



COVID-19 Response: Hospitality Industry Economic Relief Grants
Senate Economic Development, House & General Affairs
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The Vermont Chamber of Commerce represents over 1,200 members and is the state affiliate of the National Restaurant Association (NRA) and the American Hotel and Lodging Association (AHLA). With hundreds of restaurant and lodging members, we have routine engagement with our membership and have maintained an informed perspective on issues impacting businesses during the COVID-19 pandemic.

We support the two most critical action items for the hospitality industry in this next round of funding:

1. Use a significant portion of the CRF monies held in reserves as a dedicated rescue package for the hospitality industry
2. Loosen eligibility requirements for the Economic Recovery Grant program provided by Act 115 to allow more businesses to be eligible and to include businesses that have been left behind in the first round of funding

We support the economic relief proposal that was passed by the House; however, we encourage you to consider increasing funds for economic recovery grants and to establish a set-aside program that would serve the industries most impacted by the pandemic. While Vermont's economy continues to re-open, the hospitality industry does not see a path to return to stability but is instead fighting to survive. Additional business relief grants for industries that have been disproportionately impacted by COVID-19 are critical for impacted sectors who will continue to face financial struggle for the foreseeable future.

These businesses generate tax revenues, create jobs, and unlock economic activity in Vermont communities. According to Bureau of Economic Analysis, tourism is 6% of Vermont's GDP; which places Vermont in the top five states whose economies depend on tourism ([The PEW Charitable Trusts](#)). The hospitality sector which includes restaurants, lodging and industries such as weddings and events has suffered disproportionately due to COVID-19 restrictions. This was made evident in Tom Kavet's [August 2020 Economic Review and Revenue Forecast Update](#) which states that, "Meals & Rooms revenues have and will experience the most pronounced and lasting impacts from the COVID crisis." Restaurants and lodging businesses are the major drivers of the Meals & Rooms revenues and have, been asked to hibernate in an effort to combat the pandemic. They have done everything the government has asked of them in stellar fashion to ensure the health of our people, but it has come at a great cost to them.

Restaurant Outlook

While restaurants have resumed operations at a limited capacity and have used their entrepreneurial thinking to re-imagine their business models, the path forward will not be smooth. Based on data from the [Bureau of Labor Statistics](#), Vermont is the state that suffered the largest restaurant job losses (-71%) from February 2020 to April 2020, which is directly related to COVID-19 operational restrictions. Compared to February 2020, employment still remains down 42% (Source: [Bureau of Labor Statistics and National Restaurant Association](#)).

In a recent survey [commissioned by the NRA](#), it became even more evident that consumers are well aware of the economic damage caused by the pandemic with 88% of adults responding that restaurants are an important part of their community and many are worried that their favorite restaurant will not survive. Even if restaurants are allowed to resume operations at 100% occupancy many will not be able to operate at that capacity due to the fact that seating must allow for physical distancing of at least 6 feet between seated dining parties.

Lodging Outlook

There are three key metrics to determine the health of the lodging industry: occupancy, average daily rate, and revenue per available room. Based on [reports from Smith Travel Research](#), these numbers were down 36%, 25%, and 52% respectively year-over-year. What does this mean for Vermont? Given the importance of tourism to Vermont's GDP, our numbers are likely far greater based on industry feedback relating to occupancy and travel restrictions in place to combat the pandemic.

Leisure travel is at an all-time low. [A recent survey](#) found that only 38% of Americans are likely to resume travel by the end of the year. Usually 70% of Americans take a vacation each year, suggesting that leisure travel is a long way from pre-COVID-19 levels.

Generally, a lodging property needs to carry around 50% occupancy rate in order to break-even with expenses and pay for their debt. Vermont lodging properties have been operating at 50% occupancy or less for 6 months now. Compounding impacts of operating at a significantly reduced capacity, there is no reduction in fixed costs, and the industry sells a perishable product. If a room goes unsold, lodging operators will never be able to recoup those lost profits. Without relief, Vermont lodging properties are at risk of closure, and employees are facing the possibility of permanent job loss.

Lodging and restaurants are an important fabric for Vermont communities, and without this rescue package we are looking at catastrophic losses in the industry. We hope the Committee is receptive to our concerns and the critical nature of the rescue package for the hospitality industry. We look forward to remaining a resource as this conversation continues.