U.S. TRAVEL
ASSOCIATION

TESTIMONY FOR THE RECORD

OF

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ON

"VACATION NATION: HOW TOURISM BENEFITS OUR ECONOMY"

BEFORE THE
HOUSE ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

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Chairman Terry, Ranking Member Schakowsky 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 $2 trillion travel community. We had the opportunity to testify before this Subcommittee a year ago on the economic impact of travel promotion. We return with good news – and with a prescription for even better news next year.

In all 50 states, travel provides good domestic jobs that cannot be outsourced. In 2012, direct travel spending in the United States totaled $855 billion, which generated a total of $2 trillion in economic output and more than $129 billion in tax revenue. Travel also directly employed 7.7 million Americans and was among the top 10 employers in 48 U.S. states and the District of Columbia.

The most lucrative segment of this sector is "long-haul" or overseas travel to the United States. The overseas traveler stays longer and spends more while here – an average of 18 nights and nearly $4,500 per visitor per trip. Millions of global citizens are now traveling abroad and for every 33 overseas travelers who decide to visit the U.S., an additional American job is created.

The travel industry was not spared by the recession, but since 2010, we have helped lead the economic recovery by restoring 85 percent of the jobs lost during the downturn compared to just 69 percent of the rest of the economy. Today, travel is our nation's number one service export and is growing fast. In 2012, travel exports totaled $168.1 billion (including traveler spending and international passenger fare payments to U.S. carriers), yielding a record $50 billion travel trade surplus. Just last week, in an otherwise disappointing quarterly trade deficit update, the Commerce Department reported that travel exports rose 5.7 percent compared to the first quarter of 2012, a rate three times faster than the rest of American exports.

While we are an unusually resilient industry, credit for helping encouraging increased international demand for travel to the U.S is also due both to the travel promotion work of Brand USA and to the visa process reforms resulting from the goals laid out in the President's National Travel and Tourism Strategy. To describe the outsized economic impact of overseas visitors, we long ago coined the term "walking stimulus packages." They 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, our share was still less than 13 percent. Had we just kept pace with the global long-haul travel market over the last dozen years, the U.S. would have seen 98 million more overseas arrivals, bringing an additional $722 billion in spending, which creates $49 billion additional tax revenues – and most important, 42,500 more American jobs.

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: Brand USA. With support from many of you on the dais today, the Congress three years ago 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. Already, the critical "intent to travel" metric has risen by double digits in each of Brand USA's initial target countries, with similar results anticipated soon from the subsequent global advertising campaign – all without a penny of U.S. taxpayer funds.

Improved perceptions of the United States have in turn increased demand on our visa process. In this area, I can report on three important developments since last year.

First, 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, in November Taiwan became the 37th nation admitted to our Visa Waiver Program (VWP) allowing for reciprocal visa-free travel in return for stricter security protocols between our two nations. Travel demand has already risen. This is no surprise, given the staggering increase in visitors from South Korea since its inclusion in VWP in late 2008. Within two years, arrivals exceeded one million visitors, a new record; and the pace of increase since has only picked up steam growing by 63% since 2008.

In 2012, South Koreans traveler spending was $4.2 billion – three percent of total overseas traveler spending to the U.S. -- which supports 34,000 American jobs.

Third, bipartisan legislation is now pending in both the House and Senate to accelerate progress further. In the House, Reps. Joe Heck (R-NV) and Mike Quigley (D-IL) have sponsored HR 1354, the "Jobs Originating through Launching Travel" (JOLT) Act which would: expand the VWP, 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. The JOLT Act, introduced a month ago, now has 37 House cosponsors. We encourage members of the Energy and Commerce Committee to cosponsor this important legislation and find vehicles to move it to the floor for a vote.

In the Senate, most of the same JOLT provisions were included in the "Gang of Eight" proposal for comprehensive immigration reform. All these changes would address problems first identified in a lengthy 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. The JOLT Act would solve these problems.

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. Earlier this year, U.S. Travel commissioned a survey of 1,200 overseas travelers from six top travel markets and the results were extremely disappointing:

- Forty-three percent of those who visited the U.S. said they would tell other people to avoid a trip because of the entry process;
- One in seven travelers said they missed a connection because of delays at Customs;
- Visitors report they would share their travel nightmare stories 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.

There must 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. Among survey respondents who had never come to the U.S., forty percent said they would consider a visit if they knew they could count on timely entry processing.

That means we must provide the appropriate resources to properly manage the entry process. We support the FY2014 DHS budget which calls for new appropriations to fund 1600 new CBP officers and the proposal in the Senate immigration bill, to add 3,500 new CBP officers across America's land, air and sea ports. The hiring of thousands of CBP officers for gateway airports will help to meet this 30-minute standard and drive tens of billions of dollars in new visitor spending.

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, on-size-fits-all screening process that hurt our economy and burdened American taxpayers.

U.S. Travel believes 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.

For PreCheck to reach its full potential, three operational aspects must be improved. First, there are far too many barriers preventing a large number of ordinary travelers from joining and using PreCheck. Second, PreCheck can be too unpredictable and it is inconsistent across airlines. Limited enrollment and unpredictability lead to low utilization rates. The number of passengers screened through PreCheck remains small compared to the overall flying public. More people must be part of the program for it to be a true risk-based solution to aviation security.

To achieve this objective, we recommend that: TSA partner with the private sector to create more accessible and secure enrollment options; TSA and DHS allow travelers to qualify by aggregating frequent flyer miles across multiple airlines; and TSA focus on better line management and the use of biometric credentialing and more in-depth background checks.

While the focus of today's hearing and our testimony is tourism, I would like to add a few words about two related priorities.

First, while "travel" frequently connotes tourism, as in the reference to vacations in the description of today's hearing, travel is about much more than fun in the sun. Business travel accounts for nearly a third of all travel spending. In 2012, domestic business travel generated an estimated $225 billion in direct spending -- roughly five percent higher than the previous year and above the all-time high reached in 2007. Business travel directly created nearly two million American jobs. Totaling the deals done, products sold and opportunities created at industry conferences and trade shows that also employed scores of hospitality workers, the total number of jobs supported was 3.7 million.

I'm pleased to bring to your attention an Oxford Economics study released today, *The Role of Business Travel in the U.S. Economic Recovery*. The study shows that every dollar invested in business travel generates an average $9.50 in increased revenue and $2.90 in new profits. Moreover, the study found that companies that invested the most in business travel during the recession have grown faster than those that cut back on travel. Data from 2007-2011 for 61 industries shows sectors that spent the most on business travel throughout the recession posted higher profit growth.

The report included a survey of American business travelers who support these same findings:

- Majority (60%) found that virtual meetings are less effective for meetings with prospects than in-person meetings;
- Business travelers reported that they are twice as likely to convert prospects into customers with an in-person meeting than without one;
- Nearly three-in four (74%) reported that in-person meetings with clients deliver a high impact on customer retention; and
- More than two-in-five (42%) executives stated that they would lose their customers without face-to-face meetings.

In this context, 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. Tela-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 2011, government travel also supported more than 290,000 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 Terry, Ranking Member Schakowsky and all members of the subcommittee for inviting me to testify today. I look forward to answering your questions.