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Measures of state support for the tourism industry during the coronavirus pandemic: the Russian experience

Anastasiya R. Dorofeeva

Graduate Student,
Financial University under the Government of the Russian Federation,
125993, 49, Leningradskii ave., Moscow, Russian Federation;
e-mail: dorofeevaa467@gmail.com

Abstract

The paper aims to identify and describes the main measures of state support for the tourism sector in Russia during the coronavirus pandemic. The theoretical basis of the study was works of Russian and international scientists who have studied the short- and long-term effects of the pandemic on the tourism industry, as well as data presented in the form of legislative acts and reports on the official websites of the Government of the Russian Federation. In the course of the study, such measures of state support for the Russian tourism industry as tax deferrals and reductions, subsidies, a cashback programme, reimbursement of tourist repatriation expenses, government loans, credit benefits and deferrals, reimbursement of non-refundable rates, and the others were characterized. Moreover, the relevance of the application of these measures was justified. To conclude, the coronavirus pandemic has undoubtedly been a heavy blow to the Russian tourism industry. To support and restore the sector, the Russian government has established a wide range of support measures for tourism. These have offered benefits to all industry stakeholders and were sought after by the majority of Russian travel companies. Our research into this area is still ongoing and will be enhanced by an analysis of the other listed measures.

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Keywords

Tourism industry, coronavirus pandemic, state support, crisis, economy.

Введение

The tourism industry is currently one of the sectors most affected by the coronavirus pandemic, having suffered unprecedented losses from which it will take years to recover. According to the World Tourism Organization, 217 countries have imposed travel restrictions and more than 100 million people have lost their jobs. The total financial loss to the global tourism industry amounts to \$30-50 billion. The situation is accompanied by a weakening of the global economy and an increase in geopolitical and social tensions.

The restrictions that led to such a devastating effect of the pandemic on the tourism sector may have been justified even before the COVID-19 outbreak. Travel, especially by air, accelerates the spread of influenza viruses and coronaviruses [Brown et al., 2006; Burkle, 2006].

Before COVID-19, the global tourism industry had already experienced several global crises. Among these were the SARS outbreak in 2003, the global economic crisis in 2008–09, and the 2015 outbreak of MERS, as well as a number of terrorist attacks, none of which led to a serious decline in the global tourism sector. However, the crisis caused by COVID-19 is much more serious. The uniqueness of the tourism industry lies in its ability to recover rapidly from social and economic crises, as it did after the aforementioned examples. At the same time, most experts agree that the industry's post-crisis rate of recovery and specifics of functioning depend on the timely implementation of government policy to support the sector [Shvets, 2020].

This paper considers the development of the Russian tourism industry during the pandemic, identifying and describing the main measures of state support for the tourism sector in Russia.

The relevance of the research lies in the fact that the economies of many countries and cities, Russia and Russian regions and cities among them, are highly dependent on tourism industry revenues. In this regard, Russian stakeholders are interested in the early recovery of this profitable sector of the economy.

Main part

In spring 2020, due to the introduced epidemiological restrictions, sales in the Russian tourism market fell by almost 100%. The total amount of revenue lost to the industry in the first half of 2020 amounted to 1.5 trillion roubles (\$20.2 milliard) [Loguntsova, 2020]. At the end of March, the Russian authorities announced the closure of the borders. A self-isolation regime was introduced in the country, the severity of which varied in different regions depending on the level of morbidity.

Though these measures helped to slow the spread of the virus, they also led to the total suspension of tourist activities in the country, causing losses to large players in the Russian tourist market and threatening the existence of small tourist companies. The situation was aggravated by the fact that such small and medium-sized businesses make up the bulk of the Russian tourism sector [Afanas'ev, Afanas'eva, 2020].

The gradual recovery of Russian domestic tourism began in the early summer of 2020. However, a large number of restrictions related to tourism are still in force.

According to the Decree of the Government of the Russian Federation of 3 April 2020, the tourism and hospitality industries were among the sectors of the Russian economy most affected by the spread of the new coronavirus infection. The industries named in this decree received priority state support. According to KPMG research, about 87% of Russian travel companies applied to the state for support in 2020. Table 1 depicts the most significant measures implemented by the Russian government.

Table 1 - Measures of state support for the Russian tourism sector amid the coronavirus pandemic

Measure of state support	Description
1. Tax deferrals and reductions	Tax holidays and tax deferrals for up to 6 months; reduction of the tax rate.
2. Subsidies	Subsidies for tour operators to compensate for losses related to air transportation; subsidies for carrying out measures to prevent new coronavirus infection; subsidies to airlines (23.4 billion roubles) and shipping companies (320 million roubles).
3. Cashback programme	Programme providing 20% rebates on the cost of a trip within Russia, helping to increase the tourist flow.
4. Reimbursement of tourist repatriation expenses	1.5 billion roubles as compensation to Russian airlines for the cost of repatriating tourists from abroad; Another 2 billion roubles were allocated to support Russians unable to return home.
5. Credit benefits and deferrals	Provision of low-interest loans; the possibility of obtaining an interest-free loan to pay staff salaries.
6. Reimbursement of non-refundable rates	3.5 billion roubles allocated to reimburse the costs of tour operators for non-refundable rates.
7. Moratorium on tax and customs inspections	All on-site inspections suspended until June 30, 2020, with the exception of inspections to prevent harm to human life and health.
8. Deferred lease payments	Conclusion of additional agreements providing for the deferral of lease payments for the use of state property.
9. Moratorium on bankruptcy	A 6-month moratorium for organisations operating in the most affected sectors.
10. Layoff prevention	Additional payments if the company maintains employment at 90% or more of March 2020 levels.
11. Other post-crisis measures aimed at restoring and developing domestic tourism	Subsidies for social tourism, organising trips for vulnerable groups (children, disabled people, etc.); Partial subsidised air travel to barely accessible regions (Kamchatka, Baikal, etc.); Support for entrepreneurial initiatives to create tourist products and tourist infrastructure, including the establishment of grants for the development of certain types of tourism (e.g., a government grant for the development of glamping in Russia).

Evidently, the measures of state support for the Russian tourism industry are rather diverse, although the majority of *them are financial*. They cover all stakeholders, ranging from travel companies and related businesses (shipping companies, airlines) to tourists.

These measures fall into two groups. The first includes measures taken by the state immediately after the outbreak of the pandemic, which were aimed at keeping the industry alive under severe constraints. The second group of measures was taken in the post-crisis period and focused on the long-term development of the domestic sector.

The focus on domestic tourism has become a key trend in the development of the Russian tourism sector in the post-crisis period [Loguntsova, 2020]. With this in mind, we pay special attention to the cashback programme, the main goal of which is to stimulate internal tourist flow and increase the availability of travel. The programme provides cash rebates of 20% of the cost of a trip within Russia, although international travel does not qualify for relief under the scheme.

The programme started in August 2020 and initially received a wave of criticism due to the long list of conditions for participation. Among them were minimum duration (4 nights) and price (25,000

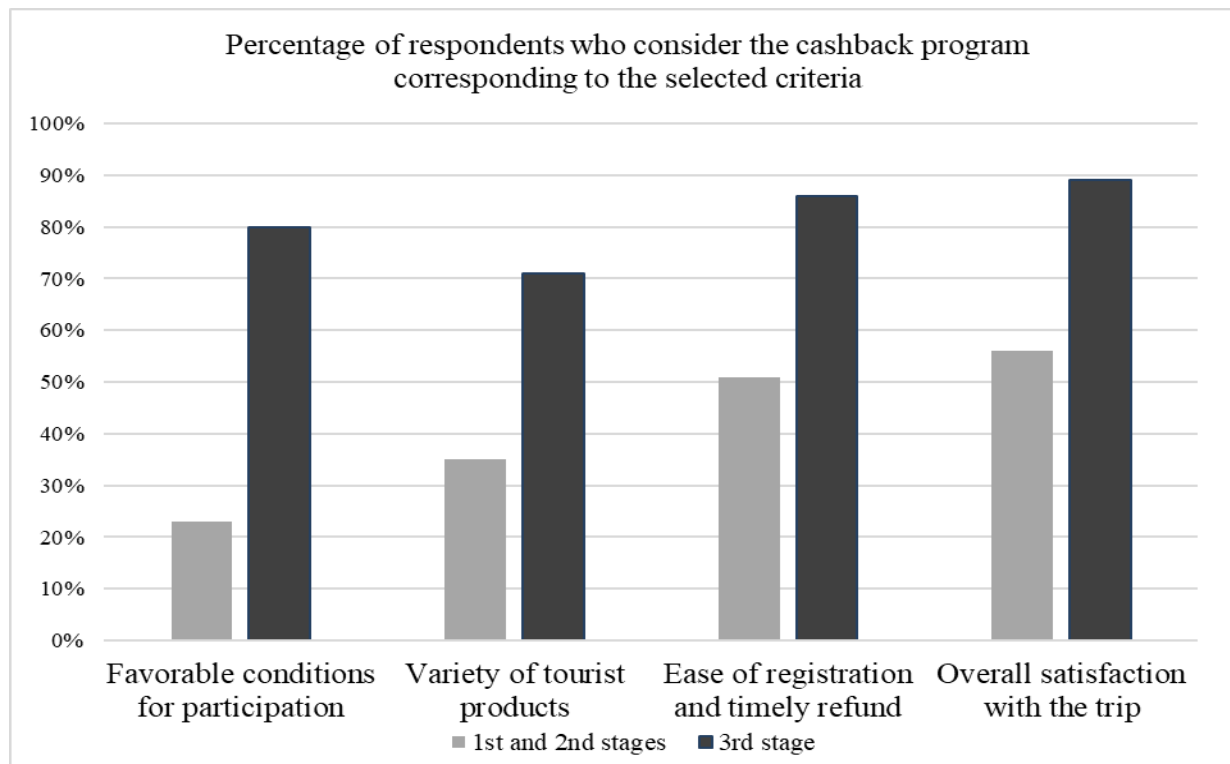
roubles (\$337)), as well as the use of certain payment systems. It should be noted that the Government promptly responded to the complaints and proposed a new version of the programme.

At the time of writing, the fourth stage of the programme is being implemented. Now there is no minimum cost, and the minimum duration of the tour was raised from two nights to four. The maximum rebate was also increased, from 15,000 (\$202) roubles in August 2020 to 20,000 (\$270) in August 2021. In addition, today the number of tours that one person can buy within the programme is not limited. Moreover, during the implementation of the programme, the list of offered tourism products was significantly expanded. At the third stage of the programme, for example, it included children's camps and cruises. The only thing that remained unchanged was the condition for making a purchase using the “Mir” payment system.

These changes have helped to significantly increase consumer loyalty to the programme. Figure 1 shows the comparative indicators of customer satisfaction who used the cashback programme during the first two stages of its implementation (August – December 2020) and the third (March – June 2021).

For each stage, reviews by 60 Russian tourists were analysed, obtained in the course of sociological surveys and analysis of online reviews of consumers who took part in the programme. During the study, the programme was assessed according to four criteria: Favourable conditions for participation, Variety of tourist products (destinations and accommodation available for visiting), Ease of registration and timely refund, and Overall satisfaction with the trip. The respondents were offered short questionnaires consisting of one question. It was necessary to assess whether the program meets the specified criteria.

As we can see, the growth of indicators is significant: from a 1.5-fold increase according to criterion “Overall satisfaction with the trip”, to more than a threefold increase according to criterion “Favourable conditions for participation”.



Source: compiled by the author

Figure 1 - Survey results

On the whole, the cashback programme at its current stage can be considered an effective measure to enhance domestic tourism. In addition, it is important to note that the Russian government is actively responding to the opinion of citizens and is ready to change the original plans. This is evidenced by the modernisation of the cashback programme, which has helped to increase its value in the eyes of consumers.

Conclusion

To conclude, the coronavirus pandemic has undoubtedly been a heavy blow to the Russian tourism industry. To support and restore the sector, the Russian government has established a wide range of support measures for tourism. These have offered benefits to all industry stakeholders and were sought after by the majority of Russian travel companies. Our research into this area is still ongoing and will be enhanced by an analysis of the other listed measures.

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Меры государственной поддержки индустрии туризма в период пандемии коронавируса: российский опыт

Дорофеева Анастасия Романовна

Студент,
Финансовый университет при Правительстве Российской Федерации,
125993, Российская Федерация, Москва, Ленинградский пр., 49;
e-mail: dorofeevaa467@gmail.com

Аннотация

Целью данной статьи является идентификация и характеристика основных мер государственной поддержки индустрии туризма в России в период пандемии коронавируса. Теоретической основой исследования послужили работы российских и зарубежных ученых, изучивших краткосрочные и долгосрочные последствия пандемии для индустрии туризма, а также данные, представленные в виде законодательных актов и отчетов на официальных сайтах Правительства Российской Федерации. В ходе исследования были охарактеризованы такие меры государственной поддержки российской туристической отрасли, как налоговые отсрочки и сокращения, сокращение налоговой ставки, субсидии, программа кэшбека, возмещение расходов на репатриацию туристов, государственные займы, кредитные льготы и отсрочки, возмещение невозвратных платежей и другие. Кроме того, была обоснована актуальность применения перечисленных мер.

Для цитирования в научных исследованиях

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Ключевые слова

Индустрия туризма, пандемия коронавируса, государственная поддержка, кризис, экономика.

Библиография

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