



COMMENTS

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TO THE

**UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
SUBCOMMITTEE ON TRADE, TOURISM AND ECONOMIC DEVELOPMENT**

ON

THE STATE OF THE U.S. TRAVEL AND TOURISM INDUSTRY

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Good morning, Mr. Chairman and Members of the Subcommittee. I am Todd Davidson and I have the privilege and pleasure of serving as the Executive Director of the Oregon Tourism Commission, the official tourism office for the State of Oregon.

It is a pleasure for me to appear before you today on behalf of the Oregon Tourism Commission, the National Council of State Tourism Directors (NCSTD), and the Western States Tourism Policy Council (WSTPC).

The NCSTD, a council of the Travel Industry Association of America, brings together the tourism directors from all 50 states, the District of Columbia, and the five U.S. territories – and their staffs. The NCSTD serves state/territory tourism offices as:

- A common, unified voice
- A catalyst for developing programs that benefit all states and territories
- A harmonizer in the diversity of needs, priorities and values

The mission of the NCSTD is to provide a forum for the exchange of ideas and leadership on travel industry issues impacting states and territories.

The WSTPC is a regional consortium of thirteen western state tourism offices, including the states of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. The WSTPC mission is to support public policies that enhance the capacity of tourism and recreation to have a positive impact on the economy and the environment of states and communities in the West.

We commend you, Mr. Chairman, as well as Senator Dorgan and the other members of the Subcommittee, for holding this important and timely hearing. Travel and tourism is a significant part of the nation's economy and we believe its economic impact will be even greater if the industry and the Federal government can work together to develop and implement appropriate public policies.

Size and Scale

Although nearly everyone is a tourist at one time or another, usually many times over, and although one would be hard put to identify a state, a Congressional District, or a region that does not attract tourists - to the delight of local businesses - the size and scale of travel and tourism is often not fully appreciated.

A top-line summary would disclose that travel and tourism is one of America's largest employers, with 7.3 direct travel-generated jobs (one in every eighteen U.S. non-farm jobs is in travel and tourism) and \$163 billion in travel-generated payroll. It is one of America's largest retail sales industries, producing \$645 billion in direct travel expenditures and nearly \$100 billion in Federal, state and local tax revenue. And travel and tourism is one of America's largest service exports, with \$93.3 billion spent by international visitors in the U.S., resulting in a \$4.0 billion balance of trade surplus for our country. (2004 data)

In Oregon, in recognition of the important position that tourism has taken in the state's economy, the state legislature enacted the Tourism Investment Proposal in 2003, which implemented a 1% statewide lodging tax and dedicated 100% of the revenue to Travel Oregon to carry out its mission. This legislation took our budget from 47th in the U.S. at \$3 million/year to an estimated \$8.5 million annually.

And today, Oregon is experiencing growth rates in visitor expenditures in the range of 6.5 – 7.5% growth each year - our fastest rate of growth in the past 5 years. And I am thrilled to stand before you today and celebrate the fact that visitor spending in Oregon reached nearly \$7.5 billion last year!

Through every program, great idea and minor tweak the Oregon Tourism Commission implements – we strive to never take our eyes off of the prize – it's about jobs. Good jobs for Oregonians.

Jobs where they can learn work maturity skills and jobs where they can establish their careers.

Jobs where they can become part of a major multi-national corporation and jobs where they are the sole-proprietor – showing up every morning to unlock the door.

Today, more than 88,000 Oregonians owe their jobs to visitors traveling and spending dollars, Euros, Yen and other currencies in our state.

Unfulfilled Potential

As substantial as the economic contributions of travel and tourism are for the nation, they could be greater. With regard to the international market, for example, the U.S. is just now returning to the level of international visitors that we had before 9/11, buoyed primarily by the growth of Canadian travel to the U.S. Despite that recovery, the U.S. share of the global tourism market declined 36 percent between 1992 and 2004, when world tourism grew 52 percent. The fact is that in 1992 the U.S. received 9.4 percent of all international travelers but by 2004 the figure had fallen to six percent.

While declining global market share was occurring prior to 9/11, national policies dictated by homeland security concerns have exacerbated this trend by making international travel to the U.S. more protracted and less convenient.

While the figures may not be as stark for the unrealized potential of increased domestic travel, where steady increases have been the rule for more than half a century, the potential for expansion is apparent when barriers to growth posed by infrastructure shortcomings are understood.

Barriers to International Visitation to the U.S.

For many years, the U.S. has not fully appreciated the economic and diplomatic importance of the global tourism market. As a nation, we have not sufficiently recognized that millions of international visitors to the U.S. are a vital *export* for our nation, whose expenditures for food, accommodations, travel, admissions and shopping have a highly positive impact on our balance of trade and support millions of American jobs. We have not completely realized that the experiences of millions of international visitors interacting with Americans from every walk of life make a significant contribution towards showing the world what we are about as a people. We have not understood that we as a nation are engaged in an intense competition with other nations for this global tourism market and that, without a commitment from the national government to engage in that competitive marketplace, we are severely disadvantaged in that competition.

As noted above, even before 9/11, our competitive global tourism position was slipping. Even before 9/11, our systems for distributing and processing visas and for inspecting and welcoming international visitors were inadequate. Even before 9/11, the Federal government had abandoned its modest efforts to promote and market our nation as a prime global tourist destination. Since 9/11, these problems have become worse.

Since 9/11, homeland security needs have understandably been given the highest priority and this has meant stricter visa requirements and tighter border control and inspection processes. The travel and tourism industry has supported efforts to improve homeland security and has worked closely with Congress and with the Departments of State and Homeland Security to address those needs. The industry has been impressed especially by the January 17, 2006, announcement of the Rice-Chertoff Joint Vision and has pledged full cooperation in its implementation. Yet, it is clear to our industry that too often policies with the laudable goal of improving national security have had the inadvertent consequence of discouraging international visitors from coming to the U.S.

The barriers to the facilitation of international travel posed by the Western Hemisphere Travel Initiative (WHTI) and by entry-exit procedures and visa policies are well explained in the testimony today of the Travel Business Roundtable (TBR) and the Travel Industry Association of American (TIA) and we express our strong support for the positions and policy recommendations advocated by Mr. Tisch and Mr. Rasulo on behalf of their two organizations.

There is no need here to reiterate the reasoning and the explanations provided by TBR and TIA. We would like, however, to emphasize the potential negative impact of the WHTI on western states. Seven of the thirteen WSTPC states border directly on Canada or Mexico and all thirteen of these states receive large numbers of international tourist-visitors, especially from Canada. We do not challenge the need for more secure and verifiable identification requirements for travelers across our land borders and we do not argue with the strategy and goals of the WHTI. But we do believe that the Departments of State and Homeland Security need more time to develop and implement a workable means of identifying cross-border travelers quickly, efficiently and effectively. We are concerned that these two departments will not be able to implement their current deadlines in a way that balances homeland security with the goal of free and open travel.

We also wish to endorse strongly the recommendation that the U.S. national government needs to reenter the global tourism marketplace, in partnership with the travel and tourism industry, to show the world that this country is a desirable travel destination and that we want and welcome their business.

A Necessary Transportation Infrastructure

For both domestic and international travelers a modern, safe and efficient intermodal transportation system is indispensable. When the traveler is confronted by interminable highway congestion, by crowded and delayed flights and by difficulties either flying or driving to rural areas that have so many scenic and historic attractions to offer visitors, then travel and tourism suffers and declines and the entire nation loses. There is no more significant barrier to travel and tourism than poor transportation.

Not only are good, safe roads absolutely essential to travel and tourism, with eighty percent of all travel taking place on the roads, but some roads are compelling attractions in their own right. A notable example is the national scenic byways program, which recognizes those roads that have unique scenic, historic or cultural qualities. These are the roads that Americans love. In Oregon, we have found that our scenic byways are prime attractions to our fellow Americans but also to international visitors.

In Oregon, one of the most popular programs, especially the accompanying collateral materials, with our international guests, as well as the international travel trade and media is the award winning Oregon Guide to Scenic Byways. Of course the guide highlights Oregon's natural attributes and attractions, but more importantly, the scenic byways enable us to develop itineraries and packages for our visitors to use in planning their trips. For Oregon, a strong byways program makes the planning of a vacation easier for our visitors. The guide and many of the enhancements to Oregon's byway program have come through funding from the Federal Highway Administration.

Yet, we are concerned over the future of the Federal highway program. According to a recent study by Cambridge Systematics for the U.S. Chamber of Commerce, the existing revenue streams into the Federal Highways Trust Fund leave significant gaps in meeting the Federal share of capital investments necessary to "maintain" and "improve" the nation's highway and transit systems. The average annual Federal fiscal gap to "maintain" highways and transit systems through 2015 is projected to be \$23 billion and the average annual fiscal gap to "improve" highways and transit systems through 2015 will be \$48 billion. This same study projects that the Federal Highway Trust Fund will soon be facing a fiscal crisis of historic proportions and it could be in deficit as early as 2008, well before the end of the SAFETEA-LU authorization period in 2009.

Not only will this surface transportation funding crisis affect overall road safety and efficiency, it will have a direct impact on such "tourism-friendly" transportation programs as scenic byways, transportation enhancements and national park roads.

Towards this end, we recommend that the Federal government take action soon to cope with the immediate problem of a Highway Trust Fund going into deficit.

With regard to air transportation, we share the concern about the need to upgrade the U.S. Air Traffic Control Organization and join in urging this Committee to address these concerns next year when the Airport and Airways Trust Fund is reauthorized. We look forward to suggesting more detailed recommendations when reauthorization is being considered.

We also urge Congress to continue full funding for the Essential Air Service Program. Many rural communities are dependent on that funding assistance to maintain air service and many domestic and international travelers rely on that air service to visit tourist attractions that would otherwise be relatively inaccessible.

The Crucial Importance of the Federal Lands

America's national parks, forests, wildlife refuges and other Federal lands are not only the preservers of our natural resources and our national heritage. They are also immensely popular attractions for millions of domestic and international visitors who go there to admire, enjoy, recreate and get inspiration. Yellowstone, Yosemite, Zion, the Grand Canyon, Denali, Mt. Hood, the Everglades, Mount Rushmore, the Great Smokies, the Blue Ridge Parkway and other national parks and forests are icons of the American experience. Nearly 25 percent of all international visitors visit a national park during their time in the U.S. In the West, where the Federal agencies manage so much territory – more than sixty percent of the land area in several states – the Federal role is seemingly omnipresent.

In Oregon, over 50% of the state's land mass is in public ownership and nowhere is the prominence of iconic grandeur afforded to Oregon more than on these public lands – for example, Crater Lake National Park, the Lewis and Clark National Historic Park, the entire Oregon Coast (under the jurisdiction of the Oregon Parks and Recreation Department), and the Mt. Hood National Forest just to name a few.

To focus on one example specifically, Mt. Hood is likely one of the most prominent icons in Oregon. It stands proudly on the horizon above the Portland skyline from Washington Park, and it beckons international and domestic visitors as they fly up the Columbia River Gorge to land at Portland International Airport. In short, the Mt. Hood National Forest serves or provides:

- Four million people who visit Mt. Hood every year
- More than one million people who receive their drinking water from Mt. Hood
- Total forest acreage of 1.1 million with 17% designated as Wilderness
- 812 miles of recreational trails
- And 268 resident wildlife species with seven that are endangered

Pressures from outside the Federal lands are manifold and, as a result, we are beginning to see trends in visitation stagnate and even decline for some national parks and other Federal lands. The consequences of this include lost opportunities for new generations to experience the grandeur of the great outdoors, lost opportunities to enhance health and fitness through recreation

and outdoor activities on the Federal lands and lost opportunities to showcase these iconic American experiences to the world.

No barrier to travel and tourism may have a more severe impact than a decline in the appeal and enjoyment of the Federal lands. For the industry, for the gateway communities that serve the Federal lands and for the American people, the risk is great.

To avert that outcome, we urge that Congress carefully examine the vital role of the Federal lands as natural and recreational attractions for our domestic and international visitors and that the Federal land agencies be given the staff and budgets necessary for them to balance their dual mission of preserving the natural and historic resources while providing for the enjoyment of the public.

The MDCP: A Useful Model

Sometimes a major barrier to realizing the tourism potential of a community or a region is simply a lack of appreciation for what the area has to offer and a lack of understanding of the nature of the tourism market – especially the international tourism market.

A program already operating at the U.S. Department of Commerce provides a salutary example of how the Federal government can work in partnership with state tourism offices and other state agencies to overcome the barrier created by this lack of understanding. This is the Market Development Cooperator Program (MDCP) that operates out of the International Trade Administration. Although designed as a means of promoting manufacturing exports, it has demonstrated a capability of serving tourism as a service export.

In 2002, the Western States Tourism Policy Council received a \$400,000 three-year MDCP award. This is a cooperating agreement that requires the WSTPC to provide a 2:1 match of \$800,000. The WSTPC has used this MDCP agreement to develop a model training program that has educated more than 1200 business persons and local officials in gateway communities near the national parks, forests and other Federal lands throughout the WSTPC states. This training shows these local leaders how to recognize and develop what they have to offer the international tourism market and how they can enter and succeed in that global market. Graduates of this training program are now participating in major international tourism trade shows in the U.S. and abroad, explaining what their gateway communities have to offer visitors attracted to the nearby national parks, forests and other Federal lands. (NOTE: Travel South, a consortium of southern State Tourism Offices, received an MDCP award several years ago, which it used in a slightly different international tourism marketing campaign.)

We believe the MDCP is an excellent example of an effective partnership between the Federal government (the Commerce Department and the Federal land agencies), the states (the State Tourism Offices) and the private sector (local tourism businesses) that synergistically combines the best resources of each to build local economies through the engine of tourism.

We recommend that the MDCP be refined with a tourism-specific mission and be given expanded resources to work with more states and communities.

Intergovernmental and Interagency Coordination and Cooperation

Travel and tourism policy is complex and multi-faceted, involving all levels of our federal system of government and many different agencies. In the preceding testimony, we have referred to programs and policies involving multiple Federal departments and agencies, including the Departments of State, Homeland Security, Transportation, Interior, Agriculture and Commerce, and more than a dozen of their responsible agencies. We have also referred to the role of State and local governments.

As a result, a multi-agency approach is essential in developing policies and programs that will enable travel and tourism to fulfill its potential with regard to economic development and international understanding. The Federal Tourism Policy Council, originally established by Congress in 1981, has often performed a useful role in this regard but it has been handicapped by limited authority and a lack of participation by senior policy-making officials. For this reason, we endorse the recommendation of the Travel Business Roundtable for establishment of a Presidential Advisory Council on Travel and Tourism. We believe the stature and credibility of such a Presidential Council would make it a promising vehicle to formulate, coordinate and oversee public policies affecting travel and tourism that would be beneficial to the nation.

Summary and Conclusions

Travel and tourism has a huge, but often little known, impact on the U.S. economy but its potential economic and diplomatic impact could be even greater with the removal of several significant barriers and an effective public-private partnership.

U.S. barriers to international travel have been aggravated by understandable efforts to ensure maximum homeland security without fully considering the impact of stricter entry-exit procedures and visa policies on free and open travel. The Western Hemisphere Travel Initiative is of particular concern because of the importance of Canadian travel and the likelihood that the Departments of State and Homeland Security will not be able to implement their current deadlines without unduly damaging travel across our land borders.

The U.S. would also benefit greatly from a resumption of Federal support for an international tourism marketing partnership with the private travel and tourism industry that would show the world that the U.S. is a prime tourism destination. The Oregon Tourism Investment Proposal provides an example of what can be accomplished with wise and focused public policies.

Two major domestic barriers that can prevent travel and tourism from fulfilling its potential are threats to the fiscal stability of the transportation infrastructure and a perceived decline in the appeal and enjoyment of the Federal lands. Oregon benefits greatly from its national scenic byways program and from the appeal of the Mt. Hood National Forest and other Federal lands and would suffer correspondingly from any decline in either.

The Market Development Cooperator Program provides a useful model for a Federal-State-local and public-private partnership to develop the tourism product. As shown by the WSTPC

experience, the MDCP can be used to educate and train local tourism businesses and community leaders through cooperative partnerships and then assist them in developing and marketing themselves in broader tourism markets.

A comprehensive, intergovernmental and interagency approach will be essential in developing and implementing public policies that will best fulfill the potential of travel and tourism. A Presidential Advisory Council on Travel and Tourism could help provide such an approach.

We appreciate this opportunity to present these ideas and suggestions and will be happy to answer questions or provide further information. Thank you.