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THE DEAD SEA PRESERVATION
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החברה הממשלתית
להגנות ים המלח בע"מ

Dead Sea – tourism and hospitality review

Stage-A4: Detailed concept, strategy and programme
Draft

May 2013

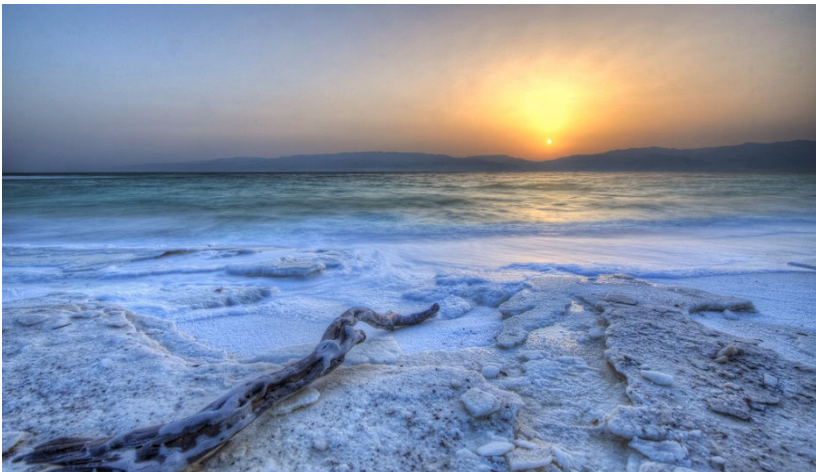
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Contents

	Page
1 Introduction and scope of work	2
2 Executive summary	4
3 Concept proposition	11
4 Component overviews	16
5 Development considerations	34
6 Investment considerations	41
7 Risks and mitigation	55
8 Next steps	60
9 Appendices	65

Introduction

Stage-A4 covers in-depth analysis of the spa concept



Background

- This document is the fourth and final report prepared in relation to the proposed repositioning and further development of the Dead Sea resort area into a world-class destination, appealing to today's international and domestic travellers.
- Stage-A4 should be read in conjunction with the three earlier reports, which provide the comprehensive analysis which supports this document.
- All documents have been prepared in conjunction with The Dead Sea Preservation Government Company Ltd (DSPGC) - a government company, fully owned by the State of Israel, which serves as an executive body of the government on matters concerning preservation of the Dead Sea.
- The DSPGC is co-ordinating the preparation of a comprehensive plan which will integrate any new development with the existing resort (including some aspects of Neve Zohar). Moshe Safdie Architects (Safdie) have been appointed as masterplanner for the project.
- The resort currently comprises 14 hotels (c. 3,900 rooms) in two clusters; Ein Bokek and Hamei Zohar; together with limited restaurant and retail provision. Stage-A1 provides an assessment of the current provision.

Stage-A4 objectives

- Building on the findings and observations identified during Stages-A1, A2 and A3, the Stage-A4 objective is to provide a detailed concept and strategy for the preferred concept (selected as a product of the Stage-A3 workshop).
- Stage-A4 fully develops the illustrative programme that was developed during Stage-A3.
- Initial recommendations on potential supplementary requirements including: marketing; sustainability; investment considerations (grants/incentives/tax policies); risk identification and mitigation strategies, are also included.
- Stage-A4 is the culmination of the research and findings reported on and debated during Stage-A1, A2 and A3. All four reports should be considered together.
- These documents contain commentary and conclusions based on current trends, conditions and forecasts. It is recognised that these are likely to change over time.

Scope and key conclusions – Stage-A1 - A4

The Stage-A1 to A3 conclusions below underpin the recommended programme outlined in this Stage-A4 deliverable

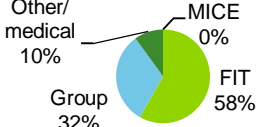

Stage	Scope of work / objectives	Key conclusions
A1	Market research and analysis <ul style="list-style-type: none"> Review of existing complex and new development site Trends in international and domestic tourism Identification of competitor product/resorts around the world Identification of potential positioning and key drivers of an expanded and re-positioned resort at the Dead Sea 	<ul style="list-style-type: none"> Strong destination attributes: spa, relaxation, rejuvenation, health and well-being; dramatic landscape with geological/ecological attractions Key target markets: mostly international, particularly Europe (includes Russia) due to proximity/access. Domestic market remains important, although limited growth potential indicated (and potential cannibalisation of domestic demand elsewhere in Israel) Market segment: predominantly leisure due to area attractions and lack of any significant local corporate activity Proposed repositioning: mid-market to upscale; relatively low-density resort to generate revenues that support the cost of investment as well as the attributes of the destination (see above) Geo-political risk will remain for the foreseeable future. Historically, market has rebounded once stability is restored
A2	Alternative concept analysis <ul style="list-style-type: none"> Provision of 10 alternative concepts, aligned to Stage-A1 findings, strategic intent and vision for a resort of scale Workshop and debate to agree short-list for more detailed analysis 	<ul style="list-style-type: none"> Ten concepts analysed. Three identified for Stage-A3 analysis: family; spa; eco The three concepts each have a different orientation but draw on unique destination attributes and contain common components to meet the expectations of today's travellers Components include: comprehensive F&B, leisure, retail, conference centre
A3	Evaluation of short-listed concepts <ul style="list-style-type: none"> Detailed evaluation of three concepts including basis of induced demand and development programme Workshop forum to agree preferred final concept 	<ul style="list-style-type: none"> Net plot size: 626 dunam (zone C only, which is the new resort extension area between the existing parts) Preferred concept: spa, based on fit of attributes, resort trends and other considerations. Water to be a central theme Key components: spa and well-being centre, eco-gateway, extensive F&B/retail, other leisure, visitor centre Target markets: as identified in Stage-A1, including day-trippers New hotel rooms: c.1,100 in initial phasing. Fully developed, zone C could accommodate a further 1,280 rooms
A4	Detailed concept, strategy and programme <ul style="list-style-type: none"> Formulate the tourism and hospitality programme for the complex, including the detailed concept and strategy 	<ul style="list-style-type: none"> Proposed resort as Stage-A3 scheme. Encompasses unique attributes of the Dead Sea Investment incentives will be required to attract investors to the scheme Phasing the development will reduce the risk of over-supply and allow time to reposition the resort through an international marketing strategy

2. Executive summary



Executive summary – concept summary

The proposed re-development of the Dead Sea resort envisages a repositioning of the area as a “must-visit” destination for the discerning international traveller who values unique experiences, good weather and well-being

Integrated resort concept	
Theme and positioning	
Design	<ul style="list-style-type: none"> low/medium-density, upscale retreat ultimate spa experience- capitalising on the Dead Sea
Branding	<ul style="list-style-type: none"> predominantly international selected high-end, spa-centric operators
Consumer	<ul style="list-style-type: none"> all segments, particularly higher-end, international visitor Accommodating of families/children - rather than focused on this segment
Segmentation	 <p>A pie chart illustrating the market segmentation for the resort. The chart is divided into four segments: FIT (58%), Group (32%), Other/medical (10%), and MICE (0%).</p>
Target markets	 <p>Flags representing the target markets: Israel, European Union, United States, and Serbia.</p>
Components - initial phasing (Phase 1&2)	
Accommodation	<ul style="list-style-type: none"> upscale and de luxe hotels initial phasing: 7 new hotels (1,090 rooms)
Central attraction	<ul style="list-style-type: none"> world-class day spa and well-being centre initial phase 3,500m² with expansion option up to 12,000m² (including 6,000m² of external decking.)
Conference Centre	<ul style="list-style-type: none"> located to link existing and new components initial phase 6,000m² (capacity c. 2,100 people) with potential to expand to 10,000m²
Retail	<ul style="list-style-type: none"> broad mix including high-end luxury goods, Dead Sea products, F&B with a health/well-being focus initial phasing 20,000m² with potential to expand up to 36,000m² longer term
Other leisure	<ul style="list-style-type: none"> visitor centre with concessions eco-gateway attraction

- The over-riding objective is the creation of an integrated resort that can capitalise fully on the underlying attributes of the Dead Sea and surrounding area – water, health, well-being and the desert. The expanded resort would offer a range of hotel accommodation and leisure facilities of international quality, appealing to a mix of visitors.
- Within the context of a stable geo-political environment, the future expanded resort is anticipated to induce significant international tourist demand, as well as increased interest from the domestic market.
- Given the scale of the potential development, a phased scheme is recommended. Initial phasing envisages a flexible c. 1,090 rooms together with complementary facilities that can be scaled-up at a later date (notably the spa, conference centre and retail).
- The initial phasing anticipates two distinct development phases. Phase 1 incorporates 750 upscale and de luxe rooms in four hotels that will “raise the bar” in terms of product quality. In addition, new components will be built to provide core linkages with the existing resort components. These include: spa/well-being centre; retail; and conference centre; and visitor centre. Phase 2 development will include the eco-gateway and 340 upscale and de luxe rooms in three hotels.
- Plans indicate a further 1,280 rooms could be developed on the core new site between the existing resorts. The current master plan proposes a scheme that includes developing out into the salt pans, the benefit of which is to lower the development density of the scheme ‘on land’ and provide an integrating buffer between the existing and future development.
- In terms of product, the on-resort facilities and accommodation will need to appeal to an increasingly demanding and sophisticated international and domestic consumer who values unique experiences and good service. In terms of investment, owners and international branded operators are unlikely to be the same party due operators moving to “asset-lite” models over the last decade.
- A centralised resort management company should be considered not only to maintain and oversee public areas across the resort, but also to provide central services such as laundry, utilities provision and procurement (from local producers if possible).
- The re-development of the resort will need to be undertaken in an integrated manner, to ensure that the appropriate linkages are created between the existing and new elements of the resort. If not, the resulting resort will risk becoming two separate enclaves – the old and the new with a consequent (negative) economic impact.

Executive summary – existing and proposed hotel supply

Based on current plans, the long-term vision for the expanded resort includes up to 7,800 hotel rooms in the Dead Sea. This document focuses on the future development plots, which include an initial phasing of 1,090 rooms and potential for a further 1,280 rooms in addition to those approved today

Zone	Component		Hotel Type	No. of Hotels		Hotel rooms				
Existing resort	Existing hotels		Upscale	2	14	718	3,884		4,384-4,601	7,604-7,821
			Mid-market	12		3,166				
	Additional approved rooms at existing hotels		-	-	-	500-717				
Future development plots	Pre-approved hotels ⁽¹⁾		-	4	4	850			3,220	
	Initial phasing	Phase 1	De luxe	1	4	100	750	1,090		
			Upscale	3		650				
		Phase 2	De luxe	2	3	180	340			
			Upscale	1		160				
	Long-term		De luxe (new hotels)	1	5	150	1,280			
			De luxe (new rooms)	-		100				
			Upscale	4		1,030				

(1) the pre-approved hotels are on plots within the existing resort areas. These would be new hotels, whilst the 500-717 additional approved rooms would be within hotels that already operate today

Source: Project analysis

- These figures represent an assessment, drawing on best available knowledge at the time of the research. Figures are likely to vary somewhat during the physical planning stage and in the event of changes to market demand drivers.
- Whilst the average hotel room density in the future development plots is proposed as 4-5 rooms per dunam, it is noted that there is likely to be a range of densities across the expanded resort. This is not uncommon and enables a variety of hotel product to be developed.
- The long-term hotel room supply includes 100 de luxe hotel rooms. These represent future expansion potential across multiple de luxe hotels built in Phase 1/Phase 2.
- Based on current market trends, the minimum room size of mid-market hotels is proposed at 35-40 m², and of upscale hotels 40-45 m². In order to create a variety and mix of hotel rooms in each hotel, larger rooms will also be planned.
- The 850 pre approved rooms may prove difficult to deliver within the context of the new development given their high density and podium style design.

Executive summary – development considerations

The scale of the development gives rise to a number of significant considerations impacting resort configuration, operations and financing. Each will need to be appropriately addressed in the course of the planning and pre-construction phase

Critical success factors in resort development

The integration of existing and new is critical to the success of the resort to minimise risk of creating a resort with “old” and “new” parts to it. As noted earlier in this document, other important considerations include: phasing (to manage potential supply/demand imbalances); government support through marketing (repositioning the destination), access (flights, visas, entry points etc.); and financing.

Investment considerations

There is clear evidence that private investors require fiscal incentives in order to invest in resort projects of this nature. The challenging returns, coupled with the real risks associated with resort investments and the perceived geo-political risk in the region make fiscal support an essential requirement.

Masterplanning

Safdie has been appointed to prepare the masterplan. Together with DSPGC’s planning advisers, a comprehensive development plan is being prepared, which may result in amendments to the illustrative scheme outlined here. The current plans incorporate many recommendations included within this document. It is recommended that a tender process be run to identify the right party to deliver this project in full.

Employment and central services

The future development will create a substantial number of new jobs in the area (estimated at up to 3,800). Given the long-term vision for the resort, and in order to develop a long-term labour pool, consideration should be given to on-site training facilities and staff accommodation in close proximity to the resort. Existing employees drive or are bussed in from nearby towns and cities. In addition, to support the resort, the development of communal services (such as a commercial laundry, bakery and medical centre) should be considered.

Operating models

Components within the integrated resort should attract a range of investors and operators. It is noted that for many international operators, a management contract is preferred (such as for the hotels, spa, conference centre and eco-gateway); whilst other models favour franchising (F&B) and leasing (retail). International ownership (non-Israeli in origin) is anticipated to be limited.

Environmental impact

Whilst an independent report commissioned by the DSPGC suggests there is likely to be limited environmental impact on an already impaired environment, the impact of significant increases in tourism activity in the area has not been fully assessed and should be. This could be included as part of a sustainability strategy.

Sustainability

A sustainability strategy is recommended, given the scale of development, resource constraints and potential energy requirements for the resort. A well-devised strategy can deliver economic, social and environmental benefits as well as improving the visitor experience and extending the life of the resort.

Timetable

Consideration must be given to the timetable for development. The extended period for planning and zoning which is typical for Israel is a significant issue. The potential for *fast-tracking* the programmes should be investigated.

Recommendations

It should be noted that the observations and proposed scheme outlined in this document are based on early-stage planning and analysis. The final resort that is realised will inevitably vary from that presented here, as a result of the planning process, further analysis by architects and masterplanners as well as the requirements of potential investors/operators and the dynamic nature of international tourism.

Executive summary - next steps framework

The key areas for consideration during the next phase of planning and preparation are split into three phases: planning, construction and operations. Each phase includes tasks related to preparation or implementation

- Whilst this framework is designed to be comprehensive and directive, it should be recognised that this analysis has been undertaken at a point in time. Market trends, government policy and consumer preferences are continually evolving. This must be taken into account when the project moves from strategy to implementation.

	Phase I: Resort planning/design	Phase II: Construction	Phase III: Operations
	Task	Task	Task
Planning	<ul style="list-style-type: none"> Final masterplan Draft architectural drawings Planning approvals 	<ul style="list-style-type: none"> Final architectural plans 	<ul style="list-style-type: none"> New planning applications management
Marketing	<ul style="list-style-type: none"> Early-stage market research 	<ul style="list-style-type: none"> Communication strategy 	<ul style="list-style-type: none"> Repositioning strategy
Investment	<ul style="list-style-type: none"> Investor targeting programme 	<ul style="list-style-type: none"> Component operators and resort management tenders 	<ul style="list-style-type: none"> Value enhancement strategy
Fiscal	<ul style="list-style-type: none"> Early investor fiscal incentive programme 	<ul style="list-style-type: none"> Fiscal incentive programme 	<ul style="list-style-type: none"> Fiscal incentive monitoring and management
Construction	<ul style="list-style-type: none"> Tender for project manager/developer 	<ul style="list-style-type: none"> Construction management 	<ul style="list-style-type: none"> Warranties etc. in place
Operations	<ul style="list-style-type: none"> Tender for component operators 	<ul style="list-style-type: none"> Appoint operators Employee training and recruitment 	<ul style="list-style-type: none"> Employee training and management
Other	<ul style="list-style-type: none"> Sustainability strategy Risk mitigation strategy 	<ul style="list-style-type: none"> Sustainability governance Risk mitigation strategy 	<ul style="list-style-type: none"> Sustainability governance Risk mitigation strategy

Executive summary – next steps key recommendations

The process from planning to completion is likely to be long. However, there are some clear parameters that DSPGC should consider setting at the outset. These are detailed below

Key recommendations

- **Appoint a dedicated project management team** – this experienced team of individuals should have clear responsibility for different elements of the project (investment, fiscal, planning, marketing etc.). They will maintain a project timetable with agreed milestones, critical path activities and communication protocols. There will also be a finance team to manage the budgeting, financial and fiscal requirements of the project.
- **Appoint experts with a proven track record** – it is recommended that DSPGC adopts a policy of commissioning services and advice from parties that have a strong track record of success in their field. They should be able to demonstrate credentials in *international* tourism and resort developments.
- **Maintain an international perspective** – whilst domestic visitation will continue to be an important source of demand for the project, the repositioning of the resort is underpinned by international visitation. Any discussion around change in approach or component mix will need to take this into consideration.
- **Appoint a single developer or consortium through a competitive tender** – it is recommended that the approach of appointing one developer (or consortium) to deliver the entire project is considered. This should ensure a unified approach to resort integration, noise disruption mitigation and any construction/design issues are handled by a fully engaged party. In terms of the construction, it is likely that the project would be developed by a consortium, given the scale of the project. Again this would enable an integrated approach to the project since parties' interests would be clearly defined and aligned at the outset of construction. A competitive tender process would initiate this approach, and provide a clear structure through which to provide the required public funding and support.
- **Appoint a marketing agency** – A targeted and professional campaign is required to reposition the destination in the minds of consumers, challenging them to reconsider the destination and to generate new interest and “buzz” around the newly-developed destination. This will require a comprehensive marketing strategy. Recent successful destination repositioning strategies include: the Red Sea, Dubai (Jumeirah Beach) and Marrakech. International brands will assist marketing efforts by driving demand via their global systems.
- **Appoint a resort management company** – it is recommended that a resort management company is appointed to ensure that the entire resort is maintained to a certain standard, particularly public/common areas. The company will also ensure management of any common facilities and could undertake property management responsibilities (such as the retail space). This will reinforce the integrated feel of the resort. In the event that a single development approach is adopted the resort manager may be included in the consortium.





3. Concept proposition



Concept proposition – initial phasing overview

The aim is to create a new, expanded, spa-orientated resort, embodying health and well-being. The integrated development will offer comprehensive accommodation and leisure facilities to appeal to the international and domestic tourist

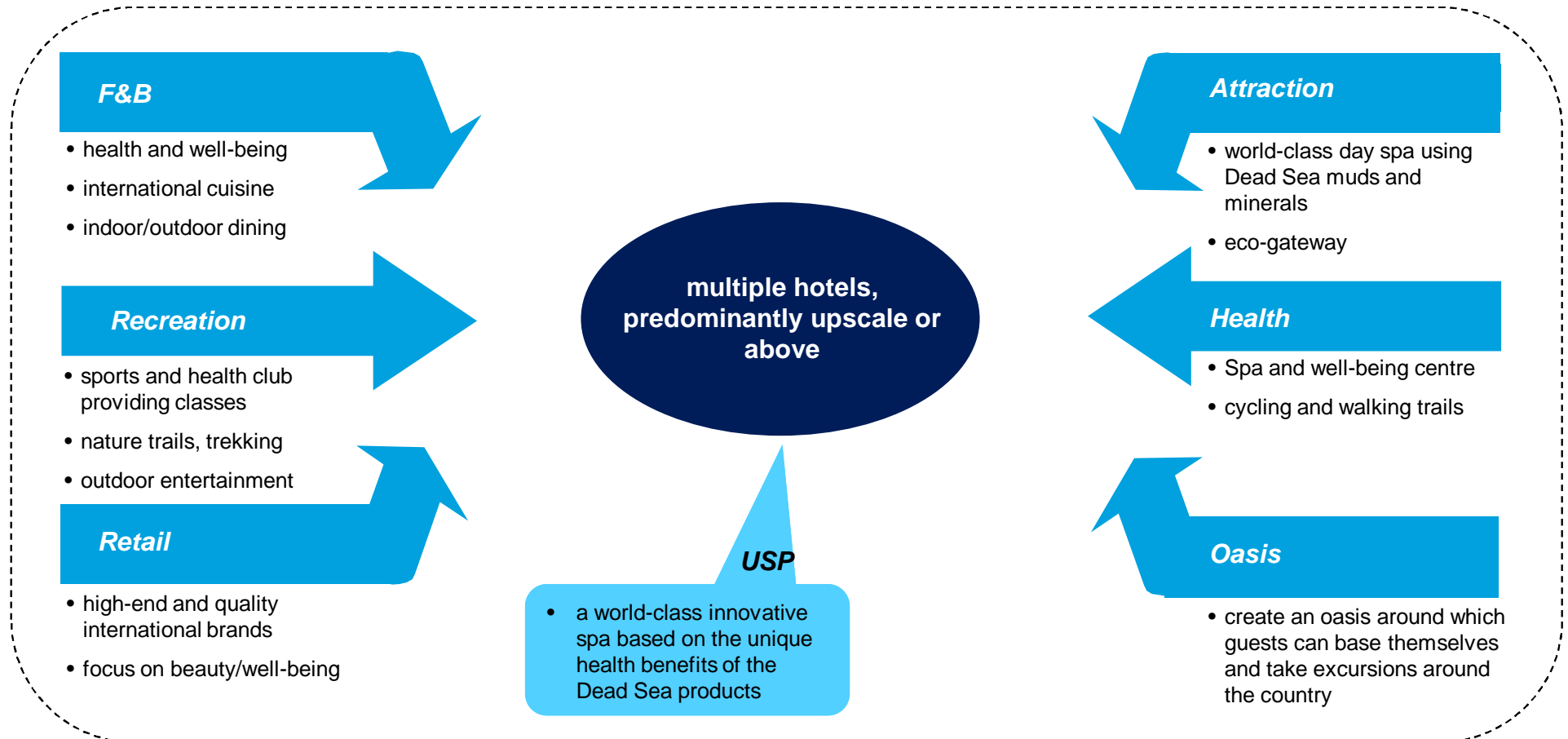
Hotel room summary			
	Current	Initial phasing	Long-term vision
Hotels (rooms)	3,900	3,900	3,900 (+717)
Future development	-	1,090	2,370
Already approved	-	-	850
Total	3,900	4,990	7,120

Resort redevelopment - initial phasing	
Detail	New components
New hotels	<ul style="list-style-type: none"> de luxe: 3 units (280 rooms) upscale: 4 units (810 rooms) mid-market: none – comprises existing hotels total: 7 units (1,090 rooms)
Retail/F&B	<ul style="list-style-type: none"> 20,000m² of high-end/upscale international/ domestic brands with health/well-being focus Longer-term potential to expand to 36,000m²
Central attraction	<ul style="list-style-type: none"> 3,500m² world-class day spa and well-being centre with expansion option up to 12,000m² (including 6,000m² of external decking.) 5,000m² eco gateway attraction
Conference centre	<ul style="list-style-type: none"> 6,000m² (2,100 capacity) standalone facility with potential to expand to 10,000m²
Other attractions /leisure	<ul style="list-style-type: none"> extensive landscaping cycle paths and nature trails
Visitor centre	<ul style="list-style-type: none"> interactive, educational facility (1,000m²) providing information on local excursions/attractions and the health benefits of the Dead Sea
Target markets	<ul style="list-style-type: none"> all segments (limited families with children) <div>     </div>
USP	<ul style="list-style-type: none"> unique natural spa

- The long-term vision is for a medium-density, integrated, spa-orientated resort with a broad range of international standard hotel accommodation and leisure facilities. Further details are provided in Appendices E to G. Given the scale of the project, a phased development scheme is proposed, with initial phasing of around 1,090 hotel rooms, focused on plots in zones C and B3 (see p. 14 and Appendix C). Safdie has also considered hotel development into the salt ponds, which has the benefit of lowering the density of the core development areas.
- The mixed-use resort will embody core attributes of the Dead Sea including: health, well-being, therapy, rejuvenation and relaxation. The customer base will have a significant proportion of international visitors, as well as domestic. Accommodation and amenities/activities will reflect this.
- A world-class spa and well-being centre will be at the heart of the development and will offer a comprehensive range of dry and wet treatments; classes (such as yoga and pilates); and alternative therapies. Dead Sea muds and minerals will form a significant part of the authentic offering, given their therapeutic qualities. The complex will serve day-trippers and guests staying at the resort. Medical services for the treatment of specific conditions will continue to be offered, with certain hotels catering more directly to this segment of the market. There may be an opportunity to develop a clinic/quasi-medical facility or “medi-spa” that offers aesthetic treatments as well as less invasive cosmetic procedures.
- The new accommodation will be split between multiple medium to low-rise hotels and will include: an exclusive luxury resort; several larger upscale hotels. The luxury and upscale resorts will have in-house spas as well as swimming pools and direct beach access.
- The positioning of the resort will be aspirational (to improve and enhance one's well-being) and will be supported by a first-class retail experience with recognised brands and international retailers.
- Although all the hotels will have food and beverage offerings, the resort will provide a range of casual dining, cafes/bars, themed dining and flagship restaurants, to cater to resident guests and day-trippers (both international and domestic).
- The resort will also include: outdoor studios for yoga, pilates, meditation and other exercise classes; walking trails; cycle paths; desert excursions; cultural exploration; and more.
- The environment will be landscaped to integrate both existing and new facilities, utilising trees, shrubs, boardwalks and communal areas with shops, restaurants and leisure amenities. The landscaping will provide lushness, colour and shade.
- The aim is to create an oasis that brings to life the world's largest spa and delivers on the expectations of international travellers - as a truly distinctive destination spa, renowned around the world, a retreat in itself and a base to explore the Holy Land. The use of the water will be a core unifying theme throughout the resort.

Concept proposition – USPs

The spa-orientated resort draws its central defining theme from the unique therapeutic attributes of the Dead Sea and the ecological attractions of the area. There is also potential to create a world-class sustainable resort, show-casing Israeli technological expertise in this area



Concept proposition – integration and development phasing

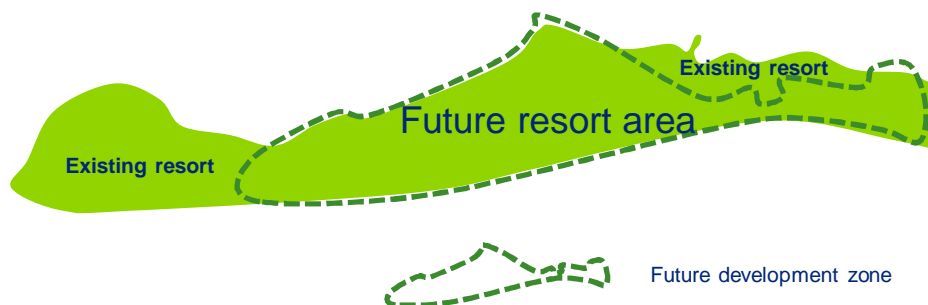
The integration of existing and new components to form a new destination resort is a critical part of the repositioning strategy. Given the proposed scale of the project, phased development is recommended. Experienced developers are well equipped to minimise impact on existing operations

Integrated development

- The core strength of an integrated resort is the ability to satisfy most visitor requirements within a single environment and to provide a *total* resort experience.
- As conceived, the project would be a destination resort, comprising multiple components (hotels, retail, leisure, conference centre etc.) in an integrated environment. This resort would comprise the existing hotels (in zones marked “existing resort” in the figure below) and the future development areas (see below). See more details of each zone in Appendix C.
- The successful integration of the existing Dead Sea resort with the new development is critical to visitor flow and establishing the Dead Sea resort as a coherent single destination, rather than the “old” and the “new” resort.
- Typically, this is achieved by appointing a masterplanner, architect and developer to re-design/re-develop the area with integration in mind. In this way, careful linkages are made between the new and existing areas, using components such as food and beverage and general retail, which attract visitors from across the resort.
- Consistent theming and design can also be implemented across all public spaces, down to details such as: signage style, street lighting, outdoor seating design; waste bins and public conveniences; planting and landscaping and so on.

Phased development

- As noted earlier, whilst there could be an opportunity to develop up to 3,200 new hotel rooms on resort, it is strongly recommended that the vision is realised in phases.
- An initial phasing of around 1,090 rooms (noting that this is a flexible number and may change according to room typology) and various components developed on the primary areas (in terms of gradient and accessibility to the beach) is recommended, given the following key considerations:
 - the need to maintain operations in the existing hotels, whilst simultaneously re-developing the land in between and repositioning the resort as a whole;
 - the need to minimise significant supply and demand imbalances whilst the resort is in transition; and
 - the need to review the impact of significant increased resort activity on the overall ambience and appeal of the resort.
- Although the existing hotels may undergo some capital investment (such as façade-related improvements or phased room refurbishment in low season), the impact on operations can be managed.
- However, they are likely to experience noise, environmental and aesthetic disruption from the development of the new site and other integration works. This is of particular importance given the health and well-being focus of both the existing and the future resort.
- That said, an experienced development team can work to minimise this impact in a number of ways. One of the most obvious ways is a phased construction programme, particularly given the scale of new development.
- Whilst it is noted that re-development should be undertaken on the prime areas of the future resort where gradient and positioning are more favourable, it is noted that the Safdie proposals to develop two “fingers” into the salt ponds have the added benefit of lowering the density of the future development areas (as shown on the figure opposite).
- The accommodation, retail and spa components will be designed and developed to enable expansion at a later stage.



Concept proposition – development plan and phasing

The proposed initial development programme envisages an additional 1,090 hotel rooms and supporting amenities, increasing existing hotel supply by some 28%. The expanded resort would comprise of c. 6% de luxe hotel rooms, 30% upscale and 64% mid-market

		Initial phasing					
		Existing		Phase 1		Phase 2	
Accommodation		Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
	De luxe	-	(-)	1	(100)	2	(180)
	Upscale	2	(718)	3	(650)	1	(160)
	Mid-market	12	(3,166)	-	(-)	-	(-)
	Total		3,884		750		340
Standalone components				sq.m		sq.m	
	Retail	Limited		10,000		10,000	
	Conference	In hotel only		6,000		-	
	Spa/Well-being	In hotel only		3,500		-	
	Eco-gateway	-		-		5,000	
	Visitor centre	-		1,000		-	

- It is assumed that this phase will include: landscaping; aesthetic improvements to the existing resort; and consistent theming across the expanded resort.
- Phase-2 development will include: the eco-gateway; more retail; and more upscale and de luxe hotel accommodation.
- As noted earlier, the accommodation, spa and retail components will be designed and developed to enable expansion at a later stage.
- In addition, the 850 pre-approved hotel rooms on vacant plots in existing resort areas (see p.14) are envisaged to be developed at a much later stage (after the repositioning of the destination), due to their location within existing resort areas. It is strongly recommended that any plots adjacent to the new development areas reflect a similar design and density. This will aid the *visual* integration of existing and new hotels, whilst also providing additional supply, if required, in the longer term. As such the 850 rooms have not been included in the new hotel estimates in the adjacent table. See Appendix G for details.
- There is also potential for a further 500-717 rooms to be added to existing hotels, based on planning approval and actual room counts. It is not clear if or when the current owners would consider extending their properties, given the current investment climate. These have been excluded from the adjacent table.
- It is noted that the DSPGC has limited control over other land within the resort and therefore development may occur outside future resort development area. As such the proposed concept and programme will need to be reviewed during the resort planning and design phase (prior to construction tender process) to account for any significant development projects in the area.
- For example, real estate development company Bercleys recently announced a NIS200m investment in a 10,000m² mall that will include a museum exhibiting salt sculptures by international artists and an audio-visual show about the Dead Sea. The mall will be located within the existing resort area of Ein Bokek.
- The proposed scheme in this document is broadly consistent with the master plan which has been informed by this report. However, given that this document has been prepared at a point in time, it is expected that the programme will also evolve as a result of the planning process and other development proposals.

Phased development





- It is proposed that the initial phasing of 1,090 rooms comprises two distinct sub-phases.
- Phase-1 development will incorporate upscale and de luxe accommodation that will “raise the bar” in terms of product quality. Other components will be built to provide core linkages between existing and future development. These include: spa and well-being centre; retail; conference centre; and visitor centre.

4. Component overviews



Component overviews

As an integrated destination resort, the Dead Sea will have the potential to significantly increase its ability to capture tourist spend and to extend the average length of stay through provision of a comprehensive range of facilities and leisure activities

Detail	New components
New hotels	7 units (1,090 rooms)
De luxe	3 units (280 rooms)
Upscale	4 units (810 rooms)
Mid-market	None – will comprise existing hotels
Retail/F&B	Up to 20,000m ² high-end/upscale international/ domestic brands with health/well-being focus
Central attraction	3,500m ² world-class day spa and well-being centre 5,000m ² eco-gateway attraction
Conference centre	6,000m ² standalone facility with capacity for 2,100 people
Other attractions/leisure	extensive landscaping, cycle paths and nature trails
Visitor centre	1,000m ² interactive and educational facility providing information on local excursions and attractions and the health benefits of the Dead Sea
Target markets	domestic, international
Consumer segment	all segments (limited families with children)
Source markets	   
USP	unique natural spa

Component provision

- As noted earlier, an integrated destination resort provides a comprehensive range of facilities and activities on-site.
- As such, the re-positioned resort is envisaged to offer hotel accommodation with in-house facilities (bars/restaurants, conferencing provision and in the upscale/de luxe products a small spa), as well as standalone facilities such as extensive retail (both F&B and non-F&B), educational attractions, health and well-being operations and other leisure.
- In Stage-A2 and Stage-A3, a range of concepts were analysed and discussed for suitability and appeal. The proposed non-accommodation components are outlined in red in the adjacent table.
- The range of components reflect the attributes of the environment as well as the vision for the resort. As a result certain components are considered incompatible with the environment and have been excluded from analysis at this stage (such as golf, due primarily to water constraints; and water-based activities on the Dead Sea, given the hyper-salinity of the ponds).
- Given the proposed phasing of the resort, it is anticipated that many of the components will be designed and developed to enable expansion at a later stage (such as retail, spa and conference centre).
- This section outlines some of the current key trends impacting the design and operations of each component, development considerations where appropriate and an assessment of each given the resort USPs, target market and location.
- It should be recognised that these factors change over time, and if the project is developed at a significantly later date in the future, these trends will need to be reconsidered in the design phase.

Hotel accommodation – key trends

The on-resort accommodation will need to appeal to increasingly demanding and sophisticated international and domestic consumers who value unique experiences and good service. In terms of investment, owners and international branded operators are unlikely to be the same party due international management companies moving to “asset-lite” models

Trend	Overview	Consideration for Dead Sea Resort
‘Asset-lite’ operators	<ul style="list-style-type: none"> Over the last decade, there has been a notable shift in the traditional hotel owner-operator model. The Global Top-5 hotel operators (IHG, Starwood, Marriott, Hilton and Accor) have all pursued asset-lite strategies, and are now focused on expansion predominantly through hotel management agreements (“HMA”) and franchising. 	<ul style="list-style-type: none"> International operators are unlikely to consider investment in hotel development. They may consider partnering with an investor who will acquire a hotel at the turnkey stage, but are generally seeking to minimise capital commitments. It is within the interest of all stakeholders to ensure that the most appropriate operators, with the most suitable brands to drive and sustain demand from the target markets, are identified.
Technology	<ul style="list-style-type: none"> Technology has transformed the booking process with c.85% of bookings now made via online booking channels, of which c.11% are made on handheld devices (e.g. smartphones and tablets). Consumers are increasingly engaging in the process (e.g. <i>tripadvisor</i>), and social media will continue to drive transparency across the industry. 	<ul style="list-style-type: none"> In-room innovations continue to grow, although it is expected that consumers, rather than hotels will define technologies that are used. Smartphone penetration is expected to be close to 100% by 2020. A resort supported by mobile technology and apps such as <i>Cardola</i> can sell ancillary services and benefit from user-generated reviews.
Differentiated brands	<ul style="list-style-type: none"> The proliferation of lifestyle brands continues (e.g. <i>W</i>, <i>Andaz</i>, <i>Missoni</i>) and is characterised by trendy design and appeal to a hip, urban target market. Targeted brand solutions aimed at specific target markets (IHG’s <i>Hualuxe</i> for the Chinese market) and (of greater relevance) spa-focused brands such as <i>Six Senses</i> and <i>Oberoi</i> are also apparent. 	<ul style="list-style-type: none"> Sophisticated segmentation of the target market is essential. Established, recognised spa-focused brands should underpin demand to the Dead Sea resort via their own global booking systems.
Demographic trends	<ul style="list-style-type: none"> The baby boomer generation are significant spenders on leisure. This group are affluent, time-rich and travel-hungry. 	<ul style="list-style-type: none"> Facilities and amenities to cater to the mature baby boomer market are important. These will include easier access to hotels, entertainment and retail that appeal to this target market which will include an “experiential” product.



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Hotel accommodation – facilities configuration

The new hotels will be positioned in the upscale and de luxe categories, with the offering, design and configuration reflecting international norms and benchmarks

	Units	Size (room)	Rooms	Offering / Features
De luxe	3	Gross: 90m ² Net: 45m ²	280	<ul style="list-style-type: none"> signature F&B/bar, juice bar or healthy eating option spa (see spa component for details) with variety of treatment rooms, and swimming pools high-end retail outlets including jewellery boutiques, hair salon local artwork, parking facilities accommodation including private villas with pools (200-300m²) and rooms/suites of varying sizes (40-100m²) small meeting facilities (capacity 25-50) high-end comprehensive in-room technology and features
Upscale	4	Gross: 83m ² Net: 35-40m ²	810	<ul style="list-style-type: none"> F&B/bar, juice bar or healthy eating option spa with a variety of treatment rooms, and swimming pools retail outlets including hairdressers, convenience stores, souvenir, dead sea products outlet comprehensive in-room technology parking facilities

Component provision

- Upscale and de luxe resorts are increasingly designed to ensure low visual impact. It is recommended that the hotels are low/medium-rise (two storey) and adapted to the environment and backdrop.
- High-quality construction materials that blend with the natural, desert environment are increasingly evident. Examples include: Six Senses Zighy Bay, Kempinski Dead Sea and the Shangri-la Bar Al Jissah, Oman.
- There is a growing recognition that provision of social spaces in spa hotels appeals to specific target markets (i.e. single women travellers on specific goal-oriented packages).
- Consideration needs to be given to environmentally-friendly transportation options available outside hotels to navigate the resort and to keep use of motor vehicles to a minimum within the resort, particularly in the very hot periods of the year. Solutions might include electronic karts.
- It is highly recommended that hotel operators are identified and appointed at an early phase in the development. The leading international operators in particular regularly monitor consumer preferences and industry-related innovations that should be considered as part of the hotel. They also have brand standards that dictate room sizes, facilities provision and other requirements such as wheel-chair friendly design.
- In addition, hotels will be the dominant source of demand for resort components such as the spa/well-being, leisure and conference facilities. It will be important to facilitate agreements between the hotel operators and operators of components to enable subsidised use and cross-marketing.
- Appointment of separate centralised resort management company should be considered not only to maintain and oversee public areas across the resort, but also to provide central services such as laundry, power generators and purchasing (from local producers if possible).
- Consideration should be given to tendering the project as a whole rather than multiple construction companies working on separate components. Creating an integrated resort look and feel is critical to success.

Hotel accommodation – brand landscape

Selection of an appropriate brand/operator will be important to generate international interest and drive demand

Illustrative positioning of international brands				
Luxury	Upper upscale	Upscale	Resort	Contemporary lifestyle
5-star+	4-star+	4-star	4-5-star	4-5-star
Domestic brands				

Source: Deloitte research

Brands and operators

- There has been significant diversification of brands over the past 10 years, as niche markets have grown in popularity and economic viability.
- Whilst this is not an exhaustive list and not all may be an appropriate “fit” for the Dead Sea, the table opposite gives an indication of the range of international brands operating in urban and resort locations around the world. These brands have both recognition and distribution in international markets.
- Whilst there are some international brands operating in the country (such as Crowne Plaza, Holiday Inn, Waldorf Astoria, Hilton, Le Meridien), the Israeli hotel market is dominated by single brand domestic owner-operators.
- Although the four largest operators (Fattal, Isrotel, AFI and Dan) account for 18% of supply, only two have international hotel operations: Fattal (with Leonardo hotels in Belgium, Germany and Switzerland); and AFI (franchisees of 10 Crowne Plaza and Holiday Inn hotels in Israel and Russia).
- It is likely to be challenging to secure international operators willing to invest in the scheme. A management contract or franchise agreement is a more likely outcome, for which fees would be applicable.
- Future operators will play an important role in repositioning the resort as an international destination of significance and achieving the demand flows that are anticipated. A potential operator will need to demonstrate their suitability for the proposed development, existing representation in the region and an ability to generate demand in international markets.

Hotel accommodation – component assessment

Whilst there may be challenges integrating existing hotels, a world-class spa resort should generate significant international interest and generate strong demand for hotels throughout the year, even during the hot summer months

Pros

- Dead Sea is currently the highest performing market in Israel (in occupancy and revenue terms). High average occupancy of 77% indicates a degree of frustrated demand (i.e. people who want to stay at the Dead Sea but cannot get a room).
- The resort enjoys low seasonality due to strong domestic visitation when overseas visitation has historically been low (i.e. summer months of July and August). Hotels therefore enjoy relatively stable levels of visitation throughout the year.
- New international-standard hotels should generate demand from day-trippers looking to extend to an overnight stay, and the domestic market. Key source markets are expected to be European (Northern Europe and Russia in particular) and those attracted by the health and wellness positioning and the favourable climate.
- Existing hotels in the resort are dated, which provides an opportunity to improve appeal through provision of a quality product. Providing a range of hotel products should also broaden its appeal.

Cons

- The resort will compete with other established spa destinations in the region including the Jordanian Dead Sea resort.
- Israel is not currently recognised as a leading resort destination in the international marketplace.
- Geo-political perception/situation may continue to inhibit arrivals to Israel.

Risks

- The redevelopment of the resort will need to be done in an integrated manner, to ensure that the appropriate linkages are created between the existing and new elements of the resort. If not, the resulting product will risk becoming two separate products – the old and the new.
- If visitation to Israel, and specifically the Dead Sea does not increase as forecast or Israel does not increase its prominence in the international resort market, this is likely to adversely impact financial performance at the resort.
- The occupancies and ADRs achieved may fall short of expectations if the repositioning strategy and market efforts are not well-executed or geopolitical factors impact demand.
- The wellness and medical tourism segments are to some extent reliant on state subsidies from northern European countries in particular. Fiscal tightening within the Eurozone may result in a retrenchment in state subsidies, thereby impacting demand for the resort overall and particularly the existing hotels.
- The proposed Jordanian Dead Sea masterplan presents a significant increase in potential competition for the Israeli resort.

Mitigation/recommendations

- A holistic approach to design and landscaping can integrate the existing and new-build hotels, as well as careful consideration regarding hotel/component operators.
- A well-devised and executed marketing strategy is essential to the success of the resort. Consideration should be given to appointing at an early stage an international agency with a strong track record in this area. Close collaboration and support from the Ministry of Tourism will also be essential.
- Securing an international resort operator should help generate supply led demand from international and domestic markets.
- There is the opportunity to create a differentiated hotel product that does not compete with the Jordanian resort.

Component overview - destination spa

Spa tourism has grown rapidly over the past two decades, as consumers become increasingly health aware. As a result, the traditional spa proposition has moved from beauty and pampering towards health and wellness

Component summary – destination spa

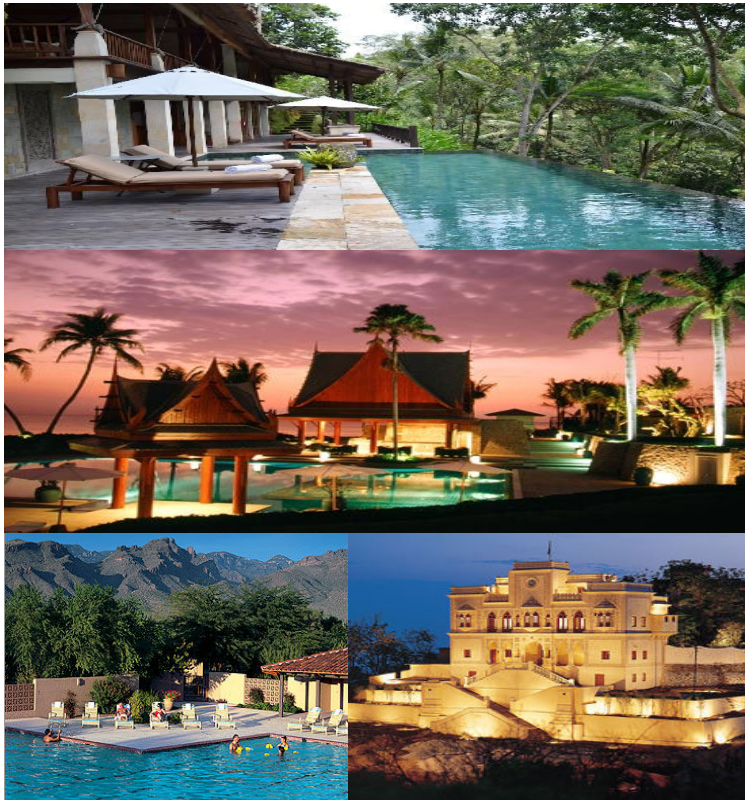
Component area (m ²)	3,500 (comprises 1,500 spa, 2,000 wellbeing centre within spa). Expansion option to 12,000 (includes 6,000 of external decking)
Development costs (NIS/m ²)	23,000 for spa facility/ 4,000 for well-being centre

Introduction

- The proposed destination spa component aims to tap into a growing and evolving industry as well as to leverage the unique natural, geographic and climatic attributes of the Dead Sea.
- The Dead Sea has a unique selling proposition, not just as the lowest place on earth, but also due to the health benefits of the indigenous muds, minerals and hypersaline waters.
- In this component overview we highlight industry trends and development considerations.

Market trends

- Spa tourism has experienced rapid growth in the last 20 years. There are now an estimated 80,000 spas worldwide and this is rising at 8-10% per year.
- The spa industry is valued at over US\$60bn, which is part of a much larger US\$2tn global wellness market, driven by a greater health awareness in recent years.
- In recent years, the core spa proposition has moved from beauty and pampering towards health and wellness. As such, the 'destination spa' concept has developed as a form of wellness retreat.
- Resorts increasingly provide guests with lifestyle improvement and health enhancement through spa services, physical fitness, cuisine menu and onsite accommodation.
- In addition, there is a growing trend for "medi-spas" which combine the traditional aesthetic treatments with more invasive/surgical cosmetic procedures. These facilities are cropping up alongside health and wellness facilities or within resorts/resort destinations. Examples include:
 - Niranlada Medi Spa at Chiva Som, Thailand
 - Pezula Spa and Medi-spa at Conrad Pezula, South Africa
 - ShuiQi Spa at the Atlantis Palm, Dubai, UAE
 - Prva Vala Well-being centre, Primosten, Croatia (part of a proposed masterplanned resort)



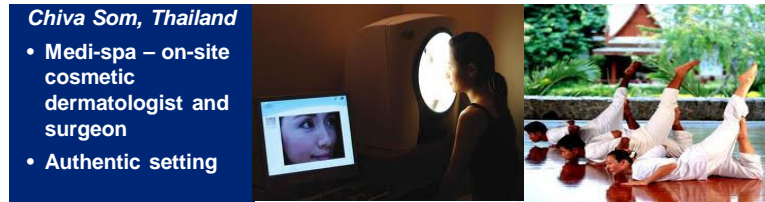
Component overview - destination spa product trends

Spas are now seen as essential for upscale resorts both within hotels and as standalone operations in integrated resorts. Consumers increasingly expect a comprehensive offering of treatments, alternative therapies, fitness/wellness-orientated classes and relaxation areas



Canyon Ranch, US

- Health spa resorts with wide range of worldwide therapies including coaching
- Holistic approach to health – therapies, exercise, treatments



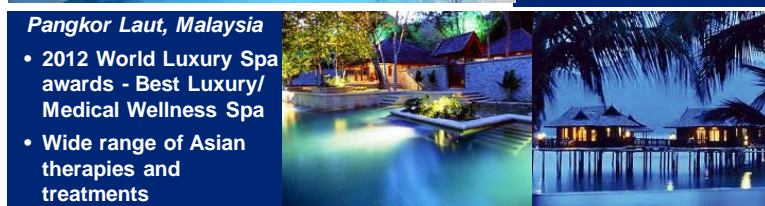
Chiva Som, Thailand

- Medi-spa – on-site cosmetic dermatologist and surgeon
- Authentic setting



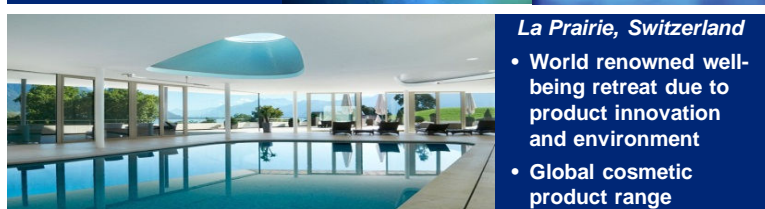
Thermae Spa, UK

- Natural mineral-rich thermal waters
- Multiple steam rooms with aromatherapy



Pangkor Laut, Malaysia

- 2012 World Luxury Spa awards - Best Luxury/ Medical Wellness Spa
- Wide range of Asian therapies and treatments



La Prairie, Switzerland

- World renowned well-being retreat due to product innovation and environment
- Global cosmetic product range

Product and market trends

- Today, it is generally expected that resorts competing in the upscale and de luxe segments will have a comprehensive spa offering. This includes wet and dry facilities, treatment rooms and a wide range of treatments, classes and alternative therapies. As such, resort spas also need to consider what unique selling propositions they can develop.
- There is a growing trend in successfully combining: cosmetic treatments (such as laser, oxygen and minimally invasive treatments); authentic/indigenous therapies (such as ayurveda, acupuncture, yoga, meditation etc.), nutritional therapy and established regular treatments (massages, facials etc.).
- For example, the Champneys health farm chain in the UK positions itself as a comprehensive lifestyle and wellness operator. Across their portfolio they offer: standard beauty treatments; alternative therapies (such as acupuncture, reiki, hypnotherapy); nutritional advice; spiritual and lifestyle therapies (including colour analysis, life coaching and tarot card reading). They also have a wide range of wet facilities (steam, sauna, jacuzzi, swimming pool).

Considerations

- Due to the world-renowned healing properties of Dead Sea muds and minerals, the destination is well-placed to create an authentic, differentiated position in the spa, health and wellness sector.
- The facilities mix will need to consider how extensive the spa offering is and whether there is also a “medical” element to the offering, focused on cosmetic and specialist dermatological treatments (of which the latter has long been a USP for the Dead Sea).
- Our analysis indicates that destination spas typically offer extensive spa facilities, suite/villa accommodation in close proximity, numerous F&B outlets (typically themed around healthy eating), outdoor activities and increasingly medical treatments (cosmetic/dermatological). Case studies of high profile international spa resorts can be found in Stage-A3 Appendices.
- Although the spa itself is recognised as an important selling point, it is important to create the overall experience through the “look and feel” of the resort. For example, the leading international destination resorts are typically in locations/settings that add to the retreat experience, i.e. Chiva Som in lush tropical gardens on the beachfront; Canyon Ranch in Arizona in the Sonoran Desert; La Prairie in Switzerland on the shores of Lake Geneva. The Dead Sea ranks competitively in this regard.

Component overview – destination spa

A world-class spa and well-being centre will be at the heart of the development and will offer a comprehensive range of dry and wet treatments. Consideration should also be given to incorporating a “medi-spa”, given the rise in demand for cosmetic treatments

Facilities/treatments	Description	Development considerations
Day spa	<ul style="list-style-type: none"> Initial phase of c. 3,500m² with the option to expand in later phase of development. The facility will be world class, designed to compete internationally 	<ul style="list-style-type: none"> Need to ensure facilities meet accredited international spa standards , and a sufficient range of standard and unique products are provided to create a destination
Pools	<ul style="list-style-type: none"> Outdoor/indoor pool deck with jacuzzi, hydrotherapy showers, various hot/cold areas and pools, water jets, relaxation area 	<ul style="list-style-type: none"> The facility should be designed with expansion and flexibility in mind, enabling the spa to remain at the forefront of international spa trends. Studios, F&B areas to be flexible spaces (sub-dividing partitions)
Sauna/steam rooms	<ul style="list-style-type: none"> Range of sauna and steam rooms, accessible from the central pool area 	<ul style="list-style-type: none"> Need to attract international spa operator/brand at early stage of development to ensure a world-class product/offering is developed that meets customer expectations
Treatment rooms	<ul style="list-style-type: none"> A combination of wet and dry indoor and outdoor treatment rooms (some equipped with showers). Rooms for specialist treatments such as flotation tanks, light therapy, “Medispa” etc. Accessible from the central pool area and changing facilities 	<ul style="list-style-type: none"> Development to reflect Dead Sea environment and use of local products/minerals where possible to create sense of authenticity and differentiation
Hamam	<ul style="list-style-type: none"> Hammams consisting of communal and private/couples facilities. Hot and cold rooms 	<ul style="list-style-type: none"> An extensive range of wet and dry treatments should be provided, including massage, body wraps, facials, beauty as well as specialist treatments (such as cosmetic and dermatological) and alternative therapies
Signature spa attractions	<ul style="list-style-type: none"> Examples include: sulphur baths using Dead Sea minerals, flotation tanks, medi-spa (cosmetic/dermatological treatments) 	<ul style="list-style-type: none"> Potential zoning or timetabling for adult only and family-friendly use, to maximise the appeal
Fitness centre	<ul style="list-style-type: none"> Extensive gym and indoor/outdoor studios for classes 	<ul style="list-style-type: none"> Ensure spa facilities are disabled-friendly, offer sufficient protection from the sun, have indoor and outdoor spaces for relaxation, treatments, classes and refreshments
F&B	<ul style="list-style-type: none"> Indoor/outdoor restaurant and café/juice bar with focus on healthy food. Seating deck with views across the Dead Sea 	<ul style="list-style-type: none"> The complex should be firmly differentiated from in-hotel spas through product/ treatment offering and design to reduce competition risk and optimise cross-selling potential between in-hotel spas. Some regular treatments should also be offered for day-trippers/mid-market hotel guests who do not have access to in-hotel facilities
Changing facilities	<ul style="list-style-type: none"> Male, female and some family changing facilities to be provided including a central communal/relaxation area 	
Parking	<ul style="list-style-type: none"> Car park sufficient to cater for resort guests, day visitors and local residents 	
In-hotel spas	<ul style="list-style-type: none"> New upscale/de luxe hotels to be developed with in-house spa facilities, pool areas and treatment rooms 	<ul style="list-style-type: none"> Need to ensure facilities meet accredited international spa standards

Component assessment – destination spa

A world-class spa builds on the location's natural attractions and USPs and should drive demand to other facilities in the resort. Israel's favourable climate should ensure year-round demand

Pros

- Builds on the area's natural USP, being the medicinal qualities of the waters, the desert landscape and the positioning as the lowest point on earth.
- Potential for a low-impact, sustainable development that blends with the natural environment and desert landscape.
- The current resort is effectively positioned as a spa and family destination (albeit with a medicinal focus) and as such the development of a world-class spa is an expansion of the existing concept. The success of the existing facilities suggests strong potential in this market.
- The resort should appeal to the regional health and wellness market (Northern Europe, Russia) and the domestic market. The established nature of health and wellness in Europe and Asia is a favourable indicator of good potential demand from these source markets.
- A world-class spa would be a year-round attraction, which coupled with Israel's favourable climate should ensure that the resort experiences relatively stable levels of visitation throughout the year.
- Proposed spa facilities are expected to be superior to and clearly differentiated from those provided in existing hotels.
- Creation of a destination spa should drive demand to other components within the resort i.e. hotels, F&B.

Cons

- Will compete with other established spa destinations in the region including the Jordanian Dead Sea resort.
- New spas may cannibalise revenue of existing spa and medical treatment centres, given the level of development that has been suggested.
- Incentives may be required to attract luxury spa brands to the resort.
- High operating costs and labour intensive nature of spas (qualified staff?).

Risks

- The wellness and medical tourism segments are to some extent reliant on state subsidies from places such as Germany and Scandinavia. Fiscal tightening within these key Eurozone economies may result in a retrenchment in state subsidies.
- New destination spa may cannibalise revenue of existing spa and medical treatment centres as well as proposed hotel spas, given the level of development that has been suggested, unless the spa provides a distinctly different range of treatments.
- Attracting sufficient skilled labour to provide an international standard product.
- If the hotel spas perceive the destination spa to be a threat to their revenues, they may not work collaboratively with the spa to develop spa packages for hotel guests, reducing cross-selling opportunities.
- The health and wellness market does not continue to grow as envisaged or Israel does not become established in the international market.

Mitigation/recommendations

- There is the opportunity to create a differentiated product that does not compete with the Jordanian resort and provides treatment facilities that are not available in the hotels.
- Need to ensure the spa is marketed appropriately to different market segments (e.g. families, couples). The majority of existing hotels offer spa facilities alongside family-oriented facilities including pool areas and kids' clubs.

Component overview – eco-gateway

Eco attractions provide a unique selling point and have risen in popularity as ecological awareness has increased. Israel is renowned for its rich flora, with over 2,900 species and the Dead Sea has great ecological significance, with Ein Gedi botanical gardens attracting almost 500,000 visitors p.a. This should be leveraged in the resort

Component summary – eco-gateway

Component area (m ²)	5,000 (including c.20%-40% covered/internal area, remainder outdoors)
Development costs (NIS/m ²)	8,000



Introduction

- Ecotourism is defined as “responsible travel to natural areas that conserves the environment and improves the welfare of local people” (TIES, 1990), and it is on the rise. Consumers are demonstrating a greater awareness of the environmental impact of travel and there is increased pressure on tourist destinations to preserve their local environment.
- Alongside the sustainability and ‘green’ practices implemented in traditional hotels, there has been a rising number of ‘eco-resorts’ developed, where the central focus is on the local environment and ecology. Examples include: CESiaK, a beach resort and retreat in Mexico; Ecocamp Patagonia; and Jungle Bay Resort and Spa in the Dominican Republic. These resorts are focused on the provision of tourist activities in the existing natural environment and have sustainability at the heart of their ethos.
- In addition there has been a increase in unique eco-attractions and eco-parks. These facilities are typically man-made ecology focused visitor centres, with education and knowledge enhancement at the centre of their vision. They attract a range of visitors including families, special interest groups, tourists and school trips.

Existing examples

- There are a number of examples of ecological attractions, particularly in the UK including the Eden Project (Cornwall), Kew Gardens (London) and Butterfly World (St Albans).
- The Eden Project has been a significant success story. The visitor attraction was constructed on a 22 hectare quarry in Cornwall and consists of a number of biomes that contain plants from all over the world. In the first 10 years of operation, it has attracted almost 13m visitors for sight-seeing, concerts and events and has generated over £1.1bn for the local economy.
- Kew Gardens was constructed on a 300 acre UNESCO world heritage site and contains gardens, glasshouses, restaurants and shops. It attracts over 1m visitors p.a.
- Butterfly World is a £27m project currently under development in St Albans, UK. Once completed, at 14,000m² it will be the largest butterfly experience in the world.
- There is evidence of eco-parks in the Dead Sea region, with the Sharhabil Bin Hassneh eco-gateway (SHE) in Jordan, further details of which are provided in the appendices. Ein Gedi is also a significant example of a nearby attraction that drives impressive visitation.

Component assessment – eco-gateway

An ecological attraction provides an opportunity to leverage the existing ecological attributes of the Dead Sea and provide a unique attraction to complement other resort components

Pros

- Provides an opportunity to promote the resort's USPs of the desert landscape and its positioning as the lowest point on earth.
- Reflects an ethos of sustainability and ecology within the resort, providing a natural fit with a destination spa.
- Creates an alternative attraction to appeal to visitors and help extend the length of stay.
- Provides a unique centre point/feature for the resort, which could also be an opportunity to show-case Israeli sustainable technology and environmental initiatives.
- Limited existing examples of ecological attractions in the region. However, there is evidence of existence with the Sharhabil Bin Hassneh eco-gateway in Jordan.

Cons

- A relatively low revenue-generating attraction, so may struggle to attract third party investor/operator.
- Potential difficulties associated with procuring environmentally friendly building materials.
- Programme of events and attractions will need to be developed to maintain appeal.

Risks

- Needs to reflect the local culture and ecological environment to be authentic.
- Potential bad publicity if non-sustainable products are used.
- Difficulties in attracting sufficient visitation to justify the level of capital expenditure given the relative lack of comparable facilities in the region.

Mitigation/recommendations

- Opportunity to create an authentic, unique attraction that reflects the Dead Sea's natural environment.
- Design and development stage will be critical to success of the overall scheme. Show-casing Israeli technology in areas of renewable energy, sustainable practices may mitigate any risk if sustainable products not used.
- Sustainability and environmental impact should remain key throughout the development process.
- A duty-free zone would incentivise footfall at the resort and drive further day-trippers to the resort.

Component overview – retail

A 20,000m² integrated retail offering will consist of a mix of international and local brands and comprise retail, F&B, entertainment and amenities, which will provide a crucial linkage between the existing and new components of the resort

Component summary - retail

Component area (m ²)	20,000
Development costs (NIS/m ²)	8,000
F&B / non-F&B mix (%)	40:60

Selected brands – F&B brands



Selected brands – eco/resort



Selected brands - spa



Note: the above is an indicative list of selected brands for each concept

- The Dead Sea retail component will comprise 20,000m² of space, which may include both an indoor and outdoor element featuring shops, F&B, entertainment and amenities. The mix of stores and overall theme and layout will be determined by the resort concept.
- Retail is potentially a key driver of higher footfall into the resort from day-trippers and/or regional visitors. As such, careful consideration will need to be given to design, development and composition of outlets.
- There will be a requirement to ensure the correct mix of outlets (e.g. souvenirs, fashion, bookstores, pharmacy) and combination of leading international and local brands. Selected examples of current retailers that might fit well with the profile of the resort are provided in the table opposite.
- The F&B outlets will reflect market trends. Currently this would suggest:
 - fine dining: outlets associated with the latest F&B trends (e.g. currently celebrity chef restaurants such as Nobu, Alain Ducasse). Typically owner-operated, although limited outlets operated under management agreement (Hakkasan Abu Dhabi);
 - casual dining: outlets that offer international and local cuisine and dining experiences (Yo Sushi, Red Lobster);
 - fast food: international chains (outlets commonly operated under master franchise agreements such as Nandos) and local chains.

Considerations

- Securing “anchor” tenants at an early stage in the development will be important for creating “buzz” and appeal for other potential tenants. Whilst anchor tenants will likely be secured on favourable rental terms, they should have a positive impact on rental values.
- Consideration should be given to developing an identity or unifying theme for the retail component. This would impact brand/tenant selection and other attractions/exhibitions (e.g. environmental exhibition at Saadiyat Island) and entertainment facilities (video games arcade, 3D cinema).
- The development will need to incorporate supply chain such as appropriate back-of-house and storage facilities will be required.

Component assessment – retail

Retail outlets will be important to create a hub and sense of community within the resort and to generate tourist flows between the new and existing resort areas. The selection of anchor tenants or retail theming will be essential to the success of this component

Pros

- Provision of local and international brands should drive on-resort and day-tripper demand to the retail facilities.
- Rents achieved by existing retail units in the Dead Sea are average for Israel and occupancy levels are high.
- Existing provision of retail, particularly F&B and nightlife, is limited.
- Should help to create a central hub and communal destination within the resort, integrating new and existing resort areas.
- Should complement other components within the resort i.e. spa, hotels.

Cons

- Challenges with supply chain requirements given the resort location and level of supplier deliveries. This should be considered within the resort design.
- 10,000sq.m of new retail space has been announced on an adjacent site in Ein Bokek.

Risks

- Securing appropriate brands and blend of cuisine to complement the proposed facilities will be vital.
- Generating sufficient interest from major brands and securing leases to ensure high occupancy levels.
- Given the location, there is a risk of insufficient labour available and service levels below international standards.
- Risk of competing supply being developed in adjacent or nearby areas that is not in keeping with the newly re-positioned resort.

Mitigation/recommendations

- Approach potential brands/operators at planning stage to commence negotiations and gauge interest.
- Consider location of retail in terms of servicing requirements and factor into the overall resort design.
- Consider training, staff transport from nearby towns.
- Where possible, planning guidelines to provided (and enforced if required) for future development to ensure coherent theming and avoid over-supply risk.

Component overview – visitor centre

A 1,000m² visitor centre will serve as an information centre for tourists (day-trippers in particular) and promote the various revenue-generating components within the resort

Component summary – visitor centre

Component area (m ²)	1,000
Development costs (NIS/m ²)	8,000
Key features (typical)	<ul style="list-style-type: none"> • information centre • souvenir shop • educational centre featuring short movie • shuttle bus to Massada and Ein Gedi

- A 1,000 m² visitor centre will act as an information centre for tourists (day-trippers in particular). It will promote tourism and the use of attractions within the resort and in the surrounding area such as the botanical gardens at Ein Gedi and Massada.
- The visitor centre will cater to both day-trippers, and those staying overnight at the resort. The tourism staff will be well-informed and multi-lingual advisers.
- As mentioned in Stage-A1, the resort is clearly lacking a visitor centre and a sense of arrival that is commensurate with the destination's worldwide fame. A new facility will provide both information and an appropriate welcome upon arrival at the resort.

Considerations

- Operating models for visitor centres vary from small information centres which may be run by local government, to larger visitor centres which are privately-operated and usually grant revenue-generating concessions.
- The facility and its design should be firmly in keeping with the resort theme and USPs. In an eco-resort, for example, the visitor centre should be a clear example of eco-friendly construction.
- Co-ordination is required with Ministry of Tourism to ensure that there is cross-promotion with other attractions/resorts in Israel and there is maximum opportunity for visitors to spend on-resort and in the region.
- Key features of large-privately operated visitor centres include: information centre; souvenir shop; car park (for day-trippers/coaches); museum/educational visitor experience; organised tours of the region; and washroom facilities. A small F&B outlet is also common.
- In addition to these features, the Dead Sea visitor centre may include a free shuttle bus to Massada, on-resort transport for disabled/infirm visitors, a resort management representative/office to handle enquiries or issues and a first aid post.

Visitor centre - images



Grand Canyon visitor centre

Component assessment – visitor centre

The visitor centre should provide a sense of arrival that reflects the worldwide renown of the Dead Sea. It should also be a focal point for promoting the resort, its offering and other attractions in the area

Pros

- The resort currently has a poor sense of arrival and lacks a clear identity. A visitor centre would create a focal point and improve sense of arrival.
- Provides an opportunity to promote the resort's USP, being the Dead Sea, the desert landscape and the positioning as the lowest point on earth as well as other attractions in the area (Massada, Ein Gedi etc).
- Provides an opportunity to directly market the Dead Sea as a destination from an educational, health/well-being and ecological standpoint.
- Development of an integrated resort destination could create a base for visitors from which to explore the country and develop a longer-stay customer base.
- Resort is within driving distance of tourist attractions in the immediate area and is only 90 minutes from Jerusalem. Should drive demand to other local attractions i.e. Ein Gedi and Massada.
- Complements proposed ecological attraction.

Cons

- Limited revenue-generating operation but likely to require well-qualified, well-informed staff (high cost).
- Operating costs should be offset against other elements of the resort.

Risks

- Fabric of the facility is not sufficiently maintained and service levels do not reflect the quality of the resort – risk of creating detrimental impression to on-site residents and day-trippers.
- If the centre has “concession desks”, challenge will be to maintain a full complement of concessions, as well as the quality and professional presentation/service from each concession holder.

Mitigation/recommendations

- May be an opportunity to combine with ecological attraction to minimise operating costs and staffing requirements.
- Coordinate with the Ministry of Tourism on cross-selling other attractions/resorts. Also gauge opportunity to secure government funding to subsidise concession desks or the tourism information.
- Design should reflect the overall resort theme.
- Develop clear guidelines for concession holders in terms of presentation.
- Ensure there is a robust maintenance programme in place.

Component overview – conference centre

A standalone conference centre (initial phase 6,000m²) would provide opportunities to attract large MICE contracts, in conjunction with the hotels, but will require good sales team

Component summary – conference centre

Component area (m ²)	6,000
Development costs (NIS/m ²)	9,000

Conference centre – images



Movenpick Dead Sea, Jordan



Kempinski Ishtar Dead Sea, Jordan



King Hussein Bin Talal Convention Centre
Dead Sea, Jordan



Marriott Dead Sea, Jordan

- It was concluded in Stage-A1 that the convention segment would not be a major source of international demand for the resort, given the distance from major conurbations, existing convention/meeting space in the major urban centres (Jerusalem, Tel Aviv) and international cities, and relative distance from Ben Gurion airport.
- However, the domestic MICE market represents an opportunity, albeit that it is likely to be displaced from other locations within the country.
- It is envisaged that a new international-standard conference facility would be built over an area of 6,000m². This would enable existing and new hotels with limited facilities to attract the MICE segment by offering “event” packages.
- Existing facilities within the resort are limited and underinvested. As such, they do not meet the expectations of today’s end-user.
- Analysis was undertaken of existing hotel supply on the Jordanian side of the Dead Sea as well as standalone facilities in the region in arriving at a proposed scale/capacity for an on-resort conference facility.

Considerations

- In terms of location within the re-configured resort, consideration should be given to benefit of developing the new international-quality facility within one of the existing hotel “hubs” of Ein Bokek or Neve Zohar. Ein Bokek appears a more suitable option given the availability of easily developable land and that over 75% of existing supply is located in that area.
- Analysis will be required to ensure the correct physical spaces with maximum flexibility, which may include: main auditorium, smaller auditoria (for smaller groups), catering areas, exhibition space, car parking.
- A suitable operator will need to be selected, and their interests aligned to ensure they drive occupancy to the resort (at low season in particular) and ensure cross-selling opportunities with on-resort hotels are realised.
- There may be an opportunity to displace and generate new business/industry events, the majority of which are in Tel Aviv, as well as special occasions (weddings, barmitzvahs etc.), concerts and association events.

Component assessment – conference centre

The conference centre would require a strong sales team to generate a strong events calendar year round. Demand would likely be focused on incentives, events/concerts and some association/corporate activity

Pros

- A standalone facility can work with all hotels to create MICE or special event packages for the conference centre.
- The new facility will offer international standard flexible space catering to significantly larger groups than feasible in the existing, dated facilities.
- There is an opportunity to build on the reputation of the area for hosting large-scale musical events (such as the annual Massada opera).
- The conference centre will be located in Ein Bokek, thereby raising the quality of construction in the existing resort area.

Cons

- The conference centre may be seen by hotels as competition, particularly for smaller events and meetings. This may hamper cooperation between the hotels and the facility.

Risks

- Labour availability and training is insufficient to support large scale events.
- Demand is insufficient, resulting in a semi-deserted feel to the facility and the immediate area.

Mitigation/recommendations

- Consider staffing solutions such as transportation, on-site accommodation or temporary facilities for large events.
- Employ a sales team with a proven track record of event sales and establish attractive incentives for success.

5. Development considerations



Development considerations – introduction



Introduction

Previous deliverables included the following development considerations and conclusions:

- Critical success factors in resort development
 - The integration of existing and future development is critical to the success of the resort. As noted earlier in this document, other important considerations are: phasing; government support through marketing; destination accessibility; and project financing.
- Environmental impact
 - An independent report commissioned by DSPGC notes that there is likely to be limited environmental impact on an already impaired environment. However, the repositioned resort envisages a substantial increase in visitors to the region and this will result in environmental pressures from factors such as waste management, energy consumption and traffic increases. This impact needs to be fully assessed at the design stage.

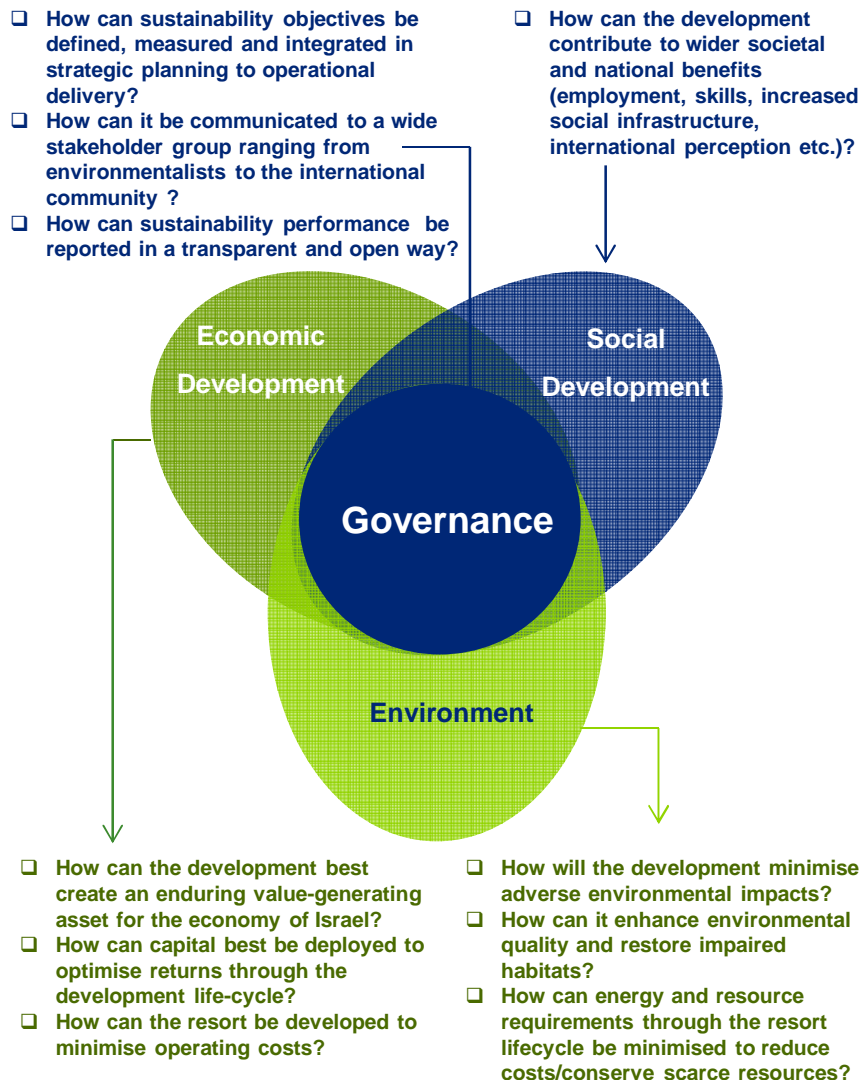
Employment

- The future development will generate a substantial number of new jobs in the area. Existing employees drive or are bussed in from nearby towns. In order to develop a long-term labour pool for the resort, on-site staff accommodation may need to be considered as well as a sustainable community in close proximity to the resort. A training strategy also needs to be considered.
- Investment considerations
 - The Government has already committed to investment in the resort. Further analysis of funding options is provided later in this report, with a review of types of subsidy/grant and examples of how Governments have supported tourism investment in other parts of the world.
- Operating models
 - It is recognised that components within the newly integrated resort will attract a range of investors and operators. It is noted that for many international operators, a management contract is preferred (such as hotel, spa, conference centre, eco-gateway); whilst other models favour franchising (F&B) and leasing (retail). International ownership is expected to be limited.

This section considers sustainability strategy in more detail.

Development considerations – sustainability strategy

The Dead Sea resort represents an opportunity to generate long-term tangible economic, social and environmental benefits to the Tamar region. A clear vision and understanding of what sustainability means for the resort is fundamental to agreeing a deliverable strategy



Sustainability objectives and strategy

For DSPGC, sustainability is about creating a robust decision-taking framework that ensures the best outcomes are realised in terms of economic and social development, in balance with environmental protection and enhancement.

The Dead Sea project faces a number of significant challenges that should be addressed at both masterplan and project level. Considerations need to be project specific as well as regional and national.

Work to date has highlighted a number of critical challenges facing the development, which include the following:

- To use capital resources in the most effective way by adopting the best design and technology strategies;
- To ensure access to affordable, stable energy and water supplies;
- To balance increased intensity of land use with environmental impact;
- To improve visitor appeal through the quality of the environment and visitor experience. This should include climate as well as design quality and service delivery levels; and
- To exploit the full value opportunities from the development in terms of employment and skills development.

A sustainability strategy aims to create a governance model which covers social, economic and environmental factors and provides:

- A coherent vision for the development;
- An evaluation of the long-term impact of planning and investment decisions;
- An enabling framework in terms of policy, development control, standards and operating model; and
- A performance reporting framework.

Development considerations – sustainability strategy

The following table lists a selection of factors and proposals for inclusion in a sustainability strategy. A detailed review of the Dead Sea project would need to be undertaken in order to produce a comprehensive and actionable plan

			Strategic plan	Master-plan	Development	Operations
Governance	Vision	<ul style="list-style-type: none"> Set sustainability vision + strategy, define metrics and KPI's, establish management and delivery framework and capability 				
	Accountability Responsibility Leadership	<ul style="list-style-type: none"> Establish performance measurement and reporting frameworks Ensure accountability, responsibility, engagement and decision-taking to allow effective governance and leadership Establish enabling regulatory and policy frameworks to support delivery 	✓	✓	✓	
Economic	Impacts Benefits enablement	<ul style="list-style-type: none"> Allocation of capital and alternative funding model for sustainability aspects and incentives Economic development metrics: employment created, GVA, total economic value assessment on a lifecycle basis Sustainability procurement structures Shift to longer-term thinking; evaluate investment decisions in terms of lifecycle cost benefit analysis 	✓	✓	✓	✓
Environment	Green Infrastructure	<ul style="list-style-type: none"> Localised renewable energy systems e.g. CSP, PV on car ports and walkways, On-site waste management and treatment e.g. composting for soil improvement On-site water conservation, capture, treatment and recovery systems Site services e.g. low energy LED utility lighting, alternative fuel vehicle charge points Multi-modal transport strategy to reduce vehicular movements and improve noise and air quality 		✓	✓	✓
	Built Environment	<ul style="list-style-type: none"> Micro-climate and air quality control strategies; shading, green buffers, evaporative cooling, promote airflow and screen traffic noise Climate adapted master-planning; self-shading structures, courtyards to create a 'walkable' resort and extend the external comfort period for visitors External materials to reflect solar gains and reduce heat build-up Ultra low energy by design; solar control, insulation, daylighting, passive cooling, efficient systems and controls Develop smart metering and data systems to help drive efficiency in use 		✓	✓	✓
	Natural Environment	<ul style="list-style-type: none"> Develop a coherent environmental management plan for the resort and its environs: establish comprehensive environmental standards Factor future climate change risk impacts on the site and region 	✓	✓	✓	✓
Socio-Economic	Communication/ Branding	<ul style="list-style-type: none"> Establish a clear sustainability vision and values proposition for the resort Operational and financial alignment to international sustainability standards Transparent reporting and communication on sustainability performance 	✓	✓	✓	✓
	Community	<ul style="list-style-type: none"> Establish community engagement plan that focuses on societal benefit; jobs + skills Workforce: mitigate health and safety risks, environmental training Community involvement and perception management 		✓	✓	✓
	Customers	<ul style="list-style-type: none"> Enhance quality of customer experience e.g. environmental design, service delivery, and customer engagement/awareness 		✓	✓	✓
	Suppliers	<ul style="list-style-type: none"> Supply chain engagement and management programme to ensure appropriate delivery 			✓	✓

Development considerations – sustainability strategy

The following profiles provide examples of sustainability strategies that have been developed and/or implemented in the region

Masdar City, Abu Dhabi, UAE



This new community development for 40,000 people included significant hotel, conferencing and apartments put sustainability planning at the heart of the development process. Masdar was planned to be the world's first Zero Carbon, Zero Waste Zero Water city based on historical model of desert cities. Masdar is a project of global significance attracting direct foreign investment. Phase 1 is currently under construction. Key features include:

- Significant renewable energy capacity, including an on site 10MW PV plant and a remote 100MW CSP
- Passive low energy design to all building that reduced energy consumption by 75% below average
- Used passive microclimate control strategies that created a walkable city throughout the year
- Carbon free air-conditioning needed for 25% of the year
- Cars excluded from the development
- 90% water recovery and solar thermal absorption for cooling and desalination of non-potable water supply

Azour Eco-Tower, Porter School of Environmental Science, Tel Aviv, Israel



Israel is an internationally recognised leader in sustainable and renewable energy technologies. The Dead Sea resort could showcase Israel's capabilities in a rapidly growing global sector to an international community. The Azour Eco-Tower and the Porter School of Environmental science are two significant projects to which Deloitte team members were specialist sustainability consultants. The Porter School won LEED Platinum rating. Key features include:

- Water + waste recycling
- Photovoltaic electricity production
- High-efficiency cooling system + smart facade
- Leading energy management systems and controls
- Natural lighting and ventilation, passive cooling

Eco-resort infrastructure, Lissan Peninsula, Jordan



Reducing the cost of economic infrastructure serving an eco-tourism development masterplan for the Jordanian coast of the Dead Sea was one of the priorities for the government funded initiative. Meeting the challenge of reducing costs for centralised generating capacity led to a proposal for a distributed CSP electricity generating plant, close to the hotel and resort load centres located adjacent to the main transportation routes for easy access and maintenance. Other considerations include:

- Ultra low energy building designs
- Microclimate control of external spaces
- Natural ventilation and cooling strategies to promote airflow
- Waste management to create soil improvement
- Water efficiency and 90% recovery systems

Development considerations – sustainability examples

The following profiles provide examples of sustainability strategies that have been developed and/or implemented in the region

Tjibaou Cultural Centre, Noumea, New Caledonia



The French Government funded this significant development in the Pacific for the Kanak people. Based on the principles of sustainable development, the centre uses local material and construction techniques to develop a distinctive modern, cohesive development cluster consisting of several buildings.

Key Features include:

- Locally sourced material to reduce construction costs
- Site-wide climate design strategy to reduce air temperatures
- Building form that channels air into the buildings to improve comfort and promote cooling
- Natural day lighting strategy to reduce energy consumptions

'Palanque', Seville Expo, Spain



A significant demonstration of sustainable technologies and buildings designed for hot dry climates. The Palanque is an external venue space buffered from hot dry and dusty winds by planted shelter belts, evaporative cooling systems, control of incident solar radiation and high thermal capacity materials,

- Low cost climate control of large external spaces
- Evaporative cooling of canopy from recycled water
- Hydroponics and containerised planted buffer walls
- Sub-floor water storage for additional cooling

Red-2-Dead, Israel, Jordan, Egypt



The provision of soft landscaping and micro-climate control of external spaces could be beneficial in improving visitor perceptions and experience. This is an example of a major master-plan for developing a saline industries green corridor beside the Red-2-Dead canal route. Under considerations are renewable energy systems that power the desalination and water recover systems that feed the irrigation of the soft landscaping:

- Small-scale hydro-electric schemes
- Photovoltaic arrays and small-scale wind turbines
- Reverse osmosis desalination plant
- Irrigation water recovery

Development considerations – sustainability strategy

Given the unique challenges of the setting, a well-devised and executed sustainability strategy can deliver long-term value to the region and to Israel by reducing operating costs, enhancing international appeal and improving resilience to future risks. Understanding, evaluating and communicating at an early stage the benefits of sustainability considerations will be important in realising these benefits

- Increasingly, the international tourism industry is taking time to understand how customer preferences towards sustainability are influencing industry trends.
- International hotel operators are developing more sustainable buildings and development practices, operational procedures to reduce waste and clear strategies to reduce energy consumption, in a bid to be perceived as “greener” and socially responsible by their customers. They are not only realising environmental improvements, but also socio-economic benefit.
- Developing an integrated sustainability strategy, governance and delivery framework has potential to drive long-term value in the region and for Israel as a whole. Benefits might include:
 - Improved resource management in a region that faces significant resource constraints. A strategic plan would seek to optimise energy, water and resource efficiency, thereby reducing utility and operating costs;
 - Creating an international showcase of Israel’s leadership and expertise in environmental technologies; and
 - Extending the tourist season by designing in features such as a resort-wide micro-climate control strategy which creates a comfortable, walkable outdoor environment for longer in the year.
- A well-devised and executed sustainability strategy has potential to differentiate the resort in a competitive market and create a “best in class” sustainable resort that improves visitor experience (comfort, visual cohesion, product offering), thereby driving enduring international customer appeal.
- These are indicative recommendations based on early stage planning, and will invariably evolve over time as the masterplanners proceed with the planning stage and as more detailed sustainability analysis is undertaken.

6. Investment considerations



Investment considerations – incentives

Given the potential quantum of construction costs, serious consideration around funding options and incentives should be given in order to attract appropriate investors/operators for the scheme

Funding sources	Overview
Subsidies, grants and incentives	<ul style="list-style-type: none"> Government incentives not uncommon in projects of this nature due to challenging operating economics. Examples include: tax holiday grants; lump sum payments; subsidised land/infrastructure costs etc. Initial investors at the Dead Sea enjoyed a 38% grant on their development costs.
Government funds	<ul style="list-style-type: none"> DSPGC has indicated that the infrastructure costs to the site (energy, water, waste, roads etc.) may be met by the Government. Other development costs that might be state-funded include the visitor centre.
Private sector funding	<ul style="list-style-type: none"> Challenging to attract funding from this segment without financial incentives, due to the development timeline; costs associated with resort development; and operating performance of hotels in Israel.

Stakeholder	Considerations and funding capacity
DSPGC	<ul style="list-style-type: none"> Government has allocated NIS833m towards the project
Tamar District Council	<ul style="list-style-type: none"> Relatively well-funded by Government funds based on land area. Recipient of potential future income/tourist taxes.
Dead Sea Hotel Association	<ul style="list-style-type: none"> Important stakeholders in consultative process. Members require financial incentives in order to invest/upgrade as part of resort repositioning.
Ministry of Tourism and related bodies	<ul style="list-style-type: none"> Repositioning campaign will require committed funding – likely to be very significant.

Funding and incentive headlines

- The issue of funding and required investment returns is still to be clarified. However, it should be clearly understood that resort development programmes of this nature and scale are typically associated with a high degree of development, investment, commercial and operational risk.
- Whilst land costs may be lower in a resort than in prime urban locations, costs are higher in other areas and financial performance may be less robust, driven by factors such as:
 - Long planning horizon – typically extended due to development on virgin land and/or environmentally sensitive areas.
 - Extended development timeline – complex planning, infrastructure and topography challenges are common. Consultation periods may also be required, if work entails displacement or material impact on neighbouring occupants.
 - Construction costs – onerous infrastructure requirements (sites in remote locations require comprehensive utilities provision); earthworks or dredging (costs rapidly escalate with uneven or steep topography (gradients above 1:2 in particular also contribute to challenging returns).
 - Less diverse demand base – resorts predominantly target leisure travellers due to the recreational nature of the product and distance from urban hubs.
 - Seasonality of demand – whilst the Dead Sea enjoys comparatively low levels of climatic seasonality, demand is still constrained/concentrated due to traditional holiday periods, school holidays etc. at certain times of the year. During periods of weaker demand, hotel pricing will need to be discounted.
- The re-development of the resort will require significant investment; the government has already allocated NIS 833m towards it. Advice from the DSPGC planning team suggests that the planning and construction phase typically takes up to 10 years. This, combined with the high costs associated with development, suggest that detailed consideration needs to be given to ways in which investment in the region may be made more attractive. It is understood that tax incentives have been offered historically for hotel development in the area.
- Detailed stakeholder analysis will also need to be undertaken to understand their financial and non-financial considerations and capacity.

Investment considerations – government tourism incentive schemes

Government incentive schemes can be categorised as: financial or quasi-financial, applicable at the development phase; fiscal incentives, which improve profitability; infrastructure investments; and workforce/other incentives

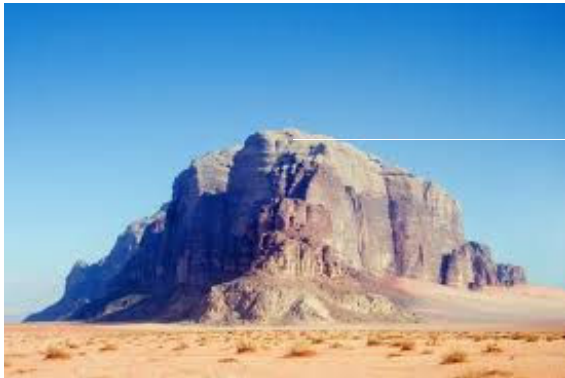
Incentives can be used by governments to remove obstacles to developments, to accelerate the speed of development and, in some cases, to discriminate positively toward certain types of development (e.g. environmentally sustainable tourism). The type of subsidy offered varies by location, and the level of incentives offered will be influenced by the forecast profitability of the project and the barriers that exist to development. The table below outlines common types of government incentives for the tourism industry and provides high-level considerations of their application and impact.

Incentive	Overview	Considerations
Financial incentives	<ul style="list-style-type: none"> Provision of grants and loans by government at the initial phase of project development Can take the form of a cash payment that does not require a return, equity stake requiring profit share, or a payment in kind (e.g. rent-free land) 	<ul style="list-style-type: none"> Has the most immediate effect on the realisation of a project Effective assistance for large “up-front” investment Opportunity cost to any government financial incentives Non-discretionary grants are the most easily administered government incentive
Quasi-financial incentives	<ul style="list-style-type: none"> Includes loan guarantees, subsidies or exchange rate guarantees May include loan funding directly from government, either at reduced rates or more favourable terms than those available through the private sector 	<ul style="list-style-type: none"> Loan guarantees can be particularly effective where there are constraints within the financing environment, or geo-political risk Quasi-financial incentives reflect a lower level of government support than the full financial incentives
Fiscal incentives	<ul style="list-style-type: none"> These remove obstacles to profitability, primarily in the form of full or partial tax relief for taxes such as corporate tax, real estate or capital gains tax/ investment tax. Tax-free zones also have a positive impact on demand Also includes preferential energy tariffs or deductions on beneficial expenditure such as overseas marketing Tax relief typically be over a set period (typically five years) 	<ul style="list-style-type: none"> Fiscal incentives accelerate development by making the investment climate more attractive. Can be offered at both development and operating phase Typically these will not have an impact on the early cash flows of a project, and are therefore often used in conjunction with financial incentives
Infrastructure investment	<ul style="list-style-type: none"> Government investment in the building of roads, provision of utilities to the future development area 	<ul style="list-style-type: none"> Investment in infrastructure removes obstacles to tourism, reduces cost for investors, and generates increased demand for a destination
Workforce/other incentives	<ul style="list-style-type: none"> Incentives for staff include training subsidies and provision of accommodation Benefits for skilled managers such as temporary residency permits, cash incentives, medical benefits and tax rebates Government expenditure on tourism promotion Overall attitude change and removal of barriers such as: visa restrictions, prohibitive transport costs and infrastructure 	<ul style="list-style-type: none"> These focus on removing the barriers which are preventing tourism development and may be applied to specific resorts, development regions, or country-wide Potential to relax visa or immigration policy may be limited by political factors (as is the case in Israel)

Source: Deloitte research, WTO

Investment considerations – tourism master plan, Jordan

Jordan



Jordan recently launched its second National Tourism Strategy (NTS). This builds on the successes of the first NTS 2004-2011, which stimulated a new phase in tourism development in Jordan, by developing tourism demand around cultural heritage (epitomised by Petra), the desert (such as Wadi Rum) and the Dead Sea.

The latest NTS 2011-2015 targets 12 market segments, which present significant opportunities for Jordan. These markets range from cultural heritage and religious tourism to family holidays, health and wellness, sports, meetings, adventure and more. The objective is to increase arrivals of high-yielding tourists from key current and emerging markets and grow the domestic tourism market. The objectives (referred to as “pillars”) that underpin the latest NTS include:

Pillar 1 – marketing and promotion

- To increase total arrivals to 9.4m (from 8.2m in 2010)
- To grow tourism receipts to JD4.2bn (US\$5.9bn – an increase of 75% from JD2.4bn in 2010)
- To increase domestic tourism receipts by 30% over the period

Pillar 2 – product development

- To increase air capacity into Jordan by 20% over the period (includes a new US\$750m terminal at Queen Alia International Airport to increase passenger capacity from 3.5m to 9m and a later phase up to 12m)
- To complete 20 new demand-driven tourism infrastructure projects
- To approve and grade 100% of hotels and 80% of restaurants under a national classification scheme

Pillar 3 – labour market development

- To create 25,000 additional direct jobs in tourism over the period.
- To increase female participation in the workforce by 15%
- To train 5,000 students at 11 vocation training centres (VTC)
- To provide hospitality skills training for 40,000 employees

Pillar 4 – enabling environment

The strategic objective is to enhance Jordan's business, operational, regulatory, environmental and institutional framework to support improved competitiveness. Key targets of this pillar will be:

- To pass a new tourism law
- To update professions bylaws

According to Jordan's NTS 2011-2015, a total of JD152m (US\$214m) will be needed from public sector funds, while the private sector must contribute a total of JD38m (US\$53.5m) over the five years. A significant component of the latest NTS is the re-development of the Aqaba region.

Investment considerations – tourism master plan, Jordan

Jordan

Aqaba



In 2001, the Government earmarked the entire Red Sea coastline (27km) around Aqaba as a special economic zone in which to develop a world class free port area – on a par with Jebel Ali in Dubai. The Aqaba Special Economic Zone (ASEZ) is a duty-free, low tax multi-sectoral development zone, served by an international airport and home to the historical city of Aqaba. ASEZ is regulated by the Aqaba Special Economic Zone Authority (ASEZA), which is responsible for managing, regulating and providing municipal services in ASEZ.

To manage the development of the area, the Aqaba Development Corporation (ADC) was established in 2004. It is the central development arm mandated to implement the ASEZ master plan and develop the infrastructure and the superstructure, with the aim of developing the ASEZ into a leading business and leisure hub on the Red Sea. ADC owns the port, airport, significant parcels of land and certain utilities. It also retains development and management rights for other projects. Although empowered to directly develop projects, ADC typically partners with the private sector to realise key development priorities to the highest standards of international best practices.



According to the strategic plan 2001-2020, the zone targets 50% of investments in the tourism industry, 30% in a variety of services, 13% in heavy industry, and 7% in light industry. Currently there are four significant masterplanned leisure-driven communities that are part of this transformation: Ayla, Marsa Zayed, Saraya Aqaba and Tala Bay.

Financing and incentives

Foreign and local companies established in free zones enjoy the following incentives and exemptions:

- Incentives offers in ASEZ
- A flat 5% income tax on the net profit
- Exemption from annual land and building taxes on utilised property
- Exemption from taxes on distributed dividends and profits
- Duty-free import of goods in commercial quantities from the National Customs Territory and overseas
- No foreign equity restrictions on investments
- No foreign currency restrictions
- Full repatriation of profits and capital
- Streamlined labour and immigration procedures
- 100% foreign ownership
- Up to 70% foreign labour
- Availability of land for lease or sale
- Full guarantees on rights and ownership

Investment considerations – tourism master plan, Jordan

Jordan

Ayla



- The 430 hectare development involves the creation of a series of man-made lagoons open to the Gulf of Aqaba covering around 75 hectares and creating 17km of prime waterfront.
- Fully developed, Ayla will feature a variety of upmarket hotels (1,540 rooms), a mix of residential communities (3,000 units) and Jordan's first international standard golf course (designed by world-famous golfer Greg Norman).
- The town centre will encompass a marina, retail units, cafes, entertainment and recreational facilities, including a water park and a multi-purpose, open-air banquet hall.
- The development will also incorporate an iron age settlement (Tal Khalifeh) and a science museum.
- To be completed in two four-year phases, phase one includes the lagoons, one or more hotels, a golf course and groups of residential and commercial units.
- The vision is to create a tourist and residential community, which will generate between 4,000 and 5,000 jobs.
- The Ayla site is managed by the Ayla Oasis Development Company (AODC), which is a private shareholding company registered in Aqaba. Acting as a master developer, AODC's objective is to create a premier waterfront destination that features world-class residential and tourism components.
- Ayla is backed by experience. It is sponsored by Arab Supply and Trading Co. (ASTRA), an established Saudi group of companies that has diversified holdings in everything from trading, manufacturing, contracting medical and healthcare and real estate. ASTRA has extensive experience in tourism and hospitality, being a major shareholder in ZARA Investment Holding Company (ZARA), the largest tourism investment company in Jordan.

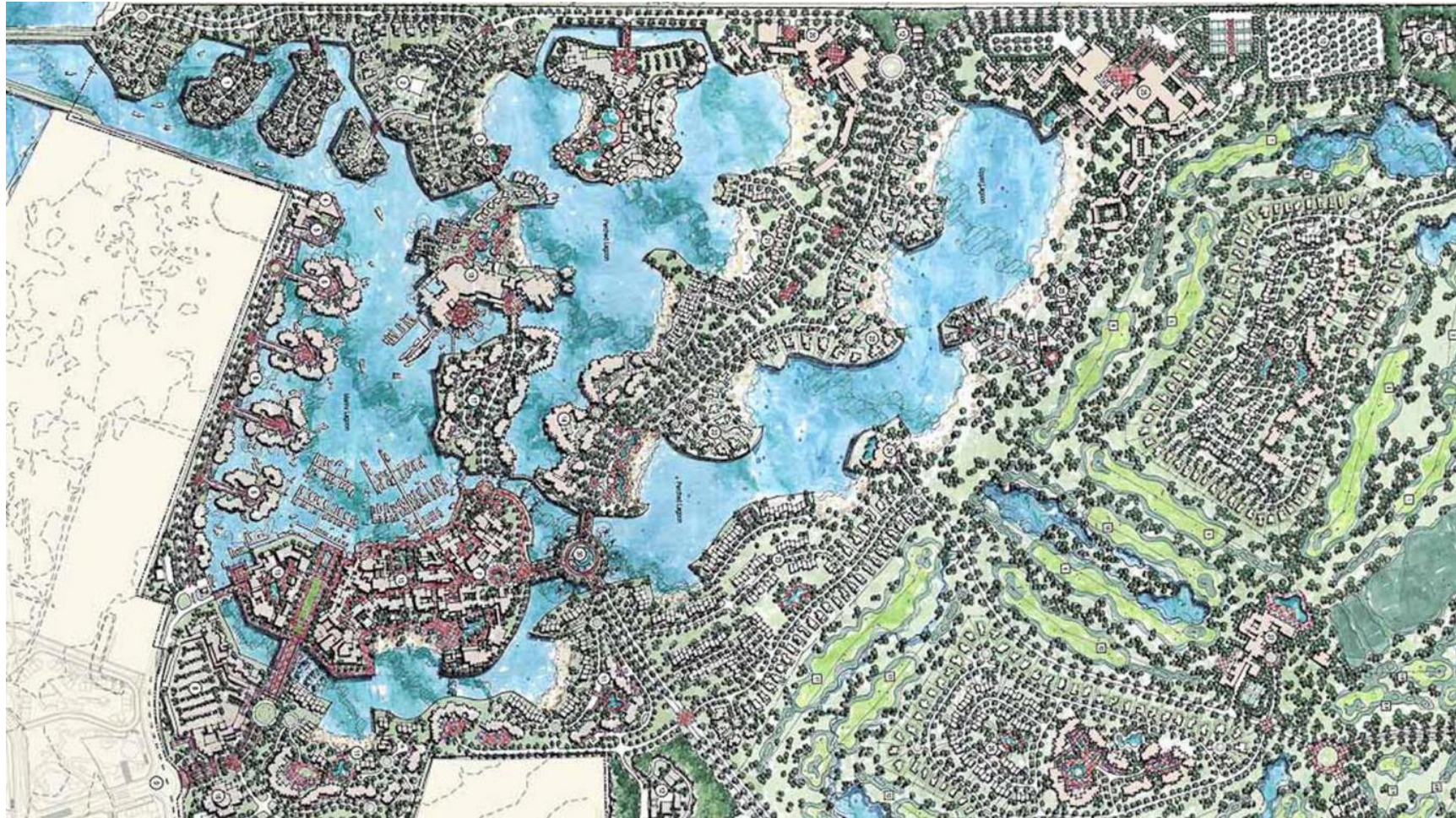
Resort details

Location	Aqaba, Red Sea
Built	Under construction
Hotel (rooms)	1,540 rooms including 300-room Hyatt Regency and two boutique hotels
Food & Beverage	
Residential	3,000 units
Other	18-hole "Greg Norman" signature golf course 9-hole academy Cruise ship dock, marina

Investment considerations – tourism master plan, Jordan

Jordan

Ayla



Investment considerations – tourism master plan, Jordan

Jordan



Resort details

Location	Aqaba, Red Sea
Built	Under construction (commenced 2011)
Hotel (rooms)	Eight hotels (3,000)
Food & Beverage	Wide range serving business, residential and recreational use
Residential	30,000 dwellings
Other	Cruise ship dock, marina

Marsa Zayed

- Marsa Zayed is located south of Aqaba city centre. The site totals 3.2m m², with 2km of waterfront. The fully built area will be close to 6m m².
- The US\$10bn project includes residential and business zones. A number of marinas will also be created in order to establish Aqaba as a prime yachting destination. In addition to this, a cruise ship terminal is proposed to drive visitation, supported by King Hussain International airport – 15 minutes away by car.
- Phase 1 of development (2010-2014) – Al Raha Village – comprises 263 apartments, almost 151 townhouses, retail space, recreational areas, a community centre and a mosque with capacity for 2,000 worshippers.
- When the Marsa Zayed development is finished in the second half of the decade, it will have eight hotels with 3,000 rooms, more than 30,000 residential units and at least one large marina with an estimated 350 marina slips.
- The master developer is Al Mabaar Aqaba - a subsidiary of Al Mabaar Investments, which is a joint-venture between Abu Dhabi Sovereign Wealth Fund Mubadala; Abu-Dhabi Headquartered Aldar Properties which is a real estate developer and investor listed on the Abu Dhabi stock exchange; Sorouh Real Estate; Al Qudra Holding; Abu Dhabi based Reem investments; and Reem International.

Tourism master plans and development – Jordan

Jordan

Marsa Zayed



Investment considerations – tourism master plan, Jordan

Saraya Aqaba is a project aimed at both visitors and locals seeking a luxurious lifestyle from accommodation to restaurants and shopping.

Jordan



Resort details

Location	Saraya Aqaba
Built	Commenced construction in 2008
Food & Beverage	Wide range of in-hotel restaurants and speciality and upmarket restaurants.
Hotel (rooms)	1,114
Hotel (villas)	26
Residential	9 residential areas made up of townhouses, apartments and villas
Other	Beach club, sports complex and water park managed by Jumeirah "Wild Wadi"

Saraya Aqaba

Overview

- The Saraya Aqaba resort is aimed at visitors and locals alike, offering a multicultural and high end destination.
- The resort covers 634,000m², 471,000 of it being a built-up area. Furthermore, it has a beachfront extending 1.5km. The total cost of this project is estimated at \$1 billion and construction started in 2008.
- The centre, Souk Saraya Aqaba, will include a number of up market retail and designer outlets as well as convenience shops. Furthermore it will contain a selection of cafes as well as speciality restaurants and nightlife.
- Entertainment facilities are key with the inclusion of a world class water park managed by Jumeirah "Wild Wadi Aqaba". In addition, there will be a kids' club, a beach club and a sports complex for sports enthusiasts.
- For business tourists and locals, a number of units will be available as well as high class conference facilities.
- The emphasis for residential properties is on luxury living in an integrated community, with tailor-made residential units to suit the needs and wants of everyone.

Investment considerations – tourism master plan, Jordan

Jordan



Resort details

Location	Tala Bay, Red Sea
Built	2003 – ongoing
Hotel (rooms)	3 hotels (902)
Food & Beverage	Wide range of in-hotel and stand-alone outlets
Residential	4 villa and apartment clusters
Other	Spa, marina, beach clubs, 18-hole golf course

Tala Bay

- Located on the Red Sea, Tala Bay started construction in 2003, having been master planned by Ellerbe Beckett.
- The resort has a distinctive architectural style, centred around a marina (with 68 slips and room for c. 80-85 boats). Amenities include apartments, restaurants and commercial areas.
- There is a wide range of F&B and nightlife. Plans for an 18-hole golf course surrounded by a villa complex, will extend the development to 1.1m m².
- The resort currently has three hotels serving visitors – the Moevenpick, the Marina Plaza and Radisson Blu – all 4-5 star, and well appointed. A 5-star boutique hotel (to specifically serve the golf course), and a 387-room Hilton are planned.
- All the waterside properties have beach or quayside bars open to all residents and guests, who also have access to the 2km private beach.

Investment considerations – tourism master plan, Jordan

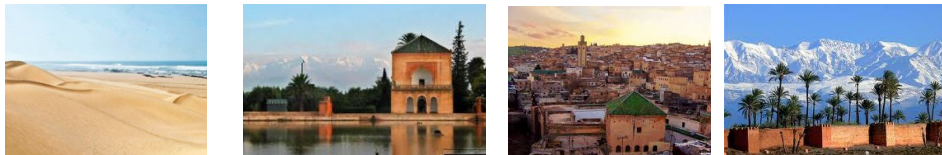
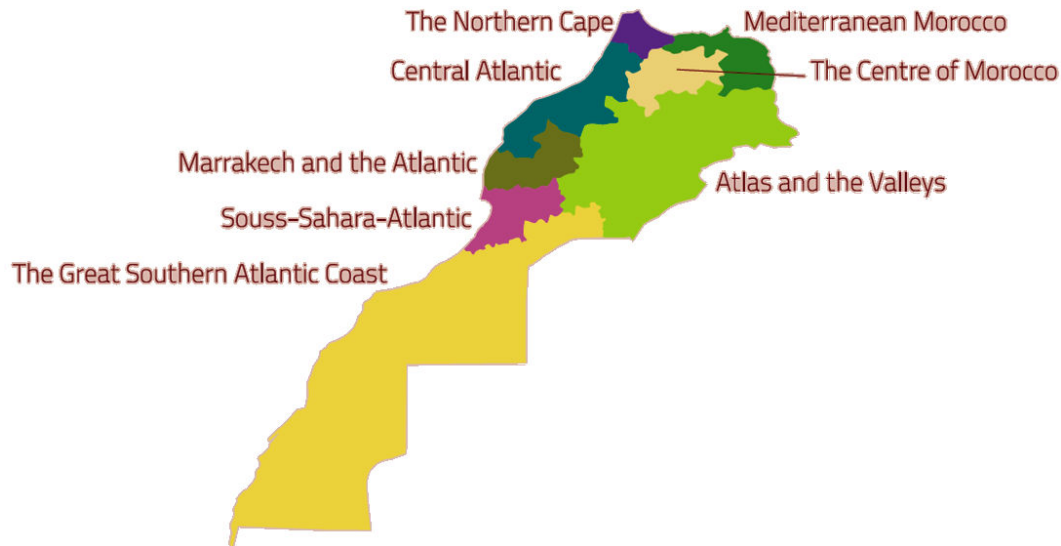
Jordan

Tala Bay



Investment considerations – tourism master plan, Morocco

Morocco



Background

Tourism was earmarked as a priority sector as early as the 1980s, and is a key source of foreign currency for the country. The government developed an initial tourism masterplan *Vision 2010 or Plan Azur* which has since been followed by Vision 2020.

Vision 2010 (undertaken between 2000 and 2010) aimed to increase tourist arrivals to c. 10m. During 2005 to 2010, arrivals increased from 5.8 to over 9.3m and some € 30bn of foreign direct investment was generated.

Vision 2020 aims to double the size of the tourism sector by 2020, to put Morocco into the top 20 global tourism destinations and to position it as a model of sustainability.

There are eight tourism zones across the country and six key programmes which are:

- to create an internationally competitive range of seaside resorts
- to develop eco/sustainable tourism products
- to develop high value/niche programmes focused on business and well-being
- to enhance the range of cultural experiences
- to develop a cultural/leisure programme of attractions and events
- to develop tourism offerings appealing to the domestic market.

Key objectives of the latest plan are:

- to increase tourist arrivals to 20 million tourists, doubling today's volumes
- to add a further 200,000 hotel beds (from 166,000 in 2009)
- to triple the number of domestic travellers
- to grow tourism receipts to MAD140bn (over US\$16bn), and accounting for a further 2% of GDP
- to create 470,000 new jobs in the sector between 2011 and 2020

Investment considerations – tourism master plan, Morocco

Morocco



Financing and incentives

In addition, the government launched a new tourism investment fund in 2011, which focuses on public-private partnerships (PPPs) to develop projects in the sector.

Investors in the fund include the government, local banks and several sovereign wealth funds based in the Gulf states. The Moroccan Tourism Development Fund (Fonds Marocain pour le Développement Touristique, FMDT) aims to raise capital of Dh100bn (€8.85bn) within 10 years through investors and debt funding.

A series of investment subsidies and incentives have been announced for tourist projects. Key incentives that have been made available in recent years include:

- a waiver of import duties on equipment for tourism projects (normally 30-50%);
- income tax exemption for five years on foreign currency turnover;
- an indefinite 50% reduction on income tax on foreign currency revenues;
- no restrictions on the sale of any project or repatriation of profits;
- no VAT on the investment made; and
- waiver of urban and property tax for a period of five years.

Investment considerations – conclusions

The scale and complexity of the development project raises a range of considerations that relate to development, operations and investment. Many of these points require ongoing analysis and assessment as the project progresses

- Whilst a considerable amount of analysis has been undertaken on the site and the opportunity, a number of questions need to be considered in detail.
- Although environmental analysis has been undertaken and indicates relatively low impact, we are not aware of any geological analysis, particularly in relation to the suitability of the soil substance of the site for development. The findings of such analysis may have a major impact on potential construction costs.
- Following the master planning and architectural design of the scheme a detailed amount of financial viability will be required.
- Analysis of funding/financing requirements and potential provision of government support also appears to be at a very early stage. This should be considered an important priority so that early stage investors can be identified and secured. This is a critical path consideration.
- If international investors/operators are to be targeted, it is important to take into consideration the funding incentives provided in other masterplanned tourism schemes around the region. These will be one of the benchmarks international investors use to assess the Dead Sea project as a potential opportunity.
- Other considerations such as essential planning also require long lead times and will require more detailed analysis.

7. Risks and mitigation



Risks and mitigation – introduction

A number of risks and dependencies exist that require continual attention and further research in order to ensure that the Dead Sea project is a viable proposition and delivers the expected returns



Introduction

- The ability of DSPGC to turn the vision for the resort into reality is dependent upon a number of factors that will need to be continually considered and addressed as the development progresses. A high-level summary of these factors are provided in this section.
- It is recognised that these risks will inevitably change over time and as such this is by no means exhaustive and should be regarded as an assessment at a point in time.

Risks and mitigation – macro considerations

We have outlined a number of key risks that may be faced at the macro level, both at the development and operating phase

Risk	Overview	Mitigation
Construction cost inflation	<ul style="list-style-type: none"> Increases in the cost of key raw materials such as concrete, and cost/availability of labour over the development period. 	<ul style="list-style-type: none"> Developers may consider entering forward contracts to fix the price of raw materials.
Global political events e.g. terrorism	<ul style="list-style-type: none"> As highlighted in Phase-A1, perception of political instability and terrorism are the biggest threats to tourism in Israel. 	<ul style="list-style-type: none"> Marketing the Dead Sea as a standalone destination, disaggregated from Israel as a whole.
Visa restrictions	<ul style="list-style-type: none"> Risk that key source markets may be deterred by restrictive visa or entry/exit policies. There are currently no visa restrictions on key source markets, but restrictions exist on high growth markets (Brazil, China, India). 	<ul style="list-style-type: none"> Lobby for relaxation of visa requirements for key source markets and markets representing significant growth opportunities.
Macro economy	<ul style="list-style-type: none"> Risk of an economic downturn in key source markets (European, North American and domestic) which could significantly reduce outbound tourism levels. 	<ul style="list-style-type: none"> Whilst this risk cannot be eliminated, a marketing focus toward a range of key source markets may reduce this risk.
Accessibility	<ul style="list-style-type: none"> Risk of reduced access through current access points (e.g. Route 90 involves travel through the Palestinian West Bank). 	<ul style="list-style-type: none"> Government and regional councils to ensure key routes remain accessible.
Government support for promotion of tourism downscaled	<ul style="list-style-type: none"> Risk that the government doesn't provide the funding for tourism promotion in key source markets. 	<ul style="list-style-type: none"> Ensure that private sector marketing initiative is kick-started alongside government tourism promotional activities. Large international hotel operators will drive demand via their internal marketing/booking systems
Infrastructure constraints	<ul style="list-style-type: none"> Risk that no appropriate solution is found to extend airport capacity. Ben Gurion is forecast to reach capacity (of 16m) by 2015. 	<ul style="list-style-type: none"> Decisive strategy required by government which will most likely involve the construction of a second major international airport, or the significant extension of existing facilities.
Ad hoc development of site	<ul style="list-style-type: none"> DSPGC are unable to manage the development of the site in a structured manner leading to a lack of cohesion and poor delivery of the destination 	<ul style="list-style-type: none"> Utilise the significant public funding to control the development. Consider Tender for the development of the destination rather than individual parcels.

Risks and mitigation – site-specific considerations

We have outlined a number of key risks that may be faced at the site-specific level

Risk	Overview	Mitigation
Limited/insufficient investor appetite	<ul style="list-style-type: none"> Risk that within internationally competitive capital market investment in the Dead Sea is deemed high risk and without sufficient return. 	<ul style="list-style-type: none"> A significant macro risk which can only be partially mitigated by government lending and consideration of investor schemes to attract investors.
Environmental degradation	<ul style="list-style-type: none"> Risk that further degradation of the environment at the Dead Sea will deter visitors. 	<ul style="list-style-type: none"> Government support required to combat any further environmental problems.
Development/phasing is delayed or over budget	<ul style="list-style-type: none"> A risk that delays will result in additional costs, loss of visitor revenue and loss of appetite from attractive brands for key components of the resort. 	<ul style="list-style-type: none"> Ensure co-ordination of stakeholders and availability of funding. Ensure detailed financial projections from an independent expert, which are updated continuously to reflect any changes.
Lack of take-up from international operators/brands	<ul style="list-style-type: none"> International brands will act as a huge pull to potential visitors. Key international brands need to be attracted for the hotel, F&B and retail offerings that fit the anticipated visitor mix 	<ul style="list-style-type: none"> Ensure red tape is minimised and subsidies available to attract desirable international operators.
Lack of take-up from international visitors	<ul style="list-style-type: none"> Risk that the resort retains its “domestic feel” and as such international visitors are deterred. This could arise following a downturn in international visitation (as occurred during the 2nd intifada). 	<ul style="list-style-type: none"> Marketing the Dead Sea as a standalone destination and communicating the relative safety of the destination.
Lack of appeal of central attraction	<ul style="list-style-type: none"> Risk that central attraction does not appeal to visitors. 	<ul style="list-style-type: none"> Ensure central attraction is developed, configured and operated in response to demand from target market.
Government support for project withdrawn	<ul style="list-style-type: none"> Risk if government support is withdrawn for the project. Given the project size, this could occur due to fiscal tightening, or prioritisation of government funding for other projects. 	<ul style="list-style-type: none"> Government encouraged to ring-fence funding for the project. Ensure professional marketing/PR of the project in the media to broadcast positive message.
Appropriate subsidies offered to entrepreneurs	<ul style="list-style-type: none"> Subsidies and other public funding will be required due to the challenging economics of the development. 	<ul style="list-style-type: none"> Ensure public funding is available at the appropriate level to attract investment.
Alignment of stakeholders	<ul style="list-style-type: none"> Risk that key stakeholders (including Dead Sea hotel association, Tamar regional council) will make decisions independently which could conflict. 	<ul style="list-style-type: none"> Key stakeholders interests’ need to be aligned to ensure co-ordinated strategy for the development of the resort.

Risks and mitigation – supplementary requirements

We have provided recommendations on a number of supplementary requirements which will need to be addressed at the development phase

Risk	Objective	Considerations
Marketing	<ul style="list-style-type: none"> To reposition the Dead Sea as a standalone destination given existing perception of the destination and product offering 	<ul style="list-style-type: none"> A targeted and professional campaign is required to challenge consumers to reconsider the destination, to show that it has been newly redeveloped as an international resort and to generate new interest, excitement and “buzz” around the destination. Resorts which have been successfully repositioned include: the Red Sea, Dubai, Singapore (Marina Bay Sands) Presence of international brands will assist marketing efforts as they will drive demand via their own internal systems
Tax Policies	<ul style="list-style-type: none"> Need to set appropriate levels of local taxation 	<ul style="list-style-type: none"> Local taxation levels will need to find a balance between covering the cost of public utilities and amenities, and appropriate business rates that do not stifle investment
Regulations	<ul style="list-style-type: none"> Regulations to cater for large local tourism segment 	<ul style="list-style-type: none"> The regulatory framework of the local council to be adopted. May need to ensure that some regulatory flexibility is provided to accommodate the international tourism industry e.g. late licences to bars, restaurant licences for non-kosher cuisine.
Grants	<ul style="list-style-type: none"> Given the challenging economics of development in the area for investors and private operators, subsidies will need to be offered to attract investment. 	<ul style="list-style-type: none"> Subsidies will need to be set at the appropriate level and may take the form of either tax reliefs or grants towards development costs. DSPGC has indicated that the infrastructure costs to the site (energy, water, waste, roads etc.) may be met by the Government and may fund the development costs of other components such as the visitor centre.
Planning/statutory relief	<ul style="list-style-type: none"> Objective is to avoid stifling investment activity with excessive planning/statutory regulation. 	<ul style="list-style-type: none"> Need to ensure that the resort remains a co-ordinated, planned development Consideration to be given to allow statutory relief for a given period (i.e. 10 years from commencement of development)

8. Next steps



Next steps – a framework for action

This section considers some of the key areas for consideration during the next phase of planning and preparation, including a road map for the future that is split into three phases: planning, construction and operations. Each phase includes tasks related to preparation or implementation

- Whilst the *road map* is designed to be comprehensive and directive, it should be recognised that this analysis has been undertaken at a point in time. Market trends, Government policy and consumer preferences are continually evolving. This must be taken into account when a project moves from strategy to implementation.

	Phase I: Resort planning/design	Phase II: Construction	Phase III: Operations
	Task	Task	Task
Planning	<ul style="list-style-type: none"> Final masterplan Draft architectural drawings Planning approvals 	<ul style="list-style-type: none"> Final architectural plans 	<ul style="list-style-type: none"> New planning applications management
Marketing	<ul style="list-style-type: none"> ES market research 	<ul style="list-style-type: none"> Communication strategy 	<ul style="list-style-type: none"> Repositioning strategy
Investment	<ul style="list-style-type: none"> Investor targeting programme 	<ul style="list-style-type: none"> Component operators and resort management tenders 	<ul style="list-style-type: none"> Value enhancement strategy
Fiscal	<ul style="list-style-type: none"> Early investor fiscal incentive programme 	<ul style="list-style-type: none"> Fiscal incentive programme 	<ul style="list-style-type: none"> Fiscal incentive monitoring and management
Construction	<ul style="list-style-type: none"> Tender for project manager/ developer 	<ul style="list-style-type: none"> Construction management 	<ul style="list-style-type: none"> Warranties etc. in place
Operations	<ul style="list-style-type: none"> Tender for component operators 	<ul style="list-style-type: none"> Appoint operators Employee training and recruitment 	<ul style="list-style-type: none"> Employee training and management
Other	<ul style="list-style-type: none"> Sustainability strategy Risk mitigation strategy 	<ul style="list-style-type: none"> Sustainability governance Risk mitigation strategy 	<ul style="list-style-type: none"> Sustainability governance Risk mitigation strategy

Next steps – planning

Given the anticipated length of the planning procedure in Israel, these tasks will need to be phased. For example, developer tender documents cannot be drafted until architectural plans have been prepared; and architectural plans cannot be prepared until the planning/construction approvals have been obtained

Phase I: Resort planning/design		
	Task	Details
Planning	<ul style="list-style-type: none"> Final masterplan Draft architectural drawings Planning/construction approvals 	<ul style="list-style-type: none"> Liaise with masterplanner (Safdie) to finalise master plan Appoint architect to commence architectural plans for each component. Recommend that component operators are involved in this process Planning adviser to secure appropriate planning/construction approvals
Marketing	<ul style="list-style-type: none"> Early stage market research 	<ul style="list-style-type: none"> Identify and supply tender to appropriate international marketing agency Commission early stage market research to test concept, product, positioning and potential target markets
Investment	<ul style="list-style-type: none"> Investor targeting programme 	<ul style="list-style-type: none"> Identify appropriate investors by component Prepare marketing materials and commence targeting/discussions
Fiscal	<ul style="list-style-type: none"> Early investor fiscal incentive programme 	<ul style="list-style-type: none"> Liaise with Ministry of Finance and Ministry of Tourism to devise multi-phase fiscal incentive programme, to stimulate early phase investment Communicate programme to international investment community and commence discussions with target investors
Construction	<ul style="list-style-type: none"> Tender for developer 	<ul style="list-style-type: none"> Prepare detailed tender documents for the entire project Identify appropriate developers Implement a multi-stage tender process to appoint a developer
Operations	<ul style="list-style-type: none"> Tender for component operators 	<ul style="list-style-type: none"> Prepare detailed tender documents for operators of each component Identify appropriate operators by component Implement a multi-stage tender process to appoint operators Note: it is beneficial to involve component operators at the design phase
Other	<ul style="list-style-type: none"> Sustainability strategy Risk mitigation strategy 	<ul style="list-style-type: none"> Appoint international sustainability experts to review the project and recommend sustainability programme DSPGC to implement/monitor risk mitigation strategy. Advisers should also have one.

Next steps – construction

There is considerable planning work to be undertaken prior to the commencement of construction, to ensure optimal use of resources and the development of a world-class resort product. Appointing a team of experts with a proven track record in each area is highly recommended

Phase II: Construction		
	Task	Details
Planning	<ul style="list-style-type: none"> Final architectural plans 	<ul style="list-style-type: none"> Appointed developer, planning team and appointed component operators to work on finalising plans prior to construction phase
Marketing	<ul style="list-style-type: none"> Communication strategy 	<ul style="list-style-type: none"> Agency to implement early stage communication strategy Strategic targeting and publicity of fiscal incentives and committed investors Repositioning strategy planning to involve close liaison with Ministry of Tourism, in-country marketing and industry groups (IHA, ITOA etc.) to implement. Consider also potential to work with Jordanian counterparts for destination marketing programme Communicate commitments by strategic investors
Investment	<ul style="list-style-type: none"> Component operators and resort management tenders 	<ul style="list-style-type: none"> Launch formal investment process to target investors pre-construction Appoint early phase operators to work closely with developer in pre-construction and construction phase (hotels, destination spa and eco-gateway operators as well as resort management company)
Fiscal	<ul style="list-style-type: none"> Fiscal incentive programme 	<ul style="list-style-type: none"> Ensure potential investors have ongoing easy access to: marketing materials, clear guidelines and informed Government/tax advisers Target and secure early phase investors Maintain communication with interested parties for latter phase investment
Construction	<ul style="list-style-type: none"> Construction management 	<ul style="list-style-type: none"> Establish effective communication channels with developer at an early stage Work with committed parties (operators, resort manager), as required Publicise key milestones as part of marketing communications strategy
Operations	<ul style="list-style-type: none"> Appoint operators Employee training and recruitment 	<ul style="list-style-type: none"> See “planning” – work with developer before and during construction Operators to commence employee recruitment programme and plan for long-term training programmes. Accommodation/transportation requirements to be addressed
Other	<ul style="list-style-type: none"> Sustainability governance Risk mitigation strategy 	<ul style="list-style-type: none"> On-going support and monitoring of activities against sustainability targets DSPGC to monitor risks and establish communication process with all advisers

Next steps – key recommendations

The process from planning to completion is likely to be long. However, there are some clear parameters that DSPGC should consider setting at the outset. These are detailed below

Key recommendations

- **Appoint a dedicated project management team** – this team of individuals will have clear responsibility for different elements of the project (investment, fiscal, planning, marketing etc.). They will maintain a project timetable with agreed milestones, critical path activities and communication protocols. There will also be an experienced finance team to manage the budgeting, financial and fiscal requirements of the project.
- **Appoint experts with a proven track record** – It is recommended that DSPGC adopts a policy of commissioning services and advice from parties that have a strong track record of success in their field. They should be able to demonstrate credentials in *international* tourism and resort developments.
- **Maintain an international perspective** – Whilst domestic visitation will continue to be an important source of demand for the project, the repositioning of the resort is underpinned by international visitation. Any discussion around change in approach or component mix will need to take this into consideration.
- **Appoint a single developer or consortium through a competitive tender** – It is recommended that the approach of appointing one developer (or consortium) to deliver the entire project is considered. This will ensure a unified approach to resort integration, noise reduction strategies and any construction/design issues are handled by a fully engaged party. In terms of the construction, it is likely that the project would be developed by a consortium, given the scale of the project. Again this would enable an integrated approach to the project since parties' interests would be clearly defined and aligned at the outset of construction. A competitive tender process would initiate this approach, and provide a clear structure through which to provide the required public funding and support.
- **Appoint a marketing agency** – A targeted and professional campaign is required to reposition the destination in the minds of consumers, challenging them to reconsider the destination and to generate new interest and “buzz” around the newly-developed destination. This will require a comprehensive marketing strategy. Successful repositioning strategies include: the Red Sea, Dubai, Singapore (Marina Bay Sands). On-site international brands will assist marketing efforts by driving demand via their internal systems.
- **Appoint a resort management company** – it is recommended that a resort management company is appointed to ensure that the entire resort is maintained to a certain standard, particularly public/common areas. The company will also ensure management of any common facilities and could undertake property management responsibilities (such as the retail space). This will reinforce the integrated feel of the resort. In the event that a single development approach is adopted the resort manager may be included in the consortium.

9. Appendices

- A. Glossary
- B. Tour operator recommendations
- C. Land yield analysis
- D. Scope and key conclusions Stage A1-A3
- E. Initial phasing of hotel plots on core site
- F. Long-term vision for destination spa resort
- G. Later phasing room counts and plot sizes
- H. Existing hotel supply
- I. Hotelstars Union grading criteria
- J. Spa industry overview
- K. Development considerations – operating models
- L. Government tourism investment schemes - selected examples
- M. Inbound *Google* queries



Appendix A – Glossary

Abbreviation	Details
ADR	Average Daily Rate
ALOS	Average length of stay
bn	Billion
CAGR	Compound Annual Growth Rate
CBS	Central Bureau of Statistics
CSP	Concentrated Solar Power
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EIU	Economist Intelligence Unit
ES	Early stage
F&B	Food & Beverage
GOP	Gross Operating Profit
GVA	Gross Value Added
IRR	Internal Rate of Return
LED	Light Emitting Diodes (used in lighting systems)
m	Million
MICE	Meetings, incentives, conferences, exhibitions
NPV	Net Present Value

Abbreviation	Details
NIS	New Israeli Shekels
P.A.	Per Annum
PV	Photo voltaic (i.e. solar panels)
RevPAR	Revenue per available room
Tn	Trillion
TrevPAR	Total revenue per available room
UAE	United Arab Emirates
VFR	Visiting friends and relatives
WTTC	World Travel and Tourism Council
%	Percent

Appendix B – Tour operator recommendations

Leading tour operators have been consulted to supplement our analysis, and assist with the identification of any trends which may be useful to shape the strategy, concept and design of the Dead Sea resort

- As part of our research, we have consulted with key tour operators/travel agents, including those specialising in the following areas: spa packages, Israel/regional and luxury tours.
- In our discussions with tour operators we have focused on the following areas: global spa industry trends, customer requirements (including any essential resort components), price points/package itineraries, potential for marketing the Dead Sea as a stand-alone destination and the perception of Israel/the current resort.
- In terms of competitor destinations or innovative resorts, the tour operators generally pointed to locations we have covered in our analysis (in particular the Jordanian Dead Sea shore, Egyptian historical sites, Zighy Bay, Oman).
- Whilst specific target segments for spa packages have been identified (female single travellers with goal-oriented programmes) we would recommend further discussions with tour operators during the development phase of the project, given the time lag (operation to commence in 2022) and therefore the likelihood of new trends emerging which may impact the resort design or composition.
- An overview of key comments from the discussions is summarised in the table below:

Segment	Operators	Key comments
Israel-focused	<ul style="list-style-type: none"> • Superstar Travel • Longwood Holidays 	<ul style="list-style-type: none"> • Israel tours cost c.US\$1,600-2,200 per person. Typically includes arrival and tour of Tel Aviv (1 night) Jerusalem (3 nights) Galilee (2 nights) and Eilat (1 night). Tour includes a daytrip to Dead Sea and Massada but no overnight stay. • Difficulty of marketing current Dead Sea resort as a standalone destination due to lack of entertainment and retail facilities. • Interest in the area peaked around the Massada Opera festival in 2012. • Competition from Egypt (e.g. Nile cruise tours) in the historical tours market.
Spa-focused	<ul style="list-style-type: none"> • Well-being Escapes 	<ul style="list-style-type: none"> • High-level of females travelling alone, with specific goals/programmes (weight loss/detox/fitness). • As a result, programmes and facilities to be tailored accordingly and resorts designed to include social spaces. • Typical spa packages are 5-7 nights, and short lead times for bookings are common (1-2 weeks) . • Dead sea has the natural environment to succeed (renown for healing) but would need to ensure a move away from perception of bleakness and barren landscape. • Popularity of programmes which are authentic to the local environment. • Zighy Bay highlighted as popular spa resort within the region. India and South East Asia also popular spa destinations, outside Europe.
Luxury	<ul style="list-style-type: none"> • Abercrombie and Kent • Cox and Kings 	<ul style="list-style-type: none"> • Competitive resorts highlighted include those within Jordan, where the overall lower cost of a package tour was mentioned as significant factor driving demand to the Jordanian side of the Dead Sea. • Cost of a 7-night tour in Jordan is c.£2,200 which includes a tour of significant archaeological and historical sites (Petra, Amman) and may include a 2 night stay in Dead Sea resorts at the end of the tour staying in Kempinski or Movenpick • Other notable destinations include Zighy Bay, Oman, Six Senses resorts (worldwide).

Appendix C – Land yield analysis for future development zone

Calculation of developable land

	New zone C (Dunam)	New zone C Components*				C
	A	B2	B3	B4		
Total area (dunams)	1,423	39	256	63	14	1,060
Plus: Plot 4.2.2 (assuming re-zoned to hospitality)	11		11			
Plus: Plot 4.4.2	13		13			
Total area (dunams)	1,456	39	281	63	14	1,060
Less: Beach Area	240	-	-	40		200
Less: Existing road to complex and switchbacks	75	-	75	-		-
Developable area before streets, open space et al	1,141	39	206	23	14	860
Less						
Main road and area between any bends	60	-	-	-		60
Other roads	150	-	21	-		129
Infrastructure	32	-	5	1		26
Open space and wadis	207	-	31	-		176
Car parking, beach areas	39	-	5	9		25
Approved hotels	14	-	14	-		-
Existing hotels	15	-	15	-		-
Sub-total	515	-	90	10	-	416
Net plot size for Tourism projects	626	39	116	13	14	444

Note numbers may not cast due to rounding

* See land allocation slide for configuration of land plots

Appendix C – Land yield analysis - approved hospitality sites

Analysis of approved areas/sites

Approved Hospitality Sites, Pre-Reconfiguration of Zone C

Site Number	Location	Dunams. Site	Rooms
3.4.10.E	A	26.9	300
3.5.2	A	7.3	50
3.4.14.A	A	15.3	300
47	A	15.2	240
49	A	23.6	350
4.4.2	B	13.4	200
4.4.4	B	13.6	200
		<u>115.3</u>	<u>1,640</u>

Approved Hospitality Sites after Reconfiguration

Site Number	Location	Dunams. Site	Rooms
Remaining in A			
3.4.10.E	A	26.9	300
3.5.2	A	7.3	50
3.4.14.A	A	<u>15.3</u>	<u>300</u>
		49.5	650
Remaining in B			
4.4.4	B	13.6	200

Sub-total, Approved Hospitality Sites that Remain "as is"

63.1 850

Approved Sites that will no longer be in existence if folded into Parcel C

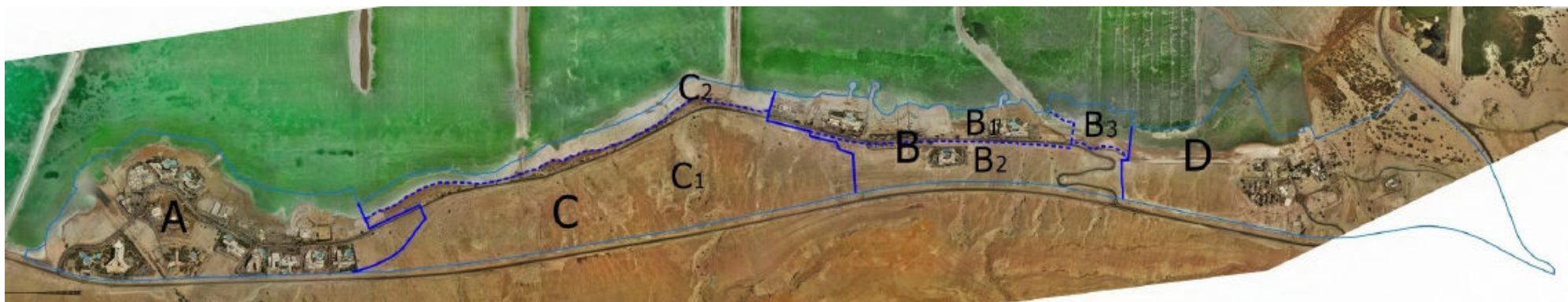
47	A	15.2	240
49	A	23.6	350
4.4.2	B	<u>13.4</u>	<u>200</u>
		52.2	790

Notes: this does not account for the two sites (4.2.2 of 11.45du and 4.2.1 of 9.85du) that are being reconsidered for hospitality use. These could add another 520 rooms, of which 220 rooms (plot 4.2.2) are in Parcel C

4.2.2	11.45	220	could be in C
4.2.1	9.85	300	could be in B

The zones presented in the map below are:

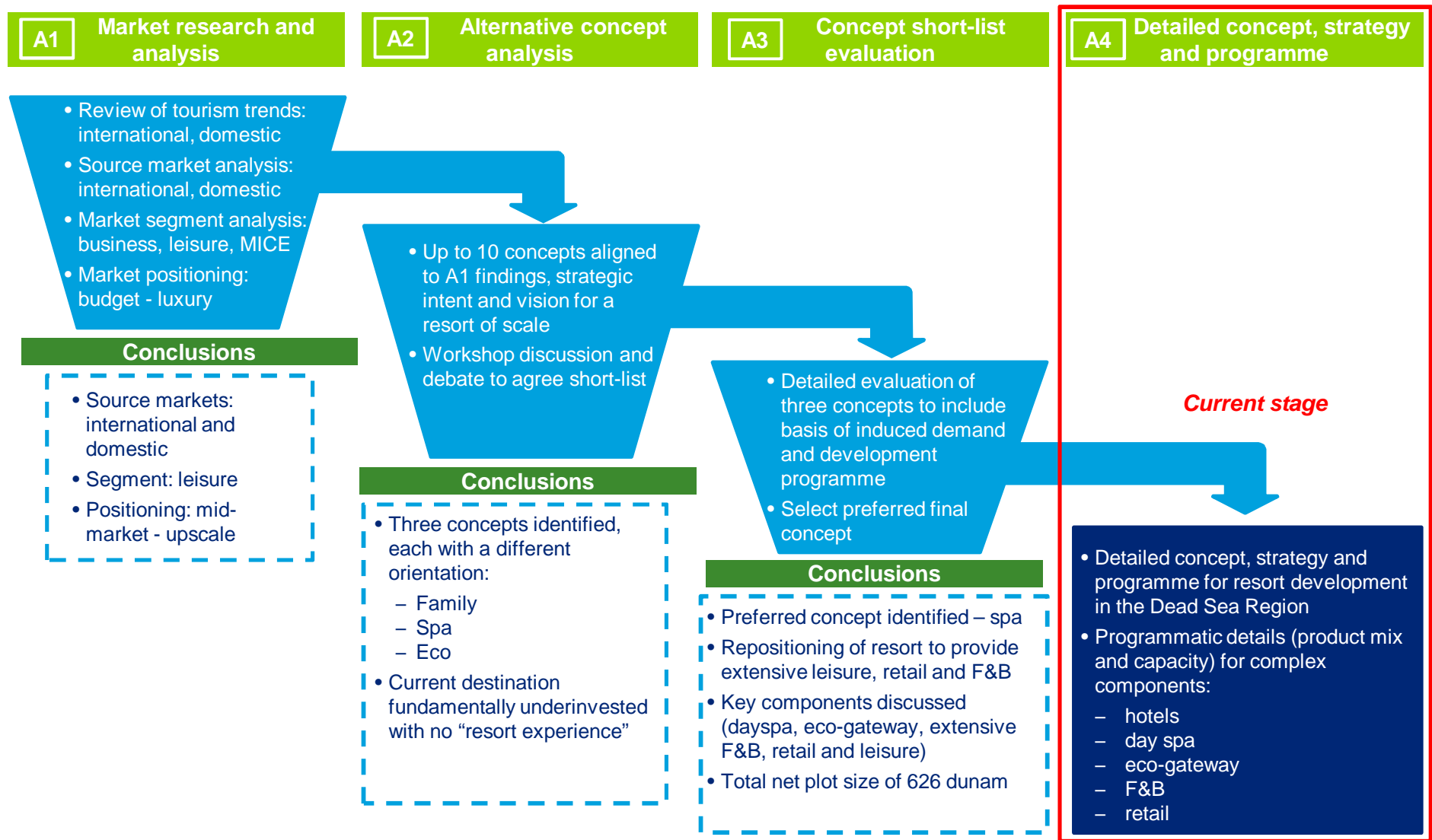
- **A** – existing hotel area of Ein Bokek with 12 hotels and various amenities
- **B1 and B2** - existing hotel area of Hamei Zohar with 3 hotels
- **B3** – new potential resort development area
- **C** – new potential resort development area
- **D** - existing community of Neve Zohar and home to administrative council. One guesthouse, no hotels



Source: DSPGC planning team

Appendix D - Scope and key conclusions Stage A1-A3

The basis and purpose of each stage, and key conclusions, is outlined below




Appendix E – Initial phasing of hotel plots on core site

Component	Development density		Plot area (dunam)	Comments
	Rooms/dunam	Room count		
De luxe hotel				
Hotel 1D	5.5	70	13	<ul style="list-style-type: none"> Site B3, which has plot size of 13 dunam 2-storey discreet units, some with own pools. Set apart from the rest of the resort in an exclusive complex with private beach Average room size: 45 m² World class de luxe quality and facilities
Hotel 2D	3.0	100	33	<ul style="list-style-type: none"> Similar style to Six Senses Zighy Bay, Oman; and Beresheet, Israel Average room size: 45 m² Will include standalone rooms linked by shaded walkways May incorporate terracing to allow for slope gradient
Hotel 3D	3.1	110	35	<ul style="list-style-type: none"> As above
Sub total	3.4	280	81	
Upscale hotel				
Hotel 1U	5.5	160	29	<ul style="list-style-type: none"> 3-5 storey hotels 35-40 m² size May be arranged around courtyards or clustered in other ways Similar to Moevenpick Dead Sea and Marriott Dead Sea
Hotel 2U	6.0	200	33	
Hotel 3U	6.0	200	33	
Hotel 4U	6.5	250	38	
Sub-total	6.0	810	133	
Total	5.1	1,090	214	

Note: plot area includes zone C (203 dunams) and B3 (13 dunams); all room counts rounded to nearest ten, dunams rounded to nearest one

Appendix F – Long-term vision for destination spa resort

The proposed resort draws its defining theme from the unique therapeutic attributes of the Dead Sea and the ecological attractions of the area

Detail	Components
Hotel units (rooms)	
De luxe	4 (710)
Upscale	8 (2,510)
Mid-market	12 (3,220)
Conference centre	standalone facility
Area	10,000m ²
Capacity (pax)	3,500
Retail/F&B	36,000m ² high-end/upscale international/domestic brands with health/well-being focus
Central attraction	12,000m ² world-class day spa and well-being centre (6,000m ² external)
Other attractions/leisure	extensive landscaping; cycle paths and nature trails; tennis/sport centre
Visitor centre	interactive and educational facility providing information on local excursions and attractions and the health benefits of the Dead Sea
Target markets	predominantly international
Consumer segment	all segments (fewer families with children)
Source markets	
USP	world-class spa destination offering unique health benefits

- This long-term vision for the resort assumes a development programme for the resort with higher density development, including potentially hotel accommodation that is developed into the salt ponds, given the existing topography and potential constraints on developable land.
- As such, the destination spa is a medium-density, mixed-use, integrated development that embodies core attributes of the Dead Sea including: health, well-being, therapy, rejuvenation and relaxation.
- As envisaged for the initial phasing, the customer base will have a significant proportion of international visitors, as well as domestic. Accommodation and amenities/activities will reflect this.
- A world-class spa and well-being centre will be at the heart of the development and will offer a comprehensive range of dry and wet treatments; classes (such as yoga and pilates); and alternative therapies. Dead Sea muds and minerals will form a significant part of the offering, given their therapeutic qualities. The complex will serve day-trippers and guests staying at the resort. Medical services for the treatment of specific conditions will continue to be offered, with certain hotels catering more directly to this segment of the market. There may be an opportunity to develop a clinic/quasi-medical facility.
- The accommodation will be split between multiple medium to low-rise hotels and will include: an exclusive luxury resort; several larger upscale resorts; and a large mid-market resort. The luxury and upscale resorts will have in-house spas as well as swimming pools. The mid-market resort will have swimming pools and can support the destination spa.
- The environment will be landscaped to integrate both existing and new facilities, utilising trees, shrubs, boardwalks and communal areas with shops, restaurants and leisure amenities. Although all the hotels will have food and beverage offerings, the resort will provide a range of everyday dining, cafes/bars, themed dining and flagship restaurants, to cater to resident guests and day-trippers (both international and domestic). The aspirational (to improve and enhance one's well-being) positioning of the resort will be further supported by a first-class retail experience with both recognised brands and leading international retailers.
- The resort will also include outdoor studios for yoga, pilates, meditation and other exercise classes; walking trails; cycle paths; desert excursions and cultural exploration etc.
- The architecture will create an impression of relaxation, tranquillity and well-being and the landscaping will provide lushness, colour and shade. An oasis that brings to life the world's largest spa and delivers on the expectations of international travellers - as a truly distinctive destination spa, renowned around the world, a retreat in itself and a base to explore the Holy Land.

Note: total rooms includes 850 rooms on pre-approved plots in A and B

Appendix G – Later phasing room counts and plot sizes

Component	Development density		Plot area
	(dunam/room)	Rooms	(dunam)
Plots in A			
3.4.10E	11.2	300	26.9
3.5.2	6.8	50	7.3
3.4.14A	19.6	300	15.3
Sub-total	13.1	650	49.5
Plots in B			
4.4.4	14.7	200	13.6
Total	13.5	850	63.1

Component	Development density		Plot area
	Rooms/dunam	Room count	(dunam)
De luxe hotel			
Hotel 1D	3.0	250	83
Upscale hotel			
Hotel 1U	6.0	240	40
Hotel 2U	6.0	240	40
Hotel 3U	6.0	275	46
Hotel 4U	6.0	275	46
Sub-total	6.0	1,030	172
Total	5.0	1,280	255

Note: all room counts rounded to nearest ten, dunam rounded to nearest one

The following represent the opportunity to increase room count at the resort, beyond the 1,090 that has been recommended for the initial phase of development.

Pre-approved rooms

- 850-rooms have already been pre-approved on existing hotel plots.
- Given the higher build density of the existing hotel stock, the density ratio is significantly higher than that proposed for the newer developments and reflects the evolution of hotel development from high-rise resorts to lower-rise, lower-impact developments, as illustrated in the subsequent case studies.
- It is proposed that these are developed at a latter date and will be sympathetic in architectural style to integrate and provide a clear linkage between the existing and new hotels.

Additional plots in C

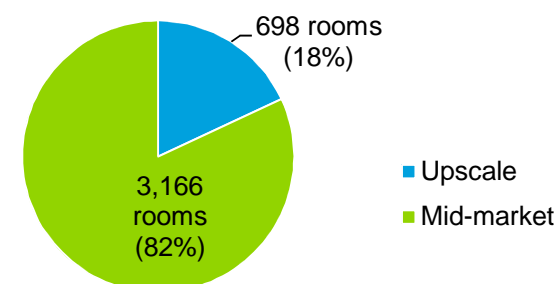
- The densities of plots for later phases of development are likely to be impacted by slope gradients and as such these are illustrative only.
- If there is fully development of these rooms, there is the flexibility to create a resort which would include 1,320 additional rooms.

Appendix H – Existing hotel supply

Hotel	Rooms	Operator	Opened	Grade	Facilities		
					C&B	Spa	F&B
Hamei Zohar							
Leonardo Plaza	215	Fattal	1972	M	1	✓	1 / 1
Leonardo Club	388	Fattal	1978	M	-	✓	1 / 1
Leonardo Hotel	280	Fattal	2001	M	-	✓	1 / 1
Sub-total	883						
Ein Bokek							
Prima Oasis	142	Prima	1964	M	-	✗	1 / 1
Leonardo Inn	96	Fattal	1968	M	1	✓	1 / 1
Lot SPA	200	Independent	1977	M	-	✓	1 / 2
Isrotel Ganim	200	Isrotel	1978	M	-	✓	1 / 1
Tsel Harim	160	Holitel	1981	M	-	✓	1 / 1
Hod Hamidbar	203	Independent	1986	M	-		1 / 2
Prima Spa club	98	Prima	1990	M	-	✓	1 / 1
Le Meridien David	578	Fattal	1996	M	4 / 1,000	✓	1 / 2
Crowne Plaza Dead Sea	304	Africa Israel	1997	M	-		4 / 1
Isrotel Dead Sea	298	Isrotel	1998	U	2	✓	2 / 1
Daniel	302	Tameres	1999	M	-	✓	2 / 1
The Royal Rimonim	400	Independent	2001	U	3 / 1,084	✓	1 / 0
Sub-total	2,981						
Total	3,864						

Note: C&B shown as rooms /capacity. F&B shown as restaurants/bars. Grade: M – Mid-market, U - Upscale
Source: Deloitte research

Existing room supply split by grading



- Although the majority of hotels are graded 4 or 5-star, the hotel classification system in Israel does not at present meet international guidelines for hotels.
- Most hotels do not have the range of F&B international tourists expect. Several hotels serve all meals in a dining hall.
- Pool and spa facilities feature in most hotels although none of the spas provided would officially be considered as such according to international guidelines. The majority of hotels feature treatment rooms or medical/skincare centres.
- The majority of hotels do not offer conference facilities, perhaps in reflection of the resort's historical positioning.
- The condition of the existing hotels varies significantly. Whilst some of the hotels are modern and relatively well-invested (Isrotel, the Royal Rimonim), others are older and appear to have seen only selective (and largely cosmetic) renovation (Tsel Harim, Prima Oasis).
- Prima Oasis and Prima Spa share a lobby but are operated as two separate wings. For the purposes of our research, they are considered one hotel.

Appendix I - *Hotelstars Union* grading criteria

The hotels associations of Austria, Czech Republic, Germany, Hungary, Netherlands, Sweden and Switzerland have created the *Hotelstars Union*, which aims to provide a harmonised hotel classification with common criteria and procedures in the participating countries. The objective is to enhance the reputation and quality of hotels in the participating countries by creating transparency and security for the guests, thereby also improving the ability to market hotels

De luxe	Upscale	Mid-market	Economy	Budget
5-star	4-star	3-star	2-star	1-star
<ul style="list-style-type: none"> • Reception opened 24 hours, multilingual staff • Doorman-service or valet parking • Concierge, page boy • Spacious reception hall with several seats and beverage service • Personalised greeting for each guest with fresh flowers or a present in the room • Minibar and food and beverage offer via room service during 24 hours • Personal care products in flacons • Internet-PC in the room • Safe in the room • Ironing service (return within 1 hour), shoe polish service • Turndown service in the evening • Mystery guesting 	<ul style="list-style-type: none"> • Reception opened 18 hours, accessible by phone 24 hours from inside and outside • Lobby with seats and beverage service • Breakfast buffet or breakfast menu card via room service • Minibar or 24 hours beverages via room service • Upholstered chair/couch with side table • Bath robe and slippers on demand • Cosmetic products (e.g. shower cap, nail file, cotton swabs), vanity mirror, tray of a large scale in the bathroom) • Internet access and internet terminal • À la carte restaurant 	<ul style="list-style-type: none"> • Reception opened 14 hours, accessible by phone 24 hours from inside and outside, bilingual staff (German/English) • Three piece suite at the reception, luggage service • Beverage offer in the room • Telephone in the room • Internet access in the room or in the public area • Heating facility in the bathroom, hair-dryer, cleansing tissue • Dressing mirror, place to put the luggage/suitcase • Sewing kit, shoe polish utensils, laundry and ironing service • Additional pillow and additional blanket on demand • Systematic complaint management system 	<ul style="list-style-type: none"> • Breakfast buffet • Reading light next to the bed • Bath essence or shower gel • Bath towels • Linen shelves • Offer of sanitary products (e.g. toothbrush, toothpaste, shaving kit) • Credit Cards 	<ul style="list-style-type: none"> • 100% of the rooms with shower/WC or bath tub/WC • Daily room cleaning • 100 % of the rooms with colour-TV together with remote control • Table and chair • Soap or body wash • Reception service • Facsimile at the reception • Publicly available telephone for guests • Extended breakfast • Beverage offer in the hotel • Deposit possibility

Appendix J – Spa industry overview

Existing hotels – spa facilities

Hotel	Spa Club	Rimonim	Leonardo Club	Daniel	Le Meridien David	Ein Gedi Kibbutz	Isrotel	Hod Hamidbar	Leonardo Privilege	Leonardo Plaza
Dead Sea Water Pool	✓	✓	✓		✓		✓	✓	✓	✓
Sauna	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hamam	✓									
Jacuzzi	✓	✓	✓	✓	✓		✓	✓	✓	
Sulphur Baths	✓	✓	✓	✓	✓		✓	✓	✓	
Fitness/Gym	✓	✓	✓		✓	✓	✓	✓	✓	✓
Body Masks	✓	✓		✓	✓		✓	✓	✓	✓
Peeling Treatments	✓			✓				✓		
Massages	✓	✓		✓	✓	✓	✓			
Cosmetic Treatments	✓	✓		✓			✓		✓	✓
Facials		✓		✓			✓	✓		

Source: Deloitte research

Existing hotels – spa treatment prices (NIS)

Hotel	Spa VIP Lounge	Hot Stone Massage	Dead Sea Treatment	Upper body Massage	Sweedish Massage	Mud Wrap	Sulphur Treatment	Manicure
Spa Club								
Royal Rimonim	150	390	275	190	275	190	60	180
Daniel		350		190		210	50	90
Isrotel		400		195	292	263	63	88

Source: Deloitte research

Appendix K – Development considerations – operating models

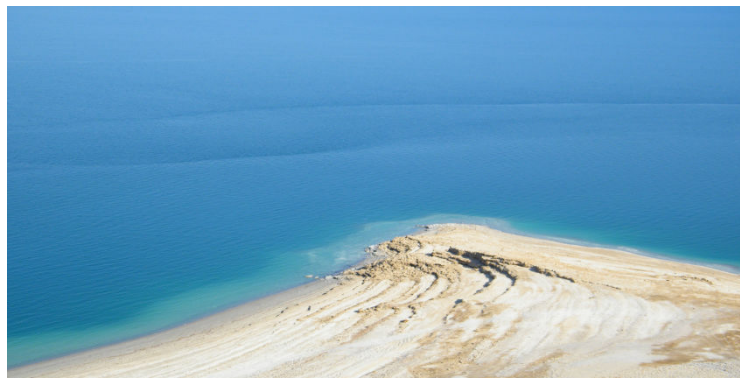
It is recommended that the majority of new development within the resort is managed by operators, in part to attract a wider pool of international brands – a significant proportion of potential players are operating companies only and do not consider direct investment/ownership stakes

	Component	Overview
Owned ⁽¹⁾	<ul style="list-style-type: none"> Visitor centre 	<ul style="list-style-type: none"> The operator of the asset also owns the underlying real estate and retains all EBITDA generated by the asset(s). In the international hotel market, this model is less common as operators seek to separate asset and operations. Selling components in the resort has the advantage of releasing cash at and crucial early stage in the project. This is common with residential components where the sale of houses often subsidises other components. However, investment risk is also a major consideration for hotel investors. As such, international investors will need a high level of comfort that political stability and demand fundamentals support resort investment (typically the highest risk category for hotel investment).
Leased	<ul style="list-style-type: none"> All retail Tennis/sports centre 	<ul style="list-style-type: none"> The lessee enters into a lease with the owner of the asset, commonly over a period of 25-35 years (for hotels). The lease is typically based on a fixed payment (which is re-indexed or reviewed at agreed intervals) or linked to revenue/EBITDA, where the lease may include a guaranteed minimum payment. The lessee effectively retains operational control of the property through the lease for its term. This structure is more difficult to terminate.
Managed	<ul style="list-style-type: none"> Hotel Spa Eco-centric attraction Conference centre Visitor centre F&B 	<ul style="list-style-type: none"> The operator manages the asset on behalf of the owner and is compensated through a management fee, which typically comprises a base and an incentive element. The owner retains all profits after management fees have been paid, but relinquishes day-to-day operational control. However, the owner does have the ability to terminate a management contract if there are contractual breaches/ the operator is not performing (termination fees may be incurred)
Franchised	<ul style="list-style-type: none"> F&B retail 	<ul style="list-style-type: none"> A common model in F&B retail in particular franchisors(the brand) grants a licence to the franchiser (a local operator) to run an operation under the brand. The franchisor receives royalty/franchise fees, while the operator receives the remaining profits. This is a low-risk model for international expansion of brands.

(1) Owner-operated

Appendix L – Government tourism investment schemes - selected examples

Israel



Background

The government has recognised that there is a shortage of hotel rooms given the objective of reaching 5m visitors by 2015. Challenging economics, driven by the sensitive geo-political environment, have required incentives to be provided to investors.

Government incentives

- Tourism grants of NIS\$200m were provided in 2012.
- Hotel grant preference is given to hotels in areas with unrealised potential, such as Jerusalem and Tiberius, where projects can get a fixed grant as much as 28% of investment (compared with 20% elsewhere).
- There are demands from within the industry (voiced by the IHA) for the government to invest NIS370m to rehabilitate the country's image, following the Gaza conflict in 2012.
- The largest single grant award in 2012 of NIS50m, went to a 250-room hotel planned for Jerusalem's German Colony neighbourhood by Isrotel.
- Other grants went to projects in Nazareth, Ashkelon, Acre, Haifa and Nahariya.

Seychelles



Background

The Tourism Incentives Act (which has been recently been amended) was targeted at improving the operating performance of hotels in the Seychelles, encouraging tourism and generating foreign currency.

Government incentives

- The establishment of a free trade zone (where VAT doesn't apply)
- Lower rates of business tax for tourism businesses
- Allowable tax deduction for tourism marketing
- Accelerated depreciation allowances
- Allowances for training expenses

Appendix L – Government tourism investment schemes - selected examples

Australia



Background

- The government offers significant tourism marketing and promotion services. The government offers direct financial assistance in limited circumstances through schemes such as the Major Projects Facilitation (MPF) programme.

Government incentives

- Once a project is granted MPF status, *Invest Australia* will work to identify any entitlements, policies or programmes which may be of benefit to the project.
- There is no specific body or scheme that provides large-scale assistance to the tourism industry.
- Government offers a practical and non-discriminatory administration of foreign investment.
- Lack of government incentives targeted specifically at the tourism industry are linked to the relatively high overall returns from hotels (c.17%, the highest level for all major classes of real estate according to a 2012 government survey).

China



Background

There are no preferential tax treatments available in Chinese tax laws for re-development of an existing resort area. However, local government may offer various local subsidy arrangements. Typical subsidy arrangements may include the following:

Government incentives

- subsidy for land purchase
- government's investment in the auxiliary facilities (e.g. road, electricity etc.)
- provision of dormitory for local staff
- subsidy for staff training cost
- refund of local portion of the taxes paid (including VAT, corporate income tax, business tax and individual income tax) for a period of five to eight years in form of financial subsidy

Appendix L – Government tourism investment schemes - selected examples

Macau



Background

The government of Macau has provided subsidies for the development of the tourism and gaming industry. Below is a list of specific subsidies that are granted to casino operators/investors.

Government incentives

- five-year profit tax exemption (renewable upon expiry)
- five-year tax cap on dividend to shareholders (renewable upon expiry)
- five-year property tax exemption for hotel/resort properties
- temporary residency for managerial expatriates who can enjoy medical benefits, tax rebate and cash payment from Macau government
- tailor-made policy on import of labour from foreign countries
- land use right concession on designated area

Malaysia



Background

Tourism projects, including eco-tourism and agro-tourism projects, are eligible for tax incentives.

Government incentives

- five-year partial exemption from the payment of income tax for companies granted pioneer status
- Investment tax allowance: A 5 year allowance of 60% on the qualifying capital expenditure incurred.
- Enhanced Incentives for specific locations (4/5 star hotels in Sabah and Sarawak)
 - Pioneer Status or investment tax allowance of 100% with income tax exemption of 100%
 - investment tax allowance of 100% on the qualifying capital expenditure incurred

Appendix L – Government tourism investment schemes - selected examples

Vietnam



Background

In Vietnam, there are no general development/operating incentives for the tourism industry. There are incentives for specific geographical locations where government policy is targeting socio/economic improvement. Incentives include:

Government incentives

- reduced tax rate (of 10%) for 15 years
- tax exemption for four years; and
- 50% tax reduction for nine years.

Areas which benefit from these incentives include: Dong Giang, Tay Giang, Nam Giang and Phuoc Son.

Zambia



Background

The government is promoting tourism through a number of initiatives, having identified the sector as a prime source of foreign exchange in future years.

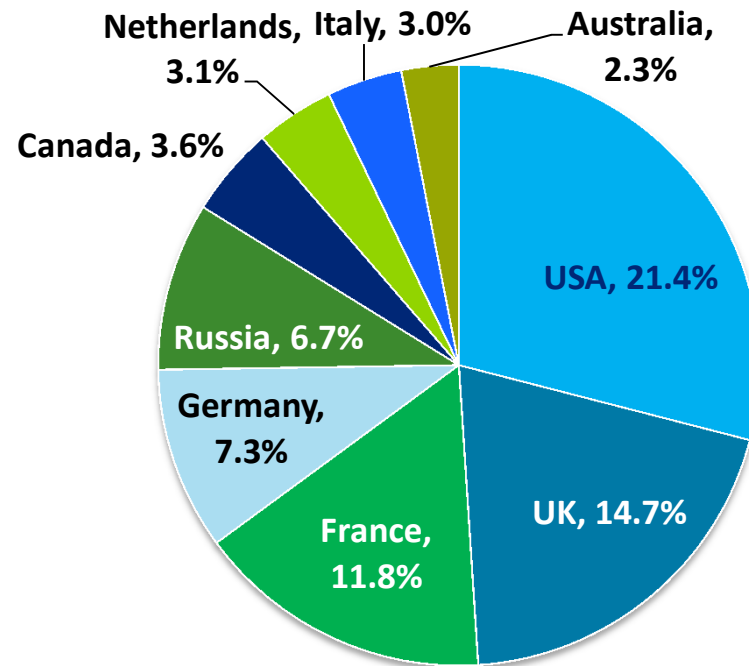
Government incentives

- Investment in infrastructure is considered the critical objective, given that the state-owned road and rail networks are in dilapidated condition and many former state-owned hotels and tourist lodges are in disrepair.
- The promotion of tourism joint ventures to minimise foreign exchange leakage, which is a common feature of foreign investment in the country
- Exchange losses are tax deductible on real estate (including hotels and lodges), as is wear and tear on hotel structures and equipment.
- Projects in rural areas qualify for 5% corporate tax (against the normal 35% rate) and investors are given a priority in connecting to power, water and telecommunications systems.

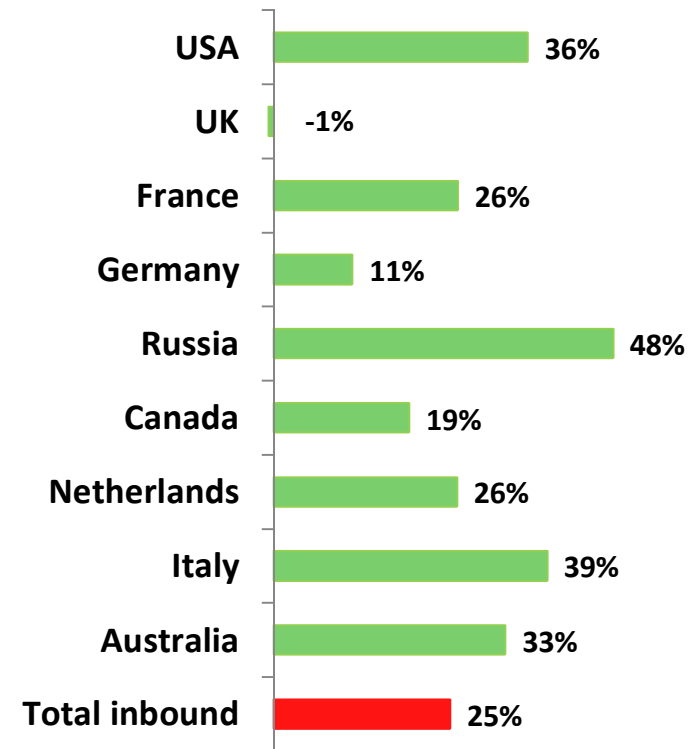
Appendix M – inbound Google queries

Inbound queries for Israel have increased by 25% YoY in 2012 ytd

Distribution of queries related to inbound travel to Israel (2012)



YoY growth by feeder market (2012)



Source: Google internal data based on queries related to travel accommodation in Israel
Future results may differ from above. Please use as a directional guide only.