

A6 MARKETING AND PROMOTION

A6.1 PUBLIC SECTOR

Foreign marketing and promotion are responsibility of ONTT's Department of Marketing. In addition, overseas promotional activities such as agreements between ONTT and any foreign advertising agency are handled by the respective ONTT overseas office affiliated with this department.

Also ONTT's Department of Communications handles the functions of public relations, media relations, Internet site management and related functions.

A6.1.1 ONTT Department of Marketing

The general policy for promotion is to focus on different types of high-quality tourism including Sahara tourism, cultural tourism, golfing, thalassotherapy, marine-related tourism, nature-oriented and soft adventure activities. This is in addition to continuing efforts to maintain the beach holiday mass-market.

Department of Marketing is composed of geographic divisions defined mainly along language lines, and divisions for events and festivals, promotional materials, one for MICE, and one for administration and finance. The number of staff in ONTT Department of Marketing counts 39 and that in overseas offices is 92 (including local staff).

Table A6.1.1 Number of Staff Engaging Tourism Promotion

Name of direction / Overseas office	Number of staff
Department of Marketing	39
Overseas Offices (Incl. 65 Local staff)	92
Total	131

Note: As of September 2000

Source: ONTT

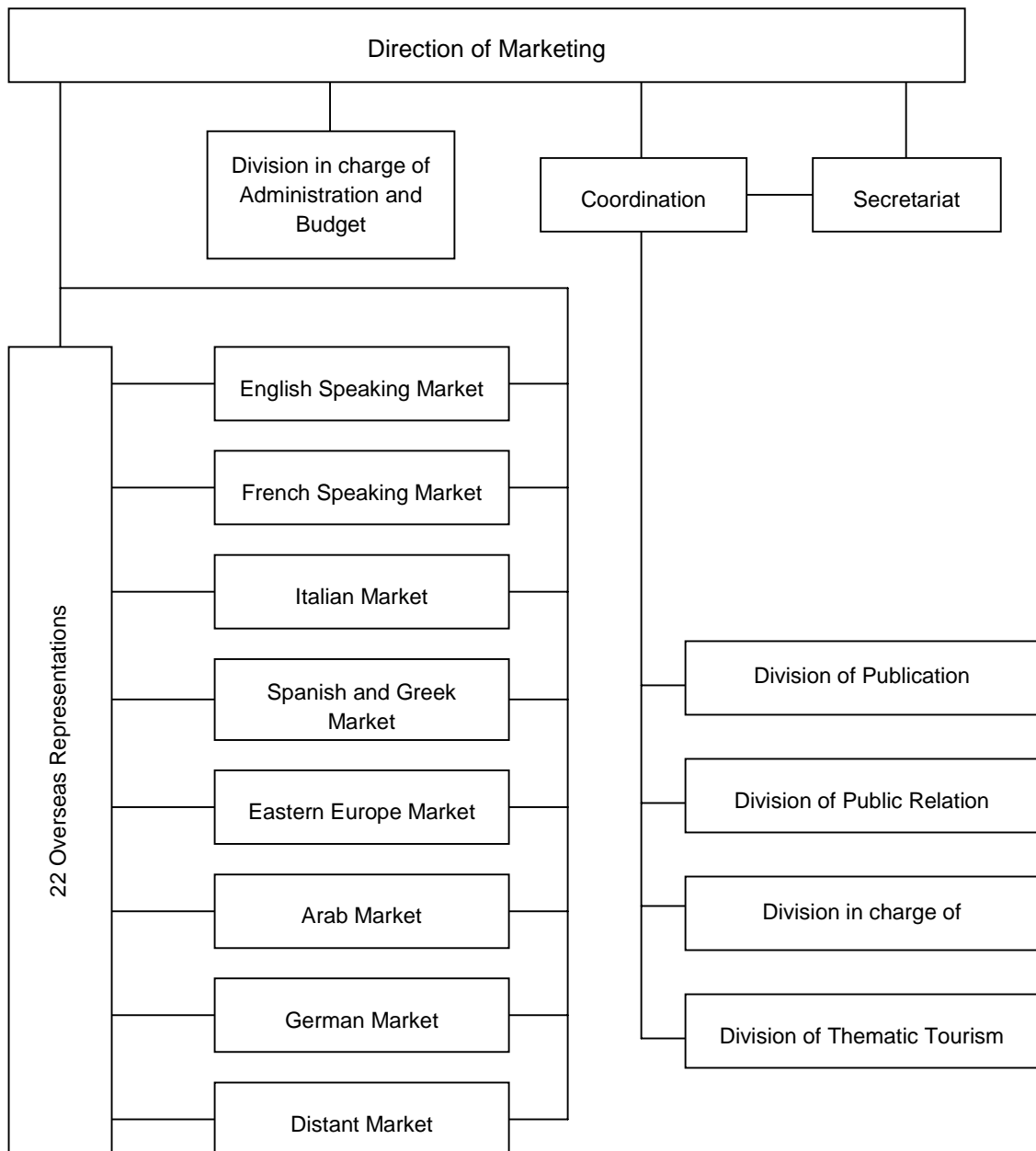
(1) Geographic Divisions

Seven sections exist as follows:

- 1 French-speaking: France and Belgium
- 2 German-speaking: Germany, Austria, Switzerland
- 3 English-speaking: UK, Scandinavia, Netherlands
- 4 Italy and Malta
- 5 Latin: Spain and Portugal
- 6 Eastern Europe: Russia, Poland, Czech and Hungary
- 7 Distant markets: USA, Canada, Japan and Brazil etc.

The division chief is responsible for all promotional activities such as advertisement abroad, familiarization tours for media and travel agents, foreign fairs and events, budget management, etc.

Figure A6.1.1 Organization Chart of the Direction of Marketing (Under Study)



Source: JICA Study Team

(2) Division of Events and Festivals

ONTT organizes three major events annually; i.e. the Yasmine Hammamet Festival (June), the Tabarka Jazz Festival (June-July) and the National Day for Sahara Tourism (November). In addition, some other events sponsored by provincial government and featuring different concepts are financially supported by ONTT. In the year 2000 some events to celebrate the New Millennium were held everywhere in the country.

(3) Division of Edition for Promotional Materials

According to the division's plan, all the promotional materials shown in the Table

A6.1.2 are to be produced, distributed and reprinted. It seems that total number of kinds of the basic materials are enough. In the next stage, the revision of old printings, new materials in line with the policy and, especially, increasing the number of languages to be translated and published should be strongly considered.

(4) Assistance of MICE Market

As for the growing market of tourism, MICE market has been spotlighted for years in the world. ONTT Tunisia will help the meeting service at the airport for welcoming organizers according to the request from the private sector which got that congress, etc.

(5) Overseas ONTT Representations

There are 20 independent offices almost located in Europe:

- Germany with 15 staff (Frankfurt, Berlin, Dusseldorf, Munich);
 - France with 13 staff (Paris, Lyon);
 - Italy with 10 staff (Milan, Rome);
 - Vienna with 4 staff;
 - Brussels with 5 staff;
 - Budapest with 3 staff;
 - Amsterdam with 5 staff;
 - Warsaw with 3 staff;
 - Montreal with 3 staff;
 - Madrid with 5 staff;
 - London with 8 staff;
 - Athens with 1 staff;
 - Prague with 3 staff;
 - Stockholm with 5 staff; and
 - Zurich with 4 staff.
-
- Abu Dhabi (open soon)
 - Lisbon (affiliated office of Madrid, open soon)
-
- Three offices in the embassies in Moscow, Washington and Tokyo.

Tasks of the representations of ONTT abroad are to promote Tunisia's national image towards the potential clientele in the respective countries. Publicities using mass media and participation in travel fairs and exhibitions are their important activities.

Publicities disseminated abroad through TV spot and magazines in 1998 and 1999 are listed in Table A6.1.3, familiarization tours organized by ONTT are listed in Table 6.1.4 and travel fairs and exhibitions that ONTT and ONTT representation offices participated in 1998 and 1999 are listed in Table A6.1.5.

Table A6.1.2 Promotional Materials Produced by ONTT (2/2)

	Title or Contents	Size(cm) Height x Width	Pages / Minutes *1	Languages *3														Note
				a	b	c	d	e	f	g	h	i	j	k	l	m	n	
Brochure (continues)	JERBA ZARZIS	20x24	16	○	○	○	○	○	○	○	○	○	○	○	○	○		
	HAMMAMET NABEUL	20x24	16	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
	SOUSSE PORT EL KANTAOUI	20x24	16	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
	THE GREAT SOUTH	21x30	20	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
	THE OASIS	21x30	20	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
	Yachting in Tunisia	21x30	12	○	○	○	○	○	○	○	○	○	○	○	○	○	○	*4
	TOZEUR NEFTA	42x60(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	
	SFAK KERKENNAH	42x60(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	*4
	TABARKA	42x60(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	
	CARTHAGE	62x45(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	
	The Medinas of Tunis	62x45(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	
	SOUSSE PORT EL KANTAOUI	44x52(Folded)			○	○	○	○	○	○	○	○	○	○	○	○	○	*4
	Hammamet Nabeul	42x52(Folded)		24	○	○	○	○	○	○	○	○	○	○	○	○	○	*4
	Tunisia The Mediterranean Holiday	30x21		28	○	○	○	○	○	○	○	○	○	○	○	○	○	*4
GOLF IN TUNISIA	27x20		8	○	○	○	○	○	○	○	○	○	○	○	○	○	*2	
VTR	Bay of Hammamet (1994)	VHS	8														ditto	
	Welcome to Djerba (1993)	ditto	12														ditto	
	Tunisian Blue (1996)	ditto	14														ditto	
	From Karouan to Sidé Boussad	ditto	13														ditto	
	From Elyssa to St. Augustin (1995)	ditto	13														ditto	
	Golf of Djerba (1997)	ditto	11														ditto	
	Golf of Monastir (1997)	ditto	10														ditto	
	Golf of Kantaoui (1994)	ditto	8														ditto	
	Golf of Tunisia (1994)	ditto	25														ditto	
	Golf of Tabarka (1994)	ditto	8														ditto	
	Hammamet (1994)	ditto	8														ditto	
	Coast of Carthage (1996)	ditto	9														ditto	
	Love Tunisia (1996)	ditto	8														ditto	
	Tunisian Sahara (1994)	ditto	10														ditto	
	Sousse (1994)	ditto	12														ditto	
	Family Vacations (1997)	ditto	20														ditto	
	*1 = Time (Minutes) for VTR																	
	*3 = a:Arabic b:French c:English d:German e:Italian f:Spanish g:Dutch h:Swedish i:Danish j:Finnish k:Czech l:Slovak m:Hungarian n:Polish																	
	*2 = ONTT stores the Master Tape																	
	*4 = Published languages are not cleared																	
	Source : ONTT, JICA Study Team																	

Table A6.1.3 National Publicities Abroad

Country(Region)	1998			1999			2000(Schedule)			Budget 1998/2001 (%)	Remarks in 2000
	TV Spot	Mag *1	Budget *2	TV Spot	Mag *1	Budget *2	TV Spot	Mag *1	Budget *2		
England	100	16	2,000	142	17	2,000	230	10	2,000	100.00%	
German	100	32	1,500	100	32	1,800	0	64	1,800	120.00%	
Italy	NA	NA	1,400	NA	NA	1,400	197	47	1,400	100.00%	
France	NA	NA	1,100	NA	43	1,100	NA	NA	1,100	100.00%	
Scandinavia *3	0	10	1,000	78	8	900	78	112	750	75.00%	Including 13 Golf publication
Belgium	NA	NA	600	NA	NA	600	NA	NA	600	100.00%	
Netherlands	60	10	500	78	6	500	78	**	550	110.00%	** Daily insertion for 2 Papers
Austria	0	45	400	0	45	400	0	50	500	125.00%	
Switzerland	0	36	400	0	36	400	0	42	400	100.00%	
Spain	-	20	250	-	9	400	-	11	400	160.00%	Posters was made for each year
Poland	NA	NA	300	52	65	400	-	11	400	133.33%	Posters was made in 2000
Hungary	-	8	80	-	-	0	-	31	300	375.00%	Posters was made in 2000
Czech	-	45	300	-	14	300	-	46	300	100.00%	Posters was made for each year
USA	-	-	0	-	-	0	-	-	0	-	
Japan	-	-	0	-	-	0	-	-	0	-	4 TV/Spt. 17 Mag. done as regl. prgm.
Canada	-	-	0	-	-	0	-	-	0	-	12 TV/Spt. done as regl. Prgm
Brazil	-	-	0	-	-	0	-	-	0	-	
Portugal	-	-	0	-	-	0	-	-	0	-	
Malta	-	-	0	-	-	0	-	-	0	-	
Russia	-	-	250	-	-	0	-	-	0	0.00%	Budget in 1998 used for Posters
Total	260	222	10,080	450	275	10,200	583	424	10,500	104.17%	
*1 Magazines and News Papers											
*2 Unit = Thousands (1,000) TD											
*3 Denmark, Norway, Finland, Sweden											
Source : ONTT, JICA Study Team											

Table A6.1.4 Familiarization Tours Organized (FAM)

Country(Region)	1998						1999						2000(Schedule)						1998/1999 (%)		
	Media			Travel Agents			Media			Travel Agents			Media			Travel Agents			Media	T/A	
	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,Tours	No,PAX	No,PAX	No,PAX	
Austria	8	30	4	60	7	50	2	30	7	38	1	30	166.67%	30.00%	-	-	-	-	-	-	
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	-	-	-	-	-	-	9	-	-	-	-	-	-	-	-	-	-	-
Canada	-	-	-	-	-	42	-	-	11	33	4	186	-	-	-	-	-	-	-	-	-
Czech	4	28	16	717	9	33	13	460	7	74	12	547	117.86%	64.16%	-	-	-	-	-	-	
England	28	115	-	835	20	92	3	21	10	56	1	504	80.00%	2.51%	-	-	-	-	-	-	
France	41	57	29	850	35	489	16	1,034	19	27	5	600	857.89%	131.65%	-	-	-	-	-	-	
Germany	10	70	6	500	12	100	6	230	9	35	3	110	142.86%	46.00%	-	-	-	-	-	-	
Hungary	9	52	12	509	6	37	10	318	2	16	7	371	71.15%	62.48%	-	-	-	-	-	-	
Italy	-	-	-	-	-	-	-	-	-	6	50	8	200	-	-	-	-	-	-	-	-
Japan	-	-	-	-	16	54	-	-	7	28	-	-	-	-	-	-	-	-	-	-	-
Maha	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Netherlands	-	42	-	188	13	37	5	70	7	25	2	31	88.10%	37.23%	-	-	-	-	-	-	-
Other E/Europe	8	57	6	137	1	11	-	-	-	-	-	-	19.30%	0.00%	-	-	-	-	-	-	-
Poland	9	66	12	846	8	50	2	66	7	72	3	163	75.76%	7.80%	-	-	-	-	-	-	-
Russia	7	35	23	746	11	41	8	232	6	47	6	228	117.14%	31.10%	-	-	-	-	-	-	-
Scandinavia	-	50	-	90	10	42	2	45	4	14	1	11	84.00%	50.00%	-	-	-	-	-	-	-
Spain	13	80	4	487	18	85	4	54	14	57	9	89	106.23%	11.09%	-	-	-	-	-	-	-
Switzerland	11	50	3	120	10	80	3	150	6	40	4	220	160.00%	125.00%	-	-	-	-	-	-	-
USA	-	-	-	-	-	17	1	20	-	-	-	-	-	-	-	-	-	-	-	-	-

Source : ONTT, JICA Study Team

Table A6.1.5 Fairs and Exhibitions Participated by ONTT

Country (Region)	1998			1999			2000 (Schedule)			Budget	
	Number of Fairs	Number of Visitors	Budget *1	Number of Fairs	Number of Visitors	Budget *1	Number on Fairs	Number of Visitors	Budget *1	1998/2000 (%)	Remarks
France	30		400	30		450	27		700	175.00%	
German	15		430	15		600	15	1,122,000	500	116.28%	*2
England	7		230	9		310	15	724,500	450	195.65%	*2
Italy	8		160	10		310	10	365,500	400	250.00%	*3
Spain	3		160	4	1,027,000	200	3	959,000	250	156.25%	
Scandinavia	4		200	4		250	5	238,847	250	125.00%	*2
Belgium	8		150	8		220	8		250	166.67%	
Switzerland	7		200	7		200	7		250	125.00%	*2
Netherlands	2		140	2		140	3	224,000	170	121.43%	*2
Austria	8		140	8		145	8	197,900	150	107.14%	*2
Poland	6		50	6		100	5	111,000	150	300.00%	*4
Canada	7		75	7		100	7	135,000	100	133.33%	*2
USA	NA		40	1		100	1		100	250.00%	
Czech	7		70	4		80	6	90,167	90	128.57%	*4
Hungary	10		40	9		150	11	130,000	50	125.00%	*4
Russia	12		105	6		110	2	120,500	50	47.62%	*4
Malta	-		0	NA		100	NA		40	-	
Japan	1		75	1	20,000	75	-	-	0	0.00%	*2
Brazil	-		0	-		0	-	-	0	-	
Portugal	1		20	1		50	1	37,000	0	0.00%	*5
Others	NA		50	NA		120	NA		50	100.00%	
Total	136		2,735	132		3,810	134		4,000	146.25%	
<Budget>											
*1 Unit is Thousand TD											
<Number of Fairs' Visitors>											
*2 From 2nd semester of former year to 1st semester of this year											
*3 Only for 2nd semester, Visitors are counted only from 4 Fairs											
*4 Including Tunisian weeks & nights											
*5 Budget in 2000 is 100,000TD and is treated from "FUND"											
Source : ONTT, JICA Study Team											

A6.1.2 ONTT Department of Communications

The Department of Communications employs a staff of 12 and provides and distributes the following information related to the tourism promotion:

- News Releases, published once a week in Arabic and French,
- Internet Home-page site management, and
- Producing audio-visual materials (videotapes, etc.) for the tourism promotion of each region.

However, as described before, tourism promotion materials are produced by the Department of Marketing.

A6.1.3 Tourism Promotion Budget

(1) Department of Marketing

The promotional budget is fed by 2 sources: the state budget and the fund contributed from the tourism industry:

- Hotels: 1 % of its total sales, and
- Travel Agents: TD 1.7 per number of seats of tourist coaches.

The total annual budget for the tourism promotion has increased as shown in the Table A6.1.6 but the value in foreign currency (e.g., in US\$) has not increased so much though not all expenditures are made in foreign currencies. Details of the promotional budget by country are listed in Table A6.1.7.

Table A6.1.6 Annual Tourism Promotion Budget

Year	Budget in TD (Thousand)	Budget in US\$ (Thousand)
1998	20,828	18,917
1999	22,550	18,004
2000	26,000	19,787
1998 / 2000 (%)	124.9%	104.6%

Note: Exchange rates: 1998: 1.1010, 1999: 1.2525, and 2000: 1.3140

Source: ONTT

(2) Department of Communications

The budget of this department was 300,000 TD in 1999 and 400,000 TD in 2000.

Table A6.1.7 Promotional Budget by Country

Countries / Items	Unit: thousand TD														
	1998				1999				2000				G/T total 98/2000 (%)		
	State Budget Publicity	State Budget Fairs	Fund Total	Grand Total	State Budget Publicity	State Budget Fairs	Fund Total	Grand Total	State Budget Publicity	State Budget Fairs	Fund Total	Grand Total			
England	2,000	230	2,230	420	2,650	310	2,310	400	2,710	2,000	450	2,450	650	3,100	116.98%
German	1,500	430	1,930	475	2,405	600	2,400	400	2,800	1,800	500	2,300	400	2,700	112.27%
France	1,100	400	1,500	480	1,980	1,100	1,550	480	2,030	1,100	700	1,800	400	2,200	111.11%
Italy	1,400	160	1,560	245	1,805	1,400	1,710	230	1,960	1,400	400	1,800	200	2,000	110.80%
Scandinavia	1,000	200	1,200	600	1,800	900	1,150	300	1,650	750	250	1,000	300	1,300	72.22%
Belgium	600	150	750	220	970	600	820	155	975	600	250	850	150	1,000	103.09%
Austria	400	140	540	135	675	400	545	150	695	500	150	650	285	935	138.52%
Netherlands	500	140	640	145	785	500	640	145	785	550	170	720	200	920	117.20%
Spain	250	160	410	255	665	400	600	200	800	400	250	650	200	850	127.82%
Switzerland	400	200	600	140	740	400	600	180	780	400	250	650	150	800	108.11%
Poland	300	50	350	30	380	400	500	50	550	400	150	550	100	650	171.05%
Czech	300	70	370	5	375	300	380	20	400	300	90	390	30	420	112.00%
Hungary	80	40	120	50	170	150	150	50	200	300	50	350	30	380	223.53%
Canada	-	75	75	70	145	-	100	100	200	-	100	100	100	200	137.93%
USA	-	40	40	100	140	-	100	100	140	-	100	100	100	200	142.86%
Middle East	-	-	0	-	0	-	70	70	70	-	-	0	180	180	-
Portugal	-	20	20	-	20	-	50	50	100	-	-	0	175	175	875.00%
Japan	-	75	75	-	75	-	75	40	115	-	-	0	150	150	200.00%
Brazil	-	-	0	-	0	-	0	-	0	-	-	0	130	130	-
Greece	-	40	40	40	80	-	50	50	50	-	50	50	30	80	100.00%
Russia	250	105	355	75	430	-	110	110	150	-	50	50	20	70	16.28%
Malta	-	-	0	-	0	-	100	100	100	-	40	40	20	60	-
South Africa	-	10	10	-	10	-	0	0	0	-	-	0	-	0	0.00%
Sub Total	10,080	2,735	12,815	3,485	16,300	10,200	14,010	3,250	17,260	10,500	4,000	14,500	4,000	18,500	113.50%
Event/Festival	-	-	-	500	500	-	-	440	440	-	-	-	2,000	2,000	400.00%
Publ. Relations	-	-	-	1,998	1,998	-	-	1,400	1,400	-	-	-	1,800	1,800	90.09%
Publications	-	-	-	400	400	-	-	800	800	-	-	-	1,200	1,200	300.00%
Cable TV	-	-	350	-	350	-	-	350	350	-	-	-	600	600	171.43%
A/V M/Media	-	-	-	400	400	-	-	400	400	-	-	-	400	400	100.00%
Others	-	-	-	880	880	-	-	1,900	1,900	-	-	-	1,500	1,500	170.45%
Sub Total	0	0	350	4,178	4,528	0	0	0	5,290	0	0	0	7,500	7,500	165.64%
Grand total	10,080	2,735	13,165	7,663	20,828	10,200	14,010	8,540	22,550	10,500	4,000	14,500	11,500	26,000	124.83%

* The Actual Budget has been adopted if 2 figures are shown like Initial and Actual
* Fund Means contribution fee that will be collected by tourism relating company (C/F the Report 4.3-1-7)
* Cable TV has been switched to "Fund" from 1999
Source : ONTT and JICA study team

A6.2 PRIVATE SECTOR AND NON PROFIT ORGANIZATIONS

The activities of the private sector for promoting Tunisian tourism are strongly linked with their business performance.

Above all, the private sector conducts familiarization tours (FAM tours) for the mass media and travel agents abroad in close cooperation with ONTT's Department of Marketing. Table A6.2.1 shows a list of FAM tours organized in 1998 and 1999.

The outline of each trade association is described below:

(1) FTAV and Travel Agents

FTAV (Tunisian Travel Agency Federation) was established in 1962 and is operated by 4 regular staff. The board of directors has 20 members from different travel agencies. The Federation participates in the administration board of ONTT and is active in determining matters of general policy. There are around 300 travel agents in Tunisia.

(2) FTH

FTH (Tunisian Hotel Federation) is managed by 40 direct board members who are elected. FTH is also represented on the board of ONTT. There are around 700 hotels in Tunisia of which 84 hotels (about 12 %) are managed by international hotel companies.

(3) Guide Association and Guides

It is said that there are almost 2,000 guides in Tunisia but no clear information on this is available. Guide licenses are issued by ONTT-Direction of Products. Also the licenses are issued by language according to the defined qualifications.

The Guide Association has been established but it seems that the association does not work functionally. It needs strengthening perhaps by ONTT initiative to produce high quality guides that adequately serve visitors for higher customer satisfaction to make them return to Tunisia again as the repeating visitors.

(4) Airlines

a) Tunis Air

Tunis Air operates only for the International air transportation and domestic flights are operated by Tunis Inter airlines. Tunis Air has contributed for the tourism promotion not only for the flight operation between Tunisia and foreign countries but offering free tickets worth of 4 million US\$ annually for familiarization tours for the purpose of tourism promotion.

Cooperation with The Ministry of Transport, they settle the joint "Task Force" for developing new markets (air route). The Government will provide some incentives such as tax reduction when they cannot gain enough return.

b) Nouvel Air

Nouvel Air is exclusively specialized in the international charter flights. Their main market is France, Germany, Great Britain, Italy, etc. Then their high season would be a summer for the beach tourists and the number of passengers is almost 4 times of winter season.

(5) TCB (Tunisia Convention Bureau)

This bureau was established in 1998 as a private company with 20 x 5% share holders. As such, they do not have their own facility for conventions, and are responsible for marketing the publicly and privately held facilities that already available, TCB provides services on a fee-paid bases.

A6.3 RESULT OF TOUR OPERATOR INTERVIEW IN GERMANY

The Study Team conducted an interview survey of major tour wholesalers in Germany regarding marketing activities of Tunisian representation and those of competing countries. In addition, several tourism representations of the Mediterranean countries in Germany were surveyed.

Questions to tour operators were:

- Opinions on Tunisian marketing approach,
- Opinions on marketing approaches of competing destinations, and
- Effective approaches.

Surveyed tourism representations were:

- Egypt,
- Malta,
- Morocco,
- Greece, and
- Turkey.

The result is summarized below.

A6.3.1 Tourism Promotion

(1) “IBK Institute für Bildung und Kulturreisen” in Reinbek

The tourist board’s work is just at the “rim” of their cooperation. Seldom a direct contact is made by tourist boards (not only the here mentioned) to increase the demand or to care for problems the tour operator might have. Private enterprises like hotels, coach operators or the like are much more innovative than the tourist board.

A personal contact would be appreciated. If a tourist board has sales representatives regularly contacting the trade, it would be helpful for the tour operator.

Another welcome activity is the sharing of advertising expenses. Some tourist boards share expenses for ads in various medias. It could and should be extended to a regular system for the most important areas of the tour operator’s destination sales.

(2) “H & B Tour Conception” in Heidelberg

It expects personal contacts with the tourist board, either by sales representatives or regular information events in a particular city with specified information or “road shows”. But in this regard, none of the mentioned tourist boards is functioning on regular basis.

A “Sales-Handbook” with detailed information for the tour operator is very helpful and avoids time-consuming correspondence. If the tourist board financially contributes to advertising in the media, it would of course be helpful.

Highly appreciated are familiarization trips to a country concerned in order to educate staff and sales personnel of the tour operator.

(3) Meridian Internationale Kultur Und Seminarreisen GMBH in Stuttgart

Morocco has very good advertising materials for the operator and its customers. The quite popular golfing as well as cultural attractions is advertised by Morocco as a “never ending” reason to travel there.

They stated that a tourist board can mostly be helpful when they are requested. They expect a tourist board to give detailed information and an accurate and updated list of events. A “Handbook” was mentioned here too.

None of the tourist boards mentioned is very active. By far the most “lazy” (their statement) is that of Egypt. Tunisia was stated as an average office in terms of its activities.

The basic opinion is that a tourist board can only persuade customers to visit a destination for holidays and that a tour operator is not able to create the stream of tourism itself. A very interesting remark about Tunisia was: “Everybody was already there, why should anyone go another time?”

(4) Courtial Reisen in ELZ

None of the mentioned tourist boards has any special approach to this tour operator. They all are helpful but there is no remarkable or outstanding approach from them. Not to mention innovative actions or anything alike.

They would highly appreciate a “Sales-Handbook” of a particular country. A representative from Greece has visited them. It was the only extraordinary remark concerning tourist boards and shows clearly that the personalized approach is indeed helpful for any cooperation.

(5) ITS Reisen in Cologne

This is one of the largest tour operators in Germany.

Their main concern is the quality of services in hotels in any destinations. In Tunisia, they stated, standard of services is going down. Hotels lower their prices that causes the reduction of service staff, possibly leading to complaints by customers, and may eventually cause less bookings in the future and so on. Their opinion is that instead of lowering hotel prices, the rates should be raised. Consequently, the services would be improved and thus the number of bookings.

As far as the tourist boards are concerned, they are all giving more or less help and information. It is appreciated, if the tourist boards participate in the events by sponsoring workshops when ITS introduces new programs and so forth.

They expect the tourist boards to be helpful with advertising expenses and distribution expenses. There exists a trade-internal system in Germany, which provides regular information within the travel trade (the system is called INFOX). This is an often-used approach by the tour operator towards the travel agents for distribution of their brochures and messages. The tourist boards do give financial help here. Tunisia is considered very bureaucratic and slow.

More education for the travel trade and the travel agent's staff about the destinations would be very helpful. "Road shows", information seminars, "letter-seminars" and the like will educate the travel agent's personnel and thus help to persuade customers to travel. Certain knowledge of destinations in the sales talks with the customers is the most welcome tool to sell them. Familiarization trips are also very useful for such purposes.

The opinion here is also that a tourist board can function as a trendsetter in the public, making people want to travel to a certain country. The trade-side help should be the proper education of the travel agents themselves as stated above and the support of the tour operator's advertising efforts.

(6) Atlas Hebbel Touristk in Leverkusen

This is a pure bus-tour-operator and has a number of programs in the Mediterranean countries but not Tunisia. However, they would appreciate an active promotion, help with preparation of difficult tours and updated list of events from a tourist board.

IFB Institut Für Bildungsreisen in Konstanz

It specializes in study-tours with a higher class clientele, such as teachers, doctors, lawyers, etc. Morocco was positively mentioned here again that it provides attractive brochures of high quality. It is also very helpful with familiarization trips to the country. It offers several incentives for the staff of IFB and the best booking travel agents. The better the retailers know Morocco, the better they sell the destination.

Tunisia was in the "middle field" of their judgement. IFB hopes to have a "Sales Handbook" for quick reference and an updated list of events in regular terms. No one from the tourist boards has ever contacted them. The initiative has been always taken by the tour operator. The operator recommends that a personal contact and steady dialogue be arranged – with any or all of the tourist boards.

(7) DER / DERTOUR in Frankfurt

The tourist boards of the mentioned countries are considered more or less "useless" (their wording). Egypt, they stated, invested billions in the security standards of the country and in the promotion of that fact after the bombing incident. Then the service standards of the hotels were upgraded. Their recommendation is the same as that from ITS: raise the prices and the service standard at hotels. That is what German travellers mostly want. As an example in Egypt and other countries, the buffets are filled up again and again when they

become empty – not so in Tunisia. The guests have to hurry up to get something, which is not amusing for them. Compared to other countries, the service standard is negative for Tunisia. Egypt, Turkey and Malta were positively mentioned. DER / DERTOUR hopes to see much more advertisement of the backgrounds of Tunisia, the cultural aspects, other highlights apart from the beaches. It would be a good idea (their wording) to ask a German promotion/advertising agency to act accordingly with fresh and new approaches towards the end user. Also the security “message” should be more taken care of since German travellers understand that Tunisia is an Arab country and that they fear of terrorism – no matter this is realistic or not. So consequently, the question, if it is safe in Tunisia should be made clearer.

And for the promotion here in Germany, they would appreciate the participation in advertising campaigns and the like, that is very similar to the statement of ITS again.

(8) Summary

In general, the opinion of ITS and DER is a good estimate of the actual situation. Both are very big tour operators and handle great number of tourists. The other interviewed tour operators are specialized in one or two destinations. According to them, there is not much difference in activities of any of the tourist boards of the mentioned countries (Malta, Greece, Turkey, Egypt, Morocco and Tunisia) towards the trade. All tourist boards in Germany are considered of not too great importance. However, something helpful (however not at all new) would be a Sales Representative who personally visits smaller tour operators and travel agents to establish contacts, keep up a dialogue, get to know the troubles the tour operators or travel agents might experience, foresee troubles to counter-act them and provide information about a certain country. There are German companies offering such services at low costs. Education about a country in terms of the travel trade seems to be a key to better sales results. If travel agents and their staff have the impression that a tourist board is really caring for their needs, it would certainly create a positive attitude towards the country and make it much easier to sell the country to customers. In addition, it would for sure increase the reputation of that tourist board.

A detailed “Sales-Handbook” is a valuable help for smaller tour operators and travel agents when kept updated yearly.

Financial support with advertising of tour operators is another very efficient tool to make positive influences. This is practiced by tourist boards concerned as well as the aide with the INFOX system mentioned earlier. The Malta tourist board was mentioned as the most helpful partner in these things. Tunisia does give this help but seems to be bureaucratic and slow.

Personal approach of the tourist boards concerned towards the trade are rare and not worth to be mentioned, except from high-level relations between the tourist boards and the management of the big tour operators. Direct and immediate influence of any tourist board on a tour operator to increase passengers to the

country is limited. Tour operators estimate an expense/profit per page in their catalogues. If that can be achieved easily with country “A”, they will not make efforts to further develop the market of that country. If they find a drop in sales figures about a certain country, they will simply switch to a better selling destination “B”. The tourist board can not do much to change this attitude.

One effective action –and of the highest importance- a tourist board can undertake is a professional press work and advertisement in public media. In particular, the editorial articles about any country are important. The attached list shows the efforts each country undertook in 2000. If the wrong medium has been chosen, the efforts and the values are in vain. It is very important to place the right ads in the right medium at the right time --- all depending on what should be made known in the public. A proper management of such campaigns is the basis for success. There are professional advisers available in the German market.

A6.3.2 Tourism Representation Survey

The result is summarized as follows:

(1) Promotional Themes

The major themes of each country are:

- Egypt: Welcome in the land of the Pharaohs
- Greece: Life is easy in Greece
- Turkey: Dream Vacation – The sea – and not expensive
- Malta: Holiday Fun in the Mediterranean
- Morocco: Oasis for the soul

(2) Tourism Board Egypt

They are not very modernly organized. The largest benefit for them is the history and the cultural background. They are well known to the public and German tourists have an interest in such things. As a consequence, many study groups are travelling. Shopping is another factor for travellers, although it is not a main reason to travel.

The material is not outstanding: a few brochures of particular regions and some posters. “Road shows” are not known in the market, except in cooperation with tour operators or anyone else.

Airfares are comparatively cheap and tickets are relatively easy to get.

No website from the tourist office in Germany and only the English version of head office is available. Considering the importance of the German market, this is not a good approach.

Press relations are quite conservative. They offer press releases, press conferences and tours for journalists.

(3) Tourist Board Malta

The board has a very close cooperation with Air Malta. Close relationship to most of the tour operators, including smaller ones and travel agencies. They are doing active sales in the market (together with the airline) by personalized contacts to the travel agents and all the trades. Malta offers a variety of brochures: general brochures of Malta and Gozo, specialized one for Pilgrims, language tourism (a very big part of the Maltese tourism), incentive & conferences, diving, golfing, restaurants and hotel guide, slides, videos, posters, maps, window-displays, incoming agent list and a tour operator list.

Air Malta is a tightly organized airline, offering reasonable fared and easily available tickets.

The tourist office has a very comprehensive and informative website in German language. Press relations exist but not expressively.

(4) Tourist Board Morocco

It is a “static” office that is not very active. It offers: general brochures, posters, window-displays and decoration material, videos (only for rental use) and slides. The image of Morocco in the market is vague with mixture of beach-vacation and adventures in the desert – but none is “the Morocco” image.

Airfares are competitive and tickets are easily accessible.

No website has been made by the office in Germany. A website in English, French and German does exist but it is made by a commercial company specialized in internet technologies. For the press, they offer press releases and slides.

Presently, they have no advertising.

(5) Tourist Board Greece

There are three offices in Germany (Frankfurt, Berlin and Munich) and they are very active. They have a close contact with the trade and therefore, reactions on any event can be done promptly. They are active with the trade at all levels, including personal contacts to the travel agents. It is a very helpful tool: they hear about current trends, complaints and so on and will be able to react quickly. They have good relations with big tour operators. Greece clearly shows its images: culture, very good food (lots of Greek restaurants in Germany), beaches and sunshine and – they are EU members, which makes it easier to travel.

They provide the trade with general brochures, posters, maps, decoration materials and slides.

No website is available from the Tourist Office but the Greek Press and Information office in Hamburg offers certain information even though it is not very much specialized for tourism.

Air tickets are available anywhere and the variety is broad.

Their presswork is strong since they have local offices. They offer trips and trade-press information for journalists and film teams.

(6) Tourist Board Turkey

They also have three offices in Germany (Frankfurt, Berlin and Munich). They contact a large number of small travel agents and tour operators. Turkish tour operators and airlines have been keeping the prices low. But travel agents are suspicious about keeping the current situation due to their financial difficulties. Because of this, many of them sell their products on their own without the German travel trade although many customers prefer traditional and reliable German tour operators and airlines. The tourist board is active and its presence is by all means positive.

The Turkey image in Germany is friendly people, effective service, sun and beach and –for that part- shopping. There is a market for shopping trips to Istanbul at very low price.

The tourist Board offers brochures in general, dia-slides, videos and posters.

There is no website at all and only a hotel guide is available in Germany.

The airfares are reasonable and sometimes very cheap.

For the press, they offer monthly mailings and trips for journalists.

Table A6.3.1 Promotion Activities of Competing Destinations in Germany

Destinations	Media	Year	Cost in thousand DM	Numbers
Egypt	Trade press	2000	467	21
	Television	2000	8667	549
	Posters in public	2000	457	239
	Public magazines	2000	7337	83
	Daily papers	2000	9	1
Italy	Trade press	2000	50	4
	Television	2000	1405	79
	Posters in public	2000	9	1
	Public magazines	2000	5217	287
	Radio stations	2000	374	261
	Daily papers	2000	2040	348
Italy / Greece Together	Daily papers	2000	4	1
Malta	Trade press	2000	70	30
	Posters in public	2000	94	36
	Public magazines	2000	119	6
	Daily papers	2000	938	257
Greece (Olympic Airways)	Publikumszeits	2000	49	1
Greece	Trade press	2000	542	51
	Television	2000	1786	102
	Posters in public	2000	36	3
	Public magazines	2000	4932	116
	Daily papers	2000	1176	41
Morocco	Trade press	2000	149	13
	Posters in public	2000	656	215
	Public magazines	2000	463	22
	Daily papers	2000	154	6
Turkey	Trade press	2000	355	16
	Television	2000	7094	226
	Public magazines	2000	3004	64
	Radio stations	2000	7547	10936

Source: JICA Study Team

A6.4 NEED FOR BUILDING DIFFERENTIATED IMAGES

(1) Tunisian Tourism and National Publicities

The promotion and marketing effort of ONTT ranges widely, among the most important of which is national publicities aiming at conveying to the market the overall images of Tunisian tourism and its major product offerings in order to motivate broad-range of “audience” in the source market (potential tourists, tour operators, those engaged in media, etc.).

a) Current Promotion: Emphasis on Beach Products

It is observed that the focus of the national publicities undertaken in the source market has been mainly on beach products and Tunisia as a family destination, although other elements including culture, history and Sahara have also been dealt with. This tendency is particularly evident from samples of motivation materials introducing Tunisian tourism as a whole and TV spots broadcast in the source market, where beach products are strongly emphasized.

The emphasis on beach products has been a sensible approach, considering that the country’s major product development effort has mainly focused on beaches and mass tourism. This approach seems to have succeeded, leading to a substantial increase in the number of beach holiday vacationers, and to the operation of hotels in major tourism cores generally at full capacity during the highest season. Accordingly, Tunisia has been generally viewed as a beach-family (and middle-standard) destination (based on the interview survey with European tour operators).

b) Widely Recognized Need for Adding Value

On the other hand, it has been widely recognized by the tourism administration and those engaged in the sector that adding value to the current product offerings is seriously needed, particularly along the four axes, in order to enhance the quality of the country’s tourism, thereby increasing the competitiveness of Tunisian tourism.

This is important, particularly in view of the intensifying competition. Competing countries with physically prominent monumental cultural heritages (e.g., Egypt and Turkey) are aggressively developing beach and marine products, attempting to diversify their product offerings into the domain Tunisia has mainly focused on. Adding value is an obvious choice for Tunisia under this competitive environment.

Importantly, the national publicities should go hand in hand with the value-adding efforts in product development in order to disseminate the images of what Tunisian tourism can offer.

(2) Important Direction of National Publicities: Building Unique Images

a) Importance of Culture and Natural Wonder

As stressed in this study, it is strongly recommended that cultural and Saharan tourism be actively developed not only for attracting tourists for cultural circuit touring and natural wonder, but also for enriching, and adding value to, the beach product offerings. Promoting and marketing these types of tourism is thus an extremely important element in the national publicities of tomorrow.

Importantly, it should be well recognized that even today, a significant number of beach holiday vacationers choose Tunisia for its cultural aspects and natural wonder in addition to its beach products as shown in Table A6.4.1.

- These tourists account for 45% of all the beach holiday vacationers (=100%-55% (beach only)), according to the tourist interview survey conducted in summer 2000.
- Moreover, tourists coming for culture and/or natural wonder (including those for these purposes in addition to beaches) account for 54.8% of all the vacationers (=100%-45.2% (beach only)), reaching more than half of the total.

Table A6.4.1 Composition of Vacationers by Purpose

Holiday Purpose	% of Total Vacationers	% of Beach Holiday Vacationers
Beach only	45.2%	55.0%
Beach + culture	14.5%	17.7%
Beach + natural wonder	11.4%	13.9%
Beach + culture + natural wonder	11.0%	13.4%
Beach total	82.0%	100.0%
Culture only	5.2%	-
Natural wonder only	9.1%	-
Culture + natural wonder	3.6%	-
Total	100.0%	-

Note: The sample of Japanese tourists was excluded in order to avoid potential bias toward culture and natural wonder. The size of the sample used (total number of vacationers) is 3,001. Note also that “natural wonder” is judged nearly equal to tourism in the Sahara area since the examples for “natural wonder” given in the questionnaire were Sahara and Chott El Jerid.

Source: JICA tourist survey conducted in July-August 2000.

These results suggest that the majority of vacationers are curious about the Tunisian culture and natural wonder, that is, “*what Tunisia uniquely possesses*”. Their strong curiosity about the country is evident from their behavior in searching information on Tunisia, which is much more active than those coming only for beach (e.g., through guidebooks, internet, newspapers, magazines, etc.) as shown in Table A6.4.2.

Table A6.4.2 Information Source Considered Useful for Tourists by Purpose

Holiday purpose	Tour brochure	Guide-book	Newspaper/magazine	Word-of-mouth	Internet	Others	Total
Beach only	58.1%	9.6%	3.4%	28.6%	10.9%	7.5%	118%
Beach + culture	54.6%	20.2%	5.5%	36.4%	16.2%	8.6%	142%
Beach + natural wonder	56.5%	14.6%	6.7%	35.6%	16.8%	9.1%	139%
Culture only	32.5%	19.1%	7.0%	35.7%	10.8%	8.9%	114%
Natural wonder only	51.1%	13.1%	5.5%	30.3%	9.1%	6.9%	116%
Natural wonder only / Natural wonder + culture only	52.6%	15.7%	6.3%	32.5%	10.7%	7.3%	125%
Culture only / Culture + natural wonder only	42.3%	20.4%	7.5%	36.6%	12.5%	8.7%	123%

Note: This questionnaire item was based on multiple-choice.

Source: JICA tourist survey.

b) Importance to Build Unique Images

The tendency shown above has a tremendous implication for the direction of Tunisia’s national publicities toward the future. The number of visitors to Tunisia interested in the country’s culture and nature is enormous. It is extremely important to build unique images of Tunisia based on what Tunisia uniquely possesses, particularly its culture, history, life, and nature (Sahara,

mountains, etc.), and disseminate them more aggressively to the market. This undoubtedly will provoke natural curiosity of a significant number of potential visitors about “Tunisia” (rather than other countries), whether they intend to visit for cultural circuit touring, natural wonder, or beach holidays.

In fact, promoting the country’s unique aspects (particularly its culture) is strongly recommended by most of the European tour operators interviewed in this study, indicating its good prospect and expected effect as European tour operators will continue to be among the primary marketers of Tunisian tourism products.

c) Real voices of European tour operators:

- Active promotion of Tunisian culture and tradition is highly recommended since sand and sea exists anywhere in the world, but Tunisian culture and tradition is only in Tunisia.
- Tunisia should not be seen only as a sun-sea-sand destination.
- Tunisia’s cultural tourism is not recognized as it should be.
- Do promote its rich cultural heritage and cultural tourist attractions.
- Do a big promotional campaign highlighting all aspects of the Tunisian package, not only with the emphasis on beaches.
- Tunisia should put more emphasis on its cultural aspects and the South (Sahara).

(3) Approach to Build Unique Images

a) Overcoming Ambivalence of Tourism Promotion

A major problem in creating unique images of Tunisia and its tourism seems to be its *ambivalence*, characterized as follows:

- On the one hand, Tunisia has beach products established in a large scale, pressuring the tourism administration to promote them as a major attraction of Tunisian tourism.
- On the other, the need for adding value to its tourism has prompted efforts for product diversification into various types of tourism, such as golf, thalassotherapy, culture and Sahara, leading to a rising demand for the Government’s efforts to promote them rather in a piece-by-piece fashion.
- In addition, the cultural aspects that can be among the major sources for creating unique images of Tunisian tourism have been under-emphasized in the national publicities despite their richness, partly because of the self-recognition that Tunisia’s cultural tourism resources are less attractive than major cultural sites in competing countries, and because of the existence of powerful beach products that are immediately marketable.

This ambivalent character of Tunisia’s tourism promotion seems to be a major cause for a lack of efforts to build unique, unified and consistent

images of its tourism distinguishable from any other countries, although such efforts, hardly be done solely by the private sector, should be the main focus of the national publicities undertaken by the tourism administration.

It is extremely important for the tourism administration to overcome this ambivalence and attempt to build unique and unified images that can be conveyed to the market in a consistent and well-structured fashion.

b) Expected effects of building unique, unified and consistent images

Effects on the market:

- Appeal to potential visitors to Tunisia (a significant part of them should be interested in what Tunisia uniquely possesses),
- Make the entire world perceive Tunisian tourism as unique and distinguishable from that of any other countries,
- Help convince marketers of the unique value of Tunisian tourism, which is extremely important since marketers should be convinced if they convincingly sell the products to potential clients,
- Building unique images should be attractive to foreign media as well. Uniqueness is in itself an important source of the products produced by media, and thus promoting Tunisia's unique points will help gain their cooperation in disseminating core messages effectively and most probably with less costs.

Effects on the tourism administration and the country:

- Once built, these images will be *durable assets* that will require less cost to maintain their effectiveness,
- Building unified images will contribute to economizing overall costs for national publicities, exploiting economies of scale in promotion through building unique, solid, and consistent images and messages to be conveyed to a large volume of audience across the world (as opposed to the fragmented approach of promotion undertaken in the past, relying on many advertising companies in the source market, each building the overall images of Tunisian tourism separately),
- The process for building unified images will help unify the efforts of the tourism administration, improving communication and coordination within ONTT and among agencies concerned, which is extremely beneficial to tourism development that is inherently a multi-sectoral undertaking,
- Help build good images of the country as a whole and appeal to the international community.

A6.5 KEY ISSUES

(1) Needs for differentiated image of Tunisian tourism in the market

It is true that Tunisia is an established destination as mid-class beach holidays particularly in European market. However, under the current fiercer competition, Tunisia's attitude "just waiting for customers" is very much inappropriate. As described often in this report, adding value on Tunisian tourism products and marketing them through more sophisticated approach is the most crucial issue. Specific issues are as follows:

- More focus on unique Tunisian image is needed,
- More focused tourism themes should be disseminated to the clientele (Culture, Sahara, Carthage, Islam, nature, golfing, thalassotherapy, etc.),
- More competitive and collaborative marketing approaches should be undertaken among concerned parties,
- Continuation and repetition of persevering efforts is needed, etc.

(2) Needs for exploitation of new and high-potential market

Tunisian tourism relies heavily on the European market, especially on the beach holiday tourism. This has resulted a heavy seasonal fluctuation in demand. Exploiting new and high-potential market is another crucial issue to balance the demand and to increase profitability of the sector. Specific issues include:

- More aggressive promotion for the MICE tourism (in collaboration with TCB), particularly in European market is needed,
- More targeted promotion for the cultural tourism in the OECD countries including North America and East Asia is needed,
- For the purpose, more ONTT representations in the North America and East Asia should be established, taking into count the utilization of cost effective locally available contract base representation system,

(3) Needs for more efficient operation of marketing and promotion

Actual efforts among different parties such as ONTT Department Marketing, ONTT Department of communications, INP, AMVPPC, the trade associations and professionals, etc. should be improved. Some examples of specific issues are as follows:

- Clarification of roles and enhanced cooperation among concerned parties (CRT-Syndicat d'initiative, ONTT-AMVPPC, ONTT-AFT-APAL, etc.) are needed.
- More budget allocation for the geographically and thematically high-potential markets is needed,
- More focused and efficient budgeting for promotional events and festivals is needed (focused and phased budgeting rather than scattered budgeting),
- Immediate computerization is essential.

A7 TOURISM INDUSTRIES AND THEIR PERFORMANCE

The tourism industry is composed of several sub-sectors serving foreign and local tourists. Major tourism-related sub-sectors include hotels, restaurants, travel agencies and tour operators, souvenir and handicraft production and merchandizing, and tourist transport services. This Chapter reports major findings identified on these components.

A7.1 HOTELS

A7.1.1 Accommodation Capacity

Accommodations under the supervision of ONTT are divided into four categories, hotels (including five different star classifications), vacation villages, pensions, and non-classified. In addition, there are some apartment-type hotels (which are classified in the same way as ordinary types of hotels, e.g., one to five stars), although they are considered very small and capacity relative to the total hotel supply.

In Tunisia, there are currently about 700 accommodation units registered at ONTT that carries out hotel classification. Table A7.1.1 shows hotel capacity in beds by classification. As of 1998, classified hotels account for 87% of the entire capacity. More than 30% of the total capacity is held by 4-star and 5-star hotels, with their capacity increased at an accelerating rate in 1990s.

Table A7.1.1 Growth of Hotel Capacity by Classification

Category	1998			Growth Rate (% per year)					93-98 Average
	Number	Capacity (in beds)	Share (%)	94/93	95/94	96/95	97/96	98/97	
*****	36	16,298	8.8	19.7	14.3	22.5	28.8	6.2	18.0
****	99	44,152	23.9	14.9	23.1	7.1	16.9	8.9	14.0
***	204	73,028	39.6	8.6	1.1	7.1	-1.8	3.9	3.7
**	106	23,572	12.8	-7.6	4.6	-4.6	-0.1	-5.5	-2.7
*	41	2,998	1.6	-14.6	3.8	-5.3	4.7	13.4	-0.1
Sub-total	486	160,048	86.7	6.2	7.2	5.7	5.6	4.1	5.8
Others	206	24,568	13.3	6.0	-2.8	2.3	0.6	0.6	1.3
Total	692	184,616	100.0	6.2	5.6	5.2	4.8	3.6	5.1

Note: Others include vacation villages, pensions, etc.

Source: ONTT, *Le Tourisme Tunisien en Chiffres*, various years.

Figure A7.1.1 and Table A7.1.2 show the regional distribution of hotel beds according to 8 tourism regions. Key features of the accommodation capacity distribution in Tunisia observed from ONTT statistics include the following:

a) General Condition

- The accommodation capacity is concentrated mostly in beach areas including N-Hammamet, Jerba-Z, and Sousse-K regions. The beach capacity of 157,307 beds makes up 85% of national capacity, while the city capacity of 13,691 and circuit (i.e. interior points) capacity of 13,618 beds make up each about 7.5% of the total.

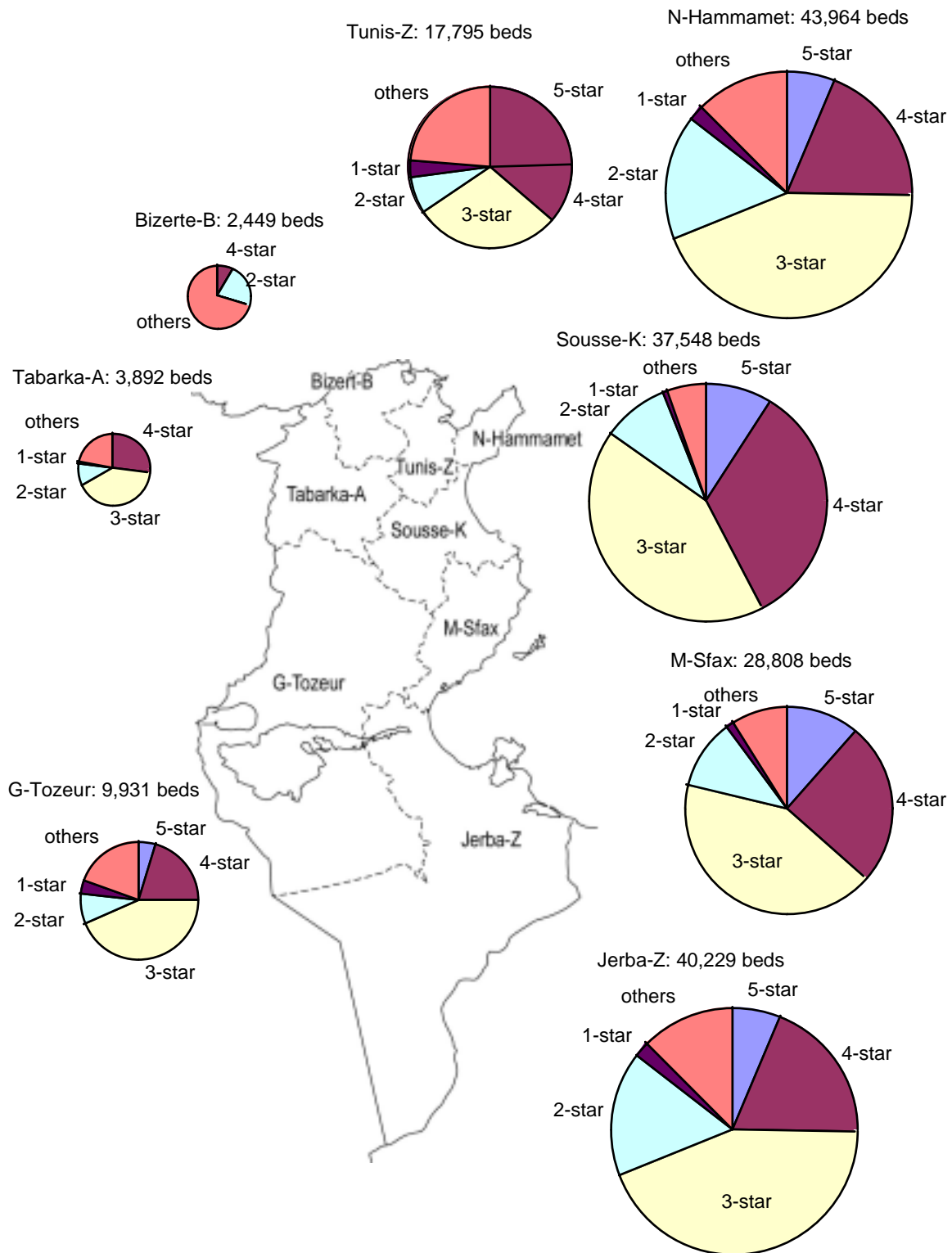
b) Hotels

- The regions with a relatively higher share of high-class hotel capacity (4-star and 5-star hotel beds) include Sousse-K (42% of the total beds in the region), Monastir-S, Tunis-Z (36%), and Jerba-Z (32%). These are the well-established beach resorts and the capital area;
- However, there is a significant variation in the extent of hotel supply in different areas within these regions. Particularly, the inland cities including Kairouan (in the Sousse-K region) and Matmata (in the Jerba-Z region) have a small number of hotels, especially of a higher class;
- Currently, the higher-class hotel capacity is limited in the Tabarka-A region (with both beaches and highlands), however there are projects providing higher-class hotels in beach area; and
- Current hotel supply limited largely to lower-end units in the Bizerte-B region.

c) Vacation Villages and Pensions

- Generally the vacation villages are located in beach areas, and concentrated in N-Hammamet and Jerba-Z regions. The capacity of 7,161 beds in these two regions covers about 64% of total capacity of the vacation villages.
- The small capacity of pension, 886 beds, make up only 0.5% of the national accommodations capacity.

Figure A7.1.1 Regional Distribution of Hotel Beds in 1998



Source: ONTT, Le Tourisme en Tunisie en Chiffre, 1999

Table A7.1.2 Distribution of Hotels by Region in 1998

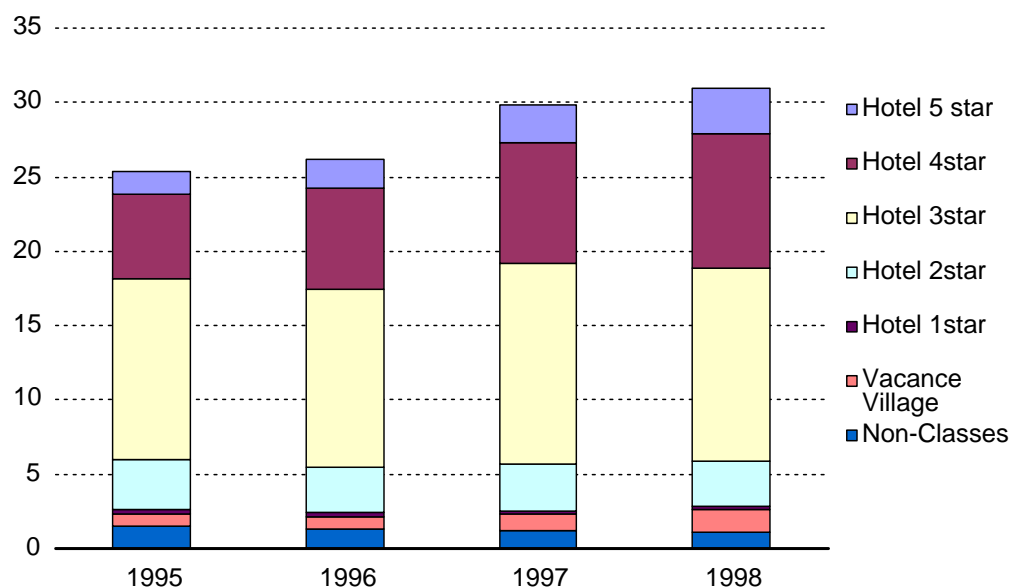
Region		5-star	4-star	3-Star	2-Star	1-Star	Village	Pension	NC	Total
Tunis - Z	Bed	4,421	2,068	5,188	1,332	601	1,524	58	2,603	17,795
	Hotel	10	6	23	10	8	2	2	41	102
N - Hammamet	Bed	2,862	8,305	19,061	7,333	851	3,684	370	1,498	43,964
	Hotel	7	19	44	29	9	6	14	4	132
Sousse - K	Bed	3,466	12,397	15,951	3,424	190	719	172	1,229	37,548
	Hotel	7	25	39	14	3	2	6	14	110
Monastir - S	Bed	3,269	7,218	12,158	3,215	411	996	34	1,507	28,808
	Hotel	6	15	30	11	7	2	1	29	101
Jerba - Z	Bed	1,820	10,906	14,751	6,529	554	3,477	124	2,068	40,229
	Hotel	4	19	42	22	7	5	5	29	133
G - Tozeur	Bed	460	2,000	4,349	843	343	0	128	1,808	9,931
	Hotel	2	9	20	7	5	0	4	26	73
Bizerte - B	Bed	0	208	0	526	0	782	0	933	2,449
	Hotel	0	1	0	5	0	1	0	6	13
Tabarka - A	Bed	0	1,050	1,570	370	48	0	0	854	3,892
	Hotel	0	5	6	8	2	0	0	7	28
Total	Bed	16,298	44,152	73,028	23,572	2,998	11,182	886	12,500	184,616
	Hotel	36	99	204	106	41	18	32	156	692

Source: ONTT, Le Tourisme Tunisien en Chiffres, 1998

A7.1.2 Choice of Accommodation Type

Figure A7.1.2 shows overall trend in choice of accommodation type by visitors. The shares of 1-star and 2-star hotels have stayed approximately at the same level for the last four years. The share of 4-star hotels rose from 22% to 29%, while that of 3-star hotels declined from 48% to 42%. The choice by nationality is shown in Figure A7.1.3.

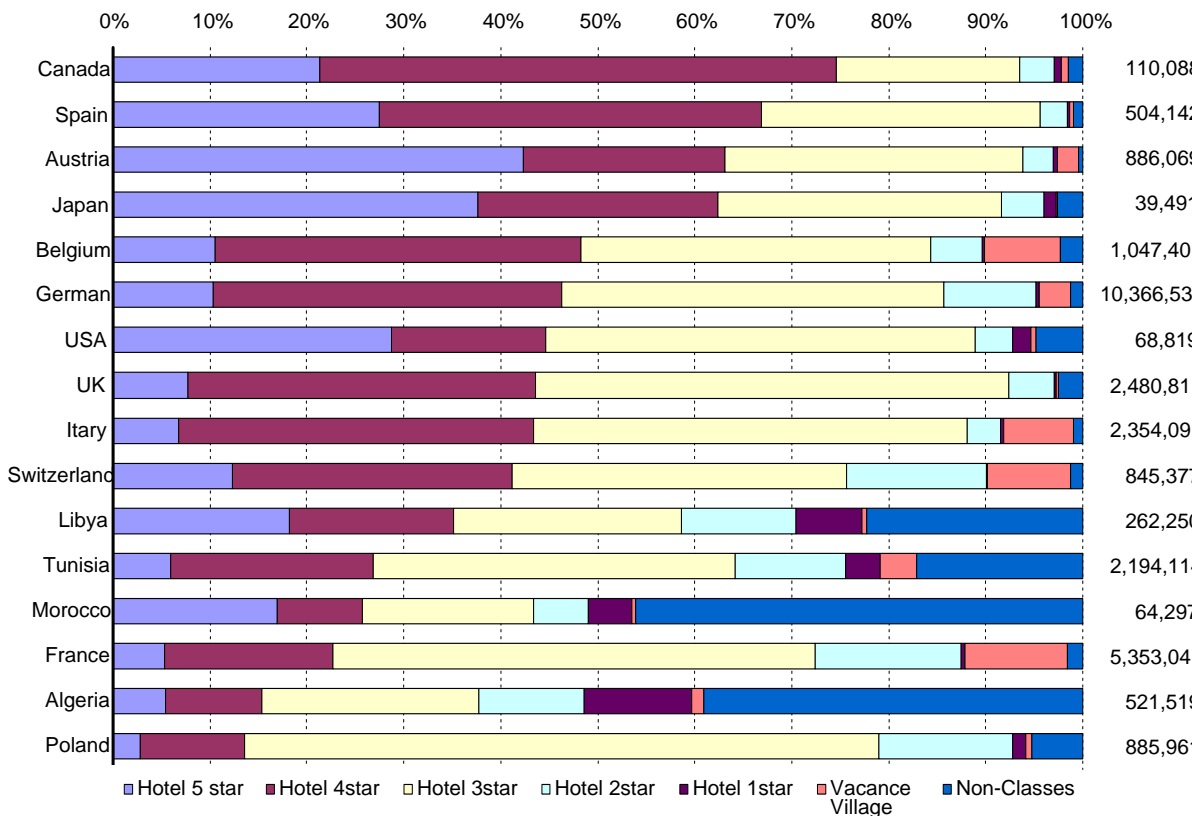
Figure A7.1.2 Trend of Choice of Accommodation Type



Unit: annual visitor-nights in million

Source: ONTT, Le Tourisme Tunisien en Chiffres, 1998

Figure A7.1.3 Choice of Accommodation Type by Nationality in 1998



Source: ONTT, Le Tourisme Tunisien en Chiffres, 1998

A7.1.3 Bed Occupancy Rates

As shown in Table A7.1.3, hotel occupancy has improved in recent years, although there are regions suffering from low occupancy rates, including G-Tozeur, Bizerte-B, and Tabarka-A region. Note that these rates are based on bed occupancy, which is the only statistics publicly available in Tunisia. The occupancy in Tunis-Z region would not be so weak if measured with *room* occupancy as the proportion of business travelers usually occupying only one bed in a twin room is relatively higher in the capital region.

While the occupancy rates are generally higher for regions primarily for beach tourism (including N-Hammamet, Sousse-K, Monastir-S, and Jerba-Z regions), they significantly fluctuate, peaking at high levels in summer while going very low in other seasons as shown in Figure A7.1.4. G-Tozeur region, however, shows a different tendency with less seasonal fluctuation (though at a low level), having two peaks in a year, April and August. In addition, the occupancy rates by hotel classification indicate that 5-star and 4-star hotels are performing relatively well as shown in Table A7.1.4.

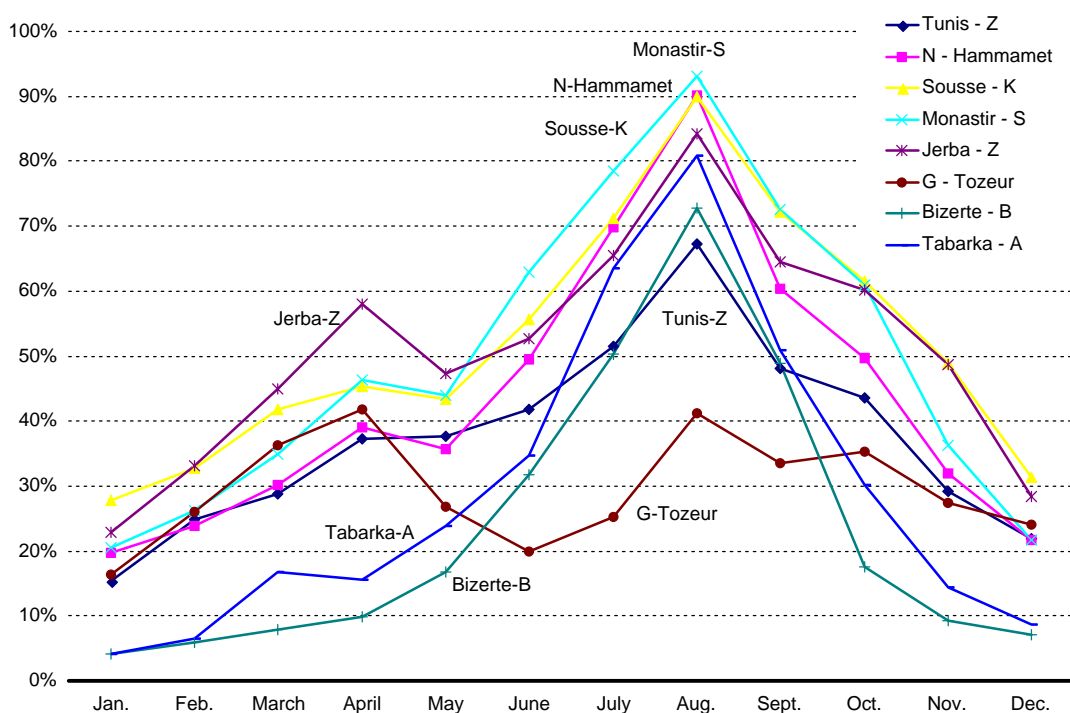
Major characteristics of hotel supply and occupancy by region are summarized in Table A7.1.5.

Table A7.1.3 Bed Occupancy Rates by Region

Region	1994	1995	1996	1997	1998	1999
Tunis-Z	42.6	39.1	36.9	39.1	40.6	37.7
N-Hammamet	56.2	50.7	46.5	52.0	51.3	56.3
Sousse-K	58.3	52.6	53.7	57.8	55.9	61.3
Monastir-S	53.8	49.9	53.1	59.7	58.9	63.7
Jerba-Z	55.1	52.5	52.7	58.0	59.0	63.2
G-Tozeur	35.2	30.9	29.1	31.7	32.8	35.9
Bizerte-B	41.4	35.0	36.2	35.7	33.1	33.3
Tabarka-A	40.6	39.0	34.3	37.4	35.7	40.9
Total	53.0	48.7	48.0	52.7	52.5	56.5

Source: ONTT, Le Tourisme Tunisien en Chiffres

Figure A7.1.4 Monthly Fluctuation of Bed Occupancy Rates by Region



Source: ONTT, Le Tourisme Tunisien en chiffres, 1998

Table A7.1.4 Bed Occupancy Rates by Hotel Class

Category	1994	1995	1996	1997	1998
*****	49.7	47.6	49.1	52.6	55.1
****	62.8	57.9	57.9	61.7	61.5
***	57.5	51.3	50.0	54.7	53.2
**	46.1	42.1	39.1	43.7	43.8
*	35.2	35.8	29.3	29.6	28.1
Non-classified	37.6	36.0	34.9	38.9	39.7
Total	53.0	48.7	48.0	52.7	52.5

Source: ONTT, Le Tourisme Tunisien en Chiffres

Table A7.1.5 Evaluation of Hotel Supply and Occupancy

Number of beds in 1998	Bed occupancy rate in 1998 / 1999	Origin of Visitors	Overall Analysis
Tunis-Z 17,795 beds 5-star hotel capacity: 25%, 4-star: 12%	40.6% / 37.7% Approximately same occupancy rate by category	European (53%) Maghreb (20%)	Low-demand area Comparatively fewer European people
N-Hammamet 43,964 beds 5-star hotel capacity: 6.5%, 4-star: 19%	51.3% / 54.3% Large difference between seasons Higher occupancy rate for 5-star units followed by 4 & 3-star	European (90%)	High demand for 5-star Large seasonal fluctuation
Sousse-K 37,548 beds 5-star hotel capacity: 9.2%, 4-star: 33% Shortage of hotel in Kairouan	55.9% / 61.3% Large difference between seasons Higher occupancy rates for 5 & 4-star	European (93%)	High-demand area High demand for 5-star Seasonal fluctuation Shortage of hotel in Kairouan
Monastir-S 28,808 beds 5-star hotel capacity: 11%, 4-star: 25%	58.9% / 63.7% Very large difference between seasons High occupancy rate for 4-star	European (91%)	High-demand area Large seasonal fluctuation
Jerba-Z 40,229 beds 5-star hotel capacity: 4.5%, 4-star: 27% Shortage hotel in inland areas	59.3% / 63.2% Large difference between seasons Higher occupancy rate for 5-star followed by 4 & 3-star the highest occupancy rate of vacation village	European (94%)	Highest-demand area High demand for 5-star Seasonal fluctuation Shortage in inland area
G-Tozeur 9,931 beds 5-star hotel capacity: 4.6%, 4-star: 20%	32.8% / 35.9% Small difference between seasons The highest season different from other regions	European (82%) Short duration of the stay	Small seasonal fluctuation Different highest season from other regions Shorter duration of stay
Bizerte-B 2,449 beds no 5-star units, 4-star: 8.5% 70% of capacity being village-type and non-classified hotels	33.1% / 33.3% The largest difference in occupancy rate between seasons in the country Lower occupancy rate of all categories	European (80%)	Low-demand area Large seasonal fluctuation Comparatively fewer European people
Tabarka-A 3,892 beds no 5-star units, 4-star: 27%	35.7% / 40.9% Large difference between seasons Low occupancy rate of all categories	European (60%) Higher rate of Tunisian (35%)	Low-demand area High demand for Tunisian

Source: ONTT, JICA Study Team

A7.1.4 Hotel Operation and Management

In 1998 the share of total bed capacity affiliated with foreign hotel companies (including those based on leasing contracts, management contracts, operation contract and franchise contracts) amounted to 36,000 beds (Table A7.1.6) equal to about 20% of the total capacity in 1998, and is estimated to have increased to nearly 25%. The foreign companies bring their operational and marketing expertise to these hotels, and some of them are affiliated with tour operating companies. However, the number of international hotel chains in Tunisia is still small, and most of them are all-inclusive type accommodations (which generally appear to be of quality similar to locally operated hotels) targeting holiday vacationers at beach resorts. Few of these foreign hotel companies specialize in serving business clientele or meetings and conventions clienteles, and few of the major German, French and American business hotel groups are active in Tunisia.

In terms of the foreign investment, hotels in Tunisia are still held largely by Tunisians, with the foreign investment (cumulative) estimated at only 6-7% of the total investment.

Table A7.1.6 Presence of Foreign Hotel Chains in Tunisia in 1998

Name of Chain	Hotel	Number of Beds						
		Total	5-star	4-star	3-star	2-star	1-star	Vacation Village
German								
Pradaise International	6	3,072		1078	1996			
Iberotel	6	3,054	992	1462	600			
<i>I.T. Club</i>	5	2,416			994	470		
L.T.I	3	1,270		1270				
Robinson Club	2	1,202	1202					
Nour Touristic	2	1,120			600			
Total	24	12,134	2,194	3,810	4,190	470	0	0
France								
<i>Club Med</i>	8	6,008			336			2790
Framissima (FRAM)	3	1,234		400	834			
Jet hotel	2	764		234				
Total	13	8,006	0	634	1,170	0	0	2,790
Spain								
Sol Melia	6	3,767	996	412	2417			
<i>TRYP</i>	7	2,778	790	1010				
M.I.C	1	438			438			
Total	14	6,983	1,786	1,422	2,855	0	0	0
UK/USA								
Corinthia	1	612	612					
Cleopatra	1	600	600					
Hilton	1	467	467					
Sheraton	1	410	410					
Meridien Forte	1	328	328					
Total	5	2417	2417	0	0	0	0	0
Italy								
Venta Club	2	1,232		1232				
Total	2	1,232	0	1,232	0	0	0	0
Austrian								
Magic life	2	842	842					
Phonix Star	1	200				200		
Total	3	1042	842	0	0	200	0	0
Switzerland								
<i>Hotel plan Horizon</i>	1	400						
Total	1	400	0	0	0	0	0	0
Others	6	3606						
TOTAL FOREIGN	69	35,820	7,239	7,098	8,215	670	0	2,790
TOTAL-NATIONAL	692	184,616	16,298	44,152	73,028	23,572	2,998	11,182
FOREIGN SHARE	10%	19.4%	44%	16%	11%	3%	0%	25%

Note: Italicized statistics are incomplete from this source.

Source: MTLA, ONTT, JICA Study Team

A7.1.5 Facility and Service Norms

The process of hotel classification is conducted by the ONTT (the first step) and then by a Commission of Classification consisting of the representatives from ONTT, FTH and FTAV (the second step). The norms were established in 1973 and have been repeatedly revised according to the international standards. In February 2000, a new classification system was established, based on which re-evaluation will be carried out in three years (by 2003).

Although no statistics are available, reports from trade representatives indicate significant customer dissatisfaction with hotel facilities as measured from customer comments and feedback surveys conducted by hotel companies and tour operators. The evidence suggests problems with standards of service and hygiene in the hotels falling below expectations of the foreign guests. There are also problems with the inadequate physical condition of many of the hotels: the initial quality of construction and on-going maintenance, although the quality of accommodations has been improving according to the European tour operators interviewed in this study. Little statistical information is available concerning these factors, while conditions of supply of public facilities can be compared with competing countries, as shown in Table A7.1.7.

As shown in Table A7.1.8, the new hotel classification system in Tunisia consists of “classification of hotels” ruling physical condition of five levels categories, “service quality” ruling service condition of five levels categories and “specialization” ruling various condition of characteristic hotels such as golf hotel, thalassotherapy hotel, etc. To examine the 5-star hotel is based on the “classification of hotels” which consists of minimum items and additional items. In additional items, there are two types of evaluation system: architectural aspects of rooms and common space, and supplemental equipment’s in the room or public facilities. In case of 5-stars hotels, the score must be more than 200 points without amusement or 250 points with amusement. In fact 5-star hotel owners must provide initially high quality construction and many kinds of facilities.

Table A7.1.7 Comparison of Public Facilities of 5-Star Hotels among 4 Destinations

	Tunisia	Turkey	Egypt	Morocco
Number of samples	10	19	23	17
Av. Number of rooms	266	330	412	221
Dining facilities*	100%**	100%	100%	100%
Average total number of various facilities	5.00	5.89	6.09	4.82
Restaurants	2.80	3.37	3.78	3.00
Amusement facilities*	60%	58%	65%	65%
Sports facilities	210%	257%	217%	176%
Pool	90%	89%	96%	82%
Tennis/squash	30%	68%	78%	65%
Sports gym	30%	63%	17%	29%
Others	60%	37%	26%	0%
Beauty & relaxation*	70%	89%	70%	59%
Shop	20%	32%	70%	41%
S/C, arcade	10%	16%	43%	12%
Congress				
Total	70%	100%	96%	76%
-1000	40%	42%	70%	41%
1000-3000	0%	32%	22%	6%
3000-	0%	0%	0%	6%
N/A	30%	26%	4%	24%
Business center	30%	32%	2%	29%
Av. Tariff (US\$)				
Single min / max	69 / 127	183 / 230	114 / 170	145 / 203
Twin min / max	81 / 143	212 / 266	139 / 197	159 / 218
Suite min / max	218 / 417	361 / 1,049	325 / 943	390 / 1,075

Note: Dining facilities: restaurant, tearoom, café, bar, etc.
 Amusement facilities: casino, disco, nightclub, etc.
 Beauty & relaxation: beauty salon, health club, bath & sauna, etc.
 ** the ratio of number of hotel equipped facilities

Source: World Hotel & Convention Directory, web site, JICA Study Team

Table A7.1.8 Outline of "Classification of Hotel 2000"

Minimum items			
1 Reception	(not analyzed)		
2 Common space	Bar		1
	Restaurant		2
	Conference room		requisite
	sheet number in restaurant		75% of bed number
	sheet number in salon		40% of bed number
3 Room	Single room		14m2
	Double room		19m2
	Number of rooms minimum		30
	Ratio of suite room		2%
	Suite room		45m2
	Equipment in rooms		Various
	Equipment in bathrooms		Various
4 Services	(not analyzed)		
5 Equipment	Central heating		requisite
	Air conditioning		requisite
	Maintenance		requisite
6 Emergency security	Various		
7 Hygiene/ environment	Various		
Additional items			
	point	the ponderable coefficient	perfect scores
1 Architectural aspect			70
integration with urban and site, façades, use of local material etc. 7 items	-2 - +5*	2	70
2 Common space			171
A reception, salon			
lighting, furniture, floor material etc. 6 items	-2 - +5	2	60
sheet number in salon & bar	-1 - +4	1	4
B Restaurant			
lighting, furniture, floor material etc. 5 items	-2 - +5	2	50
C other common space			
lighting, furniture, floor material etc. 5 items	-2 - +5	2	50
Supplement restaurant	+1,+3, +5	1	5
elevator service; separate for baggage/person	+2	1	2
3 Room			66
lighting, furniture, floor material etc. 4 items	-2 - +5	2	40
state of equipment 5 items	2	1-2	14
Dimension	2	1	2
for non smoker / handicapper	2	1	2
Instrument 8 items	1	1	8
4 Bathroom			78
lighting, furniture, floor material etc. 5 items	-2 - +5	2	50
hygiene	-2 - +5	2	10
State of equipment 4 items	2	1	8
for handicapper	2	1	2
instrument 8 items	1	1	8
5 Suites			10
More than 5% number of suites of 45m2	6	1	6
More than 10% number of junior suite of 35m2	4	1	4

Table A7.1.8 Outline of "Classification of Hotel 2000" (Continued)

Additional items (Continued)			
	point	the ponderable coefficient	perfect scores
6 Dining facilities			11
supplement facilities (4 type of facilities)	1	1	4
supplement facilities (tea salon)	2	1	2
banquet room < 250m ² / > 250m ²	3 / 5	1	5
7 Sport, amusement, relaxation			87
Swimming pool (outdoor / indoor)	5/ 4,6	1	11
Permanent amusement program	4	1	4
squash par court 2 points / tennis par court 1point	Max 4	1	8
sports facilities 2 points par facility	Max 6	1	6
Shops 1points par shop	Max 3	1	3
Amusement room 1point par room	Max 3	1	3
Spa, pool for children, private beech, sauna dietetic center, hammam, fitness center, massage room multipurpose room, etc. 18 items	2	1	36
Kiosk, rent-car service, exchange service, fishing, hunting, rental video service, doctor, nurse, etc. 15 items	1	1	15
8 Emergency security 2items	2	1	2
9 Energy saving 1items	-2 - +5	3	15
10 Water saving 2 items	-2 - +5	3	30
11 Environmental aspect 6 items	-2 - +5	3	90
12 protection of animals 1 items	-2 - +5	3	15

Note: * -2: negligent -1:insufficient +1: ordinary +2: good
 +3: very good +4: excellent +5: 1st quality

Source: ONTT

A7.1.6 Financial Performance

(1) Overview

The financial performance of Tunisian hotels appears generally weak; besides there is significant variation in hotel performance across regions (presumably across individual hotels as well). Table A7.1.9 shows key performance indicators and gross operating profitability of hotels by region that were summarized based on the hotels' financial results submitted to ONTT. The reason for using the 1996 data is that the sample size of hotels that submitted more recent financial results to ONTT is too small, which may not allow accurate assessment for the industry as a whole. However, the Study Team believes that the picture obtained from the 1996 data represents the recent performance fairly well as the overall tendency would not change significantly in a short term.

Table A7.1.9 Operating Performances and Profitability of Hotels in 1996

Region	Total revenue per visitor night (TD/night)	Revenue share (%)			Average occupancy rate (%)	Ratio of gross income to total revenue (%)
		Lodging	Food & beverages	Others		
Tunis-Z	51.0	49	36	15	37	21
N-Hammamet	28.7	42	50	8	47	16
Sousse-K	28.3	41	52	7	54	24
Monastir-S	30.7	37	55	8	53	16
Jerba-Z	30.1	46	49	5	53	26
G-Tozeur	36.0	38	57	5	29	14
Total	30.6	42	51	7	46	23

Note: The use of 1996 data is due to the reliable sample size. The gross income (gross operating income) is before depreciation and financial charges (interest payments).

Source: ONTT

The ratio of gross operating income to total revenue, which represents operating profitability, is fairly low, taking account of the financial charges (interest payments) and depreciation expenses to be deducted from the gross income to arrive at net income.¹ According to the hotels' financial data obtained from INS,² the ratio of financial charges to total revenue averages somewhat higher than 10%, and that for depreciation expenses averages about 20%.³

These data suggest that the industry as a whole is barely operated profitably in the

¹ Note that the gross operating income (or gross operating profits), often used to measure the operating performance of hotels, is before depreciation and interest payments. This indicator was used because the source material of ONTT from which these data were taken assesses the hotel performance with this measure, and does not use other profit measures such as net operating income (which is normally after depreciation but before financial charges) and net income (which is net of all of the expenses (including depreciation) as well as financial and other charges).

² These are 1996 data based on the financial results of about 120 hotels. Due to the confidential nature of these data, the information that might reveal individual hotels is unknown, including hotel locations and classes. Note also that the aggregate net income for these sample hotels is negative

³ Based on the more recent financial results of several hotels obtained on a confidential basis, these ratios are somewhat higher, suggesting the possibility of weaker performance of hotels than what the INS data suggest.

true sense.⁴ While depreciation does not affect the cash flow, hotels are in fact suffering from debt burden with a high level of interest rates averaging 13% per year on the long-term borrowing from development banks⁵ providing a substantial part of the funds raised by hotel promoters. Hotels in G-Tozeur have been suffering particularly severely as suggested by the weaker operating performance, which is apparently due mainly to low occupancy rates. Many hotels in this region have been unable to service their debts, forcing them to renegotiate with creditors for cancellation of part of their debt payments.

Hotels' financial performance also appears to vary across classes. As shown in Table A7.1.10, upper-class hotels tend to perform better than lower-class hotels. It appears that all-inclusive vacation villages are the best performer of all.

Table A7.1.10 Gross Operating Profitability of Hotels

Category	1994		1995		1996	
	Gross income / total revenue (%)	Sample coverage in bed capacity (%)	Gross income / total revenue (%)	Sample coverage in bed capacity (%)	Gross income / total revenue (%)	Sample coverage in bed capacity (%)
*****	34	38	25	47	24	43
****	30	49	24	43	23	31
***	26	53	21	57	20	37
**	21	44	13	39	18	23
*	14	12	19	17	17	20
Vacation villages	21	11	28	13	30	12
Non-classified	15	14	24	12	N.A.	6
Total	26	42	22	43	23	30

Note: Sample coverage (by class) is the ratio of the capacity of the sample hotels to the total bed capacity available in the country for each class or category of hotels.

Source: ONTT

It should, however, be recognized that the weak industry performance seen above does not mean that many of the hotels are unable to continue their operation, which in fact does not take place in Tunisia. In particular, depreciation is a non-cash charge, and hotels may choose to deter or minimize capital renewal in order to service debts and even invest in capacity expansion with the cash generated from their operation. Apparently, this choice has been taken by many hotels in view of the inadequate state of facility conditions. It would be a plausible choice to put the money earned this way into capacity expansion rather than the renewal of the existing facilities (as is observed in the industry), since capacity

⁴ There are of course hotels with healthy financial conditions. According to industry observers, large hotel chains with units in major beach resorts as well as Tunis are performing well.

⁵ The National Bank for Tourism Development (BNDT: Banque Nationale de Développement Touristique), partially owned by the Government of Tunisia, was a major contributor of funds, providing about 30% of the loans received by hotel promoters in the country. BNBDT, established in 1969, provided funds (both loans and equity participation) specifically for tourism development in the country, supporting three principal areas including launching of integrated tourist resorts, development of Saharan tourism, and assisting young and new promoters. BNBDT and another development bank, BDET, were merged into STB on January 1, 2001.

expansion immediately leads to additional cash generation while capital renewal may not in the short term.

In sum, it can be concluded that the industry as a whole is generating cash sufficient to continue their operation and service debts, but insufficient to keep its physical assets in good conditions.

(2) Major Causes for the Industry Performance

In general, Tunisian hotels suffer from rising investment and operating costs as well as apparently low room tariffs as suggested by the low figures of the total revenue per visitor night.

As mentioned, hotels are suffering from a high level of debt burden with an average interest rate averaging 13% per year on the long-term borrowing from development banks. Other factors for high costs include, though this seems to be a sensible policy of ONTT, a contribution of 2% of hotel sales to ONTT, including 1% for promotion and another 1% for “the environment fund” used for various purposes, typically upgrading of infrastructure in and around hotel areas. It is widely recognized that both investment and operating costs are rising while the level of revenues has been kept low.

Low room tariffs of Tunisian hotels are evident also from the comparison with other countries. Table A7.1.11 shows the performance of hotels in the Middle East in terms of revenue (from lodging) per room, which can be compared with the estimate for Tunisian hotels (5- to 3-star hotels) as shown in Table A7.1.12. The use of average achieved rates per bed in 1996 is due to the availability of sufficient samples as noted above, although the current level would not be significantly different from these figures.⁶ In addition, since the current hotel statistics in Tunisia are based on beds (not rooms), a factor of 2.0 and 1.5 was used to convert the revenue per bed to that per room. The factor of 2.0 is considered to be the upper ceiling, and the true value would probably be somewhere between 2.0 and 1.5.

Bed occupancy of Tunisian hotels may not be particularly weak if measured with room occupancy, but the estimate of revenue per room (on a dollar basis) is low even for five-star hotels, for example, significantly lower than that for Sharm el Sheikh, a major Red Sea coastal resort in Egypt. Even if the price-quality balance is taken into account, the difference of this extent is apparently hampering financially healthy operation of the industry.

Quite plausibly, Tunisian hotels are heavily dependent on food and beverages for their revenues as shown above, attempting to make up for the low level of tariffs. This however causes, at least partially, a small number of restaurants outside of hotels in resort areas.

⁶ The selected data in 1998 suggest this tendency. Average achieved rates per bed for 5- and 4-star hotels in the Tunis-Z region (for which the sample size is relatively larger than that for other regions and categories) are TD 25.0 and TD 18.0 respectively. Converting them to 1996 values using consumer price index leads to TD 23.2 for 5-star hotels and TD 16.7 for 4-star hotels.

Another major factor is pronounced seasonality of demand with its extent getting somewhat higher in recent years due to a fast pace of capacity expansion along coastal areas. The seasonality results in a significant discount during low seasons. Table A7.1.13 shows the tendency of rising seasonality in some regions as indicated by the decline in the ratio of average monthly hotel nights to highest monthly hotel nights.

Seasonality is closely linked to difficulty to provide quality services, with falling revenue during low seasons, which forces hotels to rely heavily on non-permanent workers. As shown in Table A7.1.14, permanent staff account for less than half of the total staff for the hotels interviewed during this study. Apparently, hotels are reluctant to provide good and systematic training to non-permanent staff, and it is also difficult to attract quality personnel under this employment practice.

Table A7.1.11 Performance of Middle East Hotels

Country	Area	1999			1996		
		(1) Average annual room occupancy	(2) Average achieved room rates (US\$)	(3) Revenue per room (US\$) [=(1)*(2)]	(1) Average annual room occupancy	(2) Average achieved room rates (US\$)	(3) Revenue per room (US\$) [=(1)*(2)]
Egypt	Cairo	76%	75	57	72%	67	48
	Aswan	43%	70	30	44%	56	25
	Hurghada	80%	34	27	70%	41	29
	Luxor	51%	32	16	71%	35	25
	Sharm el Sheikh	79%	54	43	72%	63	46
Jordan	Amman	56%	71	40	71%	83	59
Lebanon	Beirut	70%	181	126	45%	175	114
Morocco	Casablanca	74%	100	74	64%	101	65
Syria	Damascus	69%	104	72	68%	124	84
UAE	Dubai	70%	104	73	74%	120	89

Source: HVS International, Middle East Hotels – Trends and Opportunities, 2000 Edition.

Table A7.1.12 Performance of Hotels in Tunisia

Category	(1) Average annual bed occupancy in 1999	(2) Average achieved rate per bed in 1996 (TD)	(3) Revenue per bed (TD) [=(1)*(2)]	(Revenue per bed)*2.0		(Revenue per bed)*1.5	
				(TD)	(US\$)	(TD)	(US\$)
*****	59.9%	23.9	14.3	28.7	29.4	21.5	22.0
****	66.3%	16.5	10.9	21.8	22.4	16.4	16.8
***	58.2%	10.7	6.2	12.4	12.7	9.3	9.6

Note: The amount of revenue is that for lodging only. The use of 1996 data for the average achieved rate per bed is due to the insufficient number of samples of more recent financial data. To reflect the recent performance, bed occupancy in 1999 was used. The factor of 2.0 and 1.5 was used for providing a crude estimate of revenue *per room* for the comparison with that in other countries. The exchange rate of US\$ 1=TD 0.9747 in 1996 was used for conversion.

Source: Data obtained from ONTT

Table A7.1.13 Bed Occupancy Rates and Seasonal Fluctuation

Region	Annual average bed occupancy rate (%)		Bed occupancy rate in August (%)		Lowest monthly hotel nights / highest monthly hotel nights (%)		Average monthly hotel nights / highest monthly hotel nights (%)	
	1994	1999	1994	1999	1994	1999	1994	1999
Tunis-Z	42.6	37.7	65.4	65.4	32.6	25.9	61.5	53.7
N-Hammamet	56.2	56.3	94.3	100.5	24.6	20.1	54.0	50.8
Sousse-K	58.3	61.3	87.4	97.3	32.3	31.5	61.8	59.7
Monastir-M-S	53.8	63.7	86.7	104.2	22.2	19.9	54.4	57.8
Jerba-Z	55.1	63.2	82.2	92.2	25.6	26.6	61.8	62.4
G-Tozeur	35.2	35.9	53.5	48.3	38.6	45.5	64.6	74.3
Bizerte-B	41.4	33.3	78.9	75.3	7.1	7.4	38.9	32.8
Tabarka-A	40.6	40.9	91.5	94.2	5.8	5.2	40.5	41.0
Total	53.0	56.5	84.0	92.2	28.3	24.9	57.8	56.6

Source: JICA Study Team; ONTT, Le Tourisme Tunisien en Chiffres, various years.

Table A7.1.14 Employment in Hotels by Hiring Regime

Region	Permanent	Under contract	In training	Seasonal	Others
Tunis-Z	52%	34%	5%	7%	2%
N-Hammamet	42%	37%	6%	14%	1%
Sousse-K	58%	24%	4%	10%	4%
G-Tozeur	47%	40%	10%	2%	1%
Total	48%	34%	6%	10%	2%

Note: The sample is a total of 58 hotels interviewed.

Source: The socio-economic impact survey conducted in this study

A7.1.7 Hotel Investment

(1) Investment Trend

Despite the weak financial performance, hotel construction continues, particularly at beach resorts.⁷ The fixed capital formation as shown in Table A7.1.15 suggests this increasing trend. ONTT still receives a number of applications for new construction as well as extension of the existing units.

The undergoing capacity addition is conceivable in view of the fact that hotels in major tourist destinations are operating nearly at full capacity during the highest season. In 1999, for example, the bed occupancy rates in August were 100.5% for the N-Hammamet region, 97.3% for Sousse-K, 104.2% for Monastir-S, and 92.2% for Jerba-Z. Capacity constraint in the peak season signals the need for new investment.

Behaviorally, this investment trend should result from the promoters' perception that the hotel business is profitable. Based on the analysis above, the industry as a whole can be considered "profitable" **if depreciation is not considered**, sufficiently generating cash to service debts. This is however a short-term view, and is not healthy in the long run considering the need for capital renewal to

⁷ Hammamet South is a good example, which attracted a number of hotel promoters, eventually resulting in the upward change in the number of hotel lots for the development.

maintain the physical assets in good conditions, sacrificing quality for relatively short-term financial return. This is apparently not desirable for the future of Tunisian tourism.

Table A7.1.15 Fixed Capital Formation for Hotels, Cafes, and Restaurants

Year	1991	1993	1995	1997	1999	2000
Fixed Capital Formation (current prices, million TD)	114	274	306	325	331	335

Note: 95% of the fixed capital formation in 1998 (TD 329 million) was used to build new hotel units and upgrade recreational activity.

Source: Central Bank of Tunisia, Financial Statistics, March 2000, and interviews with the Central Bank.

(2) Tourism Investment in Competing Countries

Other countries in the Mediterranean basin have been actively promoting their tourism, with one of the most important areas being the expansion of their accommodation capacity.

Available statistics, though collected in a limited scale, indicate this trend clearly, especially for Egypt and Turkey that are considered to be very active players in tourism development.

a) Egypt

Egypt has been expanding its accommodation capacity very rapidly as shown in Table A7.1.16. The pace of expansion in the Red Sea region is astonishingly high; Egypt is aggressively diversifying the product offerings into beach and marine tourism.

A high rate of expansion is expected to continue in the long run. The tourism sector strategy prepared by the Egyptian Ministry of Tourism (MOT) in 1996 projects the total accommodation capacity to reach about 141,000 rooms in 2012 (equivalent to about 282,000 beds).⁸

Importantly, Egypt is expanding capacity of high-standard hotels. The share of 5- and 4-star hotels in Egypt is much higher than that in Tunisia (Table A7.1.17). This trend is also indicated by active investment activities associated with international hotel chains undergoing in Egypt. In Sharm el Sheikh, for example, the new supply expected by 2005 includes hotels to be managed by Hilton (two hotels), Inter-Continental, Sol Melia (two), Le Meridien, Sheraton Four Points (two), and others.⁹ Their presence in Cairo has already been abundant, with more to be built in a few years.

⁸ One recent study conducted under the Egyptian MOT projects significantly higher capacity, reaching a total of 400,000 rooms in 2012 (equivalent to about 800,000 beds), of which the Red Sea region is projected to accommodate 200,000 rooms (about 400,000 beds), more than 8 times that in 1997.

⁹ Source: HVS International, Middle East Hotels – Trends and Opportunities

Table A7.1.16 Number of Hotel Rooms in Egypt

Tourism region	1993	1997	AAGR (% per year)
Cairo	20,233	22,598	2.8%
Nile Valley	6,879	18,874	28.7%
Mediterranean Sea	9,189	9,947	2.0%
Red Sea	3,032	23,579	67.0%
Desert and Oasis	118	259	21.7%
Total	39,451	75,257	17.5%

Note: AAGR is the average annual growth rate.

Source: Ministry of Tourism of Egypt

Table A7.1.17 Distribution of Hotel Rooms in Egypt by Category in 1997

Tourism region	5 star	4 star	3 star	2 star	1 star	Under classified*	Total
Cairo	48%	13%	22%	10%	3%	4%	100%
Nile Valley	34%	19%	15%	13%	9%	11%	100%
Mediterranean Sea	12%	15%	37%	20%	15%	1%	100%
Red Sea	26%	23%	9%	8%	2%	31%	100%
Desert and Oasis	0%	0%	0%	81%	19%	0%	100%
Total	34%	17%	21%	12%	6%	11%	100%

Note: * Under-classified hotels are those for which hotel classification has not been done by the Egyptian Ministry of Tourism.

Source: Ministry of Tourism of Egypt

b) Turkey

Turkey's accommodation capacity also grew in a large scale particularly along the coast. Total bed capacity of Turkish hotels along the Mediterranean and Aegean Seas combined is larger than the entire bed capacity of Tunisia (Table A7.1.18). The pace of capacity addition is also relatively fast, at an average growth rate of 7.4% per year in 1993-97, higher than that for Tunisia (5.5% per year in the same period).

In addition, the standards of Turkish hotels tend to be somewhat higher than in Tunisia (Table A7.1.19). Excluding holiday villages that hold a significantly higher share in Turkey, the bed share of 5- and 4-star hotels in Turkey (particularly that of 5-star hotels) is higher than in Tunisia. Moreover, even "boutique hotels" for high-paying clients are appearing in Turkey, symbolically representing the quality of its hotel development.¹⁰

¹⁰ "Boutique hotels" usually represent, though there is no precise definition, small-scale, luxurious types of hotels providing extra-deluxe services carefully attentive to individual guests. Currently, the prices of boutique hotels in Turkey range \$150-350 per night, whereas those elsewhere are typically priced at \$500 or higher per night.

Table A7.1.18 Number of Beds in Turkey (1997)

Region	Number of beds	% in total
Marmara	64,051	20.4%
Aegean	96,105	30.7%
Mediterranean	112,125	35.8%
Central Anatolia	23,561	7.5%
Black Sea	8,780	2.8%
Eastern Anatolia	4,734	1.5%
South East of Anatolia	3,942	1.3%
Total	313,298	100.0%

Note: Total bed capacity of Tunisia was 191,955 beds as of 1999.

Source: The Government of Turkey

Table A7.1.19 Number of Beds in Turkey by Category/Hotel Class (1997)

	5 star	4 star	3 star	2 star	1 star	Holiday village	Pension	Others	Total
Number of beds	57,344	48,091	70,021	51,088	12,297	49,889	6,233	18,335	313,298
%	18.3%	15.3%	22.3%	16.3%	3.9%	15.9%	2.0%	5.9%	100.0%

Note: 5-star hotels account for 22% of total bed capacity excluding that for holiday villages, and 4-star hotel for 18%. In Tunisia, these percentages are 10% for 5-star hotels and 26% for 4-star hotels (in 1999).

Source: The Government of Turkey

c) Morocco

In Morocco, though its beach products have been less developed than in Tunisia, it plans to undertake active beach resort development with the use of international expertise. A World Bank loan has been provided for a technical assistance program for the development of several beach resort developments.

In sum, these competing countries are aggressively expanding accommodation capacity (particularly of higher standard). In addition, active foreign investment and the investment associated with international hotel chains are undergoing in these countries.

(3) Investment Incentives

a) Capital Productivity and Investment Incentives

Based on the Investment Incentives Code (Law No. 93-120) promulgated in December 1993, a set of incentives has been provided to steer investment into the tourism sector (see the section of Laws and Regulations in Administrative Systems in this volume for specific provisions of the incentives).

The rationale for providing investment incentives for the tourism sector may include the following:

- the sector's importance to the national economy, mainly in terms of its contribution to GDP, foreign exchange earnings, job creation, and

regional economic development

- encouraging foreign investment in the sector
- reducing the investment risk involved which is relatively high particularly in hotel business requiring a large amount of upfront capital outlay

In addition to these, the current incentives include provisions for new promoters, small companies and small activities to encourage new and small entrepreneurs to actively participate in tourism businesses.

These incentives are extensive, and prove to be successful at least in steering a significant amount of investment into the sector in view of the active investment activities that have undergone in the past decade and still continue in a large scale.

At the same time, it should be noted that the productivity of capital put into the tourism sector in recent years is not high relative to other sectors when measured with the marginal productivity of capital.

Marginal productivity of capital = Δ (Value added) / Investment

As shown in Table A7.1.18, the marginal productivity for the tourism sector averaged 0.38 in 1995-1999, meaning that one additional dinar invested, on average, generated 0.38 dinar per year. This is lower than that for the entire economy (0.41) and that for two major productive sectors, agriculture/fisheries and manufacturing (0.46 for both), suggesting that the investment in tourism sector is somewhat less productive than that in other major sectors for the national economy.

Table A7.1.20 Marginal Productivity of Capital by Sector

Agriculture & fisheries	Mining	Energy	Manufacturing	Building & civil engineering	Hotels, cafes, restaurants	Transport & communications	Entire economy
0.46	1.27	0.17	0.46	0.94	0.38	0.21	0.41

Note: These figures are the averages in 1995-1999. Gross fixed capital formation was used for investment.

Source: Central Bank of Tunisia, Statistiques Financieres, September 2000.

There is no doubt that the tourism demand will continue to grow, and substantial capacity addition will be needed in order to exploit the growth opportunities (see the chapter of Demand Projections for these points). For meeting this need, it is recommended that incentives should continue to be provided for hotel investment. This is essential in view of the fact that competing countries (e.g., Egypt, Turkey) are providing equally generous incentives for tourism investment, and are in fact expanding their accommodation capacity at a fast pace as described above.

On the other hand, investment capital is a scarce economic resource, and its use should be as productive as possible for the prosperity of the national

economy as well as the tourism sector.

The key to achieving this is obviously *quality improvement*, which will enhance revenues and most probably profits given the amount of investment, thus raising the productivity of capital. This has two important effects:

- Improve the industry profitability from the current state that is well indicated by a high level of depreciation relative to the amount of revenue
- Attract a higher level of foreign investment (which has been low thus far) by signaling that the return on investment is improving and that hotel business in Tunisia is worth investing in.

The second effect (foreign investment) will benefit Tunisia mainly in two ways: (i) save limited domestic investment capital for potentially more productive activities in the economy, and (ii) contribute to quality improvement of Tunisian tourism.

It is therefore strongly recommended that the investment incentives for the tourism sector be partially revised taking account of their impact on quality, in addition to their main objective of steering investment into the sector.

b) Comparison of Investment Incentives

Investment incentives applicable to hotel investment in Tunisia are compared with those for Egypt and Turkey as shown in Table A7.1.21. Main features of the incentives in Tunisia include the following:

- Tunisia provides a greater variety of incentives, while those of Egypt are relatively simple but provide more generous incentives for the reduction of taxable income than in Tunisia.¹¹ The incentive regime in Turkey is similar to those of Tunisia.
- Direct monetary subsidies are used only in Tunisia (subsidies for investment cost), while Egypt and Turkey use in-kind subsidy (fee land allocation subject to the approval by the authority).
- Tunisia has incentives applicable only to the investment by new domestic promoters, while Egypt and Turkey do not. (Note that Turkey provides incentives specifically for small and medium sized enterprises, but these are applicable only to manufacturing, not to tourism.)

It is not a very simple task to draw a definite conclusion as to whether the incentives in Tunisia are more substantial, advantageous or effective than those in Egypt or Turkey. While Tunisia provides a greater variety of incentives, the extent of privileges offered in Tunisia are less than others for

¹¹ Egypt provides exemption of the corporate income tax for five years (tax holiday), which may be extended to ten years for companies and establishments to be created in areas including remote areas to be defined by a Cabinet decision. In addition, tax holiday for 20 years may be granted for those conducting the business in the areas outside the old valley that are to be defined by a Cabinet decision. These are considered more generous treatments than those provided in Tunisia in terms of the reduction in corporate income tax.

certain incentives commonly provided in these three countries. For example, Egypt provides more generous incentives than Tunisia in terms of the reduction in corporate income tax (see the previous footnote for this point). In addition, there are privileges available in other countries that are not provided in Tunisia (e.g., free land allocation).

What can be drawn from this comparison is that the incentives provided in Tunisia are considered modern and generous (at least comparable to those in Egypt and Turkey), and that in view of the investment trend, it can be judged that these incentives have significantly contributed to steering investment into the tourism sector in Tunisia.

Table A7.1.21 Primary Investment Incentives in Tunisia, Egypt and Turkey Applicable to Hotel Investment

Type of incentives	Tunisia	Egypt	Turkey
Deduction of taxable income	√	√	√
Reduction of customs duties on imported equipment	√	√	√
Exemption of other taxes (VAT, sales tax, etc.) on selected imported equipment	√	-	√
Exemption of taxes (VAT, sales, tax, etc.) on locally produced equipment	√	-	√
Accelerated depreciation	√	-	-
Incentives for regional development			
More generous tax incentives	√	√	√
Subsidies for investment cost, including the cost for a pre-investment study	√	-	-
Financial support for social securities	√	-	-
Reduction in electricity expenses	-	-	√
Possible free land allocation	-	√	√
Further incentives for new domestic promoters (subsidies for investment cost, etc.)	√	-	-
Exemption of capital gains tax on yields of publicly traded financial securities	-	√	-
Possible appropriation of state-owned land free of charge*	-	√	(√)

Note: *This provision may be applicable to any region in Egypt, while free land allocation is granted only to less developed regions in Turkey.

Source: Investment incentives laws and decrees in each country.

A7.2 RESTAURANTS

Approximately 250 restaurants were registered at ONTT in 1998 although registration is not compulsory. These restaurants are rated into 4 ranks (1-3 forks and 3 forks deluxe) by ONTT, which inspects them where necessary. The classification is based on the criteria on facilities, installation, materials, personnel, cuisine (variations, and recipes) and sanitary requirement, while the quality of food is not evaluated. Restaurants inside hotels are generally not under the supervision of ONTT.

Restaurants in Tunisia tend to be few in variety, with their types largely limited to Tunisian, Italian and French. Their menus also tend to be uniform. Only a few Asian restaurants exist even in the Tunis area. In addition, major tourist destinations other than Tunis, Hammamet, and Sousse have a limited number of rated restaurants (Table A7.2.1). In the tourist zone of Jerba, for example, there are few restaurants and bars outside of the hotels.

Table A7.2.1 Regional Distribution of Rated Restaurants in 1998

Region	3 forks deluxe	3 forks	2 forks	1 fork	Total
Tunis-Z	3	27	36	28	94
N-Hammamet	0	11	31	8	50
Sousse-K	0	4	19	17	40
Monastir-S	0	3	11	11	25
Jerba-Z	0	1	13	8	22
G-Tozeur	0	0	2	5	7
Bizerte-B	0	0	2	1	3
Tabarka-A	0	0	4	2	6
Total	3	46	118	80	247

Source: ONTT, *Le Tourisme Tunisien en Chiffres*, 1998

There are several factors explaining the lack of restaurants in some of the major resorts and other tourist destinations:

- First, beach tourists tend to take meals at their hotels that usually offer an all-inclusive type of services.
- Second, the pronounced seasonality tends to discourage people to run the restaurant business, particularly at beach resorts.
- Third, financial resources are not easily available to those intending to enter the business. Although restaurant business is an area eligible for long-term loans from development banks providing funds for tourism development (e.g., BNDT and BTKD), the priority tends to go to large-scale projects, partly because small projects such as restaurants are usually not well planned.
- Fourth, entrepreneurship and management skills in this area are still underdeveloped.

Apparently, the current market condition does not favor establishing restaurants and bars outside of the hotels. Given this market environment, the key to their increase (if intended) would be the provision of quality services sufficiently attractive to tourists. In Tunisia, the skills to run quality restaurants and bars are badly needed and should be developed.

A7.3 TRAVEL AGENCIES

Currently, there are about 320 local travel agencies in Tunisia (as of June 2000). The industry is regulated by ONTT under the decree No. 73-13 on October 17, 1973, which stipulates licensing requirements, types of the licenses, qualifications of the management staff, as well as other conditions.

There are two types of licenses. License-A firms are permitted to undertake tour operations, transport services, car rental, and representing other travel agencies (foreign or local) as well as booking and selling tickets, while the businesses of license-B firms are limited to booking and ticketing activities. More than 70% of the agencies are license-A firms (see Table A7.3.1), although many of them are small with their actual businesses limited to booking and selling tickets. The number of the agencies increased rapidly over the past decade, largely with small-sized new entrants.

Table A7.3.1 Number of Licensed Travel Agencies by Region

Region	License A		License B		Total	
	1998	94-98 Increase (% per year)	1998	94-98 Increase (% per year)	1998	94-98 Increase (% per year)
Tunis-Z	97	6.3	36	9.5	133	7.1
N-Hammamet	41	10.0	1	-	42	10.7
Sousse-K	27	22.5	9	3.0	36	15.8
Monastir-S	13	9.6	15	13.6	28	11.7
Jerba-Z	19	17.4	6	-6.9	25	8.6
G-Tozeur	16	27.8	5	5.7	21	20.4
Bizerte-Tabarka	6	4.7	8	0.0	14	1.9
Total	219	10.7	80	6.6	299	9.5

Source: ONTT, *Le Tourisme Tunisien en Chiffres*

Broadly, the industry is characterized by:

- 1 A limited number of large firms (tour operators) holding a fairly large share of the market, and
- 2 Fragmentation in terms of the number of firms and areas of activities.

The combined share of the two largest firms, Tunisie Voyage and TTS, is said to be about a quarter of the entire market. Other large operators include, among others, Cartage Tour, VLT, Atlantis Voyage, ATT, Europ Tour, TWS, and HTS. These larger firms own transport equipment to operate tours on their own. Most of them are affiliated with hotels in terms of the shareholding, with some of them also partially owned by European tour operators. (Note that up to 49% of foreign ownership is permitted.) They tend to compete with each other, particularly in pursuit of a close relationship with European tour operators sending a large number of European tourists to Tunisia.

There are a large number of small-sized travel agencies, each tending to specialize in particular types of travel arrangements and certain geographical areas. Some are specialized only in transport services or ticketing. Many of them (e.g., those in

the south) work closely with the larger operators mentioned above. Generally, these smaller agencies are financially weak, lacking in human and financial resources, ties with hotels, and transport equipment. Despite these difficulties, however, ONTT still receives a number of licensing applications from small entities.

A7.4 SOUVENIR AND HANDICRAFT

As in other countries, souvenir and handicraft shops are fragmented in Tunisia. Major cities have a well-developed traditional market, *souk*, which concentrates a number of small-scale souvenir and handicraft shops as well as local shops selling goods for daily use, attracting both foreign tourists and local people. Smaller cities also have a variety of souvenir and handicraft shops, if not concentrated in a particular area.

Major handicrafts locally produced include carpets, jewelry, trimmings, ceramics, perfume products, and wood curvings. Nabeul is well known for ceramics, and Kairouan for carpets. Table A7.4.1 indicates the available souvenirs and handicrafts in Tunisia.

Souvenir and handicraft shops in the country are partially registered at ONAT (Office National de l'Artisanat), although registration is not compulsory. ONAT designates the shops of higher quality as "recommended shops," totaling 82 across the country (29 in Tunis, 14 in Nabeul, 14 in Sousse, 12 in Kairouan, 4 in Monastir, 3 in Mahdia, 5 in Medenine, and 1 in Tozeur). A brochure of these shops is prepared by ONAT, but is hardly visible in each of these cities, making tourists select the shops by themselves, or rely on the instruction of tour guides.

Production of handicrafts has been fully privatized in Tunisia. Nearly all of the souvenir and handicraft shops are run by the private sector, with the exception being SOCOPA, a state-owned enterprise under the supervision of ONAT, owning shops and selling handicrafts purchased from private producers and craftsmen, although its share is considered a small fraction relative to the total market size.¹²

¹² The estimate of total handicrafts sales is not readily available. The registration of souvenir and handicraft shops at ONAT began in 1994, on a voluntary basis, mainly for providing investment incentives. There are a large number of shops not applying for ONAT's authorization, making ONAT unable to estimate the total sales.

Table A7.4.1 Available Souvenirs and Handicrafts in Tunisia

Products	Places	Note / impression
Traditional Handicrafts		
Ceramics	Nabeul, Moknin, Jerba	monotonous
Carpets	Kairouan, other regions of Sahel	
Weaving	Berber	Quality improvement needed
Bird Cage	Sidi Bou Said	Mostly not practical
Silver and Brass Articles	Desert area, others	Design and quality improve
Glass Articles		
Various Accessories		
Traditional Clothes	Medinas	
Traditional Cap	Medinas	
Tunisian Taste		
Olive & Olive Oil	Southern area	Bottle improvement needed
Harissa	Anywhere	
Dates	Desert area	Package improve needed
Sweets	Kairouan, others	Package improve needed
Spirits	Tunis, others	
Spice	Kairouan, others	
General Souvenirs		
Rose de Sahara	Desert area	
Puppets	Almost tourist sites	Camel, etc.
Leather products	Almost tourist sites	
Perfume products	Medinas	
T-shirt	Almost tourist sites	monotonous
Postcards	Almost tourist sites	monotonous
Books	museum, archeological site, etc.	

Source: JICA Study Team

A7.5 TOURIST TRANSPORT SERVICES

A7.5.1 Car Rentals

Currently, there are 110 rent-a-car companies in the country (as of end-July, 2000), owning vehicles for rent totaling about 5,400. One major issue in the industry is a relatively high rental cost, comparable or even higher than that in developed countries. Tourism industry leaders claim that the high rent-a-car cost is among the major factors for foreign vacationers largely confined to hotels and beaches without moving around by renting cars, and that it is also a major obstacle to developing apartment-type hotels in the country although they are one of the Europeans' favorite types of lodging.

The rent-a-car industry is regulated by the Ministry of Transport under the decree No. 91-962 of July 17, 1991, which stipulates licensing requirements, conditions for its approval, and various operating requirements as well as other conditions (including penalties, and requirements for drivers to operate vehicles for rent). Any rent-a-car company should operate with at least 25 cars that meet the standard and requirements designated by the decree, while the government provides price setting freedom for the industry.

There are several factors responsible for the high rental fees. First, the customs duty imposed on vehicles for rent is higher than that for privately used cars. For example, the purchase price of a passenger car with 1.1-1.3 liter is TD15,000-16,000 for rent-a-car companies, higher than that for the general public by the order of TD3,000-4,000. Second, the insurance premium is considered high partly due to a relatively higher rate of traffic accidents caused by rent-a-cars. Third, the import of cars for rent is controlled by the government, making the companies unable to increase their vehicles on their own, thereby potentially limiting the supply of rent-a-cars in the market.¹³ Fourth, competition tends to be controlled, at least to some extent, by the industry itself that seems to be relatively well organized, with the trade association (Syndicat des Loueurs de Voitures) playing an important role, particularly in car imports. Fifth, the resale price of vehicles is getting lower due to the growing number of cars available in the country.

A7.5.2 Air Transport

In 1999, the total number of passengers carried by air to and from the airports in

¹³ The import procedure for rent-a-cars is as follows: the trade association (Syndicat des Loueurs de Voitures) collects the request of each of its member firms for car imports, then discussing with the Ministry of Transport (MOT) on the total number of cars to be imported as well as its bases. Based on this discussion, the MOT makes a request to the Ministry of Commerce (MOC) for the import quota for the industry. In response, the MOC decides the actual quota, which will then be allocated by Syndicat to its member firms. While this current procedure indicates strong government control on the industry, the extent of control was even stronger prior to 1996, in which the MOT (instead of Syndicat) was responsible for allocating the imported cars to rent-a-car companies.

the country (both international and local) amounted to 9.4 million, up from 5.1 million in 1990 and from 7.0 million in 1994. The international traffic in 1999 was 8.7 million (93% of the total), of which 61% (5.3 million) was carried by charter flights, indicating the importance of charter services for the country's tourism. It is also estimated that about a half of the passengers carried by international scheduled flights are tourists. The charter traffic grew at an average rate of 8.1% per year in 1990-99 and 6.8% in 1994-99, while the annual rate of increase in the international scheduled traffic was 5.6% in 1990-99 and 6.8% in 1994-99.

The country's air transport market appears to be fairly liberalized. The Ministry of Transport (MOT) is responsible for approving a newly created air transport operator, and the Office of Civil Aviation and Airports for the approval concerning operation of the existing airlines (route, new flights, schedules, etc. for both scheduled and charter flights). According to an MOT official, the approval of a new flight is issued basically on a first-come-first-served basis if necessary conditions are met, with no priority given to either charter or scheduled flights. For the charter service that plays an important role for the country's tourism, foreign operators account for more than 50% of the total charter traffic.¹⁴

There are three Tunisian airlines: Tunisair,¹⁵ a national carrier, operating international scheduled and charter flights; Nouvelair, a privately owned carrier, currently focusing on charter services; and Tuninter,¹⁶ operating domestic scheduled flights and having started providing charter services as well. Nouvelair has received authorization to operate scheduled flights although it has not started the services. The functions of these three airlines are no longer clearly divided.

One issue in the Tunisian airline industry, though it appears not so significant for the country's tourism, is a declining market share of Tunisair whose traffic has grown roughly at an average rate of 3% per year in recent years, compared with about 6% per year for the total traffic. Tunisair is in a relatively weak competitive position compared with world's major airlines, with its network largely limited to mid-range routes, including those with Europe, Middle East, and Africa. The traffic to and from Europe accounts for about 80% of the airline's total traffic.

In addition, it is widely recognized that Tunisair is a high cost carrier particularly because of too many staff, ranging from about 5.6 thousand to 7 thousand employees depending on the season.¹⁷ This seems largely because Tunisair is a national carrier with both commercial and political objectives. It also suffers from seasonality of demand as its relatively limited network serves, for a large part, European tourists visiting the country during the high season. Moreover, it is in a

¹⁴ The remaining traffic is carried almost entirely by Tunisair and Nouvelair. The market share of Tunisair is higher than that of Nouvelair by the order of 10 percentage points.

¹⁵ The majority (75%) of the shares of Tunisair is held by the Government, 20% traded on the Tunisian stock market (resulting from the initial public offering made in 1994), and the rest held by Air France.

¹⁶ The majority of the shares of Tuninter is held by fragmented private shareholders, with the rest held by Tunisair.

¹⁷ There is an expert view that the current traffic of Tunisair can be handled by significantly less workforce.

very weak bargaining position against large European tour operators without having strong ties with them. Tunisair claims that it loses money in the charter market, although the entire company has been profitably operated since the mid-1980s.

On the other hand, Nouvelair, a purely private firm currently focusing its business on charter services, is considered efficiently operated and appears to be profitable. It has affiliated tourism-related firms including one of the largest domestic tour operators (TTS) and hotels, capable of providing vertically integrated travel services. According to an MOT official, the Ministry is not receiving complaints from Nouvelair about the charter market.

Tuninter, still specializing predominantly in domestic flights, suffers from financial problems, and its entry into the charter market is intended to cross-subsidize the loss-making domestic flights. The Government is seeking effective solutions for improving its performance.

A7.6 KEY ISSUES

A7.6.1 Hotels

Based on the interviews with those (in both public and private sectors) engaged in hotel and other related businesses in the country, the Study Team believes that the hotel industry in Tunisia faces a structural problem that inhibits quality improvement, making it difficult to break away from the position of a budget (and lower quality) destination relative to many of the Mediterranean competitors.

On the one hand, hotels are suffering from rising investment and operating costs that are difficult to control and from a high level of interest rates. On the other, low room tariffs tend to force promoters to spend less for hotel staff and facility maintenance in an attempt to secure profits, thereby restricting their capacity to improve service quality. Relatively low quality allows foreign tour operators to control tariffs, forcing hotels to a common, low price level. Moreover, the growth of capacity of a similar standard, which is occurring in the major tourist concentrations, widens the choice of accommodation (of similar types), tending to increase competition among hotels, putting them in a more difficult bargaining position.

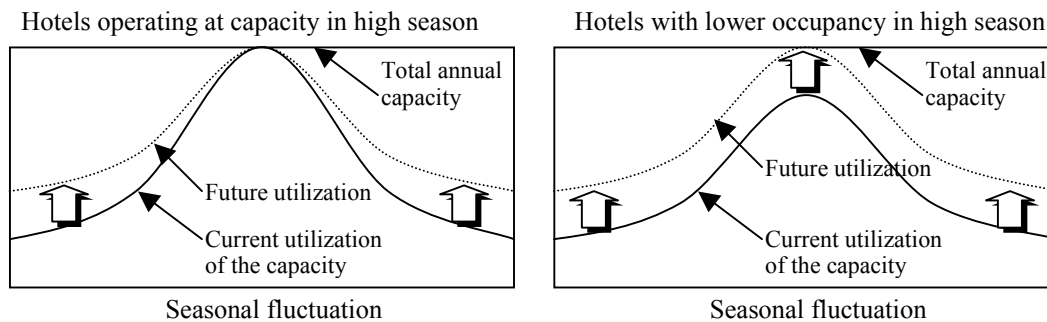
While it is absolutely necessary for individual hotels to make the utmost efforts to improve quality and outreach the market without heavily relying on European tour operators, the Government should create the environment that will strengthen the industry and help them enhance revenues, thereby achieving the quality improvement. Desirable directions should include the following:

(1) Reducing seasonality

The efforts to reduce seasonality will strengthen the revenue base, thereby helping the industry finance the quality improvement efforts as illustrated in Figure A7.6.1. Hotels in the existing major tourism cores (e.g., those in N-Hammamet, Sousse-K, Monastir-S, and Jerba-Z), which generally operate with high occupancy in summer, should improve their occupancy during low seasons (as illustrated in the left figure). Those in other regions, particularly in G-Tozeur, should improve the operating performance all the year round (the right figure).

It is strongly recommended that active product diversification efforts in concert with aggressive marketing and promotion be made with a strong initiative of the Government, particularly in the development of cultural and Saharan tourism that will contribute to improving the occupancy during low seasons.

Figure A7.6.1 Immediate Financing Source for Service Quality Improvement (Schematic)



Source: JICA Study Team

- (2) Need for competitive process and infusing international expertise for drastically improving quality

While steady and persistent efforts for quality improvement are essential on the part of the existing hotels, it should also be recognized that whether Tunisia can *substantially* change the overall image of a budget destination depends largely on the images that will be created by accommodations and beach products to be newly developed in the future. This has been true of the recent improvement in the perception of European tour operators about the quality of Tunisian hotels, which seems due largely to the high-standard units built in recent years.

One effective and promising way is to introduce a highly competitive process for resort development, exploiting the world's most sophisticated expertise from the conceptual planning stage. The use of foreign expertise is the area that has been significantly under-exploited for resort development in Tunisia, with its active use potentially leading to drastic improvement in the quality of Tunisian beach products.

- (3) Rearrangement of investment incentives

As discussed, the impact of investment incentives on quality of the hotel industry should be taken into account, in addition to their main objective of steering investment into the sector, particularly in terms of the following:

- a) Equal treatment among promoters

It is not practical to distinguish the quality of investment and provide incentives accordingly. However, any preferential treatments that might potentially lead to lower quality than otherwise should be avoided. In Tunisia, specific incentives for new domestic promoters are provided for hotel investment as well, but this special treatment should be eliminated in the case of hotel investment, and these promoters should be treated equally to other promoters (local or foreign) who still can be provided with common incentives as well as specific incentives for regional development.

Obviously, this provision for new domestic promoters is partly to encourage

those with innovative ideas (though less experienced) to invest in certain sectors, thereby vitalizing the sectors. In the case of the hotel industry, however, it is reasonably judged that the “infant” stage has already been passed with a significant amount of investment having been made over decades, and the industry is already in a stage where the quality of investment is among the crucial elements. In addition, this differential treatment is not desirable in view of the international norm of treating local and foreign investors equally (as is done in other countries including Egypt and Turkey).

(Note that it is recommended that this type of preferential treatment be maintained for smaller scale tourism-related activities such as restaurants and entertainment activities that should be developed more actively in Tunisia.)

b) Retaining and strategically using specific incentives for regional development

It is necessary to retain the provision of more generous incentives for regional development (than the common incentives) to steer investment into the areas where tourism development will strategically be undertaken. These areas should include (as currently specified) the Sahara area (for Saharan tourism) and the South (for mountain tourism and tourism for berber life and culture), both of which are among the important target areas for development proposed in this study.

These privileges should be used strategically, not just for increasing the accommodation capacity in these areas, but particularly for creating hotels with architectural design symbolically representing these areas (e.g., Sahara, oasis, typical natural landscape for the Sahara area, with a good example being Tamerza Palace; and Berber culture, magnificent natural landscape typical to the area, and unique and magnificent feature of Ksar, e.g., those on the top of mountains, for the South), which themselves can be a tourist attraction, and can attract high-paying tourists. These accommodations are expected not only to contribute to the areas’ development, but also to drastically improve the quality of tourism in these areas.

One measure is to provide some of the specific incentives only for the investment in these types of hotels (e.g., subsidies for investment cost) while others (e.g., generous tax incentives) to be granted for all types of hotels.

Desirably, direct monetary subsidies should be minimized to the extent possible (as other countries do) in order to avoid potentially excessive investment going beyond the optimal level (which will also help the government use its scarce resources as productively as possible), but may be justified (as proposed above) for the nation’s strategic objective to create high-standard accommodations that symbolize the areas which will actively developed.

c) Need for steering investment into rehabilitation and renovation of Medinas

Though this is not only for hotel investment but for tourism activities in general, it is recommended that generous incentives and privileges be provided for rehabilitation and renovation of Medinas for tourism purposes (presently low interest loan is available only for dwelling purpose), including conversion of existing buildings into fancy hotels (e.g., those in traditional architectural style), restaurants, and cafes, targeting international tourists in particular. These investments will contribute significantly to providing more tourist services and enhancing attractiveness and entertaining atmosphere of Medinas which are the primary tourist sites in urban areas and are targeted for development in this study.

(4) Competition in the financial industry

This is an issue that is related not just to the tourism industry, but to the entire economy. Currently, hotels suffer from a high level of financial costs. This appears to be partly due to a lack of competition in the financial sector. There are however good sign of environmental changes. With the restructuring under way of the financial sector and entry of Tunisia into the European and international trading system, the financial costs are expected to be lower due to competition to be brought into the financial sector. In addition, foreign capital sources such as investment banks, pension funds and insurance companies would be more willing to make long-term loans to tourism projects. There is no doubt that liberalization in the financial sector is desirable from the perspective of the tourism sector that plays a significant role in the Tunisian economy as well as for the economy as a whole.

A7.6.2 Restaurants

While the market environment is generally not favorable to establishing restaurants and bars outside of the hotels, some restaurants are successfully running their businesses at major tourist destinations (e.g., Hammamet). Their customers are mostly local people coming to the resorts, though attracting some foreign tourists as well. They operate only in the high season, and often specialize in certain types of foods (e.g., seafood, French, Asian, etc.). Their success suggests the importance of innovative ideas, market analysis, targeting, service quality, and efficient use of resources (e.g., operating at beach resorts during summer, and shifting their resources to restaurants they also operate elsewhere (e.g., Tunis) during the rest of the year) rather than the assistance from the Government. Their experiences show that there is a potential for success even under the current market environment.

Developing business skills would be an immediate need for promoting the establishment of more quality restaurants at major tourist destinations. The Government may have a role to play on this, for example, through disseminating good business practices, providing programs and seminars for business skill development, and providing high-quality training programs for developing cooking skills. Administratively, it is recommended that ONTT should focus

more on promoting the industry and phase out its responsibility for rating and inspection of restaurants.

Another important issue is an extremely high rate of customs duties (more than 500%) imposed on alcohol imports. This policy seems to be due to social reasons (restraining the consumption of alcoholic beverages) as well as for protecting their domestic producers. Because of this, imported alcohol products are virtually unavailable in the country, significantly narrowing the choice of products for foreign tourists. This is also a major obstacle to opening bars and nightclubs to serve foreign visitors. From the viewpoint of tourism development, it is recommended that the customs duties on alcohol imports should be reduced significantly.

A7.6.3 Travel Agencies

Although ONTT is making efforts particularly focusing on maintaining and improving professional qualification of travel agencies, its actual operation is somewhat far from achieving this mission partly due to a lack of personnel and the relatively poor state of supporting systems (particularly the computer systems).

While the industry has been relatively well developed in terms of the size, it is recognized by the industry itself as well as ONTT that Tunisian travel agencies substantially lack modern skills and professionalism in various aspects including product development, arrangement of tours and transport services, marketing, brochure development, and leasing arrangements. Even larger firms tend to face these problems although they are equipped with modern transport equipment and are fully capable of issuing tickets. Modernization is an immediate need of the industry.

The government may have more of a role to play in modernizing and strengthening the industry. However, much of the time of the ONTT personnel responsible for supervising the industry (currently, four in total) is spent dealing with new licensing applications that keep on coming¹⁸, dealing with processing claims on delayed payments for air tickets (mostly against small agencies), with activity reports from the travel agencies (which is required by the law), and with keeping track of even the basic information on the agencies (e.g., their office addresses, telephone and fax numbers that change from time to time, mostly for small agencies). Besides the lack of personnel, these day-to-day administrative jobs are carried out without the help of computer systems.

Although there is a plan to revise the decree regulating the industry (particularly for facilitating the licensing approval process), the lack of resources prevents ONTT from even starting preparation work for the revision. In view of the urgent need for modernizing and strengthening the industry, it is recommended that in

¹⁸ This requires several steps before the final approval is granted, further consuming the scarce resources of ONTT.

revising the decree, measures should be considered that will contribute to strengthening the industry, possibly through raising the qualifications and imposing more strict sanctions for the failure to meet the requirements for their operations.

A7.6.4 Souvenir and Handicraft Industry

In general, the following issues to be solved were identified:

a) Design and Kinds

- There are few products that are particular to Tunisia. There is also not much variation in product characteristics across regions within the country.
- Their designs are generally not attractive enough to foreign visitors.
- Many of the major products are fairly bulky and are not convenient for carrying, including ceramics, metalwork, and carpets.
- Most of the products are sold separately, with few set packages (with a multiple of products) available.

b) Product Quality and Functions

- Generally, the overall product quality tends to be lower than what can normally be expected elsewhere at the same price (e.g., wool products, metalwork, etc.).
- There is often no label placed indicating materials used.
- There are few products that are for practical use.
- The design of products for decoration is generally unattractive, or less attractive than those available in competing countries.

c) Shops

- The kinds of products and their display tend not to vary considerably across the country as well as among the shops recommended by ONAT.
- There are only a few shops specialized in high-quality products. SOCOPA, a state-owned organization running souvenir shops, sells these products although their display is generally not attractive enough to foreign visitors.
- Very simple packaging and wrapping are dominantly used, not satisfying the needs of some of the foreign visitors.

In order to improve the quality of souvenirs and handicrafts, ONAT has been making efforts, undertaking quality control, particularly for export purposes¹⁹; issuing a professional card for craftsmen²⁰; providing funds for qualified

¹⁹ For carpets, ONAT places a label for quality guarantee based on its own inspection that is considered relatively well established. They cannot be exported without the ONAT's label. Other products (e.g., ceramics, leather goods, and copper trimmings) also require a certificate of ONAT for exporting, although ONAT recognizes a need for improving its quality control process for these products.

²⁰ ONAT began issuing a professional card in 1989, with the total number of issuance reaching 80,000 out

producers; and operating its own handicraft workshop mainly for creating innovative products. These efforts should be encouraged and expanded in parallel with well-organized tourism development projects, as the target clientele is absolutely needed for the successful industry.

A7.6.5 Car Rentals

The high cost for car rentals in Tunisia appears to be partly attributed to the government control on the industry, although several steps have been taken to strengthen the industry and liberalize the market in the past several years.

In 1994-97, the Government temporarily suspended the approval of new rent-a-car companies in order to strengthen the existing firms, e.g., help them meet the minimum number of required vehicles (25 vehicles) by allocating import quota for those with insufficient number of cars. In 1997, the Government restarted approving new entrants into the market with a simplified approval process. As a result of these measures, the number of rent-a-car companies increased fairly considerably, reaching 110 companies by July 2000.

Further liberalization would be needed to make car rentals more affordable and common to foreign tourists, with potential measures including:

- reduction in the customs duty, and
- easing the import control.

One rationale for imposing the current level of tariff is relatively strong financial performance of the rent-a-car industry. It is considered that the industry as a whole can afford to pay the current vehicle prices and operate profitably.

The industry's strong financial performance, however, tends to result partly from the car import control, limiting the total size of the supply and possibly enabling them to keep the price level relatively high. There appears to be a room for further liberalizing the market, thereby stimulating competition in order to bring the prices down and increase the supply.

This way the industry will gain more competitiveness, and the tourism sector will benefit from better mobility of foreign tourists, thereby contributing to the viability to increase apartment-type hotels, one of the favorite types of accommodations for Europeans.

A7.6.6 Air Transport

The current institutions for air transport services appear more or less appropriate from the standpoint of tourism development, with a fairly liberalized approval system aiming at encouraging growth through competition. In fact, the traffic has been growing steadily with foreign carriers increasing their share in the market.

Important issues are more on strengthening the government-affiliated carriers (Tunisair and Tuninter), possibly toward improving their operating efficiency, network expansion, establishing strategic alliances and/or joint operation with foreign carriers, and developing stronger and more effective marketing channels.

Operational issues such as routes, frequency, etc. are found in Chapter 10 of Volume III.

A7.6.7 Response to Competition and Globalization in International Tourism

(1) Pressure of international competition and globalization

In the global tourism market, competition has been increasingly intensifying in various forms: worldwide competition among different destinations, among international air carriers, among tour operators, among international hotel chains, etc. This internationally competitive environment affects, and is affected by, the globalization process both on the supply side and on the demand side.

On the supply side, the business has been increasingly dominated by global airlines, hotel chains, and tour operators. These globally acting players already have branches throughout the world and cover major aspects of international tourism demand with their global distribution systems. Strategic alliances, other forms of cooperation, and/or mergers are additional driving forces of the globalization process. Moreover, the use of modern information and communication technologies, in connection with the various forms of horizontal, vertical and diagonal integration, accelerates the globalization of these players. This globalization process tends to intensify the international competition, further driving down the travel costs that have already been lowered considerably.

Tourism demand has also been “globalizing” through various factors including the increasing income, saturation of demand for visiting traditional destinations, emerging new motivations, and changing lifestyles. In addition, tourists are more experienced and knowledgeable, many seeking for new destinations and experiences. The “globalization” in tourism demand tends to accelerate, and be accelerated by, international competition and globalization in tourism industries.

(2) Need for globalizing Tunisian tourism industries

As other destinations, Tunisian tourism is in the middle of these globalization processes and is under a severe pressure of the international competition. Under this environment, globalization and alliances, in addition to taking appropriate measures for overcoming the issues discussed above as well as those raised

elsewhere in this volume, are among the major factors for enhancing international competitiveness of Tunisian tourism.

Globalization and alliances with the global distribution systems will provide the Tunisian tourism industries with the opportunities to gain expertise available internationally as well as professional skills of global standard and to utilize the marketing channel developed by the globally acting players.

Given the scale of these players and the extent of globalization that has been established by them, it is not practical or effective for Tunisian tourism industries to challenge this external force face to face, at least in the short to medium term. It is much more effective to attempt to form an alliance with them and utilize their power and capability to the advantage of Tunisian tourism. This of course requires utmost efforts on the side of Tunisians to improve their own capabilities; otherwise there is no way for potential foreign partners to find partnering attractive.

For hotels, efforts should be made to attract top-notch international hotel chains. This is the top priority for globalizing the Tunisian hotel industry. By partnering with them, their marketing channels will be immediately available, and these chains will make efforts to meet their own specifications in terms of quality of facilities and services.

For tour operators, forming an alliance with foreign tour operators, both general and specialized, is essential as currently practiced by several Tunisian tour operators. In order to satisfy as many clients as possible and attract a greater number of visitors, incessant efforts for quality improvement are needed, actively getting feedback from tourists and foreign partners and responding to the clients' needs in earnest. The partnership should not be limited to cooperation in tour operation, but should be extended to competitive product development and marketing.

Increasing the firm size of tour operators and vertical integration or cooperation inside Tunisia are also important for reducing the proportion of fixed costs in their cost structure, for providing a bundle of services smoothly and at lower costs, and for increasing bargaining power against foreign tour operators. Currently, most of the Tunisian operators are of very small scale, being faced with disadvantages in terms of service quality, operating efficiency and financial capacity. This seems partly because this industry is still at a developing stage, with a number of new entrants still coming into this business. However, the existing industry leaders as well as new entrants into tour operating business should be aware of the advantage to increase the firm size, particularly in the face of increasingly powerful and demanding foreign tour operators.

For airlines (as described earlier), it is essential to establish strategic alliances with their forms depending on what is to be accomplished, including joint operation with foreign carriers, other forms of cooperation in operation, and developing stronger and more effective marketing channels in alliance with

appropriate partners.

All these above are largely associated with corporate strategies rather than government policies. All the industry leaders should be aware of the globalizing trend in tourism, enhance their firms' capability, and actively seek for the opportunity to make an appropriate form of alliance with the partners best suited to them, foreign and/or local.

The government can provide the industry leaders with the occasions to educate them and widen their views, particularly in terms of globalization, its effects and desirable corporate strategies.

A8 HUMAN RESOURCES

A8.1 LABOR FORCE IN THE TOURISM INDUSTRY

Table A8.1.1 shows the employment in hotels and restaurants. The employment in the tourism sector is unevenly distributed by region and sex. The majority of employment is in urban area (88.7%) and male (90.5%).

Table A8.1.1 Employment in Hotels and Restaurants

Urban			Rural			Total		
Male	Female	Total	Male	Female	Total	Male	Female	Total
66,686	7,631	74,317	9,114	365	9,479	75,800	7,996	83,796
79.6%	9.1%	88.7%	10.9%	0.4%	11.3%	90.5%	9.5%	100.0%

Source: INS, Enquete Nationale Sur L'Emploi, 1997

According to the Central Bank of Tunisia, the total number of jobs directly attributable to tourism is approximately 74 thousand, while 230 thousand jobs are partially dependent on tourism. In 1998, the industry generated 3,000 new direct jobs and 9,000 indirect jobs. An ONTT study in 1997 pointed out that the addition of 15 new beds creates five direct hotel jobs and one job of indirect employment in restaurants and other tourism sectors. Each new job in the hotel sector generates three indirect jobs in other sectors (handicraft, 1; agriculture, 0.7; construction, 0.3; and others, 1).

The Study Team conducted an employment projection till the year 2016. Table A8.1.2 shows the estimation of an increase in direct and indirect employment when the proposed National Plan is implemented. Details are discussed in Chapter 7 and 9, Volume I.

Table A8.1.2 Estimates of Impacts of National Plan Implementation on Employment

	1999	2006	2011	2016
<i>Scenario A</i>				
Direct employment	90,216	119,511	145,719	173,146
Hotel	68,637	90,714	110,470	130,891
Restaurants	15,159	19,957	24,304	28,796
Other tourism	6,420	8,839	10,945	13,459
Indirect employment	233,737	298,109	354,138	421,019
Total employment	323,953	417,619	499,857	594,164
<i>Scenario B</i>				
Direct employment	90,216	113,259	136,650	156,814
Hotel	68,637	85,969	96,415	106,609
Restaurants	15,159	18,913	21,211	23,454
Other tourism	6,420	8,377	9,724	11,159
Indirect employment	233,737	285,807	321,651	359,829
Total employment	323,953	399,066	458,301	516,643

Source: JICA Study Team

A8.2 TRAINING SYSTEM

A8.2.1 Strategy for Hotel and Tourism Training

The Strategy for the Development of Hotel and Tourism Training was elaborated in 1997 by the Ministry of Professional Training and Employment and the Ministry of Tourism, Leisure and Handicraft in cooperation with the Tunisian Hotel Federation (FTH) and the Tunisian Federation of Travel Agencies (FTAV). This strategy is based on four principles:

- 1 Integration into the national system of professional training and education,
- 2 Interaction and partnership with the professional world,
- 3 Development of private training, and
- 4 Development of international cooperation.

Table A8.2.1 summarizes the Action Plan to implement this Strategy. This plan has four components:

- 1 To develop initial public training,
- 2 To develop continuous public training,
- 3 To develop a private training system, and
- 4 To establish norms concerning employment and qualifications in the sector.

Table A8.2.1 Action Plan for the Development of Hotel and Tourism Training

Action	Period	Actors
1. Preliminary Study Study on continuous training needs Analysis of employment needs generated by new tourist products. Inspection of present training establishments	1999	MTLA MFPE FTH FTAV
2. Development of continuous training Thematic program to address specific needs. Establishing annual programs. Developing continuous training at basic training establishments. Elaborating diagnosis and a plan to enhance training at hotels.	1999 2000 1999-2000 2000	MTLA MFPE FTH, FTAV
3. Development of public training Upgrading of the present training system Modernization of the existing hotel schools HRD in the training establishments Enhancing the value of learning Restructuring of ISHT Converting 2 application hotels into training centers. Creation of new establishments Training center for hotel techniques in Tabarka and Hammamet. Training teachers and tutors at alternated training	2000-2001 2000-2005 1999-2000 1998-2003 1999-2000 1999-2000 1999-2000 1999-2000	MTLA MFPE FTH, FTAV CAFOC
4. Private training Study on the training conditions by EPFP and cabinets. Standardization of subjects and programs. Identification of new measures to encourage and support investment in private training. Evaluating and enhancing the quality of private training.	1998-1999 1998-1999 1999 1998-1999	MTLA MFPE
5. Establishing norms concerning employment and qualifications in the sector.	1999	MTLA MFPE

Sources: ONTT, JICA Study Team

A8.2.2 ONTT Activities

The major current activities of ONTT are:

- Implementing a strategy to reform the national system of hotel and tourism training: Together with MFPE, FTH and FTAV, MTLA is reforming the training system in order to integrate it into the national system of professional training and education and ensure an adequate relation between training and employment. This strategy also includes the development of private training.
- Consolidating and upgrading the public training system: This involves (a) modernizing hotel schools; (b) consolidating the training mode by combining theory and practice (alternation system); (c) increasing the training capacity; (d) recruiting technical teachers; (e) reinforcing the technical and pedagogic training for teachers; and (f) restructuring ISHT.
- Reinforcing international cooperation: ONTT is making direct contacts with European countries to obtain study and training scholarships for both students and teachers. It has also consolidated its relations with Switzerland (International Center of Glion), France (CAFOC of Toulouse, the Academy of Nice), Germany (hotel enterprises of Bayern and Munsten), Belgium (Higher Institute of Namur), and Portugal (High School of Hotel and

Tourism of Estoul).

- Improvement and placement of hotel personnel: Hotel school teachers as well as Tunisian and foreign experts have organized professional events (e.g. seminars) in different regions. As for employment, recruitment campaigns for graduates were held in some hotels in 1999.

A8.2.3 Relevant Training Institutions at Vocational Level

This section describes the degrees offered by hotel and tourism institutes. It then lists the training institutes regulated by the Ministry of Tourism, Leisure and Handicrafts as well as professional training. The Ministry of Higher Education also offers a degree (DESS) in tourism at the Institute of High Commercial Studies (IHEC). The courses in Hotel and Tourism Management emphasize work-based learning and require students to take a 15-month training in two years at tourism enterprises, namely hotels and travel agencies. While theoretical courses are held at IHEC, technical training sessions are provided at ISHT. Students are also required to take at least one foreign language, German or English in particular. 24 students were enrolled in the institute in 1999. The following degrees are offered by other training institutes.

Certificate of Professional Aptitude (CAP) is obtained after one year of training in housekeeping. The level of education required for admission is the completion of the second year of secondary school.

Degree of Professional Technician (BTP) is obtained after two years of training in reception, restaurant/bar, housekeeping, laundry cuisine or patisserie. The level of education required for admission is the completion of the third year of secondary school.

Degree of Superior Technician (BTS) is obtained after two years of training in travel agency and tour guide skills or after three years of training in catering and accommodation. The level of education required for admission is BTP or baccalaureate.

(1) Public Hotel Schools

There are seven public hotel schools in Tunisia. Data concerning the courses and the number of graduates are shown in Table A8.2.2 below.

These schools offer only the BTP and CAP. None of them provides Guide, Management, Travel Agency, and other specific courses such as event/entertainment management. The education system in these schools is based on two parts (1) work-based learning which consists in alternating the training sites between the school (both theoretical and practical) and hotels (practical) as shown in Table A8.2.3, and (2) three-month obligatory practical training at hotels during summer each year. Table 8.2.4 shows an alternation calendar at the Oriental Hotel Apprenticeship Programme (OHAP) that has enjoyed a great reputation in the hotel industry. According to OHAP, a key concept is that theory

is kept basic and that practical training is emphasized. This coincides with the views of Tunisian hotel personnel that practical training should be enhanced at training institutes.

(2) Higher Institute of Hotel Business and Tourism (ISHT)

ISHT was established in 1976. It offers two degrees; BTS and BTP. BTS is offered for two areas of study; Hotel Management (housekeeping, reception, cuisine, restaurant, or patisserie) and Tourism (travel agency or tour guide). Courses last for two years, however, the Hotel Management course can be followed by a one-year preparatory course either in foreign languages or technical skills. Students have to take a three-month practical training each year either at hotels or travel agencies. In 1999, 138 students obtained a BTS (29 in Cuisine, 22 in Restaurant, 15 in Patisserie, 13 in Housekeeping, 18 in Reception, 20 in Guide and 21 in Travel Agency). The BTP courses (housekeeping and reception) last for two years. 28 students obtained a BTP in 1999; 12 in housekeeping and 16 in reception. The number of teachers (30 in 1999) is sufficient (1 per 12 students). However, the kitchen facilities and equipment, which were introduced 24 years ago when the institute was established, are getting obsolete.

The procedures to elaborate teaching programs for ISHT and other public hotel schools involve conducting needs analysis at the level of the targeted industries (e.g. hotels) and consulting with both local and foreign instructors/experts to establish an inventory of the competencies to be attained. The resulting recommendations and program are then validated by ONTT, MFPE and Labor Union. Programs are evaluated every five years in order to accommodate new needs and developments.

Since 1998, ONTT has been cooperating with CAFOC de Toulouse (France), FTH and FTAV to restructure ISHT. This program includes the renewal of BTS, the establishment of a continuous training unit and a teacher training unit, and the development of a resource center. By April 2000, a teacher training unit and a resource center were established and the new BTS program in accommodation and restaurant management was elaborated.

Table A8.2.2 Distribution of Graduates by Courses at Public Hotel Schools

	Nabeul	Hammamet	Sousse	Monastir	Jerba	Ain Draham	Tozeur				
Year of Foundation	1976	1979	1980	1987	1976	1992	1994				
Number of Teachers	15	16	21	21	20	8	9				
Capacity	250	250	300	250	250	100	150				
Number of Graduates (1999)											
	CAP	BTP	BTP	CAP	BTP	BTP	CAP	BTP	CAP	BTP	BTP
Cuisine		35	42		31	30		30			16
Restaurant		28	35		31	33		26		24	
Patisserie			26		20	18					
Housekeep	30	15	27	37	22	24	33		21		20
Reception						27		22			
Total CAP	30			37			33		21		
Total BTP		78	130		104	132		78		24	36
Total BTS											
Total		108	130		141	132		111		45	36

Source: ONTT

Table A8.2.3 Alternation Calendar

Departments	N of weeks at school		N of weeks at hotel		Total
	1 st Year	2 nd Year	1 st Year	2 nd Year	
Cuisine	23	21	8	8	60
Restaurant	23	21	8	8	60
Patisserie	23	21	8	8	60
Reception	20	18	11	11	60
Housekeeping	20	20	11	11	62

Source: ONTT

Table A8.2.4 Practical Training at OHAP

Major	Duration	Practical Training at Hotel	% of Practical Training
Cuisine	48 weeks	40 weeks	83%
Restaurant	48 weeks	40 weeks	83%
Patisserie	48 weeks	40 weeks	83%
Reception	24 weeks	20 weeks	83%
Housekeeping	24 weeks	20 weeks	83%

Source: OHAP

It is generally recognized that there is a necessity to improve and update the training facilities in these schools. Updating the inventory of teaching manuals (*referentiel de formation*) and language training are also necessary to strengthen the institutes. According to ONTT, most of the graduates from these schools were employed by the tourism industry in 1999. As for training capacity, about one third of the new employees in the tourism sector are produced by public schools. This issue is further discussed in section A8.3 as well as Chapter 7, Volume I.

(3) Private Hotel and Tourism Schools

There are 24 private hotel and tourism schools; almost half of them (11) were established in the last two years (1998-1999). They provide courses in patisserie, travel agency, reception, kitchen, etc. as shown in Table A8.2.4 (regarding 21

establishments available). No private school has standardized curricula, textbooks, teaching manuals or adequate training facilities. Approximately 80 % of the teachers are part timers. ONTT, together with MFPE, is currently elaborating 21 programs to standardize the training level in these schools.

Table A8.2.5 Distribution of Graduates by Courses at Private Schools in 2000

	Year of Foundation	Travel Agency	Reception	Patisserie	Cuisine (Kitchen)	Restaurant	Hotel Tourism Management	Animation
Tunis								
IMAT	1998	9					18	2
IFORTEC	1993		19	27	7	19		
AM	1995			44	5			
IAE	1994						5	
CEREFI*	1987	31	40	29	53	73		
L'Ariana								
IMT	1994	64	42	20	74	17		25
ETIG	1998	6	7					
EHTT	1998			12			13	
Pascal	1990	12	6		43	6		4
EMMT	1997	7	13	4	7			
Sousse								
Boujaafar	1992	11	28	28	35	42		6
IKET	1995	40	52	30	20	39	48	
L'Alliance	1995	10	9	24	23	33		15
Corniche*	1999				42			
Sfax								
EM	1998	5	25	10	5			
Tozeur								
ENNAJAA	1998	5	22					8
ITH*	1999		27	16	18			
Elmaaref*	1998			7				
Medenine								
CMFC	1997	53						23

Note: *number of registered students

Source: MFPE, JICA Study Team

(4) Teacher Training at Public Institutions

Currently, there is no systematic teacher training program; the only training provided is in the form of seminars. Pedagogic training sessions are held by instructors from the Ministry of Education for language teachers. As for technical teachers, both theoretical and pedagogic seminars are organized by Tunisian (ONTT) and foreign presenters/teachers. Besides, both language and technical teachers are sent abroad to attend four-week training courses (more than 110 were sent to Switzerland between 1994 and 2000).

The implementation of the new teaching program for ISHT and other public hotel schools has, at the same time, necessitated the elaboration of a training program for the teachers. The group of teachers is assigned to ISHT, which is currently collaborating with CAFOC to set up this training program.

A8.2.4 Professional Level Training

(1) In-service Training at Hotels

According to ONTT, the major hotel departments are Management (2% of staff), Administration-accounting (9%), Reception-conciergerie (8%), Cuisine-patisserie (15%), Restaurant-bar (26%), and Housekeeping-laundry (19%). The remaining 21 % of the employees belong to other departments (e.g. Animation-leisure, gardening, transport, etc.). Major hotels have their own training departments and training programs (e.g. Abou Nawas Group, ACCOR Group). Some hotels, however, have cut or reduced their staff training mainly for financial constraints (e.g. one Tunisian hotel group and some small hotels). Hotel staff feel a need for training in foreign languages, particularly German, given the large number of German tourists. They also feel a need for more on-the-job training. Complaints reported to ONTT (e.g. bad staff attitude) indicate that basic requirements/services are not yet sufficient.

The Tunisian Hotel Federation, in cooperation with MFPE and ONTT, organizes seminars for the staff of its member hotels upon request. These seminars have dealt with hotel management, reception techniques, cuisine, housekeeping, and patisserie. Training for management-level personnel, however, is limited due largely to lack of instructors in Tunisia.

(2) Tour Guide Training

According to the Tour Guide Association, there are about 2000 tour guides; 600 of them are full-time. The association provides training for tour guides in foreign languages, history, and eco-tourism. The Tunisian Federation of Travel Agencies (FTAV), together with ONTT and MFPE, also organizes seminars during the low seasons to upgrade tour guides' skills. These seminars have dealt with such current Tunisian issues as ecology (e.g. desert), economy, and culture. 166 travel agency staff attended these seminars in the last three years (1998-2000). However, the number of competent tour guides is limited and the quality of tour guides remains a major issue in the sector (e.g. discussions at a FTAV meeting on 16 May 2000). A new exam has been introduced to recruit specialized tour guides (e.g. archeology, eco-tourism) in order to promote cultural and eco-tourism.

(3) Training at Travel Agencies

Major travel agencies have their own foreign language and computer training sessions, although these are not regularly organized. In order to improve both technical and general skills (e.g. accounting) of their staff, some agencies hold short-term seminars in collaboration with private consulting firms. Some agencies, particularly Special Interest Tour (SIT) agencies, send a small number of their staff to Japan, the USA and European countries in order to improve their language skills. FTAV organizes seminars for the staff of its members, on such topics as etiquette and manners for drivers. FTAV, with partial funding from Tunisair, also held a training course for ticketing agents to introduce Amadeus, one of the major computer reservation systems.

(4) Handicraft Training

One of the goals of the ninth National Development Plan (1997-2001) is to increase the training capacity in the handicraft sector from 12 000 to 30 000 by the end of the year 2001. It called for some 50 training workshops, however, none of them was actually organized. 10 training centers are also to be created during the same period. Two centers in Gabes and Nabeul have already been set up and have started providing training in leather, jewelry, weaving and metalworking. Besides elaborating training programs and standardizing the diplomas, ONAT has provided training at its workshops (278 graduates in 1997; 168 in 1998; 205 in 1999) since 1997. Although the Tunisian Agency for Professional Training (ATFP) took over this task in 2000, ONAT continues to supervise training in handicraft training institutions (13 graduates in 1997 and 210 in 1999). It is also responsible for administering the examination of professional capability. Other institutions/organizations, as well, are contributing to the training of future craftsmen. 13 centers for rural girls (related to AFP), for instance, are currently training 851 students.

A8.3 KEY ISSUES

(1) Quality of Technical Teachers

There is no systematic teacher training program for technical teachers as the only training provided is in the form of seminars. Regular teacher training programs should be organized by inviting professional staff of hotels, travel agencies and restaurants in order to brief teachers about the recent developments and needs of the industry.

(2) The Match between Tourism Industry Needs and Training Institutes Outputs

a) Quantitative Aspect: Seasonal Fluctuations of Job Opportunities

According to ONTT and FTH, approximately 50 % (1200 out of 2400 per year, 850 graduates from ONTT training system) of personnel in the tourism industry have been supplied by both public and private schools. The estimation of employment increase till the year 2016, conducted by the Study Team, indicates the necessity to enhance the training capacity (refer to Chapter 7 and 9, Volume I). However, a large seasonal fluctuation in employment is recognized. According to interviewed hotel personnel, only a third of the entire staff remain during low seasons, which may be the case since ONTT statistics show that more than two-thirds of tourists visit Tunisia in high season (April-September). Besides, hotels tend not to employ new graduates as permanent staff for two reasons; 1) they can only afford to keep the minimum staff in low seasons, and 2) they prefer to have experienced personnel as permanent staff. This seasonality should be taken into consideration when training programs are designed. In addition, training during low seasons should be enhanced both at training institutes and professional establishments.

b) Qualitative Aspect: Practical Training

The education system in public schools provides practical training in cooperation with hotels during the academic year and summer. However, the interviewed hotel personnel stated that the practical training provided at these schools should be enhanced and argued that, although theoretical training is important, the emphasis should be put on practice. The lack of modern training facilities and materials can also explain the insufficiency of practical training. Hotel facilities and staff can be effective sources of practical training. Cooperation between training schools and hotel establishments should be enhanced.

c) Diversification of Courses

This issue is related to both quantity and quality of training. Courses are determined by ONTT based upon needs survey. Further diversification of courses shall be considered for the future demands. The following subjects are considered appropriate, considering the future directions of Tunisia's tourism.

- MICE
- Computer and Internet
- Amusement/Event Management
- Food Materials and Wine
- Souvenir Development
- Naturalist-Guide

(3) Adequacy of Professional Level Training

a) Tour Guides

Although licenses are renewed every year at the Direction of ONTT Products, tour guides are not required to take any exams or training for the renewal. The current system, therefore, does not ensure good quality tour guides. There is a need to set up a system to regularly monitor the profession. In addition, the number of well-qualified English-speaking guides is insufficient. Continuous training of tour guides is also required.

b) Hotel Staff

In 1999, 168 complaints were reported to ONTT from tourists concerning hotels. Such complaints mainly consist of staff attitude (unfriendly receptionists, arrogant staff, etc.). Seminars and other forms of training activities should be enhanced and at the same time, systematic continuous training for hotel personnel may be conducted at training institutes. As for management-level personnel, foreign expert can be invited to teach some specific issues according to the needs. In addition, it is extremely important to establish the criteria specifying required skills and qualifications for staff.

(4) English-Speaking Personnel

A relatively small number of English-speaking personnel is available even at international airports and 5-star hotels. Although Germany and France are currently the major source of tourists to Tunisia, English can be a vehicle for effective communication with tourists not only from UK and North America but also from Holland, Northern Europe and Asia. English learning should be enhanced at both training and professional establishments.

(5) Manners

Many complaints from European tourists are related to etiquette and manners at shops and other tourism sites. This is sometimes attributed simply to the difference in customs. Seminars on manners, etiquette and foreign customs may be organized for shopkeepers and assistants. Incentives such as provision of free classes may be given to attendants. Attendance to seminars can be one of the qualifications for registration of ONAT recommended shop list.