

TOP 3 TOURISM EVENTS OF 2019 THAT YOU SHOULD KNOW ABOUT



Last year the industry witnessed a couple of important tourism events that are more than likely to affect the future of the industry. Any travel company should know the likely consequences of the events to focus their marketing efforts efficiently.

The Collapse of Thomas Cook

Thanks to their prestige and turnover, Thomas Cook was one of the companies, that had seemed indestructible. Yet, everything changes and after 178 years in business, it collapsed.

The company was a group that owned several tour operators, five airlines with 100 aircraft, 186 own-brand hotels and resorts, and a network of thousands of agencies. In total, Thomas Cook employed 21,000 people in 16 different countries. In 2018 only, the group had 22 million customers.

The coup de grace arrived on 23rd September 2019, when the company filed for compulsory liquidation, and 150,000 UK tourists remained stranded.

The consequences of this tourism event will definitely have an impact on the future. Customers and suppliers will be more watchful regarding the stability of the tour operators. The collapse has shrunk the number of airline seats available in the market, and as such, has pushed ticket prices higher.

However, the collapse even affected whole countries. In Greece, for example, the company brought over 1million UK tourists to the country. The collapse of the company could cost Greece between 250 to 500 million euros. A similar situation is in the Canary and Balearic Islands, where the group accounted for 25% and 15% of all visitors, respectively. Tunisia and Gambia are other countries affected by the collapse since numerous hotels there had exclusive arrangements with the travel company.

The competitors, on the other hand, will benefit from Thomas Cook's collapse. TUI, in particular, will benefit from the vacuum left by the company, but the German group will need to accelerate its digitalization and direct sales. The independent travel agent Hays Travel has been the most visible beneficiary. Hays acquired all 555 of Thomas Cook's UK retail travel agencies, and by late November, it had opened 450 of those stores, offered permanent contracts to 2,330 former Thomas Cook employees and announced plans to recruit some 1,500 more people to take its total workforce number up to 5,700.

23 Airlines Disappeared

While the major airlines in Europe and the United States remain profitable, the smallest companies have been weakened and 23 of them went bankrupt last year. The most resounding bankruptcies were Jet Airways in India and Wow Air in Iceland, but the ones that left the biggest impression on us were XL Airways and Aigle Azur.

No company is safe from bankruptcy. Consumers and professionals alike are calling for better protection against airline bankruptcies. While the Lufthansa group or IAG have gotten stronger, Air France–KLM is relatively isolated in Europe today. Currently, there are several airlines that fight to stay afloat.

When some media announced the bankruptcy of **Thai Airways** last month, the president of the company, Sumeth Damrongchaitam declined such news. However, with losses of around 8.2 billion euros (280 billion baht) in the first half of 2019, the future of the company is not quite positive.

Alitalia has reported losses for several years. In 2017, the airline was placed under the supervision of the Italian government, but it did not help much. In December, the government, therefore, granted the company additional time until May 31, 2020, to try to find a solution.

Rescued from bankruptcy a year ago, the airline **Flybe** is also experiencing new financial difficulties. Currently, discussions are underway between the company and British authorities to obtain emergency credit. The possible bankruptcy would jeopardize nearly 2,000 jobs.

Another government, that had to interfere to help the national airline was the South African government. At the end of December, **South African Airways** obtained a new rescue plan. Heavily indebted for years, the company currently owes around 570 million euros. Nearly 1000 employees of the airline are likely to lose their jobs as a saving measure.

Norwegian Airlines is also fighting for its survival, struggling with debt estimated at more than 3 billion euros in 2019. The company, which launched a plan to save 100 million euros, is also planning further savings until 2021.

The Boeing Crisis

The 737 MAX, which was to be the American manufacturer's spearhead aircraft, has been stuck on the tarmac since March 2019. The competition with Airbus resulted in a desire to build the aircraft too quickly and play down the risks. The aircraft production is at a complete standstill and Boeing's image is tarnished. The economic losses are gigantic not only for Boeing but also for the airlines that planned to modernize their fleet and open new destinations. There are around 50 customers who ordered the 737 model and now need to compensate for the missing aircraft. Several airlines have thus decided to rent planes, like Icelandair which has rented two B767s and one B757 to replace its 3 B737 MAXs. The low-

cost Flydubai also hired 4 B737-800s from the Czech company Smartwings. Sun Express, Air Canada, TUI, and Norwegian have also decided on the same solution.

As a result, the aircraft rental companies like Air Lease, AerCap and GE Capital Aviation Services, benefit greatly from the situation. The price of their shares shows the impact – the Air Lease, as well as AerCap, has soared by almost 50% since March 2019. Moreover, the price of aircraft rental went up as well. For example, the price of renting a 737 NG has been revised upwards by 30%, to more than 300,000 dollars per month.

Other airline companies have decided to cut flights altogether like Southwest Airlines which preferred to review its flight planning, cutting 300 daily flights out of 4 000 since March. American Airlines canceled 140 flights a day until April 6, 2020. Norwegian also stopped its transatlantic flights from Cork and Shannon. United Airlines, which withdrew more than 90 flights per day over the last quarter, preferred to buy 19 used Boeing 737-700 to compensate for its 14 B737 MAX nailed to the ground.

The cost the companies need to pay for the B737 MAX ban is required from Boeing. In December, American Airlines and Southwest Airlines announced the signing of the first compensation agreements. For Southwest Airlines, the loss of revenue from the immobilization of the B737 MAX is estimated at \$435 million. In total, Boeing estimated the cost of this crisis at nearly \$ 8 billion in July. However, the bill will rise: the storage of devices that could not be delivered alone represents a cost of 800 million dollars each month.

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