



View to investment: tourism is one of the sectors that San Sebastián has earmarked for development

A culture of investment

ITS STINT AS EUROPEAN CITY OF CULTURE IN 2016 SHOULD GIVE SAN SEBASTIÁN A BOOST IN TOURISM NUMBERS, BUT IT WILL ALSO GIVE THE SPANISH CITY AN OPPORTUNITY TO SHOWCASE ITS SKILLED WORKFORCE AND R&D EXCELLENCE, SAYS JULES STEWART

As San Sebastián gears up for its reign as European City of Culture 2016, expectations are running high that next year will focus attention on the city's potential for attracting investment.

The smallest of Spain's three Basque provincial capitals, after Bilbao and Vitoria, San Sebastián is strategically located on the Atlantic coast, a 30-minute drive from France and equidistant from the ports of Bilbao and Pasajes.

"We have detected increased investor interest, not only because of the European award, but more importantly due to the ceasefire declared by ETA," says San Sebastián mayor Eneko Goia, who was elected in June. The Basque separatist group laid down their arms in 2011 when it became apparent that they had lost the support of a minority of Basques who previously backed their guerrilla activities. "ETA violence had been an inhibiting factor in the past," says Mr Goia. "That said, with regards to tourism, which is a key industry, there was never a drop in the number of visitors."

Tourism is one of the sectors that San Sebastián has earmarked for investment, partly with an eye on 2016 and the anticipated growth in the number of visitors. The challenge is to develop the city's infrastructure, primarily in hotels and access from other Spanish cities and abroad. San Sebastián lacks an airport of its own, though it is only an hour's drive from Bilbao's international hub and even closer to the small domestic airport of Fuenterrabía, and to Biarritz across the French border.

"It would be impractical to build an airport closer to the city... that is not the solution," says Mr Goia. "We need to improve road and rail connections from neighbouring airports, and this is a key factor in promoting investment opportunities."

Star performer

The other key infrastructure task is to increase San Sebastián's hotel capacity to accommodate an ever-growing number of visitors. Annual tourist numbers have followed an upward trajectory despite the global economic crisis, from 300,000 in 2008 at the start of the crisis to more than 500,000 in 2014. Hotel occupancy in the 2015 summer season nudged 100%, particularly in the three- and four-star categories, of which there are only 17 establishments in the city. Foreign investment has so far been focused on the top end of the hotel market, most notably in the acquisition of the five-star Hotel María Cristina by US group Starwood Hotels.

San Sebastián is also backing R&D, one of its strategic sectors. R&D spending currently stands at 3% of the city's GDP, significantly higher than Spain's national average of 1.24%. Mr Goia highlights the city's four university campuses, which he considers incubators of a highly skilled and employable workforce. This talent pool in turn accounts for the low unemployment rate of 9.03%, a fraction of the national average of 24.5%. Indeed, San Sebastián is one of the most prosperous cities in Spain, with a GDP per capita of €34,600, the highest in the Basque Country and far beyond the national average of €22,500.

An example of San Sebastián's commitment to R&D and hi-tech sectors is Technology Park, which is home to 92 domestic and foreign companies engaged in everything from renewable energy to biotechnology and telecoms, and boasts international names such as IBM, Pernod Ricard and DHL among its clients.

"Being selected as European City of Culture is something we look upon as a catalyst," says Mr Goia. "Our aim is to use this opportunity to promote and develop San Sebastián in 2016 and beyond." ■