



THE TRAVEL AND TOURISM ADVISORY BOARD

February 1, 2011

Secretary Gary Locke
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

Dear Secretary Locke,

On behalf of the Travel and Tourism Advisory Board, we would like to thank you for your ongoing support to the travel and tourism industry and the opportunity you have given us to contribute to its development by appointing us to this Advisory Board. Through this letter, we are respectfully submitting the conclusions of our work on facilitating international travel to the United States.

In short, we believe that facilitating international travel to the United States offers the opportunity to contribute in a major way to President Obama's goal to "double the country's exports over the next five years, an increase that will support two million jobs in America".

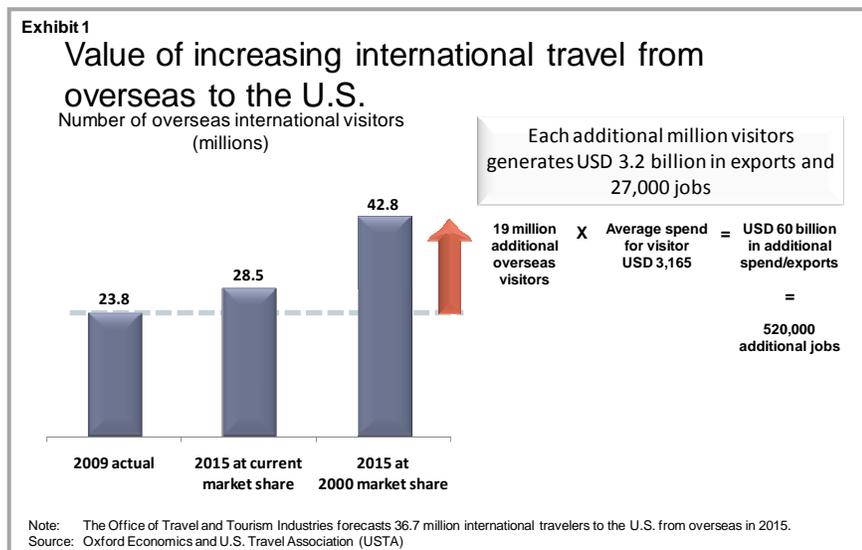
Specifically, we have reached three conclusions:

1. The U.S. has the opportunity to create up to 500,000 new jobs and generate up to USD 60 billion in additional exports annually if it can recapture its lost market share of overseas international travel by 2015, or, said differently, if it can grow the number of international visitors from overseas from 23.8 million in 2009 to 40 million in 2015. Irrespective of the target that one would like to select, it should be noted that each additional million international visitors from overseas generates USD 3.2 billion in additional exports and creates 27,000 new jobs (*see Appendix A for details*);
2. Challenges with visas and the experience crossing the country's borders are important obstacles to travel to the U.S. At a time when the country is in the process of beginning to promote travel to the U.S. in international markets, it seems quite appropriate to address these obstacles (*see Appendix B for details*);
3. Addressing the visa and customer service experience related issues can be done through a few measures at minimal net direct cost to the U.S. tax-payers and an effective partnership

with the State Department, the Department of Homeland Security, Congress, local airport authorities and the travel & tourism industry.

While our findings and recommendations are detailed in the attached report, we would like to summarize our recommendations here.

Building on a number of efforts that have been initiated by the administration and Congress to address some of the visa and border issues¹, the Travel and Tourism Advisory Board has developed 10 concrete recommendations to address key visa and customer service issues. At the risk of repetition, increasing the number of international visitors from overseas to the U.S. to more than 40 million by 2015 would create up to 500,000 new jobs and generate up to USD 60 billion in additional exports annually (Exhibit 1).



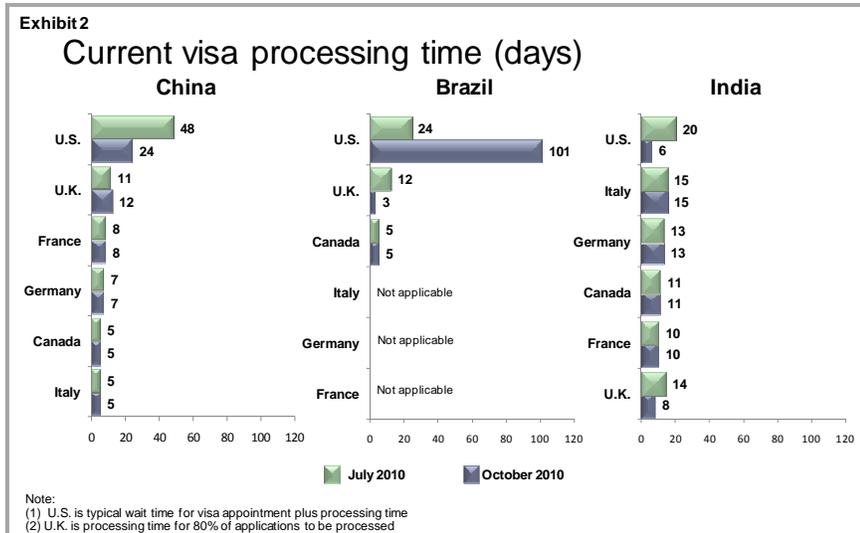
Specifically, the Board has the following **seven recommendations to address the key visa-related issues**. The first four recommendations are focused on improving the quality of service as it relates to visa processing. The following three recommendations would drastically reduce the need for in-person interviews for visa processing, which is a major source of issues and workload today.

Recommendation number 1: Establish a maximum wait time of **5 days** for visa processing to make it competitive with the European countries.

Out of the 222 overseas posts that the State Department operates, the wait time for an in-person interview was less than 7 days at 164 posts. However, the wait time in China, Brazil, and to a lesser extent India, have tended to be quite long (i.e., several weeks) and significantly higher than the wait times for the countries that the U.S. is competing with (Exhibit 2). Reducing the

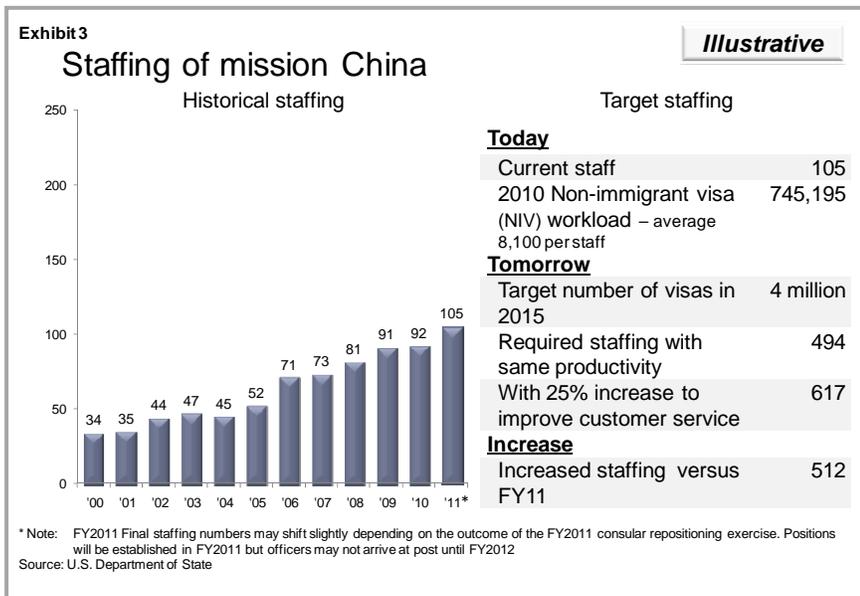
¹ This includes trusted traveler programs, a few pilot efforts in some model airports, the ramp up of the visa waiver program, the Travel Promotion Act, and various efforts to improve visa processing.

wait time in these critically important countries to 5 days would help make travel to the U.S. more competitive.



Recommendation number 2: Add a few hundred officers in visa processing centers in key emerging countries to reduce wait time and meet growing demand.

We recommend that you encourage the State Department to quickly ramp up the staffing of visa processing centers in key emerging countries (notably China, Brazil and India) by a few hundred officers. Across China and Brazil, 500-600 additional officers would seem sufficient to meet growing demand and reduce wait times (Exhibit 3).



The net cost to the U.S. tax-payers to add these resources is non-existent as each officer generates about USD 1.5 million in fees per year (Exhibit 4).

Exhibit 4		<i>Illustrative</i>	
Economics of increased staffing			
Non-immigrant visa workload per staff	China Average 8,100		Brazil Average 12,514
		X	
Fee per visa application		USD 140	
		=	
Increased revenue per additional staff	USD 1.13 million	to	USD 1.75 million
		-	
Cost per staff		USD 0.5 million	
		=	
Net revenue increase per incremental staff	USD 0.63 million	to	USD 1.125 million

Source: U.S. Department of State, Travel and Tourism Advisory Board analysis

According to the State Department, this incremental staffing should take the form of officers with a limited time contract to avoid creating a glut of permanent State Department employees. Also, the State Department should consider the extent to which implementing video conferencing would be helpful in optimizing the deployment of its staff. The actual staffing requirement may eventually be reduced if and when recommendations number 5, 6 and 7 are implemented. We believe that this is not a reason to delay the immediate addition of incremental staff because of the attractive return and the flexibility of limited time contracts.

Recommendation number 3: Add 4-6 visa processing locations each in China, Brazil and India. We recommend that you ask the State Department to quickly increase the number of processing locations in the key emerging countries, probably adding 4-6 visa processing locations each in China, Brazil and India (Exhibit 5). The key criteria for choosing the additional cities should be their size and economic importance. Priority cities in China should probably include: Chongqing, Dalian, Shenzhen, Tianjin, and Wuhan.



Recommendation number 4: Enable the State Department to **retain all the visa processing and consular fees** to cover the costs of its consular staffing and visa processing activities.

The rationale for this recommendation and the expected benefits are to enable the State Department to develop its visa processing activities with a profit center focus, i.e., keep adding officers until profitable demand is met.

Recommendation number 5: Increase the **validity** of non-immigrant visas for Chinese visitors to 10 years.

The rationale for this recommendation and its expected benefits are to reduce the workload of the officers as visa renewals represent a significant share (30%) of the current workload in China and to reduce the burden for Chinese visitors. We note that such a measure has been taken for other countries, including Brazil and India.

Recommendation number 6: Give the State Department more **discretion** as it relates to in-person interviews.

We recommend that you work with Congress to give the State Department more discretion as it relates to in-person interviews. Congress should find out from State and Homeland Security whether in-person interviews are necessary and appropriate for 100% of prospective visitors from non-visa waiver countries or whether technology and judgment could enable the State Department to grant visas to certain visitors without an in-person interview and without compromising security.

One option would be to move to a principle of interview-by-exception, i.e., the practice of many of the countries we compete with. Another option would be for the Secretary of State to take greater advantage of the authority she has under INA sec. 222(h), subject to certain limitations, to waive the personal interview requirement on the basis of a U.S. national interest or if necessary because of unusual or emergent circumstances. The State Department is in fact considering possible categories of applicants for whom the Secretary might exercise her interview waiver authority (for example, Brazilian teens younger than 16 or Chinese students re-applying for student visas).

Recommendation number 7: Restore the ability of the Secretary of Homeland Security to admit countries into the Visa Waiver Program (VWP) with a refusal rate of 10% or less by decoupling the air exit requirement from the VWP. Work with key strategic partners to facilitate their entry into the program.

As was experienced with South Korea, including a country in the visa waiver program has a large positive impact on the volume of international travel from that country to the U.S.

We recommend that you ask the State Department to nominate additional countries for inclusion in the visa waiver program over the next few years. To this end, The TTAB recommends that you ask Congress to separate the requirement to implement a biometric air exit system from the Visa Waiver Program. Such a change would once again allow the Secretary of Homeland Security to designate new countries as Visa Waiver Program members by restoring the visa refusal rate

cutoff of 10%. This action would pave the way for several strategic markets to join the program, facilitating the entry of millions of new visitors to the United States.

Major international partners around the world that merit consideration include, in particular, Brazil as well as other key countries from South America, e.g., Argentina and Chile (Exhibit 6). According to the Department of Homeland Security, there are other factors, beyond the refusal rate issue, which make Brazil, Argentina, and Chile ineligible for VWP membership under current law. For example, they have not signed the required information sharing agreements (PCSC and HSPD-6); the required reporting of lost and stolen passports to INTERPOL is either rare (in the case of Brazil) or non-existent (Argentina, Chile); Brazil does not offer visa-free travel to US passport holders, and charges a combined \$160 fee for entry; and only Brazil currently issues biometric passports – another legal requirement for entry into the VWP.

While it may take a while before these countries are ready, we recommend that the administration take a proactive approach to moving the process forward, given the economic weight of these countries and that Brazilian citizens do not need a visa to visit the Schengen countries today.

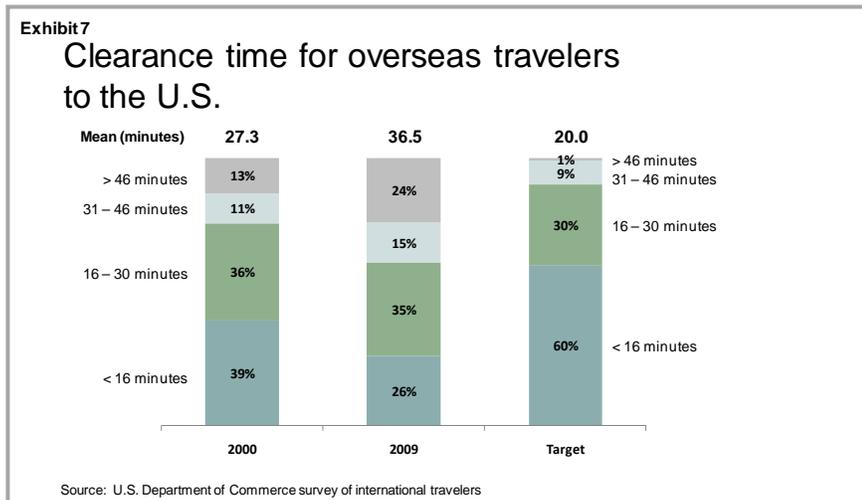
Exhibit 6

The case for Brazil

	GDP per capita (USD, 2009)	2010 GDP growth rate (%)	Currently a visa waiver country?	Visa refusal rate
Greece	29,195	-4.0	Yes	
Portugal	21,481	1.3	Yes	
Malta	19,737	1.7	Yes	
Czech Republic	18,124	2.0	Yes	
South Korea	17,059	6.0	Yes	
Slovakia	16,222	4.0	Yes	
Estonia	14,692	1.8	Yes	
Hungary	12,900	0.5	Yes	
Lithuania	11,273	1.3	Yes	
Latvia	10,826	-1.0	Yes	
Chile	9,629	5.0		5.0%
Brazil	8,116	7.0		5.2%
Argentina	7,660	6.0		3.1%
China	3,744	10.3		13.3%
India	1,134	8.5		26.8%

The Travel and Tourism Advisory Board then has **three recommendations to address the issues related to the customer service experience at the nation's borders:**

Recommendation number 8: Establish a goal for wait time at international airports and cruise terminals of less than **20 minutes** and measure the performance against that goal (Exhibit 7).



Recommendation number 9: Strengthen the implementation of the Model Ports of Entry program, through an increased staffing flexibility and customer service focus and through a public/private partnership established at each model port (“**Adopt an airport program**”).

Building on a number of current initiatives, steps can be taken to reduce peak wait times and improve the customer service experience at key ports. They include:

- Increasing staffing flexibility of the CBP officers, e.g., enabling the use of flexible working hours and part-time labor to be better able to meet fluctuations in the number of incoming travelers, and enhancing the use of scheduling system and staffing models;
- Enhancing the overall customer service focus, e.g., deploying the traveler satisfaction survey developed by the Department of Homeland Security, updating the Explore America International Travelers survey last conducted in 2006, continuing to deploy customer service training, and directing CBP officers to greet arriving passengers with “Welcome to the United States” or “Welcome home”.

A promising approach to get this done, and make the arrival experience more welcoming, would be to establish a public/private partnership at port level with the local port authority, DHS representatives, and main relevant airlines and local travel and tourism companies, to make the arrival experience more welcoming.

We, therefore, recommend that you work with the Department of Homeland Security, local port authorities and the travel and tourism industry to initiate such public/private partnerships for each key port.

Recommendation number 10: Ramp up the **Global Entry Program** for U.S. citizens, permanent residents, and trusted international visitors to reach a number of participants sufficient to materially reduce the workload of the Customs and Border Protection officers (i.e. 10 million). This entails specifically working with the Department of Homeland Security to:

- Ramp up the Global Entry Program for U.S. citizens and permanent residents, e.g., by:
 - Enhancing marketing efforts, including encouraging the State Department to provide information about Global Entry to people who are applying for a U.S. passport; and by leveraging the loyalty program of global travel and tourism industry players;
 - Continuing to increase the number of participating airports, e.g., by adding the Minneapolis-Saint Paul International airport;
 - Ensuring that the Global Entry kiosks are well placed in the arrival halls of participating airports;
 - Utilizing the Department of Commerce posts around the world to educate travelers about the program.
- Expand the Global Entry Program to international visitors, e.g., by:
 - Finalizing negotiations with the U.K., France, Germany and Japan to allow reciprocal use of the Global Entry Program;
 - Opening the Global Entry Program to holders of long-term, non-immigrant visas such as E, L or O visas;
 - Integrating the APEC Business Travel Card (ABTC) in the program. The ABTC allows travelers designated by governments of the APEC region as key business leaders to receive expedited visa interviews and to use specialized entry lines upon arrival in APEC countries.

Finally, the committee suggests a number of steps to accelerate progress and **follow through** on these recommendations. Specifically, we believe the following steps could be quite impactful:

- Organize early in 2011 a **joint meeting** of President Obama with yourself, the Secretary of State and the Secretary of Homeland Security focused on setting the goal of achieving **more than 40 million overseas visitors per year by 2015** and taking the measures necessary to facilitate international travel to the U.S.;
- Ensure the participation of President Obama and yourself at the **World Travel and Tourism Summit** to be held in Las Vegas on May 17-19, 2011, which can provide a great platform for the administration to send the right message to the world;

- Establish a public/private partnership or **working group** with the mission to drive progress in the implementation of the above recommendations and toward the goal of achieving more than 40 million international visitors per year by 2015:
 - Its members could include: representatives of the White House, the State Department, the Department of Homeland Security, the Department of Commerce, the Corporation for Travel Promotion, the U.S. Travel Association, the Air Transport Association, and a few U.S. airlines and travel and tourism enterprises;
 - It would establish and track a set of key performance indicators to monitor progress on the above mentioned issues (Exhibit 8);
 - It would meet quarterly to discuss progress and issues, and would report annually to the President and Congress.

Exhibit 8

Key metrics (examples):

- Number of international overseas visitors and market share
- Wait times at consular offices in key emerging countries
- Number of visa processing locations in key emerging countries
- Number of countries added to the Visa Waiver program
- Wait times at model ports
- Number of travelers enrolled in Global Entry Program
- Number of countries with reciprocal agreements
- Traveler satisfaction at the nation's borders
- Image of the U.S. amongst international travelers

Mr. Secretary, we believe that the country has a unique opportunity to create a large number of jobs and stimulate its exports by taking these measures. We are ready to discuss these recommendations in greater detail and to work with your staff, the State Department and the Department of Homeland Security on next steps. We thank you for focusing your time on these matters and giving us the opportunity to have a positive impact.

Sincerely,



Rossi Ralenkotter
Chairman, Travel & Tourism Advisory Board



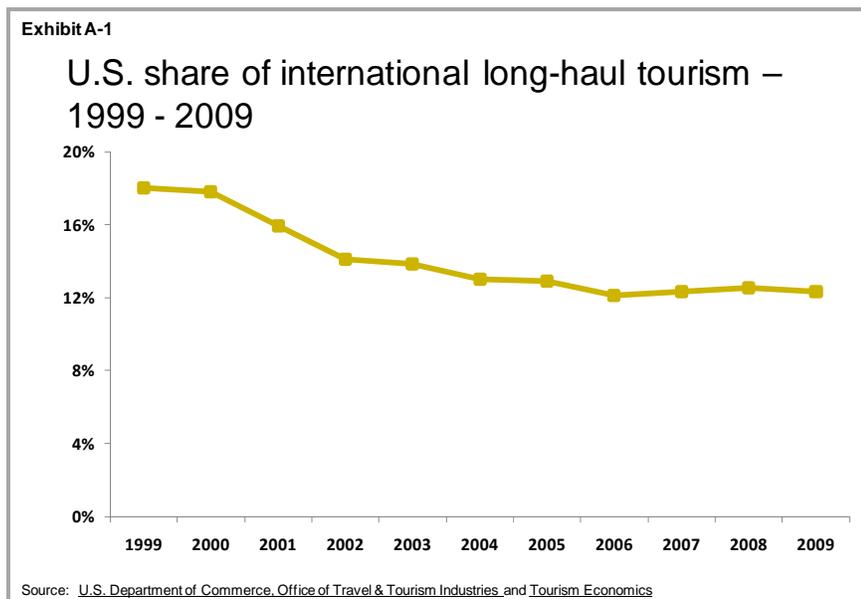
Hubert Joly
Chairman, Travel Facilitation Subcommittee

Appendix A

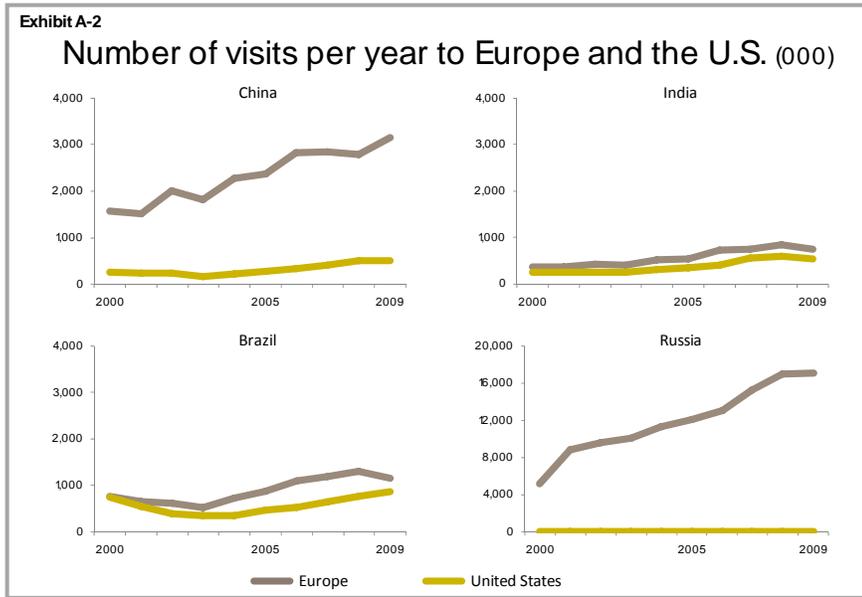
The U.S. has the opportunity to create up to 500,000 new jobs and generate up to USD 60 billion in additional exports annually if it can recapture its lost market share of overseas international travel, or, said differently, if it can grow the number of international visitors from overseas from 23.8 million in 2009 to 40 million in 2015. Irrespective of the target that one would like to select, it should be noted that each additional million international visitors from overseas generates USD 3.2 billion in additional exports and creates 27,000 new jobs.

International travel to the U.S. is already a major source of exports and jobs today. In 2009, there were 23.8 million overseas arrivals in the U.S. These overseas visitors generated USD 75 billion in spending in the country (excluding international air travel), representing about 700,000 jobs. In addition, international travel to the U.S. indirectly contributes to exports, as some of these visitors decide to acquire U.S. products and services when they visit trade shows and/or potential suppliers.

However, the U.S. has lost a third of its market share in the last 10 years (Exhibit A-1). Compared to 25.9 million in 2000, the U.S. would have had 34 million overseas visitors in 2009 instead of 23.8 million if it had held share, i.e., almost 50% more. While part of the market share loss can be explained by competition from an increasingly diverse set of countries, it is striking that most of the market share loss happened in the 2001-2 time frame, coinciding with heightened security concerns by the U.S.

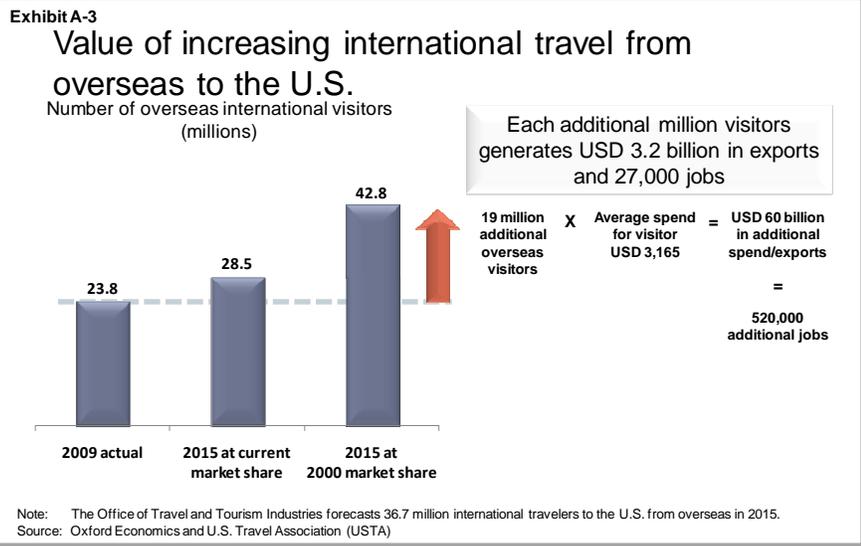


Particularly noteworthy for the future is the fact that the U.S. performance has lost ground in the key BRIC countries that represent the fastest growing part of the world's economy and of the international travel market. As an example, the number of annual visits from China to Europe is around 3 million versus 500,000 to the U.S. Similar gaps exist for the other BRIC countries (Exhibit A-2).



This is particularly troubling as the BRIC countries in general and Asia in particular represent a major, fast growing part of the world's economy and of the international travel market. As a group, the GDP of the BRIC countries is expected to represent 20% of the world's GDP in 2014 versus 15% in 2009 and 7% in 1999. The middle-class of China and India will soon reach several hundred million individuals with a purchasing power comparable to that of the developed countries, many of whom are and will be eager to travel internationally. This represents a dual opportunity for the United States: the opportunity to sell U.S. products and services to these countries; and the opportunity to attract visitors from these countries who are interested in visiting the United States as tourists or as business people. It is critical that the United States does not miss this opportunity.

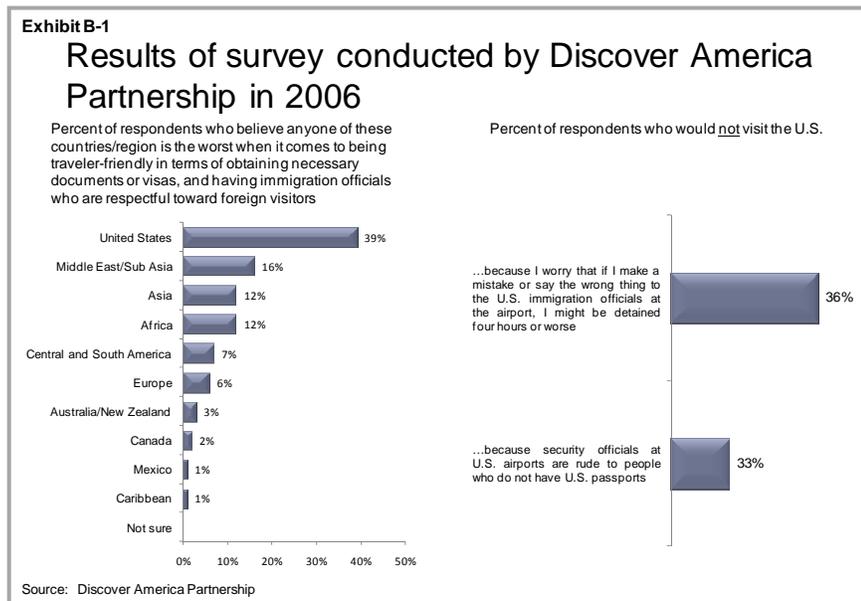
Looking ahead, the value to the U.S. economy of recapturing the lost market share of international travel from overseas is the creation of up to 500,000 new jobs and the generation of up to USD 60 billion in additional exports annually, as every additional million visitors from overseas generates USD 3.2 billion in additional revenue or export and creates 27,000 jobs (Exhibit A-3).



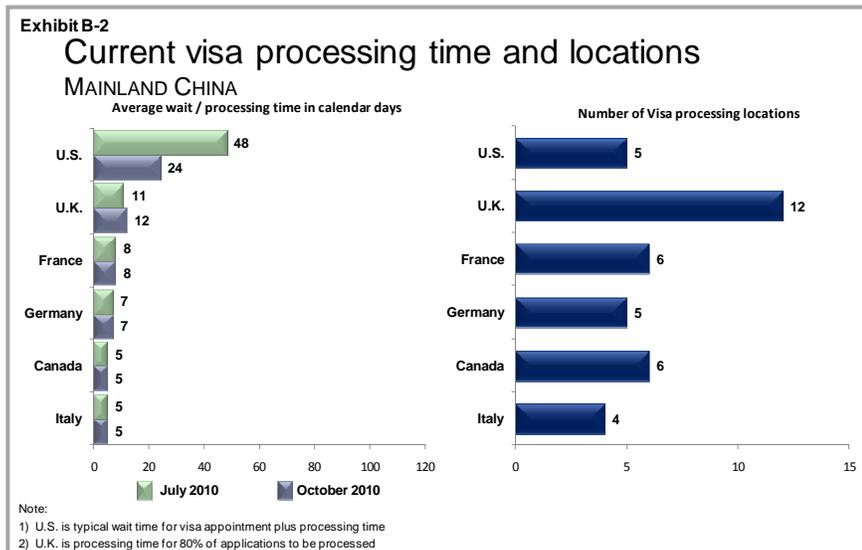
Appendix B

Challenges with visas and the experience crossing the country's borders are important obstacles to travel to the U.S. At a time when the country is in the process of beginning to promote travel to the U.S. in international markets, it seems quite appropriate to address these obstacles.

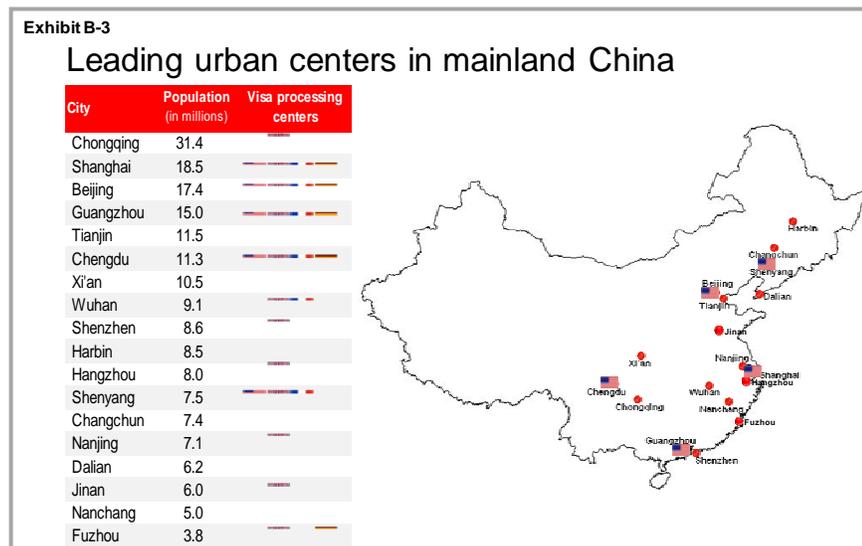
This is highlighted by various pieces of market research and benchmark data detailed in the attached report. As an example, according to a survey conducted by Explore America in 2006, 39% of international travelers believe that the United States is the worst country or region when it comes to being traveler-friendly in terms of obtaining necessary documents or visas, and having immigration officials who are respectful toward foreign visitors. This compared with 16% for the Middle East, 12% for Africa, and 6% for Europe (Exhibit B-1).



While some of the issue may be perception versus reality, and while some progress may have recently been accomplished, the U.S. does suffer from a real performance gap as it relates to the way it treats potential visitors. As an example, a Chinese citizen wanting to travel to the United States needs to wait several weeks to have an appointment for the required in-person interview. This compares to 5-12 calendar days for a trip to a European country. This is quite an obstacle (Exhibit B-2).



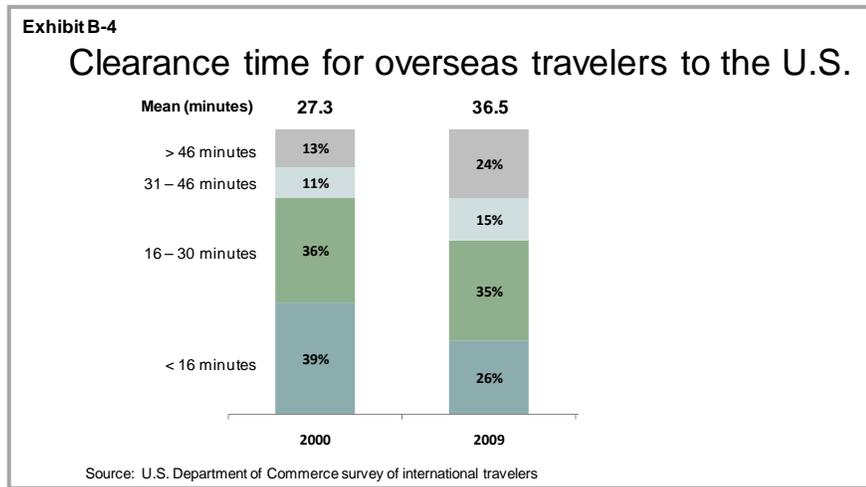
An aggravating factor is the fact that the United States has visa processing centers in only five cities, compared to 12 for the United Kingdom. As a result, there are 10 cities in China with more than 2 million urban inhabitants who do not have a U.S. visa processing center (Exhibit B-3).



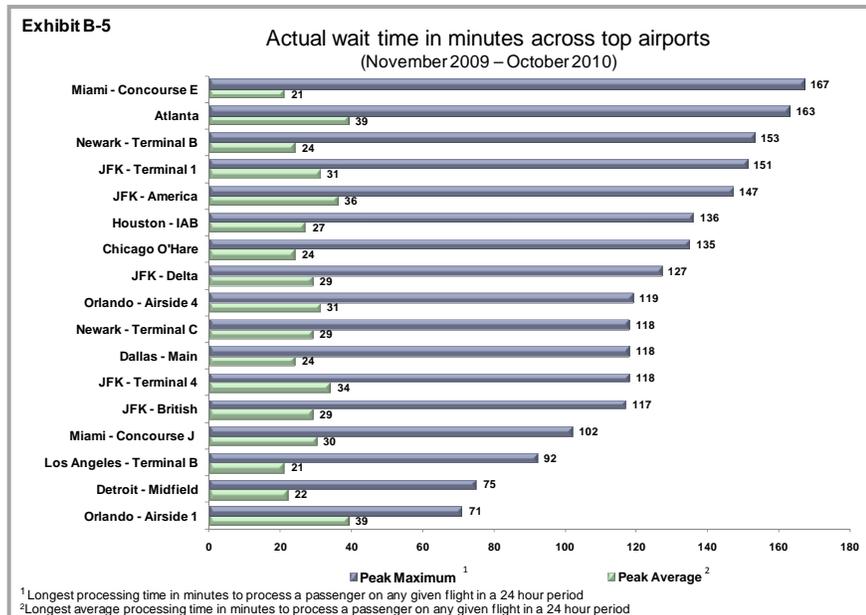
As it relates to Brazil, the competitive issue is even more serious. The European Schengen countries do not require a visa for Brazilian citizens to visit them. In contrast, a Brazilian citizen will need to make an appointment at one of four U.S. visa processing centers and wait several months for that appointment (wait times in Brazil have been quite high). This means that a trip to the United States often requires a Brazilian citizen to make two trips if he or she wants to travel to the U.S. – one trip to a city with a visa processing center and then the trip to the U.S. itself. This is an expensive and cumbersome process (USD 2,600 for a family of four from Manaus needing to go to Brasilia to get their visa).

The situation of wait times is somewhat better in India, although quite uneven across visa processing centers. However, the number of U.S. visa processing centers is five compared to 11 for the U.K. As a result, there are eight cities in India with more than two million inhabitants who do not have a U.S. visa processing center.

The experience of international visitors at the country's borders is also a source of concern for two main reasons: the general perception of international visitors as relates to processing time and the way they may be treated at the border is quite mixed; in addition, delays in passenger screening is the major cause of missed international connections, which is a significant source of loss for U.S. airlines. In 2009, 39% of overseas travelers to the U.S. waited more than 30 minutes to be cleared through immigration at the nation's airports (Exhibit B-4).



In addition, wait times are quite unpredictable and peaks can be quite extreme (Exhibit B-5).



While it would be inappropriate to assume that the visa wait time and travel required to a visa processing center are the only drivers of the difference in number of visitors, every element counts. Specifically, as the global economy becomes more integrated, being able to fly to and from the key partners of the global economy -- at short notice and efficiently -- becomes increasingly important.