



Kevin Bermeister

**EDITORS' NOTE** Kevin Bermeister is a founding investor in a number of successful technology and real estate ventures including Skype. In 1983, Bermeister established Ozisoft, and in 1992, he and his business partner successfully led a management buyout with Sega Enterprises to form Sega Ozisoft Pty Limited. In 1994, Bermeister and his property consortium Jacfun negotiated rights to property at Sydney's Darling Harbour and established the interactive Sega World Sydney amusement park, operated through a joint venture. Bermeister remains a director of Jacfun. He founded Brilliant Digital Entertainment Inc. (BDE) in 1996 and is also its Chairman and CEO. In his latest real estate endeavor, Bermeister teamed with an Israeli retail magnate to bid for Nof Zion, a major residential project in South East Jerusalem. He is a major benefactor and supporter of numerous charitable organizations and was recently awarded the Yeshiva Center Leadership in Philanthropy Award.

**INSTITUTION BRIEF** Jerusalem 5800 ([www.jerusalem5800.com](http://www.jerusalem5800.com)), also known as Jerusalem 2050, is a private initiative founded by Kevin Bermeister to enhance the present and future city of Jerusalem and the lives of its residents. Through proper long-term urban planning based on solid economic principles and benefits, Jerusalem 5800 will uncover Jerusalem's innate potential as a true "World City" and a tourist destination capable of attracting more than 10 million tourists a year. Jerusalem 5800 is the first plan to include projected statistics and proposals up to the year 2050, making it the only long-term plan and the largest collection of plans ever compiled for the city.

### What is your vision for Jerusalem 5800?

When I began visiting Israel on a regular basis, I started to realize that there was something missing in the city because it was unable to capitalize on its history. It's arguably one of the most historic cities in the world and is looked upon by at least three billion people around the world as holy, and as a result, it ought to be performing economically to a far greater degree than it is.

# Jerusalem's Future

## An Interview with Kevin Bermeister, Founder, Jerusalem 5800

I struggled for many years to understand what it was that prevented it from succeeding. Thirty-eight percent of people that live in Jerusalem live under the OECD poverty line; half are Jews and half are Muslims.

I discovered that the tourist arrivals in Jerusalem and Israel are made up of a solid Jewish contingency that comes in year after year; there are bus tours from all over the world.

It was in that group that I identified a problem: there is an underinvestment in hotel capacity. There has been a flight to five-star hotels but the problem is the lack of three- and four-star hotels. Facilities are poor for buses and large tour groups, and taxi transportation is erratic – some drivers use meters and some see how much they can take customers for.

It became apparent to me that the demand for Jerusalem was not being met by the supply. I started to analyze that in detail. We put together a research group of about 12 professionals and, over the past two years, they have been dedicated to finding the facts on the ground involving planning and development, working with the mayor's office, the Knesset, and the various disparate authorities around Israel that have something to do with Jerusalem. We tried to understand the situation from their perspective.

We pulled together all of their plans, documents, and visions, and placed them into a general matrix. On top of that, we added our own planning. We looked 20 years into the future and in doing that, we were able to identify all of the key issues.

The principle issue is that there is a shortage of hotel rooms, which is understood by the government. The present shortfall in the city is 10,000 hotel rooms on a base of only 10,000 existing rooms.

Global tourism has grown over the past decade as India, China, and other markets have opened up, and the world's tourism authority has predicted it will continue to grow. But Jerusalem is missing the mark; it's not achieving its global market share of inbound tourists.

### Given the need, why are hotel companies not entering the space?

Typically, Jerusalem and Israel's history has been relatively volatile. Also, land conveyancing in Israel is notoriously complex and government and tax policies remain ambiguous. You have to do your work in advance and with a lot of depth, and your investment in that process has to be sophisticated before you can enter the market.

A lot of organizations relying only on their foreign experiences have tried, failed, and left,

and entrusted their business interests to Israeli operators. Typically, Israeli operators work through personal networks, which foreign operators don't enjoy.

### How broad will your efforts go?

Our first effort is towards expansion of hotel rooms, but further out on the timeline we'll start looking at infrastructure and roads, airports, ports, and all the entertainment facilities that are required to populate Jerusalem as a world city capable of attracting 10 to 12 million inbound tourists annually instead of the current three million. We founded Jerusalem Fund Management, Ltd., which has launched the Jerusalem Tourism Development Fund to capitalize on these opportunities.

### How do you address the concerns about the volatility of the area?

The volatility in tourism stems from a single event that occurred in 2001, the Second Intifada, which resulted in the horrific bombings that were taking place in buses and cafes around Jerusalem.

The situation on the ground has changed substantially, the principle change being one of prosperity. The Muslims have had their lives improved significantly: their prosperity has increased as evidenced by the falling rates of birth per family. As prosperity increases, typically rates of birth decrease; that is happening in many Arab populations.

We're beginning to see a different landscape – they have something to lose as does everyone living within Jerusalem or governed by the Knesset. The financial transactions that are going on are providing a future where any conflict would be followed by a more rapid recovery. The recovery cycle following the Lebanon War was 12 months – there was a drop-off in tourism, but it recovered quickly.

However, the lasting effect of the events of 2000 and 2001 caused a retraction in investment in the tourism industry. There was a build-up of investment leading up to those events and then there was a massive retraction. It took eight years to recover.

### How much do you have to work with government and are they supportive?

The tourism industry, the mayor of Jerusalem, the prime minister's office, and the finance minister are beginning to comprehend the GDP impact that this lack of investment is causing.

The potential that exists in the application of policy that promotes investment probably rises up to an additional four or five percent contribution to GDP.

So there is coordination taking place now and they all understand that the optimization of the industry has been neglected. ●