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Dear Friends and Clients,

It goes without saying that the rapid spread of COVID-19 across the globe has created an unprecedented challenge to the travel industry, far exceeding the challenges experienced by the industry after September 11, 2001, when U.S. airports were shut down for approximately three days and American travelers were afraid to travel overseas for a long period of time. Global travel suppliers, of course, felt the drop off in bookings and revenues. Yet, September 11th was still an American-focused crisis. Today, no entity in any sector of the global travel industry has escaped the complete downturn in its business due to the COVID-19 pandemic.

As recently as three weeks ago, tour operators could account for the sporadic, known COVID-19 hotspots and make planned deviations to ongoing and upcoming departures to avoid problematic areas. That is no longer possible.

As consumer demands rise for cash refunds from cancelled trips, the industry has been proactive in offering full credits for future travel. While the refund issue will continue to be a sticking point for many consumers, limited help may be on the way from certain destination countries such as Italy or France, which have passed or are considering passing laws expressly permitting travel entities within their jurisdiction to offer credits in lieu of cash refunds. The industry can expect rapid developments on this front.

Nevertheless, there is good news. The recently-enacted Coronavirus Aid, Relief, and Economic Security Act of 2020 (“CARES Act”) includes a $349 billion Paycheck Protection Program that expands Small Business Administration (“SBA”) loan eligibility under the Small Business Act to a wide range of small businesses – generally less than 500 employees – that have suffered due to the COVID-19 outbreak. This would likely include most United States travel agents and tour operators.

The SBA and Treasury Department have not yet issued their own regulatory guidance concerning the CARES Act, although we expect them to do so shortly. Banks and other financial institutions will be responsible for loan underwriting, and they are still determining their own procedures and application processes. But with those caveats, travel companies that have lost business as a result of the COVID-19 outbreak are eligible for SBA loans to cover employee payroll and other overhead expenses such as mortgage interest, rent, and utilities for an eight-week period. To the extent the loan proceeds are used for these limited purposes and the company does not lay off or drastically reduce salaries of its employees, these loan proceeds are subsequently forgivable.

As always, our travel law group remains available to assist you with any questions or concerns you may have. We wish you the best in these trying times as you navigate these rapidly changing seas.

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About Smith Duggan Buell & Rufo LLP
Smith Duggan Buell & Rufo LLP was founded in 1989 as Smith & Duggan. The firm has grown and now has over 20 attorneys, with offices in Boston and Lincoln. More information regarding the firm's history and services can be found at www.smithduggan.com.

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