

The Impact of Covid-19 on Iceland's Tourism Industry – 11 June 2020

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Summary

- Iceland is turning its focus to economic recovery, and particularly facilitating international tourism.
- The Government has confirmed intentions to start easing restrictions on international visitors from 15 June, possibly diverting from Schengen rules after that date (given that the EU is currently planning an extension for external borders).
- Visitors will be provided two options upon arrival: two-week quarantine, or being tested for the virus upon arrival.
- There are ongoing concerns and debates about testing capacity, cost and health risks of this approach.
- Iceland is approaching other countries to sign bilateral “air bridge” agreements to facilitate tourist visitors.

Report/findings

Key COVID-19 figures for Iceland as of 8 June 2020

Iceland is effectively free of COVID-19, with only 7 new cases identified in May, and just three active cases as of 8 June, none of which require hospitalisation. 803 people are under quarantine as a precaution, mostly arrivals from planes or ferries. The most recent cases have all been found outside of quarantine, but there appears to be very limited societal infection.

Iceland turning focus to economic recovery and particularly facilitating international tourism

As Iceland feels more confident that it has conquered COVID-19, the focus is turning from health measures to economic recovery, and most immediately, the international tourism sector, which helped Iceland to bounce back so well from the financial crash of 2008-2012.

2 The Icelandic Government has confirmed plans to start easing restrictions on all international arrivals from 15 June 2020. As recently as late last week, the plan had been to give arriving visitors three options:

- a) two-week quarantine;
- b) being testing for the virus upon arrival; or

c) proving they are free of COVID-19 (with health certificates).

New border measures announced to take effect from 15 June

3 However, on 8 June, at a press conference chaired by the Prime Minister Katrin Jakobsdottir, it was announced that they were dropping the option of health certificates, as it was proving too complex to implement, with no international certificates available. The following border testing regime for arriving passengers in Iceland has therefore been agreed instead:

- All those who come to Iceland and wish to be tested for COVID-19 instead of quarantining for 14 days, will have to pay ISK15,000 (around NZ\$175.00), from 1 July.
- The testing will begin from 15 June, so the first two weeks of testing will be free of charge. (Note: this appears to signal that Iceland is prepared to divert from Schengen rules after that date, given that the EU is currently planning an extension for external borders beyond 15 June).
- Travellers who take the test will not be required to self-isolate before the test results (within 24 hours).
- Children born 2005 or later do not have to be tested.
- The cost will cover the direct cost of the Icelandic Government (start-up cost not included).

4 Arriving passengers will be tested at Keflavik airport (and at other entry points such as ports). At the [press conference](#), Pall Thorhallsson, Director General at the PM's Office (who leads work on the project from the PM's Office) stated that there will be ten booths for testing at the airport and it will be possible to test up to 200 passengers an hour, 2,000 per day, to begin with. From the middle of July, with improved equipment, better facilities and increased human resources, this would increase to up to 4,000 tests per day. The Chief Epidemiologist has noted that many details still need to be worked through, and that even though individuals are not required to self-quarantine after taking the test, travellers will receive instructions on how to act from the moment they are screened and until they get the result.

Ongoing debate about the veracity of the proposed testing regime

5 There remains considerable unhappiness amongst certain health specialists about the decision to open borders, including an ongoing debate between physicians at the Landspítali National University Hospital and the Chief Epidemiologist. The physicians argue that testing can bring about the feeling false security, will be costly, and the tests can be unreliable. However, this has not changed the mind of the Government or Chief Epidemiologist. The PM said yesterday that she is positive the project will be successful, despite the time pressure.

6 Gudnason has stressed that the danger of arriving tourists is small - there were no quarantine rules for tourists until 21 April 2020, and infections in arriving tourists were very uncommon and not cases

were found of a domestic infection being traced to tourism. “The risk seems to be limited but it will depend on the development of the pandemic abroad,” where the tourists are coming from and what measures are implemented to decrease risk of infection,” he has said. He has warned that the accuracy of the tests is not perfect, especially not for the asymptomatic (and only 80-90% reliable for the symptomatic), and conceded that testing at the borders will never eliminate risk, although it does minimise it. A positive test result upon arrival will lead to more comprehensive testing in Iceland such as antibody tests. The testing of tourist is expected to provide authorities with statistical information, which possibly could be used to define risk areas, as well as areas thought to be safe enough not to require further testing. Gudnason said it is important to trial the testing no later than 15 June, while international tourism was limited.

Other border measures discounted

7 In terms of other border measures that have been considered, Gudnason advised against the following:

- (i) opening of borders without restrictions is unacceptable in the current climate due to the high risk of infection;
- (ii) Complete shutdown of borders is ill advised – it would cause mayhem for the Icelandic economy and society, with limited positive impact;
- (iii) Bilateral agreements look good on the surface, but could cause difficulties, due to a lack of conformity in testing between countries. With clear international standards, this might be possible
- (iv) Health checks before arrivals (e.g. temperature checks) have not worked well for other countries, and are very costly;
- (v) Certificates of antibody testing are not reliable enough at this point in time (he actually writes that most of them are unreliable), so he advises against them.

Tourists to pay part of the costs of the tests

8 It has been agreed that arriving tourists will pay for the tests themselves (from 1 July). The Ministry of Finance noted that, as other states rescind travel restrictions and willingness to travel increases, it is likely that border testing and health certificate on borders (and the cost thereof to travellers) will affect willingness to travel to Iceland in the long term. A prerequisite for a true recovery of the tourism industry in Iceland (around 10% of the economy) is a lifting of all restrictions. We note that the ISK 15,000 fee for tests on arrival has been put forward as a user-pays cost that will cover the direct cost to the Icelandic Government (start-up cost not included). However, analysis by third parties suggests that the Icelandic government must be subsidising the cost of airports tests to some extent, as previous stated costs were estimated at around three times what they are now intending to charge. Previous dissenters had noted that subsidising this would basically wipe out any tax contribution for the economy during a tourist’s visit. However, the arguments that seemed to have won on the day are (i) that this is still a trial phase and (ii) what is more important is getting the message out that Iceland is open to visitors and encouraging bookings for the summer and winter.

Several airlines planning to re-open services

9 This latter message seems to be succeeding, as Wizz Air, previously a key low cost airline serving Iceland, has already recommenced the Luton- Reykjavik route, and, according to Keflavik Airport, a further six airlines are poised to recommence from 15 June from destinations spread across Europe. Lufthansa has separately stated that it also intends to start flying twice a week from Frankfurt and once from Munich from the beginning of July.

Proposed “air bridges” with other countries

10 We understand that Iceland has asked some countries to start discussions on an “air bridge” type agreement to facilitate tourist visitors.

Assessment

11 There is a clear risk that moving to a testing regime could see a resurgence in COVID-19 cases, and concern that in this manner Iceland could be the victim of its own success: few Icelanders currently have presumed immunity; despite extensive testing and tracking, just under 0.5% of the population can be confirmed as infected since February. So there is a real fear of a second wave coming from abroad. This is fuelling an ongoing debate, but for the moment that Government has decided that the economic arguments outweigh the health risks.

12 This is clearly a situation that New Zealand will wish to follow closely as it considers the options for opening its own border – the pitfalls and successes for Iceland will likely be highly instructive.

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