Travel campaign fuels $1B rise in hospitality industry

July 8 2014

The Obama administration's controversial travel-promotion program has generated a roughly $1 billion increase in the value of the hospitality industry and stands to benefit the U.S. economy in the long run.

So finds the first scientific evidence, from a Michigan State University-led study, showing a positive economic impact of the Travel Promotion Act. Congress is currently reviewing whether to extend the law, which went into effect in March 2010.

"We found positive stock market reactions related to the passage of the act and therefore agree with economists' projections that additional tax revenue and jobs are likely to be created in the future," said Mark Johnson, professor of practice, finance, in MSU's Broad College of Business and lead investigator on the study. "The program appears to be a win-win for taxpayers and people who work in the hotel industry."

The law created Brand USA, a nonprofit dedicated to increasing travel to the United States and creating a recognizable "brand" similar to what Australia, New Zealand and other countries have done through national travel boards. The U.S. program is funded by a $10 fee charged to visitors from countries in the Visa Waiver Program and from matching private-sector funds.

Critics have said the program would add little value to the travel industry, as large corporations already spend a lot of money on promotional campaigns.

But the Congressional Budget Office estimated that increased travel fees and tax revenues through the program would reduce the federal deficit by $425 million over 10 years. And consultant Oxford Economics projected the program could create $4 billion in new spending annually, create 40,000 jobs and generate $321 million in yearly tax revenue.

But those were just estimates; Johnson and colleagues found a measurable impact. Specifically, Brand USA was associated with an increase in the value of publicly traded hotel firms by some 2 percent, which represents about $1 billion.

Hospitality companies may take advantage of that gain by expanding their holdings and adding employees, the study suggests.

A bill to renew the program through 2020 – the Travel Promotion, Enhancement and Modernization Act of 2014 – was introduced in the House in April and referred to a subcommittee. Without renewal, the original legislation is scheduled to sunset Sept. 30, 2015, when funding from the travel fees would stop.

The study will appear in a forthcoming issue of *Cornell Hospitality Quarterly*.

Provided by Michigan State University

Citation: Travel campaign fuels $1B rise in hospitality industry (2014, July 8) retrieved 27 April 2024 from https://phys.org/news/2014-07-campaign-fuels-1b-hospitality-industry.html