

## CORPORATE NEWS

## Hotels Say, We're Businesses, Too

Amid Political Backlash Against Conferences, Resorts Go on a PR Offensive

BY TAMARA AUDI

Wall Street banks may have precipitated the financial crisis. But hotel companies feel like they are the ones taking the blame.

Congress has restricted corporate travel for companies that accept bailout money, and big corporations are canceling conferences out of fear that it will smack of conspicuous consumption.

"Congress has done a great job of killing the resort hotel business with the way they've criticized the number of financial firms from having conferences," Loews Corp. Chief Executive Officer James Tisch said in a conference call with investors this week.

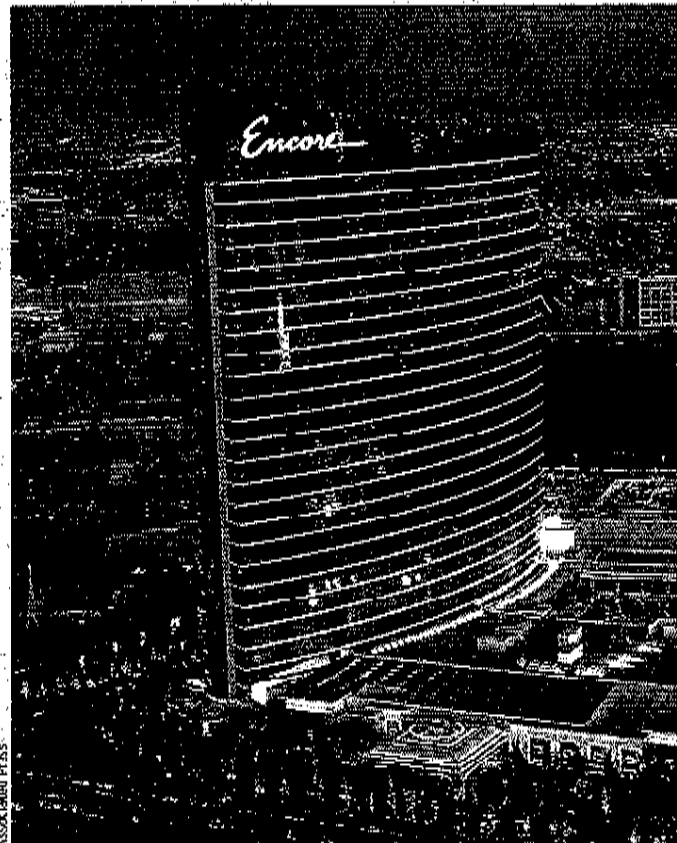
Mr. Tisch is one of a number of hotel executives who has grown frustrated with the public perception of the industry. Some are now fighting back, issuing public statements, lobbying politicians and privately pleading with corporate customers to keep them from canceling events.

Companies like **Marriott International Inc.** and **Starwood Hotels & Resorts Worldwide Inc.** have seen big drops in corporate business in recent months as companies—even those not receiving government aid—have canceled meetings, fearing public outrage over what may appear to be lavish spending.

Many hotel industry leaders say that in the debate over corporate spending, hotel housekeepers, waiters, desk clerks and cab drivers have been forgotten.

"There are hundreds and thousands of employees who work for this industry who depend on meetings and conferences to support their families," said Jan Jones, senior vice president of government relations for Las Vegas-based **Harrah's Entertainment Inc.**

Corporate cancellations present a problem for hotels, which are struggling with a decline in revenue as leisure travel withers. Major hotel brands, like Starwood's **Sheraton**, have built large properties around conven-



Wells Fargo & Co. recently canceled an event booked with Wynn Resorts, owner of Encore casino and hotel, which opened in December.

tion business in key markets.

"Hotels everywhere are feeling the repercussions from companies canceling functions because they fear the scrutiny," Bill Marriott, the chief executive of Marriott International, writes in his blog post scheduled for publication Friday.

Mr. Marriott said that his company's **Ritz-Carlton** at Half Moon Bay outside San Francisco has "been especially hard hit by group cancellations." In the past four months, he wrote, 32 groups have canceled plans for retreats, seminars and incentive meetings at the hotel. "As a result, some very good, hardworking people are now unemployed."

Mr. Marriott plans to meet with politicians on Capitol Hill to argue his point.

Las Vegas, which is fighting a more acute image problem, also relies heavily on business travel, which brings in an estimated \$8.5 billion to the destination each year, according to industry leaders. President Obama warned that companies taking federal bailout money "can't go take a trip to Las Vegas" on the taxpayers' dime.

Las Vegas Mayor Oscar Goodman wrote President Obama this week, pointing out that the destination hosts 22,000 business meetings a year, and said such comments reinforce "outdated stereotypes."

**State Farm Insurance Cos.** recently canceled a large two-week event in Las Vegas scheduled for October at Paris Las Vegas and Bally's, resort casinos owned by

Harrah's. **State Farm** said it might reschedule for later if the economy improves. "We decided in the current business climate it was probably not the best time to have an event," said spokesman Jeff McCollum. He said the cancellation wasn't due to the public perception of Las Vegas. "We bid these things out and Vegas is the least expensive place to go."

The convention would have meant between \$8 million and \$10 million in revenue for Harrah's, according to people familiar with the deal. **State Farm** will have to pay a penalty to break the contract, which could be 25% to 50% of projected revenue for the event.

"Why is that smart business?" said Andrew Pascal, president of Wynn and Encore, two casino hotels in Las Vegas owned by **Wynn Resorts Ltd.**, referring to companies that break contracts in Las Vegas only to move their events to another city.

Last week, **Goldman Sachs Group Inc.**, which is receiving \$10 billion from the government, moved a planned meeting at Mandalay Bay, an **MGM Mirage** property in Las Vegas, to San Francisco.

Under the rules of the government's **Troubled Asset Relief Program**, companies are required to adopt policies on spending on private jets, events and conferences and office parties.

**Wells Fargo & Co.**, which received \$25 billion from the government, canceled an event booked with Wynn Resorts.

In full-page newspaper ads this week, the chief executive of Wells Fargo announced that the company has canceled all of its recognition events for its employees this year, and noted that the hotel industry would be hurt.

The U.S. Travel Association and six other industry groups also issued a statement. "We are extremely concerned about the unintended consequences of unnecessarily restricting corporate meetings, events and incentive travel programs," the statement read.