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LADB Staff

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Hurricane Wilma Causes Major Damage to Tourism Facilities in Quintana Roo

by LADB Staff
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The northeastern coast of Quintana Roo, one of Mexico's most popular tourist destinations, suffered extensive damage when Hurricane Wilma hit the Yucatan Peninsula in late October. The storm, rated a Category 4 hurricane during landfall, brought high winds and heavy rain to the region. Wilma inflicted its most severe damage on the resort city of Cancun, but the storm also caused significant destruction in Cozumel, Isla Mujeres, and the Riviera Maya, which includes Playa del Carmen. Wilma is the second hurricane to hit Mexico in less than a month. In early October, Hurricane Stan slammed into the coast of Veracruz and then stalled over a large area of southern and central Mexico (see SourceMex, 2005-10-12).

Wilma displayed similar characteristics as Stam, weakening upon landfall but stalling for an extended period over the Yucatan Peninsula. The damage from Wilma was more severe, however, because of the greater size and strength of the hurricane when it hit land. Alberto Hernandez, deputy general manager at the Servicio Metereologico Nacional (SMN), said Wilma brought a record amount of rain to the area. For example, he said, Isla Mujeres received 1,637 millimeters (64 inches) of rain in a 24-hour period.

The previous record occurred in 1988, when Hurricane Gilbert dumped 485 mm (19 in.) on the Yucatan Peninsula. In 1997, 440 mm (17 in.) fell in western Mexico as a result of Hurricane Paulina. In Cancun, the heavy flooding washed out several stretches of beach, exposing the foundations of some hotels. The storm also flooded many of those hotels, scattering debris and spreading mud inside their lobbies.

Death toll low, but property damage very high

Authorities said Wilma was directly responsible for only about a half-dozen deaths, including two victims of a gas-tank explosion in Playa del Carmen. The relatively low number of casualties was attributed to the precautions taken by residents and authorities before the storm arrived. "This is a tribute to the hurricane-prevention culture that authorities and society at large have adopted in preparation for other storms," said analyst Sergio Sarmiento in his nationally syndicated column Jaque Mate. "This was already evident when Hurricane Emily hit this same region [Quintana Roo] this past summer."

The low casualty rate from Wilma was in sharp contrast to 1998, when Hurricane Gilbert caught residents of Isla Mujeres and Cancun unprepared, said Sarmiento. The US National Hurricane Center reported 202 deaths from Gilbert in Mexico. While the number of deaths was low, residents were powerless to prevent material damages. Preliminary estimates indicated that 300,000 residents of Cancun and nearby areas lost their homes, while another 700,000 dwellings suffered extensive damage, said Quintana Roo Gov. Felix Gonzalez.
Mexican insurance companies anticipate the damage from Wilma will result in record payments for claims, perhaps surpassing the US$1.2 billion distributed after Gilbert. "We cannot yet give you specific estimates, but we anticipate this will be one of the most costly disasters in Mexican history," one insurance company executive told the Mexico City daily newspaper Reforma. Among those filing claims will be 47 hotels and countless restaurants, nightclubs, and retail outlets in the tourist zones in Cancun. By some estimates, the tourism infrastructure suffered about US$1.5 billion in damage, said Jesus Almaguer, president of the Asociacion de Hoteles de Cancun (AHC).

**Government pledges 20 billion pesos in assistance**

The damage to hotels and infrastructure raised strong concerns about the potential impact on the region's economy, which relies so heavily on the tourism industry. Tourism, which accounts for 8% of Mexico's national GDP, is the country's third-largest source of revenue, surpassed only by oil exports and remittances from expatriates. Before Wilma hit, total revenues from foreign tourism had been projected at US$12 billion for this year (see SourceMex, 2005-10-05). A record 20.5 million foreigners visited Mexico in 2004, a large number of whom made Cancun, Cozumel, and the Riviera Maya their destination.

Recent statistics from the Secretaria de Turismo (SECTUR) indicate that Cancun accounts for about 38% of international visitors. Furthermore, said SECTUR, Cancun and the Riviera Maya account for one-third of all revenue from foreign tourism. The region's importance to Mexico's tourism industry prompted President Vicente Fox to pledge 20 billion pesos (US$1.86 billion) in assistance, including 10 billion pesos (US$931 million) for reconstruction of hotels, restaurants, and other tourism-related facilities.

Beyond that, Finance Secretary Francisco Gil Diaz appointed deputy finance minister Alonso Garcia Tames to solicit loans from the Inter-American Development Bank (IDB) and the World Bank to help expedite reconstruction efforts. The Secretaria de Hacienda y Credito Publico (SHCP) did not disclose the exact amount of the loans requested.

The Mexican government said it was important to help the region recover in time for the peak tourist season in December. John McCarthy, director of the Fondo Nacional de Promocion al Turismo (FONATUR), said Cancun and the Riviera Maya stand to lose about US$15 million daily while the region is unable to receive visitors. "It is going to take us a couple of months to have 80% or 90% of the tourism capacity of Cancun working," President Fox said in an interview with the Televisa network.

There is more urgency to repair and rehabilitate hotels in Cancun, since Playa del Carmen and other parts of the Riviera Maya suffered less damage and may be ready for the Christmas season, said Dario Flota, a former minister of tourism in the state of Quintana Roo. "The damage in Cancun, despite being very heavy, wasn't to the infrastructure and can be repaired in a relatively short period of time," he said in a telephone interview.

Some private executives expressed skepticism about the timetable presented by Mexican officials. "To repair the hotels 100% will take eight months," Alejandro Ortiz, an engineer hired by Europe's largest travel company TUI AG to assess losses, told Bloomberg news service. The storm also caused
severe damage to the docks on Cozumel Island, Mexico's top cruise destination and a popular stop for US ocean liners.

Port officials said it would take several months to repair the facilities. Still, the government has allocated funds for the Consejo de Promocion Turistica de Mexico (CPTM) to change the perception that Quintana Roo resorts might not be able to receive visitors during December and January even with the current reconstruction efforts.

Some travel agents report that potential visitors have been changing their plans since the hurricane hit. "Cancun had been one of the most sought-after places," Diana Barrientos of the Mexico City travel agency Vacations Express told The Dallas Morning News. "But sales already have fallen more than 30%." Barrientos said travelers are not canceling their plans but rather shifting reservations to other locations. "They have changed destinations to Acapulco, Puerto Vallarta, and Ixtapa safer places," she said.

**Funds also allocated for temporary employment**

President Fox also pledged 10 billion pesos (US$931 million) for a temporary-employment program to provide jobs to workers displaced by the hurricane. "I'm asking you for zero unemployment," Fox said in a meeting with hotel operators. "I'm asking you not fire anyone, to keep them in their regular positions or use them in rebuilding."

In exchange for government loans, many hotel owners promised to keep their employees on the payroll. Some employers, however, have not followed through with this promise. Two hotels, the Sheraton Cancun and the Caribbean Villas, laid off several hundred workers, prompting the Confederacion de Trabajadores de Mexico (CTM) to intervene. The CTM has called a strike against the Sheraton Cancun, but a labor action against Caribbean Villas was delayed to allow management to continue negotiations with laid-off workers, said the CTM's Quintana Roo state leader Isidro Santamaria.

The work force in Cancun and other nearby resorts has increased significantly in recent years with the explosive growth of the region's tourism industry. In the last five years, 1999-2004, the number of people employed or seeking formal employment in Quintana Roo increased by 29% to 476,000, surpassing the average national growth rate of 10%, said the Consejo Nacional de Poblacion (CONAPO).

By way of comparison, the growth rate in the number of those employed and/or seeking employment during the same five-year period rose by only 2% in the Federal District (the city limits of Mexico City) and 4% in Jalisco state. Migration to the resorts in Quintana Roo is expected to continue at a steady pace in coming years, which means that Cancun and the Riviera Maya need to generate 30,000 jobs each year to satisfy the growth of the economically active population (EAP), said CONAPO.

The flip side of the employment picture will be a spike in relatively high-paying construction jobs in the short term as the region attempts to recover. The Camara Nacional de Industria de Construccion (CNIC) would not offer a specific estimate, but said thousands of construction jobs would be created.
in the southeast as part of the region's recovery. The numbers include jobs created in Chiapas and
other nearby states that incurred severe damage from Hurricane Stan.

**Government also assists victims of Hurricane Stan**

The Fox administration was criticized for placing so much attention on Quintana Roo while reacting
more slowly to the needs of communities devastated by Stan in early October. "The spotlight is on
Cancun," said federal Deputy Amadeo Espinosa, a member of the Partido del Trabajo (PT). "[This
government] has forgotten about Chiapas, where a larger population has been affected by tragedy."

Espinosa noted that hotels and other establishments in Quintana Roo that are receiving loans
and other government aid already have access to private insurance and do not need assistance as
much as those in Chiapas and other states. "In Chiapas, the water swept away the patrimony of the
poorest segments of the population."

Partly in response to the criticism, the Fox government announced a new aid package for victims
of Stan in Chiapas. "There are no first-class or second-class victims," said Fox while announcing
his decision to release 8.5 billion pesos (US$791 million) in funds from the Fondo de Desastres
Naturales (FONDEN) in Chiapas.

The funds will be used for agriculture assistance and for reconstruction of 50,000 homes destroyed
by Stan, said presidential spokesman Ruben Aguilar Valenzuela. [Note: Peso-dollar conversions
in this article are based on the Interbank rate in effect on Nov. 2, reported at 10.73 pesos per US
$1.00] (Sources: US National Hurricane Center, www.nhc.noaa.gov; Reuters, Notimex, 10/24/05;
The Christian Science Monitor, 10/24/05, 10/25/05; The Dallas Morning News, Los Angeles Times,
10/25/05; The New York Times, 10/23/05, 10/25/05, 10/26/05; Reforma, 10/23-26/05; Associated Press,
10/24/05, 10/27/05; La Crisis, 10/24/05, 10/28/05; El Economista, 10/24/05, 10/26-28/05; Agencia de
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10/26/05, 11/01/05; Bloomberg news service, 10/24/05, 11/02/05; El Universal, 10/24-27/05, 10/31/05,
11/02/05; La Cronica de Hoy, 10/24-28/05, 11/01/05, 11/02/05; The Herald-Mexico City, 10/24-26/05,
10/28/05, 11/01/05, 11/02/05)

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