January 1998 arrivals indicate a decline of twenty-two and seven
12 tenths percent (22.7%), and from the Japan market alone, a thirty percent (30%)
13 reduction in visitor arrivals compared to 1997. The Guam Legislature
14 emphasizes that we as a community must take a pro-active position now so that
15 these statistics do not become trends for the year. As a result, the Guam
16 Legislature finds that it is necessary to provide additional funding to develop and
17 implement various marketing programs that will stem the decline of our number
18 one (1) industry, tourism, and adopt remedial measures necessary to avoid the
19 loss of jobs and the possibility of a rise in crimes as a result thereof. It is therefore
20 the intent of the Guam Legislature to support the Guam Visitors Bureau in its

1 task to develop a strategic marketing plan to assist in the recovery of Guam's
2 tourist market. Furthermore, it is the intent of this Legislature that the sum of
3 Five Million Seven Hundred Thousand Dollars (\$5,700,000) be appropriated to
4 the Guam Visitors Bureau for the specific purpose of stabilizing the tourist
5 market from any further decline and loss.

6 **Section 2. Appropriation.** The sum of Five Million Seven Hundred
7 Thousand Dollars (\$5,700,000) is hereby appropriated from the Tourist Attraction
8 Fund to the Guam Visitors Bureau for the purposes of developing and
9 implementing a marketing program to assist in the recovery of Guam's Tourist
10 Market.

11 **Section 3.** The sum of Five Million Seven Hundred Thousand Dollars
12 (\$5,700,000) shall be expended as follows:

- | | | |
|----|-------------------------------------|-------------|
| 13 | (a) Japan Marketing Program | \$4,950,000 |
| 14 | (b) Taiwan Marketing Program | \$ 250,000 |
| 15 | (c) Local Logistic Campaign Support | \$ 500,000 |

16 **Section 4. Report to the Guam Legislature.** The Guam Visitors
17 Bureau shall provide to the Speaker and the Chairman of the Committee on
18 Tourism, Economic Development and Cultural Affairs of the Guam Legislature
19 a monthly report on the progress and implementation of the marketing programs.

76 34-148



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Minaotek Guahan

Alberto "Tony" Cristobal Lamorena V

Senator
Twenty-Fourth Guam Legislature

February 26, 1998

Chairman
Committee on

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
155 Hesler St.
Agana, Guam 96910

Dear Mr. Speaker,

Tourism

The Committee on Tourism, Economic Development and Cultural Affairs, to which was referred **Bill No. 494, An Act to appropriate the sum of Four Million Seven Hundred Thousand Dollars (\$4,700,000) from the Tourist Attraction Fund to the Guam Visitors Bureau for the purposes of developing and implementing a Marketing Program to assist in the Recovery of the Guam's Tourist Market**, has had the same under consideration, and now wishes to report back the same with the recommendation **To Pass**.

Economic
Development

The Committee votes are as follows:

and

To Pass	<u>10</u>
Not To Pass	<u>0</u>
Abstain	<u>0</u>
Inactive File	<u>0</u>

Cultural
Affairs

A copy of the Committee Report and all pertinent documents are attached for your information and file.

Sincerely,

ALBERTO C. LAMORENA, V

Vice-Chairman
Committee on

attachments

Natural
Resources





Senator Alberto "Tony" Cristobal Lamorena V

Chairman

COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT AND CULTURAL AFFAIRS

Twenty-Fourth Guam Legislature

VOTING SHEET ON

BILL NO. 494

AN ACT TO APPROPRIATE THE SUM OF FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$4,700,000) FROM THE TOURIST ATTRACTION FUND TO THE GUAM VISITORS BUREAU FOR THE PURPOSES OF DEVELOPING AND IMPLEMENTING A MARKETING PROGRAM TO ASSIST IN THE RECOVERY OF GUAM'S TOURIST MARKET.



RECOMMENDATION TO

Committee Members	Signature	To pass	Not to pass	Abstain	Place in Inactive File
Senator Alberto "Tony" Lamorena Chairperson		✓			
Senator Joanne Brown Vice-Chairperson		✓			
Speaker Antonio Unpingco		✓			
Vice-Speaker Anthony Blaz		✓			
Senator Mark Forbes		✓			
Senator Carlotta Leon Guerrero		✓			
Senator Felix Camacho		✓			
Senator Eduardo Cruz, M.D.		✓			
Senator William Flores		✓			
Senator Mark Charfauros		✓			
TOTAL VOTES:		10	0	0	0

**FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH**

Bill No. 494 (LS) Date Received 2/20/98
 Amendatory Bill YES NO Date Reviewed 2/25/98

Department/Agency Affected: Guam Visitors Bureau
 Department/Agency Head: James Nelson
 Total FY appropriation to Date: \$15,392,605

Bill Title (Preamble): AN ACT TO APPROPRIATE THE SUM OF FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$4,700,000) FROM THE TOURIST ATTRACTION FUND TO THE GUAM VISITORS BUREAU FOR THE PURPOSES OF DEVELOPING AND IMPLEMENTING A MARKETING PROGRAM TO ASSIST IN THE RECOVERY OF GUAM'S TOURIST MARKET.

Change in Law: n/a
 Bill's Impact on Present Program Funding:
 Increase Decrease Reallocation No Change
 Bill is for: Operations Capital Improvement Other

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)

PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
Economics & Finance		\$2,350,000 (TAF)	\$2,350,000

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND	\$2,350,000	\$2,350,000				\$4,700,000
OTHER						
TOTAL	\$2,350,000	\$2,350,000				\$4,700,000

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? YES/NO - IF NO, ADD'L AMOUNT REQUIRED n/a
 AGENCY/PERSON/DATE CONTACTED: Guam Visitor Bureau / Rose Cunliff/ 2/25/98

ESTIMATED POTENTIAL MULTI-YEAR REVENUES

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND						
OTHER						
TOTAL						

ANALYST Stephen Guerrero DATE 2/25/98 DIRECTOR JOSEPH E. RIVERA DATE FEB 26 1998
 Acting Director

Footnotes:

Comments on Bill No. 494 (LS)

Information received from Rose Cunliff, Controller, Guam Visitor's Bureau on February 25, 1998 revealed a total of \$5,700,000 will be required to implement the proposed marketing program. The following is a breakdown of how the funds will be allocated.

1.	Marketing Promotions - Japan	\$ 4,950,000
2.	Marketing Promotions - Taiwan	250,000
3.	Marketing Promotions - Guam	<u>500,000</u>
		\$ 5,700,000

The amount appropriated in the Bill of \$4,700,000 when compared to the \$5,700,000 actual program requirement reflects a \$1,000,000 shortfall and is insufficient to adequately fund the marketing program.

Ending FY97, the unreserved fund balance of the Tourist Attraction Fund amounted to \$80 Million. Pursuant to P.L. 24-117, the Government identified up to \$7.0 Million for Typhoon Paka recovery expenditures, which will be entirely reimbursed from FEMA.

TAF FY98 first quarter revenues showed a 9% drop amounting to \$583,000 as compared to the same period in FY97. Total TAF Revenues forecast for this Fiscal year amounts to \$26.0 Million. Total Appropriation against the fund is \$20.1 Million.

**COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT
AND CULTURAL AFFAIRS**

Twenty-Fourth Guam Legislature
155 Hesler Street Agana, Guam 96910

COMMITTEE REPORT

ON
Bill No. 494

An Act to appropriate the sum of Four Million Seven Hundred Thousand Dollars (\$4,700,000) from the Tourist Attraction Fund to the Guam Visitors Bureau for the purposes of developing and implementing a Marketing Program to assist in the Recovery of the Guam's Tourist Market.

COMMITTEE MEMBERS

Chairman: Senator Alberto C. Lamorena, V

Vice Chairperson: Senator Joanne M.S. Brown

Senator Anthony C. Blaz

Senator Edward J. Cruz, MD

Senator Felix P. Camacho

Senator William B.S.M. Flores

Senator Mark C. Charfauros

Senator Mark Forbes

Senator Carlotta A. Leon Guerrero

COMMITTEE REPORT

Bill No. 494

An Act to appropriate the sum of Four Million Seven Hundred Thousand Dollars (\$4,700,000) from the Tourist Attraction Fund to the Guam Visitors Bureau for the purposes of developing and implementing a Marketing Program to assist in the Recovery of the Guam's Tourist Market.

INTRODUCTION

The Committee on Tourism, Economic Development and Cultural Affairs conducted a Public Hearing 2:03 p.m. Tuesday, February 24, 1998 in the Public Hearing Room of the Guam Legislature Temporary Bldg. in Agana.

Committee Members Present: Senator Alberto C. Lamorena, V, Chairman
Senator Joanne M.S. Brown, Vice Chairperson

Other Senators Present: Senator Thomas C. Ada
Senator Frank B. Aguon, Jr.
Senator Francisco P. Camacho

Witnesses: Mr. James E. Nelson, III, General Manager
Guam Visitors Bureau
Mr. Jimmy Dee
Mr. Gerry Perez
Mr. David Tydingco, President
Guam Hotel and Restaurant Association

SUMMARY OF TESTIMONY

Mr. James E. Nelson, III, General Manager for the Guam Visitors Bureau provided the committee with written testimony in support of Bill No. 494. Mr. Nelson stated that Guam's visitor arrivals have shown a decline in the last two (2) months, whereby jeopardizing the arrival numbers for the remainder of 1998. Mr. Nelson continued that the January 1998 arrivals indicate a decline of 22.7%. From the Japan market alone, a 30% reduction in visitors arrivals compared to 1997 can be anticipated. Mr. Nelson emphasized that we as a community must take a pro-active position now so that these statistics do not become trends for the year. Mr. Nelson informed the members that the strategic marketing plan that was developed by both industry and government leaders, will allow GVB to continue the quest in making Guam the destination of choice. In conclusion, Mr. Nelson urged the passage of Bill No. 494.

Mr. Jimmy Dee, Chairman for the Guam Visitors Bureau Board of Directors, added to the comments of Mr. Nelson that, competition from other destinations is high and that we must take action now to halt any further losses of visitor arrivals. Mr. Dee continued that although the plan specifically targets the Japan market, we must not lose sight of diversification as a long-term goal. In conclusion, Mr. Dee urged the committee to favorably report out Bill No. 494.

Mr. Gerry Perez, Chairman for the Strategic Marketing Committee and Chairman for the Japan Marketing Committee, GVB, provided the committee with written testimony in support of Bill No. 494. In addition to his written statement, Mr. Perez provided a slide presentation for the members on the status of the tourism industry. In his presentation, Mr. Perez highlighted on the various issues on the reasons for the decline in our tourist industry. Included in the presentation, were percentage comparisons with respect to the visitor arrivals in the past few months. Mr. Perez informed the committee that the Strategic Marketing Committee has outlined a detailed plan of action to address the visitor decline, and is confident that if action is taken now, the tourism industry could be saved from further decline. In conclusion, Mr. Perez emphasized that it is imperative to pass Bill No. 494. The passage of Bill No. 494 would result in stabilizing the island's economy, as well as, saving hundreds of jobs in the tourism industry. Mr. Perez thanked the committee for the opportunity to testify on Bill No. 494.

Mr. David Tydingco, President for the Guam Hotel and Restaurant Association, provided the committee with written testimony in support of Bill No. 494. In his testimony, Mr. Tydingco stated that the Guam Visitors Bureau has conducted several meetings with various visitor industry members who contributed to the development of the strategic marketing plan. Therefore, the Guam Hotel and Restaurant Association stands ready to support the GVB presentation, recommends passage of Bill No. 494.

COMMITTEE FINDINGS

The committee finds that Guam's visitor arrivals have shown a decline in the last two (2) months, whereby jeopardizing the arrival numbers for the remainder of 1998. The January 1998 arrivals indicate a decline of 22.7%, and from the Japan market alone, a 30% reduction in visitors arrivals compared to 1997. The committee also finds that pro-active measures must be implemented now so that these statistics do not become trends for the year. As a result, the committee supports the need to provide the Guam Visitors Bureau with additional funding to develop and implement various marketing programs that will stem the decline of our number one industry.

COMMITTEE RECOMMENDATIONS

The Committee on Tourism, Economic Development and Cultural Affairs hereby reports out Bill No. 494 to the Twenty-Fourth Guam Legislature with the recommendation **To Pass**.



Guam Visitors Bureau
Setbision Bisitan Guahan



Commonwealth Now!

23 February 1998

HONORABLE ALBERTO A.C. LAMORENA, V
Senator and Chairman, Committee on Tourism,
Economic Development & Cultural Affairs
24th Guam Legislature
155 Hesler Street
Agana, Guam 96910

Dear Chairman Lamorena:

Hafa Adai! Thank you for the opportunity to present testimony on:

Bill No. 494 (An Act to appropriate the sum of five million seven hundred thousand dollars from the Tourist Attraction Fund to the Guam Visitors Bureau for the purposes of developing and implementing a marketing program to assist in the recovery of Guam's tourist market).

As we all know, Guam's visitor arrivals have shown a decline in the past two months, whereby jeopardizing the arrival numbers for the remainder of 1998. Our preliminary January 1998 arrivals indicate a decline of 22.7% and visitor forecasts look quite dismal. In the Japan market alone, we can anticipate a 30% potential reduction in visitors as compared to 1997. The wavering of the Asian currencies in our major markets have caused this problem in our tourism industry. We, as a community, must act upon it now so that these statistics do not become trends for the year.

With tourism being our main economic driver, we find it prudent to take action by developing and implementing marketing strategies. Hence, we would like to express our support of Bill 494 which appropriates \$5.7 million dollars for the expansion and execution of our strategic marketing plans. We strongly believe that this appropriation will be a stepping stone in achieving our goals to sustain Guam's tourism industry.

Testimony of Bill 494

Page 2

23 February 1998

The Strategic Marketing Plan, that was developed by both industry and government leaders, will allow us to continue our quest in making Guam the destination of choice. Competition from other destinations is high and we must take action now to halt any further losses of visitor arrivals. Although the plan specifically targets the Japan market, we must not lose sight of diversification, as it is a long-term goal.

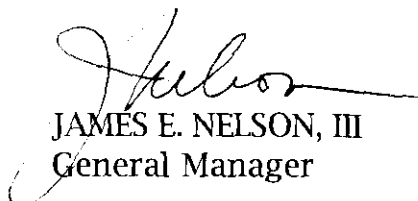
In closing, the Bureau believes that detrimental times call for proactive measures. We further believe that the Strategic Marketing Plan, developed by both industry and government will allow us to continue our quest in promoting Guam as the destination of choice.

Once again, Mr. Chairman, we extend our appreciation for this opportunity to testify in favor of Bill 494.

Respectfully submitted,



JIMMY DEE
Chairman, Board of Directors



JAMES E. NELSON, III
General Manager

Testimony of Mr. Gerald S.A. Perez
Chairman, Strategic Marketing Committee and
Chairman, Japan Marketing Committee, Guam Visitors Bureau
Before the Committee on Tourism, Economic Development & Cultural Affairs,
on Bill 494, Twenty-Fourth Guam Legislature
February 24, 1998

To understand and appreciate the request for additional funds, it might be instructive to put it in context of what is happening today in our regional markets and to share last year's experience when the combined government and industry effort made a big difference in affecting the outcome of visitor arrivals to Guam.

Exactly a year ago, we were confronted with the prospect of losing further market share in our most significant market, Japan. It is significant because 80% or more of our visitors today come from that country, and it is significant because of its economic impact to Guam.

In early 1997, it was noted that our share of total Japanese overseas travelers declined by 0.4% over the previous year. A drop of four tenths of a percent may not appear to be significant until one considers the magnitude to which Guam is economically affected.

In terms of local expenditures, for instance, this lost opportunity approximates \$80 million in business revenues or roughly \$20 million for each one tenth of a percent. I do not have figures for what this loss represents to the hotels, airlines and others in the industry, but I would estimate that their inclusion could easily double this figure.

Because of this concern, the industry and government officials last year decided that we on Guam can not afford to lose this much in the local economy and an aggressive Japan marketing plan, highlighted by a major summer campaign in July and August, was undertaken successfully. The key objective last year was to regain market share. Results of this effort paid off and we recovered the four tenths of one percent of the market that we had lost to the competition.

The problems we face today, however, are much more serious than the challenge we successfully met last year. Coping with the aftermath of Super typhoon Paka and last summer's KAL crash are severe in themselves. But the effects of Asia's monetary crisis and the continuing economic recession in Japan overshadow both. We believe that the Asian currency problem is deep, widespread, and likely to persist throughout the rest of the year. This situation raises the prospect of a major economic crisis in Guam, the likes of which we have not seen in recent memory.

In the retail, option tour, entertainment and other local expenditures alone, the possibility of our Japan arrivals declining 30% translates into some \$300 million in business revenues and over \$50 million in lost taxes from gross receipts, payroll, hotel rooms, etc. The number of employees that will be laid off by this loss exceeds 200. And as bleak as this appears, it understates the real economic impact when the following are considered:

1. No economic multiplier effect was applied to the figures;
2. Further weakening of the Japanese yen (-10%) and Korean won (-40%) were not taken into account since 1996; and
3. Hotels, the airlines, and other sectors were excluded in the calculation.

Average hotel occupancies could drop to 55% if visitors this year decline by 30%, a level that some advanced bookings have already been indicating for March. Even a more modest 20% drop in arrivals mean an average occupancy of 61%. Obviously, neither scenario is acceptable because hotels can not possibly operate at these levels, and the weak fundamentals for further hotel investments would render us moribund.

Seat capacity is another critical concern to sustaining or growing visitor arrivals. Canceled flights from Korea and the reduction of flights already taking place to and from Japan can not be allowed to continue on a downward spiral. On the other hand, aircraft can not be expected to fly empty, which is exactly what looms ahead if nothing is done to fill seats now.

As you can see, the most immediate solution to our multifaceted economic problem is visitors. We need more visitors to fill airline seats, more visitors to occupy hotel rooms, and more customers for restaurants, stores, and other attractions. The adverse domino effect could not be more classically represented to you than is the present situation. The bottom line is that we need more visitors, and we need them now. Nothing is more important to the island's economy today than to do whatever it takes to energize an aggressive marketing campaign in Japan to stimulate travel to Guam. Why Japan? Because it is the strongest, biggest, and most immediate opportunity for us right now. Market diversification should continue to remain our long term goal. However, this takes time to develop, which is a luxury we do not now possess. The specific actions we need to take now are:

1. Growing the Japan market from 1.1 to 1.2 million arrivals;
2. Growing Taiwan visitors from 22,000 to 40,000;

3. Stopping further Korean losses and maintaining a market position for a turnaround while exploiting niche opportunities to attract 40,000 visitors; and
4. Maintaining the combined contribution of all other markets to last year's level of 126,000 visitors.

Very simply, the 1998 goal is to achieve last year's 1.3 million visitors, and just maybe have enough momentum in our Japan and Taiwan strategies to exceed last year's performance.

Our success in regaining market share last year can be largely attributed to the \$3.80 per visitor that we invested in our marketing efforts, or a 9% increase over 1996. Prior to 1997, Guam's share of voice in Japan was running well below the desirable ratio required to maintain market share, and certainly far below our most important competitors. In 1996, for example, Hawaii's investment of \$9.30 per visitors nearly matched their 12% share of total overseas Japanese travelers. Australia spent \$13.70, an amount more than twice its 5% share, and Bali's \$6.90 per visitor investment was more than three times their share of 2.2%. Guam's \$3.30 investment per visitor, on the other hand, is the exact opposite desired and represents an amount that is less than half of the \$6.60 or more needed just to sustain our 6.6% market share in 1997. This disparity is so large, that the competition will erode our market share if not addressed under normal circumstances. In times of duress, which is precisely our situation today, it becomes even more compelling to address this issue immediately and to spend enough in the market to make a difference in the outcome.

It is clear that the 9% increase last year paid off and helped to regain the 0.4% share we had lost the previous year. But it should also be just as clear that a drastic increase in our per visitor investment will now be required if we are to achieve the 1.2 million goal in the face of Japan's persistent recession and the severe overseas and domestic competition, made even more so by nearby destinations offering more favorable yen values.

In planning the FY98 budget at \$5.80 per visitor, the KAL disaster, Supertyphoon Paka and Asian currency crisis were not factors in the equation, and the extra \$2.00 requested per visitor over the previous year was intended only to meet stiffening competition. Recent events, however, require the need for a much more significant amount to outshout other voices in our market, to overcome the series of calamities before us, and to counter the negative factors that continue to prevail in Japan. In our opinion, this will require more than twice the \$3.80 per visitor that we spent last year in Japan.

We come before you today to request an additional \$5.7 million, of which \$4,950,000 is earmarked for Japan. For the thousands of employees and many businesses who depend on tourism, it is heartening to note the Legislature's and Governor's concern over the problem and we appreciate very much your leadership in providing extra funds to carry out our mission. This additional money will be used to carry out the strategy we have outlined earlier in this presentation, and which we would now like to share in greater detail.

About \$2.25 million of the additional \$4.95 million will be used to backfill funds that have been brought forward now to jump start and prime an aggressive multicampaign year. The remaining \$2.70 million will be spent on six marketing initiatives anchored by a year round illumination program that is designed to create a festive atmosphere aimed at:

1. Focusing attention away from post disaster blight and the anticipated mess during the Tumon Redevelopment phase;
2. Creating the venue for interaction between local and Japanese artists, thereby adding excitement and local interest;
3. Providing the marketing impact that will draw widespread interest and attention in Japan;
4. Creating the opportunity for collaboration in improving our destination product, and
5. Giving the people of Guam an uplifting and encouraging feeling at a time when spirits are down.

The spring campaign is underway and should impact April and May arrivals. A six month golf promotion program is to be launched in April just before the year round illumination effort is initiated to coincide with Japan's Golden week. A major summer campaign in July, August and September is being put together now and will be followed immediately by a winter campaign in October, November and December. To add energy and heightened interest among travel wholesalers, a performance based marketing incentive program, funded jointly by the government and private sector, will be instituted to encourage travel agents to sell Guam aggressively. Finally, in addition to these six marketing initiatives, we will continue to push hard on our group incentive tour market, which last year made up about 30% of our visitor mix, and we will continue to

exploit magazine and TV “tie ins” and other cooperative projects that offer us significant leverage in publicity, funding, and market reach.

As you can see, our plan is very aggressive, highly focused and tactical. It will go after specific segments that we believe offer the greatest opportunities for success, taking into account consumer sentiment, demographics, travel behavior, airline seat capacity, and competition from other destinations. The plan’s specific objective is to increase Japanese visitors from 1.1 million last year to 1.2 million this year. The marketing programs we have laid out in this presentation summarize where we intend to get our visitors, how we will impact market share by ports of departure, the budget allocation planned by market segmentation, and the target numbers to be achieved by geographic location.

Japan Marketing Priority 1998

1. Kanto/Tokyo
45% - 46% of all overseas travelers originate in Tokyo. Year round and mid week travel fairly dispersed throughout the year. Need to maintain uplift capacity.
2. Kansai/Osaka
20% of travelers originate from Osaka area. Weekend travel bunching and also need to maintain seat capacity.
3. Nagoya
11% of outbound travel from this area.

Japan Marketing Priority 1998

4. Fukuoka

Largest gateway in Kyushu and highly competitive international port at 6.6% of total outbounds. Need to preserve air service.

5. All Others

Sendai, Hokkaido, Niigata, Okayama and others. Seasonally driven and charter opportunities. Stimulate regional service to grow market.

1998 Objectives by Market/Port

<u>Market</u>	No (000's)		Outbound <u>F/cast</u>	(000's) % Guam <u>Share</u>	<u>Priority</u>
	<u>Visitors</u>				
	'97	'98			
Kanto	423.9	468	7,777	6.0	A+
Kansai	278.8	314.8	3,403	9.3	A
Nagoya	220.7	230.5	1917	12.0	B
Fukuoka	46.1	55.8	1115	5.0	A
Sendai	48.5	49.5	618	8.0	C
Hokkaido & Others	95	100	2137	4.7	C/D
Total	1,113.00	1,220.00	16,968.00	7.2%	

1998 Market Share By Port

<u>Area City/Port</u>	1998 Total		Guam		<u>Variance</u>	1998 Goal <u>Pax (000's)</u>
	Travellers <u>(000's)</u>	<u>% Share</u> <u>By Area</u>	<u>% Market Share</u> <u>1997</u>	<u>1998</u>		
Kanto	7,776	46	5.6	6.0	+0.4	470
Kansai	3,400	20	9.3	9.3	+0.0	315
Nagoya	1,920	11.3	11.1	12.0	+0.9	230
Fukuoka	1,115	6.6	3.6	5.0	+1.4	56
Sendai	620	3.6	7.8	8.0	+0.2	50
Hokkaido	378	2.2	7.4	6.6	-0.8	25
Others Combined	<u>1,751</u>	<u>10.3</u>	<u>2.9</u>	<u>4.5</u>	<u>+1.6</u>	<u>80</u>
TOTAL	16,960	100	6.6	7.2	+0.6	1,226

GVB 1998 Japan Marketing Budget - Original Plan

Target Segment	Kanto	Kansai	Fukuoka	Nagoya	Sendai	Hokkaido	Others	Total (000's)
1. Theme campaign Gen sight seeing	2,275	826	271	289	75	67	118	3,920
2. Summer campaign	1,100	370	130	135	22	26	52	1,835
3. Special Interest Golf	141	60	13	54	15	8	17	308
Diving	30	20	3	14	4	2	4	77
Wedding	14	9	2	6	2	1	2	36
4. Incentive	210	137	23	95	26	13	30	534
5. Trade/other	154	47	17	25	6	5	7	261
\$ Investment Per Pax								
1998	8.30	4.20	8.00	3.60	2.50	4.10	4.00	5.80
1997	5.80	2.90	2.40	2.30	1.80	3.00	3.90	3.80
1996	5.50	2.50	1.10	1.60	1.10	1.80	2.90	3.30

GVB 1998 Japan Marketing Budget (Revised)

(As of Feb. 24, 1998)

Goal: 1,200,000 visitors

7.1% Share out of 16,968,000 Outbound market

(\$1=¥130)

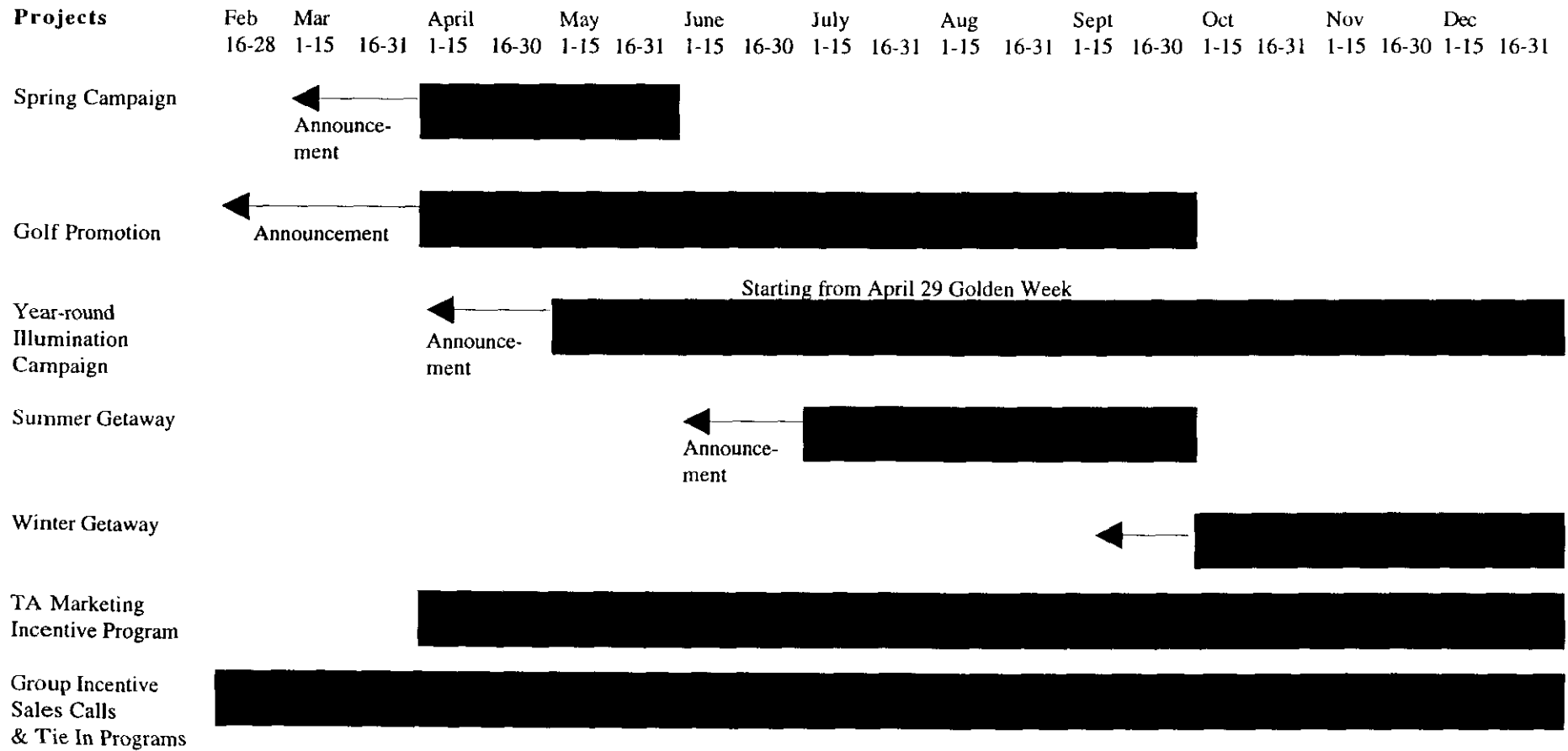
Target Segment	Kanto	Kansai	Fukuoka	Nagoya	Sendai	Hokkaido	Other	Total (\$'000)	Budget Share(%)
1. Theme campaign (Gen sight see	1,030	536	200	307	46	46	46	2,211	18.55%
2. Spring Campaign	1,015	530	205	250	50	30	50	2,130	17.87%
3. Year-round Illumination	1,083	700	49	670	80	36	114	2,732	22.92%
4. Summer Campaign	980	563	132	320	60	60	199	2,314	19.41%
5. Winter Campaign	333	100	30	60	15	15	15	568	4.76%
6. Special interest									
Golf	141	60	13	54	15	8	17	308	2.58%
Diving	30	20	3	14	4	2	4	77	0.65%
Wedding	14	9	2	6	2	1	2	36	0.30%
7. Marketing/Incentive	627	320	51	192	26	20	48	1,284	10.77%
8. Trade/Others	154	47	17	25	6	5	7	261	2.19%
Sub Total	5,407	2,885	702	1,898	304	223	502	11,921	100.00%
Budget share %	45.36%	24.20%	5.89%	15.92%	2.55%	1.87%	4.21%	100.00%	
Investment Per Pax (\$)									
1998	11.56	9.80	12.57	8.23	6.15	8.91	6.52	9.93	
1997	5.80	2.90	2.40	2.30	1.80	3.00	3.90	3.80	
1996	5.50	2.50	1.10	1.60	1.10	1.80	2.90	3.30	

Visitor Projections by Geographic Region

'98 Realistic Projections by Area

	Guam 1997	Projection (%)	Outbound (Forecast)	Market Share (%)	Goals	Investment Priority
Kanto	423,942	467,902 (110.4%)	7,776,855	6.0%	Maintain '97 Load Factor of 66.9%	A+
Kansai	278,788	314,841 (112.9%)	3,402,612	9.3%	Increase Load Factor 60%	A
Nagoya	220,700	230,516 (104.4%)	1,917,730	12.0%	Maintain '97 load Factor of 80.8%	B
Fukuoka	46,066	55,852 (121.2%)	1,115,014	5.0%	Increase Load Factor 60%	A
Sendai	48,522	49,471 (102.0%)	618,764	8.0%	Maintain '97 Load Factor of 68.1%	C
Hokkaido	27,877	25,039 (89.8%)	377,767	6.6%	Maintain '97 Load Factor of 90.3%	D
Others	67,117	76,963 (114.7%)	1,759,258	4.4%	Increase by 4,000 Pax starting April	C
Total	1,113,012	1,220,584 (109.7%)	16,968,000	7.2%		

1998 Promotional Campaign





GUAM HOTEL & RESTAURANT ASSOCIATION

SUITE 106 HENGI PLAZA • P. O. BOX 8565 • TAMUNING, GUAM 96931 • TEL: 671 649 1447 • FAX: 671 649 8565

February 24, 1998

Honorable Alberto C. Lamorena V
Chairman
Committee on Tourism, Economic Development & Cultural Affairs
24th Guam Legislature
155 Hesler Street
Agana, Guam 96910

Subject: Bill No. 494 - Appropriate \$4.7 million for Marketing Program to Assist in the Recovery of Guam's Tourist Market

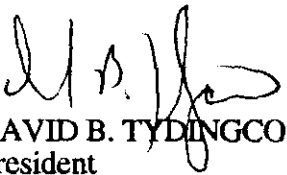
Hafa Adai Mr. Chairman, Members of the Committee:

Thank you for giving the Guam Hotel & Restaurant Association the opportunity to testify on Bill No. 494, an act to appropriate \$4.7 million dollars from the TAF for a Marketing Program to Assist in the Recovery of Guam's Tourist Market.

We support the passage of Bill No. 494. The Guam Visitors Bureau has conducted several meetings with various visitor industry members who contributed to the development of the strategic marketing plan. We will leave discussion of the details of the strategic plan to the panel assembled by the Guam Visitors Bureau.

We thank you again for giving us the opportunity to testify in support of Bill No. 494.

Si Yu'os Ma'ase,


DAVID B. TYDINGCO
President



Senator Alberto "Tony" Cristobal Lamorena V

Chairman

COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT AND CULTURAL AFFAIRS

Twenty-Fourth Guam Legislature

PUBLIC HEARING
2:03 P.M., Tuesday, February 24, 1998
Public Hearing Room, Guam Legislature Temporary Bldg.
155 Hesler St., Agana, Guam 96910



BILL NO. 494

WITNESS SIGN-IN SHEET

Table with 5 columns: NAME (please print), REPRESENTING SELF, DEPT., OR AGENCY, TELEPHONE NUMBER, MAILING ADDRESS, and TESTIMONY (FOR, AGAINST). Contains handwritten entries for David B. Mungelo, Larry McKenna, and G. Perez.