

Arrivals Up for PATA Destinations

With very few exceptions, visitor arrivals to Pacific Asia destinations grew in 1999, showing clearly that last year was finally turnaround time after two years of economic crisis.

Though individual countries fared differently due to their own domestic conditions, intra-regional travel was a major beneficiary as people began travelling for leisure, business, study and MICE. This was aided by both stable and devalued currencies, good market deals, abundant airline seats and hotel capacity, and vigorous resumption of marketing campaigns by the national tourism organisations.

As the accompanying visitor arrivals show, (see Chart) among the countries with the highest growth in visitor arrivals in 1999 were Cambodia and Lao PDR and this is worthy of a closer look. The very strong performance by these two destinations could perhaps be viewed not as the direct result of any great multi-million dollar marketing strategies, but at least in part

because of the liberalisation of two policies that are seen by many as being among the greatest impediments to visitor arrivals: visas and airline access.

As neither of these countries have enormous marketing budgets, they chose to simply open up access and let the airlines and private sector do the rest. It was clearly the least costly and most effective move and one that sends major signals to other governments seeking to bolster visitor arrivals from major markets.

In 1999, Cambodia liberalised air access to Siem Reap, the major gateway to the world-famous temple complex at Angkor Wat, and allowed international airlines to fly directly there instead of via the capital of Phnom Penh. Demand for that service saw an increase of over +190% in traffic to reach 28,525 during 1999. Though this direct service created some controversy among those Phnom Penh hoteliers affected by this policy, the country as a whole, has clearly gained.

Top 10 Visitor Arrivals to the PATA Region (based on % growth)

Country	Period	1998	1999	% Change 99/98
Malaysia	Jan-Dec	5,550,748	7,931,149	42.9
Cambodia	Jan-Dec	186,333	262,907	41.1
Lao PDR	Jan-Dec	500,200	614,278	22.8
China (PRC)	Jan-Dec	7,107,747	8,432,298	18.6
Vietnam	Jan-Dec	1,520,128	1,781,754	17.2
Sri Lanka	Jan-Dec	381,063	436,440	14.5
Cook Islands	Jan-Dec	48,629	55,599	14.3
Tonga	Jan-Dec	27,132	30,949	14.1
Tahiti	Jan-Dec	188,933	210,800	11.6
Hong Kong, China	Jan-Dec	9,574,711	10,678,460	11.5

Source: PATA various NTO's

Cambodia also has what tour operators call one of the world's most liberal visa policies. Visas upon arrival at Phnom Penh and Siem Reap airports are available to citizens of all countries upon payment of US\$20 and presentation of the application form plus one photograph. In future, as road linkages increase with its neighbours in the Greater Mekong Sub-region, Cambodia plans to extend the same facility to cross-border visitors from Vietnam, Thailand and Lao PDR.

In turn, Lao PDR last year opened its new Wattay Airport at Vientiane and also liberalised visa policies by a) allowing visa on arrival for all nationalities at Vientiane and the Friendship Bridge and b) reducing the visa fee from US\$50 to US\$30. In late 1999, it also opened the door to direct flights to its major tourism centre, Luang Prabang, where visas upon arrival are also available.

The result has been obvious.

In addition to these two countries, recovering economies are making nearly the entire PATA region come alive with growth in visitor arrivals, both major and minor. While there is a lot of competition, there is considerable optimism for the future, especially as everyone is eager to put the bad days behind them as quickly as possible.

The following is a summary of highlights of 1999 visitor arrivals to and within the PATA region. Full details will soon be available in the *1999 PATA Statistical Report*.

South Asia: India has reported a growth of +5.1% and Sri Lanka a strong growth of +14.5%. Nepal, too, was up +5.8% in air arrivals. These figures are likely to have been affected in the first part of 2000 due to the national elections in Sri Lanka and the airline hijacking incident. When stability reigns however, growth is always strong in this dynamic region.

Southeast Asia: A very strong performance. Thailand and Singapore surged ahead with double-digit growth while Malaysia posted an enormous gain of +42.9%, generally on the back of strong growth in arrivals from its immediate neighbours. The Philippines reported marginal growth, with the aviation problems there certainly affecting that performance. Vietnam also did well (+17.2%) and is expected to make even more progress with the expansion of Vietnam Airlines and increasing access to new destinations like Da Nang.

Northeast Asia: Hong Kong, China; Korea (ROK); Chinese Taipei; Japan and Macau SAR all reported strong visitor arrivals, largely due to populous intra-Northeast Asian traffic and currency advantages. As economies there continue to recover — taking the middle class with them — leisure and business travel within Northeast Asia will prosper.

Other countries: These include Myanmar, Bangladesh and several of the the South Pacific Island Nations. While several have reported little growth, or in some cases, negative growth, there are some notable exceptions. The Cook Islands, Tonga, Tahiti and Fiji for example, all showed double-digit growth. For the remainder however, while their domestic problems are their own responsibility, PATA countries can and perhaps should help them with training, research and marketing in order to raise local product quality, service-delivery standards and to help stretch their marketing dollars. They have the least domestic resources and would benefit from any external help.

Outbound: The Five Giants

Europe: Europe performed generally well and remained a good producer of visitors to the PATA region. The main source-markets of Germany, France, Italy and the UK have generated more than their fair share of tourists. The Scandinavian countries along with Austria, Switzerland, Greece, Spain and Portugal, which have either small populations and/or lack of direct flights to most PATA countries, produced mixed results.

USA: The USA outbound market remained steady, thanks to strong economic conditions there. Cambodia, China (PRC), Thailand, Australia, New Zealand and Japan appear to have been among the major beneficiaries. Those destinations that did not receive as many US visitors as in the past lost market share due to a number of factors including decreased air access, and in some cases to negative media coverage of the political/social situation.

Japan: In 1999, Japanese travellers showed a growing preference for short- and medium-haul destinations. Economic difficulties continued to bite but so did the travel bug. Travel to the USA, Australia and New Zealand slipped slightly in 1999 but surged to neighbouring Korea (ROK); Hong Kong, China and China (PRC). Medium-haul destinations like Thailand, Malaysia and the Philippines also enjoyed growth if even at single-digit levels. The US however, remained Japan's top-draw destination.

China (PRC): Nearly every country getting Chinese visitors reported double-digit growth in 1999, with Thailand proving the most popular after Hong Kong and Macau SAR. Visitors to New Zealand were up by a massive +41%, while other markets such as Singapore, Malaysia, Japan and Korea (ROK) also did well. The USA slipped somewhat possibly due to the political fallout stemming from the accidental NATO bombing of the Chinese embassy in Belgrade last year.

India: Visa hassles and airline seat-capacity shortages notwithstanding, Indians have begun re-discovering the Pacific Asia delights after a long-standing love affair with the West. Popular and fast-growing destinations for Indian outbound travellers include China (PRC), Korea (ROK), Japan, Singapore, Malaysia and Thailand. Canada has also reported double-digit growth. With outbound travel having grown from 1.3 million in 1981 to 3.9 million during 1999, it is not surprising that many destinations are becoming very serious about attracting the Indian traveller. To assist our members PATA will be releasing a report on the Indian Outbound market during the second half of this year.

The Crisis-Hit Countries

Korea (ROK): Surging throughout the region as the national economy rebounds. Korean visitors to Singapore shot up more than +150%, to New Zealand by +144%, to the Philippines by +62% and Japan by more than +30%. They stopped just short of crossing the one-million mark to China (PRC). The Korean travel bug has clearly bitten again and while it may be some time before it reaches the volume of pre-crisis times, the signs are there for continuing growth.

Malaysia: Rebounding strongly, with convincing growth to Thailand, Australia, New Zealand, China (PRC) and Japan. Thailand is the largest destination for Malaysian travellers with just over one million in 1999, up +8.4%. Malaysian visitor arrivals to cross-border neighbour Thailand, first passed the one-million mark in 1995 and remained above that level in 1996 and 1997 dropping slightly in 1998.

Thailand: Of the only two countries that reported declines in visitor arrivals from Thailand, both were the victims of airline disconnections. Myanmar reduced seat capacity on the Bangkok-Yangon route and saw a -25% decline in Thai visitor arrivals, while the Philippines ceased services on the Bangkok-Manila route and saw a -1% decline. Other than that, Thailand outbound was on the rise virtually everywhere, with strong growths to Australia, New

Zealand, China (PRC), Korea (ROK), Japan and Hong Kong, China. Neighbouring Malaysia remains the largest recipient of Thai visitors.

Indonesia: If there was an economic crisis in Indonesia last year, one would not have believed it from the outbound traffic which remained as robust as ever. Hong Kong, China reported a nearly +80% increase in Indonesian visitors; Thailand was up +91% and China (PRC) up +75%. Very few destinations reported a decline in arrivals from Indonesia.

Top Industry Issues

The visa and aviation liberalisation actions taken by Lao PDR and Cambodia are spot-on with what many in the travel and tourism industry generally, see as being one of the most important requirements to lift passenger movements to new heights: facilitation.

A survey of specific PATA members conducted by PATA's Strategic Information Centre showed that immigration controls in all their various derivatives are still perceived as being the most important blockages to passenger movements. These include application procedures, paperwork, fees and all the various formalities involved.

The responses strongly underscored the long-standing industry perception that no matter how much marketing money is spent on promoting a destination or how much airline access is available, people typically will head first to those places that least impede access.

The precise question asked of both airline and government members of PATA was: What regulations do you believe should be lifted or eased in order to facilitate travel to your designation from your source markets?

Seven of the nine responding airlines mentioned visas, passports, border facilitation, departure cards and Immigration barriers. Ten of the 12 responding governments mentioned the same.

The same impediments were extensively cited in two other questions asked by PATA relating to a) what issues PATA should take up on behalf of its members in the first APEC ministerial meeting in June 2000, and b) what issues PATA should be taking up generally in addressing the development of tourism in the PATA region.

While governments are clearly required to protect their citizenry from the negative influences of totally

open-borders, they are also under pressure to ensure that genuine visitors are not artificially and unnecessarily obstructed from travelling.

In a way, that opens up an interesting inter-related conundrum. While governments need to relax or show greater flexibility with visa regulations and liberalise aviation regimes, airlines are under pressure to ensure that free and open markets should really mean that, and not be converted into back-door oligopolies in the form of alliances. In other words, governments bear the double responsibility of ensuring that markets remain both accessible and competitive.

As both airlines and governments have an interest to protect and responsibility to fulfil, the key seems to be doing this in a way that does not affect the wider interests of the travelling public at large.

These fairly easily adjustable impediments to travel are clearly becoming an issue because the industry is anxiously to start booming again after two years of major blood-letting and crises that have seen massive layoffs, reduced profitability and major internal restructuring.

All the national tourism organisations which responded to the survey cited the end of the economic crisis as being the major reason for their optimism on the future of travel and tourism within the PATA region. Exchange rates are also stable and governments are sharpening their marketing pencils to start regaining their share of visitor arrivals.

Many are planning creative new events, strategies, media promotions and research. Some NTOs are embarking upon new branding exercises. Others are shifting their focus to MICE promotions and ecotourism.

Both the upcoming Olympics in Australia later in 2000 and the 2002 World Cup in Japan/Korea (ROK) will bolster the roster of high-profile events that will bring visitors to and through the PATA region.

The same factors are also being cited for resumption of outbound travel growth along with the ongoing intensive competition among travel agents, hotels, tour operators and airlines to gain as large a slice of the cake, mainly through pricing promotions and special deals.

While there is overall optimism that quantitative growth will resume, making the qualitative and infra-

structure changes to cope with the growth is set to pose a challenge. The word "sustainable" came up in several of the responses, reflecting a concern among many NTOs about how to ensure that short-term gain does not translate into long-term pain.

At least one NTO mentioned continuing concern over media coverage. Another cited the "image" factor. There was also mention of tourist rip-offs and the costs associated with the need to continue tailor the product to cater to different customer segments and lifestyles. Several NTOs mentioned the issue of human resources development.

Airlines share the optimism of national tourism organisations that regional travel and tourism flows will remain on their upward curve, though there is some concern about the impact of rising oil prices.

Asked about their management imperatives over the next three years, airlines mentioned the need to build alliances, cut costs, develop the product, exploit technology, rationalise route structures, improve customer relations and create a leaner and more professional workforce.

Other issues confronting the airlines are the impact of privatisation of both airlines and airports, and the effect this will have on user and landing charges. The need to retain high-yield business-travellers is also important. One airline mentioned the issue of unavailability of landing slots.

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