

Stephen C. Wahrlich

## Lodging Industry position Paper SJ 24

- I. Introduction – Good morning Chair Peregoy
  - a. Steve Wahrlich – Owner of the BW+ ClockTower Inn and Stella’s Kitchen and Bakery – in beautiful Downtown Billings, Montana
  - b. Chair of the Montana Lodging and Hospitality legislative committee and current board member
  - c. Board member of the American Hotel and Lodging Association – the national organization
  - d. Board member of the Tourism Advisory Council – TAC. However, my comments today are those ML&HA and myself and not those of TAC
- II. Goal today
  - a. Provide the committee with several suggestions we believe will benefit travel and tourism in Montana today, tomorrow and well into the future
    - i. 1st Goal – Modify existing laws to call for a new Strategic Marketing Board, appointed by the Governor who would collaborate with the office of tourism and travel partners within the state to ensure that a strategic tourism master plan is developed, implemented and if necessary modified.
    - ii. Support data-based marketing decisions by steering a portion of the University of Montana Institute of Tourism and Recreation Research dollars to consumer research to better inform, refine and evaluate marketing decisions.
- III. Before going into these in detail let me step back and refresh your memory on how the lodging business collect the bed tax
  - a. We have two types of Taxes:
    - i. 4% which is collected and used predominately for local and state tourism promotion – Commonly referred to as the Lodging Facility Tax
    - ii. 3% Called the Lodging Sales Tax which goes directly to the state’s General Fund
      1. In FY ’19 this tax represented \$26.9 million dollars to the general fund. No general fund dollars are used to market Montana.
      2. Since its inception in 2003, this Lodging Sales Tax has generated over \$262 million toward the state’s general fund.
      3. Effective 1/1/2020 with the help of ML&HA we increased the 3% to 4% with the additional 1% going to our historic assets – primarily
        - a. The development of the Historical Museum
        - b. Grants to museums throughout the state.
- IV. Now I’d like to go back and discuss our two suggestions in depth
  - a. Understand the hospitality industry believes the work done by the Office of Tourism is quality work! In the end we’re driven by not how well we are doing but by how much better can we do.
- V. The creation of a 7-member Strategic Marketing Board - appointed by the Governor
  - a. Qualified Members would have demonstrated a:
    - i. Strong Tourism Marketing background and be a controlling decision maker in today’s advertising and promotions marketplace
  - b. Preferable experience includes:
    - i. Are Strategic thinkers

- ii. Are Visionary
    - iii. Are respected by their peers
    - iv. Can get things done
  - c. This Board would be comprised of
    - i. 2 individuals from either a region or CVB
    - ii. Individual representing the State Tribal Economic Development Commission
    - iii.
    - iv. 3 individuals from the lodging community representing the East, Central and Western part of the State. These must understand tourism marketing and how DMO's and MOTBD operate,
    - v. Potentially an at large member
    - vi. Board also would have appointed liaison from Department of Commerce, Montana Office of Tourism and Business Development
  - d. This Strategic Marketing Board would meet 3-5 times per year and expenses would come out of the 4%.
    - i. We envision the marketing board, would provide annual reports, to the economic affairs legislative committee. This would provide all of you, and future legislators with the chance to hear more about state tourism marketing programs as well as provide input and suggestions directly to the department of commerce."
  - e. Their work product is really the creation, implementation, refinement of a Strategic Tourism Marketing Plan that can flow from the state level to down to the smallest CVB, TBID, and a Chamber of Commerce within the state
- VI. The Why
- a. 47 years I've been putting butts into beds – quite honestly that has not changed one bit
  - b. What has changed if how I go about getting those butts
    - i. My hotel is 53 years old
    - ii. I'm in the top 10 for ADR's in Billings
    - iii. I'm constantly above city wide occupancy
  - c. What has changed is the way I go about getting those butts –
  - d. In reality I've had to change my operation or how I go about getting those bodies every 18-24 months – LIKEWISE any BUSINESS MUST DO THE SAME TO SURVIE – TRUST ME THE OFFICE OF TOURISM IS A BUSINESS A BIG BUSINESS
  - e. As a state we've remained flat in our LFT over the last 4 years – in hotel terminology
    - i. Occupancy – Non Resident travel has increased but the ADR – or what they spend has gone down or just the opposite we have seen the spend increase but the # of non-resident travelers decrease – the exception to this is when AirBnb cut a deal with DOR to start paying some of the LFT and LST.
  - f. How do we move to 14-15 million non-resident travelers? Can we as a state accommodate this amount of non-resident travelers?
  - g. Administration and personnel changes
    - i. We've had 4 directors of commerce in the last 4 years
    - ii. 3 directors of marketing

- iii. Stability is key – having this SMB allows for the ongoing changes of administration and personnel without losing momentum and the dialogue between Helena and the tourism industry
- h. Unforeseen Market Disturbances and the ability to react
  - i. Eastern Montana
  - ii. Fires
  - iii. COVID 19/loss of substantial funding to marketing, admin and general fund
- i. Why Not TAC – isn't this the mission of TAC
  - i. Answer is no –
  - ii. TAC is to really oversee the 22% of the 4%
  - iii. These are the dollars going to the Regions and the CVB's within the state
    - 1. They work with them in their marketing plans and ensuring these dollars are being spent in accordance with State guidelines
    - 2. Minimal input as to the strategic direction of the Office of Tourism
  - iv. Why Not adjust TAC's mission?
    - 1. TAC is very good and has become very good at what they do
    - 2. Board members interest levels
    - 3. Amount of time being asked of TAC members
- VII. In the end the SMB collaborating with MOTBD is the best solution for an ongoing issue within the state.
- VIII. 2<sup>nd</sup> Change is to:
  - a. Revise the law to provide greater private sector overview of the Institute for Tourism and Travel Research - ITRR
  - b. Modify the law to allow for the SMB industry research to be done by other entities beyond ITRR
  - c. More than ever the need for current data in order for the state to be more responsive is critical to the Implementation of marketing plans
- IX. In Closing I'd like to thank the committee for their time in allowing in looking at what we believe could be a significant game changer for Travel and Tourism within the state.
- X. I'd also like to reiterate that Travel and Tourism has been devastated with COVID 19 and would strongly urge the upcoming legislature to look at not deviating from the way in which LFT \$ are distributed.
- XI. Finally, the 2 concepts have been vetted with our key tourism partners and they agree. But I remind the committee the key to any change is in the details – something if the committee is interested in pursuing then the details need to be worked out with MOTBD, travel partners and TAC
- XII. Thank you.

When you enhance the tools to strengthen the visitor economy for Montana, you not only strengthen state revenues, but you are attracting new dollars into Montana's main streets to circulate in every community across the state.