

The Tourism Industry

A Stimulus for Economic Change

Ever since the founding of the State of Israel, its tourism industry has been considered one of the industries that has contributed most to the economy in areas such as employment, foreign currency reserves, the development of regions distant from the center, the creation of a positive image for Israel all over the world, and more.

Though its natural resources are limited, Israel has been blessed with a wealth of tourism resources that attract people of different interests and affiliations: sites that are holy to the West's three monotheistic religions; world-class archeological sites; seashores and holiday regions suitable for a vacation any time of the year. Despite the crises and difficulties with which the industry has had to cope, especially as the result of the negative ramifications of the security situation over the years, there is no doubt that our hotel and tourism industry will continue to serve in the foreseeable future as a stimulus for economic growth. As long as the security situation continues to improve, more and more

began with high hopes that our tourism industry would enjoy great prosperity. However, between 2000 and 2002, the number of incoming tourists to Israel dropped by more than 70 percent, and a similar decrease was registered in income from foreign tourists, in the contribution by tourism to the nation's GDP and in the number of people employed in the tourism industry and related fields. In 2002, when the crisis was felt most strongly, the average occupancy rate in Israel's hotels dropped to 40 percent, 43 hotels closed down and others were tottering on the brink of closure. The crisis resulted in the loss of more than 80,000 jobs in the industry, and its contribution to Israel's economic growth was negative. Faced with the need to survive, weather the crisis and maintain their infrastructures, hotels adopted savings and efficiency measures and their owners injected additional capital.

It should be noted that all through the crisis and even today, domestic tourism has been a solid and critical segment of the industry, enabling the hotels and the tourism industry as a whole, to continue to operate.

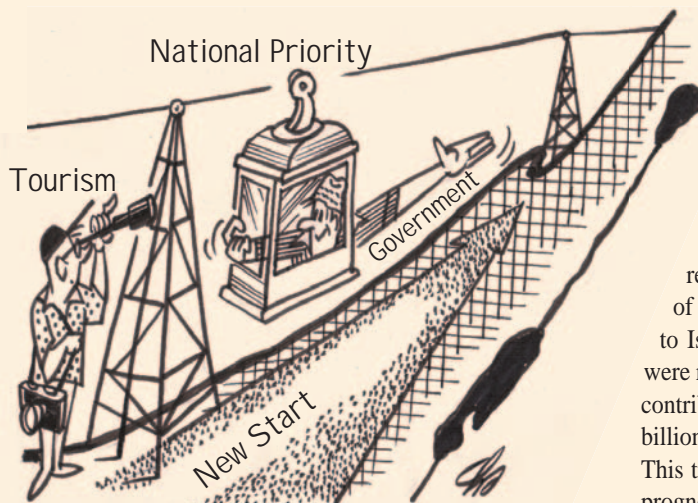
After four continuous years during which the tourism industry had to deal with the hardest crises it ever had faced, the negative trend turned around, starting in the second quarter of 2003. The return of tourists from abroad resulted almost immediately in an increase in the number of people employed in the industry, and in its contribution to Israel's GDP. In 2004, about 17,000 additional employees were recruited – making for a total of 62,000 – and the industry's contribution to the GDP rose from \$2 billion in 2003 to \$2.7 billion in 2004.

This trend was clearly discernable at the start of 2005, with the prognosis that the industry's contribution to Israel's GDP would be about \$3.78 billion this year – 37 percent higher than for 2004. A similar increase can also be expected in the number of people employed in the tourism industry. Expectations are that it will grow to about 85,000 by the end of the year, including about 30,000 who work in hotels.

This welcome trend has a direct effect on the industry's contribution to the GDP, income from tourism and the number of people employed in tourism throughout the country. For the hotel industry, the most important segment of the tourism industry as far as the economy is concerned and that which is most responsible for realizing the potential that tourism offers, the improvements in all of these areas represent "the light at the end of the tunnel." It is expected that in the foreseeable future, tourism will



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tourists will travel to Israel from the four corners of the globe and regional tourism cooperation – a sine qua non for long-lasting prosperity in the industry – will develop.

The hotel industry is certainly the most important facet of Israel's tourism industry. Rich in investments, our hotels, during the years that they prosper, enjoy a high level of added value. They contribute greatly to the economy in areas such as employment, foreign currency and peripheral geographic development, while at the same time they serve as a catalyst to wide-ranging investments in industries crucial to Israel and its inhabitants.

As a result of significant progress in the peace process, and the visit by His Holiness the late Pope Jean-Paul II, the year 2000

continue to be the "growth stimulus" for the economy. The main infrastructures that are required for this to happen - both material and human - already exist, and with the right investments abroad in marketing Israel as a tourist destination, we could significantly increase the number of incoming tourists.

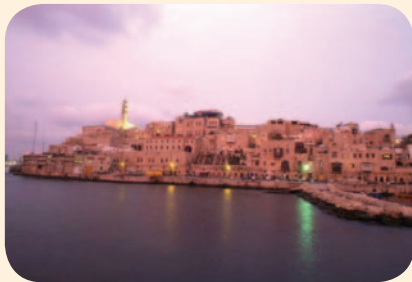
The Israel Hotel Association is busy preserving the accomplishments that have been recorded over the years by the hotel industry, and it will do all that it can to improve them in the coming years. Among its other activities, the Association deals with infrastructure, marketing both in Israel and abroad, industry-wide labor agreements, employment and professional manpower training and in various other economic issues that affect tourism and the hotel industry.

I believe that today, especially in light of the incredible proven potential for tourism as a stimulus for Israel's economy, a long-

to upgrade and renovate existing tourism infrastructures and superstructures, with preference given to those that serve the needs of incoming tourism. For Israel to maintain its competitive status as a tourism destination, these investments are absolutely necessary, especially in light of the large-scale investments in tourism made by countries like Turkey and Egypt - major competitors for the incoming tourism dollar.

Another pre-requisite site for the establishment of a national tourism policy designed to increase the number of incoming tourists, is the implementation of a competitive civil aviation policy as regards flights to and from Israel. There is no doubt that Israel's current civil aviation policy is one of the major barriers preventing the significant short-term expansion of incoming tourism in the country.

The economic significance of the implementation of an Israeli



term government program is required, the implementation of which would increase the number of incoming tourists to four million by 2010, and would lead to the creation of 18,000 new jobs each year - making for a five-year total of 90,000 - a significant number of which would be in outlying areas where unemployment is rife.

Recently, the Association formulated a number of principles relative to the development of tourism over the next five-year period that could serve as a basis for the establishment of a government tourism policy. These principles are based, for the most part, on the Irish Model. The economic success Ireland has been enjoying is the result of a strategic decision by its government to position tourism as the primary branch of the Irish economy for employment and growth.

The principles of this model require a decision by the government that would grant priority to the tourism industry as the leading stimulus in the economy, for employment and economic growth. The model would serve as a basis for promulgating a tourism program with clearly-defined goals and budgets for the coming five years. It would be implemented by a body selected to include representatives from both the government and the private sector, with joint staffs that would be empowered to implement, supervise and review the national results.

As part of this government policy, resources must be invested

tourism model would be the contribution of more than half a percent to the annual rate of economic growth in each of the years between 2006-2010, which adds up to an average annual increase of \$800 million in Israel's GDP. In addition, by the end of 2010, the number of people employed in the tourism industry could reach 175,000 throughout the country.

Today, as I have said, we can see "the light at the end of the tunnel," as we look forward to a new era of hope, growth, peace and prosperity for Israel and its tourism and hotel industry. In times of lasting stability, peace and security, the tourism treasures with which Israel has been blessed can serve as the most important stimuli for the economy, that will contribute to the attainment of other economic and national goals, such as: creating tens of thousands of additional jobs, most of them in the Negev and Galilee regions; advancing the needs of development regions; increasing Israel's reserves in foreign currency, and continuing the country's economic growth, for the overall benefit of all Israelis.

I am convinced that Israel possesses enormous tourism potential, and tourism can be utilized as a central pillar of the national economy. Adopting the principles put forth by the Association as the basis for a serious, long-lasting tourism policy, will contribute to positioning Israel in its rightful place on the tourism map of the region and of the world.