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# U.S. Travel and Tourism: Industry Trends and Policy Issues for Congress

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## Summary

The U.S. travel and tourism industry accounted for 2.6% of gross domestic product (GDP) in 2012 and directly employed nearly 5.4 million people in 2013. Tourism exports reached a record \$215 billion in 2013, representing almost a third of total U.S. services exports. The sector has posted an annual trade surplus with the world for more than two decades. The Department of Commerce forecasts foreign visitor volume in the United States will reach nearly 90 million in 2019.

In 1996, Congress stopped funding the United States Travel and Tourism Administration (USTTA), which for 35 years promoted the United States as a tourist destination. In 2009, it established a public-private entity to promote U.S. tourism, the Corporation for Travel Promotion, which does business as Brand USA. The Travel Promotion Act of 2009 (TPA; P.L. 111-145) first authorized federal funds for Brand USA. The program is funded by a \$10 user fee assessed on international visitors from more than three dozen visa waiver program countries and requires annual in-kind and cash matching contributions from the U.S. tourism industry. Brand USA can receive matching federal funds capped at \$100 million annually. The program has been controversial, with some Members of Congress characterizing it as an inappropriate use of federal funds to benefit private entities. However, after considerable debate, the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), signed into law by President Obama on December 16, 2014, extended Brand USA through September 30, 2020.

The Obama Administration in 2012 established a Task Force on Travel and Competitiveness, which was charged with developing and implementing a strategy to increase the annual number of international visitors to 100 million by 2021. Among other things, the task force has recommended expediting visa processing for tourists from certain emerging economies, such as China and Brazil, and expanding the Visa Waiver Program (VWP), which allows citizens from more than three dozen countries to travel to the United States without obtaining visas.

In recent Congresses, congressional committees have held hearings to assess the economic effects of travel and tourism on the U.S. economy. Legislation affecting travel and tourism addresses many different topics such as online gambling; safety and security aboard cruise ships; funding for national parks, forests, and historical sites; and taxes on the rental of motor vehicles. The tourism industry may also be strongly affected by homeland security and immigration legislation, including possible changes to the visa waiver program, with some lawmakers calling for its expansion and others for its suspension or elimination, which could make it more complex and costly for foreign visitors to enter the United States.

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## Introduction

The travel and tourism industry represents an amalgam of business activities including transportation, lodging, entertainment, meals, and retail trade.<sup>1</sup> Collectively, this mature sector of the U.S. economy accounts for 2.6% of U.S. gross domestic product (GDP) and directly employs nearly 5.4 million Americans.<sup>2</sup>

Employment and real output in travel and tourism, while they have increased in recent years, have not fully recovered from the 2007-2009 recession. It was in this context that the 113<sup>th</sup> Congress debated whether to extend the Travel Promotion Act of 2009 (TPA; P.L. 111-145), a national advertising and marketing effort to encourage international visitors to spend time in the United States, beyond the end of FY2015. The Travel Promotion, Enhancement, and Modernization Act of 2014 was incorporated into the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), which extended the Brand USA program through September 30, 2020.<sup>3</sup>

## Global Competition for Visitors

The world's travel and tourism industry has flourished in the post-World War II era to become an important economic sector for many countries. In 2013, worldwide activities related to travel and tourism directly supported more than 100 million jobs, according to the World Travel and Tourism Council (WTTC), and could grow to more than 126 million by 2024.<sup>4</sup>

The number of international tourist trips rose from 25 million in 1950 to more than 1 billion in 2013, a new record high.<sup>5</sup> The figure is projected to reach 1.4 billion by 2020 and 1.8 billion by 2030 (see **Figure 1**).<sup>6</sup> According to the United Nations World Tourism Organization (UNWTO), “the substantial growth of the tourism activity clearly marks tourism as one of the most remarkable economic and social phenomena of the past century.”<sup>7</sup> WTTC expects travel and tourism to account for 10% of global GDP by 2024.<sup>8</sup>

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<sup>1</sup> IBIS World, a major market research firm, defines tourism as “visitors whose primary travel purposes are business, convention or conference travel, government business, and the more familiar tourism for leisure, holiday, or to visit friends and relatives.”

<sup>2</sup> Steven L. Zemanek, “U.S. Travel and Tourism Satellite Accounts for 2010-2013,” *Survey of Current Business*, June 2014, [http://www.bea.gov/scb/pdf/2014/06%20June/0614\\_travel\\_and\\_tourism\\_satellite\\_accounts.pdf](http://www.bea.gov/scb/pdf/2014/06%20June/0614_travel_and_tourism_satellite_accounts.pdf).

<sup>3</sup> President Obama signed the bill into law on December 16, 2014.

<sup>4</sup> WTTC, *Travel & Tourism, Economic Impact 2014, World, 2014*, p. 4, [http://www.wttc.org/site\\_media/uploads/downloads/world2014.pdf](http://www.wttc.org/site_media/uploads/downloads/world2014.pdf).

<sup>5</sup> Worldwide travel, as measured in international tourist arrivals, has more than rebounded from the 2009 downturn, according to the United Nations World Tourism Organization. *UNWTO Tourism Highlights, 2014 Edition*, May 14, 2014, <http://media.unwto.org/press-release/2014-05-13/international-tourism-generates-us-14-trillion-export-earnings>.

<sup>6</sup> UNWTO, *UNWTO Tourism Highlights, 2014 Edition*, p. 14, <http://mkt.unwto.org/publication/unwto-tourism-highlights-2014-edition>.

<sup>7</sup> UNWTO, “Historical Perspective of World Tourism,” <http://www.unwto.org/facts/menu.html>.

<sup>8</sup> WTTC, *Travel & Tourism, Economic Impact 2014, World, 2014*, p. 3. <http://www.wttc.org/>

International competition for travelers is intense. In 1980, Europe and North America were the world's main tourist destinations, jointly representing more than 80% of the global market. That figure dropped to around 60% by 2010, and may shrink to around 50% by 2030, UNWTO projects, as tourists visit other destinations.<sup>9</sup>

A record 70 million foreign visitors traveled to the United States in 2013,<sup>10</sup> making the United States the second-most popular destination for foreign visitors, after France.<sup>11</sup> A travel industry advocacy group, the U.S. Travel Association (U.S. Travel), estimates the average overseas visitor spends approximately \$4,500 domestically on activities such as shopping, dining, and sightseeing. Foreign visitors stay on average more than 17 nights, and their expenditures outpace domestic visitor spending.<sup>12</sup> According to World Bank data, the United States received 6.2% of global tourism arrivals in 2012 and accounted for more than 15% of global spending on travel and tourism, compared with 7.3% and 21%, respectively, in 2000.<sup>13</sup>

In 2013, the World Economic Forum's Travel and Tourism Competitiveness Index ranked the United States as the sixth-most competitive country among 140 nations in travel and tourism.<sup>14</sup> Nonetheless, the UNWTO projections imply that the U.S. share of the global market for international tourism will continue to decline as travelers visit other destinations.

Travel and tourism from large emerging markets are expanding. For instance, in 2012, 83 million Chinese traveled abroad, compared with 10 million in 2000, according to UNWTO.<sup>15</sup> By 2023, China is expected to overtake the United States as the world's largest tourist market in the total contribution that travel and tourism make to GDP, but it is expected to remain well behind the United States as a destination, both in terms of visitor exports and its share of global foreign arrivals, says WTTC.<sup>16</sup> The annual number of Indian outbound travelers is expected to rise from around 15 million today to 50 million by 2020.<sup>17</sup> The annual number of Brazilians visiting the United States is predicted to climb to almost 3 million by 2019 from 2.2 million in 2014.<sup>18</sup>

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<sup>9</sup> UNWTO, *Tourism Towards 2030 Global Overview*, UNWTO General Assembly 19<sup>th</sup> Session, Gyeongju, Korea, October 10, 2011, p. 9, [http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_2030\\_ga\\_2011\\_korea\\_1.pdf](http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_2030_ga_2011_korea_1.pdf).

<sup>10</sup> U.S. Department of Commerce, Office of Travel and Tourism Industries (OTTI), "International Visitation to the United States," June 2013, p. 3, [http://travel.trade.gov/outreachpages/download\\_data\\_table/2013\\_Visitation\\_Report.pdf](http://travel.trade.gov/outreachpages/download_data_table/2013_Visitation_Report.pdf).

<sup>11</sup> UNWTO, *Tourism Highlights*, 2014 Edition, 2014, p. 6, [http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto\\_highlights14\\_en.pdf](http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_highlights14_en.pdf).

<sup>12</sup> U.S. Travel Association (U.S. Travel), *U.S. Travel Answer Sheet, Facts About a Leading American Industry That's More Than Just Fun*, March 2014, [https://www.ustravel.org/sites/default/files/page/2009/09/US\\_Travel\\_AnswerSheet\\_June\\_2014.pdf](https://www.ustravel.org/sites/default/files/page/2009/09/US_Travel_AnswerSheet_June_2014.pdf).

<sup>13</sup> The World Bank, *Travel and Tourism, Number of Arrivals and Receipts*, <http://data.worldbank.org/indicator/ST.INT.ARVL> and <http://data.worldbank.org/indicator/ST.INT.RCPT.CD>.

<sup>14</sup> Biennially, the World Economic Forum's Travel and Tourism Competitiveness Index measures factors and policies that contribute to the overall competitiveness of a nation's travel and tourism sector, such as air transport infrastructure, tourism infrastructure, and natural and cultural resources. The World Economic Forum, *Travel and Tourism Competitiveness*, <http://www.weforum.org/issues/travel-and-tourism-competitiveness>.

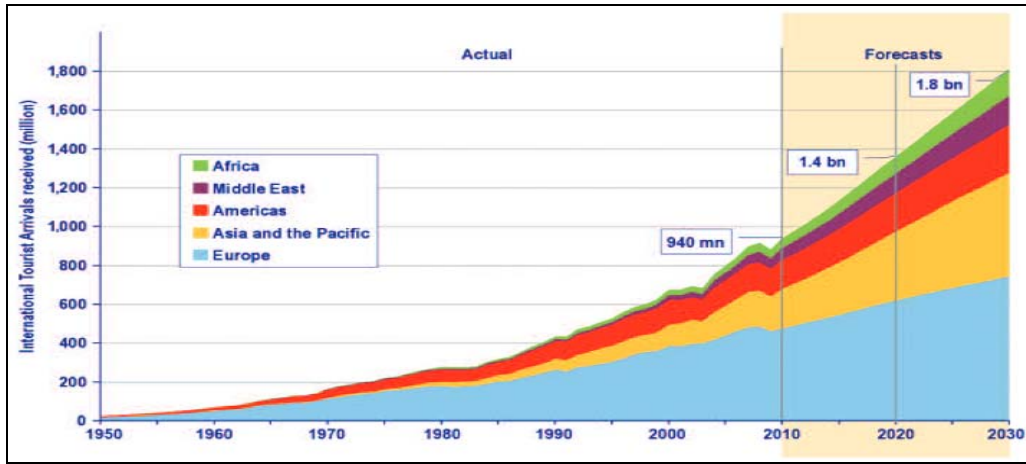
<sup>15</sup> The World Bank, *Travel and Tourism, Number of Departures*, <http://data.worldbank.org/indicator/ST.INT.DPRT>.

<sup>16</sup> WTTC, *Travel & Tourism Economic Impact 2013*, World, 2013, p. 1, [http://www.wttc.org/site\\_media/uploads/downloads/world2013\\_1.pdf](http://www.wttc.org/site_media/uploads/downloads/world2013_1.pdf).

<sup>17</sup> Tourism Australia, "India 2020 Strategic Plan Progress Report," June 2013.

<sup>18</sup> National Travel and Tourism Office (NTTO), *Forecast of International Travelers to the United States by Top Origin Countries*, <http://travel.trade.gov/view/f-2000-99-001/forecast/Forecast-COUNTRIES.pdf>.

**Figure I. International Tourist Arrivals, 1950-2030**



Source: UNWTO, *Tourism Highlights*, 2014 Edition.

## Impact of Travel and Tourism on the U.S. Economy

The Bureau of Economic Analysis (BEA) measures travel and tourism across two dozen industry categories based on a system known as Travel and Tourism Satellite Accounts. Widely cited BEA data tend to exaggerate the size of the travel and tourism sector. In general, the size and importance of various economic sectors are best judged by their value added, which includes employee compensation and taxes as well as profit. Tourism industries had \$428 billion in value added in 2012, accounting for 2.6% of U.S. GDP (see **Table 1**).<sup>19</sup> Domestic travelers were responsible for about 80% of this activity.<sup>20</sup>

**Table 1. Travel and Tourism as a Share of U.S. Gross Domestic Product**  
2006-2012, in billions of dollars

Year	GDP	Tourism value added	Tourism value added as a share of GDP
2006	\$13,858	\$398	2.87%
2007	\$14,480	\$407	2.81%
2008	\$14,720	\$396	2.69%
2009	\$14,418	\$373	2.59%
2010	\$14,958	\$379	2.53%
2011	\$15,534	\$402	2.59%
2012	\$16,245	\$428	2.63%

Source: Bureau of Economic Analysis, U.S. Travel and Tourism Accounts for 2006-2012, Table G, June 2014.

<sup>19</sup> Steven L. Zemanek, "U.S. Travel and Tourism Satellite Accounts for 2010-2013," *Survey of Current Business*, p. 6, Table G, [http://www.bea.gov/scb/pdf/2014/06%20June/0614\\_travel\\_and\\_tourism\\_satellite\\_accounts.pdf](http://www.bea.gov/scb/pdf/2014/06%20June/0614_travel_and_tourism_satellite_accounts.pdf).

<sup>20</sup> Alex Koustas, "Travel & Tourism—Diverging Tourism Flows," Scotiabank Group, Global Economic Research, p. 2, August 2, 2011.

Output, which represents total sales related to travel and tourism, came to more than \$850 billion in 2013.<sup>21</sup> After adjusting for inflation, BEA estimates that tourism output rose 3.6% in 2013, the fourth consecutive year of growth following a steep decline in 2009. Even so, BEA approximates that tourism output in 2013 was about 3% lower than in the peak year of 2007, after adjusting for inflation.<sup>22</sup> This finding mirrors other data. For instance, 646 million passengers boarded domestic commercial flights in 2013, 5% below the 2007 peak of 679 million.<sup>23</sup>

A particular economic attraction of tourism is that it enables state and local governments to generate significant amounts of revenue without taxing their own citizens. Taxes on hotel rooms, automobile rentals, and admission tickets fall heavily on visitors. Annual collections of such taxes cannot be determined; however, according to the Census Bureau, selective sales taxes, including taxes on hotel rooms and rental cars as well as on certain nontourist items, generated \$67 billion in 2012, amounting to 5% of state and local governments' tax revenues. Sales taxes on amusements, the only tourism-related category broken out separately, provided an additional \$7 billion of revenue.<sup>24</sup>

In a 2005 study, the U.S. Department of Agriculture Economic Research Service compared more than 300 rural counties that it defined as "recreation counties" with counties that had fewer tourism-related activities. The researchers found that during the 1990s, the recreation counties had three times the average population growth and twice the job growth of other rural counties.<sup>25</sup> Additional benefits included rising land prices, less poverty, higher incomes, and more economic diversification. Though housing rental and purchase prices rose, wages tended to rise fast enough to compensate for the higher costs. The study found that "while other types of growth can have similar benefits, rural recreation and tourism development may provide greater diversification, and, for many places, it may be easier to achieve than other kinds of development—such as high-tech development—because it does not require a highly educated workforce."<sup>26</sup>

## Employment and Wages

The travel and tourism sector is labor-intensive, resulting in large employment per dollar spent, and employs many workers with relatively little training or education. By imputing portions of the shares of the economic activity in various industries to travel and tourism, BEA estimates that about 5.4 million people worked in travel and tourism in 2013 (see **Figure 2**).<sup>27</sup> As of that date,

<sup>21</sup> BEA, Tourism Satellite Accounts 1998-2013, Table 11. Real Tourism Output, 2013, June 17, 2014, [http://www.bea.gov/industry/tourism\\_data.htm](http://www.bea.gov/industry/tourism_data.htm).

<sup>22</sup> BEA, "Travel and Tourism Spending Turned Down in the First Quarter of 2014," press release, June 27, 2014.

<sup>23</sup> Bureau of Transportation Statistics, "Passengers All Carriers—All Airports," [http://www.transtats.bts.gov/Data\\_Elements.aspx?Data=1](http://www.transtats.bts.gov/Data_Elements.aspx?Data=1).

<sup>24</sup> U.S. Census Bureau, "State & Local Government Finance Summary Report: 2012," December 17, 2014, [http://www2.census.gov/govs/local/summary\\_report.pdf](http://www2.census.gov/govs/local/summary_report.pdf), and the public use data at <http://www.census.gov/govs/local/>.

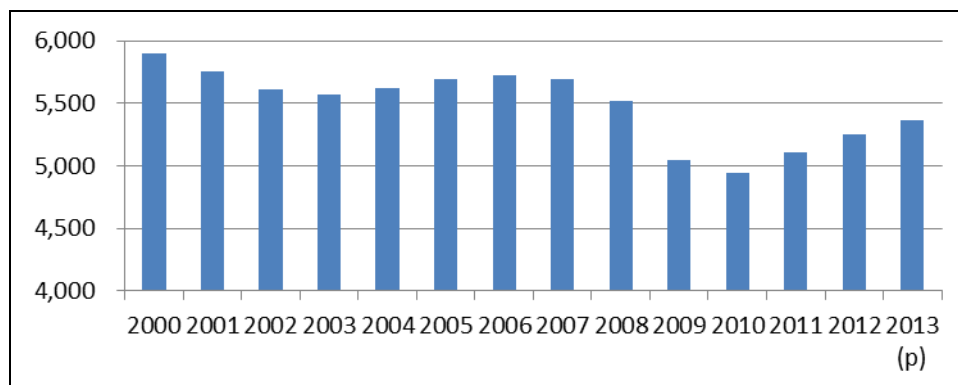
<sup>25</sup> Alyssa Larose, *Recreation/Nature-Based Tourism in Rural Areas: Literature Review and Case Study*, Franklin Regional Council of Governments, June 2011, [http://www.frcog.org/pubs/economic/Rec\\_Tourism2011.pdf](http://www.frcog.org/pubs/economic/Rec_Tourism2011.pdf).

<sup>26</sup> Richard J. Reeder and Dennis M. Brown, *Recreation, Tourism and Rural Well-Being*, U.S. Department of Agriculture, Economic Research Service, Economic Research Report #7, August 2005, p. 1, <http://www.ers.usda.gov/Publications/err7/>.

<sup>27</sup> BEA, "Tourism Satellite Accounts 2010-2013."

tourism employment had still not fully recovered from the 2007-2009 recession, when the industry shed about 750,000 jobs over a three-year period.<sup>28</sup>

**Figure 2. U.S. Travel and Tourism Industry Employment**  
in thousands



**Source:** U.S. Bureau of Economic Analysis (BEA), Travel and Tourism Satellite Accounts.

The travel and tourism industry is a large employer in many states, most notably California, Florida, and Texas (see **Table 2**).

**Table 2. Top 10 States in Employment and Expenditures**  
**Generated by Domestic and International Travelers**  
ranked by employment

State	Employment (thousand)	Expenditures (\$ million)
California	837	\$105,331
Florida	759	\$71,533
Texas	556	\$55,053
New York	431	\$56,919
Nevada	305	\$29,592
Illinois	292	\$31,736
Georgia	238	\$22,734
Virginia	212	\$20,857
Pennsylvania	208	\$22,835
New Jersey	196	\$19,273

**Source:** U.S. Travel Association, *Impact of Travel on State Economies, 2013*.

**Notes:** These statistics are based on U.S. Travel’s proprietary economic model, the Travel Economic Impact Model (TEIM). TEIM estimates differ from U.S. government estimates.

<sup>28</sup> BEA, “Tourism Satellite Accounts 1998-2013.”



The travel and tourism sector is labor-intensive because it depends on high levels of customer service; this makes wages one of the largest expense categories, particularly for hotels and retail establishments, where labor costs can represent more than a quarter of revenue. In 2012, average compensation per tourism employee in food services and drinking places was \$21,300, and in retail trade services was \$33,500 (see **Table 3**). These low annual wages often reflect many seasonal or part-time jobs, low barriers to entry, a relatively young workforce, and some large industry segments that require workers with fewer skills than other industries.<sup>29</sup> Worker turnover in travel- and tourism-related businesses tends to be higher than for the labor force as a whole.

Not all segments of the tourism industry pay low wages, although those that pay more employ far fewer tourism workers than larger segments such as food services, retail trade, and traveler accommodations. Compensation in some segments is significantly higher than average private sector compensation. These include gambling, travel arrangement and reservation services, and motion picture and performing arts, with average annual compensation ranging from about \$75,000 to more than \$100,000.

**Table 3. U.S. Travel Wages and Employment by Selected Industry Sector, 2012**

Industry	Average compensation per tourism employee	Tourism Employment
Food services and drinking places	\$21,345	1,705,000
Traveler accommodations	\$37,052	1,335,000
Air transportation services	\$77,994	444,000
Retail trade services, excluding gasoline service stations	\$33,471	324,000
Gambling	\$77,174	177,000
Travel arrangement and reservation services	\$74,685	173,000
Motion pictures and performing arts	\$103,333	23,000

**Source:** BEA, Travel and Tourism Satellite Accounts, June 2014.

**Note:** Average compensation, which consists of wages and salaries and other employer contributions such as Social Security taxes and fringe benefits, is calculated by dividing total tourism compensation by tourism employment. At the time of publication, only 2012 compensation was available. Average compensation paid by all U.S. private industries was \$59,600 in 2012.

## U.S. Trade in Tourism

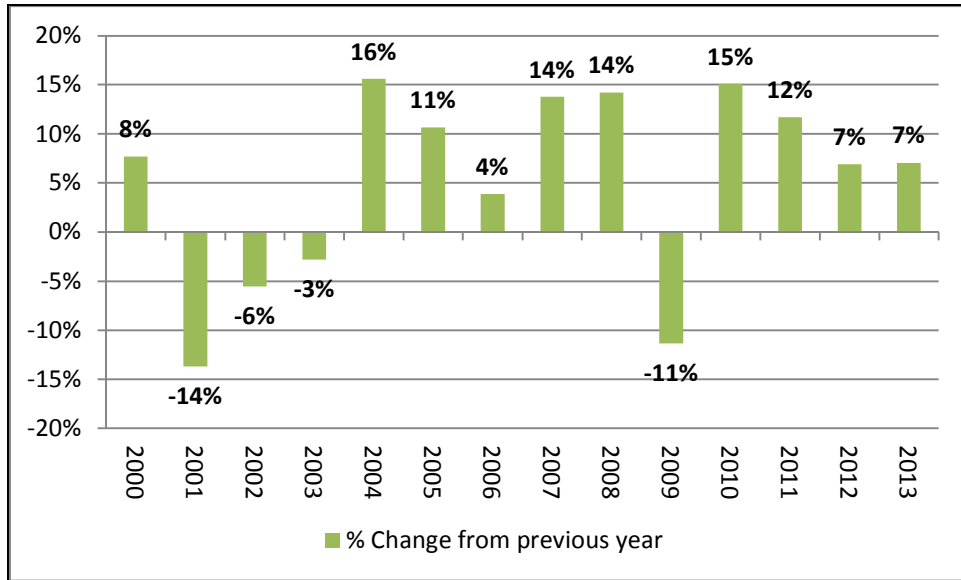
Tourism exports are the amount of money that foreign visitors spend in the United States on passenger fares and travel-related goods and services such as food, lodging, recreation, gifts, entertainment, and local transportation, including travel to and from the United States aboard a U.S. airline. To improve the comparability of U.S. travel statistics with those of other countries, the U.S. Department of Commerce has refined its travel statistics by expanding the definition to cover all kinds of travel, including travel for health and educational purposes.<sup>30</sup> Spending by

<sup>29</sup> U.S. Travel, *Travel Means Jobs*, 2012, p. 7.

<sup>30</sup> See ITA, *Comprehensive Restructuring of the International Economic Accounts: New International Guidelines Redefine Travel*, <http://travel.trade.gov/pdf/restructuring-travel.pdf>, for a discussion on the new presentation of trade in travel-related goods and services.

foreign visitors is watched closely by the industry because overseas visitors tend to take longer trips than domestic tourists and to spend more per day.<sup>31</sup> Tourism imports are corresponding expenditures by U.S. residents traveling abroad, including fares paid to foreign air carriers on flights to and from the United States.

**Figure 3. U.S. Travel and Tourism Exports**



**Source:** OTTI, *International Travel Receipts and Payments Program, Annual Visitor Spending, 1960-Present*.

U.S. tourism exports totaled \$214.8 billion in 2013 (see **Table 4**).<sup>32</sup> Tourism is the United States’ single-largest services sector export,<sup>33</sup> and accounted for 9% of all U.S. goods and services exports in 2013.<sup>34</sup> As shown in **Figure 3**, tourism exports have grown strongly over the past decade, except in 2009, when they plunged 11% from the previous year due to poor economic conditions in Europe and elsewhere.<sup>35</sup>

In 2013, an estimated 61.9 million U.S. residents traveled outside the United States, an increase of 2% from 2012. Mexico and Canada account for more than half of all outbound travel.<sup>36</sup>

<sup>31</sup> U.S. Department of Commerce, International Trade Administration, “Key Facts about Travel and Tourism to the United States,” 2013, [http://travel.trade.gov/outreachpages/download\\_data\\_table/Fast\\_Facts\\_2013.pdf](http://travel.trade.gov/outreachpages/download_data_table/Fast_Facts_2013.pdf).

<sup>32</sup> U.S. Department of Commerce, National Travel and Tourism Office from the Bureau of Economic Analysis, U.S. Travel and Tourism Balance of Trade: All Countries, 2004-2013, [http://travel.trade.gov/outreachpages/download\\_data\\_table/2004-2013-new.pdf](http://travel.trade.gov/outreachpages/download_data_table/2004-2013-new.pdf).

<sup>33</sup> Travel and tourism exports, or receipts, cover travel-related expenditures and international transportation purchases from U.S. providers by nonresidents traveling in the United States.

<sup>34</sup> BEA, “International Transactions, International Services, and International Investment Position Tables,” <http://www.bea.gov/iTable/iTable.cfm?ReqID=62&step=1#reqid=62&step=1&isuri=1>.

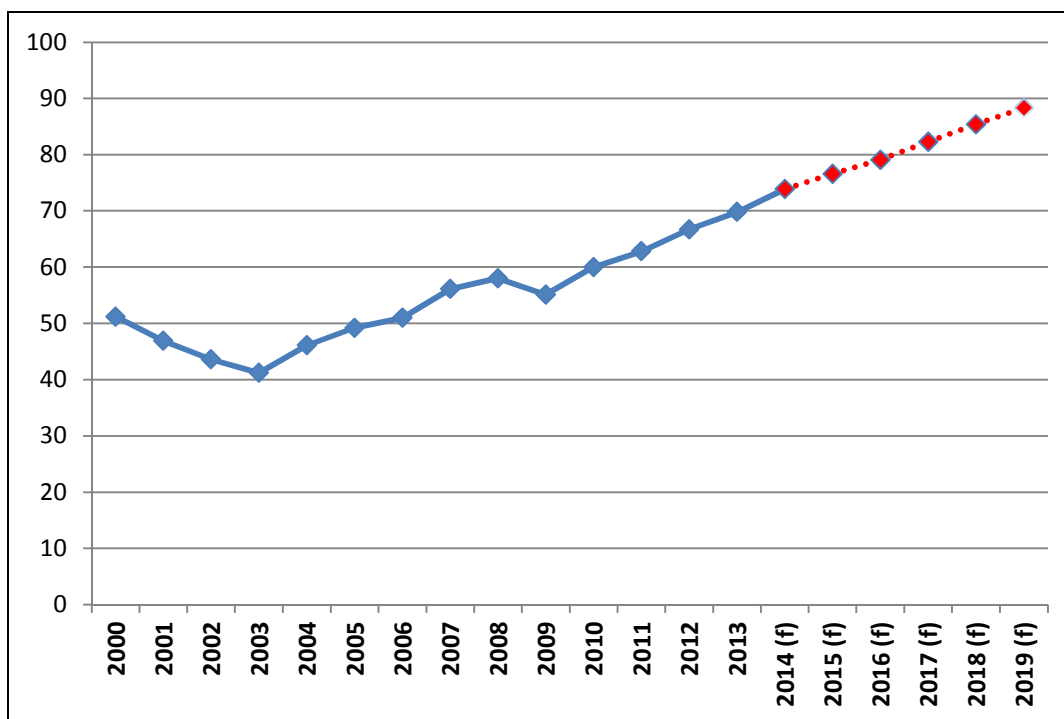
<sup>35</sup> OTTI, *International Receipts and Payments Program, Annual Visitor Spending (1960-Present)*, <http://travel.trade.gov/research/reports/recpay/index.html>.

<sup>36</sup> U.S. Department of Commerce, “U.S. Travel to International Destinations Increased Two Percent in 2013,” July 21, 2014, [http://travel.trade.gov/outreachpages/download\\_data\\_table/2013\\_Outbound\\_Analysis.pdf](http://travel.trade.gov/outreachpages/download_data_table/2013_Outbound_Analysis.pdf).

Between 2004 and 2013, the U.S. trade surplus in travel and tourism services grew from \$16 billion to \$78 billion, even as the nation's overall merchandise trade deficit increased 6% to \$703 billion.<sup>37</sup> Every year since 1989, travel and tourism have posted a trade surplus.

**Figure 4. International Visitors to the United States**

2000-2019, in millions



Source: OTTI, *International Visitors to the U.S. and Projections, 2000-2019*.

**Figure 4** shows that since 2003, the number of international travelers to the United States declined only once (in 2009). In 2013, visitors from Canada and Mexico accounted for more than half of total arrivals in the United States.<sup>38</sup> The Department of Commerce expects visitor volume to continue to climb through 2019 to more than 90 million.<sup>39</sup>

According to the U.S. Department of Commerce, foreign visitors account for a disproportionate amount of U.S. travel and tourism spending. Foreigners are estimated to have accounted for 24% of spending on lodging, 20% of food and beverage demand, and 26% of total passenger air transportation demand in 2012.<sup>40</sup> A likely explanation is that foreigners spend, on average, far

<sup>37</sup> U.S. Census Bureau, *U.S. International Trade in Goods and Services—December 2013*, FT 900, Exhibit 4, February 6, 2014, <http://www.bea.gov/newsreleases/international/trade/2014/pdf/trad1213.pdf>.

<sup>38</sup> Immigration laws allow Canadian nationals to travel visa-free to the United States, and Mexican nationals are covered by programs that allow for expedited processing at the U.S.-Mexico border for preapproved travelers considered low-risk. NTTO, “International Visitation to the United States: A Statistical Summary of U.S. Visitation (2013),” [http://travel.trade.gov/outreachpages/download\\_data\\_table/2013\\_Visitation\\_Report.pdf](http://travel.trade.gov/outreachpages/download_data_table/2013_Visitation_Report.pdf).

<sup>39</sup> OTTI, “U.S. Commerce Department Forecasts Continued Strong Growth for International Travel to the United States—2014-2019,” press release, October 22 2014, [http://travel.trade.gov/view/f-2000-99-001/forecast/Forecast\\_Summary.pdf](http://travel.trade.gov/view/f-2000-99-001/forecast/Forecast_Summary.pdf).

<sup>40</sup> BEA, TTSA, “Table 3: Demand for Commodities by Type of Visitor, 2012.”

more on their U.S. travels than Americans do. U.S. Travel estimates that in 2011, for example, the average Chinese visitor spent \$7,107, the average Brazilian tourist \$5,605, and the average Indian visitor \$6,664.<sup>41</sup> Visitors from the European Union accounted for a fifth of total visitor receipts in the United States in 2013 (see **Table 4**). Although receipts from emerging market visitors from countries such as China and Brazil are much lower, they have grown quickly since 2008.

**Table 4. U.S. Receipts from Foreign Visitors**

by country, in billions of U.S. dollars

2013 Rank	Countries	2008	2013	2008-2013
	<b>All Countries</b>	<b>\$164.7</b>	<b>\$214.8</b>	<b>30%</b>
1	European Union	\$46.5	\$42.6	-9%
2	Canada	\$19.7	\$27.9	41%
3	China	\$6.1	\$21.1	247%
4	Mexico	\$17.6	\$18.1	3%
5	Japan	\$14.7	\$17.6	20%
6	Brazil	\$5.1	\$12.4	142%
7	India	\$6.7	\$8.9	33%
8	Republic of Korea	\$5.1	\$7.0	37%
9	Australia	\$4.3	\$6.8	58%
10	Venezuela	\$2.7	\$4.1	54%
11	Argentina	\$1.7	\$3.1	85%
12	Saudi Arabia	\$0.7	\$3.0	312%
13	Switzerland	\$1.6	\$2.5	54%
14	Taiwan	\$1.9	\$2.1	12%
15	Norway	\$1.2	\$1.7	42%
	All Other Countries	\$29.1	\$35.8	23%

**Source:** BEA, U.S. Trade in Services, Table 4.1, Travel for all purposes including education and health, *Survey of Current Business*, October 2014, pp. 7-8.

**Notes:** Total travel and tourism exports tally travel and passenger transport, or what international visitors spend in the United States and what they spend to get to the United States.

## Types of Tourism

Tourism encompasses a diversity of activities as consumer preferences have evolved from mass tourism—characterized by a large number of people who mostly want travel and cultural experiences similar to their own culture—to alternative forms of tourism that emphasize a greater level of contact between host and visitors. Some leading, or rapidly developing, areas of tourism include the following:

<sup>41</sup> U.S. Travel, “U.S. Inbound Travel Market Profiles,” <http://www.ustravel.org/research/international-research/top-25-countries-directory>.

- **Cultural Heritage Tourism.** This form of tourism is defined by the National Trust for Historic Preservation as travel “to experience the places and activities that authentically represent the stories and people of the past and present. It includes historic, cultural, and natural resources.”<sup>42</sup> Cultural heritage travelers participate in diverse activities such as visiting art galleries or museums, attending a concert, play, or musical, and recreating at national parks or monuments. Congress has established 49 National Heritage Areas in the United States.<sup>43</sup> The Bureau of Land Management, for example, has held workshops and produced educational activities on heritage tourism, recognizing it as a growing activity on federal lands.<sup>44</sup>
- **Sustainable Tourism or Ecotourism.** Sustainable tourism describes activities that take advantage of natural resources or other natural or cultural attributes while promoting local economic development and avoiding damaging environmental impacts. A number of organizations such as WTTC’s [greenglobe.org](http://www.wttc.org) and the Danish organization [blueflag.org](http://www.blueflag.org) inspect and verify that hotels and other facilities that bill themselves as eco-friendly meet certain standards.<sup>45</sup>
- **Meetings/Conventions.** The Global Business Travel Association (GBTA) estimated in 2013 that meetings and trade shows would represent more than 40% of the projected \$274 billion spent that year on business travel in the United States.<sup>46</sup> To meet demand, exhibit space in the United States has increased by 50% over the last 20 years, and since 2005, 44 new convention spaces have been planned or constructed.<sup>47</sup>
- **Medical Tourism.** Travel to another country or region to access medical services that are more expensive or are unavailable near a consumer’s home is known as medical tourism. Data on the actual size of the industry are elusive. Publicly available estimates on the flow of tourists traveling for medical treatments each year run from 60,000 to somewhere between 30 million and 50 million.<sup>48</sup>
- **Agritourism.** Agritourism involves supplementing income from farming and natural resource activities with tourism-related activities, from harvest festivals to farm vacations. There is little authoritative information on the size of the market.

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<sup>42</sup> National Trust for Historic Preservation, “Cultural Heritage Tourism 2012 Fact Sheet,” March 2012, [http://culturalheritagetourism.org/documents/2012CHTFactSheet\\_000.pdf](http://culturalheritagetourism.org/documents/2012CHTFactSheet_000.pdf).

<sup>43</sup> CRS Report RL33462, *Heritage Areas: Background, Proposals, and Current Issues*, by (name redacted) and (name redacted).

<sup>44</sup> U.S. Department of the Interior, Bureau of Land Management, [http://www.blm.gov/wo/st/en/res/Education\\_in\\_BLM/Learning\\_Landscapes/For\\_Teachers/Heritage\\_Education.html](http://www.blm.gov/wo/st/en/res/Education_in_BLM/Learning_Landscapes/For_Teachers/Heritage_Education.html).

<sup>45</sup> Elizabeth Becker, *Overbooked: The Exploding Business of Travel and Tourism* (Simon & Schuster, 2013), pp. 245-277.

<sup>46</sup> GBTA, “Asia Pacific, led by China, Dominates Global Business Travel,” press release, July 28, 2014, [http://www.gbta.org/PressReleases/Pages/rls\\_072814.aspx?Source=http%3A%2F%2Fwww.gbta.org%2FLists%2FNews%2FAllItems\\_foundation.aspx](http://www.gbta.org/PressReleases/Pages/rls_072814.aspx?Source=http%3A%2F%2Fwww.gbta.org%2FLists%2FNews%2FAllItems_foundation.aspx).

<sup>47</sup> Amanda Erickson, “Is it time to stop building convention centers?,” *The Atlantic*, June 11, 2012.

<sup>48</sup> Disagreement among various consulting firms on how to define the industry and different methodologies in collecting and analyzing information about the sector contribute to the huge gap in quantifying medical tourism.

According to the 2012 U.S. Census of Agriculture, 33,161 farms provided agritourism and recreation services valued at \$704 million.<sup>49</sup>

- **Space Tourism.** Several private spaceflight companies, including SpaceX and Virgin Galactic, are selling orbital and suborbital flights,<sup>50</sup> and it is possible that the first commercial space passenger service will be launched in 2015.<sup>51</sup> The possibility of space tourism has raised a variety of legal and policy questions,<sup>52</sup> some of which were addressed in a February 2014 hearing of the House Committee on Science, Space, and Technology Subcommittee on Space.<sup>53</sup>

## Issues for Congress

Many countries manage tourism policy at the national level, and they often have national tourism bureaus that undertake tourism advertising.<sup>54</sup> Some countries, such as Italy, Mexico, Spain, South Korea, and Turkey, have ministers responsible for tourism management and promotion.<sup>55</sup> According to Oxford Economics estimates produced for the U.S. Travel Association, Europe, and the Asia-Pacific region spent \$1.7 billion and \$1.2 billion, respectively, on marketing programs that promote international travel to their regions in 2012.<sup>56</sup> Australia, Mexico, Canada, and South Africa also have large destination marketing budgets, with each investing more than \$100 million annually to attract international tourists.<sup>57</sup> In the United States, national support for travel and tourism consists mainly of promotional activities to encourage travel to the United States by residents of foreign countries. The Department of Commerce has an Office of Travel and Tourism Industries (OTTI) charged with improving the international competitiveness of the sector, among other functions. Regulation of travel and tourism is dispersed among several federal agencies, including the Departments of Transportation, State, and Labor, and the Federal Trade Commission, although regulation of such matters as liquor licensing and casino gambling is handled at the state level.<sup>58</sup>

<sup>49</sup> U.S. Department of Agriculture, *2012 Census of Agriculture*, Table 7, Income From Farm-Related Sources: 2012 and 2007, May 2014, p. 15, [http://www.agcensus.usda.gov/Publications/2012/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US/](http://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1,_Chapter_1_US/).

<sup>50</sup> Dan P. Lee, "Welcome to the Real Space Age," *New York Magazine*, May 19, 2013.

<sup>51</sup> Elizabeth Howell, "SpaceShipTwo: On a Flight Path to Space Tourism," *Space.com*, December 22, 2014.

<sup>52</sup> In 2004, Congress passed the Commercial Space Launch Amendments Act (P.L. 108-492) to promote advancements in the emerging human space flight market. That law, which updated the Commercial Space Launch Act of 1984 (P.L. 98-575), includes safety requirements and liabilities for the space tourism industry.

<sup>53</sup> U.S. Congress, House Committee on Science, Space, and Technology, Subcommittee on Space, *Necessary Updates to the Commercial Space Launch Act*, 113<sup>th</sup> Cong., 2<sup>nd</sup> sess., February 4, 2014.

<sup>54</sup> UNWTO, *Budgets of National Tourism Organizations, 2008-2009*.

<sup>55</sup> Tourism trends and policies in nearly 50 countries are discussed in the OECD report, *Tourism Trends and Policies*, 2014, March 7, 2014, [http://www.oecd-ilibrary.org/industry-and-services/oecd-tourism-trends-and-policies-2014\\_tour-2014-en](http://www.oecd-ilibrary.org/industry-and-services/oecd-tourism-trends-and-policies-2014_tour-2014-en).

<sup>56</sup> U.S. Travel Association, *Brand USA: Working for all of US*, July 9, 2014, pp. 8-9, [http://www.ustravel.org/sites/default/files/page/2009/09/BUSA\\_Report\\_FINAL.pdf](http://www.ustravel.org/sites/default/files/page/2009/09/BUSA_Report_FINAL.pdf).

<sup>57</sup> U.S. Travel and Oxford Economics, "The Return on Investment of Brand USA Marketing, 2013 Fiscal Year Analysis," pp. 8-9, February 2014, <http://thebrandusa.com/~media/Files/Key%20Dox/2014/ROI%20Results/Brand%20USA%20ROI%20FY2013%20Final.pdf>.

<sup>58</sup> Curt Cottle, *United States Role with Travel & Tourism*, OTTI, October 10, 2012, p. 15, [http://www.gwu.edu/~iits/unwto2012/Cottle\\_US\\_Commerce.pdf](http://www.gwu.edu/~iits/unwto2012/Cottle_US_Commerce.pdf).

In recent Congresses, lawmakers have enacted and introduced legislation to provide assistance to tourism-related industries, and have held hearings on the effects of travel and tourism on the U.S. economy. For instance, in the 113<sup>th</sup> Congress, the Senate Committee on Commerce, Science, and Transportation's Subcommittee on Tourism, Competitiveness, and Innovation held a June 2014 hearing that examined the federal government's travel facilitation efforts.<sup>59</sup>

## Tourism Promotion

Federal involvement in tourism promotion dates to the International Travel Act of 1961 (P.L. 87-63), which established the U.S. Travel Service, later replaced by the U.S. Travel and Tourism Administration (USTTA) within the Department of Commerce, to advertise U.S. tourism destinations to international travelers. Congress steadily increased funding for USTTA until 1997, when it was dissolved.<sup>60</sup> In 2003, Congress restarted funding for travel promotion through the Consolidated Appropriations Resolution and established the U.S. Travel and Tourism Advisory Board (USTTAB), which has been rechartered several times, most recently in September 2013.<sup>61</sup>

The Travel Promotion Act (TPA) launched a public-private partnership<sup>62</sup> known as Brand USA to assist in financing an international advertising campaign for the United States as a travel destination.<sup>63</sup> Most recently, Congress extended the TPA through September 30, 2020.<sup>64</sup> The effort is funded through a \$10 fee added to the automated Electronic System Travel Authorization (ESTA)<sup>65</sup> application assessed on each visitor from one of 38 countries, whose nationals may enter the United States without visas under the Visa Waiver Program (VWP).<sup>66</sup> The federal

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<sup>59</sup> Senate Committee on Commerce, Science, and Transportation, Subcommittee on Tourism, Competitiveness, and Innovation, "The State of U.S. Travel and Tourism: Government Efforts to Attract 100 Million Visitors Annually" [http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord\\_id=5524437a-df5e-4914-b3e1-f1c5853b859b&ContentType\\_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group\\_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=6&YearDisplay=2014](http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=5524437a-df5e-4914-b3e1-f1c5853b859b&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=6&YearDisplay=2014).

<sup>60</sup> The Omnibus Consolidation Rescissions and Appropriations Act (P.L. 104-134). A smaller office, the Office of Travel and Tourism Industries (OTTI), was reconfigured within Commerce. OTTI's main task is to gather statistics on international travel to and from the United States.

<sup>61</sup> P.L. 108-7. OTTI, U.S. Department of Commerce, "Charter of the United States Travel and Tourism Advisory Board," [http://travel.trade.gov/ttab/TTAB\\_Charter.html](http://travel.trade.gov/ttab/TTAB_Charter.html).

<sup>62</sup> P.L. 111-145 established the Corporation for Travel Promotion, renamed Brand USA in November 2011, which has an 11-member board of directors and a staff of more than three dozen full-time employees in Washington, DC.

<sup>63</sup> As of 2013, Brand USA had more than a dozen representative offices, in countries such as Australia, Brazil, China, India, Japan, Mexico, South Korea, Taiwan, and the United Kingdom. It plans to expand to 30 markets in coming years, including the Middle East, Scandinavia, Southeast Asia, and Latin America. See Brand USA, "World in Review 2013-14," p. 86, <http://www.thebrandusa.com/~media/Files/Key%20Dox/2014/Annual%20ReportsBudgets/YearInReview582014.pdf>.

<sup>64</sup> U.S. International Trade Administration, "Travel Promotion Act: A Detailed Summary of Key Points," [http://tinet.ita.doc.gov/about/Detailed\\_Summary.html](http://tinet.ita.doc.gov/about/Detailed_Summary.html); P.L. 111-145, 22 U.S.C. 2131. The TPA was first amended on July 2, 2010, in the Homebuyer Assistance and Improvement Act of 2010, P.L. 111-198, which extended the sunset provision of the travel promotion fee by one year, authorizing the Department of Homeland Security (DHS) to collect the ESTA fee through September 30, 2015. In December 2014, the Travel Promotion, Enhancement, and Modernization Act of 2014 was incorporated into the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), and signed into law by President Obama on December 16, 2014.

<sup>65</sup> The automated, web-based ESTA system became mandatory on January 12, 2009, for eligible VWP visitors to the United States. Before traveling to the United States, VWP-eligible visitors are screened through the CBP system, which checks them against terrorist, national security, and criminal watch lists.

<sup>66</sup> Each VWP visitor is charged a \$14 fee, of which \$4 covers administrative costs and \$10 funds the tourism program. U.S. Customs and Border Protection, "DHS, CBP Announce Interim Final Rule for ESTA Fee," Press Release, August (continued...)

contribution requires an annual matching contribution from the U.S. tourism industry, which can be a combination of cash and in-kind contributions such as advertising. The federal contribution is capped at \$100 million a year, even though the Department of Homeland Security (DHS) collects about \$140 million annually from the \$10 fee.<sup>67</sup>

Critics, including some Members of Congress, have questioned the efficacy of the Brand USA program, and dispute whether federal matching funds have been spent appropriately.<sup>68</sup> Other skeptics depict federally supported tourism advertising as an inappropriate subsidy to a private industry.<sup>69</sup>

Although the federal government and many states and localities promote tourism, there is scant empirical evidence on the value of tourism advertising and uncertainty about the credibility of studies of tourism promotion.<sup>70</sup> Additionally, it is difficult to isolate the results of tourism promotion efforts from numerous other factors that affect international travel to and within the United States, including general economic conditions and currency exchange rates.

Using a proprietary econometric model, a joint report issued by Oxford Economics and U.S. Travel found that FY2013 Brand USA marketing generated 1.1 million incremental trips and \$3.4 billion in additional visitor spending.<sup>71</sup> A \$4.1 million pilot travel marketing campaign in the United Kingdom funded by the Commerce Department between 2004 and 2008 brought an extra 362,500 travelers to the United States, a study conducted for the department later found.<sup>72</sup>

However, no established methodology exists to evaluate such promotional efforts. A 2010 study of economic impact assessments of tourism marketing campaigns by more than a dozen states found that each state had a different way to measure tourism marketing. California was found to have generated the highest return on investment of any of the states reviewed, receiving \$305 in visitor spending and collecting \$20 in state and local tax revenue for each dollar spent on marketing in 2009.<sup>73</sup> Another study by the economic research firm Global Insight found that after Colorado stopped tourism marketing activities in 1993, leisure visits to the state declined by 8.4% from 1994 to 1997, which was nearly twice the rate of decline as in other states identified as

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(...continued)

6, 2010.

<sup>67</sup> According to DHS, the ESTA program generated \$130 million through April 2014. The U.S. Department of Commerce provides a monthly overview of travel promotion fees collected by DHS through the ESTA program, "Travel Promotion Fees Collected," <http://www.trade.gov/travelindicators/travel-promotion-fees-collected.asp>.

<sup>68</sup> U.S. Congress, Senate, *Initial Investigation of Brand USA and The Department of Commerce's Oversight*, 113<sup>th</sup> Cong., October 4, 2012.

<sup>69</sup> Luke Gelber, "Brand USA: a Gravy Train Keeps Rolling," Citizens Against Government Waste, July 2013, <http://cagw.org/media/wastewatcher/brand-usa-gravy-train-keeps-rolling>.

<sup>70</sup> Tourism Economics prepared a report for U.S. Travel on travel promotion, *The Projected Impacts of International Travel Promotion for the United States*, May 2009, [http://209.59.134.11/statistics/pdf/ki\\_intl\\_tpa\\_facts09.pdf](http://209.59.134.11/statistics/pdf/ki_intl_tpa_facts09.pdf).

<sup>71</sup> U.S. Travel and Oxford Economics, "The Return on Investment of Brand USA Marketing, 2013 Fiscal Year Analysis," February 2014, <http://thebrandusa.com/~media/Files/Key%20Dox/2014/ROI%20Results/Brand%20USA%20ROI%20FY2013%20Final.pdf>.

<sup>72</sup> Jami A. Fullerton and Alice Kendrick, *Strategic Uses of Mediated Public Diplomacy: International Reaction to U.S. Tourism Advertising*, Oklahoma State University and Southern Methodist University, May 2013, p. 8, <http://www.osu-tulsa.okstate.edu/fullerton/Brand%20USA%20bleed-over.pdf>.

<sup>73</sup> Adeel Ahmed, *Measuring Return on Investment of Tourism Marketing*, University of Minnesota Extension, A Review of Sixteen State Tourism Offices, December 24, 2010, [http://www.tourism.umn.edu/prod/groups/cfans/@pub/@cfans/@tourism/documents/asset/cfans\\_asset\\_290642.pdf](http://www.tourism.umn.edu/prod/groups/cfans/@pub/@cfans/@tourism/documents/asset/cfans_asset_290642.pdf).



Colorado's competitors for visitors. After Colorado reinstated promotional activities in 1998, its numbers started to rebound.<sup>74</sup>

## Visa Requirements

The State Department's Visa Waiver Program (VWP)<sup>75</sup> is seen by the travel industry as an important way to facilitate and encourage foreign business and leisure travel from high-volume and low-risk countries to the United States.<sup>76</sup> Travel under the VWP, which allows eligible visitors to enter the United States without first obtaining a visa from a U.S. consulate abroad for stays up to 90 days, has been expanded to 38 countries.<sup>77</sup> In FY2013, nearly 20 million people entered under the VWP, accounting for more than one-third of all temporary visitors.<sup>78</sup> The Government Accountability Office has raised concerns about the effect of the VWP on national security, because these travelers do not undergo the screening required of visa applicants.<sup>79</sup>

In January 2012, President Obama signed Executive Order 13597, establishing a Task Force on Travel and Competitiveness. The task force was instructed to develop a set of national travel and tourism goals to increase international visitor volume to 100 million by the end of 2021.<sup>80</sup> The task force recommended that the government reduce the time required to process tourist visas, particularly for potential visitors from high-growth markets such as China and Brazil.<sup>81</sup>

In the 114<sup>th</sup> Congress, the Visa Waiver Program Improvement Act of 2015 (H.R. 158), introduced by Representative Candice Miller, would suspend a country's participation in the VWP if it fails to provide the United States with pertinent traveler information related to terror threats. In the 113<sup>th</sup> Congress, lawmakers considered bills that would have expanded visa-free travel or eased the visa process. For instance, the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 (S. 744) included provisions that would have increased the scope the VWP, reduced visa processing delays, and established a pilot fee-based premium processing

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<sup>74</sup> IHS Global Insight and D.K. Shifflet & Associates, *Public Tourism Promotion ROI: Cutting the Promotional Budget is Tempting, Is it Worth It*, February 2009, p. 4.

<sup>75</sup> CRS Report RL32221, *Visa Waiver Program*, by (name redacted), analyzes the visa-free travel program.

<sup>76</sup> U.S. Travel, "Support Visa Waiver Program Expansion," <http://www.ustravel.org/sites/default/files/page/2009/09/VWPFactSheet.pdf>.

<sup>77</sup> As of January 2015, VWP member country participants were Andorra, Australia, Austria, Belgium, Brunei, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, and the United Kingdom. See U.S. Department of State, Bureau of Consular Affairs, U.S. Visas, <http://travel.state.gov/content/visas/english/visit/visa-waiver-program.html>.

<sup>78</sup> In FY2013, 54.6 million people entered the United States as temporary visitors. U.S. Department of Homeland Security, *Yearbook of Immigration Statistics: FY2013*, Nonimmigrant Admissions to the United States: 2013, August 4, 2014, [http://www.dhs.gov/sites/default/files/publications/ois\\_ni\\_fr\\_2013.pdf](http://www.dhs.gov/sites/default/files/publications/ois_ni_fr_2013.pdf).

<sup>79</sup> Government Accountability Office, *Visa Waiver Program: DHS Has Implemented the Electronic System for Travel Authorization, but Further Steps Needed to Address Potential Program Risks*, GAO-11-335, May 2011.

<sup>80</sup> The White House, "Establishing Visa and Foreign Visitor Processing Goals and the Task Force on Travel and Competitiveness," 77 *Federal Register* 3373, pp. 3373-75, January 24, 2012.

<sup>81</sup> The U.S. State Department said that its targets for Brazil and China were met in June and November 2012, respectively. U.S. Department of State, "U.S. Visa Processing," press release, February 28, 2013, <http://www.state.gov/r/pa/prs/ps/2013/02/205342.htm>.

category for visa services. Other bills introduced, but not enacted, in the 113<sup>th</sup> Congress would have allowed Poland, Hong Kong, and Israel to participate in the VWP.<sup>82</sup>

## Preclearance Facilities

U.S. Customs and Border Protection (CBP) has opened preclearance posts at certain foreign airports, allowing passengers to go through U.S. customs before boarding their flights to the United States.<sup>83</sup> Travelers from airports with preclearance are treated as domestic passengers upon arrival, and they can make flight connections or exit the airport more quickly than if they had to undergo CBP inspection in the United States, potentially making the United States more attractive as a tourist destination. Preclearance is offered at more than a dozen airports in six countries (Aruba, the Bahamas, Bermuda, Canada, Ireland, and the Emirate of Abu Dhabi).<sup>84</sup>

The Abu Dhabi facility, which opened on January 26, 2014, has been controversial. No U.S. carrier serves the airport, and critics have asserted that the new facility gives Abu Dhabi's government-owned airline, Etihad Airways, a competitive advantage over U.S.-owned carriers that route passengers to other Asian destinations through airports that lack similar preclearance posts.<sup>85</sup> A preclearance customs post is also being considered for Qatar, and Dubai has also expressed interest in a preclearance facility.<sup>86</sup> In the 114<sup>th</sup> Congress, Representative Shelia Jackson Lee reintroduced the Putting Security First in Preclearance Act (H.R. 82), which would require a security assessment before CBP can expand customs preclearance operations to new countries and airports, much the same as provided by the original bill in 2014. In the 113<sup>th</sup> Congress, Representative Patrick Meehan introduced the Preclearance Authorization Act of 2014 (H.R. 3488), which would have required the U.S. government to examine the potential effects on the U.S. airline industry before establishing new CBP preclearance facilities.

## Tourism Taxes

Online travel companies not affiliated with lodging or transportation companies account for about one-fifth of the more than 148 million travel bookings made online each year in the United States.<sup>87</sup> eMarketer, a market research firm, says U.S. online travel sales are expected to grow to \$145.2 billion in 2014.<sup>88</sup> The growth of online travel companies has led to a number of battles with state and municipal governments over taxes on lodging.<sup>89</sup> Although state and local laws vary,

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<sup>82</sup> Poland remains ineligible to join because of a high visa refusal rate; Hong Kong does not qualify because it is a special administrative region of China, and not a sovereign country; and Israel's participation concerns its treatment of citizens of Arab, Middle Eastern, or Muslim origin who are attempting to enter or exit Israel.

<sup>83</sup> Preclearance facilities are established through a formal agreement between the United States and a host country. The first preinspection operations began in 1952 at certain Canadian airports.

<sup>84</sup> Entities, including foreign governments, are permitted to reimburse CBP for services related to preclearance facilities. In the case of the Abu Dhabi facility, CBP will be reimbursed for about 85% of the costs associated with the operation by the government of Abu Dhabi.

<sup>85</sup> Aya Batrawy, "U.S. Customs Passenger Facility Opens in Abu Dhabi," *USA Today*, January 27, 2014.

<sup>86</sup> Rory Jones, "Qatar in Talks over U.S. Preclearance Customs Facility," *Wall Street Journal*, March 1, 2014.

<sup>87</sup> Statistic Brain, "Internet Travel Hotel Booking Statistics," May 25, 2014, <http://www.statisticbrain.com/internet-travel-hotel-booking-statistics/>.

<sup>88</sup> Plunkett Research, *Guide to the Travel Industry*, September 3, 2014, p. 16.

<sup>89</sup> Travel Tech, Occupancy Taxes, <http://traveltech.org/issues/occupancy-taxes/>.

the jurisdictions generally contend they are entitled to collect hotel taxes on the full retail price that consumers pay online travel companies for rooms, whereas the travel companies assert that taxes are due only on the lesser amounts they actually pay hotels.

The online travel industry favors national standards that could preempt state and local policies on taxation of hotel rooms.<sup>90</sup> The National Conference of State Legislatures, on the other hand, unanimously approved a resolution in August 2013 recommending that states “should consider legislation that requires companies to remit taxes based on the full retail price paid by the user.”

The vehicle rental industry has also raised objections to state and local taxes. At a congressional hearing in June 2010, an industry representative said that governments in 43 states and the District of Columbia had levied 118 different excise taxes on car rentals, an 800% increase in the number of such taxes since 1990.<sup>91</sup> In the 113<sup>th</sup> Congress, Representative Steve Cohen introduced the End Discriminatory State Taxes on Automobile Renters Act (H.R. 2543), which would have prohibited “discriminatory” taxes on the rental of motor vehicles. The Global Business Travel Association, the American Car Rental Association, United Auto Workers, and the Property and Casualty Insurers Association of America were part of a broad coalition that supported the measure, arguing that new taxes on car rentals would raise prices for consumers and harm local employers.<sup>92</sup> The National League of Cities, National Association of Counties, U.S. Conference of Mayors, and Government Finance Officers Association opposed the bill, claiming it would have unfairly preempted state authority.<sup>93</sup>

## Other Tourism-Related Legislation

Cruise ships leaving U.S. ports carried nearly 10 million passengers in 2013.<sup>94</sup> Florida’s five cruise ports accounted for more than 60% of embarkations from all U.S. ports in 2013.<sup>95</sup> In the wake of fires, crimes, and other incidents aboard cruise ships, congressional hearings have examined industry practices. In 2013, the cruise industry adopted the Cruise Industry Passenger Bill of Rights and agreed to voluntary disclosure of onboard crime statistics.<sup>96</sup> Nevertheless, the 113<sup>th</sup> Congress considered, but did not enact, the Cruise Passenger Protection Act (S. 1340) and the Cruise Vessel Consumer Confidence Act (H.R. 3475), both of which aimed to improve cruise

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<sup>90</sup> Lodging Tax Primer, <http://www.oregonrla.org/Documents/Lodging-tax-primer.pdf>.

<sup>91</sup> Testimony of Raymond T. Wagner, Jr., On Behalf of Enterprise Holdings, Inc. and The Coalition Against Discriminatory Car Rental Excise Taxes, U.S. House Committee on the Judiciary, Subcommittee on Commercial and Administrative Law, June 15, 2010, <http://judiciary.house.gov/hearings/pdf/Wagner100615.pdf>.

<sup>92</sup> “Federal Legislation Would Eliminate Discriminatory Taxes on Car Rentals,” *Auto Rental News*, November 2013, <http://autorentalnews.epubxp.com/i/200553/7>.

<sup>93</sup> Testimony of Timothy Firestine, Chief Administrative Officer, Montgomery County, Maryland, On Behalf Of National League of Cities, National Association of Counties, U.S. Conference of Mayors, and Government Finance Officers Association, U.S. House Committee on the Judiciary, Subcommittee on Commercial and Administrative Law, June 15, 2010, [http://judiciary.house.gov/\\_files/hearings/pdf/Firestine100615.pdf](http://judiciary.house.gov/_files/hearings/pdf/Firestine100615.pdf).

<sup>94</sup> CLIA, “*The Contribution of the North American Cruise Industry to the U.S. Economy in 2013*,” p. 4, September 2014, [http://www.cruising.org/sites/default/files/pressroom/US-Economic-Impact-Study-2013Final\\_20140909.pdf](http://www.cruising.org/sites/default/files/pressroom/US-Economic-Impact-Study-2013Final_20140909.pdf).

<sup>95</sup> *Ibid.*, p. 52.

<sup>96</sup> CLIA, *Cruise Industry Adopts Passenger Bill of Rights*, May 22, 2013, [http://www.cruising.org/news/press\\_releases/2013/05/cruise-industry-adopts-passenger-bill-rights](http://www.cruising.org/news/press_releases/2013/05/cruise-industry-adopts-passenger-bill-rights).

passenger security and safety. In July 2014, the Senate Committee on Commerce, Science, and Transportation held a hearing on S. 1340.<sup>97</sup>

The Conference Accountability Act of 2013 (S. 1347), introduced in the 113<sup>th</sup> Congress, would, among other things, have prohibited a federal agency from spending more than \$500,000 on any single conference unless the head of the agency determined the expenditure to be “justified as the most cost-effective option to achieve a compelling purpose”; limited participation at conferences held outside the United States; and required agencies to post details of their conferences online. Related measures were also included in the Government Spending Accountability Act of 2013 (H.R. 313).

The travel and tourism industry is also affected by congressional action on a range of diverse policy issues, such as federal funding for national parks, forests, and historical sites that are managed by federal agencies and staffed by their employees; the minimum wage; and visa and immigration reform policy. Proposals to expand online gambling are another concern because casino gambling and horseracing are important parts of the tourism sector in certain states, and remote gambling has the potential to reduce gambling-related travel and tourism.<sup>98</sup>

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<sup>97</sup> U.S. Senate Committee on Commerce, Science, and Transportation, the Cruise Passenger Protection Act (S. 1340): Improving Consumer Protections for Cruise Passengers, July 23, 2014, [http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord\\_id=7efa55e4-de05-488f-8eb2-72290a14da18&Statement\\_id=09d1f97d-1aef-43b3-93f9-788235c42d52&ContentType\\_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group\\_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=7&YearDisplay=2014](http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=7efa55e4-de05-488f-8eb2-72290a14da18&Statement_id=09d1f97d-1aef-43b3-93f9-788235c42d52&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a&MonthDisplay=7&YearDisplay=2014).

<sup>98</sup> For a discussion of online gambling see CRS Report R42820, *Remote Gambling: Industry Trends and Federal Policy*, by (name redacted).

## Appendix. Defining and Measuring the Tourism Sector

The Bureau of Economic Analysis (BEA) measures the economic output of various U.S. industries as part of its National Income and Product Accounts (NIPA). Travel and tourism does not fit neatly into the BEA regime, as it is not so much an industry with defined output as a variety of consumption spending across a range of industries.<sup>99</sup> Products such as gasoline and restaurant meals may be consumed both by tourists and by individuals who are not traveling, making it difficult to identify how much economic activity is the result of travel and tourism.

Beginning in the mid-1990s, UNWTO spearheaded an international push to create a broad, consistent gauge of travel and tourism. Partly as a result of that effort, and of a 1995 White House Conference on Travel and Tourism that included a call for more comprehensive information on the sector, the United States is among many countries now using a measurement system known as Tourism Satellite Accounts. The U.S. version, known as the Travel and Tourism Satellite Accounts (TTSA), generally complies with UNWTO standards but differs in some details.<sup>100</sup>

The TTSA are designed to capture the broad range of spending by “visitors”—people who travel away from home for less than a year, to places and for purposes outside of normal activities, including trips for business and religious or educational activities.<sup>101</sup> This TTSA definition of “visitor” encompasses people who may not be engaging in long-distance travel for pleasure. But it allows for a broad look at travel and tourism as an economic sector, including funding flows and supply-demand balances for related businesses such as hotels and restaurants.<sup>102</sup> As one analysis noted, “While it might seem straightforward to distinguish business from leisure travel, in practice it is not always clear what the visitor actually did. The boundary between travel for leisure and that for personal or family reasons is even fuzzier.”<sup>103</sup>

To estimate the economic impact of travel and tourism, BEA has identified 24 types of goods and services generally purchased by visitors,<sup>104</sup> in the broad areas of lodging, food and beverage services, transportation, and recreation.<sup>105</sup> BEA uses a variety of data—production and trade statistics, consumer surveys such as the Bureau of Labor Statistics Consumer Expenditure Survey, employment information, and other sources—to estimate the share of the selected goods and

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<sup>99</sup> BEA, “Measuring the Nation’s Economy: An Industry Perspective,” U.S. Department of Commerce, May 2011, p. 12, [http://www.bea.gov/industry/pdf/industry\\_primer.pdf](http://www.bea.gov/industry/pdf/industry_primer.pdf).

<sup>100</sup> Background on the TTSA program can be accessed at <http://travel.trade.gov/view/ttsa/>.

<sup>101</sup> BEA’s definition of “visitor” is someone who travels out of his or her usual environment, which is the area of normal, everyday activities within 50 to 100 miles of home, for a period less than one year or who stays overnight in a hotel or motel.

<sup>102</sup> Brandon Dupont, Alka Gandhi, and Thomas J. Weiss, *The American Invasion of Europe: The Long Term Rise in Overseas Travel: 1820-2000*, NBER Working Paper No. 13977, National Bureau of Economic Research, April 2008, p. 7.

<sup>103</sup> *Ibid.* UNWTO has travel data shown by trips for leisure, recreation and holidays, business and professional purposes, and other purposes such as visiting friends and relatives, health treatment, or religious reasons. Likewise, businesses and nonprofit groups have other measures of travel.

<sup>104</sup> BEA, *Industry Economic Accounts Information Guide*, <http://www.bea.gov/industry/iedguide.htm>.

<sup>105</sup> Sumiye Okubo and Mark A. Planting, “U.S. Travel and Tourism Satellite Accounts for 1992,” *Survey of Current Business*, BEA, July 1998, [http://www.bea.gov/scb/account\\_articles/national/0798ied/maintext.htm](http://www.bea.gov/scb/account_articles/national/0798ied/maintext.htm).

services consumed by visitors during their journeys. For example, BEA assumes that 17% of U.S. restaurant meals are purchased by visitors, along with 100% of hotel rooms and 27% of taxi trips.<sup>106</sup> In addition to its estimates of direct spending, defined as goods and services bought by travelers, BEA estimates indirect spending related to travel and tourism. The sum of direct and indirect spending is often cited in public discussions of the importance of travel and tourism. However, this number can be misleading, as indirect spending is usually not considered when discussing the size of other portions of the economy. There is currently no agreed-upon system for creating state or local satellite accounts, though some private forecasting firms have developed similar products.

The TTSA's still have certain shortcomings. Due to measurement difficulties, second homes that are not rented to others, but are used exclusively by the owners for vacations, are not counted as tourism-related.<sup>107</sup> The TTSA's also do not attribute consumer-owned or -leased vehicles to travel and tourism, though by some measures more than 90% of leisure trips are made in personal cars. In a 2007 article, BEA economists estimated that adding data on such automobiles into the TTSA's would have boosted the measured size of the tourism industry by more than \$50 billion in 1998.<sup>108</sup>

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<sup>106</sup> BEA, TTSA, *Table 3: Demand for Commodities by Type of Visitor, 2012*.

<sup>107</sup> Paul V. Kern and Edward A. Kocis, *U.S. Travel and Tourism Satellite Accounts for 1998-2006*, Bureau of Economic Analysis, June 2007, pp. 20-22.

<sup>108</sup> Sumiye Okubo, Barbara M. Fraumeni, and Mahnaz Fahim-Nader, "A Proposal to Include Motor Vehicle Services in the U.S. Travel and Tourism Satellite Accounts," *Survey of Current Business*, June 2007, [http://bea.gov/scb/pdf/2007/06%20June/0607\\_vehicles.pdf](http://bea.gov/scb/pdf/2007/06%20June/0607_vehicles.pdf).

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