



U.S. TRAVEL
ASSOCIATION

TESTIMONY OF

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ON

“WHERE THE JOBS ARE: PROMOTING TOURISM TO AMERICA.”

BEFORE THE

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE**

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INTRODUCTION

Chairman Bono Mack, Ranking Member Butterfield and Members of the Subcommittee: I applaud you for holding today's hearing on ways to spur greater economic growth and job creation in the United States through travel promotion and facilitation. 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 travel industry.

TRAVEL'S ECONOMIC FOOTPRINT

Travel provides good, American jobs that cannot be outsourced. Last year, the \$813 billion travel industry generated a total of \$1.9 trillion in total economic output. Domestic and international travel supported 14.4 million American jobs, including 7.5 million directly in the travel industry and 6.9 million in other industries, and is among the top 10 employers in 48 U.S. states and the District of Columbia. For example, travel directly employs nearly 813,500 Californians, contributes \$89.2 billion annually to the state's economy and generates more than \$14.1 billion in state and local tax revenue. Similarly, travel directly employs more than 191,300 North Carolinians, contributes \$16.2 billion to the state's economy and generates nearly \$2.6 billion in tax receipts. In every region of America, travel helps pay the salaries of police, firefighters and teachers without creating much new demand for those public services.

Like other sectors of the economy, the travel industry was hit hard during the recession. Travel industry employment fell by nearly half a million from February 2008 to December 2009. Yet, our industry has helped lead the nation's economic recovery by adding 277,000 jobs since 2009. To date, the travel industry has regained more than half (56%) of the jobs lost during the downturn. In fact, the pace of job growth in the travel industry has exceeded the rest of the economy by 33 percent.

The Nation's Largest Industry Export

During the past several years, strong export growth enabled employment in the travel industry to grow faster than the rest of the economy. Every dollar international visitors spend in the U.S. counts as an export – just like agricultural crops, minerals or manufactured goods. When international visitors travel to the United States, they inject new money into the U.S. economy by staying in hotels, spending in stores, visiting attractions and eating at restaurants. In many cases, they are also here to conduct business by inspecting products they are purchasing, attending meetings and negotiating business contracts.

In 2011, travel exports rose to a record \$153 billion, larger than exports of other service industries as well as major manufacturing industries such as machinery, computers and electronic products, and aircraft. Expenditures made by international visitors comprised 1 out of every 7 travel dollars spent in the United States. This level of travel exports led to a record \$43 billion travel trade surplus, which helped mitigate the \$738 billion U.S. trade deficit in manufacturing and other goods.

More recently, travel exports continue to expand at a healthy pace. During the first three months of 2012, travel exports grew at a 20 percent annual rate compared to the fourth quarter of 2011, which was double the growth rate of other exported goods during the same period.

Complementing this export growth is job growth for Americans. The employment recovery in the travel industry has outpaced the rest of the economy and much of this employment growth is being supported by the spending of international visitors traveling in the United States. Of the 142,000 jobs added in the travel industry in 2011, more than a third (38 percent) were supported by international travel spending.

The most lucrative segment of international travel for the United States is the overseas market. These visitors tend to stay longer and spend more money while in the United States. Every overseas visitor spends an average of \$4,300 during their trip to the United States compared with an average spend of less than \$800 for Canadian and Mexican visitors. In fact, the spending of every 35 overseas visitors traveling in the United States supports 1 U.S. job.

An Opportunity for Greater Economic Growth

While it is clear that travel is helping to drive the U.S. economic recovery, the benefits could be far greater. The United States' share of global international long-haul travel actually fell from 17 percent in 2000 to just 12.4 percent in 2010 despite a 40 percent growth in overall global travel. So while global international travel boomed over the last decade, America failed to keep pace.

A study¹ released last year by the McKinsey Global Institute projects the leisure and hospitality sector could add between 2.1 million and 3.3 million new jobs in this decade because the industry is labor intensive, driven by consumer spending, and safe from risks of outsourcing overseas. But to reach the high-growth scenario of 3.3 million new jobs by 2020, the United States needs to implement a plan to increase demand for domestic and international travel and remove any existing barriers.

PROMOTE AND EXPAND INTERNATIONAL TRAVEL

Global travel is projected to grow 36 percent between 2010 and 2020, resulting in \$2.2 trillion in direct travel spending and 62 million jobs. This massive growth in international travel provides the United States an opportunity to regain its lost share of the global travel market and become the world's top travel destination. However, to accomplish this goal, the U.S. must focus on the following key elements:

- 1) international travel promotion;
- 2) a secure and efficient visa issuance process;
- 3) expansion of the Visa Waiver Program; and
- 4) a more efficient and welcoming customs clearance process at major U.S. air ports of entry.

Travel Promotion

In 2010, thanks to the support of Chairman Bono Mack, Ranking Member Butterfield, Representatives Barton, Waxman and Rush, and other members of the subcommittee, the Travel Promotion Act was enacted and created a public-private organization, known today as Brand USA, to help explain U.S. travel and security policies and develop global promotion campaigns to attract millions of additional visitors to the United States.

¹ *An Economy that works: Job creation and America's future*, McKinsey Global Institute, June 2011

The need for Brand USA is simple; the decline in overseas travel to the United States post-9/11 is linked to the mistaken but widespread perception that visitors are not as welcome as they may have been previously and that many security policies are intrusive and unnecessary. Prior to the creation of Brand USA, the United States had no means of direct communication with travelers, leaving all messages about traveling to America to be filtered by the foreign media – which never painted a pretty picture. In contrast, America’s competitors were spending millions of dollars in promotion programs to attract visitors.

With the creation of Brand USA, the United States is now competing around the world for billions in visitor spending by highlighting our nation’s assets. During the Congressional debate on TPA, Oxford Economics estimated that the travel promotion program could attract as many as 1.6 million new visitors each year, generate as much as \$4 billion in new visitor spending annually and create 40,000 new U.S. jobs. And the Congressional Budget Office reported that the bill will reduce the deficit by \$425 million by 2020.

Recognizing that the U.S. was facing a global competitive disadvantage in the international travel marketplace, Congress showed strong leadership by enacting TPA – a business minded solution that doesn’t cost U.S. taxpayers a dime. As we have heard today, Brand USA has recently launched its first global advertising campaign. We are confident that our nation’s travel promotion efforts will succeed and we urge the Committee to support Brand USA’s efforts over the next several years. With your support, America will reap the economic rewards for years to come.

Visa Issuance

In May 2011, the U.S. Travel Association released a comprehensive report which studied the effects of the visa process on international travel to the U.S. and found that delays, cost, access and unpredictability in the U.S. visa system served as a barrier for potential visitors and contributed to our lost market share.

The surge in demand for U.S. visas from China serves as a good case study of the problems that can hamper the U.S. visa system. As demand for U.S. visas began to grow, a backlog in visa applications at U.S. consulates in China also increased. In 2010, the State Department’s Inspector General cited crowded and cramped waiting rooms at U.S. consulates and visa processing waiting periods of up to 90 days. In fact, the IG warned that “the mission’s efforts to improve existing consular procedures require immediate, high-level attention....”.

Working in partnership with the travel industry over the last year, the State Department has undertaken several constructive steps in China, most importantly dedicating more personnel and resources toward visa adjudication. These actions have addressed the long delays in visa issuance and allowed visas to be processed within a two week timeframe.

Over the next decade, economists predict that long-haul travel from China will continue to rise - increasing by 151 percent. We believe Congress can play a key role in ensuring that the visa reforms the State Department has implemented in China are sustained over time and that the United States is able to pursue a larger share of this travel growth without creating significant visa processing backlogs. Furthermore, reforms should be implemented in as needed around the world. Therefore, we urge you to work with the travel community in support of the following recommendations:

- Codifying a 10-day visa processing standard for applications;

- Directing the State Department to tie visa personnel staffing levels to meeting a 10-day visa processing standard;
- Requiring yearly reports from the State Department on the short, mid and long-term plan to meet visa demand from China efficiently;
- Granting Chinese nationals multi-year leisure and business visas; and
- Directing the State Department to pilot the use of secure videoconferencing technology to interview visa applicants remotely.

Visa Waiver Program

The most economical and powerful step the U.S. government can take to improve the performance and competitiveness of the visa processing system while maintaining national security is to sign bilateral visa-free travel agreements with new countries as part of the Visa Waiver Program (VWP). Visitors from VWP countries played a leading role in making travel the top U.S. service export. VWP countries are the largest source of inbound overseas travel to the United States. According to Commerce Department data, over 18 million VWP visitors came to the United States in 2011, comprising 65 percent of all visitors. While here, they spent more than \$69 billion, supporting 525,000 American jobs along with \$12.8 billion in payroll, and generating \$10.5 billion in government tax revenues.

Countries in the VWP are required to adopt strict security measures, strong travel document standards, and enhanced information sharing agreements with the U.S. In addition, each traveler from a participating country must also obtain pre-clearance to board a flight to the U.S. through the Electronic System Travel Authorization (ESTA).

Recently, the U.S. Travel Association studied the economic impact of including the 11 likely candidates for VWP status: Argentina, Brazil, Bulgaria, Chile, Croatia, Israel, Panama, Poland, Romania, Taiwan and Uruguay. Last year, three million visitors from these countries spent \$14 billion in the United States, directly supporting 104,300 jobs in the American travel industry. If all 11 were added to the VWP, US Travel found that the growth rate of visitation from these countries would nearly double in their first year. If that first year were 2012, VWP status would generate an additional 482,000 arrivals and \$5.1 billion more in total revenue. The 32,200 additional U.S. jobs created this year would be eight times more than employment at the largest auto assembly plant in Michigan.

Every potential new VWP visitor from Brazil, Poland and other key markets constitutes, in effect, a walking economic stimulus package. And by strengthening our alliances and enhancing our nation's global image, the VWP has helped to keep us safer. That is why we strongly support bipartisan legislation (H.R.3855 & H.R.3341) introduced earlier this congressional session which would reform the criteria for being admitted to the VWP, with the intent to accelerate VWP expansion. We urge Congress to make passage of this legislation a top priority this year.

Efficient and Welcoming Entry Experience

In order to gain a larger share of the global travel market it is also essential that the United States process visitors securely and efficiently through our nation's airports. Today, a shortage of inspection agents and inefficient staffing allocation decisions produce excessive delays in processing international passengers at some of this nation's highest volume international airports. Some international airports have reported to U.S. Travel that passengers arriving from long flights

experience delays of up to three hours at U.S. customs processing facilities. These inefficiencies in our entry system create negative perception among travelers that have an impact on their interest in visiting the United States again.

We urge you to join us in supporting the following recommendations that will result in a more effective and efficient entry process for millions of visitors and produce a more welcoming experience.

❖ **Efficient Passenger Screening**

- Direct CBP to establish a passenger wait time goal of 20 minutes per individual at international airports, and use it as a performance measure to help CBP assess whether staffing levels are sufficient to address passenger volume.

❖ **Airport Staffing Levels**

- Dedicate enough CBP officers to the nation's top 20 highest volume international airports to meet the 20 minute passenger screening goal.
- Ensure that the \$110 million in annual passenger fee funding resulting from the elimination of the COBRA fee exemptions from Canadian, Caribbean, and Mexican air and sea travelers be reinvested into CBP staffing and facilitation at air and sea ports of entry.

❖ **Implementation of a Customer Service Improvement Strategy**

- Develop comprehensive CBP customer service reports using the data submitted by passengers through CBP's comment cards, and include the reports in the *Air Travel Consumer Report* issued by Department of Transportation's Office of Aviation Enforcement and Proceedings (OAEP).
- Work with the private sector to review existing customer service training and, where appropriate, develop new training techniques.
- Establish metrics to measure the customer service performance of CBP officers at airports, and provide rewards for officers that demonstrate exceptional performance.
- Direct CBP officers to greet passengers arriving at primary inspections with "Welcome to the United States" or "Welcome home."

FACILITATING AND GROWING DOMESTIC TRAVEL

Aviation Security

Domestic travel is also a vital part of the U.S. economic recovery and the air travel process in particular, has a significant impact on traveler's interest in conducting both leisure and business trips. Inefficiencies in the aviation security screening process impose a staggering cost on the economy, hampering job creation and economic growth. And the data suggests that the problem is getting worse.

The FAA projects that air passenger travel will almost double in the next 20 years to 1.2 billion passengers per year. Our industry is concerned that this substantial increase will only lead to longer lines and wait-times at security checkpoints.

To understand the potential magnitude of problems in the future, it is helpful to examine the costs imposed by the current system. A 2010 survey conducted by Consensus Research found that travelers would take two to three more flights per year if the hassles in security screening were

reduced. These additional flights would add nearly \$85 billion in consumer spending back into local hotels, restaurants, convention centers and other travel business, and help support 900,000 jobs.

Similar losses in the future can be avoided if TSA becomes a more risk-based, intelligence-driven and cost-effective organization. In 2011, TSA launched Pre✓™, a trusted traveler a pilot program that provides expedited screening for passengers willing to volunteer more personal information. Pre✓™ is an essential first step in creating a more efficient and secure screening process.

Today, roughly 400,000 Americans are enrolled in Pre✓™, which is a small number compared to the 2 million people who fly each day. The future success of the program will depend on the operational efficiencies and cost-savings realized when more low-risk travelers use the program on a frequent basis.

Fortunately, there are many innovative ways to bolster the Pre✓™ program. TSA and the Department of Homeland Security (DHS) can increase participation in Pre✓™ by expanding CBP's trusted traveler programs and allowing travelers to qualify by aggregating their frequent flier miles across multiple airlines. Additionally, once a passenger is enrolled in the program, Pre✓™ passengers should be immediately granted access to any Pre✓™ lane.

There is also an opportunity for TSA to partner with private sector companies to conduct security threat assessments and risk-based screening. Such a model would quickly boost enrollment in Pre✓™ because the private sector would be able to increase enrollment more broadly.

Infrastructure

Future problems in aviation – and therefore U.S. competitiveness – are not limited to inefficient security screening. The increase in air travel projected by the FAA will require substantially more resources to support the safety, security and infrastructure needs of the entire system. Yet commercial airports already face severe restrictions in their ability to raise revenue for critical infrastructure projects and other services. Additionally, airline ticket taxes that help pay for these services average over 17 percent – higher than taxes on alcohol, tobacco and guns.² Without comprehensive reform in how we finance aviation improvements and service, the system will face devastating and dangerous cutbacks over the next 20 years.

These problems are only exacerbated by the daunting needs of our nation's transportation infrastructure. The FAA rightly states that their forecast underscores the need to implement the Next Generation Air Transportation System (NextGen) – which could increase system capacity by one-third, along with other improvements in efficiency, cost-savings, and environmental benefits.³ Even so, the roll out of NextGen remains mired by delays and uncertainties in funding.

An inefficient and antiquated aviation system will prevent the U.S. from competing in and connecting to a global economy. Without a national policy on air travel that addresses financing, security, energy and infrastructure, the U.S. will not be able handle the projected increase in air travelers.

² Airlines for America, <http://airlines.org/Pages/Taxes-and-Fees.aspx>

³ FAA Press Release, Airline Passenger Travel to Double in Nearly Two Decades, March 8, 2012.

Government Meetings and Conferences

From domestic to international travel, the actions of the federal government impact every segment of our industry. In recent weeks, Members of Congress and the Administration widely criticized federal travel for meetings and conferences following the release of a report by the General Services Administration's (GSA's) Inspector General (IG).

The findings of the GSA IG report clearly detail instances of inappropriate spending and poor decision making on the part of federal employees at GSA – and we strongly oppose these actions. But we are greatly concerned about proposals in Congress to make across-the-board cuts to government travel and to severally restrict the ability of federal agencies to hold meetings and conferences. The conference-related amendments included in the “Digital Accountability and Transparency Act” or DATA Act (H.R. 2146) and the “21st Century Postal Service Act” (S. 1789) are well intentioned. But several provisions are too broad and would unnecessarily restrict federal agencies from participating in and holding legitimate conferences that provide immense value to the taxpayer and take place within the existing travel regulations.

On Friday, May 11, 2012, the Office of Management and Budget (OMB) issued guidance to federal agencies that reduces their travel budgets by 30 percent, increases oversight and transparency of government conferences, and sets spending caps for conference events. While these proposal are not perfect, we believe OMB's actions address the underlying concerns raised by the October 2010 GSA conference and additional Congressional action is not needed. Going forward, we welcome the opportunity to work with Congress and Administration to ensure that legitimate federal conferences are not unnecessarily cancelled and that responsible federal travel can still take place.

CLOSING

Maximizing job creation within the travel industry entails increasing our nation's share of the global travel market and improving and promoting domestic leisure and business travel. The stakes are high, but with the right policies, we should be successful. Thank you for your ongoing interest in the role that travel can play in the nation's economic recovery. Our industry is eager to continue to work closely with you to maintain a robust travel community.