

Briefings



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Bold Actions are required to Get Air Tourists Back to Florida!

The state of Florida and the nation face unprecedented challenges in the aftermath of the horrible tragedies of September 11. The assaults on the postal services and news media that followed in their wake perpetuate a heightened sense of urgency and uncertainty. The repercussions continue to mount and adversely impact the national economy. Florida's economy, so dependent on tourism, is caught in the eye of the storm. In fact, approximately \$5.6 billion to \$6.9 billion of state tax collections in Florida's General Revenue Fund in 1999 came from direct and indirect tourism-related activities, according to Florida TaxWatch's August 2000 Visit Florida report on *The Benefits and Costs of Tourism to Florida* and the analysis done with the assistance of Florida State University's Center for Economic Forecasting and Analysis.

The airline industry, upon which Florida tourism so heavily depends, is particularly hard pressed. The airlines are experiencing unparalleled declines in passenger loads as well as operating revenues. They are taking responsible actions to help meet the crisis -- sharply reducing capital spending by accelerating the retirement of older, less efficient aircraft and deferring delivery of new aircraft. They also are reducing operating costs by making cuts in overhead, closing facilities and trimming food services.

But some major airlines report cutting flights to Florida -- Orlando, for example -- by as much as 40 percent. Air traveler demand has declined to the point that companies, according to recent news reports, have found it less costly to park their fleets in the desert outside of Phoenix, Arizona at \$500 per plane, than to fly them. This is bad news for Florida's multibillion tourism industry, with its heavy dependency on air travelers. Florida TaxWatch's benefits and costs of tourism study showed that (1) total wages for all tourism related jobs exceeded \$59.9 billion out of total personal income of \$218.8 billion in 1999; (2) Florida's Gross State Product (output) resulting from tourism related activities exceeded \$102.3 billion in 1999; (3) tourism/recreational taxable sales in 1998 exceeded \$43.1 billion and (4) state tax revenues resulting from tourism activities exceeded \$6.9 billion out of a total of \$21.9 billion in state tax revenue in 1999. It is unthinkable as Florida approaches the peak of its tourist season that some major theme parks already have to lay off workers. Smaller attractions may have to shut their gates altogether unless aggressively targeted actions are taken soon to reverse this trend.

Take Steps Now To Get Florida Tourists Back In The Air

If the airlines and Florida tourism are to weather the economic storm, we must take bold steps now to get

Florida tourists back in the air. Our state needs to fully integrate its tourist promotion activities with those provided by the federal government to assist tourism and actions taken at the local level. Florida, for example, ought to actively coordinate with all government levels the \$20 million tourism advertising/promotion campaign designed to attract tourists back to Florida. As Visit Florida, recently appearing before the Senate Committee on Commerce and Economic Opportunity testified, if nothing is done, the state's tourism industry could lose \$7.2 billion or more by the end of June, 2002. This, they said, translates to about \$433 million or more in additional lost sales tax revenues. One way to help the airlines reduce their operating costs and hold them accountable is for our lawmakers to provide them with targeted tax relief in exchange for accountable and contractual guarantees that they will get their fleets back in the air and increase passenger loads at levels commensurate with those they had pre-"9/11."

Florida TaxWatch strongly supports the Governor's recommendations to allow aviation fuel tax relief proceeds to be used to enhance air travel security and stimulate Florida's economy. The pre-"9/11" net fiscal impact of abating the aviation fuel tax, other things being equal, would have been about \$53 million annually. The post-"9/11" impact figures to be about 25 percent lower, and could be less, if the abatement is applied just to commercial aviation. Florida needs to become branded nationally as the safest destination for travelers wanting to take to the skies. The Governor's initiative is just one welcome step toward getting Florida tourism back on its feet.

Much More Needs To Be Done.

Additional targeted tax relief from general revenues of upwards to \$40 million needs to be immediately made available to the airlines on an accountable and contractual basis, if the transportations needs of air travelers wishing to visit Florida are to be met. Should the monies not be applied directly toward that end, air tourists will not be able to take full advantage of the monies being spent to attract them back. As Florida TaxWatch pointed out in its benefits and costs of Florida tourism study, air travelers spend almost twice as much on average per person daily (\$157.30) as compared to auto travelers (\$87.20). Florida needs those tourist dollars and also those of international travelers. Air service is the most useful way to attract and secure international travelers who spend the most of all tourists. The Governor and the Florida Legislature have the tools to resuscitate Florida's ailing tourism industry and our state's recessed tourism-related tax revenues. **The time to act is NOW!**

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