



Strategy to Help Mitigate the Socioeconomic Impact of COVID-19 on Pakistan's Tourism Industry

Tourism Recovery Action Committee (TRAC)
NATIONAL TOURISM COORDINATION BOARD (NTCB)

This strategy document was prepared by the Tourism Recovery Action Committee (TRAC) under the umbrella of National Tourism Coordination Board (NTCB) with contribution from large number of stakeholders from public and private sectors.



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CORONAVIRUS



INTRODUCTION

Outbreak of the Novel Coronavirus (COVID-19) has brought about unprecedented challenges on multiple fronts, across the world. The World is in an uncharted territory, with governments mobilising every resource to mitigate the impact of COVID-19 pandemic. Travel and tourism industry is one of the worst hit sectors during the on-going crisis, putting millions of jobs at immediate risk. There is an urgent need to coordinate policy response to mitigate the socio-economic impact of COVID-19 on Pakistan's tourism industry, while facilitating a fast pace recovery process. This document presents the strategies and action plan for containment of the threat posed by COVID-19 to Pakistan's tourism industry. Immediate steps are required to protect jobs, facilitate businesses and restore the confidence of local and international visitors which was built before the outbreak.

National Tourism Coordination Board (NTCB) and its implementing body, Pakistan Tourism Development Corporation (PTDC) is working closely with Federal government, provincial tourism departments and private sector organizations to develop a coordinated and comprehensive response.

Recommendations presented in this document are based on inputs and feedback from all the tourism sector stakeholders including Provincial departments, Department of Tourist Services (DTS), Pakistan Association of Tour Operators (PATO), Pakistan Hotel Association (PHA), Travel Agents Association of Pakistan (TAAP), Sustainable Tourism Foundation Pakistan and sector specialists. We appreciate the readiness and swiftness of the sector to support the recovery initiative and provide assistance in developing consensus and formulating an effective policy response in these testing times.

It is important to recognize that travel and tourism is a dynamic sector which is labour intensive and employs millions of individuals across the value chain. Group of stakeholders include the destination management companies / Tour operators, hotel & restaurant industry, travel agents, travel guides and SMEs. Every group has been equally impacted by the current crisis. Urgent mitigation and support packages are therefore required to sustain the industry through this pandemic, while simultaneously preparing to regain momentum in the post crisis era. This crisis has created a complex situation, so there is need that all the stakeholders at federal, provincial and private sector levels work in a coordinated manner to be part of the Solution and to bounce back effectively.



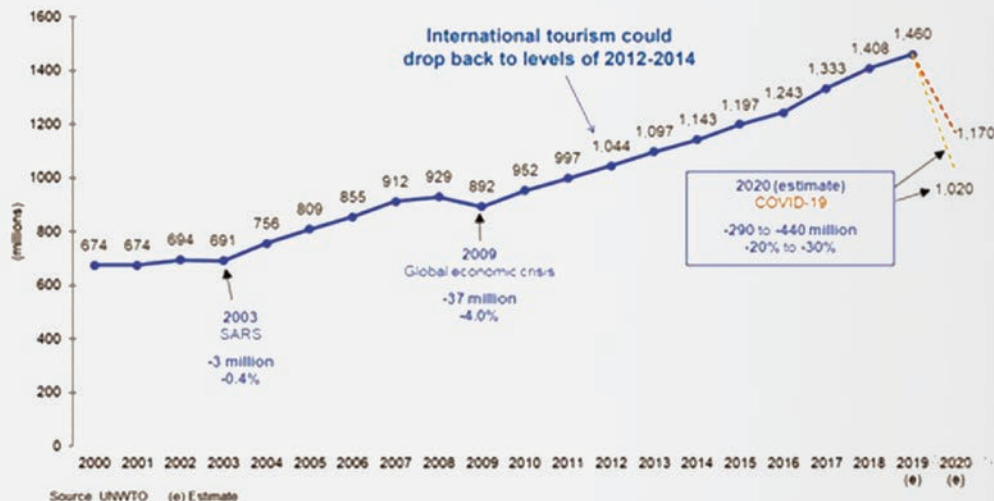
IMPACT OF COVID-19 ON GLOBAL TOURISM

- Travel & Tourism contributes to 10.4% of Global GDP and for eight successive years, has outpaced the growth of the global economy (WTTC).
- Latest research shows that up to 75 million jobs are at immediate risk, which may cause a loss of US\$ 2.1 trillion to the global economy in 2020
- Asia pacific region faces the greatest threat with 48.7 million jobs at risk, as show in the figure below.





2020 forecast - international tourist arrivals, world (millions)



- UNWTO has alerted that the COVID-19 pandemic could lead to a loss of \$ 900 billion to 1.2 trillion in tourism receipts globally.
- The OECD Economic Outlook report of March 2020 mentions that the small and medium enterprises (SMEs) operating in the tourism and transportation sectors are already significantly affected by the virus and the measures to contain it.
- As of 6 April 2020, 96% of all worldwide destinations have introduced travel restrictions in response to the pandemic, and international flights and hotel booking have come to a complete standstill.
- Study conducted by the McKinsey has identified Tourism and Hospitality sector at the greatest risk due to COVID-19, with the impact lasting for the longest duration compared to any other sector.
- Juniper research reveals that tour operators will lose US\$ 25 billion in roaming revenue over the next 9 months due to the prevailing pandemic.



IMPACT OF COVID-19 ON PAKISTAN'S TRAVEL & TOURISM INDUSTRY

- Pakistan's tourism industry, like other parts of the world, is also bearing the brunt of the crisis.
- Pakistan's hotel industry has reportedly lost over Rs. 100 million in just the month February. Hotel booking have also dropped from 95% to 40% in the period January-March 2020.
- Travel and Hospitality Industry is anticipating substantial losses for the years 2020 and 2021 as most of the expenses are of fixed nature.
- International travel has also taken a severe hit, with all airlines halting their operations altogether. Air travel to Pakistan is at halt and PIA is only running limited operation to bring back home stranded overseas Pakistanis.
- Pakistan's tourism sector comprises of daily wagers and small and medium sized entrepreneurs' whose source of income is dependent on tourist season. Due to the prevalence of COVID-19, large number tour guides, porters, tour operators and salaried staff have seen a steep decline in their income.
- The preventive measures to contain the pandemic have affected the sustainability of small eateries, street vendors and creative industries across the country, forcing the employers to send workers on indefinite and in most cases, unpaid leaves. Large number of SMEs in tourism and hospitality will go bankrupt.





- Pakistan's Civil Aviation Authority (CAA) has reported losses of around \$18 million in March 2020 and Pakistan International Airlines (PIA) could be sending its workforce on paid leaves on a rotational basis.

- Bloomberg news has predicted that Pakistan International Airlines (PIA) is most at risk of going bankrupt within in the next two years. They published the list of airlines at risk of bankruptcy using the Z-score method developed by Edward Altman to predict bankruptcy.

This list is illustrated below:

- *Pakistan Association of Tour Operators Association reported 100% cancellation of tour bookings of spring season with estimated revenue losses of USD10 million.*
- *At least 1.5 million jobs in tourism and hospitality sectors are at immediate risk especial in SME sector.*
- *About 90% reduction in expected in foreign tourist arrival during 2020. This will greatly impact on foreign exchange earnings from tourism and government's revenue collection due to reduction in tax collection.*





PREPARING FOR TOMORROW

Swift and considerable measures are required to support the Travel & Tourism sector in the turbulent months ahead. It is imperative that every stakeholder (from public and private sector) is taken on board to develop a comprehensive relief and recovery strategy which protects the individuals and businesses operating within this industry

These recommendations have been formulated as a result of a consultative process, with inputs/suggestions received from every tourism sector stakeholder. The approach highlighted below represents a collective vision aimed at surviving and thriving amid this pandemic.

Three-pronged approach is required to counter the impact of COVID-19:

- I. Survival of the tourism industry and mitigating the impact of COVID-19
- II. Revival and accelerated recovery phase
- III. Positioning for the future to revamp tourism in post COVID-19

Pakistan's tourism sector comprises large number of daily wagers/low income workforce and small and medium sized entrepreneurs' whose source of income is dependent on tourist season. Due to the prevalence of COVID-19, tour guides, porters, tour operators and salaried staff have seen a steep decline in their income. The foremost objective is to provide immediate relief to daily wagers and businesses which are at a risk of bankruptcy. Secondly, in the short term framework, policy actions aimed at accelerated recovery will be needed to guide the sector through the crisis by helping business with the cash flow and liquidity issues through stimulus packages. Lastly, in the short to medium-term phase, strategies will be required to revamp tourism activities and position the sector in a way that the crisis is turned into our strength by upgrading systems and incorporating best practices. A summary of recommendations is provided in following pages:





Strategy to Help Mitigate the Socioeconomic Impact of COVID-19 on Pakistan's Tourism Industry



SURVIVAL OF TOURISM INDUSTRY AND MITIGATING IMPACT OF COVID-19

Incentivize Job retention and provide immediate relief to daily wagers/low income workforce and small businesses

- Facilitate daily wagers/ low salary staff to get them registered on priority basis with Ehsaas Program for food assistance and emergency cash assistance under the government's Ehsaas programme.
- Provide free medical facilities for the unemployed human resource through the government's Ehsaas programme.
- State Bank should provide interest free loans to solve the cash flow problem of tour operators, travel agents, hotels and restaurants to cover staff salary payments for three to four months.
- Coordinate with State Bank to introduce new financial support packages exclusively for tourism and hospitality sectors.
- Provide funds from the EOBI scheme to support the salaries of employees in the Travel & Tour industry. EOBI can contribute a portion of the salaries.
- Tourism Trade Associations should also create their own support funds by involving their members to support most vulnerable segments of the community (porters, guides, jeep drivers, low income staff etc.)



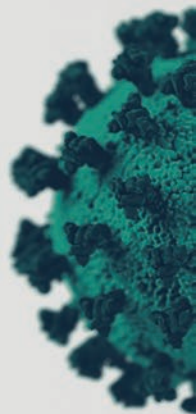


Special training programmes for tourism sector staff including the most vulnerable

- Run special training programs during next few months for tour guides, drivers, interpreters, etc. This will not only raise their capacities but will also provide them sustenance in the form of daily allowance for their participation.
- The existing tourism projects funded by the World Bank, UNESCO, USAID, UNDP, ADB or other bilateral donors need to be restructured in order to focus on immediate survival steps. These
- Organize online and in-house trainings and awareness webinars for tour operations staff, hotels and restaurants workers on improving cleanliness and hygiene standards in their businesses.
- Organize awareness seminars, and trainings workshops on incorporating principles of sustainability in tourism and hospitality businesses.

Support companies' liquidity issues, in order to help them continue keep afloat

- To keep struggling businesses afloat during the period of crisis, State Bank should provide interest free loan to solve the cash flow problem of tour operators, travel agents, hotels and restaurants.
- Reduction in utility bill charges for tour operators, travel agents, hotels and SMEs operating within the tourism sector. These may be reduced to match the tariff provided to textile industry i.e. Electricity @ 7.5 cents/kwh and Gas @ 6.5 cents/MMBTU.
- Defer payments of Utility Bills, i.e. (Electricity, Gas and Water) for at least three months or till resumption of business activities. These deferred payments should be divided into 12 equal monthly instalments after revival of business / trade activity.
- SMEs to get full benefits from Karobar Sahulat Imdadi Package of Rs 50 Billion for small and medium enterprises for payment of 3 months electricity bills.



REVIVAL AND ACCELERATED RECOVERY



Moratorium on existing Loan Payments and government charges

- Provide a moratorium of 6 – 12 months on all loans (principal & interest), including working capital payments and overdrafts.
- Hospitality Industry's long term loans for ongoing projects should be part of the TERF on same terms and conditions. Outstanding long term loans should be frozen and a moratorium of at least three years with repayment in next seven years for the principal amount only.
- Defer all statutory dues such as income tax, advance tax, custom duties, excise duties, bank charges etc. at central and provincial level for at least one year.
- Waive / Reduce GST on products offered by the sector for one-year period.
- Extension of existing DTS & SECP licenses for travel agents, tour operators, tour guides and hotels for twelve months without Fees
- Release of Travel and Hospitality industry related payments including income & sales tax refunds and outstanding payments against services provided.

Provision of stimulus and recovery packages

- SMEDA should provide working capital grants to registered tour operators and hospitality businesses in order to stimulate recovery.
- Encourage Tour operators' participation in international trade fairs for next two to three years by waving off participation fee.
- NTCB and provinces should create a joint fund for promotional activities. This fund should be used for vigorous marketing in post COVID era to attract foreign tourists.
- Government may provide a special package to new SMEs and start-ups to get them registered with DTS to come under the government ambit.



- Incentivize travel by introducing a one-time opportunity for Leave Travel Allowance to be part of the new income tax slabs.
- Promote domestic tourism more proactively through various incentive schemes and nationwide media campaign by PTDC and provincial tourism corporations.
- Social Security and EOBI contribution to be waived off for a year.
- Workers Welfare Board to include T &T and Hospitality employees in their programs.

Negotiating with IATA and other international agencies to provide relief to customers and travel agents

- IATA may be contacted to reduce their renewal fee to last year's threshold, while restoring travel agencies commission on air tickets. Previously, travel agencies were able to earn a 9% commission on tickets which was subject to 10% government withholding tax.
- Contact IATA to allow travel agents and consumers to claim refunds from airlines. Customers should not be forced to postpone their tickets to later dates.
- Ensure that Credit Rating agencies do not down-grade ratings of businesses, due to the expected volatility in the short - medium term.
- Relaxation in landing charges / fees for all airlines to attract more flights to Pakistan in post Covid-19 era.
- Develop networking with international tourism organizations and donor agencies to get more and more technical and financial support for tourism sector in Pakistan.
- PCAA to obtain financial guarantees from airlines to protect the interest of Pakistani Travel Agents.

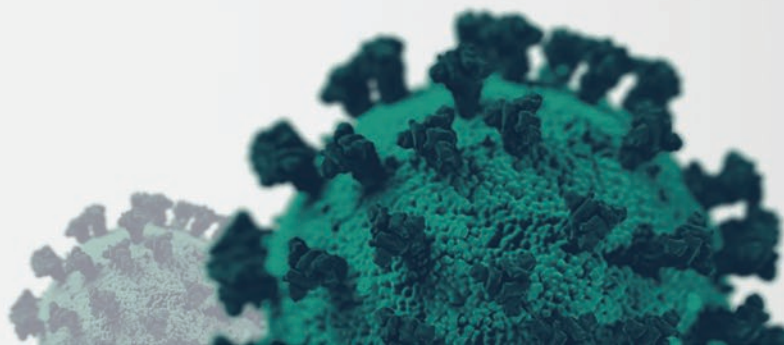


FUTURE POSITIONING TO REVAMP TOURISM IN POST COVID-19 ERA



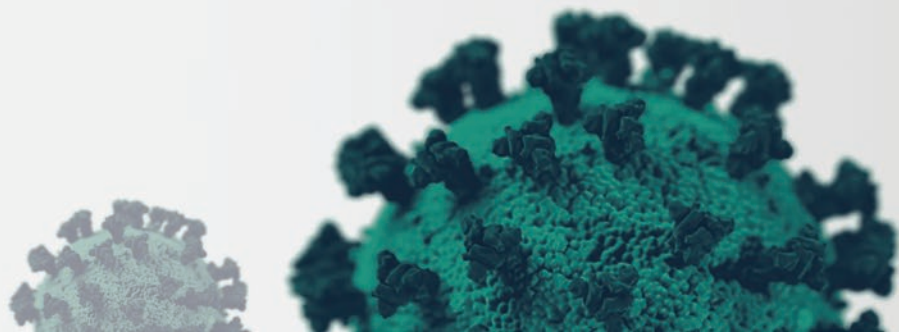
Formulating proactive policies which align with post-COVID era

- Development of SOPs and Minimum standards for all tourism service providers which include hygiene and disinfection regime to operate in the post COVID environment.
- Develop safety and health care SOPs for domestic and foreign tourism movement in different areas of Pakistan.
- Tourism is a recognized services export and therefore Tourism shall be declared as Export Services Industry in Pakistan as well.
- Duty exemption be provided for import of machinery and equipment related to hospitality sector, tourism sports especially mountaineering, trekking, rock climbing etc. and tourism transportation.
- Keeping seasonality of tourism in Pakistan, Government may provide special short term loans/running finance facility on the pattern of agriculture finance scheme.
- A special window of financing for small tourism businesses lacking collateral may be introduced through National Bank of Pakistan whereby cross guarantees of individuals may be accepted.
- Provide facility of maintaining Foreign Currency accounts to tour operators and hotels.
- Comprehensive Marketing & Promotion strategy be develop to re-position Pakistan in Post Covid tourism revival. That shall include all spectrum like print, electronic, social media etc.





- Promote domestic tourism more proactively in next two years through incentive schemes and well-designed media campaign as domestic tourism will be the first to revive in post-Covid era.
- Phased and controlled approach toward destination opening. Concept of “Tourism Bubbles” is the way forward. Tourism attractions/destinations easily manageable could be open first and monitor the patterns i.e avoiding sites where social distancing or implementation of SOPs is difficult.
- Declare 2022 as visit Pakistan Year and start marketing campaigns in advance. Engage tourism associations (PHA, PATO, TAAP) to leverage their contacts to attract visitors.
- Special segment of tourism in Pakistan such as religious tourism, adventure tourism, sports tourism and eco- tourism be focused.
- Enhance role of PIA in tourism development to gain mutual benefit. NTCB and PIA to develop collaborations for tourism promotion and development.
- Enhancement in Air Sorties of PIA to Northern areas at subsidized rates/fares to make the Tourism economical for domestic tourists.
- Introduce visa free entry for top 10 tourist generating countries for period of 2 years.
- Reduce Royalty Fee for mountain Peaks for an interim period to attract more mountaineering expeditions. Reopen closed trekking routes which can be a way to increase adventure and ecotourism activities.



Initiate quality standards, digitization and training programmes for human resource

- Introduce national minimum standards in tourism and hospitality sectors to ensure delivery of quality services to visitors.
- Provide free training and orientation sessions to industry service providers to adopt national minimum standards.
- Introduction of online seminars / conferences and workshop regarding ecotourism, archaeology, adventure tourism and tourist entertainment.
- Improve online presence by developing a dynamic tourism web portal at national level having links of all the provincial tourism organization tourism trade associations.
- Development of online photo exhibitions and virtual tours and V-log competitions to market Pakistan's tourist destinations.
- New online training programmes need to be designed for tourism sector human resource which includes:
 - oTechnology enhancement techniques
 - oClean & Green marketing
 - oRegistration and taxation procedures
 - oDigital marketing
 - oHealth, Hygiene and safety



Upgrade Research and data collection frameworks for COVID 19 to keep up with international practices

- Develop extensive frameworks to collect data on numerous tourism related variables, to make informed policy decisions.
- Conduct social and economic Impact Assessment of the COVID-19 on tourism industry of Pakistan.
- Cultivate research culture in travel and hospitality industry to collect customer feedback to improve
- Involve colleges and universities to research on topics related to tourism and hospitality management to make data driven innovation.
- Produce regular research based reports on latest trends of tourism and hospitality in the country.
- Identification of transferable skills and development of complementary capabilities to increase employability.





**Follow guidelines for
your health & safety**

Action Plan for National Tourism Coordination Board (NTCB)



Actions	Timeframe	Lead Agency and partners
1- Coordinate with Ministry of Economic affairs, Ministry of Finance and other federal agencies for getting relief package, tax exemptions and loan facilitation from State Bank	Urgent	NTCB - PTDC
2- Establish Research cell in PTDC	Urgent	NTCB - PTDC
3- Coordinate with Ministry of Interior for getting visa exemption for top 10 countries	Urgent	NTCB - PTDC
4- Coordinate with donor agencies to get financial support for initiating capacity Building programs for industry service providers	Urgent	NTCB - PTDC
5- Finalize and get approval of national minimum standards for tourism and hospitality sectors	Short term	NTCB - PTDC
6- Update and launch National Tourism Strategy to incorporate impacts of Covid-19	Short term	NTCB - PTDC
7- Update Tourism Branding and marketing strategy to incorporate impacts of Covid-19	Short term	NTCB - PTDC
8- Update PTDC Tourism Web Portal and add necessary geldings to travel in post Covid-19 era	Short term	NTCB - PTDC
9- Prepare case for declaring 2022 as Visit Pakistan Year in consultation with provincial tourism departments and private sector stakeholders	Short to mid term	NTCB - PTDC

Action Plan for Provincial Tourism Departments



Actions	Timeframe	Lead Agency and partners
1- Coordinate with provincial departments and agencies for getting relief package, tax exemptions for tourism and hospitality sectors	Urgent	Provincial Tourism Departments
2- Establish Research cell in respective departments	Urgent	Provincial Tourism Departments
3- Develop SOPs for Tourism and hospitality Service Providers in consultation with private sector and ensure its implementation	Urgent	Provincial Tourism Departments
4- Coordinate with donor agencies to get financial support for initiating capacity Building programs for industry service providers	Urgent	Provincial Tourism Departments
5- Establish support funds in respective organizations by involving members to provide support to most vulnerable segments of the community (porters, guides, jeep drivers, low income staff etc.)	Short Term	Provincial Tourism Departments
6- Update Provincial Tourism politics/strategies to incorporate impacts of Covid-19	Short Term	Provincial Tourism Departments
7- Update Tourism branding/marketing strategies to incorporate impacts of Covid-19	Short Term	Provincial Tourism Departments
8- Update Provincial Tourism Web Portal add necessary geldings to travel in post Covid-19 era	Short Term	Provincial Tourism Departments
9- Focus on domestic Tourism Promotion in 2020 and join hand with NTCB for international marketing	Short Term	Provincial Tourism Departments
10- GB need to announce reduction on Mountain Royalty Fee	Short Term	GB Tourism Departments
11- Promote national minimum standards to improve quality of services in tourism and hospitality sectors	Short Term	Provincial Tourism Departments

Actionplan for Private Sector Trade Associations



Actions	Timeframe	Lead Agency and partners
1- Establish close liaison with federal and provincial tourism departments for getting relief package for tourism and hospitality sectors	Urgent	PATO/TAAP/PHA
2- Establish data collection cells in respective organizations	Urgent	PATO/TAAP/PHA
3- Coordinate with Provincial Tourism Departments for Developing SOPs for Tourism and hospitality Service Providers	Urgent	PATO/TAAP/PHA
4- Coordinate with federal and provincial tourism departments for initiating capacity Building programs for industry service providers	Urgent	PATO/TAAP/PHA
5- Encourage members to adopt national minimum standards to improve quality of services in tourism and hospitality sectors	Short Term	PATO/TAAP/PHA
6- Establish support funds in respective organizations by involving members to provide support to most vulnerable segments of the community (porters, guides, jeep drivers, low income staff etc.)	Short Term	PATO/TAAP/PHA
7- Join hand with provincial and federal tourism departments for tourism marketing and promotional activities	Short Term	PATO/TAAP/PHA
8- Organize awareness seminars, and trainings workshops on incorporating principles of sustainability in tourism and hospitality businesses	Short to mid Term	STFP



Tourism Recovery Action Committee (TRAC)

Name	Designation/Organizations	Position
Mr. Aftab ur Rehman Rana	President STFP/Member NTCB	Chairman
Syed Intikhab Alam	Managing Director PTDC	Member
Mr. Ehsan Buttha	Secretary Tourism Punjab	Member
Mr. Ghulam Akbar Leghari	Secretary Tourism Sindh	Member
Mr. Khushal Khan	Secretary Tourism KP	Member
Mr. Zafar Buledi	Secretary Tourism Balochistan	Member
Ms. Midhat Shahzad	Secretary Tourism AJK	Member
Mr. Asifullah Khan	Secretary Tourism GB	Member
Ms. Sumaira Isaacs	Advisor to Chairman NTCB	Member
Mr. Maqsood ul Mulk	President PATO	Member
Mr. Naeem Sharif	Chairman TAAP	Member
Mr. Zubair Baweja	Chairman PHA	Member



Pakistan Tourism Development Corporation (PTDC),
Flashman's Hotel, The Mall, Saddar, Rawalpindi, Pakistan.
<http://www.tourism.gov.pk/>