

**Project Dissertation Report**  
**on**  
**COVID-19: Impact on International Travel &**  
**Hospitality: Travel, Logistics, and Infrastructure Practice**

Submitted by:

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Under the Guidance of:

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# CERTIFICATE

This is to certify that Aditya Koul, Roll No.: 2K19/EMBA/503 student of Masters of Business Administration (Executive 2019 – 2021) at Delhi Technological University, Delhi has accomplished the project titled “COVID-19: Impact on International Travel & Hospitality: Travel, Logistics, and Infrastructure Practice” under my guidance and to the best of my knowledge completed the project successfully, for the partial fulfilment of the course in 4<sup>th</sup> semester of the course MBA (Executive).

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## DECLARATION

I, “**ADITYA KOUL**” hereby declare that the project report entitled “**COVID-19: Impact on International Travel & Hospitality: Travel, Logistics, and Infrastructure Practice**” is done by me under the guidance of **Dr. Meha Joshi** and is submitted in partial fulfilment of requirement for the award of the degree in **MASTER OF BUSINESS ADMINISTRATION (EXECUTIVE)**.

DATE:

PLACE:

SIGNATURE OF THE CANDIDATE

## EXECUTIVE SUMMARY

COVID-19 is, first and foremost, a global humanitarian challenge.

Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Governments and industry are working together to understand and address the challenge, support victims and their families and communities, and working for treatments and vaccines.

**Connectivity** is a crucial element for economic development and to achieve the SDGs: Zero hunger, Good Health and Well-being, Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Responsible Consumption and Production and Climate Action. Transport provides access to educational facilities, jobs, markets, schools, essential services and to affordable food options for all. Logistics it is also a necessity for inclusive economic growth, poverty reduction and social progress, and a resilient transport infrastructure is a key robust supply chain and good movements. In 2020, the transport sector globally has been affected by the outbreak of the COVID-19 disease. COVID-19 was first identified in Wuhan, China, in December 2019, with the earliest known symptomatic case being revealed on 1 December 2019. It was later declared as a Public Health Emergency by the World Health Organization on 30 January 2020, and, subsequently, as a pandemic on 11 March 2020. As of 17 June 2020, 7.94 million of cases of COVID-19 have been reported in the world, with about 435,000 deaths in approximately 185 countries, and according to Ministries of Health there have been 6,413 confirmed cases, 147 deaths and 1,272 recovered cases in CARICOM members states, in the English-speaking Caribbean. In early March 2020, the first imported case of COVID-19 was reported in the India and many countries affecting the transport sector. As a result, countries in the region scaled-up their response to deal with it in the different phases of the pandemic, at first restrictions for travellers from certain destinations were applied, eventually resulting in the closure of borders to all international arrivals except for cargo, while searching for solutions to control the spread of the virus and mitigate its economic and social effects. So far, the COVID-19 pandemic has been the most significant global crisis of the 21st century mainly affecting global production, international trade, transportation, disrupting supply-chains, and economically impacting companies and financial markets. Furthermore, the magnitude of the impact of COVID-19 depends on the duration of the pandemic, its spread, and countries' prevention and response measures to contain the shock.

## TABLE OF CONTENTS

BONAFIDE CERTIFICATE  
DECLARATION  
ACKNOWLEDGEMENT  
EXECUTIVE SUMMARY

“Description”	“Page No.”
“Chapter 1” “INTRODUCTION”	7
1.1 Background	7
1.2 Problem Statement	7
1.3 Objective of the Study	9
“Chapter 2” LITERATURE REVIEW	12
“Chapter 3” CASE STUDY	13
“Chapter 4” CONCLUSION	31
REFERENCES	

# CHAPTER - 1

## INTRODUCTION

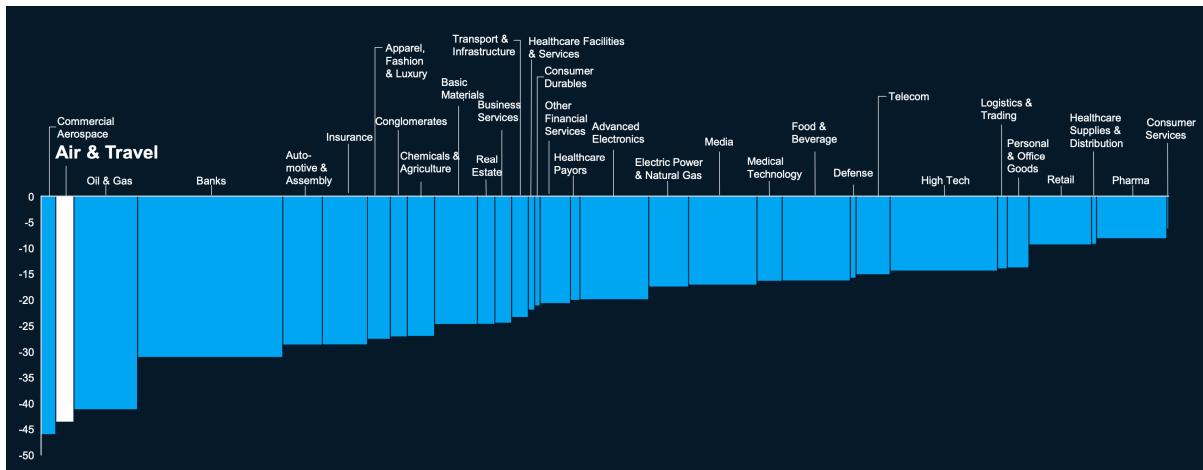
### 1.1 Background

Transport connectivity plays a key role for the growth and economic development of the international communities, it is vital for increased international competitiveness, productivity, trade, access to tourism markets, movement of goods, foreign investment, movement of people and integration. Thinking about connectivity, the first thing that comes to mind are the characteristics of small coastal countries and economies. The world faces considerable external vulnerabilities such as climate change and natural disasters, although, from a geographical point of view, it is in a privileged position because it is close to an important centre of the supply chain in North America and is a tourist attraction for visitors from Europe. For those reasons, transportation becomes a main axis of these economies that depend on trade for their imports from North America and Asia, and on the provision of services such as tourism.

Intra-regional and extra-regional connectivity are based on the availability of air and sea links. The openness ratio of almost all countries shows that they are highly exposed to international trade. Taking an example of Total Caribbean exports and total imports as a percentage of GDP amount to more than 50% per country. For many years, the trade balance has been negative. In 2019, total ES-Caribbean country imports were US\$ 39.624 million and total ES-Caribbean countries exports were US\$ 21.333 million. From 2015 to 2019, exports and imports increased 25% and 34%, respectively.

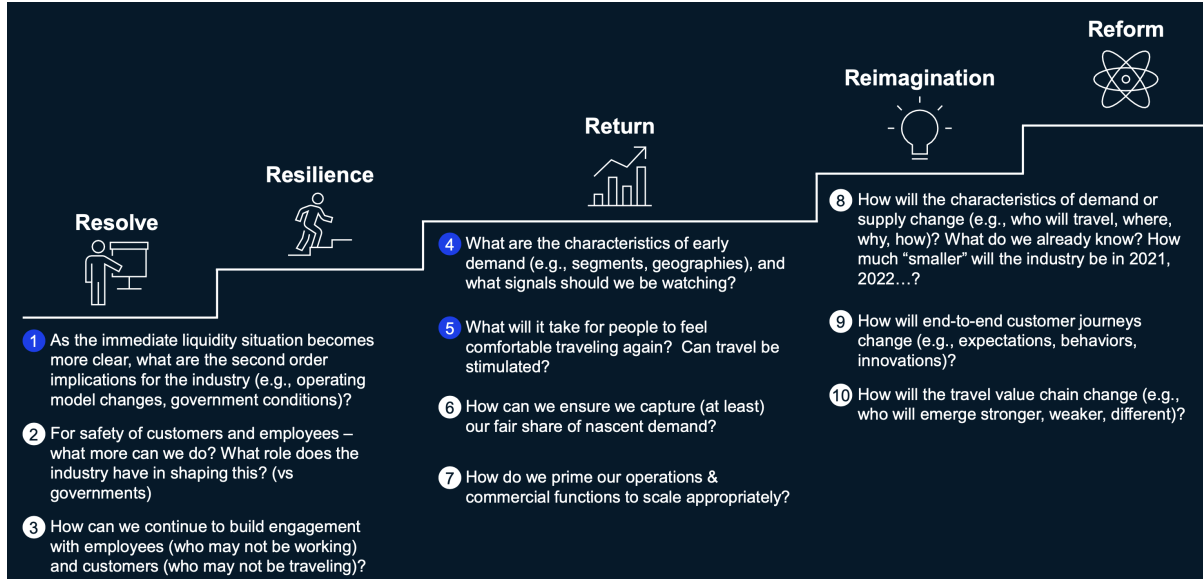
### 1.2 Problem Statement

While COVID-19 has eroded investor confidence in most industries, Travel has been among the most impacted financially.



Weighted average year-to-date local currency shareholder returns by industry in percent Width of bars is starting market cap in \$

## 10 questions we are hearing from clients across travel --



- To the extent that airlines compete in the same international markets – what might be the impact of differing approaches to government support?
- How might increased government involvement (e.g., equity stakes, conditions for support) impact strategy and operations?
- Given differences in support across the travel ecosystem, which players might emerge stronger / weaker / different (e.g., regional airlines vs. mainline airlines vs. cruise vs. franchised hotels)?

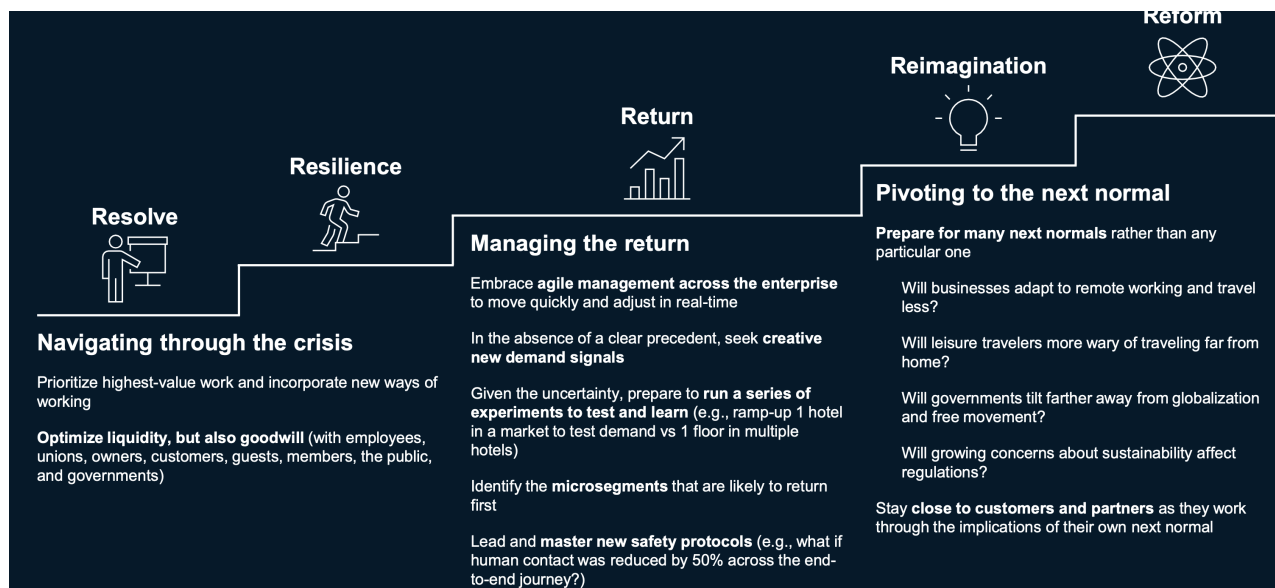


### 1.3 Objective of the study

This report is meant to help senior leaders understand the COVID-19 situation and how it may unfold, and take steps to protect their employees, customers, supply chains, and financial results.

#### To figure out Implications for International travel companies

- Will businesses adapt to remote working and travel less?
- Will leisure travellers more wary of traveling far from home?
- Will governments tilt farther away from globalization and free movement?
- Will growing concerns about sustainability affect regulations?



### The Imperative of our Time

#### Safeguard our lives

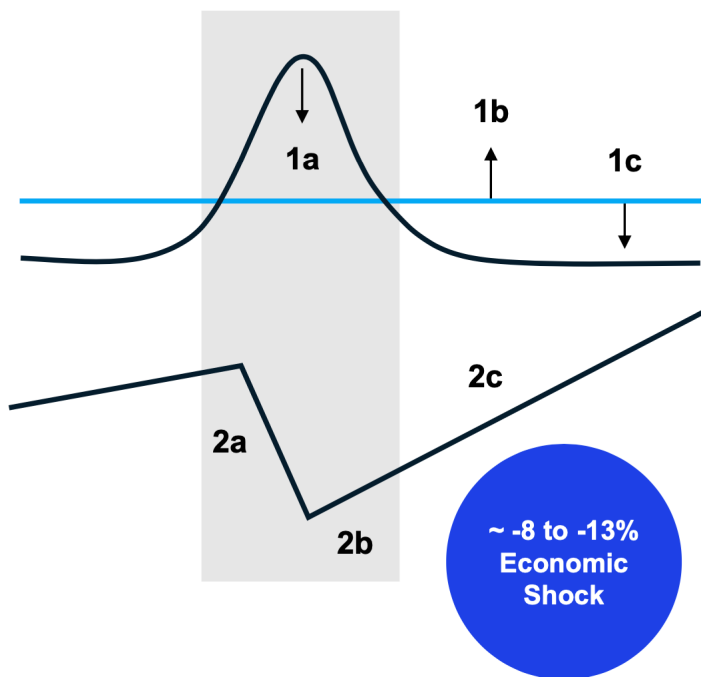
- 1a. Suppress the virus as fast as possible
- 1b. Expand treatment and testing capacity
- 1c. Work on “cures”; treatment, drugs, vaccines

#### Safeguard our livelihoods

- 2a. Support people and businesses affected by lockdowns
- 2b. Prepare to get back to work safely when the virus abates
- 2c. Prepare to scale the recovery away from a -8 to -13% trough



## “Timeboxing” the Virus and the Economic Shock

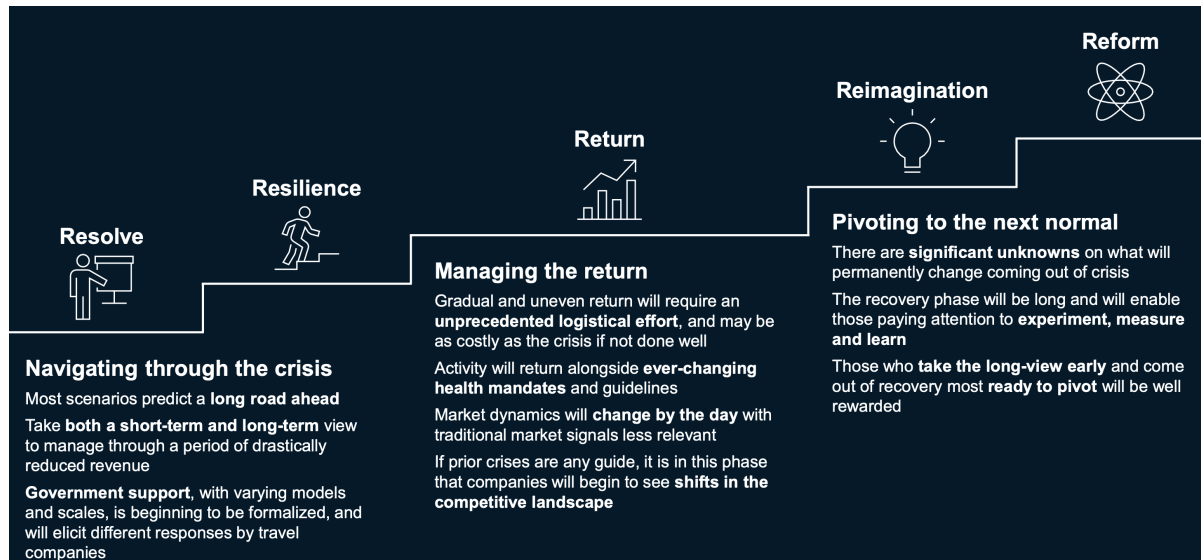


### Scenarios for the economic impact of the COVID-19 crisis

GDP impact of COVID-19 spread, public health response, and economic policies

<p><b>Virus spread and public health response</b></p> <p>Effectiveness of the public health response in controlling the spread and human impact of COVID-19</p>	<p><b>Rapid and effective control of virus spread</b></p> <p>Strong public health response succeeds in controlling spread in each country within 2-3 months</p>	<p><b>B1</b></p> <p>Virus contained, but sector damage; lower long-term trend growth</p>	<p><b>A3</b></p> <p>Virus contained, slow recovery</p>	<p><b>A4</b></p> <p>Virus contained; strong growth rebound</p>
	<p><b>Effective response, but (regional) virus resurgence</b></p> <p>Public health response initially succeeds but measures are not sufficient to prevent viral resurgence so social distancing continues (regionally) for several months</p>	<p><b>B2</b></p> <p>Virus resurgence; slow long-term growth</p>	<p><b>A1</b></p> <p>Virus resurgence; slow long-term growth</p>	<p><b>A2</b></p> <p>Virus resurgence; return to trend growth</p>
	<p><b>Broad failure of public health interventions</b></p> <p>Public health response fails to control the spread of the virus for an extended period of time (e.g., until vaccines are available)</p>	<p><b>B3</b></p> <p>Pandemic escalation; prolonged downturn without economic recovery</p>	<p><b>B4</b></p> <p>Pandemic escalation; slow progression towards economic recovery</p>	<p><b>B5</b></p> <p>Pandemic escalation; delayed but full economic recovery</p>
	<p><b>Ineffective interventions</b></p> <p>Self-reinforcing recession dynamics kick-in; widespread bankruptcies and credit defaults; potential banking crisis</p>	<p><b>Partially effective interventions</b></p> <p>Policy responses partially offset economic damage; banking crisis is avoided; recovery levels muted</p>	<p><b>Highly effective interventions</b></p> <p>Strong policy responses prevent structural damage; recovery to pre-crisis fundamentals and momentum</p>	
	<p><b>Knock-on effects and economic policy response</b></p> <p>Speed and strength of recovery depends on whether policy moves can mitigate self-reinforcing recessionary dynamics (e.g., corporate defaults, credit crunch)</p>			

## Leading travel companies are thinking and acting across five horizons of the crisis



### 1.4 Scope of Study

#### Resolve & Resilience

As the immediate liquidity situation becomes clearer, what are the second order implications for the industry (e.g., operating model changes, government conditions)?

- Examples of government support
- US support for airlines and hospitality providers, and implications Questions travel executives are asking about impact of government support

#### Return

What are the characteristics of early demand (e.g., segments, geographies), and what signals should we be watching?

- China green shoots
- Drivers of early recovery
- First test of returning demand: first national holiday since the outbreak began

What will it take for people to feel comfortable traveling again? Can travel be stimulated?

- Report from China: measures in place for domestic travel
- US sentiment toward travel return
- The travel journey for a typical passenger in China today.

## **CHAPTER - 2**

### **LITERATURE REVIEW**

A study on COVID-19: Impact on International Travel & Hospitality: Travel, Logistics, and Infrastructure Practice

The research paper is aimed at understanding the year 2020 started with positive growth forecasts worldwide for sectors such as transport, trade and tourism. Governments and airlines, shipping companies and logistics companies with operations in the countries were ready to start with positive figures with which the region has to contend. However, because of the unpredicted public health emergency, forecasts have taken a 180-degree change, strongly affecting the world caused by the transport restrictions that had to be implemented to prevent the spread of COVID-19. Many countries also declared a national state of emergency; implemented mandatory lockdown and curfew, under which people were either encouraged or not allowed to leave their homes except to buy essential goods, attend medical appointments, or to work in essential services.

As soon as the first measures were put in place, Heads of Governments held Special Emergency measures to harmonize their responses to; and policies on the multifaceted impact of COVID-19. Within the framework, countries developed joint policies on logistics and transport, ensuring common standards in intra-regional transport of people and goods.

Governments implemented early transportation restrictions ranging from travel bans of non-essential movement, to closing of air, land and maritime borders to passengers. They also implemented facilitation measures to maintain trade flow and to mitigate against the impact of the interruption of supply chains

## CHAPTER - 3

### CASE STUDY

**1**



Travel

**2**



Logistics

#### Overview of COVID-19 crisis effects on China's travel industry

##### **Resolve**

Closing of discretionary travel Exodus of foreigners Enhanced hygiene in place Support of virus response

##### **Resilience**

Continued reduction in capacity  
Inbound wave to Chinese returnees as virus takes hold internationally

##### **Return**

First signs of tourism returning  
Domestic air travel recovers to 50% of previous levels

##### **Reimagination**

Customer demands in travel will likely change:

- Physical distancing,
- Hygiene
- More flexibility

##### **Reform**

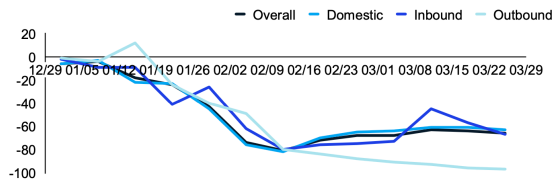
Tourism industry will likely restructure

- Reset the cost and scale - Consolidation

# Travel indicators: Airlines, hotels, tourist attractions and public transport

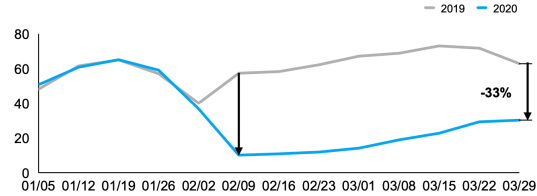
## Airlines

Weekly air ticket sales YoY change, %



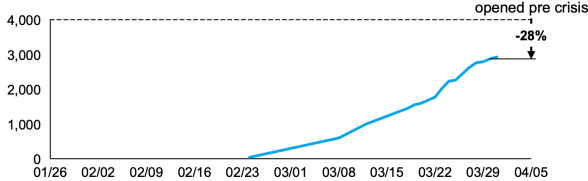
## Hotels

Weekly hotel occupancy rate, %



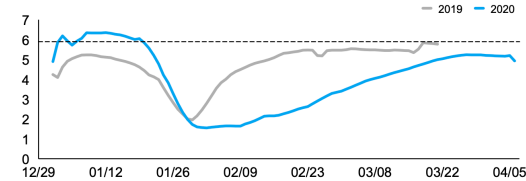
## Tourist attractions

# of well-known attractions open



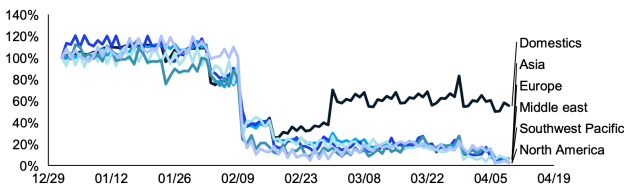
## City transport

First tier cities commute index<sup>1</sup>, 7 days moving average

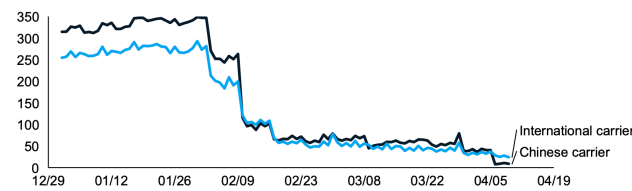


## Deepdive on airline: Chinese airlines follow government's instructions to limit inbound flights to slowdown the imported cases, hence saw decline in market share on international market

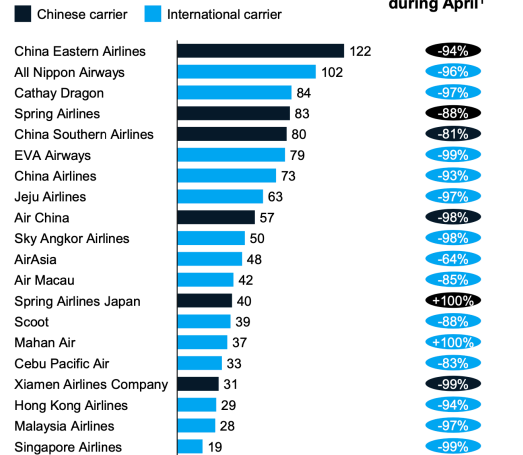
Capacity within and into/from China, by destination  
Seat Index 01 Jan 2020 to 09 Apr 2020, (1/1/2020 = 100%)



Capacity into/from China, by carrier  
# of seat 01 Jan 2020 to 09 Apr 2020, 000



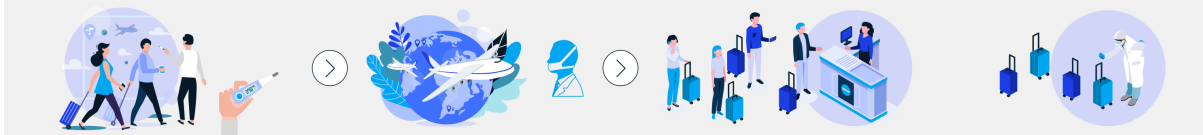
Capacity to and from China, by top 20 carriers  
# of seat April 2020, 000



## Deepdive on airline: The travel journey for a typical passenger in China today

### Pre-flight

- 3x temperature checks
- Online check-in curtailed
- Airport agents need to check health code that reflect past travel history
- Masks required (removed for security check)
- Social distancing (every other check-in desk blocked)



### In-flight

- Masks required (passengers and crew)
- Flight attendants check passengers' temp at boarding
- No formal social distancing on flights (e.g., blocked middle seats)
- International flights have some capacity caps to allow for social distancing
- Brown-bag snacks and water



### Post-flight

Experience varies somewhat by city. International and domestic passenger flows have been separated

#### For domestic arrivals

- Passengers fill out form on travel (history/plans)
- Reviewed by local authorities

#### For international arrivals

- Extensive processing and quarantine
- Luggage disinfected upon arrival

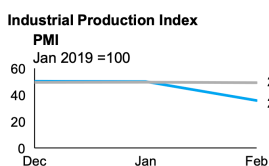
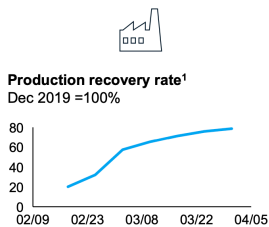
### What are hotels and attractions doing to reassure guests?

	Pre-visit	In Visit
Hotel	<ul style="list-style-type: none"> <li>• Fill in the information for health code as hotels only permit the check-in for guests who have “green” code</li> </ul>	<ul style="list-style-type: none"> <li>• Regular temperature check</li> <li>• Buffets closed; swimming pool closed</li> <li>• Options</li> <li>• Air conditioning off, provide heater</li> </ul>

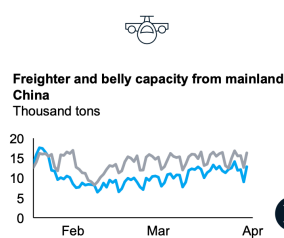
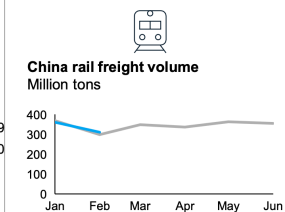
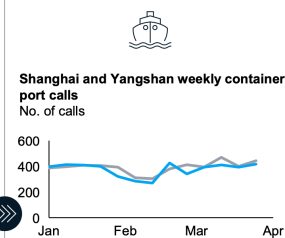
	<ul style="list-style-type: none"> <li>• Proof of travel history for past 30 days</li> </ul>	<p>instead Additional cleaning; Disinfection wipe in room Masks for all employees; optional for hotel guests</p> <ul style="list-style-type: none"> <li>• Provide innovative “No Touch” services. For example, guests could check-in by themselves, leverage hotel robot for room services etc</li> </ul>
Attractions	<ul style="list-style-type: none"> <li>• Register online for the ticket , even for free attractions, to manage traffic</li> </ul>	<ul style="list-style-type: none"> <li>• Regular temperature check Additional cleaning</li> <li>• Avoid large cultural and entertainment activities where tourists gather</li> <li>• Staff regularly check/remind tourists to wear mask</li> </ul>

## Logistics: Factory, trucking, rail, ocean shipping, air cargo, express and end-customer

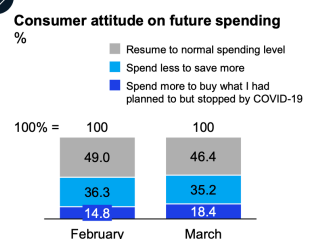
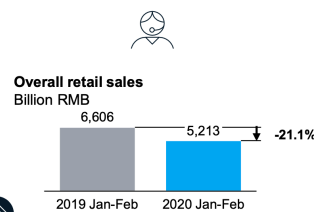
### 1 Supply – production



### 2 Logistics – transportation



### 3 Customer demand



## Rail



On 3rd April, China Railway Group announced that the number of China- Europe freight trains increased steadily in the first quarter 2020. The China-Europe freight train ran 1,941 trains and delivered 174,000 TEU containers, increased by 15% and 18% YoY respectively

The first cross-province long-distance cold chain container freight train was officially opened at Dalian on April 8. The first train was loaded with 16 FEU refrigerated containers, loaded with fruits, meat and other frozen products. The whole journey was 942 kilometres, using the "door- to-door" transportation method to deliver the goods directly to the customer

## Express & Air cargo



Air Cargo: CAAC announced on April 8 that it will simplify approval process for both cargo schedule and charter flights, to meet the increasing demand for air cargo. CAAC's data shows that for the week of April 6-12, the applied cargo flights surged 388% to 4,445, compared with pre-crisis level

SF Express launched its cargo route from Changsha to Liège on April 7. SF is using B747-400F to fly its second European route, 3 flights a week. It opened first European route, Chongqing-Wuxi- Frankfurt-Hahn- Wuxi in Sept 2019.

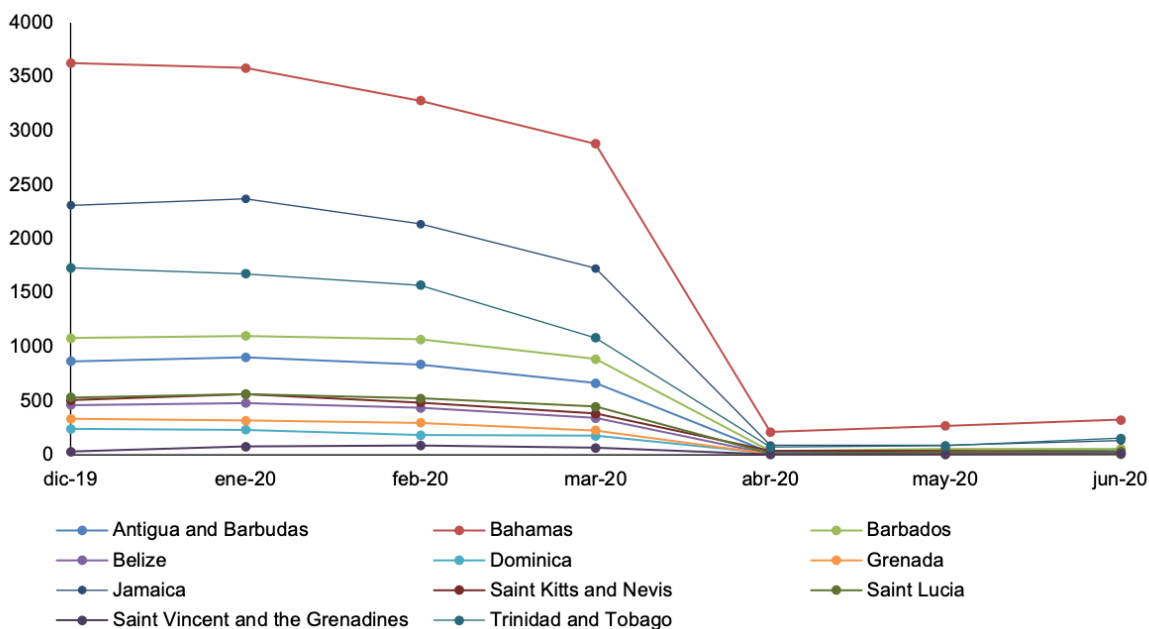
As a result of COVID-19 transportation and supply chain interruptions, cargo transportation to and from the region has also been interrupted, resulting in higher shipping costs for buyers. Even though all borders were closed with exception of Saint Vincent and the Grenadines around mid-March, international air cargo and cargo by seafaring vessels have been allowed in order to maintain connectivity that enables the import of needed commodities such as food, fuel, medical supplies, and equipment all of this under new safety and hygiene protocols. In spite of the fact that cargo aircraft continue to operate normally, the ban on inbound and outbound passengers directly affected air cargo transportation, as between 45% and 50% of cargo transportation is carried in the luggage-hold of passenger aircraft. ES-Caribbean countries rely heavily on the services of two main inter-regional airlines for the transportation of cargo - LIAT (Leeward Islands Air Transport) and Caribbean Airlines (CAL). LIAT suspended its passenger services on April 4, 2020, which was extended until June 30, 2020. On the other hand, Caribbean Airlines suspended their international flights from March 23,



2020 to June 30, 2020. As a resilience measure, both airlines launched cargo charter services and for the first time in CAL's cargo history, the airline operated one of its Boeing 737-800 passenger aircraft for a cargo-only charter service on May 8, 2020, transporting essential supplies from Guyana to Cuba.

Regarding international flights, some countries have applied reductions of certain taxes, fees and airport charges that benefited regional airlines. Saint Vincent and the Grenadines cut departure taxes for CARICOM passport-holders in half. This measure applied for airlines which operated flights into or out of Saint Vincent and the Grenadines. Larger absolute declines are seen in islands with higher traffic, that had a high average of daily flight in March to begin with: Bahamas (130), Jamaica (74), Trinidad and Tobago (54). Smaller islands, with a lower average of daily flight departures in March Barbados (30), Antigua and Barbuda (22), Grenada 12, Dominica (5), have also suspended close to 100% of their passenger departures between mid-March and June (ICAO Covid-19 Airport Status). Sharp declines on flight departures have been specially challenging for small regional carriers that were already unprofitable in previous years and their situation only worsened with the Covid-19 pandemic. This is the case of LIAT Airlines, based on Antigua and Barbuda, which announced its liquidation on June 27.

The negative impact of Covid-19 on air connectivity was obvious. Once countries began to close their borders, the number of available flights suffered a significant slump (Figure 1). In terms of aircraft departures, between March and April, global air traffic declined by -88% and Caribbean airports reported declines with a combined fall of 94% when all transport restrictions were implemented. Antigua and Barbuda and Belize had the most significant flight decrease with a 97% fall in their operations, while Saint Kitts and Nevis' flights decreased by 90%. The flights approved to continue their operations were: cargo, commercial courier, emergency medical and humanitarian flights.



Before the COVID-19 outbreak, regional carriers had an optimistic outlook for 2020, but COVID-19 shutdown all operations. In May 2020 LIAT, one of the main regional airlines announced that it needed an infusion of US\$ 5.4 millions to stay afloat. The airline had a difficult 2019 and the 2020 situation increased the airline's losses exponentially. At the end of June, 2020, Antigua and Barbuda's Prime Minister announced that the regional carrier LIAT Airlines was likely to face liquidation in 2020 joining other airlines in the world such

as LATAM, Avianca, Virgin Australia, Miami Air, Air Italy, Flybe, among others, or face a reorganization plan.

## Shipping & Port



Port: For the week of March 30-April 5, the total throughput of top 8 container ports in China decreased by 4.4% compare with previous week, the first WoW decline since Mid Feb. This might signal China's export started to receive the impact of the global pandemic. Ports in Pearl River Delta were hit most

Port operations in the Caribbean did not suspend their operations at any moment, in spite of the reduction in working hours for port workers (loading, unloading, stowage, among others) and the measures adopted by those in administrative posts (those who were able to work from home or take vacation leave). The outbreak of the pandemic changed the expectations of the container trade in 2020 changing growth forecasts from positive to negative. Port authorities have halted the operation of cruisers and have prohibited the disembarkation of crew members. Moreover, social distancing protocols have been implemented by border control agencies leading to a reduction in the number of people working on-site, and, in turn, delays in offloading, releasing and delivering cargo to customers. The impact of Covid-19 on cruise ships and the cruise industry has been dramatic. The Caribbean economies rely heavily on tourism, since the region is the number one market in the world for cruises (N. Dundas). This industry generated, until before the pandemic, US \$46 billion in revenues, and is now at standstill. Cruises “were suddenly regarded as potential harbourers of disease—for both passengers and crew—and which few destinations actually want” (Caribbean Maritime, 2020). Major cruise lines in the Caribbean, such as Carnival, NCL, and Royal Caribbean have all suspended their sailings until September 2020. The financial stability of these companies is at risk, experiencing unprecedented requests for full refunds. Some are offering 125% future cruise credits aiming to keep bookings demand. Royal Caribbean further states that the closing of shipyards has delayed cruise ship construction, maintenance and repair, with foreseeable delays on specific vessels of up to 10 months (RCI). Then a reduction or stagnation of vessel fleet, routes, services, and cruise calls could be expected in the following year, therefore, impacting the cruise connectivity of Caribbean Islands. Nonetheless, many keep positivism and hope, as investors recently contributed millions of dollars to rescue Carnival and Norwegian Cruise Line (Sabatino,2020).

## Measures by country

### Antigua and Barbuda

Adopted measures to facilitate cross-border movements included: New office hours and swift system; pre-arrival processing of goods declaration and release of the goods upon arrival; designated priority lanes for brokers and the trading public; prioritization of the clearance of essential items; and front-line staff at airports and seaports have selective quarantine; facilitation of online services. Since, its borders were opened international and regional flights are allowed and measures such as screening and temperature checks are in place.

### The Bahamas

Restricted air transport into the Bahamas began on March 26, 2020, however, it remained open for private charter flights carrying Bahamian citizens or resident card holders; or for empty passenger aircraft to transport people out of Bahamas. All these measures did not apply to cargo planes or cargo ships; commercial courier flights and emergency flights. During the ban on commercial flights and ships, ferry services have travelled to the Bahamas to transport cargo only. The importation restriction of non-medical protective masks was put in place to protect the local mask-manufacturing industry that has sprung up overnight as a result of the pandemic.

### Barbados

Maintains a stockpile of pharmaceutical products, and its Customs Department has focused on essential goods. There are no export restrictions or import tax reductions on personal protective equipment or medical supplies. It is mandatory that vessels in Barbados waters, awaiting entry, send daily updates on the health of crew members onboard. Before and after each port call, public areas are cleaned and sanitized. All public tours of the port have been suspended. Authorities have implemented the utilization of electronic systems for manifest transmission, terminal operation and management. Customers only have access to cargo when it has been confirmed as ready for collection.

### Grenada

No person is allowed to disembark air or seacraft and enter the country for any reason, except with the permission of the Airports Authority and the Ministry of Health. All operators of motor omnibuses, hiring cars and taxis may operate with authorization by the Commissioner of Police. Grenada was the first country to be re-opened to yacht arrivals under strict health and safety protocols. Also, the Government gave consideration to support for farmers and fish exporters who had been affected as a result of international travel restrictions. 5. Guyana Domestic travel by land, sea and air is strictly limited to accessing or providing essential goods and services, or for governmental purposes. Motor vehicles, vessels and aircraft may not exceed 50% of their carrying capacity. The Guyana Government introduced a VAT exemption on domestic air travel until June 30, 2020 as a relief measure for COVID-19.

## Jamaica

In order to reduce time at ports and speed-up the clearance process, the Jamaica Customs Authority (JCA) implemented a mandatory Express Clearance for processing and clearing all shipping valued at or below US\$ 5,000. The Clearing Agents may complete the entire customs clearance formalities from preparing, submitting, and paying for a Simplified Declaration<sup>7</sup> to delivery of the goods to the consignee). On the other hand, JCA has been working with the Trade Board Limited. They have implemented temporary measures to safeguard staff and customers. Electronic applications were authorized for export licenses and CARICOM certificates of origin. CARICOM certification documents for export are accepted via drop-box in the customer area. Also, the Ministry of Agriculture and Land authorized electronic application, submission and payment for import permits to all plant and plant-product importers. The phytosanitary certificate for exports and imports between Jamaica and the United States will become electronic. Lastly, during the pandemic, Jamaica tested the Jamaica Single Window for Trade (JSWIFT), which is expected to help facilitate trade in critical times, like COVID-19. The new system will facilitate import, export, transit and any other trade-related procedures and replaces the need for physical, manual and duplicate processes.

## Saint Kitts and Nevis

Provisions were made for medical emergency flights and international air cargo and sea cargo vessels, which will be allowed in order to maintain connectivity that enables Saint Kitts and Nevis to import needed commodities such as food, fuel, medical supplies, and equipment. Immigration, Customs, Coast Guard, and the Royal St. Christopher & Nevis Police Force will be enforcing all border controls. According to The Nevis Air and Sea Ports Authority, all cargo vessel owners, operators and agents must strictly follow customs, security and health procedures already in place in light of the pandemic. The vessels have to submit all documentation to the various agencies prior to the vessel's arrival and have to provide notification at least 24 hours prior to arrival. No crew members on board are allowed to enter the port's compound unless it is absolutely necessary, and no loading, unloading or exchanges between crew can take place before the necessary inspection and processing of documents. Communication between crew and port staff must be done by VHF radio, telephone or through the local agent. Only a limited number of persons clearing cargo will be allowed in the warehouse. Prior to the closure of borders, due to the COVID-19 outbreak, the government of St. Kitts and Nevis had updated its travel advisory with immediate effect to deny entry to non-citizens and non-residents who had travelled to China, Iran, Hong Kong, Singapore, South Korea, Japan, Europe, The United Kingdom and the United States of America.

## Saint Lucia

The restriction makes provisions for the operation of outgoing flights, cargo flights, commercial cargo flights and emergency flights approved by the Civil Aviation Authority. The Saint Lucia Air and Sea Ports Authority (SLASPA) advises that all stakeholders adhere to the established protocols for COVID-19, as it relates to social distancing and indicates the scheduled times for cargo deliverables. Prior to closing the borders, the Department of Health and Wellness put in place travel restrictions on non-nationals with a travel history within the last 14 days from mainland China, Hong Kong, the Republic of Korea, Italy and Singapore, whether in-transit or originating. Additionally, any Saint Lucian national returning to Saint Lucia with a travel history to any of the mentioned countries will be quarantined for 14 days. Borders opened June 4, 2020. To ensure the safety of visitors and Saint Lucians, new protocols

will be implemented and will span from the hotel booking process to the airport arrival and hotel experience in Saint Lucia. Protocols are being established for taxis, to provide safety precautions and separate the driver from guests as an added security measure. Health and safety protocols will be reinforced by signage that includes QR codes which take travellers to a landing page for more information.

### Saint Vincent and the Grenadines

Took measures following recommendations from the Ministry of Health, Wellness, and the Environment, from March 23, 2020. All travellers from China, Iran, South Korea, United States of America, United Kingdom, European Union (including Italy and the overseas departments of France) and Canada will be quarantined for 14 days. Additionally, the Saint Vincent Government kept ports and airports open (Blue Lagoon, Wallilabou and Port Kingstown) with all the safety protocols, except for Chateaubelair. 10. Suriname In accordance with government instructions and the state of emergency, all ports were closed to international arrivals. Exemptions: cargo flights and medical flights, with approval from the head of the civil aviation department, with at least 24 hours' notice. The movement of essential goods by land remains ongoing; however, enhanced health screenings may result in delivery delays. Provisions have been made for cargo flights between Suriname and the Netherlands.

### Trinidad and Tobago

Trinidad Customs and Port Management implemented all guidelines as outlined by the government. This included reduced hours of work, no more than three persons at Customs at any time, reduced number of personnel from Customs at import stations (operated on a shift system), sanitation stations with thermal scanning for entry, mandatory face masks mandatory upon entry, denial of entry if showing flu like symptoms and COVID 19 screening questionnaires (including travel history data). During the inspection and handling of goods, customs authorities use a selection system which indicates if the goods should be examined or not. The system's result can be over-ruled by Customs at any time, which, most times, results in examination of the goods. However, during the pandemic, Customs avoided unnecessary examinations, allowing the decision applied by the system to prevail. Social distancing gave rise to a web-based interface and forced Customs and other governmental agencies relating to imports and exports, to implement online protocols to effect import and export processes. Personnel movement has been reduced as most approvals and licenses are done electronically. Initially, the capacities for all public transportation or public service vehicles (buses, maxi taxis, onmibuses, water taxis, taxis or vehicles for hire and inter-island ferry vessels) mandated to operate at 50% passenger seating capacity. The water taxi service implemented a new sailing schedule. The inter-island sea-bridge ferry suspended operations except for essential travel. Trinidad ports adopted a policy which waived certain port charges related to the storage of goods in order to ease the burden being faced by importers of goods into the country

## Deep dive on container shipping: container capacity peaks up in next month to catch up the backlog orders, but decline again for the decreasing demand

Current dip in services operated is still a result of operations for export being impacted. Exports are expected to recuperate short term as China continues the path to recovery with ports operating at full capacity, catching up on orders.

However, with the current crises in the US and EU, order volumes are decreasing, thus putting a demand shock on exports mid-term

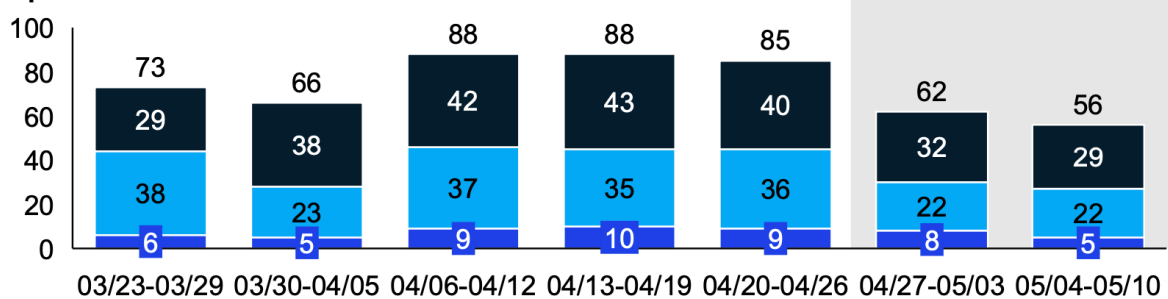
Rate of services operating on imports slowly increasing due to china recovery and restart of industries but is at risk of falling again due to emerging crisis in US and EU

China mainly imports aircrafts, machinery, medical and electrical instruments from US which is expected to slow down due to industry clampdown/need within US

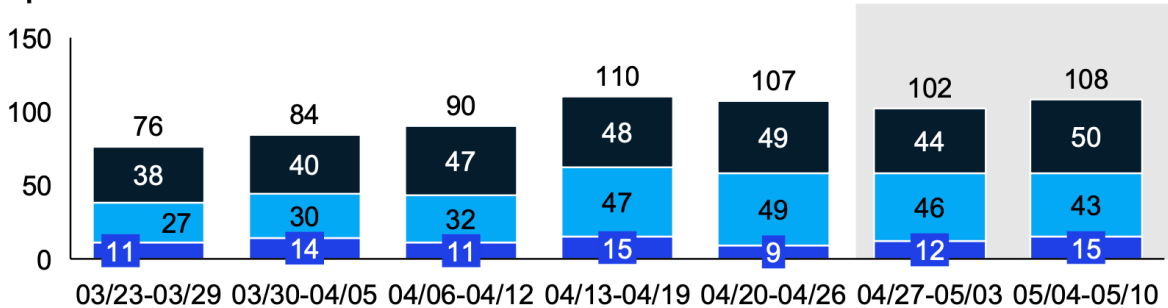
### Ship services operating (i.e., not cancelled), per week

No. of sailings

Exports / out of China



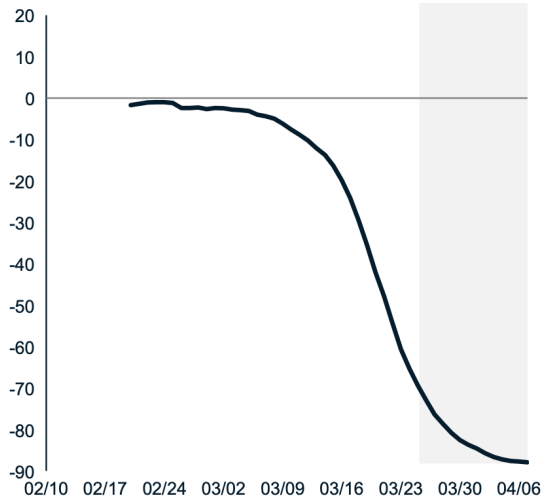
Imports / into China



Update to airline demand recovery scenarios as airline trends continue to evolve ...

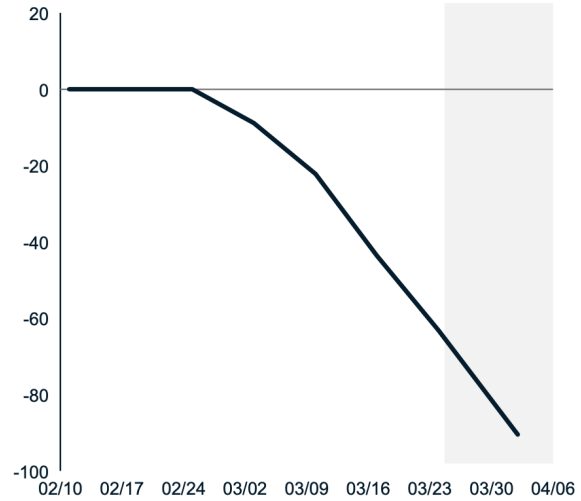
### Global air traffic

7-day avg, % change since 2/20



### US air travel demand,

% change YoY, 2020 vs. 2019



US is continuing to update our airline demand recovery scenarios

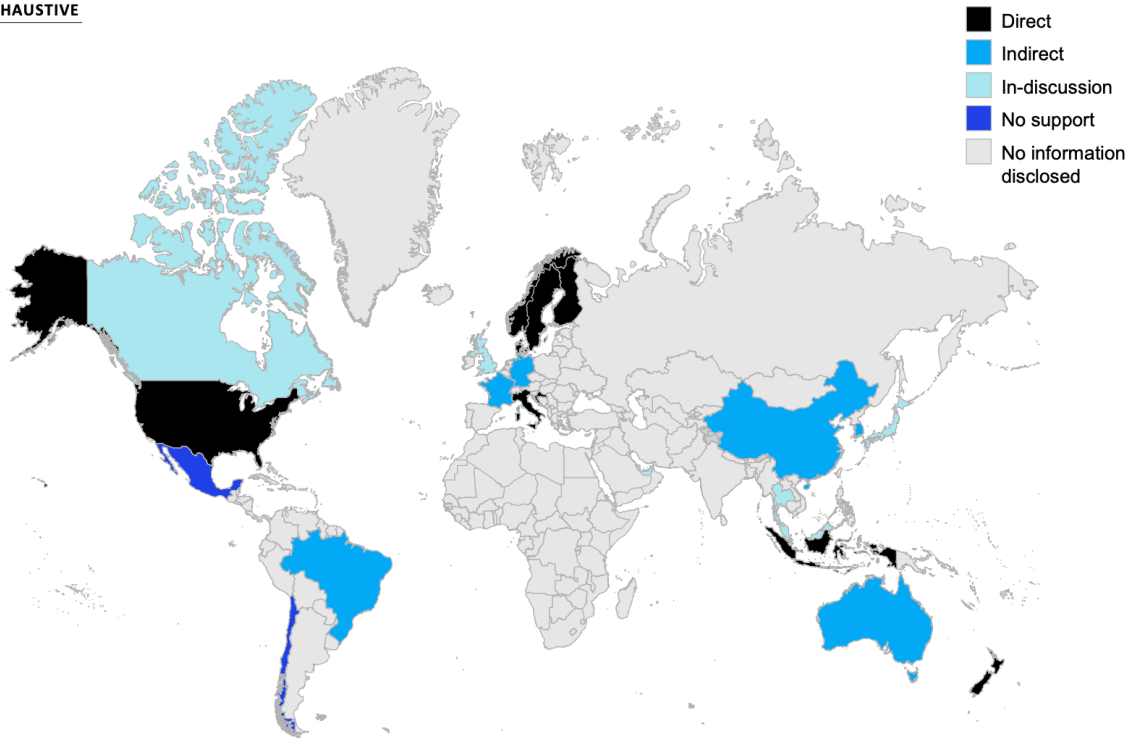
As global travel conditions continue to deteriorate, we are now anticipating a deeper demand shock in 2020

Yield is likely to lag demand

Convergence of remote work technologies, biosecurity issues and sustainability concerns could structurally shift demand curves downward

# Overview of government support to Airlines

NOT EXHAUSTIVE



The US has provided the largest amount of aid, offering \$58B for airlines and cargo carriers. Mexico and Chile had publicly stated they were not willing to support airlines.

With global travel slowing to unprecedented levels, governments are using a variety of mechanisms to provide financial support.

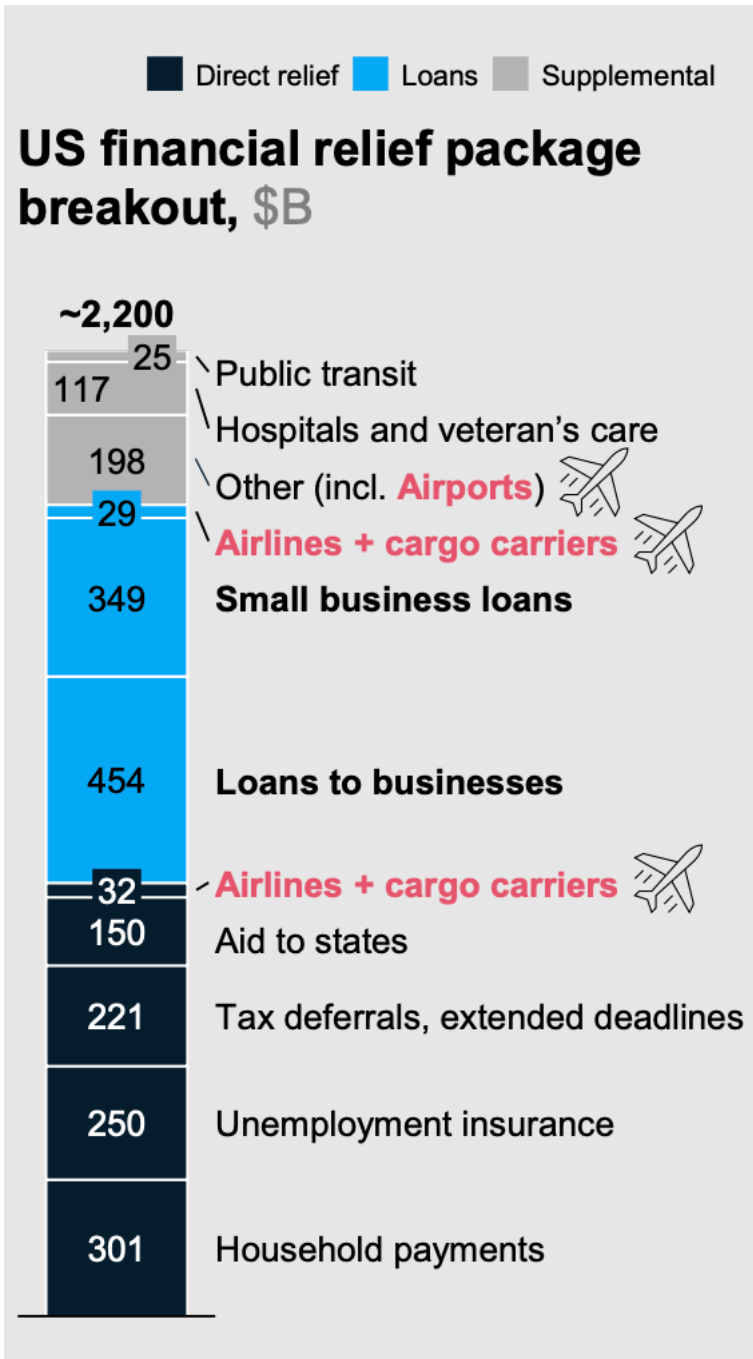
Levers	Example interventions		
<b>Providing emergency liquidity</b>	Nationalizing	Fully nationalize airlines	Nationalize Alitalia
	Directly compensate workers by government entities	Establish payroll grants	90% of KLM payroll covered by gov't for 3 months
		Provide government loans at reduced interest	\$32M in grants for airlines + cargo carriers, contingent on companies maintaining >90% of payroll
		Provide loan and credit guarantees	\$510M loan in two tranches at interest rate of ~7%
<b>Easing tax burdens</b>	Waive fuel excise fees	\$29M in loans for airlines and cargo carriers	\$415M in fee waivers, including \$159M in reimbursements for fees paid in 2020
	Lower or defer capital gains & corporate taxes	Reduced corporate and capital gains taxes	
<b>Updating and easing regulations</b>	Allow airlines to issue vouchers instead of refunds	Allowing airlines to issue vouchers with passenger consent	
	Suspend 'use it or lose it' rules	Four month suspension of 'use it or lose it' slot rules	
	Waive air services charges	2/3 of Hong Kong's \$129M package is in waivers for air traffic control charges for 2019-2020 fiscal year	
	Discount or defer facility fees	Airport landing, parking and facility fees deferred	
	Yet to offer financial support	Bailout only as "a last resort"	



The US government is providing both grants and loans to the travel industry as part of a broader relief package

	<b>Aviation-specific support</b>	<b>Other government support</b>
		<i>Applies to broader set of US businesses; hotels and other travel companies eligible</i>
Support Given	<p><b>\$32B in grants</b> (incl. \$3B for contractors); awarded <b>proportionally</b> based on 2019 payroll</p> <p><b>\$29B in loan guarantees</b> for airlines and cargo carriers</p> <p><b>\$10B in grants for airports</b>, partially allocated by share of enplanements</p> <p>Air ticket <b>excise taxes and fuel taxes suspended</b> through 2020</p>	<p><b>Guaranteed loans up to 250% of avg. monthly payroll</b> that companies can apply for (from a pool of \$454B)</p> <p><b>Up to \$10M in guaranteed loans</b> for “small businesses” with &lt;500 employees per physical location (incl. hotel + restaurant chains)</p> <p><b>\$17B in loan guarantees</b> for businesses critical to maintaining national security (e.g., Boeing and its suppliers)</p> <p><b>Other changes</b> (payroll taxes deferred, deduction changes in losses)</p>
Stipulations	<p><b>Grants may require equity</b>, options, or warrants for US government</p> <p>Airlines may be required to operate specific routes through Feb. ‘22</p> <p><b>&gt;90% of workforce maintained</b> through Sep. 30, 2020</p> <p><b>Stock buybacks + dividends payments suspended</b> until Nov. ‘21</p>	<p><b>Small business loan usage restricted</b> to labor, rents, mortgages, utilities; loans may be forgiven if payroll + wages are maintained</p> <p><b>&gt;90% of workforce maintained</b> through Sep. 30, 2020</p> <p><b>Stock buybacks, dividends payments suspended</b> until Nov. ‘21 <b>Senior-level compensation frozen</b> and/or reduced</p>

	<b>Senior-level compensation frozen and/or reduced</b>	
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Nature of relief packages may have implications for industry structure –

Given the significant importance of the aviation sector to our economy and economic recovery, the government is prepared to enter negotiations with individual companies seeking bespoke support as a last resort, having exhausted other options.

- UK Chancellor of the Exchequer Rishi Sunak

In the US, executives are uncertain about how and when travel will return (Interviews of CHROs at large US companies)

Themes	Common Sentiments
<p><b>Uncertainty around when travel will return</b></p>	<p>There continues to be uncertainty about the scale, duration, and intensity of the crisis causing many companies to shift to <b>travel bans “until further notice”</b></p> <p>This is not likely to be a “one and done” – several leaders voiced <b>concerns about “W-shaped” return curve</b></p>
<p><b>Gradual and phased travel return</b></p>	<p>For now, there is real hesitation on air travel, but once it returns, <b>domestic will lead the way</b>, with some sense that international travel will take much longer</p> <p>Different travel sub-sectors may have different recovery patterns – <b>hotels may see an earlier return</b> to growth than airlines, with return of regional travel, particularly in value and mid-tier segments</p> <p>Many said ops site visits and sales calls are likely to start traveling again first, while internal meetings may see an increased shift to virtual gatherings; <b>conferences/industry events will likely be last to return</b></p>
<p><b>“New normal” of increased virtual meetings</b></p>	<p>Many expect a more <b>rigorous litmus test for allowing travel</b></p> <p>The effects may <b>spill over into adjacent spaces such as corporate real estate</b>, as companies realize that WFH can be a viable and productive alternative to the office</p>

## Measures and restrictions

The year 2020 started with positive growth forecasts worldwide for sectors such as transport, trade and tourism. Governments and airlines, shipping companies and logistics companies with operations in the Caribbean were ready to start with positive figures despite the annual Atlantic Hurricane Season with which the region has to contend. However, because of the unpredicted public health emergency, forecasts have taken a 180-degree change, strongly affecting the Caribbean Region caused by the transport restrictions that had to be implemented to prevent the spread of COVID-19. Many countries also declared a national state of emergency; implemented mandatory lockdown and curfew, under which people were either encouraged or not allowed to leave their homes except to buy essential goods, attend medical appointments, or to work in essential services. As soon as the first measures were put in place, Heads of Government of the Caribbean Community (CARICOM) held Special Emergency meetings to harmonize their responses to; and policies on the multifaceted impact of COVID-19. Within the CARICOM framework, Caribbean countries developed joint policies on logistics and transport, ensuring common standards in intra-regional transport of people and goods.

### Cross-cutting measures

Caribbean governments implemented early transportation restrictions ranging from travel bans of non-essential movement, to closing of air, land and maritime borders to passengers. They also implemented facilitation measures to maintain trade flow and to mitigate against the impact of the interruption of supply chains.

Country name	Travel		Cargo	
	Airport	Seaports	Airport	Seaports
Antigua and Barbuda	⊠	⊠	⊡	⊡
Bahamas	⊠	⊠	⊡	⊡
Barbados	⊠	⊠	⊡	⊡
Belize	⊠	⊠	⊡	⊡
Dominica	⊠	⊠	⊡	⊡
Grenada	⊠	⊠	⊡	⊡
Guyana	⊠	⊠	⊡	⊡
Jamaica	⊠	⊠	⊡	⊡
Saint Kitts and Nevis	⊠	⊠	⊡	⊡
Saint Lucia	⊠	⊠	⊡	⊡
Saint Vincent and the Grenadines	⊡⊠	⊡	⊡	⊡
Suriname	⊠	⊠	⊡	⊡
Trinidad and Tobago	⊠	⊠	⊡	⊡

⊠ Restricted; ⊡ Permitted; ⊡⊠ Partially

### Maritime transport

Port operations in the Caribbean did not suspend their operations at any moment, in spite of the reduction in working hours for port workers (loading, unloading, stowage, among others) and the measures adopted by those in administrative posts (those who were able to work from home or take vacation leave). The outbreak of the pandemic changed the expectations of the container trade in 2020 changing growth forecasts from positive to negative. Port authorities

have halted the operation of cruisers and have prohibited the disembarkation of crew members. Moreover, social distancing protocols have been implemented by border control agencies leading to a reduction in the number of people working on-site, and, in turn, delays in offloading, releasing and delivering cargo to customers. The impact of Covid-19 on cruise ships and the cruise industry has been dramatic. The Caribbean economies rely heavily on tourism, since the region is the number one market in the world for cruises (N. Dundas). This industry generated, until before the pandemic, US \$46 billion in revenues, and is now at standstill. Cruises “were suddenly regarded as potential harborers of disease—for both passengers and crew—and which few destinations actually want” (Caribbean Maritime, 2020). Major cruise lines in the Caribbean, such as Carnival, NCL, and Royal Caribbean have all suspended their sailings until September 2020. The financial stability of these companies is at risk, experiencing unprecedented requests for full refunds. Some are offering 125% future cruise credits aiming to keep bookings demand. Royal Caribbean further states that the closing of shipyards has delayed cruise ship construction, maintenance and repair, with foreseeable delays on specific vessels of up to 10 months (RCI). Then a reduction or stagnation of vessel fleet, routes, services, and cruise calls could be expected in the following year, therefore, impacting the cruise connectivity of Caribbean Islands. Nonetheless, many keep positivism and hope, as investors recently contributed millions of dollars to rescue Carnival and Norwegian Cruise Line (Sabatino,2020).

### International trade

ES-Caribbean countries also adopted temporary trade measures liberalizing or restricting effects on trade, thereby affecting all countries. The introduction of duty and tax exemption on essential relief items and food staples has boosted the continued trade in goods, sustaining supply chain linkages and management. ES-Caribbean countries have been impacted by export restriction policies of the US such as Barbados. This has made CARICOM propose a joint-procurement effort to secure vital supplies

Measure on	Country	Products	Measure
EXPORT	Antigua and Barbuda	Food, personal protective equipment	Duty and tax relief measures on essential relief items and key food items.
	Jamaica	Specified products	Cut in export-related fees and charges.
IMPORT	Bahamas	Non-medical face masks	The importation of non-medical protective face masks is prohibited.
	Belize	Disinfectants, cleaning products, soap, face masks, hand sanitizers	Conditional exemption of import duty and General Sale Tax (GST).
	Guyana	Medical supply products	Guyana waives VAT on medical supplies for testing, prevention and treatment
	Jamaica	Medical supply products	Jamaica waived customs duty on the importation of masks, gloves, hand sanitizer and liquid hand soap.
	Saint Kitts and Nevis	Vegetables, fruits, juices, pharmaceuticals, personal protective equipment	Temporary import tariff reduction/elimination on certain products. Imports also exempted from VAT.
	Saint Lucia	Personal items, food, clothing, toys and other household consumables	100% waiver of import duty. Electronic items are excluded.
	Saint Vincent and the Grenadines	Personal protective equipment, pharmaceutical products	Cabinet granted approval for 100% waiver of import duty and VAT on some products.
	Suriname	Food, personal protective equipment	Suspension of import duties on some goods.
	Trinidad and Tobago	Pharmaceutical products	Suspension of the Common External Tariff on products not produced regionally.

Source: Own elaboration based on National sources and the International Trade Center.

## **Customs**

Caribbean Customs Authorities were fully functional amid COVID-19 and implemented internal and external measures in order to minimize contact between staff and customers, as well as, speed-up customs procedures and facilitate trade which is crucial for the sustainability of the economy. All Caribbean countries with the exemption of Bahamas are using ASYCUDA (Automated System for Customs Data) a computerised customs management system developed by UNCTAD and covers most foreign trade procedures.

### **Guidelines to Customs Administrations**

The ASYCUDA system was adapted to the COVID-19 situation and provides some guidelines to assist Customs Administration with measures and facilitate the customs process and speed-up trade procedures.

- Promote further paperless processing
- Review ASYCUDA Risk Criteria
- Review organizational arrangements
- Perform Trade Data Analysis

## **Road Transport**

Road transport was significantly affected as well. Seating arrangements in public transportation were affected as governments implemented a 50% reduction in carrying capacity to implement social distancing while using public transportation. Additionally, the lockdown and curfew measures caused a reduction in demand for transportation translating into less income. In Jamaica, taxis have to carry one fewer passenger than their licensed maximum capacity.

## CHAPTER - 4

### CONCLUSION

These are the following implications for the Travel companies:

1. **RESOLVE**
2. **RESILIENCE**
3. **RETURN**
4. **REIMAGINATION**
5. **REFORM**

Navigating through the crisis –

- Prioritize highest-value work and incorporate new ways of working
- **Optimize liquidity, but also goodwill** (with employees, unions, owners, customers, guests, members, the public, and governments)

Managing the return -

- Embrace **agile management across the enterprise** to move quickly and adjust in real-time in the absence of a clear precedent, seek **creative**
- **new demand signals** Given the uncertainty, prepare to **run a series of**
- **experiments to test and learn** (e.g., ramp-up 1 hotel in a market to test demand vs 1 floor in multiple hotels)
- Identify the **microsegments** that are likely to return first
- Lead and **master new safety protocols** (e.g., what if human contact was reduced by 50% across the end- to-end journey?)

Pivoting to the next normal –

- **Prepare for many next normal** rather than any particular one
- Stay **close to customers and partners** as they work through the implications of their own next normal

### Impact on International Trade

The United States and China are the main trade partners of ES-Caribbean countries in merchandise trade. In 2019, ES-Caribbean's imports from these countries represented 43.5% of total imports. Following COVID-19, China experienced a drastic slowdown in its manufacturing industry creating a US\$ 50 billion decrease in exports across global value chains, considering China has a key role in the global manufacturing industry. It has a direct impact on the United States and any disruptions to its export capacities will create supply challenges for the region.

The main categories of ES-Caribbean imports impacted by the disruptions are machinery (household refrigerators and freezers), communication equipment, structures and parts of structures, of iron or steel. Also, several slaughterhouse and meat-processing plants in the US have been temporarily closed due to COVID-19 outbreaks among employees, affecting the

domestic market and its exports to ES-Caribbean countries. Meat imports from the United States to the Caribbean represents a 59% of supply markets.

On the other hand, the United Nations World Tourism Organization estimates a decline of as much as 80% from 2019 of the global tourism sector, meaning an absence of foreign exchange and significant losses from the tourism sector will reduce Caribbean capacity to pay for imports.

However, the high Caribbean demand for import products has been driven by the tourism sector. Given the temporary drop in the demand and tourism restrictions, ES-Caribbean countries will have enough supply to serve the regional market in the short term. For example, Dominica has an adequate supply of food on the island for the next six months.



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