Review on tourism activity in Colombia

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1. MAIN FINDINGS

1.1. Colombia has been improving its tourism performance

From 2012 to 2019, the receptive tourism grew in an average annual growing of 9,1% in comparison to the world growth 5,3% and America's growth 4,4%. In 2019, international arrivals increased 3,9% compared to 2018 thanks to the arrival of 104.982 travelers to the country.

The increasing arrival of non-resident visitors to Colombia has allowed tourism to be the second generator of foreign exchange for the country, only surpassed by the mining-energy sector.

According to Colombia's National Bank (Banco de la República), tourism was the second generator of foreign exchange in 2019, surpassing the incomes generated by traditional products such as coffee, flowers, and bananas. In 2019, the tourism sector generated 6,751 million dollars, an amount 2% higher than that registered in 2018.

In 2018, tourism generated 1,974,185 jobs. The category that generated the most employment was transportation with 38.7% and restaurants with 35.8%.

1.2. Colombia's image and brand reputation enhancement

Colombia has been working on its image and reputation to be recognized for its cultural and natural diversity. As a result of this effort, in 2019 the United States Tour Operators Association recognized and recommended Colombia as a "Top Hot Destination" for 2020. Also, in 2019 Colombia was recognized as the leading destination in South America by the World Travel Awards.

Not only the tourism industry is talking about Colombia, important media such as The New York Times, Condé Nast Traveler and Lonely Planet, among others, have included Colombia as a must-visit destination.

The World Economic Forum, in its Travel and Tourism Competitiveness report, ranked Colombia in the 55th position, improving 7 positions among 140 countries.

Finally, The Financial Times highlighted Colombia as one of the markets with the best strategy to attract investment in tourism at an international level, being the 1st in South America and the 7th in the world.

1.3. Colombia as a destination for international events

The International Congress and Convention Association (ICCA) ranked Colombia in the 29th place in its global ranking of countries that host world-class events. In that sense, Colombia was ranked as the third country in South America.

Based on a study done by ProColombia and the Mexican firm STA consultants, the cost of holding an event in the country is 75% lower than in the United States and 60% lower than in Mexico. Colombia's events infrastructure makes the country attractive for those who are seeking to hold an event in a place full of welcoming people and competitive destinations.

1.4. Hotel infrastructure and exhibition grounds

According to COTELCO´s reports and data, Colombia has 9.635 hotels, Cundinamarca and Antioquia offer 25% of the total rooms. Specifically, from 2010 to November 2019, about 269 hotels were opened in the country, for a total of 27.629 rooms.

For 2020, it is expected the construction of the following projects:

- Marriott Cartagena
- Ibis Chía Accor Hotels
- Bluedoors Zipaquirá
- Nickelodeon Resort Cartagena
- Hotel La Mina Zipaquirá
- Selina Santamarta
- Viaggio Cali
- Ibis Budget Bogotá Accor Hotels

By November of 2019, the occupancy in Colombian hotels reached up to 57.1%, something new since 2006, when it rose to 56,4% and exceeded the sector forecast by 0.6 points.

This sector has been growing constantly and its consolidation is largely due to the good results that tourism has had in the country. In addition, the contribution of the hotel industry to GDP is growing, which enhances economic growth and development.

1.5. Cruise industry in Colombia

The cruise industry and its behavior are essential for the growth of tourism in the country. According to Ports and Maritime Authorities, during the last 10 years there has been a 33% growth in transit passengers, 478% growth in boarding passengers and 26% growth in cruise calls.
The cruise industry in Colombia produced around 55 million dollars during 2019. These economic resources are distributed among artisans, transporters, commercial establishments, and others, making the cruise industry an opportunity for the development in Colombian destinations.

Despite the growth that has been mentioned, from the total number of cruise passengers in the world (28 million), Colombia only receives 1.45%; and from the total of American cruise passengers (14.2 million), Colombia receives approximately 2.66%.

The geographical position is decisive for cruises to land in the country due to the possibility of being part of itineraries from 4 days (generate higher revenue) to 21 days (usually luxury lines with less frequency in the destination). Colombia belongs to the south Caribbean region, which is characterized by itineraries of more than 7 days because of short distances between its ports and to the capacity and connectivity of Panama´s Canal.

Colombia has been an intermediate port of embarkation (inter port) for Royal Caribbean and Pullmantur, even when cruise ships have embarked the highest percentage of passengers in Colon. Cartagena used to be Pullmantur home port. That represents that the destination's potential growth in the cruise industry is encouraging.

In 2019, the number of calls showed an increase of 3.7%, compared to 2018. Though, recently great uncertainty has been generated because of COVID-19 crisis, a diagnosis will be shown below.

1.6. Expenditure of foreign visitors in Colombia

ProColombia, based on data provided by AnalitiCO and Credibanco, has made an analysis of the foreign visitors´ spending in Colombia. It is worth mentioning that this information only refers to purchases made through credit or debit card.

Firstly, it is stated that about 80% of the expenditure made in Colombia during 2019 was made by visitors from the American continent. Among those visitors, 70% did their purchases in person, the rest through online channels.

On the other hand, spending on activities directly associated with tourism, such as spending on hotels, airlines, restaurants, travel agencies, fast foods and others increased 3.5%.

Further, about 60% of spending in Colombia was done in 7 categories: hotels, airlines, clothing, restaurants, supermarkets, clinical aspects, and travel agencies. The greatest growth is noticeable in restaurants and clinical aspects, while spending on airlines and travel agencies showed a slight drop compared to 2018.

The departments with the highest spending are Bogotá and Antioquia; however, the expenditure made in Bogotá decreased for the visitors of Ecuador, Panama, and Spain in categories such as airlines, hotels, clothing, and travel agencies.

Moreover, the months of August and December record the highest spending in 2019, while May and August have the highest growth compared to 2018.

Additionally, Fedesarrollo (2020) study the impact of coronavirus in the air transport industry. Related to the expenditure topic they mention that national tourists spend USD 43 per day and usually they stay 4 nights in the destinations. On the other hand, international tourists spend USD 100 per day and stay 5 nights.

Finally, according to the "Encuesta de Viajeros de Bogota" survey, Fedesarrollo (2020) found that national and international passengers in transit spend 10% of the total spending of national and international tourists, residents and domestic business passengers spend 20% of total domestic tourist spending and international business passengers spend 50% of total international tourist spending.

1.7. Prioritized markets

Within the promotion of Colombia as an international tourism destination, it is important to define the markets that engage most arrivals of non-resident visitors to the country. Identifying these markets is crucial for strengthening promotion strategies and directing resources to increase the arrival of tourists from these countries.

According to Migración Colombia and the Ministry of Trade, Industry and Tourism, in 2019, 13 countries concentrated 81% of the emission of non-resident foreign travelers to Colombia. These are: the United States with 25.1%; Mexico with 7.1%; Peru with 6.4%; Argentina with 6.2%; Ecuador with 5.7%; Brazil with 5, 6%; Chile with 5%; Panama with 4.6%; Spain with 4.6%; France with 3.1%; Germany with 2.7%; Canada with 2.6% and Netherlands with 2.3%.

Even though in 2019 some South American countries decreased their emission of travelers to Colombia, due to the political or economic factors, it is crucial to maintain a strong promotion towards the region.

2. AFFECTATION TO THE TOURISM INDUSTRY DUE TO COVID – 19

The following sections will describe how the COVID-19 affected Colombia tourism industry and what has been done by the government to mitigate its negative effects. The data shown below has been stated by COTELCO´s (Colombian Hotel Industry Association), ANATO´s (Colombian Travel Agencies Association) and IATA´s (International Air Transport Association) reports.

2.1. COVID- 19 negative impact for the industry in Colombia

Because of COVID-19, the arrival of tourists to Colombia in the first five months of 2020 had a variation of -46,9% compared with the same period in 2019.

In Colombia, **the hotel industry** sales have contracted by 98% because of the decrease in the tourism activity, that represents a loss of 2 trillion pesos since the beginning of the pandemic. The consequences reach up to 950.000 million pesos lost, 110.000 jobs affected, and 407 hotels closed.

In the **aeronautical sector**, losses in Colombia exceed 7.52 billion pesos, with 32,700 direct jobs and 253,000 indirect jobs at risk. It is estimated that worldwide losses will reach 128 trillion pesos and that airline revenues will decrease 48% in 2020.

Considering the restrictions that the National Government made to stop the spread of the epidemic, the transit of **cruise ships** was stopped, and the operation of airlines has been reduced in a high proportion. Only cargo flights and humanitarian flights are allowed. However, since March hundreds of tons of cargo in necessities, medicines and medical devices have been transported to different regions of the country.

Finally, in 2019, according to the National Tourism Information Center (CITUR), Colombia had 43.209 companies with the National Tourism Registration (the official system of identification and regulation of the tourism service providers). However, in 2020, only 28.559 have renewed its registration. It is possible to infer that more than 14.000 companies could have not survived to the crisis.

2.2. Government response to the COVID – 19 crisis

With the purpose of facing the crisis within the economic sector, the government created the "*Colombia Responde*" program, which offered a unique credit of $250,000 million pesos for the tourism and aviation sectors and their supply chains.

In addition, the Ministry of Trade, Industry and Tourism, through Fontur (National Tourism Fund), opened an economic support of $ 585,000 pesos during 3 months for about 1,500 tourist guides, who must apply to the National Tourism Fund and meet some requirements. And new funding support has been launched with the program "Colombia Emprende e Innova" with $60.000 million pesos.

Also, special deadlines were established for the declaration and payment of the private settlement of the parafiscal contribution of all taxpayers in what corresponds to the first quarter of 2020, leaving the payment obligation for July instead of April of this year.

Additionally, there were established special terms for the payment of the declaration of VAT taxes for the first semester of 2020 and for the declaration on income and complementary taxes for the taxable year 2019, leaving the payments of the first semester for the second semester of this year. Furthermore, it was decided to reduce temporarily the import tariffs for some inputs related to the health and aviation sectors.

Finally, the government made an adjustment of the fiscal calendar for commercial aviation, hotels and entertainment companies, so they can have a maximum term to pay the second installment of Income and Complementary Tax until July 31, 2020 and the payment of the third installment until July 31, August 2020.

In conclusion, according to the Ministry of Trade, Industry and Tourism during the last 10 years the contribution to GDP from tourism has remained on a growth path between 3.5% and 3.8%. Even this percentage is not so significant compared to other industries contribution, in the Colombian case, the 23% of the financial aid, in the framework of the pandemic, given through Bancoldex (Colombia's Foreign Trade Bank) was destined for the tourism sector.

2.3. Impact on expenditure of foreign visitors in Colombia

According to data from AnalitiCo and Credibanco, ProColombia´s analysis shows that after the border closure in March 2020, a decreased of 50% in spending was recorded. However, given the growth that occurred in the first two months of the year, foreign spending for the first quarter of the year was not affected.

Between the months of April and June the airports remained closed, therefore, credit card spending tended to decrease compared with the same months of 2019. For the first half of 2020, there was a decrease of 31.4% in spending made through cards.

During the first quarter of 2020, 77% of the spending made by foreigners in Colombia was unfolded by tourist from 10 countries. Despite being two of the largest emitters of travelers, Argentina and Brazil are not among the countries that spend the most. Argentina decreased its spending for the first quarter of 2020 by 57.6% compared to the same period of 2019. Brazil decreased its spending by 25.4%. On the other hand, Mexico and Germany were the countries that increased their spending the most, during the first quarter of 2020, with 8.8% and 7.8% respectively.

In the second quarter of 2020, the spending on tourism activities decreased by 90.4% compared to the same period in 2019. Likewise, there is a significant impact on consumption done through credit or debit cards by foreign visitors.

3. DIAGNOSTIC AND RECOMMENDATIONS

In the previous chapters it was shown how tourism was experiencing an encouraging moment with the increasing arrival of non-resident visitors and the strengthening of its tourist offer; however, the COVID-19 crisis strongly affected the tourism industry in Colombia.

Some of the main opportunities that the country has in terms of tourism competitiveness, growth and strengthening will be mentioned below, along with its new challenges. It is worth mentioning that these opportunities have been identified thanks to the networking and commercial relationships with the private sector and principal allies.

3.1. Travel warnings and security in Colombia

Bogota, Cartagena and Medellin, the most popular tourist cities in Colombia, are not part of the most violent cities in the world and are safer than US cities like New Orleans, Baltimore, Detroit, and Saint Louis.

In recent years, Colombia shows a decreasing trend in homicide rate, with an annual compound rate of 6% (2003-2019). Over the last 10 years, the homicide rate in Colombia has dropped to an annual compound rate of 3.1 % (2009-2019). From January to June 2020 the rate has also decreased 14.2% compared to 2019. According to The Ministry of Defense of Colombia, the homicide rate has decreased significantly in almost all cities and towns around the country due to the Peace Agreement signed between the FARC and the Colombian government.

Even if Colombia is improving on its violence and crime rates, there are a few countries that keep having travel warnings to Colombia. This represents a challenge in terms of attracting tourists from those markets. Some of those countries are: United States, Japan, France, Canada, United Kingdom, Germany, Australia, Italy, Spain, South Korea, Turkey, and India.

All the countries listed have made updates on the COVID-19 pandemic for 2020. However, regardless of the COVID-19 context, most countries rank Colombia as a dangerous destination due to security issues related to high risk of terrorism, robbery or assault and high levels of crime. When visiting Colombia, most countries advice their citizens not to travel to areas close to the borders with Venezuela, Ecuador, and Panama. These regions are the most dangerous, while traveling to capital cities is considered safer.

Several countries such as France, Italy, Germany, and the United Kingdom have improved its travel warnings to Colombia. ProColombia has an important workplan, in alliance with the Colombian Chancellery, its Embassies and Consulates around the world, to keep working on this important aspect for the international tourists.

3.2. Tax measures in prioritized markets

On some occasions, tariff or tax measures affect the competitiveness of the destination towards its main competitors in the market.

Precisely, the Colombian tourism sector has been affected by the existence of the tax on international remittances called "*Imposto Sobre a Renda Retido na Fonte-IRRF",* established by Brazilian government since 2010 and fixed indefinitely on May 2020, which current value is of 25%. This has become a tax barrier that has negative impacts, especially on prices for Brazilian tourists and on the number of Brazilian visitors in Colombia.

In 2019, Colombia had 156,872 non-resident foreign visitors from Brazil, becoming the sixth country that emits the most foreign tourists to Colombian territory. Even though it remains one of the most important and prioritized markets for the promotion of international tourism, in 2019, the arrival of tourists from Brazil had a 20.3% decrease compared to 2018.

This represents that, although there are other factors associated with this negative variation, the costs for the Brazilian tourist when buying a tourist package to Colombia are higher compared to other main competitors.

Therefore, one of the measures that would provide a definitive solution is for the tax to be included in the double taxation agreement that is being carried out between Brazil and Colombia. Countries that have signed a double taxation agreement with Brazil such as Argentina, Chile, Ecuador, Peru, among others, have succeeded in outlawing the payment of this tax, putting Colombian operators at a clear disadvantage compared to operators in these other countries.

Currently, the Federal Government of Brazil is preparing a new provisional measure to its Congress, to set the IRRF tax at 6% for 5 years. On the other side, the Directorate of National Taxes and Customs in Colombia

(DIAN) is also checking final solutions including this topic in the double taxation agreement that both countries are negotiating.

3.3. Cruise industry

As it has been mentioned, the impact of COVID-19 has been huge on the cruise industry. For that reason, the Reactivation Plan for tourism promotion led by ProColombia aims to facilitate the return and improve air, maritime, and land connectivity (including cross-border) by promoting health standards, flexibility in policies and improvement in rates, which allows a path for an accelerated and sustainable reactivation of the tourism industry.

In this sense, for maritime connectivity, work has been carried through different actions and actors. These efforts will be described below:

3.3.1. Status of the cruise industry

Colombia is constantly analyzing the status of cruise operations in the world. Cruise operations are currently suspended until October 31, 2020; but, according to the FCCA (Florida Caribbean Cruise Association) new changes may be done. The cruise lines and the United States Center for Disease Control and Prevention are working together to design and implement biosafety guidelines.

3.3.2. Establishment of biosafety guidelines

Three main aspects have been established for the definition of the biosafety protocols for cruise operation: maritime access, port operations and tourism in cruise destinations. These were developed through the joint work of the Cartagena Tourism Corporation, Tourism Secretaries, Port Captains, ANATO, cruise ship operators, ports, and shipping agencies.

3.3.3. Maintenance of memberships with FCCA and CLIA

Memberships with the important associations are crucial to demonstrate the leadership of the country within the reactivation plan. Therefore, through ProColombia, memberships with the Florida Caribbean Cruise Association FCCA and Cruise Line International Association CLIA were maintained.

3.3.4. Port infrastructure

Regarding infrastructure, joint work with the ANI (Infrastructure National Agency), Superpuertos and DIMAR is essential to advance in the development of more competitive scenarios for the recruitment and maintenance of cruise lines. Taking this into account, some progress has already been made with the Ports of Cartagena and Santa Marta to improve the infrastructure and adapt the facilities according to the biosafety guidelines that are defined.

Additionally, the stamp tax that is currently charged in ports must be reviewed, as it makes us less competitive in comparison with other Caribbean destinations such as Cozumel, Puerto Rico, and Aruba. For this purpose, the Ministry of Finance has been working on the elimination of the stamp charge to cruise passengers who start their itinerary in Cartagena.

3.3.5. Supplying for cruises

The national supply of cruise ships is registered as an exportation, this is a problem that has been identified as customs procedures do not adapt to cruises´ needs.

With the support from the Office of Foreign Trade of the Ministry of Trade, Industry and Tourism, ProColombia is working with the DIAN in order to lift this barrier by allowing the supply sales to be register as an export, giving a more competitive position to Colombian entrepreneurs.

The arrival of cruise passengers in Colombia was maintained until March 10, however it is expected to be re-opened for November.

3.4. SUSTAINABILITY

Currently, global society faces different problems associated, mostly, to the effects that development activities have produced on the environment and communities because of deficient sustainability practices. Tourism has been criticized for been one of the sectors with strongest impacts on nature and society.

For these reason, the National Government set up a bill whose purpose is to *"promote sustainability and the implementation of mechanisms for conservation, protection and use of tourist destinations and attractions, as well as strengthen the formalization and competitiveness of the sector and promote the recovery of the tourism industry, through the creation of incentives, the strengthening of quality and the adoption of measures to promote transformation and opportunities for the sector*."

The law will be guide six strategies, 14 programs, 32 projects and 129 indicative actions that make up the strategic plan of the policy. The following are the strategies and its main action aspects:

A. Strengthen of the information for the management of sustainable tourism: this strategy aims to develop and enhance the actual information systems to provide impacts related to sustainable and digital transformation indicators.
B. Reinforcement of the governance for the sustainable tourism development: improve the management of sustainable destinations through articulate and collaborative efforts between public institutions, regional entities, and private sector. This strategy based its action plan on the Sustainable Development Goals and how destinations and companies can help to achieve the Sustainable Development 2030 agenda.
C. Investment and innovation for the creation of added value through sustainable tourism: responsible development of Colombia's biodiversity and a sustainable development of the potential through economic stimuli and incentives.
D. Sustainable and responsible management of the natural capital from the supply tourism chain: solid foundations for a sustainable production (good practices), implementation of sustainable tourism plan work with all the value chain of tourism and the relevance of certifications and quality sustainable seals.
E. Promotion of a sustainable travel culture in Colombia: apply actions towards a shift in the tourist mindset through training and education.
F. Promotion of Colombia as a sustainable tourism destination: communication and enhancement of Colombia as the new sustainable tourism destination through marketing and promotion campaigns.

This bill is intended to address tourism activity and its impacts from an environmental perspective, above all, with the conservation of the country's natural resources, which in fact are the main attraction for nature tourism. A second phase would be done in the future, addressing other relevant elements such as the preservation of cultural traditions, the relationship of tourism with local communities and the responsibility of tourism as an engine of social transformation.

3.5. Strengthening the business sector

The crisis that the private sector is experiencing demonstrated the need for companies, especially small and medium-sized ones, to implement tools that allow them to have a quick and accurate response. The business sector requires the creation of a program that supports needs of tourism MSMEs, that trains them in topics such as business planning, human resource development, packaging, pricing, marketing, and financial planning.

On the other hand, although there are support mechanisms from the public sector aimed at MSMEs, it is necessary to identify and promote mechanisms from international organizations and that can be applied to the tourism sector. On the other hand, fiscal and monetary incentives such as working capital, cash contributions, interest-free loans, duties, levies, national and local taxes, tax holidays and deferred taxes must be strengthened.

Finally, it is necessary for the tourism chain to orient business plans towards sustainability practices to guarantee their maintenance over time. This may be developed through economic support programs (local and national tourist reactivation).

3.6. Review of growth scenarios and priority markets

Currently, ProColombia has potentiality models that allow us to understand the dynamics of the markets that are most attracted to tourism in Colombia.

However, the situation caused by COVID-19 unleashed a change in the mentality of travelers and in the dynamics of economic activities. Therefore, the industry needs to assess and forecast current and future demand patterns, as well as an assessment of the priority markets (both geographic and thematic) and the main strategies for commercialization. This will help the industry to target the proper markets, especially during the reactivation phase.

Return to traditional potential Markets: Canada, USA, Mexico, Panama, Ecuador, Peru, Brazil, Argentina, Chile, United Kingdom, France, Germany, and Spain.

And add new additional potential markets to work throughout the reactivation plan:

- For leisure tourism: China, Australia, Turkey, and the United Arab Emirates.
- For MICE: United Kingdom, Belgium, and Germany.

In that sense, the Middle East region will have great relevance for the country's foreign trade, considering EXPODUBAI 2021. This important international marketing platform will seek to generate high interest among the population of distant markets towards Colombian destinations and products. Therefore, it will be necessary to have a strategic plan that consolidates these opportunities in markets with high purchasing power.

3.7. Strengthening of the tourist offer

Following the above, the promotion of destinations in new markets must be conditioned to the improvement and strengthening of the national tourist offer. Therefore, some specific needs have been identified that, with a correct treatment, will improve the competitiveness of Colombian destinations.

In this case, for the regions in general, it has been identified that there should be support in the establishment of innovative tools that allow the marketing of products and tourist attractions in different markets.

In addition, the characterization of tourist attractions is not enough; therefore, it is important to adapt the offer of services that currently exist. Specifically, for wellness tourism, the characterization of hot springs at the national level is precarious.

In the case of Colombian beaches, it is necessary to define its load capacity, since currently there is only 2% of the beaches with a defined load capacity. Likewise, from a social perspective, work should be done on the creation of friendly models of organized street vendor associations; and, from an environmental point of view, on programs to minimize coastal erosion and promote the recovery of reef barriers.

In general, for the business tourism sector it is important to identify new ways to promote the destinations, activities or products that are being sold to ensure successful promotional efforts.

3.8 Diversification of the tourist offer

The current promotion strategy for Colombia requires diversification and the appearance of new and attractive experiences for national and international tourists. This task requires that Colombian businessmen and entrepreneurs acquire tools to generate this differential offer that makes the country unique.

Among the actions that can be done is the accompaniment of entrepreneurs in the design and adaptation of products for local, national, and international markets. This includes creating a program that provides marketing capabilities and skills to entrepreneurs, destinations and airlines, allowing them to show their products and services in an innovative way, aligned with sustainability practices and tourism quality, with special emphasis on the development of virtual experiences.

Precisely, for the meetings tourism sector, new ways must be identified to generate added value to the events that will take place in Colombia, diversifying the offer of activities and experiences that are promoted.

To conclude, the diversification of the offer will be successful if there is a digitization of the tools that entrepreneurs use to market their services. Colombia presents large gaps in access to IT instruments, so it will be necessary to provide this service as international tourists are increasingly preferring them to access to the tourist offer.

In addition, it has been proved that to improve the experience and quality of the destinations, the access to connectivity and communication through the internet or mobile data must be guaranteed. This must be articulated with the actual 5G network expansion that is being carried out by some telecommunications operators.

3.9. Institutions and formalization

Institutions are important to create strategies and reach the entire tourism chain. However, it is essential that the institutional framework is strengthened and gains the necessary tools to address the problems of the sector.

Given this, it has been shown that the relationship between the public and private sectors must be enhance, seeking to generate greater trust and improve communication channels. Also, it is required the establishment of a plan where the activities of each of the actors involved are delimited and work is done together for the recovery of the sector. Some of the services provided by the governmental entities are offered by two or more different entities, that means, that is why the services and entities must be evaluated in order to define clear roles and functions, this will improve the efficiency of the public services to the entrepreneur and companies.

Also, in order to have the best skills, it will be important to provide a continuous training plan that strengthens the capacities of officials of the Ministry of Trade, Industry and Tourism with a focus on identifying and managing the needs of entrepreneurs and that involves a training based on good practices and successful strategies of competitive and sustainable destinations.

Regarding formalization, according to the Regional Tourism Competitiveness Index, carried out by the Center for Tourism Thought, in 2015 informality in the tourism sector reached 72%. This is one of the main problems in the country, since informality does not allow progress in terms of good practices and quality parameters.

Additionally, tourism guides, who can formalize and certify their operation, have gaps in knowledge about destinations and attractions, and most of them lack abilities of communication in various languages, a disadvantage that could be solved through training and programs. This was solved recently with the *Decreto 1053 de 2020:*

https://dapre.presidencia.gov.co/normativa/normativa/DECRETO%201053%20DEL%2019%20DE%20JULIO%20DE%202020.pdf

The crisis generated by COVID-19 shows that formalization must be prioritized, all the financial aid given by the government was directed to formalized and legal companies. This is because those formalized companies are those that are fully identified within the databases of the Ministry of Trade, Industry and Tourism

Another barrier that has diminished the competitiveness of the sector is the lack of articulation between the regions and the difficulty in communicating their interests to convey their offer. In this sense, it is crucial to adapt strategies for the interpretation of the territory that establish novel content associated with the country's cultural expressions in accordance with the international tourism promotion strategy, and thus generate value added in tourist destinations.

Therefore, ProColombia with the support of Fontur and the Vice Ministry of Tourism, will carry out a project that aims to: identify and develop regional narratives of nature and cultural tourism in order to improve tourism competitiveness and generate impact at the international level. Also, ProColombia has identified that in terms of marketing and competitiveness, regions must promote its touristic offer according to what the tourism is demanding not based on established administrative divisions, in this sense the entity is working in a project to identify them.

In conclusion, the coordination between the territorial entities at the municipal and departmental level with the National Government must be clear and set, in this way the results that promote local economies and strengthen the national tourism sector will be achieved.

3.10. Airport and aeronautical sector

The competitiveness of the air transport sector is a central pillar of Colombia tourism performance.

Firstly, it facilitates the integration and connectivity that, under other means of transport, may be difficult due to accidents and inherent characteristics of the Colombian territory.

Moreover, it allows the connection with the world economy to be part of the dynamics of globalization. In this sense, the Colombian State considers air transport an essential public service, which highlights its role as a vital factor for national economic development and for the mobility of passengers and cargo.

3.10.1. Market concentration in passengers air transport

In the first place, according to the Aerocivil, in the national passenger's market, for 2019 there is a great concentration in a few airlines for the transport of cargo and passengers. Avianca is the main passenger transport company with 50.19% of the market, followed by LATAM with 20.23% and Viva Air with 14.04%.

This represents that, in the domestic air transport market, three operators concentrate more than 80% of the market and creates a challenge for consumer welfare and satisfaction. Therefore, in Colombia there is a high level of control and supervision carried out by the authorities so that no abuse is committed against the consumer.

This concentration has encouraged new airlines to focus on the national market to generate a greater offer and thus, allow the consumer to have more options to choose and improve the quality of service and competition.

In 2019, the Venezuelan Avior Airlines created the GCA Airlines airline in November covering the Cali-Cartagena route. Those currently operated by GCA Airlines from Cali are Cartagena, Barranquilla, and Bucaramanga, which are served by Boeing B737-400 equipment with the capacity to transport 144 passengers. Also, since March 1, 2019, the Regional Express Americas S.A.S (Avianca Express) airline received the endorsement of Aerocivil to start operations that cover several regional routes from the city of Bogotá, Cali, Bucaramanga and Medellín.

Regarding the international market, passenger competition is less concentrated. However, Avianca remains the leader in international passenger transport, with 40.08%, Copa Airlines has a 13.82% share in the international market, followed by LATAM with 7.29%. Although the same concentration as in the national market is not evident, few operators account for a large part of the international air transport market.

It should be noted that Avianca has a high concentration of the international market because it has its main connection center in Bogotá. This undoubtedly generates a high concentration is the case with the main airlines in the world and the cities that host its main centers of operation.

Despite this, the work of attracting new airlines to Colombia has allowed the arrival and inauguration of new routes and an increase in frequencies. During the second half of 2018, 14 new air routes were inaugurated and in 2019 another seventeen.

Between January and February 2020, three new air routes began operation:

- Santiago de Chile - Bogota by JetSMART
- Curaçao - Barranquilla by EZ Air
- Caracas-Bogotá by LASER;

And another seven were scheduled between April and June, but given the COVID-19 situation, they did not start operating:

- Fort Lauderdale-Bucaramanga and Barranquilla (April with Spirit)
- Montreal- Bogotá (June with Air Canada)
- Santiago de Chile-Bogotá (June with SKY postponed for inauguration on November 30)

- Porto Alegre-Bogotá (June with Avianca)
- Madrid- Cartagena and Cali (June with Plus Ultra)

Regarding new airlines and routes, in 2014 Viva Colombia, now Viva Air as part of the international expansion plan, started the Bogotá - Panama City and Medellín - Panama City routes.

In May 2016, Turkish Airlines arrived in Colombia for the first time connecting the country with Turkey. For the same year, in June, Air Europa start its operation connecting Bogotá with Madrid.

On October 1, 2016, Wingo, Copa Holdings' low-price airline, began operations in Colombia with the Bogotá-Cancun route. In October 2019, the Chilean JetSMART arrived in the country to connect Cali and Bogotá with Santiago de Chile. Routes that were not previously like Mexico-Cartagena have been opened with the Interjet airline since 2019.

Spirit began its service to Colombia in May 2008, connecting Fort Lauderdale with Cartagena and its expansion continued with flights to Bogotá, Medellín, Armenia and Cali. Additionally, the airline inaugurated its direct service from Orlando to Cartagena, Bogotá and Medellín in 2018. As result of this expansion, Spirit Airlines is the airline with the largest number of direct flights connecting Colombia with the United States.

Given the above, Colombia potential has been increasing and in February 2020 it allowed the country to connect with 26 countries through 27 airlines. The operation had 1,142 weekly frequencies and an offer of 190,583 weekly chairs.

3.10.2. Air cargo transportation

Although cargo transport does not show a direct impact on tourism, airlines do keep this aspect as a priority within their business schemes. In most commercial passenger flights, airlines also include cargo transportation, accounting for 10% of flight profitability. Recently, specialized cargo airlines are disappearing because most of the airlines have applied both passengers and cargo traffic which allows them to have more profit and rentability.

Therefore, although it is an issue that should not be deepened from the tourism perspective, it does represent an incentive for airlines to operate new frequencies and routes.

3.10.3. Bogota, main Colombia's connection hub

According to information from OAG, the passenger traffic through the El Dorado airport concentrated, in the decade from 2009 to 2019 on average 67% of passengers.

For 2019, El Dorado had 46.08% of passengers, followed by Rionegro-José María Cordova airport with 12.13% and Cartagena Airport with 7.46%.

Bogotá airport, in the region, is the third airport with the highest passenger traffic after Sao Paulo and Mexico City airports. Also, El Dorado stands out for being the first airport in cargo transportation in Latin America.

The above figures represent the importance for the aeronautical sector of El Dorado. However, public opinion and, in general, tourism relevant actors, have expressed the need to expand Bogota's capacity to increase its passenger traffic.

According to Fedesarrollo (2016) report, they conclude that "Bogotá airport has been one of those with the most lagged growth projections. It has difficulties such as congestion in the use of the runways and in the parking places, delays in the itineraries and, the most important thing, it has affected the competitiveness of the country".

It is important to review other conditions that affect the efficiency of air transport in this important Hub, for example, special conditions in the city prevent traffic at certain times.

Finally, there is also a high offer of international flights from other cities. This represents the decentralization in air transport that the country has achieved, considering that not all regions have the same connection level.

3.10.4. Importance of concessions in the airport sector

Investment in air infrastructure is a means to promote the growth of other activities in the economy, especially in a country like Colombia, which has a topography that makes it difficult to operate other types of transport. For this reason, air transport plays an especially important role in communicating Colombian municipalities with each other and with the rest of the world.

In Colombia, the growth of air traffic has been accompanied since the 1990s by public policy decisions that include, among others, institutional reforms, growing public investment and the conclusion of concession contracts for the administration and construction of airport infrastructure.

The concession scheme requires the duty of care, besides the main airport in concession, other airports that, in terms of air transport, may not be so relevant, but they generate attention to the population that needs to travel to different regions of the country. Additionally, the current model responds to a medium-term model that does not allow the concession to finalize its investments or generate long-term projects with a higher return. It is worth mentioning that the current model of concessions represents a high tax burden that diminish the profitability and willingness of those concessions that are improving the quality and competitiveness of air transportation.

3.10.5. Promotion and marketing

The support provided by some government agencies to strengthen the presence of airlines in the country is important and almost a requirement for maintaining the number of frequencies and routes that a country can count on.

Airlines that are interested in a destination demand to know the complete information of the destination, understand the future projects of the city and official sources of reliable information.

Beyond this, it is necessary that with the arrival of the airline there is an aggressive accompaniment in the promotion of the air route that allows an awareness to the customers about the benefits of this new airline and the destinations and promote passenger traffic in it. This accompaniment must be given constantly over time and not only at the start.

3.10.6. Attraction of air routes to and from distant markets

Because of Colombia increasing arrival of international visitors who, in addition to tourism come to carry out their international events or business visits, we must highlight the potential that the country has to connect with distant destinations such as countries in the Middle East or Asia.

However, in the aeronautical industry there must be an analysis of the factors that are evaluated when exploring new possibilities of routes to connect destinations.

Colombia is an attractive market in Latin America; however, the destination presents complex conditions for attracting airlines from distant markets. Down below there is a brief description of those conditions that must be worked on to achieve the opening towards markets that will bring foreign investment and tourism to the country:

- Establish bilateral agreements between countries and traffic rights that consider intermediate technical stops and loading and unloading required by the airline, according to agreements between States.
- In the absence of airlines that, due to capacity, cannot connect destinations, evaluate a third airline that has the capacity to cover the route under the connection traffic model. Ex: Emirates operating the Bogotá - Italy - Dubai route.
- Articulated work between airports, destinations, and the government to attract and promote new routes.
- Predict and understand the possible passenger traffic difficulties on the route and based on them, establish a work plan to improve them.
- Identify and report on the incentives granted by the destination for the establishment of new airlines in the country.
- Work with the outbound tourism companies to bring Colombian residents closer to the new destination and understand how interested they are in traveling to distant markets.
- Evaluate how profitable the average rate that the market is willing to pay is for these routes.

3.10.7. Colombia's tax burden in air tickets

One of the main problematics that must be addressed is the high cost of air tickets in Colombia. Airlines and touristic sector have recognized this factor as a barrier that diminish the growth of the tourism, they have said that taxes represent almost the 55% of the total cost of the air ticket.

According to IATA, if the taxes are removed and the charges are reduced, there will be an increase in the passenger's traffic of 20%. This represents a challenge that must be revised by the corresponding authorities which will allow an increase to the country in different fronts

Additionally, ProColombia identified that Colombians living abroad are a potential group that could feel attracted to reunite with their family and friends after the difficult situation all over the world. Consequently, actions have been implemented to make this group feel interested and want to travel to Colombia. However, this group see the high cost of air tickets as an obstacle.

Actions must be taken around this aspect to improve the growth of air traffic passengers and furthermore, the competitiveness respect other direct competitors.

3.8. National and foreign investment in hotel and touristic infrastructure

Private foreign or national investment plays a relevant role in the competitiveness of the sector. The injection of national or foreign resources demonstrates confidence in the country, therefore, Colombia has created and communicated economic incentives for investment in hotels, theme parks, agrotourism, ecotourism and new docks.

In accordance with Law 1943 of December 28, 2018, incentives were established for this investment that will make the country's offer more attractive.

Therefore, in recent years, prestigious international chains have arrived in the country: Radisson, Accor Hotels, IGH, Hilton, Hyatt, Marriot, Wyndham, Mercure, among others, have arrived and expanded their presence.

Without a doubt, the maintenance of this investment will be fundamental in promoting large-scale and strategic infrastructure projects for the development of tourism in the country.

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