

COVID-19 Tourism Impact Update



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

No. 14

December 4th 2020

INTRODUCTION

With the domestic season now underway and the TRIP scheme being embraced by many businesses, we have decided this month to return our attention to the outside world again, and provide an update on what is happening elsewhere, and what international tourism trends are likely to matter to us in 2021.

At last, there is considerable hope that normality will start to return in many countries by Easter, as the roll out of the coronavirus vaccine takes place. However, there is still a lot of uncertainty out there, in terms of the global economy and what tourism will be like in a post-COVID world. It will be important to keep abreast of emerging changes as they happen, so that we are well-placed to resume the impressive cruise and overnight visitor growth the Islands have experienced in recent years.

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



Stephanie Middleton

Executive Director

4th December 2020

Next Update: Friday 8th January 2021

THE GLOBAL ECONOMY...LATEST FORECASTS

The latest report from the Organisation for Economic Co-Operation and Development (OECD) is remarkably up-beat for the future. It expects the global economy to return to pre-pandemic levels by the end of 2021 as vaccines help propel recovery. However, growth is likely to be uneven, and not all countries will recover at the same rates. This obviously has implications for tourism in the Falklands as our key source markets will, to a large extent, determine the bounce-back, as well as the situation in the hubs where flights operate from (Brazil and Chile).



The OECD sees world output dropping by 4.2 percent in 2020 due to months of long lockdowns that slowed the spread of the coronavirus but proved to be hugely disruptive for the global economy. However, it forecasts the world economy will bounce back with 4.2 percent growth in 2021. These forecasts for the contraction and recovery of the economy are both more modest than those previously made in September, despite many countries imposing new lockdowns in the pre-Christmas period.

The rebound in 2021 is expected to be very uneven. China is likely to be the only major economy in 2020 to escape contraction, growing by 1.8 percent then surging by 8.0 percent in 2021. By comparison, the US economy is expected to contract by 3.7 percent this year, but is only likely to manage 3.2 percent growth in 2021.



Europe is expected to make up even less lost ground. After a 7.5 percent contraction in 2020, it is expected to grow just 3.6 percent in 2021. Brazil's 6.0 percent drop this year is likely to be followed by only 2.6 percent growth in 2021. Overall, China is expected to account for one-third of global growth next year, while Europe and North America are expected to contribute less than their weight in the global economy.

Despite the imminent distribution of vaccines, the global economic outlook remains "exceptionally uncertain" according to the OECD, given the difficulties of rolling out massive vaccination campaigns, uncertainties about how long the vaccines will provide protection and the need to impose restrictions in the meantime. In addition, the full social impact of the pandemic has still to unfold with many people retaining jobs through government furlough schemes. As these come to an end, unemployment is expected to increase significantly.

GETTING TOURISM BACK ON TRACK

Current Situation

Tourism continues to be one of the sectors hardest hit by the coronavirus pandemic, and the outlook for recovery is extraordinarily uncertain. It is estimated that international tourism will fall by 80% in 2020. Domestic tourism is helping to sustain jobs and businesses in some countries, but real recovery will only be possible when international tourism returns. Destinations that rely heavily on international visitors, and business and events tourism, have been particularly affected, with coastal, regional and rural areas faring better than city destinations.

As in the Falklands, many governments around the world have taken impressive action to cushion the blow to tourism, and the preparation of tourism recovery plans are underway in many countries. However, the general consensus of leaders in the tourism sector is that more needs to be done so that businesses and destinations are ready when the recovery comes. Key policy priorities during this period of transition include:

- Restoring traveller confidence and supporting tourism businesses to adapt and survive
- Sustaining domestic tourism and supporting a safe return of international tourism
- Providing clear information for visitors and limiting uncertainty
- Start building towards more resilient and sustainable tourism

The crisis has been a call to action to governments and the private sector, to respond in a co-ordinated way. Solutions have had to be found to enable tourism to live alongside the virus in the short to medium term. Looking ahead, the measures put in place today will shape the tourism of tomorrow. Many destinations have taken this sharp shock, and break in the usual annual tourism cycle, to stop and consider the longer term implications of the crisis, and re-think tourism for the future. These are discussed on the next page, but firstly, the most important thing for restarting international tourism is restoring traveller confidence and stimulating demand.

Stimulating Demand

In the short term, there are some clear indications of how traveller behaviour has changed. Primarily this includes: demand for short haul travel; travelling by rail or car rather than aeroplane; staying in self-catering and private accommodation rather than hotels; visiting coastal, regional and rural areas rather than cities; participating in walking, cycling and outdoor activities, rather than in enclosed spaces; with health and safety a key consideration.

What impact the pandemic will have on consumer demand and travel behaviour in the longer term is not yet clear, but is likely to be influenced by the duration and evolution of the pandemic. However, for us in the Falklands these new travel behaviour trends broadly favour the type of tourism we offer, with the exception of travel being long haul, and (for overnight visitors) always by aeroplane. The point of weakness therefore would appear to be visitor confidence to get back on a plane, which is potentially compounded by the need (for non-airbridge flights) to transit in a foreign country airport.

For destinations, a key area of action has been around communicating the safety protocols and measures put in place by businesses. This includes the introduction of safe and clean labels and certificates to reassure visitors that tourism businesses and destinations are operating in line with national and international protocols. Today, the vast majority of countries (and this includes destinations as diverse as Colombia, Ireland, Israel and the UK) have introduced *Clean and Safe* schemes to highlight tourism businesses that are compliant with hygiene and COVID-19 control measures, and promote the country as a safe destination.



Whilst of less relevance to us in the Falklands, destinations around the world have also implemented a whole range of other initiatives to promote their countries with a post-COVID positive image. These include the development of mobile phone apps that help direct visitors to less busy places; strengthening of health facilities available to visitors, such as hotels with designated doctors; and reduced VAT on selected tourism services to reduce the price of holidays.

Rethinking Tourism for the Future

So, how are destinations rethinking their futures? The biggest shift is towards a more sustainable tourism model, or in other words ensuring that tourism is more sympathetic to the environment and is not damaging what the visitors have come to see.

It is clear that there are trade-offs when trying to balance economic, environmental and social dimensions, especially during the post-pandemic period when many businesses are just trying to survive. However, there are numerous examples of destinations forging ahead with initiatives regardless, for example in the middle of the pandemic, the Greek island of Santorini launched the Plastic Free Santorini Campaign with communication, education programmes and other initiatives to reposition the island as a sustainable destination.



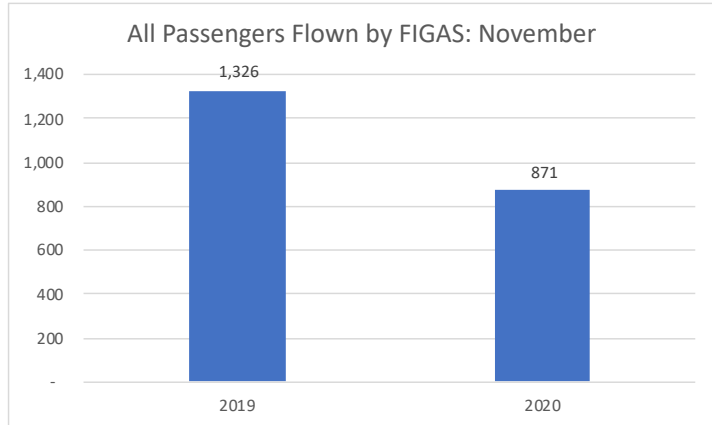
Once again, in the Falklands we are well positioned in this respect, however there is still much that can be done to improve our credentials as being fully sustainable – whereby visitors do not have any net negative impact on the environment.

The other major trend is what is being termed as “digitisation”. This broadly refers to the movement of marketing, selling, and other elements of business operations online. The pandemic accelerated this trend, which has involved travellers doing more research and booking through the Internet than ever before. This means that those businesses that are less visible on the Internet, do not have attractive and well-functioning websites, and cannot sell their products or services online, will lose out. For us in the Falklands this is certainly an area of concern, and is obviously not helped by the poor connectivity speed and cost of Internet services.

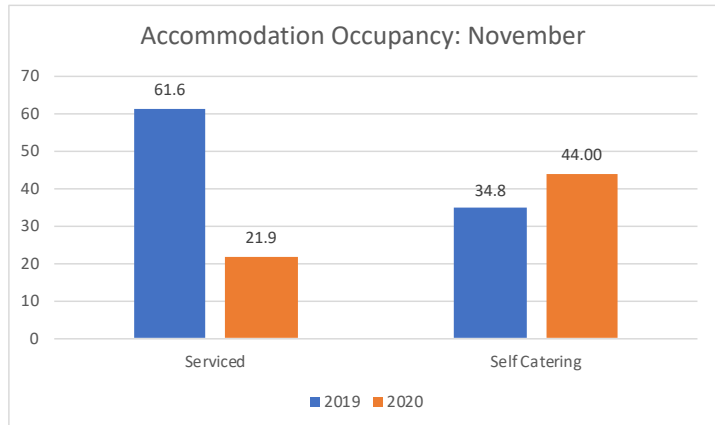
November 2020...How did it Perform?

In line with many other destinations, FIG’s TRIP scheme has provided an excellent incentive for residents of the Falklands to travel, and provide some businesses with a stream of income, albeit at a level that is likely to be well below what they would usually expect.

FITB continues to measure the tourism sector, and preliminary data from FIGAS and the Accommodation Survey shows the impact of the loss of international visitors. Obviously, FIGAS have not flown any visitors for some months now, so the chart shows all passengers flown (usually residents + visitors). This shows passengers flown were 34% down in November compared to the same month last year.



There’s a similar picture for accommodation (the data shown is preliminary) with the room occupancy rate in November in serviced accommodation being just 21.9% compared to 61.6% in November last year. However, interestingly self-catering accommodation is up this year compared to November last year, presumably boosted by the TRIP scheme and increased domestic travel.



Flights Update

FIG announced on the 20th November that due to the ongoing prevalence of the pandemic the decision was made to extend the suspension periods of both the Punta Arenas and Sao Paulo routes until **at least** 31st March 2021.

FURTHER INFORMATION

Tourism Recovery Incentive Programme

TRIP is a domestic tourism stimulus scheme that is open to everyone who is ordinarily resident in the Falkland Islands and will run from 1st October 2020 until 31st March 2021. More details can be found at:

<https://fig.gov.fk/covid-19/tourismscheme>

FIG Guidance and Information

For guidance and information for individual businesses operating in a COVID-19 environment, including restaurants, public houses and retail, as well as frequently asked questions see:

<https://fig.gov.fk/covid-19>

<https://fig.gov.fk/covid-19/information/general-information>

<https://fig.gov.fk/covid-19/faq>

