

Testimony of

Chad Prosser  
Director, South Carolina Department of Parks, Recreation & Tourism  
Chairman, Travel South USA

Before the

United States Senate Committee on Commerce, Science and Transportation  
Subcommittee on Competitiveness, Innovation and Export Promotion

May 13, 2009

Good Morning Madam Chair and Members of the Committee. I am the Director of the South Carolina Department of Parks, Recreation and Tourism and I also serve as Chairman of Travel South USA, a regional marketing organization that represents the 12 Southeastern states. I appreciate the opportunity to appear before you today to discuss the importance of tourism to South Carolina and what the federal government can do to assist state tourism organizations in growing our national economy through tourism.

Tourism generates over \$17 billion annually in economic activity for South Carolina. It is our state's largest export and accounts for more than 12 percent of total employment. And, unlike many other mature export industries, tourism in our state is still growing with potential for future expansion. I use the word "potential" deliberately because continued growth is not a given. While long-term growth trends in tourism are positive, recent declines in consumer spending and corporate meetings travel are quick reminders of the near-term volatility of our industry. And while our industry has always had great capacity to rebound, just as we did following 9/11, we can ill afford for such a critical sector of our economy to be underperforming just as the nation is fighting recession and grasping for recovery.

From 2002 to 2007, South Carolina's gross tourism product grew by over 30 percent, surpassing the state's overall Gross State Product growth of 23 percent. Beginning in the summer of 2008, however, growth began to slow and eventually turn negative. The dramatic fall in consumer confidence levels has significantly affected hotel bookings and attraction visits, as well as, many small businesses that rely on tourism. In the first three months of 2009, hotel occupancy statewide dropped 12.3 percent, with decreases being experienced in all of our major tourist destinations. Furthermore, business travel and the corporate meetings business is down more dramatically than leisure travel. For instance, one of our business hubs, Greenville, has seen hotel revenue fall by 20 percent in the first quarter and bookings at meeting facilities down by 35 percent.

Two of South Carolina's best-known sporting events - the Family Circle Cup women's tennis tournament in Charleston and the Verizon Heritage PGA Golf Tournament on Hilton Head Island - both reported a significant decrease in ticket sales and corporate sponsorship this year. These spring events clearly demonstrate both the decline in leisure

travel due to the economy and the severe drop in corporate travel due to economic strain and public pressure on corporations.

We appreciate the Senate's continued focus on improving tourism within the United States. There are three areas where the federal government can have a positive impact in returning tourism to the engine of growth it has historically been. These are: Improved facilitation of the travel process; Coordination of a national public/private partnership to promote U.S. tourism abroad, and Public leadership to encourage both leisure and appropriate corporate travel.

Two years ago, I testified here regarding the obstacles faced by many international travelers to the United States. Since that time, the Model Ports of Entry program and the expansion of the Visa Waiver Program have led to some improvements for our international visitors. However, Congress should continue to push federal agencies to fully and quickly implement these initiatives. Additionally, improvement of the air travel experience, from TSA screening to flight delays, should be a top priority. A survey released last May showed that air travelers avoided 41 million trips in the prior year due to frustration with the air travel process. These unnecessary obstacles hinder our ability to compete.

Marketing travel is the same as marketing any international consumer product. Just as the most successful international franchises promote themselves through coordinated marketing that begins with an umbrella brand identity and follows through to each local point of sale, the travel industry must do the same to be successful. States and our tourist destinations compete in a global market for travelers. Our competitors are organized by national governments and well-funded. Even collectively, the states do not have the resources to substitute for the federal government in promoting our country to international visitors. Over the last year, most state tourism organizations have been hit hard by budget cuts. My organization's advertising budget has been cut in half this year due to severe shortfalls in state revenue. Thus, while real opportunities exist to grow U.S. market share in tourism, fewer dollars are being spent on this task as states and destinations use their limited funds to defend against further erosion in the domestic travel market.

Tourism is distinctly different from most large export industries because it is comprised mostly of small to medium-sized businesses, over 90 percent according to the U.S. Chamber of Commerce. Given the fragmented and diverse nature of the industry, no single group or trade association can effectively represent the entire industry abroad without the coordination of the federal government. That is why I encourage you to pass the Travel Promotion Act when it is reintroduced this year to establish a public/private partnership to promote U.S. tourism. This legislation will enable the U.S. tourism industry to compete internationally on a level playing field.

Lastly, a simple but powerful way for you to help U.S. tourism is by using your influence over public perception to promote leisure travel and encourage appropriate business travel. This action cost nothing but the financial dividends are real and immediate. With hotel rates reduced by as much as 40 percent in Myrtle Beach, Charleston and Hilton Head Island and gasoline costs this summer projected to be 42 percent lower than last year, there's never been a better time to travel. Consumers simply need a nudge of confidence to get them traveling again.

Your leadership on this issue is crucial. The travel industry is doing everything it can to promote recovery. But ultimately the solution is found not in discounting but in deliberate action to improve the travel process and let visitors know that we are open for business.

Madam Chair and Members of the Committee thank you again for focusing on this issue.