



GRAY DAWES
— CONSULTING —

WINTER 2021

2020 REVIEW AND 2021 OUTLOOK

An insightful report into the status of business travel, with data trends and commercial analysis to help inform policy and behaviour.

6th February 2021

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WELCOME

Part of the Gray Dawes Group, Gray Dawes Consulting is an impartial, team of experienced travel data experts who combine 90 years' experience, market-leading tools and inspired analytics to drive corporate travel booking efficiencies, cost savings and traveller satisfaction.

Our approach is to fully understand a client's business, its culture, employees and business objectives to help us make informed, realistic, achievable and measurable recommendations about enhancing your travel programme.

We deliver up to 22% in savings by looking at 28 KPIs surrounding costs. So if driving value is your goal then our holistic approach is designed to assess and measure efficiencies at every step of the booking process.

ABOUT US

MEET THE TEAM

90 YEARS OF CORPORATE TRAVEL MANAGEMENT EXPERIENCE,
DELIVERING AWARD-WINNING CONSULTANCY AND ANALYSIS TO
DRIVE BUSINESS EFFICIENCIES AND PROCESS INNOVATION



GAVIN SANDERSON

CLIENTS

A seasoned business travel professional, Gavin works closely with clients to fully understand their business to identify how and where we can add tangible value.



AMAN POURKARIMI

CONSULTING

Aman is a management consultant who specialises in assisting organisations transition to a more disciplined approach to their business travel operations.



DAVID BISHOP

COMMERCIAL

With a wealth of experience on both client and supplier sides, David provides high-level business planning to target and achieve company objectives.



WE TYPICALLY SAVE OUR CLIENTS AN AVERAGE OF 22% ON THEIR TRAVEL PROGRAMME

Our approach is to fully understand a client's business, its culture, employees and business objectives to help us make informed, realistic, achievable and measurable recommendations about enhancing your travel programme.

THE YEAR THAT WAS AND 2021 OUTLOOK

AUTHOR'S COMMENT

**WHILE COVID-19
HAS IMPACTED
ALL BUSINESSES,
THERE IS CLEAR
EVIDENCE OF PENT
UP DEMAND FOR
TRAVEL**

At Gray Dawes, we measure the health of corporate travel via the confidence of four segments: governments, suppliers, businesses and travellers.

With business travel currently trending around an average of 8-12% from pre-pandemic levels, you would be forgiven for thinking all four measures are irreparably damaged. Indeed, Bill Gates is of the opinion that 50% business travel will never return.

In this report, we learn that while COVID-19 has impacted all businesses, the fallout across different industry groups and geographic locations is somewhat varied. In addition, there is clear evidence of pent up demand.

It is indisputable that the landscape of corporate travel has changed forever. We only need to reference travel in the post 9/11 era which involved permanent changes to how we book and experience travel. Yet I believe the post COVID19 traveller experience will be change for the better. Whether it is cleaner facilities, touchless interactions or efficient modes of transport; when travellers return in greater numbers, they will see a safer, greener and more frictionless process.

Uncertainty will remain for some time as we will have to live with COVID19 for years to come. However, the travel industry is hugely resilient and those that can adapt more quickly to new legislation will be well-positioned to achieve a competitive advantage that in-person meetings undoubtably provide.

Aman Pourkarimi
Gray Dawes Consulting

GOVERNMENTS

Q3 OPTIMISM KNOCKED BACK BY SECOND WAVE



As the end of January 2021, 81% of countries had some level of border restrictions in place, with 16% enforcing a total ban on in-bound international travel.

With the number of coronavirus cases rising by 16% in the first month of 2021 and the emergence of new variants threatening to destabilise the effectiveness of vaccine programmes, we predict this upward trend in tightening restrictions will continue across Q1.

For example, on 18th January 2021, the English Government removed the remaining 52 quarantine free Travel Corridors; opting for a blanket 10-day quarantine for all international arrivals imposing the additional requirement of a negative COVID19 result no more than 72 hours pre-arrival.

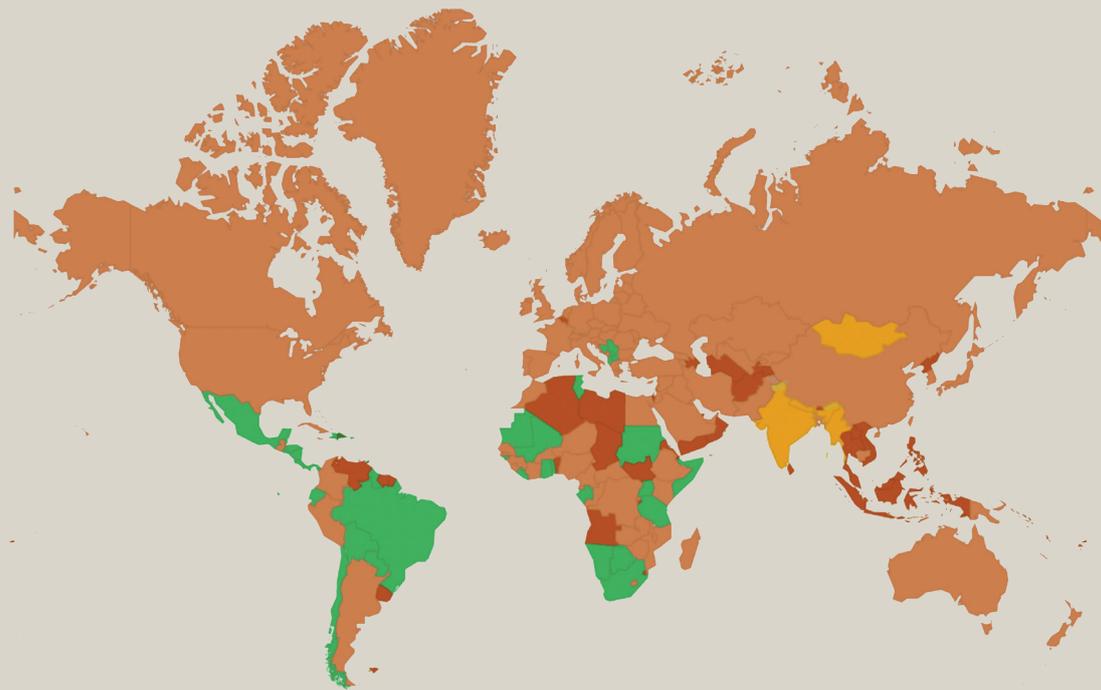


The Government then enforced further travel restrictions by banning international visitors from 33 countries, mainly from nations in the Americas, Africa and Portugal. While both English and Scottish governments announced recently their intention to mirror the approach of countries such as Australia and Malaysia by enforcing managed quarantines for some, if not all, inbound travellers.

This after a government study found only 1 in 5 people were adhering to quarantine when returning home from international travel in 2020.

Inbound travel from visitors originating from the UK is prohibited in 67 countries and has been in place since December 22nd following the discovery of a UK variant.

In the UK, the level of controls relating to COVID 19 i.e. social distancing measures and the restrictions on public transport (referred to as "stringency") is currently 88% which is up 8%. This after a national lockdown was imposed in late December, banning all non essential travel. Business travel is permitted but only in instances "where it cannot be done from home" and this includes international travel.



COMPLETELY CLOSED

Only citizens, residents returning home or people in other special circumstances may enter the country.

51
countries are completely closed

PARTIALLY OPEN

Entrance into the country may depend on the traveller's citizenship, point of origin or other regulations

121
countries are partially open

REOPENING SOON

The country has announced a specific date for reopening, but certain entry requirements may still apply.

5
countries are opening soon

NO RESTRICTIONS

The country has no formal restrictions on entry by air, but is still monitoring the situation and may have other travel policies in place like mandatory testing or quarantines upon arrival.

43
countries have no travel restrictions



OUTLOOK

AT THE CURRENT RATE OF VACCINATIONS, THE UK WILL ACHIEVE THE SCIENTIFIC THRESHOLD OF HERD IMMUNITY BY THIS SPRING.

Anthony Fauci, the top infectious-disease official in the U.S., has said that vaccinating 70% to 85% of a national population would enable a return to normalcy. Globally, the latest vaccination rate is 4.2M doses per day, on average. At this rate, it will take 7.4 years to cover 75% of the population with a two-dose vaccine.

At the current vaccination administration rate of 411k a day, it would take the UK until May and the US until July before fully reopening. Those dates are conservative, however, given vaccination supply levels are growing as more suppliers gain approval and the logistical process is more efficient. We predict April will be more realistic for borders to reopen between the US and UK.

With 3 out of the top 5 UK trading partners in the EU, the faltering start the bloc's have had with vaccination is of significant concern to business travel. Currently averaging only 2% in each member nation population, it would not be until 2022 before they achieve the level of immunisation required to fully reopen.

Further afield, in APAC, other key UK trading partners such as China and Singapore despite being behind on vaccination rates, they have low cases so it would likely lift quarantine to the UK once vaccination levels hit the 70% threshold. Most likely on presence of vaccine certificate.

All of the world's vaccine supply has been pre-ordered by 67 nations which make up only 14% of the world's population. Even then, only 33 countries have enough supply to vaccinate their entire population.

Therefore it is not likely vaccinations will result in the global reopening of COVID-19 border related restrictions. However, the inconsistent approach to border restrictions has caused confusion to passengers and issues for airport border staff, test providers and travel suppliers. For example, despite passenger numbers at a tenth of 2019 levels, those arriving into Heathrow in January 2021 were faced with long delays, dangerously congested terminals and multiple passengers being refused entry to flights for holding incorrect negative COVID-19 test certificates.

Vaccination progress by country | dated: 4th February 2021

source: The Financial Times

Country	Doses administered	Doses per 100 people	%age of population to have at least 1 dose	%age of population who have had 2 doses	%age of population who had 2 doses vs 75% target figure	Projected month and year to vaccinate 75%	Daily rate of doses administered
<i>Global total</i>	108,115,680	-	-	-	-	-	4,253,851
U.S.A.	34,933,201	10.65	8.5	2.1	-72.9	July 2021	1,335,310
China	24,000,000	1.71	-	-	-	insufficient data	818,182
E.U.	14,197,046	3.2	2.4	0.7	-74.3	May 2022	571,330
U.K.	10,520,433	15.75	15	0.7	-74.3	May 2021	411,699
Israel	5,160,838	57.02	36.1	20.9	-54.1	March 2021	128,698
India	4,138,918	0.3	-	-	-	April 2028	301,348
U.A.E.	3,691,591	34.34	-	-	-	March 2021	132,449
Germany	2,713,210	3.27	2.4	0.8	-74.2	August 2022	103,189
Brazil	2,663,667	1.27	-	-	-	November 2022	231,695
Turkey	2,400,536	2.89	-	-	-	March 2022	125,407
Italy	2,166,053	3.59	2.2	1.3	-73.7	May 2022	84,399
Spain	1,764,778	3.8	2.7	1.1	-73.9	July 2022	58,331
France	1,717,385	2.65	2.5	0.2	-74.8	February 2023	66,609
Poland	1,342,435	3.54	2.8	0.8	-74.2	February 2022	62,425
Canada	996,697	2.66	1.6	0.3	-74.7	February 2026	15,637
Russia	800,000	0.55	0.5	-	-	July 2028	40,000
Romania	772,202	3.98	3.2	0.8	-74.2	May 2022	28,785
Mexico	677,259	0.53	0.5	0	-75	July 2096	3,603
Indonesia	648,259	0.24	0.2	0	-75	August 2032	52,818

S U P P L I E R S

AIR



43 airlines declared bankruptcy in 2020 with airline revenue down by \$710 billion (€584 billion) year-on-year as a direct correlation with declining the 75% fall in passenger numbers.

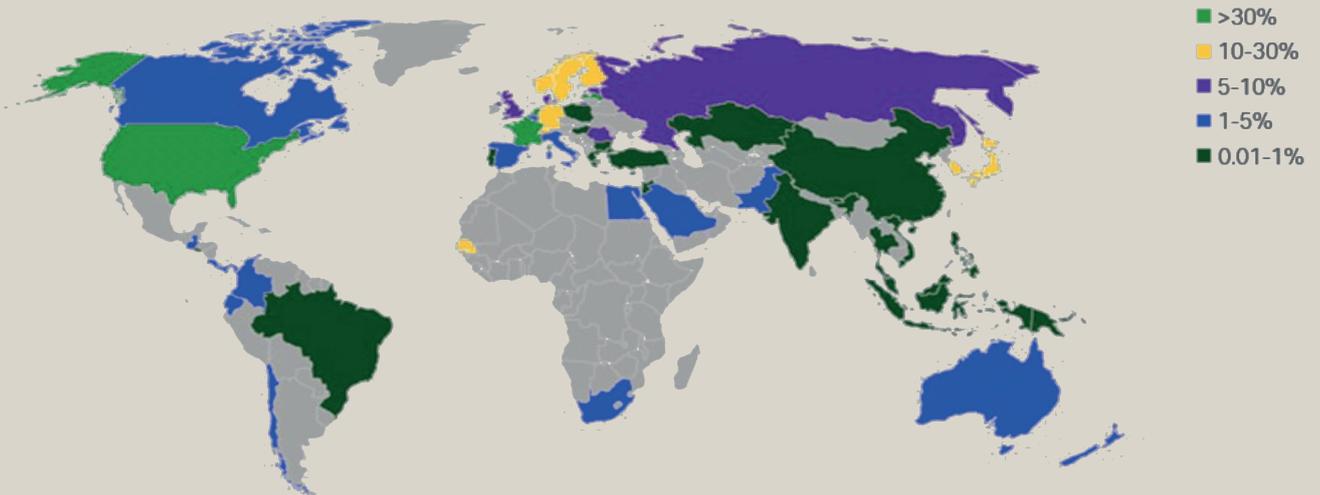
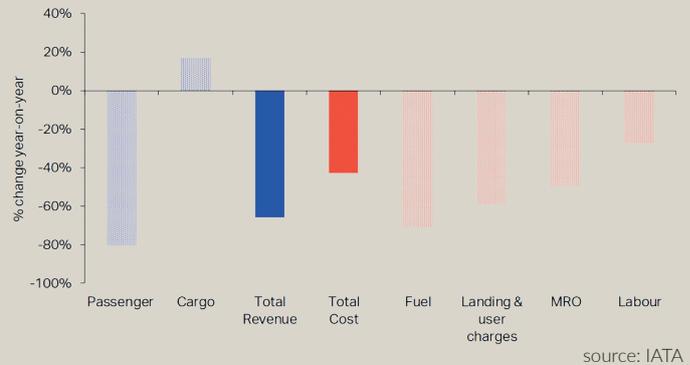
The airlines which remain have done so through a combination of clever redeployment of resources to cater for the burgeoning freight market and significant cost cutting measures. In addition to an average 30% reduction in staff, amounting to over 100,000 jobs, all EU airlines took advantage of the slot waiver scheme allowing them reduce flight schedules at airports below the 80% threshold without losing their routes to competitors.

Incidentally, the grounding of planes saw the price of fuel plummet as supply outstripped demand which in the long term should help keep their costs low as they will have pre-bought “hedged” at these reduced prices. (See graph overleaf).



Most flagship carriers secured Government support during 2021 with a 123bn of public cash being made available. However, the global distribution of these funds has been unequal with North American based airlines getting aid up to 25% of their revenues, Europe 15%, Asia 10% while Latin American, Middle Eastern and African Airlines received less than 1% on average.

However, government aid was not without consequences. While mostly it arrived in the form of loans, wage subsidises (such as the UK furlough scheme) those who secured equity financing will need to include public interest objectives relating to the environment and competition affecting their business strategy.



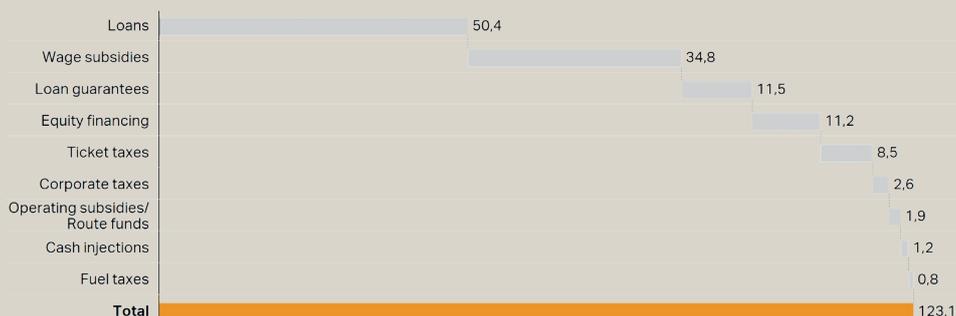
Total amount of government aid as % of airline ticket revenues to/from/within country in 2019

Government bailouts will have a long-term impact on the strategy undertaken to form recovery for each individual airline as they now have to include public interests in their private organisation's objectives.

For example, Air France received a \$7.9 billion bailout from the French government, which included a requirement that domestic flights are cut by 40% to assist with carbon omission reductions.

Partner airline KLM agreed to a 20% reduction in night flights into its Schiphol hub in exchange for 3.4bn from the Dutch government.

Lufthansa, surrendered 20% equity to the German Government in in exchange for 9billion. As a result, will have to transfer up to 24 take-off and landing rights to a competitor.





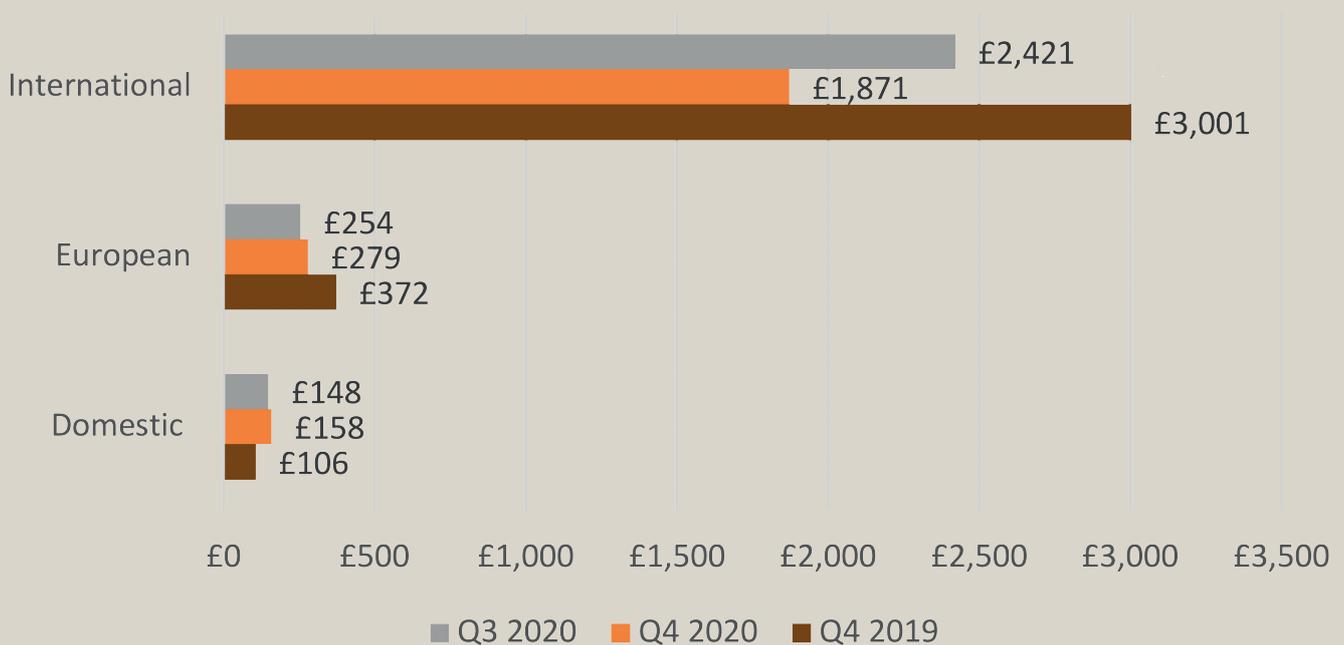
Overall airlines are hoping to have capacity back at 2020 levels in by mid March. While this is likely to be case in intra Asian and North American markets, rising case levels across Europe means flights in that market will be at a tenth of 2019 levels till early summer.

It then represents a huge opportunity for budget airlines to gain market share on traditional carriers, as they're well positioned to harness their low cost base coupled with their existing wide network of hubs and planes. WizzAir and Ryanair are aggressively putting capacity back online and Easyjet has announced plans to deploy a record 70 aircraft at Gatwick this summer as rivals retrench; claiming bookings for this summer are currently "significantly ahead" of last year.

Given their rise during previous economic downturns, the confidence in low cost airlines is such they were able to attract private investment rather than the government imposed restrictions put upon legacy carriers who sourced public funds.

In terms of pricing, overall, there was a 34% decrease in average ticket prices (ATP) during Q4 2020 compared to the same period last year. However, prices in Q4 increased by 12% from Q3 suggesting that airfares have bottomed out as airlines the cost cutting and financing measures has stabilised airline positions.

Flight prices evolution



OUTLOOK



THE DOMESTIC MARKET ENDED Q\$ 2020 49% UP AGAINST THE PREVIOUS QUARTER IN TERMS OF PASSENGER DEMAND.

This trend is driven largely by demand in the US and Asia and we expect those steep price rises in these markets to hold in 2021.

Long haul flights will also incur double digit increases, particularly if, as expected, demand in the lucrative premium classes decline raising prices overall to cover costs.

Prices for flights within Europe were down a quarter in 2020 on the previous year, however they rose by 9% within the year of 2020. Prices will decline by (1-5%) in the first half of 2021 compared to Q4 2020 but expect steep increases this summer when the vaccination roll out will allow an easing of international travel for the holiday period. Prices will then fall in Q4 to attract the corporate market back on planes.

S U P P L I E R S

HOTEL

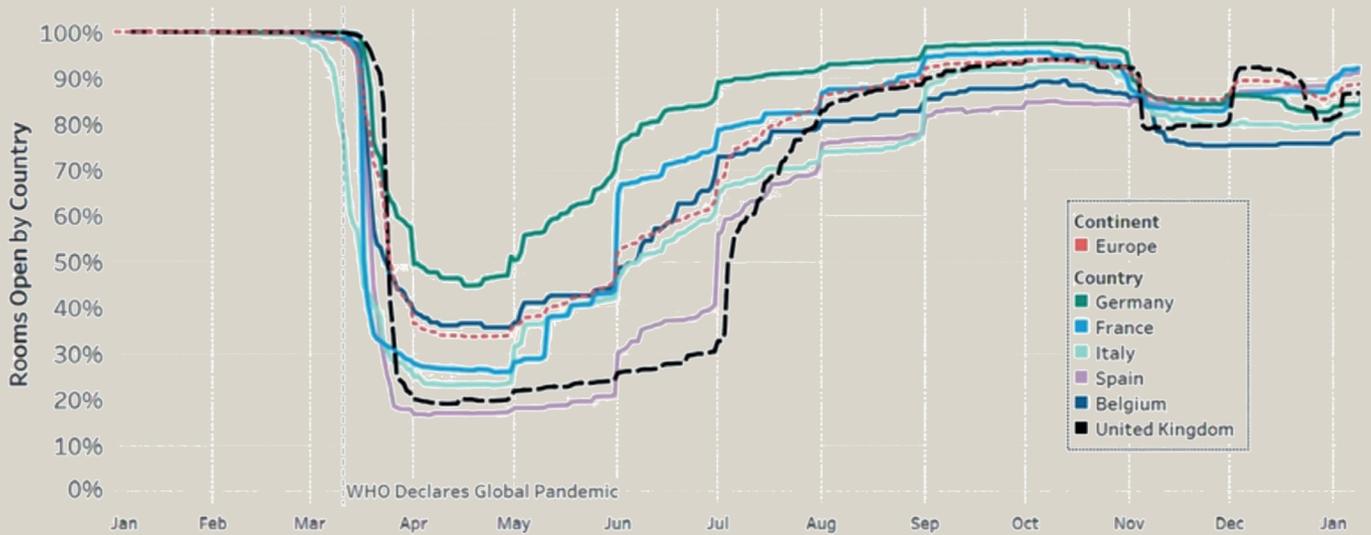


The mass closures of the first wave, where 80% of hotels across Europe went into hibernation has been averted so far with only 1 in 5 of hotels currently closed.

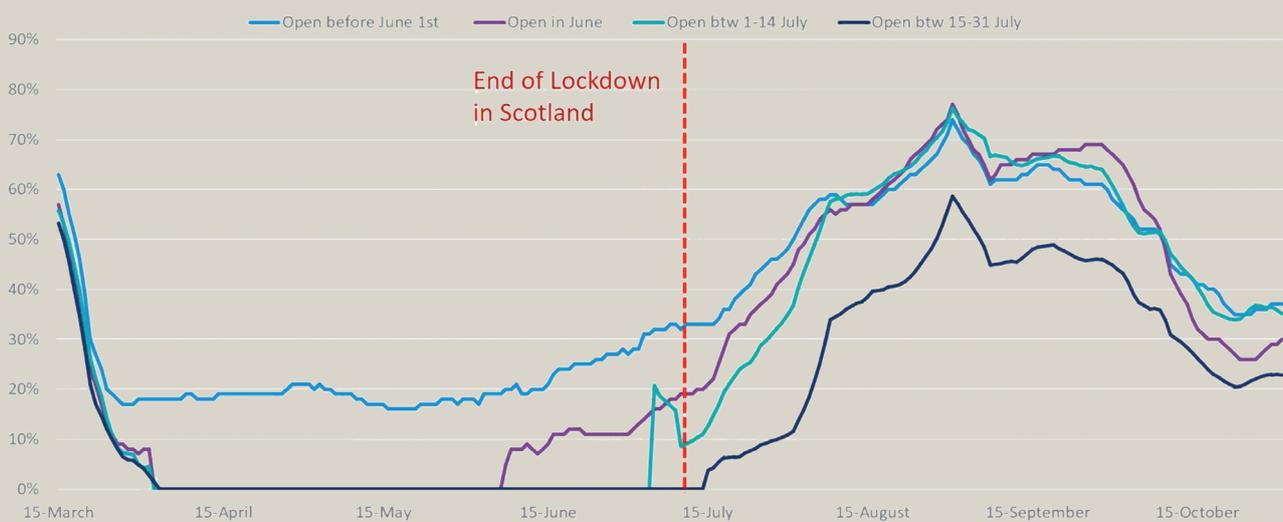
Hotels were able to remain open primarily because they equipped themselves to adhere with social distancing and adopted advanced cleaning standards. They are now viewed as a safer meeting space than offices.

Also, as the graph on occupancy levels in Edinburgh illustrates (overleaf), hotels that remained open during the first lockdown significantly outperformed those who closed and that continued even as restrictions were re-introduced.

A lesson learned.



European hotel rooms by country | source: STR



Rolling 7 day occupancy levels in Edinburgh post removal of first lockdown restrictions | source: STR

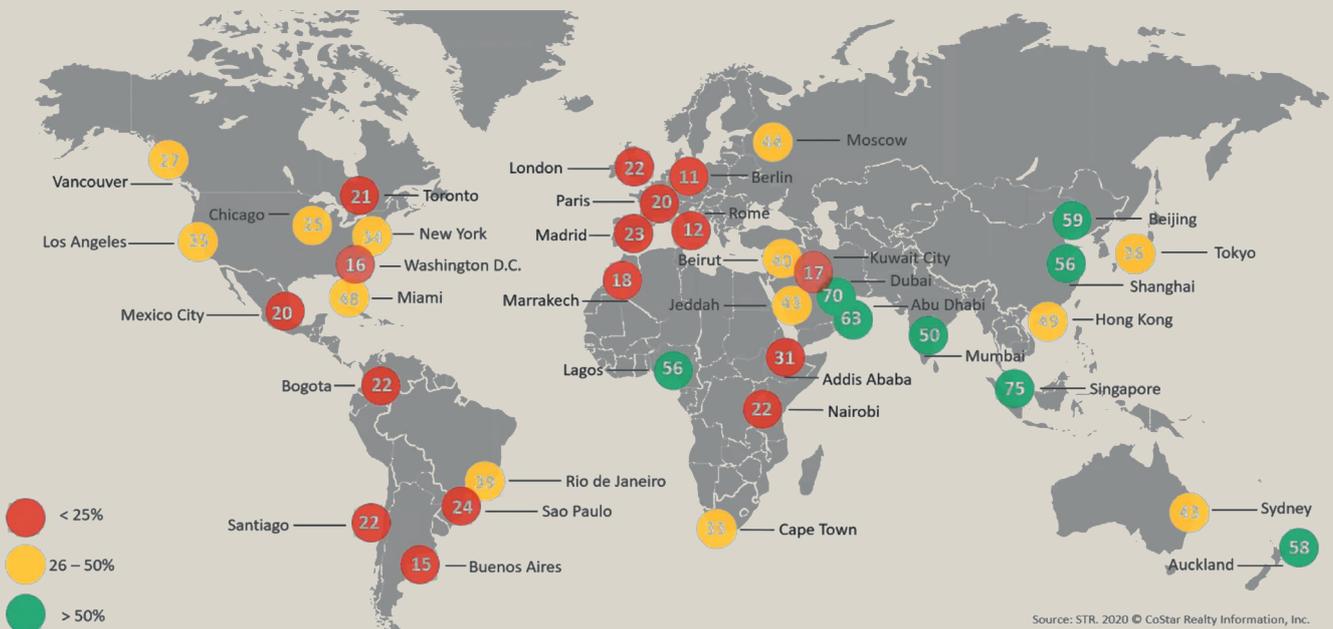


Demand for hotels varied across continents as Europe, Africa and South America averaged 30% while US, Australia and China were ranging from 40-50%. Demonstrating the value of their domestic market as their borders remained very restricted throughout much of 2020.



2020 rolling 7 day occupancy levels by region | source: STR

Occupancy levels in China are now only 10% lower than pre-COVID levels which is remarkable given in February they were 90% down. The recovery in is not just limited to China. Singapore, Dubai, Abu Dhabi and Doha are also above 50% occupancy. The Middle East in general benefiting greatly from quarantine free entry combined with testing, as opposed to domestic trade.



Source: STR. 2020 © CoStar Realty Information, Inc.

Predictably, despite attempts to control pricing through reduced capacity, the drop in occupancy levels heavily impacted average daily rate (ADR). Particularly in tourism reliant LATAM and Australia where a total border closure was implemented.

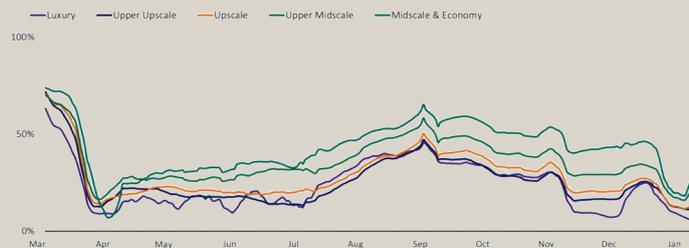
Regions	ADR 2020	ADR 2019	YOY Variance
Mainland Europe (Euros)	93	110	-15%
UK (GBP)	72	88	-18%
Middle East (USD)	177	202	-12%
North America (USD)	103	109	-6%
LATAM (USD)	78	102	-24%
Australia (AUD)	146	180	-19%
Mainland China (RMD)	1,812	1,903	-5%

OUTLOOK

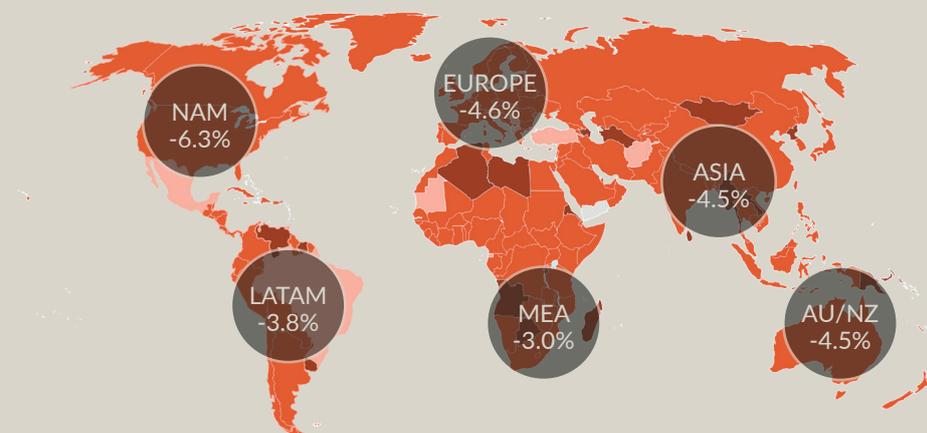


GENERALLY, HOTEL PRICES SAW A 14% DECREASE IN AVERAGE DAILY RATE (ADR) DURING 2020 COMPARED TO THE PREVIOUS YEAR WITH MAINLAND EUROPE AND THE UK REPORTING FALLS OF 15-18%.

However, this overall reduction hides the significant disparity between hotel markets and categories.



The long-term socio-economic impact of reduced corporate budgets and greater numbers home working; city centre hotels, especially those in the luxury upscale to upscale categories, are likely to see a far slower rate of recovery. They will adjust by reducing supply and converting space to the small meeting market to prevent the two digit drops in rates witnessed in 2020. While tourism locations and low-cost regional markets which typically serve industries such as construction, mining and manufacturing, logistics and food production are likely to stabilise. Therefore, unlike airlines, it is expected that further discounting across the board is expected but likely to be single digit falls.



BUSINESSES

TRAVEL RESTRICTIONS IMPACT GROWTH



4 in every 5 business travel leaders surveyed in the summer of 2020 stated travel restrictions in the first lockdown had impacted business growth.

Two thirds of business leaders in our survey had experienced a negative effect on productivity owing to COVID19 travel restrictions.

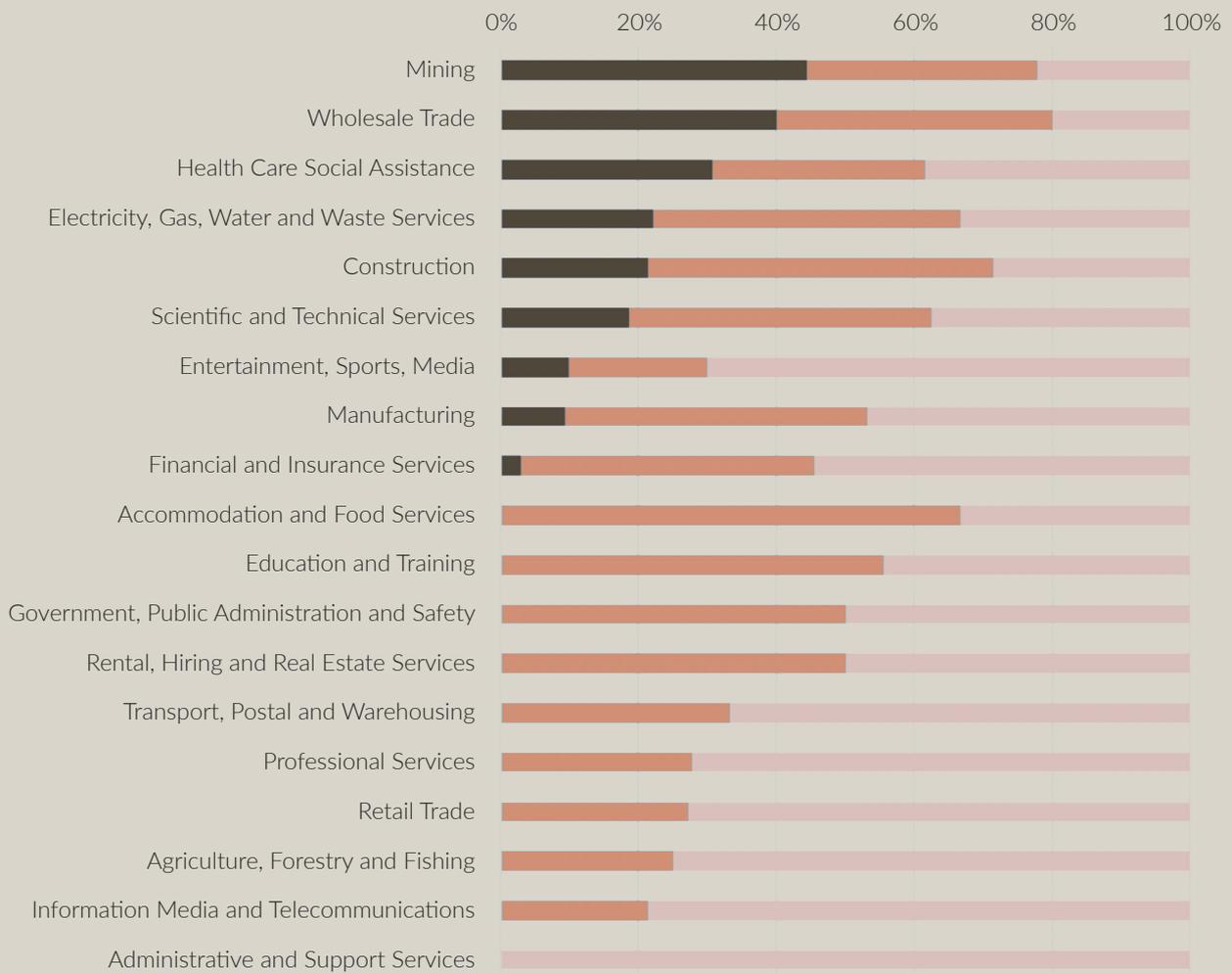
The most recurring business impacts highlighted by businesses included:

- Projects delays
- Inability to attract new business
- Difficulty in relationship building
- Inability to train new customers / employees



Therefore, there was a keenness to reignite face to face meetings in Q3 as borders started to reopen with travel figures in September returning to 50% of previous year levels. The new Covid-19 variants and rising cases has again knocked business confidence in the safety of deploying travellers. However, only those analysed to be in administrative and support services have a total ban during COVID19.

Many businesses are allowing travel domestically within guidelines with a quarter of those planning to return to pre-COVID-19 levels for domestic travel during 2021. Just 5% claiming intentions to eliminate travel altogether.



source: 4th Dimension



OUTLOOK



WHEN IT GETS DOWN TO IT, BUSINESS IS BEST DONE FACE TO FACE AND BUSINESSES WANT TO GET OUT. THEY WANT TO SEE THEIR CUSTOMERS. THEY WANT TO SEE THE ENGINEERS. THEY WANT TO SEE PEOPLE, AND THE WANT TO BUILD RELATIONSHIPS.

Businesses in China are back to meeting with clients and organisations US are remobilising their workforces to return domestically. As the two largest economies, they will set the tone and the rest will follow.

Initially, travel policy guide department heads to approve trips where a return on investment can be demonstrated, i.e. client and prospect meetings. Limitations are also likely on number of travellers and the length of trip, restricting weekend stay-overs. Suppliers with evidenced track record of safety and cleanliness alongside favourable exchange policies will be favoured. Internal 1:1 meetings will likely remain virtually for the foreseeable future with small team meetings reduced in frequency and number.

TRAVELLERS

TRAVELLERS WILL TRAVEL WHEN THEY CAN



GBTA's most recent survey of travel managers found those who say their staff are 'somewhat' or 'very willing' to travel falling from 54 per cent to 30 per cent.

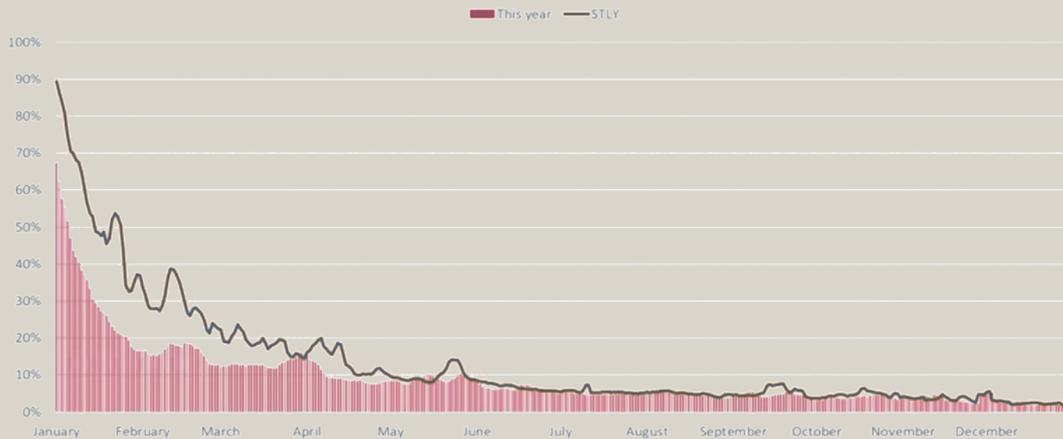
The number of travel managers who said their colleagues are 'not willing' to travel has risen from 15 per cent to 36 per cent. Those surveyed indicated that their top concerns over returning to business travel were:

1. Safety and well-being of travellers
2. Quarantine measures
3. Availability of travel service

Yet there is evidence from the UAE-UK route that demand relating to leisure travel is as strong as before; validating theories of pent up demand being frustrated by government restrictions demand.

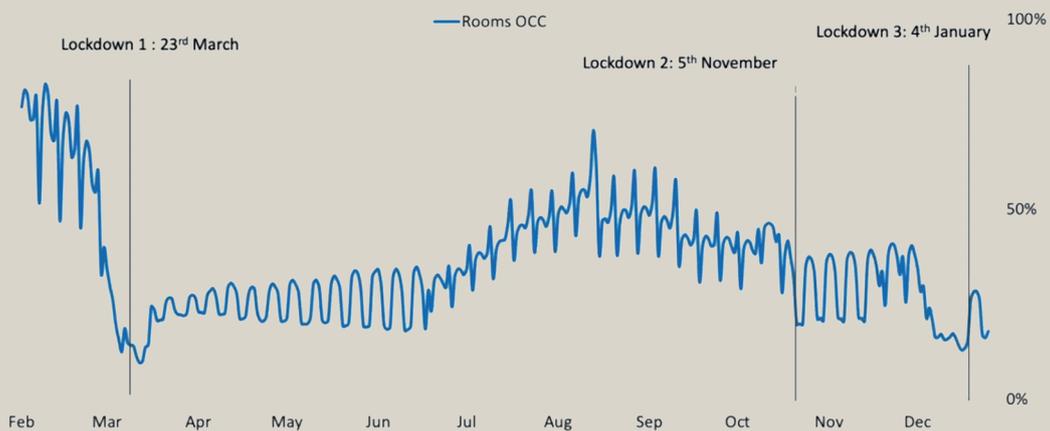


In the month between mid November and December, UK passengers were able to enjoy quarantine free travel to Dubai. A nation where infection rates were comparatively low. Yearning for winter sun, the demand exceeded pre-COVID19 levels and airlines responded by diverting capacity from under performing routes to generate much needed revenue. It only fell again when restrictions were re-established owing to the discovery of a new UK variant on Dec 22nd. Even still, this hasn't dampened optimism for travel in 2021 as Dubai hoteliers report 60-70% of business on the books for the first month of January 2021.



The optimism is mainly a consequence of the establishment of proven vaccines. Saga, the international travel operator for the over-50s, reported at the start of the year a 86% rise in holiday interest in 2021 as the first wave of their demographic plan to be vaccinated against Covid-19 ahead of the summer period.

Using the UK hotel market to demonstrate assess domestic travel, it is clear government lockdown restrictions are biggest barrier to recovery as demand demonstrated positive resilience each time lockdowns were eased, particularly in August when leisure trend saw a near return to 2019 levels.





**BILL GATES FORECASTS
THAT 50% OF BUSINESS
TRAVEL WILL
DISAPPEAR FOR EVER.
HE'S WRONG.**

IN SUMMARY

THE FUTURE OF BUSINESS TRAVEL

**GOVERNMENTS
WILL REOPEN
BORDERS
FROM SPRING.
BUSINESSES AND
SUPPLIERS SHOULD
PREPARE NOW TO
MAKE SO THEY'RE
NOT LEFT BEHIND.**

Those responsible for business travel policies will monitor, and even experience themselves, the process and audit it from a safety, comfort and price perspective.

The events of 9-11 and SARS, both of which caused travel health and safety concerns, had seen year on year reductions in air traffic of no more than a third. By comparison, COVID-19 has resulted in an annual average reduction of 75% in 2020. Optimism that vaccines would lead to a prompt and orderly restoration in global travel have been dashed in the face of new outbreaks and new mutations of the disease.

The world is more locked today than at virtually any point in the past 12 months and passengers face a bewildering array of rapidly changing and globally uncoordinated travel restrictions. Subsequently, it is correct to assume things in 2021 will get worse in terms of travel before they start to recover by the Spring.

There is clear evidence in 2020 that when lockdown eased, domestic and international demand was strong. Importantly, supply is available to respond which is admirable given the adversity airlines and hoteliers have faced. Business travel will likely resume in Q3, at least in areas where a return on investment can be demonstrated, if travel governments and suppliers can unite to make conditions acceptable.

Therefore, as we approach bookings for summer holidays and various scheduled events, if restrictions are to be lifted as governments hope, it is important the traveller experience is a positive one in every stage. Those responsible for business travel policies will monitor, and even witness themselves, the traveller experience; auditing it from a safety, comfort and price perspective.

We cannot wait on vaccines to unlock the world.

Given the global disparity in vaccine delivery and the long term barriers to herd immunity (such as anti-vaxxers), we need to accept that COVID19 testing is likely to be as commonplace as anti-terrorism security measures. Yet, at least 160 countries require a negative Covid-19 test for entry but this process is of a mess, since no two countries or airlines are adhering to the same protocols. This will only get more fractious, when vaccine certificates inevitably become a requisite by countries, as a mechanism to avoid quarantine, such as already planned in Thailand, Denmark and Australia .



IT IS CRITICAL THAT WE SEE THE INTRODUCTION OF THE FOLLOWING:

- A single, globally adopted, science led testing methodology to ensure safety and provide the clarity of process needed to re-gain traveller confidence. Ideally a rapid test that can be sent to traveller homes or taken at the airport prior to departure.
- Vaccine certificates or a negative test results to replace quarantine, not be an additional requirement. Even if this is initially limited in 2021 to business travellers from key trading travel corridors.
- Significant increase in test providers as the 200 currently approved list of suppliers in the UK would fail to meet the likely demand in the summer holidays and beyond, even with wide adoption of vaccines.
- Global Digital Health Passports to securely record a person's COVID19 status including test results and vaccination. To be delivered in a format that can be rapidly and accurately authenticated at airports. The CommonPass initiative is already supported by airlines such as United Airlines and Cathay Pacific, and by more than 30 governments such as the UK and US.
- Greater collaboration across the travel sector to facilitate testing, border and health checks e.g. adapting reservation systems to include COVID-19 test booking, results and vaccinations in the same manner one can currently load passport and in-flight meal dietary requirements.

AUTHOR COMMENTS

AMAN POURKARIMI

BILL GATES IS FORECASTING 50% OF BUSINESS TRAVEL TO BE REPLACED BY VIRTUAL MEETINGS. I'M SORRY MR GATES, BUT I'M SIDING WITH STEVE JOBS.

Bill Gates is forecasting 50% business travel to be replaced by virtual meetings. Yet organisations have already found the absence of face to face interaction has stunted business productivity.

Gates' former counterpart, Apple co-founder Steve Jobs, was a strong believer in the power of in person meetings. Not only changing the configuration of Apple's offices to encourage interactions, he would encourage staff to get out of the office and engage directly with clients, developers, suppliers and prospects. In a competitive world where advantages are seized upon by any business looking to prosper, hearing rival Apple met a prospect face to face, would soon have Bill Gates demand his sales team follow suit.

But sales and client meetings should not be limit for business travel.

Oxford Economics, found that every dollar spent on business travel resulted in \$12.50 in incremental revenue and that will continue to dwarf any savings made from virtual meetings.

In terms of attracting and retaining talent, business travel is seen as a vital component. A third of millennials have left a job because of restricted travel possibilities.

This human urge to connect and explore is only likely to increase as home working continues. Zoom fatigue has a numbing effect, particularly as the line between work hours and personal time is skewed by the absence of an office environment.

“There's a temptation in our networked age to think that ideas can be developed by virtual networks. That's crazy. Creativity comes from those spontaneous discussions held in person.”

- Steve Jobs

So, I am sorry Mr Gates. I am going to side with Steve Jobs.



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