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Free Enterprise: Good luck with that travel fee

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By MICHAEL REKSULAK

Congress just took a short vacation from the rancor of recent political debates.

In case you missed it, it has finally found bi-partisan legislation that can pass overwhelmingly. The Senate - on Wednesday - gave a ringing 79-19 endorsement to the "Travel Promotion Act of 2009."

The House is expected to follow suit.

The act (available here: <http://tinyurl.com/l7sngo>) requires the establishment of a "Corporation for Travel

Promotion" with start-up expenses of up to \$10 million and an annual budget through 2014 of up to \$100 million.

None of the necessary funds are supposed to be provided by taxpayers, although the act permits a \$20 million assessment on certain sectors of the travel industry as long as the industry agrees.

Most of the financing will come from the imposition of a new fee on foreign travelers from so called "visa waiver" countries. According to the State Department's Web site, 35 countries - most of them in Europe - participate in this reciprocal arrangement, which allows travel for a

maximum of 90 days without a visa.

The good economic news first: According to a study by the highly-respected and non-partisan Congressional Budget Office (CBO, available here: <http://tinyurl.com/nm28n9>), the fee collection would "generate receipts of \$810 million over the 2010-2014 period" and would "reduce budget deficits by \$425 million over the 2010-2019 period."

These estimates take into account historical overseas travel patterns. One of the authors of the study told me the \$10 fee was judged to be so small it would likely have a negligible effect on the decision by a given European traveler on whether to visit the U.S. That is sound economic analysis.

During the debate, proponents of the bill, among them Sens. Dodd, D-Conn., and Ensign, R-Nev., repeatedly cited negative headlines over the past few years - such as "Coming to America Isn't Easy" (Morning Herald, Australia), "America: More Hassle Than It's Worth" (The Guardian, UK), "Travel to America? No Thanks" (Sunday Times, UK) - to prove the need for better marketing abroad.

What they failed to acknowledge is the wave of bad news overseas that this legislation has created.

The sheer number of critical headlines suggesting that the U.S. will now come with an "entry fee for Europeans" may well lead to a situation in which the CBO's assumption that a \$10 fee is insignificant will be proven wrong.

In addition, the CBO's analysis did not (and was not asked to) measure the effect of the strong criticism of the new fee in a recent letter by John Bruton, the European Commission's Ambassador to the U.S. He suggested that the European Union would recognize this fee as a "visa in disguise," which would lead to "calls for Americans to pay the same fees for travel to Europe."

To sum it up: The bill that is intended to "... correct misperceptions regarding U.S. entry policies around the world" and to promote "the USA to world travelers" goes about doing so by inconveniencing our visitors.

The revenue collected from the new fee - which has already led to a firestorm of negative publicity across Europe - will then be used to create marketing campaigns to encourage positive publicity in places such as Europe.

Good luck with that!

Whoever believes that this is a splendid idea is probably in need of a vacation.

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