

Speaker Benjamin J.F. Cruz

MAR 13 2018

Time: 2:13 [ ] AM [✓] PM File No. 34-1652

Received By: Ellen

GL#34-18-1639

Mr. Chairman and Members of the Committee on Education, Finance and Taxation:

On behalf of Guam's Tourism Industry and in my capacity as Managing Director, Guam T-Galleria, DFS. I write to share our deep concern over the haste at which Bill 248-34(LS) is being considered and the unintended truth consequences passage of this measure may pose for Guam's tourism industry.

As you know, DFS group has been Guam's partner in economic growth for decades. We worked with island leaders to build the island's tourism industry in good times and sustain that industry in times of challenge. Now, 60% of our island's private sector economy is linked to tourism, the Hotel Occupancy Tax has supported Public Safety, the island's Mayors, and in recent memory the purchase of lifesaving medical equipment at the Guam Memorial Hospital Authority.

We list these examples to demonstrate the important partnership shared between our industry and the Government of Guam—and to further highlight a simple tenant: we all do better when we work together.

While we understand the dramatic revenue shortfalls caused on Guam by the federal passage of the Tax Cuts And Jobs Act, Guam must approach its response carefully—assuring that our actions do not cause irreparable harm to the Guam Brand and our tourism industry as a whole.

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This is why we are so concerned by Bill 248 and other similarly drafted proposals. Since the inception of Guam's tourism industry, the island has remained a "Duty Free Destination." This distinction has been a central theme in Guam's tourism marketing for decades. Now, less than three weeks from introduction, Bill 248 and proposals like it propose a fundamental shift in our industry without any economic analysis, a single round table discussion with industry leaders, or meaningful dialogue with members of Guam Visitors Bureau.

This hurried approach does not consider the earth moving changes taking hold in our tourism market today. For the first year in Guam's history as a tourism destination, Japan is no longer our primary source market—accounting for just 40% of our overall mix. This figure is down 20% from just four years ago.

While these declines have been offset by massive new gains in Korean Visitor Arrivals—arrivals are up but spending is down. The Korean Traveler is decidedly more cost-conscious spending about 1/3rd the amount of their Japanese counterpart.

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Moreover, the arrival of new Low-Cost Carriers for the Asian-Hawaii market has meant that Some Korean and Japanese tourists can fly to Hawaii round trip for about the same price as Guam.

This means that Guam must realize where it is different and act accordingly. We believe that in the present market, the implementation of a sales tax would be detrimental to a vital pillar of our economy. Guam's #1 Industry, Tourism.

Equally troubling are similar proposals which while excepting residents from a sales tax would levy one nearly 3x as large on tourists and federal contractors. While the disparate application of this general tax would surely be litigated by private parties, DFS group is concerned by the destructive impact of this proposal.

Guam cannot simply transition from duty free destination to a land of 'Duty Free Except for Me.' If passed, legislation which imposes a 2 or 6% tax in addition to the existing 4% BPT—sends a punitive message to future visitors.

Though visitors do not cite in out elections representing a soft tax-target in times of financial trouble, please remember that they—like all of us vote with their wallets.

Instead, we ask that this body take a more deliberate approach to is consideration of a sales tax—convening a series of meaningful round tables to confront our challenges together, as we have done so often in the past. We cannot be in such a hurry to spend the golden egg that we kill the golden goose to hasten the egg's arrival.

Signature

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Cc: Speaker Benjamin Cruz