



LOUISIANA REBIRTH THROUGH THE RECOVERY OF OUR TOURISM AND CULTURAL INDUSTRIES

EXECUTIVE SUMMARY

OVERVIEW

On August 29, 2005, the greatest natural disaster in U.S. history took place. Hurricane Katrina struck Southeast Louisiana, heavily damaging four parishes and the city of New Orleans. Less than one month later, on September 24, 2005, Hurricane Rita collided with the southwest corner of our state, severely impacting six parishes and the city of Lake Charles. Many communities were brought to their knees by the force of these massive storms. The affect on the tourism and cultural industries in New Orleans and surrounding areas as well as Southwest Louisiana has been tremendous. In response to these storms, we created our Louisiana Rebirth Plan, which focused first on rescue and recovery. Now we are working on redesigning and rebuilding. No matter how strong Mother Nature is, she can't destroy the assets that will guide us as we rebuild: our people, our rich heritage and our unique culture.

The destruction caused by hurricanes Katrina and Rita delivered by far the greatest blow to the state of Louisiana. In fact, between those two storms and Hurricane Wilma, which hit the coast of Florida one month after Rita delivered her blows to Southwest Louisiana and parts of Texas, Louisiana suffered over 75 percent of the major and severe flood damage dealt by these three storms. In addition, Louisiana had well over five times the severe/destroyed housing units of Alabama, Florida, Mississippi, and Texas combined.¹

It is the considerable task of Lieutenant Governor Mitch Landrieu and the Louisiana Department of Culture, Recreation and Tourism to assist Louisiana's cultural and tourism industries in their recovery from these devastating hurricanes. Cultural industries and tourism are two of only four industries in Louisiana that account for over 100,000 jobs (cultural industries 144,000; tourism 120,000). In 2004, the tourism industry in Louisiana, the state's second largest industry, generated \$9.9 billion in visitor spending and over \$600 million in state and local tax dollars.

Before Katrina and Rita, the tourism industry directly employed 79,000 people in New Orleans and Lake Charles. These jobs existed because visitors spent \$15.2 million per day in New Orleans and \$1.5 million per day in Lake Charles for total annual impact of over \$4.4 billion. In

¹ See Appendix A: Louisiana Recovery Authority Executive Director's Report dated March 16, 2006, pages 6-7

the first six months following the storms, an estimated 36 percent of the tourism workforce had not returned to New Orleans and Lake Charles. For a six-month period, this is a loss of 28,400 jobs and approximately \$240 million in payroll that existed in the tourism industry alone before the hurricanes. The loss in visitor spending during this period is estimated to be over \$1.2 billion with a loss of state tax revenue of over \$50 million.² The 12-month or annual impact will be twice the figures seen here, and more than likely it will take a minimum of three years to fully recover.

In addition, the small businesses that make up the tourism and cultural industries are vital to Louisiana's overall economic health. Prior to Katrina and Rita, cultural enterprises were growing faster than any other sector of Louisiana's economy. Arts organizations and participants directly contributed \$202 million to the state's economy and made an indirect impact contribution of \$934 million.³ In Louisiana, tourism and culture are big business and have an indisputable impact on our state's economy. For that reason, it is imperative that we do everything possible to help expedite recovery for these vital industries and, in turn, the recovery of the entire state.

CRITICAL NEEDS

While we have a robust plan in place for restoring Louisiana's tourism and cultural industries, there are four critical areas that need immediate attention in order to adequately address the short-term needs of these industries and expedite economic recovery:

1. **Immediate infusion of \$50 million in advertising and marketing dollars** in order to attract leisure and business travelers back to Louisiana and head off the months of negative publicity generated by the media post-Katrina and Rita. This funding is vital in order to reverse the estimated \$2.4 billion in annual losses.
2. **Funding in the amount of \$50 million for small business grants** for the tourism and cultural industries that might otherwise be unable to secure loans over the short term, if at all. This funding is necessary in order to sustain what was our state's fastest growing industry before these storms.
3. **Expediting housing for hospitality and cultural industry workers**, both temporary and transitional, so that these industries will have the workers needed to support their businesses. Currently the state's second largest industry is at risk due to unmet housing needs of 6,673 housing units.⁴
4. **Expediting debris removal in the New Orleans and Southwest Louisiana major tourism corridors** in order to immediately support the marketing of these areas to travel professionals as being open and ready for business. It is critical that this clean up be expedited or the state is at risk of losing the support of the national and international

² Louisiana Office of Tourism

³ *Louisiana: Where Culture Means Business*

⁴ Hospitality Industry Survey Conducted by the Louisiana Department of Culture, Recreation & Tourism

travel industry. This would result in the loss of meetings and conventions as well as leisure travelers, again putting the state's largest industry at risk.

We have requested a \$1.579 billion Congressional Appropriation⁵ to rebuild Louisiana's tourism and cultural economy, which, if successful, will deliver a powerful long-term return on investment. However, these four areas must be addressed immediately. Therefore, we are requesting funding for the most critical components of this plan as detailed in the following sections.

1. Immediate Infusion of \$50 million in Advertising and Marketing Dollars

Marketing, promotion and special events are key elements in bringing the tourism industry back to life in Louisiana. In 2004, the state of Louisiana hosted 24.6 million visitors, of which 76 percent were from outside of the state.⁶ Out-of-state tourists come to Louisiana as a result of marketing and promotion of Louisiana's many cultural and natural assets, family recreation destinations and various special events Louisiana hosts each year.

In the weeks immediately following the hurricanes, the media broadcast a massive number of negative images of Louisiana, which may lead to individuals choosing other travel destinations. Even today, some seven months after Katrina, visions of destruction in places such as the devastated Lower Ninth Ward continue to make headlines, rather than images of progress. A key performance measurement of tracking the impact of advertising is the percentage of potential travelers who have an intention to visit Louisiana. Prior to Katrina and Rita, a survey revealed that the percentage of potential visitors living in Louisiana's primary markets who indicated that they would not likely visit Louisiana was 47 percent of those surveyed.⁷ Since the hurricanes, this percentage has risen to 63 percent.⁸ This means Louisiana has lost one third of its regional target market unless these visitors can be convinced to visit Louisiana again.

Immediately following the hurricanes, another survey conducted for Louisiana and other hurricane-affected states found that 20 percent of U.S. travelers will no longer consider Louisiana as a destination either during the hurricane season or at any time during the year. This survey showed Louisiana with the highest percentage of U.S. travelers (30 percent) who have lost interest in choosing that state as a travel destination.⁹

The negative images portrayed by the media must be replaced with a new positive view of Louisiana to the nation and the world. All of Louisiana's cultural assets and tourist destinations need to be promoted, to remind travelers of all that Louisiana has to offer. Also, embedded deep in Louisiana's culture and appeal are the many special events that Louisiana hosts each year. These activities will aid in encouraging the flow of individuals and families back into Louisiana as a primary tourist destination.

⁵ See Appendix B: Louisiana Tourism and Cultural Economy Congressional Appropriation Request

⁶ Travel Industry Association of America

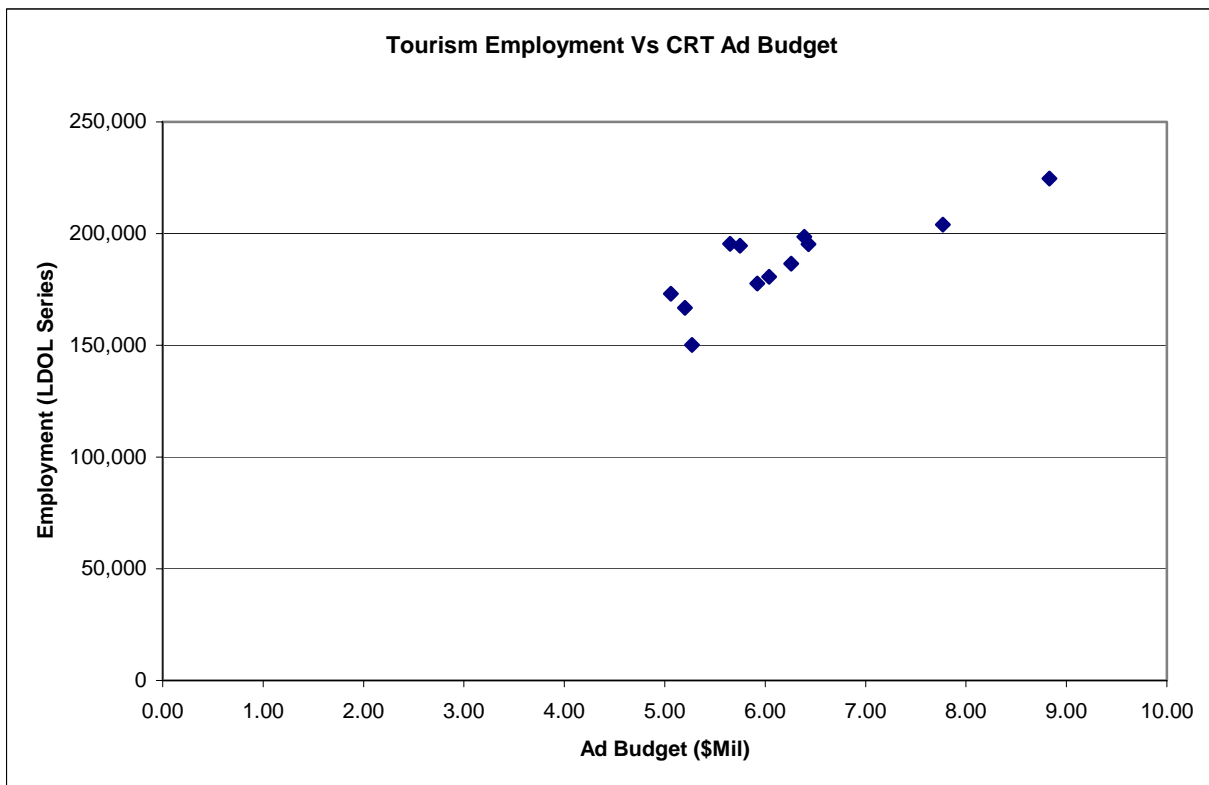
⁷ Cunningham Research Survey, October 2005

⁸ Market Dynamics Research Group Survey, January 2006

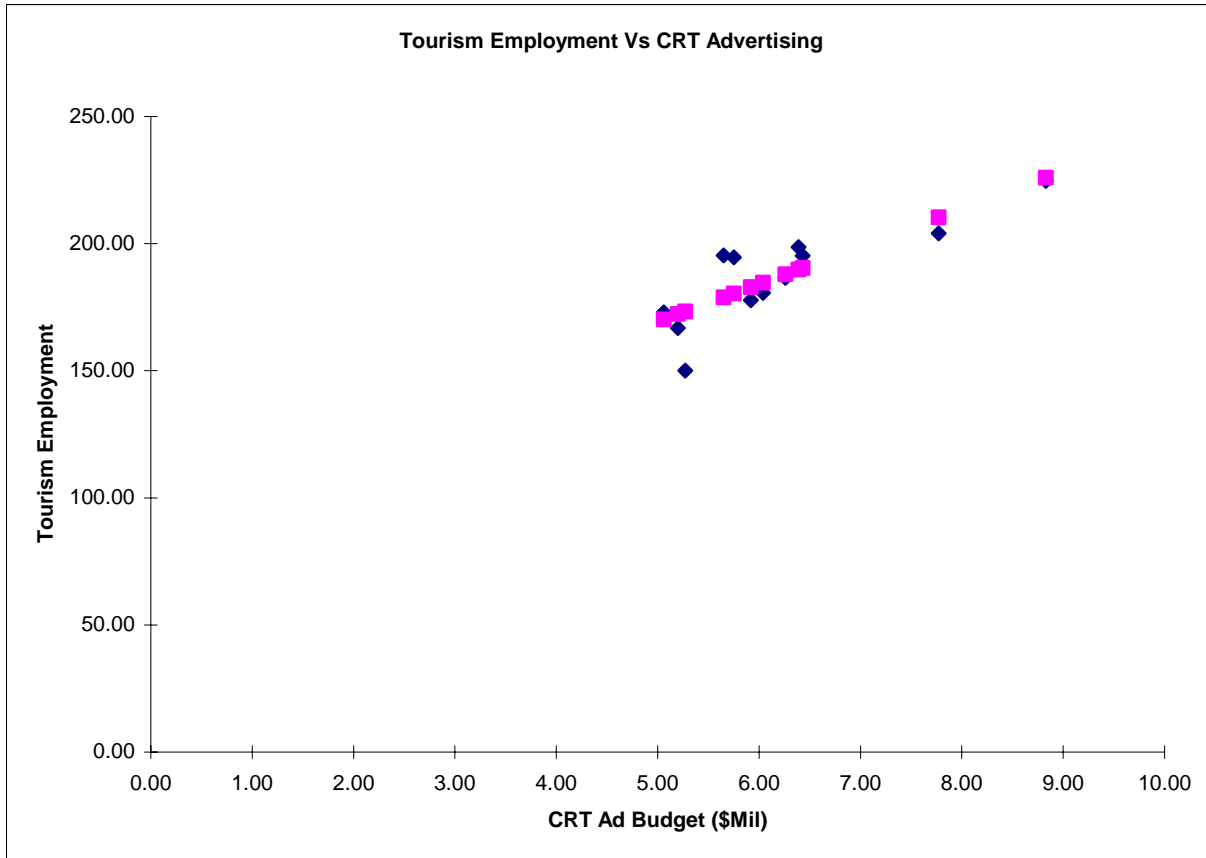
⁹ See Appendix C: Perceptions of New Orleans/Louisiana Tracking Study dated February 23, 2006

Another significant negative effect of these storms has been job losses in the travel and tourism industry. Approximately 1,400 travel and tourism businesses were severely impacted by the hurricanes. Eighty-five percent of these were estimated to be small businesses with less than 20 employees.¹⁰

A comparison of advertising expenditures to job growth in the tourism industry over the period from 1994 to 2005 has shown a highly significant, positive relationship between the two. Based on a recent regression analysis done for that period, using Louisiana Department of Labor data and our historical advertising expenditures, our models indicate that this positive correlation will continue. In fact, our study indicates that the injection of the \$50 million to the Department's advertising and marketing budget will result in a projected increase of 83,000 hospitality industry jobs. As illustrated in the following charts, based on the average salary of this category of worker according to LDOL data, the additional annual payroll anticipated for those 83,000 workers is \$1.22 billion. This translates into an additional \$85.5 million in state taxes annually, which is a significant return on investment.



¹⁰ University of New Orleans, Division of Business and Economical Research, March 2006



Moreover, the tourism and hospitality industries are critical to New Orleans where they are served directly by more than 6,000 companies and employ 85,000 people in a parish of less than 500,000 persons. The entire retail, banking, professional and service industries depend on the more than \$5 billion of annual direct visitor spending and additional several billion dollars in spin-off impact. Not only is the impact direct through visitor spending, but the 85,000 workers employed in the industries are the primary depositors in the banks, purchasers of the largest segment of retail goods and generally drivers of the overall health of the economy and the success of the area's large and small business.¹¹

Events such as Jazz Fest (\$300 million), the French Quarter Fest (\$75 million), Bayou Classic (\$150-\$200 million), Mardi Gras (\$220 million), Sugar Bowl (\$250 million already lost) and numerous others bring in enormous revenue for New Orleans and its business community.¹² Without an aggressive campaign to not only educate the public about the true condition of New Orleans, but to excite them and encourage a return to the city, these events will not generate the revenue sources upon which the city depends.

Working under the leadership and vision of Lt. Governor Mitch Landrieu, Secretary Angèle Davis of the Louisiana Department of Culture, Recreation and Tourism developed the Louisiana

¹¹ New Orleans Metropolitan Convention and Visitors Bureau

¹² New Orleans Metropolitan Convention and Visitors Bureau

Rebirth Plan¹³ (economic recovery plan for tourism and culture industries) with the help of the tourism and culture industry stakeholders, including the Louisiana Hotel and Motel Association, the Louisiana Restaurant Association, the Louisiana Travel Promotion Association, the Louisiana Association of Convention and Visitors Bureaus, the New Orleans Tourism and Marketing Corporation, the Southwest Louisiana Convention and Visitors Bureau and the New Orleans Metropolitan Convention and Visitors Bureau. Following is a summary of the immediate budget request and breakdown of expenditures (Southwest Louisiana request is included in the statewide request).

Statewide Tourism Travel (Includes Southwest Louisiana) Fiscal Year 2006-2007¹⁴	
A. Consumer Awareness National Advertising Campaign	\$12,000,000
B. Supplemental Marketing Assistance	\$2,000,000
C. Instate Advertising	\$1,000,000
D. Festival/Key Event Marketing	\$1,000,000
E. International Marketing	\$1,000,000
TOTAL	\$17,000,000
New Orleans Leisure Travel Calendar Year 2006	
A. Leisure Advertising Campaign	\$11,120,000
B. Public Relations	\$1,400,000
C. Interactive Marketing	\$1,200,000
D. Niche Marketing Campaigns: Family/Multicultural/Museums	\$2,700,000
E. New Orleans Festival Marketing	\$195,000
F. Remarketing to Past Visitors	\$350,000
G. Fall Campaign and Christmas New Orleans Style	\$1,950,000
H. Co-op Partnership Marketing	\$585,000
TOTAL	\$19,500,000
New Orleans Convention and Meeting Travel Calendar Year 2006	
A. Group Leisure/Travel Agents, FIT/International Travel	\$2,840,000
B. Convention Marketing	\$2,840,000
C. Interactive Marketing	\$540,000
D. Convention Incentives/Attendee Drivers/Exhibitor Drivers	\$2,840,000
E. Direct Sales, Promotion, Communications, Media	\$4,500,000
TOTAL	\$13,500,000
GRAND TOTAL	\$50,000,000

In our request for Congressional Appropriation, we identified a total of \$115 million for our advertising and marketing efforts over the next three years. We are requesting herein the immediate investment of \$50 million for advertising and marketing, which is needed at once in order to provide a powerful positive impact on Louisiana’s tourism market on a state, national and international level.¹⁵ Please note that the \$50 million being requested by the Department is the immediate need of the original \$115 million requested in the three-year Congressional Appropriation request.

¹³ See Appendix D: Louisiana Rebirth Plan

¹⁴ Campaign has been developed and launched, but dollars are needed in order to expand exposure

¹⁵ See Appendix E: Marketing Plan

2. Request Immediate Funding of \$50 Million for Small Business Grants for the Tourism and Cultural Industries

Tourism has long been acknowledged as a major lynchpin of the economy, a \$9.9 billion industry that helped sustain 120,000 jobs and contributed \$600 million in state and local tax revenues. The tourism industry was projected to top \$10 billion in 2005, but Katrina and Rita changed Louisiana's landscape in many ways. With the entire City of New Orleans and the surrounding area completely shut down, the economy came to a grinding halt. Best guesses are that it will take at least 10 years to recover from the losses created in a few short days.¹⁶

Five months after the storms, less than 30 percent of our citizens had returned to New Orleans.¹⁷ The problems are enormous—housing, education, social, health, safety, services, employment and government. Solutions to the problems, as varied as they are, universally require money. Jobs mean money. People will go or stay where they can get work, where they can support their families. Jobs are the critical factor. That is why it is essential that we get our people back and invest in their livelihoods as well as the physical infrastructure of the place.

Katrina decimated New Orleans' cultural economy:¹⁸

- Approximately 260 nonprofit cultural institutions such as museums, arts centers, performance halls and other nonprofit cultural venues sustained damage.
- An estimated 750 commercial arts enterprises such as music clubs, art galleries and recording studio operations were shut down.
- More than 11,000 people employed by nonprofit and commercial cultural groups who have been terminated.
- More than 4,000 members of the cultural community were forced to leave and, at present, are unable to return.
- As of November 30, 2005, 75 percent of New Orleans' nonprofit cultural organizations remain closed.
- Uninsured damage to cultural properties, arts businesses and artists exceeds \$80 million.
- The number of performing musicians dropped from more than 2,000 to fewer than 250.
- It is estimated that more than \$3 million in losses have been experienced from destroyed costumes, instruments for Mardi Gras Indians, second line companies and social aid and pleasure clubs.

Traditional resources are not meeting the needs of cultural workers and businesses. Legislatively appropriated bridge loans of \$10 million were distributed to banks across the region, and the need was so great that the money was gone in less than three weeks. The numbers published for SBA loans are impressive. As of December 28, 2005, it was reported that \$1 billion was approved for 14,800 SBA loans to individuals and businesses.¹⁹ However, the percent of approvals immediately following the storms was negligible. Although this has improved, it has not benefited the cultural industries.

¹⁶ Travel Industry Association of America

¹⁷ Louisiana Office of Tourism

¹⁸ Louisiana Office of Cultural Development

¹⁹ Louisiana Department of Economic Development

The reality is that precious little traditional funding ever reaches artists, musicians, performers, designers, chefs, nonprofits and small cultural businesses. They are almost universally ineligible because they have insufficient collateral or they cannot demonstrate ability to repay—there are too few venues, audiences and customers to sell to.

Of 70 applications to the new Louisiana Cultural Economy Foundation Grants Program to date, 97 percent indicate that they have not received any SBA funds. Many applied but with no success. Several applicants indicated that they did not apply because they were unsure of their ability to repay a loan considering their uncertain financial status.²⁰

Although our original request for funding was \$400,000,000, following is a summary of the request of \$50 million needed to meet our immediate critical needs in this area.

Budget Overview Small Business Grants for the Tourism and Cultural Industries Fiscal Year 2006-2007	
A. Cultural Small Business and Organization Recovery Grants	\$25,000,000
• 1,000 cultural businesses affected by the two hurricanes	
• 11 employee average per cultural business	
• Average grant award of \$25,000 per cultural business	
B. Tourism Small Business and Organization Recovery Grants	\$25,000,000
TOTAL	\$50,000,000

3. Expedite Housing for Hospitality and Cultural Industry Workers

The lack of housing for workers in the hospitality and cultural industries is an incredible barrier to recovery. This housing is needed now, both temporary and transitional. Without housing for these workers and their families, recovery for the tourism and cultural industries will come to a halt and thus so will economic recovery for the state as a whole.

We surveyed members of the state’s hospitality industries for November and December 2005 and January 2006 and found the following requirements for housing of their employees.

Housing Needs, by Industry	Feb	Mar	Apr	May	Jun	Totals
Restaurant Industry						
Family units needed	37	36	36	36	36	181
Single housing units needed	24	22	22	22	22	112
Special needs units needed	0	0	0	0	0	0
Total Restaurant Industry	61	58	58	58	58	293
Hotel/Motel Industry						
Family units needed	398	349	325	265	245	1,582
Single housing units needed	87	79	69	55	40	330
Special needs units needed	1	1	1	1	1	5
Total Hotel/Motel Industry	486	429	395	321	286	1,917
Cultural Industry						
Family units needed	13	13	13	13	13	65
Single housing units needed	9	9	9	9	9	45
Special needs units needed	0	0	0	0	0	0
Total Cultural Industry	22	22	22	22	22	110

²⁰ Louisiana Cultural Economy Foundation, <http://www.crt.state.la.us/culturalassets/grants/>

Housing Needs, by Industry	Feb	Mar	Apr	May	Jun	Totals
Casinos						
Family units needed	555	535	515	495	475	2,575
Single housing units needed	397	377	351	331	301	1,757
Special needs units needed	6	6	4	3	2	21
Total Casinos	958	918	870	829	778	4,353
TOTALS	1,527	1,427	1,345	1,230	1,144	6,673

The Department of Culture, Recreation and Tourism is requesting immediate assistance from every state, federal and private resource possible in order to expedite the availability of housing for these workers and their families, which is critical to the economic recovery of these industries. The Department has suggested alternative housing for low-to-moderate income workers including: FEMA trailers, direct apartment leasing from owners for low-to-moderate-income workers, and exploring low-to-moderate affordable emergency housing (e.g., cottages such as Cusato Cottages.²¹)

4. Expedite Debris Removal in New Orleans and Other High-Tourism Areas of the State

An important part of our advertising and marketing budget is to bring in travel industry professionals for tours in order to gain their support in attracting leisure and business travel groups back to Louisiana. It is simply impossible to achieve this goal while masses of debris remain as eyesores in our major tourism corridors in New Orleans and Southwest Louisiana. We must secure additional resources for the immediate removal of storm debris or risk losing the support of the national and international travel industry. This would result in the loss of meetings and conventions as well as leisure travelers, again putting the state’s largest industry at risk.

While these expenses are 100 percent reimbursable by FEMA, there is a June 30 deadline that cannot possibly be met to remove the tremendous amount of debris that still remains from these storms. Therefore, **we are also requesting assistance in obtaining an extension from FEMA for reimbursement of this expense.**

INDUSTRY PROGRESS

Lieutenant Governor Landrieu and Secretary Davis recently launched the most important advertising campaign in Louisiana history, “Come Fall in Love with Louisiana All Over Again,” which was designed to kick start Louisiana’s tourism industry recovery. To view the two commercials developed for the television campaign, visit <http://www.crt.state.la.us/documentarchive/> and select one of the two “Thank You” video ads. Print ads of this campaign are available in Appendix F²² or can be viewed at the link above.

²¹ Cusato Cottages, Geoffrey Mouen Architects & Moser Design Group, www.cusatocottages.com

²² See Appendix F: “Come Fall in Love with Louisiana All Over Again” Print Ads

As an important part of our Louisiana Rebirth Plan, we developed performance indicators, known as our Rebirth Scorecard, which are designed to measure progress in the restoration of the tourism and cultural industries resulting from implementation and execution of the plan at various levels. These include short term industry indicators²³ categorized by hotels, restaurants, airports, gaming, tourism, state parks and other factors; long term industry indicators²⁴, which chart short-term performance of commercial flights, hotels, Audubon Golf Courses, restaurants, and other tourism-related factors; and the expanded Rebirth tourism industry indicators²⁵, which chart projected long-term growth in the same areas. The Rebirth Scorecard will serve to demonstrate progress and ensure that the Department and the state's tourism and cultural industries stay the course and meet or exceed recovery expectations. You may also visit <http://www.rebirthscorecard.org/> to view the Scorecard.

Prepared on March 24, 2006, by Louisiana Department of Culture, Recreation & Tourism, <http://www.crt.state.la.us/>, Secretary Angèle Davis, P.O. Box 44243, Baton Rouge, Louisiana 70804-4243. 225.342.8115. Revised April 12, 2006.

²³ See Appendix G: Rebirth Scorecard—Short Term Industry Indicators

²⁴ See Appendix H: Rebirth Scorecard—Long Term Industry Indicators

²⁵ See Appendix I: Rebirth Scorecard—Expanded Rebirth Tourism Industry Indicators