

8-5-2009

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Recommended Citation

LADB Staff. "Negative Impact On Mexican Tourism Continues From April Outbreak Of Swine Flu." (2009).
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Negative Impact On Mexican Tourism Continues From April Outbreak Of Swine Flu

by LADB Staff

Category/Department: Mexico

Published: 2009-08-05

Federal and state authorities are working overtime to encourage foreign tourists to visit Mexico, but visitors from the US, Canada, and other countries remain reluctant in the aftermath of this year's outbreak of the H1N1 virus, also known as swine flu. Mexican authorities are projecting that revenues from foreign tourism, which was one of Mexico's few economic bright spots in 2008, could decline by more than 40% this year. While some recovery had been seen this summer, a new report that the number of H1N1 cases has surged in the southeast in recent days could stifle any major upturn.

The southeast is home to some of Mexico's most popular resorts, including Cancun and the Riviera Maya. Revenues expected to fall by 43% this year Mexico's tourism industry, the third-largest source of foreign exchange, performed reasonably well in 2008 despite the global economic downturn and the negative publicity generated by drug-related violence across the country (SourceMex, March 11, 2009).

The Secretaria de Turismo (SECTUR) estimates that revenues from foreign tourism increased by 3.5% in 2008, but projections are for a decline of 43% in 2009 because of lost business in the aftermath of the swine-flu scare. The situation has hit Cancun and the Riviera Maya especially hard. Hotel occupancy in Cancun before the H1N1 outbreak in April (SourceMex, April 29, 2009) was 75% but dropped to about 20% in May and early June. The situation forced 22 hotels in Cancun to suspend operations. The tourism slump also was evident in air-travel patterns.

The Grupo Aeroportuario del Sureste (ASUR), which manages the region's airports, reported a decline of more than 50% in traffic during May relative to a year ago. Only about 742,000 passengers used ASUR-managed airports during May, compared with 1.5 million a year ago. Among the hardest hit was the Cancun airport, which experienced a decline of about 55% in the number of passengers moving through that destination during May relative to a year ago. The slowdown in tourism has also had a deep negative effect on other popular destinations for foreign visitors, including Mexico City, Puerto Vallarta, and Acapulco.

The Confederacion Nacional de Camaras de Comercio, Servicios y Turismo (CONCANACO) reports that hotel occupancy dropped as low as 9% to 12% nationwide during the height of the crisis in May and early June. Some US, Canadian, and other tourists who would have traveled to Mexico during that period were either staying home or visiting other destinations like the Dominican Republic.

In an interview with the Spanish news service EFE, Dominican President Leonel Fernandez acknowledged that many North American tourists who would have traveled to Mexico in May and early June ended up visiting the Dominican Republic. "We regret what has happened in Mexico,"

said Fernandez, who pointed out that overall tourism levels are up in his country. Many cruise lines that frequent Mexico took their passengers elsewhere during May and early June. "The great number of alternative ports in the Caribbean makes it far easier to swap stops there," said the Associated Press. "Instead of Cozumel in Mexico, companies are opting for Ocho Rios or Montego Bay in Jamaica, Nassau or Freeport in the Bahamas, the Virgin Islands' St. Thomas, St. Maarten, or Key West, Fla., or points across the Caymans and Turks and Caicos." Even some US and Canadian port cities like San Francisco, Seattle, and Victoria saw an increase in visitors during the height of the swine-flu scare in Mexico.

For some traditional cruise destinations like Puerto Vallarta, this has been extremely bad news, since roughly 70% of the visitors to that city are foreigners. Because of the H1N1 scare, cruise lines avoided Puerto Vallarta during all of May and most of June. Cruise lines did not schedule a trip to Puerto Vallarta until June 26. The Camara Nacional de Comercio de Vallarta estimates that the swine-flu scare cost the port city almost 48.5 million pesos (US\$3.7 million) in May and June. This situation also affected the federal Treasury, which lost about 7.7 million pesos (US\$590,000) in landing fees.

Federal, local governments enact emergency programs

The drop in tourism prompted President Felipe Calderon's administration to launch a special program to support the tourism industry, including spending millions of pesos on international campaigns to convince visitors from the US, Canada, Europe, and Japan to return to Mexico. The campaign, Vive Mexico (Experience Mexico), is targeting both international and domestic tourists. There are special offers for Mexicans to visit destinations in their country as well as an effort to improve Mexico's image overseas, including an attempt to change the very poor impression left by an increase in crime and the swine-flu outbreak. "The task of the Secretaria de Turismo is to convince service providers to reduce their prices to make their product more attractive," said Tourism Secretary Rodolfo Elizondo.

In addition to the promotional efforts, the Calderon administration has created a special fund to provide loans and other direct support to small and medium-sized businesses that depend on tourism. The assistance is administered through the agency Fideicomiso Mexico Emprende, which offers loans to small businesses. Labor Secretary Javier Lozano said another key element of the government program is to partner with eleven private banks to provide direct support to businesses in tourist destinations.

On top of these efforts, the Calderon administration in mid-June enacted the new Ley General de Turismo, which the Mexican Congress approved this year (SourceMex, March 11, 2009). One of the main purposes of the law is to bring greater coordination to Mexico's tourism policies. "This law will provide a new framework for coordination among the [federal, state, and local] governments and the private sector in providing tourist-related services," said the Mexico City daily newspaper El Universal.

Calderon, who announced the enactment of the new law during a trip to Jalisco and Nayarit in mid-June, said the legislation would create greater certainty for foreign interests who want to invest in

Mexico's tourism sector. Elizondo welcomed the new blueprint for the Mexican tourism industry. "Without doubt, this policy will have to be perfected and adapted to circumstances, needs, and the growth of our country," said the tourism secretary. In Mexico City, authorities are also making special efforts to attract domestic and international visitors.

In early August, Mexico City Mayor Marcelo Ebrard unveiled a free health-and-property-insurance policy for anyone who visits Mexico during the last five months of the year. The policy will allow holders to get medical attention at any of the first-class private hospitals in the city in case of medical emergency, whether related to illness or accident. The policy is an effort to reassure tourists that they would get immediate medical attention if they experience any flu symptoms. In addition, the policy provides coverage in case a visitor's belongings are lost or stolen. Ebrard said Mexico City is now the first major city in the world to provide tourists with this type of coverage. Some officials are trying to make the best of the outbreak.

Veracruz Gov. Fidel Herrera has proposed a statue in honor of 5-year-old Edgar Hernandez in the community of La Gloria. Edgar is thought to be the first person to die from the H1N1 virus in Mexico. Herrera believes the statue could attract visitors to La Gloria, an impoverished mountain town where hundreds of residents were affected by the flu outbreak earlier this year.

Some recovery seen in July

Government efforts to reassure foreign visitors had begun to bear some fruit during July, with the most popular destinations like Cancun, Acapulco, Puerto Vallarta, Los Cabos, and Mazatlan reporting hotel occupancy increasing to between 75% and 80%. In Mexico City, hotel occupancy had risen to 40% from about 10% in May. Elizondo acknowledged that much of the increase was because of a rise in domestic travelers, who were taking advantage of the special rates offered. "International tourism remains about 45% to 50% below the rates we experienced last year," said Elizondo.

Tourism-related companies have complained that the government, while trying to promote tourism, is also taking steps that are harmful to the sector. For example, they say the Calderon administration is looking the other way while the four largest banks Banamex, IXE, Bancomer, and HSBC are placing overly strict conditions on loans to small and medium-sized businesses involved in tourism-related activities. The Asociacion Mexicana de Hoteles y Moteles (AMHM) accused the Secretaria de Comunicaciones y Transportes (SCT) of blocking the recovery of the tourism industry by authorizing an increase of about 4% in tolls charged on Mexican highways. "The announcement of the increased tolls will dampen the encouraging results we've had until now," said AMHM president Rafael Armendariz Blazquez.

In Cancun, a major conflict arose between the federal environmental protection agency (Procuraduria Federal de Proteccion al Medio Ambiente, PROFEPA) and two hotel operators, who are supported by the state of Quintana Roo. The hotel operators are angry because PROFEPA ordered them to shut down an artificial beach they created to make their properties more attractive. PROFEPA director Patricio Patron Laviada responded that the hotels created the beach without first requesting a permit from the Secretaria del Medio Ambiente y Recursos Naturales (SEMARNAT). Furthermore, said Patron Laviada, the way the beach was created has caused several environmental

problems in the area. Quintana Roo Gov. Felix Gonzalez Canto accused PROFEPA of harming the tourism industry in the state. "The decision [to shut down the beaches] exceeded any logical explanation," said Gonzalez.

New cases of swine flu could keep tourists away in winter

Even the modest increases in foreign visitors in July could be in jeopardy during the fall and possibly into the high-traffic winter months. In early August, the Secretaria de Salud (SSA) released its latest figures for H1N1 infections, and the report did not bring good news. On Aug. 4, the SSA said almost 1,000 new cases were reported within the span of a week. In updates released on July 29 and Aug. 4, the SSA reported large increases in H1N1 cases in Chiapas and Yucatan states.

Other states reporting a high number of cases include Veracruz, Tabasco, Guerrero, Jalisco, and Mexico City. Other states like Oaxaca, Quintana Roo, Colima, and Tamaulipas have reported some increase in cases of H1N1 infections in the past several weeks. In its Aug. 4 report, the SSA said more than 17,400 cases of H1N1 have been reported in Mexico since the outbreak in April. Of the total cases, 146 of the victims died, with more than half the casualties occurring in Mexico City, Chiapas, Yucatan, and Jalisco states. W

With all these states fairly popular among foreign visitors, Mexican authorities are going to have to work hard to reassure tourists that they are safe to visit, especially during the onset of winter, a popular period for foreigners to visit places like Cancun and Acapulco. But Luis Felipe Graham, the health secretary for Tabasco state, said cold weather is not the only trigger for H1N1. "High levels of humidity can also provide conditions for the illness to be transmitted," Graham told the Mexico City daily newspaper Reforma. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 5, 2009, reported at 13.04 pesos per US\$1.00]

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