The Santangelo Group

DO VISA DELAYS HURT U.S. BUSINESS?

Survey Results and Analysis
On Behalf of:

Aerospace Industries Association (AIA)
American Council on International Personnel (ACIP)
Association for Manufacturing Technology (AMT)
Coalition for Employment Through Exports (CEE)
National Foreign Trade Council (NFTC)
US-China Business Council (USCBC)
US-Russia Business Council (USRBC)
US-Vietnam Trade Council (USVTC)

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Executive Summary

This analysis, based on a survey of 734 members of eight leading international trade associations and statistical estimations using their responses, has found the following:

- U.S. companies suffered $30.7 billion in financial impact between July 2002 and March 2004 due to delays/denials in the processing of business visas. This was comprised of revenue losses of $25.53 billion and indirect costs of $5.15 billion.

- Of the companies surveyed
  - 73% are currently experiencing, or have experienced in the recent past, problems in the processing of business travel visas, such as unexpected delays and/or seemingly arbitrary denials.
  - 60% reported they had suffered a "material impact" from business travel visa processing delays, including lost sales, increased costs, need to relocate people or functions offshore, etc.
  - 51% reported that the visa process is worse today than it was one year ago.

- Of survey respondents
  - Total financial impact was $45,368,000, comprised of revenue losses of $37,689,000 and indirect costs of $7,679,000.
  - The average financial impact was $925,816 per company.
  - The average revenue loss was $1,507,560 per company. The average indirect cost incurred was $163,383 per company.

- Income Loss Breakdown by Size of Company

  Medium-sized companies suffered the greatest income loss, averaging $5,075,000 per company, followed by large-sized companies averaging $1,148,222, and small-sized companies nearly $587,917.

- Companies surveyed reported that the three most severe processing issues were:
  - Length and unpredictability of processing times
  - Excessively long waiting time to receive an interview
  - Apparently arbitrary visa denials

- Visa applicants from China, India and Russia trying to conduct business inside the U.S. were identified as having the greatest difficulties with timely visa processing from U.S. authorities. Malaysia, Indonesia and Korea ranked next as the most problematic countries.

- Respondents offered more than 100 recommendations to remedy the problem of visa delays and/or denials. Among the most frequent were:
  - Publish clear, concise and complete visa processing instructions
  - Ensure communication transparency among U.S. government agencies, especially the State Department and U.S. Department of Homeland Security
  - Establish "Gold Card" for U.S. companies with recurring long-established visitors
  - State Department should add more resources for security review
  - Extend visa durations to reduce the number of applications.

Business Visa Delay Survey
Analysis and Recommendations

Background/Objectives

In February 2004 the leadership of eight leading international business organizations commissioned The Santangelo Group (TSG) to conduct a survey of how delays in business visa processing may be affecting the ability of U.S. companies to conduct business internationally.

Prior to this survey most information about the impact of business visa delays on U.S. companies had been anecdotal. Policy-makers require factual and statistical analysis as the basis of their decisions. This analysis is a significant step forward in filling the data void that has prevented policy makers from making an accurate assessment of the impact of visa delays on the U.S. economy.

The purpose of this survey is four-fold:

1) Determine whether there is an economic impact on trade from the delays or denials of business travel visas;
2) Collect quantifiable data;
3) Determine the key causes of those delays and/or denials;
4) Indicate recommended improvements to minimize any negative impact.

Methodology

The population (universe) from which the sample was drawn is comprised of U.S. businesses engaged in exporting goods.[1] A survey of 734 active members of the associations below resulted in a response of 141 U.S. companies. An analysis was conducted of the 141 companies' responses.

1) Aerospace Industries Association (AIA)
2) American Council of International Personnel (ACIP)
3) Association for Manufacturing Technology (AMT)
4) Coalition for Employment Through Exports (CEE)
5) National Foreign Trade Council (NFTC)
6) US-China Business Council (USCBC)
7) US-Russia Business Council (USRBC)
8) US-Vietnam Trade Council (USVTC)

[1] "A Profile of U.S. Exporting Companies 2000-2001," US Dept of Commerce, United States Census Bureau, Foreign Trade Division (www.census.gov/foreign-trade)

The survey was composed of five key sections:

1) General Company Information and Qualifying Questions
2) Existence of Impact of Visa delays
3) Financial Impact of Visa Delays
4) Company Ranking of Geographical Regions
5) Company Recommendations

Surveys were transmitted by e-mail during a period of time ranging from February 27, 2004 to March 12, 2004. Respondents had between two and four weeks to complete and return their surveys by e-mail.

Conclusions and Analysis

The denial and/or delay in obtaining business travel visas have resulted in significant revenue losses and indirect costs for U.S. companies engaged in international trade since July 2002. It is estimated that for the period covering July 2002 to March 2004 U.S. companies suffered a financial impact of $30.7 billion in revenue loss and indirect costs as a direct result of visa processing delays and arbitrary denials. This was comprised of $25.53 billion in lost revenue and $5.15 billion in indirect costs.
(See Table, Pg. 7)

During this same period the U.S. trade deficit was $798.5 billion.[2] Therefore, the $30.7 billion loss due to visa delays equates to nearly four percent of the U.S. trade deficit during the sample period.
Of those companies surveyed:

- 91% (129/141) are engaged in international travel by their employees and/or their customers;
- 60% (84/141) are currently experiencing problems in the processing of business travel visas (e.g., unexpected delays and/or arbitrary denials). Another 13% (19/141) are not currently experiencing such problems, but have in the recent past (since mid-July 2002);
- 51% (72/141) reported that the visa process is worse today than it was one year ago;
- 60% (84/141) reported they had suffered a "material impact" from business travel visa processing delays. Of this group, the five most cited areas of material impact are:
    1. 70%: Inability to bring foreign employees to the US;
    2. 67%: Postponement of projects;
    3. 51%: Inability to bring customers to the US (for product inspections or training)
    4. 50%: Inability to bring foreign business partners to the US;
    5. 43%: Damage to the companies' reputation with foreign customers and/or business partners.

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[2] Bureau of Economic Analysis, U.S. Department of Commerce, Trade Data, March, 2004

Among the 84 survey respondents suffering a material impact, 49 suffered a quantifiable financial impact in the form of revenue loss and/or indirect expenses incurred since July 2002. Of those 49, twenty-five (25) suffered revenue losses totaling $37,689,000, and forty-seven (47) suffered indirect costs totaling $7,679,000. Therefore, the total quantifiable, financial impact suffered was $45,368,000. The quantifiable financial impact is distributed by company size as follows:

- Small companies (1-99 employees):
  - Revenue loss = $7,055,000 (19% of total revenue loss)
  - Indirect costs = $822,000 (11% of total indirect costs)
- Medium companies (100-499 employees):
  - Revenue loss = $20,300,000 (54% of total revenue loss)
  - Indirect costs = $4,997,000 (65% of total indirect costs)
- Large companies (500+ employees):
  - Revenue loss = $10,334,000 (27% of total revenue loss)
  - Indirect costs = $1,860,000 (24% of total indirect costs)

Among the respondents suffering a quantifiable revenue loss, the average revenue loss was $1,507,560 per company. Among the respondents suffering quantifiable indirect costs, the average indirect cost was $163,383 per company. Medium-sized companies suffered the greatest revenue impact, with an average revenue loss of $5,075,000, followed by large-sized companies with an estimated average revenue loss of $1,148,222, while small-sized companies suffered an estimated average revenue loss of nearly $587,917 for the same period of time.

Companies surveyed reported that the three most severe processing issues were:

- Length and unpredictability of processing times
- Excessively long waiting time to receive an interview
- Unexplained or seemingly arbitrary visa denials

Visa applicants from China, India and Russia trying to conduct business inside the U.S. were identified as having the greatest difficulties with timely visa processing from U.S. authorities. Malaysia, Indonesia and Korea ranked next as the most problematic countries.

Respondent Recommendations

The 141 respondents offered more than 100 recommendations to remedy the problem of visa delays and/or denials. Among the most frequent were 1) publish clear, concise and complete visa processing instructions; 2) ensure communication transparency among U.S. government agencies, especially the State Department and the U.S. Department of Homeland Security; 3) establish "fast track" for U.S. companies with recurring long-established visitors; and 4) State Department should add more resources for security review; 5) extend visa durations to reduce the number of applications.

Summary of Values Computed for Statistical Analysis

Representative Information	Computed Value	How Computed
Percentage of Companies Surveyed Suffering Quantifiable Financial Impact	34.75%	Companies with Quantifiable, Financial Impact (49) divided by total Returned Surveys (141)
Number of US Merchandise Exporting Companies	238,284	The population sampled for statistical analysis of financial impact (U.S. companies exporting goods in 2001)
Number of US Exporting Companies Suffering Quantifiable, Financial Impact	82,808	Universe of U.S. Exporting Companies (238,284) times the percentage (34.75%) of companies surveyed suffering quantifiable, financial impact
Total Revenue loss for Respondents	$37,689,000	Sum of revenue losses suffered by 25 respondents with quantifiable revenue loss
Total Indirect Expenses for Respondents	$7,679,000	Sum of indirect expenses suffered by 47 respondents with quantifiable, indirect expenses
Average Revenue Loss for Respondents	$1,507,560	Total Revenue Loss for Respondents divided by 25 (number of responses with quantifiable revenue loss)
Average Indirect Expense for Respondents	$163,383	Total Indirect Expenses for Respondents divided by 47 (number of responses with quantifiable, indirect expenses)
Expected number of U.S. Exporting Companies Incurring Revenue Loss	42,176	Number of U.S. Exporting Companies multiplied by .177 (25/141)
Total Revenue Loss of U.S. Exporters (without Adjustment for varying Geographic Risk)	$63,582,285,000	Expected number of U.S. Exporting Companies incurring Revenue Loss (42,176) times the average Revenue Loss for Respondents
Expected number of U.S. Exporting Companies Incurring Indirect Costs	78,634	Number of U.S. Exporting Companies Multiplied by .33 (47/141)
Total indirect expenses of U.S. Exporters (without Adjustment for varying Geographic Risk)	$12,847,450,000	Expected number of U.S. Exporting Companies incurring Indirect Costs (78,634) times the Average Indirect Expense of Surveyed Financially Affected Respondents ($163,383)
Total financial impact on U.S. Exporters (without Adjustment for varying Geographic Risk)	$76,429,735,000	Sum of Total Revenue Loss for U.S. Exporters and Total Indirect Expenses for US Exporters
Percent of Trade in High-Risk Countries (Geographic "Deflator")	40.2%	Sum of U.S. exports to 25 countries with reported visa problems divided by total U.S. Exports ($293.96 billion/$731.03 billion)
Total Financial Impact on U.S. Exporters adjusted for Geographic Risk Factors	$30,724,753,470	Deflator multiplied by sum of Revenue Loss and Indirect Costs for U.S. Exporters

Detailed Breakdown of Survey Findings

	Number	%
1. Period surveyed: July 2002 to date		
Total number of surveys mailed:	734	
Total responses:	141	19% (of total mailing)
Small (1-99 employees)	37	26% (of total responses)
Medium (100-499 employees)	43	30% (of total responses)
Large (500+ employees)	61	44% (of total responses)
Total companies that reported lost revenue:	25	18% (of total responses)
Small with lost revenue	12	48% (of total lost revenue)
Medium with lost revenue	4	16% (of total lost revenue)
Large with lost revenue	9	36% (of total lost revenue)
Total companies that reported indirect expenses:	47	33% (of total responses)
Small with indirect expenses	14	30% (of total ind. expen.)
Medium with indirect expenses	17	36% (of total ind expen.)
Large with indirect expenses	16	34% (of total ind. expen.)
Total # companies that reported lost revenue and/or indirect expenses:	49	35% (of total # responses)

Survey Question 2

Does your business entail international travel to the US by employees/customers?

	Number	%
Total	129	91% (129/141)
Small:	32	25% (32/129)
Medium:	40	31% (40/129)
Large:	57	44% (57/129)

Only 12 responded negatively (9%).

Visa Delays: Who Has the Problem?

Survey Question 3.

(a) Companies currently experiencing visa delays

	Number	%
Total	84	60% (84/141)
Small:	14	17% (14/84)
Medium:	27	32% (27/84)
Large:	43	51% (43/84)

(b) Companies are not currently experiencing visa delays, but have since mid-2002

	Number	%
Total	19	13% (19/141)
Small:	6	32% (6/19)
Medium:	8	42% (8/19)
Large:	5	26% (5/19)

(c) Companies that have not experienced visa delays since mid-2002

	Number	%
Total	38	27% (38/141)
Small:	17	45% (17/38)
Medium:	8	21% (8/38)
Large:	13	34% (13/38)

Visa Process: Better or Worse?

Survey Questions 4 and 5. How does the visa process compare to a year ago?

	Number	%
Total:	141	
Better:	9	6% (9/141)
Same:	48	34% (48/141)
Worse:	72	51% (72/141)
Not Applicable:	12	9% (12/141)

	Number	%
Total Small:	37	26% (37/141)
Better:	1	3% (1/37)
Same:	15	41% (15/37)
Worse:	16	43% (16/37)
Not Applicable:	5	13% (5/37)

	Number	%
Total Medium:	43	30% (43/141)
Better:	3	7% (3/43)
Same:	11	26% (11/43)
Worse:	26	60% (26/43)
Not Applicable:	3	7% (3/43)

	Number	%
Total Large:	61	43% (61/141)
Better:	5	8% (5/61)
Same:	22	36% (22/61)
Worse:	30	49% (30/61)
Not Applicable:	4	7% (4/61)

Material Impact

Survey Question 6. Has your company suffered any material impact?

	Number	%
Total:	141	
Yes:	84	60% (84/141)
No:	45	32% (45/141)
Not Applicable:	12	8% (12/141)

	Number	%
Total Small:	37	26% (37/141)
Yes:	15	41% (15/37)
No:	17	46% (17/37)
Not Applicable:	5	13% (5/37)

	Number	%
Total Medium:	43	30% (43/141)
Yes:	25	58% (25/43)
No:	15	35% (15/43)
Not Applicable:	3	7% (3/43)

	Number	%
Total Large:	61	43% 61/141)
Yes:	44	72% (44/61)
No:	13	21% (13/61)
Not Applicable:	4	7% (4/61)

Impact of Visa Delays

Survey Question 7. Impact of visa delays

		Number	% (of 141 responses)
a.	Loss of sales/contract	19	13%
b.	**Postponement of projects**	**56**	**38%**
c.	Forced relocation of contract negotiations, trade shows, expositions etc. to sites outside the US	26	18%
d.	Relocation/shift of production facilities to sites outside the US	4	3%
e.	**Relocation of training events outside the US**	**28**	**20%**
f.	Relocation of employees to sites outside the US	16	11%
g.	**Inability to bring customers to the US (for product inspections or training)**	**43**	**30%**
h.	**Inability to bring foreign employees to the US**	**59**	**42%**
i.	**Inability to bring foreign business partners to US**	**42**	**30%**
j.	Relocation of testing, pre-shipment inspections, product certifications, or other intermediate-stage activities to non-US locations	16	11%
k.	Layoffs of US workers and/or outsourcing of labor to sites outside the US	2	1%
l.	**Damage to reputation with foreign customers or business partners**	**36**	**26%**
m.	Damage to reputation with foreign governments	17	12%
n.	Decision not to bid/compete for a contract and/or		

sales opportunity	15	11%

o. Other

National impact:

(1) Disruption of business operations pending renewal of visa applications;
(2) Work burdens shifted to team members in the US because employees abroad are unable to travel to the US or are delayed in returning on time;
(3) US staff has to be re-circulated for urgent matters;
(4) Project efficiency is greatly reduced when global teams work in isolation;

Customer Impact:

(5) Serious complaints from senior executives of foreign customers;
(6) Customers move their business to Europe and Asia;
(7) Commitments to clients are not being met;
(8) Customer cannot rely on RH to support their meeting attendance;
(9) Unable to bring Russian partners to meet Venture Capital firms;

Training/Conferences/Tradeshows/Meetings Impact:

(10) Next generation of foreign government leaders will not be trained in the US;
(11) Problems with new hires; cannot get them to HQ quickly;
(12) Inability of foreign employed scientists to attend technical tradeshows;
(13) Delays in product training;
(14) Conference presenters were denied visas or experienced delays;
(15) High time cost due to the difficulty in interview appointment;
(16) Relocation of meetings to non-US locations;
(17) We may need to open an R&D center outside the US due to H-1B cap problem;
(18) Missed important business meetings and trainings due to complexity;
(19) Executive Assistant to CEO was turned down for training in the US!
(20) Inability to bring new innovative technologies to US facility;
(21) Inability of employees to attend strategic meetings;
(22) Senior executives detained causing them to miss crucial board meetings;

Time Impact:

(23) Cannot plan or take advantage of events inside a 60 day window;
(24) Long waiting time for an interview;
(25) 7 new hires were stuck outside the US for 6 months waiting for visas;
(26) Took 8 months to secure visa for an important Chinese customer;

Merchandise & Services Impact:

(27) Problems in delivery of aircraft due to delays in getting pilot visas;
(28) Delays of product development;
(29) Delays in technology transfer overseas;
(30) We have been omitted from bidding invitations due to visa difficulties;

Cost Impact:

(31) We have suffered delays in project payments due to visa delays;
(32) Unclear if it caused no contract consummation
(33) Delays in shipping/payment schedules due to visa delays;

(34) Delays in shipping/payment schedules due to rejected customer visas;
(35) Missed business with potential low cost suppliers in visa problem countries;
(36) Due to stringent visa requirements our partners are using their own private funds to visit the US instead of technical assistance funds allocated for travel;
(37) Increased costs;
(38) Relocation of strategic investments to sites outside the US;
(39) Forced to spend $50,000 extra to send team to Russia instead;
(40) Team must make multiple trips instead of one project meeting in US;
(41) Thousands of crew members have not been able to get visas in time to meet ships;
(42) Delayed revenue, profits and cash flow;

US Government Impact:

(43) We have received conflicting advice from US Consulates themselves;
(44) Automatic rejection of customer visa applicants on 80% of ages under 38;
(45) Joined AmCham visa referral program, not good enough to cover sub-com;
(46) Delays in getting extension due to long processing time; need premium process;
(47) Parent's illness/death in Japan while visa renewal pending;

Lost Revenue/Indirect Costs Incurred

Survey Question 8. Value of lost revenue:

	Number	Amount	Average Revenue Loss
Small	12	$7,055,000	$587,917
Medium	4	$20,300,000	$5,075,000
Large	9	$10,334,000	$1,148,222
Total	**25**	**$37,698,000**	**$1,507,560**

Survey Question 9. Value of indirect expenses incurred:

	Number	Amount	Average Indirect Expenses
Small	14	$822,000	$58,714
Medium	17	$4,997,000	$293,941
Large	16	$1,860,000	$116,250
Total	**47**	**$7,679,000**	**$163,383**

Total loss (derived from the sum of revenue loss + indirect expenses for the 49 companies suffering a quantifiable financial impact):

	Number	Amount	Average Combined Financial Impact
Small	14	$7,877,000	$562,643
Medium	17	$25,297,000	$1,488,059
Large	18	$12,190,000	$677,444
Total	**49**	**$45,368,000**	**$925,878**

Types and Severity of Problems in Visa Processing

Survey Question 10. Severity for processing visas (1 = not a problem; 5 = highly serious problem)	(1)	(2)	(3)	(4)	(5)
a. Waiting time to receive interview	9	13	**27**	25	16
b. Complex, onerous application procedures	12	23	**30**	17	8
c. Length & unpredictability of processing time	3	5	12	30	**40**
d. Arbitrary visa denials	17	7	24	9	**33**
e. Lack of responsiveness of in-country Consular officials when problems arise	11	15	**24**	21	19
f. Lack of responsiveness of consular and other State Dept. officials in Washington, DC when problems arise	**24**	15	19	11	21

Comparative Analysis: assuming that a rating of 3, 4 or 5 is a significant problem, the following is a ranking of the problems based on the number of responses in this range:

	Number of times rated 3-5
1. Length & unpredictability of processing time	82
2. Waiting time to receive interview	68
3. Arbitrary visa denials	66
4. Lack of responsiveness of in-country consular officials when problems arise	64
5. Complex, onerous application procedures	55
6. Lack of responsiveness of consular and other State Dept. officials in Washington, DC when problems arise	51

*Please note: 51 companies did not complete this portion of the survey because it was not applicable (they stopped at questions 2 and/or 6)

Regional Ranking

Q11. Countries (1 = not a problem; 5 = highly serious problem)	(1)	(2)	(3)	(4)	(5)	N.A.
1. China	6	13	10	9	**32**	71
2. India	**16**	10	5	7	**10**	93
3. Indonesia	**13**	6	**6**	1	2	113
4. Korea	**24**	8	**5**	2	1	101
5. Malaysia	**10**	4	6	**6**	2	113
6. Russia	**9**	4	2	8	**9**	109
7. Vietnam	**10**	3	1	1	0	126

Other:	(1)	(2)	(3)	(4)	(5)
8. Algeria				1	
9. Bangladesh					1
10. Brazil					1
11. Colombia					1
12. Czech Republic			1		
13. Denmark			1		
14. Ecuador				1	
15. Egypt				1	
16. Germany				**2**	

17. Guatemala					1
18. Iraq					1
19. Israel					1
20. Latvia					1
21. Mexico				1	
22. Middle East					1
23. Pakistan				1	**3**
24. Poland		2			
25. Spain					**2**
26. Switzerland	1				
27. Taiwan				1	
28. Ukraine	1				
29. United Kingdom				**2**	

Comparative Analysis: assuming that a rating of 3, 4 or 5 is a significant problem, the following is a ranking of the problems based on the number of responses in this range:

	Number of times rated 3-5
1. China	51
2. India	22
3. Russia	19
4. Malaysia	14
5. Indonesia	9
6. Korea	8
7. Pakistan	4
8. Vietnam	2
9. Germany	2
10. Spain	2
11. United Kingdom	2
12. Algeria	1
13. Bangladesh	1
14. Brazil	1
15. Colombia	1
16. Czech Republic	1
17. Denmark	1
18. Ecuador	1
19. Egypt	1
20. Guatemala	1
21. Iraq	1
22. Israel	1
23. Latvia	1
24. Mexico	1
25. Middle East	1
26. Taiwan	1
27. Poland	0
28. Switzerland	0
29. Ukraine	0

Respondent Recommendations

Question 12. Recommendations

The 141 respondents offered more than one hundred recommendations to remedy the problem of visa delays and/or denials in the processing of business visas.

Among the most frequent were 1) publish clear, concise and complete visa processing instructions; 2) ensure communication transparency among U.S. government agencies, especially the U.S. Department of State, (including its embassies and consulates) and the U.S. Department of Homeland Security (including Customs); 3) establish "fast track" for U.S. companies with recurring long-established visitors; 4) State Department should add more resources for security review; 5) consider extending visa durations so the number of applications can be reduced.

A more complete list of recommendations is summarized in a separate document.

Appendix

Assumptions

The Santangelo Group made the following assumptions to estimate a national impact from the sample surveyed.

1) The financial impact associated with visa delays reported by 141 companies – to the extent that the 141 companies represent exporting companies in the United States – will mirror the financial impact experienced in the general population of 238,284 U.S. exporting companies.

2) The size (small, medium or large) of the 49 (out of 141) companies reporting quantifiable material losses is representative of the population of U.S. exporters of goods. The 49 companies surveyed represent a wide range of types and sizes of companies, and included 14 small companies, 17 medium-sized companies and 18 large companies.

Adjustment for Geographic Risk Variability/Statistical Margin of Error/Confidence Interval

Prior to adjusting for geographic risk variations we calculated the $76.4 billion financial impact on U.S. companies due to visa delays, composed of a $63.6 billion revenue loss and $12.8 billion in indirect costs, derived from the sample's "point estimate" from 141 companies.

It is helpful to establish a margin of error for these results. We estimate with 95 percent confidence that the revenue loss for the population in the time period tested was between $50.1 billion and $77.1 billion.

We estimate with 95 percent confidence that the indirect costs for the population in the time period tested were between $10.01 billion and $15.69 billion.

We estimate with 95 percent confidence that the range of total income loss AND indirect costs will be between $60.1 billion and $92.79 billion.

The adjustment for variations in risk of visa delays must then be considered. 103 of the companies surveyed encountered serious problems in the processing of business visas between the U.S. and 25 countries, the destination for 40.2% of all U.S. merchandise exports.[3] (See regional ranking on Pages 13-14.) Most of these visa problems were encountered in certain "high risk" countries, including China, India, Russia, Malaysia, Indonesia and Korea.

It is therefore necessary to adjust the survey's conclusions to reflect that the risk (and probability) of visa delays vary between this group of 25 countries and all other U.S. export destinations. Financial loss totals must be adjusted accordingly.

[3] Trade Stats Express, Office of Trade and Economic Analysis (OTEA), Trade Development, International Trade Administration, U.S. Department of Commerce, 2001

One way statisticians make such adjustments is with a "deflator," which, in this case, is applied to the expected total financial impact. (See Table, Page 7, "Summary of Values Computed for Statistical Analysis") We do not have sufficient information to make a country-by-country adjustment. Therefore, we divided countries or regions into two groups: those that had at least one significant complaint about visa delays (the 25 listed on page 14 of this Analysis), and those that had none. The group of 25 accounted for 40.2% of exports from the U.S. Accordingly, we used this proportion to "deflate" the original estimates. We recognize that such an analysis may overweight some countries with moderate risk; it may also underweight some countries assigned to the "low risk" category.

This adjustment provides a more conservative lower range of expected results. The calculation is straightforward. We take 40.2% of the $76.4 billion in financial impact to eliminate "low risk" countries from the analysis, such as Canada. This equals $30.72 billion. This is the expected impact on U.S. exports, when adjusted for geographic differences in risk.

We can estimate with 95 percent confidence that total financial impact will be between $24.16 billion and $37.2 billion. (Two standard deviations from the mean on the lower and upper sides)

This calculation of total financial impact adjusted for geographic risk is comprised of two numbers:

Revenue Loss equals $25.53 billion (40.2% of $63.5 billion). We estimate with 95 percent confidence that the revenue loss for the population in the time period tested was between $20.04 billion and $30.9 billion (.402 X $50.1 billion), (.402 X $77.1 billion)

Indirect Costs equals $5.15 billion (40.2 % of $12.8 billion). We also estimate with 95% confidence that indirect costs for the population in the time period tested will be between $4.02 billion and $6.3 billion. (.402 X $10.01 billion), (.402 X $15.69 billion)

We therefore conclude that a conservative lower estimate that adjusts for geographic bias would place the total financial impact at $30.71 billion.

Repeating the survey with a different group of U.S. companies conducting international business would decrease any sampling bias associated with this particular sample.

Why This Estimate is Conservative

While there is a risk of overweighting or underweighting the impact of visa delays on U.S. exports to certain countries, with implications for total financial impact, we believe this estimate is conservative for two main reasons.

1) 35 survey respondents claimed material impact but were unable to quantify it. We therefore assumed the financial impact on these companies from visa delays was zero dollars. Had these companies quantified their financial impact and had their average revenue loss and indirect costs approximated that of the other respondents who were

able to quantify their losses the projection for estimated national financial impact from visa delays would have increased by more than 48% to $45.56 billion.

2) The survey excluded financial impact on exporters of services, which totaled $266.2 billion in 2001[4], as compared with $623 billion in merchandise exports that year. Summing these two numbers yields $889.2 billion, a 43% increase. If the same percentage increase is applied to the financial estimations this would increase the total financial impact of visa delays by 43% to $65.15 billion ($45.56 billion X 1.43).

[4] U.S. Department of Commerce, "Services Exports and the U.S. Economy," Office of Service Industries, March, 2003, (www.ita.doc.gov)