

With López-Calleja Now Dead, Accor Gives-In and Blue Diamond Scores More Hotels in Cuba

CubaNet | viernes, 5 de agosto, 2022 12:12 pm



HAVANA, Cuba. - On June 21, 2022, tourism magazine *Excelencias News Cuba* announced that several Cuban and foreign companies with links to the island's Ministry of Tourism, had submitted offers of "Cuba Destination" to various travel agencies in Mexico. Which means that, according to the news release, about one month ago, tour operators, businessmen and Ministry of Tourism officials traveled to Mexico with "news" regarding "connectivity and hotel infrastructure" that would make the offer attractive.

Participating in that gathering was Cuba's Viñales Tours S.A., but also, among other foreign companies, France's Accor Hotels, one of the fastest growing hotel chains during the last ten years not only in the island but in all Latin America. Accor, along with Meliá and Iberostar, were among the hotel chains that in the 90s -immediately following the fall of Communism in Eastern Europe and the disappearance of Soviet subsidies- ventured on tourism development in Cuba as an economic palliative for the Castro regime.

Gisela Morejón, Sales Executive for Accor Hotels, described at the gathering "the

strengths” of two of her company’s jewels: the Pullman Cayo Coco Hotel, a giant among “all-inclusive” hotels, with 566 guest rooms, 10 bars and seven restaurants; and the SO/Paseo del Prado, the first designer hotel in Havana, possibly the most sophisticated of all hotels in the island and which, therefore, is the one where the French invested the most time and money. So much so, that the design of service-staff uniforms was commissioned from the famous Spanish designer, Agatha Ruiz de la Prada.

The French seemed to be doing well with the Paseo del Prado, so much so that, in 2021, it was chosen as the “Best New Hotel in the Caribbean” at the World MICE Awards, even though it was competing with other prestigious facilities in the area, like Hilton’s Koi Resort Saint Kitts, and the Palacio Provincial, in San Juan, Puerto Rico.

However, all of a sudden, Accor has decided to abandon its most precious treasure in the Caribbean. Barely a couple of weeks ago, on July 16, tourism authorities in the island showed great satisfaction when making public the decision to transfer the management of SO/Paseo del Prado to Blue Diamond Resorts, the Canadian company to which [the government] granted all rights -including free exporting- over the exploitation of tourism in Cayo Largo del Sur.

Accor: from enthralled to disappointed

Having started construction in 2016 and finishing it in 2020 -with 100% Accor capital- the idea to manage jointly with Gaviota S.A. what would become the best hotel in Cuba emerged ten years earlier, when the French hotel company requested several parcels of land in Havana to bring about its project.

Prior to that, Accor had been granted -under the Mercure brand, the management of the Sevilla Hotel, also on Paseo del Prado boulevard, but the French company, which had established itself on the island since 1996, had more ambitious plans. In spite of repeated attempts, Accor was not getting approval from the Ministry of Tourism which preferred to grant the best parcels of land to other competitors like Kempinski and Iberostar, and even to Chinese companies that were interested, also, in building real estate projects linked to golf courses in the outskirts of the capital.

In keeping with this, the parcel of land at the intersection of Prado and Malecón boulevards was granted at first to two Chinese companies. In a few months, when

the earth-moving work was just getting started, the complexity of the task made the Chinese companies lose interest, and they abandoned the project, leaving Cuba's tourist authorities holding a veritable hot potato.

Neither Meliá nor Iberostar were interested in continuing the construction due to serious problems with electrical infrastructure and the supply of drinkable water to the area, which made of the investment a costlier venture.

“Everything had to be done from scratch, in a rocky plot of land, whose infrastructure had been exploited for more than 100 years,” states André Biard, one of Accor's directors in Cuba between 2015 and 2019. “Cuba could not assume something so big, and at the same time everyone thought that, if the Chinese could not do it, it was because it wasn't doable; we thought it was a good venture, the more so when tensions with the U.S. began to ease up. That hotel had to be erected, and it had to be the best, in the best area of Havana.”

That was the opportunity the French had been waiting for to request the continuation of the project, absorbing all investment costs that during a first stage rose to 20 million Euros, and that increased during the actual five-year-long construction to twice that amount, according to statements made to *CubaNet* by several Accor directors, among them Eric Peyre who was Accor's representative in Cuba since the mid-1990s until recently.

In fact, in statements made to CubaNet in 2016, during Havana's Tourism Fair, Eric Peyre referred very enthusiastically to the project, still to be executed, of building the future Paseo del Prado Hotel.

“We are dealing with the future opening of another hotel in Havana, in a privileged site known as Prado and Malecón (...) and we foresee its inauguration after 2019, under the Sofitel brand, which is the most luxurious of our fourteen brands,” stated Peyre at the time, when the earth moving work hadn't even begun.

But, the complexity of the work forced the hotel to delay opening until 2020, just one year prior to the pandemic paralyzing tourism world-wide, affecting negatively all plans to recuperate the millions of Euros that had been invested.

“It is possibly the best hotel in Cuba, but, like the rest of them, it is a great, beautiful building that is empty, practically with no guests,” states one of the

facility's workers to *CubaNet*, under condition of anonymity because the government forbids him from talking with independent journalists.

"There are guest rooms that have yet to see a single guest since inauguration. Entire floors are empty, but they still have to get maintenance because of the hotel's proximity to the ocean, and because the air conditioning has to keep running so the rooms don't develop odors from being closed up," adds our source, who said he was not expecting the Blue Diamond management transfer.

"There was talk a few days ago; a month ago no one spoke of any such thing, or about Blue Diamond. It was said that Accor was leaving, but also that it was leaving in order to assume management of the K Tower (which people refer to as the López-Calleja Tower, across from the Coppelia ice cream parlor in La Rampa). Now they are also saying that Blue Diamond will manage the K Tower," affirms our source.

Everything seems to indicate that Jean-Luc Grossin was not expecting the July 16th announcement, either. Grossin was named general director of the SO/Paseo del Prado Hotel eight months ago. Since December 2021, he was expecting some kind of change like the one announced on July 16th. Sources close to Grossin, who years earlier was in charge of management at the Pullman Hotel in Cayo Coco, have told *CubaNet* that the decision was told to him a week before the transfer was made public, and also that he would be leaving to manage another hotel facility, but outside of Cuba.

"Accor reviewed the numbers and realized that it was better to accept the Blue Diamond proposal; and although they would not recuperate the investment made, they would cut their continuing losses short," states our source, who is closely linked to Accor.

"Accor is going through the same thing that other foreign chains are going through in Cuba: it's becoming increasingly difficult for them to remain in the island because the Cuban government is not assuming its commitments with respect to debt repayment. There are big delays, months and months of delays, and also, when Cuba needs liquidity, it freezes accounts as it sees fit (...). It has established a fixed, hard-currency exchange rate that is not realistic, and services become more expensive and, on top of that, creates obstacles and cheats every which way (...), obstacles to importing supplies, obstacles to free connectivity,

exaggerated rates (...). Accor cannot develop its products in such an environment. Maybe a tourist who visits Cayo Coco does not care about having a poor and unstable internet connection, but urban tourists, or those “coworking”, or on a “bleisure” trip (where the guest is mixing business with pleasure) need optimal conditions, and we are very far behind on that (...), I don’t think that Blue Diamond will solve those problems, no matter how much latitude it gets, unlike us. I think that in a couple of years, Blue Diamond will also become disappointed and they will pack their bags, and go,” foresees the source.

Blue Diamond Resort and the duty to accomplish the impossible

As of August 1st, Sunwing Travel Group, which belongs to the Canadian company Blue Diamond Resort, has replaced Accor as manager of the Paseo del Prado Hotel, which will be marketed as of that date as the Royalton Habana Hotel.

With this new acquisition, the company will add to its Royalton Luxury Resorts portfolio the first hotel in Havana, according to statements made by the general director of Blue Diamond Resorts in Cuba, Mohamad Fawzi.

But, as is obvious, the Paseo del Prado was not just any Accor hotel, but its most precious jewel in Cuba where the company invested the most capital looking ahead to the future, at a time when it was foreseen that foreign visitors to the island would reach more than 5 million per year.

Today, it’s a different and quite desolate reality. Neither are tourists arriving in the calculated quantities nor has the projected thaw with the United States ended up like many dreamt it would. The pandemic and inflation also create havoc. Even the frequent street protests, the people’s rising rejection of the dictatorship, which grows more unpopular every day, threaten the “political stability” the government has touted to foreign investors and that now, in light of the news, is being revealed to the world as the result of strong and sustained repression.

While businessmen, those already disillusioned, or the farsighted, take a step back before the deafening fall of the regime takes place, others, like Blue Diamond Resort, with more than 10,000 guest rooms in the Caribbean region, seem to not be taking into account the deception or the bad political and financial forecasts, and trust that they will achieve what others before them could not, even if some of those entities had been established in the island for more than 30

years.

For its part, the regime seems to have found a new victim whose pockets to plunder. A few weeks ago, it agreed to an exclusive deal whereby Blue Diamond will manage the tourist pole at Cayo Largo del Sur, and even granted the company a special import license to get supplies for its business. For their part, the Canadians made a commitment to modernize the landing strip at Cayo Largo's airport so larger airplanes can land there, an investment of a few million dollar that they will never recover.

"It's another big dumb fish that takes the bait," is how an officer of the Ministry of Tourism describes it to *CubaNet*, on condition of anonymity.

"They have fallen for our story about how we are recovering, hook, line and sinker. The reality is that nothing is going well. Blue Diamond was just waiting for its opportunity and now they have it (...). Luis Alberto (López-Calleja) bit the dust when nobody expected it, and at Accor, they know they have lost their great champion. The folks at Blue Diamond think that everything will go well with them because that is what they have been promised by those who think that the sky is the limit now that Luis Alberto is dead. The king is dead, long live the king. That is what's happening. When the king dies, his protégés have to make sure their heads don't roll," states our source.

Blue Diamond's struggle to manage Cayo Largo jointly with the Cuban chain Gran Caribe went on for a long time, but in the end, it was victorious, two months before its strongest detractor and competitor, general Luis Alberto Rodríguez López-Calleja, president of the military business conglomerate GAESA, died unexpectedly.

Very bad news for some foreign businessmen linked to Gaviota S.A., which belongs to GAESA, who have witnessed how several promises and projects have vanished, but a happy coincidence for those who regarded him as an undefeatable obstacle with respect to hotel investments in Cuba, where Raúl Castro's former son-in-law had the last word.

In fact, there was talk about the so-called K Tower, soon to become the tallest hotel in Cuba and still under construction, being ceded to Accor for joint management with Gaviota S.A. But now, with López-Calleja's death, nothing has gelled, and that, along with other matters, is probably the reason Accor was quick

to reduce its interests in Cuba to a minimum, in spite of the company's notable growth in 2021 and 2022 in regions like Latin America, North America and Asia. Accor plans to acquire some 300 new properties, in addition to the same number of acquisitions it reported in 2021, as published in its most report last March.

Although the initial plans for the K Tower indicated that GAESA would assume its construction and management, the present economic circumstances, amidst the worst crisis of the last 30 years, was forcing them to abandon that idea and instead to seek an alliance [with some outfit] that could move forward with the project, even if in the end the whole agreement were to reveal itself as another hoax, as a strategy among many others to obtain foreign financing.

Accor, contrary to Blue Diamond Resorts, is considered the largest hotel group in Europe and Latin America, the undisputable leader in the hotel sector worldwide. Therefore, its decision cannot be regarded as the result of bad management, but instead as a "smart exit" from an arena "without worthwhile perspectives," according to statements made by one director, under condition of anonymity, who rejects the idea of exiting Cuba definitively, at least not for the moment.

"There was no pressure. Nor mismanagement on our part. It was a mutual agreement. I think it was a smart move in the present context. Unfortunately, Cuba has become an arena with few business perspectives. Everything is very unstable, uncertain (...). There are countries in the region that have managed successfully their return to normalcy after the pandemic, although they show health indexes below Cuba's, or where contagion is still considerable. However, they have managed to attract and emit tourism with greater success. Cuba is having a hard time doing that. We love Cuba, I don't want to leave here, but the perspectives don't look good. Business is business, as you say," states the Accor director.

However, news of the management change seems to excite the regime, and it has so noted in several press releases. Simultaneously, it disregards or ignores how alarming Accor's exit could be, especially in light of recent reports that tell of the company's success in Latin America.

According to the tourism website "Travel Latam", and based upon company reports from March 2022, and on an interview with Thomas Dubaere, Accor's CEO, the company started 2022 "with good news for Laltin America."

Before this year ends, Accor plans to open another 25 hotels in South America, 17 of them in Brazil and another eight in other countries. Except in Cuba. According to the company's numbers, during its most recent Black Friday, Accor sold 49% more than it did in 2019, and approximately 50% of those sales were for 2022 stays.

The company continues to grow at a good rate because, in Thomas Dubaere's own words, "in order to attract investment and accomplish the revival of hotels, like in any other business, one needs price stability, as well as currency exchange and inflation stability," Something that in Cuba is very difficult for now.

Recibe la información de CubaNet en tu celular a través de WhatsApp. Envíanos un mensaje con la palabra "CUBA" al teléfono +1 (786) 316-2072, también puedes suscribirte a nuestro boletín electrónico dando [click aquí](#).