Testimony of Jonathan Tisch
Chairman and Chief Executive Officer
Loews Hotels
and
Chairman Emeritus, U.S. Travel Association

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

Legislative Hearing entitled:
Tourism in America: Moving Our Economy Forward

November 17, 2011

Chairwoman Klobuchar, Ranking Member Blunt, Members of the Committee: Thank you for inviting me to speak today about an issue of critical importance to America's economy – specifically, the U.S. travel industry and the need to boost our competitiveness when it comes to attracting international travelers. Under your joint direction, this subcommittee has been re-energized – and our industry welcomes and appreciates your leadership.

For the first time in several years, the travel industry is finally seeing evidence that the recovery is taking hold. Hotel demand and occupancy are both up over the last year.[1] Our baseline economic metric – "revenue per available room" – is up 8.3 percent industry-wide.[2] That's a positive sign for both our industry and the overall economy.

America's travel industry is responsible for generating nearly $1.8 trillion of economic output annually and directly employing 7.5 million Americans.[3] The hotels and accommodations segment in which my company, Loews Hotels, operates accounts for nearly $131 billion in economic output and 1.75 million American jobs at more than 53,000 places of business nationwide.[4]

Nearly one-fifth of those jobs are dependent on international travel.[5] More importantly, international travel is where the jobs of the future could be – *should be* – created. The most lucrative segment of the travel market – international long-haul travel –

[1] "Outlook for the U.S. Lodging Industry," Smith Travel Research, October 27, 2011.
[2] *Ibid*.
[3] U.S. Travel Association.
[4] *Ibid*.
[5] *Ibid*.

grew by 40 percent over the last 10 years and is projected to grow another 40 percent over the next ten.[6]

Between 2000 and 2010, the world experienced an international travel boom – or at least most of it did. During that decade, long-haul travel to China grew by 126 percent; travel to India shot up 124 percent. Italy was up 48 percent, Japan 32 percent and Australia 23 percent.[7]

And how did the U.S. perform during this global travel "gold rush?" Long-haul travel to the U.S. was up a paltry 2 percent. Globally, our share of this critical market fell from 17 percent in 2000 to just 12.4 percent in 2010.[8]

The economic stakes here are truly enormous. Our government should establish a **national goal** of reclaiming our share of the international travel market.

Consider this fact: Each overseas traveler to the U.S. spends an average of $4,000 during a visit.[9] Simply regaining our 17 percent market share would attract an additional 98 million visitors to the U.S. – generating more than one million new jobs and $859 billion in economic output, according to the U.S. Travel Association.

So now the critical question: How do we reach that national goal?

Today, I'd like to briefly outline three strategic policy priorities that will enhance America's competitiveness in attracting international visitors and create a new stream of growth in our economy.

First, Congress should continue to support the Corporation for Travel Promotion – now known as Brand USA – established under the Travel Promotion Act, a landmark piece

[6] U.S. Travel Association, based on Oxford Economics data.
[7] Office of Travel & Tourism Industries; Oxford Economics, as cited in *Ready for Takeoff*, U.S. Travel Association.
[8] Department of Commerce, as cited in *Ready for Takeoff,* U.S. Travel Association.
[9] *Ready for Takeoff*, U.S. Travel Association.

of legislation which was made possible due to the strong support of members like Chairwoman Klobuchar, Senator Begich and then-Representative Blunt. Jim Evans, CEO of Brand USA is here today to update you on the exciting work of this innovative, public-private partnership, the first-ever advertising and promotion campaign aimed at bringing more overseas travelers to the U.S.

In today's difficult fiscal environment, every program must justify its budget – and Brand USA is no exception. That's why I believe it is critical to underscore that *not one single taxpayer dollar* goes to support this organization.

While Congress and the Administration should be applauded for their leadership in enacting this legislation, it's important to recognize that the U.S. is really playing catch up when it comes to competing in the market for international travelers. Right now, Western Europe currently captures 37 percent of outbound travelers from China, Brazil and India compared to just 16 percent for the U.S.[10] But our European competitors are working to gain even more market share – at our expense. This year, the U.K. announced a goal of bringing four million more overseas visitors to the country over the next four years – and is dedicating the resources to make it happen.[11]

The U.S. is also facing competition outside Western Europe. South Korea recently launched the Visit Korea campaign aimed at attracting 8.5 million additional travelers. Just to our south, the Mexican government has labeled 2011 "the year of tourism" as part of its effort to make Mexico one of the world's top five tourist destinations.[12]

---

[10] U.S. Travel Association based on data from Office of Travel & Tourism Industries and Oxford Economics, as cited in *Ready for Takeoff*, U.S. Travel Association.
[11] *Ready for Takeoff*, U.S. Travel Association.
[12] *Ibid*.

The **second** policy priority centers on reforming America's burdensome, bureaucratic, costly visa system. At a time when other countries are actively competing to win more global travel business, our visa system operates like a giant "Not Welcome" sign.

Reform starts by increasing visa access for the millions of people seeking to travel to the U.S.

There are twenty-seven cities in China with populations greater than two million people – and no U.S. visa processing center for prospective travelers.[13] In the entire country, only five U.S. visa processing centers serve China's 1.3 billion people.[14] Many potential Chinese visitors to the U.S. must travel hundreds of miles to apply for a visa. Once they arrive, they often confront long lines, cramped facilities and hard-working but over-stretched consular officers.

To be fair, the U.S. State Department, which administers our visa system, has recently taken steps to make America's visa process more efficient and more user-friendly in select countries. The travel industry has been working closely with the State Department to identify opportunities for improvement and to implement the necessary reforms. I'd especially like to commend Deputy Secretary Tom Nides for his commitment to this effort.

As a result of reforms already undertaken, wait times for Chinese citizens who wish to obtain a visa have decreased from more than 60 days in the past year to just 12 days in October.[15] This is progress, but more work remains to be done. As of this week, travelers

---

[13] *Ready for Takeoff*, U.S. Travel Association.
[14] *Ibid*.
[15] U.S. Travel Association.

from Brazil's capital city are still waiting more than 100 days for their visas to be processed.[16]

Rapidly-growing countries like China, Brazil and India represent the future of the global travel industry. Over the next decade, long-haul travel from these three countries is expected to grow by more than 100 percent[17] – a potential market of millions of additional travelers that is literally up for grabs. But to seize this opportunity, we must be prepared to meet the increased demand for U.S. visas.

Fixing our visa system requires action on two fronts. Where the State Department can act alone, it should do so – and make it a high priority. But Congress also has a critical role to play.

One area where Congress can have a substantial impact is expanding the Visa Waiver Program. Countries participating in this program work with the State Department to allow their citizens to visit the U.S. for up to 90 days without a visa. In 2010, 65 percent of the 26 million overseas travelers to the U.S. came from the 36 countries in the Visa Waiver Program.[18] Adding countries such as Brazil, Poland and Chile could quickly double arrivals from these three countries, generating an additional $7 billion in spending in the U.S. and creating more than 50,000 American jobs.[19]

I would like to thank Chairwoman Klobuchar and Senator Begich for co-sponsoring S. 497 – a bill introduced by Senators Mikulski and Kirk which would expand the Visa Waiver Program.

---

[16] *Ibid*.
[17] *Ready for Takeoff*, U.S. Travel Association.
[18] *Ibid*.
[19] U.S. Travel Association.

But boosting the number of countries in the Visa Waiver Program is not enough. That is why I also applaud Chairwoman Klobuchar and Subcommittee Members Blunt, Heller and Warner for championing legislation that would incentivize the State Department to make the visa process more efficient and effective. This bill would give the State Department the ability to reinvest visa fees to hire more consular officers. It also allows the Department to waive visa interviews for three years for travelers who previously held a visa.

Senators Schumer and Lee have also demonstrated strong leadership by introducing the VISIT U.S.A. Act. This bill would make it easier for Chinese citizens to visit the U.S.; expedite the visa process for travelers willing to pay a premium; and create new guidelines that would make it easier for the Departments of State and Homeland Security to designate new countries for the Visa Waiver Program.

The **third** and final strategic priority I would like to address is America's inadequate infrastructure, specifically our aviation infrastructure: the runways, terminals, security checkpoints and air traffic control systems that serve as a gateway to our nation for international travelers.

One visit to a U.S. airport is usually enough to persuade visitors that our aviation infrastructure is antiquated, inefficient and unwelcoming, but here are a few facts to back up the case:

- According to the Building America's Future Education Foundation, the U.S. aviation infrastructure ranks 32nd in the world behind countries like Panama, Chile and Malaysia.

- Five of the world's 10 busiest airports are in the U.S.[20] – but not a single U.S. airport made the list of the world's 10 best.[21]
- The American Society of Civil Engineers gave U.S. aviation infrastructure a "D" – and they were grading on a curve.[22]

The simple fact is, our runways cannot keep up with demand; our aging terminals were not designed to handle modern security needs; and our air traffic control system relies on ground-based radar technology that is more than a half-century old. A new car equipped with GPS has a more sophisticated navigation system than the average commercial airliner. The result: Flight delays, long waits on the tarmac and security chokepoints that frustrate and deter both international and domestic travelers.

No wonder *New York Times* columnist Tom Friedman recently wrote that landing at Kennedy airport after a trip from Hong Kong was like "going from the Jetsons to the Flintstones."[23]

Modernizing and upgrading our aviation infrastructure will require a significant investment, but consider the costs already being imposed on our economy. Flight delays at New York's three major airports cost the regional economy $2.6 billion in 2008, according to a study by the Partnership for New York City. By 2025, the costs due to expensive

---

[20] Aiports Council International, as cited in, "World's Busiest Airports, as Listed by the Airports Council International," *Huffington Post*, March 16, 2011, http://www.huffingtonpost.com/2011/03/16/worlds-busiest-airports-a_n_836220.html#s254206&title=1_Atlanta_89331622.
[21] "The 10 Best Airports in the World," *Business Insider*, March 30, 2011, http://www.businessinsider.com/best-airports-in-the-world-2011-3?op=1.
[22] "Report Card for America's Infrastructure," American Society of Civil Engineers, 2009 http://www.infrastructurereportcard.org/.
[23] *New York Times*, Dec. 24, 2008.

delays, lost productivity, wasted fuel and harmful pollution could reach a cumulative $79 billion.[24]

Unfortunately, when it comes to implementing long-term plans to modernize and upgrade America's infrastructure, Washington's legislative process is almost as gridlocked as our nation's airports. The Surface Transportation Act expired in 2009 and is currently on its eighth temporary extension.[25] Legislation to fully fund the transition to the Next Generation Air Transportation System is mired in controversy.

Meeting these challenges will require bipartisan leadership. Perhaps it will require new thinking, as well. I, for one, believe we should also be pursuing innovative public-private partnerships to leverage increasingly scarce resources. One interesting idea is Los Angeles County's "30/10 initiative" – a proposal to use local revenues and federal loans to fast-track construction on vital infrastructure with the goal of completing 30 years' worth of projects in just 10 years.[26]

The main point I would like to impress upon you is the huge potential of the global travel market. Tapping into this potential promises to generate U.S. economic growth, promote job creation and spur small business expansion. The process starts by establishing a national goal of reclaiming America's 17 percent share of the global travel market.

In my industry alone, simply restoring the U.S. share to 2000 levels would create more than 400,000 new jobs by 2015.[27] Working together – Democrats and Republicans,

[24] "Grounded: The High Cost of Air Traffic Congestion," Partnership for New York City, February 2009 http://www.pfnyc.org/reports/2009_0225_airport_congestion.pdf.

[25] U.S. Senate and Transportation and Infrastructure Committee, http://republicans.transportation.house.gov/singlepages.aspx/911.

[26] http://www.metro.net/projects/30-10/.

[27] U.S. Travel Association.

Congress and Administration, government and industry – we can compete and win in this fiercely competitive market. As Chairman Emeritus of the U.S. Travel Association, I can tell you that our members stand united and ready to work with you to accomplish our common goals.

Given this industry's presence in 50 states and 435 congressional districts; primacy as an economic force in both rural and urban America; and the capacity for near instantaneous job creation through expansion and new business start-ups – surely these issues should earn the bipartisan support that they deserve.

I thank you again for inviting me and look forward to answering any questions from the committee.

# # #