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TOURISM TO ISRAEL: ITS SIGNIFICANCE, PRESENT SITUATION AND FUTURE

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The Tourism Scare and the Great Slump

International terrorism has severely damaged the tourist industry throughout Europe and the Middle East. Recent headlines have focused on major United States film stars who admitted being too frightened to attend the prestigious film festival at Cannes. Many Americans who flooded the Continent last summer in the wake of the strong dollar are staying home this year. In commenting on the dropoff in tours into Britain, *The Economist* has pointed out that in 1984 alone, some 18,700 people were murdered in the United States compared to the 55 terrorist victims in Europe last year. However it appears that unknown terror is more frightening than the

terror one learns to live with.

In Israel, where tourist related industries form an important segment of the economy, the recent slump in tourism is critical. While many groups, both Jewish and non-Jewish, have come anyway — vocally defying threats from Libyan President Muammar Qaddafi and other terrorists — even the United Jewish Appeal estimates that the drop-out rate on their missions may reach 50 percent by the end of the year. In light of these trends, it becomes necessary for Israel to understand exactly how reliant the country is upon the tourist trade. It is vital to analyze what can be done, despite an atmosphere of fear abroad, to attract more tourists to Israeli shores and to

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convince them to remain longer.

The Economic Value of Tourism to Israel

Israel is the site of some of the world's most outstanding tourist attractions. While the absolute number of yearly visitors is lower than in other countries dependent on tourist trade (such as Italy, Greece, Spain, or Mexico), considering Israel's small size, the relative scope of tourism is impressive. Income from foreign tourism in Israel amounts to about 3 percent of the Gross National Product, among the highest percentages in the world.

The overall number of visitors to Israel in 1985 is estimated to have been about 1.4 million. Close to 1.1 million arrived by plane; the rest came either by land from the neighboring Arab countries or by sea on cruise ships. Nearly 60 percent of these tourists came from Europe - mostly from France, Germany and Britain. About 30 percent were from the United States. The remaining 10 percent came from various countries around the globe.

Income in foreign currency from foreign tourism was estimated in 1985 at approximately \$1.1 billion. Another \$242 million is derived from air fares. The national economy attaches particular importance to the percentage of added value of the export dollar. Every export dollar diminishes in value according to the amount of materials imported to create the exported item or service. Therefore, the higher the added dollar value connected to providing the service, the less imported material is involved and the higher the profit is to Israel. The percentage of added value from tourism, for example, is estimated at 70 percent and makes tourism one of the most profitable export industries in the economy. The added value of tourism in 1985 was estimated at \$840 million, comprising 15 percent of the overall added value of Israeli exports.

The most rapid development of tourist attractions recently has taken place in the interior of the country, particularly Jerusalem, the Dead Sea, the Kinneret region and Eilat; all but the first, a very special tourist attraction, focus on sun and sea. In contrast, development on the Mediterranean shore has progressed at a slower pace.

Recent Causes of Tourism Slump

The scope of tourism to Israel is greatly influenced by security factors. The Lebanese War in 1982 precipitated its own slump in tourism. The hijacking of the TWA plane from Athens and the hijacking of the ship Achille Lauro reduced the number of tourists in 1985.

In recent years tourism to Israel has also been affected by sharp changes in the foreign currency exchange rates. The decline of the exchange rates of European currencies relative to the dollar led to a worldwide reduction of tourism.

It is true that the years 1984 and 1985 witnessed a relatively rapid expansion of tourism to Israel, but this can be explained primarily as a return to the overall trend of annual expansion following the temporary decline in the wake of the Lebanese War in 1982-83. In fact, tourism during the years 1984 and 1985 was only slightly higher than tourism in 1980 and 1981.

What Does Israel Offer its Tourists?

Israel draws the world's tourists, despite its distance; for many reasons. As the cradle of Judaism, and Christianity, Israel especially attracts Jews and Christian pilgrims. The devout of other religions - among them Moslems, Bahais and Druze - also have special ties to Israel, making it a focus for their tourists as well. Israel's rebirth as a Jewish state serves especially to attract Jewish tourists.

In addition Israel is blessed with a pleasant climate, which varies greatly within very short geographical distances. In the winter for instance, there are warm tourist attractions in Eilat, the Dead Sea and the Kinneret region, while skiing is available at resorts on Mt. Hermon. There are beach recreational centers on the Mediterranean coast for the summer tourist. There are also many other, more specialized, tourist attractions in Israel. These include the health centers surrounding the Dead Sea, desert sites in the Negev, archeological digs, kibbutz guest houses and mineral spas in Tiberias.

The Expected Scope of Tourism

It can be expected that, under normal conditions, tourism to Israel will continue to

expand at a rate of between 3 to 5 percent per year. This prediction relies on the accepted forecasts concerning the growth of income in the primary source countries of Europe and the United States. The actual rate of this increase is in fact contingent upon the security situation in the region. Setting the security situation aside for the moment, the challenge facing the Israeli tourist industry is that of expanding at a faster rate than other tourist countries. Tourism in general has strong seasonal fluctuations. Except during the summer months of July and August, the periods of the Jewish festivals and the Christmas season, Israel's hotels have a large unexploited potential. An increase in tourism during the off season is therefore more important than during peak season.

Israel has the potential to significantly increase the number of visitors, extend the stay of some of them, and thus increase the income from tourism. Despite the previously mentioned factors which affect tourism, over which Israel has little if any control, there are some factors which can be influenced by appropriate policies.

The Cost of Tourism

In the arena of recreational tourism, Israel is 20 to 40 percent more expensive than competing countries on the Mediterranean coast, such as Spain, Portugal, Cyprus and Morocco. The high cost of a stay in Israel is due to a combination of factors: the relatively high cost of constructing hotels and other facilities, the relatively high wage levels, and the lack of open competition in service industries such as restaurants. In order to significantly increase the levels of recreational tourism, it is vital to reduce these costs. There are several means available to achieve this goal. First of all, prices for lodging in hotels can be discounted if travel agents book a considerable number of rooms a year or two in advance. Such orders entail considerable risk for the agents as unexpected events are liable to interfere with realization of their forecasts. However ways must be found to minimize this through proper insurance, whether private or governmentally assisted. Second, lodging facilities which would serve as alternatives to hotels should be developed. These could include motels, recreational villages and rental rooms in private homes, whose prices would be lower than those of the hotels. Third, the government could take steps to bring about

greater competition, thereby creating lower prices, especially for independent travellers. This could be done in restaurants, for instance, by encouraging chains to offer meals for tourists at special prices. Government controls can be increased in order to prevent charging of exorbitant prices on services such as taxis and restaurants.

One of the major factors contributing to the increase in tourism to Israel has been the lowering of air fares. Since there is no convenient land route to Israel for European travellers and ocean liners no longer carry passengers from America, flight costs comprise one of the major expenses of a visit to Israel. The overall liberalization of world-wide air transportation and the introduction of charter flights to Israel in the 1970s led to considerable reduction of these costs. It is of crucial importance to the Israeli tourist industry that such liberal policies be continued.

Addition of Attractions and Improvement of Service for Tourists

An additional way to increase the scope of tourism to Israel as well as to extend the length of stay of some of the tourists is to add more tourist attractions. For example, there are plans to set up a Bible Land which would feature an extensive exhibition of life in Biblical times. In tourist centers with high yearly occupancy rates, such as Eilat, there is justification for building additional hotels and lodging facilities. The quality of service for tourists also requires improvement. This requires, among other things, an expansion of vocational training courses aimed at those who work in tourist related trades. There must be improved supervision and control of the levels of tourist services, thus preventing instances of particularly poor service.

The Contribution of Tourism is not only Economic

Implementation of appropriate policy steps is likely to significantly increase Israel's income from tourism. The benefits which will accrue to Israel from the expansion of tourism, however, will be more than economic. First of all, an enjoyable visit improves Israel's image in the eyes of the tourists. Surveys undertaken in the past have consistently pointed out that 80 to 90 percent of the tourists were satisfied with their visits and that their overall impression was positive. This is invaluable for the improvement of Israel's international image. Second, Jewish tourism

contributes to a strengthening of ties between Israel and Diaspora Jewry. Third, tourism contributes to the development of regions such as Eilat and the Dead Sea area whose alternative economic potential is quite limited and where tourism is the primary source of income and employment.

Thus the government and people of Israel attribute great importance to the development of tourism - not only for economic reasons, but for diplomatic and social reasons as well.

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