**Hotel Investments in Cuba: Money that Vanishes**

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 Photo Caption:

 The Neptuno-Triton Hotel towers, in Havana (Credit: CubaNet)

HAVANA, Cuba. – Close to 10 million US dollars is what the Gran Caribe Group assigned in 2015 to the total renovations budget of the Neptuno-Triton hotel complex. *Gran Caribe* is a state company that belongs to the Cuban Ministry of Tourism. However, judging by the 281 “the worst” ratings, and the more than 105 “bad” ratings given by clients to the hotel on TripAdvisor, very little of that money was used in actual repairs announced for that year, or even the ones announced for previous years.

Of 573 client opinions written on the aforementioned webpage, only eight describe it as “excellent”. It’s not just about the poor service guests get, or about the generally bad state-of-cleanliness at the hotel, but also the dismal state of ceilings, stairs, walls, hallways and furniture all of which state loud and clear just how long their neglect has lasted.

Like most of Cuba’s hotels, the Neptuno-Triton complex is today practically uninhabitable, or at the very least does not live up to its purported ranking due to the extent of its deterioration. The towers, which are 22 floors high with 240 rooms each, were constructed, first and foremost, with socialist bloc financing, i.e., from Eastern European countries and their Council for Economic Mutual Assistance (COMECON) in the mid-seventies, and they were the first grand hotel built by the communist regime in Havana after 1959.

Still, even amidst the economic bonanza of the Soviet era and the financial loans received from countries outside the Communist bloc –especially from the Spanish government at the end of the eighties- its construction was delayed by over a decade due to “budget problems”, this from the actual official news published in those years. That is how the Neptuno tower was not inaugurated until 1991, in the middle of the political and economic debacle that Fidel Castro euphemistically christened “the special period”. The “special period” reached famine levels, so much so that even today, many Cubans still suffer the psychological, physical and social effects of what they had to endure during that period.

Truth be told, in the midst of the construction craze related to the celebration of the XI Pan American Games in the island, and in spite of the debt incurred by the country and the resulting financial ruin, the Communist Party was bent on promoting Cuba as a tourism destiny and decided to finish building the “twin towers” in Miramar without reservations and at full speed. This, in the opinion of several people involved with the construction project, severely affected the quality of the construction.

As a result, at the start of the new millennium, the bloc of hotel rooms affected by shabby work, neglect and proximity to the ocean more than by the passing of time, had already been identified as showing severe structural damages which, if it continued, would end up in a total collapse of the buildings.

“In 2003, there was an eight-million-dollar budget approved for repairs,” according to Reinaldo Maza, a civil engineer associated with the original project. “It was money donated by Spain; it included also renovations to the Comodoro Hotel; I don’t remember well if the Comodoro also received between eight and ten million dollars. That was the time the bungalows started being built, but at the Neptuno-Triton nothing, absolutely nothing was done except for changing windows, some air conditioner repairs and the outdoor areas. The actual building structure remained exactly the same. It was a complex and costly task but to the height of both buildings. The only construction companies that could do the job, like Bouygues (Bouygues Batiment International) which was just getting started in Cuba, were totally immersed in building hotels for the military in the Keys and at Varadero beach. Someone at the Ministry of Tourism thought it best to use the money to build more bungalows at the Comodoro.”

A former staff member of the hotel affirms: “Once the money gets approved, it’s diverted to other *Gran Caribe* projects. Since I started working here, I have seen it more than once that crews arrive, set up the scaffolding, the cranes, and months pass, then they return, take down the scaffolding when the salty air begins to damage them, and nothing happens. They say the damage is so great it would be best to demolish [the towers] and build another hotel.”

But neither thing happens: not demolition nor renovations. Although the budgets for implementation have been regularly assigned, almost instantly they vanish.

An officer of the economics management at *Gran Caribe* explains: “What happens is that these are budgets assigned to maintenance and not to investment. They must be utilized within the year. If within that year they are not utilized, whether it’s a problem unrelated to the company, that money is put back in the MINTUR budget, and from there, undoubtedly, it passes to the State, to be used for other purposes that probably have nothing to do with tourism. That’s how it was until 2017, for both maintenance and investments. That is why they never assume the renovations as investment, but instead as maintenance, because they know there is an expiration date.”

This officer continues to explain the mechanisms by which the money vanishes: “Investment budgets have no expiration date, or better yet, their period for execution is much longer. In the case of the Neptuno, of the Habana Libre, and even of new hotels like the Packard, they all have the same problem when the maintenance budgets are not utilized: the funds do not accrue; instead they vanish. Those tricks have been played forever. Money is deposited for renovations, they let the time run, and the money is then used for another purpose. Or the money’s utilization is ascribed to maintenance because they buy paint, some furniture, many of which end up in someone’s home or on the black market. The justification that is given has to do with the expiration date. It’s the Cuban side that is obligated to perform the pertinent maintenance, and the party that should assume its financing as sole owner of the hotel; but in practice, since Cuba has no external sources of financing, it’s the foreign party that secures the loans so that we can do what we do best: robbing Peter to pay Paul.”

According to information published loosely in the press as well as in academic papers related directly or indirectly with tourism investments in the island (see Note 1 at the end of this report), between the years 2000 and 2019, both the Ministry of Tourism –in representation of all its hotel groups like Gaviota S.A. – a GAESA entity- Habaguanex, and Puerto Carena Construction Group -the last two belonging to the Office of the Historian of Havana, that were later taken over by GAESA in 2016-, had received the sum of at least US$ 1.85 billion in donations and loans whose purpose was the renovation of the facilities basically in the capital city of Havana.

Since the Cuban regime allows no access to the data due to the fact that there are no laws in Cuba that compel institutions and public officials to transparency of information, this is an estimate that could be way below the actual figure, the more so when we have excluded from the calculations various important sums of money from, for example, the Saudi Fund for Development.

The Saudi Fund, active in the island since 2010 to the present, has kept injecting loans and donations that oscillate between 30 and 200 million dollars annually. These funds are aimed at hydraulic infrastructure development in the island (indispensable to the growth of the hotel industry), and also to the various projects of the so-called “Master Plan” of the Office of the Historian of the City of Havana. Included in this plan is the repair of Malecon’s architectural complex. It’s worth mentioning, however, that a building as emblematic of the area as the Deauville Hotel has not benefitted from any renovations, in spite of the fact that the building –which belongs to MINTUR’s *Gran Caribe Group*- has been on the list of hotels in worst condition, for years.

What is not surprising, although it can be asserted without fear of generalizations, that the totality of Cuba’s hotels, including emblematic facilities such as Hotel Nacional, the Habana Libre, the Melia Habana, and even “gems” such as Melia’s Paradisus los Cayos; and *Iberostar*’s Gran Packard, do not comply with the high standards with which they are promoted by tour operators abroad and in Cuba not only because of the poor service they deliver but also because of the distressing upkeep which is the subject of many complaints, claims and reports.

**Complaints, Claims and Reports**

Although *Gran Caribe Group* promotes the Neptuno-Triton Hotel as “a magnificent choice for travelers visiting Havana” due to its “reasonable” prices, its proximity to the ocean, and its location in the Miramar neighborhood, the truth is that most of its guests agree in rating it as “the worst”.

A TripAdvisor user who goes by the name Paratecle, rated the place as “disgusting”: “The hotel has four elevators, but only one is working, without air-conditioning, horrible (…). The room was dirty, full of bugs, mildew, bread crumbs, leftovers, everything in general is neglected. The shower had no showerhead, it was a hose (because they have nothing else). The towels were yellowish, full of holes.”

 Photo Captions:

1. It seems incredible, but this is a room at the Nacional Hotel. When requesting an extra bed, this is what was brought to the room in the most emblematic of Cuban hotels.
2. Minibar at the Sevilla Hotel (Credit: CubaNet)
3. Bathroom at the Neptuno Hotel (Credit: CubaNet)
4. Stairwell at the Neptuno Hotel. Elevators break down often (Credit: CubaNet)
5. Ladies room at the Sevilla Hotel (Credit: CubaNet)
6. Mildew on the walls at the Neptuno Hotel (Credit: CubaNet)

Vicente Danni F, from Colombia, and Caridad F, from Spain, who were hotel guests during January and February 2020, also complained about the condition of the elevators and the service they received, and recommended general building renovations: “The worst service. It you wish to visit Cuba, never make reservations online, there are no guarantees (…). The staff that welcomes you at the door is always on their cellphones talking to each other. Then on the sixth day they ask you aggressively: “Are you staying in the hotel? I didn’t notice you before (…).” The food is low quality. Three elevators have been broken for years, and the only one that works broke down for two days. This hotel needs to replace its staff and make general renovations.”

Carmen Y Perez, from the U.S., wrote in January 2020: “A great fraud. (…) The air-conditioning system makes a lot of noise, it has four elevators, but only one works. On the last day of my stay, the only working elevator broke down and I had to walk down 21 flights of stairs; when I was ready to file a complaint, no one was there to meet me face to face. I am very disappointed in this hotel, I do not recommend it to anyone.”

In December 2019, Sara M, from Spain, described the hotel as “a piece of garbage”, adding: “It’s better to sleep in the middle of the street. The facilities are the worst, they are filthy and deteriorated. The staff at the reception desk were very rude, and so were the doormen, especially toward women. Breakfast was very basic, and the sausages had ants crawling in them. The room’s bathroom was horrible, with open pipes. The fridge did not work, the balconies, well, better not lean on the railings. Very old furniture, and there was a door that connected to the adjacent room, you could hear everything. In a word: a dump. Not recommended.”

A similar opinion was given by a guest who identified as Trulibola: “Can there be anything worse? Please, do not go there. It’s a miracle that a tragedy hasn’t happened at this hotel already! It looks abandoned! Do not go out on the balcony: the railings are deficient, as is the actual structure. If you are on the 18th floor, you best walk up the stairs: the single elevator is in very high demand. A disaster! The only positive thing I can say is that you will live through a unique experience that you will never forget, Ha!” This guest stayed there in January 2019.

It’s not just the Neptuno-Triton and the Habana Libre, both belonging to *Gran Caribe*, that are practically abandoned. There are similar reports on TripAdvisor about maintenance and services at emblematic hotels such as the Nacional, the Sevilla, and even about the “ultra-luxurious” Gran Hotel Manzana Kempinski and the Gran Packard.

There aren’t too many bad reviews about the latter two, but being considered as five-star-plus hotels, it is surprising that some thirty former guests have rated their facilities as “bad”, and about fifty guests as “the worst”.

About *Iberostar*’s Gran Packard, TripAdvisor user Elisa Enriquez, from Spain, wrote in March 2020: “Cleanliness was far from perfect for a hotel of this quality. Dust was accumulated in every corner, behind the doors and under the bed. These details are not what you expect at a five-star hotel. The room must be impeccable. The tile grout in the shower, the edges of the faucets, and those of the shower screen all had mold. The shower smelled like a sewer pipe for lack of ventilation. On the terrace, there were bird droppings that had accumulated there for days. The bedlinen had stains (…). The glass partitions in the breakfast area and around the swimming pool, were dirty.”

The user Paradise 24288981841 wrote in January 2020: “Luxury hotel with room for improvement. During our four-day stay, the water temperature in the room was lukewarm, in spite of the many calls we made, they could not fix the problem. They even offered us an alternative suite, but in the second room there also was no hot water, so I assume it was a hotel-wide problem.”

Another hotel with problems is Meliá Habana, managed by the Meliá hotel chain –as it does the Habana Libre- in agreement with *Gran Caribe*. Meliá Habana has been rated as “bad” and “the worst” by more than 200 users of TripAdvisor, and on a scale of 1 to 100, it has been rated number 45.

A user identified as Lia stated in August 2019 that the facility “needs repair URGENTLY”: “They would have to do a great renovation, it is urgent. There are walls on the fifth floor that are falling. Our stay was not cheap, we paid a fortune, and the results were not what we expected.”

That same month, Carlos Perez, from Mexico, wrote: “A very bad hotel. The worst hotel in Havana. The manager on duty is a man who lacks criteria. I flew in from Mexico and I was treated rudely, even in a discriminatory manner. They prefer European tourists. The individual at the reception desk is not concerned about giving guests good service. If you must come to Cuba, choose other options.”

Ari, a guest from Spain, said this in January 2020: “I expected more. Disappointing in many respects. (…) There were leaks in the bathroom, seeping down through the rusted ceiling-light fixtures (…). Out of six elevators, at any given time of the day only two were working; it took more than 15 minutes to go down [to the lobby].”

Another Meliá hotel that doesn’t escape criticism if the Paradisus los Cayos, at Santa Maria Key. Sold as “a paradise in the Caribbean,” several TripAdvisor comments raise doubts:

Patri-T-21, a guest from Argentina, wrote in February 2020: “Very bad. Truly an enormous disappointment. The hotel is fairly new, it looks beautiful from the outside, but the moment you go in, it leaves a lot to be desired. The lobby is large but gloomy, and it stinks. Service is the worst. (…) The dining room is horrendous. Even before you go in, you can already smell the rotten vegetables, and once you are inside, the smell is awful. Poor ventilation and cleanliness. Dishes are not washed, it’s obvious they are just rinsed in water, and that’s it: they are left dirty, with food particles on the surface, and in general they are wet. The food, if you still have an appetite, is so-so. In five days –ten meals- only three were good.”

 Photo Captions:

1. A safe in a room at the Neptuno Hotel. The room number is handwritten (Credit: CubaNet)
2. A guest at the Neptuno Hotel took this photograph in his room (Credit: CubaNet)
3. Shower floor in one of the Neptuno Hotel’s rooms (Credit: CubaNet).
4. Bathtub at the Neptuno Hotel (Credit: CubaNet)
5. Cockroach infestations are a telling sign about cleanliness in many Cuban hotels (Credit: CubaNet)
6. Stained linen at the Neptuno Hotel (Credit: CubaNet)

Arlet G., from Spain, wrote in February 2020: “It’s totally disrespectful the indifference of management regarding problems in this hotel. (…) I was pregnant and I almost electrocuted myself in the shower. Today, the 15th, I got to the buffet and I didn’t even find yogurt, not a soda, nothing to eat, even the staff was complaining that they had nothing to work with, there wasn’t even any sugar to sweeten a glass of milk.”

**Loans, Debts and No Renovations**

It it hasn’t been used in the renovations that are regularly announced by the Cuban press, nor in supplying the hotels, nor in their regular maintenance, then: where have the assigned funds gone?

Mauricio Olivera, a former official at Cubanacán S.A., a diplomat and a man who occupied several responsible positions at the Ministry of Tourism during the eighties and nineties, states that it is possible that those budgets have been employed in the construction of new hotels.

“When in the nineties, Fidel [Castro] decided to foment tourism, the entire Cuban hotel infrastructure was in ruins, and I imagine that it still is. The Panamerican Games had sucked all the money that was left over from

Soviet days; around the same time, Meliá was building the Sol Palmeras Hotel in Varadero Beach, throwing money around like crazy, and from that source, a good chunk went to the Games and also to other things that were not the Games.”

He goes into details. “The Panamerican Games were then what the Battle of Ideas would become later. Black holes that swallowed all the money that came into the country. They were all “Fidel tasks”. And with Fidel, the Osmany Cienfuegos, the Otto Riveros, but it was really Fidel who decided what would be done with the money. He had the skill to siphon money from anyone, to make promises and later do whatever the hell he wanted. That “on a whim” style of work, that “because I say so” style, is the same work style at all the Cuban ministries and in the [state] corporations. I do not doubt that they request money for renovations, then let it sit till it rots in some account, and then withdraw the money to do other projects that will enable them to find more money. It’s what we did all the time at MINTUR,” according to Olivera.

A director of *Iberostar*’s rep office in Cuba, who agreed to talk to CubaNet on condition of anonymity, recognizes that a large portion of the budgets and credits granted by Spanish banks to Cuba do not meet the purpose for which they were requested, even though they were arranged by the foreign party.

“The agreement is for management; it’s up to the hotel owner, the Cuban side, to assume any maintenance cost or any other cost in that regard. We are aware of the financing difficulties that the Cuban government faces, and that is why we help with requesting the credits, with the loans, even with the renegotiation of the debts, but what has been happening is totally the responsibility of the Cuban side. In addition, there is bureaucracy involved left and right… for importing, for tax paying, for contracting personnel and construction companies, where we have no say in the decision-making. Recently, we secured an import license which has allowed us to improve, but there are still unsolved problems, the maintenance funds do not accrue when they are not used. Why not? Why is it used for other things? Why are the maintenance and renovation projects not implemented when in Cuba there are countless construction companies that can do it? The problem is that you have to retain those companies that the higher-ups tell you to retain, and that is absurd because we are talking about the same company with greater commitments than its capacity to handle them,” is the *Iberostar* director’s conclusion.

In the “Business and Economic Report” –from 2019 and 2020- prepared by the Business and Economic Office of Spain in Havana, Spanish citizens are forewarned about the risks they must face when they invest in the island.

In the documents, not only are the eminently political intentions that govern the decisions of the Cuban Communist Party *vis a vis* foreign investment addressed, but also the problems faced regarding the import of supplies, the export of goods and services, the selection of business partners, the search for suppliers in the international market, and the approval of projects, including those in the Special Development Zone Mariel.

But the most important warnings as related to our present subject matter, is the emphasis placed on stating the high probability that Cuba will never pay-off the debts it incurs, as well as the retention of capital in Cuban banks.

Moody’s Investors Services today continues to rate investment risk in Cuba as “Caa2 with stable outlook”, which ranks the country as 7th in “Substantial Risks”.

Cuba stopped paying its providers starting in December 2015. Numerous contracts are enduring important delays in receipt of payment, which means that regarding Spain’s commercial balance in Cuba in early 2019 alone, the debt was estimated at approximately 300 million Euros.

Prior to that, in November 2015, Spain had reached a short-term debt-restructuring agreement for the amount of 201 million Euros, of which 118 million were forgiven and another 40 million Euros were transferred to a Debt Countervalue Fund.

Other reports and studies, including some that were prepared by academic institutions in the island (Refer to Note 1 at the end of this report) also indicate these and other “black holes” of the Cuban economy where all trace of the budgets assigned to state entities simply disappears, which also affects those funds that are managed by state institutions, especially to the so-called “Territorial Contribution for Local Development” (CTDL, by its Spanish acronym). (Refer to Note 2 at the end).

The CTDL for the year 2018 alone was approximately 1 billion pesos (at the time, equivalent to US dollars), but in real practice this money meant absolutely nothing because [the government] did not meet the goal of financing municipal development. Instead, it was money raised in tax payments, collection of fines and other items, and it almost totally vanished.

“There is something important in all this, and it’s what we called “the Gaviota miracle”: in less than 20 years, Gaviota went from being nothing to becoming the most powerful hotel entrepreneurial group,” according to Mauricio Olivera. And he adds: “Its birth occurred when the Ministry of the Interior fell from grace and the control of US dollars was transferred to the Cuban Armed Forces; it boomed during the years of the famous “Single Account”; and it reached its peak when the Armed Forces took over International Finance Bank (BFI, by its Spanish acronym). It resembles a choreography.”

Whether directly related to what’s been happening for decades, or not, the truth is that the hotel chain Gaviota Tourism Group (Grupo de Turismo Gaviota S.A.) which is managed by the Cuban Armed Forces, was created in 1988, and by 2016, it had become the principal hotel group in Cuba with 30,000 four-and-five-star hotel rooms under its belt, and with a growth plan that, in spite of the financing problems the Cuban government says it faces, proposes to build another 50,000 hotel rooms by the year 2025.

In that regard, the Ministry of Tourism has announced, in their “Development Strategies for 2030”, a “roster of intense investment projects” to increase the lodging capacity to more than 100,000 new hotel rooms for the year 2030; of these, about 30,000 will be built with foreign capital. According to some experts, in order to reach this ambitious goal, Cuba will need approximately US$ 33 billion in new investments (Richard Feinberg and Newfarmer, 2016). Nothing has been said about renovation of the old hotels.

**NOTES**

1.- The Cuban government does not make public any information pertinent to this matter. Together with details gathered through interviews with various sources, the following are some of the press coverage, reports and academic papers we have consulted for this calculated estimate in order to compare the information and verify the regularity of the restoration projects of the hotels in question.

<http://scielo.sld.cu/scielo.php?script=sci_arttex&pid=S025285842020000100013>

[Ministro de Turismo: Hay estrategias en marcha para revertir la situación del sector](http://www.cubadebate.cu/noticias/2020/02/12/ministro-de-turismo-hay-estrategias-en-marcha-para-revertir-la-situacion-del-sector/)

[Una década de desarrollo del turismo en Cuba (1990-2000)](http://www.econdesarrollo.uh.cu/index.php/RED/article/viewFile/617/463)

Anoceto. L. (1998): “El turismo, motor de la economía cubana de los noventa”, in *Revista Destinos*, no. 6, pp. 4-6

Ayala, H. (2001): “Medio siglo de transformaciones del turismo en Cuba”, Centro de Estudios Turísticos, Universidad de La Habana

Brundenius, C. (2003): “El turismo como ‘locomotora’ de crecimiento: reflexiones sobre la nueva estrategia de desarrollo de Cuba”, in Miranda, P. (Org.) “Cuba: reestructuración económica y globalización”, pp. 265-295.

Elliott, S. M. & Neirotti, L. D. (2008): “Challenges of tourism in a dynamic island destination: The case of Cuba. Tourism Geographies, pp. 375-402.

Feinberg, R. E. & Newfarmer, R. S. (2016): “Tourism in Cuba: Riding the Wave Toward Sustainable Prosperity”.

Ferradaz, I. (2001): “Excelente futuro del turismo en Cuba”, Periódico Granma, August 4, 2001, p. 3.

Ferradaz, I. (2002): “Estrategia de Cuba para la diversificación de su producto turístico”, Revista Bohemia, no. 3, pp. 18-19

García, A. (2005): “Turismo y desarrollo económico: un acercamiento al caso cubano”, Revista Temas, no. 43(3), pp. 43-55.

Marrero, M. (2018): “Discurso del Ministro de Turismo de Cuba durante la inauguración de la 22 edición de la feria” in Havana.

Risco, Y. del & Mundet, L. (2005): “El turismo como estrategia de desarrollo en Cuba. Estudios Geográficos”, pp. 293-318.

[Inversiones devolverán esplendor a hoteles Habana Libre y Riviera](http://www.cubadebate.cu/noticias/2018/12/20/inversiones-devolveran-esplendor-a-hoteles-habana-libre-y-riviera-de-la-habana/)

[Construirán hotel cinco estrellas cerca del aeropuerto José Martí](http://www.cubadebate.cu/noticias/2016/07/13/construiran-hotel-cinco-estrellas-cerca-del-aeropuerto-jose-marti/)

<http://www.acn.cu/economia/66287-hotel-nacional-de-cuba-en-proceso-de-necesario-mantenimiento>

[DEUDA EXTERNA DE CUBA: BREVES APUNTES SOBRE SU TRAYECTORIA Y RELEVANCIA](http://www.rcei.uh.cu/index.php/RCEI/article/download/91/92)

Echarri Chávez, M. et al. (2018): “Emprendimientos turísticos: realidades y desafíos para Cuba”, School of Tourism, Universidad de La Habana; Salinas, E. (unpublished thesis): “El turismo en Cuba: desarrollo, retos y perspectivas”, Universidad de La Habana.

2.- [La Contribución Territorial como fuente de financiamiento al Desarrollo Territorial cubano](http://eventos.upr.edu.cu/index.php/MARDELTUR2019/EIAPDL/paper/view/2064/1237), Thesis by Lisset Cárdenas Palazón and Alodia Alonso Alemán, Universidad de Pinar del Río.