

FINANCIAL PLAN OF THE BAHÀ'I COMMUNITY
FOR 2002-2007

**Economic Assessment of its Contribution to the City of Haifa, the
Tourism Industry and the Israeli Economy in Light of the Completion
of the Baha`i Gardens Project in Haifa**

Meir Amir

October 2001

TABLE OF CONTENTS

CHAPTER 1 – INTRODUCTION	3
CHAPTER 2 – THE HISTORICAL, GEOGRAPHICAL AND ECONOMIC CONTEXT	8
CHAPTER 3 – THE DEVELOPMENT PLAN OF THE BAHAI WORLD CENTER 2002-2007	18
CHAPTER 4 – ECONOMIC IMPACT- A PROFESSIONAL APPRAISAL	22
CHAPTER 5 – SUMMARY AND CONCLUSION	30

CHAPTER 1 – INTRODUCTION

Over four years ago, in June 1997, we finished writing an economic document that examined the Bahai Gardens Project in Haifa, and its anticipated contribution to the tourism industry and the nation's economy.

That document was written at the request of the Bahai community which, at that time, was negotiating with the Israeli government to renew the agreement between the two parties because the first agreement between the government and the Bahai community, signed in 1987 for a period of 10 years, was about to expire and it was necessary to extend the agreement for another five years.

According to the original agreement and the subsequent extension, which was finally signed in July 1999 and is valid until May 2002, the government agreed to transfer to the Bahai community an annual financial refund equivalent to the tax payments the community had made on its expenditures in Israel, the main component of which during the 15 years of the agreement's validity was, of course, construction of the Bahai Gardens Project in Haifa.

In this regard the Government, until 30 April 1997, had paid the Bahai community a tax refund amounting to 18.8% of the total effective expenditure; as of 1 September 1999, the method of calculation was changed and payment is now made on the basis of a specific computation of the tax component for each actual expenditure item. For the interim period 1997 to 1999, the rate of tax refund was set at 17.3%.

In the previous document, we dealt with a quantitative and qualitative assessment of the project's contribution to the city of Haifa and the tourism industry, and we calculated the increase in terms of added value to the GDP and the increase in income from exports as a result of implementing the project.

As noted, four years have passed since then and the Bahai community is preparing once again to extend the agreement it has with the government for an additional five-year period beginning in May 2002, the date on which the present agreement expires, to continue through May 2007.

Since the writing of our previous report, the Bahai Gardens Project in Haifa has been completed and the Gardens were dedicated at the end of May of this year. Beginning in June, the Gardens were opened to the general public.

We are now interested in presenting an economic report with our updated economic assessment concerning the importance of the project to the tourism industry and its contribution to the national economy and the city of Haifa , now that we have information pertaining to the number of visitors to the project during the first three months of its operation.

But factual data, which was unavailable when the original report was written in 1997, is not the only thing we currently possess. The completed project itself stands before us and we can experience a visit to the Gardens on an individual basis and examine the reaction to this experience among the visitors and among other active agents within the tourism industry , in an attempt to assess the project's significance and its contribution to the tourism sector and the nation's economy.

Therefore, we are re-examining our previous work now that the project is completed and functioning. But this time, our assessment is based on actual preliminary data and more exact estimates based on our familiarity with the project, which is no longer a plan but rather a reality, that can be observed and experienced first-hand.

This economic assessment, in quantitative and qualitative terms, is the primary goal of this report.

In addition, we will focus on the financial five-year plan of the Bahai community for 2002-2007. In this plan, a significant amount of funding has been allocated every year for maintaining the Gardens, whose final cost came to \$250 million (the Gardens & Building on the Arc) and whose maintenance budget is about \$5 million annually.(including the employment of some 160 local workers) There are also plans for tourism-related investments in the Akko area, four projects which will attract visitors from the general public, which we will survey in this report. Furthermore, the plan also includes the expenditures of the Bahai W.C in Israel during these five years, referring to the activities of some 800 volunteers located in Israel on a permanent basis, as well as other investments of the Bahai W.C in Haifa and Akko.

We will attempt to assess the contribution of the plan discussed herein to the tourism industry, the city of Haifa, and the Israeli economy.

In the next chapter, chapter 2 , we will assess the importance of the Bahai Gardens Project to Haifa and Israel's tourism industry in general, a discussion that is a qualitative analysis which is supported by quantitative analysis based on macro figures of the Israeli tourism statistics with a focus on Haifa and data on visitation of the Gardens since its opening.

In the third chapter we will deal with the Development Plan of the Baha'i World Center for 2002 –2007

Chapter 4 will present the economic impact of the 5 year plan of the Baha'i World Center. We will calculate the economic impact of the projected visitors` flow to Haifa, including Baha'i pilgrims and visitors, we will calculate the economic impact of the operating expenditures of the B.W.C , we will compare between the tax revenues to the Government emanating from the B.W.C total activities in Israel to the projected tax reimbursement requested and finally we will discuss the economic significance of the tourism development plan of the B.W.C planed for Akko and Western Galilee for the next 5 years.

A summary of our work will appear in chapter 5, in which we will present the principal conclusions of our assessment.

In preparing this report, we based our work on financial data and information concerning visitors as submitted to us by the Bahai W.C. We met and spoke with a great number of people working in the tourism industry, both in the public sector (Ministry of Tourism, Israel Government Tourist Corporation, Haifa Tourist Board) and the private sector (travel agents, hotel owners, marketing consultants).

The conclusions of our examination reflect our own opinion.

In concluding this introductory chapter we want to present briefly the main findings and conclusions of our work.

The investment of some 250 millions \$ in the Baha'i Gardens in Haifa is a historical event for the city. There had never been such an investment in tourism infrastructure in Israel that can match this magnitude either in the public sector or the private one. This

project is going to change, in the long run, the position of Haifa in the tourism market and it will serve as an economic anchor for future tourism development in the city. In the first two months of operation 33,400 people visited the Gardens on an average week, including 4350 on a guided tour. New daily tours of Haifa, focusing on tour of the Gardens are now offered by the leading tourist wholesalers.

We forecast, on a quite conservative base, that at least 1 million visitors will visit the Gardens annually, half of them will be foreign tourists. The Gardens will be the most visited one site in Israel after Yad Vashem in Jerusalem (which draws 1.5 millions annually) and will draw more visitors than Massada and Caesaria.

The projected number of visitors and the uniqueness of the project in its scale, aesthetics and location and the fact that it was financed from money raised abroad turns it into an external grant to the Israeli economy in general and to Haifa citizens and economy in particular.

The project location is in the prime land of urban Haifa and the market value of this land (which is not included in the 250 millions \$ figure) is probably 100-150 millions \$ which is to say that no public or private body in Israel could take this endeavor and complete it as did the B.W.C.

The Baha'i pilgrims which keep coming to Israel even in the difficult times, account for more than 10% of the hotel bed nights in Haifa and 30% of foreign tourist bed nights.

The B.W.C is now shifting its focus of investment to the Akko area. In this area a sum of 9 millions \$ has already been invested in the last two years in Bahji Gardens (8 millions \$) and in Akko Citadel (1 million \$). For the next 5 years an investment scheme of some 85 millions Shekels, (20 millions \$) in tourism projects is planned.

This investment of 17 millions Shekels annually is 70% more than the 10 millions Shekel investment allocated for the development of tourism infrastructure in Akko in the 2001 Budget. The projects in Bahji, Ridvan, Mazra'ih and the Baha'i museum in Akko will contribute to the attractiveness of Akko and western Galilee. The proposed Museum in Akko which is budgeted for 40 millions Shekels for the next 5 years will probably end up as a 200 millions Shekels project when completed and it may very well serve as an anchor for tourism development in Akko as do the Gardens in Haifa. Akko is in need of those investments that will generate new incomes and employment. The

town has lost some 6000 of its well established citizens who relocated to Nahariya in the recent years, its unemployment rate is now 11.7% and the Government is initiating new projects and allocating special budgets to help Akko overcome its socioeconomic problems. The planned tourist investment of the B.W.C in Akko and its pledge to put this town at the core of its investments in the coming years will complement and support the Government and the Municipality of Akko programs.

According to our estimation and calculation as presented in chapter 4 the new annual income generated from the opening of the Gardens and the current expenditure of the B.W.C in Israel is some 300 millions Shekels .In terms of value added to the national income this creates a new net income of 337 millions Shekels annually and new tax revenues of some 120 millions Shekels, compared with 16 millions Shekels of tax reimbursement requested by the B.W.C. To these figures we have to add some 20 millions Shekels of annual expenditures in the Gardens` maintenance and the annual projected tourism investment of 17 millions Shekels in Akko, both items can be viewed together as an annual grant , in the next 5 years, from the B.W.C to the Israeli economy. We can sum up and conclude that the financial “package” that the B.W.C is indeed offering the Government (though it was never meant or intended to be so) where for 16 millions Shekels worth of tax reimbursement the Government gets; 20 millions Shekels In maintenance expenditures, 17 millions Shekels in new tourism investments and 120 millions Shekels in new tax revenues, is a very lucrative affair.

CHAPTER 2 – THE BAHAI GARDENS IN HAIFA: A HISTORICAL, GEOGRAPHICAL AND ECONOMIC CONTEXT

The connection between the Bahai community and Israel dates back to the early days of this young religion , during the second half of the 19th century when the religion's founder Baha`u`llah was exiled to Akko in 1868, where he spent the last years of his life until his death in 1892. He was buried in the Bahji Gardens in Akko, which then became the holiest site for the Bahai community.

The religion's prophet-herald, the Ba'b , who was executed in Persia in 1850, was buried in Haifa in 1909 according to the instructions of the Baha`u`llah, and in 1953 the B.W.C completed the super-structure known as the Golden-Domed Shrine and since then has become the most famous symbol of the city of Haifa. Because of these two holy sites The Haifa-Akko region is sacred for believers of the Bahai religion and a great deal of the community's efforts and resources have been channeled towards developing and enhancing the sites identified with the religion's Founder and Herald.

Thus, the connection between the Bahai community and the city of Haifa is about 100 years old. Over the years , the community purchased the land located on the slopes of the Carmel south of the Golden-Domed Shrine, to Yefe Nof Street and the Louis Promenade, and to Hagefen Street north of the Shrine, an area of land 1000 meters long and up to approximately 400 meters wide in parts. It is in this area that the Baha'i Gardens Project was established between 1987-2001.

The project is a monumental task by any standard, and over the course of time it has the potential to become one of Israel's most famous tourist sites, along with the Old City of Jerusalem, the Kinneret and Massada.

This is the largest and most expensive tourism project ever undertaken in Israel, with an investment of approximately \$250 million in Gardens and buildings. The unique style and aesthetics of the Gardens ; the careful attention to every detail of its design; the integration of stone and metal; the combination between planted gardens and natural vegetation of the Carmel; the size and the sweeping slope exposing the view of Haifa, the bay and the entire north of the country – all of these create a unique and

unparalleled aesthetic experience, and make the site a tourist attraction that places Haifa at the core of Israel's tourism industry.

The very idea of the project's implementation is unprecedented from many standpoints. The financial enormity of the project surpasses the sums usually invested in Israel on tourism and environmental development. This is a very expensive property located in the heart of the urban fabric which, under normal market economy circumstances, would have become an area for high-density construction of residences and businesses. No municipal authority would have been able to designate hundreds of dunams of land in the heart of the city, for use as a green public area.

The historical conditions that led to the establishment of the project, the land on which it was built that had been purchased during the Bahai's presence in Haifa over a period of one hundred years, the religious circumstances, the decision to establish Gardens that would be religiously significant to believers but would be open to the public although as private property – these were unusual events that seem to resemble days gone by, when large-scale projects demanding fundraising efforts from millions of believers and decades of work were undertaken. And indeed, projects such as these all over the world have become tourist sites and important cultural treasures.

Consequently, Haifa has gained a tourism and aesthetic monument, an open green space in the heart of the Carmel, visible from everywhere, which has become an attraction and an important anchor for the future development of the tourism industry.

Actually, even before the Gardens were opened, the Baha'i project was a launching pad for further tourism development in Haifa, which would not have come about if not for the Gardens project, in which the German Colony, a Templar neighborhood (also dating back to the 19th century) was restored. This area is located north of the Gardens, from Hagefen Street to the passenger port, which also hopefully will become an open port and a tourist attraction in its own right.

Thus Haifa's main tourism route will be developed from the mountain to the sea, from the Yefe Nof Promenade and the 19th Terrace of the Bahai Gardens to the Golden-Domed Shrine, to Hagefen Street and the German Colony, and from there to the open passenger port.

The Bahai Gardens are the cornerstone of this tourism route, it is the magnet that draws hundreds of thousands of visitors who, later on, will visit the German Colony and the port, where commercial facilities will be developed and introduced to serve these potential visitors.

The first three months since the opening of the Gardens indicate that the expectation of a stream of thousands of visitors per day has, indeed, come true, and the site is creating renewed tourism traffic unlike anything Haifa has ever seen. This is, naturally, domestic tourism, since tourism involving trips and visits from abroad, including Christian pilgrims, has almost completely stopped during the last year. However, we expect that when the serious crisis in the tourism industry has passed, the most serious crisis ever, Haifa will become an important tourism center, thanks to the Bahai Gardens, which most foreign tourists would include in their itinerary when visiting Israel.

These lines are being written following discussions we held with tourism and hotel personnel in Haifa from the private sector , and with many agents in the public sector active in the tourism industry, and all of them, in our talks with them, expressed the opinion that the construction of the Baha`i Gardens was a change, or more accurately, a revolution, in Haifa's tourism reputation. Total realization of this potential will take many years, when the city constructs hotel infrastructures for the thousands of visitors who will flock to the city to visit the Gardens and the German Colony. This is a long-term economic process being led by the private sector, which is making its investments in light of the new economic opportunities that have been introduced following the opening of the new project. At this point , when all investment in the tourism industry has stopped and the industry is fighting for its economic life, it may be difficult to explain, but in the future, all of these things will come true as it did in many other tourist sites around the world which, following development and investment by the public sector, generated new economic opportunities that led to private investment. It is important to note that the investment by the Bahai community in the Gardens in Haifa, is a public investment that was not meant to serve economic needs. Nevertheless it creates, and will continue to create, conditions suited for tourism and hotel development in Haifa in the future.

We can sum up by saying that this unique project is and will be the trigger for future development of Haifa`s tourism , a very long and lasting process which is only starting now.

The beginnings of the process are presently being felt, three months after the opening of the Gardens to the general public. Thousands of new visitors to Haifa have generated new demand in the commercial tourism sphere in Haifa, with regard to restaurants and shops, and will encourage additional investment in these spheres. Visiting the Bahai Gardens is a new tourism product in domestic tourism, a day trip to Haifa that culminates in a visit to the Gardens, which is already being marketed by five large tourism wholesalers, and possibly new ones will join. New tour routes have been introduced for the small number of foreign tourist who are coming to Israel these days, and Haifa is being added to the regular routes of Israel tour packages. The scope of foreign tourists to the Bahai Gardens in the first few months ranges between 10%-15%, and naturally this percentage will increase as tourist traffic to Israel is reestablished.

When this happens massive investment in accommodations , which is presently frozen because of the situation, will be renewed in Haifa and hundreds of new hotel rooms will be constructed and added to the present reserve of rooms, which is relatively small and cannot serve the needs of a city aiming to become an important tourism center. Only then will the city be economically capable of realizing the new tourism potential, since most tourism income is generated in regions where tourists stay, and not from tourism sites. Then we will be able to talk of Haifa as a center of tourist accommodations along a tourism route that stretches from Jerusalem through the Coastal Plain to the Galilee.

At a later stage, we will be able to think about developing tourist packages whose focal point is Haifa-Akko-Rosh Hanikra, from which tourists will depart on their respective tourist routes.

This, as stated, is a lengthy process that has not yet begun due to the serious circumstances in which the tourism industry presently finds itself, but economic logic will lead, in the final analysis, to realization of this process.

Thirty years ago, Haifa was the major tourist city in the north of Israel , long before Nazareth and Tiberias. The decline of tourism in Haifa was the result of development in Tiberias. It would appear that given the proper perspective , Haifa – the metropolis

of the north with its strong population, a public sector that is attentive to tourism needs, and a long list of tourist treasures – will gradually be able to return and recapture its rightful place in the Israeli tourism economy, and the Baha`i Gardens will serve as the principal catalyst leading to this development.

This, then, is a move that will bring renewed domestic tourism traffic to the city of Haifa and will divert the tourist traffic back in the direction of Haifa, at the expense of other sites.

We do not believe that construction of the Bahai Gardens will bring about a structural change in tourism traffic to Israel, certainly not in the short term.

The phenomenon we are familiar with in the last decade, where the number of tourist bed nights in Israel has declined, will not change. The fact that tourists go on vacation more than once a year leads to a decline in the number of bed nights in one place. Also, the combination of a visit to Israel with other countries in the region leads to a small number of bed nights in Israel. The Baha`i Gardens will ensure that tourism traffic is diverted in the direction of Haifa.

In the future , when tourism development has been completed in Akko and along the entire northern coast up to Rosh Hanikra, and when Israel admits 4-5 million tourists per year, tourist packages will be developed based on bed nights in Haifa and along the Akko – Rosh Hanikra route, perhaps for tourists coming for a return visit to Israel. Then, perhaps, Haifa's full tourism potential can be realized, the beginning of which we equate with the opening of the Bahai Gardens. When these things occur, we will be able to say that the Bahai Gardens Project in Haifa led to the creation of new tourist traffic in Israel, which will lead to tourism and hotel development of the Haifa-Akko-Nahariya-Rosh Hanikra region as a major tourist destination in its own right.

The share of Haifa in the local tourism industry, which is expressed as the number of hotel rooms and the number of bed nights, was only 3% in the last decade. Haifa presently has some 1,300 hotel rooms, mostly at a 4-5 star rating.

In recent years, with the addition of around 500 hotel rooms, there was a decline in the rate of room occupancy, to a level of less than 50%, which is lower than the average occupancy rate in Israel and does not allow for decent profitability.

The table below indicates the not-so-dramatic changes that took place in the industry in Haifa between 1994-2000.

Bed Nights(000) & Hotel rooms in Haifa 1999-2000							
	1994	1995	1996	1997	1998	1999	2000
Tourists Bed Nights	159	171.7	171.5	157.2	158.8	183.5	168.9
Israeli Bed Nights	132.6	130	129.1	159.4	164.0	197.7	218.6
Total Bed Nights	291.6	301.7	300.6	316.6	322.8	381.2	387.5
Rooms occupancy	56%	58.7%	58.7%	53.2%	48.2%	49.6%	48.0%
No of rooms	881	880	879	1019	1104	1253	1307

During this period of time, the number of tourist bed nights in Haifa did not increase substantially, and the rise in the number of rooms, which was not followed by a parallel increase in the number of bed nights, led to a decline in the occupancy rate. The momentum of growth that characterized the industry in 1999- 2000 , seems to have passed Haifa by completely.

Data regarding the first half of 2001 is shown in the table below.

Bed Nights & Occupancy rates Jan - Jun 2001											
Region	Tourists Bed Nights		Israelis Bed Nights		Total Bed Nights		Rooms Occupancy			No of rooms	
	2001 000s	change from 2000	2001 000s	change from 2000	2001 000s	change from 2000	2001 in %	2000 in %	change from 2000	2001	change from 2000
Israel	2,396.7	-58%	4,718.2	17%	7,114.9	-27%	44.1	62.9	-30%	45,647	2%
Eilat	545.4	-48%	2,128.40	20%	2,673.8	-5%	59.2	66.0	-10%	10,465	4%
Jerusalem	541.1	-69%	257.4	23%	798.5	-59%	26.7	66.4	-60%	9,099	5%
Tel Aviv	490.4	-43%	232.2	30%	722.6	-31%	47.8	68.7	-30%	5,831	4%
Tiberias	120.3	-77%	360.9	-4%	481.2	-47%	33.9	61.1	-45%	3,752	-9%
Kibutzim	162.9	-58%	330.5	11%	493.4	-28%	44.3	60.8	-27%	2,873	-6%
Dead Sea	137.8	-49%	638.0	26%	775.8	0%	64	71.7	-11%	3,347	7%
Netanya	100	-63%	98.8	2%	198.8	-46%	34.1	58.0	-41%	1,732	-6%
Haifa	70	-29%	109.2	14%	179.2	-8%	45.3	49.4	-8%	1,338	3%
Nazareth	5.2	-96%	4.5	-90%	9.7	-94%	2.9	46.9	-94%	1,029	0%
Herzliya	63.5	-26%	42.2	12%	105.7	-15%	58.3	67.1	-13%	677	-1%

The industry in general suffered a decline of nearly 60% in bed nights from foreign tourism , which the rise in bed nights from Israelis could not offset and in the end, there was a decline of 27% in the total number of bed nights in Israel during the first half of 2001 compared with the first half of 2000, and a 30% drop in room occupancy. The second half of 2001 will not be any better than the first half, and at the moment there is no recovery visible on the horizon.

Haifa, whose tourism base is limited, suffered less than most regions in Israel, relatively speaking, with a decline of only 29% in tourist stays and an 8% drop in total bed nights and room occupancy. The impact of the Bahai Gardens Project, which cannot be expected to be felt at a short term span, will perhaps be felt in 2002, and even this will only be in Israeli tourist stays. The Baha'i visitors are an important segment of the Haifa total tourist bed nights. According to our figures, in an average year there are 20 groups of Baha'i pilgrims, in each group there are 150 members and each member spends 10 nights in Haifa. In addition to that, there are, on average, 4000 Baha'i visitors per year that spend on average 3 nights in Haifa. This is to say that on an average year the Baha'is visitors contribute an average of 42,000 bed nights to Haifa's hotels. Based on those figures we can see that the Baha'i pilgrims and visitors amount to 30% of the total tourist bed nights in Haifa and more than 10% of the total bed nights.

The Baha'i Gardens were opened to the public at the beginning of June, this year.

As expected, the new site brought a wave of visitors, as tends to happen during the initial period of new tourist sites. Entry to the gardens is free of charge. Drop-in tourists have access to three areas of the gardens: In the south, the upper entrance from the Yefe Nof Promenade (Terrace 19), where most of the visitors arrive; in the middle, the entrance from Hatzionut Avenue, which sometimes includes a visit to the Shrine of the Bab; and in the north, the lower entrance from Hagefen Street (the entrance Plaza).

Entrance from these three points does not require any prearrangements and enables visits in a relatively limited area of the terraces and the adjacent gardens. For every entrance, the number of visitors is counted manually, and if visitors come in through more than one entrance, then they are actually counted each time.

In addition to spontaneous entry via these three entrances, there are guided tours of the Gardens conducted daily. The tours require prior booking, which is done through the reservations center operated by the Haifa Tourist Board and funded by the Bahai W.C. There are currently 24 tours daily, (except Wednesday when there are 12 tours) 12 leaving from the upper terrace to the Shrine of the Bab, and 12 leaving from Hazonut Avenue to Hagefen Street. The number of participants in a tour, which lasts for little less than one hour and leaves every hour between 9:00 AM and 5:00 PM during

summer, (earlier in winter) is limited to 50. Additional tours are organized upon request for special groups and hotel guests.

Number of visitors in the Gardens in the guided tours is limited, to 1200 visitors per day and about 430,000 per year. The number of visitors who have reserved places for the guided tours through the end of 2001 is some 50,000, and there is a constant increase in the number of reservations. The tours of the Gardens are included in packages offered by tour wholesalers, as part of organized tours that pass through Haifa, or they are ordered in advance by the general public.

The weight of foreign tourism among the organized visits in the Gardens is between 10%-15%, a proportion that reflects the condition of the industry and the cessation of tourist cruise ships docking at Haifa port, which has stopped completely.

Data on No of Visitors in the Bahai Gardens 4/6-18/8 2001					
week/place	Yefe nof	Hatzionut	Gefen st	Tours	Total
1	12,875	9,729	3,225	2,633	28,462
2	14,224	12,727	2,363	3,182	32,496
3	14,543	14,557	2,299	3,461	34,860
4	13,958	10,693	4,434	3,560	32,645
5	15,334	12,907	4,501	4,159	36,901
6	9,284	11,829	6,016	4,416	31,545
7	15,389	12,131	4,684	4,543	36,747
8	11,732	10,456	4,000	4,426	30,614
9	12,307	11,297	5,293	5,343	34,240
10	13,876	13,135	4,501	5,747	37,259
11	11,437	8,759	5,012	6,413	31,621
Total	144,959	128,220	46,328	47,883	367,390
Weekly Average	13,178	11,656	4,212	4,353	33,399
Daily Average	1,907	1,687	610	630	4,834
Annual Projection	686,648	607,358	219,448	226,814	1,740,268

In the first 2 months of operations, 35,700 people took a guided tour of the Terraces. Since the gardens were opened at June, the average number of entries per week across the 3 open areas were 33,300, excluding those on tours.

A look at the table indicates that the rate of organized tours is increasing, and in recent weeks the potential volume of the tours has been almost completely realized, with more than 5,000 visitors per week. If we allow a 10% deduction from the weekly number of

visitors for the visitors who arrive from more than one entrance, we see that the number of visitors per week is more than 30,000 (including organized tours), and the annual rate is about 1.5 million per year.

This number should be qualified. The months of July-August are peak months for domestic tourism in Israel, and they do not represent all the months of the year. Furthermore, the novelty of opening a new project led to initial excitement by those who wanted to be among the first visitors, and it could normally be expected that later on the rate will certainly decrease.

On the other hand, according to estimates we made previously, we assumed that the share of foreign tourists in the total visitors of the Baha'i Gardens would reach 50%, and it presently stands at only 10%-15%.

In light of all this, we feel that we can cautiously discuss an annual rate of approximately one million visitors for the long term, with about one-fourth of them coming through the guided tours. About 95% of the citizens of Haifa and 75% of the Israelis expressed their desire to visit the Gardens in the near future in a survey conducted by the Baha'i community that was taken near the opening of the project. With time, the proportion of foreign tourists among the visitors will increase, and even if there are limited repeat visits by Israelis, the increase in foreign tourism traffic and the fact that more than half of the foreign tourists are coming to Israel for the first time, will ensure that the annual rate of visitors remains as was assumed. This is certainly a conservative estimate, we know that some Israelis tend to frequent the gardens several times a year, particularly citizens of Haifa who come with guests but we will stick with the 1 million conservative estimate in the ensuing calculations.

A site in Israel that is visited by one million people is a very significant site, as the following table shows:

No of Visitors per year on Selected Tourist Sites	
Average 1995-2000	
Massada	600,000
Caesaria	450,000
Yad Vashem - Jerusalem	1,500,000
Capernahum - Kineret	400,000
Banias	250,000
Under water observatory -Eilat	500,000
Rosh Hanikra	250,000
Crusaders Halls - Acre	200,000
Shrine of the Bab - Haifa	135,000
Bahaj`I	100,000
<i>The Bahai Gardens - Forecast*</i>	
*2000 onwards	1,000,000

We assume that, following the Yad Vashem Holocaust Museum in Jerusalem, the Baha`i Gardens in Haifa will become the second most important site in Israel in terms of numbers of visitors, and naturally this has an impact on the future development of tourism in Haifa.

Prior to the opening of the Gardens, the average number of visitors to the Golden-Domed Shrine was around 135,000 a year and the increase in the number of tourists by more than seven times is, of course, the result of the new project.

CHAPTER 3 – THE DEVELOPMENT PLAN FOR THE BAHÀ'Ì WORLD CENTER 2002-2007

The period of 1987-2002, which will end in May 2002 when the current period of the agreement between the Baha`i community and the government of Israel expires, is a period in which major efforts and key human and financial resources were devoted towards completing the Gardens Project in Haifa. During this period, some \$250 million was invested in the Gardens and in two new buildings of the Baha`i World Center in Mt Carmel. All of this money was collected by the Baha`i communities around the world from millions of its adherents, with each person donating sacrificially to the best of his ability. The scale of the project required an enormous effort on the part of world – wide Baha`i believers

The Baha`i community perceives the coming five years as a period of consolidation .in Israel , with spending only at moderate rate aimed at three goals:

Maintaining the Baha`i World Center in Israel

Maintaining the Baha`i Gardens in Haifa./ Akko

Financing modest new small-scale investment programs.

Details of the Baha`i community's financial plan at an annual average level and the total for the five years beginning in May 2002 appears below, and each expenditure item includes its domestic tax component.

Expenditures & Tax Returns in the Bahai 5 years plan (2002-2007) 000\$						
Current Expenditures						
	Annual average Expenditure	Tax rate	Annual Tax Returns	Expenditures in 5 years	Tax rate	Tax Returns in 5 years
Maintainance of the Gardens						
Labor	3,600	7.8%	281	18,000	7.8%	1,404
Materials & Services	1,200	16.8%	201	6,000	16.8%	1,005
Total Maintenance	4,800	10.0%	482	24,000	10.0%	2,409
Expenditures in Israel	26,600	7.7%	2,048	133,000	7.7%	10,241
Grand Total	31,400	8.1%	2,530	157,000	8.1%	12,650
Investment Budget						
Touristic Projects	4,000	14.4%	574	20,000	14.4%	2,870
Other Projects	4,200	14.4%	603	21,000	14.4%	3,014
Total Investment	8,200	14.4%	1,177	41,000	14.4%	5,884
Grand Total Investment + Expenditures	39,600	9.4%	3,707	198,000	9.4%	18,535

Each of the three items are discussed below:

Maintaining the Gardens in Haifa – An investment of some \$250 million demands maintenance and operations at the highest level that characterizes the Baha'i World Center. This is, first and foremost, a sacred site as well as a place visited by hundreds of thousands of visitors each year. Maintenance expenses for those areas open to the general public are divided as follows:

Gardening – \$1.9 million per year, (including salaries for 70 Israeli gardeners.)

Security for the Gardens – \$1.4 million

Ongoing maintenance – \$1.1 million

Tours for the general public – \$0.4 million (funding for the reservations center and guiding provided through the Haifa Tourist Board).

Total – \$4.8 million. (that figure include salaries for 160 local workers)

Needless to say, this amount can be seen as a yearly grant from the Baha`i community to the city of Haifa because all the funds come from over-sea, with no call on local funds.. Some two-thirds of this expenditure is for personnel, and the tax rate reflects the employers' tax on these wages. One-third of the proposed sum is spent on the purchase of services, and the tax rate reflects the amount of Value added tax. The maintenance budget of the Gardens is an important element in the attractiveness of Haifa in general and the gardens in particular for visitors. It is a well known phenomenon that investments worth of millions \$ are deteriorating in the absence of a proper budget for upkeeping them. The 250 millions \$ past investment will be almost lost without the guarantee of a proper maintenance and the B.W.C sees this annual expenditure as an integral part of its commitment as manifested by embarking on the project.

Expenditures of the Baha`i World Center in Israel – This amount is spent each year to maintain the international lead guardians of the global Baha`i religion such as sending, receiving + translating correspondence, to translation of the holy texts, creating compilation of writings, providing executive support to the world governing body and supporting the Baha`i volunteers who live in Haifa and Akko.. This is a community of 800 volunteers from around the world, and the expenditure includes their living and working expenses .Most of these expenses are incurred in Haifa.

Investment budget – This goes for funding investment projects that are planned for the next five years. We have divided the discussion between investments in tourism projects, particularly in Akko, which will be dealt with in the next chapter, and other projects of the Baha`i community, such as expanding the library in Haifa and purchasing various equipment unrelated to tourists and the general public.

In total, this is an expenditure and investment plan of approximately \$200 million, whose tax component is 9.4%, or \$18.5 million over five years, or an average of \$3.7 million per year.

This amount, which the Baha'i community is supposed to receive as a tax refund each year, comes to NIS 16 million.

This sum is significantly lower than the taxes incurred to the Government as a result of the combined activities of the Baha'i World Center , which we estimate at the next chapter, chapter 4, to be NIS 120 million, and is even lower than the maintenance budget for the Gardens of around NIS 20 million per year.

CHAPTER 4 – ECONOMIC IMPACT – A PROFESSIONAL APPRAISAL

The economic impact of the activities of the Baha'i World Center in Israel is discussed in this chapter and we divide our discussion and analysis into two categories: The overall macroeconomic effect of the economic activities generated by the Baha'i Gardens and its current expenditures in Israel on the one hand and an economic appraisal of the tourism investment plan of the Baha'i World Center in Akko and Western Galilee in the next 5 years.

We start with the macroeconomic analysis.

We assume that in the long term, a quarter of the visitors to the Gardens 250,000 foreign tourists out of an expected figure of 500,000 foreign tourists visiting the Gardens annually, will combine their visit to the Gardens with a stay of at least one night in Haifa. Since a visit of Haifa to see the Gardens will be a part of the regular tourist tour of Israel it is a conservative estimate that out of the 500,000 tourists visiting the Gardens, half will stay in Haifa overnight. This stay can begin with a view of the Gardens illuminated at night and a visit to the German Colony. The following day, after spending the night in a Haifa hotel, a guided tour of the Gardens will be taken.. This pattern for visits is already beginning to take shape among foreign tourists, as we were told by a manager of one of Haifa's leading hotels .

A projection of the tourist bed nights in Haifa for 2001 based on the first 6 months, point out to an expected 140,000 bed nights, 40,000 of them is emanated from Baha'i visitors and 100,000 of general tourists. To the amount of 100,000 bed nights of foreign tourists, the expected increase in tourists bed nights of 250,000, as we forecast, is a very dramatic one and we believe that this will change completely the whole climate for investment in building new hotels in Haifa. It is usually accepted that a tourism venue must reach a threshold figure of 3000 hotels' rooms in order to become a factor in the local tourist market. The Baha'i project may well be the catalyst to this desired development.

We assume that daily tourism expenditures for these tourists will reach \$80 or NIS 340, including the hotel. Regarding the 750,000 other visitors, tourists and Israelis who will not stay overnight in Haifa, we assumed a daily expenditure of NIS 50 per visitor.

We also included the visitors from among the Bahai community arriving as part of their pilgrim program, which are expected to bring around 3,000 pilgrims annually who will stay in Haifa and spend an average of 10 days in their hotels, as well as a number of 4000 short term Baha'i visitors who will not be with any organized group of pilgrims and will stay in Haifa's hotels for only three nights. These two categories combined gives us an equivalent of estimated total of 42,000 tourists (which account for more than 10% of the total annual bed nights in Haifa in a normal year or 30% of the foreign tourist bed nights) who, we have assumed, will daily spend NIS 250 in Haifa. On the basis of these assumptions, we have calculated the annual expenditures of visitors to the Bahai Gardens in Haifa.

Estimate of Expenditures of Visitors in the Bahai Gardens NIS			
	No of visitors	Expenditure per visitor	Total Expenditure
Day visitors	750,000	50	37,500,000
Tourists overnight sleep	250,000	340	85,000,000
Bahais Pilgrims	42,000	250	10,500,000
Total Expenditures			133,000,000
Direct Annual Expenditures of the Bahai community in Israel			168,300,000
Grand Total Annual Expenditures			301,300,000

To these expenditures we have added the yearly direct expenses of the Baha'i W.C in Israel, some 40 millions \$ annually which was presented in the previous chapter.

Thus, we obtained an annual sum of about NIS 300 million, as a direct contribution from the Baha'i W.C and the Baha'i Gardens. If we assume, as we did in our previous report, a domestic added value of 80% on these expenses, and an added value multiplier factor of 1.4 for the tourism industry, we find that this activity contributes annually NIS 337 million to the GDP. This increase in the GDP will lead to increased income from taxes, assuming a tax share of 35% on the GDP, in the amount of NIS 120 millions per year.

This is a direct increase to the country's income from taxation as a result of the activities of the Bahai W.C in Israel.

We will deal now with the economic appraisal of the investment plan.

Before we begin surveying the Bahai community's tourism investment plan for the next five years beginning in May 2002, we would like to present a comparative table showing past and future levels of investment and expenditures by the Bahai World Center compared with tourism budgets in Israel. The expenditure data for the Bahai World Center was given to us by the B.W.C, while Government expenditure data were taken from the Ministry of Tourism budget for 2001.

Bahai Investment in Tourism Infrastructure versus Government budgets (000 NIS From the 2001 Budget)	
Investment in Bahai gardens in Haifa 1987-2001	1,063,000
Tax returns from the Government (18.8%) (1987-2001)	199,844
Annual Maintenance cost of the Haifa Gardens (projected average 2002-2007)	20,400
Annual Tourism Investment of the Bahai W.C in Acre	17,000
Total Tourism related Annual expenditures of the Bahai W.C in Israel	37,400
Expected Annual Tax returns in the next 5 years	15,725
Annual Tax increment emanating from the Bahai projects & Expenditures	120,000
Financial indicators from the 2001 Government Tourism Budget	
Total 2001 Budget of the Ministry of Tourism	528,619
Total Tourism Infrastructure Budget in 2001	143,342
Tourism Infrastructure in Akko	10,141
Tourism Infrastructure in Naharia & Western Galilee	3,550
Tourism Infrastructure in Jerusalem	11,604
Tourism Infrastructure in Eilat	5,071
Tourism Infrastructure in Tiberia	5,071

The table, as they say, “speaks for itself.” The Budget for establishing the Baha`i Gardens in Haifa is greater than the tourism infrastructure development budget throughout the country for seven full years !

Maintenance expenses for the Gardens in Haifa are more than NIS 4 million greater than the tax refund the B.W.C is supposed to receive on account of the tax component of its expenses in Israel. The contribution by Bahai activity to annual tax income is seven times more than projected tax refunds, while the tourism investment plan for Akko is 70% greater than the tourism infrastructure development plan for Akko, which is part of the budget of the Government Tourism Corporation.

Below we will deal with the Bahai community’s projected investment in Akko
Tourism potential in Akko, which has not been realized to date, is a well known fact that has been discussed at length. Akko represents Israel’s Crusader history most impressively, along with Muslim/Arab history, the Ottoman period, Napoleon’s siege of Akko, the British Mandate period and the Jewish underground movements, and, of course, the history of the Baha`i religion in the 19th century. The Akko Citadel or prison, where the Founder of the Bahai religion was imprisoned ; the Bahji Gardens where he is buried; the Ridvan Gardens, where the founder Baha`u`llah occasionally stayed after he left the Akko prison; and the Mazra`ih estate north of Akko where the Baha`u`llah lived after his confinement in the old city of Akko – all of these are sacred sites to the Bahai community.

The investment plan expected for these sites in the future will turn them into tourist sites that will help reinforce Akko’s tourism infrastructure and will contribute to the welfare of local residents. The projected Baha`i investment in Akko will add an important element to the national efforts to turn the city into a major tourism center in Israel.

Akko population is now some 50,000, 25% of them are Arabs who live mainly in the old city of Akko. The socioeconomic status of the city is low, half of the households get a reduction in municipality tax, 25% of the families are handled by the local welfare department and unemployment rate has soared to 11.7%, one of the highest in the country. The Government is initiating special support scheme for Akko of 120 millions

\$ for the next 5 years. A new sewage treatment plant will be built which will enable the construction of new 10,000 housing units. In addition to that a massive investment in education and urban renewal is planned. The investment plan of the B.W.C will complement the proposed schemes of the Government.

Budgets of 9 millions \$ for Bahji and the Citadel projects in Akko have already been allocated as part of the investment plan that will be completed before May 2002. At the Bahji site, the religion's holiest site, a visitors center is presently undergoing completion, which will include an improved access road to the site, parking facilities for buses and private cars, and rest rooms for visitors. The site is open to the public and the number of visitors, which has been about 100,000 per year, will probably increase when it is opened.

Furthermore, as part of the Akko Citadel project, the Bahai community is undertaking work to restore the upper floor of the northwestern tower, where the Founder of the Baha'i religion was imprisoned for just over two years. This plan is part of a project to turn the Akko Citadel into a tourist site to be open to the general public.

The tourism development planned for the next five years by the Baha'i community in Akko focuses on additional investment in the Bahji site, investments for the Ridvan Gardens, development of Mazra'ih and preparatory steps towards opening a Baha'i museum in Akko.

These investments will have an impact on tourism development in Akko and on the welfare of city residents. Development will create open spaces in a well cared for natural environment, which will serve the city's residents in the north and the south. They will be a focus of tourism interest at the edges of the Akko, places that draw people and between which there can be promenades and roads for tourist traffic. Thanks to the new sites, green areas will be created along broad avenues, which will encourage a variety of activities for residents and visitors alike. They will act as "green lungs" for the city and will serve as new observation points overlooking the city and environs. All these will enhance the city's image among its residents and visitors and will contribute towards the local economy by creating demand for new projects by private developers relating to accommodations, restaurants and tourist services. Below are details of the projected investments during the next five years:

Bahji site – Projected investment of NIS 10 million triggered by the completion before May 2002 of the Visitors Center. Most of the work will involve expanding the area of the gardens and creating networks of gardens, foot paths, irrigation systems and lighting, construction of a garden maintenance facility and upgrading infrastructure such as parking , fences, entrances and so on.

Ridvan Gardens – Projected investment of NIS 14 million. This site, south of Akko and located near Napoleon Hill, is characterized by a unique and historic Persian garden. The site includes a piece of property that was once an island in the middle of the Na'aman River. The site includes an ancient sugar mill and archaeological remains from the Crusader and Ottoman periods, which are now being excavated. The intention is to turn the site into a quiet, green archaeological park, where the water system that operated the sugar mill will be restored. There will be footpaths along the Na'aman River that will combine history, archaeology, and the visual experience of flowing water. Near the park is the Hilazon River nature reserve and the Na'aman outlet into the sea. The site will also serve residents of Akko's southern neighborhoods, as well as the new neighborhoods planned for the area. As part of this investment, rest rooms will be erected for the convenience of visitors.

Mazra'ih estate – Projected investment of NIS 15 million. The site is located north of Akko , near Kibbutz Evron and the Arab village of Mazra'a. The site includes a garden and orchard, and a building that served Baha'u'llah after His release from the old city of Akko. The plan is to restore the adjacent Khan, which was at one time a roadside inn, and turning it into a visitors center for the public, which will include various exhibits. The site will generate economic activity based on tourist traffic to the site. The historic water aqueduct that brought water from the Kabri springs to Akko passes through the Mazra'ih estate, and the Bahai community will finance the restoration of the section adjacent to its site. We can assume that after developing the Mazra'ih site , there will be an increase in the number of visitors to the area and the Baha'i W.C intends to take an active part in plans for developing tour routes in the area, while

preserving the agricultural and rural nature of the area and utilizing the points of interest it contains, in cooperation with the municipality of Nahariya and the village of Mazra'a. The site will make a major contribution towards the region's scenic and environmental quality.

Bahai museum in Akko – Projected investment of NIS 40 million in a curatorial facility to protect holy artifacts in anticipation of establishment of the museum, apparently in a site owned by the Bahai community in the Old City of Akko. The preparatory work to be undertaken would include site selection and acquisition, town planing and architectural plan. This project when completed may turn to be an important anchor for tourism development in Akko. The Baha'i community has thousands of historic items and relics relating to the history of the Baha'i religion that can serve as the basis for opening a unique museum of the Baha'i religion, something that does not exist anywhere in the world. At this point the considerable sum of NIS 40 million has been allocated for restoration, planning and preparing the building, and when completed it will become the central museum of the Baha'i religion and thus, a magnet for tourists to Akko.

We have briefly surveyed the investment plan for four projects planned by the Baha'i community in the Akko region during the next five years, with an overall financial scope of NIS 85 million. This is a great deal of money in terms of tourism investment in Akko, and together with similar amounts to be invested during this period by the Akko Development Corporation, this may create a momentum towards developing an impressive tourism infrastructure. As in Haifa, the religious link between the Baha'i community and these sacred historic sites will lead to the development of high quality tourism projects, which will be open to the general public and will generate significant tourism. In Akko, these projects, located in cared-for green areas will increase the availability of green spaces for the benefit of the residents of Akko and the Western Galilee. The Bahai W.C has already declared its interest in being involved in social, cultural, sports and youth projects in Akko. This social commitment to the community

will continue and will be associated with the Bahai W.C activities in the future, supplementing the physical plan to develop Bahai holy sites in the Akko region.

The shift in emphasis towards developing new projects in Akko, which is suggested for the near future, now that the monumental project in Haifa has been completed and resources for its maintenance and operation have been ensured, will generate tourism development in Akko and activities funded by the Bahai W.C will play an important role for many years. Although the amounts are small compared with the sums invested by the Bahai W.C in Haifa during the past fifteen years, these are still significant amounts for the city of Akko and when the Baha`i development plan is completed in Akko in another five years, this will be truly realized. Finally , we would like to point out that the plan to establish the Baha`i Museum in Akko, which will not be finished within the coming five years but has already been allocated NIS 40 million for this period, can serve as an important anchor in tourism development in the more distant future.

CHAPTER 5 – SUMMARY AND CONCLUSIONS

We have already pointed out that this economic assessment conducted on the projects, the motive for whose establishment was altruistic/religious and never intended to generate income, not to mention financial profit for the developers who initiated the project, cannot do them justice. Anyone who has visited the Bahai Gardens in Haifa since the open areas have been expanded understands that he is standing before a project that expresses a spiritual concept that has no material motivation.

In spite of this, we have attempted in this document to present the project as a public works project aimed at the benefit of the general public and as a tourism infrastructure project. We have tried to understand its impact on and contribution towards the city of Haifa, the tourism industry and the national economy in contrast with other tourism and public projects in Israel, in order to conclude from this the role the project plays.

Later on we presented the Bahai community's financial plan in Israel for the next five years, which also includes important tourism projects and an expenditure plan to maintain the Gardens in Haifa, in order to compare the impact of these projects on tourism and the nation's economy with the tax refunds the Bahai community could expect to receive from their expenditures to be incurred while financing these activities. The demand to receive tax refunds – only tax refunds and not grants or any other type of government support – is founded on the precepts of the Bahai community that prohibit receipt of grants and benefits from government authorities and requires that all funding for activities and projects come from the Bahai believers only.

In this calculation we discovered that the economic contribution of the Bahai activities in the Haifa-Akko region is much greater than the tax refunds they could expect to receive according to the formula of the agreement currently in effect between the Bahai community and the Israeli government.

These tax refunds, in a yearly average for the next five years, are smaller than the community's annual investment for operating and maintaining the Gardens in Haifa, and they are about the same level as the amount of the annual investment plan projected for tourism projects in Akko.

From a broader perspective, in terms of the national economy, we find that the Bahai activities in their projected scope in Israel during the next five years will lead to an increase in government income from tax payments of NIS 120 million per year, compared with an expected tax refund of about NIS 16 million per year.

This quantitative analysis, which shows the tremendous profitability to the Israeli economy from the activities of the Bahai community in Israel, should be read as a continuation of the qualitative analysis we presented in the beginning of this report. Extending the agreement between the Bahai community and the government of Israel for another five years reflects a continuation of the historic cooperation between the Bahai community and Israel, and the commitment of both sides to continue with this cooperation in the future.