

“Travel and Tourism: A Small Business Angle”

**House Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access**

**Testimony of Jagruti Panwala
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I. Introduction

Chairman Brat, Ranking Member Evans, and distinguished members of the Subcommittee, thank you for the opportunity to testify before you today. It is an honor to appear before Congress and to represent my fellow hoteliers and the hospitality industry.

My name is Jagruti Panwala. My family and I are small business owners from Pennsylvania. We are independent owners and operators of five hotels in the northeastern United States and I am also the president and CEO of a financial planning company that helps small business owners, including hoteliers, to reach their development goals.

I also serve as the national Vice Chairwoman of the Asian American Hotel Owners Association (AAHOA). AAHOA represents 18,000 members who own nearly 50 percent of all hotels in the United States, and employ over 600,000 workers, accounting for nearly \$10 billion in payroll annually. AAHOA proudly serves on the board of directors of the U.S. Travel Association and as a member of the VisitUS Coalition, organizations that are leading the effort expand travel and tourism within and to the United States.

II. Economic Impact of the Travel and Tourism Industry

Thank you for convening this hearing on the travel and tourism industry. It is particularly fitting to have this discussion during National Travel and Tourism Week, a celebration of the impact of travel and tourism on the American economy.

Our industry is one of the major factors driving economic expansion, job creation, exports, and prosperity in the United States. From family vacations, to business conferences and meetings, to international visitors, the travel and tourism sector reaches nearly every corner of the country and is a top ten industry in nearly every state.

I am very pleased to report that the economic condition of the America’s travel and tourism sector is strong and trends indicate a positive future. Many of the economic factors that are hallmarks of success in the travel industry, including low unemployment, and high business and consumer confidences, are also indicative of a healthy national economy.

According to the U.S. Travel Association's Current Travel Index (CTI), the industry is in its ninth consecutive year of expansion and has been expanding for "98 straight months."¹ Growth in travel and tourism is excellent news for the American economy, as it accounts for \$2.4 trillion in economic output. Last year, travelers spent over \$1,036 billion, and supported 15.6 million American jobs. American workers directly employed in the travel industry earned nearly \$260 billion in wages and the federal, state, and local governments collected \$165 billion in tax revenues.² The World Travel and Tourism Council reported that travel and tourism accounted for 2.6 percent of the nation's GDP in 2017 and forecasts growth in the sector over the next ten years.³

Domestic travel, which accounts for 80 percent of all travel spending,⁴ rose by 28.7 million trips, a 1.3 percent increase in 2017, and leisure travelers are the principal drivers of the industry.⁵ In the lodging sector, the "[T]otal U.S. room demand is higher than it has ever been," and in 2017, hotels sold 1.23 billion room nights, an increase of 2.7 percent from 2016, according to STR, the leading research company monitoring industry trends.⁶ Similarly, occupancy, average daily rate, and revenue per available room, the leading economic metrics for hoteliers, are expected to increase through 2018.⁷

III. Small Business Contributions

For small business owners like the vast majority of AAHOA members, this is amazing news! Small businesses account for 83 percent of companies in the industry⁸ and we are both driving and seeing the benefits of a robust economy and thriving travel sector. In addition to the economic benefits travel and tourism businesses contribute to their communities, small business owners are directly responsible for creating jobs, training employees, and reinvesting capital locally. In fact, "the number one small-business employer in the United States is the travel-dependent leisure and hospitality sector."⁹ Forty percent of workers who begin their careers in travel, ultimately achieve

¹ "Travel Trends Index." U.S. Travel Association. February 2018.

https://www.ustravel.org/system/files/media_root/document/Research_Travel-Trends-Index.pdf

² "U.S. Travel Answer Sheet." U.S. Travel Association. Updated April 2018.

https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf

³ "Travel and Tourism: Economic Impact 2018, United States." World Travel & Tourism Council. March 2018.

<https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/unitedstates2018.pdf>

⁴ "Travel and Tourism: Economic Impact 2018, United States." World Travel & Tourism Council. March 2018.

<https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2018/unitedstates2018.pdf>

⁵ "Domestic Travel Market Report, 2017." U.S. Travel Association. February 2018.

<https://www.ustravel.org/research/domestic-travel-market-report-2017>

⁶ Harpaz, Beth. "Trump slump? International arrivals data may be wrong." Associated Press. April 10, 2018. <https://apnews.com/a5580f15996047a6a2efa3d438754c63>

⁷ Hoisington, Alicia. "Continued growth still in the forecast for the hotel industry in 2018." Hotel Management.

January 29, 2018. <https://www.hotelmanagement.net/own/continued-growth-projected-for-u-s-hotel-industry-2018>

⁸ "U.S. Travel Answer Sheet." U.S. Travel Association. Updated April

2018. https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf

⁹ "Travel: America's Unsung Hero of Job Creation." U.S. Travel Association. August 28,

2017. https://www.ustravel.org/system/files/media_root/document/Research_Reports_Travel-America%27s-Unsung-Hero-of-Job-Creation.pdf

salaries over \$100,000.¹⁰ In addition, our industry provides a tremendous foundation for employees with less formal education, who, when beginning their careers in travel, achieve an average career salary of nearly \$70,000, five percent higher than in other industries.¹¹

IV. Important Issues Facing the Industry

While the outlook for small business owners in the travel sector and the industry as a whole is strong, some challenges and opportunities remain. One of our biggest concerns centers on increasing gas prices. As domestic leisure travelers comprise an overwhelming majority of the travel market, increases in fuel prices for automobiles and airplanes could increase costs and negatively impact the ability for people to travel, affect their chosen destinations, or shorten the duration of their visits. History has shown us that increases in gas prices limit available discretionary income and consumers cut back on some activities including travel.

Another area we are watching closely is the trend of international arrivals to the United States. International travel is our largest service export. While conventionally it may seem strange to categorize tourism to the United States as an export, international visitors spend hundreds of billions of dollars on travel and tourism and each foreign visitor spends nearly \$4,500 and stays 18 nights per visit.¹² The National Travel and Tourism Office (NTTO) within the Department of Commerce had indicated a dip in international visitors dating back a couple of years. Some industry analysts believed the strengthening of the dollar discouraged travel to America.¹³ Recently however, the NTTO announced it is reviewing its analysis as millions of visitors may have been undercounted.¹⁴ We are eagerly following this development and encourage our congressional leaders to do so as well to ensure the data we use to make business decisions is sound and reliable.

International visitors to the United States are critical for our national economy, our workforce, and our local communities. Consequently, I would ask our leaders to review two important programs: Brand USA and the Visa Waiver Program (VWP). Brand USA, a unique public-private partnership promoting the United States as a destination for foreign travelers at zero cost to American taxpayers. Since 2013, Brand USA has encouraged millions of international visitors to come to the United States, which has generated nearly \$40 billion in revenues, and supports over 50,000 American jobs.¹⁵ The program is funded through fees levied on international visitors and in 2017 produced a return on investment of more than 27:1. It is a remarkably successful program for both

¹⁰ Mohn, Tanya. "Surprise Career is 'Unsung Hero.'" Forbes. September 4, 2017.

<https://www.forbes.com/sites/tanyamohn/2017/09/04/surprise-career-is-unsung-hero/#6df3a12b5c4b>

¹¹ "Travel: America's Unsung Hero of Job Creation." U.S. Travel Association. August 28, 2017.

https://www.ustravel.org/system/files/media_root/document/Research_Reports_Travel-America%27s-Unsung-Hero-of-Job-Creation.pdf

¹² "U.S. Travel Answer Sheet." U.S. Travel Association. Updated April 2018.

https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf

¹³ Jainchill, Johanna. "Slump in overseas visitors, the curse of a strong dollar." Travel Weekly. September 11, 2017.

<http://www.travelweekly.com/North-America-Travel/Slump-in-overseas-visitors-the-curse-of-a-strong-dollar>

¹⁴ "Data Suspension FAQs." National Travel and Tourism Office (NTTO). <http://tinet.ita.doc.gov/research/data-suspension.asp>

¹⁵ "The Return on Investment of Brand USA Marketing: Fiscal Year 2017." April 2017. Oxford Economics.

<https://www.thebrandusa.com/research-analytics/roi-study>

the American economy and our industry. I am hopeful it can be reauthorized in its current form as it has been through strong bipartisan efforts in the past.

As a corollary to Brand USA, the Visa Waiver Program (VWP) is a vital initiative that permits travelers from thirty eight countries to visit the United States without first obtaining a visa. The trips are limited to ninety days and include various security measures to protect against misuse of the program by bad actors. As I mentioned earlier, international travel and tourism is tremendously important to the economy and is responsible for tens of thousands of good, local jobs. I urge you and your colleagues to enhance and expand the Visa Waiver Program.

Finally, as I meet with hoteliers and hospitality professionals around the country, one issue we discuss frequently is the importance of the new tax law on small businesses. Small business confidence is growing and we are able to create new jobs, hire new employees, increase wages and benefits, make capital improvements, purchase new properties, and expand our businesses. Small business owners thrive when there is certainty in economic conditions and are reserved when there is ambiguity in circumstances. Economic uncertainty breeds hesitation and hinders growth; however, when small businesses can count on clear and consistent tax policies that prioritize their needs, they prosper. I urge you and your colleagues to make tax relief for small businesses permanent in the years to come to help ensure a thriving economic outlook for America's travel and tourism industry.

V. Conclusion

Chairman Brat, Ranking Member Evans, and members of the committee, thank you for inviting me to share my perspectives on the outlook of America's travel and tourism industry. We have many reasons for optimism and we have seen considerable growth recently. In order to sustain this trend, I am hopeful our leaders will continue to appreciate the value our industry brings to the country and local communities. I am grateful to you all for your leadership and wish you a very happy National Travel and Tourism Week!

Thank you.