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Study on Proactive Approach against a New Large-Scale Crisis of the Aviation and Tourism Industry such as COVID-19

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ABSTRACT

In the face of the unprecedented crisis of coronavirus disease (COVID-19), the aviation and tourism industry fell without help. The bigger problem is that a crisis like COVID-19 can always come back. A new variant of the virus that is more powerful than COVID-19 may emerge, and another crisis such as a massive war may come. In addition, there may be an unexpected large-scale crisis that could shake the survival of the aviation and tourism industry in place. At that time, the aviation and tourism industry should not be pushed into a survival crisis defenselessly. Taking the experience of the crisis caused by COVID-19 as a crucial lesson, sufficient protection measures should be prepared in advance, and within the protection measures, the overall capabilities of the aviation and tourism industry should be preserved, and preparation should be made for the aftermath of the crisis. There is a need to establish a support system in which financial resources that can be used in crisis situation can be secured in advance, and various support measures can be implemented as effectively as possible by using the secured financial resources. Regarding the preparation for financial resources, various fundraising, insurance, and compensation for losses by the state or local government may be considered as a priority, and in addition, there is a need to continuously consider ways to prepare additional financial resources. On the other hand, in terms of system construction, establishment of the system inside the aviation and tourism industry may need to be considered first, but the improvement of related laws and systems needs to be more actively discussed and related legislation needs to be actively promoted.

Key Words : COVID-19, New Large-Scale Crisis, Proactive Approach, Financial Resources, System

I. INTRODUCTION

After successfully completing 2019 with the largest number of foreign tourists reaching 17.5

million, and amid the global Korean Wave boom of which explosive power has grown, the expectations that the aviation and tourism industry had for 2020 were very high (Korea Civil Aviation Association, 2020). However, when confronted with the unprecedented large-scale epidemic COVID-19, which has occurred since the beginning of 2020, the aviation and tourism industries collapsed helplessly. Recently, news of the development of vaccines and treatments are delivered one after another, but the commercialization and mass supply of them are still in a difficult situation (IATA, 2020).

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Various support measures including financial support measures such as special loan and extension of existing loan repayment period, employment-related support measures such as emergency employment stability support fund and deferment and reduction of 4 compulsory insurance payments, tax-related support measures such as tax reduction and deferral, and other support measures such as postponement of hotel rating evaluation were urgently prepared and implemented. However, it is not an exaggeration to say that the scale of support was inevitably limited due to financial limitations, and that there were practically no countermeasures that could actually serve as a way to overcome the crisis from the perspective of aviation and tourism companies, which are in danger of being closed down. News of the management crisis of aviation and tourism companies hit the press almost every day (UNWTO, 2020), and companies that went out of business appeared one after another. Many of the workers in the aviation and tourism industry lost their jobs or took unpaid leave, facing a crisis of survival. The sad news of an airline flight attendant who made an extreme choice in hardships of life was reported (Korea Civil Aviation Association, 2020).

Of course, when treatments and vaccines come out, the aviation and tourism industry will have a chance to recover. However, the scars left by COVID-19 are already very large, and above all, the loss of manpower is even more significant (Gu, 2020). Many experienced talents have already left or are likely to leave the aviation and tourism industry, and young and promising talents are reluctant to enter the aviation and tourism industry. As the wound is large, it will inevitably take a long time for the aviation and tourism industry to recover to pre-COVID-19 level.

The bigger problem is that a crisis like COVID-19 may come back anytime. New variant

virus that is more powerful than COVID-19 may emerge (ICAO, 2020), and there may be another crisis like a large-scale war. In addition, there may be an unexpected large-scale crisis that could shake the existence of the aviation and tourism industry. At that time, the aviation and tourism industry should not be pushed into a survival crisis defenselessly. Taking the experience of the crisis caused by COVID-19 as a crucial lesson, sufficient protection measures should be prepared in advance, and within the protection measures, the overall capabilities of the aviation and tourism industry should be preserved, and preparation should be made for the aftermath of the crisis.

The present study examines in detail what preparation should be made in case a new large-scale crisis situation occurs across the aviation and tourism industry in the future, such as COVID-19.

II. BODY

2.1 Overview

The limited financial support seems to be the main reason why the various support measures implemented in the COVID-19 outbreak were ineffective and temporary. Thus, the first step in preparing for a new large-scale crisis situation across the aviation and tourism industry, such as COVID-19, should be the securing of the financial resources necessary to effectively use various support measures (Interagency, 2020). When a plan for securing financial resources is established, construction of a system that can use the financial resources as effectively as possible could be reviewed significantly.

2.2 Preparation of financial resources

As a way to prepare financial resources in case a new large-scale crisis occurs across the

aviation and tourism industry, such as COVID-19, expanding or reinforcing the tourism promotion and development fund or creating a special fund similar to it can be considered first.

Tourism promotion and development fund is developed with government contributions and payments equivalent to 10% of sales paid by casino businesses pursuant to Article 30 of the Tourism Promotion Act, departure payment of foreign travelers pursuant to Article 2, Paragraph 3 of the Tourism Promotion and Development Fund Act, and an amount equivalent to 50% of the duty-free shop's license fee under Article 176-2 (4) of the Customs Act (Article 2 Paragraph 2 of the Tourism Promotion and Development Fund Act). After further expanding this fund, active provision of financial support to aviation and tourism businesses that are in crisis may be considered through the aforementioned fund in the event of a new large-scale crisis such as COVID-19. Since there will be a limitation to the expansion of government contributions, the standard of payments paid by casino operators may be raised to a level higher than 10% of sales, or expansion of the sales of the casino businesses, which are the basis for the aforementioned payment, by expanding and supporting casino businesses targeting foreign tourists, such as Chinese tourists, may be considered actively. Of course, increasing the contribution rate of the tourism promotion and development fund from the standard departure payment of foreign travelers or license fee of duty-free shop may be considered. Expanding fund management revenue by strengthening fund management expertise may also be taken into account.

In addition to expanding and strengthening the tourism promotion and development fund as described above, creation of a separate fund to respond to the crisis in the aviation and tourism industry may be considered. A certain amount or rate of payment for fundraising may

be imposed on major tourist attractions, airport or port usage fees, and aviation and tourism related service fees, and through this, a fund to respond to the aviation and tourism industry crisis may be created. Since it is putting a new burden that did not exist on the general public, there may be significant resistance or burden, but the situation in which the aviation and tourism industry as a whole is weakened or collapsed due to a large-scale crisis such as COVID-19 will cause even more damage to the general public. Accordingly, it should be possible enough to first form a public consensus on the above fundraising under the leadership of the government or politicians, and based on this, create a new fund as above. Of course, if the level of payment for the above fund raising is too high, there may be side effects that lower the utilization rate of aviation and tourism services. Thus, properly limiting the above payment level to a relatively low level will be desirable (Lim, 2020; Ministry of Culture, Sports and Tourism, 2020).

In addition to expanding or strengthening the tourism promotion and development fund or creating additional special fund similar to that, the use of insurance can be considered. Insurance product or purchase plan for unexpected crises such as COVID-19 may be developed in consultation with domestic and overseas large-scale insurance companies, led by business organizations or representative companies in the aviation and tourism industry, under government support, and individual airline and tourism companies may actively guide and encourage to use such insurance.

Meanwhile, business crisis of the aviation and tourism industry in the COVID-19 situation was caused by adverse effects such as the reduction in tourist size caused by COVID-19 itself, but it can be said that the industry was affected to some extent by the measures to restrict business in accordance with the qua-

quarantine policy of the government or local government. The above measures to restrict business can be seen as imposing certain restrictions on the property rights of aviation and tourism companies for public needs. According to Article 23, Paragraph 3 of the Constitution, fair compensation should be given for restrictions on property rights due to public needs. Using relevant laws to allow the government or local government to provide comprehensive compensation in crisis situations such as COVID-19, and using the financial resources as funds to overcome the crisis in the aviation and tourism industries may be considered.

In addition, in preparation for the advent of a large-scale crisis situation across the aviation and tourism industry such as COVID-19, a certain size of aviation and tourism operators may be required to accumulate part of their operating profits as a reserve fund for crisis response under normal business condition.

2.3 Construction of response system

Among the aviation and tourism industry support measures implemented by the government or local government recently implemented, only scarce financial resources were consumed. In fact, there are cases in which the measures were criticized by public opinion because they were not very helpful in overcoming the crisis in the aviation and tourism industry, but rather caused side effects. Some of the above policy failure cases are due to the very urgent establishment and implementation of the policy without any preparation for the crisis of COVID-19 (Yoon and Jang, 2020; Korea Civil Aviation Association, 2020). In terms of preparing for a new large-scale crisis such as COVID-19 in the future, the content and impact of the policies of the government and local government prepared and implemented in relation to COVID-19 should be carefully reviewed. Then, effective policies should be

inherited and developed as much as possible, and policies that were not effective should be used as a lesson. The post-evaluation of the above policies and the organization and reflection of the results should be led by government agencies such as the Ministry of Culture, Sports and Tourism. However, the aviation and tourism industry should actively present opinions on the effectiveness of policies, providing assistance such that the actual policies can be prepared more faithfully in preparation for the new large-scale crisis in the future (Kim, 2020; Ministry of Culture, Sports and Tourism, 2020).

There is a difficulty in discussing specific contents of individual support policies in this study. Accordingly, in terms of the overall system, control tower that coordinates all policies may be clearly designated, a crisis response center may be established within the Ministry of Culture, Sports and Tourism and the person responsible for the center may be appointed in advance. Enabling the control tower to properly coordinate the policies of the government and individual local governments according to the actual crisis content will be desirable. Further, there is a need to establish a system that can properly collect and organize internal opinions of the aviation and tourism industry and accurately deliver them to the government or local government such as the aforementioned control tower. Major companies in the aviation and tourism industry should actively promote the establishment of related system through aviation and tourism business organizations under government support.

In addition to the above system at the level of the government or local government, or the system encompassing the entire aviation and tourism industry, a response system or manual should be established within individual aviation and tourism companies in the event of a new large-scale crisis such as COVID-19 (IATA, 2020). For example, in the case of airline, if a

dangerous infectious disease such as COVID-19 occurs outside of the country, it needs to make accurate manuals to prevent the infectious agent from entering Korea, and faithfully conduct the training of flight and cabin crew members in advance.

Meanwhile, the National Assembly or politicians should faithfully prepare the underlying laws and regulations in order for the issues discussed earlier, that is, financial resource preparation plan or system construction plan can be implemented smoothly. With regard to the enactment and amendment of such laws, actively collecting and accepting the opinions of individual aviation and tourism companies or their workers who have experience in overcoming the actual crisis caused by COVID-19 will be desirable.

III. CONCLUSION

It will take a considerable amount of time for the aviation and tourism industry to recover to pre-COVID-19 level, and the bigger problem is that a crisis like COVID-19 may come back anytime. Moreover, a new variant of the virus that is more powerful than COVID-19 can emerge, or another crisis such as a large-scale war can occur. In addition, there will be an unexpected large-scale crisis that can shake the existence of the aviation and tourism industries. Even then, the aviation and tourism industry should not be pushed into a survival crisis defenselessly as they are now. Taking the experience of the crisis caused by COVID-19 as a crucial lesson, sufficient protection measures should be established in advance, and within the protection measures, the aviation and tourism industry should preserve the overall capabilities, and prepare for the aftermath of the crisis.

Accordingly, there is a need to build a support system in which financial resources

that can be used in a crisis situation are secured in advance, and various support measures can be implemented as effectively as possible by using these financial resources. Regarding preparation of financial resources, various fundraising, insurance, and compensation for losses by the state or local government may be considered first, and preparation of additional financial resources needs to be continuously considered. On the other hand, regarding the system construction, while system development in the aviation and tourism industry should be considered first, promotion of related legislations should be proactively carried out together with the improvement of related laws and systems.

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