



CALIFORNIA TRAVEL ASSOCIATION

Tourism's United Voice



FLOOR ALERT

August 12, 2021

TO: To Honorable Members California State Senate

FROM: California Hotel & Lodging Association
California Association of Boutique & Breakfast Inns
California Chamber of Commerce
California Travel Association
Chino Valley Chamber of Commerce
Fresno Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater Conejo Valley Chamber of Commerce
Greater Riverside Chambers of Commerce
Hollywood Chamber of Commerce
Hotel Association of Los Angeles
Long Beach Area Chamber of Commerce
Long Beach Hospitality Alliance
Santa Maria Valley Chamber of Commerce
Tri County Chamber Alliance
Tulare Chamber of Commerce

SUBJECT: **Assembly Bill 1074 (Gonzalez)**

POSITION: **OPPOSE**

The California Hotel & Lodging Association (CHLA) and our partner associations urge you to Oppose Assembly Bill 1074 (Gonzalez) because it is unnecessarily vague in application, is an unprecedented expansion of current law, and does not recognize the operational needs of small businesses. This bill unnecessarily jeopardizes an industry that is only now beginning to recover from 17 months of pandemic closures and, according to optimistic forecasts, will take until 2024 to recover.

Hotels are significant enterprises which require a number of specialized services provided by vendors that tailor to their particular needs. Changing vendors is not a proposition hotels take lightly, as the change can be an expensive and time consuming proposition. However, when a vendor no longer meets a hotel's needs or standards, the hotel may need to seek alternative vendor to maintain their operational standards (ie. a hotel will find an alternative vendor if the current vendor employs masseuses that act inappropriately towards guests).

This measure has three main issues which jeopardize hotels' abilities to maintain safe and reputable operational standards.

1. This measure contains unnecessarily vague, and therefore broad, language.

This measure expands statutory contractor-retention law in two sections to apply to guest services "for which a majority of the employee work hours are executed on hotel premises..." and lists a number of services which would fall under the category with the caveat "or other substantially similar positions or services." Unfortunately, the positions listed in this measure vary wildly in function and any clarity provided by including them is undone through this nearly unrestricted language. Further, while this bill somewhat addresses the meaning of the term "guest services," it fails to define "hotel services," which could be interpreted to mean that any services provided to a hotel that are not guest related – such as tax, accounting and legal – are covered by this bill. This ambiguity will likely create litigation and make it more difficult for hotels to access services which may/may not be covered.

2. This measure creates industry-wide liability and contracting issues which will result in disruptions to service.

If a vendor wishes to continue servicing hotels, this measure would force them to absorb the threat of losing their employees, the costs of hiring new employees, and the risk of litigation. For vendors with multiple types of clients (hotels, restaurants, office buildings, etc.) hotels may be a miniscule part of their overall service portfolio and for many, the risks added by this bill may be too great and they may simply choose to stop servicing hotels. Remaining vendors would face reduced competition and increased client acquisition costs, so they would justifiably raise their prices to cover the increased costs and risks. As a result, for the thousands of small, independent hotels across California, this measure could increase transition and operating costs for both the hotel and new vendors beyond what the hotel's business and service contract can support. In these cases, the hotel will simply be forced to stop offering the service or, in the extreme, to close.

3. This measure does not account for the needs of small businesses.

While this measure heavily impacts both large and small hotels, the size of the hotels will ultimately determine how significantly the business is affected and, as the size of the hotel shrinks, the effect of this bill multiplies. Due to their limited resources, small hotels are particularly reliant on vendors to perform even basic operations and have less flexibility to negotiate contracts or source new vendors. If there is a disruption in service, a small hotel will have greater difficulty bridging the gap and is more likely to forego the service entirely. A small Bed and Breakfast Inn whose biggest draw is their outdoor spa may be forced to close the spa due to costs, lack of willing vendors, or the inability to maintain the quality of the service. As this bill is written, every vendor a hotel works with could potentially be a point of issue for the hotel and the more vital the service, the more severely impacted a hotel will be.

California's hotel industry was the most impacted industry by the pandemic, with over 20% of all hotels closing and more 122,000 employees laid-off during the pandemic. By most estimates, it will take three to five years to return to pre-pandemic levels, and longer for some metropolitan areas.

Unfortunately, AB 1074 would not help the lodging industry or people employed by it, but would increase operating costs, threaten small businesses, and represent a significant shift in how the law approaches service contracting. Therefore, we, the undersigned, are opposed to AB 1074 and urge you to vote "NO" on this measure.

Sincerely,



Lynn Mohrfeld, CAE, IOM
President & CEO
California Hotel & Lodging Association



Ashley Hoffman
Policy Advocate
California Chamber of Commerce

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