

PHILEQUITY CORNER (09/19/05)

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WOW! THE TOURISTS ARE BACK!

So many people are traveling around the Philippines these days. The planes are always full. Tourists are all around ... in the shopping & entertainment centers here in Manila, in the beaches/resorts spread over the islands and in various cultural/heritage spots in the country.

The Department of Tourism (DOT) recently announced that tourist arrivals reached 1.52 million during the period of January to July 2005. We expect this number to reach a record 2.65 million by year end, a 15.7 percent increase from last year. This should mark the first time since 1996 (pre-Asian crisis) that the tourist arrivals will register two consecutive years of positive growth.

Visitor Arrivals (annual % growth)

1981	-6.9%	1991	-7.1%	2001	-9.8%
1982	-5.1%	1992	21.2%	2002	7.6%
1983	-3.4%	1993	19.0%	2003	-1.3%
1984	-5.1%	1994	14.7%	2004	20.1%
1985	-5.3%	1995	11.8%	2005E	15.7%
1986	1.1%	1996	16.4%		
1987	-4.1%	1997	8.4%		
1988	39.1%	1998	-3.3%		
1989	14.1%	1999	1.0%		
1990	-13.9%	2000	-8.2%		

Source: Department of Tourism / Philequity Research

Credit this to DOT's *WOW! The BEST of the Philippines* and *Tara Na! Biyahe Tayo!* ad campaigns shown in international channels like CNN and BBC. The media exposure has attracted not only the foreign tourists but the balikbayans as well to rediscover their place of origin.

In addition, the DOT's strategy of prioritizing Japan, China and South Korea – which are high potential / tourist generating countries - is proving to be successful. In the period January to July 2005, tourists coming from China grew 142 percent while those coming from Korea increased by 29.5 percent.

Visitor Arrivals (by country of residence)

Rank	Country	Jan-Jul 2005	% Share	Jan-Jul 2004	% Growth Rate
1.	USA	328,673	21.6%	292,777	12.3%
2.	KOREA	272,246	17.9%	210,219	29.5%
3.	JAPAN	236,320	15.5%	217,986	8.4%
4.	TAIWAN	70,485	4.6%	69,456	1.5%
5.	HONGKONG	68,360	4.5%	96,745	-29.3%
6.	CHINA	55,426	3.6%	22,911	141.9%
7.	AUSTRALIA	53,490	3.5%	48,688	9.9%
8.	CANADA	42,365	2.8%	36,139	17.2%
9.	SINGAPORE	38,352	2.5%	34,448	11.3%
10.	UNITED KINGDOM	36,938	2.4%	33,165	11.4%
11.	GERMANY	30,174	2.0%	25,604	17.8%
12.	GUAM	22,691	1.5%	21,124	7.4%
13.	OTHERS	266,475	17.5%	231,342	15.2%
	TOTAL	1,521,995	100.0%	1,340,604	13.5%

Source: Department of Tourism

Europe is another area that the DOT can focus on. This region grew the fastest during the period of January to July 2005, increasing by 17.9 percent.

Since European tourists account for only 10 percent of the total visitors in the Philippines we see huge potentials for this market. In contrast, European tourists account for 23 percent of Thailand's visitors and 15 percent of Indonesia's.

The Philippines can also advantage of the tourists looking for alternatives to Thailand and Indonesia which are still recovering from the tsunami devastation.

Incidentally, DOT announced that it is targeting Russia whose recent economic boom has resulted in increased disposable income per capita. The agency recently invited Russian tour operators and media representatives for a familiarization tour of the Philippines.

Note that visitors from Russia grew by 154.2 percent during the period from January to July 2005 prompting Russia's Transaero Airlines to express its interest to open flights between Moscow and Manila.

ROOM FOR IMPROVEMENT

Infrastructure problems have long been a major hindrance in the development of the tourism industry. Recently, however, the establishment of the Nautical Highway (RO-RO) has spurred domestic tourism as well. With more than 10 million Filipinos traveling around the country every year, domestic tourism has been a stable source of tourism spending.

Another issue of special importance is the NAIA 3 opening. The opening of this long-delayed project will be a showcase for the Philippines. It should jumpstart the government's bid to accelerate travel and tourism in the country.

Since I travel around the country regularly, I also see a lot of improvements that could be done especially in handling the boarding process. One case in point is during the payment of the P200.00 airport tax. After lining up for check-in and getting the boarding pass, everyone has to line up again (in another booth) to pay for the airport tax. This is an extra step which the government can do away. HOW?... Assign the tax collection to the airlines carriers

For example, the airline carriers can collect this airport tax during ticketing. The passengers will then receive a coupon signifying their payment of the tax. Once in the airport terminal, all the government representative has to do is to collect coupons from boarding passengers. Afterwards, the government collects payment from the airline carriers after accounting for the coupons surrendered by the passengers. Coding and scanning technology are readily available if one is concerned about checks and balance.

The future of tourism in the Philippines appears bright. Its potential contributions to economic growth and development are huge. This year alone, the industry is expected to directly generate US\$2.34 billion worth of economic activity and account for 916,000 jobs or 3% of total employment. Given the vital importance of tourism on the economy, it is imperative that the government exert every effort to constantly improve on it – be it on marketing and promotions, infrastructure development or even as simple as streamlining the boarding process.

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