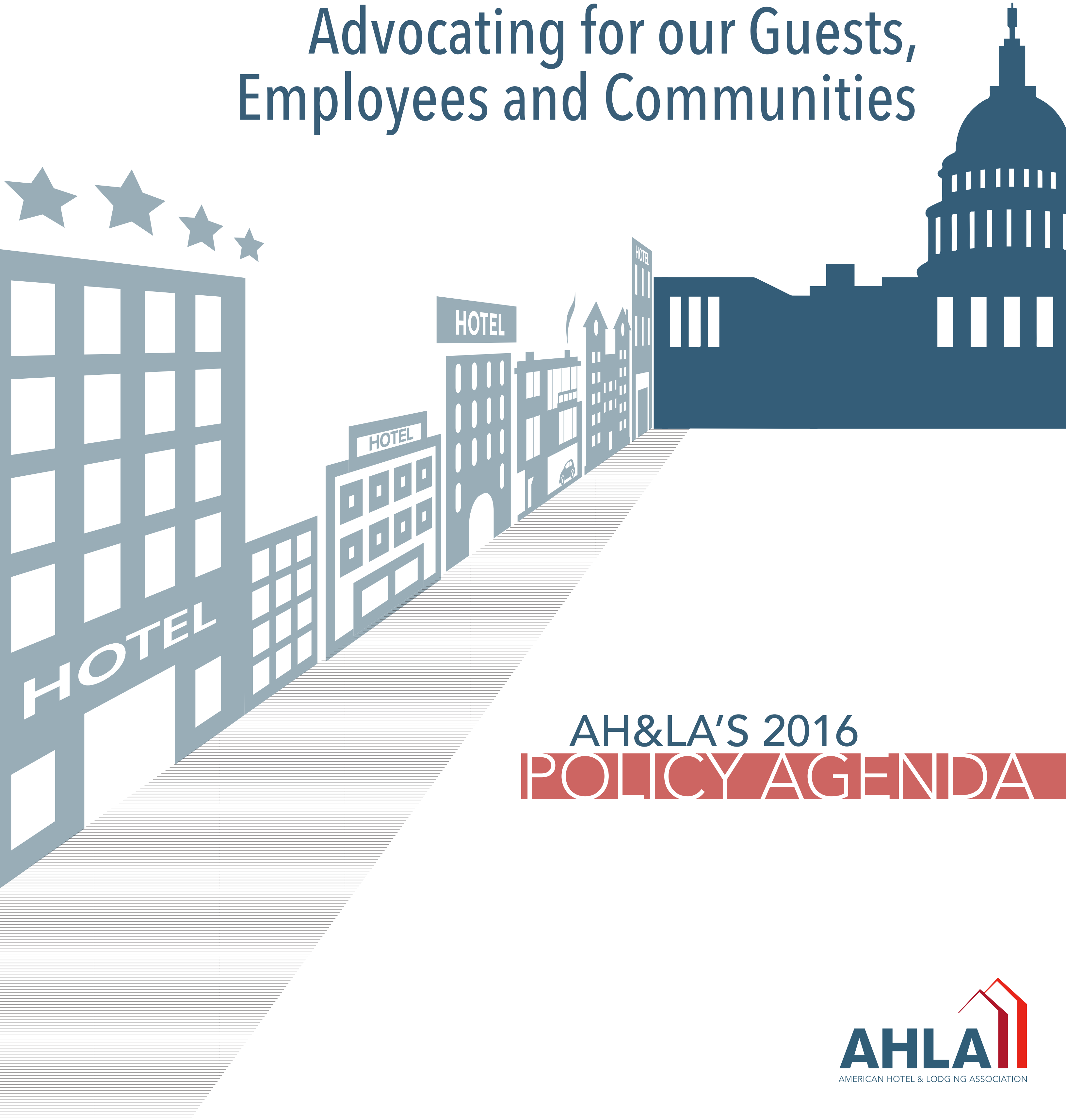
THE HOTEL INDUSTRY

Advocating for our Guests, Employees and Communities



AH&LA'S 2016 POLICY AGENDA

AHLA
AMERICAN HOTEL & LODGING ASSOCIATION

THE NUMBERS

5 million
daily hotel check ins

Each day, nearly 5 million people check in to a hotel and there is a strong pipeline to expand the 5 million guestrooms available across the United States.

6 years+
consecutive job creation

30,000+
new hotel jobs

These 30,000 new hotel jobs build on the travel industry's continued growth, resulting in an additional **100,000 new travel-related jobs** and an increase of over **$12 billion in travel-related wages and salaries.**

53,000+
properties nationwide

$141.5 billion
business travel tax revenue

300,000
federal supported jobs

Government meetings support 300,000 travel and tourism jobs.**

$176 billion
lodging sales revenue

2 million
American Jobs

The hotel industry provides good, above minimum wage, jobs with benefits and offers opportunities that quickly lead to upper management positions, providing long-term careers with high levels of satisfaction.

- More than half of department managers and many general managers started their careers in hourly entry-level positions.
- The majority of minimum wage employees are eligible for promotion after only one year of employment, serving as a gateway for new workers to enter the lodging industry.
- The vast majority of hotels' employees stay with their companies for an average of five years or more.

*AH&LA's "2015 Lodging Industry Trends" and "The Hotel Success Story: From Desk to C-Suite, a New Report on Hotel Jobs," American Hotel & Lodging Association and WageWatch, Inc. 2015.
** General Services Administration SmartPay Data, 2015.

THE HOTEL INDUSTRY
AH&LA'S 2016 POLICY AGENDA

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For the past six years, the hotel industry has seen dynamic growth, creating jobs, boosting economic opportunities and community development, while also promoting the next generation of leaders. The American Hotel & Lodging Association (AH&LA) is proud to be spearheading the hotel industry's national advocacy agenda.

Through comprehensive strategies, partnerships, grassroots efforts and tactical undertakings, and with the support and engagement of our 23,500-strong membership, AH&LA will continue to raise awareness of the impact of our industry in communities around the country and promote policies that enhance our industry's ability to grow and build careers for the next generation of hospitality leaders.

While the industry continues to grow, there are critical challenges facing hoteliers as a result of the current political and government dynamics as well as new entrants to the marketplace who do not always operate on a level playing field.

Our goals as an association are to support policies that:

- Promote and protect our guests and improve the guest experience;
- Lead to job growth and creation;
- Empower employers to foster employee training and career advancement.

As we look toward the many exciting opportunities that await us in the coming year, we will continue to act aggressively to advocate on behalf of our industry with one unified and powerful voice. It's never been more important to encourage policy initiatives that invest in business development and entrepreneurial ambitions to help our businesses and employees grow and thrive.

With a growing and engaged membership, along with key partnerships in Washington and across the country, we are certain AH&LA will rise to new heights in 2016 and beyond. We look forward to working with congressional leaders, state and local government officials, key stakeholders and industry supporters to empower and advance the next generation of industry leaders.

Sincerely,
Katherine Lugar

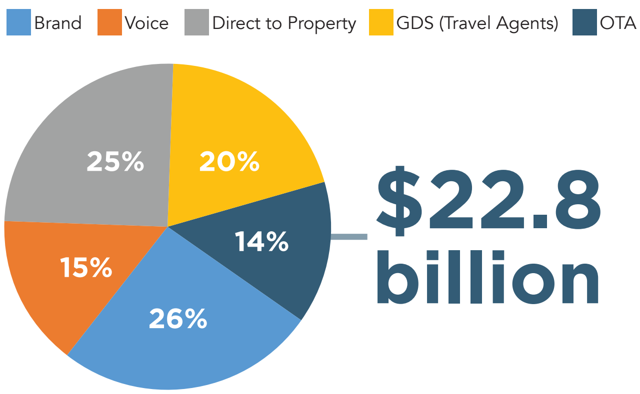
Katherine G. Lugar

PROTECTING THE CONSUMER

As one of the first industries to adopt online bookings to benefit the consumer, hotels are at the forefront of e-commerce. Technology and the ever-evolving online channels, from desktops to mobile phones to internet-enabled devices like smartwatches, have transformed the way guests book their hotel rooms and created new customer-oriented business models. Amid the transformations, the hotel industry continues to put guests first. As more channels and new players enter the digital marketplace, our industry aims to educate consumers on how to protect their reservations and ensure their experiences are what they intended.

Online Hotel Bookings are a BIG BUSINESS

Rooms Sold (by channel)



**Figures from the Consumer Innovation Forum

480 online hotel bookings occur per minute in the United States

Online travel agency (OTA) channels account for 13%-15% of all hotel reservations, according to 2015 data.

Hotel commissions are 5 to 6 times higher than other travel sectors:

- Hotels 15-25%
- Airlines 3-5%
- Car Rentals 3-6%

ONLINE BOOKING SCAMS

Hotel consumers and businesses have increasingly been misled by rogue third-party websites that trick consumers into believing they are booking directly with hotels. In addition to harming hoteliers' reputations and creating reservation problems for guests, these scams erode consumer confidence in booking hotel rooms online. After an extensive public awareness campaign, AH&LA worked closely with Members of Congress, resulting in bipartisan legislation requiring third-party hotel booking websites to disclose, clearly and conspicuously, that they are not affiliated with the hotel for which the traveler is ultimately making the reservation. This legislation will help consumers tell the difference between the actual hotel website and fraudulent ones masquerading as name brand sites. AH&LA has also asked regulators to use existing authorities to stop these actions that are harming consumers.

"The website might look okay, but it's a fraud. Scammers are creating fake hotel booking websites to steal money from travelers. Some scam sites make money by tacking on additional fees, but others charge you for a room that simply doesn't exist. In any case, sharing your credit card and personal information on scam websites puts you at risk for identity theft."

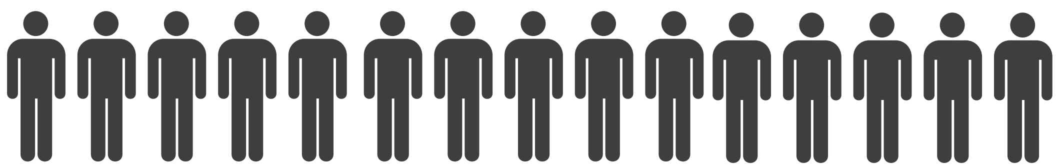
~ Better Business Bureau Scam Alert

AHLA POSITION

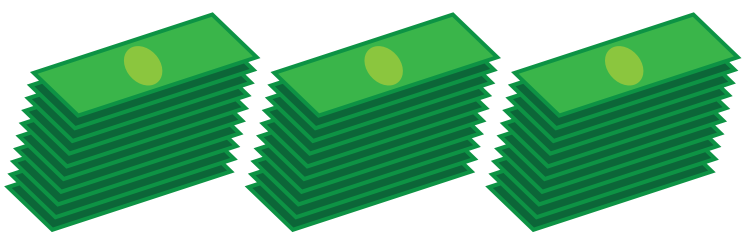
AH&LA believes consumers have a right to know who they are booking with whether they book online using a third party or with the hotel directly, and the government should crack down on websites that pose as hotels in order to prey on travelers. We will support policies that make it easier for consumers to know who they are engaging with during the booking process and promote legislation that stops deceptive booking practices and promotes enforcement efforts. We urge Congress to pass the "Stop Online Booking Scams Act," bipartisan legislation that will help prevent scam websites and their affiliated call centers from posing as hotels. We encourage the Federal Trade Commission (FTC), state Attorneys General and consumer groups to actively engage in protecting consumers from misleading and deceptive marketing.

The Rise of Online Booking Scams

15 MILLION

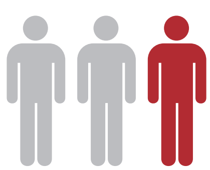


BOOKINGS ARE AFFECTED BY FRAUDULENT WEBSITES AND CALL CENTERS POSING AS HOTEL WEBSITES. THIS TRANSLATES TO...



$1.3 BILLION

IN BAD BOOKINGS PER YEAR



1 in 3

PEOPLE ARE WORRIED ABOUT ONLINE BOOKING SCAMS

CLOSING TAX LOOPHOLES AND PROMOTING DISCLOSURE

Online travel agencies (OTAs) typically remit occupancy taxes based only on the portion of the sales price that the OTAs pay back to hotels, and not on the full amount paid by hotel guests when purchasing the room. Hotels, however, apply the occupancy tax rate to the full price paid by the consumer. As a result, dozens of cities and states have sued the OTAs to recover the lost revenue, but unfortunately, the courts have not always ruled in the local jurisdiction's favor. To address this discrepancy, some states have enacted legislation to close this OTA tax loophole.

Further, the disclosure of these occupancy taxes is often done in a manner that masks the collection of the OTA's service fees by lumping the taxes and service fees together. As a result, consumers do not know whether their money is going to the OTAs or to local jurisdictions. In fact, litigation in Washington State found this practice to be deceptive to consumers in cases that were settled for $129 million in damages paid by the OTAs. This was based off of the millions of consumers who had been affected and the amount of money they lost to hidden OTA services fees.

AHLA POSITION

AH&LA strongly supports policies that close loopholes giving the OTAs a free pass on remitting the full amount of tax paid by the consumer and in the process, create a level playing field between hotel companies and OTAs. AH&LA believes that disclosure of fees collected by OTAs is critical for consumer trust in online booking.

"OTAs sell rooms at a retail price, which includes bundled 'taxes and fees.' However OTAs only remit occupancy tax on the wholesale rate they pay to the retailer, retaining the difference. This practice could result in reduced revenue for states and raises concerns of transparency and clarity of real costs to the consumer… The Task Force also recommends that OTAs be required to remit taxes based on the total rental price paid by the consumer, not just on the wholesale rate OTAs pay to hotel retailers."

~ National Conference of State Legislatures
Executive Committee Task Force on State and Local Taxation

REINING IN "ILLEGAL HOTELS"

Across the country, there is a growing concern that some short-term rental companies, such as Airbnb, HomeAway and Flipkey, are enabling the proliferation of "illegal hotels," where hosts rent multiple units for extended periods of time without reasonable oversight or regulation. It's a growing and alarming issue for groups nationwide, including affordable housing advocates, neighborhood watchdogs, disability groups and labor activists. These unregulated commercial businesses often compromise consumer safety and security, undermine job growth, increase housing costs, endanger the character and security of residential neighborhoods and avoid tax obligations.

AHLA POSITION

AH&LA believes all lodging platforms should operate under a level and legal playing field to ensure the safety and security of guests and communities. Further, AH&LA will work with the appropriate levels of government to help stop individuals or entities from operating multiple units full-time, essentially "illegal hotels," without adhering to any safety or security standards, or tax obligations, as well as ensuring law enforcement has the tools necessary to enforce existing laws. We also support the rights of property owners to occasionally rent their homes to earn extra income. True 'home sharing' has been around for decades. We welcome the competition from newer players entering into the marketplace, but there needs to be a level and legal playing field when it comes to commercial operators.

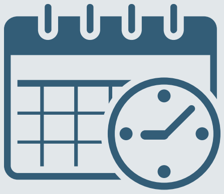
"Ninety-four percent of Airbnb hosts offered at most two unique units during the Review Period. But the remaining six percent of hosts dominated the platform during that period, offering up to hundreds of unique units, accepting 36 percent of private short-term bookings, and receiving $168 million, 37 percent of all host revenue. This report refers to these hosts as "Commercial Users."

~ NY Attorney General Eric Schneiderman's "Airbnb in the City" Report

RECENT REPORT REVEALS GROWING NUMBER OF COMMERCIAL OPERATORS USING AIRBNB TO RUN "ILLEGAL HOTELS" IN MAJOR CITIES

Early this year, AH&LA and researchers at Penn State University's School of Hospitality Management released a report, "From Air Mattresses to Unregulated Business: An Analysis of the Other Side of Airbnb," offering the first, comprehensive national look at the rise of commercial activity on Airbnb, one of the most trafficked short-term rental platforms. It focused on "hosts" in some of the nation's largest cities who rent multiple units and the length of time that hosts are renting their units.

Among the key findings in the report:



- Nearly 30 percent ($378 million) of Airbnb's revenue in these markets came from "full-time operators," with rentals available 360 days a year. Each of these operators averaged more than $140,000 in revenue during the period studied.
- The cities with the largest number of full-time operators include New York and Miami on the East Coast and Los Angeles and San Francisco on the West Coast.
- Individuals or entities renting out two or more residential properties on Airbnb account for 17 percent of hosts in the twelve cities studied, and this rapidly growing segment of "multi-unit operators" drives nearly 40 percent of the revenue in those markets, which equates to more than half a billion dollars a year.

** All data excludes all shared rooms and units and unique accommodations, such as boats, tree houses and tents.

"If you're a New Yorker struggling to find affordable housing, the only thing more troubling than these currents trends is the latest threat to affordable housing forces: Airbnb and other illegal hotel operators."

~ New York Communities for Change Housing Report

PROMOTING TRAVEL & TOURISM

The hotel industry has been a bright spot in job growth leading the nation's economic resurgence and improving the employment landscape, marking more than six years of consecutive job creation, with continued growth projected in the coming years. Critical to generating and maintaining this growth has been, and will be, government and industry focus on increasing the flow of foreign visitors to the U.S. and recognizing the value of government, business, and leisure travel here at home.

AHLA POSITION

Working with the broader travel industry, we will continue to support policy initiatives that promote tourism, including issues like the visa waiver program to strengthen business and leisure travel and the H-2B program to provide valuable support for businesses looking to supplement their workforce with temporary seasonal employees if no American workers are available.

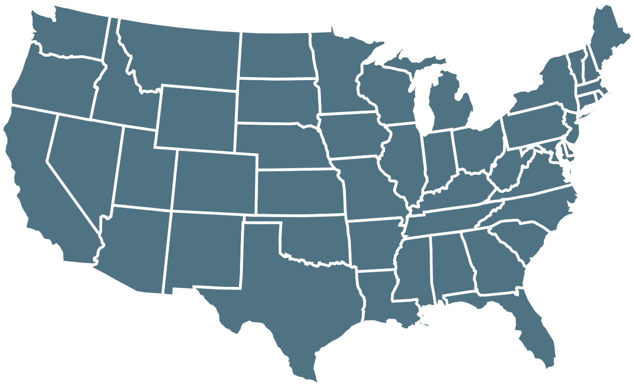
Lodging and Tourism Boosts Our Economy, Creates Jobs and Drives Business

1 in 9 American jobs
depend on travel and tourism.

$2.5 billion
Resident and international travelers in the United States spend an average of **$2.5 billion a day, $105.8 million an hour, $1.8 million a minute, and $29,398 a second**.

$1.4 trillion
Travel revenue generated throughout the economic chain or **8.0% of GDP**.

The United States receives a larger share of world international tourism receipts than any other country in the world.



In 2014, international travelers spent an estimated **$220.6 billion**.

The U.S. share of 2014 world tourism receipts was at **the top (14.2%)**; well ahead of second-ranked Spain and third-ranked France.

In 2014 international travelers to the United States increased 6.7% over 2013 to **a record 74.8 million**.

Overseas arrivals **grew by 7.2% to a record 34.5 million**.

The impact of international travelers on the hotel industry is considerable.

International visitors accounted for **20% of all lodging sales.**

In 2014, **26.5 million overseas travelers** stayed in a hotel/motel during their U.S. visit.

The average length of stay for overseas hotel visitors was 9.7 nights; the average party size was 1.7 travelers. 76.2% of these overseas travelers. were repeat visitors.

* AH&LA 2015 Lodging Industry Trends, based on 2014 figures.

"As a result of welcoming more international visitors to the United States, the U.S. economy grows, jobs are created and more importantly, there is a more favorable image of the United States around the world."

~ Christopher L. Thompson, President and CEO, Brand USA

PER DIEMS AND GOVERNMENT TRAVEL

Federal per diem rates are established each year by the General Services Administration (GSA) based on actual market data compiled and provided by Smith Travel Research (STR). AH&LA continues to work with the GSA to underscore the importance of maintaining per diems at sustainable rates. Additionally, AH&LA is engaged with Congress on legislation and policies that impact per diems. In particular, in late 2014, the Department of Defense (DoD) instituted a new policy which cuts the per diem rates for personnel on long-term travel assignments by 25 percent for stays of over 30 days and by 45 percent for stays of over 180 days. This change threatens to hurt all hotels, but particularly those hotels near military installations.

Government Travel Spending

$2.5 BILLION

HOTEL ROOMS

The federal government spent nearly **$2.5 billion** on hotel rooms in 2015.**

$33.5 BILLION

MEETINGS

Government meetings supported nearly **300,000 jobs** in 2013 and generated **$33.5 billion** in travel spending.*

$141.5 BILLION

TAX REVENUE

$141.5 billion was generated by travel spending for federal, state and local governments.*

* U.S. Travel
** General Services Administration Smart Play Data, 2015

AHLA POSITION

AH&LA supports per diem policies that reflect market realities and allow hotels to be fairly compensated for the services they provide, while recognizing the need for the government to get the best value it can for taxpayers. Further, AH&LA will work to change legislative or regulatory actions related to per diems that hurt our customers, including DOD's long-term per diem policy.

Repealing the [per diem cuts] would "ensure that DoD civilian employees can travel and do their jobs in support of service members without having to worry if they can afford to pay for official travel expenses and also maintain their financial responsibilities at home."

~ J. David Cox, President, American Federation of Government Employees

SUPPORTING OUR WORKFORCE

The hotel industry is responsible for nearly 2 million jobs in communities across America and remains a driving force in providing vast opportunities for professional training, long-term careers, competitive wages and good benefits. With so many small business owners, from B&Bs and independently-owned properties to franchised locations, AH&LA is committed to fighting for policies that empower the entrepreneurial spirit and encourage business growth. However, in recent years, many workforce and labor initiatives at the local, state and federal level threaten to impede this growth, jeopardizing so many in our industry from achieving the American Dream.

"44.8 percent of all dollars spent to operate a hotel in the United States went to pay for labor-related costs, making it the single largest expense item for operators."

~ Robert Mandelbaum,
Director of Research Information Services, PKF-HR,
a CBRE Hotels company

90%

The majority of hotels **pay a starting rate above the minimum wage for at least 90% of their entry level employees.**

More than half of department managers in hotels and many general managers started their hotel careers in hourly entry-level positions.

98%

The vast majority of hotels, averaging **98% or higher, offer benefits to full-time employees**, including medical, dental and vision insurance, as well as **70% of hotels offer tuition reimbursements** in addition to several other insurance and human resource options.

5yrs

There is low turnover in the hotel industry with an overwhelming **90% of hotel employees staying with their company for an average of five years or more.**

AHLA POSITION

AH&LA supports policies that strengthen our employees' well-being and the ability for employers to create jobs and improve the career-path of those already in the workforce.

PROTECTING THE FRANCHISE MODEL

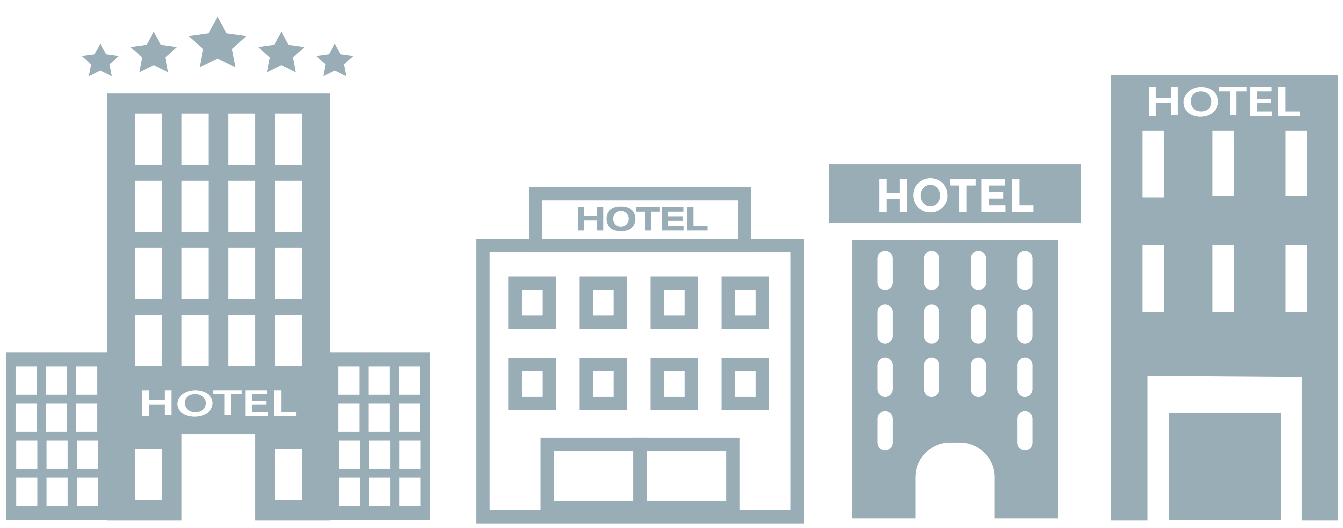
For more than three decades, the joint employer standard has been one of the cornerstones of labor law, protecting small businesses from undue liability involving employees over which they do not have actual or direct control. Unfortunately, in August 2015, the National Labor Relations Board issued its decision in the *Browning-Ferris Industries of California (BFI)* case and created a new "joint employer" standard under federal labor law. For decades, the hotel industry has thrived by fostering opportunities for small business owners around the country to open their own hotels thanks to the franchise model. This ability has allowed so many in our industry to achieve the American Dream.

AHLA POSITION

AH&LA and a broad-based business coalition continue working to reinstate the long-standing joint employer definition. Changes to this definition could severely disrupt the pathway to success and hurt franchisors and franchisees alike. The new standard makes employers potentially liable for actions and activities of employees that they do not employ and it could jeopardize a number of business to business contractual relationships.

"Expanding joint employer status would collapse the franchising model and extinguish aspirations of business ownership."

~ Asian American Hotel Owners Association (AAHOA) Officers



LOCAL EXTREME WAGE INITIATIVES

For more than six consecutive years, the hotel industry has been growing jobs at a record pace. In the last year alone, the industry added more than 30,000 new hotel jobs and more than 100,000 new travel-related jobs, resulting in an increase of over $12 billion in travel-related wages and salaries, up six percent. As a business of people serving people, our industry thrives because our people are at the core of our industry, which is why we are an above minimum-wage employer.

Our industry supports good wages and benefits for our employees and more importantly a pathway to career advancement that is so important to our collective success. Yet, across the country, local and state governments have proposed wage increases that target only our industry above others. Certain localities, such as Los Angeles and Santa Monica, passed wage ordinances singling out hotels that also include provisions giving labor an unfair advantage, which is discriminatory and disrupts the well-established balance between management and labor laid out by federal labor law.

AHLA POSITION

AH&LA views local wage initiatives that target only hotels as a direct attack on the hotel industry. Further, wage increases that are too high and too fast hurt our businesses and, more importantly, the jobs of the people these wages are purported to help. The hotel industry is an advocate for its employees and providing them a career path towards upward mobility and opportunity.

CHANGES TO FEDERAL OVERTIME RULES

Recently, the Department of Labor has promulgated several substantive changes to our nation's labor laws. Notably, their efforts to "update" the Fair Labor Standards Act resulted in a more than doubling of the salary threshold for employees eligible for overtime pay from $23,660 to $50,440. Due to this massive increase to the overtime pool, many small businesses will be forced to reduce hours and cut jobs in order to stay profitable.

AHLA POSITION

AH&LA supports policies and regulations that ensure a fair and equitable working environment for both employees and employers. Unfortunately, the proposed changes to the overtime regulations will result in unintended consequences that will ultimately harm the very employees that the rule purports to help, preventing employee advancement and opportunity and keeping the industry from continuing to grow and create jobs.

AHLA WORKING ON BEHALF OF THE INDUSTRY

- We are a 23,500+ strong association, representing all segments of the U.S. lodging industry.

- Our membership includes hotel owners, Real Estate Investment Trusts (REITs), chains, franchisees, management companies, independent properties, state hotel associations, and industry suppliers.

- We are headquartered in Washington, D.C. and have provided focused advocacy, communications support, and educational resources for more than a century.

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ALL TOGETHER POWERFUL

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