

Why sun, sea and sand are no longer enough

Experts believe that Spain has missed its chance to create a sustainable model for tourism, something that could have dire effects on the economy

LUIS DONCEL

It takes just a few minutes online and €550 in your bank account to book a vacation in Punta Cana. Anyone can spend a week on an idyllic beach of this island in the Dominican Republic, where the only thing you have to worry about is ordering your next mojito. The price includes eight nights of accommodation, airfare, shuttle service to the hotel and travel insurance. The mojitos, however, cost extra. A German who is thinking about where to go this summer can choose between a package like this or, for just a little less, spend a week in Mallorca. This comparison shows the clear challenges that Spanish tourism is facing: while it is losing its competitive edge, more and more destinations with affordable prices and very attractive offers are appearing.

During the boom years, when the number of foreign visitors kept on growing, the opportunity was not seized on to lay the foundations for a model that would be sustainable for the mid- and long-term. Instead, the Spanish coast was systematically destroyed, particularly in provinces such as Alicante and Almería.

This unchecked development was a shot to the heart of an industry that represents nearly 11 percent of the country's gross domestic product and jobs. The crucial weight of this sector within the economy is what makes bad news for tourism bad news for all of Spain — particularly at a time when the country's other traditional driving force, construction, has broken down and there don't seem to be any tools available to fix it.

Lola González is suffering from the sum of two evils: the crisis and the lack of institutional support in the Valencian region to keep an original business going. Nine years ago, she set up a rural, health-based hotel in the mountains of Alicante. Fleeing from the model of the beach chair and lunchtime sandwiches, González offers spa services, hydromassage, medical care and first-rate food. But business hasn't been this slow since she first opened.

"Our results were improving a little each year, until last year," she explains. "We opened during the boom time, when it seemed like this was going to be the magical cure, but that hasn't happened. Last year, bookings fell 35 percent."

The strategic errors made by the industry are being amplified by the global crisis, which is hit-

ting the middle classes of countries that usually spend their vacations in Spain particularly hard. José Luis Zoreda, vice president of Exceltur, the lobby group that represents the main tourism companies, sees things from a very different perspective compared to someone like Lola González, but his diagnosis is similar: the model must be changed. And years of precious time have already been lost.

The goal is to offer each visitor an individualized experience, from the couple that wants to go to a quiet beach and dine at fine restaurants to the group of friends seeking extreme sports or the family seeking a cultural itinerary with stops at historic inns. Being capable of offering all that, and much more, is what it means to be competitive.

Not only has the competition gotten tougher, but also, demand today is completely different when compared to demand 15 years ago. Trips are now shorter, more urban, more food-oriented and more diverse. "The model of families that spend a month at the beach is over," says Josep Oliver, professor at

As Spain loses its competitive edge, more attractive destinations appear

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the Barcelona's Autònoma university.

And all this must be done without destroying the landscape, as has been the case in recent years. "A single generation has consumed a resource that should have lasted hundreds or thousands of years," says Oliver, referring to the mass construction that has characterized the last few decades. "It's nonsense to say that the model of sun and sand is obsolete. These are obviously going to still be the main attractions. But it's true that the way of approaching those who want to bask in the sun by the sea is no longer valid," says Zoreda.

Back during the "economic miracle" of the Franco regime, Spain had no competition. Tourism south of the Pyrenees ousted Italy and France with the same arguments that the eastern Mediterranean is now using to do the same to Spain. "In the

1990s, new destinations started appearing, such as Tunisia, Morocco and the Caribbean. We've got to reinvent the product and satisfy a more demanding customer," says Zoreda.

This loss in competitiveness has been evident for some time. Positive indicators, such as the number of visitors — which in 2007 reached an all-time high of over 59 million — have disguised the need for change. The figure fell the following year by almost two million, and experts predict that the trend will continue. In effect, in the first quarter of this year, 12 percent fewer foreigners came than in the same period of 2008. The bleeding was especially intense among British visitors, with a loss of 18 percent.

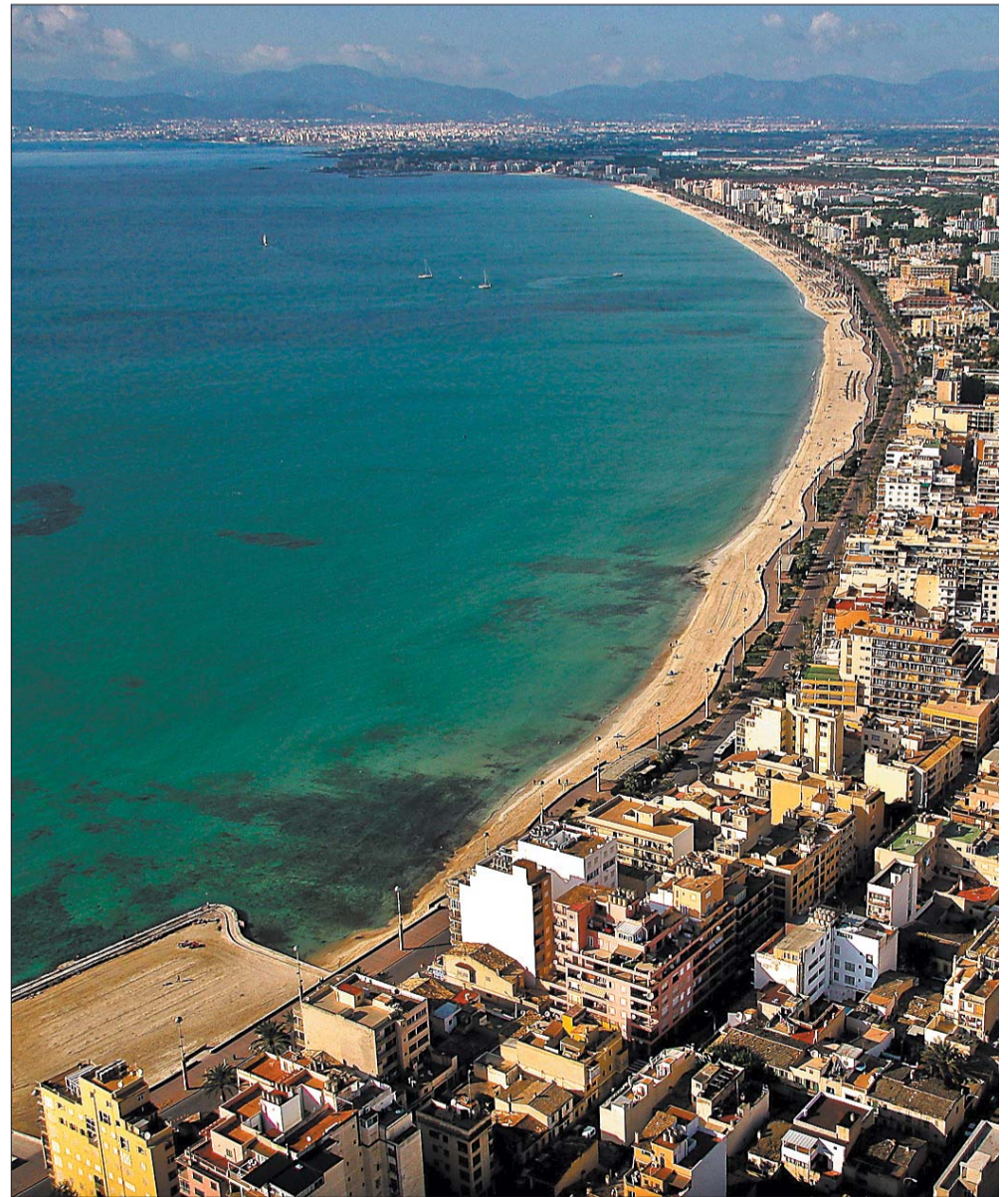
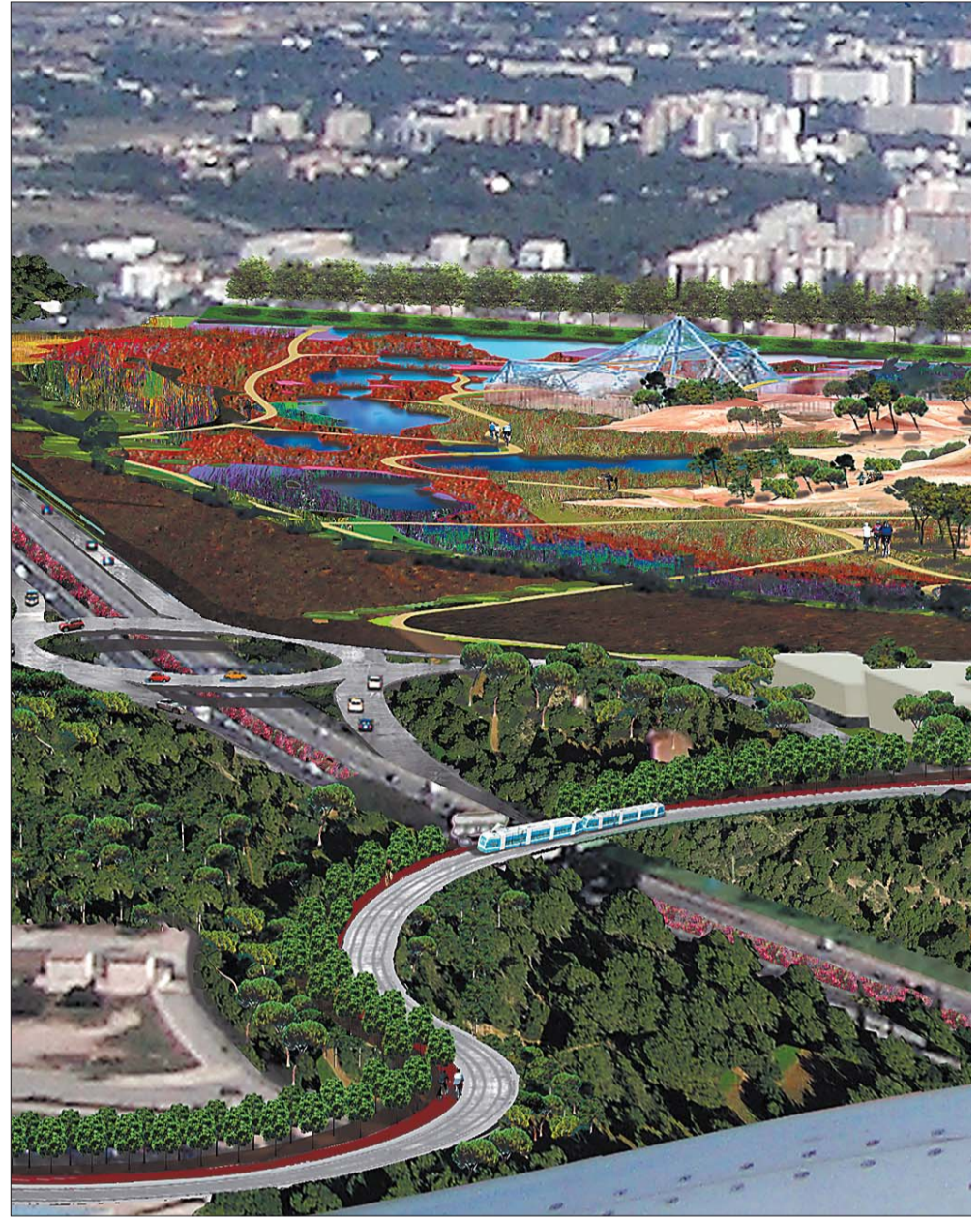
Nevertheless, the government keeps on sending out a message of optimism: "This year is proving to be a very difficult one," said the minister of industry, tourism and trade, Miguel Sebastián, last month. "But we're starting to see signs that by the year's end, a better period will begin so that the sector comes out reinforced and more competitive." As proof of its commitment, the administration has more than doubled the tourism budget this year, to €778 million.

The problem is that the data is hardly encouraging. The United States has just overtaken Spain as the second-most-popular destination in the world, a position it had maintained since the September 11 attacks. Tourists who no longer come to Spain are opting for cheaper destinations, such as Eastern Europe. "We shouldn't be looking at these competitors, but at certain regions of Italy and France. It's not the absolute number of visitors that counts, but the average amount each one spends," says Josep Oliver.

This professor cites the Costa Brava as an example of the successful transformation of the old model. "A few years ago, you could stay there, breakfast included, for €6. Clearly we're not going to be able to compete in price, which is why these days, many of these municipalities only give construction permits to first-class tourist facilities," he says.

"The geopolitical problems in the eastern Mediterranean have helped us in the past. Every time there was a terrorist attack in Istanbul or Egypt, everyone wanted to come back to Spain. But we've rested on our laurels," Zoreda concludes.

In a bid fight this lazy attitude, to overturn the model of mass, budget tourism, the Playa de Palma renovation project



was born. This plan seeks "a comprehensive revaluation of the area, capable of bringing about a new cycle of innovation, prosperity and sustainability with a view to the future."

To achieve such lofty ambitions, public and private initia-

tives have reached an agreement to renovate a 1,000-hectare area, with 40,000 hotel beds and 1.5 million visitors a year. "The goal is to have revitalized a destination that is dying by 2020 or 2030. It's not just a hotel project — it's also about improv-



The Palma de Mallorca coastline in its current state (bottom left). An ambitious redevelopment project, would leave the city looking more like these simulation illustrations. "The goal is to have revitalized a destination that is dying by 2020 or 2030," explains Margarita Nájera, the director of the consortium that is promoting the project. / TOLO RAMÓN

ing the quality of life of the 30,000 people that live here year-round," says Margarita Nájera, the former mayor of Calvià and director of the consortium that is promoting the project.

The plan includes demolish-

ing half of the 40,000 hotel rooms in the area, two-thirds of which have less than three stars. The question is, who is going to compensate the hoteliers when half of their business is torn down?

"Money won't be a problem

in this project... Altogether, it will cost between €2 and €3 billion, 70 percent of which will come from private initiatives," says Nájera. "We'll go to Madrid or Brussels to find the money, whatever it takes."

So far, only €8 million has

Signs of recovery

BERNAT GARCÍA, Madrid

Spain is still losing tourists, but not quite as many. Month after month, hotel and restaurant owners are seeing fewer visitors than last year, but the situation is not as bad as they feared in view of the recession.

From January to June, 23.6 million foreigners came to Spain, 11.4 percent less than in the same period of 2008, according to a study published last month by the Industry Ministry. At the beginning of the year, the number of visitors was expected to fall by around 10 percent. At the end of May, it was 11.7 percent. "Many business owners would have accepted those numbers at the beginning of the year," says Rafael Gallego, president of the Federation of Travel Agency Associations (FEAAV). Even so, he says, "the number is tragic."

The 10.4-percent year-on-year drop of June "is better than the figure from the previous month," says Miguel Sebastián, the industry minister, who be-

lieves that this positive trend will continue.

The crisis has crippled the main markets that send tourists to Spain, with 9.2 percent less coming from France, 11 percent less from Germany, and 16.3 percent less from the United Kingdom, the number-one source of visitors, accounting for over a quarter of the total. The devaluation of the pound with respect to the euro is a big factor. To make matters worse, two months ago the Russian government advised its citizens against visiting Spain, deeming it a swine flu risk.

The region of Valencia has been hardest hit, with an 18-percent drop in tourists. It is followed by the Canary Islands (-15.4 percent) and Catalonia (-12.5 percent). The Madrid region, however, has seen an increase of 1.6 percent. Gallego attributes the improving situation to the promotion efforts made by the government and to the hospitality sector, "which has sensibly held its prices."

been budgeted, from the Industry Ministry, and the streets in this part of Palma and Lluçmajor have still not seen a single crane. That's why critics accuse the promoters of not knowing where the money will come from, and getting the city involved in a never-ending refurbishment project that will leave the area without a trace of its former industry. The project is part of the 2020 Horizon Plan, which also includes the rehabilitation of the Costa del Sol and the municipality of San Bartolomé de Tirajana, in Gran Canaria.

"It's an interesting initiative, but other similar attempts never amounted to anything," says the ESADE professor Francesc Valls. "Lanzarote and Calvià tried, in the 1990s, to abandon the mass-tourism model, which was already obsolete. But years later, they caught construction fever like everyone else, and forgot all about sustainability and reducing the number of tourists." Has the whole industry finally gotten the message? "I think they have in Catalonia. Elsewhere, I'm not so sure," says Oliver.

Despite all these problems, Valls thinks that some progress has been made in recent years. "The five or six main companies in the sector have made a commitment to internationalization: groups that used to just focus on sun and sand have expanded to cities. And there has been a substantial increase in cultural and business tourism."

But there is still plenty of homework to be done. Like all the other experts, Valls stresses the loss in competitiveness: "Nothing has been done about that."

In the short term, the government wants to give companies, especially small- and medium-sized ones, an incentive to make productive investments through the Plan Renove Turismo. Its initial budget, of €400 million for 2009, ran out just a

month after its implementation. The Industry Ministry then decided to contribute another €600 million. This is a necessary investment in the next few years, as the country's existing hotels are getting old. But it's not enough. "Professional training is fundamental. It makes no sense to have a five-star establishment if the waiters don't speak languages," says Professor Oliver.

The expectations of these businesspeople are not very en-

Groups that used to just focus on sun and sand have expanded to cities

Investment is needed, as the country's existing hotels are getting old

couraging. The business owners' association asked them how they thought the first quarter would develop in terms of the number of overnight stays, occupancies, average price per room and profitability. All their responses suggested a much bleaker outlook than in 2008. There were only two areas with better prospects: the promotional efforts public administrations will make, and the possibilities of finding people willing to work. Benidorm seems like the paradigm of the model that must be rejected. Yet every week, nine million British viewers sit in front of the TV to watch a series named after this city in Alicante, about a chain-smoking old English woman. The show has been such a hit, that the private network ITV is thinking about filming a fourth season. While it may be far-fetched, it might just be the way to get Brits interested in visiting Spain again.