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TESTIMONY BEFORE THE
SENATE COMMERCE, SCIENCE & TRANSPORTATION SUBCOMMITTEE ON
COMPETITIVENESS, INNOVATION & EXPORT PROMOTION
for a hearing entitled
“Tourism in Troubled Times”
May 13, 2009

INTRODUCTION

Chairman Klobuchar, Ranking Member Martinez, and distinguished members of the committee, thank you for the opportunity to speak with you today concerning the state of the U.S. travel and tourism industry. I welcome your interest in this topic.

OVERVIEW - STATISTICS

The Department of Commerce’s economic accounts data show that the travel and tourism industry generated a record \$1.38 trillion in sales for the economy in 2008. The industry directly and indirectly supported more than 8.6 million jobs. From a trade perspective, international travel to the United States represents over one-fourth (26 percent) of all U.S. services exports. In 2008, this translated to \$142.1 billion in receipts generated from a record 58 million international visitors. For the 20th consecutive year, travel and tourism produced a travel trade surplus for the United States – a record \$29.7 billion – and directly supported more than 900,000 jobs in the United States in 2008.

Canada continues to be the top overall market for international visitors to the United States. Canadian visitors pumped nearly \$19 billion into the U.S. economy in 2008, breaking their previous record for the fifth consecutive year. U.S. travel and tourism exports account for 40% of all U.S. services exports to Canada. Spending by Mexican visitors also remained strong for the fifth consecutive year. Travelers from this second top market spent more in the United States on travel and tourism-related goods and services than ever before - \$9.8 billion.

Expenditures generated from European visitors also increased substantially in 2008, up 25%. Visitors from the United Kingdom rank second overall in terms of dollars spent on U.S. travel, growing 17% to \$17.5 billion. Growth in spending from Germany jumped 26% to \$6.5 billion, and growth from France and Italy surged by an incredible 38%, to \$4.6 billion and \$3.7 billion respectively.

Elsewhere, we saw strong growth in spending by visitors from India and Brazil, increasing by 18% and 26% respectively over 2007 tallies.

Like many other industries, the economic downturn has affected the travel and tourism industry significantly. Although 2008 produced record visitation levels for 13 of the top 25 international markets, visitation showed deepening declines during the fourth quarter of 2008. This trend continued with a 10% drop in visitation levels for the first two months of 2009 compared to the same time last year. This was met by a 13% decline in receipts. The Department's forecast to be released later this month indicates a continued decline for the rest of the year in this valuable export, with a weak recovery expected by the end of 2010.

Most recently, the spread of the H1N1 virus has affected the performance of the industry, compounding the challenges associated with the volatile global economic environment. Department officials met with representatives of nine travel and tourism associations on May 1 to discuss the impact of the situation on the industry. The Secretary's office is receiving weekly status reports from Commerce staff. Industry reports indicate that the impact on travel to the United States and other destinations, with the exception of Mexico, is likely to be minor, provided the flu outbreak continues to subside.

COMMERCE TRAVEL & TOURISM PROMOTION

As these numbers underscore, the travel and tourism industry is important to our nation's economy, employment, and trade. The Department of Commerce works to support the industry through our travel and tourism promotion activities.

As the acting Assistant Secretary for Manufacturing and Services, I oversee the Department of Commerce's Office of Travel and Tourism. My team and I work to remove barriers to the growth of tourism exports and support our Commercial Service offices around the world to assist American travel and tourism businesses and destinations to market and sell their products. We also are the primary government source for travel and tourism statistics.

Within the federal government, we work with the Departments of State and Homeland Security and other federal agencies to develop policies and programs that enhance the competitiveness of the U.S. travel and tourism industry and ensure that we continue to facilitate travel to the United States as we provide for our security. Interagency deliberation on these issues is undertaken through the Tourism Policy Council (TPC), comprising 15 members from federal agencies and offices. We are reinvigorating the Council's role under Secretary Locke's leadership. One of the Council's roles will be to further the coordinating work begun under the now defunct Secure Borders and Open Doors Committee. This Committee had functioned under the Rice-Chertoff Initiative – designed to improve travel procedures for entry to the United States while still meeting security requirements. Commerce Department staff actively served on this Committee which also included private sector representatives. We anticipate the Secretary calling a meeting of the Tourism Policy Council in early Fall.

As you are aware, the Assistant Secretary for Manufacturing & Services also is the Executive Director of the U.S. Travel and Tourism Advisory Board (TTAB), an advisory board consisting of representatives from companies and organizations in the travel and tourism industry appointed by the Secretary. The Board advises the Secretary on government policies and programs that affect the U.S. travel and tourism industry, offers counsel on current and emerging issues, and

provides a forum for discussing and proposing solutions to industry-related problems. We are in the process of organizing a meeting of the Board for later this spring.

Secretary Locke has taken an active interest in the travel and tourism industry. On May 20, he will be in Miami to deliver the keynote luncheon address at International Pow Wow, the top U.S. industry trade show with 5000 buyers and sellers of international travel to the United States. With over 300 foreign and American members of the press in attendance, Pow Wow provides an important opportunity for destinations and businesses to showcase the best that America has to offer for enticing international travelers to our country. The Secretary will be able to relay to all of them the importance of this industry and his gratitude for their dedication and interest in spurring economic recovery and job growth.

CLOSING

The U.S. travel and tourism industry continues to be a key part of our nation's economy. The United States generates more revenue from travel and tourism than any other country in the world. The Department of Commerce has an active program dedicated to expanding travel and tourism business opportunities for employment and economic growth. We look forward to working with the Congress and with the travel and tourism industry on policies and programs that will continue to enhance the competitive position of the United States.

As Secretary Locke said before members of this Committee at his confirmation hearing, "There's a great deal of interest and fascination with America among people all around the world. They think of the great cities of America, but they also think of the great majestic, natural beauty of America from the Grand Canyon to the Badlands and to our incredible, beautiful national parks. And they think of America as a place of great pristine environment, a place to visit, a place for recreation."

I thank the Chairman and the members of the Committee for the opportunity to testify, and I look forward to answering any questions you may have.