

Testimony of Christopher L. Soder, President and Chief Executive Officer, North American Travel, Priceline.com, Norwalk, CT

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Senator Dailey, Representative Wilditz and Members of the Committee:

Thank you for the opportunity to speak before this Committee hearing. My name is Chris Soder, and I am President and Chief Executive Officer of Priceline.com's North American travel business. We at Priceline.com are very proud to call Connecticut our home. We've been here since 1997, and have built a base of 351 employees in Norwalk.

Priceline.com is part of The Priceline Group, which also includes the international businesses of Booking.com in Amsterdam, Agoda.com in Bangkok, and Rentalcars.com in Manchester, UK. The Group, as a whole, operates the largest online hotel reservation service in the world. We are available in 160 countries, 41 languages, and we have over 210,000 hotel partners. In 2011, the Group accounted for 141.6 million hotel room nights booked around the globe.

I'm very glad to have the chance to explain what we do, as I think there may be some misunderstandings. Perhaps most fundamentally, we do not buy blocks of hotel rooms and re-sell them. We run a website. We provide a service that allows hotels to market themselves to consumers around the world. Hotels remain in control of which rates they want to provide to us; we do not commit to an inventory of hotel rooms. That same service enables consumers to find the right hotel for their needs, whether it's in Singapore or Stamford. Travelers use our website to search for available reservations and view photos, reviews and amenities of available hotels. When they find a hotel they like, they use our site to send a reservation request to that hotel. If the hotel has a rate available, it sends the traveler a reservation confirmation via our website. The hotel lets us know the correct rate and the correct tax, and we make sure the hotel receives that. And we add our own fee for providing the links between hotel and traveler.

Hotels use our services because we help them reach travelers that they would not otherwise have the money or resources to reach. We do that through marketing, including paying for keyword searches, banner advertising, hotel description translation into 41 languages, and those entertaining TV ads featuring William Shatner. In 2011, The Priceline Group spent almost \$1 billion on global marketing. When you add in the other big online travel companies – Expedia, Orbitz and Travelocity – that marketing spend is well north of \$2 billion.

This marketing muscle is particularly important to the independent hotels and B&Bs in Connecticut and elsewhere that depend on us as their primary (and in many cases only) online

marketing tool. We believe that online travel companies like priceline.com are Connecticut's biggest tourism cheerleaders.

We follow the tourism industry in Connecticut and, like you, we're concerned about the state of tourism in Connecticut. In 2010, it was reported that Connecticut tourism had dropped a hefty 17% over the prior year. We believe that Bill 5420 is going to make this challenging environment even worse. Bill 5420 – which, really, should be called the Travel Agent Tax - is another new tax that penalizes online and offline travel companies by applying sales tax to their service fees – fees that have never been taxed under state law – until this bill.

The Travel Agent Tax could hurt Connecticut in several ways. Travel companies and tour operators will have a choice to make. They can go ahead and facilitate hotel reservations in Connecticut, then collect and pay this new tax. Or, they can steer their clients to similar venues in neighboring states where there is no tax on their services. So, instead of leaf peeping in Cornwall, they send clients to Vermont. Instead of Mystic, they send clients to Rhode Island or Cape Cod.

The Travel Agent Tax will do something else. It will make hotel rooms in Connecticut more expensive when the 15% tax is passed along to consumers. At priceline.com, we've found over the years that, when room prices go up 1%, it usually equates to a 2% drop in business down the road. If that rule plays out with the imposition of this tax, it could mean a net drop of up to 4% in Connecticut room nights.

That's just the room night impact. If this erosion occurs, it also will eat away at Connecticut's entire tourism infrastructure, affecting revenue and jobs at hotels, restaurants, attractions, theaters, taxi companies, shopping, gas stations – in short, every industry that supports state tourism.

As a company that chose Connecticut for our home 15 years ago, we at Priceline were shocked and disappointed that our own state would propose such a bill. It communicates that Connecticut places zero value on the money we spend as a marketing partner for the state. It would put new administrative collection/remittance hurdles in front of our employees. And it would have a dampening effect on our business by reducing demand for hotel rooms in Connecticut.

In summary, this bill is a tourism killer. It will chase away tourists, and it will chase away the travel companies and tour operators that have been the state's most loyal tourism cheerleaders. Norwalk-based priceline.com respectfully requests that you oppose this bill. Thank you.