

These allowances introduced just after World War II to encourage spending abroad to aid the recovery of Europe's war-torn economies, complicate the travel picture. They are subsidized imports, thought to exceed \$1 billion annually, and are charged to the travel deficit.

We feel they should not be.

Second, we will support the application of new transportation taxes, but there are some comments I want to make concerning the existing proposals. Domestic air tickets are taxed and overseas tickets are not. And some other transportation tickets are not. The new proposals before this committee suggest the application of a 5-percent transportation tax to international destinations but the graduated expenditure tax on extra air stopovers.

We oppose differentiation of destination and of mode of travel. Since it is widely accepted that the only realistic long-term solution is to promote an increase in the number of visitors to our country, it is imperative that the new ticket tax does not reduce American travel only to and within those very countries where the greatest potential exists for their nationals to visit the United States. This is just good sound business sense.

Third, an immediate step which would help to reduce the outflow of dollars abroad, would be to tighten the control of charter flights to Europe and Asia. Many such flights are operated either in complete violation of CAB regulations or, at the very least, strongly violate the spirit and intention of these regulations.

Passengers on these flights, very often the more affluent people, who can readily afford the memberships dues of the sponsoring organization, usually purchase few travel services before departure and generally spend more money overseas than the regular traveler who buys a substantial proportion of his arrangements in advance. About 40 percent of prearranged tour dollars remain within the United States in the form of travel-agent commissions, advertising and promotional expenses, wages and salaries, and purchases of various services.

We estimate that the dollar outflow in 1967 on legally questionable charters was \$200 million.

Now looking toward longer term measures, we would particularly urge a closer dialog between government and business in the development of the necessary facilities of every kind required to further stimulate the inward flow of tourists.

A most appropriate move in this direction would be the provision of tax-relief incentives for those companies actively engaged in stimulating such traffic.

To create the plans for incoming tourists, to promote the sales of such plans abroad, to establish overseas handling offices, to provide new facilities necessary to handle the visitors—all call for the expenditure of substantial sums of risk capital.

Elsewhere in the world it is the normal procedure for governments to support their national tourist industries by tax-relief measures of this kind. Ample precedent exists to show that such measures are highly effective and produce returns many times over.

We would commend the excellent work the USTS has done on a shoestring budget. But if new ticket taxes are enacted, we recommend they be set aside to aid in the development of a more effective "Visit America" program. This way USTS and private business could undoubtedly accomplish a great deal more.