



## The Impact of the Egyptian Political Events during 2011 on Hotel Occupancy in Cairo

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### Abstract

The tourism industry is the cornerstone of the Egyptian economy generating approximately 11.4% of Egyptian GDP and providing about 12.6% of direct and indirect job opportunities for the Egyptian workforce. It is the most important source of foreign exchange earnings for the national income at 20%. Despite its importance, the tourism industry is extremely vulnerable to negative events, such as terrorism, financial crises, natural disasters and political instability. This paper investigates the impact of the Egyptian political events throughout 2011 on occupancy rates in Cairo hotels and evaluates the responses of both the hotels and the government to these events. The data on hotel occupancy was collected from Egyptian Ministry of Tourism reports and shows that the political events of 2011 had a strong negative impact on the hotel industry in Egypt as hotels in Cairo and other major cities were severely hit by these events. The occupancy rates of Cairo hotels sharply declined in comparison to the occupancy rates of 2010. Juxtaposition of the occupancy data against media reports of the political events shows that each public disturbance incident had a significant negative impact on hotel occupancy in Cairo and, as a result, hotel revenues decreased. Short-term responses of the hotels included reducing room rates and reducing expenditure by laying off staff. Alongside this the government response was to financially compensate the damaged hotels. The inadequacy and inappropriateness of these responses was evidenced by hotel occupancy remaining low throughout the year. This paper discusses the alternative strategies that the hotels and the government could adopt with a particular emphasis on ensuring the safety and security of tourist and using the media to communicate this to tourists and encourage their return to a destination which provides lessons for other crisis-hit destinations.

**Purpose:** This paper, first, explores the consequences of the political events in Egypt during 2011 on the occupancy rates of Cairo hotels and, second, critically evaluates the short-term responses of Cairo hotel managers and the government to these consequences.

**Research methodology:** The secondary data used in this research was collected from reports produced by the Egyptian Ministry of Tourism on occupancy rates and media reports of the unfolding political events during 2011. The data was presented graphically using Microsoft Office Excel 2007.

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**Importance of the research:** To date there is no published information on the impact of the Egyptian political events of 2011 on hotel occupancy in Cairo. This paper provides an enhanced understanding of the negative effects of the political incidents of 2011 on hotel occupancy which is a main source of hotel revenue and a significant contributor of foreign exchange earnings to the Egyptian economy. It also evaluates the response of Cairo hotel managers and the Egyptian government with respect to these negative impacts and identifies lessons for the wider hotel industry in dealing with the negative impacts of political instability.

**Keywords:** Egyptian revolution; Political instability; Hotel occupancy; Cairo hotels.

### Introduction

Egypt suffered a series of political events and clashes during 2011. These events started on 25<sup>th</sup> January 2011 when tens and thousands of people assembled in Cairo's Tahrir Square to demonstrate their rejection of the political regime and the socio-economic circumstances in Egypt. They continued to occupy Tahrir Square and mounted demonstrations there and in many other cities across Egypt, notably Alexandria and Suez Canal. Crowds in Tahrir Square swelled to over a million people, especially after Friday prayers. On 11 February 2011, Hosni Mubarak (the former president of Egypt) was forced to step down. As a result the Supreme Council of Armed Forces (SCAF) assumed leadership of the country during the transition period until Mohamed Morsi was ultimately elected as Egypt's new president in June 2012. During this transition period, there was political instability, lack of security, labour strikes, million-people demonstrations, violent incidents, a fuel crisis and arson attacks on some Christian churches. All these events negatively impacted on the hotel industry in Egypt generally, and in Cairo in particular, as the epicentre of these events.

This paper explores the impact of the political events during 2011 in Egypt on the occupancy rates of Cairo hotels in order to contribute to an enhanced understanding of the consequences of these events for the hotel industry in Cairo and the Egyptian economy. It also evaluates the short-term responses of the government and Cairo hotel managers regarding the decreased occupancy rates. To date, there has been no published work on this subject despite its importance. This paper will fill this gap.

### Literature Review

#### The hotel industry in Cairo

Being the capital of Egypt with many tourist attractions, Cairo is a major tourist destination. According to the Egyptian Ministry of Tourism (2011) Cairo has 176 hotels and a total of 28525 hotel rooms. Among these hotels there are 24 five-star hotels. Most of the famous brands of hotel management companies, such as Hilton, Sheraton, Marriott, Four Seasons, Grand Hyatt, and Accor, operate hotels in Cairo. In normal circumstances, the average annual occupancy rate of Cairo hotels is about 75%. The average rack rate for a five-star single hotel room is between US\$ 180 and US\$ 300 per night and between

US\$ 250 to US\$ 330 for a double room [1]. The hotel industry in Cairo makes an important contribution to the Egyptian economy in terms of foreign exchange earnings and job opportunities. However, being in the capital of Egypt and at the epicentre of the political events is not always good for a hotel and such events have negatively impacted on Cairo hotel industry.

### **Hotel occupancy**

Hotel occupancy rate is a performance indicator that is widely used in hotels. It simply refers to the percentage of the rented rooms in the hotel at a certain point in time. Occupancy rates are calculated through dividing the number of occupied rooms by the total number of hotel rooms [2]. Jeffrey, Barden, Buckley and Hubbard [3] explained the importance of hotel occupancy rate as a performance indicator; first, occupancy rate is a consistent, reliable and widely-used indicator of hotel performance management efficiency, second, occupancy rate is a proxy for other financial indicators that are rarely maintained or revealed. Third, occupancy rates act as a guide for hotel marketing and management strategies because they reflect the demand for hotel rooms.

Jeffrey and Barden [4] clarified that increased hotel occupancy is a primary objective of a hotel's management as it has a direct positive impact on hotel revenue. According to Barrows and Powers [5] hotel occupancy generates about 70% of hotel revenue compared with 15 to 20% of the food and beverage department. It is important for any hotel to maintain a high occupancy rate in order to maximize its revenues.

### **Political environment and the hotel industry**

The hotel industry is very sensitive to any negative events in its internal or external environment. Reid and Bojanic [6] pointed out that the external environment for the hotel industry consists of five major aspects: political, economic, technological, socio-cultural, and competitive. Although a hotel has little control over its external environment, it is prudent for hoteliers to follow and understand any developments within these five areas. The political environment has a significant impact on the hotel industry. Okumus et al. [7], revealed that the political environment includes many variables and issues, such as wars, revolutions, terrorist attacks, safety and security aspects, relevant legislation and political stability. It also determines how an industry or organization succeeds and expands nationally and internationally.

Beirman [8] pointed out that political incidents have a longer and more serious effect on destinations than natural disasters. That is because the media focuses on political events, such as protests, clashes and violent incidents, which eventually impact on a destination's image. Wachowaik [9] clarified that political stability is one of the key factors that determines the competitiveness of a destination. Also, Ritchie [10] stated that political instability can severely impact tourism in any destination because eventually tourists may become victims of these events. Ritchie [10] explained that: "protests, violence, civil and international war as well as political coups or incidents of terrorism can have a major impact on image, perceptions of safety and ultimately tourism demand, plunging destinations into tourism crises". Greenberg [11] emphasised that safety is a key element when choosing a destination to visit and political instability damages tourists' perceptions of their personal safety.

Political instability, and its impact on the tourism industry, has

been the focus of research in many countries which emphasises its significance for the hotel industry. For example, Altinay et al. [12], studied the impact of political instability on tourism in Cyprus. Similarly, Al-Rimmawi [13] investigated the impact of political unrest on tourism in Palestine and Israeli and Reichel [14] studied the consequences of prolonged political debate on tourism in Israel. Knowles et al. [15], analysed the effect of certain factors on UK hotel occupancy, including political variables.

Political instability negatively impacts on the hotel industry in many ways. Issa and Altinay [16] explained the devastating consequences that can result from political instability and directly affect the internal and external environments of a destination, seriously damaging the hotel industry. For example, politically-unstable countries suffer a range of negative consequences, including reduced cash flow, loss of foreign investment, perceptions of hostility by potential visitors, unstable demand, negative image and reputation, low quality of infrastructure and safety and security concerns. Page and Connell [17] explained that political unrest in tourist destinations leads to a decrease in the number of international tourist arrivals, shortening of the duration of stay and tourist nights, reduction in hotel room occupancy rates, declining tourism revenues and increasing the percentage of unemployment.

There are many cases that reflect the negative impacts of the political instability in the hotel industry and the impact can spread globally. Knowles et al. [15], explained that the hotel industry globally was seriously hit by the political turmoil in the Middle East and the Gulf War in 1990s. Hotel occupancy rates in the USA, for example, declined by 6.1% and the average daily rate (ADR) decreased by 2.4% which represented the worst quarter for hotel performance prior to 2001. Cyprus, a popular destination close to the Middle East, suffered as the volume of tourists decreased from 3.38 million in 1990 to 2.94 million in 1991. Similarly, American tourist numbers across the mainland Europe declined by 23% in 1991.

The Palestine-Israeli tourism industry is another example of the impact of political instability on the tourism industry. Ritchie [10] pointed out that the visitors to the area fell by 70% from 1 million in 1967 to over 300,000 in 1976 as a result of a poor image and perceptions of risk by potential tourists. Although tourist arrivals increased by 23% through the 1990s, the number of arrivals decreased by 50% in 2000 as a result of armed conflict and bombings between October and December 2000 [8]. Similarly, Issa and Altinay [16] stated that political instability and the fifteen years of civil war in Lebanon severely impacted on the tourism industry and reduced its potential growth through negative images at an international level. The number of the tourist arrivals in Lebanon in 1995 was only 450,000 but it increased to over a million in 2003 after the end of the civil war.

### **Management of decreased occupancy rates**

Butscher et al. [18], explained that hotels do not have many alternative strategies to implement when their occupancy rates decrease. Cutting costs is the main strategy applied in such circumstances. Guilding [19] clarified that a high percentage of a hotel's operating costs are fixed costs that do not vary according to the levels of sales. It is an ongoing challenge for hotel managers to reduce these costs, especially during periods of low occupancy. Butscher et al. [18] discussed that the only fixed costs that hotels can reduce are the salaries of staff. As a result, most hotels discharge or give unpaid

vacation to a proportion of their employees during periods of low occupancy. Ritchie [10] added that hotels can also postpone their payments to creditors and reallocate their resources to keep expenses at a minimum level.

Reducing room rates and providing promotional packages are also commonly-used techniques to handle low occupancy rates. Butscher et al. [18] explained that decreased room rates are an important factor in improving occupancy, particularly in bad economic situations. However, reduced room prices have negative effects on the perceived value of hotels and make recovery difficult when things improve. Therefore, they recommended using this tool wisely and restricting decreased room rates only to contracted rates not to public rates. Last, but not least, hotels can improve their occupancy rates through targeting new market segments, such as local people, companies and organizations and businesses, to compensate for any reduction in the international tourist arrivals.

As part of the external environment in which they operate, political instability is a serious threat for the hotel industry that hotel managers can do little to influence. However, the literature offers some ideas that might be helpful in managing the impact of the political instability in a country on hotels. Issa and Altinay [16] suggested that destinations and individual hotels should adopt a crisis management approach in handling political instability to increase the potential success for recovery from periods of political instability and to ensure the sustainability of the tourism industry. Page and Connell [17] explained that when it comes to the issues that threaten the life and safety of tourists, such as terrorism, natural disasters or political instability, destinations should focus on guaranteeing safety and security of tourists during their visit. In this context, destinations should promote themselves as being safe through providing adequate police and security support for tourists that ensures their safety and security. Ritchie [10] discussed that hotels can provide advice and assistance through phone lines where tourists can be advised about the security situations in the places they are visiting or are planning to visit. News updates, the currency of information shown in hotel and other travel websites and real-time video are all very important in instilling consumer confidence and countering negative perceptions generated by shocking media reports.

When the issue of low occupancy rates escalates to a whole country or a destination, all the stakeholders, local government, tour operators and even the local people become responsible for responding to this issue. Ritchie [10] explained that the government has an important role to play during tourism crises. Governments should provide substantial resources, including financial support and other aids, required for recovery and international marketing efforts. They also can provide assistance to help offset essential operational expenditure through tax exemption for certain periods. This is in addition to the important role of the government in international public relations and its diplomatic role in improving the perceived image of the country as a tourist destination through tourist fairs, conferences and international festivals. Page and Connell [17] added that the government, represented by local authorities and police forces, has a major part in providing safety and security for tourists and in guaranteeing their well-being while they are at the destination.

Intensive advertising campaigns are another effective tool used in improving decreased occupancy rates. Reid and Bojanic [6] explained that advertising and promotional campaigns are the most

effective ways to change consumer perceptions of the product-service mix. Such tools are very powerful in positioning or repositioning of products and services as the majority of their efforts are focused on the brand image of a property or a destination. They added that a successful advertising or promotional campaign should be based on a strategy that includes the aim of the campaign, the target customers, time and the appropriate tools.

## Research Methodology

A mixed methods approach was selected for this study. The data on the occupancy rates was collected from the annual reports of the Egyptian Ministry of Tourism. The data was presented graphically using Microsoft Office Excel 2007 which enabled a better understanding of the data. Comparison between occupancy rates for hotels in Cairo and the other major cities enabled the effects of the political events on Cairo hotels occupancy to be determined. This research adopted the concept of *ceteris paribus*. According to this concept all other variables are assumed to be constant apart from the one that is under investigation which in this case was the unfolding political events [20].

## Results and Discussion

### First: the general scene

The political events had a negative impact on the hotel industry. Occupancy rates sharply decreased to 10% as a huge number of reservations were cancelled [21]. As a result, hotels were hit financially. Experts have estimated that the hotel industry in Egypt lost about 825 million US dollars in 2011. Storer [22] estimated that Egyptian tourism may generate about 10 billion US dollars in 2011; however the revenue was 12.53 billion US dollars in 2010.

The hotel workforce also suffered as hundreds of thousands of hotel workers were discharged or given unpaid vacations. Hotels and tour operators reduced their workforce by at least 20% and in many hotels this percentage was much large-40 or even 60%. About one million employees were discharged (in just two weeks) from hotels in Sinai, Red Sea, Luxor and Aswan. Employees on the cruise ships in Luxor and Aswan were the most affected segment of the hotel workforce as a result of these events. Only 30% of workers on cruise ships remained on duty, however 50% were given unpaid vacations. The reason was the most of the cruise ships in Luxor and Aswan were shut down completely during the troubles. Greenberg [11] reported that of the 400 cruise ships on the Nile only 40 were operating. As a result of this huge discharge of hotel employees, the percentage of unemployment in Egypt increased which in its turn resulted in more labour strikes and exacerbated the unstable atmosphere still further.

The figures presented in Table 1 show the severe negative impact of the political events of 2011 on hotel occupancy rates in Cairo from February through the year. The hotel industry in Egypt had not witnessed such low occupancy rates since the terrible terrorist attack at Luxor in 1997. Even the global financial crisis of 2008 was only of slight impact when compared with the impact of the political events of 2011. As can be seen from the data presented in Table 1 the difference between occupancy rates of 2008 and 2009/2010 can probably be contributed to the financial crisis of 2008. The annual occupancy rates of Cairo hotels in 2009 and in 2010 slightly decreased by 3% and 5%, respectively, when compared to occupancy rates of 2008. However, annual occupancy rate in 2011 sharply decreased by

38.2% when compared to occupancy rates of 2008 which represents a huge decline in hotel occupancy rates. In other words, the occupancy rates of 2011 were approximately half the occupancy rates of 2008. Consequently, hotels lost a huge percentage of their potential revenue during 2011 which in its turn negatively impacted on the Egyptian economy. Abu al-Khair [23] and Mekay [24], reported that experts estimated that Egypt in 2011 lost about one billion US dollars a month as a result of the revolution. According to the World Tourism Organization [25] 14 million international tourists arrived into Egypt in 2010, generating 13 billion US dollars in tourism receipts, while international tourist arrivals declined by 32% in 2011 as a result of the political instability.

It is clear from Table 2 that the major tourist cities in Egypt were severely hit by these events. The annual hotel occupancy rates of 2011 in these cities dramatically decreased when compared with the occupancy rates of 2010. Occupancy rates in 2011 did not reach 40%, apart from the Red Sea hotels (46.2%). Aswan and Luxor had the lowest rates among these cities at approximately 18%. However, occupancy rates of these cities in 2011 were about half those 2010.

In general, it can be concluded from Table 1 and Table 2 that the hotel industry in Egypt suffered a huge decline in its business in terms of occupancy rates and hotel revenues as a direct result of the political events of 2011. All the major tourist cities in Egypt witnessed a dramatic decrease in hotel occupancy rates and revenues. As a result of this huge decline in the tourism and the hotel industry, the Egyptian economy was compromised in many aspects. First, Egypt lost a huge percentage of its potential national income and foreign currency usually generated by the tourism industry. Second, Egypt suffered huge levels unemployment as thousands of hotel employees were discharged which exacerbated the situation.

### Second: the hotel industry in Cairo

As the capital of Egypt, Cairo is the epicentre of political life in Egypt and might be expected to be harder hit more than other cities. Figure 1 shows the monthly occupancy rates at Cairo hotels in 2011 compared with 2010. First, it is obvious that there is a huge decline in the monthly occupancy rates of Cairo hotels in 2011. The annual occupancy rate in Cairo hotels decreased from 73% in 2010 to 39.9% in 2011. Second, the monthly occupancy rates of 2011 waxed and waned through the year as a direct result of the political incidents and can be considered in distinct five phases as discussed in the following sections.

**Table 1:** Monthly hotel occupancy rates of Cairo 2008-2011.

|      | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Average |
|------|------|------|------|------|------|------|------|------|------|------|------|------|---------|
| 2008 | 81.6 | 81.2 | 81.2 | 76.8 | 79   | 74   | 75.4 | 76.1 | 78.1 | 81.5 | 76.1 | 76.5 | 78.1%   |
| 2009 | 72.2 | 74   | 74   | 74.2 | 75   | 75.3 | 77   | 75.9 | 74.9 | 78.5 | 77.5 | 79.5 | 75.6%   |
| 2010 | 72   | 76   | 74   | 74   | 68   | 66   | 74   | 84   | 75   | 59   | 82   | 73   | 73.8%   |
| 2011 | 74.5 | 15.3 | 29.9 | 29.5 | 34.1 | 56.9 | 45.3 | 52.3 | 46   | 46.1 | 24.4 | 24.4 | 39.9%   |

Source: Egyptian Ministry of Tourism (2011)

**Table 2:** Annual hotel occupancy rates at the major tourist cities in Egypt 2010/2011.

| City | Cairo | Giza  | Alexandria | Aswan | Luxor | Red Sea | Sinai |
|------|-------|-------|------------|-------|-------|---------|-------|
| 2010 | 73%   | 64%   | 71%        | 34%   | 54%   | 69%     | 61%   |
| 2011 | 39.9% | 36.1% | 36.7%      | 17.4% | 18.4% | 46.2%   | 39%   |

Source: Egyptian Ministry of Tourism (2011)

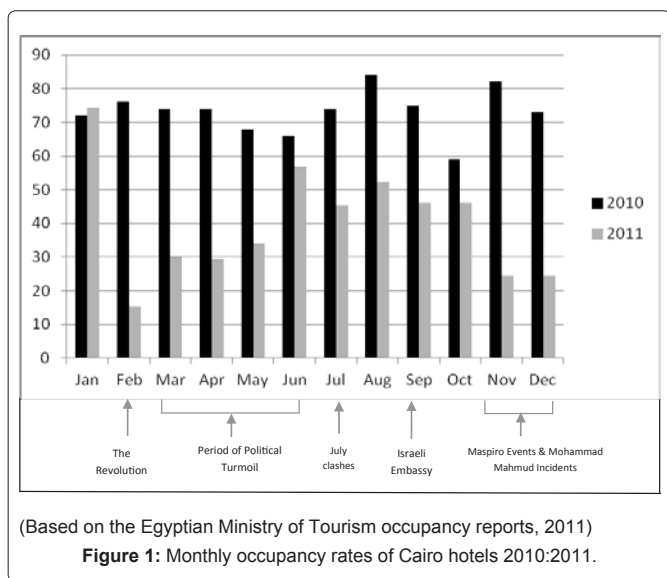
### The first phase:

#### The event: the 25<sup>th</sup> January revolution

The first, and the most important, event in 2011 was the revolution which started on 25 January 2011 and continued for 18 days. Thousands of protesters against Mubarak gathered in Tahrir Square (the political and administrative centre of Cairo) and many other cities, particularly Alexandria and Suez Canal, creating a national uprising. Unfortunately, the location of the Egyptian Museum, one of the most important visitor attractions in Cairo, on the edge of Tahrir Square heightened awareness of the potential impacts of the revolution on tourism although in reality the protests were extremely localised and most areas of Cairo and Egypt were unaffected. The political unrest continued for three days until 28 January which is known as “The Friday of Anger”. The situation reached its peak as the number of protesters increased to more than one million people in Tahrir Square alone. Clashes between the protesters and security forces took place [26]. Security forces were ordered to open fire on protesters which resulted in a total of 846 people being killed across Egypt and about 6000 injured. Cairo had the highest death toll followed by Alexandria (232 and 52 people, respectively). However, despite the high death toll, protesters across Egypt continued to insist on their demand that “Mubarak has to leave”.

After this bloody incident, the police forces were withdrawn from the streets and the army took control of the situation. Protesters welcomed the army and the situation started to calm down but not for long [27]. On 2 February 2011, a day known as “The Battle of the Camel”, violent clashes between the protesters and the supporters of Mubarak took place. Mubarak’s supporters rode horses and camels and used knives and swords to terrorize the protesters and media reporters in Tahrir Square, many of whom were injured. During this time Cairo was described as a war zone [28]. Many countries arranged to evacuate their citizens from Egypt and others warned their citizens about travelling to Egypt. Both Russia and Italy restricted flights into Egypt [22]. On 11 February 2011, a day celebrated as “The Friday of Departure”, Mubarak resigned and SCAF assumed the leadership of the country [29].

**The impact:** The revolution caused the first (and the largest) decline in the occupancy rates of Cairo hotels. The occupancy rate dramatically decreased from 74.5% in January to 15.3% in February. It was a catastrophic decline when compared with February 2010 when occupancy rates were 76%. As an immediate result of the violent incidents, clashes and large protests that took place in



January and February 2011, Egypt was perceived as an unsafe and insecure destination for travel and tourism activities. At least one million tourists were evacuated from Egypt during the 18 days of the revolution which caused the huge decline in tourist arrivals witnessed in February. Also, a huge number of hotel reservations were cancelled and many international tour operators and airlines suspended their packages to Egypt. Despite the revolution only lasting for short period of time, restriction of flights to Egypt from Russia and Italy worsened the situation because both of these countries represent two of the major tourism-generating countries for Egypt.

**The second phase:**

**The event: political turmoil period (March to June)**

Following Mubarak’s removal from power, Egypt began a new era which was to last 16 months until the new president was elected in June 2012. However, there were some chaotic incidents at the beginning of this period. March and April witnessed two influential incidents. The first incident involved the police forces in most cities across Egypt neglecting their duty to protect citizens and keep the country safe. Many prisoners escaped and chaos ensued [30]. This phenomenon paralysed the recovery of the hotel industry as it threatened the safety of tourists. The second incident involved labour strikes. Many categories of the workforce, particularly employees in the public sector, e.g. teachers, physicians, policemen and factory workers, participated in strikes and demonstrations to raise their salaries and improve their benefits [31].

After a while, protesters became angry with the slow performance of SCAF and protested in Tahrir Square every Friday, especially in April, May, and June 2011, either to achieve the aims of the revolution or to reject SCAF’s decisions. For example there were million-people protests in Tahrir Square in some Fridays such as: the “Save the Revolution Friday” on 1 April 2011, the “Friday of Cleaning” on 8 April 2011, and “Second Friday of Anger” on 27 May 2011 [26]. Some of these protests passed without violence or clashes but others did not.

**The impact:** The occupancy rates started to recover and increased to roughly 30% in April then to 43% in May and to 56.6% in June.

In spite of the lack of security, labour strikes and the protests that took place during this period, occupancy rates continued to improve. The reasons for this increase was that the Egyptian people started to be aware of the negative consequences of the political turmoil and sent out messages to the world asking them to visit Egypt to help improve the economy. Also, the media launched campaigns to support the Egypt economy, particularly the tourism industry. The most important reason for occupancy rate recovery during this phase was the relative political calm with only a few protests and no clashes or violent incidents that threatened the security of tourists and drove them away. However, this phase did not last for long.

**The third phase:**

**The event: July and August incidents**

The situation between the protestors and SCAF in July and August continued to be hostile. These two months witnessed large demonstrations, such as the “Friday of Retribution” on 1 July 2011 and the “Friday of Determination” on 8 July 2011. Some of the protests had violent incidents, especially when protesters tried to march in front of the Defence Ministry on 23 July 2011 [32].

**The impact:** Occupancy rates fell to 45.3% in July. The demonstrations in July and the violent incidents particularly of 23 July between protestors and security forces caused this decline. The general atmosphere during this phase was unstable and hostile not only for the hotel industry but also for many other economic activities. So, hotel occupancy declined again as the tourists were threatened. However, occupancy rates recovered again in August and reached 52% as the political atmosphere calmed down.

**The fourth phase:**

**The event: Israeli embassy attacks (September, 2011)**

According to CNN News Network [33] at least three Egyptian soldiers were killed by Israeli forces on the Egyptian-Israeli borders. As a result, on 9 September 2011, thousands of protesters attacked the Israeli embassy and managed to enter its building after breaching the security wall. They threw items, including confidential documents, from windows into the street [34]. None of the Israeli embassy staff were hurt. 85 staff members and their families returned safely to Israel [35]. At least three of the protesters were killed and about 1000 injured [36]. Martial law was reinstated. Many countries, such as the USA, the UK, and Canada, condemned this attack.

**The impact:** This phase illustrated that the Israeli embassy attacks also affected the occupancy rates which declined to 46% in August. Although this incident did not last for long, it negatively impacted on occupancy rates for September and October. Although the negative impact of these attacks was slight in the short term, they had a strong negative impact in the longer term as the mass media across the world broadcast these attacks and made Egypt look like it was in the middle of a civil war. This of course negatively impacted on the perceived image of Egypt as a tourist destination causes the occupancy rates to decrease again not only in September, but also for the months remaining of the year.

**The fifth phase:**

**The event: the Maspiro events and the incidents of Muhammad Mahmud**

More bloody incidents happened on 9 and 10 October 2011

which were known as “the Maspri events”. Michael [26] reported that Egyptian Coptic Christians protested in front of the Maspri television building in Cairo. This protest was a reaction to the demolition of unlicensed churches in Aswan city in Upper Egypt. According to Fahmy [37] the clashes between the protesters and security forces led to 25 people being killed and 272 injured. The Egyptian Minister of Tourism announced that the Maspri events were the most influential events of the year on the hotel industry in terms of occupancy rates.

The incidents of Muhammad Mahmud named after “Muhammad Mahmud Street” in Tahrir Square where another bloody incident happened. After eight months of revolution, protesters accused SCAF of staying in power and asked for a civil council. Kirkpatrick [38] reported that the protesters returned to Tahrir Square on 19 November. The police forces tried to forcibly clear the square using tear gas and gunshots. However, the protesters fought back and their numbers doubled. These clashes continued for five days. Hersh [39] stated that as a result of these bloody clashes at least 23 people were killed and around 1500 wounded. Prime Minister Sharaf resigned, a new civil cabinet was formed and SCAF announced that the presidential elections would take place in June 2012.

**The impact:** This phase represented another huge decline in the occupancy rates of Cairo hotels. Both the bloody events of Maspri and the incidents of Mohammad Mahmud caused a dramatic decline in occupancy rates for November and December to 24.4%. This decline was almost as severe as the decline in the first phase.

Generally speaking, occupancy rates of Cairo hotels sharply declined as a result of the Egyptian political events of 2011. The periods of clashes and violent incidents witnessed the most severe decline in hotel occupancy rates. This emphasizes that tourist safety was a key factor in the tourism recovery. When the political events threatened the safety of tourists, they tended to leave Egypt, to cancel their reservation or not to consider visiting the country.

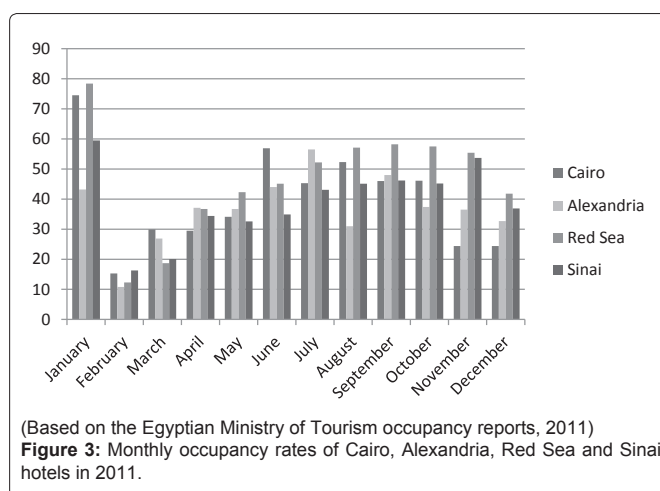
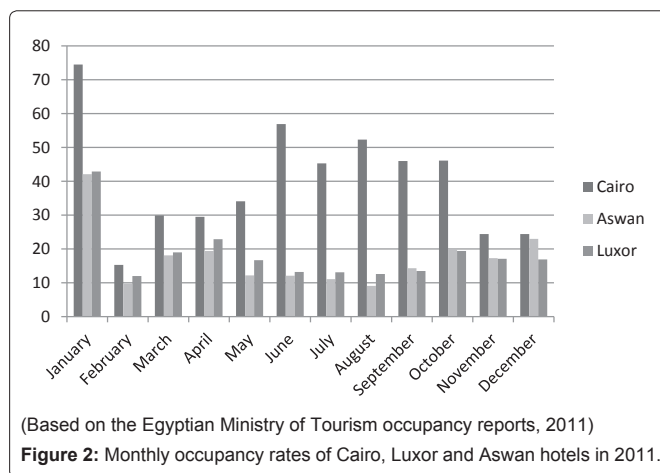
### Cairo versus other cities

In order to clearly identify the impact of the political events of 2011 on Cairo hotel occupancy rates, a comparison between Cairo and other major tourist cities was conducted and unexpected results showed up. Although Cairo was at the epicentre of the political events of 2011 and it was supposed to be the most affected city, Aswan and Luxor (which are closely linked as a result of being termini of the Nile cruise) were actually more severely hit than Cairo (Figure 2). It can be seen from Figure 2 that the occupancy rates of Cairo hotels recovered in the period from April to October but occupancy rates in Luxor remained at a low level. The annual occupancy rate of Luxor and Aswan hotels in 2011 was 18.4%. The reason for that may be that the terrorist attack of Luxor in 1997 was brought back to the memory of the tourists and exacerbated the events of 2011 on Luxor hotel occupancy.

On the other hand, occupancy rates in Red Sea and Sinai, Alexandria hotels recovered and increased more than Cairo. It may be because Red Sea and Sinai are seen by tourists to be far away from Cairo and the violent scenes of Tahrir Square (Figure 3).

### Response of the hotels and the government

The response of Cairo hotels included two main strategies: cutting expenses and reducing room rates. In order to reduce their expenses,



hotels focused mainly on discharging employees. Most of the hotels reduced their workforce. Furthermore, some hotels closed down one or more of their facilities or departments to reduce expenditure at a minimum [11]. Hotels presented many promotional offers, including reduced room rates, free meals and free nights stay. Abu al-Khair [23] reported that the hotels and resorts decreased their room rates by 75% or even more as an immediate response to the low level of occupancy rates.

Hotels in Egypt inappropriately responded the issue of decreased occupancy rates. Although the response of the hotels in Egypt regarding declining occupancy was typical, they ignored the most important factor which is the safety of tourists. No doubt reduced rates are a powerful tool for promotion in normal circumstances, but they are not an appropriate tool to this situation. Reduced rates simply do not guarantee the safety and well-being of tourists when they are outside the hotel for sightseeing, for example. They also neglected targeting other Arab countries and the local community as a proxy for the international tourist segment. Such segments still perceive Egypt as a safe destination which makes them easier to attract and therefore to maintain occupancy rates.

The response of the transition government during 2011 was to provide compensation to the hotels to recompense their losses and the physical damage caused by the protests. Abu al-Khair [23] stated

that the Ministry of Tourism approved compensation schemes for the damaged hotels as 150,000 Egyptian pounds for five-star hotels, 120,000 Egyptian pounds for four-star hotels and 100,000 Egyptian pounds for three-star hotels. Moreover, the current regime, particularly President Morsi and his Muslim Brotherhood colleagues, might be perceived by tourists as anti-tourism due to their Islamic background. However, President Mori announced in his first speech that “we will work together to encourage investment in all sectors, and restore the role of tourism for the benefit of the Egyptian economy and every citizen in Egypt” [25,40]. As a result of this speech, the UNWTO Secretary-General announced that UNWTO offers its full support to the Egyptian tourism sector in order to help the recovery [25].

One issue relating to the specific context of Egypt and its tourism/hotel industry is that there is no independent voice to lobby the government on behalf of the industry. The Egyptian Tourism Federation (ETF) and its five associate business associations, one of which the Egyptian Hotel Association (EHA), are all government-sponsored bodies and therefore close to the government. As a result, individual hoteliers are powerless to act in the face of the political instability and have no body to act as their voice and to lobby the government and seek appropriate support. The establishment of an independent voice for the industry would be an important factor in responding to political instability and other crises.

Neither the transition government nor the current government have taken any serious action with respect to decreased hotel occupancy rates. The situation was exacerbated by the slow pace of managing the politics, particularly the safety and security issues, and the economic circumstances in Egypt. Paying compensation or announcing that the government supports tourism is not enough for recovery. The government was focused on the political circumstances and neglected the economic sector including the tourism industry. However, most of the Egyptian people are acutely aware of the importance of the tourism and the hotel industry and participated in many festivals and peaceful demonstrations to support the tourism industry. Although a small percentage of Egyptians reject tourism, they do not represent a significant threat to the tourism industry in Egypt.

## Conclusions

The hotel industry in Egypt was severely hit by the political events of 2011. The negative impacts of these events, in terms of decreased hotel occupancy and revenues, were harder than previous turbulence that Egypt had experienced. Even the impact of the global financial crisis in 2008 was small when compared with the impact of the events of 2011. Every single political event, whether the public protests or the actual violent incidents, had a strong and direct negative impact on hotel occupancy rates in all tourist cities in Egypt, particularly Cairo as the epicentre of the political events. However, although Cairo might have been expected to be the most badly affected, other cities were hit harder than Cairo, particularly Luxor and Aswan.

On the other hand, hotel occupancy rates of the cities far from Cairo and far from clashes and violent scenes, such as Alexandria, Sinai and the Red Sea, recovered more quickly than Cairo. It seems that violent incidents had the most significant negative impact on hotel occupancy as they directly threatened the safety and security of tourists. However, despite the fact that the general atmosphere in Egypt throughout 2011 was unstable, a number of tourists continued

to travel to Egypt which reflects the position and importance of Egypt as a tourist destination even during turbulent times. This also provides a significant basis for the recovery of the hotel industry.

The response of both the hotels and the Egyptian government was inappropriate and inadequate. Hotels focused on reduced room rates while they should have focused on emphasising tourist safety and security. The slow pace of the government in handling the political and economic crises maximized the negative impacts on the hotel industry [1].

This study concludes that traditional techniques, such as reduced room rates, additional accommodation nights and complimentary meals, are not adequate incentives to attract tourists back to politically-unstable destinations. Therefore, it is important that hotel managers and governments in countries relying on tourism as a vehicle for economic development understand the factors that drive tourists away from a destination then act and respond accordingly. In other words, hoteliers should use appropriate tools and incentives to attract tourists back to destinations negatively impacted by political instability. In this context, improving the image of the whole destination and increasing not just perceptions of safety but the actual safety of tourists, through the visible deployment of the police and other security services and through different mass media, are the most important techniques for the recovery of the hotel industry. Also, governments and local authorities in politically-unstable destinations must not just focus on political aspects and completely neglect important industries, such the tourism industry. On the contrary, recovery of the tourism industry must be a high priority even in during periods of political instability as it represents the cornerstone of the economy in many countries across the world.

## Recommendations

At a country level, the short-term response by the government should be to exploit the media, particularly the international media, to emphasize the safety and the security of tourists. Intensive worldwide promotional campaigns, directed particularly at the top tourism-generating countries for Egypt - Germany, Italy, France, Russia, the UK and the USA - must focus on the safety and security of tourists in Egypt as an important step in the recovery of the Egyptian hotel industry. Tourist safety, not reduced room rates or free meals, must be the key message in these campaigns to regain the confidence of potential tourists to Egypt. Such campaigns could be accomplished in different ways, such as through the Egyptian embassies across the world, different mass media, the Internet and the international conferences and exhibitions supported by the Ministry of Tourism and leading hotel companies in Egypt emphasising the extremely-localised nature of the protests and the extent of the unaffected areas and providing advice to enable them to avoid trouble.

Hotel managers also have an important role to play in the recovery of the hotel industry. They should promote not only their own hotels, but also Egypt as a safe and secure destination as it is critical for the hotel industry not individual hotels. Hotel websites should provide up to date information on the situation locally to their hotel to enable tourists to make informed decisions. Hotel managers could also identify and target new market segments of guests, such as local people and Arabic tourists who still perceive Egypt to be a safe destination, to compensate for the decline in the international visitors.

At a political level, the current regime should take swift steps to end the political turmoil in Egypt. Such steps might include selecting a new cabinet (including technocrats to ensure a technical understanding of the issues that the country faces), developing a new constitution, electing a new government and speeding up the trial of Mubarak and the other members of the former regime being held in custody. The government should also take serious steps in supporting the Ministry of Tourism in support of the recovery of the tourism and hotel industries, such as by coordinating with UNTWO to get the necessary support. Police forces should intensify their efforts and provide appropriate services to ensure the security of tourists. The Egyptian people must stop the clashes and violent incidents that threaten the safety and security of the tourist and mount only peaceful protests when necessary.

Due consideration should be given to the establishment of an independent representative body for the hotel industry which can lobby the government and to ensure an appropriate crisis management strategy is in place to support recovery from future political instability and to promote its sustainable development. Unfortunately, these actions are unlikely to be achieved in the short term.

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