

Before Coronavirus: How the Travel Industry Overcame Its Five Biggest Crises

Description: should include "Travel Industry", "Coronavirus"

Countries are closing their borders one by one. Airlines are massively canceling flights. Airports have no passengers. Hotels and resorts do not allow tourists. Never before the travel industry has seen such a total standstill.

The COVID-19 pandemic is expected to hit the sector [six times harder](#) than the 9/11 attack. Before the coronavirus outbreak, tourism supported roughly [one out of ten](#) jobs in the world, accounting for 10 percent of global GDP. Sadly, the pandemic is expected to result in:

- a loss of [50 million](#) travel-related jobs worldwide;
- a 25 percent shrink of global travel;
- reduce in revenue at least by [\\$113 billion](#) for airlines (and this forecast was made before the closure of the North Atlantic market).



Profit losses from coronavirus that could hit popular airlines. Source: [Financial Times](#)

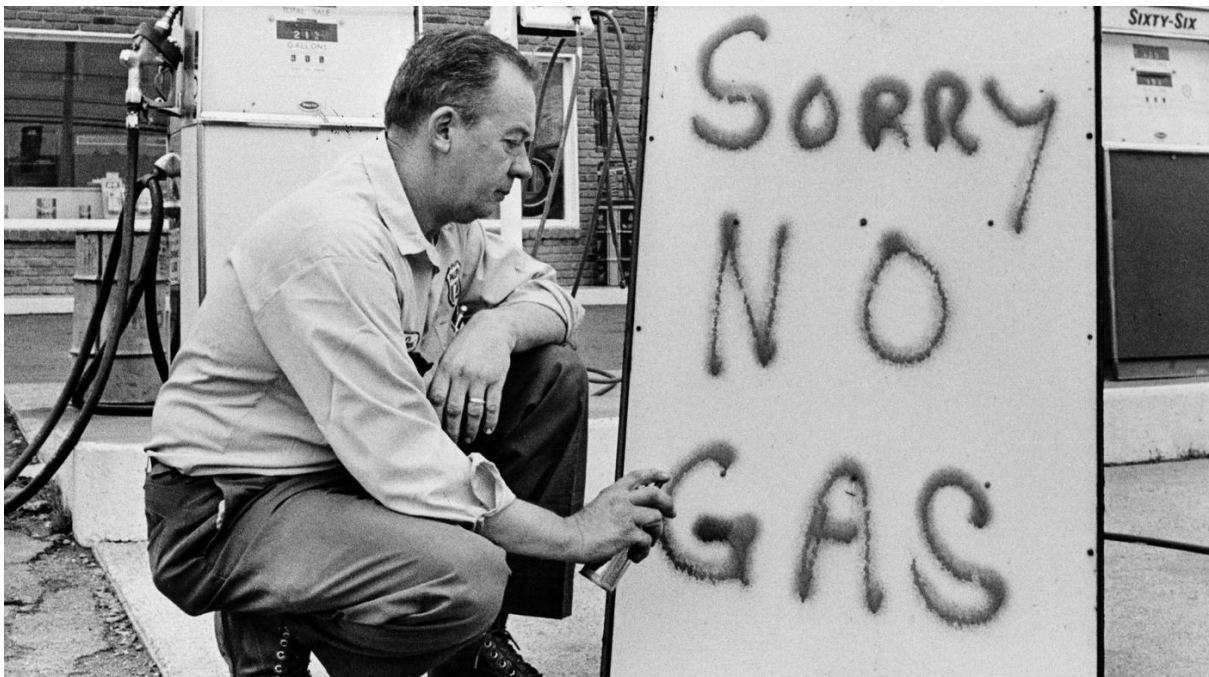
After the outbreak is over, the recovery phase could take at least [10 months](#). However, in any scenario, "this too shall pass." Tourism proved its resilience and

ability to learn lessons from crisis multiple times. Let's recall how carriers, hotels, tour operators and other trip-related organizations responded to the greatest shocks of the not-so-distant past.

The 1970s oil crisis

The so-called oil shocks of the 1970s were caused by two conflicts in the Middle East.

Firstly, the 1973 Arab-Israeli War also known as the Yom Kippur War prompted OPEC (Organization of the Petroleum Exporting Countries) to stop oil supplies to the USA, Canada, the UK, and other states supporting Israel. The five-month-long embargo led to the sustained gas shortage in the Western world and a [fourfold](#) increase in oil prices, from \$3 to almost \$12 per barrel (or from about \$17.50 to \$70 as of today).



The 1973 energy crisis resulted in a massive gas shortage across the USA. The second oil shock came in 1979 on the back of the Islamic Revolution and the fall of the Shah in Iran. This time the oil prices doubled [breaking](#) \$37 per barrel (about \$132 in 2020 prices).

The skyrocketing cost of fuel severely affected tourism, especially — the airline industry. By 1980, fuel expenses amounted to [one-third](#) of total operating costs. More and more passengers refused to fly because of doubled airline prices. Large spendings combined with slumping demand drove several carriers into bankruptcy while many others accumulated large debts and couldn't survive without support from the national governments.

Recovery and lessons learned: invest in efficiency to cut oil spending

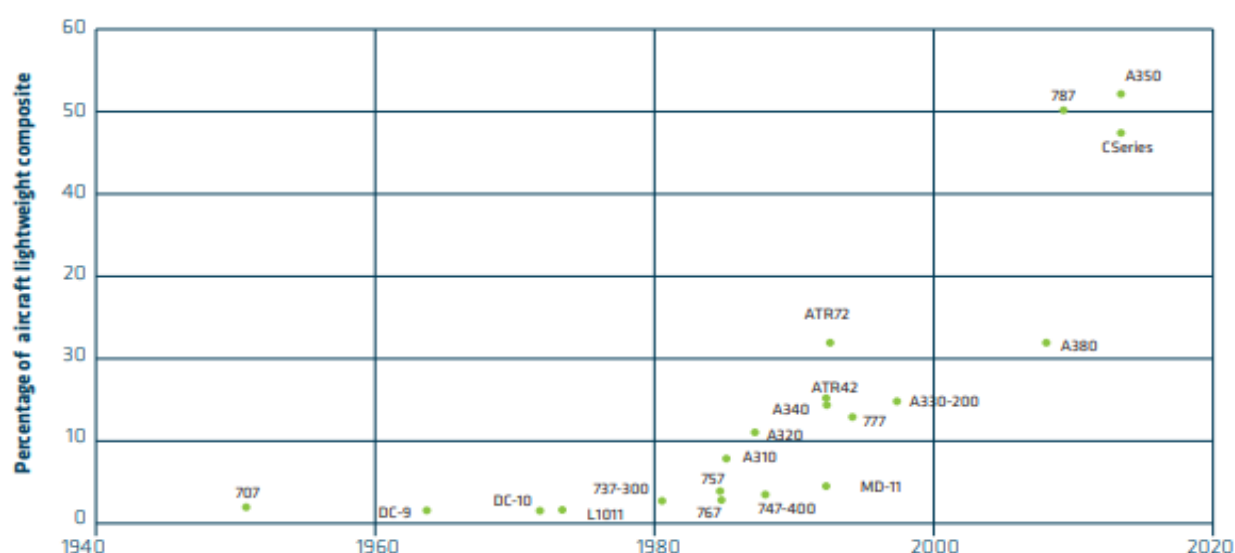
It was not until [1983-1984](#) that commercial air transport in Europe and North America finally returned to profitability. Yet, high oil prices had a positive impact as well: they inspired the battle for fuel economy.

Immediate weight reduction measures. To reduce aircraft [weight](#), some carriers stopped painting their planes or even cut the number of in-flight magazines stuffed into seat pockets.

Flight management systems and speed balancing. In the [mid-1970s](#), aviation facilitated the development of flight management systems that automatically calculated the optimal speed and power engine settings based on altitude, wind, and other factors to reduce fuel consumption.

Transition to composites. Oil shocks set the stage for the most significant shift in the aircraft building since the 1930s, when wood and fabric were replaced by lightweight aluminium in airframe constructions. After the oil embargo, airlines looked more closely at the potential of composite materials that were stronger and about [25 percent](#) lighter than aluminium. However, over thirty years passed before the first composite commercial jet entered mass production: The [Boeing 787](#) Dreamliner launched in 2009 comprised 80 percent of its volume and 50 percent of weight in carbon fiber.

Growth in the use of composites in commercial aircraft



The graph shows the growth of the composite percentage in the total aircraft structure weight. Source: [Beginner's Guide to Aviation Efficiency](#)

The 1990-1991 Persian Gulf War

The Persian Gulf War lasting from August 1990 through February 1991 caused another oil price shock, with a peak of [\\$46 per barrel](#) (about \$94 as for 2020). The rising cost of air travel went hand in hand with the early 1990s recession. But even people who could afford expensive trans-Atlantic flights canceled their airline tickets by thousands due to the fear of terrorism.

Among those who returned their bookings to Europe at the height of the Gulf War were American [movie stars](#) Clint Eastwood, Meryl Streep, Sylvester Stallone, and others. US fashionistas stayed at home during the haute couture shows in Paris, and American theater-goers missed big opening nights in London. Many global companies banned business trips replacing face-to-face meetings with video-conferencing.

As a result, all major European airlines like British Airways, Air France, and SAS suffered downturns in number of passengers and revenue. The traffic at the world's busiest airport — Heathrow — decreased by 21 percent.

Additionally, the World Tourism Organization (WTO) [reported](#) a sharp drop of travel from North America to Jordan (by 48 percent), Egypt (by 36 percent), and Israel (by 30 percent). By the end of the war, about [three million](#) people engaged in tourism lost their jobs.

Recovery and lessons learned: there are always new destinations to discover

The Persian Gulf crisis was tough yet comparatively short. Its effect lasted a few months, and 1992 already saw the [eight-percent](#) growth in global travel. The industry recovered with new products to offer.

New destinations. As travelers feared to visit popular resorts in the Middle East, Turkey, and North Africa, tour operators explored and merchandised less known holiday destinations such as Chile, Sri Lanka, Seychelles, Vietnam, New Zealand, and Portugal.

Short stays. Low incomes, high prices on long-haul flights, and fear of war led to the uprising of short-term tourism trends. Travelers preferred to visit only one major attraction, not far from their home, with no more than three overnight stays. So, travel agencies started developing tour packages meeting those needs.

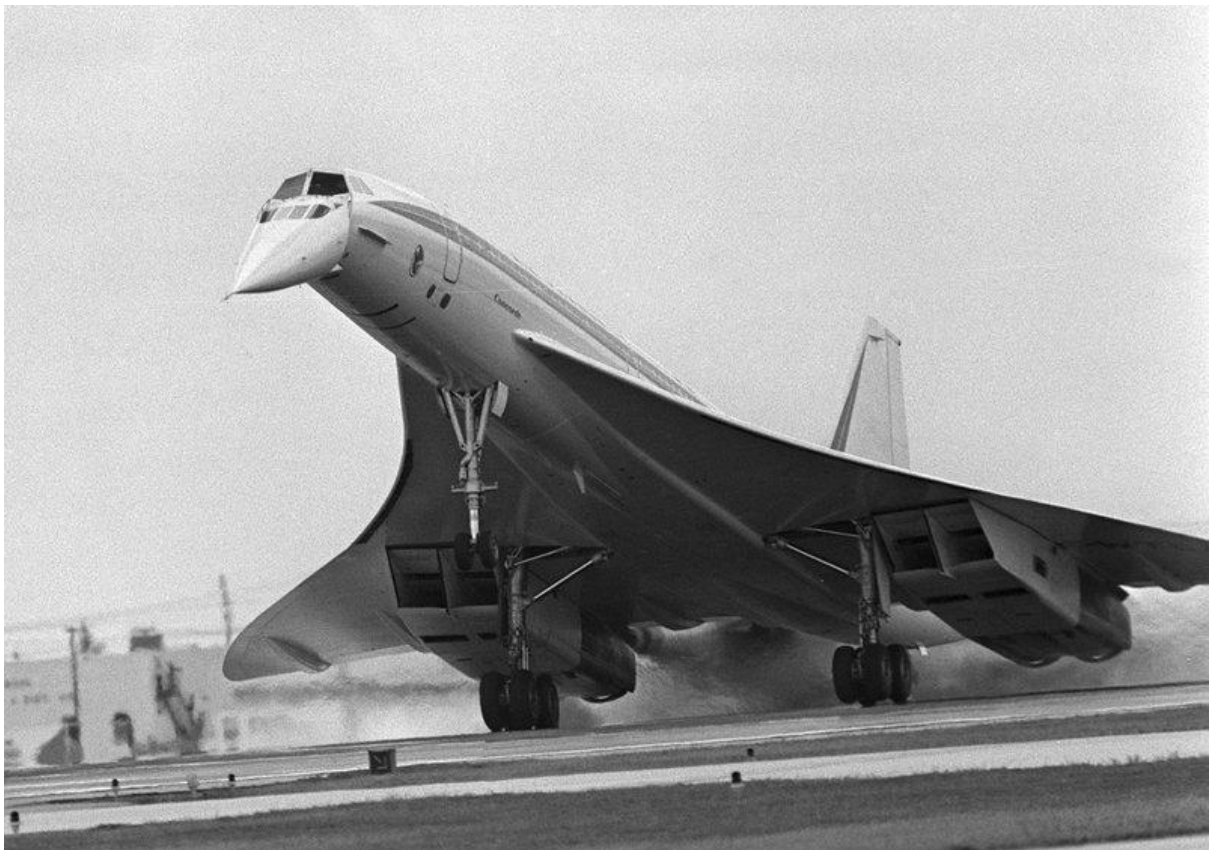
The 2001 terrorist attack

Before the 2020 coronavirus outbreak, the 9/11 attack on the World Trade Center was considered a catastrophe that had the most drastic impact on tourism. All

commercial airlines in the US and Canada were halted for three days that entailed the reduction of travel volume by at least [one third](#) compared with September 2000.

The terrorist strikes deepened the financial problems airlines already suffered because of the 2001 recession. The tragedy spread panic and an unprecedented fear of flying among people. During four to five months following the attack, the travel demand was down by [31 percent](#). In the aftermath of the 9/11 attack, American and European airlines lost [\\$19.6 billion](#) in revenue (almost \$29 billion in 2020 prices) and had to fire about [160,000 skilled workers](#).

Several financially weak carriers declared bankruptcy, while British Airways abandoned Concorde, the only supersonic passenger jet in service.



The 9/11 tragedy put an end to Concorde flights and to the whole supersonic era in civil aviation. Source: [Associated Press](#)

Concorde's [40 best customers](#) who traveled at least twenty times a year had offices at the World Trade Center and perished in the terrorist attack. Empty seats and increasing operating costs grounded the legendary planes after almost 30 years in the air.

Recovery and lessons learned: security is all

Security in airports and airplanes was toughened across the globe and finally, those strict measures became “the new normal”. Among other changes introduced after the 9/11 were:

- the Transportation Security Administration (TSA) was established to manage security processes in the US airports;
- full-body scanning machines at the airports;
- reinforced and bulletproof cockpit doors;
- more air marshals on flights to improve security;
- a ban on all knives;
- prohibiting passengers from entering the cockpit during the flight.

After September 11, airlines experienced a decline in passenger numbers for [about a year](#). It took them [22 months](#) to return to the pre-9/11 traffic while the US air business travel has never [regained](#) previous positions.

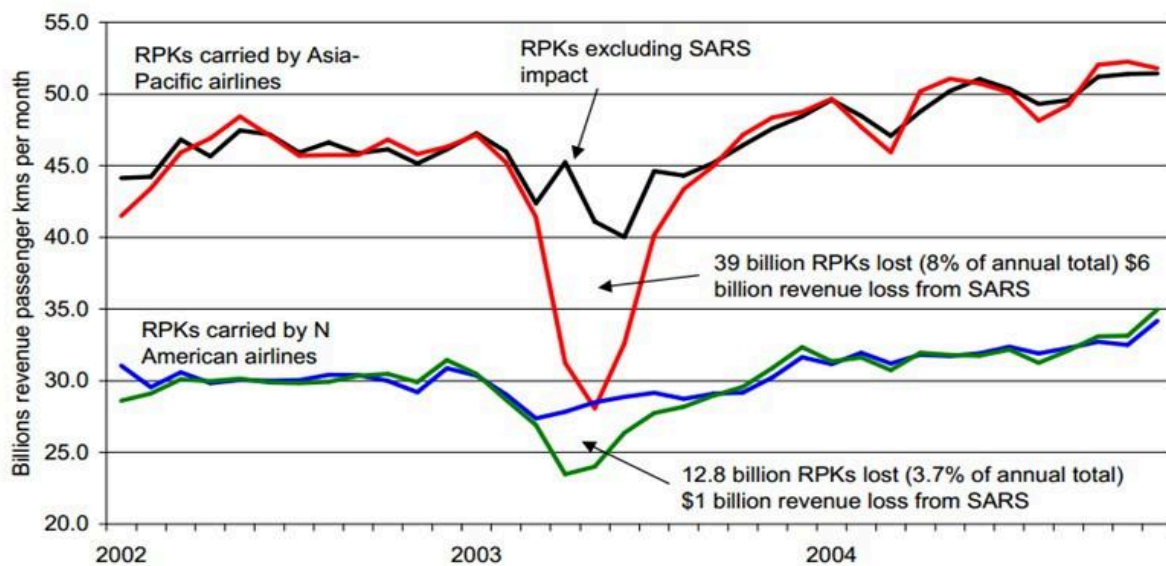
The 2003 SARS outbreak

First detected in the Chinese province of Guangzhou in November 2002, severe acute respiratory syndrome or SARS virus traveled to Hong Kong together with [Liu Jianlun](#), a 64-year old medical professor from Guangdong.

An expert in respiratory diseases, he was ironically unaware of his own illness when checking into Room 911 of Metropol Hotel on February 21, 2003. The next day Liu was transported to a nearby hospital where he died within two weeks. During his short stay in the hotel, the doctor infected at least 16 guests and visitors who took the new virus [overseas](#) — namely, to Vietnam, Singapore, and Canada.

In response to the explosive spread of the infection, the World Health Organization (WHO) recommended postponing trips to high-risk destinations — primarily, China and Hong Kong. The fear of SARS negatively [affected](#) all large US carriers like Delta, United, JetBlue, Southwest, American and Alaska Airlines. They lost around \$1 billion of revenues. But Asia Pacific Airlines were hit the hardest: At the peak of the outbreak in May 2003, their traffic sank by 35 percent. By the end of the year, the total losses in revenues amounted to \$6 billion.

Impact of SARS on Asia-Pacific and North American Airlines



The losses in revenues and revenue passenger kilometers (RPKs) from SARS. Source: [IATA](#)

Hotels in China and Hong Kong were the second major victims of SARS — after airlines. They saw a drastic drop in guest arrivals as a large number of package tours, business trips, and conferences were canceled. Hoteliers reported an occupancy level of [20 percent](#) instead of an average 85 percent typical for this time of year.

Recovery and lessons learned: panic lives longer than a virus

SARS became the first classic example of how hotels can serve as the epicenter of the epidemic and how global tourism facilitates the rapid spread of viral infections across the globe.

However, the 2003 China-born virus pales in comparison with the current version. Unlike COVID-19, SARS was quickly brought under control. In July — three months after the peak — the WHO called off its ominous travel recommendations and the epidemic officially ended without developing into a huge quarantine. According to [IATA](#), the air passenger traffic came back to pre-SARS numbers within nine months. Why did it take so long? Because panic outlasted the infection itself.

The 2010 Eyjafjallajökull volcano eruption

The Icelandic volcano with an unpronounceable name hit the headlines in spring 2010 when it [caused](#) the greatest airspace closure over Europe since the Second World War. From the 15th to the 21st of [April](#), 108,000 flights were canceled, 313 European airports closed and 10.5 million passengers had to change their plans.

Totally, air traffic involving Europe dropped by half because of the volcanic ash cloud. The UK, Finland, and Ireland saw a [90 percent](#) reduction in arrivals.

Many tourists used other means of transport to get to their destinations, putting trains and ferries under considerable strain. The prices of accommodation in hotels near airports and ground travel skyrocketed, but their capacity remained inadequate.

After April 21, the airspace was reopened, however the volcanic activity lasted through May, causing flight delays across Europe.

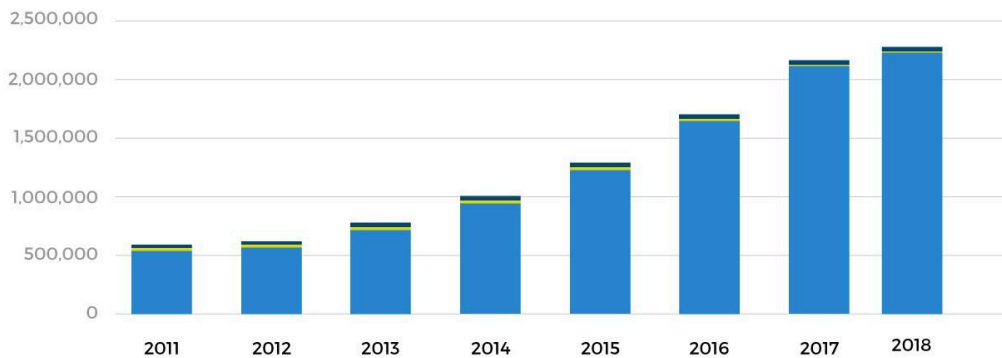
Recovery and lessons learned: the source of disaster can turn into a major attraction

The volcano eruption brought two lasting consequences: more travelers in Iceland and better responses to risks in European airspace.

“Inspired by Iceland” campaign. As a rule, natural catastrophes — like the 2004 tsunami in Thailand, Hurricane Katrina that hit the USA in 2005 or the 2011 earthquake in Japan — cut tourism demand at least for a while after the end of a disaster.

But it was not the case with Eyjafjallajökull. On the contrary, the previously unknown volcano became the country’s lure number one for travelers. It didn’t happen by itself, though: the positive effect was reached thanks to a massive social media campaign called [Inspired by Iceland](#) the government launched on the heels of the eruption. It did not take long to see the results: by the end of the year, the country reaped over [79,000](#) additional arrivals. Since then, tourist visits have been growing year by year, boosting the country’s economy. In [2017](#), tourists outnumbered inhabitants by seven to one.

International Visitors to Iceland



After the volcano eruption, Iceland sees the steady growth of tourist arrivals. Source: [Icelandic Tourist Board](#)

EACCC creation. The flight restrictions imposed by EU states during the Eyjafjallajökull eruption were largely uncoordinated — and so was the reopening of airspace. To avoid such situations in the future, the European Aviation Crisis Coordination Cell ([EACCC](#)) was established. Since the volcanic eruption, the organization took part in developing coordinated responses to Grímsvötn eruption in 2011 (another Icelandic volcano), the MH17 crash in 2014, and the Ebola outbreak in West Africa in 2014-2015.

The 2020 coronavirus pandemic: what to expect?

How soon will the current crisis end and people start to book tickets, tours, and hotel rooms again? Analysts offer several possible scenarios.

By the end of spring. At the very best and supposing that quarantine measures taken today are enough to suppress the spread of infection, we could return to normalcy [by May](#).

By the end of summer. The more possible scenario suggests that normal movement will restore by the end of summer when warm weather and UV light contribute to the fight against the infection. However, experts [lack](#) a strong evidence base to confirm the deadly impact of the hot season on COVID-19.

Next year (and that's for sure). While short-term forecasts are more than cautious and uncertain, in the long run, everything looks much more optimistic. The hope is that within [18 months](#) people will get a coronavirus vaccine. And eventually, the

deadly COVID-18 will [join](#) the company of relatively harmless hazards like flu which can hardly stop us from traveling.

It's difficult to make uplifting predictions when you are in the eye of the coronavirus storm. For now, we know that airlines are running out of cash and [75 percent](#) of them won't be able to cover their expenses within three months. Their future largely depends on state aid. IATA warns that global aviation may not survive without up to [\\$200 billion](#) of government support.

Meanwhile, to cut operating costs, carriers lay off employees, with [10,000](#) job cuts already announced. So do hotels, travel agencies, and all other players involved in tourism. [Financial Times](#) analytics emphasize that it is critical for companies to walk a fine line between freezing expenses and readiness to quickly benefit from a demand recovery when it finally happens.