

STATE OF TOURISM IN CANADA DURING COVID-19

DASHBOARD REPORT #2

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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.

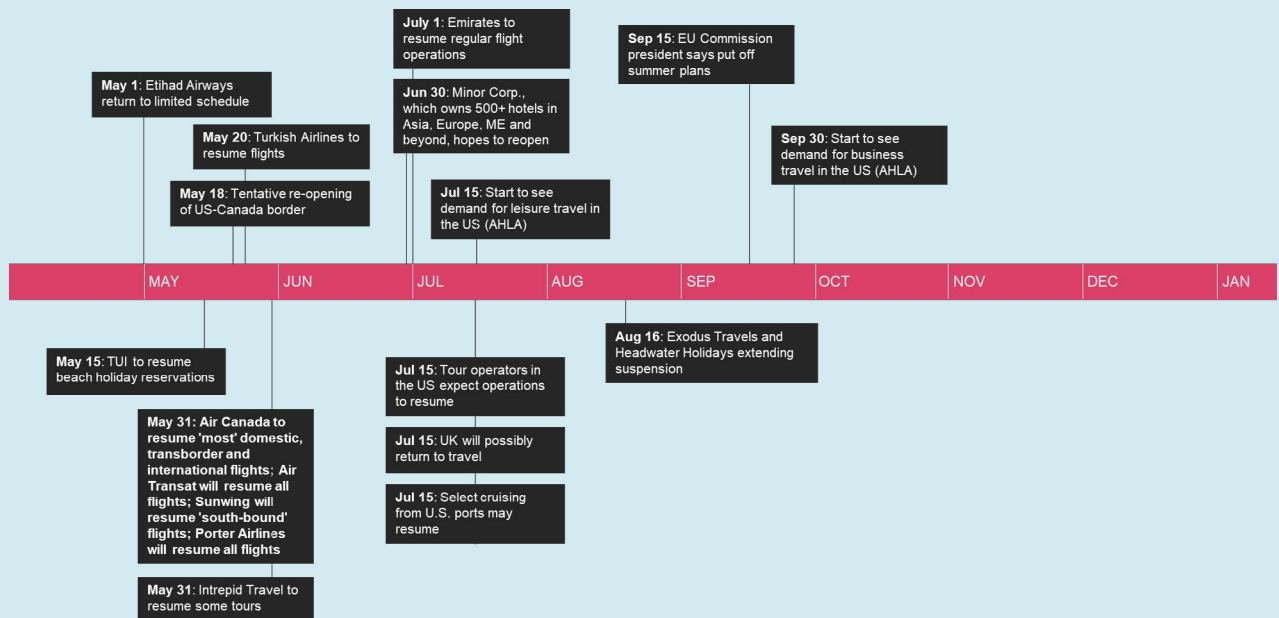
This document purpose is twofold. First to help determine key messages to Canada's tourism industry and in particular to help determine timing of program and recovery messages supporting the Canada Experiences Fund (CEF) and other programs in aid of recovery of Canada's tourism industry.

KEY INSIGHTS TWENTY31 INTERPRETATION FROM MULTIPLE SOURCES

- GLOBAL: Tourism continues to be heavily impacted by the COVID-19 pandemic, though initial glimmers of hope in the industry, particularly in the Asia are beginning to emerge.
- GLOBAL: The return to tourism (starting with domestic travel) is expected to return close to the end of June / beginning of July timeframe for some destinations around the world. Some destinations (Spain, Australia) are hinting that tourism may not return this year.
- GLOBAL: Some US states are opening up some parts of their beaches and local businesses.
- GLOBAL: Germany has started to lift lock down restrictions with a possible resumption of some schools and shop openings.
- GLOBAL: Despite initial signs of tourism recovery, the tourism industry will be drastically changed: from the aviation sector, to accommodations tour operators and others, almost every aspect of the tourism industry will be heavily impacted by the pandemic.
- GLOBAL: Consumers are starting to think about travelling again, but are still generally weary about what travel will look like and the impact it may have in a post-COVID-19 environment.

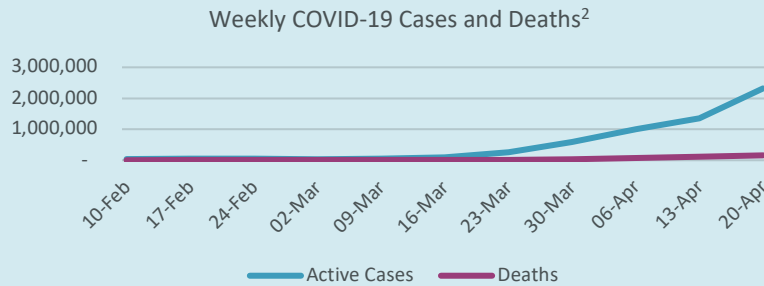
- CANADA: Leading indicators continue to point to an easing of travel restrictions occurring gradually starting with inter- and intra-provincial travel (around mid / end of June / beginning of July), followed by regional travel (mid-July), and eventually international short-haul (mid- to late-August) and long-haul travel (into the fall).
- CANADA: The impact of the pandemic will have a major impact on Canadian traveller discretionary spending with more than a third of Canadians expressing worry about losing their livelihood in the next four weeks – the idea of travel will not be a priority as these Canadians attempt to get back on their feet when signs for post-COVID begin to emerge.
- CANADA: A majority of travellers may look to make the switch from short-haul air to longer train rides and auto trips to travel across the country – destinations need to consider an increase in visitors via auto and train routes post-lifting of travel restrictions.
- CANADA: Some tourism organizations, primarily linked to events, cruise and adventure tours, are already looking to and preparing for a 2021 recovery.

CURRENT TIMELINE



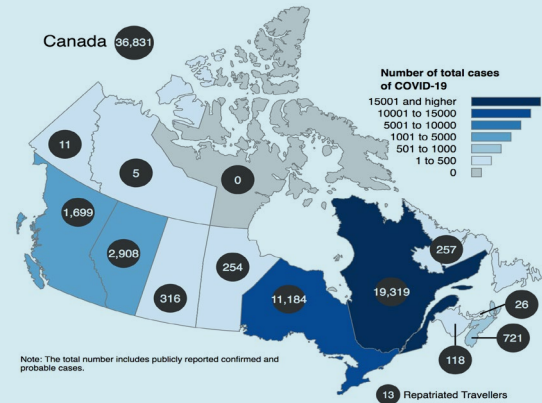
OVERVIEW

HEALTH IMPACT



- GLOBAL: Confirmed deaths caused by COVID-19 surpassed 150,000 globally, while worldwide cases climbed above 2.3 million – globally, the virus continues to peak
- GLOBAL: The World Health Organization continues to assess the global threat level as very high¹
- GLOBAL: While some countries are still seeing increasing deaths and cases, others such as New Zealand, Germany, Denmark and South Korea are beginning to ease some restrictions after weeks of lockdowns
- GLOBAL: In South Korea, parks, mountains and golf courses were heavily frequented with visitors over the weekend, while shopping malls and restaurants were slowly returning to normal³
- GLOBAL: The European Union released a roadmap to phase-out the containment measures due to the coronavirus outbreak. The recommendations included lifting internal border controls first, followed by external borders based on the spread of the virus outside the EU⁴
- CANADA: As of April 19, 2020, there have been a total of 34,786 confirmed cases and 1,580 reported deaths in Canada⁵
- CANADA: Ontario health officials say the community spread of COVID-19 in Ontario “appears to have peaked” earlier than originally expected, a result they attribute to restrictions such as physical distancing, but long-term care cases are rising⁶
- CANADA: Nearly half of Canadians (46%) say restrictions in their own province should lift sometime in May or June, with another 28 per cent saying that they should stay in place until between July and October⁷
- CANADA: Concern about personally contracting the virus has fallen for the first time since early March, dropping from 73 per cent two weeks ago to 61 per cent⁸
- CANADA: The federal government wants to see more prolonged decreases in key indicators before physical distancing measures are relaxed⁹
- CANADA: PM Justin Trudeau said, “All these measures we’ve brought in are about helping you do the things that will get us through this – and it’s working.”

KEY TAKEAWAY: Though global cases are trending down, most destinations, Canada included, will be very careful about lifting physical distancing rules and travel restrictions. Decisions about reopening non-essential businesses, schools and public spaces will be made at the provincial and territorial level using a set of principals and approaches developed with the federal government. When restrictions are lifted, they may be done gradually with limited hours, days of operation and likely resuming social distancing rules.



ECONOMIC IMPACT

- GLOBAL: The coronavirus pandemic is set to leave 170 countries with lower GDP per capita by the end of the year, but the projection “may be actually a more optimistic picture than reality produces.” The IMF noted that even a short-lived outbreak would drag the world into a 3% GDP contraction¹⁰
- GLOBAL: To contain the pandemic and its damage to the economy countries have taken fiscal actions amounting to about \$8 trillion¹¹
- GLOBAL: According to UNWTO estimates, global international tourist arrivals in 2020 could fall by 20-30% compared to last year. That translates into a loss of \$30-\$50 billion in spending by international visitors
- CANADA: An agreement between Canada and the US to close the border to all non-essential travel will be extended by another 30 days, the prime minister announced on Saturday¹³
- CANADA: Canada’s economy shrank by 9% in March, the biggest monthly decline on record¹⁴
- CANADA: More than one-third (34.5%) of Canadian workers expressed worry that they might lose their job or main source of self-employment income in the next four weeks¹⁵

KEY TAKEAWAY: A combination of fiscal actions and extreme caution to prevent additional virus outbreaks will help Canada’s tourism source markets slowly return, although at much lower levels in 2020 and 2021.

AVIATION

- GLOBAL: Emirates has become the first airline to conduct on-site rapid COVID-19 tests for passengers¹⁶
- GLOBAL: LOT Polish Airlines owner the Polish Aviation Group (PGL) has decided to withdraw from its agreement to purchase German leisure airline Condor. The only real hope Condor has is another lifeline from the German government¹⁷
- GLOBAL: South African Airways is getting ready to lay off all employees. It's expected the airline will cease all business operations¹⁸
- GLOBAL: The US Treasury Department said on Monday it has disbursed \$2.9 billion in initial payroll assistance to 54 smaller passenger carriers and two major passenger airlines, while it finalized grant agreements with six major airlines¹⁹
- GLOBAL: In a letter to employees United Airlines executives said, "To help you understand how few people are flying in this environment, less than 200,000 people flew with us during the first two weeks of April this year, compared to more than 6 million during the same time in 2019, a 97% drop. And we expect to fly fewer people during the entire month of May than we did on a single day in May 2019."²⁰
- GLOBAL: 77.4% of American travellers say they would approve of mandatory health screenings for flights between destinations inside the continental United States. 76.5% feel positively about the notion of mandatory health screenings at airports and 61.2% say such measures will increase their confidence travelling to a destination²¹
- GLOBAL: "Some parts of Asia Pacific have been ahead of the world in their vigilance, so we expect that Asia-Pacific will be the first region to recover. Already, China's situation is largely under control and they are able to schedule domestic flights to fly travellers throughout the country", said Amber Kuo, director of travel insights & analytics at Sojern²²
- CANADA: Air Canada is continuing suspension of 'most' domestic, transborder and international flights until May 31; WestJet suspended all US, Europe, Mexico, Central America and Caribbean flights with no firm date for resumption yet announced; Air Transat is continuing suspension of all flights until May 31; Sunwing suspended all 'south-bound' flights until May 31; Porter Airlines suspended all flights until May 31; Swoop suspended all transborder and international flights until May 31²³
- CANADA: Porter Airlines intends to access the federal government's Canada Emergency Wage Subsidy (CEWS) to return hundreds of its team members to payroll to restart and rebuild operations to previous levels²⁴

KEY TAKEAWAY: Most airlines are struggling to cope with sharp declines in demand and employee payroll obligations and are increasingly accessing government funds to stay afloat (if available). A number of airlines are in a perilous situation. The common view is that demand will remain suppressed for the rest of the year, as the lifting of travel restrictions varies from city to city thereby impacting connectivity, and as consumers have become less inclined to travel (see Traveller Behaviour section).

ACCOMMODATION & EVENTS

- GLOBAL: Chip Rogers, president and CEO of the American Hotel and Lodging Association (AHLA), said that his organization, which represents more than 27,000 hotels in the United States, is estimating that demand for leisure travel will return by mid-summer, that business travel will start to return some time in the late third quarter or early fourth quarter of 2020, and that the conference, meeting, and convention business won't be back until 2021²⁵
- GLOBAL: In the US during March 2020, nine hotel projects in final planning stages moved to deferred status, as did 21 projects in planning phases. Additionally, one project in final planning and seven projects in initial planning were abandoned²⁶
- GLOBAL: Upwards of 60% of UK event businesses will fail within three months, and six per cent will go out of business as early as this month, according to a survey of nearly 1,500 event-industry companies²⁷
- GLOBAL: As the events sector recovers, size and travel will be the two major risk factors both countries and attendees will look at when evaluating the risk of attendance. Large events are associated with more risk of contracting the virus. Long-distance and international travel will be perceived as major risk factors as we have no (perceived) control over what another state or country is doing to prevent the spread of the virus. This leaves space for smaller, local initiatives to continue²⁸
- GLOBAL: Large travel trade events are being rescheduled to next year. The Arabian Travel Market will now be held at on 16-19 May 2021²⁹
- GLOBAL: The Thailand Conventions and Exhibitions Bureau (TCEB) has launched the "Virtual Meeting Space" (VMS) project, providing support for business events entrepreneurs to keep their business alive by running events online, and re-skilling or up-skilling their staff using virtual resources. TCEB's other project, "COVID-19 Free Meetings," will help venues upgrade their safety and health standards in the face of new requirements³⁰
- GLOBAL: Airbnb has pivoted to capture its share of the longer-term rental market, recently encouraging its hosts to make their accommodations available for weekly and monthly bookings and highlighting accommodations that offer month-long stays on its homepage. The company reported that long-term bookings on the platform were up 20% during the last two weeks in March³¹
- GLOBAL: Economy class hotels in the US were still selling one in three rooms each night for the week ending 11 April. Economy class hotels in the country posted a 33.6% occupancy level due to a strong base demand³²
- CANADA: RevPAR has been decreasing as the number of COVID-19 cases rises in Canada. For the week ending 11 April, average RevPAR declined 87.6%, the worst such RevPAR decrease in STR's database³³
- CANADA: Luxury hotels in Canada saw a 97.7% RevPAR decline compared with the same week last year. That was followed by Upscale Class hotels (-95.0%). This is due to the lack of group / meeting demand and corporate travel³⁴

KEY TAKEAWAY: Due to lack of group events and meeting demand, luxury and upscale hotels have experienced much lower occupancy than the economy class in the US & Canada. Globally, the events sector may be shifting to reskill and upskill employees to support virtual events and meetings, with the recognition that in person meetings will likely be limited to small and local initiatives into 2021.

CRUISE

- GLOBAL: Cruise Lines International Association (CLIA) and its cruise line members have started working on a new “health framework” to uphold the safety of passengers and prepare for the long-term recovery of cruising in the wake of the COVID-19 crisis³⁵
- GLOBAL: “Going forward we’ll have to address what we’ve always had to address: the vast majority of people have not cruised. We’re underpenetrated in every market in the world...We were busy knocking down myths before, and we’ll have to return to that.” Carnival Corp. CEO Arnold Donald said³⁶
- GLOBAL: Patricia Wu, brand director of Emerald Cruises Canada announced, “We are committed to the future of small ship travel and looking to tomorrow’s adventures helps keep hope front and centre. In that spirit, we are proud to share the first of our Emerald Azzurra new build videos, and we look forward to welcoming guests next year.”³⁷
- GLOBAL & CANADA: Holland America Line is extending the current “pause” on its global operations until June 30, and cancelling all Alaska sailings for the year on several of its ships. The company is also cancelling all cruise packages that include overland excursions into Yukon. Princess Cruises is also keeping all its global operations on hold until at least June 30, and cancelling Alaska cruises on several ships for the entire season. As well, the company won’t open several wilderness lodges, trains and buses it operates in Alaska this year³⁸

While cruising has virtually come to a halt, the industry is preparing for its long-term recovery through activities such as health framework planning, reassessing cruise travel consumer perceptions and barriers and highlighting small ship options. However, with the cancelation of Alaska cruises and the extension of overland itineraries to Yukon this summer by some operators, this will have negative impact on BC’s and Yukon’s summer 2020 travel season.

ONLINE TRAVEL AGENCIES (OTAS)

- GLOBAL: Online booking sites focused on short-term rentals seem to be outperforming their hotel-heavy, full-service peers. The comparison of Expedia Group’s main websites demonstrates this relative dynamic: VRBO is the best performing amongst expedia.com and trivago.com with its focus on short-term rentals, many of which are full-sized homes in vacation destinations. The full-service OTA expedia.com is in the middle of the pack, whereas hotel-heavy metasearch site Trivago is doing the worst³⁹

KEY TAKEAWAY: OTAs have seen a small uptick in traffic related to short-term rentals.

MAJOR TOUR OPERATORS

- GLOBAL: Adventure tour operators Exodus Travels and Headwater Holidays are extending the suspension of all their tours until August 16⁴⁰
- GLOBAL: In the UK, the Chief Executive of ABTA published an open letter to member customers saying, “In normal circumstances the rules to provide a refund for a package holiday within 14 days work well. But these are not normal circumstances and the 14 day refund rule is impossible for the majority of companies to stick to.”⁴¹
- GLOBAL: The World Travel Agents Associations Alliance (WTAAA) is deeply concerned with COVID-19’s unprecedented catastrophic impact and stated that within the structures of the relief, where “travel vouchers” are being offered in markets and in some cases even approved by governments, in lieu of refunds, there needs to be flexibility and the ability for the agents, through the GDS, to administer the vouchers on behalf of their customers. In turn the money in the system needs to be protected as part of any relief package⁴²
- GLOBAL: G Adventures has created a new collection of digital group tours to satisfy traveller’s wanderlust during the coronavirus lockdown⁴³
- CANADA: Domestic travel might make up for the loss of American visitors in some parts of Ontario, but not for outfitters in northwestern Ontario where March was a total writeoff for lodge owners who rely almost exclusively on cross-border winter anglers⁴⁴
- CANADA: Kalin Pallett, president of Yukon’s wilderness tourism association said, “Some operators have already decided to throw in the towel for the 2020 season and try to find work elsewhere. Others are turning their focus to shoulder season operations, in late summer and fall.”⁴⁵

KEY TAKEAWAY: Tour operators are facing challenges providing refunds to customers and are attempting to delay processing, despite regulations in many cases, or encourage rebooking to a later date.

TRAVELLER BEHAVIOURS

- GLOBAL: While younger travellers say they are more likely to participate in the next six months in activities that tend to have higher density like cruises, concerts and theater performances, those aged 35–49 and 50–64 are suggesting a greater likelihood to travel domestically or stay in a hotel in the next six months⁴⁶
- GLOBAL: Interest levels around taking a getaway in the next month remain low but are at a 5-week high (4.5/10.0). Similarly, interest in learning about travel destinations remains low but is also at the highest it's been since March 15th (5.1/10.0). Boomers' motivation to travel because of discounts and deals bounced back (up to 35.8% from 25.3% a week ago)⁴⁷
- GLOBAL: More than one-third of those who regularly travel for business are more likely to not only travel for business but also for leisure in the next six months. This points to a target audience that may have more confidence and / or ability to travel when restrictions are lifted⁴⁸
- GLOBAL: When presented a list of leisure and personal activities and asked to select the first things they were going to do when shelter-in-place restrictions are lifted, 22.5% said taking a trip would be among their top 5⁴⁹
- GLOBAL: A new survey of consumers in China's first-tier cities has concluded that 53% of respondents would like to travel overseas later this year, possibly during Q3 and Q4⁵⁰
- GLOBAL: People in Spain (76%), France (72%), Italy (68%), the UK (67%), Russia and Japan (64%), and Canada (62%) feel most strongly against a quick economic recovery⁵¹
- GLOBAL: The majority of leisure travellers are open to spending up to six hours on a train, and rail price reduction was identified by participants as the biggest incentive that would encourage them to make the switch away from short-haul flights. Business travellers surveyed had a shorter threshold, however, claiming that they would be willing to spend two to three hours on a train for a work trip⁵²
- CANADA: Jantine Van Kregten, director of communications with Ottawa Tourism believes that "If the restart is in summer, I think restaurants with patios might be more popular off the bat, or perhaps there will be restrictions on capacities or distances between tables. Perhaps small group activities like cycling tours, haunted walks, culinary tours, escape rooms, etc. might see business before activities that are more crowded."⁵³

KEY TAKEAWAY: Travellers are beginning to show interest in travel again although at low levels. When travel does restart, outdoor and small group activities appear to be more promising when compared to higher density activities.

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