

Testimony of Rita McClennery
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Hearing on "Travel and Tourism: A Small Business Angle"
Subcommittee on Economic Growth, Tax and Capital Access
U.S. House Committee on Small Business

May 8, 2018

Chairman Brat, Ranking Member Evans and other Subcommittee members:

I am pleased to testify before you today representing the Virginia Tourism Corporation, the state agency charged with marketing the Commonwealth as a premier destination, and the U.S. Travel Association, the trade association representing all sectors of the national travel and tourism industry.

On behalf of the 15.6 million Americans whose livelihoods depend on a robust travel sector, we thank you for holding this hearing. It couldn't be more important to us, especially as hundreds of small businesses across the country celebrate National Travel and Tourism Week, an annual commemoration established 34 years ago in legislation signed by President Reagan.

The mission of U.S. Travel is to increase travel to and within the United States, which altogether yields \$2.4 trillion in economic output annually, supports one in nine American jobs and makes travel the nation's top service export. According to the SBA, the top small-business employer in the United States is the travel-dependent leisure and hospitality sector.

For Virginia, the visitor economy is a \$30 billion industry, supporting 7.6 percent of the Commonwealth's jobs. In 2016, domestic and international travelers to Virginia spent \$24.6 billion, generating \$3.4 billion in local, state and federal tax revenue.

As we prepare to celebrate the 50th anniversary of our signature "Virginia is for Lovers" slogan next year, we have been able to position the Commonwealth as one of the most dynamic, exciting, and authentic destinations in the country. From national seashores to mountain parkways to presidential homesteads, Virginia is one of the top destinations in the United States.

Last year, our two major international airports and diverse population helped attract one million international visitors who spent \$1.7 billion during their travels. From restaurants and B&Bs, to attractions and tour buses, the resulting economic opportunity for small businesses in the travel and tourism industry cannot be overstated.

In Virginia, there are 1.5 million small business employees: half of the state's private workforce. Among our 20,000 leisure and hospitality establishments, two-thirds are businesses with fewer than 20 employees.

Some of our success stories are legendary. The famed Inn at Little Washington, in the Blue Ridge foothills, opened during the worst snowstorm of the decade in 1978 and is now one of the crown jewels of the lodging and dining scene. Nestled in an industrial neighborhood of Richmond, the Hardywood Park Craft Brewery has played a pivotal role in the boom of craft beer and wine brands, now with nearly 500 breweries and wineries statewide. This \$2.7 billion industry provides visitors with a unique and authentic culinary travel experience. The 300 percent growth of agri-tourism since 2000 is a testimony to the renaissance of the New Virginia Economy.

We are a resilient, self-reliant industry. We recovered faster than any other sector from the economic recession. We thrive when we serve the public well by providing safe, efficient and enjoyable travel experiences.

As you well know, we face recurring headwinds relating to access to capital, attracting skilled employees and over-regulation that particularly impacts small enterprises. The tax legislation recently signed into law by President Trump represents a significant step forward in these areas, but more can be done to ensure small businesses have access to a talented workforce.

Of particular consequence to the tourism sector, we respectfully urge your support for five key issues:

- Full funding of Brand USA
- Infrastructure modernization
- Lifting the cap on the Passenger Facility Charge user fee
- Protecting U.S. Open Skies agreements
- Conveying a clear message of welcome for international visitors

My testimony will briefly address our progress and challenges on each of these priorities.

Brand USA

By attracting international visitors, Brand USA enhances economic growth, spurs job creation and advances public diplomacy—all at no expense to American taxpayers. Brand USA's activities are supported by private sector contributions, matched by a \$10 "ESTA" fee on visitors from Visa Waiver Program nations.

Brand USA was created by the Travel Promotion Act in 2010 to help address the post-9/11 decade of declining U.S. share in the booming global travel market, costing the U.S. economy nearly a half-million travel-related jobs. Before then, the United States was one of the few developed countries in the world without a national destination marketing organization. The Travel Promotion Act, reauthorized in 2014 with large congressional majorities, sought to restore our leading position in the highly competitive worldwide travel marketplace.

Overseas business and leisure travelers are critical to small businesses across our nation. To help attract these visitors, Brand USA has forged working relationships with hundreds of communities—large and small, urban and rural—and leveraged their varied promotional efforts into a coherent, cost-effective and productive national marketing campaign.

Just last week, Oxford Economics reported that since FY2013, Brand USA's efforts are directly responsible for increasing international visitation by an incremental 5.4 million travelers who spent \$17.7 billion, generating a total economic impact of \$38.4 billion and supporting an average of 51,580 incremental jobs per year.

In addition to marketing the U.S. as a destination, Brand USA is charged with communicating our evolving visa and entry policies by addressing confusion about our security protocols that can discourage potential visitors from choosing U.S. destinations.

Brand USA is an extraordinarily successful public-private partnership—and not only for gateway cities. Its work has been particularly beneficial for small destinations in Virginia with limited marketing resources that can leverage Brand USA's coordinated outreach overseas to market their brands in the global marketplace.

Despite Brand USA's success, we were disturbed to learn the recent budget agreement diverted ESTA fees after 2020 away from Brand USA - putting its funding at risk. The return on investment from Brand USA is clear, especially for small businesses, and we hope you will join our work to secure and protect the ESTA fee as a key source of Brand USA's funding.

Infrastructure Modernization

It is clear that President Trump has a deep appreciation for the need to modernize the nation's infrastructure. Travelers are routinely experiencing holiday-level congestion, and the backlog in deferred maintenance is a serious safety concern.

If we finally addressed these problems, the benefits for small tourism businesses would be incalculable. In February, U.S. Travel outlined our industry's core infrastructure principles. We stressed the need to: enhance national mobility to and within the United States; account for non-residential travel demand in federal formula funding; strengthen federal investment and promote innovative funding partnerships; and embrace new and transformative technologies.

We support the administration's overall goals to relieve regulatory burdens and incentivize investment in transportation and infrastructure. Without reliable infrastructure, small businesses couldn't operate and potential patrons couldn't visit our locations. US Travel welcomes the opportunity to work with you and your colleagues in Congress to find a way to address our infrastructure needs.

Passenger Facility Charge

A key infrastructure barrier to the travel industry's growth and future competitiveness is the poor condition of our nation's airports. Too many of our nation's airports are outdated and unable to handle passenger demand.

The Passenger Facility Charge (PFC) is an indispensable tool for local communities to make their own decisions about how to finance airport modernization. Adjusting the PFC ceiling would allow each airport authority to tailor its own PFC rate in order to maximize efficiency, reduce project costs and ensure fiscal responsibility.

The PFC cap hasn't been raised in more than 17 years. As we pursue this priority further, we would be grateful for your help.

Open Skies

Akin to our need to modernize our airport infrastructure, we must also preserve more than 120 Open Skies agreements that the U.S. has negotiated with countries around the world. By reducing government interference in air travel, Open Skies agreements have yielded hundreds of thousands of American travel and manufacturing jobs, billions of dollars in U.S. economic growth, lower airfares for travelers, more flights to airports beyond major gateways and new opportunities for U.S. airlines willing to take advantage of them.

Regrettably, just three U.S. airlines have sought to disrupt two existing Open Skies agreements, which bring much needed direct international air service to the United States. U.S. Travel participates in a diverse coalition of U.S. passenger and cargo airlines, travel businesses, destinations, and others that are opposed to this attack on Open Skies. We support preserving the terms of these agreements and prioritizing the economic benefits they bring to America's broader economy.

We commend the Administration for its successful conclusion of government-to-government discussions with Qatar, which addressed concerns raised by the three U.S. carriers and allowed airlines to continue exercising the rights provided under Open Skies. Similar talks with the U.A.E. are quietly making progress and we are eager for a positive resolution soon that follows the same framework. In 2016, Gulf carriers to Virginia generated \$966 million in expenditures, more than 10,000 jobs and \$227 million in tax revenue.

We appreciate your leadership, Chairman Brat, on behalf of increasing airline options and enhancing healthy competition. We look forward to working with you on these matters.

Balancing Security and Travel Facilitation

Here, allow me to start with an invitation. At 11 a.m. tomorrow on Capitol Hill, the new Visit U.S. Coalition will host a briefing—moderated by economic analyst Stephen Moore—to document work underway to restore the declining U.S. share of the global

travel market. International arrivals to the U.S. declined by 2.1 percent and totaled 75.9 million in 2016. In addition to travel firms, many of which are small businesses, the coalition also represents other sectors dependent on safe, efficient travel.

In recent months, the administration has proposed or implemented a battery of new policies intended to protect national security, from the president's executive order on immigration and travel to stricter vetting of visa applications. At US Travel our moto is simple: without security, there can be no travel.

But there is more to the equation, for us. America needs to convey a clear global message that, while we aggressively pursue those threats, we still welcome overseas visitors coming here to relax on our beaches or close deals in our boardrooms.

As specific security proposals have been rolled out over the last few months, travel professionals across the country have sought to help federal officials explain and implement them. At the same time, we have drawn on our expertise to analyze and detail for policymakers how these changes impact the real-life travel experience—with particular concern about unnecessarily exacerbating delay, confusion and inefficiency for travelers.

The international travel marketplace is highly competitive. While the United States is a highly attractive destination, foreign travelers have countless other choices. And it is clear that one factor in consumer decisions about where to travel is the perception of a potential destination's hospitality.

Open For Business

In Virginia and across the nation, the travel community is being challenged on a daily basis, but we remain upbeat and optimistic. We're working each day to grow our share of the competitive and lucrative international market—while also serving the needs of our domestic travelers. Small travel and tourism businesses make up an immense share of Virginia's economy, and our businesses are reliant on domestic and international travelers. We hope we can partner with this subcommittee and this Congress to promote America's travel and tourism industry by projecting to the globe that America is open for business.

Thank you again for the opportunity to participate in today's hearing.