U.S. TRAVEL
ASSOCIATION

TESTIMONY FOR THE RECORD

OF

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ON

"THE STATE OF U.S. TRAVEL AND TOURISM: INDUSTRY EFFORTS TO ATTRACT 100 MILLION VISITORS ANNUALLY"

BEFORE THE

U.S. SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
SUBCOMMITTEE ON
TOURISM, COMPETITIVENESS AND INNOVATION

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Chairman Schatz, Ranking Member Scott and members of the Subcommittee: I am pleased to offer testimony on behalf of the U.S. Travel Association (U.S. Travel), the national non-profit organization representing all sectors of America's travel community. I had the opportunity to testify before this Subcommittee three years ago about the "lost decade" from 2000 to 2010, which saw America's share of the booming international travel market slip away. I return with good news – and with a prescription to spur even more growth and job creation.

To address the topic of today's hearing, the state of travel and tourism is very good. In 2011, I testified about the enormous untapped potential for economic growth if we made it a national imperative to increase travel to and within the United States. Today I can report remarkable progress toward the National Travel & Tourism Strategy goal of attracting 100 million international visitors by 2021.

Last year, the U.S. welcomed a record-breaking 70 million international visitors, up 4.7 percent from 2012. This week, nearly 200 communities celebrated the economic impact these travelers have on local communities across America as part as part of National Travel and Tourism Week. This grassroots activity coupled with today's hearing sends the right signal to millions of travel-related workers across America: that the White House and Congress agree that the United States will actively compete in the global travel marketplace.

In all 50 states, travel provides good domestic jobs that cannot be outsourced. In 2013, direct travel spending in the United States totaled $888 billion, which generated a total of $2.1 trillion in economic output and $134 billion in tax revenue. Travel also directly employed nearly 8 million Americans and was among the top 10 employers in 49 states and the District of Columbia. For example, in 2012 travel spending in Hawaii generated $18.6 billion in spending and $2.8 billion in tax receipts, while supporting 175,700 jobs. Similarly, travel employs 118,100 in South Carolina, generating $11.8 billion in spending and $1.7 billion in tax revenues.

The travel industry was not spared by the economic downturn, but we are a resilient industry. Since 2010 we have added 697,000 jobs, restoring employment to pre-recession levels. We helped lead the recovery by expanding employment at a 49 percent faster pace than the rest of the economy. And these are jobs with significant opportunity for upward mobility, compounding the benefits of this surge in job growth over time.

Today, travel is the nation's number one industry export and is growing fast. Last year, travel exports grew 9.1 percent over 2012 to a record $180.7 billion (including traveler spending and international passenger fare payments to U.S. carriers), yielding a record $57.1 billion travel trade surplus. According to the first-ever government estimates of GDP growth by industry, travel was the second-fastest-growing industry in the nation last year.

The most lucrative segment of this sector is "long-haul" or overseas travel to the United States. Last year, nearly 32 million overseas travelers visited the U.S. For every 34 of these visitors, an additional American job is created.

The overseas traveler stays longer and spends more while here – an average of 17 nights and nearly $4,500 per visitor per trip. Overseas visitors come to our cities and states to spend money and add few demands on public services. The turnstiles at our theme parks or national parks already exist; it's just a question of how many more people we can attract to them.

The potential for further growth is enormous. In 2000, the U.S. had a 17 percent share of the worldwide travel market. Last year, even as we competed better in the booming global travel market, with four years of sustained growth, our share was only 13.2 percent. If the U.S. could regain the 17 percent of global long-haul travel market share by 2020, we would add 49.8 million visitors, $222 billion in spending and 452,000 more jobs over that period. Our progress to date proves there remains tremendous room for further growth.

Many of the obstacles to restoring our market share are self-imposed and thus can be overcome. The keys are to promote expanded international travel to the United States and to facilitate border entry for legitimate travelers – without in any way compromising security.

I promised some good news and here's the first piece: the performance of Brand USA. With strong bipartisan support, the Congress in 2010 enacted the Travel Promotion Act. That legislation created the public-private partnership now known as Brand USA. By promoting the United States as a destination and clearly explaining our security policies, Brand USA is helping to restore our competitive advantage in the world travel market. In four short years, Brand USA has become a powerful force for American job growth, leveraging partnerships with local travel and tourism entities in all 50 states for its global marketing campaign – all without a penny of U.S. taxpayer funds. This model of unlocking private sector funds without federal taxpayers footing the bill is one that should be attractive across the political spectrum.

The results are impressive. With an overwhelming return on investment, Brand USA last year attracted 1.1 million additional visitors to the United States – not only to gateway cities, but throughout our heartland. Now that Brand USA has hit its full stride, those numbers will continue to grow – but only if its authorization is extended. Last month, Senators Klobuchar and Blunt, joined by two dozen bipartisan cosponsors, introduced S. 2250 to reauthorize Brand USA for five years – identical legislation has also been introduced on a bipartisan basis in the House.

So here's my first ask to get us to 100 million visitors: please move S. 2250 through this Committee and pass it on the Senate floor this year.

The success of Brand USA in turn increases demand on our visa process. In this area, I can report on three important developments since my last testimony.

First, as part of its implementation of the National Travel and Tourism Strategy, the State Department made remarkable progress in reducing wait times for visa interviews in China, India, Brazil and other high-demand nations. By deploying consular personnel more nimbly and with a focus on customer relations, State has reduced delays in many countries by as much as 90 percent.

Second, Taiwan and Chile became the 37^{th} and 38^{th} nations admitted to our Visa Waiver Program (VWP) allowing for reciprocal visa-free travel in return for stricter security protocols between our two nations. More than 19 million travelers, 60 percent of all overseas visitors to the United States, arrived last year through the VWP. While here, they spend $79 billion and support more than a half-million jobs. Already, travel demand has risen sharply from Taiwan and Chile. This is no surprise, given the example of the staggering increase in visitors from South Korea since its inclusion in VWP in late 2008. Within five years, a record 1.3 million visitors arrived in the U.S.; and the pace of increase since has only picked up steam, growing by 65 percent since 2008. In 2012, South Koreans traveler spending was $4.2 billion – 52 percent higher than in 2008. Travel is now the fifth-largest U.S. export to South Korea, constituting seven percent of total U.S. exports to

Korea. Most importantly, Korea's travel spending in the U.S. in 2012 supported 36,200 American jobs.

Third, as part of the comprehensive immigration reform package passed last year, the Senate endorsed the "Jobs Originating through Launching Travel" (JOLT) Act, bipartisan legislation to accelerate progress further. The counterpart House bill (H.R.1354), now pending with 150 cosponsors, would likewise expand the VWP and Global Entry program, reduce visa processing delays, enhance travel to the U.S. during low peak seasons, provide accelerated visa processing for a fee and test the use of secure videoconference technology for visa interviews.

All these changes would address problems first identified in a comprehensive 2011 U.S. Travel report. Our analysis showed that delay, cost, access and unpredictability in the visa process served as a barrier for potential visitors and contributed to our lost market share. Progress has been made on these fronts, and the bill would codify standards and practices which will become only more critical as demand continues to rise.

We commend the Senate for including the JOLT Act in the comprehensive immigration package passed last year by this chamber and urge your continued work to enact these travel facilitation provisions into law. Combined with other visa-related reforms – from extending the term of U.S. visas for Chinese travelers to permitting sub-national territories to enter the VWP – this legislation would vault us to the 100 million-visitor mark.

But all our work to promote the U.S. brand and to ease inefficiencies in the visa process will be ineffective unless we also improve the entry experience at our borders. Last year, a U.S. Travel-commissioned survey of 1,200 overseas travelers from six top travel markets yielded these extremely disappointing results:

- Forty-three percent of those who visited the U.S. said they would recommend avoiding a trip because of entry process hassles;
- One in seven travelers said they missed a connection because of entry process delays;
- Visitors report they would share their entry experience with an average of eight other people; and
- Among potential business travelers, 44 percent said they will not visit the U.S. in the next five years because of the inefficient entry process.

As discouraging as those reactions were, here's the one most important takeaway: almost two-thirds said that eliminating long lines and wait times would make the U.S. a more attractive destination. In other words: if we fix it, they will come.

When they do, there must also be greater accountability. Just as our nation set a goal for attracting 100 million visitors to the U.S., we need to process each arriving passenger within 30 minutes under normal operating conditions. Among survey respondents who had never come to the U.S., 40 percent said they would consider a visit if they knew they could count on timely entry processing.

That means we must provide the resources to properly manage the entry process – and the Congress has recently taken giant steps in that direction, with funding for 2000 new U.S. Customs and Border Protection (CBP) officers. CBP should be commended to working quickly to identify where these officers are most needed and dispatching them by October 2015 at 44 ports of entry in 18 states. In addition to new officer staffing, CBP has worked to identify innovative ways to address the growth in traveler volumes. For example, CBP has continued to promote the use of Global Entry, a trusted traveler program that now has 1 million participants. Furthermore, they have partnered with America's gateway airports in developing new kiosks that make the processing experience more efficient.

This is all great news that should help CBP to meet a 30-minute passenger processing goal at our air ports of entry and drive tens of billions of dollars in new visitor spending – as long as the new officers are accompanied by transparent metrics to demonstrate improvement in the actual passenger experience.

Domestic travelers face some of the same travel-related frustrations, starting with the aviation security system. Many of the problems in this area stem from a refusal to accept any risk in the system. In the past, continual layers of security were added to address almost every conceivable threat. Even worse, few efforts were made to scale back, eliminate or tailor these layers for fear of being perceived as "weak" on security. As a result, travelers were stuck with an inefficient, one-size-fits-all screening process that hurt our economy and burdened American taxpayers.

U.S. Travel agrees with TSA that these trends can only be reversed by using a risk-based approach with three critical elements. First, TSA and Congress must clearly identify the types of threats TSA is responsible for preventing. Second, relying on the latest intelligence, TSA must apply its limited resources to the highest priority threats. And third, TSA should always strive to provide the greatest level of efficiency in passenger screening, while maintaining security.

With support from Congress and the private sector, TSA is now using a more risk-based approach. Specifically, U.S. Travel applauds TSA for creating and rapidly expanding PreCheck. This program increases security and efficiency and could eventually also reduce budget costs – just as Global Entry does for international travelers.

One additional priority that often gets overlooked is the need for baseline travel data on international visitors. The most important – and seemingly vulnerable – is the monthly Survey of International Air Travelers (SIAT). Initiated by the Commerce Department in 1983, the SIAT provides information on visitors' length of stay, level of spending and activities during their stay.

These data help determine policies which, in turn, have helped drive industry jobs growth and we urge approval of the modest funding to grow and improve the SIAT.

As critical as are promotion, visa reform, the entry experience and data collection, all are dependent on the safety and efficiency of fundamental transportation infrastructure. The United States simply cannot meet its goals to increase domestic and international travel without greater investments in our aviation and surface transportation networks. Within the next five years, 24 of the top 30 U.S. airports will experience Thanksgiving-like congestion at least one day per week. And the FAA predicts that 27 airports located in 15 cities won't have enough capacity to meet demand by 2025. At JFK and EWR alone, an inability to meet air travel demand will cost the U.S. economy $6 billion annually by 2016.[1]

In order to ensure a vibrant and globally competitive travel industry, Congress must act to modernize and improve U.S. aviation infrastructure. This committee can help to lead this

effort by accelerating deployment of the Next Generation Air Transportation System (NextGen) and allowing U.S. airports to raise their Passenger Facility Charges by up to $8.50, in order to fund critical modernization projects.

Studies by U.S. Travel also show that within 10 years, major interstate corridors will experience daily congestion equal to Labor Day levels of traffic – and that air travel will grow from 800 million enplanements per year to almost a billion. If our infrastructure is inadequate today, it is completely unprepared for tomorrow. According to the 2013 survey, 38 percent of travelers would avoid between one and five trips annually if congestion continues to worsen – which will moot all the rest of our work toward attracting 100 million visitors.

As travel to and within the United States has grown, our transportation network has failed to keep pace. While maintenance and modernization are expensive, failure to act will cost more.

Finally, I would like to add a few words about two related concerns. First, while the word "travel" frequently connotes tourism, it is about much more than fun in the sun. Business travel accounts for 30 percent of all travel spending. In 2013, business travel generated an estimated $267 billion in direct spending -- three percent higher than the previous year. Totaling the deals done, products sold and opportunities created at industry conferences and trade shows that also employed scores of hospitality workers, business travel directly supports 2.3 million American workers.

I also wish to address the specific question of travel by federal employees. A key reason business travel is a strong economic driver is that face-to-face interaction leads to greater productivity, a fact that Members of Congress know well. Tele-townhalls are not as effective as personal meetings with constituents, and traveling to Washington to work directly with congressional colleagues can't be replaced by a "virtual" Congress. To do their work, other federal employees also need to attend occasional meetings and conferences. When conducted responsibly, federal travel yields important returns on investment – from safety inspections to disaster relief assistance to professional training. In 2012, government travel generated $33 billion for the U.S. economy and directly supported 296,000 American jobs.

We agree there is no place for waste or excess in government conferences or meetings. And we support strict compliance with best-practice guidelines established by the Office of Management and Budget, together with individual agencies. But we also know the dangers of across-the-board reductions that don't distinguish meritorious travel that achieves important public missions – and urge you to keep that distinction in mind as these issues arise.

Again, thank you Chairman Schatz, Ranking Member Scott and all members of the subcommittee for inviting me to testify today. I look forward to answering your questions.