

POLICY BRIEF

Policy Options to Accelerate Travel and Tourism Recovery in Southeast Asia



The COVID-19 crisis has reduced or suspended operations of travel and tourism businesses, both big and small—from airlines and hotel chains to tour operators and tourist guides. Photo credit: ADB.

Adopt a risk-based and phased approach toward recovery and enhance public–private collaboration to ensure safe and seamless travel.

Published: 16 July 2020

Introduction

The coronavirus disease (COVID-19) pandemic has undercut travel and tourism demand across the world, including in Southeast Asia. To stem the spread of the virus, borders and businesses, including airlines, restaurants, tourist attractions, and hotels, were closed.

Under a baseline scenario where quarantine measures are removed and travel restrictions are eased from June to September 2020, London-based World Travel and Tourism Council (WTTC) sees a \$3.4 trillion reduction in the sector's contribution to global GDP and a loss of 121.1 million jobs or about a third of total employment this year. Asia and the Pacific is expected to be the most badly hit region, with lost income and jobs of \$1.1 trillion and 69.3 million.

The short, medium, and long-term impacts on Southeast Asian countries will depend on a variety of

factors, including their overall economic strength, the economic importance of travel and tourism, the proportion of domestic to international tourism, and their ability to support the sector through crisis management and recovery efforts.

As demonstrated during previous crises, no one stakeholder can drive recovery on its own. Public and private stakeholders need to collaborate and have a coordinated and consistent approach to mitigate impacts and ensure a speedy and effective recovery.

This policy brief is based on a [presentation by WTTC at the Policy Actions for COVID-19 Economic Recovery \(PACER\) Dialogues](#) organized by the Asian Development Bank.

Assessment of Impacts

A demand- and supply-side assessment of COVID-19 impacts on travel and tourism highlight key areas that must be addressed to ensure the swiftest possible recovery.

Demand-side. A mix of economic, psychological, and regulatory effects of the pandemic affects demand. An economic recession will hinder recovery and likely reduce disposable incomes. While certain groups are eagerly awaiting the opportunity to travel again, the pandemic may be increasing risk aversion among certain groups and demographics. In this context, boosting traveler confidence is paramount. Regulations will also influence demand, as the number of visitors allowed to access attractions and services may be reduced. Governments have an important role in helping to stimulate demand and encourage longer stays per visitor to offset lower demand, and in carefully considering the effects of regulations on business operations.

Supply-side. The travel and tourism value chain is extensive, cutting across industries, including airlines, hotels, cruises, tour operators, digital platforms, geographic distribution systems (GDS), restaurants, airports, and car rentals. COVID-19 is affecting each industry in different ways, and how businesses emerge from the crisis will depend on the restrictions they face, the nature and geographic scope of their operations, their demand profile, and their financial health. Currently, nearly all firms have reduced or suspended operations, waiting for lockdowns to ease and travel to resume. Given their typically narrow margins and low cash reserves, bankruptcies and business closures are inevitable unless governments are able to provide significant and ongoing support in the way of injecting liquidity, providing wage subsidies, and helping businesses manage debt. Importantly, small and medium-sized enterprises (SMEs) comprise about 80% of the sector in Southeast Asia. Homestays, hostels, cafés, and restaurants are often small, family-run enterprises and are particularly vulnerable to lengthy crises. To avoid mass closures, efforts should focus on supporting SMEs to access affordable credit and temporarily reduce operating costs.

Four-Phase Recovery Process

Policies to support travel and tourism recovery may be implemented in four phases.

Phase 1: Managing and Mitigating the Crisis

Policy options for immediate sector support and implementation.

1. **Protect workers' livelihoods.** Provide financial assistance to safeguard workers' incomes and support skills training.
2. **Fiscal support.** Waive taxes, fees, and other government charges for 1 year or longer.
3. **Inject liquidity and cash flow.** Provide cash flow assistance to support large and small businesses, as well as targeted support to severely affected, structurally important subsectors. Consider extending vital, appropriately sized interest-free loans to companies and SMEs to prevent their collapse.
4. **Support the informal sector, including business registration.** Promote business registration to broaden and make more effective support from government and financial lending institutions.
5. **Comply with travel bans.** Implement measures that support directives protecting public health.

Phase 2: Restarting the Travel and Tourism Sector

Policy options to enable successful resumption of services.

1. **Coordinate subsectors.** Ensure coordinated, holistic approaches to restarting different subsectors (e.g., food services, conventions, and exhibitions). Enable coordination between and among governments to manage phased reopening to different markets.
2. **Define new global protocols.** Implement health and safety protocols across subsectors to rebuild confidence among consumers, assuring safe travel once restrictions are lifted.
3. **Regulatory relief and reinvestment.** Implement moratoriums on penalties linked to the drop in tourism. Reinvest tourism-specific taxes to protect public goods that are important for tourism and increase public financing for travel and tourism projects that upgrade public facilities and services.
4. **Metrics and strategy.** Establish metrics to measure and manage the rate, extent, and length of recovery. Establish timely data-driven plans and criteria on how and when to reopen borders in a safe, timely, and coordinated manner. Use this information to deliver evidence-based communication that inspires travelers' confidence.
5. **Prioritize the sector.** Continue to prioritize private-sector liquidity needs through explicit political and financial support.
6. **Ease travel restrictions.** Ensure that any travel restrictions are managed adaptively and remain proportionate to public health threats.
7. **Build in sustainability.** Foster public-private-community dialogue to build consensus on how to better deliver shared objectives to boost sustainability.

Phase 3: Reaching Recovery

Policies to rebuild traveler confidence, inspire wanderlust, and strengthen the enabling environment.

1. **Lead with domestic travel.** Promote domestic travel, recognizing it is likely to start sooner and

more quickly than international travel.

2. **Reinspire wanderlust while providing reassurance and rebuilding traveler confidence.** Communicate proactively and facilitate travel and design promotions to reinspire wanderlust. Consider policies that enable appropriate pricing, packaging, and flexible reservations and cancellations. Provide travelers reassurance through better visibility of health and safety protocols and offer simple, reliable, and guaranteed travel insurance to ensure that travelers feel safe.
3. **Facilitate recovery through supportive regulation and incentives.** Ensure that any necessary regulatory actions facilitate long-term recovery and support.

Phase 4: Redesign for the "New Normal"

Policies for a later stage when domestic and international travel approach pre-crisis levels and the travel and tourism sector has successfully adapted to shifting expectations and requirements

1. **Determine new requirements and expectations.** Use data and research to gain an understanding of shifting trends, expectations, and requirements of different travel segments.
2. **Collaborate to develop policies that shape the “new normal.”** Ensure that all actors in the sector are involved in the definition and implementation of new policies and regulations that influence the sector.
3. **Embrace new technologies.** Promote technologies, such as biometrics and digital platforms, that enable a safe and seamless journey.
4. **Communicate openly, promoting domestic and international travel to revitalize the sector.** Trust is a key currency; hence all stakeholders will demand policies that require transparent communication and respect for privacy, particularly digital identities.

Key Considerations

Travel and tourism can and should be part of the solution to drive overall economic recovery, but this requires governments to recognize the sector’s value and to develop coordinated, supportive policies and messages. Indeed, the scale and nature of the COVID-19 crisis are such that central governments must take a leading role in coordinating the recovery from within and across borders. The private sector has a key role to play in driving the recovery, but this must be done in accordance with clear guidelines and communication from governments, who themselves can take guidance from relevant industry associations and international organizations.

There are three key considerations that governments should make as they lead the recovery.

1. Supportive regulation

Any necessary regulatory actions should facilitate recovery, increase resilience, and ensure a healthier travel and tourism sector in the longer term.

As countries recover from the pandemic, hard-hit governments are likely to face the temptation to

capture new revenues just as equally hard-hit companies are starting to reopen and regain footing. As such, governments will need to find a balance between generating public funds and enabling the sector to drive growth and generate jobs. Health and safety regulations, such as arrival quarantines, will need to be managed carefully to avoid dissuading visitors.

Governments can consider creating incentives to support SMEs and putting tourism infrastructure investment on the fast track. Members of the Association of Southeast Asian Nations (ASEAN) should continue to support open skies policies, including pushing forward with the European Union–ASEAN and the ASEAN Open Skies Agreement as appropriate, while reviewing the use of air space and routes with the aim of reducing fuel costs and carbon dioxide emissions.

2. Effective coordination

Governments should ensure that stakeholders are broadly involved in the definition and implementation of new policies and regulations relating to the sector. Each policy recommendation listed above will require different players to be involved, including relevant ministries (e.g., health, transport, finance, interior), government agencies, state-owned enterprises, private sector, and relevant international organizations and industry associations.

Joint public–private approaches at the national and international levels will be especially important to reestablish effective operations, remove travel barriers, reopen borders, and ensure the efficient resumption of flights, movement of people, and widescale travel that is essential to rebuild confidence in the sector.

It will also be important for governments to work with the private sector and health experts to define global protocols for the new normal. These should be grounded in science and easily adopted worldwide by businesses of every size across all travel subsectors.

Similarly, a wide range of ministries, travel, and tourism actors and technology providers will need to work together for destinations to provide a safe and seamless travel experience, combining the latest technology and protocols to increase health and hygiene standards.

In a post-COVID-19 world, the use of biometrics, loyalty rewards, credit cards, and travel history, proof of immunity or vaccine, and other personal information will be particularly important to allow governments and travel providers to more efficiently and safely move the traveler throughout the journey. This is especially relevant to streamline requirements for travelers to present and verify their identity, travel history (recently visited countries), and medical history (i.e., vaccinations) at multiple touchpoints.

Key factors for success require extensive collaboration at the national and international levels. These include:

- interoperability (scalable solutions with seamless public and private sector interaction),
- secure data collection and transparent data sharing using minimal personal information,

- data privacy, and
- intergovernmental and private sector cooperation (bilateral data-sharing agreements between multiple governments and between the public and private sectors).

3. People-centric approaches

Given the nature of travel and tourism, recovery initiatives also need to be people-centric, focusing on how to safeguard residents, tourists, and employees equally. As such, identifying and engaging with these stakeholder groups is critical to effectively disseminate information, provide reassurances, and share best-practice approaches.

Initial Outcomes

Most countries are still somewhere between Phases 1 and 2 of managing and mitigating the crisis and carefully restarting the sector. As such, it is still too early to be able to measure the success of most recovery initiatives. However, looking at the steps outlined in Phase 1, there are various examples of how countries have swiftly implemented travel and tourism support measures.

1. Worker protection

France is implementing one of the most generous furlough schemes (covering 12.2 million workers and costing €26 billion). It pays 70% of workers' gross salary (or about 84% of the net salary), up to €6,927 gross per month. Minimum wage employees receive 100% compensation.

Singapore has rolled out a US\$5 billion Jobs Support Scheme that co-funds the first \$4,600 of gross monthly wages. There are three tiers of co-funding, with tourism and aviation in the highest tier at 75%. The subsequent tiers are co-funded at 50% and 25%.

2. Liquidity measures

In the **United Kingdom**, destination management organizations benefit from a £1.3 million wage support scheme. They can receive up to £2,500 per month for two non-furloughed staff and up to £5,000 to cover operating costs.

The UK also introduced a £25,000 business grant scheme for businesses in the retail, hospitality, tourism, and leisure sectors. The scheme is open to businesses that occupy rental properties as sole tenants.

Hong Kong, China is bolstering capacity for tourism promotion. In February 2020, It allocated an additional \$90.2 million for its tourism board to bolster external promotion.

Portugal has extended a €200 million credit line for travel agencies, animation, and events; €900 million for hotels; and €60 million for micro-companies operating in the tourism sector. The program is managed by the national tourism organization.

Denmark established the Danish Travel Guarantee Fund, which compensates consumers facing cancellations resulting from bankrupt travel organizers. It provided a state loan facility of \$225 million to the fund.

To prevent liquidity crises in cruise lines, **Germany, France, Finland, Italy, and Norway** agreed on procedures to allow cruise lines to suspend repayments (1-year) for cruise ships financed with state export credit guarantees.

3. Fiscal measures

The **Russian Federation** is implementing tax and social security contribution holidays for companies in tourism and aviation. **Indonesia** suspended the 10% hotel and restaurant local tax for 6 months. **Malaysia** suspended tax installments by 6 months for tourism businesses and the **UK** waived retail, leisure, and tourism business property taxes for 12 months.

Other initiatives related to the phased approach highlighted in this policy brief involve sustainable infrastructure investment, domestic tourism, and coordination.

Iceland launched a \$110 million investment acceleration initiative with several projects supporting travel and tourism, such as public infrastructure and greenspace improvements, technology development, and electrification of rental vehicles.

Viet Nam's tourism promotion campaign "Vietnamese People Travel in Viet Nam" debuted in mid-May 2020 to introduce quality tourism products and service packages at reasonable prices. Similar efforts followed in Thailand, Indonesia, and the Philippines, as they eased domestic travel restrictions.

Sri Lanka released comprehensive guidelines for a limited resumption of international tourism from 1 August in line with the guidance received from the Ministry of Health and the World Health Organization. The Sri Lanka Tourism Development Authority will implement the guidelines with the cooperation, support, and involvement of relevant public and private bodies and other development partners. Sri Lanka has synthesized the information in a clear, user-friendly Q&A format.

It will be important for governments and other stakeholders to monitor the impact of their various recovery initiatives in order to learn from experience and be better prepared for any future shocks.

Recommendations

WTTC recommends that governments and the private sector adopt a risk-based approach based on high- and low-risk contexts and adopt policy measures accordingly. A “one size fits all” is not the solution. The health and safety of both travelers and those working within the sector are paramount, but this must be carefully balanced with the socioeconomic implications of the measures taken.

WTTC foresees three possible outcomes for the global travel and tourism sector:

1. **Downside scenario.** Easing of current restrictions from September for short-haul and regional travel, from October for mid-haul, and from November for the long-haul. This scenario may result in 197.5 million jobs lost in the travel and tourism sector and a loss of \$5,543 billion in global GDP. Meanwhile, visitor numbers may drop by 73% for international arrivals.

2. **Baseline scenario.** Easing of restrictions from June for regional travel, from July for short-haul or regional travel, from August for mid-haul, and from September for the long-haul. This scenario may result in 121.1 million jobs lost and a loss of \$3,435 billion. Visitor numbers may drop by 53% for international arrivals and by 34% for domestic arrivals.

3. **Upside scenario.** Easing of current measures from June for short-haul and regional travel, from July for mid-haul, and from August for the long-haul. This scenario may result in 98.2 million jobs lost, half the number in the worst-case scenario, and a loss of \$2,686 billion. Meanwhile, visitor numbers may drop by 41% for international arrivals and by 26% for domestic arrivals.

While the best-case scenario will still result in a devastating blow for travel and tourism, this outcome avoids additional harm to the sector as a result of prolonged travel restrictions and protects almost 100 million jobs around the world. This scenario can still be achieved for the global travel and tourism sector if governments implement WTTC’s recommended phased policy actions and steps below.

Firstly, the immediate removal and replacement of any quarantine measure with “air corridors” to countries with similar circumstances to stimulate the travel and tourism sector and the global economy, as well as the removal of travel advisories and bans on nonessential international travel, which prevent insurance protection cover for travelers.

Secondly, the adoption of global health and safety protocols, such as the “Safe Travels” initiative recently launched by WTTC, to provide assurance to travelers that enhanced health and hygiene measures are in place and that it is safe to travel again.

Thirdly, the implementation of rapid test and trace strategies to help contain the spread of the virus, while still allowing people to travel responsibly at home and abroad.

And finally, greater, and sustained collaboration between the public and private sectors to ensure a coordinated global approach to the crisis.

Resources

World Travel & Tourism Council (WTTC). 2020. Tourism Response and Recovery: Rebuilding Economic & Social Benefits; Reinspiring Traveler Confidence. Presented at the Policy Actions for COVID-19 Economic Recovery Dialogues of the Asian Development Bank. 24 June.

WTTC. 2020. Economic Impact Report.

WTTC. 2020. Safe Travels Protocols.

WTTC. 2020. More than 197M Travel & Tourism Jobs Will Be Lost Due to Prolonged Travel Restrictions, According to New Research from WTTC. News. 10 June.

WTTC. Government COVID-19 Hub.

WTTC. 2020. WTTC Discussion Paper: Data Facilitation for the Seamless Traveller Journey.

WTTC. 2019. Crisis Readiness Report.



Tiffany Misrahi

Vice-President of Policy, World Travel & Tourism Council (WTTC)

Tiffany Misrahi is responsible for shaping the travel and tourism sector's policy agenda at WTTC. Prior to WTTC, she was head of the Aviation, Travel and Tourism Industry at the World Economic Forum where she was responsible for the industry agenda and strategic relationships with industry leaders, and for co-editing the *Travel & Tourism Competitiveness* report. She has a MSc in Development Management from London School of Economics.



Asian Development Bank (ADB)

The Asian Development Bank is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

Follow Asian Development Bank (ADB) on

