

# ICELAND PLANS TO LOWER THE NUMBERS OF FOREIGN VISITORS



Iceland has lowered its tourism promotion efforts. It reflects a strategic shift in approach. The island welcomes foreign visitors warmly, but it aims to slow down the growth in the number of tourists.

In 2008, Iceland's finances collapsed, leading to a significant recession. **To recover, the country implemented a rescue plan that heavily relied on tourism, turning the hotel industry into a key driver of the economy.** Since then, the results have been positive. However, concerns have now emerged:

Iceland is witnessing rapid growth in its inbound tourism industry. It realizes that with a population of only 367,000, the island lacks sufficient infrastructure to accommodate more than 2 million foreign visitors annually. In 2022, Iceland welcomed 1.7 million tourists, up from 950,000 in 2015.

The island aims to preserve its natural beauty and picturesque landscapes. Moreover, the government has stated a "desire to "improve the standard of living of its "population."

As the negative impacts of growth become more apparent, there are fears of overtourism. Prime Minister Kristrun Frostadottir said, "We know that people who come here don't want to end up in a situation of overpopulation. They want a pure experience, so maybe we just need to tone it down a bit."

Iceland is also concerned that increasing tourism could strain the country's roads, healthcare services, and housing.

## The New Policy to Slow Down Tourism

The government has announced plans to introduce a tax on tourism resources. The revenue generated from this tax will be used to regulate the tourism industry and its development better. However, details about the implementation date, focus areas, and tax rates have not yet been disclosed.

Additionally, the government aims to reduce its reliance on tourism by prioritizing industries with higher added value for the country. This includes promoting the establishment of high-productivity sectors such as data centers and green energy production. The goal is to diversify the economy and encourage the creation of better job opportunities and long-term economic stability.

Furthermore, the government has committed to limiting short-term rentals, such as those offered by Airbnb, to promote the availability of residential homes and address the housing shortage.

## A Carrier Who Has a Different Discourse

Interestingly, the discussions surrounding closely related entities can sometimes be completely contradictory.

Iceland is looking to limit the number of foreign visitors yet its low-cost airline, Play Airlines, has expansion plans. Recently, Play Airlines announced that it would exclude Canada from its network, even as it seeks to grow in other areas.

During a recent statement about strengthening connectivity with European countries, Einar Örn Ólafsson, the CEO of Play Airlines, emphasized this expansion strategy. He noted, "This strengthening (...) is part of Play's expansion strategy, which aims to consolidate our presence in the destinations where we have experienced considerable growth over the past three years."

Additionally, Play Airlines has taken significant business measures to adapt to tourism trends and "ensure better accessibility for potential travelers" between Iceland and other countries.

**However, it's essential to note Iceland's tourism authorities understand that if they wish to limit tourism growth organically, they also have the means to attract foreign visitors from around the globe.** Last summer, they introduced the Volcanic Way, a tourist route that follows the paths of the island's volcanoes.

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