COVID-19 Tourism Impact Update

Falkland Islands Tourism Sector Information and Guidance Concerning the Impact of COVID-19

No. 2

April 24th 2020

Falkland Islands

TOURIST BOARD

INTRODUCTION

As I mentioned two weeks ago, the Falkland Islands Tourist Board doesn't, unfortunately, have any crystal balls! However, we are tracking research and industry commentary from around the world, as well as speaking to those in the tourism sector here in the Falklands to try to make some sense out of the current situation with regards to the development of this global pandemic.

It is clear that the sector is currently watching the spread of the virus, the impact it is having in each country, and the effect of social distancing and various exit strategies. It is still too early to determine how these will pan out, but as it all becomes clearer in the coming weeks, so will the cloud lift on much of the current uncertainty. All I can say at the moment is that our next season is likely to be less affected than the peak seasons in most countries in Europe. Our current luck is that most leisure tourists are not scheduled to arrive for at least another six months.

However, that is not to ignore the many businesses in the Falklands that operate year round, and for whom business visitors are an important part of their annual revenue. So it's clearly not going to be plain sailing over these winter months as the recent FITA Tourism Survey showed.

This fortnightly publication is aimed at helping anyone who works in the tourism sector or is connected to it in some way, to provide an understanding of the COVID-19 situation and how it might affect the Falkland Islands. We hope that its contents will provide useful information that will assist those dealing with the current crisis, and help them to be ready for when it is over, and demand for the Falkland Islands as an attractive and sought-after tourism destination returns.

As always, please don't hesitate to contact the Falkland Islands Tourist Board for more details or any further assistance.

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Stephanie Middleton
Executive Director
24th April 2020

Next Update: Thursday 7th May 2020

GLOBAL SITUATION

Over the last two weeks, whilst the number of new cases of COVID-19 continued to increase in many countries, in Europe the social distancing is starting to pay dividends with a decline in new cases, leading governments to start thinking about the next steps to reduce the impact of the pandemic.

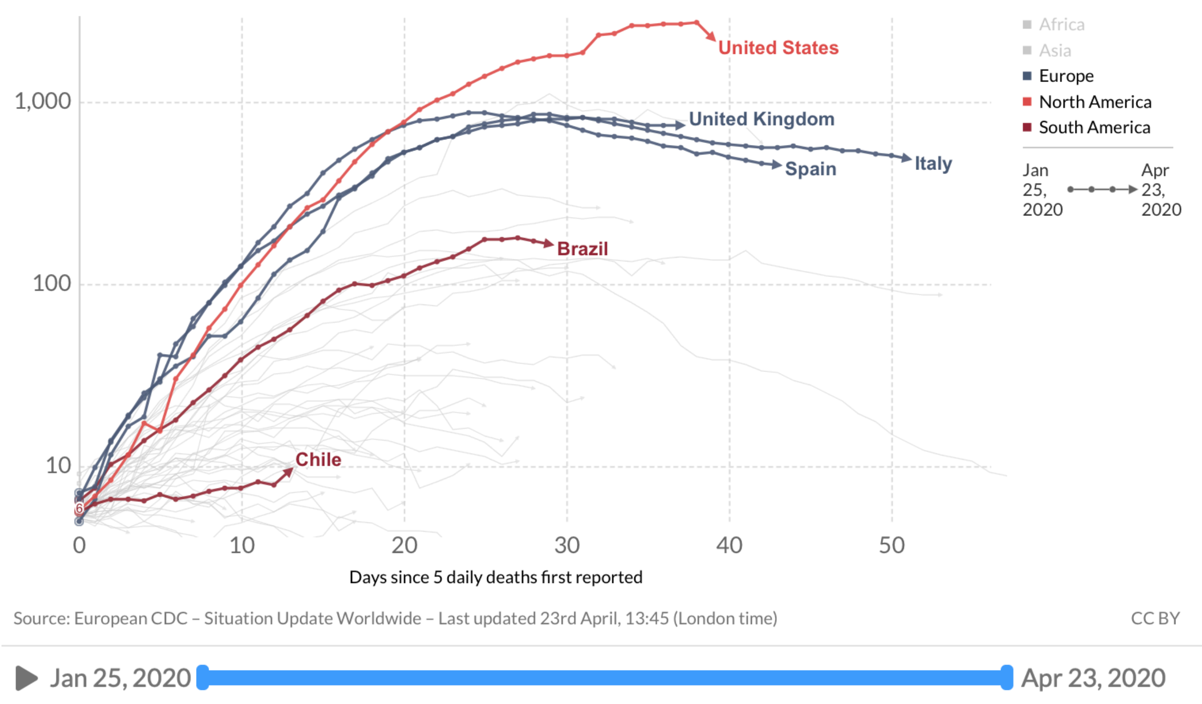
For travel, it is important to filter out the white noise in the industry and focus on the factors that will drive consumer response and an ultimate travel rebound. While previous travel downturns have been dictated by one prevailing issue (*safety* following 9-11, *spending and unemployment* during the economic downturn) the COVID-19 outbreak is different. There are likely to be three key factors dictating consumer willingness to travel:

1. The perception of safety will be the key, both in the type of travel and the destinations travellers choose to visit.

2. Economic factors will ultimately drive the ability of travellers to spend money on holidays, with some age groups (in particular the retired) being less impacted than others.

3. A wild card factor being driven by the lockdowns may ultimately supersede the other two factors: pent-up demand for travel, and in some cases, consumers holding paid-for travel vouchers that are valid for 12 months.

The chart below shows the number of registered COVID-19 deaths for selected countries, measured from the time when 5 daily deaths were reported. It clearly shows the flattening of the curve in terms of people dying from the virus, as well as the positive impact social distancing and lockdowns have had on those destinations that were able to prepare (such as Brazil and Chile) before the virus became prevalent in their countries.



CONSUMER CONFIDENCE: TAKING A HOLIDAY…

Easing of Restrictions and Exit Strategies

Across Europe there is a general improvement in national mood and optimism, but with less clarity this week on precisely when consumers intend to start booking, travelling and visiting again.

Many European countries are starting to look at various lockdown exit strategies. Germany and Austria are starting to ease many of their measures with the re-opening of some shops. In Austria it is hoped that museums and restaurants could be operational by 15th May. In Germany, schools will begin a phased re-opening on 4th May.

In some of the worst hit countries, such as Italy, Spain and the UK, lockdown has been extended (currently until 4th May in Italy, 9th May in Spain, and 7th May in the UK). Consequently many consumers are reticent about committing themselves to *business as normal* until a period of time has passed after lockdown, or for some, until a vaccine becomes available.

Three key trends from the last two weeks are:

- Following the trend observed in France, there is a significant improvement in UK national mood and optimism. The majority, 3 in 5, still believe the worst is yet to come, but this is down from 4 in 5 a week ago.
- However there is a setback for the holiday market after two weeks of positive trending, with the latest figures showing more consumers going back to saying that they don't know when they will be planning and booking their next holiday. On average, we are still looking at 5-6 months lead time, which is currently not a significant issue for the Falklands.
- While taking holidays are high on the list of things consumers want to do when the crisis is over, over 60% say that they would want to wait for a period of a few weeks after their confinement is over before feeling comfortable enough to book. 1 in 5 say that they won't feel comfortable about booking a holiday until vaccines against the virus are available.

Holiday Pricing

There has been much debate over the pricing of holidays after the pandemic. Whilst research shows that most people are likely to want to pay less for their holiday, a proportion of the population will come out of this crisis with *more* disposable income, particularly those in the 65+ group, and will be willing to pay more for their trips. Overall, 1 in 10 would be willing to pay more for their holiday, rising to 1 in 4 of 65+ year olds.

A large number of consumers have pre-paid for cancelled holidays and flights, and have vouchers for re-booking trips when the situation eases. If *normal* life resumes by the last quarter of the year, travel is expected to bounce back quickly with most consumers being able to afford to keep taking holidays.

HOW THE TOURISM SECTOR IS REACTING…

Destination Marketing

Surveys in the USA by the United States Tour Operator Association (USTOA), and in the UK by a number of research firms, provide a good indication of current thinking amongst tourist boards. These show that most expect to continue with *recovery* messaging over the period April -September, with a *return to normal* by the fourth quarter (October-December). Recovery strategies are mostly based around the *postpone – don't cancel* message, as well as inspirational messages to make virtual connections, such as *see/dream now, travel later* using images, virtual tours, nature exploration, etc. There's a notable shift towards promoting natural assets of destinations, such as the great outdoors, wildlife, national parks, wide open spaces, and emphasising distinctive *only in…* experiences.

This is very much the approach FITB is taking with our marketing activities, and our product (open spaces, wildlife, away from the crowds, etc) lends itself to current consumer sentiment.

Cruises

The international cruise sector has been significantly disrupted by the pandemic. All the large cruise operators have suspended services and are planning the re-commencement of their cruise schedules at various future dates, although these are subject to change. Presently, the end of June seems to be the focal point for the current suspension of operations. Celebrity Cruises plan to commence sailings in mid-June, P&O and Cunard at the end of July, but others such as Fred Olsen have not yet set a date. The overall message here is that the cruise companies remain optimistic, but nothing is certain.

For the expedition cruise vessels, the Arctic season has been severely disrupted, with some cruise vessels not even being repositioned after the close of the Antarctic season. However, there are still planned Arctic cruises in the second half of the northern hemisphere summer.

We expect Antarctic cruise operators to submit their schedules as usual when the IAATO Ship Scheduler opens in June, and the first ship schedule is likely to look as busy as usual. However, what happens after that will depend on the global pandemic situation. Should consumer confidence be restored there is likely to be strong demand for Antarctic cruising. There are huge numbers of consumers with cancelled trips who have paid their money, to which many cruise operators are offering 125% credit on future trips, valid for 12 months.

Flights

International tourism is effectively on hold until airlines resume flights. With most countries advising against all but essential travel, and many banning international arrivals altogether, the number of flights operating worldwide has fallen significantly. As with the cruise sector, airlines are uncertain when they will resume flying, although most are predicting July (although some suggest August) as the month when there might be a significant increase in flight schedules.

LATAM has confirmed that the Saturday MPN-Punta Arenas-Santiago service will not be operating in May; however it hopes to resume the service in early June. The MPN-Sau Paulo service is currently suspended until 14th May. FIG continues to monitor the situation with LATAM.

Forecasts for 2020-2021

Discussions with several key operators in the Falklands tourism industry show that, to date, there have been very few (around 3%) cancellations, and in some cases none at all. There have been a few deferrals to the 2021-2022 season. This is to be expected at this stage, as consumers with holidays booked for 6+ months' time are sitting it out to see what happens.

The FITA Survey of tourism businesses shows that COVID-19 has had a significant impact on the Falklands tourism sector already, and many businesses indicate clear concerns about next season, such as operational uncertainties, staffing and financial issues. The findings potentially over-represent the number of actual cancellations due to the same cancellation being reported by several businesses along the chain (tour operator, accommodation, guides, etc).

Whilst we are not medical professionals, it seems quite clear that having a vaccine in place and widely available before next season is extremely unlikely. Therefore whatever next season looks like, it will be pre-vaccine.

It is still incredibly difficult to predict how tourism will play out in 2020, and of course the measures put in place by the governments in each destination will also determine how many tourists will travel. However, most commentators agree that the most likely scenario is that there will be an 8-month period of disruption in the key source markets (Europe and North America), from February 2020 to September 2020. Current restrictions to travel are expected to be in place for around 4 months of this 8 month period. Based on this it is expected the global tourist arrivals will fall by 40% in 2020, so decreasing from around 1.4 billion in 2019 to around 0.9 billion in 2020.

In the Falklands, based on the assumption that there will be no restrictions on travel imposed by FIG from October, and LATAM flights via Chile and Brazil resume their usual schedules, we expect international tourist arrivals to fall by around 20% in the 2020-2021 season. The cruise season is more difficult to predict, and could range from very little activity to a full season. The next 8-10 weeks should provide some direction on that.

WHAT TO DO NEXT…

Be Prepared!

Our advice for next season is: *Be Prepared*! Follow your usual plans as much as possible. We are still around six months away from the first tourists arriving – that's a long time. Six months ago none of us had even heard of the coronavirus! Don't get caught out. We were planning for the biggest season yet, with Wednesday and Saturday flights for the first time. Consequently, as long as there are no travel restrictions in place our additional flight capacity may go some way to negating the global drop in demand.

Think Domestic

Even in a normal season, the domestic market accounts for a significant number of room nights at many accommodation establishments in camp. In preparation for what is an uncertain season, developing strategies for attracting more domestic tourists than usual through offers and incentives is recommended. Unlike international tourists, domestic tourists can make decisions about travelling at relatively short notice, filling gaps in bookings as and when cancellations do occur.

Bookings and Cancellations

Whilst we are talking about cancellations, do make sure you have your terms and conditions for all your bookings very clear – whether these are bookings you have made with visitors or with other companies (on or off the Falklands) selling your services. The situation is very unpredictable. For more guidance on *Communicating and Responding to Customers*, FITB has compiled a short guide. Call FITB or see www.falklandislands.com/trade for more details.

Business Income and Support Packages

FIG has put together a package of benefits for employers and those self-employed to cover loss of earnings from COVID-19. These include:

- Employers can seek reimbursement of wages for staff that are self-isolating due to symptoms or because they are vulnerable.
- Self-employed people can claim up to £2,500 per month who have to self-isolate due to symptoms or because they are vulnerable.

Full details can be found on the FIG website at: https://fig.gov.fk/covid-19#SupportPackage

Keeping Safe - Hygiene

Advice for restaurants, takeaways and supermarkets regarding food hygiene can be found at:

https://www.gov.uk/government/publications/covid-19-guidance-for-food-businesses/guidance-for-food-businesses-on-coronavirus-covid-19

For the latest updates on the COVID-19 situation in the Falkland Islands:

https://fig.gov.fk/covid-19#LatestUpdate