

TOURISM SECTOR DEVELOPMENTS IN EGYPT

MARCH 2008

ACKNOWLEDGEMENTS

The researcher would like to extend deep appreciation and gratitude to the following experts and key figures for their support and valuable comments throughout the preparation of this study (names are listed alphabetically):

(H.E.) Mohamed Zoheir Garannah, Minister of Tourism, Egypt

Adla Ragab, Associate Professor of Economics, Faculty of Economics and Political Science, Cairo University and Economic Advisor to the Ministry of Tourism

Ahmed El Nahas, Chairman, Egyptian Tourism Federation

Amr El Ezaby, Chairman, Egyptian Tourist Authority

Amr Mostafa, Advisor, Investment Department, Tourism Development Authority

Alaa Hafez, Board member, Egyptian Tourism Federation

Fatma Nosseir, Managing Director, Astra Travel

Hala El Khatib, Official Spokesperson, Ministry of Tourism

Ibrahim Ahmed Manaa, Chairman, Egyptian Holding Company for Airports and Air Navigation

Khaled Makhoulf, Chairman, Tourism Development Authority

Mahmoud El Kaissouni, Environmental Advisor to the Ministry of Tourism

Maye Mukhtar, Information Center Specialist, Egyptian Tourism Federation

Mohamed Rahma, Marketing Communication CRM/HF Instructor, EgyptAir

Nazly Shamel Abdalla, Account Director, Trans-Arabian Creative Communications

Racha Abdallah Elywa, Economic Researcher, Promotion Sector, General Authority for Investment & Free Zones (GAFI)

Rani Raad, Vice President, Regional Sales CNN International

Samir Makary, President, Makary Consulting and Professor of Economics at the American University in Cairo (AUC)

EXECUTIVE SUMMARY

Tourism in Egypt has long been a driving engine of growth and one of the largest sources of foreign currency. The tourism sector is a significant contributor to GDP and employment, with direct shares of 3.5% and 12.6% respectively.

Egypt's tourism sector has regained momentum and realized an outstanding performance over the last few years in terms of volume, value-added and foreign revenues. Tourist inflows to Egypt reached 9.7 million in 2006/07, up by 11.6% from the previous year, and generated a total of US\$8 billion in revenues. International tourist nights amounted to 96.2 million nights, with an average length of stay of 9.8 nights per visitor.

On the supply side, the Egyptian tourism sector has seen numerous developments in different areas, such as marketing, ICT infrastructure and human resources, in line with the Ministry of Tourism's efforts to promote Egypt as a worldwide tourist destination. New tourism niche areas - such as sports tourism, health and therapeutic tourism, shopping tourism and residential tourism - have evolved as a result of ongoing efforts to upgrade the quality of the sector.

Tourism investments in 2006/2007 amounted to LE4.13 billion, of which 83.5% were private sector investments. Egypt has lately become an attractive investment option, due to the friendly policies adopted by the government and the improvement of the investment environment in general. Several touristic mega-projects are underway in Marsa Alam, the North Coast and the Red Sea area.

The Ministry of Tourism is targeting 14 million foreign arrivals by 2011/12, predicting the generation of 1.2 million new jobs, and aiming to attract private sector investments of LE41.8 billion over the coming five years. To achieve these targets, the government is massively expanding its tourism facilities, as well as modernizing its supporting infrastructure.

The Ministry of Tourism has also set an integrated "Tourism Sustainable Development Plan" that will continue with improvements to the tourism sector up to 2020.

Long-term expectations for Egypt's tourism sector remain optimistic, and it is believed that Egypt will continue to be the region's largest tourist destination.

TABLE OF CONTENTS

LIST OF FIGURES	v
LIST OF TABLES	vi
LIST OF ACRONYMS	vii
PART I. THE GLOBAL TOURISM INDUSTRY	1
1. Global Overview	1
2. International Tourist Arrivals (ITA)	2
2.1 Regional Highlights	3
2.2 ITA by Purpose of Visit	4
2.3 ITA by Mode of Transportation	4
2.4 World's Top Tourism Destinations	5
3. International Tourism Receipts (ITR)	6
3.1 Top Tourism Spenders	6
4. Global Hotel Performance	7
PART II. THE TOURISM MARKET IN EGYPT	8
1. Global and Regional Positioning	8
2. Significance of Tourism to Egypt's Economy	9
2.1 Contribution to GDP	9
2.2 Contribution to Export Earnings	10
2.3 Contribution to Employment	10
3. Market Demand	10
3.1 ITA	11
3.2 ITN	11
3.3 ITR	12
4. Demand Segmentation	14
4.1 ITA by Generating Region	14
4.2 ITA by Generating Markets	14
4.3 ITN by Generating Market	16
4.4 Demand by Purpose of Visit	17
4.5 Demand by Mode of Transportation	18
5. Supply	19
5.1 Hotels Supply	19
5.2 Hotel Occupancy Levels	21
5.3 Capacity Patterns	21
5.4 Travel Agencies in Egypt	22
PART III. RECENT DEVELOPMENTS IN THE TOURISM SECTOR	24
1. An Integrated Marketing Strategy	24
1.1 Global Advertising Campaign "Gift of the Sun"	24
1.2 Nawart Masr "You Light up Egypt"	25
1.3 Domestic Advertising Campaign "If on vacation, make it Egypt"	25
1.4 Tourism National Awareness Project	25
1.5 EU program for Tourism Advertising and Marketing	26
2. Information and Communication Technology Developments	26
2.1 Egypt Connectivity	26
2.2 While in Egypt Stay Connected (WIESC)	26
2.3 E-Payment Network Developments	27
3. Human Resource Developments	28
3.1 Egypt's Supply of Tourist Guides	28
3.2 Educational Developments	29
3.3 Training Developments	29
4. Environmental Developments	29
4.1 USAID Environment Projects	29

4.2 Red Sea Environment Awareness Project	30
4.3 LIFE Project	30
4.4 Eco-Tourism	30
5. Developments of Niche Areas	31
6. Transportation Infrastructure Developments	31
6.1 Land Transportation	31
6.2 Air Transportation	32
6.3 National Carrier: Egypt Air	33
6.4 Touristic Ports	34
PART IV. INVESTMENTS IN THE TOURISM SECTOR	35
1. Investment Environment	35
1.1 Laws and Regulations	36
1.2 Foreign Property Ownership	36
2. The Current Investment Status	36
3. Tourism Investment Structure	38
3.1 Investment Structure by Sector	38
3.2 Investment Structure by Region	39
4. Planned Accommodation Capacity	40
4.1 Investments in the Red Sea	41
4.2 Key Investment Opportunities in the Tourism Sector	43
5. Mega Touristic Projects	43
5.1 Gamsha Bay (Red Sea)	43
5.2 Cairo Festival City	43
5.3 Serrenia (Red Sea)	43
5.4 Port Ghalib (Red Sea)	43
5.5 Marassi (Mediterranean)	44
5.6 Almaza Bay Resort (Mediterranean)	44
5.7 Madinat Makadi (Red Sea)	44
5.8 Porto Marina (Mediterranean)	44
5.9 Porto Sokhna (Red Sea)	44
6. Privatization	45
7. US Presence in Tourism Related Activities	45
8. The Tourism Sector on the CASE	45
PART V. CONCLUSION	46
1. Global Outlook	46
2. Local Outlook	46
3. SWOT Analysis of the Egyptian Tourism Industry	48
4. Recommendations	48
4.1 Institutional Framework	48
4.2 Marketing	49
4.3 Human Resources	49
4.4 Environment	50
4.5 Tourism Related Services - Transportation	50
SELECTED REFERENCES	52
Appendix I. Breakdown of Regions	54
Appendix II. Map of Existing and Planned Protectorates in Egypt	55
Appendix III. Tourism Legislation, Law No.38 of the Year 1977	56
Appendix IV. The Executive Regulations of the Investment Law: Touristic Investment	58
Appendix V. Map of Tourist Investment Zones	59

LIST OF FIGURES

Figure I.1	Growth in World Tourism	1
Figure I.2	ITA and ITR Value and Share	3
Figure I.3	ITA by Purpose of Visit	4
Figure I.4	ITA by Mode of Transportation	5
Figure I.5	World's Top Tourism Destinations	5
Figure I.6	Growth of ITA and ITR (2005/2006)	6
Figure I.7	Top Tourism Spenders	7
Figure II.1	Egypt TTCI Rank vs. Regional Competitors	9
Figure II.2	Tourism Annual Growth Rate vs. Tourism Percentage of GDP	10
Figure II.3	Impact of Political Instability on Egypt's ITA	11
Figure II.4	ITA (FY2002/2003-FY2006-2007)	11
Figure II.5	ITN (FY2002/2003-FY2006-2007)	12
Figure II.6	Average Number of Nights/Tourist	12
Figure II.7	ITR (FY2001/2002-2006/2007)	13
Figure II.8	ITR vs. Average Tourist Spending/ Night	13
Figure II.9	ITA by Generating Region 2006/2007	14
Figure II.10	Growth of ITA by Region	15
Figure II.11	Top 10 Generating Markets for Egypt (2006)	16
Figure II.12	Growth of ITN by Region	17
Figure II.13	ITA by Purpose of Visit (2006)	17
Figure II.14	Growth of ITA by Purpose of Visit	18
Figure II.15	ITA by Mode of Transportation (2006)	18
Figure II.16	Hotels in Egypt by Rating	19
Figure II.17	Hotel Occupancy Levels By Tourist Destination (2002-2006)	21
Figure II.18	Hotel Capacity by District (2006)	22
Figure II.19	Number of Rooms by District (2006)	22
Figure II.20	Travel Agencies in Egypt (2006)	23
Figure III.1	Visa Tourism Spending as a Share of Total Tourism Spending	27
Figure III.2	Visa Tourism Expenditure by Merchant Type (2006)	27
Figure III.3	Tourist Guides in Egypt	28
Figure IV.1	Tourism Private Sector Investment (2002/2003-2006/2007)	35
Figure IV.2	Share of Total Issued Capital (1970-2007)	
Figure IV.3	Top Investing Countries in Tourism (Share in Stock of Issued Capital)	37 38
Figure IV.4	Tourism Establishments in Egypt (2003-2007)	38
Figure IV.5	FDI in Tourism in 2007 (By Ownership)	40
Figure IV.6	Hotel Capacity under Construction by Region (2006)	41
Figure V.1	ITA (1950- 2020)	46

LIST OF TABLES

Table I.1	Top TTCI Rankings vs. Tourism Destination Rank	1
Table I.2	Global Hotel Market Performance	7
Table II.1	WTCT Comparison of Egypt Tourism Sector Indicators with Regional Competitors (2007)	8
Table II.2	Middle East Hotels' Performance (2006)	20
Table II.3	Average Room Rates in Egypt by Region and by Hotel Category	20
Table II.4	Top 20 Egyptian Tourism Inbound Companies	23
Table III.1	VISA Expenditure by top Countris	28
Table IV.1	Stock of Private Investment in Tourism (1970-2007)	37
Table IV.2	Investment in Tourism (Jan-Oct 2007)	39
Table IV.3	Geographic Distribution of FDI in Tourism (TDA Projects 2007)	39
Table IV.4	Hotel Capacity in the Red Sea Governorate (March 2007)	41
Table IV.5	Total Hotel Capacity for the Projects Affiliated to TDA(2006)	42
Table IV.6	Hotels and Villages	42
Table IV.7	Ports	42
Table IV.8	Mega Touristic Projects	43
Table IV.9	Investment Opportunities through Privatization	45
Table V.1	Tourism Targets within the Sixth Five-Year Plan	47
Table V.2	Hotels Opening in Egypt (By Scheduled Opening Date)	47
Table V.3	Targeted Tourism Investments within the Sixth Plan	47