

TOURISM POSITION PAPER ON COVID-19 IMPACT

SI Tourism Industry Impact by Covid – 19: Suggested Response & Recovery Measures, March 2020

Introduction

The Solomon Islands Tourism Industry is deeply affected by the impact of the COVID -19. With much raised concerns from the Industry, the Ministry of Culture and Tourism and Tourism Solomons called for a round table meeting to discuss the current situation and look at possible mitigating solutions for the industry.

The meeting was held on Tuesday 24 March at the Honiara Hotel with the theme “*Weaving our way out of Covid-19: Economic Options via Tourism*”.

Professionals attended from the Prime Minister’s Office, CBSI, BSP, SICCI, Solomon Airlines, Solomon Islands Ports Authority, Australia DFAT, Ministry of Culture and Tourism, Tourism Solomons and a Tourism Operator. Updates and presentations were delivered to gauge the level of impact on the Tourism Industry and come up with possible measures to weave the Tourism Sector out of Covid-19.

Suggested Response

As an outcome of the roundtable discussion, in order for the industry to mitigate the impact of the virus and to support Tourism Operators during the respond phase (which is current); and to initiate quick recovery during the recovery phase, the following propositions have been identified as the best way forward for the Tourism Industry:

1. Solomon Airlines

The survival of Solomon Airlines is paramount to the survival of the tourism industry and will determine how quickly the Industry will recover, as it is heavily reliant on the National Carrier for Tourism activity.

Solomon Airlines International Flights has been reduced to only 3 flights a week and highlighted that it will further be downgraded to 1 flight a week. This is due to travel advisories/restrictions and closed borders imposed by most countries to discourage movement and reduce risk of transmission.

With that in place, reflection of reduced flights means drastic reduction of Tourism activities as well. While the current situation is understandable but

some mitigating approaches must be considered, the operations of Solomon Airlines in the recovery phase will be critical.

2. Fiscal and Monetary Measures

The reduction in tourism activities means loss of revenues for most if not all Tourism Operators. The loss of revenues translates into cash constraints with Tourism Operators not being able to meet their statutory obligations as well as operational costs.

To alleviate the burden on Tourism Operators, the following fiscal and monetary policy measures be considered:

- Waiver of Tax/NPF Surcharges for a considered period as may be deemed appropriate
- Rescheduling of tax commitments and/or awarding of Tax holidays for a given period that would be reasonable for both businesses and Government
- Waiver of HCC/Provincial Business Licenses for all tourism operators
- Waiver of Tourism Licenses by Tourism Solomons and / or provinces
- Waiver/reductions in interests rates on business loans with commercial banks
- Rescheduling of loan repayments for a reasonable period by commercial banks and for tourism operators in Honiara and the Provinces
- Access to soft credit facilities to be considered during the recovery phase for tourism businesses in both Honiara and the Provinces

3. Labour/Jobs

A good number of Tourism Operators have gone into hibernation due to zero business. With no business, employees have to be laid-off and/or released on unpaid leave. However the business must be maintain in order for equipment and facilities to be in acceptable state when things comes back to normal. Support in the form of:

- Accommodating tourism businesses in a General Stimulus Package by Government to maintain a small pool of employees and small operational costs during the hibernation period.
- Sought relief from NPF for businesses during this period to ease costs.

- A general guide on the Labour laws and Employment Act with regards redundancy, unpaid leave, etc, to be provided and / or clarified in order to be applied by businesses

4. Utilities

In such unprecedented times, the cost of running a tourism business is near impossible. Tourism operators have closed and gone into hibernation as there was zero business. Thus it was discussed to:

- Consider for Solomon Power to review and decrease the current electricity tariff charges on customers
- Consider for Solomon Water to review and decrease the current water tariff charges on customers
- Consider for Solomon Telekom and Bemobile to review and decrease the current internet and mobile rates.
- Consider for South Pacific Oil (SP Oil) and Silent World to offer fuel credits to operators who depended on Generators to run their hotels/resorts

5. Tourism Solomons

Tourism Solomons depends very much on tourism license fees and bed levies as its source of revenues. The loss of revenues by Tourism Operators who collected the levies on behalf of Tourism Solomons will also significantly impact on Tourism Solomons business.

For the months of January to March, Tourism Solomons has recorded a 50% decline in average monthly revenues. The decline is further forecasted to worsen for the months of April onward until such time the visitors started returning to hotels and occupancy rates improve. 4 major Honiara hotels have predicted an average 18% occupancy rate for March and average 10% occupancy rate for April. The trend is declining and with the ongoing restrictions, on a conservative note, Tourism Solomons forecasted that it may not be collecting any bed levies at all by May.

It is therefore recommended that a stimulus package be considered for Tourism Solomons to maintain minimal operations and provide the necessary support to the Industry during the response phase and to be provided with 100% support in the recovery phase to support the industry to recover within a minimal period of time given Tourism is one of the

sectors that can recover quickly once it is adequately resourced. The support through a stimulus package must be aligned to any stimulus package for the quick business recovery of Solomon Airlines.

6. Summary Recommendations from Roundtable Tourism Meeting on COVID-19

The Meeting agreed that tourism businesses require some direct interventions during the current period (Response Phase) in order to either maintain operations through:

- a. Government discussion with Commercial Banks for leniency on loan repayment schedules and conditions for tourism businesses with loans;
- b. Government discussions with Commercial Banks on waiver or adjusted reduction on loan interest rates for tourism businesses with loans
- c. HCC and Provincial Business License fee waiver for the period of disruption
- d. Government to discuss with Solomon Power, Solomon Water and Solomon telecom for decrease of tariff charges on these utilities for businesses in general (including tourism)
- e. Discuss with Oil companies (SPOL and Silent World) to offer fuel on credits to tourism operators using GENSETs for electricity supply at their respective properties
- f. Consider a stimulus package to Tourism Solomons continue to function and maintain momentum on marketing and promotion programs in preparation for recovery phase
- g. Consider support to ensure tourism operators (particularly larger operators) to maintain a small pool of staff during these economically difficult times

The meeting further agreed that tourism businesses require to be supported during the Recovery Phase with approaches such as:

- a. Banks to facilitate electronic transactions at tourism facilities and operators for electronic transaction capabilities;
- b. Banks to consider (through Government discussions) soft credit facility for tourism operators
- c. Sought relief from NPF on the obligations by tourism operators to NPF

- d. Government to consider tax holiday of some sort for reasonable period for operators to assist in recovery in the absence of a rescheduling tax commitments or vice versa
- e. Consider a stimulus package to Tourism Solomons for the recovery phase to facilitate quick recovery of tourism numbers within a minimal timeframe. Such must be aligned to any stimulus package for the quick business recovery of Solomon Airlines.

MCT and Tourism Solomons are hopeful that the above measures, if in effect, will be of great assistance to the industry to reset its course and pave the way for an effective recovery program.

MCT is already conducting reviews on its work plans to make the necessary adjustments to also accommodate some of the suggested actions contained in this paper.