

# Issues and Developments in the Hospitality Industry

*Presented by:*

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# Hospitality Industry Overview

- The Hospitality Industry broadly covers lodging, event planning, gaming, theme parks, cruise lines and other related tourism industries. The Bureau of Labor Statistics also includes food services.
- There are approximately 52,000 hotels in the US totaling more than 5 million hotel rooms.
- The Hospitality Industry impacts every rung of the economic ladder and every congressional district in every state.

# Hotel Industry Interested Parties

- Real Estate Owners
  - REITS, Private Equity, C-corps, Small Businesses
- Brands
  - Marriott, Hilton, IHG, Accor, Choice, ...
  - 70% of US hotels are branded
- Management Companies
- Online Travel Sites – Expedia, Priceline,...
- Airbnb

# Significant Industry Associations

- ❑ American Hotel Lodging Association
- ❑ Asian American Hotel Owners Association
- ❑ NAREIT
- ❑ US Travel Association

# Legislative Focus

- Promoting Travel
  - International
  - Domestic
- Employment/Labor
  - 30-35% of hotel revenue goes to employment costs representing approximately 45% of all hotel operating costs.
  - Hotel Labor Unions – Unite (HERE)
    - Hotel Employees and Restaurant Employees Union
- Airbnb

# Travel Industry

- Travel and Tourism Industry Overview
  - \$1.5 trillion total annual contribution to GDP
    - Nearly 8% of US GDP
  - Supports 15 million jobs
    - Nearly 10% of total US employment
  - \$200 billion of annual spending by international travelers within the US
    - Defined as Visitor Exports it represents approximately 8% of total US exports
  - \$140 billion of annual US investment

# Promoting Travel

- Airport Infrastructure
  - Modernizing Airports
    - No US Airport is among the top 25 global airports
    - Need more gates, long-haul runways, terminal space, and airport access for planes and passengers.
  - Lifting the cap on the Passenger Facility Charge
    - The per passenger user fee is set and collected by local authorities
    - \$4.50 for each leg raised \$3 billion in 2015, but need \$15 billion for improvements. Propose to raise to \$8.50.
  - Trump – Promotes private sector investment in infrastructure

# Open Skies Agreements

- Protecting and Strengthening US Open Skies Agreements
  - The US-EU agreement allows any airline of the EU and any airline of the US to fly between any points in the EU and US
  - Expanding air service by foreign carriers to the US
    - Norwegian Airlines recent approval
    - Additional capacity to bring travelers to the US
    - Drive passengers into the US who then connect with US carriers



# Inbound Travel

- Improving and Evolving TSA
  - Properly funding the TSA
  - Driving technology
  - Improving Passenger experience and Security
- US visa waiver program & Visa office expansion
- Trump Immigration Policy
  - Deporting illegal aliens and making immigration more difficult could impact ability to fill jobs
  - Blocking certain religious/ethnic groups

# Other Travel Initiatives

- Cuba
- Zika prevention
- National Park Service Centennial Act
  - Maintaining and improving US Parks
- National Plan for Vacation Day – January 31
  - 658 million unused vacation days
  - If Americans took one extra day off, it would lead to \$34 billion in additional spending – US Travel Assoc.
- New DOT Advisory Committee on Travel and Tourism Infrastructure brings travel leaders to the table – focus on driving infrastructure projects.

# Employment Focus

- Employment
  - Local Minimum Wage initiatives
  - DOL Overtime rules doubled the salary threshold for certain exempt workers. In November, a Texas federal judge issued a nationwide injunction on implementation of the rule changes addressing litigation by 21 states.

# Employment Focus

- Trump administration
  - Will probably stop defending DOL overtime suit
  - May not repeal laws but will likely not put substantial resources behind them
  - Andrew Puzder, Trump's choice for U.S. Secretary of Labor, is the CEO of CKE Restaurants, Inc., owner of Carl's Jr./Hardee's.
- State and Local response
  - More activism by states and local municipalities to fill federal void – tough for businesses to track different jurisdictions' rules

# Foreign Workers

- H2-B Guest Worker program for seasonal workers – Puzder may be more moderate on immigration than Trump.

# Labor Focus

- NLRB Joint Employer definition
  - 2014 McDonald's and 2015 Browning-Ferris Industries NLRB determinations.
  - Franchisors may be considered joint employers and therefore liable for the employment acts of their franchisees.
  - Question revolves around the control a franchisor has over the employment decisions of the franchisee – direct or indirect.
- Potential impact on franchisor's willingness to franchise to small business owners.

# Airbnb

- Airbnb – an online home rental site
- Major cities pushing back against homeowners renting their homes without properly registering with the city – particularly in NYC and SF – fines on hosts up to \$7500.
- Airbnb has resources to handle governmental challenges.
- Smaller cities amenable to added tax revenue
- Hospitality industry wants equivalent safety requirements and taxes.

# Gaming

- MGM Maryland National Harbor opening
  - Will it drive Virginia to consider casinos
- Sports Betting
  - Professional and Amateur Sports Protection Act limits sports betting to four states.
  - American Gaming Association and NJ challenging Act claiming it results in billions of illegal sports betting.
  - Online gaming implications.
  - Trump's strong Gaming ties could influence future direction.



# Questions?

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