

V-4 TOURISM INDUSTRY DEVELOPMENT PLAN

V-4.1 Present Condition of Tourism in SKR

1) Tourism Resources and Products

The major interest for tourists visiting Lao PDR are (i) nature, (ii) local life observation, and (iii) culture, which differ from tourism observed in ordinal tourism destinations.¹ It means that Lao PDR is an eco-tourism destination for international tourists, in lieu of ordinal sightseeing tourism. The major tourism resources in Lao PDR are (i) Vientiane, (ii) City of Louang Prabang which is a World Heritage site with old Lao style buildings and temples, (iii) Jar highland with Jar pots, (iv) Wat Phu Kmer heritage which is a candidate for the World Heritage, and (v) Boloben plateau in Champassak province. More than 50 % of the tourists visited Louang Prabang, and 15 % visited Jar highland and Champassak Province.

Savannakhet and Khammouan provinces, receiving approximately 3-4 % of the tourists as shown in Figure V4-1, are not the major destinations for international tourists.

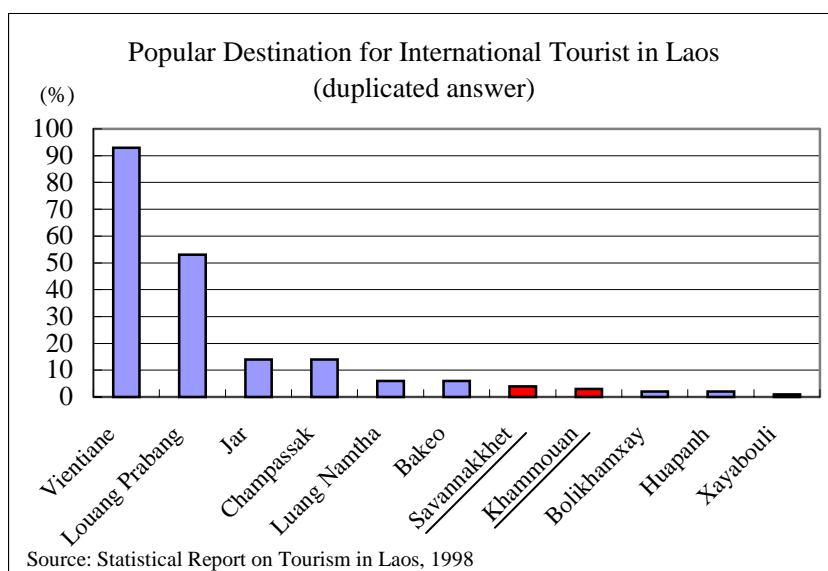


Figure V4-1 Tourist Arrival by Destination in Lao PDR

The major tourism destinations in SKR are listed below, and their distribution is illustrated in Figure V4-2.

¹ Statistical report on Tourism in Laos, 1998 reported that international tourists show main interest in 1) Nature (72%), 2) People (54%), 3) Culture (35%), etc.

Khammouan Province

- Nakai-nam Nature Reserve (NBCA): natural forest and mountainous scenery in untouched natural forest is preserved. (The access road to Nakai-nam from Thakhek, the provincial capital, is undeveloped and large lorries carrying lumber are congesting Route 12, the only access to Nakai-nam.
- Phouhinpoon Nature Reserve (NBCA): A spectacular landscape with limestone mountain is attractive. Stone Forest located in the northern edge of the nature reserve can be accessed via Route 8. Natural caves with underground streams are present throughout the nature reserve.
- Ethnic groups of Saolang, who practice slash and burn agriculture near the Vietnamese border, is special.
- Pha That Sikhottabong built with a 29-m height Stupa in the 14 century in Thakhek City attracts some foreign tourists.
- French colonial style buildings are scattered in the center of the Thakeak. Waterfront of the Mekong River and the colonial style buildings create an attractive atmosphere for tourists. Preservation and restoration of the buildings, improvement of town and waterfront landscape are necessary for tourism development in Thakeak.

Savannakhet Province

- Temples such as That Ing Hang Stupa, scenery spots, dinosaurs footprint, and Ho Chi Minh route,. scattered along Route 9 are under-utilized for tourism due to poor condition of Route 9 at present.
- Eco-tourism is developed in Dong Phouvueng Preservation Forest (NBCA) under auspices of the Department of Forest.
- Ethnic groups of Nong and Xepon, who practice the slash and burn agriculture near the Vietnamese border, is special.
- There is Kmer heritage of Heuan Hin Ruin located 50-km to the south from Savannakhet. The size of the heritage is rather small.
- French colonial style buildings are scattered in the center of Savannakhet city. Waterfront of the Mekong river and the colonial style buildings create an attractive atmosphere for tourists in the same manner as Thakeak.
- Accommodation is not developed to receive international tourists either in Savannakhet or in Thakeak.
- Terminal area of ferryboat, connecting Savannakhet and Mukdahan will be redeveloped after the completion of the New Mekong Bridge.

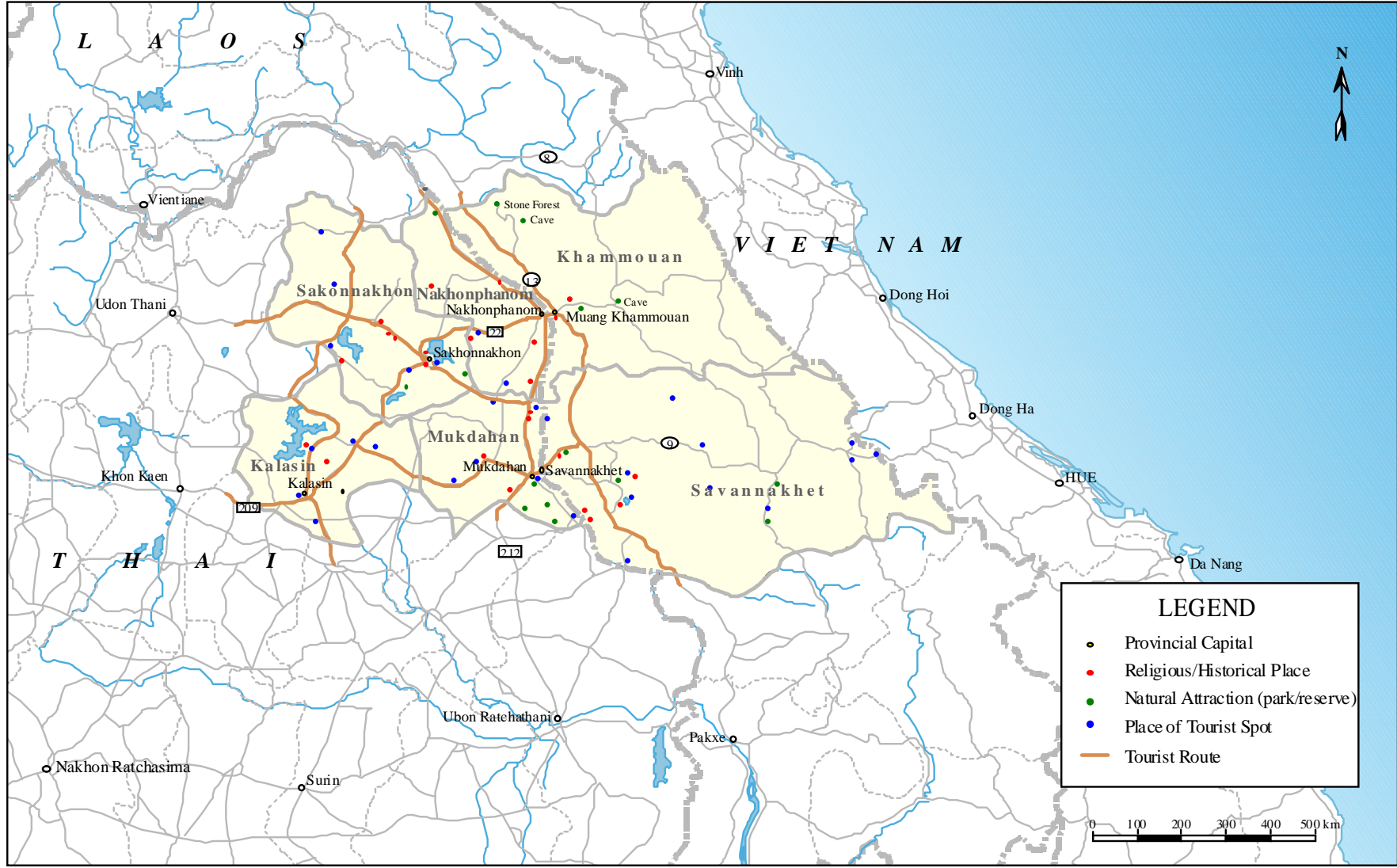


Figure V4-2 Distribution of Tourism Resources in the Study Area

2) Market Trend

Tourist arrivals in Lao PDR were recorded as 610,000 in 1998. Approximately 510,000 tourists were from the Asia/Pacific region, as shown in the table and graph below. Thai and Vietnam tourists dominate, recording 270,000 and 80,000 tourists, respectively. Tourist arrivals increased at the rate of 15% per annum during the period from 1995 to 1999.

Table V4-1 Tourist Arrivals in Lao PDR by Region

(unit: persons)

Year	Asia/Pacific	Europe	America	Africa/ MiddleE	Total	(%)
1991	33,937	2,214	822	640	37,613	11
1992	81,022	4,496	2,009	44	87,571	25
1993	94,836	5,986	2,061	63	102,946	30
1994	136,114	8,019	1,837	185	146,155	42
1995	314,470	20,635	11,019	336	346,460	100
1996	357,692	30,582	14,102	624	403,000	116
1997	403,781	38,583	18,213	2,624	463,201	134
1998	421,196	52,076	25,326	1,602	500,200	144
1999	510,703	68,564	31,780	3,231	614,278	177

Source: Statistical Report on Tourism in Laos, NTA



Figure V4-3 Number of Tourist Arrivals in Lao PDR

Nearly 60 % of tourist arrivals in Lao PDR are day-trippers, and accommodated tourists are limited to 40 % as shown in the next table. While day-trippers arrive from Thailand and Vietnam, crossing by border pass for commercial/business purposes, most of accommodated tourists visit for leisure and vacation. Indian and South Asian tourists come for the purpose of visa renewal.

Table V4-2 Tourism Market of Lao PDR by Country, 1998

Nationality	Accommodated Tourist		Day Tripper		Total	
	Persons	(%)	Persons	(%)	Persons	(%)
1 Thailand	38,100	20%	234,995	78%	273,095	55%
2 Vietnam	21,369	11%	56,849	19%	78,218	16%
3 USA	20,174	1%	0		20,174	4%
4 France	17,863	9%	0		17,863	4%
5 Japan	12,936	7%	0		12,936	3%
6 Australia	9,579	5%	0		9,579	2%
7 UK	8,902	5%	0		8,902	2%
8 Germany	7,529	4%	0		7,529	2%
9 China	7,251	4%	8,551	3%	15,802	3%
10 Myanmar	4,768	2%	0		4,768	1%
Total Tourist	192,388	100%	300,395	100%	500,200	100%

Note: Tourist entered by border pass is assumed as day tripper.

Source: Statistical Report on Tourism in Laos, NTA

Tourist arrivals in Khammouan and Savannakhet provinces in 1998 were 145,000 and 24,000 respectively, as shown in table below. Day-trippers are predominant (approximately 150,000 from Thailand and Vietnam), while accommodated tourists numbered approximately 20,000 in SKR. Nearly 60% or 12,000 tourists come for leisure and vacation, and the remaining 40% or 8,000 for business purpose.

Table V4-3 Tourist Arrivals in SKR (1998)

(unit: persons)

Item	Lao PDR	Study Area		
		Savannakhet	Khammouan	Total
1 Accommodated tourist	192,388	16,740	2,860	19,600
2 Day tripper	300,395	128,100	21,500	149,600
3 Tourist for visa extension	7,417	0	0	0
Total	500,200	144,840	24,360	169,200

Source: Statistical Report on Tourism in Laos, NTA

Accommodated tourists in SKR are from Thailand, EU, USA, Vietnam and China as shown in Figure V4-4.

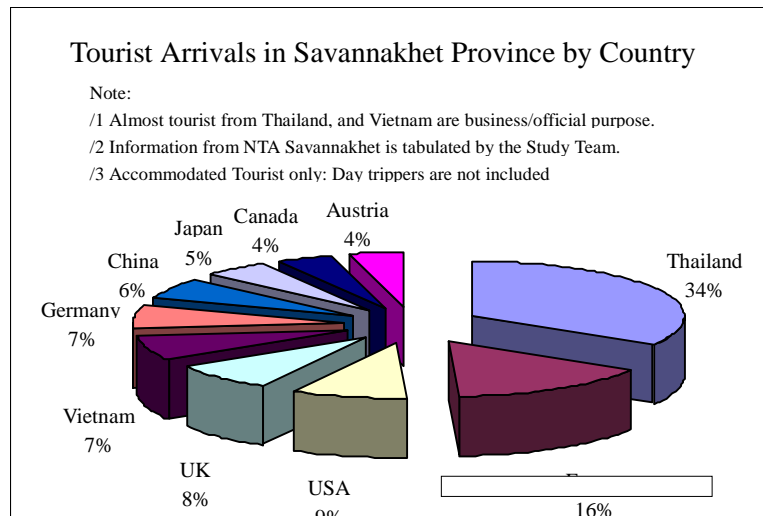


Figure V4-4 Tourism Market in SKR by Country

3) Tourism Receipt

Expenditure and length of stay of international tourists in Lao PDR was US\$ 90 per day and 5 days on an average. US\$ 80 million is estimated to be the total tourism receipt based on the accommodated tourist arrivals (190,000) in 1998. Consequently, the tourism industry was the largest foreign currency earner in Lao PDR as shown in the figure below.

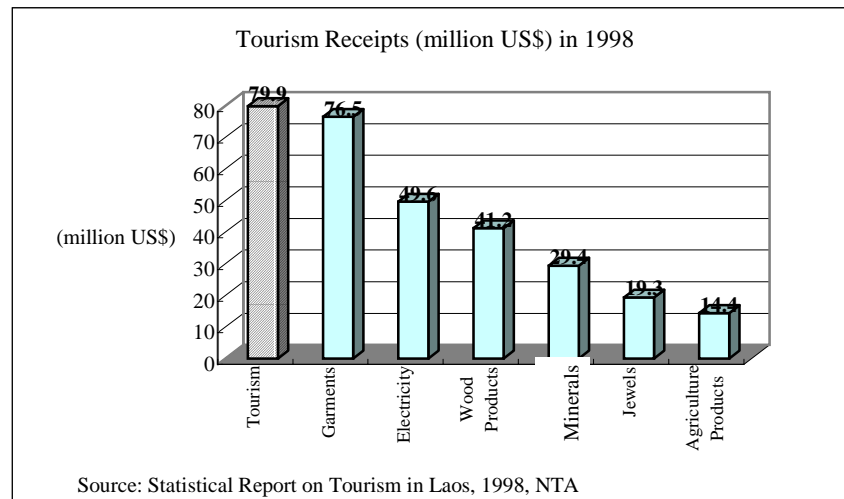


Figure V4-5 Tourism Receipts in Comparison with Other Industries

4) Tourism Facilities and Services

Although several accommodations are available in Savannakhet and Khammouan provinces, hotel facilities and services are of low standard for international tourists.

Table V4-4 Tourism Accommodations in Lao PDR and in SKR

	Lao PDR	Vientiane Municipality	Louang Prabang	Khammouane	Savannakhet
1. Hotel					
1) No	81	24	11	4	8
2) Rooms	2,780	1,303	316	108	247
3) Beds	4,828	2,429	411	176	385
	100%	50%	9%	4%	8%
2. Guest House					
1) No	226	57	34	7	14
2) Rooms	2,239	796	223	88	177
3) Beds	3,831	1,275	350	123	274
	100%	33%	9%	3%	7%
3. Total					
1) No	307	81	45	11	22
2) Rooms	5,019	2,099	539	196	424
3) Beds	8,659	3,704	761	299	659
	100%	43%	9%	3%	8%

Source: Statistical Report on Tourism in Laos, NTA

It is a four hour drive from Vientiane to Thakhek by Route 13. Tourists can reach Savannakhet in two hours from Thakhek by Route 13.

Improvement work is underway along Route 9 which connects Savannakhet with the Vietnam border.

V-4.2 Required Tourism Development Potential

1) SWOT Analysis

Strength

- Natural and social resources in SKR are potential resources for promoting eco-tourism for international tourists.



Figure V4-6 Interests in Lao PDR for International Tourists

Weaknesses

- Lao PDR is a lesser known destination for international tourists. Besides, Savannakhet and Khammouan provinces are not the major tourist destinations in Lao PDR.
- Some accidents and incidents involving international tourists have been reported recently.
- Transportation by land and by air are less developed for the comfort and safety of tourists.
- The service level of the tourism industry, especially accommodation, is not well developed.
- The institutional and legal aspects of the tourism industry administration and promotion are not well developed.

Opportunity

- SKR is located at the center of the Mekong tour route, which will be promoted after completion of the New Mekong Bridge. Thailand – Laos (SKR) – Vietnam tour will be a potential route.
- Improvement of Route 9 is underway and the service between Savannakhet and Hue of Vietnam will soon be available for international tourists.

2) Tourism Demand Projection

For promotion of tourist arrivals in SKR, two opportunities are strategically conceived; i.e., (i) introduction of Thai tourists, and (ii) introduction of Mekong tour tourists.

Thai tourists, who visited Nakhon Phanom and Mukdahan provinces of Thailand, may visit SKR through the New Mekong Bridge for sightseeing of untouched nature and religious resources. Assuming that ten percent of 1.8 million tourist arrivals in Nakhon Phanom, Mukdahan, Sakon Nakhon provinces in 2020, approximately 180,000 Thai tourists are projected as new international tourists in SKR.

International tourists on the Mekong tour route may be guided to tourism resources in SKR; e.g., NBCAs, caves, ethnic villages, temples, and war memorials. Approximately 70,000 international tourists are estimated to visit SKR in 2020.

Table V4-5 Tourism Demand in SKR in 2020

Item	Present Demand	Future Demand in 2020	
		Demand	Assumption
Thai Tourist	App. 8,000 tourists in 1998	App. 180,000 tourists in 2020	10% of 1,850,000 Thai domestic tourist arrivals in Mukdahan, Nakhon Phanom & Sakon Nakhon are assumed to visit the Lao side.
Other International Tourist	App.12,000 tourists in 1998	70,000 tourists in 2020	<p>E-W Corridor Mekong Tour</p> <p>1998:13,000 (estimated potential)/1</p> <p>2020:50,000 (3.8 times: increasing rate of 6.2 %/y) /2</p> <p><u>25,000</u>, half of 50,000 is assumed to accommodate in Laos side</p> <p><u>Existing demand</u></p> <p>12,000 x 3.8 times: increasing rate of 6.2 %/y =45,000</p> <p><u>Total</u></p> <p>International tourist arrivals in 2020: 70,000</p>
Total	21,000	250,000	

Note: /1 According to the statistics of Tourism Authority of Thailand (TAT), it is estimated that approximately 40,000 tourists from France, USA, UK and Japan, made excursion from Vietnam to Thailand by air presently. Assuming 1/3 of the excursion moves by Route 9 starting from Hue of Vietnam to BKK through Savannakhet, 13,000 international tourists are projected to pass in the Study area.

/2 Assumed that 6.2 % of average annual increasing rate of the international tourist arrivals in Thailand, PRC, Myanmar, Laos, Vietnam Cambodia during 2000-2007, will continue as projected in "Pre-Investment Study for the Greater Mekong Subregion East-West Economic Corridor, ADB Study Team."

Consequently, a total of 250,000 tourists, or more than 10 times the current demand of in SKR, is projected for 2020.

V-4.3 Tourism Industry Development Plan

1) Plan Formulation

In order to promote the tourism industry in SKR, development needs and programs are formulated in the following manner;

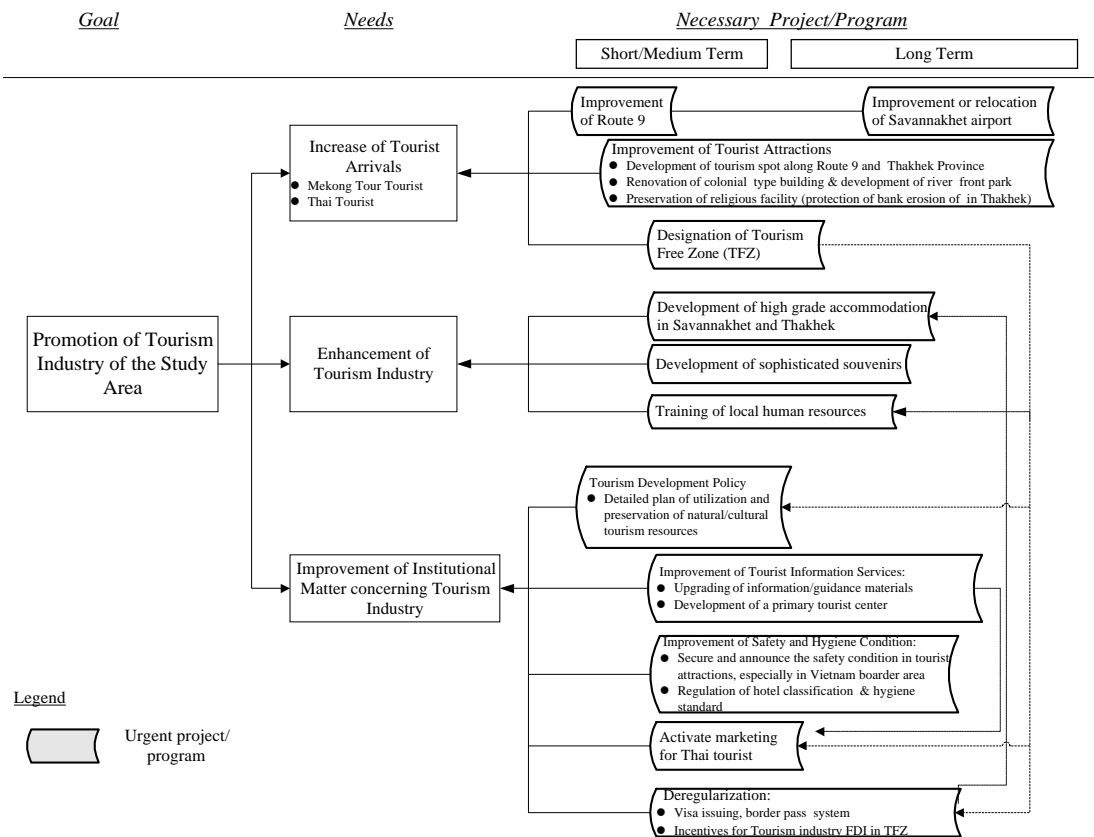


Figure V4-7 Tourism Development Plan Formulation

2) Increase in Tourist Arrivals

(1) Improvement of Tourist Attractions

Development of tourist attractions along Route 9

Ethnic villages for culture-tourism, Ho Chi Minh route (battlefield), nature reserves, and dinosaur footprints will be new tourist spots along Route 9. For a 6-hour bus trip from Savannakhet to Hue, two resting spots will be necessary for comfortable sightseeing tour of international tourists. In the resting spots, a visitor center with sanitary toilets, information devices, kiosk, and short trail will be developed, paying due attention to the sustainability of such facilities.

Renovation of colonial buildings and landscape

In view of the existing colonial buildings and landscape in the center of Thakhek and Savannakhet having a potential as tourism resources attracting international tourists, renovation of the building façade and pedestrian deck will be effective for tourism development in SKR.

Development of water front park

Existing ferry terminal areas, which become obstacles after the construction of the New Mekong bridge, could be renovated as a water front park. An attractive water front restaurant, amusement center, and water front greenery will be equipped in the park.

Preservation of religious facility in Thakhek

Religious facilities in Thakhek and Savannakhet will be preserved in proper manner. Especially, Pha That Sikhottabong in Thakhek is suffering from bank erosion of the Mekong River. Bank protection work should be carried out urgently.

(2) Tourism Free Zone

Designation of a Tourism Free Zone (TFZ) along the East-West Corridor will be effective for promotion of the tourism industry in SKR. The following activities are proposed for TFZ:

- Integrated tourism development & natural/cultural preservation
- Joint promotion of international Mekong Tour and Thai tourists
- Comprehensive tourism management (one-stop visa control for international tourists)
- Joint training/education of tourism related human resources
- Incentives for FDI in the tourism industry

This Concept of the TFZ for the East-West Corridor should be further discussed and examined among GMS countries. A conceptual map of TFZ is presented in Figure V4-8.

(3) Development of Eco-Tourism

Development of eco-tourism in the seven NBCAs has considerable potential. Especially, the nature is the highest attraction for tourists.

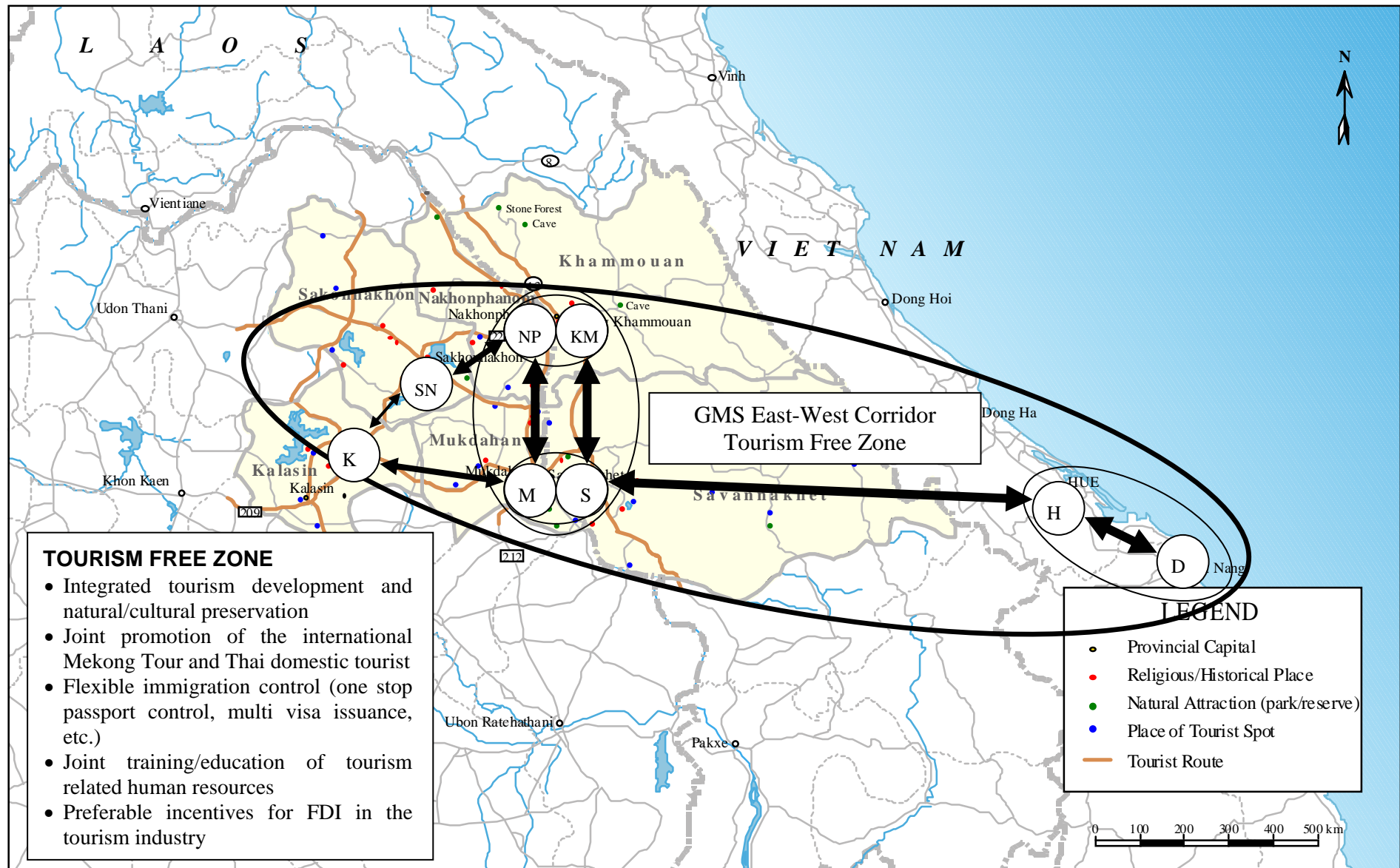


Figure V4-8 Concept of the TFA for the East-West Corridor of GMS

3) Enhancement of Tourism Industry

Development of souvenirs

To make the tourism industry high value added, the tourism-related service industry should be developed and enhanced. Souvenir development is of importance for tourism. There are lots of typically local products suitable for souvenirs in SKR as discussed in the local industry sector. Sophisticated treatment of local products souvenir, as explained below, is necessary to attract international tourists' interest.

- Sophisticated logo mark is necessary for value added product.
- Wrapping materials locally made from indigenous fibers should be high quality and clean, but simple.
- Many choices for tourist should be prepared.
- Sanitary conditions should be guaranteed especially for food souvenir.

Training of local human resources

To have properly qualified manpower to work in all aspects of tourism is essential to promote tourism. Presently, in-house and on the job training is predominant in SKR even though some short training courses are provided by NTA. Such training should be gradually expanded in line with development of international tourism.

- Cooperative training and education by Lao PDR, Thailand and Vietnam will contribute to integrated tourism development along the East-West Corridor. Tour agents, operators and hotel managers in three countries should collaborate in the training program.
- Training in Kansang Pakpasak School will be effective for tour operators, guides, tour agents, hotel staff and managers when it is developed.
- Tourism training center or institute proposed by "National Tourism Development Plan for Lao PDR, 1998" will be effective for integrated fostering of human resources in the tourism industry.

Development of high grade accommodation

Development of high grade accommodations in Savannakhet and Thakhek is required to promote international tourists. After completion of the improvement of NR 9², international tourists, especially EU and USA tourists who are interested in Indochina cross border trips, are expected to travel east-west from the central Vietnam to Bangkok through SKR. As illustrated below, international tourists will

² Even presently, many international tourists, especially French tourists, tried to cross on NR 9 unsuccessfully.

Industrial Development Plan

stop over a night in SKR. Therefore, accommodations should be upgraded to cope with the requirement of international tourists.

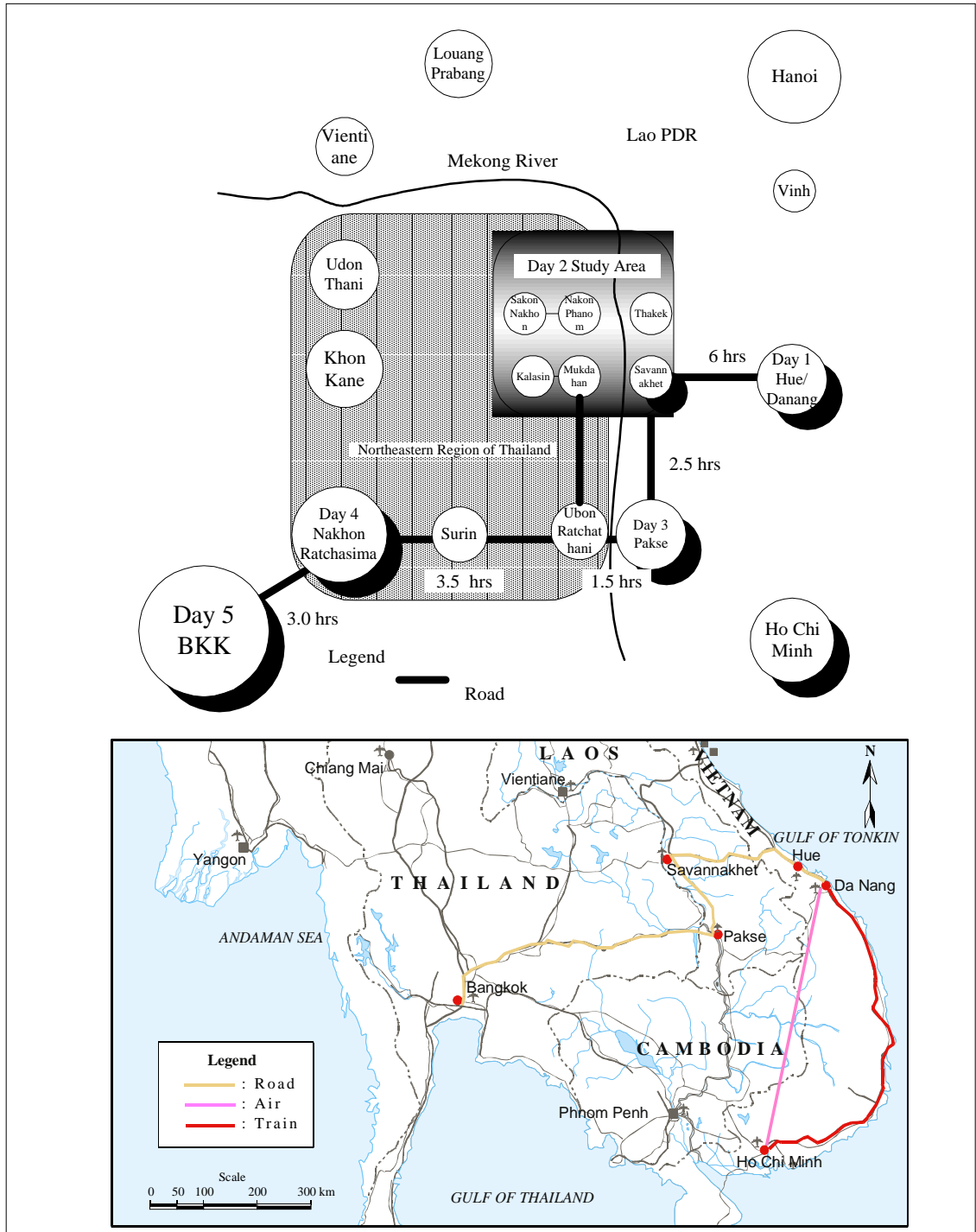


Figure V4-9 An Alternative Route of GMS E-W Tour Corridor

4) Institutional Improvement for Tourism Industry

SKR Tourism development policy

Development of the tourism industry has potential in view of the increases demand of Thai tourist and Mekong tours. If such development and nature reserve are not coordinated well, tourism development will not be sustainable. Therefore, tourism development in SKR is planned in accordance with the following concept (refer to Figure V4-10).

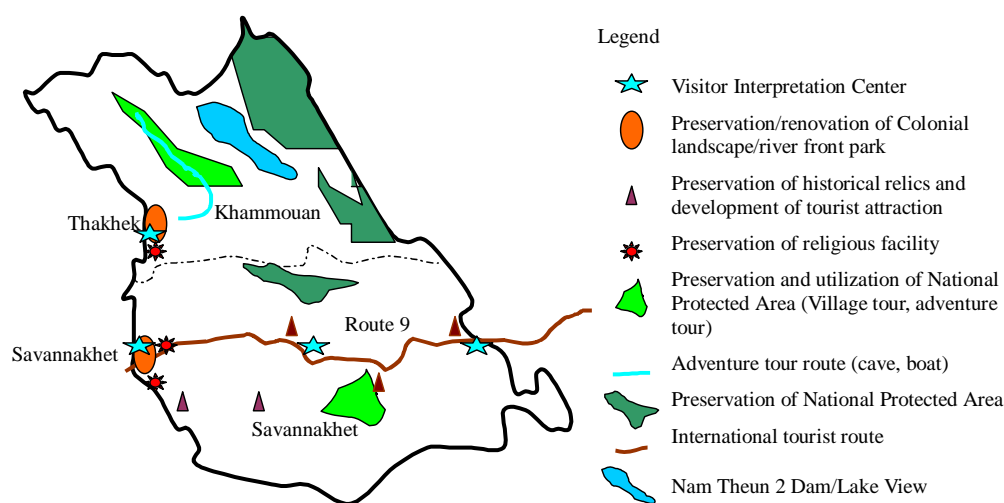


Figure V4-10 SKR Tourism Development Concept

- The provincial capitals of Savannakhet and Thakhek will be the tourist centers, where town landscape is renovated/developed.
- Since Route 9 will be a main route for international tourists, visitor centers and tourist attractions will be developed along Route 9.
- Main visitor centers will be constructed at appropriate location where the new bridge scenery can be observed. Savannakhet Special Economic Zone (SEZ) is one of suitable locations for a visitor center. Visitor centers will play the role of information/guide centers and emergency contact points.
- National protected area will be preserved to the maximum extent, except for some utilization for eco-tourism.
- Religious tours will be promoted for Thai tourists in Savannakhet and Thakhek.

Promotion of tourism marketing

Marketing strategy has been directed by “National Tourism Marketing Plan of Lao PDR, August 1999”. Sales mission to Bangkok and participation in the Mekong Tourism Forum are effective for the promotion of tourism industry in SKR. Organization of trips for travel writers and tour operators of Thailand will also be

effective for marketing. Brochures and explanatory maps will be necessary for effective marketing.

Improvement of safety and hygiene conditions

Security and hygiene are essential for international tourist promotion. A principal concern is unexploded ammunition near Ho Chi Minh Trail. This should be cleared and announced to the relevant tour agents in Thailand and in promotion targeted countries. Hygiene conditions in accommodations, restaurants, and public toilet are also important. The standard for hygiene condition for tourism facilities will be decided when a hotel classification system is determined.

Immigration control

Immigration control should be more flexible, in order to promote the international Mekong Tour and attract Thai tourists to the Study Area.

- Integrated immigration examination should be made at an entry point of TFZ along the East-West Corridor. Passport inspection, for instance, will be done at the entry point for convenience of international tourists.
- Visas for international tourists should be issued at the national border, including the New Mekong Bridge.
- Further, non-visa entry will be desirable.
- Deregulation for activity of Thai tour operator/agent in Lao PDR is also important for increase in Thai tourists.

FDI incentives

Incentives for tourism FDIs in SKR will be effective. In Savannakhet, SEZ will offer such incentives to investors, both foreign and local.

5) Development Priority

Cost, effectiveness, sustainability, and timing are analyzed for the proposed projects/programs as summarized below. High priority is given to development of tourist attractions along Route 9, determination of TFZ, study on policy for SKR tourism development, and development of high grade accommodations in Savannakhet and Thakhek. Preservation of religious facility and development of sophisticated souvenirs are the second priority project/program. Institutional improvement such as safety and hygiene improvement, tourism marketing, deregulation of immigration control and FDI incentives are also accorded with second priority.

Table V4-6 Evaluation and Rating of Projects/Programs

	Project/Program	Cost (Government expenditure)	Effectiveness/2	Urgency	Rating
1	Development of tourist attractions along Route 9				A
2	Renovation of colonial buildings/landscape				B
3	Protection of river bank of Pha That Sikhottabong Temple				B
4	Improvement/relocation of Savannakhet Airport				B
5	Development of water front park				C
6	Tourism Free Zone	-			A
7	Development of high grade accommodation in Savannakhet & Thakhek	-			A
8	Development of souvenirs	-			B
9	Training of local human resources	/1			B
10	Study of Tourism development policy of the Study Area	-			A
11	Improvement of tourist information services				C
12	Improvement of safety and hygiene condition	-			B
13	Activation of tourism marketing				B
14	Deregulation of immigration control	-			B
15	FDI incentives	-			B

Legend

Cost: : 1 million US\$ - 10 million US\$: 100,000 US\$ - 1million US\$
: less than 100,000 US\$

Effectiveness: Direct effect Indirect effect

Note /1 Assuming a new tourism training center or institute is developed.

/2 Effectiveness for increase of tourist arrivals.