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REPORT TO THE CONGRESS

Foreign Visitor Travel To The United States Can Be Increased

B-151399

United States Travel Service
Department of Commerce

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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COMPTROLLER GENERAL OF THE UNITED STATES
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To the Speaker of the House of Representatives
and the President pro tempore of the Senate

This is our report on increasing foreign visitor travel
to the United States under programs of the United States
Travel Service, Department of Commerce

Our review was made pursuant to the Budget and Account-
ing Act, 1921 (31 U S C 53), and the Accounting and Audit-
ing Act of 1950 (31 U S C 67).

Copies of this report are being sent to the Director,
Office of Management and Budget, and to the Secretary of
Commerce

James B. Stacks

Comptroller General
of the United States

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ABBREVIATIONS

BTA	British Tourist Authority
CAB	Civil Aeronautics Board
CTO	Canadian Office of Tourism
FTO	French Government Tourism Office
GAO	General Accounting Office
NTO	national tourist office
STO	Spanish National Tourist Office
USTS	United States Travel Service

D I G E S T

WHY THE REVIEW WAS MADE

GAO reviewed programs of USTS to find out if they could be made more effective in encouraging the people of other nations to visit the United States. USTS was created by the International Travel Act of 1961 to increase foreign visitor travel to U.S.A.

In 1972 travel receipts from foreign visitors to the United States reached \$3.2 billion, while travel expenditures by Americans abroad climbed to \$6.3 billion. The \$3.1 billion difference represents a so-called travel gap which more than doubled between 1962 and 1972 and has been a leading contributor to U.S. balance-of-payments deficits of recent years.

Travel receipts from foreign visitors provide an important means of increasing U.S. foreign exchange earnings. Officials estimate that every \$20,000 initially earned from foreign travelers supports or creates one job in the United States, exclusive of the multiplier effect.

Background

Worldwide, international travel has become an important item in foreign trade, growing over 12 percent annually. An estimated 198 million international travelers spent \$25 billion in 1972. The United

States attracted about 7 percent of these travelers.

Although the U.S. travel receipts have increased steadily, since 1969 the U.S. share of international travel has gradually deteriorated in both number of visitors and travel receipts. (See pp. 5 and 6)

As of May 1973, USTS had 96 permanent staff positions--55 in Washington, D.C., and 41 in 6 foreign countries. A 1970 amendment increased USTS' budget authorization from \$4.7 million to \$15 million, but its appropriation for fiscal years 1972 and 1973 was \$6.5 million and \$9 million, respectively. (See p. 7)

Of the \$6.5 million budget for fiscal year 1972, \$4.35 million, or 67 percent, was expended for promoting travel to the United States. Most of these activities are carried out abroad with Washington headquarters support. (See p. 17)

FINDINGS AND CONCLUSIONS

The United States has found it difficult to maintain or increase its share of the growing international travel market because of competition from other countries. GAO found that the bulk of USTS funds has been directed to general promotional campaigns designed to create foreign

interest in travel to the United States (See pp 6 and 16)

About 70 percent of the foreign visitors arriving in the United States in 1972 came from Canada, but their per capita expenditure is \$94 because of their proximity to the United States and short-term visits. On the other hand, per capita expenditures of visitors from other countries range from about \$250 to \$500. Thus, increasing visitors from other countries affects U S tourism earnings more favorably (See p 34)

The consensus of about 100 U.S. and foreign travel trade representatives was that, to stimulate competitive U S travel programs, USTS will have to concentrate more effort on those elements of the industry involved in developing and promoting travel programs

Travel trade representatives indicated they were interested in devoting more effort to creating and selling tours to the United States. But they said the high cost of travel to the United States, inadequate U S reception services, and difficulties, including regulatory impediments, involved in arranging package tours have kept the travel industry from doing so. (See pp. 13, 14, 22 to 24, and 35)

Attractive low-cost package tours and other travel programs to other destinations have been developed successfully, but competitive travel programs to the United States are relatively undeveloped. To illustrate, of more than 3,600 catalog pages of 10 large European tour operators, only 48 featured travel to the United States. Other long-haul destinations, such as East Africa

and the Far East, had 139 pages and 119 pages, respectively

A comparison of commercial economy class airfares and package tour base prices from London to Bangkok or Johannesburg illustrates the attractiveness of package tours. The tour packages, including hotels and meals, were 32 and 43 percent, respectively, of the round trip commercial economy class fares. (See pp 8 to 13)

Most national tourist offices of other countries that GAO contacted were involved in developing and promoting specific travel programs to their respective countries. Most also were providing tour packagers some form of assistance ranging from supplying travel literature to direct financial subsidy of tour catalogs. (See pp 25 and 26)

Notwithstanding such factors as the lack of adequate reception services and regulatory impediments, USTS can more effectively increase travel to the United States by devoting more effort to motivating and directly assisting the U S and foreign travel trade to develop and promote competitive package tours and other travel programs to the United States.

Recent market studies show that foreigners, especially Europeans, now exhibit substantial interest in visiting the United States. However, lack of competitive U S -bound travel programs is keeping interested foreign travelers away.

The major obstacle to developing travel programs to the United States--the high cost--has been reduced recently by significant dollar devaluations and by the growing

inflation abroad Between 1971 and April 1973, the German mark increased in value by 29.3 percent, the French franc by 22.2 percent, the United Kingdom pound sterling by 3.3 percent, and the Japanese yen by 35.6 percent in relation to the dollar

International airfares and group travel restrictions appear to be changing to make it easier for foreign travelers to qualify for low-cost group airfares to the United States (See pp. 14 and 15)

USTS, for many years, has recognized the need to develop a variety of package tours for the United States to compete more effectively with other travel destinations. Despite this need USTS has never sustained an effort to provide this assistance to the travel trade. USTS did not consider this marketing environment adaptable to, or its resources large enough for, this type of an approach

Further, USTS officials said that until November 1970, USTS lacked legal authority to conduct the proposed cost-sharing type of tour development program, commonly operated by competing national tourist offices. USTS advised that, due to the nature of the budget-program-planning process, only recently has USTS been able to implement this authority by launching tour development test programs in Germany and the United Kingdom

There has been concern, too, on the part of USTS management that controversy or criticism unfavorable to the VISIT USA effort (a general USTS theme) might develop over the bases for selecting travel industry representatives to participate in tour development programs

This remains a real concern, although steps are being taken to produce objective and quantitative selection criteria based on factors such as

- technical capability,
- financial position--that is, capitalization, credit rating, etc ,
- experience of sales employees, and
- potential rate of return on USTS dollars invested in the project

But devaluations of the dollar and lowering of airfares have improved the marketing environment, and, with increased resources, USTS believes it now can embark on a more active sales effort to develop specific travel programs to the United States (See pp. 20 and 21.)

RECOMMENDATIONS

USTS should consider allocating more of its resources to directly assist in developing and promoting competitive package tours and other travel programs. To capitalize on these opportunities, GAO recommends that the Secretary of Commerce direct that USTS

- Act as the catalyst for getting foreign tour operators together with U S travel suppliers (airlines, hotels, ground transportation, sightseeing attractions, etc.) to discuss the details of developing travel programs to the United States
- Strengthen its field staffs to provide direct, regular consultation to tour operators and others interested in developing and promoting travel programs to the

United States USTS should obtain feedback from tour operators regarding problems in handling such tours

- Devote research effort to meeting informational needs of those elements of the travel industry interested in developing travel programs to the United States.
- Generate to the travel trade a regular flow of ideas and information on happenings in the United States around which U S travel programs could be developed and promoted
- Consider furnishing direct financial and promotional assistance to the travel industry for such things as the printing of tour catalogs and brochures, photographs and promotional material, joint promotion efforts, including advertising, and travel trade promotional activities and seminars

By placing more emphasis on developing package tours and other travel programs, USTS will not only provide incentives to the travel trade but also make it easier to demonstrate the results of its programs

By keeping track of the number of programs developed and the number of visitors purchasing those programs, USTS should be able to attribute

specific increases in foreign arrivals and expenditures to its tour development efforts. If USTS can demonstrate that U S travel programs can be profitable, tour operators and U S travel suppliers may develop tours on their own. (See p. 30)

AGENCY ACTIONS AND UNRESOLVED ISSUES

USTS informed GAO it has adopted an integrated marketing plan which resulted in major reorientation of the agency and its programs. USTS created new offices to stimulate development of package tour programs and work more closely with the U.S. travel groups and foreign tour packagers.

USTS has launched test package tour development programs and has begun to install a performance measurement system. Comments of the Department of Commerce are included as appendix VII. GAO believes the actions by USTS are in close agreement with GAO recommendations. (See p. 31)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report shows the Congress that much work needs to be done to offset the increased travel gap and its significant addition to the overall U S balance-of-payments deficit.

CHAPTER 1

SIGNIFICANCE OF INTERNATIONAL TRAVEL

Worldwide, international travel is a large growth industry. In 1972 it constituted an estimated \$25 billion industry, growing over 12 percent annually. Besides providing an important means of increasing foreign exchange earnings, increasing the flow of foreign visitors to the United States has a favorable impact on the domestic economy. The United States Travel Service (USTS) estimates that every \$20,000 initially earned from foreign travel supports or creates one job in the United States, exclusive of any multiplier effect. Indirect benefits from international tourism include the good will and understanding between nations and the sale of U S merchandise because foreign visitors are exposed to our products.

EFFECT OF TRAVEL ON BALANCE OF PAYMENTS

U S travel receipts reached \$3 2 billion in 1972, while U S travel expenditures abroad climbed to \$6 3 billion. The difference of \$3 1 billion represents the so-called travel gap. The travel deficit which has been steadily growing is one of the largest contributors to the overall U S balance-of-payments deficit. Between 1962 and 1972 the travel deficit more than doubled. The magnitude of the travel deficit and its relationship to other major components of the balance of payments in 1972 can be seen below.

Travel balance	-\$3.1 billion
Merchandise trade balance	-\$6 8 billion
Military transactions balance	-\$3 5 billion

Traditionally, our largest travel deficit has been in Western Europe, with the United Kingdom alone accounting for about 30 percent. Significant travel deficits also have been recorded for Canada, Mexico, and Latin America. The opposite, however, is true with Japan. In 1971 a surplus of \$46 million was recorded in the travel account with Japan.

DECREASING U S SHARE OF INTERNATIONAL TRAVEL MARKET

Although the number of visitors to the United States and the amount of travel receipts have increased steadily during

the 10-year period 1963-72, the U S share of international arrivals market has remained about 7 percent and about 14 percent of the dollar receipts. The U S share of the international travel market during the 10-year period reached its high point in 1969, and since then the U S share has deteriorated. The U S share of arrivals dropped from 8.1 percent in 1969 to 7.1 percent in 1972, while the U S share of revenues fell from 15.2 percent in 1969 to a 10-year low of 12.8 percent in 1972. Statistics on the U S share of the total international travel market for the period 1963 through 1972 are provided in appendix I.

CONCENTRATION OF CURRENT VISITOR MARKETS

The market supplying visitors to the United States is highly concentrated. In 1972 Canada and Mexico accounted for 80 percent (70 and 10 percent, respectively) of the foreign visitors to the United States. However, Canadians spent less in the United States than did visitors from other parts of the world and accounted for only 34 percent of our international travel receipts. A significant portion of our overseas arrivals market (all countries but Canada and Mexico) is in Europe, with the United Kingdom, Germany, France, and Italy supplying 30 percent of our overseas arrivals in 1972. Also in 1972, Japan replaced the United Kingdom as the largest, single-country supplier of overseas visitors to the United States. Statistics on 1972 arrivals and how much they spent are provided in appendix II.

OPERATIONS OF USTS

USTS was established by the International Travel Act of 1961 (22 U S C 2121-27) to strengthen the domestic and foreign commerce of the United States and to promote friendly understanding and good will by encouraging foreigners to visit the United States and facilitating international travel.

Under this legislation, USTS' catalytic role is to

- stimulate travel to the United States by foreign visitors for pleasure, business, or study,
- encourage the development in the United States of tourist facilities, low-cost unit tours, and other arrangements for meeting the needs of foreign visitors,

- foster and encourage the widest possible distribution of the benefits of travel, at the lowest rates, between foreign countries and the United States,
- encourage the reduction and elimination of barriers to VISIT USA (a general USTS theme) travel and the facilitation of international travel generally, and
- collect, publish, and provide for the exchange of statistics and technical information relating to international travel and tourism

In 1970 an amendment to the International Travel Act elevated the Director of USTS to the rank of Assistant Secretary of Commerce for Tourism. This amendment also increased USTS' budget authorization from \$4 7 million to \$15 million and established a grant program under which USTS can match (USTS' share not to exceed 50 percent) the funds provided by States, cities, or private nonprofit organizations for projects designed to promote travel to the United States USTS was appropriated \$38 million between fiscal years 1963 and 1972. The agency's appropriation for fiscal year 1973 was \$9 million.

USTS headquarters is in Washington, D C , and it has country offices in Toronto, Mexico City, Tokyo, London, Paris, and Frankfurt As of May 1973, USTS had 96 permanent staff positions--55 at headquarters and 41 in the country offices.

CHAPTER 2

NEED TO DEVELOP MORE COMPETITIVE TOURISM PRODUCT

The United States has found it difficult to maintain or increase its share of the international travel market because of the competition offered by attractive alternative destinations at lower total cost. Attractive, low-cost package tours and other travel programs have been developed by other destinations to penetrate the emerging mass tourism markets of Europe and Japan. Similar travel programs to the United States are relatively undeveloped.

The relatively high cost of air travel to the United States, regulatory restrictions on group travel, lack of adequate reception services for foreign visitors, and problems between foreign and domestic interests in working out tour arrangements are some of the reasons why more competitive travel programs to the United States have not been developed and promoted.

However, recent devaluations of the dollar and growing inflation abroad, the push for lower international airfares and new group charter regulations, and substantial interest among foreign travelers in visiting the United States are combining to improve the desirability of the United States as a travel destination.

These and other matters that point to a need for the United States to develop a more competitive travel product for the international travel market are discussed in this chapter. The need for USTS to devote more emphasis to assisting the travel industry to develop a more competitive tourism product for the international travel market is discussed in chapter 3.

PACKAGE TOURS KEY TO MASS TOURISM

The key to penetrating the emerging mass tourism markets in Europe and Japan has been the development and mass merchandising of various types of low-cost package tours. A package tour is a prearranged and prepaid trip that generally includes the cost of transportation and hotel accommodations and may include a wide array of other services, including bilingual guides, sightseeing tours, and theater tickets. The components of a package tour can be arranged in a variety of ways, by a wide variety of promoters, for a wide range of

prices. Each element of the package can be either tailored to fit the needs of the very rich or mass produced for the lower income traveler

Advantages of package tours

The package tour is especially attractive to the pleasure segment of the travel market--as opposed to the business or student traveler--because of the low prices that can be offered. The pleasure segment is not only the most price sensitive segment of the travel market but also the most susceptible to promotion because the choice of destination is usually with the discretion of the traveler

Package tours also simplify the planning and purchasing of travel and take the ambiguity out of travel for the foreign visitor. He knows before he leaves home exactly what his trip will cost and what services he will receive

Marketing techniques

Mass consumer-marketing techniques are being developed to facilitate the sale of package tours. In Europe attractive tour catalogs are used extensively to sell tours to the consumer. The catalogs are lavishly illustrated in full color, with considerable emphasis on the "sun, sand, and sea" attractions of the most popular seaside holiday locations and a growing emphasis on discovery vacations. Individual catalogs contain as many as 300 pages featuring destinations in as many as 25 different countries. The catalogs also contain necessary tour package information--total package price and various hotel and meal options, flight schedules, payment terms, credit arrangements, travel insurance plans, and other details

Magnitude of package tours

Individual countries maintain limited statistics showing package tour development within the country and its markets, but we could find no central source showing the growth, worldwide. As a result, our analysis of the growth of package tours was limited to the countries we visited, the United Kingdom, Germany, France, and Canada, and to Japan, from which we could obtain market studies showing the growth of package tours.

Package tours have been a major segment of British overseas holiday travel for many years, growing at a steady rate of about 10 percent a year. In 1971, 58 percent of the 7.25 million foreign holidays taken by the British were by package tour. In Germany, the top 14 German tour operators handled 3.64 million package tourists in 1972, up 14 percent from the preceding year. In France, the package tour market is not as well developed as in England or Germany but its importance is increasing. Of the 3.6 million Frenchmen traveling abroad in 1970, 750,000, or more than 20 percent, took package tours.

The bulk of travel from Canada to the United States has been by car, but we found that some Canadian tour operators are beginning to develop and sell low-cost package tours to the United States. For example, a tour operator in Toronto offered for the 1972 season a 1-week trip from Toronto to Miami, including airfare, hotel accommodations at a beach front resort, and transfers for \$169. The round trip coach class airfare from Toronto to Miami was \$197 as of April 1, 1973. The tour operator's first package to Miami was made available in 1970. By 1971 the operator was sending about 16,000 travelers to the United States. In 1972 the operator had the capacity to handle 25,000 Canadians through U.S. package tour arrangements.

In Japan, package or group tour travel is already the preferred method of overseas travel. In 1970, 59 percent of the Japanese going to Asia, 54 percent of those going to Europe, 65 percent of those to Hawaii, and 83 percent of those to Guam went as part of package or group tours.

Potential of package tours

The European travel trade executives we interviewed generally agreed that package tours will become more popular because they are inexpensive and convenient. The travel executives also saw long-haul destinations as the major growth area because of the declining prices of such tours. For example, a 2-week package tour from London to Johannesburg, South Africa, is being offered in a 1973 English tour catalog for around \$400. Airfare alone on a scheduled airline economy class from London to Johannesburg, and return, is \$933.

According to a USTS study, Japanese tour operators also expect the mass market package tours to continue drawing numbers of customers. For 1972, the four largest Japanese wholesalers expect sales to increase by 50 percent over the previous year.

U.S.-BOUND TRAVEL PROGRAMS NOT COMPETITIVE

Although package tours are the key to penetrating the emerging mass tourism markets in Europe and Japan, relatively few comparable tours are available for travel to the United States and the tours that are available are often not competitive with tours to other long-haul destinations.

Our analysis of the latest tour catalogs of 10 large European tour operators in the British-French-German travel market reveals the small role package tours to the United States play in the European travel market. The tour operators' catalogs totaled more than 3,600 pages. The United States, however, is featured on only 48 pages, and of these 18 pages are in 1 British catalog and 27 in 1 French catalog. The other eight tour wholesalers devote only three pages to package tours to the United States. In comparison, tours to Spain and the Spanish islands dominate the catalogs with 1,155 pages and tours to other long-haul destinations competitive with the United States receive substantially more exposure than do the U.S. tours. East Africa, 139 pages, the Far East, 119 pages, West Africa, 60 pages, and India-Ceylon, 53 pages. In addition, Mexico had 32 pages and South America, 31.

In addition to the limited volume, diversity, and promotion of package tours to the United States from Europe, the U.S. package tours have not been price competitive in the European market. Specific price comparisons among tours are extremely difficult to make because the price of any tour is determined by widely varying characteristics, such as transport restrictions, hotel types, meal plan options, add-on excursions, and various seasonal, age, or booking discounts or surcharges. Nevertheless, the European travel trade agreed that U.S. package tours could be more competitive with other long-haul destinations in the European mass market.

Examples of attractive and competitively priced package tours to long-haul destinations, including as a minimum the airfare and 2 weeks' lodging for as little as one-third of

the price of normal commercial airfare, are shown in the following table

Examples of 2-week European Package Tours to
Long-haul Destinations

<u>Origin</u>	<u>Destination</u>	<u>Season</u>	<u>Base price (notes a and b)</u>	<u>Commercial airfare (economy)</u>
Frankfurt	Nairobi, Kenya	All year	\$349	\$ 841
Paris	Bangkok, Thailand	Winter	434	1,180
Paris	Dakar, Senegal	Spring	388	535
London	Johannesburg, South Africa	All year	401	933
London	Bangkok, Thailand	Winter	380	1,192
London	Mexico City, Mexico	Winter/ spring	457	571

^aConversion rates used are foreign banking-selling rates of January 12, 1973 \$1 = 3 18 German marks, 5 05 French francs, or 0 42 British pounds

^bThese tours offer excursion options, and hotel and meal options, which can raise the base price considerably

U S package tours suffer in at least two respects in comparison to the above destinations First, most U S package tours currently being sold are for small groups on regularly scheduled airlines whereas packages to many other long-haul destinations include charter flights at substantially reduced group rates Second, with the possible exception of New York, the United States does not have any well-developed, one-stop tour packages for international travelers One-stop packages are cheaper than multistop tours to the same destination since extra transport costs become involved in the latter

Visitors from Japan to the United States use package tours to a much greater extent than do visitors from Europe However, most of the package tourists from Japan to the

United States go to Hawaii or Guam. The surge in Japanese tourism to Hawaii began in 1969, when the Japanese Government lifted foreign currency restrictions and the carriers introduced bulk airfares to Hawaii. Japanese tour companies have been quick to recognize these changes and take advantage of them.

OBSTACLES TO DEVELOPING U.S.-BOUND TRAVEL PROGRAMS

Problems with cost, U.S. reception services, and tour organization have constrained the development and promotion of competitive package tours and other travel programs to the United States. The high cost of travel to the United States, both absolute and relative to other destinations, is the principal obstacle mentioned in connection with increasing overseas travel to the United States. USTS market studies and the comments of travel industry representatives indicate that this obstacle is compounded by the view of many potential foreign visitors that the cost of traveling to the United States is higher than it actually is.

The largest cost item in an overseas trip to the United States is transportation. This item, coupled with regulatory restrictions on group air travel, is generally recognized as the major problem in selling travel to the United States. Current regulatory impediments to travel to the United States are listed in appendix III.

In addition, both European and Japanese tour organizers note that fares are not only costly but unpredictable. Since large tour operators plan their programs a year or more ahead, it is vital for them to be able to obtain prices that they can depend on well in advance of the targeted travel season. Frequent fare changes make it difficult for them to establish a firm package price.

Another major constraint is that the U.S. travel industry is not geared for receiving large groups of foreign visitors. One reason for this is that the United States has historically been a "selling" country and has only recently begun serious efforts to become a "receiving" one. A 1972 study by the American Society of Travel Agents of reception services in the United States noted that some areas of the country have none and that in other areas services are spotty and are not marketed efficiently. Where service is provided, there is little or no coordination among operators or agents.

Many European travel trade executives confirmed in interviews that inadequate U.S. reception services still limit the development of travel programs to the United States. Several executives felt that not enough reliable tour operators in the United States were willing to help them develop U.S. tours. Many felt that U.S. hotels, tour operators, and transportation firms were neither interested in the relatively small groups of foreign tourists now coming to the United States nor prepared to handle possible large foreign tourist groups.

European travel executives also complained about the high charges of U.S.-based firms willing to help develop U.S. tours. The Europeans often rely on U.S.-based tour operators and travel agents to put together the ground portion of a U.S. tour. The U.S. firm arranges for accommodations, airport transfers, sightseeing, meals, a bilingual guide if desired, and so on. The European tour promoter pays the U.S. firm for its services, puts the ground portion of the package together with the transportation portion, and sells the total package in the European market. A USTS regional director pointed out that the lack of volume caused the high markups charged the European tour operators by the U.S. firms and that these charges could be reduced substantially if volume increased.

OPPORTUNITIES FOR DEVELOPING COMPETITIVE TOURS TO UNITED STATES

Market research by USTS during 1971-72 indicated that the United States was a preferred tourist destination among the English, Germans, Italians, Mexicans, and Japanese. Also, cost was slowly being reduced as an obstacle to increasing the flow of foreign visitors to the United States. The official devaluations of the dollar in 1971 and 1973, coupled with additional adjustments of the value of the dollar in relation to other currencies during 1973, increased the cost of our major competitors' currencies. For example, between 1971 and April 1973, the German mark increased in value by 29.3 percent, the French franc by 22.2 percent, the United Kingdom pound sterling by 3.3 percent, and the Japanese yen by 35.6 percent in relation to the dollar. The higher rate of inflation in other industrial countries has further reduced the relative cost of travel to the United States. Recent figures indicate that consumer prices

increased at a slower rate in the United States during 1972 than in Japan, Canada, and most of Western Europe. In Europe, aggressive price competition in the strong British and German travel markets appears to be trailing off and average package tour prices are expected to increase significantly beginning in 1973, thus narrowing the price gap between intra-European packages and long-haul packages.

International airfares and group travel restrictions appear to be changing. Pressure is being applied by some International Air Transport Association members (IATA sets international airfares) and by the United Kingdom to reduce international airfares. In September 1972, Civil Aeronautics Board (CAB) announced more liberal group travel regulations which would permit foreign travelers to qualify more easily for low-cost charter flights to the United States. The new regulations, which also apply to group travel within the United States and international travel originating in the United States, were adopted for an experimental period to last through 1975.

CHAPTER 3

NEED FOR INCREASED EMPHASIS BY USTS

ON SPECIFIC TRAVEL PROGRAMS

USTS has primarily promoted travel to the United States on a general basis rather than aimed its efforts at developing and promoting tours and other travel programs to specific U S destinations and activities. Also, USTS has sponsored certain U S receptive services for foreign visitors, such as multilingual port receptionists, hotel-motel language programs, and nationwide multilingual toll-free telephone service. These programs were designed to stimulate demand for travel to the United States but not to facilitate the creation and promotion of the foreign tourist's most popular means of travel--package tours.

Our discussions with representatives of 99 American and foreign travel industry firms and a review of the methods being used by 10 other national tourist offices (NTOs) revealed a need for USTS to devote more effort to directly assist in developing package tours and other travel programs. The consensus of both the U.S. and foreign travel trade executives interviewed was that the development of competitive travel programs was the key to penetrating the international travel market. Most NTOs of other countries contacted were involved in developing and promoting specific travel programs.

USTS ACTIVITIES

USTS' mission is to develop travel to the United States from foreign countries. It has engaged in numerous programs to market the United States as a travel destination and to improve the reception and accommodation of foreign visitors. The bulk of its resources has been devoted to conducting publicity and advertising campaigns to stimulate foreign interest in U S travel and to providing information and assistance to the travel trade engaged in selling U S. tourism.

The following table shows that 67 percent of USTS' fiscal year 1972 budget was spent for promoting travel to the United States.

<u>USTS function</u>	USTS	
	fiscal year 1972	
	<u>budget</u>	
	<u>Amount</u>	<u>Percent</u>
Promotion of travel to United States	\$4,351,000	67
Domestic tourist services	392,000	6
Industry and State programs	657,000	10
Matching grants	600,000	9
Executive direction	527,000	8
	<u>\$6,527,000</u>	<u>100</u>

Of the \$4,351,000 spent on promotion, \$2,444,000, or 56 percent, was devoted to advertising and sales and special promotional programs. The advertising was placed in consumer and travel trade media abroad to stimulate the desire to visit the United States. Sales and special promotional programs include such activities as the production and distribution of travel literature and display materials, local travel trade presentations and seminars, and special exhibits.

USTS promotional activities are primarily carried out through its regional offices abroad, with considerable Washington headquarters support. The marketing techniques used in the four regional offices we visited (London, Paris, Frankfurt, and Toronto) included

- advertising, public relations, and promotions,
- contacting and educating the travel industry,
- distributing literature and promotional materials,
and
- answering inquiries

About 40 percent of USTS total fiscal year 1972 funds was allocated to these four regional offices. About two-thirds of these funds was devoted to promotional activities, and regional office administration received most of the remaining funds.

No one knows for sure what impact USIS promotional efforts have because it is very difficult, if not impossible, to measure its effectiveness. The travel industry and USTS promote the United States simultaneously, magazine articles, television, and word-of-mouth advertising by returning tourists also influence potential travelers. It is almost impossible to separate the impact of several different campaigns' simultaneously promoting a given country.

Minimal activities to stimulate package tours

Over the years USTS has promoted specific travel programs on a limited basis and has concentrated on working through the travel trade. USTS package tour development activities have met with only minimal success. Also, USTS works with the travel trade in a very limited way, especially with the most important foreign travel trade. Both the foreign and domestic travel trade officials we interviewed pointed out that USTS performed many useful functions but that it could improve by initiating and supporting the development and promotion of travel programs to the United States.

Our review of the three USTS European regional offices showed that USTS devoted very little time to contacting tour operators--giving them ideas for tours to the United States and encouraging and assisting them to develop new packages. Regional personnel focused on informing and servicing the travel trade rather than on selling specific tours. As part of their services, the regional offices distributed travel agent manuals, tour directories, counter guides, and newsletters. Public relations firms under contract to USTS sent news features and press releases to trade publications. The overseas offices also held training seminars to acquaint the local travel industry with American tourist attractions and educate them about airfares, car rental, bus and train transportation, accommodations, sightseeing, and other aspects of travel to and within the United States.

We found that the degree of contact with the trade varied between offices. The London regional office has had a fairly well-developed travel trade contact program but has concentrated on a service approach directed mainly toward retail travel agents. The Paris office has been limited because of staff shortages and personnel turnover and only

recently has been able to assign a staff member to reestablish some form of regular direct contact with larger tour operators and agents. The Frankfurt office has made only sporadic trade contact calls. Because of a shortage of staff time, most of this office's travel trade work has been done by telephone.

The European offices distribute millions of pieces of travel literature to the trade and general public each year. The literature is furnished by USTS/Washington, States, cities, the U S travel industry, and private organizations, and some is printed by USTS regional offices. In addition, the offices distribute promotional materials, such as window displays and posters.

European offices have had trouble getting enough suitable materials. There are chronic shortages of USTS-printed brochures featuring the most popular destinations. Most non-USTS literature is in English, which is of limited use in the French and German markets. Brochures featuring activities--camping, athletics, or culture, for example--rather than destinations are difficult to obtain. Promotional materials are frequently not eye catching, not tailored to the foreign markets, and not available in the quantities needed.

Each European region has photo and film libraries for use by the press, tour organizers, agents, carriers, and associations. We found, however, that most of the photos and films were out of date and of poor quality.

In all the European offices, we found that at least two persons were responsible for answering inquiries from the travel trade and the general public, and in two of the offices this was a full-time job. The inquiries were made by letter, telephone, and personal visits. To reduce the time spent on this work and free the limited staffs for active sales work, the regional offices were planning at the time of our review to phase out their public information services.

At the end of our field review, USTS European offices were in the midst of a marketing reorientation which was intended to place greater emphasis on an active sales effort. Two of the three USTS European regional directors estimated that a shift to a more aggressive and direct sales approach would require additional sales personnel.

Whether the regional offices would be closed to the public or whether other alternatives could be arranged--directly involving local travel agents in the information function, opening a self-service information center, or contracting for public information services--was not known at the time of our review. Also, there was some question as to whether the staff formerly occupied with public information duties could function as fully qualified sales people. Two of the offices suggested that USTS local staff participate in familiarization tours to the United States so that they could become more familiar with the product they were to sell.

Need to develop package tours recognized

The need to develop a variety of package tours for the United States to compete more effectively with other tourist destinations has been recognized for many years. The Congress was aware of this need in 1961 when it gave USTS the responsibility, by passage of the International Travel Act, to encourage the development of low-cost unit tours. In 1967 before a subcommittee of the Senate Committee on Appropriations, the Director of USTS stated that the lack of package tours was a principal obstacle in getting more tourists to the United States.

The USTS regional directors in Tokyo, Paris, and Buenos Aires, in a September 1972 analysis of international travel to the United States by USTS regional office areas, suggested that, to compete more effectively with other destinations, the United States needed to develop and promote low-cost package tours. The consulting firm engaged by USTS in 1972 to help develop a results-oriented integrated marketing plan agreed that the lack of package tours comparable to those being offered to other destinations restrained the growth of travel from these markets to the United States. The firm recommended that USTS encourage major tour operators to produce competitively priced U S packages for the British and French markets.

Despite this recognized need, USTS has never sustained an effort to motivate and assist the travel trade in developing and promoting salable travel programs to the United States. USTS officials advised us that they had not emphasized specific travel programs in the past because they did

not consider the marketing environment adaptable nor did they have the resources available for this type of an approach

The officials advised us further that, until November 1970, USTS lacked the legal authority to conduct the proposed cost-sharing type of tour development program commonly operated by competing NTOs. We were told that, due to the nature of the budget-program-planning process, only recently had USTS been able to implement this authority by launching tour development test programs in Germany and the United Kingdom. USTS management has been concerned that controversy or criticism unfavorable to the VISIT USA effort might develop over the bases of selection of travel industry representatives chosen to participate in tour development programs. This remains a real concern, although steps are being taken to produce objective and quantitative selection criteria based on factors such as (1) technical capability, (2) financial position--that is, capitalization, credit rating, etc., (3) experience of sales employees and (4) potential rate of return on USTS dollars invested in the project. But USTS officials said that recently the marketing environment had become more adaptable primarily because of the dollar devaluations and lowering of airfares and that their resources had risen to the point where they could undertake and would be undertaking a more active sales effort to develop specific travel programs to the United States.

TRAVEL TRADE VIEWS OF USTS PROGRAMS

The consensus of both the U S and foreign travel trade executives interviewed was that developing competitive package tours was the key to penetrating the international travel market. Trade representatives also indicated that they were interested in devoting more effort to selling tourism to the United States by developing U S packages. They felt, however, that USTS should improve its efforts to initiate and coordinate package tour development.

Most U S travel officials interviewed were already promoting to some extent travel to the United States, and many had either developed their own packages or had made group tariffs available to foreign tour operators. U S hotel chains and independent hotel operators were especially interested in promoting tours to the United States. U S travel executives generally believed that USTS had an important role to play as the official U S spokesman for tourism but felt that USTS should

- coordinate more face-to-face contact between the U S travel trade and the foreign travel trade to discuss the details of packaging U S destinations,
- provide the U S travel trade with more information on the acceptability of U S travel products abroad and what efforts were necessary to open up specific foreign markets, and
- initiate more specific destination-oriented advertising that could be coordinated with or jointly supported by the U S travel trade

Foreign travel trade executives interviewed, particularly the tour operators, were much more involved in developing and selling package tours than their U S counterparts. Many European travel trade representatives stated it was profitable to sell tourism to the United States on the small scale they had developed. They felt the profitability could be increased and they could be encouraged to devote more effort to selling the United States as a destination if transatlantic airfares were reduced and if USTS would work more directly with them in developing specific travel programs. Most of the executives said that they had little contact

with USTS representatives, and in some cases they had to initiate the contact. The foreign travel executives believed that USTS must do more

- Work directly with the tour operators to create and promote packages and smooth the logistics of tour package arrangements
- Send sales representatives to visit tour operators personally on a regular basis, not only to assist in creating and developing tour packages but to provide continuing ideas for new package and promotional opportunities
- Upgrade available supplies and materials. Such things as outdated promotional films, lack of good photographs and photo mats for catalog use, and limited literature, particularly in foreign-language form, were cited as weak areas where USTS should improve its promotional support

Many European tour operators said they received direct financial support and a variety of other promotional and advertising assistance from NTOs. To obtain space in the tour operators' catalogs, which as pointed out in chapter 2 are used extensively in Europe to sell tours to the consumer, the foreign travel trade said USTS should provide direct financial subsidies to foreign tour operators for publishing their catalogs.

Typical comments of U S and foreign travel trade executives about the promotion of travel to the United States were as follows

- Package tours have become an important segment of the travel market, and they will grow in popularity. The company was working with wholesalers and tour operators, as well as developing its own packages in-house. USTS can continue to make a significant contribution to the development of package tours by maintaining constant contact between the overseas and domestic travel trade, by providing an umbrella under which industry can develop and promote VISIT USA, and by providing as much honest research as possible

- The international travel market has a great deal of potential for the United States, and package tours are important in penetrating the market USTS must maintain its status as a catalyst and assist the travel industry in developing and promoting package programs USTS has to identify key segments of the overseas market and, in those key areas, provide the first wave of promotional literature. Industry can then "piggyback" on this initial promotion and get down to selling the actual program

- Package tours are critical if the United States hopes to compete in the international travel market Package tours are growing in popularity and the United States needs to become more involved in packaging if it hopes to maintain a competitive position The role of USTS in developing the package tour market is vital USTS can be most helpful by providing the travel industry with more market research and by working more with wholesalers to develop VISIT USA package tours USTS should be obtaining continuous feedback from tour operators to determine what they need to open up their markets (that is, development of new destinations, shorter excursion times, etc) and also should continue to arrange face-to-face contact between the domestic and overseas travel trade.

- USTS should buy into top foreign tour operators' catalogs, help to arrange packages, and jointly support a package on a multiyear basis to give it a chance to develop To get thousands of foreign visitors to the United States, USTS must sell the big operators on the idea, work with the major tour operators to create packages, and smooth the logistics of arrangements for them The big thing is to get the U S travel product in a major catalog where the travel buyer will see it USTS must become more dynamic and begin to take the initiative--then things could really happen

We have included complete comments of the travel industry representatives we contacted as appendix IV, for the U S travel industry, and appendix V, for the foreign travel industry

TECHNIQUES USED BY OTHER NTOs

Most NTOs of other countries we contacted were involved in developing and promoting specific travel programs to their own countries. Most were also providing some form of assistance to tour packagers. The assistance varied from regularly distributing to tour operators travel literature on major travel developments to directly subsidizing certain operators' tour catalogs.

The British NTO activities include advertising and joint promotion campaigns which feature specific British locations, activities, or attractions and which aim directly at the prospective traveler. The NTO subsidizes joint promotion projects with local tourist authorities, hotel chains, car rental companies, etc. Workshops are sponsored to tie together the operations of the United Kingdom travel suppliers with travel agents and tour packagers.

Package tours are also emphasized by the British NTO. One representative informed us that package tours have been very important in attracting visitors from distant points. For some long-haul markets, the NTO virtually buys its way into tour operators' programs by paying for the production of their tour brochures.

The Canadian NTO, in addition to its publicity program, has been giving increased attention to developing more package tours. It offers an incentive by financing half of a tour wholesaler's advertising cost when a new tour is offered to a region not previously serviced by the wholesaler. The Director of Canada's Government Travel Bureau said, at the time of our review, that the largest single subsidy made under the tour incentive program was \$12,000. At certain overseas locations, the NTO plans to review tour operators' vouchers so that the attainment of foreign market targets can be analyzed.

The French NTO strategy is "working with the trade" with little emphasis on consumer advertising and promotion. Its focus is on assuring that France receives adequate coverage in travel agent brochures, along with a suitable number of package tours emphasizing areas other than Paris. Other than information and promotional literature, subsidies or financial incentives are not provided to tour packagers.

Because of its early successes in tour development, the Spanish NTO no longer subsidizes its package tour business. Assistance to tour packagers was limited to regular distribution of travel literature which outlined recent developments in the Spanish travel industry.

In Europe we contacted field representatives of NTOs from Ireland, South Africa, Italy, Yugoslavia, Mexico, and Israel. All these NTOs provided some kind of assistance to tour operators. Field representatives for long-haul destinations placed considerable emphasis on the importance of package tours. Most field offices were providing tourist information about their countries to tour operators. A few were providing promotional materials and, in a couple of cases, were arranging contacts between foreign tour operators and travel suppliers in their countries. Most field offices were also providing some form of financial subsidy to tour operators, usually contributions to the cost of publishing brochures which promoted tours to their countries. Israeli and South African field office directors said they had paid the entire cost of certain tour operators' brochures promoting tours to their respective countries.

A more complete presentation of the techniques used by the above foreign NTOs is provided as appendix VI.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY ACTIONS

The travel deficit is one of the largest parts of the overall U S balance-of-payments deficit. Increased expenditures by foreign visitors to the United States would reduce the travel deficit and would favorably impact on the domestic economy. Although the expenditures and numbers of foreign visitors to the United States have been increasing, since 1969 the U S share of the international travel market has gradually deteriorated in both number of visitors and travel receipts.

CONCLUSIONS

The United States has found it difficult to maintain or increase its share of the international travel market because of competition from other travel destinations. The development of attractive, low-cost package tours and other travel programs has been attracting large numbers of tourists to specific destinations, but competitive travel programs to the United States are relatively undeveloped.

We conclude that, notwithstanding such factors as the lack of reception services and regulatory impediments, USTS should consider devoting more effort to motivating and directly assisting the U S and foreign travel trade to develop and promote competitive package tours and other travel programs to the United States. The bulk of USTS' resources has been devoted to promotional campaigns designed to create foreign interest in travel to the United States. Market studies show substantial interest among foreigners, especially Europeans, in visiting the United States. However, the lack of competitive U S -bound travel programs is keeping interested foreign travelers from actually visiting the United States. As an official of a European NTO pointed out to us, it does little good to convince the traveler to visit the United States if the traveler cannot translate this desire into the purchase of an affordable package tour readily available from his travel agent.

On the basis of our interviews with U S and foreign travel trade representatives, the consensus was that, to stimulate competitive travel programs to the United States, USTS will have to concentrate more effort on those elements

of the travel industry involved in developing and promoting travel programs U S and foreign travel trade representatives indicated that they were interested in devoting more effort to creating and selling tours to the United States but that the high cost of such travel (both actual and supposed), inadequate U S reception services, and the difficulties involved in arranging packages have kept the trade from doing so

Most NTOs of other countries that we contacted were involved in developing and promoting specific travel programs to their respective countries Most were also providing to tour packagers some form of assistance, ranging from supplying travel literature to directly subsidizing tour catalogs

The major obstacle to developing travel programs to the United States, the high cost, has been reduced recently by significant dollar devaluations and by the growing inflation abroad In addition, international airfares and group travel restrictions appear to be changing to make it easier for foreign travelers to qualify for low-cost group airfares to the United States

The need to develop a variety of travel programs for the United States to compete more effectively with other travel destinations has been recognized by USTS for many years Despite this need, USTS has never sustained an effort to assist the travel trade in developing specific travel programs to the United States USTS did not consider the marketing environment adaptable or its resources large enough for this type of an approach

USTS officials advised us that, until November 1970, USTS lacked the legal authority to conduct the proposed cost-sharing type of tour development program, commonly operated by competing NTOs We were told that, due to the nature of the budget-program-planning process, only recently had USTS been able to implement this authority by launching tour development test programs in Germany and the United Kingdom USTS management has been concerned that controversy or criticism unfavorable to the VISIT USA effort might develop over the bases of selection of travel industry representatives chosen to participate in tour development programs This remains a real concern, although steps are being taken to produce objective and quantitative selection criteria based

on factors such as (1) technical capability, (2) financial position--that is, capitalization, credit rating, etc -- (3) experience of sales employees, and (4) potential rate of return on USTS dollars invested in the project. But recently the marketing environment has become more adaptable and USTS' resources have risen to the point where USTS believes it can undertake a more active sales effort to develop specific travel programs to the United States.

RECOMMENDATIONS

We believe that a greater portion of USTS resources should go directly to assist in developing and promoting competitive package tours and other travel programs.

To capitalize on these opportunities, we recommend that the Secretary of Commerce direct USTS to

- act as the catalyst for getting foreign tour operators together with U S travel suppliers (airlines, hotels, ground transportation, sightseeing attractions, etc) to discuss the details of developing travel programs to the United States,
- strengthen its field staffs to provide direct, regular consultation to tour operators and others interested in developing and promoting travel programs to the United States. USTS should obtain feedback from tour operators regarding problems in handling tours to the United States,
- devote research effort to meeting the informational needs of those elements of the travel industry interested in developing travel programs to the United States specifically as concerns the important matter of market area interest,
- generate to the travel trade a regular flow of ideas and information on happenings in the United States around which U S travel programs could be developed and promoted, and
- consider the feasibility of furnishing direct financial and promotional assistance to the travel industry for such things as the printing of tour catalogs and

brochures, provision of photographs and promotional material, joint promotion efforts, including advertising, and travel trade promotional activities and seminars

By placing more emphasis on developing package tour and other travel programs, USTS will not only provide incentives to the travel trade but also make it easier to demonstrate the results of its programs. By keeping track of the number of programs developed and the number of visitors purchasing those programs, USTS should be able to attribute specific increases in foreign arrivals and expenditures to its tour development efforts. In addition, if USTS can demonstrate that U S travel programs are profitable, tour operations and U S travel suppliers may develop tours on their own.

AGENCY ACTIONS

USTS informed us that it had adopted and implemented in January 1973 an integrated marketing plan, which caused a major reorientation of the agency and its programs

- A new Office of Market Development was created to (1) stimulate the development of tour programs by the travel trade, (2) develop merchandising programs to motivate foreign retail travel agents to actively sell VISIT USA travel, and (3) analyze the U S tour product to identify the most salable features and match them to the travel requirements of specific markets
- A new Office of Travel Trade, Business and Convention Travel Development was established to (1) facilitate contact between U S travel suppliers and foreign tour packagers, (2) "sell" the U S travel trade on selling travel to the United States, (3) encourage international associations to hold their congresses in the United States, and (4) assist domestic groups with convention facilities to attract international meetings
- Package tour development test programs were launched in three foreign markets--Japan, the United Kingdom, and Canada

--A Merchandising Test Program, consisting of three elements, (1) "product" familiarization through tours of U S sightseeing attractions and tourist facilities, (2) sales training, including seminars and class lessons, and (3) incentives to reward performance, was implemented to determine the extent to which USTS could influence foreign retail travel agents to actively push VISIT USA package tours. The award aspect of the program was curtailed at the end of May 1973 when questions were raised by the Subcommittee on Foreign Commerce and Tourism of the Senate Committee on Commerce as to the scope of the authority granted USTS. The questions related to the value of merchandise to be awarded as incentives and to the propriety of giving trips to the United States as incentives (Maximum value of planned merchandise awards would have been \$150) At the time of the curtailment, none of the agents participating in the test had been given an award by USTS. USTS is studying what action will be necessary to resume the program on a competitive basis.

--Trade sales programs have been implemented by all field offices. These programs involve systematic sales calls on "key" accounts--the major wholesale-retail travel agents in each market--to provide tour ideas and information and to sell the United States as a travel destination.

--The USTS has recognized the need for new skills in the field in keeping with the new approach and programs. As vacancies occur abroad, employees with travel sales backgrounds are being hired to call on the trade and help operate the new tour development and merchandizing programs.

--A performance measurement system is being installed which will be capable of providing management with the data necessary to evaluate, quantitatively and qualitatively, USTS' impact in each of the six prime markets in which it is competing.

These actions are in close agreement with the thrust of our recommendations. Comments by the Department of Commerce are included as appendix VII of this report.

CHAPTER 5

SCOPE OF REVIEW

We reviewed authorizing legislation, records of congressional hearings, and other materials pertaining to the balance of payments, international tourism, and USTS. We also interviewed USTS officials in Washington, D C., and at USTS' regional offices in Toronto, London, Paris, and Frankfurt.

Over 100 in-depth interviews were held with

- 28 representatives of the U.S travel industry in Boston, New York, Washington, D.C., Miami, Memphis, Seattle, Portland, Los Angeles, San Diego, and Honolulu
In addition, 71 representatives of the travel industry in Canada, the United Kingdom, France, Germany, Spain, Israel, Mexico, Japan, and Argentina were interviewed
- The headquarters staff of the NTOs in the United Kingdom, France, Spain, and Canada, and field representatives of the Irish, South African, Italian, Yugoslavian, Mexican, and Israeli NTOs
- Representatives of the International Union of Official Travel Organizations in Geneva, Switzerland, and the Tourism Committee of the Organization for Economic Co-operation and Development in Paris, France.
- The Hawaii Visitors Bureau, San Francisco Convention and Visitors Bureau, Southern California Visitors Council, San Diego Convention and Visitors Bureau, and the New York City Convention and Visitors Bureau

U.S. SHARE OF TOTAL INTERNATIONAL TRAVEL MARKET

VISITORS AND DOLLARS

1963-72

Year	Total international travel market		International travel to the United States		U S share of total international travel	
	Arrivals (millions)	Receipts (billions)	Arrivals (millions)	Receipts (billions)	Arrivals	Receipts
1963	93 0	\$ 8 3	6.1	\$1.1	6 6%	12.9%
1964	108.0	9 6	6.6	1.4	6.1	13 6
1965	115.5	11.0	7.8	1.5	6.8	13 8
1966	130 8	12.5	9.0	1.8	6.9	14 1
1967	139 5	13.4	9.6	1.9	6.9	13 9
1968	139 7	13.8	10.9	2 0	7 8	14.5
1969	154.1	15.4	12.5	2.4	8.1	15.2
1970	169.0	17.9	13.2	2.7	7.8	15 1
1971	181 0	19.9	13.7	2.9	7 6	14 5
1972 ^a	198 0	25.0	14.0	3 2	7.1	12.8

^a1972 figures are preliminary

APPENDIX II

1972 U S ARRIVALS AND HOW MUCH THEY SPENT

<u>Country</u>	<u>U S arrivals</u>		<u>Receipts (note a)</u>		<u>Per capita expenditures</u>
	<u>Number</u>	<u>Percent</u>	<u>Millions</u>	<u>Percent</u>	
	(thousands)				
Bordering countries					
Canada	9,710	70	\$ 914	34	\$ 94
Mexico	1,377	10	b 664	25	c 482
Overseas countries					
United Kingdom	389	3	96	4	247
France	155	1	b 56	2	c 358
Germany	237	2	b 92	3	c 389
Italy	111	1	b 40	1	c 355
Other Europe	409	3	b 168	6	c 392
Japan	417	3	205	8	492
South America	312	2	b 162	6	c 518
Other countries	<u>832</u>	<u>5</u>	<u>311</u>	<u>11</u>	<u>c 397</u>
Total	<u>14,009</u>	<u>100</u>	<u>\$2,708</u>	<u>100</u>	

^a Excludes fare payments

^b USTS estimates

^c Data for 1971

REGULATORY IMPEDIMENTS TO TRAVEL TO THE UNITED STATES

- 1 Foreign government-imposed restrictions on charter flights to the U S and on U S carriers, unfavorable uplift ratios and instances of countries exercising "first refusal rights" for their respective national flag carriers (a policy which tends to dampen the enthusiasm of U S carriers to promote VISIT USA traffic)
- 2 Civil Aeronautics Board-imposed three-stop requirement for inclusive tour charters operated within the U S and by U S carriers*
- 3 Canadian Air Transport Commission-imposed two-stop requirement for inclusive tour charters operated to the U S (even though one-stop ITCs are permitted to Mexico and the Caribbean)
- 4 U S government approval of a 14-day minimum stay requirement for U S -bound advance booking charters (ABCs), even though the minimum stay requirement for travel group charters (TGCs) is only 10 days and a substantial percentage of potential visitors to the U S prefer visits of from 7 to 10 days due to the relatively high cost of land arrangements

*certain foreign supplemental carriers (British and German) have been authorized by the CAB to operate to the U S. under the regulations of their own respective governments which may or may not impose the three-stop requirement

SOURCE UNITED STATES TRAVEL SERVICE

COMMENTS OF U.S TRAVEL INDUSTRY

REPRESENTATIVES OF THE HOTEL INDUSTRY

--We are definitely interested in the inbound international travel market. It has a great deal of potential and, because of the seasonality of the hotel business, we can offer prices that will be competitive with almost any destination in the world. We feel potential exists for increasing travel to the United States from Western Europe, South America, and the Far East, but there is a great deal of innovative thinking needed before this country can be competitively packaged and promoted. Offering a complete package is the way the United States can penetrate the international travel market. However, I have some reservations about how packages to the United States are currently put together. In particular, some of the extras included in these packages are not required to sell them and in most cases keep the prices high enough that they are not competitive with packages to other countries. I feel there is a need to strip the existing packages down to the basics, that is, hotel costs, airfare, and transportation costs. All other items--sightseeing, etc -- should be shown as available but not included in the basic package. This would show that the basic cost of travel to the United States is competitive with any other destination around the world. The charter operator is already showing the traditional wholesaler that it is possible to move great numbers of people at very little cost. The European charter operators are apparently prepared to move great numbers of persons to North America at very low "stripped" rates in line with my suggestion. Somehow we have got to encourage their actions. Hotels have off-season periods during which they would willingly cooperate in creating "sale merchandise." I have participated in the USTS World Tourism seminars which have given me the opportunity to enter certain overseas markets sooner than would otherwise have been possible. USTS participation in this type of activity is invaluable because it provides an opportunity for official Government tourism representation abroad. However, USTS could possibly get more involved in assisting industry

both financially and by providing better marketing research.

--We are definitely interested in expanding our package tour business from the international market. Our properties do about \$100,000 worth of international business a year. Most of our international business comes from Germany, England, and Switzerland. We are currently included in 20 to 22 packages promoted in the United Kingdom and the rest of Western Europe. These packages include transfers, meals, airfare, accommodations, and entertainment. A problem we had in breaking into the European market was overcoming the price image this area had in Europe. Most Europeans we have done business with thought this area of the country was only for millionaires. However, our summer rates compare favorably with those in the Mediterranean. I am not that familiar with USTS' operation. My impression of the USTS regional offices I have visited is that the people want to help, but we have never received any organized support from them.

--We are interested in entering the foreign market in order to build up periods when the domestic tourist, convention, and association business is low. If we could increase our volume of foreign visitors from its present level of less than 1 percent to around 5 percent, there would be a possibility of our offering special seasonal rates for the foreign market. We already have the language capability in-house to handle groups of foreign visitors, and we would have no problem negotiating meals as a part of a package deal. In general, our relations with USTS have been good, however, USTS has never approached us about cooperating to develop low-cost package tours to the United States.

--We are definitely interested in the inbound international travel market and in being included in more VISIT USA packages. I feel there is a tremendous potential, especially in Europe, for increasing the volume of travel to the United States. However, to be successful in the international travel market requires a lot of personal contact. Our experience has shown that personal contact differentiates the

independent hotel operator from the big hotel operator who draws much of his traffic on the basis of the corporate name. I feel that hotels in this area are competitive with those in Spain. Where we lose out pricewise is on the airfare. However, there is a problem in dealing with the international travel market. When we go abroad on a business trip, a great deal of our time must be devoted to selling the United States and our particular area of the country as a travel destination. To overcome this problem, I feel USTS should be doing more specific destination-oriented advertising abroad.

--We are definitely interested in the international travel market. Ten percent of our business currently comes from Western Europe, Japan, and South America. I feel airfares are the primary obstacle to increasing the flow of international travel into the United States. The absence of low-cost group fares to the United States has hindered our ability to penetrate the international travel market. The next most important problem is consumer awareness. More needs to be done to familiarize the international traveler with specific U S destinations. There is no need to convince the tour operator or travel agent to sell the United States unless first you convince the traveler to demand it. Other obstacles are language and the cost of travel within the United States. I feel our hotels can be competitive in price with the Bahamas, Tahiti, and so on. I see no problem in including the price of meals as part of the hotel cost. I believe USTS has a major role to play by providing the main thrust for consumer advertising in the foreign market. In addition, USTS should be concentrating its efforts on doing more marketing research, both quantitative and qualitative, initiating and coordinating cooperative advertising, serving as a clearinghouse for all State, city, regional, and industry promotional programs involving overseas markets, and doing more hospitality education--that is, educating the public to be more receptive to international travelers. I also believe USTS can play a major role in convincing the CAB of the importance of low fares in correcting our unfavorable balance of international trade.

- The future of the inbound international travel market is very broad and the potential of this market is of interest to us. The popular means for penetrating the international market is through the use of package tours. However, nothing significant will happen until cheaper airfares are available and the charter regulations are changed. I believe we need to work in conjunction with USTS to attract international business. USTS should sponsor a catalog listing attractions throughout the United States, continue to support familiarization tours as long as the participants are those individuals who actually sell the United States, do more consumer advertising to persuade the general public to demand a package to the United States, continue its cooperative sponsorship of the "POW WOWs"¹ which provide a good opportunity to establish business contacts and in some cases to actually do business on the spot, and make itself more visible and accessible to the domestic travel trade
- We have been actively involved in the German market for 3 or 4 years. Package tours are the way to penetrate the German market, because the German traveler wants to know the complete price of his trip before he leaves home. We are interested in expanding our international efforts, especially in Japan and parts of South America. I feel that now is the time to promote in Europe because of the changes that are taking place in the transatlantic airfares. However, I feel this push should be limited to Japan, parts of South America, and the Scandinavian countries because they have the masses that can afford to come to the United States. I have attended the USTS POW WOWs and think they are excellent. The POW WOWs provide an opportunity to meet members of the international travel trade face-to-face. With proper follow-up these contacts can result in future business. Personal contact with the German travel trade has been the key to our success in that market.
- We are currently involved in the international travel market and are working with tour operators. We are

¹Travel trade meetings.

APPENDIX IV

interested in doing more business in the international travel market but feel that because of the airfares it is difficult to compete pricewise. As far as the hotels in this area are concerned, we can compete pricewise with any destination in the world including meals in the price of accommodations or as part of a package is not a problem. I feel that most hotel operators have no rapport with USTS because USTS does not have enough people to go around and because the industry ignores USTS. To overcome the indifference, USTS needs to do a first-class motivational research job and clearly establish that a tremendous potential does exist and at what price we have to compete. This information could be used to convince both the Congress and the CAB to establish a favorable travel environment in the United States. USTS should also be more involved in developing the incentive travel and business study group market. It is very difficult to get information on where these groups are or on the kinds of activities they might be interested in. USTS should prepare and distribute an encyclopedia or "yellow pages" which would spell out where to find the commercial VISIT USA market and would provide an inventory of activities in this country around which an operator could build a package for the commercial VISIT USA market.

- Package tours have become an important segment of the travel market, and they will grow in popularity. Nothing has been stressed as much in the last couple of years as have inbound international package tours. Our properties are included in at least 50 different inbound international tour packages. We are working with wholesalers and tour operators, as well as developing our own packages in-house. USTS has been providing progressive cooperation to industry, not only in its advertising to the trade and the general public but also in seminars conducted by its overseas regional offices where U.S. hoteliers, airlines, ground operators, and the major producers of traffic to the United States meet to discuss tourism to the United States. USTS can continue to make a significant contribution to the development of package tours by maintaining constant contact between the overseas and domestic travel trade,

providing an umbrella under which industry can develop and promote VISIT USA, and by providing as much honest research as possible.

- We feel package tours are a necessity if we hope to penetrate the mass international travel market. Currently, we have no sales representation abroad and a limited overseas promotional budget. As a result, it is difficult for us to reach the individual international traveler. By promoting group business, we can reduce the number of contacts we have to make to travel agents, tour operators, and the airlines. As time and resources allow, we will be getting more involved in developing the package tour market.
- Package tours are here and are coming on strong. The price of the packages may change, but they are here to stay as travel marketing techniques. Perennial excess capacity in the airline and hotel industries will keep the package or group tour concept acceptable. The travel industry is so fragmented that decisions to add resort areas, equipment, or hotel space are made without having a feeling for global travel. As a result, excess capacity is created and low-cost group packages continue to be popular.
- We need to make it easier for the small U.S. firm to market its products abroad. The small U.S. travel retailer needs management coordination assistance in arranging contacts with foreign tour operators. In addition, we need to know more about why the individual traveler came to the United States and as much as we can find out about his itinerary while in the United States. We would gladly pay for the right statistics. The small U.S. travel supplier also needs more direct sales efforts overseas to sell our travel products and to overcome some of the foreign traveler's fears of the United States. We think the elements of a viable U.S. travel industry do exist, but we need to start marketing with the intermediaries in other countries.

CONVENTION AND VISITORS BUREAUS

- Package tours are being developed not as a result of popularity but rather necessity. Unless packages are available so that potential international visitors can know in advance what it will cost to come to the United States, they will not visit this country. To penetrate the overseas market, we are sending a sales team to Japan to learn what package tours for the Japanese market should include. To date, the volume of Japanese travel business to this area has been virtually nonexistent. At the State level they are going to publish a State-wide catalog listing all tourist attractions and package tours which will be available for the use of tour operators, travel agents, and tour wholesalers. With less than 2 percent of our travel business coming from abroad, the local travel trade is not in a position to provide adequate language support for international visitors. However, if the trade can be shown some international volume, it will quickly overcome the language problem. I feel USTS should be keeping the overseas travel trade fully aware of the packages that are available to this country. In addition, USTS should be coordinating constant contact between the domestic and the overseas travel trade. I believe the POW WOW is an excellent project.

- Package tours are critical if the United States hopes to compete in the international travel market. Package tours are growing in popularity, and the United States needs to get more involved in packaging if it hopes to maintain a competitive position. To date, we have developed two packages to this area. These packages are available to the international travel market through wholesalers and travel agents. Our bureau is anxious to see more packaging done in this area. We have found reluctance within the travel industry to get involved in packaging. The hotels were indifferent because they had been successful in the past without having to rely on commissions or group prices. Others had a lack of understanding of how packages worked and were hesitant to get involved. However, in this area the travel industry's reluctance is fading. One reason is that it now has a better understanding of how

packages operate. In addition, a recent building boom in this area has left the hotel industry with excess capacity. This situation, which will exist for the next 8 or 9 years, has put the hotel industry in the position of needing the international business even if it is on a group basis. Our key international travel markets are Japan, Mexico, and Western Europe. Providing language assistance for groups from these markets is not a problem in this area. The role of USTS in developing the package tour market is vital. USTS can be most helpful by providing the travel industry with more market research. We just do not have the resources to learn as much as we need to know about the overseas markets. In addition, USTS should work more with wholesalers to develop VISIT USA package tours. USTS should be obtaining continuous feedback from tour operators to determine what is needed to open up markets, (that is, development of new destinations, shorter excursion periods, etc.). USTS should also continue to arrange face-to-face contact between the domestic and overseas travel trade. The POW WOWs have been quite successful in developing good contact between the various elements of the travel trade

--I believe that the further development of packaged tours for our region is an important objective for us and USTS to pursue. The reasons boil down to making it simpler, more economical, and convenient for foreign visitors to travel to the United States and enjoy the total experience. Recently, we have sent 50 letters to key organizations in our region asking them to send us copies of all packaged or planned tours which they offer. I am confident that there are a goodly number of packaged plans or partial plans now being offered by airlines, hotels, and other organizations in this region. We need to make these more comprehensive for the foreign visitor. We can do a great deal to expedite this packaging process by informing our membership throughout the 13 counties of this region of the opportunities and by providing information on the attractions and accommodations. There is a definite need for USTS to be involved in developing VISIT USA packages. USTS should provide feedback regarding whether or not existing VISIT USA packages are satisfying the

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market, continue to support travel agent and tour operator familiarization tours, maintain continuous contact with the overseas travel trade, and provide research showing, on a nationwide basis, how international travelers are getting to the United States (that is, as individual travelers or in groups)

TRANSPORTATION COMPANY REPRESENTATIVES

- We are very interested in the inbound international travel market. We currently give discounts of between 10 and 30 percent to tour operators bringing groups into the United States. We started offering these international tariffs about 4 or 5 years ago to 500 selected tour operators--the number has increased to 3,000. I feel the international travel market has a great deal of potential for the United States and that package tours are important to penetrating the market. USTS must maintain its status as a catalyst and assist the travel industry to develop and promote package programs. A big job for USTS is to establish the initial promotion in a market before industry begins to promote specific VISIT USA packages. USTS has to identify key segments of the overseas market and, in those key areas, provide the first wave of promotional literature. Industry can then piggyback on this initial promotion and get down to selling the actual program.

- I believe the package tour concept is a key to further U S penetration of the international travel market. We recently made the decision to get into all phases of the leisure travel market. As part of this decision, we are becoming more involved in the inbound international travel market. As far as sight-seeing tours are concerned, there are enough multilingual guides available in major cities so that language is not a problem.

- We are very interested in the inbound, international travel market. In fact, we are currently giving up to 25-percent discounts for groups of international travelers. In addition, we are dealing with wholesalers to put together package tours to this country. I think the language problem is a big one and must be attacked on several levels: education,

mechanical (tapes, etc.), and financial. There are a few other problems that are hindering this country's ability to maintain adequate ground services for the international travel market. Licensing is a problem. Throughout this country ground operator regulations overlap and are often compounded by union agreements and restrictions. The quality of the equipment available in this country is also a problem. Another problem is that most small operators in this country are already busy with the existing domestic business. It is more difficult for these operators to cater to the international market than it is for them to stick with their existing business. The international traveler usually requires a more sophisticated sight-seeing operation, and the language barrier must be dealt with. To the small operator these problems may mean that the international business is more trouble than it's worth.

--A major trend in travel is mass air transportation. Charter traffic has been growing 10 to 20 percent faster than the scheduled market. The European market is not only price conscious but also package tour arrangement conscious. Long-range trips for Europeans are being developed but not to the United States. USTS must help U.S. ground operators to put VISIT USA packages together. In addition, USTS should be coordinating the advertising themes for the air carriers. I do not think CAB restrictions are really holding back group travel.

U S -BASED TOUR OPERATORS

--We have been in business for about 10 years and are currently handling about 25,000 visitors annually, which represents about \$1,000,000 in revenue. The groups we handle range in size from 10 to 600 people. The costs of these tours range from a low of \$140 for 2 weeks to a high of \$1,000, with most of the programs falling somewhere in the middle. With groups of 20 or more the cost for a language guide is cheap enough so that they can be provided with no problem. As far as meals are concerned, our experience has shown that including them in the cost of a package or program is essential. Including the cost of meals gives the international traveler a sense of security.

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and allows him to plan on how much money he will have left to spend on other things during his visit I have attended POW WOWs where I have made some good business contacts I have run into a problem that USTS should help solve. My overseas contacts have been asking me to provide them with travel brochures and literature for U.S. destinations They have told me USTS was not able to provide them with this information. For example, one European operator asked me to send him travel brochures on all major U S cities. As a result, I had to write or call the appropriate people in each city to obtain this material Another wanted as much information as I could get regarding the Indian attractions and sightseeing services available in the Southwest. In both cases my contacts had already asked USTS for the information and had been unable to obtain the required information.

--I think there is a tremendous potential for generating an increased flow of international visitors from Japan and Western Europe. I also think the package tour or package program is going to continue to grow as the merchandising method for selling VISIT USA. We are handling 20,000 people per year consisting basically of groups of from 50 to 200 people Our firm puts together the U S -based components of the overseas travel agents or tour wholesalers' programs, while they handle the airfare and the retailing of the package. In putting together the ground portion of these programs, we deal with hotels, ground operators, and restaurants. There are already a lot of packages to the United States The problem is to increase the volume on these existing programs To increase this volume, airfares must come down USTS has assisted us by setting up appointments in Paris for us with travel agents. In addition, I have attended the POW WOWs and USTS' World Tourism Seminars. Both of these activities have provided me with an opportunity to make some important business contacts. However, it is rather difficult to do any definite business during those sessions. The contacts are made, and eventually business comes through further correspondence and possible additional personal visits. USTS should be more aggressive and

promotion oriented in dealing with specific VISIT USA products. I would also like to see a subsidy program set up to encourage travel agents and tour operators to sell VISIT USA. Finally, USTS-sponsored familiarization tours should be looked at closely. It is my impression that the same people are invited year after year. Instead of the directors of travel agencies, the people who actually face the potential traveler and sell the United States should be making the trips.

- A major problem confronting foreign travel agents and wholesalers is that there is no one place they can go to find out what ground operations are available in various areas of the country. Some of this information exists for gateway cities, but in most cases the foreign operator will have to contact a number of people in the United States. As a result, I think many foreign operators just give up and put tours together to some more accessible destination.
- A big problem is getting hotels, bus companies, attractions, and so on to give discounts to foreign tourist groups. Local and State governments in the United States must play a role in getting their local businesses to understand the basic economics of the international travel industry. In addition, we need a good up-to-date photograph library for use in putting together travel literature. We also could use a catalog that would list attractions throughout the United States. There are just too many attractions in this country for anyone to keep up with.
- We have been in the travel wholesale business for 35 years. Our bread and butter has been U S -outbound travel and, until the potential of inbound tours can be shown, that is where we will continue to put most of our resources. However, our VISIT USA department is only 2 years old. In 1972, we expected to handle about 2,000 inbound foreign visitors. The cost of travel in the United States is not a serious problem. Getting prices quoted for the components of a package is a problem because of the diverse people that have to be contacted. We need to make it easier to put together packages to the United States. To do this we need statistics showing why foreign visitors come

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to the United States. In addition, we need a catalog that lists attractions and who can provide bilingual guides, transportation, and so on, in an area. And, finally, more needs to be done to sell various attractions. We need to put together more seminars in foreign countries, which would be jointly funded by the attraction, tour wholesaler, airline, and USTS.

- To develop the potential of the international market, we need to do several things. We need to provide more familiarization tours of this country for tour operators with more organized followup. We need to start promoting specific U.S. destinations at specific prices and to provide this information to specific foreign tour operators. And, operators of U.S. attractions must go overseas and "hard sell" their products.

U.S. TRAVEL FIRMS LOCATED IN EUROPE

- A problem in selling the United States is the lack of complete VISIT USA packages. Most Europeans want a package to include hotel, all meals, sightseeing tours, and so on. After adding up the cost of hotel and airfare, the United States becomes expensive. There is a lack of cheap coordinated ground transportation in the United States. USTS should provide promotional assistance to airlines and to tour operators. At present, tour operators and travel agents are expected to assume all the risks associated with promoting U.S. packages. Other NTOs provide direct promotional support to the tour packager and agent.
- USTS' supply of printed material is limited and is frequently not translated into French. Whenever we request information from USTS, the response is poor, especially if USTS has to request the material from individual States.
- There is a lack of coordination between the foreign travel trade and U.S.-based tour operators. In addition, there is a need for no-frills accommodations in the United States. USTS should promote through tour operators, which is more beneficial than going

directly to the consumer. USTS also needs to have more personal contact with the travel trade.

- The number-one, long-haul destination would be the United States if transatlantic airfares were reduced and if the United States were properly promoted. A two-fold attack aimed at consumer awareness and at tour operators is definitely needed. USTS needs to increase its advertising and aim it at the travel trade through trade magazines and at the public through newspaper ads. When advertising, USTS should include the package prices and the itineraries that are available. Most promotional literature sent to Germany from the United States cannot be used because it is aimed at the U.S. market rather than the German market. More personal contact between the foreign travel trade and USTS is needed.
- Until recently, the U.S. market was weak because of high airfares. The recent reductions in transatlantic fares allowing 8-day excursions has helped to change things around. The lower cost is definitely the answer. I am not very impressed with USTS' operation. I think one problem has been over-emphasis on promotional activities. USTS should coordinate its spending with the travel industry to get a greater effect for its money. Other NIOs work very closely with their travel industry representatives in other countries.

COMMENTS OF FOREIGN TRAVEL INDUSTRY

FOREIGN TRAVEL INDUSTRY REPRESENTATIVES

- If we could get a 10-day, London-to-the-United States tour for about \$230, including hotel, breakfast, dinner, and some sightseeing, I would be encouraged to devote more effort to selling the United States. The biggest problems in selling the United States are costs (airfare and living costs) and the lack of reception services. A good investment in U S tourism would be the improvement of U S reception services.
- We would devote more effort to selling the United States if something was done to overcome the idea that it is so expensive to travel in the United States and if Europeans were shown that there was more to see than New York City, Niagara Falls, and Washington, D C. In addition, U S hotels need to get ready to deal with mass tourism. USTS should push the promotion of specific U S destinations and give financial support to tour packagers for advertising and promotion.
- Tourism is one place where Europe leads the United States. Tour operators can give Europeans sun and sand at very good prices. It has always been far too expensive for a tour operator to package and market the United States. U S hotels are still reluctant to book big tourist groups or to provide them with meals. When the charter flight breakthrough comes, it will be profitable to sell the United States. The mass market would really open up to the United States if a 2-week, London-to-the-United States tour could be sold for \$280-\$350. USTS should be able to promote directly with tour operators and be as aggressive as other NTOs. USTS should provide promotional assistance to the European travel trade, provide travel brochures showing package tours to the United States available to foreign travel agents, and focus much of its effort on the foreign tour operator.
- We would be encouraged to sell the United States more if airfares came down and we could sell a complete package. To date, the U S hotel industry has been

quite reluctant to negotiate packages that include meals. The big breakthrough in VISIT USA packages will come when the price for a complete package gets down to \$280 or \$350 from London to New York. The United States needs to start advertising details to demonstrate the actual costs for meals and domestic transportation. USTS should be getting more information about tour possibilities to the European travel industry and, once the charter breakthrough comes, provide strong promotional and advertising support.

- It is very difficult to make arrangements for hotels, buses, and so on in the United States. The people in the United States are still geared to the domestic market and are not prepared to arrange with tour operators for block bookings and mass meals. The various services, information, and support systems a package tourist wants are not provided by the U S travel industry. The United States must adapt to the mass selling of travel. I have attended POW WOWS but feel they are not of too great value. It is impossible to transact any serious business on the basis of a 15-minute chat. I think the series of ads USTS will be running this winter (1973) is very good, but I feel USTS must continue to look for more innovative promotional advertising approaches.
- Cost has been the critical factor preventing Europeans from going to the United States. In addition, Americans are not prepared to receive large groups. It is difficult to get good tour arrangements in the United States or to find good escorts that can do an effective job handling foreign tourists. It is also tough to get U S. travel literature. The literature needs to give more exposure to the unexposed areas of the United States (that is, the South, Southwest, Colorado). We are disappointed in the promotional material we get from USTS. With the reputation the United States has for its advertising, the products USTS has are average--not at all exciting or innovative. We need more long-range-planning information. For instance, we want to know about conventions in the United States in 1974. This type of information is just not available. We have had better luck dealing directly with the convention or association.

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representatives than with USTS or State or local government tourism organizations

- If there is a breakthrough in charter regulations, we will be getting into VISIT USA package tours I feel NTOs can play an important part in promoting a country by working directly with tour operators and airlines to develop package tours This is a direct, positive approach which USTS could very well try The important thing is demonstrating to the foreign travel trade that a U S package can be profitable and successful USTS should become more aggressive and start taking the initiative.
- We would like USTS to cooperate with us on our tour campaign USTS could play a prime role by promoting the fact that the United States is not expensive and the airfares are not as high as is generally thought I have attended the POW WOW and think it is unreasonable to put competitors at the same table and expect them to discuss anything of substance Workshops where each producer could have a private booth and discuss matters in confidence is a better idea
- USTS should go to the top foreign tour operators and buy into their catalogs, help to arrange packages, and jointly support a package on a multiyear basis in order to give it a chance to develop If you want to get thousands of foreign visitors to the United States, then USTS must sell the big operators on the idea, work with the major tour operators to create packages, and smooth the logistic arrangements for them The big thing is to get the U S travel product in a major catalog where the travel buyer will see it USTS must become more dynamic and begin to take the initiative--then things could really happen
- We need more information, with which to plan incentive tours, and better films and travel literature about U S destinations USTS regional office's film library is not very good, and in some cases we have had to go to airlines for information because USTS doesn't have it In addition, we would like to have more regular contact with USTS to discuss problems and new ideas

- The United States is not geared to receive groups of foreign visitors U S. tour operators do not really seem interested in the foreign market, and some U S attractions will not give group discounts because their domestic business is booming all season. We are also having trouble getting language services in the United States USTS regional offices need more promotion material It takes too long for Washington, D C , to get information we have requested relayed back to the USTS regional office. I do not think USTS can get a good return on its advertising dollar in our market USTS could get a better return by getting into specific promotions I think USTS should be more selective in choosing the U S tour operators who attend the POW WOWs We signed a contract with one operator who later tried to charge us about 30 percent too much
- In many respects it is easier to operate in the United States than in less developed long-haul destinations because hotels and special tours are already available We get financial assistance from other NTOs for production and promotion of our tour catalogs USTS could benefit by working directly with tour operators on package tours In the past USTS has assisted us only when we have requested it USTS could play a big role working as a broker between the U S travel industry and foreign tour packagers
- In attempting to sell the United States, we have had trouble getting enough travel literature (city maps, folders, etc.) about U S destinations In addition, we have found it difficult to obtain good, inexpensive ground transportation systems, especially to handle groups from the airport to the hotel There is also a need for better handling facilities at Kennedy Airport We would like to have more personal contact initiated by USTS when they have pertinent information to communicate
- The French tourist does not know enough about U S destinations, and there is a limit to the amount of information we can put in our tour catalogs USTS should be doing more to provide detailed backup information about U S destinations featured in tour

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catalogs Next year we want to concentrate on U S tours We are willing to promote and pay for groups of travel agents and journalists to tour the United States We also want to work with others selling the United States to develop a joint travel brochure In spite of our desire to get more involved in U S packages, we have been pretty much ignored by USTS We want more contact with USTS Other NTOs give us travel information and help on special events and ideas We tried to get some pictures for our catalog from USTS, but its film library was inadequate and we had to clip our own out of magazines. USTS should pick two or three tour packagers to work closely with instead of spending a few dollars here and there USTS should promote more through tour operators Apparently USTS' present policy does not include promotion of private ventures What we need from USTS, in order to sell VISIT USA packages, are city maps and brochures, a manual showing who will handle tours in the United States which can be distributed to the foreign travel trade, and more promotional assistance

- We would be encouraged to devote more effort to selling the United States if we could get guaranteed prices on airfare and accommodations 2 years in advance so we can adequately plan our U S tours. We would like to have a better interchange of ideas with USTS Right now, we never see USTS representatives Even though we do not currently sell a lot of U S business, USTS should periodically visit us to provide us with up-to-date information on travel ideas The way to sell the United States is to get several pages in a major tour catalog They would provide the basis upon which Europeans decide to visit the United States
- We are having trouble getting reliable German-speaking guides in the United States If we use a reliable U S -based tour operator, it costs too much, while the lower priced ground operators cannot handle the groups Another problem is locating and getting group bookings in medium-priced accommodations We have been unable to find a U S agent who can book midrange lodging. We would like more specific advice or information from USTS, particularly with respect to

low-cost accommodations We are currently flooded with useless information from over 50 NTOs What we would like is to meet periodically with USTS to discuss our particular needs USTS should work more closely with tour operators We currently get generous financial support from countries where tourism is vital to their economies USTS should also more specifically and more selectively advertise, emphasizing prices

- We cannot afford U S -based ground operators and language guides In other countries, we turn our clients over to a domestic operator There is a trend in the German travel industry to work closely with NTOs Some NTOs are heavily subsidizing certain tour operators Instead of providing the German public with general U S travel literature, USTS should mail out brochures featuring U S tours In addition, USTS advertising must be specific, telling the reader how much the U S tours cost and even mentioning which tour operators to see
- We are not promoting packages to the United States because of the airfare situation The three-stop charter rule is too difficult to live with It is difficult if not impossible to put together a group that would want to stop at Miami, Los Angeles, and San Francisco In addition, the CAB minimum-price constraint prevents us from advertising a price lower than the regular scheduled airfare In reality most of our tours do sell for well over commercial airfares, but our basic "come on" price (includes airfares and lodging) is important to our promotional effort It is also difficult to arrange packages to the United States which include meals Meals in U S hotels are too expensive for inclusion in one of our packages
- The United States is not geared to receive foreign tourism Transportation in the United States, especially from U S airports into the big cities, is too expensive Hotels are not geared for foreign visitors, and tour guides are very expensive U S tour operators are not interested in organizing small foreign groups and are too expensive

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- You can appropriate USTS an unlimited amount of funds for promoting VISIT USA, but, until the airfare regulations are changed, mass tourism to the United States will never materialize. One-stop package tours are the answer to developing a mass tourism market to the United States.
- I do not think the United States as a travel destination has been fully exploited. The fact that the U S travel industry is not set up to handle European tourists does detract from its attractiveness. However, just a few concessions can have significant results. For instance, an independent U S hotel operator just concluded arrangements to book three charters and a group of 100 next summer. He went out of his way to hire German-speaking staff and then came over to personally sell his hotel. I think the POW WOWs have eliminated any serious problems tour operators once faced in the United States. The POW WOWs have taken care of a lot of communication gaps and have shown U S operators how to satisfy the foreign travel trade.
- We are a 2-year-old tour operation and have been selling U S tours since November 1971. We have a New York City tour around Easter that leaves from Montreal. Both our New York City and Atlantic City tours have been literally selling themselves. An area where we could use USTS help is in the preparation of our travel brochures. The brochures are an expensive element in our operation. We would also like to have some help making contact with hotels in areas where we are not acquainted with the U S travel trade.
- Our first package to the United States was to Hawaii in 1967. In 1970 we offered our first package to Miami. In 1971, we handled between 15,000 and 17,000 passengers on these three package programs. For 1972, we have reserved space for 25,000. An area where USTS could assist us would be in promoting our tours. USTS could help to pay the production cost of our tour brochures. In 1971, we distributed 2 million copies of our tour brochures. USTS could also join with us in an advertising campaign, help to promote our tours among Canadian travel agents, finance more

familiarization tours, and put pressure on U S hotels to accept the package tour concept and start negotiating group rates

- CAB restrictions on charters limit the potential for foreign visitors to the United States. If restrictions were eliminated, I could increase my business from 5,000 to 25,000 in 5 years. Getting discounts on transportation within the United States is a problem. There is no coordination of the discounts between bus, air, and rail transportation. In addition, special foreign visitor rates are only guaranteed for 1 year at a time. We never know whether to count on their being renewed. USTS should sponsor a hotel tariff book that would provide a rating of U S accommodations. We are also having trouble getting travel information from USTS' regional office.

- Group tours are the most popular means of travel from Japan. However, price is a big obstacle in getting Japanese tours to the United States. We can get special airfares to Guam and Hawaii, but, to the mainland United States, airfares are considerably higher. It is cheaper for the Japanese to go to Europe. U S hotels are just beginning to give group rates for tour operators. Language is not a problem in Guam and Hawaii but is on the mainland.

- Our marketing strategy for the United States is to offer charters for the middle-class and upper-class market. In 1972 we had two tours to the United States, one of which ran once a week to New York City. The latter tour was so successful that in 1973 we plan to double our weekly capacity from 70 to 140. The tours include airfare, ground transfers, one-half day of sightseeing, and accommodations and emphasize price. We are offering the minimum possible to make the price attractive but also make options available. We are optimistic about the United States as a travel destination and feel that the main constraint is cost. Our biggest problem is a lack of information, particularly about hotel rates. U S hotels won't quote a group price until we can give them the exact size of the group. We are also having trouble getting general tour information in the United States.

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--The primary long-haul destinations for Spanish travelers are the United States, Mexico, and Japan-- in that order. We are operating three tours to the United States. We are carrying about 8,000 to 10,000 visitors a year to the United States. Our big seller is a \$300 New York City tour that includes airfare, ground arrangements, and 8 nights' lodging. We have no significant problems selling the United States or arranging tours to the United States. However, as yet there is no mass market in Spain. Tour operators must concentrate on specific high income target groups if they sell any U S destination other than New York City. I think USTS should be providing more information to the travel trade. We finance trips to the United States to make tour arrangements. Some of these trips could be eliminated if USTS would send us ideas and suggestions or could visit us periodically.

OPERATIONS OF SELECTED NATIONAL TOURIST OFFICES

BRITISH TOURIST AUTHORITY (BTA)

BTA's 1972 budget was about \$11 million, of which about \$2 5 million was for operating 24 foreign offices. At the time of our review, BTA had a staff of about 300 in London and 150 in offices in 20 foreign countries.

BTA's overseas marketing efforts included advertising and joint promotion campaigns appealing directly to the prospective traveler. These activities were supplemented by extensive research in various overseas markets, public and press relations, the production of British travel films, the overseas distribution of travel literature and travel information, and a program of travel workshops where British travel suppliers meet with foreign travel agents and tour packagers.

A representative of BTA said that package tours had been very important in attracting visitors to the United Kingdom from such long-haul markets as Japan and the United States. Another representative said BTA was pushing package tours. He stated that, for some long-haul markets, BTA virtually bought its way into the tour operators' programs by paying for the production of their tour brochures. BTA also subsidized joint promotion projects with local tourist authorities, hotel chains, car rental companies, and so on. A BTA official said the promotions were usually tailored for, and carried out in, one foreign country at a time and were run for about 3 years. The promotions usually featured rather specific British locations, activities, or attractions. In 1972, BTA was subsidizing about 48 joint promotions and a BTA official indicated the joint promotions were growing as a part of their total budget. Another feature of BTA's operation was workshops both in the United Kingdom and overseas. The purpose of the workshops was to get United Kingdom travel suppliers together with travel agents and tour packagers from other countries.

A BTA representative said the problem in luring visitors to the United States was the high-cost image of the United States. To overcome the cost image, the BTA official felt that travel to the United States should be packaged so people could see the actual costs. It is difficult for the British

citizen to find out about costs in the United States or to make travel arrangements U S advertising and the U S travel industry have been geared to the individual traveler U S travel suppliers have not made a big effort to sell packages in the United Kingdom

FRENCH GOVERNMENT TOURISM OFFICE (FTO)

The FTO has a staff of about 100 in 23 offices in 16 foreign countries The offices in New York and London have 30 people, while the rest of the foreign offices are 1- and 2-man operations FTO's overseas marketing program includes a small consumer advertising and promotional budget, ground floor or public service activities, and research to study visitor travel patterns and motivations A big effort is devoted to working with the travel trade

An FTO official said FTO's marketing strategy could be classified as "working with the trade " FTO spends very little on consumer advertising and promotional programs Instead, its strategy involves insuring that France receives adequate attention in travel agents' brochures and that a suitable number of package tours are available that emphasize areas other than Paris This strategy is based on the assumption that France is already an established European destination and that what is needed is to insure an adequate variety of travel products to satisfy the travelers' needs and longer stays in France The FTO official stated that FTO's overseas offices did not subsidize or provide financial incentives to tour packagers Again, assuming that France is already an established and desirable destination, FTO has decided that all it must do is supply the packager with information and promotional literature for use in his tour catalog However, FTO does collaborate on some advertising For example, FTO will complement the ad of a ski tour to a specific resort or resort area by placing an ad in the same publication, which points out the advantages of skiing in France In addition, FTO shares the cost of producing regional promotional literature with regional tourist departments. FTO's regional offices also spend a good deal of effort getting French travel suppliers together for face-to-face discussions with tour packagers. Officials indicated that one way to determine the effectiveness of their regional offices is to identify the number of new package tours to France developed in that market and how successful they are .

The FTO representative noted that there is no ready-made mass tourism market to be tapped. As a result, promotional efforts would have to be aimed at selective market segments. One possibility mentioned was to concentrate on the French business community in an attempt to convince it to extend its business trips to include a holiday in the United States.

SPANISH NATIONAL TOURIST OFFICE (STO)

STO has foreign offices in the United States, Europe, Puerto Rico, Toronto, Caracas, Buenos Aires, and Tangiers

An STO official stated that, early in the office's development, it did subsidize tour operators in certain countries. However, for the last 4 or 5 years, STO has found that a subsidy program is no longer necessary. The official indicated that the impetus for tourism to Spain has been Government maintenance of low prices, the successful development of the Spanish hotel industry which has been maintaining relations with major tour operators, and the Government's lenient policy toward inbound charter flights.

An STO regional representative assigned to Frankfurt said he saw STO's role as a service rather than a marketing one. The service role has come about over the last 5 or 6 years as its work with the German travel trade has begun to pay off. Currently, Spain is an established destination for German tour operators and is available in all the major German tour operators' catalogs. As a result, STO's Frankfurt regional office's contact with the tour operators now involves regular distribution of information concerning recent travel developments in Spain, that is, new hotels, new roads, and new informational brochures available from STO. The Frankfurt office no longer provides direct financial support to tour operators, nor does it get involved in facilitating contacts between German tour operators and Spanish hotel interests. The big tour operators now have permanent representation in Spain, and several of the Spanish hotels either have offices in Germany or are represented by German companies.

CANADIAN OFFICE OF TOURISM (CTO)

Canada's Office of Tourism (CTO) 1972-73 budget was about \$16 million. CTO consists of two operating branches--

APPENDIX VI

The Travel Industry Branch and the Canadian Government Travel Bureau The Travel Industry Branch with a budget of almost \$1 million is charged with insuring the orderly growth and development of the Canadian travel industry The Canadian Government Travel Bureau, the larger of the two branches (1972-73 budget of \$15 million) is responsible for promoting travel to Canada from other countries, promotes travel within Canada by Canadians, and coordinates its promotional activities with those of the provinces and private sector Specific activities of the Bureau include the operation of 24 offices in 8 foreign countries, a publicity program involving editorial and photographic material, films, participation in travel shows, and "Visit Canada" tours for selected travel writers, print and television advertising campaigns directed primarily at U S markets but also overseas, direct mail campaigns aimed at special interest groups in the United States, market research and project research to examine the effectiveness of advertising and promotional expenditures, a travel information service, a program to promote tours to and within Canada, a program to stimulate convention business in Canada, an expanding program of information exchange with the provinces and private sector to coordinate overall marketing and promotion strategy

The director of the Canadian Government Travel Bureau stated that the most significant trend in international travel was the development of package tours He said that package tours had become the means by which the mass travel market was being reached The development of wide-bodied jets, increased travel awareness resulting from improved communications, and increased airlines promotion have spurred group travel.

In a 1972 statement of its major accomplishments, CTO indicated that it was giving increasing attention to the development of more package tours to Canada The statement further noted that in 1970, CTO's Travel Bureau, which has the responsibility for its marketing programs, canvassed the travel trade in both Canada and the United States and prepared a listing of all the package tours available for travel to and in Canada Analysis of the tours provided basic information as to points of origin, regions of destination in Canada, time and season of offerings, scope and content of tours, and so on--yielding critical guidance for a Bureau tour development program The tour development effort was

launched in the United States emphasizing the "shoulder seasons " Bureau officers stationed in the United States and at headquarters concerted efforts in approaches to wholesalers and tour operators. In addition to using traditional measures to excite interest in building new tours, the Bureau introduced a cooperative advertising plan as an incentive, whereby it financed half the advertising costs incurred by a tour wholesaler in offering a new tour to Canada or to a region of Canada not yet serviced by the firm In 1971, for an advertising outlay of \$90,000, the Bureau encouraged the construction of 17 new tours from the United States with incremental travel spending in Canada of \$1 7 million

The Director of the Travel Bureau noted that, to facilitate the tour development program, the Bureau was conducting familiarization tours for tour wholesalers and travel agents On the basis of the interest shown during wholesalers' first visits, the Travel Bureau invited certain of them back to put together tours All their expenses were picked up by CTO, and all the necessary meetings were arranged for them CTO also works with the provincial governments and the Canadian travel industry to encourage group rates at hotels and attractions, particularly during the off-season CTO plans to expand its tour development program in fiscal year 1972

The director of CTO's Frankfurt regional office told us that he had a close working relationship with German tour operators. The biggest help the Frankfurt office gives to tour operators is joint advertising, where the cost is shared equally. The Frankfurt office also helps the German operators to put tours together by telling them about Canadian attractions The director accompanies German tour operators to Canada to show them the attractions and to let them talk to hotel interests and other industry representatives and make the necessary business arrangements If the operator includes a Canadian tour in his program, the regional office will give him promotional support, cooperate in advertising, and help to distribute brochures promoting the tour In addition, the Frankfurt office will arrange for a group of travel agents to take the tour to promote it and to work out the bugs before it is made available The director said the German tour operators were very active, aggressive people and would quickly take advantage of good tour ideas

Under a new CTO budgeting system, the Frankfurt director will be responsible for determining the success of the German tour development program. To do this he plans to sit down with participating German operators and set a goal on how many Canadian tours should be offered for the year. At the end of each holiday season, the operators will be asked to produce vouchers for the tours that have been conducted and can be analyzed to determine if the targets for the German market have been met.

NTO FIELD REPRESENTATIVES

While in Europe we contacted the regional offices representing the Irish, South African, Italian, Yugoslavian, Mexican, and Israeli NTOs. The Irish, Italian, and Yugoslavian field offices stress advertising and public information, while the South African, Mexican, and Israeli field offices emphasize the importance of package tours. The Director of the Israeli Government Tourist Office in Germany said he encouraged the development of a maximum number of package tours. He said travel to his country would undoubtedly decline if he were to cease his efforts with tour operators. The Director of the South African Tourist Office in France summarized his strategy as working with the travel trade, particularly with tour packagers. He said this strategy was based on the fact that nearly all travel to his country is by package tour. Travel to his country from France increased by 48 percent between 1970 and 1971 because of the increased promotion of package tours.

We found that all of the above field offices provided some kind of assistance to tour operators. Most provided tourist information and promotional materials about their countries. In a couple of cases, the field offices arranged contacts between foreign tour operators and travel suppliers.

Besides tourist information, promotional material, and help in establishing commercial contacts, we found that subsidies were a frequent form of field office support. Most field offices we visited provided some form of financial subsidy to tour operators. The subsidy usually took the form of the field office contributing to the cost of publishing the tour operators' brochures promoting tours to their countries. The Israeli and South African field office directors in France said they had paid the entire cost of certain tour operators' brochures.



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington D C 20230

August 3, 1973

Mr J K Fasick
Director
International Division
General Accounting Office
441 G Street, N W
Washington, D C 20548

Dear Mr Fasick

This is in reply to Mr Stovall's letter of June 15, 1973, requesting comments on draft report entitled "Opportunities For Increasing Number Of Foreign Visitors To The United States "

We have reviewed the comments of the United States Travel Service and believe that they are appropriately responsive to the matter discussed in the report

Sincerely yours,



Henry B Turner
Assistant Secretary
for Administration

Attachment

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THE ASSISTANT SECRETARY OF COMMERCE
Washington D C 20230

July 31, 1973

Mr. Oye V. Stovall
Director
International Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Stovall:

The revised draft of the proposed United States General Accounting Office Report, Opportunities for Increasing Number of Foreign Visitors to the United States, has been carefully reviewed.

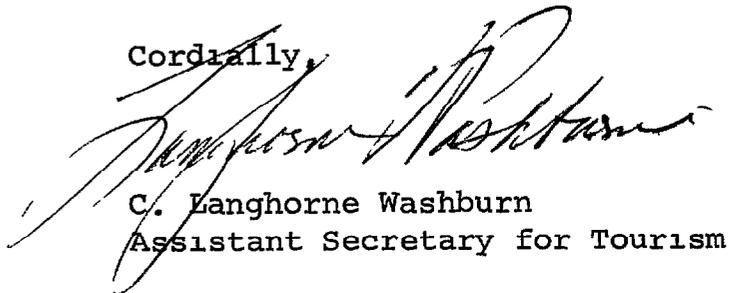
I find the Report to be objective, constructive and reflective of intensive interviewing and research. The Report does make a number of specific recommendations as to the activities on which the United States Travel Service should concentrate in promoting foreign travel to the U.S. Those recommendations particularly emphasize the need for USTS to work more actively with the travel trade and to become more directly involved in the establishment and promotion of new package tours to the U.S.

In view of those recommendations, I believe it is important to note once again that, in December 1972, USTS was reorganized in order to concentrate its efforts in six major market areas which account for nearly 90 percent of foreign visitor arrivals and to service the travel trade more effectively. In essence, USTS is now actively "selling" the United States, working exclusively through the travel trade abroad.

Thank you again for inviting our comment on the draft text and for the consideration which has been given to suggested corrections made through informal discussion.

The Report can make a substantial contribution not only to the form and content of existing and future USTS programs, but also to public understanding of the complex international travel market and the highly-competitive marketing environment in which the United States Travel Service operates.

Cordially,



C. Langhorne Washburn
Assistant Secretary for Tourism

APPENDIX VIII

PRINCIPAL OFFICIALS OF
 THE DEPARTMENT OF COMMERCE
 RESPONSIBLE FOR ADMINISTERING ACTIVITIES
 DISCUSSED IN THIS REPORT

Tenure of office	
From	To

DEPARTMENT OF COMMERCE

SECRETARY OF COMMERCE

Frederick B Dent	Feb	1973	Present	
Peter G Petersen	Feb	1972	Jan	1973
Maurice H Stans	Jan	1969	Feb	1972

ASSISTANT SECRETARY FOR TOURISM

(note a)

C Langhorne Washburn	Apr	1973	Present	
James L Hamilton, III (acting)	May	1972	Apr	1973
C Langhorne Washburn	Mar	1969	May	1972

^aIn October 1970, as a result of an amendment to the International Travel Act of 1961, the Director, United States Travel Service, was designated Assistant Secretary of Commerce for Tourism

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