

STATE OF TOURISM IN CANADA DURING COVID-19

DASHBOARD REPORT #1

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Twenty31's 'State of Tourism in Canada during COVID-19' dashboard is compiled by Twenty31 analysts to provide a weekly snapshot of recent key global, regional and domestic tourism health and economic updates, and insights on the impact of COVID-19 on the travel and tourism industry's path to recovery. Insights are derived from a review of multiple global and Canadian media sources, associations, think tanks, and expert opinion from the tourism industry and government. Insights are based on the current state and future potential of key drivers of tourism recovery including the most important tourism channels – tour operators, airlines, travellers, source markets and tourism business operators.

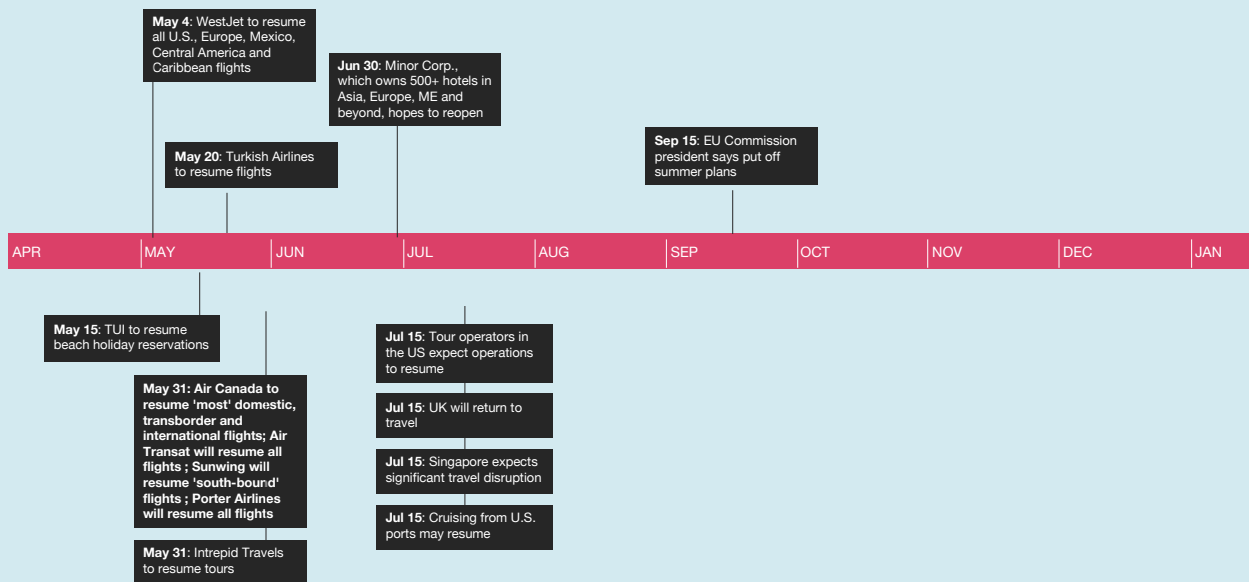
This document purpose is twofold. First to help determine key messages to Canada's tourism industry and in particular to help determine timing of program and recovery messages supporting the Canada Experiences Fund (CEF) and other programs in aid of recovery of Canada's tourism industry.

KEY INSIGHTS TWENTY31 INTERPRETATION FROM MULTIPLE SOURCES

- **GLOBAL:** Global destinations can be categorized in three COVID-19 realities: 1. those that have already contained the virus, primarily in the Far East, such as in China and Singapore; 2. those that have reached or are about to reach peak, such as Spain, Canada and the US; and, 3. those that have yet to peak, such as India and perhaps some African countries
- **GLOBAL:** Easing of travel restrictions has already begun in places that have contained the virus such as in China and Singapore, albeit in a slow, deliberate and incremental manner
- **GLOBAL:** In destinations such as Canada and the US, where the virus seems to have just hit peak, the easing of travel restrictions may be closer to the end of June/beginning of July
- **CANADA:** There is indication that the easing of travel restrictions will occur gradually starting with inter- and intra-provincial travel (around mid/end of June/beginning of July), followed by regional travel (mid-July), and eventually international (mid-July), then short-haul (after summer) and long-haul travel (into the fall)
- **CANADA:** Opportunities are beginning to emerge for local travel (i.e., within a 3-hour drive) by end of June/mid-July consisting of short summer trips with a focus on coastal and beach areas
- **CANADA:** Due to the rolling process of when travel begins again, and the possibility of shorter trips in the summer, we expect opportunities for smaller hotels at first, versus larger resorts due to the need to continue social distancing

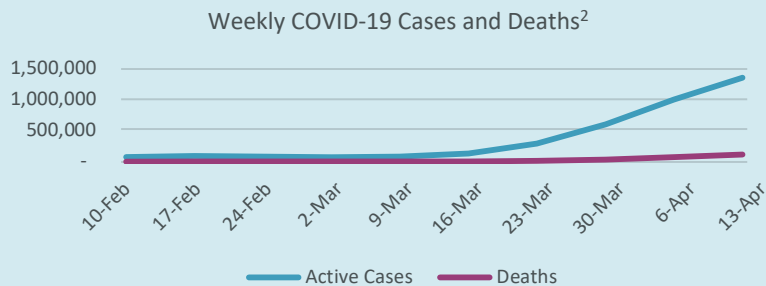
- **CANADA:** Nevertheless, the need to reconnect with loved ones in family gatherings or postponed celebrations like weddings that have been put off due to the virus, will increase the attraction of more family-oriented destinations
- **CANADA:** There may also be pent-up demand for luxury/high end sector as travel restrictions ease
- **CANADA:** Some major events slated for the first half of the summer are being cancelled or postponed for later in the fall
- **CANADA:** Many of Canada's City DMO's have furloughed or laid off staff...in some cases upwards of 50 to 90% of all staff as their primary revenue source, hotel DMF's are held back from previous years or not collected given the current severely reduced hotel occupancies

CURRENT TIMELINE



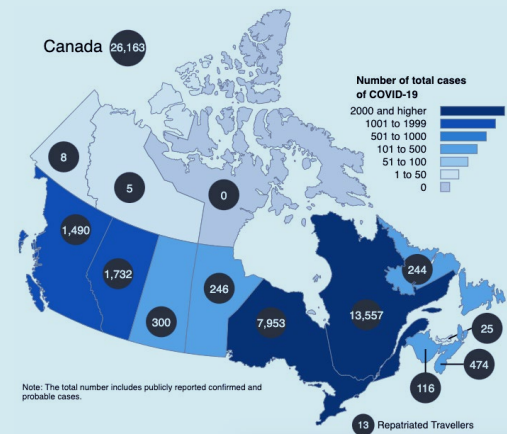
OVERVIEW

HEALTH IMPACT



- **GLOBAL:** Confirmed deaths caused by COVID-19 surpassed 115,000 globally, while worldwide cases climbed above 1.8 million – globally, the virus continues to peak
- **GLOBAL:** The World Health Organization continues to assess the global threat level as very high¹
- **GLOBAL:** Despite increasing deaths and cases, countries that were highly impacted, like China – Wuhan re-opened its borders after 76 days of quarantine (that began on Jan 23), and even Spain, are easing some lockdown restrictions³
- **GLOBAL:** Travellers in Europe have been warned to put off planning summer vacations by EU Commission President Ursula von der Leyen, citing uncertainty due to the outbreak⁴
- **GLOBAL:** In Singapore, Teo Yik Ying-dean of Saw Swee Hock School of Public Health, National University of Singapore, was quoted as saying: “I anticipate there will be significant disruption to international travel for the next three months”
- **CANADA:** As of April 14, 2020, there have been a total of 26,163 confirmed cases and 823 reported deaths in Canada⁵
- **CANADA:** Ontario extends state of emergency; province says more than 90 long-term care facilities have reported outbreaks⁶
- **CANADA:** PM Justin Trudeau announced new mandatory COVID-19 measures that include getting a self-isolation plan approved by authorities for anybody arriving in Canada
- **CANADA:** PM Trudeau said: “According to the models we’ve put forward, it is possible that we’ll be able to be out of the current wave this summer. At that point, we will be able to talk about loosening up some of the rules that are put in place, looking at particular sectors where people can go back to work, bringing in new rules around how people can interact in society”

KEY TAKEAWAY: Canada may be several weeks before Health Authorities and governments are comfortable providing guidance on next steps; easing of physical distancing recommendations; opening of non-essential business – all pre-requisites to supporting tourism recovery.



ECONOMIC IMPACT

- **GLOBAL:** Oxford Economics has downgraded its global GDP growth forecasts again. The expectation is for a near 7% plunge in activity in H1 resulting in global GDP falling by 2.8% for the whole of 2020, a much worse contraction than the 1.1% drop recorded in 2009⁷
- **GLOBAL:** According to a DMAI survey reported by Skift, 50% of DMO's cannot go longer than the next six months as they will run out of DMF funding
- **CANADA:** Canada-U.S. border likely to remain closed for weeks, PM says in imposing tougher quarantine rules⁸
- **CANADA:** Two-in-five (37%) of those who have experienced job loss in their household say they're not equipped to handle even an extra CAD 100 expense in the next 30 days⁹

KEY TAKEAWAY: The COVID-19 pandemic is impacting Canada's tourism source markets (domestic, US, international) differently based on their phase of containment which in turn will likely impact their potential return to travel. Regardless of the return to travel dates, the easing of travel restrictions will occur in a slow, phased approach.

AVIATION

- **GLOBAL:** COVID-19 crisis will see airline passenger revenues drop by USD 314 billion in 2020, a 55% decline compared to 2019¹⁰
- **GLOBAL:** For airlines, the tipping point for most Americans to return to flying comes after 4-6 months. And more than half said they'd wait a year or more before going on a cruise, according to the poll¹¹
- **GLOBAL:** Turkish Airlines extends flight suspensions until May 20¹²; Emirates to resume limited flights to specific European and Asian destinations on April 6¹³; Wizz Air is making plans to fly jets only two-thirds full to allow more space between passengers, it said on April 14, as airlines voiced concerns that anti-coronavirus measures could blight their profitability long after travel restrictions end¹⁴
- **GLOBAL:** Heathrow said on Tuesday that its passenger numbers were down 52% in March compared with the same period last year, with many journeys being made by Britons returning home¹⁵
- **CANADA:** Air Canada is continuing suspension of 'most' domestic, transborder and international flights until May 31¹⁶; WestJet suspended all U.S., Europe, Mexico, Central America and Caribbean flights until May 4¹⁷; Air Transat is continuing suspension of all flights until May 31¹⁸; Sunwing suspended all 'south-bound' flights until May 31¹⁹; Porter Airlines suspended all flights until May 31²⁰

KEY TAKEAWAY: Majority of airlines (global and domestic) are making decisions to return to travel 1-2 months at a time though majority of passengers would prefer to wait 4-6 months after containment before flying again. Return for most Canadian airlines is slated for a date of May 31, which may be revised depending on guidance from health authorities and government. It is expected some airlines will return to more profitable domestic and then international routes first, and may not return with the same seats, frequency or capacity as previously.

ACCOMMODATION & EVENTS

- **GLOBAL:** For the week, there were still 7.9 million room nights sold in the U.S. However, that was less than half of the rooms sold during the week ending 7 March (23.1 million)²¹
- **GLOBAL:** A recent Harris Poll asked Americans how long after the curve flattens they would go to a hotel: "One fifth of Americans (21%) say they will stay in a hotel within a month," with the figure rising to 41% within three months and 60% within six months
- **GLOBAL:** Alan Reay, president of the Irvine hotel brokerage firm Atlas Hospitality, expects the recovery to start with short summer trips to small hotels. The hotels that recover the fastest, Reay said, "are going to be the smaller hotels, especially in the beach and coastal areas. The ones that are going to take the longest

are the large meeting and resort hotels. I think people will initially avoid these larger 200-300-room hotels." If there's no recurrence of the coronavirus in fall or winter, Reay said he would expect a steady increase of leisure travel through 2021, as more vacationers and businesspeople take to the air. Meanwhile, "I bet these companies that rent out RVs and sleeper vans will do a fantastic business this summer," Reay said

- **GLOBAL:** Chip Conley, founder of Joie de Vivre Hospitality, advisor to Airbnb and founder of the Modern Elder Academy, thinks "there will be a rolling process for when travel starts again based upon the intent and profile of the traveller." He believes that some kinds of experiences – weddings, family reunions, transformational travel – may snap back faster because it's the promise of happiness and connection with people you know or will get to know deeply²²
- **GLOBAL:** Despite COVID-19, Asian hoteliers continue expansion plans. France's Accor adding 94 hotels in China alone this year²³
- **GLOBAL:** William Heinecke, chairman of Minor Corp., which has more than 500 hotels in Asia, Europe, the Middle East and beyond, hopes to reopen some hotels in June
- **GLOBAL:** Several leisure markets in India continued to trade well into the second week of March, until those lockdown measures. Goa, for example, saw some 2020 uplift as wedding and MICE business from the likes of Thailand and Bali transferred there, due to its low number of confirmed cases
- **GLOBAL:** The Middle East has faced average daily rate (ADR) challenges for a number of years now, following the oil crash of 2014 and continued hotel supply growth. COVID-19 has essentially accelerated declines in both rate and occupancy, and the effect has been felt across the region²⁴
- **GLOBAL:** The COVID-19 pandemic and resulting travel restrictions have left many in the vacation rental industry on the brink of financial disaster. As vacation rental cancellations skyrocket, most international online travel agencies (VRBO, HomeAway, Airbnb, Booking.com) are adding fuel to the fire by dictating clients offer full refunds (abandoning protections usually provided by their cancellation policies) and then holding refunded monies back from renters for abhorrently long amounts of time²⁵
- **CANADA:** RevPAR has been decreasing as the number of COVID-19 cases rises in Canada. For the week ending 4 April, RevPAR declined 85.4%, the worst such RevPAR decrease in STR's database
- **CANADA:** STR's most recent data for 4 April showed that just seven of 100 rooms on average were occupied in Montreal. Vancouver's occupancy level of 17.2% was the highest market occupancy in Canada for the week²⁶

KEY TAKEAWAY: While accommodations are seeing some business, primarily to support health practitioners and as places to place to house individuals in strict quarantine, numbers are drastically down from the prior month, let alone down from the same time last year. There may be some bright spots, however, with potential for smaller and high-end hotels, close to the coast and beaches to accommodate travellers located within a 3-hour drive as travel restrictions begin to ease in the summer timeframe.

CRUISE

- **GLOBAL:** Cruising from U.S. ports may not resume until mid-July after the Centers for Disease Control and Prevention (CDC) extended its No Sail Order for another 100 days, or until Covid-19 is no longer deemed a public health threat²⁷
- **GLOBAL:** Cruise ship bookings are up by 40% as travellers prepare to set sail in 2021 when crisis will 'be over' despite the coronavirus outbreaks aboard several vessels in recent weeks that forced passengers into quarantine²⁸
- **GLOBAL:** TUI axed its Marella Cruises until at least June this year²⁹
- **CANADA:** closed its ports last month to cruise ships carrying 500 or more passengers through July 1, 2020

KEY TAKEAWAY: Cruise is already seeing a comeback for 2021, with most putting off trips at least until summer 2020. But in spite of the poor publicity over the past few months, there may be some cruise ships and passengers in Canada's ports in the summer and fall.

ONLINE TRAVEL AGENCIES (OTAS)

- **GLOBAL:** Trip.com's (f/k/a CTrip.com) CEO, Jane Sun confirms that the "green shoots of recovery" are definitely underway in China, at least with regard to domestic travel³⁰

KEY TAKEAWAY: OTAs have seen a dramatic decrease in activity due to drying up of travel bookings, however they are beginning to see light at the end of the tunnel in places that are recovering, primarily in China.

MAJOR TOUR OPERATORS

- **GLOBAL:** Association of UK Independent Tour Operators (AITO): Prediction that the UK will return to travel at the second half of the summer months
- **GLOBAL:** TUI cancels beach holidays for five weeks due to pandemic³¹
- **GLOBAL:** Intrepid Travel is suspending tours departing between 16 March until at least 31 May, 2020³²
- **GLOBAL:** Rick Steves', who publishes travel guides, makes PBS travelogues and operates Rick Steves' Europe tours from an office in Edmonds, WA, said, "I think the first thing that will come back is regional travel: going to the city that's three hours away by car. What you don't want to do is fly somewhere and find yourself in a situation where you're going to be quarantined"
- **GLOBAL:** Becky Powell, president of Protravel International, which has more than 1,000 travel agents in the U.S. and Britain, acknowledges the allure of close-to-home destinations. "I think people are going to need their luxury resort fix before they are ready to board a plane," she said. "On the West Coast, we think properties like Montage Laguna Beach, Pelican Hill Resort, Ritz-Carlton Half Moon Bay, and the Biltmore in Santa Barbara will be some of the first properties to see a strong and early comeback."
- **GLOBAL:** Karen Johnson, sales manager for Utah-based Holiday River Expeditions, is looking to late June and early July for her company's rafting trips to resume, especially on the Colorado and Green rivers in Utah, which are good rivers for late season runs
- **GLOBAL:** SafariBookings.com, conducted a survey with 443 safari tour operators, the majority based in Africa, to weigh the impact of Covid-19. It found that 90% of tour operators were experiencing at least a 75% drop in new bookings³³

KEY TAKEAWAY: Major tour operators have put their businesses on hold at least until the beginning of summer – when most will begin to reignite operations and bookings.

TRAVELLER BEHAVIOURS

- **GLOBAL:** International summer season bookings for air travel to all American destinations (North, Central, and South America plus the Caribbean) are currently 27% behind where they were at the same time last year³⁴
- **GLOBAL:** Of those who had not yet cancelled trips earlier in March, a further 28% cancelled by April 12, 2020. 30% of prospective travellers on April 1 have changed to a destination they could drive to. 22% of prospective travellers changed their trip from an international visit to a domestic one
- **GLOBAL:** US forward travel sentiment is down 50% (less than 39% of US travel consumers believe they will travel in the next 6 months on a domestic leisure vacation due to Covid-19)³⁵
- **GLOBAL:** Roger Dow, chief executive of the U.S. Travel Association, thinks travel will rebound, just not as quickly and not all at once. One thing for sure, Dow said, "Americans generally are going to stay home until next year. Europe is done for American travellers."
- **GLOBAL:** Chinese travellers are beginning to take tentative steps out of their homes for vacations nearby – the recent Qingming festival was an indication³⁶
- **GLOBAL:** A Trip Advisor survey from the first week of April found that 44% of a mix of global travellers dreaming of a "road trip" in the next 6 months, and 40% of same travellers dreaming of a beach vacation
- **CANADA:** Tourism Economics predicts domestic (including Canada and Caribbean) travel positioned to recovery more quickly but timing will be defined more by social distancing measures than economy

KEY TAKEAWAY: Travellers have drastically reduced trips due to travel restrictions imposed by domestic and international governments. Surveys indicate a return to travel in the next 3-6 months, primarily led by domestic and regional rubber tire, regional and domestic travel.

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