

# HOTEL INDUSTRY IN BRAZIL IS IN CRISIS AND FIGHTS SHARING ECONOMY



The financial situation of the hotel industry in Brazil is not very optimistic. The sector faces considerable downturn in occupancy and needs to cope with the competition of private rentals that are rising in popularity.

"We had a spike in receptive tourism, but this did not have an impact on the overall downturn in the tourism industry. **Obama's visit resulted in an increase in American tourist arrivals, but in general the industry is still in a bad shape,**" said Camilo Suárez, President of the Association of Hotels, Restaurants, Confectioneries and Cafés (AHRCC).

He predicted that if this economic scenario persists, the outlook for the upcoming season will not be very good: "If consumption continues on its downward trend, there won't be any significant change and the year will close just as it did last year," the president said, although he also stressed the importance of recognizing the new management's intention to promote domestic tourism. In this regard, he emphasized for example, the promotional programme for people over 70 and programmes such as the Ahora 18 plan.

Suárez was speaking at the international seminar organized by the Gastronomic Hotel Business Federation (FEGHRA) and the AHRCC at the Kirchner Cultural Centre in November. The issue of the hospitality industry as a tool for poverty reduction was discussed with participants who included government officials, representatives of the City of Buenos Aires, the ILO (International Labour Organization) and the IOE (International Organization of Employers).

According to Suárez, the Brazilian crisis had a direct impact on local tourism tourism, an area that was already experiencing a decline. In addition, he stated that the sharing economy in the hotel industry in Brazil is having a negative effect on the business, due to the inaction of the State.

"In the City of Buenos Aires, for example, there are 16,000 informal temporary rentals and there are entire buildings dedicated to this type of accommodation. These rentals compete favorably with the 16,000 formal three and four star accommodations because they do not pay VAT, income taxes or social security contributions," he maintained.

According to his estimate, **50% of the current tourism volume in the formal system went to temporary rentals and 95% of accommodations are in the informal sector.** He further stated that the efforts of AFIP to register this informal activity are still limited.

Meanwhile, Rodrigo Verde, Vice-President of FEHGRA, declared that "we cannot continue invoking the model of the sharing economy when we are faced with the reality of P2P platforms and online travel agencies, which act as brokers and earn commissions ranging from 15% to 25%.

The issue was the main topic of discussion by industry representatives, who sought to focus attention on the calls for greater control. In fact, they received the support of the Undersecretary of Labor Inspection and Social Security of the country's Ministry of Labor, Fernando Ezequiel Macchi, who said that, "We want to control niches which, for different reasons, are difficult to locate, either

through the value chain or by other means. Labor inspection is designed to help employers who have everything in order," he noted.

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