



Iceland's tourism gold rush: Will it boom, or go bust?; Thanks to shrewd marketing, the tiny Nordic nation is the latest 'it' destination for travellers to Europe. Yet some locals worry there can be too much of a good thing

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"This is a hunting tour," guide Sigurdur Jack explains from behind the wheel of a Reykjavik Excursions passenger van heading out into the rugged Icelandic countryside. "At 9:30 we need to get our guns loaded."

By guns, Jack actually means cameras, which a group of a dozen European tourists will aim at Iceland's inky heavens after sunset. They're hunting for the northern lights.

White-capped volcanic peaks are visible in the distance as the van speeds out of Iceland's capital, Reykjavik. Aurora borealis sightings are never guaranteed (as Canadians know); if the tourists don't see anything tonight, they can rebook for free. "If we have darkness and a clear sky, there is always a hope," Jack says.

Traditionally, Iceland has been a summer destination, but people are coming to visit year round now. On this trip in late March, there is still some snow on the ground. It's a little above zero, windy; the "hunters" are warmly dressed but shiver, go back into the van from time to time warm up. Then, a streak of faint green appears in the sky, between some patchy clouds. "Now, something is starting," Jack says, and a hush falls over the group, standing in a line along the edge of the highway, watching. Hope, tonight, is a quiet percussion of breathing, camera clicks, the odd whisper or coo.

Hope has kept Icelanders going, too, through hard times in recent years, notably the country's financial crisis, or *kreppa*, in 2008 that still affects the economy and currency today. Icelanders, however, aren't looking skywards; their gaze is firmly fixed on the blossoming tourism sector.

Spurred by a coordinated marketing effort between tourism companies and governments, visitors are flocking to the volcanic nation perched just outside the Arctic Circle east of Greenland. Last month, Edmonton became the third Canadian city served by direct Icelandair flights to Reykjavik; flights already go from Halifax and Toronto, and they are set to start from Vancouver in May.

A shrewd business move by Icelandair to offer free stopovers on connecting flights to Europe has meant the Edmonton service - which was initially announced in September as a seasonal flight - is now so popular, it's offered year-round, five days a week.

The numbers tell the story best: In 2013, a record breaking 807,000 tourists visited Iceland, according to the Icelandic Tourist Board. That may not sound like a lot of visitors when compared with, say, the more than 16 million people who visited Canada in 2012 or the whopping 83 million who visited France. But it's significant for this sparsely populated nation of just 325,000 inhabitants, which is roughly the same population as Greater Victoria, B.C., as it amounts to nearly 2.5 tourists for every Icelander.

"We are witnessing tremendous growth in this industry," says Ragnheidur Arnarsdottir, Iceland's minister of industry and commerce. Last year, for the first time ever, tourism beat the fishing and aluminum industries as Iceland's top export, she notes. "This in and of itself is quite big news."

But with the good news, there is always some bad: Icelanders are concerned about too much growth too soon, and what kind of changes it will mean for their country's culture and way of life.

"Especially having gone through the bubble and bust of the banking sector, the worry for me is it will grow very quickly and then peter out just as quickly," says writer Kari Tulinius.

"Then you end up with huge hotels in downtown Reykjavik and no one ever comes there."

Don't let the "ice" in Iceland fool you. This may be a near-Arctic nation, but Iceland enjoys a mild - albeit windy - maritime climate that's not dissimilar to Great Britain. The scenery is breathtaking and otherworldly; the country is home to more than 200 volcanoes, geothermal baths (including the famed Blue Lagoon), active geysers, glaciers, moss-coated fields of lava rocks, tectonic rift valleys, sprawling meadows dotted with scruffy Icelandic horses and breathtaking waterfalls. No wonder tourists want to visit, especially Europeans starved for unspoiled nature.

"My boss has been here twice, which perhaps influenced me," says Andy Smith, a British electronics engineer in the group of northern-lights gazers. "There seem to be more and more people coming here from England."

"Every inch of it is stunning," Nicola Kelly says about Iceland. The Londoner is on holidays here with her Dutch boyfriend, Danny van Vliet, who is her fiancé by the end of the night, after a romantic outdoor marriage proposal at the Laugarvatn Fontana geothermal baths. "It's so much better than sitting on a beach for a week and reading a book," she says.

Since 2000, when the number of annual visitors first exceeded the national population, the country has seen a steady increase of tourists - about an average of seven per cent year-over-year. But in the past three years, there has been a dramatic spike: 16.6 per cent rise in visitors in 2011, and 18.9 per cent in 2012, and now, another 20 per cent rise in 2013. Iceland is hot, and not just because it's a hotbed of geothermal activity.

"The growth has been quite extreme," prominent Icelandic writer Andri Magnason says. "Before, it was unheard of to meet someone (foreign) in Iceland in January."

No longer. People come at all times of year, not just during Iceland's peak summer months. Says Magnason, "this has kind of saved the economy."

That change is the result of an ambitious, concerted team effort on the part of numerous stakeholders: Icelandair, the country's biggest airline, the Icelandic government, the city of Reykjavik and other tourism companies.

It came after the 2008 global economic crisis, when three of Iceland's major banks crashed, sending the country's economy into a tailspin. As inflation spiked and Iceland's currency tanked, Icelandair decided it could benefit by moving its marketing funds abroad, says airline CEO Birkir Gudnason.

"We believed we could increase tourism with the devaluation of the Icelandic krona," he says.

Tourist numbers started to go up little by little.

But then, 18 months later in April 2010, the volcano Eyjafjallajökull erupted, spewing ash into the clouds over western Europe, grinding the airline industry to a halt for more than a month. And in Iceland, visitor numbers decreased by nearly one quarter in the month of April alone as people cancelled their visits.

Fearing a major revenue drop over the peak summer season to come, Icelandair met with government and private tourism stakeholders to change perceptions through a jointly funded campaign called Inspired by Iceland. "The idea with the campaign was to correct the misconception that everything was covered in volcanic ash, and to tell the world that Iceland was open for business," says Gudnason.

With the federal government matching contributions of other stakeholders krona-for-krona, the Inspired by Iceland campaign's initial total budget was about \$6 million US, Gudnason says.

One part of the campaign used the power of Icelanders themselves: Just before the summer season, the campaign launched "Iceland Hour," in which Icelanders sent messages all over the world to promote their country as a tourist destination, linking to a promotional travel video.

About one-third of Icelanders participated, talking up their country's beautiful natural vistas and getting out the word that Iceland was neither unsafe nor inaccessible.

"They could see, 'There's no ash there, I could fly there, no problem,'" Gudnason recalls. Tourism numbers stabilized. "That campaign was a huge success. It worked brilliantly."

That fall, Inspired by Iceland's members met again and decided to do another campaign to boost year-round tourism and get away from summer seasonality. Finland has more tourists in the winter than the summer, Gudnason points out; why can't Iceland? Today, Inspired by Iceland continues as a jointly funded collaborative marketing effort, with an 11-member board. The group's goals are now to reduce seasonality and distribute tourism around Iceland, instead of having it concentrated in the Reykjavik area. "It was a joint effort and it still is," Gudnason says.

So, although that erupting volcano caused all sorts of trouble, Iceland can, in a way, thank Eyjafjallajökull for its new-found industry.

"The volcano put Iceland on the map," says Gudlaugur Kristmundsson, a sales manager with Icelandair Hotels, the airline's sister company. "People didn't expect it to happen so fast."

Fast indeed. Hotels are springing up quicker than you can say "What the heck!" (a phrase that some Icelanders claim was inspired by Mount Hekla, a volcano Christians once believed to be Gateway to Hell). Across Reykjavik, there's hammering, drilling, cranes, excavators, road detours and sidewalk diversions. Vibrant street art decorates the sides of buildings as well as the construction barrier walls where new hotels are being built. Keflavik International Airport, Iceland's largest airport and the country's main hub for international flights, is under construction, too, renovating the baggage handling system to double capacity. And there are dozens of new car rental agencies for tourists who'd prefer to explore the hinterland independently. The construction isn't limited to the urban areas. Stracta Hotels is about to complete the first of its 10 hotels to be scattered around the circumference of Iceland. Stracta Hotel Hella is set to open in May 2014 in the town of Hella, just south of the famed Golden

Circle route. All 10 Stracta hotels are to be constructed by 2016, according to Stracta's website, each a "lava rock's throw" from the country's biggest natural attractions.

There's a noticeable buzz in Reykjavik - but there are also many people who are concerned the growth is too much, too fast.

"You can feel there's a bit of greed in the air," says Hulda Thorisdottir, a psychology professor at the University of Iceland. "Like, everyone wants to rent out their apartments to tourists in the summer."

"There's a gold rush atmosphere," adds Tinna Thorvalds Onnudottir, a mezzo soprano and poet. "People want to dive in and make lots of money in the short term. We don't really prepare. It can be a bit too much, too fast. As a population, we could be more calm and prepare more."

Onnudottir worries about the future of the cultural scene, which is a huge part of Reykjavik's appeal. While 70 per cent of visitors come to Iceland to see nature, the Icelandic Tourist Board reports that 40 per cent come for culture and history. Icelanders' rich heritage is easily enjoyed and widespread: the historical Thingvellir National Park along the Golden Circle route, pages of the original Icelandic sagas in Reykjavik's Culture House Museum, and servings of the ammonia-rich *hakarl*, or fermented shark, that Vikings once ate.

"Small concert venues are being demolished for hotels," Onnudottir says. "And of course they will pop up in other locations, but I thought it was a bit symbolic. I wonder if they're going to ruin the cultural life, ruin the thing people come to visit. If the only thing you see is hotels and other visitors, it serves no purpose."

Iceland's capital is a vibrant, quaint city, easily walkable and safe. English is widely spoken. From the top of the Hallgrímskirkja church, you get a beautiful view of the city that butts up against the sea, and in March, there isn't even a lineup to take the elevator up to the eighth floor lookout. The colourful architecture give this place a sophisticated Scandinavian authenticity, yet Reykjavik feels remarkably untouched, even small-town, in part because the city is still relatively free of chains that make other European cities less and less unique. No Starbucks. No H&M. No Wal-Mart. No McDonald's - well, not anymore. The fast-food chain had a handful of locations in Iceland but closed them in 2013, allegedly due to the expense of running them because of Iceland's ongoing economic problems.

A growing number of touristy shops have popped up on the streets of Reykjavik in recent years, hawking all manner of kitsch for foreigners. Some locals disparagingly refer to them as "puffin shops" because of the puffin stuffed animals of all sizes that fill the window displays. (The Atlantic puffin colony on the Westman Islands archipelago just off the south coast of Iceland is the largest colony of that species in the world.) The problem, writer Tulinus says, is how quickly the development is happening, especially in the capital.

"The way people have been putting up hotels, it doesn't seem like there's been much thought put into it. You get the feeling that nobody has called a meeting with all the people involved and said, how do we integrate hotels into the city without making it overwhelming. If there are too many hotels, the city won't be very alive. Same with tourism. The same needs to happen to manage the influx."

Government officials say they are aware of the concerns, and are trying to balance Iceland's history with its future.

"It is a challenge," says Arnarsdottir, the industry and commerce minister. "We will have to meet the demand, this growing number. We'd like to welcome these people, and welcome them well."

And she disputes the concern that the growth is being done without planning. "Reykjavik the city has done a lot of work in terms of their planning and zoning, they have their eyes on that ball," she says.

Adds Iceland's prime minister, Sigmundur Gunnlaugsson: "We have to make better use of the facilities we have, and build new ones as well."

Another major point of contention among Icelanders now centres on their right to access to the landscape and natural beauty they've enjoyed all their lives. According to the 700-year-old Nature Conservation Law, Icelanders have the freedom to roam their country unimpeded.

But now, with tourists traipsing around picturesque locations, Icelanders are concerned about the effects on the environment. Infrastructure at most tourist sites is minimal to nonexistent - a basic rope fence, gravel path, handwritten sign asking people not to take lava rocks - which is part of Iceland's charm. But in the past year, a couple of places have started charging a nominal fee to pay for upkeep. And now, the government is set to put in place the hotly debated "Nature Pass" by 2015 that would require everyone - Icelanders and tourists alike - to buy a pass for unlimited access to natural places, to build up funds to protect the sites' integrity.

There's a feeling of entitlement among Icelanders. This is and always has been their home, and they should not have to pay like all the foreigners to enjoy it. Protect the sites through taxation, if need be, is the attitude of many, but don't pull a "pay per view," as English language alt-weekly the Reykjavik Grapevine recently dubbed it.

"Having a shack by every waterfall and having a man there with his hands out, that's dystopian," says the writer Magnason. "There is something fundamentally wrong, if I have to pay to go to my favourite areas."

"Personally it scares me a lot," says Onnudottir. "We've always had the right to walk on our land. You're supposed to be able to set up a tent for one night, fish one fish. These are old laws to prevent people dying in the wild. To have to pay to look at the landscape is very scary to me and I don't know where it could lead."

Minister Arnarsdottir will be the one to present the Nature Pass bill in Parliament. She's well aware of the complexities of trying to find a solution that will make everyone happy. "Are we allowed to limit people's access to certain lands, especially if it's in state ownership? Then it's 'mine' (i.e. everyone's), in a way," she says. "It's not just about the law, it's very emotional. Sites like Geysir are very close to Icelanders' hearts."

But she believes in the Nature Pass, in principle, saying "we need to negotiate to a common solution. I don't want to push it (the bill) through but it is urgent. It is with the intent of preserving nature."

The spike in tourism has largely had a positive impact, though. There are more jobs - unemployment is down to about four per cent, compared with more than nine per cent in 2009 following the banking crash; about five per cent of jobs come from tourism.

There are more flights to new destinations in Europe and North America. There are more international film crews shooting on location in Iceland including recent movies Noah and The Secret Life of Walter Mitty, and the mega-popular TV series Game of Thrones. There are more people buying into Icelandic arts and culture, more places to eat and drink. In Reykjavik, "the restaurant scene has dramatically improved in the last 10 years," says professor Thorisdottir.

Taxi driver Kristinn Olafs doesn't like all the tourists in rental cars because they drive too slowly, but cab fares are up, too, which pleases him. "More business is always good," Olafs says, rubbing his thumb against his fingers to signal money. Is it realistic for Iceland to count on tourism revenue long-term? Yes, says the minister of industry and commerce. "Tourism has definitely been a great help during these recent years, it's been one of the three main pillars and is now the largest source of foreign revenue. I believe that it will continue to be that, one of our fundamental industries, very important to the Icelandic economy," Arnarsdottir says.

In some ways, chef Volundur Volundarson epitomizes the feelings of Icelanders: The tourist boom is exciting, but inconvenient, and maybe a little scary.

Volundarson has had to all but shut down his operations at Borg Restaurant until the end of 2014, as the historical Borg Hotel is adding on a four-storey expansion, and demolitions have reduced his kitchen to a narrow alley that's barely bigger than a food truck.

"I think it's crazy, what's happening," says Volundarson, sipping Earl Grey, his white chef's coat symbolically free of food stains. "Before the economic crash, people were flying pretty high. And now, you can feel it again, this vibe in people."

Everyone wants a piece of the action, he says, everyone wants a hotel. "I don't know how long this bubble will last. It has to burst. I might be wrong. I hope I am!"

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