WHERE LIE THE WEAK LINKS IN MALAYSIA'S TOURISM INDUSTRY?

Lack of funding has affected the undertaking of aggressive and effective overseas promotional activities.

By Shaharuddin M. Saaid

It is well acknowledged that the tourism industry is a substantial revenue contributor to Malaysia's economy, constituting 14.9% of the country's GDP or RM201.4 bil in 2017. As a whole, it is the third highest contributor to the country's foreign exchange receipts.

The manpower in the country's tourism industry has ballooned to 3.4 million workers in 2017 (22.6 % vs total labour force) from 1.5 million in 2005.

Tourist arrivals and receipts have been on the rise for several years. In

Table 1: Tourist Arrivals and Receipts (2011-2017)

Year	Arrivals (mil)	Receipts RM/bil
2011	25.71	58.3
2012	25.03	60.6
2013	27.22	76.4
2014	27.4	72.0
2015	25.7	69.1
2016	26.7	82.1
2017	25.9	82.2

Source: Tourism Malaysia

fact, the receipts have been seeing a healthy annual increase since 2011.

Despite the ups and downs on arrival numbers, the receipts have seen a steady and remarkable increase of 141% from RM58.3 bil in 2011 to RM82.2 bil in 2017.

Hence, it is imperative for the government of the day to acknowledge the importance of tourism by paying a close attention to the industry as well as extending the necessary support to the Ministry of Tourism, Art and Culture (MoTAC) for promotional activities to further increase tourist arrivals and receipts in the coming years.

Table 2: Arrival and Receipt Targets (2018-2020)

Year	Arrivals (mil)	Arrivals/mil (Revised)	Receipts RM/bil	Receipts RM/bil (Revised)
2018	33.1	26.4	134	84.9
2019	34.5	28.1	151	92.2
2020	36	30	168	100

Source: The Edge Financial Daily, 7 September 2018

Insufficient Funding

However, it is pertinent to mention the reported lack of funding encountered by Tourism Malaysia to undertake the various advertising and promotional activities.

In fact, the budget allocation for tourism promotion has been slashed since 2016 – a measure that has greatly affected the undertaking of aggressive and effective overseas promotional activities.

Tourism Malaysia currently receives only RM100 mil per year for domestic and international promotion of Malaysian tourism which is a very small amount compared to neighbouring Singapore which has allotted S$700 mil (RM2.13 bil) for five years of tourism promotional activities until 2021.

At the time of writing, Tourism Malaysia has requested the government for a budget of at least RM300 mil for 2019.

In relation to this and considering the rather soft tourism environment seen in 2017 and similar expectation for the years ahead, the Ministry of Tourism, Arts and Culture (MoTAC) had revised the arrival and receipt targets for 2018-2020 (2020 being Visit Malaysia Year) (see **Table 2**).

However, the latest information released by Tourism Malaysia on 11 December 2018 sees a more drastic downward revision: (see **Table 3**)

Hence, contribution from the tourism sector is only expected to be in the region of RM88.1 bil instead of RM100 bil (in receipts) for 2020 (much less than the originally stated figure of RM168 bil).

Notwithstanding the above, the honourable Minister had, during a recent engagement with the tourism stakeholders on the National Tourism Policy (2030-2050), reaffirmed that the target for tourist arrivals and receipts for Visit Malaysia 2020 would be 30 million tourists and RM100 bil.

This is something not readily and easily accepted by the industry given arrivals could be lower but higher receipts can be expected especially

Table 3: Arrival and Receipt Targets (2018-2020) (Revised based on latest information by Tourism Malaysia dated 11 December 2018)

Year	Arrivals (mil)	Receipts RM/bil
2018	26.1	84.1
2019	26.3	86.1
2020	26.4	88.1

Source: Tourism Malaysia Think tank workshop with industry

Table 4: Average length of stay (2014-2017)

Year	Average per capita/RM	Average length of stay/Nights
2014	2,624	6.6
2015	2,687	5.5
2016	3,068.2	5.9
2017	3,166.5	5.7

Source: Tourism Malaysia

when tourists experience higher buying power by taking advantage of the lower foreign exchange of the ringgit.

Surely, this can be a great catalyst to attract more foreign visitors to stay longer while willingly splash their tourist dollars in Malaysia.

Moreover, there are now a number of premier and luxurious hotel brands such as St Regis (Kuala Lumpur and Langkawi), Four Seasons (Kuala Lumpur and Langkawi) and Banyan Tree (Kuala Lumpur) which are already operating in Malaysia with a few others like Kempenski (Kuala Lumpur) and Conrad (Kuala Lumpur) are opening their doors over the next one or two years' time.

Tourism Tax

While the average per capita spending has been on the rise, the average length of stay is on the decline as compared to 2014 (see **Table 4**).

Given Tourism Malaysia has been entrusted the key role to shoulder greater responsibilities for tourism promotions with very limited budget, it is inadvertent that the tourism stakeholders and industry players themselves undertake promotional activities on their own accord although not entirely without the support and assistance from MoTAC or the government.

At a meeting with the minister on Aug 30, the Malaysian Association of Hotel Owners had in fact proposed to MoTAC and Tourism Malaysia to update industry stakeholders on tourist arrival status on regular basis in addition to working closely especially with hotels, shopping complexes and travel agents for effective promotional exercise.

This is geared towards creating, developing and offering new attractions, especially for high income market segment as well as to improvise services where manpower is concerned.

However, full details on this have not been released by the Ministry of Finance/Treasury or MoTAC as yet. What is known is that this will be on a private sector and government joint venture basis.

In this regard, the industry expects that additional promotional budget will be made available soonest alongside the Tourism Tax (TTx) collection which came into effect on September 2017. Hotels are obliged to charge and collect TTx of RM10 per room per night from foreign hotel guests.

To date, no announcement has been made as yet as to how much TTx has been collected. It was reported that the collection as of end-December 2017 was RM40 mil (based on an average of RM10 mil per month).

Hence, it is safe to expect the total amount collected until end-December 2018 to be not less than RM150 mil.

Lingering Challenges

In all fairness, the hotel sector has objected to being made a collection agent for TTx and had counter-proposed for the collection to be made at the country's entry/exit points instead.

Moreover, the hotel sector has also highlighted the high number of unregistered and unlicensed tourist accommodation premises which are operating illegally – mainly as serviced apartments – under online booking portals, notably under Airbnb, which are not subjected to TTx collection.

Neither do these establishments have business licenses, various hotel operating licenses or are imposing service tax (i.e. by charging the Goods and Services Tax previously and the Sales and Services tax currently).

As of October 2018, there were 3,556 licensed hotels registered with MoTAC while Airbnb reported in May 2018 that there were now 44,000 listings in Malaysia. In September 2017, the Malaysian Royal Customs Department reported that 5,000 hotels had registered for TTx.

It is imperative to mention that TTx and Airbnb operation has caused loss of business to licensed and legal hotels, especially those in the below three-star category (budget hotels).

Generally, hotel occupancy rate has dropped to around 50% for the past two years when it used to hover around 65-70% previously. This unfair and unlevel playing field situation is very unhealthy and damaging to the legal and licensed hotel operators and must be resolved soonest possible.

It was earlier reported that the new Pakatan Harapan government would review or abolish the TTx collection. However, the new MoTAC minister announced on Aug 1 that the TTx collection will be continued.

Shaharuddin M Saaid is the executive director of the Malaysian Association of Hotel Owners.