

The Lost Decade

THE HIGH COSTS OF AMERICA'S FAILURE
TO COMPETE FOR INTERNATIONAL TRAVEL



U.S. TRAVEL
ASSOCIATION



OXFORD
ECONOMICS

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The High Costs of America's Failure to Compete for International Travel

KEY FINDINGS AT A GLANCE, 2000-2009

The failure of the United States over the last decade to simply keep pace with the growth in international long-haul travel worldwide has cost our economy...

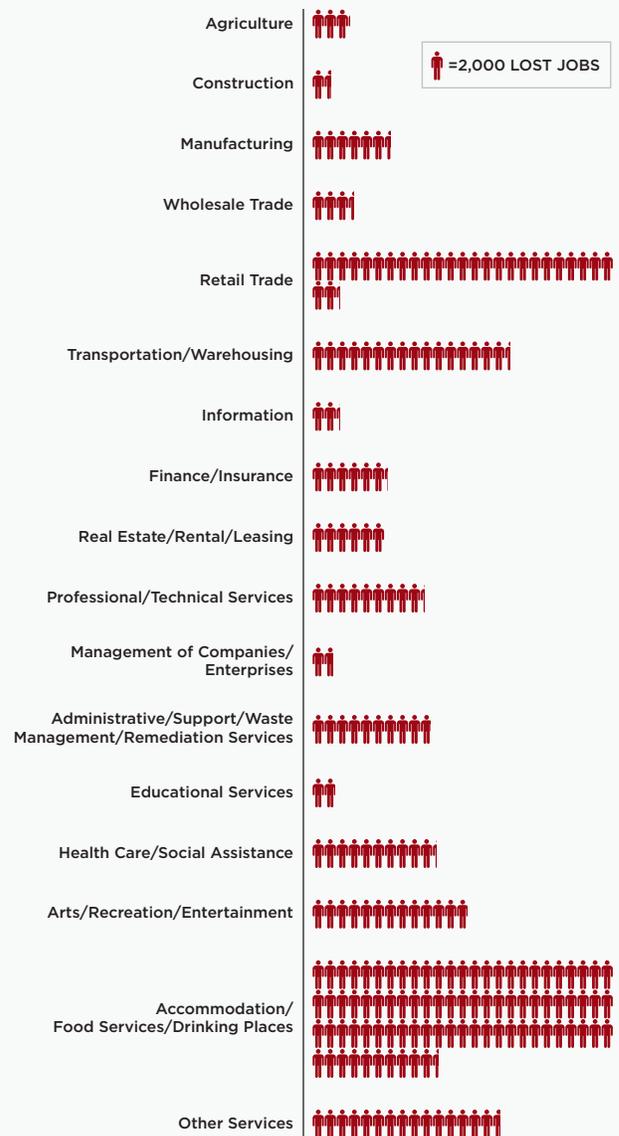
68.3 million lost visitors
\$509 billion in lost spending
441,000 lost jobs
\$270 billion in lost trade surplus
\$32 billion in lost tax revenue

“Countries that [compete for international travelers] will position themselves to reap a windfall of new jobs and economic growth. Those countries that do not, will risk being left behind.”

—2006 report to the U.S. Secretary of Commerce by the U.S. Travel & Tourism Advisory Board

441,000 LOST U.S. TRAVEL-RELATED JOBS ACROSS ALL SECTORS OF THE ECONOMY

Source: U.S. Travel Association



Executive Summary

Imagine a major global industry – one of the biggest in the world – in which the United States has historically been the market leader. Imagine that over the past decade global demand for this market skyrocketed, creating millions of new jobs and more than a trillion dollars in economic growth worldwide. Imagine, however, that over this same period, the United States’ share of this lucrative market declined so rapidly that it failed to capture any of this new growth, or any of the new jobs or spending that other countries enjoyed.

This industry is international travel, and over the past decade, the United States has missed out on a global boom of historic proportions. According to the latest figures available from the United Nations, international tourist arrivals worldwide grew to 880 million in 2009, up by nearly 200 million since 2000.ⁱ International tourism receipts now total \$889 billion.ⁱⁱ More than 80 countries now earn more than \$1 billion annually from international tourism.ⁱⁱⁱ By nearly all measures, international travel is one of the fastest growing, most important segments of the global economy. Meanwhile, overseas visits to the United States have fallen 9 percent from 2000 to 2009.^{iv}

Many countries have been quick to recognize and support the role international travel plays in their economies and, as a result, reaped extraordinary benefits. The United States, on the other hand, has adopted a policy of benign neglect when it comes to competing in the rapidly growing international travel market. It is not as though we did not have fair warning of the international travel explosion – in fact, the United States government predicted its arrival. In a landmark 2006 report, the U.S. Travel & Tourism Advisory Board (TTAB), which advises the U.S. Department of Commerce, concluded that:

“[T]he world is now entering a new golden age for travel. A confluence of developments is fueling an era of explosive growth in the world travel market – which is likely to drive a sizable share of the world’s future job creation, economic growth and tax revenue. Simply put, travel – which includes leisure, business, conventions and meetings, educational and medical travel – is one of, if not the most, significant growth industries in the world today.”

The TTAB’s forecast of explosive growth in international travel was supported by strong evidence: rising disposable incomes in many parts of the world created millions of new travelers with the means to travel overseas; improving infrastructure in many nations opened new travel destinations; and increasing financial investments by countries and destinations in promotional campaigns spurred intense competition for visitors.

Watching these developments, the TTAB recommended that the Secretary of Commerce and other policymakers think of travel as a critical component of our economy – a sector in which the United States must compete for market share and jobs, just as we do in manufacturing, technology, and other industries. Instead, the United States missed out on most of the previous decade’s growth in international travel – at a major cost to our overall economy and workforce.

The failure of the United States over the past decade to simply *keep pace* with the growth in international long-haul travel worldwide has cost our economy:

- **68.3 million lost visitors, each of whom on average spends well over \$4,000 dollars.**
- **\$509 billion in lost spending, including \$214 billion in direct spending and \$295 billion in downstream spending at restaurants, clothing retailers, and scores of other small businesses.**
- **441,000 lost jobs, direct and indirect, in all regions of the country.**
- **\$270 billion in direct lost trade surplus, as international travel is the United States’ largest service export.**
- **\$32 billion in direct lost tax revenue at the federal, state and local levels.**

Simply put, 2000-2009 was a “Lost Decade” for United States jobs and economic growth dependent on international travel.

I. A Global Gold Rush

Outside of the United States, international travel has experienced explosive growth over the last decade – and has been a leading contributor to job creation and economic growth worldwide.

According to the United Nations, international tourist arrivals grew from 682 million in 2000 to 880 million in 2009 – an increase of 198 million travelers or 29 percent.^v

While the number of international travelers is increasing rapidly, the amount travelers are spending is growing even faster, driven by rising disposable incomes and the global expansion of a middle class with the desire and means to experience the world. Between 2000 and 2009, international tourist receipts grew by more than 87 percent to \$889 billion per year, while the United States increased by only 13 percent.^{vi} (Figure 1*)

As a result of this dynamic growth, the travel industry is

now one of the primary drivers of global economic growth, employment, and exports.

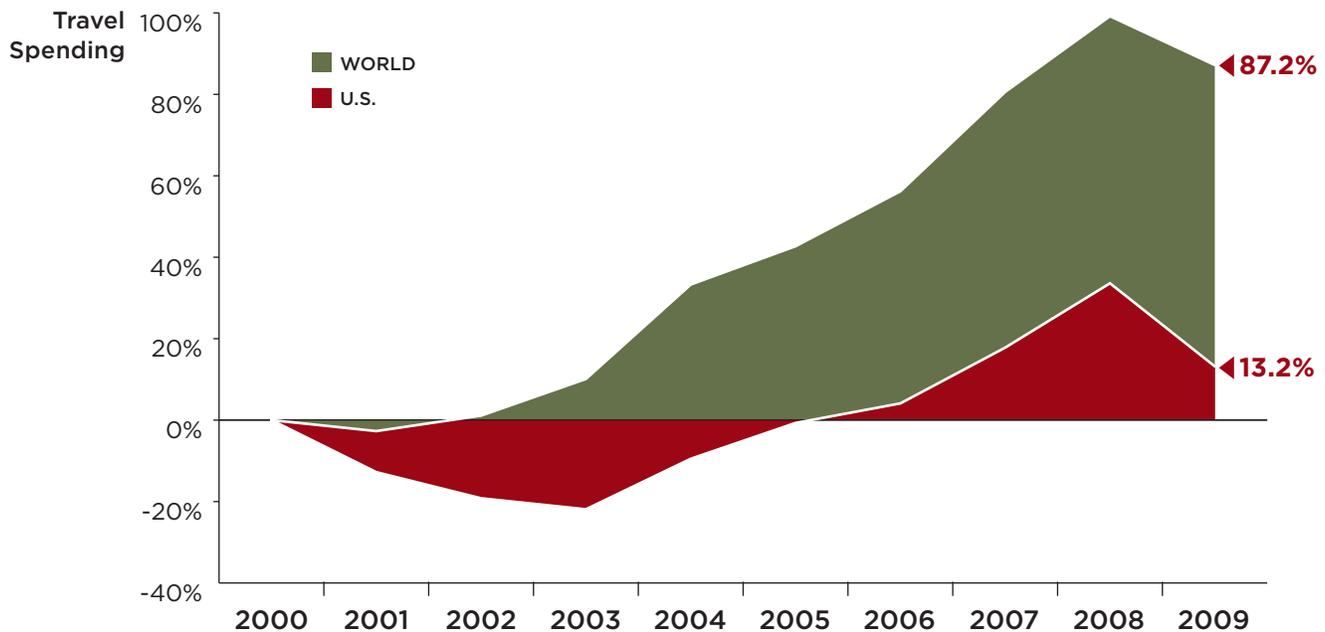
This “golden age” in international travel shows no signs of abating. As emerging economies continue to prosper, their populations will become more mobile and global. By 2020 China alone is expected to provide more than 100 million international travelers annually, fueling continued growth in the travel marketplace.^{vii}

International travel already accounts for 11 percent of total global exports – or nearly \$2 trillion in 2009, which is estimated to increase to more than \$4 trillion by 2019.^{viii}

Over the next decade, direct employment in travel is expected to increase some 2.4 percent each year, totaling nearly 56 million additional jobs either directly or indirectly dependent on international travel – 15 percent of all new jobs worldwide.^{ix}

FIGURE 1. TRAVEL SPENDING GROWTH FROM 2000: WORLD V. U.S.

Source: UNWTO



*Growth rate based on travel spending measured in nominal U.S. dollars.

II. 68.3 Million Lost Visitors

As the global market for travel expanded rapidly from 2000-2009, the United States saw its share of this lucrative market shrink dramatically – falling 2.3 percent over the past year and down a full 31 percent from 2000 to 2009.^x

During the last decade, long-haul travel increased by 31 percent to the rest of the world but *declined* 9.3 percent to the United States.^{xi} (Figure 2)

Not only did the United States fail to capture any of these new travelers, our nation welcomed 2.4 million *fewer* overseas visitors in 2009 than in 2000.^{xii} Had the United States simply kept pace with the growth in international long-haul travel worldwide, our nation would have received 68.3 million additional visitors since 2000 – or nearly 7.6 million more international visitors a year.^{xiii} (Figure 3)

FIGURE 2. HEADING IN OPPOSITE DIRECTIONS (PERCENTAGE CHANGE 2000-2009)

Source: *Tourism Economics, Oxford Economics*

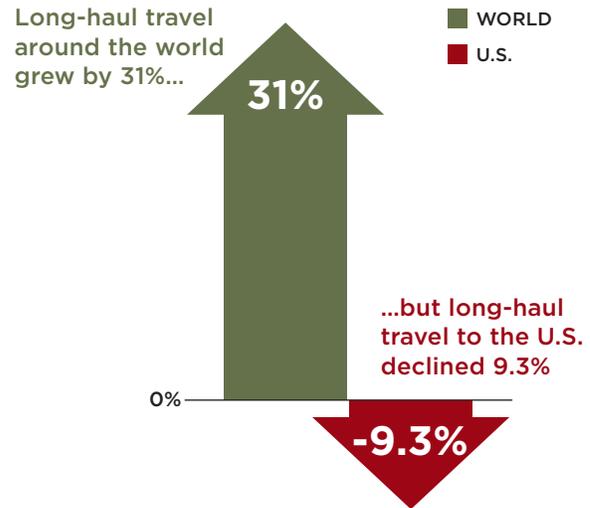
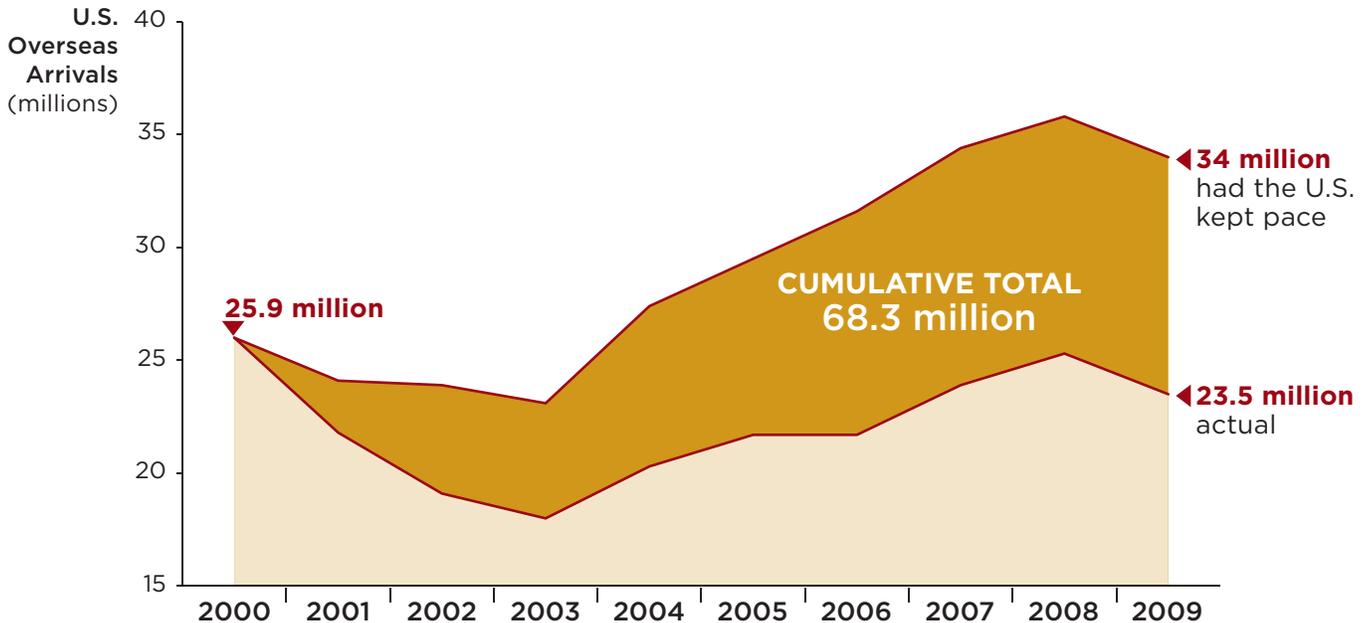


FIGURE 3. THE U.S. LOST 68.3 MILLION VISITORS, 2000-2009

Source: *U.S. Travel Association, Tourism Economics, OTTI*

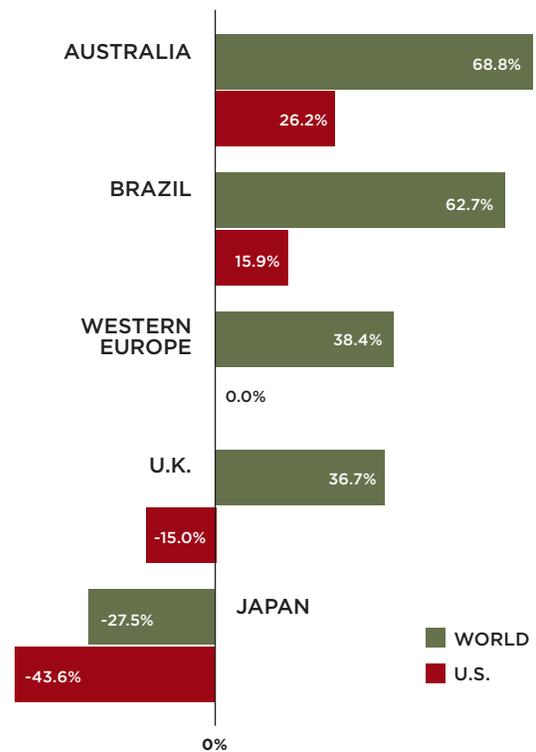


Instead, when it comes to the most important source markets for international travel, the United States continues to lose ground to the rest of the world. For example, while United Kingdom long-haul travel increased by 36.7 percent worldwide, it actually decreased by 15 percent to the United States.^{xiv} (Figure 4)

Attracting international visitors is no mere point of national pride. When an overseas visitor chooses to visit the United States, that person spends well over \$4,000 at businesses of all kinds – from clothing shops, to restaurants, to local attractions and other services.^{xv} The total impact of lost visitation can be devastating.

FIGURE 4. HUGE GROWTH IN INTERNATIONAL LONG-HAUL TRAVEL, BUT NOT TO THE U.S. (PERCENTAGE CHANGE 2000-2009)

Source: *Tourism Economics, Oxford Economics*



III. \$509 Billion in Lost Spending

The cumulative effect of millions of visitors choosing to take their pocket books elsewhere has been painful for many regions in the United States and for American small businesses and workers.

Each overseas visitor spends more than \$4,000 on average, including more than \$3,200 on a range of products and services and an average of \$900 in airfares on U.S.-owned airlines.^{xvi} The downstream effect of this spending is even more powerful, as further spending is generated among manufacturers, agriculture, and other key suppliers.

As international travel to global destinations other than the United States has grown over the past decade, our nation's economy has suffered \$509 billion in lost spending (excludes international passenger fares), including \$214

billion in direct spending and \$295 billion in downstream spending at restaurants, clothing retailers, and scores of other small businesses.^{xvii}

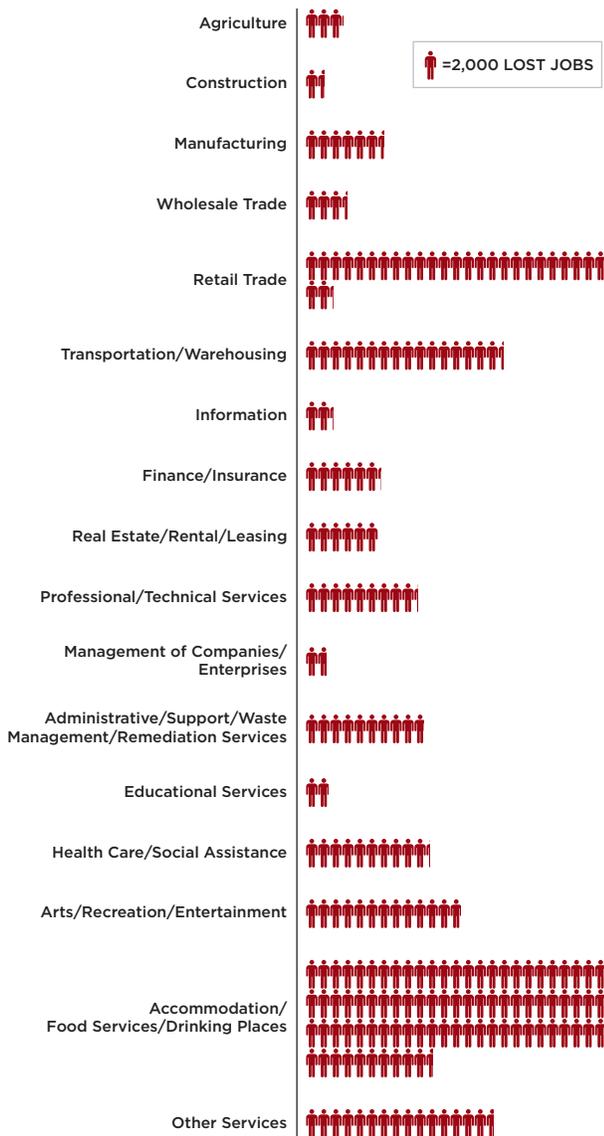
Over the past decade, the U.S. economy has suffered \$509 billion in lost direct and indirect spending generated by international travel.

IV. 441,000 Lost Jobs

Few economic statistics illustrate the lost decade more starkly than the staggering number of lost employment opportunities. Today, more than 1.6 million Americans are either directly or indirectly dependent on international travel for their jobs.^{xviii} By failing to keep pace with the worldwide growth of international long-haul travel over the past decade, the United States has lost out on an estimated 441,000 jobs that could have been created and sustained during these past years.^{xix} (Figure 5)

FIGURE 5. 441,000 LOST U.S. TRAVEL-RELATED JOBS ACROSS ALL SECTORS OF THE ECONOMY

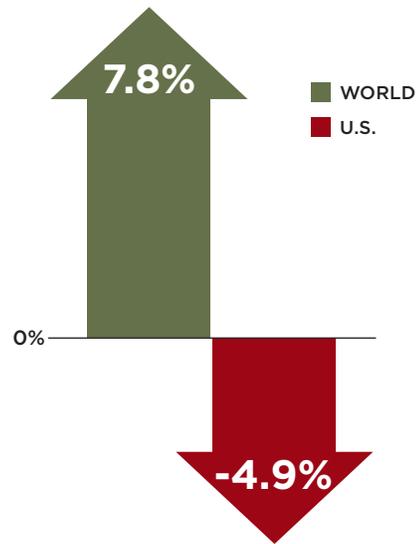
Source: U.S. Travel Association



Overall, travel-generated jobs grew by 7.8 percent around the world between 2000-2009, but declined by 4.9 percent in the United States.^{xx} (Figure 6)

FIGURE 6. TRAVEL-GENERATED EMPLOYMENT, WORLD V. U.S. (PERCENTAGE CHANGE 2000-2009)

Source: U.S. Travel Association, WTTC



This deficit is particularly alarming in the context of the current economic downturn, in which national unemployment hovers around 10 percent. As the United States looks for policies that will stimulate employment, we have neglected to compete in the very industry that is leading the way in job creation in many other parts of the world.

What kinds of jobs are at stake? When foreign travelers spend money in the United States, the impact is felt far beyond hotels, transportation and attractions. The loss of the United States' share of world travel has also cost thousands of jobs in agriculture, construction, retail, dining and many other sectors.

According to the U.S. Chamber of Commerce, small businesses generate 60 to 80 percent of net new job growth and will lead the United States out of economic recession. Considering that small businesses make up 90 percent of the United States travel economy, this industry is well-positioned to create employment opportunities and stimulate economic growth.

V. \$270 Billion In Lost Contribution to Balance of Trade

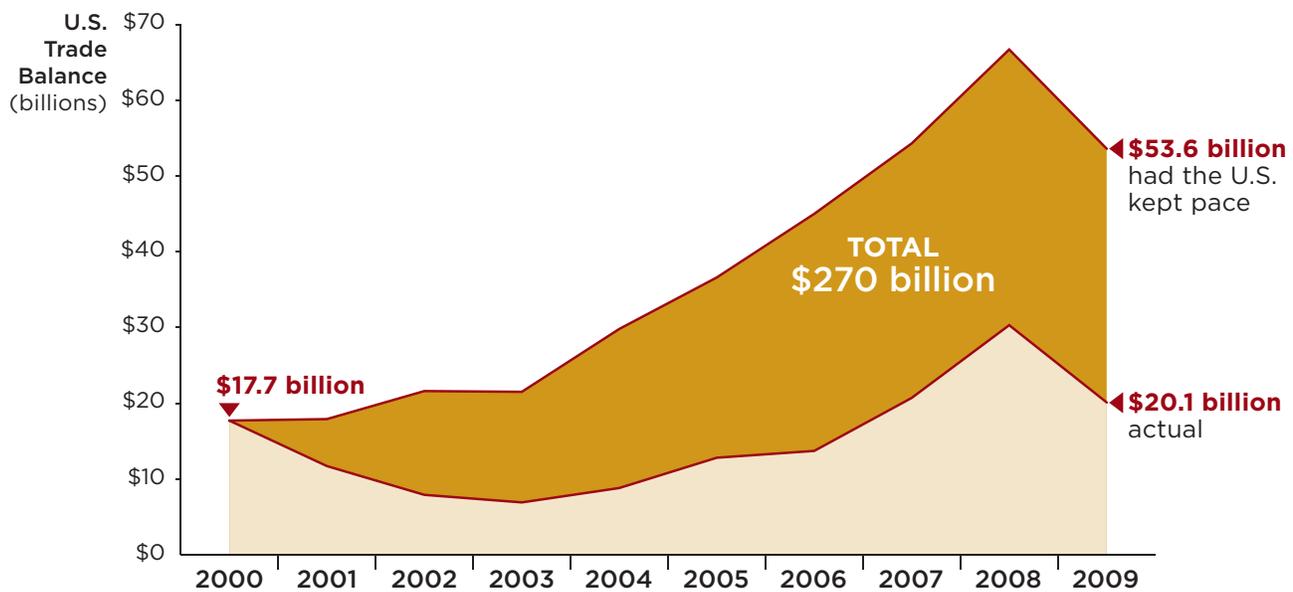
Travel is a major contributor to our nation's balance of trade – or the difference between income generated by exports to other countries and spending on imports to the United States. When a person visits the United States, the money they spend here counts as an export, helping the overall balance of trade picture.

In fact, international visitors are our nation's largest service export, accounting for 26 percent of all service exports.^{xxi}

However, our failure to keep pace with the world has cost \$270 billion in lost contributions over the decade to our balance of trade.^{xxii} (Figure 7*)

FIGURE 7. LOST EXPORTS FROM INTERNATIONAL TRAVEL: \$270 BILLION, 2000–2009

Source: U.S. Travel Association



*This figure includes travel and international passenger fares.

VI. \$32 Billion In Lost Tax Revenue

For many regions, international visitation is a key contributor of tax revenue to fund healthcare, education, public safety, and infrastructure.

The fact that these visitors impose a very light burden on public services makes the tax revenue they generate all the more attractive.

While international visitors contributed \$126 billion in tax revenue over the past decade, that number would have been \$32 billion higher had the United States maintained its share in the global travel market.^{xxiii} And it is likely that this number is vastly understated, as it does not account for the billions in added tax revenue from the nearly \$300 billion in downstream spending that would have been generated by additional travel to the United States.^{xxiv}

VII. How the United States Can Get Back in the Game

It is too late to recapture the jobs and economic growth that were lost over the past decade. However, the global boom in international travel is forecast to continue, and possibly even accelerate, in the years to come. It is imperative, therefore, that the United States take immediate steps to get back in the game.

The 2006 U.S. Travel & Tourism Advisory Board report noted, “At a time when other countries have become better funded, more coordinated and sophisticated in their efforts to attract international visitors, the United States still lacks a national strategy to compete. This situation puts the United States at a distinct competitive disadvantage in trying to attract world travelers.”

The TTAB highlighted two significant investments that the United States must make in order to better compete with other countries for international travel. First, improve the visa and entry processes so that visitors are not discouraged from visiting. Its recommendations in this area included expansion of the Visa Waiver Program, improving the interview process for visa applicants, and investing in a more efficient customs process at the airports. Much progress has been made in these areas.

The second – and most critical – recommendation has yet to be acted upon: Our nation must develop a nationally coordinated program to market its destinations to world travelers. The United States, according to the report, “is one of the few industrialized countries in the world today without a nationally coordinated program designed to promote its destinations to international travelers.”

While our nation stands on the sideline, global competitors are investing millions and reaping the rewards of their commitment to promoting travel. (Figure 8)

The travel industry has estimated that the cost of operating a competitive marketing program would be approximately \$200 million – and could be funded by a combination of visitor fees and industry contributions, without any cost to taxpayers. The impact of recapturing lost share in the world travel market would be many times this investment – hundreds of thousands of jobs, and many billions of dollars in economic growth.

As policymakers debate ways to lead the United States out of the current economic trough, attracting more international travelers through this relatively modest investment would be a powerful first step.

FIGURE 8. TOP 10 COUNTRIES' MARKETING BUDGETS

NATION	PROMOTIONAL SPENDING in Millions (2005)
Greece	\$151.4
Mexico	\$149.2
Malaysia	\$117.9
Australia	\$113.3
U.K.	\$89.2
Turkey	\$80.0
France	\$63.3
Italy	\$61.9
China	\$60.0
Canada	\$58.5
U.S.	\$0.0

Source: UNWTO

Resources

METHODOLOGY

The impact estimates of international travel to the United States covered in this report are conducted by the U.S. Travel Association using a variety of data issued by leading domestic and international statistical agencies.

The statistics issued by the U.S. Department of Commerce's Office of Travel & Tourism Industries and Bureau of Economic Analysis (BEA), covering current and historical United States international arrivals and travelers' spending, are used directly in the study. The estimates associated with total world travel and the world economy, are collected by the UN World Tourism Organization, the World Travel & Tourism Council, and the Tourism Economics division within Oxford Economics.

These U.S. and world data were analyzed to compare international travel to the United States with total world international travel. The assumptions used in the study are all based on these comparisons. These data were also input into the U.S. Travel Association's Travel Economic Impact Model (TEIM) to estimate the employment, payroll income and tax revenues directly generated by these international travelers. The direct impact estimates derived through the TEIM were then input into the BEA's Regional Input-Output Modeling System (RIMS II) and Minnesota IMPLAN Group's IMPLAN® economic impact modeling system to calculate the indirect and induced impact to the entire United States economy.

GLOSSARY

Total world arrivals – total international travel from all countries of the world including long-haul and intra regional travel, but excluding domestic travel within countries.

Long-haul travel – international travel out of a respective origin region.

Intra region travel – international travel within a respective origin region.

Overseas arrivals to the United States – total international arrivals to the United States, excluding those from Canada and Mexico.

Direct travel impact – direct travel-related expenditures by travelers during their trips to the United States, as well as employment, payroll income, and tax revenues generated by this spending.

Indirect travel impact – The economic impact that occurs as travel industry business operators purchase goods and services, facilities, and utilities from local suppliers. These purchases generate additional output or sales indirectly, as well as additional employment and payroll income.

Induced travel impact – The economic impact that occurs as a result of the employees of travel-related businesses and their suppliers spending part of their earnings in the area. This spending itself generates sales additional to the indirect impact and generates employment and income in addition.

ⁱ United Nations World Tourism Organization (UNWTO).

ⁱⁱ UNWTO.

ⁱⁱⁱ UNWTO.

^{iv} Tourism Economics, Oxford Economics.

^v UNWTO.

^{vi} UNWTO.

^{vii} UNWTO.

^{viii} UNWTO, World Travel & Tourism Council (WTTC).

^{ix} WTTC.

^x U.S. Department of Commerce Office of Travel & Tourism Industries (OTTI), Oxford Economics.

^{xi} Tourism Economics, Oxford Economics.

^{xii} OTTI.

^{xiii} U.S. Travel Association, Tourism Economics.

^{xiv} Tourism Economics, Oxford Economics.

^{xv} OTTI, Bureau of Economic Analysis (BEA).

^{xvi} OTTI, BEA.

^{xvii} U.S. Travel Association.

^{xviii} U.S. Travel Association.

^{xix} U.S. Travel Association.

^{xx} U.S. Travel Association, WTTC.

^{xxi} BEA.

^{xxii} U.S. Travel Association.

^{xxiii} U.S. Travel Association.

^{xxiv} U.S. Travel Association.