



**CHTA Live: The Resilience Series –
“Debt Restructuring: Planning Now for Long Term Survival”
April 8th, 2020
Q&A**

1. How does one cash flow forecast for the next 3-6 months, let alone income 20/21 projections, that you mention...when none of us has any idea when this will be over?
ANSWER: Best to 'worst case' scenario for the next 3-6 months, assuming near zero occupancy and revenue.
2. On the issue of central banks and minimum capitals, has there been any indication from the central banks around the regions that there might be any relaxing of these requirements?
ANSWER: Justin responded in the session itself
3. How can the region come together to find out which insurance brokers that we can activate to get better coverage as a unit
ANSWER: Getting a uniform plan for the region is difficult given the many different regulatory environments. However, that doesn't prevent CHTA and local efforts to raise industry's questions, concerns and recommendations to the region's major insurance brokers and companies. CHTA has included insurance-related questions in a survey presently being undertaken with members and will be guided by that in advancing discussions with the insurance industry.
4. How is CHTA suggesting hotels deal with requests for refunds if cash flow cannot support? We are offering up to 36 months to rebook but some guests are adamant that they want a refund
ANSWER: I don't think I have an answer to that. If the guests is within their right to cancel for a refund and we have tried everything in our power to get them to reschedule and they don't want to a refund is the only legal option. Not refunding might affect relationships long term. However one thing this has taught us is that we need to always be using cash flow generated from past guest stays (collection of receivables and cash settlement of incidental folios) to fund current months operations. I think all hotels need to analyze their advanced deposits and not be in a position where an advanced deposit is being used to fund current cash costs (operating or capex) as it could come back to bite us. There is a reason why advanced deposits are classified as a liability on the balance sheet!
5. For small hoteliers bankruptcy is looking like an option all be it an unpalatable one. Can I get the panelists opinion for small hotels with substantial loans!!!

ANSWER: Bankruptcy rules and sophistication of legislation vary greatly from country to country. What may be an option in one country to bridge a company crisis may not work in another. Suggest you secure legal or accountant counsel on this from your jurisdiction.

6. What would be the legal stance on hotels unable to pay taxes and not accruing charges and fees?

ANSWER: Matt Norton: this is best dealt with on a country by country basis. Many countries are offering deferral or waiver of interest and penalties on late payments. CHTA is compiling a list of what's being offered by various countries to date so this can help guide local lobbying efforts.

7. I have business interruption insurance but my insurance company told me with glee that we are not covered for a pandemic, should I burn down the hotel so there is structural damage and then claim!!

ANSWER: That would constitute insurance fraud, which would create a whole host of new problems for you. You might talk to your insurance broker or lawyer in your jurisdiction to see if there are any reasonable grounds to fight the denial of your claim. We are seeing plaintiffs lawyers fighting back against insurance companies by taking on multiple plaintiffs in a single lawsuit.

8. Would you suggest that governments legislate the banks response to this crisis including nationalization of some local financial institutions.

ANSWER: As a matter of principle, in general not supportive of nationalization of local financial institutions. Greater regulatory controls or threats of such might be better leverage point by local governments.

9. Is there a program in place to help small to medium hotels who might not have access to financial expertise?

ANSWER: CHTA's webinar is a first step in that regard. Looking to offer more technical assistance. Companies like those which presenter George Spence represents are an option and should be shopped, as hoteliers may find a small investment in expertise can more than pay for itself.

10. In the DR, we are beginning to see hotel owners asking for insurance coverage due to business interruption, but are being denied by insurance companies. In your opinion, will insurance companies meet hotel demands on this issue and how can insurance companies/hotels/governments agree to a joint effort to prevent a hard blow on the hotels?

ANSWER: You should discuss this with other hotel owners in the DR and then speak to an attorney to see if there is a reasonable basis to fight the denial of the claims. If so, see if he or she would represent the hotel owners in claims against the insurance

companies. Most companies will find that their current policy does not provide for business interruption insurance due to a pandemic. CHTA's allied member SmithOrloff has done a short note on this for members to review which can be found on the CHTA Covid-19 Resource center.

11. For a company with no debt, but was forced to closed due to COVID; what is the best way to utilize existing operational funds without forcing the property to look to the banks to supplement current funds. (this is for a business that recently opened)
ANSWER: Again a short term (6-9 month) and longer term cash flow needs to be done to determine financing needs. If the hotel has sufficient reserves or can get equity from owners that's great but if not bank financing might be the only option
12. What is your advice for constructing a new hotel at this time? Our initial plans were to apply for a bank loan in the next few months. Then Covid arrived.
ANSWER: Personally I'd hold off to determine how things go. Demand will return and it may well coincide with the opening of the new hotel (or not). Plus covid, and the focus on cleanliness and social distancing may lead to new expectations that must be factored into design.
13. Has any forecast been done about the likely extent of bankruptcy in the region and what are the best steps to avoid this?
ANSWER: Matt Norton: I have not seen any forecast. I think it's too early to tell the extent of actual bankruptcies. Best steps are to cut your expenses to bare bones now and look for additional forms of liquidity through loan workouts/operating shortfall advances, fresh capital from new investors, and/or finding alternative uses or non-traditional types of guests (non-local medical or public health personnel etc.).