



COVID-19: ASSOCIATION UPDATE

INCLUDING SUMMARY OF GOVERNEMENT RELIEF
MEASURES ACROSS ASIA PACIFIC

31 March 2020

Introduction

As the impact of the COVID-19 crisis deepens, APTRA is committed to supporting our members and industry in line with our vision: Strengthen, Nurture and Protect.

As you may have seen we have recently written to representatives in your governments highlighting the uniqueness of our industry and the particular challenges we face as a result of the near total halt in global travel. The letter also requested protection and relief for our industry by considering our sector as an essential service and part of the Aviation industry.

Separately, we have written to the CEOs of Airports in the region seeking their support to leverage their connection with the government departments to be sure to include all stakeholders in our industry within the support packages – that is Retailers, F&B operators and services providers at airports and ports should be considered within any Aviation Industry support package – they are unique operators in this segment.

As a follow up to those communication, we now aim to provide you, our members, with the resources you need to engage your local stakeholders and make similar representations for continued support. Your local support to with your local and strong connections will, add to the appeal to all governments.

On this local level the support that you can bring will echo and magnify the regional and global requests that are being made.

The information you're receiving is aimed at ensuring our industry is speaking with one voice, and a uniform narrative across the region, so that we can achieve the impact that comes with regional resonance.

This 'Toolkit' includes resources which will enable you. It includes the following:

- A summary of **Key Arguments** which are the messages the industry should use consistently across the region as our core position during this time;
- The ASIA PACIFIC Economic Impact Report 2019 with Data points from the **Economic Impact Report** (released in Nov 2019) which can be used to strengthen your representations; and
- An overview of **regional measures** which outlines what governments across Asia Pacific have implemented in order to support our broader industry at this time. We are working to provide a global version of Best Practice Governments in the near future.

Together with this, we are including the following letters issued by APTRA, for your reference:

- Letter to regional governments requesting protection for Duty Free & Travel Retail as essential services within the travel industry
- Letter to regional airport CEOs to support the call made to regional governments (in our letter to them and via the media)

We hope that this Toolkit will be of use to you in engaging your local stakeholders as we prepare to bolster our industry from the current impact and ready it for the road to recovery.

KEY ARGUMENTS

1. The Duty Free and Travel Retail industry is a key driver of revenue for the aviation and maritime sectors, and the overall travel and tourism industry. The Asia Pacific region constituted 45% of global revenues from Duty Free & Travel Retail in 2017. The economic impact in the region is significant.

- The Asia Pacific industry supports an estimated total of 320,200 jobs and US\$14.7 billion in GDP.
- The industry contributes significant revenues to the global transportation and travel and tourism sectors, with sales exceeding US\$60 billion per year, of that Asia Pacific accounts for almost half.

2. Duty Free & Travel Retail is totally distinct from retail channels in domestic markets, who are often the beneficiaries of support initiatives not extended or tailored for Duty Free and Travel Retail, even though Duty Free & Travel Retail contribute significantly to revenues in the broader travel industry.

- Such revenue can account for up to 60% of total revenue for airports and is an important contributor to the maritime sector.

3. The Duty Free and Travel Retail industry must be considered within the scope of any 'Essential Services'

- Financial support packages for the aviation and maritime sectors must be extended to businesses operating Duty Free and Travel Retail services
- Failure to provide our industry access to financial support will ultimately prolong the overall recovery and resilience of the aviation and maritime sectors

APTRA – DFWC ASIA PACIFIC ECONOMIC IMPACT REPORT: KEY DATA POINTS

Industry Growth

- Total global duty free and travel retail sales have more than tripled, from an estimated US\$20 billion in 2000 to an estimated US\$69 billion in 2017. This is up from US\$60 billion in 2016.
- According to Generation Research, the Asia Pacific region accounted for 45% of global duty free and travel retail sales in 2017, the largest market for the industry. This is up from 21% in 2000. Asia Pacific has been the regional leader since 2012.
- The compound annual growth rate from 2000 to 2017 in duty free and travel retail sales was 13% in the Asia Pacific region, the highest of all world regions.
- Growth in disposable incomes, consumer spending, and tourism drove duty free sales and travel retail within the region.

Economic Impact

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Channels

- Airports (55%) and airlines (4%), combined, accounted for 59% of duty free and travel retail sales globally.
- In the Asia Pacific region, airports (50%) and airlines (3%), accounted for 52% of duty free and travel retail sales.
- Asia Pacific's "other" category accounted for the remaining 48% of sales and was made up of sales at land border shops, diplomatic stores, downtown shops, port shops, ferries and cruises

Growth Markets

- Korea is the world's largest duty free market accounting for nearly US\$12 billion in sales, with China and Japan also being globally significant markets.
- Mainland China was anticipated to strengthen its position as the second biggest duty free and travel retail market in the region.
- India is one the greatest growth opportunities for global duty free and travel retail. A combination of a large and growing population, increasing air connectivity, inbound tourism, and growing disposable incomes and propensity to travel internationally by India's middle class drove growth in its duty free market.

Traveller Spends

- According to the UNWTO, there were 1.4 billion international tourist arrivals globally in 2018, of which over 25% were travelling to the Asia Pacific region.
- These travellers were estimated to spend over US\$1.4 trillion. On average, each international tourist arrival spends approximately US\$1,000.
- However, this compares to over US\$1,200 for international visitors to the Asia Pacific regio

REGIONAL BEST PRACTICE

The following summarises relief measures provided by governments globally.

Key Points

- The most common form of relief across all countries supported enhanced business cash flow
- Tax policies supporting consumption, employment and investments follow
- Measures to enhance cash transfers and enhance household cash-flow were also prioritised

Regional Measures – Sector Specific

Data as of 10 March

Southeast Asia

Singapore

- Singapore announced an S\$112 million Aviation Sector Assistance Package - co-funded by the Government, the Civil Aviation Authority of Singapore (CAAS) and Changi Airport Group (CAG).
- Assistance will be provided for a six-month period and aims to give immediate relief to companies affected by the coronavirus outbreak.
- Changi Airport will get a 15 per cent property tax rebate.
- Retail, food & beverage (F&B) and service outlets at Changi Airport will also receive a 50 per cent rental rebate for six months effective from Feb 1.
- All airlines that operate flights between mainland China and Singapore will get landing credits.
- All Singapore carriers operating scheduled flights will also get to save an estimated \$6 million on regulatory fees, as a result of the CAAS providing a 50 per cent rebate on fees for new and renewed Certificates of Airworthiness.
- Various other rebates will also be provided to help airlines, with the freighter airlines and cargo agents set to get some help as well.

Vietnam

- Across various Vietnamese carriers, the government said the coronavirus has already cost Vietnamese airlines about 10 trillion dong (US\$429.5 million) in lost revenue.
- Vietnam plans to spend 27 trillion dong (\$1.16 billion) to help businesses cope with the coronavirus epidemic and help the economy stick to its 6.8% growth target this year.
- The plan includes tax break, delayed tax payments and reduction in land lease fee.

Thailand

- The government sought cabinet approval for a \$3.2 billion stimulus package to ease the overall impact of the coronavirus.
- The package outlines support for businesses includes soft loans at 2 per cent interest rates, debt moratorium and delayed debt repayments, and lower utilities expenses and other costs.
- According to Kobsak Pootrakool, secretary to the economic cabinet, measures to help airlines will be considered later.

Indonesia

- Indonesia is working on a second stimulus package, adding to the central bank's 10.3 trillion rupiah (S\$1 billion) announced last week to counter the impact of the coronavirus on financial markets.
- As part of its first stimulus package, airlines and travel agents will be given 443.4 billion rupiah to provide 30% discounts on air fares for some seats for three months.

Malaysia

- The Malaysia government is dedicating 20 billion ringgit (\$4.8 billion) to support businesses affected by the virus, particularly in the tourism industry.
- Measures include deferring the monthly income tax instalment payments for businesses in the tourism sector and allowing the affected companies to revise their profit estimates for 2020 with respect to monthly income tax instalment payments without penalty.
- Airlines, listed among other players in the tourism ecosystem, will get a 15 per cent discount on monthly electricity bills for six months beginning April.
- The stimulus also looks at pushing domestic tourism by giving Malaysians RM100 vouchers for flights, rail travel and hotel stays, on top of a RM1,000 tax relief for expenses made on domestic tourism.

Philippines

- Philippines' Department of Tourism will be spending some 6 billion pesos (S\$165 million) on its tourism resilience programme which will focus on promoting domestic destinations.
- 1.6 billion pesos will be used to improve secondary airports in the country.
- The Civil Aviation Authority of the Philippines has also announced that payment of charges for takeoff, landing, and parking will be deferred for local airlines, for one year.

Oceania

Australia

- Australia is preparing to unveil a multi-billion-dollar stimulus package to cushion the impact of the coronavirus outbreak on its economy.
- It is reported that the Australian Tourism Industry Council is pushing the government for immediate financial support for affected businesses, and extra funding for Tourism Australia to spend on promoting domestic tourism.

New Zealand

- New Zealand announced a Cabinet-approved business continuity package which will include a targeted wage subsidy scheme for businesses struggling due to the outbreak.
- Air NZ in February predicted the outbreak impact to its financial year earnings would be in the range of \$NZ35m- \$NZ75m, due to lower demand and capacity cuts.

South Asia

India

- No publicly available information on measures specific to the aviation sector, as of 10 March.

North Asia

Hong Kong

- Hong Kong International Airport (HKIA) is preparing to consolidate all flights into the main terminal building, and close a newer concourse that sits between the two runways.
- HKIA has announced a HK\$1.6bn (US\$210m) package of rent concession and reduced fees to help mitigate the impact of the Coronavirus situation on businesses at the airport.

- The relief measures to be offered to various airlines by Hong Kong International Airport include an interest-free deferral of 50 per cent of aircraft-operation charges for up to six months, including those for landing, parking, and using the air bridge and terminal building.
- HKIA also offered 20 per cent rental reduction for airline lounges, office and storage space, and a 20 per cent discount for airside vehicle permits.

Mainland China

- The Civil Aviation Administration of China (CAAC) will provide funds to Chinese and foreign airlines operating scheduled international passenger flights between points in China (excluding Hong Kong SAR, Macao SAR and Taiwan Province) and points beyond China.
- For scheduled international passenger flights: Financial incentives will be given to operators whose international flights during the epidemic are not suspended or have been restored after suspension.
- All qualifying international scheduled passenger services will receive CNY0.0176 per available seat kilometre for routes that are operated by multiple airlines and CNY0.0528 per available seat kilometre for routes that are operated by one airline.
- The subsidies are effective for flights between January 23 and June 30.

Taiwan

- The Ministry of Transportation and Communications in Taiwan has put 4.2 billion Taiwan New Dollars (US\$140 million) aside to assist the Island nation's airlines if the coronavirus outbreak continues to worsen.

Japan

- Japan will adopt a two-week quarantine for visitors from China and South Korea.
- The country will unveil a financial support package that focuses on SMEs on 10 March to offset the impact of the coronavirus outbreak. Details were not out yet as at completion of this report.
- In February, the government rolled out its first financial support package worth 500 billion yen, which provides low-interest loans for SMEs, particularly in the tourism industry.
- No specific support packages or policies were announced for the aviation sector.

Korea

- On Feb 17, the government will establish an emergency loan program for low-cost carriers within the ceiling of 300 billion won.
- For airline operators that have suspended or reduced flights, the government will offer a maximum grace period of three months on the payment of airport charges.
- In late February, the government announced a monetary support package worth more than KRW20tn/\$17bn to boost the economy, which includes rent concessions for SMEs at Korean airports
- South Korea's aviation industry is likely to see losses from the coronavirus outbreak snowball to at least 5 trillion won (\$4.2 billion) by June