Hotel Leader Bill Marriott Surveys His World

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November 19, 2009

SOUND BITES FROM MR. MARRIOTT'S REMARKS

State of the Economy: We've got some green shoots out there; they're small, they're coming up….We found during the summer there was a lot of activity in the leisure segment….The business travelers weren't on the road, so they didn't take advantage of the lower rates. This fall, we're seeing a little bit of return to business travel, and leisure travel remains strong. Group business is pretty strong on the association side, but not very strong on the corporate side. We need to get corporations out of the bunker, out and moving again around the country, and holding meetings and traveling. And that's going to come as the economy recovers and as corporate investment starts to take hold. **What Government Can Do:** The government is passing – if it hasn't passed already – the Travel Promotion Act, which is an opportunity to promote America abroad to international travelers, and it's not going to cost the government anything; they're going to put a surcharge on visa countries that come into this country that can pay a little more at the airport. But it would be a great opportunity for us to promote our country. We're the only country in the world that doesn't promote travel, and we haven't had any increase in international visitors since 2000, and it's really ridiculous because travel around the world has been growing to 6% a year, and we haven't been growing. **What the Government Should Not Do:** By and large, government needs to back off. We're worried about the healthcare thing. Business uncertainty is huge; we don't know what cap and trade is going to cost us, if it's going to pass, we don't know how much healthcare is going to cost us. Everybody's going to pay more taxes. It's not a good idea to raise taxes in a recession, but that's going to happen to us. The Bush tax cuts are going to expire, and we're all going to be paying a lot more taxes, and those of us who live in Montgomery County are going to be paying more than anybody in the world. [Laughter, applause.] **Building the Empire:** We started out with the Marriott brand, and about 26 years ago, we decided that we could go into what we called the limited service business, which was a small hotel. I was opposed to it; I didn't understand it. None of the big hotel chains were doing it. Everybody was either building big box hotels like this or they were building roadside motels. We went out to our customers and we said, what do you really want in your next hotel stay? They said, a better room at a lower price. And I said to our people, you mean we spent a million dollars in research to find out – [laughter] – that people want a better room at a lower price? And they said, yes. So we designed a little hotel with no meeting space, very limited restaurant service, no bell service, no room service. It was called Courtyard. It was a lower-priced hotel and a great room, and we've got 800 of them now, and all the other hotel chains have followed us into this segment. But we have been successful with acquisitions: We bought the Ritz-Carlton chain about 13 years ago – it's done very well for us; we bought the Renaissance chain – the three R's, really – Renaissance, Ritz-Carlton, Residence Inn. Residence Inn has been one of our key brands; we've got over 600, and we're up to 75 Ritz-Carltons now from 30, when we bought. So they've all been good growth engines for us. **Energy Concerns:**

we've been worried about our energy costs for a long time. We've been energy conservative for a long time, but we now are investing in the rainforest in the Amazon; we have 1.5 million acres under preservation rule down there that we've paid a lot of money for. Then our guests in the hotels are instructed, if they do not want their towels changed every day, hang them up and we won't change them, and for 2 or 3 days you can use your towel and save on water and energy. **Staying in Shape:** Q: How do you stay in shape? A: Run on the treadmill every night for 45 minutes. **Greatest Accomplishment:** Establishing a company that cares for people and provides opportunity for people to work around the world. We've got a lot of employees in 70 countries now, and we're providing opportunities for people to go up the ladder, to assume manager positions, from hourly positions, to learn, to train, to learn a new language, and to progress and grow and provide for their families. **Greatest Growth Opportunities:** We are doing a lot in China. We've got over 40 hotels there now and another 30 or so in the pipeline. And we've got seven hotels in India and we're opening another 25 in the next two years. So India and China for us are big growth engines, and obviously the economies in both those countries are doing well, and there's an awful lot of hotels and big demand for hotel rooms. **D.C Convention Center Hotel:** Question: Does the D.C. Convention Center hotel get built within the next 5 years? Answer: I would say absolutely. [Applause.]

DAVID RUBENSTEIN: Welcome to our third event of our 23rd season. I'm David Rubenstein, President of The Economic Club of Washington. We're very, very pleased today to have as our special guest, Bill Marriott. He's one of the most respected business leaders in our country, and he's been so for quite some time, and he really helped build the hospitality industry as we know it today. It wasn't foreordained that this would happen, of course. The family's business had started in 1927; it started as a root beer stand in Washington, D.C. His father, J. Willard Marriott, and his mother Alice Marriott ran a root beer stand and a restaurant, and Bill Marriott joined the company in 1956, and very shortly thereafter convinced his father to let him operate the first hotel, which is the Twin Bridges Marriott – some of you may remember it. It was built near the airport, and was the first hotel that Marriott had.

Now Marriott International operates more than 3,300 hotels around the world. It is essentially the biggest hotel operator in the world, and it's a company that was driven to that level of success by Bill Marriott. Bill became president of the company in 1964; the CEO in 1972; and in 1985 chairman of the board; and he has been chairman of the board and president as well since 1985.

Not only has he helped build the hotel industry and his own company, but he's also become very well-known for his charitable activities, very well-known for his activities in civic affairs, and very well-known as a leader of his church. So it's very difficult to think that there is just one person who's done all the things he's done in his career. You can think that there are actually four different Bill Marriotts: There's the very-involved religious figure; the very-involved charitable figure; the very-involved corporate figure; and a very-involved family man. As a family man, he's been married for 55 years. He has four children, 15 grandchildren, and four great-grandchildren, so something for us to all aspire to. [Laughter.] Yet he is working as hard as anybody in this room.

So we're very pleased that Bill Marriott is here today, and what we would like to do is engage in a series of questions and answers we thought might be the most effective way to get some information. But let me ask first, Bill, if I could: The hotel industry, and the whole hospitality industry and the whole economy, of course, have been impacted by the great recession. Do you see any signs now that the hospitality industry and travel industry are coming back, or are they still relatively in a depressed state?

J.W. MARRIOTT: Well, we've got some green shoots out there; they're small, they're coming up. There's a little light at the end of the tunnel; it's a glimmer. We found during the summer there was a lot of activity in the leisure segment. People who we offered low rates to that were traveling for vacations stepped up and bought the rooms. The business travelers weren't on the road, so they didn't take advantage of the lower rates.

This fall, we're seeing a little bit of return to business travel, and leisure travel remains strong. Group business is pretty strong on the association side, but not very strong on the corporate side. We need to get corporations out of the bunker, out and moving again around the country, and holding meetings and traveling. And that's going to come as the economy recovers and as corporate investment starts to take hold.

MR. RUBENSTEIN: Is there anything the federal government could do or should do to encourage more travel, or do you think there's nothing much the federal government can do at this point?

MR. MARRIOTT: Well, the government is passing – if it hasn't passed already – the Travel Promotion Act, which is an opportunity to promote America abroad to international travelers, and it's not going to cost the government anything; they're going to put a surcharge on visa countries that come into this country that can pay a little more at the airport. But it would be a great opportunity for us to promote our country. We're the only country in the world that doesn't promote travel, and we haven't had any increase in international visitors since 2000, and it's really ridiculous because travel around the world has been growing to 6% a year, and we haven't been growing.

By and large, government needs to back off. We're worried about the healthcare thing. Business uncertainty is huge; we don't know what cap and trade is going to cost us, if it's going to pass, we don't know how much healthcare is going to cost us. Everybody's going to pay more taxes. It's not a good idea to raise taxes in a recession, but that's going to happen to us. The Bush tax cuts are going to expire, and we're all going to be paying a lot more taxes, and those of us who live in Montgomery County are going to be paying more than anybody in the world. [Laughter, applause.]

MR. RUBENSTEIN: I live in Montgomery County. Well, since you've been in the hospitality industry from – actually I said, from 1956 on, have you ever seen such a large decline in travel? Even after 9/11, was there this much a decline in travel?

MR. MARRIOTT**:** No, we're off about over 20%, 20, probably 21, 22% over the last 2 years.

After 9/11, 2001 and 2002 – we were off 17%. So this is the worst of all that I've ever seen. I wasn't around in the Great Depression, but there were a lot of problems then, and nobody was traveling, but this is really the worst I've ever seen.

MR. RUBENSTEIN: Now, when I said in the introduction that you joined the company in 1956, you went to school at St. Albans and then went to the University of Utah, then came back and joined your family's company. Did you ever think of doing anything other than join your family's company? How big was the company when you joined it, and what was it like to work for your father? Was it a hard thing to do, or an easy thing, or –

MR. MARRIOTT**:** Well, I went to school in Utah, and he had a Hot Shoppe out there in Salt Lake, and so I learned the business basically working in the kitchen of that Hot Shoppe the 4 years I was in college. I really like the business – I love the restaurant business. I had no idea my dad was ever going to be big in the hotel business or even start the hotel business, so when I came back to Washington, I was working in restaurants, and then when the first hotel opened, I said to my dad, you haven't got anybody to run this hotel; why don't you let me try? And he said, you don't know a damn thing about the hotel business. [Laughter.] I said, neither does anybody else around here, so let me try. He said, well that will at least get you off my back and get you out where you need to do something. So he let me take over the first hotel.

MR. RUBENSTEIN: The restaurants were called Hot Shoppes, I remember that. But why did the family decide to put its name on the hotels? It wasn't obvious that you should put your name on; other people hadn't done it, though Hilton had done it. Why did you put your name on?

MR. MARRIOTT**:** We had an advertising agency that many of you probably remember, named Verstandig – M. Belmont Verstandig – and he was visiting with my dad, and he was working on what we should call this new hotel, and we were going to call it a motor hotel, because we didn't want it to be a motel, and we weren't really a hotel, so we called it the Marriott motor hotel. And it was what they called back then tintinnabulation, which if you look it up in the dictionary, it says, bells ringing. So it worked. It sounded rhythmical, it sounded right, it sounded like bells ringing, so the bell rang and he put his name on it. [Chuckles.]

MR. RUBENSTEIN: Well. If your name had been Rubenstein, it probably wouldn't have worked as well. [Laughter.] But Marriott is a better name than Rubenstein for hotels. Is it true, though, that your father didn't really want to go into the hotel business, or that's not –

MR. MARRIOTT**:** He was very worried about it. He did go through the Depression, and he saw a lot of hotels going broke, and he was very concerned about the debt that was involved in hotels, and come along 1979, we had about 12 or 15 hotels – we owned them all. We were following the idea, really, that Hilton had established when they opened the San Juan Caribe Hilton – designing a management contract so we could get the real estate off our books and manage the hotels. We wouldn't have to take on all that debt. So we sold our hotels to some life insurance companies and took back really good management contracts, back in 1979.

But even then, after he got rid of the debt, he didn't want to sell the hotels to insurance companies, number one. He didn't want to have any debt. I said, dad, you can't grow a company without debt, unless you get rid of the real estate. Well, I don't want to get rid of the real estate, but I want to own the hotels, but I don't want to have any debt on them. I said, you can't own the hotels without having debt on them. So this was what you call a circular argument. We just finally had to go ahead and do it and sell the hotels, but he really held back; he loved the business, but he was so worried about going broke.

In fact, when he built the first hotel, it cost $8,000 a room at Twin Bridges. It was a $3 million mortgage, because it was 360 rooms in the hotel. So he was so worried he put the company public. That's when he went public; it was in 1953 when he was involved in creating this company and this hotel company, the first hotel. He said, I don't want all that debt on my personal balance sheet; it was a private company. So he basically went public in order to get in the hotels.

MR. RUBENSTEIN: Well, given his concerns, did it ever actually happen during your tenure at the company, you actually worried whether the company would survive? Was there any period of time when the company had so many problems because of the economy, or you never really worried about the survival of the company?

MR. MARRIOTT**:** Well, we got going in the '80s primarily. We were building hotels and selling them to investors. We sold them to limited partnerships, we sold them to the Japanese, we sold them to big insurance companies, and – when the crash came in 1990 in the real estate business – we had about $3 billion worth of hotels on our books that we couldn't sell. We had contracts, the contracts were broken, the people walked away from them. We had about $300 million of cash flow to service $3 billion of debt. We were in trouble, we really were.

Bill Shaw did a great job as our CFO back then, of really hunkering down, and we got enough cash out of the company to keep going, and worked it out with the banks and we were fine. But that was really a scary, concerning time. We had the Gulf War going on, people stopped traveling, we had a recession, and we had the real estate bust.

MR. RUBENSTEIN: Now, you're famous for visiting a lot of hotels. You travel a lot, I know. How many hotels do you actually visit a year, and when you show up, does the manager know you're showing up, and how do you know you're not getting special treatment? And do you ever go to your rivals' hotels and see how they're doing?

MR. MARRIOTT**:** Well, I'm up at about 265 so far this year, and I went to a hotel 20 years ago. I was in Arizona, and I got on an airplane and flew down to Newport Beach to check out this hotel. I was in the kitchen, it's 8:00 the day after New Year's, in the morning. And I walk through the kitchen, the manager is just coming in; he about had a stroke. And then I went to the next hotel and everybody was out front waiting for me. [Laughter.] So the jungle tom-toms were going; they knew I was there. There wasn't anything to be gained by a sneak attack, so I've given up the sneak attack thing.

MR. RUBENSTEIN: What about your rivals? Do you ever go –

MR. MARRIOTT**:** Yeah, I do. I love to see – I've been in a couple of competitive hotels this past week. When Schrager announced his new Gramercy Park Hotel, I read about it in *The New York Times*, and I said, I've got to see that hotel. I went to New York and went in to see the hotel, and there was Ian Schrager waiting for me. So that's when we got our deal together to build our new brand of edition hotels with Ian Schrager, who is the father of the boutique hotel brands.

MR. RUBENSTEIN: Now, when I check into a hotel, I don't have people standing up, lining up, and telling me how great I am or anything like that.

MR. MARRIOTT: I'll bet you do.

MR. RUBENSTEIN: No, I don't. [Laughter.] But when I check in – let's say I get in late at night, and I want to check in. Let's say I either had a reservation or I didn't have a reservation. I come in, I say, I need a room tonight. They say, it's $400 a night. And I say, is that the best price you can get? How much flexibility does a clerk really have – [laughter] – late at night to – I know you're not going to give away too many secrets, but can you negotiate anything with these clerks?

MR. MARRIOTT**:** The answer is no. [Laughter.] We don't want to train you to negotiate the rooms rates; you negotiate enough of the good things that you don't need to negotiate room rates.

MR. RUBENSTEIN: All right, all right. So there's no flexibility there. [Laughter.] Let me ask you, when people go to hotels, people bring their bags; they carry them in, the bellman will bring their bags to the room. What percentage of people actually don't give a tip to the bellman? [Laughter.] Is that a common practice? The bellmen make their money off the tips, I assume.

MR. MARRIOTT**:** Well, it's hard to say because everybody's got a roller bag, and you stand at the front desk and everybody's rolling their bags in; they're not using the bellman unless they have a lot of luggage. Then, of course, I don't know. Nobody has ever been able to figure out how much to tip a bellman. It's almost an impossible thing. I was at a hotel meeting 35, 40 years ago and the president of one of the hotel companies said, I gave up wearing a hat because I didn't know how much to tip the hat check person. [Laughter.]

So it's really an enigma. How do you know what to do? The other thing is, what do you do with the housekeepers? One of our enterprising hotel managers has put in a little envelope in the room as signed by the housekeepers, saying, enjoy your room, Sadie Hawkins, or whatever her name is. And it's an envelope for the same size as a dollar bill. And so –

MR. RUBENSTEIN: Does it work?

MR. MARRIOTT**:** Yeah. People have said, oh, maybe I should do something for the housekeeper, and they'll leave a couple of dollars.

MR. RUBENSTEIN: Okay. Well, when I get to my room, after I've checked in and paid the tip to the bellman and so forth –

MR. MARRIOTT**:** And paid for the room at the front desk.

MR. RUBENSTEIN: Right, did all that. The first thing I want to do is go look at the mini-bar, and I open the mini-bar and I always notice, no matter where I am in the world, any place in the world, there's two things that are always in a mini bar. It's Pringles – a little can of Pringles – and like a Toblerone chocolate bar. Are the salesmen for those products so wonderful they can sell it to everybody? [Laughter.] It seems like the same products, but I know it's a low-margin business, having mini-bars, but many people use the mini-bars a lot, and –

MR. MARRIOTT**:** It's about a break-even situation for us. And the prices are ridiculous out of that mini-bar. You'd better go down to the lobby and go to the market in the lobby and pick out what you want. [Laughter.]

MR. RUBENSTEIN: But when I check out, the clerk will always say, did you have anything in the mini-bar? And if you've got people standing behind you, you don't want to say, well, I had some Tootsie Rolls – [laughter] – or I had some M&Ms. It's embarrassing to say, well, here are the candies that I ate, so I just say, no, I can't remember. [Laughter.] Do they actually come back later and check and send you an additional bill? Is that how it works?

MR. MARRIOTT**:** Yeah, we'll get you. We'll get you. [Laughter.]

MR. RUBENSTEIN: Now, one of the things that Marriott is famous for is having different hotel brands. You operate the Marriott, the J.W. Marriott, the Courtyard, Ritz-Carlton, among others. How do you differentiate between all of these, and do you have a common reservation system for all of them, and did you more or less invent the idea of having so many different brands within a hotel company?

MR. MARRIOTT**:** Well, we started out with the Marriott brand, and about 26 years ago, we decided that we could go into what we called the limited service business, which was a small hotel. I was opposed to it; I didn't understand it. None of the big hotel chains were doing it. Everybody was either building big box hotels like this or they were building roadside motels. We went out to our customers and we said, what do you really want in your next hotel stay? They said, a better room at a lower price. And I said to our people, you mean we spent a million dollars in research to find out – [laughter] – that people want a better room at a lower price? And they said, yes.

So we designed a little hotel with no meeting space, very limited restaurant service, no bell service, no room service. And it was called Courtyard. And it was a lower-priced hotel and a great room, and we've got 800 of them now, and all the other hotel chains have followed us into this segment. But we have been successful with acquisitions: We bought the Ritz-Carlton chain about 13 years ago – it's done very well for us; we bought the Renaissance chain – the three R's, really – Renaissance, Ritz-Carlton, Residence Inn. Residence Inn has been one of our key brands; we've got over 600, and we're up to 75 Ritz-Carltons now from 30, when we bought. So they've all been good growth engines for us.

MR. RUBENSTEIN: Now, what is Marriott doing to reduce its carbon footprint? You have some programs to do that now?

MR. MARRIOTT**:** Kathleen Matthews is driving the whole show. [Laughter.] She's driving the bus. What we do, actually, we've been worried about our energy costs for a long time. We've been energy conservative for a long time, but we now are investing in the rainforest in the Amazon; we have 1.5 million acres under preservation rule down there that we've paid a lot of money for. Then our guests in the hotels are instructed, if they do not want their towels changed every day, hang them up and we won't change them, and for 2 or 3 days you can use your towel and save on water and energy.

And we do have a carbon footprint for all our hotels; we're opening LEED-certificate select service hotels. We opened one in Chevy Chase with Courtyard and one in Portland, Oregon, downtown the same day. We had an Internet connection between the two, and had some good celebration from it. So we're building LEED-certified hotels. So we're very concerned about it. I think we're doing as much as we can, as much as anybody in the industry. We've decided we're going to cut our greenhouse gas emissions from the hotels by 25% by 2017. So we've got a lot going on in the green side.

MR. RUBENSTEIN: Now, there's a program I think you have, and other hotels as well, that maybe the sheets aren't changed every day. It's voluntary. People can say they want it. What percentage of people say, just leave the towels in or the sheets, or nobody says that.

MR. MARRIOTT**:** We really haven't gotten a hard number on that. But a lot of people are very concerned about the sustainability of the environment and they do want to comply and do their bit.

MR. RUBENSTEIN: In a hotel, there are a lot of jobs that are difficult: changing the sheets or being the bellman and so forth. What do you regard as the toughest job in a hotel?

MR. MARRIOTT**:** Well, they're all challenging, they're all different, and I think they're all fun. I'm not sure how much fun it is to make up 16 rooms a day for the housekeepers, but I do really believe that it's opportunity that we're offering people. Fifty percent of our managers in our company have come out of the ranks, and we really have promoted the idea of, come here, work, and we'll provide an opportunity for you. There are a lot of tough jobs. Food and beverage, I think, is the most difficult, the most demanding, it requires the most knowledge.

But the interesting part about careers in the hotel business is the tremendous variety of work that's being done in the big hotel companies. You've got real estate transactions, you've got a lot of legal work to do, got a lot of information technology that we have to buy into, a lot of Internet work, advertising, promotion, sales, along with making up the beds and serving the food in the hotel. So it's a complex industry; we've got reservation centers all over the world that have to be manned, people have to be trained, and there's a lot of training going on. We have 300,000 people around the world that are employed under the Marriott banner; either they're franchisees or managed hotels by us.

MR. RUBENSTEIN: The reservation system is very famous. Where actually are the people? When I call and want a reservation, are they in Bethesda or are they in India?

MR. MARRIOTT: They're not in India.

MR. RUBENSTEIN: They're not in India?

MR. MARRIOTT**:** No, they're here in the United States, there are some in Canada, and we have offices overseas for the overseas international hotels, but all our U.S. reservations are here.

MR. RUBENSTEIN: You've been to hundreds of hotels. What is your favorite hotel, or hotels in the world?

MR. MARRIOTT**:** Well, we bought the Camelback Inn at Scottsdale, Arizona, in 1968, and I took our family there for spring break, and it's the same time as my birthday, the third week in March. We've been going back ever since. Now my grandchildren are going there, and the great-grandchild was there last March. So we've had over 41 years now, of consecutive March spring breaks for a week at Camelback. That's really become kind of a family hotel.

MR. RUBENSTEIN: You can't negotiate the rates, though. [Laughter.]

MR. MARRIOTT**:** When they set the rate, that's what you're paying. No negotiation. [Laughter.]

MR. RUBENSTEIN: All right, I got it. What do you think the biggest changes are going to be in hotels in the future? How will hotels be different in 20 years from what they are today?

MR. MARRIOTT**:** Well, there's going to be more technology, and we're seeing it come all the time: Interaction on the TV sets and that type of thing; and more broadband and more selectivity on the number of channels on the TV. I think there's going to be a shift toward more leisure. We're promoting with Nickelodeon some weekend family activities; there's going to be a big push on all our part to generate more leisure business, and the Nickelodeon thing has been really interesting for us to crank up.

MR. RUBENSTEIN: You've become interested – outside the hotel industry – in many other things, but one of your personal interests is classic cars. You have a large classic car collection. How did you happen to get into that?

MR. MARRIOTT**:** Well, I've always liked cars, and back in 1967, I was in Europe and Italy for about a month negotiating on an airline catering deal, and waiting around for the Italians to make up their mind. So I bought the first Lamborghini Miura over there. It was a sensational car; it cost me $10,000 at the time – and I thought that was all the money in the world. I brought it home, and it sat in my garage for 30 years before we moved into a new house. When we built the new house, I said, I think I'm going to expand my car collection, so we built a garage and then we built a house. [Laughter.]

MR. RUBENSTEIN: But you drive –

MR. MARRIOTT**:** I drive them up and down the Clara Barton Parkway, looking for the Park Police all the time. [Laughter.]

MR. RUBENSTEIN: Now, you've also spent a lot of time on philanthropic activities. I know you're chairing the capital campaign for the Mayo Clinic. How did you happen to get involved with the Mayo Clinic?

MR. MARRIOTT**:** Well, when our daughter Debbie was 5 years old, she was diagnosed with congenital heart disease, and we took her to Mayo. She was one of the very early heart-lung machine patients. They operated on her; now she's a mother of five, a grandmother of one. She's in charge of government affairs for Marriott, and she has a daughter getting married this Saturday here in Washington. So she's done so well, and she went back again with thyroid cancer, and they cured her. They've taken such good care of our family that I said, hey, what you want me to do, I'll do. And they asked me to chair the capital campaign.

MR. RUBENSTEIN: You had a heart problem a few years ago, now – I gather – 20 years ago. You're in perfect health, relatively speaking?

MR. MARRIOTT**:** I don't know about perfect, but I hope so.

MR. RUBENSTEIN: But how do you stay in shape now? Do you exercise a lot?

MR. MARRIOTT**:** Run on the treadmill every night for 45 minutes.

MR. RUBENSTEIN: Forty-five minutes. Wow.

MR. MARRIOTT**:** Well, you run for airplanes. [Laughter.]

MR. RUBENSTEIN: I know.

MR. MARRIOTT**:** So you've got all this fancy equipment in your house, all these gyms and things that you need to start going on the treadmill.

MR. RUBENSTEIN: They're for my guests; they're for my guests. [Laughter.] They make me feel good, but I don't use them. Eventually I will. After my first heart attack, I will.

MR. MARRIOTT**:** Don't wait. It's not worth it.

MR. RUBENSTEIN: As you look back on your career, what do you consider to be the biggest mistake you might have made? You've been running Marriott for a very long time. Is there something you consider to have been a mistake? And what do you consider your biggest accomplishment at Marriott?

MR. MARRIOTT**:** Well, obviously there are so many mistakes that I don't have time to go through all of them, but one of the biggest ones was when we bought Sun Line Cruise Ships back in 1973. The mistake we made, we hooked up with a Greek partner who only could run the ships in Greece. That was about a 6-month season. He tried to get into the Caribbean but couldn't on a regular basis. It was the right time to enter the cruise ship business, because 1973, '74, Carnival was just starting up.

We would've done great if we had had a partner who wanted to work the ships in the Caribbean, but we didn't. The classic story was that we bought this company, and a year later the Greek Cyprus war took place, and he was sitting in his office in Athens, and our cruise ship was on its way into port. And the captain called him and said, what should I do? He said, well, the army's just called. They want to commandeer our ship for troop transport. It's going to be a short war. Sail around the Aegean Sea for another couple days and call me later.

By the time the ship got back into port, the war was over, the Greek government never took his ship, but it was that kind of a mess we had on our hands with this Greek partner who just wasn't able to have a vision outside of Greece. And had he had the vision to really organize and locate the ships in the Caribbean, we would have had a fantastic business today, and we missed that opportunity.

MR. RUBENSTEIN: And your greatest accomplishment? What are you most proud of having done at Marriott, or in your business career?

MR. MARRIOTT**:** Well, I think, obviously, establishing a company that cares for people and provides opportunity for people to work around the world. We've got a lot of employees in 70 countries now, and we're providing opportunities for people to go up the ladder, to assume manager positions, from hourly positions, to learn, to train, to learn a new language, and to progress and grow and provide for their families.

MR. RUBENSTEIN: And right now, you have no plans to slow down, I assume. But we talked about it earlier, and you seemed to say you want to keep doing this for a long time. Is that correct? You'll keep doing this for quite some time? No time horizon to slow down?

MR. MARRIOTT**:** No time horizon. My wife said, I didn't marry you for lunch. As all of you know, that's the old expression. And I said, no, and I'm glad you didn't because the food's better at the employee cafeteria anyway. [Laughter.] So that's where I'm going.

MR. RUBENSTEIN: As Marriott looks forward, I assume you have more hotels out of the United States than in the United States. But where do you see the greatest growth opportunities: in the United States or in Asia or in Europe?

MR. MARRIOTT**:** Well, you've been back and forth to China for the last several years, and we are doing a lot in China. We've got over 40 hotels there now and another 30 or so in the pipeline. And we've got seven hotels in India and we're opening another 25 in the next two years. So India and China for us are big growth engines, and obviously the economies in both those countries are doing well, and there's an awful lot of hotels and big demand for hotel rooms.

MR. RUBENSTEIN: Are you willing to say which competitor you worry about the most?

MR. MARRIOTT**:** I worry about all of them. Everywhere we go, we've got a different competitor across the street from us, and so we have to be on our toes all the time and worry about every single one.

QUESTIONS AND ANSWERS

QUESTIONER: To what extent, Mr. Marriott, did the populist backlash on Capitol Hill against corporate travel and entertainment, especially aimed at the TARP recipients, end up hurting the hospitality business?

MR. MARRIOTT**:** Well, it was very damaging, and it was terrible. When Obama got up and said to the TARP recipients, don't go to Las Vegas, don't fly on a corporate jet, don't think you're going to go to the Super Bowl anymore, that just threw a blanket of despair and dark clouds over this industry. Particularly this brand here, Ritz-Carlton, was just hammered. And then when you had what we call the AIG effect at a competitive hotel in Southern California, where I think the day after AIG got their big influx of government funds, they had a big convention out there and went to the spa and played golf, and that was just very damaging.

They should have been there; they had the reservations. And companies were doing crazy things. We had one company that had a big group scheduled for Las Vegas. They canceled Las Vegas, they moved to San Francisco, the same group. It cost them more money to be in San Francisco than it did in Las Vegas, but they moved because of the perception. It's getting better now, but it's still overhanging and it's going to hurt for a long time, and a lot of jobs were lost. The Obama Administration is worrying about jobs. They killed a lot of jobs in this industry when they made those statements.

MR. RUBENSTEIN: Okay, here's a question. How negatively – I assume negatively – have you been affected by teleconferencing and Web meetings?

MR. MARRIOTT**:** Not really very much. People who have those meetings – they're usually small groups, four, five, 10, and it's having an effect. I wouldn't be honest if I said there wasn't, but by and large people want to get together. They want to talk, they want to meet with their competitors, they want to meet with their team, they want to meet with their people, they want to press the flesh and talk. And you can't do that electronically. They really want to get out and meet, and I think there's a pent-up demand right now for that.

MR. RUBENSTEIN: Okay. Other questions? Okay, are you planning to – there's probably not going to be an answer to this – but are you planning to invest in another competitive chain? In other words, buy another Ritz-Carlton or another type of brand, but I guess you can't answer that.

MR. MARRIOTT**:** Well, yeah, I can. I'd say, we continue to look, but by and large we think we've got all the brands we need, and what we need to do is continue to grow these brands. However, what we have started is a new brand called Autograph Collection, and under that collection, an iconic hotel that doesn't want to change the name of the hotel could join our system and get our reservations system, our Marriott Rewards loyalty system hooked into their hotel, our Website, which is the ninth or 10^{th} biggest Web site on the Internet, marriott.com, and all those benefits by paying the franchise fee to Marriott, and they would become part of the Autograph Collection. And we're talking about 25 different old-brand, old-style iconic hotels that have their own name and don't want to affiliate with the chain but want to have all the benefits of it.

MR. RUBENSTEIN: Do you believe that a return to hotel occupancy rates is a good or leading indicator of future business activity? In other words, when you see rates of occupancy going up, does that generally mean to you that the economy is really getting better?

MR. MARRIOTT**:** Yes, I think it is. I don't think the economy is going to get better for a while, until we solve the unemployment problem. And one of the big concerns I have is that the government – as far as the unemployment situation is concerned – is not looking at tax incentives for business. If business starts investing again, and they have an incentive to invest, you're going to get new construction, you're going to get more computers sold, you're going to have more jobs created.

I was in Bogotá; we opened a new hotel, beautiful hotel down there about 3 weeks ago, and the owner of the hotel said, there's 17 hotels under construction in Colombia right now, brand new hotels. I said, why? He said, because the government gave us a 30-year tax holiday on all the profits we make out of this hotel.

MR. RUBENSTEIN: Wow.

MR. MARRIOTT**:** So that, to me, is indicative – if you want to get things going again, business has got to do it, and business will do it if they have a tax incentive to do it. [Applause.]

QUESTIONER: A year ago, around this time we witnessed the horror of the carnage at Bombay at the Taj Hotel. And happily that hasn't happened again anywhere else in the world. What is the Marriott group doing in terms of security? Today you can't drive within 200 feet of a hotel in India. And that has to be a major concern.

MR. MARRIOTT**:** We have classified our hotels into those in the most sensitive security areas, and we have intense security around those hotels. We did have a problem with the J.W. Marriott and the Ritz-Carlton in Jakarta, and there was a bomb there. So we are very sensitive to it. We're using dogs in many of the cases to screen the luggage, and we're screening luggage just like it's screened at the airports and an awful lot of these highly sensitive locations.

MR. RUBENSTEIN: Does the D.C. Convention Center hotel get built within the next 5 years?

MR. MARRIOTT**:** I would say absolutely. [Applause.]

MR. RUBENSTEIN: One last question. What would you like to see as your greatest legacy in the hospitality and business career that you've had?

MR. MARRIOTT**:** We've got a company that has a culture of caring for people, providing opportunity for people to grow and develop and do better for their families, and a worldwide chain of hotels where we're offering this opportunity – to people in Mumbai, to people in Jakarta, to people in China – to grow and to have an opportunity to make money and to have a great and wonderful career.

MR. RUBENSTEIN: Thank you very much. We're going to conclude there, and let me just give you a small token of our appreciation. This is a print of Pierre L'Enfant's design for Washington, D.C., a historic print of it in your name. We very much appreciate your coming today, and thank you all for coming as well.

MR. MARRIOTT**:** Thank you all very much. [Applause.]

J.W. MARRIOTT, JR.

J.W. Marriott, Jr., is Chairman and Chief Executive Officer of Marriott International, Inc., one of the world's largest lodging companies. Under his leadership over more than 50 years, he has taken Marriott from a family restaurant business to a global lodging company with more than 3,200 properties in 70 countries and territories.

Known throughout the industry for his hands-on management style, Mr. Marriott has built a highly regarded culture that emphasizes the importance of Marriott's people and recognizes the value they bring to the organization. Today, approximately 300,000 Marriott associates are serving guests in Marriott managed and franchised properties throughout the world. Regarded as a lodging innovator, Mr. Marriott began shifting the company's business model in the late 1970s from hotel ownership to property management and franchising. His strategic decision allowed the company to accelerate its growth and broaden its leadership position.

Mr. Marriott has also worked to compile a broad portfolio of lodging brands that range from limited service to luxury hotels and resorts. Today, the company manages and franchises hotels and resorts under the Marriott, JW Marriott, Renaissance, Bulgari, The Ritz-Carlton, Courtyard, Residence Inn, Springhill Suites, TownePlace Suites, and Fairfield Inn brand names; develops and operates vacation ownership resorts under the Marriott Vacation Club International, The Ritz-Carlton Club Destination Club, Grand Residences by Marriott, and Horizons brands; operates Marriott Executive Apartments; provides furnished corporate housing through its Marriott ExecuStay division; operates conference centers; and manages golf courses.

Mr. Marriott serves on the board of The J. Willard & Alice S. Marriott Foundation. He is a member of the National Business Council and the Executive Committee of the World Travel & Tourism Council. He also serves as the chairman of the Mayo Clinic Capital Campaign. Mr. Marriott recently served on the Board of Trustees of the National Geographic Society, director of the United States Naval Academy Foundation, chairman of the President's Export Council, and member of the Secure Borders Open Doors Advisory Committee and the U.S. Travel and Tourism Advisory Board.

Mr. Marriott attended St. Albans School in Washington, D.C., earned a B.S. degree in banking and finance from the University of Utah, and served as an officer in the United States Navy. He is an active member of The Church of Jesus Christ of Latter-Day Saints. He is married to the former Donna Garff. They have four children, 15 grandchildren, and four great grandchildren.