The original documents are located in Box 60, folder "1976/06/23 - William Walton (2)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

Special Travel Industry Council
On Energy Conservation

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Comments and Analysis

on

ENERGY CONSERVATION CONTINGENCY PLANS 1, 2, 3 AND 5

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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 Proposed Energy Conservation Contingency Plans 1, 2, 3 and 5 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

II. GENERAL BACKGROUND

A. National Conservation Goals

National energy conservation goals have not been clearly stated. The recently enacted Energy Policy and Conservation Act has not clearly articulated the nation's conservation goals. The result is that one proposed program is aimed at one conservation target, a second at another, a third at another. To the consumer and the industries that serve consumers, the intention of the nation's conservation efforts are not clear. Priorities in the Congress and Administration are not clearly understood.

The travel industry, which is prepared to support equitable conservation programs, urges Congress and the Administration to agree on energy conservation goals that are consistent with both the short and long term national interests. Without clearly articulated national goals, neither businesses nor individuals can contemplate stringent conservation measures with understanding or enthusiasm, especially, as in the case of the travel industry when such measures have direct, substantial adverse economic impact.

B. Definitions

1. The words "travel industry" 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.

2. The word "travel" is used to refer to that activity associated with taking a trip away from an individual's home community for any reason other than commuting to work. Travel activity as discussed herein is associated with some trip distance, usually 50 or 100 miles one-way, to allow accurate measurement.

3. A "traveler" is simply someone on a trip to a place out of his normal home area, be it for non-commuting business or pleasure purposes.
4. The words "travel" and "tourism" are used interchangeably throughout these comments.

C. <u>The Economic Importance of Travel In America</u>

1. <u>The Emerging Travel Industry</u>

This nation has become a land of travelers. U.S. Bureau of the Census figures indicate that 114 million Americans traveled an estimated 370 billion miles in 1972 on trips of 100 miles or more away from their homes.

To meet the demand for travel in America, a major industry has evolved. The industry is a mix of diverse activities associated with transportation, lodging, recreation and other industries. The rapid growth of demand for travel away from home and its spread into mass markets, is directly related to the long rise of per capita personal income which has increased by about two-thirds in the past 25 years. Whether we are talking about family vacations,weekend excursions, visits to family and friends in far-off places, or trips abroad, travel for recreational and personal purposes has grown explosively since World War II and has become nearly universal.

In addition to rising incomes, expanded and improved travel facilities -- highways, roadside facilities and air transportation -- have made this a reality.

2. <u>Economic Significance</u>

The economic dimensions of the U.S. travel industry are immense. New national figures on travel expenditures, employment, payroll and tax revenues have recently been developed. The data results from a Travel Economic Impact Model, developed for the U.S. Department of the Interior by the U.S. Travel Data Center. The Center is an independent, Washington-based, non-profit organization devoted exclusively to travel research. The Model, utilizing the figures compiled in the 1972 National Travel Survey, has established some impressive facts. These facts are contained in a recently published research report, Travel In America, a copy of which is attached to these comments as Exhibit A.

3. Travelers' Spending

In 1974, travelers spent almost $72 billion in the United States, about 5.1 percent of the total gross national product:

- $9.5 billion on public transportation including air, bus, rail, ship 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, skiing and other outdoor outdoor recreation areas and other amusements and recreation facilities;

- $8.5 billion on gifts and incidentals at department stores, souvenir stands, drug stores, gift shops and similar establishments.

- $4.0 billion spent by foreign visitors in the U.S.

4. Employment

Traveler spending in 1974 directly generated 3.7 million jobs representing 4.3 percent of the total civilian employment. It is a labor intensive industry, employing more low-skill, hard-to-place workers than most other types of industry. When laid off, travel industry employees often have relatively few job alternatives. Travel industry employment sustains more people per dollar of payroll than most other industries.

The following is a breakdown of the employment directly attributable to spending by travelers away from home in 1974:

- 341,000 in public transportation
- 250,000 in personal motor vehicle sales and service
- 683,000 in lodging
- 1,551,000 in eating and drinking places
- 310,000 in entertainment and recreation
- 279,000 in miscellaneous retail trade
- 61,000 in travel arrangement
- 207,000 jobs generated by foreign visitor spending in the U.S.

It has been estimated 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 lact of adequate supplies of fuel. ("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.)

5. Tax Revenues

Tax revenues were directly produced by traveler spending at all levels of government, reaching nearly $10 billion in 1974. For every one dollar spent by a traveler in America in 1974, an average of 12.4 cents was returned to federal, state or local governments in taxes.

6. State and Regional Significance

Travel is recognized as the major industry in terms of receipts and employment in Nevada, Florida and Hawaii and is one of the top industries in most remaining states. The U.S. Travel Data Center estimates that in 1974 travelers spent more than $2 billion in each of 9 states: California, Florida, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas.

The magnitude of 1974 U.S. travel expenditures by state, and by inference -- regions-- is seen by these figures developed by the U.S. Travel Data Center:

TOTAL (in millions)

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

* Does not include traveler expenditures on gaming.

Total U.S. Travelers	$ 67,746
Total Foreign Visitors	4,032
Grand Total	$ 71,778

D. The Congress

The 1973-74 oil embargo and related fuels allocation policies of the federal government had a devastatingly adverse impact on auto-oriented travel because of the weekend limitations on petroleum sales and the uncertain availability of motor fuels. In response to these circumstances, the Senate in 1974 expressed its concern that appropriate regard for the industry's importance be given in fuel allocations and other energy policies. It unanimously adopted Senate Resolution 281.

Before Senate Resolution 281, some Congressional actions indicated that some legislators did not perceive the importance of the travel industry to the nation's economy. But as legislative considerations progressed and the industry presented data and its views, Congressional actions reflected a recognition of the essentiality of the industry. One good example is the Conference Report to the National Emergency Act of 1973 (S.2589). The Report (93-663) says:

> ...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... (page 43)

The Report continues:

> 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. (pages 43,44)

On April 29, 1974, the Senate unanimously passed Senate Resolution 281. The Resolution expressed the sense of the Senate that in any federal actions to alleviate energy shortages, proper consideration should be given to the provision of an adequate supply of energy to all segments of the travel industry. Before passing the Resolution, the Senate Commerce Committee held 2 days of extensive hearings (over 40 witnesses) and in favorably reporting Senate Resolution 281 the Committee emphasized the importance of the travel industry to the economic well-being and the quality of the nation's life as well as the serious consequences which would ensue when the industry is adversely affected by energy shortages. The Report of the Commerce Committee (93-791) said: "In the midst of the crisis, the needs and interests of the tourism industry appeared, in many cases, to be either overlooked or assigned secondary importance."

The Senate intended that the Resolution would put an end to unreasonably discriminatory treatment. The following appears on pages 4 and 5 of the Report:

> 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.
>
> 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.
>
> According to Discover America Travel Organizations, Inc. (DATO), during the four-month period, November 15, 1973 to March 15, 1974, because the energy crisis caused reduction in the number of automobile tourists, 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.
>
> ***

> DATO has estimated 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.
>
> The Recreation Vehicle Council estimated the payroll cutback throughout its industry attributable to the energy crisis at $415 million.

The Senate Commerce Committee made several recommendations in its Report which underscored its commitment to equitable treatment of the travel industry.

E. The Executive Branch

The discriminatory treatment of the travel industry in the presently proposed contingency plans is difficult to understand in view of prior Administration statements. In January, 1974, President Gerald R. Ford, then the nation's Vice President, told a 3-day United States Travel Service conference of state travel directors that he disagreed with those "who say that because tourism has an aspect of pleasure it is expendable in the current circumstances." "It is my judgment that pleasure is a contributing factor to a good society," he said, "and although we may have to sacrifice a little it doesn't mean that we have to end it in toto."

"We cannot ignore the economic importance of the tourism industry in the United States," then Secretary of Commerce Frederick B. Dent said at the same conference, "and we certainly cannot penalize this segment of the economy any more than we can penalize any industry. No one is asking any segment of the American economy to go out of business. What is being asked of all segments of the economy and of the American people is to adjust to two realities: a shortage of energy and higher-priced energy."

William A. Johnson, then Director of the Office of Policy Analysis, Federal Energy Office, conveyed to the state travel directors the assurance of then Administrator William E. Simon that the travel industry "is deemed to be important to the economy, and will not be ignored in the federal allocation program....Regardless of the system that might be adopted," he explained, "it need not impose a serious threat to the tourism industry. Limited although adequate quantities of gasoline will be available and will be distributed in an equitable manner." [1]

Subsequent to the conference, the Federal Energy Office issued a new set of mandatory petroleum allocation regulations involving extensive changes in the regulations previously promulgated. The new regulations were published in the Federal Register of January 14.

At the request of Congressman Fred B. Rooney, Chairman of the Subcommittee on Transportation and Commerce of the Committee on Interstate and Foreign Commerce, the Department of Commerce prepared a report, entitled Impact of the United States Energy Policy on the Tourism Industry. Its purpose was to consider the effects of national fuel conservation efforts on the travel industry in the United States. The report emphasized that the travel industry is important to the American economy as it:

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[1] U.S. Department of Commerce, Commerce Today, February 4, 1974, pp. 8-9.

(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 found that while out-of-town or travel over 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). It further emphasized that the travel industry is particularly sensitive to energy conditions and to the general level of economic activity. In 1974, a 3 percent decline in world-wide international tourist arrivals was recorded, the first such decline recorded since the 1940's. International travel to the United States in 1974 experienced a 1 percent increase in international arrivals, significantly below the 9 percent increase previously forecast.

One of the Report's most important conclusions 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.

F. <u>The Disastrous Effects of the 1973-74 Sunday Ban On Gasoline Sales and FEA Allocation Policies</u>

The voluntary Sunday ban on gasoline sales in 1973 and 1974 had devastating effects on travel attractions, recreational facilities and hotel and motel operations. In addition, the <u>de facto</u> rationing of the same period which resulted from the allocation policies created a climate of fear and uncertainty due to lack of uniformity in the availability of gasoline and maintenance services. The ban was not designed to have major impact on commuting habits during the week but to attempt to effect major savings in fuel consumption at the expense of out-of-town travel by car on weekends. The fact that emergency and maintenance services were often not available contributed to the negative effect of the ban. It essentially prevented one from selecting travel as a way to spend his leisure time. It permitted business as usual around home on Saturday but discouraged going away for the weekend.

Before the program was put into effect, annual weekend travel expenditures were estimated to have been more than $11 billion. Few dispute that substantial losses were incurred. In December 1973 to February 1974, according to figures compiled by the American Hotel and Motel Association, occupancies nationwide for highway-oriented accommodation facilities were off 26 percent from the prior year. Weekend business, which had run at levels of 65 to 75 percent occupancy, dropped to 20 to 25 percent. The language quoted earlier in these comments from the Senate Commerce Committee Report (93-791) contains precise figures on the damage sustained by various components of the travel industry during this period. Some motel chains closed on weekends. Some small motels were forced out of business. Popular historical sites, attractions and recreation areas that depend on weekend business suffered losses.

Voluntary policies became, in effect, rationing by allocation. The public was barraged with conflicting statements about gasoline supplies and it experienced anarchy at retail pumps. Long lines caused serious delays and considerable inconvenience to consumers. The result was fear and uncertainty. Gas might be available at or en route to travel destinations, but people did not want to take the risk. The net effect on travel businesses was as bad as actual unavailability. Furthermore, the voluntary program placed a burden of responsibility on the American people to conserve gasoline and thus created a psychological climate in which long distance travel had the appearance of being unseemly or unpatriotic. Uncertainty effectively diminished travel activities and the businesses and jobs dependent upon them.

Because the auto is the dominant mode of transportation in travel away from home and the only means of access to many communities that are sustained by travel activities, conservation measures adopted in 1973 and 1974 severely limited the use of the automobile and these communities suffered disproportionately along with the industry.

Sunday bans reduced the number of Canadian and Mexican visitor arrivals by car. In 1974, during a national sampling survey of Mexican travelers to determine attitudes toward the U.S. as a travel destination, slightly more than half were under the impression that obtaining gasoline in the U.S. was a problem. Twenty percent felt that this problem might affect them on a trip to the U.S. [2]

Sustained and widespread reduction in weekend travel due to weekend restrictions would cause severe injury to the hotel, motel, resort, restaurant and attractions segments of the U.S. travel industry. This is especially true of downtown hotels. Such properties normally experience a sharp drop in occupancy on weekends, and traditionally, have offered special weekend discounts to generate weekend tourist

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2 U.S. Department of Commerce, United States Travel Service, A Study of Mexican Travel Habits and Patterns, Volume 2, Washington, D.C. U.S. Government Printing Office, 1975, page 7

traffic to supplement their weekday, commercial business. The uncertainty associated with weekend restrictions of retail gasoline sales and the concern about being unable to fill up for a return trip would deter a significant percentage of would-be travelers from leaving their local community.

G. Travel and the Nation's Transportation Infrastructure

1. The U.S. Transportation Network

The travel industry is uniquely dependent upon transportation. By definition, if Americans cannot move out of their home areas by automobile, recreational vehicle, airplane, bus or train, they cannot travel. Transportation is the cornerstone upon which rests the entire travel industry.

America's transportation infrastructure -- the network of highways, airline routes, trackage and terminals -- is second to none in the world. In normal times, a prospective traveler can be assured of reaching any of the 500 cities served by scheduled airlines, 450 cities served by rail passenger service, 15,000 cities served by regular route motor coach operators, or the countless cities, towns, villages and resorts accessible by major highways.

2. Adequate Motor Fuels: Transportation's Lifeblood

The successful and efficient operation of this entire system, however, is dependent upon adequate transportation fuel at reasonable prices. If gasoline, diesel and jet fuel supplies are signficantly cut back, or rise drastically in cost, the entire investment is jeopardized and the continued viability of the travel industry is threatened. For instance, by providing the major share of travelers for most attractions and other travel destinations, auto travel keeps these facilities in business. When these drawing magnets decrease in number, there are fewer customers for all modes of transportation.

The transportation sector of the economy accounted for 25 percent of all energy consumed in the U.S. during 1974, and showed the greatest drop in consumption from the previous year of any major sector. [3] Petroleum products account for 96 percent of all energy consumed by transportation. Consequently, the travel industry's dependence on adequate and reasonably priced petroleum supplies is immense. There is no alternative fuel.

3. <u>The Travel Industry Consumes Only 10 Percent of U.S. Petroleum</u>

The volume of petroleum used by Americans on trips away from home accounts for only a small portion of the energy consumed in this country. In 1974, U.S. certificated air carriers consumed about 3 percent of all petroleum used in this country, or less than 2 percent of all energy consumed. Travel away from home by automobile accounted for 1.2 million barrels of petroleum per day on the average in 1974, or 7 percent of total petroleum use and 3.2 percent of all energy consumed. [4]

All modes of transportation involved in moving travelers to and from their destinations are estimated in 1974 to have accounted for about 10 percent of domestic petroleum consumption and 4.6 percent of total energy consumed, a very small percentage. [5] As the barrel diagram on the following page indicates, local automobile travel accounts for over twice as much petroleum consumption as the travel industry.

[3] Bureau of Mines, "U.S. Energy Use Down in 1974 After Two Decades of Increases," U.S. Department of the Interior, Washington, D.C. (press release), April 3, 1975, p. 11

[4] Based on Federal Energy Administration data published March 11, 1975, and calculations by the U.S. Travel Data Center

[5] U.S. Travel Data Center, <u>The Importance of Tourism to the U.S. Economy 1975</u>, p. 10

Travel away from home is usually at more efficient highway speeds. In addition, the average auto trips to and from work transport only 1.4 people, while vacation trips utilize auto capacity to a greater degree, averaging an auto occupancy of 3.3 people per trip. [6]

Travel away from one's home community uses a relatively small portion of the nation's petroleum supplies. This consumption, however, generates 3.7 million jobs and $72 billion of expenditures, nearly 5 percent of the gross national product. The industry also includes 1.4 million small businesses.

4. Mode of Transportation and Purpose of Trip

Data are available on travel expenditure by mode of transportation and purpose of trip. Table 1 shows that in 1974, 77 percent of all trips were by automobile. Only 23 percent were made by all forms of public transportation. About 69 percent of all domestic travel expenditures in 1974, was made by travelers using automobiles.

TABLE 1

PROPORTION OF TOTAL TRAVEL INDUSTRY TRIPS AND EXPENDITURES BY MODE OF TRANSPORTATION 1974

Mode of Transportation	Number of Trips [1]	Estimated Travel Expenditures [2]
Private Automobile	77%	69%
Public Transportation	23%	31%

[1] Defined as trips over 100 miles.

[2] Estimate based on data for 100-mile trips adjusted to include estimate of expenditures on overnight trips less than 100 miles.

Source: U.S. Travel Data Center, 1974 National Travel Expenditure Study, 1974 National Travel Survey.

[6] Federal Highway Administration, U.S. Department of Transportation, "Nationwide Personal Transportation Study; Automobile Occupancy," Report No. 1, April 1972, p. 9

The purposes of out-of-town trips include, according to Bureau of Census data, visits to friends and relatives, business and conventions, sightseeing and outdoor recreation, and attending to personal affairs. Of all travel expenditures, 64 percent in 1974 were on vacations[7] -- an indication of the significance of vacations in American life and the importance of vacation travel to those employed in the travel industry. shifts to public transportation but relative to the total demand for travel, these would be small. The greater danger is that potential auto travelers would not travel at all. The automobile is the only practical mode of transportation to reach many places or to accomplish the many purposes of out-of-town travel. Any amount of diversion to public transportation would have beneficial effects on gasoline consumption but it would be unrealistic to expect that basic problems of automobile fuel consumption could be solved by this means. The critical point is that the automobile is the dominant factor in the travel industry and the only means of access to many communities that now are sustained by travel.

Both short and long term adjustments would be necessary in the public transportation infrastructure to accommodate any significant portion of the current auto travel market. Recent data indicate that at this time common carriers in domestic service have the additional capacity to handle only 15 percent of the travelers who normally take automobile trips in a year's time.[8] The realities of destination choice and lack of capacity during peak periods of travel demand reduce the amount of auto travel that could actually be accommodated by common carriers. Moreover, a sizeable expansion of common carrier capacity cannot be accomplished in the short run. Measures to allocate or restrict gasoline consumption should be based upon this reality.

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[7] U.S. Travel Data Center, 1974 National Travel Expenditure Study

[8] Capacity for shifts from automobile to common carrier based upon the 1972 National Travel Survey, and other data, and computed by the U.S. Travel Data Center.

5. International Visitors

International travelers to the United States account for less than one-half of one percent of domestic petroleum consumption. They use more mass transportation because of their relatively low mobility when compared with American travelers. Although visitors from Canada and Mexico generally travel to the United States by automobile (65 percent), they account for less than 1 percent of travel away from home. At the same time, those 6.8 million Canadians and Mexicans visiting the United States in 1974 by auto provided an estimated $1.5 billion foreign exchange earnings to the United States. [9]

6. Consumption by Type of Use

Table 2 shows estimates of motor fuel consumption in the United States in 1972 by type of use for all motor vehicles. The travel industry is sustained by a level of fuel consumption that is relatively small when compared to consumption for other uses.

TABLE 2

MOTOR FUEL CONSUMED IN THE U.S.A. BY USE
1972
(Millions of Gallons)

Vehicle Type	Gallons Consumed
All Motor Vehicles	105,062
Trucks and combinations	30,718
Passenger vehicles	74,344
Buses	881
Cars	73,463
To and from work trips	23,044
Other trips under 50 miles	32,959
Trips over 50 miles	17,460

Source: U.S. Federal Highway Administration; Highway Statistics; Nationwide Personal Transportation Survey, 1969-70

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9 United States Travel Service, Impact of the United States Energy Policy on the Tourism Industry, p. 10

All motor vehicles consumed 105 billion gallons of fuel of which 73.5 billion gallons were consumed by cars. Trips by cars over 50 miles, that is, those made by travelers away from home, consumed only 17.5 billion gallons.

From these data three points should be emphasized:

(a) Mandatory reductions in fuel availability for auto trips over 50 miles would have an immediate and adverse effect on the 3.7 million jobs in the travel industry.

(b) The potential for savings in motor fuel consumption is more than 3 times greater when passenger cars are used for local travel, including commuting to and from work under 50 miles. Thus, contingency plans designed to limit local travel rather than out-of town travel have a better opportunity to succeed because of the higher level of consumption.

(c) Reductions in fuel consumption realized from car pooling, increased use of mass transit, and other conservation measures could be expected to have relatively little adverse effect on jobs in local industries and businesses. The time has come for the nation to end the one car one occupant concept. Raising the automobile occupancy rate of commuter vehicles from the present 1.2 persons to only 2 persons would save nearly 30 million gallons of gasoline daily.

Individuals may be inconvenienced but the jobs of those in the travel industry would not be jeopardized. Although commuting to work is essential and must take high priority, many short individual family and business trips are discretionary and appear to offer significant potential for voluntary savings. Tourism and recreation do not necessarily use more energy than a family going about daily business at home, at work, and at school. On the contrary, certain of these popular activities require less energy. When at home family members go in numerous directions at different times. The family as a touring group, however, generally travels together, resulting in a higher auto occupancy. In addition, bus tours achieve higher vehicle occupancy and thus a more efficient use of energy.

III. SPECIFIC TRAVEL INDUSTRY COMMENTS, ANALYSIS AND REQUESTS

We offer comments on the Federal Energy Administration's proposed conservation contingency Plans 1, 2, 3, and 5. Our primary concern, however, is Plan 3, entitled "Emergency Weekend Gasoline and Diesel Fuel Retail Distribution Restrictions" and contained in the Federal Register, Vol. 41, No. 105, May 28, 1976, at page 21910 and in the appendix (pages 21915 - 21916). Its promulgation is mandated by Sections 201 and 202 of the Energy Policy and Conservation Act (EPCA) (P.L. 94-163).

A. Inadequate Time to Respond

We initially comment on the inadequacy of the time given to the public to respond to the conservation contingency plans and the rationing contingency plan. Published in the Federal Register on a Friday before a 3-day weekend meant that consideration of the plans could not begin until Tuesday, June 1. Thus, three weeks were allowed for preparation for the public hearings and four weeks for written comment. The plans are critically important and, if implemented, could mean economic disaster for numerous businesses in the travel industry. The Administration, building on over two years of experience with conservation and rationing plans, spent six months developing these plans. It does not seem unreasonable to have expected more time than a month to prepare comments.

B. Inadequate Details

We have another objection concerning our opportunity to comment on the plan. We have not been given adequate details of when, why and how the plans will be implemented and operated. These details are required by Section 201(f). That Section provides that any contingent plan which the President transmits to the Congress shall contain "a specific statement explaining the need for and the rationale and operation of such plan and shall be based upon a consideration of, and to the extent practicable, be accompanied by an evaluation of, the potential economic impacts of such plan, including an analysis of -- (1) any effects of such plan on -- ...; (B) employment (on a national and regional basis); (C) the economic vitality of States and regional areas;...(E) the gross national product;"

We do not believe that the nine pages dealing with the energy conservation contingency plans (pages 21908 - 21917) have satisfied the provisions of Section 201(f). They do not adequately explain the conditions that cause implementation of the plans and they do not set out the various economic impacts of the plans. Without economic data and conclusions about economic impacts, it is very difficult to comment on Plan 3. The absence of economic data calls into question the entire rationale and equity of all the plans.

C. The Lack of Economic Data and Impacts

The section on economic analysis (page 21910) is very brief and provides no data. It states: "FEA's preliminary analysis indicates that the macroeconomic impacts of the plans will be negligible since the demand reduction potential associated with each plan constitutes only a small portion of the projected shortfall". This statement suggests that the plans will not accomplish their purpose of demand reduction. But the same section goes on to say: "In contrast to the negative findings of the macroeconomic analysis, a preliminary assessment of microeconomic effects indicates that the plans will have measurable impacts on certain regions and sectors of the economy". It then specifies that the primary or major economic impact of Plan 3 will be on "tourism, recreation, hotels and restaurants, recreational boating and aviation, retail gas sales". It goes on that implementation of Plan 3 is likely to have a secondary impact on "tourist related activities, auto sales and production, state government". No further details are provided although the FEA notes that a microeconomic analysis is being conducted that will specify the nature and magnitude of each plan's impact.

It seems illogical to decide what sectors of the economy will be compelled to make economic sacrifices before the extent of those sacrifices are known. The economic data should be the predicate for decisions on how to spread the economic hardships of mandatory energy conservation. This procedure does not seem to have been followed in preparation of the conservation contingency plans. This being the case, it is difficult to see how the FEA can evaluate whether its plans meet its rationale number 7 (page 21909). This rationale provided that FEA "should attempt to spread any hardships across the economy and not unduly penalize particular industries, groups or localities".

D. <u>What Conditions Trigger Implementation of the Plans</u>

What are the conditions that result in putting these standby nationwide plans into effect? Section 201(e)(1)(A) of EPCA provides that after a plan has been approved by each House of Congress, the President must find that "putting such contingency plan into effect is required by a severe energy supply interruption or is necessary to comply with obligations of the United States under the international energy program". Section 3 of the EPCA defines the operative phrases of Section 201(e)(1)(A). They basically say that the President must find that a national energy supply shortage is or is likely to be of significant scope and duration and of an emergency nature, causing major adverse impact on national safety or the national economy.

The pages in the Federal Register dealing with the energy conservation contingency plans provide no discussion of the operative phrases. No specific examples or scenarios are given. No explanation of the development and progress of the international program is provided. The travel industry is expected to make major economic sacrifices if the plans are implemented but is told little about the conditions required before the standby authorities are exercised.

E. The Travel Industry: An Essential Industry

The travel industry is deeply concerned that it is not being treated equitably in the proposed contingency plans. It is prepared to share equitably in the economic hardships but wants to avoid unreasonable discrimination and disproportionately adverse impacts on itself and the traveling public. What is happening under the Energy Policy and Conservation Act is a major intrusion into the competitive marketplace by the federal government. The proposed mandatory programs will disrupt normal business operations and living patterns. Travel away from one's home is particularly sensitive to major changes in the availability of motor fuels, as was proved during the 1973-1974 Arab embargo.

These public hearings have an unreality about them. It is peacetime. Motor fuels are abundantly available and at reasonably stable prices. Yet we are here today again being told that the industry is non-essential.

F. FEA Exceeds Its Statutory Authority

We look at the specific provisions of EPCA and can find no provisions or language that declare the industry to be non-essential. We do not even find the word "non-essential" used in the Act. The Act reflects a scrupulous effort by the Congress to be fair and equitable. Section 202 says that the conservation contingency plans shall impose "reasonable restrictions on the public or private use of energy which are necessary to reduce energy consumption" (emphasis supplied). Section 521(a) explicitly prohibits unreasonable discrimination between classes of users of petroleum products and electrical energy. Section 521(b) explicitly requires that mandatory restrictions on the use of energy shall be designed so as "to be fair and to create a reasonable distribution of the burden of such restriction on all sectors of the economy, without imposing an unreasonably disproportionate share of such burden on any specific class of industry, business, or commercial enterprise, or any individual segment thereof." FEA recognized these above provisions in its rationale number 7 (page 21909) which provides that it "should attempt to spread any hardship across the economy and not unduly penalize particular industries, groups, or localities." But in the proposed contingency plans it has failed to follow the mandates of the Act or its own rationale.

G. An Unreasonable and Disproportionate Burden

The thrust of the contingency plans is to lay an unreasonable and disproportionate share of the burden on the travel industry. Plan 3 exceeds the statutory delegation of authority to FEA contained in Sections 201 and 202 by declaring the travel industry "non-essential." Plan 3 also violates Section 202(a)(2)(A) which is an explicit prohibition against rationing. Restrictions on retail filling stations prohibiting sales for up to 60 hours on weekends is a de facto form of gasoline and diesel fuel rationing and is prohibited by Section 202. Such extreme measures were not intended by Section 201 and 202. Congress did not intend to authorize FEA to decide that certain major economic activities were non-essential, nor did the Congress intend to bestow upon FEA the power to possibly eliminate thousands of jobs. FEA is not empowered to weigh the importance of one person's job over another's or to determine that one purpose of travel is more essential than another. Why are all federal, state and local motor vehicles and most of the nation's 25 million trucks exempted from the weekend restrictions?

H. The Travel Plant

STICEC is speaking for an industry that is located geographically in every state of the nation, and in the far reaches as well as urban centers of each state. The basic elements of the travel industry are transportation, lodging, food and beverage service, attractions and entertainment, together with a range of retail establishments that provide goods and services to travelers away from home. Although diverse in location and function, the travel industry should, in fact, be viewed as a single plant not unlike a manufacturing plant. Its product is primarily a range of services desired by the public, and its distribution is national. And, like a manufacturing plant, the travel plant is dependent on fuel to operate. If motor fuel is unavailable for auto travel away from home, the travel plant will be forced to close down and lay off workers in a way no different from an automobile or plastics plant.

The travel industry asks the question: Why has the bulk of the burden been placed on it? Although transportation may account for half of total petroleum consumption, trips away from home consume only 10 percent of petroleum fuels. This consumption sustains the employment of 3.7 million people. We suggest that more reduction be required among the remaining 50 percent of petroleum users-- the industrial, residential, commercial and utility sectors-- and that the criterion of employment impact, mandated by Section 201(f)(1)(B) be given its intended recognition in the design of the contingency plans. In the interest of protecting the many jobs and small businesses dependent on travel, the Administration should reconsider the inequities of its contingency plans and seek savings in petroleum consumption in other sectors of the economy where employment may not be so directly linked with fuel consumption.

I. An Emerging Giant Among Service Industries

The travel industry has experienced an enormous growth since World War II. It has become one of the largest service industries in the nation and has been part of the radical shift in the U.S. economy from a product to more of a service orientation. As the economy continues the shift to a services orientation, the travel industry will become more important to a vital U.S. economy.

J. "Work-Related" and "Non-Work-Related" Travel

The travel industry is especially concerned that its unique, economically immense characteristics have been overlooked or underestimated by the Administration's contingency plans. "Work-related" travel, which usually means commuting to and from work, has been given priority over "non-work-related" travel. While the necessity to travel to one's job is obvious, alternatives such as car and van pools and mass transit are often available. Moreover, these alternatives also reduce vehicular congestion and pollution. "Non-work-related", or personal and recreational travel, is directly related to the employment of the many whose jobs are created by travel expenditures.

While willing to accept its share of the burden of conservation measures and while recognizing that any national conservation program must impact heavily on the transportation sector -- particularly in regard to gasoline for automobiles -- the travel industry urges the Administration to reconsider carefully the impact of the contingency plans on the employment and small businesses dependent upon travel away from home. Such travel should not be treated as "non-essential" and mandatory conservation measures should not be directed primarily at travel which is not "work-related".

K. Plan 3: Poorly Designed and Ineffective

The explanation of Plan 3 in the Federal Register is too meager to enable one to understand how it would be implemented or operated. It places an enormous burden on the owner and operator of retail filling stations. They, in effect, have become enforcing agents of the federal government and the final arbiters of whether vehicles are exempted from weekend motor fuel restrictions. They must decide whether a prospective customer during the restricted hours falls within the definitions of truck, registered ICC common carrier, commercial passenger carrier for hire, and government motor vehicle. Of course, the experience with the Sunday ban during the Arab embargo indicates that the majority of them will probably close or keep very limited hours because of fewer customers. Weekend closings will mean that 24 hour maintenance and emergency facilities will be unavailable for qualified vehicles in many, if not most, areas. For this reason, it does not seem appropriate that emergency road service vehicles were excluded from the definition of emergency vehicles. One would also expect that an extensive illegal market would develop and this, in turn, would result in a negative public attitude to the program.

The major assumption of Plan 3 is that it will change public driving habits and patterns. This may not be so easily achieved. Hoarding will be rampant. Many of the nation's 108 million cars will become potential gasoline bombs with their containers of reserve gasoline. Basements and garages will contain 10 or 20 gallon gasoline reserves. Companies will permit mid-week days off in return for working on weekends. Some corporate managers may have a new fringe benefit -- access to company pumps.

We take issue with another basic assumption of Plan 3 -- that is, that "more than 90 percent of weekend VMT (vehicle miles traveled) is for purposes other than earning a living." The best available figures on personal automobile travel indicate otherwise:

	Total Auto Miles Per Day	Percentage of Total Weekly Auto Miles	Percentage Earning a Living
Monday	1,981,053,000	13.4%	44.1%
Tuesday	2,074,189,000	14.1%	43.0%
Wednesday	1,988,676,000	13.5%	44.4%
Thursday	2,137,827,000	14.5%	43.3%
Friday	2,187,046,000	14.8%	38.5%
Saturday	2,242,895,000	15.2%	22.0%
Sunday	2,149,593,000	14.5%	10.0%
Overall	14,761,279,000	100.0%	36.2%

Source: Federal Highway Administration, U.S. Department of Transportation, Nationwide Personal Transportation Study, Purposes of Automobile Trips and Travel, Report No. 10 (May, 1974).

We totally reject the concept of "non-essential" and "discretionary driving." What is discretionary for one person, may not be for another.

Plan 3 has also overlooked the importance of business travel, much of which occurs on weekends. In 1972, 22 million people took 93 million business person-trips to places at least 100 miles away from their residence.[10] While some of these travelers were spouses or other family members accompanying the chief wage earner on his trip, traveling business men and women took almost one business trip for every employed person in the country. They attended professional conventions and

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[10] Bureau of the Census, 1972 National Travel Survey, p. 20

made sales calls, visited branch offices and pursued a variety of other activities essential to the efficient operation of the modern American business enterprise. Without a healthy travel infrastructure -- the highways, air routes, accommodations and restaurants that cover the nation to serve the traveler -- business mobility would be severely restricted, and the nation's productive capacity would be significantly limited. The general public has a clear interest in facilitating business travel.

The travel industry is also concerned that intra-state carriers and rental cars have not been exempted from the weekend restriction. We believe that rental cars and intra-state carriers are vital links in the public transportation system. The system must be kept viable to encourage more use of airlines, trains and buses between cities and to provide transportation not otherwise available.

L. Economic and Employment Impact of Weekend Restrictions

Plan 3 has apparently disregarded the economic and employment impact of weekend fuel restrictions. An analysis by the U.S. Travel Data Center of 1974 data indicates that Americans traveling by automobile on weekend trips spent $13.2 billion, directly supporting the equivalent of 676,000 jobs which,in turn, produced $3.5 billion wages and salaries. In addition, a significant but unknown portion of the $4 billion foreign visitors spent in the U.S. in 1974 also took place during weekend trips, primarily by Canadians and Mexicans.

Under Plan 3, the FEA proposes to reduce weekend automobile travel by 7 percent and save over 100,000 barrels per day or 36.5 million barrels a year. Such a reduction would amount to about 8.6 percent of total petroleum consumed by automobile travelers in 1974, according to estimates of the Travel Data Center. If the FEA were to realize this savings in petroleum consumption, most of the reduction could be expected to come out of travel away from home. As a result, traveler spending could be reduced by as much as $1.1 billion, jeopardizing the equivalent of 58,000 jobs. These jobs would produce $297 million in wages and salaries.

M. Industry Comments on Other Conservation Contingency Plans

Plan 1: The travel industry's concern is that heating, cooling, lighting and hot water restrictions are reasonable and take cognizance of the feasibility of the plan as it applies to hotels and motels. These businesses have limited control over their guests. Replacing existing cooling and heating facilities is financially prohibitive and impractical. Hotels and motels are also concerned that their premises are adequately lighted to provide safe accommodations and personal security. Plan 1 does not take account of the legal requirements of local authorities relative to these matters.

Plan 2: We are concerned that the insurance problems associated with car and van pooling have not been resolved. We also think the parking lot restrictions may be counter-productive. Cars would travel from lot to lot, looking for the limited number of legal spaces, many wives would drive husbands to and from their place of employment, many shoppers would cruise downtown areas while other family members or friends make purchases.

Plan 5: The restriction on illuminated advertising and certain gas lighting is indiscriminate and unreasonable in its application to roadside hotels, motels, filling stations, restaurants and attractions. These facilities are vital to the traveling public and essential to roadside travel businesses. As a minimum, the travel industry requests that these businesses be allowed on-premise illuminated signs and when necessary for the traveler to make his turn-off plans, illuminated directional signs. The identification of traveler accommodations and services is essential to their economic survival. Without adequately illuminated signs, travelers will waste motor fuels as they search for food, shelter and fuel.

N. Inadequate Opportunity for Industry Inputs

The FEA has not provided the travel industry with an adequate opportunity to offer its advice and recommendations. It has not sufficiently communicated and cooperated with the industry in the formulation of policies, goals and programs.

During hearings of the Senate Commerce Subcommittee on Foreign Commerce and Tourism (93rd Congress), Chairman Daniel K. Inouye specifically requested the Deputy Administrator of FEA to assure that the FEA provide the travel industry an adequate mechanism to obtain industry advice and recommendations. In response, FEA did form the Tourism/Recreation Advisory Committee, but little else has occurred. FEA has not complied with the Subcommittee Chairman's request. The Tourism/Recreation Advisory Committee only met once and then was discontinued in the Fall of 1975. The FEA took the position that the Committee would be absorbed into its newly created FEA Transportation Advisory Committee.

The new Committee has met only three times (October 8, 1975; February 5 and May 25, 1976) and has not given any serious consideration to the conservation or rationing contingency plans.

O. Travel Industry Conservation Efforts

During the United States Travel Service conference for state government travel directors in January 1974, William A. Johnson, then Director of FEO's Office of Policy Analysis said:

> Let me urge the industry to do its part for the Nation. Emphasize the use of public transportation to travel long distances and for visiting landmarks in our tourist centers.
>
> Urge tourist agents to devise package plans that provide full access to tourist activities with minimal use of fuel. Ask hotel and motel owners to comply with the Government's requests to lower thermostats in winter and to limit the use of air conditioning in the summer, and where feasible to restrict outdoor lighting.

During the past two years, the travel industry has followed his advice. It has developed and implemented numerous conservation programs to bear its share of the savings burden. During 1974 the travel industry offered these specific programs to help sustain the industry and conserve energy:

- Offering guests complimentary rooms on Sunday nights because of Sunday gasoline station closings.
- Providing hotel gasoline advisory service information on availability of open service stations within a five-mile limit.
- Providing information (AAA program) on availability of gasoline at specific points.
- Offering discount rates valid for up to four people per room.
- Providing free ski lift passes to guests who travel by train or bus.
- Offering food and beverage discounts to patrons who use car pools.
- Introducing airline-sponsored escorted bus, bicycle, or sailing tours, primarily on the East and West Coasts.
- Packaging tours in the areas of tennis, golf, water sports, and ranch/resort vacations.

Some of these programs continued into 1975.

The travel industry has also undertaken more extensive campaigns for more efficient use of energy by travelers. For instance, the American Automobile Association has instituted GAS WATCHERS -- a national voluntary program designed to convince the public of the gravity of the energy problem and to show the public how to conserve gasoline. Its specific goal is to get every licensed driver to make five gallons of gasoline do the work of six.

Another example is the activities of the Energy Task Force of the American Hotel and Motel Association. These include an energy information center, dissemination of conservation tips, establishment of conservation goals and a public education program. The AH&MA is also planning a major 3 - 5 year industry-wide energy conservation program. It is anticipated that this program will result in a reduction of at least 20 percent in total lodging industry energy use -- representing savings equivalent to more than 11 million barrels of oil per year.

The airline industry has undertaken specific fuel conservation programs such as routing and schedule changes. In 1974, it used 1 billion gallons less fuel than in the prior year, at the same time carrying 6 million more passengers. Such efforts have continued.

In attempts to increase the use of rail transportation, Amtrak and the Canadian National Railways have announced agreement on a plan that will enable travelers to purchase transportation on both national rail lines in a single transaction. Such an agreement makes it easier for the traveler to utilize train transportation. With accompanying promotion, this program could perhaps induce more travelers to utilize train travel between the U.S. and Canada in conjunction with the U.S. Bicentennial and Canadian Olympics in 1976.

Many sightseeing excursions require little consumption of energy. New Orleans, Alexandria, and Boston, for example, have implemented walking tours of the city in efforts to conserve on fuel and to alleviate travel congestion.

In 1974, Discover America Travel Organizations (DATO) developed and distributed public service television announcements on low energy vacation travel within the United States. The campaign ran in 91 markets in 36 states, with the cooperating stations reaching over 100 million Americans.

For the past 3 years, DATO has undertaken a program to educate and encourage all components of the travel industry to develop cooperative, energy-efficient package tour programs. Part of this program included publishing more than 15,000 copies of the Discover America Package Tour

Handbook. More recently, DATO has developed a series of seminars on in-city travel packaging and marketing, to achieve more effective sales and operating results from existing resources. The series is being done in cooperation with the American Society of Travel Agents (ASTA) and the International Association of Convention and Visitor Bureaus (IACVB).

In a cooperative effort with the United States Travel Service and with support of the Civil Aeronautics Board, DATO has established the Discover America National Travel Mart to bring together retail travel agents and domestic travel suppliers. These and related programs have resulted in a substantial shift of U.S. retail agent sales volume in the past 2 years -- an increase in packaged vacation programs which conserve energy from 55 percent to 64 percent.

The travel industry is firmly committed to energy conservation and to instituting specific programs to achieve that goal. The industry acknowledges its responsibility to reduce fuel consumption but expects that national policy will deal with it equitably.

P. Conclusion

1. The travel industry has presented this extensive background and provided these comments and analysis because we do not believe the Administration, in preparing these contingency plans, has adequately taken into account this information, data and analysis. The following represents what we believe was overlooked.

a. The essentiality of the travel industry to the nation's economic well-being and to its commitment to full employment. The economies of many states and regions are heavily dependent on the economic activity associated with travel away from one's home community.

b. Motor fuels are the lifeblood of the nation's travel infrastructure. Without adequate supplies, it will collapse, piece by piece.

2. The travel industry opposes Plan 3. Our judgment is that it exceeds its statutory mandate, is poorly conceived, unreasonably discriminates against the travel industry and will not be effective at achieving its goals. We make the following specific requests of the FEA with regard to Plan 3.

a. Withdraw it from further consideration.

b. Provide the travel industry with all of the economic data used or to be used in the preparation and consideration of the Plan, including the data to be presented to Congress.

c. Permit the travel industry to present subsequent comments and analysis when it has been supplied the economic data.

d. Exempt rental cars, intra-state common carriers and emergency road service vehicles from any weekend restrictions on the sale of gasoline.

e. Eliminate the words and rationale "non-essential" and "discretionary driving" as they have been used relative to the travel industry in these contingency plans.

3. With regard to Plans 1, 2 and 5, we ask that you reconsider these Plans in view of our comments. Under FEA economic analysis, the impact of these plans on tourism, recreation, hotels, motels, restaurants, recreational boating and aviation, and retail gas sales has been omitted. This should be corrected.

4. We specifically request the FEA to carry out the request of the Senate Commerce Committee and provide an effective mechanism for industry input, advice and recommendation. The national interest in the economy and full employment would be best served by a more active and frequent exchange of views between the FEA and the travel industry.

5. We also request that FEA work with and support the travel industry in the development and promotion of voluntary conservation programs. Much more needs to be done in this area.

6. We are deeply concerned that FEA has chosen not to explain the relationship of the conservation contingency plans and the companion rationing contingency plan.

7. The travel industry asks only that its importance to the U.S. economy and employment be given its proportional recognition (5.1 percent of the gross national product in 1974) as a major industry and that it be treated fairly and equitably in Administration energy policies and programs.

HOLIDAY INNS, INC.

Annual Report

1975

CONTENTS

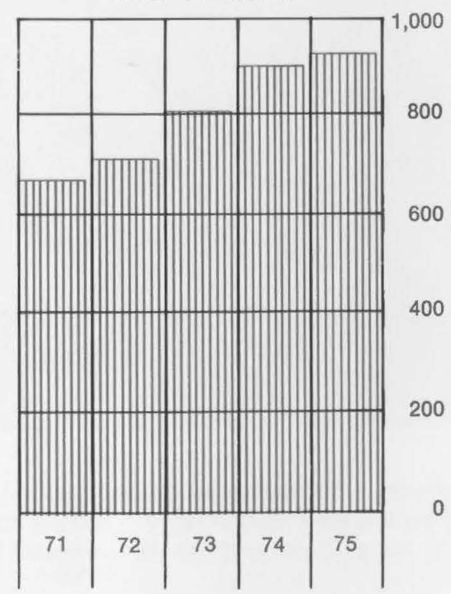
1975 Financial Highlights

	FOURTH QUARTER		FULL YEAR	
	Thirteen Weeks Ended Jan. 2, 1976	Fourteen Weeks Ended Jan. 3, 1975 (Restated)	Fifty-two Weeks Ended Jan. 2, 1976	Fifty-three Weeks Ended Jan. 3, 1975 (Restated)
	(In Thousands of dollars, except per share amounts)			
Revenues	**$220,827**	$230,661	**$916,973**	$905,105
Operating Costs and Expenses	**216,169**	230,538	**848,863**	857,637
Depreciation and Amortization	**12,287**	16,098	**53,830**	55,884
Foreign Currency Translation (Gains) Losses	**244**	6,461	**(5,867)**	8,614
Income from Continuing Operations Before Income Taxes	**4,658**	123	**68,110**	47,468
Provision for Income Taxes	**2,171**	(574)	**26,663**	20,961
Income from Continuing Operations	**2,487**	697	**41,447**	26,507
Discontinued Operations Net of Taxes	**—**	(665)	**447**	956
Net Income	**$ 2,487**	$ 32	**$ 41,894**	$ 27,463
Total Assets	**$929,688**	$945,362	**$929,688**	$945,362
Stockholders' Equity	**$444,050**	$413,648	**$444,050**	$413,648
Per Share Data				
Average Number of Common and Common Equivalent Shares Outstanding	**30,606**	30,802	**30,606**	30,802
Continuing Operations	**$ .08**	$ .02	**$ 1.36**	$ .86
Discontinued Operations	**—**	(.02)	**.01**	.03
Total Net Income	**$ .08**	$ —	**$ 1.37**	$ .89

See 1975 Financial Summary beginning on Page 14 for supporting notes.

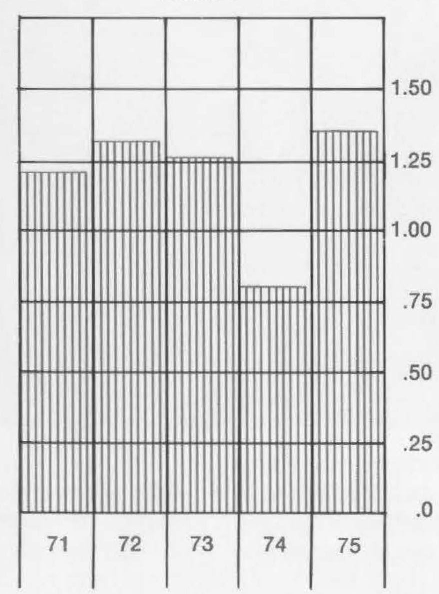
Revenues

Millions of Dollars



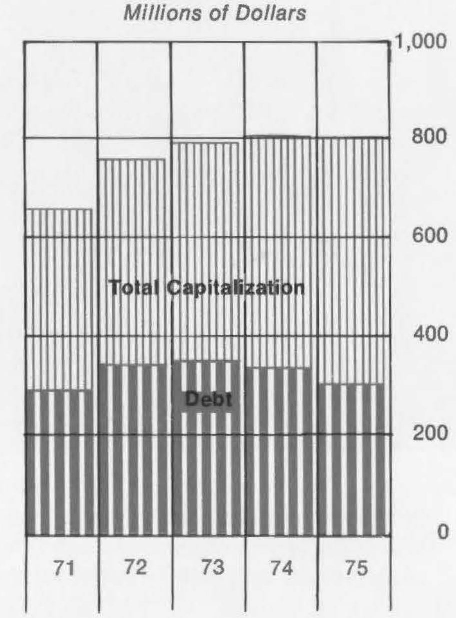
Earnings Per Share

Continuing Operations
Dollars



Debt to Total Capitalization

Millions of Dollars



Letter To Shareholders

Holiday Inns, Inc., successfully completed 1975 with increased revenues and earnings from continuing operations in a difficult business environment. Revenues of $916,973,000 for 1975 increased one percent from the restated 1974 level. Earnings per share from continuing operations for 1975 were $1.36, compared to the restated 1974 level of $.86. A quarterly cash dividend at the annualized rate of $.35 per share was declared in March of 1975, up 2.5 cents per year from the 1974 declaration.

The Company's earnings performance reflects the new accounting standard adopted in 1975 for the recognition of foreign currency translation gains and losses. A translation gain of $.12 per share was recognized in 1975, and 1974 was restated to reflect a translation loss of $.20 per share. A complete financial summary of the Company's performance during 1975 is included in the Review of Operations, beginning on page 4.

The Food and Lodging and Transportation lines of business reported increased revenues and pre-tax income as price increases and operating cost reductions more than offset volume declines. Revenues and pre-tax income for the Products group, however, declined substantially in 1975, principally as a result of a sharply reduced volume of furnishings and equipment sales.

For 23 years Holiday Inns, Inc., has provided services and products of dependable quality and reasonable price to the traveling and leisure-time public. The Company continues to offer services and products that are responsive to the changing needs of our customers. We believe that this will produce an expanding stream of earnings and dividends for our stockholders.

Improved return on existing assets and selective new investments were our principal objectives during 1975. As investors place greater emphasis on dividend yield, we are carefully weighing internal financing requirements against the return expectations of stockholders and potential investors.

The business environment has been one of continuous and accelerating change in recent years. The lodging industry has entered a period of transition that has dramatically affected the Products and Food and Lodging groups. During the energy shortage, state and federal governments underestimated the significance of the tourism industry to the domestic economy. Continental Trailways experienced a reduced demand for intercity bus travel in 1975 as disposable income declined, and Delta Steamship Lines transported reduced cargo shipments in a weakening international business environment.

We pursued action programs to improve asset productivity and marketing effectiveness. Management completed an evaluation of each Company-operated inn to determine its position in the local market. Needs and preferences of local communities, leisure and commercial travelers, and group meeting customers were carefully assessed.

A course of action was specified for each property. Many properties are fulfilling the requirements of the target market at the present time. Renovation of guest rooms, food and beverage service areas, and public areas, however, is needed at a number of properties. The outlook for some properties is not consistent with the return on investment requirements of the Company. An inn disposition program was initiated in 1974 to sell these properties and was continued in 1975.

Food and Lodging direct sales and promotional efforts were increased in 1975. A new hard-hitting advertising campaign was developed—"The Best Surprise is No Surprise." Our efforts to improve the alignment of Company-operated inns with local markets and our marketing program will continue in 1976.

In the Transportation group, efforts to improve asset productivity at Continental Trailways focused on improved operational efficiency and fleet utilization. Marketing programs were redirected to reach the heavy users of intercity bus transportation and to increase market penetration. Promotional programs such as the "Opportunity Fare" and the "Trailways Christmas Package" were developed to fulfill the needs of many intercity bus passengers faced with unemployment or a limited budget for Christmas travel.

Delta Steamship Lines redeployed additional vessels to the African trade route during 1975 in response to the increased cargo volume to West Africa. An improved cargo mix and the resulting increase in the average rate more than offset tonnage declines on the Caribbean and South American trade routes.

Management developed and adopted a plan to divest the manufacturing segments of the Products group in 1975. This shift in direction will permit greater emphasis on the principal elements of the Products group: distribution of institutional furnishings, equipment and consumable supplies.

Selected new investment projects which are expected to meet the return criteria of the Company also were undertaken in 1975. New Company-operated inns were positioned in multi-market locations where full service food and lodging facilities could be developed. Management of five new properties was undertaken on a contractual basis without substantial equity investment by the Company. Additions to bus fleet and new terminal facilities at Continental Trailways were also made on a selected basis.

The financial structure of the Company has improved. Capital expenditures were $57 million in 1975 compared to $86 million in 1974. Consequently, little external financing was required. This reduction in external financing requirements has permitted continued improvement in our financial position. Long-term debt represented 37.0 percent of the total capitalization at year-end. Holiday Inns, Inc., should be able to finance internally a substantial portion of future new investment requirements. The ratio of current assets to current liabilities also strengthened in 1975 to 1.4 from 1.3 times in 1974.

The impact of federal and state legislation during the energy shortage of 1974 significantly affected the well-being of the Company and its licensees. Traditionally, we have maintained a conservative stance in government affairs. It has become apparent, however, that the government was not fully aware of the influence of tourism on the domestic economy. Background information from the Company as well as industry studies were provided to create an improved awareness by government of the significance of tourism.

We continue to have confidence in the long-range opportunities that the Company's principal lines of business provide. Rapid changes in the business environment require a flexible and responsive management. Our Company has implemented organizational, personnel and strategic changes in recent years as a response to the changing business environment.

An improving return on existing assets and selective new investments can, in our opinion, provide an attractive and stable pattern of earnings growth from the present lines of business. New opportunities to offer products and services to the traveling and leisure-time public are also being examined. The combination of these efforts, the dividend policy and a highly motivated management team are all important elements of our business strategy to maximize the shareholders' return on investment.

Kemmons Wilson

Chairman of the Board

Clyde H. Dixon, Executive Vice President; Roy E. Winegardner, First Vice Chairman; L. M. Clymer, President; William B. Walton, Vice Chairman; Kemmons Wilson, Chairman; Wallace E. Johnson, Vice Chairman

Review of Operations

Financial Results

Holiday Inns, Inc., reported improved revenues and pre-tax income in 1975. The Food and Lodging and Transportation lines of business both contributed increased revenues and pre-tax income. These increases, however, were partially offset by a substantial decline in revenues and pre-tax income experienced by the Products group.

Revenues from continuing operations in 1975 were $916,973,000, a one percent increase over the restated $905,105,000 for 1974. Pre-tax income from continuing operations in 1975 was $68,110,000, a 43 percent increase over the restated 1974 level of $47,468,000. Net income from continuing operations in 1975 was $41,447,000, up 56 percent from the restated 1974 level of $26,507,000. Earnings per share for continuing operations in 1975 were $1.36, compared to the restated level of $.86 for 1974.

Discontinued operations contributed earnings per share of $.01 in 1975, compared to the 1974 level of $.03. In 1975 earnings per share for both continuing and discontinued operations were $1.37, compared to the restated level of $.89 for 1974.

The 39 percent effective tax rate for 1975 declined from the 44 percent rate in 1974. In 1975 the lower tax rate was principally a result of an increase in tax deductible deposits made to reserve funds by Delta Steamship Lines.

A plan for the disposition of the Company's manufacturing operations, including the food processing group, was adopted in August, 1975. These operations will be reported on a discontinued basis until the disposition program is completed. While an agreement to sell the food processing segment of the manufacturing operations was not finalized in 1975, negotiations are continuing.

Financial comparisons of 1975 with 1974 were also affected by three other significant items:

Delta Steamship Lines received a special subsidy adjustment during the first quarter of 1975 which reflected a settlement between the Maritime Subsidy Board and several U.S. flag lines, including Delta. The Maritime Subsidy Board has allowed U.S. steamship lines to include the cost of contributions to union training funds from 1961 through January, 1971, in determining the labor cost that is eligible for subsidy. The effect of the special subsidy payment was $2.6 million before taxes, or a $.05 per share increase in net income.

In the second quarter of 1974, a $4.5 million provision for possible loss from a litigation with American Motor Inns, Incorporated, reduced earnings from operations for the year by $.07 a share. In July, 1975, the Company settled this litigation for an amount that approximated the provision established in 1974.

The accounting profession has adopted a new standard for recognition of gains and losses arising from the translation of foreign currencies. Now foreign currency translation gains and losses are to be included in net income in the period that differences arise. Financial statements for prior years have been restated to reflect this accounting method. In 1975, a translation gain of $.12 per share was reported, compared to a loss of $.20 per share in 1974.

Checking in for a Business Meeting . . . at the Holiday Inn-O'Hare, Chicago, Illinois.

Food and Lodging Operations

The Company's Food and Lodging line of business includes the operation of 305 Company-operated inns in the United States, Europe and other international locations. In addition to operating responsibilities, the Food and Lodging group coordinates new inn development as well as the planning and execution of marketing programs for the Holiday Inn System. The group also provides administrative and training support to the operators of 1,714 Holiday Inn properties throughout the world.

Revenues from Food and Lodging operations during 1975 were $525,750,000, a five percent increase from the 1974 level of $501,806,000. Pre-tax income increased substantially from the 1974 level. Improved performance was due primarily to a gain from inn dispositions in 1975 compared to a loss in 1974, room rate adjustments and cost reduction efforts that offset a reduced occupancy level at Company-operated inns. Royalty payments also increased in 1975 due in large part to room rate adjustments at licensed properties.

The American traveling public—both commercial and leisure travelers—again experienced pressure from a cross current of economic factors in 1975. Although the double-digit inflation levels of 1974 eased, and the critical period of the energy shortage had passed, economic recovery did not begin until the second quarter of 1975. In the early stages of this economic turn-around consumer confidence remained uncertain in view of the slow and unstable recovery.

Multi-market Location . . . the Holiday Inn-Harbor View, San Diego, California.

Inflation affected the Company's operations in two ways. First, labor, raw materials and other operating costs continued to increase. The Company was able to reduce potential pressure on profit margins by adjusting room rates, food prices and operating costs. High inflation levels also reduced the real disposable income of travelers. The leisure travel market, however, strengthened as inflation levels abated during the second quarter of 1975.

Occupancy Patterns

Occupancy declined at Company-operated inns primarily as a result of reduced commercial travel. As profits for corporations began to drop in late 1974 and continued to fall well into 1975, commercial travel weakened. This reduction in commercial travel more than offset the recovery in leisure-oriented travel. Company-operated inns reported an occupancy level of 65.4 percent in 1975, a decline of 2.9 percentage points from the 1974 level.

Occupancy patterns varied by type of location. Properties classified as suburban, airport and small town locations remained below the 1974 level. Other types of locations—interchange, midtown and offshore resort properties—however, had occupancy declines that were greater than the overall 2.9 percentage point drop. The occupancy patterns were generally consistent with the lagging recovery in leisure-oriented travel and the overall decline in commercial travel.

Occupancy patterns also varied in different geographic regions. Properties located in the South Atlantic and North Central regions of the U.S. had smaller occupancy declines than other geographic areas. In New England, South Central and out-of-country locations, however, occupancy declines were somewhat larger and exceeded the overall decline of 2.9 percentage points. Occupancy patterns, in general, appeared to be consistent with regional variations in economic activity.

Cost Control

A thorough analysis of major operating cost elements was conducted in 1975. Specific action steps to control the variable operating costs were developed and implemented. The Company started to see results in the second half of the year. Included in the analysis was

A Pleasant Atmosphere . . . the Waterhole Lounge at the Holiday Inn in Elmhurst, Illinois.

an evaluation of labor-saving methods, as well as expenditures for food, beverage and energy consumption. The principal objective of these programs is to reduce costs, thereby increasing productivity, while maintaining service quality.

Energy Conservation

Energy costs continued to increase in 1975, reinforcing the importance of energy conservation at the inns. In response to the rising cost of energy, the Company tested several computerized energy control systems. Preliminary results of these tests indicate the potential for substantial savings. Installation of energy control systems for additional testing is underway at 20 Company-operated properties in five U.S. cities.

Concept Changes

In 1975 the Company completed a market analysis at each Company-operated inn to assess the alignment of the services offered by these inns with the current customer needs.

Results revealed that the facilities and themes at certain properties could be improved to better serve their target markets.

Conceptual changes based on the results of these market studies were developed. Modifications include an array of changes in the restaurants, lounges, lobbies, banquet halls and guest rooms. At the Elmhurst, Illinois, inn, for example, the Company concluded that the restaurant and lounge decor was no longer in line with the preferences of the target market. As a result, the food and beverage operation at this inn was not realizing its potential.

To improve the Elmhurst operation, the Company developed an Early American theme restaurant, the Spice Rack. Rustic decor was also added to the lounge, The Water Hole, which is shown above. These new food and beverage concepts have generated a strong, favorable response. Profitability of food and

beverage services at the inn improved. By year-end 20 conceptual changes had been completed at Company-operated inns and an additional 25 new concept changes were in the planning and development stage.

The continued development of Holidome facilities at new and existing properties represents another improvement in the services offered to Holiday Inn guests. The Holidome enclosures are climate-controlled and create a year-round center of recreational activity. The French Quarter motif from the popular Holidome facility at the Perrysburg, Ohio, property is shown below.

A swimming pool, sauna, whirlpool, exercise room, game area, indoor putting green and convenient food and beverage service are found in the typical Holidome facility. Holidome facilities are fulfilling both the families' needs for a relaxing weekend environment relatively close to home and a change of pace for businessmen. During the year 19 Holidome centers were opened; at year-end 52 Holidome facilities were in operation throughout the Holiday Inn System.

Concept changes introduced in 1975 were largely a product of the market analysis that assessed the alignment of Company-operated properties with the marketplace. Inns which do not meet the Company's investment criteria on a continuing basis may be sold from time to time. In 1975 the Company sold 17 inns. The inn disposition program resulted in a net gain of $.03 per share in 1975, compared to a net loss of $.12 per share in 1974.

International Operations

Company-operated inns in Europe and other international locations experienced the pressures of a depressed economy and abnormal levels of inflation in 1975. The international economic environment was generally more adverse than the conditions prevalent in the U.S. Furthermore, the timing of the international recession lagged the severe economic contraction in the U.S. and continued throughout 1975.

International operations continued to report losses in 1975. Occupancy at the 27 Company-operated inns declined 4.6 percentage points from the 1974 level. International properties experienced improved occupancy through April of 1975, but as the worldwide economic conditions weakened, occupancy levels began to decline. Renewed political strife in Lebanon caused the Beirut property to be closed in September and contributed to the occupancy decline at international locations in 1975.

In Europe, operational control is being shifted from the central European office in Brussels to the national level. Joint marketing campaigns will continue to be coordinated for European properties through the Brussels office. Operational control, however, is being decentralized to the national level for greater responsiveness to specific preferences and needs of travelers in individual countries.

Development Opportunities

The development of new properties was challenging in 1975. General supply-demand imbalances and a depressed economic environment, coupled with restrictive capital markets, directly impacted the lodging industry. Smaller independent developers were hard hit. Despite an improved economic outlook for 1976, many barriers to development persist. Over the longer term, however, experienced and well-financed operators may benefit as a healthier industry and development environment evolves.

The Company continued to add new facilities to the Holiday Inn System in 1975. Four new Company-owned properties were opened, five

A Center of Activity . . . the Holidome facility at the Perrysburg Inn, Perrysburg, Ohio.

inns under management contract opened and 59 new licensed inns were added to the System. The Company attributes its successful development effort of 1975 largely to the reputation that has been earned in the past two decades. Potential developers and lenders are beginning to look for leadership and assistance from the major firms in the industry that have financial strength, an established position in the marketplace and management expertise.

At year-end 1,714 inns with 274,969 rooms were in operation throughout the Holiday Inn System. During 1975 the System expanded with a net gain of 26 properties and 7,937 rooms. The Holiday Inn System was operating in 44 countries and territories, and inns were under construction in an additional 12 countries at year-end.

In the United States the 1975 development program was highlighted by the simultaneous opening of two inns in Kansas City, Missouri. The Company also signed an agreement to manage the fashionable Westbury Hotel in San Francisco as the Holiday Inn-Union Square.

Canada remained a major area of international development as 9 licensed inns with 1,810 rooms were opened during 1975. New licensed inns were also completed in 15 other countries and territories, including the first Holiday Inn properties for India (Agra), Bolivia (Santa Cruz), Tahiti (Papeete), Hong Kong (Kowloon), Panama (Panama City) and Sicily (Taormina). Other international openings included four new properties in Europe, one in southern Africa, the second Japanese Holiday Inn, as well as new inns in Mexico, Brazil and Puerto Rico.

The Holiday Inn System, in addition to physical growth, emphasized renovation projects at existing inns in 1975. At year-end a total of 363 inns had either completed or were in the process of renovating their facilities. In 1974, a total of 92 Holiday Inn properties were involved in renovation projects. The need for product improvements will continue to be examined at both Company-operated and licensed properties to maintain a close alignment with the marketplace.

Trav-L-Parks

The Holiday Inn Trav-L-Park System offers campers pull-through spaces, surfaced roads, picnic tables and full utility hook-ups at all 43 locations for a moderate price. Substantially improved reservation and occupancy levels at Trav-L-Park facilities contributed to higher royalty payments in 1975. The Company also initiated a program to improve the quality and consistency of the facilities in the Trav-L-Park System.

Area Managers

The Company created the area managers program in 1975 to respond more directly to the needs of licensees by providing corporate liaison field representatives. They assist the licensees with marketing, operations, development, finance and personnel matters in a more efficient manner than was previously possible. Ten area managers were placed in the field in 1975.

Marketing Programs

All advertising and promotional programs for Company-operated and licensed inns are coordinated through an integrated marketing effort for the Holiday Inn System. A director of marketing, James Schorr, was named in 1975 to organize and sustain more effective marketing for the Food and Lodging line of business.

Claude Akins talks about Trailways, the Best Bus Going. The intensive training programs required for all Trailways drivers was highlighted in the 1975 television advertising campaign. Hubert Glisan, President of Continental Trailways, places high priority on driver education to ensure passenger safety.

Extensive market research by this group was completed in two key areas during 1975. The media advertising program was reassessed, resulting in a highly competitive campaign—"The Best Surprise is No Surprise"—that emphasizes the dependability of Holiday Inn services wherever people travel. Key operating performance statistics were also consolidated into a single data base. With the new data base, the results of marketing programs and promotional efforts can be monitored and quantified more accurately.

A program for frequent travelers, called Inner Circle[sm], has been introduced to provide convenience and better service to our most frequent guests. This program was developed and tested in 1975 to provide services such as express check-in, check cashing privileges and upgraded rooms to frequent travelers. The program was launched nationally in February of 1976.

To increase the share of the commercial travel market, the Corporate Terminal Program was expanded in 1975. Holidex terminals were added to the travel offices of major corporations and travel agencies which handle heavy commercial bookings in the U.S., Canada and Europe. Holidex terminals were installed at 66 corporate locations, increasing the total number in operation to 120 at year-end. The Corporate Rate Program was also introduced to major companies that generated substantial room-night demand in 1975.

Promotional programs designed to maximize the family travel dollar were available again this year at participating inns. The "Kids Eat Free" program, offering a special children's menu, continues to appeal to vacationing families. The "Family Plan," a special rate for family groups, was also an effective promotional program in 1975.

The Holidex reservations system, already the largest computer-controlled reservation system in the food and lodging industry, was expanded to Panama this year, and now serves 44 countries and territories. Reservation service was improved substantially during the year, with advance reservations accounting for 17.8 million room-nights during 1975.

To increase sales of advance reservations, a new incentive program called SHARE—Suggest Holidex Advance Reservations Everywhere—was developed to encourage and reward front desk personnel for selling advance reservations. The program was tested extensively with great success, and was introduced system-wide in January of 1976.

Transportation Operations

Revenues from Transportation operations—principally Continental Trailways and Delta Steamship Lines—during 1975 were $293,539,000, a five percent increase from the 1974 level of $280,613,000. Pre-tax income also increased in 1975.

share for Continental Trailways increased during the year.

Tariff increases, combined with aggressive cost reduction efforts, only partially offset the impact of lower passenger volume and higher costs. As a result, pre-tax income declined at Continental Trailways in 1975.

The Loading Operation . . . The Delta Mar, one of the three highly efficient LASH/Container vessels developed by Captain J. W. Clark, President of Delta Steamship Lines, completes the loading operation in the port of Rio De Janeiro, Brazil.

Continental Trailways Performance

Revenues increased again in 1975 for Continental Trailways, Inc., the nation's second largest intercity bus carrier. The Dallas-based company operates 2,400 buses over a total of 70,000 route miles throughout the U.S.

In 1975, passenger miles declined 6.8 percent below the 1974 level. Disposable income of intercity bus travelers declined in 1975 primarily as a result of inflationary pressures combined with high levels of unemployment. In addition, passenger volume was not stimulated by the energy shortage as was the case in 1974. The declines, however, were somewhat less than the industry average, indicating that market

Continental Trailways redirected its marketing program in 1975 to more effectively reach the heavy users of intercity bus transportation. The general theme of the 1975 marketing program continued to reinforce "The Best Bus Going" concept. In addition, the "Opportunity Fare," a program designed to assist the unemployed in their search for jobs, was offered in the fall. Unemployed travelers purchased half fare tickets for 23,000 interstate weekday trips during the campaign.

President Ford recognized the "Opportunity Fare" as an innovative action to "increase the mobility of the unemployed and provide opportunities to obtain new work in new surroundings." This program also increased bus usage during a seasonal period of low equipment utilization.

The "Trailways Christmas Package" was introduced in 1975 to encourage family travel during the holiday season. The "Christmas Package" permitted children under 12 to ride the bus for only $1.00 and children under two to ride free. Both programs were responsive to the needs of intercity bus travelers.

On October 15, 1975, Continental Trailways expanded its route structure through the acquisition of Tamiami Trailways based in Hialeah, Florida. The Tamiami lines added 4,306 route miles in the Florida market to Continental Trailways, Inc.

Delta Steamship Lines

Delta Steamship Lines, Inc., a New Orleans based American-flag line company, reported another record year in 1975. Revenues and pre-tax income increased in spite of lower tonnage carried. Delta's performance in 1975 was primarily due to a continued improvement in cargo mix that resulted in a significantly higher average rate per ton. Pre-tax income was also positively affected by a special subsidy payment, previously disallowed, reimbursing Delta for training costs and apprentice wages.

Delta serves three major trade routes: the east coast of South America, the Caribbean islands and the west coast of Africa. Although the cargo mix improved at Delta, tonnage declined during 1975 on the South American and the Caribbean trade routes. Improved tonnage on the West African route partially offset these declines.

A new 20-year operating differential subsidy agreement with the Maritime Subsidy Board of the United States Department of Commerce was signed on June 30, 1975. The new agreement, which became effective January 1, 1976, is similar to the previous operating agreement and provides for continuing operations on Delta's principal trade routes.

Delta carried an increased volume of cargo to West African ports in 1975. The substantial economic growth and resource development in Africa throughout the year was primarily responsible for increased trade. Breakbulk vessels from the Caribbean/North Brazil service periodically were transferred to accommodate surges in demand and to maintain regular service for West African shipments.

As general cargo movements were reduced by internal conditions in both Argentina and Brazil, Delta was able to accommodate increased shipments of bulk commodities.

The operational flexibility of the three LASH/Container vessels that serve the South American trade route permitted Delta to expand vessel schedules to include additional ports of call. During the second half of the year, Montevideo, Uruguay; Puerto Costes, Honduras, and Tampa, Florida, were added to the LASH/Container schedule with the objective of offsetting reductions in traffic to Brazil and Argentina.

A total of 733,583 tons of cargo was carried by Delta vessels in 1975 compared to 930,439 tons transported in 1974. Delta completed 25 voyages to South America, 28 to West Africa and 9 to the Caribbean/North Brazil in 1975 in comparison to 26 South American, 23 West African, and 11 Caribbean voyages in 1974.

Institutional Products Display . . . at the IMA display center in Memphis, Tennessee.

Products Operations

The Products group provides furnishings and consumable supplies principally to institutional customers such as hotels, motels, and restaurants. Additional developing markets for the Products group include furnishing educational facilities, office buildings and nursing homes.

Revenues from the continuing segments of the Products group during 1975 were $92,907,000, a 21 percent decline from the 1974 level of $117,710,000. Pre-tax income also fell substantially from the 1974 level. The principal source of decline was the reduced volume of furnishings and equipment sales. New construction and refurbishing in the lodging industry remained depressed in 1975 as a severe economic contraction followed the energy shortage experienced in 1974.

The Products group was redefined in 1975. Manufacturing operations, including food processing, have been discontinued and are being sold. The Inn Keepers Supply Company (IKS), the Institutional Mart of America Resources Terminal (IMART) and Holiday Press represent the principal components of the restructured group.

Inn Keepers Supply

IKS is a major distributor of integrated furnishings and equipment packages to the food, lodging and other institutional markets. The IKS one-stop shopping concept fulfills a customer's needs from the planning, construction and design stage to the installation of furnishings and equipment.

Display and sales centers are located in Memphis, Tennessee; Atlanta, Georgia; Los Angeles, California, and Lakeland, Florida. Customers can view complete guest rooms, lobbies, lounges, dining rooms, kitchens, laundries and more than 50,000 products displayed in proposed settings at the four regional display centers. Professional IKS coordinators, designers, decorators and engineers are available at each location to assist customers in visually developing a plan that meets their specific requirements.

IKS has experienced a dramatic decline in the demand for their products as a result of the decline in new hotel-motel construction and major remodeling projects. To develop greater stability in 1975, IKS promoted draperies, televisions, carpeting and other individual items as well as to pursuing the larger contracts. In addition to domestic efforts, IKS has also identified new international markets for furnishings and equipment in the hotel-motel markets of South America, the Middle East and West Africa.

IMART

IMART provides non-food consumable supplies and specialty items to hotels, motels, restaurants and other institutional customers. Consumable supplies range from tissue and cleaning products to glassware and maid's carts. IMART products are marketed and warehoused through a national network of 74 independent food distributors, including the Dohrmann Company, our West Coast subsidiary.

The IMART system enables local distributors to offer the same one-stop convenience for consumable supplies that IKS provides for capital goods. A licensing agreement to provide products and services to Best Western motels, hotels and resorts in the United States and Canada was also an important achievement for the Products group in 1975.

Holiday Press

Holiday Press is the largest fully integrated printing operation located in the Mid-South. Complete graphic design, printing and mailing services, office furniture and supplies, business machines and plastic glassware are marketed to commercial users nationwide. Sales offices were established in New York and Chicago in 1975 to increase market penetration in the northeastern and midwestern regions of the United States.

Discontinued Operations

The Company adopted a plan in 1975 to dispose of its manufacturing operations, including food processing, that contributed $81 million in revenues in 1974. The Company has sold Menu Maker, a food service subsidiary, to the Monfort Food Distributing Company. Holiday Containers, a small manufacturing operation, has been sold back to the present management. Negotiations for the proposed sale of the Nat Buring Packing Company, R. B. Rice Company, Inc. and Chambers-Godfrey Manufacturing Company are continuing. Management believes that disposition of these manufacturing operations will permit the Company to more effectively pursue opportunities to provide food and lodging, as well as other products and services, to the traveling public.

Senior Management

Three senior vice presidents were elected by the board of directors during the year. Frederick G. Currey, president of Transportation operations, and Richard H. Wilbur, president of the Products group, were elected senior operating officers. James L. Schorr, director of marketing for the Company's Food and Lodging operations, was named a senior staff officer.

Senior Officers of Holiday Inns, Inc.

Charles M. Collins

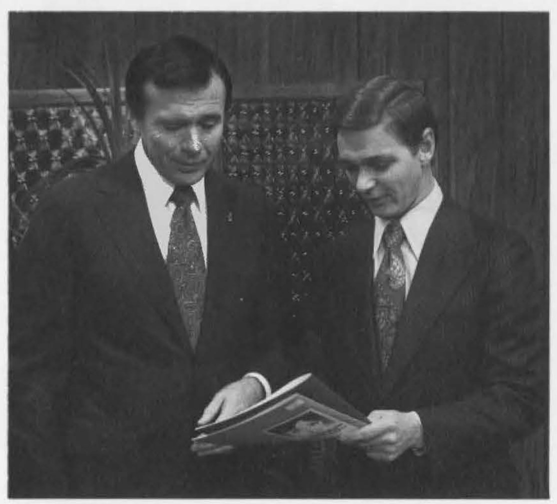
W. Talmage Roane E. J. House, Jr.

Richard H. Wilbur

Jack C. Barksdale Michael D. Rose

Bill J. Dismuke

Frederick G. Currey



Richard T. Ashman James L. Schorr

Frank W. Adams

1975 Financial Review

Holiday Inns, Inc. and Consolidated Subsidiaries

1975 Financial Summary

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The accounts of insurance and finance subsidiaries are recorded at equity, as are investments in 20%-50% owned companies.

International Operations

Accounts stated in foreign currencies are translated into U.S. dollar amounts as follows: (a) all assets, other than property and equipment, and all liabilities at the exchange rate as of the balance sheet date, (b) property and equipment at prevailing rates of exchange when acquired and (c) income and expense items (except depreciation and amortization which are translated at the same rates as the related properties) at average rates prevailing during the year.

In order to comply with a recently issued accounting standard, the Company has changed its method of accounting for gains and losses resulting from the translation of foreign currencies into U.S. dollars. Translation gains and losses are now included in the determination of net income for the period in which the rate changes occur. Prior to the accounting change, foreign currency translation gains and losses were included in either the cost of property and equipment or in deferred charges. The deferred amounts were amortized to income over the life of the properties or loans to which the translation differences applied. Financial statements of prior periods have been restated to apply this new accounting method retroactively. The effect of the accounting change for the year ended January 3, 1975, was to decrease net income and earnings per share by $5,178,000 and $.17, respectively.

Revenues applicable to international operations were $74,144,000 in 1975 and $69,716,000 in 1974 as restated. Net losses were $3,362,000 in 1975 and $4,239,000 in 1974 (excluding the effect of foreign currency translation gains and losses) after tax benefits of $2,685,000 and $2,286,000, respectively.

Consolidated assets and equity invested in international operations amounted to $105,030,000 and $37,206,000, respectively, for 1975 ($109,400,000 and $35,803,000 for 1974 as restated).

Amortization of Deferred Charges and Deferred Credits

Unamortized deferred charges of $9,819,000 at January 2, 1976, and $10,828,000 at January 3, 1975, include net cost of purchased companies not allocable to specific assets amortized over five to forty years, costs incurred in preparing inns for opening amortized over one to five years and costs incurred in obtaining long-term financing amortized over the life of the related loans.

Delta Steamship Lines, Inc., a consolidated subsidiary, was purchased at less than its net assets. The excess of the net assets over the purchase price is being amortized over fifteen years ending in 1982 by annual credits to income of $1,228,000.

Earnings per Share

Earnings per share of common stock is computed using the weighted average number of shares outstanding during each year, adjusted for common stock equivalents. The principal common stock equivalent is the Special Stock—Series A, which is convertible into one and one-half shares of common stock. The average number of common and common equivalent shares outstanding for 1975 and 1974 was 30,606,000 and 30,802,000, respectively.

Inventories

Inventories of raw materials, work-in-process, and finished goods are stated at the lower of average cost or market. Inventories include material, labor and factory overhead, where applicable.

Agreement Under Merchant Marine Act

Delta Steamship Lines, Inc. (Delta) operates under an operating-differential subsidy agreement in which the United States Government undertakes to compensate it for portions of certain vessel operating expenses in excess of those incurred by its foreign competitors. Subsidies for 1972 through 1975 have been accrued on the basis of estimated rates. Management is of the opinion that the amounts of subsidies, when finally determined, will not be less than amounts accrued.

Under an operating-differential subsidy agreement which expired December 31, 1975, Delta was required to deposit in statutory reserve funds (a) annual depreciation charges on vessels, (b) proceeds from the disposition of vessels, and (c) earnings on reserve fund investments. During 1975, Delta entered into a new agreement with the U.S. Government which commenced January 1, 1976, and expires December 31, 1995. This agreement provides for the establishment of a Capital Construction Fund for the deposit of certain fixed amounts for replacement of vessels. Delta's existing statutory reserve funds will be transferred to the Capital Construction Fund. Delta is also required to maintain a conservative dividend policy.

Operations Discontinued or To Be Discontinued

As of August 29, 1975, the Company adopted a plan to divest all manufacturing operations, including food processing. Management anticipates that these operations will be disposed of within approximately one year without incurring a net loss (after considering estimated operating results during the phase-out period and estimated gains or losses resulting from disposition). The income or losses attributable to operation of and the disposal of the businesses will not be reflected in the Company's results of operations after August 1975 unless the combination of operating results and results of dispositions ultimately equals a net gain or loss. Net operating income and disposal gains of $617,000 (after income taxes of $892,000) applicable to the discontinued operations subsequent to August 1975 have been deferred.

Operating results of discontinued businesses prior to the date of adoption of the plan of disposition and after intercompany eliminations are classified separately in the statement of consolidated income and include:

	Eight Months Ended August 29, 1975	Year Ended January 3, 1975
	(In Thousands of Dollars)	
Revenues	$ 52,514	$ 80,999
Operating Costs and Expenses	51,430	78,431
Income Before Income Taxes	1,084	2,568
Provision for Income Taxes	637	1,612
Net Income	$ 447	$ 956

Net assets of the discontinued businesses are included in the consolidated balance sheet and consist of the following:

	1975	1974
	(In Thousands of Dollars)	
Assets		
Current Assets	$ 16,057	$ 18,833
Property and Equipment Less Depreciation of $6,114,000 and $6,115,000	8,422	9,036
Other Assets	449	359
	24,928	28,228
Liabilities		
Current Liabilities	2,523	3,813
Other Liabilities	139	747
	2,662	4,560
Net Assets	$ 22,266	$ 23,668

Income Taxes

The provision for income taxes for continuing operations is comprised of:

	1975	1974 Restated
	(In Thousands of Dollars)	
Federal		
Current	$ 19,759	$ 15,042
Deferred, resulting from—		
Accelerated depreciation	3,798	4,873
Provision for loss from litigation	2,250	(2,250)
Provision for possible loss on disposition of properties	(2,078)	—
Other timing differences	266	1,264
State	2,668	2,032
	$ 26,663	$ 20,961

The difference between the statutory Federal income tax of 48% of income from continuing operations and the actual tax expense is as follows:

	1975 Amount	1975 % of Pre-Tax Income	1974 (Restated) Amount	1974 (Restated) % of Pre-Tax Income
	(In Thousands of Dollars)			
Computed expected tax expense	$32,693	48.0	$22,785	48.0
Increases (decreases) in tax resulting from:				
Investment tax credit	(2,942)	(4.3)	(1,922)	(4.0)
Earnings of Delta deposited in statutory reserve funds	(4,786)	(7.0)	(2,548)	(5.4)
Foreign operations not taxable in United States	(334)	(.5)	1,939	4.1
Other (net)	2,032	2.9	707	1.5
Actual Tax Expense	$26,663	39.1	$20,961	44.2

The difference between the expected Federal income tax of 48% of income for the discontinued operations and the actual tax expense is primarily due to operating losses of a 71% owned company which are not deductible in the consolidated Federal income tax return.

Earnings deposited or required to be deposited in statutory reserve funds or the Capital Construction Fund of Delta are not subject to Federal income taxes unless withdrawn for general purposes or contract operations with the U.S. Government are terminated. Accordingly, at January 2, 1976, no provision for taxes has been made for approximately $18,263,000 of amounts deposited or to be deposited in the funds. Amounts withdrawn from the funds for investment in vessels are not taxable; however, the depreciable tax basis of vessels is reduced by the amount of monies withdrawn. The reduced tax basis decreases allowable depreciation, but the effect of the reduction is offset by deposits to the funds. At January 2, 1976, the book basis of vessels exceeded the tax basis by $28,788,000.

The provision for Federal income taxes for each period has been reduced by the amount of investment tax credit available.

Long-Term Debt

Long-term debt is represented by:

	1975	1974
	(In Thousands of Dollars)	
Construction Loans and Land Purchase Contracts (5½-8%) Maturities to 1990 Upon Conversion to Mortgage Debt	$ 2,735	$ 4,977
Mortgages (5-9½%) Maturities to 1998	201,519	223,942
United States Government Insured Merchant Marine Bonds (5½-7¾%) Sinking Fund Payments of $2,622,000 From Statutory Reserve Funds Due Annually to 1986, with reduced deposits thereafter to 1998. Secured by First Preferred Ship Mortgages	49,067	51,765
Sinking Fund Notes (7-7½%) Maturities to 1983	7,600	10,800
Notes Payable—Secured (6-8%) Maturities to 1989	2,112	2,199
Notes Payable—Unsecured (5-9%) Maturities to 1993	18,451	23,480
Debentures (5-10%) Maturities to 1985	33,278	35,165
Equipment Obligations (5-9½%) Maturities to 1980	6,056	5,055
	320,818	357,383
Less Long-Term Debt Due Within One Year	24,658	21,133
	$296,160	$336,250

Annual principal requirements for the years 1977 through 1980 are $25,570,000, $28,328,000, $25,583,000, and $20,266,000, respectively.

Certain loan agreements restrict the payment of cash dividends on common stock. Under the most restrictive agreement approximately $240,000,000 of retained earnings are available for cash dividends at January 2, 1976.

At January 2, 1976, the weighted average interest rate applicable to short-term borrowings was 7.8%. The maximum amount of short-term debt during the year was $15,149,000. During 1975 the average short-term debt outstanding was $8,160,000 at a weighted average interest rate of 9.9%.

As of January 2, 1976, the Company has unused lines of credit totaling $70,467,000. No material compensating balance arrangements or other restrictions exist with regard to these obligations. Generally, these credit lines are available to the Company at the prime interest rate. Extension of these lines of credit has generally been provided for on an annual basis.

Leases

The Company has entered into leases for both real estate and equipment, some of which provide for contingent rentals in excess of a specified minimum based on percentages of revenue. The average remaining term for these leases extends approximately 14 years. Leases generally contain favorable renewal options. No material restrictions or guarantees exist in the Company's lease obligations.

Total rental expense for all leases amounted to:

	1975	1974
	(In Thousands of Dollars)	
Minimum Rentals		
Financing	$ 7,421	$ 7,403
Non-Financing	7,374	7,750
	14,795	15,153
Contingent Rentals		
Financing	3,398	2,979
Non-Financing	21,939	21,123
	25,337	24,102
	$ 40,132	$ 39,255

The future minimum rental commitments as of January 2, 1976, for all noncancelable leases are as follows:

	Financing Leases			Non-Financing Leases			
	Land	Buildings & Improvements	Furniture, Fixtures & Equipment	Land	Buildings & Improvements	Furniture, Fixtures & Equipment	Total
	(In Thousands of Dollars)						
1976	1,343	5,102	1,130	1,241	2,542	237	11,595
1977	1,334	5,028	1,124	1,141	1,895	159	10,681
1978	1,337	5,023	1,102	1,010	1,454	22	9,948
1979	1,332	4,987	1,100	934	1,124	—	9,477
1980	1,285	4,862	1,071	861	856	—	8,935
1981-85	5,699	20,167	4,283	3,393	2,137	—	35,679
1986-90	4,631	12,984	2,919	2,028	592	—	23,154
1991-95	3,272	4,081	471	2,260	7	—	10,091
Remaining Balance	18,854	312	—	19,640	—	—	38,806

The rentals to be received from existing noncancelable subleases are not material.

The present values of the minimum rental commitments for all noncancelable financing leases are summarized below:

	Jan. 2, 1976	Jan. 3, 1975
	(In Thousands of Dollars)	
Land	$ 13,395	$ 13,161
Buildings and Improvements	38,389	43,063
Furniture, Fixtures and Equipment	8,446	9,590
	$ 60,230	$ 65,814

The weighted average imputed interest rate for all financing leases is 6.8% for 1975 and 6.9% for 1974 and the range of interest rates is 5%-10% for 1975 and 1974.

If all financing leases had been capitalized, rather than current payments being expensed, the impact upon net income would have been less than three percent of the average net income for the most recent three years.

Property and Equipment

A major portion of the real estate and equipment is pledged to secure mortgages and other long-term debt. Property and equipment consists of the following:

	Cost 1975	Cost 1974 Restated	Estimated Useful Life in Years
	(In Thousands of Dollars)		
Land and Land Rights	$ 53,579	$ 56,955	—
Buildings, Improvements and Other	444,668	456,400	10-50
Furniture, Fixtures and Equipment	226,213	224,521	3-15
Buses	139,527	129,985	9
Vessels	108,417	108,429	25
	972,404	976,290	
Less Accumulated Depreciation and Amortization	305,892	284,345	
	$666,512	$691,945	

Depreciation and amortization are principally provided on the straight-line method. Provisions for depreciation and amortization of property and equipment are $54,476,000 for 1975 and $56,862,000 for 1974 of which $53,830,000 and $55,884,000, respectively, are applicable to continuing operations.

The Company follows a policy of capitalizing interest cost incurred during construction of property and equipment and depreciating the cost over the life of the property and equipment. Management believes this policy permits a better matching of revenues and costs. Had the Company used the alternative practice of expensing construction interest when incurred, net income from continuing operations would have been increased $92,000 in 1975 and $334,000 in 1974.

Capital Stock

At January 2, 1976, shares of common stock were reserved for:

Conversion of Special Stock-Series A	1,032,000
Stock Purchase Options	
Outstanding and Unexercised	393,000
Reserved for Future Grants	421,000
Stock Purchase Warrants at $24.75 per share (Issued with 9½% First Mortgage Bonds)	220,000
Conversion of 8% Convertible Subordinated Guaranteed Debentures Due 1985 at $35.00 per share	296,000
Deferred Compensation Plans	72,000
	2,434,000

An indeterminate number of common stock shares will be required to meet the semi-annual dividend requirements for the outstanding Special Stock-Series A.

Pension and Other Retirement Plans

A majority of the Company's employees are covered under various pension and/or profit sharing plans. Pension cost of $5,563,000 in 1975 primarily covered current service cost plus amortization of past service cost over periods of either 30 or 40 years. Pension cost of $3,562,000 in 1974 primarily covered current service cost and interest on prior service cost.

At January 2, 1976, the actuarially computed value of vested benefits exceeded the total of the pension fund and balance sheet accruals by approximately $21,978,000.

Contingencies

Class action litigation has been initiated against the Company alleging violation of antitrust laws with respect to sales and leases by the Company to franchise holders. In the opinion of outside counsel, it is quite unlikely that any decisions finally rendered will result in a material adverse effect on the financial position of the Company.

Auditors' Report

To the Stockholders and Board of Directors
of Holiday Inns, Inc.:

We have examined the consolidated balance sheet of HOLIDAY INNS, INC. (a Tennessee Corporation) and consolidated subsidiaries as of January 2, 1976, and January 3, 1975, and the related statements of consolidated income, stockholders' equity and changes in financial position (included on pages 22 through 26) for the fifty-two and fifty-three weeks, respectively, then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Holiday Inns, Inc. and consolidated subsidiaries as of January 2, 1976, and January 3, 1975, and the results of their operations and changes in their financial position for the fifty-two and fifty-three weeks then ended, in conformity with generally accepted accounting principles consistently applied during the periods after giving retroactive effect to the change (with which we concur) in the method of accounting for the translation of foreign currency transactions, as explained on page 14 of the Financial Summary.

ARTHUR ANDERSEN & CO.

Memphis, Tennessee,
February 13, 1976.

Notes to The Fourth Quarter Financial Highlights

1. During the fourth quarter of 1975 the Company changed its method of accounting for foreign currency translation gains and losses to include such gains and losses in net income for the period in which the rate changes occur. Previously reported results for prior periods have been restated to give retroactive effect to the new accounting method. Foreign currency translation losses of $244,000 in the fourth quarter 1975 and $6,461,000 in the fourth quarter 1974 are included in operating costs and expenses. The effect of the restatement on fourth quarter 1974, after the elimination of amortization of previously deferred foreign currency gains and losses, decreased net income and earnings per share by $4,198,000 and $ .14, respectively.
2. Revenues applicable to discontinued operations for the fourth quarter of 1974 were $16,218,000. During the fourth quarter 1975 $4,218,000 of revenues and costs, which were classified in the third quarter 1975 as revenues and costs from discontinued operations, were reclassified to continuing operations. The reclassification had no effect on net income.
3. A loss of $ .10 per share associated with the disposition of Company-operated inns was incurred during the fourth quarter 1974. The fourth quarter 1975 results include $ .04 per share income from disposition of inns.

NEW YORK STOCK EXCHANGE MARKET PRICES	COMMON STOCK		SERIES A SPECIAL STOCK	
	1974		1974	
	High	Low	High	Low
1st quarter	18⅜	12	28¾	21¾
2nd quarter	14⅝	10½	24½	17⅝
3rd quarter	10⅞	6½	17¾	14⅛
4th quarter	8⅜	4¼	15	9¾
	1975		1975	
	High	Low	High	Low
1st quarter	12	5⅛	19¾	12
2nd quarter	15¼	10¼	23	17⅞
3rd quarter	14⅝	9½	21¼	16
4th quarter	16½	10	26	17½

Source: As reported in The Wall Street Journal

Stock Listings

Holiday Inns, Inc., Common stock is listed on the New York Stock Exchange. It is also listed on the Midwest, PBW and Pacific regional stock exchanges.

QUARTERLY DIVIDENDS PER SHARE	COMMON STOCK	SERIES A SPECIAL STOCK (1)
	1974	1974
1st quarter	$.075	$ .85
2nd quarter	.08125	—
3rd quarter	.08125	.85
4th quarter	.08125	—
	$.31875	$1.70
	1975	1975
1st quarter	$.08125	$ .85
2nd quarter	.0875	—
3rd quarter	.0875	.85
4th quarter	.0875	—
	$.34375	$1.70

(1) Dividends on Special Stock, Series A are paid semi-annually in Common Stock at market value.

SUPPLEMENTAL INFORMATION ON THE TRANSPORTATION GROUP

The Transportation group is comprised of two principal elements: intercity bus and other related operations and Delta Steamship Lines. Revenues for bus and other operations for 1971 through 1975 were $175, $163, $178, $206 and $214 million, respectively. Pre-tax income for bus and other operations for the same fiscal periods was $28, $19, $21, $26 and $20 million.

Similarly, revenues for the Delta Steamship Lines for the years 1971 through 1975 were $34, $28, $38, $74 and $79 million, respectively. Pre-tax income for the same fiscal periods was $4, $4, $3, $7 and $13 million.

FORM 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission provides certain additional information and will be available in April. A copy of this report may be obtained from the Corporate Development Department of the Company. Copies of exhibits filed with the Form 10-K will also be available upon request at a cost of $1.00 per page.

CONTACTS

Stockholders, investors, security analysts and other interested observers of the Company wishing to discuss financial and operating matters should contact the Corporate Development Department, 901/362-4330.

Representatives of the media should direct inquiries to the Corporate Public Relations Department, 901/362-4491.

Statement of Consolidated Income

Holiday Inns, Inc. and Consolidated Subsidiaries

Fifty-two Weeks Ended January 2, 1976
And Fifty-three Weeks Ended January 3, 1975

	1975	1974 Restated
	(In Thousands, except per share amounts)	
Revenues		
Food and Lodging	$525,750	$501,806
Products	92,907	117,710
Transportation	293,539	280,613
Other Income	4,777	4,976
	916,973	905,105
Operating Costs and Expenses		
Food and Lodging	482,139	471,225
Products	92,453	108,821
Transportation	260,014	247,639
General Corporate	20,124	21,338
Foreign Currency Translation (Gains) Losses	(5,867)	8,614
	848,863	857,637
Income From Continuing Operations Before Income Taxes	68,110	47,468
Provision for Income Taxes	26,663	20,961
Income From Continuing Operations	41,447	26,507
Discontinued Operations, Less Applicable Income Taxes of $637,000 and $1,612,000	447	956
Net Income	$ 41,894	$ 27,463
Earnings Per Common and Common Equivalent Share		
Earnings From Continuing Operations (After Preferred Stock Dividends)	$ 1.36	$ .86
Discontinued Operations	.01	.03
Net Earnings	$ 1.37	$ .89

The Financial Summary on pages 14 through 19 is an integral part of this statement.

Consolidated Statement of Changes in Financial Position

Holiday Inns, Inc. and Consolidated Subsidiaries

Fifty-two Weeks Ended January 2, 1976
And Fifty-three Weeks Ended January 3, 1975

	1975	1974 Restated
	(In Thousands of Dollars)	
Source of Funds		
Income from Continuing Operations	$ 41,447	$ 26,507
Add Expenses Not Requiring Current Outlay of Working Capital:		
Depreciation, Amortization and Allowances for Property Dispositions	59,414	57,511
Deferred Income Taxes	4,236	3,887
Provision for Possible Loss from Litigation	—	4,500
Foreign Currency Translation (Gains) Losses	(5,867)	8,614
Working Capital Provided from Operations before Discontinued Operations	99,230	101,019
Income from Discontinued Operations Including Non-Working Capital Charges	1,202	1,800
Total Working Capital Provided from Operations	100,432	102,819
Proceeds from Financing	8,391	18,979
Sales of Property and Equipment	23,869	13,431
Total Sources	132,692	135,229
Application of Funds		
Additions to Property and Equipment	57,076	85,946
Payments of Mortgages and Notes	43,244	35,281
Payment of Cash Dividends	10,366	9,764
Increase (Decrease) in Restricted Funds	9,668	(1,538)
Other	5,791	6,452
Total Applications	126,145	135,905
Increase (Decrease) in Working Capital	$ 6,547	$ (676)
Changes in Components Which Increased (Decreased) Working Capital:		
Cash and Temporary Cash Investments	$ 14,712	$ 13,169
Receivables	(16,244)	12,176
Inventories	(4,599)	3,496
Other Current Assets	5,779	(3,629)
Long-Term Debt Due Within One Year	(3,525)	(4,805)
Accounts Payable and Other Current Liabilities	13,535	(16,440)
Accrued Federal and State Income Taxes	(3,111)	(4,643)
Increase (Decrease) in Working Capital	$ 6,547	$ (676)

The Financial Summary on pages 14 through 19 is an integral part of this statement.

Consolidated Balance Sheet

Holiday Inns, Inc. and Consolidated Subsidiaries

	January 2, 1976	January 3, 1975 Restated
	(In Thousands of Dollars)	
ASSETS		
Current Assets		
Cash	$ 26,033	$ 24,496
Temporary Cash Investments, at cost	35,128	21,953
Receivables, Less Allowance for Doubtful Accounts of $5,045,000 and $3,710,000	80,931	97,175
Inventories	32,807	37,406
Other Current Assets	8,818	8,019
	183,717	189,049
Less Deposits to be Made in Statutory Reserve Funds	5,985	10,965
Total Current Assets	177,732	178,084
Restricted Funds, Principally Statutory Reserve Funds, Including Above Deposits	22,809	13,141
Investments and Long-Term Receivables		
Nonconsolidated Subsidiaries and Less Than Majority Owned Affiliates	21,963	18,904
Notes Receivable and Other Investments	18,846	16,474
	40,809	35,378
Property and Equipment, at cost		
Land, Buildings, Improvements and Equipment	972,404	976,290
Less Accumulated Depreciation and Amortization	305,892	284,345
	666,512	691,945
Deferred Charges and Other Assets	21,826	26,814
	$929,688	$945,362

	January 2, 1976	January 3, 1975 Restated
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Long-Term Debt Due Within One Year	$ 24,658	$ 21,133
Notes Payable—Banks	5,138	14,356
Accounts Payable	23,572	30,203
Accrued Federal and State Income Taxes	13,850	10,739
Accrued Expenses and Other Taxes	44,885	42,199
Other Current Liabilities	16,165	16,537
Total Current Liabilities	128,268	135,167
Long-Term Debt Due After One Year	296,160	336,250
Deferred Credits Including Excess of Net Assets at Acquisition Over Investment in Subsidiary	18,468	23,974
Deferred Income Taxes	42,742	36,323
Commitments and Contingencies—See Pages 17, 18 and 19.		
Stockholders' Equity		
Capital Stock		
Special Stock: authorized 5,000,000 shares; Series A; $1.125 par value; issued 760,509 and 761,034 shares; convertible into common	855	856
Common: $1.50 par value; authorized 60,000,000 shares; issued 29,878,599 and 29,877,812 shares	44,818	44,816
Capital Surplus	114,350	114,338
Retained Earnings	292,914	262,562
	452,937	422,572
Capital Stock in Treasury, at cost	(6,712)	(6,252)
Unissued Deferred Compensation Shares	(2,175)	(2,672)
	444,050	413,648
	$929,688	$945,362

The Financial Summary on pages 14 through 19 is an integral part of this statement.

Statement of Stockholders' Equity

Holiday Inns, Inc. and Consolidated Subsidiaries

	Capital Stock					
	Preferred* $100 Par Value	Special Series A $1.125 Par Value	Common $1.50 Par Value	Capital Surplus	Retained Earnings	Treasury Stock
	(In Thousands of Dollars)					
Balance—December 28, 1973, As Previously Reported	$ 1,896	$ 865	$ 44,816	$114,238	$252,310	$ (4,762)
Cumulative Effect of Restatement For Foreign Currency Translation Losses	—	—	—	—	(6,268)	—
Balance—December 28, 1973, As Restated	1,896	865	44,816	114,238	246,042	(4,762)
Net Income, As Restated	—	—	—	—	27,463	—
Treasury Stock Issued In:						
Earnout Provision of Acquisitions, 35,063 Shares of Common	—	—	(17)	(469)	—	522
Deferred Compensation Plan, 55,592 Shares of Common	—	—	—	(212)	—	594
Dividends on Special Stock—Series A, 115,383 Shares of Common	—	—	—	(174)	(1,208)	1,382
Treasury Stock Acquired	—	—	—	1,113	—	(3,636)
Sinking Fund Requirements, 18,964 Shares	(1,896)	—	—	—	—	—
Cash Dividends Declared On:						
Preferred Stock	—	—	—	—	(170)	—
Common Stock, $.325 Per Share	—	—	—	—	(9,594)	—
Other	—	(9)	17	(158)	29	(352)
Balance—January 3, 1975, As Restated	—	856	44,816	114,338	262,562	(6,252)
Net Income	—	—	—	—	41,894	—
Treasury Stock Issued In:						
Dividend on Special Stock—Series A, 124,377 Shares of Common	—	—	—	(10)	(1,147)	1,157
Treasury Stock Acquired	—	—	—	—	—	(1,283)
Cash Dividends Declared On:						
Preferred Stock	—	—	—	—	(46)	—
Common Stock, $.350 Per Share	—	—	—	—	(10,320)	—
Other	—	(1)	2	22	(29)	(334)
Balance—January 2, 1976	$ —	$ 855	$ 44,818	$114,350	$292,914	$ (6,712)

* 150,000 shares of 5% cumulative preferred stock are authorized; none are outstanding at January 2, 1976.

The Financial Summary on pages 14 through 19 is an integral part of this statement.

Summary of Operations

Holiday Inns, Inc. and Consolidated Subsidiaries

		Restated (See Note)			
	1975	1974	1973	1972	1971
	(In Thousands of Dollars, except per share amounts)				
Revenues					
Food and Lodging	$525,750	$501,806	$466,251	$419,349	$360,361
Products	92,907	117,710	118,976	100,796	87,323
Transportation	293,539	280,613	215,884	191,395	208,812
Other Income	4,777	4,976	7,651	6,692	5,288
	916,973	905,105	808,762	718,232	661,784
Operating Costs and Expenses					
Food and Lodging	482,139	471,225	421,431	367,360	319,101
Products	92,453	108,821	107,055	92,232	80,919
Transportation	260,014	247,639	191,483	168,677	176,928
General Corporate	20,124	21,338	17,134	14,596	13,765
Foreign Currency Translation (Gains) Losses	(5,867)	8,614	7,402	(303)	1,967
	848,863	857,637	744,505	642,562	592,680
Interest Cost Accrued	27,065	28,842	26,657	22,040	21,076
Interest Capitalized	(173)	(415)	(3,462)	(4,146)	(3,185)
Interest Included in Operating Expenses Above	26,892	28,427	23,195	17,894	17,891
Provision for Income Taxes	26,663	20,961	24,520	34,645	31,929
Discontinued Operations	447	956	1,997	1,367	1,459
Extraordinary Items	—	—	—	—	1,520
Net Income	41,894	27,463	41,734	42,392	40,154
Earnings Per Common and Common Equivalent Share					
Earnings From Continuing Operations (After Preferred Stock Dividends)	$ 1.36	$ .86	$ 1.27	$ 1.33	$ 1.23
Discontinued Operations	.01	.03	.06	.04	.05
Extraordinary Items	—	—	—	—	.05
Net Earnings	$ 1.37	$ .89	$ 1.33	$ 1.37	$ 1.33

NOTE: To conform with a recent accounting pronouncement, the Company has changed its accounting for the translation of foreign currencies to include foreign currency translation gains and losses in the determination of net income for the period in which the rate change giving rise to the gain or loss occurs. The effect of the accounting change on net income as previously reported is:

	1974	1973	1972	1971
	(In Thousands of Dollars, Except Per Share Amounts)			
Net Income As Previously Reported	$ 32,641	$ 46,403	$ 42,024	$ 42,121
Effect of Restatement of Foreign Currency Gains and (Losses)	(5,178)	(4,669)	368	(1,967)
Net Income as Restated	$ 27,463	$ 41,734	$ 42,392	$ 40,154
Earnings Per Common and Common Equivalent Share:				
Net Earnings as Previously Reported	$ 1.06	$ 1.49	$ 1.37	$ 1.40
Effect of Restatement of Foreign Currency Gains and (Losses)	(.17)	(.15)	.01	(.07)
Effect of Retroactive Restatement of Shares Outstanding for Shares Issued as Dividend on Special Stock—Series A	—	(.01)	(.01)	—
Net Earnings as Restated	$ .89	$ 1.33	$ 1.37	$ 1.33

Management's Discussion and Analysis of the Statement of Income

Food and Lodging

Occupancy at Company-operated inns declined during 1975, reflecting a lower volume of commercial guests due to the reduced level of economic activity. However, revenues increased $23,944,000 in 1975, primarily as a result of rate adjustments implemented to offset increased operating costs at Company-operated inns and, to a lesser extent, increased royalty payments from licensed inns. Revenues in 1974 were adversely affected by lower occupancy rates as a result of the fuel shortage and a decline in business travel. Revenues, nevertheless, increased $35,555,000 in 1974 over 1973 as a result of a greater number of Company-operated rooms and rate adjustments implemented in the fourth quarter to offset increased expenses.

Operating income increased $13,030,000 in 1975 from the depressed levels of 1974. The increase was primarily the result of a gain from inn dispositions in 1975 compared to a loss in 1974, increased royalty payments from licensed inns and cost reduction efforts at Company-operated inns. In 1974, operating income decreased by $14,239,000 due to an increase in operating costs and expenses which resulted from rising food costs, higher salaries and wages, escalating utility expenses, a provision for anticipated losses upon disposition of certain assets and increases in other operating costs.

Products

Revenues from continuing operations declined by $24,803,000 in 1975 and operating income decreased $8,435,000 to $454,000 in 1975. Revenues declined principally as a result of a reduced volume of furnishings and equipment sales for new construction and refurbishing projects which remained depressed in 1975 as an economic contraction followed the fuel shortage of 1974. Operating income declined as volume weakened without a corresponding reduction in operating costs and expenses.

Transportation

Revenues increased $12,926,000 in 1975 and $64,729,000 in 1974 due to increases in revenues from both bus and steamship operations. Revenues from bus operations increased in 1975 as a result of expense-offsetting rate adjustments and a continued recovery from the effects of a strike which reduced revenues in 1972 and 1973. The 1974 revenue increase is attributable to a material increase in passenger miles resulting from the energy shortage as many travelers switched to intercity bus transportation, a recovery from the Company's earlier strike and the favorable impact of a brief nationwide strike at a competitor.

The increase in vessel revenue in 1975 is attributable to a higher average cargo rate resulting from price adjustments and an improved mix of cargo which more than offset a decline in tonnage. Increased vessel revenues in 1974 were a result of increased tonnage and a higher average cargo rate.

Operating income increased $551,000 in 1975 as income from steamship operations increased due to a favorable prior-year subsidy of $2,591,000 and an improved mix of cargo. This increase was partially offset by a decline in income from bus operations in 1975 due to a lower level of passenger miles resulting from a reduction in disposable income of intercity bus travelers. In 1974 operating income increased $8,573,000 due to a material increase in passenger miles for the bus operations and the additional tonnage transported at a higher average cargo rate for the steamship operations. Operating expenses increased $56,156,000 in 1974 primarily from escalating wage, fuel and other costs and increases in the volume of business.

Other Factors Affecting Net Income

Net income in 1975 increased by $14,431,000. However, comparisons with net income for 1974 and prior years are influenced by the factors discussed below.

Foreign Currency Translation. In accordance with the Statement No. 8 of the Financial Accounting Standards Board, a change in the relationship between the dollar and the foreign currencies in which certain assets and liabilities of the Company are denominated results in a translation gain or loss which is recognized during the period in which it occurs. The strengthening of the dollar in 1975 in comparison primarily to the German and Dutch currencies resulted in a translation gain of $5,867,000. The translation loss of $8,614,000 in 1974 resulted from a weakening of the dollar during the period.

Taxes. The provision for income taxes in 1975 increased by $5,702,000 as a result of higher operating income. However, the 1975 provision for income taxes reflects a lower effective tax rate than the 1974 provision primarily as a result of an increase in tax deductible deposits to the statutory reserve fund made possible by higher steamship earnings. The 1974 provision for income taxes declined as a result of lower operating income but reflects a higher effective rate than the 1973 provision because 1973 was affected by investment tax credits resulting from the delivery of LASH/container vessels.

Discontinued Operations. The income from discontinued operations, primarily manufacturing operations including food processing, declined $509,000 in 1975 and $1,041,000 in 1974 as a result of decreased sales and lower profit margins. Lower sales from manufacturing operations were due primarily to the reduced rate of new construction projects, and lower profit margins were the result of declining volume and a less profitable product mix.

Other Income. Other income decreased $2,675,000 in 1974 because of a decline in the level of short-term investments.

General Corporate Expenses. General corporate expenses increased in 1974 by $4,204,000. This change is primarily attributable to the inclusion in 1974 of a provision for possible loss from litigation of $4,500,000 in connection with a case which the Company has settled for an amount that approximated the provision.

Board of Directors

Kemmons Wilson
Chairman of the Board

Roy E. Winegardner
First Vice Chairman of the Board

Wallace E. Johnson
Vice Chairman of the Board

William B. Walton
Vice Chairman of the Board

L. M. Clymer
President

Clyde H. Dixon
Executive Vice President

Frank W. Adams
Senior Vice President Finance and President, Commercial Services

Charles M. Collins
Senior Vice President
General Counsel

Ernest B. McCool
Senior Vice President

John E. Brown
Retired

William N. Clarke
Partner
Cadwalader, Wickersham and Taft
New York, New York

Frederick G. Currey
President
TCO Industries, Inc.
Dallas, Texas

C. B. Harrison
Chairman, Board of Directors
First American Bank
Knoxville, Tennessee

R. A. Lile
President
Transportation Properties, Inc.
Little Rock, Arkansas

Lewis K. McKee
President
The Federal Company
Memphis, Tennessee

Allen Morgan
Honorary Chairman
Board of Directors
First Tennessee National Corporation

Ralph Owen
Private Investor
Nashville, Tennessee

Robert E. Slater
Consultant
Chester Springs, Pennsylvania

Corporate Officers

Kemmons Wilson
Chairman of the Board

Roy E. Winegardner
First Vice Chairman of the Board

Wallace E. Johnson
Vice Chairman of the Board

William B. Walton
Vice Chairman of the Board

L. M. Clymer
President

Clyde H. Dixon
Executive Vice President

Senior Vice Presidents

Frank W. Adams
Richard T. Ashman
Jack C. Barksdale
Charles M. Collins
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W. Talmage Roane
Michael D. Rose
James L. Schorr
Richard H. Wilbur

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John H. Cleghorn
Ralph D. Davison
Leland E. Duerksen
E. J. House, Jr.—*Treasurer*
Fred K. Jeffrey
Wayne C. Marsh—*Secretary*
Lester M. Price
Robert H. Thurmond—*Controller*

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President

Jose L. Torres
Executive Vice President

Senior Vice Presidents

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Dewayne P. Bolton
Erich J. Gerner
Brian A. Goodwin
Kenneth B. Hamlet
David B. Jones
John P. Krielaart
Joseph B. Parker
Stephen P. Peeck

Inn Development

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President

Senior Vice Presidents

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Hervey A. Feldman
Ronald A. Nykiel

Worldwide System

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Senior Vice Presidents

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Carmen B. Robinson
Raymond E. Schultz

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President

Continental Trailways

Hubert L. Glisan
President

Executive Officers

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B. A. Robinson
G. G. Rountree
L. S. Stanton

Delta Steamship Lines, Inc.

Capt. J. W. Clark
President

Executive Officers

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H. D. Hunter
M. Iacona
D. P. Kirby
J. A. Munster
F. A. Wendt

Products

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President

Senior Vice Presidents

T. A. Cox
Guy Durham
Norman Wegbreit

Commercial Services

Frank W. Adams
President

Executive Offices

Holiday Inns, Inc.
3742 Lamar Avenue
Memphis, Tennessee 38118 U.S.A.

European Office

Holiday Inns of Belgium, S.A.
Holidaystraat
1920 Diegem,
Brussels, Belgium

ANNUAL MEETING

Third Wednesday in May

Transfer Agents

The First National Bank of Memphis
Memphis, Tennessee

Citibank, N.A.
New York, New York

Bank of America National Trust and Savings Association
Los Angeles, California

Continental Illinois National Bank & Trust Company of Chicago
Chicago, Illinois

Registrars

National Bank of Commerce in Memphis
Memphis, Tennessee

The Bank of New York
New York, New York

United California Bank
Los Angeles, California

Harris Trust & Savings Bank
Chicago, Illinois

Auditors

Arthur Andersen & Co.
165 Madison Avenue
Memphis, Tennessee 38103

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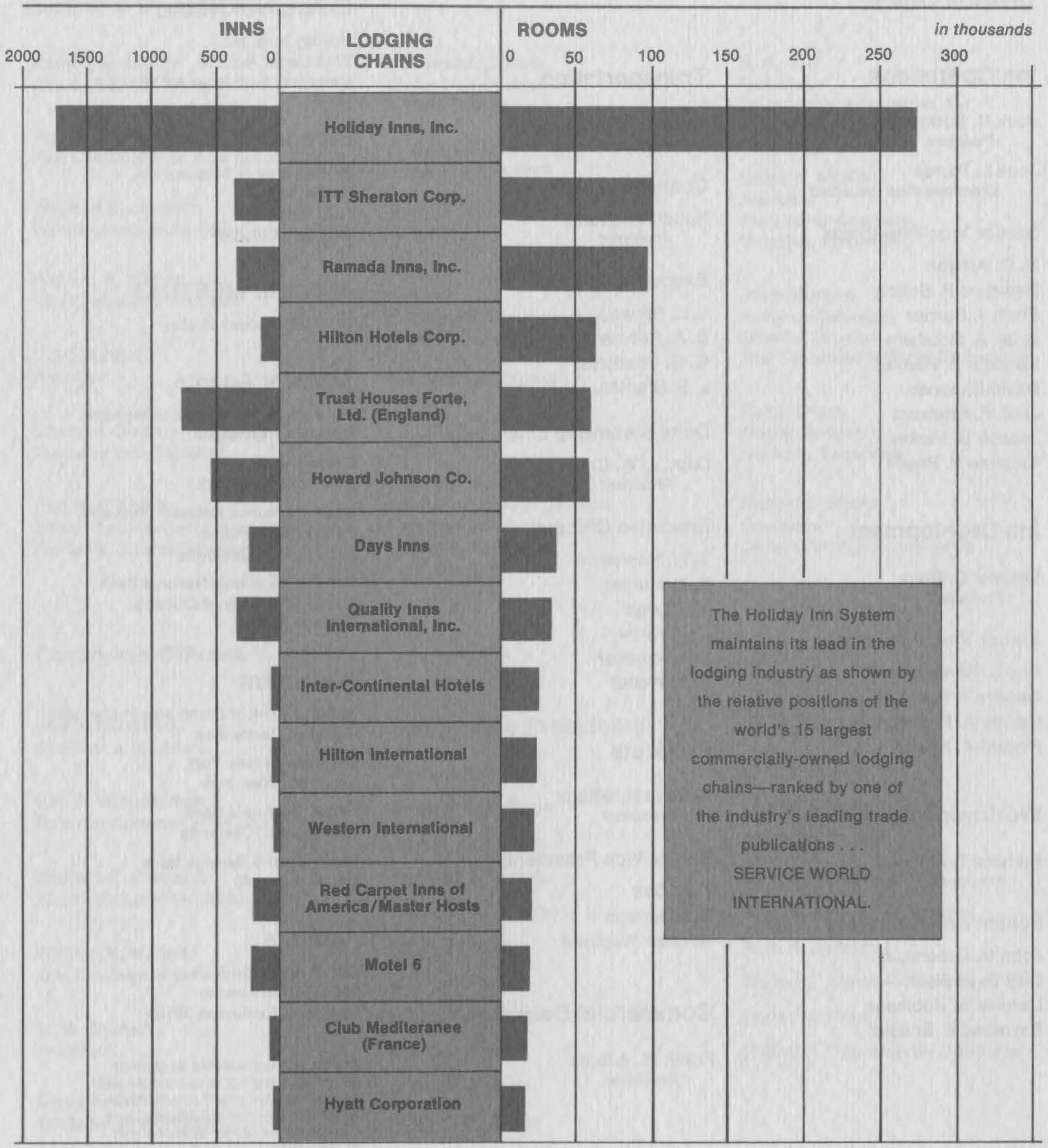
Fifteen Leading Lodging Firms



Source: 1976 Service World International "100".

EQUAL OPPORTUNITY EMPLOYER

Holiday Inns, Inc., has a policy against discrimination in its recruitment, employment and other personnel practices. It is Company policy to seek and employ the best qualified individuals from the available labor force and to provide them with equal opportunity for advancement, including upgrading, promotion and training, in a manner that does not discriminate because of race, color, religion, sex, age, national origin, or physical disability except where the physical disability might prevent the individual from fulfilling bona fide occupational requirements.

Holiday Inns, Inc. • 3742 Lamar Avenue • Memphis, Tenn. 38118 U.S.A.

HOLIDAY PRESS MEMPHIS – LITHO IN USA.

The Holiday Inn Story

by

KEMMONS WILSON

"... the Holiday Inn story is larger than buildings and happy vacations ... it is the story of people—people who had faith in an idea, and who were willing to work together for its development."

—KEMMONS WILSON

Requests for additional information about Holiday Inns, Inc., and the Holiday Inn System are handled by the

PUBLIC RELATIONS DEPARTMENT
3756 LAMAR AVE.
MEMPHIS, TENNESSEE 38118
901/362-4491

The Holiday Inn Story

by

Kemmons Wilson
Chairman of the Board
Holiday Inns, Inc.

Holiday Inns, Inc.
Memphis, Tennessee, U.S.A.
Second Edition—July, 1972

"As the company's growth accelerated, we decided to broaden our operating base by selling stock. The first public offering of 120,000 shares at $9.75 per share was made on August 19, 1957.

If you had bought 100 shares for $975, today it would be equivalent to 1,632 shares. At a recent quotation of $50 per share, your initial investment would be worth more than $80,000."

—KEMMONS WILSON

July, 1972

SET UP, PRINTED, AND BOUND IN THE UNITED STATES OF AMERICA FOR HOLIDAY INNS, INC., BY HOLIDAY PRESS

If you search through all the ages of history, you will find no national economy which matches that of the United States in giving a man an opportunity to build a business. This is the story of the building of a business. It is the story of a small group of men who were willing to take certain risks, work extremely hard, mix determination with resourcefulness and faith, and build a business—Holiday Inns, Inc.—from a few thousand dollars to a company with assets of more than 700 million dollars in 20 years.

The name Holiday Inn means different things to different people—a two-story motor hotel on an interstate highway, a skyscraper hotel in a metropolitan area, a luxury resort facility, a Trav-L-Park for people who enjoy camping, or simply a happy family vacation.

But the Holiday Inn story is larger than buildings and happy vacations. It is the story of people—people who had faith in an idea and who were willing to work together for its development.

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In 1951 my wife Dorothy and I loaded our five children into a station-wagon and started from our home in Memphis, Tenn., for a vacation trip to Washington, D.C.

It didn't take us long to find out that most motels had cramped, uncomfortable rooms—and that they charged extra for children.

Few had adequate restaurants and fewer still were air-conditioned. In short, it was a miserable trip.

This is not to say that there were no great hotels in that day. There were. But the industry as a whole had reached a lull. During World War II, hotels didn't have to worry about empty rooms. Guests paid premium rates for any accommodations at all. They were forced into expensive parking fees and into tips for doormen and bellmen who rendered little more than lip service.

After World War II, businessmen began traveling by auto instead of by train and the family vacation came into its own. In essence, transportation was changing, and the hotel-motel business was ripe for development.

I built the first Holiday Inn on Summer Avenue in Memphis, near what was then the eastern city limits. It had 120 rooms. (By the way, the first inn is still in operation—with modernization, of course. Last year it showed a substantial profit, and the land has increased 25 times in value.) We now have 12 Holiday Inns open in the Memphis metropolitan area.

During the next year and a half, I built three more Holiday Inns. All had a swimming pool, air-conditioning, a restaurant on the premises, a telephone in every room, free ice, dog kennels, free parking, and baby-sitters available.

These features are standard in every Holiday Inn today, and we have added physicians and dentists on call, the Holiday Inn Magazine, wall-to-wall carpeting, 24-hour phone service, Holidex computerized reservations, and meeting facilities. There are more than 800 clergymen of all faiths and denominations who are chaplains-on-call, available at many Holiday Inns in the United States and Canada to guests who feel the need for religious counsel. Last year 250 Holiday Inns participated in another program through which rotating clergymen offer Sunday religious services at the inns for our guests.

The first 50 Holiday Inns were decorated by the late "Doll" Wilson, my mother, who was vice president of the corporation for a number of years. Her assistance in selecting colors and design had been invaluable to me on hundreds of houses and apartments and she applied this same skill and talent to making Holiday Inn rooms bright and cheerful, with friendly, warm colors instead of the cold and drab hotel-room decor that was typical of the 1950s.

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As the first four inns in Memphis were completed, I began to see the possibilities of developing a national chain. I needed a man who could think big with me and the biggest-thinking man I knew was Wallace E. Johnson, builder of thousands of homes, who had been called "the Henry Ford of the home building industry" by *The Saturday Evening Post*.

He had started as a carpenter and pioneered low-cost housing, working out a production line for standard parts. When the "Manhattan Project" to make the first atomic bomb was still top secret, Gen. George Marshall asked him to develop plans for the city which became Oak Ridge, Tenn.

He had been a leading officer of the National Association of Home Builders, with friends in the business all over the country. It seemed to me that Holiday Inns could be established nationally if prominent home builders all over the nation would build them in their home cities as I had done in Memphis.

One night I drove over to see Wallace and explained my thinking. We talked far into the night. Here was a man who could understand how such an organization could be made to work. That night we shook hands on a partnership which in 1954 became Holiday Inns of America, Inc. Known today as Holiday Inns, Inc., the company and its licensees now form the world's largest international system of food and lodging facilities.

I can't say enough about how much this association with Wallace has meant to me. He likes to work as much as I do, and he has developed a tremendous ability to obtain money to keep us going through this period of extremely rapid growth.

In 1953, Wallace and I invited 75 homebuilders from across the country to come and hear our proposals. About 61 showed up. They were enthusiastic. They said they would begin as soon as they got home and would send their franchise checks for $500, and would pay five cents per night per room in royalty fees.

But they were busy with other projects and had not caught the Holiday Inn vision. A year later only three of them had made any appreciable progress in developing Holiday Inns.

But we and our associates kept selling—kept plugging away to get those early franchises sold, and eventually a few began to move. There certainly was no landslide, but a few builders and businessmen began to see the light.

It then became evident that we'd be needing an administrator to keep the operation going while Wallace and I continued its development.

I had become friends with William B. Walton, a 35-year-old attorney, partner in his own successful law firm and vice president and general counsel of the Home Builders Association in Memphis.

He became executive vice president. With Bill Walton came a great deal of administrative ability and—more importantly—the understanding of people and the kind of practical imagination we were seeking for our new company.

It was Bill who came up with the idea that Holiday Inns should not have managers, but innkeepers. He also dreamed up John Holiday, one of our symbols—a jolly, friendly host from the days when an inn meant fireside warmth and comfort and the care not only of travelers but of their horses.

As the company's growth accelerated we decided to broaden our operating base by selling stock. The first public offering of 120,000 shares at $9.75 per share was made on August 19, 1957. They all went the first day.

If you had bought 100 shares for $9.75, today it would be equivalent to 1,632 shares. At a recent quotation of $50 per share, your initial investment would be worth more than $80,000.

Today a Holiday Inn franchise, which once sold for $500, sells for a $15,000 minimum in the United States, and the basic royalty fee is 15 cents per room per night, or three percent of the room gross, whichever is greater.

It is important to understand the relationship between Holiday Inns, Inc. and the Holiday Inn franchise holders.

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Holiday Inns, Inc., owns or operates about 300 inns, including 15 outside the continental U.S.

We also own the "Great Sign," our registered service mark, the Holiday Inn name and script, and the services and guidance programs throughout the entire system. We jealously guard that name, that sign, and our image. One reason we value that sign so highly is that the exclusive rights to use the name were so hard to get. When we first tried to register our service mark, we were turned down. The patent bureau had no precedent of granting a service mark based on such intangibles as specific standards of good service and widespread availability of physical facilities.

It was only after considerable effort and several return trips that we persuaded the patent office that we had something unique which was worthy of registration. Finally our name and what we call our "Great Sign" were registered and we certainly mean to protect these service marks and the reputation they stand for. Today we have also registered the slogan, "The World's Innkeeper," for, after being "The Nation's Innkeeper" so many years, we are today worldwide rather than national.

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In order to maintain those standards for which we were finally able to receive a registered service mark, we developed a rigid inspection system which was, I believe, unprecedented in the innkeeping industry at that time.

Every inn is inspected several times annually by a rotating staff of inspectors who are graduates of our innkeeping school. These inspections cover many items at each inn and restaurant on a scoring basis. If the standards are not met, the franchise holder is warned to improve in 30 days because he will be inspected again. If corrections are not made the company has the right under the license agreement to revoke the franchise and remove the Great Sign. The inspection service continues to protect the Holiday Inn name for all operators of Holiday Inns by insuring high standards.

Another major factor in Holiday Inns' success is our International Association of Holiday Inns (IAHI) which includes all company-owned and licensed Holiday Inns. IAHI was founded in 1955, and the original constitution was drafted by William B. Walton, now president of Holiday Inns, Inc. IAHI is an effective force in maintaining our highly prized harmonious relationship with our licensees.

Both a trade association and an advisory body, IAHI makes recommendations for advertising and systemwide rules of operation. Each Holiday Inn pays a per-room assessment into the national advertising fund. Only with IAHI approval can this assessment be increased or used for purposes other than national and international advertising.

The association holds a conference each year, elects a board of directors which in turn elects its own officers, and selects members from across the country and throughout the world for active participation on several advisory committees. Through this organization, every franchise holder and innkeeper knows he is "part of the team." Such communication is very important, particularly in a worldwide business system.

Among our licensees we have some of the smartest businessmen in the world continually seeking new sites for Holiday Inns, developing new operational techniques, and prodding us to do a better job in developing and operating the system.

And we have found that the "IAHI" organization is just as eager as we are to hold to high standards of construction and operation.

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Although Holiday Inns are primarily thought of as a good place to

spend the night, we are deeply involved in assuring our guests not only that their beds will be comfortable and safe but also that their dining will be enjoyable and tasty. Holiday Inns, Inc., its subsidiaries and its licensees also make up one of the world's largest food service operations with more than 7,000 facilities. This includes inn dining rooms, lounges and private banquet services and it also includes a variety of food facilities available through some of our subsidiaries not directly concerned with Holiday Inns.

The *Holiday Inn International Cookbook* contains a sampling of exciting menu ideas from Holiday Inns around the world that can be converted successfully into home specialties. The Cookbook is now in its seventh edition and offers more than 900 recipes ranging from Dutch Bitterballen to Old Virginia Spoon Bread.

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I have long known the value of diversification and have had no hesitancy in broadening the base of Holiday Inn operations as a part of sound business philosophy. Actually, however, our early subsidiary companies were formed simply because we couldn't find outside companies to do the job the Holiday Inn way.

The first of these subsidiaries was organized in 1957 and was named Inn Keepers Supply Company. From a very small beginning, it has expanded to where it now handles in excess of 200,000 different items, from heavy-duty restaurant equipment to water-glass wrappers. It also includes related services such as decor, design, research, and laboratory testing. IKS is located in Memphis.

Inn Keepers Supply, like all of our subsidiary companies, not only supplies the Holiday Inn System but also sells to other motels, hotels, apartment complexes, hospitals, schools, and other institutions.

Today we have a branch of Inn Keepers Supply open in Belgium, known as IKS-Brussels, to serve our European inns.

Inn Keepers Supply-Atlanta, formerly Brown-Wright Hotel Supply Corporation, and its subsidiary, Kitchen Equipment Corporation, supplies the Southeast. Inn Keepers-Dohrmann, with headquarters in Los Angeles, gives us a base of operation in 11 western states and a huge commercial design department.

By having IK-Dohrmann in the West, IKS-Atlanta in the Southeast, and Inn Keepers Supply in Mid-America, we were able to accelerate our plans in developing a complete national marketing service.

We have several manufacturing subsidiaries. Johnson Furniture Company manufactures contract furniture and cabinetry and offers various lines of furniture for the independent institutional markets. Bianco Manufacturing Company, Holiday Woodcraft, Champion Lighting, International Foam, Master Kraft and Modern Plastics are among our other subsidiaries.

Holiday Inns' entire Product Distribution System evolves from the Institutional Mart of America. The IMA building, located in the 80-acre Holiday City complex in Memphis, is a focal point for marketers and buyers. Here we offer coordination in planning, constructing, furnishing, and equipping all types of motels, hotels, office buildings, convalescent homes, dormitories, restaurants and apartment houses.

About 250 manufacturers have displays at this mart, which opened in 1967 as the nation's first display area and marketing service designed exclusively for institutional developers. IMA offers complete marketing services for the seller, from cataloging and rapid distribution, to coordinated advertising and sales promotion. Open five days a week, year-round, the 300,000-square-foot IMA building provides the buyer with a single area where he can see, evaluate, and purchase virtually any goods and services needed in any type of institution. We believe this is an extremely effective way to bring together the buyers and sellers in the institutional development field for mutual benefit and convenience.

The first IMA satellite showroom—an 11,600-square-foot circular display building in Lakeland, Fla.—opened in 1972. Satellite showrooms will augment the services offered at IMA headquarters in Holiday City.

In 1958, Holiday Press was formed. At that time, it was evident that we would have tremendous printing needs. Menus, directories, office forms, place mats, and advertising flyers were only the beginning.

Today Holiday Press is the greatest "full-service" printing plant in the Mid-South. In only 14 years it has become a national leader in institutional printing and handles major commercial printing accounts.

Each year Holiday Press prints 17-million copies of our Holiday Inn directory. Bimonthly it prints one million full-color copies of the Holiday Inn Magazine, which is placed in every room of Holiday Inns at no charge to guests.

Today the company does as much commercial printing for "outside" concerns as it does for the Holiday Inn System. It is also a center which offers to the business community office supplies, furnishings, and a wide assortment of business machines. Recent expansion into the fields of business forms and plastic products indicates the response of Holiday Press to modern business requirements.

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Any motel's reputation for efficiency and courtesy rests primarily in the hands of the personnel operating it. This is why one of our services for franchise holders is training for their personnel. All innkeepers attend our Holiday Inn University, regardless of previous experience. There are three weeks of classroom instruction and two weeks of interning at a Holiday Inn for on-the-job training. A course of intensive education for the head desk clerk—the Senior Innhost—is also offered, as are courses for restaurant managers.

Other personnel in their inns are instructed with films and teaching devices produced by our Holiday Inn University Communications Department, which has a complete library of specialized films. These films cover various aspects of operating a Holiday Inn and are invaluable as training aids. The language of many of these films has been translated for use in Holiday Inns where languages other than English are spoken.

The new location for Holiday Inn University, near Olive Branch, Miss., is not far from our main offices across the Tennessee state line at Holiday City. Groundbreaking ceremonies were held in 1970 for the multimillion-dollar university complex scheduled to open in the fall, 1972, on 150 acres of the 3,000-acre Holiday Industrial Park. More than 3,000 employee-students will annually attend the university, which will be divided into two main divisions, the School of Innkeeping and the School of Business. Training courses will be available for everybody, from the franchise holder to the maintenance man. Included in these will be specialized courses at all levels of operation and management, and various communication courses for employees who want to improve such skills as public speaking, speed reading and foreign languages.

This seems to be a time when the service industries have attained preeminence. We are told that service industries now have a larger total payroll than any other segment of American business or industry—greater than manufacturing.

Service to the public depends on people. We have long realized that one of our greatest challenges is the satisfactory procurement, motivation, and education of employees to serve our customers. We call our employees "Holiday Inn People" and we are greatly concerned about developing their skills and building a good Holiday Inn attitude.

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One of the finest things that has happened to us was a mutually rewarding relationship formed with the Gulf Oil Corporation in 1963.

Perhaps the most far-reaching consequence of that agreement is the use of the Gulf Travel Card for Holiday Inn services. Using a Gulf card, a motorist can travel all over this country and Canada without carrying large sums of money. He can charge his food, lodging, and any of the Gulf automobile services—and receive a record of expenditures for expense account and income tax purposes. We also honor several other major credit cards at Holiday Inns.

Gulf service stations are built next door to Holiday Inns wherever practicable; and Holiday Inns, Inc., and the Gulf Oil Corporation cooperate in advertising each other. We feel that Gulf helps us offer maximum service to the traveler who stays at Holiday Inns.

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In the beginning, when we had few inns, it was simple for the innkeeper to phone ahead for a guest's reservation at the next convenient Holiday Inn. As we grew, and travel patterns crisscrossed, this became more complicated. We set up regional reservation clearance centers, still using the telephone. Then the volume became so great that we installed a teletype network.

In May of 1965, our Holidex computerized reservation system was inaugurated. This was the most revolutionary step we had taken since opening the first Holiday Inn.

Through our two IBM-360 computers in Memphis, we can utilize the Holidex network to process reservations and messages from all the inns, as well as from our five metropolitan-area reservation offices and many large corporations with direct lines.

In 1970 we made history in Mexico by becoming the first communications user ever to install its own terminal equipment on a Mexican-leased communications circuit, when service was set up through the Matamoros Holiday Inn.

We also became in that year the first company in the food and lodging industry to connect its own computerized reservation system and terminals in Europe. This joined Holiday Inns' European headquarters in Brussels, Belgium, to the Holidex system. Now we are on-line to Frankfort, Paris and London.

With the equivalent of more than 300,000 miles of leased communication lines now in operation, the Holidex system has become the world's largest commercial computer-controlled communications network. We have handled as many as 200,000 messages in a single day. We have refined the system with the installation of new reservation terminals with cathode ray tubes. This new-model terminal increases the number of inns in a given area that can be instantly scanned for room availability. It has a video unit similar to a TV screen and is operated by a keyboard. It is installed in all Holiday Inn reservation offices, providing even better service to customers making reservations at Holiday Inns.

Our computers also handle our Holidata bookkeeping system used in the inns, as well as our corporate reports and financial projections, payrolls, profit-sharing, and inventory reports.

General Data Corporation is the Holiday Inn subsidiary which supervises our Holidex reservation system and provides numerous data-processing services to the public. General Data also engages in research, since we are always seeking ways to make a good thing better.

Systems analysts and programmers from Information Systems and management personnel from the Food and Lodging Division recently designed an "in-house" computer system. This computerized, integrated information system, unique in the lodging industry, allows information to be fed directly into the computer from all parts of the hotel, recording all charges immediately. Besides being used for all office accounting, it is also used to check guests in and out through use of a front-desk communica-

tion terminal connected directly to the computer.

Information Systems is now designing a product management system for the Products Division of Holiday Inns, Inc. This features remote order-entry from customer-service areas through the computer to the division's major warehouses. By means of on-line cathode ray terminal devices, this system will process shipping orders, purchase orders, receipts, and other merchandise transactions, and will make available up-to-date information about orders pending, customers, vendors, and the product line. It contains means of detailed inventory-control and management reports, and will provide the framework for what will soon be one of the most sophisticated marketing information systems in the institutional supply industry.

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I have already mentioned Inn Keepers Supply Company, the Institutional Mart of America, and Holiday Press—all of which are located in our home office complex which we call Holiday City—and I named several of our manufacturing companies.

I would like to describe briefly some of our other subsidiaries.

The largest of our subsidiaries is Tco Industries, Inc., based in Dallas, Texas, and composed of Continental Trailways, Delta Steamship Lines, Continental Tours and other companies. We bought Tco in 1969 through a stock exchange valued at more than two-hundred-million dollars. The combined facilities of Holiday Inns and Tco offer a service which is unequaled in the transportation-accommodation field.

Continental Trailways, the second largest interstate bus system in the nation, conducts scientific and engineering research to improve vehicle structure. Its Silver Eagle service is very popular, utilizing the largest-capacity buses in the industry. An innovation in the bus industry is our Golden Eagle Five-Star Service, with seat reservations, non-stop travel between destinations, and a hostess who serves refreshments to passengers. This special service operates along the East and West Coasts and across the United States on specified routes. In addition to beginning luxury service between Memphis, Nashville and Knoxville, Tenn., we started a new practice: stops at Holiday Inns on the outskirts of these three Tennessee cities.

Delta Steamship Lines, Inc., operates out of New Orleans, La., and has two main trade routes: from U. S. Gulf of Mexico ports to South America, and to the west coast of Africa, with stops at intermediate points, including Puerto Rico and Bermuda.

Among the many tours arranged by Continental Tours is "Holidays Around the World," which makes travel arrangements for the Gulf Oil Travel Club, featuring Holiday Inn facilities.

We created IMART (Institutional Mart of America Resources Terminals) to provide a national distribution system through a network of jobbers to furnish the institutional field with expendable supplies.

Our Construction Division is available to build Holiday Inns throughout the United States.

Financing for institutional furnishings and equipment is provided by General Innkeeping Acceptance Corporation.

Nat Buring Packing Company produces quality processed meat products under the King Cotton and Holiday Inn labels.

Special Products distributes Holiday Inn Candy, other Holiday Inn-labeled consumer items, and a wide variety of gifts, novelties, and advertising specialties. These items are marketed through retail shops in Holiday Inns and through mail-order sales. This subsidiary also administers the Coffee Host program, through which customers can have free coffee in their rooms.

Holiday Containers provides corrugated packaging of all descriptions.

Hi-Air, Inc., specializes in executive aircraft sales and service. It recently completed a 4,000-foot airport runway in the 3,000-acre Holiday Industrial Park in Olive Branch, Miss. This airport will be open to the public, as well as to patrons of the park. Modern Plastics was our first company to move into the park. We will lease most of the space to outside concerns. With the airport, rail service, and nearby interstate-type highways, companies will be able to load and unload passengers and goods at the door.

Menu Maker Food Service is another company—recently reorganized to provide more emphasis on quality standards at the operating level in Holiday Inns' restaurant operations.

One of our newest subsidiaries—and one of which we are justly proud—is the Holiday Inns Overseas Capital Corporation. We created this company, incorporated under the laws of the state of Delaware, to provide us with funds for our expansion overseas. The 1971 issue of convertible subordinated debentures was well-received and was listed on the Luxembourg Stock Exchange. A private placement of seven-year Dutch guilder notes was successfully completed in April, 1972.

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Holiday Inns are now open in 20 countries and territories. Inns are under construction or planned in more than 35 additional countries and territories. Inns are open or under construction on every continent except Antarctica. One franchise agreement is for the establishment of a chain of Holiday Inns in Australia, New Zealand, the Samoas, and the Fiji Islands, with a minimum of 6,900 rooms. Another agreement set in motion negotiations with officials of various governments in Eastern Europe for the building of 36 Holiday Inns during the next 10 years, the first scheduled for Bucharest, Romania. The United States Secretary of Commerce commended us on our initiative in Eastern Europe and expressed the belief that "this transaction will lead to other opportunities for U.S. sales in those areas."

In Europe, Holiday Inns are open in Holland, Belgium, Luxembourg, Germany, England and the Principality of Monaco. Inns are under construction at more than 20 locations in Europe. In the fall of 1971, we opened our new European headquarters offices with the Holiday Inn at the Brussels Airport.

In Africa, Holiday Inns are open in Lesotho, Swaziland and the Republic of South Africa, with more planned and under construction. The Lesotho government officials thought so much of the Holiday Inn at Maseru that they put it on a stamp, making it the first Holiday Inn to be so honored.

In Asia, we have Holiday Inns under construction in India, Hong Kong and Singapore and additional inns are planned for Indonesia, Taiwan, and other countries.

Holiday Inns are open in Canada, Mexico, Puerto Rico, the Bahamas, and throughout the West Indies. An inn is under construction in Caracas, Venezuela, and several are planned for Peru and Brazil. We already have a number of international sales offices open in the USA, in Canada and in Venezuela to promote travel to our off-shore properties.

With the opening in 1971 of the Holiday Inn at Anchorage, Alaska, we now have Holiday Inns in every one of the 50 United States.

As of this moment, there are more than 1,400 Holiday Inns open around the world, offering more than 210,000 rooms to the public. These figures change quickly, as you know, for a new Holiday Inn opens about every three days.

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As I said in the beginning, the Holiday Inn story is a story of people. Big as the Holiday Inn System is, we are still trying to keep our original purpose of friendly, personal service.

This is why we have never had a "No Vacancy" sign at a Holiday Inn. We don't like those signs. If someone wants a room, we want him to come in. If we're sold out, we'll help him find the best available room somewhere else. That way, we make two friends.

The Holiday Inn story is people. There are more than 115,000 employees in the international system. They have been our partners in progress . . . in building the system to its present size.

Our parent company operation employs 40,000 persons, with about 10,000 of these working for Tco. We make a special and continuing effort to know them and to give them an opportunity to know us. We think they realize that we respect them and want them to have full recognition and reward for their contribution to the company's progress. We realized long ago that any business engaged in serving the public is only as good as the people in it.

Recognition of human values is of paramount importance in our corporate attitude and we have tried to implement this policy in a practical manner.

When the first Holiday Inn opened, it was rare for any motel-hotel operation to offer paid vacations but we insisted and others followed.

We make available group insurance, an employees savings association, ample sick leave, purchasing discounts at our subsidiaries, an awards and promotion program, profit-sharing, and other fringe benefits.

And now you have heard the story of our "Holiday Inn People." One of them asked me the other day why I keep going as hard as I do . . . why I don't take more vacations. This was my answer: "Because every day is a challenge for me. There's always something new and exciting to look forward to."

You see, I believe deeply in our American business system.

When and if the peace of this world is finally attained, I think it will be based on commerce and trade—on educated businessmen. When the necessities of life have been provided by commerce and trade, then man's mind is free to consider the arts.

I believe we have today a great challenge facing us. It has only been recently that the whole world has become our neighborhood. We're in a new era of international relations, international trade, international development—and, God willing, we must all do what we can to make this an era of international peace and understanding.

THE END

SIGNIFICANT DATES

1951

- Following a summer vacation with his family, Kemmons Wilson realized the motel-hotel field was the "greatest untouched industry in the world" and decided to begin building Holiday Inns.

1952

- The first Holiday Inn was opened on August 1 at 4941 Summer Ave. in Memphis, Tenn. This inn has been modernized and is still in operation.

1953

- Wallace E. Johnson and Kemmons Wilson became partners in building Holiday Inns.
- Seventy-five home builders from across the country were invited to Memphis to discuss building a chain of Holiday Inns. Sixty-one accepted the invitation to attend the meetings on March 19 and 20. A year later, however, only three had made any progress in building a Holiday Inn.

1954

- Eleven Holiday Inns were opened by the end of the year. Holiday Inns of America, Inc.—the corporation which later became Holiday Inns, Inc.—was formed on May 1.
- The first franchised Holiday Inn was opened on June 14 in Clarksdale, Miss.

1955

- William B. Walton joined the company as executive vice president in October.

1957

- The first subsidiary, Inn Keepers Supply Company, was formed in April, and operations began on August 20 as a supply arm for HIA-owned inns. Its scope was quickly expanded to include franchised inns and then institutions of all kinds. IKS is now one of the nation's largest suppliers of institutional goods, services, and equipment.
- The first public offering of Holiday Inn stock was traded over the counter on August 19. All the stock was sold the same day.

1958

- The 50th Holiday Inn was opened—in Dyersburg, Tenn. (Holiday Inn-North), on June 1.
- Holiday Press, now one of the South's largest printing and office supply firms, began operation on June 1.
- The grand opening of the executive offices of Holiday Inns of America, Inc., was held June 29 at 3736 Lamar Avenue, Memphis, Tenn. It was the beginning of Holiday City, now the home of Holiday Inns, Inc.

1959

- The 100th Holiday Inn was opened—in Tallahassee, Fla. (Tallahassee-Apalachee), on September 16.
- The Holiday Inn Innkeeping School was formed in May to teach new Innkeepers the "Holiday Inn way." It was the predecessor of what is now the Holiday Inn University.

1960

- The first Holiday Inn outside the United States was opened on October 5 in Montreal, Canada (Holiday Inn-Chateaubriand).

1963

- On May 1, the Holiday Inn System formed an alliance with the Gulf Oil Corporation—the first such alliance of the innkeeping industry. The alliance agreement called for promotional cooperation, cooperative development of property when possible, and for the Holiday Inn System to honor the Gulf Travel Card.

- The stock of Holiday Inns of America, Inc., was first traded on the New York Stock Exchange on September 30.
- The first off-continent Holiday Inn opened March 15 in San Juan, Puerto Rico.

1964

- The 500th inn was opened—in Johnstown, Pa., on September 2.

1965

- On July 20, the Holidex computerized reservation system was introduced—the first such reservation system in the innkeeping industry.
- HIA stock was added to the trading lists of three stock exchanges: The Philadelphia-Baltimore-Washington (May 22), the Pacific Coast (May 26), and the Mid-West (June 11).

1967

- The Holiday Inn System reached the 100,000-room mark in January.
- The Institutional Mart of America (IMA) was opened on October 18 in Holiday City, providing the institutions industry with its first year-round goods and services showplace. The 300,000-square-foot IMA Building is designed to serve as a one-stop shopping center for the institutional developer.

1968

- The 1,000th Holiday Inn was opened on August 1—in San Antonio, Texas (Holiday Inn-Downtown).
- The first European Holiday Inn opened on March 25 in Leiden, Holland.

1969

- The corporate name was changed from Holiday Inns of America, Inc. to Holiday Inns, Inc., on May 21, because of international expansion of the company, and "The World's Innkeeper" replaced the familiar slogan, "The Nation's Innkeeper."
- Holiday Inns, Inc., acquired Tco Industries, Inc., on February 29 in the largest financial transaction in Holiday Inn history—a stock exchange valued at more than $200 million.
- Plans were announced for a 3,000-acre Holiday Industrial Park near Olive Branch, Miss., which would include an airport, Holiday Inn University and industrial developments.

1970

- To serve Americans who like camping out, the Holiday Inn formula was moved outdoors as the first two Holiday Inn Trav-L-Parks opened at Destin, Fla., and Angola, Ind.
- The Holiday Inn System became the first billion-dollar food-service and lodging chain in history. The system's estimated gross food and lodging sales for 1970 amounted to more than $1.2 billion.

1971

- With the opening of the Holiday Inn at Anchorage, Alaska, in January, the worldwide Holiday Inn System became the first food and lodging chain in history to have facilities in operation in all 50 states.
- Beginning of construction of inns in Australia and Venezuela meant that Holiday Inns were open or under construction on every continent except Antarctica.
- The Holiday Inn System reached the 200,000-room mark in December, duplicating in less than five years a level of growth that had originally taken 15 years.

1972

- The world's largest Holiday Inn—719 rooms—opened in May at Toronto, Canada (Toronto-Downtown).
- The Holiday Inn Family celebrates its twentieth anniversary.

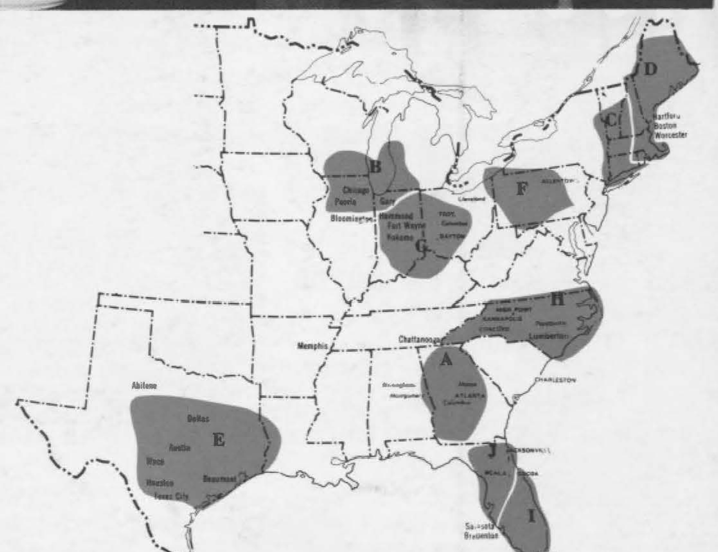
"It has only been recently that the whole world has become our neighborhood. We're in a whole new era of international relations, international trade, international development—and, God willing, international peace and understanding."

—KEMMONS WILSON

Holiday Inn®

Worldwide System Report

March-April, 1976



Holiday Inn Officials Meet President Ford; Awards Guidelines Revised; New Area Managers Program

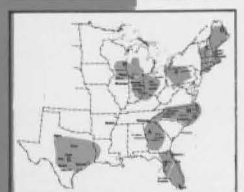
Holiday Inn®
Worldwide System Report

The Holiday Inn System's Management Publication

Vol. 3, No. 2 *March-April, 1976*

Gold Key Winners

The Holiday Inn System's annual Gold Key awards for outstanding performers will be chosen according to new guidelines this year. Read about the changes and what they mean to you on the opposite page.



Franchise Area Managers

The Inn Development Division's franchise administration department has 10 area managers hard at work in the field. See pages 2-3 to learn how this new program is designed to help franchisees.

Mystery Guest Blitzers

Mystery Guest Blitzers report that front-desk personnel are prepared to handle those all-important Inner Circle travelers. The story on page 7 tells about the blitz and the next stage of Inner Circle—inn solicitation.

White House Visitors

Holiday Inns, Inc., Chairman Kemmons Wilson was among company executives and franchisees who met recently with President Ford at the White House. A report on their trip to Washington begins on page 8.

Contributions

Send contributions to: Betty Vawter, Editor, Holiday Inn Worldwide System Report, 3796 Lamar Avenue, Memphis, Tenn. 38118. Photographs submitted for consideration should be black-and-white glossies when possible.

Gold Key Awards
Turn to New Guidelines

New and improved guidelines for choosing the Holiday Inn System's top performers of the year promise exciting opportunities for everyone entering the 1976 "Gold Key" competition.

Dick Kinney, director of administration for Holiday Inn University, said "The new procedures are significant because more Holiday Inn personnel will be eligible to receive top awards. That's only logical since we have so many more properties—and different kinds of properties—than we had when the awards program was first begun. The changes are designed to increase interest in the awards and to provide more recognition for our deserving winners."

Kinney, who is responsible for coordinating the awards program, has mailed to all inns, franchisees, district directors and other directors of operations, a booklet which explains all details of the new guidelines.

Major Changes

More than a year ago the Conference Committee of the International Association of Holiday Inns charged HIU with the task of updating the awards program to reflect the expanded needs of the System. The following major changes resulted:

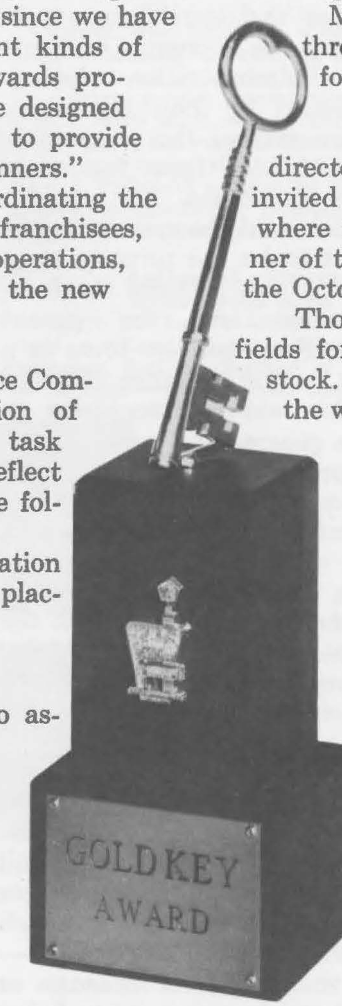
- More categories of inn classification to improve everyone's chance of placing in the awards.
- Some entirely new awards.
- More valuable prizes.
- Revamped judging procedures to assure objectivity.

Under the new guidelines, an innkeeper, food and beverage director and housekeeper of the year will be chosen in each of seven categories: suburb, roadside, resort, small town, downtown, midtown and airport. A sales director of the year will be chosen in categories where warranted.

One "Inn of the Year" will be chosen for the entire System. This inn will be selected from among those properties with winning innkeepers, food and beverage directors and/or housekeepers.

Other Awards

Honorable mention awards will be presented to innkeepers, food and beverage directors, housekeepers and sales directors who meet minimum standards. Up to 10 percent of the System could win.



Two new categories in the competition are the financial achievement awards and the "goodwill pacesetters." The financial achievement award will go to the innkeeper who has the best gross operating profit per available room. Inns receiving no complaints during the inspection period from Jan. 1 through Aug. 31 will be named goodwill pacesetters.

Modernization awards for inns which have gone through extensive renovation and design awards for new inns will continue to be presented.

IAHI Conference

The winning innkeepers, food and beverage directors, housekeepers and sales directors will be invited to attend the IAHI conference in Memphis where they will be presented their awards. The winner of the financial achievement award will also attend the October event.

Those management personnel named tops in their fields formerly received a set amount of Holiday Inn stock. The revised awards guidelines, however, allow the winner to receive stock equal to a specified number of dollars per available room. Therefore, the larger the winner's inn responsibilities the larger the share of stock he is awarded.

Key management personnel at the "Inn of the Year" and the winner of the financial achievement award will also receive stock awards.

Nominations Required

To enter the awards competition innkeepers, food and beverage directors, housekeepers and sales directors must be nominated by their franchise holders, district director or other appropriate director of operations. Applications must be mailed in early June and must be returned by July 30.

After determining that the nominee meets eligibility requirements listed in the new guidelines, all information from the application form will be transferred to a coded summary sheet. Each member of the awards panel will then have approximately two weeks to analyze the information and cast his ballot.

Since each judge casts his ballot independently and since the name of the entrant or location of the inn will not appear on the ballot, the judging process should be completely objective. Both franchised and company-operated properties will be represented on the awards panel.

What a Franchise Area Manager Can Do for You

Phase I of a new program funded by Holiday Inns, Inc., to give "as needed" assistance to franchised Holiday Inn properties is well under way. Who is involved and how does it work?

There's not an answer he can't get for you, says a Holiday Inn franchisee who is obviously very well pleased that a franchise area manager has recently begun to call on him.

The area manager who works with Gary Shaw, owner of the Holiday Inn of Lyndhurst, N.J., is one of 10 such individuals now in the field serving 550 inns under 287 separate ownerships. Future plans call for the program to be expanded throughout the Holiday Inn System.

Shaw said he believes the area managers' program is going to be a "tremendous asset to me, to this property and to the entire System." Franchisees and innkeepers should use the area managers to their benefit, he recommended.

No Charge

"My area manager is helping me with various projects at my inn—and at no charge to me," said Shaw. "I think it's great that the parent company is sending out a representative to work with the franchisees—those who own only one or two properties as well as the big franchise groups.

The area managers' program was developed in view of the changing economic environment and new energy concerns which franchisees are facing. As the operating environment changed, the parent company came to realize that some franchisees were in need of special assistance in marketing, operations, finance and personnel.

Such assistance had not been necessary in former years when one had but to open the doors of a new Holiday Inn and watch the business pour in. Today's situation calls for a more sophisticated approach to operating a Holiday Inn.

Franchise Administration

The area managers' program is handled by the System Division's franchise administration department, headed by Phil Barksdale. The entire cost of the program is borne by Holiday Inns, Inc., as a service to franchisees.

Barksdale said the area managers are meant to be the primary communications link between the franchise owner and the parent company. They can also serve as a vital link for the exchange of useful information among franchisees in the same geographical area.

"Our program is a two-way communications effort," said Barksdale. "We want to bring the ideas and concerns of the franchisees to the attention of the parent company, and, in turn, we want to take to the franchisees an understanding of the many programs developed by the parent company."

New Concepts

The area managers are well versed in what department or individual at Holiday City to contact for the appropriate assistance. They will also be passing along to franchisees the results of new concepts which the parent company has studied—such as energy control measures or new food and beverage concepts being investigated by the Food and Lodging Division.

The intensive recruiting period for the initial group of area managers began last June. A special type of person was sought: 28-35 years of age; minimum of six years' experience in the hospitality field including at least two years with profit and loss responsibility in an administrative or operations capacity, and experience in marketing and personnel.

Barksdale said he was successful in recruiting 10 persons who very closely match this criteria. Before going to the field in late 1975, the recruits underwent a six-week training and orientation period which was probably the greatest in-depth familiarization with Holiday Inns that any group has ever experienced. The training program was designed to give the men a complete understanding of the company and the key people in Holiday City.

Speaking about his own area manager, one franchisee said, "There seems to be a true concern on his part. He's not trying to push a pat solution on me but is really trying to help me find answers that will help my particular operation."

Future Plans

Each area manager now in the field serves franchised Holiday Inns in a certain geographical territory. The 10 areas involved in Phase I of the program were chosen because they contained a high concentration of franchised properties. Each area manager lives in his assigned territory and travels to the inns by car.

Phase II calls for the addition of 10 area managers and four regional vice presidents. This phase, which will cover all inns in the United States, is to be implemented in January, 1977.

Phase III is scheduled to go into effect January, 1978. An additional regional vice president and three more area managers will expand the program to Holiday Inns everywhere.

A—

Mark C. Auerbach
Atlanta Area

Auerbach has eight years' experience with a major hotel chain, beginning with the parent company and eventually working his way to the position of regional sales director for the chain's leading franchise operation. During this time he was responsible for opening two inns for the chain, handling everything from construction and hiring to establishing full daily operation.

B—

Dallas Bandy
Chicago Area

Bandy has held a number of positions with hotels in the area of accounting. He joined a large hotel/motel company as assistant controller in 1969 and ultimately became coordinator of international operations. While with the company, he also served as manager of some of the firm's individual properties.

C—

David L. Barsky
New York Area

Barsky has experience with several large corporations in all facets of management. As executive vice president of a firm which develops and operates independent and affiliated hotel properties, he was involved in site selection including the preparation of feasibility studies, architectural and interior design, construction, operational systems and controls, and real estate development.

D—

Curtis B. Bean
New England Area

Bean brings to his new position considerable experience with a nationally known fast-food business. He most recently served as regional manager for franchise operations, having responsibility for overseeing the operation of 300 franchise units. Previously district manager for the company, Bean was successful in remodeling and revamping older units to effect a turnaround.

E—

Norman L. Blemaster
Texas Area

Blemaster, who holds degrees in hotel and restaurant management and in personnel management, has to his credit eight years' experience in various positions with a large motel chain. As regional manager of franchise operations the past three years, Blemaster was a business consultant to the chain's 54 units in the western part of the United States.

F—

George Chelius
Pittsburgh Area

Chelius, who brings a wide range of hotel consulting experience to his area manager position, comes to Holiday Inns, Inc., from a vice presidential position with a large hotel management corporation where his responsibilities included operations, corporate ventures and financing. A Fulbright scholar, he has lectured widely on marketing, feasibility studies, new venture development and finance.

G—

Anthony L. Etnyre
Indianapolis Area

Etnyre has held a number of management positions in the hospitality field including that of director of operations for a firm which owned and operated several franchised properties of a large food and lodging chain. The hospitality veteran was most recently in charge of all aspects of the operation of a retirement community.

H—

D. Michael Meeks
North Carolina Area

A former teacher of management and finance at a Kentucky university, Meeks has seven years of operational experience in the hospitality field. Most recently he served as general manager of the Holiday Inn of Springfield, Mo., and was at the same time vice president of operations for an international franchise group.

I—

Vincent McVinney
Miami Area

McVinney brings six years of inn-level working experience and five years of involvement in multiple property management to his area manager position. He served since 1970 as vice president of operations for a company that operates 13 inns in a four-state area, gaining expertise in financial, operational and marketing procedures.

J—

David H. Salene
Orlando Area

Salene's experience in the food and lodging industry includes working in sales and concept development, operation, finance, marketing and feasibility studies. Just prior to becoming an area manager, Salene was operations manager for a private investor/developer group which holds the franchise or management contracts on a number of hotel properties.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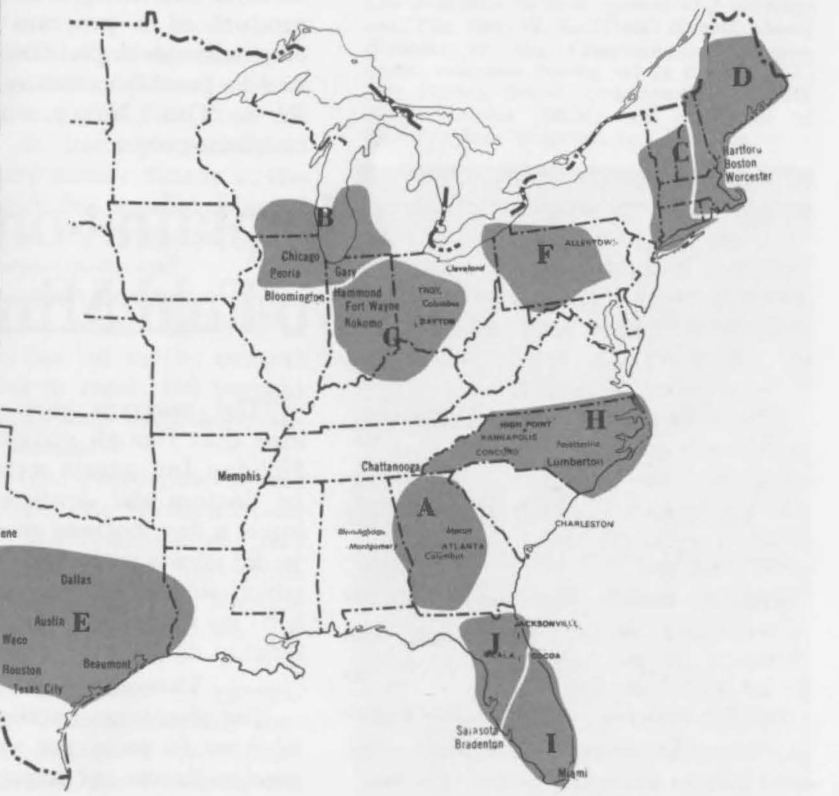


Chaplains-on-Call Provide Two-Fold Ministry

By Ann Wilson
Worldwide System Division Public Relations

There's a useful by-product emerging from the chaplain-on-call program. Originally begun as a service to guests, the program is also proving important in the lives of innkeepers and employees.

Many innkeepers at the 1,300-plus inns participating in the Holiday Inn System's chaplain-on-call program are finding that guests aren't the only ones benefitting from the services of these volunteer clergymen.

"I call our chaplain my strong right arm," said Innkeeper Millard Smith of the Holiday Inn in Lake George, N.Y. "He provides a lot of comfort and security for me, because when the chips are down with a guest, the chaplain can give real assistance. As an innkeeper, I would only be guessing if I tried to help."

The chaplain-on-call program can also be a time-saver for busy innkeepers, according to Glenn McGee of the Holiday Inn in Perry, Ga.

Dual Purpose

"On several past occasions when a guest had a problem, ordinarily I would have been forced to take time from my work to get involved," McGee said. "But in each instance the guest found the card in the drawer of his room and called the chaplain, who was able to help—both the guest and me."

Taking pressure off the innkeeper by providing both time and peace of mind has emerged as a useful by-product of a program which was originally developed strictly as a service to guests, according to the Rev. W. A. "Dub" Nance, who heads the chaplain program.

"The program grew out of the idea that though physical needs of Holiday Inn guests were being met by doctors and dentists on call 24 hours a day, nothing was being done to aid guests with spiritual problems which sometimes arise when a person is alone and troubled in a strange city," Mr. Nance said.

Threatened Suicide

The chaplains handle an average of 8 to 10 calls per year. Though most calls are not serious enough to warrant informing the innkeeper—the chaplains occasionally encounter a situation in which a person's life is at stake.

"I received a call at 2:00 one morning from the assistant innkeeper reporting that a guest at the inn was threatening suicide," said the Rev. Paul Bubna, chaplain at the Holiday Inn-Downtown in Minneapolis.

The man's wife had left him and he had come to the inn to "try to put things together," Mr. Bubna said. After three days he had phoned his sister in Texas to tell her he was going to take his life. She immediately alerted the innkeeper, who called in the chaplain.

Follow-Up Report

"I spent hours talking and praywith him about his situation and the next morning he flew home," Mr. Bubna said. "I received a letter from him two months later reporting that he was on top of things and had joined a local church. He said he was learning to live with and accept his situation."

More than 2,000 similar incidents have been successfully handled by Holiday Inn chaplains in the program's six years of operation, though potential suicides actually make up a very small percentage of the calls.

Marital difficulties rank first in number, according to Mr. Nance, followed by alcohol and drug problems, sickness in the family, and bereavement.

Innkeeper's Aide

The chaplain's presence is often as helpful to the innkeeper in these less crucial circumstances as it is in the case of a threatened suicide.

"Our chaplain helps ease the tension of certain situations with the guest," said Harry Wendel, innkeeper at the Holiday Inn-Rivermont in Memphis. "When the message of death or sickness in the family of a guest must be delivered, it's a relief to me to have the chaplain available to pass on the news and offer consolation and sympathy."

Aiding innkeepers in handling guest problems has become almost a secondary function of the program at a number of inns, where the chaplains report a two-fold ministry of serving both guests and employees.

Employee Counseling

"Much of my counseling is with the inn's employees," said the Rev. Joseph Mason at the Canton, Ohio, inn. "Most of the discussions center around home problems. I've found that by visiting the inn every so often, the employees get to know me better and are able to talk to me about their problems."

Morale may be boosted and efficiency improved, Mr. Nance said, if employees know the chaplain is available to them for counseling.

"A certain percentage of our employees have no church affiliation and no clergyman to turn to with their problems," he said. "If the chaplain can help them with solutions to these problems, they will be more effective in their work."

Chaplain's Visits

Many innkeepers encourage the chaplain to drop by the inn often for coffee in order to stay in touch with the innkeeper and to get to know the employees.

"We treat our chaplain to lunch occasionally, and his visits give the employees a real spiritual uplift," said Glenn McGee. "We're considering having the chaplain conduct a weekly early morning church service for our employees."

Chaplains in 225 inns conduct such services regularly for employees and guests who must travel on Sunday.

Systemwide Participation

Despite the late-night calls, often long hours, and the fact that remuneration is but an occasional complimentary family dinner at the inn, Mr. Nance has a waiting list of clergymen wishing to volunteer to serve as chaplains-on-call.

The favorable response of innkeepers and chaplains involved in the program has led to the current goal of trying to reach 100 percent of the System's inns with the chaplain-on-call service.

"It seems that every time we get a new chaplain, the System opens a new inn," Mr. Nance said. "But we have written every inn which does not have the program inviting them to participate and we are gaining slowly."

Innkeepers interested in participating in the chaplain-on-call program should contact W. A. "Dub" Nance in care of the Office of the Chaplain, Holiday Inn Worldwide System, 3754 Lamar Ave., Memphis, Tenn. 38118, Holidex Terminal 12.

DOUBLE SERVICE—Chaplains-on-Call are available to both guests and employees. The Rev. W. A. "Dub" Nance, above, director of the Chaplain-on-Call program, counsels guests, while the Rev. W. Lee Prince, below, gets acquainted with Mrs. Martha Bailey, an employee of Holiday Inn-Midtown in Memphis.

Holiday Inn System Joins Bicentennial Celebration

The Holiday Inn System has been authorized to fly the official Bicentennial flag at all inns—the first organization to be granted this privilege by the American Revolution Bicentennial Administration (ARBA).

Official announcement was made at ceremonies in Valley Forge, Pa., when the System was also named as official host for a cross-country Bicentennial wagon train now traveling east to Valley Forge.

The System's first Bicentennial banner was raised at Holiday City in Memphis where it now flies alongside the flags of the 44 countries in which Holiday Inns are located.

The wagon train which many Holiday Inns will host is being sponsored by the Bicentennial Commission of Pennsylvania and participants from major American businesses. The program is supported by ARBA, the federal Bicentennial coordinating organization.

The pilgrimage of covered wagons—one for each state—is being conducted in five separate segments, originating at different times in various parts of the country. The trains are following as closely as possible historic trails and wagon routes such as the Natchez Trace, California, Oregon and Santa Fe Trails. All five segments will eventually merge into a single wagon train which will arrive at Valley Forge on the nation's 200th birthday—July 4, 1976—and encamp in the park two months.

The wagon train pilgrimage is included in the Bicentennial celebration of all officially designated Bicentennial communities. These communities are presenting to the wagon master of the train passing through their town a scroll signed by the citizens reaffirming their faith in America. Holiday Inns are serving as scroll-signing and information centers along the wagon train route.

For more information about participation in Bicentennial activities see the "Holiday Inn Bicentennial Program" booklet prepared by Worldwide System Division marketing services.

FIRST FLAG—Captain Harry Allendorfer, left, director of special events for the American Revolution Bicentennial Administration, presents the Holiday Inn System's first official Bicentennial flag to Raymond E. Schultz, center, Worldwide System Division senior vice president for marketing. Col. Oran K. Henderson, right, deputy director of the Pennsylvania Bicentennial Commission, hosted the meeting at Valley Forge State Park.

TOWARD VALLEY FORGE—The Bicentennial wagon train passes Oregon's Mount Hood in the beginning days of the pilgrimage to Valley Forge, Pa.

TAPING SESSION—Holiday Inn Founder Kemmons Wilson, seated, taped an interview recently at Voice of America studios in Washington. Also reviewing notes on the Holiday Inn story are Norman Monroe, left, moderator for the interview, and Dr. David Huber, dean of the School of General Studies at Hunter College in New York City.

Voice of America Carries HI Story

The story of Holiday Inn Founder Kemmons Wilson and the remarkable development of what is now the world's largest food and lodging organization will be heard during April in 75 countries over the Voice of America broadcasting system.

The 30-minute interview with Wilson is one of a number of broadcasts planned for the Bicentennial year focusing on the United States as a land of opportunity, the free enterprise system and successful U.S. businessmen. Wilson was chosen as the subject of the first broadcast in this series.

The Voice of America is the broadcasting arm of the United States Information Agency.

INN SOLICITATION NEXT STAGE

Front-Desk Personnel Overwhelm Inner Circle Blitzers

Results of the mystery guest blitz and follow-up telephone calls indicate almost every Holiday Inn front-desk staff knows the procedures for the Inner Circle program, now entering the inn solicitation stage.

In a sweeping campaign to check the inn-level state of preparedness and reward front-desk personnel for their knowledge of these procedures, 149 mystery guests visited 1,076 Holiday Inn locations. Several hundred inns were also contacted by telephone.

From the first day of the blitz, the percentage of inns receiving passing marks averaged in the mid-80s. Repeat visits by blitzers or follow-up telephone calls to inns that had not been familiar with the program soon raised the number of passing inns to a dramatic 98-percent level. (At press time further steps were being taken to ensure that front-desk personnel at remaining inns understood how to handle the important Inner Circle traveler.)

Special Recognition

Mystery guests were in agreement that they received enthusiastic receptions at front desks when they presented their Inner Circle cards. Blitzers reported that most front-desk personnel recognized the cardholder as a heavy traveler deserving special recognition.

One blitzer who covered 1,631 miles and 41 inns in five days said most desk clerks he encountered knew immediately how to handle the procedures. Others were less familiar with the program but received praise from this mystery guest for taking the time to look up the special benefits an Inner Circle traveler receives. Personnel at only two inns on this blitzer's route failed to know or look up the Inner Circle rules.

"The reaction of our front-desk people was overwhelming," said this mystery guest. "In almost all cases I got a big smile, a big welcome and the VIP treatment that the Inner Circle traveler is meant to have."

Inn-Level Solicitation

An initial mailing of Inner Circle cards to about one million persons determined to be frequent travelers has already taken place. The inn-level solicitation program which begins April 1 will expand this membership in three basic ways:

1. Each innkeeper will identify "regulars" at his inn and make sure these key travelers receive temporary cards. Innkeepers are cautioned not to dilute the true value of the Inner Circle program by submitting names of persons who are not frequent travelers.
2. Guests will be asked to indicate at registration how many nights within a certain time period they stay in commercial lodging facilities. Those who qualify will receive a temporary Inner Circle card and a postage-paid application for a permanent one.
3. Persons inquiring about Inner Circle who have not qualified under other guidelines will receive a detailed application form.

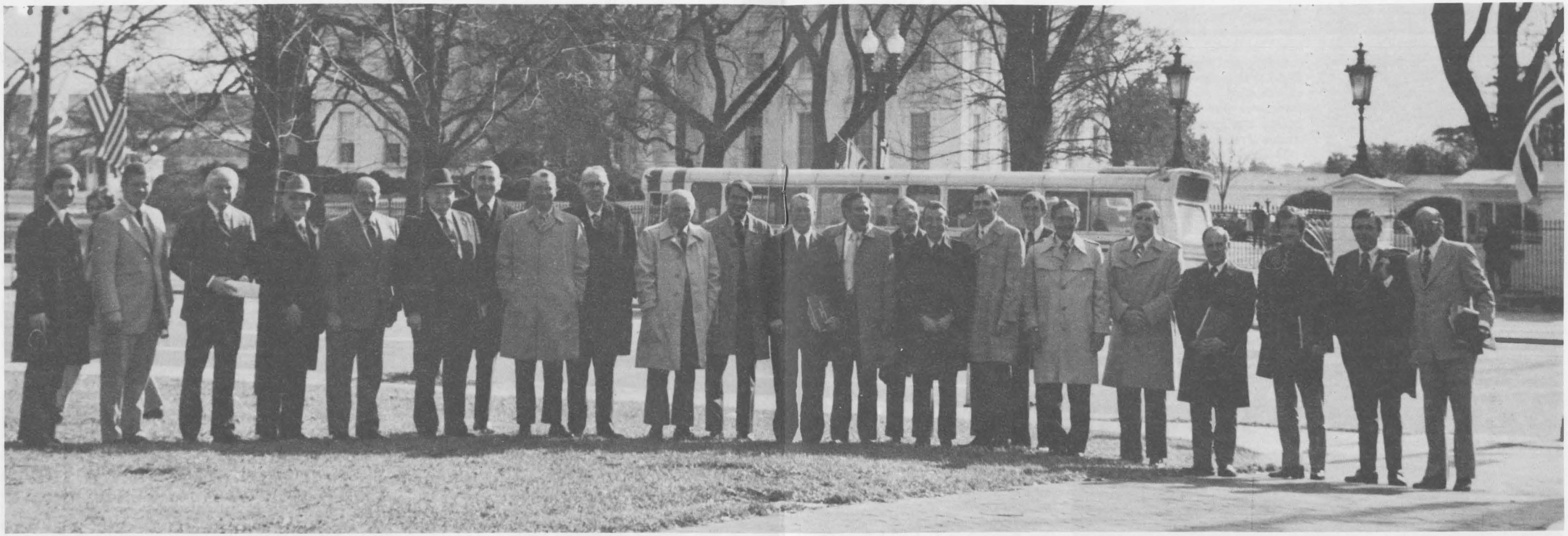
Raymond E. Schultz, Worldwide System Division senior vice president, said, "The inn solicitation program is one of the most important aspects of the Inner Circle program. Many members we will enroll by this method are probably marginal users of Holiday Inn properties.

"This is our chance to build new regular business by offering these guests a chance to try our inns on a 'new, improved' basis. That's why it is important that this phase of Inner Circle be handled so carefully."

Inner Circle Questions

All questions about the Inner Circle program should be directed to Worldwide System Division Marketing Services, 3796 Lamar Ave., Memphis, Tenn. 38118; 901/362-4422, Holidex Terminal 2.

What makes you think I'm a mystery guest?



AT THE WHITE HOUSE—The IAHI delegation poses in front of the executive mansion while in Washington to attend special briefings.

Holiday Inn Officials Meet President Ford

President Gerald Ford met recently with top-level Holiday Inn officials, telling them about the focus of his administration and the posture he hoped they as businessmen would assume as the nation moves toward social and economic recovery.

The president challenged the Holiday Inn delegation to display faith and pride in the American way of life and the American free enterprise system and to be positive rather than negative about the future of the country. Ford spoke to the group in the Roosevelt Room adjoining his oval office at the White House.

The 40-minute meeting with Ford climaxed a two-day trip to Washington by board members of the International Association of Holiday Inns and executive officers of Holiday Inns, Inc. This is the second consecutive year the group has attended a series of briefings on the economy, the energy situation and legislation pertaining to the tourism industry.

Presidential Briefing

President Ford thanked the Holiday Inn officials for providing many years of "comfortable and gracious service to the people of America and to me."

HI, Inc., Chairman Kemmons Wilson said, "President Ford talked with us about how he was fighting with Congress, trying to keep the budget down. He seemed to have a good grasp of things. He made a big impression on me and everyone."

While in Washington, the Holiday Inn leaders were briefed by a number of Congressmen and other officials on matters of concern, including a study of the tourism industry which the Senate is now conducting. This study has been undertaken to determine what kind of social and economic impact the tourism industry has on the nation.

Additional Speakers

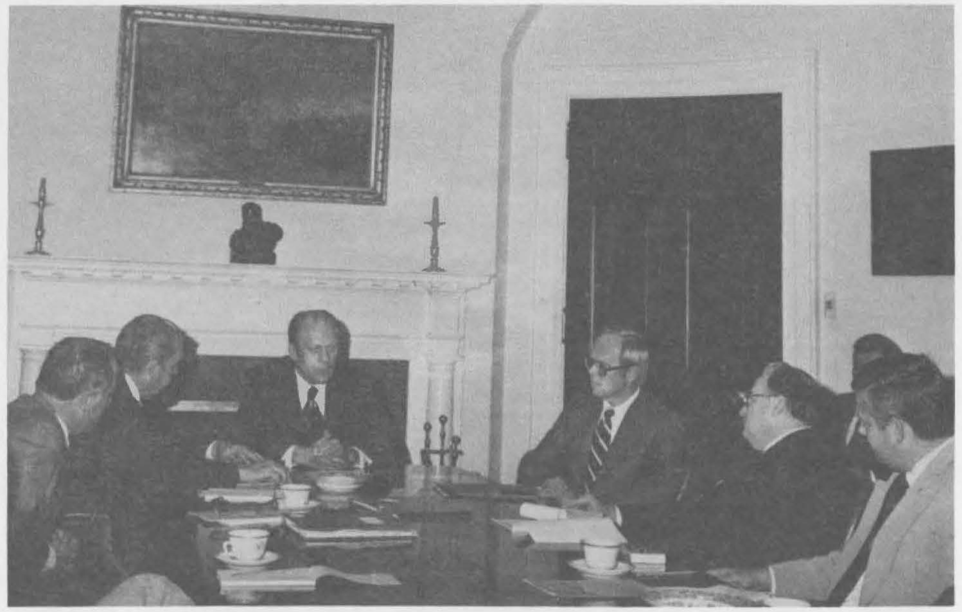
In meetings on Capitol Hill, Congressmen Guy VanderJagt of Michigan and James R. Jones of Oklahoma addressed the Holiday Inn officials on tax reform legislation.

John W. Warner, who heads the American Revolution Bicentennial Administration, spoke to the Holiday Inn group during a luncheon. He provided an overview of Bicentennial activities and encouraged Holiday Inn participation, particularly mentioning the System's role in the wagon train pilgrimage now traveling east to Valley Forge, Pa.

Other luncheon speakers were Creighton Holden, assistant secretary of commerce for tourism, who spoke on the essentiality of the tourism industry, and Congressman John Erlenborn, who brought the group up to date on minimum wage/tip credit legislation.

White House Sessions

Prior to their session with President Ford, the Holiday Inn executives heard briefings at the White



PRESIDENTIAL BRIEFING—The Holiday Inn executives listen attentively to President Ford's comments on the budget and other matters of import to the hospitality industry.

House by three officers of the administration. Speakers were John A. Hill, deputy administrator of the Federal Energy Administration, who addressed the energy situation;

TAX REFORM—Congressman James R. Jones, a member of the House Ways and Means Committee, reviewed with the Holiday Inn group his perspective on tax reform legislation.

William Gorog, deputy assistant to the President for economic affairs, who explained the state of the economy and the President's 1977 fiscal year budget, and David Parker, deputy assistant secretary of commerce for tourism, who discussed the activities of the United States Travel Service.

During the trip members of the HI, Inc., executive committee and the IAHI board, accompanied by their wives, attended the National Prayer Breakfast hosted by the president.

Summarizing the trip to Washington, Clyde Dixon, HI, Inc., executive vice president, said he felt it was a tremendous experience in getting to know the influential people in government—an experience that will prove more and more valuable in coming months.

BICENTENNIAL ACTIVITIES—John W. Warner, head of the American Revolution Bicentennial Administration, encouraged the Holiday Inn System to participate in activities planned in honor of the nation's 200th birthday.

IAHI board member Ralph Deckelbaum hosted the Holiday Inn delegation at his Holiday Inn-Old Town in Alexandria, Va., where the group held a reception honoring members of the 94th Congress.

Walton Keeps Tourism in Forefront

TEXAS CONFERENCE—Holiday Inns, Inc., Vice Chairman William B. Walton, left, shared the rostrum with Texas Governor Dolph Briscoe at the 10th annual Texas Conference on Tourist Development in Austin. Advocating greater involvement by the nation's travel industry in governmental affairs, Walton addressed almost 400 representatives of Texas hotels and motels, airlines, tour operators, city and area travel bureaus, and attractions operators.

Holiday Inns, Inc., Vice Chairman William B. Walton continues to take the cause of tourism to high-ranking political leaders.

As spokesman for the Holiday Inn System—and often the entire tourism industry, Walton's schedule of recent months reflects the quick pace which he has maintained since the energy crisis and its possible impact on the food and lodging industry first became obvious.

In the past year Walton keynoted the state tourism conferences in Kentucky, Texas, Missouri, Louisiana, Tennessee and Oklahoma. He also participated in conferences with the minister of tourism for Canada and the governors of Tennessee, Texas and Oklahoma.

ASTA Meeting

The vice chairman was recently guest speaker at a meeting of the southern region of the American Society of Travel Agents. Some 700 travel agents meeting at Holiday Inn-Rivermont in Memphis heard Walton call for stronger involvement by the nation's travel industry in governmental affairs that affect the industry.

During 1975, Walton contacted the governors of all 50 states regarding energy legislation and the importance of tourism to the individual states. He has developed a communications line with Vice President Nelson Rockefeller and with a number of congressmen who are involved with legislation pertaining to energy policy, tour charters, highway signs, the free enterprise system, the preservation of Monday holidays and other matters of importance to the food and lodging industry.

Walton was recently appointed by the American Hotel and Motel Association to represent the food and lodging industry in a briefing session in the office of Secretary of Commerce Frederick Dent on an upcoming trade conference in Geneva. Walton's colleagues made him chairman of this group, which consists of representatives from all the service industries.

Fragmented Industry

The Holiday Inn executive has been highly instrumental in bringing the fragmented tourism industry together as one voice (see August/September, 1975, Worldwide System Report) and in the establishment of a public affairs department to work on behalf of the Holiday Inn System (see October/November, 1975, Worldwide System Report).

Not only has Walton stressed the importance of tourism externally, but he has also spearheaded an increased internal awareness of public affairs so the full resources of the System can be marshalled to work together when the need arises. Along with James McCauley, director of public affairs for HI, Inc., Walton keeps franchisees and innkeepers abreast of changing developments through letters and Holidex messages which explain the issues and urge appropriate action.

All A-'Board'

Wives Enjoy Trip to Washington

By Anne Wagoner
Secretary to IAHI Board

The greatest tour guides in Washington, D.C. are Vera Deckelbaum and Harriet Pomerantz. This statement can be verified with any one of the wives of the other IAHI directors.

During the January meeting of the IAHI board of directors, held for the second year in Washington, the wives were hosted by Vera and Harriet.

The Senate was in session when we toured the capitol building, and we had fun looking down from the gallery, picking out such people as Edward Kennedy, Hubert Humphrey, Daniel Inouye, William Proxmire and Dale Bumpers.

Host Inn

Sen. Howard Baker was among the guests who attended a reception and buffet honoring members of the 94th Congress, held at the Holiday Inn-Old Town in Alexandria, Va., our host inn. This was on Tuesday evening following our arrival and several committee meetings that afternoon.

At noon Wednesday the ladies joined the men for a luncheon at the Capitol Hill Club. We enjoyed hearing the Honorable Creighton Holden, assistant secretary of commerce for tourism. (I stayed to hear the Honorable John Erlenborn, U.S. House of Representatives, ranking minority member, house labor subcommittee, discuss the Fair Labor Standards Act.

The ladies were on another sightseeing tour while the IAHI board went into a lengthy session that afternoon. We adjourned in time for cocktails and dinner and an evening at the beautiful John F. Kennedy Center. This was a thrill for those of us who had not seen this fantastic new facility. We had been given an advance choice of entertainment for the evening. There were three simultaneous performances at the center — the symphony, modern dance or theatre. I selected the latter and enjoyed a great evening with "Rip Van Winkle."

Rockefeller's House

Getting an early start the next morning, those who were fortunate enough to have received invitations attended the National Cathedral, followed by a very informal tour of the vice president's residence. We were told to just go throughout the house and enjoy the furnishings and beautiful art.

After a luncheon at the famous old Wellington Hotel, we had a "riding tour" of Georgetown with Vera and Harriet pointing out all the famous homes, such as the one where the John F. Kennedys lived after their marriage, the home where Jackie stayed following the president's death and the house she later bought just down the street. We also saw her mother's home and many others.

Later in the afternoon, we had a privilege which very few are allowed —a tour of the Japanese Embassy, including the "tea house." This was a real "show and tell" session, with a member of the official staff explaining the ceremony. (No, we didn't have tea.)

Final Evening

Our last official function was a cocktail party and dinner at the beautiful home of Harriet and Reuben Pomerantz in Potomac, Md. The evening was a highlight of our trip and, certainly the hospitality of the Pomerantz family is unexcelled.

The ladies had a wonderful time, but admittedly, the men got the greatest thrill. It's not every day that the president of the United States walks into a business meeting and spends a half hour or so! And, I, having been given a reprieve from taking minutes, was looking at Happy Rockefeller's Bicentennial rug!

Happen-Inns Around the Globe

ROBERT A. REED has been named to the new position of manager of the franchise credit department for the Inn Development Division of Holiday Inns, Inc. The announcement was made by MICHAEL D. ROSE, division president.

In his new position Reed is responsible for initiating and implementing credit and collection systems involving new Holiday Inn franchises, management contracts, the renewal or transfer of license agreements and other matters.

The division president also announced that WILLIAM R. DONIGAN, who formerly administered the franchise credit function as part of the corporate credit department, will continue to be responsible for the review and establishment of corporate credit policy.

"Donigan has served in a highly effective and distinguished manner as head of the corporate credit department for the past several years. Until his planned retirement at the end of this year, he will also assist in the smooth transition of franchise credit matters to the Inn Development Division," said Rose.

Reed has more than 25 years' experience in the credit field, spending most of that time in the Denver, Colo., area. He was associated with General Motors Acceptance Corporation for 20 years and later held credit-related positions with Shakeys, Inc., and Great Western Cities, Inc., a community development concern.

Prior to joining HI, Inc., Reed was involved in the fast-food business, having developed complete package concepts for two such operations in Denver.

* * *

REBECCA ANNE KISH has been appointed manager of reservation services for the Worldwide System Division of Holiday Inns, Inc. She will direct the SHARE reservation incentive program, coordinate airline promotional activities and supply trainers for major corporations with Holiday Inn reservation terminals. Prior to joining HI, Inc., Ms. Kish was a training instructor and reservation manager for the Credit Card Division of the American Express Company in Dallas.

* * *

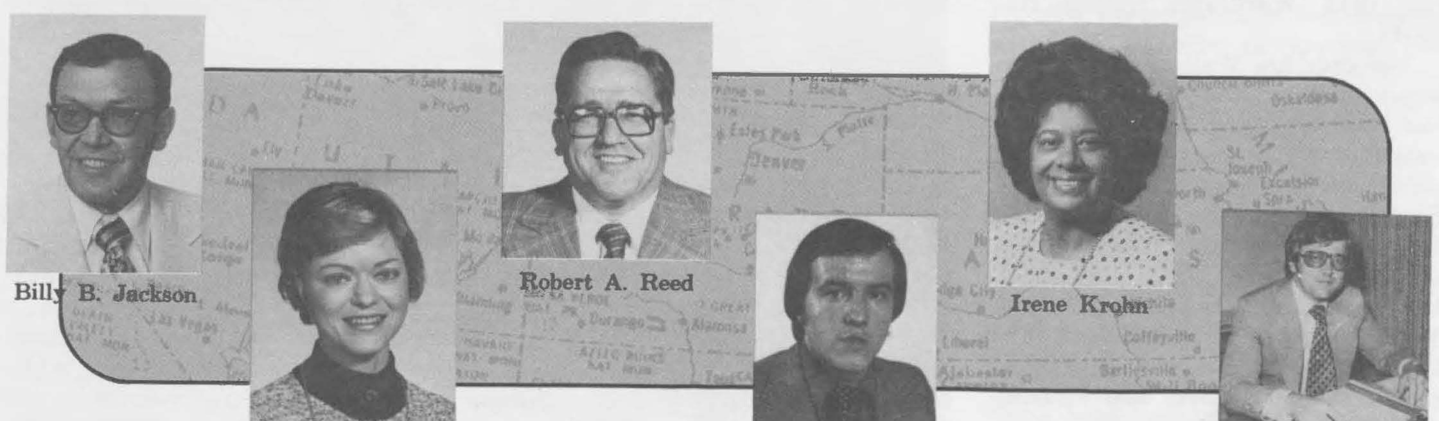
BILLY B. JACKSON has been named to the new position of senior vice president of financial administration for the Worldwide System Division of Holiday Inns, Inc. He is responsible for the division's financial reporting and administration. Since joining HI, Inc., in 1963, the new division senior vice president has served as European controller, assistant corporate controller and in a number of other positions in the accounting field.

* * *

HAMISH GIBB-LOW, a former United Nations hotel advisor with 21 years' experience in the hospitality industry, has been named director of the Memphis district for the Food and Lodging Division of Holiday Inns, Inc. DAVE JONES, director of the division's southeastern region, said Gibb-Low's operational experience includes management positions with a variety of lodging facilities from African safari lodges to mid-city motor inns to resort complexes in the West Indies.

* * *

R. C. SMITH, eastern regional sales manager for the Worldwide System Division of Holiday Inns, Inc., has been appointed area director-at-large for the Hotel Sales Managers Association, New York area. Smith will be responsible for arranging and conducting sales seminars and for the education of newcomers to the sales management field.



Billy B. Jackson

Rebecca Kish

Robert A. Reed

Meinhard Huck

Irene Krohn

Ernst Zimmermann

IRENE KROHN has been appointed executive housekeeper of the Holiday Inn-Coliseum in New York City. Mrs. Krohn, formerly first assistant executive housekeeper at the Waldorf-Astoria in New York, is a member of the National Executive Housekeeper Association.

* * *

CHESTER F. COREY, a 15-year veteran of the travel industry, has been named district sales manager for the Worldwide System Division of Holiday Inns, Inc. Based in Detroit, Corey is responsible for sales and marketing activities in Michigan and northern Ohio.

* * *

MEINHARD HUCK has been appointed food and beverage director at the Holiday Inn of Brussels-Airport. Since joining the Holiday Inn System as a management trainee, he has held various positions at inns in Hannover, Stuttgart and Wolfsburg, Germany.

* * *

WILLIAM SOLOW, innkeeper of the Holiday Inn-Holland Tunnel in Jersey City, N.J., has been named "Man of the Year" by the New Jersey State Lodge Fraternal Order of Police. Detective Harold V. Shea, president of the organization, said the honor was accorded to the innkeeper for his "friendship and devotion to law enforcement on behalf of all police officers and for his untiring efforts to promote the welfare of the members of the law enforcement profession."

* * *

ERICH J. PREUS has been named director of food services at the Holiday Inn of Merrillville, Ind. Preus most recently operated the Shoals Supper Club in Lake Tahoe, Nev. He has also been food and beverage director and catering manager at King's Castle Hotel and Casino in Lake Tahoe and has served as convention and banquet manager at the Marc Plaza Hotel in Milwaukee. Preus is a graduate of the Hotel and Restaurant Administration School in Nuremberg, Germany.

* * *

KARL HUMMER, former general manager of the Americana Inn of the Six Flags in Arlington, Texas, has been appointed innkeeper for the Holiday Inn of Acapulco, Mexico. During his more than 24 years in the hospitality industry, Hummer has been associated with hotels throughout the United States and in Austria, Switzerland, Belgium, Spain, Germany, Iraq and Egypt. The new innkeeper succeeds RODOLFO PRIETO, who has been named innkeeper of Chicago's new 527-room Holiday Inn-Mart Plaza, which is scheduled to open later this year.

* * *

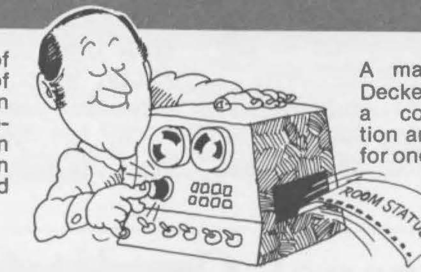
DAVID RUBINOFF, chairman of Commonwealth Holiday Inns of Canada Ltd., has been honored by the Chamber of Commerce in London, Ontario, Canada, for his "individual enterprise." Rubinoff was cited for his outstanding business career on the local, national and international levels.

* * *

ERNST ZIMMERMAN has been named assistant food and beverage manager for the Holiday Inn of Hong Kong. Formerly the inn's restaurant manager, Zimmermann has more than 12 years' experience in the hotel industry.

MEET YOUR DIRECTORS

RALPH H. DECKELBAUM of Bethesda, Md., is president of Mardeck, Ltd., a Holiday Inn franchise group with 11 properties. Formerly an attorney in private practice, he is chairman of the 1976 IAHI Legal and Legislative Committee.



A man of varied talents, Deckelbaum has developed a computerized reservation and room status system for one of his properties.

On occasional visits to Las Vegas, Deckelbaum enjoys the game of baccarat. "Sometimes I win and sometimes I lose," he says.

An avid football fan, he's missed only nine home games of the Washington Redskins since 1942. And when the Capital Bullets are on the court, Deckelbaum is almost sure to be in the cheering section.

POWDER PUFFERS—Holiday Inn Franchisee Esther Wright, right, and Copilot Judy Hall check their route for the 29th annual Powder Puff Derby.

Esther Wright To Race For Holiday Inn System

Esther Wright, the flying franchisee from the Holiday Inn of Thomasville, Ga., will be sponsored by the Holiday Inn System in the 29th annual Powder Puff Derby.

She and her copilot, Judy Hall of Macon, Ga., will leave Sacramento, Calif., July 9 for a four-day air race that will take them almost 3,000 miles to Wilmington, Del. Mrs. Wright will be flying for the seventh time in the event for women pilots, which will be discontinued after this year.

On her way to Sacramento to start the race, Mrs. Wright will land her plane in a number of towns where Holiday Inns are located. Similar efforts in previous years have proven highly successful in generating interest in the race and publicity for the System. The publicity tour will be coordinated by Worldwide System Division public relations.

Gulf Travel Credit Cards Continue At Inns

Gulf travel credit cards will continue to be accepted at Holiday Inn motor hotels in response to strong customer demand, officials at Gulf Oil Corporation and Holiday Inns, Inc., have announced. The announcement reversed an earlier decision that would have terminated the long-time alliance at the end of February.

The contract between the two companies has been renegotiated, continuing the alliance which began in 1963.

E. F. Eisemann, executive vice president of Gulf Oil Company-U.S., and Kemmons Wilson, chairman of Holiday Inns, Inc., said: "The strong consumer response demonstrated that the relationship was a valuable service to them and was instrumental in this decision to continue the arrangement."

Gulf travel cards may be used for food, lodging and services at Holiday Inns throughout the United States, Canada, Puerto Rico and the Bahamas. Gulf and Holiday Inns pioneered the use of oil company credit cards at lodging establishments.

HONG KONG OPENING—Kemmons Wilson, left, Holiday Inns, Inc., chairman, performed the ribbon-cutting honors at the grand opening of the Holiday Inn of Hong Kong. Other participants were Evangelist Billy Graham, center, and Peter Daetwiler, general manager of the inn.

PROMOTING TEXAS—Jose Acuna, right, front-desk manager at the Holiday Inn of Matamoros, Mexico, guides travel writers Windsor Booth and Shirley Rose Higgins to a shoe shine stand in this border town. The two were among a group of writers on a model rail/drive trip cosponsored by the Holiday Inn System to promote southern Texas. More than 1,000 requests for information about the state have been generated by just one of the many articles resulting from this trip.

PARTY FOR CABBIES—Innkeeper Martin Sobel, second from left, and his wife hosted a gala party for cab drivers at the Holiday Inn-University City in Philadelphia, Pa. Cabbies John Dorsey, left, and Gordon Smith were just two of some 500 drivers who were treated to sumptuous food and hailed as the city's "best ambassadors of goodwill."

HOISTING BICENTENNIAL FLAG—Innkeeper Murland Baudoin of the Holiday Inn-West in Baton Rouge, La., hoists the official Bicentennial flag with members of the central district of the Society of American Travel Writers looking on. The innkeeper hosted a Cajun buffet for the writers while they were meeting in Baton Rouge and presented them with "Cajun Country" caps.

Secretaries Week

Business Throughout Year

"Secretaries — What Would We Do Without Them" is the theme of the sixth annual International Secretaries Week April 18-24, giving bosses around the world an opportunity to show their appreciation for a job well done.

But the boss is not the only one to whom the secretary is indispensable. A number of Holiday Inn marketing decision-makers who participated in a special evaluation said secretaries week is undoubtedly an important promotion that brings business the Holiday Inn way throughout the year.

As one marketing executive for a group of seven Holiday Inn properties put it: "It is difficult to estimate accurately additional business realized. But should we not express our appreciation to secretaries, I assure you that we could very easily determine the business being placed with our competitors."

Special Guidebook

Raymond E. Schultz, Worldwide System Division senior vice president for marketing, said some 1,300 Holiday Inn properties participated in last year's secretaries week promotion.

Schultz urged use of the special guidebook and promotional kit prepared by the division's marketing services department to help each inn celebrate the occasion. Included are suggestions for a luncheon/fashion show, a punch party, a gift of flowers, a secretaries club, invitations and publicity.

Enthusiastic Reaction

Ramona Weist, innkeeper at the Holiday Inn of Morris, Ill., reports that her inn's recognition program during last year's secretaries week was enthusiastically accepted. The inn provided roses to the secretaries, held a cocktail party, presented a fashion show and staged an exhibition by a local dance studio. Door prizes were awarded during the fashion show.

A very popular part of the events, said Mrs. Weist, was the announcement of the "Secretary of the Year," selected on the basis of who was most helpful to inn officials during the year in planning a successful meeting or dinner for her employer. The winner received a plaque, a Holiday Inn guest certificate and other prizes from local business concerns.

Army Official Praises Beirut Personnel

Col. James H. Bremer of the U.S. Army was a guest at the Holiday Inn in Beirut, Lebanon, during the recent siege in that city. In a letter to Holiday Inn headquarters, Col. Bremer had nothing but the highest praise for the performance of the inn's personnel during this time. Excerpts from his letter appear below:

EMBASSY OF THE
UNITED STATES OF AMERICA
DEFENSE ATTACHE OFFICE
Beirut, Lebanon

28 November 1975

Holday Inns, Inc.
Holiday City
3750 Lamar Ave.
Memphis, Tenn. 38118

Dear Sirs:

From 22 June, the day of my arrival in Beirut, until 29 October 1975, the day the Beirut Holiday Inn was evacuated under fire, my wife and I were guests in that hotel. We would like you to know that we were most favorably impressed by the manner in which the staff and management of the Beirut Holiday Inn continued to provide service and for the needs and safety of their guests under very difficult conditions...

I had many opportunities to observe the Assistant Innkeeper, Mr. Elie Nehme, as he tried again and again to persuade the Internal Security Forces to send armored vehicles to evacuate the trapped people. Finally his persistence paid off, and two vehicles were sent. When they arrived, Mr. Nehme, thanks to thorough and timely planning, had all the personnel well organized and was in complete control of the situation. He directed the evacuation in a cool and competent manner demonstrating a high order of personal courage and leadership. He succeeded in evacuating all the personnel, staff as well as guests (which was not the case at the Phoenicia and St. Georges Hotels)...

I would also mention the Hotel's Security Chief, Mr. Chafik Daouk, for the outstanding work he did protecting the staff and guests and for the assistance he rendered to Mr. Nehme throughout...

Your organization is indeed fortunate to have such high caliber personnel in its employ.

Sincerely,

James H. Bremer

JAMES H. BREMER
Colonel, U.S. Army
U.S. Army Attache

IAHI Conference Oct. 5-8

The 1976 conference of the International Association of Holiday Inns is scheduled for Oct. 5-8 at Holiday Inn-Rivermont in Memphis.

Conference Director Bob Morris says the business sessions will focus on marketing and continuing education with one full day of classes being held on the Memphis State University campus.

Revised guidelines for selecting the "Gold Key" winners promise an exciting awards ceremony. (See page 1 for details.)

WSR Routing List
(After reading, check, and pass on)

Innkeeper	☐
Assistant Innkeeper	☐
Food and Beverage Director	☐
Assistant Food and Beverage Director	☐
Front Desk Supervisor	☐
Housekeeper	☐
Others	☐

Travel in America

A research report on the magnitude of the United States travel industry, published by Discover America Travel Organizations.

Introduction

Travel away from home is a major part of the American lifestyle, and the tourism industry is a major productive sector of the U.S. economy. In 1974, travelers spent almost $72 billion in the U.S., about 5.1 percent of the total Gross National Product.

Travelers spending directly generated 3.7 million jobs representing 4.3 percent of total civilian employment. The total payroll for these jobs was nearly $20 billion.

Tax revenues were directly produced by traveler spending at all levels of government, reaching nearly $10 billion in 1974. For every one dollar spent by a traveler in America in 1974, an average of 12.4 cents was returned to a Federal, state or local government in taxes.

All states of the nation share in the economic benefits of travel and tourism. Travel, a major leisure activity of the American people and an important part of the conduct of private enterprise, deserves to be recognized as a vital sector of state and national economies as well.

William D. Toohey
President
Discover America Travel Organization Inc.
Washington, D.C.

DISCOVER AMERICA

First Printing: April 1976

Additional copies of this report are available at $5.00 each.

In 1974, Travelers* in the United States Spent $71.8 Billion

Americans spent $67.7 billion traveling in their own country

Foreign residents spent over $4 billion traveling in the U.S.

* The words *"tourism"* and *"travel"* are used interchangeably throughout this publication and for practical purposes correspond to the definition listed in the Source and Definitions section of this publication.

In 1974, Americans Traveling in the U.S. Spent....

$9.5 billion on public transportation
including air, bus, rail, ship 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 and other skiing, amusement and recreation facilities

$8.5 billion on gifts and incidentals
at department stores, souvenir stands, drug stores, gift shops and similar establishments

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

State	Total	State	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.

Travel Spending in the U.S. Directly Generated 3.7 Million Jobs....

341 thousand in public transportation

250 thousand in personal motor vehicle sales and service

683 thousand in lodging

1,551 thousand in eating and drinking places

310 thousand in entertainment and recreation

279 thousand in miscellaneous retail trade

61 thousand in travel arrangement

another **207 thousand** jobs were generated by foreign visitor spending in the U.S.

1974 U.S. Travel-Generated Employment (Thousands)

State	Total	State	Total
Alabama	28	Montana	22
Alaska	10	Nebraska	29
Arizona	50	Nevada	45*
Arkansas	32	New Hampshire	24
California	393	New Jersey	93
Colorado	87	New Mexico	28
Connecticut	35	New York	181
Delaware	10	North Carolina	65
Florida	269	North Dakota	15
Georgia	69	Ohio	123
Hawaii	48	Oklahoma	46
Idaho	21	Oregon	57
Illinois	129	Pennsylvania	136
Indiana	56	Rhode Island	9
Iowa	36	South Carolina	49
Kansas	28	South Dakota	16
Kentucky	49	Tennessee	57
Louisiana	52	Texas	167
Maine	32	Utah	38
Maryland	72	Vermont	19
Massachusetts	90	Virginia	65
Michigan	132	Washington	74
Minnesota	119	West Virginia	26
Mississippi	27	Wisconsin	88
Missouri	81	Wyoming	17

District of Columbia 34

Total U.S. Traveler Generated 3,472

Total Foreign Visitor Generated 207

Grand Total 3,679

*Does not include impact of gaming expenditures of travelers.

Travel Spending in 1974 Directly Generated $18.9 Billion in Wages and Salaries....

$4.7 billion in public transportation payrolls

$1.5 billion in personal motor vehicle sales and service payrolls

$2.8 billion in lodging payrolls

$1.5 billion in amusement/recreation services payrolls

$5.4 billion in food service payrolls

$2.0 billion in other retail sales and travel arrangement payrolls

another **$1.1 billion** in payrolls was generated by foreign visitor spending in the U.S.

1974 U.S. Travel-Generated Payroll (Millions)

Total

Alabama	$ 125	Montana	$ 89
Alaska	78	Nebraska	124
Arizona	230	Nevada	271*
Arkansas	124	New Hampshire	101
California	2,303	New Jersey	530
Colorado	400	New Mexico	98
Connecticut	190	New York	1,326
Delaware	41	North Carolina	278
Florida	1,415	North Dakota	53
Georgia	349	Ohio	595
Hawaii	511	Oklahoma	179
Idaho	82	Oregon	241
Illinois	829	Pennsylvania	717
Indiana	231	Rhode Island	49
Iowa	133	South Carolina	208
Kansas	128	South Dakota	55
Kentucky	198	Tennessee	240
Louisiana	248	Texas	851
Maine	136	Utah	154
Maryland	387	Vermont	74
Massachusetts	355	Virginia	328
Michigan	636	Washington	386
Minnesota	475	West Virginia	169
Mississippi	103	Wisconsin	361
Missouri	342	Wyoming	63

District of Columbia .... $ 240

Total U.S. Traveler Generated $17,830

Total Foreign Visitor Generated 1,062

Grand Total $18,893

*Does not include impact of gaming expenditures of travelers.

Travel Spending Directly Generated $8.9 Billion in Tax Revenue....

$5.0 billion in Federal employment, exercise, corporate income and individual income taxes

$3.2 billion in state sales, gross receipts, corporate income and individual income taxes

$243 million in local sales, gross receipts and individual income taxes

Foreign visitor spending generated another **$501 million** in Federal, state and local taxes

1974 U.S. Travel-Generated Tax Revenues (Millions)

	Total		Total
Alabama	$ 70	Montana	$ 38
Alaska	37	Nebraska	70
Arizona	75	Nevada	87
Arkansas	63	New Hampshire	36
California	989	New Jersey	230
Colorado	241	New Mexico	55
Connecticut	104	New York	703
Delaware	18	North Carolina	147
Florida	609	North Dakota	28
Georgia	164	Ohio	298
Hawaii	144	Oklahoma	89
Idaho	37	Oregon	91
Illinois	398	Pennsylvania*	360
Indiana	128	Rhode Island	22
Iowa	54	South Carolina	103
Kansas	70	South Dakota	32
Kentucky	97	Tennessee	117
Louisiana	116	Texas	404
Maine	61	Utah	82
Maryland	163	Vermont	34
Massachusetts	184	Virginia	139
Michigan	341	Washington	159
Minnesota	248	West Virginia	61
Mississippi	142	Wisconsin	176
Missouri	182	Wyoming	32

District of Columbia $97

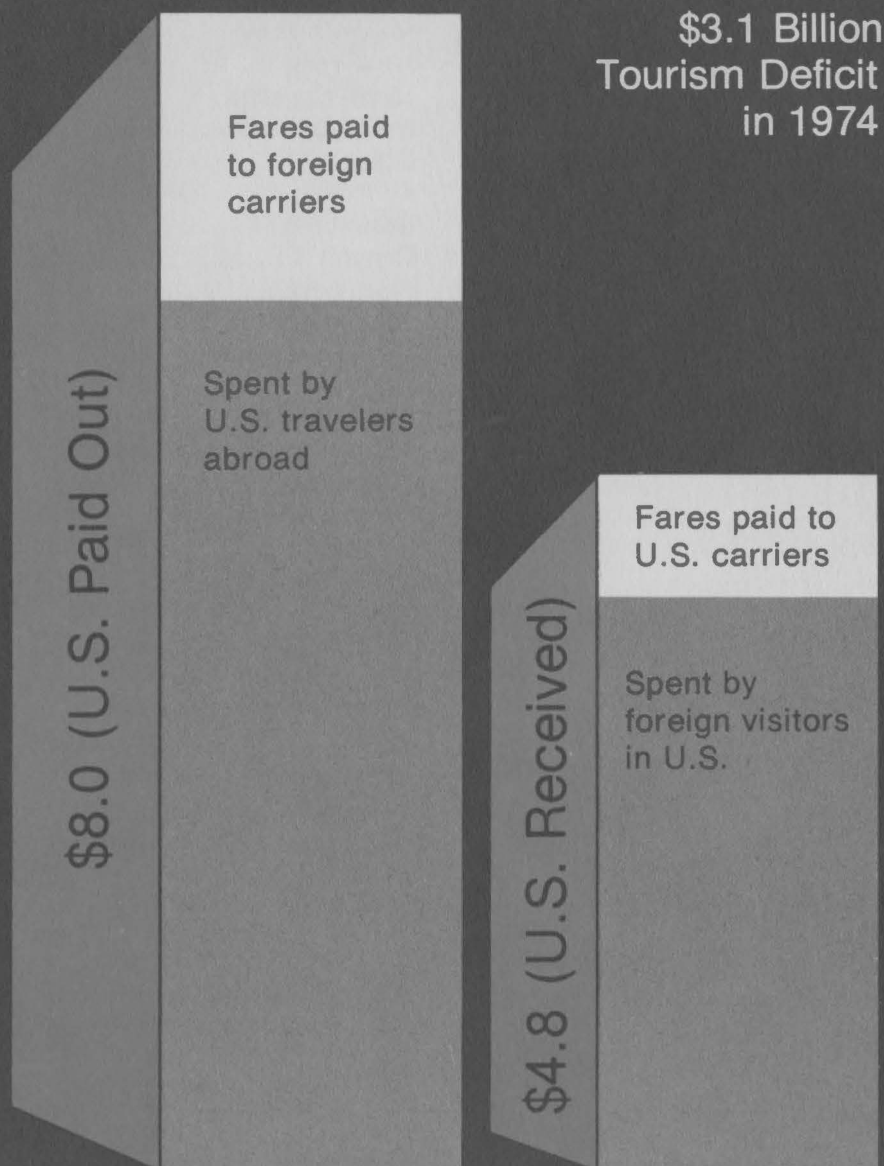
Total U.S. Traveler Generated $8,425

Total Foreign Visitor Generated 501

Grand Total $8,926

*Does not include impact of traveler gaming expenditures.

U.S. Tourism Needs Strong Support to Improve Balance of Payments



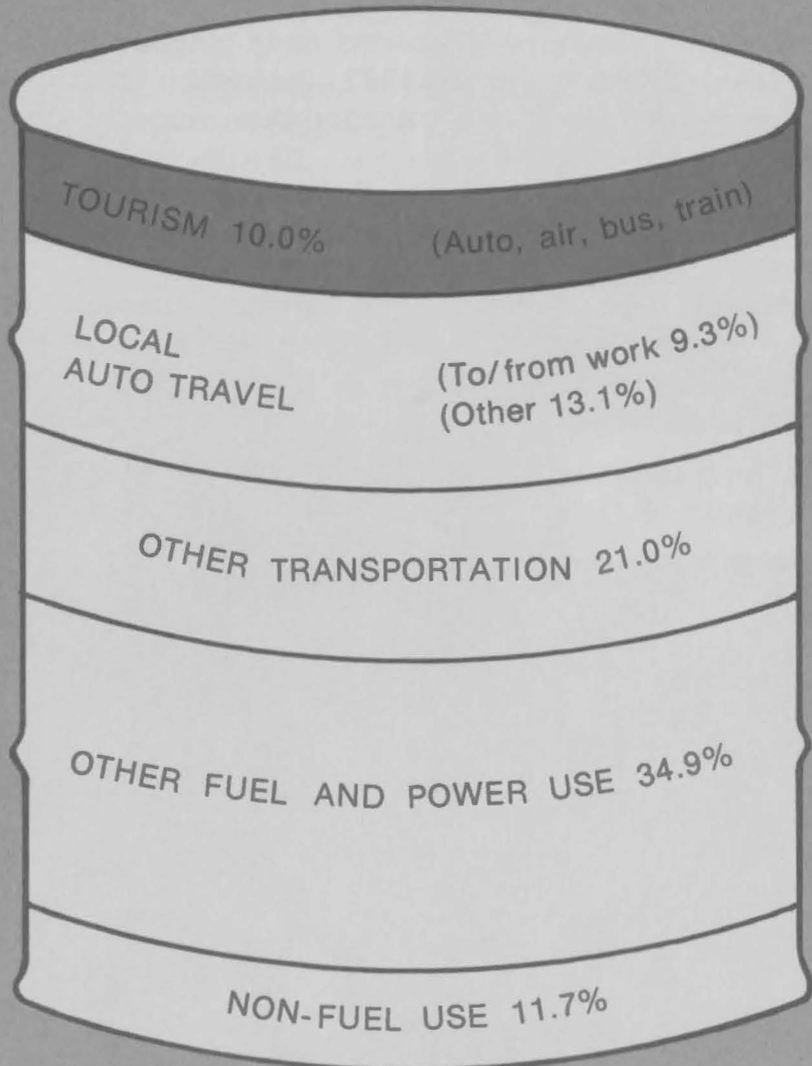
Source: U.S. Department of Commerce

International payments problems have plagued the U.S. for many years. However, since 1972, the deficit in the international passenger fares and transportation account has been steadily falling.

Major contributing factors to this improvement have been strong domestic travel industry and Federal government promotional efforts.

Continued cooperation in international markets will encourage foreign travelers to make their next trip to the U.S.A.

Tourism Uses Only 10% of Domestic Petroleum Consumption

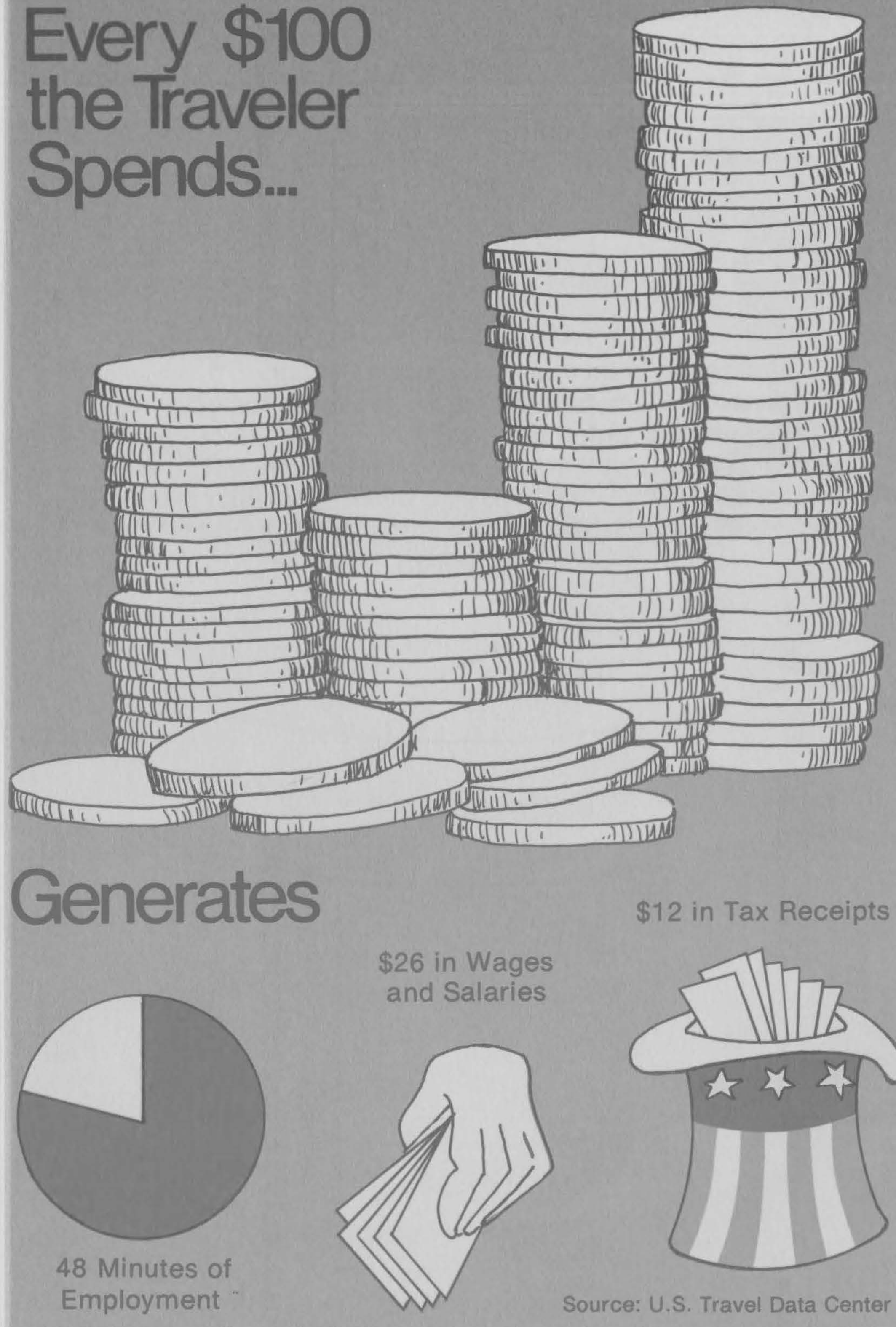


Source: U.S. Travel Data Center.

Transportation is an energy intensive industry.

However, tourism transportation accounts for only 10 percent of domestic petroleum consumption in 1974, or about 4.6 percent of the total energy consumed in the U.S.

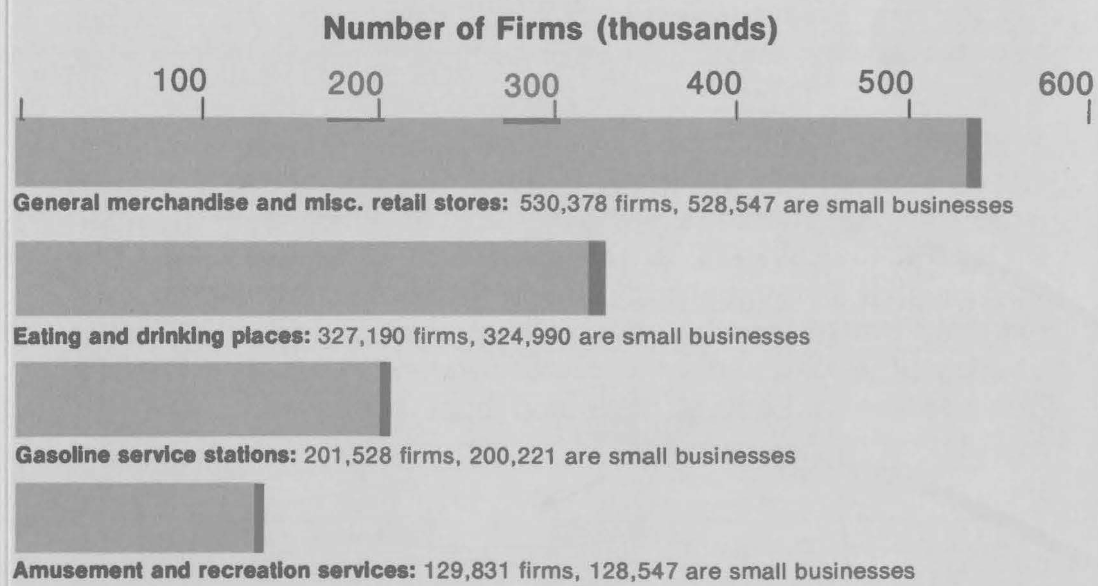
In contrast, local automobile travel accounted for over twice as much petroleum consumption as tourism.

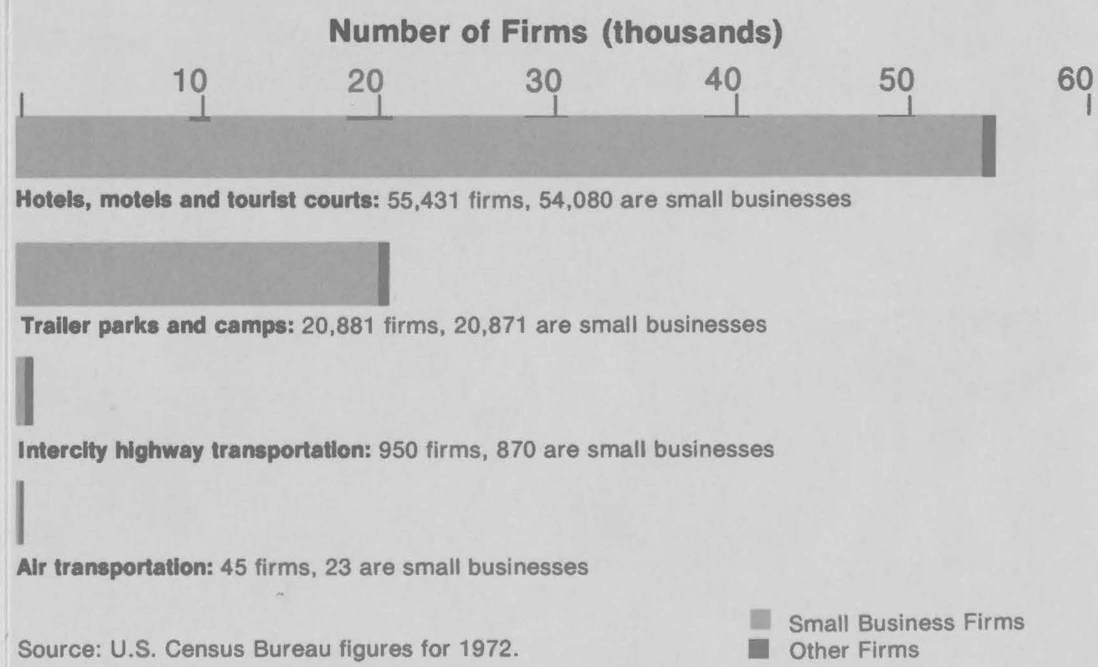


Travelers in America benefit the economy in a number of ways. One way to put these benefits in perspective is to consider the economic significance of the individual traveler.

In 1974, travelers averaged about $125 per trip. This means that the economic activity generated by the average traveler meant one hour's worth of employment, thirty-three dollars of wages and salaries for retail workers, and over fifteen dollars for Federal, state and local treasuries.

Small Businesses Dominate the Travel Industry and Prosper with it.





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

Our nation was founded on small businesses. And the individual entrepreneur still contributes greatly to our Nation's dynamic economy.

The travel industry is dominated by small business firms. In fact, of the 1.4 million travel-related business firms in the U.S., 99 percent are classified as "small businesses" under the Federal government's definitions.

Source and Definitions

The estimates contained in this report were produced by the Travel Economic Impact Model, designed and operated by the U.S. Travel Data Center. Developed for use of the U.S. Department of the Interior, the Model is based upon the U.S. Census Bureau's 1972 National Travel Survey and Censuses of Retail Trade and Selected Service Industries, as well as the Data Center's 1974 National Travel Survey and other data from industry and government sources.

Travel as defined in the Model includes trips by American residents involving an overnight stay away from home, and day trips to places 100 miles or more away. Due to the nature of the basic Census Bureau data, specifically excluded are daily commuting trips, travel by operating crews of transport vehicles, military travel on active duty, and travel by students away at college. Traveler spending on transportation, overnight accommodations, food, entertainment and recreation, gifts and incidentals are estimated by the model, and generate the estimate of employment, payroll and tax revenues.

Foreign visitor spending in the U.S. includes spending by foreign residents traveling in the United States as estimated by the Bureau of Economic Analysis, U.S. Department of Commerce. Estimates of employment, payroll and tax revenues generated by this spending were developed by the Data Center.

For further information on the Model, see: Frechtling, Douglas C., *et al., Travel Economic Impact Model: Final Economic Analysis Methodology,* U.S. Travel Data Center, Washington, D.C., 1975, 108 pp.

DISCOVER AMERICA TRAVEL ORGANIZATIONS (DATO)

DATO is the Washington-based, national, non-profit organization of the U.S. travel industry. It is funded by membership dues from travel-related businesses, corporations and associations ranging from accommodations and attractions to transportation, travel sales and recreation. City, state and federal government agencies also appear on DATO's membership rolls. DATO is located at 1100 Connecticut Avenue, N.W., Washington, D.C. 20036 Telephone: (202) 293-1433.

U.S. TRAVEL DATA CENTER

The U.S. Travel Data Center is the nation's only independent, non-profit organization devoted exclusively to travel research. The Data Center publishes a broad range of reports designed to measure and analyze the travel activities of Americans and foreign visitors to the U.S. Its membership includes private businesses, government organizations, academic institutions and individuals with an interest in the multi-billion-dollar U.S. travel industry.

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MAY 24, 1976 • SECTION TWO

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Research News from the United States Travel Data Center

Vol. 5, No. 5 May, 1976

TRAVELERS SPENT $72 BILLION IN U.S. DURING 1974, GENERATING 3.7 MILLION JOBS

Total travel spending in the U.S. reached $72 billion in 1974. U.S. residents spent $67.7 billion on overnight trips and day trips to places at least 100 miles away from home, and foreign visitors spent over $4 billion in this country.

This spending generated almost 3.7 million jobs in the U.S., or about 4.4 percent of the total non-agricultural payroll employment in 1974. Wage and salary disbursements to these employees totaled nearly $19 billion, while traveler spending produced about $9 billion in Federal, state and local government revenue.

These data result from the Data Center's Travel Economic Impact Model, developed for the U.S. Department of the Interior in 1975. The Model has been used to produce estimates of domestic travel spending, and the economic impact of this spending, in each of the 50 states and the District of Columbia in 1974. The results, published in The Impact of Travel on State Economies - 1974, are broken down by seven categories of industry and type of traveler expenditure.

Traveler spending and employment ranged from $170 million and 9 thousand jobs in Rhode Island to $8.2 billion and 393 thousand jobs in California. The study further indicates that on the average, each dollar spent by travelers in the U.S. generated 7.3 cents in Federal tax revenue, 4.8 cents in state tax revenue and 0.4 cents in local tax revenue in 1974.

The estimates of domestic travel spending by U.S. residents included in this study are broader than, but consistent with, the estimates recently published in the Data Center's 1974 National Travel Expenditure Study: Summary Report. Whereas this study estimates travel spending in this country for all overnight trips, regardless of distance, and day trips of 100 miles or more and adds spending by foreign visitors, the Expenditure Study was based on the more limited "Census definition" of travel as resident trips to places 100 miles or more away from home.

The Impact of Travel on State Economies - 1974 is available at $10.00 per copy from the Data Center, 1100 Connecticut Avenue, N.W., Washington, D.C. 20036. Copies of the study have been sent to Data Center members.

TRAVEL COST RISE MODERATELY IN MARCH

The cost of travel in the U.S., as measured by the Travel Price Index (TPI), rose 0.3 percent during March, after a 0.1 percent increase in February. The Consumer Price Index (CPI), which reflects the change in the costs of all goods and services purchased by American consumers, rose 0.2 percent on a seasonally unadjusted basis in March.

The TPI, which measures changes in the seasonally unadjusted cost of lodging, food, transportation and other goods and services purchased by Americans while traveling away from home in this country, stood at 166.0 in March (1967=100). Railroad fares showed the largest monthly increase of 2.2 percent, while airline fares rose by 1.6 percent. Hotel/motel rates rose almost 1 percent in the month, followed by increases of: 0.6 percent for recreational services, 0.5 percent for food away from home, 0.4 percent for incidentals and 0.1 percent for intercity bus fares. The cost of gasoline continued to drop as it has since October, posting a decline of 1.3 percent.

The TPI has risen 6.7 percent since March, 1975, which is identical to the yearly increase for February, 1976. In comparison, the CPI rose 6.1 percent over this period. Intercity bus fares were up the most over the 12-month period, 9.8 percent. Airline fares and railroad fares also showed above-average increases of 9.0 and 7.6 percent, respectively. Hotel/motel rates rose almost 8 percent over the year. Gasoline costs were up 6.8 percent for the year ending in March, while food away from home rose 6.7 percent. The smallest yearly increase was posted by the cost of incidentals at 3.2 percent.

SENATE WITNESSES SUPPORT EXPANDED TRAVEL SURVEY, ANNUAL DATA

The Committee on Commerce of the U.S. Senate heard representatives from 24 organizations comment on plans for the 1977 National Travel Survey. During the April 2 hearing, chaired by Senator Daniel K. Inouye, a majority of the witnesses actively endorsed expanding the definition of "trip" to include distances less than 200 round-trip miles. Eleven witnesses argued for annual National Travel Surveys, while the same number endorsed expanding the subject coverage of the Survey to include trip activities, importance of travel agents and group travel, and travel expenditures. Other areas receiving significant support included expanding the sample size, releasing Survey reports on a more timely basis, and conducting the Survey by mail.

Witnesses at the one-day hearing on Census Bureau plans for its 1977 Survey included Assistant Secretary of Commerce for Tourism Creighton Holden, Deputy Assistant Secretary of Transportation Irwin Halpern, Amtrak Vice President Alfred Michaud, DATO President William Toohey and Data Center Director Douglas Frechtling. Census Director Vincent Barabba stated that a pilot survey was now underway to aid in designing the final Survey, which design must be completed by July, 1976. He added that two major alternatives are a personal interview survey with a sample of about 24,000 households, or a repeat of the mail interview technique used in 1972, but with 35 to 40 thousand households.

The hearing record will be published. For further information, contact John D. Hardy, Tourism Counsel, Committee on Commerce, U.S. Senate, Washington, D.C. 20510.

VISITATION AT BICENTENNIAL NPS AREAS UP 51 PERCENT IN FEBRUARY

Twenty-two National Park Service areas have been identified by the National Park Service as being closely related to America's early history and of prime interest during the Bicentennial period. The Data Center is monitoring this set during 1976 as an indicator of Bicentennial impact on travel patterns this year.

In February, visitation at these areas totaled 1,463 thousand, up 51 percent and 494 thousand visits over February, 1975. These visits were up 28 percent or 317 thousand visits over January, 1976. Colonial Historic Park, Virginia, recorded the largest absolute annual increase with over 150 thousand more visitors in February, 1976 than in February, 1975. However, the relatively small areas of Guilford Court House, North Carolina, and Moore's Creek, North Carolina posted the largest percentage increases, 1,057 percent and 418 percent, respectively.

travel printout is published monthly by the United States Travel Data Center, an independent, non-profit institution devoted to statistical research on travel and recreation located at Suite 340, 1100 Connecticut Ave., N.W., Washington, D.C. 20036. Telephone: (202) 293-1040. Dr. Douglas C. Frechtling, Director. This newsletter reports on Data Center activities, new developments in travel research and data collection, and current travel trends. Subscriptions are available to non-members at $15.00 per year.

TRAVEL RESEARCH CONFERENCE SET

The Seventh Annual Travel Research Association Conference has been scheduled for June 20-23 at the Boca Raton Hotel, Boca Raton, Florida. The meeting is sponsored by The Travel Research Association (TTRA), the international association of travel research professionals.

Theme of this year's meeting is "Marketing Travel and Tourism," and the program will focus on methods by which various industry segments can work together to solve mutual problems. Topics to be covered include "Selling Travel to the Non-Traveler," "Educators in Travel/Tourism Research," "Tour Operators and Travel Agents," "Travel Definitions," "Special Markets - Sports, Cruises, Etc.," "Research and Travel Advertising," "Travel Industry Outlook," and a symposium on economic modeling.

Among the featured speakers and moderators will be Rena Bartos, Senior Vice President, J. Walter Thompson Company; Dr. Douglas C. Frechtling, Director, U.S. Travel Data Center; Creighton D. Holden, Assistant Secretary for Tourism, U.S. Department of Commerce; John H. Lesure, Senior Partner, Laventhol & Holwath; James Pepperdine, Executive Director, Caribbean Tourism Association; and Robert J. Schreiber, Director of Market Planning, Sports Illustrated.

The Conference is open to members and non-members of TTRA. Additional information and registration material can be obtained by contacting Mari Lou Wood, Executive Secretary, TTRA, Bureau of Economic and Business Research, University of Utah, P.O. Box 8066, Foothill Station, Salt Lake City, Utah 84108.

TRAVEL OUTLOOK FORUM SET

The second annual Travel Outlook Forum will be held December 2, 1976, at the Statler Hilton Hotel, Washington, D.C. The Forum will be sponsored by the U.S. Travel Data Center and The Travel Research Association, and will present speakers on the 1977 outlook for various segments of the travel industry. Detailed information will be carried in this newsletter when available.

VISITOR VOLUME AT NATIONAL PARK SERVICE AREAS[1]

Region	February, 1976 visits (thousands)	Change from January, 1976 (percent)	Change from February, 1975 (percent)
Eastern Gateway	374.8	71.1	60.0
Far West	1,393.5	-2.3	28.2
Frontier West	1,087.8	36.8	29.9
G. Washington Country	3,289.9	33.4	84.2
Great Lakes Country	70.8	22.3	15.4
The Islands	355.5	1.5	10.0
Mountain West	359.7	19.0	30.1
New England	262.0	21.9	27.0
South	5,090.7	14.9	24.4
TOTAL	12,292.1	20.6	39.8

[1] Preliminary; adjusted for differences in reporting units. Source: National Park Service

States comprising the DATO travel regions:

EASTERN GATEWAY: New York, New Jersey. FAR WEST: Alaska, California, Idaho, Nevada, Oregon, Washington. FRONTIER WEST: Arizona, Kansas, Missouri, New Mexico, Oklahoma, Texas. GEORGE WASHINGTON COUNTRY: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia. GREAT LAKES COUNTRY: Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, Wisconsin. ISLANDS: American Samoa, Guam, Hawaii, Puerto Rico, Virgin Islands. MOUNTAIN WEST: Colorado, Montana, Nebraska, North Dakota, South Dakota, Utah, Wyoming. NEW ENGLAND: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. SOUTH: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee.

CURRENT TRAVEL INDICATORS

	Feb., 1976	% change from Jan., 1976	% change from Feb., 1975	% change 1976/1975*
Establishment receipts or retail sales[1]				
Hotels, motels and other lodging places...	$ 999 million	2.7	9.5	7.7
Amusement and recreation services.........	$1,214 million	0.2	-8.2	-7.2
Eating and drinking places................	$4,216 million	0.1	10.1	10.7
Gasoline service stations.................	$3,822 million	-1.2	10.3	11.0
Demand for commercial lodging				
Hotel/Motel occupany rate[2]................	60 percent	5.3	1.7	0.9
Real demand for commercial lodging[3].......	593 million	14.0	24.9	18.5
Highway traffic volume[4]				
Main rural road vehicle-miles............	32.4 billion	-5.5	8.4	6.5
Airline passenger traffic[5]				
Domestic revenue passenger-miles..........		not available		
International revenue passenger-miles.....		not available		
Rail passenger traffic[6]				
Amtrak passenger-miles...................	261.8 million	-13.5	-1.4	-0.4
Bus passenger-traffic[7]				
Intercity passenger-miles................	1.030 billion	-16.5	0.9	2.0
Domestic demand for motor gasoline[8]				
Barrels per day..........................	6,515 thousand	0.4	6.9	5.7
Public use of National Parks[9]				
Visits...................................	12,292,100	20.6	39.8	26.9
Overnight stays..........................	435,400	20.3	13.4	9.6
Foreign arrivals in U.S.[10]......................	896,879	-12.2	9.3	7.0
From overseas............................	221,916	-19.5	-8.8	5.1
From Mexico..............................	128,405	17.9	4.1	-16.2
From Canada..............................	546,558	-14.1	20.0	14.1
Citizen departures to Europe[11]...............	152,000	-10.4	24.1	16.8

*This year to date compared with last year to date.

[1]Preliminary; adjusted for seasonal variations and trading day differences. Source: Bureau of the Census. [2]Source: Laventhol & Horwath. [3]Preliminary seasonally unadjusted expenditures for commercial lodging adjusted for inflation since 1967. Source: U.S. Travel Data Center. [4]Preliminary; adjusted for changing speed limits. Source: Federal Highway Administration. [5]All U.S. certificated route air carriers. Source: Civil Aeronautics Board. [6]Source: National Railroad Passenger Corporation (Amtrak). [7]Class I regular route and charter service. Source: National Association of Motor Bus Owners. [8]Preliminary. Source: Federal Energy Administration. [9]Preliminary; adjusted for differences in reporting units. Source: National Park Service. [10]Includes only those visitors from Mexico remaining in the U.S. for 72 hours or more. Source: U.S. Travel Service. [11]Estimated by the Passport Office, U.S. Department of State.

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