Chapter 7
Impact of COVID-19 on Global Car Rental Industry and Ride and Share Transport Services

Abstract The tourism sector has numerous intertwined subsectors, with the performance of each critical to the performance of the other. The car rental is critical to the success of the tourism industry, yet it remains under, and thus there is limited knowledge on how the previous pandemic impacted the car rentals industry. This study examines the impact of COVID-19 on the car rental as well as ride and share transport niches of the tourism industry. Making use of secondary and archival data, the study found that the two subsectors lost revenue amounting to billions of dollars in potential revenue during the COVID-19 pandemic. The pandemic resulted in company rating downgrades, market volatility and loss of share value for leading entities such as Hertz, Avis, Europcar, Uber and Lyft. However, the impact of the pandemic on ride and share transport was moderate compared to car rentals. The pandemic led to Hertz filing for bankruptcy, albeit after paying US$16 million in retention bonuses on the eve of bankruptcy to its executives. Losses led to various cost-containment measures, which saw a record number of employees being laid off and disposal of non-core assets. The chapter recommends a robust, coordinated health and safety certification and protocol for the industry to ensure the safety of passengers and employees to boost confidence in the sector as it emerges from the pandemic. Furthermore, a call is made to revisit employment conditions in this sector with the view to provide better protection of employees from the COVID-19 and other disaster-related market shocks. A revision of the current business model is imperative, given the vulnerability of the sector to shock to ensure disaster resilience. Impact assessment post the pandemic will be critical to get a full picture of the impact, particularly on small businesses that were not covered in this study.

Keywords Car rental · Ride and share · Tourism · Coronavirus · COVID-19 · Transport · Furloughing
7.1 Introduction

Emerging insights have shown how the tourism industry has been and will be, affected by COVID-19 pandemic together with other economic sectors (Dube et al. 2020). In a fast-changing environment, the preliminary evidence shows that the impact of measures put in place to control the spread of the pandemic, such as lockdowns, has had a devastating impact on the global economy. To this effect, the International Monetary Fund (IMF) has since announced that the world has entered into an economic recession (IMF 2020). The IMF paints a gloomy picture for the global economy for 2020 and beyond. The belief is that this recession will surpass, by far, the magnitude and the impact of the Great Depression of 1932, the impact of World War II, the impact of the 2007/2008 economic recession and the economic impact experienced during the severe acute respiratory syndrome (SARS) outbreak (Gössling et al. 2020).

At the beginning of May 2020, the United Nations World Tourism Organization (UNWTO) envisioned that global tourist arrivals were expected to drop by between 60% and 80% in 2020, threatening many livelihoods supported by this industry, including those from the car rental and related spaces. The UNWTO (2020) indicated that the pandemic was reversing the progress that had been made in advancing the achievement of Sustainable Development Goals (SDGs). The drop-in tourist arrivals cost the world close to $80 billion in export revenue in the first 3 months of the year 2020. Data from UNWTO shows that various global tourism regions have been severely affected by the pandemic, albeit variations in impact can be observed across various regions with the least impact noted in the Middle East and Africa (Fig. 7.1).

Figure 7.1 shows that in the first quarter, the worst affected region was Asia and the Pacific. This could be attributed to the fact that the region was the first to record cases of the coronavirus and consequently the first region to take preventative action by instituting travel restrictions and social distancing measures seeking to suppress the spread of the virus. Globally, the impact was also significant as more than 20% of tourist arrivals at most destinations and airports were wiped out by the impact of the pandemic. This ultimately had implications on industries within the tourism value chain. Zheng et al. (2020) note that the outbreak of the pandemic led to the stigmatisation of Chinese tourists as people saw them as carriers of the dreaded coronavirus. Hall et al. (2020) warn about the transformative impact of the socio-economic impact of pandemics on society, which can have far-reaching effects. This is an important observation and measures have to be taken by all tourism players to investigate how the pandemic will affect them. A look into previous disease outbreaks reveals that while studies were done to investigate the impact of previous disease outbreaks such as SARS on the tourism economy, very few had been undertaken on car rental companies, regardless of their interlinkage to many other tourism subsectors. This is regrettable given that the car rental industry is well-established, dating back to 1908 (Zhang et al. 2014.) Car rental companies do not only provide convenience to travellers but are also a significant segment of the tourism economy,
which generates revenue in both local and international travel. The car rental industry’s performance is also closely tied to gross domestic performance (GDP) and passenger arrivals and by proxy air traffic volumes (Russell 1999).

Given that COVID-19 adversely affected national GDPs of many tourism destinations, places and countries, this study investigates its impact on the global travel sector with a focus on car rental companies as well as share and ride services. The study provides the basis for potential policy intervention and stakeholder support. It will also provide a critical reference point for future disease outbreaks.

### 7.2 A Literature Survey

The transport sector is an essential sector of the tourism economy in that it offers convenience to the travelling public and enables the tourist to better explore their destinations. Airports across the world, towns and regions offer vehicle hire services that provide convenience to the travelling public. The car hire industry can be traced back to the early twentieth century (Yang et al. 2008). A review of the largest listed car rental companies shows that the sector has since grown into a multibillion-dollar industry, generating hundreds of billions into the global economy annually. Due to the high demand for rented cars, car rental companies contribute immensely to the car industry purchases in the USA and other countries. Purchases by car rental companies account for about a third of car purchases in the USA and about 15% of new car sales in Japan (ibid).
As observed by the Grand View Research (2019), the major markets for car rentals are in the USA, France, Germany, the UK, Japan, Korea, China and India. In 2018 the car rental market size reached $88.2 billion with a projected growth rate of 15% between 2019 and 2025. A report by Acumen Research and Consulting (2019) estimated a growth rate of 13.7% of the car rental market value between 2019 and 2026. This was likely to result in a value of $187.5 billion by 2026. In 2019 the market share for car rentals rose to $92.92 billion, with growth figures set at 10.7% between 2020 and 2026. By 2026, the car rental industry was expected to rake in $214.4 billion (Allied Market Research 2020). These figures justify why this tourism subsector needs more research now and in the future.

North America constitutes the most significant share market of this global portfolio. The sector’s steady growth over the years can be traced to growth in tourism figures. The demand for car rental services has been huge at airport deports. The fastest-growing region of the car rental market, according to Acumen Research and Consulting (2019), is Asian. The most prominent industry players are the Avis Budget Group Inc., Enterprise Holdings Inc., Europcar Group, Car2go, Hertz Corp and Sixt, among others. The Grand View Research (2019) notes that from the top markets, airport car bookings resulted in $35.0 billion in 2018, and this was expected to continue growing in the coming years.

However, the advent of the Internet and increased Internet penetration presented a competitor for car rental services in the form of hailers and ride and share services (Puschmann and Alt 2016). This competition threatens the market segment of lower and middle-income earners and some leisure markets that find the ride and share facility much more affordable. Indeed, there are other traditional competitors, such as public transport and the increased penetration of more efficient rapid transport systems, particularly in urban areas. While literature is still emerging on the impact of the ride and share services, there is an acknowledgement that it will be disruptive to current modes of transport (McKenzie 2019), including car rentals. This is so given that there is a move towards the promotion of ride and sharing services, such as e-scooters, to deal with the challenges of air pollution and congestion in urban areas (Gössling 2020; Nishad et al. 2020). Shared transport, such as bikes, has been found to reduce the mileage on the usage of cars (Fishman et al. 2014) with health benefits too (Otero et al. 2018). Whatever competition emerges between the two transport subsectors, they remain in the tourism space and are both impacted by the COVID-19 pandemic.

To this end, the advent of Uber has been hailed as a game-changer that is disruptive in the tourism industry (Henama and Sifolo 2017). Giddy (2020) argues that the disruptive usage of Uber was beneficial to the generality as it has facilitated convenient mobility even in the global south. Kayi (2019) equally praises the role of Uber transport sharing facility in facilitating tourism in Kampala – Uganda’s capital city. Rizk (2017) postulates that the Uber facility, besides facilitating movement, is a vital employment creator in Egypt. This brings to the fore the importance of this subsector.

No one ever envisioned that the biggest threat to car rental companies would emerge in 2020 from a pandemic. In the annual review of global risks by the World
Economic Forum (WEF), disease outbreaks ranked low in the 2020 Global Economic Risks Index and were classified as unlikely to occur. The WEF, however, bemoans the lack of investment and preparedness of the world in programmes dealing with infectious disease outbreaks. The WEF (2020:76) notes that:

Considerable progress has been made since the Ebola epidemic in West Africa in 2014–2016, but health systems worldwide are still under-prepared for significant outbreaks of other emerging infectious diseases, such as SARS, Zika and MERS. A recent first-of-its-kind comprehensive assessment of health security and related capabilities across 195 countries found fundamental weaknesses around the world: no country is fully prepared to handle an epidemic or pandemic. Meanwhile, our collective vulnerability to the societal and economic impacts of infectious disease crises appears to be increasing.

Such a warning was telling. The warning came at a time when infectious diseases accounted for only 1.5% of global deaths in 2019. Infectious diseases were ranked number ten out of ten in terms of likely impact but were not in the top ten of risks likely to occur. Hall et al. (2020) are worried about this ignorance and/or neglect of the threat of pandemics by societal leaders. A rapid assessment report by Gössling et al. (2020) makes no mention of how car rental companies were going to be affected by the pandemic which could have affected the response of the world to the pandemic with significant socio-economic ramifications. It is in this light that this chapter seeks to investigate this seemingly forgotten part of the tourism industry in terms of how it was affected by the COVID-19 pandemic (Nepal 2020). The next section presents the methodology.

7.3 Materials and Methods

The chapter relied on archival and secondary data from authoritative sources to answer research questions and to draw findings and conclusions. To this end, quarterly financial reports, company advisories to shareholders, reports from popular newspaper articles, car hire companies and the UNWTO were used as secondary sources of data. There was also the utilisation of data from market research companies to determine stock movements of car rental companies as well as ride and share rental companies. However, data availability was the main determining factor of the cases that were examined further. The use of secondary data in transport and tourism research has been noted to be on the increase and has become an acceptable standard. Dube and Nhamo (2020) have utilised the methodology to investigate air manufacturing industries, while Gössling (2020) used a similar approach to investigate shared transport facilities across the world. The usage of secondary and archival data is also found to be convenient as it is inexpensive and allows geographic reach to data that might not be easily accessible to the researcher due to geographic or financial reasons. Data analysis followed the ethos of content and thematic analysis and usage of descriptive statistics.
7.4 Presentation of Results and Discussions

The study found that the COVID-19 outbreak affected both the ride and sharing facilities, as well as car rental companies. The pandemic management strategies, most notably a ban on both business and leisure inter-country as well as cross-border travel, threatened the viability of many companies, particularly the tourism industry. The closure of borders led to the cutting off of both international and domestic tourism as countries enforced lockdown and social distancing measures. As can be seen in Fig. 7.2, there was an increase in booking cancellations in between February and March. This period coincides with the period where infections were spiking which led to the disease being declared a pandemic on 11 March by the World Health Organization.

During this period, Italy had the highest booking cancellations as it was by then, together with other European countries, at the epicentre of new infections and deaths. The cancellations and increased border closures also had a significant impact on the capitalisation of the three most prominent global market leaders as of April 2020 (Table 7.1).

The following subsections will highlight how various car rental companies, followed by the ride and sharing companies, were impacted by COVID-19.

![Fig. 7.2 Car booking cancellations due to COVID-19 from 23 February to 10 March 2020. (Source: Authors, data from Auto Rental News 2020a)](image-url)
7.4 Impact of COVID-19 on AVIS Budget Group

The AVIS Budget Group, which purchased car-sharing group Zipcar in 2013, is one of the largest car rental companies in the world. Avis was founded soon after World War II in 1946, while its biggest competitor Hertz was founded in 1918 (Goldstein 2020). Since then, the companies have grown to the extent of almost global presence. The coronavirus pandemic severely affected Avis Budget as car rental booking declined due to the pandemic-linked travel restrictions, looking at the company’s performance from the last quarter of 2019 to the first 5 months of the year 2020. Figure 7.3 shows that during this period, the company recorded its best performance around February 2020. Post-February 2020, the company’s stock prices started to fall, reaching a peak low at the end of March 2020. Some marginal gains were made, but these were not enough to offset earlier losses. The trajectory of the share price was a direct response to the company’s position of not being able to generate revenue due to COVID-19 pandemic-linked travel restrictions.

The 2020 first quarter (Q1) financial report shows that the company suffered severe financial losses. The Avis Budget Group (2020) reports that although it generated revenue of $1.8 billion, this generated revenue was a 9% decrease compared with the same period the previous year (Fig. 7.4). As of 31 March 2020, the group had an approximate $1.6 billion in liquidity ($1.4 billion of available cash and cash equivalents, and $225 million of availability under its revolving credit facility). It had no meaningful corporate debt maturities that were immediately due, with significant maturities pencilled for 2023. As such, the company believed it had enough finance to pull through 2020 and into 2021. Nevertheless, the poor performance of the company in Q1 resulted in a rating downgrade. DBRS Morningstar downgraded Avis from BB (low) to B and Maintained Under Review – Negative for Avis Budget Group, Inc. (Avis Budget or the company), and its related subsidiary, Avis Budget Car Rental, LLC, including the company’s long-term issuer (DBR Morning Star 2020). This bears testament to the liquidity pressure Avis was experiencing as a result of low business due to the pandemic. The “Under Review with Negative Implications” further highlighted the pressure, uncertainty and the possibility of a further downgrade if the company’s liquidity significantly deteriorated. The downgrade rating has negative implications on borrowing costs for the company.

The recorded first quarter revenue losses exceeded the expectations of Wall Street, which had projected losses of $1.91 per share. At the peak of the COVID-19 pandemic, the group cancelled 80% of incoming rental vehicle orders in the USA for the remainder of the year. The company also went on to dispose of 35,000 cars

Table 7.1 Impact of COVID-19 on capitalisation of the three largest car rental companies

| Parameter                              | Europcar (euros) | Hertz (US$) | Avis (US$) |
|----------------------------------------|------------------|-------------|------------|
| Capitalisation 24 April 2020 (million) | 244              | 528         | 909        |
| % loss of share value                  | 63%              | 83%         | 74%        |

Source: Authors, data from Global Fleet (2020)

7.4.1 Impact of COVID-19 on AVIS Budget Group

The AVIS Budget Group, which purchased car-sharing group Zipcar in 2013, is one of the largest car rental companies in the world. Avis was founded soon after World War II in 1946, while its biggest competitor Hertz was founded in 1918 (Goldstein 2020). Since then, the companies have grown to the extent of almost global presence. The coronavirus pandemic severely affected Avis Budget as car rental booking declined due to the pandemic-linked travel restrictions, looking at the company’s performance from the last quarter of 2019 to the first 5 months of the year 2020. Figure 7.3 shows that during this period, the company recorded its best performance around February 2020. Post-February 2020, the company’s stock prices started to fall, reaching a peak low at the end of March 2020. Some marginal gains were made, but these were not enough to offset earlier losses. The trajectory of the share price was a direct response to the company’s position of not being able to generate revenue due to COVID-19 pandemic-linked travel restrictions.

The 2020 first quarter (Q1) financial report shows that the company suffered severe financial losses. The Avis Budget Group (2020) reports that although it generated revenue of $1.8 billion, this generated revenue was a 9% decrease compared with the same period the previous year (Fig. 7.4). As of 31 March 2020, the group had an approximate $1.6 billion in liquidity ($1.4 billion of available cash and cash equivalents, and $225 million of availability under its revolving credit facility). It had no meaningful corporate debt maturities that were immediately due, with significant maturities pencilled for 2023. As such, the company believed it had enough finance to pull through 2020 and into 2021. Nevertheless, the poor performance of the company in Q1 resulted in a rating downgrade. DBRS Morningstar downgraded Avis from BB (low) to B and Maintained Under Review – Negative for Avis Budget Group, Inc. (Avis Budget or the company), and its related subsidiary, Avis Budget Car Rental, LLC, including the company’s long-term issuer (DBR Morning Star 2020). This bears testament to the liquidity pressure Avis was experiencing as a result of low business due to the pandemic. The “Under Review with Negative Implications” further highlighted the pressure, uncertainty and the possibility of a further downgrade if the company’s liquidity significantly deteriorated. The downgrade rating has negative implications on borrowing costs for the company.

The recorded first quarter revenue losses exceeded the expectations of Wall Street, which had projected losses of $1.91 per share. At the peak of the COVID-19 pandemic, the group cancelled 80% of incoming rental vehicle orders in the USA for the remainder of the year. The company also went on to dispose of 35,000 cars

Table 7.1 Impact of COVID-19 on capitalisation of the three largest car rental companies

| Parameter                              | Europcar (euros) | Hertz (US$) | Avis (US$) |
|----------------------------------------|------------------|-------------|------------|
| Capitalisation 24 April 2020 (million) | 244              | 528         | 909        |
| % loss of share value                  | 63%              | 83%         | 74%        |

Source: Authors, data from Global Fleet (2020)
Net loss of $158 million

- $2.16 per diluted share
- Adjusted net loss of $103 million
- $1.40 per adjusted diluted share

Fig. 7.3 Market performance of Avis Budget Group and the impact of COVID-19 on its trading. (Source: Market Screener 2020)

Fig. 7.4 First quarter revenue loss due to the impact of COVID-19. (Source: Authors, data from Avis Budget Group 2020a)
from its fleet. As a consequence, the company experienced an 8% revenue decrease compared to 2019. In April 2020 the company’s earnings fell further by 80% on an annual comparison basis, with the expectation of a near similar picture by June 2020. The cash burn for April, May and June 2020 was projected to be $400 million, $250 million and $150 million, respectively (Avis Budget Group 2020).

This resulted in adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) loss of $87 million. In a bid to preserve liquidity, the company took measures that resulted in cost removal of about $2 billion. This was done by making cuts on expenditure, reducing non-essential capital assets, reducing fleet size and a reduction in the number of employees according to a shareholder’s report. Given that, in the USA, the car rental industry was not covered under the federal bailout, the company trimmed its employee size by 70%, which translates to 21,000 employees (Auto Rental News 2020). The group indicated that it was determined to keep reducing its fleet to match demand to ensure a return to a positive balance.

### 7.4.2 Impact of COVID-19 on Hertz Global Holdings

As already indicated, Hertz Global Holdings, Inc., comprising Hertz, Thrifty, Dollar and Firefly, is one of the first car rental companies that started in 1918 and has evolved tremendously over time. Hertz has 9700 corporate and franchise rental locations in 150 countries (Goldstein 2020). Of the 9700 locations, 2983 are in the USA. The company has about 38,000 employees. The outbreak of the pandemic put a stop to ten consecutive quarters of year-over-year revenue growth and nine quarters of year-over-year adjusted corporate EBITDA improvement. The first 2 months of January and February 2020 witnessed a growth of between 6% and 8%, respectively, in the USA. In March 2020, Hertz started to feel the impact of city closures around the world as the company realised increased booking cancellations and a decline in forward bookings, which affected revenue earnings. Stocks for the company were the worst affected in the sector as can be seen in Fig. 7.5 falling from slightly over 25% in February to a record low level in June 2020. The stocks almost reached zero by that time.

Due to the threat that was posed by the pandemic, the company also took steps to protect itself by instituting measures outlined in Box 7.1.

From the Market Screener (2020a, b) report, the pandemic was expected to result in operating profit losses of around $506 million (Fig. 7.6). It is clear from the information that the pandemic will result in business losses for the global car rental company, which could affect the business and the supporting industries negatively such as the business suppliers in short to medium term. At the end of March 2020, Hertz had cash liquidity of about $1 billion with a moderate level of corporate debt due in 2020. The company was also looking into increasing its liquidity by accessing its surplus equity in its fleet-backed facilities. Before the announcement of its Q1 report, the company’s rating was also downgraded from rating B (high) to BB (low) (DBRS Morningstar 2020). The downgrade was applied to Hertz Corporation,
Fig. 7.5 Hertz Global Holdings Inc. expert dynamic chart showing the impact of COVID-19 on sector market performance. (Source: Market Screener 2020a, b)

Box 7.1 Hertz Mitigation Efforts to COVID-19-Induced Reduction in Travel Demands

- Adjusted fleet levels to match demand.
- Cancelled new fleet orders and disposed of the excess fleet through multiple disposition channels before the shutdown of the used car market.
- Leveraged its multiple used car channels.
- Negotiated with suppliers to defer new fleet deliveries and modified placed orders.
- Furlough programme across North America field and USA corporate locations to match demand. A report in April 2020 indicated as many as 10,000 employees out of 29,000 were laid off.
- Senior leaders took significant pay cuts, with the CEO relinquishing her 100% base pay.
- Deferred capital expenditure projects and reduced discretionary spending.
- Renegotiated key contracts as well as reducing operating and overhead expenses.
- Took action to access surplus equity in its car rental fleet to increase liquidity position and lobbied for a government bailout.
- In April 2020 the company waived certain operating lease payments for its USA rental car fleet.
- In May 2020, the company entered into a forbearance and limited waivers with certain of its corporate lenders and holders of its asset-backed vehicle debt.

Source: Authors, based on Hertz (2020a, b)
including Hertz’s long-term insurer. Besides, the company was put under review with adverse implications. The company also was at risk of a further downgrade should the liquidity situation drastically worsen as it was placed under negative review.

With about 201,364 vehicles, Hertz also reported that its finances were significantly affected by the COVID-19 pandemic. This resulted in consolidated revenue of $1.9 billion (Hertz 2020b). During the same period, Hertz Global suffered a net loss of $356 million and adjusted corporate EBITDA of -$243 million. In as much as the company had recorded positive growth in the first 2 months, which resulted in 1% profits in February year-on-year, the company recorded a revenue decline of −12% year-over-year on a constant currency basis (Ibid).

A report by Goldstein (2020) indicates that after the severe impact of COVID-19 in March and April 2020, the company was looking into rescheduling its debt as it was, to some extent, unsustainable. The company had $17 billion in debt, which translated to 966% debt-to-equity ratio. Ordinarily, the optimum debt-to-equity ratio (the amount of debt used to run a business) is 1:1.5 and not exceeding 2.0 depending on the industry. However, Gallo (2015), writing for Harvard Business Review, notes that “large manufacturing and stable publicly traded companies have ratios between 2 and 5. Any higher than 5 or 6 and investors start to get nervous”. A high debt-to-equity ratio can adversely affect the company’s borrowing from financiers as the ratio is often used to determine the approval or rejection of an application for business debt.

Hertz went on to file a chapter 11 bankruptcy after troubles in servicing its $19 billion debt with its nearly 700,000 vehicles parked due to the impact of COVID-19. In a controversial development on the night of filing for bankruptcy, the company paid $19 million retention bonus to its executives. The move left its strong 38,000 employees in limbo. Hertz, as one of the oldest companies, had survived even the

Fig. 7.6 Hertz annual operating profit from 2015 to 2019 and estimated operating profit of 2020. (Source: Authors, data from Market Screener)
great depression but owing to weak fiscal management was vulnerable to failure as many industry experts indicate that the company was already in trouble before the pandemic.

7.4.3 The Impact of COVID-19 on Europcar Mobility Group

Reports from the Europcar Mobility Group indicate that the company, while having recorded some robust growth in the first 2 months of 2020, experienced a drastically changed situation in March 2020. The Europcar Mobility Group (2020a) reported gains of 3.6% on a proforma basis. However, in March 2020 the company realised a – 34.6% drop on a performance basis. The Corporate EBITDA (IFRS 16) was -€64 m in Q1 2020 compared to -€14 m in Q1 2019. As a consequence, the company realised a net income of -€105 m (versus -€67 m in Q1 2019). The corporate operating cash flow declined by -€136 m, while the net corporate debt on 31 March 2020 was €1068 m. On the same date, the net corporate debt was €1068 million, while revenue declined by −10.1%. The cash flow position for Europcar was worsened by its acquisition of Fox Rent A Car in November 2019 (Business Wire 2020), which was aimed at accelerating the company’s presence in the US market – the largest global market. Fox Rent A Car was one of the largest independent players in the US car rental market.

Faced with such financial challenges, the company went on a drive to ensure viability post the pandemic. The drive included cost reduction, cash preservation and liquidity-securing measures to contain about €850 m at the end of 2020 (Box 7.2). It also sought to bridge financial gaps by seeking €321 m new financing facilities of which €301 m was guaranteed by the French and Spanish governments. The financing line from the Spanish government for Europcar Mobility Group was meant for its two operating subsidiary companies in Spain and had a 3-year maturity. A summary of measures employed to save this company is outlined in Box 7.2.

Figure 7.7 shows that the pandemic had an impact on the market performance of Europcar Mobility Group. The company started to experience challenges at the end of February 2020, at which point there was a visible decline in the stock performance of the company. This decline persisted until the end of March 2020 when it reached its lowest levels and some slight gains that were made in April and May 2020.

7.4.4 Car Rentals and Ride and Sharing Funding Requests due to COVID-19

Operating vehicles during the pandemic calls for an improved standard of hygiene around cars and could affect businesses differently depending on the geography of the area. The economic recession triggered by the pandemic looks likely to reduce business revenue in both the short- and medium-term horizons. Indications are that
there was no immediate threat that could threaten the survival of these large corporations given their representations during their first quarter representations. This is regardless of the industry representative board, the American Car Rental Association (ACRA), advocating for funding in the three letters that were written to the federal government on 18 March, 27 March and 13 April 2020. The ACRA represents various companies that have a total of 160,000 employees and 2.2 million cars registered in the USA. In the first letter, the association sought relief and support to all stakeholders in the airport ecosystems, particularly car rentals.

In the other letter ACRA was acknowledging the benefits under the Payroll Protection Program (PPP) provisions in Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Main Street Program (MSP) established in Title IV of the CARES Act (ACRA 2020). However, the ACRA was requesting more to be done to assist the industry, such as the ones outlined in Box 7.3.

### Box 7.2 Europcar COVID-19 Cost Containment, Reduction and Cash Preservation Measures

- Management Board pledged to reduce their base compensation by 25% from 1 April to 31 December 2020.
- Group’s top managers (135 people) reduced their base compensation by 10% to 25% for a minimum of 3 months.
- Supervisory Board made a reduction of 25% of their annual remuneration.
- Renegotiated fixed fees and minimum fees that had been negotiated with airports and railways.
- Suspended temporary workers and subcontracted activities.
- Renegotiated commissions paid to brokers and travel agencies.
- It implemented partial unemployment for 80% of its workforce.
- Closed 88% of its stations.
- Negotiated for a postponement and reduction of rentals with station landlords.
- Got rid of external support and consultancy.
- Negotiated with its headquarters landlords.
- Made substantial reduction on its IT projects.
- Reduced all non-essential expenses and deferred expenses.
- Rationalised its real estate. Capital expenditure will be reduced up to −60% in 2020 compared to €76 m in 2019.
- Non-recurring items will be reduced by 60–70% for 2020 versus €56 m in 2019.
- Strict management of non-fleet working capital.
- Cancellation of the dividend initially proposed that amounted to €13 m.

Source: Authors, based on Europcar Mobility Group (2020b)
Box 7.3 Funding Request to the Federal Government by Car Rental Companies

- Increase funding under PPP for small businesses that remained vulnerable.
- Extension of the loan period covered under MSP and PPP in light of the continued impact of the pandemic.
- Extension of funding to cover other aspects of businesses beyond just salaries.
- The federal tax incentive to promote travel among Americans to induce business.
- Government insurance protection for affected businesses.
- An establishment of travel industry rainy day fund.
- Protection from a lawsuit from infections that can result from travels by tourists.

Source: Authors, based on ACRA (2020)

Fig. 7.7 Market performance of Europcar Mobility Group and the impact of COVID-19. (Source: Market Screener)
There are concerns that the car rental, as well as ride and share, businesses were unlikely to return to normal in the short term. This was likely to affect small players in particular and hurt the car manufacturing industry too due to depressed demand for new cars. The way issues around the COVID-19 pandemic were emerging and evolving at the time of this writing indicates a likelihood of job losses in the car rental and the larger motoring industry.

### 7.4.5 The Impact of COVID-19 on the Ride and Share Transport

The demand for social distancing also had an impact on the ride and share facilities for a large ride and share companies such as Uber, Lyft and Zipcar, among others. With the bulk of the countries under lockdown, borders closed and flying restricted (Fig. 7.8), the movement of transport and people was severely curtailed, which led to the decline of the ride and share businesses across the world.

Travel restrictions, therefore, led to the closure of ride and share businesses resulting in the suffering of employees due to low levels of demand and, in some cases, no business at all as businesses also feared for the safety of their employees. Table 7.2 shows how selected ride and share transport companies were affected and responded to the threat of total business collapse due to the threat of COVID-19. The companies profiled are some of the largest corporations with a presence (in most cases) across the world.

A look at the market performance of car ride and sharing facilities reveals that the uncertainties and anxiety caused by COVID-19 had an adverse impact on stock performance. This resulted in market volatility and a decline, which started the end of February and the beginning of March 2020, which was also marked by peak declines towards the end of March 2020. While the stock somewhat recovered, the recovery was not enough to offset earlier losses. Interestingly is that decline in the market performance of ride and share companies was better than that of car rental companies during the peak of the COVID-19 pandemic. This could be attributed to several factors, chief of which being that compared to car rental companies, the ride and share facilities are not severely dependent on the international tourism market, but also cater for local domestic travel. As a result, these firms could still generate revenue from their core activities.

The car ride and share facilities were not as severely impacted as car rentals in terms of usage and revenue. In the context of Uber Technologies, the company managed to ward off some fiscal pressure because of the demand that was witnessed in its Uber Eats segment and the launching of Uber Direct and Uber Connect to cater for retail deliveries. The Q1 financial report shows that Uber Eats and Uber Freight grew by more than 50% over the period, which offset declines in business in Uber rides declines. The demand for Uber Eats has to be understood in the context that the imposition of travel restrictions and lockdowns led to the closure of fast dining...
sit-ins. This resulted in increased Uber Eats as in most cases; restaurants were allowed to do food deliveries. To this end, Uber benefitted sustaining the market performance and prevented its stocks from crashing. Some clients also used their services to seek medical attention and do shopping. The company also expanded over the period to more territories, although in some territories, closures were observed. Lyft launched Essential Deliveries in April 2020, a pilot initiative where organisations can request on-demand, contact-free delivery of meals, groceries and other necessities. Lyft Essential Deliveries positioned the company to compete with other Uber services, positioning Lyft to tap into that growing market even in the future (Figs. 7.9 and 7.10).

A study that was conducted by Car Gurus (2020) in the USA indicates that due to safety concerns, a significant number of travellers are considering switching from using public transport to private transport. A sizeable number of previous users of ride and share transport indicated that they intend to stop the usage of such transport facilities. As such, the ride and share revenue could be reduced in the foreseeable future owing to health and safety concerns by the customers, which will further hamper the sustainability of the businesses. This calls for proper tight fiscal management going forward.

Regardless of better performance, Lyft and Uber both shed a significant percentage of their employees. This contributed to the high level of unemployment that was recorded in the USA, which was only second to the Great Depression in the first week of April 2020. That witnessed a 14.7% unemployment rate, the level that was last seen post-World War II (Fig. 7.11). Projections by Trading Economics (2020) were that the unemployment figure was likely to reach 16.5% in May 2020, edging
closer to the record high that was observed during the Great Depression in August 1932. The laying off of employees wantonly is questionable with regard to the extent, and the employment models employed by a ride and share institution are equally questionable with regard to their sustainability. This led to the State of California taking legal action to protect employees. Valuable lessons have to be learnt with regard to models of employment that leave employees vulnerable to shocks, exposing the general employee to poverty and destitution. With vehicles parked, there was very little support from parent companies to cushion employees from revenue losses.

### 7.5 Conclusion and Recommendations

The chapter examined the impact of COVID-19 on car rental as well as ride and share service companies. The chapter showed that the COVID-19 pandemic came at a considerable cost to the two sectors under investigation. The sectors lost several

| Uber impact and response to COVID-19 | Lyft impact and response to COVID-19 |
|-------------------------------------|-------------------------------------|
| • First quarter results show revenue of $3.54 billion and a net loss of -$2.9 billion | • May rides went down more than 70% year-on-year |
| • Trip volumes fell −5% from year-on-year. However, on the company’s earnings call, it was indicated that the rides business was down around −80% in comparison to the same period in 2019 | • Sued by the state of California for allegedly misclassifying drivers as contractors, instead of employees to avoid paying for health benefits and other worker protections |
| • Instituted a hiring freeze and reduced customer support and recruiting teams by 14% of its corporate employees (about 3700 full-time employee roles) | • Termination of approximately 17% of its employees and furloughed approximately 300 other employees |
| • Folding JUMP e-bike and e-scooter business into Lime | • Reduction in base salary for exempt employees for about 3 months, ranging from 10% for most non-hourly employees and up to 30% for the senior leadership team |
| • Discontinued Uber Eats in the Czech Republic, Egypt, Honduras, Romania, Saudi Arabia, Uruguay and Ukraine, due to losses in those areas in Q1 2020 | • Board members voluntarily agreed to forego 30% of their cash compensation for the second quarter of 2020 |
| • Transferred Uber Eats operations to its subsidiary, Careem, in the United Arab Emirates | • Expected to incur approximately $28 million to $36 million of restructuring and related charges, mostly related to employee severance and benefit costs, exclusive of stock-based compensation related charges |
| • Sued by the state of California for allegedly misclassifying drivers as contractors, instead of employees, to avoid paying for health benefits and other worker protections | • Loss from operations was $414.1 million in Q1 2020 |
| • Loss of $1.70 per share | • Realised a net loss of $398.1 million in the first quarter of 2020 |
| • Uber Eats was 50% up year-on-year as more people ordered food for delivery at home, and more restaurants signed up for deliveries | • CEO waived his base salary of around $1 million, for the rest of 2020 |
| • CEO waived his base salary of around $1 million, for the rest of 2020 | • May rides went down more than 70% year-on-year |

Source: Authors, based on Uber Investor (2020); CNBC (2020); Lyft Inc. (2020)
billions of dollars in potential revenue, mostly in the early months of the disease outbreak between March and April 2020. It emerged that the car rental industry was worse off than its competitors in the ride and share facilities. Companies such as Hertz despite having survived a number of recessions and depressions as one of the oldest car rental companies went on to file for USA chapter 11 bankruptcy at the height of the pandemic. The pandemic exposed companies that had weak liquidity and management systems to failure.

The pandemic also resulted in the loss of stock value of the companies with implications on shareholders and employees alike. Employees in the majority of cases were the worst affected as they were furloughed or laid off in cost containment measures that were instituted, which focused on protecting share value, survival and ensuring business viability. Although companies showed that they had challenges in most cases, they had enough financial liquidity to take them through to 2021. Unlike other sectors, the car rental market had the option of reducing expenses through asset reduction, with most big car rental companies showing that they had a stable fiscal position. The other strategy that was adopted by car rental companies was to negotiate with various suppliers and service providers in a bid to reduce expenses. In as much as there was government funding in some cases, jobs were still lost.

The car-sharing and ride facilities were not spared by the impact of the pandemic either. However, the impact was somewhat muted compared to car rental

![Market performance of Uber Technologies and impact of COVID-19](image.png)

**Fig. 7.9** Market performance of Uber Technologies and the impact of COVID-19. (Source: Market Screener 2020a, b)
companies. This was due to the fact that there was a leeway to diversify from passenger services to offer other critical services such as food deliveries that supported the ailing restaurant industry from lockdowns, social distancing measures and drastically reduced travel that suffocated tourists and other patrons. There is evidence that some ride and share companies expanded their operations and increased offerings at the height of the pandemic, which allowed the businesses to derive revenue and reduced the level of losses. However, jobs and revenue were still lost, which led some to question the sustainability of the business of ride and share models. This scenario leads to one questioning the sustainability of jobs in the tourism industry, given the sensitivity of the sector to natural disasters, epidemics and pandemics.

Going forward, ensuring the comfort and safety of customers will become a critical aspect of the industry as a whole. There is a need for the sector to take severe and well-coordinated measures to ensure passenger safety amid not only the coronavirus and COVID-19 pandemic but also similar and other disasters in the future. Ensuring the cleanliness and sanitisation of vehicles will be the focus of many tourists. Education and training of drivers are crucial, and the development of safety protocols will be needed to protect the travellers and the drivers alike. Training the drivers on how to clean vehicles religiously and use of certified chemicals in fumigating and cleaning the vehicles should be a must to ensure passenger safety. Some companies had already instituted measures to instil a sense of customer safety. For

![Market Performance of Lyft Inc. and the impact of COVID-19](image-url)
example, from its Q1 2020 report, Hertz indicated that it had started implementing stringent measures in line with the USA CDC guidelines to safeguard personnel and customers. In addition to following social distancing best practices at its locations, every vehicle was sealed and certified “Hertz Gold Standard Clean” after undergoing a 15-point cleaning and sanitisation process. This process follows the USA CDC guidelines and uses EPA-approved products. The study further recommends a post-pandemic impact assessment, particularly for the small companies in the sector, to see how they fared with a view to providing critical lessons for the future.

References

ACRA. (2020). Implementation of CARES Act and Potential Additional Federal Legislation to Address Economic Distressed from COVID-19 Pandemic. Retrieved May 11, 2020, from http://www.acra.org/wp-content/uploads/2020/04/acra-letter-to-congressional-leaders-on-next-stimulus-legislation-4-13-20.pdf

Acumen Research and Consulting. (2019). Car rental market (By Booking Type: Online Access, Offline Access; By Application Type: Leisure/Tourism and Business; By Vehicle Type: Economy/Budget Cars, Luxury/Premium Car) - Global Industry Size, Share, Trends and Forecast 2019–2026. Retrieved May 9, 2020, from https://www.acumenresearchandconsulting.com/car-rental-market

Allied Market Research. (2020). Car rental market by application global opportunity analysis and industry forecast, 2020–2027. Retrieved May 9, 2020, from https://www.alliedmarketresearch.com/car-rental-market

Auto Rental News. (2020). Avis budget group sheds 70% of workforce. Retrieved May 9, 2020, from https://www.autorentalnews.com/357515/avis-budget-group-sheds-70-of-workforce

Auto Rental News. (2020a). Car rental cancellations rise as coronavirus cases increase. Retrieved May 9, 2020, from https://www.autorentalnews.com/353242/car-rental-cancellations-increase-as-coronavirus-spreads
Avis Budget Group. (2020). Avis budget group reports first quarter 2020 results and pandemic response actions. Avis Budget Group. Retrieved May 9, 2020, from http://ir.avisbudgetgroup.com/static-files/244ef6bc-f027-40cf-a5c9-8674ab5054b4

Business Wire. (2020). Europcar Mobility Group acquires Fox Rent A Car, to accelerate its growth momentum by a direct presence in the US, biggest worldwide market. Retrieved May 10, 2020, from https://www.businesswire.com/news/home/20191106006193/en/Europcar-Mobility-Group-acquires-Fox-Rent-Car

Car Gurus. (2020). U.S. COVID-19 sentiment study. Retrieved May 12, 2020, from https://go.cargurus.com/rs/611-AVR-738/images/US-Covid19-Study.pdf

CNBC. (2020). Uber shares shoot up after CEO says ride volume is increasing again after April bottom. Retrieved May 11, 2020, from https://www.cnbc.com/2020/05/07/uber-uber-earnings-q1-2020.html

DBRS Morningstar. (2020). Press release DBRS morningstar downgrades HTZ to B (high) and places it under review with negative implications. Retrieved May 10, 2020, from https://www.dbrsMorningstar.com/research/359280

Dube, K., & Nhamo, G. (2020). Major Global Aircraft Manufacturers and Emerging Responses to the SDGs Agenda. In G. Nhamo, O. Odualaru, & V. Mjimba (Eds.), Scaling up SDGs Implementation Emerging Cases from State, Development and Private Sectors (pp. 99–113). Cham: Springer.

Dube, K., Nhamo, G., & Chikodzi, D. (2020). COVID-19 cripples global restaurant and hospitality industry. Current Issues in Tourism, 1–4. https://doi.org/10.1080/13683500.2020.1773416.

Europcar Mobility Group. (2020a). First quarter 2020 results. Retrieved May 10, 2020, from https://finance.europcar-group.com/static-files/e04d9e91-678c-408c-8bf6-6b2fd3086f8c

Europcar Mobility Group. (2020b). Europcar mobility group: First quarter 2020 results. Retrieved May 10, 2020, from https://finance.europcar-group.com/news-releases/news-release-details/europcar-mobility-group-first-quarter-2020-results

Fishman, E., Washington, S., & Haworth, N. (2014). Bike share’s impact on car use: Evidence from the United States, Great Britain, and Australia. Transportation Research Part D: Transport and Environment, 31, 13–20.

Gallo, A. (2015). A refresher on Debt-to-Equity Ratio. Retrieved May 10, 2020, from https://hbr.org/2015/07/a-refresher-on-debt-to-equity-ratio

Giddy, J. K. (2020). Travel patterns of Uber Users in South Africa. In J. M. Rogerson & G. Visser (Eds.), New directions in South African tourism geographies (pp. 113–127). Cham: Springer. https://doi.org/10.1007/978-3-030-29377-2_7.

Global Fleet . (2020). How COVID-19 impacts car rental industry. Retrieved May 9, 2020, from https://www.globalfleet.com/en/leasing-and-rental/smart-mobility/global/features/how-covid-19-impacts-car-rental-industry?ntype=Article&intitle=How%20COVID-19%20impacts%20car%20rental%20industry

Goldstein, M. (2020). Hertz car rental suffers massive layoffs, stock drop from COVID-19 pandemic. Retrieved May 9, 2020, from https://www.forbes.com/sites/michaelgoldstein/2020/04/24/hertz-car-rental-suffers-massive-layoffs-stock-drop-from-covid-19-pandemic/

Gössling, S. (2020). Integrating e-scooters in urban transportation: Problems, policies, and the prospect of system change. Transportation Research Part D: Transport and Environment, 79. https://doi.org/10.1016/j.trd.2020.102230.

Gössling, S., Scott, D., & Hall, C. (2020). Pandemics, tourism and global change: a rapid assessment of COVID-19. Journal of Sustainable Tourism. https://doi.org/10.1080/09669582.2020.1758708.

Grand View Research . (2019). Car Rental Market Size, Share & Trends Analysis Report By Vehicle Type (Economy, Executive, Luxury), By Application (Local Usage, Airport Transport, Outstation), By Region, And Segment Forecasts, 2019–2025. Retrieved May 9, 2020, from https://www.grandviewresearch.com/industry-analysis/car-rental-market
Hall, C. M., Scott, D., & Gössling, S. (2020). Pandemics, transformations and tourism: be careful what you wish for. *Tourism Geographies*, 1–22. https://doi.org/10.1080/14616688.2020.1759131.

Henama, U. S., & Sifolo, P. P. (2017). Uber: The south africa experience. *African Journal of Hospitality Tourism and Leisure*, 6(2), 1–10.

Hertz. (2020a). *Hertz global holdings taking proactive measures to address coronavirus impact on travel demand*. Retrieved May 10, 2020, from http://ir.hertz.com/2020-03-26-Hertz-Global-Holdings-Taking-Proactive-Measures-to-Address-Coronavirus-Impact-on-Travel-Demand

Hertz. (2020b). *Hertz global holdings reports first quarter 2020 financial results*. Retrieved May 12, 2020, from http://ir.hertz.com/2020-05-11-Hertz-Global-Holdings-Reports-First-Quarter-2020-Financial-Results

International Monetary Fund -IMF. (2020). *Opening Remarks at a Press Briefing by Kristalina Georgieva following a Conference Call of the International Monetary and Financial Committee (IMFC)*. International Monetary Fund. Retrieved April 9, 2020, from https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call

Kayi, R. (2019). *Effectes of Uber transport to tourism development in Kampala city*. Makerere University: Doctoral dissertation, Makerere University.

Lyft Inc. (2020). *UNITED STATES SECURITIES AND EXCHANGE COMMISSION*. Retrieved May 11, 2020, from https://investor.lyft.com/static-files/3b79f72f-3160-4e9f-8f87-242158e2ca77

Market Screener. (2020a). *HERTZ GLOBAL HOLDINGS, INC. (HTZ)*. Retrieved May 10, 2020, from https://www.marketscreener.com/HERTZ-GLOBAL-HOLDINGS-IN-29716824/charts/#

Market Screener. (2020b). *Lyft, Inc Expert Dynamic Chart*. Retrieved May 11, 2020, from https://www.marketscreener.com/LYFT-INC-56481539/charts/

McKenzie, G. (2019). Spatiotemporal comparative analysis of scooter-share and bike-share usage patterns in Washington, DC. *Journal of Transport Geography*, 78, 19–28.

Nepal, S. K. (2020). Travel and tourism after COVID-19–business as usual or opportunity to reset? *Tourism Geographies*, 1–5. https://doi.org/10.1080/14616688.2020.1760926.

Nishad, D. S., Padhya, H. J., & Gandhi, Z. H. (2020). *E-Scooter as an alternative non-motorized transport NMT for Urban Area: A case study for Surat City in Gujarat state in western India*. *IJRAR-International Journal of Research and Analytical Reviews (IJRAR)*, 7(1), 765–767.

Otero, I., Nieuwenhuijsen, M. J., & Rojas-Rueda, D. (2018). Health impacts of bike sharing systems in Europe. *Environment International*, 115, 387–394.

Russell, P. (1999). Car rental in Europe. *Travel & Tourism Analyst*, 1, 1–28.

The Washington Post. (2020). *US unemployment rate soars to 14.7 percent the worst since the Great Depression era*. Retrieved May 9, 2020, from https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwjUuM-WiafpAhWyURUIHWrMTagQFjAegQfIBRA&url=https%3A%2F%2Fwww.washingtonpost.com%2Fbusiness%2F2020%2F05%2F08%2Fapril-2020-jobs-report%2Fusg=AOvVaw0keQOj3J4Kcfg0alL10D5w

Trading Economics. (2020). *United states unemployment rate 1948–2020 Data 2021–2022 Forecast*. Retrieved May 11, 2020, from https://tradingeconomics.com/united-states/unemployment-rate

Uber Investor. (2020). *Uber announces results for first quarter 2020*. Retrieved May 11, 2020, from https://investor.uber.com/news-events/news/press-release-details/2020/Uber-Announces-Results-for-First-Quarter-2020/
UNWTO. (2020). *International tourist numbers could fall 60–80% in 2020, UNWTO reports*. Retrieved May 8, 2020, from https://www.unwto.org/news/covid-19-international-tourist-numbers-could-fall-60-80-in-2020

World Economic Forum. (2020). *The global risks report 2020*. World Economic Forum. Retrieved May 9, 2020, from http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf

Yang, Y., Jin, W., & Hao, X. (2008). *Car rental logistics problem: A review of literature*. 2, pp. 2815–2819. Beijing, China: IEEE International Conference on Service Operations and Logistics, and Informatics. https://doi.org/10.1109/SOLI.2008.4683014.

Zhang, M., Xie, Y., Huang, L., & He, Z. (2014). Service quality evaluation of car rental industry in China. *International Journal of Quality & Reliability Management, 31*(1), 2012–0146.

Zheng, Y., Goh, E., & Wen, J. (2020). The effects of misleading media reports about COVID-19 on Chinese tourists’ mental health: a perspective article. *Anatolia*, 1–4. https://doi.org/10.1080/13032917.2020.1747208.