



June 8, 2015

The Honorable Scott Oelslager
Chair, Finance Committee
The Ohio Senate
1 Capitol Square, 1st Floor
Columbus, Ohio 43215

Dear Senator Oelslager:

On behalf of Orbitz Worldwide, I respectfully urge you and the Senate Finance Committee to oppose language added to House Bill 64 that would negatively affect Ohio tourism by imposing a new tax on the services we provide – thus harming hotels that rely on our marketing capabilities to promote their properties along with thousands of Ohio residents that visit destinations across the state.

First and foremost, in response to a common and often-cited mischaracterization of our business, it is important to understand that Orbitz and other online travel companies (OTCs) do not purchase hotel rooms in bulk at a “wholesale” rate and then resell those rooms at a “retail” rate. That description of our business model is factually incorrect, and using it to justify this new tax on our services wholly undermines any argument in favor of the language added to House Bill 64.

The truth is that OTCs market hotel rooms to travelers at a rate negotiated with the hotels themselves. In the process of a booking transaction, we collect from the consumer and remit back to the hotel all taxes applicable to the agreed upon room rate, and we are under no financial obligation if a given hotel room goes unreserved at the end of the day. Hotels have control over what percentage of inventory is available through OTCs and at no point do we take possession of our hotel partners’ rooms – so we are not “resellers” in any sense of the word.

In fact at a recent Maryland Senate hearing, a Marriott representative admitted as much in his own words by testifying as follows: *“When we say wholesale, it’s not the most apt analogy. Expedia doesn’t pre-pay Marriott for rooms. What happens is they have access to sell; they’re another conduit for selling. So, first and foremost they’re not allowed to undercut us. We open that inventory, it’s our inventory, and they’re allowed to sell it at that price we’ve indicated.”*

What OTCs do is offer valuable marketing resources to small and large hotel properties alike with the potential to access millions of consumers each month, thus supporting Ohio communities through increased visibility of hotels across the state. Orbitz places independent hotels on equal footing with the largest chains, granting smaller properties an increased level of marketing exposure that would otherwise be attainable only at a significant cost to the hotel’s owner. Furthermore, the marketing resources provided by online travel agencies benefit not just the hotels themselves but also a wide range of nearby businesses, helping to fill hotel rooms that generate more diners at restaurants, more tickets sold to local attractions and more shoppers at area boutiques.



Ultimately, the language added to House Bill 64 threatens to diminish our positive influence on Ohio small businesses by levying a new tax against the valuable services we provide, and the bill represents an obsolete idea that has been proposed and rejected numerous times in states all over the country. One timely example is Virginia, which recently defeated similar legislation in both the House (H.B. 1762) and Senate (S.B. 1210), thus choosing to keep Virginia lodging costs more affordable and not burden their tourism economy with a new tax on services.

Thank you for the opportunity to voice our opposition to House Bill 64, and I am always available at (202) 775-4174 or tim.enstice@orbitz.com to answer any questions you may have.

Sincerely,
Timothy M. Enstice
Director of Government Affairs