

Economic Impacts of COVID

The ongoing global COVID-19 pandemic has already impacted St Helena's economy and will continue to do so into the foreseeable future. Since April 2020, the only arrivals to the Island have come via private or government-sponsored charter flights, yachts or the MV Helena. The result is that, five years after the opening of the airport, St Helena is less accessible than it was in the days of the RMS. During FY 2020/21, there were approximately 890 arrivals to the Island compared to 4,800 in the same period for FY 2019/20, a decrease of 81%. By comparison, for last three years of the RMS, total annual arrivals ranged from 2,100 – 3,500.

Key Points:

- In FY 2020/21, visitor spending on Island is estimated to be 60%-70% less than the previous year.
- While all tourism and hospitality-related businesses would have been impacted by the significantly reduced arrivals, those that serve traditional tourists (e.g., hotels, tour operators) have faced the highest risk.
- All other things equal, businesses with high fixed operating costs face more difficulty than those with relatively low costs and business owners with diversified sources of income tend to fare better than those who are specialised in only the hospitality and tourism sectors.
- Between April 2020 and March 2021, there was a 90% decrease in visitors: only 250 arrivals for tourism or leisure purposes compared to 2,400 during the same period in FY 2019/20.
- While the number of visitors was significantly lower in FY 2020/21, the length of stay for a majority of arrivals was much longer than average due to the reduced flight schedule – 40 days compared to 8 days when weekly or twice weekly flights were available.
- The longer stay on St Helena provides an opportunity for St Helena's hospitality and tourism industry to earn £3,200 - £4,400 for each additional visitor it can attract – that would equate to £32,000 - £44,000 for each flight carrying just 10 extra visitors.
- However, the current quarantine requirements will deter tourists from making the trip to St Helena. Each incremental step toward reducing the number of days in quarantine for lower risk arrivals, such as passengers who have been vaccinated, will attract some additional visitors. More visitors will be attracted under the 3 or 5 day quarantine scenario than the 7 or 10 day quarantine scenario.
- Timing is important, as UK travellers will find St Helena attractive when it is on the Green list and there are not many alternative Green list options. It is expected that the opportunity will only be available for a few months from May/June 2021.
- If there were sufficient demand to ensure each charter flight broke even or generated a small profit, this would increase the sustainability by reducing costs to SHG. In addition, it would be possible to negotiate additional flights.

Financial Impacts

In FY 2019/20, the SHG Statistics Office estimates that approximately £5 - £7 million was expended by visitors. **In 2020/21, visitors to the Island are estimated to have spent approximately £2 million, a reduction of roughly 60% - 70%.** Visitor spending is calculated based on three variables: the number of visitors, the amount spent per day and the length of stay for each individual. Expenditure by visitors is – by far – St Helena's biggest export, though of services and not of goods.

Number of Visitors

Between April 2020 and March 2021, there were only 250 arrivals for tourism or leisure purposes compared to 2,400 during the same period in FY 2019/20, a 90% decrease. The vast majority of these (94%) were St Helenians returning to visit friends and relatives. In FY 2019/20 returning St Helenians made up only half (49%) of tourism/leisure arrivals. In FY 2019/20 there were 91 arrivals by air for short-term (less than six months) business visits (excluding contractors and others working for government), while there were only 5 such arrivals in FY 2020/21. Visitors arriving by yacht were also down 82% between FY 2019/20 and FY 2020/21 (147 compared to 27). However, a number of yachts that arrived in February or March 2020 chose to remain in St Helena due to the global restrictions caused by COVID-19. A number of these individuals stayed 3-6 months or more, with a few still on-Island today.

Figure 1. Arrival Statistics – FY 2019/20 and FY 2020/21

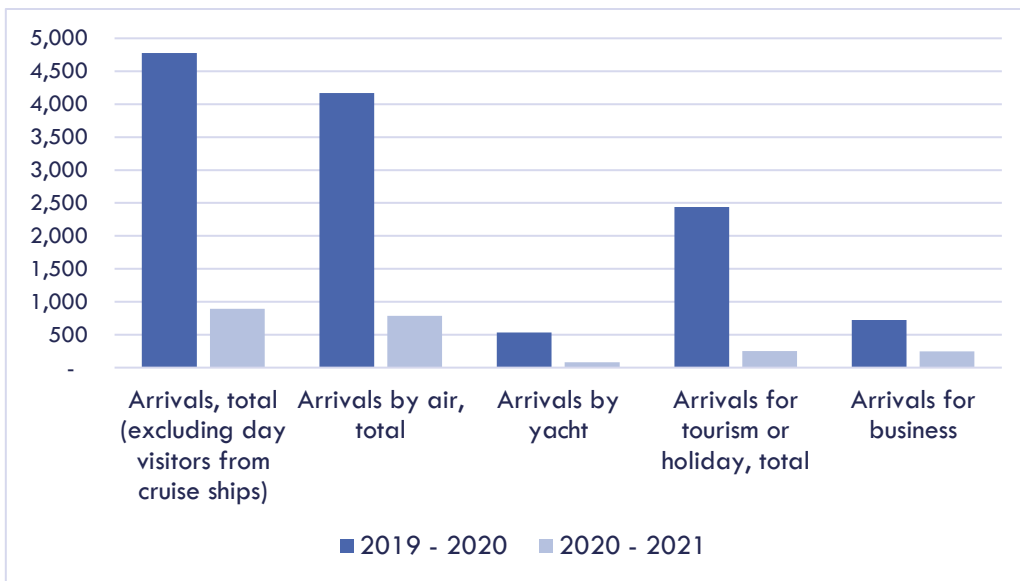
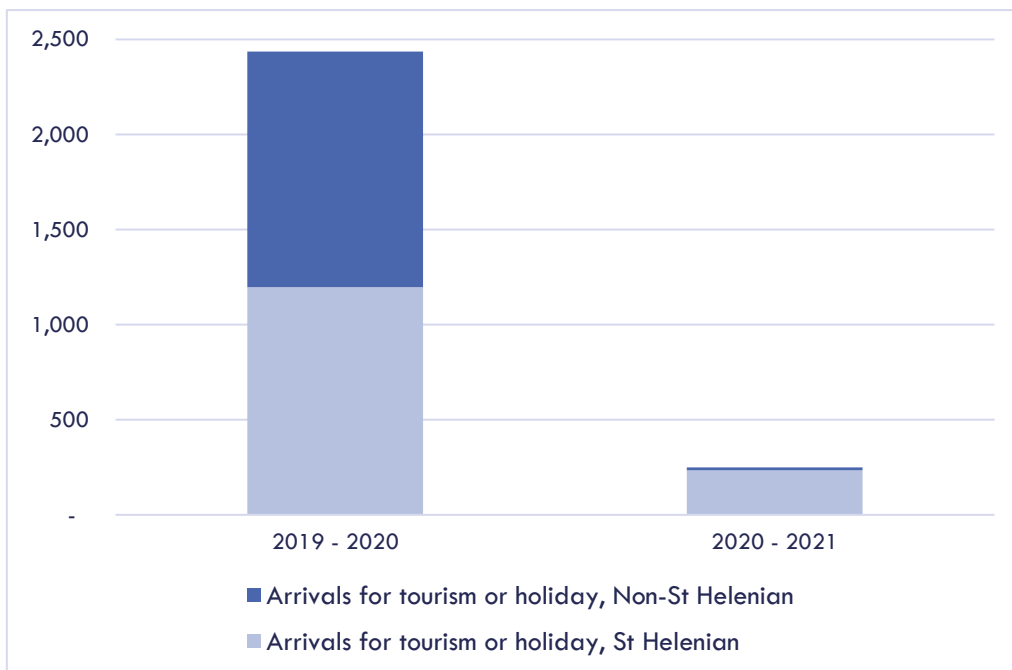


Figure 2. Arrivals for Tourism/Leisure – St Helenians and Non-St Helenians



Spending per Day

Visitors’ spending patterns vary based on the purpose of their trip. For this reason, the composition of arrivals has a significant impact on total visitor spending. Traditional tourists – those visiting the Island who don’t have

a personal connection – tend to spend the most, estimated at between £140 - £190/day. These individuals are more likely to stay in hotels or B&Bs and book tours or other experiences during their stay. Individuals visiting friends and relatives spend less – estimated at between £80 - £110/day – but still use services such as self-catering accommodation, taxis, and hire cars and spend money on meals out and entertainment. Arrivals on yacht and day visitors from cruise ships spend the least because they generally don't require accommodation. **While all tourism and hospitality-related businesses would have been impacted by the significantly reduced arrivals, those that serve traditional tourists (e.g., hotels, tour operators) would have faced the highest risk.**

Table 1. Average Daily Expenditure by Purpose of Trip

Purpose of Trip	Average Daily Expenditure
Visiting family and friends	£80 - £110
Tourists	£140 - £190
Short-term business visitors (including government)	£80 - £110
Arrivals by yacht or for transit	£50 - £75
Day visitors from cruise ships	£30 - £50

Length of Stay

While the number of visitors was significantly lower in FY 2020/21, the length of stay for a majority of arrivals was much longer than average due to the reduced flight schedule. As with daily spending patterns, the length of visit is influenced by the purpose of the trip. Traditional tourists tend to stay a week or two while individuals visiting friends and relatives might stay for a month or more. Between January and March 2019, the average stay on St Helena was approximately 8 nights. During the same period in 2020 the average stay on St Helena was approximately 11 nights. Based on the schedule of charter flights operated since July 2020, a visitor to St Helena arriving by air would be on Island approximately 40 nights which is 4-5 times the previous average. For individuals visiting friends or relatives, the average stay is 50 nights because some individuals stay for more than one flight cycle. These extended stays have offset some of the reduced spending caused by decreased visitor numbers (i.e., visitor arrivals were down by at least 90% while visitor-related revenues were down only 60%-70%).

Business Impacts

As noted previously, the impacts to businesses on St Helena have not been uniform. Those businesses that serve local customers and returning St Helenians have had more opportunities than those that primarily serve the tourist market. **All other things equal, businesses with high fixed operating costs face more difficulty than those with relatively low costs and business owners with diversified sources of income tend to fare better than those who are specialised in only the hospitality and tourism sectors.** Unsurprisingly, businesses that were struggling before COVID-19 face greater challenges than those that weren't. Somewhat extraordinarily, there have been successful new entrants to the sector at a time when other businesses have struggled.

While it's difficult to draw broad conclusions about the impacts of reduced visitor spending on the business community, there are some key observations that can help paint a picture of the situation businesses on St Helena have been experiencing, and will continue to experience, as a result of COVID-19.

From October 2019 – March 2020, local Destination Management Companies (DMCs) took 139 bookings. While there were only a handful of bookings for April – July 2020, all later cancelled, interest rebounded for trips in early 2021. **Local DMCs had 102 bookings from January – May 2021. Unfortunately, all of these have been cancelled whether due to the limited flights to St Helena, restrictions on entry to St Helena, restrictions on out-bound travel from other countries or the quarantine requirements in place on St Helena.** This is

almost certainly an underestimate as it does not include visitors who have booked directly via the internet rather than booking through a DMC. The length of quarantine period has been specifically cited by tour operators who have expressed willingness to operate a 'tourism bubble' for visiting groups if the quarantine period were reduced to 3-5 days.

Between April 2019 and March 2020, four cruise ships visited St Helena with approximately 2,200 passengers spending a day on-Island. There have been no cruise visits since the start of the COVID-19 pandemic. While there have already been requests for cruise ships to stop in St Helena, it is unlikely that any of these will occur before Christmas 2022. Based on the expected spending while on-shore, one cruise ship carrying approximately 500 passengers would be responsible for approximately £15,000 - £25,000 of expenditure on-Island in a single day.

The commemoration of the bicentenary of Napoleon's death is one of the key missed opportunities resulting from COVID-19 related travel restrictions with large numbers of visitors expected for a range of events. It was expected that accommodation on-Island would be at full capacity for the week of the bicentenary, with larger than average volumes of visitors expected in the weeks around the event. As an example, the Mantis Hotel in Jamestown, which was temporarily closed in October 2020, had been fully booked for at least a year in advance. In addition, three cruise liners had planned to stop on St Helena during the 3-day commemoration, with passengers staying in on-Island accommodation. **However, even with a reduced programme on-Island, there was still interest in travelling to St Helena for the occasion. Local accommodation providers registered with the Tourism Office reported receiving 22 bookings for May 2021 from parties who remained interested in travelling to St Helena for the event even after COVID-19.** All of these were cancelled for the reasons explained above. This is likely an underestimate because some accommodation providers did not provide the requested information and it does not include accommodation providers who are not registered with the Tourism Office.

In March 2020, SHG launched a business support package intended to assist businesses in the tourism and hospitality sector in keeping employees on their payroll and with paying their ongoing expenses. With this package ending in March 2021, reduced demand is expected to put an even greater strain on affected businesses. **Some business owners have already reported closing, at least temporarily, including six accommodation providers, five tour operators, four food service establishments and three taxis.** Some have reduced the service provided due to lower demand and others may be at serious risk of closing in the coming year.

Opportunities to Mitigate Economic Impacts

The limitations on air travel globally and difficulties associated with the situation in South Africa specifically mean it's possible that there will not be commercial air service to St Helena prior to the end of calendar year 2021. Aviation experts have projected that normal volumes of international air travel are not expected to return until 2024 meaning that, even once regular flights resume, commercial flights would likely be on a monthly or bi-weekly basis for the foreseeable future.

Limited access to St Helena is obviously a challenge. However, there is also an opportunity. **A once-every-six-week flight schedule means that arrivals must stay on St Helena for a minimum of 40 nights. For this reason, small changes to the number of visitors can have large impacts to revenue. Based on the expected spending for longer-term visitors such as those visiting friends and relatives, one additional visitor staying on-Island for a six-week flight cycle would be expected to add £3,200 - £4,400 of new money to the economy.** Ten additional arrivals on a flight would add £32,000 - £44,000. Multiplied across eight flights in a year, ten additional arrivals per cycle would lead to £256,000 - £352,000.

There is already some level of unmet demand, evidenced by individuals who were denied seats on four previous charter flights due to restrictions on entry to St Helena or capacity controls in Bradley’s Camp. The greatest impact of this was in November and January when approximately 75 more individuals requested travel than were allowed on the flights. Travel requests were denied based on the prioritisation criteria due to capacity controls in Bradley’s Camp (November) and limits on the number of arriving passengers (January). Now that these barriers have been removed, it is expected that additional visitors will choose to travel to St Helena with no changes to current policy. It is also expected that the quarantine-free travel corridor between Ascension and St Helena will facilitate additional arrivals from Ascension. Further, there may be some number of individuals who would now be interested in travelling to St Helena once international travel is allowed from the UK, particularly knowing they will not be required to quarantine on their return to the UK. The plane used by Titan Airways can carry up to 120 passengers in-bound to St Helena, but capacity is currently limited to 96 passengers due to the requirement for COVID testing on arrival.

However, for many visitors – especially those who do not have accommodation on Island suitable for quarantine under the current policy – **the current quarantine requirements will deter them from making the trip to St Helena.** It is not possible to estimate how many individuals would choose to travel to St Helena under various scenarios, but it is safe to assume that **each incremental step toward reopening will attract some additional visitors.** And, as above, each of these additional visitors would be expected to add £3,200 - £4,000 to the economy during their stay. Figure 3 illustrates the trade-off between the stringency of quarantine policy and expected number of visitors.

Figure 3.



If demand increases sufficiently, it would also help to address another of the barriers to individuals coming to St Helena – the current requirement of being on-Island for six weeks between flights. **If there were sufficient demand to ensure each charter flight broke even or generated a small profit, this would increase the sustainability by reducing costs to SHG. In addition, it would be possible to negotiate additional flights for instance on a monthly basis.** Reducing the time on-Island to 30 days would reduce the expected spending for each individual visitor to £2,400 - £3,300. **However, adding ten additional visitors to each of 13 flights operated every four weeks would result in total additional spending of £312,000 - £429,000, an increase of 22%.**

Amanda Curry Brown and Melissa Fowler
 SHG’s Sustainable Development Team
 Silver for Future and Economy
 May 2021