



## **Lanzarote can strengthen its economic system while checking the growth of tourism**

**A new development model that leaves no room for excessive tourist or property pressures is a viable option**

The report “A strategic framework to strengthen the island’s economic system while checking the growth of tourism” puts forward ideas on a new development model for Lanzarote. Based on the consideration that the existing model has become outdated and is causing a number of negative effects, the report suggests how the public and private sectors on the island can facilitate the transition towards a new development model, identifying targets, establishing a clear strategic framework, and proposing alternatives for new business opportunities which will allow similar levels of wealth to those generated in recent decades, as well as indicating the conditions that need to be created to make this possible.

Five strategies are established which will lead towards the new model, namely: the adaptation of territorial and tourist development to the island’s carrying capacity; the repositioning of Lanzarote in the regional framework; the strengthening of key economic sectors with strategic importance or comparative advantages, including the refurbishment of Arrecife; the strengthening of public-private partnership; and the development of human resources and island know-how.

### Summary of Report:

“A strategic framework to strengthen the island’s economic system while checking the growth of tourism”

(Ideas on a new development model for Lanzarote)

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## **1. Introduction**

Over the last 20 years the model of rapid tourist development has caused profound changes on the island which have affected the evolution of its population, its productive system and its social structure. All of this is generating severe stresses, not only in the parameters that define the island's *modus vivendi* but also in the equilibrium of its territory and its heritage.

In order to halt the harmful effects of this model, based on frenetic property and tourist development, the Island Government has headed a clear process of reorientation towards sustainable patterns, based on the Island Planning Plan (PIO) of 1991, which deprogrammed more than 250,000 tourist beds, and successive documents that intimately link the island's development with the Biosphere Reserve. This open process, which seeks to put an end to the existing model, has been possible thanks to the general consensus between political and social forces on the island.

This report makes a series of considerations regarding the public and private sectors on the island with the aim of facilitating the transition towards the new model: firstly identifying targets; secondly establishing a clear strategic framework; and thirdly, of fundamental importance, proposing new business opportunities which will allow similar levels of wealth to those generated in recent decades, as well as indicating the conditions that need to be created to make this possible.

The report is split into five parts: analysis of the current situation; diagnosis; strategic framework and strategies; and lines of action for implementation.

## **2. Current situation**

The "sun and beach" development model, based on incessant growth in the number of tourists, generates wealth in the short and mid term by raising the level of activity in the construction industry and in services associated with the tourist monoculture. However, the human and planning pressures that it generates on a small size island territory give rise to a series of diseconomies, such as:

- a) Overexploitation of available resources.

Such diseconomies can be seen all over the island, and many of them have been analysed in the report on "Evolution of island indicators 1996-2001" prepared by *Life Lanzarote 2001-2004*.

- b) Abandonment of sectors that are vital for harmonious economic development.

The tourist monoculture has reduced the production capacity of all other sectors, leading to the situation where farming in general (except for some wine production), fishing and other industrial sectors, which not so long ago enjoyed a healthy presence on the island, have declined to the point of practically disappearing. Other sectors that are developing normally in other territories, e.g. new technologies, are showing obvious signs of lagging behind. This hyperexploitation of tourism has cannibalised infrastructures and services, such as the port and airport, converting them into simple means of access. At the same time, this model has impeded the construction of other infrastructures that are necessary for the development of territorial quality.

c) Annihilation of institutional and business capacity.

The absolute power of tourist demand, channelled through the tour operators, has discouraged the provision of other products or services, with the consequent demobilisation of institutional and business initiative. The island's specialisation in receiving tourists, the more the better, has reduced its capacity to propose, plan, and put into practice other ideas.

### **3. Diagnosis**

It is necessary to halt and contain the model of rapid tourist development which overexploits resources, renders other sectors sterile, and reduces the capacity of initiative on the island. Consequently, a call is made to the public sector, the private sector, and in particular the tourist sector to set to work to establish the criteria upon which to base a new model, along the lines already set out by the Island Government in the *Lanzarote in the Biosphere* strategy.

The challenge is now focused on identifying the economic impact that the new model will have on the island, knowing what types of businesses can be developed within a sustainable economy, producing new wealth to compensate the businesses that must forcefully be replaced, reduced or minimised, and showing that the resulting scenario will yield wealth on an equal or greater scale to that which has been generated to date.

To this end, five strategies are established which will lead towards the achievement of a new development model:

- Adaptation of territorial and tourist development to the island's carrying capacity.
- Repositioning of Lanzarote in the regional framework.
- Strengthening of key economic sectors with strategic importance or comparative advantages, including the refurbishment of Arrecife.
- Strengthening of public-private partnership.
- Development of human resources and of island know-how.

### **4. Strategic framework**

#### **Strategy 1: Adaptation of territorial and tourist development to the island's carrying capacity.**

The Biosphere Reserve concept is the strategic core of the new island development model.

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Accordingly this report proposes:

- a. Halting the growth in the amount of accommodation on offer in tourist areas and in inland areas of the island where second residences are liable to be developed.
- b. Modulating the pressure of tourist access by controlling the demand at access points –port and airport–, creating the appropriate mechanisms.
- c. Concentrating residential and industrial growth in the central conurbation: Arrecife and the Puerto del Carmen-Tías-San Bartolomé-Tahíche-Costa Teguise arc. The rest of the island, a Natural Theme Park.
- d. Designing and adapting the continuous growth in infrastructures and reformulating mobility patterns, orienting them towards the new residential-industrial arc, and creating a conurban area as a service-intensive zone (vertebral train, airport, port and new zones).

**Strategy 2: Repositioning of Lanzarote in the regional framework.**

- a) Geostrategic centrality in which to compete. The aim is to orient consolidated investment capacities and know-how resources on the island, with the support of upgraded infrastructures (port and airport) and new infrastructures, towards the intra-regional ambit (other Canary isles) and the extra-regional ambit (rest of Spain, Cape Verde, Morocco and West Africa), in terms of both investments and other types of exchanges.
- b) Develop the *Lanzarote Biodiversity* brand, to be used in this repositioning and all that the new centrality needs to foster.

**Strategy 3: Strengthening of key economic sectors with strategic importance or comparative advantages, including the refurbishment of Arrecife.**

The aim is to establish an island tourism strategy based on the standards of the new Lanzarote brand, seeking to develop the upper end of the market in all the products on offer. The objective with regard to the tourist sector consists of increasing the average expenditure per tourist, by positioning Lanzarote as a quality resort. In the studies included in the *Lanzarote in the Biosphere* strategy it was seen that this would be achieved with an annual increase in tourist expenditure by 2.4 euros per tourist per day.

The first sector to be strengthened is that of building refurbishment in preference to new construction. The aim is to establish different types of cooperation arrangements with the Canaries Government (commitments linked to Regional Guidelines) in order to propose the general refurbishment of all tourist accommodation on the island, both in and outside hotels. According to a report by the Island Government, of the 56,190 tourist beds existing in year 2000, 78% were in buildings constructed prior to 1991 and the percentage of less than two keys or three stars was excessively high for a quality offer, as was the percentage of tourist accommodation with a constructed area of less than 35 square metres per bed. The refurbishment of hotels is an important source of employment, since it generates more new businesses than the construction of new buildings (Barcelona 1987-94). This should also be the case in Puerto del Carmen and, in slightly different terms, in Arrecife, a city where the construction of social housing for young persons and other needy sectors represents an enormous package of needs in terms of investment and activity.

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The other side of island development refers to economic sectors of strategic interest, which tend to decrease external dependence and have the capacity to compete internationally. In this respect, consideration may be made of the following fields:

- a. Agrofood sector –farming and fishing– establishing an island agreement in relation with the preservation of the environment and the production and consumption of island products by the tourist population. Assess the possibility of the creation of a “Mercalanzarote” (market for primary products produced on the island).
- b. Sectors linked with reducing external dependence and closing basic resource-waste cycles on the island: mainly resource-saving schemes and alternative systems related with power, water, raw materials, construction and building management (bio-hotel initiative, new eco-ordinances...), creation of an “Indulanzarote” (area for manufacturing and other industries on the island).
- c. Singular sectors and activities (small and medium-sized enterprises) present on the island, such as those related with the sea, vulcanology, the environment, art and culture, quality training, etc.
- d. Sectors related with services to companies and activities in the area of tourism or others, very especially those linked with information and communication technologies.

**Strategy 4: Strengthening of public-private partnership.**

This consists specifically of:

- a. Strengthening public and institutional leadership, with a modernised Island Government as the principal promoter and facilitator of the change.
- b. Reinforcement and cohesion of the private sector, so that it can lead the initiative of civil society and economic interest groups in the new framework (Island Chamber of Commerce, strong private associations, training, interlocution and internationalisation...).
- c. Cooperation mechanisms: Creation of a public-private platform with the support of the corresponding regional public companies to orient and support the “change of cycle”.

**Strategy 5: Development of human resources and of island know-how.**

The fostering of entrepreneurial spirit, innovation, and the capacity and training of persons to undertake new tasks will be the backbone of Lanzarote’s new leadership potential. For this it will be necessary to have:

- A university site, with at least one diploma course in business management and administration.
- A site for the promotion of new professions and a business nursery.

The objective is to generate specialised know-how and to exploit the new professional and entrepreneurial opportunities that arise, incorporating clear business management criteria; a culture

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of quality; interdisciplinarity between tourism, leisure, culture, environment, sport and other economic activities; networking between SMEs; and internationalisation. This objective cannot be achieved without the active involvement of the island's business community.

## **5. Implementation**

Sustaining and furthering the proposed change of model requires the leadership of the Island Government, the participation of the municipal councils, and the presence of the private sector and of civil society. All must be invited to participate in the search for a consensus in relation with the design and development of the new model. This consensus will be established in a permanent public-private forum which will act as the driving force and the controller of all the process.

For the development of the five strategic approaches, the following lines of action are proposed:

- 1) Adaptation of the Island Plan to the General and Tourism Guidelines of the Canary Isles. This reorganisation is an opportunity to advance in the adaptation of tourist and territorial development to the island's carrying capacity.
- 2) Review and analysis of the necessary financial resources and their commitment by public or private bodies to meet the new investments that are required. This means the use of "RIC" special fiscal regime resources for internationalisation initiatives and to assist in the funding of new sectors, private associations, etc.
- 3) The development of an island tourism strategy that differentiates between two territorial areas: the central conurbation, with strong internal connectivity, port and airport, a focus of economic dynamism, leisure facilities, cultural activities and innovating town planning, with the refurbishment of tourist areas and of Arrecife; and the rest of the territory, a natural theme park of landscape and culture waiting to be developed.