



June 20, 2020

The Honorable Roger F. Wicker
Chairman
Committee on Commerce, Science and
Science and Transportation
United States Senate
Washington, D.C. 20510

The Honorable Maria Cantwell
Ranking Minority Member
Committee on Commerce,
Transportation
United States Senate
Washington, D.C. 20510

Re: Reply to June 3, 2020 Letter on Impact of Pandemic on Passenger
Transportation Sector

Dear Senators Wicker and Cantwell:

Thank you for requesting the input of the American Car Rental Association (ACRA) with respect to the impact of the COVID-19 pandemic on the American car rental industry and our employees. We also appreciate the opportunity to present to you the steps ACRA would like to see Congress and federal administration agencies take in the near future to assist ACRA member companies, our employees, and U.S. citizens recover from the severe economic downturn caused by the pandemic.

ACRA's Role as The U.S. Car Rental Industry's Leader and Voice

ACRA is the national representative for over 98% of our nation's car rental industry. ACRA's membership is comprised of over 200 companies, including all of the brands you would recognize such as Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Payless, Sixt and Thrifty. ACRA members also include many system licensees and franchisees, mid-size, regional and independent car rental companies as well as smaller, "mom & pop" operators. As of January 1, 2020, ACRA members had almost 2.2 million registered vehicles in service in the United States, employed over 160,000 workers across the country, and had fleets ranging in size from one million cars to ten cars.

The Impact of the Pandemic on the U.S. Car Rental Industry

The basic statistics regarding the impact of the pandemic on the car rental industry since February 1, 2020 are simple and are not unique to the car rental industry -- but they are compelling nonetheless:

- Car rentals at airport locations (which represent approximately 50 percent of all car rentals each year in the United States) are down between 50 and 90 percent, depending on the location;

- Car rentals at non-airport locations (again, about 50 percent of overall rentals) are down between 50 and 100 percent, with some locations shuttered due to lack of rentals;
- ACRA members have laid off or furloughed approximately 60,000 individuals this year – approximately 35 percent of the industry’s U.S. workforce;
- Two of the nation’s top five car rental companies in terms of fleet size have sought protection under Chapter 11 of the bankruptcy code in the last 45 days and other smaller ACRA members may have taken similar actions; and,
- In 2019, ACRA member companies purchased one of every eight new cars sold in the United States; while it is too soon to forecast accurately the 2020 numbers, new car purchases by ACRA members may be reduced significantly this year and in 2021 – causing economic ripple effects through the entire U.S. economy.

Car Rentals as An Essential Critical Infrastructure Industry

The Cybersecurity and Infrastructure Security Agency of the U.S. Department of Homeland Security has classified employees of car rental companies as essential critical infrastructure workers during the pandemic, permitting many car rental companies to continue operations despite state actions to combat the transmission of the COVID-19 virus. Almost all states followed the DHS guidance and permitted car rental companies to remain open and serving our customers during the duration of the pandemic.

Car rental companies – large and small – provide such essential services day-in and day-out to government agencies, other essential businesses, and the public in every community across the country. Especially in times of crisis, the car rental industry meets local and often urgent transportation needs for first responders, health-care workers, and other social-support services such as home-care professionals, food banks and elder-care services. In addition, given increased warnings about public venues and transportation, car rentals may be the only viable option for many American citizens facing medical or family emergencies – and, just as importantly, for those who can’t afford to purchase or maintain a personal vehicle.

* * *

In response to the specific questions posed by the Committee, ACRA respectfully provides the following answers:

1. Impacts and Industry Responses:

The impacts of the pandemic are outlined in the section above. In terms of the industry's response, each company's handling of the challenges posed by the pandemic has been different, but the following trends have been common with many ACRA members:

- Significant lay-offs or furloughs of tens of thousands of employees due to lack of business;
- Large increase in idled rental fleet cars, to the point that simply finding places to park all of the car not on rental became a challenge in some places;
- Financial liquidity struggles due to sharp drop-off in revenues and static debt load (unable to quickly "de-fleet" by selling cars due to soft used car market and magnitude of number of cars to be sold);
- Attempts to "right-size" rental fleets to reflect depressed consumer demand by delaying or renegotiating vehicle purchases from manufacturers and de-fleeting if possible;
- Providing rental vehicles to other essential businesses and employees for reduced or no cost so that health care workers, first responders, and others on the front lines of the pandemic could safely travel to and from work without using public transportation; and,
- ACRA has developed and will release in the near future ACRA's "Rent Clean, Drive Safe" guidelines for use by the industry to establish minimum employee, customer and vehicle cleanliness and social distancing standards for the industry.

2. Continued Impacts in the Near and Long Term

The airport car rental market will be influenced greatly by the return of air travel, and many experts do not predict air travel to return to 2019 levels in terms of passenger enplanements until at least 2021 or 2022. As a result, airport car rental demand will remain at depressed levels for the immediate future, leading to continued reductions in force (or at least no renewed hiring), decreased new car purchases and continued efforts to downsize rental fleets to reflect decreased demand.

While there has been some “light at the end of the tunnel” with respect to demand for off-airport rentals, that light is dim and inconsistent on a market-by-market basis. Rentals for insurance replacement have been diminished by reduced overall miles driven by Americans in general (reduced traffic accidents may be one of the few bright spots from the pandemic), while some local rentals have increased due to concerns about public transportation or the pandemic-related risks of taking airplanes, trains or other forms of mass transportation.

Long-term, the health of the American car rental industry will return as Americans return to the robust business and leisure travel levels we witnessed in 2019. As long as major segments of the domestic car rental industry can survive the financial liquidity stresses of 2020, there is no core reason why the industry cannot return to the level of profitability and employment enjoyed by much of the industry in the latter years of the past decade. However, based on the general lack of financial assistance provided to the American car rental industry to date by the federal government during the pandemic (as will be detailed below), the survival of a portion of the American car rental industry remains in doubt.

3. Employee Impacts and Steps Taken to Protect Them

Our industries’ employees are one of our most important assets and it has been difficult for American car rental company executives – whether one is with a large or small company – to make the necessary decisions to furlough or lay-off tens of thousands of employees since the start of the public health emergency. However, these steps were unavoidable from many companies due to the lack of car rentals and also due to the delays in implementing Title IV of the CARES Act for mid-sized and larger companies.

Many ACRA members that are classified as small businesses were able to apply for and receive CARES Act Title I loans through the SBA and the Paycheck Protection Program (PPP). These companies, as a result of these PPP loans, were able in many cases to retain most or all of their employees or rehire some of their furloughed employees.

Many other ACRA members that have 500 or more employees have waited – to date in vain – for the Main Street Program and other CARES Act Title IV programs for large companies to be implemented by the Department of the Treasury and the Federal Reserve Board – despite the fact that over three months has passed since Congress passed the CARES Act. It is impossible to know whether some of the ACRA member companies that have ceased operation or sought bankruptcy protection since the start of the pandemic could have avoided doing so if the CARES Act Title IV programs had been implemented expeditiously – we’ll never

know, nor will the thousands of employees who no longer work for those companies.

With respect to protecting the American car rental industries' employees, as noted above, ACRA's Board of Directors will soon release comprehensive employee (and customer) protection, sanitation and behavior guidelines called "Rent Clean, Drive Safe" which we consider to be second to none in the global car rental industry or other hospitality industries.

4. Protecting the Traveling Public

ACRA's "Rent Clean, Drive Safe" guidelines will contain comprehensive and effective protections for our customers and our employees. As CDC or WHO guidelines change or are updated based on new research or data, ACRA will update our guidelines accordingly.

5. Additional Guidance or Support by the Federal Government

a. U.S. Department of Transportation

DOT Secretary Chao and the Federal Aviation Administration (FAA) have been of significant assistance to the American car rental industry in two specific ways since the start of the pandemic: (1) DOT issued guidance to airports receiving CARES Act grants to consider using a portion of those funds to provide airport concessionaires, including car rental companies, with financial relief from concession contracts and rent obligations due to decreased airport rentals; and, (2) Senior FAA officials have been instrumental in working with ACRA and its members and commercial service airports to reach common ground on modifications to concession contracts. These actions have been essential to addressing, at least in part, the liquidity crisis the car rental industry has faced in the past 90 days and ACRA sincerely is grateful for DOT's and FAA's assistance. However, since the negative impacts of the pandemic continue to be visited on the nation's travel and tourism industries, including the airport car rental market, these discussions must continue and be extended to cover the remainder of 2020 and potentially portions of 2021.

b. Department of the Treasury and Federal Reserve Board

As stated above, many of the programs authorized and funded by Title IV of the CARES Act continue to remain unimplemented as of the date of this letter. These programs will provide essential financial assistance and support to small, medium and large businesses across America. Congress appropriated over \$500 billion for these programs in the CARES Act and yet, almost three months after Congress

passed the CARES Act, not a single loan has been issued under the Main Street Program or other Title IV Cares Act programs by the Treasury Department and the Federal Reserve Board.

Some ACRA members could wait no longer for action by these federal agencies and have taken the necessary steps to address the liquidity crisis caused by the pandemic. Other ACRA members continue to battle the financial “wolves” at the door, but some will not be able to do so for much longer if the CARES Act Title IV programs are not implemented swiftly.

c. Executive Office of the President

President Trump has, via executive orders, closed our nation’s borders to foreign travelers from most other countries. These measures were undoubtedly prudent during the height of the pandemic. However, ACRA trusts that the rationale for these border closures will be revisited at the earliest practicable date to facilitate the resumption of tourism and leisure travelers from foreign countries into the United States. These foreign tourists use rental cars – as well as hotels, domestic airlines and trains, and restaurants – during their visits to our nation. The re-opening of our borders to foreign travelers is an important step towards resuscitating a major portion of the U.S. economy – tourism.

d. Further Congress Action

ACRA has proposed several additional congressional actions, some of which are squarely within the jurisdiction of this Committee, to lend support to the car rental industry and to promote the rebound of the American travel and tourism industries. ACRA’s members would welcome the opportunity to work with the Committee and its individual members to see these actions converted into legislation in the event Congress moves on further pandemic relief and stimulus legislation.

i. Program to Support American Travel and Tourism Industries

As the attached short policy proposal outlines, ACRA supports congressional action to jump-start the American travel and tourism industries through the establishment of a Department of Commerce program, implemented in conjunction with the Department of the Treasury, to provide taxpayers with funds to spend on domestic travel and tourism activities. ACRA has dubbed this program the “T.R.A.V.E.L.S.” program and envisions grants, in the form of debit cards, to each American taxpayer and his or her dependents to be spent with registered domestic travel and tourism merchants – airlines, hotels, car rentals, etc. The proposal outlines the significant and numerous policy benefits of the TRAVELS program. ACRA has discussed this proposal with senior members of Chairman

Wicker's staff and looks forward to working in a bi-partisan fashion to seeing the TRAVELS program enacted in the near future.

ii. Airport Concession Fee Relief

As noted above, ACRA is working with DOT and FAA on securing modifications to existing airport concession contracts for car rental companies to reflect the pandemic's negative impact on rentals at airports. As part of the CARES Act, Congress provided direct grants to airports to assist them with their financial pandemic-related challenges. In any future congressional pandemic relief and stimulus legislation, ACRA asks that Congress provide additional grant funds – over and above CARES grants or new grant requests from the airports -- directly to airports that would be targeted for airport concession contract relief – not just for car rental companies, but for the thousands of retail and food concessionaires across the nation. ACRA estimates that a direct grant program of approximately \$10 billion will provide airports and airport concessionaires with substantial flexibility to provide concession rent relief to airport concessionaires while not shortchanging airports, which have their own financial obligations to meet in these challenging economic times.

iii. Liability Protection

As noted above, car rentals were classified as an essential infrastructure activity during the pandemic. In essence, ACRA member companies were ordered to remain open to assist with the pandemic response. Our member companies did so and followed the guidance of the CDC with respect to cleaning procedures for our facilities and vehicles. ACRA members are very concerned that they could become the target of frivolous and unwarranted legal actions related to alleged COVID-19 infections or transmissions. We support congressional action to limit the liability of all companies – particularly those identified by DHS as essential – if they followed CDC guidelines and were not grossly negligent in their interactions with the public or their customers.

iv. Extension of Full Expensing of Personal Property

Congress authorized businesses to fully expense acquisitions of personal property (such as rental cars) as part of the 2017 "Tax Cuts and Jobs Act." ACRA strongly supported that tax policy change in 2017 and urges Congress make full expensing permanent in the near future to promote economic growth and encourage job creation. Currently, the 2017 full expensing provisions are scheduled to begin sunseting in 2022 and will be fully repealed at the end of 2026. The permanent authorization for full expensing will encourage car rental companies to purchase new vehicles for their fleets as the car rental industry recovers from the economic

downturn caused by the pandemic. And when the car rental industry purchases new vehicles, the positive economic ripple effect can be felt throughout the American economy from vehicle manufacturers to Tier 1 parts suppliers to the tens of thousands of employees who work at companies that supply parts for new vehicles.

6. CARES Act Effects on Car Rental Industry

The primary positive impact of the CARES Act for ACRA members has been the PPP loan facility through SBA and the Department of Treasury. Scores of ACRA members have applied for and received PPP loans – in many cases spelling the difference between ceasing operations and laying off employees and continuing operation even with reduced rental demand.

As noted previously, ACRA members had high hopes for Title IV of the CARES Act and the Main Street Program and remain disappointed that these programs have not been implemented to date by the Department of the Treasury and the Federal Reserve Board. The promise of these programs to lend indispensable financial support to many ACRA members remains and ACRA urges the members of this Committee and your colleagues in the Senate to pressure Treasury and the Fed to implement Title IV of the CARES Act as soon as humanly possible.

* * *

Thank you again for asking for ACRA's input into the Committee's oversight of the federal government's response to the COVID-19 pandemic and to the pandemic's impact on the American car rental industry. If our responses to your questions have raised additional issues or if there is additional information we can provide, please do not hesitate to contact Greg Scott, ACRA's government relations representative, at 202-297-5123 or at gscott@merevir.com.

Sincerely yours,



William Plamondon
ACRA President

Advantage Rent A Car
Orlando, Florida

FEDERAL LEGISLATION TO STIMULATE RECOVERY OF TRAVEL AND TOURISM INDUSTRIES -- THE T.R.A.V.E.L.S. DEBIT CARD

THE ISSUE

The devastating impact of the COVID-19 pandemic on the travel and tourism industries has been well documented. Airline, car rental and hotel reservations are down precipitously since the beginning of the year as non-essential travel virtually ceased in the United States over the past three months. Large, medium and small companies in the travel and tourism industries across America are struggling to survive the economic downturn caused by the pandemic and will need assistance from the federal government to recover from this downturn once the public health emergency declaration has been rescinded.

THE SOLUTION – A “TRAVELS” DEBIT CARD” TO JUMPSTART U.S. TRAVEL AND TOURISM

Congress must pass legislation to provide each taxpayer with a “Tours, Rentals, Airlines, Vacations, Entertainment and Lodging Stimulus” (TRAVELS) debit card in the amount of \$1,000 for each member of his or her family to be used at registered travel and tourism merchants in the United States (airlines, car rental, hotels, etc.) by June 30, 2021. After that date, the card expires and becomes worthless. The Department of Commerce, which already coordinates U.S. travel and tourism promotion programs, would operate the TRAVELS program by establishing a merchant registration system and issuing rules for the use of TRAVELS debit cards.

BENEFITS OF A TRAVELS DEBIT CARD

- **Targets travel industry narrowly and quickly** - funds can be used for domestic travel only, must be used within 12 months;
- **Incentivizes rehiring / hiring** - travel industry will need workers now to handle increased business in 2020 and 2021 – not in the distant future;
- **More stimulating than tax credits or checks** - 44% of Americans do not pay taxes, and unlike checks the funds cannot be banked or used for non-stimulating purposes;
- **Incentivizes competition** - Direct benefit to travel and tourism industries without government “handouts” – industries return to health by earning business from consumers; and,
- **Efficient use of taxpayer dollars:** money is not spent by the government unless the travel pass is used.

INDUSTRIES THAT WOULD BENEFIT FROM TRAVELS DEBIT CARD

Airlines; Car rental companies; Hotels and motels, including casinos; Museums; Charter buses and transportation services; Cruise lines (Rivers, Lakes and Oceans); and, Destination Resorts, Entertainment Facilities and National Parks.