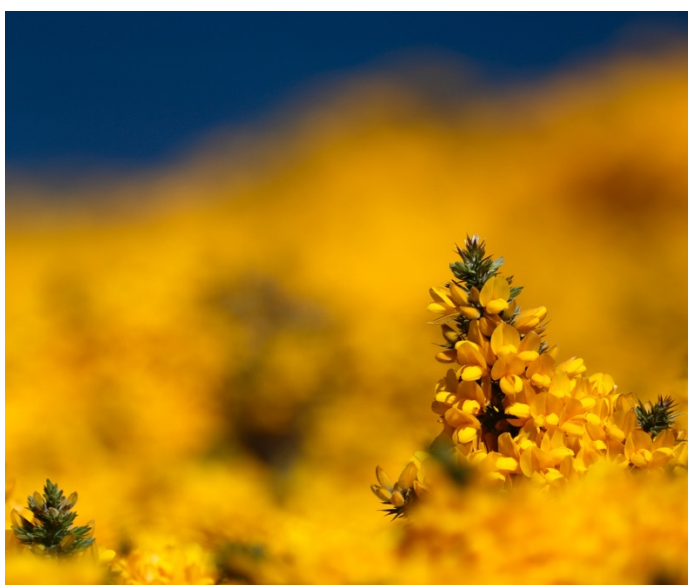


COVID-19 Tourism Impact Update



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

*No. 5
June 5th 2020*

INTRODUCTION

We keep saying that we don't have a crystal ball to tell us with certainty what is going to happen over the next few months, or indeed at any time in the future. However, in a break from the usual format, this fortnight's publication has been put together with as much stargazing as we can manage. Based on discussions with industry experts in several different sectors of tourism, we have put together the best possible predictions, for now, of how the next three years are likely to unfold.

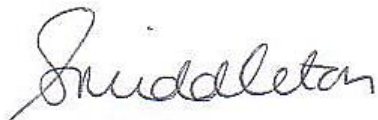
Our land-based and cruise tourism industries are heavily reliant on visitors from Europe and the Americas, so developments in these countries will largely determine how tourism shapes up in the Falklands over the next few years. It is therefore important to focus on these markets to shed light on what we can expect to happen here. I hope that this research helps to make some sense of the current situation.

Over the last two weeks we've also contacted over 80 businesses and individuals in the tourism sector in the Falklands to find out their views and opinions regarding the coming season, and under what conditions they would be prepared to operate. Whilst we are still analysing these, some first findings are included in this report.

Finally, we are working on a model to project visitor numbers and expenditure based on a number of different scenarios for land-based tourism, expedition cruise vessels, and larger non-Antarctic cruise ships to assess how FIG and the private sector might be impacted depending on different conditions. This is nearing completion and we will be able to provide the findings in due course.

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

5th June 2020

Next Update: Friday 19th June 2020

HOW TOURISM IS LIKELY TO LOOK OVER THE NEXT 3 YEARS

Now...until the end of 2020

One of the most frequently asked questions is: “*When will travel return to normal?*” The simple answer to this is that it won’t. It will look different to how it was before, and a *new normal* will take the place of how travel used to be.

Unlike other crises, such as terrorist attacks and natural disasters, this is not a crisis that has happened on a single day, somewhere else, and to other people. It has left no country untouched, and therefore it is likely to have a considerably greater impact in changing people’s behaviour for years after it is over.

The economy and health concerns

Historically, tourism has been one of the most resilient economic sectors, and fastest to recover after a crisis, largely because of people’s strong desire to travel. However, current health concerns arise from the fundamental essence of tourism – the movement of people. Proximity has been not only unavoidable as part of the travelling process – crowded planes, trains, coaches, theatres, restaurants, visitor attractions, festivals, etc; it has also been a significant motivator of travel – the desire to meet new people and experience different cultures.

There is much debate over whether health should be prioritised over the economy, however in truth the two are inextricably linked. The more people’s health is put at risk, the more the economy is jeopardised. Consequently, governments in many countries have stepped in with a range of supporting measures, and the survival of tourism businesses in 2020 will largely depend on governmental support as there will be limited revenue opportunities.

It takes two to tango

The return to travel in 2020 will depend on countries exiting their various government-imposed travel restrictions. This is likely to come from a mix of testing, tracing and isolating the vulnerable, plus, ultimately, vaccination. Travel from one country to another will only happen when both countries have lifted their restrictions to a certain level allowing reasonable movement. People are unlikely to travel if they have to self-isolate for 14 days on return home, or if they have to self-isolate for 14 days on arrival.

This is why there is currently much discussion between governments to develop travel agreements, which are being called bubbles, airbridges or tourism corridors. All mean the same thing – an agreement that allows people to travel between two countries without restrictions on arrival or return home. Destinations in Europe are desperately trying to put these in place at the moment to rescue the summer holiday season. The majority of countries in Europe are opening up their borders to arrivals in June or July; the UK is currently one of the countries not following this trend.

Without doubt, domestic tourism will be the first type of travel to bounce back as each country relaxes their lockdown rules and regulations. After that, it will be short haul travel between countries that do not have any travel restrictions that can expect to see the fastest resumption in travel.

Getting the sector going again

The other consideration for the remainder of 2020, apart from the issue of restoring traveller confidence, is that a major reboot of the tourism industry will be required. Planes that have stood for weeks on tarmac will need to be checked and tested, furloughed staff may need retraining, and communications campaigns will need to be mounted to let people know what is open, where, and how safe it is. Parts of the entire tourism infrastructure will need to be redesigned for a new social-distancing world, from visitor flows, spacing and hygiene in airports and hotels, to aircraft, trains, coaches, cruise ships and public transport.



Next year...2021

Global output is predicted to fall by 3% in 2020 - this will mean that by 2021 fewer people will have disposable income to spend, which means the slower economic recovery will be, not least in the tourism sector. However, there is strong evidence of pent-up demand for travel, and some people in secure jobs will come out of the lockdown period with more disposable income than they would otherwise have had. So there is expected to be a strong bounce-back growth in travel in 2021.

Whilst a vaccine remains unlikely until well into 2021 at the earliest, the prospect of testing, tracing and isolating the vulnerable should enable those who have tested negative or are believed to have had the virus to resume an economically active role. This is when those businesses that have survived will start to resume activities in a meaningful way. The majority of trips in the first part of the year are likely to be domestic, to destinations relatively close to home, or those countries perceived to be the safest. As many tour operators will find it difficult to commit to programmes and prices with any degree of certainty, a growth in independent travel is expected.

Outdoor and rural destinations will thrive

Social distancing is likely to remain an issue, so places with plenty of space are expected to be favoured over crowded places: the natural environment rather than city breaks; the great outdoors rather than indoor attractions; self-catering rather than hotels, which involves less exposure to strangers; and probably greater reliance on the car as a means of transport in which people can isolate themselves more than on public transport.



The introduction of hygiene certification is likely to emerge, aimed at consumers rather than health inspectors. Singapore has already introduced an independently assessed stamp for hotels. Other destinations are expected to follow suit with *clean-label* certification as a reassurance measure for travellers. There is historical evidence that these work at a practical level too, with the success of the introduction of simple hand sanitisation measures on Nile cruise boats several years ago, which immediately reduced the incidence of stomach bugs and restored this market.

2022...and beyond

Mass vaccination will not represent the end of the crisis, but it will mark the move from *hesitancy to travel* and the *confidence to travel again*, even if traveller confidence might still lag behind the extent of vaccination. This looks unlikely to happen before the second half of 2021, and it may not be widely implemented until early-mid 2022 (if at all, although currently there are positive signs).



Even then, it is unlikely vaccination will be widespread in poorer countries, leaving open the possibility of reinfection. It is not known yet whether governments will ban travel to countries where the virus has not been eradicated to stop travellers bringing it back home. Clearly, international cooperation in the form of common standards for COVID-19 related entry requirements, and a massive effort to eradicate the virus through global vaccination will be required to get the whole world travelling again.

So what can we expect in the Falklands...?

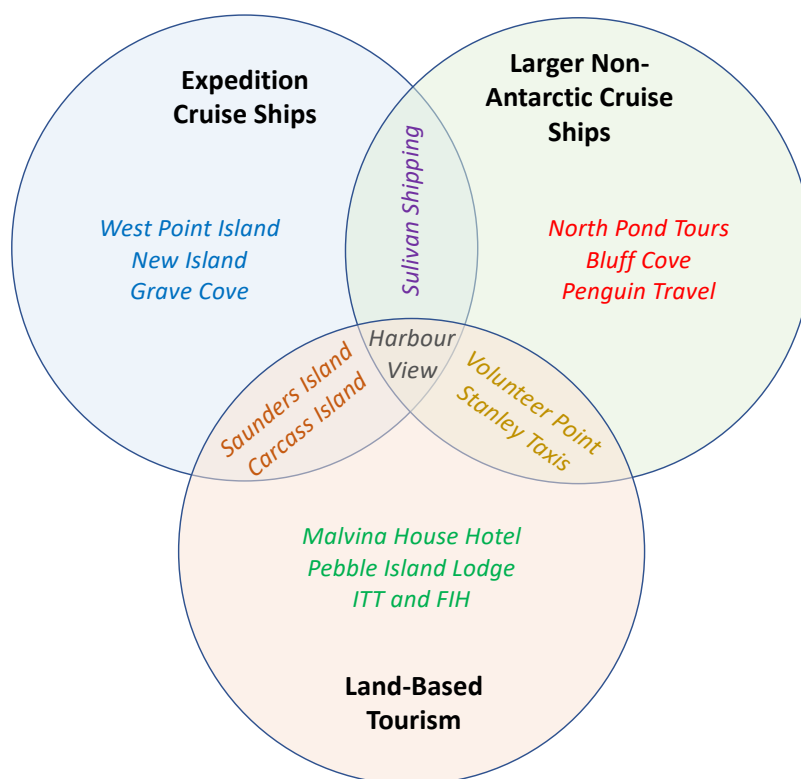
Whilst these are extraordinary times for the travel and tourism sector, there is light at the end of the tunnel. Resumption of travel will depend on medical advances and their speed of implementation. However countries will recover at variable speeds, and as long as the virus persists, even in isolated geographical pockets, caution will play a significant role in the choice of destinations people visit, the type of tourism products they buy, and the experiences they participate in. ***In the Falklands we may find that decisions will need to be taken about which countries visitors will be welcome from, depending on the COVID-19 situation in each source market; it is possible that South America may lag behind Europe and North America in terms of eradicating the pandemic or any future vaccination programme.***

Worldwide, international travel is unlikely to return to 2019 levels before 2024, although in the Falklands we expect to bounce back to 2019 levels by 2022. However, those destinations and tourism businesses that can address travellers' anxieties, while still communicating their inherent appeals, will stand the best chance of faster business rejuvenation. ***The Falklands ticks almost all the boxes for post-COVID consumer appeal. There is strong growth in interest of destinations with open spaces, outdoor adventure, and small accommodation offering. The main thing that works against us is distance – most travellers will need to travel long haul.***

As the world starts to travel again the level of anxiety will subside, but its legacy will remain to some extent and demonstrating healthcare capacity will, for some destinations, become an important element of their tourism marketing. ***Once again, with healthcare in the Islands being of a high standard, this will provide the level of confidence required by most travellers.***

There is much discussion about whether the world will emerge from the COVID-19 pandemic a more expensive place, especially in the tourism sector. There's currently two schools of thought here. One is that addressing visitor health concerns could lead to higher prices, as people demand more space and safety reassurance, thereby increasing costs and reducing visitor throughput for businesses. However, there is an alternative scenario: with low oil prices, an oversupply of idle planes, and reduced prices from tourism operators to stimulate cash flow there might be a spate of affordable holidays put onto the market to kick-start travel. ***The price sensitivity for holidays in the Falklands is known to be relatively low, so price shifts in either direction are unlikely to have a significant impact on demand.***

As we assess the impact on businesses in the Falklands, and indeed revenue to FIG, the three main forms of inbound tourism to the Islands are becoming increasingly stark. Decisions that will be made over the next few weeks and months will affect businesses differently, depending on which type of tourist they engage with. The Venn diagram below demonstrates this. We've put some example businesses into each of the seven segments. **These are just examples, and of course represent the main (but not necessarily exclusive) focus of these businesses.** You will immediately know into which segment your business falls.



Our job is to represent all three groups, and in the current pandemic, there are different challenges for each group in terms of safely reopening for tourism.

Analysis of the surveys from accommodation establishments, cruise tour operators, and shops indicate that in the main businesses are prepared to open, but most do want to see some form of testing in place before visitors arrive. There are some businesses that do expect to close next season as they do not want to take the risk of contracting the virus.

Whilst we will be undertaking more detailed analysis, we believe that there are sufficient businesses that will open in order for tourism to take place in the Falklands in the 2020-2021 season. However, as we have been saying for some weeks, and as our forecasts show (see Tourism Quarterly: Vol 4 Q1 2020 - <https://www.falklandislands.com/trade/tourism-quarterly>), we expect a much quieter season with a drop in visitors of between 40-50% across both land and cruise sectors.

Of course these forecasts are based on many assumptions, not least that FIG updates guidelines for immigration that allows visitors to travel to the Falklands. Also, advances in testing continues apace, and by October there may be many more procedures that airlines, cruise operators and immigration authorities have available to them to check travellers.

FURTHER INFORMATION

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/information/support-package-applications>
<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>