AT A GLANCE

European Parliament

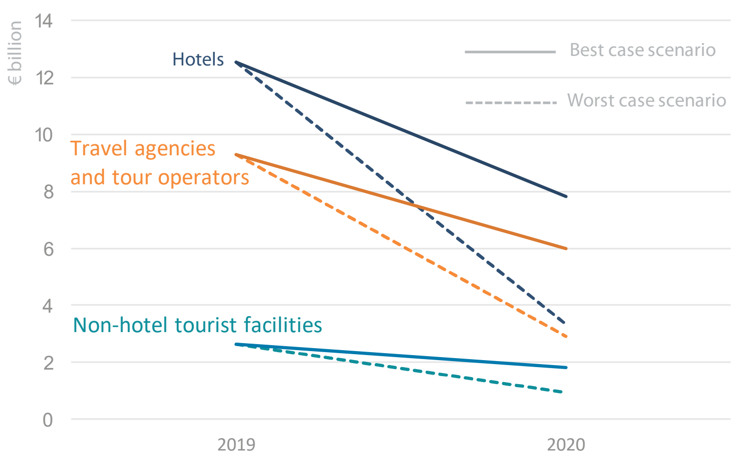
COVID-19 and the tourism sector

The coronavirus outbreak has paralysed the tourism industry, leaving travellers scrambling to return home and devastating economies that are largely dependent on tourism. The European Union (EU) has acted quickly to help the sector, for instance, by offering financial support to businesses, among them numerous small and medium-sized enterprises. At its 26 March extraordinary session, the European Parliament approved three initial measures in response to the crisis, which would, inter alia, benefit businesses and workers in tourism.

State of play

The EU tourism industry, which employs around 13 million people, is estimated to be losing around €1 billion in revenue per month as a result of the outbreak of COVID-19. In many otherwise popular tourist destinations, hotels have been deserted and restaurants, bars, tourist attractions, theme parks and museums closed. Trade fairs, congresses and cultural events have been cancelled or postponed. Sporting events, such as the Euro 2020 football championship and the Olympic Games, have been postponed until 2021. Ski resorts have ended the winter season early. Major cruise companies have halted operations; cruise ships have been stranded at sea, as more and more ports have temporarily refused them entry. Many countries have reintroduced border controls or banned certain travellers from entering their territory, leaving them struggling to return home. The situation is particularly difficult in several EU countries that are key tourist destinations, such as Italy (see Figure 1), Spain and France. According to estimates by the Italian Tourism Federation, Assoturismo, Italy stands to lose around 60 % of its tourists this year.

Figure 1 – Estimated impact of COVID-19 on tourism revenues in Italy for 2020 (€ billion)



Source: Statista.

Considering the evolving nature of the situation, it is too early to estimate the full impact of COVID-19 on **global tourism**. According to United Nations World Tourism Organization estimates, global international tourist arrivals could decline 20-30 % in 2020 as compared to 2019. This could translate into a loss of US$300-450 billion (€270-407 billion) in spending by international visitors (international tourism receipts). In comparison, the SARS outbreak of 2003 led to a decline of just 0.4 % that year. The Organisation for Economic Co-operation and Development says the implied shock could bring a '45-70 % decline in the international tourism economy in 2020'. The World Travel and Tourism Council (WTTC) predicts that in 2020, the travel and tourism market could lose 75 million jobs worldwide and 6.4 million jobs in the EU. The WTTC managing director believes that 'once the outbreak is under control, it would take up to 10 months for the tourism sector to return to its normal levels'.

Air travel has been hit particularly hard. Some airlines, such as low-cost Flybe, have ceased operations, while others have temporarily cancelled all flights. The International Air Transport Association (IATA) says global air travel could lose more than US$252 billion (€228 billion) in 2020. Two million passenger flights have been cancelled until 30 June. Airlines are going through a liquidity crisis: according to the IATA, the typical airline had no more than two months' worth of cash at the beginning of 2020. Airports Council

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International says that European airports would lose 700 million passengers (-28 %) and €14 billion in revenue in 2020. Some airports – such as Brussels South Charleroi – have temporarily shut down.

Within the **hospitality sector**, which is also facing a severe crisis, small and medium-sized enterprises have been particularly badly hit. Many hotels have decided to close due to the drop in demand. In France, the hotel occupancy rate was as low as 3.3 % on 17 March (compared to 65.3 % on 26 February). By 30 March, restaurants and bars had closed in almost all EU Member States, with the exception of Sweden. Many hotels, restaurants and bars have laid off thousands of workers permanently or temporarily. However some hotels and Airbnb hosts have offered medical workers free accommodation to help them avoid infecting their families. Some hotels are also being turned into temporary hospitals.

Initial measures at EU level

The EU is working on many levels to fight the COVID-19 pandemic. For instance, the European Commission is helping to coordinate the Member States' national responses, while also supporting national healthcare systems, the research and development of a vaccine, and treatment. Furthermore, the Commission is ensuring the uninterrupted cross-border flow of supplies. In addition, it is working on mobilising all available resources under the EU budget to support Member States in handling the outbreak. This includes advancing payments, redirecting funds and ensuring that Member States take advantage of the maximum flexibility that the EU fiscal rules afford. Yet again, the Commission has proposed earmarking €37 billion for addressing the crisis under its Coronavirus Response Investment Initiative aimed, among other things, at providing liquidity for businesses and support to people who have lost their jobs. Those in the tourism sector who have been laid off could also get support from sources such as the European Globalisation Adjustment Fund.

The EU Treaties give the EU limited competences with regard to the tourism sector; that is, the EU can only support, coordinate or supplement Member States' actions in this area. Applying this in practice, the Commission has been in constant contact with ministries responsible for tourism, specialised international organisations and the EU tourism industry. The Commission has also provided legal analysis and is setting up a network of European tourism and travel industry associations.

As regards specific tourism-related sectors, the Commission has proposed to suspend the rules obliging airlines to use their allocated slots at EU airports. The Commission has also given guidelines on EU passenger rights and border checks. Those related to border checks include a recommendation to the Member States to impose a restriction on non-essential travel to the EU for 30 days. Furthermore, the Commission has helped to repatriate EU travellers.

The European Parliament debated the COVID-19 outbreak at its 10 and 26 March plenary sessions (the latter an extraordinary one). Among other issues, they stressed the need for establishing common rules on entering the Schengen area. At its plenary session of 26 March, the Parliament debated how to speed up the implementation of measures responding to the COVID-19 outbreak. It adopted, almost unanimously, its position on three legislative proposals: i) launching the Coronavirus Response Investment Initiative; ii) extending the EU Solidarity Fund to cover public health emergencies; and iii) temporarily suspending airport slot rules. Subsequently, these measures were formally adopted and put into force. In a letter dated 24 March and addressed to several European Commissioners, Parliament's Tourism Task Force called for 'a tourism rescue action plan, with concrete short and medium term measures'.

Initial measures at Member State level

Most EU Member States have announced they are introducing **economic assistance packages** that would also cover tourism sectors. Measures include tax moratoriums, extended deadlines for payments of social charges, and wage subsidies, loans and guarantees for workers. Italy has implemented a tourism-specific support package. Some countries have re-nationalised coronavirus-hit companies. For instance, Italy has taken full ownership of Alitalia; the United Kingdom has partially nationalised its railways. France has modified the conditions for cancellations of travel bookings. Sweden has offered credit guarantees for airlines. Many of these measures are a form of State aid that usually requires the Commission's approval. The Commission has stated that it 'will make sure that State aid can flow to companies that need it'. As of 27 March, the Commission had approved 22 State aid plans.