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Tourism Transport Sectoral Analysis: A Suggested Methodology

AMIR II Achievement of Market-Friendly Initiatives and Results

June 2005

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ABSTRACT

This report documents the suggested methodology for conducting an analysis of the structure of the tourism transport sector in Jordan. It is based on the methodology that was used by the AMIR Program to develop a series of investment promotion sectoral strategies for the Jordan Investment Board (JIB) and other stakeholders.

ABBREVIATIONS AND ACRONYMS

AMIR	Achievement of Market-friendly Initiatives and Results Program
DDI	Domestic Direct Investment
ECI	Enhanced Competitiveness Initiative
EJADA	Euro-Jordanian Action for Development
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GoJ	Government of Jordan
HBoT	Higher Board of Tourism
JAED	Jordanian Authority for Economic Development
JD	Jordanian Dinar
JIB	Jordan Investment Board
JTB	Jordan Tourism Board
MENA	Middle East & North Africa (Region)
MoTA	Ministry of Tourism and Antiquities
MoT	Ministry of Transport
PTRC	Public Transport Regulatory Commission
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TTC	Tourism Transport Committee
USAID	United States Agency for International Development
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The objective of this report is to document the suggested methodology for conducting an analysis of the structure of the tourism transport sector in Jordan. It is based on the methodology that was used by the AMIR Program to develop a series of investment promotion sectoral strategies for the Jordan Investment Board (JIB) and other stakeholders.

The objective of the analysis is to benchmark the current tourism transport structure against international best practice and propose a new blue print of the sector to support the government's planned reform of the sector into a more economically competitive environment.

Therefore, the analysis methodology, as outlined and explained in this report, begins with an overview of the sector in Jordan with the aim of determining the main features of the sector and identifying the existing trends and characteristics. This overview is followed by a review of certain players in the global industry to determine international best practice. A similar review is undertaken for the regional industry with the additional aim of identifying potential regional competitors.

The local, regional, and global overviews are then used as basis for a SWOT analysis of the sector in Jordan and a benchmarking comparison with competing locations in the global market, as well as a gap analysis in relation with the international best practice. From such analysis Jordan's competitive advantages are identified and recommendations are made on the necessary regulatory and product type changes that are needed. In addition, recommendations are made on ways to reduce the constraints that limit the growth of the local industry.

CHAPTER 1: INTRODUCTION

1.1 Background

The USAID-funded AMIR Program is supporting the development of Jordan's tourism industry by developing a national tourism strategy as well as providing technical and financial assistance to key private sector stakeholders in Jordan's tourism industry. These stakeholders include the Jordan Tourism Board (JTB) to enhance its capacity in effectively promoting Jordan's tourism sector both regionally and internationally; the Jordan Inbound Tour Operators Association to launch the association and develop value-added programs; in addition to other associations in the industry and the Ammon Tourism and Hospitality College, a potential prime regional university for tourism and hospitality education.

Tourism has emerged as a key economic driver in the Middle East, including Jordan. Jordan's tourist arrivals and receipts increased at a 8-10% annual growth rate since the signing of the peace treaty with Israel in 1994, reflecting large increases in the number of visitors including Israeli and Gulf tourists. The tourism sector is an important source of revenue for Jordan, employing over 21,000 workers and accounting for nearly 8% of GDP in 2000. After worker's remittances, tourism is now the second-largest foreign currency supporter of Jordan's balance of payments.

In the year 2000, total investment in the sector rose substantially, climbing from JD120 million in 1999 to JD562 million, with foreign investment comprising 65% of the total.

Despite these impressive growth figures, Jordan's tourism sector remains vulnerable to the regional political environment. The industry has been battered by the outbreak of violence in the Palestinian Territories and Israel. Many tourists are now avoiding the Middle East, sending occupancy rates at the country's hotels plummeting over the past year. Tour operators have also been hard hit, with business down by as much as 85%. 2001, dubbed the "Millennium Year" in the Holy Land, was expected to spur a tourism boom in Jordan. Instead, the industry has suffered a set back due to the regional political conditions.

Accordingly, a private sector-led capacity to identify target markets, improve Jordan's tourism image, and diversify its tourism product is all the more important. In this regard, the launch of the Jordan Tourism Board (JTB) in March 1998 as an independent public-private sector partnership was an important step in developing an effective, integrated approach to tourism promotion and business management. The JTB's 13-member Board of Directors is headed by the Minister of Tourism and includes 9 private sector members representing hotels, incoming tour operators, airlines and tourism transport companies. The Board, not the Government of Jordan (GOJ), appoints JTB's professional Managing Director. The total annual budget for 2001-2003 was around JD5 million, with 80% of the funding provided by the GOJ and the remainder by the private sector. In 2004, the JTB negotiated with the government to tie its subsidy of the JTB budget to annual tourism receipts as opposed to the current practice of allocating JTB budget based on political decision. The government agreed to allocate approx. 2% of its tourism receipts to JTB on annual basis tied against set targets and goals.

Impact of September 11 on the Tourism Sector

Tourism numbers (hotel occupancy, tourism expenditures, etc.) were already depressed due to the Intifada. Israeli tourism, an important sector, dropped off entirely, while the number of European tourists has decreased precipitously. However, a certain equilibrium had been achieved in this sector during the first 3 quarters of 2001. Immediately after Sep 11, however, Jordan hotel occupancy fell to just 20%. In the weeks since, those numbers have managed to rebound slightly. Despite the crisis, new hotels continue to be built in Jordan, and new tourism projects are being planned. Small business owners (2 and 3 star hotels, local travel agents, tour guide operators, transport companies, etc.) have been the hardest hit.

Promising Sectors and Products

Jordan's tourism products need to also be appropriately developed and packaged for successful promotion. In addition, effective partnership with and active participation by the various tourism stakeholders will be essential to developing Jordan's tourism sector and successfully promoting it. Several major tourism sub-sectors immediately emerge as the main pillars of Jordan's tourism potential:

1. Educational Tourism – Attracting students primarily from Arab countries, particularly the Gulf
2. Medical/Wellness Tourism – Wellness tourism generally refers to attracting visitors to such natural wellness sites as the Dead Sea, Ma'in and Northern Hemma hot springs. Medical tourism refers to attracting patients (primarily from the MENA region) for treatment in Jordanian hospitals and clinics.
3. Eco Tourism – Which aims to attract tourists interested in natural reserves, wild life refuges, marine tourism, etc.
4. Religious Tourism – This includes both Islamic and Christian interests. There is a particular potential to capture transient Hajj traffic during the pilgrimage and Omra period as well as Jordan as an end destination.
5. Adventure Tourism and Cruising
6. Cultural Tourism
7. Archeological Tourism
8. MICE Tourism

The first two sub-sectors, educational and medical tourism, comprise immediate opportunities that Jordan can capitalize on. Already, Jordan has been trying to promote itself as the educational and medical hub of the Middle East. Jordan's reputation in these two fields is positive and both industries possess the physical and human capacity to capitalize on this opportunity.

To ensure a good quality and sustainable development of other areas, the Development of a national tourism strategy was important. In addition, developing sector-specific strategies is essential. Thus a process of developing a national tourism strategy was initiated in March 2002 with active involvement of stakeholder groups to secure successful attraction of students, patients and tourists to Jordan. A steering committee was formed to lead development of the strategy with the help of world class tourism experts. Subcommittees were formed to work on 4 various sub components covering Product Development, Marketing, Human Resources, Legal and Regulatory Framework. The JTB was leading this process till May 2003 when the group agreed that the effort should be followed by the newly formed National Tourism Council (NTC). The strategy was finalized and endorsed by the Government of Jordan in May 2004 and launched by His Majesty at the World Economic Forum two weeks later. But much work is still ahead in terms of implementation and clear and dedicated involvement of all private and public stakeholders.

With the start of the strategy implementation process, a Strategy Implementation Unit was developed and based at the Ministry of Tourism and Antiquities. The Strategy Implementation Unit (SIU) acts as a catalyst and supporter for the Jordan National Tourism Strategy 2004-2010 implementation by supporting the working teams and stakeholders' progress in a coordinated manner. The primary purpose of the SIU is to ensure the effective working of the public-private coalition.

During the above process, tourism transport was identified as one of the priority areas that need to be looked into and revised. This scope of work is following these recommendations.

1.2 Objective

The objective of this report is benchmarking the current tourism transport structure against international best practices and propose a new blueprint for the regulation of the sector to support the government's planned reform of the sector into to a more economically competitive environment.

1.3 Report Organization and Methodology

1.4 Industry Definition

The background section of the investment promotion strategy describes the general context behind the study and the reason for it to be commissioned. It clarifies to the reader the general framework of the assignment and its scope. It is useful here to refer to the Scope of Work that details the objective, desired outcome and scope of the study – the full scope is usually attached as an annex to the report.

Industry Definition

Since the analysis aims at identifying specific recommendation for improving the competitiveness of the tourism transport sector in Jordan, it is essential that the sector is well defined for the reader at the beginning of the document.

CHAPTER 2: SECTOR OVERVIEW

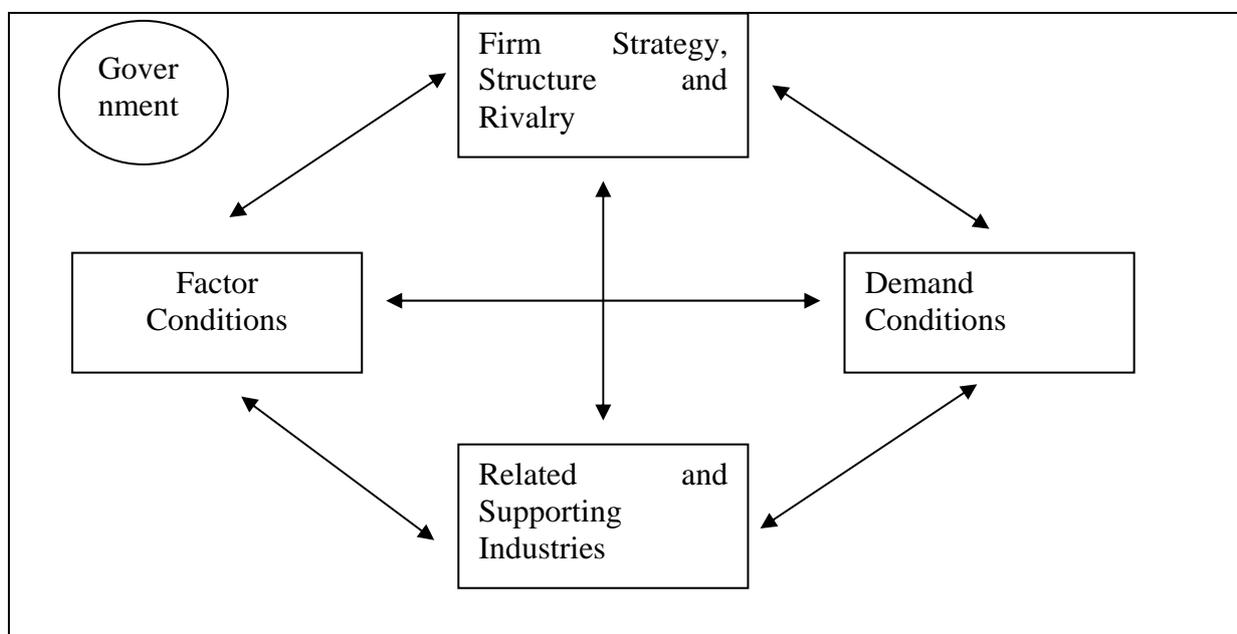
2.1 Sector in Jordan

The objective of this section is to provide the reader with background information about the characteristics of the sector in Jordan. The information is categorized according to Michael Porter's four broad attributes that constitute the diamond of national competitive advantage. These four determinants are the following.

- Demand conditions
- Firm strategy, structure, and rivalry
- Related and supporting industries
- Factor conditions

They represent the playing field in which the industry operates as can be seen in the following diagram:

Diagram 2.1: Porter's Four attributes of Competitive Advantage



Thus, the information about the sector gets compiled in a manner that serves as the context upon which the sector analysis in Section 3 is based.

Demand and Investment Conditions in the Local Market

A general overview of the sector's main characteristics in terms of trade, investment, and demand is undertaken to offer a macro-picture of the sector in Jordan and of the nature of local demand for its product or service. The overview includes a description and brief analysis of the following items.

- Sector's contribution to Jordan's GDP over the past few years
- Trend in the sector's share of Jordan's exports
- Trend in the growth rate of the sector
- Sector's share of the industry value-added
- Size and trend of the local investment in the sector
- Trend in the sector's share of Jordan's exports
- Imports of this sector into Jordan over the past few years
- Trend in the sector's share of employment in Jordan

- Trend, size, and origin of FDI in the sector
- Number of enterprises in the sector, their size, gross output, and geographic location

This information provides the starting point from which the reader can begin understanding the current status and the latest developments in the Jordanian tourism transport sector. Since it sets the stage for the remainder of the section, this information should be as factual and quantitative as possible. In particular, trends in demand and investment indicate whether there exists a critical mass of local consumers and describe their level of sophistication. This information is an important indicator of the competitiveness of the industry.

Market Access Agreements

Market access agreements are part of the demand conditions discussed above, since links to regional and global markets are another way to reach the critical mass of consumers and achieve economies of scale. It is recommended, however, that they be treated separately to highlight their increasing relevance to certain industries, where their existence is much more important than that of any of the other factors. For such industries, barriers to entry constitute a major portion of the costs, and their reduction or abolition has major consequences on their competitiveness.

So, this section includes a brief overview of Jordan's market access agreements that have the most bearing on the sector.

Firm Structure, Major Players, and Competition in Jordan's Market

The sector overview shifts from the macro-level to the micro-level in this section. It includes the following.

- A brief description of the number of local enterprises and firms in this sector, as well as their sizes, gross output, and geographic location
- A list of the main Jordanian and foreign players in the market. This list discusses the ownership, product range, market share, total employment, production methods, number of facilities, expertise, profitability, viability and challenges facing each of the major players in the market

This information offers substantial insight into the structure of and nature of competition in the local market, as well as the conditions governing the creation and management of firms within the sector.

Linkages, Related and Supporting Industries

The presence or absence of specialized suppliers and related industries is typically one of the most important factors in affecting an industry's competitiveness and cost structure. Therefore, a description of their status and/or potential in Jordan is logical and essential at this juncture. Since a cluster or potential cluster promises to reduce costs, all possible backward and forward linkages are examined and described in detail.

Factor Conditions

This section describes the availability and costs (conditions) of the Jordanian factors of production that are necessary for competition in the sector in question. These factors typically include the following.

- Human capital
- Skilled labor
- Natural resources
- Knowledge resources
- Infrastructure
- Financial resources

- Production inputs

Factor Costs and Operational Efficiency

Factors of production are acquired at a cost that affects the operating efficiency of the producers. This section includes lists of the costs of the most relevant factors of production in Jordan, as well as important regional and global players for comparison. These lists typically cover the following.

- Labor wages
- Rental/sale costs of serviced land
- Rental/sale costs of factory buildings
- Transportation, freight, and shipping costs
- Utility costs (e.g., water, power)

Regulatory Environment

This section describes the regulatory environment (including all the laws and regulations) governing the tourism transport sector in Jordan. Such regulations have a bearing on the smooth functioning of the sector and are a determinant of its openness and level of competition.

With the local sector overview complete, a general, yet comprehensive picture of the industry's profile is drawn, showing the main investment, demand, and trade trends and revealing the macro and micro conditions of the industry and its environment. This information is the foundation upon which the subsequent SWOT analysis is based.

2.2 Global Industry and Trade in the Sector

The objective of this section is to provide the reader with background information about some main global players in the tourism transport sector, with the aim of identifying international best practice in this field. Possible information to collect includes:

Market and Investment Trends

A general overview of the sector's main trends and characteristics in terms of trade, investment, and demand is provided.

Structure of the Sector

This section contains a description of the structure of the sector in some of the major players in terms of the size, regulatory environment and main industry characteristics.

2.3 Regional Industry and Trade in the Sector

The objective of this section is to provide the reader with background information about regional industry and trends in the sector, mainly in order to determine existing or potential regional competition, as well as to highlight possible cooperation opportunities for Jordan's sector. These findings are essential for the SWOT analysis in Section [3].

Major Regional Markets

This section surveys the sector's main regional markets. The survey contains information on each regional market's demand, consumption, trade, growth and trends, as well as the names of the major companies. In addition, it highlights each country's factor costs, cluster conditions, and firm structure. This information should be organized in a comparative table that will be the basis of the competitiveness analysis in Section [3]. (See Table 2.1 for an example).

Table 2.1:

Country	Market size	Labor costs	labor Availability	Tourism services	Infra-structure and Transportation	Developed cluster	Regulatory environment
Syria							
Turkey							
Egypt							
Lebanon							

CHAPTER 3: SECTOR ANALYSIS

3.1 GAP Analysis

This section starts out with a list of the most relevant best practices (derived from the discussion in section 2.2 above) which will be used to conduct a gap analysis with regard to Jordan's tourism transport sector. Following are examples of some of these practices:

- Political and economic stability
- Economic openness and liberalization
- Strong local cluster (i.e., linkages)
- Transparent regulatory environment
- Reliable legal and financial institutions
- Adequate infrastructure and reasonable costs
- Sufficient supply of low-cost skilled human resources
- Access to local and regional markets

Following that, a comparison of Jordan's performance vis-à-vis international best practice is undertaken in order to benchmark Jordan against this practice and derive recommendations to adopt it in chapter 4.

3.2 SWOT Analysis

This section highlights the strengths, weaknesses, opportunities and threats (SWOT) of the sector in Jordan, and how they relate to the competitive factors in the five components of the Porter model.

The SWOT analysis is one of the strategic analysis tools that help organizations/companies understand their competitiveness in the ever-changing business environment. It looks at internal factors (Strengths and Weaknesses) as well as at external factors (Opportunities and Threats) posed by the environment and the competition. See Annex [3] for more information about SWOT analysis.

Strengths and Weaknesses

This analysis should be organized in two lists, one for strengths and another for weaknesses where each factor in question is analyzed briefly. Each factor included should be supported by the information contained in Section [2.1].

In view of the strengths and weaknesses listed, Jordan's competitiveness is compared to a number of competitor countries regionally. These countries are chosen on the basis of the competitiveness of their existing industry and/or their potential to attract tourists as stated in regional sector overviews in Sections [2.3]. This comparison is summarized in a table that ranks the countries according to such selected criteria as the following.

- Local market size
- Local workers' availability
- Profitability
- Operating cost efficiency
- Regulatory environment
- Infrastructure adequacy
- Tax Regulation
- Perceived country stability
- Access to regional markets

In light of the comparison, Jordan's relative position, comparative advantages and disadvantages, can be determined.

Opportunities and Threats

This section discusses the different opportunities and threats that can or may affect the growth of the sector in Jordan and enhance or reduce its competitiveness. Its analysis is based on gauging the situation that Jordan's sector faces in regional and global markets (Sections [2.2] and [2.3]). Again, this analysis should be organized in two lists, one for opportunities and another for threats where each factor under consideration is analyzed briefly. Each factor included should be supported by the information contained in Section [2.1].

CHAPTER 4: RECOMMENDATIONS

4.1 Product Development Recommendations

The preceding sector overview and analysis aimed at gauging the competitiveness of Jordan's tourism transport sector. This section identifies explicitly those product development recommendations which could enhance this competitiveness and allow Jordan's sector to become more innovative.

The identification of these product development options is based on determining which international or regional practices are the ones that combine Jordan's strengths and comparative advantage with an emerging global market trend. A brief description of the potential for these products and the reasons behind the opportunity should follow.

4.2 Framework for a New Liberalized Tourism Transport Sector

This section aims to propose a new structure for the tourism transport sector that is liberalized and competitive. It should be based on recommendations to improve the regulatory environment and should contain various options for policy makers to ponder.

4.3 Constraints and Remedies

The objective of this section is to provide the reader with answers to questions regarding the impact of Jordan's constraints on the sector's growth, prospects, and competitiveness.

Interviews with players in the market and meetings with relevant staff in line ministries, in addition to the conclusions reached through the SWOT analysis reveal a set of constraints that affect or may affect the growth of the sector in Jordan.

The main constraints identified should be compiled in a list along with their perceived level of impact on the industry]. Impact levels should be divided into three categories – A, B, and C – with A denoting the highest impact on the growth of the industry.

In light of this list, a detailed discussion of potential remedies for these constraints should follow. These suggested remedies are offered based on input from industry stakeholders, previous analysis, and a review of international best practices.

ANNEX 1: THE SWOT ANALYSIS TECHNIQUE

Why use the tool?

SWOT Analysis is a very effective way of identifying your **Strengths** and **Weaknesses**, and of examining the **Opportunities** and **Threats** you face. Carrying out an analysis using the SWOT framework is often illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective, thus it helps you to focus your activities into areas where you are strong and where the greatest opportunities lie.

As a promotion officer, your main objective of using this analysis is to determine the competitive / comparative advantages of Jordan as a location with respect to an industry sector / niche in that sector.

How to use the tool:

To carry out a SWOT Analysis you need to follow the following steps:

A) Write down answers to the following questions. Where appropriate, use similar questions:

Strengths:

- What are your advantages?
- What do you do well?
- What relevant resources do you have?
- What do other people see as your strengths?

Consider this from your own point of view and from the point of view of the people you deal with. Don't be modest - be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths!

In looking at your strengths, think about them in relation to your competitors - for example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

Weaknesses:

- What could you improve?
- What do you do badly?
- What should you avoid?

Again, consider this from an internal and external basis - do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:

- Where good opportunities are facing you?
- What are the interesting trends you are aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale
- Changes in government policy related to your field

Sort results based on the probability of occurrence – if the list is long you may want to omit the low importance factors.

C) Use the results of the SWOT analysis to determine Jordan's competitiveness in comparison with regional/global competitors and to build the future strategy (sector niche(s) and target market(s) by:

- Building on the strengths
- Resolving the weaknesses
- Exploiting the opportunities, and
- Avoiding the threats