

External Volatility – War and Civil Unrest
Industry Report
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One of the sad realities of the world today is the fact that war and civil unrest – including terrorist activity and warring religious factions, to name a few – does occur in many countries and can seriously affect travel to and from those areas. Although there are violent acts of terrorism occurring in places throughout the world, the following case studies look at some of the most recent. In addition, the fifth case study will look at the effect of terrorism in the U.S.

The case studies will give you an idea of the reaction that tourists and travel professionals have to volatile situations and ways to avoid losses in the future due to such uprisings.

Case Study #1 – The War in Kosovo

As anyone who watches the news knows, NATO was involved in the fight against Yugoslav President Slobodan Milosevic and the civil war he created in Kosovo – driving out ethnic Albanians in an attempt at “ethnic cleansing” of the country – during the early months of 1999. With bombings and a high profile war, travel professionals feared a severe decrease in European bookings.

Many reports from agents and tour operators who book internationally did not show a great number of cancellations. They did, however, experience a decrease in new bookings. Many cruise lines that offered trips in the Adriatic made changes. Holland America was one of the first to change their itineraries and exclude Adriatic ports, offering one of the first indications of the impact of the war on the travel industry.¹ In addition to Holland America, a number of cruise lines reported a change in itinerary to exclude areas close to Yugoslavia during this conflict.

One of the differences in the war in Kosovo is that, for the most part, it was contained and did not spread into other areas of Europe. There was an incident that spread the war to a seemingly unrelated area which will be discussed later in this case study. That is something to consider when looking at war and its long-term effects on travel and tourism. As one tour operator stated, clients are asking a lot of questions. Where he had booked 100 tours a day at the same time last year, he was now booking 75.² That was a slow decrease, however, if the hostilities had spread outside of this one area, bookings to Europe as a whole could have fallen dramatically. In fact, Price Waterhouse-Coopers estimated that

¹ *Travel Trade*, “Kosovo Crisis: HAL Cancels Croatia, Tour Bookings Soften,” April 5, 1999.

² *Ibid.*

travel and hospitality firms lost about \$100 million due to the war in the Balkans. They go on to estimate that travel from North America to all areas of Europe would have significantly decreased if the war had spread over the borders.³

For example, when one compares the effects that Kosovo had on travel as opposed to the 1991 Gulf War in the Persian Gulf, the difference is noticeable. With Desert Storm, the Iraqi threatened to blow up U.S. commercial aircraft and the fear of terrorism kept many Americans at home. The difference in the war in Kosovo is that most people didn't even know where Kosovo was and the threats of terrorism to American travelers were not being made.⁴

Despite the bombings and continued television coverage of the war in Kosovo, tour operators in Europe reported minimum cancellations and slow bookings, but not a dramatic decrease. In fact, cruise bookings were up an average of 15 percent at that time.⁵ People weren't necessarily stopping travel to Europe; they were just looking for alternate destinations – away from the war. Tour professionals selling western and northern European destinations not close to the warring area remain confident that bookings will hold steady throughout the summer. One caution is that people will wait to see exactly what develops before making final payment on scheduled European vacations.⁶

There has been, however, one tour operator casualty as a result of the Kosovo crisis. Sea Air Holidays, a tour operator specializing in European river cruises, shut its doors after 20 years in operation on April 20, 1999. The operator was forced to hastily rebook a group of 80 due to their ship being detained on the Danube in Belgrade after bridges collapsed as a result of bombing. With their ship being detained, having to make 11th hour changes, and needing to re-book several groups for whom they couldn't find space, the company became financially drained. According to an ASTA representative, it appeared the company was not a part of any protection program and did not have the funds to continue.⁷

After being asked about the crisis at the 1999 Tour Operator Spring Meet in Boston, NTA President Robert F. Brennan, CTP, stated that NTA members were not seeing a lot of cancellations to Europe, nor were they seeing many new bookings. He also said that North American tour operators were seeing an increase in domestic bookings, indicating that many Americans were choosing to explore their own backyard instead of traveling abroad during the crisis.⁸

³ *TravelAge*, "A Casualty of War," May, 1999.

⁴ *Leisure Travel News*, "Europe Bookings Hold," April, 1999.

⁵ *Travel Advance*, Volume IX, Number 85, May 3, 1999.

⁶ *Leisure Travel News*, May, 1999.

⁷ *Travel Weekly*, "Sea Air Closes After 20 Years, Cites Bombings," April, 1999.

⁸ *Leisure Travel News*, "Bombings Shift Business," April, 1999.

Although the Kosovo crisis did not spread to other parts of Europe, it did create problems in an area that would have appeared unrelated to the conflict. The accidental bombing of the People's Republic of China Embassy in Belgrade by NATO-coalition forces sparked anti-NATO demonstrations and violence in China. Although China is far from Kosovo, the ripple effects of the embassy bombing caused the United States to release a travel warning, urging Americans to defer travel to China. The warning also stated that if Americans were already in China, they should attempt to leave or, at the very least, stay very close to their homes or hotels, review security practices and stay alert to this volatile, changing situation.

One NTA tour operator member had to immediately evacuate three tours of Hong Kong from separate locations in China and reorganize and reroute several other tours due to this State Department warning. Staying abreast of the situation in Kosovo helped this tour operator to ensure the safety of their clients in a destination which, just weeks before, had no relationship to the war. This is an excellent example of how closely monitoring a situation and having an emergency plan of action can help tour operators avoid, or more easily correct, a possibly dangerous situation.

The overall economic impact of this war in Europe is still to be determined. The economic fallout stretches far beyond the Danube. Along Italy's Adriatic coast, airports that normally would be making themselves available to tourists were hosts to NATO bombers and closed to civilian traffic. Refugees pouring into western Europe placed a strain on local officials to process them. Finally, the joy that Europe felt at the first of the year with the introduction of the Euro is now turning to concern. Deutsche Bank Chief Economist Norbert Walter calculates that war and reconstruction will shave a combined half-point of much-needed growth off Europe's economies over this year and next. On average, the continent is expected to grow only two percent this year and 2.8 percent in 2000. The Euro is also down 10 percent against the dollar so far this year and has been hitting low after low since the air war first thundered over Yugoslavia. More bad news from Kosovo could push the Euro, now worth \$1.06, toward the crucial threshold value of one dollar.⁹

The impact on tourism in the embattled areas is already being seen, but what about the rest of Europe. A war like this will have a negative impact on the European economy as a whole, not just Yugoslavia. One then must look at the effects a suffering European economy will have on inbound tourism into the U.S. While the NATO countries are now financing the war, Europe handles the refugees and reconstruction of the Balkans, which grew ever more expensive with each bomb. Travel professionals who cater to inbound travelers, as well as outbound, should be watching the European economy very closely during these times.

⁹ *Business Week*, "Kosovo's Fallout," May 10, 1999.

As with any war, the economic impact can be far reaching. Reconstruction and a lowering of the warring country's currency can cause inflation, unemployment and a generally bad economy. That may not affect the post-war tourism into that country as much as it does the outbound. Anytime a country's currency is devalued and the economy has a downturn, their citizens will not be as prone to travel. Tour operators who work with inbound travelers will want to keep a close eye on the economies of the affected areas both during and after the conflict.

Case Study #2 – Attacks in Uganda

The report of Rwandan rebels kidnapping and brutally slaying tourists in the Bwindi National Park in Uganda was a shock to tourism in that area. The victims were on a tour to view gorillas in one of the biggest and most adventurous parks in Uganda. Tour operators were halting tours after the closing of the park on March 1, 1999. Postponing scheduled departures, making refunds to clients or attempting to book clients to neighboring Kenya and Tanzania were all methods of reacting to this crisis.¹⁰

According to tour operators who sell these gorilla-viewing adventure tours, they are still selling Kenya and Tanzania, however those are very different trips. Uganda is more for the active, adventurous tourist who may not be satisfied with the offerings of the other two destinations.¹¹

Possibly the most affected parties in this crisis is the gorilla and the conservation efforts established by Uganda. The many tourist dollars that are spent to view these animals pay for their conservation. Uganda has responded quickly to this situation and hopes to secure the area and reopen to tourists quickly. A significant decrease in tourist dollars could severely damage the parks and the conservation efforts that the country has worked so hard to maintain – ultimately damaging the future of tourism in Uganda.¹²

Case Study #3 – Protests in Jamaica

Violent protests in Jamaica over a proposed tax hike and increase in gas prices in April of 1999, administered a beating to their tourism industry. Protesters who traded gunfire with police in Montego Bay and Kingston, killing six people, had tour operators, cruise lines and resort hotels in the area scrambling. Many cruise lines rerouted ships offering either an extra day at sea or stopping at another port. Ground tour operators were unable to transport tourists through the many

¹⁰ *Travel Weekly*, "Trade Grapples with Uganda Crisis," March, 1999.

¹¹ *Leisure Travel News*, "After Uganda," March, 1999.

¹² *Ibid.*

roadblocks or purchase fuel with almost all gas stations closed. They had to cease operation until the protesters had been held at bay. Kingston had a curfew in effect during the protests and has seen a number of cancellations since word of this uprising reached the news. Adding to the bad press and frustration, many travelers who canceled were held to stiff penalties by the airline – Air Jamaica – and many of the resorts.¹³ However, Bob Gilbert, CTC, senior vice president of sales and marketing for SuperClubs, stated recently that Jamaica has recovered and is back to normal. He reported fully booked resorts and the usual friendly Jamaican greeting to tourists. It has not come, however, without a lot of work. The Jamaican government had to move very aggressively to restore confidence in their destination – including expanded advertising and promotions, as well as travel agent familiarization tours.¹⁴

Much like the tragedy in Uganda, an uprising such as this is very hard to predict. And, unlike the war in Kosovo, a protest over local governmental issues usually happens quickly and with little warning.

Case Study #4 – Kurdistan Workers Party (PKK)

The PKK is a terrorist group located in Turkey. Led by Abdullah Ocalan, this group is said to be responsible for more than 30,000 deaths in Turkey. Ocalan was arrested earlier this year in Italy and is currently standing trial for his and his organization's many acts of terrorism.

One of the unique things about this situation is that the followers of Ocalan have openly and publicly stated that they will attack tourism if their leader is executed. The areas of Turkey and Greece are the most affected areas by this declaration. Unlike other terrorists acts that are not expected, the PKK's threats are having an effect on the tourism to these areas. Tour operators and tour suppliers are keeping a close eye on this situation and for the issuance of any travel warnings related to the areas in and around Turkey and Greece. The trial is scheduled in end in July, however the ramifications of the outcome can affect the area and tourism for some time.

Should Ocalan be released, his reign of terror and the PKK will continue. Should he be convicted, the many followers who formed the PKK are still at large and are threatening retaliation. Although the PKK is one group in the headlines today, there are a number of groups similar to them across the world. Keeping abreast of such militant organizations in areas in which your company plans tours, and having a plan of action should a situation arise, is the best way to combat such a potentially unstable situation.

¹³ *Travel Weekly*, "Jamaica Protests Disrupt Air, Land and Cruise Travel," April, 1999.

¹⁴ *Travel Trade*, "Gilbert Says Jamaica Back to Normal," May, 1999.

Case Study #5 – Domestic Terrorism

The United States is by no means free of terrorists acts. From 1990 to 1996 there were 17 incidents of terrorism in the United States including the bombing of the World Trade Center building in New York City, the bombing of the Alfred P. Murrah Federal building in Oklahoma City and the bombing at the Summer Olympic Games in Atlanta. In addition, five planned terrorist acts were prevented in 1996. These acts were directed against local law enforcement officials in Montana, an FBI facility in West Virginia, communications and transportation infrastructure and banking facilities in Washington state.¹⁵

Arguably, the most notable terrorist act upon U.S. soil to date would be the attacks of September 11, 2001. Unlike any of the other acts of terrorism, this one was unique and unlike any before. It was a well-planned attack on several areas of the country and resulted in the current war in Afghanistan billed as the “War on Terror.”

With this act of aggression against the U.S. being still so fresh in the minds of everyone, there is no need to revisit the details of the attack. However, NTA members can refer to two Strategic Travel Action Resources (STARs) on Post-Sept. 11 recovery. These reports offer statistics on the ramifications of the Sept. 11 attacks and provides ideas for tour operators, tour suppliers and DMOs on methods of recovery. These STARs can be found on NTA Online at http://www.ntaonline.com/0,5978,1_886_0_12294,00.html.

The acts of terrorism mentioned above were all highly publicized and created a great deal of insecurity and tension among U.S. citizens. None more than the fear and chaos that was caused by the events of Sept. 11. In fact, the travel industry is still fighting the ramifications of that event. Even years after the World Trade Center bombing, reports of other acts of terrorism can leave people shaken. The 1998 bombing of the U.S. embassies in Africa – five years after the 1993 World Trade Center bombing – caused heightened security and feelings of fear around the city of New York. NYPD officials had police on high alert and instructed them to drive by targeted locations at regular intervals, being alert to anything out of the ordinary.¹⁶ Many lessons have been learned by these and other terrorists acts.

Heightened security procedures at airports and possible targets for terrorists activity have become priorities and continues to be improved and expanded. In fact, the Sept. 11 attacks led to the development of the Homeland Security Office to monitor activity and develop a system to inform Americans as to the threat of attacks. Although this was developed to keep Americans informed, it can often serve to keep the fear and “what if” attitude of the traveling public at the forefront

¹⁵ Federal Bureau of Investigation, “Terrorism in the United States”, Washington, D.C., 1996.

¹⁶ *New York Daily News*, “Wary N.Y. Eyes Its Vulnerable Sites,” August, 1998.

– one of the battles that the travel industry is continually fighting. What Sept. 11 and these other domestic terrorist activities detailed above teaches us is that the United States is far from immune to these threats and, in light of the events in 2001, it is now a top-of-mind threat for most Americans.

Crisis Management – Tour Operators

What actions can a tour operator take who has booked tours that are now questionable with regard to safety? Many can take the route of the cruise lines and alter itineraries. Notifying passengers prior to departure about itinerary changes for their safety can help offset upset customers. Clients who do not wish to change their itinerary can be offered refunds or alternative trips. With the situation in Uganda, refunds or re-booking to other gorilla-watching areas have satisfied clients. Similarly, the various cruise lines stated that the change in cruise itineraries to avoid portions of the Adriatic close to the Kosovo conflict did not cause problems with cruise passengers during that conflict.

Many tour operators have protected the commissions of the agents who sold the trips. Just as you do not want to lose a client, you also do not want to lose the agent who sends you clients. Planning to protect commissions is an excellent way to keep everyone satisfied and booking trips.

Another option for tour operators is to work with tour suppliers on deposit deadlines. As some time elapses and the initial fears have subsided, many travelers will be willing to continue to a certain destination that may have been in question just months prior. Asking for extended deposit deadlines with tour suppliers can often help fill seats that may have otherwise been empty. A good relationship between the two – tour operators and suppliers – can help to benefit both in the long run.

Receptives in outbound destinations can be a great help in monitoring situations and assisting in developing a crisis plan. They are more in touch with the actual situation and can funnel information important to crisis planning. Effective crisis planning involves a number of people. The more expertise and knowledge you have available, the more effective your crisis management plan will be.

The following recommendations are made for handling any crisis situation that may arise in your company. The steps are outlined as follows:

- ❖ Develop a strategy based on a worst-case scenario.
- ❖ Create a crisis team which will, in the event of an emergency, focus only on the immediate problem.
- ❖ Rehearse the crisis plan. Try to contain bad news, but don't suppress it. National news stories can generally have a negative undertone if communications aren't handled effectively on the local level.

- ❖ Be honest with the media. Respond quickly. Provide them with as many facts as are available.
- ❖ Make sure you have an overall communications plan in place before you try to create a crisis communications plan. What is the message your company wants to convey in any situation?¹⁷

If your company had a tour of 30 people set to depart for Uganda a week after the slayings and park closing, a team prepared for worst-case-scenario travel crises should be ready to spring into action. Call the passengers, offer suitable changes in itinerary or, as a last resort, offer refunds. Being prepared and having a plan of action for such a crisis is the most effective way to prevent a group of unhappy clients.

Another great tool during a crisis situation – as many NTA members learned during the Sept. 11 crisis – is NTA Online. Tour operators, tour suppliers and DMOs from across North America learned of stranded groups and offered, as example, hotel rooms, meals, entertainment and other items to help tour operators keeps their travelers happy while they tried to get them home. Not only did this show the great community spirit that exists within NTA, it also proved that NTA Online is a great source for to-the-minute information as well as a way to get help from fellow tourism professionals.

How do you plan for such an unforeseen crisis? There are several ways you can be prepared for crises in other countries. First, stay abreast of travel advisories issued by the U.S. State Department. Travel warnings are posted on their website – www.travel.state.gov/travel_warnings. Once on this site, you can select the countries you wish to check for any travel advisories. In addition to that, simply typing “travel advisory” into a search engine such as Yahoo! or InfoSeek will provide you with a number of sites from the U.S. to Canada, to the State Department. Staying informed about your tour destinations is one preventative measure to take, in order to not be surprised by unrest in the region. An additional Web site to check regarding the situation with Iraq and other countries today is www.globalpolicy.org. This site contains up-to-date information on UN initiatives and a button to follow the Iraqi situation.

Another method being adopted by many companies worldwide is “scenario forecasting.” This is a technique that makes you think about the future and the changes that could negatively, or positively, affect your company. Your company would develop scenarios to identify major changes that could happen in the world then map out ways you would react if those changes occurred. The hypothetical exercise leaves you better prepared for quick action if a real crisis were to occur.¹⁸

¹⁷ *Marketing Tools*, “When Bad Things Happen to Good Companies,” October, 1995.

¹⁸ *American Demographics*, “How to Think About the Future,” February, 1998.

Another recommendation by experts in “scenario forecasting” is to develop a megatrends list. This involves listing six or eight things that are happening that could have an impact on your business. For example, look at what can happen with travel laws, agent commission caps, the future of senior travel, consolidation, etc. Try to think of everything that could affect your business positively or negatively. Then, map out a plan of action for dealing with changes in the industry.¹⁹ This will allow you to be prepared for uncertainties and changes in the world around you.

Crisis Management – DMOs

As mentioned in case study number five, uprisings happen here as well as overseas. The Oklahoma City bombing, the killing of tourists in Florida and the Los Angeles riots were all problems for tourism in those destinations. What can a DMO do to rebuild tourism in their city after such devastating occurrences?

After such a crisis, professionals in crisis management suggest that a short and long-term program to rebuild the image of your destination be put in place. To be prepared, such programs should already be outlined. The tragedy should only serve to put the already outlined plan into action.

Much like the Jamaican government did with their recent riots, quick action is crucial. If you are a destination which relies on tourist dollars, such as Florida, the longer it takes to get your image re-built, the more detrimental it can be.

Many suggest expanded advertising campaigns that stress safety and even utilize testimonials of people who are currently on tour or visiting your destination. The more confidence you can bolster from the touring public, the faster your destination can recover. Identify the precautions that have been taken to ensure the safety of visitors – address the specific problem and be upfront and honest about what is being done. In the long run, bad press can often be more detrimental than the tragedy that brought your destination into the spotlight. Keep any messages to the media clear and simple. Be very careful not to say anything that can be taken out of context and point out any bright spots that might present themselves. Like the Jamaican situation, destinations usually need a lot of public relations and advertising dollars to quickly reverse a bad situation.

For example, Florida had 10 tourist-related murders from 1992 to 1993. Six of those occurred in the Miami area as tourists in rental cars were being targeted for such crimes. One of the first reactions from Florida during their crisis was to report that rental cars would no longer have a visible sign, such as special license plates, that identified the car as a rental. In other words, tourists would not be as conspicuous as before and potential attackers would not be able to

¹⁹ *American Demographics*, “How to Think About the Future,” February, 1998.

readily spot a rental car and identify the passengers as their next victim. A massive media blitz to reassure travelers to Florida that their safety was a top concern hit the airwaves quickly. In addition to the state law regarding rental car license plates, Miami added a squad called the Tourist Oriented Police, in 1994, to augment police patrolling Miami International Airport. In that same year, they also created the Tourist Route Information Program to assist visitors in finding their destination easily and safely and developed a Visitors Safety Tips Guide to give tourists pointers on safety when traveling.²⁰

Summary

Violence, war and terrorism are an unfortunate byproduct of the world in which we live and work. Civil and religious wars are still very much a reality today and have been in the headlines for most of 1999. As the three case studies reviewed illustrate, crisis management is the best way to prepare for changing tides in the travel and tourism industry.

As a North American tour operator, NTA members can capitalize on increased travel at home to offset a loss of international bookings due to crisis situations abroad. If you keep abreast of travel warnings and research your tour destinations, you are less likely to be caught off-guard by a major uprising, such as the one in Yugoslavia. Unfortunately, no one can predict situations like the ones in Uganda and Jamaica or the attacks of Sept. 11. You can only educate yourself and your travelers and be as prepared as possible for any scenario. When violence and unrest do occur, put your plan for managing such an unforeseen crisis into action and change itineraries, offer alternate destinations, or make refunds.

Another by-product of such crisis situations is the overall affect on the economy. We saw this with the Kosovo case study and we are seeing it now. Lost tourist dollars are now a global threat to the overall economy and, in particular, the future of tourism. A recent article on CNN.com stated that 6.6 million people in the global tourism industry have lost jobs over the last two years. This global slump, still being fueled by the still questionable economies in both the United State and other countries as well as the threat of war, is causing experts to state that recovery before 2005 for the industry is not likely.²¹

Managing for a crisis is not simple. There is guesswork and a lot of “what ifs” involved. However, a careful planner and responsible tour operator will be prepared for situations that could affect business, and establish a solid plan to counteract any negative fallout. If you utilize some of the crisis management techniques outlined in this report, you can lessen the probability of huge business losses due to uncontrollable outside occurrences.

²⁰ *USA Today*, “Miami Takes Precautions for Visitors,” January 28, 1999.

²¹ CNN.com, “Tourist Woes Cost 6.6 Million Jobs,” January 29, 2003.