



Corporation
for Travel Promotion®

Opening Statement by Stephen J. Cloobek

**Hearing of the
Subcommittee on Competitiveness, Innovation, and Export Promotion
Committee on Commerce, Science, and Transportation
United States Senate**

“Tourism in America: Removing Barriers and Promoting Growth”

April 5, 2011

Chairwoman Klobuchar, Ranking Member Blunt, and honorable members of the subcommittee, thank you for your leadership on the issue of growing the U.S. economy through travel and tourism. By helping the U.S. compete in the world travel market we will create jobs and drive economic growth here at home.

My name is Stephen J. Cloobek. I am Chairman and Chief Executive Officer of Diamond Resorts International, a global destination resort business based in Las Vegas. We have nearly 200 resorts in 28 countries around the world, including destinations throughout the continental United States and Hawaii, Canada, Mexico, the Caribbean, Europe, Asia, Australia and Africa.

I am also the Chairman of the Board of the Corporation for Travel Promotion (CTP), which, thanks to your leadership, was established to help the United States capture a greater share of international travel and the spending it brings. Senator Klobuchar – a stalwart champion for this industry – and Senator Blunt – lead co-sponsor of the Travel Promotion Act in the House – I thank you both and this subcommittee for your leadership and courage on behalf of the CTP Board and the travel industry as a whole. I have a strong personal belief that travel promotion will make America more competitive in the global marketplace and that the work of the CTP will boost our country’s economy. I believe we share this perspective, and I look forward to continuing the partnership with like-minded leaders in Congress like you.

Today I will provide you with an update on the Board’s progress since our appointment by Commerce Secretary Gary Locke in late fall 2010. We are off to an excellent start as we work toward the legislative goals of providing useful information to those interested in traveling to the United States, identifying and addressing perceptions regarding U.S. entry policies, and maximizing the economic and diplomatic benefits of travel to all areas of the United States.

Why We Must Compete for International Travel

Travel is America's largest service sector export, representing 25 percent of all U.S. service exports and 7 percent of all goods and services exported in 2010. When international visitors come to the U.S., they spend close to \$4,000 per person on hotels, restaurants, attractions, retail and other activities. This added up to \$134 billion last year, which supported hundreds of thousands of jobs in communities across the country.

But despite this good news, the U.S. should have done much better.

The U.S. has been losing share in the long-haul international travel market for many years as travel globally has boomed. Our failure to simply keep pace with the growth of the rest of the world has cost the U.S. an estimated 68 million "lost" arrivals, \$509 billion in total spending, \$32 billion in direct tax receipts and 441,000 travel-related jobs that could have been created or sustained in the years over the past decade.

There are several reasons for this. First, other countries and destinations have grown more competitive; they are spending more on marketing and promotion. For example, in 2009, Mexico spent \$173.8 million, Australia spent \$106.7 million, and France spent \$96.0 million on their respective national travel promotion programs. Second, there are simply more destinations for travelers to choose from now. And until this year, the U.S. has been one of the only industrialized nations in the world that lacks a nationally coordinated program to attract international travel.

Now, thanks to your leadership, we have a program that is designed to address that competitive shortcoming.

About the Corporation for Travel Promotion

No taxpayer dollars are used to fund the Corporation for Travel Promotion. The first 50 percent of the program's funding is required to come from the private sector. For every dollar that the private sector contributes to the program, an additional dollar of funding is contributed through a nominal \$10 fee paid by those visitors who have been exempted from paying the \$140 fee to acquire a visa.

This funding will be used to create a world-class marketing and promotion program designed to attract more visitor spending to the U.S., in order to drive economic growth and job creation.

While it is still too early to say exactly what the marketing campaign will look like, the range of tactics will include advertising, social media, outreach to intermediaries, trade show presence and many other activities in key international markets, as deemed most effective to yield the highest possible return on investment.

Oxford Economics, a globally respected economics firm, estimates that this program could deliver a return on investment of 20:1. That includes 1.6 million new visitors annually, \$4 billion in new annual spending, and 40,000 new U.S. jobs.

What We Have Accomplished So Far

Last fall, U.S. Secretary of Commerce Gary Locke appointed the Board of Directors, and in October we held our first meeting to discuss a work plan and move towards formation of the Corporation.

At the outset, the Board agreed on two core principles. The first is transparency in all our actions and decisions; our monthly Board meetings are open to the public, and meeting records are posted on our web site. The second is a commitment to maximizing return on invested capital (ROIC); we will make use of all existing resources from the government and industry partners, such as market research. We look for free or donated meeting spaces, so that every single dollar of the Travel Promotion Fund can be used to maximize ROIC for the U.S. economy.

Since our first meeting, the 11-member Board has been working to achieve a number of milestones on an accelerated timetable and engage in regular activities to keep the public informed of our actions and the program moving forward. Our progress to date includes:

- Monthly Board meetings – emphasizing full transparency – that are open to the public for comments and questions;
- Completion of various legal filings, including non-profit status;
- Initiation of the 501(c)(6) filing;
- Hiring of firms to conduct third-party audits and perform day-to-day accounting functions;
- Issuance of request for proposals (RFPs) for legal counsel;
- Evaluation of resources and needs, with an eye toward developing a strategic plan to guide the early years of the entity;
- Creation of Board committees and request for industry participation on advisory boards to expand the CTP's expertise;
- Meeting with Canadian Tourism Commission and numerous U.S. destinations to help develop in-kind contribution standards;
- Memorandum of understanding (MOU) with the Departments of Treasury and Commerce regarding in-kind contributions, to be finalized upon review of third-party auditors;
- Meetings with and continued communication and cooperation with the Departments of Commerce, State and Homeland Security and Customs and Border Protection;
- Cooperation with the Travel and Tourism Advisory Board and the President's Exports Council to align goals and strategies;
- Analysis of existing market research from sources including the Office of Travel and Tourism Industries, Oxford Economics and numerous destinations, and identification of future research needs;

- First promotional video to be revealed next month;
- Creation of a web site (www.corporationfortravelpromotion.com) to inform stakeholders and other interested parties about our ongoing progress; and
- Ongoing outreach to policymakers and inclusiveness with industry stakeholders in all states and territories for input and advice.

What Is Ahead

We are committed to using resources as efficiently and effectively as possible, in order to maximize the return for the U.S. economy. The CTP has spent only a fraction of a percent of the original funding from the Department of the Treasury. Wherever possible we have leveraged available resources from government agencies, our Board members and the industry at large.

Moving forward, the marketing money we spend will be based on return on invested capital. And we look forward to launching our in-kind contributions campaign in the coming months, so that when matching funds become available on October 1, we will be able to hit the ground running with our marketing program. Our Board members and members of our staffs have already donated hundreds of hours in services to the CTP, in addition to more than \$70,000 worth of travel and meeting expenses that will be available for matching.

Our next major step is to hire an executive director and senior staff. That search is well underway, and we hope to make an announcement soon.

As we work to ensure that international visitors are invited and encouraged to come to America, we will also work simultaneously with the Departments of State and Homeland Security to ensure that this new influx of travelers can be accommodated by our visa and entry systems. From new consular offices where backlogs are high to finding more efficient alternatives to in-person visa interviews, and from loosening bottlenecks at our nation's airports to a simple "Welcome to the United States" greeting from CBP, we pledge to work with Congress and the administration to find creative and secure solutions – for both the short-term and long-term – to improve our existing systems so that this important economic opportunity is not wasted.

To close, I want to reiterate that we are 100 percent committed to transparency, and I invite you all to visit our web site and review our minutes from past meetings and mark your calendars for our future meetings.

By business standards, the CTP has gotten off to a rapid start that makes us well poised to achieve the maximum return on investment generated from America's greatest export – travel and tourism. The CTP has a critical job ahead of us, and we are up to the task. I would like to thank you again for your leadership and look forward to our continued partnership and collaboration with Congress and the administration.