

The current report was based on figures up to the 15<sup>th</sup> of June

**COVID-19**

# Industry Pulse Report: Tourism

Greece | June 2020



**EY**

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# The impact of COVID-19 on tourism

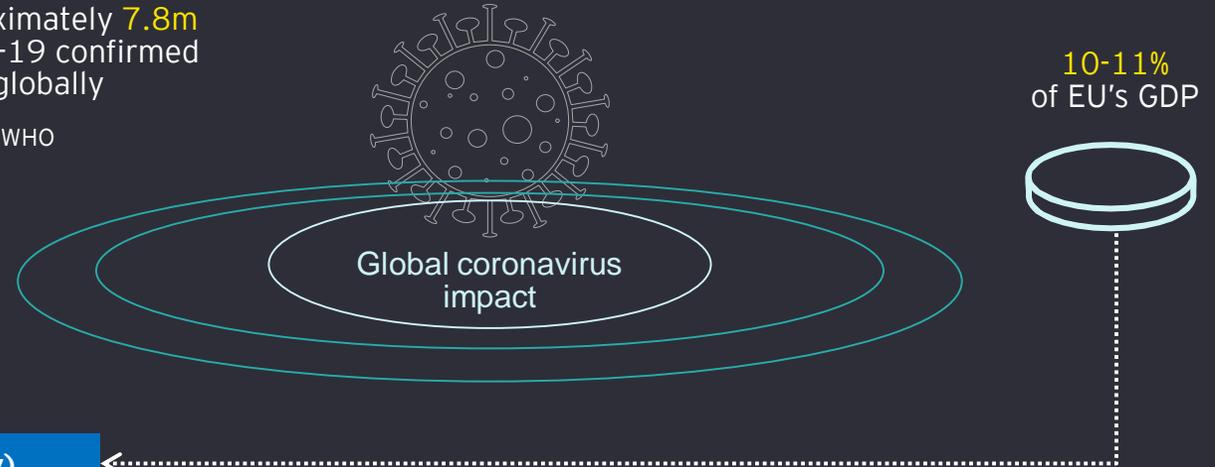
## Key figures

The world faces an unprecedented global health emergency, with unparalleled impact on our societies and lives, that may be jeopardizing the advances made in sustainable development and equality over recent years.

According to hotel sector estimates, revenue losses at European level for hotels and restaurants have reached 50%, 85% for tour operators and travel agencies, 85% for long-distance rail, as well as 90% for cruises and airlines.

Approximately **7.8m** COVID-19 confirmed cases globally

Source: WHO



### Travel & Tourism sector (Globally)

Source: WTTC



Estimated impact of COVID-19:  
 ▶ **100.8m** job losses and  
 ▶ **\$2.7 trillion** decline of GDP for 2020

**10.3%** of global GDP or **\$8.9 trillion**

**5x** the impact of the 2008 global financial crisis



**22%** decline in international tourist arrivals (Q1 of 2020) or a loss of **67m** international arrivals and approximately **\$80b** in receipts.

International tourism could decline by 60-80% over the whole year.

Source: UNWTO

Three possible scenarios for the gradual opening of international borders with respect to the level of international arrivals in 2020, relative to 2019 performance:

- 1 **-58%** in early July
- 2 **-70%** in early September
- 3 **-78%** in early December

Source: UNWTO



# The impact of COVID-19 on tourism

## Impact on tourism receipts, recent developments

The coronavirus pandemic is having a significant impact on the travel and tourism industries. This is mainly a result of travel restrictions, as well as the lack of demand among travelers.

A significant reduction in passenger numbers resulted in empty flights and cancelled hotel bookings. The supply chain of each impacted industry is currently experiencing a “knock-on” effect.

According to estimates by the Greek Minister of Tourism, in the best case scenario, the Greek tourism sector will be able to maintain only €8.0b from last year's tourism receipts of €18.2b.

In addition, Andreas Andreadis, CEO & Co-Managing Partner Sani/Ikos Group, estimates that there will be a 50-70% reduction in tourism receipts, while the industry will need time to recover.

As stated by the President of the HHF, Grigoris Tasios, only 30% of hotels will open on June 15, while two-thirds of the hotels are expected to open during the first ten days of July.

ForwardKeys announced that Greece, Portugal and Spain have seen a significant jump in international flight bookings for July and August. Between May 20 and June 3, the number of international flight tickets for Greece increased, from effectively zero to 35% of their total during the aforementioned period in 2019.

The head of the Greek Tourism Confederation (SETE), Yiannis Retsos, announced that domestic tourism is expected to play a significant role in 2020, although it is known that revenues from domestic tourism represent about **10%** per year. However, it will be a stimulating injection for tourism businesses and will help mitigate the impact of COVID-19 on the sector.

Tourism receipts from main tourist markets are expected to be reduced more than **50%** this year for Greece, due to the pandemic.

More than **50%**  
reduction of tourism receipts  
is expected this year



# The impact of COVID-19 on tourism

## Impact on bookings and recent developments

It is estimated that the largest impact on bookings will mainly concentrate on island tourism, as for some Greek islands tourism accounts for 90% of their economy.

In late March, TUI Group received the approval of the German federal government for a bridge loan of €1.8b from Germany's state-owned development bank (KfW), due to the suspension of most of its travel operations.

Following the major disruption of its operations caused by the COVID-19 pandemic, TUI recently announced a significant increase in bookings for holidays to the Balearic Islands, Greece and Portugal. Many of these bookings are for September, possibly leading to an extended summer season.

Airbnb's business has been hit hard, with 2020's forecasted revenue being less than half of what the business earned in 2019. After the raise of \$2b in capital and by having dramatically cut costs, Airbnb's Co-Founder and CEO announced a 25% reduction of the company's workforce.

According to a statement by the President of the Hellenic Chamber of Hotels, it will take a long time for the Greek tourism industry to reach 2019 levels.

A recent study by the Hellenic Chamber of Hotels suggests that up to 65% of Greek hoteliers consider that bankruptcy is "possible" or "very possible", due to the impact of COVID-19.

It is estimated that the hotel sector in Greece will lose a total amount of **€4.46b** in 2020.

Due to booking cancellations, it is estimated that hotels operating all year-round will have a **€1.2b** reduction in their turnovers, while seasonal hotels will have a **€3.26b** reduction for 2020.

**€4.46b**

will be lost in the Greek hotel sector in 2020



# The impact of COVID-19 on tourism

## Impact on air travel and recent developments

IATA warns that the effect of the pandemic on an already frail air travel industry may have broad repercussions by significantly decreasing expected revenues.

The European Commission announced that it will temporarily alleviate airlines from airport slot usage obligations. This measure will help by “releasing pressure on the aviation industry and in particular on smaller airline companies [...] by avoiding so-called ‘ghost flights’ where airlines fly almost empty aircraft simply to keep their slots”.

Many airlines globally have announced the resumption of flights.

According to IATA’s semi-annual report, airlines globally are expected to record a negative operating income in 2020, with losses being over \$84b for this year, and nearly \$16b in 2021. In addition, 32m jobs supported by aviation (including tourism) are in jeopardy.

Aegean Airlines Chairman stated it will take at least six months for the Greek airline to recover, and two to three years to reach pre-coronavirus levels, with revenues currently being calculated at 0.05% of its daily pre-COVID total.

Aegean Airlines will receive subsidies of €150m from the Greek State, which correspond to 11% of the airline's turnover, being the smallest aid given by an EU country to a domestic airline.

By mid-July, Aegean plans to operate 1,000 flights per week, to 42 destinations from Athens, and 7 destinations from Thessaloniki. By August, it is planning to reach ~50% of its original scheduling.

According to the Hellenic Civil Aviation Authority (HCAA), international and domestic passenger traffic at all Greek airports in April 2020 was down by **99%**, due to the coronavirus pandemic.

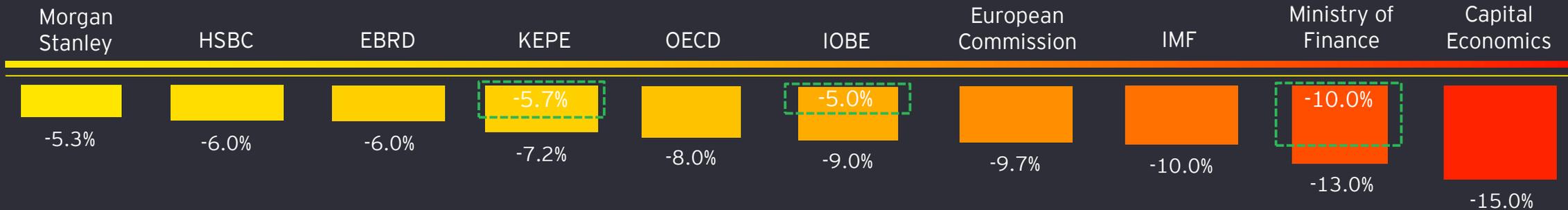
**99%**

decline in international and domestic passenger traffic at all Greek airports, in April 2020

# The impact of COVID-19 on the Greek economy

## Estimated slowdown under different scenarios

### Scenarios on the impact of COVID-19 on Greece's GDP for 2020



- ▶ **Morgan Stanley** estimates that Greece's GDP will drop by 5.3% in 2020, but will rebound with a 6.3% growth in 2021.
- ▶ **HSBC** forecasts a 6% hit in Greece's GDP this year and a recovery in 2021, with the GDP increasing by 5.8%.
- ▶ **EBRD** estimates a 6% decline in Greece's GDP in 2020 and a 6.0% growth in 2021.
- ▶ **OECD**, in a first scenario that considers no resurgence of COVID-19, estimates that the recession in Greece in 2020 will be 8%, with a recovery of 4.5% in 2021. In a second scenario, that considers a resurgence of COVID-19, Greek GDP will decrease by 9.8% this year and will recover by 2.3% in 2021.
- ▶ **KEPE** forecasts a decrease, between 5.67%-7.16% in Greece's GDP in 2020, with the GDP deriving from accommodation and F&B services, declining from 17.6% up to 19.8%.
- ▶ **IOBE** forecasts a mild scenario of a ~ 5% decline in Greece's GDP, followed by an adverse one of a 9.0% drop.
- ▶ The **European Commission** forecasts Greece's GDP will shrink by 9.7% for 2020, but it will rebound with a 7.9% increase in 2021.
- ▶ The **Greek Ministry of Finance** forecasts a 10.0-13.0% decline in Greece's GDP in 2020, following the lockdown that was imposed to prevent the spread of the COVID-19 pandemic. However, the recession could be contained between 5.0%-8.0%, with the help of government and corporate support measures.
- ▶ **IMF** estimates a 10% drop in Greek GDP in 2020, a figure not that far from the EU average of 7.5%, but higher than every other Eurozone member state.
- ▶ **Capital Economics** forecasts a 15.0% recession in Greece for 2020.

Major international organizations have been revising their estimates regarding the impact of COVID-19 on the Greek economy. Due to the importance of tourism in the Greek economy, and given the significant impact of COVID-19 on this sector, Greece's economy is expected to be severely hit.

# The Greek tourism sector

## Tourism's contribution to the Greek economy

- Tourism has been the most resilient sector during the recession, alleviating unemployment in the Greek economy in recent years. Tourism is also one of the few areas of high investment interest and, because of its importance, it can be a key driver for the country's return to sustainable development.
- Due to the large number of tourist destinations across the country, tourism plays a crucial role in generating income in many of its regions. On the other hand, it is a highly seasonal sector, due to the fact that "Sun and Sea" holidays constitute the country's main tourist product.

### Tourism's economic impact

2018 figures - InSETE

Tourism...



contributes directly to the creation of **11.7%** of the country's GDP, while by also including its indirect contribution, this is estimated between **25.7%** and **30.9%**



contributes directly **16.7%** of employment during the peak season (Q3), and indirectly between **36.7%** and **44.2%** while being a key driver of unemployment reduction



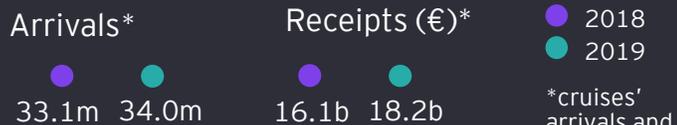
attracts significant investment activity - **€5b**, of which, **€1.9b** constitutes domestic value added



is a largely extrovert activity, with over **90%** of tourism revenue coming from abroad - these revenues, including cruise revenues, air transport and maritime transport, amounted to **€18.2b** in 2019

### Top 5 markets contributing significantly to the Greek tourism sector (arrivals in 2019)

Source: Bank of Greece, EY Analysis



Source: Bank of Greece

\*cruises' arrivals and receipts are included

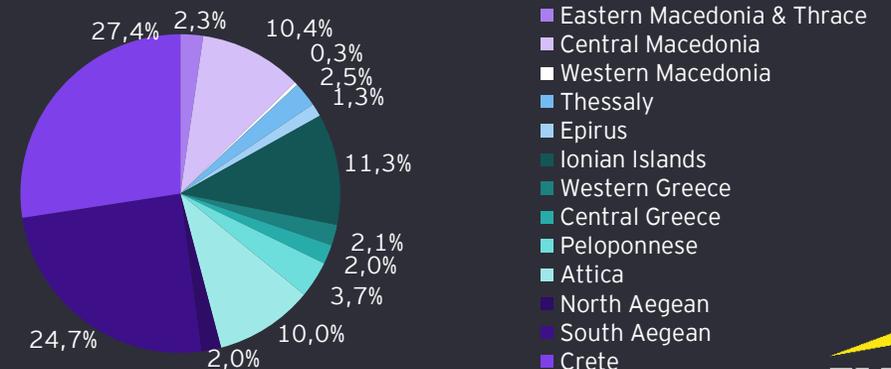
### Receipts by purpose of travel, 2019

Source: Bank of Greece, EY Analysis



### Distribution of overnight stays of Greeks and foreigners in hotel-type accommodation and camping, 2018

Source: ELSTAT, EY Analysis



# The Greek tourism sector

## Greece's most important tourism markets



**Greece**  
(2.8k confirmed cases)

- ▶ Greece's lockdown ended on May 4. Due to the significant impact of COVID-19 on Greek tourism, restarting the sector will be a complex and slow process. The toll on the Greek economy is expected to be significant.



The above 5 countries constitute Greece's most important tourism markets, contributing a total of 48.5% to tourism receipts in 2019. If tourists from these countries limit significantly their holidays to Greece, as a result of the ongoing health crisis, it is estimated that tourism receipts will be largely reduced, relative to the previous year.



**Italy**  
(237k confirmed cases)

- ▶ The Italian government has decided to permit unrestricted travel between Italy and other Schengen countries and within Italy itself, starting June 3.

In 2019, Italy accounted for 5.5% of Greek tourism receipts



**Germany**  
(186k confirmed cases)

- ▶ According to a survey of Deutsche Tamoil, from a sample of 3,538 people, 86% of Germans are not willing to travel abroad, despite the permission to travel.

In 2019, Germany accounted for 16.3% of Greek tourism receipts



**UK**  
(294k confirmed cases)

- ▶ Matt Hancock, the British Minister of Health, estimated that it would be difficult for citizens to travel abroad this year. Therefore, chances of seeing large numbers of tourists from Britain in Greece this year are decreasing.

In 2019, UK accounted for 14.1% of Greek tourism receipts



**France**  
(152k confirmed cases)

- ▶ The French government is reluctant to allow citizens to travel abroad this summer and recommends vacationing in France.

In 2019, France accounted for 6% of Greek tourism receipts



**USA**  
(2.1m confirmed cases)

- ▶ Some American tourists have been making hotel bookings for the end of June. They do so by keeping in mind that they can cancel their reservations by receiving 100% of their money from the hotels and by getting vouchers from the airlines.

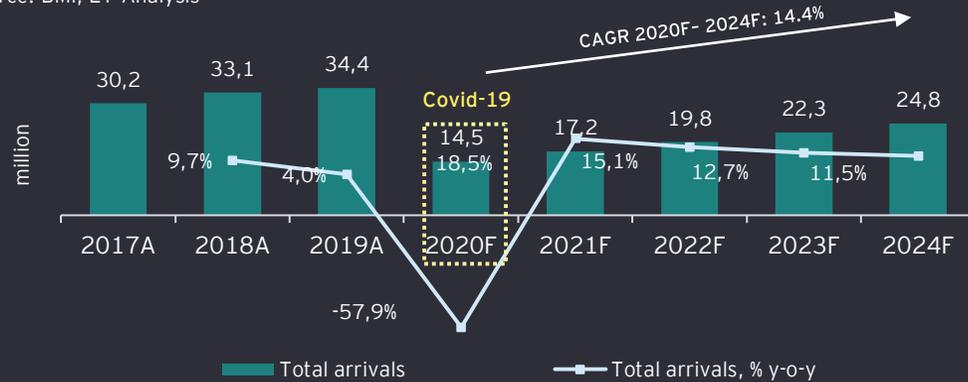
In 2019, the US have accounted for 6.5% of Greek tourism receipts

# The Greek tourism sector

## Impact of COVID-19 on the tourism sector and on hotels

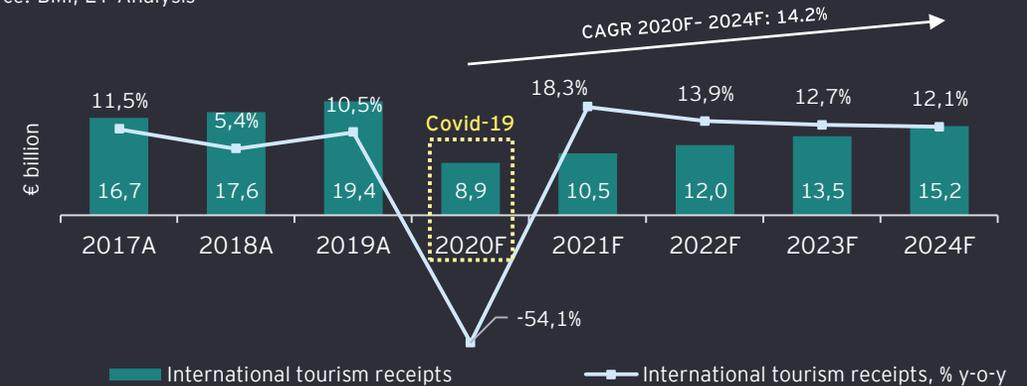
### Total tourist arrivals in Greece (2017A - 2024F)

Source: BMI, EY Analysis



### Total tourism receipts in Greece (2017A - 2024F)

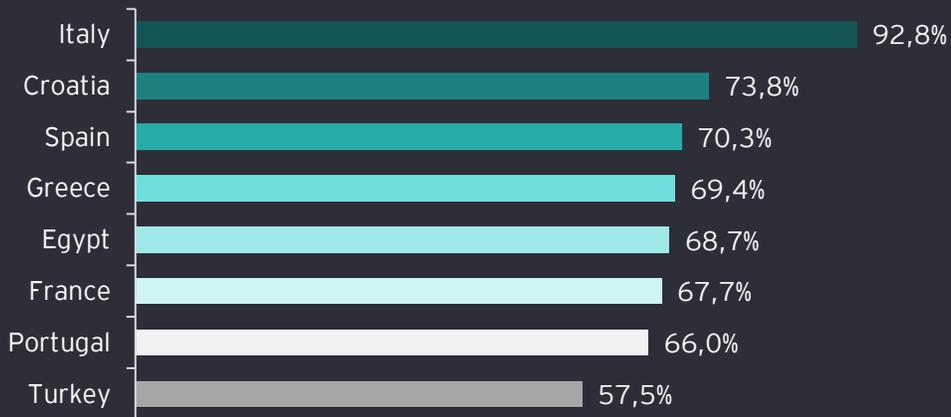
Source: BMI, EY Analysis



▶ According to the forecast, the levels of arrivals and tourism receipts achieved in 2019 will not be reached in the 2021-2024 period.

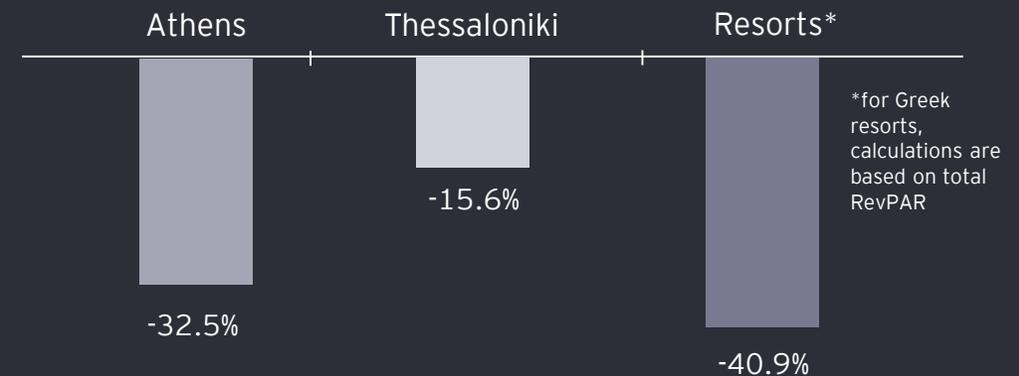
### COVID-19 impact: decrease of RevPAR in competitive markets - March 2020, YTD

Source: STR, EY Analysis



### COVID-19 impact: decrease of RevPAR for Greek hotels, Q1 of 2020, compared to 2019

Source: GBR, EY Analysis



# The Greek tourism sector

## Impact of COVID-19 on the tourism sector and on hotels

Greece is one of the countries that is reopening its borders for tourists during this year's summer holiday season, and in conjunction with its relatively favorable epidemiological characteristics, is expected to claim a significant market share in tourism.



FTI Ralph Schiller, TUI & DER Touristik, and Eurowings Holidays are choosing Greece, among other destinations, for the restart of their activities. Greece is proving to be a "value for money" option in travel packages with demand steadily increasing in recent years. Greece has been receiving great publicity due to its exceptional management of the health crisis, attracting the interest of tour operators.

Some of the most known hotels and hotel chains in Greece that are planning to reopen are Blue Palace, Metaxa Hospitality Group, Aqua Vista Hotels, Four Seasons Astir Palace Hotel Athens, Grecotel, Sani / Ikos Resorts, Arion Hotel, Nafsika Hotel, Costa Navarino, Mitsis Hotels, Aldemar Resorts, H Hotels Collection, and Atlantica Hotels & Resorts, among others.

Greece's competition is expected to be more limited compared to previous years, as tourism powerhouses are still unable to restart their tourism industry or do not yet enjoy sufficient confidence from travelers and tour operators.

Assuming an orderly exit from the health crisis and a non-recurrence of the pandemic during the summer and early-autumn months, Greece may be able to claim a relatively larger market share, albeit at lower absolute size than last year. Tour operators will have fewer options regarding the available tourism destinations and from recent market evidence they seem to be quite interested in Greece. In addition, fewer hotels will reopen in Greece this year, and those that will, may be able to achieve higher than expected occupancy rates, thus mitigating, in part, the negative impact of the health crisis.

# Stakeholders' viewpoints and concerns

## Public statements

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“ There is no way we can move on without the existence of risks, but we have worked very hard to restart tourism safely [...] Our ability to promote Greece as a safe destination will determine a lot. I'm not interested in making Greece the number one destination in Europe, I'm interested in making Greece the safest destination in Europe [...] We want to extend our tourism season and the way to do it is to convince people that there are fantastic reasons to visit Greece, not just during the summer.

Kyriakos Mitsotakis - Greek Prime Minister

Source: naftemporiki.gr (13.06.2020)

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“ We need to change our tourism model and focus on sustainability. For us, sustainability in the broadest sense, is the way forward, making Greece a pioneer.

Kyriakos Mitsotakis - Greek Prime Minister

Source: naftemporiki.gr (13.06.2020)

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“ Hotels will not open this year with the aim of making profits, but solely with the purpose of sustainability, betting on next year's tourism season.

Konstantina Svinou - ITEP's president

Source: liberal.gr (07.05.2020)

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“ In July, occupancy will not exceed 20%, while some large units will not operate at all, in the absence of reservations. However, not only bookings are missing, but also working capital. We are waiting to see what will happen with work subsidies, to estimate our costs. And, on top of that, we have tour operators who are asking for discounts of 20% and, even up to 40%.

Grigoris Tasios - President of the Hellenic Hoteliers Federation

Source: makthes.gr (14.06.2020)

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“ By the end of June, half of Greek hotels with more than 50 beds will not open. The rest of the hotels are set to open in early July, although it is expected to be a month with limited reservations, while hotels are currently getting prepared for the implementation of health protocols, etc. At the same time, short-term lettings are not monitored.

Grigoris Tasios - President of the Hellenic Hoteliers Federation

Source: naftemporiki.gr (14.06.2020)

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“ The return of VAT on the F&B sector from 24% to 13%, but also the announcement for the reduction of the average VAT rate from 13% to 11% from 1/1/2020, are measures that we are absolutely entitled to as a sector, so that we can carry on our efforts to support the Greek economy and employment.

Grigoris Tasios - President of the Hellenic Hoteliers Federation

Source: iefimerida.gr (08.05.2020)

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# Stakeholders' viewpoints and concerns

## Public statements

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“ We do our best – risks cannot be eliminated, but our goal is to open with safety. Safety is the first requirement for people to visit Greece [... ] The “Visit Greece” application will provide visitors with a sense of safety and the tools they need to be and feel safe.

Harris Theocharis - Tourism Minister  
Source: liberal.gr (15.06.2020)

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“ What is most important for this year is for companies to be supported, in order to create the necessary bridge for 2021, where the best possible conditions for recovery will have developed.

Yiannis A. Retsos - President SETE  
Source: capital.gr (06.05.2020)

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“ Tourism, especially after the opening of the borders on July 1, is called upon to once again be at the forefront of the fight for Greece's recovery.

Yiannis A. Retsos - President SETE  
Source: ekathimerini.gr (21.05.2020)

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“ 2020 will be a difficult and critical year. I am optimistic about tourism in 2021, but we have to see how many businesses and employees will get there. It will not be easy to recover, it will be a difficult year and we do not know if we will all make it.

Yiannis A. Retsos - President SETE  
Source: naftemporiki.gr (07.05.2020)

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“ After 30 years in the tourism sector, I have had both good and bad memories, but we have never experienced such a situation, as the one we are experiencing this year. It does not even compare with September 11, with the planes crashing into the Twin Towers, in New York. I believe that the current situation will bring a 70% reduction in customers this year in Zakynthos. I estimate that approximately 150,000 to 200,000 tourists will visit the island this year. But in the case that the coronavirus vaccine is found at the latest by February, then in 2021 we will have no beds to host customers.

Markos Damanakis - Travel agent  
Source: ermisnews.gr (17.05.2020)

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“ During this period, the effective management of arrivals and departures at airports and the strict application of protocols in destinations and hotels is critical. Keeping the cases at reasonable levels, while offering quality services will determine, not only this year's tourism season, but also the 2021 season.

Andreas Andreadis - CEO & Co-Managing Partner Sani / Ikos Group  
Source: banks.com.gr (16.06.2020)

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“ It will definitely take 2 to 3 years for the Greek tourism sector to be able to reach the figures of 2019.

Marios Daktylides - General Manager at Myconian K Hotels & Thalasso Spa  
Source: bizness.gr (08.05.2020)

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# Stakeholders' viewpoints and concerns

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The COVID-19 crisis has fueled significant debate among hoteliers, tour operators, and government representatives. The following is a collection of views from various interviews we have conducted with such market stakeholders, as well as views that have been offered in the context of public discussions.

- ▶ Civil liability. Hoteliers are concerned that any imported, but undiagnosed COVID-19 cases, which will manifest themselves during the visitors' stay, may result in civil liability legal actions, which will pose a significant financial and reputational risk to businesses.
- ▶ Occupancy and break-even. Many hotels are geared to break even above a ~65%-70% occupancy. The consensus for the 2020 season is significantly less and, therefore, hoteliers are debating whether it is prudent to open at all; however, there are those who consider opening even without expectations for break-even, for reasons that relate to market presence, brand reputation, social responsibility towards employees and local societies, and as a rehearsal and training opportunity for the next season.
- ▶ Provisions for other tourism related industries. There is concern that provisions for the support of vital, but not directly hotel-related businesses, such as tourist busses, are inadequate, particularly in view of inflexible, sector-specific employment arrangements.
- ▶ Liquidity and debt. A significant percentage of businesses are not eligible for support from either the Government or the banks, as they are not current in their liabilities towards them.
- ▶ A parallel, informal lending system that cannot accommodate a "black swan", COVID-sized crisis. There is an outstanding amount of ca. €1.7b in post-dated checks from hospitality businesses to suppliers, payable during- or post-season. Issuers who counted on a normal season to service these "loans" are now in an unattainable position. In addition, hoteliers receive pre-season advances from tour operators who in-turn receive corresponding advances from travelers. To the extent that travelers request refunds for COVID-related cancellations and are not all willing to accept vouchers in lieu of cash, hoteliers receive corresponding refund requests from tour operators which they are unable to accommodate, particularly as such advances are often invested in pre-season facility upgrades mandated by tour operators.
- ▶ Russian tourism and visas. The Russian market which is significant for some Greek destinations, may open late in the season and will therefore be on a last-minute reservation basis, which cannot be easily accommodated by the current lengthy visa issuing process.
- ▶ Protection of health and tourist experience. While hoteliers agree that the safeguarding of the health of visitors and employees is of paramount importance, they are concerned that hotels "cannot be converted to hospitals" in terms of training, infrastructure, cost, etc. They are also concerned that an excess of protective measures will rob visitors of the vacation experience they seek in the first place, in effect discouraging them from coming, thus turning the whole exercise into a moot.
- ▶ Business forecasts. There seems to be a consensus among hoteliers about the number of hotels that will open (between 1/3 and 2/3 of total capacity), about the expected revenue vs. last year (30%) and about when the tourism business will once again reach 2019 levels (2022-23).

# The tourism eco-system

National and local containment measures are disrupting both supply and demand drivers

## What is happening

**COVID-19** is affecting most of the regions worldwide. Governments are imposing protective measures to stop the spread of the virus. In the EU, each member state adopted its own preventive and responsive measures to the situation:

- ▶ Many places and regions are being quarantined;
- ▶ Travel restrictions and entry barriers imposed on citizens and /or travelers from countries severely affected by the **COVID-19** outbreak. Flights from / to certain regions were cancelled;
- ▶ Business shutdowns and home-office solutions are widely adopted;
- ▶ Educational and public institutions are working at a limited capacity. Most public events (e.g. cultural and sport events) are being cancelled;
- ▶ The length of the measures is unknown.

Containment measures	Supply	Demand
Quarantines	Business shutdowns	Loss of confidence
Travel bans and restrictions	Restriction of certain services	Decline of tourism and entertainment
Closing of public places, annulation of sport and cultural events	Supply chain disruption	Change in consumption behavior



Individuals are now preferring less affected countries or delaying their vacation for later in the year, expecting positive developments on the pandemic.



Deals are now re-evaluated, since the outlook for targets and acquirers may have changed, shifting the negotiating power unexpectedly or abandoning deals altogether.

# The tourism eco-system

## Services mostly affected by COVID-19

Suspension of hotel operations leads to:

- ▶ major reduction in tourism demand for future bookings and, therefore, in revenue losses;
- ▶ salary reductions or employee redundancies due to the decline in tourism demand;
- ▶ reduction of utilities and fiscal revenues;
- ▶ negative impact on the local economy.



Suspension of transportation leads to:

- ▶ major reduction in passenger numbers and, therefore, in revenues, due to travel restrictions;
- ▶ consequences for tour operators;
- ▶ reduction of bespoke holidays or cruises;
- ▶ salary reductions or employee redundancies;
- ▶ decline of fiscal revenues;
- ▶ negative impact on the local economy.



**Tourism Eco-system**

Suspension of Supply Chain leads to:

- ▶ negative consequences to the retail sector and its supply chain;
- ▶ salary reductions or employee redundancies;
- ▶ limited product availability on retail and wholesale markets;
- ▶ decline of fiscal revenues;
- ▶ negative impact on the local economy.



Suspension of the F&B, Entertainment and Culture sectors leads to:

- ▶ closed bar / restaurants, entertainment and cultural venues, due to the lockdown and social distancing measures, with significant impact on revenues;
- ▶ salary reductions or employee redundancies;
- ▶ negative consequences to the supply chain of these sectors;
- ▶ decline of fiscal revenues and negative consequences on local economy.



# European Commission's guidelines on travel

## Safety measures

On May 13, the European Commission presented a package of guidelines and recommendations to help EU member states gradually limit travel restrictions and allow tourism businesses to reopen, while respecting the required health precautions.

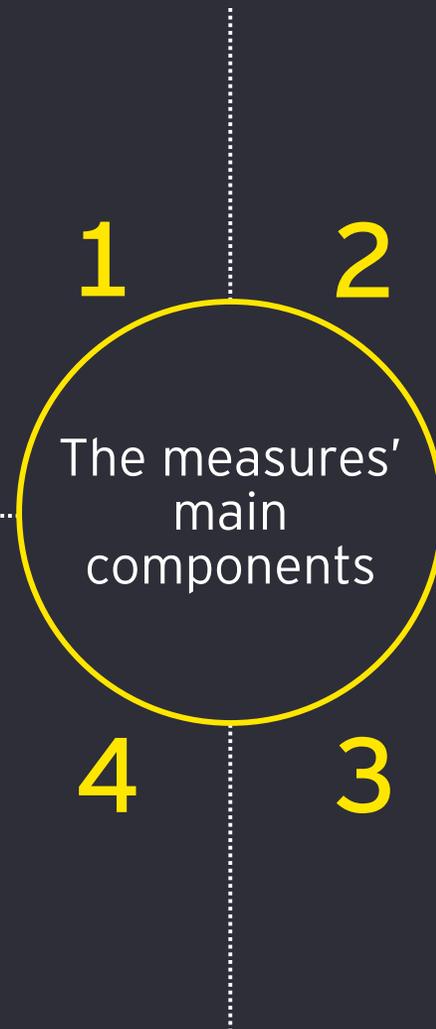
### Measures regarding the process of reopening unrestricted cross-border movement within the Union in a gradual and coordinated way

The Joint Roadmap has to take into account 3 issues when assessing whether it is time for gradually lifting travel restrictions and controls at internal borders:

- ▶ Epidemiological situation: e.g. sustained reduction in the number of new infections, capacity and readiness of national health systems, testing, isolation, etc.
- ▶ Containment measures and physical distancing: e.g. personal protective equipment, strong monitoring, etc.
- ▶ Economic and social considerations: initially prioritizing cross-border movement in key areas of activity and including personal reasons.

### Guidelines on vouchers offered to passengers and travelers as a viable and more attractive alternative to reimbursement for cancelled package travel and transport services

- ▶ Travellers have the right to choose between vouchers or cash reimbursement for cancelled transport tickets or package travel. The voluntary vouchers should be protected against insolvency of the issuer, with a minimum validity period of 12 months, and be refundable after one year at most, if not redeemed. Vouchers should provide passengers sufficient flexibility, and should allow them to travel on the same route under the same service conditions or book a package travel contract with the same type of services or of equivalent quality.



### Guidelines on the progressive restoration of transport services and connectivity

- ▶ Health protection measures for passengers' safety have to be taken (e.g. face mask, social distancing, use of sanitizing gel, online purchase of ticket, etc.)
- ▶ Gradual restoration of passenger transport by air, rail, road and waterways, by applying proper hygiene measures
- ▶ Contact tracing and warning measures with the use of mobile apps that could be used by passengers on a voluntary basis to detect infected people.
- ▶ Additional support should be provided at medical facilities, along with staff located near transport hubs, while suspected COVID-19 cases should be isolated.
- ▶ Operators of integrated travel retail locations should control passenger movement (floor markets, restrict number of customers, regular cleaning, etc.).

### EU Guidance on the progressive resumption of tourism services and on health protocols in hospitality establishments

For the resumption of tourism services, the following aspects have to be assessed / defined:

- ▶ Epidemiological situation
- ▶ Health and safety of guests and workers as a key priority
- ▶ Local arrangements
- ▶ Action Plan in case of infection
- ▶ Staff Training
- ▶ Management of staff
- ▶ Information for guests
- ▶ Physical distancing and hygiene
- ▶ Infection prevention and control measures
- ▶ Potential infections among guests or staff



# Government relief measures

## Economy-wide

### Fiscal measures

#### Health system

- ▶ strengthening of the public health system by an additional funding of approximately €200m;
- ▶ an extra bonus which will be paid by the Ministry of Health to 108,000 public servants in hospitals and the Civil Protection Authority and it is estimated that the total funding will amount to €350m;
- ▶ all manufacturing activities for the production of antiseptics by industrial and crafting enterprises on behalf of the Ministry of Health are zero-rated.

#### Income support measures for individuals and households, excluding tax and contribution changes

- ▶ one-off allowance of €400 for 155,000 beneficiaries who are long-term unemployed;
- ▶ for private sector employees whose labor contract has been suspended, the fraction of their Easter bonus that corresponds to the period of suspension will be covered by State budget;
- ▶ firms can reduce their employees' work time to a minimum of two weeks per month, for at least 50% of all employees within a firm, on the condition that they do not dismiss any workers. The measure can be applied for up to six months;
- ▶ extension of the regular unemployment benefit payment, as well as extension of the long-term unemployment benefit and the unemployment benefit to freelancers and self-employed workers, for two months;
- ▶ special leave scheme, 25% funded by the state, for parents of children younger than 15, who are not in school;
- ▶ €600 training vouchers for freelancers;
- ▶ an emergency financial support of €800 to workers employed in the private sector, self-employed individuals, owners of small enterprises and sole proprietorships affected for a period of 45 days (15/3-30/4), by a total amount of €1.4b; for May a support of €533 will be granted.

#### Tax and contribution policy changes

- ▶ a 25% reduction in tax and social security contribution obligations (excluding VAT), if paid on time, for employees of firms that have suspended their activities, as well as for self-employed individuals, freelancers and firms affected by the coronavirus crisis;
- ▶ reduction of VAT rate from 24% to 6% until the end of 2020, on products in high demand, including protective masks and gloves, antiseptic products, wipes and relevant products, soap, etc.
- ▶ a 3-month extension of the deadline for the payment of social contributions and other obligations that are under a settlement scheme and due by end of March, April and May. These payments will start as of June 1.
- ▶ 25% of the VAT paid on time will be offset with future tax obligations (applicable to those eligible of tax payments deferrals).
- ▶ immediate repayment of all pending tax refund claims up to €30,000 that are under audit. The measure refers to tax refunds for CIT and VAT and has no fiscal impact;
- ▶ suspension of VAT and other tax obligations' payments that were due between 11/03-30/04 for businesses, self-employed individuals and sole proprietorships affected by the COVID-19 crisis. Beneficiaries are determined with NACE codes and suspension period lasts until 31/8;
- ▶ suspension of SSC payments due by the end of March, until October 31, for businesses, self-employed individuals and sole proprietorships affected by the coronavirus crisis, based on specific NACE codes. Suspended payments will be paid in four installments of equal amount without interest and surcharges;
- ▶ the SSCs of employees (of firms affected by the COVID-19, whose contracts have been suspended) and self-employed individuals affected by COVID-19, based on specific NACE codes, will be covered by the State.



# Government relief measures

## Economy-wide

### Public sector subsidies to businesses

- ▶ educational economic support of €600 for April 2020, to professionals in certain scientific fields (e.g. economists, accountants, engineers, lawyers, doctors, teachers and researchers);
- ▶ support of the primary sector of the economy with €150m;
- ▶ Interest payments on performing loans of corporates affected by the coronavirus crisis in April, May and June, will be paid by the State under the condition that these firms maintain their employment levels.

### Public sector loans or capital injections to businesses

- ▶ a scheme for the support of the economy through the issuance of guarantees by the Hellenic Development Bank has been approved under the EU temporary framework for state aid. The scheme will partially guarantee eligible working capital loans, with the total exposure of the Hellenic Development Bank capped at 40% of the volume of loans issued by a financial intermediary;
- ▶ solvent SMEs will receive grants of up to €800,000 per company, to cover interest on fixed-maturity loans, bonds, or overdrafts. The total size of the scheme will amount to €2b;
- ▶ a refundable advance payment will be provided to businesses affected by the crisis and whose loans are performing, on the basis of turnover reduction or other factors. The advance will be a fraction of loss in turnover and can be repaid in five years, following a one-year grace period and at a low interest rate (€2b).

As part of its support to member states, the EU has pledged almost €32b in grants and loans to support Greece, as the European Commission projects a 9.7% annual economic decline for Greece in 2020.

### Monetary measures

#### ECB policy response to the COVID-19 pandemic crisis

- ▶ **Monetary policy:** The ECB has committed to “do everything necessary within its mandate” to support the economy through this shock. To preserve bank lending and liquidity, the ECB will temporarily conduct additional longer-term refinancing operations (LTROs) and lower the interest rate applied in targeted longer-term refinancing operations (TLTRO III).
- ▶ Furthermore, the ECB has expanded its asset purchase programme by an overall EUR 870 billion (7.3% of euro area GDP) until the end of 2020, while opening the door to freeing its self-imposed limits.
- ▶ Greece's government bonds are included as eligible assets for this programme.
- ▶ **Prudential regulation:** On the supervisory front, the ECB has temporarily lowered bank capital requirements and introduced flexibility regarding the treatment of non-performing loans.

Source: OECD June 2020

# Greek Government's measures for restarting the tourism sector

## Timeline

On May 20, Harris Theocharis, the Greek Minister of Tourism announced the action plan for restarting the tourism sector, including a timeline and sector specific measures.

Timeline for the restart of the tourism sector



- ▶ From June 15, Greece will allow the entrance of tourists initially from countries with favorable epidemiological characteristics. The Greek Ministry of Tourism has released a list of 29 countries from which visitors will be able to arrive in Greece.
- ▶ The 29 countries are: Albania, Australia, Austria, North Macedonia, Bulgaria, Germany, Denmark, Switzerland, Estonia, Japan, Israel, China, Croatia, Cyprus, Latvia, Lebanon, New Zealand, Lithuania, Malta, Montenegro, Norway, South Korea, Hungary, Romania, Serbia, Slovakia, Slovenia, the Czech Republic and Finland.
- ▶ Moreover, the Minister of Tourism announced that until June 30, travelers arriving in Greece from countries with a large number of cases will have to take a test for COVID-19 upon arrival. Those who come out positive will stay in quarantine for 14 days and those who are negative will stay for seven days. Targeted tests will take place after June 30.

# Greek Government's measures for restarting the tourism sector

## Sector-specific

### Greek tourism's restart plan

#### Hygiene Protocols

The Greek tourism's restart plan includes specific hygiene protocols for:

- ▶ tourist accommodation
- ▶ tourist buses
- ▶ car rental businesses
- ▶ ship transportation passenger / ferry ships
- ▶ flight transportation: within airplanes / airport terminals
- ▶ controls at entry points to the country (questionnaire, sample tests)

#### Economic support measures

- ▶ Extension of the right to not suspend work contracts until July
- ▶ Rent reduction for businesses by 40% until the end of August 2020
- ▶ New mechanism for supporting employment through the "SURE" program, until the end of September
- ▶ Support of seasonal workers
- ▶ Refundable advance payment
- ▶ Reduction of the advance tax payment
- ▶ VAT cuts from 24% to 13% for transportation, coffee, non-alcoholic beverages and tourism packages
- ▶ Working capital for SME (TEPIX II) / Guarantee Fund / Development Bank

#### Strengthening domestic tourism

- ▶ Advertising campaign
- ▶ Social tourism holiday program by the Greek Manpower Employment Organization (OAED) will be strengthened
- ▶ A second social tourism holiday program, known as "Tourism for All", will be financed with €30m and will provide e-vouchers worth €120 to each eligible holidaymaker for a minimum 4-night stay at a Greek hotel. Beneficiaries of the program are estimated at around 250,000
- ▶ Business Holiday travel vouchers worth €300 will also be available for employees in the private sector
- ▶ To boost domestic tourism, there are four programs (incl. "Tourism for all") for which, €70m will be allocated

#### Strengthening the sense of security of tourists (Greek & foreigners)

Information for hygiene protocols

- ▶ Use of the "Visit Greece" app
- ▶ Updating relevant material on tourism providers and institutions sites
- ▶ Information material on the ground
- ▶ Communication campaign in domestic and international media

Consolidation of safety

- ▶ Intensive controls for the respect of hygiene rules by squads of the Ministry of Tourism
- ▶ Special "Health First" logo to be provided to all tourist services providers
- ▶ Possibility of getting certified through third parties / private institutions

Tourism promotion

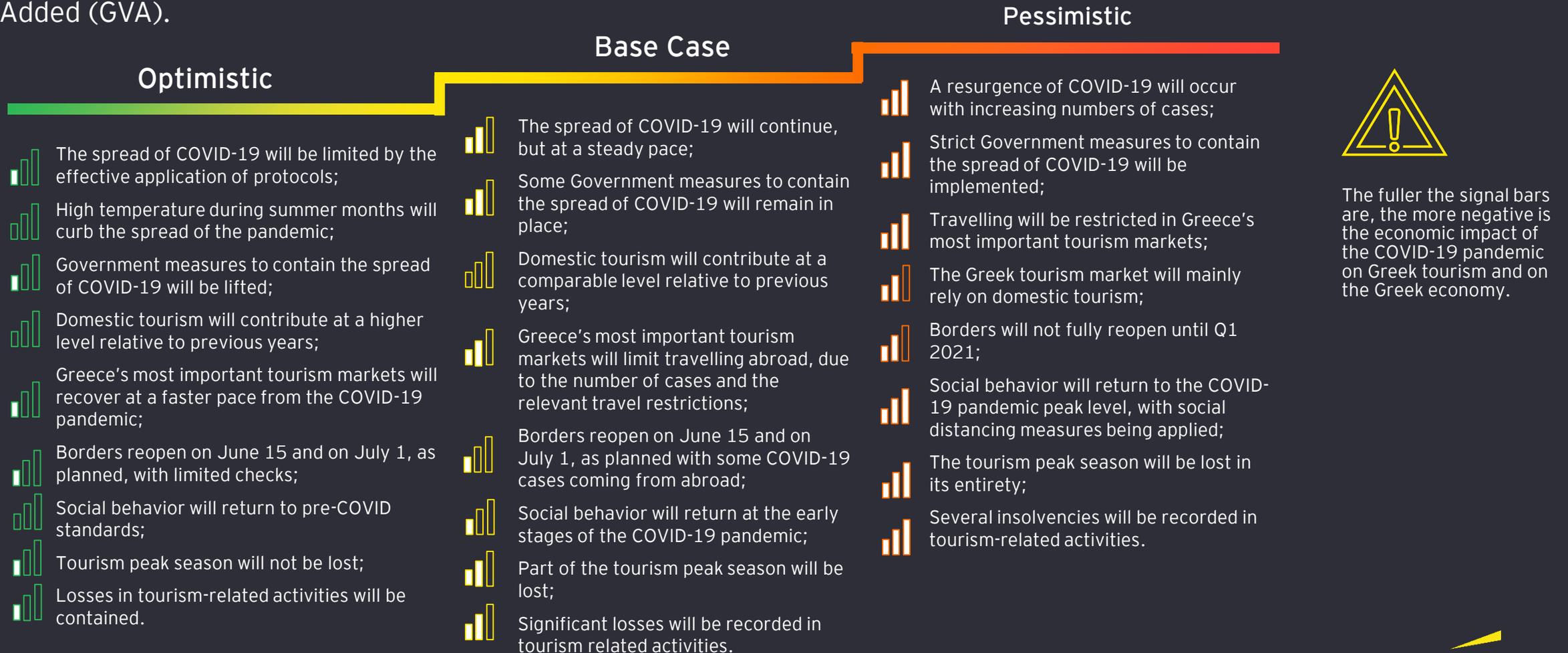
- ▶ Funding for advertisement (€23m HTO)
- ▶ Targeted advertisement to markets that are opening
- ▶ Brand campaign and reservations campaign
- ▶ Co-advertising
- ▶ Agreements with tour operators

The administration of some regions, such as those of Crete and the Ionian islands, are contributing to the effective implementation of the hygiene protocols by covering financial expenses of relevant educational programmes. The aim of this initiative is to train employees in the tourism industry by offering them relevant knowledge and skills, ensuring that health standards are kept at a high-level.

On May 30, the Greek Ministry of Tourism released the health protocols that are to be applied in Greek hotels for their safe reopening and operation in the post-COVID-19 pandemic era. The specifications for the reopening of the country's hotels apply to all types of tourist accommodation establishments, regardless of technical and operational features, classification, type and duration of operation. Every hotel in Greece is obliged to draw up and follow protocols in accordance with the instructions of the Ministry of Tourism. Hygiene standards have to be applied by hotel staff members (personal protective equipment, etc.). For public health protection, every hotel has to keep an updated record of staff members and all guests staying at the hotel, so that communication is made possible if a coronavirus case is identified at a later time. In addition, all hotels are obliged to follow enhanced disinfection and deep cleaning practices, in accordance to NPHO instructions, for rooms and public areas. Furthermore, important rules for hotels apply to food services, playgrounds, spa services, swimming pools, and other recreational water facilities, public areas, as well as transfer services.

# Different scenarios for Greek tourism, based on the persistence of the pandemic

EY Greece has carried out an assessment of the impact of the COVID-19 pandemic on Greece's tourism sector. The impact assessment forecasts the performance of the tourism sector during a period of three years (Q4 of 2019 to Q4 of 2022) under three scenarios; Optimistic, Base Case and Pessimistic. The impact is measured in terms of Gross Value Added (GVA).

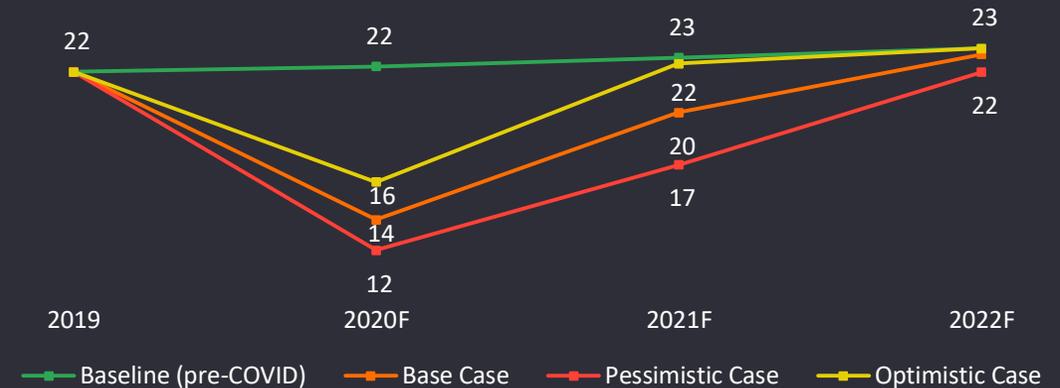


# Different scenarios for Greek tourism, based on the persistence of the pandemic

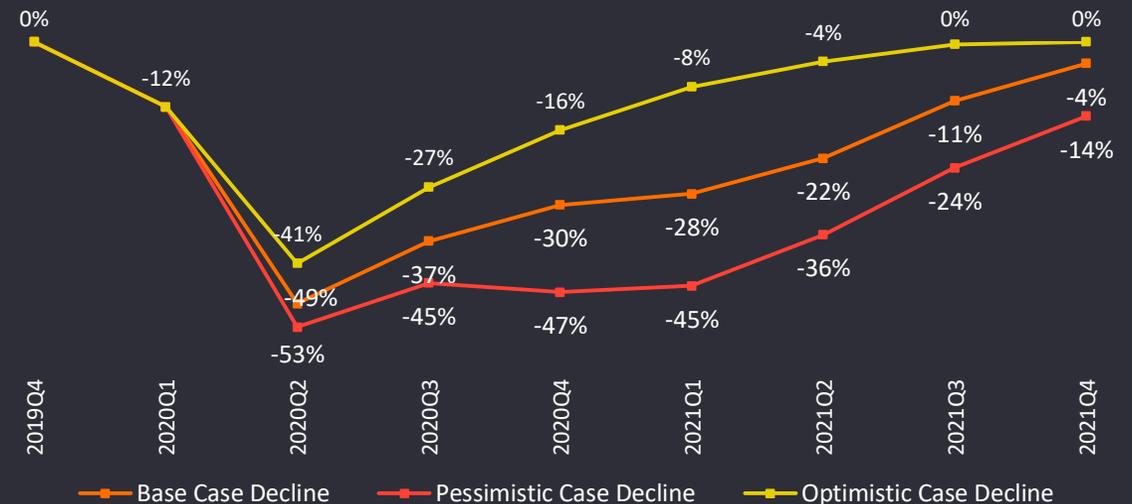
## Comments

- ▶ The tourism ecosystem consists of the following main economic activities and their respective supply chains: accommodation, F&B services, retail, and other tourism services.
- ▶ Under the assumption that the COVID-19 outbreak would not happen, Greece's Gross Value Added (GVA) from tourism was forecasted to follow an ascending pattern, standing at €23b in 2022, from €22b in 2019.
- ▶ However, in the three scenarios (optimistic, base case and pessimistic) Greece's tourism GVA is set to decrease significantly in 2020, reaching up to a 46% reduction (relative to the "Without COVID-19" scenario) in the pessimistic scenario.
- ▶ During the remaining period, tourism's GVA is forecasted to gradually increase in all 3 scenarios, reaching up to €22b-23b in 2022.
- ▶ According to the second graph, in Q1 2020, Greece's tourism GVA is estimated to decline by 12%, solely from the impact of COVID-19, relative to the country's forecasted GVA in the absence of the pandemic. Subsequently, in Q2 2020 a sharp decline of up to 53% is forecasted, according to the pessimistic scenario.
- ▶ From Q3 2020 onwards, Greek GVA from the tourism sector is forecasted to follow an upward trend, on the back of a less severe impact of COVID-19 on the sector.
- ▶ In the optimistic scenario, tourism GVA returns to the level that was forecasted in the absence of the COVID-19 pandemic, in Q3 2021.
- ▶ While, in the base case and pessimistic scenarios, the impact on the performance of the tourism sector in Q4 2021, as it was forecasted in the absence of the COVID-19 pandemic, is estimated at -4% and -14% respectively.

Forecasted GVA from Tourism - annual GVA (€ bn)

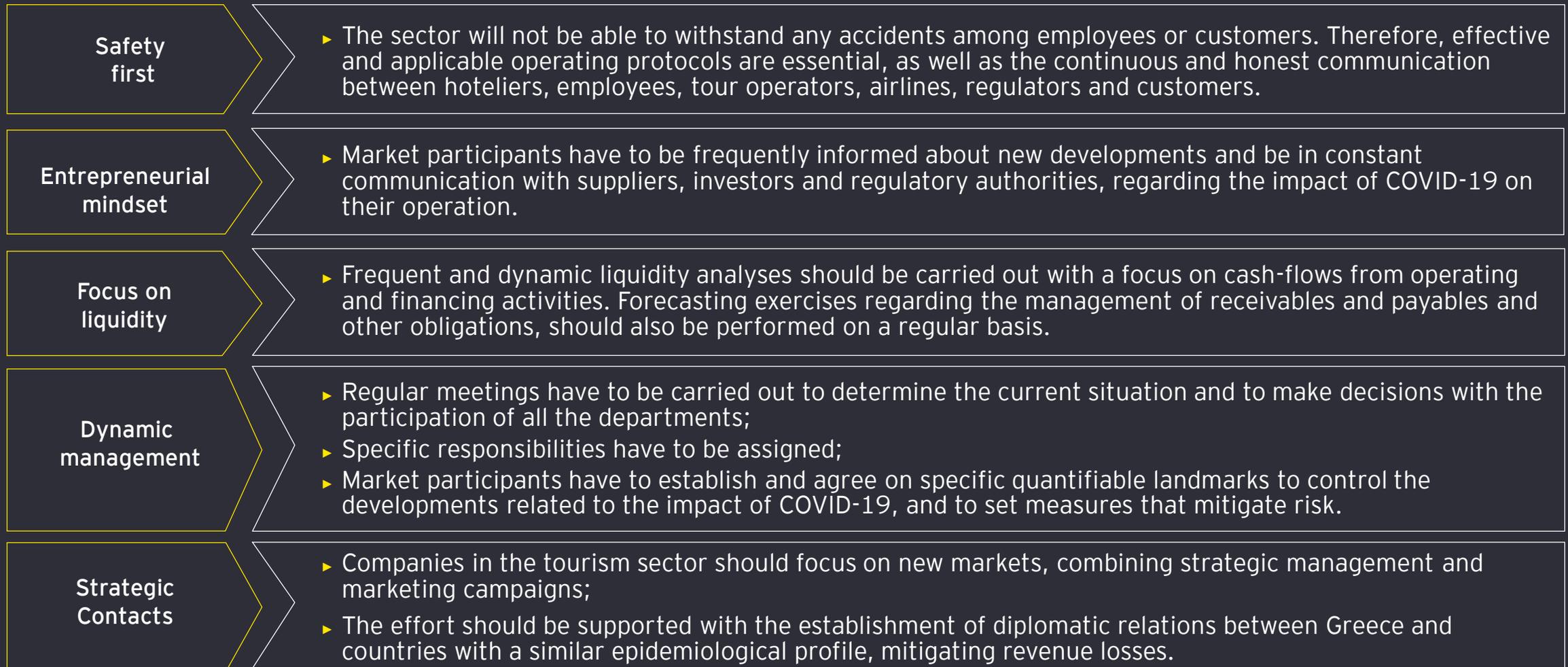


Forecasted quarterly Tourism GVA vs quarterly forecasts without COVID-19



# Conclusions

## Tourism-related suggestions for the post-COVID era



The above are not new to a competent entrepreneur. However, in times of crisis, a high degree of effectiveness is required, given that organizations have to adopt to radically different ways of working.

# How EY can Help

## Offered services



### Short-term cash & liquidity management

- ▶ Analysis of cash gaps
- ▶ Identification of quick wins
- ▶ Dynamic forecasting of cash needs under crisis scenarios and identification of mid-term solutions



### Negotiations with banks

- ▶ Advice with bank negotiations
- ▶ Lenders deck and banking presentation preparation
- ▶ Preparation of financial projections
- ▶ Capital structuring



### Independent business review

- ▶ Independent Business Review preparation for your lenders, creditors, etc.
- ▶ Stress testing based on market situation



### Working capital advisory

- ▶ Lean organization and processes optimization
- ▶ Supply and demand planning
- ▶ Assessment of key Working Capital drivers and cash release opportunities



### Corporate Finance Strategy

- ▶ Corporate strategy
- ▶ Value optimization
- ▶ Investment strategy
- ▶ Business Plan & Feasibility study
- ▶ Portfolio strategy
- ▶ Cashflow review



### Financing options

- ▶ Analysis of financing structure
- ▶ Identification of alternative options
- ▶ Securing non-bank / quick financing



### M&A support

- ▶ Valuation of enterprise value, activities or of assets and real estate
- ▶ Quick direct sale process
- ▶ Identification of opportunities



### Economic Advisory

- ▶ Mid- / long-term economic impact assessments
- ▶ Regulatory and competition economics
- ▶ Incentive analysis and planning
- ▶ Cost-benefit analysis



### Real Estate & Hospitality sector

- ▶ Working Capital Management and assessment
- ▶ Short-term cash flow advisory
- ▶ Independent business reviews
- ▶ Application of Government measures
- ▶ Risk assessment & scenario planning
- ▶ Situation monitoring analysis & reporting
- ▶ Services for Government / regulators / banks / businesses
- ▶ Strategy update & robustness check
- ▶ Capital raising support / M&A
- ▶ Transaction support related services
- ▶ Economic impact assessment
- ▶ Incentives analysis & planning

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