

Chapter 5

Tourism

I. SITUATIONER

The tourism industry is among the sectors that has the potential to boost the Philippine economy. It can be a powerful economic growth engine for the country, if developed in a sustainable manner. It deserves to be a top priority for national development because of the following reasons:

- it is a powerful and efficient industry;
- its impacts on social development are broad and deep;
- it creates strong peripheral benefits;
- the Philippines can compete and win; and
- it helps maintain cultural integrity, essential ecological processes, biological diversity and life support systems.

The industry is powerful and efficient because:

- it is global in size;
- it has a strong potential for growth;
- it can accommodate large levels of investments;
- it has a very high value added retention rate, i.e., relatively low import component;
- it generates direct and indirect jobs;
- it generates huge foreign exchange movements; and
- it can be developed quickly.

Its impacts on social development are broad and deep because:

- it is both labor and capital intensive;
- it promotes skills and vocational development that can be exported; and
- it promotes a 'culture of tourism' through a safer and cleaner environment that benefits not only tourists but also the entire community.

It promotes and creates strong peripheral benefits to other economic sectors and society as a whole through:

- tourism infrastructure spending;
- catalyzing entrepreneurship; and
- improving the image of the country in international trade and investment.

The Philippines can compete and win in developing its tourism sector because:

- it possesses 'timeless' competitive advantage of proximity to North-East Asia, especially China, Japan, and Korea, and it also has world class natural attractions;

- it is relatively free of restrictions unlike the other export sectors of the economy; and
- it can create sizeable niche markets.

During the first semester of 2004 alone, international tourist arrivals in the Philippines reached 1,140,517 against 861,643 arrivals during the same period last year resulting in a 32.4 percent increase. Visitor receipts also posted significant growth reaching US\$1.001 billion for the first semester of 2004 or a 40.6 percent increase from the same period in 2003. Employment generation, on the other hand, reached 2.86 million in 2003.

But tourist arrivals of two million a year pale in comparison with that of Thailand and Malaysia, which are in the 10-million mark. To achieve a turnaround in 2005-2006, a determined and creative program should be implemented to reinvigorate the tourism industry.

Moreover, to harness growth in the tourism industry, focus, execution, and coordinated leadership against priority tourist markets and destinations are required.

II. GOALS, STRATEGIES AND ACTION PLANS

A. National Tourism Strategy

1. Market-Product Focus

The 10 most attractive tourist segments for the Philippines towards 2010 are the short-haul sightseeing and shopping; long-haul mass comfort; long-haul backpacker; long-haul niche beach; domestic, short-haul ecotourism; short-haul beach lover; short-haul recreation; meetings, incentives, conventions and exhibitions (MICE); and Balikbayan segments.

The product focus should be:

- 10-14 day well-organized package tours based on several tourist-ready destinations in the long-haul mass comfort segment;
- 4-5 day well-organized package tours based on convenient flights to specific cluster areas offering sightseeing, shopping for native branded goods, eating out, and a good range of accommodation in the short-haul sightseeing and shopper segment;
- good beaches with direct access, varied accommodation, and also varied choices of convenient sun and fun activities in the short-haul beach lover segment;
- affordable packages for long weekends and annual vacations in the domestic market;
- golf, gaming, diving, spa or theme parks worth visiting in the short-haul recreation travel segment;
- convenient and well organized 4-5 day adventure activities at natural sites in the short-haul ecotourism segment;
- multiple destinations for 14 (or more) days with cheap access and accommodation in the backpacker segment;
- a 'wow-level' beach and/or accommodation with a competitive range of packages for the long-haul niche segment;
- worldclass convention and exhibit facilities together with competitively priced flights and hotel accommodations for the MICE segment; and

- affordable packages offering a range of activities like shopping and dining together with relatives in the Balikbayan segment.

Based on estimated spending, Philippine market share, and the ability to meet market segment needs, the following will be the priority activities:

Priority 1: Aggressive multichannel promotion of the short-haul beachgoer and sightseeing/shopper, and domestic market segments, related products, and destinations. These markets should receive between 60 and 70 percent of the promotional budget;

Priority 2: Niche-based tailored promotion of the short-haul recreation travelers and ecotourists; and the strategic ‘ambassadors’ backpacker and balikbayan segments, and related products. These should receive between 20 and 30 percent of the promotional budget focusing on ‘rifle shot’ promotions aimed at specific niches such as golf, diving, among others; and

Priority 3: Long-term tactical marketing to the long-haul markets and MICE segments, and related products. These should receive 20 to 30 percent of the promotion budget in the long-term, focusing on nonmedia based campaigns.

In the short-haul market place, the primary focus should be China, Korea, and Japan. People from these countries and in the ASEAN are emerging as the new major tourists in Southeast Asia, in addition to the Europeans and Americans. However, tourism promotion will be increased in Hongkong, Taiwan, ASEAN, Australia, North America and Europe.

2. Destination Focus

Based on the following criteria-carrying capacity, fit with Priority 1 and 2 market segments, the number of major attractions contained therein, the “Wow” Factor, available infrastructure, readiness/existing tourism volume, and access and other factors, eight priority destinations shall be classified into three groups:

- Major destinations: comprising Cebu/Bohol/Camiguin, Palawan, Manila plus Tagaytay, and Davao as potential major destinations;
- Minor destinations: Vigan/Laoag and Clark/Subic; and
- Special interest destinations: Baguio/Banaue, and Boracay

Priority actions in each set of destinations are:

- for major destinations, priority shall be given to major infrastructure improvement, aggressively closing gaps, and promoting these destinations. In the case of Davao, the priority shall be to build for its future after resolving security issues;
- in the case of special interest destinations, the priority shall be to increase accessibility, and improve the existing tourism products being offered; and
- for minor destinations, the priority shall be to build more attractions, and promote these as secondary options.

B. Building Priority Tourism Zones

The priority destinations shall be built by:

- establishing tourism economic zones (TEZs) in the priority destinations to create accountability and mobilize investments;
- creating a Tourist Enterprise Zone Authority (TEZA) to manage the overall zone development policy and strategy;
- enabling action to launch and fund TEZs and the TEZA; and
- removing national level barriers that impede the free flow of investment and tourists to and within the country.

The TEZs shall be the main vehicle for focused development at a local level within the priority destinations. These sites need to be selected; their roles, functions, and development clearly defined in terms of management, master planning, infrastructure, financing, corporate marketing, and investor marketing; the correct mix of public and private participation defined in each TEZ; and specific authorities provided to each TEZ to ensure capacities to win stakeholder cooperation.

Hotels, restaurants, resorts, tourism enterprises and other tourism-related products and activities shall be developed within these identified tourism zones and hubs. Moreover, health tourism, ecotourism, agritourism, cultural tourism, English as Second Language Tour Program, handicraft skills demo centers, and adventure tourism shall be enhanced and promoted while new tourism products shall be developed. Industry and community-based tourism training programs shall be conducted in coordination with local government units (LGUs). Other resource-oriented departments like Agriculture, Agrarian Reform, as well as the Environment and Natural Resources, shall be involved in tourism development.

The creation of the TEZA shall be studied consistent with the government's policy to streamline departments, offices and agencies including government-owned and controlled corporations.

To remove the barriers to investment and tourists:

- lands with high potential shall be rezoned and titled in order to reduce the lengthy land acquisition and conversion process, i.e. a land-banking program should also be undertaken;
- financial incentives shall be provided to big ticket investments in the tourism zones to reduce the risk associated with the uncertain investment and tax environment;
- master plans shall be used to prioritize line agency and LGU participation to ensure timely infrastructure development;
- tourism shall be a top investment priority for the Department of Trade and Industry (DTI) where the President and Cabinet members shall be involved in investor marketing to signal government commitment to tourism;
- the cost of funds shall be reduced by sourcing soft loans for private sector investment, and addressing security concerns through press relations, increased transparency of tourist safety, and resolution of conflicts;
- the tourism force within the Philippine National Police shall be expanded to overcome the poor image of security and safety in key destinations;

- visa and other restrictions that make it difficult for legitimate tourists to enter the country shall be addressed by adopting interregional arrangements on travel requirements and improving the hosting attitude of front-line immigration and customs officers at entry ports;
- a proactive approach to travel advisory warnings shall be taken by convening special meetings with the diplomatic corps on tourism security and travel advisories; and
- tourism investment incentives shall be enhanced consistent with the policy on rationalization of fiscal incentives.

In the air access area:

- the airline industry shall be liberalized;
- charter flights shall be facilitated and organized to release constraints in key markets;
- DOT representation shall be included in the Civil Aeronautics Board (CAB) to represent tourism interest;
- key tourist airports in Palawan/Coron, Bohol and Iloilo shall be upgraded to international standards;
- charges/fees imposed on international carriers shall be rationalized to encourage them to mount additional flights; and
- air talks with Korea shall be opened.

C. TOURISM INFRASTRUCTURE (*Chapter 6: Infrastructure*)

D. LEADERSHIP AND ACCOUNTABILITY (*Chapter 21: Anti-Corruption and Good Governance*)

E. EXPECTED OUTCOMES

Between 2000 and 2010:

- international arrivals shall grow to 5 million;
- employment generated shall increase from around 3 million to 6 million;
- gross domestic product (GDP) contribution shall increase to around US\$17 billion (13.6 percent of total); and
- domestic tourism expenditure shall increase from US\$ 0.8 billion to US\$ 2.5 billion.

These outcomes would in turn induce the much needed growth contributions in investment, income, employment, and foreign exchange earnings from the tourism sector.