

The beginning of tourism sector stagnation

written by Abhishek Bagga | June 6, 2020



COVID 19 effect on Tourism - How has the COVID 19 Pandemic Affected the Tourism Sector?

We must accept finite disappointment, but we must never lose infinite hope – Martin Luther King, Jr.

Over the past few decades, the majority of countries have considered tourism as a major contributor to economic growth. The investment in this sector has increased year after year making it one of the most developing and growing sectors in the 21st century, generating an annual revenue of more than 4 trillion dollars worldwide. More than 550 million people visit different parts of the world annually as tourists desire to discover the world.

The tourism sector is one of the sectors which have suffered the most due to the COVID-19 pandemic because of travel restrictions around the world as well as a fall in demand among travelers. The United Nations World Tourism Organisation (UNWTO) has estimated a decline of 20%-30% in the global international tourist arrivals in the year 2020, which will lead to an estimated loss of around 30-50 billion USD to the tourism industry[1].

In many of the world's popular tourist destinations, the travel industry has witnessed a decrease of tourist by 60%-80% because of world wide spread of COVID-19, the UNWTO in its report dated April 28, 2020, said that 100% of the worldwide destinations have imposed travel restrictions in response to the outbreak. The report further highlighted that out of 217 destinations worldwide[2]

- 45% have totally or partially closed their borders for tourist – passengers are not allowed to enter;
- 30% have suspended totally or partially international flights- all flights are suspended;
- 18% are banning the entry for passengers from specific countries of origin or passengers who have transited through specific destinations;
- 7% are applying different measures, such as quarantine or self – isolation for 14 days and visa measures.

How does it Impact the Indian Economy?

The travel & tourism sector is one of the significant contributors to the economic growth of the country. In 2018-19, the travel & tourism sector contributed around 9.2% in India's GDP, the industry is also accountable for providing employment opportunities to the rural population of the country.

The tourism industry contributes 12.75% of the employment in the country, 5.56% of it is direct and 7.19% is indirect, over 87.50 million people were employed in the travel sector in the year 2018-19 in India, according to the Ministry of Tourism, annual report for 2019-20[3].

India, having one of the largest tourism industries, has suffered a massive economic loss due to COVID-19. It is estimated that the Indian Tourism Industry will book a revenue loss of rupees 1.25 Trillion in the year 2020. A detailed study by CARE[4], which is one of the most efficient and reliable research & advisory agencies stated that the estimated loss corresponds to a decline of 40% in revenue over the year 2019.

Further, the impact of Covid-19 on tourism was about 50% during January and February 2020 and it might get higher at 70% in March 2020 because of the suspension of international flights. The report mentions that during April-June, the Indian tourism industry is expected to incur a revenue loss of INR 69,400 crore, denoting a year on year loss of 30%.

Is COVID really hospitable to the hospitality business?

The most immediate and evident impact of COVID-19 is seen in the hotel and tourism sector in all its geographical segments - inbound, outbound and domestic and almost all verticals - leisure, adventure, heritage, MICE (Meetings, Incentives, Conferences & Exhibitions), cruise and corporate.

Given various travel restrictions imposed by the Indian government as well as governments across the globe, advance bookings for various conferences and leisure travel bookings to foreign destinations have already been cancelled.

In India, most of the summer holiday bookings (for the state of Kerala, Rajasthan and Goa) have also been cancelled (about 40-50%), thereby impacting domestic tourism.

The impact on the inbound and outbound passengers is expected to worsen in the next couple of quarters. India's total foreign tourist arrivals (FTA) stood at 10.9 million and the foreign exchange earnings (FEE) stood at Rs 210,971 crore during 2019, with Maharashtra, Tamil Nadu, Uttar Pradesh and Delhi accounting for about 60% of FTAs. However, now with travel restrictions in India for over 80 countries and most of the flights of major airlines being suspended, the Indian domestic as well as foreign travel and tourism industry is expected to witness a sharply negative impact in 2020.

The journey towards recovery from COVID fallout

- Helping hand from the owners:

Tourism, around the globe, has slipped into doldrum due to the present inconducive environment. The situation can be reversed and tourism can bounce back with the cooperation of holiday companies, resort owners, hotel owners and whoever has a stake in the business.

To salvage the business losses and to resuscitate tourism back to its old glory, they all have to work in tandem. In this critical situation, owners must provide some form of relief to the lessees or tenants who in turn can pass on benefits to the tourists. A waiver of rent or a discount in the rent can give these holiday companies a fighting chance from going out of business. This strategy can prevent the landlords from losing the tenant in this critical situation permanently. It will be an impetus to the tourism business.

If the landlords lend a helping hand, the tourism business should make an all-out endeavour to reach out to the existing customers and offer them exciting benefits. They should also allure new customers with this beneficial

package. On one hand, the government has issued advisory to the companies and businesses directing against laying off/ retrenching workers/ employees during the present crisis but on the other hand, the government has provided no support to the tourism sector.

- An open channel of communication with the customers:

Due to the present pandemic situation, many holiday companies had to cancel bookings en masse owing to the global travel restrictions. Customers seeking refunds could not be denied if they were entitled according to the terms and conditions of the holiday company. These companies, on the other hand, can negotiate with their customers regarding the memberships and can offer to reschedule the trip. The companies in the sector shouldn't terminate memberships or lose customers amid this transitory problem. At this juncture, these companies should offer substantial and attractive offers to take up holiday travel.

- Avoiding Disputes:

In these challenging times, the tourism industry must adopt a supportive mechanism or create a channel to support its customers by hearing and providing solutions to the queries. The channel created by the industry can address and provide a suitable solution to its customers so that in the future, litigation and disputes can be avoided. This would not only help strengthen the brand name but would also help increase revenues in the long run which would be significant in the growth of the business.

- Government handout for boosting the tourism economy:

As there are no government guidelines/advisories for the companies in the tourism sector, these companies are left with no other option apart from laying off/ retrenching workers/ employees or approaching the owners of the property for suspension/ deferment/ waiver of the rent during the present crisis. Companies have also decided to reduce the number of hotels, resorts that were taken on lease, so they can sustain during these tough times. The government, in the present scenario, arising due to the COVID-19 pandemic/epidemic, should pass guidelines/advisories to ensure the sustainability of this sector that will in turn assure the economy does not come to standstill.

Conclusion

The crawling tourism sector needs government intervention for framing the guidelines/advisories to protect and support the sector by lowering taxes and promoting tourism. The government should pay close attention to this sector as it is one of the most important elements for the growth of the economy. This sector not only provides employment opportunities but also invites foreign exchange earning which in return strengthens the economy overall.

- [1]"Tourism And Covid-19". www.unwto.org.
- [2]<https://www.unwto.org/news/covid-19-travel-restrictions>
- [3]http://tourism.gov.in/sites/default/files/annualreports/Annual%20Report%20Tourism%202019_20_Final.pdf
- [4] Impact of Covid-19 on India,
<http://www.careratings.com/upload/NewsFiles/Economics/Impact%20of%20CoronaVirus%20on%20India.pdf>
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