



## TRAVEL, TOURISM AND TRANSPORTATION

Travel, tourism, and transportation have been key drivers of economic growth for the United States and Japan in recent years. Since January 2020, however, the COVID-19 pandemic has sent shockwaves through societies and economies, and consumer demand in these sectors has declined significantly. According to the United Nations World Tourism Organization, the pandemic could lead to an annual international tourism decline of 60% to 80% from 2019 figures, threatening local economies and putting millions of jobs at risk. The number of foreign visitors to Japan and the United States is likewise sharply declining, while lockdowns and stay-at-home orders have even deflated domestic tourism demand.

The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) recognize the importance of cooperation between government and industry and offer the following recommendations to ensure the sustainability of these industries during and post-pandemic recovery. We believe these actions will not only support the efforts underway for the 2020 Tokyo Olympic and Paralympic Games and World Expo 2025 Osaka Kansai, but will also help address the long-term changes that may emerge in travel behavior as a result of the pandemic.

- 1. Protect the value chain of travel, tourism, and transportation.** The travel, tourism, and transportation sectors are highly diverse and include a significant number of small and micro-businesses. These sectors are often interdependent and a crisis in one sector can have disastrous follow-on effects for the entire value chain. Therefore, it is necessary to align these interlinked parts of the value chain, as well as to provide direct and indirect support to protect the value chain.

Many governments instituted travel bans and other restrictive measures, which led to reductions of more than 80% in global passenger flights in the spring of 2020. These measures also limited the ability of transportation and cargo carriers to effectively deliver critical goods, including medical devices, personal protective equipment (PPE), medicine, and perishable items, which are necessary for combatting a pandemic and for the subsequent recovery. Further, the reduction in passenger flights limited the ability of cargo carriers to position pilots to support critical operations. The Councils request that the U.S. and Japanese governments maintain support to the airline industry, including relaxation of slot rules, and landing fee and aviation fuel tax exemptions. The Councils encourage the governments to support the Public Health Corridor concept, introduced by ICAO, that seeks to ensure continued flight operations with minimal restrictions on aircraft operations, prevent the spread of COVID-19 through air travel, and protect the health and safety of crew through actions that aim to operate as much as

possible a “COVID-19 free” environment. The governments should work together to ensure carriers are not subject to conflicting entry screening requirements. The National Air Transportation Facilitation Committee (required by ICAO Annex 9) should also seek to promulgate such rules and guidance material where possible in a manner broadly applicable to all sectors affected by the health emergency, including other transportation sectors.

In addition, the Councils recommend that both governments extend support to a wide range of industries, including the accommodation industry, which have been severely impacted by the sudden halt of inbound tourism flow. Small and micro-businesses not only need financial support for business continuity, for example, but also need health-related guidance to be in an easy-to-understand format.

Given the challenges posed by COVID-19, the Councils believe it is important to utilize not only hotels, but private residences to accommodate mild cases, returnees from overseas, health care workers, and those individuals in quarantine. In Japan, the use of private residences for lodging continues to increase since the implementation of the new private lodging law in 2018. Japanese authorities should therefore recognize private lodging services as part of a new social infrastructure that can contribute to COVID-19 response.

## **2. Protect the safety and security of travel, tourism, and transportation for all stakeholders.**

While the Councils recognize ongoing government efforts to re-open international travel, there are still many issues to be addressed to fully ensure the safety and security of travelers. The Councils recommend that both governments, together with public health officials, continue to work closely with the private sector to promote best practices and guidance for the safety and security of travellers, as well as to facilitate the digitalization of travel.

For example, digital signs can provide information on the local infection rate, on mask and handwashing requirements, and can be used in conjunction with surveillance cameras in crowd management. As tourism increases, we encourage governments to establish and expand systems for health status documentation and effective contact tracing, ranging from traditional techniques to digital solutions, to limit the spread and prevent further resurgence of COVID-19, as well as facilitate the protection of both health and privacy. Such information is also useful for tourist resorts to manage reputational risk. The Councils stress the importance of bilateral government cooperation in order to establish an information infrastructure that ensures the safety and security of both tourists and those in the hospitality industry.

## **3. Reform the industries and implement the new normal.** The crisis is expected to have a permanent impact on consumer behavior, accelerating the move to contactless payments and fostering a greater emphasis on hygiene. The Councils encourage both governments to facilitate economic growth by minimizing trade disruptions and expediting in-bound and out-bound trade through smooth and coordinated reform initiatives.

With respect to Japan’s stated goal of increasing cashless payments to 40% of all consumer transactions by 2025, the Councils also recommend that Japan implement Near Field

Communication (NFC) Type A/B standards. These standards are already well-established in metropolitan areas like New York, London, and Sydney, and the Councils urge the Japanese government to lead practical solutions through continued dialogue with private sector stakeholders.

Given recent dramatic changes in daily life and business as a result of COVID-19, e-commerce has proven to be a lifeline, particularly for millions of small businesses hard hit by the pandemic. This trend will continue well beyond the current pandemic, and therefore governments should facilitate e-commerce, including cross-border e-commerce through pro-competitive laws and regulations that encourage investment. Governments should also ensure equal treatment between public and private delivery services. The Councils encourage both governments to recommit to the World Trade Organization's Trade Facilitation Agreement articles on express delivery shipments that often include critical medical supplies and other time-sensitive shipments, to expedite the simplification of customs clearance processes especially for low value goods, and to avoid the imposition of new import barriers, export restrictions, or other trade barriers.

The Councils also recognize the importance of creating new transportation methods in the post-COVID 19 era. For example, innovative technologies, such as automated driving, delivery systems that utilize drones and robots, and efficient transportation systems using big data, will contribute to developing smart cities and solving common social problems in both countries, including traffic congestion, manpower shortages, and environmental problems. For example, in both the U.S. and Japan, new taxi rates, such as pre-defined fees and variable pick-up fees, are tested by using big data. The Councils endorse these practices and request both governments to promote digital transformation across numerous industries. In addition, given the critical importance of safety and social acceptability in implementing new technologies, the Councils encourage governments to communicate their initiatives to the local communities.