



How Effective are the COVID-19 Fiscal-Support and Restarting-Tourism Policies Taken by the Top 3 European Destinations?

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Abstract

We are facing a most unexpected situation in the travel & tourism industry. In this research, we want to check from an empirical perspective, the suitability and perspectives of different policies implemented among different governments, private companies, and stakeholders, who are thinking about useful policies to strengthen destinations. Countries all over the world have adopted a wide range of economic and social measures to respond to the crisis, in many cases supported by international and regional institutions. A closer look at some concrete measures adopted across the top-3-European-destinations, Spain, Italy, and France, (World Tourism Organization, 2020), will demonstrate the achieved effectiveness, and the suitability to be implemented and replicated in more territories.

Keywords

Destination management, COVID-19, Resilience, DMOs, Tourism planning

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Crisis Recovery Strategies Taken in The Tourism Industry

Among the different measures taken to boost tourism recovery, based on economic growth or sustainability decisions (Hall, Scott and Gössling, 2020). The main policies followed the path of cross-cutting fiscal and monetary decisions to reduce the abrupt impact of this pandemic. Countries are gradually embracing tourism specific policies as well as measures to reopen and boost this sector. As an introductory issue, it is assumed worldwide that there are differences among the concepts of crises and disasters (Reddy, Boyd and Nica, 2020). There are many kinds of crises which happened in the past, hitting the tourism industry as a whole. Several researchers introduced strategies and theoretical assumptions to boost recovery from tourism crises, for example those related with terrorist attacks (Avraham, 2020; Yozcu and Cetin, 2019). Another significant driver of tourism crisis has always been financial issues. Taking into consideration that many European destinations depend on travel & tourism activities, the present financial crisis has deeply affected their economies. This consequence is heightened by the adoption of austerity policies to boost economic recovery (Pappas and Apostolakis, 2020). Unfortunately, in this research, the measures taken did not have the expected results.

It is clear that many different crises affected to the tourism industry in the last years, for example financial crisis, natural disaster crisis, terrorist attacks, etc. These crises usually affect more to those countries where tourism is a major contributor to their economies, as the three countries analyzed in this paper.

By far the most frequent measures approved by countries are post-crisis recovery policies, (Mair, Ritchie and Walters, 2014), including economy-wide incentive packages that focus on tourism, since it is probably the most clearly affected. The fiscal policies cover exemptions or postponements of VAT and corporate income tax, and economic assistance, seeking to relieve the current effects of the pandemic.

Furthermore, governments are moving forward with proposals to restart travel & tourism and encourage tourists to travel, (UNWTO, 2020). The creation of health and sanitary protocols, certifications and labels are a trend to try to deliver confidence within the sector. Some economic policies to support tourism are the exemption or rescheduling of taxes and tourism related fees, launching loan schemes, or financing programmes.

Empirical Policies Taken on Fiscal-Support and Restarting-Tourism in the Top 3 Tourism Destinations In Europe

In order to identify the measures taken by these countries, research was conducted using official tourism sources from both the public and private sector in the travel & tourism industry to identify the main measures included in this document.

These measures are included in tourism national recovery plans drafted by national governments in collaboration with the private sector between April and July 2020. Nearly 170 countries have registered specific procedures to alleviate the consequences of the crisis and speed up recovery.

Among these, almost 150 nations have implemented economic and financial strategies, followed by guidelines to support the tourism employment, proving that fiscal and monetary policies are frequently being adopted as measures for restarting tourism, (UNWTO, 2020). We will have a look at the top 3 tourism countries in Europe (Table 1). The consequences of the policy implementations are considered as positive, negative, and limited.

Concerning this last classification, it referred to the limited effects of some fiscal measures taken, due to time limitations, amount-fund limitation or similar, which can be combined with a positive or negative effect, but taking into consideration that limitations arise when applying these measures.

Regarding the mentioned fiscal policies, we will evaluate the policy responses implemented in three countries and examine their empirical results and the potential to apply these policies to other tourism destinations.

Postponement, exemption, and decrease (up to 50%) of tourism related taxes to enterprises in the travel, hospitality, and other tourism activities such as fees or charges.

France: From May 2020, the French government applied an exemption of tourism taxes to both tourists and tourism companies. The exemption will continue until December (Gouvernement de la République française, 2020)

Italy: The ‘Decreto Agosto’ is the third modification of the national budget (from March) including a guarantee fund to cover the exemption of VAT taxes to be paid by Italian tourism companies (Governo Italiano. Ministero dell’Economia e delle Finanze, 2020).

Spain: 271M€ was budgeted to cover the exemption of tourism companies, and 100.000M€ in financial guarantees to support the industry (Plan de Impulso del Sector Turístico, 2020).

Results: France exemptions contributed to thousands of tourism businesses remaining open, (Les Entreprises du Voyage, 2020) unlike Italy or Spain. Italy is facing the closing of thousands of tourism companies, (Federazione Italiana Associazioni Imprese Viaggi E Turismo, 2020) and in Spain one out of three travel agencies are still closed (CEAV - Confederación Española de Agencias de Viajes,

2020). They all argue that exemptions are extremely limited in time and amount. This leads us to comment that the application of these measures will not guarantee long-term protection in different destinations.

Reduction on services expenses for businesses.

France: Within the supporting plan for the tourism industry, a (25/50%) discount was established for utility expenses such as water service, gas, (Gouvernement de la République française, 2020). The Spanish, (Gobierno de España. Boletín Oficial del Estado, 2019; Gobierno de España, 2020), and Italian Government, (Governo Italiano, Ministero dell'Economia e delle Finanze, 2020) approved a reduction on payment fees the same as in France (from 10 to 30%).

Results: Tourism companies from these countries reported that these policies have been particularly useful during the confinement period of the past months, helping companies to reduce their fixed costs, which was their main issue. Thus, this is a measure that can be recommended with good results for replication in other countries.

Cash flow support and aid to travel agencies.

France: Travel agencies (SMEs) with defined aggregated annual turnover and employing workers, can receive cash flow funds, based on tax returns and turnover (Gouvernement de la République française, 2020).

Italy: Permanent assistance to travel agencies which remain opened offering services to national and international tourists (Governo Italiano, Ministero dell'Economia e delle Finanze, 2020).

Spain: Travel agencies that do not have a special dedicated paragraph within the Plan de Impulso del Sector Turístico, but are included in the recovery funds for Spanish national tourism operators, accommodation, and travel agencies (CEAV - Confederación Española de Agencias de Viajes, 2020).

Results: Travel agencies, lobbies, and associations from these countries reported that this was not effective, because although they had cash flow issues, they did not want to borrow public money by requesting cash-flow public loans, in order to face more debt. Thus, this measure is not a guarantee of success if applied in other countries.

Vouchers (instead of refunds) for journeys and travel packages cancelled due to COVID-19 lockdown.

France: Combined travel packages and air tickets departing from France must be refunded through travel vouchers when tourists request it (Gouvernement de la République française, 2020).

Italy: The government approved holiday and restaurant vouchers for tourists, and a partial-salary of 600€ voucher for travel & tourism unemployed professionals due to the COVID-19 lockdown. Travel packages that were suitable to be refunded according the travel agency regulations (Ministerio dell'Economia e delle Finanze, 2020).

Spain: Vouchers allowed only by tour-operators from travel agencies for trips booked to travel during COVID-19 lockdown period (CEAV - Confederación Española de Agencias de Viajes, 2020).

Results: Tourist vouchers (to encourage tourists to travel again) and travel agency refund vouchers (to encourage tourists to change dates of booked trips) did not seem to be a guarantee of success, since tourists, no matter if they already booked their trip months ago or were being encouraged to travel now through free-money vouchers, still do not feel safe to travel due to the current regrowth of COVID-19 in some countries. Perspectives are not positive for this measure to be replicated since the problem is rooted in the traveler's confidence, no matter how many vouchers or discounts were used to motivate travel.

Health and security rules, accreditations, and labels in tourism businesses (accommodation, restaurants, spa, and wellness centres, etc.).

France: National protocols on health, safety, and hygiene have been developed (Gouvernement de la République Française, 2020), compiled, and managed by one institution.

Italy: Creation of a certificate and protocol 'Viaggiare Securi' to give response to all travelers in Italy (Governo Italiano. Ministero della salute, 2020).

Spain: Spain launched not only protocols, but also a national certification/label for tourism companies (accommodation, travel agencies, transports, etc.) (Plan de Impulso del Sector Turístico, 2020).

Results: France achieved unification of the different certifications/labels proposals received from all around the country, and even created a new department to manage the different national requests and protocols, becoming a complete success (Les Entreprises du Voyage, 2020). In the case of Italy, tourism companies did not report any positive nor negative impact on the implementation of certificates/labels, and in the case of Spain, it became a scandal since the institutional covid-safe certificate for tourism companies and destinations was issued to fake tourism companies without control (El Confidencial, 2020, July 14) and Spanish tourism companies rejected being granted the government label/certificate, developing their own protocols based on trusted safety and security companies, (Bureau Veritas, 2020). To guarantee positive results when implementing this kind of certification in other destinations,

would depend on the credibility and professionalism of the institutional teams in charge to manage these initiatives and the accurate management of the conditions requested to receive certifications.

Establishment of safety corridors between countries to reopen international tourism.

Ministers of nine European countries, including France, Italy, Greece, and Spain, created safe corridors within European regions to guarantee safety when travelling in these regions (European Union Commission, 2020).

Results: The implementation of this decision was a complete success within the three researched destinations. Spain received a group of 10,000 tourists from different German regions, (Hosteltur.com, 2020, June 12). Italy introduced travel corridor exemptions with the United Kingdom without isolation from/to travelers, (The Telegraph, 2020), and France avoided quarantine measures being accepted in the safe travel corridors, (Government of United Kingdom, 2020). Travel corridors became a success story because both destinations (where tourists came from, and where tourists traveled to) are aligned to control any COVID-19 positive infection brought by any tourist.

Conclusions

As analyzed in this research, there are different economical and restart-tourism policies already implemented by governments to try and alleviate the effects of COVID-19 within tourism destinations, but not all of them were successful in the mentioned countries as we showed in this document. The different solutions for tourism hitting crisis are as wide as the ideas that policy makers would be able to draft. Therefore, the perspectives of success when replicating these measures in other destinations are not guaranteed, since the economic scenarios are quite different depending on the economic characteristics of the destinations and their crisis response ratio. These measures represent an interesting starting point to develop more useful responses and measures, since it is quite feasible than these European tourism destinations will suffer a second virus wave, devastating the industry expectations from autumn 2020 to late spring 2021. There are lot of factors which are reducing the positive effects of these strategies, but most of them are rooted in the lack of coordination and knowledge of the tourism industry necessities from the public administrations side. The negative effects of the analyzed measures could have been avoided if the public-private coordination had been led by the private companies, tourism associations, and lobbies. This is a global issue affecting many different countries around the world, and public governments should prioritize the tourism industry as a whole showing more dedication to their issues, avoiding improvisation

since there is already a big amount of proven positive -direct and indirect- effects of this industry in the territories. Tourism recovery is a key factor for many countries success, and the measures and policies that are taken around the world. However, we cannot forget that executing this kind of action becomes just a starting point to face the current negative effects of this sanitary crisis, which are global, thus countries must adopt the most suitable tourism and coordinated policies which would help lead to a strong long-term recovery.

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