MEETING WITH WILLIAM WALTON
VICE-CHAIRMAN OF THE BOARD,
HOLIDAY INNS
Wednesday, June 23, 1976
5:30 p.m.
Re: FEA

MEETING WITH WILLIAM WALTON
VICE-CHAIRMAN OF THE BOARD,
HOLIDAY INNS
Wednesday, June 23, 1976
12:00 - 12:30 p.m.
Re: FEA

WILLIAM B. WALTON

VICE CHAIRMAN OF THE BOARD

HOLIDAY INNS, INC.
3742 LAMAR AVENUE
MEMPHIS, TENNESSEE 38118

PHONE 901/362-4602

~~file~~
~~Energy~~

MR. CANNON:

Do you want to do anything further with this?

j
6/25

forward to
Central files

THE WHITE HOUSE

WASHINGTON

June 23, 1976

MEMORANDUM FOR JIM CANNON

FROM: LARRY SPEAKES

SUBJECT: BILL WALTON APPOINTMENT

Here is some background on the appointment with Bill Walton:

Mr. Walton is Vice Chairman of the Board of Directors of Holiday Inns, Inc., next to Kimmons Wilson, he is their top man.

His problem breaks down this way: During the original Arab Oil Embargo, the President blocked FEA's plans to ban weekend gasoline sales. This was widely received in the tourism-travel industry, which is now largely supportive of the President.

Now FEA has published a set of contingency regulations in event of a second Arab Embargo. Included in this is the ban on Sunday gasoline sales.

Mr. Walton says the industry understands it will have to bear the brunt of any conservation effort if another Embargo is imposed. "This goes without saying," he says, "but do they have to rub our nose in it?"

The FEA is holding hearings in Washington today and will follow with a series of similar hearings around the country. Mr. Walton says this is spreading throughout the industry and will be disastrous for the President.

He would like for the President to say to FEA: "This is not what I want. The tourism-travel industry will have to bear their share of the load, but not all of it."

Mr. Walton asked for a meeting with the President either today or Friday. I told him that would not be possible but you would hear him out and convey this immediately to the President.

He has met at least twice previously with the President. Bill Baroody brought in the Holiday Inn leadership a year ago and when the President was in Memphis last month, we brought him in the Holding Room for a brief conversation.

STATEMENT

of

HOLIDAY INNS, INC.

at the

HEARING ON ENERGY CONSERVATION CONTINGENCY PLANS

of the

FEDERAL ENERGY ADMINISTRATION

June 23, 1976
Washington, D.C.

Philip F. Zeidman
BROWNSTEIN ZEIDMAN SCHOMER and CHASE
Suite 900
1025 Connecticut Avenue, N.W.
Washington, D.C. 20036

Telephone: (202) 457-6500

Special Counsel to
Holiday Inns, Inc.

My name is Philip F. Zeidman. I am an attorney with the Washington law firm of Brownstein Zeidman Schomer and Chase and am appearing today on behalf of Holiday Inns, Inc.

Holiday Inns' interest in the proposed Energy Conservation Contingency Plans under discussion today stems from its recognition of the central role that energy conservation must occupy in business as well as government planning. As the nation's largest food and lodging concern, Holiday Inns was an early and vigorous proponent of aggressive energy management programs. We continue to believe that voluntary conservation policies are to be preferred, and are likely to pay the greatest conservation dividends. We nonetheless acknowledge that in cases of urgent national need, mandatory programs may play a necessary - if limited - role in overall energy policy. My comments today will be directed at the necessity, and the limits, of the plans now under study.

It is with a mixture of gratification and disappointment that Holiday Inns assesses the proposed Contingency Plans -- gratification for those aspects of the proposed Plans that would enforce sensible measures with tolerable adverse effects on economic well-being, health or safety - such as reasonably limited restrictions on heating, cooling and hot water; and grave disappointment at the elements of the Plans that would be economically destructive despite their apparently marginal contribution to energy savings - the weekend gasoline distribution restrictions and limitations on illuminated advertising and outdoor lighting.

In particular, the potentially devastating impact of the gasoline distribution restrictions demands closer questioning of the rationale for such restrictions, which appear to dismiss the lodging industry as an inconsequential element of the nation's economy. The advertising and lighting restrictions, while threatening a less severe impact, nevertheless ignore legitimate considerations of safety, convenience and practicality related to the use of such signs.

<u>Emergency Weekend Gasoline and Diesel Fuel Retail Distribution Restrictions</u>

This Plan would make unlawful the pumping of gasoline or diesel fuel during the period of time between Friday noon and Sunday midnight, or any hours within such period as are established by the Administrator.

The voluntary ban on <u>Sunday</u> sales of gasolines that followed the oil embargo produced a disastrous effect on lodging operations. According to data from the American Hotel and Motel Association, occupancies for highway-oriented accomodations during the ban declined 26% from the prior year. Weekend occupancy dropped from 65-75% to 20-25%. Some lodging chains shut down on weekends and some smaller motels were forced out of business. Related tourist businesses suffered similarly severe impacts. One can only speculate, but can hardly doubt, the even more devastating effect of a weekend-long ban on sales of gasoline to passenger cars as proposed by the Contingency Plan.

If the sharp loss in volume for lodging and other travel-related enterprises were a necessary result of drastic economy-wide restrictions imposed on many industries in a period of a national energy crisis, Holiday Inns would not shirk from "taking its lumps" along with everyone else. It is, however, the singling out of the travel industry for sacrifice, as a seemingly "non-essential" industry, that renders this proposed Contingency Plan so objectionable.

In its discussion of the proposal, the Agency noted that certain types of vehicles, such as trucks and taxis, would be permitted to purchase fuel on weekends "[i]n order to avoid disrupting the normal flow of business and commerce, . . ." 41 Fed. Reg. 21909 (May 28, 1976). The severe impacts of the proposed restrictions outlined below show that the Plan would dramatically disrupt normal business and commerce -- in the tourist industry. Employees of the travel industry work on weekends, and many drive to work - they apparently would not be able to purchase gasoline. Even more clearly, consumers of travel services, - Holiday Inns' customers - would simply be unable to purchase gasoline on weekends, and thus as a practical matter unable to purchase those services.

In this connection, we note the prohibition of Section 202(a)(2) of the EPCA that <u>no energy conservation contingency plan may impose petroleum rationing</u>. Yet the weekend gasoline restrictions appear to do just that by establishing end-user classes by type and number and crudely purporting to distinguish between essential and non-essential uses. Of course, they are the worst sort of rationing plan -- especially when measured against FEA's implicit proposed gasoline rationing plan which spreads out the burden among all users -- for they select arbitrarily a single class of users and industry to bear the burden of rationing.

Aside from the apparent prohibition against such a Contingency Plan, there are persuasive considerations of policy opposed to one-sided regulation of the travel industry. Congress has already noted - and firmly rejected - the impulse to turn first to travel as a target when imposing conservation measures. For example the Conference Report to the Energy Emergency Act of 1973 (S.2589) noted:

> . . . there must be a realization by those in authority that the public good is not served by denying allocations of fuel for certain uses which have the appearance of being non-essential (such as recreational activities or various aspects of general aviation) if to do so would result in significant unemployment and economic recession for some regions of the country. There are, of course, many areas in this nation where recreation and tourism provide the base of the local economy. Careful attention must be given to the needs of these as well as other areas.
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> * * *
>
> Access to adequate supplies of fuels is basic to the survival of virtually every commercial enterprise and, accordingly, government must act with great care to assure that its actions are equitable and do not unreasonably discriminate among users.
>
> * * *
>
> The Committee intends the term equitable to be applied in its broadest and most general sense. As such, the term denotes the spirit of fairness, justness, and right dealing. No user or class of

users should be called upon during this shortage period to carry an unreasonably disproportionate share of the burden. This is fundamental to the traditional notion of fairness and equal protection. The Committee expects the President and the Administrator of the Federal Emergency Energy Administration created under this Act to assiduously observe these requirements in the conduct of their functions. (pp. 43, 44)

Later, in April of 1974, the Senate unanimously passed Senate Resolution 281, expressing the sense of the Senate that any federal program dealing with the energy shortage should give appropriate consideration to the provision of an adequate supply of energy for the travel industry. Preceded by extensive hearings and a consideration of the contributions of the industry to the nation's economy, the accompanying Report of the Commerce Committee (S. Rep. 93-791) found that the needs and interests of the tourism industry appeared, in many cases, to be either overlooked or assigned secondary importance. One of the dominant themes during the hearing was that an adequate supply of gasoline is absolutely essential for a viable tourism industry.

> Your Committee was told, for example, that of the 25 million visitors to Florida in 1973, 80 percent came in passenger cars of which one in five was a recreational vehicle. Reports indicate that automobile travel to Florida during the winter 1973-74 was down 30 to 50 percent.
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> Country-wide attractions such as theme parks, historical sites, national parks, and recreational areas reported losses of attendance and revenues from 20-70 percent. Motels and motor hotels along the highways, where occupancies in the 50-55 percent ranges are required to make a profit, reported occupancies of less than 5 percent on weekends and 30 percent during the week.
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an estimated $716,800,000 in tourism expenditures was not realized, 179,000 jobs were placed in jeopardy, and 90,000 people were dropped from payrolls. These figures do not include losses of employment in air transport and other inter-city passenger services segments of the industry.

* * *

The Committee Report cited other estimates,

> . . . that had the Sunday ban on gasoline continued, had the actual shortages due to reduced allocation of fuel for automobile use continued, and if the fear and uncertainty concerning the availability of fuel and services along the highways continued, loss of expenditures by tourists in excess of $2.8 billion would have occurred, and the employment of 716,000 people would have been affected.
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> The Recreation Vehicle Council estimated the payroll cutback throughout its industry attributable to the energy crisis at $415 million.

Further indication of Federal recognition of the significant role played by the travel industry is a report prepared at the request of the Chairman of the Subcommittee on Transportation and Commerce of the Committee on Interstate and Foreign Commerce by the Department of Commerce, Impact of the United States Energy Policy on the Tourism Industry. */ The report emphasized that the travel industry is important to the American economy as it: (1) supports small businesses, (2) assists local economies, (3) generates employment, (4) contributes to foreign exchange earnings, and (5) provides the necessary infrastructure to accommodate business travel. The report disclosed that while out-of-town or travel over

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*/ U.S. Department of Commerce, Commerce Today, February 4, 1974, pp. 8-9.

50 miles uses 5 percent of the total U.S. energy consumed, it contributes nearly an equal proportion of the goods and services produced by the nation (over 4 percent of the gross national product).

I refer you to The Importance of Tourism to the U.S. Economy, a study by the United States Travel Data Center. That study buttresses the foregoing analysis and provides substantial data as to the contribution of the industry to the economic well-being. One of the most important conclusions of the Commerce Department report was that station closings, odd/even day sales and gas rationing cause misallocations of resources, create inequities which result in disruptions of the economy, and directly or indirectly bring about grave effects within the travel industry.

In view of the severe effect of the proposed restrictions on Holiday Inns and the prevailing notion that the travel industry is in every sense a true and contributing partner in our economy, I believe you can understand our dismay at FEA's blithe acknowledgment that the proposed plan will have a "measurable impact on certain regions and sectors of the economy", principally "tourism, recreation, hotels and restaurants, recreational boating and aviation, retail gas sales." 41 Fed. Reg. 21910 (May 28, 1976). Although we do not have the benefit of the "microeconomic analysis" that FEA is preparing to analyze the impact of gasoline distribution restrictions, we submit that unless the Agency first undertakes to examine alternative distribution restrictions -- and shows them to have an even greater adverse impact on the economy -- there can be no justification for such arbitrary treatment of the tourism industry. Indeed, the failure to prepare this economic analysis in time for consideration at these hearings suggests that it will simply seek to provide a rationale for decisions already made, rather than represent a contribution to a thoughtful decision-making process. In view of FEA's statutory obligation to consider the economic impact of its Contingency Plans, the absence of the analysis at this crucial juncture in the regulatory process appears to make serious consideration unlikely.

In the FEA news release accompanying the publication of the Contingency Plans, Administrator Zarb noted that implementation of the Plans might cause "inconvenience" but would be necessary "to preserve jobs." While the Plans generally seem to fit this criterion (providing for limitations on commuter parking, for example), the restrictions on weekend gasoline distribution strike an altogether different note. As I have suggested, the restrictions promise to produce not mere inconvenience but severe hardship for the multitude of small and large businesses that make up the travel industry.

We think the wiser course would be to withdraw the third proposed contingency plan, at least until the Agency has had an opportunity to analyze fully the drastic effect that would follow the implementation of the Plan. While we are mindful of the statutory timetable for submission of these plans to Congress, we do not think that administrative delay, which has already truncated the opportunity for public digestion and analysis of these proposals, can justify submission of a Plan which is both unnecessarily arbitrary and of dubious effectiveness.

As noted above, the impact of the weekend restrictions is closely akin to that of a gasoline rationing plan, which is acknowledged by the Energy Policy and Conservation Act to be a far more severe, last-ditch measure. But for the tourism industry, the contingency plan may be worse than an explicit rationing plan, which aims to spread the impact across all segments of the economy. Indeed, the Contingency Plan amounts to the most inequitable rationing plan imaginable.

While Holiday Inns by no means endorses FEA's proposed Gasoline Rationing Contingency Plan -- with its cumbersome regulatory scheme -- there are at least two aspects of that Plan that are conspicuously absent from the proposed gasoline distribution restrictions. First, FEA at least recognizes that "[m]andatory rationing would be implemented only if all other options for managing a petroleum shortfall proved inadequate, including the conservation contingency plans. . ." 41 Fed. Reg. 21918 (May 28, 1976). Second, the gasoline rationing plan was drafted "to avoid extreme hardship for any group or region" (id.). The gasoline distribution plan could not survive application of either of the foregoing tests; yet it seeks to achieve conservation through a regulatory scheme very close in its effects to outright rationing. The tourism industry and the economy would be better served by withdrawal of this drastic proposal, and its imposition, if at all, only if the same preconditions for triggering of a comprehensive gasoline rationing plan are found to be present.

Emergency Restrictions on Illuminated Advertising and Certain Gas Lighting

The Plan would forbid the use of electricity or natural gas for illumination of advertising signs and the use of natural gas for outdoor lighting.

While Holiday Inns can, however regretfully, appreciate the necessity of regulating truly "non-essential" lighting, it appears that the usefulness of much advertising and outdoor lighting has been ignored in this proposed Contingency Plan.

Holiday Inns has already reduced by 75% the electrical consumption of its "Great Signs" by turning off the blinking incandescent lights and cutting off neon lighting on the signs at midnight each night. Twenty-five percent of the lights illuminating Holiday Inns' highway billboard signs have been turned off.

We believe that darkening these signs would be a positive disservice to travelers, who rely upon them for directions - especially at night and often in unfamiliar territory. The Priority of Quality, the Summary Report of the Commission on Highway Beautification, recognized these values of outdoor advertising. It concluded as follows:

> The Commission suggests that Congress may wish to consider making some distinction between outdoor advertising signs which simply advertise products and those which provide information of potential usefulness to motorists regarding services and facilities in which highway travelers may be expected to have specific interest. In the latter category, it has been indicated that motorists frequently desire information containing directions, descriptions and distances concerning such traveler-oriented services and facilities as lodging, eating, automobile servicing, camping, tourist attractions, truck stops, and possibly other facilities for motorists. The need for such businesses to get information to motorists is important to the safety and convenience of motorists as well as to economic well-being of the businesses.

Further, it would certainly be energy-ineffecient to force travelers to drive further in search of lodging or other services. Particularly objectionable is the failure of the Plan to provide for reductions in the lighting of particular signs so as to permit, where possible, illumination of small portions of a sign that advertise the name of a business, for example. Many companies - Holiday Inns included, as noted above - have accomplished energy savings in precisely this fashion. By heavy-handedly barring <u>all</u> such lighting, the Plan robs businessmen of the incentive to engage in conservation measures which may hold out considerable promise.

As to outdoor lighting, most businesses have already reduced such lighting to that necessary for safety and security purposes. While we recognize that the Contingency Plan would prohibit only natural gas outdoor lighting -- and thus largely aims at decorative lighting -- some such uses may be necessary for safety or security.

Finally, the candid disclosure that this Plan is designed in large part, not for true conservation, but rather to "lend credence" to the overall energy conservation program, ill befits a regulatory agency charged with responsibility for substantive conservation measures. The limitations on freedom of advertising for businesses and the inconvenience to travelers are heavy prices to pay for negligible conservation results.

If such restrictions are to be proposed we suggest that the Contingency Plan should be modified to permit the owner or operator of a business to reduce the energy consumption of an advertising sign, where possible. Further, a provision should be made for a good faith determination by the operator as to whether any particular advertising or outdoor lighting serves a useful purpose related to safety, security or conveying necessary information. Such standards would be the mark of an enlightened conservation program, which recognizes that businessmen have substantial incentives to conserve energy and will undertake substantial efforts to do so.

I will be pleased to answer any questions you may have, or to submit material for the record if time does not permit further discussion. Thank you.

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June 23, 1976
Washington, D.C.

Philip F. Zeidman
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In particular, the potentially devastating impact of the gasoline distribution restrictions demands closer questioning of the rationale for such restrictions, which appear to dismiss the lodging industry as an inconsequential element of the nation's economy. The advertising and lighting restrictions, while threatening a less severe impact, nevertheless ignore legitimate considerations of safety, convenience and practicality related to the use of such signs.

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As noted above, the impact of the weekend restrictions is closely akin to that of a gasoline rationing plan, which is acknowledged by the Energy Policy and Conservation Act to be a far more severe, last-ditch measure. But for the tourism industry, the contingency plan may be <u>worse</u> than an explicit rationing plan, which aims to spread the impact across all segments of the economy. Indeed, the Contingency Plan amounts to the most inequitable rationing plan imaginable.

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> The Commission suggests that Congress may wish to consider making some distinction between outdoor advertising signs which simply advertise products and those which provide information of potential usefulness to motorists regarding services and facilities in which highway travelers may be expected to have specific interest. In the latter category, it has been indicated that motorists frequently desire information containing directions, descriptions and distances concerning such traveler-oriented services and facilities as lodging, eating, automobile servicing, camping, tourist attractions, truck stops, and possibly other facilities for motorists. The need for such businesses to get information to motorists is important to the safety and convenience of motorists as well as to economic well-being of the businesses.

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As to outdoor lighting, most businesses have already reduced such lighting to that necessary for safety and security purposes. While we recognize that the Contingency Plan would prohibit only natural gas outdoor lighting -- and thus largely aims at decorative lighting -- some such uses may be necessary for safety or security.

Finally, the candid disclosure that this Plan is designed in large part, not for true conservation, but rather to "lend credence" to the overall energy conservation program, ill befits a regulatory agency charged with responsibility for substantive conservation measures. The limitations on freedom of advertising for businesses and the inconvenience to travelers are heavy prices to pay for negligible conservation results.

If such restrictions are to be proposed we suggest that the Contingency Plan should be modified to permit the owner or operator of a business to reduce the energy consumption of an advertising sign, where possible. Further, a provision should be made for a good faith determination by the operator as to whether any particular advertising or outdoor lighting serves a useful purpose related to safety, security or conveying necessary information. Such standards would be the mark of an enlightened conservation program, which recognizes that businessmen have substantial incentives to conserve energy and will undertake substantial efforts to do so.

I will be pleased to answer any questions you may have, or to submit material for the record if time does not permit further discussion. Thank you.

**Special Travel Industry Council**
**On Energy Conservation**

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# Comments and Analysis

# on

# THE CONTINGENCY GASOLINE AND DIESEL FUEL RATIONING REGULATIONS

Published by

The Federal Energy Administration

in

The Federal Register

Vol. 41, No. 105 - Friday, May 28, 1976

(Pages 21918 - 21934)

June, 1976

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# SUMMARY

This analysis and comment sets forth the economic importance of travel to the economy in terms of expenditures and employment using 1974 data produced by the Travel Economic Impact Model.

It points out that the travel industry depends entirely on energy to operate. The critical need is for fuel for the modes of passenger transport used by travelers.

The public modes of passenger transport are allocated needed fuels under mandatory petroleum allocation and price control regulations. If the recommendation that all forms of public passenger transport providing out-of-town transportation receive 100% of current requirements (including air carriers and passenger car rental firms) is accepted, then adequate fuels will be received by them.

The private modes of passenger transport receive fuel through the gasoline allocation and fuel ration regulations and the diesel fuel rationing regulations.

Almost 70% of all travel expenditure by all modes of transport is made by automobile travelers. These expenditures provide the major financial support for the industry as a whole and directly sustain 2.5 million of the 3.7 million jobs involved.

The gasoline allocation and rationing regulations do not deal adequately or equitably with elements of the travel industry. The inadequacies and omissions in the rationing regulations and proposals with respect to them are:

(1) Passenger car rental firms are not included; as they should be, as part of the public passenger transportation system needing 100% of current fuel requirement.

(2) Firms providing emergency repair towing and related services for automobiles on out-of-town travel are not included, as they should be, with other emergency services needing 100% of current fuel requirements.

(3) There is no provision dealing specifically with the gasoline requirements of foreign visitors traveling in the United States. A procedure for them to receive a gasoline ration is recommended.

(4) The regulation dealing with business travelers require clarification; the regulations only contain specific and clear provisions on how one type of business user -- the commissioned outside salesman -- can obtain fuel for sales activities.

(5) The importance of household vacation travel by automobile should be recognized in the regulations since 64% of <u>all</u> travel expenditures for all purposes are made by automobile travelers.

The regulations make it possible to accumulate ration coupons however they should contain assurances that accumulated coupons will not be declared invalid capriciously.

A procedure should be introduced in the regulations to permit residents of one state to obtain coupons during stays of long duration in another state to permit planning of vacations.

The ability of household members to compete in the "white market" with other classes of users in a short supply of coupon situation is questioned.

(6) The entire operation of the "white market" as a mechanism to provide an equitable distribution of fuel for travelers using the automobile as the mode of passenger transport is questionable. The industry is largely dependent on the expenditures of automobile travelers and it recommends more data be provided concerning gasoline availability at various levels of gasoline shortfall and under various household gasoline consumption patterns to permit proper analysis.

I. PREFACE

The Special Travel Industry Council on Energy Conservation (STICEC) was established in 1973 to develop energy conservation policies and programs and to represent the energy policy interests of travelers, travel employees, and the various businesses that are major components of the travel industry. STICEC seeks equitable treatment, not special consideration, in connection with legislative and administrative actions taken in response to our national energy requirements.

STICEC also believes that the interests of the nation and the travel industry are best served by a national policy to reduce dependence on foreign energy supplies by developing U.S. resources and to stimulate conservation of energy among all users in both business and government. If such a policy is not effectively implemented, America and its travel industry will become even more vulnerable to disruption by foreign petroleum suppliers in the years ahead. Its efforts over the last two years have focused attention on the industry's need for a new conservation ethic and for concrete programs to save energy.

The purpose of these comments and analysis is to present the views of the Special Travel Industry Council on Energy Conservation with respect to the Proposed Gasoline and Diesel Fuel Rationing Plan of the Federal Energy Administration, published in the Federal Register on May 28, 1976. We hope that the comments and analysis provide some perspective in the Administration's effort to reduce fuel consumption while preserving economic stability and growth. The interlocking dependence of the travel industry and transportation is of critical importance. During a period of severe fuel shortage, the travel industry is concerned that the total transportation system remains viable.

We do not advocate contingency plans to allocate additional fuel to passenger cars at the expense of public transportation. But we do seek emergency plans that will permit reasonably normal patterns of use of the passenger car, even at significantly reduced levels.

The Council comprises leaders from major components of the travel industry -- transportation, food, lodging and recreation. The membership reflects the varied nature of the industry, and is listed below.

William D. Toohey
Chairman
Special Travel Industry
Council on Energy Conservation
June 23, 1976

Air Transport Association of America
American Automobile Association
American Hotel and Motel Association
American Society of Travel Agents, Inc.
Amtrak
Car & Truck Renting & Leasing Association
Conference of National Park Concessioners
Discover America Travel Organizations, Inc.
Florida Caribbean Cruise Association
Gray Line Sight-Seeing Companies Associated, Inc.
International Passenger Ship Association
National Air Carrier Association, Inc.
National Association of Motor Bus Owners
National Innkeeping Association
National Ski Areas Association
National Tour Brokers Association
Recreational Vehicle Industry Association
State Government Travel Offices (CORTE)
Trans-Pacific Passenger Conference

Definition

Our concern is the effect of the proposed rationing regulations on the travel industry of the United States. When we speak of the travel industry we mean an interrelated amalgamation of those businesses and agencies which totally or in part provide the means of transport, goods, services, accommodations and other facilities for travel out of the home community for any purpose not related to local day-to-day activity.[1/]

Americans take trips within their country for many reasons. The U. S. Bureau of the Census[2/] collects data concerning trips by mode of transport according to the following purposes (1) to visit friends and relatives; (2) for business and attending conventions; (3) for outdoor recreation; (4) for sightseeing and entertainment; and (5) for other purposes such as personal and family affairs.

Expenditures

All travel for all purposes involves expenditures -- spending which generates jobs.

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1/ The terms "tourism" and "travel" are used interchangeably as are "tourism industry" and "travel industry" and "tourist" and "traveler".

2/ U. S. Bureau of the Census, Census of Transportation 1972. National Travel Survey, Travel Durin g 1972, TC72-N3. U. S. Government Printing Office, Washington, D. C. 1973

In 1974, travelers in the United States spent almost $72 billion as follows:[3/]

- $9.5 billion on public transportation services including air, bus, rail, ships and mixed mode transportation.
- $13.5 billion on personal motor vehicle transportation including automobile, truck, camper and other recreational vehicles.
- $10.6 billion on lodging at hotels, motels, motor hotels, resorts and campgrounds.
- $20.9 billion on food at restaurants, taverns, cafeterias, fast food and other eating and drinking places.
- $4.9 billion on entertainment and recreation at sports events, movie and legitimate theaters, attractions, theme parks, outdoor recreation areas including skiing and other indoor/outdoor amusement and recreation facilities.
- $8.5 billion on gifts and incidentals at department stores, souvenir stands, drug stores, gift shops and similar establishments.

In addition to the spending by Americans, visitors from foreign countries spent $4.032 billion traveling throughout the United States.

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3/ "Travel in America", a research report published by Discover America Travel Organizations, Inc. Its findings are based on estimates produced by the Travel Economic Impact Model designed and operated by the U.S. Travel Data Center for use of the U.S. Department of Interior. Report available from Discover America Travel Organizations, Inc., 1100 Connecticut Avenue, N.W., Washington, D.C. 20036.

Employment

This $72 billion expenditure generated about 3.7 million jobs directly of which

- 341,000 were in public transportation,
- 250,000 were in personal motor vehicle sales and service,
- 683,000 were in lodging,
- 1,551,000 were in eating and drinking places,
- 310,000 were in entertainment and recreation,
- 279,000 were in miscellaneous retail trade,
- 61,000 were in travel arrangement,
- 207,000 resulted from spending by foreign visitors in the United States.

It has been estimated[4/] that for every two jobs generated in the industries serving travelers directly, one job is indirectly generated in the industries supplying goods and services to tourist facilities. Thus 5.5 million jobs will be affected through any disruptions to the travel industry caused by the lack of adequate supplies of fuel.

Employment in the industries serving travelers directly has three distinguishing characteristics which should be taken into account when considering the effect a gasoline rationing plan will have on employment in the United States:

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4/ "Destination U.S.A." Report of the National Tourism Resources Review Commission. Vol. 1, Pages 93-99, June 1973. U. S. Government Printing Office, Washington, D. C.

- On the average, traveler serving businesses employ more people per dollar of payroll than most other types of employers.
- The travel industry employs more people per dollar of consumer spending than many other spending categories. Declines in traveler spending affect relatively more jobs than comparable declines in retail spending for most other commodities or manufactured items.
- Travel serving industries employ relatively more low-skilled, hard-to-place workers than other types of employers. Employees in these industries who are laid off or not hired have comparatively few alternative job options.

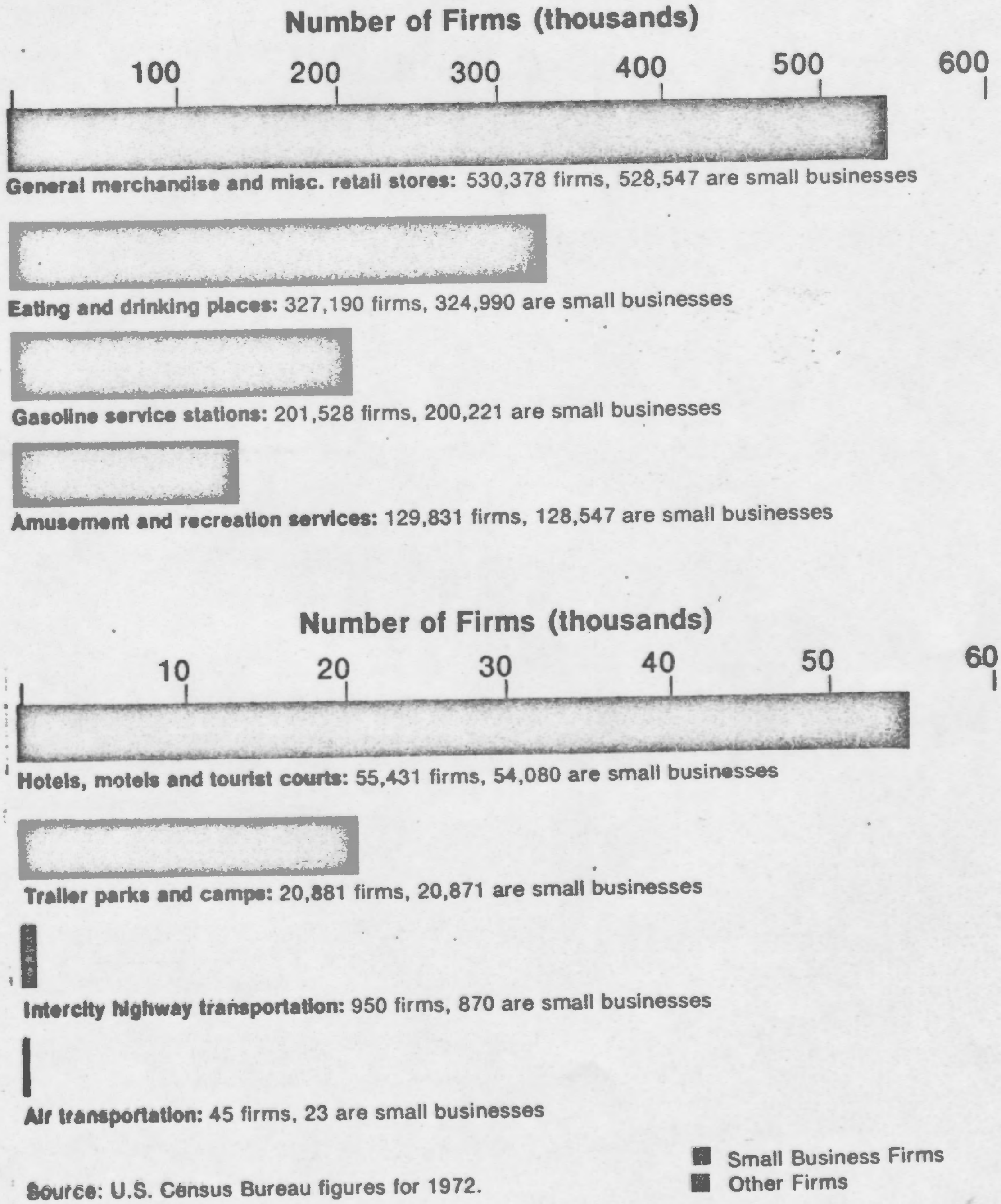
A Small (and Large) Business

A characteristic of the industries serving travelers is that they are dominated by small business firms. According to the U.S. Travel Data Center, of the 1.4 million travel-related business firms, 99% are classified as "small businesses" under the federal government's definitions.

If fuel is not provided for people to travel, these businesses will suffer accordingly. Those depending primarily on automobile travel will be damaged severely. Table 1 attached indicates the proportion of small business firms in travel serving industries.

Table 1

# Small Businesses Dominate the Travel Industry and Prosper with it.




Source: U.S. Census Bureau figures for 1972.

* Source: "Travel in America". See footnote 3/.

Adequate Supplies of Energy Needed

The travel industry is entirely dependent on fuel to operate. The critical need is adequate fuel to operate the several modes of transport used by travelers, not only for the passenger transportation services serving the public including air carriers, intercity bus lines, tour and charter bus companies and trains but also the private motor vehicles (automobile and recreation vehicles) used for transport.

Utilizing a technical definition of tourism as "travel to places 50 miles or more away from home for any purpose except commuting to and from work", the U.S. Travel Data Center calculated that in 1974 all modes of transportation connected with tourism accounted for only 10% of domestic petroleum consumption.[5/]

The FEA has assumed that any supply interruption severe enough to initiate implementation of the proposed gasoline and diesel fuel rationing regulations would cause the FEA to put into effect current Mandatory Petroleum Allocation and Price Regulations or regulations closely resembling them in concept. These regulations would control all fuels consumed by the modes of passenger transportation services utilized by travelers.[6/]

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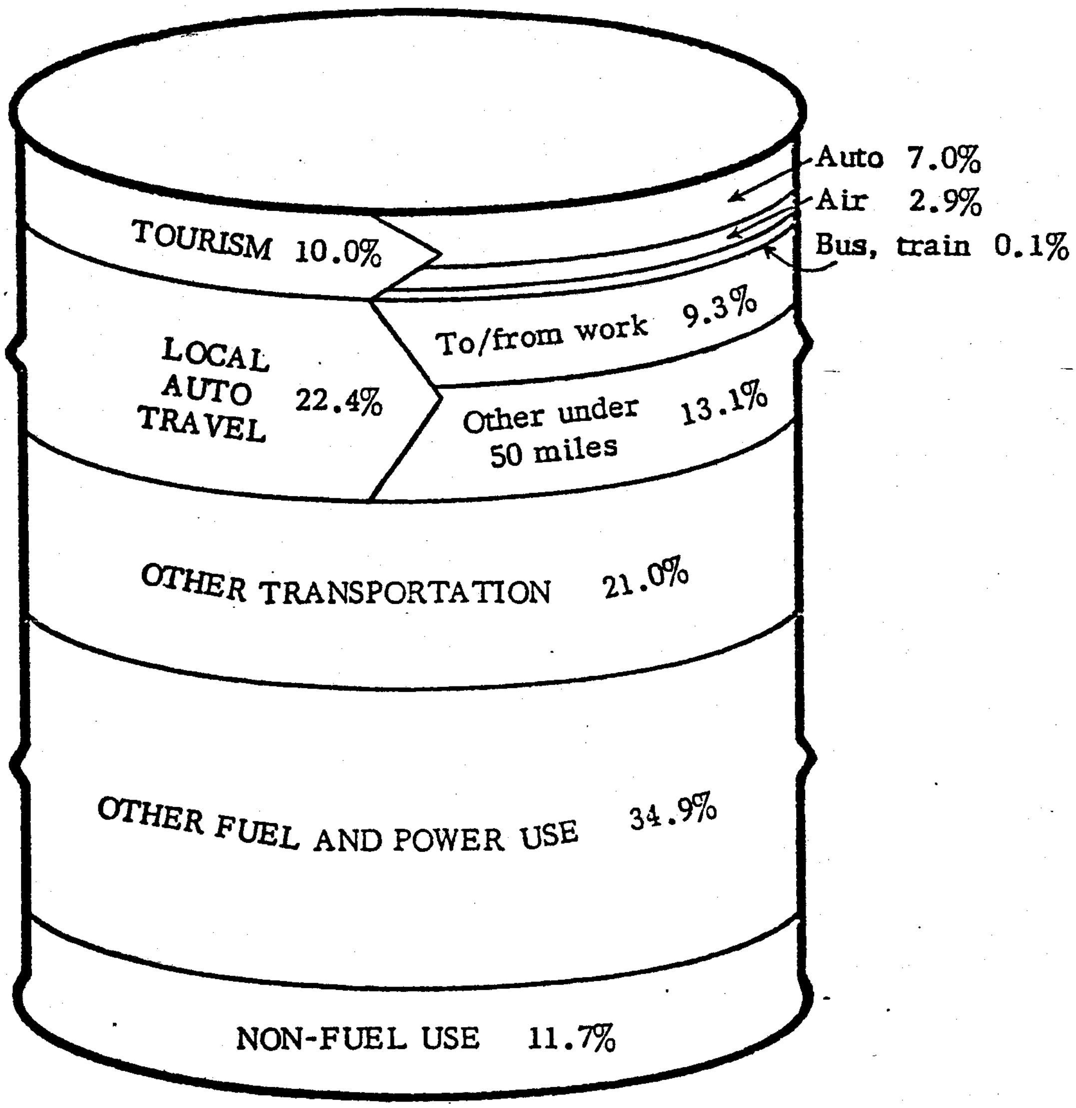
5/ Tourism consumed 10% (7% was by automobile, 2.9% was by air, and 0.1% was by bus and train; Local automobile travel under 50 miles one way used 22.4% (9.3% To/from work, Other 13.1%; Other transportation 21.0%; Other fuel and power use 34.9%; Non-fuel use 11.7%. U. S. consumption of petroleum in 1974 was 6,080.8 million barrels (preliminary). "The Importance of Tourism to the U.S. Economy" Pages 26-27 U.S. Travel Data Center. A reproduction of Page 27 is attached as Table 2.

6/ 10 CFR Chapter II Part 211 Subpart B Definitions

"Passenger transportation services" means (a) air and surface facilities and services, including water and rail, for carrying passengers whether publicly or privately owned, including tour and charter buses and taxicabs which serve the general public; and (b) bus transportation of pupils to and from school and school sponsored activities.

Table 2

# Tourism* Uses Only 10% of Domestic Petroleum Consumption




*Tourism = travel to places 50 miles or more away from home, as defined by the National Tourism Resources Review Commission, op. cit., Vol. 2, p. 4.

U.S. consumption of petroleum in 1974 was 6,080.8 million barrels (preliminary).

Source: U.S. Travel Data Center based on data supplied by the Air Transport Association; Bureau of Mines, U.S. Department of the Interior; Federal Highway Administration; Federal Energy Administration, National Association of Motor Bus Owners; National Railroad Passenger Corporation (Amtrak).

Gasoline consumed by passenger motor vehicles would be controlled by the proposed set of rationing regulations (Part 700). Diesel fuel sales other than at retail would be regulated in accordance with current Subpart G of the Mandatory Petroleum Allocation and Price Regulations dealing with middle distillate.

It should be recalled that during the December 1973 - March 1974 period of embargo which caused a shortfall in petroleum supplies there was a greater utilization of the public modes of intercity transport caused by shifts from the automobile mode. The travel industry believes that a similar shift would occur in any future period of shortfall and urges that provision be made to accommodate this when new allocations are being determined for all modes of public surface or air intercity transport.

The travel industry also continues to hold the view that all types of public passenger transport, including tour and charter bus companies, serving the general public should receive 100% of current fuel requirements.

The travel industry continues to believe that the car rental firms are a vital link in the public transportation system and must be provided with 100% of current fuel requirements in order to encourage more use of airlines, trains and buses between cities. Car rental firms provide an important public passenger transportation service and should be included in the definition of "passenger transportation services" of the Mandatory Petroleum Allocation and Price Regulations.7/

## CONTINGENCY RATIONING REGULATIONS

### General Comments

The FEA has stated that rationing is an attempt to spread the available gasoline equitably among all users, giving priority to certain activities which are considered essential to public health, safety and welfare, and preventing hardship from falling disproportionately on any region or on any class of gasoline consumers.8/

It is believed to be consistent with Section 201(f) of the Energy Policy and Conservation Act of 1975, rationing under a contingency plan should also be based on a consideration of the impacts of such a plan on employment (on a national and regional basis); on the economic vitality of states and regional areas; and on the gross national product.

With regard to the impact of a gasoline rationing plan on employment, it has been estimated that the $72 billion expenditure generated by trips

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7/ 10 CFR Chapter 11 Part 211 Subpart B Definitions. See footnote 6/.

8/ Federal Register, Vol. 41, No. 105 - Friday, May 28, 1976, Page 21918.

within the United States sustains 3.7 million jobs. Almost 70% of the $72 billion, or $54 million, is spent by travelers using the automobile as the mode of transport. This spending generates 2.5 million jobs directly. If rationing plan regulations do not provide adequate fuel for out-of-town travel, these jobs eill be adversely affected.

In considering the effect of the rationing plan regulations on the economic vitality of states and regional areas, it should be noted that the travel industry ranked among the top three industries in most States, according to testimony given on Senate Resolution 281 by the Assistant Secretary of Commerce for Tourism.9/ Table 3 attached sets forth the distribution of expenditures of U.S. travelers by State. Expenditures by foreign visitors can not be distributed by State but are included in the total $72 billion spending estimate.

With respect to the impact on the Gross National Product in 1974 the spending by U. S. travelers and foreign visitors in the United States - $72 billion - was about 5.1% of the total GNP.

The travel industry depends on a viable transportation system with adequate fuel supplies to carry on efficient operations. It realizes that during periods of substantial shortfall of energy, particularly of petroleum,

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9/ Hearings before the Subcommittee on Foreign Commerce and Tourism on S. Res. 281 To Express the Sense of the Senate with Respect to the Tourism Industry March 29-April 1, 1974 Serial No. 93-75. U. S. Government Printing Office, Washington, D.C.; 1974

Table 3

## 1974 U.S. Travel Expenditures by State Visited *
(Millions)

| | Total | | |
|---|---|---|---|
| Alabama | $ 581 | Montana | $ 440 |
| Alaska | 325 | Nebraska | 534 |
| Arizona | 855 | Nevada | 951* |
| Arkansas | 587 | New Hampshire | 452 |
| California | 8,158 | New Jersey | 2,011 |
| Colorado | 1,552 | New Mexico | 483 |
| Connecticut | 698 | New York | 4,049 |
| Delaware | 175 | North Carolina | 1,252 |
| Florida | 5,576 | North Dakota | 269 |
| Georgia | 1,373 | Ohio | 2,295 |
| Hawaii | 897 | Oklahoma | 776 |
| Idaho | 358 | Oregon | 1,026 |
| Illinois | 2,747 | Pennsylvania | 2,707 |
| Indiana | 1,072 | Rhode Island | 170 |
| Iowa | 567 | South Carolina | 974 |
| Kansas | 566 | South Dakota | 294 |
| Kentucky | 868 | Tennessee | 1,054 |
| Louisiana | 1,021 | Texas | 3,396 |
| Maine | 596 | Utah | 676 |
| Maryland | 1,037 | Vermont | 312 |
| Massachusetts | 1,836 | Virginia | 1,280 |
| Michigan | 2,600 | Washington | 1,394 |
| Minnesota | 1,944 | West Virginia | 575 |
| Mississippi | 469 | Wisconsin | 1,567 |
| Missouri | 1,433 | Wyoming | 313 |

| | |
|---|---|
| District of Columbia | $608 |
| Total U.S. Travelers | $67,746 |
| Total Foreign Visitors | 4,032 |
| Grand Total | $71,778 |

*Does not include traveler expenditures on gaming

* Source: "Travel In America". See footnote 3/.

it would be adversely affected along with other vital industries. All that is asked is that the economic importance of its expenditures and employment be taken equitably into account, that it not be assigned a disproportionate share of the burden.

Specific Comments and Recommendations

The travel industry has made a preliminary review of the proposed Mandatory Gasoline Allocation and Rationing Regulations and Diesel Fuel Rationing Regulations with the foregoing in mind and has comment and recommendations concerning (1) car rental firms; (2) emergency services for passenger motor vehicles; (3) foreign visitors; (4) business travel; (5) household vacation travel; and (6) the "white market" ration rights exchange market.

(1) Car Rental Firms

Subpart A, para. 700.4 of the proposed regulations contains a definition of a vehicle rental company which would include passenger car rental firms. Para. 700.45(c)(2), concerning the issuance of ration rights, makes provisions for vehicle rental companies to obtain ration credits according to the base period volume used by its employees on firm (the company) business. Volumes of gasoline used by customers are not included in the firm's base period use. The result is that those using passenger rental cars for non-business travel as a link in the public transportation system would be required to provide personal gasoline ration coupons for the fuel used. This is considered to be inequitable since personal ration coupons are not required for use of taxicabs, limousines and other forms of public transport. The travel industry recommends that passenger car rental firms by regulation be permitted to include the gasoline used by its renting customers in the base period volume and that para. 700.45(c)(2) of the proposed regulations be amended accordingly.

Another solution to this issue would be to amend para. 700.4 General definitions by including passenger car rental companies as "Passenger transportation services" to give them the same recognition as taxicabs and entitle such car rental firms to the ration credit level accorded passenger transportation services.

(2) Towing or repair and other emergency services for automobile travelers

The availability of towing, repair and other emergency services for passenger vehicles (automobiles and recreation vehicles) is necessary to assure the safety and welfare of travelers whose automobiles have become stalled, damaged or otherwise inoperative on trips out-of-town. Firms which provide such services to automobile travelers should be entitled to 100% of current requirements. This could be accomplished either by including such services in the definition of Emergency Services contained in para. 700.4 of the proposed regulations, or by establishing a new definition in that paragraph to include firms providing such services in para. 700.45(d) dealing with ration credit levels which provide 100% of current requirements.

(3) Foreign Visitors

It is current federal policy to encourage and promote travel to the United States by foreign visitors, among other reasons, to improve the commerce and foreign currency earnings of the nation. In 1974, all foreign visitors spent $4.032 billion in the United States which generated 207,500 jobs. According to the United States Travel Service of the U. S. Department of Commerce, the government agency mandated to promote travel to and within the United States,[10/] in 1974 there were 6.8 million total arrivals of visitors by automobile from Canada and Mexico. The expenditures of these visitors in the United States were $1.4 billion, or 34 percent of total receipts from all foreign visitors, which generated 70,985 jobs.

As we understand it, the gasoline rationing regulations contemplate that foreign visitors would be provided an allotment of ration coupons only if they hold drivers licenses issued by a state of the United States. Otherwise they would deal in the "white market" for ration rights to meet all their gasoline requirements. Obtaining coupons in a "white market" at the time of arrival at border ports is obviously impractical, would act as a severe deterrent to travel to the United States, and would adversely affect our foreign exchange earnings. A specific provision is needed to accommodate foreign visitors' gasoline requirements.

It is suggested that foreign visitors with foreign drivers licenses arriving in automobiles bearing foreign license plates be issued the same allotment of ration rights (8 coupons of 5 gallons each) as would be issued to

10/ Public Law 87-63 the "International Travel Act of 1961" to strengthen the domestic and foreign commerce of the United States by providing for a United States Travel Servic other eligible individuals during a ration period. These coupons would be issued at the border port of entry and would be non-negotiable.

It is recommended, therefore, that para. 700.44, concerning the issuance of ration rights to eligible individuals, be amended to provide that either U. S. Customs Service inspectors and/or U. S. Immigration and Nationality Service inspectors issue ration coupons to foreign visitors upon application by them at the border port of entry.

This would permit a trip of reasonable distance within the United States. Those planning longer trips, or stays of more than a month, might utilize the "white market" to obtain additional ration coupons.

(4) Business Travel

Of the $72 billion spent in 1974 by all business travelers 18% or $13 billion was spent on business trips by travelers making sales calls, attending meetings of firms or professional societies and conventions. Of the $13 billion spent by business travelers, $5 billion or 43% used the automobile as the mode of transport. Unless fuel is available for such travel the industries serving the automobile traveler will be damaged and 244,000 jobs will be jeopardized.

We note that para. 700.45 (c) (3) states that the needs of commissioned direct sales representatives shall be considered part of the firm's base period use even though the cost of the gasoline was borne by the salesman and not reimbursed by the firm. In such a case, the salesman would apply to the firm for ration rights for his sales activities requiring the use of the automobile.

It would appear that automobile business travel by other than direct sales representatives would depend upon access to the ration rights issued to the firm by which they are employed, if it is a firm entitled to a ration credit level under para. 700.45 (d) of the proposed regulations. As we understand it, the FEA will establish ration credit accounts at its regional processing centers or at participating banks. The FEA deposits ration credits in these accounts which may be used directly for gasoline by ration credit checks or exchanged for coupons at coupon issuance points. It thus appears that firms can supply individuals with credit checks or coupons to enable them to undertake a trip for business pruposes for that firm.

If the foregoing is correct, it is believed that the needs of the business traveler will largely be accommodated. However, the language of the regulations should specify that the volume of gasoline required for business trips be included in the calculations for all ration credit levels, be it 100% of current requirements, 100% of base period use or 90% of base period use.

If the ration for firms is less than 100% of requirements, we are mindful of the fact that it may be necessary to utilize the "white market" (ration rights exchange market) in order to accommodate some business travel of individuals in some firms. This will put additional demand on the market and probably lessen the supply of gasoline available for travel for purposes other than business and conventions.

(5) Household Vacation Travel

According to the U. S. Travel Data Center[11/], in 1974 64% of all travel spending was accounted for by vacation travel and 74% of such travel used the automobile as the form of transport.

The result is that $34 billion was spent for all purposes on automobile vacation trips. This spending generated 1.8 million jobs which are jeopardized unless the rationing plan contains a solution to the problems of providing gasoline for this type of travel.

(a) Accumulate Ration Coupons

The rationing plan must contain regulations which will permit individuals to accumulate ration coupons in anticipation of taking a vacation during a future ration period.

Subpart C of the proposed regulations dealing with the rationing of gasoline in effect provides that individuals will normally be alloted 8 coupons from a series redeemable for 5 gallons of gasoline for each ration period of 4 to 6 weeks. Para. 700.43 concerning the validity of the coupon states that ration coupons of any series will be valid from the first day of the ration period for which they were issued through the end of the Mandatory Gasoline Allocation and Rationing Program. The program can continue in operation for 9 months.

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11/ 1974 NATIONAL TRAVEL EXPENDITURE STUDY SUMMARY REPORT Page 24. U. S. Travel Data Center, 1100 Connecticut Avenue, N.W. Washington, D. C. 20036

It thus appears that it will be possible for individuals to accumulate coupons to obtain gasoline for a vacation trip. However, an element of real uncertainty which would damage the effectiveness of the market to make vacation travel possible is introduced by the fact that the FEA can, at any time, declare any portion of a series of coupons invalid and by notice to holders of any particular ration coupons held by that holder to be invalid and require such ration rights to be surrendered to FEA.

(b) Provide Assurances of Continued Validity of Coupons

It is recommended that the regulations provide more explanation of the conditions under which the coupons might be declared invalid to assure individuals that it is unlikely that any coupons they have accumulated for their household vacation travel will be declared invalid.

(c) Issuance of Coupons in Another State

Another proposal relating to household vacation travel is administrative in nature. The travel industry recommends that a procedure be included in the regulations that would permit licensed drivers in one state to obtain gasoline coupons while they are on extended visits in another state. For example, there are significant numbers of residents of northern states who spend several months in southern states during the winter. Another situation would be students attending out-of-state universities.

One solution would be to amend para. 700.44 (d) (1) (2) and (e) concerning the issuance of ration rights and authorization cards to permit eligible individuals holding drivers licenses in one state or their agents to apply for and obtain ration allotments in another state.

(6) The Ration Rights Exchange Market (the "white market")

(a) General

The travel industry has attempted to assess the operation of the ration rights exchange market, or the "white market" on separate forms of transport in relation to the fuel requirements of individual travelers.

If our positions and suggestions relative to the Mandatory Petroleum Allocation and Price Regulations and the Mandatory Gasoline Allocation and Rationing Regulations and Diesel Fuel Rationing Regulations are accepted, it would appear that forms of public passenger transportation utilized by travelers could be supplied with adequate fuel.

However, about 70% of all travel expenditures are made by travelers using private vehicles, largely the automobile, for travel out of the home community. 12/ Such expenditures generate 2.5 million jobs. Only one category of automobile traveler seems clearly assured of reasonable treatment under the rationing program - commissioned direct sales representatives traveling for their business sales activities. All others depend on the availability and use of gasoline coupons.

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12/ U.S. Travel Data Center, 1974 National Travel Expenditure Study

(b) <u>Distribution of Ration Rights</u>

Under its proposed regulations, the FEA would issue ration rights equal to the total estimated supply available for the period as follows:

(i) 1% to be reserved for distribution by the FEA to meet national disaster relief needs or emergency replenishment of State Hardship Reserves or other emergency need;

(ii) 3% to be reserved for distribution to the States based on population and other relevant factors for distribution through State Rationing and Local Rationing Boards to administer the State Hardship Reserve for handicapped persons, low income long distance commuters, migrant workers and other hardship needs;

(iii) The FEA will issue ration credits for all firms entitled to a credit level to meet their requirements at three levels:

- 100% of current requirements, for example, for firms providing Passenger Transportation Services
- 100% of a base period use, for example, for firms providing Sanitation Services
- 90% of a base period for firms which report gasoline as a business expense and all uses for religious, charitable, educational or other eleemosynary purposes not otherwise accorded a ration credit level.

(iv) Finally, the remaining ration rights will be issued to eligible individuals, largely those holding state drivers licenses.

(c) Availability of Gasoline Coupons on the "white market"

- In 1974 there were more than 125 million drivers licenses issued by all the states and the District of Columbia. It is estimated that in the same year over 105 million automobiles were registered.
- Unless past consumption patterns of households change, it would appear that most gasoline would be consumed for trips to and from work and other trips less than 50 miles. However, the "white market" might provide a solution to the problem of obtaining gasoline for trips of 50 miles one way or more, including vacation travel.
- Unless past gasoline consumption patterns of households change, it would appear that only those households with more than one licensed driver (each entitled to 40 gallons of gasoline per month) would obtain sufficient coupons to provide for some out-of-town travel and to accumulate coupons for vacations.
- It is also from the individual licensed drivers in such households that ration coupons would likely emerge in the "white market". These coupons, which might be purchased for out-of-town travel, would compete with those being purchased for other uses by firms and others at prices not affordable by most households.

(d) Proposal

The travel industry asks that further data be supplied to permit analysis and an evaluation by the FEA and the industry on the adequacy of the "white market" in operation to meet the needs of that part of the travel industry dependent on the automobile as the transport mode.

The travel industry believes that too much is at stake, in terms of travel expenditure and employment which impact on the economy of the nation, states and regions to leave this a matter of pure conjecture. It recommends that sufficient data be provided to perform in-depth analysis.