WRITTEN TESTIMONY FOR THE RECORD

OF

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ON

"REVIVING INTERNATIONAL TRAVEL AND TOURISM TO CREATE AND RESTORE JOBS"

BEFORE THE

UNITED STATES SENATE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

SUBCOMMITTEE ON TOURISM, TRADE, AND EXPORT PROMOTION

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INTRODUCTION

Chairwoman Rosen, Ranking Member Scott, and Members of the Subcommittee:

Thank you for holding this important hearing. It's a privilege to be here on behalf of Brand USA, the destination marketing organization (DMO) for the United States.

This hearing is timely because the pandemic has had a devastating effect on travel and tourism in general and especially on communities, businesses, and employees that rely on spending by international visitors. Inbound international travel has historically been the country's number two export and its top services export. In 2019, travel exports were $233 billion, delivering a $51 billion trade surplus and directly supporting 1.2 million jobs. But from March through the end of 2020, overall international arrivals fell by 91% and overseas visitation was down a staggering 96% compared to the same period a year earlier. Travel exports plummeted by 64% to just $83 billion—a year-over-year loss of $150 billion. Without a concerted recovery effort, travel exports will continue to fall and lost jobs will be slow to come back—or may not come back at all.

Brand USA was created to help address problems like this. Our mission is to increase international visitation and spend to fuel our nation's economy and enhance the image of the USA worldwide. As a public-private partnership, we work with the travel industry and federal government to inspire people from around the world to explore and enjoy our diverse destinations and experiences and to communicate visa and entry policies. We also influence tour operators and travel agents to help them improve their storytelling about U.S. destinations, expand the packages they offer, and stoke demand for travel to the United States. Our work also provides vital marketing infrastructure that improves and amplifies the U.S. travel industry's own efforts to reach potential visitors and connect with international sales networks and media.

Since 2013 these activities have generated 7.7 million incremental visitors; $25.5 billion in incremental spending; $56 billion in total economic output; $7.3 billion in federal, state, and local taxes; and support for over 45,000 jobs per year. We return $26 to the U.S. economy for every dollar we spend on marketing. These benefits accrue to rural and urban communities alike and grow the economy beyond the travel sector. In fact, nearly half of the Brand USA-generated economic output and jobs accrue to non-travel and tourism industries such as manufacturing, finance, insurance, and retail.

Unfortunately, the economic fallout from the pandemic has disrupted the funding model established by the Travel Promotion Act and jeopardized our ability to help restart international travel and continue in our vital mission to create and restore American jobs.

NAVIGATING THE PANDEMIC[1]

Impact on the travel and tourism industry

The past 15 months have been a stark reminder of the important role the travel sector plays in the vitality of economies at the local, state, and national levels. Towns and cities have seen their hotels, restaurants, attractions, and small businesses suffer job losses that have impacted families and communities.

Travel and tourism have long been a major driver of our nation's economy. According to the U.S. Department of Commerce, the industry accounted for 2.9% of gross domestic product and provided 9.2 million jobs in the United States in 2019. The international segment is particularly valuable because on average international visitors spend more time and money, and visit more places, than domestic travelers. U.S. travel and tourism exports were $233.5 billion in 2019, accounting for 9% of all U.S. exports and 27% of services exports and furnishing a $51 billion trade surplus.

COVID-19 brought international travel to a halt. Overall arrivals dropped 91%, and overseas visitation fell by a staggering 96% from March 2020 through the end of the year compared to the same period in 2019. Over the course of the entire year, including the strong first quarter, international arrivals fell by 76% and travel exports plummeted by 64% to just $83 billion. This caused the U.S. travel trade surplus to fall by 31% to $35 billion.

The catastrophic drop in travel has had a devastating impact on the industry. According to Oxford Economics, cumulative U.S. travel and tourism losses are now approaching $600 billion after contracting 42% in 2020. This lost spending resulted in a cascading loss in tax receipts of $64 billion across the federal, state, and local levels last year. And the leisure and hospitality sector alone lost 19% of its jobs and accounted for 37% of all jobs lost during the pandemic.

In addition, from March through the end of 2020, international inbound travel fell by 91% and overseas visitation was down a staggering 96% compared to the same period in 2019. Over the course of the entire year, including the strong first quarter, international arrivals fell by 76% and travel exports plummeted by 64% to just $83 billion. This caused the U.S. travel trade surplus to fall by 31% to $35 billion.

The travel industry, and in particular international travel, will play a major role in our country's economic recovery, but it will involve building back from a deep hole.

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[1] Brand USA's annual reports to Congress for FY2019 and FY2020, submitted for the record, provide a comprehensive overview of how we market the USA and measure success. These documents include detailed descriptions of the methods, rationales, and tactics we employ to drive incremental visitation and spend.

Brand USA's response

Brand USA responded to the pandemic by pivoting to a "state of readiness" framework to conserve resources while focusing on foundational activities that only the national DMO can do.

We launched Brand USA Global Marketplace, a virtual B2B platform that keeps U.S. destinations and travel suppliers connected with global networks of tour operators, travel agents, airlines, and media. This platform has played an essential role for many stakeholders that scaled back their international presence, and it will continue to be an important tool in the future. Market-specific programming has helped put the United States in a competitive position for recovery once travel resumes at scale.

One of Brand USA's unique value propositions is the ability to conduct consumer and market research and produce critical analysis and insights at the international level. As COVID-19 swept the globe and scrambled attitudes toward travel as well as destination marketing budgets, stakeholders looked to Brand USA for overall guidance and tactical questions about everything from travel policies to cooperative marketing plans. We increased our sharing of research to help navigate these waters.

Brand USA suspended paid media marketing in March 2020, but kept the drumbeat of inspiration alive through organic communications channels. For example, as travel came to a standstill, Brand USA developed novel ways to engage with audiences on social media, created a dialogue with potential visitors, and embarked on a virtual, cross-country road trip to sustain interest in destinations across the USA. With the help of 7.5 million followers across its social channels, Brand USA leveraged user-generated content, influencers, and local destination partners to virtually visit all 50 states, five territories, and Washington, D.C., showcasing the possibilities and welcoming nature of the USA. And though we paused production for GoUSA TV, we increased distribution of existing content through partner platforms such as Samsung Plus UK and AirBnB Online Experiences. This collaboration provided needed programming for the partner companies, delivered compelling content to consumers, and extended Brand USA's reach.

Brand USA remained focused on keeping the USA top-of-mind among the global travel community. To engage the many travel agents and tour operators who were stuck at home with their businesses disrupted, we leaned into digital tools to keep them inspired and knowledgeable about the USA. We accelerated participation in the USA Discovery Program, Brand USA's award-winning online travel agent training program. We also transformed in-person education programs that we carry out across all markets during a typical year. By using informative and inspiring webinars designed for the travel trade community, we dramatically expanded the number of travel agents and tour operators reached.

Finally, public relations proved to be an effective strategy—and one that highlighted the need to be nimble and adaptable in the face of unforeseen developments. We found innovative ways to inspire travel dreamers to keep the USA top-of-mind when it's safe to travel, including online events, trade programs, strategic pitches, partnerships, and storytelling assets (United Stories and GoUSA TV).

Gating criteria

Throughout the pandemic, Brand USA has been tracking a set of gating criteria to determine when conditions are appropriate to transition from a state of readiness into a proactive recovery campaign. These criteria include source market conditions such as air service, entry restrictions and consumer sentiment and behavior; as well as home market conditions like viral spread, openness of destinations and attractions, and financial position. These criteria are tracked through a COVID-19 dashboard that Brand USA created and is actively sharing with industry stakeholders to help inform their own decision-making process.

Planning for recovery

As the world eyes the reopening of travel, our competitors will actively seek to regain share of international travelers in what is expected to be a year of explosive growth. In fact, Oxford Economics forecasts the United States to lag other regions of the world in returning to 2019 levels of visitation because of the relatively high proportion of long-haul arrivals in our total inbound visitor mix and due to the timing of airlines restoring on a global basis all at once. With international travel expected to recover more slowly than domestic, U.S. destinations and companies will focus on that market and invest fewer resources in international markets over the next couple years. A campaign to market the entire USA as a destination during this critical period is essential to rebuilding our economy.

Brand USA has developed a comprehensive approach to help rebuild traveler confidence and stimulate demand. The recovery campaign will focus on three sequential tasks to jumpstart international travel and help relieve some of the financial shortfalls in the industry. First, rebuild traveler confidence by demonstrating the United States is ready to receive them. Second, welcome the world back through an inspiring creative approach that evokes the possibility awaiting in a trip to the USA. Third, entice and convert the inspiration and pent-up demand into booking a trip.

Unfortunately, the pandemic has disrupted the funding model established by the Travel Promotion Act, placing these plans at risk.

DISRUPTION OF THE FUNDING MODEL

Brand USA is funded by contributions from non-federal sources, such as state tourism offices and travel brands, and matching funds from ESTA fees paid by visa waiver travelers during the prior fiscal year. We receive a dollar in matching funds—up to $100 million per year—for each dollar of contributed cash or in-kind that clears the verification process at the Department of Commerce.

Nearly a decade into our mission, Brand USA has refined our value proposition and accumulated sufficient carryforward to smooth over cash flow challenges in each new fiscal year. Consistent access to funding is critical to making the kind of capital-intensive investments in marketing infrastructure that the domestic travel and tourism industry rely upon while also creating and launching robust, integrated global advertising campaigns.

Three factors have challenged this model. First, ESTA collections are stagnant, resulting in only $62 million in available matching funds this year and potentially as little as $10 million next year. This means that for Fiscal Years 2021 and 2022, the available resources are around $128 million short of the amount authorized by Congress. Second, Brand USA's partner base and the travel industry more broadly continue to face significant hurdles to making pre-COVID levels of contributions. Third, the Brand USA Extension Act (2019) raised the minimum proportion of cash contributions from 30% to 50%, which is a major hurdle for our cash-strapped industry to meet.

ESTA collections

The Travel Promotion Fund at Treasury accrued only $62 million from ESTA fees in FY2020. Therefore, FY2021 is the first year the account has not had the full $100 million authorized by the Travel Promotion Act. More critically, since ESTA fee collections remain depressed, there will be significantly less than $100 million available in FY2022 — perhaps as little as $10 million. Until ESTA collections ramp up, or unless there is extraordinary help from Congress, we will be significantly constrained in our ability to bring forward recovery campaigns to energize the economy and deliver desperately needed help to communities of all shapes and sizes throughout country.

Partner contributions

The pandemic has had a major effect on the ability of Brand USA partners to make their typical level of cash contributions. This applies to the private sector, which has seen significant decreases in sales, and to city- and state-level DMOs, which are dependent on lodging taxes, state appropriations, and other traveler user fees.

In FY2020, Brand USA achieved the full $100 million match earlier than in any prior year, but cash contributions dried up after mid-March. What was projected as an additional $23.7 million in cash contributions that would have served as carryforward to begin FY2021 came in at only

$7.98 million. This dynamic has continued through the first half of FY2021 as new cash contributions have slowed to a trickle. And though we may see an improvement in contribution figures as domestic travel recovers, the priorities for most contributors will likely continue to be closer to home—for example, rehiring staff, refreshing infrastructure, retaining vendors, and promotional efforts for domestic travel and convention sales.

New cash floor

The Brand USA Extension Act, signed into law in December 2019, reauthorized Brand USA's access to ESTA fee-based matching funds through FY2027. However, the bill also raised the floor for the minimum required proportion of cash-to-in-kind from 30% to 50% beginning in FY2021. In a normal year, Brand USA now must submit $50 million in cash contributions to receive the full $100 million match. In FY2021, Brand USA will need to collect a minimum of $31 million in cash contributions and a maximum of $31 million in in-kind contributions to receive the full $62 million in available match (minus sequestration).

A 66% increase in the proportion of cash contributions is a challenge in the best of times. The new floor is an acute problem in the current year because of the dearth of carryforward from FY2020 and the continued stagnation of contributions. As in the early days of Brand USA, we anticipate a ramp-up period of one or two years to accrue sufficient momentum to smooth over cash flow issues and ensure we maximize the available matching funds each fiscal year.

The combination of these factors means that funds will not be available to promote international travel and support jobs at the time it is most needed. Due to effective budget management through the pandemic, we have sufficient cash on-hand to either maintain business continuity until revenue streams recover in FY2023 or to bring forward the recovery campaign to help boost the economy. But we cannot do both.

WHAT CONGRESS CAN DO

These are structural impediments only Congress can solve. That's why the Travel and Tourism Advisory Board recently recommended an extraordinary $250 million appropriation to Brand USA, outside the matching process, to provide the resources to hasten the international travel recovery. The TTAB also recommended temporary suspension of the 50:50 cash-to-in-kind ratio for greater matching flexibility.

Oxford Economics estimates that such an appropriation would lead to more than 1.7 million more visitors who would spend $4.5 billion, generating nearly $700 million in federal taxes and supporting more than 40,000 new jobs. It would also allow the United States to return to 2019 levels of arrivals and spending in 2024 instead of the current forecast of 2025. These positive results would go unrealized without action from Congress.

Time is of the essence. Key source markets that account for a significant portion of inbound travel to the USA are progressing toward our gating criteria targets. And we are rapidly approaching domestic readiness to receive these visitors. Brand USA is urgently making preparations to launch a recovery effort, but we cannot initiate the robust campaign we envision, and know is necessary, without greater certainty that funds will be available to sustain it.

Fiscal Year 2022 will see historic growth rates in global travel as the world begins to move again. We have a window of opportunity to shape the trajectory of our sector's recovery and support recovery in many other parts of the economy, too. The challenges I've outlined must be addressed now in order to produce and launch campaigns in time to channel this nascent demand to the United States, supporting tens of thousands of jobs in communities around the country.

Thank you again for the opportunity to testify. I look forward to your questions.