



Testimony for the Pennsylvania Senate Majority Policy Committee
April 13, 2021

The Impact of COVID-19 & Resulting Mitigation on Tourism, Lodging, and Attractions in Pennsylvania

Chairman Scavello and members of the Pennsylvania Senate Majority Policy Committee, thank you for convening this hearing to address the impact of the coronavirus pandemic and resulting mitigation on the hospitality industry in Pennsylvania. I am John Longstreet, president and CEO of the Pennsylvania Restaurant & Lodging Association. PRLA is proud to represent the entirety of the hospitality industry – including restaurants, hotels, travel & tourism entities, and the vendors that support our operations. I appreciate the invitation today to provide background on how our industry has been impacted.

First, I would like to talk about the toll on our workforce. For context, pre-pandemic our sector was the second largest non-farm job provider. As many as 70% of our nearly 700,000 employees across all operation types have been furloughed or laid off at some point in the last year. These changes often occurred abruptly due to last minute mitigation changes by the Administration. The most recent employment data from Pennsylvania indicate that our sector is still down more than 135,000 jobs, the largest drop off compared to all other sectors.

Restaurants specifically have been heavily mitigated despite a lack of evidence indicating that restaurants following proper CDC protocols are a significant source of spreading the virus. New York state contact tracing showed restaurants accounted for only 1.4% of COVID-19 cases while 74% of the spread was due to private gatherings in unregulated environments.

I'm not going to rehash every restriction placed on the industry, but I want to point out that the abrupt nature of the Administration's mitigation orders was just as devastating as the orders themselves. For example, the December 10 announcement to cease indoor dining through the holidays, provided restaurateurs with less than 48 hours of notice of closure leading into one of the busiest seasons of the year. This order alone cost more than 30,000 jobs and over \$1 million worth of wasted food.

Hotels have not fared much better. Between travel restrictions that remained in effect until recently and the suspension of tourism-related marketing, the hotel industry in Pennsylvania has a long recovery.

Kalibri Labs, one of the premier aggregators of hotel performance data, found that the hotel room demand fell nearly 37% across the nation in 2020 when compared to 2019 demand. Meanwhile, demand in Pennsylvania fell by nearly 43% over the same period. Breaking that down further to our major hotel markets of Pittsburgh and Philadelphia, hotel room demand fell by 53% and 44% respectively. When ranking the United States 65 major hotel markets for change in room demand, Pittsburgh and Philadelphia rank 46th and 60th, respectively.

It is important to note that the rooms are being sold at a considerable discount, as indicated by the 22% decrease in Pennsylvania's average daily rate in 2020 when compared to 2019 rates.

STR, another noted hotel performance aggregator, predicts the hotel industry will not recover to pre-pandemic levels until 2024. PRLA's partner, the American Hotel & Lodging Association predicts that hotel employment will not recover until 2023. Lastly, CBRE Hotels Research group reports that nationwide hotel EBITDA, a key measure of earnings, is down 107.6% in 2020 versus 2019. This means most hotels are currently not economically vital.

Pennsylvania's destination marketing organizations are directly tied to the condition of hotel industry since the lion's share of their revenue is derived from the county hotel tax. These organizations are essential in bringing travel and tourism to their regions but have been largely excluded from many of the relief programs available to other sectors of the hospitality industry.

The impact of the pandemic and subsequent mitigation has pushed the industry to the brink of disaster. One of our members the other day likened it to an avalanche. Experts tell you if you are caught in an avalanche, you swim, kick, flail – do whatever you have to do to stay on top or near the surface of the slide. When the slide stops, those not caught directly in it need to immediately get into the debris field and assist. The hospitality industry has been caught in the avalanche, doing everything it can to stay near the surface. Our industry's resilience cannot be underestimated but we need your help now to ensure our recovery.

The slide is slowing down – the travel restrictions have been lifted, restaurants are operating at a reasonable capacity, consumer's pent-up demand is palpable – but there are still ways you can assist in our recovery.

While we appreciate and thank the Senate for voting unanimously to devote the entire \$145 million small business grant program to the restaurant and hotel industry, we view this as a down payment as to what it will take to save the industry after a year of unrelenting targeted mitigation. Pennsylvania is set to receive 13 billion dollars from the American Rescue Plan, and we ask that you support the investment of \$1 billion for grants to hotels, restaurants, and travel and tourism entities. Furthermore, we ask for \$15 million be dedicated to help the state's 50 struggling destination marketing organizations. Finally, we request that 20 million dollars from the federal funds be dedicated to the state Tourism Office so we can bring visitors back to the Commonwealth. Every dollar invested in tourism marketing returns \$3.50 to the state via direct tax revenue.

Thank you for your time and ongoing dedication to the citizens of Pennsylvania and to our industry.