



The Palestinian Tourism Sector

DRAFT

Sector Brief 2006

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In collaboration with
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Table of Contents

Contents	Page
1. Domestic Market Size & Demand	2
2. Sector Output & Capacity	3
3. Sector Structure	6
4. Employment / Human Resources	7
5. Sector Value Chain	8
6. SWOT analysis	9
7. Conclusion and Recommendations	9
8. Resources	11

1. Domestic Market Size & Demand

The share of hotels, restaurants and commerce in the Palestinian GDP was estimated at 15.2% in 2004 (1999: 14.5%, 1995: 18.2%), while these sectors provided for 19.9% of the total WBGS employment (1999: 17%, 1995: 19.6%).

Over the period from 1994 to mid-2000, optimism about the future political situation prevailed with the result that tourist accommodation, ancillary facilities and services grew significantly. During that time, the number of tourist accommodation units (hotels, pension and guest houses) increased from 54 units with 2,464 rooms to 91 units offering 4,275 rooms. In addition, in 2000, a further 30 hotels were under construction, increasing the accommodation stock by an additional 2,346 rooms. Over the same period, the number of tour guides registered by the Palestinian Authority (PA) rose from 18 to 223. A firm basis for the sector was developing.

The estimated employment in tourism amounted to 12,000 by the year 2000. Estimated tourist receipts from tourism totaled some \$226.3 million, of which 47% was generated by souvenir stores and handicrafts. Tourism took a major set back in September 2000 through mid-2004. Tourism dropped by over 90% in 2001 and 2002. In mid-2004, tourism in Palestine started coming back due to the temporary political stability.

In the year 2005, there were 123 registered tourist accommodation establishments offering 5,850 rooms. Of these, 86 were hotels, 15 pensions and guest houses, and 22 associated with religious establishments largely catering to the pilgrimage tourists. The majority of the accommodations are relatively small and family-run and a lower standard of facilities and service levels. With the exception of the Intercontinental Hotels in Bethlehem and Jericho, there are no internationally managed or franchised hotels in Palestine.

The pilgrimage tourism market is currently the largest market in West Bank and Gaza, and Israel is the main competitor in this market. No other niche markets have yet been determined, which is a major disadvantage in the global market. However, reinvigoration of cultural and historical offerings could be attempted with stabilization of the political environment. Because the Gaza coast is off-limits to visitors, the potential for "sun-and-sand" oriented tourism has not been exploited. Few firms have attempted to explore new markets collectively. Because global marketing and promotion is expensive and inefficient on an individual firm basis, firms have resorted to limited regional and international promotion. Consequently, both product offerings and origin countries for tourists have not been explored to the optimal level. Moreover, Palestinian tourism does not have a recognized "brand" in the tourism market, as only a handful of firms attend international trade shows. Palestinian companies believe that food and hospitality along with week-long shopping opportunities are their main selling points for Palestine's tourism sector. However, such factors typically are not among the top criteria used by medium- or higher-end international travelers in planning their trips. Lack of government capacity and support (i.e., in the Ministry of Tourism and Antiquities) also puts the sector at a disadvantage.

While existing hotels are suitable for the pilgrimage market, this market tends to be characterized by a less affluent clientele; thus existing hotels are not wholly suitable for those tourists who seek a product related to the cultural heritage of the country, for which three- and four-star hotels are more the norm. Although official statistics indicate that there are some 37 hotel establishments offering 2,628 rooms in the three- and four-star categories, in reality, the majority do not attain internationally acceptable levels for these classifications. In addition, if tourism is to develop on a wider basis than is currently the case, there is a need to develop better quality hotels in areas that possess tourism development potential.

The table below summarizes the current status of the tourism industry in Palestine. It should be noted that figures obtained directly from the tourism industry differ somewhat from those issued by the Ministry of Tourism and Antiques (MoTA); in general, industry figures are thought to be more accurate.

The pilgrimage market comprises a major part of tourism in Palestine. Since border control is under the Israeli authorities, Palestinian tour operators market mainly in countries that do not require an entry visa into Israel, such as North America, Britain, and the EU. These markets

constitute about 70% of tourists. Domestic tourism is estimated at 20%, with the other 10% being leisure and family and friends visiting Palestine during vacations.

Potentially important originating countries for the pilgrimage market that have not been explored by Palestinian tour operators include Indonesia, India, Arab countries and countries of the former Soviet Union. Tour operators cite the entry visa requirement by Israel as the primary reason for lack of interest in these markets although some Israeli tour operators apparently have had success in obtaining entry visas for tourists from such countries.

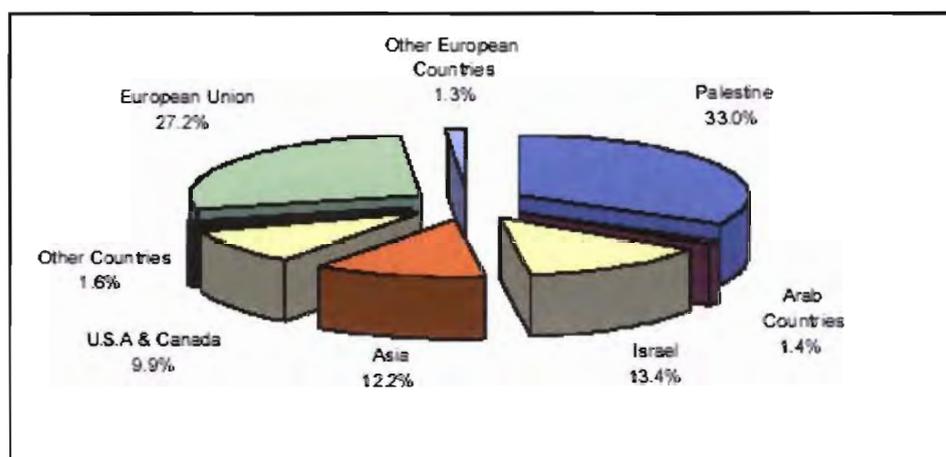
2- Sector Output & Capacity

	2000	2001		2002		2003		2004	
		Total	Change	Total	Change	Total	Change	Total	Change
Operating Hotels	91	84	(7.7)%	72	(14.3)%	75	4.2%	80	6.7%
# of Rooms	4,275	3,291	(23.1)%	2,997	(8.9)%	3,171	5.8%	3,301	4.1%
# of Guests	330,000	60,208	(81.1)%	51,357	(14.7)%	62,812	22.3%	100,184	59.5%
# of Guest Nights	980,000	184,857	(81.1)%	169,641	(8.2)%	199,275	17.5%	268,695	34.8%
% Room Occupancy	62.8	9.2	(85.7)%	10.1	9.8%	11.7	15.8%	13.5	15.4%
Total Receipts (\$mill)	226.3	6.27	(97.2)	0.84	(86.6)%	3.73	344.%	n/a	n/a

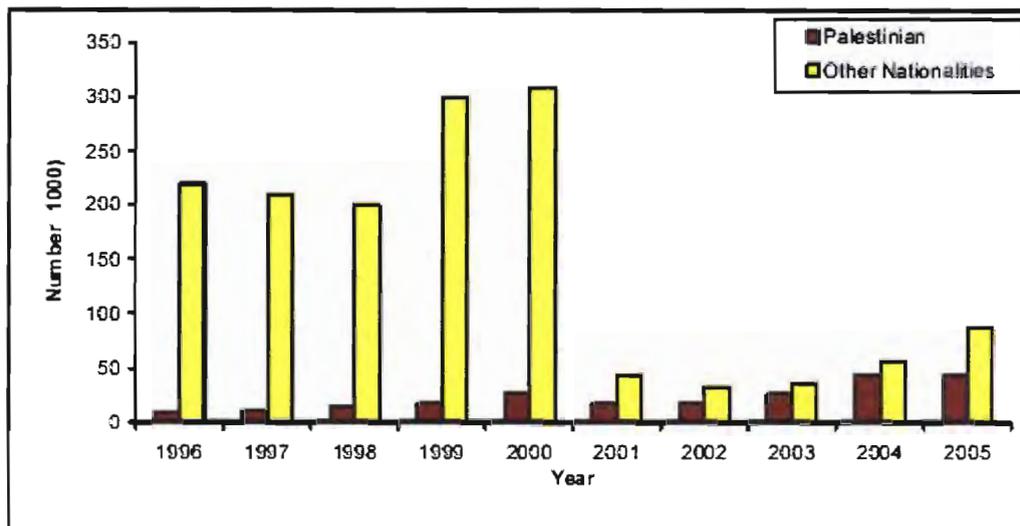
Number of Guests during 2005

During the year 2005, the total number of guests in Palestinian hotels was 131,908 persons, of which 33.0% were Palestinian guests, and 27.2% were from European Union countries.

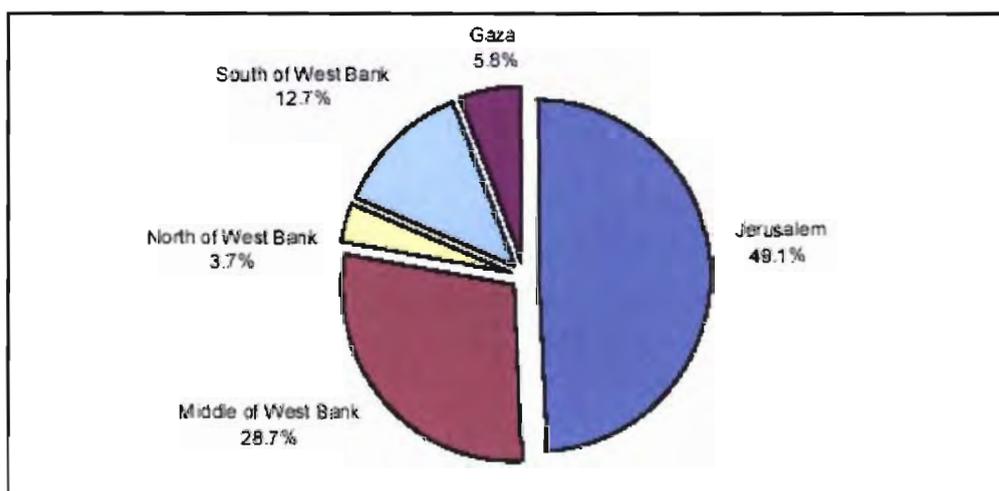
The percentage distribution of guests by nationality is as in the figure below.



The figure below shows the number of Palestinians and other nationalities guests in hotels during (1996-2005)



According to the distribution of guests by region, the hotels in Jerusalem region received 49.1% of the guests and 28.6% of the guests were in hotels in the middle region. The percentage distribution of guests by region is as in the figure below.



Number of Guest Nights during 2005

During the year 2005, the total number of guest nights in Palestinian hotels was 350,219 nights, of which 28.2% of these nights were occupied by Palestinian guests, while 31.2% by the guests whom arrived from European Union countries, 14.0% of these nights were occupied by the guests whom arrived from United State and Canada.

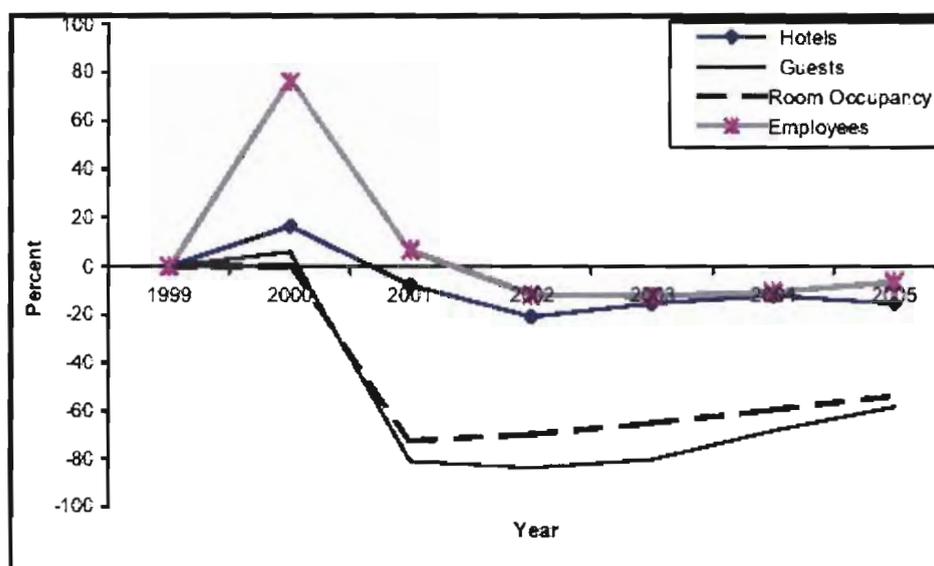
According to the distribution of guest nights by region, the hotels in the Jerusalem region accounted for 53.5% of the nights, and 23.2%, 12.8%, 3.6% in the Middle of the West Bank, South of the West Bank, and North of the West Bank respectively, while the percentage of guest nights in Gaza Strip hotels was 6.9%.

The Impact of Israeli Measures on Hotel Activities

The data for this publication was collected for the year 2005. Tourist activities for the Palestinian hotels during the years (2000-2005) can be compared with the year 1999 to

reveal the effect on hotel tourism of Israeli measures after the Israeli siege and closure on the Palestinian Territory.

The figure below shows the percentage changes of hotel Indicators during (2000-2005) compared with 1999



The following table indicates that there was a reduction in the number of guests and in the number of guest nights in comparison with the year 1999, which was 58.4% and 60.9% respectively. The reduction for 2005 was the lowest of the previous four years, which reflects an improvement in these indicators during the period.

The Indicator	Value 2005	Percentage change (%)					
		2000	2001	2002	2003	2004	2005
Number of operating hotels	77	16.5	-7.7	-20.9	-15.4	-12.1	-15.4
Average number of workers	1273	76.0	6.7	-11.9	-12.3	-10.7	-6.5
Number of guests	131908	5.9	-81.0	-83.8	-80.2	-68.4	-58.4
Number of guest nights	350219	13.5	-79.4	-81.1	-77.7	-70.0	-60.9
Average occupancy of rooms	564.0	11.1	-77.3	-77.3	-72.1	-66.5	-57.7
Average occupancy of beds	959.5	13.6	-79.4	-81.1	-77.7	-70.0	-60.9
Percentage occupancy of rooms %	15.5	0.0	-72.5	-69.9	-65.1	-59.7	-53.7
Percentage occupancy of beds %	12.4	-2.3	-75.9	-76.6	-73.6	-66.3	-59.1

The figures show the impact of Israeli measures on tourist activities at the hotels which negatively affect the tourism industry as a whole. The important main indicators that have been affected were the number of guest nights and the occupancy rate of rooms.

As for the occupancy rate, it is observed that the average of bed occupancy declined about 60.9% compared with the year 1999, and the average room occupancy declined by 57.7%.

This reduction is the lowest of the previous four years, which reflects an improvement in these indicators during this period.

3. Sector Structure

Table 1 - Summary of Tourism Industry in the West Bank and Gaza	
Indicator	Industry 2005
Number of tour and travel offices	120
Number of incoming tour operators	38
Number of tour guides	231
Number of tour busses	80
Number of tourists	120,000
Length of stay	3-4 nights
Number of employees	5,800
Average spending per tourist	\$130
Investments	N/A
Domestic tourism	N/A
Total revenue	\$ 48 million
Contribution to GDP	3-4% (estimated)
Number of tourist restaurants	52
Average worker pay / month (2003)	N/A
Value added / worker (2003)	N/A

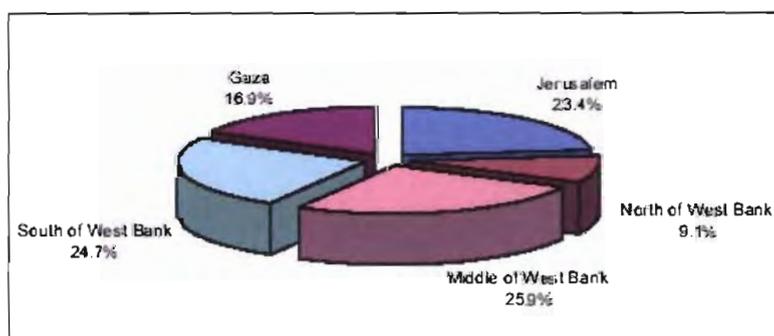
Distribution of Hotels during 2005:

The total number of hotels in the Palestinian Territory is 125 hotels, including the temporary closed hotels. There are 77 operating hotels in December 2005, with average number of rooms was 3,648, and average number of beds was 7,732 beds.

The operating hotels within the Palestinian Territory are distributed as follows:

- North of West Bank: 7 hotels including 112 rooms comprising 263 beds.
- Middle of West Bank: 20 hotels including 714 rooms comprising 1,500 beds.
- Jerusalem Region: 18 hotels including 896 rooms comprising 2,064 beds.
- South of West Bank: 19 hotels including 1,476 rooms comprising 3,092 beds.
- Gaza Strip: 13 hotels including 450 rooms comprising 814 beds..

The figure below shows the percentage distribution of operating hotels by region as of December, 2005.

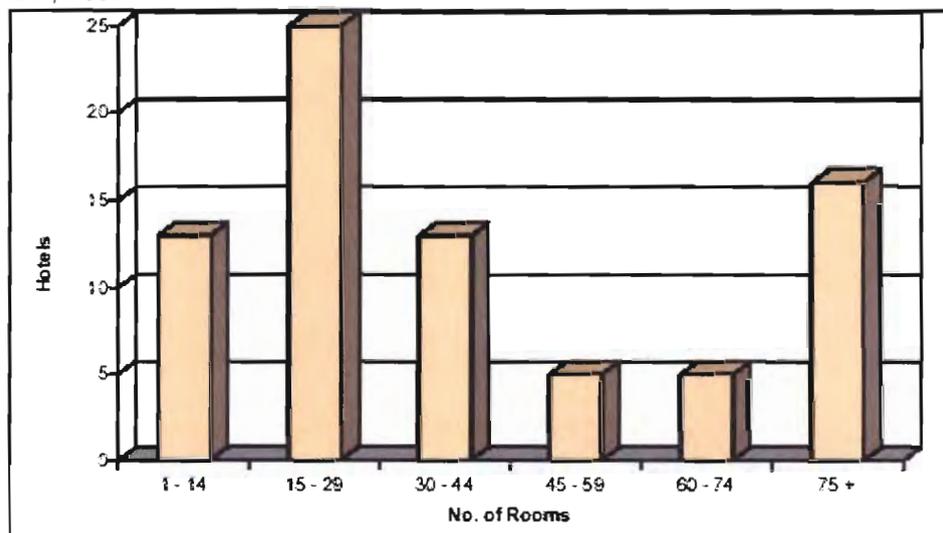


Concerning the capacity of the hotels operating in the Palestinian Territory, 32.5% of these hotels have between 15 to 29 rooms.

Service Facilities as of December 2005:

- Restaurants: 98 restaurants accommodating 16,518 persons.
- Conference halls: 114 accommodating 17,949 persons.
- Parking: 74 accommodating 2,675 cars.
- Lifts: 81 lifts
- Swimming pools: 11 pools.
- Playgrounds: 18 playgrounds.

The figure below shows the distribution of hotels by number of available rooms as of December, 2005.



4. Employment / Human Resources

Employment during 2005

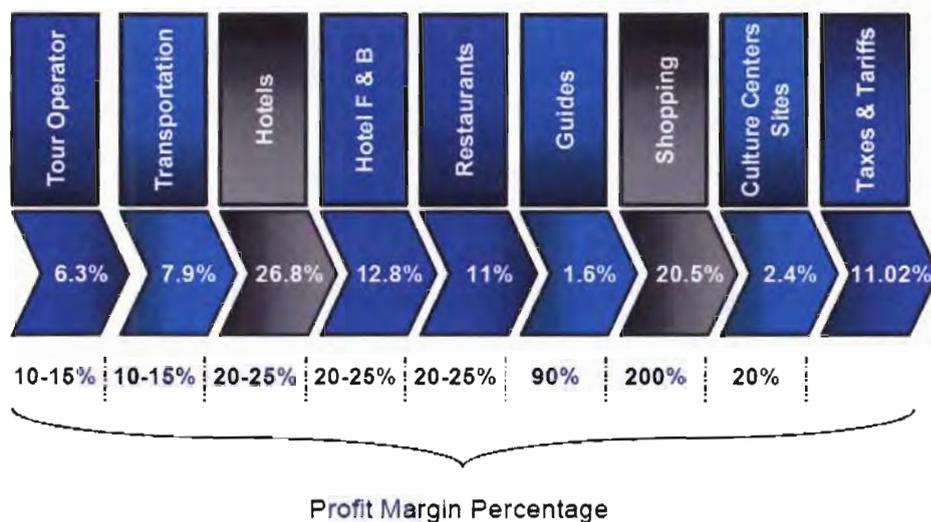
The number of persons employed in the hotels is 1,273. It distributed by type of work, and sex as follows:

- 269 administrative staff of which 220 are males and 49 are females.
- 1,004 services workers of which 883 are males and 121 are females.

5. Value Chain

The following schematic captures the sector's value chain. It is clear that the "inbound" value segment including raw material and logistics is the dominant piece of the sector's value chain. Palestinian firms' operation and development activities add only 15% to the sector's cost structure, with the implication that if the local firms could internalize product development and sourcing, there will be a greater potential for value-added, and profit from their operation.

Tourism: Value Chain Cost Analysis



Key Drivers

External Drivers in the Global Tourism Industry

- Increased travel costs, particularly for international travel, as a result of higher oil prices.
- Continuing concerns among international travelers regarding security, health, and climate risks.
- Strong and growing importance of leisure travel as a worldwide market segment, which will fuel outbound travel not only from Europe and North American but also from a number of high income Asian markets.
- A rebound in business travel growth, including healthy prospects in the MICE (meetings, incentive travel, conferences, and exhibitions) market.
- Ongoing transformation of destination choice and distribution channels as the Internet plays an increasingly important role in consumers' travel decisions and bookings.

Influencers

- 1) Representative association Arab Hotel Association (AHA)
- 2) Trade development and promotion organizations, such as PalTrade, PFI and others,
- 3) Government institutions, and International organizations and projects.

6. SWOT Analysis

Strengths The tourism industry is one of the oldest in Palestine. As the home of three religions, Judaism, Christianity and Islam, Palestine is rich with Holy Sites. It is also rich with archeological sites that date back to before Christ's birth. The tour operators, the food, and guides are considered to be key selling points. Geographical location, which includes the desert, mountains, sea, and valleys, is an asset to Palestinian tourism, though these natural resources have not been utilized to their full potential.

Weaknesses The weak legal and regulatory environment, lack of government support, and inadequate infrastructure makes it hard for West Bank and Gaza to compete in the regional market, especially since many countries in the region (and worldwide) are investing heavily in tourism support and promotion. Tourist services, including hotels and tour guides, also require improvements to compete successfully. Inaccurate statistics, underutilization of information technology, and lack of representatives abroad also hamper the sector. Reflecting the general lack of cooperation in the sector, sector organizations are weak and do not collaborate sufficiently.

Opportunities in exploring new markets, including the potential for local, regional, and potentially international joint ventures, especially for renovations and infrastructure improvements. Opportunities for partnerships, not only between private firms, but also between the public and private sectors, are important and poised for realization. Lastly, with concerted efforts to increase domestic tourism and to expand into other types of tourism products (i.e., beyond pilgrimage tourism), the West Bank and Gaza sector has the potential to capture a share of this globally-growing market.

Threats, Safety and security are basic ingredients to tourism. While this region is politically unstable, no tourist has ever been harmed in the Palestinian territories; however, the overall situation nonetheless poses a great challenge to the local tourism industry. Moreover, lack of control over borders and checkpoints as well as the lack of freedom of movement between Palestinian cities inhibits the sector. Lastly, in the past few years no permits have been issued to Palestinian tour operators or guides from the West Bank. While there is demand for guides, the supply is restricted to Bethlehem only.

7- Conclusion and Recommendations

Based on the conducted SWOT analysis, and in response to revealed results and constraints, and after consultation with the sector stakeholders, the following development priorities for the Tourism sector in Palestine were identified:

Branding Palestine: This initiative is designed to increase Palestinian tourism market share in the existing markets as well as exploring new markets, since accessing new export markets is a recognized ambition of the sector. The overall objective of this initiative is to position, brand, market and promote Palestine as a tourism destination.

Tourism Awareness Building Program: The educational system in Palestinian schools should include an awareness program integrated in the curriculum showing the importance of tourism in Palestine. Also an awareness program needs to be developed regionally and internationally to emphasize that Palestine is safe.

Throughout the instability during the last few years no tourist has been harmed in Palestine, but on the contrary tourists in Palestine are welcomed and safe.

Joint Venture Development Program: This project will work to stimulate joint ventures between Palestinian companies and international investors. The program will support trade and investment missions to target markets such as Europe, Asia and North America. It will also fund conferences and promotional materials designed to attract foreign joint venture partners.

Promoting Management Information Systems: The tourism sector lacks the appropriate business management, especially the hotel and tour operator reservation and accounting systems. The purpose of this initiative is to facilitate the development of and access to such software.

Promoting E-commerce: E-commerce is an important tool in marketing. Hotels and tour operators should be able to market and sell tourism online. Appropriate websites and search engines need to be developed with optimization.

Capacity Building Program. The existing organizations in the tourism sector are in need to serve their members through programs and services. The purpose of this program is to build the institutional capacities of these organizations in order to become strong and worthy representatives of the tourism industry in Palestine. Work under this program will include conducting comprehensive assessments of these organizations, setting associated development plans and institutionalize services programs within the respective organizations.

8. Resources

- 1- The Arab Hotel Association
- 2- PCBS