



**Testimony of Chirag Shah
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**Before the Senate Commerce Committee
Subcommittee on Tourism, Trade and Export Promotion**

“Legislative Solutions to Revive Travel and Tourism and Create Jobs”

September 21, 2021

I. Introduction

Chairwoman Rosen, Ranking Member Scott, and Members of the Senate Commerce Committee Subcommittee on Tourism, Trade and Export Promotion, I want to thank you for the opportunity to testify before you today and to share with you the hotel industry's perspective on how to revive travel and tourism and bring back our workforce in response to the COVID-19 Pandemic.

I look forward to a thoughtful discussion about the legislative proposals currently before Congress, including the draft Omnibus Tourism Act of 2021, which can help the broader travel industry regain international and domestic market share through innovative policies and strategies.

My name is Chirag Shah and I serve as the Senior Vice President of Federal Affairs and Policy Counsel at the American Hotel & Lodging Association (AHLA). For more than 100 years AHLA has proudly represented all segments of the U.S. lodging industry including our 2.3 million associates, iconic global brands, hotel owners, REITs, franchisees, management companies, independent properties, bed and breakfasts, state hotel associations, and industry suppliers.

The hotel sector is also a proud majority minority-owned industry, as more than half of the hotels in the United States are minority owned. Moreover, 90% of all hotels in the United States are franchised properties, with a majority owned by small business owners. The hotel franchise model has paved the way for small business entrepreneurship for tens of thousands of immigrants, women, and people of color to achieve the American dream. AHLA advocates for our members in Washington, DC, and in state capitals across the country so our members can continue doing what matters most: serving guests, creating jobs, and uplifting their communities.

II. Economic Impact of the COVID-19 Pandemic on the Hotel Industry

The lodging industry is still struggling to recover from the health and economic crisis caused by COVID-19 and subsequent variants. Hotels have suffered unprecedented devastation over the past eighteen months, with business declines not only worse than those seen in the Great Recession, but worse than the Great Depression. The impacts on hotel revenues were nine times worse than those we saw after 9/11.¹ Hotels across the country were forced to reduce operations or shutter, leading to a loss of more than 700,000 jobs in 2020. Through no fault of their own and in an effort to follow an ever-changing landscape of federal and local guidance, hoteliers who previously thrived are now facing, by far, the worst financial and employment crisis in the history of the hotel industry because of COVID-19.

While over the summer it appeared that there was light at the end of the tunnel, the last month has seen a return to a challenging outlook for the future. According to a recent Morning Consult poll, two-thirds of business travelers² and more than half of leisure travelers³ are now postponing

¹https://www.ahla.com/sites/default/files/FACT%20SHEET_COVID19%20Impact%20on%20Hotel%20Industry_4.22.20_updated.pdf

² <https://www.ahla.com/sites/default/files/Business%20Travel%20One%20Pager%208.25.21.pdf>

³ <https://www.ahla.com/sites/default/files/Leisure%20Travel%20One%20Pager.pdf>

and/or canceling trips concurrent to the rise in COVID-19 cases. With the Delta variant wreaking havoc, hotels are now bracing for another wave of hardship and staff reductions. Leisure travel season is ending and a lack of business travel and group meetings (which make up the majority of hotel revenues in a normal year) this fall and winter will devastate an industry still reeling from the depths of the pandemic.

Hotel revenues are projected to remain down more than 50% in 2021 and will not recover before 2024. The lack of business travel alone this year will cost the hotel industry nearly \$59 billion⁴ and overall, it is estimated hotels will lose \$97 billion in 2021. Nationwide, occupancies are declining rapidly as Delta variant concerns increase and critical meetings and business travel, as well as international visitors, fail to materialize. This issue is particularly acute in the major markets and cities that employ the vast majority of our workforce and are disproportionately reliant on these types of travelers. Last week, urban market hotels were down more than 40% in revenue compared to 2019, according to STR,⁵ and we expect these figures to worsen through the rest of the year.

III. Economic Impact of COVID-19 on the Lodging Workforce

The pandemic has also been particularly devastating to the hotel workforce, as the recovery for America's hotels remains uneven. Industry experts estimate nearly 500,000 hotel jobs that existed pre-pandemic will fail to return this year.⁶ The data is stark compared to the rest of the national economy. While overall unemployment dropped to 5.2% in August, according to the Bureau of Labor Statistics (BLS), the accommodations sector remained at 14.5%, nearly three times the national average. The pandemic has eliminated a decade of hotel job growth over the past eighteen months. Leisure and hospitality account for 37% of all jobs lost since the onset of the pandemic—more than any other sector, and hotels are not projected to return to pre-pandemic levels until 2024, at the earliest. These data dramatically illustrate the peril in which the hotel industry remains with the uncertainty of international visitors, lack of business travel, and continued workforce challenges.

Hospitality for Hope

America's hoteliers have answered the call to serve their communities, even as their own livelihoods remain endangered. The hotel workforce is widely considered family. Hoteliers have had to make heartbreaking personnel decisions in order to keep their businesses from closing. Still, many hoteliers maintained payroll and benefits, and provided their employees with resources during the worst of the pandemic when occupancy rates hit historic lows. Throughout the country, and in the spirit of AHLA's "Hospitality for Hope" program, hoteliers opened their doors to medical workers and first responders, offered rooms to hospital staff in isolation to protect loved ones, and established special areas for frontline workers to rest and receive support.

⁴<https://www.ahla.com/sites/default/files/Business%20Travel%20State%20by%20State%20Data%20One%20Pager%209-13.pdf>

⁵ <https://str.com/press-release/str-us-hotel-results-week-ending-11-september>

⁶ https://www.ahla.com/sites/default/files/Fact%20Sheet_2021%20State%20COVID19%20Impact.pdf

Hotels are pillars of our communities and have long invested in the people they serve. The lodging industry was proud to be among the first to voluntarily support those serving on the front lines of this public health emergency by partnering with federal, state, and local governments to offer over 17,000 rooms to healthcare workers and first responders through Hospitality for Hope. As employers, taxpayers and neighbors, hoteliers are proud to be an integral part of communities across America and are committed to strengthening and growing them together.

Hotels are Hiring

Concurrent to weathering the worst economic crisis in history for the lodging industry, hoteliers are also faced with a critical staffing shortage. Many laid-off and furloughed employees found other jobs or moved away during the most severe portions of the pandemic. Now as hoteliers seek to rebuild, it remains a challenge to find enough workers to fully staff hotels across the country. Hoteliers struggled to staff up during the short-lived summer leisure travel recovery and remain short of employees to properly serve even the relatively limited numbers of guests travelling through the rest of the year. The juxtaposition of needing staff while simultaneously enduring historically low occupancy rates is one of the cruel ironies inflicted by the pandemic. Nevertheless, the lodging industry has risen to again put its workers first. According to an AHLA survey, hoteliers are offering significant, new benefits including higher average hourly wages, increased scheduling flexibility, and more healthcare benefits. The hotel industry provides workers not simply a job, but a pathway to a fulfilling career. AHLA's "Hotels are Hiring" campaign demonstrates the commitment to retaining and educating individuals for rewarding careers in a vibrant field.

To help hotel associates advance in their careers, the AHLA Foundation awards over \$1 million academic and professional development scholarships each year. The Foundation also offers two federally registered apprenticeship programs, which combine on-the-job learning with related education to help employees earn a fast-track to a raise and promotions and works with more than 70 affiliated schools to create opportunities for advancement. The lodging industry remains committed to its workforce, especially during this bleak time. The industry's leading advocacy initiatives including the Save Hotel Jobs Act and expanding the Employee Retention Tax Credit are exclusively for the benefit of hotel workers. We are grateful for the emphasis on workforce development in the Tour Bus legislation and look forward to working with this committee to help rebuild and revive the lodging workforce.

Safe Stay

In the early months of the pandemic, AHLA quickly mobilized the lodging industry and launched "Safe Stay," an initiative focused on enhanced hotel cleaning practices, social interactions, and workplace protocols to meet the health and safety challenges and expectations presented by COVID-19. Representatives from all segments of the lodging industry collaborate on the Safe Stay program to ensure guests and employees are confident in the cleanliness and safety of America's hotels. Even as the industry experiences exceptional distress to business, we remain

committed to protecting the people who stay and work in America's hotels. The industry best practices include enhanced cleaning standards throughout the hotel complex, superior cleaning products, social distancing practices, and regular updates to ensure the industry remains current with CDC and local guidelines. The industry rose to the challenge to face the public health crisis and will continue to lead on health and safety protocols to ensure peace of mind for guests and employees.

IV. Legislative Solutions to Revive the Travel and Tourism Industry

The nearly 60,000 hotels across the country are considerable drivers of the national economy. Prior to the pandemic, the lodging industry provided \$660 billion annually to the GDP and \$186 billion in federal, state, and local taxes. Hotels also supported 8.3 million American jobs, accounting for nearly \$100 billion in payroll and benefits.⁷ Notably, the vast majority of the hotels in the United States are incorporated as small businesses which contribute extensively to their local communities. The road to recovery for our industry remains long; however, successful efforts in Congress to restore travel and tourism will be a catalyst for widespread economic development, business growth, and the revival of our workforce. We urge Congress's support of the measures below.

Omnibus Tourism Act of 2021

As a result of the devastation our industry continues to endure, we are grateful for this committee's efforts on the Omnibus Tourism Act. The so-called "Tour Bus" would provide vital funding and infrastructure to our beleaguered industry as we continue towards recovery. This discussion comes at a particularly important time for America's hotels as the impacts from the pandemic, the renewed crisis from the Delta variant, and traditional slow seasons during the winter months are converging to compound the economic crisis facing hoteliers, employees, and local communities.

Visit America

We appreciate the Committee's inclusion of the Visit America Act in the Tour Bus, a crucial measure to support travel and tourism within the United States and to promote America as a destination for international visitors. Visit America provides a strategic vision for the sector in the larger American economy and establishes ambitious, but achievable metrics to accelerate economic development in the wake of the pandemic.

International visitors are foundational to the travel industry. Unfortunately, the necessary safety measures enacted to prevent outbreaks and to avoid overwhelming health systems caused the near shutdown of all international travel to the United States. In 2020, international travel fell by 76%, resulting in the loss of \$60 billion dollars in economic output.⁸

⁷ <https://www.ahla.com/sites/default/files/oxford2019.pdf>

⁸ https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_Industry-Table.pdf

We welcome Congress's recommendation of specific benchmarks for international visitors and travel export dollars to reclaim economic losses and build back a better tourism framework for the country. Striving for 116 million visitors who spend \$445 billion per year by 2032 sends an significant message to the international community and to domestic businesses that America is eager to welcome guests and will be open for business when travel resumes. Moreover, Visit America supports these bold goals with a strategic plan to accomplish them. The bill establishes a senior leadership position in the U.S. Department of Commerce and enumerates standards for incremental growth and stakeholder consultation. As a presidential appointee requiring Senate confirmation, the new Assistant Secretary of Commerce for Travel and Tourism will command considerable authority to promote travel and tourism, develop critical infrastructure, and marshal resources. As one of the leading drivers of economic development in the United States, travel and tourism needs a dedicated advocate to streamline processes, collect and analyze data, support the industry workforce, and facilitate growth of the sector. We welcome the Committee's foresight in creating this new position.

Accordingly, Visit America reinforces national travel and tourism strategy by charging the Commerce Department, through consultation with the U.S. Travel and Tourism Advisory Board and Tourism Policy Counsel to submit a ten-year growth strategy to identify goals and necessary resources to achieve them. The plan will not only consider recommendations on recovery from COVID-19, but also a long-term vision for continued economic development within the sector.

Restoring Brand USA

Brand USA was created by Congress in 2010 as a public-private partnership to promote international travel to the United States. Since 2013, Brand USA's marketing efforts have resulted in more than 7.7 million visitors to the United States who spent \$25 billion and created \$56 billion in total economic impact. Brand USA has been directly responsible for over \$7 billion in federal, state, and local taxes over the past eight years, and supported 45,000 incremental jobs each year.⁹ Brand USA has long enjoyed wide bipartisan support, in part because for every dollar spent on the program, the United States receives an incredible \$25 return on the investment. Brand USA's funding includes a modest collection of fees from international travelers. As a result of the pandemic and accompanying limitations on international travel, the program was unable to employ these resources to market the United States abroad. The Tour Bus will enable Brand USA to access \$250 million in unobligated funds collected for American travel promotion. Marketing is the greatest tool to reclaim America's share of travelers. Providing Brand USA with adequate resources to accomplish its goals will reestablish the United States as a premier travel destination and shorten the time for recovery.

Study and Report on the Effects of COVID-19 on the Travel and Tourism Industry

Since the pandemic began, economists have projected a long road to recovery for our industry. The Study and Report on the Effects of COVID-19 on the Travel and Tourism Industry in the United States will be central to highlighting the trends and impacts of the health and

⁹ <https://www.thebrandusa.com/resources/roi-study>

economic distress caused by this unprecedented crisis. Importantly, the study will provide context to policymakers of effects on the various segments that comprise our industry from international and domestic travel to the industry workforce, and influences on regional economies. Most critically, the study will also provide recommendations for promoting and assisting our industry's recovery. We applaud this Committee's emphasis on forward-looking, data-driven policy solutions in preparation for attracting guests to our hotels when it is safe for travelers to return.

Pilot Program for One-Stop Security

Although otherwise devastating, a national crisis can provide the opportunity to evaluate and reconfigure processes to enhance previously well-established systems. One such opportunity is in streamlining security protocols for air travelers by limiting screening burdens and easing the travel experience. The Tour Bus creates a pilot program for one-stop security screening for travelers departing from foreign airports whose final destination or connection is within the United States. The program contemplates extensive security protocols in coordination with several U.S. agencies and participating countries, and limits access to other international passengers and checked luggage. If successful, the pilot program would save time and ensure a more pleasant travel experience for international guests and encourage return visits -- ultimately resulting in more heads in beds at American hotels.

The Save Hotel Jobs Act

In addition to the important measures included in the Tour Bus, we urge support of direct relief to the lodging industry workforce. Despite being among the industries hardest hit by the crisis, hotels are the only segment of the hospitality and leisure sector yet to receive direct COVID-related aid. The Save Hotel Jobs Act would create a bridge for our distressed sector by providing payroll and benefits assistance for our employees until hotel guests return and the travel sector begins to experience a more even recovery. The bill provides grants to hotels that can demonstrate a loss of at least 40% of gross receipts during a three-month period in 2020, compared to the same period in 2019. All grant funds support hotel workers and must be used exclusively on payroll and benefits including wages, leave, healthcare plan expenses, retirement, and payroll taxes.

The relative uptick in leisure business during the traditional summer travel season was not enough to jumpstart the industry after eighteen months of devastation. The road to recovery for the hotel industry remains long and uneven, with occupancies dropping rapidly across the country. The 25 largest hotel markets are still down 22% in revenue, a figure worsening by the week. The hotel industry generates 53% of its revenue from business travel and events in typical years. According to a recent Deloitte survey,¹⁰ corporate travel is projected to remain at only 30% of 2019 levels through the end of 2021. This lack of business travel will cost the hotel industry an estimated \$59 billion in 2021 alone. AHLA is proud to have joined with UNITE HERE, the largest

¹⁰ <https://www2.deloitte.com/us/en/insights/focus/transportation/future-of-business-travel-post-covid.html?id=us:2el:3pr:4di7303:5awa::MMDDYY:&pkid=1007740>

hospitality workers union in North America, to call on Congress to pass this bill focused on saving hotel jobs. We urge Congress to support this key bipartisan legislation to prevent permanent job losses and keep hotel employees on payroll.

Hospitality and Commerce Job Recovery Act

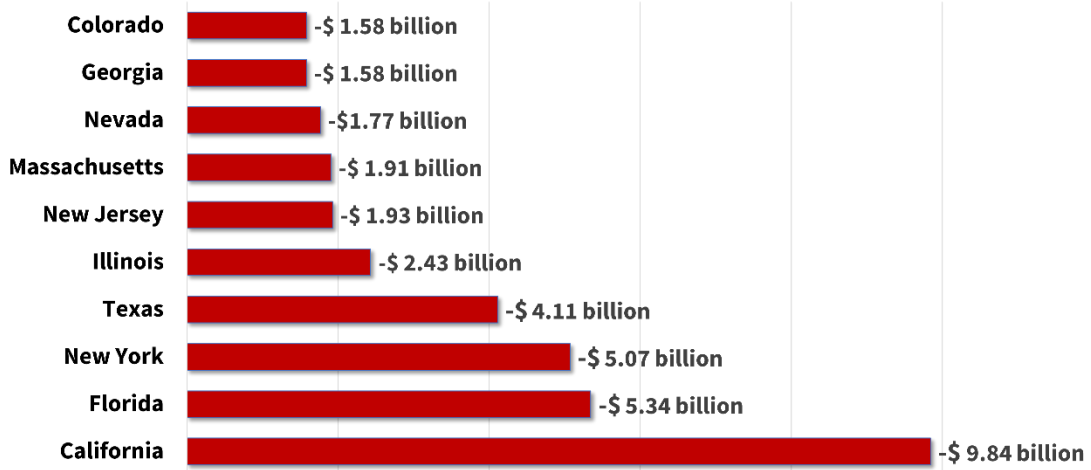
Congress can also take significant action to jumpstart the travel and tourism industry through passage of the Hospitality and Commerce Job Recovery Act (HCJRA). Hotels are projected to lose nearly \$60 billion in business travel revenue this year and two-thirds of business travelers are currently cancelling or postponing future trips due to the Delta variant. With these trends and the impact of restrictions on both foreign and domestic travel, it is essential that Congress act to encourage business travel and meetings once the situation with the virus improves.

The HCJRA provides tax incentives to motivate businesses to contract for conventions, trade shows, and large group events which often take nearly a year of lead time and planning. As mentioned above, widespread cancellations of business travel and the continued distress of urban markets dependent on group business illustrate the immediate challenges facing this sector. Tax credits designed to foster planning for meetings and events will position the American economy to rebound swiftly once localities fully reopen. The HCJRA will help to drive travel demand and support millions of jobs and small businesses in local communities.

IV. Conclusion

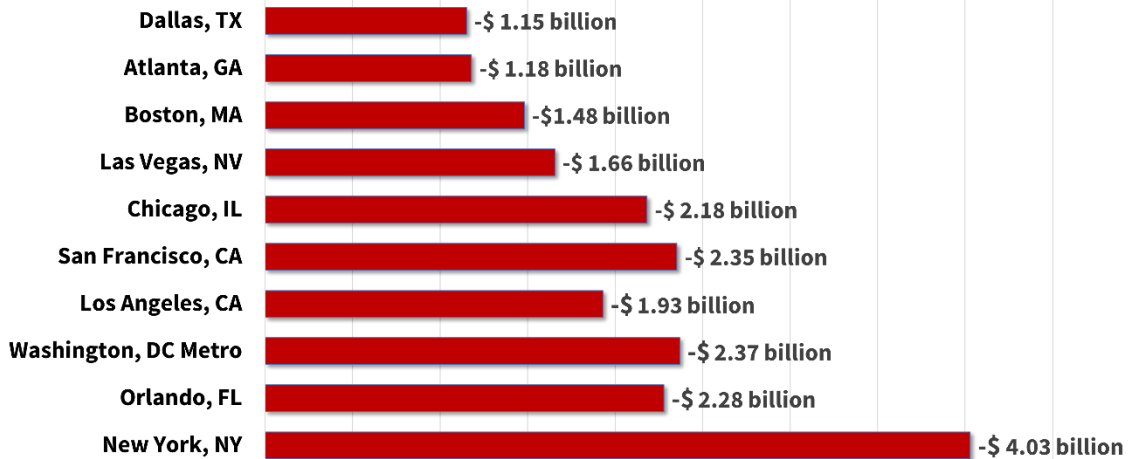
America's tourism industry remains resilient and will ultimately overcome this economic crisis. While increasing the vaccination rate is the single most critical action necessary to defeat the pandemic, Congressional action can accelerate the recovery and soften the economic scars left by COVID-19. The lodging industry is grateful to Chairwoman Rosen and Ranking Member Scott for facilitating this important discussion on how to best position the United States to receive international visitors and bolster domestic travel when our nation prevails over COVID-19. Each of you knows firsthand the importance of travel and tourism from your personal interactions with hoteliers in your home states. You have seen how the pandemic has ravaged our industry and sown considerable uncertainty for travelers, small businesses, and hotel workers. With the leadership of this committee, and the tools you have established in the Omnibus Tourism Act, we are confident the U.S. travel and tourism industry, and America's hotels will survive this crisis and ultimately thrive once again. Thank you for the opportunity to share the perspective of the hotel and lodging industry. We look forward to working with you and your staffs to restore travel and tourism in the United States.

TOP TEN STATES WITH HIGHEST PROJECTED 2021 BUSINESS TRAVEL LOSS



Source: AHLA and Kalibri Labs

TOP TEN MARKETS WITH HIGHEST PROJECTED 2021 BUSINESS TRAVEL LOSS



Source: AHLA and Kalibri Labs

