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LIFE Red Sea Project

ENHANCING SUSTAINABLE TOURISM IN THE SOUTHERN
RED SEA REGION OF EGYPT

Part 3: Studies of Resorts in the Southern Red Sea
Region of Egypt

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ACRONYMS AND ABBREVIATIONS

CDC	Community Design Collaborative
cm	Centimeter
EEAA	Egyptian Environmental Affairs Agency
km ²	square kilometers
KVA	Kilovolt Ampere
LIFE	Livelihood and Income from the Environment (project)
LRS	LIFE Red Sea Project
m	Meters
MW	Megawatt
NGO	Non-governmental Organization
PVC	Polyvinyl Chloride
RO	Reverse Osmosis
RSG	Red Sea Governorate
SFO	Single Family Occupancy
SRO	Single Resident Occupancy
SRS	Southern Red Sea (region)
SWM	Solid Waste Management
TDA	Tourism Development Authority
UNESCO	United Nations Educational, Scientific, and Cultural Organization
USAID	United States Agency for International Development
WGPN	Wadi el-Gemal National Park

Phase I: Research and Quantitative Studies

INTRODUCTION

BACKGROUND

The Sustainable Economic Growth in the Red Sea Governorate (RSG) project promotes sustainable natural and cultural tourism development along the Southern Red Sea (SRS) coast that is intended to meet the needs of local residents and expectations of tourists, while protecting the environment and enhancing future economic opportunities.

The SRS region has strong potential for the development of cultural, adventure, and nature-based tourism products given the range of available natural and cultural resources. However, most of these resources are currently underutilized and have not been developed as attractions. If developed appropriately, these tourism resources can become iconic tourist attractions that would increase the length of stay and expenditures by visitors.

Due to Egypt's proximity to Europe, and inexpensive tour packages, the region is clearly positioned to take full advantage of Egypt's relative success in establishing a presence in the European soft-adventure market.

OBJECTIVE

This assignment was conducted in support of the Livelihood and Income for the Environment (LIFE) Red Sea (LRS) Project's efforts to develop a plan for new tourism products in the Southern Red Sea market that meets the growing interest for soft-adventure tourism products in Egypt. The objective of the assignment was to provide benchmarks for the economic impact of current tourism-related activities in the SRS region, specifically Marsa Alam, in terms of income and foreign exchange generated, the leakages associated with those income flows, and the number of jobs created with the SRS region versus the impact of sustainable tourism models.

To that end, data has been collected and analyzed related to the development and operation of resort hotels south of Marsa Alam down to Wadi Lahami. Basic data collected included:

- Number of hotels
- Number of hotel rooms, by category, e.g., by price range and/or classification
- Number of employees
- Number of employees from the Marsa Alam region

Furthermore, data was collected that enabled manipulations and derivations of information like:

- Average annual occupancy by hotel classification, and
- Average daily rate

Specifically, the objective was to determine the following for different hotel categories:

- **The percentage of total hotel guests that book prepaid all-inclusive packages.** For example, through this process the consultant might estimate that 70 percent of all guests at first class hotels (e.g., Marriott, Hilton, and Movenpick hotels) are booked through Tour Operators in their country of origin and prepay packages on an all-inclusive basis. It will also be important to determine how the remaining hotel rooms, are booked. From the above example, it may be further determined that of the remaining 30 percent, 20 percent are booked directly, online, by phone, etc., and the remaining 10 percent are booked via Egyptian travel agents.

- **The nature of arrangements between RS hotels and foreign tour operators.** For example, do the tour operators guarantee or block book a specific number of hotel rooms over a specific period?
- **Average prices paid to hotels by foreign tour operators, and on what basis.** Tour operators might be paying, on average, \$50 per room per night, double occupancy, all inclusive (or European Plan, or Modified American Plan, room only, etc.). This information is likely only available through interviews with a sample of hotel operators.
- **Average price at which all-inclusive and other packages are sold for in source markets.** With this information and the estimate of average prices paid to hotels, the consultant will be able to estimate the average profit margin for these tour operators, and the amount of leakage. For example, if Hotel A is selling rooms to foreign tour operators for \$50 per room per night, double occupancy, all-inclusive, and selling a package that equates to \$50 per person, per night, plus airfare, the profit margin is 100 percent and leakages are 50 percent, or half of the total income generated from foreign tourists for hotel accommodations and meals. To derive these estimates will require examination of specific tour operator catalogues and estimation of the cost of airfare, and other charges included in the package price.

METHODOLOGY

As part of the hotel profiling, interviews were conducted with the Tourism Development Authority (TDA), as well as a mix of 3-, 4-, and 5-star hotels. Fourteen hotels (out of 33) were surveyed in the South Red Sea region south of Marsa Alam, representing 40 percent of the current hotel base in the area. The survey was conducted both in Cairo at corporate headquarters for major travel groups (four hotels), and through on-site field visits to ten hotels in the Marsa Alam region. Interviews were primarily conducted with hotel managers and/or financial managers, and in one case, the hotel owner.

In many cases, interviewees were either reluctant, or unable, to provide financial data on revenue, purchasing, servicing costs, and tour operator mark-ups or discounts. However, where enough information was available, approximations have been derived in order to facilitate the comparative analysis. This should be taken in to consideration when reviewing this analysis. It should be noted that data from one hotel was incomplete to the extent that no approximations could be derived, and this interview was accordingly discarded. Therefore, except as otherwise indicated, analyses are based on data from 13 hotels.

Of the 14 hotels surveyed, 13 were 100 percent Egyptian-owned, either by corporate travel groups, or family-owned groups. One hotel was 100 percent Kuwaiti-owned. The sample distribution by classification and location is illustrated in Table 1.

Table 1 Sample Distribution of Hotels by Classification and Location

	5-Star	4-Star	3-Star
Marsa Shagra	1	5	—
Om Gorifat Bay	2	1	—
Port Ghalib	—	1	—
Wadi El-Gimal	—	—	1
Wadi Lahami	—	2	—
Total	3	9	1

GENERAL FINDINGS

ROOM CAPACITY

As illustrated in the table below, the total number of rooms in the sample was 3,376, with the average number of rooms per hotel being 260. The highest capacity was in a 5-star hotel with 532 rooms, and the lowest capacity was in a 4-star hotel with 115 rooms.

Table 2 Room Capacity

	Total Number of Rooms	Average Number of Rooms	High	Low
3 Star	160	160	160	160
4 Star	2020	224	360	115
5 Star	1196	399	532	300
Overall Sample	3376	260	532	115

For purposes of the following analyses, actual room capacity for each hotel was multiplied by 365 days to derive the total annual capacity for each hotel. Actual room nights were then derived based on occupancy percentages provided by each hotel.

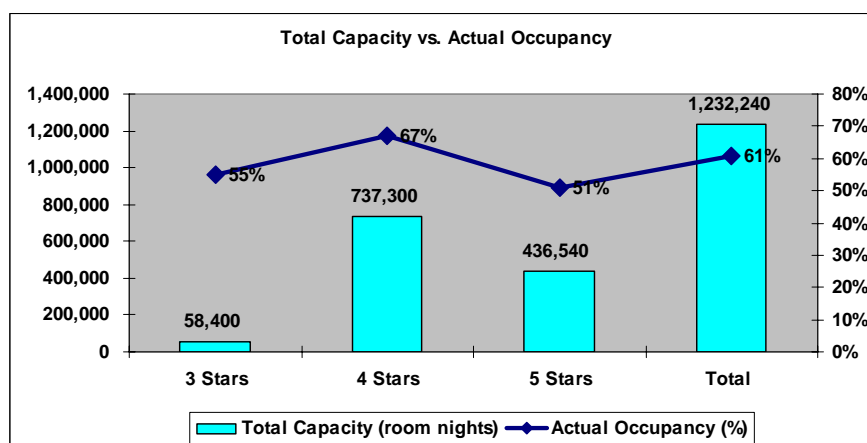
OCCUPANCY RATES

Hotel occupancy rates have been calculated on the basis of actual room nights versus total capacity. Occupancy rates discussed below are averages for the year 2006.

Hotels interviewed indicated that several variables need to be taken into consideration with regards to occupancy as rates fluctuate throughout the year depending on the season and the market.

All in all, the actual total occupancy rate (over the entire sample) was 61 percent. Five-star hotels indicated a range between 43 – 67 percent. Four-star hotels were primarily in the 70 – 85 percent range, but with one outlier at 33 percent for a hotel which is still under construction, is still difficult to access from the main Hurghada – Marsa Alam road, and has no beach access. The single 3-star hotel had an occupancy rate of 55 percent.

Figure 1 Total Capacity vs. Actual Occupancy



Most hotels have either been completed within the last few years, and/or are still under construction, so occupancy rates continue to increase annually, with the exception of one 4-star hotel which is facing financial difficulties.

LENGTH OF STAY

The average length of stay is eight days for both 4- and 5-star hotels. Only the 3-star hotel had an average length of stay of 9 days. However, the majority of stays (more than 80 percent) were seven days (one week) in length, decreasing incrementally for 16 day – 21 day stays.

Length of stay is primarily determined by charter/tour operator arrangements which are generally on a weekly rotation. Therefore, stays for durations longer than one week tend to be for either two or three weeks, which accounts for the slightly higher averages for lengths of stay.

Table 3 illustrates the average length of stay for different hotel classifications, based on weighted calculations as derived from information provided by the hotels.

Table 3 Average Length of Stay

Number of Days				
Average Length of Stay	Overall Average	5 Star	4 Star	3 Star
	8	8	8	9
Average Stay as a Percentage (from available data**)				
7 days		N/A	81.67%	80.00%
14-16 days		N/A	16.67%	20.00%
21 days***		N/A	1.67%	0.00%

N/A = Data not available

* Note that the majority of stays were 7 days in length

** 4 hotels provided % breakouts by week (three 4-star hotels and one 3-star hotel)

*** Based on one hotel

TYPES OF ACCOMMODATION

The majority of hotels operate on an “all-inclusive” basis, with “half-board” rooming ranking second. However, it should be stressed that “all-inclusive” means different things at different hotels. “All-inclusive can mean all meals, soft drinks, and local alcoholic beverages at one hotel, or all meals and soft drinks, exclusive of alcohol at another. Hotels offering both options consider “all-inclusive” to include local alcoholic beverages, while “full-board” is exclusive of alcohol.

Overall, almost 70% of the rooms are sold on all-inclusive basis, followed by 30 percent sold on half-board basis. Bed and breakfast rooms constituted around 1% of accommodation, with “room only” accommodation accounting for 0.08% of the rooms sold in Marsa Alam. As Figure 3 shows, while all-inclusive accommodation is predominant across all hotel categories, they seem to be more prevalent among five stars hotels.

Figure 2 Percentage of Types of Accommodation (Overall)

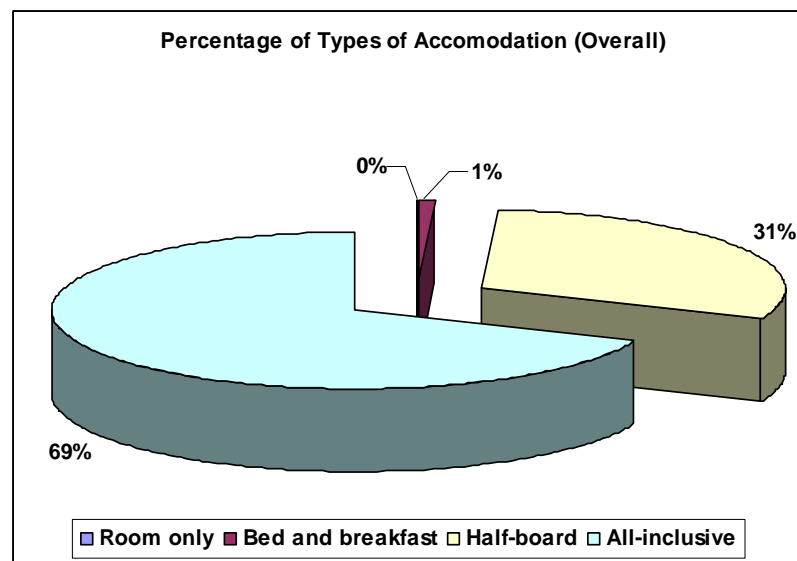
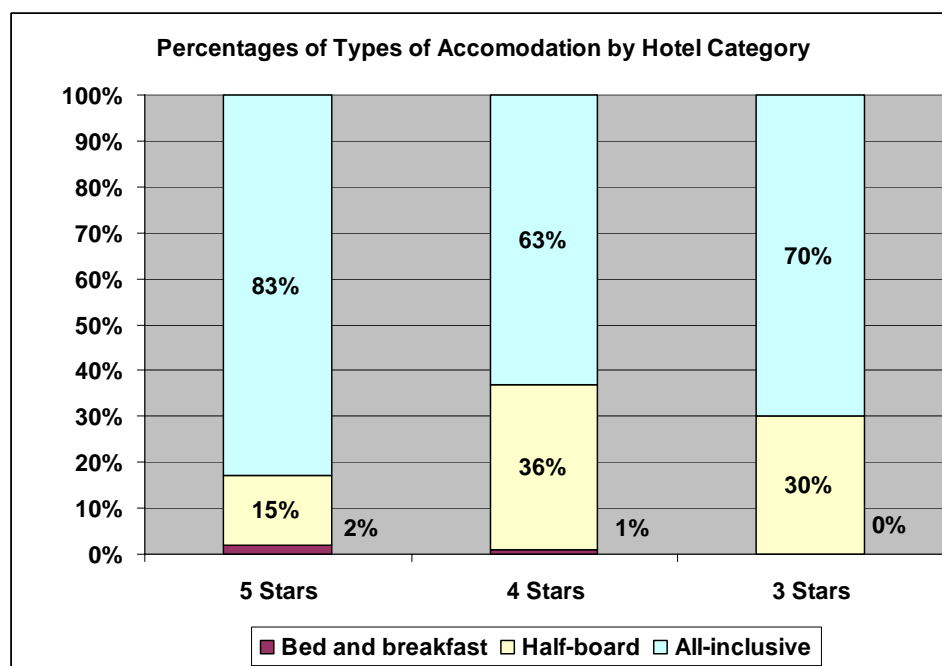


Figure 3 Percentages of Types of Accommodation by Hotel Category



A closer look at the sample is more revealing. Seven hotels indicated that between 95 – 100 percent of their rooms were sold on an “all-inclusive” basis. Two hotels indicated that 100 percent of their rooms were sold on an “all-inclusive” basis. One hotel sells primarily half-board accommodation with 90 percent of their rooms sold on that basis. Finally, three hotels indicated that approximately 65 percent of their rooms were sold on an “all-inclusive” basis, with the remaining 35 percent being “half-board.”

EMPLOYMENT

The total number of employees in the survey sample is 3,377, with an average of 260 employees per hotel of 260. The highest number of employees in any given hotel is 455, while the lowest is 75.

Management percentages of total employees range between 3.5 – ten percent. Most management comes either from Cairo or Alexandria, although some comes from other northern governorates such as Menoufiya and Dakhalyia, and, very infrequently, Luxor. The majority of hotel staff comes from the Nile Valley in Upper Egypt; primarily from Luxor, Aswan and Qena, although a fairly large number also come from Quseir.

EMPLOYEES FROM MARSALA ALAM

Only two hotels hired staff indigenous to Marsa Alam with a total of only 82 employees out of the 3,377 coming from the region. Interestingly, the trend for hiring indigenous employees is inversely proportional to the hotel classification and size; as can be seen from Table 4.

Table 4 Marsa Alam Employment

Property	Total Employees	Total Employees from Marsa Alam (derived)	% of Employees from Marsa Alam
3-Star	220	66	30.00%
4-Star	2123	16	0.75%
5-Star	1034	0	0.00%
Total	3377	82	2.43%

Hotel staff hired from Marsa Alam tends to be primarily involved in dive operations (zodiac drivers, for example) as they have generally previously been fishermen. As highlighted above, the 3-star hotel had 30 percent (or 66 employees) from the Marsa Alam region and these employees were primarily from Wadi El-Gimal.

However, there was a noted reluctance to hire local staff because, in the opinion of the respondents, it is not yet in their culture to work in a structured employment environment. For example:

- they are not inclined to work set hours
- they may fail to report to duty
- they do not understand the job requirements or the necessity to fulfill them, and
- there is a tendency to disregard safety and hygiene precautions and procedures.

EMPLOYMENT CONDITIONS

As the majority of hotel staff come from outside the region, all hotels have staff housing. Employees generally work daily for a set period of time (one example was 30 days) and then get a long break such as 10 days.

Employees per Room

Overall employment to total rooms is virtually one-to-one, with 3,376 total rooms and 3,377 total employees. However, there is a trend towards a higher ratio of employees to rooms in the lower

hotel classifications, which also tend to be smaller hotels, indicating that smaller hotels are more labor-intensive.

Table 5 Ratio of Employees to Rooms

	Total Rooms	Total Employees	Employees per Room
3-Star	160	220	1.38
4-Star	2020	2123	1.05
5-Star	1196	1034	0.86
Overall Sample	3376	3377	1.00

In conclusion, evidence suggests that smaller hotels tend to be more labor-intensive and may have a higher propensity to hire locally.

FINANCIAL DATA

ROOM RATES¹

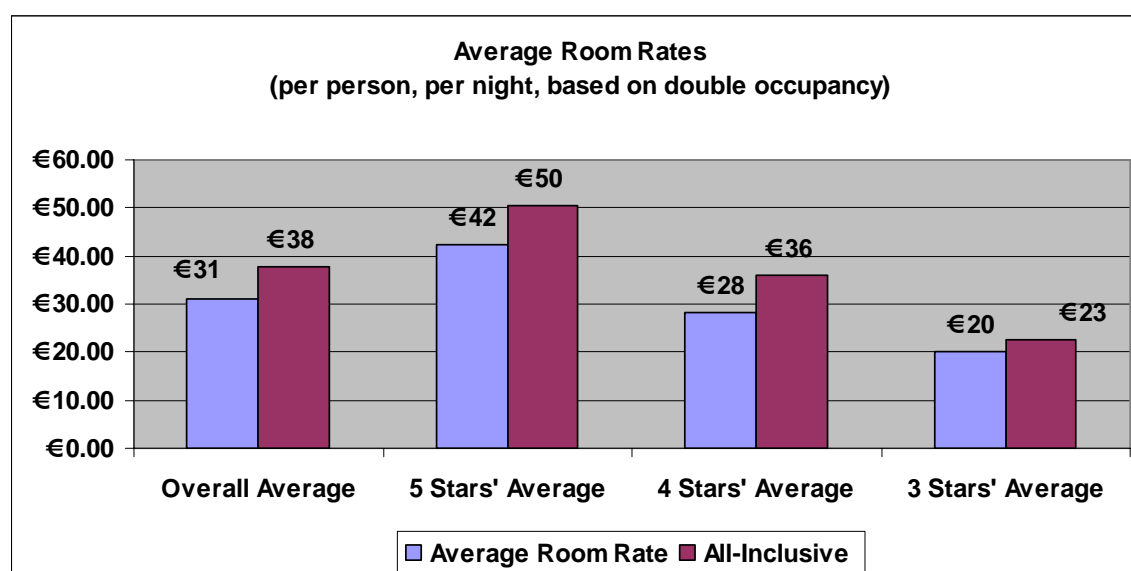
Hotels calculate and quote rates differently. Some hotels calculate average room rates on the basis of room only, but others may calculate on the basis of average room rates double occupancy, or a weighted average of all room rates (all-inclusive, half-board, single occupancy) based on occupancy. Others quote pre-tax rates, or post-tax rates. Still others quote rates based only on the room itself, and meals are additional per person per meal. Based on calculations provided by general or financial managers, room rates were derived for these cases.

Notwithstanding the fact that average room rates are based on double-occupancy, it is important to note that occupancy in a room may actually be higher than two persons per room, as often there are families with children, or groups of friends staying together. More specifically, some hotels have “family rooms” designed for families versus simply double-occupancy.

In cases where average room rates were not available, average rates for comparative purposes were derived on the basis of estimated revenue divided by actual room nights². As room rates are quoted on a double-occupancy basis, these rates were then divided by two in order to determine the average room rate per person, per night, based on double-occupancy.

Average room rates per person, per night, double-occupancy, by hotel classification are highlighted in the chart below in comparison to average all-inclusive room rates per person, per night, double-occupancy. Hotel managers indicated that these rates were the rates provided to tour operators, but that has been difficult to verify. However, anecdotal information suggests that these figures are somewhat close to reality.

Figure 4 Average Room Rates



¹ Unless otherwise stated, quoted room rates are generally for a double room rather than per person, per night.

² An explanation of revenue derivation follows in the section entitled Revenue.

REVENUE

Many hotel managers either did not know their annual revenue or were reluctant to disclose it. Therefore, where enough relevant data was available, such as room rates per room category and occupancy per category, estimated revenue has been derived.

Estimated revenue has been derived using weighted averages of actual occupancy per type of accommodation multiplied by room rates. For instance, if a 100-room hotel³ indicated 70 percent occupancy then their occupancy was 70 rooms per night. Seventy rooms per night over a period of one year totals 25550 actual room nights ($70 \times 365 = 25,550$).

If 50 percent of rooms sold were on a half-board basis, and 50 percent of rooms sold were on an all-inclusive basis, the actual room nights for half-board and all-inclusive would be 12,775 each.

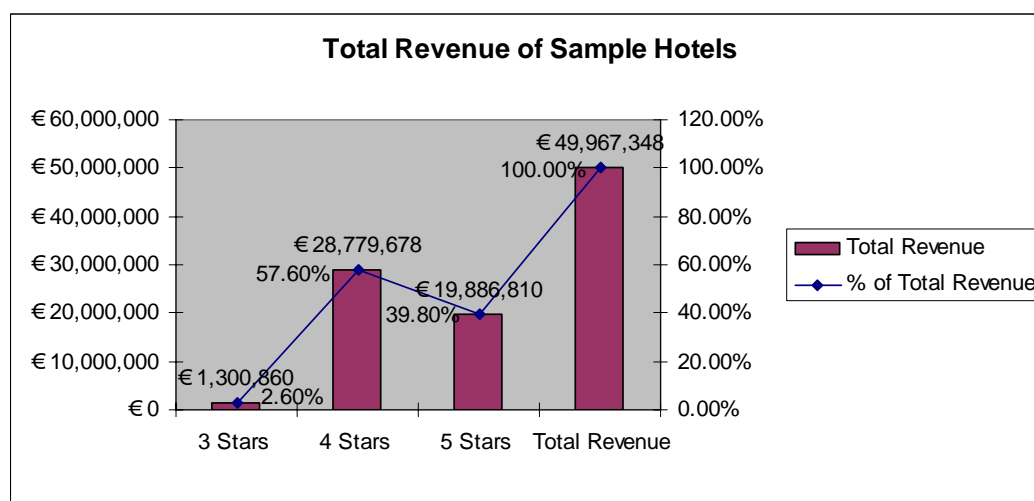
Actual room nights per room category were then multiplied by the rate for each respective category to derive the revenue for each room category, and total hotel revenue, similar to the example for the fictional hotel shown in Table 6:

Table 6 Illustrative Revenue Calculation (Fictional Hotel)

	Actual Room Nights	Room Rate Per Night (double-occupancy)	Revenue
Half-board	12,775	€ 35	€ 447,125
All-inclusive	12,775	€ 50	€ 638,750
Total	25,550	€ 85	€ 1,085,875

Total derived revenue for 2006 for all hotels in the sample is illustrated in Figure 5:

Figure 5 Total Revenue of Sample Hotels



PURCHASING

Purchasing expenditures were a bit more problematic to derive, as not enough information was provided in all cases. Purchasing costs have been derived for four hotels. These costs were

³ This is for illustrative purposes only. There were no hotels in the sample with this number of rooms.

calculated based on the overall percentage of revenue spent on purchases, as indicated by the specific hotels. Average purchasing costs for 5-star hotels are based on actual purchasing patterns of two hotels. The 4-star purchasing average is based on purchasing patterns of six hotels. The 3-star hotel provided neither purchasing values nor percentages, so this information could not be derived. Average revenue and purchasing for the six 4- and two 5-star hotels mentioned above are highlighted in Figure 6 and Table 7, below.

Figure 6 Average Financial Data for 2006 by Hotel Classification

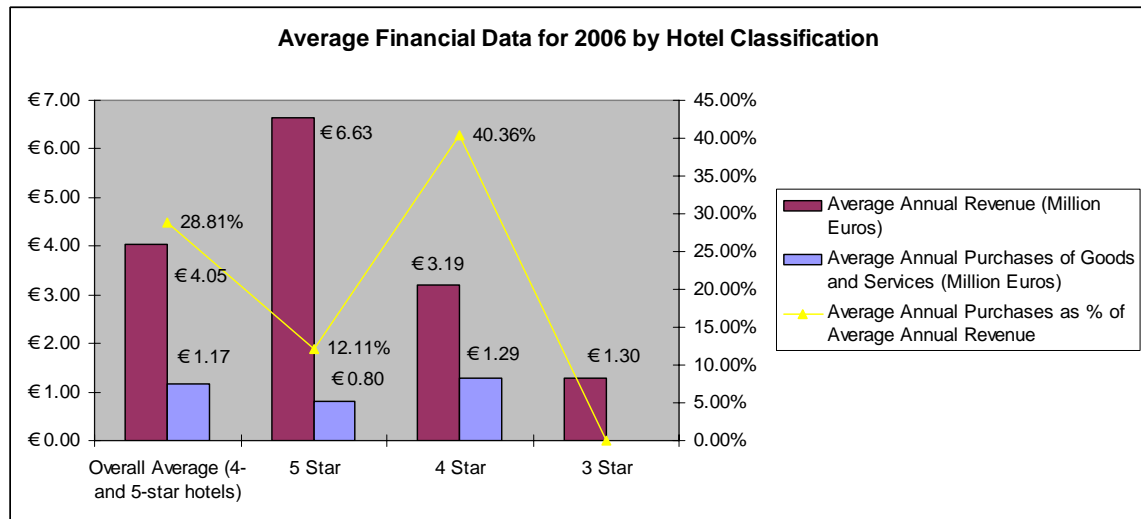


Table 7 Financial Data, 2006

	Average Annual Revenue (Million Euros)	Average Annual Purchases of Goods and Services	Average Annual Purchasing as % of Average Annual Revenue (By hotel classification)
3 Stars	€ 1.30	N/A	N/A
4 Stars	€ 3.19	€ 1.29	40.36%
5 Stars	€ 6.63	€ 0.80	12.11%
Average of 4- and 5-Star Hotels	€ 4.05	€ 1.17	28.81%

Purchasing Patterns

The majority of purchasing is done in Cairo with most hotels purchasing 100 percent of goods from Cairo. All 5-star hotels purchase 100 percent from Cairo, through corporate travel group headquarters. The 4-star hotels have more balanced purchasing patterns between Cairo and Hurghada. The only 3-star hotel indicated that they purchase approximately evenly between Cairo and Hurghada. Three hotels purchase between 60 – 90 percent of goods from Hurghada. Only two 4-star hotels purchase a significant percentage of items locally at 25 and 60 percent, respectively. In the case of the hotel which indicated that it purchases 60 percent locally, they indicated that they purchased from local suppliers who brought goods in from Cairo. It is important to note that while these figures were provided directly from hotels and were not

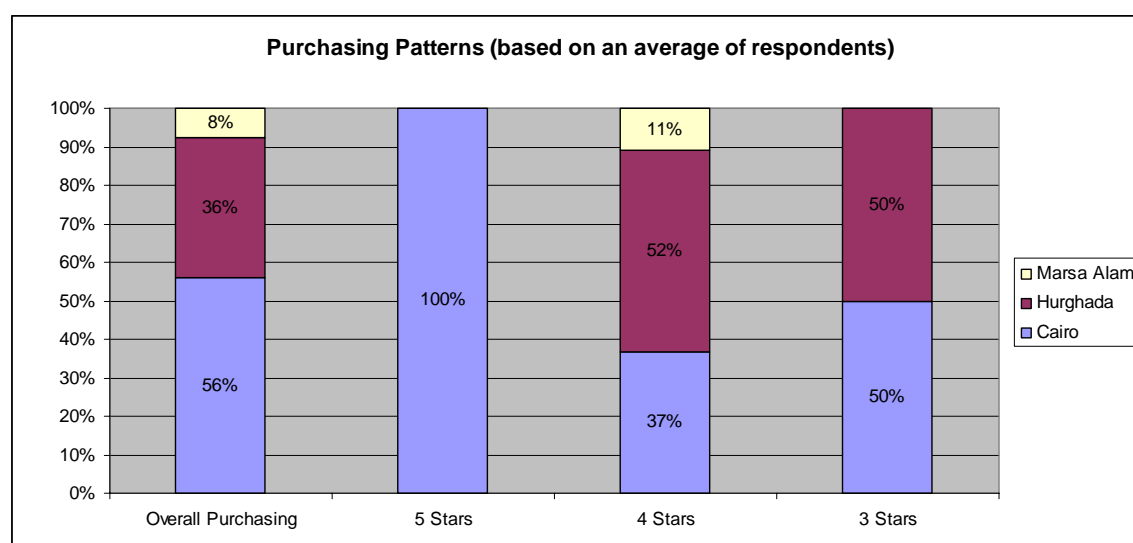
derived, they have not been verified and should be approached with caution, as they are inconsistent with other data.

Reasons cited for not purchasing locally include:

- The hotel group makes all purchases in Cairo
- Locally-supplied goods and services are more expensive
- Locally-supplied goods are generally of lower quality (specifically fruits and vegetables)

Average purchasing patterns illustrated in the chart below are based only on the seven hotels which responded to this survey question. Information for the other hotels cannot be derived from the information available.

Figure 7 Purchasing Patterns



SERVICING

Servicing costs were difficult to determine and were only provided in a few cases. Servicing costs are therefore based on actual or derived data from the 4- and 5-star sample. Five-star servicing costs were based on actual or derived data from all three hotels. Four-star servicing costs were based on data from only five hotels. Data from the lone 3-star hotel, although provided by the hotel, was discarded as being grossly inconsistent with other data.

Table 8 Average Cost of Servicing per Person per Night

	Overall Average	High	Low
5 Stars	€ 21.76	€ 31.00	€ 11.11
4 Stars	€ 13.49	€ 20.00	€ 7.10
Overall Sample	€ 16.59	€ 31.00	€ 7.10

TAXES

By law only shareholding companies are allowed to invest in the region. Shareholding companies in Egypt fall into one of two types:

- Companies registered under law 8 for 1996 for investment companies
- Companies registered under law 159 for 2005

Table 9 compares the tax treatment for both types of companies. The major difference is that pertaining to the income tax. Law 8 companies enjoy an income tax holiday of 10 years, whereas law 159 companies follow the regular tax law (law 5/2005). All companies established after 2005, would be registered under law 159

Table 9 Tax Treatment for Shareholding Companies

Description	Base of Calculation	Applicable Taxes	
		Law 159 Companies	Law 8 Companies
I. Company Establishment			
Company registration	Size of capital	max LE 6,000	max LE 6,000
Land registration	Size of land	max LE 2,000	-0-
Customs on building equipment	Value and category of equipment	20% -40%	5%
II. Operations			
Payroll tax	Salary : First LE 9,000 / year	-0-	-0-
	LE 15,000 - LE 20,000 / year	10%	10%
	LE 20,000 - LE 40,000 / year	15%	15%
	LE 40,000 and more / year	20%	20%
Social security contribution	Basic salary up to LE 750/month	40%	40%
	Allowances up to LE 500/month	35%	35%
Withheld tax	Purchases	0.50%	0.50%
	Professional fees (eg. Audit)	5%	5%
Sales tax	Total hotel bills including service charge	10%	10%
Municipal tax	Rooms revenue	2%	2%
Income tax	Net margin after interest	20%	-0- (10 years starting year of operation)
	Dividends	-0-	-0-

Field investigation revealed that all hotels investigated in our sample in Marsa Alam were established under law 8. The reason is that investment in the region started well before law 159 came into effect. Those who have started operation as such enjoy the aforementioned tax holiday.

Companies that were established before 2005 but are not yet operational were granted a grace period of three years during which they should complete construction. Once construction is completed they will enjoy the 10 years income tax exemption.

SOURCE MARKETS

PRIMARY MARKETS/NATIONALITIES

Currently, Italians and Germans dominate the market, with Italians making up approximately 50 percent of all guests in the sample. For example, Italians were the primary source market in seven hotels (ranging between 50 – 99 percent of occupancy). Germans were the primary source market in four hotels (ranging between 40 – 60 percent of occupancy). One hotel indicated that their primary market was evenly split between Italians and Germans at 50 percent each.

Markets are seasonal and each market has its own season, or several seasons per year. Markets are also driven by the economy in the market country, and can vary from year to year. Germans and Italians tend to come at different times and according to hotel managers do not commingle well.

British guests were the only other primary source market, and were only primary in one hotel at 70 percent of occupancy. However, as the overall British percentage was nominal, it has been folded into the calculation for “other” nationalities indicated in Figure 8 below.

There is a trend towards attracting more Russian guests. With only a few exceptions, Egyptian and foreign resident guests account for less than one percent. Other markets currently served include Austrian, French, Swiss, Ukrainian, and Dutch.

Figure 8 Primary Guest Nationality as a Percentage of Occupancy

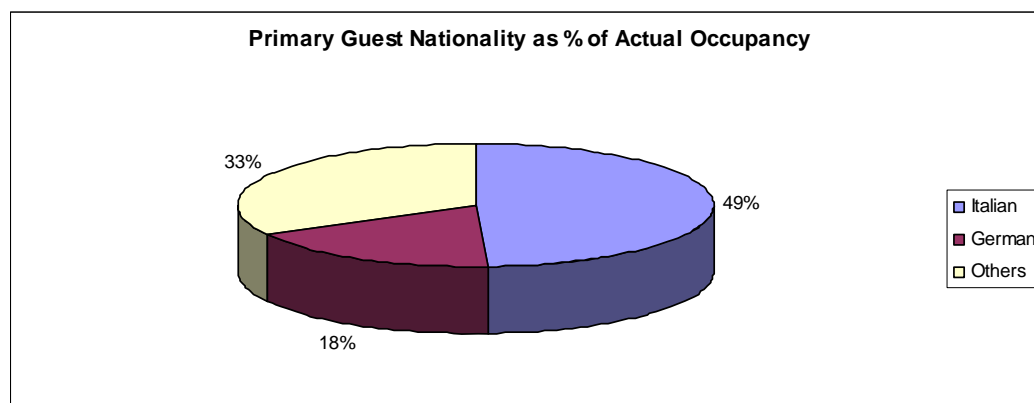
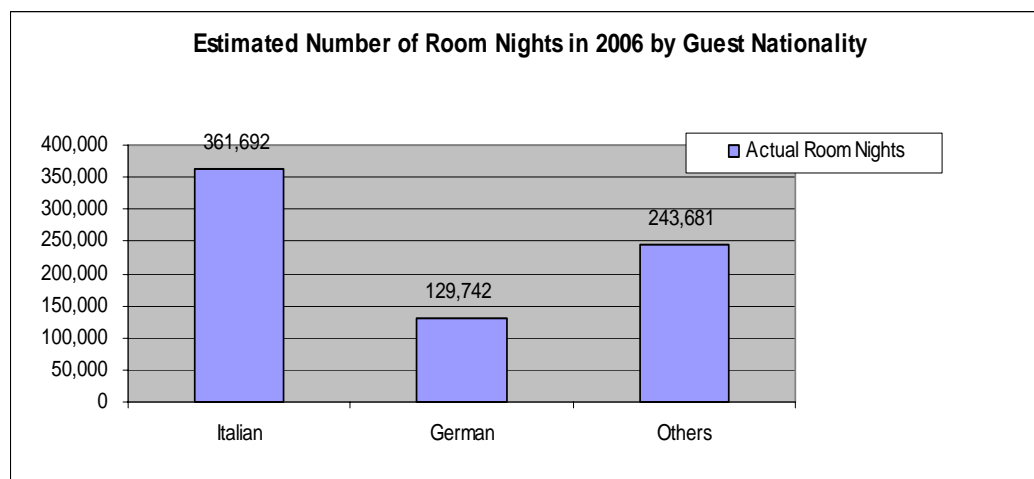


Figure 9 Estimated Number of Room Nights by Guest Nationality, 2006



NEW TARGET MARKETS

New target markets tend to be focused on Western Europe and Russia, with the French market being the most frequently noted Western European market. Other nationalities mentioned include Spanish, British, Scandinavian, American, and German and Italian (for those not currently serving these markets).

Some suggestions were made on the basis of markets not currently being served, such as the Scandinavian and American markets, for example. The suggestion regarding the American market was also tempered with the realization that they are competing for this market with the proximity of the Caribbean to the US market. Suggestions for new target markets were also based on the consideration of which nationalities have a reputation as “good spenders.”

Hotels also take into consideration mixing nationalities that will get along when considering new markets (for example Spanish and Italians can commingle, whereas Italians and Germans do not mix well). They need to take into consideration new markets which will match well with current clientele so as not to diminish or dilute their existing markets. They also take into consideration the seasonality of markets.

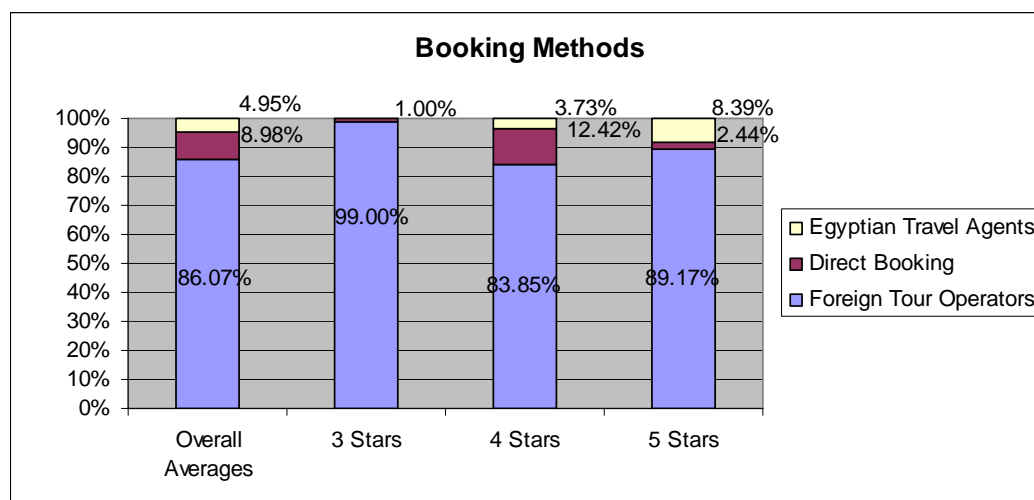
BOOKING METHODS

The majority of hotel arrangements are made through tour operators. Eight of 13 hotels indicated that foreign tour operators accounted for between 90 – 100 percent of bookings in 2006. One hotel indicated that only five percent of bookings are made through foreign tour operators. The remainder of hotels indicated that between 60 – 80 percent of bookings were through tour operators.

Overall, foreign tour operators accounted for 86 percent of room nights in 2006. As illustrated in the chart below, 5-star hotels average 89 percent of bookings through tour operators, while 4- and 3-star hotels averaged 84 and 99 percent, respectively.

Only one hotel indicated that the majority of their bookings were made through direct bookings – and these are made through corporate headquarters in Cairo (50 percent). Further, only one hotel indicated a quantifiable percentage of bookings through Egyptian travel agents (30 percent). Online booking is increasing incrementally, but is still a far second to tour operators.

Figure 10 Booking Methods



TOUR OPERATORS

Hotels have specific arrangements with tour operators which guarantee a percentage of bookings. For example, one hotel revealed that they cooperate with only one Italian tour operator, which guarantees 70 percent of bookings.

Rates provided by hotels to tour operators fluctuate based on variables including season and occupancy, economic conditions in the source market.

These same variables, in addition to whether tour operators are simply trying to fill spaces to meet the quotas for which they have committed, impact rates which tour operators offer their guests. As such, hotels generally claimed to be unaware of the mark-up of their room rates. They further cited that since holidays are sold on a package basis including airfare, and sometimes diving, it is difficult to determine the actual room rate charged.

Although managers generally either did not know, or were reluctant to provide information on tour operator mark-ups of room rates, some said that their “rack” rates were discounted by between 10 – 15 percent for tour operators, and those with higher occupancy often get even better deals. Conversely to this, one manager indicated that while he was not aware of the actual range of mark-ups, he believed it to be not less than 60 percent.

ACTIVITIES

DIVING GUESTS AND ARRANGEMENTS

Although many hotels initially started as diving hotels, there has been a trend towards more “relaxation” guests. Divers who come primarily for Red Sea diving range between 20 – 30 percent of hotel guests, although the percentage may go as high as 90 percent.

Eleven of 13 hotels indicated that diving arrangements are booked 100 percent through on-site dive centers rented to private dive operators which are mostly foreign-owned (German and Italian). The only revenue hotels receive through dive operations is rent.

Diving arrangements arranged through off-site dive operators are primarily included in the overall package through the tour operator, or arranged through the tour operator. Only two hotels, both operated through the same travel group, indicated that any guest diving arrangements were booked through other than on-site dive centers. In each case, the hotel estimated that 70 percent of diving arrangements are booked through on-site dive centers, and the remaining 30 percent for each hotel was evenly divided between off-site dive centers, and off-site diving arrangements which were booked through the hotel. They defined off-site dive arrangements booked through the hotel to mean pre-paid dive excursions for which scheduling was done through the hotel.

OTHER EXCURSIONS

The primary excursion after diving is desert safaris, followed by excursions to Aswan and Luxor, and the Shalateen Camel Market, as well as beach buggy rides. New activities include surfing and kite surfing, and an astronomy center near Marsa Shagra.

Hotels tended to have very limited data on these other excursions as they are primarily made either through tour operators or other on-site operators (e.g. kite surfing), which rent the venue location, similar to dive operators. However, some hotels estimated that between 40 – 50 percent of guests participated in desert safaris. (Seven respondents indicated that between 20 – 50 percent of guests go on desert safaris, while four were in the 45 – 50 percent range, and three were between 20 – 30 percent).

Most estimated that ten – 20 percent of guests travel to Luxor/Aswan. The Shalateen Camel Market was a destination for approximately ten percent of guests (among those who responded). Only one hotel indicated a high percentage of guests travel to Luxor/Aswan (70 percent), with the majority of those who responded indicating that between ten – 20 percent of guests make this trip. Hotels do not receive revenue from these activities other than the rent they receive for the venue locations.

PREFERRED MARKETING METHODS

Preferred marketing methods, in descending order of preference, are shown in Figure 11, while hotel ratings of specific marketing method effectiveness are highlighted in Table 10.

Figure 11 Preferred Marketing Methods

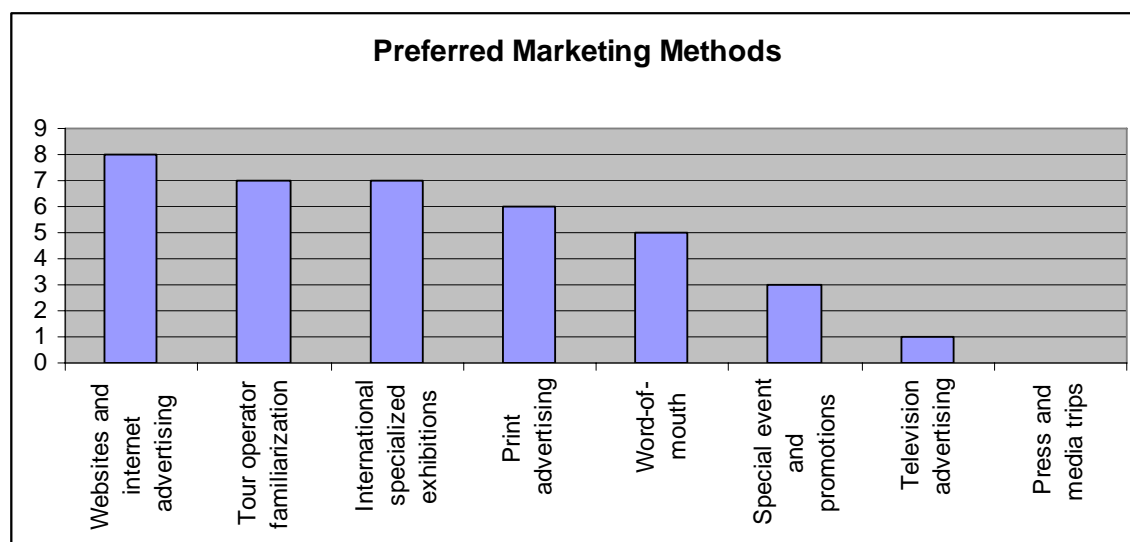


Table 10 Marketing Method Effectiveness Ratings by Number of Hotels

Method	Ratings				
	N/A	Ineffective	Somewhat Effective	Effective	Most Effective
Television advertising	7	5	0	1	1
Print advertising	4	0	3	1	6
Tour operator familiarization	1	0	0	6	7
Press and media trips	8	2	0	4	0
Websites and internet advertising	2	0	1	3	8
Special event and promotions	9	2	0	0	3
International specialized exhibitions	4	1	2	0	7
Word-of-mouth	9	0	0	0	5

In many cases, such as with respect to print or television advertising, hotels indicated that a marketing method was ineffective simply because they did not conduct this type of marketing. However, they noted that tour operators frequently did this type of marketing either through local television advertising or through brochures which included spreads on individual resorts. In such cases, while the hotels did not do the marketing themselves, they believed that it was effective.

With the exception of one hotel, those participating in international exhibitions indicated that they are very effective. The lone hotel which indicated international exhibitions were not effective suggested that door-to-door marketing to tour operators in other countries would be more effective.

Finally, although “word-of-mouth” was not on the questionnaire, several hotels indicated that this was a highly effective means of marketing, and highlighted that they have a high level of repeat guests who bring other guests each time they visit.

PARTICIPANTS' RECOMMENDATIONS FOR IMPROVED MARKETING

Recommendations for the government to help improve marketing of the region ran along three themes: increased/improved advertising, transportation and logistical issues, and environmental awareness and legislation.

Specific suggestions included the following:

- Increased/improved advertising:
 - Print advertising
 - Television advertising, including promotional programs on Egypt as a whole, as well as specific to the Marsa Alam region
 - Internet advertising – on the region as a whole, and specific resorts
- Transportation and logistical issues:
 - Market the fact that there is an international airport in Marsa Alam
 - Widen and improve the safety on the road from Safaga south to Marsa Alam and beyond
 - Rescind the requirement for convoys/caravans between Luxor and Safaga
- Environmental awareness and legislation:
 - Produce environmental awareness programs on the natural environment in the region, specifically on the fragility of the reefs, feeding of fish, and other environmental hazards
 - Pass/enforce legislation restricting the number of divers and boats in the area, possibly including restrictions on proximity of boats to the coast and reefs.

Phase 2: Case Study of the Basata Ecolodge in Neweiba: The Economics of Simplicity

ACKNOWLEDGEMENT

Entrust Development & Management Consultants is deeply indebted to the staff and management of Basata resort in Neweiba,. They were generous with both the material and time without which this work would not have been possible.

All photographs included in this report were either provided by Engineer Sherif El-Ghamrawy, Basata's Owner and General Manager, or downloaded from Basata's website.

Cairo, March 2008

BACKGROUND

Basata Ecolodge is located 45 km south of Taba and 23 km north of Neweiba, on the Neweiba – Taba road, approximately 450 km from Cairo. It is situated in a small bay called Ras Burayka surrounded by cliffs on the Gulf of Aqaba. The first resort on the Gulf of Aqaba, and probably the first ecolodge in Egypt, Basata was established in 1986, 4 years after the owner, Engineer Sherif El-Ghamrawy, first visited the area, shortly after Sinai was handed back to Egypt by Israel.

Figure 12 The Sinai Peninsula and Location of Basata

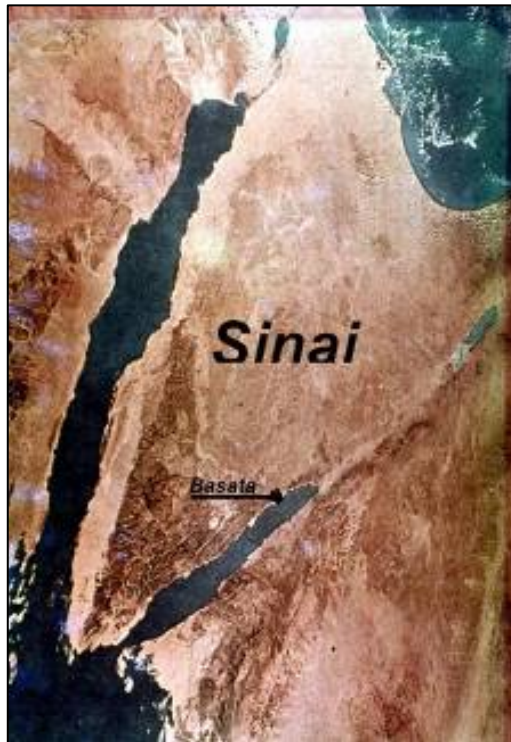


Figure 13 Basata - Ras El Burka Bay



One remarkable thing about Basata is that has experienced significant growth over the years, while experiencing virtually no downturns, compared to other resorts and hotels in Sinai, even in crisis times following terrorist activities in the region. Originally no more than a camp, today Basata has 10 chalets, 17 huts, and a camping area for 150 persons. Overall, in a high season, Basata can now accommodate almost 350 guests. The following pictures depict the development of Basata between 1986 and 2006:

Despite this growth, Basata managed to remain faithful to its original concept as venue of cultural exchange while respecting, and minimizing the damage done to the environment. The Responsible Tourism Awards highly commended Basata as the second best facility in a marine

environment. Al Jazeera TV channel aired a 5-minutes feature on Basata as one of the internationally acclaimed ecotourism destinations.

Figure 14 Basata Bay, 1986



Figure 15 Basata Bay, 2006



DESCRIPTION

PHYSICAL FACILITY

In building Basata, the management has opted to:

- Preserve the nature of the land, thus using light structures
- Abide by the carrying capacity of the location
- Use natural materials in construction
- Preserve the fragile arid nature of the location
- Plant only local plants for gardening.

Basata's accommodation facilities consist of:

- 17 bamboo and reeds huts along the shoreline
- 10 mud bricks chalets in the back of the resort
- A camping area for 150 persons.

Overall, in a high season, Basata can now accommodate almost 350 guests.

Figure 16 Exterior and Interior of the Bamboo Hut



The huts have basic furniture of wood and reeds and handmade rugs. Guests supply their own linens.

Figure 17 Exterior and Interior of a Chalet



Chalets are furnished with relatively more sophisticated furniture, yet still faithful to the concept of simplicity. They are equipped with electricity and solar heaters for hot water. Unlike the huts, each chalet has its own bathroom.

The main center of activity in Basata is the large main hut located in the middle of the resort. Built from bamboo and reed, the hut is composed of:

- A reception area
- A large communal kitchen for the guests with a refrigerator used to keep dairies, juices, and water, and a small stock of foodstuffs
- The resort's kitchen where dinner is cooked, and where bread and pizza are baked
- Three interconnected living areas.

Figure 18 Basata's Communal Living Room and Kitchen



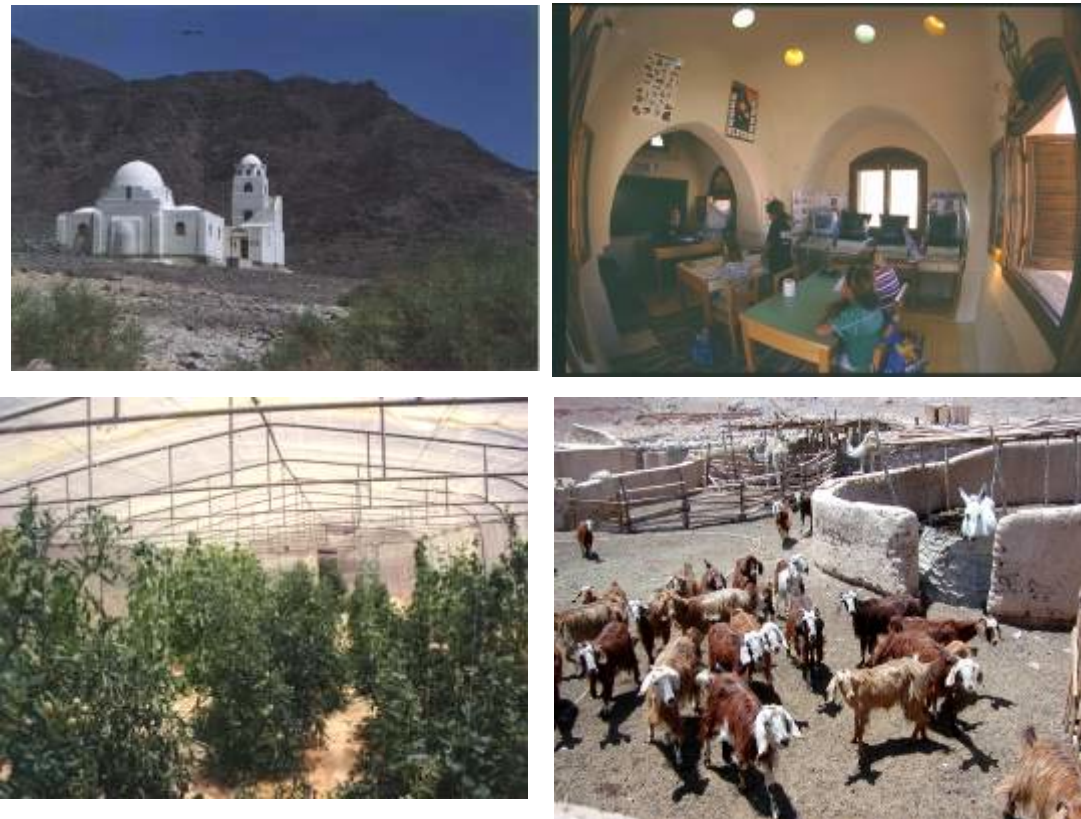
The resort has two communal bathrooms, one at each end of the resort. One of the bathrooms has hot water

Figure 19 One of Basata's Two Communal Bathrooms



In addition, Basata has a mosque, a school, a greenhouse, and an animal farm.

Figure 20 Basata Community



All construction is of locally available material (rocks, mud bricks, reed, and wood), with minimal use of concrete. The resort has its own desalination plant and two electric generators.

Figure 21 Basata's Desalination Plant



ACTIVITIES AND ACCOMMODATION

The Rules of Basata

Upon arrival, guests are given an orientation to the “rules of the house,” that are also clearly displayed in drawings and text in the main hut. These rules reflect Basata’s concept of cultural exchange and respect for the environment.

Figure 22 The Basata Resort's House Rules

1. Guests will separate their wastes at the source, especially in the communal kitchen.
2. The coral reef and marine life are to be preserved. Guests are forbidden to harpoon fish or other marine life, or to step on or touch the corals.
3. Avoid sound pollution. Guests are encouraged to keep mobile telephones on silent mode.
4. Maintain the cleanliness of the beach and the facility.
5. Use care in smoking and properly dispose of cigarette butts.
6. Respect the local culture: no topless sunbathing, nudity, or public display of romantic affection are allowed.
7. Alcohol is not served by the resort.

Guests are asked to follow the rules and to report any violations. According to the management, they are particularly adamant about the preservation of the coral reef.

The orientation also covers the guests' utilization of the self-service kitchen, which is open 24 hours a day. Guests record what they consume on a tally sheet and settle their bill when checking out. Guests are expected to wash their own dishes and utensils. Basata serves an optional seafood or vegetarian dinner on alternate nights, and pizza is made available throughout the day. A refrigerator is used to store dairy goods, bottled water, and juices. Guests can use the refrigerator to store their food for a small daily charge.

Activities

Available activities are mainly focused on the environment. They include desert safaris, camel safaris, trekking, bird watching, and snorkeling. The resort does not have or allow for electronic entertainment equipment (e.g. T.V. or radio). Rather, a Spanish guitar is available for those who are interested in trying, and sometimes Bedouins build a fire and gather the guests to chant their local songs or poetry.

Relationship with the Local Community

While the relationship with the environment is one of Basata's assets, another is the relationship with the local Bedouin community. Unlike other conventional hotels, Basata encourages and stimulates interaction between the local community and the tourists. Bedouins are allowed to enter and exit Basata and intermingle with the guests freely. Bedouin women are also allowed to freely display and directly sell their products to the guests, or sell them through the bazaar at the resort. Furthermore, Bedouins were trained and hired by the resort and now constitute one-third of Basata's workforce. Bedouins are subcontracted by Basata to conduct desert and camel safaris, as well as provide fish. Bedouin children are allowed entry for free in the school that Basata established. Over the years the relationship between Basata and the local community has evolved to become one of full partnership. Basata is accepted as part of the community, and the community became an asset for Basata. By gaining the trust of the locals, the resort's management has been asked to intermediate between officials and Bedouins in the region.

Security

One of examples that show the value of Basata's relationship with the community is the safety and security the resort enjoys. Unlike other hotels and resorts in Sinai, Basata is not heavily guarded by the Egyptian security forces. According to Sherif El Ghamrawy, the owner of the

resort, he surprised the Ministry of Interior when he asked them not to place guards at his gates or guard his resort. His justification was that:

- Basata does not receive Israeli guests, and is as such unlikely to be targeted by anti-Israeli operations.
- Guests are asked to respect local traditions, and alcohol is not served in Basata, thus reducing the likelihood of being targeted by fundamentalists.
- Basata employs and subcontracts Bedouins, and is hence unlikely to be targeted by elements of the disenfranchised local population.

In summary then, the very business model of eco-tourism as applied by Basata constituted its main source of security.

ENVIRONMENTAL MANAGEMENT

Basata

Basata implements an elaborate system of environmental management that is suited to the nature of the place. With no infrastructure for water, wastewater, or solid waste, Basata had to develop an environmental management system that is based on minimizing waste, conserving water, and recycling.

Separation at source is undertaken for both wastewater and solid waste. In the kitchen, waste is sourced by the guests themselves into separate plastic bins for metal, glass, returnable glass, plastics, leftover food, and other stuff.

Figure 23 Basata's Kitchen Waste Separation Bins



Plastic bottles are shredded and sold to a recycling business in Cairo together with paper and glass. Basata's small animal farm recycles the food leftovers into fertilizer that is used in the greenhouse to grow vegetables or utilized in mixing the mud bricks used in construction.

The resort has a water and wastewater management program. The desalination plant provides water to the kitchen and bathrooms. Bathrooms are equipped with taps that run for six seconds per press. The resort has two sewage systems: one for the wastewater coming from the toilets, and one for the grey water coming from the showers and basins. The latter is collected and mixed with the desalination plant's brine to water the landscape and irrigate the garden. Brine is also used for flushing toilets and construction work.

The end result of the system is that the tourist in Basata consumes an average of 60–70 liters per day of water, compared to the average consumption in 5-star hotels of 500–700 liters per person per day. Basata's guests also produce a meager 2 m³ per day of wastewater.

Hemaya

Basata has established and hosted Hemaya, an environmental NGO that operates in the Taba–Neweiba region. Established in 1997, the NGO has proved to be a powerful local asset that has:

- Initiated and undertook the first solid waste management program covering all of the Neweiba–Taba region with the participation of all hotels, shops, Bedouin tribes, international forces, and security forces.
- Involved Bedouins in separation and processing of solid waste.
- Organized more than 35 cleaning campaigns covering the city and the beaches.
- Planted 150 palm trees in Neweiba's port area.
- Conducted medical campaigns.
- Made an underwater survey of the Abou Galloun Protectorate.
- Participated in Vodafone's "My School" campaign.
- Enhanced environmental public awareness through events and workshops.
- Conducted environmental feasibility studies on a variety of topics.

Hemaya is currently cooperating with the Protectorates Sector of the EEAA in:

- Developing a training and management system for an ecolodge in Saint Catherine.
- Providing technical assistance to the establishment of a solid waste management center in St. Catherine.
- Contributing to building toilets in Gabal Moussa.
- Signed a protocol with EEAA, by virtue of which Hemaya monitors abidance by the environment law throughout the bay and reporting infringements to the protectorates.
- Donating and operating a patrol boat, in cooperation with the protectorate

Figure 24 Hemaya and the Protectorate Joint Patrol



MANAGEMENT AND ECONOMICS OF BASATA

ROOM RATES

Table 11 Basata Rates, 2007

Lodging	Egyptians (L.E.)	Foreigners (EU)
Day Use/person	20	10
Camping/person	33	10
Hut/person	48	14
Single hut	75	18
Chalet (up to 3 people)	280	60
Extra person in chalet	75	18

Notes: A tax of 15% is added to the above rates
A hut accommodates an average of 4 persons
A chalet accommodates around 2.5 persons

GUESTS

Guests are roughly divided between Europeans and Egyptians. As the above table shows, European guests seem to be relatively more profitable than Egyptians. In addition, one intern noted that Egyptian guests are less profitable than foreign ones for the following reasons:

1. They are less likely to order dinner
2. They bring their own food rather than use the supplies of the kitchen
3. They are less likely to go on safaris.

One distinguishing feature of Basata's style of management that sets it apart from conventional hotels is that the guest is not always right. While the ecolodge provides a relaxed atmosphere, the management is adamant about following the rules of the house, especially those pertaining to preservation of the coral reef and the environment.

The resort, like other ecolodges, targets the market niche of ecotourists and adventure tourists that are environmentally conscious. At the time of conducting the case study, guests included a writer, two musicians, a yoga instructor, and a film director. These are exemplary of the kind of guests Basata attracts.

EXPANSION AND GROWTH

One remarkable thing about Basata is that has experienced significant growth over the years, while experiencing virtually no downturns, compared to other resorts and hotels in Sinai, even in crisis times following terrorist activities in the region. On average, Basata's occupancy hovers above 80 percent. In 2006, despite the occurrence of terrorist attacks targeting Taba and Neweiba, the occupancy rate fell only slightly to 74 percent.

Expansion is limited by the carrying capacity of the location, and according to Basata's management, the resort has already reached its limits of expansion. Growth, as such, could come by adding value, and hence increasing price, rather than by increasing the capacity of the resort.

SALES AND MARKETING

This balance between the carrying capacity of the location and the potential for expansion has naturally affected Basata's sales and marketing strategy. Sales and marketing effort are governed by the carrying capacity. Basata found no need to pursue an aggressive strategy aiming to increase the number of guests. For example, the resort does not have a brochure, or utilize other mass marketing or advertisement tools. Rather, the resort relies mainly on word of mouth and a group of loyal guests that have developed a connection with Basata over the years. Ecotourism guidebooks and specialized Internet advertising are other marketing tools that prove useful. Basata does not rely on tour operators or travel agents. Only 4 percent of the guests come from foreign tour operators and Egyptian travel agents. The rest rely on direct booking; mainly by telephone.

LIMITATIONS

Basata management faces significant difficulties pertaining to the regularity and price with which they obtain foodstuffs and other supplies. The remoteness of the resort, together with its small size, makes it an unattractive customer for most suppliers. This is especially the case with suppliers of fresh fruits and vegetables that should be making frequent deliveries to ensure that the fruits and vegetables the resort serves are of acceptable quality. Naturally, this is not the case, and Basata's management has to drive to Ismailia or Cairo to buy the resort's needs.

The downturn that tourism in Neweiba experienced following the 2006 terrorist attacks has made this limitation more severe. Before this downturn, wholesalers used to send their trucks to provide supplies to several large resorts. Basata was able to place and receive their orders on the same trucks. At the time the study was conducted, these trucks became less frequent. While bigger resorts with large refrigeration facilities are able to store their food supplies for longer periods, Basata's single refrigerator puts the ecolodge at a disadvantage in this regard.

Given the resort's small size, Basata's management often is unable to obtain foodstuff from wholesalers, and has to deal with retailers at a relatively high price. Because most fruit and vegetable retailers don't issue invoices or vouchers, these expenses are in most cases not counted by the tax authority, and are not deducted from revenues, but counted towards their profits. Naturally, this also applies to all transactions with the Bedouin community to obtain fish, various services (e.g. maintenance), and safari trips, all of which are exclusively in the informal domain. Overall, Basata management estimates that there are LE20,000–30,000 of expenses per month that they fail to document for audit or tax purposes.

EMPLOYMENT

Basata has 22 employees on the payroll, seven of whom are Bedouins. Bedouin employees were trained and placed in jobs that are suitable for their culture, skills, and qualifications. With the exception of the maintenance mechanic, whose salary is LE1,500 per month, their salaries are LE500/month each. They work as a maintenance supervisor, maintenance assistant, two security guards, a kitchen assistant, a janitor, and one woman is employed by the animal farm.

LINKS WITH THE LOCAL ECONOMY

In addition to directly employing Bedouins, the resort has developed strong economic ties with the local community.

Camel Safaris

Camel safaris are organized by Bedouins. The hotel charges LE130/person per day. This price includes food (vegetables, rice and pasta), and the cost charged by the Bedouins (LE80 per camel). The Bedouins bring along flour to bake bread, and tea. Bedouins do not ask for tips from the tourists. Last October, Bedouins earned at least LE15,000 from camel safaris organized by Basata alone.

According to the resort's management, from a business standpoint, the camel trip is not lucrative for the hotel, because the tourists check out of the hotel during the trip which may reach a week in duration.

Jeep Safaris

A jeep safari takes half a day. Basata's daily charge is LE450/car/day. The Bedouins charge the resort LE300/day/car. On average, Basata rents out 80 cars per year for the guests.

The Bedouin staff sometimes participates in safaris as well, thereby earning additional income.

Food Requirements

The ecolodge offers an optional dinner to the guests (vegetarian meal and fish meal interchangeably). For this purpose, Basata buys fish for about LE7,000 from the local Bedouin fisherman every month.

CONCLUSION

Basata's business model is in stark contrast to the prevailing mass tourism model. In its basic elements the model has the following pillars:

- Low investment capital
- Low working capital
- Niche marketing
- High value
- High returns
- High retention rate by the local community
- Expansion limited by the carrying capacity of the location.

Basata, as shown in this study, is a case in point (see Annex 1 for the questionnaire filled out by resort's management). While definitely a successful model of responsible investment, Basata still suffers from several problems that the report has touched on.

First, the carrying capacity creates a barrier for future expansion of the resort. Growth through adding value would require significant innovation if a sizeable increase in revenue is to take place. This is a challenge in itself since Basata in effect sells simplicity.

Second, the remoteness of the location, while an asset for the guests, is a setback for the management when it comes to obtaining supplies and services on a timely basis and at reasonable prices.

Third, the limited size of Basata as an enterprise, coupled with its remoteness, and the requirements of the legal and regulatory framework governing business operations, forces Basata to adopt informal transactions that cannot be accounted for in its financial records. This either eats away at Basata's profit margin, or possibly force it to practice irregular bookkeeping, an option that may have dire consequences.

Fourth, the continued encroachment on the environment in locations and areas surrounding Basata threatens to eventually cause Basata's main asset—the environment—to deteriorate. Such encroachments include illegal fishing and harmful practices of the other resorts in the Neweiba–Taba region, the uninformed tourists, as well as the practices of the Bedouin population itself. While Basata has invested in Hemaya, the environmental NGO, to combat these practices, the capacity of GOE institutions and local authorities need to be significantly enhanced.

ANNEX I: BASATA QUESTIONNAIRE

Egypt's Ministry of Tourism and the Egyptian Tourism Development Authority, in cooperation with the US Agency for International Development (USAID), are conducting a Market and Economic Impact Study of the tourism industry in the Red Sea Region.

The purpose of this survey is to provide critical inputs into planning efforts aimed at improving the competitiveness of the hotel industry, in terms of marketing, development, profitability and product diversification.

Chemonics International, the USAID contractor responsible for implementation of the USAID-funded Livelihoods and Income From the Environment (LIFE) Red Sea project, has subcontracted execution of this survey to Entrust-DMC.

The results of the survey will be held in strict confidence. Results will be aggregated, and once they are tabulated the survey questionnaires will be deleted. No individual hotel data will be released by Chemonics/Entrust.

GENERAL

1. **Name of hotel**
2. **Level of hotel**
3. **Location of hotel**
4. **Nationality of owners** (top three shareholders)
 - 4a. Country Ownership %
 - 4b. Country Ownership %
 - 4c. Country Ownership %
5. **Number of rooms**
6. **Number of employees**
7. **What is the approximate percentage of employees from the region?**

FINANCIAL

8. **Average annual occupancy** (2006)
9. **Average length of stay** (2006)
10. **What was the average daily rate in USD in 2006?**
 - 10a. Room only
 - 10b. Bed and breakfast
 - 10c. Half-board

- 10d. All-inclusive (all meals included)
11. What percentage of room nights did you sell in each category in 2006?
- 11a. Room only %
- 11b. Bed and breakfast %
- 11c. Half-board %
- 11d. All-inclusive (all meals included) %
12. What was the hotel's total revenue in USD in 2006?
13. On average, how much did it cost to service hotel guests, per person, per night in USD in 2006?
14. What was the hotel's annual purchase of goods and services in USD in 2006? (for example, food, beverages, bedding, towels, silverware, glassware, kitchen equipment, housekeeping supplies, software, accounting services, *et cetera*).
15. What was the approximate percentage of those goods and services purchased in the region in 2006?
16. What was the approximate percentage of goods and services purchased from other regions in Egypt in 2006?
17. Approximate percentage of goods and services purchased/imported from outside of Egypt

MARKETING

18. What was your most important source market?
19. What was the approximate percentage of guests from this market?
20. What was the approximate percentage of guests who are Egyptian?
21. What was the approximate percentage of guests who are foreign residents in Egypt?
22. What other geographic market would you like to more fully develop? (Select top priority)
23. What percentage of hotel guests visit primarily for diving? %
24. How are diving excursions organized?
- 24a. Onsite dive center %
- 24b. Offsite dive center arranged through hotel %
- 24c. Offsite dive center arranged independently %
25. What percentage of hotel guests participate in paid excursions other than diving?
- 25a. Desert safaris

25b. Other

26. What percentage of room nights in 2006 were booked at your hotel through:

26a. Foreign tour operators

26b. Direct booking (online reservations, telephone, etc)

26c. Egyptian travel agents

27. Please rate methods of marketing Marsa Alam in terms of effectiveness, with 1 being ineffective and 4 being highly effective

27a. Television advertising

27b. Print advertising

27c. Tour operator familiarization

27d. Press and media trips

27e. Websites and internet advertising

27f. Special event and promotions

27g. International specialized exhibitions

word of mouth

guidebooks

28. What other type of marketing would you suggest be pursued more aggressively?

What can the Egyptian government do to improve marketing?

Phase 3: Database on Resorts in the Southern Red Sea Region of Egypt

LIFE Red Sea Hotel Survey Database								
#	Question	Hotel 1	Hotel 2	Hotel 3	Hotel 4	Hotel 5	Hotel 6	Hotel 7
GENERAL								
1	Name of hotel	Solaya Club	Coraya Beach	Calimera Habiba	Kahramana/ Amaraya	Coral Beach	Blue Reef Resort	Cataract
2	Level of hotel	4	5	5	4	4	4	4
3	Location of hotel	Om Gorifat Bay	Om Gorifat Bay	Marsa Shagra	Marsa Shagra	Port Ghalib	Marsa Shagra	Marsa Shagra
4	Ownership							
4a1	Primary ownership (nationality)	Egyptian	Egyptian	Egyptian	Egyptian	Kuwaiti	Egyptian	Egyptian
4a2	Primary ownership (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
4b1	Secondary ownership (nationality)							
4b2	Secondary ownership (%)							
4c1	Tertiary ownership (nationality)							
4c2	Tertiary ownership (%)							
5	Number of rooms	209	364	300	278	166	131	302
6	Number of employees	173	246	455	368	142	145	320
7	What is the approximate percentage of employees from the Marsa Alam region? (includes Al Quseir)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%
FINANCIAL								
8	Average annual occupancy (2006) (%)	53.00%	43.00%	67.00%	85.00%	33.00%	75.00%	70.00%
9	Average length of stay (2006) (days)	7	8	7	7	7	8	9
10	What was the average daily rate in USD in 2006?							
10a1	Room only (per person, per night, double)							
10a2	Room only (per person, per night, single)							
10a3	Room only (per room, assuming double occupancy)			€ 37.27	€ 33.88	€ 21.26		
10b1	Bed and breakfast (per person, per night, double)							
10b2	Bed and breakfast (per person, per night, single)							
10b3	Bed and breakfast (per room, assuming double occupancy)			€ 44.05	€ 40.66			
10c1	Half-board (per person, per night, double)							
10c2	Half-board (per person, per night, single)							
10c3	Half-board (per room, assuming double occupancy)			€ 60.99	€ 57.60	€ 47.31		
10d1	All-inclusive (per person, per night, double)						€ 26.00	€ 35.00
10d2	All-inclusive (per person, per night, single)							€ 45.00
10d3	All-inclusive (per room, assuming double occupancy)			€ 77.93	€ 74.54		€ 52.00	€ 70.00
10e	Average room rate overall	€ 61.20	€ 75.60	€ 54.52	€ 43.94	€ 41.29	€ 37.37	€ 70.00

LIFE Red Sea Hotel Survey Database								
#	Question	Hotel 1	Hotel 2	Hotel 3	Hotel 4	Hotel 5	Hotel 6	Hotel 7
11	What percentage of room nights did you sell in each category in 2006?							
11a	Room only	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11b	Bed and breakfast	0.00%	0.00%	5.00%	5.00%	0.00%	0.00%	0.00%
11c	Half-board	0.00%	40.00%	5.00%	28.00%	100.00%	0.00%	0.00%
11d	All-inclusive	100.00%	60.00%	90.00%	67.00%	0.00%	100.00%	100.00%
12	What was the hotel's total revenue in 2006? (Million Euros)	€ 2.88	€ 4.57	€ 4.00	€ 3.79	€ 0.83	€ 1.34	€ 5.40
13	On average, how much did it cost to service hotel guests, per person, per night in Euros in 2006?	€ 18.26	€ 23.18	€ 11.11	€ 9.83	€ 7.10	€ 0.00	€ 12.25
14	What was the hotel's annual purchase of goods and services in 2006? (Million Euros)	€ 0.56	€ 1.05	€ 1.36	€ 1.29	€ 0.00	€ 1.75	€ 3.51
15	What was the approximate percentage of those goods and services purchased in Marsa Alam in 2006?	0.00%	0.00%	0.00%	0.00%	0.00%	25.00%	60.00%
16	What was the approximate percentage of goods and services purchased from other regions in Egypt in 2006?	100.00%	100.00%	100.00%	100.00%	100.00%	75.00%	40.00%
16a	Cairo	100.00%	100.00%	100.00%	100.00%		0.00%	40.00%
16b	Hurghada	0.00%	0.00%	0.00%	0.00%		75.00%	0.00%
17	What was the approximate percentage of goods and services purchased/imported from outside of Egypt?	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MARKETING								
18	What was your most important source market?	Italian	German	Italian	Italian	British	Italian	Italian
19	What was the approximate percentage of guests from this market?	80.00%	60.00%	70.00%	70.00%	70.00%	99.98%	70.00%
20	What was the approximate percentage of guests who are Egyptian?	0.00%	0.00%	3.00%	3.00%	7.00%	0.10%	5.00%
21	What was the approximate percentage of guests who are foreign residents in Egypt?	0.00%	0.00%	10.00%	10.00%	1.00%	0.10%	5.00%
22	What other geographic market would you like to more fully develop? (Top priority)	Spain	French	British	French	Russian	Russian	German
23	What percentage of hotel guests visit primarily for Marsa Alam diving?	25.00%	40.00%	10.00%	10.00%	80.00%	10.00%	60.00%
24	How are diving excursions organized? (%)							
24a	Onsite dive center (%)	100.00%	100.00%	70.00%	70.00%	100.00%	100.00%	100.00%
24b	Offsite dive center arranged through hotel (%)	0.00%	0.00%	15.00%	15.00%	0.00%	0.00%	0.00%
24c	Offsite dive center arranged independently (%)	0.00%	0.00%	15.00%	15.00%	0.00%	0.00%	0.00%

LIFE Red Sea Hotel Survey Database								
#	Question	Hotel 1	Hotel 2	Hotel 3	Hotel 4	Hotel 5	Hotel 6	Hotel 7
25	What percentage of hotel guests participate in paid excursions other than diving?							
25a	Desert safaris (%)	50.00%	20.00%	45.00%	45.00%	0.00%	0.00%	30.00%
25b1	Other -----					Luxor/Aswan	Luxor/Aswan	Luxor/Aswan
25b2	Other (%)					1.00%	70.00%	20.00%
25c1	Other -----							
25c2	Other (%)							
26	What percentage of room nights in 2006 were booked at your hotel through:							
26a	Foreign tour operators (%)	90.00%	65.00%	97.00%	95.00%	60.00%	100.00%	50.00%
26b	Direct booking (online reservations, telephone, etc.) (%)	0.00%	5.00%	1.00%	2.00%	40.00%	0.00%	50.00%
26c	Egyptian travel agents (%)	10.00%	30.00%	2.00%	3.00%	0.00%	0.00%	0.00%
27	Please rate methods of marketing Marsa Alam in terms of effectiveness, with 1 being ineffective and 4 being highly effective							
27a	Television advertising	1	1	1	1	0	0	3
27b	Print advertising	4	4	4	4	0	4	2
27c	Tour operator familiarization	3	3	3	3	4	4	3
27d	Press and media trips	3	3	3	3	0	0	0
27e	Websites and internet advertising	4	4	3	3	4	0	4
27f	Special event and promotions	4	4	1	1	0	0	0
27g	International specialized exhibitions	4	4	2	2	1	0	0
27h	Word-of-mouth							4
28	What other types of marketing would you suggest be pursued more aggressively?							
28a		Print advertising	Print advertising	Internet and online booking	Internet and online booking	International door to door sales calls		Advertising done through head office
28b								
28c								
29	What can the Egyptian government do to improve marketing?							
29a		Familiarization trips; online promotion	Familiarization trips; online promotion	Advertise more about unique location of Marsa Alam	Advertise more about unique location of Marsa Alam		Advertise more in general	More regional promotion

LIFE Red Sea Hotel Survey Database								
#	Question	Hotel 1	Hotel 2	Hotel 3	Hotel 4	Hotel 5	Hotel 6	Hotel 7
29b				Facilitate transportation	Facilitate transportation			Market the international airport at Marsa Alam
29c				Better legislation to preserve the environment	Better legislation to preserve the environment	Restrict number of boats and divers to preserve the environment		

LIFE Red Sea Hotel Survey Database

#	Question	Hotel 1	Hotel 2	Hotel 3	Hotel 4	Hotel 5	Hotel 6	Hotel 7
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Notes

General

Several hotels refused to disclose financial information. Where specific data was not available, we have attempted to derive this information based on available data. Cells highlighted in pink indicate derived figures. Cells highlighted in yellow indicate information which is either not applicable or unavailable, and could not be derived from available information. The exchange rate used for conversion of LE to Euro was based on the rate for 12/1/2007 on www.oanda.com/convert/classic. The rate used was Euro 1 = LE 8.116. Financial data for hotels 3 and 4 is based on 2007 figures year to date.

By Specific Data Line

- 9 Average length of stay is based on percentages of occupancy for 1, 2 and 3 week stays.
- 10e Average room rates for hotels 1 and 2 were provided directly from the hotel owner, and are based on 2006 rates. Average room rates for hotels 3 - 13 were derived on the basis of overall revenue divided by the total number of room nights in 2006. Room nights were calculated by multiplying the number of rooms by average annual occupancy by 365 days.
- 12 Annual revenue for 2006 for hotels 9 - 13 was derived. The calculation was based on the overall number of room nights, divided by room category, and multiplied by €.
- 13 Average cost of servicing hotel guests per person per night for hotels 5, 7 and 11 was derived based on percentages of room rate spent on servicing each guest. Percentages were provided by respondents.
- 14 Average hotel purchasing for 2006 for hotels 6, 8 and 12 was derived based on percentages of overall revenue. Percentages were provided by respondents.
- 25 Percentages for some activities were unavailable from hotel management as they are arranged either by tour operators or on-site service providers operated independently.
- 27 In cases where respondents indicated that a certain type of marketing was not utilized, a "0" has been entered.
- 27h "Word-of-mouth" marketing was not on the questionnaire. However, the hotels highlighted with ratings of "4" each indicated independently that this was highly effective.

LIFE Red Sea Hotel Survey Database							
#	Question	Hotel 8	Hotel 9	Hotel 10	Hotel 11	Hotel 12	Hotel 13
GENERAL							
1	Name of hotel	Elphistone/ Vera Club	Shams Alam	Lahami Bay	Lamaya/ Samaya	Brayka Bay	Zabargad
2	Level of hotel	4+	3	4	5	4	4
3	Location of hotel	Marsa Shagra	Wadi El-Gimal	Wadi Lahami	Om Gorifat Bay	Marsa Shagra	Wadi Lahami
4	Ownership						
4a1	Primary ownership (nationality)	Egyptian	Egyptian	Egyptian	Egyptian	Egyptian	Egyptian
4a2	Primary ownership (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
4b1	Secondary ownership (nationality)						
4b2	Secondary ownership (%)						
4c1	Tertiary ownership (nationality)						
4c2	Tertiary ownership (%)						
5	Number of rooms	275	160	184	532	360	115
6	Number of employees	250	220	280	333	370	75
7	What is the approximate percentage of employees from the Marsa Alam region? (includes Al Quseir)	0.00%	30.00%	0.10%	0.00%	0.00%	0.00%
FINANCIAL							
8	Average annual occupancy (2006) (%)	80.00%	55.00%	70.00%	47.00%	60.00%	70.00%
9	Average length of stay (2006) (days)	7	9	14	8	8	9
10	What was the average daily rate in USD in 2006?						
10a1	Room only (per person, per night, double)						
10a2	Room only (per person, per night, single)						
10a3	Room only (per room, assuming double occupancy)						
10b1	Bed and breakfast (per person, per night, double)						
10b2	Bed and breakfast (per person, per night, single)						
10b3	Bed and breakfast (per room, assuming double occupancy)						
10c1	Half-board (per person, per night, double)	€ 28.00		€ 30.00			€ 38.00
10c2	Half-board (per person, per night, single)						€ 45.00
10c3	Half-board (per room, assuming double occupancy)	€ 56.00	€ 30.00	€ 60.00			€ 76.00
10d1	All-inclusive (per person, per night, double)	€ 34.00		€ 42.50			
10d2	All-inclusive (per person, per night, single)	€ 44.00					
10d3	All-inclusive (per room, assuming double occupancy)	€ 68.00	€ 45.00	€ 85.00	€ 124.00	€ 81.63	
10e	Average room rate overall	€ 37.36	€ 40.50	€ 62.50	€ 124.00	€ 80.82	€ 76.00

LIFE Red Sea Hotel Survey Database							
#	Question	Hotel 8	Hotel 9	Hotel 10	Hotel 11	Hotel 12	Hotel 13
11	What percentage of room nights did you sell in each category in 2006?						
11a	Room only	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%
11b	Bed and breakfast	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11c	Half-board	5.00%	30.00%	90.00%	0.00%	0.00%	100.00%
11d	All-inclusive	95.00%	70.00%	10.00%	100.00%	99.00%	0.00%
12	What was the hotel's total revenue in 2006? (Million Euros)	€ 2.96	€ 1.30	€ 2.94	€ 11.32	€ 6.37	€ 2.23
13	On average, how much did it cost to service hotel guests, per person, per night in Euros in 2006?	€ 0.00	€ 25.00	€ 0.00	€ 31.00	€ 0.00	€ 20.00
14	What was the hotel's annual purchase of goods and services in 2006? (Million Euros)	€ 1.63	€ 0.00	€ 0.00	€ 0.00	€ 2.87	€ 0.00
15	What was the approximate percentage of those goods and services purchased in Marsa Alam in 2006?	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
16	What was the approximate percentage of goods and services purchased from other regions in Egypt in 2006?	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
16a	Cairo	10.00%	50.00%	99.00%	100.00%		
16b	Hurghada	90.00%	50.00%	1.00%	0.00%		
17	What was the approximate percentage of goods and services purchased/imported from outside of Egypt?	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MARKETING							
18	What was your most important source market?	Italian	German/Italian equally	German	German	Italian	German
19	What was the approximate percentage of guests from this market?	90.00%	50.00%	60.00%	40.00%	50.00%	50.00%
20	What was the approximate percentage of guests who are Egyptian?	<1%	0.00%	0.00%	1.00%	1.00%	0.50%
21	What was the approximate percentage of guests who are foreign residents in Egypt?	0.00%	0.00%	1.00%	1.00%	0.00%	0.00%
22	What other geographic market would you like to more fully develop? (Top priority)	Western and Eastern European	Russian	Scandinavian	none	American	Italian
23	What percentage of hotel guests visit primarily for Marsa Alam diving?	20.00%	20.00%		50.00%	30.00%	100.00%
24	How are diving excursions organized? (%)						
24a	Onsite dive center (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
24b	Offsite dive center arranged through hotel (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
24c	Offsite dive center arranged independently (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

LIFE Red Sea Hotel Survey Database							
#	Question	Hotel 8	Hotel 9	Hotel 10	Hotel 11	Hotel 12	Hotel 13
25	What percentage of hotel guests participate in paid excursions other than diving?						
25a	Desert safaris (%)	20.00%	50.00%	0.00%	0.00%		0.00%
25b1	Other -----	Luxor/Aswan	Luxor/Aswan	Surfing		Luxor/Aswan	Kite surfing
25b2	Other (%)	10.00%	10.00%				
25c1	Other -----		Shalateen	Shalateen camel market			
25c2	Other (%)		10.00%				
26	What percentage of room nights in 2006 were booked at your hotel through:						
26a	Foreign tour operators (%)	100.00%	99.00%	99.00%	98.00%	80.00%	70.00%
26b	Direct booking (online reservations, telephone, etc.) (%)	0.00%	1.00%	1.00%	2.00%	5.00%	30.00%
26c	Egyptian travel agents (%)	0.00%	0.00%	0.00%	0.00%	15.00%	0.00%
27	Please rate methods of marketing Marsa Alam in terms of effectiveness, with 1 being ineffective and 4 being highly effective						
27a	Television advertising	1	0	0	4	0	0
27b	Print advertising	2	3	2	0	4	0
27c	Tour operator familiarization	4	3	4	4	4	4
27d	Press and media trips	1	1	0	0	0	0
27e	Websites and internet advertising	4	3	4	4	2	4
27f	Special event and promotions	0	4	0	0	0	0
27g	International specialized exhibitions	0	4	4	4	4	4
27h	Word-of-mouth			4	4	4	4
28	What other types of marketing would you suggest be pursued more aggressively?						
28a		Build shopping malls; provide more activities for guests	Market more aggressively in Russia	Airplane magazines			Invite ITB - more familiarization; spending more money on external advertising
28b				travel guides			
28c							
29	What can the Egyptian government do to improve marketing?						
29a		More internet and TV advertising	More marketing on the region and country	Picture advertising with MAGIC words			

LIFE Red Sea Hotel Survey Database							
#	Question	Hotel 8	Hotel 9	Hotel 10	Hotel 11	Hotel 12	Hotel 13
29b					Improve transportation. Widen the road, have more flights, cancel the convoy between Luxor and Safaga		
29c				Conduct environmental awareness programs			

LIFE Red Sea Hotel Survey Database							
#	Question	Hotel 8	Hotel 9	Hotel 10	Hotel 11	Hotel 12	Hotel 13
Notes							

General

Several hotels refused to disclose financial information.
Cells highlighted in pink indicate derived figures.
Cells highlighted in yellow indicate information was not provided.
The exchange rate used for conversion of LE to USD was 1:20.
Financial data for hotels 3 and 4 is based on 2006 data.

By Specific Data Line

- 9 Average length of stay is based on percentages
- 10e Average room rates for hotels 1 and 2 were provided by respondents.
- Average room rates for hotels 3 - 13 were derived from the survey data.
- Room nights were calculated by multiplying the number of rooms by the average length of stay.
- 12 Annual revenue for 2006 for hotels 9 - 13 was calculated by multiplying the appropriate category rate by the number of room nights.
- 13 Average cost of servicing hotel guests per person was calculated by dividing the total cost of servicing hotel guests by the total number of guests.
- Percentages were provided by respondents.
- 14 Average hotel purchasing for 2006 for hotels 6, 7, 8, 9, 10, 11, 12, and 13 was calculated by dividing the total purchasing by the number of hotels.
- 25 Percentages for some activities were unavailable due to insufficient data.
- 27 In cases where respondents indicated that a certain activity was not done, the percentage was set to 0.
- 27h "Word-of-mouth" marketing was not on the questionnaire.