

**TESTIMONY  
OF  
MICHAEL GALLAGHER, CO-CEO AND CO-FOUNDER OF CITYPASS, INC.  
BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF REPRESENTATIVES  
AT A HEARING ON  
“GROUNDED: HOW THE AIR TRANSPORTATION CRISIS IS AFFECTING  
ENTREPRENEURS AND THE TRAVEL INDUSTRY”**

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Chairwoman Velazquez, Ranking Member Chabot and other distinguished Members of the Committee: I am Mike Gallagher, Co-CEO and Co-Founder of CityPass, a unique small business with a national reach that offers foreign and domestic tourists the best attractions in America's favorite cities at one packaged price.

Thank you for inviting me to testify today on behalf of an innovative small business in the travel sector at risk of being severely negatively impacted by America's deteriorating air travel system. I am particularly pleased to testify before this committee because we started CityPass in 1997 with the help of a loan from the Small Business Administration (SBA).

About 12 years ago, we came up with the idea for CityPass. As a start up business, no banks were interested in lending us money. My business partner and I applied for and received an SBA loan through the Jackson State Bank in Jackson, Wyoming where our operations were headquartered. If it wasn't for the SBA, we could not have started CityPass. We are grateful, but it was interesting because even though the Federal Government guaranteed 80% of the loan, the bank still required both of us to put up our houses. As you can imagine, getting our wives to agree to this was an interesting discussion.

All is well now because CityPass has been very successful and within a few years we paid off our loan with interest. Today we have grown to serve 11 cities, and most importantly our wives are very happy!

The CityPass program serves 72 major North American attractions in 11 cities, including the Chairwoman's hometown of New York City and several cities represented by other Members of this Committee such as, Atlanta, Boston, Philadelphia, Houston, Seattle and Chicago. CityPass has become a national brand for "city vacations" and for identifying the top attractions in major cities.

I appreciate that the SBA helped us start our business, and in a sense we are still in business with SBA since every year we share about 35% of our profits with you through our federal taxes. When our profits increase, so do the government's revenues.

I am here today to speak up for small businesses just like ours, companies with less than 100 employees which make up more than 95% of the travel industry. There are hundreds of thousands of us in every nook and cranny of our great country. These are small businesses that rely on travelers for a percent of their revenues. Let me explain the importance of that percent and particularly, what happens when fewer persons travel by air.

With CityPass, for example, virtually all of our customers are tourists to a city, and we estimate over 50% are flying to their destination. Actions which make it difficult for people to fly or which affect the ability of travelers to fly will have a very immediate negative impact on our business.

Before founding CityPass, I managed an outdoor attraction in Northern California. As with many small businesses in the travel sector, we had significant fixed costs. Our costs to serve 1000 visitors in a day were basically the same if 800 or 1200 visitors showed up. At 1000, we could pay the staff and cover all our costs. Almost everything after 1000 visitors fell directly to the bottom line and was our profit.

If more than 1200 people came in the door, it was a very profitable day. Obviously, if only 800 people visited us we would lose our shirts. We would still have to pay the staff and all our costs, but we would quickly run out of money. We would be unprofitable and if this continued, we would eventually go out of business. It was clear to us that it was those last few people that came in the entrance each day who made up our profit. They were the difference between success and failure.

Most businesses in the travel industry serve both locals and visitors. The biggest source of our business was from the locals and from regional travelers. But it was apparent that 200 to 400 visitors a day were long distance travelers. So even though they only represented 10% to 30% of our business, these long distance travelers, who usually traveled by air, were the critical difference between profit and loss, success or failure.

CityPass depends on reliable, efficient air travel to bring travelers to the cities and attractions we serve. When air travel hassles rise to the level that Americans avoid taking a trip that hurts our bottom line and thousands of small businesses who make up the travel and tourism industry. It also hurts the economies of the cities where City Pass is sold because they also benefit from tourism.

The summer travel season is particularly important because that's when families take their vacations. If travel is down this summer because people don't want to fly, our profits will also be down and this will make for a long cold winter! A long cold winter for all of us in the travel industry.

Thank you, Chairwoman Velazquez, Ranking Member Chabot and Members of the Committee for inviting me to testify before you today. Your interest in hearing directly from small business owners, like myself, that rely on an effective and efficient air travel system to stay in business assures me that you will do your best to find solutions to our nation's air travel problems. I would be pleased to answer any questions you may have.