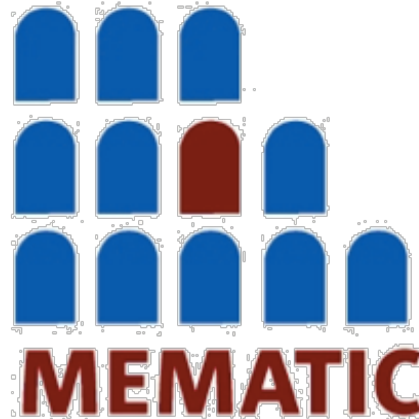




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**MASTER
IN ECONOMIA
E MANAGEMENT
DELLE ATTIVITÀ
TURISTICHE
E CULTURALI**

“Tourism and the COVID-19 Pandemic: Public policy response measures in Italy”

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Introduction

This lesson offers a brief outline of the impact of **COVID-19 impact** on the **tourism sector** at the OECD Countries level and a review of the **measures adopted** by the Italian Government as a **response**.

- A first package of measures addresses **enterprises, jobs, and destinations**.
- Another package offers support and incentive to the **domestic demand**.
- A third package contains **measures for the cultural heritage sector**.

The **learning outcome** of this lesson is to understand in practical terms how **policies** are ready to **respond to emergencies** in the **tourism sector** and the **levers they prioritize** for such interventions.

The context

- The coronavirus pandemic (COVID-19) has triggered an unprecedented crisis in the tourism economy, due to the immediate and severe shock to the sector.
- Revised OECD estimates of the impact of COVID-19 indicate a 60% drop in international tourism in 2020. This could rise to 80% if the recovery is postponed until December. International tourism, within specific geographical regions (e.g. in the European Union), should be the first to experience an economic recovery.
- Domestic tourism, which accounts for about 75% of the tourism economy in OECD countries, should recover more quickly. This is the main opportunity to lead the recovery, particularly in countries, regions and cities where the sector represents a significant part of the labour and business market.

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

The context: points for reflection

- How domestic and local tourism can contribute to the recovery of the sector?
- What are the conditions for a recovery of international tourism at the EU scale?

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

Restrictions and constraints

UNWTO reports that travel restrictions due to COVID-19 are in force in all countries of the world and as of June 1, 2020 156 governments have completely closed their borders to international tourism. It is likely that these travel restrictions will remain in place in the coming weeks and perhaps even longer.

In Europe, for example, the European Commission has called for external borders to remain closed for non-essential travel at least until 15 June.

Other countries are also trying to allow travel with neighbouring countries such as the creation of a corridor in the Baltic Sea to allow tourist flows between Estonia, Latvia and Lithuania¹⁸, or "air bridges" between countries where the virus is contained.

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

Critical issues for tourism SMEs

The pandemic has been disruptive in all branches of the tourism sector, businesses and the destinations, with some components of the sector more affected than others both in the immediate and in the long term. SMEs (most enterprises in the tourism sector are small) are among those.

- Given the often limited resources and barriers to access to capital, the time span for SMEs to survive a shock is likely to be shorter than for larger companies.
- Tourism enterprises that were viable before the pandemic may now be vulnerable. The costs associated with prevention and changes in work processes, such as the adoption of digital tools and the implementation of new operational protocols, may also be relatively higher for SMEs.
- SMEs may have less resilience and flexibility to cope with the costs of such shocks and how there is a serious risk that more than 50% will not survive in the coming months. A widespread collapse of SMEs could have a strong impact on national economies and global growth prospects, as well as on the tourism economy.

Critical issues for tourism SMEs: points for reflection

- What kind of innovation could help tourism SMEs to recover?
- How the digitization of the sector could contribute to the recovery?
- Would the informal tourist economy (airbnb and the like...) be better or worse equipped for reacting to the crisis?

Three scenarios

Scenario 1 (revised): International tourist arrivals start to recover in July, and gradually strengthen in the second half of the year, but at a slower pace than expected (-60%).

Scenario 2 (revised): International tourist arrivals start to recover in September, and then gradually strengthen in the last quarter of the year, but at a slower pace than expected (-75%).

Scenario 3 (new): International tourist arrivals start to recover in December, based on a limited recovery in international tourism before the end of the year (-80%).

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

A framework for recovery measures/1

The impact of the crisis is being felt throughout the tourism ecosystem and the reopening of the destinations will require a joint approach. Tourism enterprises and workers are benefiting from economic stimulus packages and many governments are also introducing specific measures for tourism. Governments and industry are focusing their efforts on the following actions:

- Lifting travel restrictions and working with companies to access liquidity support measures, implement new health protocols to travel safely and help diversify markets.
- Restore travellers' confidence and stimulate demand through new, safer and simpler industry narratives, information apps for visitors and campaigns to promote domestic tourism.
- Prepare comprehensive tourism recovery plans to rebuild the image of destinations, encourage innovation and investment and rethink the tourism sector.

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

A framework for recovery measures/2

Governments have been quick to recognise the specific circumstances affecting SMEs and have put in place support policies that have in most cases followed this sequence:

- health measures and information on how to comply,
- interventions to address liquidity problems by deferring payments,
- measures to provide additional and more readily available credit to strengthen SMEs,
- interventions to avoid the consequences of unorganised redundancies, and
- structural policies.

These general measures for SMEs are also accessible by SMEs in the tourism sector.

<http://www.oecd.org/cfe/leed/COVID-19-Tourism-Policy-Responses%20IT.pdf>

Extraordinary measures for Tourism and Culture in Italy

In Italy, it is the 20 Regional governments who have the responsibility of Tourism policies. At the Central-State level, the Ministry of Cultural Heritage and Tourism is responsible for planning, coordination and promotion of national tourism policies, relations with the regions and development projects in the tourism sector, relations with the European Union and international tourism relations and relations with trade associations and tourism businesses.

In the event of the COVID-19 pandemic, the Ministry of Cultural Heritage and Tourism (MiBACT) has provided a set of national measures for the immediate response, impact mitigation and recovery of the sector.

Measures for tourist demand

MiBACT's support for tourist demand includes:

- For domestic demand, economic measures are established for households with income up to eur 40,000
- Compensation vouchers for tourist packages canceled due to COVID-19 extended from 12 to 18 months
- For foreign demand, an extraordinary communication campaign is planned (20 million eur.)

Measures for occupation in the tourism sector

- Social shock absorbers extended to seasonal tourism workers;
- Partial tax exemptions or suspension for self-employed workers of the tourism sector;
- Three-month 600 to 1,000 eur individual subsidy for seasonal tourism workers
- Redundancy fund extended by 9 weeks for tourism workers, including congress and fairs sector
- Grant for partial coverage of losses for tourist operators with turnover not exceeding 5 mln eur.

Measures for tourism enterprises

- Reduction of targeted Municipal taxes for hotels, spas, marine, river and lake resorts and beach facilities, cafés and restaurants; creation of a fund for compensating municipalities for reduced tax revenues;
- 150 mln eur (2020-2021) for acquisitions, renovation and development of real estate for tourism;
- 25 mln eur grants to compensate tour operators and travel agencies who incurred in loss due to COVID-19;
- 60% tax credits for tourism enterprises up to 5 mln eur turnover and hotels with reduced revenues no less than 50%, for renting buildings and offices;
- Tax credit up to 60% (max 80,000 eur) and contributions (15,000 to 100,000 eur depending on staff number) to compensate cost incurred by tourism enterprises for adapting workplaces and buying sanification equipment and material;
- Tax relief for tourism enterprises that have decided to increase their capital

Measures for Destinations

- Creation of a 100 mln eur for 2020 for compensating municipalities for reduced revenues from visitor's tax.
- Simplification of tax obligations for operators in the tourism sector

Challenges ahead

- In addition to being characterised by a very large group of small and micro enterprises, the tourism sector is also very fragmented and diversified and includes a wide range of industries. The sector faces particular challenges due to this cross-cutting, multi-level and fragmented nature. Tourism services are often interdependent and a crisis in a sub-sector, such as civil aviation, can have disastrous effects on the tourism value chain.
- One of the main challenges facing the sector with the reopening is how to get all these interconnected parts of the tourism supply chain to work together again to offer visitors a seamless tourism experience.