TRAVAL AND TOURISM: A SMALL BUSINESS ANGLE

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Questions for the Record:

None.

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None.

Additional Material for the Record:

None.
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TUESDAY, MAY 8, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Dave Brat [chairman of the Subcommittee] presiding.

Present: Representatives Brat, Chabot, Kelly, Fitzpatrick, Curtis, Evans, and Clarke.

Chairman BRAT. Good morning. I would like to call this meeting to order.

Welcome to everyone for this great Committee meeting.

With the weather warming up and school is about to let out, many American families will take to the road in the coming weeks to go on vacation and explore the beautiful sights our nation has to offer.

Although this has many Americans taking time off from work, millions of Americans see the end of the school year and the rising temperatures as a sign that their work is about to significant pick up.

In 2017, domestic and international travelers spent over $1 trillion in the United States.

According to the U.S. Travel Association, an impressive 83 percent of businesses in the travel and tourism industries are considered small businesses. Eighty-three percent. And while small businesses are frequently the ones that take you from destination to destination, or provide American families for a place to stay on the road, the economic impact of the travel and tourism industries positively impacts small businesses in other industries as well.

For example, an estimated $1 of every $4 spent at restaurants in this country are due to travel and tourism. Small businesses in a variety of industries depend on travel and tourism to keep the lights on and to pay their employees.

The recently enacted Tax Cuts and Jobs Act, which reduced tax rates and complexity for businesses of all sizes, has already positively impacted the travel and tourism industries.

According to the Department of Labor, the travel industry created over 17,000 jobs just in the first 2 months of 2018, which is 50 percent higher than the amount of jobs created by the travel industry in the first 2 months of 2017.

(1)
Equally important, tax reform has provided small business owners with the resources to hire new employees and reward existing employees in the form of bonuses or raises, as well as the opportunity to invest resources back into their businesses.

This week is National Travel and Tourism Week. Thus, you are all here with us. Thank you for coming.

We have put together a distinguished panel to discuss the economic impact of the travel and tourism industries and how the private sector and the public sector can work together to ensure the travel and tourism industries in the United States continue to thrive.

I thank you all for being here this morning, and I yield to the Ranking Member for his opening remarks.

Mr. EVANS. Good morning. Thank you, Mr. Chairman.

The travel and tourism sector plays a critical role in the U.S. economy and is an indispensable part of the industry ecosystem which makes up the nation’s economic fabric. In 2017, the tourism sector generated 2.4 trillion in economic output and supported 15.6 million American jobs in a plethora of industries. Tourism is also one of the few sectors operating a multi-billion trade surplus.

Small businesses are an essential part of the travel and tourism sector. Small companies in this sector are powerful job creators providing livelihoods and pathways out of poverty for millions across gender, age, and skill levels.

For instance, travel dependent leisure and hospitality is the largest small business employer in the United States. Furthermore, research indicates that tourism has almost twice as many women employees as other sectors and employs young people at roughly twice the rate of other industries.

Not only are small businesses companies or drivers of tourism travel, they also reap major benefits from the industry. The industry has grown significantly in the last 25 years, but when tourism stops flocking to the United States, people flying, driving domestically, they also cease spending money at hotels, restaurants, and small merchants.

The travel and tourism sector is one place where we can invest and get significant returns for entrepreneurs for the United States’ economy.

Why are international travelers visiting the United States? There are numerous potential reasons why they are. Besides our immigration and visa policy, we must also invest in our national transportation infrastructure and park system. Without safe roads, bridges, rails, cars, few domestic trips will be made to the uniquely American park and historical sites. Promoting tourism is not only good for our people, it also fosters business growth and social mobility and encourages economic growth.

I might add that I represent the City of Philadelphia, which includes Philadelphia Historical District, the birthplace of the nation and the first World Heritage City in the United States as designated by the Organization of World Heritage Cities in 2015.

As if you need more reason to visit the City of Brotherly Love and Sisterly Affection, experiencing our growth and experiencing the small business economic system just adds another.
I look forward to today's hearing and thank the witnesses. And I yield back the balance of my time.

Thank you, Mr. Chairman.

Chairman BRAT. Thank you very much. I did not put a plug in for my own state. You beat me to the punch on that. That is pretty good.

I think you all probably know how the format works here.

If Committee members have an opening statement prepared, I ask that it be submitted for the record.

I would like to take a moment to explain the timing lights for you. You will each have 5 minutes to deliver your testimony and then we will go through a round of questions or two.

The light will start out green. When you have 1 minute remaining, the light will turn yellow. Finally, at the end of the 5 minutes it will turn red. It is usually an indicator that your time is coming close to an end. I ask you try to adhere to that limit. If you go a little over that is fine today. And with that, we will begin.

I think I will just introduce you one at a time, and we will just go in the order of introduction, and your 5 minutes will begin as soon as I am done with the introductions.

Our first witness today is Ms. Rita McClenny, President and CEO of the Virginia Tourism Corporation. She oversees the agency's annual budget and staff, which is responsible for tourism promotion in the State of Virginia. Many of you may know that Virginia Tourism Corporation through its famous slogan “Virginia is for Lovers,” which has been attracting tourists to Virginia for almost 50 years.

And so thank you very much, Rita, for being with us today. And you may begin.

STATEMENTS OF RITA MCCLENNY, PRESIDENT AND CEO, VIRGINIA TOURISM CORPORATION; STEVE SHUR, PRESIDENT, TRAVEL TECH; CAM BRENSINGER, FOUNDER AND CEO, NEMO EQUIPMENT, INC.; JAGRUTI PANWALA, PRESIDENT AND CEO, WEALTH PROTECTION STRATEGIES

STATEMENT OF RITA MCCLENNY

Ms. MCCLENNY. Chairman Brat, Ranking Member Evans, and other Subcommittee members. I am pleased to testify before you today representing Virginia Tourism Corporation, as Mr. Chairman indicated, and we are delighted also to be here to share with you the importance of this industry. I am also representing U.S. Travel today, which is a trade association representing all sectors of the national travel and tourism industry.

And as you indicated, today is a part of National Tourism Week, so it makes today extra special. And, in fact, this week was put into law the legislation signed by President Reagan 34 years ago. The mission of U.S. travel is to increase travel to the U.S. and within the U.S., which also yields another $2.4 trillion in economic output annually and supports one in nine American jobs and makes travel the nation's top service export.

According to the Small Business Administration, the travel-dependent leisure and hospitality sector is the top small business em-
ployer. We are all on the same page as you guys have indicated, all these wonderful statistics.

Some of our success in Virginia is legendary. Next year, our signature “Virginia is for Lovers,” 50 years commemorating, and one of the most highly recognized tourism brands in the world.

The famed Inn at Little Washington and the Blue Ridge Foothills opened during the worst snowstorm of the decade in 1978, and now is one of the crowned jewels of the lodging and dining scene nationally.

Also nestled in an industrial neighborhood in Richmond, Virginia, Hardywood Craft Brewery has played a pivotal role in Virginia’s boom of craft beer.

As you well know, small businesses face recurring headwinds related to access to capital, attracting skilled employees, and over-regulation that particularly impacts a small enterprise. Of particular interest to travel and tourism, small businesses is America’s share of a global travel.

Unfortunately, America’s share of the global travel market has been declining. In 2016, international arrivals to the U.S. declined 2.1 percent. In order to reverse this decline, we respectfully urge your support for five key areas.

Gentlemen, full funding of Brand USA, infrastructure modernization, lifting the cap on the passenger facility charge user fee, protecting U.S. open skies agreements, conveying a clear message of welcome for international travelers to America.

Brand USA was created to help market the U.S. in this booming global travel market. Just last week, Oxford Economics reported that since 2013, Brand USA’s efforts are directly responsible for increasing international travel by an incremental 5.4 million travelers. Despite Brand USA’s success, we were concerned to learn that the recent budget agreement, diverted STA fees after 2020 away from Brand USA promotional opportunities.

The return on investment from Brand USA is clear, especially for small businesses, and we hope you will join us in our work to sustain this critical work for Brand USA and the work of Brand USA.

Without reliable infrastructure, small businesses could not operate, potential patrons will not visit. A key infrastructure barrier to the travel industry’s growth and future competitiveness is the poor condition of our nation’s airports.

Last year, our two international airports in Virginia helped facilitate the travel of one million international visitors who spent $1.7 billion during their travels. The passenger facility charge is an indispensable tool for local communities to maximize efficiency, reduce project costs, and ensure fiscal responsibility. Adjusting the PFC ceiling would allow each airport authority to tailor its own PFC rate to fit local needs. We think this is really important.

Akin to our need to modernize our airport infrastructure, we must also preserve more than 120 open skies agreements which have yielded hundreds of thousands of American travel and manufacturing jobs, billions of dollars in U.S. economic growth, and lower fares for travelers. A great benefit.

We appreciate your leadership, Chairman Brat, on fostering airline operations and competition. We appreciate all you do for your constituents in Virginia. And at U.S. Travel, our motto is simple,
“Without security, there can be no travel.” America needs to convey a clear global message. And while we aggressively pursue security, we still welcome overseas visitors to relax on our beaches and to close deals in our boardrooms.

Finally, I would like to extend to you an invitation to all members to please join us at the Visit USA Coalition Meeting tomorrow at 11 a.m. in the Visitors Center. There, we will discuss more and unveil a document to restore the declining U.S. share of the global travel market. We hope you can partner with us with this Subcommittee and with this Congress to promote and advance America’s travel and tourism industry. And it is a delight to be here with you today. Thank you.

Chairman BRAT. Great. Thank you. Super.

Our next witness is Mr. Steve Shur, President of Travel Tech in Arlington, Virginia.

Travel Tech represents a variety of travel-related businesses, including short-term rental companies and travel search engines. Mr. Shur has over 20 years of experience in public affairs. And so thank you very much for being here with us this morning. We look forward to your testimony. Thank you, Mr. Shur.

STATEMENT OF STEVE SHUR

Mr. SHUR. Thank you, Mr. Chairman. Chairman Brat, Ranking Member Evans, members of the Committee. It is a pleasure to be here with you today, especially during National Travel and Tourism Week.

I am Steve Shur, President of Travel Tech. We are the trade association for online travel companies, short-term rental platforms, global distribution systems, and travel management companies.

Now, decidedly, my members are not small businesses, but I recognize that today’s Committee hearing is about the impact of travel and tourism on small business. And each of our members has a great story to tell with regard to how their contribution to the travel and tourism ecosystem helps small businesses.

Our membership is really divided into three categories—GDSs, online travel agents, and metasearch sites and short-term rental platforms. And I would like to just briefly address each of those categories and how they impact small businesses.

I will start with GDSs. Global distribution systems are truly the unsung heroes of the travel and tourism marketplace. They quite literally create the technology that allows consumers and travel agents to comparison shop. To demonstrate that, for example, there are over 700 commercial airlines in the world, each with their own routes, schedules, fares. The GDSs take that information and aggregate it and make it available to travel agencies so that when they are serving their clients, or you are shopping for a flight on an online travel site, you are getting meaningful results in real-time. These are technology titans that operate behind the scenes. Many people have not heard of some of these brands, like Sabre, Amadeus, and TravelPort, but you certainly have benefitted from them if you have ever booked a flight via a travel agent, whether online or in the community.

Speaking of travel agents, most travel agencies in the United States are small businesses and are powered by these GDS tech-
Travel agencies utilize the services of the GDSs to serve their clients, to make sure that they have all the information they need to make an informed choice. In fact, 98 percent of travel agencies are small businesses. And Mr. Chairman, in Virginia, 70 percent of travel agencies have fewer than five people, and 95 percent of them employ fewer than 20. So truly small businesses that benefit from the great technology that these GDSs deploy.

Without the GDS technology, these small business agents would have trouble servicing their clients. They might not know which flights are available on a particular route that their client needs, or they would have to visit multiple websites or make phone calls to multiple airlines to figure it all out. So the GDS technology gives them the power and the opportunity to make their business thrive. And so we are quite proud of how our GDS members help the small business community, particularly travel agencies.

Our online travel agent members and metasearch sites, like Expedia and Priceline, Booking.com, Trip Advisor, Sky Scanner, help small businesses in a variety of ways. And I would like to just talk briefly about how that happens.

Particularly, online travel agents inspire people to travel. They actually, with their marketing, advertising, promotions, and deals—many of you probably are subscribing to their emails and you see the pictures of the beaches and the mountains—they are actually inspiring people to get off their couches and book trips. Further, they are able to provide consumers with package deals where they can save money. And the research shows that when consumers book trips via online travel agents, they tend to spend more money than those who choose to book elsewhere. And the reason for that is that likely they have saved money on their booking in the first place, and so they have more disposable income to spend when they are on the road. And oftentimes those expenditures benefit small businesses in the localities where they visit.

The second way that online travel agencies and metasearch sites benefit small businesses is really on behalf of independent hotels, small motels, independently owned properties. And in this dynamic, the small, independent properties have to compete with the major brands that have huge marketing budgets. And just by being listed on an online travel site, that independent hotel, which may not have worldwide marketing recognition, gets to compete with the major hotel brands. And so they are benefitting these small, independent hotels and small inns and bed and breakfasts by giving them the exposure. They are quite literally marketing those properties to the world.

And so in that regard, our online travel agent members and metasearch members benefit those small businesses tremendously.

Our short-term rental platforms, Airbnb, HomeAway, VRBO, Trip Advisor Vacation Rentals, is a relatively new environment. While vacation renting is nothing new, these platforms are new, and many people are taking advantage of the convenience and the access to short-term rentals that they have never had before. Not only do short-term rental visitors stay longer and spend more money benefitting communities, what is important to note about those travelers is they are often staying in areas that are not the traditional downtown tourist areas or convention center areas.
They are benefitting small businesses in communities that traditionally have not seen economic benefit from travel and tourism. So they are expanding the circle of where tourism dollars are being spread.

Secondly, they have created an entire new industry of cleaning companies, property managers, and software companies that are helping homeowners manage the process of renting out their homes.

In conclusion, while our members are not small businesses, we are certainly on the frontlines with consumers. Our members benefit the travel and tourism ecosystem in a way that benefits small businesses beyond just stimulating more travel, but certainly giving them the tools that they need to thrive and grow.

And with that, I am happy to answer any questions. Thank you very much for your time.

Chairman BRAT. Thank you, Mr. Shur. Very good.

Next, I would like to introduce Mr. Cam Brensinger, the Founder and CEO of Nemo Equipment, a 23 employee outdoor equipment company based in Dover, New Hampshire. Mr. Brensinger started Nemo after completing a degree in industrial design from the Rhode Island School of Design. And so thank you for being here with us today and for sharing your story.

STATEMENT OF CAM BRENSINGER

Mr. BRENSINGER. Chairman Brat, Ranking Member Evans, and members of the Committee, thank you for having me here today.

I started my company when I was 25 years old and a senior at the Rhode Island School of Design (RISD), studying industrial design. I was also working part time at MIT, funded by NASA, to develop a better space suit for human exploration on Mars.

New England taught me to love outdoor adventures. When I was a senior in high school in Manchester, New Hampshire, I got permission to spend a month hiking the toughest sections of the Appalachian Trail and write about it. At Middlebury College in Vermont, I ran the rock climbing club and led countless trips climbing, hiking, and caving in the mountains of Vermont. When I graduated from Middlebury, my only definitive plan actually was to climb Denali in Alaska, which three friends and I undertook in 1998.

My experiences in the outdoors and my passion for physics and art ultimately led me to discover industrial design, and I found myself going back to design school after college on a mission to start my own company.

I incorporated my new company, Nemo Equipment, in April of 2002, and 3 days after graduation, opened our first office in New Hampshire to be near the wonderful places that shaped me passions.

Today, Nemo has grown to a well-known, award-winning, international gear brand with 24 employees, actually, as of Friday. Nemo products are sold in 19 countries around the world, with significant market share in the U.S., Japan, South Korea, and a growing presence in Europe. We own more than 50 pending and awarded patents and trademarks. We have been featured on the Dis-
covery Channel, named by Time Magazine as among the best inventions of the year, and received international awards for product design. Our products are used by families for camping weekends, professional mountaineers attempting first descents, and by the top echelon of American Special Operation Forces.

I am very proud to be here also as a board member of the Outdoor Industry Association. OIA is the leading trade group for the outdoor industry, representing more than 1,300 member companies, including manufacturers, suppliers, retailers, guides, and outfitters. The outdoor industry represents a recreation economy that includes $887 billion in annual consumer spending, with 79 percent of that from trips, travel, and tourism.

The outdoor recreation economy also supports 7.6 million American jobs, and according to a recent study by the Bureau of Economic Analysis, the outdoor industry represents 2 percent of GDP. The BEA study also demonstrates that the outdoor recreation economy is growing at 3.8 percent, 1 percent faster than the U.S. economy as a whole.

According to OIA's recently released congressional district level report, every community in every state in the country has a viable outdoor recreation economy. Chairman Brat, constituents in your district spend almost $1.5 billion on recreation on alone each year. Ranking Member Evans, your constituents spend nearly $900 million on recreation each year. Both districts are made up of consumers focusing on camping, trail sports, and fishing.

These economies, like any, need infrastructure. As you know, the Land and Water Conservation Fund (LWCF) is due to expire at the end of this fiscal year. We ask Congress to please support reauthorization and full funding of the LWCF since maintaining our public lands is vital to the health of outdoor recreation, and LWCF benefits every county in the country.

When people hear travel and tourism, they may not think of the complex global supply chains that bring to market the clothing and equipment that support travel. American businesses like mine provide coveted and high-paying jobs in engineering, design, marketing, advertising, financial, and sales, that support adventure travel. Our American outdoor brands are some of the most innovative and revered in the world.

Many of our industries' jobs in sewing and assembly have, since the 1990s, moved abroad in search of an available and willing labor force, which means companies like mine end up paying high tariffs to bring out finished goods back into the country. In fact, outdoor companies pay disproportionately high tariffs. While average inbound tariff is less than 3 percent, the average tariff on outdoor products is 14 percent, and can be as high as 40 percent.

Outdoor product manufacturers pay approximately $750 million annually in import taxes to the U.S. Treasury. Duty relief on outdoor products not manufactured domestically can help lower costs, fuel innovation, and get more Americans outdoors. We ask for your support of the U.S. Outdoor Act that allows for more innovation by American companies, while protecting our industry's domestic manufacturers.

Americans love the outdoors. Over half of all Americans enjoy outdoor activities every year. Whether close to home or at far away
iconic places, the outdoor recreation economy is resilient and is growing faster than the economy as a whole. My business is just one example of thousands of companies that are creating highly desirable American jobs with access to healthy outdoor lifestyles and turning our shared love of being outside into a driving force in the U.S. economy.

Thank you for the work that you do to support the people, places, and infrastructure that make outdoor adventure possible and allow it to be a major part of my life and a significant component of our country’s heritage, identity, and economy. I hope this testimony will be of value to your Committee.

Chairman BRAT. It was. Thank you very much. Great testimony. I would just like to recognize our Chairman, my boss came in the room, Chairman Chabot down at the end there. Welcome him. And then at this point I would like to now yield to our Ranking Member, Dwight Evans, for the introduction of the final witness.

Mr. EVANS. Good morning. It is my pleasure to introduce Ms. Jagruti Panwala. I think I got that right.

Ms. PANWALA. Yes.

Mr. EVANS. Okay. The President and CEO of Wealth Protection Strategies in Bensalem, which my colleague who serves on this Committee who represents that district, Congressman Fitzpatrick. She has been the recipient of numerous industries and company awards, serves as the vice chairwoman of the Asian American Hotel Owners Association. She is a graduate of East Stroudsburg University in Pennsylvania, and she is testifying on behalf of the Asian American Hotel Owners Association, the largest hotel owners association in the world, nearly 18,000. That is extremely impressive.

Again, you have the opportunity now to testify.

STATEMENT OF JAGRUTI PANWALA

Ms. PANWALA. Thank you very much.

Chairman Brat, Ranking Member Evans, and the members of the Committee, it is an honor to appear before you today.

My name is Jagruti Panwala. My family and I are small business owners from Pennsylvania. We are independent owners and operators of five hotels in New York, New Jersey, and Pennsylvania. I am also the President and CEO of a financial planning company where we help small business owners reach their development goals. I also chair as a vice chairwoman of Asian American Hotel Owners Association, which is AAHOA.

As you mentioned, AAHOA represents 18,000 members, and our members own one out of every two hotels in the United States. We employ over 600,000 workers, accounting for nearly $10 billion in payroll annually. AAHOA proudly serves on the board of directors of the U.S. Travel Association, and is a member of the Visit U.S. coalition organizations that are leading the effort to expand travel and tourism within and to the United States.

I am here to tell you about the state of America’s wonderful travel industry, and it is fitting to have this discussion during National Travel and Tourism Week. Our industry drives economic expansion, job creation, and prosperity in the United States. The travel
and tourism sector reaches nearly every corner of the country and is a top 10 industry in nearly every state.

There are four metrics I like to highlight to illustrate a tremendous economic impact of our industry. In 2017, according to U.S. Travel Association, the travel and tourism accounted for $2.4 trillion in economic output and supported 15.6 million American jobs. American workers directly employed in the travel industry earn nearly $260 billion in wages and the Federal, state and local government collected $165 billion in tax revenues from our industry.

In the lodging sector, total U.S. room demand is higher than it has ever been before. The leading economic metrics for hoteliers, including occupancy, average daily rate, and revenue per available room, are expected to increase through 2018.

For small business owners like me, and the vast majority of our members, this is amazing news. Small businesses account for 83 percent of companies in the industry, and we are seeing the benefits of a robust economy and thriving travel sector.

Travel and tourism sector small businesses contribute to their communities by creating jobs, training employees, and reinvesting in capital locally. In fact, the number one small business employer in the United States is the travel dependent leisure and hospitality sector. Forty percent of workers who begin their career in travel ultimately achieve salaries over $100,000. In addition, our industry provides a tremendous foundation for employees with less formal education. And when they are beginning their career in travel, achieve an average career salary of nearly $70,000, which is 5 percent higher than any other industry.

While good things are happening now, there are, of course, some challenges. One of the biggest concerns we have is increasing gas prices. Higher gas prices mean higher costs, fewer travelers, and fewer trips. Another area we are watching closely is the trends of international travelers to the United States. These visitors spend nearly $4,500 and spend 18 nights per visit, amounting to hundreds of billions of dollars on travel and tourism.

Recently, the Department of Commerce announced that their data in tracking international visitors may be wrong. I encourage that we follow this development to make sure the information we have is valuable so we as a business owner can make a sound decision.

International visitors are critical for our national economy, our workforce, and local communities.

Consequently, I ask us to review two important programs. The first one is Brand USA, and the second one is the Visa Waiver Program. Since 2013, Brand USA has encouraged millions of people to come to the United States, which has generated nearly $40 billion in revenues and supports over 50,000 American jobs. I am hopeful that it could be reauthorized in its current form with the strong bipartisan support like it has been in the past.

The Visa Waiver Program is also important. It enables travelers to visit the United States without first obtaining a visa. The trips are limited and include security measures to protect against misuse by bad actors. I urge you and your colleagues to enhance and expand the Visa Waiver Program.
Finally, the new tax law is important to small business owners. Small business confidence is growing and we are creating new jobs, increasing wages, and expanding our businesses to help ensure a thriving outlook for America’s travel and tourism industry. Please make sure the tax relief for small business is a permanent solution.

In conclusion, Chairman Brat, Ranking Member Evans, and the members of the Committee, I thank you for your time today and allowing me to share my story. And I wish you a happy National Travel and Tourism Week. Thank you.

Chairman BRAT. Thank you very much.

With that, I think we will open up to questions. Anyone have to leave? Anyone have pressing time constraints on them? Why do you not go ahead? Why do you not lead us off?

Mr. Curtis, I yield to you for the first round of questions.

Mr. CURTIS. Thank you, Mr. Chairman, and Ranking Member Evans, and this distinguished panel.

Although I spent 8 years in Virginia and experienced many of the things you discussed, my district is in Utah. And many of you will know Utah for its amazing natural landmarks and world-renowned recreational activities.

In my district, people travel from all over the world to arches, to some of the greatest snow on earth. Just to make you a little bit jealous, from my home, within 60 minutes, I can reach 12 ski resorts. Several years ago, I wanted to make a point. I traveled 15 minutes from my home in one direction and snow skied. On the same day, traveled 15 minutes the other direction and waterskied. So I welcome you all to come to Utah and see what we have got there.

This kind of travel and tourism significantly impacts our economy. Every year in my district, there is approximately $2 billion spent on outdoor recreation. We have 288 outdoor companies in my district. And because of this, it is important that we continue to support the state and local recreational economies. And I am pleased to be part of this Committee today and be here with you.

Mr. Brensinger, you mentioned in your testimony the high import tariffs outdoor companies faced. I think you said as high as 40 percent, which caught my attention, and the urgent need for tariff relief. How does that impact your business? And how would lower tariffs help fuel innovation and, specifically, job growth?

Mr. BRENSINGER. Thank you very much, representative, for the question. And I have spent quite a bit of time in Utah. Twice a year for a long stretch for our retailer show and many times personally to go to Zion and incredible places in your state.

As far as tariffs go, our market is extremely competitive at this point. A lot of the big famous brands in our industry have grown into significant corporations and are seeking growth as they move into larger markets of creation. And that makes a very price competitive landscape. So for us, you know, we pay between 4.5 and 9 percent tariffs on our particular goods. As you mentioned, our industry in general pays as high as 20 or even 40 percent on footwear and apparel. I would like to assure you that a relief of tariffs would not end up in my pocket. It would result in us being able to invest more in R&D, to make our products more price competitive in the market. There are so many forces at play today to be
a successful business like ours. Every basis point of margin makes a big difference, and ultimately, outdoor equipment is expensive for the American consumer to purchase, and good equipment is really essential, as you know, to have great experiences in the outdoors. So I think if we want to grow outdoor recreation in general, lowering tariffs will translate into increasing participation.

Mr. CURTIS. And we could then assume job growth as well locally?

Mr. BRENSINGER. Yes, sir.

Mr. CURTIS. Could you touch just a little bit on the global supply chain impact on your industry and job growth as well?

Mr. BRENSINGER. Yes, thank you.

Yeah, so we, in my company, we have 24 employees that cover a range of jobs from design, engineering, marketing, customer service, operations. In the entire kind of global supply chain of our business, from the folks who produce the yarns and weave the textiles, all the way to the folks that sell the goods ultimately, Americans represent the best, highest paying, most innovation-focused jobs in that whole continuum. And so for us, you know, I would say when I started the company I actually really wanted to do our manufacturing in the U.S., partly for reasons of patriotism and partly for reasons of pragmatism. I wanted to be able to visit the factories and learn with them and be part of the development process. So for the first few years of Nemo, I spent a lot of time visiting with domestic sewing manufacturers. And ultimately, I did learn to sew from a couple cottage industry sewers in New Hampshire. But at the end of the day, the sewing industry had compressed so much over the decade since the ‘90s, I did not see a viable path for our manufacturing in the states, and ultimately, kind of tapped into the Pacific Rim supply chain for sewing, where really the best sewing factories are.

And then a few years later, we met some Navy SEALs and developed a military component to our business which, because the Barry Amendment caused us going, searching again for domestic sewing. And to be honest with you, what I found in juxtaposing these two supply chains, is sewing in the U.S. is about 80 percent the quality and twice the price. So the reality is for us to be competitive in the market today, although we do all of the most value-adding jobs in the states as far as intellectual property and the creativity and innovation, the sewing, per se, really has to come from abroad.

Mr. CURTIS. Thank you.

I am out of time, but let me just end with a comment that it has been my experience that in Utah, your industry is overflowing with innovation and it is pretty amazing and fun to watch. Also, it has been my experience that some of our most socially responsible companies are in your industry in my district. So thank you very much.

Mr. BRENSINGER. Thank you, sir.

Chairman BRAT. Thank you, Mr. Curtis.

Mr. EVANS. Thank you, Mr. Chairman.

Ms. Panwala, I want to go something you said about a challenge. And I sort of heard Mr. Brensinger say forces that affect this whole industry. So you seem like you are both saying the same. And you
are talking about energy costs. And obviously, today, the President is on the verge of nixing the Iran deal. Obviously, that has huge implications. So talk to me a little bit about the energy and the issue from your perspective. You talk about gas costs, what kind of impact?

Ms. PANWALA. So I will give you my perspective, obviously, as just a business owner. You know, whenever there is a cost of anything which affects travel, it affects the hospitality industry. So if the gas prices are rising, and people who are flying into a local area or even going to Disney, it affects them. So I think as a business owner, our concern is that whenever there is a cost of travel, that it affects the tourism as it would. And that certainly is a concern. If the gas prices are increasing, then certainly domestic travel, which is almost 80 percent of what we depend on, is going to affect, besides international travel.

Mr. EVANS. But the forces, why do you not speak a little on that?

Mr. BRENSINGER. Yeah. Thank you, sir, for the question. What I was referring to is it is a hypercompetitive marketplace today. And for brands like ours to be successful, we really have to be Omni channel businesses. We have to have an online component. We have to have specialty retailers. We have to have large specialty retailers. We have to do a lot of things well so we can be wherever the customer wants to find us. And that relates back to the tariff issue in that it is difficult today. The way the world works, manufacturers can distribute products straight through major online retailers, some in particular, to the consumer, in a way that is making being a high-end brand challenging. And so for us, it is difficult to maintain the margin that you need to grow at 35 percent per year, and tariff reduction would make a big difference in that.

Mr. EVANS. Mr. Shur, your testimony talked about AirHubs and other short-term rental companies helping middle class families get by, but a lot of reports have shown that AirHubs in particular are driving up housing prices and making it harder for families to make ends meet. So which is right?

Mr. SHUR. So the short-term rental industry, again, is not new. These platforms are new, and travelers are finding that short-term rental accommodations are more accessible than ever before. The claim that short-term rentals are impacting housing stock or housing prices is simply not the case. If you look at the total number of housing units in any particular city and compare that to the number of short-term rentals that are being offered in that market, it is usually a very, very small percentage of the total housing costs.

One of the examples I like to point out is in the San Francisco area, for example, which has notoriously high housing costs. Airbnb and the existence of the short-term rental platforms were not the cause for high housing costs in San Francisco. It has been that way for a very long time. In fact, short-term rentals have enabled homeowners to earn a little extra income so that they can afford to stay in their homes. So we believe that the short-term rental industry is providing great value and great benefit to these communities and not impacting housing stock or affordable housing in any way.
Mr. EVANS. Ms. McClenny, can you speak to, you know, particularly in your position as you look at the 50 states, the issue about diversity and inclusion in the hospitality industry? Can you talk a little bit about that? Because I will tell you my background. Many years I spent on the board in Philadelphia on the Convention Visitors Board for many years. And there was a person in Philadelphia by the name of Ms. Young, who used to run the convention center. So can you talk a little bit about the aspect of inclusion and diversity in the industry?

Ms. MCCLENNY. Yes, Congressman Evans. Thank you.

Tourism is America's best first job. So as Americans look for employment, the tourism industry is very diverse, has a wide range of opportunities in many industries that come as a part of this service industry, like technology. Services to small business that have to do with transportation, that have to do with media production, planning. So every spectrum that one can imagine. And our colleges now have tourism programs. So we find that for a wide range of people, the tourism and hospitality industry provides an entry into employment. And from that, people are going on to get advanced degrees. They are going on to have very wonderful salaries and the opportunity to raise their families and live wherever in these 50 states in the United States that they choose to live because tourism is located in every single state. And I am happy to say that it is a growing industry. It is also an industry that rebounds quicker than others back to post-recession times. So it has a wide range of benefits, and it is a lot of fun.

Mr. EVANS. Thank you.

Mr. Chair, I yield back the balance of my time.

Chairman BRAT. Thank you, Dwight.

I would like to yield to my colleague from Pennsylvania, Mr. Fitzpatrick.

Mr. FITZPATRICK. Thank you, Mr. Chairman. And welcome to the panel.

Ms. Panwala, good to see you from business-friendly Bensalem. Welcome to D.C.

Mr. Shur, I want to expand on a question of my colleague, Dwight Evans. Interested to hear about the impact that companies like Airbnb, like HomeAway, have on small business hotels. Not on home prices, but on small business hotels. Because it seems to me that the short-term rentals that are offered by these companies are in many ways similar to hotels, and yet they are not subject to the same regulations. Local regulations, Federal, ADA regulations, how is that not unfair competition?

Mr. SHUR. Thank you for your question, Congressman.

I will start by setting the stage. So the hotels are experiencing the highest occupancy rates in history in the past several years. What we are finding is that short-term rentals are inspiring people to travel more and travel more often, and sometimes that means they will stay in a hotel and sometimes that means they will stay in a short-term rental. How short-term rental platforms are impacting small hotels, I would say they are impacting them very positively. Many small inns, bed and breakfasts and actually listing their properties on short-term rental platforms now because that is where consumers are choosing to shop.
Regarding the regulatory environment for short-term rentals, it is our belief that if someone chooses to rent out their home, that it is still a private residence and it is not a commercial entity that is subject to all the same conditions as a commercial building, namely a hotel, and therefore, as far as the negative impact on hotels, we do not believe that to be the case. I think that from a competitive standpoint, the hotels have tried to make more of that issue than actually exists because, again, it is a private residence being made available to travelers. It is not a hotel at the end of the day.

Mr. FITZPATRICK. It is not a hotel, but if one is subject to regulation and the other is not, and yet they are essentially offering the same service, how is that not unfair competition?

Mr. SHUR. Well, there are a couple of components to that. On the issue of taxation, we believe that short-term rentals are taxable, and that should be the responsibility of the homeowner and they should pay the same occupancy tax that the hotels do.

With regard to the regulatory environment, that is really up to the locality, and it is fundamentally a zoning and private property rights issue to determine if and how a municipality chooses to deem someone’s home a commercial property. We do not believe that to be the case. A person’s residence is typically in a residentially zoned area, not a commercial area. And so to apply commercial regulatory schemes to residences we believe is not appropriate.

Mr. FITZPATRICK. How about the ADA?

Mr. SHUR. Well, again, I do not know if by just renting out your home, whether it is a beach house, a lake house, or a condo in the city, should require you to completely renovate your home to make it compliant with the Americans with Disabilities Act because, again, it is a home. And ADA typically does not apply to residences. And therefore, just because someone is staying in that home, whether they are paying for it or whether it is your relative, does not necessitate the need for ADA compliance.

Mr. FITZPATRICK. One other question, Mr. Shur. Looking my notes here, we met with our staff. It is my understanding that Expedia and Priceline, who control 95 percent or so of the market for online travel agencies, charge their highest rates to independent hotels. So is that true? You know, independent hotels who are not part of a chain and are often small businesses and family-owned businesses, we are being told that these companies charge these small businesses 15 to 30 percent more of each hotel room booked on their sites. Can you comment on that?

Mr. SHUR. Well, again, I do not know if by just renting out your home, whether it is a beach house, a lake house, or a condo in the city, should require you to completely renovate your home to make it compliant with the Americans with Disabilities Act because, again, it is a home. And ADA typically does not apply to residences. And therefore, just because someone is staying in that home, whether they are paying for it or whether it is your relative, does not necessitate the need for ADA compliance.

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Mr. SHUR. Well, I cannot speak directly to the terms of the agreements between independent hotels and online travel sites. But what I can speak to is the great benefit that small properties get from being listed on an OTA. Cornell University did a study commonly known as the Billboard Effect, and they found that just by being listed on an online travel site, a property, whether independent or a major brand, sees a 9 percent increase in direct bookings. What that means is people are shopping for rooms on online travel sites, then leaving the online travel site and going to book direct. So that exposure that a small independent property gets is invaluable in terms of their ability to compete with the major brands. And so I would suggest that, again, I do not know the
terms of the agreements and whether the rates the online travel sites have with the independent properties, but the benefit is absolutely tremendous. They are literally marketing those properties to the world where travelers typically would not have heard of those properties when shopping for accommodations in a given market.

Mr. FITZPATRICK. My time is expired.

Mr. Chairman, I yield back.

Chairman BRAT. A lot of you mentioned international competition, and the decline, the relative decline of U.S. share globally, et cetera. If you could all just comment. We will start with Rita and work on down. If you could just all comment. I mean, when I started teaching economics 25 years ago, India and China, the average income per capital was 1,000 bucks. Right now it is growing through the roof. And so is that loss in share just due to the fact that they are getting online capabilities and they have got great sites and can market with us. And so our relative share is going down. Or is it more problematic, linked to infrastructure, something we are doing wrong where we can make some inroads to compete better. Or both of those, et cetera.

Rita?

Ms. MCCLENNY. Mr. Chairman, it is a combination of factors. It is access to the skies. With the Open Skies Agreement, the Visa Waiver Program. What we would like the landscape to look like is greater access to smaller and regional airports for flights to come in, whether they be domestic carriers or foreign carriers. Also, in terms of the decline, it is a very competitive landscape. So an organization like Brand USA, really has an opportunity to have a high impact on promoting travel in the United States. And a lot of countries have had advertising programs for a number of years. So we are really catching up, and we really are trying to stabilize that opportunity for every city, community, destination, marketing organization around the country, to have an equal access to market through a lot of the co-ops and a lot of, frankly, the buy downs that Brand USA’s buying power gives them to have the ability to market themselves to international visitors.

Mr. SHUR. I agree there is a combination of factors. I think from a broad standpoint, our industry views this issue as what type of message are we sending the world in terms of America being a great place to visit and making sure that all the security boxes are checked, and ensuring the traveling public globally that America is still open for business and a great place to visit with access to uncounted attractions and opportunities for visitors to come and enjoy this country. So it is about a global message and making sure that we are continuing to be vigilant on security, but ensuring that the message is being sent to the rest of the world that America is still a great place to visit.

Mr. CHABOT. Is this a kind of constant, gradual decline over a decade or two? Or in recent years has there been a sharp drop off? Does anyone know the answer to that one? I mean, what are we looking at timeframe here?

Ms. MCCLENNY. I would say it is recent. Yeah. Because up until 2016, we were increasing our inbound travel from international visitors.

Mr. CHABOT. What is the decline?
Ms. MCCLENNY. 2.1 percent.
Mr. CHABOT. Percent decline?
Ms. MCCLENNY. Yes.
Mr. CHABOT. And what was the growth rate prior?
Ms. MCCLENNY. I do not know the exact number but it was closer to a 5 percent growth.
Mr. CHABOT. Growth rate that we were——
Ms. MCCLENNY. Yeah, that we were on a trajectory for. Yes. So it has been a significant impact, as you can tell.
Mr. CHABOT. Ms. Panwala, do you want to——
Ms. PANWALA. I would say the same thing. It is a combination of multiple things, but I think perception outside the United States is that the United States does not welcome a lot of visitors, which I think is a perception more than a reality. So I think if we change our perception outside the world, outside the United States, it would certainly help. But yeah.
Mr. BRENSINGER. Chairman, thank you for the question. I would say that I represent maybe a slightly different perspective, which is maybe a diamond in the rough there. I think outdoor participation in general has been steady. In some categories it is growing. I think we should not forget that we have incredible outdoor spaces in this country which are tremendous assets and huge draws for tourism. In fact, we had 331 million people visit our national parks last year. I think that is an important reminder that we need to continue to invest in those spaces. And I noted that we have a $12 billion backlog right now in maintenance of our national parks. I think we should keep that in mind.
Another thing I wanted to just very quickly point out is the interrelationship of gear to tourism, because I mentioned that we represent $887 billion of consumer spending. About $700 of that is trips, travel, and tourism. The balance of that, almost $200 billion, is around gear. And the good news is, as I mentioned earlier, our American brands are dominant in that global space.
Chairman BRAT. Great.
And open to anyone who knows the answer. Where has the decline been? Has it been in any region more pronounced than other regions, the drop-off? Any sectors more than others? From any regional area globally that the drop-off is recognizable? So there is a 1 or 2 percent decline. Where is it focused here? Where is the decline coming from? Have we identified that?
Ms. MCCLENNY. Mr. Chairman, when travelers look at potential vacation sites, they are looking at the globe, really. So what we have seen is the increase in places like Canada, Saudi Arabia, Spain, Australia, up 20-plus percent. So on a very competitive landscape, to get the traveling families’ attention, it really is about where can I go that I feel welcomed? Where can we go, because we are spending our precious family dollars and this precious time? People do not want to bring that stress or anxiety to a vacation experience. So we have seen a decline in inquiries, and initially, when this negative sentiment was happening, it did not impact the actual travel. But now we see that it has impacted the actual transactional retail side of the business where people are making decisions to go to other countries. And that is why it is so important that we remain competitive, that we keep our foot on the
pedal through Brand USA and through our airport accessibility to stay welcoming and friendly, to have wait times decreased through our Border Patrol, to have the latest and greatest technology so that people have, again, easy access. And it is an impression that people have, and it is something that we can turn around. It is doable. And I think that if we can just stay focused and we can, again, present ourselves in the most positive light, that people will return in droves.

Mr. EVANS. Like Virginia is for Lovers.

Ms. MCCLENNY. Like Virginia is for Lovers.

Mr. EVANS. That is right.

Chairman BRAT. And I just do not know the basic facts here, so that is kind of why I am probing. Is this a decline of folks coming here or a decline of folks coming here relative to us going there? Or is it just an absolute decline in folks coming here from abroad?

Ms. MCCLENNY. It is a decline of international travelers from nondomestic, non-U.S. locations coming to the U.S. Yes. Yes.

Chairman BRAT. Coming to the U.S. Okay, great. Great.

Dwight, did you have any follow-up?

Mr. EVANS. No.

Chairman BRAT. I will just close on this, because this is the Small Business Committee. If you had to give us one recommendation to try to incentivize small business to be more helpful, et cetera, in your industry, what would it be?

Why do we not start at Ms. Panwala? I do not want to catch you off-guard. If anybody wants to zip in.

Ms. PANWALA. No, I would say the tax reform that we are working on currently right now, continue capital access to small business owners. Continue promoting travel and tourism, domestic and internationally. Because, like I said, the small businesses comprise 83 percent of all the companies in the industry. So as much as you can help small businesses, they will always reinvest back into the economy by creating more jobs, hiring more employees, and also reinvesting by building and purchasing more of the hotels. So as much as we can make it easier for small business owners to reinvest, that would be something that I would urge that we consider.

Mr. BRENSINGER. Thank you, Chairman.

Pretty simple for us. Two parts. One is we have no outdoor industry without public lands. So in general, supporting our beautiful outdoor spaces is paramount. Renewal of LWCF is one of many concrete ways to do that. The other is, and this really hits home for me is, again, the tariff relief issue through multilateral or bilateral trade agreements. MTBs, the GSP program, or individual pieces of legislation, like the U.S. Outdoor Act, that allows us to give consumers the best value in outdoor gear and helps support innovative businesses like my own.

Mr. SHUR. I think the benefits of the travel and tourism economy on small businesses are clear. I would suggest that anything we can do to invest in our travel and tourism economy, whether it is Brand USA, whether it is airport infrastructure, national parks, all those things contribute to stimulating the travel and tourism economy, which is ultimately going to benefit small businesses across the country.
Ms. MCCLENNY. Mr. Chairman, we have multiple drivers that really move the needle, and really, Brand USA is power packed because it is the multiplier effect of those dollars that are collected that are invested into campaigns. Access to capital for small businesses and job creation through small business is the creator of a travel economy. And that travel economy contributes so much to the USA.

Chairman BRAT. Great. Thank you very much.

Dwight, any? Grand slam, all right.

Thank you all very much for being with us. Very informative. I learned a ton. Thank you for making the trip and sharing your testimony with us. Thank you. Have a great week.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Pause for objection.

Without objection, so ordered.

You like that? That was humor, if you did not get that.

Without objection, so ordered.

This hearing is now adjourned.

Thank you all very much.

[Whereupon, at 12:02 p.m., the Subcommittee was adjourned.]
Chairman Brat, Ranking Member Evans and other Subcommittee members:

I am pleased to testify before you today representing the Virginia Tourism Corporation, the state agency charged with marketing the Commonwealth as a premier destination, and the U.S. Travel Association, the trade association representing all sectors of the national travel and tourism industry.

On behalf of the 15.6 million Americans whose livelihoods depend on a robust travel sector, we thank you for holding this hearing. It couldn’t be more important to us, especially as hundreds of small businesses across the country celebrate National Travel and Tourism Week, an annual commemoration established 34 years ago in legislation signed by President Reagan.

The mission of U.S. Travel is to increase travel to and within the United States, which altogether yields $2.4 trillion in economic output annually, supports one in nine American jobs and makes travel the nation’s top service export. According to the SBA, the top small-business employer in the United States is the travel-dependent leisure and hospitality sector.

For Virginia, the visitor economy is a $30 billion industry, supporting 7.6 percent of the Commonwealth’s jobs. In 2016, domestic and international travelers to Virginia spent $24.6 billion, generating $3.4 billion in local, state and federal tax revenue.

As we prepare to celebrate the 50th anniversary of our signature “Virginia is for Lovers” slogan next year, we have been able to position the Commonwealth as one of the most dynamic, exciting, and authentic destinations in the country. From national seashores to mountain parkways to presidential homesteads, Virginia is one of the top destinations in the United States.

Last year, our two major international airports and diverse population helped attract one million international visitors who spent $1.7 billion during their travels. From restaurants and B&Bs, to attractions and tour buses, the resulting economic opportunity for small businesses in the travel and tourism industry cannot be overstated.

In Virginia, there are 1.5 million small business employees; half of the state’s private workforce. Among our 20,000 leisure and hospitality establishments, two-thirds are businesses with fewer than 20 employees.
Some of our success stories are legendary. The famed inn at Little Washington, in the Blue Ridge foothills, opened during the worst snowstorm of the decade in 1978 and is now one of the crown jewels of the lodging and dining scene. Nestled in an industrial neighborhood of Richmond, the Hardywood Park Craft Brewery has played a pivotal role in the boom of craft beer and wine brands, now with nearly 500 breweries and wineries statewide. This $2.7 billion industry provides visitors with a unique and authentic culinary travel experience. The 300 percent growth of agri-tourism since 2000 is a testimony to the renaissance of the New Virginia Economy.

We are a resilient, self-reliant industry. We recovered faster than any other sector from the economic recession. We thrive when we serve the public well by providing safe, efficient and enjoyable travel experiences.

As you well know, we face recurring headwinds relating to access to capital, attracting skilled employees and over-regulation that particularly impacts small enterprises. The tax legislation recently signed into law by President Trump represents a significant step forward in these areas, but more can be done to ensure small businesses have access to a talented workforce.

Of particular consequence to the tourism sector, we respectfully urge your support for five key issues:

- Full funding of Brand USA
- Infrastructure modernization
- Lifting the cap on the Passenger Facility Charge user fee
- Protecting U.S. Open Skies agreements
- Conveying a clear message of welcome for international visitors

My testimony will briefly address our progress and challenges on each of these priorities.

Brand USA

By attracting international visitors, Brand USA enhances economic growth, spurs job creation and advances public diplomacy—all at no expense to American taxpayers. Brand USA’s activities are supported by private sector contributions, matched by a $10 “ESTA” fee on visitors from Visa Waiver Program nations.

Brand USA was created by the Travel Promotion Act in 2010 to help address the post-9/11 decade of declining U.S. share in the booming global travel market, costing the U.S. economy nearly a half-million travel-related jobs. Before then, the United States was one of the few developed countries in the world without a national destination marketing organization. The Travel Promotion Act, reauthorized in 2014 with large congressional majorities, sought to restore our leading position in the highly competitive worldwide travel marketplace.
Overseas business and leisure travelers are critical to small businesses across our nation. To help attract these visitors, Brand USA has forged working relationships with hundreds of communities—large and small, urban and rural—and leveraged their varied promotional efforts into a coherent, cost-effective and productive national marketing campaign.

Just last week, Oxford Economics reported that since FY2013, Brand USA's efforts are directly responsible for increasing international visitation by an incremental 5.4 million travelers who spent $17.7 billion, generating a total economic impact of $38.4 billion and supporting an average of 51,580 incremental jobs per year.

In addition to marketing the U.S. as a destination, Brand USA is charged with communicating our evolving visa and entry policies by addressing confusion about our security protocols that can discourage potential visitors from choosing U.S. destinations.

Brand USA is an extraordinarily successful public-private partnership—and not only for gateway cities. Its work has been particularly beneficial for small destinations in Virginia with limited marketing resources that can leverage Brand USA's coordinated outreach overseas to market their brands in the global marketplace.

Despite Brand USA's success, we were disturbed to learn the recent budget agreement diverted ESTA fees after 2020 away from Brand USA—putting its funding at risk. The return on investment from Brand USA is clear, especially for small businesses, and we hope you will join our work to secure and protect the ESTA fee as a key source of Brand USA's funding.

Infrastructure Modernization

It is clear that President Trump has a deep appreciation for the need to modernize the nation's infrastructure. Travelers are routinely experiencing holiday-level congestion, and the backlog in deferred maintenance is a serious safety concern.

If we finally addressed these problems, the benefits for small tourism businesses would be incalculable. In February, U.S. Travel outlined our industry's core infrastructure principles. We stressed the need to: enhance national mobility to and within the United States; account for non-residential travel demand in federal formula funding; strengthen federal investment and promote innovative funding partnerships; and embrace new and transformative technologies.

We support the administration's overall goals to relieve regulatory burdens and incentivize investment in transportation and infrastructure. Without reliable infrastructure, small businesses couldn't operate and potential patrons couldn't visit our locations. U.S. Travel welcomes the opportunity to work with you and your colleagues in Congress to find a way to address our infrastructure needs.
A key infrastructure barrier to the travel industry’s growth and future competitiveness is the poor condition of our nation’s airports. Too many of our nation’s airports are outdated and unable to handle passenger demand.

The Passenger Facility Charge (PFC) is an indispensable tool for local communities to make their own decisions about how to finance airport modernization. Adjusting the PFC ceiling would allow each airport authority to tailor its own PFC rate in order to maximize efficiency, reduce project costs and ensure fiscal responsibility.

The PFC cap hasn’t been raised in more than 17 years. As we pursue this priority further, we would be grateful for your help.

Open Skies

Akin to our need to modernize our airport infrastructure, we must also preserve more than 120 Open Skies agreements that the U.S. has negotiated with countries around the world. By reducing government interference in air travel, Open Skies agreements have yielded hundreds of thousands of American travel and manufacturing jobs, billions of dollars in U.S. economic growth, lower airfares for travelers, more flights to airports beyond major gateways and new opportunities for U.S. airlines willing to take advantage of them.

Regrettably, just three U.S. airlines have sought to disrupt two existing Open Skies agreements, which bring much needed direct international air service to the United States. U.S. Travel participates in a diverse coalition of U.S. passenger and cargo airlines, travel businesses, destinations, and others that are opposed to this attack on Open Skies. We support preserving the terms of these agreements and prioritizing the economic benefits they bring to America’s broader economy.

We commend the Administration for its successful conclusion of government-to-government discussions with Qatar, which addressed concerns raised by the three U.S. carriers and allowed airlines to continue exercising the rights provided under Open Skies. Similar talks with the U.A.E. are quietly making progress and we are eager for a positive resolution soon that follows the same framework. In 2016, Gulf carriers to Virginia generated $966 million in expenditures, more than 10,000 jobs and $227 million in tax revenue.

We appreciate your leadership, Chairman Brat, on behalf of increasing airline options and enhancing healthy competition. We look forward to working with you on these matters.

Balancing Security and Travel Facilitation

Here, allow me to start with an invitation. At 11 a.m. tomorrow on Capitol Hill, the new Visit U.S. Coalition will host a briefing—moderated by economic analyst Stephen Moore—to document work underway to restore the declining U.S. share of the global
travel market. International arrivals to the U.S. declined by 2.1 percent and totaled 75.9 million in 2016. In addition to travel firms, many of which are small businesses, the coalition also represents other sectors dependent on safe, efficient travel.

In recent months, the administration has proposed or implemented a battery of new policies intended to protect national security, from the president’s executive order on immigration and travel to stricter vetting of visa applications. At US Travel our motto is simple: without security, there can be no travel.

But there is more to the equation, for us. America needs to convey a clear global message that, while we aggressively pursue those threats, we still welcome overseas visitors coming here to relax on our beaches or close deals in our boardrooms.

As specific security proposals have been rolled out over the last few months, travel professionals across the country have sought to help federal officials explain and implement them. At the same time, we have drawn on our expertise to analyze and detail for policymakers how these changes impact the real-life travel experience—with particular concern about unnecessarily exacerbating delay, confusion and inefficiency for travelers.

The international travel marketplace is highly competitive. While the United States is a highly attractive destination, foreign travelers have countless other choices. And it is clear that one factor in consumer decisions about where to travel is the perception of a potential destination’s hospitality.

Open For Business

In Virginia and across the nation, the travel community is being challenged on a daily basis, but we remain upbeat and optimistic. We’re working each day to grow our share of the competitive and lucrative international market—while also serving the needs of our domestic travelers. Small travel and tourism businesses make up an immense share of Virginia’s economy, and our businesses are reliant on domestic and international travelers. We hope we can partner with this subcommittee and this Congress to promote America’s travel and tourism industry by projecting to the globe that America is open for business.

Thank you again for the opportunity to participate in today's hearing.
TESTIMONY

OF

STEPHEN SHUR
PRESIDENT

THE TRAVEL TECHNOLOGY ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON ECONOMIC GROWTH, TAXES,
AND CAPITAL ACCESS
HOUSE COMMITTEE ON SMALL BUSINESS

HEARING TITLED:

“TRAVEL AND TOURISM: A SMALL BUSINESS ANGLE”

MAY 8, 2018
Thank you, Chairman Brat, Ranking Member Evans, and all members of the subcommittee. I am grateful for the opportunity to appear before this panel, especially during National Travel & Tourism Week, as you examine and explore the many ways in which small businesses are vitally important to travel and tourism in this country. And, in return, how the travel and tourism industry benefits American small businesses.

My name is Steve Shur and I am president of The Travel Technology Association (or Travel Tech). Our membership includes online travel agencies, global distribution systems, commonly referred to as GDSs, short-term rental platforms, metasearch sites, and travel management companies. Like millions of consumers across the globe, you are likely familiar with many of our members, such as Expedia, Priceline.com, TripAdvisor, Skyscanner, Airbnb, Amadeus, Sabre, Travelport, American Express Global Business Travel, Carlson Wagonlit, and BCD Travel. Although our members are diverse and make up many different segments of the travel community, the common thread throughout the association is the independent distribution of travel.

While it is true that our members are decidedly not small businesses, I believe they each have a story to tell about how their position in the travel marketplace positively affects travel and tourism by inspiring visitors from all over the world to venture out of their own living rooms and into every corner of the United States.
Global Distribution Systems

Today’s GDSs have evolved into dynamic companies providing the technological backbone of all phases of travel from search, to purchase, to ticketing and check-in. From facilitating real time, automated transactions between suppliers and booking agents in order to provide consumers with comprehensive travel tools, to running the entire backend technology components of major airlines and hotel chains, these technology leaders have truly become invaluable partners in the travel marketplace.

The technology and data-driven solutions developed by the GDSs help their many airline, hotel, and travel agency customers grow their businesses, create jobs, and streamline the travel experience for millions. The colossal scale and advanced nature of the GDS technology has become unmatched in other industries and vital to the travel economy.

For example, according to our friends at the American Society of Travel Agents, there are approximately 9,400 airline-accredited travel agency firms with over 12,000 retail locations in the United States, employing over 105,000 full-time travel agents. Yet, 98 percent of all travel agencies in the U.S. meet the Small Business Administration’s definition of a small business. In Virginia alone, Mr. Chairman, 70 percent of travel agencies employ fewer than five people and 95 percent of them employ fewer than 20. And the GDSs have a significant part in the direct economic impact of the travel agency industry. The vast majority of travel agencies rely on a GDS, either directly or indirectly, for their core business infrastructure for travel search and reservations processing. The GDSs give the travel agents the ability to search, compare, and book across thousands of
suppliers in real time, handle payment processing and other fulfillment services on behalf of clients and suppliers, perform customer service functions such as changes, cancellations, and re-issues, and efficiently manage all of this business activity through direct data feeds from the GDS to the agency mid- and back-office systems. That a single GDS can provide so many services to an agency increases their efficiency.

**Online Travel Agencies and Metasearch Sites**

Our online travel agency (OTA) and metasearch members have created – in just two short decades – an entire marketplace where consumers can shop for hotels, flights, car rentals, cruises, restaurants, tours, and countless other travel-related activities across thousands of brands on a single platform. Travelers from all over the world have benefited immeasurably from the ability to search, research, compare, and book travel through the highly advanced technological websites and mobile applications created and operated by OTAs.

Online travel agents and metasearch sites inspire people to travel. With clever and sophisticated marketing and advertising, OTAs and metasearch sites energize people to travel, to visit places they've never been and to explore the country and the world. And when they do, small businesses benefit tremendously.

Research shows that when a traveler hits the road, they generate economic activity, often with small businesses:
• OTA guests spend $176 (17.5%) more per trip overall than non-OTA guests. Specifically, OTA guests spend $25 (8.4%) more per night and stay 0.3 nights (8.4%) longer than non-OTA guests, resulting in higher spending per trip overall.

• This "OTA spending premium" is evident across different trip purposes, with OTA guests spending 18.5% more than non-OTA guests during leisure trips, and 12.4% more during business trips.

• The OTA spending premium is evident across each category of trip spending. For example, OTA guests spend $36 (11.2%) more per trip on lodging, and $32 (17.5%) more per trip on food and beverage.

• Over one-fifth (21.4%) of hotel guest travelers use an OTA to book part or all of their trip, with a similar share (20.2%) using an OTA in trip planning.

• OTA guests are slightly younger (41.7 average age) than non-OTA guests (43.9 average age), with a higher concentration of guests in the 25 to 54 age cohort (72.0% compared to 61.8%).

• The household income distribution of OTA guests is broadly similar to that of non-OTA guests, with two-thirds of trips being taken by travelers with a household income above $50,000 (65.7% among OTA guests, 66.1% among non-OTA guests).
Without our members and the highly-efficient marketplaces that they have established, consumers would have to manually visit dozens and dozens of websites and waste valuable time in order to make an informed booking decision. Further, when suppliers have to compete in a dynamic marketplace, consumers benefit in the form of lower prices and better service offerings. The scale and popularity of third-party online booking sites illustrate consumers' preferences for using these efficient, third-party aggregators for researching and booking travel:

- Last year, Expedia helped travelers book over 322 million room nights.
- TripAdvisor makes up the largest travel community in the world, reaches 340 million unique monthly visitors, and hosts more than 350 million reviews and opinions covering more than 6.5 million accommodations, restaurants, and attractions.
- Priceline.com, celebrating its 20th anniversary this month, partners with over 370,000 hotels in 170 countries.
- Skyscanner helps travelers book more than 2 million flights each month.

Half of all discretionary travelers visit online travel company websites without a destination in mind, providing not just hotels and airlines but cities, states, and even countries the opportunity to compete for consumers' hard-earned dollars. Which means our members can help shape and influence where a consumer ultimately chooses to travel. And for independently-owned hotels, motels, inns, and bed and breakfasts, partnering with online travel agents, for the great visibility that they provide, has been a game-changer. OTAs give independent hotels the opportunity to compete with the
major hotel chains by showing up in search results right alongside the world's largest hotel brands.

OTAs are trusted by millions to book their travel every single day. These websites and applications are safe, effective, and transparent. In fact, the reliability of independent booking sites is why hundreds of thousands of hotels, motels, inns, and B&Bs in every corner of the U.S. and around the world willingly and enthusiastically partner with OTAs.

**Short-Term Rental Platforms**

Short-term rental technology companies have created a vibrant marketplace for travelers and property owners, expanding the travel landscape by allowing individuals to offer private accommodations and providing economic benefits to communities around the world. Vacation rentals have been around for decades, affording families access to the beach or bi-coastal business travelers a downtown apartment. As a result of our members' innovative approach to travel accommodations, this marketplace has grown dramatically in recent years. Today, one in every three leisure travelers has stayed in a short-term rental. That is up from one in ten just five years ago. Our members boast over four million listings in 191 countries, allowing millions of property owners the opportunity to market their residences to travelers.

Travelers choose short-term rentals for a variety of reasons. Some have larger groups or longer stays and a private accommodation is a more affordable option. Others need access to a kitchen, laundry, or special needs accommodations. And still more are
traveling to places with limited traditional options. Whatever their reasoning, it’s clear that millions of travelers are looking to short-term rental platforms for places to stay.

The benefits of this new economy extend far beyond traveler satisfaction. At their core, short-term rental platforms are intermediaries, providing opportunities for homeowners and travelers to easily connect with one another through trustworthy online platforms. By bringing the two together, short-term rental platforms have facilitated new opportunities for supplemental income. Owners, operators, and hosts can then use that income to cover the mortgage, make needed improvements or repairs, or simply make ends meet for their families. Many report that short-term rental income has enabled them to stay in their home.

The economic impact from short-term rentals expands beyond homeowners to local businesses and communities. Research shows that access to private accommodations has led to more frequent travel overall. Travelers who stay in short-term rentals stay longer and spend more, bringing new tourist dollars into the communities beyond the traditional downtown tourist areas – areas that previously may not have seen the economic impact of travel and tourism. And many travelers report that without access to short-term rentals, they would not travel to a destination at all. The economic impact of a broader, more diverse traveling public is a valuable asset to any city, town, or attraction. Further, because hosts are locals, they often serve as ambassadors to their city, directing their guests on where to go and ensuring they have a great stay.
Short-term rental platforms are at the cutting edge of technology, and while they primarily connect travelers with homeowners looking to rent out their space, they also utilize their technology to help in times of crisis. For example, both Airbnb and HomeAway deploy emergency response tools, which allow their networks of hosts to offer their properties for free or at discounted rates to those evacuating due to natural disasters. In the past year, thousands of users have opened their homes to those seeking refuge from hurricanes, wildfires, and other events.

**Travel Management Companies**

Travel Management Companies (TMCs) are travel agents that fully manage the business travel requirements for individuals, companies, and organizations. As the leading experts in travel management, TMCs use innovative technology to help companies save time and money. Whether it’s finding the best flight and hotel options, sharing local information and discounts, or simply keeping employees informed and safe when they are on the road, these business travel agents go the extra mile to provide trusted traveler care.

TMCs provide valuable expertise and support to ensure that the companies and organizations they serve are getting the most out of every dollar they spend on corporate travel. From beginning to end, TMCs are there to help guide company executives around the globe through the entire process when booking, executing, and completing a trip.
Conclusion

Travel Tech members are the leaders in independent travel distribution and travel technology infrastructure enabling multiple distribution points for a wide array of travel services. Serving as the technological backbone of global travel, our members are catalysts for increased competition, which benefits the traveling public and promotes economic growth.

The evolution of the travel ecosystem has seen travel technology companies assume an irreplaceable position in the marketplace. Travel Tech members not only provide consumers with the ability to compare the all-in cost of the ever-growing bundle of travel options, but – in a larger sense – the technology and data-driven solutions developed by travel technologists have helped their many airline, hotel, and travel agency customers grow their businesses, create jobs, and transform the travel experience for millions. The colossal scale and advanced nature of this technology is unmatched in other industries and is vital to the travel – indeed the entire U.S. – economy.

Travel Tech is proud to represent such a broad and vital industry that has been helping consumers, suppliers, large businesses, small businesses, and countless other entities in the travel marketplace grow, thrive, and prosper.

I am grateful for the opportunity to speak to you today, and I look forward to your questions.

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Travel and Tourism: A Small Business Angle
House Small Business Committee
Subcommittee on Economic Growth, Tax, and Capital Access
Tuesday, May 8, 2018; 11:00 A.M.; 2360 of the Rayburn House Office Building

Cam Brensinger, Founder and CEO, NEMO Equipment, Inc
Outdoor Industry Association Board Member

Congressman Dave Brat, Chair, Subcommittee on Economic Growth, Tax, and Capital Access
Congressman Dwight Evans, Ranking Member, Small Business Subcommittee on Economic Growth, Tax, and Capital Access

Chairman Brat, Ranking Member Evans, and members of the committee, thank you for having me here today and for your interest in the small business angle of travel and tourism.

I am here proudly representing a small business that is based in the great state of New Hampshire and that is dedicated to and supported by America’s unique and unwavering spirit of adventure, travel, and tourism.

My story begins on a 6,288’ glacier-carved chunk of granite, just a short distance from a sign that reads “Home to the Worst Weather on Earth.” I was 25 years old and a senior at the Rhode Island School of Design, studying industrial design. I was also working part-time at MIT, funded by the NASA Institute for Advanced Concepts, helping to develop a better spacesuit for human exploration of Mars. This particular Friday night in 2002, I was undertaking research, so to speak, for my senior project at RISD which was to start an outdoor gear company, a company focused on making better equipment for adventures like this one.

It was late winter and the weather on Mt. Washington was characteristically brutal. My plan was to ice climb Pinnacle Gully the next day and I wanted to spend the night near the base of the climb, about halfway up the mountain, for an early start. But the weather turned ugly and I didn’t make it far before I was forced to bivy. A bivy is a limp, waterproof bag designed to let you place your sleeping bag directly in the snow and keep it dry. It’s an expedient solution, but a miserable experience. I spent all night trying to keep the wind and snow out of the bag while not suffocating inside, which is to say I laid awake all night thinking about what a terrible piece of industrial design bivy bags are and how there must be a better solution.

The next day, my friend and I completed the ice climb and I headed straight back to my studio at RISD to start working on a better lightweight shelter. Soon after, in April of 2002, I incorporated my new company, NEMO Equipment. The name, originally conceived as New England Mountain Outfitters, is a tribute to my New England roots and also a nod to a great adventurer and engineer: Jules Verne’s, Captain Nemo.

Design is central to the NEMO ethos, and we are committed to new ideas that improve the experience of adventure and allow for travel to some of the most remote and extreme places in America and around the world. Our ideas for new products, therefore, begin with having real adventures—getting outside, getting dirty, climbing high, traveling far, and sleeping outside as
much as we possibly can. These ideas turn into sketches back at our office in Dover—and quickly into prototypes that are put through the toughest tests to make sure they perform flawlessly. Our aim is to propel our customers’ explorations, near and far, big and small.

Today, NEMO has grown to a well-known, award-winning international brand of gear for outdoor adventures. NEMO products are sold in 19 countries around the world, with significant market share in the U.S., Japan, South Korea, and a growing presence in Europe. We own more than 50 pending and awarded patents and trademarks. We’ve been featured on the Discovery Channel, named by Time magazine as among the best inventions of the year, and received multiple international awards for product design. Our products are used by families for camping weekends, professional mountaineers attempting first ascents, and by the top echelon of American Special Operations Forces.

For 16 years, as our team has grown to 23 people at our headquarters, and surpassed 25 million in revenue, we continue to live out the belief that intelligently designed gear enables the adventures that let us be our best selves—humans who are conscious, inspired, connected, and mindful. Whether it’s rock climbing, casual camping, hunting or fishing, adventure gives us purpose and perspective. It makes us humble and proud. We believe meaningful adventures are possible for everyone, anywhere. Possible, that is, if you bring the will, the imagination, and the right gear.

And we’re not alone in this belief. We share our deep conviction for outdoor adventure with our peers in the outdoor industry.

I am very proud to be here also as a board member of Outdoor Industry Association (OIA). OIA is the leading trade group for the outdoor industry. OIA represents more than 1,300 member companies, including manufacturers, suppliers, retailers, guides, and outfitters.

The outdoor industry represents a recreation economy that is $887 billion in annual consumer spending with 79 percent of that spending from trips, travel, and tourism. The outdoor recreation economy also supports 7.6 million American jobs. We generate $125 billion in local, state, and federal tax revenue. And, according to a recent study by the U.S. Bureau of Economic Analysis (BEA), the outdoor industry represents 2 percent of the United States Gross Domestic Product (GDP).

Outdoor recreation is BIG business. According to this same government report, outdoor recreation is bigger than legal services (1.3 percent of GDP); agriculture, which includes farming and forestry (1 percent of GDP); and the extraction industry, which includes mining, oil and gas (1.4 percent of GDP). Therefore, if you want to grow the U.S. economy, Congress needs to take a look at the burgeoning outdoor recreation sector. The BEA study also demonstrates that the outdoor recreation economy is growing faster than the U.S. economy as a whole (outdoor is growing at 3.8 percent, with the overall economy growing at 2.8 percent).

The outdoor industry includes big names like REI, The North Face, Cabela’s, Patagonia, Coleman, and Columbia that were, not so long ago, small businesses like NEMO. In fact, the majority of OIA’s member companies are small start-up brands, one-door brick-and-mortar
shops, or family-owned guiding operations. But here’s what’s unique: our diverse and varied members are truly committed to working collaboratively and pre-competitively on international trade and recreation policy, sustainable business innovation, and encouraging more outdoor participation across the nation. We have diverse backgrounds, interests, points-of-view, and political persuasions, but we come together around a shared love of the outdoors and a pragmatic desire to ensure the long-term health of our industry and the outdoor places that make our lifestyles possible. We do this not only to ensure the strength of our own businesses, but to protect the uniquely American heritage of natural beauty and adventurous spirit that has defined our nation since its inception.

This is why your committee’s work is so important. Many companies, like mine, create high-end gear, apparel, equipment, footwear, and even food and beverages for the primary purpose of supporting Americans’ passion for outdoor travel experiences.

When you support the small outdoor businesses spread around this country—many of which are located in what we call “gateway communities”—you also bolster the health of those local economies. In turn, these healthy communities draw skilled workers seeking a quality of life delivered by proximity and access to the outdoors. And who comes looking for those healthy, happy, skilled workers? National and international companies who increasingly recognize that salary is only one piece of a modern-day compensation package. As our world becomes flatter and large companies no longer need to base their operations in urban centers, small communities with strong outdoor infrastructure and easy access to nature are becoming more attractive for employers and employees.

According to CNBC’s 2017 ranking of Top States for Business, my home state of New Hampshire ranks sixth nationally in terms of quality of life, which “is particularly important because the most sought-after workers in today’s economy look at more than just a paycheck when picking places of employment.” Likewise, a 2015 article in GreenBiz noted that “for today’s companies, nature is a top recruiter.”

Accessibility to the outdoors was central to why I headquartered my company in New Hampshire. Having great hiking, hunting, fishing, surfing, skiing and mountain biking close at hand is critical for inspiration, for R&D, and for brand authenticity. It was an important part of our being named among the 10 best companies to work for in New Hampshire in 2017. And we even build the outdoors into our hiring process, often supplementing traditional interviews with candidates by taking a hike or going for a mountain bike ride. People are more relaxed and more themselves when they’re outdoors, especially if they’re having fun!

But it’s not just in rural or small communities where we’re seeing this trend. Increasingly big-city companies are incorporating outdoor culture into their corporate values. The same GreenBiz article from 2015 notes: “More companies are bringing nature to cities and to office campuses,” pointing to Facebook’s Menlo Park, California, campus which “features the green roof to end all green roofs, a half-mile walking loop, over 400 trees, and is the length of seven football fields.”

Beyond corporate campuses, small towns and big cities are beginning to recognize the value and the draw of recreation infrastructure. Whether it’s world-class mountain biking trails or
neighborhood pocket parks, access to the outdoors contributes to our quality of life. Modest investments in outdoor infrastructure can transform communities and drive economic growth in ways that are blind to age, gender, race or politics. A deeply wired satisfaction in being outdoors is one thing every human being shares.

And according to OA’s most recent report, the first of its kind to issue economic data at the congressional district level, every community and every state in the country has a viable outdoor recreation economy. Chairman Brat, constituents in your district spend $1,484,417,588 on recreation alone each year. Ranking Member Evans, your constituents spend $887,871,305 on recreation each year. Both districts are made up of consumers focusing on camping, trail sports, and fishing.

Those economies, like any, need infrastructure. Outdoor recreation infrastructure includes public open spaces—from New Hampshire’s White Mountain National Forest, home of Mt. Washington, to New York’s Washington Square Park to the Washington Monument on the National Mall—where we can have life-changing big adventures or meaningful everyday small ones. It includes well-maintained roads and trails by which to access those places, clean water for fishing, paddling, playing and drinking.

Consistent, reliable funding that builds and maintains the places we recreate, the roads and bridges that gets us to where we recreate, and that supports the men and women who work as stewards of those places is paramount. This is why it is so critical that our federal and local governments continue to invest in our public lands and waters and outdoor recreation infrastructure, whether it’s our spectacular national parks that draw people from around the world, the paved bike paths we use to get to and from work, or the local playground where we take our kids every weeknight after dinner.

As you know, the landmark Land and Water Conservation Fund (LWCF) is a mechanism that is intended to pay for everything from trail maintenance to river restoration and from visitor centers to RV hookups at campgrounds, without drawing a penny from Americans’ pockets. Unfortunately, LWCF, which receives revenue from offshore energy royalty payments, not tax dollars, is rarely fully funded. Dollars intended for outdoor recreation projects get siphoned for other means, and our public lands and waters are chronically shortchanged. And, of course, that lack of funding doesn’t just affect places, it affects people’s hard-earned vacations and neighborhood parks.

We ask that Congress ensure these recreation opportunities continue to be provided for the American heritage they represent, and the endless business growth opportunities outdoor recreation supports. Supporting reauthorization and full funding for the Land and Water Conservation Fund would be a good start, as this program has benefited every county in the country and is set to expire at the end of this fiscal year. Investing in our public lands and waters is important so that entrepreneurs like myself can continue to create companies and jobs around the healthy and sustainable outdoor industry and the travel and tourism it drives.

When people hear “travel and tourism,” they may think of seasonal, low-skilled service workers. But that misses a huge segment of the workforce and the businesses intrinsically linked to the
travel sector. NEMO might be a small, local business, but we and companies like us who supply the gear and apparel people need when they go on adventures have complex global supply chains that bring our high-tech, innovative products to market at the best prices. American businesses like mine provide coveted and high-paying engineering, design, marketing, advertising, financial, and sales jobs. The research, design, development, and testing of these products and their inputs—not to mention sourcing, logistics, and compliance—happen in the United States. My small company, for example, employees a Harvard PhD, a former Apple designer, the former head of digital marketing from Ben & Jerry’s and other talented and hard-working Americans typical of the people in this country driving our economy forward and keeping us competitive on the global stage.

Many of the less desirable manufacturing jobs, however, like sewing and assembly have, since the 1990’s moved abroad in search of an available and willing labor force. Which means companies like mine wind up paying high tariffs to bring our finished goods back into the country. In fact, outdoor companies pay disproportionately high taxes. While the average inbound tariff is less than 3 percent, the average tariff on outdoor products is 14 percent and can be as high as 40 percent. Outdoor product manufacturers pay approximately $750 million annually in import taxes to the U.S. Treasury.

However, the outdoor industry is one of the few sectors where America is positioned as a global leader of innovation and high-tech advancements. American brands are many of the most revered and dominant in the global outdoor market. Countless of the watershed innovations in outdoor equipment have been invented by our companies: Gore-Tex waterproof/breathable fabric, the mountain bike, the snowboard, fleece jackets, hydration packs, fiberglass surfboards, and much more. My own company has created many firsts, including: the first air-supported backpacking tents, the first swinging and auto-reclining camp chairs, the first foot-pump pressurized camp shower, and much more. Today our industry is leading in the development of sustainably produced textiles, materials and apparel, and our American brands are on the cutting edge of these developments.

Duty relief on outdoor products not manufactured domestically can help lower costs, fuel innovation, and get more Americans outdoors. We ask for your support of the U.S. OUTDOOR Act that allows for more innovation by American companies, while protecting our industries’ domestic manufacturers.

Americans love the outdoors. Over half of all Americans enjoy outdoor activities every year, whether close to home or at faraway, iconic places. The outdoor recreation economy is resilient and is growing faster than the economy as a whole. My business is just one example of the thousands of companies that are choosing to base their businesses, of any type, near access to the outdoors. As a business owner dedicated to my employees and my industry, I want other businesses to have the same opportunities to provide their employees with a healthy lifestyle and be part of active and thriving communities.

I am here today wearing many hats. I come with the perspective of a small business entrepreneur, but one who works closely with a national trade organization. I am an adventurer who finds meaning, health, happiness, and my American identity in the outdoor places that are so unique to
this nation. But I’m also a businessman, an employer, a job provider, and taxpayer. I’m a backpacker and a hunter. A husband and a father. As all of those things, and on behalf of my colleagues, my competitors, my friends, and my family, I want to thank you for the work you do to support the people, places and infrastructure that make outdoor adventure possible and form a major component of our country’s travel and tourism industry.

Thank you for your attention to this important issue, and I hope this testimony will assist you as your committee explores this topic.

Cam Brensinger
Founder and CEO
NEMO Equipment, Inc
I. Introduction

Chairman Brat, Ranking Member Evans, and distinguished members of the Subcommittee, thank you for the opportunity to testify before you today. It is an honor to appear before Congress and to represent my fellow hoteliers and the hospitality industry.

My name is Jagruti Panwala. My family and I are small business owners from Pennsylvania. We are independent owners and operators of five hotels in the northeastern United States and I am also the president and CEO of a financial planning company that helps small business owners, including hoteliers, to reach their development goals.

I also serve as the national Vice Chairwoman of the Asian American Hotel Owners Association (AAHOA). AAHOA represents 18,000 members who own nearly 50 percent of all hotels in the United States, and employ over 600,000 workers, accounting for nearly $10 billion in payroll annually. AAHOA proudly serves on the board of directors of the U.S. Travel Association and as a member of the VisitUS Coalition, organizations that are leading the effort expand travel and tourism within and to the United States.

II. Economic Impact of the Travel and Tourism Industry

Thank you for convening this hearing on the travel and tourism industry. It is particularly fitting to have this discussion during National Travel and Tourism Week, a celebration of the impact of travel and tourism on the American economy.

Our industry is one of the major factors driving economic expansion, job creation, exports, and prosperity in the United States. From family vacations, to business conferences and meetings, to international visitors, the travel and tourism sector reaches nearly every corner of the country and is a top ten industry in nearly every state.

I am very pleased to report that the economic condition of the America’s travel and tourism sector is strong and trends indicate a positive future. Many of the economic factors that are hallmarks of success in the travel industry, including low unemployment, and high business and consumer confidences, are also indicative of a healthy national economy.
According to the U.S. Travel Association’s Current Travel Index (CTI), the industry is in its ninth consecutive year of expansion and has been expanding for “98 straight months.” Growth in travel and tourism is excellent news for the American economy, as it accounts for $2.4 trillion in economic output. Last year, travelers spent over $1,036 billion, and supported 15.6 million American jobs. American workers directly employed in the travel industry earned nearly $260 billion in wages and the federal, state, and local governments collected $165 billion in tax revenues. The World Travel and Tourism Council reported that travel and tourism accounted for 2.6 percent of the nation’s GDP in 2017 and forecasts growth in the sector over the next ten years.

Domestic travel, which accounts for 80 percent of all travel spending, rose by 28.7 million trips, a 1.3 percent increase in 2017, and leisure travelers are the principal drivers of the industry. In the lodging sector, the “[T]otal U.S. room demand is higher than it has ever been,” and in 2017, hotels sold 1.23 billion room nights, an increase of 2.7 percent from 2016, according to STR, the leading research company monitoring industry trends. Similarly, occupancy, average daily rate, and revenue per available room, the leading economic metrics for hoteliers, are expected to increase through 2018.

III. Small Business Contributions

For small business owners like the vast majority of AAHOA members, this is amazing news! Small businesses account for 83 percent of companies in the industry and we are both driving and seeing the benefits of a robust economy and thriving travel sector. In addition to the economic benefits travel and tourism businesses contribute to their communities, small business owners are directly responsible for creating jobs, training employees, and reinvesting capital locally. In fact, “the number one small-business employer in the United States is the travel-dependent leisure and hospitality sector.” Forty percent of workers who begin their careers in travel, ultimately achieve

salaries over $100,000. In addition, our industry provides a tremendous foundation for employees with less formal education, who, when beginning their careers in travel, achieve an average career salary of nearly $70,000, five percent higher than in other industries.11

IV. Important Issues Facing the Industry

While the outlook for small business owners in the travel sector and the industry as a whole is strong, some challenges and opportunities remain. One of our biggest concerns centers on increasing gas prices. As domestic leisure travelers comprise an overwhelming majority of the travel market, increases in fuel prices for automobiles and airplanes could increase costs and negatively impact the ability for people to travel, affect their chosen destinations, or shorten the duration of their visits. History has shown us that increases in gas prices limit available discretionary income and consumers cut back on some activities including travel.

Another area we are watching closely is the trend of international arrivals to the United States. International travel is our largest service export. While conventionally it may seem strange to categorize tourism to the United States as an export, international visitors spend hundreds of billions of dollars on travel and tourism and each foreign visitor spends nearly $4,500 and stays 18 nights per visit.13 The National Travel and Tourism Office (NTTO) within the Department of Commerce had indicated a dip in international visitors dating back a couple of years. Some industry analysts believed the strengthening of the dollar discouraged travel to America.14 Recently however, the NTTO announced it is reviewing its analysis as millions of visitors may have been undercounted.14 We are eagerly following this development and encourage our congressional leaders to do so as well to ensure the data we use to make business decisions is sound and reliable.

International visitors to the United States are critical for our national economy, our workforce, and our local communities. Consequently, I would ask our leaders to review two important programs: Brand USA and the Visa Waiver Program (VWP). Brand USA, a unique public-private partnership promoting the United States as a destination for foreign travelers at zero cost to American taxpayers. Since 2013, Brand USA has encouraged millions of international visitors to come to the United States, which has generated nearly $40 billion in revenues, and supports over 50,000 American jobs.15 The program is funded through fees levied on international visitors and in 2017 produced a return on investment of more than 27:1. It is a remarkably successful program for both...

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the American economy and our industry. I am hopeful it can be reauthorized in its current form as it has been through strong bipartisan efforts in the past.

As a corollary to Brand USA, the Visa Waiver Program (VWP) is a vital initiative that permits travelers from thirty eight countries to visit the United States without first obtaining a visa. The trips are limited to ninety days and include various security measures to protect against misuse of the program by bad actors. As I mentioned earlier, international travel and tourism is tremendously important to the economy and is responsible for tens of thousands of good, local jobs. I urge you and your colleagues to enhance and expand the Visa Waiver Program.

Finally, as I meet with hoteliers and hospitality professionals around the country, one issue we discuss frequently is the importance of the new tax law on small businesses. Small business confidence is growing and we are able to create new jobs, hire new employees, increase wages and benefits, make capital improvements, purchase new properties, and expand our businesses. Small business owners thrive when there is certainty in economic conditions and are reserved when there is ambiguity in circumstances. Economic uncertainty breeds hesitation and hinders growth; however, when small businesses can count on clear and consistent tax policies that prioritize their needs, they prosper. I urge you and your colleagues to make tax relief for small businesses permanent in the years to come to help ensure a thriving economic outlook for America’s travel and tourism industry.

V. Conclusion

Chairman Brat, Ranking Member Evans, and members of the committee, thank you for inviting me to share my perspectives on the outlook of America’s travel and tourism industry. We have many reasons for optimism and we have seen considerable growth recently. In order to sustain this trend, I am hopeful our leaders will continue to appreciate the value our industry brings to the country and local communities. I am grateful to you all for your leadership and wish you a very happy National Travel and Tourism Week!

Thank you.