TOURISM DEVELOPMENT STRATEGY

(2016-2023)

Falkland Islands
TOURIST BOARD

March 2016

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1. EXECUTIVE SUMMARY

This Tourism Development Strategy for the Falkland Islands sets out the strategic direction of the sector over the period 2016-2023. It provides a realistic and achievable strategy for tourism in the Islands, striving to make it a more vibrant industry for current and future investors. It also addresses the extreme seasonality issues faced in the Falklands, which are a constraint to development and limit tourism's potential as a year-round sector for income and employment.

Overview of the Sector

Over the period 2000-2014, overnight leisure tourist arrivals increased by an average annual rate of just 1%, compared to a global average of 4.5%. In 2014, the UK was the largest leisure tourism market representing 39% of arrivals, followed by Argentina, USA, France, Germany and Australia. Seasonality of overnight leisure tourism is strong, with the majority of visits occurring over the period November to February; visitors are predominantly male in the 45-64 years age group.

From a low of just under 30,000 cruise visitors in 2012/13, growth has been consistent over the last two seasons to reach over 43,000 in 2014/15. In 2014/15 the USA was the largest market (35%), followed by the UK (10%). Almost one-third of all cruises that include the Falklands commence their journeys in Ushuaia. Stanley is the most significant destination in the Falklands for cruise ships, accounting for 40% of all visits, followed by West Point, Saunders and Carcass Islands. Around 19 vessels carrying almost 32,000 passengers bypass the Falklands altogether each season

Domestic leisure tourism trips (visits by residents of the Falklands to places in the Islands for one night or more) amounted to over 5,100 in 2014, and appear to be growing since 2011.

Total leisure tourism expenditure from overnight, cruise and domestic tourism totalled £4.7 million in 2014. 50% of this was from cruise tourism, 39% from overnight tourism, and 11% from domestic tourism.

Air access to the Falklands is the biggest constraint to the growth of tourism. The one flight a week operated by LAN from Punta Arenas offers 174 seats, or around 9,048 per year. During the October to March summer season there were only 2,000 spare seats on this route. In 2014/15 the Air Bridge from Brize Norton offers limited additional seats (31 per flight) twice a week. Around 300 leisure tourists arrive by this route each year.

The accommodation sector in the Falklands is small and fragile, with most establishments being family run and most destinations only having one accommodation establishment. By October 2016 there will be 283 beds in serviced accommodation (50% of these in the Malvina House Hotel) and 118 beds in self-catering accommodation. There are only 98 beds in serviced accommodation in Camp.

Based on current visitor length of stay in the Falklands, the accommodation stock in Camp is sufficient in size to welcome approximately 1,000 additional leisure overnight tourists during the October-March season.

The Vision

The overall Vision for tourism in the Falklands, and underpinning the Tourism Development Strategy is:

To develop a sustainable and economically significant tourism sector that residents in Stanley and Camp can invest and participate in, and benefit from.

Strategic Objectives

To deliver this Vision, the Strategy has six overarching Strategic Objectives:

Strategic Objective 1: Increase tourist overnights by 87% by 2023 through a combination of additional visitors and increased length of stay. Increased expenditure will transpire through increased volume, and not necessarily higher prices.

Strategic Objective 2: Encourage overnight tourist visits across eight months (September to April), increasing the length of the traditional season.

Strategic Objective 3: Develop “honeypots” to attract overnight tourists to lesser-visited areas.

Strategic Objective 4: Increase the number of cruise visitors by 49%, and their levels of expenditure by 42%, by 2022/2023.

Strategic Objective 5: Encourage expedition cruise ships to visit more destinations around the Falklands, including basing their operations in Stanley.

Strategic Objective 6: Enhance the day visitor experience in Stanley.

These overarching strategic objectives are represented by four Key Priority Areas:

Key Priority Area 1: Developing and Delivering Effective and Measurable Marketing

Key Priority Area 2: Diversifying the Falklands Tourism Product

Key Priority Area 3: Improving the Infrastructure

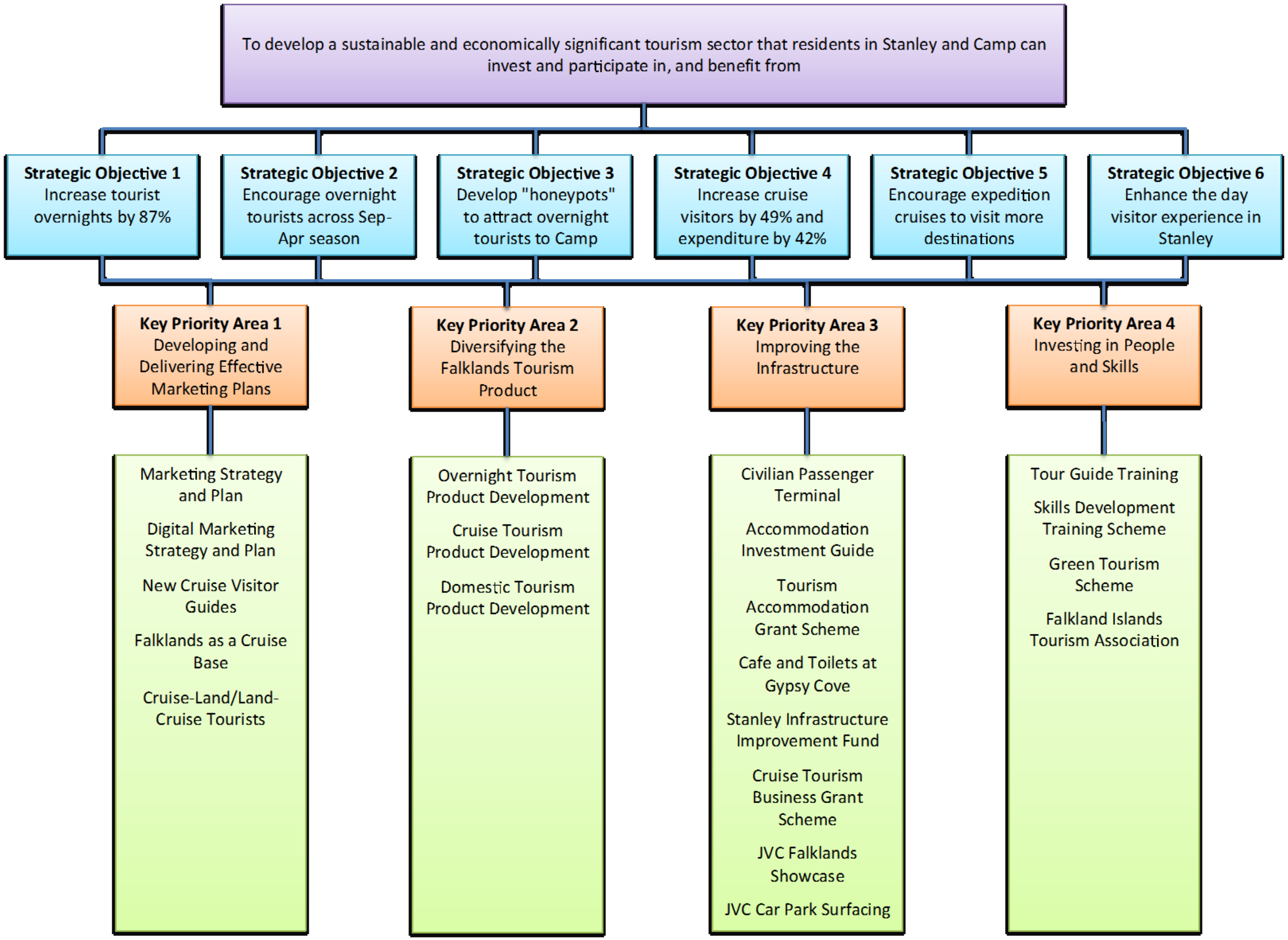
Key Priority Area 4: Investing in People and Skills

Each of these priority areas is supported by a number of operational objectives and actions that will realise the goals of the strategy. The overall approach is summarised in the diagram overleaf.

Implementation

The success of the Strategy will be measured through a series of key tracking indicators linked to visitor arrivals and expenditure, as well as investment and delivery of each of the operational objectives and actions. For success it will require funding support from FIG as well as investment from private sector organisations.

Tourism Development Strategy



2. INTRODUCTION AND BACKGROUND

Rationale for the Tourism Development Strategy

This Tourism Development Strategy (TDS) sets out the priorities and strategic direction of tourism in the Falklands for a period of seven years (2016/2017 to 2022/2023). It has been compiled following six months of consultations, industry analysis, and detailed scrutiny of international tourism and market trends. The overall aim has been to ensure that it is realistic and implementable.

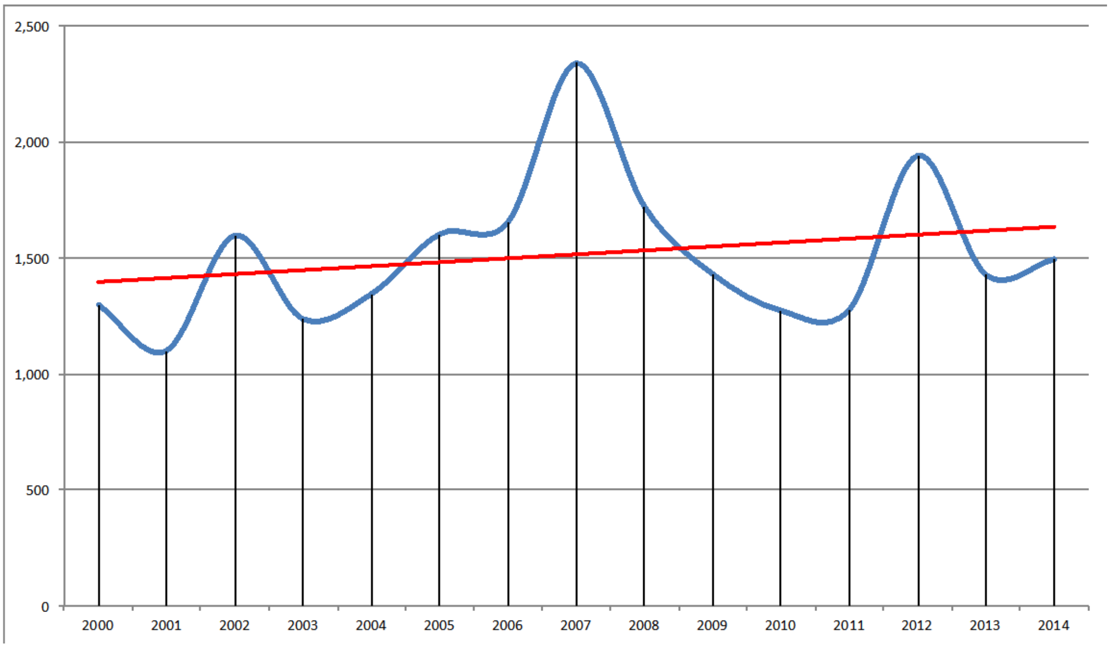
Tourism is an important and sustainable part of the Falkland Islands economy, with a large proportion of the population participating in it, either on a part-time or full-time basis. Tourism not only generates employment and income for residents, but also encourages the development of services that can be used by those living in the Islands such as accommodation and attractions.

The Strategy is full integrated with the aims and objectives of the Islands Plan (2014-2018), Economic Development Strategy (2010) and Rural Development Strategy (2012-2017).

Current Situation

Over the period 2000 to 2014, ***overnight leisure tourists*** have grown by an average annual rate of 1%, whilst world tourism growth has increased by 4.5% per annum. The three peaks in demand over this period correspond to the 20th (2002), 25th (2007) and 30th (2012) anniversaries of the Falklands War. There were almost 1,500 leisure tourists in 2014.

Overnight Leisure Tourists to the Falkland Islands (2000-2014)



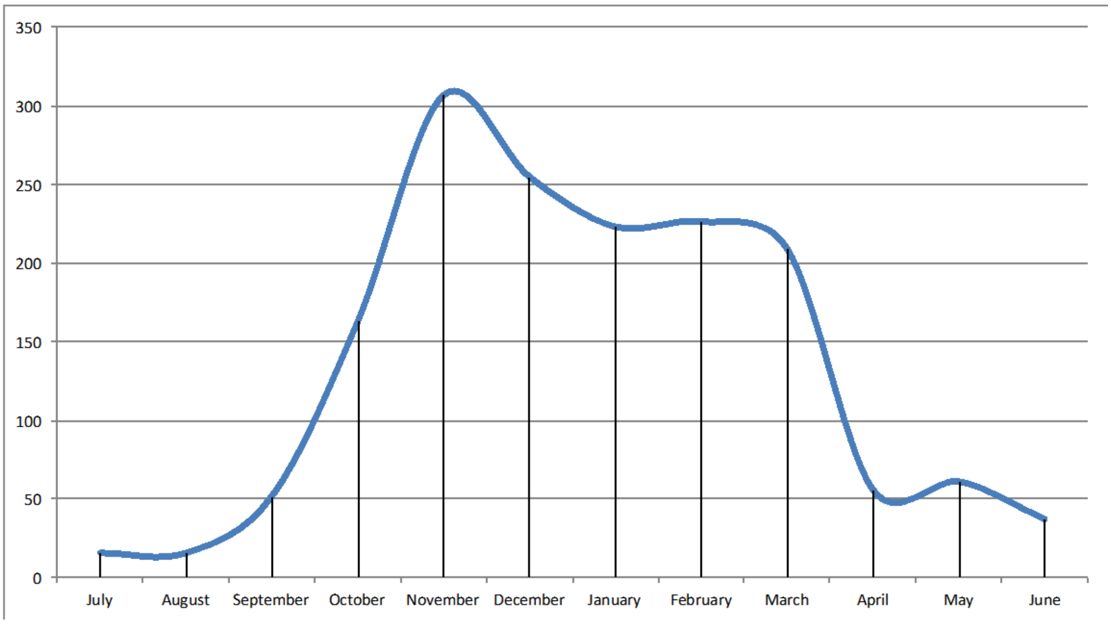
The United Kingdom is still the largest generating market for leisure tourist arrivals, followed by Argentina, then the United States. Over the last five years, the average annual growth rate of arrivals from the UK has been 3.3% compared to 15.8% from Argentina and 2.5% from USA.

Leisure Tourist Arrivals by Main Markets (2010-2014)

Country of Residence	2010	2011	2012	2013	2014	Av. Rate (%)
United Kingdom	514	532	856	559	585	3.3
Argentina	149	143	289	201	268	15.8
United States	116	102	140	136	128	2.5
France	68	91	150	94	85	5.7
Germany	38	58	38	63	58	11.2
Australia	45	48	74	55	56	5.6
Chile	38	37	47	31	46	4.9
Netherlands	37	31	17	24	27	-7.6
Canada	22	34	25	38	21	-1.2
Poland	8	5	7	0	19	24.1
Switzerland	48	32	39	29	16	-24.0
New Zealand	24	17	27	15	15	-11.1
Brazil	9	14	25	11	14	11.7
South Africa	11	5	7	6	13	4.3
Uruguay	6	4	17	9	12	18.9
Finland	1	4	14	3	10	77.8
Italy	9	16	23	20	10	2.7

Tourism is highly seasonal, with the "tourism season" starting slowly in October, and then running strongly during November through to February, with March still performing well, but then falling off sharply in April.

Average Leisure Tourist Arrivals by Month (2012-2014)

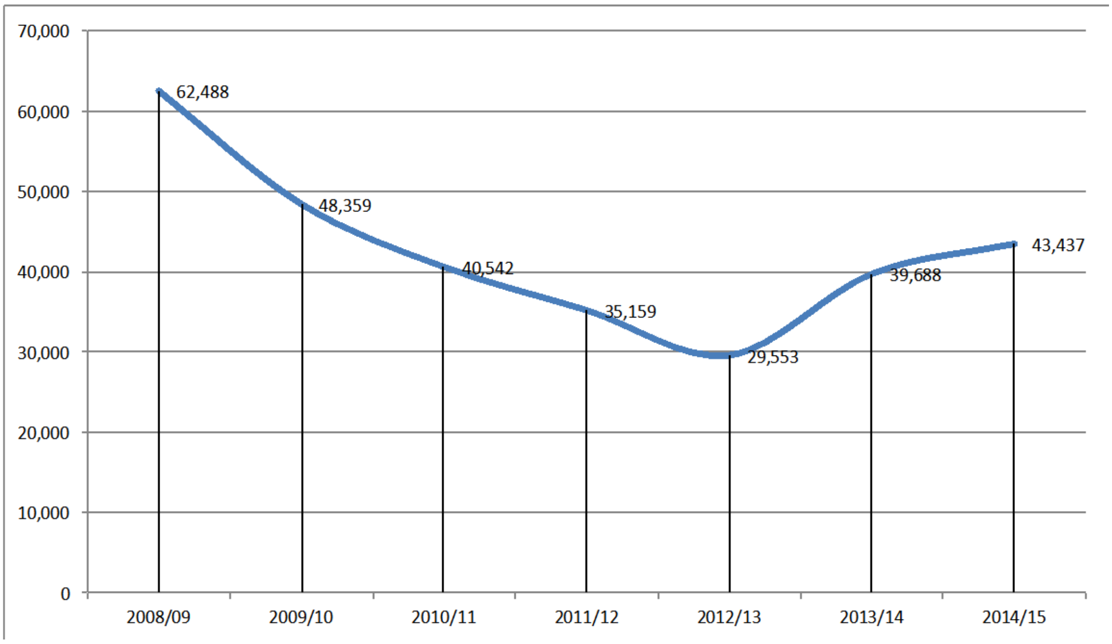


The key age group for leisure arrivals are the 45-54 year olds, followed by the 55-64 year olds, which accounted for exactly 50% of all leisure tourist arrivals in 2014.

Over three-quarters of all leisure tourists are male. The UK war veterans, Argentine visitors, and some of the leisure segments that have a strong male interest, including bird watching and fishing, drive the bias towards males.

Cruise passenger visitors have fallen from a peak in the 2008/2009 season of 62,488, to under 30,000 in 2012/2013. However since then, there have been two seasons of consecutive growth, and further growth to an expected 52,000+ passengers in 2015/2016.

Cruise Passenger Arrivals (2008/09 – 2014/15)



Nationals from the USA accounted for over one-third of all cruise arrivals in 2014/2015, followed by the UK, Canada and Germany. The nationality of passengers tends to be heavily influenced by the client base of cruise lines operating to the Falklands and South Atlantic.

Of all the cruises that visited the Falklands in 2014/2015, 29% originated in Ushuaia, 13% in Buenos Aires, 10% in Valparaiso, and 7% in Stanley. The most popular ports of call in the Falklands were Stanley (40% of all vessels), West Point (14%), Saunders Island (13%), Carcass Islands (12%) and New Island (10%).

In the 2014/2015 season, around 19 cruise vessels passed the Falklands without visiting, accounting for around 30,000 passengers.

Domestic tourism is defined as trips made by residents of the Falklands for at least one night; trips can be for any purpose. In 2014 over 5,100 domestic leisure tourism trips were taken in the Falklands, with growth over the last two years being around 25% per annum.

Total leisure tourism expenditure was estimated at £4.7 million in 2014. One half of all expenditure was generated by cruise visitors, 39% by overnight leisure tourists, and 11% by domestic tourists.

The accommodation sector in the Falklands can be described as extremely fragile. This is due to two factors:

- Most accommodation is family run, and therefore not necessarily treated as a long-term on-going concern.

- Most destinations have only one accommodation establishment, so if this closes down there are no alternatives for tourists.

There are 137 rooms with 283 beds in serviced accommodation, and 51 rooms and 118 beds in self-catering accommodation. In 2015, the average room occupancy rate across the year was 47.8% for serviced accommodation and 27.8% for self-catering accommodation. Extreme seasonality patterns exist with high occupancy rates during the period November to February.

Based on the current serviced and self-catering capacity, it is possible to accommodate approximately 1,000 additional leisure arrivals during the October-March season.

Current air capacity is limited to a weekly flight from Punta Arenas (every Saturday) operated by LAN using a A320 Airbus with 174 seats (or 9,048 per year). In addition, MOD operates a link to RAF Brize Norton twice a week. Whilst the MOD utilises an A330 Air Tanker, there are 31 seats guaranteed to the Falkland Islands Government for civilian passengers.

Air access is the biggest constraint to the growth of tourism. Based on current air capacity, it is only possible to increase tourist arrivals by around 1,600 during the October-March season.

For a number of years, it has been recognised that an additional commercial air link to the Islands would have very significant benefits. In terms of tourism and trade links a new route would be transformative for the Islands. In support of this aim the Falkland Islands Development Corporation is working with experienced aviation consultants, and other stakeholders to quantify the economic business case, evaluate the viability of a number of routes and work with potential carriers to secure a new and additional international air link for the Falkland Islands.

Strategic Context

The Tourism Development Strategy is aligned with the tourism elements of the Islands Plan, Economic Development Strategy and Rural Development Strategy. All aspects of these plans that relate to tourism are supported by the Tourism Development Strategy, thus providing a unified strategic direction for tourism in the Falklands.

3. AIMS AND OBJECTIVES OF THE STRATEGY

General Principles of the Strategy

The success of the Strategy will be determined by involvement of both the public and private sectors, and them working together to achieve the actions in each of the Key Priority Areas. The Strategy aims to create a better operating environment for tourism businesses by generating increased demand and assisting with operational issues such as investment and human resource development.

The Tourism Development Strategy assumes that international air access to the Falkland Islands will remain unchanged over the period to 2023. If improved air access is realised, growth targets and some Key Priority Areas may need to be reassessed. The Strategy also assumes that the Waterfront Development (Option 2) will be completed by 2022, with the success of yachting tourism being dependent on the development of a marina.

The Vision

The Vision for tourism in the Falklands, and underpinning the Tourism Development Strategy is:

To develop a sustainable and economically significant tourism sector that residents in Stanley and Camp can invest and participate in, and benefit from.

Strategic Objectives

Strategic Objective 1: Increase tourist overnights by 87% by 2023 through a combination of additional visitors and increased length of stay. Increased expenditure will transpire through increased volume, and not necessarily higher prices.

Rationale: The tourism product in the Falkland Islands is not luxury (most accommodation is of a Three Star rating). Tour operators in Europe and the USA felt that a significant increase in price would have a negative impact on demand.

Strategic Objective 2: Encourage overnight tourist visits across eight months (September to April), increasing the length of the traditional season.

Rationale: With limited air capacity and accommodation, the only way to increase visitor numbers significantly is to encourage visitors during those months where there are seats and beds available. Expanding the industry into an eight-months-a-year sector also provides better employment and business opportunities.

Strategic Objective 3: Develop “honeypots” to attract overnight tourists to lesser-visited areas.

Rationale: There are beds available in the Falklands in several locations, even in the high season. Better distribution will enable more operators to benefit from tourism, and encourage greater growth in all months.

Strategic Objective 4: Increase the number of cruise visitors by 49%, and their levels of expenditure by 42%, by 2022/2023.

Rationale: There are no specific constrains on moderate to strong growth of the cruise sector.

Strategic Objective 5: Encourage expedition cruise ships to visit more destinations around the Falklands, including basing their operations in Stanley.

Rationale: Very few places in the Falklands benefit from cruise visitors at present. By encouraging visits to more destinations, the economic benefits can be brought to new areas in Camp.

Strategic Objective 6: Enhance the day visitor experience in Stanley.

Rationale: Around 30% of all cruise visitor excursions are to Gypsy Cove and a further 15% on a Stanley Highlights tour. Improving facilities and signage in these areas is therefore important, especially as cruise visitors are potential future overnight tourists.

Key Priority Areas

Key Priority Area 1: Developing and Delivering Effective and Measurable Marketing

Marketing Strategy and Plan

We will develop a (traditional) Marketing Strategy that defines the activities required to develop awareness, interest, desire and sales through non-digital media over the period to 2023. The Strategy will focus on two key market groups:

- **Core Markets**: geographical markets that are already visiting the Falklands and present the best potential for growth. These are: UK, USA, France, Germany and Australia.

- **Tactical Markets**: that can be attracted when specific opportunities arise, such as special events, specific packages, etc. These are the markets that are within easy reach of the Falklands (such as Chile, Uruguay, Brazil and Argentina).

Digital Marketing Strategy and Plan

The adoption of the Internet as the primary tool for researching, choosing and booking travel has radically altered the tourism promotion landscape. Destinations can no longer rely solely on trade shows, fam-trips, brochures, and paid advertising to attract visitors and the attention of the travel trade. Nearly 90% of international travellers now do most or all of their destination research online, and a rapidly growing percentage book over the Internet as well.

The Digital Marketing Strategy will set out the actions that will build awareness online of the Falklands as an interesting and distinctive destination over the period to 2023.

New Cruise Visitor Guides

Passenger enjoyment of the Falklands is heavily dependent on the information they receive before arrival. Many of the cruise vessels offer information sessions on board before arriving in each port, and consequently it is essential that cruise directors are provided with the best possible information about the Falkland Islands and about what is available during shore excursions. All videos currently available are around 10 years old and are becoming dated or are out of production. We will produce a new Falklands Islands guide, and a video primarily aimed at cruise passengers.

Falklands as a Cruise Base

Cruise itineraries that start and/or end in the Falklands have additional benefits for the local economy, generated by the cruise lines themselves and passengers. We will encourage expedition cruise operators to establish Stanley as a homeport by marketing its benefits. This will include working with local businesses to offer bunkering and provisions, and ensuring the Falklands remains a competitive and attractive destination.

Cruise-Land/Land-Cruise Tourists

An extension of home porting (above) is the active encouragement of cruise passengers to spend time in the Falklands before or after their cruises. We will promote land-based visits either before or after a cruise, and develop joint marketing ventures with the cruise operators.

Key Priority Area 2: Diversifying the Falklands Tourism Product

Overnight Tourism Product Development

The core tourism product of the Falklands is the birdlife. This shapes demand for trips to the Islands, and consequently the seasonality of tourism, with most trips taking place between November and February. The aim of product diversification is to attract more tourists at different times of the year, ideally outside of the main birding season, and to distribute visitors to other parts of the Islands. This gives the opportunity for individuals and businesses to respond to “new tourism” demand.

War and Historical Interest: the key interest is the 1982 war, however earlier conflicts and history can be combined with this. We will re-establish links with battlefield tour specialists and raise overall marketing profile of the segment.

Fishing: the Falklands has an exceptional trout fishing product and is recognised by many keen fishermen as a “must do” destination. We will target specialist fishing publications, websites, and blogs, as well as tour operators.

Photographic Tourism: exceptional land, sea and sky scenes make the Falklands an appealing destination for photographers. We will target specialist tour operators, photographic publications, websites, and blogs.

Sporting Events: sporting events (such as the Stanley Marathon) bring visitors to the Falklands as competitors and supporters. They put the destination on the sporting calendar and therefore create awareness. We will investigate and help develop and market other events with potential such as international fell (trail) running, orienteering, triathlons, cold-water surfing, and spear fishing.

Hiking: hiking has great potential in the Falklands due to the firm ground, wide-open spaces and interesting local life and wildlife. Hikers gravitate towards trails as these allow them to plan their days and give them something to base a trip around. We will develop marked trails and market these internationally through traditional and digital media.

Yachting: there is strong evidence that, with the development of a marina in Stanley, the yachting sector will thrive. We will support and encourage Option 2 of the Stanley Waterfront Development that provides safe facilities for around 12 yachts, and market the sector when facilities are in place.

Diving: diving in the Falklands has been described by many divers as some of the best in the world. We will work with the private sector to develop the dive product, potentially as part of a *Falklands Coldwater Academy* (a centre for diving, canoeing, surfing, coasteering, and other cold water sports). This in turn could lead to development of the Corporate Leadership/Team Building market.

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Cruise Tourism Product Development

Encourage the Growth of Local Cruising: we will encourage expedition cruise operators to increase their length of stay in Falklands waters, and introduce more destinations in Camp. To do this we will work with landowners to help develop appropriate shore excursions.

Increase the Diversity of Shore Excursions in Stanley: with the expanding number of cruise ships visiting the Falklands, and a trend towards home porting that needs to be encouraged, there is a requirement to offer a broader range of shore excursions to passengers in Stanley. We will encourage the private sector to engage with the cruise passengers by developing new and appealing tours. This will be assisted through the development of a Cruise Tourism Business Grant Scheme.

Domestic Tourism Product Development

Produce an Inspirational Domestic Tourism Guide: there is a lack of information encouraging (in particular) contract and MPC workers to travel around the Falkland Islands. Information on destinations in East and West Falkland where there is self-catering (and serviced) accommodation could be improved. We will develop a well-written and inspirational guide covering all the destinations that can accommodate overnight stays. The aim of the guide will be to inspire residents to travel, stay in accommodation, and provide suggested itineraries.

Key Priority Area 3: Improving the Infrastructure

The aim of improving the built environment for overnight and cruise tourists is to increase visitor satisfaction, greater repeat visitation, and longer length of stay, all of which will improve the economic impact of tourism in the Falkland Islands.

Civilian Passenger Terminal

The arrival and departure experience at MPA is particularly poor. The queuing process for departure (which often means standing outside), and the cramped and uncomfortable departure lounge does not provide a level of comfort or welcome that is consistent with the destination in general. It is particularly unpopular with cruse passenger exchange travellers.

There is also a fire regulation in place that, should LAN increase the capacity of their airframe, could lead to a potential loss of tourism expenditure of over £700,000 through capped passenger numbers on flights.

FIG is in the process of evaluating a range of options from “do nothing” to significant investment in new terminal facilities. This will require a good estimate of both costs and benefits of investment at Mount Pleasant Airport and also the level of support form MOD.

We will work with FIG to identify the most effective and feasible option for expanding the MPA terminal to allow it to accommodate a greater number of passengers and afford arriving and departing visitors greater comfort.

Accommodation Investment Guide

Whilst accommodation provision in the Islands is extremely fragile at present, investment should be private sector led, and is most likely to thrive when demand increases significantly from current levels. Encouraging private sector investment and being prepared for it is an essential part of the Strategy.

We will compile an accommodation investment guide, through consultations with landowners, FIDC, and relevant departments within FIG, to summarise available investment incentives and opportunities.

Tourism Accommodation Grant Scheme

The FIDC-administered Tourism Accommodation Grant has been a successful part of the Accommodation Accreditation Scheme, with several establishments applying for match-funded grants. We will continue to operate this scheme, with an annual fund of £50,000 that will allow establishments to request funding for soft furnishings in addition to structural work.

Café and Toilets at Gypsy Cove

Around 30% of all cruise visitor excursions are to Gypsy Cove (approximately 7,000 visitors per annum) – the most popular day visitor attraction. For many of the thousands of cruise tourists, impressions of the Falkland Islands are formed from their experiences at Gypsy Cove and Stanley. At present, the visitor facilities are extremely poor. Whilst the natural setting is very good, the lack of shelter, refreshments and poor quality mobile toilets lower the visitor experience.

We will investigate, and develop for private sector operation (if feasible) a purpose-built café with toilets at the Gypsy Cove site, providing good facilities for visitors to purchase food and drink, use conveniences, and shelter.

Stanley Infrastructure Improvement Fund

Whilst around 30% of all cruise visitor excursions are to Gypsy Cove, a further 15% take a Stanley Highlights tour, with many more visitors simply walking around Stanley unguided. We will improve the visit experience of cruise passengers by developing signage and other aspects of the public realm. This would be achieved through an annual fund of £25,000.

Cruise Tourism Business Grant Scheme

Average cruise passenger expenditure in Stanley is £55. The Strategy aims to increase cruise expenditure by providing more opportunities for passengers to spend their money. We will develop a scheme for residents to engage with the cruise sector by developing businesses that can serve cruise (and overnight) visitors. It is anticipated that funds would be allocated on a match-funding basis and would be available for equipment and training costs. The fund would be capped at £30,000 in the first year, with £10,000 being the maximum available for any one business.

JVC Falklands Showcase

Cruise visitors travelling to Stanley provide an excellent opportunity to market the Falklands as an overnight destination. It is estimated that there is a cruise-conversion potential of £1.4 million annually based on the level of interest of the Falklands from existing passengers. We will undertake a feasibility study of a visually engaging, interactive and high quality interpretation exhibition at the JVC, showcasing the Falklands and inspiring cruise passengers to visit the Islands on an overnight trip.

JVC Car Park Surfacing

The JVC car park is heavily utilised in the cruise season, and the current surface is either dusty or muddy. In addition, the lack of marked spaces can make the parking arrangements chaotic and confusing for visitors. As part of the overall drive to improve the cruise passenger experience, we will tarmac and mark the Jetty Centre Car Park for buses and taxis.

Key Priority Area 4: Investing in People and Skills

Tour Guide Training

Tour Guide Training has proved to be a successful element of current in-house training at FITB. Whilst it has mainly focussed on tour guides operating in Stanley on cruise ship days, the scheme will also be useful for drivers and guides interacting with overnight tourists in Camp. We will offer the course in Camp, as well as on an on-going basis in Stanley, according to demand.

Skills Development Training Scheme

For many Falkland Islanders, the establishment of a tourism business is a series of trials and errors, and is based on their own experiences when travelling. They may not be qualified in hospitality or guiding, but they learn as they go along; formal training is often out of financial reach. A training budget will be available on an annual basis to respond to the needs of the sector and will aim to provide at least one course a year for applicants based on demand.

Green Tourism Scheme

Increasingly, tourism markets are aware of the environmental impact of tourism and respond positively to destinations that have in place industry guidelines for minimising its impact. The main attraction in the Falklands is the environment, and consequently it needs to be protected for future destinations.

The implementation of a green tourism scheme that will cover all aspects of the industry, including accommodation, food and beverage services, tour operators and guides, and retail will be investigated. We will undertake a review of the various green/environmental accreditation schemes being deployed in international destinations, and to compile an initial outline scheme that could be developed in the Falkland Islands.

Falkland Islands Tourism Association

A tourism sector that is not unified or does not speak with a single voice is not as effective as one that does. We will encourage the establishment of a Falkland Islands tourism association to represent the sector and provide a unified voice for FITB to speak to. Financial assistance, if required, will be provided to establish the legal framework and setting up of the association.