



Statement of Justin Kintz, Director of Government Affairs for Orbitz Worldwide
before the Oregon Senate Committee on Finance & Revenue
June 10, 2013

Good afternoon, Chair Burdick and distinguished members of the Committee. My name is Justin Kintz, and I am the Director of Government Affairs for Orbitz Worldwide, a leading online travel company. As a company in the business of encouraging travel and tourism to Oregon, we are concerned about the passage of new service taxes on travel facilitation within House Bill 2656. I hope the Committee recognizes that these new taxes are a losing proposition for the state and its localities, Oregon's independent lodging community, and deal-seeking consumers.

The taxes being proposed are based on a flawed understanding of how online travel companies do business with hotels in Oregon. Contrary to bill proponents' statements, the full amounts of state and local transient lodging taxes are being properly applied to hotel room rental rates established by the hotel operator, and online travel companies—such as Orbitz—receive no preferential tax treatment. These bill provisions stand to tax not only the hotel room rent, but the separate services online travel companies provide in the form of expert advice, apples-to-apples comparison shopping, and easy-to-use technological convenience.

Different from the more well-known commission-based model—in which the travel facilitator is compensated by the hotel—the business model in question reflects the process by which the facilitator negotiates an agreement with a hotel to market their room inventory, and collects separate service compensation directly from the customer. At the completion of the stay, the facilitator is invoiced by the hotel for their discounted room rate and all applicable taxes, which are paid in full. We do not take possession or licensure of hotel rooms, we do not assume any inventory risk, and do not buy, sell or resell hotel rooms.

Online travel agents already offer significant support to in-state communities and small business hotel owners by providing global and consumer-friendly marketing platforms. In fact, around 1,000 Oregon hotels have voluntarily signed distribution agreements with our company to market their properties to our millions of weekly website visitors. Our services especially help to level the playing field for independent hotels as they compete with the major chains, keeping prices low and options accessible for the traveling public.

While taxes on tourism are usually intended for out-of-town visitors, it is important to note that this legislation would also tax Oregon citizens. Roughly one-third of Oregon hotel reservations booked through our sites are Oregon-based customers, booking in-state travel. Adding new booking service taxes to their visits does not close any loopholes (or make in-state hotels any more competitive), it only increases prices and takes money out of travelers' pockets—money that otherwise might be used to patronize other local businesses.

Orbitz websites generate a tremendous amount of global exposure and interest in Oregon, which should remain unhindered. Oregon attractions, hotels and destinations that work with us have

access to a global audience which would take significant investment for them to reach on their own. And smaller destinations and hotel properties might never be able to market to an audience that size, without the partnership of an online travel site like Orbitz.

Thank you for your time today, and I ask you to please reject these new travel taxes in House Bill 2656, and any similar legislation that attempts to create new taxes on Oregon travel services.