2.6 Tourism Development Machinery

2.6.1 Tourism Administration

The Ministry of Culture and tourism (MOCAT) was established in May, 1987 to develop and encourage tourism as a primary industry in line with national policy. The major functions of the ministry are enumerated as follows:

- to establish a national policy for culture and tourism,

- to plan programmes for the encouragement and development of culture and tourism,

- to coordinate and supervise the implementation of culture and tourism programmes which have been established, and

- to evaluate the effectiveness of the policy and programmes.

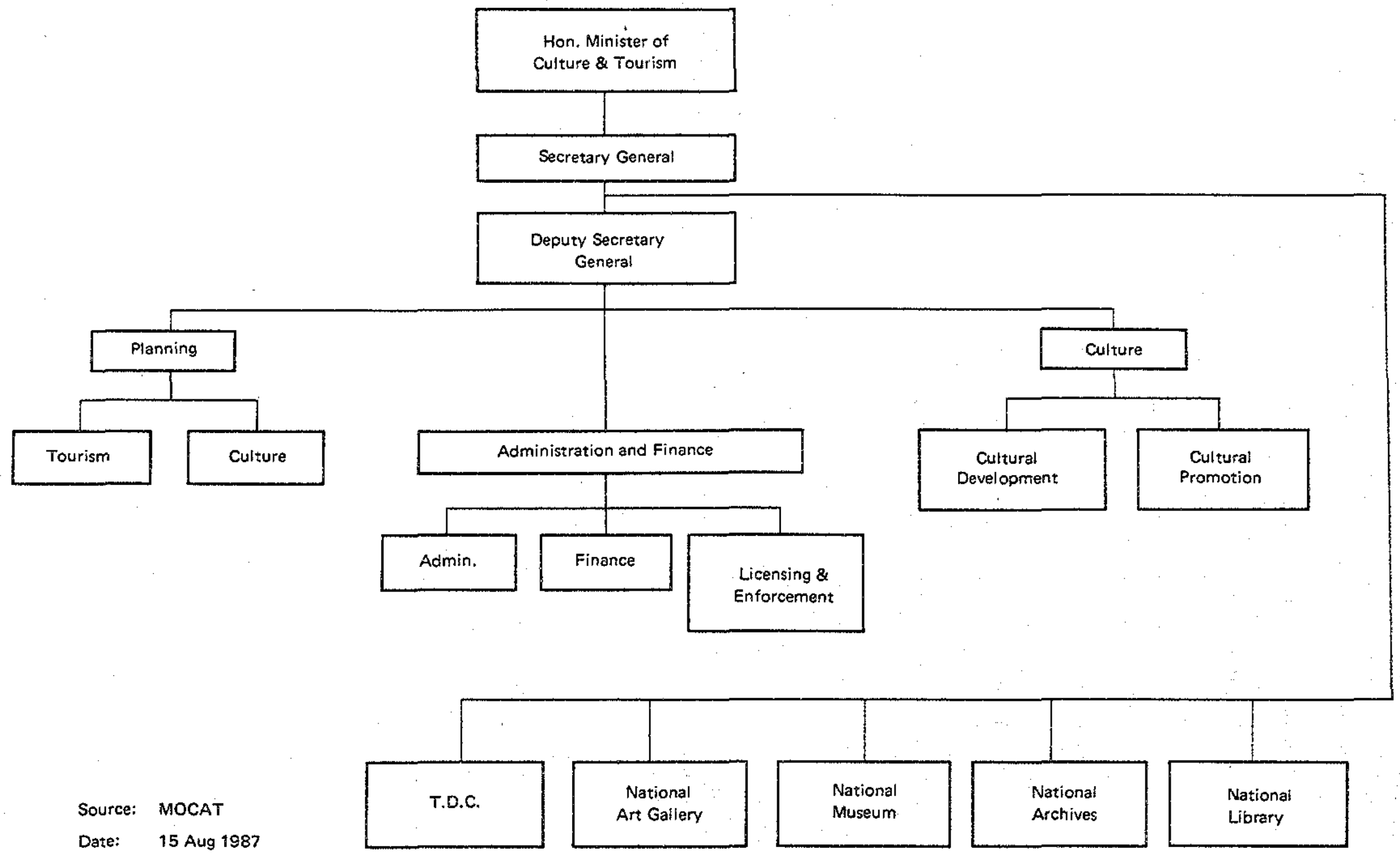
In consideration of many-sided aspects of tourism industry, Ministerial Committee on Tourism Promotion is organized to discuss and create policy under the chairmanship of the Prime Minister.

As shown in Fig. 2.6.1, MOCAT has three divisions: Planning, Culture, and Administration and Finance; and five agencies.

The Tourism Development Corporation (TDC) which was established in 1972 is responsible for coordinating the activities of the tourism industry in the public and private sectors and for promoting both and international tourism. It strives to intensify overseas promotion on a national scale to avoid duplication of efforts in the exploitation of the country's wealth of natural resources for tourism. The organization of TDC is as shown in Fig. 2.6.2. In almost all promotional activities undertaken by TDC, MAS and other airlines, state tourism authorities and the Malaysian private sectors are involved in order to integrate efforts and project a unified image of the country.

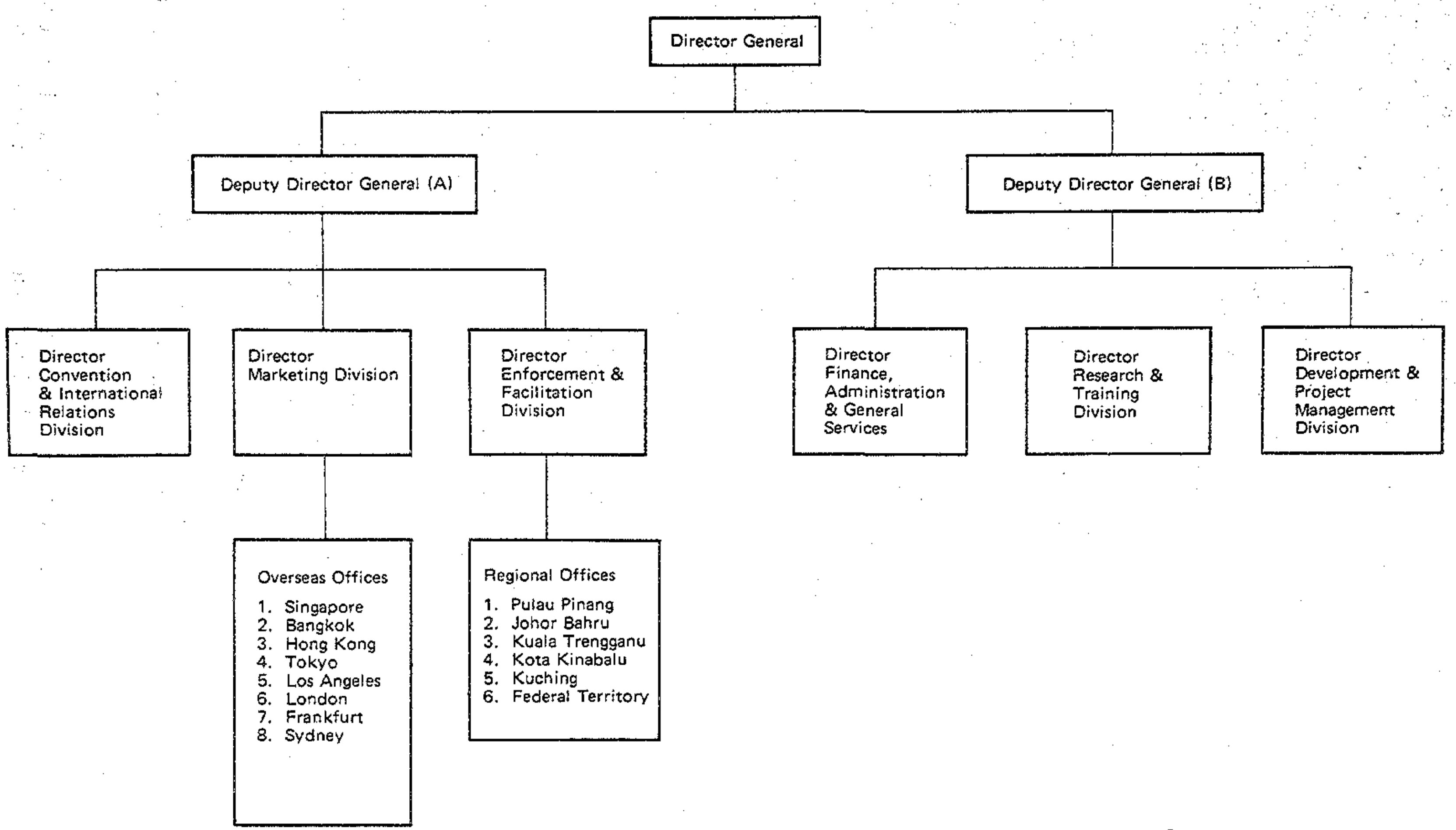
Tourism development activities are performed not only on the federal level but also on state level. The State Economic Planning Unit (SEPU) is directly involved in tourism development on the state level to encourage regional development. State Economic Development Corporation (SEDC) is also related to tourism development in that it is responsible for the implementation of programmes and projects approved by the SEPU. State governments have also been engaged in tourism promotion in cooperation with TDC.

Fig. 2.6.1 Organisation Structure of Ministry of Culture and Tourism (MOCAT)



Source: MOCAT
Date: 15 Aug 1987

Fig. 2.6.2 Organisation Chart of TDC. Malaysia



Source: TDC, Malaysia

2.6.2 Incentives for Tourism Investment

The country has been providing various forms of incentives to encourage the development of tourism related industries. The Promotion of Investment Act 1986, which replaces the Investment Incentives Act 1968, was introduced to encourage both the tourism and manufacturing industries This new act includes a wider scope of investment, covering both accommodation and such non-accommodation projects as safari parks, zoos, and amusement parks. An investor, intending to put up an accommodation or a non-accommodation project, is now given two options to choose from: either Pioneer Status or Investment Tax Allowance. An Industrial Building Allowance of 2% is also granted as an additional incentive for an accommodation project. Major incentives are shown below.

1) Pioneer Status

A project granted with Pioneer Status will be given tax relief for a fixed period of 5 years, irrespective of the level of capital investment. The tax relief period commences from the production day to be determined by the Ministry of Trade and Industry. Where losses are incurred during the tax relief period, the net amount of such losses are allowed to be carried forward and offset against income in the post-pioneer period.

2) Investment Tax Allowance

Investment Tax Allowance is given in respect of capital expenditure incurred within 5 years from the date of approval of the project. The allowance to be granted will depend on the features of the project, the maximum being 100%. Where there is an insufficiency or absence of adjusted income, the unused allowance may be carried forward for deduction against income earned in the following and subsequent years, until the whole amount of the allowance is used.

3) Tax Exemption on Machinery and Equipment

The government is also providing exemption of customs duties and sales tax on machinery and equipment purchased locally or imported for use by hotels and other accommodation as well as by non-accommodation projects.

4) Service Tax

The service tax has been reduced from 10% to 5%. This is intended to bring about lower costs for room, restaurant, and entertainment charges, and thus assist indirectly in the encouragement of tourism.

5) Incentives for Tour Operators

A tour operator who brings in at least 500 tourists through group tours is exempted from tax on income derived from the foreign tourist business.

6) Remittance Abroad

Remittance is allowed each time for the amount less than US$10,000 without approval of the central bank and for amounts more than US$10,000 with approval.

2.6.3 Manpower Training

In the light of the envisaged growth of the tourism industry, it is expected that the demand for trained and experienced manpower at the managerial and supervisory levels as well as skilled and semi-skilled levels will significantly increase.

Manpower training programmes are effected mainly by the MARA Institute of Technology (ITM), National Productivity Centre (NPC), and in-house training programmes conducted by hotels.

ITM provides education and training in a wide range of professional and semi-professional courses to Malay. The Institute is divided into 13 schools, including Hotel and Catering Management particularly tailored for tourism industry. It has 10 branch campuses at Johor, Segamat, Kelantan, Malacca, Pahang, Perak, Perlis, Terengganu, Sabah, and Sarawak.

NPC is essentially a management training institution providing training in techniques of management, supervision, and labour management relations by conducting courses, seminars, and workshops with the objective of increasing productivity. "Hotel Management and Tourism Unit" is included in the eight units of NPC's training activity. The Centre's courses are directed at managerial and supervisory personnel in the private and public sector as well as personnel from middle and small-scale businesses. It has four regional offices of Kuantan, Pulau Penang, Johor Bahru, and Kuching, and one state office of Kota Kinabalu.

The Fifth Malaysia Plan intends to strengthen and streamline the manpower planning machinery in the public sector to effect a more coordinated and effective approach to national manpower development planning. The Manpower Planning Sub-Committee of the National Development Planning Committee under the chairmanship of the Chief Secretary of the Government has been established. This Sub-Committee is serviced by the Economic Planning Unit (EPU). EPU has also been given the role and responsibility as the central agency responsible for planning, coordinating and monitoring of human resource development at the national level.

2.7 Issues for National Tourism Development

It can be said that the tourism development of the country is confronted with three major restrictions.

1) The country is a developing country with a shifting emphasis from primary industry to secondary and tertiary industries. It must upgrade and diversify economic activities despite limited availability of trained manpower, technology, and capital. This implies that tourism development will also be confronted with limited resources and that secondary as well as tertiary industries are not capable of fully supporting tourism development.

2) The country is a newcomer into the tourism industry among the neighbouring countries. This implies that it will take some time to get tourism development on its way in terms of coordinated development of tourism products, tourism promotion, international transportation network, and so forth, particularly under a keen competition among tourist destinations.

3) Domestic tourism of the country is still in its infancy. On top of this, a small number of urban population as well as religious behaviour restrict the possible boost of urban attractions and amenities. This implies that international tourists would have less attractions in cities of the country than in those of the other countries.

It is anticipated that the combination of the above factors will impose some obstacles on immediate tourism development of the country. It will be very important to have a long term perspective for the tourism development of the country.

2.7.1 General Issues

The tourism industry has been accorded high priority by the government in the Fourth as well as Fifth Malaysia Plans in view of its potential in playing a vital role of redressing the adverse balance of payments of the country. The ministerial committee on tourism promotion and the Ministry of Culture and Tourism were established in line with the country's policy.

There are, however, some policy level problems in view of tourism development:

- Should tourism projects and programmes be given priority over others in some specific area when they contradict each other? Possible contradictions may arise with environmental conservation, reserved land, and privatisation schemes which aims at more efficiency.

- To what extent does MOCAT have the authority to coordinate and implement specific projects and programmes with federal government agencies and state governments? Budgeting and land development are major possible fields where close coordination is required.

- What kind of tourism development is most suitable for converting outbound Malaysian travellers to domestic tourists? Data and information on identifying the characteristics of outbound travellers are not prepared.

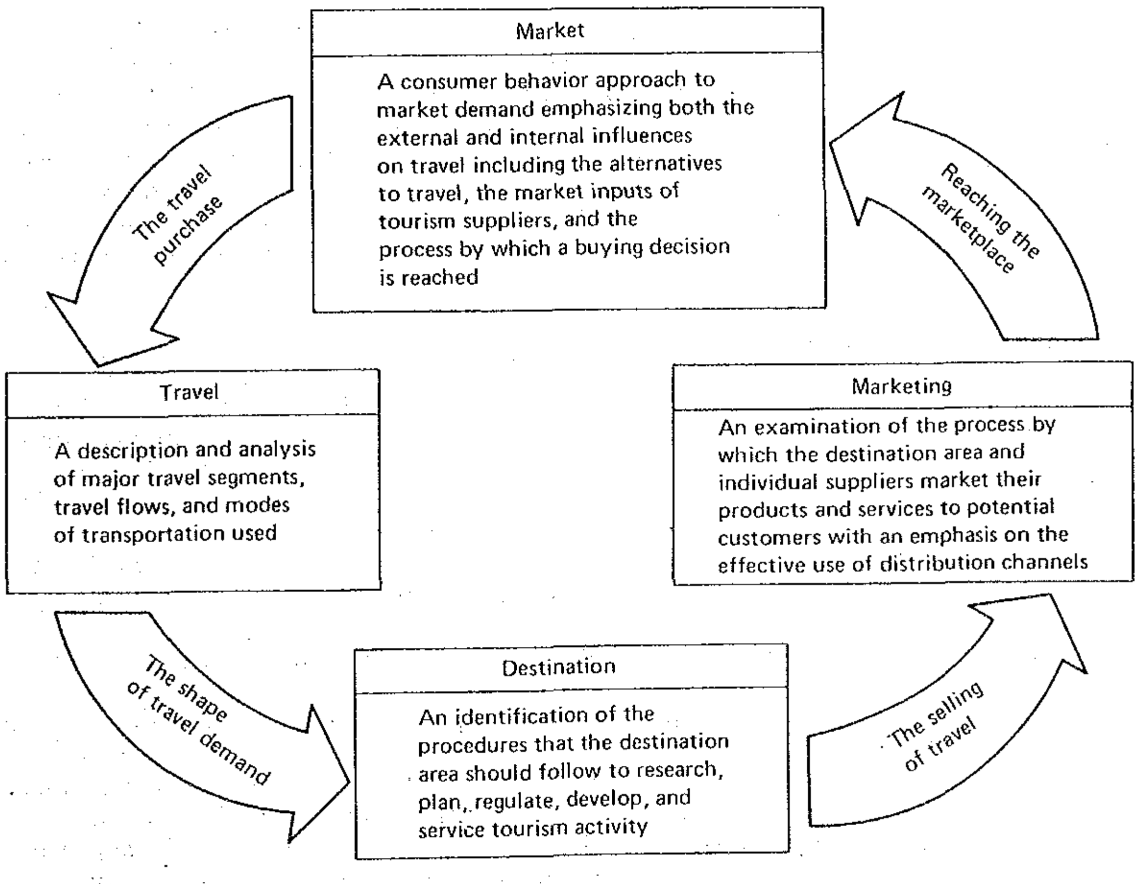
It is important to prepare a framework translating the overall policy into more detailed applications.

The tourism system consists of four parts as illustrated in Fig. 2.7.1:

- market where potential tourists exist,
- destination where tourism products are offered,
- promotion in which destination encourage people in the market to travel, and
- transportation by which people in the market reach the destination.

These four parts must be well coordinated and balanced to achieve an effective tourism system.

Fig. 2.7.1 Tourism System



Source: The Tourism System, Prentice-Hall International Editions R.C.Mill & A.M.Morrison

A few key issues on tourism development are:

1) Development of Destination

For successful tourism development, the four major components of tourism products, transportation network, environmental conservation, and a systematic approach to tourism development be improved and developed with close coordination among them to lure more international tourists. At present, however, tourism products are mostly below international standards. Some destinations, particularly Penang, have environmental problems.

2) Development of Destination in Relation with Market

Tourism products must be developed to satisfy tourist demand of quality and quantity. At the moment, however, market surveys have been performed on an ad hoc basis without particularly relationship with tourism product development. It can be said that the efforts have been concentrated to increase the number of international standard hotels.

3) Tourism Promotion

When making a travel purchase, a consumer moves through several stages of awareness, knowledge, interest, desire, conviction, and purchase. The experienced marketing manager realizes that different communication strategies are appropriate for different stages of the buying process. Until now, most promotional efforts have been focused on acquiring awareness on Malaysia. It will become necessary, with the enhancement of awareness, to further proceed to the advanced stages of consumers' buying process, directly targeting the prospective segment of consumers.

4) Travelling to Destination

A real need exists to improve international accessibility of Malaysia, particularly in terms of its international air network. The primary entry point to the country is off the international trunk air routes. There is a problem of limited availability of passenger seats on incoming international flights. Closer relationships with the neighbouring international hub airports of Singapore and Bangkok must be established to supplement the limited availability of flights.

5) Achievement of National Policy on Tourism Development

The main objectives of tourism development of the country are to increase the foreign currency earnings, to create new job opportunities, and to stimulate regional development. In order to achieve these objectives, it is required to tailor the tourism system of the country by way of designating target markets, increasing promotional activities, giving priority to specific destinations, and improving international as well as domestic accessibility. At the moment, however, it is considered that tourism development efforts are too diversified to achieve the objectives in the immediate future.

2.7.2 Specific Issues

Present issues specific to the components of the tourism system are summarized as follows.

1) Tourism Resources and Attractions

- Beach and marine resources along the west coast of the Peninsula are evaluated as not attractive to international tourists. Those along the east coast are better, but they suffer from monsoons, especially in the three months of November, December, and January.

- Offshore islands have excellent beach and marine resources, but usually land availability is limited and their infrastructures are not well-developed.

- Sabah has excellent beach and marine resources though Sarawak, generally, does not. Some offshore islands in Sabah have excellent beach and marine resources, but have a problem of accessibility.

- Tropical rain forest constitutes an outstanding feature of potential tourism resources of the country. Due to the requirement for environmental conservation, however, it is necessary to restrict its development as a tourist destination.

- Flora and fauna found in tropical rain forests are of scientific importance, but their attractiveness is confined to special interest groups.

- A variety of cultural and historical assets based on ethnic variety and crossroads in the past have not strong impression to international tourists, compared with those found in the neighbouring countries.

- Tourist attractions are not well-developed in terms of satisfying international tourists' interest. Urban amenities are too limited to attract international tourists as well.

- Optional tour programmes including city sightseeing tours are not well organized and information systems are not well prepared.

2) Tourism Facilities

- The number of international hotels are limited in terms of quantity and distribution.

- Facilities attached to the hotels are not varied enough to satisfy diverse tourist demand.

- Such tourist attractions as cultural performances, duty free shops, handicraft centres, and restaurants are not well prepared in terms of facilities as well as assortment varieties.

3) Accessibility to Destinations

- The international air network of Kuala Lumpur is not well organized when compared to Singapore and Bangkok in terms of number of routes and seat availability.

- International airports other than Kuala Lumpur have very limited direct flights from market countries.

- Flight connections between international and domestic flights are not convenient.

- The domestic air fare structure has restrictions for applying GIT tariff.

4) Environmental Conservation

- Environmental conservation measures, particularly sewage treatment, are not well provided, resulting in sea water pollution.

- The deforestation of tropical rain forests has continued, resulting in the loss of virgin jungle.

- Some kinds of wildlife have been endangered due to this loss of virgin jungle as well as hunting.

- Coral reefs were destroyed by fishing.

5) The Machinery for the Development of Tourism

- The number of tourism experts who are responsible for planning administration is quite limited in newly established MOCAT.

- A system for collection of data on tourists, tourism facilities, and services on a regular basis has not been established.

- Conventional manpower development programmes do not reflect the recent demand for manpower development.

- Banks handling New Investment Fund (NIF) are not efficient, and require too much paper work.

6) Tourism Promotion

- Tourism promotion activities in the past have been successful in raising the general awareness of the country in major international tourist market.

- Promotional aids to travel wholesalers are still insufficient in terms of providing more specific information of tourism attractions.

- Development of tourism products as well as accessibility improvement lay behind tourism promotion.

- The existing market survey is not adequate to identify the most potentially productive segment of the market.

- Selective promotional activities must be applied to specific markets with the cooperation of travel wholesalers.

CHAPTER 3

TOURISM REGIONS OF THE COUNTRY

3.1 Description of the Six Tourism Regions

3.1.1 Introduction

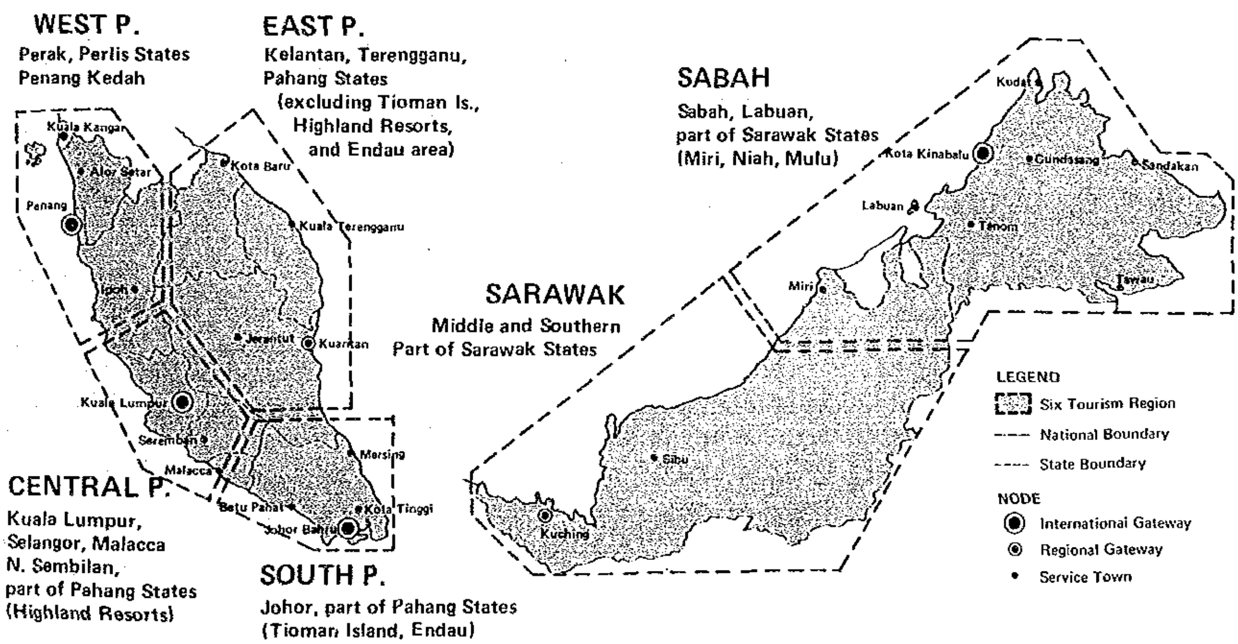
Malaysia comprises the Malay Peninsula and the East Malaysia with a total land area of around 330.4 thousand square kilometres. The country belongs to the tropical humid climate at the latitude between 1 and 7 degrees. Tropical rain forests can be found all over the country.

The coastline extends for 4,180 km; 1,930 km for the Peninsula and 2,250 km for the East Malaysia. In Peninsular Malaysia a mountainous spine known as the Main Range runs from the Thai border to Negeri Sembilan, effectively separating the eastern part of the peninsula from the western. Eastern Peninsula is influenced by north-east monsoon mainly during the three months of November, December and January, and the Western Peninsula is influenced by the south-west monsoon mainly in June and July.

Being in the tropics the average temperature throughout the year is constantly high (26 degrees in Centigrade or 80 degrees Fahrenheit), humidity likewise high and the rainfall heavy. In general, Sabah and Sarawak experience a greater rainfall than the Peninsula.

The country is divided into six tourism regions as shown in Fig. 3.1.1; (1) Central Peninsular Tourism Region, (2) West Peninsular Tourism Region, (3) South Peninsular Tourism Region, (4) East Peninsular Tourism Region, (5) Sabah Tourism Region, and (6) Sarawak Tourism Region. The characteristics of the tourism regions are briefly outlined here.

Fig. 3.1.1 Six Tourism Regions in Malaysia



3.1.2 Central Peninsular Tourism Region

The region includes the federal territory of Kuala Lumpur and the states of Selangor, Malacca, Negeri Sembilan, and a part of Pahang. The region can be grouped into Kuala Lumpur Metropolitan Tourism Area, Port Dickson Beach Area, Malacca Tourism Area and Highland Resort Area as shown in Fig. 3.1.2.

Kuala Lumpur Metropolitan Tourism Area is the most popular destination of international tourists to the country because of Kuala Lumpur as a capital city of the country and an important entry point to the country. Kuala Lumpur is one of the most beautiful cities in Asia though the urban functions are still under-cumulated due to the limited number of population of about 1.2 million in 1985.

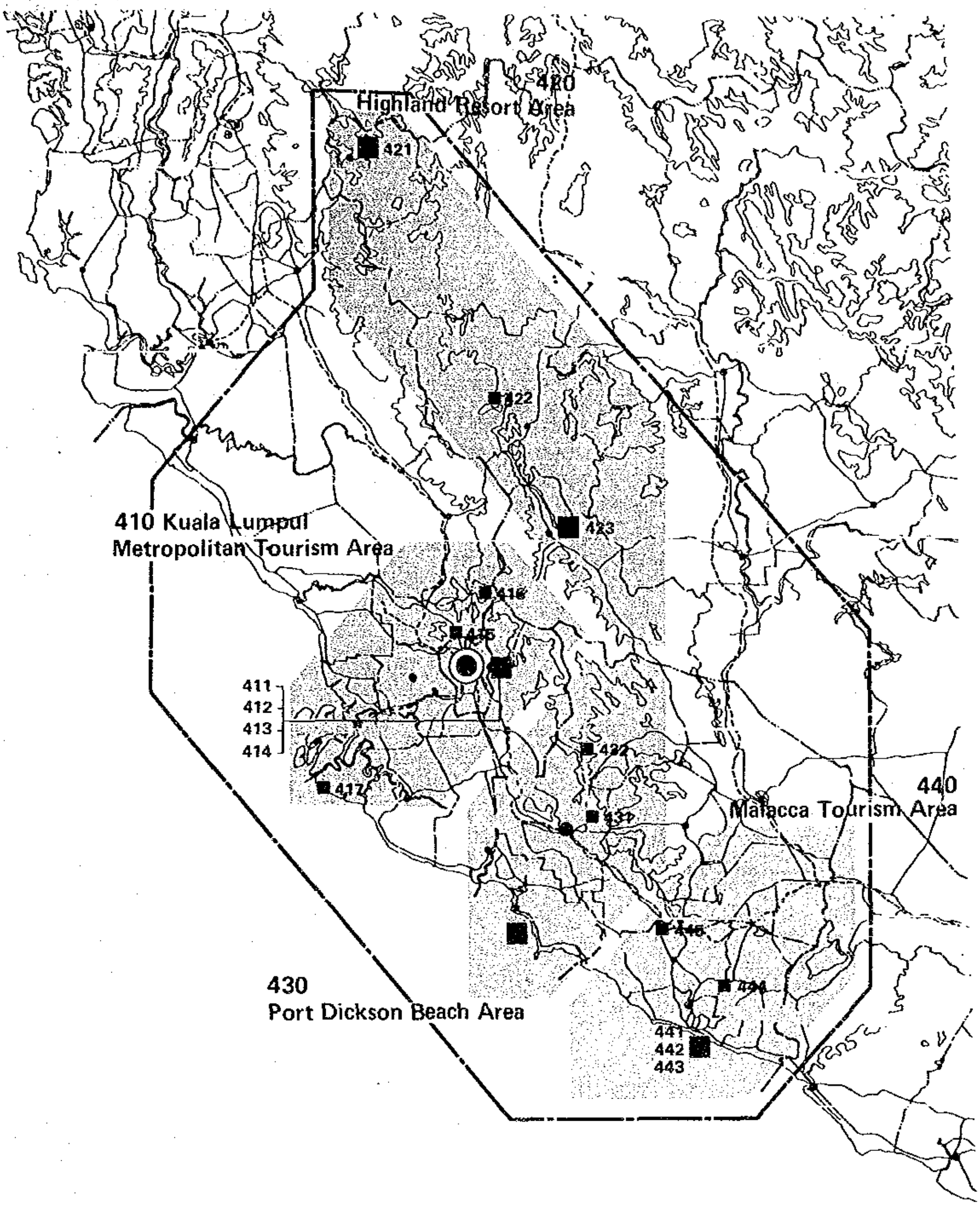
The other three areas can be characterized as sub-destinations from Kuala Lumpur. Port Dickson and Malacca are located along the west coast with the distance of 90 km and 140 km respectively from Kuala Lumpur. Port Dickson remains as a destination of domestic tourists, particularly on weekend. Malacca is famous for its historical as well as cultural heritages. Despite these advantages, most of the assets are left ill-maintained, resulting in their being less than attractive to international tourists.

The Highland Resort Area includes Cameron Highland, Fraser's Hill, and Genting Highland. These highlands are famous for their cool climate even in the tropics. Cameron Highland is an established international tourist destination with a varied grade of accommodations. Bus transport is the major means of transportation from Kuala Lumpur, taking about 5.5 hours. Genting Highland is famous for casino and various kinds of entertainment. Due to the proximity to Kuala Lumpur, about a 1.5 hour drive, many people, including international tourists, visit the highland.

From the viewpoint of international tourist attractions, the following points are the major issues of the region:

- Kuala Lumpur has less accumulation of urban related tourism attractions than the capital cities of neighbouring countries,
- Tourist attractions in Kuala Lumpur Metropolitan Tourism Area are not well integrated to enhance the total attractiveness of the area,
- Improvement and development of tourism attractions are required for the other three areas, and
- Accessibility and optional tour courses must be improved to offer a variety of attractions to international tourists.

Fig. 3.1.2 Central Peninsular Tourism Region



CODE	STATE	SPOT NAME
411	FT	KL CITY CENTRE
412	FT	KL CHINA TOWN
413	FT	KL WESTERN AREA
414	FT	KL EASTERN AREA
415	SEL	BATU CAVE
416	SEL	TEMPLER PARK
417	SEL	KELANG BEACH AREA
421	PAH	CAMERON HIGHLAND
422	PAH	FRASER'S HILL
423	PAH	GENTING HIGHLAND
431	NEG	SEREMBAN
432	NEG	TAMAN SENI BUDAYA
433	NEG	PORT DICKSON
441	MEL	MELAKA OLD CITY CENTRE
442	MEL	MELAKA CHINATOWN
443	MEL	MELAKA TOWN FRINGE AREA
444	MEL	AIR KEROH AREA
445	NEG	PEDAS HOT SPRING

LEGEND

- Tourism Region
- Gateway City
- Tourism Area (Area Code No.)
- Service Town
- Major Tourism Spot
- Other Tourism Spots

3.1.3 West Peninsular Tourism Region

The region includes the states of Perak, Penang, Kedah, and Perlis. The region can be grouped into Langkawi Island Resort Area, Alor Setar Tourism Area, Penang Island Resort Area and Pangkor/Ipoh Tourism Area as shown in Fig. 3.1.3.

Penang Island Resort Area is the most popular destination of international tourists in the region. Penang Island has a long history of tourism and Batu Feringghi has been developed as an international beach resort with such international standard hotels as Rasa Sayang Hotel, Golden Sands Hotel, and Casuarina Beach Hotel. George Town, the capital city of the state, offers tourists a taste of the local community as well as culture and history.

Penang Island is connected with Kuala Lumpur, Langkawi, Kota Bahru, Ipoh and Medan by air, and with Butterworth by land as well as sea transport. It takes about seven hours to George Town from Kuala Lumpur by bus.

Langkawi Island and Pangkor Island are less developed than Penang Island. Both islands are blessed with excellent natural endowment, beautiful sea, sand, and sun. Tourism development has been commenced on Langkawi Island, aiming at the Commonwealth Heads of Government Meeting in 1989. Langkawi Island, however, has a problem of accessibility from major tourist market. Pangkor Island has a constraint on tourism development due to the small size of the island.

Inland tourism spots are characterized as historical towns of sultanship as can be seen in Alor Setar and Kuala Kangsar. These inland tourism spots have hardly been attracting international tourists.

Major issues of the region in view of international tourism development can be enumerated as follows:

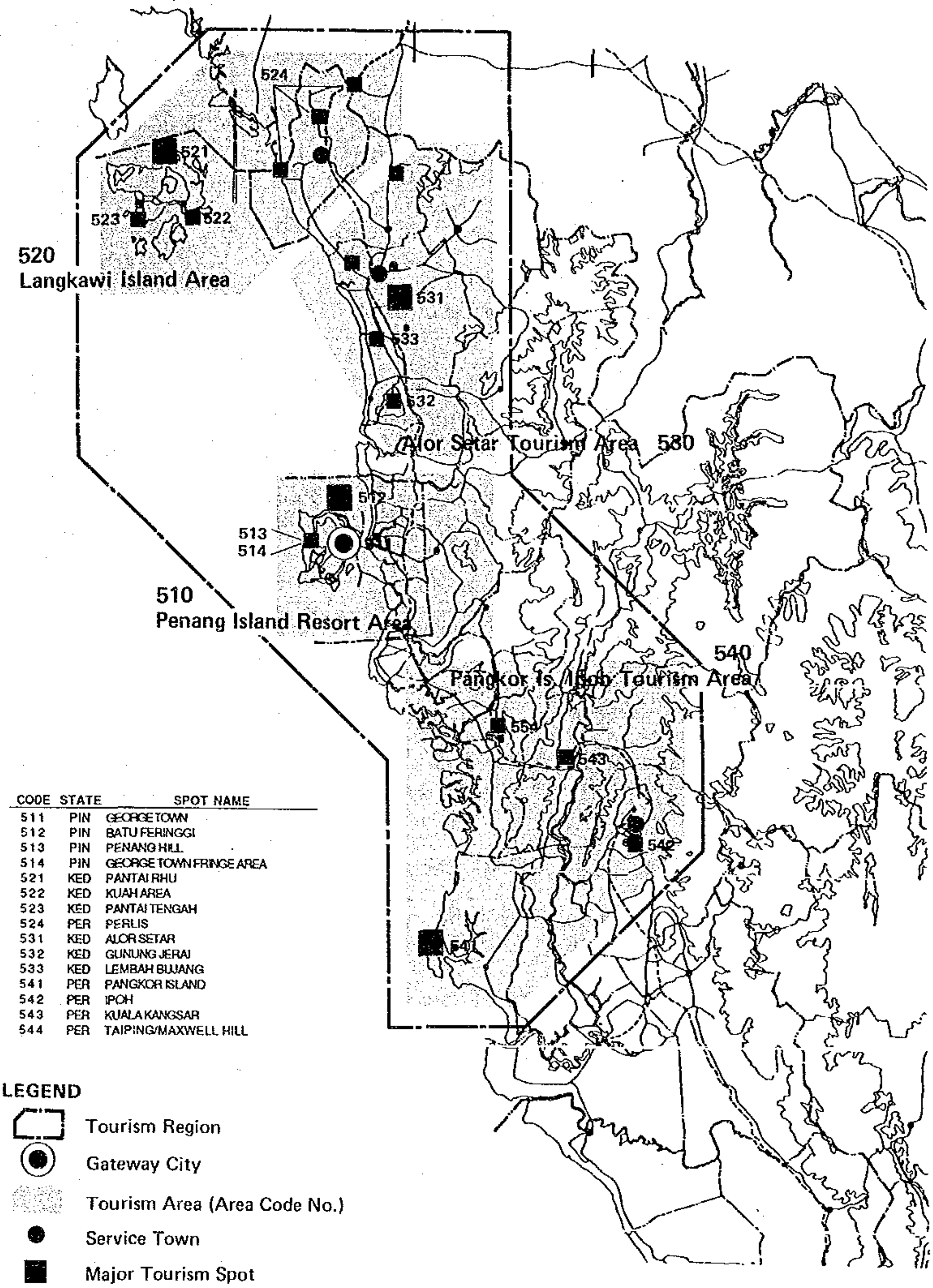
- International entry is limited to Penang Airport which has very few international direct flights from major tourist markets.

- Penang Island has been developed to such an extent that immediate action programmes are required to preserve the environment and that leaves little room for further development.

- Inland tourism spots are scattered in a large area with little attractiveness to international tourists.

- Accessibility to the region from Kuala Lumpur as well as other entry points is inferior to the other regions.

Fig. 3.1.3 West Peninsular Tourism Region



CODE	STATE	SPOT NAME
511	PIN	GEORGE TOWN
512	PIN	BATU FERINGGI
513	PIN	PENANG HILL
514	PIN	GEORGE TOWN FRINGE AREA
521	KED	PANTAI RHU
522	KED	KUAH AREA
523	KED	PANTAI TENGAH
524	PER	PERLIS
531	KED	ALOR SETAR
532	KED	GUNUNG JERAI
533	KED	LEMBAH BUJANG
541	PER	PANGKOR ISLAND
542	PER	IPOH
543	PER	KUALA KANGSAR
544	PER	TAIPING/MAXWELL HILL

LEGEND

- Tourism Region
- Gateway City
- Tourism Area (Area Code No.)
- Service Town
- Major Tourism Spot
- Other Tourism Spots

3.1.4 South Peninsular Tourism Region

The South Peninsular Tourism Region includes the states of Johor and a part of Pahang. The region can be grouped into West Beach Area, Johor Bahru Gateway Area, Desaru Beach Area, Endau/Rompin Forest Area and Mersing/Tioman Island Area as shown in Fig. 3.1.4.

Johor Bahru which has a variety of historical as well as cultural heritages is the greatest entry point of the country, particularly in relation with Singapore. There are many Singaporean as well as international tourists visiting the city. Due to the lack of international hotels, however, most of them are weekenders or day trippers from Singapore.

The West Beach Area has no specific tourism resources to attract international tourists, although the road network from Johor Bahru is well developed.

The remaining three areas are blessed with excellent natural resources. Desaru Beach Area has a long, beautiful shoreline with clear sea water. Desaru Resort in KEJORA's territory has been attracting Singaporean and international tourists in recent years. The Mersing/Tioman Island Area is famous for its beautiful natural endowments and provides an opportunity for marine sport activities. Endau/Rompin Forest Area is blessed with tropical rain forest with peculiar flora and fauna which can hardly be found in other parts of the world.

In spite of the excellent tourism resources and good accessibility from Singapore, however, international travel to South Peninsular Tourism Region is still limited mainly due to the lack of international standard accommodation facilities. Major issues of the region can be enumerated as follows:

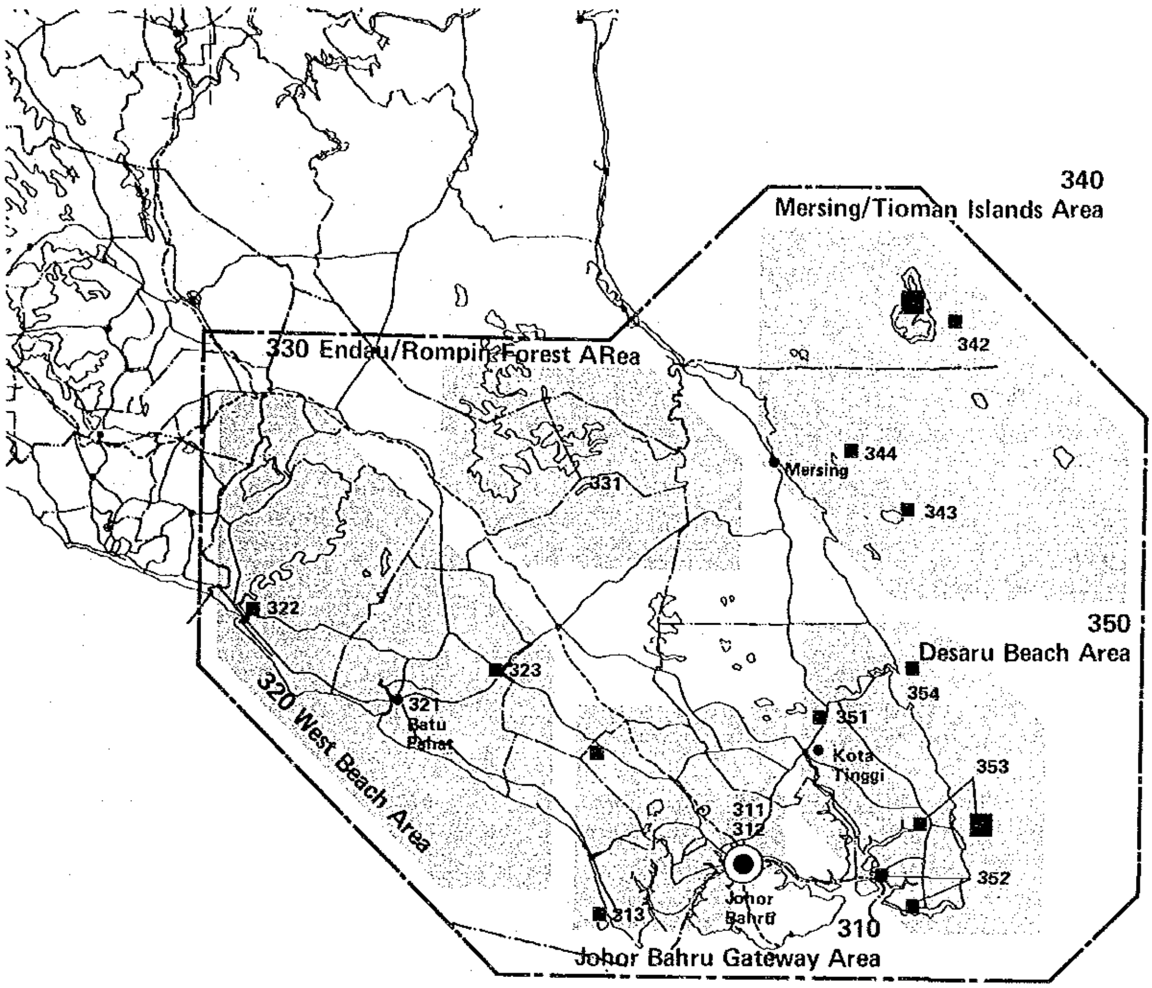
- The region does not have enough hotel rooms for accommodating international package tour groups.

- Tourism facilities of the region are not well developed or organized to induce international tourist visits there, even in Johor Bahru.

- Tourism promotion activities have not been geared to lure international tourists from Singapore.

- The region is so distant from Kuala Lumpur that international tourists visiting the country through Kuala Lumpur do not have a strong incentive to visit the region.

Fig. 3.1.4 South Peninsular Tourism Region



CODE	STATE	SPOT NAME
311	JOH	SOUTHERN BEACHSIDE OF JOHOR
312	JOH	INLAND OF JOHOR
313	JOH	KUKUP ISLANDS
321	JOH	BATU PAHAT
322	JOH	MUAR
323	JOH	AIR HITAM/AW POTTERY
331	JOH	ENDAU/ROMPIN
341	JOH	MERSING
342	PAH	TIOMAN IS
343	JOH	RAWA IS
344	JOH	SIBU/OTHER IS
351	JOH	KOTA TINGGI/SURROUNDING
352	JOH	JOHOR RIVERSIDES
353	JOH	DESARU
354	JOH	JASON'S BAY (TELOK MAHKOTA)

LEGEND

- Tourism Region
- Gateway City
- Tourism Area (Area Code No.)
- Service Town
- Major Tourism Spot
- Other Tourism Spots

3.1.5 East Peninsular Tourism Region

The region includes the states of Kelantan, Terengganu and a large part of Pahang. The region can be grouped into Kuantan Beach Area, Terengganu Tourism Area, Kota Bahru Tourism Area, and Taman Negara Forest Area as shown in Fig. 3.1.5.

Kuantan is the gateway to the tourism region from Kuala Lumpur through air and land transport. Kuantan Airport has a runway capable of landing the B747, but at the moment, it accept only two flights of B737 and nineteen flights of Fokker/Friendship per week from Kuala Lumpur. Kuantan is at 3.5 hour drive from Kuala Lumpur.

The coast of the region is superior to the other coasts of the peninsula, but it is a drawback in that monsoon season is severe from November to January. The region still remains as a destination of special interest group who searches for unspoiled nature as well as traditional Malay culture.

Taman Negara Forest Area is designated as a national park which covers the area of more than 4,000 square kilometres with the highest peak of Gunung Tahan. It is the habitat of a variety of animals, fish, insects, and vegetation. Accommodation facilities such as chalets, hostels, and camping sites, and experienced jungle guides are provided only at several key points for the maximum preservation of virgin jungle.

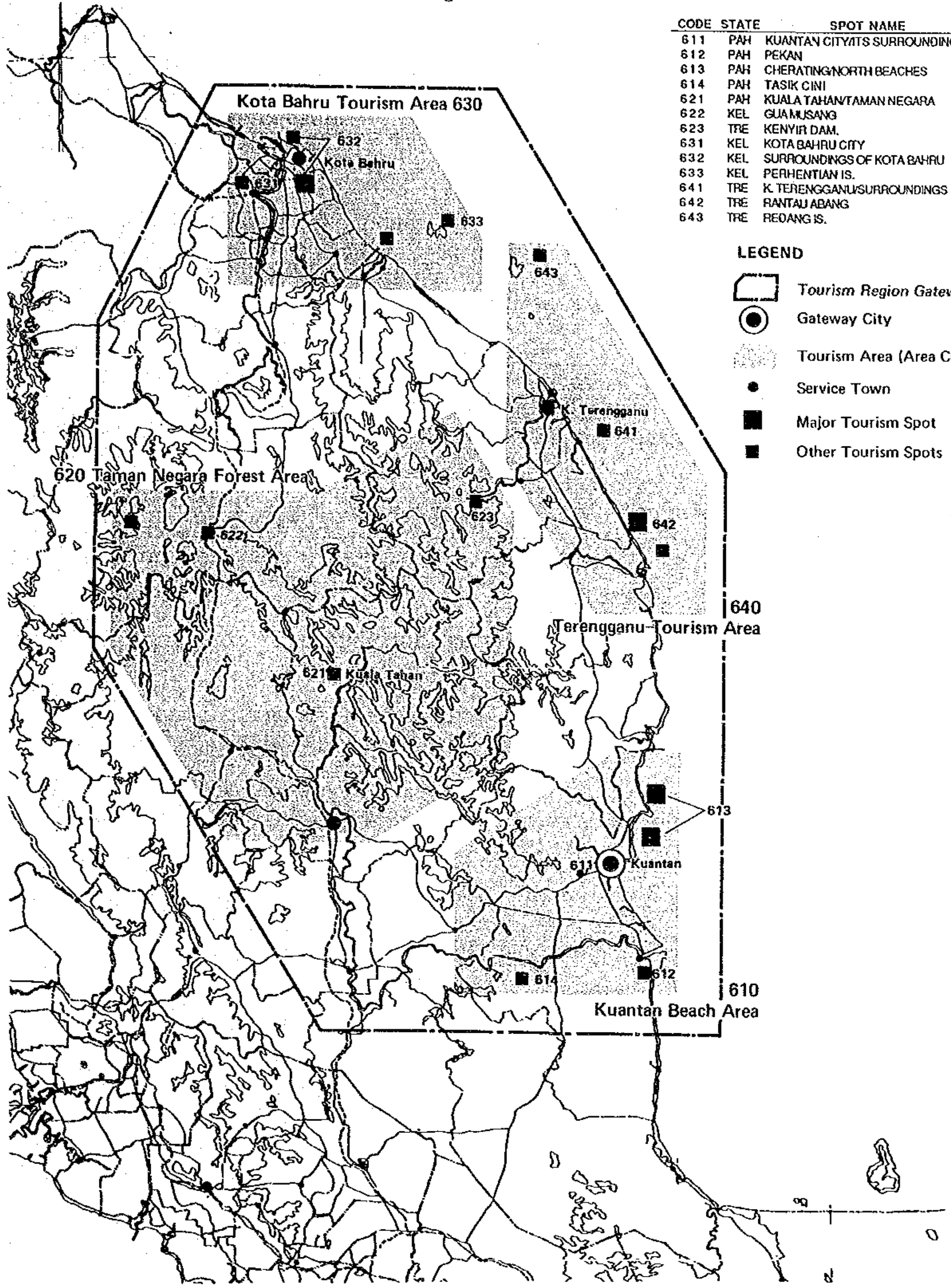
From the viewpoint of international tourist attractions, the following points are the major issues of the region.

- The severe effect of monsoon imposes restriction on year-round tourism to the region, which inhibits the development of tourist facilities.

- Accessibility is a major constraint to the development of the region except in the Kuantan Beach Area.

- Traditional handicrafts and culture are not well supplied or presented to tourists visiting the region even though the region is famous as "Cradle of Malay Culture".

Fig. 3.1.5 East Peninsular Tourism Region



CODE	STATE	SPOT NAME
611	PAH	KUANTAN CITY/ITS SURROUNDING
612	PAH	PEKAN
613	PAH	CHERATING/NORTH BEACHES
614	PAH	TASIK CINI
621	PAH	KUALA TAHAN/TAMAN NEGARA
622	KEL	GUA MUSANG
623	TRE	KENYIR DAM.
631	KEL	KOTA BAHRU CITY
632	KEL	SURROUNDINGS OF KOTA BAHRU
633	KEL	PERHENTIAN IS.
641	TRE	K. TERENGGANU/SURROUNDINGS
642	TRE	RANTAU ABANG
643	TRE	REDANG IS.

3.1.6 Sabah Tourism Region

The region includes the states of Sabah and a part of Sarawak, and federal territory of Labuan. The region can be divided into west and east coasts as shown in Fig. 3.1.6. The west coast comprises Kota Kinabalu Beach Area, Mt. Kinabalu Highland Area, Crocker Range Area, Labuan/Other Island Area, Mulu/Niah Tourism Area, and Kudat/Island Area. The east coast comprises Sandakan Tourism Area and Semporna/Island Area.

Kota Kinabalu Airport is the gateway to the region from Kuala Lumpur and some such neighbouring countries as Singapore, Hong Kong, and Philippines. Weekly, forty flights mainly by B737 are available between the airport and Kuala Lumpur. Air service is also available from Kota Kinabalu to major towns in the state mainly due to the under-development of land transport.

The west coast suffers from monsoons from November to January, but the east coast has good meteorological conditions throughout the year. The sea is very clean and clear for the whole stretch of the east coast and a part of the west coast north of Kota Kinabalu.

The most attractive resources of the region are Kinabalu Park and Poring, Niah and Mulu national parks, and Sepilok Orang Utan Sanctuary and Gemantong Cave. These resources are of great significance as international tourist attractions which cannot be found in Peninsular Malaysia.

Major issues of the region can be enumerated as follows:

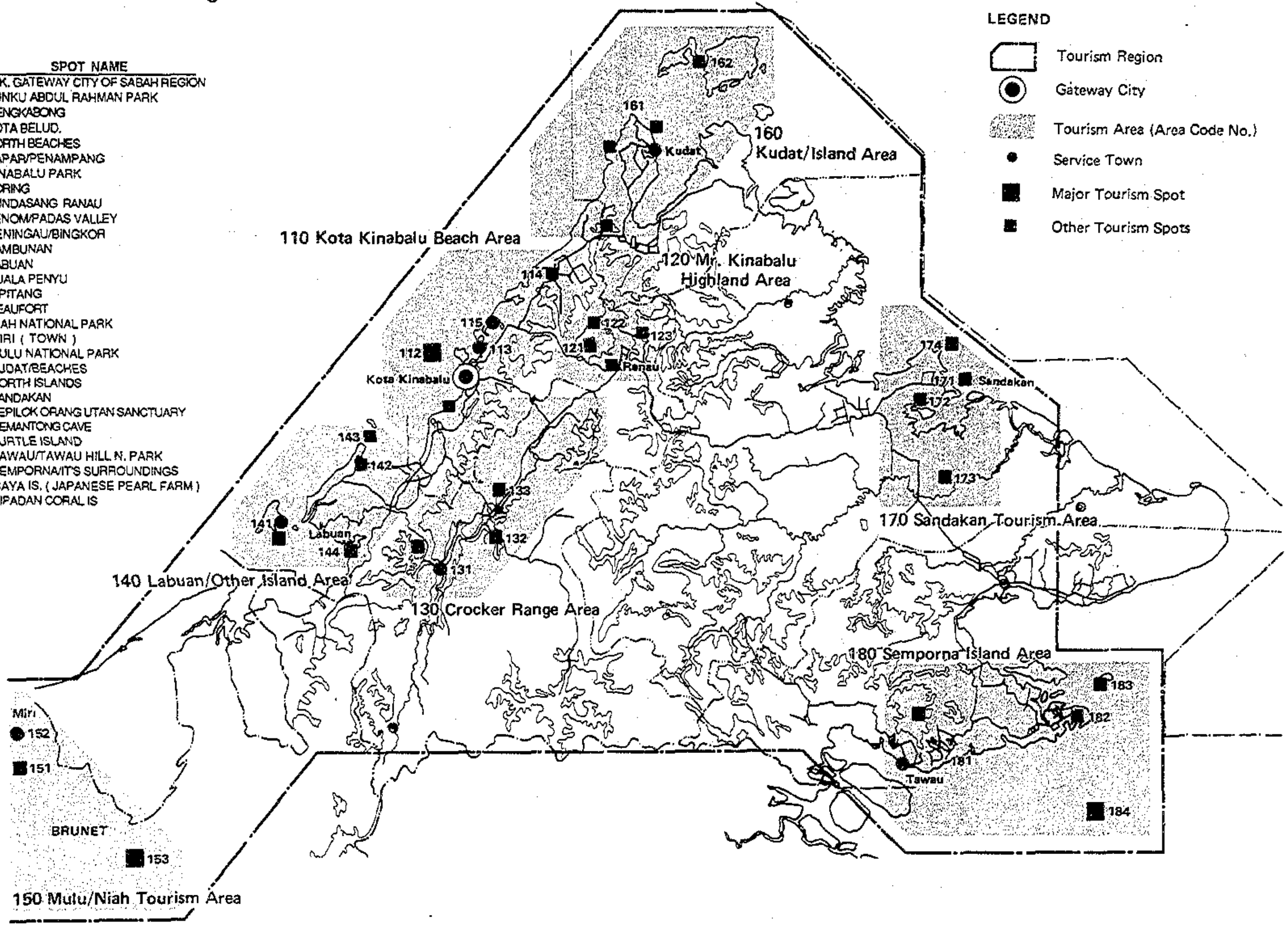
- Air transport is the only means of transportation from international tourist market, including Kuala Lumpur. Inconvenient air flight connection through Kuala Lumpur is another problem of accessibility,

- Under-development of road network in the region disturbs the easy access to abundant tourism resources, resulting in sole dependence on air transport.

- Tourism facilities are not well developed in general though there are some exemptions like Tg. Aru Beach Hotel in Kota Kinabalu.

Fig. 3.1.6 Sabah Tourism Region

CODE	STATE	SPOT NAME
111	SAB	K.K. GATEWAY CITY OF SABAH REGION
112	SAB	TUNKU ABDUL RAHMAN PARK
113	SAB	MENGKABONG
114	SAB	KOTA BELUD.
115	SAB	NORTH BEACHES
116	SAB	PAPAR/PENAMPANG
121	SAB	KINABALU PARK
122	SAB	PORING
123	SAB	KUNDASANG RANAU
131	SAB	TENOM/PADAS VALLEY
132	SAB	KENINGAU/BINGKOR
133	SAB	TAMBUNAN
141	FT	LABUAN
142	SAB	KUALA PENYU
143	SAB	SIPITANG
144	SAB	BEAUFORT
151	SAR	NIAH NATIONAL PARK
152	SAR	MIRI (TOWN)
153	SAR	MULU NATIONAL PARK
161	SAB	KUDAT/BEACHES
162	SAB	NORTH ISLANDS
171	SAB	SANDAKAN
172	SAB	SEPILOK ORANG UTAN SANCTUARY
173	SAB	GEMANTONG CAVE
174	SAB	TURTLE ISLAND
181	SAB	TAWAU/TAWAU HILL N. PARK
182	SAB	SEMPORNA/IT'S SURROUNDINGS
183	SAB	GAYA IS. (JAPANESE PEARL FARM)
184	SAB	SIPADAN CORAL IS



3.1.7 Sarawak Tourism Region

The region includes central and southern part of the state of Sarawak, comprising Kuching Tourism Area, and Sibu Tourism Area as shown in Fig. 3.1.7.

Kuching Airport is the gateway to the region from Kuala Lumpur, Johor Bahru, and Singapore. Nearly forty flights per week are available from Kuala Lumpur. Due to the under-development of road network in the region, air transport is the sole reliable transportation means to the inland areas. The greatest part of the region is still covered by pristine jungle and the main routes of access to the interior are still by river.

The region suffers more severe monsoons than Sabah Tourism Region, particularly in November, December, and January.

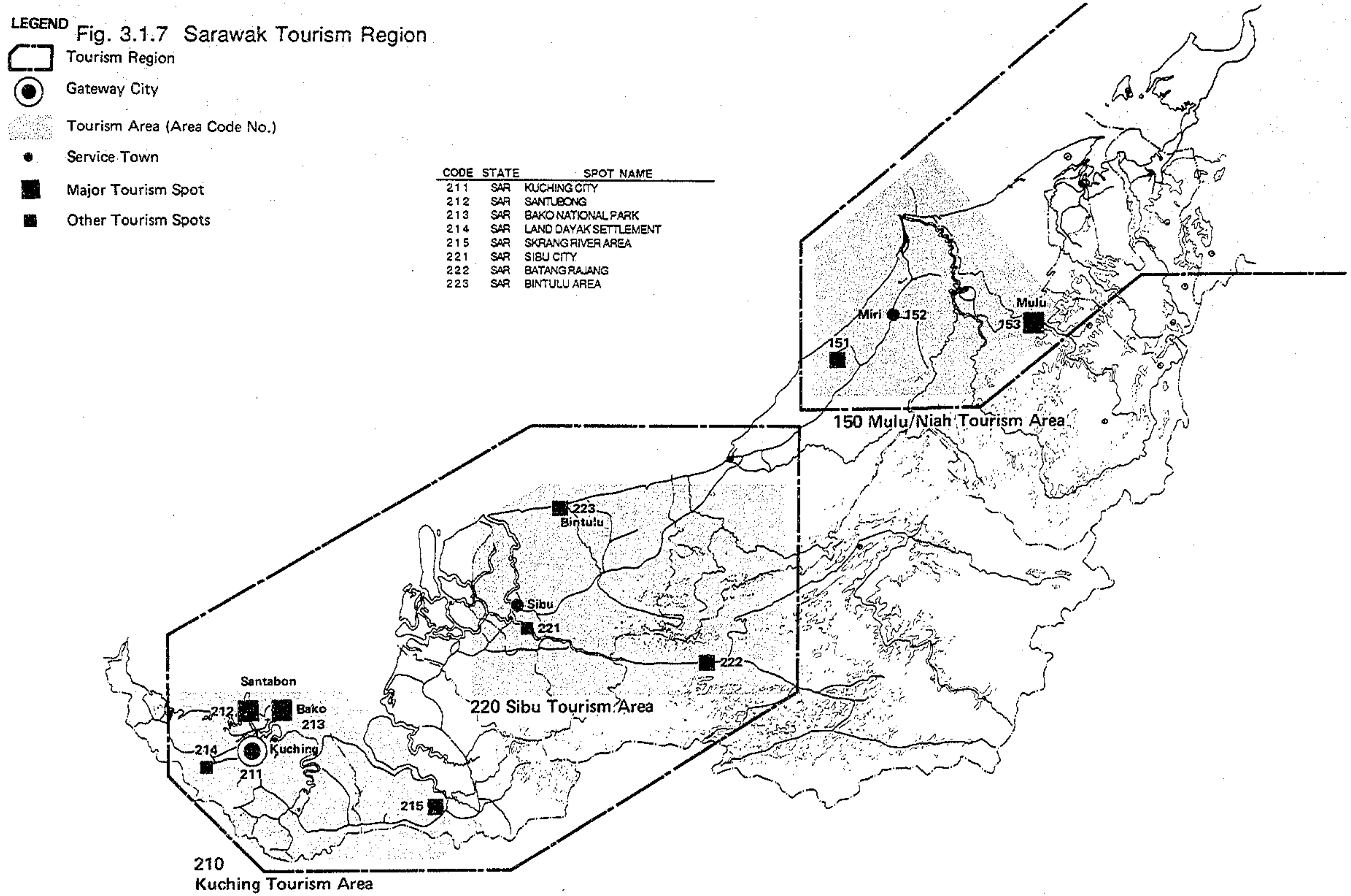
Typical tourism resources of the region include virgin jungles with a variety of flora and fauna as seen in Bako National Park and Batang Rajang Area. The environment is so natural that it will not accept ordinary group tourists but could be most attractive to adventurers. Tourism development is far behind the other regions, resulting in poor tourism facilities.

Major issues of the region can be enumerated as follows:

- Like the Sabah Tourism Region, air transport is the only means of transportation from outside the state. Inconvenient air flight connections through Kuala Lumpur makes the accessibility more difficult.

- It is very difficult to develop the road network due to the existence of many rivers. It is expected, therefore, that tourism resources of the region will have to be an independent tourism spot even in the future.

Fig. 3.1.7 Sarawak Tourism Region



CODE	STATE	SPOT NAME
211	SAR	KUCHING CITY
212	SAR	SANTUBONG
213	SAR	BAKO NATIONAL PARK
214	SAR	LAND DAYAK SETTLEMENT
215	SAR	SKRANG RIVER AREA
221	SAR	SIBU CITY
222	SAR	BATANG RAJANG
223	SAR	BINTULU AREA

3.2 Comparative Analysis of the Six Tourism Regions

3.2.1 Purpose and Methodology of the Analysis

As outlined above, the country has a variety of tourism resources and facilities, ranging from comparatively advanced Central PTR to the under-developed Sarawak Tourism Region. In consideration of the existing conditions of each tourism regions, it is recommended to select a specific tourism region for development to maximize foreign earnings by the target year of 1995. Due to the keen competition among neighbouring countries for luring international tourists, this concentration on a specific tourism region is seen as the best option, especially considering the constraint of available resources of the country as well as international tourists' demand.

The following factors are taken into account for evaluating the development potentials of the six tourism regions:

- tourism resources,
- accessibility,
- tourism facilities,
- seasonality, and
- tourism industries.

The first step of the evaluation of the six tourism regions was carried out based on respective evaluation factors. The second-step evaluation was done by giving weight to the above five factors. In view of attracting more international tourists to the country, higher weighing score was given to tourism resources, accessibility from international tourist market and tourism facilities in this order.

3.2.2 Comparison of the Six Tourism Regions

Table 3.2.1 shows the results of the evaluation and Fig. 3.2.1 illustrates the development priority for attracting more international tourists to the country by the year 1995.

South PTR is evaluated as the first priority for the tourism development. In terms of tourism resources, South PTR is ranked second following to Sabah Tourism Region. South PTR, however, has got the highest total score due to the excellent accessibility to international tourist market and well developed infrastructure.

Central PTR is evaluated as the second priority. This is mainly due to the existing tourism facilities and tourism industries, particularly cumulated in Kuala Lumpur Metropolitan Urban Sub-region. It is expected that Central PTR will attract more international tourists to the country in accordance with the improvement of air transport from overseas countries. In consideration of the rather inferior beach and marine resources, however, the region cannot be an international resort destination.

Sabah Tourism Region is evaluated as the third priority. The region is ranked top in terms of tourism resources. Due to the unfavourable accessibility from the international tourist market as well as under-development of infrastructure, however, the total score of the region falls to the third priority. It can be said that the region has enough potential to attract international tourists in long term perspective with gradual improvement and development of infrastructures and tourism facilities.

Following Sabah Tourism Region, West PTR is evaluated as the fourth priority, East PTR the fifth and Sarawak Tourism Region the last.

It is concluded that the South East Coast in south PTR has the greatest potential for tourism development with a view to increasing international tourist arrivals by the year 1995. Good accessibility from international tourist market via Singapore, excellent tourism resources, and a well developed infrastructure are the main reasons for this conclusion.

Fig. 3.2.1 Development Potential of Tourism Regions

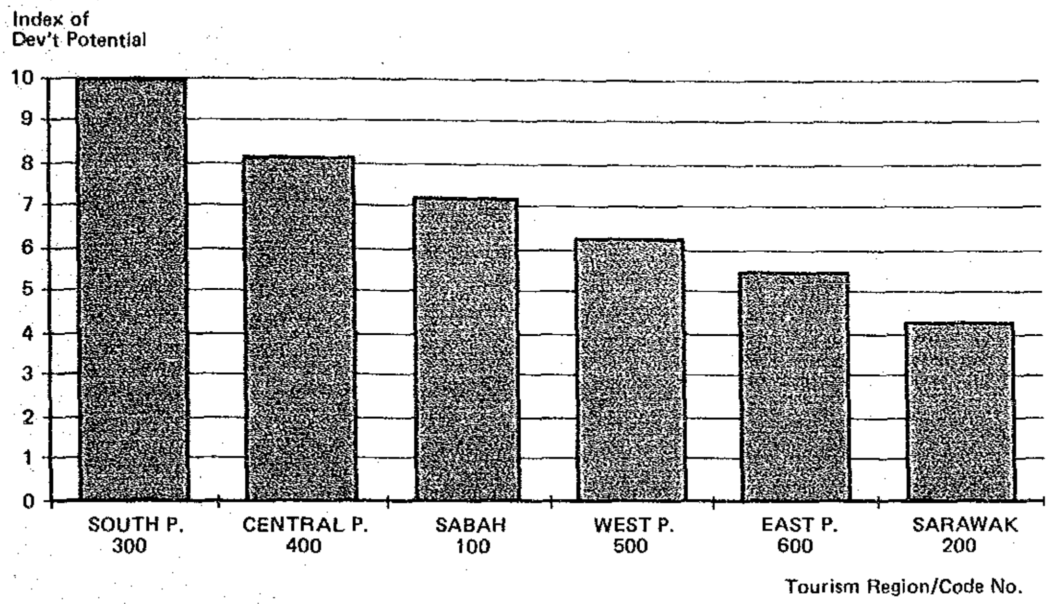
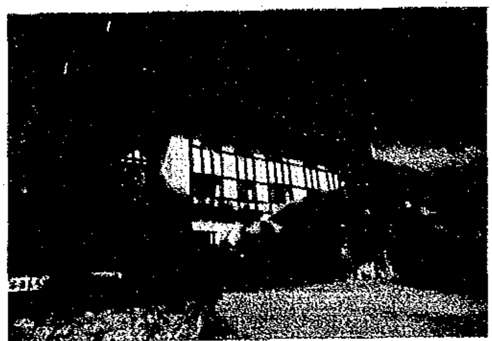


Table 3.2.1 Development Potential of Tourism Regions

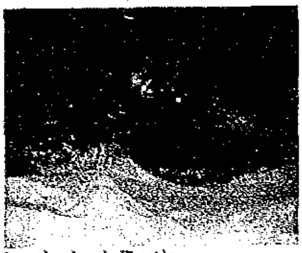
Tourism Region / Factor and Sub-factor	SOUTH P. 300	CENTRAL 400	P.SABAH 100	WEST P. 500	EAST P. 600	SARAWAK 200
scenery = 0.8	3.7	3.1	8.0	3.3	3.6	3.0
natural r. = 1.0	4.6	3.1	10.0	3.7	6.1	3.9
a. recreational activity = 1.0	10.0	2.6	8.4	4.4	5.7	3.6
cultural r. = 0.7	3.2	7.0	2.9	3.5	3.1	3.1
Total scores of tourism resource	21.5	15.8	29.3	14.9	18.5	13.6
Tourism Resource = 1.0	7.4	5.4	10.0	5.1	6.3	4.7
Accessibility = 0.75	7.5	0.5	0.0	0.1	0.0	0.0
Seasonality = 0.25	2.2	2.5	2.2	2.4	2.2	2.0
Tourism Facility = 0.6	1.4	5.0	1.2	2.9	1.5	0.7
Tourism Industry = 0.25	1.0	2.5	0.7	1.7	0.7	1.1
TOTAL SCORE	19.5	15.9	14.1	12.2	10.7	8.5
NORMALISED SCORE (INDEX)	10.0	8.2	7.2	6.3	5.5	4.4

Source : JICA Study Team

Old Building in Malaca City Center



Smokehouse in Cameron Highland



Leatherback Turtle

West Beach of Tioman Island

Abu Bakar Mosque in J.B.

CHAPTER 4

GUIDELINES FOR NATIONAL TOURISM DEVELOPMENT

4.1 Prospect for Future Tourist Demand

4.1.1 Overview of International Tourist Market

International tourist arrivals to the East Asia Region increased at an annual growth rate of as high as 7.2% during the period 1978-1985. This high growth can be attributable partly to the active economic development in the region and partly to the increasing shift of tourist demand from passive sightseeing to beach and marine oriented activities.

It is expected that the trend in the past will extend into the future at least for several years by 1985. As shown in Table 4.1.1, international tourist arrivals to the region in 1995 amounts to 37.1 million persons, which is equivalent to double of that recorded in 1985, if the annual growth rate is applied.

International tourist arrivals to ASEAN destinations increased from 6.2 million persons in 1978 to 9.8 million persons in 1985 with an annual growth rate of 6.7%, slightly lower than the regional average of 7.2%. It might well be possible to keep the share achieved in 1985. If applying the average percentage share of the one achieved in 1985 and the one extrapolated from 1978 to 1985, international tourist arrivals to ASEAN in 1995 is estimated at 19.0 million persons, 1.94 times of the arrivals attained in 1985.

Table 4.1.2 shows tourist arrivals at five countries in ASEAN. Percentage share of Malaysia in ASEAN increased by 6.2% from 22.5% in 1978 to 28.7% in 1985. Tourist arrivals to ASEAN countries in the past shows great fluctuations year by year, reflecting the economic situations of the world as well as individual countries. It was revealed that there was no particular trend in the countries. Tourist arrivals at Malaysia in 1995 is estimated, by applying the percentage share of 1995, at 5.4 million persons which is equivalent to 1.93 times of that of 1985.

Table 4.1.1 Tourist Arrivals at East Asia Destinations

Unit : 1,000 persons

	1978		1985		1995 1)		1985-1995
	Arrivals	%	Arrivals	%	Arrivals	%	Growth (%pa)
ASEAN	6,209	55.0	9,775	53.1	19,000	51.2	6.9
NIES	4,038	35.8	6,321	34.3	12,200	32.9	6.8
Japan	1,039	9.2	2,327	12.6	5,900	15.9	9.8
Total	11,286	100.0	18,423	100.0	37,100	100.0	7.3

Note: 1) Total Number of Tourist Arrivals is estimated by extrapolation from 1978 to 1985. Percentage share of destinations is assumed at the average of the share in 1985 and the extrapolated share in 1995.

Source : WTO Statistics (1978, 1985)

Table 4.1.2 Tourist Arrivals at ASEAN Destinations

Unit : 1,000 persons

	1978		1985		1995 1)		1985-1995
	Arrivals	%	Arrivals	%	Arrivals	%	Growth (%pa)
Malaysia	1,399	22.5	2,804	28.7	5,400	28.4	6.8
Singapore	2,047	33.0	3,031	31.0	5,900	31.1	6.9
Thailand	1,454	23.4	2,438	24.9	4,700	24.7	6.8
Indonesia	469	7.6	749	7.7	1,500	7.9	7.2
Philippines	840	13.5	753	7.7	1,500	7.9	7.1
Total	6,209	100.0	9,775	100.0	19,000	100.0	6.9

Note : 1) Total Number of Tourist Arrivals is estimated by extrapolation from 1978 10 1985. Percentage share of destinations is assumed at the share in 1985.

Source : WTO Statistics (1978,1985)

The above estimation, however, seems to exclude a specific feature of tourist arrivals to Malaysia. As shown in Table 4.1.3, nearly 80% of tourist arrivals to Malaysia is dependent on tourist movements within ASEAN countries, while Singapore, Thailand, and Indonesia depend on tourist movements within ASEAN countries with a percentage range of 25~35%, and Philippines only with 7%. In terms of tourist arrivals from outside ASEAN countries, the Malaysian share of the total arrivals to ASEAN accounted for as low as 11.2% in 1984. As will be explained in the next section, the above estimated 5.4 million persons is considered optimistic as the tourist movements within ASEAN countries, particularly Singaporean tourist arrivals, cannot be expected to increase at the same growth rate with that in the past, mainly due to limited population.

Table 4.1.3 Tourist Arrivals at ASEAN Destinations by Origin in 1984

unit : 1,000 persons

	Arrivals from			(4) Outside	
	(1) Total	(2) ASEAN	(3) ASEAN Share %	Arrivals	%
Malaysia	2,874	2,275	79.2	599	20.8
Singapore	2,991	1,057	35.3	1,934	64.7
Thailand	2,347	794	33.8	1,553	66.2
Indonesia	701	178	25.4	523	74.6
Philippines	817	57	7.0	760	93.0
Total	9,730	4,361	44.8	5,369	55.2

Source : WTO Statistics

4.1.2 Future International Tourist Arrivals to the Country

As discussed in 2.1.2, international tourist arrivals to Peninsular Malaysia amounted to 3.03 million persons in 1986. Of the 3.03 million persons, Singapore had the highest share of 70.4%, followed by Thailand 6.8%, Japan 4.1%, Australia 2.7% and United Kingdom 2.2%. These countries are considered important for the tourism development of the country in terms of tourist arrivals.

In terms of per capita expenditure in 1986, the Japanese had the highest propensity to spend, amounting to M$1,146, followed by the tourists from other developed countries, the average amounting to M$1,052. The average per capita expenditure of tourists from ASEAN countries amounted to M$360 which was about one-third of the above two figures. In terms of per capita expenditure, Japan, Australia, European countries, and the U.S.A. are considered important tourist markets.

Hong Kong and Taiwan are now considered as important market as well because their outbound travellers have been increasing owing to the rise of disposable income level. Locational proximity as well as racial relationship with Chinese are favourable factors attracting tourists from these countries.

In view of the above factors, the future number of international tourist arrivals to the country was estimated individually by major potential market. In view of the strategic importance of exploiting the Japanese tourist market, the demand forecast of Japanese tourists to the country was performed based on multi-factor analysis, while the demand forecast of non-Japanese tourists was made based on extrapolation.

The estimated results are as shown in Table 4.1.4. The total number of international tourist arrivals to the country is estimated at 5.1 million persons in 1995 including East Malaysia. The average growth rate is 5.3% during the period from 1986 to 1995 which is lower than the growth rate during the period from 1978 to 1986 by 0.8%. This is mainly due to the expectation that the growth rate of Singaporean tourist arrivals will slowdown in the forthcoming future. Japanese tourist arrivals, on the other hand, is estimated to increase at a growth rate of as high as 11.8% from 132,000 persons in 1986 to 361,000 persons in 1995.

Japanese tourist arrivals to the country was estimated in two steps; estimation of total number of annual number of Japanese outbound travellers and estimation of distribution to major destination countries.

The Ministry of Transport of Japan announced the "Ten Million Programme" which tries to increase the Japanese outbound travellers to 10 million persons by the year 1991. If this programme is successful, the ratio of Japanese outbound travellers to the population will reach 8%. Beyond 1991, it is expected that the rate of growth of Japanese outbound travellers will become stagnant because 10% will be the maximum ratio of outbound travellers to the population. The following Gombertz curve was applied for estimating the total Japanese outbound travellers in 1995, with the assumption that the outbound traveller ratio of 9.5% will be attained in the year 2000 when Japanese population is estimated at 131.2 million persons.

Table 4.1.4 Target Number of International Tourist Arrivals to the Country in the Year 1995

Unit : 1,000 persons

	1986		1995		Growth
	Persons	%	Persons	%	Rate % p.a.
Peninsular Malaysia	3,028	(95)	4,870	(95)	5.4
ASEAN Total	2,383	(74)	3,702	(73)	5.0
Singapore	2,132	(67)	3,160	(62)	4.5
Other ASEAN	251	(8)	542	(11)	8.9
Japan	126	(4)	347	(7)	11.9
Others	519	(16)	821	(16)	5.2
East Malaysia	175	(5)	231	(5)	3.1
(Japan)	(6)		(14)		9.9
Grand Total	3,203	(100)	5,101	(100)	5.3

Note : 1) "Ten Million Plan" by Japanese government is taken into account for the estimation of Japanese arrivals.

2) East Malaysia based on data in 1985

Source : Present Arrivals - TDC Statistics

Future Estimation - JICA Study Team

$$\log Y = 4118 - 3818 \times 0.824^{t}$$

where, Y : Japanese outbound travellers

t : year

t = 13 (year 1995)

Japanese outbound travellers in 1995 is estimated at 11.6 million persons.

Distribution of Japanese outbound travellers to major destination countries was estimated based on a distribution model shown below;

$$Y = -8.0960 + 1.7535(X1) + 1.2567(X2) + 3.5129(X3)$$

where Y : percentage share of a destination

X1 : conditions of infrastructure

X2 : tourism resources

X3 : air flights available to a destination

multiple correlation coefficient: 0.7947

The percentage share of Japanese outbound travellers to Malaysia is estimated at 3.0% in 1995 on an assumption that the tourism resources of the country will be improved and developed in a higher pace than those of the other countries.

The international tourist arrivals except Japanese were estimated based on the time-series data for the period 1978-1986. The results are shown in Table 4.1.5. The percentage share of ASEAN is estimated to remain unchanged from 1986 to 1995, accounting for slightly higher than 80%.

International tourist arrivals to Sabah and Sarawak showed an upward trend from 1976 to 1985 although there were some fluctuations in the arrivals mainly due to the economic activities related to timber business. International tourist arrivals to Sabah increased from 42,400 persons in 1976 to 62,900 persons in 1985 with an annual growth rate of 4.5%, and those of Sarawak increased from 77,400 persons in 1976 to 112,300 persons in 1985 with an annual growth rate of 4.2%. Total arrivals to Sabah and Sarawak, however, were equivalent to as low as 5.8% of the tourist arrivals to Peninsular Malaysia.

Future international tourist arrivals were estimated based on a linear regression formula derived from the time series data in the past:

Sabah $Y = 56{,}993 + 1{,}652X$
Sarawak $Y = 91{,}291 + 2{,}704X$

where, Y : Number of Arrivals
X : Year

As shown in Table 4.1.4, international tourist arrivals to East Malaysia are estimated at 231,100 persons in 1995, comprising 88,400 persons for Sabah and 142,700 persons for Sarawak. The annual growth rates from 1985 to 1995 are calculated at 3.5% for Sabah and 2.4% for Sarawak. They are considerably lower than those achieved in the past because they are reflective of stagnant growth of tourist arrivals in the recent past.

Table 4.1.5 Future Arrivals of Non-Japanese to Peninsular Malaysia in 1995

Unit : 1,000 persons

	1986		1995		Growth
	Arrival	%	Arrival	%	Rate % p.a.
Singapore	2,132.1	73.5	3,160.0	69.9	4.5
Thailand	204.5	7.0	463.9	10.3	9.5
Indonesia	33.6	1.2	57.8	1.3	6.2
Philippines	13.2	0.5	20.0	0.4	4.7
ASEAN Total	2,383.4	82.1	3,701.7	81.8	5.0
Australia	81.0	2.8	108.7	2.4	3.3
U.K.	66.9	2.3	107.8	2.4	5.4
U.S.A.	42.1	1.5	42.1	0.9	0.0
India	35.1	1.2	79.5	1.8	9.5
Hongkong	30.2	1.0	63.3	1.4	8.6
W. Germany	25.6	0.9	43.3	1.0	6.0
Taiwan	20.6	0.7	31.7	0.7	4.9
France	13.8	0.5	17.1	0.4	2.4
Others	203.4	7.0	327.9	7.2	5.4
Others Total	518.7	17.9	821.4	18.2	45.6
Total	2,902.1	100.0	4,523.1	100.0	5.1

Source : 1) Arrivals in 1986 by TDC Statistics
2) Arrivals in 1995 estimated by JICA Study Team
3) Excluding East Malaysia

4.1.3 Domestic Tourist Demand

The Fourth and Fifth Malaysia Plans stipulates the importance of domestic tourism to induce Malaysian outbound travellers to visit domestic tourist destinations instead of visiting abroad. This policy is for the sake of saving the outflow of foreign currency reserve, and to improve general welfare by providing more opportunity for recreation as well as knowledge of every part of the country.

Malaysian outbound travellers have been increasing as shown in Table 4.1.6. In 1987, Malaysian outbound travellers amounted to 2.44 million. The average annual growth rate is calculated at 10.8% during the period 1977-1987 though there are some fluctuations after 1982. The main factor causing such fluctuations is attributable to the outbound travellers directing to Thailand through Padang Besar.

The characteristics of these travellers are not identified in terms of their purposes, destinations, length of stay, travelling expenses, and so on. At the moment, therefore, there is no clue to specify the segments of the outbound travellers who are expected to satisfy their purposes even in domestic destinations. Due to the lack of basic data and information on this matter, it is impossible to analyse the present situations of outbound travellers, much less the future possibility of how many of them can be converted to domestic tourists.

It can be said that the successful achievement of the national policy to reduce the outbound travellers is largely dependent on the domestic tourism development which satisfies the demand of outbound travellers. In this sense, it is very important to carry out periodical survey on the outbound travellers.

Table 4.1.6 Malaysian Outbound Travellers

Unit : 1,000 persons

	Air		Sea		Road		Rail		Total
	Persons	%	Persons	%	Persons	%	Persons	%	
1977									877.3
78									1,042.6
79									1,540.0
1980	379.0	21.8	74.0	4.3	471.1	27.1	814.2	46.8	1,738.3
81	431.6	26.7	94.0	5.8	600.8	37.2	488.4	30.2	1,614.8
82	461.2	17.8	90.9	3.5	1,563.9	60.5	468.4	18.1	2,584.4
83	558.2	22.8	85.7	3.5	1,508.9	61.7	294.5	12.0	2,447.3
84	599.8	31.1	87.6	4.5	875.6	45.4	366.0	19.0	1,929.0
85	709.5	38.6	72.9	4.0	742.3	40.4	312.0	17.0	1,836.7
86	713.2	33.7	74.5	3.5	1,096.7	51.8	231.8	11.0	2,116.2
87	729.1	29.9	103.6	4.2	1,439.7	59.0	166.7	6.8	2,439.1

Note : Outbound travellers through the causeway are excluded.
Source : TDC Statistics

As to the domestic tourist market, TDC performed a survey in 1986. The survey estimates the domestic tourist demand in 1985 as follows;

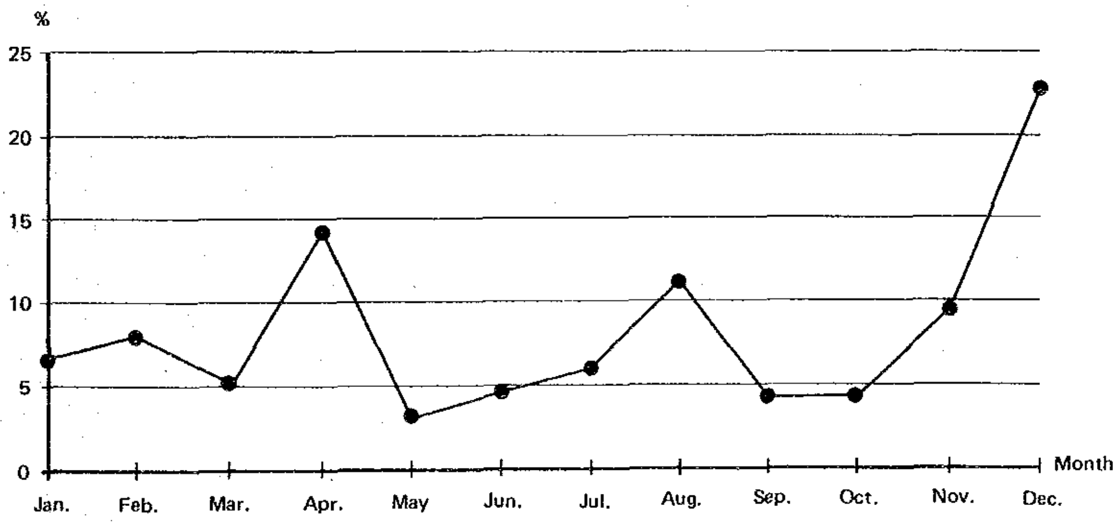
Adult Population in Peninsular Malaysia	7,597,000 persons
Those Travelled in 1985 (27%)	2,051,000 persons
Average Number of Trips by Those Travelled	2.4 trips/person
Total Number of Holiday Trips	4,922,000 trips

The total number of holiday trips in Peninsular Malaysia is estimated at about 4.9 million trips in 1985. The most popular tourist destinations are, in order: Penang, Genting Highlands, Pulau Langkawi, Cameron Highlands, Kuala Lumpur, Pulau Tioman, and Kota Kinabalu. Beautiful scenery and sightseeing places are more popular than urban amenity areas. School holiday seasons of December, April, and August occupy nearly 50% of holiday trips as shown in Fig. 4.1.1.

In accordance with the increase of disposable income as well as holidays, it is expected that the percentage of people taking holidays away from home will be raised from the present 27% to more higher percentage in the future. It is reported that the percentage in Europe as well as U.S.A. accounted for as high as 56% in 1985, according to "Travel Industry World Yearbook, 1987".

At the moment, however, it is very uncertain, due to the lack of sequential data on domestic tourist market, how the percentage of people taking holidays away from home will grow by the year 1995. In case the adult population grows annually by 1% and the percentage of people taking holidays away from home gains annually by 1%, the annual growth rate of holiday trips accounts for 4.2% for the period by 1995.

Fig. 4.1.1 Monthly Fluctuation of Domestic Holiday Trips in 1986



Source: Survey by TDC

4.2 Framework for National Tourism Development

4.2.1 Objectives and Target of the National Tourism Development

Based on the future demand forecast as well as the present tourism facilities, a set of target figures is established to outline the efforts required to fulfill the above objectives as shown below.

1) Tourist Arrivals

The target arrivals of international tourists to the country is set at 5.1 million persons in 1995 as shown in Table 4.2.1. An annual growth rate is required to be 5.3% to achieve the target. The ASEAN tourist market is still important in terms of the number of tourist arrivals though its percentage share shows a slight decline. The Japanese market is considered most important in view of the recent rapid growth of its outbound travellers.

Table 4.2.1 Target of Tourist Arrivals

Unit : mil. persons

	1986		1995		Growth
	Arrival	%	Arrival	%	Rate % p.a.
ASEAN	2.52	78.7	3.88	76.0	4.9
Japanese	0.13	4.1	0.36	7.1	12.0
Others	0.55	17.2	0.86	16.9	5.1
Total	3.20	100.0	5.10	100.0	5.3

Note : Including East Malaysia
Source : JICA Study Team

2) Tourist Expenditure

Target tourist expenditure in 1995 is set at 5.84 billion ringgit with an annual growth rate of 15.2% during the period 1986-1995 as shown in Table 4.2.2. In terms of tourist expenditure, the percentage share of Japanese and other overseas countries is expected to increase while that of ASEAN countries is expected to decrease by 13.2%. It is required to develop and improve tourism facilities and services to provide tourists with opportunities to spend more.

Table 4.2.2 Target of Tourist Expenditure

Unit : billion ringgit

	1986		1995		Growth
	Exp.	%	Exp.	%	Rate % p.a.
ASEAN	0.91	55.5	2.47	42.3	11.7
Japanese	0.15	9.1	1.06	18.1	24.3
Others	0.58	35.4	2.31	39.6	16.6
Total	1.64	100.0	5.84	100.0	15.2

Note : Exp. stands for Expenditure.
Source : JICA Study Team

3) Accommodation Requirements

Additional hotel rooms required by 1995 is expected to be about 18,000 rooms as shown in Table 4.2.3, particularly for international tourists. The annual rate of increase is calculated at 9.7% which is higher than the rate of increase during the period 1980-1985 by 4.3%. More efforts are required to construct international standard hotels to accommodate the increasing international tourist arrivals.

Table 4.2.3 Accommodation Requirement

Year 1995	ASEAN	Japan	Others	Total
Tourist Arrivals (mil.)	3.88	0.36	0.86	5.10
Length of Stay (days)	3.8	5.9	7.6	
Guestnights (mil.)	14.74	2.12	6.54	23.40
Rate of Hotel Use (%)	33	85	70	
Guests per Room	1.5	1.5	1.5	
Occupancy Rate (%)	60	60	60	
Hotel Rooms	14,800	5,500	13,900	34,200
Room Stocks in 1987				16,300
Add. Int'l Hotel Rooms				17,900

Note : 1) Room stocks in 1987 are estimated to be 39,083 rooms, 41.7% of which is used for international tourists.
2) Add. Int'l stands for Additional International.
Source : JICA Study Team

4) Creation of Job Opportunities

The job opportunities generated directly by hotels is expected to be 21,500 persons. Indirect job opportunities due to this hotel business to be 30,100, the total amounting to 51,600 persons in 1995. The total of skilled and semi-skilled labours will account for 70% of the total direct employment. Manpower development programmes must be instituted to cope with this increasing demand for skilled and semi-skilled labour in the hotel business.

Table 4.2.4 Creation of Job Opportunities

		Year 1995
Type of Employment	Share (%)	Jobs
Direct Employment	100.0	21,500
Management	5.6	1,200
Supervisor	12.6	2,700
Skilled Labour	55.8	12,000
Semi-Skilled	14.4	3,100
Unskilled	11.6	2,500
Indirect Employment		30,100
Total		51,600

Note : 1) Direct employment is those employed in such areas as lodging, restaurants and sightseeing operations.
The ratio of direct employment is assumed 1.2 times of hotel rooms based on examples in some countries.
2) Indirect employment is those employed in such areas as construction, agriculture and manufacturing industries.
Indirect employment is assumed 1.4 times of direct employment based on examples in some countries.

Source : JICA Study Team

5) Hotel Investment

Additional hotel rooms require the investment amount of 3.6 billion ringgit by 1995 on an assumption that unit construction cost is equivalent to 200,000 ringgit per room. It is very important to prepare investment incentives as well as supporting system such as financial support and manpower development to realise the investment.

4.2.2 Requirements for Realising the Target

The country is a newcomer into the worldwide tourism industry. Compared with the advanced countries in terms of tourism development, it is inevitable, therefore, that the tourism system has not been well developed in terms of tourism facilities and services, promotion channels to market, marketing information network and accessibility to the country. It is very important to steadily resolve the existing problems and issues step by step without interruption.

At the same time, however, it becomes necessary to introduce new tourism products into the market for the purpose of achieving rapid increase of foreign currency earning through luring more international tourists to the country. Contrary to the step by step improvement of the existing problems, the introduction of new tourism products requires strategic concentration of resources on a specific area development.

Under the limited availability of resources of the country, it is very important to contrive the way how to achieve the effective balance between the improvement of existing problems and the development of new tourism products. The prospect for the world economy is quite uncertain and many countries have been endeavouring to invite more international tourists. Under the circumstances, it will not be easy to achieve the target number of tourist arrivals. The followings are the measures to which special attention should be paid.

1) Assurance of Safety and Security

Safety and security are basic requirements for international tourism development. Malaysia is deemed one of the best countries in terms of safety and security, but continued efforts are required to maintain the advantage.

2) Improvement of Tourism Facilities and Services

It is necessary to improve such facilities as hotels, restaurants, shopping markets and resting facilities. The quality of services provided by tour agents, operators, guides and the others should be upgraded for satisfying tourist demand. Handicraft souvenirs should also be upgraded in terms of quality, design and variety. Tours introducing Malaysian culture and historical heritages should properly be presented to attract international tourists.

3) Development of Tourist Destination Network

Tour routes must be both improved and developed to better attract international tourists by provision of enough information, guides, transportation, and a set of attractive destinations.

4) Maintenance and Conservation of Destinations

Tourist destinations should be kept clean, hygienic, and beautiful for the comfort of tourists. Natural as well as cultural resources, should properly be conserved for keeping attractiveness for the long future.

5) Improvement of Accessibility

The international transportation network to the country must be improved by establishing multiple entry points. Improvement of connections between international and domestic transportation must occur through the improvement of terminal facilities as well as operating schedule coordination. Attention should be paid to the transportation fare as well.

6) Tourism Promotion

International tourism promotion has been activated by TDC in recent years and international tourists' awareness on Malaysia has gradually been raised. In order to invite more international tourists to the country, however, it will become necessary to attach importance to the close cooperation with travel trades in market countries, particularly to introduce more group package tours to the country.

7) Introduction of New Tourism Products

Beach and marine resorts with excellent international accessibility have been some of the most successful tourism products in recent years. This tendency is expected to continue because of the increasing demand for travel and leisure by an increasingly affluent society. For the purpose of luring more international tourists to the country, it will be necessary to introduce this type of new tourism product.

4.3 Guidelines for National Tourism Development

4.3.1 General Guidelines for National Tourism Development

For long term success, tourism development must be multifaceted in its considerations for planning and implementation. It must take account of the peculiar characteristics of tourism industry, diversification of tourism demand, the expected role of regional development, constraints of available resources, and other related issues.

Traditionally, popular tourist destinations have not been the result of only natural resources and investment, but have relied on an accumulation of social and cultural assets in a region. It can be said that there is no business activity which is solely dependent on tourism, and no business on which tourism solely depends. Although possible, it will be very difficult and expensive to develop a successful tourism industry in an area in which there is no existing tourism at present. Any efforts at tourism development must carefully consider not only specific tourist attractions, but the general regional conditions as well.

Tourism development must satisfy a variety of tourist demands. In a broad way, tourists can be classified into three main groups: international package tourists, international non-package tourists, and domestic tourists. International package tourists usually require high grade hotels and services with a rather short stay, while international non-package tourists travel on their own schedule and stay at high or medium class accommodations. It is reported by the survey sponsored by TDC that domestic tourists visit their relatives or friends and stay their home, but they are active in visiting tourist spots and buying souvenirs. International tourist demand, however, may change from country to country, from person to person, and from time to time. The tourism industry has to cater to different kinds of present tourist demand and be able to respond to possible changes in the future.

It is hoped that the tourism industry will contribute to the economic benefit of the country in terms of foreign currency earnings, creation of jobs, and regional development. In view of the expected effect on regional development, regions that need accelerated tourism development belong to less-developed regions. This implies that, despite the aim, tourism will face the difficulties in acquiring necessary support from the region. It is believed that gradual improvement of transportation network and tourism facilities will be a solution for this purpose.

Constraints on resources available to the tourism sector will define the extent of implementation. Intensive input of manpower, capital, and technology will become necessary if tourism is to be spread over the whole country. Obviously, an evaluation of the national policies on tourism development considering resource limitations must be made to selectively implement the optimum projects and programmes. There may be contradictions between the immediate increase of international tourist arrivals and the goal of regional development of less-developed areas. These contradictions must be resolved in a long term staging programme.

The Fifth Malaysia Plan stipulates the importance of tourism as follows:

- The tourism industry will be further promoted in order to exploit its growth and job creating potentials. Being dependent on a variety of services, the industry exerts a considerable multiplier effect on the economy not only in terms of income, but also employment. The industry can also act as a catalyst for regional development due to the location of tourism resources that are available within the country. The industry also helps to create a better understanding of the various culture and lifestyles of the population, and thereby becoming an effective agent for national integration and unity.

- The industry will be entrusted to play an important role in reducing the deficits in the services account of the balance of payments. This objective will be met by way of promoting further foreign tourist inflow into the country to increase foreign exchange earnings. In addition, local residents will be encouraged to travel internally rather than overseas in order to reduce foreign exchange outflow.

In terms of attracting international tourists to the country, a priority system should be introduced. International package tourists deserve more attention as a target market because of their large quantity and high propensity to spend. In short to mid term perspective, it will be realistic to promote international package tourists to the regions with convenient accessibility from market countries. The Central and South Peninsular Tourism Regions (PTRs) are the candidate regions for this purpose; Central PTR has the greatest number of international air connections with overseas countries and the greatest accumulation of tourism facilities and services, and South PTR has a good accessibility from the international hub airport of Singapore and excellent tourism resources in its beach and tropical rain forest.

In terms of stimulating regional development, dispersed improvement of transportation and tourism facilities and services will become necessary. This is particularly true in the regions less attractive to international and domestic tourists like East PTR, Sabah, and Sarawak Tourism Regions. Even in the other regions, however, there are many states that do not receive many tourists because attractions are rather concentrated in some specific states. Major constraints of these regions as well as states are less attractive tourism resources, poor accessibility, and poorly developed tourism facilities and services. It is mandatory to have a long view to realise the tourism effects on regional development.

As discussed in Section 4.2.1, the target number of tourist arrivals in 1995 amounts to 5.1 million persons which is equivalent to 1.6 times of that of 1986. Of the total number, international tourist other than ASEAN countries is expected to amount to 1.22 million persons, equivalent to 1.8 times of that of 1986. This implies that international air network becomes more and more important in the future. Intensive efforts are invited to increase the air seat capacity to and from market countries. Otherwise, it becomes necessary to take advantage of Changi Airport with a view to inducing more international tourists further visit to Malaysia. In view of the increasing package tourists, close cooperation with travel trade and air liners becomes more important than ever; that is, direct cooperation with those in market countries and in Singapore.

At the same time with the increase of international package tourists, it is expected that non-package tourists will also be increased though the growth rate will be lower than that of package tourists. Most domestic tourists are individual tourists. In order to accommodate these tourists, it is important to prepare accommodation facilities with a range of selection in terms of room rate.

The Fifth Malaysia Plan stipulates the strategies for developing tourism industry as shown below. These strategies are considered appropriate for the tourism development of the country though, during the Fifth Plan period, some priority system is required to be introduced under the constraints of resource availability.

Promotion:

(a) TDC will be allocated an increased promotional budget and will place a balanced emphasis on overseas and domestic markets. In the short term, emphasis will continue to be made on the domestic, ASEAN, Japanese, Australian, Hong Kong and Taiwanese markets as well as transit visitors into Bangkok and Singapore.

(b) The country will also be promoted as a destination within a package of destinations within the ASEAN region.

(c) Promotional campaigns will be launched focusing on four themes, namely, conventions, vacations, sightseeing and special interests.

(d) Recognising the inadequacy of incentives provided for the tourism industry under the Hotel Incentives of the Investment Incentive Act, 1968, revisions to the incentive system were made with a view to accelerating the growth of the industry. These changes became effective beginning 1986.

Accommodation Facilities:

(e) While there is an abundance of international standard hotels in the country, there is a shortage of medium standard accommodations to cater for the budget-conscious travellers. Under the new set of incentives for the tourism industry, two additional types of economy-priced accommodations, namely lodging houses and rest houses, were covered.

(f) Investors are encouraged to incorporate the Malaysian character in the architecture, design, and decor of hotels and other facilities constructed for tourists.

Accessibility:

(g) The government will intensify its efforts in obtaining additional and new landing rights for the national airline to operate more frequencies and capacities to overseas destinations, and will continue to encourage tourist charter flights from foreign countries to Malaysia.

(h) In order to tap specific holiday markets, promotional fares will be reviewed for each market from time to time and, where appropriate, will be introduced in conjunction with international sectors.

(i) In order to encourage inflow of tourists by land from Singapore and Thailand, regulations on entry of foreign vehicles will be eased.

(j) A ferry link between Singapore and the south-east coast of Johor will be implemented to complement transportation by road and rail.

(k) The ferry service by Ferry Malaysia Sdn. Bhd. linking Peninsular Malaysia, Sabah and Sarawak began operation in 1986 with the objective of further boosting domestic tourism.

(l) In order to promote speedy access to the popular holiday resorts, particularly hills and island resorts, the construction of landing strips serving resorts will be undertaken.

(m) Domestic travel will be further encouraged through the improvement of the existing highways.

Destination Development:

(n) In the development of the tourist areas, priority will be given to the enhancement of existing destinations. Kuala Lumpur and Penang Island have become the primary tourist destinations for the country and, in addition, Kota Kinabalu, and Kuching will be designated as primary destinations.

(o) The private sector will be expected to play a role in establishing new shopping complexes, restaurants and other types of eating places, and recreational facilities besides upgrading existing ones.

(p) Similar programmes will also be carried out for existing secondary tourist destinations such as the south-east coasts of Johor and Terengganu, Langkawi, Malacca, Port Dickson, and Tioman Island.

(q) In order to further improve the tourist attractions of the country, emphasis will be given to the upgrading and promotion of attractions based on historical, cultural and handicraft aspects of the country.

(r) In the development of new assets, the south-east coast of Peninsular Malaysia will receive special attention, specifically the area around Endau, Mersing, and Rompin by virtue of their proximity to Singapore which is a major market for Malaysia.

(s) The natural resources, particularly the national parks, will be aggressively promoted as tourist destinations by providing better access and accommodation facilities. Apart from the National Parks in Peninsular Malaysia, the Kinabalu National Park in Sabah and the Niah National Park in Sarawak will be promoted, and in addition, the Endau-Rompin area will be designated as a national park.

Private Sector Participation:

(t) During the Fifth Plan period, the privatisation will be more actively pursued, including privatisation of the projects of TDC and KEJORA.

(u) In order to enhance the role of the private sector in the development of the industry, the New Investment Fund of Rgt. 1 billion launched by the Government in late 1985 will continue to be made available during the Fifth Plan period.

Public Sector Participation:

(v) The public sector will concentrate more of its efforts in the development of basic infrastructure facilities, pollution control, and minor tourism facilities. During the period 1986-1990, infrastructure and public facilities designed for the promotion of the tourism industry will be developed for the Mersing-Endau-Rompin area in Johor and Pahang, Tioman Island and Tasek Chini in Pahang, and the Damai Beach in Sarawak.

(w) Efforts will be intensified to enhance public safety and security while the geographical coverage of the Tourist Police Unit will be expanded during the Fifth Plan period.

(x) The shortcoming of trained and experienced manpower at the managerial and supervisory levels as well as skilled and semi-skilled workers will be partly overcome by the training programmes which will continue to be provided by NPC and ITM.

4.3.2 Development Guidelines for the Six Tourism Regions

Tourism development in the regional context is to be pursued in the following two ways;

1) to apply a priority system to the selection of tourism development area by the year 1995 with a view to increasing foreign exchange receipt through inviting more international tourists to the country, and

2) to make an effort to improve the existing shortcomings in tourism regions, particularly in less-advanced regions, with a view to activating regional economy in long term perspective.

In consideration of the strategic importance of the country, this study deals mainly with the former subject. The latter subject will be discussed in the context of the former.

As discussed in Section 3.2, the six tourism regions were evaluated from a viewpoint of promoting international tourist arrivals to the country in short to mid term perspective.

Evaluating factors consist of 1) tourism resources, 2) accessibility, 3) tourism facilities, 4) seasonality, and 5) tourism industries. Of the above five factors, 1) and 4) belong to invariable factors while 2), 3) and 5) belong to variable factors with capital input. Improvement of accessibility, however, necessitates a considerable amount of investment to overcome the absolute distance. It is, therefore, rather difficult to expect immediate improvement of accessibility under the constraints of resource availability. It is also unrealistic to expect that tourism industries will be diversified as well as upgraded in the immediate future because of their intricate features related with regional economy. Tourism facilities are the only factor that can be developed and/or improved separately with others at comparatively limited amount of investment.

South PTR is evaluated as the first priority region for the tourism development by the year 1995 mainly due to good accessibility from international air network through Singapore and excellent tourism resources attracting international tourists. Facility development is the most important factor for the tourism development of the region. Central PTR follows South PTR in terms of attracting international tourists by the year 1995. In spite of the greatest accumulation of tourism facilities and industries, Central PTR has less potential compared to South PTR in terms of accessibility from market countries and excellent beach resources attractive to international tourists.

Following Central PTR, the priority regions are in the order of Sabah TR, West PTR, East PTR, and Sarawak TR.

It is concluded that the South East Coast of South PTR has the highest potential for developing into an international tourist destination by the year 1995.

4.3.3 South Peninsular Tourism Region (South PTR)

The east coast of South PTR is blessed with such excellent tourism resources as coastal beach, offshore islands, tropical rain forest and historical heritages in Johor Bahru. The combination of these significant tourism resources is expected to satisfy the international tourists' demand for beach and marine activities.

Accessibility from Singapore is planned to be improved in the following two ways:

- improvement of the existing causeway to facilitate traffic flow between Singapore and Johor Bahru, and

- introduction of new ferry link between Changi Point and Tg. Belunkor.

These projects are expected to improve the accessibility to a great extent in the near future. The infrastructure, including the road network, is well developed and maintained.

In terms of tourism facilities, however, the South East Coast of the region has only two international hotels; one in Desaru and the other in Tioman Island.

Tourism development of South PTR, particularly the South East Coast of the region largely depends on a new tourism product which will be attractive enough to lure international tourists visiting Singapore. As a first step, it is recommended to prepare a beach resort complex including international standard hotels and amenity facilities. In consideration of little cumulation of urban amenities in the South East Coast, the complex should be developed as a self-contained resort catering to every kind of activity and entertainment of international tourists.

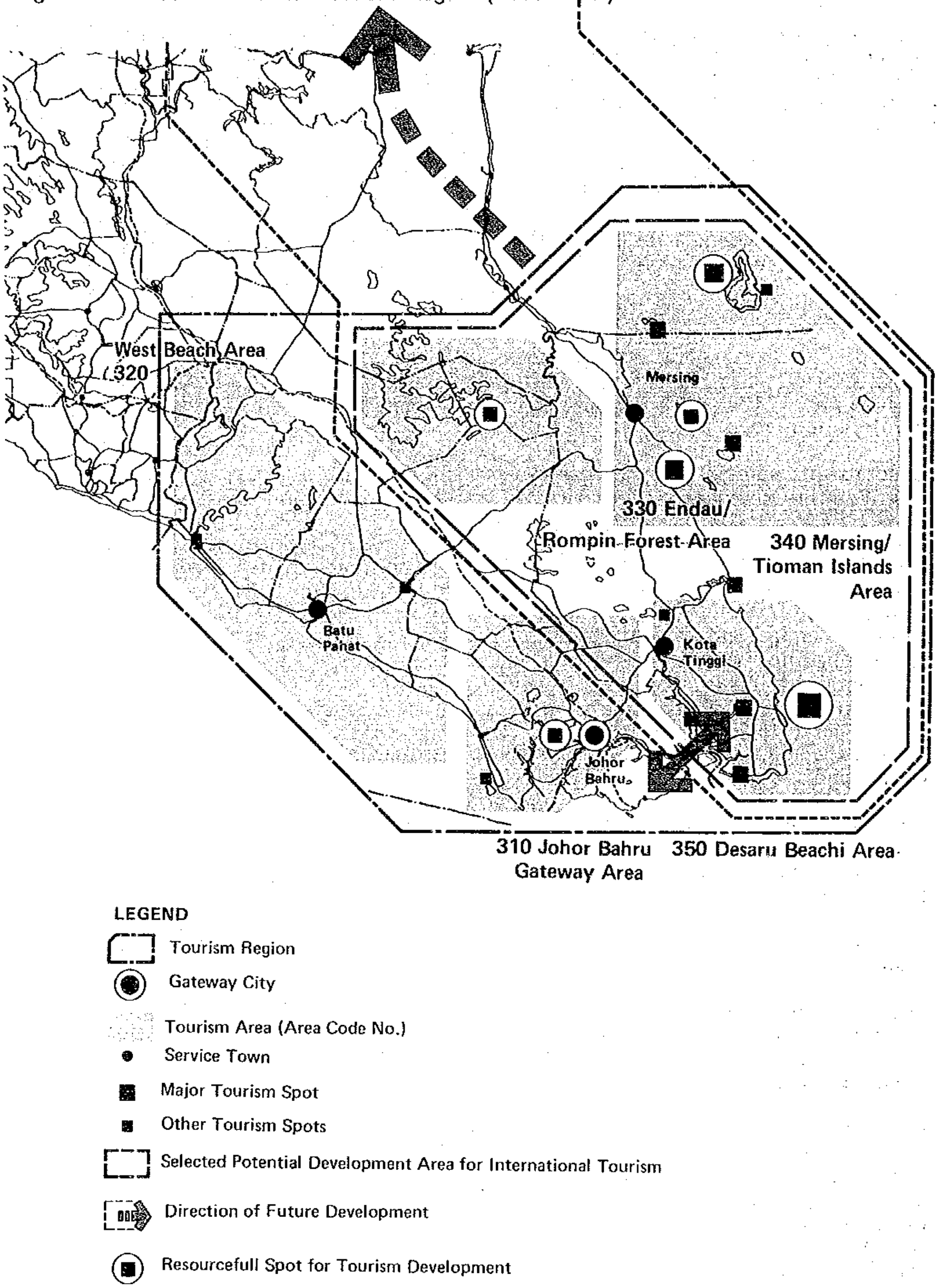
It is expected, due to the proximity to Singapore, that many day-trippers and weekenders will visit South PTR, particularly Johor Bahru and Desaru area. Johor Bahru is required to be improved to the satisfaction of Singaporeans as well as other international tourists staying in Singapore. Introduction of recreation as well as entertainment facilities to Desaru area will contribute not only to absorb day-trippers and weekenders from Singapore, but also to enhance the total attractiveness of the resort complex.

The west coast of South PTR will remain as a local tourist spot in the forthcoming future.

Tourism development of South PTR is largely dependent on the close inter-relationship between Malaysia and Singapore in terms of tourist promotion, travel trade interaction, improvement of accessibility and efficient immigration and customs procedure as explained in more detail later.

It is expected that South PTR will not be a major destination for domestic tourists, mainly due to the long distance from Kuala Lumpur which is considered to be the biggest domestic tourist market because of the higher income level and more recreational demand of the citizens than those in the other areas. The development programme of North-South Expressway and the introduction of Oriental Express, however, are expected to facilitate the travelling from Kuala Lumpur to South PTR. It is important to develop some local excursions for tourists in relation with the above transportation development. Fig. 4.3.1 illustrates the tourism development scheme for South PTR by 1995.

Fig. 4.3.1 South Peninsular Tourism Region (South PTR)



4.3.4 Central Peninsular Tourism Region (Central PTR)

As discussed in Section 2.4.2, Central PTR has the highest share of the hotel room stock of the country; 40% of total hotel room stock and 52% of international standard hotel room stock. In terms of international tourist arrivals, Central PTR has the highest share of 56%. It can be said that Central PTR is an established tourist destination of the country and that this situation will continue for the forthcoming future.

The principal goal of the development of the region is to make tourists stay longer by providing them with quality services and attractions that make full use of the existing facilities and its natural endowment such as highland resorts, beautiful garden city, beach resorts adjacent to major cities, historical elements and surrounding atmosphere, and so on. The combination of these varied tourism resources will meet the multifarious demand of tourists, and contribute to diversify the target segment of international tourists.

The primary attention is invited to the improvement of the existing tourism attractions and to the promotional activities refining the tourist image of the country:

- planning and organising as many international and inter-regional events and conventions as possible so as to sell the image of Malaysia,

- improvement of the tourist guide information system in order to ensure that the information required can be readily accessible and available to international as well as domestic tourists,

- preparation of a variety of tourist attractions such as cultural performance, orchid garden, handicraft centre, shopping mall, entertainment in night time, hawkers centre, water-front landscape, historical assets, golf and other sporting facilities and so on with a close coordination with municipal planning.

- encouragement of civic participation in tourism promotion in recognition of the fact that the hospitality and friendship offered by citizens is more than a mere attraction.

This region is beautiful, peaceful, and calm area, distinct from the "hustle and bustle" of cities in other parts of the world. Kuala Lumpur City, Malacca City and Highland Resort Areas are assessed to have potential to attract international tourists. Port Dickson will remain as a beach resort for domestic tourists and a portion of the Singaporean tourists.

a) K.L. Metropolitan Tourism Area

- As the capital and gateway city of Malaysia, Kuala Lumpur has a predominant accumulation of tourism facilities and industries over the other cities of the country, and has cultural resources in a good surrounding scenery.

- Development and upgrading of tourism industries as well as services and enhancement of urban amenities are required for the purpose of attracting more international tourists to Kuala Lumpur.

- Limited accessibility from the international air network is one of the constraints in attracting more international tourists. Every effort is required to increase the capacity and diversify the air routes on bilateral negotiation.

- Resort and recreation facilities are limited in number in the capital city. It is proposed to open the existing golf as well as sport clubs for international tourists, where possible.

- International conventions and incentive travels should be promoted to make full use of the existing facilities.

b) Malacca Tourism Area

- Historical as well as cultural assets are major tourist attractions.

- Tourism should properly be incorporated into town planning, particularly conservation of historical and cultural heritage.

- Accommodation as well as recreation facilities are required to be developed and upgraded.

c) Highland Resort Area

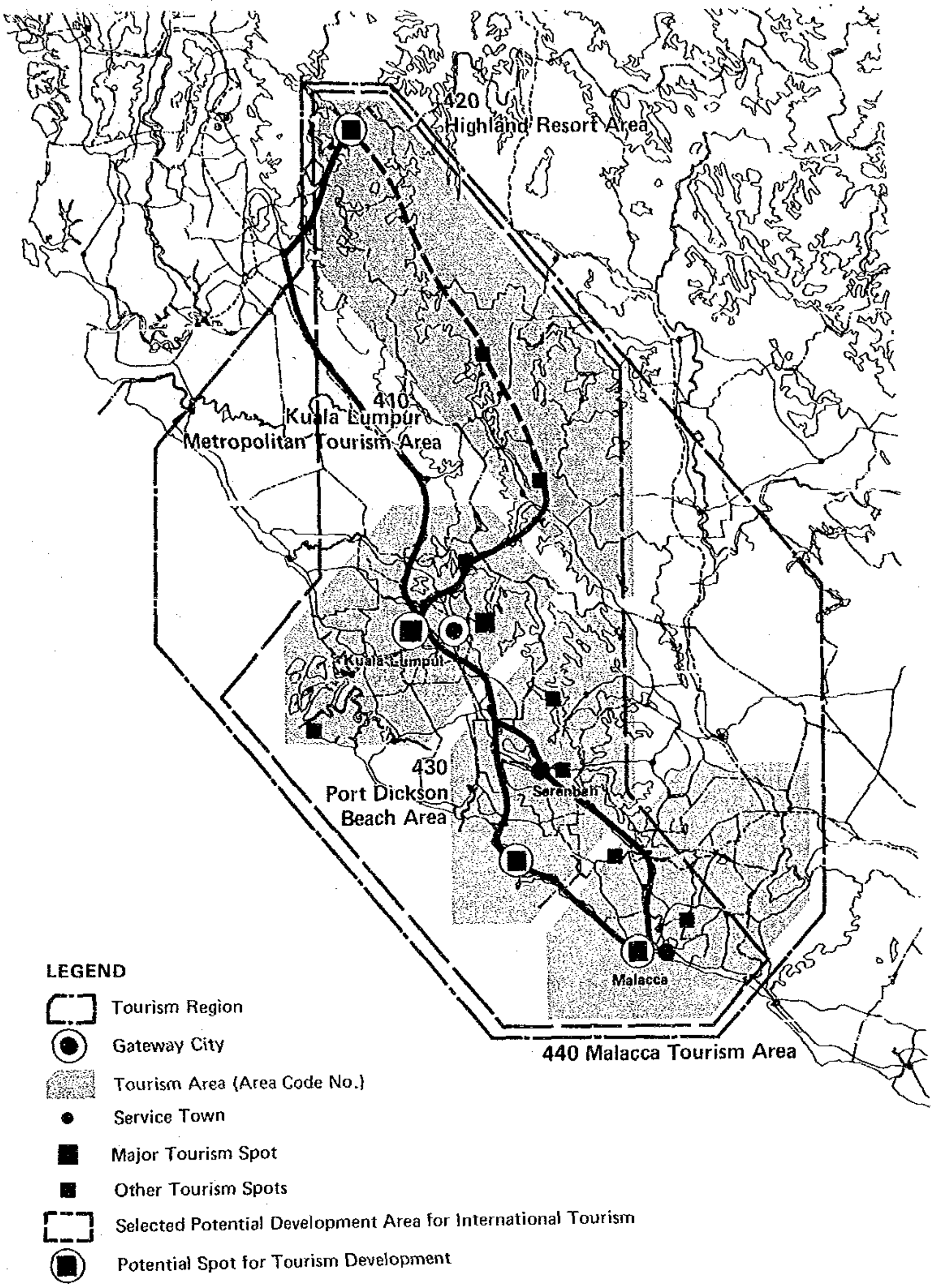
- Excellent scenery, good surrounding environment and rich flora and fauna in proximity of Kuala Lumpur are major attractions.

- Further development, however, will be confronted with the problems of accessibility as well as limited availability of land.

- Cameron highland has a potential for further development, but it is important to pay careful attention to environmental conservation and erosion control for the development.

Fig. 4.3.2 illustrates the tourism development scheme for Central PTR by 1995.

Fig. 4.3.2 Central Peninsular Tourism Region (Central PTR)



4.3.5 Sabah Tourism Region (Sabah TR)

Sabah TR has a 9% share of the total hotel room stock and 2% share of the total international tourist arrivals. It can be said that, compared with the number of international tourist arrivals, Sabah TR has a greater concentration of hotel rooms than the other tourism regions.

Improvement of air transport is one of the most vital measures to encourage more international tourists to the region. Kota Kinabalu International Airport which is equipped with approaching lighting and instrument landing system for large aircrafts is the main air link with the outside world. Taking account of the inconvenient connections between international and domestic flights, it is crucial to make efforts to introduce international direct flight from market countries, on top of the existing flight from Singapore, Hong Kong, and Manila.

Due to the under-development of road network in the region, it is recommended to focus the tourism development on the area of Kota Kinabalu and Mt. Kinabalu Park in the forthcoming future. Tanjung Aru Beach can be a core for the development by taking advantage of its popularity as well as some cumulation of tourism facilities.

Mulu as well as Niah National Parks are potential tourist destinations near Miri along the west coast, and Sepilok Orang Utan Sanctuary, as well as Gemantong Cave are potential tourist destinations near Sandakan along the east coast. These tourism resources are blessed with a unique and beautiful natural environment. It is expected, however, that they will remain as destinations for special interest groups in the near future due to their remoteness.

In terms of tourist origins, domestic tourists will remain the main group visiting the region in pursuit of different natural as well as social surroundings with those of Peninsular Malaysia. Another potential group will be Australian, European and American who belong to individual travellers looking for nature, exotic blend of culture, adventure and so forth. Due to the problems of accessibility and tourism industries, package tourists are not expected to increase rapidly.

a) Kota Kinabalu Gateway Beach Area

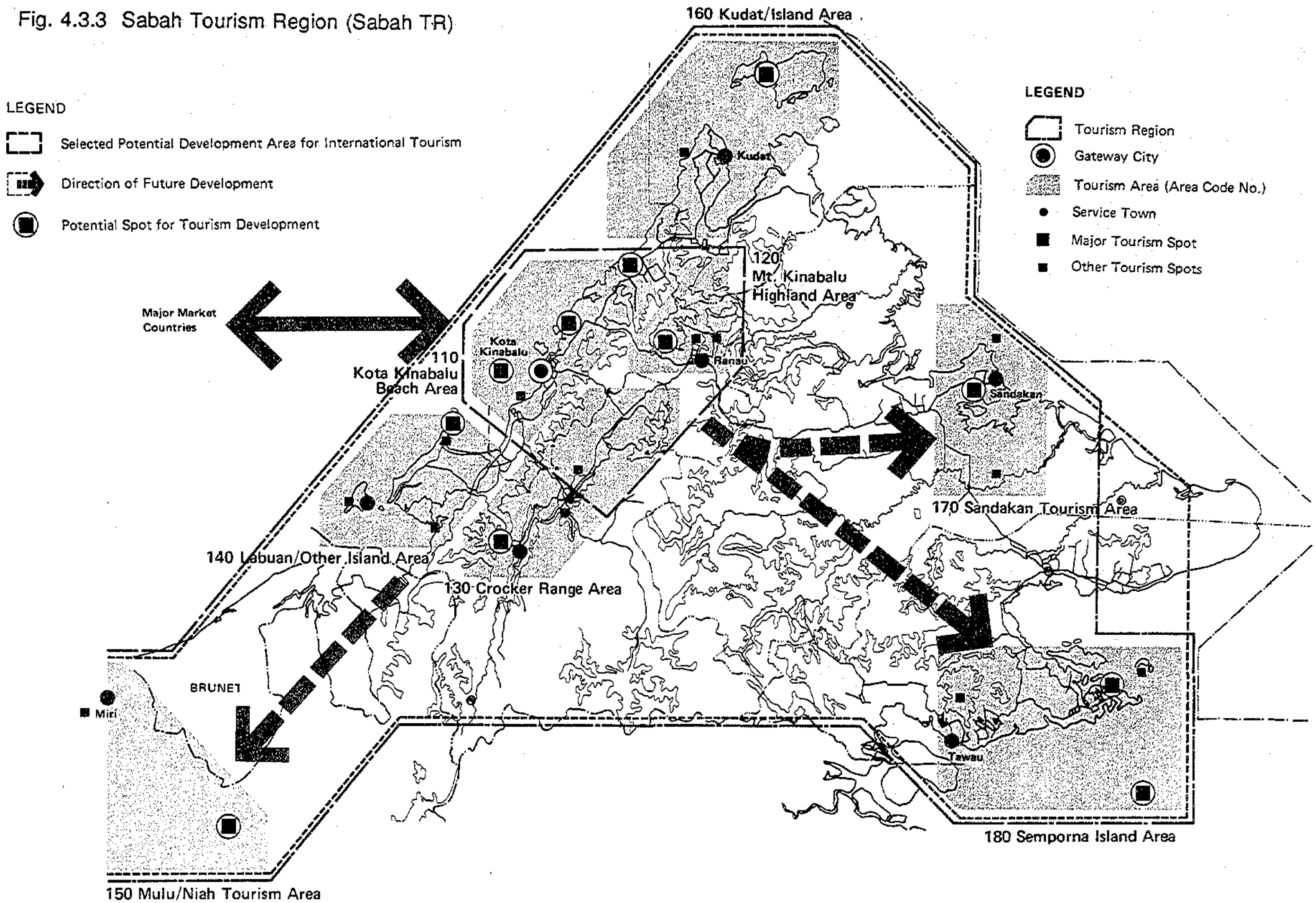
- Air linkage from Kuala Lumpur and potential market countries must be improved and diversified.
- Centre of Kota Kinabalu should introduce a beautification and landscaping programme.
- Expansion and upgrading of beach resorts at Tanjung Aru and Tunku Abdul Rahman Park should be done.

b) Mt. Kinabalu Highland Area

- Facilities related with mountain climbing, jungle trekking, and bathing in hot springs should be developed and improved.
- Nature trails to observing rich flora and fauna at the foot of Mt. Kinabalu should be developed with proper conservation measures.
- Tourism facilities and public transportation services must be further improved.
- A new highland resort can be developed in the skirt of Mt. Kundasang.

Fig. 4.3.3 illustrates the tourism development scheme for Sabah TR by 1995.

Fig. 4.3.3 Sabah Tourism Region (Sabah TR)



4.3.6 West Peninsular Tourism Region (West PTR)

West PTR has 28% share of international tourist arrivals to the country, following to Central PTR of 56% share. In terms of hotel room stock, West PTR has 25% share of the total hotel room stock of the country. Due to the long history of tourism on Penang Island, West PTR can be ranked as the second most developed tourism region.

Most of international tourists visit the Penang Island by air via Kuala Lumpur or Singapore. In view of the large number of international tourist arrivals to the island, it will be necessary to look for the possibility of introducing direct international flights.

It is expected in the immediate future that the tourism development of West PTR will continue to largely depend on that of Penang Island. The attractiveness of Penang Island, however, has been greatly harmed due to the insufficient attention to environmental conservation, particularly for water as well as solid waste treatment. It is imperative to introduce the improvement programmes as soon as possible.

It is also important to introduce rehabilitation programmes to upgrade the existing tourism facilities. Due to age, a considerable part of the tourism facilities have become inferior to those of newly developed tourist destinations.

Hospitality needs to be improved in the sense that excessive touting on the beach and in town tends to disturb the tranquility that many tourists seek.

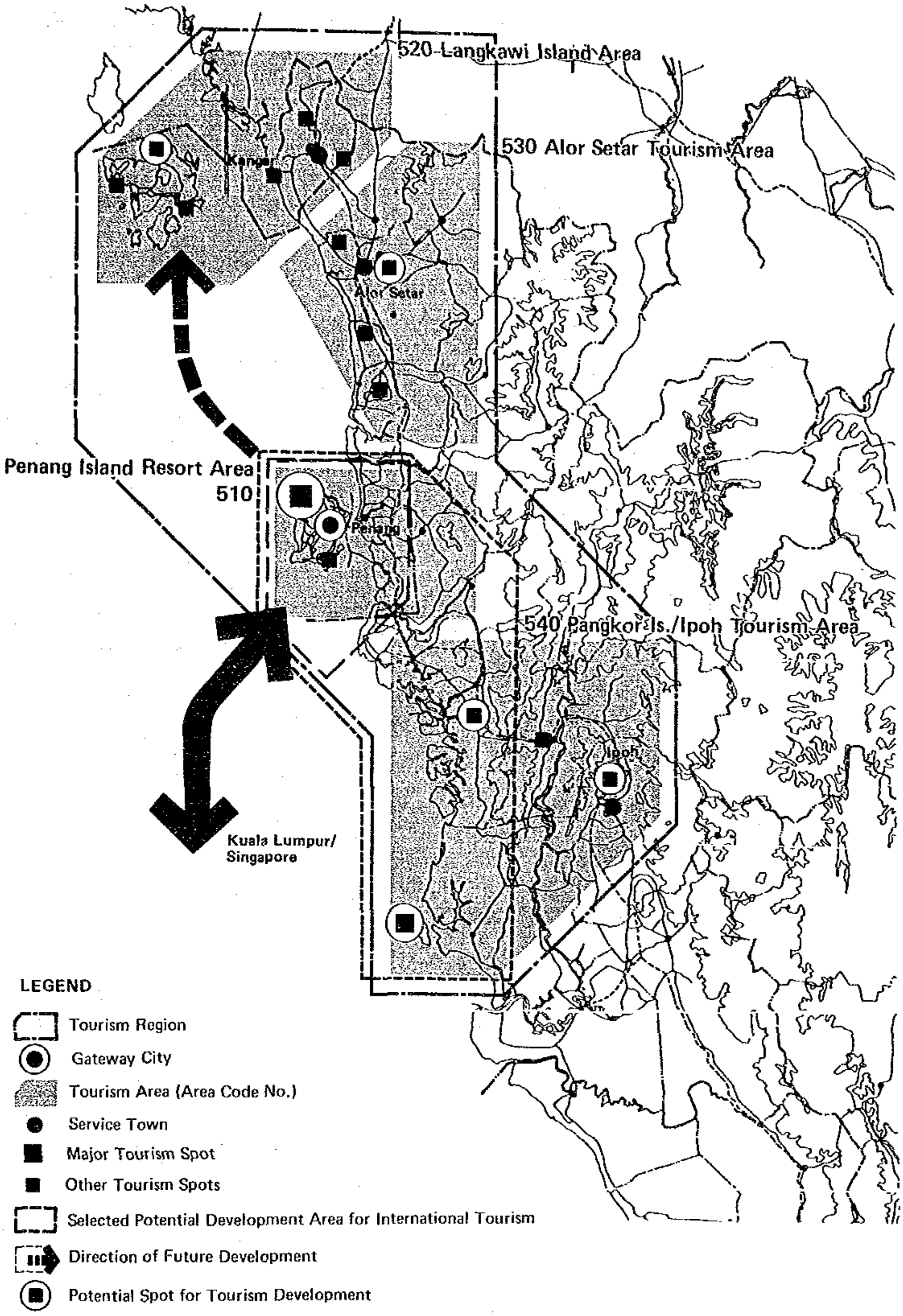
The other tourism resources in West PTR have not been developed yet. Langkawi Island and Pangkor Island are in progress of beach resort development. The tourism development of Langkawi Island will be dependent on accessibility improvement from Kuala Lumpur and Singapore by air. Newly developed Langkawi Airport is expected to facilitate international tourist flow to the island. For Pangkor Island, however, accessibility improvement will rely on road rather than on air transport mainly due the proximity to Kuala Lumpur and limited size of the island which restricts the capacity of tourism development. It is important to develop or improve the road network from the scheduled North-South Expressway to Lumut, and ferry link from Lumut to the island.

These two islands are at the beginning stage of tourism development. This implies that there is a need for the concept of a self-contained resort which caters not only for basic accommodations, but also a variety of tourist attractions. It is also necessary to take proper measures to avoid environmental deterioration.

Historical as well as cultural assets are scattered in the peninsular side of West PTR, for instance, Alor Setar, Kuala Kangsar, and Ipoh. These inland towns, however, are not attractive to international tourists because of their piecemeal tourism resources. In accordance with the improvement of accessibility by the North-South Expressway as well as the introduction of the Orient Express, it will become necessary to organise the scattered tourist spots into optional excursion routes.

Fig. 4.3.4 illustrates the tourism development scheme for West PTR by 1995.

Fig. 4.3.4 West Peninsular Tourism Region (West TR)



4.3.7 East Peninsular Tourism Region (East PTR)

East PTR has 10% share of hotel room stock and 7% share of international tourist arrivals. East PTR is the biggest tourism region in terms of the size of area, but the above percentage share is quite little. The major bottlenecks of the region for tourism development are inconvenient access and less-developed tourism service industries.

Domestic airports with a runway length of about 2,000 m are established in Kuantan, Terengganu, and Kota Bahru, and air services are available between Kuala Lumpur and these three airports. East PTR is connected with Kuala Lumpur by national highway route 2, and the three states along the east coast are linked together by national highway route 3. The problem of accessibility is caused by the fact that a number of tourism spots are distributed in a large area.

It is proposed, in the immediate future, that tourism development of the region be concentrated on Cherating North Beach near Kuantan and Redang Island in the State of Terengganu. Due to the monsoon season in November, December, and January, however, a large investment is less feasible. It is recommended to upgrade the existing tourism facilities to the greatest extent and supplement the accommodation facilities. It is important to pay careful attention to environmental conservation in developing Redang Island.

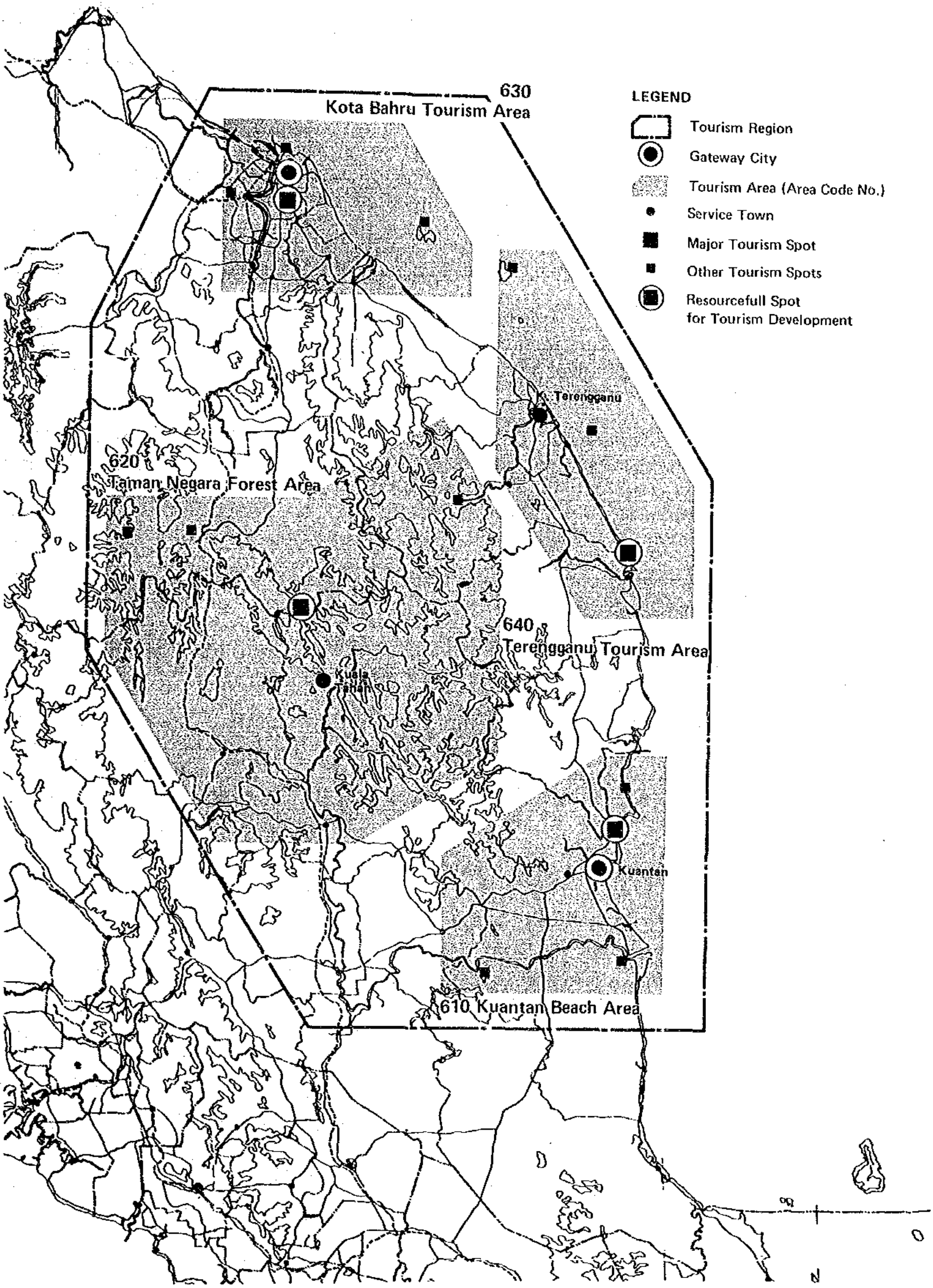
In spite of the development efforts, however, it is rather difficult to expect a rapid increase of tourist arrivals to the region because long travelling time will discourage the travel trade to include the tourist spots in the region in their tour package products. The main market segment is considered to be individual international tourists of special interest and domestic tourists.

Taman Negara National Park is the most outstanding tourism resource of the region. It provides various opportunities for seeing nature in the wild, and is only approachable by boat and by foot and then only with the assistance of experienced forest guides. At the moment, it remains a destination of adventure tourists. Tourism development of the park requires relevant coordination between development and preservation of virgin jungle. The park is expected to have rarity which will increase in value more and more in the long future. Rapid development with short sighted perspective should be avoided under any circumstance.

East PTR is full of cultural heritage and called "Cradle of Malay Culture". It is recommended to further organise events and festivals in line with the present policy of TDC. It is required, at the same time, to conserve the traditional culture, and improve the quality as well as diversify the variety of handicraft products.

Fig. 4.3.5 illustrates the tourism development scheme for East PTR by 1995.

Fig. 4.3.5 East Peninsular Tourism Region (East PTR)



4.3.8 Sarawak Tourism Region (Sarawak TR)

Sarawak TR has 6% of the total hotel room stock of the country and 2% of the total international tourist arrivals. The percentage share of domestic tourists accounts for nearly 80% of the total arrivals to the region.

The major issues for the tourism development of the region are accessibility from the outside world and from the capital city of Kuching to various part of the region. Tourism resources of the region are distributed over large area which is almost equivalent to the Peninsular Malaysia, and the greater part of the region is still covered by pristine jungle and the main routes of access to the interior are still by river.

Due to the inconvenient access and under-development of tourism facilities, tourism development of the region lags behind the other tourism regions, and it is expected in the immediate future that this situation will not be improved rapidly. The main market segment will be confined to the domestic tourists and a fraction of individual international tourists with special interest for adventure and ethnic variety.

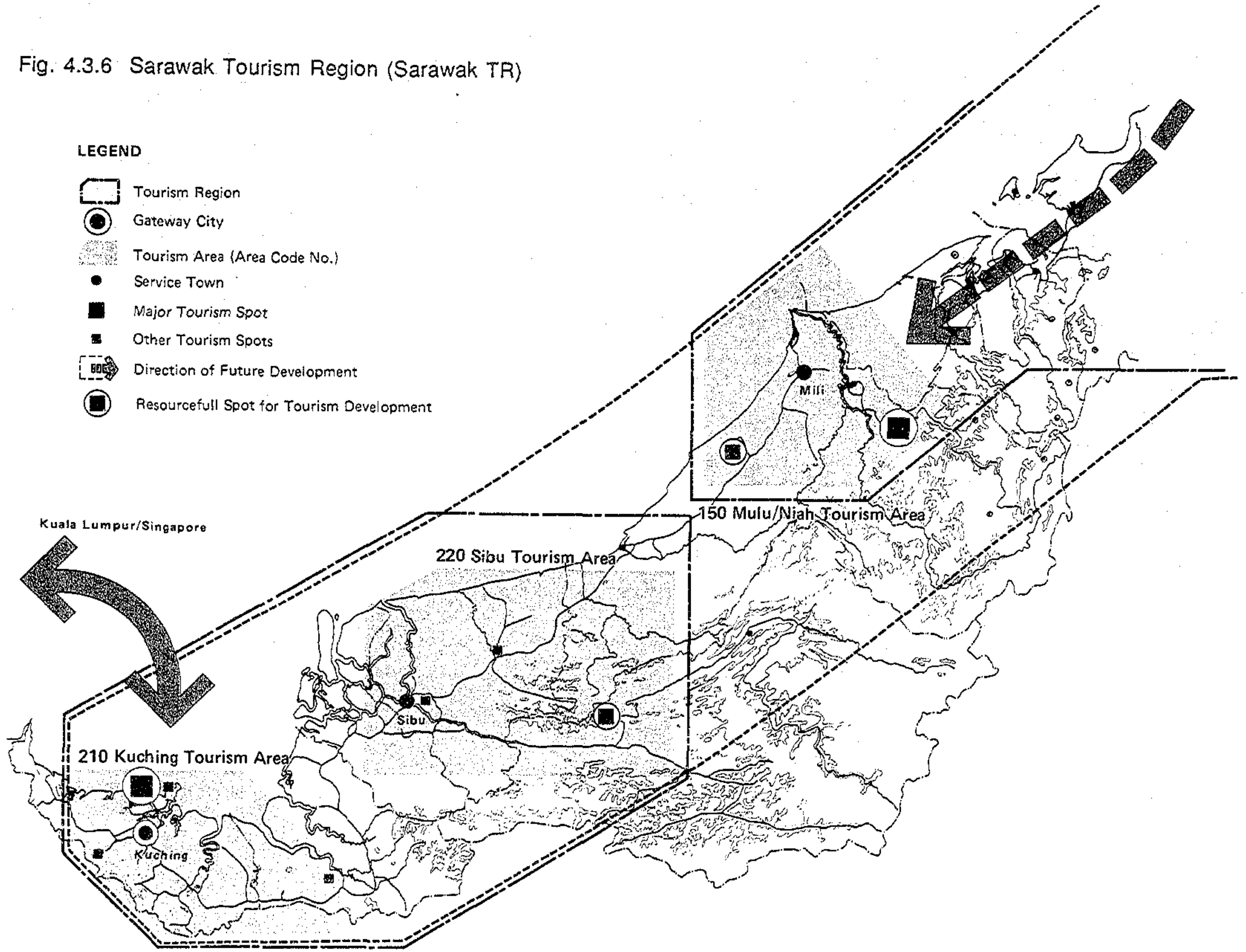
Kuching City, Santubong, and Bako National Park are the prospective tourist destinations in the near future in terms of accessibility as well as tourist attractions. It is required to improve tourist information and guide. Other requirements are upgrading accommodation facilities, waste water treatment, and the introduction of beautification programmes.

The unique culture and way of life of such natives as the Iban, Bidayuh, and Melanau are considered to have a potential for a kind of tourist attraction. Special attention, however, must be paid to prevent excessive intrusion of tourists. It is required to establish a norm that will be useful for the coexistence between natives and tourists.

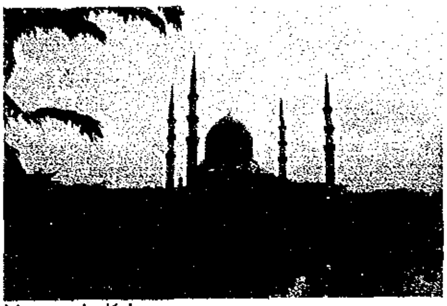
For the satisfaction of adventure tourists, it is required to prepare well-organised operators and experienced tour guides with a view to experiencing adventure as well as securing safety of the tourists. It is required to prepare a communication system between headquarters and tour guides, and rescue system in case of emergency.

Fig. 4.3.6 illustrates the tourism development scheme for Sarawak TR by 1995.

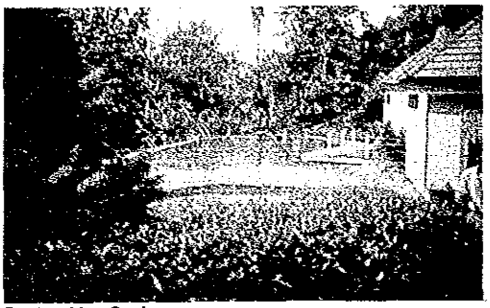
Fig. 4.3.6 Sarawak Tourism Region (Sarawak TR)




Museum in Malaca


Mosque in K.L.


Semporna Seafood Restaurant


Poring Hot Spring


City Center of Sandakan


Fort in Malaka


Market of Kota Kinabaru


Mt. Kinabaru


Mauntain on Santabong

CHAPTER 5

IMPLEMENTATION STRATEGY

5.1 Tourism Promotion

5.1.1 Policy Guideline

For the purpose of establishing a policy guideline for the promotion of tourism in the country, it is necessary, in the beginning, to recognise the relative competitiveness of the country with other countries in the region in terms of its share and trend of growth.

For the purpose of understanding the present situation of the country in the Pan Pacific Tourism Region, Fig. 5.1.1 is prepared to show the present situation of the countries in terms of the percentage share of international tourist arrivals in the Pan Pacific Tourism Region, and the growth rate of international tourist arrivals during the period of 1982-1986. The horizontal axis represents the percentage share and the vertical axis represents the growth rate.

Hawaii, Hong Kong, and Thailand belong to a category with a large share and high growth. These countries are expected to attract increasing international tourists in the future and to accelerate investment in tourism to cope with this future demand. It is expected that their promotion activities will be further diversified and refined.

Japan and Singapore belong to a category with large share and low growth. These two countries are deemed to be approaching to the maturity stage, and it is expected that their investment will be directed mainly to maintenance and upgrading of the existing tourism products.

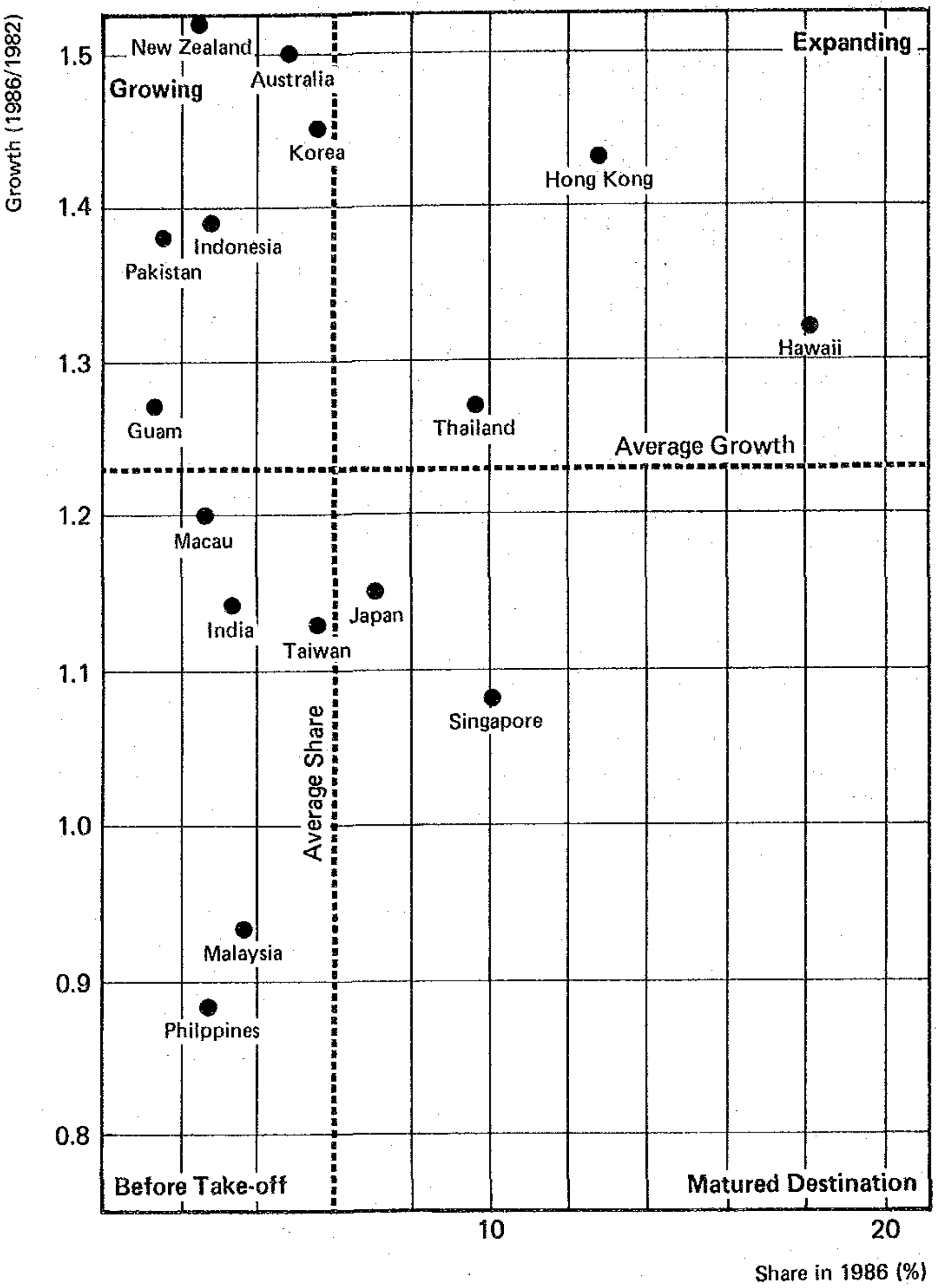
Australia, New Zealand, Korea, and Indonesia belong to a category with small share and high growth. These countries have been trying to increase their share through active promotion activities as well as introduction of new tourism products. It is expected that their promotional activities will be further encouraged in pursuit of higher share.

Malaysia belongs to a category with small share and low growth. The development of tourism has recently been given particular attention by the government to develop the tourism industry as a major foreign exchange earner.

In view of the surrounding conditions of Malaysia, tourism development of the country is confronted with difficulties in terms of keen competition among neighbouring countries and development of tourism products which will satisfy the international tourist demand.

The strategy for tourism promotion of the country cannot be the same as those of advanced countries. It should focus on selective tourism products and market countries as well as segment for attaining higher growth rate and resultant large share. The recommended strategy for tourism promotion can be summarised as follows:

Fig. 5.1.1 Classification of Competing Countries



Source : PATA Annual Report 1987

1) Product Development

- development of distinctive beach resort
- identification of destination image
- improvement of accessibility

2) Tourism Promotion

- effective appeal to target segment
- intensification of promotion mix
- organisation of integrated promotion system

3) Channel Development

- diversification of marketing channel
- intensification of channel mix
- introduction of area marketing

5.1.2 Major Target Market

Major target market should be determined in view of the national policy to promote further international tourist inflow into the country so as to increase foreign exchange earnings. It is required to take account of the following factors in determining the major target market;

1) the countries that their tourist arrivals to Malaysia are great in number at present,

2) the countries that their tourist arrivals to Malaysia are expected to grow at a higher rate in future, and

3) the countries that their tourists have higher propensity to expend at present as well as in future.

The number of tourist arrivals to the Peninsular Malaysia at present and in future was shown in Table 4.1.5. According to the survey undertaken by TDC, average per capita expenditure in 1986 was M$1,146 for Japanese, M$1,114 for W. Germans, M$1,087 for Taiwanese, M$1,037 for British, and M$1,030 for Australian/New Zealanders. Singapore and Thailand visitors were the lowest per capita spender at M$344 and $274, respectively.

In terms of the possible foreign exchange earnings, Singapore is the most promising country, followed by Japan. Australia, U.K. and Thailand are the second group of higher foreign exchange spending. W. Germany and Taiwan are the third group and it is assumed that U.S.A. and Hong Kong would belong to the third group.

Based on the above discussion, it is proposed to focus the tourism promotion of the country on the following markets:

Primary Market	:	Singapore, Japan
Secondary Market	:	Austria, U.K., Thailand
Tertiary Market	:	W. Germany, Taiwan, U.S.A., Hong Kong

Although there might be other countries that can be target markets for Malaysia, it is uncertain that promotional activities will bring tourists to the country. It is therefore a prudent strategy to not disperse the promotional efforts in too many countries, but to concentrate its efforts on several prospective countries for further penetration into the markets.

5.1.3 Major Promotion Activities

Tourism promotion is a communication process that connects tourist destinations with potential tourists. The process includes collection of customer information, conveyance of destination information to potential customers, and materialisation of tourist travelling to destination. Tourist and destination are related with each other multifariously. The scope of promotion, therefore, is very extensive. It is crucial to synthesise every aspect of tourism promotion through the establishment of a consistent philosophy and cooperation among tourism related companies.

A major reshuffling of tourism promotion is necessary in the following aspects:

1) Organisation of Promotion Bodies

There are many bodies related to tourism promotion: MOCAT, TDC, MAS, and Embassies in the public sector, hotels, restaurants, souvenir shops, attraction facilities, transport services and so on in private sector, and particularly, travel wholesalers/retailers, writers, and photographers in travel trade. An efficient organisation of these related bodies is essential in improving both tourism products and penetration into market. TDC is required to take a leading role in the organisation.

2) Tourism Promotion Policy

The purpose of a tourism promotion policy is to create an overall strategy for advertising and other related activities to lure the maximum number of visitors to various destinations in Malaysia. This strategy should be reviewed on a yearly basis and coordinated by the TDC with assistance from Malaysian promoters of various destinations seeking to attract the tourist market. Advertising should be designed to pinpoint prospective markets, which should be considered not only by nation, as discussed previously, but in terms of income level, age, sex, marital status, and other factors that influence a person's propensity to travel and spend money.

Beyond advertising, the tourism policy should be a balanced plan of advertising and supply of services. Since it obviously does no good to create a large demand for travel to a destination which is inadequately served by flights, or has inadequate facilities to care for the arriving tourists, care should be taken to include air carriers and services catering to travelers in the development of a promotion strategy.

3) Cooperation with Travel Wholesalers and Retailers

Travel wholesalers and retailers have a great influence on the "selling" of destinations to consumers. Relations with these travel agencies and tour operators can be strengthened through the following actions:

- Provide detailed information on destinations in Malaysia to administration and, more importantly, to sales clerks.

- Persuade travel agents offering "package tours" to include Malaysian destinations on their itineraries, and provide them with extensive support in terms of information and scheduling.

- Further promote sales by providing economic incentives both to tourists and to tour operators and travel agents.

- Support joint advertising campaigns with travel agents, tour operators, international standard hotels and other facilities in Malaysia, and air carriers to make tours having Malaysian destinations in their itineraries as priority products.

4) Innovation of Image of Malaysian Products

It is important to develop an image in the mind of a prospective tourist which will help him or her to understand the unique nature of Malaysia. For attaining this purpose, it is highly advisable to organise more events like "Malaysia Fest" with the full participation of interested parties.

5) Area Campaign

In order to stimulate the awareness of consumers of Malaysian tourist destinations, it is required to introduce area campaigns which target specific areas in market countries. It can be organised on either a regular or adhoc basis, depending on the future prospects of the area.

The above stated promotional activities should be directed to the major target market of the country based on a good understanding of the respective market. In the following sections, promotional activities tailored for some major countries, Japan, Australia, U.K., and U.S.A. are discussed in some more detail.

5.1.4 Japanese Tourist Market

1) Outbound Travellers

Japanese outbound travellers have steadily been increasing in recent years. During the period 1978-1986, Japanese outbound travellers increased from 3.5 to 5.5 million persons with an annual growth rate of 5.8%. This growing tendency is expected to accelerate in the forthcoming years, the target number in 1991 being 10 million persons.

Japanese outbound travellers per 1,000 population accounted for as few as 40 persons in 1986, compared with 170 persons for U.S.A., 390 persons for U.K. and 370 persons for West Germany in 1983. The average length of stay of Japanese outbound travellers, similarly, was about 8.8 days in 1985, while U.K. accounted for 12.4 nights and U.S.A. for 20.6 nights.

It is expected that Japanese outbound travellers will further increase in accordance with the gradual increase of the rate per 1,000 persons, and that their length of stay in overseas countries will be made longer with the gradual change of holiday consumption pattern.

2) Characteristics of Outbound Travellers

Table 5.1.1 shows destinations of Japanese outbound travellers in 1978 and 1986. Hawaii and Guam, Korea, Hong Kong, and Taiwan are the most popular destinations to Japanese. In terms of annual growth rate, Hawaii and Guam, West Germany, and Singapore are the countries of high growth of Japanese visitors during the period 1978-1986.

Major segments of Japanese outbound travellers are (1) men in their thirties (17.8%), men in their forties (15.2%), and women in their twenties (15.0%).

Table 5.1.1 Major Destinations of Japanee Outbound Travellers

Unit : 1,000 persons

	Travellers		Growth
	1978	1986	Rate %
U.S.A.	886.4	1,681.1	8.3
Hawaii	469.1	944.0	9.1
Guam	160.4	332.3	9.5
Korea	667.3	791.0	2.1
Hongkong	487.3	727.2	5.1
Taiwan	624.9	696.7	1.4
France	360.0	447.7	2.8
W. Germany	252.5	494.3	8.8
Singapore	209.3	404.3	8.6
China	N.A.	483.5	
Italy	334.0	401.3	2.3
Switzerland	197.9	313.3	5.9
Thailand	193.7	259.4	3.7
U.K.	132.0	205.4	5.7

Source : WTO, OECD, PATA and National Tourist Offices

According to the interview survey performed in 1986 by Mainichi Newspaper, the type of travelling is expected to shift from "tours visiting famous sightseeing spots" to "leisurely stay tours", especially for younger age groups.

It is a characteristic of Japanese outbound travellers that as high as 55% of the total outbound travellers was dependent on group package tours in 1986. *In case of sightseers and honeymooners, this ratio went up to as high as 81%.* The main reasons for the high dependence on group package tour are supposedly a language problem and cost of travelling.

3) *Characteristics of Japanese Visitors to Malaysia*

The characteristics of Japanese visitors to Malaysia are summarised as follows, according to the interview survey performed by this study:

- As high as 70% of Japanese visitors to Malaysia went through Singapore on their way to or way back from Malaysia. Direct visits to Malaysia accounted for only 15%,
- About 50% of the visitors stayed at Kuala Lumpur, 43% at Penang and 12% at Desaru. The other destinations accepted only a fraction of the visitors,
- Average length of stay in Malaysia accounted for 3.5 days which is considered very short for visiting several destinations,

- Most of the visitors seek natural beauty in the country, and at the same time they require high grade accommodations as well as delicious food,

- More than 60% of the visitors were women, 42% of which were women in their twenties, and

- 60% of visitors of women in their twenties had an inclination to travel to beach resorts.

4) Promotion in Japanese Market

In view of the high dependence of Japanese visitors to Malaysia on group package tours, it is very important to establish a close relationship with Japanese travel wholesalers. It is expected that local staff will be very effective for attaining better communications with Japanese travel wholesalers. The measures mentioned in Section 5.1.3 are applicable to Japanese market as well.

Most promotion activities have been concentrated on raising Japanese awareness of Malaysia. It is expected that the promotion can be further strengthened by increasing promotional budget allocation to Japan. It is advisable that a promotion mix of advertisement, sales aids, and publicity be further refined to meet the most potential segment of young women in their twenties. Promotion should also be aimed at honeymooners as well as men in their thirties. It is most important to carefully weigh the relative effectiveness of various publicity media such as magazine and TV programme including the hour for broadcasting.

It is suggested that the information to be delivered to consumers should include the possible type of enjoyment offered in destinations. This kind of information is important for the consumers at their stages of attitude change and/or creation of preference. Particularly, younger age groups are expecting this kind of information.

Attention should be paid to the importance of word of mouth communication which is delivered from the visitors to Malaysia to their relatives and/or friends in Japan. This kind of communication has a vital influence on their decision making whether or not they will visit Malaysia. A good reputation is produced through visitors' satisfaction in the country. It is required that best efforts be concentrated on eliminating the possible discomfort as well as inconvenience they might have during their stay in the country.

It is also proposed for the efficient promotion in terms of cost-effectiveness that promotion should be performed under the joint cooperation with such bodies as airline companies, travel wholesalers and advertising companies as much as possible. Even a limited amount of promotion cost can produce great effects.

5.1.5 Tourist Market of Australia, U.K. and U.S.A.

1) Australian Market

The number of overseas travellers was about 1.4 million persons, and it is expected to increase steadily in the future. Major destinations were the U.K., Singapore, Italy, Hong Kong, and New Zealand. Percentage share was 30% each for Europe, Asia, and Oceania. In recent years, however, the share of Asia is on an increasing trend while that of Europe is decreasing.

Most of the Australian travellers are individual travellers. Half of them are traveling alone, 40% in pairs. A large share of single travellers is attributable to business travellers, while the latter reflects their preference in traveling in pairs.

Considering the above character of Australian travellers and sentimental value of the Commonwealth, the most promising marketing target may be the seniors, especially retired couples.

Another promising marketing segmentation can be the young generation. Their travel destination is mainly Fijian and Indonesian beach resorts, located relatively close to Australia. They can consequently spend less for traveling and enjoy recreation activities, being surrounded by the beautiful scenery.

Malaysia has other advantages in attracting Australians. Off-season for Malaysian tourism industry in terms of non-ASEAN international tourists corresponds to the middle of the travel season for Australians and has already facilities both in summer and winter resorts.

Retired persons are apt to prefer travel to well established resorts. The degree of the facility accumulation is the criteria in selecting their destinations. Promotion for Australian tourist market should be focused on this generation.

2) U.K.

The number of overseas travellers was 21.8% million persons in 1985, and it is expected to increase in the future with a rapid recovery from the stagnancy of the past few years. Major destinations are Spain, France, Greece, and Italy; the share of destinations in the E.C. region accounting for about 80%.

Besides European countries, major destinations are member countries of Commonwealth such as Australia and New Zealand, aiming both to visit friends and relatives, and participate in leisure activities.

In the U.K., plenty of cheap Inclusive Tours are provided by the travel agency because of excessive marketing competition in this country. It is reported 60% of the total outbound travellers gain benefit from these tours, and some of them are business travellers.

Travel agencies in this country are focusing their marketing efforts on an over-55-years-old market and is forming a major policy for the off-season marketing. Major reasons are as follows:

- preference of long stay
- no seasonality
- valid profit guarantee
- low whole sale price

Most promising marketing segment in this country for Malaysia is thus the elder generation, judging from the features described above. The following advantages can also support this conclusion:

- both sharing the membership of Commonwealth
- Malaysia locates on the way to Australia and New Zealand from the U.K.

As for the younger generation, it is advised to promote special interest tours.

Major attractions for prospective tourist segments are as follows:

For younger group:

- adventures and activities in nature,
- sun in the tropics, and
- budget conscious travel.

For middle-age and older group:

- culture, history, and handicrafts, and
- friendship, warmth, and happiness.

Prospective destinations in Malaysia will be the east coast as well as the central part of the Peninsula for younger age group, and traditional beach resorts along the west coast for middle and older age group.

In view of the long haul travel to Malaya, it is required to take account of the following items for their satisfaction:

- calm and restful accommodation and environment are required for their restoring fatigue after long journey, adjusting to the difference in time and acclimating to the tropics, and

- transport service must be improved by offering convenient links with destinations in neighbouring countries as well as in Malaysia as the long haul air fare is too high for one destination.

3) U.S.A.

The number of overseas travellers was 37.6 million persons in 1986, and it is expected to increase in the future mainly due to the expansion of older age group segment. 70% of the travellers are destined to Canada and Mexico. Of the remaining, 45% destined to Europe, 30% to the Caribbean Sea and 18% to Asia and Oceania.

Fewer travellers participate in package tours compared with other countries, accounting for 28%. However, this does not necessarily mean few people use the travel agencies because they provide booking services for air tickets and/or overnight accommodations. 64% of all travellers, consult travel agencies for getting the travel information.

In general, American travellers are apt to visit several countries in one trip, especially in case of long distance travel. This suggests some combination of countries is necessary.

The young generation can be a pioneer to develop new travel destinations and let the ordinary Americas get acquainted with this new attraction spots. For this reason, promotion activities for the young generation should be further encouraged.

Major attractions for prospective young tourist segments are as follows:

- nature and beach sports, and
- adventure.

for Older Age Group:

- exotic Asia,
- unspoiled nature,
- relaxation around swimming pool and terrace, and
- local market

Prospective destinations in Malaysia will be the east coast and East Malaysia for younger age group, and the west coast and Central PTR for middle and older age group.

Long haul travel is required to reach Malaysia from U.S.A., therefore, the same arrangement with those of U.K. are required for U.S.A.

5.1.6 Domestic Tourist Market

"Great Value Holidays (GVH)" was developed by TDC as a first nationwide domestic tour programme for the purpose of diverting some part of the Malaysian outbound travellers to domestic tourists. The outcome, however, is reported to be less successful than the expected, mainly due to the high price. The composition of consumers are 64% for Malaysian and 36% for foreigners. Suggestions for improvements to GVH can be enumerated as follows;

- introduction of group quotations or discounted rates for ensuring more participants,

- introduction of flexibility in terms of destinations, length of stay and time schedule, and

- introduction of quality service to the programme.

A series of festivals and exhibitions under sponsorship of TDC and states are considered to greatly contribute to the promotion of domestic tourists in general.