UNITED STATES TRAVEL AND TOURISM ADVISORY BOARD

December 19, 2018

The Honorable Wilbur Ross
Secretary of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

The U.S. Travel and Tourism Advisory Board (TTAB) was tasked with providing a recommendation for a new 10-year international visitation and spending goal for the United States. This work was conducted through the TTAB's National Goal Subcommittee and we are pleased to share our proposal, as well as a comprehensive strategy supporting this recommendation, for your consideration.

Executive Summary

The TTAB evaluated the following factors in developing our proposed visitation goal and its underlying recommendations: (a) macroeconomic environment and long-term projections; (b) travel & tourism industry historical performance and long-term projections; (c) competitive benchmarking vs. other major travel destinations; (d) existing efforts and interdependencies among federal agencies; and (e) new initiatives designed to increase U.S. share of international visitation.

Accounting for nearly a fifth of real GDP growth since 2010, exports of goods and services are critical to the U.S. economy, and travel & tourism are critical to export growth. In fact, since 2010, growth from this sector was responsible for nearly one-fourth of the increase in total U.S. exports, more than other major export sectors such as capital goods, automotive products, industrial supplies, consumer goods, financial services, telecommunications and information technology/services *(source: Department of Commerce)*. Given the Administration's goal of achieving sustained 3% GDP growth, international inbound tourism represents a key U.S. export in achieving this milestone. Unfortunately, 2018 marks the third consecutive year in which U.S. share of international visitation has declined.

The TTAB's recommendations are specifically intended to reverse this concerning trend and to ensure the long-term competitiveness of this vital service export. After careful consideration, the TTAB believes that **the U.S. should commit to a revised national goal of 116 million annual international visitors by 2028, representing $445 billion in yearly travel & tourism exports**. This target is predicated on the implementation of the recommendations detailed in this document. Absent such measures, the U.S. is currently projected to lose 7.0% in market share over the next decade, with a corresponding loss of ($31.3) billion in annual travel & tourism exports by 2028 *(source: Oxford Economics)*.

Economic Overview

The U.S. travel and tourism industry is currently responsible for over 10.7% of all U.S. exports – growing 74% over the last decade – and nearly one-third of all U.S. services exports. With one out of every 18 Americans employed either directly or indirectly in tourism-related jobs, the industry currently represents over 3% of U.S. gross domestic product, and an increase or decline of just 5% in travel and tourism exports has a $12.6 billion impact on the U.S. economy *(sources: Department of Commerce; Oxford Economics)*.

While domestic travel represents the largest segment of total visitation, international travelers generate a disproportionate percentage of total travel-related expenditures, totaling $251 billion in 2017 and yielding a $77 billion trade surplus *(sources: Department of Commerce; Oxford Economics)*. In fact, the United States has enjoyed a favorable balance of trade from travel & tourism for over 25 consecutive years.

In 2018, approximately 80 million international visitors are expected to travel to the U.S. *(source: Oxford Economics)*. Based on the economic importance of international inbound travel, the U.S. government previously established the goal of welcoming 100 million annual international visitors to the United States by 2021. Recent figures released by the Department of Commerce, however, showed that U.S. share of the long-haul overseas travel market declined from 13.8% in 2015 to 12.2% in 2017 – a negative variance of (11.6%). This creates a clear economic imperative to aggressively pursue new initiatives to reverse that trend.

Furthermore, while global long-haul travel is expected to grow to over 310 million travelers in 2018, as noted above, U.S. share is expected to decline for the third consecutive year. The last time that happened was in the years immediately following 2001, when the U.S. share of global long-haul travel declined for four consecutive years (2001-2004), dipping to a low of 11.7% in 2006 *(source: Oxford Economics)*.

SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis

To properly evaluate the U.S.'s ability to reclaim lost market share and, long-term, to out-perform other major destinations, the TTAB's process began with a comprehensive assessment of our current competitive positioning.

First, it is important to recognize that we have a number of key competitive advantages that have established the U.S. as a compelling destination for international tourism. We used these attributes to identify best practices that informed the development of our recommendations. This included determining how to better leverage and enhance these successes moving forward, as well as identifying new initiatives to further differentiate the U.S. from its competitive set.

At the same time, it is imperative that we take an objective, critical look at those areas in which the U.S. has existing weaknesses – many of which have directly contributed to our declining share of international visitation. In a similar vein, we have identified potential threats that – left unaddressed – could further negatively impact our global competitiveness. In both of these areas, the TTAB has adopted a proactive, solution-oriented approach to present Commerce with practical, actionable recommendations.

The SWOT analysis on the following page provides a high-level overview of these elements, with detailed recommendations immediately following.

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<tr><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
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Brand USA – Since its inception, U.S. share of international visitation has grown steadily, making the destination fundamentally more competitive
Safety & Security – Perception of U.S. as a safe destination, particularly relative to some international competitors
Accessibility – Among other factors, significant increase in non-stop air service resulting from Open Skies agreements has been a key business driver
Diversity – The U.S. “has it all”, offering virtually every travel experience imaginable including our National Parks and natural resources; the cultural and ethnic diversity of major gateway cities also create a welcoming climate for international guests
Efficiency – Through successful initiatives like the Visa Waiver and Preclearance programs, residents of participating countries enjoy a streamlined process for U.S. entry
Holistic Governmental Approach – A broad cross section of federal agencies have prioritized travel and tourism as a vital contributor to the U.S. economy, and this focus has significantly advanced export growth and the creation of American jobs
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Declining U.S. Market Share – 2018 marks the third consecutive year in which the U.S. share of international visitation has weakened – a concerning trend that must be reversed as expediently as possible
Strength of U.S. Dollar – Due to currency fluctuations that have impacted key inbound feeder markets, the U.S. has become a more expensive destination
Staffing Levels – An insufficient number of Consular Officers and CBP agents limits our ability to efficiently meet the growing demand from key international audiences
Ease of Visa Access – As visitation from non- urban centers grows, it is challenging for some prospective travelers to apply for a visa; visa refusal rates have grown significantly in some key markets (e.g. – China)
Customer Service – Particularly since CBP and TSA staff create the first and last impression for international visitors, negative service experiences impact return intent
Travel-Related Infrastructure – Some of the nation’s most heavily utilized travel infrastructure needs to be modernized – both to remain competitive with other destinations and to facilitate easier access to secondary U.S. markets
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<tr><th>OPPORTUNITIES</th><th>THREATS</th></tr>
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Expand Visa Processing Facilities – This is particularly important in key international markets where providing ease of access is paramount in growing U.S. market share
Leverage Technology – By exploring and testing how to better leverage technology to improve accessibility from non-urban centers, there is an opportunity to drive incremental visitation from untapped markets
Increase Transparency – Since visa approval timelines vary significantly throughout the year, sharing historical wait times with prospective travelers will enable them to more efficiently plan their travel and redirect visa applications to less busy periods
Ongoing Analysis of Visa Refusal Rate – By actively analyzing refusal rates by market on a monthly – rather than annual – basis, issues can be addressed more proactively
Educate Personnel on MICE Business – High refusal rates for this vital and growing customer segment suggest that there is a need to educate Consular and CBP personnel regarding the unique nature of these groups
Expand the Visa Waiver Program – This initiative is a true success story – effectively balancing security and visitation – and appropriate expansion of Visa Waiver would drive significant new inbound travel to the U.S.
Rename the Visa Waiver Program – Serious consideration should be given to renaming the program given the negative/inaccurate perception it creates among U.S. residents
Expand the Preclearance Program – While currently limited in scope, this is another success story that would make the U.S. more competitive relative to other destinations
Continue to Invest in Travel & Tourism Infrastructure – A vital component in ensuring that the visitor experience is competitive with other markets, this is an area with broad, bipartisan support that also drives domestic economic growth and job creation
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Continued Funding for Brand USA – During the 2018 federal budget process, ESTA fees were extended through 2027 while Brand USA’s funding from the program was not; ensuring our national DMO’s long-term viability is imperative in maintaining U.S. market share of international visitation
Negative Brand Perception – Efforts to increase the security of our aviation, border and visa systems have been controversial and created a perception that the U.S. is less welcoming to international visitors
Increased Competition – Competitive destinations have significantly increased their investment in attracting international visitors, including Australia, Canada, China, the U.K. and various EU countries
Relative Ease of Entry from Competitive Destinations – While it is essential to effectively balance security concerns with economic growth, a number of competitors offer visa processing that is more expedient, efficient and predictable than the U.S.
Further Weakening of Foreign Currencies – As the economies of some countries continue to stagnate – particularly in the EU and UK – the resulting decline in buying power may inhibit discretionary travel spending
“Overtourism” – As the number of visitors to major destinations around the world has increased, there has been growing concern about the potential negative impact of tourism on local residents
Slower Growth Rates – Although there will be continued growth in outbound travel, as emerging markets have matured, it is anticipated that the pace of that growth will level off moving forward
Import Tariffs/ Trade Disputes – It is essential to evaluate the potential impact that import tariffs and related trade disputes can have on international visitation.
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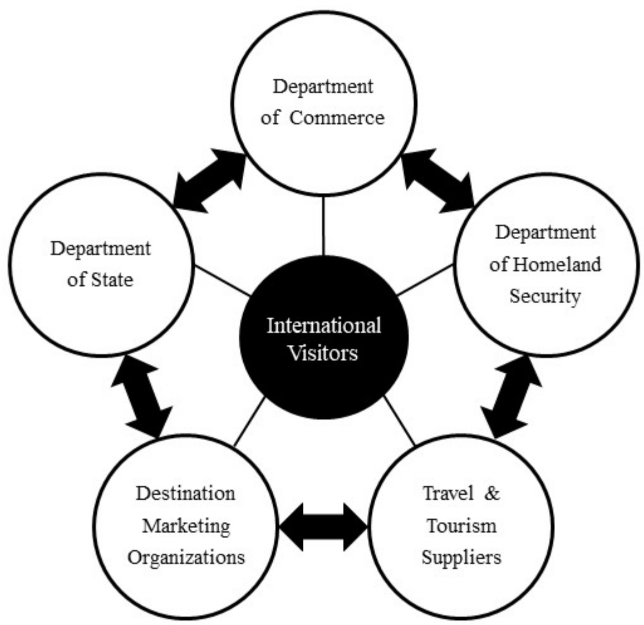
Recommendations

First and foremost, the TTAB recognizes that it requires a holistic, coordinated effort between the public and private sectors to ensure that travel & tourism remains a key driver for the U.S. economy. To facilitate this process, we strongly recommend that the President call for the creation of a new 10-year National Travel & Tourism Strategy (NTTS) under the guidance of the Tourism Policy Council and in consultation with the TTAB. This is essential in ensuring that all key stakeholders are strategically aligned so that resources can be appropriately allocated in support of the shared objectives of the new NTTS.

Furthermore, the TTAB recognizes the need to strike an effective balance between legitimate security concerns and the desire to promote the U.S. as a welcoming destination for international travelers. This has been a central theme in the TTAB's thought process, which has ultimately driven our recommendations. It is also worth noting that the work of the TTAB's Biometric Entry/Exit Subcommittee is complementary in nature.

In order to successfully develop and implement these recommendations, it is imperative that travel & tourism industry leaders partner effectively with the Departments of Commerce and State and Homeland Security to identify solutions that are pragmatic, data driven and can be quantifiably measured.



Strengths – Maintaining U.S. Market Share

For the U.S. to effectively maintain its current share of international visitation, it is essential that we continue to leverage those strengths identified above. Specific recommendations include:

- **Continue support for and engagement with Brand USA –** The TTAB stands unequivocally in support of Brand USA and the foundational role it plays in ensuring that the U.S. remains at the forefront of international visitation. The organization has been able to consistently, quantifiably demonstrate its exceptional impact on the U.S. economy.

In fact, a recent analysis by Oxford Economics reported that Brand USA was responsible for generating $3.9 billion in tourism spending in 2017, representing a 25:1 return on investment. In addition, since Brand USA's funding isn't reliant on tax revenues but rather, is supported by contributions from other Destination Marketing Organizations (DMOs), travel industry partners and revenue from ESTA fees, this is a proven business model that pays significant dividends – not just for those associated with travel and tourism, but for the U.S. economy as a whole. In fact, Brand USA is a boon to the federal budget, generating 3.8 times its funding in incremental federal taxes in FY2017 *(source: Oxford Economics)*.

During the 2018 Federal budget approval process, ESTA fees were extended through 2027. Brand USA's funding from these fees, however, was not similarly renewed and is currently set to expire in 2020. The TTAB urgently recommends that this oversight is addressed in the 2019 budget cycle since the loss of these funds would be catastrophic for Brand USA and represents an issue of economic security for the U.S.

- **Increase awareness and understanding of Secure Travel Partnership programs –** For many international travelers, the U.S. remains an attractive destination based on its perception as a safe and secure option relative to other markets. As a result of the TTAB's previous work through the Secure Travel Partnership Operations Subcommittee, there is a branding opportunity to create greater awareness of the Visa Waiver, Preclearance and Trusted Traveler programs. These efforts should focus both on prospective visitors to the U.S. and to our own citizens to increase public support for international visitation. This work will benefit greatly from using all available public and private sector resources, including the communications expertise and reach of Brand USA on the international side and of industry partners like the U.S. Travel Association on the domestic side.

- **Continue private and public-sector support for Open Skies agreements –** The TTAB strongly believes that Open Skies agreements, while not without their challenges, are a vital component to the U.S. achieving its international visitation goals. In an environment in which the U.S. must effectively compete with a host of other destinations for inbound travel – particularly from rapidly expanding markets like China and emerging markets like India – increasing affordable, non-stop service is critical to long-term success. This is particularly true in high value markets currently participating in Open Skies including Australia, Canada, France, India, Japan, Scandinavia, South Korea and the U.A.E.

- **Focus on "Marketing the Welcome" –** As DMOs and travel & tourism companies promote their respective destinations, products and services, it is imperative that we all continue to actively incorporate the message that the U.S. remains a welcoming destination for international travelers. By speaking with a unified voice as an industry, we can exponentially magnify this message and leverage the diversity that makes the U.S. a truly unique destination. The U.S. Commercial Service also plays a critical role in actively promoting U.S. destinations and in encouraging greater international enrollment in our higher education and training institutions. Brand USA plays a central role in this area also.

  As the official Destination Marketing Organization for the country, Brand USA is often the first line of communication for international travel trade and media, conveying the message that the United States remains a welcoming destination of limitless possibilities that protects the safety of more than 80 million visitors from around the world each year. In this role, Brand USA is charged with educating the traveling public on policy changes that can impact the travel experience, whether it be around visa issuance requirements or the entry/exit process.

Brand USA also implements a “Market the Welcome” program with U.S. embassies and consulates around the world and with key airports of entry to create a welcoming environment as visitors navigate visa waiting areas and international arrival halls. These efforts should remain a top priority for the Commerce Department as they have a large economic footprint on local communities across the country, which directly supports the work of the TTAB’s Subcommittee on Workforce Development.

- **Actively Promote Visa Waiver and Preclearance –** These two programs represent exceptional examples of how to effectively balance our nation’s security interests with the goal of increasing international visitation. DMOs and other travel organizations should consistently highlight the value of these programs as they market to prospective travelers in participating countries. Particularly since DHS has already established multiple Preclearance centers throughout Canada, this represents a competitive advantage that should be leveraged. Similarly, there are a number of U.S. luxury markets that depend heavily on inbound travel from the Middle East, and DHS’s Preclearance operations in Abu Dhabi and the U.A.E. should be actively promoted to this audience.

Weaknesses & Threats – Protecting U.S. Market Share

While some of these items are beyond our direct control (e.g. – currency fluctuations, increased competition, slower growth rates), these issues pose a serious threat to our ability to reverse declining U.S. market share. Since a decrease of just one percentage point in current travel & tourism exports represents over $2.5 billion in lost revenue, it is vital that we take appropriate steps to mitigate the effect of those weaknesses and threats that can be directly impacted. In this regard, the TTAB recommends the following:

- **Increase staffing levels to meet growing demand –** DHS reports estimate that the organization is currently understaffed by over 2,000 CBP officers, resulting in long wait times and negative visitor satisfaction at the point of entry. In a similar vein, many Consular Offices are insufficiently staffed to effectively manage the volume of visa applications, which is a labor-intensive process since it requires that a U.S. Consular Officer personally interview each applicant. This may result in longer visa approval times– particularly in high growth markets.

  The TTAB strongly recommends that incremental funds should be allocated to support the staffing requirements already identified by DHS. In addition, the State Department should evaluate what additional Consular staffing levels would facilitate a faster visa review process in key international markets. In both instances, an ROI analysis should be conducted to determine the incremental revenue that the U.S. stands to gain as a result of these personnel expenditures.

- **Leverage technology to reduce visa processing time and enable ease of access from secondary international markets –** The work of the TTAB’s Biometric Entry/Exit Subcommittee is essential to the National Goal Subcommittee’s efforts. By effectively utilizing emerging technology, the U.S. will be able to: (a) enhance security screening while actually increasing the efficiency of CBP operations; (b) reduce visa processing times in primary international markets while making U.S. visas more readily accessible to visitors living in more remote, secondary locations; and (c) create a more comprehensive database of reliable visitor information that can be leveraged across multiple federal agencies.

As an initial step, the TTAB recommends the implementation of a pilot program to test using technology-based solutions to enable visa applicants to conduct their preliminary interviews via teleconferencing rather than requiring travelers to appear in-person. The latter is impractical and prohibitively expensive for those living outside of major metropolitan areas.

This initial pilot would be limited in scope and tightly controlled and monitored to ensure that it still meets all State Department and DHS security requirements. It is intended as a "proof of concept" to determine the viability of this approach and to quantify the potential positive economic impact of such enhancements. The TTAB recommends identifying a non-Visa Waiver country in which to pilot this initiative.

In addition, the TTAB strongly recommends that security-related revenues are specifically allocated to support enhanced and upgraded security infrastructure and technology, including the active exploration and accelerated deployment of new, leading-edge technologies.

- **Increase Investment in Travel-Related Infrastructure –** The growth of international visitation continues to tax some of the country's most heavily trafficked airports, highways, rail systems and ports. In order to remain competitive with a host of tier one destinations, while minimizing any negative impact that increased visitation may have on residents of major U.S. destinations, the TTAB strongly supports increased investment in the nation's travel-related infrastructure. At the same time, it is imperative to leverage innovative solutions and technology to not just modernize older facilities, but to work holistically across a variety of agencies to create a "smart mobility ecosystem" that is safer, more efficient and seamlessly integrated.

  These efforts will also facilitate the movement of travelers throughout the United States – including increasing visitation from primary to secondary markets, driving greater economic impact to a broader cross section of the country. And, in addition to creating direct, tangible benefits for both residents and visitors alike, these efforts have the added benefit of driving workforce development and creating new American jobs. This work is consistent with the National Advisory Committee on Travel and Tourism Infrastructure's mission of providing guidance to the Secretary of Transportation on "matters relating to the role of intermodal transportation in facilitating mobility with respect to travel and tourism activities."

- **Assess the Economic Impact on Travel & Tourism of Import Tariffs and Related Trade Disputes –** Given the travel industry's significant contribution to the American workforce and GDP, it is essential to evaluate the potential impact that import tariffs on raw materials and manufactured goods – as well as the possibility of resulting trade wars – can have on international visitation.

While the TTAB recognizes that Commerce must balance a variety of priorities in determining appropriate policies for international trade, we respectfully ask that the Secretary ensure potential impacts on the travel and tourism economy be seriously considered and evaluated as on ongoing part of those determinations.

- **Create a positive visitor experience across all touchpoints –** In evaluating how to positively impact the continued growth of international inbound travel, it is vital to recognize that the visitor's perception of the U.S. starts as early as their interactions with Consular personnel when applying for a visa, with CBP staff at Preclearance centers or upon arrival in the States and continues through their departure experience with TSA. A standard "best practice" among travel and tourism suppliers (i.e. – hotels, airlines, car rental companies, etc.) is consistently measuring satisfaction at every customer touchpoint and using consumer feedback as a means for continuous improvement.

  The TTAB fully recognizes that security-related personnel have an incredibly demanding and difficult role to play – one that is paramount in ensuring that the United States remains a safe and secure destination. That said, there is an opportunity for the private sector to partner with all relevant agencies to a) more effectively measure total visitor satisfaction from the point of inception through return, b) identify commonly occurring themes that negatively impact the visitor experience and c) develop appropriate training programs and related initiatives that enable all parties to effectively balance the need for security with the goal of driving positive customer interactions and high return intent.

  On that basis, the TTAB recommends that a working group be formed to perform a comprehensive review of available visitor volume, spending, trip characteristic and satisfaction data (e.g. – SIAT, DHS) across all touchpoints, with the goals of better understanding America's international visitors, identifying areas of concern impacting visitor satisfaction and developing practical, relevant initiatives to enhance the perception of the U.S. as a welcoming destination for international travelers. There is extensive research showing the direct correlation between customer service, problem resolution and long-term loyalty.

  As such, all recommendations stemming from the work group must include introducing initiatives to modernize data collection, timeliness and reporting and should be developed in conjunction with a corresponding business case demonstrating the projected economic impact of these initiatives. As part of this process, it may be appropriate and necessary to allocate additional funding to the appropriate federal agencies to ensure that the data set is as comprehensive as possible. For example, it is essential to provide the necessary funding to ensure the timeliness and accuracy of SIAT data to both monitor progress against the new national goal and inform policy decisions.

  The TTAB further recommends that the working group perform a "gap analysis" to evaluate the perception of travel to the U.S. vs. other competitive destinations to better understand factors negatively impacting U.S. market share of international travel. It is the TTAB's understanding that a fair amount of data is already available from previous work in this area and we hope to expand on those efforts.

<u>Opportunities – Growing U.S. Market Share</u>

While the previous sections have focused on how the U.S. can maintain its current market share and/or prevent further declines in international visitation, the TTAB believes that there are numerous opportunities to significantly enhance our competitive positioning.

- **Expand visa processing facilities –** More than 40% of travelers to the United States must obtain a visa to enter the country *(source: NTTO)*. Consequently, it is in our nation's interest to deliver a secure, timely, transparent and fair visa process. The Departments of State and Homeland Security should be applauded for introducing many successful reforms that have decreased visa wait times and offered visa applicants greater flexibility.

  There is, however, more that can be done in this area. Furthermore, since the U.S. has significant security requirements for visa issuance that many of our international competitors do not, it is essential that we deploy appropriate security measures without discouraging legitimate applicants from applying.

  The TTAB recommends that the analyses prepared by Commerce under previous Administrations be updated to evaluate the ROI on adding additional visa processing centers in key international markets. This is particularly important given the rapid expansion of direct air service from China and the growth of non-stop service from India.

  China's six processing centers are insufficient to meet current demand and the U.S. does not currently have visa processing capabilities in many large cities in these markets. Given the rapid, continued growth of outbound Chinese travel, it should prove relatively easy to quantify how much incremental business would be required to offset the additional personnel and infrastructure necessary to meet the corresponding increase in visa requests.

- **Increase transparency regarding visa processing wait times –** The TTAB believes that increased transparency in processing will lead to a more effective visa system. To better manage applicant expectations, we recommend that the State Department publish historical average monthly wait time data for Consular posts around the world. This data will allow travelers to see when wait times are highest and make more informed decisions about when to apply for a visa, hopefully shifting many requests to lower demand periods. In addition, it will enable Consular Offices to more effectively plan for periods of high demand.

- **Enhance data analysis to improve visa processing –** The TTAB recognizes that the Department of State currently analyzes visa refusal rate data on a monthly basis for each Consular office. To complement these efforts, the TTAB recommends implementing a mechanism by which major travel & tourism industry leaders can share feedback with State regarding unexpectedly high visa refusal rates – particularly for group business from key international markets. By taking a real-time, data-driven, collaborative approach, State will be able to more quickly assess reasons for unexpected spikes in visa denials and provide feedback to the industry in a timely manner. This information can, in turn, be utilized by travel & tourism companies to better assist their international customers in planning group travel to the U.S.

- **Educate Consular and CBP personnel regarding MICE business –** A particularly important segment in driving international visitation to the U.S. is MICE (Meetings, Incentives, Conferences & Exhibitions) business from China and other key markets, which has shown consistent growth year over year. Historically, MICE applicants have received visas for their visits with little problem, and have generated significant economic impact for the U.S. More recently however, most MICE applicants have faced new hurdles in acquiring a U.S. visa and the refusal rate for many MICE groups has jumped from an average of 13% to as much as 85% *(source: NTTO).*

  To help address this issue, we recommend developing a formal mechanism to educate Consular Officers and CBP personnel on the nature of MICE groups so that they are better equipped to evaluate visa applications and service arrivals from this lucrative audience. In addition, enabling MICE travelers to schedule their visa interviews as a group may prove an effective way of facilitating their applications and making the U.S. a more attractive destination for meeting planners from key MICE markets.

- **Expand the Visa Waiver Program as a best in class union of security and efficiency –** As referenced above, the TTAB believes that the Visa Waiver Program is an exemplar of how to strike an effective balance between security concerns and legitimate visitation. The bilateral sharing of information between the U.S. and its Visa Waiver partners significantly enhances our ability to identify potential security threats while making the U.S. a more attractive destination through a streamlined entry process. This is particularly important since many international markets actually have relatively short booking windows – particularly with the addition of low-cost, non-stop service to key U.S. markets.

  The TTAB recommends working in partnership with the Tourism Policy Council to identify a list of potential new entrants to the Visa Waiver Program and develop action plans to work with those countries to prepare them for participation in the Program. We have identified Argentina, Brazil, Costa Rica, Israel and Poland as strong candidates to join the Visa Waiver program, whose combined contributions could generate an estimated $6.1 billion in incremental visitor spending during their first three years of participation alone *(source: U.S. Travel).*

- **Rename the Visa Waiver Program –** The TTAB strongly believes that the Visa Waiver Program's name is, in and of itself, problematic in fostering a welcoming climate for international visitors, since many Americans mistakenly believe that the program reduces the level of security required to gain entrance to the U.S. Particularly in light of growing security concerns in the wake of global terrorist attacks, it is vital that the American public understand that Visa Waiver countries actively cooperate with the U.S. to share intelligence and that the program, in fact, enhances security related to international inbound travel – a stance that is supported by the Trump Administration. This is, fundamentally, a marketing challenge and the TTAB recommends that serious consideration be given to renaming the program.

- **Expand the Preclearance Program –** The TTAB believes that the Preclearance program is a unique competitive differentiator that should be more heavily leveraged to promote ease of travel to the U.S. Given the significant investment required of host countries in supporting Preclearance operations, the TTAB recommends that the Administration request incremental funding from Congress to assist a select number of key international markets in offsetting the start-up costs associated with Preclearance and assisting U.S. airports in implementing domestic infrastructure improvements to manage expanded preclearance.

  This will require: (a) a comprehensive analysis of all costs associated with opening and maintaining Preclearance centers; (b) addressing financing and time constraints for impacted U.S. airports to adjust domestic baggage infrastructure to accommodate preclearance growth; and (c) an assessment of the incremental visitation and spend that the U.S. would generate through the establishment of additional Preclearance operations. Potential countries for consideration include Australia, France, Germany, India, Mexico and the U.K.

- **Expand Open Skies and bilateral aviation agreements –** The TTAB strongly recommends the continued expansion of Open Skies agreements, including making it a priority to formalize agreements in key markets with "provisional" application status. In addition, in markets where Open Skies agreements have not proven viable, the TTAB recommends that the State Department actively explore the expansion of bilateral aviation agreements to enable expanded air service to the U.S. Again, all such efforts should be substantiated by a supporting business case demonstrating the economic impact – both through direct and induced spending – resulting from these agreements.

Revised National Visitation Goal

Assuming a "steady state" in which the above recommendations are not implemented, the U.S. will continue to lose share of international visitation. Specifically, Oxford Economics estimates that our market share will drop from 5.7% to 5.3% by 2028, with 109 million international visitors to the U.S. annually. This represents a 7.0% decline with a corresponding loss of ($31.3) billion in annual travel & tourism exports.

By contrast, Oxford Economics estimates that – taken in aggregate – the recommendations detailed above would enable the U.S. to maintain or grow its market share, achieving **a revised national goal of 116 million annual international visitors by 2028, generating $445 billion in travel & tourism exports**. (See attached "T&T Export Targets" exhibit detailing the basis for this projection.) This represents a 44% increase in international visitation over the next decade and a corresponding 77% increase in tourism exports.

The TTAB stands ready to assist in this effort, and we look forward to partnering with Commerce, State and Homeland Security to make the U.S. the world's leading travel destination.

Respectfully submitted,

John Sprouls
Chair

Kurt Ekert
Vice Chair

T&T Export Targets

December 2018

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OXFORD ECONOMICS

US International Inbound Visitor Baseline Forecast

Based on economic forecasts and continued competitiveness, the US can achieve a target of 109 million international visitors by 2028. This implies a loss of market share in international travel.

These baseline forecasts are produced by the Tourism Economics / Oxford Economics Global Travel Service model.

Outbound travel forecasts for each market are based on expected economic growth, exchange rate shifts, and demographic projections.

While this is a slower pace of growth than experienced in the past decade, emerging travel markets have matured somewhat, which will lead to slower growth from these markets moving forward.

International Visits to the US

	2007-17 CAGR	2018-28 CAGR	2018 ('000s)	2028 (target, '000s)
Asia	6.7%	4.7%	13,941	22,090
Europe	2.7%	2.9%	15,390	20,566
Mideast and Africa	8.4%	3.1%	1,787	2,436
Latin America	6.7%	4.0%	8,705	12,901
Canada	1.3%	2.0%	21,615	26,300
Mexico	2.1%	2.6%	19,117	24,796
Total	3.2%	3.1%	80,555	109,089
Overseas	5.0%	3.8%	39,823	57,994

In 2017, the US hosted 5.7% of all international trips globally. This baseline forecast projects US market share falling to 5.3% by 2028.

Opportunities for greater growth

With advancements in visa policy and processing, and the facilitation of travel, the US can hit a target of 116 million visitors.

The US can increase its global competitiveness as a destination while maintaining the priority of national security

The following opportunities are outlined in the National Goal Subcommittee review document:

- Expand visa processing capacity and locations
- Improve MICE (meetings) visa facilitation
- Expand Visa Waiver program
- Expand preclearance
- Expand Open Skies

With advances in each of these five areas, the US stands to strengthen its market position and reverse recent market share declines.

International Visits to the US

	2007-17 CAGR	2018-28 CAGR	2018 ('000s)	2028 (target, '000s)
Asia	6.7%	5.9%	13,941	24,733
Europe	2.7%	3.5%	15,390	21,797
Mideast and Africa	8.4%	4.1%	1,787	2,683
Latin America	6.7%	5.5%	8,705	14,887
Canada	1.3%	2.0%	21,615	26,300
Mexico	2.1%	2.9%	19,117	25,530
Total	3.2%	3.7%	80,555	115,930
Overseas	5.0%	4.9%	39,823	64,100

These targets imply that the US will hold its current market share through 2028.

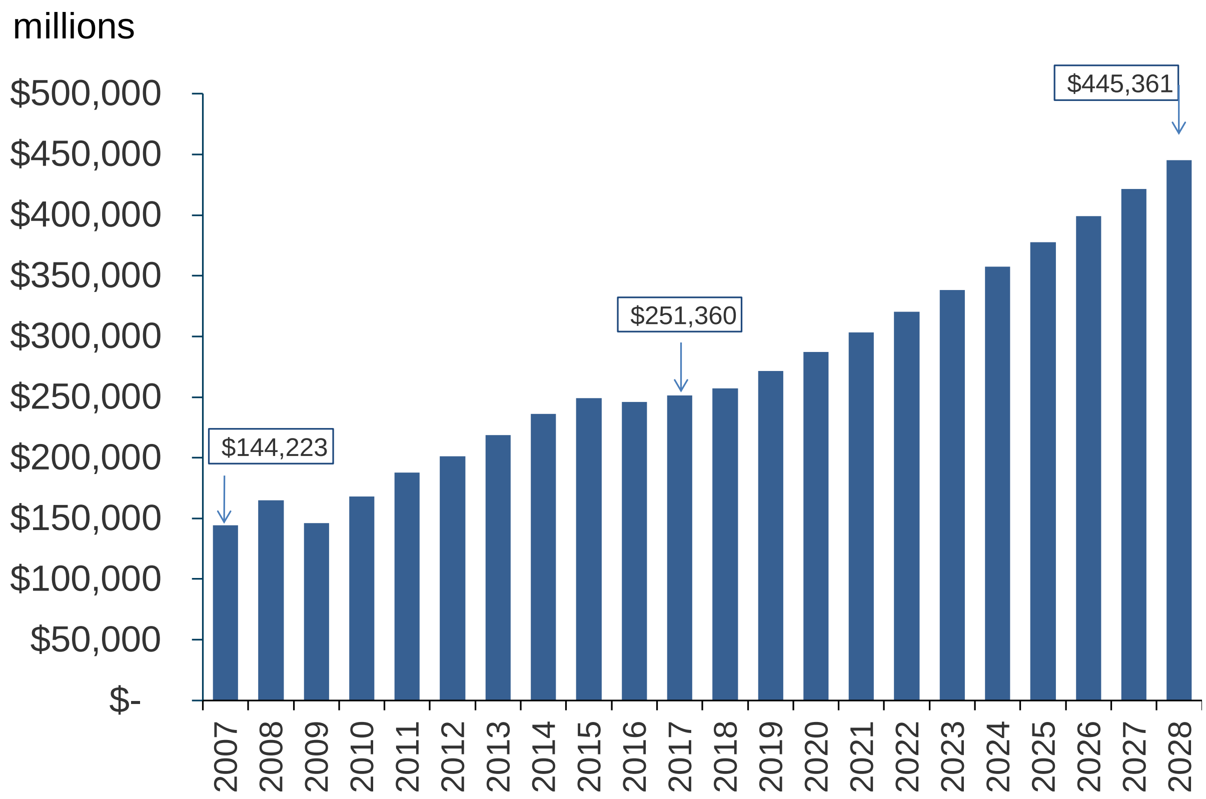
Setting a spending target for future growth

Based on historic trends and continued competitiveness, the US can achieve a target of $445 billion in travel and tourism exports by 2028.

This compares to a baseline forecast of $420 billion, assuming a continuation of existing policies as outlined in the TTAB strategic plan.

By implementing the recommended opportunities for greater competitiveness, the US would realize an additional $26 billion in visitor spending; an increase of 6.0% over the baseline forecast.

US Travel & Tourism Exports



Source: BEA, Oxford Economics

Historic and future export trends

A target of $445 billion implies growth that continues well above the rest of US exports

T&T exports has grown faster than the total of US exports over the past decade, expanding 5.7% per annum (compared to just 3.5% a year for total exports).

The T&T exports target implies annual growth of 5.6% over the next decade. This outpaces the Oxford Economics forecast for total exports of goods and services so that T&T exports would rise to 10.5% of all exports from its 2018 share of 10.1%.

US T&T and Total Exports

	2007	2018	2028
T&T exports	$ 144,223	$ 257,092	$ 445,361
Total exports (goods and services)	$ 1,660,850	$ 2,542,417	$ 4,247,970
T&T share of total exports	8.7%	10.1%	10.5%

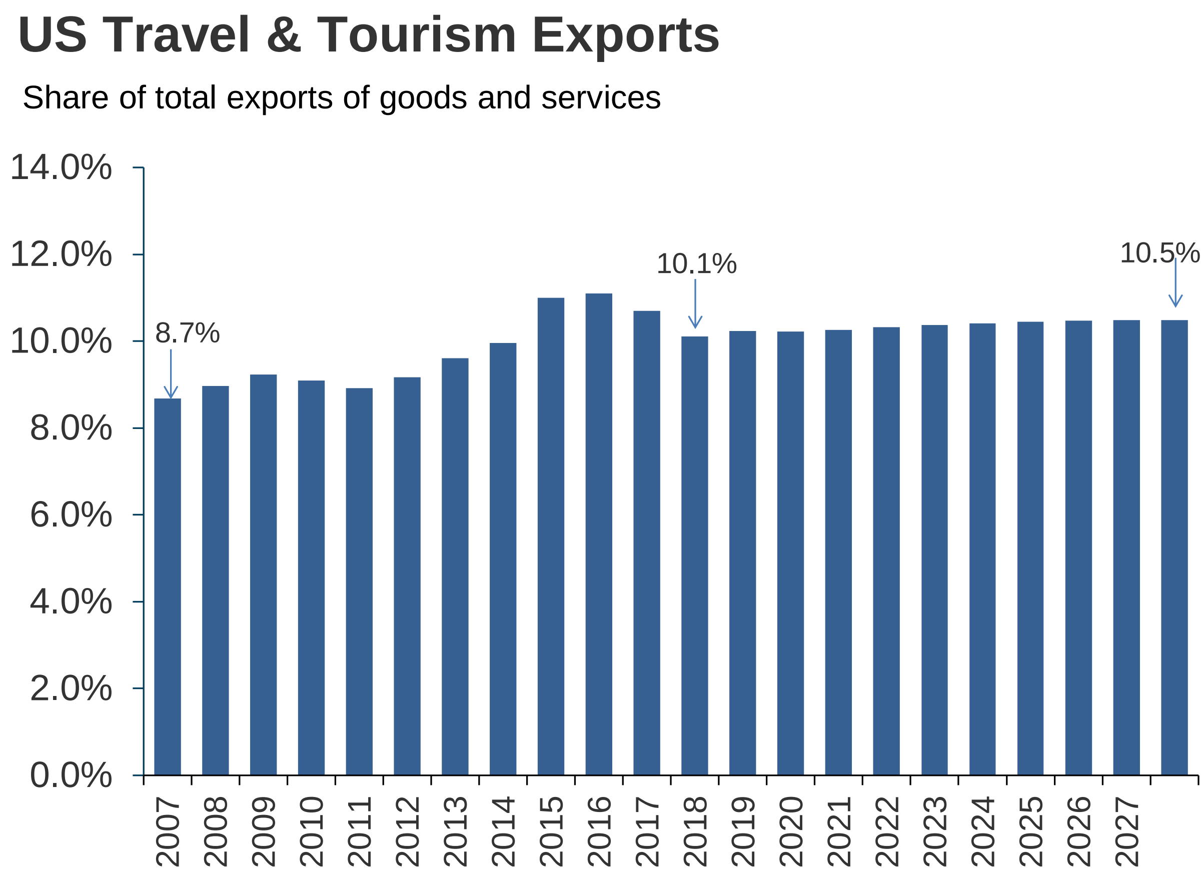
US T&T and Total Exports

	2007-2017	2018-2028
T&T exports CAGR	5.7%	5.6%
Total exports (goods and services) CAGR	3.5%	5.3%
T&T cumulative growth	74%	73%
Total exports cumulative growth	42%	67%

The T&T export target implies that the sector will continue to increase its share of total exports

The travel & tourism sector will represent 10.1% of all US exports in 2018, up from 8.7% in 2007.

The target involves a continued increase in T&T's share of total exports, from 10.1% in 2018 to 10.5% in 2028.



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