U.S. Travel and Tourism Advisory Board

WASHINGTON, D.C. 20230

September 16, 2009

The Secretary of Commerce
U.S. Department of Commerce
Washington, DC 20230

Dear Secretary Locke,

The U.S. Travel and Tourism Advisory Board respectfully submits this final letter of the current charter for your review and consideration. This letter reflects an update to our recommendations provided in the *Policy Review Brief* presented to you at the June 9th meeting, and provides recommendations for the next charter of the Advisory Board.

To reprise, the consortium of industries known as travel and tourism is integral to the U.S. economy. Travel and tourism is the nation's second-largest services export industry, third-largest retail sales industry and one of America's largest employers. In more than half of the U.S., it is the first-, second- or third-largest employer. One in every eight U.S. jobs finds its roots in travel and tourism.

The U.S. Travel Association estimates the U.S. received more than $645 billion last year as a result of domestic and international travelers. Business travel alone created 2.4 million American jobs, $240 billion in spending and $39 billion in tax revenues.

Travel and tourism facilitates business travel for other industries which helps drive economic growth. We allow travelers to connect with other cultures, visit treasured lands, and to create memories through leisure travel, and we serve the world via hotels, restaurants, convention services, rental car companies and more.

Our impact is real and our reach is vast. But travel and tourism has not been immune to the economic challenges.

Since the Board presented the *Policy Review Brief*, there has been much activity in Congress surrounding the economic crisis and recovery. Clearly, the economic health of the travel and tourism industry is vital to the economic health of our nation. But the outlook for our industry remains cloudy. Tourism worldwide declined by 8 percent between January and April 2009 compared to the same period in 2008, and the revised forecast for 2009 predicts a 4-5 percent decline in global tourism.

Those declines begin with the airlines. The Air Transport Association of America (ATA), the industry trade organization for the leading U.S. airlines has reported that passenger revenue based on a sample group of carriers has fallen in each of the past nine months, and was down 21 percent in July 2009 versus the same month in 2008. The group forecasted that about 150,000 fewer passengers a day traveled in summer 2009 relative to summer 2008, a seven percent decline.

The U.S. hotel industry is under similar pressure and has already seen foreclosures and bankruptcies this year. About 36 percent of full-service U.S. hotels will lack the cash flow needed to pay their monthly mortgages in 2009 vs. 21 percent in 2008. 2009 occupancy will be down as much as 55 percent and revenues are projected to continue to fall.

Meetings, events and incentive cancellations in January and February of this year alone resulted in more than $1.9 billion in lost travel spending and cost nearly 20,000 American jobs. Nearly 200,000 travel-related jobs were lost in 2008 and an additional 247,000 will be cut this year, according to data compiled by the U.S. Department of Labor. Those who are losing their jobs represent hardworking Americans: bellmen, room attendants, banquet servers and cooks.

These continued-downward trends in such an important U.S. industry make it imperative for government and the private sector to work together to find solutions that will stem this tide and support a broader economic recovery.

As you are aware, our work has been anchored by three subcommittees: *Airport Congestion and Infrastructure, Economic Sustainability* and *Travel Facilitation*. As you consider the next charter of the Travel and Tourism Advisory Board it is our recommendation that the board continue its focus on these key areas, for the challenges and opportunities are long-term in nature and far reaching into every sector of the broad arena of our industry.

Airport Congestion/Infrastructure Sub-committee

The nation's aviation system continues to be plagued by flight delays and airport congestion. Flight delays and congestion cost the economy $41 billion annually, much of it attributed to our antiquated air traffic control system which is dependent on ground-based radar technology. If the nation's flight delay problems are left unaddressed, the system will fail to provide for the air travel needs of passengers and hinder U.S. economic growth.

The Federal Aviation Administration's Next Generation Air Transportation System (*NextGen*) will transform the National Airspace System from a ground-based system of air traffic control to a satellite-based system of air traffic management, utilizing a portfolio of policy, procedures, and 21st century technology. When fully implemented, *NextGen* will safely allow more aircraft to fly more closely together on more direct routes, reducing delays, and providing unprecedented benefits for the economy, passengers and the environment.

Our concern, however, is that *NextGen* is years away from full implementation. The current FAA plan calls for a final implementation date of 2018. If properly funded and managed, many of the technologies and operational procedural changes could be implemented in the near-term (3-5 years).

Acceleration of *NextGen, or NowGen* will slash air traffic delays, improve the customer experience, create 176,000 jobs, and significantly reduce fuel consumption and therefore carbon emissions. Congress should be urged to include all necessary authorizations and appropriations in the FAA reauthorization and U.S. Department of Transportation appropriations legislation to accelerate *NowGen* and improve this critical element of our nation's infrastructure.

Economic Sustainability Sub-committee

Some unfortunate and misguided insults were hurled at the travel industry in 2009. Critics, including some top U.S. government officials, have mislabeled many meetings and events as unnecessary and frivolous, causing companies that have received federal government support---plus many more that have not---to cancel business-travel activities. Troubling reports are spreading that U.S. government agencies are "blacklisting" certain U.S. destinations because of the erroneous perception that serious events and conferences cannot be held in venues known primarily as leisure destinations, notwithstanding that those destinations are often the most efficient and economical locations for these gatherings.

We appreciate your commitment to serve as a strong voice for meetings and business travel, and welcome your continued involvement to support this critical sector of travel and tourism.

To this end, we continue our support for the *Meetings Mean Business* campaign driven by the U.S. Travel Association and strongly encourage government policies that promote rather than threaten meetings, conventions and incentive travel. U.S. Department of Commerce and U.S. Treasury Department endorsements of the *Meetings Mean Business* guidelines would send a strong signal to many American companies that responsible business travel is encouraged and permissible.

With respect to environmental sustainability, bio-fuel alternatives are both a need and a reality for aviation and can be a significant generator of employment and wealth for the U.S. and the developing world. Commercial production should be a priority for governments alongside research investments.

Recent successful tests by Continental Airlines, JAL, Air New Zealand and Virgin Atlantic prove that next generation sustainable bio-fuels work. Some of the encouraging results from bio-fuels derived from algae, camelina and jatropha tests show that there is even a possibility for improved fuel efficiency. Certification by 2010 or 2011 is a real possibility and the benefits would be enormous: an 80 percent reduction in emissions over the fuel's life-cycle and increased energy security beyond current oil supplies.

Until these jet-fuel alternatives are ready for mass production and consumption, however, we need to focus on creating compelling incentives for those who would bring alternative transportation fuels to market in the near-term. One way to do this would be to require car makers to equip more vehicles with flexible fuel converters. If cars are so equipped, new fuels will become available to power them. We should also eliminate tariffs on imported alcohol-based fuels. The goal should not be to eliminate oil as a transportation fuel, but to create viable competition for it. Our industry and our nation must never again be left "over a barrel."

The economic viability of the travel and tourism industries is inextricably tied to access to fuel at reasonable prices, and when oil prices soared to nearly $150 per barrel last summer, the airline industry experienced dramatic cost increases; while under usual circumstances, fuel accounts for less than 15 percent of U.S. passenger carrier operating costs, in the third quarter of 2008 fuel accounted for more than one-third of such costs. While oversight of oil speculation is just one step toward bringing an end to catastrophic oil price swings, it is an essential component of a sound energy policy. Airlines and other companies in our sector cannot make confident investment decisions when the cost of fuel is subject to unregulated and unlimited manipulation.

While we support initiatives that seek to reduce CO_2 that threatens our environment, all such policies should treat our industry and aviation, in particular, in a fair and equitable fashion. Consideration must first be given to the fact that aviation is a global business and U.S. carriers are subject to intense foreign competition. Unilaterally raising the cost of operating in the U.S. market would disproportionately affect U.S. carriers, potentially threatening the global competitiveness of U.S. airlines.

We need to remind policymakers not to unfairly target the airline industry, which represents a mere 2 percent of global green house gas emissions and which has a success rate in emissions reductions that few other industries can match. U.S. commercial airlines improved their fuel efficiency by 110 percent between 1978 and 2007, resulting in 2.5 billion metric tons of CO_2 savings, the equivalent of taking 18.7 million cars off the road in each one of those years. Furthermore, U.S. carriers burned almost 3 percent less fuel in 2007 than in 2000, but carried 20 percent more passengers and cargo.

The so-called cap-and-trade legislation must include provisions for pass-through allowances to reward the industry for its positive history of emissions reductions. Provisions must be in place to ensure that cap-and-trade revenues raised by the government from our industry are re-invested in programs that will make our industry more efficient. These programs would include *NextGen* and renewable energy production.

Airport and air traffic control inefficiencies further present an opportunity to significantly reduce the negative impact aviation has on the environment. According to the Intergovernmental Panel on Climate Change, governments and infrastructure providers can eliminate up to 12 percent of CO_2 emissions from aviation by addressing these inefficiencies.

The U.S. hotel and lodging industry has, by its own initiative, made significant progress in the last year to retrofit existing buildings for greater energy and water efficiency, install solar panels and other forms of alternative energy and ensure that new buildings meet rigorous environmental standards. The hotel industry is working with the U.S. Green Building Council (USGBC) to continue these initiatives, despite the grave economic pressure the industry is under given both the economic climate and industry contraction.

Attention to these key economic and environmental sustainability issues will be of tremendous assistance to the travel and tourism industry and create even greater economic prosperity for our nation as whole.

Travel Facilitation Sub-committee

The Travel Facilitation Subcommittee has focused its work on the issues surrounding the ease of moving people across town and across the globe. There has also been a strong focus on border security and ease of entry issues.

As noted in the *Policy Review Brief*, many visitors have come to expect significant delays in obtaining travel documents for a visit to the U.S. coupled with unwelcoming procedures and processes upon entry into the country. Efforts to remove unnecessary barriers to air travel and create a welcoming environment for visitors must be balanced with our security needs.

We encourage the Department of Commerce to continue its work with the Department of Homeland Security and the Department of State to ensure that visa, federal inspections and other travel burdens are reduced while the customer experience of entering the U.S. is enhanced. We commend U.S. government efforts to improve entry processes for air travelers and all other successful efforts to promote and facilitate inbound travel.

With the likely passage of the *Travel Promotion Act*, we look forward to continued work with the Department of Commerce and other agencies to promote international visitors to the United States and help strengthen the role of travel and tourism in the economic recovery of the country.

Additionally, we encourage the continued expansion of the Visa Waiver Program (VWP) and increased communication surrounding the Electronic System for Travel Authorization (ESTA) to increase the number of overseas visitors while reducing barriers to travel.

It is important to note that overseas visitors from VWP countries are the largest source of inbound overseas travel to the United States. According to U.S. Department of Commerce data, inbound travelers from VWP countries to the United States total more than 16 million. This total accounts for 62 percent of all overseas travelers. Additionally, VWP travelers spent $48 billion in the U.S. in 2008, not including expenses for international airfare. This spending in 2008 alone generated 487,000 jobs, $12.3 billion in payroll and $7.4 billion in government taxes for the U.S. economy.

And finally, the issue of H1N1 is of utmost concern for travel facilitation. Policies and procedures for entry/exit could become a major issue for the image of the United States. Clearly communicated policies and procedures for careful and thoughtful handling of this issue in the travel and tourism industry is incredibly important. Missteps in handling could result in a catastrophic situation, especially related to the United States reputation abroad.

The government's new Website (http://www.pandemicflu.gov/) is an excellent step in education, prevention and awareness, but specific operating and crisis plans for airports and other ports to follow in the event of a wide-spread outbreak that incorporate industry expertise should be identified to protect the industry as a whole.

We encourage the Department of Commerce to work with the appropriate agencies and industry groups to promote development of these key crisis plans.

Other issues ahead

We wish to note, as well, that a host of other critical public policy issues will be impacting travel and tourism, as they will all business sectors, in the coming months and years. These broad issues include health care reform, immigration reform, card check issues, and tax policy.

We encourage ongoing discussion of these key topics in concert with the more immediately direct issues within our field, for their impact will be felt across the spectrum and across the country.

In summary, we are grateful for the opportunity to have worked with you and your staff during this last half of the current TTAB charter. It is our strong desire that the work of the sub-committees as currently designated continue and that the next seating of the TTAB continue to advance these key policies issues which are of the utmost importance to both our diverse industry and our nation overall.

Respectfully,

Marilyn C. Nelson

Marilyn Carlson Nelson
Chairman, Travel and Tourism Advisory Board
Chairman, Carlson

William DeCota
Vice-Chairman, U.S. Travel and Tourism Advisory Board
Director of Aviation, Port Authority of New York and New Jersey