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INCREASE FOREIGN TRAVEL TO UNITED STATES

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HEARING BEFORE THE COMMITTEE ON COMMERCE UNITED STATES SENATE NINETY-FIRST CONGRESS

FIRST SESSION

ON


S. 1289 and S. 2143

TO AMEND THE INTERNATIONAL TRAVEL ACT OF 1961,
AS AMENDED, IN ORDER TO IMPROVE THE BALANCE OF
PAYMENTS BY FURTHER PROMOTING TRAVEL TO THE
UNITED STATES, AND FOR OTHER PURPOSES

JULY 29, 1969

Serial 91-41

Printed for the use of the Committee on Commerce

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INCREASE FOREIGN TRAVEL TO UNITED STATES

HEARING

COMMITTEE ON COMMERCE
UNITED STATES

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JULY 1960 (II)

Serial 21-41

Printed for the use of the Committee on Commerce



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INCREASE FOREIGN TRAVEL TO UNITED STATES

TUESDAY, JULY 29, 1969

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C.

The committee met at 10 a.m. in room 6202, New Senate Office building, Hon. Daniel K. Inouye presiding.

Present: Senators Inouye, Scott, and Goodell.

OPENING STATEMENT BY THE CHAIRMAN

Senator INOUE. The decline of the U.S. balance-of-trade surplus has reached grave proportions. Curbing domestic inflation is, of course, the single most effective instrument to insure that U.S. goods will remain competitive in foreign markets.

But there are other factors which also contribute to this difficulty. A significant one is the "travel gap." In 1968, for example, foreign earnings from U.S. travelers abroad amounted to \$3.9 billion. Total receipts from foreign visitors to this country, on the other hand, were a little more than \$2 billion. An unfavorable balance of payments for the United States of \$1.9 billion.

This has been a chronic problem caused in no small measure by earlier policies followed by our own Government. During the post-World War II period, until 1961, we actively encouraged travel from the United States while doing nothing as a Government to attract foreign visitors to our shores.

In 1961, however, Congress enacted the International Travel Act of 1961. That legislation created the U.S. Travel Service and inaugurated a positive national program for increasing the number of foreign visitors to this country.

Since the creation of the U.S. Travel Service, total visitors arrivals from overseas countries and Mexico have increased at an average annual rate of 15.8 percent, while all international travel has only increased at an average annual rate of 9.4 percent for the same period.

Although these statistics are encouraging, the contribution of the travel gap to our balance-of-payments deficit has successively increased annually until 1968. That year marked the first interruption of these increases in 20 years.

It is the purpose of these hearings, therefore, to review the effectiveness of our national effort to increase foreign travel to the United States, and consider whether our present program should be further expanded.

Staff member assigned to this hearing: John D. Hardy.

Regrettably, Ambassador McKinney will be unable to testify today, as announced earlier. He has requested that the committee excuse him at this time, and assured the committee of his desire to testify at a later date at our convenience.

At this time I would like included in the record material which appeared in the April 21, 1969 Congressional Record at pages H-2866 to H-2874, entitled, "The July 1968 Report of the Presidential Commission on Travel—A Constructive Document."

I would further like to have included in the record a copy of the bills and agency comments, after which the testimony of Senator Javits and Senator Howard Cannon of Nevada.

(The bills, agency comments, and statement follow:)

The committee met at 10 a.m. in room 6302, New Senate Office building, Hon. Daniel K. Inoué presiding.
Present: Senators Javits, Scott, and Goodell.

OPENING STATEMENT BY THE CHAIRMAN

Senator Javits: The decline in the U.S. balance-of-trade surplus has reached grave proportions. Cutting domestic inflation is, of course, the single most effective instrument to insure that U.S. goods will remain competitive in foreign markets.

But there are other factors which also contribute to this difficulty. A significant one is the "travel gap." In 1968, for example, foreign earnings from U.S. travelers abroad amounted to \$2.9 billion. Total receipts from foreign visitors to this country, on the other hand, were a little more than \$2 billion. An unfavorable balance of payments for the United States of \$1.9 billion.

This has been a chronic problem caused in no small measure by earlier policies followed by our own Government. During the post-World War II period, until 1961, we actively encouraged travel from the United States while doing nothing as a Government to attract foreign visitors to our shores.

In 1961, however, Congress enacted the International Travel Act of 1961. That legislation created the U.S. Travel Service and inaugurated a positive national program for increasing the number of foreign visitors to this country.

Since the creation of the U.S. Travel Service, total visitors from overseas countries and Mexico have increased at an average annual rate of 15.5 percent, while all international travel has only increased at an average annual rate of 9.4 percent for the same period.

Although these statistics are encouraging, the contribution of the travel gap to our balance-of-payments deficit has successively increased annually until 1968. That year marked the first interruption of these increases in 20 years.

It is the purpose of these hearings, therefore, to review the effectiveness of our national effort to increase foreign travel to the United States, and consider whether our present program should be further expanded.

Staff member assigned to this hearing: John D. Haritz

91ST CONGRESS
1ST SESSION

S. 1289

IN THE SENATE OF THE UNITED STATES

MARCH 4, 1969

Mr. MAGHUSON (for himself, Mr. JAVITS, and Mr. STEVENS) (by request) introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That section 3 of the International Travel Act of 1961 (75 Stat. 129; 22 U.S.C. 2121-2126) is amended by changing the period at the end of clause 4 of subsection (a) to a semicolon, and by inserting after such clause the following:

“(5) upon the application of any State or political subdivision or combination thereof, or private or public nonprofit organization or association, may make grants for projects designed to carry out the purposes of this

II

1 Act if he finds that such projects will facilitate and en-
2 courage travel to any State or political subdivision or
3 combination thereof by residents of foreign countries. No
4 financial assistance will be made available under this
5 clause unless the Secretary determines that matching
6 funds will be available from State or other non-Federal
7 sources and in no event will the amount of any grant
8 under this clause for any project exceed 50 per centum
9 of the cost of such project. The Secretary is authorized
10 to establish such policies, standards, criteria, and proce-
11 dures and to prescribe such rules and regulations as he
12 may deem necessary or appropriate for the administra-
13 tion of this clause;

14 “(6) may enter into contracts with private profit-
15 making individuals, businesses, and organizations for
16 projects designed to carry out the purposes of this Act
17 whenever he determines that such projects cannot be
18 accomplished under the authority of clause (5) of this
19 subsection;

20 “(7) may make awards of merchandise manufac-
21 tured and purchased in the United States to travel
22 agents and tour operators in foreign countries as an
23 incentive for their promotion of travel to the United
24 States by residents of foreign countries. The Secretary is
25 authorized to establish such policies, standards, criteria,

1 and procedures as he may deem necessary or appropri-
2 ate for the administration of this clause.”

3 SEC. 2. Section 6 of such Act is amended to read as
4 follows:

5 “SEC. 6. There are hereby authorized to be appropriated
6 such sums as may be necessary to carry out the purposes
7 of this Act, which shall be available without regard to the
8 provisions of law set forth in sections 501 and 3702 of
9 title 44, United States Code. When so specified in appro-
10 priation Acts, amounts for printing of travel promotion
11 materials are hereby authorized to be made available for two
12 full fiscal years.”

13 SEC. 3. Section 7 of such Act is renumbered “SEC. 8.”
14 and a new section 7 is inserted to read as follows:

15 “SEC. 7. As used in this Act, the term ‘United States’
16 and the term ‘State’ are defined to include the District of
17 Columbia, the Commonwealth of Puerto Rico, the Virgin
18 Islands, Guam, and American Samoa.”

91ST CONGRESS
1ST SESSION

S. 2143

IN THE SENATE OF THE UNITED STATES

MAY 12, 1969

MR. JAVITS (for himself, Mr. BIBLE, Mr. BROOKE, Mr. CANNON, Mr. HARTKE, Mr. MCGEE, Mr. PERCY, Mr. SCOTT, and Mr. WILLIAMS of New Jersey) introduced the following bill; which was read twice and referred to the Committee on Commerce

A BILL

To amend the International Travel Act of 1961 in order to promote travel in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That the International Travel Act of 1961 (22 U.S.C.
4 2121-2126) is amended—

5 (1) by striking out the first and second sections

6 and inserting in lieu thereof the following:

7 “That it is the purpose of this Act to strengthen the domestic
8 and foreign commerce of the United States, and promote
9 friendly understanding and appreciation of the United States
10 by encouraging foreign residents to visit the United States

1 and by facilitating international travel generally, and by
2 otherwise encouraging and facilitating travel within the
3 United States (including its possessions for the purposes of
4 this Act).

5 "SEC. 2. In order to carry out the purpose of this Act
6 the Secretary of Commerce (hereinafter in this Act referred
7 to as the 'Secretary') shall—

8 " (1) formulate for the United States a comprehensive
9 policy with respect to domestic travel;

10 " (2) develop, plan, and carry out a comprehensive
11 program designed to stimulate and encourage travel to
12 and within the United States for the purpose of study,
13 culture, recreation, business, and other activities and
14 as a means of promoting friendly understanding and
15 good will among peoples of foreign countries and the
16 United States;

17 " (3) encourage the development of tourist facil-
18 ities, low-cost unit tours, and other arrangements within
19 the United States for meeting the requirements of all
20 travelers;

21 " (4) foster and encourage the widest possible dis-
22 tribution of the benefits of travel at the cheapest rates
23 between foreign countries and the United States and
24 within the United States consistent with sound economic
25 principles;

1 “(5) encourage the simplification, reduction, or
2 elimination of barriers to travel, and facilitation of
3 travel to and within the United States generally;

4 “(6) collect, publish, and provide for the exchange
5 of statistics and technical information, including sched-
6 ules of meetings, fairs, and other attractions, relating to
7 travel and tourism; and

8 “(7) establish an office to be known as the Office
9 of Travel Program Coordination, which shall assist the
10 Secretary in carrying out his responsibilities under this
11 Act for the purpose of (A) achieving maximum co-
12 ordination of the programs of the various departments
13 and agencies of the United States Government to pro-
14 mote the purposes of this Act, (B) consulting with
15 appropriate officers and agencies of State and local gov-
16 ernments, and with private organizations and agencies,
17 with respect to programs undertaken pursuant to this
18 Act, and (C) achieving the effective cooperation of
19 Federal, State, and local governmental agencies, and of
20 private organizations and agencies, concerned with such
21 programs.”;

22 (2) by inserting before the period at the end of
23 section 3 (b) the following: “and shall not otherwise
24 compete with the activities of other public or private
25 agencies”;

1 (3) by inserting "(a)" after "SEC. 4.", and by in-
2 serting at the end of such section 4 a new subsection as
3 follows:

4 "(b) The Secretary may appoint two assistant directors
5 for the purpose of this Act. Such assistant directors shall be
6 compensated at the rate provided for GS-18 in the Classifi-
7 cation Act of 1949.";

8 (4) by redesignating sections 5, 6, and 7 as sec-
9 tions 6, 7, and 8, respectively, and by inserting after
10 section 4 a new section as follows:

11 "SEC. 5. (a) The Secretary shall establish a National
12 Tourism Resources Review Commission. Such Commission
13 shall be composed of fifteen members appointed by the Secre-
14 tary from among persons who are informed about and con-
15 cerned with the improvement, development, and promotion
16 of United States tourism resources and opportunities or who
17 are otherwise experienced in tourism research, promotion, or
18 planning. The Secretary shall appoint a Chairman from
19 among such members. The Commission shall meet at the
20 call of the Secretary.

21 "(b) The Commission shall make a full and complete
22 study and investigation for the purpose of—

23 "(1) determining the domestic travel needs of the
24 people of the United States and of visitors from other
25 lands at the present time and to the year 1980;

1 “(2) determining the travel resources of the Nation
2 available to satisfy such needs now and to the year 1980;

3 “(3) determining policies and programs which will
4 insure that the domestic travel needs of the present and
5 the future are adequately and efficiently met;

6 “(4) determining a recommended program of Fed-
7 eral assistance to the States in promoting domestic
8 travel; and

9 “(5) determining whether a separate agency of the
10 Government should be established to consolidate and
11 coordinate tourism research, planning, and development
12 activities presently performed by different existing agen-
13 cies of the Government.

14 The Commission shall report the results of such investigation
15 and study to the Secretary not later than two years after the
16 effective date of this section. The Secretary shall submit
17 such report, together with his recommendations with respect
18 thereto, to the President and the Congress.

19 “(c) The Secretary is authorized to engage such tech-
20 nical assistance as may be necessary to assist the Commis-
21 sion, the Secretary shall, in addition, make available to the
22 Commission such secretarial, clerical, and other assistance
23 and such pertinent data prepared by the Department of
24 Commerce as the Commission may require to carry out its
25 functions.

6
 1 “(d) Members of the Commission, while serving on
 2 business of the Commission, shall receive compensation at a
 3 rate to be fixed by the Secretary, but not exceeding \$100 per
 4 day, including traveltime; and, while so serving away from
 5 their homes or regular places of business, they may be al-
 6 lowed travel expenses, including per diem in lieu of sub-
 7 sistence, as authorized by section 5 of the Administrative
 8 Expenses Act of 1946 (5 U.S.C. 73b-2) for persons in the
 9 Government service employed intermittently.

10 “(e) There is authorized to be appropriated not to ex-
 11 ceed \$2,500,000 for the purpose of this section.”

12 (5) by striking out “\$4,700,000” in the section
 13 redesignated as section 7 and inserting in lieu thereof
 14 “\$15,000,000”; and

15 (6) by striking out “International Travel Act of
 16 1961” in the section redesignated as section 8 and in-
 17 serting in lieu thereof “International and Domestic
 18 Travel Act of 1969.”

COMPTROLLER GENERAL OF THE UNITED STATES,
 Washington, D.C., March 19, 1969.

B-142145

HON. WARREN G. MAGNUSON,
 Chairman, Committee on Commerce,
 U.S. Senate.

DEAR MR. CHAIRMAN: By letter of March 8, 1969, you requested our comments on S. 1289, 91st Congress, entitled: “A BILL To amend the International Travel Acts of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes.”

While we have no special information as to the desirability of this measure and, therefore, make no comments regarding its merits, we do recommend the inclusion of a new section pertaining to our audit function.

The bill authorizes grants to State and local governments and private or public nonprofit organizations or associations for projects to encourage travel by foreign residents to the States and political subdivisions. There is no requirement for the maintenance of accounting records by the recipients of grants. Fur-

thermore, there is no provision to make the records of the recipients of grants available to the Comptroller General of the United States or his duly authorized representatives for the purpose of audit and examination. We recommend that the bill be revised to add the following new clauses at the end of section 1 of the bill:

"(8) Each recipient of assistance under clause (5) of this subsection shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance is given or used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit;

"(9) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipients that are pertinent to the assistance received under clause (5) of this subsection."

Similar provisions are contained in various acts such as section 11 of the "Clean Air Act," Pub. L. 88-206, 77 Stat. 401, and section 8(a) (3) of Pub. L. 89-220, 79 Stat. 894.

Under section 202 of the Intergovernmental Cooperation Act of 1968, Pub. L. 90-577, 82 Stat. 1101, the Comptroller General and heads of Federal agencies have access to records pertaining to grants-in-aid received by the States. However, section 202 does not cover political subdivisions of States or beneficiaries other than States, which are grant recipients.

Sincerely yours,

R. F. KELLER,

Acting Comptroller General of the United States.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., April 16, 1969.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: On January 15, 1969, then Acting Secretary of Commerce Bartlett transmitted to the Congress a draft of legislation

"To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes."

This legislation was introduced in the Senate by you (with Senators Javits and Stevens as cosponsors) as S. 1289.

The Department of Commerce has reviewed this legislation and has concluded that it would be appropriate to place an annual limit of \$15 million on the authorizations for funds to carry out the purposes of the Act. Accordingly, we recommend that the proposed amendment to section 6 of the International Travel Act contained in section 2 of S. 1289 be revised to read as follows:

"Section 6. There are hereby authorized to be appropriated such sums not to exceed \$15 million per annum as may be necessary to carry out the purposes of this Act. Such appropriations shall be available without regard to the provisions of law set forth in sections 501 and 3702 of title 44, United States Code. When so specified in appropriation acts, amounts for printing of travel promotion materials are hereby authorized to be made available for two full fiscal years."

We have been advised by Bureau of the Budget that enactment of S. 1289 as amended would be consistent with the Administration's objectives.

Sincerely,

JAMES T. LYNN, *General Counsel.*

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., April 17, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to S. 1289, 91st Congress, a bill "To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes."

The purpose of the bill is stated in the title.

The subject matter of the bill is outside the purview of the Department of Defense. Accordingly, the Department of Defense defers to the Department of Commerce as to its merits.

The Bureau of the budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report for the consideration of the Committee.

Sincerely,

L. NIEDEBLEHNER,
Acting General Counsel.

CIVIL AERONAUTICS BOARD,
Washington, D.C., July 30, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letters of March 8, 1969, and May 13, 1969, requesting comments of the Board on S. 1289, a bill "To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes," and S. 2143, a bill "To amend the International Travel Act of 1961 in order to promote travel in the United States," respectively.

Both bills are designed to reduce the balance of payments deficit by attracting more foreign visitors to the United States. S. 1289, which is similar to a draft bill transmitted by the Acting Secretary of Commerce on January 15, 1969, would accomplish its objectives by authorizing the Secretary of Commerce to make grants to State or political subdivisions thereof, or any private or public non-profit organization, matched by non-Federal funds, for projects designed to encourage increased travel to the United States; to contract with private profit-making parties for similar projects; and to award merchandise manufactured and purchased in the United States to travel sale outlets abroad as incentives for the promoting of travel to the United States. The District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa would be brought within the scope of the Act in order to encourage travel to those areas. Amounts authorized to be appropriated would be such sums as may be necessary for carrying out the purposes of the Act and amounts for printing of travel promotion materials would be authorized to be made available for two full fiscal years.

S. 2143, which is identical to S. 2907 of the 90th Congress and S. 2305 of the 89th Congress, would amend the International Travel Act so as to broaden its scope to include the encouragement of travel within the United States, as well as the continued encouragement of travel by foreign visitors to this country. The Secretary of Commerce would be required to establish an Office of Travel Program Coordination for the purpose of coordinating the programs of Federal, State, and local governmental agencies relating to travel and tourism. The Secretary would also be required to establish a National Tourism Resources Review Commission, having the duty of determining the domestic travel needs and resources, as well as the policies and programs which would insure that such needs are met. Amounts authorized to be appropriated for carrying out the Act would be increased from \$4,700,000 to \$15,000,000 for each fiscal year.

The Board favors legislation designed to encourage travel, and both the Board and the air carriers have been and are taking measures to increase the flow of air travel, not only to the United States but also within its borders. A number of the carriers have, with the encouragement and approval of the Board, established special promotional fares such as "Discover America" fares and directional fares for families resident in Western Europe and the Middle East.

Not only do the bills involve the question whether the Federal Government should promote travel and tourism to and within the United States by means of a Federal agency or by making matching grants to non-Federal bodies, but also they pose the question of the proper level of Federal expenditures for those activities. Since such determinations extend beyond the regulatory experience of the Board, the Board defers to the views of the Secretary of Commerce as to the desirability of S. 1289 and S. 2143.

The Board has been advised by the Bureau of the Budget that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

JOHN H. CROOKER, Jr.,
Chairman.

OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., July 31, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MAGNUSON: This is in response to your request for the views of the Department of Justice on S. 1289, a bill "To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes."

This bill would authorize the Secretary of Commerce to make grants, on a matching basis, to States, political subdivisions and private and public nonprofit organizations for projects to encourage foreign travel to the particular State or political subdivision. The Secretary would be authorized to enter into contracts with private profit-making individuals and organizations for projects where the project cannot otherwise be accomplished by grants to State and local agencies or nonprofit organizations. The bill would also authorize the Secretary to make awards of merchandise manufactured and purchased in the United States to travel agents and tour operators in foreign countries as an incentive for promoting travel in the United States.

Whether this legislation should be enacted involves questions as to which the Department of Justice defers to the Department of Commerce.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD G. KLEINDIENST,
Deputy Attorney General.

JULY 31, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I refer to your letter of March 8, 1969 requesting the Department's comments on S. 1289, "A Bill to Amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes."

The Department of State has examined the proposed legislation from the viewpoint of foreign economic policy and has no objection to its enactment, and defers to the Department of Commerce as to its specific provisions.

The Bureau of the Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary for Congressional Relations.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 4, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate.

DEAR MR. CHAIRMAN: As you asked, here is our report on S. 1289, a bill "To amend the International Travel Act of 1961 in order to improve the balance of payments by further promoting travel to the United States, and for other purposes."

S. 1289 would amend the International Travel Act of 1961 to authorize the Secretary of Commerce to make grants, enter into contracts, and make awards for the promotion of travel to the United States by foreign residents.

The Department of Agriculture welcomes efforts to make people of all nations aware of the many attractions and resources within the United States, and to encourage interest in, and enjoyment of, them. Many of the Nation's areas of scenic, historical, and recreational value are found within the 187 million-acre National Forest System administered by this Department. Magnificent scenery, historical sites, prime hunting and fishing areas, and thousands of recreation developments are all found within the National Forests.

To help National Forest visitors enjoy their stay, the Forest Service established the Visitor Information Service in 1961. Interpretive programs, including conducted hikes and self-guiding trails, signs and exhibits, campfire programs, and special publications have been established on most of the 154 National Forests and many of the 19 National Grasslands.

These Department of Agriculture programs can make important contributions to tourism in the United States. We work closely with agencies now charged with encouraging travel within the United States, Such as Travel Service in the Department of Commerce.

The activities that would be authorized by S. 1289 would therefore be of interest to the Department of Agriculture. However, since the bill would principally concern the Department of Commerce, we defer to that Department's views regarding its enactment.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., August 5, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1289, "To amend the International Travel Act of 1961, as amended, in order to improve the balance of payments by further promoting travel to the United States, and for other purposes," and on S. 2143, "To amend the International Travel Act of 1961 in order to promote travel in the United States."

Both bills are designed to enhance foreign travel to and within the United States.

S. 1289 would amend the Act which created the United States Travel Service by removing the current USTS authorization ceiling of \$4.7 million per year. The bill would also: allow the USTS to provide matching grants to states, cities, and public or private nonprofit organizations for projects calculated to increase foreign travel to an area within the United States; authorize the Secretary of commerce to contract with firms to carry out these projects; and permit awards to be made to travel agents and tour operators as incentives for promoting foreign travel to the United States. The USTS would also be made exempt from certain printing and advertising requirements.

S. 2143 would also amend the 1961 Act. It would authorize the Secretary of Commerce to establish an office known as the Office of Travel Program Coordination, which would coordinate the travel activities of the various Federal agencies and act as the Government's liaison with State and private tourist organiza-

tions. Secondly, it would authorize the establishment of a 15-member National Tourism Resources Commission, to be appointed from among private citizens knowledgeable and experienced in the travel field. In general, it would be the function of the Commission to assess the long-term travel needs of this country, both foreign and domestic. A budget of \$15 million would be appropriated to finance the activities of the U.S. Travel Service.

The Treasury Department favors one of the principal objectives of this legislation—to increase United States receipts from foreign tourism. It is imperative that effective measures be taken to reduce the United States balance of payments deficit. Part of this deficit is attributable to the large gap between United States earnings from tourism and the amount of dollars Americans spend touring abroad. In recent years this imbalance has amounted to over \$2 billion each year. The most desirable solution to this problem is to increase overall U.S. receipts from foreign travelers. United States Government efforts to increase both the number of foreign visitors to this country and the amounts that these visitors spend here should therefore definitely be multiplied.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely yours,

PAUL W. EGGERS,
General Counsel.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., May 28, 1969.

B-142145.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce, U.S. Senate.

DEAR MR. CHAIRMAN: By letter dated May 13, 1969, you requested our comments on S. 2143, 91st Congress which would amend the International Travel Act of 1961 in order to promote travel in the United States.

We have no special information that would assist the Committee in its consideration of this measure and accordingly offer no comments with regard to the action to be taken thereon. We note however that the codification of title 5 of the United States Code necessitates changing the citations appearing on pages 4 and 6 of S. 2143. Specifically, 5 U.S.C. 5332(a) should be substituted for the reference to the Classification Act of 1949 and 5 U.S.C. 5703 is the appropriate citation to what was section 5 of the Administrative Expenses Act of 1946, 5 U.S.C. 73b-2.

Sincerely yours,

R. F. KELLER,
(For the Comptroller General of the United States).

OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., July 31, 1969.

HON. WARREN G. MAGNUSON,
Chairman, Committee on Commerce, U.S. Senate, Washington, D.C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice on S. 2143, a bill "To amend the International Travel Act of 1961 in order to promote travel in the United States."

The International Travel Act of 1961 established the United States Travel Service in the Department of Commerce to encourage travel by foreign visitors to the United States. This bill would amend that Act to make it apply to domestic travel within the United States as well as travel by foreign visitors. The bill would establish an Office of Travel Program Coordination to assist the Secretary of Commerce in carrying out his responsibilities under the Act for purposes of coordinating various Federal programs and consulting and cooperating with State and local agencies and private organizations. The bill would also authorize the Secretary of Commerce to establish a National Tourism Resources Review Commission to make a complete study of prospective travel needs and resources in the United States to the year 1980.

We suggest that the phrase "provided for GS-18 in the Classification Act of 1949" on page 4 (lines 6-7) be changed to "now or hereafter provided for GS-18 positions of the General Schedule (5 U.S.C. 5332)", and that the reference to

"section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)" on page 6 (lines 7-8) be changed to "section 5073 of Title 5, United States Code."

Whether this legislation should be enacted involves questions as to which the Department of Justice defers to the Department of Commerce.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD G. KLEINDIENST,
Deputy Attorney General.

JULY 31, 1969.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: I refer to your letter of May 13, 1969 requesting the Department's comments on S. 2143, "A Bill to amend the International Travel Act of 1961 in order to promote travel in the United States".

The Department of State has examined the proposed legislation from the viewpoint of foreign economic policy and has no objection to its enactment, but defers to the Department of Commerce as to its specific provisions.

The Bureau of the Budget advises that from the standpoint of the Administration's program, there is no objection to the submission of this report.

Sincerely,

WILLIAM B. MACOMBER, JR.,
Assistant Secretary for Congressional Relations.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,
Washington, D.C., August 1, 1969.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce, U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of Defense with respect to S. 2143, 91st Congress, a bill "To amend the International Travel Act of 1961 in order to promote travel in the United States."

The purpose of the bill is stated in the title.

The subject matter of the bill is outside the purview of the Department of Defense. Accordingly this Department defers to the Department of Commerce as to its merits.

The Bureau of the Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report for the consideration of the Committee.

Sincerely,

L. NIEDERLEHNER,
Acting General Counsel.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., August 4, 1969.

HON. WARREN G. MAGNUSON,
*Chairman, Committee on Commerce,
U.S. Senate.*

DEAR MR. CHAIRMAN: As you asked, here is our report on S. 2143, a bill "To amend the International Travel Act of 1961 in order to promote travel in the United States."

S. 2143 would amend the International Travel Act of 1961 in various ways to expand the scope of the Act to include domestic travel. The Act is now directed toward encouraging foreign residents to visit the United States.

The bill would also establish a National Tourism Resources Review Commission to inventory domestic and international travel needs now and to the year 1980, and the resources of the United States to satisfy these needs. The Commission would determine programs needed to promote domestic travel, and de-

termine whether a separate agency of the United States should be established to consolidate and coordinate Federal tourism activities.

The Department of Agriculture welcomes efforts to make the American people aware of the many attractions and resources within the United States, and to encourage interest in, and enjoyment of, them. The rural areas of the United States are looking more and more to our own people for appreciation, understanding, and use of rural resources in order to provide a rounded and sound economy in these areas. The programs of the Department of Agriculture for development of rural areas seek a greater contribution by private owners of rural farmlands in meeting the total recreational needs of our population.

Many of the Nation's areas of scenic, historical, and recreational value are found within the 187 million-acre National Forest System administered by this Department. Magnificent scenery, historical sites, prime hunting and fishing areas, and many recreation developments are all found within the National Forests.

To help the National Forest visitor enjoy his stay, the Forest Service established the Visitor Information Service in 1961. Interpretive programs, including conducted hikes and self-guiding trails, signs and exhibits, campfire programs, and special publications have been established on most of the 154 National Forests and many of the 19 National Grasslands.

These Department of Agriculture programs can make important contributions to domestic tourism. We work closely with agencies now charged with encouraging travel within the United States, such as the Travel Service in the Department of Commerce.

The activities that would be authorized by S. 2143 would therefore be of interest to the Department of Agriculture. However, since the bill would principally concern the Department of Commerce, we defer to that Department's views regarding its enactment.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL, *Acting Secretary.*

THE JULY 1968, REPORT OF THE PRESIDENTIAL COMMISSION ON TRAVEL—
A CONSTRUCTIVE DOCUMENT

(Mr. REUSS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. REUSS. Mr. Speaker, in February 1968, the Presidential Commission on Travel submitted to the President, through the Industry-Government Special Task Force on Travel, its preliminary recommendations for increasing travel to the United States.

In March 1968, the President requested the Commission to develop long-term recommendations. Those long-term recommendations were submitted to the President by the Commission in June 29, 1968.

Because the recommendations of the report are in my judgment sound, and should be promptly implemented, I include herewith the letter of transmittal and the text of the report, with less important matter omitted:

PRESIDENTIAL COMMISSION ON TRAVEL,
June 29, 1968.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: This final report of the Commission on Travel describes positive actions—principally by the private sector—taken during the past six months at your request to increase foreign travel to the United States. It also summarizes necessary further actions—principally by government—which must be taken to reduce the travel deficit and meet U.S. long-term balance-of-payments objectives.

Many travel incentives have been developed since January 1. The foreign visitor to the U.S. can obtain sizable discounts on everything from plane fares to hotel accommodations. His entry is faster and smoother; his reception more hospitable. Travel to the U.S. is possible for thousands of foreign families who could not have entertained the thought before.

However, civil disorders are discouraging travel to the U.S. by foreign tourists. Legislation and voluntary restraints will not reduce travel abroad by Americans to the degree originally expected.

The spread between our travel expenditures and receipts is projected to grow to \$4 billion by 1975 unless far-reaching measures are adopted. The only feasible solution is a tremendous increase in inbound travel—an enormously difficult challenge. To reduce the U.S. travel deficit below \$1 billion by 1975, annual travel receipts must be double the annual percentage increases of the past eight years.

There is a solution.

Industry and government must expand on the start initiated by the Commission to repackage and reprice travel to the U.S. and ensure that potential foreign travelers are made aware of these new developments. Unless the 90th Congress enacts pending legislation waiving visa requirements, our 1969 foreign visitor promotions will go to press with a vital element missing.

Government efforts of a nature and scale far different from those previously mounted should be put into motion, emphasizing innovation and leadership in achieving a strong and permanent commitment from private industry to federal objectives.

The scope and emphasis of federal programs must be altered drastically. The U.S. Travel Service has been a major disappointment. It has not built support with Congress and private industry or substantiated its effectiveness. Its reputation gravely inhibits its ability to hire and hold effective personnel and obtain necessary appropriations from Congress. Revamping USTS within the same mold stands little chance of changing its reputation and strengthening its personnel soon enough.

I believe USTS should be replaced by a new independent agency, oriented to balance-of-payments objectives. Unlike the USTS, the new agency should concentrate on engaging the resources of private industry. However, as there is insufficient time for action by the 90th Congress, there is no alternative but to go with the USTS during the balance of 1968. If, over the next six months, it performs no better than in the past and fails to follow the lead now established, a reorganization bill should be submitted when the 91st Congress convenes.

There also exists a pressing need for a new private, non-profit organization which would orient all U.S. travel-related firms toward balance-of-payments objectives. This organization could be called the International Travel Institute. Its membership would include the spectrum of travel enterprises, and state and local organizations which have cooperated so effectively with the Commission. Its activities would encompass the many operational elements of the Foreign Visitor Program—from conventional solicitations to the preparation of multilingual guidebooks, to advertising and promotion.

It is essential that the government agency and the private Institute be separate entities. Firms, states and municipalities must be directly involved in the Foreign Visitor Program, but they find it difficult to justify contributions to federal programs not subject to their control. They will, however, support a private association which becomes the instrument through which federal objectives can be programmed.

Private support for the Institute would come from dues, joint advertising programs, grants for market research, and subscriptions to and advertising in Institute publications. Discussions with state travel organizations and a cross-section of travel-related firms convince me that significant non-federal financing would be available to the Institute—provided that the private sector is convinced of the government's serious commitment to the Foreign Visitor Program.

—Government support for the Institute would be by contracts of the USTS (or its successor). Appropriations for the government agency should be from a special fund derived from 30 percent of the taxes to be levied on international travel tickets.

I recommend that you appoint a preparatory commission to obtain the private sector financial support for the proposed International Travel Institute, and then to incorporate it as a private, non-profit organization.

Respectfully,

ROBERT M. MCKINNEY.

REPORT TO THE PRESIDENT OF THE UNITED STATES FROM THE PRESIDENTIAL COMMISSION ON TRAVEL

A. IMMEDIATE PROGRAM

1. Accomplishments

Actions which could be implemented quickly and have an impact on inbound travel during 1968 have been accomplished, ensuring a smaller U.S. Travel deficit in 1968 than would otherwise occur. These and other measures under way will also have longer-term impact.

1968 has witnessed the following significant developments, initiated by the Task Force and the Commission:

February

The Industry-Government Special Task Force on Travel submitted to the President its recommendations for increasing travel to the U.S.

U.S. airlines increased 1968 budgets for advertising outside the Western Hemisphere to \$16.5 million, up to \$5.5 million from 1967.

The Civil Aeronautics Board authorized six international and ten domestic air carriers to bring 2,000 travel agents, tour operators and travel editors to the U.S. for familiarization tours in 1968.

Major car rental companies offered 10 percent discounts to foreign visitors.

March

At the President's request, the Commission began implementing recommendations of the Task Force and developing further long-term recommendations.

A nation-wide campaign to enlist the support of private firms for 1968-69 Foreign Visitor Program was launched.

April

Transatlantic air carriers adopted special round-trip family rates for residents of Europe and the Middle East traveling to the U.S. in 1968. The new directional fares represent a reduction of between 11 and 38 percent on trips to the U.S. which originate in Europe or the Middle East.

Domestic air fares for foreign visitors traveling within the continental U.S. were reduced 50 percent.

Special new railway fares reducing the cost of round-trip tickets by 25 percent became available to foreign visitors.

The travel industry and the USTS began promoting stopovers in the U.S. by visitors to the Olympic Games in Mexico City.

State governors issued proclamations urging all citizens to encourage visits by friends to the U.S. and to receive foreign visitors hospitality.

May

The Foreign Visitor Hospitality Card Program, providing a wide range of attractive discounts, became operational. The card makes available a variety of discounts, ranging from 10 to 50 percent, offered by 6,000 establishments throughout the nation. Included are over 300,000 hotel rooms.

The Hospitality Card became a major theme of the \$16.5 million advertising campaign mounted by U.S. airlines abroad.

Round-trip sea fares to the U.S. on trips originating in Europe were reduced 20 percent.

The Secretary of Commerce asked U.S. international corporations to assist generally with, and to provide incentives for, travel to the U.S. by their foreign employees.

June

Experimental one-stop entry procedures commenced at international airports in New York and San Antonio. The new system is enabling most inbound travelers to clear immigration, customs, health and agricultural inspections in about 15 minutes.

The Department of the Interior eliminated admission fees for foreign visitors at national parks and other recreational areas.

Major international ports of entry adopted broader usage of standard multi-lingual signs and directional symbols.

The Commission's recommendations on a long-term Foreign Visitor Program for the U.S. and the organizational structure required for its implementation were submitted to the President.

July

A 144-page pocket-size booklet listing all discounts available to Hospitality Card holders was distributed worldwide.

The Advertising Council launched a \$5 million nation-wide public service campaign urging Americans to invite friends from abroad to visit the U.S. and to receive foreign visitors hospitably.

Other Actions Underway

An amendment to the Immigration and Nationality Act which would waive visa requirements for business and pleasure visits of up to 90 days has been reported out by House Committees. It is scheduled to be voted on by the House in July. Senate action is pending.

A motion picture industry delivered the first of a series of one-minute television commercials designed to promote travel to the U.S. These are to be distributed overseas this fall.

Blue Cross-Blue Shield has developed low-cost medical insurance for foreign visitors and is attempting to solve marketing problems.

The U.S. began negotiations with Canada to increase duty-free allowances granted Canadian residents returning from the U.S.

A bill has been drafted to exempt from federal excise tax foreign visitor purchases of cars, for eventual export.

2. Actions not taken by Government

The Department of Commerce has not accepted the recommendation that the USTS appropriation for 1969 be programmed and substantiated at \$30 million. USTS requested only \$4.7 million for FY 1969, and is considering requesting a supplemental appropriation of only \$1.3 million. Justification of its request was based merely on expansion of existing programs.

Recommendations urging implementation of "Bernstein Report" suggestions to improve Department of Commerce balance-of-payments travel statistics have not been acted upon.

Recommendations concerning Customs pre-clearance and oral declaration procedures have not been acted upon.

3. Outlooks for 1968

Although considerable progress has been achieved, the Foreign Visitor Program will not reach full effectiveness in 1968. The unfavorable impact abroad of our civil disorders, the time needed to implement recommendations, the further delay before actions become fully effective, and the continuing inadequacy of U.S. Government efforts, preclude immediate accomplishment of goals established for the U.S. Foreign Visitor Program.

Important design and structural elements of the 1969 program, including enactment of visa waiver legislation, must be ready by November, 1968, five months from now. Therefore, major U.S. efforts should now be concentrated on 1969 and beyond.

B. LONG-TERM PROGRAM

1. Recommendations

The following summarizes the Commission's long-term recommendations.

(a) A new Foreign Visitor Program should be adopted with the objectives of: (1) an annual growth of U.S. receipts from foreign travel of 15 to 18 percent, double the average annual increase of the past eight years; and (2) a redirection of industry toward the international travel market.

(b) The scope and emphasis of federal programs must be altered drastically, concentrating on actions that will demonstrably strengthen our balance of payments. The programs should emphasize innovation and leadership in achieving the permanent involvement of private industry.

This will involve the creation of new programs aimed at increasing expenditures by foreign visitors. For example: promoting visits by Canadians, and more affluent travelers from other primary markets; devising programs to encourage the purchase of U.S. products by visitors; and designing tours and conferences of special interest to the emerging class of technocrats in Europe, Japan and Latin America.

Effective market research, which government has deferred, should be guiding current programs; USTS has dissipated a limited travel budget by undertaking too many promotional activities itself—activities which private industry could have carried out more effectively.

(c) Two organizations should be established to implement the Program: a reoriented, vitalized government travel office; and a new private organization, created with full government support, broadly representative of travel-related firms and state and local organizations.

(d) As there is insufficient time for the 90th Congress to consider alternatives, the Commerce Department should reorient U.S. Travel Service objectives and programs. The national interest requires that in January, 1969, a hard look be taken at the degree of success attained. If USTS continues to prove unequal to the task, a reorganization plan should be submitted early in the 91st Congress creating a new National Travel Office as an independent agency.

(e) There should be created immediately a separate, private organization, to be known as the International Travel Institute, with which diverse private enterprises could identify, and through which they could collaborate with the government. It would carry out operational elements of the Foreign Visitor Program; for example, advertising, promotion, convention solicitation, tour operator relations, and visitor reception services. In its method of operation the Institute would follow the example of the British Travel Association and the Hawaii Visitors Bureau.

(f) Government's commitment should be increased to annual appropriations of \$30 million. It should seek commensurate commitments from industry and state and local tourist organizations.

(g) Appropriations for the USTS or its successor (including funds for contracts with the Institute) should be from a special fund made up of amounts equal to 30 percent of the revenues from the ticket tax on international travel. (As a precedent, 30 percent of U.S. Customs receipts is set aside for the disposal of agricultural surpluses.)

Support of private, state, and local travel organizations for the Institute should come in the form of dues, joint programs, grants for market research, and subscriptions to and advertising in Institute publications.

(h) A preparatory commission should be appointed to obtain private sector financial support for the proposed Institute and then to incorporate it as a non-profit organization.

2. Long-term outlook

Economic and social forces are causing Americans to travel more and spend more abroad. U.S. disposable income, and the proportion of it spent on foreign travel, are increasing; more Americans want to travel abroad; new airplanes with larger capacities and greater speeds will soon bring lower fares. Unfortunately, the disposable income base from which foreigners finance their travel is smaller than that of U.S. residents. As a result, the U.S. lost \$2.1 billion in its travel account last year, and unless there is a basic change in the factors involved, the spread between U.S. travel payments and receipts will widen—probably reaching \$4 billion by 1975.

Legislation to motivate deferment of non-essential foreign travel has not been enacted. Voluntary restraints will wear thin with the passage of time. A government-sponsored "Fly American" campaign could result in a net reduction of our foreign earnings through: reduced exports of U.S. airplanes, reduced foreign airline promotion of the U.S. as a tourist attraction, and foreign government counter measures.

It is evident that the larger part of any significant reduction in the travel deficit must come from the Foreign Visitor Program. Given projections of U.S. expenditures abroad for travel, achieving the President's request for a reduction of the travel deficit will require a 15 to 18 percent annual increase in travel receipts through 1975—a difficult challenge. An all-out effort by private enterprise to attract foreign visitors to this country is not likely without government leadership. The U.S. travel industry is fragmented, sells primarily to the domestic travel market, and is little concerned with inbound international tourism. At the same time, government programs are inadequate. They do not concentrate on

balance-of-payments objectives or needed priorities. They provide no leadership to the private sector. Prior to the Task Force and the Commission, government and private efforts had not been cross-fertilized or coordinated. The travel deficit will continue to deteriorate unless counteracting steps are taken at once.

Fortunately, many foreigners put heavier emphasis on travel in their budget priorities than do Americans. Potentially rich, untapped markets are emerging abroad as a result of improving world-wide standards of living. The size and importance of the United States, and its influence on many aspects of life in other nations, place it in a unique position in terms of potential tourist interest. The U.S. remains at the top of the "want to visit" list of most European nations. These factors, if properly capitalized, make the goals of the Foreign Visitor Program feasible. If foreign travelers are to be attracted away from alternative destinations, the U.S. must become more competitive and invest larger sums in advertising and promotion. Foreign travelers must be made aware of new developments which make the U.S. less expensive and more attractive as a tourist destination. A concerted program to improve the domestic travel product will be needed to: establish reception centers; coordinate host programs; create multi-lingual guide services; develop a nation-wide hosteling system; lower costs selectively; increase purchases of U.S. goods by foreign visitors; and expand the scope of travel by foreigners.

3. Organizational rationale

A government agency operating alone has the advantages of: responsiveness to Administration policy; operating without the constraints of conflicting private viewpoints; availability of services and facilities of other government agencies; access to public funds; and prestige. It faces, however, the inherent difficulty of a government entity engaging in promotional activities. But more basic, it precludes active participation by the private sector in the government's program. It is not sufficient for involvement of industry to be limited, as in the past, to participate in advisory groups; there must be a partnership involving goals, programs, and use of manpower.

As an alternative, the Foreign Visitor Program could be carried out by a private industry association. This has the advantage of flexibility of operation. Promotional activities could be conducted for which government agencies are not particularly suited. This form of organization would provide identity and association for the diverse private organizations, and create a format for a cohesive interaction of efforts within the travel industry. If it does not succeed, activities can be terminated without statutory revision, and personnel changed without civil service restrictions.

However, private industry currently does not have sufficient interest in the international travel market to launch the Foreign Visitor Program by itself. It also is questionable whether a private corporation should be given sole responsibility for a task which is of such importance to the future of the United States.

Our recommendations for implementing the Foreign Visitor Program—through a government travel office and a private Institute—provide a unique system involving two organizations with complementary roles, each responsible for what it does best, but with a single purpose. The dual structure could help remove the basis of distrust in the relationship of future Congresses to new government programs.

The system also provides a basis for direct cooperation with regional associations of the states. The wide variations in geography, climate, and man-made attractions across the United States make such regional grouping logical for the promotion of foreign tourism. Each region is similar, in terms of tourist attractions, to a separate country and should be promoted as such. In addition, enthusiasm, dedication and emotion are needed to promote tourism. Residents of the separate regions can best provide this type of support. The Institute or the government travel office could reinforce regional programs by participating in joint promotional activities with the regional associations, matching to some extent their funds expended on programs outside the United States. The promotional dollar of the Federal Government and the states thus would be stretched.

Discussion with the travel industry indicate that private financing and support can be obtained for programs of the Institute provided that the private sector is convinced of the Federal Government's serious commitment to the Foreign Visitor Program. The largest commitments would probably be for specific promotional programs and projects of direct interest to member organizations, rather than to the general operating budget. For example, a New

York city reception center might be financed by New York State, the City of New York and local industry. An advertising campaign in Spain might be financed by Pan American World Airways and Trans World Airlines. In each case, the government travel office could provide financial support by contract with the Institute.

While attempting to improve and vitalize the USTS within the Department of Commerce is the least complicated alternative for the government office, the USTS record does not engender confidence in the outcome of such efforts. Changes in federal travel programs must be sufficient to convince Congress and private industry that a new effort is being launched which is capable of far greater achievements and which justifies their full support.

A newly-established independent agency, having as its prime objective the building of foreign travel receipts, would have the benefit of fresh consideration by Congress and the advantage of dramatizing the government's program.

4. Budget requirements

Our program analysis—including a review of the programs of foreign national tourist offices—indicates that if the Federal Government hopes to redress the deficit in the travel account, research and development programs are urgently needed to guide both industry and government investment; and heavy advertising will be needed to provide the best return on this investment, generate additional advertising by private organizations, and encourage the travel industry to redirect its efforts at foreign markets. There is a need for leadership to demonstrate new activities, identify new markets and develop new ways of promoting all markets.

The Commission has costed the elements of the recommended Foreign Visitor Program and has arrived at an annular budget estimate of \$30 million. This sum would eventually be divided between the government travel office and the Institute, as follows:

	Travel office	International travel institute
Program planning and research.....	\$500,000	\$830,000
Central administration.....	550,000	760,000
Operation of foreign offices and promotional activities.....	2,350,000	6,790,000
Industry-Government coordination.....	605,000	-----
Product and service development.....	695,000	5,620,000
Direct advertising.....	(1)	11,000,000
Budget total.....	4,700,000	25,000,000

¹ None.

Prior to the Institute becoming fully operational, some reallocation of the \$4.7 million programmed for the government travel office will be necessary, including "seeding" funds for the Institute.

The growth of the Institute's budget will depend on how soon additional Congressional appropriations are voted, and how rapidly nonfederal commitments are obtained.

I. PROGRAMS COMPLETED

[Omitted]

II. ACTIONS ON WHICH PROGRESS IS BEING MADE BUT HAS NOT YET BEEN COMPLETED

[Omitted]

III. RECOMMENDATIONS ON WHICH NO CONCRETE ACTION HAS BEEN TAKEN

[Omitted]

IV. LONG-TERM PROGRAMS

(Summarized from the Commission's "National Travel Program Report")

Introduction

Forecasts of U.S. travel expenditures abroad through 1975 indicate that future annual increases in travel receipts must average 15 to 18 percent annually if the

travel deficit is to be less than \$1 billion by 1975. This is *double* the annual increase in U.S. travel receipts over the past eight years. It represents an enormously difficult challenge which cannot be met unless the U.S. Government and private industry discard their past attitude of indifference toward encouraging inbound international travel.

The U.S. travel industry consists of a fragmented, widely-dispersed group of enterprises often too small to be concerned with business outside their local areas. Even for those firms with broader horizons, the size and potential of the domestic market serve to diminish their interest in selling U.S. tourism abroad. The only major U.S. firms vitally concerned with inbound international tourism are international carriers. However, because of similarity of service and intensity of competition, profit motives dictate that a high percentage of their promotional efforts be devoted to selling their individual companies, rather than the U.S. That portion of their advertising which is devoted to promoting the U.S. often concentrates on limited destination areas. Thus, some of the most attractive U.S. tourist assets are not being promoted by the carriers.

Analysis indicates that coordination and an intensification of effort could be profitable for both government and private industry. Potential untapped markets have emerged as a result of continuing improvement in the world-wide standard of living. A new middle class is emerging in many foreign countries with four weeks' paid vacation and the financial capacity for travel. The French market is one example: In the period 1962-1970, the number of skilled workers will increase 14 percent; junior management personnel, 39 percent; and technical employees, 56 percent. There will be 30 percent more engineers and 48 percent more senior management personnel. Many of these people intend only to travel to neighboring countries, but they can be influenced to make more distant trips if adequate promotional programs are directed toward them. These potential visitors must be made aware of U.S. tourist attractions and convinced they can afford them.

The size and importance of the United States and its influence on many aspects of life in other nations place it in a unique position in terms of potential tourist interest. Surveys continually show that most foreigners cite the U.S. as the first country they would choose to visit if they had the opportunity. These advantages, if properly capitalized, could ensure the U.S. success in attracting visitors in spite of the higher costs of traveling to the U.S. and the relatively lower purchasing power of many potential foreign visitors. Even lower income foreigners should be susceptible to "once in a lifetime" vacations in the U.S.

Objectives

The objectives of the United States Travel Service, as declared in the International Travel Act of 1961, are:

"To strengthen the domestic and foreign commerce of the United States, and promote friendly understanding and appreciation of the United States by encouraging foreign residents to visit the United States and by facilitating international travel generally."

There are two difficulties with these objectives as goals for the U.S. Government: they are not balance-of-payments oriented and they are not sufficiently quantitative to demand a responsive effort that can be measured for effectiveness.

The stringencies of the U.S. international monetary problem necessitate that the overriding objective of a national travel policy be to increase substantially total receipts from foreign travel to the United States. To achieve this objective, the United States must become a more attractive and pleasant place for foreigners to visit. Accomplishment will also lay the basis for improved international understanding. Nevertheless, the U.S. must not lose sight of the basic balance-of-payments goal.

The nature of the travel problem dictates that the part of the travel deficit represented by international transportation be solved by the carriers, rather than being directly attacked by the Federal Government for the following reasons:

(1) At present, foreign carriers handle about 80 percent of all inbound foreign travel, and they spend at least as much as U.S. carriers in promoting visits to the U.S.

(2) If the U.S. is to obtain the large increase in the number of foreign visitors necessary, the continued cooperation and good will of those foreign carriers is essential.

(3) Foreign carriers are substantial purchasers of the U.S.-manufactured aircraft and replacement parts.

(4) Any action taken to diminish foreign carrier revenues by government appeal to U.S. citizens to travel on American flag carriers would undoubtedly incur retaliation by foreign governments, and be self-defeating.

Achievement of the balance-of-payments goals intrinsic in the mandate of the Commission requires that:

U.S.-flag carriers be asked to concentrate their efforts on obtaining a larger share of international fare receipts; and

The prime objective of the government's travel effort be a 15 to 18 percent annual increase in other travel receipts.

The level of effort required to achieve this prime objective requires a major reorientation of all major travel-related enterprises in the United States toward international tourism. The travel industry has not evidenced the ability or an inclination to do this by itself. However, the Commission has demonstrated that U.S. Government leadership is welcomed by the travel industry and is effective in achieving change and progress. Continuing government leadership will be necessary to attain a comprehensive and permanent reorientation.

Program choices

A consideration of program choices for the Foreign Visitor Program is hampered by the lack of adequate market data and statistics on foreign travel to the U.S., and the absence of reliable measures of effectiveness that can be applied in advance to program alternatives. However, the experience of national tourist offices in other countries is helpful.

The most sophisticated foreign national tourist offices tend to look upon themselves as marketing operations for the domestic travel product. Their programs cover: media advertising, exhibits, public relations, promotional literature, personal selling, direct mail advertising, conventions, incentive sales, special events, tour programs, visitor reception services, travel counseling, research, and financing for hotels and service facilities.

The majority of foreign tourist offices consider market research essential. However, they have an immediate advantage in identifying their own primary market—the United States—and they have a wealth of data to draw upon.

Foreign tourist offices also regard media advertising as essential, devoting an average of 32 percent of their total budgets to this program element. Most tend to regard advertising as a "seeding" device which can: (a) stretch and reinforce advertising by private industry, (b) enhance the returns from other promotional programs and product development, and (c) generate publicity.

Most foreign tourist offices cite direct sales promotion as their most effective marketing mechanism and the activity most susceptible to measurements in terms of impact. Many tourist offices have found attractive cost-benefit ratio results from the promotion of international conventions.

Offices abroad are considered essential to even the smaller tourist offices as they provide a framework for influencing those who sell travel. Tourist officials believe, however, that direct services to the public by their overseas staffs should be deemphasized as benefits gained do not justify the costs involved.

Formulation of a budget for a U.S. Foreign Visitor Program could be based on the Canadian or British model—involving about \$10 million annually—adjusted upward by 50 percent because of salary and other cost differentials, and because the markets that it must reach are less fertile than the U.S. market. To these costs must be added additional emphasis on research, product development and industry coordination especially needed by the United States. A second guide to budget levels is the expenditure by foreign tourist offices in those countries which are prime markets for U.S. promotion—about \$15 million. Again, additional funding would be required to attain the objectives of industry coordination, research and product development.

Another way to approach programming and budgeting is to begin with the recommendations in the report of the Industry-Government Special Task Force on Travel, which are responsive to the objectives of a specified reduction in the travel account deficit and a reorientation of the travel industry. Unlike past U.S. Government efforts, such a program would allocate substantial resources to product development and visitor services. Its strategy would be to lead and initiate, urging the industry to break new ground. It would provide (or cause private groups to provide) critical missing elements of promotion and product to create what might be termed a "balance tourism system."

Program models

Three possible models for a Foreign Visitor Program emerge from our examination of program choices and budgetary levels:

Activity	Industry catalyst model (No. 1)	Product improvement research and promotion model (No. 2)	Comprehensive model (No. 3)
Advertising	(¹)	\$3,000,000	\$12,000,000
Promotion, including overseas offices	\$2,350,000	5,500,000	9,000,000
Product and service development	1,250,000	5,000,000	7,000,000
Program planning and research	500,000	800,000	1,200,000
Industry coordination	600,000	700,000	800,000
Total	4,700,000	15,000,000	30,000,000

¹ None.

The industry catalyst model (No. 1), operating within the constraint of the present authorization for USTS appropriations, would emphasize missionary work in industry, such as the Travel Commission has engaged in, and a greater investment in research than USTS has undertaken. This program would require reallocation of USTS resources, redirection of its efforts and some change in personnel. Its objective would be to achieve a greater return from the current annual appropriations of USTS.

The product development, research and promotion model (No. 2) builds on Model No. 1, and provides for the implementation of many recommendations of the Task Force and Travel Commission by heavy investment in market research sales promotions, and pilot projects. Its advertising budget of \$3 million would be designed to generate additional advertising by private organizations. Again, it emphasizes Federal Government leadership and stimulation of industry.

The comprehensive model (No. 3) allocates substantial funds to fill the gap in destination advertising in foreign markets. Such heavy investment in advertising is based on the premise that the initial advertising effort should be large enough to generate a high level of immediate interest; motivate those prospects considering trips to the United States to come *now*; and trigger heavy editorial coverage. Advertising experts believe that to start advertising modestly would not provide the best return on investment, as levels of awareness, excitement, and interest can best be attained by heavy media exposure at the start. Where product development and improvement are being carried out, there is a need to assure that knowledge of such action is widely disseminated. Advertising money provides leverage in generating additional and more effective private advertising. In fact, an advertising budget could be treated as research and demonstration projects are treated—to test new approaches and to provide a basis for encouraging the travel industry to redirect its effort at foreign markets.

There exists no reliable way to measure precisely the results which are likely to be achieved by any of the three models as a whole or by any of the component programs within each of the models. However, given the wide gap between the three models, it is relatively easy to judge their probable success in achieving an annual increase in foreign visitor expenditures of 15 to 18 percent through 1975. If the United States Government is content with an objective of merely increasing the benefits from a budget of the level available to USTS, Model No. 1 may be an acceptable choice. The results which flowed from the greater emphasis given by the Commission to organizing industry efforts are clear evidence that improvements can flow from action which would cost no more.

If the government wishes to redress the deficit in the travel account, it will require the leadership in research and development and the level of advertising inherent in Model No. 3. The tourism industry in the United States has not heretofore shown an impressive capacity to innovate and it is certainly not organized sufficiently to assure concerted action. There appears to be a considerable need for leadership to: demonstrate new activities, identify new markets and develop new ways of promoting all markets. It has long been apparent that research and development programs are urgently needed to guide both industry and government investment.

Organization alternatives

The United States Foreign Visitor Program could be carried out by (1) a government agency; (2) a private travel-industry association; or (3) some form of partnership between government and industry.

(1) *Government Agency.* The advantages of a government agency include: responsiveness to Administration policy; opportunity to operate without the constraints of diverse and conflicting private viewpoints; availability of services and facilities of other government agencies; access to public funds; and prestige.

Several existing federal departments involved in important aspects of foreign visitor travel could be made responsible for the Foreign Visitor Program. The Department of Commerce has managed federal travel programs for several years. The Department of Transportation is concerned with many facilities servicing international travelers. The Departments of Interior and Agriculture administer many important travel destination areas in the country, and have acquired considerable experience in formulating and operating visitor programs. Treasury is the department most directly interested in balance of payments, the prime concern of any Foreign Visitor Program for the foreseeable future. The Program could also be carried out by an independent government agency.¹

Improving and vitalizing the present United States Travel Service within the Department of Commerce is the least complicated organizational alternative. Up to now, however, the record of USTS does not engender confidence in the outcome of such efforts. The U.S. Travel Service, established within the Department of Commerce in 1961, has not succeeded in building support for its activities or in substantiating its effectiveness. To be successful, changes in USTS and its programs within the Commerce Department would have to be on a scale sufficient to convince Congress and private industry that a new effort is being launched, capable of far greater achievements and justifying their full support.

There are, however, drawbacks to a government entity being solely responsible for the Foreign Visitor Program:

(a) Use of a government agency would preclude active participation by the private sector in the government's program. U.S. objectives require that the attention of private industry be reoriented toward foreign visitors. This reversal of emphasis cannot be accomplished unless private enterprise becomes directly involved and committed. It is not sufficient for involvement of industry to be limited, as in the past, to participation as an advisory group to a government agency. There must, instead, be a cohesive partnership involving goals, programs, and use of manpower.

(b) A Foreign Visitor Program capable of redressing our travel deficit cannot even be contemplated without Congressional support vastly different from that which USTS has known. Ever since its inception, USTS has come under severe criticism from the Subcommittee on Appropriations which reviews its programs. It should be recognized, however, that many of the stumbling blocks which impeded USTS success are endemic to government travel promotion. National travel promotion is a business. It can only succeed by the application of business methods. But methods which are necessary and proper in business—customer entertainment, advertising, sales conventions, etc.—are open to question when employed by a government agency.

(2) *Private Travel-Industry Association.* In theory, the Foreign Visitor Program could be carried out by a private, non-profit association made up of members of the travel industry. This alternative has the advantages of flexibility possible only with a private organization. A private association could conduct promotional activities for which government agencies are not particularly suited. It would not be subject to Civil Service regulations, and could operate as a business.

In most instances, however, private industry is indifferent toward the international travel market. Industry has not demonstrated an interest in undertaking the Foreign Visitor Program without government support. It also is questionable whether private industry should be given sole responsibility for a task which is of such importance to the international monetary position of the United States.

¹ One form of independent government agency considered was a Federal Government Corporation. The rationale for the corporate form is financial flexibility. It can employ a business-type budget and vary expenditures in proportion to earnings. Often, as with private corporations, there is an initial subscription to capital with further revenues being generated by the corporation rather than it being given yearly appropriations. This rationale does not fit an agency charged with encouraging foreign travel to the United States. It could not generate sufficient revenues to satisfy more than a small fraction of its financial needs and would, of necessity, be dependent upon appropriations.

As balance of payments is primarily a problem of the Federal Government, direct government involvement is required to seek solutions. It is unrealistic to believe that private industry would work for balance of payments results. Solutions not only bring balance-of-payments benefits to governments, they also bring increased tax revenues. In the case of the U.S., this could amount to hundreds of millions of dollars annually generated by the new programs. In effect, foreign visitors would pay for their own promotion and, additionally, would provide the U.S. Government with a high return on its investment.

(3) *A Joint Federal Government-Private Industry Organization.* U.S. objectives cannot be realized by the government or by private industry acting alone. Attempting to place industry and government efforts together in one organization, however, presents unnecessary difficulties. Federal moneys cannot be expended without review and control by both the Executive and Legislative Branches. On the other hand, corporate officers cannot justify contributions to government programs not subject to their control and not directly beneficial to their stockholders. Neither government nor private industry dominations is acceptable; there must be an equitable division of responsibilities which best serves the national interest and utilize the resources of government and private enterprise.

Recommendations

The Commission believes that a new Foreign Visitor Program should be adopted which: maintains the momentum gained in the last few months; demonstrates that a new, major effort is under way; undertakes new effective actions supporting balance-of-payments objectives; and engages the active participation of private industry and state and municipal travel organizations. It has weighed the advantages and disadvantages of alternate programs, budgets and organizations and makes the following seven recommendations:

1. *The U.S. Government should adopt as its objections: (a) an annual growth of U.S. Receipts from foreign travel 15 to 18 percent, and (b) redirecting private industry toward the international travel market.*

2. *Federal programs should be changed to concentrate on actions that will demonstrably strengthen our balance of payments. Programs should emphasize innovation and leadership in achieving the permanent involvement of private industry in the Foreign Visitor Program. Past government travel programs have not focused on Canada, have not encouraged the purchase of U.S. products by visitors, have postponed effective market research, and have dissipated a limited budget by directly undertaking too many promotional activities—activities which private industry could have been encouraged to carry out more effectively.*

The Foreign Visitor Program should emphasize these activities:

Motivating firms to increase and expand promotional efforts to sell the United States as a travel destination;

Encouraging state governments to increase their overseas promotional expenditure and engage in joint promotional efforts;

Obtaining selective price cuts to bring the cost of travel to the United States within the means of larger numbers of potential foreign visitors; at the same time developing selective programs to increase expenditures by more affluent foreign visitors;

Continuing the efforts to ease entry procedures for short-duration-stay foreign visitors;

Operating overseas offices, including offices in Canada, charged with disseminating essential sales tools and information to travel agents, carriers, etc. These offices should conduct sales seminars for travel people and obtain, through good public relations, free publicity in newspapers and magazines depicting the favorable aspects of the United States;

Launching year-round advertising programs abroad to promote the United States as a destination;

Developing, in coordination with existing convention bureaus, a National Convention and Special Events program, to promote the U.S. as a site for group meetings and international conventions;

Working closely with long-range planning committees, architects, builders and contactors to develop new and exciting visitor attractions across the United States;

Developing a system which assures that adequate accommodations for foreign visitors will be available at major points of interest throughout the United States;

Launching a continuous educational program to explain within the United States the importance of inbound international tourism, the need for cooperation, and the role that every American can play;

Planning, programming and perhaps helping to fund private and semi-private foreign visitor host organizations;

Organizing a reception program at all international ports of entry throughout the United States to provide guidance, assistance and a friendly welcome to inbound foreign travelers;

Conducting research designed to identify markets and attitudes, test the effectiveness of U.S. promotional activities, and measure the size and structure of inbound international tourism.

3. *The scope and emphasis of the government travel office must be altered drastically.*

As there is insufficient time for the 90th Congress to consider other alternatives, the Department of Commerce should reorganize the U.S. Travel Service and its program along the lines of the government travel office outlined in recommendation 2. In January, a hard look should be taken at the degree of success which has been achieved. If USTS continues to prove unequal to the task, a reorganization plan should be submitted early in the 91st Congress creating a new independent agency of the U.S. Government.

A new agency would have the benefit of fresh consideration by Congress and the advantage of dramatizing the government's travel program. It could emphasize balance-of-payments considerations, and have a more flexible industry orientation than is possible for a bureau within a large department. A new program of the nature and magnitude necessary has the greatest chance of success if entrusted to an organization which can engender support and enthusiasm not only in Congress and private industry, but among the staff that carries it out. Largely because of these considerations, the Peace Corps and the Office of Economic Opportunity were created as independent agencies.

The government travel office should be the policy formulation instrument of the government, concentrating on balance-of-payments objectives, and the leader and catalyst for the travel industry. It should: monitor the activities bearing on foreign visitors which are carried out by other government agencies; coordinate and motivate private and public organizations; measure program effectiveness; conduct research; and represent the Federal Government. Many of its programs would be accomplished under contract with private industry. Contracting and government representation could be carried out within the authority granted the International Travel Act of 1961.

4. *There should be created immediately a separate, private organization, to be known as the International Travel Institute, which would carry out operational elements of the Foreign Visitor Program.*

The International Travel Institute, a private nonprofit organization, would eventually be the instrument for carrying out specific programs, principally promotional, required to implement the Foreign Visitor Program. The Institute should have a board of directors consisting of representatives of elements of travel-related private industry and regional state tourist organizations. Incorporators and initial directors of the Institute should be appointed by the President. No officer of the Institute should be a full-time federal employee. It should be staffed by travel industry professionals, and should be the vehicle through which operational objectives of the Foreign Visitor Program can be carried out.

The establishment of the International Travel Institute could follow either the precedent of the Urban Institute or the Corporation for Public Broadcasting.²

The Institute should be financed by the Federal Government, private industry, and regional, state and local travel organizations. The amount of government funding should be dependent on the amount of financial support from the private sector. Federal funds should be received largely by contract from the USTS or its successor, which would be responsible for directly overseeing the Institute's

² The Urban Institute was incorporated as a private, non-profit corporation under the laws of Delaware. Its 15-member board of directors includes one federal judge but no other federal officials. There was no legislation authorizing its establishment and its directors are not appointed by the President. The Corporation for Public Broadcasting was incorporated under the laws of the District of Columbia as a non-profit corporation. Its board of 15 directors is appointed by the President. Its establishment was authorized and directed by Congress.

use of these funds. It should be able to receive membership subscriptions and dues, solicit funds and property from public and private sources, sell its services and also sell subscriptions to and advertising in its publications (maps, discount catalogues, magazines, news letters, brochures, etc.). Discussions with the travel industry representatives indicate that private financing and cooperation can be obtained for activities of the Institute provided that the Federal Government demonstrates its firm financial support. The largest non-federal commitments would probably be made to specific promotional programs and projects of direct interest to member organizations, rather than to the general operating budget. For example, the Institute might develop a project or program which would be of special interest to one or more of its members. A New York City reception center might be financed by New York State, the City of New York and local industry. An advertising campaign in Spain might be financed by Pan American World Airways and Trans World Airlines. In each case, the government travel office could provide financial support by contract with the Institute.

The Institute's ultimate function would be to implement—on a cost-sharing basis with industry—elements of the Foreign Visitor Program related to: media advertising; publicity; public relations; promotional literature, including guide-books; convention solicitation and special events; direct mail and other sales activities; low-cost package tour programs; development of accommodations; visitor reception services; travel counseling; market research and educational training programs; reservation services and possibly joint computerized reservation centers. It would be operationally oriented and geared to providing services which individual private firms would not otherwise offer.

Establishing an organization which conducts these activities outside of government gives added flexibility. If the Institute does not succeed, contracts can be terminated or personnel changed without civil service restrictions. If it does not produce results, government support can be withdrawn. (Pertinent excerpts on "The Quasi Nongovernmental Organization" from the 1967 Annual Report of the Carnegie Corporation of New York appear as Appendix A.)

The two entities, working together to carry out the Foreign Visitor Program, provide a unique system—two organizations with complementary roles, each responsible for what it does best, but with a single purpose. The government office must have great flexibility in dealing with the Institute, in monitoring and motivating non-governmental activities, and in assuring a high return from its contracts with the Institute. It must have a fresh image and operational style.

This dual structure could help remove the bases of distrust in the relationship of future Congresses to the Foreign Visitor Program. In the government office would be civil servants responsible for obtaining hard results from appropriated funds, and having no duties which would be inconsistent with the conduct demanded of representatives of the United States.

The Institute would not operate under the the constraints of a government agency. It would be made accountable for the efficient and proper use of all government contracted funds it receives, but it would also have private and state funds which can be used for independent promotional activities.

Until the International Travel Institute is fully operational, the government travel office will have to be responsible for certain operational activities. A gradual shift of emphasis will take place in order that the government effort eventually be concentrated on coordination, planning, research and evaluation, and the Institute assume almost all of the responsibility for operations. This will occur as financial commitments are obtained from industry, state and municipal organizations, and as federal funds are appropriated.

In formulating travel programs, the Federal Government should keep in mind that the U.S. is so immense and its attractions so diversified that from the standpoint of international travel it is comparable to a number of separate countries. A national travel program could take into account this diversity by grouping contiguous states into regional associations to promote foreign travel.

Each of these regional associations could operate in much the same way as individual European countries operate in promoting travel from the United States. The regional associations, headquartered within the regions, could bring in travel agents and representatives of the press for study tours. They could conduct their own advertising and publicity campaigns, complete with their own literature and display material.

The personnel, the promotional materials and the host programs, would all be more effective if they originated within the region. Local enthusiasm for the program could be enhanced as it became apparent that the purpose of the pro-

gram was to improve the economy of the region. Enthusiasm, dedication and some emotion are needed to promote successfully a tourist destination. No London-born British representative could promote Ireland with the effectiveness apparent in the Irish Tourist Office. In the same way, it is difficult for a New Englander to be an enthusiastic missionary for California if he has never lived in the West.

The Institute or the government travel office could participate in joint promotional activities with the regional associations, matching to some extent the regional funds expended on programs outside the U.S. The promotional dollar of both the Federal Government and an individual state thus would be stretched.

5. *Government's commitment should be increased to annual appropriations of \$30 million, with the program division between the government travel office and the Institute roughly as follows: (For a more detailed outline, see Appendix B.)*

	Travel office	International Travel Institute
Program planning and research.....	\$500,000	\$830,000
Central administration.....	550,000	760,000
Operation of foreign offices and promotional activities.....	2,350,000	6,790,000
Industry-Government coordination.....	605,000	-----
Product and service development.....	695,000	5,620,000
Direct advertising.....	(1)	11,000,000
Budget totals.....	4,700,000	25,000,000

¹ None.

Prior to the Institute becoming fully operational, some reallocation of the \$4.7 million programmed for the government travel office will be necessary, including "seeding" funds for the Institute.

The growth of the Institute's budget will depend on how soon additional Congressional appropriations are voted, and how rapidly non-federal commitments are obtained.

6. *Appropriations for the USTS or its successor (including funds for its contracts with the Institute) should be from a special fund made up of amounts equal to 30 percent of the revenues from the ticket tax on international travel. (As a precedent, 30 percent of U.S. customs receipts is set aside for the disposal of agricultural surpluses.)*

The Treasury Department has estimated that the extension of the 5 percent ticket tax to international travel, as passed by the House of Representatives, will generate approximately \$95 million during the first year. Treasury does not regard the tax as a measure to raise revenue, but rather as: a user tax to pay for improvement of airport and navigational facilities; and a source of funds to promote foreign travel to the United States. As U.S. residents who travel abroad help create the U.S. balance-of-payments problem, it is appropriate that they should be asked to help fund its solution.

7. *A preparatory commission should be appointed to obtain private sector financial support for the proposed Institute and then to incorporate it as a non-profit organization.*

V. PUBLIC REACTION TO THE PROGRAM

[Omitted]

APPENDIX A

(EXCERPTS ON "THE QUASI NONGOVERNMENTAL ORGANIZATIONS" FROM THE 1967 ANNUAL REPORT OF THE CARNEGIE CORPORATION OF NEW YORK*)

In recent years there has appeared on the American scene a new genus of organization which represents a noteworthy experiment in the art of government. Lodged, through the normal process of legal incorporation, in the private sector of society, this new entity has in many respects the countenance of the private, nonprofit enterprise and even some of the characteristics of the true voluntary association. Yet it is financed entirely, or in large part, by the federal govern-

*Reprinted through the courtesy of the Carnegie Corporation of New York.

ment, it was created as the result of federal legislation or other governmental initiative, and it serves important public purposes as an instrument of "government by contract."

What precisely is this new creature? Why has it come into being? What unique purposes does it serve? Why is it quasi nongovernmental? What is its probable future?

These are questions that have on the whole been little considered. They should interest anyone who is concerned about the future of private institutions in our society. They should also intrigue anyone who is concerned about how—indeed whether—our national government can remain an effective force in the face of the mounting complexity and increasing extent of the problems with which it must grapple.

The quasi nongovernmental organization has many of the activities of the true private organization. Typically, it has a board of trustees or directors that is supposed to govern it and that, in theory, is ultimately responsible for its affairs. The members of its staff are private employees, not civil servants. It is not housed in a government building or located on federal property. Its employees are in most instances free from security clearance except when working on classified government business. In theory, it determines its own program and carries this out as it sees fit. Frequently, it receives some, though usually limited, financial support from sources other than the federal government. It may, occasionally, even extend the privilege of membership in itself to individuals meeting certain qualifications, thus giving it the appearance of the voluntary association. Lastly, as we have seen, it is legally incorporated as a private institution, and it enjoys tax-exempt status.

It was created as the result of federal legislation or administrative action in Washington, rather than on the initiative of private citizens. It is dependent financially for its very existence on Congress and the particular federal department, agency, or service to which it is related. The accounts it keeps on its federal funds are examined not only by private but also by government auditors. . . . At bottom, its freedom of action, compared with that of a truly private organization, is considerably restricted because the necessity for public accountability is built into its very nature.

The existence of each type of quasi nongovernmental organization has at one time or another been seriously called into question. And yet in each instance there was a convincing basic reason for its establishment. An urgent national need had been identified that no other institution in the society was meeting, or, seemingly, could meet.

In the case of "not-for-profits," the defense establishment, responding to new scientific and technological challenges, needed two products which it could neither develop in house nor buy from private industrial firms. These were, first, certain specialized technical skills derived from a scientific, scientific-engineering, or social knowledge base and, second, highly specialized advice given with absolute objectivity. The capacity of the 'not-for-profits' to pay salaries higher than those which government could offer of course enhanced their ability to attract particularly well-qualified personnel.

The quasi nongovernmental organization, has, therefore, been established to fulfill a number of specific purposes. These may be summarized under three general headings: to meet government's need for specialized service not elsewhere available, to provide it with independent judgment, and to offer it the kind of flexibility required for fresh solutions to complex and novel problems. Each of the quasi nongovernmental organizations has had, in varying degree, these basic purposes. And in every case it has been deemed essential to achievement of the purposes, not only that a new organization be created, but that it be located in the nonprofit realm of American life.

But in the final test it must serve public purposes, and if these do not coincide with the individual's purposes, government's interest must prevail. Moreover, the quasi nongovernmental organization does not have as a primary concern the safeguarding of the essential nongovernmental aspects of a democratic society. Its concerns are, rather, with the collective interests of the polity and with the discharge of government's responsibilities.

While in a showdown the trustees, it is true, could threaten to dissolve the corporation, government on its side has the power at any time to starve it to death financially, or use its financial power to shape the organization's program. And since financial power of this kind implies the acceptance of responsibility, a measure of the final responsibility for these organizations must inevitably

remain in Washington, in a federal agency in the first instance, but ultimately with the Congress.

The case for independence rests on the simple proposition that for government to reap the real benefits that these organizations offer, they must be *genuinely* independent. If they are anything less than this, their effectiveness will be compromised. Among the benefits, as we have seen, can be a special capacity for experimentation, objectivity, the ability to recruit specially trained or talented personnel, flexibility, economy, and efficiency. Each of these benefits is a direct function of the quality of the management of these organizations, and this in turn is a function of the degree of independence which management is accorded. In short, able men know that freedom of action is essential to their own highest performance, and they will demand it. Having won it, they will resist all attempts by government to erode it.

There would appear to be three minimum freedoms which the quasi nongovernmental organization must enjoy if it is to have real independence: freedom of program, freedom of administration, and freedom of communication . . . it must have absolute freedom to determine the nature of any part of its total program supported by private funds. It must have the right to hire and fire employees and determine their duties, compensation and prerequisites, and where and how they shall be quartered. Lastly, it must be free to reach its own conclusions on both technical and policy questions and, within the minimum limitations of security requirements, communicate these without restraint publicly or privately to anyone interested.

Also relevant is the degree of complexity of the activity being supported by government funds. The more abstruse and technical this is, and the further it is removed from the personal experience of the responsible civil servant or interested member of Congress, the greater is likely to be the freedom from supervision accorded it. Finally, there is some evidence to suggest that an organization's degree of independence is related to its general prestige and standing. If these are high, government is likely to treat it with greater respect.

The concept of a quasi private agency used as the result of government initiative and financed by public funds seems to work and in many instances work well: It works because there are constraints operating on both the governmental patron and its organizational protégé which most of the time enable them to avoid head-on confrontations. Most importantly, there is a job to be done in the national interest with no readily apparent alternative way of getting it done. This makes for a willingness to compromise on both sides, so that the requirements of neither independence nor accountability are even fully met.

High on the priority list will be to find ways to give financial security to the quasi nongovernmental organization, because financial stability is an essential ingredient of independence. Here, fortunately, there is a device that is already working successfully for the defense-related organizations: the fee paid to them by their governmental sponsors over and above contract costs and overhead. This fee, which averages around 5 per cent of contract value, is unrestricted money, to be used as the organization see fit. The fee arrangement seems to be the best device presently available for bringing to a nongovernmental organization the general support, free of project obligations, which it so desperately needs. The device could, and should, be extended to all organizations of the quasi nongovernmental variety and possibly to private organizations generally which receive substantial government funds."

APPENDIX B.—Detailed budgets for the USTS or successor organization and the International Travel Institute

A. National Travel Office:

1. Program planning and research: Planning, programing, budgeting and program evaluation; research designed (a) to measure the effectiveness of promotion programs, including those carried out by the International Travel Institute; (b) to develop market studies identifying factors influencing international travel, and the size and structure of inbound tourism-----

\$500,000

APPENDIX B.—Detailed budgets for the USTS or successor organization and the International Travel Institute—Continued

A. National Travel Office—Continued

2. Central Administration:

(a) Salaries of Executive Director, Program Office Directors, Comptroller, supporting professional staff, and overhead, including secretarial and stenographic, rent, etc., at 100 percent-----	\$440,000
(b) Travel and miscellaneous expenses-----	110,000
Subtotal -----	<u>550,000</u>

3. Promotion (including overseas offices):

(a) Fifteen foreign promotion offices, including 3 in Canada (Montreal, Toronto, and Vancouver); professional salaries (\$40,000), secretarial support (\$15,000), rent (\$30,000), travel and related expenses (\$20,000), and other office expenses, supplies, phone, postage, etc. (\$20,000) (\$115,000 per office)-----	1,725,000
(b) Directing and supporting promotional programs: advertising, promotion and group business and conventions, production and distribution of sales materials and direct mail, publicity and public relations, special promotion for travel agents and carrier representatives. (Most of these programs would be carried out by the International Travel Institute) -----	625,000
Subtotal -----	<u>2,350,000</u>

4. Industry-Government Coordination: Carrying out specific recommendations of the Industry-Government Task Force which involve motivating and coordinating travel promotion efforts of the Federal Government, States, cities, private industry and organizations, etc. Chapters of the report have been analyzed in programmatic terms and related to projected man-days of effort required (with estimated overhead) for the first full year of operations.¹ As recommendations are carried out, budgetary requirements will be reduced.

Categories (by task force report chapter):

Lowering costs (1,222 man-days, 5 persons)-----	109,950
Promotion (2,166 man-days, 8 persons)-----	194,910
Removing barriers (464 man-days, 2 persons)-----	41,730
Changing attitudes (176 man-days, 1 person)-----	15,810
Improving services (1,642 man-days, 6 persons)-----	147,750
Other recommendations (1,054 man-days, 4 persons)-----	94,850
Subtotal -----	<u>605,000</u>

5. Product and service development: Developing pilot projects for new facilities and services within the United States for foreign visitors. A final determination of programs has not been made, but the Commission recommends consideration of: airport and downtown reception centers, multilingual telephone service, assistance in creating new events (international expositions, etc.), language training programs for service personnel, youth hostel programs, etc. (The operational programs would be carried out by the International Institute or its member organizations)-----

6. Direct Advertising-----	0
Total, National Travel Office-----	<u>4,700,000</u>

¹ Recommendations requiring coordination and monitoring in market research would be carried out under program planning and research.

APPENDIX B.—Detailed budgets for the USTS or successor organization and the International Travel Institute—Continued

B. International Travel Institute:

1. Program Planning and Research: Testing effectiveness of promotional advertising programs through interview surveys; evaluating size and characteristics of international tourist business; forecasting and analyzing accommodation needs; developing package tours; analyzing markets, etc.	\$830,000
2. Central administration: Salaries of management personnel, overhead, travel expenses, etc.	760,000
3. Promotion:	
(a) Promoting group travel and conventions; six convention specialists attached to offices in the UK, Benelux, West Germany, Paris, Stockholm, and Tokyo, plus secretarial staff, transportation and travel, and related costs. Group business specialists operating out of nine overseas offices, including secretarial staff, travel, etc.	900,000
(b) Sales promotion and direct mail:	
Printed materials (brochures and booklets including reprints and joint activities with states and regions)	2,080,000
Tariff and sales information manuals	100,000
Slide presentations	125,000
10 Area films and sufficient prints of each	637,500
Posters	13,000
Displays	96,000
Direct mail campaign, all costs included	1,040,000
Creative agency fees	150,000
Shipping of materials	400,000
Subtotal	4,641,000
(c) Publicity and public relations, contracted with firms operating locally in major market areas abroad (costs will range from \$25,000 to \$50,000 per area, depending on the market plus about \$500 per month in out-of-pocket expenses; \$35,000 average for seven market areas)	245,000
(d) Special promotion program for travel agents and carrier representatives opening abroad (500 representatives per year at \$1,000 including (transportation, maintenance, etc.))	500,000
(e) Special promotions with cities and department stores including travel and transportation plus out-of-pocket costs	500,000
Subtotal	6,786,500
4. Industrial-Government coordination	
5. Product and service development:	
(a) Establishment and operating five regional interior offices to work with States and regional organizations on regional travel programs for foreign visitors—two professional staff for each office, rent, office expenses, travel, secretaries, and financial support for program materials (latter estimate, \$150,000) (\$300,000 per office)	1,500,000
(b) Continuous educational program with the USA producing and distributing films, special programs, articles, speakers, etc)	250,000

APPENDIX B.—Detailed budgets for the USTS or successor organization and the International Travel Institute—Continued

B. International Travel Institute:—Continued

5. Product and service development:—Continued

(c) Reception Center Operation—includes a reception corps operating in 10 metropolitan centers:	
The reception corps would involve 500 people (many of them students) working part time in three shifts, average eight personnel operating from each reception center average salary, \$5,000) -----	\$2, 500, 000
Staff at reception centers (two to three people per center at \$15,000)-----	375, 000
Cost of developing, furnishing, and decorating centers at \$50,000) -----	500, 000
Subtotal -----	3, 375, 000
(d) Multi-lingual telephone service in 10 cities. Such a service would involve three shifts of five to six interpreters on each shift (salary costs, about \$360,000; phone costs would probably amount to another \$100,000 to \$150,000)-----	² 500, 000
(e) Development package tours (included under the budget for research)-----	-----
(f) Developing accommodations. (This is primarily the responsibility of the hotel industry, but the responsibility of the International Travel Institute is to anticipate needs and see that the necessary steps are taken to meet such needs. To define this situation more carefully, funds have been included under research to permit such an analysis.)-----	-----
Subtotal -----	5, 625, 000

6. Direct advertising: A preliminary estimate for seven selected countries, plus Benelux and Scandinavia, has been developed, totaling \$6,600,000. This estimate was based on numerous factors including the following: number of individuals in each country who can afford to make the trip; cost of getting to the United States; concentration of population; growth of the economy; attitudes toward travel and travel habits; language barriers; percentage of business travel in relation to pleasure travel; government restrictions; competing promotion efforts; media advertising costs; previous levels of travel to the United States and projected future trends:

Canada -----	1, 500, 000
United Kingdom-----	1, 300, 000
West Germany-----	900, 000
Benelux -----	600, 000
Scandinavia -----	600, 000
Mexico -----	500, 000
Italy -----	400, 000
Japan -----	400, 000
France -----	400, 000
Subtotal -----	6, 600, 000

Most of the remaining \$4,400,000 would be apportioned—using the same series of factors—among additional foreign markets. A small amount could be spent within the United States of America to educate Americans to the social and economic importance of foreign tourism within the United States.

 Subtotal ----- 11, 000, 000

 Total, International Travel Institute (approximate) ----- 25, 000, 000

² A pilot operation in a single city, of course, could be considered; and then expanded as experience warrants.

STATEMENT OF HON. JACOB K. JAVITS, U.S. SENATOR FROM NEW YORK

Thank you for this opportunity to appear and testify on the need for a dramatic new departure in the Federal handling of travel promotion and tourism in the United States. I need not remind the Committee, each of whose members represents a state which abounds in tourist attractions, that the proper utilization and management throughout the country of our tourism facilities could make a significant economic and social contribution to many areas and to the country as a whole.

Your Committee's work at this time is especially appropriate for at least three reasons. First, in 1976—a short time from the point of view of planning a travel promotion program—America celebrates her bicentenary. Practically every city and town in America will be staging a bicentennial festival, and those cities claiming a role in the Revolutionary War will play host to millions of tourists. Considering the scale and importance of the occasion, I can safely estimate that hundreds of millions of dollars in trade and in our balance of payments could be lost through an inadequate or poorly planned travel promotion program for that year. 1969 is not too early to be planning for this event.

Second, your Committee this year has two concrete legislative proposals to consider and to report out. The first, introduced by the Chairman, Senator Magnuson, and cosponsored by me, would provide the funds necessary to widen states' efforts to attract tourists from abroad. It is based upon sound principles, through its use of matching funds, and upon sound economics, through its recognition that the rate of return from travel promotion on a state-by-state basis could exceed that which is based on Federal efforts alone. The second bill, introduced by me, would (1) widen the scope of the U.S. Travel Service to include domestic travel, (2) give the USTS an appropriately larger budget, and (3) establish a National Tourism Resources Commission to find out exactly what the United States ought to offer in the way of tourist facilities and programs. While I shall return to the explanation of my bill in a moment, suffice it to say now that neither of these two bills is inconsistent with the other, and both together could provide the United States with a travel program to rival those of the very successful European national tourist offices.

The third reason your Committee's work this year is especially appropriate is in the U.S. Travel Service itself. For, the Travel Service in the past has been a much maligned institution and has until this year failed to convince its critics that it can efficiently and effectively administer the large sums which a national travel office deserves. However, I believe that with the appointment of Langhorne Washburn as the new Director of the Travel Service, this image has already begun to change. I think that Mr. Washburn represents the new breed in travel promotion: efficient, knowledgeable, businesslike and convincing in his presentations to Congress, Government departments and private interests. He has proven himself an innovator in financial management and product promotion. He brings to the Travel Service considerable administrative expertise and an engaging personality. Coming as he does from outside the travel industry, he also brings a fresh outlook to travel problems and an enthusiasm and initiative which already has resulted in a number of imaginative programs. I have great confidence that as the Congress recognizes the potential of an expanded Federal travel program, Mr. Washburn's office will be able to carry increased responsibilities in a truly professional and productive manner.

For the truth is, Mr. Chairman, that the United States has been spending relatively little on travel promotion and at this moment has about the most inadequate national travel program of any industrialized nation. The results of this lack of money and planning have been a serious imbalance in the travel accounts of our balance of payments and a sense of frustration among visitors who are unfamiliar with our language and customs.

Appropriations for the Travel Service for fiscal year 1969 were only 50% above the amount spent by the State of New York for its travel program. Our Travel Service budget for fiscal year 1969 went above \$3,000,000 for the first time in five years. Travel promotion expenditures by the United States are less than those made by Austria, Canada, France, Germany, Greece, Ireland, Italy, Portugal, Spain, Switzerland, and the United Kingdom, despite our comparatively high receipts from international tourism.

On the organizational side, the Federal Government has over the years littered the scene with bureaus and agencies whose efforts cannot but confuse any attempt to mount a coordinated national travel program. For example, the U.S. Travel Service promotes foreign travel to this country. In the Interior Depart-

ment, the Fish and Wildlife Service, the National Park Service and the Bureau of Land Management, Reclamation, Outdoor Recreation and Indian Affairs all have direct responsibilities for keeping the tourist happy within the U.S. But so far as Indian reservations are concerned, the Economic Development Administration and the Office of Economic Opportunity both have on-going programs for developing tourism. And when it comes to water resources, at least those which are not on Indian reservations—the Soil Conservation Service, the U.S. Army Corps of Engineers and the Tennessee Valley Authority all build and promote water recreational facilities in the same way that the Interior Department does. Of course, if one is interested in National Forests, rather than National Parks, he should consult the Agriculture Department, and not the Interior Department. The Department of the Army owns recreational facilities where one can fish or hunt without the knowledge of the Fish and Wildlife Service. The F.A.A. and the Customs Bureau come into the act when one is planning reception facilities for visitors from abroad. And, finally, virtually every Government department—especially the Department of State—is involved in programs to host visits of experts and professionals from other countries. Add to this complex the work of lesser-known agencies—for example, the Delaware River Basin Commission, the Appalachian Regional Commission, the Intradepartmental Committee on Outdoor Recreation, and the Agriculture Department Working Party on Outdoor Recreation—and you can begin to get an idea of what our Federal tourism resources and efforts are like.

Why should the Federal Government get involved in travel at all, if state agencies and the travel industry all have room in their budgets for development and promotion? What should be the scope of a Federal travel program?

Aside from the fact that the Federal Government promotes tourism on Federally owned lands, it has a different interest in promoting travel than either the states or private industry; this interest stems chiefly from the fact that we have a balance of payments problem, and they do not. Few state tourist offices pay heed to the overseas market, because they can get a greater rate of return from their dollar by concentrating on American tourists. To be sure, international air and ocean carriers do advertise the United States as a destination, but they cannot be expected to mount a comprehensive and well-balanced "visit the U.S.A." program if they fly or sail to only a few of America's tourist centers.

Thus, there is no great stimulus for non-Federal organizations to recognize the growing market in other industrialized countries—that is, the growing middle class with the money and vacation time for travel. However, because the Federal Government has failed to act as well, we have suffered a mounting and serious travel deficit in this the ninth year of the U.S. balance of payments crisis. Despite the heroic efforts of the U.S. Travel Service with its meager resources, the travel deficit has widened from \$1.6-billion in 1964 to \$1.96-billion in 1968.

The role of the Federal Government in travel promotion, I believe, should be mainly as a catalyst for the privately run travel industry, encouraging and assisting it where we—from the Federal Government standpoint—believe such encouragement and assistance to be proper. As a start, I believe that a Federal travel program should take a sorely needed national inventory of our national travel resources and assess their adequacy for the next decade. This inventory would go beyond merely listing what is going on at the Federal Government level, and would include the entire range of knowledge which state agencies can contribute. A new initiative must be taken to establish a close relationship between our national efforts to promote domestic and foreign travel in the United States and the efforts of the States.

Such an inventory would be the responsibility of the 15-member National Tourism Resources Review Commission which is authorized by my bill. The Commission, whose members would be experienced in the tourism and travel industries, would bring into focus our current resources and facilities and help draft long-range plans for the future.

Under my bill, the Commission would be provided with a budget of \$2,500,000 and would be ordered to report to the President and the Congress within two two years. The staff of the U.S. Travel Service would be authorized to assist the Commission, but expert consultant hire would also be authorized.

Among the problems that should be considered by the Commission in the course of its study is the organizational form of any Federal agency it might recommend to consolidate and coordinate the tourism research, planning, and development now handled by many different departments, offices, and agencies.

My bill would also provide new authority for the USTS to develop a coherent national travel policy; to coordinate the present travel activities of the various

Federal agencies; to encourage and improve domestic travel facilities; and to coordinate and act as the Federal Government's liaison with State and private tourist organizations. I believe that this step cannot wait the more than two years it would take for any Tourism Resources Commission recommendation along the same lines to be carried out.

Finally, the bill would give the USTS a budget of \$15,000,000 to finance these new activities and to strengthen its present activities abroad. Of this, \$5,000,000 could be devoted to start the domestic travel program proposed by the bill, and \$10,000,000 to promote foreign travel to the United States. This \$15,000,000 figure is comparable to the amounts spent by the British and Canadian Governments for their travel programs, with appropriate changes for different costs and market conditions.

The U.S. travel industry, composed of thousands of hotels, motels, resorts, airlines, national parks and forests, gas stations, seashores, restaurants, tourist offices and planners is one of our most important national resources. Unlike timber or minerals, it is a non-depletable resource; it pays for itself and compounds its economic benefit with each passing year. It is a \$30-billion industry in America, ranking third behind manufacturing and agriculture. It employs approximately 6,000,000 persons, directly and indirectly, providing many jobs for the unskilled and semi-skilled. It is a source of profits to investors and owners, and a source of tax revenues to the States and the Federal Government.

A vigorous travel industry is also vital as the most effective means of dealing with the so-called tourism gap—the difference between money spent by U.S. tourists overseas and foreign tourists in the United States. Nevertheless, tourist promotion at the Federal Government level is still in the "Stone Age," when compared with the efforts made by other governments and even by our State governments. I applaud the interest that your Committee has shown in this subject and hope that your work, and the recommendations contained in my bill, may mark the first major step by the new Administration to make this country into a first-class travel nation.

Senator INOUE. We are most pleased to have as our first witness the senior Senator of the State of New York, Senator Jacob Javits.

STATEMENT OF HON. JACOB K. JAVITS, U.S. SENATOR FROM NEW YORK

Senator JAVITS. I join in this bill with Senators Bible, Brooke, Cannon, Hartke, McGee, Percy, Scott, and Williams of New Jersey, and I would like first to pay a tribute to Senator Magnuson, chairman of this committee, but for whose intercession the U.S. Travel Service and the whole travel effort of the United States would never have seen the light of day.

I started in 1952 to promote the idea of foreign travel in the United States, when I was a Member of the House. I pursued it when I came here beginning in 1957, but it would have come to nothing if Senator Magnuson had not picked up the bill and put it through. So I think the United States owes him a real debt of gratitude.

The work of the committee is especially appropriate at this moment because we have two concrete legislative proposals before us. One is Senator Magnuson's own bill to which there is no sense of exclusivity or opposition—I cosponsored it myself—and the other is my bill.

The Magnuson bill is vital as a very minimum because it gives more money to the travel service, uses matching funds, and recognizes that the return from travel promotion on a State-by-State basis could exceed that which is based on Federal efforts alone.

The bill which I have introduced is broader and involves more innovation, and the committee, I am sure, will give it a very thoughtful consideration. It does a good deal of what the Magnuson bill does, but it makes one breakthrough. That is, it gives the U.S. Travel Service authority in the domestic field in the promotion not only of

travel between foreign countries and the United States but among the States, on the theory that the foreign traveler so critically important, as the Chair has already noted, has got to go somewhere when he comes here.

The idea of where he goes and the conditions under which he goes becomes critically important. So for that purpose my bill broadens the authority of the Travel Service and establishes a National Tourism Resources Commission to find out exactly what we ought to be offering in the way of tourist facilities and programs.

I would like to point out, Mr. Chairman, that we are in an organizational thicket here because theoretically the Department of the Interior is supposed to promote travel among the States. As a matter of fact, they have a \$100,000 ceiling on their efforts. The whole thing has really been miniscule.

Though Senator Jackson is now trying to stir it up a bit, the fact is it is a very small operation.

It will be very essential for this committee to determine just exactly which way it ought to go. It probably will have to work this problem out with the Department of the Interior because this becomes an interdepartmental problem between Commerce and Interior.

A second reason why this hearing is very timely is because we are approaching our bicentenary in this country which should—if we look at the examples of Canada and of other countries like Japan and Belgium—represent an enormous opportunity for a travel breakthrough to the United States.

We will have much going on, and we ought to really be able to beat this balance-of-payments problem if we are prepared for the bulge which will come in 1976.

Thirdly, this hearing gives some needed publicity to the U.S. Travel Service itself; there I speak with a pardonable amount of pride, as Lankhorne Washburn I think got his feet wet in politics first in my campaigns in New York. I think he is a splendid and refreshing director of this agency. Personally I am delighted, considering my deep interest in the travel picture. But as always happens in governmental programs, I think we all have a right to be encouraged when we have an agency which is run by an extraordinarily good man to build it up. I think this is a very important point which the committee ought to consider favorably in deciding about broadening the agency and materially increasing its financing.

We have, of course, starved our travel effort. It is an "old saw" but it is just as true today as it always was. The budget of the U.S. Travel Service for fiscal 1969 went above \$3 million for the first time in 5 years and that was only because of purely heroic efforts on the floor, in which Senator Inouye helped very much, and because Senator Magnuson and I were on Appropriations. We literally sandbagged the thing through. It was very gratifying and very worthwhile.

Still our expenditures for travel promotion are less than those of Austria, Canada, France, Germany, Greece, Ireland, Italy, Portugal, Spain, Switzerland, and the United Kingdom, despite the comparatively large return we get from our investment.

I have already mentioned the organizational thicket. We have all kinds of travel services scattered through the Government, and under the bill which I have proposed the U.S. Travel Service would endeavor

to coordinate these activities. Some of the activities are in Interior, which I have already mentioned, and indeed scattered among quite a few offices in the Department of Interior, including Reclamation, as well as Indian Affairs. But then we have the Economic Development Administration and the Office of Economic Opportunity; the latter has been engaged in some tourism projects in Indian reservations. In the water resources field, even the Army Corps of Engineers and the TVA get in the act.

And as to national forests, you have the Agriculture Department as well as the Department of the Interior. The Army has its own recreational facilities where you have got to get a license to hunt a fish from the local Army installation.

The FAA and the Customs Bureau deal with visitors from abroad in a very appreciable way. Almost every department of Government, especially State Department, are hosts to visitors from abroad, including people who travel here as experts and professionals.

Then there are other lesser known agencies like the Appalachian Region Commission and the Deleware River Basin Commission, which are involved in the tourist business.

In order to really get the most out of our program, we must give an agency the mandate to have contact with all of these other agencies and to bring their work into some relationship one with the other.

The Chair has already dealt with the reason why we in the Federal establishment have to get into the travel business, aside from the pride in our country and the "hands across the sea" aspect of it, or the person-to-person aspect, as President Eisenhower used to put it. We have the hard facts of the balance of payments.

We are still running a major balance-of-payments deficit in the world. It is one of the great reasons for our general international financial instability, and for the raids on various currencies, including the dollar. It is significant that this gap has widened rather than narrowed, though travel to the United States has materially increased.

If we did not have the U.S. Travel Service we would really be behind the eight ball. Nonetheless, travel from our country abroad is growing so fast that it has increased from \$1.6 billion in 1964 to the \$1.9 billion the Chair mentioned.

There is one observation I would like to make here which is important. There was serious talk when President Kennedy was President—I talked with him myself, probably one of the last conversations I had with him, about 2 weeks before his terribly tragic assassination—about the possibility of putting a limitation upon Americans traveling abroad. Many countries have done that, and many of these restrictions are in effect now for many countries of the world.

I cannot think of anything that would be more anathema to every American than that: to feel that this powerful, affluent Nation, supreme on the earth, has to put restraints on its citizens for travel abroad because of financial reasons.

But I think, Mr. Chairman, the trend of the situation is such—and I certainly hope the committee will be impressed with the fact—that if you do not beef up this travel effort we may have to do exactly that, strictly for financial reasons.

Therefore, there is a tremendous pressure and urgency—to my mind, this is decisive. You cannot put this burden on the American citizen but you may have to unless this travel effort to bring people in here and balance our travel account out is really beefed up in the way which we are talking about now.

When I first started getting active in travel legislation—when I was chairman of the subcommittee of the House Foreign Affairs Committee—the private travel industry was very upset about the fact that we would take them over and interfere with their business and so forth. I really do not think that is true any more.

I think the USTS has very clearly demonstrated that, if anything, the private travel industry has an enormous amount to gain from its operations. And the activities of the “Discover America,” whose president I understand is going to testify here, and the cooperative efforts of the airlines and shiplines which have found that it is possible to work very cooperatively with Government, removes that as an issue. But I think it should be stated, nonetheless, that everything that is done should continue to be done as it has been done, from a point of view of acting as a catalyst for the travel industry rather than as in any way replacing it.

Of course, as the Chair knows, tourism is a \$30 billion industry in our country and employs directly and indirectly about 6 million people, so it is a very big business and a matter of great urgency.

I urge the USTS budget of \$15 million. I think that is pretty well accepted as the minimum which is needed, of which \$5 million would be to start the domestic travel coordination which I recommend in my bill.

Finally, Mr. Chairman, I understand that there is some controversy over the provision in my bill providing for a National Tourism Resources Review Commission, which is a technique for accomplishing two things.

One is bringing the private travel industry and Government agencies concerned with travel into an intimate partnership role. This is more and more becoming the hallmark of Government, and this is a tent under which they can meet together for mutual cooperation and work together.

The second thing is that in a government which is not a planning government, like the Communist government, I think the idea of goals and objectives, and then the means by which to build up toward those goals and objectives, becomes very important. Those two reasons are the reasons for this Commission.

I respectfully submit to the committee that if the Department of Commerce and other departments persuade the committee that the Commission idea is not a good one, they still have to find a way to accomplish the purposes which are involved, because it takes a long time to build travel facilities. It takes a considerable amount of organization to make them operative, and it takes very considerable oversight to keep them good; this is an essential element of what we are talking about. So some way must be found on the national level to effectuate that result.

None of us remotely contemplate a Government agency which comes anywhere near being of the size or consequence or economic impact of the travel industry. You are dealing with \$15 million versus \$30

billion. So again, some technique has to be developed by which they both can be working together in a working unit.

Whether or not the committee goes for my Commission idea, it still has to meet those two objectives in some way. I hope very much that it will give consideration to that idea and other ideas, but it will bear in mind that the two objectives of short- and long-term planning, and an agency in which the private industry and Government can intimately work together on a day-to-day basis, are essential to the program.

Thank you very much.

Senator INOUE. Senator, your statement has been most helpful. I am certain the committee will give your views very serious consideration.

If I may, I would like to ask a few questions. I gather from your statement that this fragmented effort among all Government agencies is not being in any way coordinated. Is that correct?

Senator JAVITS. I think the U.S. Travel Service is trying because Washburn is such an activist, but I think he will run up against that hard rock of no mandate which in the Government is all-decisive; therefore I think somebody has to be, as it were, put in charge. I do not mean they should be given the authority to run everybody—obviously the U.S. Travel Service could not run the Department of the Interior and should not be given any such authority—but at least the authority to coordinate.

I think they are trying now but they are handicapped by the fact that they would find it hard to answer anybody who said, "Well, how does this come to be your business?" So I think the committee has to make that fundamental decision, who will be given the overall right—I am not even going to use the word "authority"—the overall right to try to bring into cohesion the very diverse travel stimulation efforts of the Federal Government.

Senator INOUE. Senator, as you know, the U.S. Travel Service has been undergoing criticism from several quarters. One is primarily from the report of the Presidential Commission, headed by Ambassador McKinney.

In this report, which was made public in the Congressional Record on April 21, there are a number of criticisms. One of them says that the reputation of U.S. Travel Service has inhibited its ability to hire and retain effective personnel. Has that been a problem of the Travel Service?

Senator JAVITS. I think the Travel Service went through hard times and I think the criticism rather looks backward than forward.

As I said, the reason I spent a few minutes talking about the present Director is because I think that that is exactly what the committee will want to look at. I think he is a very unusually gifted young man and therefore, looking forward rather than looking back, the proper way to deal with the criticism is to see if the present auspices warrant the kind of authority we are talking about, and I believe they do.

Senator INOUE. The report also indicated that the Travel Service has very little support in Congress and in private industry. I notice your statement indicated that private industry supports the efforts of the Travel Service.

Senator JAVITS. If I indicated that, I did not intend to. All that I intended to point out was that there is an ongoing important private enterprise effort which stands to gain an enormous amount from USTS's operations. I used the "Discover America" theme for that purpose. I thought that both the Travel Service and private industry could profit by a more intimate relationship.

That is why I suggested the Commission. I think that is essential, and it is one of the objectives the legislation ought to serve whether you use the Commission technique or not.

As to the standing of the Travel Service in the Congress, I do not believe that the statement is justified. I think it has been hard for a long time to wake the Congress up to the importance of the Travel Service in balance of payments and other terms, but I think that it is very significant to note that the last fiscal year was the first one in which they broke their own appropriations roof. Now, that is hardly consistent with unpopularity or lack of popularity at that moment. I just think the problem is lack of knowledge and lack of the understanding of USTS's significance, and I believe that this can be conveyed by a new bill and by giving them enhanced responsibility and enhanced resources.

Senator INOUYE. I am pleased to have in the committee room the very distinguished, the Senior Senator from Pennsylvania, Mr. Scott.

STATEMENT OF HON. HUGH SCOTT, U.S. SENATOR FROM PENNSYLVANIA

I have no line of questions except to comment that I was one of the authors of the travel bill of Senator Magnuson, and I have always been much interested in it and have seen the U.S. Travel Service—some of them abroad—and I am quite sure that there is no agency which cannot be improved, and the addition of a Commission would give them perhaps the benefit of some friendly cousins to speak up on their behalf.

It is obviously the kind of agency which does not have much of a domestic constituency. In my judgment it is in extremely good hands with Under Secretary Siciliano and Mr. Washburn, both of whom I have known for quite a while, and who certainly would do everything that is possible within their budget allowances and within the framework of authority to improve the operation of the Service.

This is now and can become a much greater hidden import into this country aside from your suggestions of broadening it into the domestic field. I have run across a number of people who have taken advantage of the 99-day bus tour, the rate which is available to the people who do not—who are not residents of this country, who find it's a great way to see America, and at times, even the French come over which is a new development.

In the last decade or so the French have decided to see something besides France and there may be a lesson in that, but if the French are going to travel then anybody can, and everybody is who can afford it.

So I hope we will make travel more attractive, that we will look for other lures to bring people here, to bring that tourist dollar in and to overcome the adverse condition in our balance of payments. I believe this can be done.

I do suggest that some of the U.S. travel agencies abroad benefit by more knowledgability of some of the areas of the country other than Senator Javits' Niagara Falls and Mount Vernon, Disneyland, Mayor Daley, and similar American sights.

Senator JAVITS. Including the Delaware Water Gap.

Senator SCORR. Yes. I would like to know more of the Delaware Water Gap which has far more reality than anybody's missile gap, I suppose.

Senator JAVITS. And Independence Hall.

Senator SCORR. Independence Hall, which as a national monument was created by my bill back in 1947. I did personally check these agencies and find they do have large posters of Independence Hall and we hope to celebrate the bicentennial there in 1976, God willing—God and the administration willing. I hope the order is right there. But I would like to see our great confluence of rivers in Pittsburgh and forest greens—there is so much to see.

I have been in Japan about 15 times and I found that Japan did not become interesting until you managed to get up to the northern part of the country and the southern part of the country and go over to Shikoku and visit Hamamatsu and it is the same with any other country. London is not England.

So I hope we will point out those byways, the interesting sidelines which would attract the tourists, but all these things are matters the agency is considering I am sure.

I have no questions, Senator. I congratulate you on your interest in the program and I hope that we can get more people to come from outside of the country to spend more of their money over here and I hope that at the same time we may be able to find we spend less of our money over there in pursuits other than travel and cultural exchange.

Since the creation of the U.S. Travel Service in 1961, by legislation which I cosponsored, foreign travel to our country has increased more than 188 percent. I believe that this is a fine record, but I also believe that, with adequate funding, it could be much better.

The administration requested \$6 million for fiscal year 1970 Travel Service operations, but the House appropriated only \$4.5 million, a figure identical to the fiscal year 1969 expenditures.

The U.S. Travel Service is one of the best investments that we can make in America. The average annual increase of foreign travel during the sixties has been approximately 20 percent, as compared with only 10 percent during the previous decade.

Still, there continues to be a significant travel deficit. For every two tourist dollars leaving the United States, only one returns. This unfavorable balance of payments is intolerable, and travel restrictions on U.S. citizens are certainly not the answer. We must use existing means to promote foreign travel to our country, and I believe that the enactment of the legislation which we are considering will aid in that effort.

I am pleased especially with the operation of the U.S. Travel Service as it affects my own Commonwealth of Pennsylvania. The cooperation which I have received from its able administrator, Langhorne Washburn, and the able Under Secretary, Ricco Siciliano, has

been exceptional. They have worked closely with Pennsylvania officials to help increase tourism there.

Following are some of the Travel Service activities to promote Pennsylvania abroad:

1. USTS posts promote plant tours conducted by 39 Pennsylvania-based business firms, including Abbotts Dairies, Atlantic Richfield, National Biscuit Co., and the Evening and Sunday Bulletin, all in Philadelphia, and the Duquesne Brewery, Westinghouse Electric, and H. J. Heinz Co. in Pittsburgh.

2. The posts also publicize, and promote foreign delegate attendance at conventions held in Pennsylvania cities such as the Congress of the American Optometric Association which was held in Philadelphia in July. Next year, the promotion list will include the National Soft Drink Association Convention and Exposition, scheduled for November 9 to 12 in Philadelphia.

3. USTS sponsored or assisted the following foreign journalists in recent months: David Pela, Jewish Chronicle, London, who visited Pennsylvania and New York States; Barry Askew, Lancashire, England, Evening Post, who visited Pittsburgh and other eastern U.S. cities; James J. McElroy, Radio Telefis, Eireann, Dublin, who visited both Philadelphia and Pittsburgh.

4. USTS has produced in support of the current visit U.S.A. advertising campaign abroad brochures in 11 languages on 18 principal gateway cities including Philadelphia. These are now being distributed in major world travel markets.

5. USTS/London held four viewings of the film "Song of Philadelphia." Total attendance was 370.

6. USTS printed and distributed overseas 7,000 copies of a poster illustrated with Philadelphia's Independence Hall.

7. "Philadelphia and the Pennsylvania Dutch Country," are included in a USTS brochure "How To See the Northeast U.S.A."

8. Philadelphia, Gettysburg, and Valley Forge are covered in another USTS brochure, "Historic Landmarks, U.S.A."

9. Philadelphia is also included in the USTS folder, "Major U.S. Tour Itineraries."

10. Literature on Hershey's Pennsylvania Dutch Day and Kutztown's Folk Festival has been disseminated abroad for the last 3 years by USTS posts.

11. USTS also distributed the literature of U.S. local service and trunk air carriers, many of whom have Pennsylvania routes.

How many of the 1.5 million overseas business and pleasure visitors toured Pennsylvania last year, it is impossible to estimate accurately. We can say, however, that 8,724 foreign citizens entered the port of Philadelphia in 1967—roughly 90 percent more than the number which entered in 1965. The average pleasure visitor spends \$413 during his visit here.

Senator JAVITS. I thank you, Senator Scott. I just wish to make one or two observations, if I may, with respect to what you said.

First, this country is the greatest tourist attraction on earth, and interestingly enough, our successful landing on the moon has enhanced it as a tourist attraction. It is a tremendous technological breakthrough. The United States I think has achieved a new eminence in the world of technology and science.

Senator SCOTT. Do you think that would extend the tourist agency's scope?

Senator JAVITS. I think this, Mr. Chairman, that as we know in the United States you even have to sell a good product, and as politicians we also know that the thing to ride is strength; therefore, I think this is a very propitious moment to improve our means for attracting travel to the United States.

The other thing that I would like to observe is that not only are the French traveling but I think you may find tomorrow the Russians will be traveling. There are things happening there, too, and more may happen if we can arrive at some kind of a better relationship with them in the forthcoming talks on arms limitation.

Finally, I would like to thank Senator Scott for refreshing me on Mr. Siciliano, under whose authority the Director of this agency works. I think my focus in saying what I did about Lang Washburn was too narrow because the Assistant Secretary is also a man of great quality and character and sales ability, and I think that money invested here will now be in excellent hands.

Finally, Mr. Chairman, the Magnuson bill calls for matching funds 50-50. There may be suggestions that that be increased on the Federal side but I think the idea contained of stimulating States' efforts is a very good one.

I might point out that the most successful aspect so far of the bill for the National Foundation on the Arts, with which I have had a great deal to do, is its States stimulation aspect. So I am obliged to Senator Scott for his observation and the opening which he gave me to add this.

Senator INOUE. Thank you very much, Senator.

Senator GOODELL, do you have any comment?

Senator GOODELL. No. I apologize to my colleague for being a little bit late. I want to commend him for his written statement which I have read and thought was a very excellent proposal, which I personally endorse.

In addition to the Magnuson-Javits bill, it is important that we go forward with the Javits bill itself.

Senator Javits. Thank you very much.

Senator INOUE. Thank you, Senator Javits.

(The statement of Senator Howard W. Cannon follows:)

STATEMENT OF HON. HOWARD W. CANNON, U.S. SENATOR FROM NEVADA

Mr. Chairman and members of the Committee, I urge the Committee to favorably report S. 2143, a bill that would amend the International Travel Act of 1961. It would provide for a major national and international tourism effort by the United States.

The United States Travel Service, which now devotes its efforts to international travel, would be expanded to include a domestic travel office.

I believe this expansion to be necessary and essential.

Our citizens should be encouraged to see their own country, and I do not mean by this statement to discourage international travel in any way. However, our domestic travel industry needs to move ahead.

More than one-half of our citizens have never been in an airplane, more than 100 million persons have never been more than 200 miles from home, and about 80 million persons never leave their homes for any trip at all.

This is a great country, and we should see it.

Very briefly this legislation would grant authority to develop a coherent national travel policy, authorize a budget of \$15 million for USTS, authorize

a national inventory of our travel resources that would enable the creation of a long-term national travel program and establish a 15-member National Tourism Resources Commission.

Our domestic travel industry is a \$30 billion industry ranking just behind manufacturing and agriculture, but it has a much greater potential. It is responsible for the employment of 6 million individuals, many of them unskilled. It makes profits for owners and investors and is a great source of tax revenue.

I hope S. 2143 is approved.

Thank you, Mr. Chairman.

Senator INOUE. The committee is now pleased to welcome the Under Secretary of the Department of Commerce, the Honorable Rocco C. Siciliano.

Mr. Secretary, you may proceed.

STATEMENT OF HON. ROCCO C. SICILIANO, UNDER SECRETARY OF THE DEPARTMENT OF COMMERCE

Mr. SICILIANO. I would like to say that the Secretary of Commerce, Maurice H. Stans, is not here in this country. He is in Japan at the moment on an economic trade mission and so he is sorry that he could not be here himself.

Before he left on Friday he asked, when we were discussing the fact that I was going to be his substitute, that I should stress to this committee the sense of priority and support that we have in the Department concerning the programs of the U.S. Travel Service.

This is a fairly easy assignment for me because I have had a long and close association with the efforts of the Government to promote and develop international travel to this country.

While in the practice of the law I represented for a number of years as general counsel one of the major travel organizations and would like to think that I had a small part to play in getting some of the support that was needed to pass before the Congress the International Travel Act of 1961.

Since that time I have been more than an interested observer in the operation of the Travel Service.

It is not an easy task to get acceptance of the need for Government participation in travel promotion and development. I think Senator Javits touched on that very ably in his own remarks.

As you also know, there are still many others who do not see why the Government is even in the area, but I hopefully think that a number of doubters is dwindling as it becomes clearer and clearer that travel and tourism are simply not routine economic functions.

Travel has become one of the primary forces in the world's economy. For the United States it represents about 6 percent of our total exports which are now around \$33 billion. Its impact on the balance of payments is well known. Senator Javits and others have touched on it already this morning. It has become of increasing concern to us and we are working constantly to develop the means to reduce the travel gap (which is currently running about \$2 billion annually) without restricting the freedom of Americans to travel.

I might mention that that freedom to travel by Americans is something to which this administration is committed so that there is no question as to whether or not we support free travel.

But in a larger sense it goes beyond merely economic consideration. In a nation such as ours, with increasing levels of leisure time and

per capita income and educational levels, travel and tourism mean more to us than many of the other services that may be purchased in the marketplace.

Our society is highly organized, fast paced and industrialized, and our population is going to increase another 115 million by the year 2000. We have got to make provisions for this greatly increased population to revitalize itself and I think clearly the best and easiest way and the most enjoyable way for that revitalization is through travel and tourism and the other recreational aspects that go with travel and tourism.

Other nations have made that discovery some time ago and it is taking our country a little longer to realize this fact. As it did when it took action on the International Travel Act 8 years ago this committee has taken the initiative and has taken the steps to bring the country up-to-date.

I feel confident from these hearings and from the legislation that you are considering, that the United States will begin to equip itself to meet further its present and future travel and tourism needs in both the Nation and international sectors.

As the chairman knows, we have asked Mr. Langhorne Washburn, the Director of the Travel Service, to present the formal testimony of the Department before the committee. As has also been referred to, Mr. Washburn is an enterprising, innovative, hustling, and knowledgeable Director and a lot more other things that are all good.

So in closing my portion of this morning's session, I would like to stress again that Secretary Stans and myself will give and are giving our complete support to the travel program. Indicative of the importance that we have assigned the program is our emphasis on the need for an increase in the authorization of the program to \$15 million. That request is now pending before the Congress. We have given this support in complete and full awareness of the fact that there are other high-priority programs in the Department for which we are responsible as well as the fact that the President has requested that the administration reduce to the minimum current Federal expenditures.

We believe that the returns to the economy and the society of a vigorous and adequate funded national travel program fully justify our requesting this increase.

With the authorization funding of \$15 million, as well as the new program emphasis that Mr. Washburn will be discussing with you this morning, we can anticipate that there will be both substantive and rewarding progress.

That concludes my formal remarks, Mr. Chairman.

Senator INOUE. Thank you, Mr. Secretary. Your statement will be most helpful.

Senator Javits in his testimony indicated that the responsibilities for tourism were fragmented among several dozen agencies ranging from the Department of Defense to OEO, and the thrust of his bill is to establish a Commission by which it could coordinate all such efforts. I presume this Commission would be headed by the Travel Service and the Commerce Department.

I have been advised that the Interior Department objects to this arrangement. Is that true?

Mr. SICILIANO. I think it is. Naturally there are going to be jurisdictional distinctions, as they say in the labor business. At this particular time we are engaging, with the Bureau of the Budget's help, in discussions with other Government agencies, particularly Interior, because they have felt and with some good reason, I am sure, that this responsibility is one that they should have a primary focus on.

As you know, many, many years ago there was a travel service in the Department of Interior. It functioned in obviously a not completely successful way at that time, but they do have the national parks and they have total responsibility, as far as Interior is concerned, for the travel places under the parks surveillance and operation. I can only say, candidly, we are engaging in discussions with the Bureau of the Budget's help as to where this responsibility might be centralized.

Our responsibility under the Travel Service is to motivate and encourage individuals of foreign countries to see the United States. However an integral part of the objection is to provide and coordinate facilities within the United States for the foreign visitor which gets into the area of travel within the United States—by both foreign visitors and Americans.

Senator INOUE. Mr. Secretary, do you believe that responsibility for domestic and international tourism should be a single effort?

Mr. SICILIANO. Yes; I think there should be a single effort.

Senator INOUE. Then it should not be divided into two segments?

Mr. SICILIANO. I think a division would be a pretty hard thing to try to administer, so I do not think there should be a division.

Senator INOUE. Then the question now is what agency would be in charge of this single effort?

Mr. SICILIANO. That is the question; yes, sir.

Senator INOUE. Thank you very much, sir.

Senator SCOTT. If the chairman would permit, possibly an approach might be to include a representative from the Department of Interior or persons designated by them on such a commission, so that you have a cooperative attitude.

I just want to speak on the tangential subject for a moment. I would like to inquire whether you do anything in encouraging people to visit this country to overcome the unspoken timidity that the people have with regard to foreign travel. I have run across many people who hesitate to travel abroad for fear that no one will speak English, and those who go find immediately that even the 6-year-old children speak English to a degree. But in our country people generally are not linguists.

Now, if you were a Frenchman or Spaniard or Hungarian with some facility in German, you might not want to tell anybody that your only objection to visiting America is that nobody would understand you.

Do your advertisements point out that although the visitor speaks a foreign language there are facilities whereby he may find someone to interpret for him in most of the places he visits? What do you do about that?

Mr. SICILIANO. Yes; increasingly. As a matter of fact, we are emphasizing language as well as price; this as to foreigners now coming

to this country. Because they have a feeling that it is very costly to travel to the United States. It is beyond their means.

Secondly, that they have this feeling that they will not be able to speak—find people that can communicate with them here.

So that the whole advertising pitch is now concentrating more on these two areas, of both price and facilities, language included as well as specific places to visit.

Senator SCOTT. Well, some stores in big cities will say "Habla Espanol," "Sprechen gie Deutsch," or whatever, but how do they know where, other than that, a handkerchief shop or a haberdasher store, how do they know where to go to find a person who speaks their language or some language they can handle? Are they told the local bank is the place or—not every city has a travel agency in the United States.

How do they know how to find somebody who can help them out?

Mr. SICILIANO. The initial approach should be made in the hotel that they come to when they arrive here in the United States. This is one of the efforts being made.

Also, Mr. Washburn can describe his efforts to try to get a speaking corps of bilingual students or student types to be in the airports to assist them in their actual processing through.

Senator SCOTT. In some foreign countries the policemen or the airport attendants will have little flags on his uniform or shoulder that indicates he speaks the language of the country of the flag he wears up there.

Mr. SICILIANO. Yes.

Senator SCOTT. Are we giving any thought to anything of that sort?

Mr. SICILIANO. I do not think we have gotten to that point yet about the flags, but I think there are steps being taken in two major areas that I know of (1) most recently is bilingual corps that we are working on, using graduate students from universities who are working on degrees in languages, as well as (2) trying to work with the hotel association in making certain that the hotels have bilingual people at the desk.

Senator SCOTT. In your ads, do you point out that no matter what language you speak it will be possible when they visit America to be arranged to be understood to get your daily needs, in addition to the 10 words you have to learn every day?

Mr. SICILIANO. Yes; that's being done.

Senator SCOTT. Thank you.

Senator INOUE. Senator Goodell.

Senator GOODELL. I have no questions. Thank you, Mr. Siciliano.

Senator INOUE. Thank you, Mr. Secretary. We appreciate your assistance.

The next witness is the Director of the U.S. Travel Service in the Department of Commerce, Mr. C. Langhorne Washburn.

Senator SCOTT. Mr. Chairman has been good enough to let me simply welcome you, Mr. Washburn. I have to be at the opening of the session at 11. I am familiar with your views generally I think because we have discussed them. I do welcome you here and I share the very high confidence that those who know you have in your direction of the Travel Service and I will read the testimony later, but I hope you will understand if I have to leave at this time.

We wish you every success in administering it and particularly continue to advertise and expand the advertising of Pennsylvania in your material, will you?

Senator INOUE. Mr. Washburn, I welcome you to the committee. Obviously you are a very special person who has been introduced by the senior Senator of the State of New York and by the senior Senator of the State of Pennsylvania, and by the distinguished Under Secretary. I do not think that I can add anything more to those introductions.

The committee is most grateful to you for your coming here this morning to assist us. Mr. Washburn, please proceed.

STATEMENT OF C. LANGHORNE WASHBURN, U. S. DEPARTMENT OF COMMERCE, U.S. TRAVEL SERVICE

Mr. WASHBURN. Mr. Chairman, I am very happy to have the opportunity to come before this committee in support of a Federal program for the promotion and facilitation of travel.

I am well aware of the special relationship that this committee has to the U.S. Travel Service. Certainly, the travel promotion program would never have come into being or would have ceased to exist if it had not been for the original sponsorship and continuing interest and support it has received from this committee.

This session of comprehensive hearings on the travel program is a concrete example of that continuing interest.

You have before you proposed legislation that would substantially alter the International Travel Act of 1961. If I may, Mr. Chairman, I would then like to compare the legislation which you are considering, Government should do in the travel area. Against this background, I would then like to compare the legislation which you are considering, with respect to Federal responsibility for development of a national travel policy.

In passing the International Travel Act in 1961, the Congress recognized the importance of international tourism to our economy and to international understanding.

For many years, Congress has also recognized the economic importance and general desirability of domestic travel through its support of national parks, recreational water systems development and tourist development grants and national seashore and open space legislation.

The attention that travel has received has not been misplaced. Travel is the largest single item in international trade. The United States alone, receives over \$2 billion annually while spending nearly \$4 billion on the travel account. As large as these figures are, they seem small when compared to the magnitude of domestic expenditures for travel. Last year, American citizens spent considerably over \$30 billion for travel in the United States.

We are only on the threshold of a tremendous increase in travel by Americans and by the citizens of the advanced industrial states of the world. In the United States within the next decade, there will be an estimated 50-percent rise in family disposable income.

College enrollments will be up 74 percent by 1977. Over 62 percent of the population over 20 years of age will be high school graduates.

A recent national planning association market study found the family headed by a college-educated person spends 85 percent more on recreation and 75 percent more on intercity travel than the average family. Based on these forecasts, we should be preparing for an accelerating growth in travel.

In view of the magnitude of domestic and foreign travel and the indications that its rapid growth will continue, there is much to be done to coordinate the activities of the many Federal agencies to prepare for this great expansion in travel.

Within the Federal Government, we must make sure that decisions by Federal agencies on air fare matters, passenger railroad service, tourist facility construction, and travel promotion are made with full consideration of the impact that decisions of this kind will have on the overall structure or future development of tourism and travel.

At the same time we coordinate our activities within the Federal Government, we must be aware of the need to keep State and local governments and industry aware of national objectives and how the many Federal agencies with travel and tourism responsibilities are working to achieve these objectives.

It is essential that States, cities, and the private sector be kept currently and accurately informed of the plans and programs of the Federal Government so that they can take part fully in a truly coordinated national tourism effort.

As to the characteristics of a national travel policy, it seems to me that a national travel policy should strive for three general objectives:

First, it should seek an optimum development and use of transportation and tourist facilities. For example, we know that some of our travel destinations such as national parks, national forests, and resort areas, many directly or indirectly federally financed, are being used beyond capacity while others are being underutilized.

I have already indicated the need for coordination among the activities of the many Federal agencies with responsibilities in this area. For example, by working with the Departments of Interior and Agriculture, USTS could design an international promotional program to even out the demand among travel destinations by foreign visitors. If we are effective in doing so, we could actually increase the capacity of our existing travel and tourism plant.

Second, a national travel policy should to the extent possible, be concerned about the educational, health, and cultural aspects of travel and tourism.

Travel and tourism are not merely economic activities. They are humanistic as well. In making plans to meet the greatly increased demand for travel facilities and services for a better educated and a better informed population, we cannot settle for a second-rate tourism plant. If our citizens cannot achieve their tourism desires in this country, then they will travel to foreign countries to achieve them.

Finally, national policy should work toward improving the international economic position of the United States. We should work to reduce our travel deficit, as has been stressed today, not by restricting the freedom of Americans to travel, but in a positive manner by increasing our earnings from international travel.

A sound international travel policy should have due regard for the friends won for the United States from visits to this country by citi-

zens of other countries. But, it should never ignore the benefits to the United States by visits of our citizens to foreign countries.

The Federal Government can establish a policy framework within which these goals can be achieved. Moreover, it now has program tools located in many agencies that can be employed in reaching these ends.

The Department of Interior has extensive and obvious responsibilities in the development of facilities and programs for tourism in the United States. But, in addition, the Federal Government is deeply involved in meeting tourism demands in such agencies as the Departments of Agriculture and Transportation.

The Department of Commerce in its Economic Development Administration assists communities to develop tourism centers. The same is done by the Housing and Urban Development Department. This list of Federal agencies with substantial program tools in the travel and tourism areas could go on and on. Our task, Mr. Chairman, is to increase on-going efforts to effectively coordinate and bring the full range of these programs to bear on national policy objectives.

But while we may have the program tools and while we may agree on a policy framework, all this may be worthless if we lose sight of one important and overriding fact. It is the private sector, and increasingly the States and cities, that must be relied upon to deliver the product of the traveler. I believe very strongly that Federal policies and programs should be primarily evaluated on the responses that they are able to trigger from these sectors.

Now, to the implementation of travel policy by the Department of Commerce:

The U.S. Travel Service is currently spending the major portion of its funds for mass media advertising and for sales promotion activities. In keeping with the policy objective of competing for the international travel dollar, we must continue to sell the United States as a tourist destination and consumer mass media advertising should continue to be a major program element of that effort. But, we can do a better job than we are doing at present.

There are two reasons for my saying this:

1. There is much more that we should be doing to enlist the talent and resources of our State and local governments in the development and promotion of travel.

2. As gratifying as has been the support of private industry in travel promotion, still more support could be forthcoming if the Federal Government would assume greater responsibilities of leadership and direction.

USTS promotional expenditures abroad are really miniscule compared with the efforts of the private industry to sell the United States. In fiscal year 1969, the USTS budget was \$4.5 million, the largest amount ever appropriated to the agency.

During 1968, one major U.S. flag carrier airline had an advertising budget to encourage people to fly on it to the United States that was several times in excess of our USTS budget.

How much of the increase in foreign visitors to the United States over the past 6 years was due to the travel service advertising or to the advertising program of private firms or States or cities?

Indeed, how much travel industry advertising was done because it knew that the U.S. Government had through its international travel program undertaken a visible and sincere commitment in this area? How much of the increase in visitor arrivals was due to advertising itself or to improvements in our entry procedures or to the development of new and more appealing prices and travel facilities?

What I am saying here, Mr. Chairman, is that a meaningful test of the Department's international travel activities cannot be based solely on the marginal contribution of its direct advertising in attracting foreign visitors. The goals of the Department's travel program go beyond any such simple relationship.

It seems to me that the Department of Commerce can best serve the purposes of Travel Act of 1961 by increasingly assuming the role of a planner, innovator, and coordinator.

Wherever possible, the Department should seek out ways to use its limited funds as inducements to the States and cities and the travel industry, to assume more and more of the direct and active responsibility of promotion and development.

If we succeed in doing this, then we could use the scarce resources available to the Department to stimulate in more flexible ways the activities of the direct sellers of travel.

At the same time, the Department, by avoiding costly programs involved in direct promotional activities, could turn more of its attention to developing more effective market research and improving the tourist product and plant.

Let me illustrate this by looking at the mass media advertising program aimed at the foreign market. The international travel promotion program would continue to attract visitors through mass media advertising but it need not primarily be done directly by the Department of Commerce.

The Department's direct advertising campaign would set the theme and pace of the annual program. It would be a "bell ringer."

Under the cover of this campaign, regional governmental organizations, States, and cities with records of international visitor appeal would be supported and encouraged to mount specific appeal campaigns to exploit the theme established by the national effort.

The Department of Commerce would provide matching funds, editorial support and other forms of technical assistance. It would also act to enlist specific industry advertising campaigns under this umbrella effort.

In addition to the multiplier effect that could be expected from matching funds, the Department could play a coordinative role to encourage overseas advertising consistent with national priorities.

At present, all of our major cities are seeking new convention business. If it could be demonstrated that a comparatively high payoff in terms of dollar earnings in a given period would result from increased number of international conventions held in the United States, then the Department could place first priority on matching funds to assist our cities to acquire a greater share of the world's convention business.

At present, the Department's Travel Research Office is increasing its efforts to identify specific markets having the greatest international visitor potential. This is really a key to our operation. As these markets are identified, promotional priorities are set accordingly.

In the same way that increased activity from State and local governments and regional governmental groups is sought, we should seek to expand and focus the attention of the private travel industry on a program of international travel and tourism development. A major objective of such an effort would be to increase the market in overseas areas for packaged or inclusive tours to the United States.

The United States is an underdeveloped market for package tour promotion. This underdevelopment cannot be overcome by mere exhortation to industry to do better. To increase the capability of our industry to sell the mass market for packaged tours, we must do the sometimes tedious day-to-day work of bringing together the various participants in this market.

We are increasingly doing this. We should be able to point out the profit potential of such business to the U.S. industry through the provision of timely and reliable market data, or through the development of new forms of marketing systems to capture this market.

Stimulating industry to do the job of promotion and selling is not the only ingredient of a successful program in this area. Much work needs to be done within Government itself.

The Department of Commerce should work to coordinate Federal activities in the international tourism field by making known to other Government agencies its position on fare matters, on new customs or tariff matters, on relaxation of entry requirements. It should move beyond merely responding to actions of Federal and non-Federal agencies. The Travel Office should, as a result of its research, seek out new areas in which other Government agencies may take positive steps to meet international travel policy objectives.

These are some of the approaches which the Department of Commerce regards as the most promising as means to increase the number of foreign visitors to the United States and in improving the international economic position of this country. We shall continue to strive for these objectives. Yet, as I said at the outset, these efforts should form only a part of what should be a coordinated approach to travel by the U.S. Government.

I should like to note that there is one other important area where the Travel Service is now looked to as the coordinator for the United States in the field of tourism.

Under the authority set forth in section 3 of the International Travel Act of 1961, we serve as active members of nongovernmental groups of international travel and tourism officials and share in the financial support of such organizations.

Regarding legislation pending before the committee:

There are essentially eight issues contained in the pending legislation that the committee has before it. If I may, Mr. Chairman, I should like to conclude this statement by briefly reviewing and commenting on each of these issues:

First, the legislation, if enacted would authorize the Department to administer a matching funds program for projects that are designed to encourage increased travel to the United States.

This proposal is contained in the proposed bill S. 1289, cosponsored by Senators Magnuson, Javits, and Stevens.

I have already indicated how this type of authority could bring great benefits to the travel development program. Although we are

aware of the problems involved in the administration of a matching grant program, we feel that we can construct an effective program based on strict and impartial application of eligibility criteria and quick and objective review of grantee performance.

If this legislation were enacted, fiscal year 1970 costs for this program might be funded out of the budget now awaiting final congressional action. After reviewing our plans with the appropriations committees, the first-year activity in the program would involve establishing the procedures, conferring with State and local officials, and making a limited number of grants to achieve certain high-priority departmental travel objectives such as the convention program or the Mexican and Canadian effort.

Second, the proposed legislation would expand the authority of the Department of Commerce to develop a national travel policy—domestic as well as international—to coordinate present travel activities of various Federal agencies, to encourage and improve domestic travel facilities; and to coordinate and act as the Government's liaison with State and private tourist organizations.

This provision is contained in the S. 2143 bill introduced by Senator Javits and cosponsored by Senators Bible, Brooke, Cannon, Hartke, McGee, Percy, Scott, and Williams of New Jersey. As I have discussed throughout this testimony, we feel that great benefits can be achieved by effective coordination of the many Federal agencies now delegated major responsibilities for national travel and tourism. Thus, we are in accord with the objectives of this provision.

I have described some of the means we are currently pursuing to achieve a coordinated response to national travel needs. I am hopeful that we shall continue to make good progress under our existing informal arrangements. Whether or not we shall continue to do so, is a question we are not really able to answer at this time.

I suppose I should allude to the thickets of confusion that Senator Javits referred to and say that, however, because of this, we find it difficult to say authoritatively to this committee that the Commerce Department should be the agency to be granted overall coordination responsibilities in the national travel area.

As I have already pointed out, there are many other Federal agencies entrusted with wide-ranging responsibilities in this area. To designate one at this time as the national tourist office with far-reaching responsibility to coordinate domestic and international travel could actually impede the good progress we are making through informal and voluntary cooperative programs.

Thus, Mr. Chairman, as far as this provision is concerned, we should like to recommend that the committee defer action until we have had time to assess the progress on achieving the necessary coordination without new legislation authority.

Third, the Department of Commerce would be authorized \$2.5 million to establish a 15-member National Tourism Resources Review Commission to be appointed by the Secretary of Commerce to inventory U.S. national travel resources to lay the groundwork for a long-term travel program.

We believe that the proposed role of this Commission is an important one, having a bearing on both domestic as well as the international sectors. However, in many respects in the eyes of those Federal

agencies with responsibility for tourism development, these questions are already being grappled with.

In my agency, we are undertaking a detailed inventory to find out what Federal agencies are doing in the area of travel and why.

As we get deeper into these questions, we can see newer areas for closer coordination and more important actual ways to bring such coordination about.

However, before recommending congressional action one way or the other—and I say one way or the other—on this proposal to create a National Tourism Resources Review Commission, we should prefer that the new administration be given additional time to study the purposes for which the proposed commission should be established. We should like to stress that the objective as outlined in the proposed work program for the Review Commission is a good one. However, we should like to give our existing efforts a little more time to achieve a greater degree of coordination among Federal agencies to accomplish the goals of the proposed commission. And I believe this can be done informally.

Fourth, the legislation would authorize the Department to contract with private profitmaking firms to attract foreign visitors.

This provision is contained in the S. 1289 bill. It would authorize USTS to enter into joint activities with private firms. We are aware of difficulties in establishing and proving a relationship between the benefits received from Government money expended in joint activities such as the ones contemplated by this provision. I assure you, Mr. Chairman, that we would exercise extreme care in the administration of the effort if we were granted this authority.

Fifth, the legislation would authorize the Department to make incentive awards of merchandise to reward firms for exceptional sales performance.

This is contained in S. 1289. I consider this considerably down the road as far as priorities are concerned in our program and to avoid the possible administrative pitfalls involved in such a program, we would prefer that we not be given this authority.

Sixth, the new legislation defines the term "United States and States" to include additional areas under U.S. jurisdiction.

This is contained in the S. 1289 bill. This is a relatively minor technical change and we support it. It would not only be equitable, but it would also bring financial benefits as well, owing to the growing attractiveness of these areas to international visitors.

Seventh, there are contained in S. 1289 certain exemptions relieving the Department from existing regulations regarding the use of the Government Printing Office and granting the Department 2-year authorization for obligating money for printing travel promotion material.

These are administrative in nature but if enacted would improve the efficiency of the program.

Eighth, and finally, S. 1289 would remove the \$4.7 million authorization by authorizing the appropriation of such amounts as may be needed to administer this program. S. 2143 would raise the authorization action to \$15 million.

We feel that the elimination of the \$4.7 million appropriation ceiling is a vital and necessary first step toward the building of a sounder and more realistic travel development program.

As I indicated earlier, the national travel program must have both flexibility and balance. A wide range of activities must be undertaken to exploit the market for travel in addition to a mass media advertising program.

Under the present authorization ceiling, the development of such a program is an extremely difficult task. If the Congress decides to enact a ceiling in this legislation, I believe \$15 million would be an appropriate ceiling.

For the record, Mr. Chairman, I have a breakdown of how we think that \$15 million could best be used, and I will submit it for the record at this time.

Senator INOUE. Without objection, it will be received.

(Budget breakdown is as follows:)

U.S. Travel Service, \$15 million program

I. Market research-----	\$550,000
Conduct research related to market potential and visitor and trip characteristics; evaluate data; service industry with timely travel statistics and information.	
II. Direct advertising-----	5,000,000
Market tailored trade and consumer advertising in 20 key travel markets abroad, including Canada.	
III. Sales promotion-----	2,500,000
(a) Production of new travel literature in 11 languages, and reprints of existing basic materials for use throughout world through USIA, State and carriers.	
(b) Display materials.	
(c) Travel agents "hand information" reference library.	
(d) Direct mail campaigns.	
IV. Special interest travel-----	650,000
(a) Convention bureau.	
(b) Tour development.	
(c) Business travel promotions.	
V. Special promotions-----	1,150,000
(a) Visit U.S.A. travel exhibitions as a product at U.S. trade centers and presentations at travel expositions abroad.	
(b) Mobile travel promotions operated locally by local travel trade.	
(c) Professional travel missions.	
VI. Editorial support-----	500,000
(a) Travel motion pictures for trade and consumer audiences abroad.	
(b) Foreign journalists' familiarization tours.	
(c) Local public relations support abroad.	
VII. State and city matching funds-----	1,000,000
VIII. Uniformal port reception corps-----	400,000
IX. Visitor services-----	500,000
(a) National public service campaign.	
(b) Improving language resources.	
(c) Americans-at-home programs.	
(d) Facilitation activity to remove barriers to travel.	
X. Offices abroad-----	2,000,000
Professionally staffed regional offices in key areas aboard.	
XI. Direction and management-----	750,000

Mr. WASHBURN. In view of the number of key industry representatives from all over the country who are present, Mr. Chairman, I respectfully express the willingness to return at any time you wish as well as to answer questions at this time, so that you could get on to them, because I think they are terribly important.

That concludes my prepared remarks.

Senator INOUE. Thank you, Mr. Washburn. We appreciate your testimony here this morning.

May I begin by asking you why you deleted the second paragraph of page 2 of your prepared testimony?

Mr. WASHBURN. That was an oversight. There was no reason. You are talking about this section on comprehensive hearings?

Senator INOUE. No, on page 2.

Mr. WASHBURN. No reason. I should have said, Mr. Chairman, as I started, I am submitting the entire text but in the interest of moving this on, since this is rather lengthy, I passed over one or two areas.

Senator INOUE. In this paragraph you indicated that the same tourist plant that services the needs of the domestic tourist must serve the foreign visitor as well. Do you agree or disagree with that statement?

Mr. WASHBURN. When I refer to tourist plant I refer to the facilities throughout the United States and I think they should serve both. This is where the national parks come in. Not only is it one of the greatest incentives to have Americans stay home and see America first, but it is one of the best showcases we have for people coming into this country.

Senator INOUE. It did not refer to an effort to control international and domestic travel?

Mr. WASHBURN. No, not as such.

Senator INOUE. I note that your testimony indicates that your agency should concern itself, for example, with air fare matters. Does the U.S. Travel Service now involve itself with the CAB's activities?

Mr. WASHBURN. Well, actually, the answer is yes, in a limited way. Secretary Stans very recently, although this is a neutral area for us, urged the CAB to extend the 6-month bulk fare rate which was due to end next March 31 for another 6 months. Our purpose in making this request was to give sufficient time to test out new and innovative air fare pricing systems. We think it is rather meaningless to have this measurement taken off season. So in that respect we do try to make our opinions known in those areas that hold promise of creating a mass market for travel to the United States.

Senator INOUE. Do you get involved in route cases pending before the Civil Aeronautics Board?

Mr. WASHBURN. Absolutely not.

Senator INOUE. Don't you think that would affect tourism?

Mr. WASHBURN. Well, I think at this stage of the game, particularly for me as an individual who is feeling his way into this travel field, I would rather keep my nose out from under that tent.

Senator INOUE. I should point out that you have been director now for only about 90 days.

Mr. WASHBURN. Yes, sir.

Senator INOUE. Some of the questions directed to you may be unfair because they relate to some of the activities of your predecessor.

Mr. WASHBURN. Mr. Chairman, I have asked my deputy, Mr. Will Arey, and the Director of our Research, Mr. William Dircks, to be here to answer just such questions that I may not be equipped to handle, and also I have some other division heads which I can call on.

Senator INOUE. At the present time is there any coordination among all these Federal agencies concerning their responsibilities on

domestic and international travel that have been mentioned by prior witnesses?

Mr. WASHBURN. I do not know that there is any specific official coordination, although I personally have met with the National Park Service, the USIA the CAB and others and I feel that we are making great progress in bringing our programs together. The heads of each of those agencies have offered me every cooperation.

Mr. DIREKS, for example, is now undertaking a very comprehensive matrix study which will list the agencies of Government and the projects on which they are working relating to tourism. We think this will be a meaningful first step in not only creating an awareness as to the mere number of Government organizations involved in tourism, but also providing the means to facilitate greater coordination among these organizations.

Senator INOUE. I believe in two sections of your testimony you refer to restricting the freedom of Americans to travel abroad. By restrictions, do you mean just financial restrictions or political restrictions?

Mr. WASHBURN. I myself was thinking only in terms of financial restrictions, such as a possible plane ticket tax. The President, the Secretary, and the Under Secretary have all said that we are going to hold the line on that right down to the last inch.

Senator INOUE. You reported that a major portion of your funds is now being spent for mass media advertising and sales promotion activities. Are these promotion activities outside the United States or within the United States?

Mr. WASHBURN. They are both, actually. The bulk of our advertising, nearly \$2.5 million last year, was spent in furnishing the ads all around the world to encourage people to come to the United States and in forming a very comprehensive and attractive travel kit, which was distributed in countries abroad.

You see, our strategy has changed somewhat. We no longer deal primarily with the public. The program has been constricted and emphasis has been placed on working with the travel trade. We have closed several offices and moved our offices downstairs upstairs to emphasize the new approach. The promotional budget of the visitors services division is spent on advertising and sales promotion in the United States. This promotion is something we take particular pride in because under the direction of Mr. C. P. Austin, as an example, a budget of \$100,000 has resulted in over \$10 million of cooperative advertising by industry. So, Mr. Chairman, we carry on advertising and sales promotion activities both within and outside the United States.

Senator INOUE. Mr. Washburn, I would now like to refer to various criticisms of the Travel Service. As I indicated earlier, I realize you have been in office now for about 90 days and many of these criticisms that are being leveled against your predecessors, but I would like to have your views, if I may.

One critique says that the U.S. Travel Service should be replaced by a new independent agency oriented toward balance-of-payment considerations. What is your feeling on that?

Mr. WASHBURN. My feeling on that is that it should be oriented to the balance of payments. Certainly we are making a concerted effort to do so.

As to the new agency to which it refers, I think it has been accomplished by the recent merger of "Discover America" and the National Association of Travel Organizations into DATO.

Under the wonderful leadership of Bill Toohey, working closely with me, I think the liaison, the coordination and the resulting power of this combination will accomplish what was meant by that criticism initially.

Senator INOUE. What are your thoughts on having an independent agency rather than being a subsidiary of the Commerce Department?

Mr. WASHBURN. For the Travel Service?

Senator INOUE. Yes.

Mr. WASHBURN. I think today, with the backing of the present administration from the President through the Secretary down to my level, that I would just as soon insist really on staying just where we are. I think we can do a fine job in our present capability as long as we can have the budget increased to permit us to carry out expanded programs.

Senator INOUE. Another analysis believes that the U.S. Travel Service does not concentrate on engaging the resources of private industry. What are your thoughts on this comment?

Mr. WASHBURN. Well, I am afraid this falls into the category for me of nothing being so futile as an effort to reconstruct the past.

I know for the future we are making every effort to work with industry and I have done this personally. I intend to speak with the chairmen of the boards or the presidents of many companies who are in a position to help us, and perhaps bring into this operation people who have not been involved in it before.

If that was a valid criticism I would agree with it. I do not know that it was, but we will certainly do everything on our part to rectify that.

Senator INOUE. Do you plan to get involved in the promotional programs of private industry in establishing a theme, as you mentioned in your testimony?

Mr. WASHBURN. I misunderstood you for a moment.

When I spoke of the subject of a national theme, I was referring to the need for a coordinated public-private approach to the problem of promoting the United States as a tourist destination. For example, during the design phase of our annual advertising campaign, we meet with the industry leaders to receive their views. If appropriate, we incorporate their views into our program. Once industry is convinced of the efficacy of our approach, than it has demonstrated its conviction through their participation in joint programs with us; through the use of our general theme in their campaigns; and, by substantial tie-ins of their own ads in publications in which we advertise. Through joint Government-industry efforts, we then are able to concentrate on particular sales targets. And through such concentration we are convinced that increased sales to the United States result.

Also, insofar as themes are concerned, our visitor services division works closely with industry and with the advertising council to establish a national theme regarding the role that Americans can play as hosts to foreign visitors.

As an example, all through July, you probably saw on the side of every mailtruck of the United States messages instructing our citizens

on how to be friendly and helpful toward visitors from abroad. We repeat these themes in contributed space in national magazines and on contributed time on television.

If we can do this ethically and practically, yes, we will do it.

Senator INOUE. Another criticism indicates that the Travel Service has dissipated a limited travel budget by undertaking too many promotional activities itself, activities which private industry could have carried out more effectively.

Mr. WASHBURN. Well, I think since this objection was made, the reorganization of USTS has occurred. We no longer have promotional activities solely directed to the public. We concentrate our efforts in a limited number of countries, where the balance of payments is of prime importance. Our programs, as I earlier indicated, are directed primarily toward the industry itself. These sellers of travel, in turn, deal more directly with the public.

Senator INOUE. I understand that past Government travel programs have not focused on and have not encouraged the purchase of U.S. products by visitors.

Mr. WASHBURN. As far as Canada not being considered in the past, I think that is a valid criticism and I am happy to say that one of the 12 new programs which we are embarking on and have embarked on right now is to enter Canada. I am happy to say that this has been with the warm cooperation of the Canadian tourism offices. By the end of this year we will be well in there with promotional programs and organizing programs with the Canadian tourist industry.

That second question you asked as a part of that—

Senator INOUE. The programs of the U.S. Travel Service have not encouraged the purchase of U.S. products by visitors.

Mr. WASHBURN. Well, I think that again is a little bit out of the travel bureau area per se. I would not care to comment on that.

Senator INOUE. Isn't part of the tourism business the use of our facilities, services, and products?

Mr. WASHBURN. Yes. Well, in that vein, I do not think that is entirely valid either as a past criticism. I believe that the average amount that people spend coming into this country is approximately \$400 each, and therefore that, of course, would include the purchase of products or services or materials in the United States.

Senator INOUE. A very influential Member of the Congress suggested that the U.S. Information Agency could well perform the functions of the U.S. Travel Service. What are your comments on this suggestion?

Mr. WASHBURN. Well, I have heard that before and being new in the field the first thing I did was to contact the head of USIA and ask him the same question. In addition I asked many other people the same question. I came to the conclusion that our goals are really entirely different.

The USIA, is really more concerned with foreign policy objectives, with representing the image of the United States abroad and knowing what foreign opinion is on the policies and official statements of the United States. The USTS is an agency organized specifically to market the United States as a prime travel destination.

Our job is to work with the travel industry abroad to motivate and encourage people to visit the United States. So in that vein I consider the two organizations unrelated and incompatible. I think neither the

task would be achieved by USIA nor do I think they would be willing to undertake it.

Senator INOUE. Going back to one of your responses, you indicated that your recent efforts are to deal with the private sector instead of directly promoting tourism with people?

Mr. WASHBURN. Yes, sir.

Senator INOUE. If that is the case, do you think the U.S. Travel Service is needed?

Mr. WASHBURN. Mr. Chairman, I said dealing with the private sector. It is necessary in our judgment, and Mr. Arey has been doing this for many years and I may call on him to help amplify this—it is very necessary that somebody aside from the private sector, such as the airlines and other travel groups, work with the travel industry abroad working with them on a broader scope and providing them with the necessary tools to sell package tours to the United States.

As far as we are concerned, the private sectors, the airlines and others, are most interested in filling their own seats. In some cases these organizations marketing job stops at the waters edge. But one of our functions is to encourage the trade abroad, sell tours that include places throughout all of the United States.

Would you care to have Mr. Arey amplify this?

Senator INOUE. This leads me to another criticism, that the maintenance of small travel offices by the U.S. Travel Service in principal cities abroad is not essential because they are too small to conduct an effective promotional program in a given market. Furthermore, it has been suggested that they duplicate what the private sector can and should be doing?

Mr. WASHBURN. In this case, Mr. Chairman, I would like to ask Mr. Arey to answer this because he has been with this since soon after the act put it into service.

Mr. AREY. Mr. Chairman, in stressing the change in our programming that has taken place to work with the travel industry abroad, I think it best can be expressed in terms of working more with the sellers of travel abroad.

As you pointed out, an earlier criticism of USTS was that it was trying to possibly do too many things in too many areas. In reassessing what we were doing in view of the resources at hand, the realignment that has taken place has established seven regional offices abroad with professional travel professionals in each office. These professionals are highly mobile in that they can travel throughout their region working with the travel trade providing them with the "hard information" that they need in order to sell travel within this country.

The retail travel agent and tour operators abroad have long been equipped to sell travel to the United States, but as far as promoting travel "within" the United States and equipping them to sell travel throughout this country it hasn't been done in the past, either by the Government or the industry, and that is where we are concentrating at the moment.

Senator INOUE. Sir, I note in your 1967 Annual Report that the USTS curtailed some of their program activities for budgetary reasons. For example, the U.S. Travel Service changed the status of its offices in Mexico City, Tokyo, and Sydney from travel information centers to trade contact offices.

Mr. AREY. Yes, sir. These offices were located in the heart of the capital cities on the street level where the public as well as the trade could come in for assistance in traveling to the United States, either getting information or planning a trip. It was found that with our resources we were spending too much staff time and fixed overhead expenses in these offices abroad to try to continue that service to the public, as badly needed as it is, at the expense of not working throughout the countries, throughout the key markets with the retail sellers of travel.

Senator INOUE. Are they still considered trade contact offices?

Mr. AREY. Yes, sir.

Senator INOUE. When these offices function as trade contact offices, are they promoting the same interests as they were when they were functioning as travel information centers?

Mr. AREY. Insofar as working with the trade, yes, sir; except that they are able to concentrate on the trade and do a better job.

Senator INOUE. The report of the committee when the International Travel Act of 1961 was presented to the Congress indicated that the U.S. Travel Service has an important noncommercial aspect to its activities and should not be involved in trade and investment divisions of the Department of Commerce.

By having trade contact offices, aren't you being involved in investment and business?

Mr. AREY. No, sir. Our activities do not extend into that area at all. This is to help the seller of travel know his product better and to realize that it is good business for him to sell travel to the United States sometimes over and above other destinations that he may now know better.

Senator INOUE. With respect to promoting foreign travel to the United States, how much marketing profile information do you have at the present time?

Mr. AREY. We have put together a reference library, so to speak. This is basic material of tariffs, information that can be used by the travel agent abroad in selling travel within this country. This is material that generally divides the United States into regions to encourage marketing the United States on a regional basis.

We have just completed the first part of a new tour manual that is being put together to represent what we think is the key tool needed by the salesman of travel abroad to sell travel within this country, whether it be by land, air, or sea. With respect to research, in addition to the basic reporting as to number of visitor arrivals to the United States, we have conducted several market profile studies of major market countries. An example of one of the current research projects is the development of a mathematical model designed to reflect visitor potential from the country as a whole and to identify key visitor segments within the country.

Senator INOUE. Is it reasonable to assume that in order to have an annual growth, in foreign travel to the United States of 15 to 18 percent, that the basic transportation fare must be significantly reduced from the present level?

Mr. AREY. Yes, sir. We feel that fare reductions will play a role in contributing to growth. However, it is only one of many variables affecting travel in the United States.

Senator INOUE. What role is the U.S. Travel Service taking to bring about the reduction in fares? Maybe Mr. Washburn can answer that.

Mr. WASHBURN. Actually, Mr. Chairman, nothing actively at this time except asking individual carriers to please adopt the most reasonable rates they possibly can, and as I indicated, the Secretary has interceded with the CAB to extend that bulk fare low rate situation to 1970.

Senator INOUE. Senator Goodell.

Senator GOODELL. Thank you, Mr. Chairman.

Thank you, Mr. Washburn, for your testimony. I would like to clarify several points that appear to me.

Your testimony on eight different proposals that are before this committee clearly favors five of them; namely, the matching grant program, the private contract, the technical expansion tourism to the United States, technical provision about the Government Printing Office, and increasing the \$4.7 million either to \$15 million or general appropriation.

Those are all provisions in S. 1289. S. 2143 makes several other suggestions. I think it is important to clarify the difference between the two major proposals made in S. 2143.

The first proposal is designed to make the Commerce Department the chief coordinator of domestic and foreign travel and in so doing sets up an Office of Travel Program Coordination in the Department of Commerce. The function of this office would be simply to coordinate the various Federal agencies involved in travel, and to coordinate the State and local agencies and the private agencies.

The Office of Travel Program Coordination would be functioning under the Secretary of Commerce to assist him in bringing about greater coordination of all our various travel promotion programs.

The second proposal is quite distinct. It is to set up a National Tourism Review Commission consisting of 15 members appointed by the Secretary of Commerce. This commission would do a thorough study and investigation of our resources in this area, projecting future needs that we will have, and making recommendations of the executive branch and the Congress. They are two very distinct proposals.

It is my understanding that at this time, although, having an open mind with reference to these proposals, feel that you would rather proceed under present law and try to coordinate these things informally. Is that correct?

Mr. WASHBURN. I would say so, Senator Goodell. I think Senator Javits alluded to this whole area as an organizational thicket and I think that under these circumstances this is the only practical course open to us. That is one reason why we are proceeding with this organizational project matrix—to have the necessary foundation to assume such a coordination role. I would simply say the USTS would be prepared and willing to assume its share of leadership and to be a motivating force in this whole coordinating picture.

Senator GOODELL. I respect your view and it may not be necessary that we officially as a matter of law make the travel service or the Commerce Department the coordinating agency, but it would appear to me that if it is necessary that one agency of the Federal Govern-

ment be empowered to coordinate this, it should be the Department of Commerce and the U.S. Travel Service.

When you list all the other agencies involved it becomes quite clear that none of them have a broad enough jurisdiction to be endowed with this kind of overall coordinating authority.

If I understand you correctly, you feel that it may not be necessary to give a single agency the authority of coordination. Nevertheless if such an agency is necessary to get full coordination, it seems to me that the U.S. Travel Service and the Department of Commerce would be the logical agency to do it.

Mr. WASHBURN. In consultation with the other agencies and with their agreement, I would certainly be pleased to accept that responsibility. I agree with your observation.

Senator GOODELL. It seems that the only provision of S. 1289 that you oppose is the incentive awards of merchandise to reward firms for exemplary work in this area. I would be interested in your expanding a little bit on why you oppose that.

Mr. WASHBURN. Well, this is an area which could present discussion and discord so I just thought we would bypass that.

If that provision were given I would insist that it be observed very ethically and in such a manner and under such restraints that no questions would ever arise. If you read past hearings of USTS you will see that in many instances, it was the minor points or points such as this one which were criticized the most.

I am much more interested in getting big new programs moving forward than getting involved in what would be a premium or incentive program. I would not outlaw it but it is not a high priority for us.

Senator GOODELL. I have such presumptive confidence in your administrative ability, Mr. Washburn, that I am sure you would not be petty or narrow in any discretion that you use in that area.

We do have precedent for this in other provisions of law, including various areas made by the Secretary of Commerce and by the President for companies who increase foreign exports and things of this nature. It appears to me that there might be some potential to recognize those who are doing exceptional work.

Mr. WASHBURN. Senator Goodell, if the committee would deem to include it in a bill I certainly would not object. If that were given us we would use it to the best of our ability.

Senator GOODELL. With reference to this question of the amount of money you need, I think it would be helpful if you would give us a broad outline of your \$15 million. How would you allocate it if you were accorded that amount of money?

You said you were going to make that a matter of record. Could you give us a broad outline of how it would break down?

Mr. WASHBURN. Yes, sir.

Senator GOODELL. Is it on the basis of \$15 million?

Mr. WASHBURN. It totals up to \$15 million. Would you like me to read off the headings and how much we spend on each?

Senator GOODELL. That will be fine.

Mr. WASHBURN. Market research, \$550,000; direct advertising, \$5 million; sales promotion, \$2.5 million; special interest travel, \$650,000; special promotions, \$1,150,000; editorial support, \$500,000;

State and city matching funds, \$1 million; Uniform Port Reception Corps, \$400,000; visitor services, \$500,000; offices abroad, \$2 million; and direction and management, \$750,000. I will make that a part of the record.

Senator GOODELL. Yes; that would be fine. I might indicate to you my own observation with reference to this. Often when we make a general authorization from the committee such as this and the Congress approves that general authorization, it is open ended. Frequently, less money comes out of the appropriations process than if we specify what we think is absolutely needed and authorize that amount.

I take it that you would like to get the \$15 million. Is that correct?

Mr. WASHBURN. We feel that will bring us up to a minimum optimum effectiveness.

Senator GOODELL. That is a very good description, minimum optimum.

In your outline of fund allocations, you said \$2 million for offices abroad. How many overseas offices do you have in the U.S. Travel Service now?

Mr. WASHBURN. We have seven overseas offices. This, of course, would cover all their operating overhead and programs and expenses.

Senator GOODELL. Seven overseas offices?

Mr. WASHBURN. Yes. Of course, they are professionally staffed offices ranging anywhere from four to eight or nine people, depending on the country.

Senator GOODELL. Coming back to the other question of the two provisions of S. 2143, and particularly the proposal for an Office of Travel Program Coordination, you indicate that—I think your language is:

In many respects in the eyes of those Federal agencies with responsibility for tourism development, these questions are already being grappled with.

You are undertaking various measures in your own office to inventory resources you have available.

I think the concern of this committee is that we give official endorsement and make an official mandatory requirement under law that this kind of thing be done. I do have great faith in your negotiating abilities but I do have some question as to whether you are not negotiating from weakness under the present situation. I would not ask you to answer that question because I recognize there are differences of opinion within the administration as to how this should be handled. At this point, I would simply like to state my feeling that if Congress specifically said—we want a single agency to be in charge of coordination; the coordination is of very high priority to us, and we do not think separate agencies meeting informally with independent jurisdictions can do the job—if we said this, then coordination would come and it would come more swiftly. In short, it is my feeling that no degree of determination, either to cooperate or coordinate, can do the job as effectively as it would if we specifically charged separate agencies with that responsibility and said, “Mr. Washburn and Mr. Stans, you are in charge of coordinating.”

Your testimony has been very persuasive in many ways, but I must tell you as a friend that you have not persuaded me on the particular point of program coordination.

Thank you.

Mr. WASHBURN. Perhaps time, hopefully a short time, will cure that problem.

Senator INOUE. Mr. Washburn, I was very interested to hear your analysis of how the agency proposes to spend the \$15 million. Can you tell us for the record how much the administration requested for the budget for this fiscal year?

Mr. WASHBURN. Yes. We requested \$6 million for this year against a present authorization of \$4.7 million. Just a few days ago we were authorized \$4.5 million, \$200,000 less than the authorized level, by the House Appropriations Committee.

Senator INOUE. So I presume you are hoping that the Congress would at least remove the current ceiling and establish a \$15 million ceiling. If you obtained a \$15 million authorization ceiling, would you still pursue the request for \$6 million or would you go all the way to \$15 million?

Mr. WASHBURN. It would be \$6 million for this year, but this would pave the way for our bringing ourselves to a position where we could compete with countries whose tourism budgets are many times ours yet they are only one-fifth or one-tenth of our size.

Senator INOUE. Mr. Washburn, I thank you very much and I wish to thank your staff for participation in this morning's hearings.

Ladies and gentlemen, we will resume our hearings at 2 p.m. in this room. I would like to announce that Mr. Norman Philion, Mr. Herbert Blunck, Mr. Bill Hensley, Mr. Charles Gillett, Mr. Charles Webb and Mr. Charles West, comprising the travel industry panel, will be the panel of witnesses beginning at 2 p.m.

Dr. Thomas Hamilton, president of the Hawaii Visitors Bureau and Mr. Geoffrey Orton who is testifying instead of Mr. Joseph Horan, director of the New York State Travel Bureau; Mr. William Patterson; Mr. William Toohey, chairman of the Discover America Travel Organizations; Dr. N. Danielian, president of the International Economic Policy Association; and Mr. Somerset Waters, president of Child & Waters Inc.

Thank you once again.

(Whereupon, the committee recessed at 12 noon.)

AFTERNOON SESSION

Senator INOUE. We will now resume the hearings.

This committee hopes to hear the remaining witnesses this afternoon and since there are a number of them I would hope that each would keep his testimony as succinct as possible, yet touch upon the salient points. However each statement will be printed in its entirety in the record.

I would like to announce at this time that in view of the testimony heard this morning, it is the intention of the Chair to ask the Department of Interior to appear before this committee when Ambassador McKinney testifies.¹ After that the committee may also wish to hear

¹The committee subsequently requested written testimony from Ambassador McKinney and the Department of Interior. The reply of the Department of Interior appears at p. 128. As of the printing date the committee has not received the requested testimony of Ambassador McKinney. When it does the material will be placed in the committee's files.

again from the Under Secretary of Commerce. I would like to now call upon Mr. Philion, Mr. Blunck, Mr. Hensley, Mr. Webb and Mr. West, the Travel Industry Panel.

Gentlemen, the committee is most grateful to you for taking this time to assist us in this very important matter.

STATEMENT OF NORMAN J. PHILION, VICE PRESIDENT—TRAFFIC, AIR TRANSPORT ASSOCIATION OF AMERICA; ACCOMPANIED BY HERBERT C. BLUNCK, SENIOR VICE PRESIDENT OF THE HILTON CORP., AND PRESIDENT-ELECT OF THE AMERICAN HOTEL AND MOTEL ASSOCIATION; BILL HENSLEY, DIRECTOR, TRAVEL AND PROMOTION DIVISION, NORTH CAROLINA DEPARTMENT OF CONSERVATION AND DEVELOPMENT; CHARLES GILLETT, EXECUTIVE VICE PRESIDENT, NEW YORK CONVENTION AND VISITORS BUREAU; CHARLES WEBB, PRESIDENT, NATIONAL ASSOCIATION OF MOTOR BUS OWNERS; AND CHARLES WEST, PRESIDENT, AMERICAN SOCIETY OF TRAVEL AGENTS

Mr. PHILION. Thank you, Mr. Chairman.

Senator INOUE. Please proceed.

Mr. PHILION. Since you have introduced the members of the panel I will not introduce them again for the record but I would like to state that one of our colleagues, Mr. West, president of the American Society of Travel Agents, is unable to be with us today.

Since we are speaking for several segments of the travel industry, I would like to read our statement since it represents the views of six different groups.

Senator INOUE. Very well.

Mr. PHILION. We greatly appreciate the opportunity to appear before the committee during this most important consideration of the program and the needs of the U.S. Travel Service. We hope this method of presenting testimony for a number of different travel industry interests will demonstrate the unified support which our Government's travel program enjoys, and will reflect our joint interest in finding ways to make that program even more productive. Each of us has been closely associated with the U.S. Travel Service for a number of years and the members of the panel will be pleased to participate in the discussion of any questions of the committee.

These hearings, in our opinion, are of great national significance. They represent the first detailed exploration of our national travel policy since this committee undertook the thorough study and extensive hearings which led to the enactment of the International Travel Act of 1961. Moreover, these are the first hearings dealing with actions to increase travel to the United States since restrictions on American travel abroad for the purpose of alleviating the chronic balance-of-payments problem were proposed to, but unfavorably considered by the Congress early last year.

We would like to state that the industries and interests we represent fully subscribe to the view apparently held by most Members of Congress and by the vast majority of Americans that positive, rather than negative, action is needed to improve our international travel posi-

tion. Accordingly, we have fully supported, and continue to support the endeavors of the U.S. Travel Service to better serve the Nation by developing more travel to this country, and we wholeheartedly endorse proposals to increase the level of appropriations authorized sufficient to permit the immediate implementation of a \$15 million annual program for the purpose of providing a more realistic means of fulfilling that responsibility.

I would like to comment at this point, Mr. Chairman, that we are supporting here a minimum program without getting into the specific details of the program as outlined by Mr. Washburn this morning. We think there is need for some further considerations on an administrative basis of some of the allocations he mentioned within the \$15 million program.

The travel industry of the United States will continue to bear its responsibility to promote increased travel to this country. It is in its own interest to do so. But we submit that a far more productive total effort—an effort measured in terms of results comparable with other progressive travel destinations, and in terms of substantially improving our international travel position—additionally will require an immediate expansion of the program to the level being recommended by the U.S. Travel Service.

The many social, cultural, educational, and political benefits of travel are well recognized and require little in the way of authentication from us at this time. But the economic importance of travel requires special attention since it is directly related to questions involving travel promotion program needs, objectives, costs and overall economic benefits.

The magnitude of U.S. travel economics is reflected in part by the estimated total of \$43.3 billion spent in 1968 by Americans for travel in the United States and abroad—\$38.6 billion in domestic travel spending, and \$4.7 billion in spending for international travel. Our receipts from the expenditures of citizens of other countries traveling to and within the United States amounted to slightly over \$2 billion raising the total of expenditures for U.S. travel products and services in this country to nearly \$41 billion last year. That bare figure, of course, does not reflect the very substantial, additional economic impact of direct and indirect American employment provided by travel and travel-related products and services, or the Federal, State, and local taxes accruing from travel expenditures in this country, or the significant multiplier effect of such expenditures.

What we are primarily interested in today, however, is the extent of spending by citizens of other countries visiting here, whether that level of spending can be substantially increased by an accelerated Government travel promotion program, and whether, aside from other compelling reasons, the investment required to conduct such a program and to achieve such an increase can be justified on a cost/benefit relationship.

We are not unmindful of the fact that the difference between what we earn from foreign visitors and the amount of American travel dollars going abroad—about \$1.9 billion last year—has a significant impact on the U.S. balance of payments and the strength of the U.S. dollar. The industries and interests we represent are concerned, as they should be, about this problem since economic stability is of vital

importance to their well-being. And in acknowledging that concern, and recognizing the same concern of others, we face squarely the basic national interest question of how best to bring our international travel account into better balance.

We are convinced first, that the rate of growth of foreign visitor expenditures in this country can be increased to reduce the so-called travel deficit substantially; second, that the key to such growth is an immediate expansion of the travel promotion program of the U.S. Travel Service; and third, that the total national economic benefit of these increased expenditures justifies the program expansion investment required.

Since the establishment of the U.S. Travel Service in 1961, receipts from foreign visitors have been increasing at an average annual rate of about 9.4 percent. This represents a very creditable rate of growth, one comparable with many competitive destination countries. And it exceeds, for example, the 6.9-percent growth rate of our merchandise exports. Nevertheless, several other competing country destinations with expanding travel promotion programs and dedicated effort are achieving travel receipt growth rates of over 15 percent. We believe this country is fully capable of matching that effort and achieving that result.

We have the entire world to draw on for customers. Last year some 97 million people spent over \$19 billion on travel outside their countries making tourism the largest single item in world trade. Many of these people, certainly many more than are coming here now, have the means and the opportunity to visit us, and they can be persuaded to do so through a combination of increased governmental and private industry endeavor. We have a travel product offering enough variety to suit any need. The thousands of different visitor attractions and events of our 50 States afford an almost unlimited marketing opportunity. We lead all of the world in our technical ability in the fields of advertising, promotion and sales management.

The various elements of the travel industry represented on this panel are fully prepared to cooperate with Government, as they have in the past, in the necessary increase of promotional endeavor. And we are prepared to raise our own sights in line with any expanded Government program. But we believe a first order of business in the task of increasing our foreign visitor growth rate above the present level ought to be the establishment of a target, since a more precise national goal is needed in order to determine the scope of that task and its cost requirements.

The several industries and interests we represent believe the target should be an increase in the rate of growth of our foreign visitor travel receipts to 15 percent annually. Such a growth rate would increase our earnings by about \$115 million the first year and, compounded annually, by over \$1 billion within 4 years. To achieve this rate of growth and to maintain it, we believe the following actions will be necessary and merit your consideration:

1. Section 6 of the International Travel Act of 1961 should be amended so that amounts authorized to be appropriated to carry out the objectives of the act will be sufficient to permit as early as possible promotional and related program expenditures at the level of at least \$15 million annually;

2. The appropriation authorization contained in section 6 should be sufficiently flexible to permit an annual expenditure level of up to \$30 million consistent with the need for future program expansion to meet the increasingly heavy worldwide competition for travel earnings which can be anticipated;

3. To obtain maximum promotional effect, legislative means should be established to allow making full use of the travel promotion resources and talent available to Government and industry at both national and local levels. To accomplish this, a nonprofit organization, such as the Discover America Travel Organization, or some comparable body, could be utilized on contract basis to develop and coordinate very effective and powerful promotion programs to attract foreign visitors; and,

4. To help finance the operation of promotional programs conducted by States, combinations of States, and individual cities or communities aimed at the foreign visitor market, legislative provision should be made for joint Federal/local participation projects with the use of funds authorized in amended section 6 of the 1961 act. Such projects should be provided for on the basis of up to 80-percent Federal financing and the appropriate legislative provision establishing this authority should provide for promotional development and coordination by the nonprofit organization under contract with the U.S. Travel Service.

This proposed three-tiered structure designed to carry out a program to increase travel to the United States is recommended in the light of observations of some of the difficulties presently experienced in promoting the entire United States as a single travel destination. Past and present promotional efforts have been, and continue to be patterned essentially after those of geographically smaller countries with comparably fewer and much less diversified travel attractions than this country. And such programs have been seriously limited by the inadequacy of United Travel Service budgets. But even with increased promotional funds, the United States is so large and so diverse as a travel destination that it is becoming increasingly difficult to promote and market as a single entity.

We believe that the various regions of the United States must project their own individual characteristics and attractions to foreign visitors. Ten different regions all striving to attract, and competing for visitors, just as 10 different European countries, for example, all work to attract Americans, will certainly have a far greater impact on, and will attract more visitors than a single campaign through a single source which must try to represent the country as a single destination. There is at the grass roots of this country an abundance of local loyalty and enthusiasm which somehow loses its impact on being filtered through a single, limited channel. And our States just cannot make the promotional impact abroad which is so essential to a successful national program without help of the kind provided for under the proposed joint participation projects.

In almost any single U.S. magazine or newspaper today advertising from as many as 20 different European countries can be noted. On the other hand, we are fortunate to see from time to time one advertisement placed by the U.S. Travel Service in a European magazine because of promotional funding limitations. But if this could be

supplemented by 10 other advertisements from the different States and regions through joint participation projects, the impact on the potential market would be vastly increased.

The same principle applies in the areas of sales promotion and public relations. Each of the European countries, for example, conducts groups of American travel agents and travel writers on familiarization and educational tours. These tours are vital to the successful selling of a particular travel destination and those who take them are able to concentrate their attention on a geographical area small enough to be understood, and thereafter, to be effectively marketed and promoted. We could do this equally effective for a region of the United States. But when we try, as we now do, to show our entire country, we present an experience which is sometime so overwhelming as to be nearly incomprehensible.

We have noted with considerable interest the various provisions of S. 1289 and S. 2143. Each contains a number of amendments to the International Travel Act of 1961. We can support wholeheartedly the general objectives of these bills. For example, S. 1289 would make possible, for the first time, Federal support of promotional activities of States and combinations of States or political subdivisions. We believe this to be a key to increasing the impact of Federal funds allocated for travel promotion.

We question, however, the general philosophy of "matching funds" as such in the area of joint travel promotion. In many cases, we believe it will be difficult to achieve joint participation on a "matching" basis. States generally have available to them already more matching fund opportunities than they can take advantage of within their existing budgets. In travel promotion, a State can achieve the greatest return for its promotional expenditure by concentrating its efforts with an adjacent area of 500 miles. A matching fund offer under this circumstance often would be considered, in our opinion, too high an investment in terms of direct benefit to the State. For this reason, and in view of the importance of active State and local participation in the national program, we would urge that the matching fund provision of S. 1289 be revised to provide for joint projects on a formula which permits participation on a basis of up to 80-percent Federal financing.

The other amendments contained in S. 1289 are designed to meet some of the administrative problems encountered by the U.S. Travel Service in carrying out its program. We are in agreement with the need for these changes and would urge their adoption.

We are particularly pleased to see the provision contained in S. 2143 which would establish a National Tourism Resources Review Commission. This was the method followed in establishing national policy concerning outdoor recreation where a similar commission contributed the basic research and guidelines needed by Congress. The establishment of such a commission to review our tourism resources and to recommend policy has our full support.

S. 2143 also recommends the establishment of an Office of Travel Program Coordination with the Department of Commerce. We agree with the purpose of this proposal but we suggest that this consideration be made a part of the review to be undertaken by the Commission.

We would suggest that our recommendation to provide for sufficient appropriation authorization flexibility in section 6 of the 1961

Act to permit future U.S. Travel Service program expenditures up to a level of \$30 million annually be viewed in the context of the overall cost/benefit relationship as applied to the entire cross-section of the national economy. As a result of such programs, increasing numbers of foreign visitors will be spending increasing amounts of money for American products and services at growth rates far in excess of the amount of national investment required. The Federal, State, and local taxes on these newly generated earnings alone will more than offset the increase in Federal expenditures.

The industries and interests we represent wish to emphasize that we are not here seeking a form of financial assistance for the travel industry. On the contrary, the national interest requires, in our opinion, a program of the magnitude suggested since the benefits of increased travel to this country accrue to all segments of the population, and the program itself is necessary to meet a number of national objectives including those involving our balance-of-payments position.

We believe the remarkable increase in travel to the United States over the past decade testifies to the effective endeavors of the U.S. Travel Service and the travel industry working together. We will continue to do our utmost to make these endeavors more productive. We fervently hope, however, that the committee will favorably consider what we believe to be the urgent need for a restatement of national policy which recognizes the major role required to be played by the Government.

Mr. Chairman, that concludes our statement, a statement which focuses on, as you will have noted, an overall national concept. The panel, however, is prepared to comment on and answer any questions the committee may have about, what travel industry is doing and what we are prepared to do.

Thank you very much.

Senator INOUE. I thank you very much. I have a few questions that I would like to ask which may be answered by any member of the panel. Would it materially aid the private sector of the travel industry if a single Government agency would have the overall coordination of responsibilities?

Mr. PHILION. I can start off by saying I think it would, and I would be delighted if any member of the panel would care to comment on the matter.

Senator INOUE. Apparently there is some disagreement in the administration at this time. I hope it will be settled. Do you think that the Commerce Department is the proper agency to handle this or the Department of Interior?

Mr. PHILION. I would say the Commerce Department is the proper location. If adequate coordination within Government can't be developed, the Commerce Department might want to look to see what change in philosophy might be required.

Mr. BLUNCK. I would say Commerce.

Senator INOUE. On page 6 of your testimony, you state that private industry is prepared to increase its promotional endeavor in line with any expanded Government program.

We have no indication at this time whether Congress will support these measures. If we fail in the Congress, and the Government does not expand its program, will the travel industry still proceed to increase its endeavors?

Mr. PHILION. We did not mean to imply or infer that we would act only if this particular legislation is considered. Naturally, we hope you give favorable consideration to the proposals before you.

I can speak only for the airlines and last year our promotional endeavors abroad in media advertising alone were increased some 53 percent without any change at all, really, in the direction of the national program.

We are increasing this year under the same circumstances. But I think an effort by the Federal Government to move in a more productive manner in a larger program will certainly encourage other segments. This is a big industry, and it would certainly encourage these other segments to also contribute to increased promotion, selling, and marketing of travel to the United States.

Perhaps some of the other gentlemen would care to respond.

Mr. GILLET. There seems to be the same difficulty that there was many years ago, in organizing any promotion long before the Federal Government established the U.S. Travel Service, which was that the community felt the only beneficiaries were the hotels and restaurants, and accordingly they should put up all the money. This has long been established that the department stores, practically every segment of the community benefits from visitor business. As a matter of fact, even in New York City today Mayor Lindsay is very much interested in our work if only because it applies so importantly to the labor force.

So that it affects the entire community and not just one segment. However, in trying to raise funds, you run into this difficulty. It is so easy to escape responsibility. The Federal Government even more so than a small community.

So, for that reason it is necessary, since the entire country is benefiting, every citizen, practically, the entire country should be putting up the funds.

This applies in New York City, Chicago, any other areas. This actually is what has held back the travel industry for many, many years. It has never really achieved the importance it should have, particularly with regard to the State governments. The budgets that most of the State governments have is ridiculous in comparison to the volume of business that is available.

I think your State certainly has been in the forefront, has shown a remarkable example of putting up a great deal more money than many States its size, and it has led the way in many ways, but most States are far behind that.

Senator INOUE. Do you have any statistics available to indicate to the committee as to what the 50 States are now spending for international and national tourist promotion?

Mr. HENSLEY. I believe I can answer that. In 1968 their media advertising budgets totaled approximately \$8 million for the promotion of foreign and domestic travel.

Senator INOUE. These figures are for the 50 States?

Mr. HENSLEY. Yes, sir.

Senator INOUE. In your testimony here, you indicated that you would like to have the U.S. Travel Service concentrate primarily on promotional activities. What do you mean by that statement?

Mr. PHILION. The kind of activities, Mr. Chairman, that would both

harness the endeavors of the private sector and point directly at the travel market. We mean the kind of media advertising promotion that is conducted in this country so successfully by most other countries of the world. We mean both direct advertising and promotion, and working through and with the private sector.

Senator INOUE. It has been suggested that the private sector of the travel industry would be better able to handle these promotional activities and that the U.S. Travel Service should concentrate its efforts in providing information that the private sector would need to carry on their business.

Mr. PHILION. We don't go along entirely with that suggestion. We do believe, however, that Government programs can take better advantage of the talents, resources, and expertise in travel advertising and promotion which is available in this country by contracting for a greater proportion of the development responsibilities and promotional responsibilities under any larger program.

We believe, however, there is a distinct role for the U.S. Government to play in direct promotion and advertising.

Senator INOUE. Your testimony would indicate that the U.S. Travel Service has done very little advertising in foreign countries. How would you rate this advertising?

Mr. PHILION. We think very highly of the kind of advertising that has developed over the years. The current program is a good one, we think. It is an effective one. But it is far short of what it should be, in our opinion. And as a result of limited funds it has of necessity, as we indicated in our statement, to be rather broad in approach. And, therefore, it is not as totally effective, or as effective as it could be.

Senator INOUE. You also indicated that the U.S. Travel Service does very little advertising in certain European magazines. Would you tell me to what extent the private sector advertises in for these magazines?

Mr. PHILION. I can only speak for the airlines at this point, Mr. Chairman. Perhaps some of the other panel members would supplement what I say. The U.S. scheduled airlines will spend in the neighborhood of about \$18 million outside the Western Hemisphere this year in media advertising alone to promote travel to the United States.

That, of course, represents the expenditures of several companies, some 27 airlines, the bulk of which is expended by the four U.S.-flag airlines with direct service abroad.

But, nevertheless, even the smaller regional domestic carriers are participating in these promotional efforts abroad. These efforts are distributed through a number of countries, but it is an amount which can be favorably compared to that of the U.S. Travel Service and is not going to be replaced as was suggested a few years ago. It was then suggested that when the U.S. Travel Service began its operation the airlines would cut back on its promotional endeavors. They have not. They have been increased almost 100 percent.

Senator INOUE. Under the present law would it be feasible for the U.S. Travel Service to carry on the regional type of promotion that would justify your testimony? The U.S. Travel Service now promotes the United States as an entity and you appear to be suggesting that this promotion should be done on a regional basis. Can this be done without any amendments to the International Travel Act of 1961?

Mr. PHILION. I don't believe so, because of the lack of authority for grants in aid, matching funds, or joint participation. I would like to ask Mr. Hensley or Mr. Gillett to be a little more specific about the real needs in this area.

Mr. HENSLEY. I would comment of the \$8 million the States spent last year, that probably less than half a million was spent by the 50 States combined for international travel promotion. Therefore, some sort of joint project with the Government is vital to us. For example, the State of North Carolina, and we are one of the leaders in promoting foreign travel, spent only \$20,000. So you can imagine what some of the States spent. So, therefore, the States have not spent considerable funds to promote foreign travel the way they should. But a joint promotion with the U.S. Travel Service would be a vital necessity for us.

Mr. GILLETT. In regard to the regional promotion I think we have to recognize the political factor of the U.S. Travel Service with the pressure that can be brought to bear upon them by the various Members of Congress regarding their various districts. I don't think we should make light of that.

I think it is very difficult for Mr. Washburn and his staff, let's say, to ignore some area that perhaps should be given a little attention. The political pressure that can be brought to bear is substantial. When the program first started I felt that the Statue of Liberty was given the same attention as the American Indian was. The American Indian is important, but as far as its stimulus to travel doesn't have the impact as the Statue of Liberty or the Capitol in Washington.

It is very difficult for them, and I don't think they should be made to bear that type of pressure.

Senator INOUE. I must admit that the few advertisements I have seen seem to give regional emphasis, such as the Statue of Liberty, and the Capitol dome, I believe I, also saw an advertisement for the Yellowstone National Park.

Mr. PHILION. There has been a change. The current program is more along that line, but certainly not to the extent of being anywhere near adequate or extensive enough. To follow up on Mr. Gillett's remarks, the very existence of the kind of problems he pointed out, I think, substantiates the need for legislative authority for undertaking a regional program.

A regional program well done would be much easier in the long run than trying to do what we are doing now, or what was done earlier to promote a single entity.

Senator INOUE. I gather from your testimony you believe that your relationship with the U.S. Travel Service has been good?

Mr. PHILION. Yes.

Senator INOUE. Then you do disagree with the criticism which has been leveled against the U.S. Travel Service by Ambassador McKenney's report.

Mr. PHILION. Many of us in this room worked with that commission during its existence, but we don't agree with some of the findings and conclusions. There are and should be criticisms of a program of this kind. I don't think this is the time to enumerate them, but we don't go along with most of those criticisms reflected this morning.

We think within the very limited resources available to the Travel

Service that a fairly effective job has been conducted. We think it can be improved.

Senator INOUE. Do you believe that the U.S. Travel Service is now beginning to tap the resources of private industry?

Mr. PHILION. I think they have all along fairly effectively. I think you can trace the change in the attitudes and marketing directions taken by individual companies and corporations to the beginning of the U.S. Travel Service program, to the increases in their marketing appropriations.

Senator INOUE. Can you comment on the suggestion that the U.S. Information Agency can perform the functions of the U.S. Travel Service?

Mr. PHILION. I share the view myself, Mr. Chairman, that was expressed by Mr. Washburn this morning. I don't think the U.S. Information Agency is the proper body for this work, and I would like to ask any other member of the panel to comment if they would like.

Mr. HENSLEY. I would agree with Mr. Philion and Mr. Washburn that the USIA is not in the same position to do the work the U.S. Travel Service does.

Mr. GILLET. When you think of the tremendous amount of money that USIA has, it is too bad that some of that money can't be channeled to getting more people from abroad to visit the United States as part of improving our image. The amount of money is naturally important, but it is too bad that some of that money can't be earmarked toward people visiting the United States.

Senator INOUE. I know you are in charge of the New York City Visitors Convention Bureau. Are national conventions a major source of income for the United States?

Mr. GILLET. It is a major potential source. Right now the United States is getting only about 5 percent of the international convention market. This is for many reasons, going back to the restrictions on visas, the high cost of traveling and so on. There is no reason why with greater effort that can't be increased to 10 and 20 percent. Especially so in view of the fact that we have gotten so little of the market.

I think it can be increased considerably.

Senator INOUE. The State of New York is a major destination point for many foreign visitors, can you tell us how much your State is spending for promotion of foreign visitors' program?

Mr. GILLET. Well, the State, I believe there is a representative here of the State who can tell you exactly what it is. Whatever it is it is very small.

Mr. HENSLEY. For advertising only the State spends \$673,000.

Senator INOUE. What did the city spend?

Mr. GILLET. About \$50,000 altogether for all costs. It is difficult to break that down because some of it is wrapped up with our domestic promotion as well.

Senator INOUE. I notice the senior vice president of the Hilton Corp. Would you advise us how much the hotel industry is spending on mass media advertising?

Mr. BLUNCK. No, I do not have a figure, sir. The entire industry?

Senator INOUE. No, just your hotel corporation.

Mr. BLUNCK. I think we do it differently to encourage foreign travel. We do have a division of Hilton International and a sales rep-

representative in London who covers continental Europe. He makes calls to the travel agents and tourist commissions of the various countries. We have a referral from each of our hotels in Europe and the other parts of the world, and that is what we depend on.

I couldn't give you the exact figure in advertising dollars.

Senator INOUE. I notice Mr. Webb is here from the Motor Bus Owners. Bob, what percent of your business would be foreign visitors?

Mr. WEBB. I am not sure, Mr. Chairman. I would like to supply that for the record. I know it is a very small fraction of our total business. As a matter of fact, we have only two companies which are large enough to justify a promotion effort abroad to get foreign visitors to come to the United States, but there are several hundred bus companies who would benefit from promotional efforts by the Travel Service and who participate in the \$99, 90-day bus fare. That was instituted about 7 or 8 years ago. I believe at the suggestion of the U.S. Travel Service.

Senator INOUE. In general, can I conclude from your testimony this afternoon that you are satisfied with the service rendered by the U.S. Travel Service?

Mr. PHILION. In the light of their budget and in the progress made over the last 8 years, yes. Satisfied may be a question of semantics, we can see now where there can be some improvements under the current levels of funding and Mr. Washburn has undertaken several new programs which we think are going to be helpful.

But again the problem in our view is the limitation on the kind of program that the Service can undertake as compared to what is needed.

Senator INOUE. Would I be correct to conclude from your testimony that a significant portion of the growth in this business has been due to the efforts of the U.S. Travel Service?

Mr. PHILION. The combined efforts of the Travel Service and industry working closely together, yes.

Senator INOUE. Do you have any further comments, gentlemen?

Mr. GILLET. Well, the McKinney report, in which I served on the committee, indicated the use of a private agency to handle a great deal of the administration and so on. I subscribed firmly to that. I believe in the U.S. Travel Service. I worked with it all these years, and I believe the only way it will operate effectively is by separating it to give it more freedom. I think the same way the Post Office Department is now considering setting itself up as a corporation within the government or similar to, let's say, the Port of New York Authority as a quasi-governmental authority which is not in any way controlled or hampered or hamstrung.

I think they made tremendous progress which they would not have been able to make otherwise. Even going back to such trivia—to the cuff links that so much was made of a few years ago which was an absurd idea. They should be giving much more expensive gifts.

I can see where they might be giving automobiles away. As a governmental agency they can't do that, but it might be well for the entire government to do that and they can only do it as a direct governmental agency.

Senator INOUE. I am certain you know that we have several branch offices throughout the world. Do you feel these offices are working well enough, giving us our money's worth?

Mr. PHILION. Well, here again, I think the members of the panel may want to comment. Mr. Hensley has been directly involved in some of them. With the cutback of funds we realize some changes had to take place. The result was removing some locations from street level offices to second story offices.

As a result of the move they have been more effective in working with the trade. Some of us feel, however, these street level offices did provide a useful public service in the country in which they were located, as do the foreign travel offices on Fifth Avenue in New York.

Mr. HENSLEY. I have had an opportunity to visit nearly all of the travel service offices overseas and have worked closely with them. The USTS agency for the States overseas. Understandably, most of the States cannot afford to have offices overseas, so the U.S. Travel Service does the job for them. We work closely with them. And we cooperate in many, many ways. I would say they have done a very effective job in working for the 50 States overseas.

Mr. BLUNCK. I would like to speak to that, too. I can certainly speak for the industry in thanking the USTS for the support they have given to follow up on what was originally the people-to-people program. The people-to-people program was concerned with the visitors services of the USTS and that Department has followed up and provided, I think, the inspiration for the innkeeper who wants the business to provide the employee who is multilingual and also provide for the use of sign language in the airports and hotels throughout the United States.

I think the sales pitch or cooperation that the USTS has given, you find now not only in the Hilton Hotels, but other hotels, Knott, Pick, Western, and International all carry the ball with salesmen in the countries promoting travel to the United States. Not so much for the individual but the group business that he can get for a smaller dollar than he would get for spending it on the individual traveler.

I know the McKinney report will show you the cooperation that has been given by the hotel industry as to rates that would be attractive to foreign visitors.

Also the guides that the USTS and the people-to-people program have put out. Also the hotel industry. The multilingual situation. What the services are in the hotel and how to use them and they are printed in five different languages including Japanese, Spanish, German, and French.

I have known Mr. C. P. Austin for a long time. We thank him for his cooperation.

Mr. GILLET. We always found the U.S. Travel Service cooperative. We haven't always agreed with their policy, though. We regarded and told the U.S. Travel Service that their attitude toward promotion of travel in Canada has been nothing short of asinine. They have changed their mind about that and I understand from Mr. Washburn that they are going into Canada. Their not going into that market is really kindergarten treatment of this important market, but they blithely ignored it.

In general, as far as the people in the USTS, we worked very well with them, and they have always cooperated.

Senator INOUE. I am most grateful to you and on behalf of the committee I wish to thank you for spending this time with us.

Your statements and your testimony will be most helpful to us.

Thank you very much.

Senator INOUE. Our next witness is Dr. Thomas Hamilton, president of the Hawaii Visitors Bureau.

Dr. Hamilton, we are pleased to have you to testify before this committee as president of the Hawaii Visitors Bureau.

Please proceed.

STATEMENT OF THOMAS H. HAMILTON, PRESIDENT, HAWAII VISITORS BUREAU

Mr. HAMILTON. Sir, my primary mission, as I understand it, is to describe the way in which the Hawaii Visitors Bureau operates.

The Hawaii Visitors Bureau, usually referred to as HVB, is 66 years old. Thus it is the oldest such agency in the Pacific and one of the oldest in the world. Legally it is a private agency, but inasmuch as it spends State money, perhaps its actual status is better described as quasi-private.

It is governed by a board of 21 directors elected by various segments of the industry and at large. No State officials are members of the board. All of the islands are represented. The board selects a chairman who appoints board committees to insure industry involvement with the primary functions of the bureau.

The professional staff is headed by a president who is selected by and responsible to the board. He has four department heads reporting directly to him—a vice president for marketing, a vice president for finance, a director of public relations and promotion, and a director of membership.

The bureau's budget for fiscal 1970 is approximately \$2 million. Of this about three-fourths is furnished by the State of Hawaii, the balance comes from private industry where memberships range from \$25 to \$20,000 a year. It might be of interest to this body to know how the State of Hawaii deals with HVB vis-a-vis the State-appropriated money. The money actually is appropriated to a State department, the department of planning and economic development. A contract is then negotiated and signed between that department and the HVB. It is by means of this contract that the State can exert such controls as are held to be necessary. Following this, subject to the provisions of the contract, the bureau operates with the flexibility of a private agency.

It is this blending of public and private effort, I think, that accounts for the success which has attended the bureau's efforts. And the Hawaii visitor industry has been successful. In the last 15 years it has grown from 91,289 visitors to an estimated 1,400,000 this year.

The private sector contributes to the effort a great deal more than money. Its expertise and the expertise of its mainland affiliates are used by the bureau to good effect. By participating with the bureau in a coordinated advertising program, we are able to finance an effort far more costly than State government could by itself finance. And such a program is geared to the total benefits of the industry. The State profits, of course, by maintaining a healthy economy and an expanding source of tax revenue.

The Hawaii Visitors Bureau is acutely aware that it will be successful only if it concentrates on serving as a catalytic agent. We simply do not have the resources to do the whole of the job by ourselves. But by providing a research base, developing some new ideas and gaining the cooperation of the industry, fairly massive attacks on problems can be made.

If I may cite a few examples of this catalytic role. We still have in Hawaii something of a seasonality problem. To approach a solution to this we first identified our 12 most productive metropolitan areas based on the research data available to us. We then did a study of the leadtime necessary in each of these areas to produce business in a given month. Then in cooperation with our advertising agency developed the creative approach. At this point we enlisted the aid of the carriers, the hotels and others in the private sector. They joined with us and thus we were able to develop a preprint which reached the right people, in the right place at the right time.

The advertising costs to the State of Hawaii—HVB were about \$150,000 but with this expenditure we had achieved a coordinated advertising impact of well over a million dollars. And our research, and we place heavy reliance on research, permitted us to use the more economical rifle instead of the more costly shotgun.

Another example of the catalytic function is the development of what we call our markets of opportunity. Our research department has identified certain metropolitan areas which have the same relevant characteristics—disposable income, education level, travel proneness and the like as do our more productive markets but which do not produce much business for Hawaii. These areas are our markets of opportunity for new business. The HVB does not have the resources to then exploit these markets, but the data are made available to our members for their use in marketing.

What I have said thus far implies what is the fact, that the marketing and promotion of Hawaii's visitor industry is our primary function, but it is not our only function. We also have programs concerned with visitor satisfaction, convention solicitation, membership, the special needs of the foreign visitor, the administration of certain aspects of the Hawaii rest and rehabilitation program, and long-range planning.

The bureau presently operates eight offices—four in Hawaii and four on the mainland—New York, Chicago, San Francisco, and Los Angeles. I have just returned from Asia where I took the first steps toward opening our Far Eastern office which will be located in Tokyo. We are contemplating some 2 years hence opening our 10th office in Australia. We have considerable confidence in the potential of the Pacific market.

While obviously our primary concern is for tourism in Hawaii, we have—as time and the possibility of arranging financing permit—exported expertise in the Pacific. The study which is now serving as a principal guide to the development of Taiwan's tourism was produced by HVB. We shall this year conclude our work on a contract with Tahiti designed to assist with their marketing program.

The Bureau also serves from time to time as a training ground for Government tourist office personnel. Thus the present director of

tourism in Singapore served an intership with us, and two of the top officials of Taiwan's tourist office are alumni of the HVB.

As our time and personnel have permitted, the HVB has cooperated with the "buy America" program of the U.S. Department of Commerce. We have participated over the past several years in promotional programs in the Netherlands, Belgium, Sweden, Switzerland, Spain, Japan, and Hong Kong.

If I may now turn my attention to the second question which was posed to me which involves how does the United States attract more visitors from the Pacific. I received my invitation to appear here as I was leaving Taiwan for Tokyo and thus I had an opportunity to discuss the matter with the leaders of the Japanese travel industry. In part, then, I am reflecting their ideas.

Our first step should be that of market identification to permit a program which will have focus. Obviously our best potential in the Pacific is in Japan. And our second best potential is in Australia and New Zealand. This does not mean that the balance of the Pacific should be ignored, but it does provide focus for any program development.

Our second problem involves the reduction of transpacific air fares. If bulk fares can be introduced into the Pacific, probably the major obstacle to Pacific travel to the United States will be eliminated. The introduction of the bulk fare in the Pacific is much needed.

Third, we are desperately in need of research in these markets. The almost complete lack of hard data about these markets is discouraging. It is not enough to know the number of visitors. We must know their occupation, place of residence, educational level, income level, the media which influence them and so forth.

Fourth, based on the data provided by research, a sensible marketing program can be mounted. If this is to be successful I think it must be cooperatively implemented by the Government of the United States, State and local tourist and convention officers, regardless of how financed, and the private sector of the industry.

There are, of course, other problems such as visa requirements, customs and immigration practices, coping with cultural and language problems, but the four I have listed seem to me to be central.

I appreciate the opportunity to make this presentation and will be happy to try to answer any questions.

Senator INOUE. Mr. Hamilton, I am most grateful to you for traveling this far distance to be with us this afternoon.

I note in your testimony that you have used the word "catalytic role" several times. You have been here all morning and part of the afternoon listening to the testimony of other witnesses here. Would you suggest that the U.S. Travel Service should also emphasize a catalytic role?

Mr. HAMILTON. Yes, sir. This would be my suggestion, because the task is so huge that unless you can use the resources you have to stimulate others to use theirs, I don't think it will be well accomplished.

To illustrate this our advertising budget for Hawaii is only \$350,000 and yet last year, and I am sure I don't have all of the figures in, there was over \$15 million spent in advertising travel to Hawaii.

So, the most we can do is use ours to encourage this expenditure and encourage it in the way which we think will be the most productive for the industry.

Senator INOUE. Then you would to some extent disagree with the testimony that the U.S. Travel Service should primarily be a promotional service organization?

Mr. HAMILTON. Yes; I think it would probably produce better results working with the trade rather than direct with the consumer.

Senator INOUE. From your testimony I gather as president of the Hawaii Visitors Bureau you would like to receive from the Federal Government statistical marketing information rather than promotional advice?

Mr. HAMILTON. Yes; we would like the kind of detail from foreign markets in the Pacific that we are able to get on the westbound visitor coming in to Hawaii presently.

Senator INOUE. I note with interest Hawaii will be opening an office in Tokyo. While in Tokyo and Australia, did you have any opportunity to meet with personnel of the U.S. Travel Service?

Mr. HAMILTON. I did in Tokyo, Fritz Schmitz, and he was extremely helpful. He helped arrange my itinerary, seek space, it was good service.

Senator INOUE. Do you think that the Tokyo office is giving the Nation its money's worth?

Mr. HAMILTON. Yes. It is not much money. There was only \$130,000 appropriated for the entire country of Japan.

Travel from Japan to the United States went up 106 percent in the month of May, although there were special circumstances, and for the first 5 months it probably has one of the largest relative increases of any country and only to spend \$130,000 is a little too frugal.

Senator INOUE. We have two bills before the subcommittee at this time and one of the bills would provide for matching grant programs with States and local agencies.

If this provision were to be approved by Congress, what sort of matching programs would you think would be helpful from your standpoint as president of the Hawaii Visitors Bureau?

Mr. HAMILTON. My first request would have to do with the program in Canada. Hawaii has a very great appeal for the Canadian people, particularly in the western provinces, yet we have been unable to put as much money in that market as we should.

I would like to see a series of seminars financed for travel agents across Canada indicating what is new in Hawaii, answering questions, trying to get the tools into the hands of the people who actually promote the travel.

Second, this would enable us to get into Australia more quickly than probably we should otherwise be able to do.

So, I think this is an advantageous feature of the bill. I was discouraged this morning when I found out that only \$1 million is attached to the program, however.

Senator INOUE. The industry panel suggested that the thrust of the U.S. Travel Service activities should not be selling the United States as an entity but sell it on a regional basis. What are your comments on that idea?

Mr. HAMILTON. I think this is probably right because it becomes almost impossible in any kind of promotional campaign to comprehend the totality of the thing, plus the fact that there are special flavors to areas which can be exploited.

I think you promote Hawaii a little differently than you do New York City, for example.

Senator INOUE. I have just one more question. The Hawaii Visitors Bureau has eight offices, four on the mainland. What are the functions of these mainland offices?

Mr. HAMILTON. To work with the trade and not with the consumers. They conduct seminars, call on travel agents.

They are not large offices; in most places just one man and a secretary.

We have one man in New York who solicits conventions across the country. But it is working with the industry.

Senator INOUE. You testified that the Hawaii Visitors Bureau actually spent \$350,000 in advertising and yet Hawaii received \$15 million worth of advertising.

Mr. HAMILTON. Well, this is the total amount I could discover. I suspect the figure was larger than this.

Senator INOUE. What do you do, go to a particular hotel and suggest to them the type of advertising?

Mr. HAMILTON. No, most of this is simply a product of their own natural activity. But with this preprint, for example, we did the research on which it was based, came up with the creative work, bought 2 pages of it, which cost I think \$150,000.

But then we were able, because the idea seemed good, the marketing approach seemed right, to sell the carriers and others who participate in this to buy the rest of it and it is a preprint insert in certain magazines and the magazines are selected in part on the basis of the affluence of the readers.

Senator INOUE. This committee is very much concerned about the balance of payments. So, how much is the Hawaii Visitors Bureau spending to attract foreign visitors?

Mr. HAMILTON. Relatively little. The budget for the Tokyo office, however, is \$60,000 and we advertise in the Trade Journal and trade magazines in Japan, probably around \$10,000, about an equal amount in Australia and Canada and that is about the end of it.

Senator INOUE. You spoke of bulk fares in your testimony, what do you envision for that?

Mr. HAMILTON. My understanding of this, and this is strictly by way of a telephone conversation, I haven't had any verification of it is that IATA failed at its recent meeting to reach agreement on bulk fares. My understanding was JAL was proposing \$400 roundtrip Tokyo to California and there was no agreement.

Senator INOUE. \$400 from Tokyo to the west coast?

Mr. HAMILTON. This is my understanding. This is what was proposed.

Senator INOUE. What would it be to Hawaii?

Mr. HAMILTON. I suppose \$200, \$250, something like that. As a matter of fact, I did hear a figure of \$259 in Tokyo. Again I don't have any of this in writing.

Senator INOUE. Dr. Hamilton, once again I thank you very much for traveling a full 10,000 miles to be with us. It is most appreciated and I assure you that your testimony will be of great assistance to all of us. Thank you.

Mr. HAMILTON. Thank you, Mr. Chairman.

Senator INOUE. Our next witness will be Mr. Orton, the assistant director of the Travel Bureau of the State of New York, who will be speaking in behalf of Mr. Horan.

**STATEMENT OF GEOFFREY D. C. ORTON, ASSISTANT DIRECTOR,
TRAVEL BUREAU, STATE OF NEW YORK, ON BEHALF OF JOSEPH
HORAN, DIRECTOR, NEW YORK STATE BUREAU OF TRAVEL**

Mr. ORTON. If I may straighten out the hierarchy, Mr. Horan is the director of the travel bureau, which is a division of the New York State Department of Commerce, whose Commissioner is Neal L. Moylan.

And I would like to read this statement from Commissioner Moylan. Senator INOUE. Please proceed.

Mr. ORTON. The State of New York is vitally interested in the total travel industry as it is one of our primary sources of income and provides jobs for many thousands of people throughout the State.

There are numerous New York communities whose economy depends almost entirely upon revenue produced through travel.

In New York State we have watched with great interest the efforts of the U.S. Travel Service to increase foreign travel to the United States. We have cooperated with this agency from its inception and have felt that their objectives are certainly worthwhile.

It has been of some concern to us that due to budgetary limitations the USTS has not been able to do more.

In our estimation their accomplishments to date have been significant. They seem to be in a position now where tremendous additional benefit could be derived if they had the necessary funds to increase their promotional programs from their present base.

It has always seemed incredible to us that the United States has lagged so far behind other nations in the promotion of tourism. We have seen figures compiled by the IUOTO showing that such countries as Greece, Poland, Ireland, Turkey, the United Kingdom, France, and Israel all spent more money promoting travel in 1968 than did the United States.

A very large percentage of these moneys were aimed toward the U.S. market in the attempt to induce Americans to visit their countries. It seems obvious in view of the balance-of-payments deficit that it is essential to assure some return of the moneys spent by Americans abroad by attracting a greater number of foreign visitors to our shores.

There is no dearth of suitable attractions in our country to interest travelers from all parts of the world. In New York State we have hundreds of attractions that we know are of interest to foreign visitors and most of the other States offer similar opportunities.

New York State, like many others, has spent considerable sums advertising and publicizing our tourist attractions. However, there is a limit to the amount of funds that can be secured through governmental revenues for this purpose.

We do not believe any State has yet been able to advertise to a sufficient extent to capitalize on the opportunities prevalent in the domestic market. Until this is accomplished, very few States would be in a position to expend promotional funds for the purpose of attracting foreign visitors.

To reiterate, we believe the USTS is ideally constructed to fulfill such a mission. There is no doubt in our minds as to the importance and necessity of increasing foreign travel for the purpose of easing the balance of payment deficit, to aid the economy of the tourist industry within the 50 States, to provide additional job opportunities, and to increase good will and the prestige of the United States of America.

We earnestly request that this committee find favorably for Senate bills 2143 and 1289.

Senator INOUE. I appreciate your testimony, Mr. Orton. New York, being a huge State with, I presume, many agencies involved in the business of tourism, and the United States, with many fragmented agencies involved in some aspect of tourism; I certainly recall the testimony being presented here today addressed to the importance of coordinating the efforts of these agencies.

Do you have that sort of coordination in New York State?

Mr. ORTON. In a very informal manner we do. The only State agency that falls within this province is the Department of Conservation which administers a network of State parks and similar outdoor recreational facilities.

Other than that department, I don't believe there is any other State agency actively promoting or publicizing in an attempt to attract tourism.

Senator INOUE. How close do you work with the city of New York?

Mr. ORTON. Very closely with them. New York City and also a number of local city chambers of commerce and a number of regional organizations, such as the Finger Lakes Association and the Catskills. We cooperate with them and put ourselves at their disposal.

We offer referral systems, and our advertising efforts are keyed in with theirs as much as possible. Our purpose is to help the travel industry of the State, and we realize these local and regional groups are doing a job that we at the State level cannot do.

Senator INOUE. I gather from the statement that you do support the efforts of the U.S. Travel Service?

Mr. ORTON. Yes, highly.

Senator INOUE. One of the provisions in one of the bills before us would provide for matching grants to States and local agencies. Would you be in favor of this approach?

Mr. ORTON. Yes, sir.

Senator INOUE. One of the witnesses suggested that the State Government is now overloaded with matching fund activities, and therefore may not be able to take full advantage of this program.

What is the situation in New York State?

Mr. ORTON. I believe we would be in a position to take advantage of this type of thing if it was strictly for promotion of tourism. Frankly, I am unaware of any matching funds available to us at the present time.

Senator INOUE. No, there are not.

The bill would provide that. If this became law, and funds were made available for matching purposes, what sort of matching activities would you like to have with the U.S. Government?

Mr. ORTON. It is a little hard to say. The advertising and the operation of the overseas offices for the distribution of our travel litera-

ture I think would be the first thing we would want to investigate. At one time we did print two of our brochures in both French and Spanish, but budgetary limitations forced us to stop that last year.

We would like to have our material printed in at least four different foreign languages.

Senator INOUE. What is your annual budget?

Mr. ORTON. The current fiscal year our total budget is \$1,275,000.

Senator INOUE. Of that amount, how much is being spent in the promotion of a foreign visitors program?

Mr. ORTON. None, so far as travel is concerned. We do have an appropriation for advertising in Canada, which is a little over \$100,000 a year.

Senator INOUE. I thought you mentioned that you have foreign offices.

Mr. ORTON. Yes, sir. We do, but they are devoted entirely to international commerce and trade. We never had the budget to provide any travel people in the offices.

Senator INOUE. Mr. Orton, I appreciate your assistance this afternoon. Your testimony will be studied with great care.

Mr. ORTON. Thank you.

Mr. INOUE. The Chair has been advised that Mr. Toohy has to catch a plane in a few minutes so I would like to call him, the chairman of the Discover America Travel Organizations.

Mr. Toohy, we are grateful for you for traveling to our Nation's Capital on this important matter. Please proceed.

STATEMENT OF WILLIAM D. TOOHEY, NATIONAL CHAIRMAN, DISCOVER AMERICA TRAVEL ORGANIZATIONS, INC., AND EXECUTIVE VICE PRESIDENT, TOURISM COUNCIL OF GREATER CHICAGO

Mr. TOOHEY. Thank you, Mr. Chairman. Mr. Chairman and members of the Senate Commerce Committee, I am William D. Toohy, executive vice president of the Tourism Council of Greater Chicago. I appear today in my capacity as national chairman of Discover America Travel Organizations, Inc. DATO, as we refer to ourselves, is the nonprofit, private trade, and promotion association which exists solely to promote travel to and within the United States. Our headquarters is located at 1100 Connecticut Avenue NW., Washington, D.C.

DATO is grateful to the committee for holding these hearings. We welcome this opportunity to express our views and recommendations to the committee on what we feel is needed legislation at this time in the travel field. Our industry is fortunate in having Senators Magnuson and Javits deeply concerned in the future of this fast growing business called travel. We would be remiss in not expressing our deep appreciation to all the committee for their leadership in these matters.

DATO MEMBERSHIP

Within our membership are the State travel departments and a complete cross section of travel beneficiary businesses and associations; city, area, and State travel promotion offices, travel attractions, accommodations, public carriers, automobile clubs, travel sales wholesalers and retailers, advertising agencies and newspaper and maga-

zines, airlines, airframe and aircraft manufacturers, automobile manufacturers, car rental systems, credit card companies, petroleum interests and other travel-related industries.

DATO HISTORY

DATO came into being in March of this year as a result of a merger between the National Association of Travel Organizations and Discover America, Inc. Discover America Travel Organizations, as the umbrella organization for the U.S. travel industry, serves as its foremost spokesman. DATO is the prime mover behind the Discover America program. The distinctive Discover America weather vane logo has become a hallmark for travel throughout the world.

The Discover America program was established in 1965 by congressional resolution and Presidential proclamation to increase tourism to and within the United States, in part as a means of counterbalancing the outflow of tourist dollars contributing to the drain on U.S. gold supplies. For this reason, we are supporting every positive action to increase travel to the United States.

Through DATO, travel businesses are now able to coordinate their promotions of travel by Americans within the United States and by foreigners to our country. DATO also provides Government with a centralized source of private travel interests with which to work on travel-motivating programs.

NEED TO AMEND THE INTERNATIONAL TRAVEL ACT OF 1961

Eight years ago DATO, through its predecessor group, came before the Congress and called for the creation of the U.S. Travel Service. Since 1961, DATO has maintained a close working relationship with the U.S. Travel Service. Just recently, DATO and the U.S. Travel Service collaborated in staging a travel mart in New York City, where 75 leading European tour operators met face-to-face with American providers of travel services in an effort to increase the number of U.S. travel packages available for sale in foreign countries. We are eager to continue to assist U.S. Travel Service, under C. Langhorne Washburn's enthusiastic leadership, do more in aggressive sales and marketing programs to induce more of our friends from abroad to visit the United States of America.

The competition is keen and well-financed in this matter of attracting our people to visit other countries throughout the world. Most of the countries of the world have been conducting sustained and continuing well-financed travel promotion campaigns aimed at U.S. citizens for many years. The United States is comparatively new in this people-moving business.

For example, in 1967 Canada's total travel promotion budget was \$8,370,000; Greece was \$11 million and Ireland had a budget of \$13,512,800. So it is clearly evident that when you look at the budget that the U.S. Travel Service has operated on these last few years, that has varied from \$2.5 million in 1962 to the current \$4.5 million, that this all-important agency is grossly under-financed if the United States is to continue to hold her rightful competitive position.

DATO respectfully submits that it is time to amend the International Travel Act of 1961 to permit a higher ceiling for U.S. Travel

Service annual appropriation. It is our considered opinion that a minimum budget of \$15 million is needed immediately. We believe this figure is reasonable and worthy of support.

ECONOMIC IMPACT OF TRAVEL

Today, tourism is the largest single item in international trade accounting for a greater percent of the exchange of goods and services among nations than any other industry. And tourism is increasing at a rate faster than the average value of other world exports.

As for the impact of travel on the vitality of the United States, last year, our country earned \$2 billion from foreign travelers. During the same year, only our earnings from constuction machinery approached this level while suprisingly, those industries generally considered to be in the major league of earnings actually made far less for the United States than tourism.

For example, from iron and steel, we earned \$610 million, beverages and tobacco were valued at \$702 million, from petroleum and petroleum products, our income was \$460 million; and from cotton, our earnings were \$459 million. And it is significant that though expenditures by U.S. citizens for travel abroad has increased over our Nation's income from foreign travelers in absolute terms, it has been shrinking in percentage terms.

In addition to the stimulant pumped into our economic bloodstream by foreign travel to the United States, our own citizens traveling here at home leave in their wake a dollar flow which amounts to twice the number of dollars in the combined payrolls of 12 of the Nation's largest companies. Travel in the United States is a multibillion dollar industry. Many travel experts predict travel will be our No. 1 industry within the next decade. In each of our States, travel now ranks among the top three income producers. In Senator Inouye's Hawaii, of course, travel tops the list.

Commerce Commissioner Noylan of Senator Goodell's New York State, says:

Tourism stands as one of the State's leading income producers—an annual \$3.4 billion contributor to our economy. In fact, more than 500 resort communities count travel and vacation business as one of their principal sources of income. Many regard it as their No. 1 industry.

These are new dollars coming into our communities. In fact, tourism has much the same impact on the economy of a community as that of a new manufacturing plant—and we must work just as actively to get that influx of tourists as to locate that new plant.

He went on to say that the best way to attract a greater volume of tourist dollars into New York State is by aggressive sales campaigns utilizing every conceivable media—advertising, direct mail, brochures—on the State and local level. He said:

I have stressed cooperation at all levels as the key to a successful industrial sales program. Without differentiation, the same parallel can be drawn for the tourist industry.

TOMORROW'S TRAVEL

Accepting the fact that it is difficult to project what will happen to the travel industry in the leisure world of tomorrow, travel today is an integral part of our economy.

The augurs for the future do spell travel. Population, mobility, affluence, and education—each expanding with an astonishing velocity are creating an awesome tourist wave—both at home and abroad.

The United States will enter the 1970's with a population of 207 million, which will grow to 250 million by 1980. In other words, we will have added as many potential travelers as are now living in the combined States of New York, Pennsylvania, and New Jersey. With income and time off the job steadily increasing, these new people will have the money and the time to travel.

Added to these opportunities for increasing travel are those inherent in the explosion of technology in highways, rail, and air transportation. Just to take one example, the Nation's commercial airline industry is rapidly moving into the second phase of the "jet age," the use of bigger subsonic transports. In time for the 200th birthday of our Nation—1976—the total world fleet of 747's will be about the size of today's 707 fleet.

Now, the domestic travel industry, through Discover America Travel Organizations, is taking steps to make sure this tidal wave of travelers floods our country from coast to coast and border to border. We have set a goal of attracting 3,500,000 European visitors here by 1973. Last year, visits to the United States from all countries overseas totaled over 1.5 million; and DATO is working to develop services to meet the needs of these travelers. But, the degree of success we achieve can be aided immeasurably by the cooperation and participation of Government.

We therefore recommend the establishment of a National Travel Review Commission which should have a larger area of responsibility than the Resources Review Commission called for in S. 2143. The Commission would define a national travel policy under which there would be achieved:

1. Coordination of all activities within the Federal Government affecting travel;
2. Coordination of Government and private industry efforts to increase foreign travel. With the framework of a national travel policy, both Government agencies and Government and industry should work in harmony in areas of common concern, such as: highway signing regulations, on transportation development funds and taxes, on visa and entry procedures, on currency exchange rates, on packaged tours, on National and State travel promotions abroad, on data for market research in travel, on minimum wages, on jobs for the unskilled and on urban renewal.

LEGISLATIVE RECOMMENDATIONS

1. As a result of our review of S. 1289 (Magnuson), DATO is prepared to support this bill in its entirety. We believe that the International Travel Act of 1961 should be amended to authorize these changes. The need to raise the appropriation ceiling for the U.S. Travel Service is an immediate one. As cited earlier in our testimony, a minimum ceiling of \$15 million is needed in order for USTS to implement expanded sales and marketing programs abroad so the United States can hold, but more importantly, increase its share of the keenly competitive world travel market.

2. Regarding the matching fund concept outlined in S. 1289 whereby the Federal Government would participate financially with the States and political subdivisions thereof, in duly approved foreign promotion projects by the Secretary of Commerce, we offer the following comments: We believe that legislative means should be developed to enable joint Federal/local participation projects with the use of funds authorized in the amended section 6 of the International Travel Act of 1961.

It has become evident that emphasis on marketing the United States abroad as a travel destination in the future must be carried out on a regional basis to gain the desired effectiveness of our overall foreign travel promotion programs.

For this reason, and in order to gain greater involvement and participation by the States and their political subdivisions in our national foreign travel promotion programs we recommend a formula be determined in excess of 50 percent Federal financing, in lieu of matching funds, to carry out joint Federal/local foreign travel promotion projects.

3. DATO recognizes that S. 2143 (Javits) is a major departure from the intent of the International Travel Act of 1961 since it would also place domestic travel policy, in addition to foreign travel policy, within the authority of the U.S. Travel Service.

DATO at this time defers judgment of this premise.

4. Regarding the creation of a National Resources Review Commission proposed in S. 2143, as stated earlier, we believe such a Commission is needed but its area of responsibilities should be enlarged and it should be called a National Travel Review Commission.

We recommend that such a Travel Review Commission should assist the Secretary of Commerce in developing a national travel policy report to be submitted to Congress and to the President, which report would include:

- (a) A review of the total subject of international and domestic travel as it relates to both Government and private sectors; and
- (b) Recommendations for a comprehensive Government travel policy with respect to international and domestic travel; and
- (c) Recommendations for implementation of the policy.

Further, DATO recommends that the 15 Commission members to be appointed by the Secretary to a National Travel Review Commission, that not less than eight be representatives of private industry.

5. Our examination of other proposals in S. 2143 leads us to believe that the charges to the Secretary of Commerce, as outlined in section 2, should be held in abeyance pending recommendations of the broader "National Travel Review Commission," which we are proposing. It is also our opinion that the establishment of the Office of Travel Program Coordination, as described in section 2, should await the evaluation of this Review Commission.

SUMMATION

In summary, Mr. Chairman, DATO recommends that until such time as our proposed "National Travel Review Commission" makes its recommendations, the International Travel Act of 1961 should be amended to—

1. Establish a National Travel Review Commission with industry representation for the purpose of developing a comprehensive national policy on travel.

2. Grant the U.S. Travel Service an appropriation ceiling of a minimum \$15 million.

3. Extend authority of the U.S. Travel Service to promote travel to the United States through devices itemized in S. 1289.

DATO appreciates the opportunity to present these views to this distinguished committee.

What is needed is for the Government to recognize the massiveness of this industry. We believe a Government industry study is in order to determine how this can be done. Federal goals and objectives should be established which recognize the economic and employment factors involved and programs coordinated, broadened, or brought into existence in order to meet these goals.

DATO appreciates the opportunity to present these views to this distinguished committee.

Senator INOUE. Mr. Toohey, I thank you very much on behalf of the committee for sharing your thoughts on the measure before us.

I notice on page 8 of your testimony you wish to defer judgment on provision of S. 2143 which would place international and national tourism activities under one roof, the U.S. Travel Service.

It is your feeling that these two activities should be separate, the international aspect and the domestic aspect?

Mr. TOOHEY. Should be, or could be.

Senator INOUE. Should be?

Mr. TOOHEY. I think that there are many ramifications involved in both international and domestic travel promotions. There are some similarities and differences and they need to be studied. I think the Government's goals and objectives in promoting international travel are different than the domestic travel.

In the international travel we have the problem, balance of payments. As far as the Government objective in the domestic travel, I think we are faced with the problems of unemployment and the opportunities this expanded industry offer for increased employment. Also, with the Government's interest in the constructive use of leisure time of our citizens.

Senator INOUE. It is possible we are having some differences in semantics here. What I meant to say was: Should the Government be involved in attracting foreign visitors from West Germany and once he gets this visitor to our shores to drop him or should our Government be concerned about destinations for this foreign visitor, hotel accommodations, tour activities and the like?

Mr. TOOHEY. I believe, Mr. Chairman, the Government must be concerned with the total travel of the individual that comes to this country and I think the U.S. Travel Service, from its inspection has faced this problem and has tried to deal with it and has not been satisfied with depositing the foreign traveler at the port of entry and not be concerned with what happens to him subsequently.

Senator INOUE. So from that standpoint you would be in favor of an agency of the Government, whether it is the U.S. Travel Service or some other agency, being in charge not only of the international phase of the tourist industry but also following up on the domestic travel and accommodations of this foreign visitor?

Mr. TOOHEY. I think a study should be made of the Government's involvement in behalf of U.S. citizens, not only in the domestic travel of foreign visitors to this country but the role of the Government in the domestic travel program, generally, to meet goals and objectives in the best interest of the citizens of this country, quite apart from the sell of the interest of the industry. I think the Government has a legitimate function in both international and domestic travel promotion and I think these needs need to be isolated and studies made in view of the massive industry we are talking about.

Senator INOUE. I am certain you have been working with the several different Government agencies involved, such as the Interior, Department of Commerce, Agriculture, Defense, et cetera. Do you feel there is any sort of coordination of their activities?

Mr. TOOHEY. I would say this: A greater degree of coordination between the Government agencies would be most desirable. I think we are looking way away from the type of coordination, that private industry needs to work with Government in this industry effectively.

Senator INOUE. I would gather from your testimony here that you are satisfied with the performance of the U.S. Travel Service, in view of its limited budget?

Mr. TOOHEY. Exactly, it is a new organization, relatively speaking, which has been pointed out earlier in previous testimony. It has been a division of the U.S. Government, assigned a massive responsibility on a meager budget and much of the criticism that has come to the U.S. Travel Service has been the failure to conduct programs not possible for it to conduct due to the shortage of funds available.

Senator INOUE. Thank you very much.

Our next witness is Mr. William D. Patterson, publisher of the Saturday Review, of New York City.

I am most grateful to you for taking this time to assist us in this matter. Before proceeding, would you identify yourself in your capacity as a tourist expert, if I may use that term?

I believe you have been a member of the Presidential Commission on travel?

STATEMENT OF WILLIAM D. PATTERSON, PUBLISHER, SATURDAY REVIEW MAGAZINE, NEW YORK, N.Y.

Mr. PATTERSON. Yes, sir. Mr. Chairman, I do appreciate the opportunity to be here to participate in these hearings.

In response to your question, I have followed the travel industry quite closely. I have studied it and written on it, and have had the privilege of participating in various of our Government's activities in this area in an advisory or consultant capacity. I have also done this for foreign governments and for the travel industry.

And I was a member of the McKinney task force.

In view of the time, Mr. Chairman, with your permission I would simply like to submit my prepared statement for the record.

Senator INOUE. Without objection, it will be done in that way.

Mr. PATTERSON. I would like to make a few comments on some of the things I have heard today, if I may. I do want to emphasize that I think these hearings are important and timely. I think implicit in them is a very helpful and constructive consideration of the U.S. travel

program, its policy and operations, something that is very important to our Government and our national economy. I am happy to see these hearings taking place.

You, coming from one of the most colorful and popular travel destinations in the entire world, certainly are in a special position to appreciate the importance of travel to our society.

I am sorry Ambassador McKinney was unable to testify today.

I was pleased that you recommended a condensed version of his report that appeared in the Congressional Record earlier be entered in the record of these hearings. I would like to suggest that that full report at some point should be released and made available to this committee.

Senator INOUE. I am pleased to tell you, sir, that Ambassador McKinney will be appearing before this committee upon his return from Europe. He certainly will submit his full report at that time.

Mr. PATTERSON. I am delighted to hear that. I think it represented a tremendous effort in terms of the scope and scale and importance of the travel industry in this country, and it is worth careful study.

I would like to comment on one part of it, if I may. There are criticisms of the U.S. Travel Service in that report. I regret those criticisms. I think there is a very positive story to what the U.S. Travel Service has done. This was a pioneering operation for the Federal Government. It had to be developed from scratch. It brought together a team of dedicated and talented people, who, in my opinion, have rendered distinguished service to the U.S. Government.

I am speaking really from the beginning under the previous administration, and I think it should be appreciated and recognized. I am delighted Mr. Washburn is here. I have had the privilege of knowing him and working with him, and I think he is going to proceed on the experience accumulated by USTS to greatly improve the dynamics and quality of this program.

I really welcome his coming here.

But just for the record, sir, I feel that a distinguished and effective job has been done. I think this is the feeling by and large of the travel industry. USTS has had outstanding support from the travel industry during its activity, and it should be commended.

I do think it is desirable to have a closer coordination within the Government in a faster way of the resources and agencies' experience that this Government commands in various areas of travel.

When you look at the array of departments and resources and agencies, as I have said, we are not fulfilling our potential. I think the hope of that lies in greater coordination.

There is an interdepartmental committee, I believe, chaired by the U.S. Travel Service, in which a kind of formal—not mandated—but formal official coordination and consultation does take place. Certainly that procedure could be strengthened within the spirit and character of the legislation that this committee is considering.

For example, the question that you asked the previous witness—should the U.S. Travel Service abandon, so to speak, the foreign visitor once they have promoted him to come to this country? I think your question was very well taken, sir.

I think the quality of the visitors' experience in this country after he arrives is absolutely important. What you want to deal with is a

satisfied customer who would like to come again and who will go back and say, "I had a wonderful time. You should visit the United States; it is not as difficult or expensive as we think. They are wonderful people and it is an exciting country."

Is that sense, I think the U.S. Travel Service has the responsibility and should have the authority to add its voice to the standards of hospitality and experience that the visitor has after he arrives here.

In connection with the matching funds, the only comment I have is that the States have many offers of matching funds and don't have large enough budgets to accept them as has been indicated. This is why I would hope the Congress would consider a formula of something like 80/20. As Dr. Hamilton said, they do very little, relatively, overseas with their funds, and on an 80/20 formula they could do a great deal to reinforce our vital promotional effort overseas and the representation of the various particular characters of our regions.

The fact is that we are outpromoted in the U.S. market by our competition, country for country, so to speak. The French spend more here than we do in France. The British spend more here than we do in Britain. I have a number of figures that I would be glad to give you to give you the scale of this competition.

I could just cite a few here quickly that I have drawn out, and I have them by States and foreign airlines and steamships and hotels.

For example, the hotels are spending \$58 million—

Senator INOUE. We would appreciate receiving these statistics.

Mr. PATTERSON. The promotion budget of Canada is \$8 million, and that is substantially spent in the United States.

As you know, we are spending nothing in Canada. Let me say there were historical reasons for not going into Canada. The Canadian Government at the time was dealing with its own travel deficit. We are their most important market. The Canadian Government quietly, but officially, let us know they would not welcome any promotion effort in Canada until they corrected their own imbalance which was a strain on their economy.

The U.S. Government decided not to go into Canada. But the situation is changed now. We have an enormous deficit with Canada. They have a substantial surplus.

I have talked with Canadian authorities about this, and they welcome the initiative of the United States coming in and promoting that situation. The pressure on the balance of payments, Mr. Chairman, of travel, is going to increase. It seems to me a prudent time now to anticipate this problem, to give the U.S. Travel Service the budgeting tools with which to work.

We are permitted freedom of travel in this country. President Nixon and Commerce Secretary Stans reiterated this as one of the four fundamental economic freedoms of the United States—freedom of trade, freedom to invest abroad, freedom to share technological knowledge, and freedom to travel.

One way you have to protect that freedom is to increase the resources that the Travel Service has.

Industry cannot do this alone. I think if you look at the figures from overseas when the Travel Service was established you will see we had 624,000 visitors. Last year we had 1,800,000, and a great deal of that is due to the effective work of the U.S. Travel Service.

I won't take the time to document it, but in my opinion, the case can be made and you have had witnesses who have said that. We need a national voice. There are 103 governments promoting on this basis around the world, and they must be doing something right. We too need a national voice, a facilitation force, a stimulator and catalyst, with a budget of at least \$15 million.

I would hope in its final proposal the committee would consider suggesting that the Director of the U.S. Travel Service be made an Assistant Secretary of Commerce. I think it is that important. And this might be part of the work of the so-called Review Commission proposed in S. 2143. The opportunity is so great, and the stakes in this effort are so high, that I trust this committee will basically commend this kind of positive, broadened, strengthened government policy in this area.

I appreciate the opportunity to appear before you.

Thank you, sir.

Senator INOUE. Mr. Patterson, you have been most helpful, especially in putting the criticisms that have been made against USTS in the proper perspective.

I am certain you realize that these criticisms have been brought to the attention of the Committee. We should have some proper method of discussing them.

Mr. PATTERSON. I agree with you. I think the criticism should be faced, and evaluated. I think it is healthy to have it out in the open and disposed of.

Senator INOUE. Your final suggestion is an interesting one, to raise the Director of UST to the rank of an Assistant Secretary. The Chair has received mail to the effect that people in charge of many government tourist industries have a ministerial rank, and outrank our Director.

If this is so, it would seem reasonable to have our man up on a par with them.

Mr. PATTERSON. That's correct, sir. We are the most important travel destination in the world, the most important travel market in the world. We are intimately involved at an international level in all sorts of negotiations important to our country, and the two-way flow of travel.

The director of the tourism in Mexico is a full Minister. They have, as you said, ministerial rank in the important countries or high commissioners or whatever the title is that would be equivalent to that.

It seems to me what we are dealing with here, when you think of the stake our economy has in it, the Director of the U.S. Travel Service should be an Assistant Secretary of Commerce, and it would facilitate his work in this international arena where so many decisions of necessity have to be made.

Senator INOUE. From your statement I would gather you would not be in favor of establishing a new independent agency?

Mr. PATTERSON. I am not, sir, but the proposal, I have to say, has merits. It is worth careful consideration. I believe that the U.S. Travel Service should be in the Department of Commerce. We are engaged essentially in a trade and commercial activity involving our foreign trade and international balance of payments.

The Department of Commerce is a large and influential agency for which this is an important business. It seems to me, frankly, in terms of not a proliferation of agencies, but the orderly strengthening of this program in our activity, that it should be in the U.S. Department of Commerce, that it should be given the tools and budget with which to do this important job.

We begin to distract ourselves from the opportunity we have by wrestling with this problem.

Senator INOUYE. One final question, sir. I gather from your testimony that you will be in favor of a single Government agency being responsible for all of the various aspects of foreign tourism, not just attracting those to come to our shores, but what happens after the tourist reaches our shores.

Mr. PATTERSON. Well, I think—as to a word you used earlier, sir, I think they should have a mandated and defined authority and responsibility in that area.

As I look at the problem of the complexity of the bureaucratic structures and vested interests involved here, and quite legitimate, I am just looking at the problem, the consolidation of these, so to speak, would be a most formidable task. I am sure you don't contemplate that, but I think the authority to suggest standards and programs and policies, facilitation for the successful visit by a foreign visitor, there should be a mandated authority for the U.S. Travel Service, that this is their legitimate business and they have to be listened to. Not on the basis of persuasion and sort of polite cooperation, but because they have the responsibility and authority.

Senator INOUYE. Here again, I presume if the man in charge had a higher rank, his job would be made that much easier, since he would have to deal with other Department's personnel?

Mr. PATTERSON. Yes, sir.

Senator INOUYE. I thank you very much. As I said earlier, your statement has been most helpful.

Mr. PATTERSON. Thank you. If you would like these figures, I will send you a detailed analysis, and I think you will be impressed when you see them.

Senator INOUYE. Thank you very much.

(The statements follow.)

STATEMENT OF WILLIAM D. PATTERSON, PUBLISHER, SATURDAY REVIEW MAGAZINE

Mr. Chairman, my name is William D. Patterson. I am publisher of Saturday Review Magazine, headquartered in New York City. We are deeply interested in the travel industry, and for this reason as well as my own personal and professional work in the travel field, I very much appreciate the opportunity to appear before you today.

These are important and timely hearings.

We are entering the greatest age of two-way international travel in history this year. This new era of world-wide mobilism embodies a major challenge and opportunity for the United States government and for all fifty states. The members of this Committee, I am sure, appreciate this because they represent some of the most popular destination areas not only in this country, but in the world, as I am sure you are aware, Mr. Chairman.

We have no escape, no choice, except to confront and cope, nationally and internationally, with this remarkable phenomenon of modern tourism and its growing impact—economic, sociological, cultural and political—on the world as well as on our own national economy, our own institutions and our own people.

Most governments are so confronted today. At least 103 countries are directly

and officially concerned with the promotion, development, regulation and direction of international tourism.

This fact inevitably must involve the single largest market for international travel and the single largest host destination in the world: the United States.

World tourism, measured by arrivals and receipts, has grown tenfold over the past 20 years and since the introduction of jet transport ten years ago it has doubled. International travel alone totaled \$19.125 billion last year, the single largest item in world trade as this committee well knows.

Modern tourism is a direct product of the rapid economic and social progress being generated today by technological and scientific advances. Higher real incomes, longer leisure time, demographic expansion, record employment and increasingly cheaper and varied tourist plant facilities provide the essential conditions for the contemporary growth of tourism. The spread of education has created greater cultural awareness and stimulated the desire to travel. Industrialization and urbanization have helped to create an urgent need for relaxation and recreation.

The United States, as noted above, is the world's greatest travel market and its greatest destination. We earn more money—\$2.03 billion—than any other country and receive more visitors—12,301,000 last year. Yet the more than 21 million U.S. citizens who went abroad last year, and spent \$4.722 billion, caused a travel deficit of \$1.877 billion in our balance of payments. That this deficit was \$267 million less than the year before was mainly due to the restraining effect of former President Johnson's proposed travel tax and his patriotic appeal to keep dollars at home.

This year, as a result of President Nixon's reassurances, Americans again are heading abroad in such unprecedented numbers that the travel deficit almost certainly is due for another critical rise.

However, we must not lose sight of the fact that a travel deficit is a natural product of a strong national economy. There is no need for distress or panic; there is need for control and caution, for policy, planning and positive action.

The important role of tourism in a nation's economy is evident. It is a vast human, economic and cultural activity. It employs about eight million people in our 50 states, directly and indirectly, many of them unskilled or low-skilled, and tens of millions in scores of other countries. It is an indispensable and often a major source of foreign exchange earnings for many national economies and an expanding source of economic growth for more and more developing countries.

The export target of \$50 billion worth of U.S. goods and services set for 1973 by Secretary of Commerce Stans to defend our dwindling trade balance can only be realized if our foreign customers can afford to buy in the U.S. market. To do so they must earn dollars and one primary source of dollars for them comes from U.S. tourists.

We should not restrict travel by American citizens but we must do more of what we know so well how to do—promote, advertise and market our product.

We stand on the threshold of a trillion dollar economy and it is estimated we are heading for an annual expenditure of \$9.4 billion on foreign travel in 1977, compared to \$4.7 billion in 1967, and \$1.9 billion in 1957.

Nevertheless, the fact remains that we are out-promoted, out-advertised and out-marketed by the competition in the international travel market.

Foreign governments, including the Canadian provinces, spent a total of \$12,864,000 during 1968 on resort and tourist advertising in U.S. media, 59 per cent more than the \$8,107,000 which the 50 states spent during the same period to keep Americans within our borders for their pleasure travel. The total United States Travel Service budget for paid advertising overseas in FY 1969 was \$868,000.

In 1968 foreign air carriers spent \$34 million in advertising in this country urging Americans to go somewhere else. Steamship companies spent \$10 million in a like effort.

U.S. carriers spent \$156 million in advertising in this country, a good portion of which was spent promoting travel to overseas areas.

France last year spent \$201,000 advertising its attractions in the United States. The U.S. Travel Service spent \$76,000 advertising this country to the French. Comparable paid advertising figures reveal that the United Kingdom spent \$760,000 in U.S. media as opposed to a USTS expenditure there of \$168,500. For Japan the ratio was \$107,000 compared to \$64,000. Mexico spent \$976,000 in this country; we spent \$38,500 there. Canada spent \$2,386,000 in this country. We

spent nothing there, in our nearest and largest market. The Bahamas spent \$1,713,000 here. Bermuda spent \$817,000 here.

It is estimated that there are more than 13 million Western Europeans alone who can afford to visit this country—five per cent of the population who have an annual income of \$10,000 or more. But no amount of potential demand will become translated into tourist arrivals and receipts unless the price is right and the destination promoted properly.

The United States Travel Service has served as an outstanding catalyst with carriers and others in the travel community who, consciously motivated by the government's effort, have intensified and expanded their own efforts. But the good job done to date is merely evidence of how much more can be done with the proper tools to do the job.

This poses a challenge to industry and government to cooperate in a two-day travel strategy to increase foreign visitor traffic to the United States, taking into consideration enlightened national interest and the realities of economic interdependence between nations.

One of the most effective ways to improve this country's international economic position is through a comprehensive, far-reaching promotion and marketing program for foreign travel to the U.S.A.

The travel industry needs the constructive leadership and cooperation of U.S. government in selling and improving our travel product for foreign visitors. The stakes are at least \$1 billion.

The weight of skilled advertising, promotion and marketing know-how must be applied and intensified to reach both the top of the socio-economic pyramid and the expanding middle-class overseas markets, spreading through the middle-income tier.

The instrument to accomplish these objectives is a strong, adequately funded, effective United States Travel Service. The need today—not in some uncertain future time—is for at least a \$15 million budget for the Travel Service.

I wholeheartedly recommend amendment of the International Travel Act of 1961 to incorporate S. 1289 and S. 2143 as proposed in the testimony previously given by the travel industry panel.

If this is done the government will have taken a giant step towards fulfilling its leadership role as a catalyst and will find a swift, willing, energetic and effective response on the part of private industry to cooperate.

Thank you, Mr. Chairman.

SUPPLEMENTAL STATEMENT BY WILLIAM D. PATTERSON, PUBLISHER, SATURDAY REVIEW MAGAZINE

20,716,000 U.S. citizens spent \$4.722 billion on foreign travel last year. These travelers spent \$1.572 billion on visiting overseas destinations, \$820 million in Canada, and \$630 million in Mexico. They paid \$885 million for tickets on foreign-flag carriers and \$815 million for U.S.-flag carriers.

This was the market for foreign travel within the U.S. market last year.

12,301,000 foreign visitors spent \$1.770 billion in the United States last year. They spent \$260 million for tickets on U.S.-flag carriers to reach the United States, plus another \$600 million on foreign-flag carriers.

This \$2.03 billion expenditure was the travel market within the world market for visits to the United States last year.

98 million travelers spent \$19.125 billion on 141 million trips to over 100 countries last year. Of this vast sum, \$4.725 billion was spent on transportation.

Around the globe that was the total market for international travel last year.

The marketing and promotion of travel today, especially in the United States, are highly professional endeavors, and are becoming so in other sophisticated markets such as Western Europe where there is a high potential for travel to other countries, including the United States. There are an estimated 15 million Europeans with the money and leisure to seriously contemplate a visit to the United States. Last year there were 826,000 European visitors to the United States. A quasi-official goal for 1973 is for 3.5 million European visitors to this country. Similar increments are being projected for Japan, Australia, South America and other overseas markets in addition to substantial increases in traffic from Canada and Mexico.

Research on tourist markets here and abroad, on segmentation and in-depth profiles of potential tourists, and on media use, including messages and mixes, has been intensified in recent years and is in a current state of lively innovation.

It has been estimated that a fifteen percent increase annually in foreign visitors to the United States will be required to match the anticipated surge in outbound U.S. tourism between now and 1975 if the pressure of the present travel gap on our balance of payments is to remain manageable or even tolerable and not soar to a possible \$4 billion.

Foreign governments, domestic and foreign-flag carriers, state travel bureaus, and hotels and resorts advertising in U.S. media spent about \$236 million last year urging U.S. citizens to take a trip someplace. This was an increase of approximately 9 percent over 1967, but only about one-half the growth of 1967 over 1966.

Foreign government tourist offices and destination areas spent \$12,864,000 in measured media: newspapers, magazines, television and radio. Totals for other major categories of travel advertisers were \$156,398,000 by air, sea, rail, and bus carriers; \$8,107,000 by the 50 state travel bureaus; \$12,123,000 by car rental companies, chiefly Avis and Hertz; and \$58,365,000 by hotel chains, and major hotels, and resort areas. This all added up to \$236,734,000.

A comprehensive analysis of these important promotion expenditures by the travel industry was carried out by Travel Research International, Inc. of New York City, a firm which provides a valuable volume of imaginative and informative research on numerous aspects of travel and tourism. Their compilation only recapitulates actual media expenditures, and does not include any sums for salaries, production costs, public relations, overhead, sales promotion, etc.

In their careful analysis of these advertising expenditures, TRI offered some interesting comparisons and comments:

"Advertising expenditures by domestic airlines in U.S. measured media (magazines, newspapers, TV and radio) were \$101,014,000 in 1968, an increase of 10% over 1967.

"The eleven major domestic trunk lines spent \$94,528,000, 94% of the total for all domestic airlines.

"The four major domestic airlines spent \$63,435,000, 63% of the total for all domestic airlines. United was the largest spender with \$18,655,000, up 11% over 1967, followed by Trans World Airlines with \$16,513,000, up 26%, American with \$14,832,000, up 8%, and Eastern with \$13,435,000, up 18%.

"International airlines spent \$34,885,000, 8% more than in 1967. This amount went to 27% in magazines, 34% in newspapers, 17% in radio and 22% in television.

"Nine international airlines spent over one million dollars in U.S. measured media in 1968: Pan American, \$13,700,000; BOAC, \$2,614,000; Lufthansa, \$2,432,000; Air France, \$1,361,000; SAS, \$1,299,000; KLM, \$1,200,000; Air Canada, \$1,148,000; Qantas, \$1,128,000; and Japan Air Lines, \$1,101,000—adding to \$25,983,000, 75% of the international air carrier total. Last year there were only seven of the above (excluding SAS and Air Canada) in the over-a-million category.

"Railroads spent \$3,739,000, 23% less than 1967, and allocated 60% in newspapers. The top spenders were Santa Fe, \$730,000; Penn Central, \$438,000; Seaboard Coast Line, \$317,000; Burlington, \$265,000 and Union Pacific, \$230,000.

"Ship lines spent \$10,567,000, almost the same as in 1967 and allocated 70% in newspapers. The leaders were Matson, \$862,000; Holland-America, \$742,000; American Export-Isbrandtsen, \$644,000; P & O Lines, \$602,000; American President, \$595,000; North German Lloyd, \$579,000.

"Bus lines spent \$6,193,000, 2% less than 1967, and allocated almost entirely in TV and newspapers. Greyhound accounted for 65% of the total expenditure, and Continental Trailways, 19%.

"All four types of carriers spent a total of \$156,398,000.

"Rental car companies spent \$12,123,000 in measured media in 1968, down 12% from 1967. This was distributed 43% in TV, 36% in magazines, 20% in newspapers and 1% in radio. Approximately 80% of the total for the industry was spent by the two leaders—Hertz and Avis.

"Foreign governments, including the Canadian Provinces, spent a total of \$12,864,000 during 1968 on resort and tourist advertising in U.S. measured media, almost exactly the same amount as the \$12,816,000 spent in 1967.

"This amount was 59% more than the \$8,107,000 which the 50 U.S. states spent during 1968 to keep Americans within our borders in their pleasure traveling. A year ago, TRI reported that 1967 resort and tourist advertising expenditures by foreign governments and Canadian Provinces in measured media exceeded similar expenditures of the U.S. states by a margin of 79% in that year.

Thus, the wide gap has been somewhat narrowed, but there was still a significantly greater pull being exerted on U.S. travelers by foreign lands.

"The top ten areas and countries ranked by size of total resort and tourist advertising expenditures in 1968, were Canada, including the individual Provinces (\$4,699,000), Bahamas (\$1,713,000), Mexico (\$976,000), Bermuda (\$827,000), United Kingdom (\$766,000), Jamaica (\$740,000), India (\$362,000), Ireland (\$285,000), Greece (\$279,000) and the European Travel Commission (\$232,000). New to the top ten list for 1968 is Ireland, and missing is Israel, which ranked tenth in 1967.

"In 1968, the combined expenditures of the top ten resort and tourist advertisers were \$10,879,000 vs. \$10,784,00 in 1967. In both these years, expenditures of the top-ranked ten accounted for approximately 85% of the total spent by all foreign governments in U.S. measured media.

"Individual Canadian Provinces spent a total of \$2,313,000 in U.S. measured media in 1968, down 7% from 1967. Eighty-one per cent of this expenditure was in magazines and almost 75% of the total ad dollars was accounted for by Nova Scotia, Quebec, Ontario, and Manitoba.

"The fifty states of the United States increased their resort and tourist advertising expenditures in 1968 by 13% over 1967. This is the largest yearly percentage increase since 1964 when these reports were first compiled.

"Total expenditures in 1968 amounted to \$8,107,000 versus \$7,148,000 in 1967.

"The top ten states ranked by size of 1968 advertising expenditures, and together accounting for 51% of the total spent by all fifty states, were: New York, \$641,000; California, \$557,000; Virginia, \$501,000; Hawaii, \$484,000; Florida, \$431,000; Illinois, \$334,000; Michigan, \$332,000; Pennsylvania, \$316,000; North Carolina, \$306,000; and Oregon, \$251,000. Oregon, \$251,000. New to this top ten list since 1967 are Illinois and Oregon, and missing are Colorado and Massachusetts which were among the top ten spenders in 1967.

"Puerto Rico, which was not included in the analysis of state expenditures, spent nearly \$2,200,000, almost three and one-half times as much as New York, the top state spender.

"Of the top ten states, nine spent more in 1968 in measured media than in 1967 and one spent less. Illinois, who in 1967 spent only \$5,000, spent \$334,000 in 1968. Other states which increased their spending were New York, up 32%; North Carolina, up 29%; Michigan, up 27%; Hawaii, up 25%; Oregon, up 20%; Pennsylvania and Florida each up 11%, and Virginia, up 1%. California registered a 32% drop in expenditures in 1968.

"Two states—Ohio and Delaware—spent nothing on resort and tourist advertising in these measured media during 1968, nor have they for the last several years. Aside from these two states, 47 states spent nothing in 1968 on radio advertising, 39 spent nothing on TV and 12 spent nothing in newspapers.

"The largest regional spenders were Pacific area with \$1,602,000; South Atlantic with \$1,512,000; Middle Atlantic with \$1,080,000; East North Central with \$961,000 and Mountain states with \$936,000.

"The greatest regional increase was registered by the West South Central states, up 90%; and the East North Central states, up 78%. Other gains over 1967 were the Middle Atlantic, 33%, West North Central, 17%; South Atlantic, 18%, and Mountain, 3%. Decreases from 1967 expenditures were registered by the New England states, down 28%, East South Central down 35%, and the Pacific states, including Hawaii and Alaska, down 2%.

"Hotel and resort advertising expenditures for 1968 in all measured media were \$58,365,000, an increase of 9% over 1967."

The TRI reports presented here cover approximately 243 travel industry advertisers; 48 domestic airlines, 45 international airlines, 36 railroads, 69 steamship lines, 22 bus lines, 23 rental car companies, plus scores of hotels and resorts.

There is one additional aspect worth noting about these generally larger budgets of the international tourist competitors of the United States. They not only outdo us in promoting U.S. market, but they also outdo us in other major markets where we are seeking with our limited funds to promote foreign visitors to the United States. The British do more in France than we do, and the Spaniards do more in France than we do, etc., to attract the nationals of other markets to visit the respective homelands of our major competitors instead of the United States.

Unless the USTS is given a minimum of \$15 million for its budget it will not be able to exert the necessary pressure needed on the foreign travel market to reach any of the foreign exchange earnings goals the government is setting for its travel program. This is why so many expert observers are also convinced that an optimum U.S. effort to capitalize on the huge travel marketing opportunity that confronts us will require a budget of \$30 million for the USTS. And this sum, it should be borne in mind, will still represent much less than the "profits" the USTS now earns for the federal government—about \$200,000,000—through the taxes collected on foreign visitor expenditures here.

TOP 10 STATES IN RESORT AND TOURIST ADVERTISING EXPENDITURES IN MEASURED MEDIA IN UNITED STATES, 1968

[Dollars in thousands]

	1967	1968	Percent increase or decrease
1—New York	\$485	\$641	+32
2—California ¹	816	557	-32
3—Virginia	496	501	+1
4—Hawaii	388	484	+25
5—Florida	396	431	+11
6—Illinois	5	334	-----
7—Michigan ²	261	332	+27
8—Pennsylvania	284	316	+11
9—North Carolina	238	306	+29
10—Oregon	210	251	+20

¹ Includes Shannon Free Port.

² Includes Cottage Colony.

[Dollars in thousands]

50 States	Magazines	Newspapers	Television	Radio	Total
1968:					
Grand total	\$5,427	\$2,257	\$329	\$94	\$8,107
Percent distributed	67	28	4	1	100
1967:					
Grand total	\$4,736	\$1,960	\$311	\$141	\$7,148
Percent distributed	66	28	4	2	100
Puerto Rico ¹	\$1,770	\$112	\$176	-----	\$2,158
Virgin Islands (U.S.)	43	31	131	-----	205
Total	1,813	143	307	-----	2,263
Percent of distribution	80	6	14	-----	100

¹ Jointly sponsored regional program.

FOREIGN COUNTRIES AND RESORT AREAS RESORT AND TOURIST ADVERTISING EXPENDITURES IN MEASURED
MEDIA IN UNITED STATES, 1968

[Dollars in thousands]

	Magazines	Newspapers	Television	Radio	Total	Rank
Aruba.....	3				3	46
Australia.....	154				154	13
Austria.....	27	12			39	27
Bahamas.....	758	110	845		1,713	2
Barbados.....	5	74			79	20
Bermuda ¹	677	150			827	4
Bulgaria.....	6	21			27	31
Canada ²	1,154	630	510	92	2,386	1
Caribbean Travel Association.....	4				4	44
Cayman Islands.....		10			10	40
Ceylon.....	24				24	33
Curacao.....	84				84	19
Czechoslovakia.....	24	22			46	26
European Travel Commission.....		232			232	10
France.....	176	25			201	11
Germany.....	78	39			117	16
Greece.....	223	54	2		279	9
Guam.....	13	1			14	36
Guatemala.....	79				79	21
Haiti.....	1	12			13	37
Hong Kong.....	35				35	28
Hungary.....	4	4			8	42
India.....	301	61			362	7
Ireland ³	54	231			285	8
Israel.....	67	53			120	15
Italy.....	1				1	47
Jamaica.....	251		489		740	6
Japan.....	91	16			107	17
Lebanon.....	4				4	45
Mexico.....	702	274			976	3
Netherlands Antilles.....		26			26	32
Netherlands.....			87		87	18
New Zealand.....	54	1			55	24
Pacific Area Travel Association.....	137				137	14
Philippines.....	43	31			74	22
Poland.....	7				7	43
Rumania.....		13			13	38
Scandinavia ⁴		9			9	41
Singapore.....	1				1	48
South Africa.....	23	7			30	30
South American Travel Organization.....	33				33	29
Spain.....	144	35			179	12
Surinam.....	1				1	49
Switzerland.....	41	6			47	25
Tahiti.....	66				66	23
Trinidad/Tobago.....	3	15			18	35
Turkey.....	15	5			20	34
United Kingdom, (BTA).....	516	250			766	5
U.S.S.R.....	6	7			13	39
Total.....	6,090	2,436	1,933	92	10,551	
Percent of distribution.....	58	23	18	1	100	

¹ Includes Cottage Colony.

² Includes Atlantic Provinces.

³ Includes Shannon Free Port.

⁴ Jointly sponsored regional program.

INDIVIDUAL CANADIAN PROVINCES RESORT AND TOURIST ADVERTISING EXPENDITURES, 1968

[In thousands]

	Magazines	Newspapers	Television	Radio	Total
Newfoundland.....	\$74				\$74
Prince Edward Island.....	37	\$7			44
Nova Scotia.....	375	45			420
New Brunswick.....	127	50			177
Quebec.....	543	46			589
Ontario.....	362	27			389
Manitoba.....	228	86			314
Alberta.....	19				19
British Columbia ¹	106	181			287
Total.....	1,871	442			2,313
Percent of Distribution.....	81	19			100
Overall total:					
Foreign Countries.....	6,090	2,436	\$1,933	\$92	10,551
Canadian Provinces.....	1,871	442			2,313
Total.....	7,961	2,878	1,933	92	12,864
Percent of Distribution.....	62	22	15	1	100

¹ Includes Victoria and Greater Vancouver Association.

Senator INOUE. The next witness is Dr. Danielian, president of the International Economic Association of Washington, D.C.

Dr. Danielian, I welcome you and thank you for your participation in this afternoon's hearing. Please proceed, sir.

STATEMENT OF N. R. DANIELIAN, PRESIDENT, INTERNATIONAL ECONOMIC POLICY ASSOCIATION, WASHINGTON, D.C., ACCOMPANIED BY RONALD L. DANIELIAN, ECONOMIC RESEARCH ASSOCIATE

Mr. DANIELIAN. Mr. Chairman, I have a statement here which I will be glad to put in the record and comment on some of the important aspects.

Senator INOUE. Fine. Your statement will be submitted in full. (The full statement follows:)

STATEMENT OF DR. N. R. DANIELIAN, PRESIDENT, INTERNATIONAL ECONOMIC POLICY ASSOCIATION

The International Economic Policy Association has been concerned with the U.S. balance of payments and methods for its correction. Since 1959, we have been active in analyzing the deficits and suggesting remedies. In 1966, the Association published a comprehensive book entitled *The United States Balance of Payments: An Appraisal of U.S. Economic Strategy*. In that study we stated "The solution (to the balance of payments) must therefore be found in a number of actions, each of limited returns, but the combination of all leading to a fundamental correction in the U.S. balance of payments." One of the suggested actions was in the tourist field, for we felt that positive steps to attract foreign visitors to the United States could earn more on the travel account and add foreign exchange to our government's reserves. Again in 1968, with the publication of *The U.S. Balance of Payments: A Reappraisal 1968*, the Association stressed the positive approach.

We are not advocating here that the only reason for a strong tourist development program is a balance of payments one. The need for a strong tourist program goes beyond balance of payments considerations, but at a time when our payments imbalance is great, any amount of added foreign exchange earnings helps.

THE BALANCE OF PAYMENTS AND TRAVEL

In our balance of payments accounts there are four main areas where the United States could earn or save foreign exchange. These areas are:

1. Military expenditures, which run at a \$3 to \$4 billion yearly deficit.
2. Foreign aid, which still costs \$600 million in foreign exchange.
3. Trade, which used to be in sizable surplus but is now in deficit by \$2.7 billion on a commercial basis.
4. Travel, which has been in deficit by \$1 billion or more since 1963.

The President, on January 1, 1968, announced a series of control measures to cut the foreign exchange losses in the above areas: \$2.5 billion was to be saved in the private sector (\$1 billion by corporations, \$500 million by banks, \$500 million on trade accounts, and \$500 million on tourism); and \$500 million was to be saved in the government sector. The corporations and banks, through direct controls and foreign financing were able to meet their targets. The government accounts actually increased their deficit rather than saving \$500 million. The travel sector saved \$228 million, less than the \$500 million target. Let us now look at this sector in detail.

Table 1 shows the travel deficit from 1960-1968. From 1963 to 1966 our net deficit actually dropped slightly. From 1962, the first year that any Travel Service operations were in full swing, to 1966 our net deficit increased by only \$21 million per year. This stand off is significant and heartening. It is due not to a curtailment of the freedom of Americans to travel, but to an increase in travel to the United States.

In 1967 our travel deficit jumped, but this was a direct result of Expo '67 in Canada which accounted for more than \$300 million of the \$1.5 billion deficit of that year. Preliminary figures for 1968 indicate that our travel deficit declined by almost \$300 million.

The European area accounts for over 50 percent of our total travel deficit. Europe plus Canada and Mexico account for 85 to 90 percent of the travel deficit. Surely with an aggressive "See the USA" campaign that is well funded and properly executed, primarily aimed at these areas, the travel account can be brought closer together.

OTHER COUNTRIES' EFFORTS

The OECD countries are increasing the amounts spent on their tourist offices. Table 2 shows the absolute amount and percentage increases from 1961 through 1967 of certain European OECD countries. Of the nine European countries listed, seven spent more than 50 percent of their tourist office budgets for promotional purposes. The exact effect is hard to measure in a quantitative way.

With the ease of auto travel between Canada and Mexico and the United States, surely an aggressive program can have a beneficial effect. Further, with transatlantic fares reduced to special low levels for Europeans this summer, an effective promotional campaign in Europe should increase our earnings.

RECOMMENDATIONS

To achieve this important objective, I urge that:

1. The U.S. Travel Service be given increased authorization to at least \$15 million.
2. U.S.T.S. be given the authority to enter into Joint Participation grants to state and local tourist offices of economic development.
3. The position of Director of the Travel Service be elevated to that of Assistant Secretary of Commerce for Tourism with powers (granted through the Secretary of Commerce) to coordinate international and national tourist programs.

\$15 MILLION AUTHORIZATION

In 1967 tourism receipts of OECD countries represented 8 percent of the earnings on exports of goods, and 6 percent of the earnings on goods and services together. This is an average figure which also includes the United States. In the United States, however, tourism receipts represented 5.4 percent of earnings on our exports of goods and 3.6 percent of earnings on our exports of goods and services. Here again, the United States lags behind the average of developed OECD countries. There is no reason why the wealthiest country in the world with attractions as diverse as the Grand Canyon in the Southwest, the Black

Hills in South Dakota, Niagara Falls in the Northeast, and the vacation resorts of the Atlantic and Gulf coasts, cannot attract her proportionate share of the international travel dollar.

The U.S. Travel Service budget has been increased from \$2.5 million in 1961 to \$3.0 million in 1967, which represents a 20 percent increase in seven years. By contrast, from 1961 to 1967 (years for which accurate figures are available) the OECD countries in Table 2 increased their travel budgets by the percentages and amounts indicated.

As can be seen, not only does the United States lag behind the countries listed in percentage increase, but we also lag behind all but three countries in absolute amounts. The countries in Table 2 represented \$8.3 billion in tourism receipts in 1967, which was 75 percent of the total OECD tourism receipts of \$11 billion.

The Travel Service budget was subsequently increased to its present \$4.5 million level in 1969. But even this is low. The United States was two-tenths of 1 percent (.2%) of its total travel receipts for funding USTS in 1967 and 1968. By contrast, of the countries listed in Table 2, all exceeded this percentage. Ireland spent 6.9 percent of its receipts for its travel service; Turkey, 5.1 percent; Japan, 3.0 percent; Belgium, 1.7 percent; United Kingdom, 1.4 percent; Canada, .7 percent; France and the Netherlands, .6 percent; Switzerland, .5 percent and Denmark, .4 percent. Only Austria and Italy neared the low level of the U.S. expenditures with .3 percent of receipts used for their travel service budget.

If the United States wishes to emphasize "See the USA" to attract more foreign visitors, then we should be prepared to fund our tourist office on approximately the same level as other developed countries. The OECD countries in Table 3 spent a weighted average of eight-tenths of one percent (.8%) of their tourist receipts on their national tourist office and well over half of these countries spent more than 50 percent of their budget for direct promotion. As a gauge, therefore, the United States should spend \$14.6 to \$15 million on its Travel Service, which is roughly .82 percent of our preliminary 1968 tourist receipts. Of that \$14.6 to \$15 million, 50 percent or \$7.3 to \$7.5 million should be spent on direct promotional activities. This level of funding should be the minimum.

Some estimates of effective marketing would state that a government travel organization should spend anywhere from 2 to 5 percent of travel receipts on the funding of its operations. The long-range McKinney report on tourism, portions of which were introduced into the Congressional Record on April 21, 1969 by Congressman Henry Reuss, uses a figure of \$30 million as appropriate for USTS and related agency funding which would be 1.7 percent of the United States 1968 receipts from travel.

When you consider that foreign countries spent \$12.86 million in mass media advertising in the United States during 1968, a long-range USTS program may need a \$30 million authorization. This committee may wish to put a time limit on the present authorization so it can review and revise it at a later date.

TARGETS

Tourism and its development should be emphasized not only as an essential ingredient in our balance of payments as an export industry, but also in our national development as a job-creating and income-producing industry.

Increasing tourism can create more jobs and more income in tourist related industries. Motels, hotels, restaurants and other related industries can truly benefit from an increase in tourist expenditures, and federal, state, and local governments can benefit through increased revenues. Let us look at some simple arithmetic to judge the effect.

In 1968 (on a preliminary basis) approximately 80 percent of income originating in nonfinancial institutions paid for compensation to employees and net interest, 10 percent accounted for profits after taxes, and approximately 10 percent represented the profit tax liability. Therefore, 10 percent of every gross dollar expenditure received by nonfinancial corporations represented taxes.

Travelers coming to the United States, excluding those from Canada, have been spending an average of, roughly, \$500 per trip. For every hundred thousand additional visitors to the United States from outside Canada, we can expect an increase in receipts of \$50 million, and in direct tax receipts for all levels of government, \$5 million. Based on the general proposition that the federal tax take is two-thirds of the total, let's say that \$3 million of this will come to the

federal government. To justify an increase of \$9 million in authorization, it must be proved on this basis that the additional promotional effort will produce \$150 million of incremental tourist revenue to the United States; \$50 million more from Canadian tourists and \$100 million from other areas, or 200 thousand additional tourists from the rest of the world. Is this a reasonable expectation? My answer to this is definitely affirmative. Between 1966 and 1968 there was an actual increase of 510,000 visitors from countries outside Canada, with no major effort on our part. Therefore, I must conclude that the additional authorization and actual appropriation in these amounts are justified on the purely practical grounds that the federal government will recoup the proposed expenditure through tax revenues.

Our objective, however, should be much higher than these modest programs. I think it is well within the probabilities of our tourist potential to increase the number of annual visitors to the United States by 500,000 a year over the normal growth trend. An increase of 500,000 visitors a year from outside Canada would produce additional income of \$250 million, total tax revenues of \$25 million, of which the federal share would be about 16.5 million. If the same rate of increase is applied to Canadian visitors, the United States should secure additional receipts of \$100 million, or a total of \$350 million, or \$35 million in total tax receipts, of which \$23 million would be federal taxes.

These calculations do not take into account the multiplier effect which is conservatively estimated at 2 to 1 in the tourist industries.

Can the United States achieve these modest objectives with an aggressive promotional program? I cannot but feel that this is within the competence of this country and the probabilities of the specific situation.

I would not limit our objectives to this modest target by any means. For a continental country like the United States, with all its varied attractions, I cannot believe that we can rest on our oars with a minimum target of 2.8 million visitors a year. I was in Spain last year and I was told, to my amazement, that a country of about 32 million people entertains an annual tourist influx of 18 million people. The city of Washington alone entertains 16 million visitors a year, of which 500,000 are estimated to be foreigners. I think we confront not a physical or economic limitation, but a psychological one in ourselves, which for some strange reason limits our commitment. With dedication, appropriate programming of facilities, service and promotion, we should set our sights at 5 million foreign visitors a year by 1974, and 10 million a year by 1979.

JOINT PARTICIPATION GRANTS TO THE STATES

We feel that it would be most advantageous for the U.S. Travel Service to be given authority for Joint Participation Grants to local and state tourist offices or economic development agencies. These funds would be used for a comprehensive foreign tourist program adopted by each individual state or locality with the cooperation of USTS.

There is no better way to increase the amount of funds used to attract foreign visitors than on a joint basis. Each state knows its attractions and its facilities and needs only additional funds to inform foreigners of their attractions. There are, already, many government programs in other areas that provide some form of state or local and federal assistance. The U.S. Park Service has in excess of \$46 million to use for matching grants to the states in FY 1969. These grants will go toward park and recreational development which will help domestic as well as foreign tourists in the United States. The Department of Commerce extended \$202.7 million in FY 1967 in a grant program through the Economic Development Administration. These are but a few of the grant programs throughout the federal government to benefit the states. For those states that already attract numerous foreign visitors, we feel that USTS grants for further tourist promotion would be beneficial.

AN ASSISTANT SECRETARY OF COMMERCE FOR TOURISM

We believe that the position of the Director of the USTS should be elevated to that of Assistant Secretary of Commerce for Tourism with a Deputy Assistant Secretary replacing the Deputy Director position. Under its present structure the Travel Service and its Director report directly to the Secretary of Commerce just as an Assistant Secretary of Commerce does. The pay level difference between the Director of USTS and an Assistant Secretary is only \$2,000, which is not a significant amount, but the prestige value in having the title and full rank of an Assistant Secretary of Commerce for Tourism can be of great value.

Most of the countries that stress tourism have ministerial, or subcabinet status for their tourism directors. Further, the Senate report on the International Travel Act of 1961 contains a letter from then President John F. Kennedy, stating "... it is my thought that the Director's salary and status might well be elevated from the relatively low level now indicated in the bill to the rank of an Assistant Secretary of Commerce."

As international tourism grows we would like to see our director on an equal footing with other national tourist office chiefs.

In an effort to provide a comprehensive review of our total travel resources and lay the groundwork for a long-term national and international travel program, I support the proposed establishment of a National Tourism Resources Review Commission, as contained in S-2143. The report of this Commission would be a useful guide for the U.S. Travel Service, the travel industry in general, and the state and local governments.

TRANSPORTATION

In the foregoing testimony I have not dealt with the question of the transportation deficit. I have not done so because our national travel office promotes the United States as a travel destination rather than promoting a particular service. Carrier payments deficits have been rising steadily since 1960 as Table 3 shows. From 1960-1967, figures indicate that foreign flag airlines carried between 62 and 68 percent of the Atlantic air traffic. If the U.S. Travel Service is authorized to actively promote the USA as a travel destination and given adequate funds, then the U.S. flag carriers can concentrate their advertising efforts to sell their services, thus helping to close the transportation deficit.

TABLE 1.—TRAVEL DEFICIT WITH EUROPE, CANADA, MEXICO AND OTHER COUNTRIES 1960-68¹
[In millions of dollars]

Calendar year	Receipts (+)					Total
	Europe	Other Overseas ²	Other Western Hemisphere	Canada	Mexico	
1960.....	90	48	86	469	³ 226	919
1961.....	93	53	90	449	262	947
1962.....	105	54	110	392	296	957
1963.....	113	70	147	372	313	1,015
1964.....	165	91	161	448	342	1,207
1965.....	200	100	200	490	390	1,380
1966.....	210	110	226	586	458	1,590
1967.....	227	124	263	575	457	1,646
1968.....	233	144	262	638	493	1,770
Payments (-)						
1960.....	692	84	211	380	383	1,750
1961.....	618	114	208	425	420	1,785
1962.....	652	126	233	479	449	1,939
1963.....	755	129	236	522	472	2,114
1964.....	800	124	247	550	490	2,211
1965.....	864	146	288	600	540	2,438
1966.....	920	160	324	678	575	2,657
1967.....	1,018	152	365	1,070	590	3,195
1968.....	993	167	412	820	630	3,022
Travel surplus (+) or deficit (-)						
1960.....	-602	-36	-125	+89	-157	-831
1961.....	-525	-61	-118	+24	-158	-838
1962.....	-547	-72	-123	-87	-153	-982
1963.....	-642	-59	-89	-150	-159	-1,099
1964.....	-635	-33	-86	-102	-148	-1,004
1965.....	-664	-46	-88	-110	-150	-1,058
1966.....	-710	-50	-99	-92	-117	-1,067
1967.....	-791	-28	-102	-495	-133	-1,549
1968.....	-760	-23	-150	-182	-137	-1,252

¹ Preliminary.

² Includes Japan and Asian countries.

³ Residual figure.

Source: Survey of Current Business, Department of Commerce, June 1965, p. 28, June 1966, p. 17, June 1967, p. 16, June 1968, p. 16, June 1969, p. 17, and U.S. Travel Service, U.S. Department of Commerce, Washington, D.C.

TABLE 2.—AMOUNTS OF AND INCREASES IN TRAVEL BUDGETS OF SELECTED ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT COUNTRIES 1961-67

[Dollars in millions]

	Amount		Percentage increase 1961-67
	1961	1967	
Austria.....	\$0.8	\$2.0	150
Belgium.....	.9	4.1	355
Canada.....	3.0	8.4	180
Denmark.....	4.4	9.9	125
France.....	3.4	5.9	74
Ireland.....	1.7	13.5	694
Italy.....	2.2	4.1	86
Japan.....	1.2	2.7	125
Netherlands.....	.4	1.7	325
Switzerland.....	2.3	3.1	35
Turkey.....	6.0	9.6	60
United Kingdom.....	3.7	9.0	143
United States.....	2.5	3.0	20

Source: U.S. Travel Service, Department of Commerce, Washington, D.C.

TABLE 3.—U.S. TRAVEL TRANSPORTATION DEFICIT, 1960-1968

[In millions of dollars]

Calendar year:	Foreign payments to U.S. carriers	U.S. payments to foreign carriers	Carrier payments deficit
1960.....	106	505	399
1961.....	110	507	397
1962.....	113	575	462
1963.....	118	615	497
1964.....	150	645	495
1965.....	165	720	555
1966.....	195	755	560
1967.....	235	830	595
1968 ¹	260	885	637

¹ Preliminary.

Source: Survey of Current Business, Department of Commerce, June 1965, p. 28, June 1966, p. 17, June 1967, p. 16, June 1968, p. 16 and U.S. Travel Service, U.S. Department of Commerce, Washington, D.C.

Mr. DANIELIAN. I would also like the record to show Mr. Ronald L. Danielian who is appearing in association with this testimony as an economic research associate.

You will remember that our organization has specialized in the area of balance of payments. We have published two books on the subject and in that connection we have touched upon tourism as one of the important areas in which the United States can earn foreign exchange which we so badly need at this time.

The major areas of our balance of payments are military expenditures where we run a deficit of between \$3 and \$4 billion a year; foreign aid both multilaterally and bilaterally which still costs us about \$600 million a year in foreign exchange; trade which used to be a sizable surplus item but now it is running on a commercial basis at \$2.7 billion in deficit and this matter, of course, is within the jurisdiction of this committee; and travel which has been in deficit by \$1 billion or more since 1963.

In the past year, since President Johnson announced his program of balance-of-payments rectification on January 1, 1968, I am sorry to have to report that almost all items have deteriorated, with the exception of tourism where the goals that the President set at that

time, an improvement of \$500 million a year, were achieved by 50 percent, primarily because of increased travel to the United States.

It is notable that in spite of the very large increase in foreign travel by U.S. citizens in the past decade, the travel account, excluding transportation, has not substantially deteriorated in that period.

This is in part due to increased travel by foreigners in this country. The record indicates that other countries, particularly those in the OECD group, have been spending larger amounts of money in total quantity as well as in percentage of tourist receipts on travel than this country. In spite of our size and potential, we have lagged behind most of the countries of the Western World.

To achieve the result of improving our international earning power in the tourist field, we recommend the following steps: First, the U.S. Travel Service be given increased authorization to at least \$15 million this year.

Second, the U.S. Travel Service be given authority to enter into joint participation grants to State and local tourist offices and development agencies and third, and I second Mr. Patterson's recommendation very strongly, the position of Director of Travel Service be elevated to that of Assistant Secretary of Commerce for Tourism with powers to coordinate international and national tourist programs.

The \$15 million authorization for tourism is really but a token payment for this country. It is the minimum amount that we should authorize at this time because in comparison with other countries, it really doesn't measure up even to their present efforts.

For instance, as a percentage of travel receipts, the United States spent only two-tenths of 1 percent of its total receipts for USTS funding in 1967 and 1968. By contrast, of the major countries in the West, the OECD countries, all exceeded that percentage. Ireland, 6 percent; Turkey, 5.1 percent; Japan, 3.4 percent; Belgium, 1.7 percent. (See 5th page of statement.)

If we were to increase our travel service budget to the average of the OECD countries listed in table 2, namely, 0.8 percent, eight-tenths of 1 percent, we could easily justify the \$15 million that is being requested today.

Looking at it from another point of view, some estimates of marketing would state that a government travel organization should spend anywhere from 2 to 5 percent of its total travel receipts, as a sort of promotional advertising expense.

If we did that we could easily justify a \$30 million authorization for this program. That would only be 1.7 percent of our total travel receipts in 1968.

When you consider that foreign countries spent \$12.86 million for mass media advertising in the United States alone during 1968, a long-range USTS program of \$30 million would not be excessive.

We can look at this perhaps in practical terms as to what the United States would get in terms of contribution from tourist expenditures in this country. Of every dollar spent in the service industries, 80 cents goes to wages and interest, 10 cents goes to taxes, and 10 cents to profit.

Now, it is estimated that the average tourist from countries other than Canada spend about \$500 per trip.

If you had 100,000 additional visitors to the United States, you would receive as travel expenditure \$50 million. Of this \$50 million, \$5 million would be taxes to local, State, and Federal Government; \$3 million plus would be the Federal share of that.

So, it seems to me if we could increase travel from countries other than Canada, let's say by 200,000 person, who would spend \$100 million in this country, \$10 million of that would be taxes of which the Federal take would be about 66 percent about \$6.6 million.

On this basis if we set a target of 500,000 additional visits from countries other than Canada, you could expect total expenditures by these people of \$250 million, of which \$25 million would be tax receipts for all level of government and \$16.5 million would be tax receipts by the Federal Government.

Is it within the competence of this country to encourage tourism to that extent? Well, between 1966 and 1968 we did have an increase of 510,000 tourists from countries other than Canada into this country.

There is nothing inherently difficult for the United States in handling an influx of tourists. The 2.3 million tourists entertained in 1968 from countries other than Canada is really infinitesimal as far as the potential of this country in this area is concerned.

I have traveled very widely all over the world and I can say without qualification that the United States is a hoped for and desired and aspired for destination for most people around the world.

So, we are really concerned here with the capability of this country to receive these tourists and their ability to pay for the travel.

I cannot but feel this kind of minimal objective of increasing our tourist visitors by 500,000 a year is a modest one. In fact, I would not limit our objectives to this modest target by any means.

Last year I was in Spain, a country of 32 million people and they entertained 18 to 19 million tourists in 1968.

In Washington City, I inquired with the Board of Trade, and we entertained approximately 16 million visitors a year of whom 500,000 are considered to be from foreign countries.

I think we confront not a physical or economic limitation but a psychological one ourselves. We for some strange reason seem to limit our commitments.

With dedication, appropriate programs, facilities, services, and promotions, we should set our sights at 5 million foreign visitors a year by 1974 and 10 million by 1979.

We recommend a joint participation with the States and local areas because they are best familiar with facilities they offer and I think in cooperation with the USTS they could address their promotional efforts to foreign countries.

The position of the Director of USTS should be one of Assistant Secretary of Commerce, the pay of this position would be only \$2,000 more than at the present time for the director, which is a minimal amount, considering a good portion of that would be taken away by the Government in taxes, anyway.

Most countries stress tourism and allocate this responsibility to a cabinet member or a subcabinet member. Even in the Communist countries, now, the position of director of tourism is the same as director of foreign commerce.

I was visiting with a member of the Yugoslav Central Government in charge of all foreign trade and his primary occupation was the promotion of tourists.

He said to me, "You can write your ticket if you can develop facilities on the Adriatic." A country like Yugoslavia considers tourist income the largest export earning item.

Now, this recommendation is nothing new, we did not originate it. The Senate report on the International Travel Act in 1961 contains a letter from then President John F. Kennedy stating:

It is my thought that the director's salary and status might well be elevated from the relatively low level now indicated in the bill to the rank of Assistant Secretary of Commerce.

That was President Kennedy's recommendation. If we can undertake this promotional program, and we are recommending only 15 million, say for the next 2 years—and I hope there will be a limitation on the bill so that we can come back and reconsider the effort we put in this field—if the Government will undertake the promotion of the United States as a destination, then the airlines will be able to devote their efforts to promotion of their own services.

There is a problem here because in addition to a travel gap there is a transportation gap as well.

From 1960 to 1967 foreign flag airlines carried 62 to 68 percent of the transatlantic air traffic.

This proportion may be improved by the devotion of the airlines own effort to promoting travel on American flag carriers. The foreign exchange earnings of the United States are such a vital part of our international posture that it is important for the Government to undertake, in this field as well as in export of goods, whatever efforts promise to be productive in earning more foreign exchange.

Our production depends on our ability to earn money through the sale of our goods and services and from income on investments.

This area is primarily the responsibility of the Federal Government. Once the Federal Government undertakes this responsibility, then the individual companies and airlines can improve the sale of the U.S.-made product in transportation.

This concludes my statement, Mr. Chairman, and I will be glad to answer questions.

Senator INOUE. Dr. Danielian, I am very impressed with your statement. I would like to say that I quite agree with your recommendations. However, I would like, if I may, for a few moments to act as a devil's advocate and ask a few questions.

It will have to be this committee's responsibility to sell this program to the rest of the Congress. I am certain you have noticed that most of the witnesses appearing this morning and afternoon have argued in favor of these two bills by citing certain statistics as you have.

For example that Ireland is spending more than the United States, Spain, France, et cetera on travel promotion activities. How would I answer an observation such as this: A Senator stood up and said this may be true, sir, but if we added all the funds being expended by the Department of Defense, Agriculture, Interior toward the tourist business and if we added to this the amount spent by U.S.-based hotels such as Hilton and Sheraton and the airlines such as TWA, Pan American, Northwest Airlines, and others, all attracting foreign vis-

itors, the total sum would be a huge one. I suppose it would exceed \$50 million a year or close to \$100 million.

How would I answer the Senator who would say therefore it is not necessary to add any more funds to the budget of USTS?

Mr. DANIELIAN. Sir, we confront the problem of complete transformation of public as well as governmental attitude in this country toward the foreign tourist business. There are handicaps for the foreign visitor coming to the United States, starting with the securing of a visa, cost of transportation, cost of facilities, language difficulties, the question of foreign exchange, change of currency, and the like.

There is no organization in the United States today, except the nucleus in the U.S. Travel Service, that can take the leadership in solving many of these problems.

Someone, for instance, will have to sell to the Treasury Department the idea that if a German comes to Jackson Hole, Wyo., and has only Deutsche marks in his pocket and goes to the hotel or the local bank and wants to convert it, someone from the Treasury has to establish some rules and regulations about the exchangeability of currency into dollars right on the spot by these hotels or by allowing the Post Office to exchange the currency.

There is nothing sounder than a deutsche mark today but if a German went to one of these places they would look at him and if he has language difficulties the problem would be greater.

I am not citing hypothetical situations, these cases have been reported to me. Now, someone, the Assistant Secretary of Commerce for Tourism would have to go to Mr. Charles Walker and Secretary Kennedy and say, "Now, can we work out a directive for post offices and for banks, and you can make this a monthly advisory if you are afraid of changes in exchange rates, that the Treasury will accept the deutsche mark at a certain rate or the French franc at a certain rate."

I am citing this for a good reason because there are so many things of this kind to be done that today it is nobody's responsibility unless we get, as we have now, an aggressive and brilliant director for the Travel Service, who will apply himself toward solving these problems.

This is one of the difficulties, we get a great deal of complaint from travelers to the United States. They are not understood, they have many difficulties, both financial and linguistic and so on.

I feel this area is so promising of increased income, that in our book we in fact recommended special concessional coupons for tourists. A 10 percent or so reduction, not the card that they issued last year which was rather ineffective, but one that would really mean an exchange of dollars for foreign currency.

There are difficulties in administering this, so I am quite happy to recommend this initial start for the Travel Service at \$15 million a year so that we can make a beginning in solving some of these problems.

Senator INOUE. I gather from your statement that you would wish to have this responsibility centered in the Commerce Department?

Mr. DANIELIAN. I do.

Senator INOUE. And it should be a single agency coordinating all activities of tourists, international and national?

Mr. DANIELIAN. Certainly the tourists that come to the United States should be the responsibility of a central office.

Senator INOUE. I once again thank you, Dr. Danielian. You have been very helpful to us this afternoon and I must apologize to you for having to wait so long.

Mr. DANIELIAN. Thank you.

Senator INOUE. Our next witness is Mr. Waters. Mr. Waters, as the last witness, I am certain you will be the most important one.

Before proceeding, I notice the Director of the Travel Service is here. Mr. Washburn, can you be with us until Mr. Waters completes his testimony? I would like to call upon you once again.

Mr. WASHBURN. Thank you.

Senator INOUE. Mr. Waters, may I invite you to this committee and request that you proceed as you wish, sir.

STATEMENT OF SOMERSET R. WATERS, PRESIDENT, CHILD & WATERS, INC., NEW YORK, N.Y.

Mr. WATERS. In view of the lateness of the hour, with your permission I would like to ask that this statement be inserted in the record.

Senator INOUE. Without objection, your full statement will be inserted into the record.

(The statement follows.)

STATEMENT OF SOMERSET R. WATERS, PRESIDENT, CHILD AND WATERS, INC.

Mr. Chairman, distinguished members of the Senate Interstate and Foreign Commerce Committee: My name is Somerset R. Waters. I am president of Child & Waters, Inc., a management consulting firm in New York specializing in the field of travel, transportation and recreation. To identify myself, I might mention that in past years I have served as a travel consultant to the Treasury Department, the Commerce Department, the Department of Interior, the White House and a wide range of transportation companies, resort areas, trade associations and other organizations concerned with travel.

It was my privilege to appear before this Committee in May 1960 and thus had the opportunity to share in the labor which gave birth to the United States Travel Service following the introduction of two bills by Senator Magnuson and Senator Javits.

May I congratulate this Committee for its ability to recognize that among all the many weighty national problems which face it, that the time is ripe for an examination of our national tourism policies. This hearing takes historic significance from the fact that this is the Senate's first response to the problem posed by the executive branch of our government last year when it recommended that Americans limit their overseas travel and that stiff taxes should be imposed on travelers to prevent such trips.

Such restrictions were needed, it was said, because of the chronic deficit in our balance of payments and the so-called "travel gap".

When the proposals aimed at discouraging international travel on the part of American citizens were announced, there was a wave of protest in newspapers, magazines, radio and TV from all parts of our nation. This was convincing evidence that the American public did not want government to interfere with the citizen's historic right to travel. The solution suggested by almost every commentator was that the United States should expend greater effort to attract more visitors to the United States and thus bring about a better balance between dollars spent and dollars earned. The hearings today are timely as they are permitting exploration of new measures to increase visitor traffic.

In 1960 this Committee recognized that something should be done to prevent the widening of the gap between travel expenditures and travel income. It was in answer to this problem that the United States Travel Service was created. In 1960 the travel deficit was \$841 million. Today the deficit is about \$1.3 billion.

What went wrong?

In my opinion the medicine prescribed by the doctor was the right medicine. What was wrong was the dose was too weak. A small dose of a weak antibiotic will not cure a fever. A dose of sufficient strength will.

It has been said of advertising that when too little is spent it is too much. When a promotional budget is small, so much is used in administrative expenses that what remains for impact on potential customers is not enough to do the job.

If our travel promotional effort between 1961 and today had been strong enough to produce an annual average growth rate of 18 percent in tourism income, we would have no deficit in our tourism account today. Such a growth rate, although high, is by no means impossible to attain. During the period 1961 to 1966 tourism receipts in Europe grew at the rate of 16.2 percent. The Middle East grew at the rate of 18.3 percent. The South Pacific and East Asia grew at 14.3 percent rate.

In 1968 foreign government travel organizations spent \$12.8 million in advertising in the United States to persuade Americans to visit other countries. To counter-balance this, in 1969, the advertising investment of the U.S.T.S. was less than 2 million dollars. The year of 1969 was the first year the U.S.T.S. has been able to spend a significant sum for advertising thanks to an increase in budget and a realignment in its expenditures.

Others at these hearings will undoubtedly point out that with a larger budget it would be possible to decentralize much of the promotional activity to take advantage of the abilities and the enthusiasm which reside at the state, regional or local levels. With this I wholeheartedly agree.

But the problem goes deeper than this. Compared to other countries our government has shown only a minimum interest in appropriating the necessary funds for tourism promotion and development.

Our political system derives its strength from the fact that Congress accurately reflects the views of the citizens it represents. If Congress shows little interest in a government program it is a sure sign that the public at large has little interest in the program.

Last year, for the first time, there was a widespread public demand for action to get more foreign tourists to visit our shores. This came about, not because of any greater awareness on the part of the average citizen of the economic concept called "the balance of payments," but because the citizen's historic right—the freedom to travel—was being threatened.

At this point a few observations on the work of the Commerce Department's United States Travel Service might be in order.

First, let me say that from a rather intimate knowledge of the problems of creating a new government organization, the difficulties of finding and training new employees, the problem of presenting the travel attractions of 50 states to potential travelers throughout the world, and the necessity of doing all this with a minimum budget and with a maximum number of administrative limitations imposed by a myriad of government regulations not designed to fit the needs of a promotional-oriented Organization. I am convinced that the U.S.T.S. has done a praiseworthy job, under the circumstances.

I am sure that without the U.S.T.S. our travel deficit would be much greater.

I can also assure this Committee that the U.S.T.S. has performed the task of a pilot plant in which new people and new programs have been tested and through this process the people and the programs which did not measure up have been eliminated. We now have a small competent staff which has learned its trade through experience and can thus be entrusted with much greater responsibility.

As for the proposed bills to amend the International Travel Act of 1961, I wholeheartedly support the general objectives of both S. 1289 and S. 2143. Bill S. 1289 makes possible federal support of the promotional activities of the States, combinations of States or other grass roots promotional organizations which could carry out projects designed to attract visitors to the United States. This is of utmost importance although I would suggest an 80 percent federal to 20 percent State arrangement instead of the 50/50 or matching-fund approach.

Bill S. 2143 has a particularly timely recommendation in its suggestion that a National Tourism Resources Review Commission be created. Such a study group is urgently needed in view of the size and complexity of the problems to be faced and the need to examine the various inter-related government-agency activities concerned with developing and promoting America's travel resources.

However, the creation of such a Commission should not be cause for a delay in the strengthening of the U.S.T.S.

I have had an opportunity to review the report of the Presidential Commission on Travel as it appeared in a recent issue of the Congressional Record. This represents the work of about 150 travel experts. It presents a new approach to the problem of how the U.S. government should promote travel. In my judgment the three-tiered approach to the organization of our national travel promotion effort, as recommended by this Commission, and the appropriation of about \$30 million annually, is to be strongly recommended if we are to substantially reduce the travel deficit in our balance of payments.

In addition I would like to suggest that the following recommendations be incorporated in an amended International Travel Act:

1. The purpose of the Act should state the needs of the nation in terms that can easily be understood by the average citizen. Nothing is more important than widespread public support of this program. I would recommend that the purposes include the following objectives:

(a) To reduce the possibility of government restrictions on foreign travel on the part of United States citizens for balance of payments reasons.

(b) To develop new sources of tax revenue for states and cities through the expenditures of foreign visitors.

(c) To assist urban areas in creating employment opportunities for unskilled or semi-skilled workers in providing services for foreign visitors.

(d) To provide States and other local organizations with additional promotional funds for the purpose of attracting increased numbers of foreign visitors.

(e) To improve international understanding through personal on-the-spot appraisals of our way of life, our intentions, our culture and our national hospitality.

2. The name of the organization should be changed from the United States Travel Service to The National Travel Administration.

This change is suggested because in foreign countries where most of the promotional work is conducted, the United States Travel Service can easily be mistaken for a private travel agency or some other private service organization interested in selling travel to the United States as a commercial venture.

3. The position of the Director of the National Travel Administration be raised to an Assistant Secretary of Commerce.

4. The authorized budget for the United States National Travel Administration should be increased from \$4.7 million to \$30 million.

5. The resources and knowhow of the Department of Interior should be more fully utilized in carrying out the section of the Act which calls for the development of tourist facilities, low cost unit tours and other arrangements within the United States for meeting the requirements of foreign visitors.

A review of the work of the U.S.T.S. during the past eight years indicates that because of budget limitations most of its efforts have been limited to promotional activities and only minimum effort has been directed toward implementing this section of the Act.

Since the effectiveness of a promotional program depends in large part on the product being promoted, much more needs to be done in this direction. The Department of Interior, the agency with a wide range of domestic tourism responsibilities, has the experience and resources which are badly needed. It should be required to take a more active part in the foreign visitor program.

The above recommendations raise four major questions which deserve answers:

Question: If travel promotional expenditures will increase state tax revenues, why do the states need federal funding for such a program?

Answer: Most states have found that they get the greatest return for each promotional dollar by advertising in a market limited to about 500 miles from the borders of the states. For this reason a state cannot justify a substantial allocation of its promotional funds for foreign promotional activities. Moreover, the state is not faced with a balance of payments problem—this is a problem for the federal government and requires federal action. See notes No. 1.

Question: Is this a disguised subsidy for America's international airlines? Why not leave travel promotion to the airlines or others in the travel industry?

Answer: The airlines do as much foreign advertising as is economically feasible. Most foreign visitors, arriving by air, travel on their own national air carriers. The British use BOAC, the Germans Lufthansa, the French Air France.

Within the United States the domestic travel industry which receives the foreign visitor is made up of thousands of hotels, restaurants, taxi companies, and other small businesses which will never have the interest or the resources for investing in foreign promotion.

Question: Will a large increase in the government's travel office budget result in a significant increase in visitors?

Answer: I believe it will. The satisfactory experiences of a great many national tourist offices testify to the success of strong, well-managed tourism promotional programs. I am at present working with the government of the Bahamas which spends about \$6.5 million for travel promotion as compared to \$4.5 million spent by the United States. The population of the Bahamas is 175,000.

Because of the great geographic size of the United States, a regional or state-oriented approach is needed to make the program more effective and give greater impact.

Question: At a time when the government is striving to reduce the size of the federal budget, why should it consider authorizing a six-fold increase in this particular budget?

Answer: The balance of payments problem is so serious and the travel deficit is so large that a massive effort is required to reduce the \$1.3 billion travel deficit. There are always selected government programs which require priority attention. This is one which deserves such priority.

MR. WATERS. Then I will just summarize from the last few pages of the statement.

First I would like to make a few observations on the Department of Commerce and U.S. Travel Service.

From a rather intimate knowledge of the problem of creating a new Government agency, and the difficulties of finding and training new employees and the problem of presenting the travel attractions of 50 different States to potential travelers in countries throughout the world, and the necessity of doing all of this with a minimum budget and with a maximum of administrative limitations imposed by a myriad of Government regulations not designed to fit a promotional oriented organization, under all of these circumstances, I must say I think the U.S. Travel Service has done a remarkable job.

Certainly, without the U.S. Travel Service our travel deficit would be much greater. I can assure the committee that the U.S. Travel Service has performed the task of a pilot plant in which new people and new programs have been tested. And through this process they have created a small, competent staff which has learned its trade through experience, and can thus be entrusted with much greater responsibilities.

As for the proposed bills to amend the International Travel Act of 1961, I wholeheartedly support the general objectives of both S. 1289 and S. 1243. S. 1289 makes possible the support of the promotional activities of the States, which could carry out projects designed to attract visitors to the United States. This is of utmost importance, although as others have suggested, I would recommend that 80-percent Federal and 20-percent State arrangement, instead of the 50/50 matching funds approach.

S. 2143 has a timely recommendation in its suggestion that a national tourism resources review commission be created. Such a study group is urgently needed in view of the size and complexity of the problems to be faced, and the need to examine the various inter-related Government agency activities concerned with developing and promoting our travel resources.

However, the creation of such a commission should not be cause for delay in the strengthening of the U.S. Travel Service.

I have had the opportunity to review the report of the Presidential Commission on Travel as it appeared in a recent issue of the Congressional Record. This represents the work of about 150 travel experts. It presents a new approach to the problem of how the U.S. Government should promote travel.

In my judgment, the three-tiered approach to the organization of our national travel promotion effort as recommended by the Commission and the appropriation of \$30 million annually is to be strongly recommended if we are to substantially reduce the travel deficits in our balance of payments.

In addition, I would like to suggest the following recommendations to be incorporated in the amended International Travel Act.

1. The purpose of the act should state the needs of the Nation in terms that can easily be understood by the average citizen. Nothing is more important than widespread public support of this program. I would recommend that the purposes include the following objectives:

(a) To reduce the possibility of Government restrictions on foreign travel on the part of U.S. citizens for balance-of-payments reasons.

(b) To develop new sources of tax revenue for States and cities through the expenditures of foreign visitors.

(c) To assist urban areas in creating employment opportunities for unskilled or semiskilled workers in providing services for foreign visitors.

(d) To provide State and other local organizations with additional promotional funds for the purpose of attracting increased numbers of foreign visitors.

(e) To improve international understanding through personal on-the-spot appraisals of our way of life, our intentions, our culture and our national hospitality.

The second recommendation would be that the name of the organization should be changed from the U.S. Travel Service, to the National Travel Administration.

This is suggested because in foreign countries where most of the promotional work is conducted, the U.S. Travel Service could be mistaken for a private travel agency, or some other private service organization interested in selling travel to the United States as a commercial venture.

3. The position of the Director of the National Travel Administration be raised to an Assistant Secretary of Commerce.

4. The authorized budget for the U.S. National Travel Administration should be increased from \$4.7 million to \$30 million.

5. The resources and knowhow of the Department of the Interior should be more fully utilized in carryout the section of the act which calls for the "development of tourist facilities, low cost unit tours and other arrangements within the United States for meeting the requirements of foreign visitors."

Since the effectiveness of a promotional program depends in large part on the product being promoted, much more needs to be done in this direction. The Department of Interior, the agency with a wide range of domestic tourism responsibilities, has the experience and resources which are badly needed. It should be required to take a more active part in the foreign visitor program.

That is a brief summary of my recommendations.

Senator INOUYE. Mr. Waters, once again I want to thank you for waiting so patiently. I am especially impressed by the last two pages which you did not touch upon, because the questions posed and the answers given are the very questions posed by members of the committee, and I think it would be most helpful if, for the record, emphasis be given by just reading out the questions and the answers.

Mr. WATERS. All right, sir.

Question: If travel promotional expenditures will increase State tax revenues, why do the States need Federal funding for such a program?

Answer: Most States have found that they get the greatest return for each promotional dollar by advertising in a market limited to about 500 miles from the borders of the States. For this reason, a State cannot justify a substantial allocation of its promotional funds for foreign promotional activities.

Moreover, the State is not faced with a balance-of-payments problem—this is a problem for the Federal Government, and requires Federal action.

Senator INOUYE. This would justify the 80-20 division?

Mr. WATERS. Yes, sir. Actually, there are so many programs available to States on a 50-50 basis, and they just don't have the budget now to meet all of them. And it would take something like 80-20 to persuade them, I think, to go into these foreign promotional programs.

Question: Is this a disguised subsidy for America's international airlines? Why not leave travel promotion to the airlines or others in the travel industry?

Answer: The airlines do as much foreign advertising as is economically feasible. Most foreign visitors, arriving by air, travel on their own national air carriers. The British use BOAC, the Germans, Lufthansa, the French, Air France.

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Because of the great geographic size of the United States, a regional or State-oriented approach is needed to make the program more effective and give greater impact.

Question: At a time when the Government is striving to reduce the size of the Federal budget, why should it consider authorizing a six-fold increase in this particular budget?

Answer: The balance-of-payments problem is so serious and the travel deficit is so large that a massive effort is required to reduce the \$1.3 billion travel deficit. There are always selected Government programs which require priority attention. This is one which deserves such priority.

Senator INOUE. Sir, I hope you will not accuse the committee of plagiarism if you notice some of your phrases being noted in our committee report.

Once again, I tell you how grateful we are for your assistance in this matter. You have been most helpful.

Senator INOUE. I would like to call upon the Director of U.S. Travel Service once again, Mr. Washburn.

Mr. Washburn, I am grateful to you for sitting through the hearings all morning and afternoon. I would like to ask you a few questions as a result of the testimony we received. Let me assure you the Chair has tried to be as helpful as he can.

One of the suggestions made by several of the witnesses here was that the participation program suggested in S. 1289 be not on a 50-50 basis, but rather an 80-20 ratio.

What are your thoughts on this proposal?

Mr. WASHBURN. I think, Mr. Chairman, there should be a flexibility permitted so that it could range anywhere from 50-50 to 80-20. I think we have to go as far as we have to go in order to achieve the objective of each particular State.

I would be in favor of the 80-20 if it was absolutely necessary.

Senator INOUE. Several witnesses; Mr. Waters, Dr. Danielian and Mr. Patterson have suggested that your rank be raised to Assistant Secretary of Commerce. The Chair is quite impressed by this suggestion. This may not be a fair question to be asking you but what are your thoughts on this suggestion?

Mr. WASHBURN. Well, as you say, if it is really not a fair question to ask me. However, for whatever titular leverage this might give the office, particularly in dealing with individuals or my counterparts overseas, I think it would be constructively helpful, and if we were given the coordination role in this country, I think the more leverage you have in discussing affairs in other departments of Government, it obviously would be of some assistance thereto.

Senator INOUE. I think this is a reasonable suggestion to make because I know as a member of the Armed Services Committee we have made several promotions of generals in Vietnam because the generals in other countries had three stars, so therefore our generals had three stars.

We have done so to accommodate this protocol situation, and I presume prestige and protocol is a real thing.

Mr. WASHBURN. I would gladly forgo the pay to accomplish the mission.

Senator INOUE. I would like to also get your thoughts on the suggestion that the name of USTS be changed to that of National Travel Administration, because there might be some confusion that USTS is a private organization and not a public one?

Mr. WASHBURN. I would prefer to take that under advisement. I have discussed this with Secretary Stans and it was his feeling that we ought to continue it at its present name because it does have a widespread identity as such, although I think the suggestion has considerable merit from a clarification standpoint.

Senator INOUE. May I make an official request at this time to receive the Department's views in the matter of changing the status

from director to assistant secretary, as the committee would like to consider that and we would like to receive the Department's view.

Mr. WASHBURN. Yes, sir.

Senator INOUE. Will you also furnish the committee your official thoughts on the matter of changing the name of the organization?

Mr. WASHBURN. Yes.

Senator INOUE. Secondly, I wasn't quite clear on your position as to whether you want a limitation of \$15 million, or do you want an open-end authorization? May I receive the Department's official view on that also? One bill calls for an open-end authorization; Mr. Javits' bill, I believe, calls for a ceiling of \$15 million.

Mr. WASHBURN. Mr. Chairman, I would like to do this in consultation with the Secretary and I will furnish it to you very shortly.

Senator INOUE. Yes, I expect you to discuss the matter before advising this committee.

(The following was subsequently received for the record:)

AUGUST 22, 1969.

HON. DAVID K. INOUE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR INOUE: At the conclusion of the hearings regarding the Department's travel program that you recently chaired, you asked the Director of the United States Travel Service to consult with the Department regarding the answers to the following three questions:

(1) What is the recommendation of the Department regarding the authorization ceiling? Do we favor a \$15 million ceiling or do we favor an open-ended authorization?

(2) What is the position of the Department regarding industry recommendations that the Director of the United States Travel Service be elevated to Assistant Secretary of Commerce for International Tourism?

(3) What is the position of the Department regarding the industry recommendation that the name of the United States Travel Service be changed to the National Tourism Development Administration?

1. *Authorization Ceiling.*—The Department favors the \$15 million authorization ceiling. According to the program plan that was developed for the Travel Service, the Department does not anticipate reaching a \$15 million program until 1972/1973. If, after reaching that program level we feel that an increased expenditure level would be justified for the program measured against prospective benefits, we could return to the Congress at that time with a request for an additional increase to the ceiling. We feel that any such request beyond the \$15 million estimate must be justified to the Congress in terms of operational program experience at or near the \$15 million level.

2. *Assistant Secretary of Commerce for International Tourism.*—There are a number of arguments which could be advanced in support of this proposal. First, it would allow the head of the nation's travel program to have somewhat equivalent status with the ministerial or sub-cabinet level tourism officers of other nations. Second, it would give the tourist and travel industry in the United States a more prestigious officer to consult with in government.

However, I would like to defer action on this suggestion until after the Congress determines the scope and responsibility of this office and until after we have had an opportunity to review this responsibility in relationship to the overall Commerce Department program.

3. *Change the Name of the United States Travel Service to National Travel Administration.*—Quite frankly, this question has already been discussed within the Department. There are reasons both for and against this proposal. A primary reason for the change would be to eliminate the confusion that has arisen concerning the nature of the United States Travel Service. To some outside of government, the Travel Service has been mistakenly identified with the private sector. Within government, we have heard that the Travel Service has been identified with internal governmental travel for its employees. Furthermore, a name change could be a very visible indicator that a new direction in both development

and philosophy has been taken in the role and purposes of international travel promotion and development.

On the other hand, there is a valid reason to reject a name change. Over the years, the Travel Service has been recognized by the informed members of the travel industry as the government's voice in international travel. To change the name now, might very well cause confusion within the industry. A great deal of time and work in building that image might be lost.

Considering both the advantages and disadvantages in this matter, we feel that a name change is unnecessary.

We are grateful to the Committee for allowing us to present our views on these matters.

Sincerely,

ROCCO C. SICILIANO,
Acting Secretary of Commerce.

In closing the hearings, I must say, Mr. Washburn, you are a most fortunate man. Every witness appearing this morning and this afternoon has had only nice things to say about you, which is not the usual situation in other committees.

I think you have a difficult job ahead of you but you are most fortunate that everyone seems to want to cooperate with you. May I assure you as chairman of this subcommittee that this committee will be ready at all times to do what it can to assist you in your efforts to increase this very important business of tourism.

So thank you once again. The hearings are closed.

(Whereupon, at 4:50 p.m. the hearings were closed.)

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Sincerely,

Harold C. SHERBURN

Acting Secretary of Commerce

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I think you have a difficult job ahead of you but you are most fortunate that everyone seems to want to cooperate with you. May I suggest you as chairman of this subcommittee that this committee will be ready at all times to do what it can to assist you in your efforts to increase this very important business of tourism.

So thank you once again. The hearings are closed.

(Whereupon, at 4:30 p.m. the hearing was closed.)

and among the U.S. Travel Service and the appropriate officials and agencies of state and local governments and private organizations and agencies regarding the U.S. Travel Service. It also provides that the U.S. Travel Service is not to be operated with the activities of other public or private agencies. Thus the bill is a cooperative and coordinated effort of the U.S. Travel Service and the States. It is intended to be an addition to the U.S. Travel Service and not a replacement of it.

ADDITIONAL STATEMENTS AND LETTERS

STATEMENT OF HON. ALAN BIBLE, U.S. SENATOR FROM NEVADA

To Amend the International Travel Act of 1961 in order to promote travel in the United States.

Mr. Chairman, I welcome this opportunity to add my voice in support of S. 2143 to amend the International Travel Act of 1961 in order to promote travel in the United States.

I feel very strongly that the United States must take affirmative and effective steps to overcome the very substantial deficit between foreign visitor travel expenditures in this country and United States spending for travel abroad.

In 1968, visitors to this country, exclusive of Canada, hit a record high of 2.3 million—a six percent increase over 1967. At the same time, however, 4.3 million U.S. Citizens visited foreign countries—an increase of 7.6 percent. This so-called "travel gap" has produced a balance-of-payments deficit of nearly \$2 billion.

A new emphasis on attracting more foreign visitors to the United States and strengthened effort to encourage and facilitate travel within the country can cut this deficit significantly. It will benefit our entire economy.

Tourism in the United States is a \$30 billion industry. It embraces the thousands of hotels, motels, resorts, national and state parks, forests and seashores across the nation. It includes the transportation industry, gasoline service stations, our restaurant industry, and myriad other activities. It employs directly and indirectly some 6 million individuals, and in addition to this major payroll is a source of significant tax revenue, both to the States and to the Federal Government.

In my judgment, we are merely scratching the surface of the international and domestic travel resources available to this country. To get on with the task that must be done to overcome the present deficit and realize the huge potential for growth in United States tourism, we need a coherent national travel policy. A number of Federal departments and agencies now engage in travel promotion programs, and we must coordinate this activity under the aegis of a strengthened United States Travel Service.

Close attention should be given to programs to stimulate travel. Consistent with sound economic principles transportation, charges should be made as attractive as possible.

Better, and reasonably-priced tourist facilities, should be encouraged. We should simplify, reduce, and where possible eliminate barriers to travel, both from abroad and within the United States.

By strengthening the U.S. Travel Service as proposed in S. 2143, I think we will be doing much to place ourselves in a position to do all these things and more.

I want, however, to make one thing clear. It was not my purpose in cosponsoring this legislation to condone or in any way support Federal domination of the United States travel industry. I view the roll assigned the U.S. Travel Service under existing law and under this measure as one in which the Government's responsibility is to encourage and assist the development of this Commerce.

The basic responsibility to promote and manage the travel industry lies in the private sector of the economy, and must remain there.

Also, many of our states and localities—including my State of Nevada—alone and through regional cooperative arrangements between businesses and governments have been engaged in very effective travel promotion programs for a long time. For example, I am advised that for fiscal year 1967-1968 more than \$3.3 million was spent by the 13 Western States on tourism and travel promotion. The industry and established travel agencies in the States have a heavy stake in this program that must be respected.

S. 2143 has been drafted to take sharp account of present activities, and so as not to undermine or duplicate industry and state and local efforts. The bill makes it clear that there must be close and continuing consultation between

and among the U.S. Travel Service and the appropriate officials and agencies of state and local governments, and private organizations and agencies respecting programs undertaken by the Travel Service. It also provides that the Federal role is not to be competitive with the activities of other public or private agencies.

Thus, the hallmark of the bill is cooperation and coordination of effort. This is an ambitious undertaking. It is nationwide in scope. The challenge to the U.S. Travel Service will be to effect national coordination. Not the least of its tasks will be to avoid costly duplications of effort; as it respects the primary interest of the industry itself and of established state and local agencies in the field.

Mr. Chairman, since the end of World War II the United States has lagged behind in the worldwide competition to attract foreign travelers. As I've said, we have only scratched the surface of a market full of potential for the future.

S. 2143 will go a long way toward helping to overcome our past inattention. Given the follow-through the bill envisages, this legislation can be a major contribution toward making the United States the first class travel nation it ought to be.

I commend the bill to the Committee for its favorable consideration, and thank you for this opportunity to present these remarks:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., December 2, 1969.

Hon. DANIEL K. INOUE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR INOUE: We appreciate the opportunity to respond to the questions raised in your letter of November 3 with respect to this Department's views on the domestic travel program. Our answers to the questions are enclosed.

Because our replies to your questions substantially reflect the Department's position on this subject, we hope you will consider them as responsive to your additional request for a statement.

Sincerely yours,

RUSSELL E. TRAIN,
Undersecretary of the Interior.

ANSWERS TO QUESTIONS POSED BY THE SENATE COMMERCE COMMITTEE

1. What is the position of the Department of Interior on the proposal of S. 2143 to create a National Tourism Resources Review Commission and a Federal Office of Travel Program Coordination?

Answer: This Department believes that these provisions of S. 2143 are unnecessary and would duplicate the existing authority of the Secretary of the Interior under the Act of July 19, 1940 (54 Stat. 733), in the field of domestic travel promotion. That Act authorizes and directs the Secretary of the Interior, through the National Park Service, "to encourage, promote, and develop travel within the United States. . . ." It is the only law where the Congress has provided a Federal agency with authority and direction for the establishment of a *domestic*, as distinguished from *international*, travel promotion program.

To the extent, therefore, that S. 2143 would (1) establish under the direction of the Secretary of Commerce an Office of Travel Program Coordination to assist that Department in coordinating domestic travel programs, and (2) establish a commission appointed by the Secretary of Commerce to formulate domestic travel policy, the bill duplicates the authority of the Secretary of the Interior to cooperate with public and private agencies in promoting domestic travel (section 2 of the 1940 Act), and to appoint an advisory committee to recommend action to promote the development of tourist travel (section 3 of the 1940 Act).

2. Does the Department believe that there is a need to define national policy objectives in the areas of travel, tourism, and recreation?

Answer: Yes, with respect to travel and tourism. However, we believe that an interdepartmental board, rather than a commission under one department as proposed in S. 2143, would be the proper instrument for defining national policy in this regard. No additional legislation would be necessary to establish such a board. With respect to recreation, however, the forthcoming Nationwide Outdoor

Recreation Plan will be a major program and policy document which, we believe, will be tantamount to a definition of national recreation objectives.

3. We understand that the Department already has authority under the 1940 Act that might be interpreted as a national travel development program. What are the objectives of these programs? How have these objectives been developed since the enactment of the 1940 Act. How much has been or is currently budgeted to carry out a national program of travel development for areas outside the lands administered by the National Park Service and the Department of the Interior?

Answer: In regard to these efforts, the programs of the National Park Service are well advanced. It must be noted that the National Park Service is the only agency authorized to conduct a domestic travel program. Pursuant to the Act of July 19, 1940 (54 Stat. 773), several activities have been undertaken, with the objective of creating a balanced travel and tourism program.

First, a Travel Advisory Board has been established to assist the Secretary of the Interior in carrying out his functions under that Act. The Board is composed of people in private industry, many of whom are directly affected by travel and travel trends. By way of example, members include executives of the Petroleum Institute, Holiday Inns of America, the Air Transport Association, and the Boeing Company.

An additional advisory group is organized and consists of State officials, from every State in the Union, each having responsibility for travel within his State. They have been organized into committees covering various technical aspects of travel, promotion, and assistance. Through these officials from each State, there is enormous available knowledge in regard to travel in the United States.

The program of the National Park Service extends well beyond Park System areas. A committee has been organized within the Department of the Interior consisting of all land-administering agencies. As the Intradepartmental Travel Advisory Committee, these agencies' needs and programs regarding visitation are being implemented.

Further, cooperation with the Forest Service, Department of Agriculture, has already resulted in the creation and distribution by the National Park Service of informational broadcast "spots" regarding Forest Service areas.

Our budget for these activities, and for promotional materials applicable to all agencies, is limited under the 1940 Act to \$100,000 per year. While our 1970 fiscal year budget contains this amount, we anticipate substantially increasing the budget upon the enactment of legislation to modify the limitation in the 1940 Act. Such legislation, S. 575, is currently pending before the Senate Committee on Interior and Insular Affairs. An identical bill, H.R. 14714, is pending before the House Committee on Interstate and Foreign Commerce.

4. In carrying out a program of national travel development, has the Department researched the present and future demand for travel and tourism resources and ways to meet those demands using both the public and private sector?

Answer: Studies were made from 1958 to 1962 by the Outdoor Recreation Resources Review Commission on the demand for recreation resources, and the Bureau of Outdoor Recreation of this Department is carrying forward the research in this area in connection with the formulation of a Nationwide Outdoor Recreation Plan. We have not, however, done research into other types of tourism resources such as motel space, availability of restaurants, and the like.

5. What work has the Department done to inventory and coordinate the travel and tourism programs now being carried out in a large number of federal departments and agencies? For example, has the Department worked with the numerous agencies in the transportation area to relate tourism and recreation development to transportation. Has work been coordinated with economic development agencies and pollution control agencies?

Answer: As indicated in the answer to question 3, an Intradepartmental Travel Advisory Committee has been formed within the Department of Interior, and close cooperation with the Department of Agriculture is proceeding. Liaison with the transportation agencies occurs primarily through our work with representatives of the travel and related industries on the Travel Advisory Board.

6. What are those agencies now involved in tourism development? How much is being spent by them and how are those programs related to national travel and tourism objectives?

Answer: The cooperating agencies involved in tourism development within the Department of the Interior include the Bureau of Outdoor Recreation, Bureau of Reclamation, Bureau of Indian Affairs, Office of Territories, Bureau of Land

Management, and the Bureau of Sport Fisheries and Wildlife. A representative of the Secretary of the Interior's Information staff also serves on the Intra-departmental Travel Advisory Committee. The Forest Service represents the Department of Agriculture on this committee.

Members of this committee serve as a policy coordinating committee for the Department's travel effort which is implemented by the National Park Service's Division of Travel. While this committee contributes no funds directly to the Travel program, the resources of these agencies are available to the Park Service. The Park Service keeps in constant communication with them, as well as other federal agencies, State and local groups and representatives of the private sector in furthering the objectives of promoting increased national domestic travel.

7. Has the Department of Interior so interpreted its authority under the 1940 Act to authorize it to establish an office of marketing information to service the needs of the private sector? Is there an office in government to which the private businessman or the state and local official can go for assistance in carrying out tourism development or marketing plans?

Answer: The 1940 Travel Act states that "the Secretary is authorized to cooperate with public and private tourist, travel and other agencies in the display of exhibits, and in the collection, publication and dissemination of information with respect to places of interest, routes, transportation facilities, accommodations, and such other matters as he deems advisable and advantageous for the purpose of encouraging, promoting or developing such travel." We interpret this provision as authorizing the dissemination of marketing information to public as well as private agencies. However, through the State Travel Advisory Committees, a free exchange of information between them and the National Park Service has been established. Private businessmen seeking travel marketing information and assistance are given all possible help by the Service's Travel Division within the resources of that Division. If further assistance and information is necessary they are referred to the State or States concerned.

We also believe the Standard Industrial Classification System of the Bureau of Census should be expanded to include a wide variety of business statistics on activities in the recreation industry. In this connection, the Bureau of Outdoor Recreation, through its technical assistance program, could provide the necessary coordination to increase such recreation informational services.

8. Would the Department of Interior support a proposal to designate an office within the Federal Government as the national tourism office responsible for servicing the domestic as well as international marketing needs of the U.S. travel industry, assuming that that office would in no way implement or carry out actual programs that are currently being conducted by existing federal agencies?

Answer: The Department of the Interior, under the 1940 Act, has the basic authority necessary to operate a National Domestic Tourism Office. The Department does cooperate fully with the International Tourism Office established within the United States Travel Service.

Moreover, the Secretary of Commerce, represented by the Director of the U.S. Travel Service, serves as an ex officio member of this Department's Travel Advisory Board. In addition, the Director of the National Park Service attends Travel Advisory Committee meetings of the U.S. Travel Service. Accordingly, this Department would not support a separate office to perform these functions outside of the Department of the Interior.

STATEMENT OF INTERNATIONAL COMMITTEE OF PASSENGER LINES

The International Committee of Passenger Lines consists of the 18 foreign-flag lines named in the attached list. These lines provide the major facilities for direct transportation of passengers to and from the United States as well as in the cruise service from American ports. This Committee supports S. 1289 and S. 2143. It believes that the proposed legislation would be helpful not only to the interests of the United States but also to the promotion of foreign travel generally with all its attendant benefits.

The members of this Committee have a direct and immediate interest in the development of travel to and from this country. However, a successful ocean transportation service can only be maintained on the basis of a substantial two-way passenger movement. For too long a time now, the heavy movement has

tended to be outbound. As a consequence, the port-to-port transportation services have decreased and vessels have been diverted to other employment.

The development of foreign tourism in the United States is still in its infancy. The fabulous cities and magnificent scenery in America provide natural attractions to people abroad. Potential visitors also have a keen interest in the American people—a fact which has to date been inadequately recognized. It is the belief of these carriers that the United States provides an enormous travel potential which has only begun to be realized. Based on the U.S. Travel Service figures, the total business and pleasure visitors to the United States from Europe for the period 1960 through 1967 were as follows:

1960	-----	274,000	1964	-----	527,000
1961	-----	299,000	1965	-----	584,000
1962	-----	353,000	1966	-----	658,000
1963	-----	398,000	1967	-----	700,000

It is believed that this increase may with confidence be projected into the future, and there is no reason why it cannot be expanded. The economic position of the average West European after World War II has steadily and notably improved and it is not surprising that the number of European travelers has been constantly increasing. The specific problem is to interest them in coming to the United States, rather than elsewhere. If this objective is to be realized, a concrete developmental program of the type envisioned by S. 1289 and S. 2143 is essential.

In almost every European country, there exists a concentrated, well-developed and well-financed travel program to attract foreign visitors. On a comparative basis, this far exceeds anything which the United States has attempted to date. Not only have the European governments and governmental organizations embarked upon vigorous, well-organized programs, but they have also been joined by the ocean carriers themselves which have spent much time, effort and money in the building up of the tourist trade. Comparable programs are being developed by many Asian and African states. These efforts have been effective. Tourist expenditures frequently constitute a sizable portion of these nations' income and is a significant factor in the balance of payments. There is no reason why it should not play a similar part in the American economy, but it will require a larger expenditure of effort and money than heretofore.

Both bills are couched in broad language, leaving much to the discretion of the Secretary of Commerce or the Office of Travel Program Coordination which will be working under him. Under S. 2143, the development of tourist facilities and low-cost unit tours are specifically envisaged and the simplification, reduction or elimination of travel barriers are dictated. These are important factors to the foreign traveler who is concerned with uncertainties as to costs, travel difficulties and language barriers. The distribution of suitable information as to hotels and facilities, together with some aid in connection with language difficulties would also do much to dispel any reluctance to come to America. These objectives could be achieved under this proposed legislation.

The Committee may rest assured that our organization will do its utmost to be of assistance.

Respectfully submitted.

VINCENT A. DEMO,
Chairman, New York Committee.

July 31, 1969.

MEMBERS OF NEW YORK COMMITTEE OF THE INTERNATIONAL COMMITTEE OF PASSENGER LINES

Canadian Pacific	Ineres Line
Clipper Line	Italian Line
Costa Line, Inc.	National Hellenic America Line
Cunard Line, Limited	North German Lloyd
French Line	Norwegian America Line
German Atlantic Line	Paquet Line
Greek Line	P. & O. Lines, Inc.
Holland-America Line	Sun Line
Home Lines Inc.	Swedish American Line

STATE OF LOUISIANA,
TOURIST DEVELOPMENT COMMISSION,
Baton Rouge, July 29, 1969.

Senator RUSSELL B. LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: Recently I have received copies of Senate Bill 1289 (Mr. Magnuson and others) and Senate Bill 2143 (Mr. Javits and others) which have been introduced and referred to the Senate Committee on Commerce. As a ranking member of the Senate Commerce Committee I felt certain that the Senator would be interested in my opinion as Director of the Louisiana Tourist Commission. In addition, I serve as Chairman of the Southern Travel Directors Council which includes eleven of the Southern States in a joint effort to promote travel to the south.

Having served previously as a Member of the Board and as Treasurer of the Discover America Travel Organization, Inc. I have been aware, for the past four years at least, of the proposal which has now been introduced by Senator Javits. I have also been aware for some time of a move on the part of some of the members of Congress to broaden the scope and increase the appropriation of the United States Travel Service, Department of Commerce, as outlined in Senate Bill 1289.

The travel industry in Louisiana has now reached the proportions of a 544 million dollar business, which in turn has contributed, in 1968, over 33 million dollars in tax revenue direct to the state and over 8 million dollars tax revenue to the local cities, towns and parishes throughout our state. There is no reason to believe that this cannot become a billion dollar business by 1975—and this is the goal we have set. To accomplish this goal, we not only must expand our promotional efforts within our own United States, but we must reach out to foreign markets for visitor dollars. Towards this end we have put into effect definite promotional plans to our neighbors on the south, in Mexico, Central and South America. In addition to this and because of our unique heritage in Louisiana to the French speaking people of Canada, we have carried on definite promotional programs in that direction. In this light we feel that we have definitely made progress; particularly to the Latin-American markets. With New Orleans as a natural gateway this would be a very obvious approach.

In studying the two bills, I am convinced that both would have a profound effect on the travel industry as it relates to Louisiana. I am also convinced that they would both contribute to the overall national picture of travel and to decreasing the travel gap in revenues to the country. I do feel however that Senate Bill 1289 would present the most immediate results both to our state and to the nation as a whole. I would call to the attention of the Senator, in particular, line 7 on the first page of this bill which would provide for financial assistance in the form of matching funds to state and political subdivision or combination thereof for the purpose of travel promotion to residents of foreign countries. Certainly the budget of our Tourist Commission limits us in doing a first class job in this segment of our promotional efforts. We therefore would welcome an opportunity to participate on a matching fund basis with the federal government in selected travel promotion to our particular markets as proposed under Senate Bill 1289.

Under Senate Bill 2143, page 6, line 12 (5) a change would be made to raise the appropriation ceiling to the United States Travel Service from \$4,700,000 to 15 million dollars. This would certainly be necessary to provide ample funds for the job that the United States Travel Service must do to compete with all of the nations of the world for the travel dollar. It would also probably be necessary in order that any matching fund program might be successfully carried out.

In closing, for the Senator's attention, a copy of the testimony which was given before the Senate Commerce Committee by Mr. William Toohey, National Chairman of the Discover America Travel Organization, Inc., I can agree with most of the recommendations which have been made by this organization, not only as Director of the Louisiana Tourist Commission, but as a member of Discover America Travel Organization. This matter has further been brought to the attention by the Directors of the 11-Southern States, and as Chairman of the Government Relations Committee, it is also endorsed.

I would *personally* disagree with paragraph 3, page 8 of the testimony and recommendations of Discover America Travel Organization. It would be my

personal feeling that a very fair basis for matching funds in this type of promotion would be the 50% formula as suggested in Senate Bill 2143 (Mr. Javits and others). My reasoning for this is that certain states have natural markets for foreign travel. Our state is a prime example of this as previously mentioned in that our primary market would be from Central and South America, the French speaking area of Canada and to some extent, the Republic of France. I firmly believe that those states such as Louisiana, Florida, California, New York, Hawaii and others with a natural market position would be more than willing to use their state budget funds on a 50-50 basis, or in other words "put their monies where their mouths were". This would eliminate funds being perhaps unwisely spent by states not having natural foreign markets, but who would participate if the program was matching a very slim marginal basis.

I would highly recommend the favorable consideration by the Senator, particularly of Senate Bill 1289, but I would also recommend that the final goal in regards to federal participation in the promotion of travel be in line with the ideas as outlined in Senate Bill 2143. The Louisiana Tourist Development Commission will certainly appreciate the support of the Senator for this legislation when it appears before the Senate Commerce Committee.

Kind personal regards.

Sincerely,

MORRIS FORD, *Director.*

personal feeling that a very large basis for marketing trade in this type of program would be the 50% formula as suggested in Senate Bill 1742. I believe that other countries would be interested in this type of program for their own benefit. My reasoning for this is that certain states have natural markets for foreign travel. Our state is a prime example of this as previously mentioned in that our primary market would be from Central and South America, the French speaking area of Canada and to some extent the Spanish of Spanish I believe that these states such as Louisiana, Florida, California, New York, Michigan and others with a natural market position would be more than willing to use their state budget funds on a 50-50 basis or in other words split their money where their interests were. This would include four-state programs whereby spent by states not having natural foreign markets, but who would participate if the program was profitable a very strong financial basis.

I would gladly recommend the favorable consideration to the Senate and the House of Senate Bill 1742, but I would also recommend that the bill and its amendments be referred to the Committee on the Promotion of Travel to be held in the House as well as in Senate Bill 1742. The Louisiana Travel Development Commission will certainly appreciate the support of the Senate for this legislation when it reports before the Senate Commerce Committee.

Kind personal regards,
Sincerely,

Thomas L. ...

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