

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**Memorandum**

To: Members, Subcommittee on Economic Growth, Tax, and Capital Access  
From: Committee Staff  
Date: May 7, 2018  
Re: Hearing: "Travel and Tourism: A Small Business Angle"

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On Tuesday, May 8, 2018 at 11:00 A.M., the Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business will meet in Room 2360 of the Rayburn House Office Building for the purpose of examining small businesses in the travel and tourism industries. The hearing will examine the economic impact of the travel and tourism industries, how small businesses contribute to these industries, and how the travel and tourism industries can continue to positively impact the United States economy.

**I. Economic Indicators in the Travel and Tourism Industries**

The United States travel and tourism industries make up a significant percentage of the nation's economic output, and growth in these industries have exceeded the national average. In 2017, domestic and international travelers spent over \$1 trillion dollars in the United States.<sup>1</sup> From 2011 to 2017, total spending on travel in the United States grew by about 4.1 percent, which is almost twice the rate of economic growth during that same time period.<sup>2</sup> In 2016, real output increased in 18 of the 24 major commodities in the travel and tourism industries, including travel accommodations, automotive rental, and food and beverage services.<sup>3</sup>

The travel and tourism industries are also critical to job creation in the United States. In 2017, they supported 8.8 million jobs, which account for 6 percent of total non-farm employment.<sup>4</sup> The largest increases in job creation were recently seen by rail transportation services, travel arrangement and reservation services, and sightseeing transportation services.<sup>5</sup>

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<sup>1</sup> U.S. TRAVEL ASSOCIATION, U.S. TRAVEL AND TOURISM (2017) [*hereinafter* "U.S. Travel Facts"], available at [https://www.ustravel.org/system/files/media\\_root/document/Research\\_Fact-Sheet\\_US-Travel-and-Tourism-Overview.pdf](https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-and-Tourism-Overview.pdf).

<sup>2</sup> Calculated growth rate of total spending from U.S. Travel data, and averaged GDP growth rate from the Bureau of Economic Analysis from Q1 2011 to Q4 2017, which was 2.1 percent. BUREAU OF ECONOMIC ANALYSIS, GROSS DOMESTIC PRODUCT, PERCENT CHANGE FROM THE PRECEDING PERIOD available at <https://www.bea.gov/national/index.htm#gdp>.

<sup>3</sup> SARAH OSBORNE AND SETH MARKOWITZ, U.S. TRAVEL AND TOURISM SATELLITE ACCOUNTS, BUREAU OF ECONOMIC ANALYSIS 1 (2017) [*hereinafter* "BEA Travel"], available at [https://www.bea.gov/scb/pdf/2017/06%20June/0617\\_travel\\_and\\_tourism\\_satellite\\_accounts.pdf](https://www.bea.gov/scb/pdf/2017/06%20June/0617_travel_and_tourism_satellite_accounts.pdf).

<sup>4</sup> U.S. Travel Facts, *supra* note 1.

<sup>5</sup> BEA Facts, *supra* note 3, at 2.

Although prices in the travel and tourism industries declined as a whole in 2016, much of this was due to the fact that gasoline prices, one of the 24 major commodities in the industries, declined by 11.8 percent that year. Of those major commodities, 17 of them saw prices rise in 2016.<sup>6</sup> Changes in prices for goods and services in the travel and tourism industries have stayed close to the average rate of inflation.

There are several industries that frequently rely on travelers as customers. For example, in the \$800 billion restaurant industry, about one in every four dollars comes as a result of travel and tourism.<sup>7</sup> With the restaurant industry also employing 14.7 million Americans, or 10 percent of the total workforce, there are millions of Americans in the restaurant industry alone that rely on travel and tourism for a large portion of their income.<sup>8</sup>

Outdoor recreation is also a critical component to the overall travel and tourism economy. In 2016, outdoor recreation produced \$374 billion in economic output, or 2 percent of total output.<sup>9</sup> Outdoor recreation grew by 3.8 percent in 2016, which also exceeded national growth rates.<sup>10</sup> Within the outdoor industry, \$59.4 billion was from RVs and motorcycles, \$38.2 billion from recreational boating and fishing, and \$15.4 billion was from recreational hunting, shooting, and trapping.<sup>11</sup>

## **II. Small Business Impact on the Travel and Tourism Industries**

The travel and tourism industries are comprised primarily of small businesses. According to United States Travel Association, 83 percent of businesses in the travel and tourism industries are considered small.<sup>12</sup> For example, almost 98 percent of charter bus companies have less than 500 employees, and 37.5 percent have between 1 and 4 employees.<sup>13</sup> For ski facilities in the United States, 88 percent have less than 500 employees, and 37 percent have less than 20 employees.<sup>14</sup> Also, 90 percent of restaurants have fewer than 50 employees and 70 percent of restaurants are single-unit operators.<sup>15</sup> Finally, in the hotel industry, 99 percent have less than 500 employees and almost 75 percent have less than 20 employees.<sup>16</sup>

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<sup>6</sup> *Id.* at 3.

<sup>7</sup> NATIONAL RESTAURANT ASSOCIATION, TOURISM, available at <http://www.restaurant.org/advocacy/Tourism>.

<sup>8</sup> NATIONAL RESTAURANT ASSOCIATION, INDUSTRY IMPACT, JOBS AND CAREERS POWERHOUSE, available at <http://www.restaurant.org/Industry-Impact/Employing-America/Jobs-Careers-Powerhouse>.

<sup>9</sup> BUREAU OF ECONOMIC ANALYSIS, HOW BIG IS OUTDOOR REC? (2018) [*hereinafter* "Outdoor Stats"], available at <https://www.bea.gov/outdoor-recreation/pdf/how-big-is-outdoor-rec.pdf>.

<sup>10</sup> BUREAU OF ECONOMIC ANALYSIS, OUTDOOR RECREATION SATELLITE ACCOUNT: PROTOTYPE STATISTICS FOR 2012-2016 (2018), available at <https://www.bea.gov/newsreleases/industry/orsa/orsanewsrelease.htm>.

<sup>11</sup> Outdoor Stats, *supra* note 9.

<sup>12</sup> U.S. TRAVEL ASSOCIATION, U.S. TRAVEL ANSWER SHEET (2018), available at [https://www.ustravel.org/system/files/media\\_root/document/Research\\_Fact-Sheet\\_US-Travel-Answer-Sheet.pdf](https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-Answer-Sheet.pdf).

<sup>13</sup> SMALL BUSINESS ADMINISTRATION, FIRM SIZE DATA, available at <https://www.sba.gov/advocacy/firm-size-data>.

<sup>14</sup> *Id.*

<sup>15</sup> NATIONAL RESTAURANT ASSOCIATION, NEWS AND RESEARCH, FACTS AT A GLANCE, available at <http://www.restaurant.org/News-Research/Research/Facts-at-a-Glance>.

<sup>16</sup> *Id.*

Advances in mobile technology have created a new generation of small business owners who are directly contributing to the travel and tourism industries. Airbnb, an online marketplace for short-term lodging, has an estimated 660,000 active listings in the United States, with hosts averaging \$7,300 in annual income.<sup>17</sup> Because Uber, Lyft, and other ridesharing drivers are private contractors, they too are considered small businesses and directly contribute to the travel and tourism economy.<sup>18</sup>

### **III. Impact of Tax Reform**

Travel and tourism are expected to benefit from the Tax Cuts and Jobs Act that was enacted in December 2017. The Tax Cuts and Jobs Act lowered the corporate tax rate from 35% to 21% and provided a deduction of 20 percent of qualified pass-through income. Not only does the law lower rates for small businesses, it also allows businesses to immediately write off the full cost of new equipment and protects the ability of small businesses to write off interest on loans.<sup>19</sup>

### **IV. Job Vacancy Rates in Travel and Tourism**

In the current economic climate, unfilled positions are a pressing issue for many small businesses. In February of 2018, there were an estimated 6.1 million job vacancies, which is significantly higher than the Great Recession low of 2.2 million vacancies in July of 2009. According to the National Federation of Independent Business Small Business Optimism Index, 89 percent of surveyed businesses reported hiring or trying to hire, but found few or no qualified applicants.<sup>20</sup> Small businesses typically lack human resource departments to seek out qualified and motivated employees.<sup>21</sup> During periods of low unemployment when workers can demand higher wages and benefits, larger companies can typically afford higher salaries and more generous benefit packages.<sup>22</sup>

Although this is an issue confronting small businesses in almost every industry, it is especially acute in travel and tourism. According to the Bureau of Labor Statistics, in July 2017, leisure and hospitality job openings rate of 4.9 percent was not only higher than the national average of 4 percent, but was the highest of any of the ten other industries examined.<sup>23</sup> While finding workers with the right skill sets is a challenge for all small businesses, it is especially difficult for small businesses in travel and tourism and the industries that support it.

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<sup>17</sup> AIRBNB, AIRBNB FAST FACTS (2018), available at <https://press.atairbnb.com/app/uploads/2017/08/4-Million-Listings-Announcement-1.pdf>.

<sup>18</sup> UBER, UBER FREQUENTLY ASKED QUESTIONS, TAX COMPLIANCE, available at <https://help.uber.com/h/98a642e5-1123-4895-948a-cb40b6845aa4>.

<sup>19</sup> HOUSE COMMITTEE ON SMALL BUSINESS, CHAIRMAN STEVE CHABOT HAILS PASSAGE OF HISTORIC TAX REFORM (2017), available at <https://smallbusiness.house.gov/news/documentsingle.aspx?DocumentID=400533>.

<sup>20</sup> NATIONAL FEDERATION OF INDEPENDENT BUSINESS, MARCH 2018 REPORT: SMALL BUSINESS OPTIMISM INDEX (2018), available at <https://www.nfib.com/surveys/small-business-economic-trends/>.

<sup>21</sup> <https://www.monster.com/career-advice/article/small-business-attract-talent-1-brand-0709>.

<sup>22</sup> Wendy Webb, *6 Ways Small Businesses Can Outcompete Large Forms on Talent*, TALENT ECONOMY (2017), available at <http://www.talenteconomy.io/2017/02/16/small-businesses-top-talent/>.

<sup>23</sup> BUREAU OF LABOR STATISTICS, DEPARTMENT OF LABOR, LEISURE AND HOSPITALITY INDUSTRY LEADS IN JOB OPENINGS RATES (2017), available at [https://www.bls.gov/opub/ted/2017/leisure-and-hospitality-industry-leads-in-job-openings-rates.htm?view\\_full](https://www.bls.gov/opub/ted/2017/leisure-and-hospitality-industry-leads-in-job-openings-rates.htm?view_full).

## V. Decline in International Travelers to the United States

The United States economy depends heavily on foreign travelers to spend at tourist destinations. In 2016, there were an estimated 37.6 million international visits to the United States.<sup>24</sup> One concern is that the relative share of travelers to the United States has been declining since 2015. According to the United States Travel Association, the United States share of global long-haul travel peaked in 2015 at 13.6 percent, and declined to 12.9 percent in 2016 and 11.9 percent in 2017.<sup>25</sup> This decline in international travel has inhibited potential economic growth and job creation that the United States could have produced otherwise.<sup>26</sup>

The value of the United States dollar has made it relatively more expensive for foreign travelers to visit the United States. The cost grew by about 50 percent from 2014 to 2016, and while the dollar has depreciated since then, it is still 25 percent more expensive to travel to the United States relative to the 2014 low.<sup>27</sup> While the appreciation of the United States dollar in 2015 was largely due to the United States economy improving relative to the rest of the world, declining foreign travel was a drawback.<sup>28</sup>

## VI. Conclusion

The United States travel and tourism industries are important to the American economy. Not only do they make up six percent of all non-farm jobs created in the United States, but they also impact a wide variety of other industries. The travel and tourism industries are overwhelmingly comprised of small businesses. This hearing will provide an opportunity for Members to learn more about how these small businesses contribute to the economy.

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<sup>24</sup> INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE, NATIONAL TRAVEL AND TOURISM OFFICE, I-94 PROGRAM: 2017 MONTHLY ARRIVALS DATA (2017), available at <https://travel.trade.gov/view/m-2017-I-001/index.asp>.

<sup>25</sup> U.S. TRAVEL ASSOCIATION, INTERNATIONAL INBOUND TRAVEL, available at [https://www.ustravel.org/system/files/media\\_root/document/Research\\_Fact-Sheet\\_International-Inbound\\_Market-Share.pdf](https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_International-Inbound_Market-Share.pdf).

<sup>26</sup> <https://www.visituscoalition.com/>.

<sup>27</sup> Justin Bachman, *America Has a Foreign Tourism Problem*, BLOOMBERG (January 17, 2018), available at <https://www.bloomberg.com/news/articles/2018-01-17/how-to-reverse-america-s-foreign-tourist-problem>.

<sup>28</sup> Patrick Gillespie, *This is the U.S. Dollar's Fastest Rise in 40 Years*, CNN MONEY (March 16, 2015), available at <http://money.cnn.com/2015/03/16/investing/us-dollar-fastest-rise-40-years/index.html>.