

The Impact of COVID-19 on the United States' Tourism Industry

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Economic Geography (GEOG2341)

Research Proposal & Annotated Bibliography

14 September 2020

Introduction

The COVID-19 pandemic has caused an unprecedented shock across the globe over the last 7 months. As at September 14th 2020, the novel disease has infected approximately 38.2 million people and taken approximately 1.1 million lives around the world.¹ These statistics are expected to continue to rise until a vaccine is in place.

In the wake of the COVID-19 pandemic, few industries have felt as great of an impact as the global travel industry. The threat of the virus has closed international and domestic borders in attempt to limit the spread of the virus, which has brought travel across the globe to a near standstill. Since the pandemic broke out in March 2020, there has been a 60% decline in international tourism, and it is estimated that this number will drop to 80% into December.² Airlines, who have cut their itineraries by as much as 95% when the pandemic took hold, estimate that global travel will only return to pre-pandemic levels in 2024.³ With the US\$9 trillion global tourism industry (10% of global GDP) in a four-year drought, it is for certain that the impact across the tourism value chain will be severe.⁴

The tourism value chain of suppliers and intermediaries is extremely fragmented. It includes small and medium-size businesses such as Mom-and-Pop shops or cafes, multi-billion-dollar companies like Air Canada, Carnival, or Marriot, as well as governments whose country's gross domestic product relies on tourist spend. Collectively, this value chain employs/supports approximately 313 million people globally, either directly or indirectly, which is equivalent to 1 in 10 jobs worldwide.⁵ It is estimated that

¹ John Hopkins University, 2020

² OECD, *Tourism Policy Responses to the coronavirus (COVID-19)*. 2 June 2020

³ The Globe and Mail, *Global passenger air traffic will not recover until 2024, a year later than expected, IATA says*. 28 July 2020

⁴ Statista, *Tourism Worldwide – Statistics & Facts*. 31 March 2020

⁵ International Civil Aviation Organization, *Travel & Tourism a Force for Good in the World*. April 2018

approximately 101 million jobs in the travel and tourism industry have already been lost worldwide due to the coronavirus. In the United States, government stimulus has supported travel related companies and protected them from bankruptcy. As an example, the U.S. Federal government provided airlines with US\$50 billion directly; elsewhere, hotels and other travel providers had to compete for loans from a US\$500 billion fund.⁶ It is unlikely that this fiscal stimulus can extend for four years, thus it is reasonable to assume the tourism unemployment figure could continue to rise.

A vaccine and increased consumer confidence are two catalysts for the industry to return to some form of normal; there is a third and more powerful force that stands in the way – governments. Governments around the world have exercised their territorial power by closing their borders and have mostly banned non-essential travel for their own citizens. Overall, the shock on the industry will undoubtedly reshape regions' nationalism, territorial power, industry diversity, employment, investment, among other things. ✓

Then, why the US?

Research Question

Specifically, this report explores the initial impact of COVID-19 on the tourism industry in the United States, as well as its impact going forward on a quantitative and qualitative basis. The report will focus on fragments of the tourism value chain and regions that are highly reliant on tourism to prosper. The examination is important because travel is an industry that will likely suffer the most as a result of COVID-19 and the United States' tourism industry is a significant contributor to their GDP and employment, accounting for approximately 3% of GDP and above 4% of total employment, according to the OECD.

Method

⁶ USA Today, *President Trump signs the \$2 trillion stimulus package. What does it mean for travelers?*, 25 March 2020

This report will use a secondary research method where the information will be gathered from previously conducted studies and existing data. Additionally, this study will utilize case studies on the impacts of the September 11, 2001 Attacks and 2008/2009 Financial Crisis on the United States' tourism industry. These case studies will serve as informative precedents crises that caused downturns in the tourism industry. The initial reactions and the timeline to recovery of the industry after these crises will be useful comparisons in terms of getting an idea of what the future of the tourism industry could look like after COVID-19.

Conclusion

To reiterate, the report is focused on examining the impact of COVID-19 on the United States' tourism industry using a secondary research method and case studies. COVID-19 has infected and killed millions of people globally and will continue this trend until there is a vaccine. As a result, nations have closed their borders and restricted travel, which has put the global tourism industry in turmoil. A downturn in tourism causes a negative chain reaction across the value chain, since suppliers and intermediaries are dependent on one another. For this reason, the impact will be significant. Because the United States is very reliant on the industry, it will be informative to study the initial impact on the value chain and its tourist regions. Finally, the proposed case studies will be useful for creating an outlook of the tourism industry.

1. **Gössling, S., Scott, D., & Hall, C. M. (2020). Pandemics, tourism and global change: a rapid assessment of COVID-19. *Journal of Sustainable Tourism*, 1–20. <https://doi.org/10.1080/09669582.2020.1758708>**

The author, Stefan Gössling, examines the impacts of COVID-19 on society, the economy, and tourism and compares them to the impacts of previous pandemics and global crises. He traces back to the beginning of the pandemic in March 2020 and outlines initial shutdowns / travel restrictions and the effect that this had on the hospitality value chain. The different regional impacts and implications for development are also examined. Furthermore, the author explores the future of the tourism and the damage to the tourism economy over 2020 and beyond. The journal contributes to my research paper by providing observed and projected impacts of COVID-19 on the travel industry.

2. **Bonham, C., Edmonds, C., & Mak, J. (2006). The Impact of 9/11 and Other Terrible Global Events on Tourism in the United States and Hawaii. *Journal of Travel Research*, 45(1), 99–110. <https://doi.org/10.1177/0047x287506288812>**

This paper reviews how the terrorist attacks of 9/11 and subsequent global crises affected the United States' tourism industry. Interestingly, and an important to my research paper, the article shows how United States domestic travel thrived while international travel troughed for years following the attacks. Author, Carl Bonham, also reflects on and provides data points around the recovery of the industry after the attacks, as well as policy implications that came into place following the disruption. This piece will be used in my paper as a precedent for the effect of a crisis on the United States' tourism industry.

- 3. Ritchie, J. R. B., Amaya Molinar, C. M., & Frechtling, D. C. (2009). Impacts of the World Recession and Economic Crisis on Tourism: North America. Journal of Travel Research, 49(1), 5–15. <https://doi.org/10.1177/0047287509353193>**

Ritchie reports on the impact of the economic crisis of 2008-2009 on the North American tourism industry. The article provides colour on real travel demand, travel prices, and direct tourism employment, all of which will serve as a recent example of how fragile the industry is to a crisis. The report will support the second case study in my report.

- 4. MarketLine. (2020, February). Travel & Tourism in the United States (No. 0072–2806). <https://www.marketline.com/>**

This report provides a pre-pandemic overview of the United States tourism industry, including market value, an industry forecast, and value chain breakdown, among other important information that will be key to my report's background information.

- 5. OECD. (2020, June). Tourism Policy Responses to the coronavirus (COVID-19). https://read.oecd-ilibrary.org/view/?ref=124_124984-7uf8nm95se&title=Covid-19_Tourism_Policy_Responses**

In this report the Organisation for Economic Co-operation and Development provides data on the initial impact of the virus on the tourism industry within OECD countries. The report also addresses the future of the tourism industry within this countries and policies that are likely to come into place as a result. Furthermore, the report breaks down the industry into segments and describes the impacts on each. Lastly, speculated government responses is another topic in the piece that will strengthen my argument on the force of government on the future of the industry.