Rebuilding Tourism and Hospitality Sectors

COVID-19 Crisis, Policy Solutions and the Way Forward

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COVID - 19 and Tourism: Crisis and Challenges of Tourism Industry in Sri Lanka

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ABSTRACT

The COVID-19 pandemic has created a major crisis in world tourism. The pandemic has created a huge impact of the livelihood of the global citizens including Sri Lanka. The pandemic has destroyed the Sri Lankan economy with the complete closure of almost all the economic activities. Tourism is one of the major industries affected badly by this pandemic. While Sri Lankan tourism industry is recovering from the Easter Sunday attack in 2019, COVID 19 outbreak emerged in 2020 and shutdown the industry completely. Main objectives of this review are, first, to identify the impact of COVID 19 pandemic on the tourism industry in Sri Lanka and second, to identify the challenges to rebuild the tourism industry in Sri Lanka.

The study was carried out using different methods, first, a secondary data analysis was done to identify the impact COVID 19 pandemic on tourism industry using different data sources. Then, the semi structured interviews were carried out with the officers of the Sri Lanka Tourism Development Authority and experts in the professional associations and industry. The findings revealed that the industry is badly affected with the zero level tourist arrivals, decline of foreign exchange earnings, increase of unemployment, financial crisis in the industry, loss of source markets. In this critical situation, industry is expecting active mediation of government to facilitate them with favorable concessions, relief packages, reduction of tax burden, favorable policies to rebuild the industry, Tourism Resilience Plan (TRP). However, it will not be easy in short run in the pandemic affected economies and societies. Therefore, it needs to face the challenges of rebuilding the sector.

Keywords: *COVID 19 Pandemic, Tourism Industry, Crisis and Challenges, Sri Lanka*

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Introduction- Global Scenario to Local Scenario

The COVID-19 pandemic has created a major crisis in world tourism industry. The pandemic has created a huge impact of the livelihood of the global citizens who mainly depend on tourism. Due to the fast spreading of the corona virus the airports, cities, and countries were closed or lock downed. Further, millions of people in quarantined and hundreds of travel bans were in place, COVID-19 has brought the global tourism industry to a grinding end. COVID-19 is an unprecedented crisis and therefore, the destination management organizations did not have any previous experiences and even they could not imagine what kinds of strategies would be used to overcome the devastating situation. This pandemic has impacted different tourism regions in the world in various scales. Mostly tourism generating regions were heavily affected such as Europe, North and South American regions and China and South East Asian countries.

The COVID-19 pandemic is currently having a widespread effect on the global economy. There has been a sharp drop in financial markets and the resulting of growth and income declining, wealth reduction, disturbance of global supply chains in manufacturing and retails such as the drop in energy prices and production due to reduced consumption and decreased international trade for investment and intermediate goods, mostly created by China and other dominant countries. It is obvious fact that the world must prepare for the COVID-19 pandemic led 2020 and 2021 global recession (Silva, 2020).

The tourism industry accounts for 10% of the world's GDP and jobs. According to WTTC, 50 million jobs that could be lost, around 30 million would be in Asia, 7 million in Europe, 5 million in the Americas and the rest in other continents (World Economic Forum, 2020). Further, the equivalent to a loss of three months of global travel in 2020 could lead to a corresponding reduction in jobs of between 12% and 14%. In addition, United Nations World Tourism Organization (UNWTO) estimates a drop of 20% to 30% international tourist arrivals compared to 2019 (Refer Figure:1). It is a huge loss tourism receipt (UNWTO, 2020).

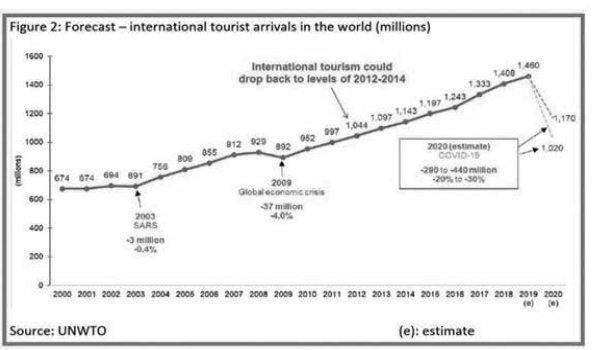


Fig. 1: The Impact of COVID 19 on International Tourist Arrivals

Source: UNWTO, 2020

When the current scenario is analyzed, it is clear that the pandemic declines economic growth, the world will be poorer because of the increase unemployment ratio and collapse of economy. Therefore, strong rebound in the tourism economy is needed with a strategic effort to transform it toward sustainability. Tourism businesses are seasonal and other parts of the years it is just surviving, therefore the business organizations are waiting the tourist's season to have sufficient businesses to manage other parts of the year. Due to the sudden cancellation of the bookings, the travel agents, hoteliers etc. faced a crisis situation. The businesses suddenly came to the zero without having a time to think about their survival strategies. At the same time the government imposed the curfew and shut down some cities asking the organizations to allow their workers to work from home. As a result of that, the business organizations faced a dilemma about their survival. They suddenly decided to lay off their temporary employees and trainees to reduce the operational cost and further some of the small and medium scale travel agents and hoteliers' temporary closed down their business to reduce their overhead costs and potential losses. Thus, the COVID-19 is an unprecedented crisis that has the potential to undo all we once knew about, among others, social inequality, environmental sustainability and host-guest encounters. Indeed, it has shocked the very core of global tourism.

The COVID-19 pandemic started to attack Sri Lanka in the middle part of the tourism season. During this period a larger number of tourists were enjoying in Sri Lanka while some other tourists were already purchased their holidays. Further, the supplier side tourist's organizations were well prepared to welcome all those tourists. Some of the micro destinations of the country are mainly depend on tourism and they do not have other alterative income sources and even they do not think about other income sources since they earn sufficient income to run their businesses/livelihood even during the off-peak period. The vulnerable situation has ruined the entire tourism industry of the country and has created massive impacts on the host and guest communities.

Based on the above background the main objectives of this review are, first, to identify the impact of COVID 19 pandemic on the tourism industry in Sri Lanka and second, to identify the challenges faced by the Sri Lankan Tourism sector in this devastating situation. The study was carried out using a desk review and semi structured interviews with officials in the government, industry associations and experts in the field.

COVID 19 and Tourism in Sri Lanka

Sri Lanka has identified tourism as one of the key development strategies of its local economy. The industry has been growing rapidly since 2009 after ending the terrorism problem of the country and the total tourist arrivals has exceeded 2.3 million in 2018. Tourism represent the 3rd largest income earner of the country, during last few years. Therefore, government wishes to become tourism as the main income earner. The country has taken much efforts to

promote the tourism industry through developing new products, source markets and other strategies. The industry was well prepared to welcome the tourists and satisfy them to meet their business objectives. However, the industry operation was come to an end point with facing a big crisis due to the sudden emerge of COVID 19 pandemic. The tourism industry in Sri Lanka is totally collapsed, the cities were locked down, airports were closed, and many travel restrictions were imposed. Since the situation has happened in the middle part of the holiday season, the tourists were in resorts while having their round tours. Since the virus is attacking and spreading very fast in other country, the government suddenly decided to close down the airport and the same time made travel restrictions to control the spreading of the deadly virus. At the same time impose the curfew covering the whole island to control the mobility of citizens. The tourist started to leave the country, but they faced many difficulties to re-arrange the return journey since most of the air ports were totally closed down. Those who came through the travel agents and other parties took the responsibility and facilitated their stay in the country safely and sudden departures. However, the majority of tourists has arrived to country as FIT (Free Independent Travellers) arranging their own travel, also they are budget conscious, has faced so difficulties to plan their stay and departure, since there is no responsible parties to facilitate their travel arrangements. The government also has intervened to handle the crisis situation; however, it was very tuff since everyone is in shock and conflicted situations.

Top tourist generating markets of Sri Lanka such as China, India and UK are unfortunately badly suffered from the COVID 19 pandemic. China was the origin country of the virus and then it spread vastly globally. The most affected destinations were Europe and America in terms of spread of the virus and the mortality rate. As a result of this impact, Sri Lanka is not getting any bookings for the 2020 winter season from source markets. Many tourism establishments including airlines, hotels, travel agencies tourist shops, SME's, tour guides are facing the challenge of surviving. There is a danger of closing some small and medium scale companies forever and for a long period temporary shutdown. Not only small and medium scale establishments also large scale MNC's are already started laying off temporary and casual staff, stopped salary increments, and even cut salaries at different percentages.

Tourism will be relatively slow in returning to normalcy. It is estimated that, it will take a long time for people to start their leisure travelling once the immediate threat subsides, and airline connectivity and airports start functioning, for tourism to really come back to the normalcy. The COVID 19 pandemic has affected to the whole supply chains of Sri Lankan tourism. Therefore, the whole industry should effectively develop the resilience strategies to recover losses (Miththapala, 2020). Though the situation of Sri Lanka Tourism is currently in a bizarre, the Sri Lankan government and tourism industry professionals are taking strategic plans to take the industry

into normality. However, it won't be easy. There are many challenges to be addressed.

Challenges Faced by the Tourism and Hospitality Industry in Sri Lanka

With considering the current global scenario of COVID 19 pandemic, it is essential to address the relevant challenges adequately with most suitable structural and implementing agencies and their processes. Getting the constructive and continuous contribution of all stakeholders is a must. Therefore, this should be carried out through a public-private and people partnership with multi-level participations. A clear understanding of the special needs and requirements of the affected and non-affected sectors of the economy is decisively essential. Globally integrated trade, technology and training strategies are very important here and they should be successfully addressed to face the global recession, otherwise it could be more painful experience for all countries at different degrees.

During this type of pandemic, business operations are initially facing the four (4) major issues ('4R's), namely (1) **R**egaining their business operation; (2) **R**e-employing their staff members back; (3) **R**edeveloping the business relationship with their suppliers of all kinds of supply chain and (4) **R**eaching their regular customers (Ceylon Digest, 2020). In this scenario, a proper integrated approach is needed with the key stakeholders in the Tourism Industry. However, survival can be tough for small- and medium-sized operators, which constitute a large part of the tourism business. Since the industry largely dependent on tourists, the sustainability of surviving is not easy in short run. The closures and changes in market demand bring about uncertainty. It is time to think about opportunistic moves. It is time to think about opportunistic moves with resilience strategies. The industry need to identify the core competencies and capabilities to cope with the unexpected vulnerable situations.

Epidemic Sustainable Recovery Planning

It is necessary to control the epidemic even to think about the industry recovery. The government need to have a properly developed resilience plan to face the devastating situation more effectively. At the same time, it is also necessary to have a proper social protection, health regulations and health care system to face the post pandemic situations. The prevailing capacity gaps of major responsible organizations and current resource base of the heath sector should be assessed to build resilience to face future threats and challenges. It provides the confidence to tourism stakeholders to back into their business again. To regain the business position, the Industry establishments need subsidized loans, relief of loan recovery period, favorable tax reforms and then only the industry can focus on a sustainable recovery (Hallegatte and Hammar, 2020). Some countries like China, Cambodia and Thailand have already started of giving concessions to uplift the tourism sector.

In a recovery process, first attention must be focused on the households hit by drastically reduced incomes, especially those with exposed occupations in the tourism sector (e.g., tourism, hotels or restaurants, tour guides). When the background is built, next step is to get the positive impacts of COVID 19 pandemic and implement them in the tourism sector. For example, as a result of this outbreak, industry identified the importance of distance business operations reducing unnecessary air travel, more usage and adaptation of technology for meetings and conferences. This can be a new phase for business tourists and MICE Tourism. Furthermore, domestic tourism will play a major role as a short term solution. It will be the short term behavior of the consumers too. Further, the tourism operators need to consider the zero-carbon imperative in combination with destination models seeking to reduce leakage, and to better capture and distribute tourism value (Hall, 2009; Gossling et al., 2016). In addition, for a sustainable recovery, understanding of consumer demand and behavior of post pandemic period are more important. In the case of China, the first country to go through the various stages of the COVID-19 pandemic, McKinsey and Company (2020) found consumers were regaining confidence, and interestingly, a greater interest in environmentally friendly products. Therefore, in future tourism industry will be more focused on alternative forms such as ecotourism, nature based tourism, agro tourism, homestay tourism etc. These tourism forms will be more focusing with nature and society. This will be an opportunity for world tourism sector to reconsider a transformation of the global tourism system more aligned to the SDGs.

The control of the pandemic and regaining the tourism industry position depends on how countries are dealing with the crisis and smart way of escaping from the corona crisis. Local tourism should be encouraged for destinations with the help of good package prices while developing and accessing the international tourism with the strategy of promoting tours with the safest options. Further, industry should take actions to provide a job security for tourism sector employees. Companies can reduce expenses and explore incomes through innovative marketing and create new products and services. There should be a staff retention strategy. The key is to keep surviving.

Regaining the Business Position

The main issue faced by the tourism industry is to regain their previous business while retaining their customer base and employees. In that case, they have to focus on new strategy implementation. According to the interview analysis of the research, various industry strategic points were identified to focus in future. According to the UNWTO predictions, tourism will take some time to bounce back. Tourists will more concern on safety and well-being. Therefore, tourism sector in Sri Lanka, carefully analyse the current needs of the tourists and behavioural approaches when implementing strategies and policies. Many Destination Marketing Companies (DMC's) owners mentioned that their initial attention on strengthening the domestic tourism. It is the first step of recovering during the post pandemic era. They are expecting to

promote excursions (Less than 24 hours travel) initially. Then, they have to move for short distance and long distance travelling and tour packages within the country. The main purpose of this is to give confidence for domestic tourists on normalcy. Due to this pandemic, people lost their income sources. Hence, it is very hard to expect that they will give more priority for travelling. It is one of the obstacle faced by the travel companies. Therefore, they have to provide more promotional packages to attract the customers while adding safety measures or guidelines. Here after, travel companies have to pay more attention on safe and healthy travel of the tourists. Sri Lanka did not much consider about the potential of domestic tourism before. This will be a great opportunity for the industry to focus on it and give more benefits to the community through alternative forms of tourism such as Eco-Tourism. Agro tourism, Home stay tourism, Wellness Tourism, Rural Tourism. While consolidating the domestic market, starting regional tourism is the main business strategy of the travel companies. Thus, the potential inbound and out bound tourists have to be promoted to short haul destination travelling within the Asian region neighboring countries. Further, DMC's can identify new potential regional tourist generating countries and promote them rather than depending on China and India. As a result, we can focus on safe and healthy potential tourist generating countries in Asia such as Malaysia, Vietnam, Japan, Singapore, Hong Kong, Taiwan, Cambodia, Philippine. This will become a good step by step initiation rather than directly focusing on international tourist market as a whole. It will sustain the future tourism business. Continuous promotions in conventional tourism markets and up market tourists in Europe, USA and Australia is also essential while securing the position of world top and safest destination to travel. Sri Lanka should be positioned in the tourists mind as best and safe travel destination even in this crisis situation.

During the discussions, the officials of the Sri Lanka Tourism Development Authority (SLTDA) highlighted the importance of getting tourists to the country as smaller groups. It will be easy to monitor and control the behavior of the tourists. Number of tourists' arrival will be increased methodically if the tourists are provided a safe and better service. Larger group travels can be promoted later after observing the developments in the sector. When consider the Air transportation, it is really important to consider sustainable operations of it after the crisis. Sri Lanka should promote more direct flights to short haul destinations. Further, there is an opportunity to promote domestic aircrafts to domestic tourists. It will be safer and less time consuming for small group travelling. Both Sri Lanka Promotional Bureau and private sector business entities can again promote Sri Lankan Tourism. This time it is important to use virtual promotions campaign than before

All the tourism and hospitality service providers need to adapt disease preventive and controlled methods to maintain the health and safety standards of both guests and hosts. Hence, it is really important for SLTDA and Ministry

to introduce new guidelines to minimize the health risks and operate the business successfully. Since the tourism sector businesses are more vulnerable to face to face human contact, all tourism providers have to follow health and safety precautions strictly. Further, online systems can be promoted and there will be a demand for online reservations, on line check in and check out. It will reduce the contact level of tourists.

Retaining Existing and Potential Employees in the Industry

Since tourism sector is sensitive and vulnerable to the external uncontrollable factors such as diseases, natural disasters, terrorist acts so on, employees who are in the industry have to face these situations very often. As a result, they have to accept various challenges relating to their job security and income. They have a doubt of future. The job is not secured and income level is not stable. In that case they may be discouraged themselves and also influence potential employees' decision on entering to the industry. There may be certain number of qualified tourism and hospitality employees leaving the industry and joining more stable industries in the short-run. Therefore, government and business entities should take immediate actions to protect and retain them in the industry. Otherwise, there will be a difficulty of finding required qualified and trained human resources to the industry in future. However, tourism industry employees should adopt to these situations and survive though it is a great challenge. Further, Public and private sector tourism and hospitality education institutes should take the responsibility of educating employees and aware potential young generation who are currently studying the tourism and hospitality courses about the current situation. Educationists should give the confidence to these young students. The tourism industry has faced these kind of crisis situations in past too. Those crisis could not stop tourism and hospitality industry in the world. It faced short term breaks and came back strongly than earlier. Therefore, all of them in the industry must believe it and have courage to regain the position within a shorter recovery period.

Challenge of Building Resilience

Building resilience of Sri Lankan economy is the process of being aware communities and systems to recover stronger than earlier after facing catastrophes. It is important to have such a resilience plan to better management of future situations. It will sustain the economic prosperity and living standards of the people. Tourism industry also needs that kind of plan to face the challenge of COVID 19 pandemic. Hence government should have an integrated plan with the support of industry organizations to develop a resilience plan for tourism. Tourism organizations should review the existing business plan and develop a continuity plan for it. Companies have to identify the issues faced by them due to this crisis and develop a contingency plans to build resilience and better respond to future crises. The lessons learned from this situation is very important to put the business in correct track. Tourism establishments must assess financial and operational risks and respond quickly. They have to react fast with new conditions and reduce the financial stress.

In this situation, financial support of Central government, tax concessions, favorable policies are essential to rebuild the industry within a short period of time. From employees point of view, companies should come with new working practices such as introducing flexi-time work, work from home methods, actions to provide a safe and healthy working environment, health and safety protections measures. Most importantly strong administration of the government and the discipline of people in the country is essential to face future pandemic like this. Here after, Sri Lankan people have to follow strict health regulations and guidelines that they were not used to it earlier. On the other hand, thus COVID 19 will be an opportunity for the people and the industry to correct their wrong practices and move for more sustainable actions. As a developing nation, it is vital to be proactive and should develop well-focused disaster management and resilience building strategies for future development endeavors of the country, without underestimating the possible future disasters. Further, the country must set up large-scale surveillance systems with a strong virus contact tracing while supporting public-health sector with more facilities. It will give more confidence for tourists and the community to start their normal life.

Conclusion and Policy Implications

Tourism authorities should estimate the consequences of COVID-19 for the global tourism industry in 2020. It is fundamentally unclear how the pandemic will develop until September, and how travel restrictions and massive job losses will impact tourist demand. Therefore, the industry has to get ready with the resilience strategies to face this situation. The government and industry associations should implement favorable policies to protect the industry. The implications of these policies are essential for the future of Tourism industry. Some of the essential suggestions and policy decisions can be mentioned as follows.

Different phases of the COVID-19 response and roadmap of measurable milestones or conditions should be identified to restarting the economy. It is critical to restart the tourism economy at local, national and perhaps limited international scales (e.g., regional level). Opening of airports and air travel with the guidance of health officials and strict health safety measurements are needed here. The government should pay attention on local tourism first. It is important to develop a policy to encourage local tourism and promotion. Therefore, the role of domestic tourism in the recovery and the longer-term transformation to more resilient destinations should be concerned. All the tourism and hospitality service providers must adapt controlled methods for the health and safety of both in-house guests and employees. Not only in the hospitality sector, also in the airlines, office premises, land transportation, shopping and other recreational activities are needed to be operated with proper health guidelines to avoid the risk of COVID 19. The authorities have to introduce new guidelines on how to run the tourism and hospitality ventures while avoiding the health risks.

Tourism promotional activities and policies should be based on the changes in consumer behaviour and travel demand. Behaviour is influenced by a number of factors that include personal economic wellbeing and disposable income, changes in cost, perceived health risks, and changed capacities for consumption as a result of pandemic restrictions (Lee & Chen, 2011). A proper analysis of Post COVID19 tourists' behaviour is really essential before re starting the sector. In future, there will be more online transactions, on line reservations, virtual promotions than earlier. Hence, the authorities and industry officials should take necessary steps to upgrade their systems.

Employees in tourism have been extremely affected by the crisis and developing countries like Sri Lanka will be top among them. The government should take policy decision to provide wage support staff package for sustaining the livelihood of employees. Further, industry should be facilitated with favorable loan schemes, tax concessions. Therefore, policy makers and tourism researchers must identify the global change and collective effort is needed to face this pandemic and take actions to convert the industry in more sustainable manner. Tourism Resilience plan should be developed to face this kind of situations in Future. It will assist the sustainability of the industry.

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