

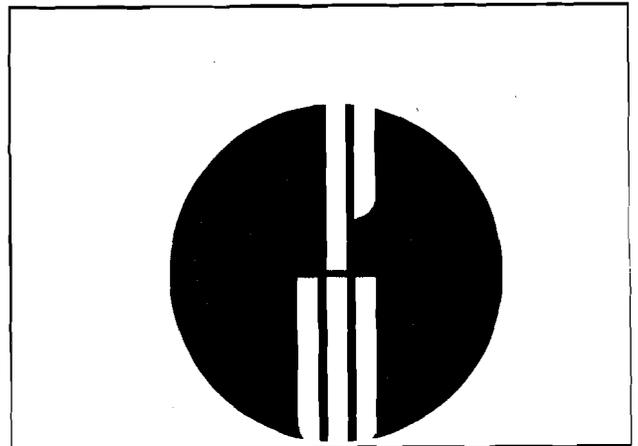
Morocco

Ministry of Commerce, Industry & Privatization
Privatization and Development Project

Hotel Sector Divestiture Strategy

Final Report

December, 1993



Price Waterhouse
International Privatization Group



December 30, 1993

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Privatization and Development Project
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Dear M. Amrani,

Price Waterhouse's International Privatization Group is pleased to present copies of our final report entitled "Hotel Sector Divestiture Strategy", which analyzes the hotel sector in Morocco and presents opportunities for potential privatization of thirty-seven hotels. This final report incorporates feedback obtained from you and your colleagues during Mr. Coe's and Ms. Fellouris' recent visits to Morocco.

If you have any questions, do not hesitate to contact Mara Fellouris at Price Waterhouse's Washington office.

Sincerely,

M. Fellouris for A. E. Rimpel

Auguste E. Rimpel, Jr.
Project Partner
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EXECUTIVE SUMMARY

A. Background and Project Objectives

1. Background

In a speech from the Throne at the opening of the spring session of the Chamber of Representatives in 1988, H.M. King Hassan II articulated the need for privatization with the objectives to "...energize the modernization of the Moroccan economy, to better the citizen's standard of living, to promote the nation's economy in giving all possible chances to new generations of citizens, opening to them access to entrepreneurial responsibilities, and to allow Morocco to participate much more widely in international trade." This speech was subsequently followed by passage of Law no. 39-89, authorizing the transfer of public enterprises to the private sector, which lists specific state holdings to be privatized, including thirty-seven hotels and Maroc Tourist, a holding company.

2. Objectives

The objective of this technical assistance project was to improve the capacity of the Ministry of Commerce, Industry and Privatization to select, appraise, value, package and divest the hotels and holding company designated for privatization by the Ministry of Privatization.

Specifically, this report provides an assessment of the Ministry of Privatization's recent hotel privatization experience, a review of the hotel sub-sectors for competitiveness, as well as an analysis of the prospects and constraints for divestiture of the hotels in the GOM's portfolio.

The second objective was to design a divestiture strategy for the Ministry of Privatization to follow in preparation for the privatization of these hotels.

B. Key Findings and Conclusions

Privatization of the thirty-seven hotels owned by the Moroccan government is a challenging task for various reasons.

1. Difficulties of Privatization

a. *Tourism Sector's Performance*

The tourism sector's performance during the last few years has led to a poor investment climate. However, the tourism industry has substantially recovered from its recent slump and is expected to grow significantly in the years to come and to attract more investment.

b. Diversity of Hotels

Privatization is complicated by the fact that the privatizable hotels are extremely heterogeneous. Many require considerable effort to prepare them for privatization, including complex coordination with various entities.

c. Investment Trends

The impact of the publicized privatization plans for the hotel sector has led to insufficient investments to maintain many of the hotels in good operating condition. In addition, the various government investment incentive programs for the hotels may have limited application to the privatizable hotels.

d. High Level of Effort

To conduct the hotel privatization program in a timely and professional manner, the Ministry of Privatization will be required to provide a high level of effort. This level of effort is somewhat disproportionate to its overall responsibility, manpower availability and the relative value of the hotel properties.

2. Recent Experience

a. Results to Date

An initial attempt to privatize several hotels through a competitive tender with little advance preparation produced minimal results. Nonetheless, as of the preparation of this report, three sales have been closed and another two are under negotiation which is going smoothly.

b. Slow Implementation

Certain judicial problems, due to specific hotel business contracts, has contributed to the slow pace of implementation, privatization, and deterioration of the hotels subject to privatization. The Ministry realizes that it must proceed swiftly and professionally with privatization of the hotel portfolio both to fulfill its own obligations and to avoid further disruption of the tourism industry.

c. Insufficient Financial Data

An initial review of existing financial documentation revealed that information regarding most of the hotel properties was generally inadequate, unreliable, and outdated to properly evaluate them and to serve as a basis for the Ministry of Privatization to develop a pricing strategy.

Consequently, under the Price Waterhouse/International Privatization Group activity, all the properties were visited in order to determine their current physical and operating characteristics and judge their potential. Such parameters as the availability of current audits and valuations, the expiration dates of their management contracts, their strategic importance to the tourism industry, and the relative cost of required renovations were also taken into consideration. However, as indicated in the report's recommendations, detailed audit and valuation work will still have to be performed for many of the properties.

C. Recommendations

The proposed divestiture strategy makes several recommendations to assist the Ministry of Privatization to move forward in the privatization of the thirty-seven hotels. These recommendations are summarized as follows:

1. Marketing Strategy

As a first step in the strategy for divestiture, the hotels were distributed into a more manageable quantity of seven groups with somewhat similar characteristics and similar approaches for their privatization. Group one includes hotels that can be sold as a "package" which includes several properties. Another group includes a few properties which would best be sold for non-hotel use.

2. Significant Level of Effort

Despite these groupings, privatization of the hotels will require a minimum of 22 separate transactions. Each of these transactions will require substantial preparation in order to assure their successful conclusion in accordance with the objectives of the privatization program. A schedule has been proposed distributing these as evenly as possible to about 4 transactions per semester through 1995. This is included in Table 4.

3. Careful preparation

Each transaction has a set of different specific issues requiring careful decision making, such as pursuing a negotiated sale versus a public tender, resolving over-staffing problems, authorizing non-hotel use, etc. Care must be taken to guide the valuation process to assure realistic pricing which does not prejudice a timely sale. Where adequate marketing has preceded a public tender, the minimum offer price should be set at a level that does not discourage participation.

4. Active participation of Ministry of Tourism, CIH and Others

The Ministry of Tourism should be closely associated with the hotel privatization effort. It should assist in investment promotion and in such technical tasks as assessing the costs of the extensive renovations required at most properties. The Ministry of Privatization should make arrangements with Credit Immobilier et Hoteliere to earmark funds for availability to qualified buyers for financing such renovations. The approval of the respective provincial government must also be secured in cases where major expansion or redevelopment of the property is anticipated.

5. Senior Hotel Investment Manager

Coordination of these complex tasks requires the immediate recruitment of a Senior Hotel Investment Manager. He should preferably be a Moroccan "investment banker" with extensive experience in the private sector and "deal making". His responsibility would include detailed preparation of individual transactions in collaboration with investors, consultants, financial institutions and other government agencies. He would be charged with the overall planning and supervision of the hotel privatization program under the direction of the head of the Privatization Unit. Appointment of this "Hotel Czar" is critical to the implementation of all the recommendations of this report.

D. Implementation Plan

A tentative implementation plan has been illustrated in Tables 4, 5 and 6. Detailed action plans have been included in each hotel description in Appendix A.

I. INTRODUCTION

A. Overview of Assignment

The purpose of this activity was to identify the prospects and constraints for the successful divestiture of hotels identified for privatization and to develop a strategy and action plan for the Ministry of Privatization in this regard.

Each hotel was visited to assess its current physical and operating characteristics. Such parameters as the availability of adequate financial information, the status of current management contracts, the importance to the tourism industry and the need for renovation were taken into consideration. Preliminary contacts with potential interested parties to ascertain their requirements and conditions were made. The role and interest of government entities outside of the Ministry of Privatization were also assessed. Upon completion of the fieldwork, a strategy for the sector, as well as a detailed action plan for the program and for each hotel was developed.

A principal limitation faced was the non-availability of current and reliable financial data. Thus in considering the viability of the hotels, the issue of existing debt was not considered. However, the parameters used to determine the prospects and constraints for ultimate divestiture provide a sound basis for the strategy and action plan proposed. As highlighted in the action plan, audit and valuation work will be required for hotels which have not yet had any completed as well as updating existing information.

This activity was undertaken by Price Waterhouse's International Privatization Group (PW/IPG) during the period May to July, 1993. PW/IPG's efforts were funded by the U.S. Agency for International Development (USAID) Rabat.

B. Background

1. Privatization Law

The Moroccan Privatization Law was promulgated in 1990. The objective of this law was to transfer numerous government-owned enterprises to the private sector by 1995. Thirty-seven individual hotels and one hotel holding company were included among the extensive list of properties of which hotels represent only a small portion of the total value.

Privatization of these holdings requires first the establishment of a minimum offer price by the Valuation Authority based on a valuation report prepared by expert appraisers and submitted by the Ministry of Privatization. The property may then be offered for sale either through a public stock offering, competitive tender or direct sale. In the first two instances

the minimum price must be that established by the Valuation Authority. In the case of a direct sale, the Transfer Commission has the authority to accept an offer when it satisfies certain objectives of the law, namely, broadening of ownership, regional development and employment protection. The Ministry of Privatization is also responsible for determining the schedule for the privatization program.

The same basic procedure applies to all privatizable enterprises, regardless of their importance. Paradoxically, the hotels which are perceived as having the least value and strategic importance have proven among the most difficult to privatize.

2. The Inventory of Hotels

The hotels to be privatized demonstrate considerable diversity in their location, size, type, physical and contractual conditions. They are scattered throughout the country in locations ranging from large cities to remote villages. Their size varies from 10 to 450 rooms. Although most are officially classified as three, four or five star hotels, the rating system overlooks considerable differences in the quality of the facilities and services. Some cater principally to the tourist market, some to business travellers and some to a mixture of clients. They are owned by various independent government agencies and managed by various private and public sector management organizations and individuals. Characteristics of the thirty-seven hotels¹ are summarized in Table 1 at the end of this section. Not evident from Table I is the additional disparity in the physical condition, current performance and potential of the individual properties. A detailed outline of the important features of each hotel is found in Appendix A.

3. Recent Experience

By mid-1992 valuation reports were completed for 16 hotels. Subsequently one hotel (Amandiers) was sold to its current managers through a negotiated sale. Five others (Basma, Malabata, Tarik, Transatlantique/Casablanca & Transatlantique/Meknes) were offered for sale in a public tender announced in late November of 1992. Although there were about 40 requests for documentation related to the tender, few offers were submitted and none were acceptable. The Tarik Hotel was acquired by its previous management company during its sale offering process. However, the disappointing response to the this tender led the Ministry of Privatization to review its approach to hotel privatization and request the preparation of this report.

¹The following hotels are not included: Amandier (sold) Tarik (sold), Basma (sale in process), Royal (at disposition of the Royal Armed Forces).

TABLE 1

SUMMARY OF PRIVATIZABLE HOTELS

REF #	HOTEL	LOCATION	# ROOMS	# EMPLOYEES	# STARS	CLIENTELE	OWNER	MANAGEMENT	CONTRACT
1	Al Massira	Oujda	108	44	3	B	ONMT	SALEM	1994
2	Almoravides	Marrakech	106	90	4	T	ONMT	KTH	2001
3	Asmaa	Chefchaouen	94	40	3	T	ONMT	KTH	2001
4	Azghor	Ouarzazate	120	97	4	T	ONMT	ONMT*	1993
5	Des Iles	Essaouira	55	80	4	T	ONCF	CHT	N/A
6	Doukkala	El Jadida	81	78	4	M	ONMT	SALEM	1994
7	Dunes d'Or	Agadir	450	400	VV	T	CDG	PLM	1995
8	Fricouato	Taza	58	31	4	M	ONMT	SALEM	1994
9	Hamou Zayani	Khenitra	60	41	4	M	ONMT	SALEM	1994
10	Hyatt Regency	Casablanca	231	N/A	5	B	DOM	HYATT	2000
11	Ibn Toumert	Talouine	106	36	4	T	ONMT	ONMT*	1993
12	Madayeq	Boumahe	120	62	4	T	ONMT	ONMT*	1993
13	Malabata	Tanger	297	0	5	T	DOM	CLOSED	-
14	Merinides	Fes	90	130	5	T	ONMT	KTH	2001
15	N'Fis	Marrakech	270	200	4	T	CDG	PLM	1994
16	Ouzoud	Beni-Mellal	60	51	4	M	CDG	CDG*	1993
17	Riad	Larache	24	26	3	M	ONMT	KTH	2001
18	Rissani	Errachidia	60	60	4	T	CDG	CDG*	1993
19	Rose du Dades	Kelaa Ddes M'Gouna	102	78	4	T	ONMT	KTH	2001
20	Saghro	Tinahir	62	48	4	T	ONMT	KTH	2001
21	Sidi Harazem	Sidi Harazem	64	57	4	T	CDG	PLM	1998
22	Terminus	Oujda	123	75	4	B	ONCF	CHT*	N/A
23	Tinsouline	Zagora	88	54	4	T	ONMT	KTH	2001
24	Toubkal	Marrakech	123	103	4	T	CDG	CDG*	1993
25	Tour Hassan	Rabat	156	220	5	T	DOM	KTH	2001
26	Transatlantique	Meknes	120	132	5	T	ONCF	CHT	N/A
27	Volubilis	Fes	120	116	4	T	CDG	CDG*	1993
28	Zalagh	Fes	70	70	4	M	ONMT	SALEM	1994
29	Zat	Ouarzazate	60	46	4	T	CDG	CDG*	1993
30	Oukaimeden	Oukaimeden	115	0	-	T	ONMT	UNFINISHED	-
31	Splendid	Sidi Slimane	10	N/A	N/A	M	DOM	N/A	N/A
32	Sidi Lahcen Lyoussi	Sefrou	20	16	2	M	ONMT	N/A	N/A
33	Transatlantique	Casablanca	60	0	N/A	B	ONCF	CLOSED	-
34	Complex Al Hocelma	Al Hocelma	250	95	3	T	MTOUR	MTOUR	N/A
35	Complex Smir Restinga	Smir Restinga	N/A	N/A	N/A	T	MTOUR	MTOUR	N/A
36	Parador	Chefchaouen	35	32	4	T	MTOUR	MTOUR	N/A
37	Tidighine	Ketama	69	21	3	M	MTOUR	MTOUR	N/A

Total Number of Rooms: 4,037

Note: T=tourist, B=business, M=mixed

* These properties were formerly managed by PLM.

The relative lack of success of this first tender may be attributed in part to a combination of limited business opportunity following the Gulf war, inadequate market preparation, and demand for cash payment. The final date for submission of bids was late December with only a month for preparation. The submission date was later extended to January. The lack of success for these tenders reflects more fundamental problems. This report addresses those problems in the context of a broader examination of the general strategy for the entire hotel privatization program.

Initial discussions and review of documentation revealed that the Ministry of Privatization had insufficient pertinent information regarding the individual properties to adequately characterize them. This required PW/IPG to visit all of the hotels to gather information about their current condition and potential. This potential relates not only to the individual property, but to the broader national tourism context. Furthermore, it became apparent that implementation of hotel privatization would require the participation of various public and private entities whose interests and roles had not been identified. Thus as part of this activity, PW/IPG met with the potential key players in the hotel privatization process.

The following report summarizes these considerations and presents an overall strategy and action plan for privatization of the hotel portfolio.

II. TOURISM CONTEXT

The design and success of a hotel privatization strategy is intimately linked to the present situation and medium and long-term prospects for tourism in Morocco. Key aspects and trends are outlined hereafter.

A. **Basic Tourism Facts**

Tourism contributes about 5-6% of Morocco's GDP, with international tourism receipts accounting for over US \$1.3 billion in 1992. International tourism (as measured by non-Maghreb tourist arrivals) grew rapidly during the 1980s, peaking at 1.6 million visitors in 1987. Declining 14% over the following three years, arrivals then plummeted to about 1 million in 1991 as a result of the Persian Gulf war crisis. A strong recovery in 1992 (1.5 million arrivals) and encouraging signs for the first quarter of 1993 should bring arrivals at, or above the 1987 level for the current year.

Despite variations in arrival patterns by nationality, France, Spain and Germany remain the three main countries of origin accounting for 28%, 18% and 12% of 1992 international arrivals respectively. A summary table is shown below:

Morocco-Total Arrivals (000)

	1980	1987	1990	1991	1992
International (excluding Maghreb) of which:	1,064	1,640	1,415	1,016	1,514
France	340	454	452	291	429
Spain	122	369	211	193	277
Germany	118	206	161	108	184
Maghreb	33	20	1,563	2,174	1,738
Total Arrivals	1,097	1,660	2,978	3,190	3,252

Source: Moroccan Ministry of Tourism

According to the Moroccan Ministry of Tourism about 10.6 million bed nights were spent in Moroccan hotels in 1992; about 8.3 million bed nights (78% of total) by international visitors and 2.3 million by Moroccans (22% of total).

Morocco has a great variety of accommodations, including a full range of hotels (1 to 5 stars), vacation villages and self-catering units. Hotel and resort developments have strongly benefitted from a 1983 Tourism Promotion Law providing numerous investment incentives to the sector. These include exemption from income tax and import duties, interest free long term government advances (10-15% of project cost), arranged long-term financing (10 to 15 years for 50-60% of investment) at below market interest rates from the Credit Immobilier et Hotelier (CIH), a public sector financial institution. As of the writing of this report, these incentives are still in place but it is expected that this legislation will be reviewed in the near future. This may impact prospects for sale. In our recommendations we discuss investment incentives which may be required. Some 30,000 rooms were financed and constructed under this program from 1980 until 1992. The CIH hotel loan portfolio reached 3.6 billion DH in December 1992, almost 30% of CIH's 12.2 billion DH total outstanding loan portfolio.

As a result, capacity increased by an average of 3500 beds (net) each year through the 1980s and 1990s. In 1980 there were 342 classified hotels (some 54,000 beds) this increased to 533 hotels (93,000 beds equivalent to 47,500 rooms) in 1991. Classified hotels are located in some 35 Moroccan cities; four cities (Agadir, Marrakech, Tangier, Casablanca) account for 60% of total bed capacity as shown below:

Classified Hotel Beds by Category (000)

Location	5*	4*	3*	2*	1*	Subtotal	Other	Total
Total of which:	13.65	32.89	11.17	6.96	4.06	68.73	24.21	92.94
Agadir	1.62	7.66	1.31	0.58	0.34	11.51	8.88	20.39
Marrakech	3.77	8.21	1.79	0.66	0.20	14.69	2.95	17.64
Tangier	1.35	3.45	1.25	0.59	0.38	7.00	2.34	9.34
Casablanca	2.87	3.30	0.82	0.71	0.56	8.26	0.15	8.41

Source: Moroccan Ministry of Tourism

The private sector owns almost 85% of the classified hotels and manages all but about 6% of the total rooms. Of the thirty or so specialized companies responsible for the exploitation of about 50,000 beds, 12 hotel chains are responsible for the management of about 32,000 beds (36% of total) as shown below.

Major Chains-Beds under Management

Company	Number of Beds	Management
Club Med	6,070	Private
Dounia-PLM	5,264	Private
Safir	3,848	Private
SOMED	3,000	Private
Sahara Tours	2,974	Private
Salem	2,352	Private
Maroc Tourist	1,929	Public
KTH	1,824	Private
ONCF Moussafiri	1,374	Public
Sotoram	1,350	Public
Holiday Service	1,200	Private
Interedec	1,100	Private
TOTAL	32,285	

Source: Moroccan Ministry of Commerce, Industry and Privatization

B. Strengths of the Tourism Sector

Strengths of this sector can be summarized as follows:

- **Good basic assets** Miles of good beaches, warm winter climate, numerous historic monuments and exotic cultural photo opportunities.
- **Political stability** A major requirement for consistent and sustained development as demonstrated by the impact of the Gulf War on the region and also the fear of political instability in Tunisia and Egypt.

- Other intangible assets Morocco has friendly people and good security, despite sometimes overly "aggressive" guides and merchants.
- Proximity to Europe Europe is its main market within two to four hours flight time with good air transportation and modern airports.
- Reasonably good infrastructure Morocco has fairly good roads, as well as car rental agencies, restaurants, power, communication.
- Diversification potential Morocco has undeveloped tourist attractions which fit well with the evolution of tourist requirements for "active" tourism, i.e. trekking, hunting, deep sea fishing, and skiing for the 1990s and beyond.
- Expansion potential Morocco registered 5,313,000 bed nights in 1991 while Tunisia, a much smaller country, had 12,443,000 bed nights and Turkey, a recent newcomer on the tourism scene, 9,642,000 beds nights.

C. Weaknesses of Tourism Sector

During the 1980s, Moroccan tourism rode the wave of international tourism growth. Visitor arrivals increased year after year, construction long-term financing was plentiful and "cheap" and tax incentives were attractive. The 1987 plateau, followed by the 1991 drastic decline in arrivals revealed many of the sector's latent weaknesses which led to the present situation. These weaknesses include:

- Definition of tourism policy Moroccan tourism has not actively been promoted abroad until recently. Also, the "Moroccan tourism" product and its diversification potential had not been adequately defined. This is often combined with the lack of enforcement of hotel classification standards has resulted in the loss of visitors to Morocco. Other destinations such as Tunisia and Turkey, who have active tourism policies, have taken over.
- Low occupancy rate In 1992 the average occupancy rate in Morocco was 36% resulting in part from declining tourist arrivals and a steady yearly increase in room capacity through 1992. This is very low in comparison to an international standard of 65%.
- Deteriorating quality of accommodations Due to grossly insufficient maintenance in most hotels the physical conditions have deteriorated. This situation was exacerbated by the 1990 announcement of hotel privatization which led most public sector owned hotel managers to postpone needed repairs and maintenance. This may partly explain

the low tourist repeat rate of 6%, compared to similar countries with a repeat rate goal of approximately 20%.

- **Precarious financial situation** Many hotels appear to be in precarious financial standing as relayed to us during the course of the fieldwork. This reflects a combination of factors: low occupancy rates, lower average room rates over the past few years leading to financial losses resulting in reduced cash flows. Weak initial capitalization (20%-25% of total investment) has also reduced the financial cushion.

By 1991, the hotel industry as a whole had accumulated some 600 million DH in arrears on long-term loans contracted from CIH. Of this amount about 300 million DH was rescheduled in 1992. Also all management chains of the public sector owned hotels are in arrears, many since 1989, on their lease payments to the respective property owners.

- **Tighter long term financing** After a policy of "easy credit" for tourism during the 1980s, sources of funding used by CIH (e.g. World Bank) have dried up. In arrears on its existing portfolio CIH has less available long-term financing available for the industry. Yet, CIH still represents over 90% of long-term financing to the sector.
- **Structural "management" problems** In general the owners have little trust in their "professional" managers to whom they have delegated limited authority. At the same time managers decry owners for their lack of understanding of the business.

D. Present Tourism Policy and Prospects

Faced with a major crisis in the tourism industry since 1991, the Ministry of Tourism has already begun taking measures to address the situation on many fronts. These include:

- Definition and diversification of the Moroccan tourism product.
- Improving the "environment" of the product including better marketing of tourist services and facilities as well as reduction of "nuisances" to tourists.
- Tourism promotion abroad, which in the past has been minimal has been significantly increase with a three year, \$15 million dollar annual publicity campaign entrusted to Publicis, a French firm.
- Normalization through consistent classification systems and strong enforcement.

- Better coordination with air transportation (and Royal Air Maroc in particular) to provide shorter air links from various European cities.
- Reorganization of Ministry of Tourism to provide better efficiency and a more dynamic promotion-oriented and standards enforcement role.
- Decentralization of decision making and cultural animation to the provincial tourism delegations.

These measures demonstrate both the realization by Moroccan Authorities of the crisis affecting the sector and their commitment to resolve many of its structural problems. Despite a still gloomy assessment of the sector by many hoteliers, the country's tourism strengths and the implementation of consistent policies should turn around the sector in the next few years towards sustained growth.

III. "PLAYERS" IN PRIVATIZATION -- THEIR ROLES/INTERESTS

Although the Ministry of Privatization is solely responsible for implementing the privatization law, its ability to do so effectively depends on the cooperation of various other organizations and institutions. The various interests and roles of these "players" in the hotel sector are outlined below:

A. Government

1. The Ministry of Commerce, Industry and Privatization

The Ministry of Privatization is charged with the overall responsibility for Morocco's industrial and commercial development. Within this Ministry is the Privatization Unit, a department consisting of about 14 professionals responsible for the privatization of a large portfolio of government holdings of which hotels are only a small part. Both individually and cumulatively, the hotels have a small value as compared to many of the other government assets to be privatized. However, due to their quantity and diversity they represent a disproportionate burden on the Ministry's manpower. The Ministry's principal objective is to privatize these properties as quickly and efficiently as possible with a minimum of preparation and follow-up time. The Ministry of Privatization properly does not see its role as using privatization as a means to restructure the tourism industry and is sensitive to the criticism that the prospect of privatization has contributed to the deterioration of the quality of the Moroccan tourist product. However, the Ministry of Privatization will continue to be the driving force behind privatization of hotels despite its limited manpower and the relatively small value of the hotel portfolio.

2. The Ministry of Tourism (MOT)

The MOT is responsible for facilitating the development of the Moroccan tourism industry. It views privatization as a strategy to achieve its development objectives, not an objective in itself. Although it supports the privatization concept, its timing has further complicated its efforts to revitalize the industry. It wishes to see the privatization process concluded as quickly as possible. However, it also wants assurances that hotels will be thoroughly renovated where necessary to meet high quality standards. The MOT promotes and controls investment in the tourism industry including the approval of various investment incentives of which purchasers of privatized hotels will undoubtedly wish to benefit. It maintains a small technical staff charged with examining investment proposals. Our recommended privatization strategy envisages relying partially on MOT staff for technical support in implementing the hotel privatization program. This will provide a valuable technical resource to the Ministry of Privatization as well as avoid the duplication of efforts by both the government and potential investors.

3. The Credit Immobilier et Hotelier (CIH)

CIH has been the principal source of financing for the hotel industry. It has been badly hurt by the industry's poor performance in recent years and can be expected to be cautious in its future operations in the sector. Many of the properties scheduled for privatization will require extensive renovation. Potential buyers may need to be assured of the availability of financing for improvements and/or expansion as a pre-condition to acquisition. The CIH should be asked to earmark such funds for specific transactions. However, it will require that the buyer have the necessary financial and managerial qualifications and that the investment program is feasible. It should be expected to share the investors desire for the lowest possible acquisition cost.

4. The provincial governments

The provincial governments in the various locations where hotels are to be privatized may need to approve programs for expansion or change of use. Such approvals may be essential to the disposition of the property and may greatly influence property value. Although the provincial governments can generally be expected to encourage investment programs, they clearly must be consulted in advance.

B. "Owners"

1. The Moroccan National Tourist Office (ONMT)

ONMT owns about half of the properties scheduled for privatization. ONMT is controlled by the Ministry of Tourism. Recently it began directly managing 8 hotels which were formally managed by Dounia PLM, thereby increasing its short-term responsibility. However, privatization of its hotel holdings will significantly reduce its responsibility in the long-term. The ONMT can be expected to cooperate in this process, although understandably, with some reluctance.

2. The Caisse de Depot et Gestion (CDG)

CDG owns directly or indirectly about 12 of the properties to be privatized including some of the largest hotels (N'Fis, Dunes d'Or). However, these properties represent only a small portion of their total investment portfolio. They have also recently resumed responsibility for direct management of several former Dounia PLM-managed hotels. Maroc Tourist (MTOUR) is a wholly-owned subsidiary of the CDG which is scheduled for privatization as an entity. It currently owns and manages about five properties. Although the personnel of the individual establishments will be taken over by the new owners, the central management of MTOUR is concerned about their future.

3. The national railroad company (ONCF)

ONCF owns numerous hotels including some of Morocco's most prestigious. Four are designated for privatization. All of these are currently managed by its subsidiary the Transatlantic Hotel Chain (CHT). The principal concern of the ONCF/CHT will be labor-related issues, since its hotels tend to be over-staffed with employees with many years of service.

4. The Ministry of Finance (MOF)

The MOF controls several properties owned directly by the State (Domaines). Their full cooperation is anticipated.

C. Private Management Companies

1. Kasbah Tours Hotel (KTH)

KTH currently manages 8 privatizable hotels and one which it owns through its affiliate KTI, a major Moroccan tour operator. All of KTH's management contracts extend to the year 2001. KTH would like to acquire most of the properties it manages. It is currently seeking a financial partner. Given the unexpired length of KTH's contracts, a negotiated sale is anticipated.

2. Dounia PLM

Dounia PLM currently manages only three of the privatizable hotels. Recently it relinquished control of 8 hotels which it formerly managed. Dounia PLM also owns and manages several other hotels and the convention center in Marrakech. The relationship between Dounia PLM and the "owners" has been strained. Dounia PLM has asserted certain claims to those hotels which it continues to manage. These claims may require litigation to be resolved. Dounia PLM is a participant in the privatization process, but cannot be expected to cooperate.

3. Salem

Salem manages 5 privatizable hotels and owns and manages over 10 other hotels. They have expressed only limited interest in acquiring the privatizable hotels that they manage, however, this may be a negotiating posture. Salem can be expected to cooperate fully with the privatization process.

4. Interedec

Interedec holds the management contracts under which Hyatt operates two hotels in Morocco, of which one is scheduled for privatization. The contract on that hotel extends to 2000 and negotiations will therefore be required to facilitate privatization.

5. Individuals

Individuals manage two small hotels scheduled for privatization (Splendid, Sidi Lahcen Lyoussi). Both wish to negotiate their purchase.

D. Potential Investors

For the most part only generic types of potential investors can be identified, apart from the existing managers mentioned above.

1. International tour operators

International tour operators may be interested in participating in the acquisition of hotels in cities on their tour circuits or resort locations. However, they may wish to limit their own capital participation while offering guaranteed operating performance to joint venture partners. FRAMTOURS, a large French tour operator, has expressed such an interest, however, the level of such interest is not clear.

2. International hotel chains

International hotel chains cannot be expected to show much interest in acquisitions of most of the privatizable hotels given their small size and characteristics. Exceptions include the chain of former Ramada Inns, the Hotel/Club Dunes d'Or and Hotel N'Fis which would be suitable for international chain management. However, such chains rarely invest in the properties which they manage and then usually as joint-venture partners. Investors from Arab countries may be targeted for certain properties. Ramada Inns has requested information regarding reacquisition of its former hotels.

3. International real estate developers

International real estate developers, particularly from Spain, may be attracted to the development of properties in Larache (Riad Hotel) and Al Hoceima.

4. Domestic hotel investors

Domestic hotel investors are targeted for several of the individual small to medium-size properties. Renovation financing, investment incentives and other facilities may need to be arranged in advance in order to secure domestic investors interest.

5. Domestic real estate developers

Domestic real estate developers are targeted for certain properties which may be sold for non-hotel use.

E. Other Interests

1. United States Agency for International Development (USAID)

USAID is providing funding for technical assistance to aid in the overall privatization program. One of its specific goals is to broaden share ownership; however, hotel investment is generally inappropriate for the small investor or shareholder. USAID is also funding an investment promotion program which includes a tourism promotion component. Its specific interest in hotel privatization is limited, except to the extent that the program succeeds and that hotel divestiture may encourage development of an improved tourism product facilitating its effort to stimulate US tourists to visit Morocco.

2. The International Finance Corporation (IFC)

The IFC is prepared to examine financing for renovation of groups of hotels associated with an established hotel/tour operator.

Privatization of the hotels cannot be achieved solely through the efforts of the Ministry of Privatization. The proposed strategy attempts to enlist the maximum support of the above "players" by addressing their particular interests and assigning them a role in the process. However, this will still require considerable coordination by the Ministry of Privatization staff.

IV. PRIVATIZATION STRATEGY

While the Ministry of Privatization has been under pressure for some time to privatize the hotels, the results of the December 1992 tender underline the difficulties and risks of the task. These include:

A. **Difficulties and Risks of Hotel Privatization**

1. Multiple and predominantly small transactions There are 37 hotels and potentially 37 transactions; each hotel has its own characteristics in terms of size (10 to 400 rooms), location (small towns to major cities), present ownership and management, physical condition (attractiveness), and constraints (management contract, land...etc)

As a whole, the hotel privatization could be expected to bring between \$50 and \$100 million or an average of \$2-3 million per transaction; compared to larger privatization in other sectors, the level of effort would be high in relation to cash received.

2. Tourism down-cycle The sector has been going through a severe crisis over the past five years (and still continuing). This together with scarcer long-term financing has led to questions on the economic viability of the sector in the long-term and has tended to further depress prices of hotel properties.
3. Time constraints The law and higher authorities expect privatization to be completed by 1995. Besides a "fire sale" approach, this target appears unrealistic. However, in keeping within the spirit of the law, the action plan proposed assumes the completion of the majority of divestitures by 1995. On the other hand, the status of several properties need to be resolved urgently, through privatization or otherwise, given recently expired management contracts and/or physical conditions requiring urgent repairs.
4. "Sector mentality" The relatively easy hotel financing (and low capital requirements) provided by financial institutions in the past has created a "no money down" expectation to develop/own hotel properties. The 100% cash payment to purchase a property, as required by the Privatization Law, goes directly against this past "practice". In addition the disappointing results of the December 1992 tender has created some expectation of a "fire sale " in the future.

B. Hotel Privatization Objectives and Principles

Hotel privatization objectives can be summarized as follows: Privatize in a timely manner, at "fair and reasonable" prices while strengthening overall tourism objectives. The Privatization Law's concerns for transactions' transparency, maintaining employment and diversification of ownership also need to guide such efforts. The review of the past hotel privatization attempts and efforts currently under way indicate the need to follow several guidelines to reach these objectives:

1. Vigorous leadership and coordination by the Ministry of Privatization of all parties involved in "tourism privatization": MOT and tourism affiliates, present owners (ONCF, CDG...etc), financial institutions (CIH), contracted third parties (Legal, Audit).
2. Broad transaction preparation and marketing before actual tender or negotiated sale. This is necessary to "prepare" and "design" the transaction from all angles (legal, financing, valuation, marketing) but also to involve local groups (municipalities, tourism offices) in the effort as well as to emulate initial interest from potential buyers from Morocco or abroad.
3. Importance of privatization for the tourism sector While the hotels to be privatized represent a small proportion (about 13%) of total capacity, privatization success or failure will reflect on the industry as a whole. Integration/coordination with overall tourism plans and timely renovation of properties are both necessary and crucial objectives. As a result, a somewhat lower price may sometimes be preferable than the delay of a sale in search of a better price while the property's condition continues to deteriorate. Also a quid-pro-quo may sometimes be preferable, whereby a lower sales price may be accepted against a firm commitment by the prospective buyer to carry out extensive renovation investments.
4. Adhere to the spirit of the Law to address
 - a. *Final property use*

While the employment issue is a major concern, the final use for tourism is not a legal requirement and is left to the initiative of the Ministry of Privatization. In a few cases where alternative use (condominium) is feasible and preferable, any tourism use conditions should be eliminated from tender documents.

b. Minimum Price

While minimum pricing is clearly spelled out in the Privatization Law and Application Decree, it should be emphasized that with broadly publicized and open competitive bidding, minimum prices are somewhat irrelevant. A mechanism should be found to avoid excessive rigidity in determining and applying minimum pricing conditions.

c. Choice between competitive bidding and negotiated sale.

The Ministry of Privatization is responsible for deciding on a case by case basis if a property should be sold by a competitive tender or a negotiated sale. Generally competitive bidding would be used in the case of large properties that have many interested parties. The competitive bidding gives transparency to the transaction. In a negotiated sale the Ministry would approach specific parties who would most likely be interested in specific properties. This method would be used for small, less desirable or specialized properties.

d. Reestablish credibility

It is important to reestablish the credibility of privatization with several attractive, fairly priced transactions in order to compensate the negative impressions or false expectations created by the privatization attempts of end 1992.

C. Parameters and Constraints

To increase efficiency in terms of the overall privatization effort, our strategy initially focused on categorizing properties according to some common criteria (proposed clientele, size, location, potential for development) and taking into account other parameters/constraints influencing optimum scheduling. These are summarized in the following Table 2.

a. Existing valuations

In addition to existing valuations completed for the 5 properties tendered last year, 11 additional valuations have already been completed, although some may need to be updated or carefully reviewed.

b. Complexity of Preparation

While some smaller properties may only require standard preparation i.e. audit, valuation, tender, many properties will require extensive preparation including packaging, resolving legal issues, marketing, and financing.

c. *Importance for Tourism Strategy*

Some properties are strategically important because they are on a tour circuit route, there are limited accommodations available in the town/area or because of the intrinsic attractiveness of the property.

d. *Urgency*

This can be due to recently (or soon to) expired management contracts where the owner has had to take (temporary) management responsibility of the property. This can also be due to urgent repairs needed to address minimum operating levels or reduce guest safety risks.

e. *Management contracts*

Several properties (owned by ONCF) are managed by CHT (an ONCF subsidiary) and several others (particularly exDounia PLM) had their management contracts expire in early 1993; these present no management contract impediment. Other hotels have contracts through 1994 or 1995 (Salem, Dounia PLM), and others through 2000 (KTH, Hyatt).

f. *Legal obstacles*

These include existing management contracts expiring in 1995 and beyond. To accelerate the sale, this situation would normally require negotiations with the present managers for earlier termination or alternatively a negotiated sale with the management chain, if interested in the acquisition of the property. Other obstacles include land titling for several properties, effectively delaying actual sale until such matter has been resolved.

g. *Relative transaction value*

This essentially reflects the size of the property (number of rooms) and its class level (i.e. 3, 4, 5 stars).

h. *New Investment to Sales Price Ratio*

This ratio characterizes, typically on a per room basis, the level of new investments required to maintain/reestablish the hotel's classification or possibly to expand it as an economically justified decision, as compared to the cost of acquisition.

TABLE 2

MOROCCO-HOTEL PRIVATIZATION
PARAMETERS AND CONSTRAINTS

REF	HOTEL	RMS	OWNER	MNGR	CONTRACT ENDS IN	VALUA	COMPLEX. of PREPARAT. (1)	IMPORT. for TOURISM (1)	URGENCY		LEGAL OBSTACLES		RELATIVE SIZE OF TRANSACTION (2)	NEW INVT./ SALE PR. RATIO (1)
									In MGMT	In PHYS. COND.	CONTR.	LAND TITLE		
1	Al Massira	108	ONMT	SALEM	1994		H	L	X				M	L
2	Almoravides	106	ONMT	KTH	2001		H	H		X			M	M
3	Asmaa	94	ONMT	KTH	2001		H	H			X		M	L
4	Azghor	120	ONMT	ONMT*	1993		L	H	X				M	H
5	Des Iles	55	ONCF	CHT	N/A	X	L	H					M	L
6	Doukkala	81	ONMT	SALEM	1994		H	M	X				M	L
7	Dunes d'Or	450	CDG	PLM	1995		M	H			X		L	L
8	Frlouato	58	ONMT	SALEM			H	M			X		M	L
9	Hamou Zayanni	60	ONMT	SALEM	1994		H	M			X		M	M
10	Hyatt Casablanca	231	DOM	HYATT	2000		M	M			X		H	L
11	Ibn Toumert	106	ONMT	ONMT	1993		M	H	X			X	S	L
12	Madayeq	120	ONMT	ONMT	1993		H	M	X				M	M
13	Malabata	297	DOM	CLOSED	-	X	M	L					M	H
14	Merinides	90	ONMT	KTH	2001		H	H			X		L	M
15	N'Fis	270	CDG	PLM	1994		M	M	X				L	L
16	Ouzoud	60	CDG	CDG	1993	X	H	M	X				S	M
17	Riad	24	ONMT	KTH	2001		H	M			X		M	H
18	Rissani	60	CDG	CDG	1993	X	H	H	X				M	M
19	Rose du Dades	102	ONMT	KTH	2001		H	H			X	X	M	L
20	Saghro	62	ONMT	KTH	2001		H	H		X			S	H
21	Sidi Harazem	64	CDG	PLM	1998		M	H			X		M	L
22	Terminus	123	ONCF	CHT	N/A	X	L	M					M	L
23	Tinsouline	88	ONMT	KTH	2001		H	H			X		M	L
24	Toubkal	123	CDG	CDG	1993	X	H	M	X			X	M	M
25	Tour Hassan	156	DOM	KTH	2001		M	M			X		L	M
26	Transatlantique	120	ONCF	CHT	N/A	X	L	M					L	M
27	Volubilis	120	CDG	CDG	1993	X	H	H	X				L	M
28	Zatagh	70	ONMT	SALEM	1994		H	M	X		X		S	H
29	Zat	60	CDG	CDG	1993	X	H	M	X				M	M
30	Oukalmeden	115	ONMT	UNFINISH	-		M	L			X		S	H
31	Splendid	10	DOM	N/A	N/A	X	L	L					S	M
32	Sidi Lahcen Lyoussi	20	ONMT	N/A	N/A	X	L	L					S	M
33	Transatlantique	60	ONCF	CLOSED	-	X	L	L					M	M
34	Cplex Al Hoceima	250	MTOUR	MTOUR	N/A		H	H					L	M
35	Cplex Smir Restinga	N/A	MTOUR	MTOUR	N/A		H	L					S	L
36	Parador	35	MTOUR	MTOUR	N/A		L	H					M	L
37	Tidighine	69	MTOUR	MTOUR	N/A		M	L					S	M

Note: (1) L=low, M=medium, H=high
(2) S=small, M=medium, L=large

D. Divestiture Strategy

Below we present our recommendations to ensure the effective transfer of ownership of the hotels to the private sector. The proposed strategy includes the grouping of properties, the transaction timetable, institutional requirements, privatization environment and action plan.

1. Grouping of properties

Using the above parameters, the hotels were grouped into seven broad categories as shown in Table 3 and described below.

- Group 1: Hotel packages Three groups have been tentatively designed.

Package 1A includes 6 hotels and corresponds to ex-Dounia PLM managed hotels (five initially built by Ramada). They are "circuit" hotels with similar design and size, but somewhat varying operating characteristics. They are presently "free" of management contracts (managed by Dounia PLM until early 1993). Among other options, a tour operator (FRAMTOURS for France) has expressed initial interest in leading a purchasing group.

Package 1B includes 5 hotels and corresponds to hotels presently managed by Salem. Management contracts are expiring in 1994. They have less of a common link as compared to Group 1A. The head of Salem has expressed interest in purchasing some of this package's properties.

Package 1C includes 8 hotels and corresponds to most of those hotels presently managed by KTH. They are somewhat diverse in size and condition with more productive properties supporting weaker ones. However management contracts presently run until 2001, requiring negotiated termination with KTH or conversely negotiated purchase by KTH, probably as a joint venture with an international investor.

TABLE 3

**MOROCCO - HOTEL PRIVATIZATION
HOTELS GROUPING**

REF	HOTEL	RMS	OWNER	MNGR	CONTR.	GROUP	GROUPS								
							1A	1B	1C	2	3	4	5	6	7
27	Volubilis	120	CDG	CDG	1993	1A	X								
16	Ouzoud	60	CDG	CDG	1993	1A	X								
18	Rissani	60	CDG	CDG	1993	1A	X								
12	Madayeq	120	ONMT	ONMT	1993	1A	X								
29	Zat	60	CDG	CDG	1993	1A	X								
24	Toubkal	123	CDG	CDG	1993	1A	X								
9	Hamou Zayanni	60	ONMT	SALEM	1994	1B		X							
28	Zalagh	70	ONMT	SALEM	1994	1B		X							
8	Friouato	58	ONMT	SALEM	1994	1B		X							
6	Doukkala	81	ONMT	SALEM	1994	1B		X							
1	Al Massira	108	ONMT	SALEM	1994	1B		X							
19	Rose du Dades	102	ONMT	KTH	2001	1C			X						
3	Asmaa	94	ONMT	KTH	2001	1C			X						
20	Saghro	62	ONMT	KTH	2001	1C			X						
14	Merinides	90	ONMT	KTH	2001	1C			X						
23	Tinsouline	88	ONMT	KTH	2001	1C			X						
2	Almoravides	106	ONMT	KTH	2001	1C			X						
25	Tour Hassan	156	DOM	KTH	2001	1C			X						
15	N'Fis	270	CDG	PLM	1994	2				X					
10	Hyatt Casablanca	231	DOM	HYATT	2000	2				X					
7	Dunes d'Or	450	CDG	PLM	1995	2				X					
5	Des Iles	55	ONCF	CHT	N/A	3					X				
22	Terminus	123	ONCF	CHT	N/A	3					X				
4	Azghor	120	ONMT	ONMT	1993	3					X				
36	Parador	35	MTOUR	MTOUR	N/A	3					X				
21	Sidi Harazem	64	CDG	PLM	1998	3					X				
26	Transatlantique	120	ONCF	CHT	N/A	3					X				
17	Riad	24	ONMT	KTH	2001	4						X			
34	Complex Al Hocelma	250	MTOUR	MTOUR	N/A	4						X			
33	Transatlantique	60	ONCF	CLOSED	-	5							X		
13	Malabata	297	DOM	CLOSED	-	5							X		
30	Oukaimeden	115	ONMT	UNFINISHED	-	5							X		
32	Sidi Lahcen Lyoussi	20	ONMT	N/A	N/A	6								X	
31	Splendid	10	DOM	N/A	N/A	6								X	
37	Tidighine	69	MTOUR	MTOUR	N/A	7									X
11	Ibn Toumert	106	ONMT	ONMT	1993	7									X
35	Complex Smir Restinga	N/A	MTOUR	MTOUR	N/A	7									X
							1A	1B	1C	2	3	4	5	6	7
TOTAL HOTELS						37	6	5	7	3	6	2	3	2	3
TOTAL ROOMS						4,037	543	377	698	951	517	274	472	30	1,175
TOTAL TRANSACTIONS						22	1	1	1	3	6	2	3	2	3

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- Group 2: Stand alone hotels in larger cities

This group includes three hotels with capacity varying from 231 rooms (Hyatt) to 450 rooms (Dunes d'Or). The Hyatt Casablanca has a long term management contract which will likely require negotiations. These properties could be of interest to both local and foreign investors. Dunes d'Or could attract a club type foreign buyer, as might the Hotel N'Fis.

- Group 3: Stand alone hotels in smaller cities

The group comprises 6 smaller hotels with capacities from 35 to 120 rooms. No management contract problem exists, except for Sidi Harazem, whose contract runs until 1998. These hotels would typically be of interest to local investors. The Azghor Hotel has already attracted several potential buyers. Properly "packaged"/prepared, the Transatlantique/Mekenes should also find ready buyers.

- Group 4: Potential Large Tourism Complexes

Two hotels fit in this category, the Riad Hotel in Larrache has strong potential due to its large (7 hectares) property and its attractive location. This property may be of interest to Spanish investors and local investors. It will require intensive preparation. Also, the management contract with KTH, which runs until 2001 will need renegotiation.

The complex at Hoceima could also be substantially expanded and presents attractive upward potential. It could attract Spanish investor interest; it will require intensive preparation.

- Group 5: Real Estate Transactions

Out of the privatizable hotel list, only 3 hotel properties have been identified as having better sales potential for non-hotel uses, i.e. for condominiums, offices...etc. The properties are either unfinished (Oukaimeden) or closed (Malabata, Transatlantique/Casablanca); thus no employment issues are involved in these cases.

- Group 6: Very small properties

This includes two hotels with 17 beds and 20 rooms respectively (Splendid, Sidi Lahcen Lyoussi). These should be sold immediately with "minimum" concern for pricing while trying to get "public relations" advantages from each transaction.

- Group 7: Others

This regroups 3 properties with very different characteristics: Ibn Toumert, Complex Smir Restinga and Tidighine. All have limited value as well as conditions problematic to their disposition. Transfer of the Hotel Ibn Toumert to a cultural foundation has been suggested.

In Appendix A, the characteristics, market recommended strategy and action plan for each of the hotels is presented. Photographs depicting current facilities are also included.

2. Transaction Scheduling

A tentative scheduling of transactions up to 1995 and beyond is illustrated in Table 4. Scheduling particularly took into account:

- The time needed for the Privatization Unit to gear up and carry out several institutional tasks during the second semester of 1993.
- The readiness for sale of several properties (Transatlantique Meknes), less complicated real estate transactions (Malabata, Transatlantique Casablanca), and small properties.
- The need for extensive preparation of the first hotel package (ex Dounia PLM) to ensure success and build credibility.
- Existing management contracts with KTH and Dounia PLM (extending after 1995) which may require protracted negotiations.
- Complex and lengthy preparation for many important properties (Smir Restinga, Al Hoceima, Riad).

Also, the overall scheduling attempted to spread the transaction load "uniformly" over the privatization period.

TABLE 4

**MOROCCO-HOTEL PRIVATIZATION
TRANSACTIONS SCHEDULE**

REF	GROUP	HOTEL	RMS	OWNER	MNGR	CONTR.	1993	1994	1994	1995	1995	1996
							2nd HALF	1st HALF	2nd HALF	1ST HALF	2nd HALF	and AFTER
27	1A	Volubilis	120	CDG	CDG	1993	P	E				
16	1A	Ouzoud	60	CDG	CDG	1993	P	E				
18	1A	Rissani	60	CDG	CDG	1993	P	E				
12	1A	Madayeq	120	ONMT	ONMT	1993	P	E				
29	1A	Zat	60	CDG	CDG	1993	P	E				
24	1A	Toubkal	123	CDG	CDG	1993	P	E				
9	1B	Hamou Zayanni	60	ONMT	SALEM	1994		P	E			
28	1B	Zalagh	70	ONMT	SALEM	1994		P	E	E		
8	1B	Friouato	58	ONMT	SALEM	1994		P	E	E		
6	1B	Doukkala	81	ONMT	SALEM	1994		P	E	E		
1	1B	Al Massira	108	ONMT	SALEM	1994		P	E	E		
19	1C	Rose du Dades	102	ONMT	KTH	2001		P	P		E	
3	1C	Asmaa	94	ONMT	KTH	2001		P	P		E	
20	1C	Saghro	62	ONMT	KTH	2001		P	P		E	
14	1C	Merinides	90	ONMT	KTH	2001		P	P		E	
23	1C	Tinsoulina	88	ONMT	KTH	2001		P	P		E	
2	1C	Almoravides	106	ONMT	KTH	2001		P	P		E	
25	1C	Tour Hassan	156	DOM	KTH	2001		P	P		E	
15	2	N'Fis	270	CDG	PLM	1994			P		E	
10	2	Hyatt Casablanca	231	DOM	HYATT	2000						P
7	2	Dunes d'Or	450	CDG	PLM	1995						P
5	3	Des Iles	55	ONCF	CHT	N/A		P	E			
22	3	Terminus	123	ONCF	CHT	N/A		P	E			
4	3	Azghor	120	ONMT	ONMT*	1993	P	E				
36	3	Parador	35	MTOUR	MTOUR	N/A				P		E
21	3	Sidi Harazem	64	CDG	PLM	1998						P
26	3	Transatlantique	120	ONCF	CHT	N/A	P	E				
17	4	Riad	24	ONMT	KTH	2001		P	P		E	
34	4	Complex Al Hoceima	250	MTOUR	MTOUR	N/A			P		P	E
33	5	Transatlantique	60	ONCF	CLOSED	-	P	E				
13	5	Malabata	297	DOM	CLOSED	-	P/E					
30	5	Oukaimeden	115	ONMT	UNFINISHED	-	P	E				
32	6	Sidi Lahcen Lyoussi	20	ONMT	N/A	N/A	P/E					
31	6	Splendid	17	DOM	N/A	N/A	P/E					
37	7	Tidighine	69	MTOUR	MTOUR	N/A				P		E
11	7	Ibn Toumert	106	ONMT	ONMT	1993		P	E			
35	7	Complex Smir Restinga	N/A	MTOUR	MTOUR	N/A				P		E
							1993 2nd HALF	1994 1st HALF	1994 2nd HALF	1995 1ST HALF	1995 2nd HALF	1996 and AFTER
		PROPERTY PREPARATION COMPLETED:				37	13	8	9	4	3	0
		TRANSACTION EXECUTED:				22	3	5	4	3	4	3

Note: 1) P = Preparation, E = Execution

2) Hotels that are prepared and sold together are shown in the same group (i.e. 1A, 1B, 1C) and are considered one preparation and one transaction as a group

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3. Institutional Organizations and Support

Several measures need to be taken immediately to ensure efficient, timely and professional privatization effort.

a. Management/Leadership

The hotel privatization should be seen as a complex project needing a strong leader/manager. The Privatization Unit should immediately recruit a "Hotel Czar" to lead and coordinate such an effort. This individual would report to the head of the Privatization Unit. The suggested profile of the "Hotel Czar" is:

- An individual with extensive business experience, preferably in the private sector;
- Investment banker profile with good finance background and "deal making" experience;
- Tourism expertise not required but some prior knowledge a plus;
- A Moroccan national would be preferred;
- Ability to both negotiate at high levels and get intimately involved with details of each transaction.

This "Czar" should be given appropriate authority to "manage" the overall project including the design and execution of transactions under the guidance of the head of the Privatization Unit; coordinate team work within the Privatization Unit and with all other "players" (e.g. Ministry of Tourism, CIH and financial institutions, Hotel owners). This "Czar" should be assisted by one or two full time junior staff from the Privatization Unit.

b. Role of Ministry of Tourism (MOT)

The MOT should be closely associated to the effort at various levels:

- Publicizing overall tourism objectives in terms of products and vocation of each region.
- Participate in the design of hotel expansion plans (hotel packages, tourist development schemes) and their promotion.

- Assess individual properties to be privatized and determine the renovation investment required (and estimated cost) by the hotels to maintain/regain their classification/quality, either directly or supervising consultants.

c. Role of CIH, other financial institutions

As a major financier to the sector, CIH has an important role to play in facilitating the privatization effort:

- An understanding should be reached between CIH (and/or other banks), the Privatization Unit and Ministry of Finance for the need to finance necessary maintenance/repair investments and some limited expansion. Overall estimated need is \$50-75 million over 3 years.
- As individual hotel transactions are being prepared, specific funds should then be earmarked and be made available (under appropriate conditions) to the potential buyer.

4. Privatization environment

a. Financial incentives

While it is recognized that the Law requires cash payment for purchasing the property (and the potential buyer has to arrange his financing) an attractive quid-pro-quo concerning future use and renovation should be integrated in most transactions as follows:

- The prospective buyer firmly commits to renovate the property within a specified time period.
- The prospectus provides details of the investments required as prepared by the Ministry of Tourism.
- Attractive long-term financing is provided (and already earmarked) by CIH (or other bank); details are also made explicit in the prospectus.
- **Enforcement:** Careful selection of qualified investors making credible proposals regarding their plans for facilities renovation, employee training and promotion is essential, along with close monitoring by the Ministry of Tourism and the "Czar", on behalf of the Ministry of Privatization.

b. Employment issues

The Law stipulates that no jobs should be lost because of privatization. Hotel over-staffing situations will have to be resolved on a case by case basis. Grouping hotels in packages as well as property expansion may alleviate the difficulties. In most cases, intensive (re)training will have to be provided by the potential buyer.

c. Final use issues

Tourism use is not specifically required by the law. From the properties analyzed only 3 properties appear to present better potential as "non hotel" (i.e., condominium, offices...etc). It is suggested to eliminate any "tourism use requirement" from the tender documents for these properties.

d. Pricing issue

There has been a tendency for the minimum price, once established, to become an overly rigid objective detrimental to attracting bids. In cases of transparent competitive bidding, minimum prices should have a limited role in decision-making. Some suggested alternatives are:

- Increase interaction with the evaluation experts to obtain a broader price range.
- Maintain a price range, as calculated by the evaluation experts, as late as possible in the process.
- Do away with minimum prices for smaller transactions where there are at least two competitive offers.

e. Pending financial and legal matters

Several issues should be addressed and settled rapidly, with the coordination /leadership of the "Czar" under the guidance of the head of the Privatization Unit:

- Management chains have accumulated arrears on their lease payments to their respective owners and all are presently negotiating for rebates on the arrears.
- Several Management Contracts with Dounia PLM have recently expired. Dounia PLM is also in arrears on lease payments. Dounia PLM has been arguing for some time that it is due goodwill payments for hotels which it has

managed. The situation is prone to litigation and could affect the design and sale of the first hotel package proposed.

- Dounia PLM, Salem and KTH have delayed necessary renovation investments for several years, arguing that, pending privatization, such expenditures would essentially be lost cash for these chains. Arrangements/understandings should be reached rapidly with such chains so that necessary renovations are undertaken in the near future, with the possible proviso that a portion of the expenditures could be reimbursed to the chain from privatization proceeds.

The common thread of all such pending matters is that strong leadership and coordination from the proposed "Czar" under the guidance of the head of the Privatization Unit is necessary to avoid more explosive situations which could derail/delay the privatization effort.

E. Action Plan

In the attached tables we present our recommended action plan. Table 5 depicts the actions required with respect to institutional responsibilities and privatization environment issues. A timetable over the next 12 months is included.

Table 6 presents short-term (12 months) action plan for the divestiture of the hotels according to our recommended groupings. Whereas the list of tasks is not exhaustive, the principal action points are indicated.

Finally, Appendix A presents a one page profile of each hotel. For each hotel, principal points of the recommended strategy are outlined. In addition, a summary action plan of key steps and their timing is presented.

TABLE 3

**SHORT-TERM ACTION PLAN
INSTITUTIONAL, OVERALL PREPARATION**

	TASKS	1993						1994												
		JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN							
1	Ministry of Privatization initiates recruitment of hotel czar Czar takes office Roles of team members finalized		X																	
2	Coordination/Agreement with MOT for privatization program in 1993 and 1994			X	X															
3	Agreement with CIH on its role and overall financial commitment in 1993 and 1994				X	X														
4	Reach agreement and begin implementation of the process, e.g., usage, minimum price, etc...				X	X	X													
5	Coordinate and reach agreement on previous contracts between hotel owners and chain managers				X	X	X													
6	Reach interim agreement with KTH, SALEM and PLM on possible compensation for future maintenance costs before privatization					X	X			X	X									
7	MOT prepares technical assessment and renovation cost appraisal of properties to be privatized in 1993 and 1994				X	X	X			X	X	X	X	X	X	X				

TABLE 6

**SHORT-TERM ACTION PLAN
HOTEL TRANSACTIONS**

TRANSACTION	1993						1994					
	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
1 Hotel package 1A (ex PLM)												
Designate "temporary" Czar for this transaction		X										
Review all legal issue/claims with PLM, incl. present management issues		X	X									
Negotiations with PLM as appropriate			X	X	X							
Conduct technical and financial assessments			X	X	X	X						
Informal contacts with local and foreign investors and operator groups		X	X	X	X							
Finetune package contents (i.e. hotels) & designs				X	X							
Agree on investment renovation program					X	X						
Facilitate financial package from IFC, banks, etc...					X	X						
Decide competitive tender or negotiated sale					X	X						
Final documentation						X	X					
Tender publication							X					
Final selection/negotiation										F		
2 Transatlantique/Meknes												
Review prior documentation			X									
Assess prior valuation			X									
Informal contacts and marketing			X	X								
Agree on renovation programs and final packages				X								
Confirm earmarked financing from CIH				X	X							
Final documentation					X	X						
Tender publication							X					
Bids received										X		
Final selection/negotiation										F		
3 Azghor												
Prepare audit, valuation			X	X								
Negotiate/clear legal issue with PLM				X	X	X						
Informal contacts and marketing					X	X						
Agree on renovation program and final package						X						
Confirm earmarked financing from CIH												
Final documentation							X	X				
Tender publication										X		
Bids received											X	
Final selection/negotiation											F	

Note: F=final selection and negotiation.

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**SHORT-TERM ACTION PLAN
HOTEL TRANSACTIONS**

	TRANSACTION	1993						1994						
		JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
4	Malabata													
	Review and decide on final use options		X	X										
	Review and adjust prior documentation and valuation		X	X	X	X								
	Informal contacts marketing				X	X								
	Decide on competitive tenders or negotiated sale					X								
	Prepare final documentation					X	X							
	Tender publication (if applicable)							X						
	Final selection/negotiation										F			
5	Transatlantique/Casablanca													
	Review and decide on final use options		X											
	Informal contacts and marketing		X	X										
	Decide on competitive tender or negotiated sale		X	X										
	Final documentation			X										
	Tender publication			X	X									
	Final selection/negotiation				X									
								F						
6	Oukmaiden													
	Review and decide on final use options		X	X										
	Carry out technical audit and valuation			X	X	X								
	Informal contacts and marketing				X	X	X							
	Agree on completion/transformation program					X								
	Confirm earmarked CIH financing					X		X						
	Decide on competitive tender or negotiated sale							X						
	Final documentation							X						
	Tender publication							X						
	Final selection/negotiation										X			F
7	Splendid and Sidi Lahcen													
	Review documentation and pricing		X											
	Informal contacts and marketing		X	X										
	Final documentation			X	X									
	Tender publication or negotiated sale				X	X								
	Final selection/negotiation													F

Note: F=final selection and negotiation.

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APPENDIX A

Detailed Hotel Descriptions

Appendix A – Hotel Descriptions Index

REF #	HOTEL	GROUP
1	Al Massira	1B
2	Almoravides	1C
3	Asmaa	1C
4	Azghor	3
5	Des Iles	3
6	Doukkala	1B
7	Dunes d'Or	2
8	Friouato	1B
9	Hamou Zayanni	1B
10	Hyatt Regency	2
11	Ibn Toumert	7
12	Madayeq	1A
13	Malabata	5
14	Merinides	1C
15	N'Fis	2
16	Ouzoud	1A
17	Riad	4
18	Rissani	1A
19	Rose du Dades	1C
20	Saghro	1C
21	Sidi Harazem	3
22	Terminus	3
23	Tinsouline	1C
24	Toubkal	1A
25	Tour Hassan	2
26	Transatlantique/Meknes	3
27	Volubilis	1A
28	Zalagh	1B
29	Zat	1A
30	Oukaimeden	5
31	Splendid	6
32	Sidi Lahcen Lyoussi	6
33	Transatlantique/Casablanca	5
34	Complex Al Hoceima	4
35	Complex Smir Restinga	7
36	Parador	3
37	Tidighine	7

HOTEL AL MASSIRA

1

LOCATION:	<ul style="list-style-type: none">• Oujda, large commercial center at northeast border with Algeria• Good, central, downtown location						
PHYSICAL	108 rooms, 3 (formerly 4)-stars, restaurant, bar						
DESCRIPTION:	<ul style="list-style-type: none">• Conference room, small pool, (1) tennis court, nightclub, snack bar (closed)• Rooms, moderate (15m²) size, 50% with balconies overlooking pool, most with showers, central A/C, satisfactory condition• Public areas adequate, some redecoration desirable• Modern design, pleasant garden, secure parking• Most kitchen and laundry equipment needs replacement• No expansion potential						
MARKET:	<ul style="list-style-type: none">• Mainly business travellers (60% Moroccans, 30% Algerians)• Busy bar/night club business (60% of revenue)• Only conference room in town• Highly competitive market, many hotels, unstable business with Algeria (occupancy rate below 15% last 5 years)						
OTHER FACTORS:	<ul style="list-style-type: none">• Managed by Salem hotel chain, contract expires March 1994• Owned by ONMT• 44 Employees						
RECOMMENDED STRATEGY:	<ul style="list-style-type: none">• Negotiate interim agreement to assure continued maintenance and management during the privatization process, possibly extending beyond expiration of current contract.• Discuss possible acquisition by current managers (Salem) prior to termination of present management contract. Alternatively, offer for competitive bidding concurrently with other Salem-managed hotels, but <u>not</u> as a package.• Future chain association not critical. May attract local owner/manager.						
ACTION PLAN:	<table><tr><td>4thQ93</td><td>Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Prepare audit & evaluation Discuss acquisition interest of Salem</td></tr><tr><td>1stQ94</td><td>Negotiate sale to Salem or open competitive bidding</td></tr><tr><td>2ndQ94</td><td>Complete privatization</td></tr></table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Prepare audit & evaluation Discuss acquisition interest of Salem	1stQ94	Negotiate sale to Salem or open competitive bidding	2ndQ94	Complete privatization
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Prepare audit & evaluation Discuss acquisition interest of Salem						
1stQ94	Negotiate sale to Salem or open competitive bidding						
2ndQ94	Complete privatization						

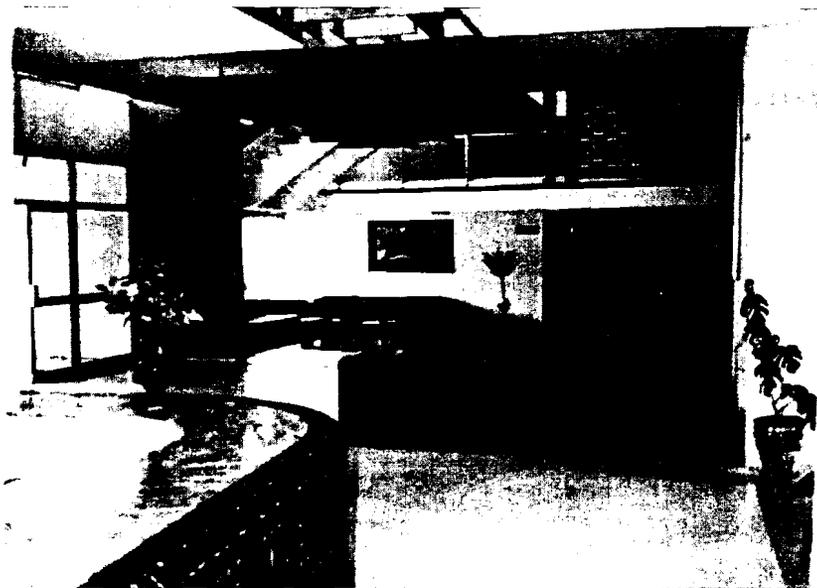
HOTEL AL MASSIRA, OUJDA



VIEW OVERLOOKING POOL, TENNIS COURT & CITY



ROOMS OVERLOOKING POOL



RECEPTION & LOBBY



BAR & LOUNGE

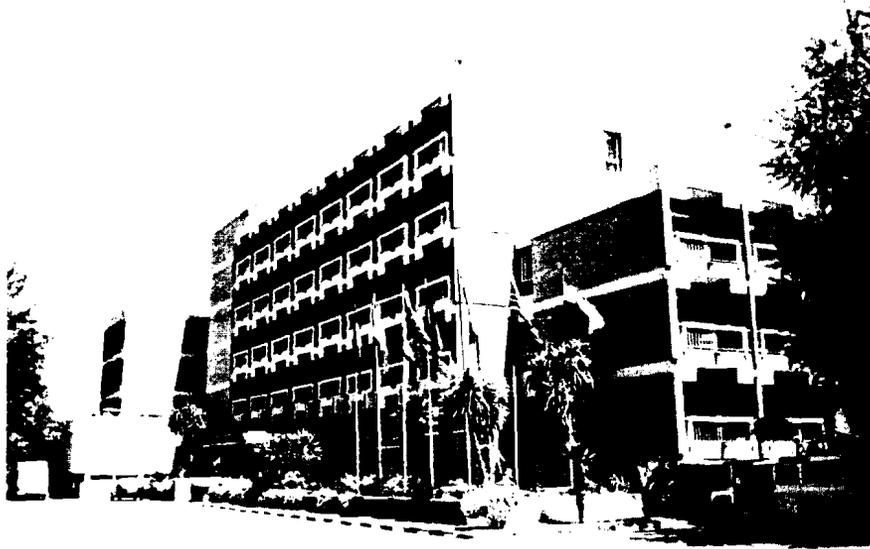
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HOTEL LES ALMORAVIDES

2

LOCATION:	<ul style="list-style-type: none">• Marrakech, major tourism center• "Best" location, inside medina, near main avenue to restaurant and shopping district, within walking distance to many attractions• Adjacent to projected 5-star hotel by French hotel chain (Accor--IFC financed)								
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none">• 106 rooms, 4-star, restaurant, bar, pool, (3) tennis courts, pool snack bar, Moroccan restaurant (small, functions on demand), large rose garden• Rooms, moderate (14m²) size, with balconies, about half overlooking medina, half city/projected hotel, central A/C, pleasant, recently redecorated, but need new beds and carpeting• Public areas adequate, require better ventilation, some minor redecorating• All plumbing and some electrical systems require replacement (urgent, may require 6 months closing)• Some kitchen, laundry and other mechanical systems need replacement• Pleasant hotel in exceptionally good location								
MARKET:	<ul style="list-style-type: none">• Mixed tourist clientele, 40/60% individual/groups, many Moroccans and foreign residents, 70/30% "circuit"/"sejour", various nationalities• Operated as club, rented to French tour operator until 1991. Still reestablishing itself as classic hotel.• Low occupancy--no figures (40% ?)								
OTHER FACTORS:	<ul style="list-style-type: none">• Managed by KTH hotel chain, contract expires 2001• Owned by ONMT• 90 Employees• Site offers excellent expansion potential, but apparently restricted by provincial government								
RECOMMENDED STRATEGY:	<p>Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor.</p>								
ACTION PLAN:	<table><tr><td>4thQ93</td><td>Negotiate management contract amendment with specific provisions for interim renovations/investments</td></tr><tr><td>1stS94</td><td>Prepare technical assessment of renovation needs</td></tr><tr><td>2ndS94</td><td>Prepare evaluation of property Initiate negotiation of acquisition</td></tr><tr><td>1stS95</td><td>Finalize acquisition</td></tr></table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments	1stS94	Prepare technical assessment of renovation needs	2ndS94	Prepare evaluation of property Initiate negotiation of acquisition	1stS95	Finalize acquisition
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments								
1stS94	Prepare technical assessment of renovation needs								
2ndS94	Prepare evaluation of property Initiate negotiation of acquisition								
1stS95	Finalize acquisition								

HOTEL LES ALMORAVIDES, MARRAKECH



FRONT ENTRANCE



POOL AREA



EXTENSIVE GARDEN



ADJACENT SITE OF NEW 5★ HOTEL

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HOTEL LES ALMORAVIDES, MARRAKECH



VIEW OVERLOOKING POOL, MINARET & SNACK BAR



LOBBY



RESTAURANT

HOTEL ASMAA

3

- LOCATION:**
- Chefchaouen, picturesque town in Rif mountains on tourist route from Tangier to Fes
 - High on hill overlooking city and valley, dramatic views, somewhat isolated, but secure
- PHYSICAL DESCRIPTION:**
- 94 rooms, 3-star, restaurant, bar, small pool
 - Rooms, adequate (13m²) size, most with superior view, central heating, satisfactory condition
 - Public spaces very attractive and spacious
 - Most mechanical equipment operating; good kitchen; some laundry equipment requires repair
 - Nice property
- MARKET:**
- Mixed tourist clientele, 25/75% individual/group, Spaniards 38%, highly varied nationalities, all touring ("circuit")
 - Low occupancy rate improved in 1992/1993, now almost 40%, formerly about 25%--increased Spanish market
 - Very interesting town, but off principal tour programs due to geographical location--position improved by growth of car ferry service from Europe
 - Potential luncheon business--excursions from Tangiers
- OTHER FACTORS:**
- Managed by KTH hotel chain, contract expires 2001
 - Owned by ONMT
 - 40 Employees
 - Adjacent land available for expansion of rooms or recreational facilities if demanded
- RECOMMENDED STRATEGY:**
- Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor. Possible hotel to be separated from KTH chain.
- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Negotiate management contract amendment with specific provisions for interim renovations/investments |
| 1stS94 | Prepare technical assessment of renovation needs |
| 2ndS94 | Prepare evaluation of property
Initiate negotiation of acquisition |
| 1stS95 | Finalize acquisition |

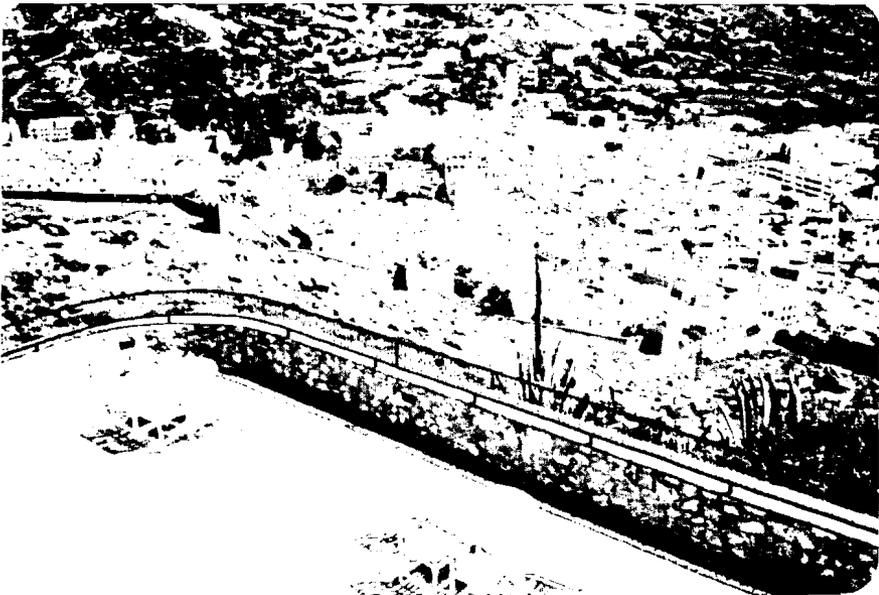
HOTEL ASMAA, CHEFCHAOUEN



VIEW OF HOTEL WITH CITY IN FOREGROUND



FRONT ENTRANCE



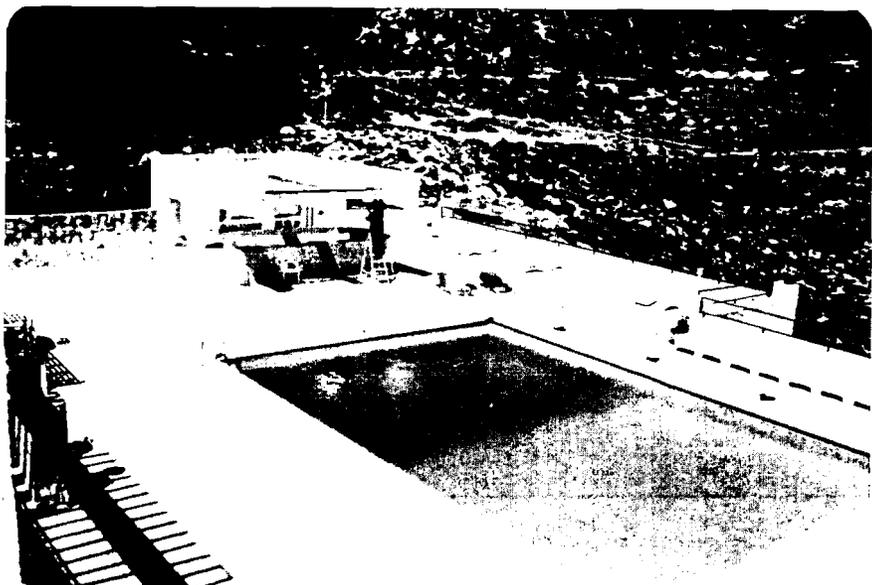
VIEW OF CITY



VIEW OF VALLEY

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HOTEL ASMAA, CHEFCHAOUEN



POOL AREA



LOBBY & RECEPTION



RESTAURANT



BAR

BEST AVAILABLE COPY

HOTEL AZGHOR

4

- LOCATION:**
- Ouarzazate, tourist center in southeast, emerging as gateway to desert attractions
 - On "best" hillside site overlooking town and valley, close to other hotels, site of original French colonial overnight rest stop

- PHYSICAL DESCRIPTION:**
- 120 rooms, 4-star, 2 restaurants, bar, pool, small garden
 - Older portion built in 1930's, major expansion 1969
 - Rooms, mostly small (12m²) size with small balconies, some larger rooms/suites in older section, most with good views, central A/C, total redecoration desirable
 - "Charming" public spaces, requires some redecoration, especially carpeting
 - All new plumbing required
 - Most kitchen, laundry and other mechanical equipment needs replacement, A/C apparently reparable
 - Old, but desirable property

- MARKET:**
- In transition, formerly mainly tour groups, now about 40% individuals, 30% Moroccans, 50% French, 20% the rest, mostly on tour
 - Reportedly used by former managers (PLM) to handle overbooking at their chain-owned hotel
 - Competes with larger, more modern/luxurious hotels, but preferred by certain clientele
 - Low occupancy--about 40%, not marketed in recent years

- OTHER FACTORS:**
- Owned and managed by ONMT (formerly managed by PLM)
 - 97 employees
 - No land available for expansion

- RECOMMENDED STRATEGY:**
- Immediately prepare hotel for competitive bidding.
 - Various investors have expressed interest in acquisition

- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Prepare audit & evaluation
Prepare assessment of renovation needs/costs
Undertake informal marketing |
| 1stQ94 | Confirm earmarked renovation financing (CIH)
Finalize tender documents
Open competitive bidding |
| 2ndQ94 | Finalize privatization |

HOTEL AZGHOR, OUARZAZATE



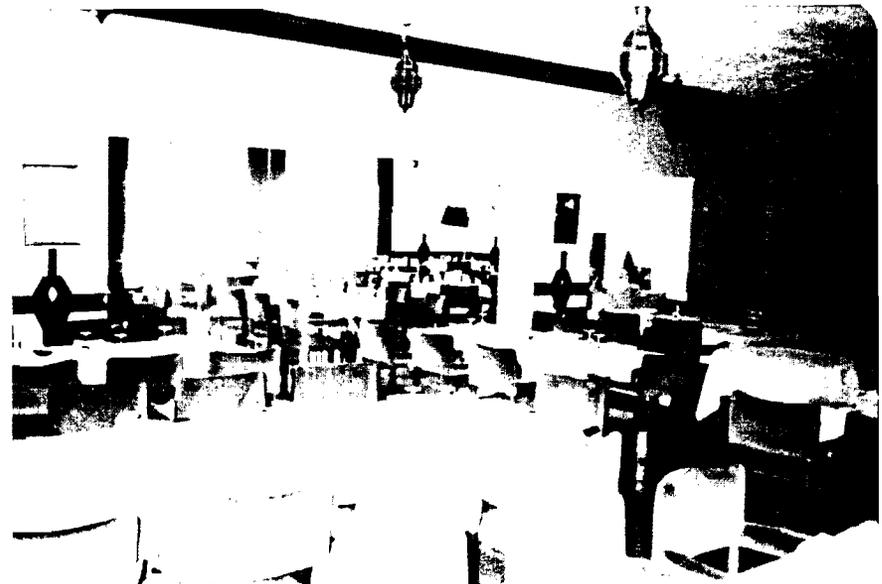
VIEW FROM GARDEN



POOL AREA



LOUNGE & BAR



RESTAURANT

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HOTEL DES ILES

5

- LOCATION:**
- Essaouira, picturesque seaport on Atlantic Coast, due west of Marrakech, formerly called Mogador, good beaches, mild year-round climate, popular with surfers and well-off Moroccans and foreign residents
 - "Best" location, across promenade from beach and adjacent to medina
- PHYSICAL DESCRIPTION:**
- About 55 rooms, 4-star, 2 restaurants (only one functioning), 2 bars, snack bar, pool
 - Older (1950) 3-story with 15 rooms and public areas and newer (1970?) motel-type units around pool
 - Rooms, spacious (16-18m²), recently redecorated, heated (A/C not needed?), frigobars, satellite TV
 - Over-dimensioned public spaces recently redecorated, (furnishings somewhat pretentious for beach resort, but top quality)
 - Plumbing to rooms recently replaced
 - All kitchen, laundry and mechanical equipment old, but apparently still in working condition
 - Garden requires better landscaping
 - Unique property
- MARKET:**
- Mixed tourist clientele, 65/35% individual/group (reversed from last year), mixture of tours, weekends and longer stays, large (40%) German clientele
 - Modest competition from 3-star hotels, other hotels along beach planned
 - Moderate occupancy rate: about 55%, strong seasonality
- OTHER FACTORS:**
- Owned and managed by ONCF/CHT chain
 - Audit and evaluation completed in 1992
 - 80 employees, excessive labor costs
 - Public spaces and rooms not proportional, but additional land not available for expansion. (Possibility of some land for tennis courts.)
- RECOMMENDED STRATEGY:**
- Difficult case. Not urgent
 - Study feasibility (technical & administrative--zoning, etc.) of expansion (build over existing low-rise units) or conversion to all-suite hotel (enclose terraces, etc.) at option of investor
 - Maintain ready for "immediate" sale, but hold until qualified investor is found
- ACTION PLAN:**
- | | |
|--------|--|
| 1stS94 | Study feasibility of expansion/conversion
Reevaluate minimum sale value
Conduct informal marketing |
| 2ndS94 | Consider offers to buy by qualified investors |

HOTEL DES ILES, ESSAOUIRA



FRONT ENTRANCE



LOUNGE & RESTAURANT ENTRANCE



POOL AREA & BUNGALOWS

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HOTEL DOUKKALA

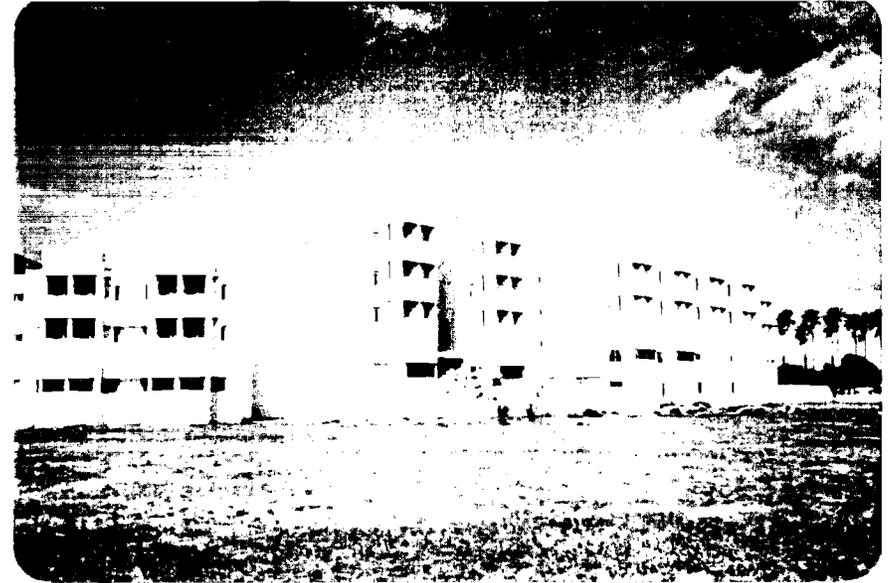
6

- LOCATION:**
- El Jadida, industrial seaport south of Casablanca, popular domestic beach destination, limited tourist interest--possible luncheon stop between Casablanca and Marrakech
 - On beach, at end of promenade leading to center of town
- PHYSICAL DESCRIPTION:**
- 81 rooms, 4B-stars, restaurant, bar, nightclub, pool with extensive terrace, (2) tennis courts
 - Rooms, moderate (14m²) size with small balconies, half with sea view, acceptable condition, some redecoration desirable
 - Public spaces adequate, but generally unattractive. Complete redecoration desirable.
 - All equipment old, but apparently in working condition, replacement desirable
 - Garden not well landscaped
 - Dull property on poor beach
- MARKET:**
- Mixed market. 20% business, 40% weekend, 40% tours. 33/67% individual/group, 33% Moroccans, 40% French and Belgian
 - Business market improving with growth of port and foreign companies
 - Good luncheon business with tour groups
 - Good bar and nightclub business with locals
 - Expects competition from new PLM beach/golf hotel under construction nearby, very little currently
 - Moderate occupancy rate: 52-58% last few years
- OTHER FACTORS:**
- Managed by Salem hotel chain, contract expires March 1994
 - Owned by ONMT
 - 78 Employees
- RECOMMENDED STRATEGY:**
- Negotiate interim agreement to assure continued maintenance and management during the privatization process, possibly extending beyond expiration of current contract.
 - Discuss possible acquisition by current managers (Salem) prior to termination of present management contract. Alternatively, offer for competitive bidding concurrently with other Salem-managed hotels, but not as a package.
 - Future chain association not critical. May attract local owner/manager.
- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract
Prepare technical assessment of renovation needs
Prepare audit & evaluation
Discuss acquisition interest of Salem |
| 1stQ94 | Negotiate sale to Salem or open competitive bidding |
| 2ndQ94 | Complete privatization |

HOTEL DOUKKALA, EL JADIDA



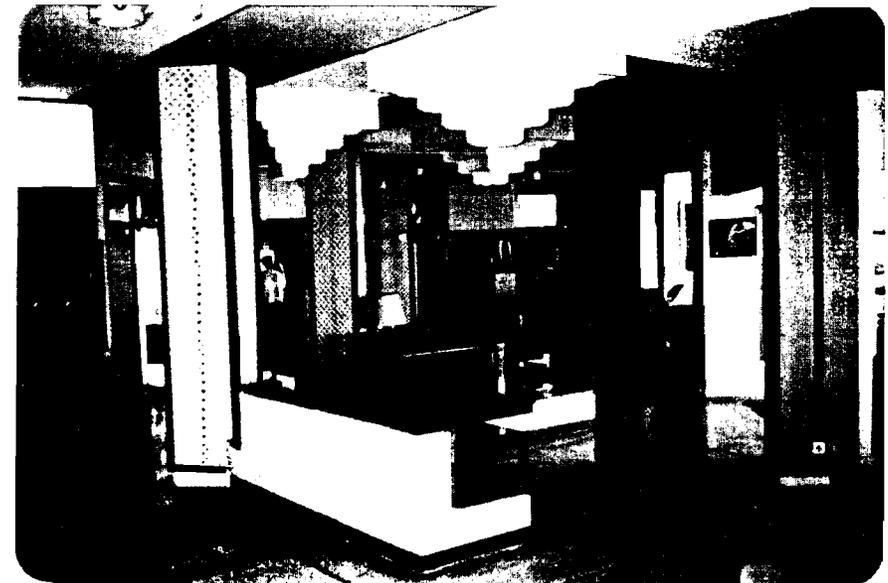
FRONT ENTRANCE



REAR FACING BEACH



POOL AREA



LOBBY

BEST AVAILABLE COPY

HOTEL/CLUB LES DUNES D'OR

7

- LOCATION:**
- Agadir, most important beach resort on Atlantic Coast, well-established with continued growth expected
 - On beach in center of hotel zone, one of few hotel sites directly on beach, excellent location

- PHYSICAL DESCRIPTION:**
- 450 rooms, vacation village (2nd class), 4 restaurants, 4 bars, snack bar, nightclub, discotheque, 2 pools, health club, aquatic sports equipment, theater, 12 tennis courts, shopping arcade and other facilities
 - Rooms, spacious with large balconies, showers, heating, no A/C, telephone or TV, adequate, but redecoration desirable
 - Most public areas require complete redecoration and general renovation
 - Some replacement of kitchen, laundry and mechanical equipment required
 - Plumbing and electrical systems apparently in good condition
 - Highly desirable resort complex, somewhat degraded appearance

- MARKET:**
- Predominantly German (85%) tour groups, staying one week or longer
 - Moderate occupancy rate--50% Jan-Apr 1993
 - Occupancy may reflect degraded condition and transfer of clientele to other PLM properties

- OTHER FACTORS:**
- Managed by PLM, contract expires late 1995, contentious separation likely
 - Owned by CDG
 - 400 Employees

- RECOMMENDED STRATEGY:**
- Let alone for present. Prepare for privatization in 1995.
 - Final privatization in 1996 after PLM has relinquished control
 - Suitable for international investor

ACTION PLAN: 4thQ93 Encourage CDG to monitor PLM to assure minimum further deterioration of property

2ndS95 Prepare audit and evaluations
Resolve any outstanding legal issues with PLM
Conduct informal marketing
Prepare bid documents
Arrange interim management

1stS96 Open competitive bidding
Finalize privatization

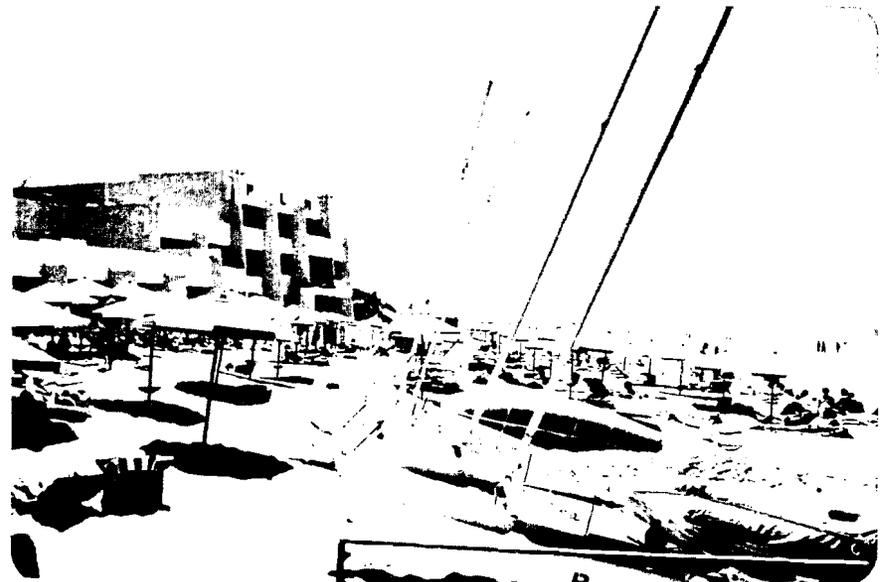
HOTEL/CLUB DUNES D'OR, AGADIR



VIEW OF RECEPTION AREA & MAIN ENTRANCE



RESTAURANT & SNACK BAR OVERLOOKING POOL



ROOMS OVERLOOKING BEACH

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HOTEL/CLUB DUNES D'OR, AGADIR



MODEL OF PROPERTY



LOBBY & RECEPTION



PIZZARIA OVERLOOKING BEACH



SHOPPING ARCADE

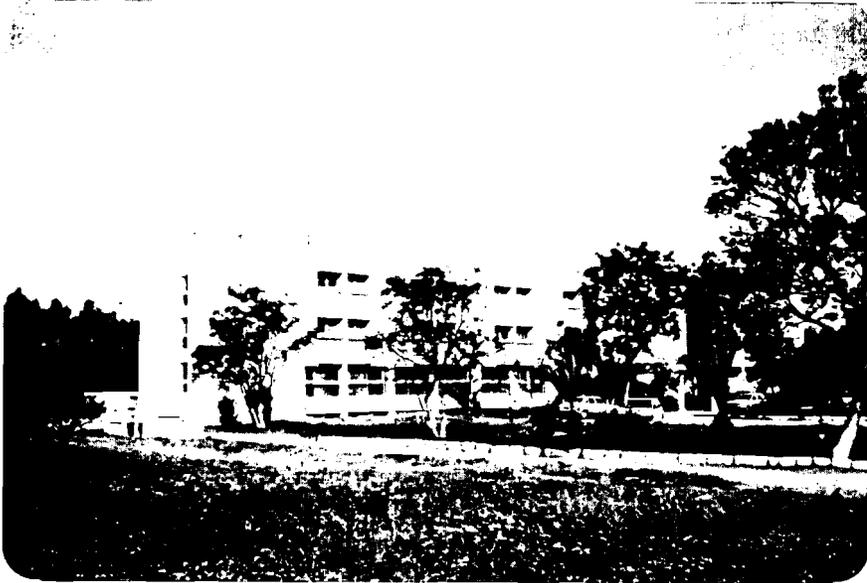
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HOTEL FRIOUATO

8

- LOCATION:**
- Taza, administrative center east Fes toward Algerian border, little tourist interest
 - In residential area on outskirts of center, quiet, but somewhat remote
- PHYSICAL DESCRIPTION:**
- 58 rooms, 4(?) -star, restaurant, bar, pool (empty), (1) tennis court, card room, meeting room, large garden
 - Rooms, moderate size, central heating and A/C, acceptable, minor redecoration desirable
 - Public spaces require all new furniture and redecoration
 - Plumbing to rooms replaced in 1988/89
 - Kitchen and laundry equipment needs replacement
 - Some mechanical equipment needs repair/replacement
 - Uninspired design
- MARKET:**
- Mainly commercial hotel. 60% Moroccan, 20% Spanish, 20% Other. mostly individuals. Some tour groups, hunting and fishing
 - Busy bar business with locals (55% of revenue).
 - Some catering for marriages, etc.
 - No competition, performs necessary public service
 - Low occupancy--30%; most rooms effectively closed
- OTHER FACTORS:**
- Managed by Salem hotel chain, contract expires March 1994
 - Owned by ONMT
 - 31 Employees
 - Large portion of property unoccupied in growing upper-class residential area
- RECOMMENDED STRATEGY:**
- Negotiate interim agreement to assure continued maintenance and management during the privatization process, possibly extending beyond expiration of current contract.
 - Discuss possible acquisition by current managers (Salem) prior to termination of present management contract. Alternatively, offer for competitive bidding concurrently with other Salem-managed hotels, but not as a package.
 - Future chain association not critical. May attract local owner/manager/real estate developer
- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract
Prepare technical assessment of renovation needs
Establish zoning permission to subdivide
Prepare audit & evaluation
Discuss acquisition interest of Salem |
| 1stQ94 | Negotiate sale to Salem or open competitive bidding |
| 2ndQ94 | Complete privatization |

HOTEL FRIOUATO, TAZA



FRONT ENTRANCE



POOL SIDE



RESTAURANT OVERLOOKING GARDEN



SURROUNDING PROPERTIES

BEST AVAILABLE COPY

HOTEL HAMOU ZAYANNI

9

- LOCATION:**
- Khenifra, administrative center south of Fes on route to Marrakech, limited tourist interest
 - On hillside overlooking town of little scenic interest
- PHYSICAL DESCRIPTION:**
- 60 rooms, 4-star, restaurant, bar, pool, (1) tennis court, nightclub (not operating)
 - Rooms, comfortable (16m²) size, about 60% with preferred view, central heat and A/C, acceptable condition, minor redecoration desirable
 - Public spaces acceptable, minor redecoration desirable
 - Most equipment and mechanical installations in satisfactory condition. Some repairs necessary.
 - Cold, unappealing design. Modest landscaping does not help.
- MARKET:**
- Mixed clientele. 30% Moroccan, 35% German, 20% Italian, 15% other. 40/60% individual group. Most stay one night. Some family weekend business for Fes in summer
 - Busy bar business (50% of revenue). Active pool business in summer.
 - Low occupancy--35% (?)
 - No competition in same class of hotel
 - Hunters, fishers and most tourists would prefer other type of hotel in more rural location
- OTHER FACTORS:**
- Managed by Salem hotel chain, contract expires March 1994
 - Owned by ONMT
 - 41 Employees
 - Large (6ha) parcel of desirable residential land
- RECOMMENDED STRATEGY:**
- Negotiate interim agreement to assure continued maintenance and management during the privatization process, possibly extending beyond expiration of current contract.
 - Discuss possible acquisition by current managers (Salem) prior to termination of present management contract. Alternatively, offer for competitive bidding concurrently with other Salem-managed hotels, but not as a package.
 - Evaluate strategic importance for tourism/local hotel need to consider eventual sale for real estate value only
- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract
Prepare technical assessment of renovation needs
Determine tourism/hotel strategic need
Prepare audit & evaluation
Discuss acquisition interest of Salem |
| 1stQ94 | Negotiate sale to Salem or open competitive bidding |
| 2ndQ94 | Complete privatization |

HOTEL HAMOU ZAYANI, KHENIFRA



FRONT ENTRANCE



VIEW OVERLOOKING POOL, TENNIS COURT & CITY



RESTAURANT



BAR & LOUNGE

BEST AVAILABLE COPY

HOTEL HYATT REGENCY

10

- LOCATION:**
- Casablanca, largest and most economically active city, limited tourism interest, but major gateway
 - On main intersection in heart of downtown area

- PHYSICAL DESCRIPTION:**
- 231 rooms, 5-star (palace), 4 restaurants, bar, nightclub, pool, health club, convention hall, shopping and other facilities
 - Rooms, spacious with all deluxe amenities, good condition
 - Public spaces are adequate but, need some minor renovation
 - Mechanical installations in good condition according to manager; hotel built in 1973, extensively remodelled in 1984
 - Typical international chain hotel

- MARKET:**
- Predominantly business clientele
 - Hosts major conferences
 - Strong competition from other hotels
 - Occupancy rate unknown

OTHER FACTORS: Managed by Hyatt, international hotel chain for INTEREDEC, international hotel investment/management company, which holds management contract from State (Domaines). Contract expires end of 2000

RECOMMENDED STRATEGY: Attempt to privatize without interfering with management through sale to institutional investor.

Not urgent

- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Confirm strategy with owner and managers |
| 2ndS95 | Prepare audits and evaluation
Identify potential investors |
| Post95 | Privatize |

HOTEL HYATT REGENCY, CASABLANCA



FRONT ENTRANCE



POOL AREA & SUITES



COFFEE SHOP & LOBBY



BAR

BEST AVAILABLE COPY

HOTEL IBN TOUMERT

11

- LOCATION:**
- Taliouine, rural village on road linking Agadir (Taroudant) and Ouarzazate, interesting desert region, town known for saffron cultivation
 - Adjacent to impressive Glaoui kasbah, on hillside overlooking valley

- PHYSICAL DESCRIPTION:**
- 106 rooms, 4(B)-stars, restaurant, bar, pool, garden.
 - Rooms, spacious (18m²) with small balconies, central heating and A/C (never used due to lack of enough electricity), acceptable condition, new beds desirable, many kept closed
 - Public spaces adequate
 - All equipment and installation in good condition
 - Generates own electrical power, not connected to recently installed public power network
 - Simple, but attractive and appropriate design

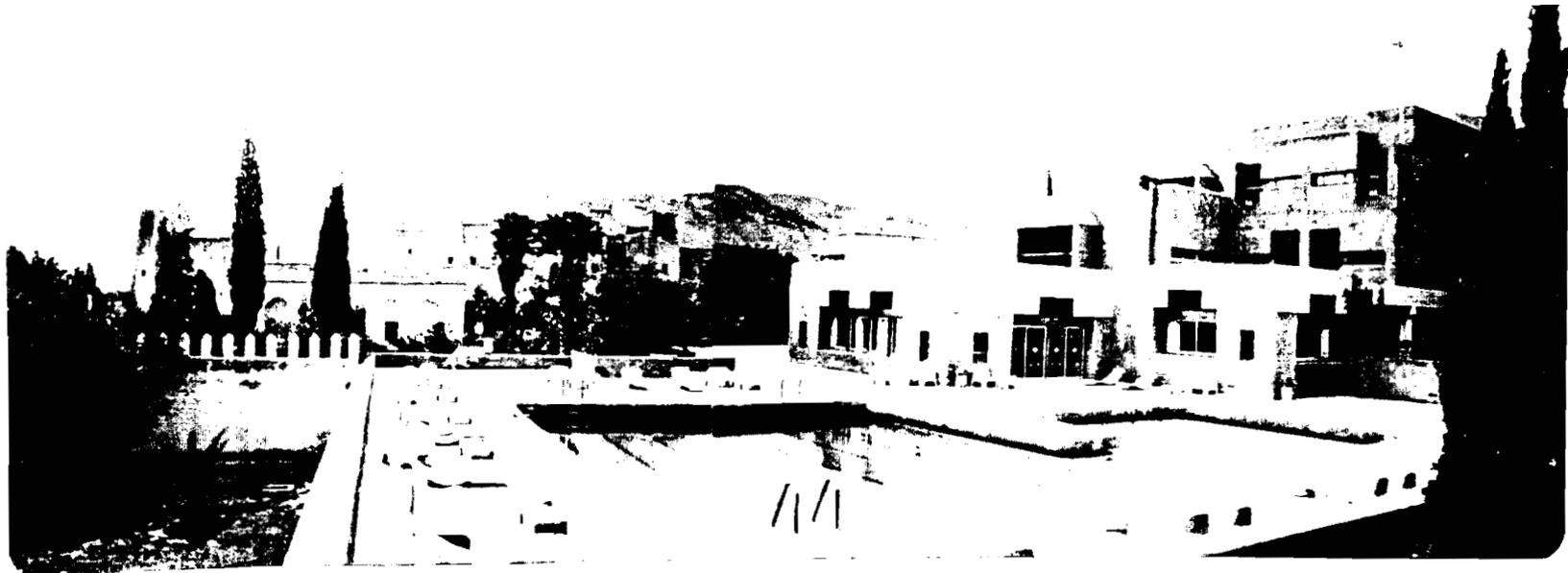
- MARKET:**
- Small number of tourists seeking off-the-beaten-track destinations, base for excursions to remote villages on unpaved roads, 35/65% individuals/groups, 50% French, 25% German, 15% Moroccan, 10% other, one-night stay
 - Tour groups stop for lunch (20,000 lunches in 1992)
 - Growing competition from other restaurants
 - No other quality hotel, but many tourist prefer to "rough it" at nearby hostel
 - Very low occupancy rate--7%

- OTHER FACTORS:**
- Owned and managed by ONMT, formerly managed by PLM
 - 36 Employees
 - Built on land not formally acquired. Land belonged to residents of adjacent kasbah
 - Adjacent kasbah and others in region are cultural resources/tourist attractions, but deteriorating

RECOMMENDED STRATEGY: Incorporate hotel in non-profit foundation dedicated to conservation of the kasbahs and cultural manifestations of the region. Hotel used to house visiting students, teachers and tourists. Source of income for maintenance of foundation. Adjacent kasbah to be conserved as living museum. Some of residents rehoused.

- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Determine acceptability of foundation strategy to various government authorities
Discuss with kasbah residents |
| 1stS94 | Establish foundation
Prepare evaluation and audit |
| 2ndS94 | Transfer hotel to foundation |

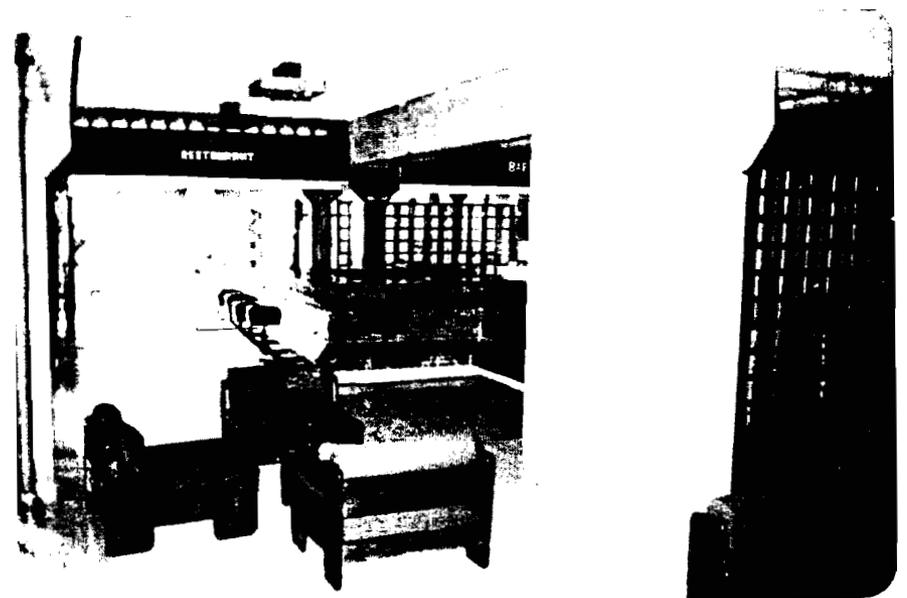
HOTEL IBN TOUMERT, TALIOUINE



POOL AREA OVERLOOKING KASBAH



VIEW SHOWING HOTEL & KASBAH



LOBBY, BAR & RESTAURANT ENTRANCE

BEST AVAILABLE COPY

HOTEL MADAYEQ

12

- LOCATION:**
- Boumalne, town on tour route south of High Atlas mountains, entrance to Dades Gorge
 - On plateau overlooking city and valley
- PHYSICAL DESCRIPTION:**
- 120 rooms, 4(B)-star, restaurant, bar, pool
 - Rooms, spacious (18m²) with small balconies, central heat and A/C, need redecoration
 - Public spaces need redecoration
 - Most kitchen, laundry and other equipment needs replacement
 - Plumbing system is good according to manager
 - Austere, uninviting design
- MARKET:**
- Foreign tourists, 50% German, 40% French, 10% Other, 20/80% individual/group, all on tour, one night stay
 - Low occupancy rate-- 25-35%, irregular business due to tour sequence
 - No comparable hotel in town, but competes with others in region, KTH privatizable hotels in Tenehir & Kelaa M'Gouna
- OTHER FACTORS:**
- Owned and managed by ONMT, formerly managed by PLM
 - 62 Employees
 - Large site (4.5ha) may have potential for some residential development
- RECOMMENDED STRATEGY:**
- Add to package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint-venture partner
 - Possibly separate from any excess land which may be no development interest to hotel investor
- ACTION PLAN:**
- | | |
|--------|--|
| 2ndS93 | Resolve any pending issues with PLM
Finalize any land title issues
Prepare assessment of renovation needs/cost
Prepare audit and evaluation
Conduct informal marketing
Determine land to be included in hotel sale
Earmark funds (CIH) for required renovation
Decide competitive tender or negotiated sale |
| 1stS94 | Finalize documentation
Finalize privatization through tender or sale |

HOTEL MADAYEQ, BOUMALNE

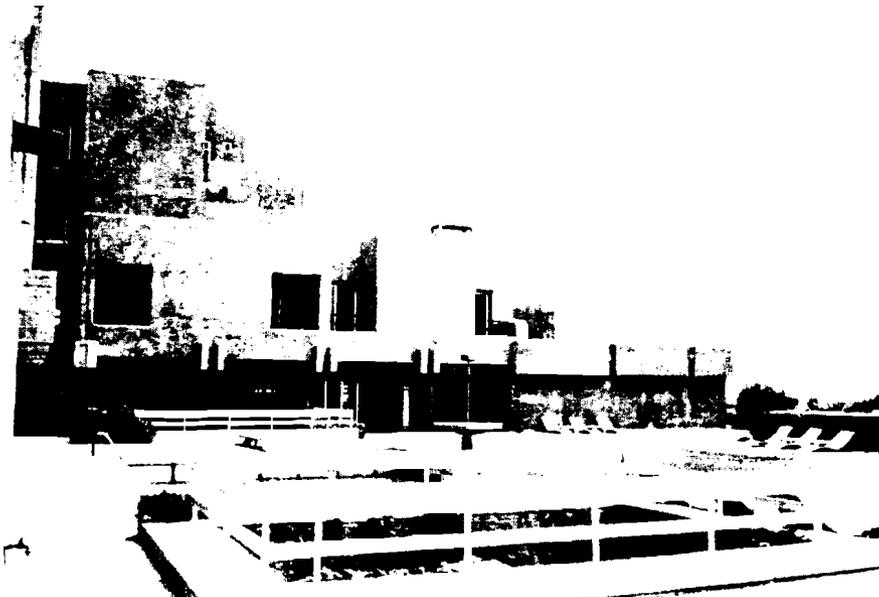
↓ HOTEL



VIEW OF HOTEL WITH CITY IN FOREGROUND



FRONT ENTRANCE



POOL AREA



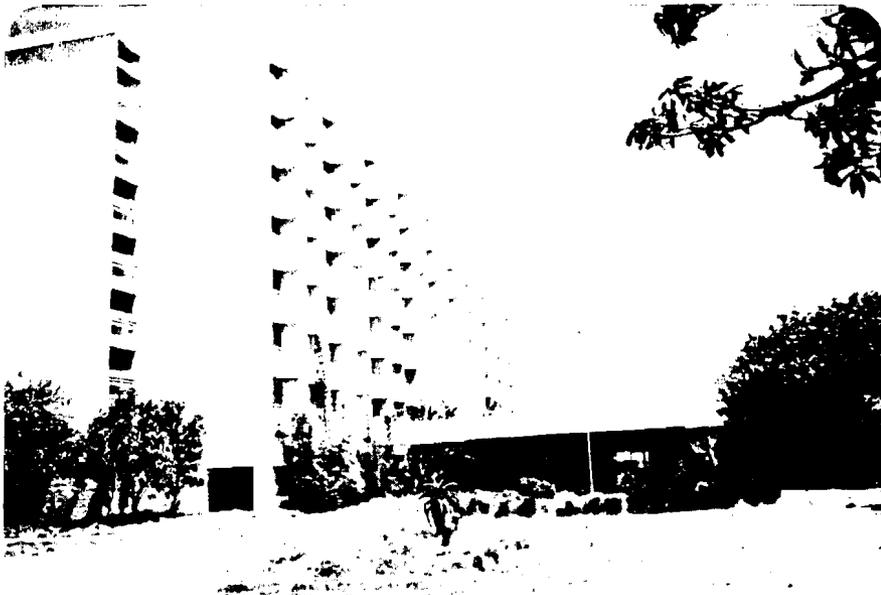
BAR



BEST AVAILABLE COPY

- LOCATION:**
- Tangier, important city on Straits of Gibraltar, popular tourist destination for Moroccans and foreigners, although seriously deteriorated
 - On poor beach at far end of Bay of Tangier, nice views, but remote, close to good residential district
- PHYSICAL DESCRIPTION:**
- 297 rooms, 5-star, (3) restaurants, bar, nightclub, pool, tennis, large garden and other facilities
 - Rooms, spacious (double/double) with balconies, all with sea view
 - Hotel closed for several years. All equipment and much plumbing installations reportedly removed. Will require gutting and complete renovation
 - Originally designed as Holiday Inn
- MARKET:**
- Formerly tourism resort. Quality of clientele deteriorated along with condition of hotel. Ability to recapture quality international market for Tangiers highly questionable at this time.
 - Currently popular with low-budget tour groups and Moroccans particularly during summer months
- OTHER FACTORS:**
- Formerly managed by Safir hotel chain
 - Owned by State (Domaines)
 - Employee dismissed, politically sensitive
 - Audit & evaluation prepared
 - Unsuccessful tender offer in late 1992
- RECOMMENDED STRATEGY:**
- Offer for sale again with proper informal marketing
 - Remove conditions for future use or clarify flexible interpretation of "tourist" use
 - Target to investors interested in conversion to condominium apartments for resale to Moroccan summer vacationers
- ACTION PLAN:**
- | | |
|--------|---|
| 2ndS93 | Decide use issue
Review prior evaluation and documentation
Conduct informal marketing
Earmark funds (CIH) for required renovation
Decide on competitive tender or negotiated sale
Finalize documentation |
| 1stS94 | Finalize privatization through tender or sale |

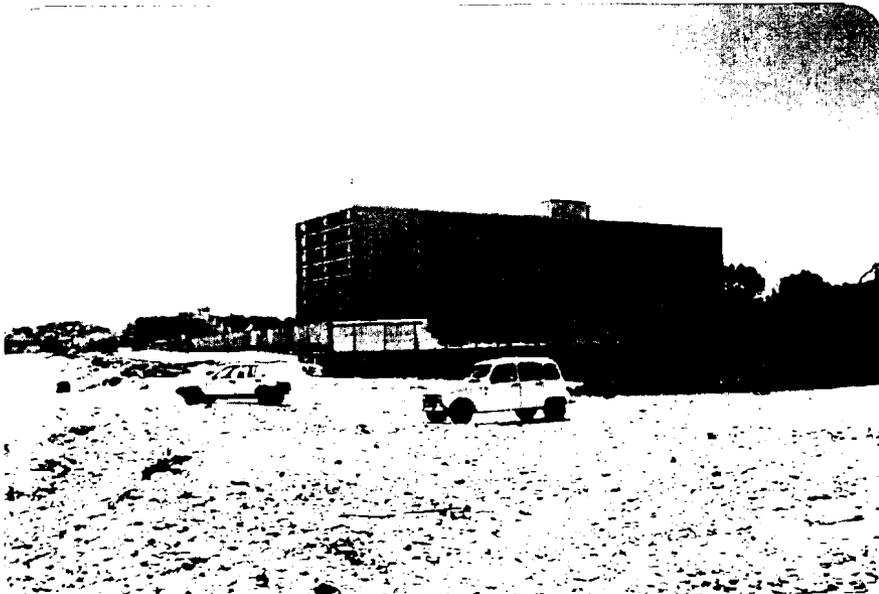
HOTEL MALABATA, TANGIER



FRONT ENTRANCE



VIEW FROM HOTEL TARIK



NOTE BEACH QUALITY



VIEW TOWARD TANGIER

(Note: Images reversed)

BEST AVAILABLE COPY

LOCATION:	<ul style="list-style-type: none"> • Fes, important cultural and historical center, one of imperial cities, major tourist attraction • High on hillside, overlooking medina, spectacular view, quiet, but somewhat isolated 								
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none"> • 90 rooms, 5-Star (Luxury), 4 restaurants (one not operating), bar, pool, meeting room • Rooms, comfortable (15m²) size with balconies, only half with view of medina, central heat and A/C, satellite TV, frigobars, recently redecorated, but mediocre design and quality • Entire hotel was renovated following fire which gutted most of building. However, hotel requires considerable additional equipment and furnishing. Choice of materials was often of inappropriate design, requiring excessive maintenance, and of poor initial quality • Public spaces are excessive compared to number of rooms • Expansion on hillside below pool facing medina is physically possible 								
MARKET:	<ul style="list-style-type: none"> • Almost entirely foreign tourists averaging about two nights stay, 45/55% individual/group, no predominant nationalities • Panoramic restaurant (not equipped/operating) formerly attracted outside business as did nightclub (converted to meeting room) • Competes with other 5-Star hotels • Low, moderate occupancy rate--50%, still reestablishing itself after closure for fire 								
OTHER FACTORS:	<ul style="list-style-type: none"> • Managed by KTH hotel chain, contract expires 2001 • Owned by ONMT • 130 Employees, overstaffed for current level of operation • Site offers expansion potential, but provincial government approval probably required 								
RECOMMENDED STRATEGY:	<ul style="list-style-type: none"> • Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor. • Undertake major expansion in room capacity • Consider conversion to top quality 4-star 								
ACTION PLAN:	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; padding-right: 20px;">4thQ93</td> <td>Negotiate management contract amendment with specific provisions for interim renovations/investments Seek conception approval of expansion from provincial government</td> </tr> <tr> <td style="vertical-align: top; padding-right: 20px;">1stS94</td> <td>Prepare technical assessment of costs to complete renovation and expand capacity</td> </tr> <tr> <td style="vertical-align: top; padding-right: 20px;">2ndS94</td> <td>Prepare evaluation of property Initiate negotiation of acquisition</td> </tr> <tr> <td style="vertical-align: top; padding-right: 20px;">1stS95</td> <td>Finalize acquisition</td> </tr> </table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments Seek conception approval of expansion from provincial government	1stS94	Prepare technical assessment of costs to complete renovation and expand capacity	2ndS94	Prepare evaluation of property Initiate negotiation of acquisition	1stS95	Finalize acquisition
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments Seek conception approval of expansion from provincial government								
1stS94	Prepare technical assessment of costs to complete renovation and expand capacity								
2ndS94	Prepare evaluation of property Initiate negotiation of acquisition								
1stS95	Finalize acquisition								

HOTEL LES MERINIDES, FES

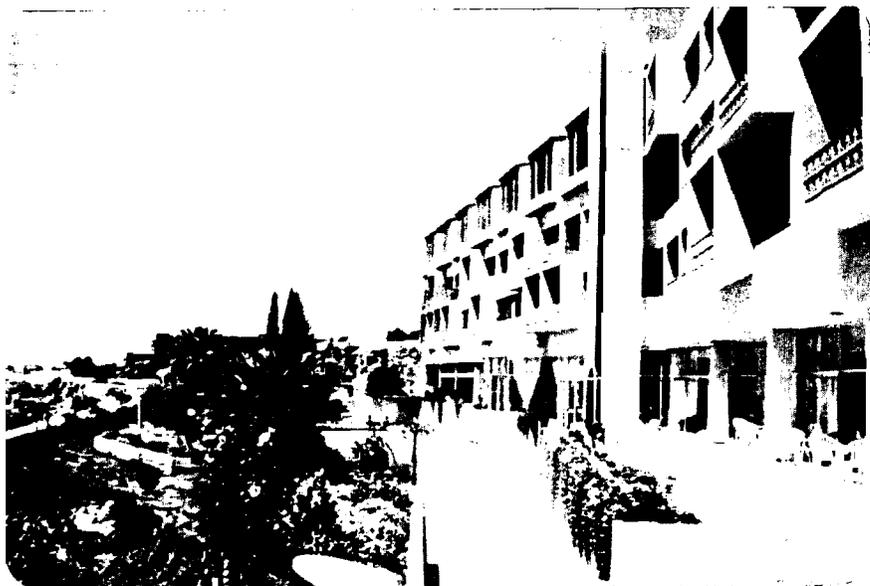
↓ HOTEL



HOTEL WITH MEDINA IN FOREGROUND



FRONT ENTRANCE



TERRACE & ROOMS OVERLOOKING POOL & MEDINA



VIEW SHOWING HILLSIDE SITE FOR EXPANSION

BEST AVAILABLE COPY

HOTEL LES MERINIDES, FES



VIEW OF MEDINA



MAIN RESTAURANT



BAR & LOUNGE



MOROCCAN RESTAURANT

BEST AVAILABLE COPY

- LOCATION:**
- Marrakech, major tourism center, Imperial city, gateway
 - On main avenue in hotel zone, good but not exceptional location
- PHYSICAL DESCRIPTION:**
- 270 rooms, 4-star, 2 restaurants, bar, nightclub, pool, 4 tennis courts, sauna, meeting room, large garden and other facilities
 - Rooms, moderate (14m²)size with balconies overlooking pool garden, individual A/C, acceptable condition, but some redecorating desirable
 - Public spaces are in acceptable condition, some redecorating desirable, but not urgent
 - All equipment and mechanical installations apparently in adequate working condition. Hotel built in 1981
 - Unexceptional design, but highly desirable property
- MARKET:**
- Mixed tourist clientele. Predominantly (80%) groups. 25% Spanish, 20% French, 15% Moroccan, German & Italian (each), 10% Other. Average length of stay 3.5 nights
 - Highly competitive market. Excess hotel capacity for current level of tourism arrivals
 - Moderate occupancy rate--50%. Highly seasonal. May reflect some transfer of clients to other PLM hotel
- OTHER FACTORS:**
- Managed by PLM hotel chain, contract expires May 1994, contentious separation likely
 - Owned by CDG
 - 200 Employees with current occupancy level
- RECOMMENDED STRATEGY:**
- Await recovery of hotel from PLM management and resolution of any legal issues
 - Privatize hotel targeted at major international tour operator or hotel chain in possible joint venture with local investors
- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Encourage CDG to monitor PLM to assure minimum deterioration of property |
| 1stS94 | Arrange interim management
Resolve any outstanding legal issues with PLM
Prepare audit and evaluations
Conduct informal marketing
Prepare bid documents |
| 2ndS94 | Open competitive bidding
Finalize privatization |

HOTEL N'FIS, MARRAKECH



FRONT ENTRANCE



TERRACE & ROOMS OVERLOOKING POOL



LOBBY & RECEPTION



RESTAURANT

BEST AVAILABLE COPY

- LOCATION:**
- Beni-Mellal, an administrative on the main tourist route from Fes to Marrakech, near hunting and fishing areas
 - On main highway in the outskirts of town with pleasant views of Atlas Mountains
- PHYSICAL DESCRIPTION:**
- 60 rooms, 4-star, restaurant, bar, snack bar, pool, 1 tennis court, large garden
 - Rooms, double/double (former Ramada Inn), 18m², with small balconies, all facing garden and view, require redecoration and modernization of bathrooms, old individual heating and A/C units
 - Public spaces need redecoration
 - Plumbing installation in good condition
 - All kitchen, laundry and mechanical equipment old, but most in working order
 - Beautiful garden and setting greatly enhance property
- MARKET:**
- Mixed clientele. 50 % tours, 50% weekend and business travellers. 60% Moroccan, 20% French, 20% Other.
 - Luncheon stop for tour groups
 - Busy bar business with locals (50% of revenue)
 - Competition from recently opened hotel
 - Low occupancy--20%
 - Recent provincial government efforts to promote natural attractions of region may eventually improve performance of hotel
 - Largely dependent on inclusion in tour itinerary
- OTHER FACTORS:**
- Owned and managed by CDG, formerly managed by PLM
 - 51 Employees
 - Audit and evaluation done in 1992, questionable conclusions
- RECOMMENDED STRATEGY:** Include in package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint venture partner
- ACTION PLAN:**
- | | |
|--------|--|
| 2ndS93 | <ul style="list-style-type: none"> Resolve any pending issues with PLM Prepare assessment of renovation needs/cost Review audit and evaluation Conduct informal marketing Earmark funds (CIH) for required renovation Decide competitive tender or negotiated sale |
| 1stS94 | <ul style="list-style-type: none"> Finalize documentation Finalize privatization through tender or sale |

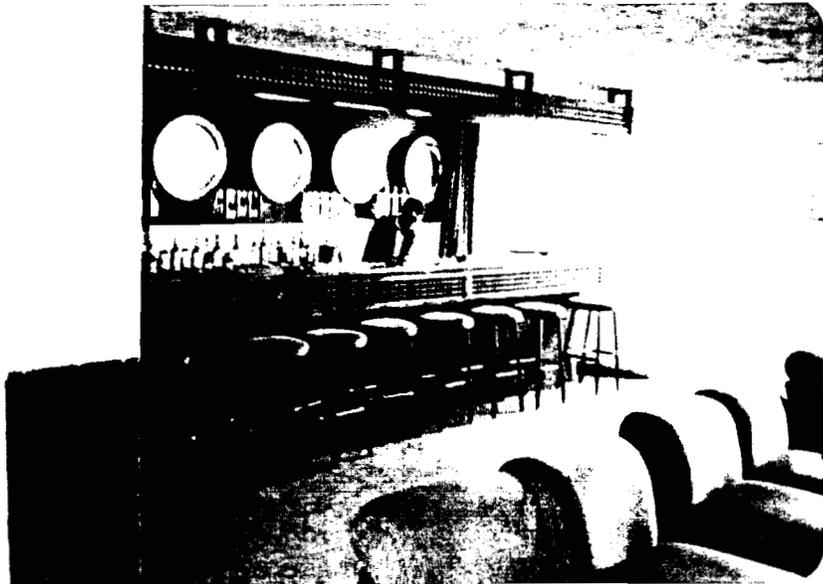
HOTEL OUZOUD, BENI-MELLAL



FRONT ENTRANCE



POOL AREA



BAR



RESTAURANT

BEST AVAILABLE COPY

- LOCATION:**
- Larache, a fishing port on the main road from Tangier to Rabat, with strong historic and cultural links to Spain
 - In the heart of town, adjacent to the bus terminal, with frontage on three streets
- PHYSICAL DESCRIPTION:**
- 24 rooms, 3-stars, restaurant, bar, pool (empty), 1 tennis court (not playable), very extensive garden
 - Rooms, various sizes, barely adequate condition
 - Public spaces acceptable
 - Apparently serious problems with plumbing systems
 - Roof leaking, possibly structural damage
 - No laundry equipment, some kitchen equipment needs replacement
 - Old, but charmless building in large, but poorly landscaped garden
- MARKET:**
- Mostly non-tourists. 75% Moroccans (many resident overseas), 20% Spanish, 5% Other. Popular overnight stop for drivers arriving from Tangier ferry--secure parking
 - Increasing Spanish visitors, former residents
 - Low occupancy--35%, not profitable
 - Near (8km) beach and Roman ruins
 - Evidence of growing economy (Spanish investment)
- OTHER FACTORS:**
- Managed by KTH hotel chain, contract expires 2001
 - Owned by ONMT
 - 26 Employees
 - Valuable urban real estate, grossly under-utilized by current hotel
- RECOMMENDED STRATEGY:**
- Negotiate early termination of management contract with KTH
 - Offer site for development as a mixed-use commercial/residential/hotel complex, targeted at Spanish investors
- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Discuss intent with KTH and minimize further investment in property |
| 2ndS94 | Negotiate early termination of management contract
Prepare pre-feasibility study for mixed-use complex including zoning and cost aspects
Conduct informal marketing
Prepare evaluation |
| 1stS95 | Privatize through competitive bid or negotiated sale |

HOTEL RIAD, LARACHE



SIDE OF PROPERTY FACING BUS TERMINAL



GARDEN



NEARBY BUILDINGS

BEST AVAILABLE COPY

HOTEL RISSANI

18

LOCATION: • Errachidia, administrative center at crossroads leading from Ouarzazate and Fes to Erfoud and desert, stop on tour circuit on main road near center of town, sandwiched between Oued and agricultural nursery

PHYSICAL DESCRIPTION: • 60 rooms, 4-star, restaurant, bar, coffee shop, pool
• Rooms, double/double (former Ramada Inn), 18m², none with superior views, mediocre condition, redecoration and modernization of bathrooms desirable, old individual heating and A/C units
• Public spaces need some redecoration
• Equipment and systems old, but in working condition, some repair and/or replacement needed
• Unremarkable design, productive property

MARKET: • Predominantly tour groups (80%). 90% Foreigners, 10% Moroccans, nationalities (French, German, Italian, Spanish) evenly distributed. 1-2 nights stay
• Busy bar business with locals
• No competition in town. Competes somewhat with Erfoud
• High occupancy--70%. Hotel often full

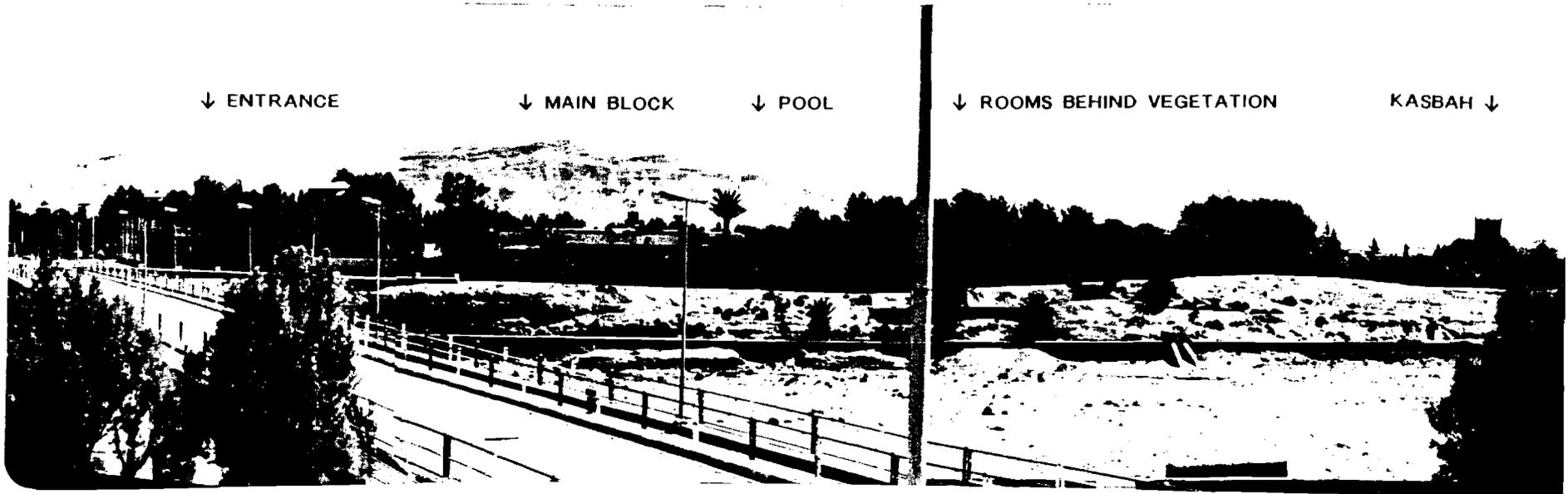
OTHER FACTORS: • Owned and managed by CDG, formerly managed by PLM
• 60 Employees
• Audit and evaluation done in 1992, questionable conclusions

RECOMMENDED STRATEGY: Include in package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint venture partner

ACTION PLAN: 2ndS93 Resolve any pending issues with PLM
Prepare assessment of renovation needs/cost
Review audit and evaluation
Conduct informal marketing
Earmark funds (CIH) for required renovation
Decide competitive tender or negotiated sale

1stS94 Finalize documentation
Finalize privatization through tender or sale

HOTEL RISSANI, ERRACHIDIA



↓ ENTRANCE

↓ MAIN BLOCK

↓ POOL

↓ ROOMS BEHIND VEGETATION

KASBAH ↓

VIEW OF PROPERTY WITH OUED IN FOREGROUND



FRONT ENTRANCE



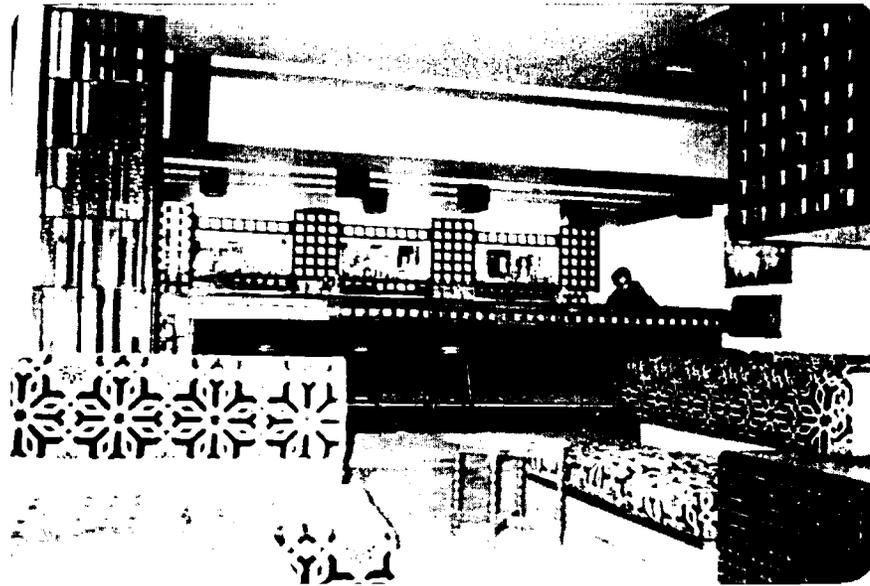
ROOMS FACING PARKING AREA

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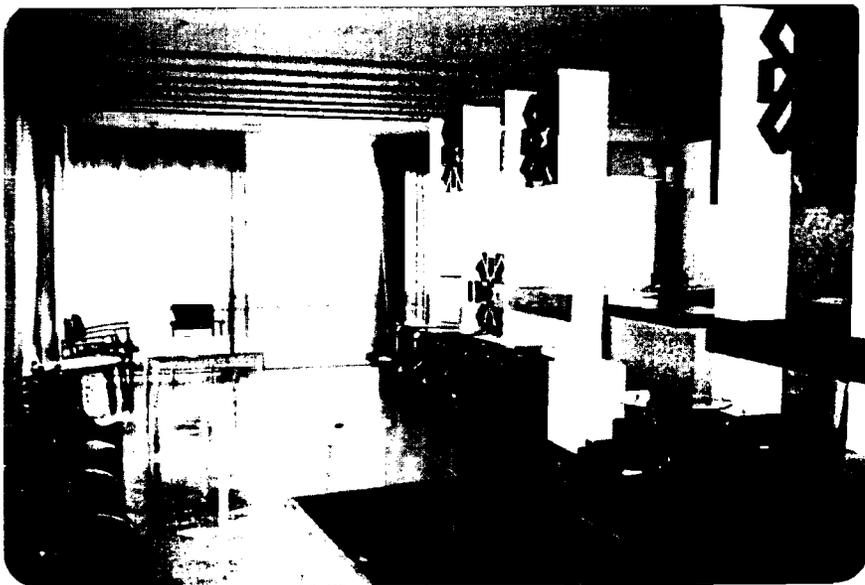
HOTEL RISSANI, ERRACHIDIA



RESTAURANT



BAR



COFFEE SHOP



POOL AREA

BEST AVAILABLE COPY

- LOCATION:**
- Kelaa des M'Gouna, town known for rosewater on tour route south of High Atlas mountains in Dades valley
 - On plateau overlooking town and valley

- PHYSICAL DESCRIPTION:**
- 102 rooms, 4-star, restaurant, bar/lounge, pool, 2 tennis courts
 - Rooms, comfortable (15m²) size with small balconies & some with large terraces, most with excellent views, central heat and A/C, in satisfactory condition
 - Public spaces attractively decorated
 - Requires some kitchen, laundry and other mechanical equipment
 - Dining room small for capacity, expansion possible
 - Nice, but unproductive property

- MARKET:**
- Strictly foreign tourists. 90% groups. 50% French. One night stay
 - No other quality hotel in town
 - Competes with other hotels in region
 - Low occupancy--17%. Sometimes full certain nights
 - Should benefit from growth of Ouarzazate as gateway and greater interest in regional attractions

- OTHER FACTORS:**
- Managed by KTH hotel chain, contract expires 2001
 - Owned by ONMT
 - 48 Employees

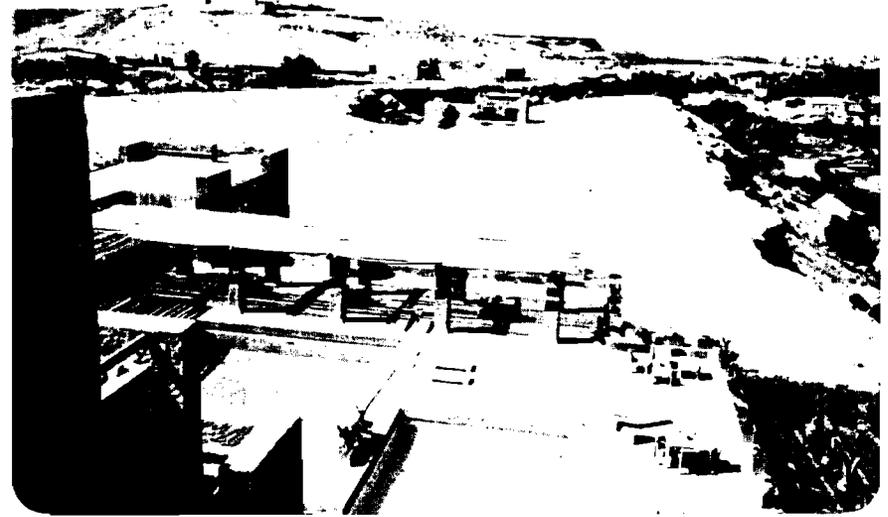
RECOMMENDED STRATEGY: Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor.

- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Negotiate management contract amendment with specific provisions for interim renovations/investments |
| 1stS94 | Prepare technical assessment of renovation needs |
| 2ndS94 | Prepare evaluation of property
Initiate negotiation of acquisition |
| 1stS95 | Finalize acquisition |

HOTEL ROSE DU DADES, KELAA M'GOUNA



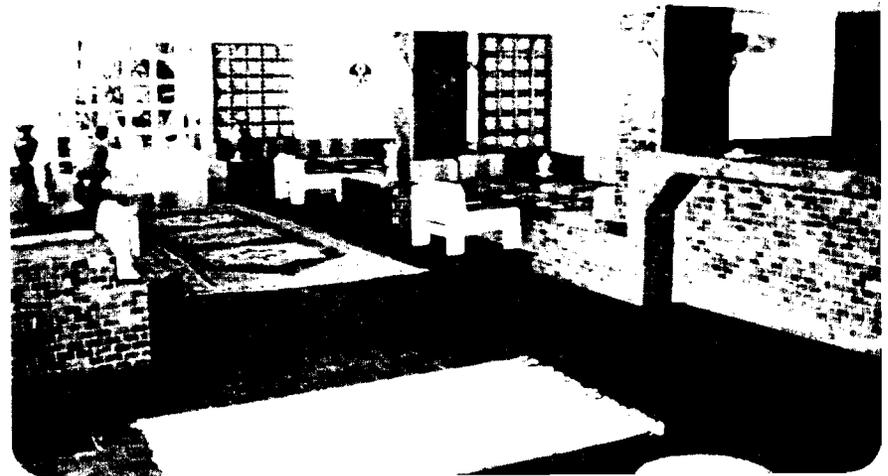
FRONT ENTRANCE



VIEW OVERLOOKING POOL & VALLEY



RESTAURANT

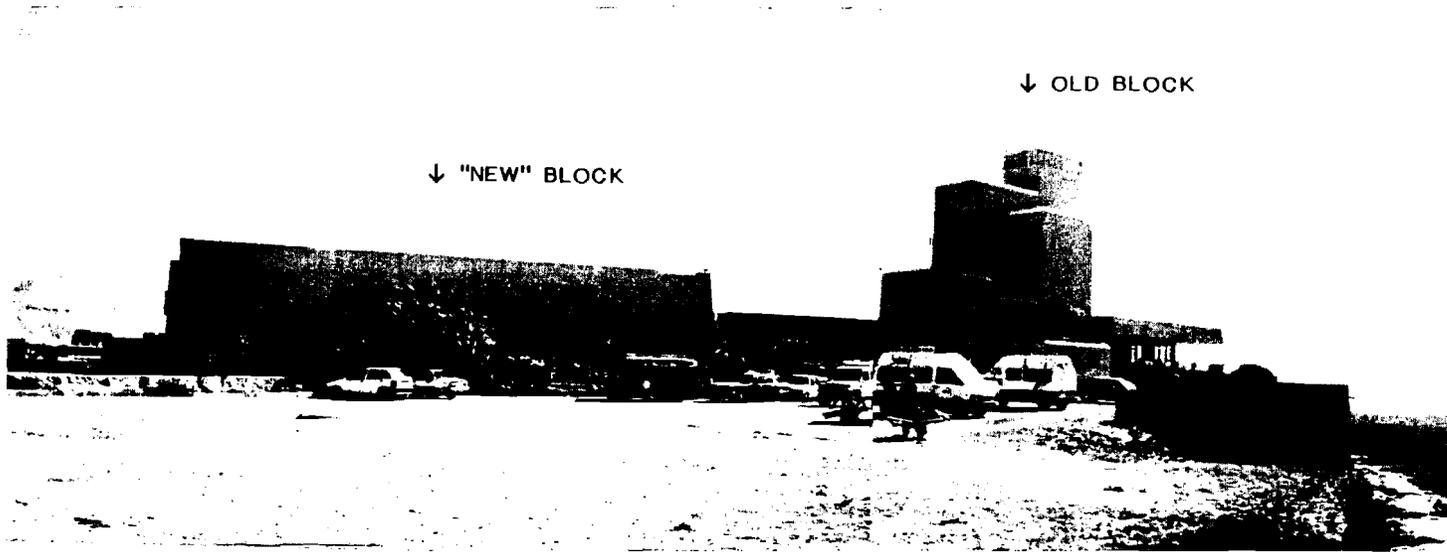


BAR & LOUNGE

BEST AVAILABLE COPY

LOCATION:	<ul style="list-style-type: none"> • Tinerhir, interesting town on tour route south of High Atlas Mountains, entrance to Todra Gorge • On plateau with commanding view of town and region, adjacent to ruins of kasbah 								
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none"> • 62 rooms, 4-star, restaurant, bar, enclosed pool • Originally built as French colonial overnight rest stop in 1937, "new" block added in 1968, some recent redecoration • Rooms: 11 in old block various sizes & types, 49 in "new" block small (12m²) with small balconies, individual A/C, acceptable appearance • Serious plumbing problems • Public spaces barely acceptable; incoherent decoration • Great site, but unattractive hotel--extensive renovation and expansion required to improve, land available 								
MARKET:	<ul style="list-style-type: none"> • Strictly foreign tourists. 80% groups. 55% French. One-night stay • New quality hotel just opened, but construction not completed. Will compete, but has inferior location. • Moderate occupancy rate--45%. Sometimes full • Should benefit from greater interest in regional attractions 								
OTHER FACTORS:	<ul style="list-style-type: none"> • Managed by KTH hotel chain, contract expires 2001 • Owned by ONMT • 48 Employees 								
RECOMMENDED STRATEGY:	<p>Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor.</p> <ul style="list-style-type: none"> • Encourage temporary closure for major renovation and expansion (40-60+ rooms) 								
ACTION PLAN:	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">4thQ93</td> <td>Negotiate management contract amendment with specific provisions for interim renovations/investments</td> </tr> <tr> <td>1stS94</td> <td>Prepare assessment of renovation/expansion costs</td> </tr> <tr> <td>2ndS94</td> <td>Prepare evaluation of property Initiate negotiation of acquisition</td> </tr> <tr> <td>1stS95</td> <td>Finalize acquisition</td> </tr> </table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments	1stS94	Prepare assessment of renovation/expansion costs	2ndS94	Prepare evaluation of property Initiate negotiation of acquisition	1stS95	Finalize acquisition
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments								
1stS94	Prepare assessment of renovation/expansion costs								
2ndS94	Prepare evaluation of property Initiate negotiation of acquisition								
1stS95	Finalize acquisition								

HOTEL SAGHRO, TINERHIR



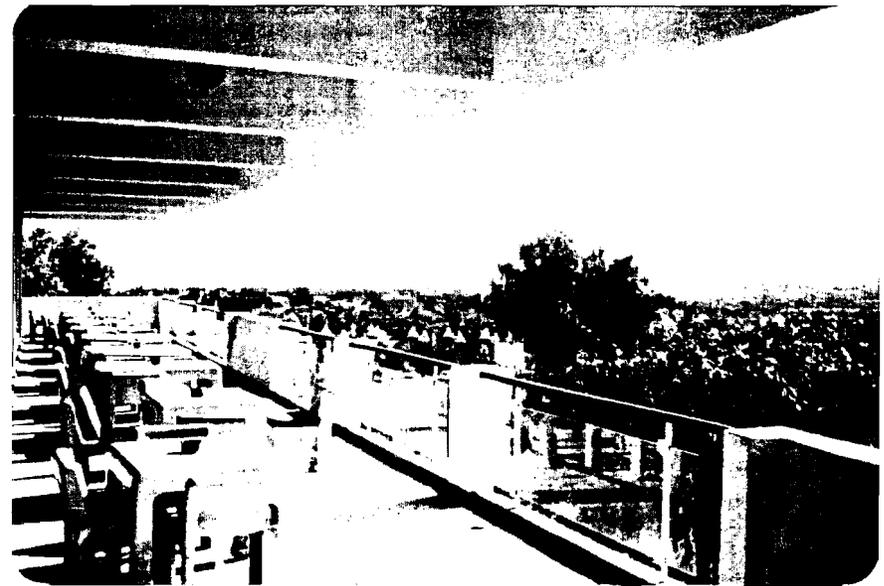
↓ "NEW" BLOCK

↓ OLD BLOCK

VIEW FROM PARKING AREA

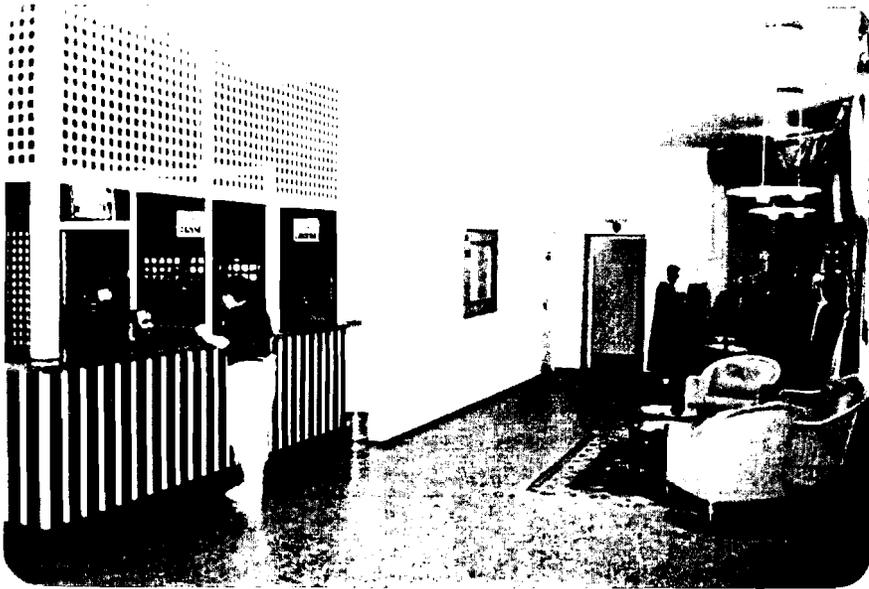


BRIDGE CONNECTING OLD & "NEW" BLOCKS



TERRACE OVERLOOKING VALLEY

HOTEL SAGHRO, TINERHIR



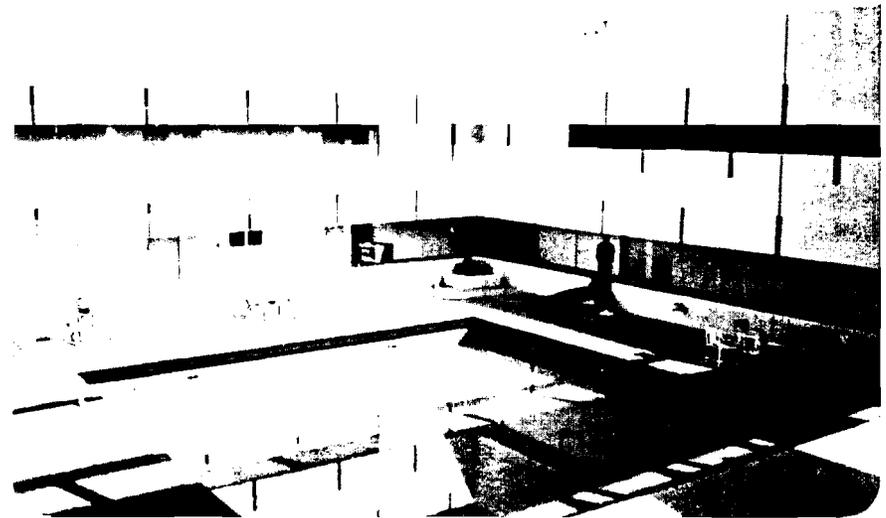
RECEPTION



RESTAURANT



BAR & LOUNGE



POOL IN ATRIUM OF "NEW" BLOCK

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HOTEL SIDI HARAZEM

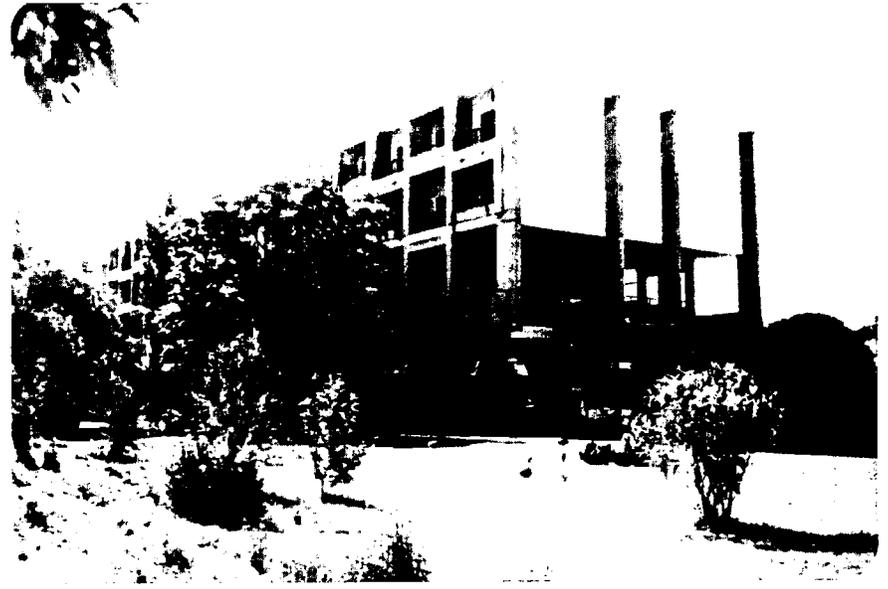
21

- LOCATION:**
- Sidi Harazem, thermal spa near Fes, religious site, popular local destination, particularly weekends
 - On stilts, suspended over spa
- PHYSICAL DESCRIPTION:**
- 64 rooms, 4-star, restaurant, bar, terrace
 - Rooms, large (16m²) size with balconies, central A/C, tastefully decorated
 - Public spaces require minor redecoration, neglected appearance
 - Equipment and mechanical systems in satisfactory working condition
 - Architecturally extravagant design
 - Conspicuously lacking private pool and other recreational facilities
- MARKET:**
- Mixed clientele. 60% Moroccan, 30% French, 10% Other. Most foreigners in groups. Average length of stay--1.6 nights
 - Domestic demand limited by lack of recreational facilities
 - International demand limited by lack of interest
 - Low occupancy rate--35% (?)
- OTHER FACTORS:**
- Managed by PLM hotel chain, contract expires December 1998
 - Owned by CDG
 - 57 Employees
 - Restraints imposed on certain facilities (nightclub) due to religious nature of site
- RECOMMENDED STRATEGY:**
- Not urgent
 - Secondary to resolution of other PLM properties
 - Target local investor
- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Encourage CDG to monitor PLM to assure minimum deterioration of property |
| 2ndS95 | Study options for privatization in conjunction with resolution of other PLM property (Dunes d'Or) |
| Post95 | Privatize |

HOTEL SIDI HARAZEM, NEAR FES



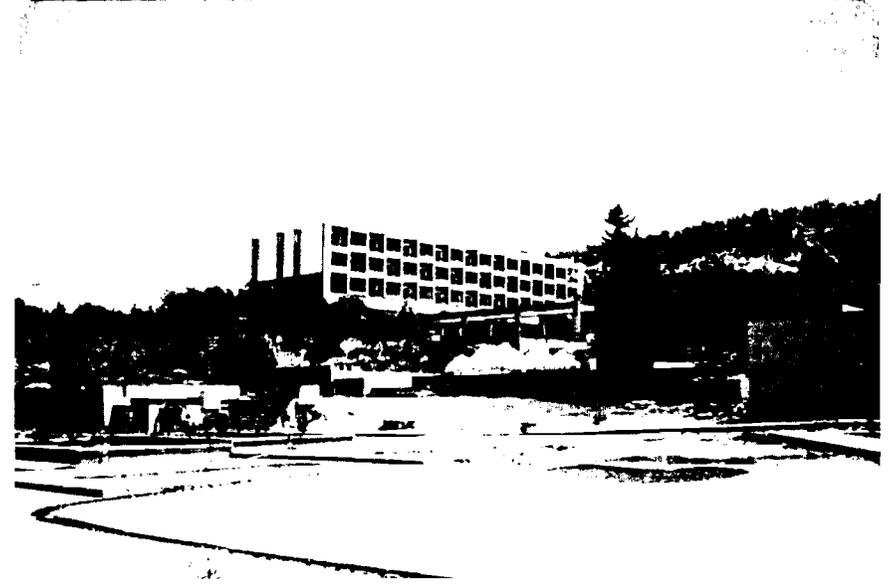
FRONT ENTRANCE



HOTEL VIEWED FROM POTENTIAL POOL SITE



ENTRANCE TO SPA



HOTEL VIEWED FROM SPA

BEST AVAILABLE COPY

HOTEL SIDI HARAZEM, NEAR FES



LOUNGE



RESTAURANT



TERRACE OVERLOOKING SPA



PARTIAL VIEW OF SPA

BEST AVAILABLE COPY

HOTEL TERMINUS

22

- LOCATION:**
- Oujda, large commercial center at northeast border with Algeria
 - Downtown, next to train station
- PHYSICAL DESCRIPTION:**
- 123 rooms, 4-star, restaurant, bar, pool, Moroccan restaurant (on demand)
 - Rooms, various types and sizes, all comfortable, individual A/C, satellite TV, good condition, some redecoration desirable
 - Public spaces in good condition
 - Equipment old, but mostly in satisfactory working order
 - Good commercial hotel
- MARKET:**
- Mostly (80%) business travellers. Some Algerians and Moroccan overseas residents vacationing in summer. High demand for suites with Arab businessmen. 70% Moroccan, 20% Algerian, 10% Other
 - Moderate bar business with locals
 - Best hotel in town, but highly competitive
 - Hotel Moussafir opening soon across the street will give stiff competition despite lower classification
 - Highly dependent on unstable Algeria economy
- OTHER FACTORS:**
- Owned and managed by railroad company (ONCF/CHT)
 - 75 Employees
 - Audit and evaluation completed
- RECOMMENDED STRATEGY:**
- Not truly urgent, but attempt to sell soon before current documentation becomes invalid
 - Encourage CHT to transfer staff to Hotel Moussafir to minimize liability of new owner
 - Target local and Arab investors
- ACTION PLAN:**
- | | |
|--------|---|
| 4thQ93 | Coordinate with ONCF/CHT |
| 1stS94 | Prepare assessment of renovation costs
Review audit and evaluation
Conduct informal marketing |
| 2ndS94 | Privatize through competitive tender or negotiated sale |

HOTEL TERMINUS, OUJDA



FRONT ENTRANCE



ADJACENT HOTEL MOUSSAFIR (under construction)



POOL AREA



LOBBY

BEST AVAILABLE COPY

LOCATION:	<ul style="list-style-type: none"> • Zagora, town at end of scenic valley of the Draa river, at "gateway" to desert, increasingly important tourism destination • In town, unremarkable site 								
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none"> • 88 rooms, 4-star, restaurant, dining terrace, bar, tea room, pool, garden • Originally built as French colonial overnight rest stop, "new" room block added in 1969 • Rooms: 14 in old block various sizes & types, 74 in "new" block small (12m²) with small balconies and central A/C, acceptable condition, renovation of bathrooms desirable • Public spaces require some redecoration • Plumbing apparently in OK condition • All equipment old, but most still operating • Inefficient design, but with certain charm, inviting pool area 								
MARKET:	<ul style="list-style-type: none"> • Mostly (95%) foreign tourists. 30/70% individual/group 35% French, 24% Italian, 12% Spanish, 8% German, 16% Other. Mostly staying two nights • Good luncheon business • Major competition from larger, newer chain hotels (Salem & PLM) • Low occupancy rate--35% • Growing tourism region 								
OTHER FACTORS:	<ul style="list-style-type: none"> • Managed by KTH hotel chain, contract expires 2001 • Owned by ONMT • 54 Employees • Logistical base for organizing "bivouacs" in desert. Important and growing additional business, but carried on books of KTI tour operations, not those of hotel. 								
RECOMMENDED STRATEGY:	Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor.								
ACTION PLAN:	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%; vertical-align: top;">4thQ93</td> <td style="vertical-align: top;">Negotiate management contract amendment with specific provisions for interim renovations/investments</td> </tr> <tr> <td style="vertical-align: top;">1stS94</td> <td style="vertical-align: top;">Prepare assessment of renovation costs</td> </tr> <tr> <td style="vertical-align: top;">2ndS94</td> <td style="vertical-align: top;">Prepare evaluation of property Initiate negotiation of acquisition</td> </tr> <tr> <td style="vertical-align: top;">1stS95</td> <td style="vertical-align: top;">Finalize acquisition</td> </tr> </table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments	1stS94	Prepare assessment of renovation costs	2ndS94	Prepare evaluation of property Initiate negotiation of acquisition	1stS95	Finalize acquisition
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1stS94	Prepare assessment of renovation costs								
2ndS94	Prepare evaluation of property Initiate negotiation of acquisition								
1stS95	Finalize acquisition								

HOTEL TINSOULINE, ZAGORA



FRONT ENTRANCE



ROOMS OVERLOOKING OASIS



POOL AREA



BIVOUAC IN NEARBY DESERT

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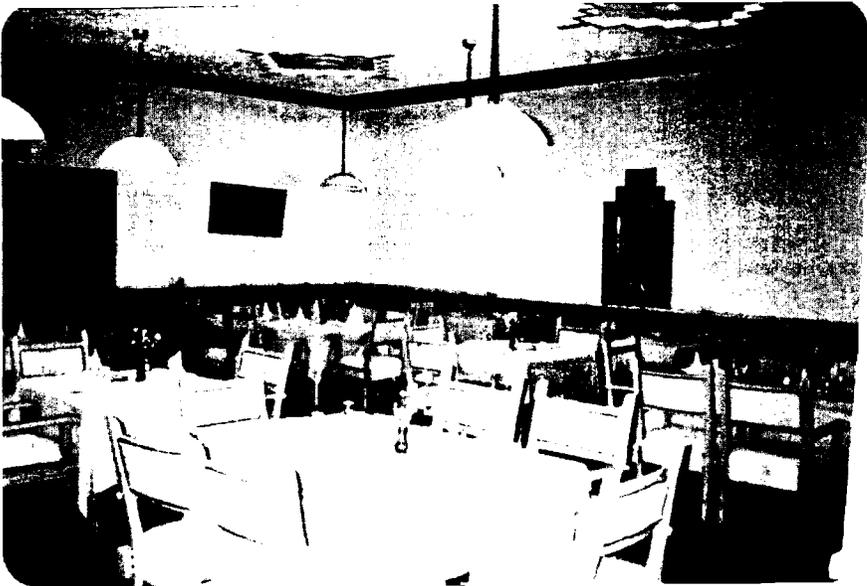
HOTEL TINSOULINE, ZAGORA



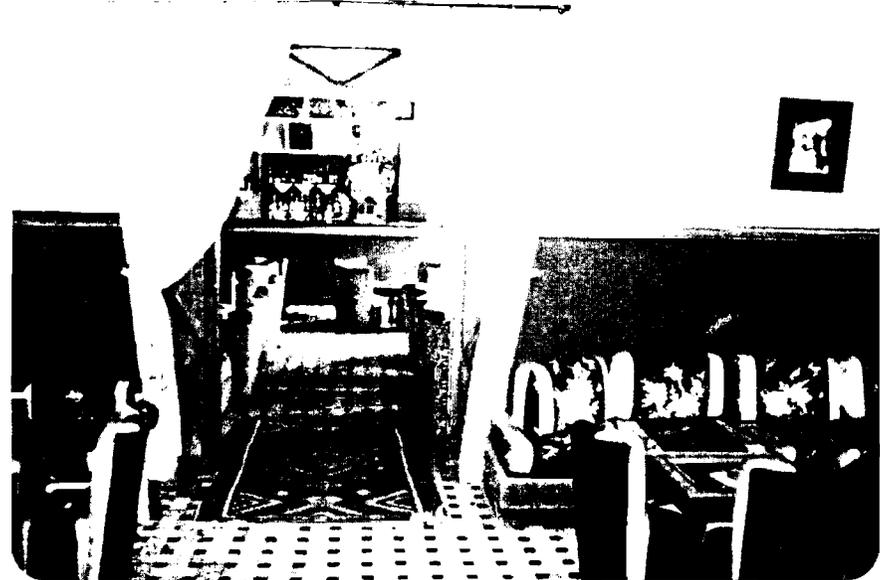
LOBBY & RECEPTION



OUTDOOR RESTAURANT OVERLOOKING POOL & OASIS



RESTAURANT



TEA ROOM, LOUNGE & BAR

BEST AVAILABLE COPY

HOTEL TOUBKAL

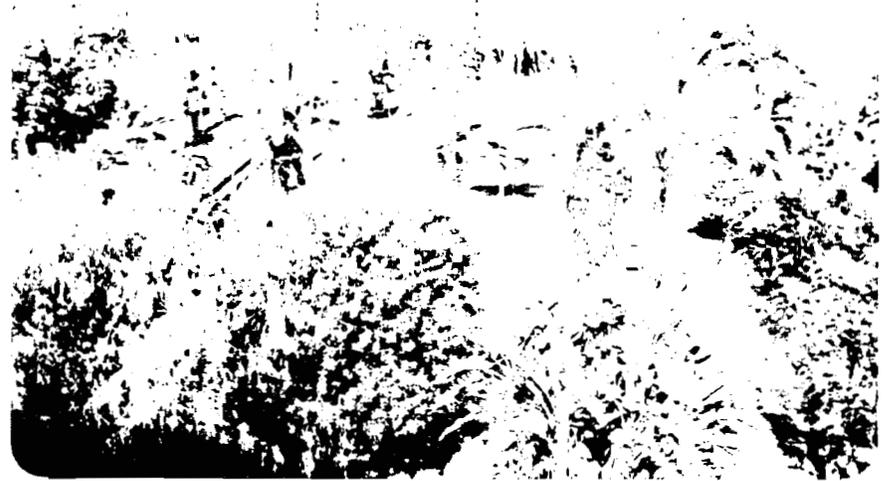
24

- LOCATION:**
- Marrakech, major tourism center, Imperial City, gateway
 - In hotel zone, close to entrance to medina and Hotel Mamounia, good, but not exceptional location
- PHYSICAL DESCRIPTION:**
- 124 rooms, 4-stars, 2 restaurants, 2 bars, pool, 1 tennis court, large garden
 - Rooms, double/double (former Ramada Inn), 18m², with large balconies overlooking pool and garden, require redecoration and modernization of bathrooms, old individual heating and A/C units
 - Public spaces acceptable, but redecoration desirable
 - All mechanical systems and equipment require replacement (according to manager)
 - Garden greatly enhances value of property
- MARKET:**
- Mixed tourist clientele. 30/70% individual/group. 40% French, 20% Italian, 10% Spanish, 10% Moroccan, 20% Other. Average length of stay 2.5 nights
 - Entire hotel rented to Framtours through 1990
 - Low occupancy--25-30%. Used for overflow from other PLM properties
 - Good potential despite highly competitive market
- OTHER FACTORS:**
- Owned and managed by CDG, formerly managed by PLM
 - 86-120 Employees
 - Audit and evaluation done in 1992, questionable conclusions
 - Land issue still being resolved
- RECOMMENDED STRATEGY:** Include in package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint venture partner
- ACTION PLAN:**
- | | |
|--------|--|
| 2ndS93 | Resolve any pending issues with PLM
Resolve land issue
Prepare assessment of renovation needs/cost
Review audit and evaluation
Conduct informal marketing
Earmark funds (CIH) for required renovation
Decide competitive tender or negotiated sale |
| 1stS94 | Finalize documentation
Finalize privatization through tender or sale |

HOTEL TOUBKAL, MARRAKECH



FRONT ENTRANCE



GARDEN SHOWING POOL & LOW-RISE BLOCK



ROOF TERRACE RESTAURANT



LOBBY & RECEPTION

LOCATION:	<ul style="list-style-type: none"> • Rabat, national capital, with various tourism attractions, but not major destination • In center of town 								
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none"> • 156 rooms, 5-star, 2 restaurants, bar, nightclub, meeting rooms, large enclosed garden (no pool) • Rooms, various types & sizes, some comfortable, others small, only about 25% with balconies, individual A/C, satellite TV, recently redecorated, but bathrooms still need some renovation • Public spaces are extensive and ornate, in traditional style, giving hotel its prestigious reputation. Over-dimensioned compared to room capacity • Construction/renovation underway for English bar, pizzeria/ice cream parlor and panoramic restaurant • Laundry and heating system need total replacement • Some plumbing system needs replacement • Kitchen equipment old, but in working condition • Old, unreliable elevators. • No fire stairs • Limited parking 								
MARKET:	<ul style="list-style-type: none"> • Mostly (85%) business travellers, some tour groups, particularly on weekends. 25% French, 25% Other European, 18% USA, 15% Moroccan, 7% Maghreb, 5% Japan, 5% Other • Renovation program aimed at attracting more non-guest to restaurants and bars • Limited competition--Hyatt, Safir • Moderate occupancy rate--55-60% 								
OTHER FACTORS:	<ul style="list-style-type: none"> • Managed by KTH hotel chain, contract expires 2001 • Owned by State (Domaines) • 220 Employees • Expansion of room capacity desirable, but difficult 								
RECOMMENDED STRATEGY:	Try to negotiate acquisition by current managers (KTH), as part of "package" with other hotels under their management. Facilitate formation of joint-venture with qualified foreign investor.								
ACTION PLAN:	<table border="0" style="width: 100%;"> <tr> <td style="width: 15%;">4thQ93</td> <td>Negotiate management contract amendment with specific provisions for interim renovations/investments</td> </tr> <tr> <td>1stS94</td> <td>Prepare technical assessment of renovation needs Evaluate feasibility of expansion</td> </tr> <tr> <td>2ndS94</td> <td>Prepare evaluation of property Initiate negotiation of acquisition</td> </tr> <tr> <td>1stS95</td> <td>Finalize acquisition</td> </tr> </table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments	1stS94	Prepare technical assessment of renovation needs Evaluate feasibility of expansion	2ndS94	Prepare evaluation of property Initiate negotiation of acquisition	1stS95	Finalize acquisition
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments								
1stS94	Prepare technical assessment of renovation needs Evaluate feasibility of expansion								
2ndS94	Prepare evaluation of property Initiate negotiation of acquisition								
1stS95	Finalize acquisition								

HOTEL TOUR HASSAN, RABAT



FRONT ENTRANCE



ROOMS FACING ENCLOSED GARDEN



RECEPTION



RESTAURANT

BEST AVAILABLE COPY

- LOCATION:**
- Meknes, administrative center, Imperial City, secondary tourist destination
 - On hillside in residential area overlooking medina
- PHYSICAL DESCRIPTION:**
- 120 rooms, 5-star, 3 restaurants, bar, 2 pools, 3 tennis courts, extensive gardens
 - Rooms: 50% in old block, variable size & type, average 14m², individual A/C; 50% in "new" block, spacious (20m²), central A/C. Most rooms with small balconies, only half with preferred view of medina, satellite TV, in acceptable condition, but redecoration desirable
 - Public spaces need some redecoration
 - Heating and plumbing systems need to be replaced
 - Kitchen and laundry equipment, old, but working
 - "Prestige" hotel, but worn appearance
- MARKET:**
- Predominantly foreign tourists. 80% Groups. 40% Italians, 25% French, 10% German, Italian & Moroccan (each), 15% Other. Average length of stay 1.6 nights
 - Alternative overnight destination to Fes
 - Strong competition from 4-star hotels
 - Moderate occupancy rate--50%
- OTHER FACTORS:**
- Owned and managed by railroad company (ONCF/CHT)
 - 132 Employees (35% of revenue)
 - Some of extensive "rear" gardens could be used for additional income-generating facilities
 - Audit and evaluation completed
 - Unsuccessful attempt to privatize through competitive bidding in late 1992
- RECOMMENDED STRATEGY:**
- Repeat attempt to privatize, but with proper preparation including marking and earmarked renovation financing
 - Target local investors, in possible joint venture with international tour operator
- ACTION PLAN:**
- | | |
|--------|---|
| 2ndS93 | Review assessment of renovations cost and evaluation
Conduct informal marketing
Earmark financing (CIH) for renovation
Finalize tender documentation |
| 1stS94 | Open tender
Finalize privatization |

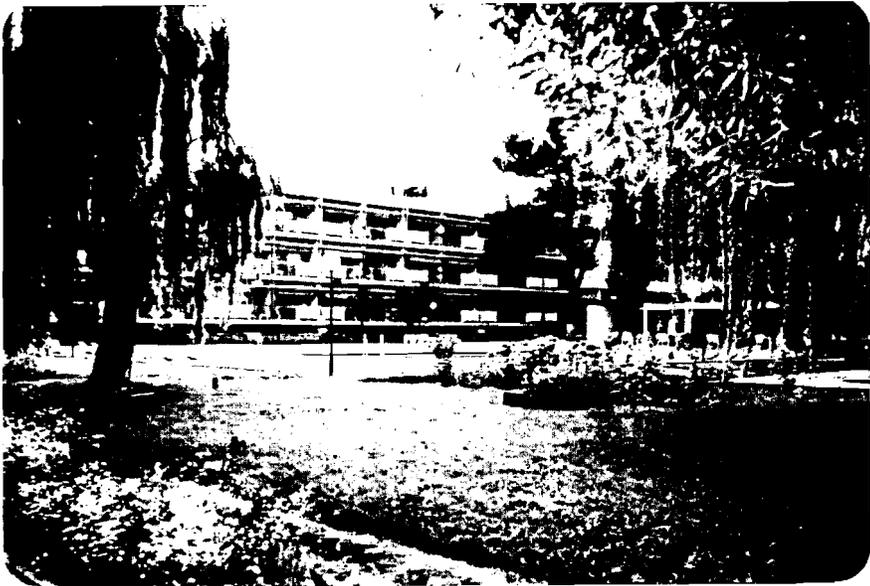
HOTEL TRANSATLANTIQUE, MEKNES



FRONT ENTRANCE DRIVE



FRONT ENTRANCE



"NEW" ROOMS OVERLOOKING POOL



GARDEN ON ENTRANCE SIDE

BEST AVAILABLE COPY

HOTEL TRANSATLANTIQUE, MEKNES



RESTAURANT OVERLOOKING "OLD" POOL



VIEW OF "NEW" POOL, SNACK BAR & MEDINA



RESTAURANT



BAR & LOUNGE

BEST AVAILABLE COPY

- LOCATION:**
- Fes, important cultural and historical center, Imperial City, major tourist attraction
 - Center of town, adjacent to city hall, close to other major hotels, far from medina
- PHYSICAL DESCRIPTION:**
- 120 rooms, 4-star, 2 restaurants, bar, nightclub, pool, large TV room (with possible bar), garden
 - Rooms, double/double (former Ramada Inn) 18m², with balconies, 75% overlooking pool and garden, 25% facing quiet street, old furnishings, but in otherwise good condition, old individual heating and A/C units
 - Public spaces in acceptable condition. some redecoration desirable
 - Plumbing installations apparently in good condition
 - Most kitchen, laundry and mechanical equipment old, but in acceptable working condition
 - Well-maintained garden greatly improves appearance of straight-forward, but unremarkable design
- MARKET:**
- Predominantly foreign tour groups (85%). 20% French, 20% Italian, 18% German, 10% Moroccan, 8% Spanish, 24% Other. Average length of stay--2 nights.
 - Busy bar/nightclub business with locals
 - Formerly had greater proportion of business travellers
 - Good occupancy rate-60-70%
- OTHER FACTORS:**
- Owned and managed by CDG, formerly managed by PLM
 - 116 Employees
 - Audit and evaluation done in 1992, questionable conclusions
 - Deed of land still in process
- RECOMMENDED STRATEGY:** Include in package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint venture partner
- ACTION PLAN:**
- | | |
|--------|---|
| 2ndS93 | <ul style="list-style-type: none"> Resolve any pending issues with PLM Secure deed to land Prepare assessment of renovation needs/cost Review audit and evaluation Conduct informal marketing Earmark funds (CIH) for required renovation Decide competitive tender or negotiated sale |
| 1stS94 | <ul style="list-style-type: none"> Finalize documentation Finalize privatization through tender or sale |

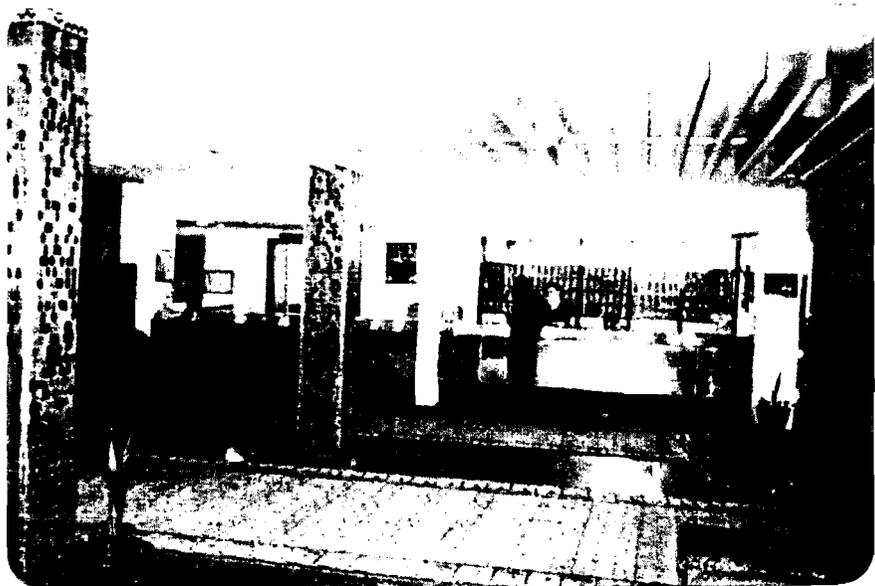
HOTEL VOLUBILIS, FES



FRONT ENTRANCE



GARDEN SHOWING POOL, HIGH & LOW-RISE BLOCKS



RECEPTION



COFFEE SHOP

LOCATION:	<ul style="list-style-type: none"> • Fes, important cultural and historical center, Imperial City, major tourist attraction • In residential area near center of town overlooking valley with distant view of medina, near railroad track 						
PHYSICAL DESCRIPTION:	<ul style="list-style-type: none"> • 70 rooms, 4-stars, restaurant, tea room, bar, pool complex • Rooms, spacious (18m²), half with balconies overlooking valley, half facing quiet residential street (no balconies), rooms and bathrooms require complete renovation • All public spaces require complete redecoration • Plumbing and all services require replacement • Kitchen and laundry equipment old, but working • Large pool complex with snack bar, changing facilities and terraces overlooking valley • Very limited expansion potential, unless adjacent residence could be acquired • Old hotel with good location, but construction of new hotel might be preferable to renovation 						
MARKET:	<ul style="list-style-type: none"> • Mixed clientele. 55% Spanish, 20% Moroccan, 15% German 10% Other. Average length of stay--2 nights • Busy bar and summer pool business with locals • Low occupancy rate--30-35%. Reflects poor condition 						
OTHER FACTORS:	<ul style="list-style-type: none"> • Managed by Salem hotel chain, contract expires March '94 • Owned by ONMT • 70 Employees • Viability depends on conditions at new hotel zones being created by government 						
RECOMMENDED STRATEGY:	<ul style="list-style-type: none"> • Negotiate interim agreement to assure continued maintenance and management during the privatization process, possibly extending beyond expiration of current contract. • Discuss possible acquisition by current managers (Salem) prior to termination of present management contract. Alternatively, offer for competitive bidding concurrently with other Salem-managed hotels, but <u>not</u> as a package. • Consider sale of site for non-hotel use 						
ACTION PLAN:	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; padding-right: 20px;">4thQ93</td> <td>Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Evaluate strategic relevance of continued tourism use Prepare audit & evaluation Discuss acquisition interest of Salem</td> </tr> <tr> <td style="vertical-align: top; padding-right: 20px;">1stQ94</td> <td>Negotiate sale to Salem or open competitive bidding</td> </tr> <tr> <td style="vertical-align: top; padding-right: 20px;">2ndQ94</td> <td>Complete privatization</td> </tr> </table>	4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Evaluate strategic relevance of continued tourism use Prepare audit & evaluation Discuss acquisition interest of Salem	1stQ94	Negotiate sale to Salem or open competitive bidding	2ndQ94	Complete privatization
4thQ93	Negotiate management contract amendment with specific provisions for interim renovations/investments and possible extension of contract Prepare technical assessment of renovation needs Evaluate strategic relevance of continued tourism use Prepare audit & evaluation Discuss acquisition interest of Salem						
1stQ94	Negotiate sale to Salem or open competitive bidding						
2ndQ94	Complete privatization						

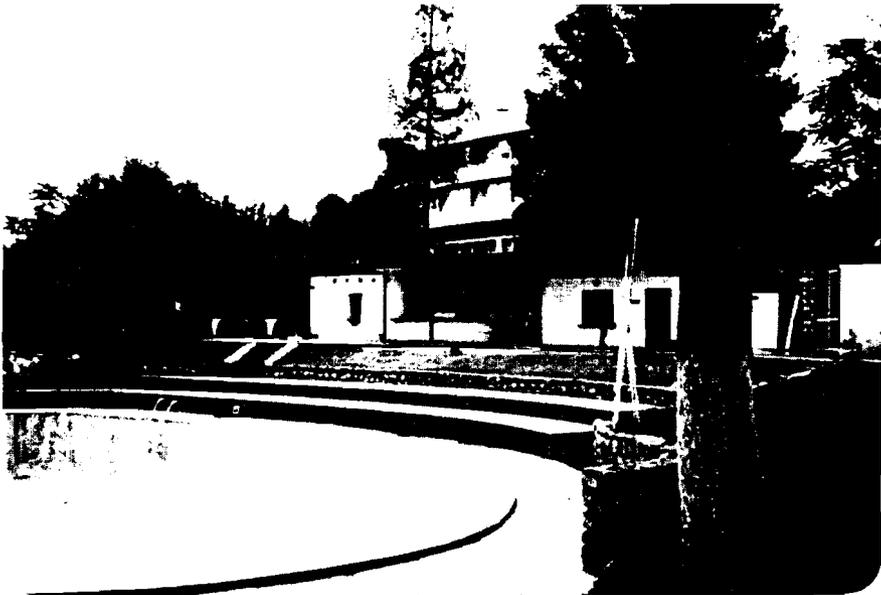
HOTEL ZALAGH, FES



HOTEL SHOWING CITY & RAILROAD



TERRACE & ROOMS OVERLOOKING MEDINA



POOL AREA



VIEW OF MEDINA

BEST AVAILABLE COPY

HOTEL ZALAGH, FES



LOBBY



TEA ROOM



RESTAURANT



BAR

BEST AVAILABLE COPY

- LOCATION:**
- Ouarzazate, tourist center in southeast, emerging as gateway to desert attractions
 - On plateau overlooking city, somewhat removed from other hotels, but not far from various tourist attractions
- PHYSICAL DESCRIPTION:**
- 60 rooms, 4-star, restaurant, bar, snack bar (closed), pool, large garden
 - Rooms, double/double (former Ramada Inn), 18m², half overlooking garden, half facing parking, acceptable condition, redecoration desirable, old individual heating and A/C units
 - Public spaces acceptable, but some redecoration needed
 - Plumbing reportedly OK, questionable
 - New kitchen equipment in 1986
 - Laundry and other equipment old, most need replacement
 - Basic motel
- MARKET:**
- Hotel closed last three years (1990-1992). Reopened in January of 1993.
 - 50/50% Group/Individual. 45% Moroccan, 20% French, 15% Italian, 10% German, 10% Other. Average length of stay--3 nights
 - Receiving overflow from other hotels, particularly PLM
- OTHER FACTORS:**
- Owned and managed by CDG, formerly managed by PLM
 - 46 Employees
 - Audit and evaluation done in 1992, questionable conclusions
 - Site includes about 7ha of land. Hotel uses less than 3ha. Zoning/city planning issues not known.
- RECOMMENDED STRATEGY:**
- Include in package of 5 other former PLM managed hotels to be targeted toward international tour operator, as joint venture partner
 - Consider subdivision of lot. Excess land to be sold separately for other hotel/tourist developments
- ACTION PLAN:**
- | | |
|--------|--|
| 2ndS93 | <ul style="list-style-type: none"> Resolve any pending issues with PLM Prepare assessment of renovation needs/cost Review audit and evaluation Conduct informal marketing Decide on subdivision of lot Earmark funds (CIH) for required renovation Decide competitive tender or negotiated sale |
| 1stS94 | <ul style="list-style-type: none"> Finalize documentation Finalize privatization through tender or sale |
| 2ndS94 | <ul style="list-style-type: none"> Possible privatization of remaining land |

HOTEL LE ZAT, OUARZAZATE



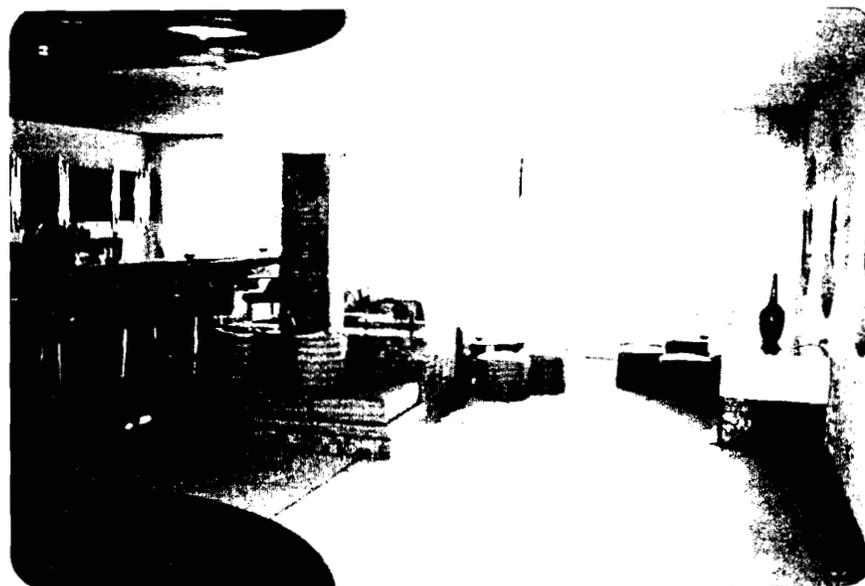
FRONT ENTRANCE



ROOMS OVERLOOKING GARDEN



POOL AREA



BAR

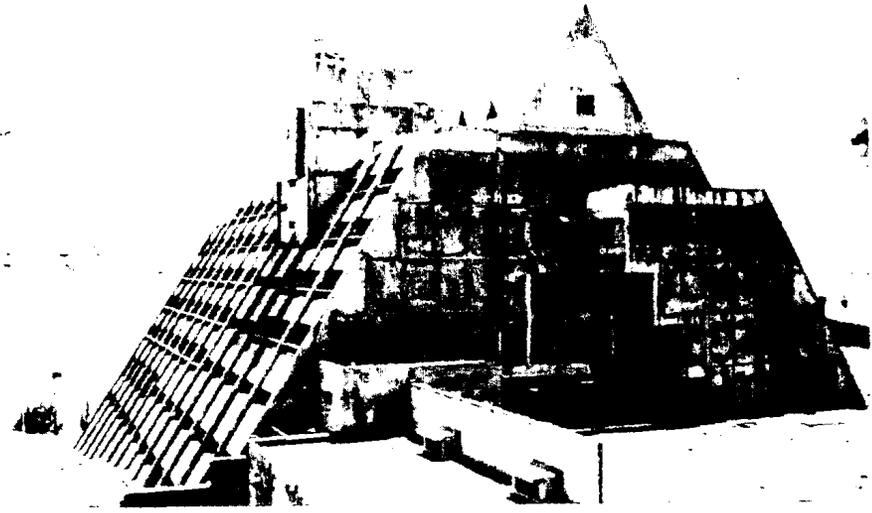
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- LOCATION:**
- Oukaïmeden, ski resort about 80km south of Marrakech, no indigenous population
 - Near base of valley facing ski slopes
- PHYSICAL DESCRIPTION:**
- Construction never completed
 - Imposing A-frame structure designed to include 120 rooms with balconies, restaurant, bar and other facilities
 - Condition of mechanical installations unknown
 - Sound structure, but additional delay in completion of construction may lead to further deterioration
- MARKET:**
- Limited to ski season. Approximately January-April, but unreliable
 - Some visitors in off-season for cool air and mountain climbing
 - Insufficient demand year-round operation of hotel of this size
 - Competition from other small lodges/restaurants
- OTHER FACTORS:**
- Owned by ONMT
 - No employees
- RECOMMENDED STRATEGY:**
- Sell without restriction for probably conversion to condominium apartments for domestic skiers; possibly with a few hotel rooms or studio apartments available to non-owners
 - Publicize intent during coming ski season
- ACTION PLAN:**
- | | |
|--------|---|
| 2ndS93 | Decide on final use option
Prepare audit and evaluation
Conduct informal marketing
Earmark funding (CIH?) for completion |
| 1stS94 | Publicize privatization during ski season
Decide on competitive tender or negotiated sale
Finalize privatization |

HOTEL OUKAIMEDEN, OUKAIMEDEN



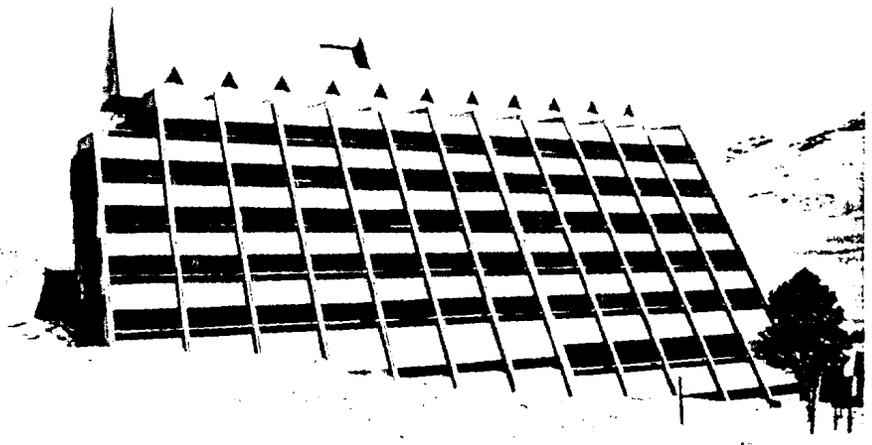
VIEW FROM SKI LIFT



FRONT ENTRANCE



EXISTING HOTELS & CHALETS



ROOMS FACING SKI SLOPES

BEST AVAILABLE COPY

HOTEL SPLENDID

31

LOCATION:

- Sidi Slimane, commercial/agricultural center between Kenitra and Fes, no tourist interest
- On corner in center of town

PHYSICAL DESCRIPTION:

- 17 beds, unclassified
- Hotel occupies upper floor of building with cafe and shops below

MARKET: Non-tourist clientele, characteristics not surveyed

OTHER FACTORS:

- Manageress for last several years has expressed desire to purchase.
- Owned by State (Domaines)
- Audit and evaluation completed
- Apparently various tenants of same building

RECOMMENDED STRATEGY:

- Not examined in depth
- Requires sensitivity to visibility of this privatization process in local community

ACTION PLAN:

2ndS93	Review documentation and pricing
	Review ownership/leasing structure
	Conduct informal marketing
	Finalize documentation
	Negotiate sale or initiate tender
	Finalize privatization

HOTEL SPLENDID, SIDI SLIMANE



CAFE & SHOPS BELOW



HOTEL ABOVE

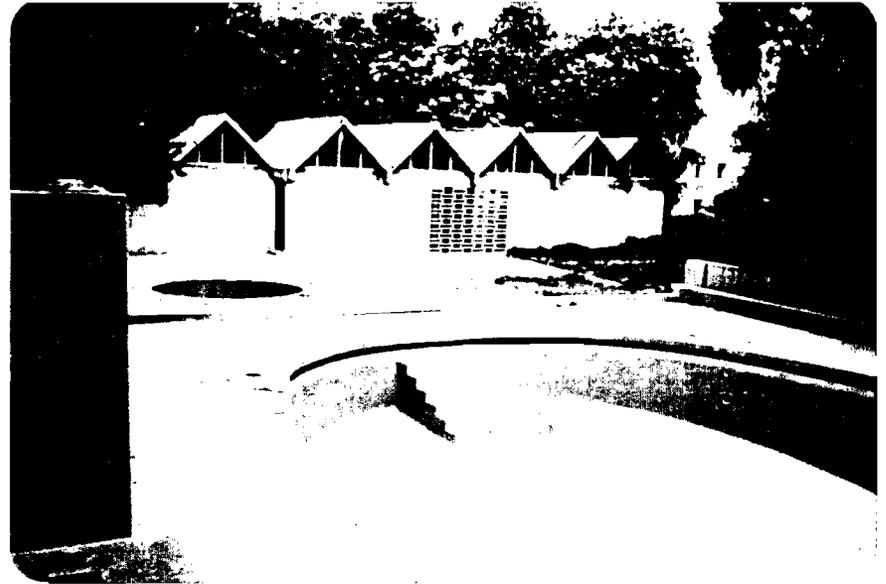
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- LOCATION:**
- Sefrou, an administrative center, with a long history as a trading center, off main tourist routes about 30km south of Fes
 - On hillside near center of town within residential area
- PHYSICAL DESCRIPTION:**
- 20 rooms, 2-stars, restaurant, bar, nightclub, pool (empty except in summer), large garden
 - Rooms, small (13m²), some with balconies, central heating, plain, but clean, small bathrooms with showers requiring tile repair
 - Public spaces need redecoration, but have certain charm
 - Large garden with mature trees, various terraces
- MARKET:**
- Some tourists (writer-types) looking for quiet, inexpensive retreat
 - Operates mainly as restaurant, bar and nightclub
 - Pool popular in summer with Fes residents
 - Low occupancy rate
- OTHER FACTORS:**
- Managed by individual with contract to purchase, owns and manages nightclub, hotel and entertainment complex near Fes
 - Owned by ONMT
 - 16 Employees
 - Audit and evaluation completed
- RECOMMENDED STRATEGY:**
- Negotiate sale to current manager
 - Alternatively sell portion of land for real estate value
- ACTION PLAN:**
- 2ndS93 Review documentation and pricing
Conduct informal marketing
Finalize documentation
Negotiate sale or initiate tender
Finalize privatization

HOTEL SIDI LAHCEN LYOUSSI, SEFROU



VIEW OF RESTAURANT FROM TERRACE



POOL AREA



RESTAURANT



BAR

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- LOCATION:**
- Casablanca, largest and most economically active city, limited tourism interest , but major gateway
 - In heart of business district, corner of two narrow streets
- PHYSICAL DESCRIPTION:**
- Old five-story building, similar to others in district
 - Formerly hotel with 60 rooms, 2 restaurants and bar
 - Complete renovation required, but continued hotel use not considered viable
 - No parking available
- MARKET:**
- Formerly catered to business travelers. Weak competitive position even if extensively remodelled
 - Good location for offices
- OTHER FACTORS:**
- Owned by railroad company (ONCF)
 - All former employees transferred to Hotel Moussafir, managed by CHT
 - Audit and evaluation prepared
 - Unsuccessful attempt to privatize through competitive bidding in 1992, but with restriction that it be renovated for future hotel use
- RECOMMENDED STRATEGY:** Offer for competitive bidding without restriction as to future use.
- ACTION PLAN:** 2ndS93 Decide on use issue
Review documentation and evaluation
Conduct informal marketing
Privatize through competitive tender

HOTEL TRANSATLANTIQUE, CASABLANCA



FRONT ENTRANCE

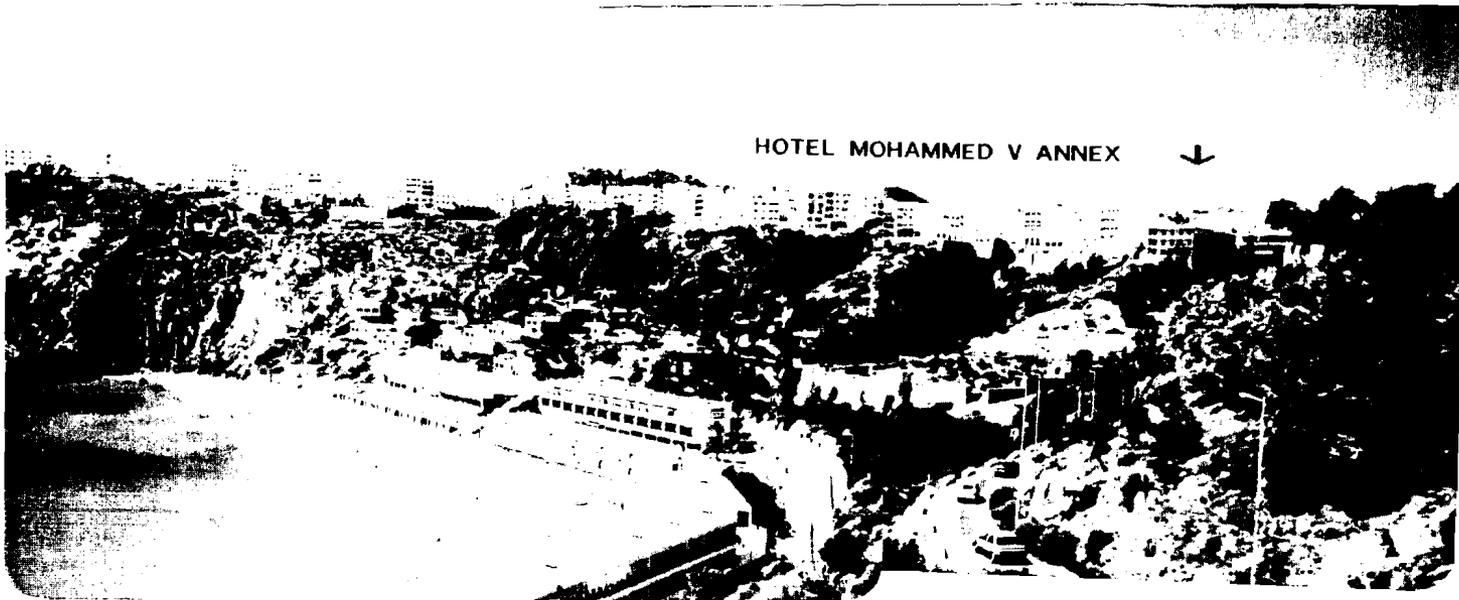


VIEW FROM OPPOSITE CORNER

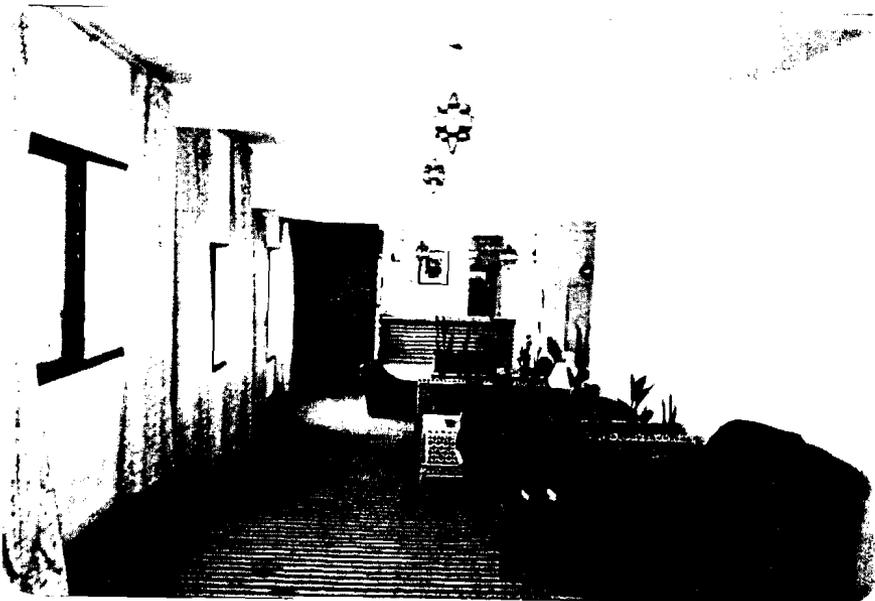
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- LOCATION:**
- Al Hoceima, Mediterranean fishing port, popular summer beach resort for Moroccans
 - Along superb beach on hillside within city
- PHYSICAL DESCRIPTION:**
- Approximately 250 rooms, 3-stars, consisting of Quemado hotel and bungalows, Mohammed V hotel and hotel annex. Facilities include restaurant, bar, nightclub, 2 tennis courts and beach (no pool)
 - Rooms at Quemado hotel are spacious, some were recently redecorated, all in acceptable condition
 - Public spaces at Quemado hotel acceptable for current type of use Hotel Mohammed V and annex closed. Annex may have structural problems
 - Insufficient parking
 - Impressive site
- MARKET:**
- Mainly summer vacationers. 60% Moroccan, 25% Spanish, 15% Other. Full mid-July and August. Almost empty the rest of year (average 10 rooms per night in winter)
 - Before 1991 received foreign tour groups
- OTHER FACTORS:**
- Owned and managed by Maroc Tourist (CDG)
 - 130 Employees in high season, 60 in low
 - Beach is public; heavy used by general public during summer months
 - Potential hurt by poor access and unclear development policy for region
- RECOMMENDED STRATEGY:**
- Not urgent. Await clarification of regional development policy and continued improvement in relations with Spain
 - Seek international (probably Spanish) investor to develop as major tourist complex with expanded capacity and diversity of recreational facilities necessary for effective year-round operation
- ACTION PLAN:**
- | | |
|---------|--|
| 2nd S94 | Prepare documentation: schematic development potential, investment required, property valuation. |
| 1st 95 | Launch international (Spain) marketing effort.
Identify potential funding sources |
| 2nd 95 | Finalize privatization |

MAROC TOURIST COMPLEX AL HOCEIMA



VIEW SHOWING HOTEL QUEMADO ON BEACH, BUNGALOWS AND HOTEL MOHAMMED V ON HILL



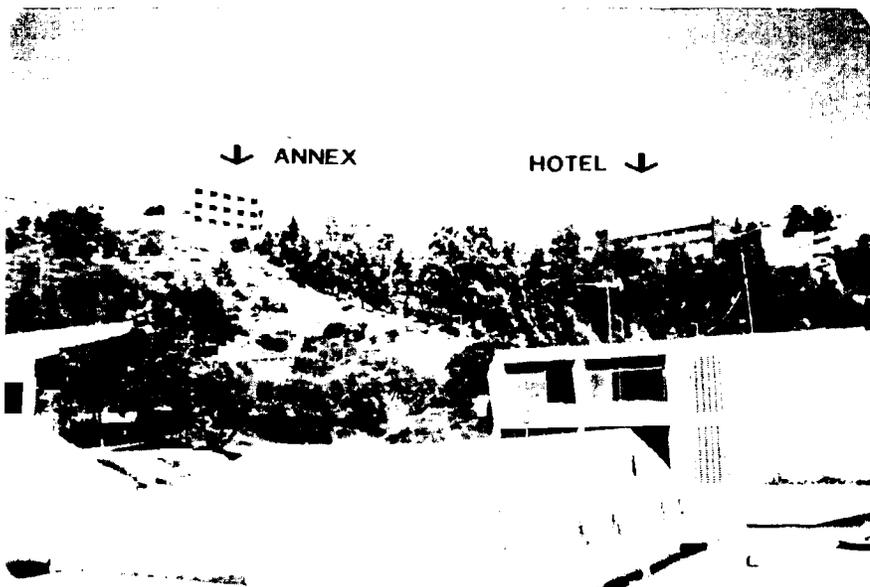
LOBBY



BAR

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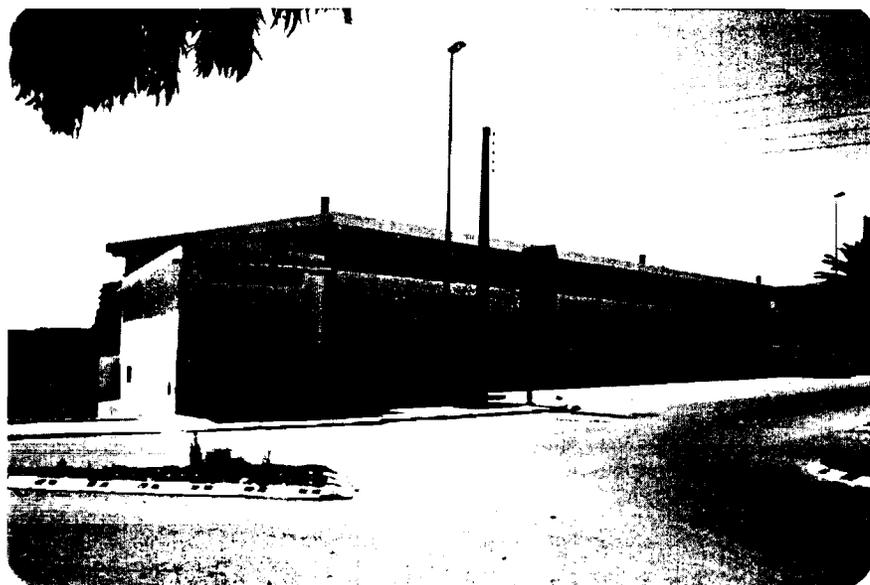
MAROC TOURIST COMPLEX AL HOCEIMA



HOTEL MOHAMMED V AND ANNEX FROM HOTEL QUEMADO



HOTEL MOHAMMED V ENTRANCE



HOTEL MOHAMMED V ANNEX ENTRANCE



HOTEL MOHAMMED V ANNEX FACING BEACH

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- LOCATION:**
- Smir Restinga, Mediterranean beach resort in northwest between Ceuta (Spain) and Tetuan
 - Along beach, on strip of land between main highway and the sea
- PHYSICAL DESCRIPTION:**
- Complex with equivalent capacity of about 1000 rooms consists of numerous forms of lodging including hotel rooms, efficiency apartments, duplex apartments, bungalows and luxury villas. Facilities also include restaurants, pool, tennis courts and other installations
 - Complex in a mixture of architectural styles and uses
 - Good beach
 - Insufficient parking
- MARKET:** Mostly Moroccans vacationers during summer. Spanish from Ceuta during weekends, rest of year.
- OTHER FACTORS:**
- Owned and managed by Maroc Tourist
 - Most units co-owned by Moroccan owners. Luxury villas mostly owned by high government officials
- RECOMMENDED STRATEGY:**
- Highly complex situation
 - Seek proposal from Maroc Tourist management and condominium owners for study
 - Not urgent
- ACTION PLAN:**
- 4thQ93/94 Discuss strategy/action plan with Maroc Tourist
- 1stS95 Invite/review proposal of management and condominium owners
- 2ndS95 Negotiate transfer and finalize privatization

MAROC TOURIST COMPLEX SMIR RESTINGA



VIEW SHOWING RESTAURANT & VARIOUS TYPES OF ACCOMMODATIONS



DUPLEX APARTMENTS



VILLAS

(Note: Some Images covered 116

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MAROC TOURIST COMPLEX SMIR RESTINGA



ANDALOUS I APARTMENTS



ANDALOUS I VILLAS



ANDALOUS II VILLAS



RESIDENTIAL SUBDIVISION

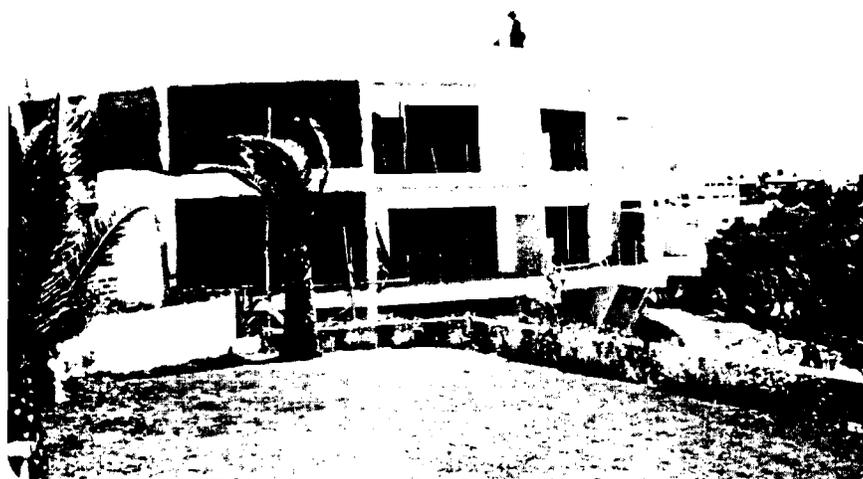
(Note: Some Images reversed)

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MAROC TOURIST COMPLEX SMIR RESTINGA



MAIN RECEPTION WITH APARTMENT ABOVE



HOTEL KARABO



APART-HOTEL BOUSTENE



RESTAURANT & POOL

(Note: Some Images reversed)

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HOTEL PARADOR

36

- LOCATION:**
- Chefchaouen, picturesque town in Rif mountains on tourist route from Tangier to Fes
 - In town at edge of medina on hillside overlooking valley
- PHYSICAL DESCRIPTION:**
- 35 rooms, 4-star, restaurant, bar, small pool
 - Rooms, small (13m²), but adequate, half facing medina, half the valley, individual heaters, suites with A/C, recently redecorated
 - Public spaces are small, but comfortable, recently redecorated
 - Requires laundry equipment, pool filter, kitchen apparently OK
 - Dull exterior, but cozy, little hotel inside
- MARKET:**
- Mixed tourist clientele. 35/65% individual/group. 45% Spanish, 25% Moroccan, 30% Other. Average length of stay--2 nights. All touring
 - Low occupancy rate--25-40% last few years
 - Competition from KTH hotel and other small establishments
 - Market expected to improve
- OTHER FACTORS:**
- Owned and managed by Maroc Tourist (CDG)
 - 32 Employees

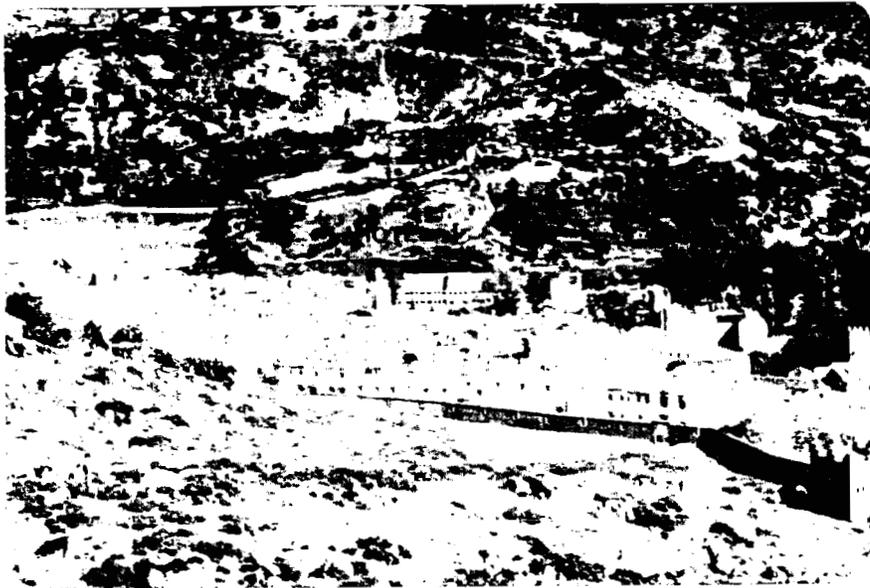
RECOMMENDED STRATEGY: Not urgent, await strengthening of tourism to region. Target local/foreign investor/managers. Possible headquarters for "chain" of guesthouses in medina.

- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Discuss strategy/action plan with Maroc Tourist |
| 1stS94 | Prepare audit and evaluation
Conduct informal marketing |
| 2ndS95 | Privatize through competitive bid and negotiated sale |

HOTEL PARADOR, CHEFCHAOUEN



FRONT ENTRANCE



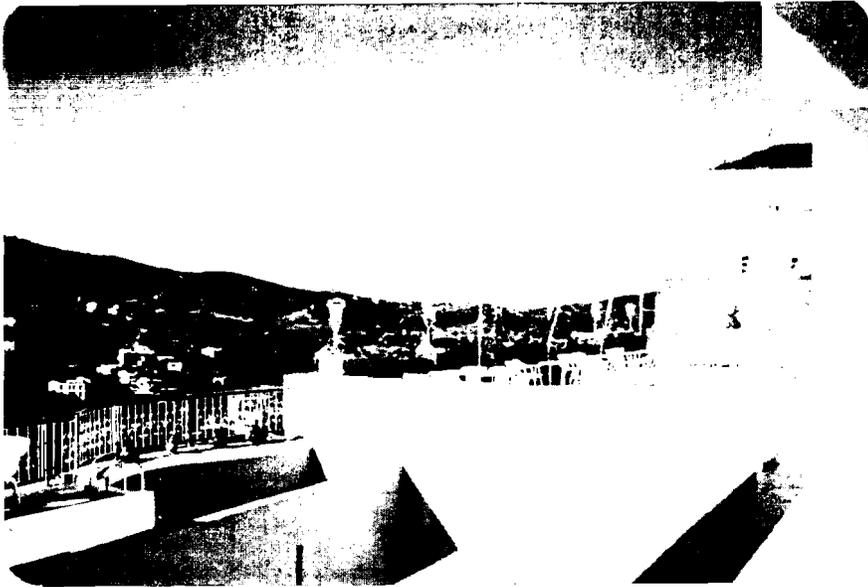
VIEW SHOWING LOCATION



ROOMS OVERLOOKING POOL & VALLEY

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HOTEL PARADOR, CHEFCHAOUEN



POOL TERRACE



BAR OVERLOOKING POOL



LOBBY, RECEPTION & RESTAURANT ENTRANCE



RESTAURANT

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- LOCATION:**
- Ketama, village in Rif mountains along main northern road at intersection with road to Fes, near ski area
 - In center of growing town, formerly surrounded by Cedar forest and no other construction

- PHYSICAL DESCRIPTION:**
- 69 rooms, 3-star, restaurant, large bar/lounge, pool (empty, for lack of water)
 - Rooms, moderate (14m²) size most with balconies, central heating, old, but acceptable condition
 - Public facilities need redecoration
 - Pool area in poor condition
 - Plumbing apparently in good condition
 - No laundry equipment, kitchen equipment old
 - Insufficient water; generates own electricity (public power expected end of 1993)
 - Designed as rustic ski lodge. Encroachment of other buildings has destroyed its appeal

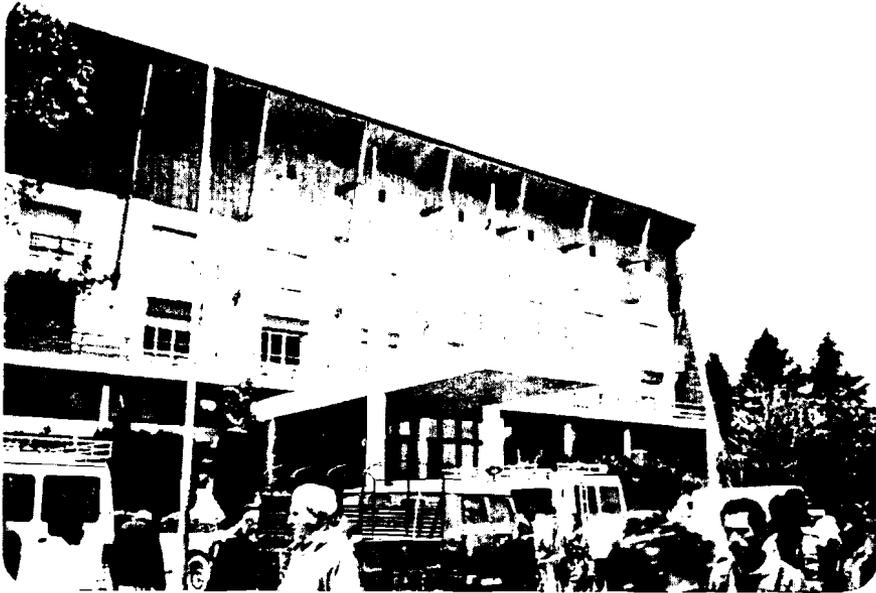
- MARKET:**
- Formerly popular mountain retreat for Fes residents in summer, ski resort in winter
 - Characterization of current market unclear. 60/40% individual/group. 30% Moroccan, 25% Spanish, 20% German, 10% French, 15% Other. 45% tourist, 55% business. Average length of stay--3 nights
 - Busy bar business with locals (50% of revenue)
 - Low occupancy rate--35% in 1993. Averaged 65% in 1990 through 1992

- OTHER FACTORS:**
- Owned and managed by Maroc Tourist (CDG)
 - 21 Employees
 - Complex issues related to control of illegal cultivation and commerce in region

- RECOMMENDED STRATEGY:**
- Requires clarification of issues
 - Not urgent from tourism/privatization standpoint
 - Possible re-utilization for public, non-hotel use.

- ACTION PLAN:**
- | | |
|--------|--|
| 4thQ93 | Discuss issues/strategy with Maroc Tourist
Complete action plan |
| 2ndS95 | Finalize privatization or transfer for public use |

HOTEL TIDIGHINE, KETAMA



FRONT ENTRANCE



ROOMS OVERLOOKING POOL



VIEW FROM ENTRANCE SHOWING URBAN ENCROACHMENT



BAR & LOUNGE

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APPENDIX B

List of Interviews

LIST OF PERSONS INTERVIEWED/CONSULTED

<u>NAME</u>	<u>ORGANIZATION</u>	<u>TITLE/RESPONSIBILITY</u>
Hassan Amrani	Min. of Privatization	Director
Belkeziz Abdelkader	"	Hotel Projects
Mohamed My Dounia	"	Hotel Projects
Alfred Saulniers	"	Advisor (PW)
Olivier Fremond	"	Advisor (PW)
Auguste Rimple	Price Waterhouse	Vice President
Mara Fellouris	"	Project Director
Jorge Iwaszkiewicz	"	Project Director
Aziz Ramdani	"	Manager, Rabat Office
Susan Riley	USAID	Program Officer
Alexander Shapleigh	USAID	Program Director
Driss El Khazzani	Min. of Tourism	Planning Director
Melgheni	"	Investment Director
M. Driouch	"	Tourism Activities
Boubagura	"	Tourism Activities
Mohamed Yechou	"	Reg. Del.--Agadir
Mohamed Elomari	"	Reg. Del.--Al Hoceima
Haj Adellatif Hattabi	"	Reg. Del.--Errachidia
Serghini	"	Reg. Del.--Marrakech
Ouchchak Hafid	"	Reg. Del.--Fes
Abdelkrim Ouachikh	"	Reg. Del.--Ouarzazate
Mohamed Alami	"	Reg. Del.--Oujada
Fares Moulay Cherif	"	Reg. Del.--Tangier
Abdelkader Lyagoubi	Nat. Tour. Of.(ONMT)	Director
Mohamed Hasnaoui	"	Division Chief--Hotels
Ali Boukil	"	Regional Director
Houcine El Baria	Bank (CDG)	Director--Hotels
Hadj Mohamed Diouri	Maroc Tourist	Secretary General
Abdellatif Benali	Railroad (ONCF/CHT)	Assist. Dir.--Hotels
Zakaria M'Chiche	Hotel Finance Co. (CIH) Ouarzazate Province	Post-Evaluation/Studies Governor
Mohamed Belghemi	Salem Hotels	President
M. Ben Amour	KTH Hotels	President
Ramadan	"	Operations
Rifi	"	Personnel/Finance
Al Mahjoub Amjad	Dounia PLM Hotels	Secretary General
Kabous	"	Hotel Operations
Adeljalil Kchia	H.Idrissides, Marra	General Manager

Mohamed Bennouna	Framtours	Representative
	Hotel Kenza/Chama, Marra	General Manager
	Hotel Association	Officer
Bouchra Amari	Chams Voyages	Directress
M'Bru Christophe	Hotel L'Angour, Oukaim.	Manager
Pierre Jean	Club Med, Ouarzazate	Manager
Pierre Sala	Inter. Fin. Corp. (IFC)	Representative, Casa
Hany Assaad	"	Sr. Invest. Officer (Wash)
Charles Humphreys	World Bank	Private Sector-Morocco
Eva Harris	IESC	USAID Project-Tourism
Laura Colin	IESC	USAID Project-
Investment		

LIST OF HOTEL MANAGERS INTERVIEWED

<u>NAME OF HOTEL</u>	<u>NAME OF MANAGER</u>
Al Massira	Mohamed Benomar
Almoravides	Mohamed Hamidouch
Asmaa	Boukili
Azghor	Ider Boussouab
Des Iles	Mostafa El Azza
Doukkala	Seddik Fenjiro
Dune d'Or	Christophe Schmitt
Friouato	Ali Zerrouk
Hamou Zayanni	Omar Adnane
Hyatt Casablanca	
Ibn Toumert	Mohamed Gheris
Madayeg	Mimouni My. Lahbib
Merinides	Adil Mouline
N'Fis	Nouri
Ouzoud	Omar Zouak
Riad	Mohamed Rachid Kabbaj
Rissani	Mohamed Lehgin
Rose du Dades	Larbi Boutadghart
Saghro	Andi El Mostapha
Sidi Harazem	Abdeleh Khiar
Terminus	A. Benmessaoud
	Alaoui My M'hamed
Tinsouline	Mohamed Bouchabaka
Toubkal	Dahbi El M'Seguem
Tour Hassan	Mohamed Zehzouhi
Transatlantique/Meknes	Ali Kournaf
Volubilis	Jamal-E-Sefirioui
	Khalid Benjelloun
Zalagh	Mohamed Kadiri
Zat	Miloud El Haji
Splendid (Cafe Loulou)	Hassan/Hakim Laiymani
Sidi Lahcen Lyoussi	Hussein el Idrisses
	Ahmed Lafraxo
Maroc Tourist Complex/Al Hociema	Benaissa Mohamed Arrodji
Maroc Tourist Complex/Smir Restinga	Essaidi Mohamed
Parador	Ben Ayad
Tidighine	Abderraham Zekraoui