

Testimony of Jay Ellenby
President
Safe Harbors Business Travel (Bel Air, MD)
before the
U.S. House Committee on Small Business
March 10, 2020

Good morning, Chairwoman Velázquez, Ranking Member Chabot and distinguished members of the committee. Thank you for the invitation to testify at this important hearing on the impact of coronavirus on America's small businesses.

My name is Jay Ellenby, and I'm President of Safe Harbors Business Travel in Bel Air, Maryland. Since 1985, Safe Harbors has served a diverse range of client companies, organizations and individuals throughout the world. The continued success of our 40-person team is centered around consistently providing superior customer services as well as the lowest domestic and international airfares and related travel services through our buying power, experience and knowledge of the travel industry.

I'm also here on behalf of the American Society of Travel Advisors (ASTA) and on behalf of the U.S. travel agency industry, the vast majority of whom (98 percent) meet the Small Business Administration's (SBA) definition of a small business, and over 2/3 of whom are owned and operated by women. I have been a member of ASTA since 1995 and I chaired the Society's board of directors from 2016 to 2018. Travel advisors – online, "brick and mortar" and many hybrid business models in between – play a critical role in the broader travel and tourism industry. Travel agencies are responsible for the sale of the majority of airline tickets in the U.S., selling close to 830,000 air tickets *per day* in 2019¹ and are the primary distributor of cruises (66% of the market) and tour packages (68%).² We are proud to note that ASTA's ranks include substantial numbers of member companies in the states of New York (579) and Ohio (182).

Our industry is strong and thriving, and I can assure you the myth of the travel agent/advisor as a dying breed is just that – a myth. But we are facing significant challenges right now, as are many companies in the broader travel industry and beyond. At Safe Harbors, the past few weeks have been among the most difficult our agency has faced since the terrorist attacks of September 11, 2001 (9/11) and the near-total shutdown of travel that followed. My business is primarily focused on corporate travel, and while our clients' response to the current crisis ranges from business as usual to limiting travel to the U.S. and Canada only to stopping business travel completely, sales are down across the board. The main driver of the decline, as far as I can tell, is not that people are scared of getting sick, but rather they are afraid of being unable to return home or even being quarantined if circumstances in their destination change rapidly.

As of today, our 2020 sales are down 20 percent year-over-year. We are seeing a 37 percent decline in international travel, and that is worsening by the day. We expect March to be devastating and are preparing for sales to be down by far more than 20 percent year-over-

¹ Airlines Reporting Corporation (ARC): [2020 Sales Statistics](#).

² Phocuswright: [U.S. Travel Agency Distribution Landscape: 2016-2021](#).

year. For April, we can only hope. We are having to start painful internal conversations about staff structure and size. And it's worth noting that while Safe Harbors falls under the SBA small business definition, we are considered "big" for the industry – smaller firms are likely seeing similar numbers but many may lack the cash reserves to weather this storm.

In preparation for this hearing, ASTA surveyed its membership about the impact the coronavirus crisis is having on their businesses. Judging from the results, agency owners across the country are seeing the same numbers that my business is, but at the same time many have a sense of resilience and optimism for the future. Here are the results, summarized (see Appendix for full report):

- Respondents report that, in general, 92 percent of clients are either very (56 percent) or somewhat (36 percent) concerned about international travel right now, while 72 percent are very (16 percent) or somewhat (56 percent) concerned about domestic travel;
- 97 percent of respondents expect the crisis to have a heavy negative (52 percent) or moderately negative (45 percent) impact on their businesses this year;
- 98 percent also expect a negative impact on business revenues, with 29 percent expecting a reduction of 50 percent or more, 40 percent expecting a 25-50 percent decrease and 29 percent expecting a decrease of 25 percent or lower;
- Assuming a sustained downturn in client travel and given current cash reserves, 21 percent of respondents report a risk of going out of business within three months and 30 percent within six months, but 49 percent expect to continue operating up to 12 months and beyond;
- Only four percent report laying off employees or disengaging with independent contractors (ICs) so far, and there is detailed planning (four percent) or preliminary planning (another 21 percent) being conducted in that regard, but 71 percent of respondents report no planning for layoffs or disengaging ICs;
- Travel advisors are doing everything they can to re-accommodate clients concerned about traveling, and the data says they are succeeding – 33 percent of respondents report that all itinerary changes have been resolved to the client's satisfaction, with another 29 percent saying more than 3/4 of cases have been satisfactorily resolved and 15 percent saying more than 50 percent have been successfully handled;
- Looking to the future, 23 percent think the impact of this crisis will not be long-lasting, while 45 percent expect three-to-six months before clients resume a normal travel schedule and 32 percent expect six-to-twelve months until normal travel resumes.

In this crisis and crises that have come before, every traveler and every company sending its employees on the road decides whether or not to travel based on their own individualized level of risk tolerance. The role of the travel advisor is to provide expert advice, point consumers to unbiased resources to help them weigh their decision as to whether or not to travel, and to provide maximum support to individuals and businesses regardless of what decision is ultimately made. That is what Safe Harbors is doing right now, and what travel agencies across the country are doing, all day, every day.

As we have these client conversations, I am heartened by the support of our supplier partners. Airlines, cruise lines, hotel companies and others are waiving cancellation fees, making travel

agencies whole for cancelled trips and taking other steps to accommodate our clients, which I hope continues.

Here today, I wanted to take this opportunity to provide some suggestions for what Congress and the Administration can do to help our industry during this crisis.

- **SBA Loans** – We were pleased to see that the recently-enacted Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (H.R. 6074) included funding to enable the SBA to provide an estimated \$7 billion in loans to help small businesses impacted by financial losses as a result of the coronavirus outbreak.³ After 9/11, small business travel agencies across the country received at least \$20 million in loans of this kind, and judging from current trends there will likely be heavy demand for them this time around.⁴ This demand will only increase if the crisis drags on.

We ask that you keep a close eye on the allocation of these loans and consider providing additional funding if the situation worsens. Travel agencies will need help to weather this storm and be in a position to serve clients once the economy rebounds. We also ask that you and the SBA consider relaxing some of the collateral requirements for these loans, as travel agencies are service businesses and don't have as many physical assets as, say, manufacturers. We have heard stories of travel advisors being forced to put their homes up as collateral in order to qualify for the post-9/11 round of loans. We don't want that to happen here, and hope to work with the committee to make sure these loans flow, quickly and smoothly, to the small business agencies across the country who will need help in the coming weeks and months.

- **Economic Stimulus** – Regardless of how long this crisis lasts, the topic of what can be done to stimulate consumer demand and get the economy back on track is sure to come up. For example, we note that President Trump recently proposed a one-year payroll tax cut,⁵ and according to *The Washington Post* the Administration is looking into tax relief measures to provide tax relief to the “cruise, travel and airline industries.”⁶ We will leave the specifics to Congress, but given what we are seeing today feel strongly that the federal government should take quick action on this front. Travel spending tends to be discretionary and one of the first things cut from a family or business budget, but it is what our industry is built on. Anything that will stimulate travel will be especially important, and should keep in mind the needs of the thousands of U.S. small businesses that power the travel industry and not simply focus on the largest companies in this space.
- **REAL ID** – On October 1, 2020, the REAL ID Act of 2005 (P.L. 109–13), which requires enhanced identification to board domestic flights, will come into full implementation.

³ U.S. House Committee on Appropriations. “[H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020: Title-By-Title Summary](#).” March 4, 2020.

⁴ “[ASTA: Travel agents receive \\$21.6 million in SBA disaster loans](#).” *Travel Daily News*. July 15, 2002.

⁵ Jagoda, Naomi. “[Trump urges House Democrats to propose payroll tax cut](#).” *The Hill*. March 3, 2020.

⁶ Stein, Jeff et al. “[Airlines, travel and cruise industries hurt by coronavirus could get a tax relief from the White House](#).” *Washington Post*. March 6, 2020.

On this date, travelers must either use a REAL ID-compliant state-issued driver's license or an acceptable alternative such as a passport or a U.S. military ID at airport checkpoints or face being denied boarding. There are clear signs that the traveling public is not prepared for this deadline, with only 34 percent of Americans having REAL ID-compliant identification as of today, according to the Department of Homeland Security.⁷

I am hopeful that the coronavirus crisis will have passed come October, in which case we will be facing a different problem, one that threatens chaos at airport checkpoints just as we expect the travel industry to be rebounding. While we acknowledge that this issue is outside the committee's jurisdiction, we urge Congress to pass the Trusted Traveler REAL ID Relief Act (H.R. 5827) and otherwise provide the Transportation Security Administration the tools to manage this looming deadline.

- **Do No Harm** – Travel agencies have to deal with a multitude of federal and state regulations, from Department of Transportation rules on air ticket sellers to Department of Labor regulations related to the use of ICs to State Department warnings and alerts. As you consider legislation related to these issues in the coming weeks and months, please keep in mind the needs of small business travel agencies and the impact of federal regulations on our operations. As with most industries, the smaller the business the less likely it is to have in-house lawyers to help it comply with complex and ever-changing rules.

As the old saying goes, “This too shall pass.” 9/11, SARS, the Great Recession – our industry has been through similar situations and has come out stronger on the other end. I'm certain that, working together as an industry and with the support of the members of this committee and throughout Congress and the Administration, we will this time too.

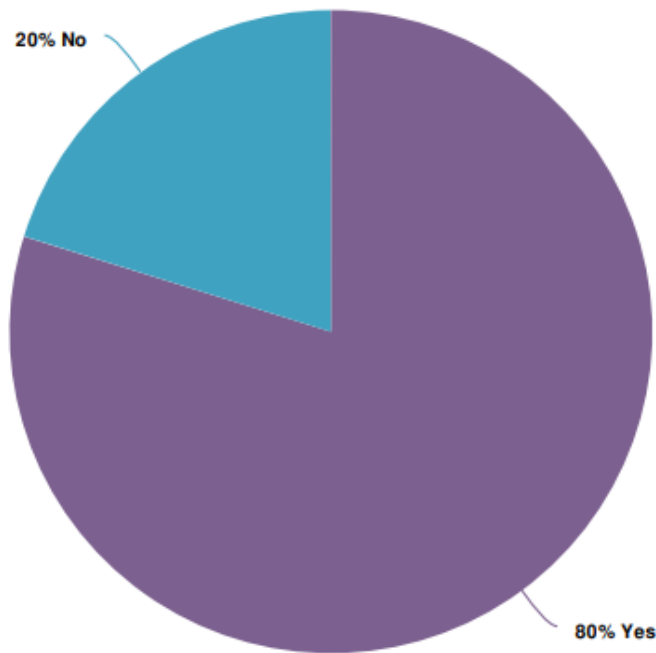
Thank you again for the opportunity to testify today. I would be happy to answer any questions you might have.

⁷ Department of Homeland Security: [“DHS Announces Streamlining Measures to Help States in Issuing REAL IDs.”](#) February 19, 2020.

Appendix I ASTA Member Survey on Coronavirus Impact on Business

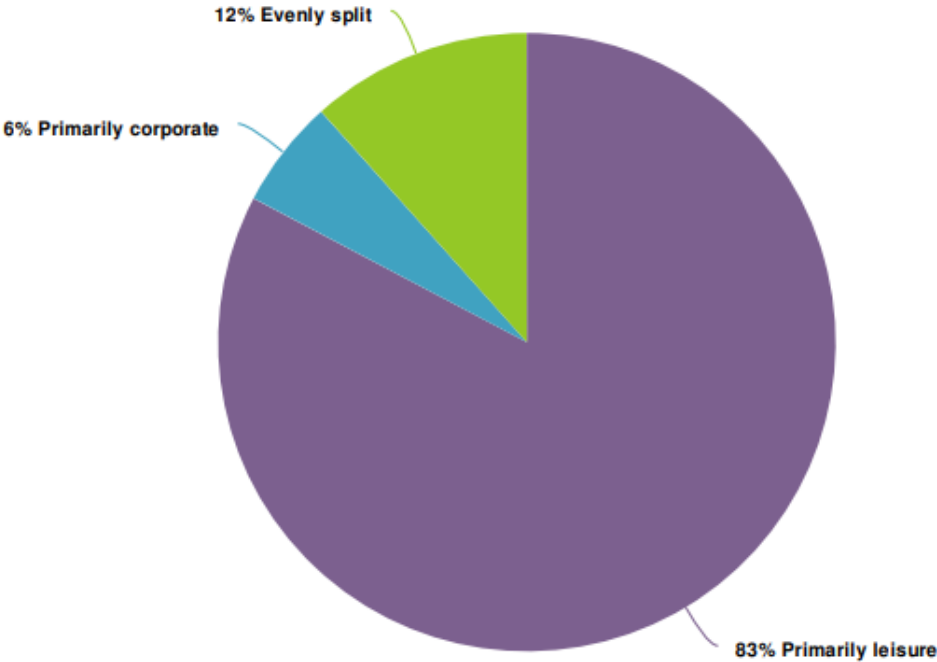
Survey data was collected from 1,359 ASTA member company representatives, with 80 percent of respondents identifying themselves as travel agency owners or heavily involved in agency financials. The survey data was collected online via SurveyGizmo on March 5 and 6, 2020, yielding a reply level indicative of a minimum of 95% confidence with an error rate +/-5% representing the total ASTA agency membership. This is considered to be a good sample with reliable results. While ASTA does not claim that its survey data apply to the entire travel agency industry, we are aware of no considerations that would make the data non-representative.

1. Are you an agency owner and/or heavily involved in the agency's financials?



Value	Percent	Responses
Yes	79.8%	1,084
No	20.2%	275
		Totals: 1,359

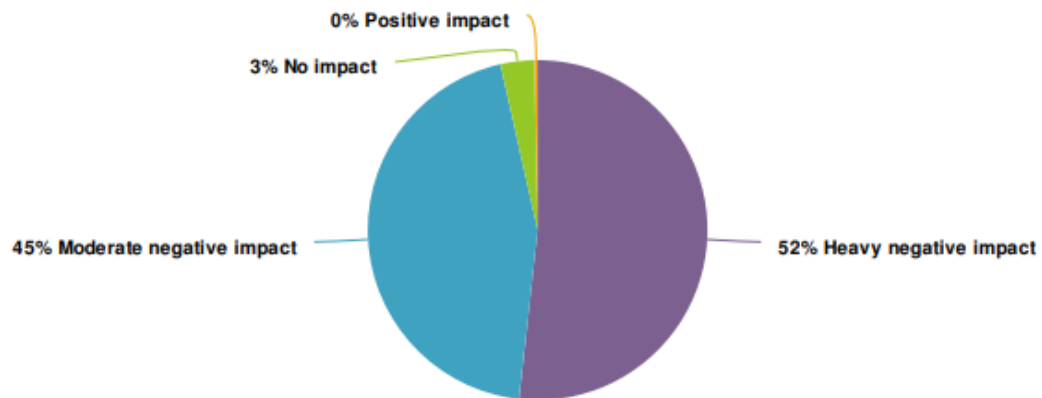
2. Is your business primarily leisure or primarily corporate?



Value	Percent	Responses
Primarily leisure	82.8%	1,125
Primarily corporate	5.7%	77
Evenly split	11.6%	157

Totals: 1,359

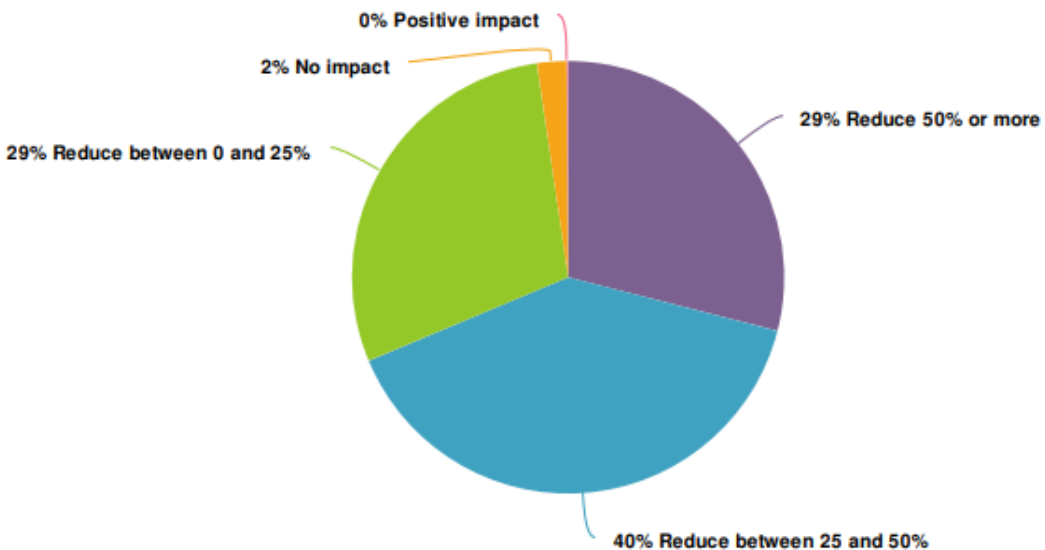
3. What impact will the coronavirus crisis have on your business this year?



Value		Percent	Responses
Heavy negative impact		51.7%	703
Moderate negative impact		44.7%	608
No impact		3.2%	44
Positive impact		0.3%	4

Totals: 1,359

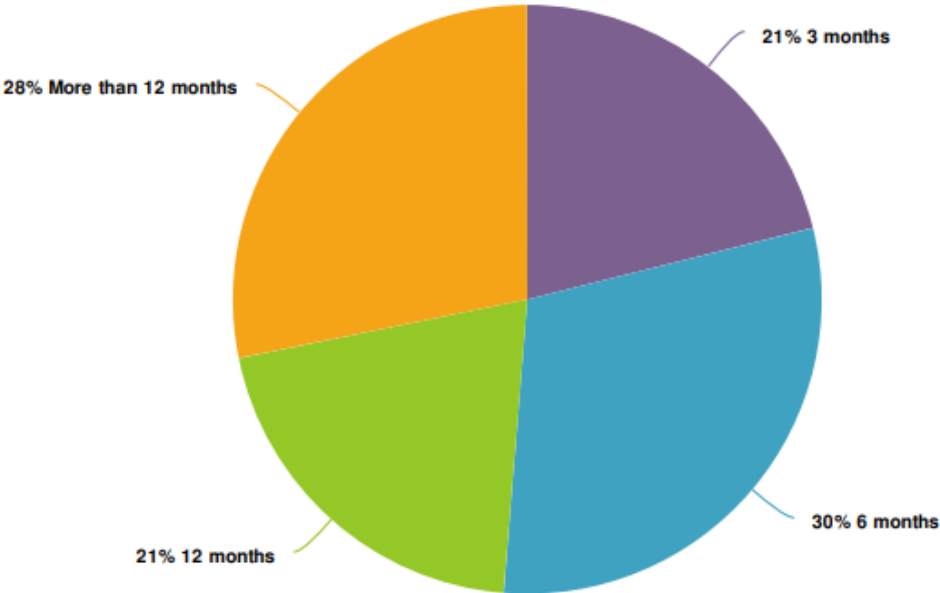
4. What impact will the coronavirus crisis have on your business' revenues this year?







Value	Percent	Responses
Reduce 50% or more	29.0%	390
Reduce between 25 and 50%	39.7%	535
Reduce between 0 and 25%	29.0%	390
No impact	2.2%	30
Positive impact	0.1%	2

Totals: 1,347

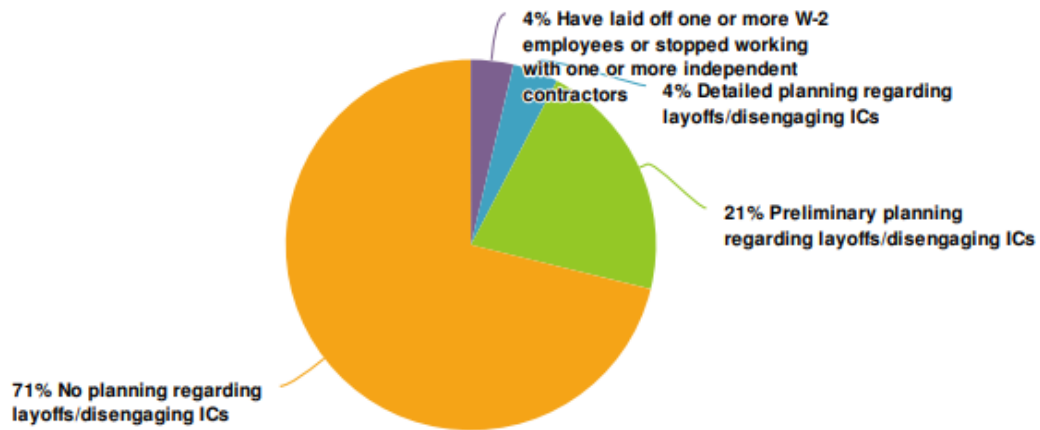
5. Given your current cash reserves, how long can you stay in business during a sustained downturn in client travel?



Value		Percent	Responses
3 months		21.1%	280
6 months		30.2%	400
12 months		20.5%	271
More than 12 months		28.2%	373

Totals: 1,324

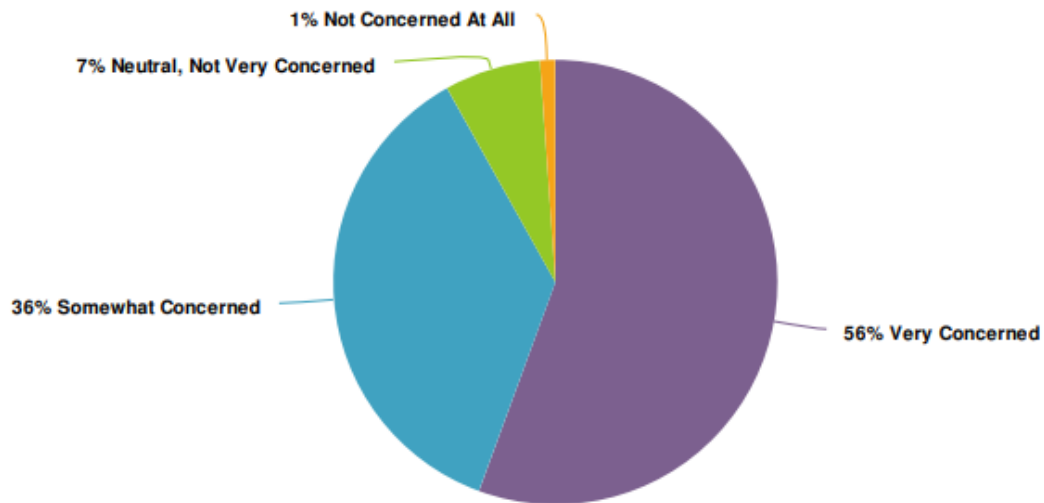
6. Given the current situation, how do you characterize your views with regard to staffing reductions and IC usage at your agency?







Value	Percent	Responses
Have laid off one or more W-2 employees or stopped working with one or more independent contractors	3.7%	49
Detailed planning regarding layoffs/disengaging ICs	4.0%	53
Preliminary planning regarding layoffs/disengaging ICs	21.1%	278
No planning regarding layoffs/disengaging ICs	71.1%	935

Totals: 1,315

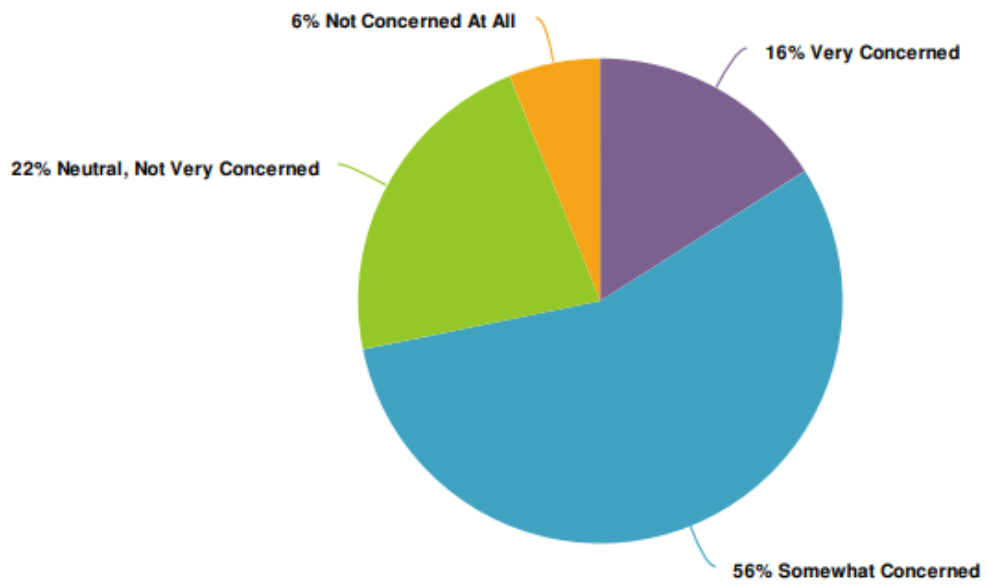
7. Realizing that different clients have different levels of risk tolerance, in general how concerned are your clients about traveling internationally right now?







Value		Percent	Responses
Very Concerned		55.6%	751
Somewhat Concerned		36.3%	490
Neutral, Not Very Concerned		7.0%	95
Not Concerned At All		1.1%	15

Totals: 1,351

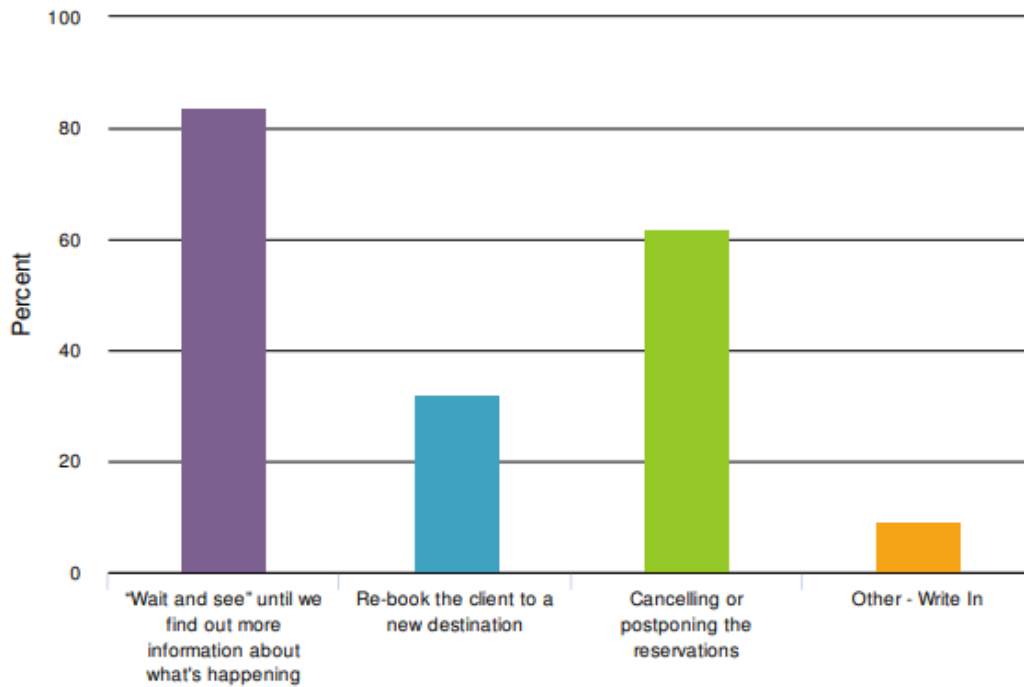
8. Realizing that different clients have different levels of risk tolerance, in general how concerned are your clients about traveling domestically right now?



Value		Percent	Responses
Very Concerned		16.0%	216
Somewhat Concerned		55.8%	753
Neutral, Not Very Concerned		22.1%	299
Not Concerned At All		6.1%	82

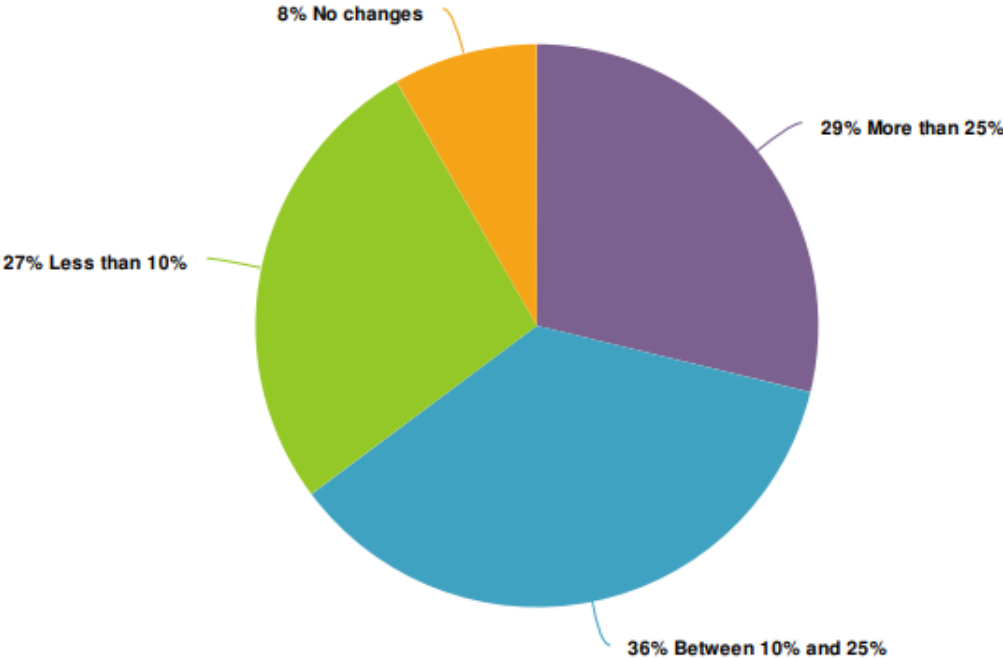
Totals: 1,350




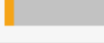
9. What measures are you taking for those clients that might be concerned about traveling right now? Select all that apply.



Value	Percent	Responses
"Wait and see" until we find out more information about what's happening	83.7%	1,133
Re-book the client to a new destination	31.9%	432
Cancelling or postponing the reservations	61.9%	837
Other - Write In	8.9%	121

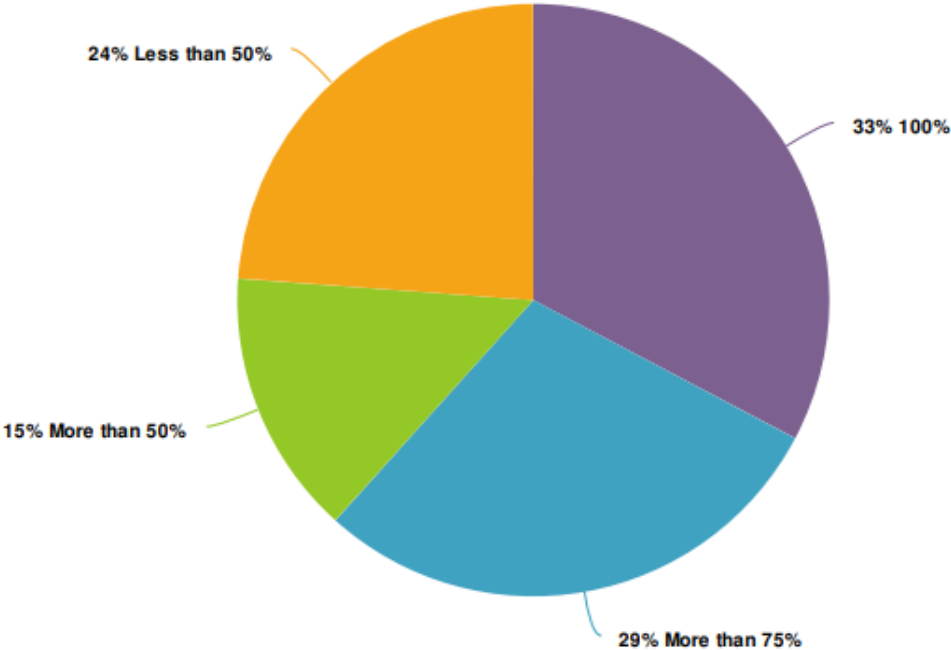
10. What portion of your clients with trips planned are canceling/postponing their trips?



Value		Percent	Responses
More than 25%		28.8%	388
Between 10% and 25%		36.0%	485
Less than 10%		26.9%	363
No changes		8.3%	112

Totals: 1,348

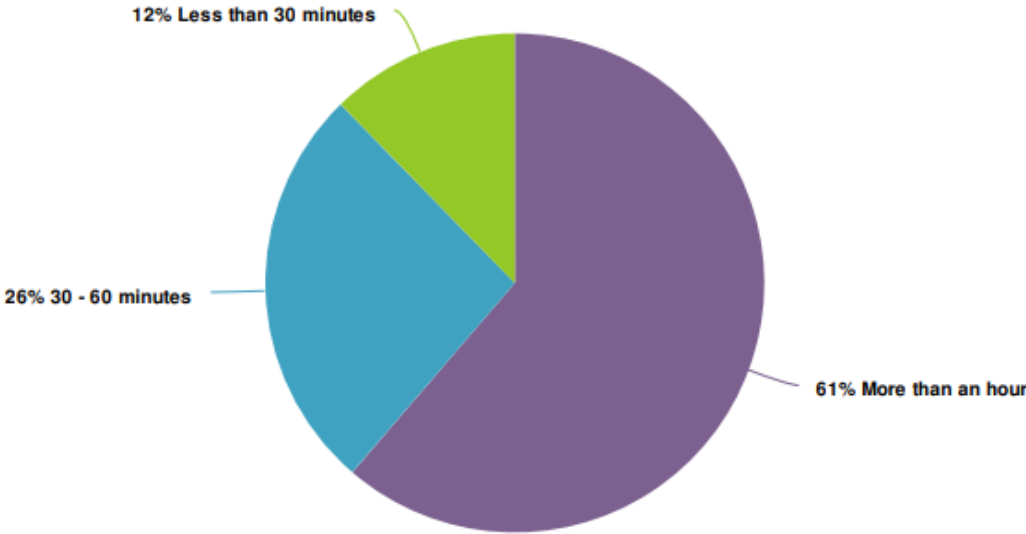
11. Of clients who have requested itinerary changes, what percentages of cases have been resolved to the client's satisfaction?






Value	Percent	Responses
100%	32.7%	405
More than 75%	28.9%	358
More than 50%	14.5%	180
Less than 50%	23.8%	295

Totals: 1,238

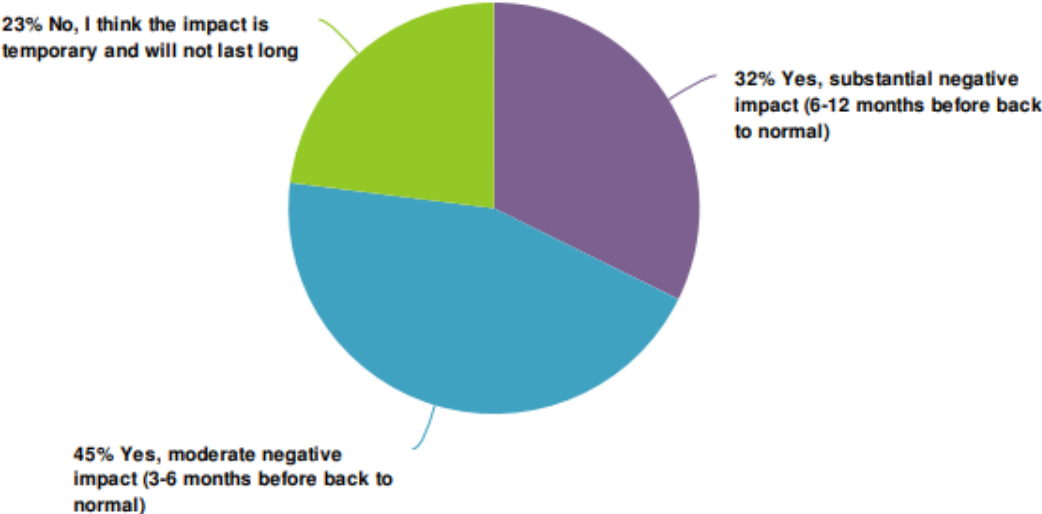
12. Over the past few weeks, how much time on average have you spent on each booking that involved a client concerned about traveling right now?



Value		Percent	Responses
More than an hour		61.3%	818
30 - 60 minutes		26.4%	353
Less than 30 minutes		12.3%	164

Totals: 1,335

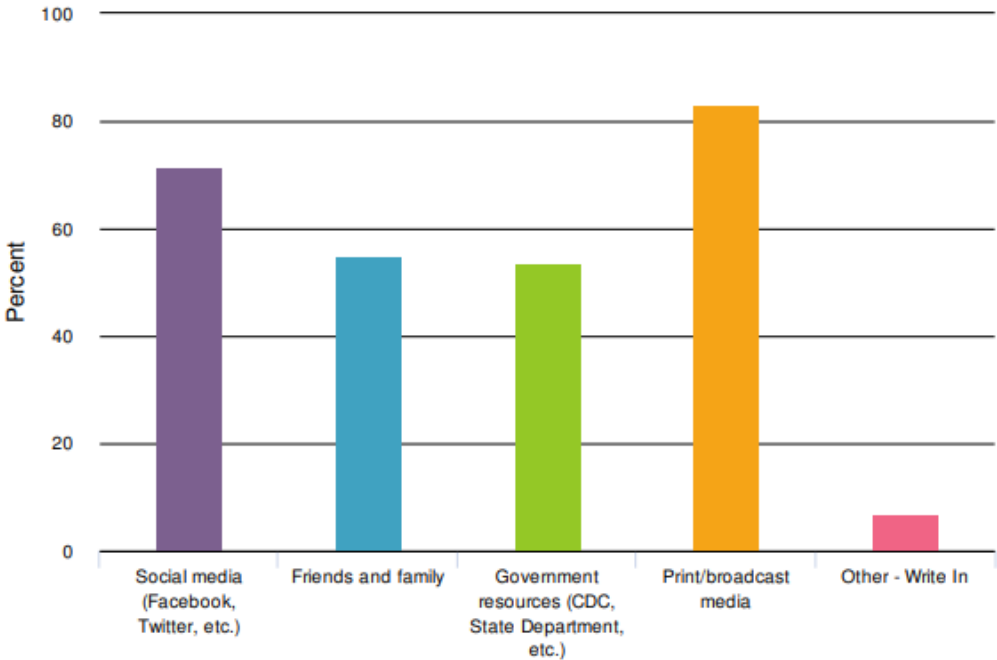
13. Do you think recent events will have any impact on your clients' long-term willingness to travel?








Value	Percent	Responses
Yes, substantial negative impact (6-12 months before back to normal)	32.3%	436
Yes, moderate negative impact (3-6 months before back to normal)	44.7%	602
No, I think the impact is temporary and will not last long	23.0%	310

Totals: 1,348

14. As far as you can tell, where are clients reconsidering travel plans getting their information? Select all that apply.



Value		Percent	Responses
Social media (Facebook, Twitter, etc.)		71.4%	957
Friends and family		54.8%	734
Government resources (CDC, State Department, etc.)		53.4%	716
Print/broadcast media		82.9%	1,111
Other - Write In		6.7%	90