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Coronavirus and Hospitality

Why Do Hotels Seem to Be Getting the Shaft From Washington on Coronavirus Relief?

Cameron Sperance, Skift - Oct 09, 2020 2:30 am

SKIFT TAKE

The hotel industry needs to up the ante on lobbying and centralized messaging if it ever wants a bigger piece of the pie. It's that simple.

— Cameron Sperance

Flickering hopes of a comprehensive coronavirus economic relief measure ahead of the election next month were snuffed out Tuesday after President Donald Trump told Republican leaders to prioritize confirming his nominee to the Supreme Court.

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Travel industry leaders quickly issued various statements of disappointment over the decision and its catastrophic impact on employment and the struggling economy.

But Trump later called on Congress via Twitter to pass a \$25 billion industry-specific measure for airlines – a fresh reminder not all travel sectors are created equal in the eyes of the federal government. The airlines package going through is not a given, particularly since House Speaker Nancy Pelosi (D-CA) said Thursday she would not support that deal as a standalone.

But the fact that airlines could get even that far with this kind of special consideration raises the question: What happened to hotels along the way?

Congressional reticence on providing the hotel industry, which has significantly higher unemployment than the national average, with direct economic relief may come down to political theater and poor marketing.

The hotel industry largely qualified for Paycheck Protection Program small business loans under the \$2 trillion coronavirus relief package passed in March. But hotel owners like Ashford Hospitality Trust quickly came under fire for tapping into those loans.

The industry chalked up some of the bad press to the general public not recognizing hotels are generally small businesses that pay to affiliate with a major brand like Marriott or Hilton. These global chains don't actually own the real estate where their brand flag flies or pay the employees.

"It was very unfortunate, but that was out there," said Clifford Risman, a Dallas-based real estate attorney at Foley & Lardner. "The airlines were helped significantly. Should the hospitality industry? I believe so, but it's a political hot potato."

Trump himself is a hotel owner, and that likely weighs on some members of a deeply divided Congress who don't want to disproportionately help an industry where the president's family stands to profit.

"It's unfortunate, but that's the situation the hotel industry finds itself in because Trump is the president," Risman said. "That's why I think they're fighting an uphill battle. If Trump had been in the airline industry, the airlines wouldn't have got what they did for the same reason."

There may be members of Congress trying to avoid playing industry favorites with coronavirus relief, but not everyone is buying that Trump is holding back due to scrutiny over his company's potential personal gain.



“He has made it clear: If he can do something that attracts attention — even negative attention — he’ll do it,” said Clifford Winston, a senior fellow at the Brookings Institution. “He certainly wouldn’t run away from something where he thinks there would be a major conflict. He’d go out of his way to do it.”

Then there is history of airlines as a regulated industry, with strong ties to D.C.

“Airlines were a formerly regulated industry, and in some sense, the government has never let them go completely,” Winston said.

The federal government hasn’t entirely broken up with airlines since the 1978 passage of the Airline Deregulation Act, which dropped federal control on matters like routes and fares. The government is still heavily involved in airline mergers, safety, and international travel restrictions.

“Airlines are used to working with the government and getting them to give them things on a variety of issues,” Winston said. “This is just one among many items that they’re going to the government for, and they’ve had a lot of practice in the past. That’s one big difference between the two industries.”

The hotel industry still has an ear in Washington. The American Hotel & Lodging Association has repeatedly lobbied members of Congress and the Trump Administration on providing more liquidity to struggling hotel owners and liability protections against coronavirus exposure claims.

But the airline lobby is bigger.

The airline industry spent \$27.7 million on lobbying in the first half of 2020 compared to the hotel industry’s \$16.4 million, according to the Center for Responsive Politics. If you take into account the greater industry of airplane manufacturers like Boeing, airports, cargo companies like FedEx and UPS, and labor unions, the entire air transport sector is the seventh-largest spender of lobbying in the U.S.

Hotels don’t even crack the top 20.

“The airline and auto industries are huge oligopolies and have been bailed out several times to save jobs,” Remington Hotels CEO Sloan Dean told Skift in August. “Nothing has ever been done for hotels. Even if we are a bunch of small businesses, we are still a huge employer. Our fragmentation is why our lobbying efforts haven’t been as successful.”

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If Congress swiftly responded to Trump's tweet for airline-specific aid, it would be the second \$25 billion bailout to the industry in less than a year. There are a variety of theories as to why the public sector keeps coming back to assist an entity it shuffled into the private sector more than 40 years ago.

"Policymakers are close to this industry because they depend on them. If they're hurting financially and have to cut the flights that serve them, that's going to affect Congress," Winston said. "Hotels aren't in that position. They're not nearly as strong."

Members of Congress typically have their own residence in Washington as well as back in their home state, meaning they never have to rely on a hotel company. But politicians depend heavily on the airline industry to shuttle back and forth from the nation's capital, making the airline industry a regular part of their livelihood.

A politician from Arkansas is likely to notice more if a flight between Little Rock and D.C. gets nixed rather than if a few Holiday Inns in their district go under, the thinking goes.

The airline industry also creates thousands of jobs around freight and passenger hubs across the country in both Democratic and Republican-controlled states. Political analysts speculate Trump may want airline-specific relief ahead of the election because passenger airlines like Delta and American Airlines employ many in swing states like Pennsylvania, Michigan, and Florida.

Speaker Pelosi — who initially signaled support for airline-specific relief but rescinded that stance Thursday — this week attributed the complexity of airline jobs as to why the industry deserved immediate relief.

"When you're let go in the airline industry, it takes months or years to be re-certified, reclassified all of that, security clearances, and the rest," Pelosi said during an appearance on CBS' Face the Nation. "If somebody has another kind of a job, they leave, they come back. So that makes a difference."

Airlines, in the eyes of Congress, continue to serve as a public utility and remain huge employers, both directly and indirectly. Further, they do a better job of making just as much of a public push for economic relief as they do behind closed doors, experts say.

"The airline industry has been super successful at public lobbying in what we see in the news and newspapers and even seeming to have the ear of the president. All of that is critically important," said Casey Burgat, the director of George Washington University's legislative affairs graduate p



other industries have been less successful at that public pressure campaign, but that doesn't mean they aren't working behind the scenes in lobbying for relief. But, as of now, that public effort is a key differentiator.”

Tags: cares act, coronavirus, coronavirus recovery, economic stimulus

Photo Credit: Congress is highly unlikely to pass a comprehensive coronavirus relief bill ahead of the election. But it's a different tune for the airline industry. Thomas Dwyer / Flickr

