COVID-19 Tourism Impact Update

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

No. 3

May 8th 2020

Falkland Islands
TOURIST BOARD

INTRODUCTION

It is interesting how things evolve every 14 days – the period between which each of these newsletters attempt to identify global, regional and local trends in order to help prepare the tourism sector for the months ahead.

Over the last two weeks there has been considerable international attention on the airline sector and how it can start moving passengers around the globe safely again. Just a few weeks ago the focus was very much on lockdowns and social distancing, slowing down the spread of the disease. However, with most European, Asian and (to an extent) North American countries making progress in this regard, focus is shifting to getting the tourism sector going again.

Whilst there are still some destinations that appear to be experiencing a rapid increase in infections, such as Brazil, on the whole attention is shifting to the next phase which will hopefully start to give us some clear clues about how tourism will unfold over the second half of 2020, and into 2021. So over the next 6-8 weeks we hope to get a better picture of what we can expect for our upcoming season.

At FITB we are continuing to prepare for the 2020-2021 season and remain optimistic. Over the last week we met with FIG and FITA to discuss various options regarding the way forward depending on how events unfold locally, regionally and internationally.

I hope that this publication keeps you informed with all we know from speaking to tourism businesses here in the Falklands, overseas tour and cruise operators, and tracking international developments and consumer sentiment.

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

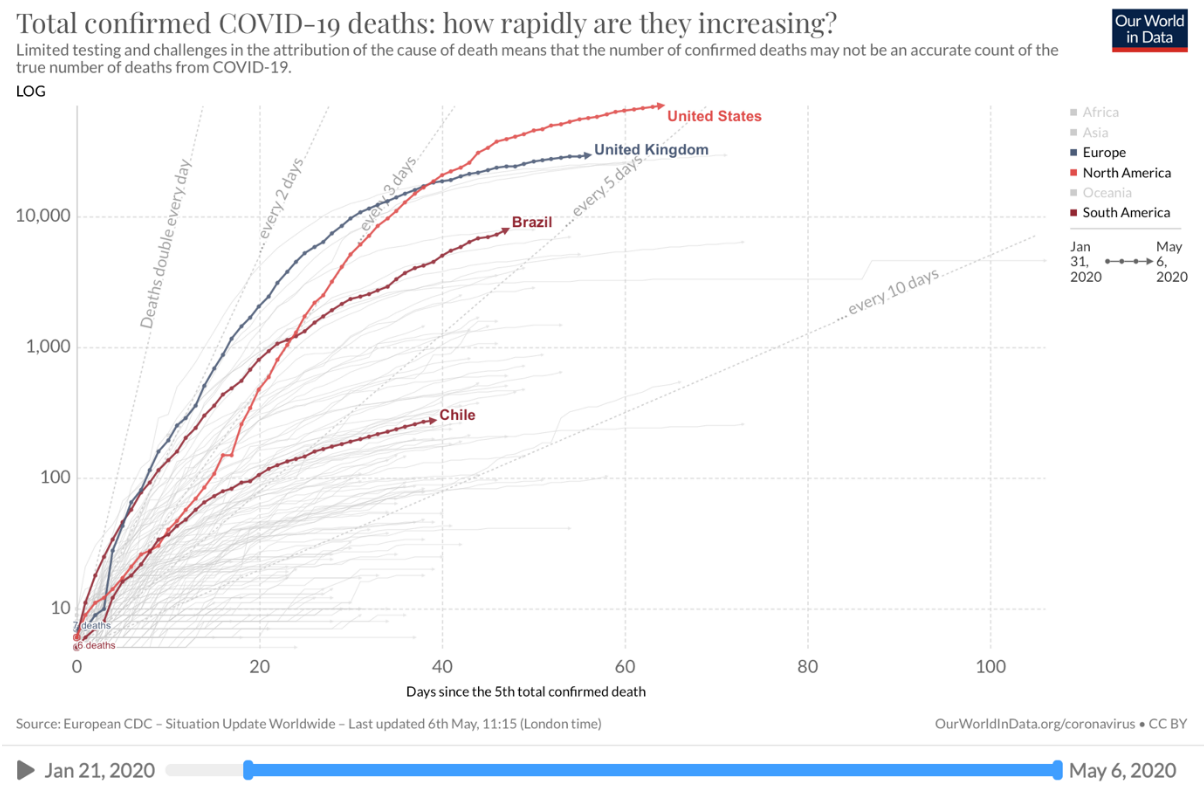
Stephanie Middleton
Executive Director
7th May 2020

Next Update: Friday 22nd May 2020

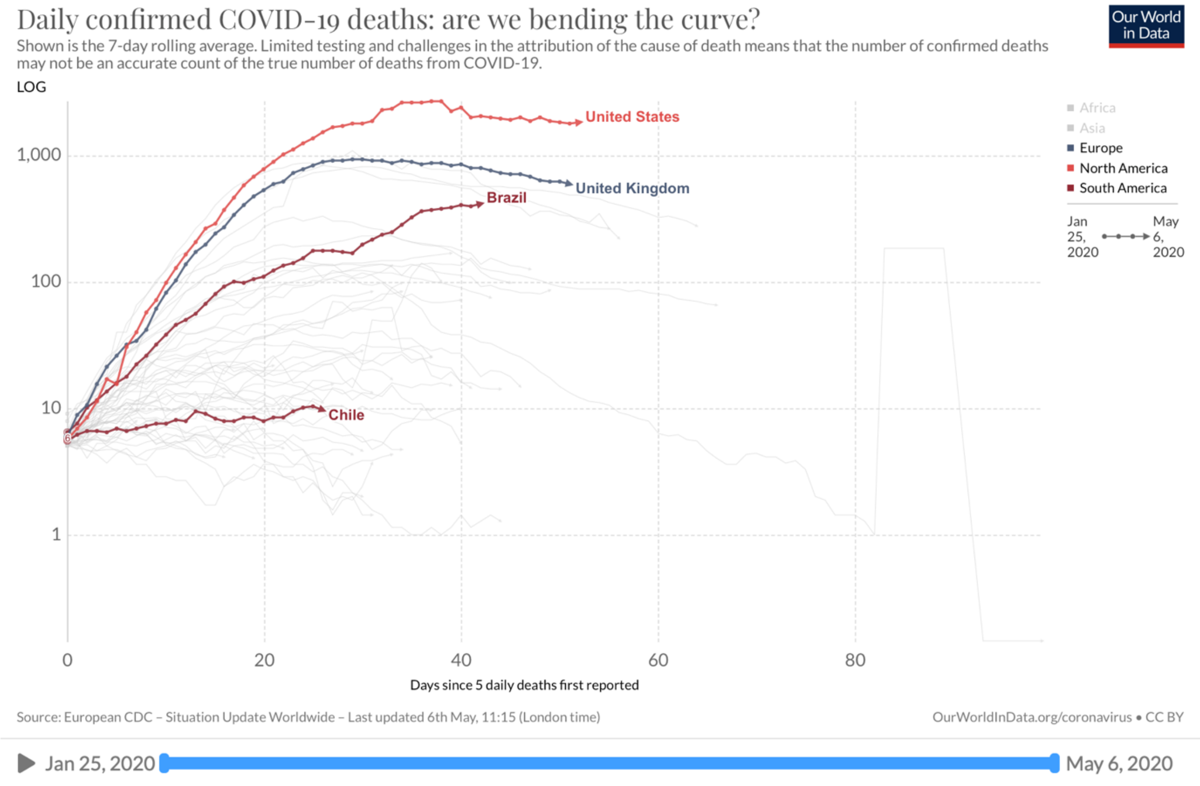
GLOBAL SITUATION

Worldwide, the total number of cases and deaths from COVID-19 continues to rise, however the rate of infection is slowing in many countries as the effects of lockdowns and social distancing take effect.

The chart below shows the number of registered COVID-19 deaths for selected countries, measured from the time when 5 daily deaths were reported. Whilst there is **a flattening of the curve in the UK, and to a lesser extent in the USA**, this is less apparent in Chile, and not at all in Brazil where new cases are increasing at a greater rate.



The chart overleaf shows the number of daily deaths from COVID-19 which clearly indicates an **improvement of the situation in the UK**, and apparent confirmation that the peak has been passed, at least for now. There is more of a flattening than a decline in the United States, whilst **the situation is less promising in Brazil** and Chile (although in Chile there appears to be a level of stability).



Due to progress in tackling the pandemic in many countries around the world, there has been a gradual relaxation of lockdown measures, and it is understood that over the weekend 8th – 10th May there will be a change in the situation in the UK. These are all encouraging signs and signal the next phase of dealing with the pandemic for many nations, although everyday life is still far from normal in most of these countries.

However, the **pace of progress with regards to tackling the pandemic is in line with the expectations that drive the global tourism forecasts** for tourism (see later on in this report).

CONSUMER CONFIDENCE IN THE UK AND USA

UK: Confidence Slowly Rising

In the UK the mood of the nation has stabilised with a real sense that the peak is over. Approaching one-half (46%) of all consumers surveyed in the rolling BRDC COVID Tracker think things will stay the same for now, sensing that the UK is still at a plateau phase on the curve, but already 24% (up from 18% a week ago) believe the worst has now passed.

But with reference to the longer term impact, hopes of this being a V-shaped event are increasingly giving way to the prospect of a U-shaped or even a more protracted bath-shaped recovery with **expectations of a swift recovery receeding**. Only 28% (down from 33%) think that life will have returned to normal by August, while the proportion thinking this will not be until 2021 or later has been rising from just 14% three weeks ago to 32% currently.

Fewer people are planning to proceed with current bookings and more are saying that they have cancelled their holidays and have not committed to re-booking. Week-by-week the prospects for the summer tourism in Europe and other destinations are weakening, and only 1 in 10 still expect to plan a trip before the summer.

With holiday planning and booking horizons being, on average, around 6 months from now, **there is strong evidence of considerable demand for winter holidays to tropical and southern hemisphere destinations** in the 2020-2021 season.

USA: More Cautious Optimism but Strong Desire to Travel

In the USA confidence appears to lag behind that in the UK, with more Americans reporting that they fear the worst is yet to come than two weeks ago. 13% of Americans think they will take a holiday in the next 3-6 months, with 27% within 6-12 months. A sizeable **42% are not sure when they will take a holiday next**, but they are keen to do so.

However, pent-up demand and desire to travel remains high. 60% of respondents to the US Travel Association survey say they will be eager to travel for leisure once the COVID-19 crisis has passed, up from 54% two weeks ago. They are also becoming slightly less concerned about the threat of contracting COVID-19 than they were two weeks ago (up from 34% to 40%). Interestingly, **travellers aged 50-64 (typical Falklands visitor age) continue to be the age group that is least concerned**.

Feedback from Travel Agencies and Airlines

Many tour operators have reported that the majority of their clients who had planned to travel by the end of June are choosing to re-book their trip rather than cancel their vacation entirely. It is clear that people are using their time at home to think about future travel plans, specifically for holidays in 2021.

Airlines and hotels are continuing to relax their cancellation and rebooking policies, creating greater confidence in booking long-term.

CRUSE AND AIRLINE SECTORS

The clear message that has come out of the cruise and airline sectors over the last two weeks has been one of determination to get their operations back on track. This is perhaps of no surprise considering the size of these industries and the investment and jobs that are at stake.

Cruises

Whilst some of the larger operators, such as Carnival Cruise Line, have pushed back their dates for commencing operations again, (Carnival now plans to launch on the 1st August with eight ships), the smaller **expedition operators appear confident about operating as planned in the 2020-2021 Antarctic season**.

Interviews with operators showed that they are working with IAATO (and the Association of Arctic Expedition Cruise Operators) on **increased health screening and sanitation regimes** to ensure their ships maintain a clean bill of health and to also give their passengers and the communities they visit confidence in their operations. Of course they still remain in the hands of the international authorities to allow their passengers to join the ships in the gateway ports and also to allow visits to communities and settlements.

Testing passengers (see Airlines below) before they board cruise vessels is certainly a possibility for cruise ships, and in particular the smaller expedition ships. Most expedition operators would only need to carry out a few thousand tests a month for all their clients. It is also worth noting that these **passengers are generally keen and adventurous travellers**, and typically very resilient in times of uncertainty.

Airlines

International airlines have been very much in the news the last two weeks. Suggestions have been made by some that leaving middle seats empty will allow social distancing on flights, only for these to be discredited by most airline bosses, stating that prices would need to increase by at least 50% to make flights profitable with one-third of the seats empty.

Clearly, there are no easy solutions, and a few countries, including Argentina, have made the decision to close to commercial aviation until September. Whilst this is an unusual step, most destinations are not expecting flights to commence in any significant way until July or August.

This week **Emirates Airlines began conducting rapid on-site COVID-19 tests for passengers**. This was trialled on a flight from Dubai to Tunisia. The analysis is a blood test that provides results within 10 minutes. The airline says it is working to scale up testing capabilities and extend it to other flights, and that these tests could also be used to provide confirmation for passengers travelling to countries that require COVID-19 test certificates.

Etihad Airways, also based in the UAE, is trialling **new kiosks that can monitor the temperature, heart rate and respiratory rate** of a person checking in for a flight or dropping a bag. These kiosks are currently being tested at Abu Dhabi airport.

In the UK, Heathrow is soon to trial technologies and processes which could form the basis of a **Common International Standard for health screening at all global airports**. Concepts under review as part of the Heathrow trials include UV sanitation, which could be used to quickly and efficiently sanitize security trays; facial recognition thermal screening technology to accurately track body temperature; and contact-free security screening equipment to reduce person-to-person contact.

Forecasts for 2020-2021

To date there have still been very few (around 3-5%) cancellations of land-based leisure visitor bookings to the Falklands, with a few deferrals to the 2021-2022 season. This is expected at this stage, as consumers with holidays booked for 6+ months' time are still sitting it out to see what happens.

At a global level, **most forecasts are still based on 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 (from March to June). According to this scenario, 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; however, time is on the side of the Falklands and by October **passenger testing procedures could be established** enough to ensure that the expedition season (at least) goes ahead more or less as planned.

WHAT TO DO NEXT…

Be Ready To Adapt

As much as possible, be ready to adapt for an uncertain number of visitors over the coming season. Land-based tourists are expected to decline to some extent, so where possible be ready to scale operating costs and overheads accordingly. The main difficulty is in planning this, as at present it is not easy predicting with any degree of certainty how many visitors there will be in 2020-2021. However, this should become more apparent by early August.

Marketing Can Start to Focus on Travel

Data suggests that travellers are ready to hear about travel now, rather than just using the *dream* and *plan* messages. *We are all in this togeth*er was an important message at the start of the pandemic as it provided consumers with a voice of reassurance. However, this has now evolved into indistinguishable marketing noise. Whilst it is still early days, there is clear evidence that tour operators and accommodation establishments can start to talk about travel again.

Be Flexible with Bookings

Be as flexible as you can with bookings as this will be rewarded in the long run. The situation is very unpredictable and consumers need reassurance that any bookings they make (or have made) can be changed if there is reasonable cause to do so. 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.

Economic Support Packages

FIG and FIDC are now ready to take applications for the Job Retention Scheme, Self-Employed Income Supplement Scheme, and the Business Grant Scheme. FIDC is administering the latter. More details can be found at
https://www.fig.gov.fk/covid-19
http://www.fidc.co.fk/library/covid-19.
A new unemployment subsidy scheme has also been announced, targeted at workers who have lost their jobs as a result of the crisis. The websites provide clear advice regarding the eligibility of each.

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