Tui expects £21m hit from Rhodes wildfires but holiday demand remains high

T
ravel agent Tui has revealed it is expecting a 25 million euro (£21 million) hit from wildfires in Rhodes last month, despite saying the blazes and heatwave sweeping across parts of Europe only “temporarily” dampened demand for holidays.

The Germany-based airline and package holiday group said there will be extensive costs for cancellations and lost business, compensation for customers, and repatriation flights.

It evacuated 8,000 guests from Rhodes after wildfires broke out last month, with around 5% of all its flights going to the Greek island in the summer.

But it stressed that 80% of its guests there have been unaffected.

The events only affected demand in the short term, with bookings for the last week 5% higher than the equivalent period last year, it said.

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Sebastian Ebel, Tui's chief executive, said there was a big discrepancy between reports on the temperatures in the region and what people experienced.

He said the climate was "not as it was described", despite Greece battling 10 major wildfires last month, including blazes outside Athens and on Rhodes, during three successive heatwaves.

"For the customer it has once again been shown that the package tour booked with the tour operator offers great advantages and comprehensive service in extraordinary situations", Tui said.

The financial impact will be reflected in the firm's full-year results.

The group revealed it swung to a third-quarter profit for the first time since the beginning of the pandemic.

Sales jumped as average selling prices surged by more than a quarter compared with summer 2019, and 7% higher than last year.

Tui said the price increases reflect the popularity of summer holidays and its customers' continued willingness to prioritise spending on travel and experiences.

The firm reported underlying group earnings before interest and tax of 169 million euros (£145 million) in the third quarter, up from a loss of 27 million euros (£23 million) this time last year.

Revenues surged by 19% to 5.3 billion euros (£4.6 billion) and summer bookings have been 6% higher compared with last year, due to more bookings and higher prices.

Total bookings are about 95% of pre-pandemic levels, Tui said.

The heatwave in northern Europe in June and the wildfires in

southern Europe have only dampened temporarily the previously strong development – but overall it will be a very good travel summer and a good year for Tui in 2023

Chief executive Sebastian Ebel said: “Summer 2023 is going very well and demand for holidays remains high.

“The Mediterranean remains the most sought-after destination for summer holidays.

“The heatwave in northern Europe in June and the wildfires in southern Europe have only dampened temporarily the previously strong development – but overall it will be a very good travel summer and a good year for Tui in 2023.

“For the full year we continue to expect a significant year-on-year increase in underlying earnings before interest and tax (EBIT).

“We are investing today to continue to significantly grow profitably in the future.”

Mr Ebel said heatwaves and climate change could affect where people choose to go on holiday and will have a “significant impact” on the package holidays Tui sells.

It is set to broaden the portfolio of destinations it offers to mitigate against climate-related risks in some regions.

Countries with more moderate temperatures, such as the Nordic countries, could become more popular travel destinations.

Mr Ebel also said the summer season is starting earlier and ending later, with people travelling to typically summer destinations like Greece well into November.