

**Desk Review of the Tourism Sector in
Australia, Bhutan, India, Maldives, Malaysia, Sri Lanka and Thailand**

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Overview

This report is a desk review of the tourism sector's policy and regulatory framework in seven countries of interest: Australia, Bhutan, India, Maldives, Malaysia, Thailand and Sri Lanka. Countries from the region were chosen to understand what strategies were implemented to increase tourism revenues. This included countries in which tourism currently contributes a significant amount to GDP, the Maldives (96%), Thailand (20%) and Malaysia (14%); Australia (*Tourism Australia*) and Sri Lanka (*SLTDA*) were chosen to understand the private sector involvement in the tourism institutional structure and India was chosen as it is an important neighboring country, especially for potential Sikh tourism visitors that could come to Pakistan. In addition, India has created a number of religious and other tourism circuits which are mostly within the country but incipient steps are also being taken to include Sri Lanka or Nepal in these circuits. Bhutan is an interesting example of a country that has given prime importance to bringing in few but very high value tourists.

Table 1: Importance of Tourism Sector

	Australia	Bhutan	Maldives	Malaysia	India	Sri Lanka	Thailand
Direct Travel & Tourism Contribution to GDP	2.8%	6%	52.4%	4.4%	2.0%	4.6%	9.3%
Total Travel & Tourism Contribution to GDP	10.8%		96.5%	13.1%	6.3%	10.6%	20.8%
Direct Travel & Tourism Employment as % of Total Employment	4.4%	21,000 people	30.2%	4.2%	5.5%	4.2%	6.3%
Total Travel + Tourism Employment	12.6%		60.4%	11.4%	8.7%	9.7%	15.4%
Visitor Spending (Export earnings) as % of Total Exports	8.3%	19%	84.8%	7.3%	4.2%	20.7%	17.9%
Tourism Investment as % of Total Investment	4.5%		26.3%	6.9%	6.0%	4.0%	6.8%

Source: World Travel & Tourism Council, 2015, Bhutan data is from 2014 IMF country report.

The report gives an overview of the policy framework that has been used by these countries to try and develop the tourism sector. The report covers the tourism strategy plans used, the role of the private sector and foreign direct investment (FDI) to the extent this has been used. Within the regulatory framework it looks at overarching laws where they exist to regulate the tourism sector, in some cases the laws regarding foreign direct investment where they are affecting tourism investment specifically and the overall institutional structure within which the sector operates in. In addition, Visa regimes policy has been discussed generally to understand how open the countries are to tourism and what type of visas are being issued and to which countries. Last a brief look has been taken at a number of memorandum of understandings that have been signed to promote the tourism Sector.

Overall, one pattern that seems to be coming out of this review is the movement towards a model of sustainable tourism where countries try to attract higher spending tourists rather than focusing on mass tourism. For most of the countries under review this has meant encouraging more Chinese tourists which are globally amongst the highest spenders. In Australia, they are spending more than \$7000 per head on average and in Malaysia around \$2500 whereas its average tourist spends \$600 per head. In addition, the countries are moving towards creating product niches specific, from business tourism to medical & health tourism, to their own countries for which they believe they can persuade the tourists to stay for longer and spend more. Bhutan, unlike the other countries has always focused on attracting exclusive high spending tourists in a philosophy that has emphasized 'high value, low impact'.

Marketing and Promotional activities have assumed a significant role in attracting the right 'type' of tourists wanted. Tourism Australia, which is the Australian agency responsible for marketing tourism in the country, has been used as a proto-type emulated by other countries. It gets significant funding from the government but also has led the market in terms of approaching private sector for joint tourism marketing campaigns including with Emirates and Singapore Airlines. Several countries are focusing on using films as a way to promote the country to a general audience including Australia, Thailand and India. One Movie – 'Lost in Thailand' shown in China is attributed to have raised Chinese tourism that year by 90 percent to the country.

All countries realize the importance of improving tourism related infrastructure and most importantly focusing on the human resources capacity and skills training to drive and satisfy higher spending tourists. While they have all focused on involving the private sector in the provision they have had differing degrees of success. Malaysia has been particularly successful offering specific tax and other incentives to the tourism sector. The government estimated that the tourism sector would require cumulative funding of RM203.9 billion from 2011 to 2020. Of this total funding, the plan advocated that only 3 percent will be public-sector funded while the remaining 97 percent will come from the private sector.

The majority of countries reviewed had at least one strong institution driving the tourism sector. It is not clear that this needs to be the tourism ministry, In Australia, the last decade has seen the tourism department moved around from ministry to ministry and at one point abolished also and this has not mattered much because Tourism Australia has been the apex institution during most this period. Similarly, In Bhutan, the Tourism Council of Bhutan and in Sri Lanka, the Sri Lankan Development Tourism Authority, play a stronger role in policy making, developing and managing the tourism sector as opposed to the ministry. By contrast, in India, the Tourism ministry and related government agencies play a very strong role in everything from directing tourism policy, to disbursing funds to hotels, and running government institutes which undertake human resource training. Indeed, under the draft 2015 draft Tourism Policy the ministry has suggested that Tourism should be put on the concurrent list so that it can play an even stronger role in the sector.

In all countries the role that tourism can play to promote and enhance the socio-economic development of the country as well as forging national unity has been recognized. In Thailand, the marketing campaign "*New Thinking, New Perspectives – Travel in Thailand Can Yield More Than You Think.*" was created to reinforce the sense of national identity among the youth whilst simultaneously promoting tourism. Governments have also realized that it is important to understand and take the interests of the local

people into consideration. Sri Lanka found that the plans it had to set up Casino cities to increase tourism revenues had to be discarded after protests from local Buddhist population that believed this was not conducive to their spiritual beliefs.

Australia: “There’s Nothing Like Australia”

1. Background

Tourism is a significant contributor to Australia’s GDP. In 2015 its direct contribution to GDP stood at Aud\$46bn (\$35bn), 3 percent of GDP and its total contribution was 10 percent of GDP. International tourists contribute 27 percent of all tourism related revenues and 73 percent comes from local tourists. Overall tourism contributes over \$17 billion in foreign exchange earnings. There are over 300,000 businesses engaged in the industry; employing 534,000 people directly and an additional 391,000 are indirectly employed in associated industries. It accounts for 8.1 percent of total employment with around equal numbers of males and females employed. Tourism also helps to reduce Australia’s dependence on the mining and agriculture sectors, which have flourished the past decade with the high commodity prices. It has a significant multiplier effect with every Aud\$1 spent on tourism generating 92 cents in other parts of the economy.

There are three types of tourists coming to Australia, short term leisure tourists, long haul leisure tourists and backpackers. Australia has over 7.4m visitor arrivals each year, the largest number come from New Zealand at 1.3 million but these come on very short package holidays. Chinese tourists account for the second largest group at over 1 million. These are not only its fastest growing market but research shows they also spend the most per head in the country. Chinese tourists spent over \$7 billion in 2015 making it around \$7,000 per head. Australia is actively seeking to increase tourism from China. The leisure visitors from the UK/Europe/USA stay for more days and backpackers which also mostly come from the UK/Europe/USA have longer stays that are often combined with working holiday visas – which they obtain very easily.

2. Policy Framework to Develop the Tourism Sector

Australia has many natural assets that attract tourists and as a sector – tourism grew organically without much government involvement. It is only as its contribution to the economy grew, that governments started to think about how to further promote it. This raised issues of needing infrastructure which offered visitors high quality product choices and being serviced by individuals with good skills. In light of this in the last fifteen years, the Australian government has conducted two major strategic policy overviews for the tourism sector: “The Future View of Australian Tourism” (2002-03) and “Tourism 2020” (2009-10). Both involved significant changes in the institutional structure responsible for the development of tourism. Thousands of stakeholders were involved in the process, consultations at the Federal, State/Territory and regional levels. A common thread that has run through government policies towards tourism in the past 20 years includes understanding the import of research and data collection, marketing Australia, developing the domestic tourism market, improving skills and capability of the human resource in the tourism sector and greater involvement of the private sector in tourism infrastructure.

In Australia, while the government has some role in the provision and maintenance of public goods such as national parks or coastline and beaches, it certainly does not exist in the accommodation sector and generally the private sector is involved in the provision of infrastructure even airlines and airports. The

government is providing the regulatory and policy planning framework within which these sectors are operating.

a) The “Future View of Australian Tourism” (2002-03)

Tourism revenues declined in the early 2000’s due to the downturn of the economy, terrorism fears after 9/11 and the SARs virus. In light of this, the discussion paper set out a medium to long term strategy for the tourism sector. It was decided to promote Australia actively as a Platinum Plus tourist destination which required aggressive international marketing. Along with this the government implemented structural reform; in which several existing government run organizations (Australian Tourist Commission, See Australia, Bureau of Tourism Research and Tourism Forecasting Council) dealing with tourism were subsumed into a new organization called **Tourism Australia**. Major Issues highlighted or implemented under this strategy paper by the government are discussed below:

i. Creation of Tourism Australia

Tourism Australia was created by the Tourism Act 2004, primarily as a market orientated body, to conduct tourism marketing and market development with some role in policy advice. Its job was also to improve coordination amongst federal and state/territory governments as well as to increase the effectiveness of any joint marketing done. It was set up with 2 divisions: Tourism Events Australia and Tourism Research Australia.

Tourism Events Australia did the international and domestic marketing for the country. It worked with the government and industry partners to attract major events and business tourism and to promote Australia as a Platinum Plus destination. Some events include: 2006 Commonwealth Games and the Perth International Arts Festival which attracts around 500 000 people annually.

Tourism Research Australia, collected tourism related data and conducted research that met industry and government requirements for better investment decisions, to understand consumer needs as well as developing niche markets. It conducts and publishes International and National Visitor Surveys.

Government identified the key markets to target which included: China, Japan, Singapore, South Korea, Europe/UK and North America. The federal government spends over Aud\$140m on Tourism Australia marketing alone per annum and overall all governments spent Aud\$630m (\$475m) on marketing in 2015. Studies have varied but have generally shown that Aud\$1 spent on marketing resulted in Aud\$11-16 in export earnings for Australia.

ii. Promote Domestic Tourism Market

Domestic tourism accounts for over three-quarters of tourism expenditures in Australia. It is a more significant contributor to rural and regional Australia than international visitors that tend to stay in the larger cities. Since it plays a larger role in helping growth and development in regional and rural areas it has been encouraged by the government. The “See Australia - Go On. Get out there” was a domestic marketing campaign funded by the government to encourage people in the country to take holidays and visit places in Australia. The government has also given grants through the Tourism Development Program to businesses that helped to promote tourism and increased visits to Australia and its regions. A similar

grant program, Indigenous Tourism Business Ready Program, was set up to support development and supply of indigenous products and experiences.

iii. Lifting Capability

The government realized in order to sell Australia as a Platinum Plus destination as well as getting repeated visits, it need to ensure that the product/service provided to the tourists had to be a high quality. This required better management practices in a large number of the small enterprises found in the industry. The government set up a national voluntary accreditation system which helped to identify businesses meeting quality standards although its take-up has been low.

iv. Improving Access to Sites

Government increased private sector involvement in national parks and recreation areas. This was mostly done through introducing user charges in National parks and encouraging private investment in accommodation services. State and territory governments have begun to take steps to facilitate private investment in National Parks. In most cases this required changes to earlier laws, such as the National Parks Act, that did not allow private involvement. Tasmania has encouraged private sector involvement for many years; private investors have built huts along the Overland Track.

b) “Tourism 2020” (2009-10)

This policy was the next evolution in the national strategy on tourism. The aims were to take tourism revenues by 2020 to Aud\$140bn (\$105bn) from \$70bn in 2011. Marketing resources would be focused on those markets where the major revenue was coming from. A number of categories of tourists were created, on the basis of revenue expected. In the top tier were China, UK, Australia and USA, then New Zealand, Japan and South Korea. Emphasis was also given to increasing business tourism which brought in substantial revenues.

In order to achieve these targets the government identified areas where further work needed to be done. These included increasing international and domestic air capacity as well as improving quality and productivity of the tourism industry with greater participation by the local people. Special prominence was also given to developing digital capabilities and improving tourism information research and forecasts so that industry and government needs were served. Greater cooperation between industry and government was to be used to grow the sector. The six strategic areas identified were:

i. Grow demand from Asia

Most countries in Asia have growing economies with prosperous middle classes that are increasingly travelling and aspiring to travel to the West, Australia is the closest ‘western country’ for them. To tap into this demand the Australian tourism industry is developing tailored marketing campaigns, encouraging business events and strengthening distribution networks through tour operators. Separate 2020 plans have been created to target key markets such as China and India. In the case of China this includes marketing to a greater number of cities and increasing the number of tour operators that are ADS accredited.

ii. Build Competitive Digital Capability

Only one-third of Australian tourism operators in 2009 had online booking and payment facilities despite the fact that 80 percent of Australians were online and by 2020, over 60 percent of the world is expected to be online. This capability was seen as a necessary requirement to distribute and market product 'Australia'. Tourism Australia has been assigned to develop a digital social media marketing program. Industry associations have been tasked with getting their members to take up the Tourism e-Kit. The Department of Broadband and Communications was to roll out the national broadband network and support networks to assist businesses. Higher visibility was to be given to accredited tourism businesses on the Australia.com and STOs websites.

iii. Encourage Private Sector Investment

Investment in tourism in the period 2000-2010 grew at 50 percent the rate of investment in other areas of the economy. This was attributed to the regulatory burden and red tapism on the sector which detracts investment. Planning and zoning regulations on mixed use land often did not allow hotels to be built, where they did approvals often took 8-12 months. Government has reduced in certain areas the overly strict regulatory policies and compliance costs, to incentivize private sector investment in visitor accommodations and other infrastructure as well as facilitating new infrastructure projects through streamlining application processes. Some of the state governments have now put in place planning processes that allow for significant tourism projects to be assessed at the state level rather than at local level. The government has also given grants, between Aud\$50,000 to 250,000, for private sector setting up accommodation and attractions in specific target areas.

i.a National Parks

Recently, Tasmania held an open expression of interest for private-sector development to encourage visits and increase the array of experiences on offer in its national parks for which it received interested proposals from 37 parties. Other states are considering similar proposals.

i.b. Tourism Infrastructure

The government has used the private sector involvement in creating tourism infrastructure in a number of ways; from managing a government structure and charging user charges to developing, financing and running the whole facility privately. The Queensland Government established the South Bank Corporation to develop land at South Bank in Brisbane. It provides recreational, cultural and educational activities for visitors. The agency is self-funded and generates revenue from sources such as the convention center it manages or car park charges. On the other hand, the New South Wales Government used a public-private partnership from inception to finance the construction and operation of a new convention center and hotel complex in Darling Harbour. The PPP has a contract term of 25 years between the government and a consortium of investors and will cover the maintenance of the facilities once built also. There are many other such examples of development of areas being done through a PPP structure.

1. c. Airline Marketing Cooperation

The Government has provided incentives to airlines, often through joint marketing campaigns, to encourage the establishment or growth of international flight routes servicing particular destinations in

the country. The South Australian Government provided such support to Emirates's when it launched the Adelaide–Dubai route in 2012 and AirAsia X's Adelaide–Kuala Lumpur route in 2013.

vi. Ensure Airline Capacity will Sustain Growth in Tourism

Since Australia is considered a long haul Island, where 99 percent of visitors arrive on an international flights; number of airline flights and capacity is a crucial factor in developing tourism. The government has an open skies policy and privatized all state airlines and airports. There are currently over 54 airlines licensed operators. In order, to increase transport capacity and infrastructure to enable the growth in tourism numbers envisaged throughout Australia, the Government is negotiating further air service agreements with international private air carriers. The government is working with the domestic private airports and airlines to build capacity and develop new routes, giving particular importance to regional routes. Australia has negotiated air services arrangements with over 94 countries. Australia's air services arrangements include open skies arrangements that allow flights to and from a country, and through third countries. There is also unlimited direct route access and capacity is provided for certain international air services to and from its regional airports. An agreement with China was announced by the Australian Government in January 2015 which more than doubled capacity entitlements for Australian and Chinese airlines. Prior to this agreement, capacity was constrained for Chinese airlines flying to and from Australia's major airports.

v. Increase Labor Skills and Indigenous Participation

The tourism sector has labor shortages and the employee vacancy rates that are four times the national average. There is an estimated shortage of over 38,000 workers and 69 percent of employers mention skill deficiencies as one of their major problems in the industry. Government has said it will work with industry to help in labor retention, career mobility, education and training to fill gaps. It has increased temporary visas for skilled workers programs needed in this industry such as chefs, tour guides and coordinators. It has widely distributed this information through associations to give to its members. It is in the process of establishing a *National Language Training Center*, to train tourism related professionals requiring languages to attend specific courses created for them. They have set up *Tourism Training Australia*, which will be the national training and advisory board for the tourism and hospitality industry. State and Territory training bodies, together with the private sector, will deliver training based on Tourism Training Australia defined proficiencies. The Australian Government is also consolidating the current 29 National Industry Tourism Advisory Boards into 10 National Skills Councils covering tourism that will focus on the existing gaps in the industry.

vi. Build Industry Productivity and Quality

Help tourism operators to increase profitability by delivering high quality products and services. Government encouraged industry associations to push accreditation schemes amongst their members in particular T-Qual accreditation. Government used Enterprise connect program and the T-Qual grants to encourage businesses to undertake training to use online tools and get accredited.

c) Marketing

Australia's major attractions for tourists include the coastline, nature tourism; whale watching, and snorkeling in the Great Barrier Reef. Culture tours include those of the Sydney Opera house, vineyards

and indigenous cultural experiences. Events are held and actively lobbied for to encourage non-seasonal tourism these have included Mardi Gras, Olympics, Rugby World Cup, they have all drawn significant international tourism.

The majority of marketing is done by the government through Tourism Australia. It is believed that private sector is less likely to do it since they cannot capture the total gains of such marketing. In 2015 the total cost of this was Aud\$700m out of which the government provided Aud\$630m. The remainder was voluntary contributions collected by industry associations and some private sector campaigns. Estimates of the multiplier effect of marketing are 1:16, for every Aud\$1m the government puts into advertising it gives Aud\$16m boost to local economy.

Marketing Campaigns run by the government have included the “No Leave No Life” was a domestic campaign run in 2009 to encourage Australians to take holiday leave in the country. That year, they also ran the very successful ‘Best job in the World’ campaign. In 2010, they ran a successful campaign “There’s Nothing Like Australia” which invited Australians to share their favorite Australian place or experience with the world.

a) Private Sector Involvement

Some marketing has also been with Private sector partners, for example in 2016 a campaign that was done with Singapore airlines to launched an Asia wide campaign, “Enjoy Australia with Singapore Airlines.” The campaign was part of ‘Australia – Your Welcome Campaign’. The TV campaign was estimated to have reached close to 90m people. Tourism Australia’s marketing activity was undertaken in partnership with more than 180 organizations in 2013–14. It signed MoUs with eight industry partners in 2013–14.

Emirates \$14.3 million over three years

Virgin Australia \$12 million over three years

STA Travel \$9 million over three years

China Southern Airlines \$9 million over three years

China Eastern Airlines \$8.6 million over three years

Air New Zealand \$6 million over three years

Air China \$6 million over three years

Etihad Airways \$6 million over three years

b) International Country Collaboration on Marketing

Tourism Australia has also done bilateral coordination on campaigns with New Zealand. A joint tourism council has been set up with Singapore ‘Singapore-Australia Joint Ministerial Committee’ to boost tourism between the two countries and to increase international arrivals. Australia is hoping this will also increase the number of Indians visiting the country.

c) Education

Australian government since early 2000’s increased marketing of Australian education to the region. They sold themselves as having world class education, which was much cheaper than going to the UK or USA,

which had been the traditional destinations of choice. The government has estimated that along with students come a lot of associated tourist expenditures. They stay in the country for long periods so not only do they spend more money but also they receive visitors who tour around the country. Educational tourism also has the advantage that it is widely dispersed amongst the regions. Marketing for this is done jointly with many universities and colleges.

d) Marketing through Films

Australian film and television have provided a subtle cultural promotion of Australia at its best through movies such as Queen of the Desert or television series like Neighbours or Home and Away. They help to motivate tourists to come to Australia and they significantly help to boost the local tourism in cities where the TV Soaps are based. The Australian Tourist Commission has established a relationship with the marketing body, AusFILM. AusFILM is a collaboration of over 60 corporate members, Australia's State film offices and the Australian Government through the Department of Communications, Information Technology and the Arts and Austrade.

d) China Approved Destination Status (ADS) Scheme

Australia is one of the 150 countries in the world that is licensed to market itself in China. Tourism Australia has trained over 6000 specialist agents in Mainland China. Majority of marketing is done by the government, although some private marketing is done by large hotel chains such as Accor Group of hotels in Shanghai, Beijing and Guangzhou. The ADS scheme is a bilateral tourism arrangement between the two countries that allows guided Chinese group tourists to obtain an ADS visa and travel to Australia. These guided tours can only be operated by Australian & Chinese government accredited tour guides. One million people from China have come under this scheme since 1999. Currently over 35 percent of Chinese tourists coming into Australia are under this scheme. Chinese spent \$5.25bn in Australia in 2014 by 2020 this is expected to be \$9bn. ADS allows Tourism Australia to market directly to Chinese consumers. Australia is trying to increase the number of ADS accredited tour operators and guides to further increase this market.

4. Regulatory Framework for the Tourism Sector

Unlike many developing countries, Australia does not have one tourism act that sets out the framework in which the tourism sector operates. One reason being the very organic way its tourism sector developed. There are many separate laws within which the sector operates. The Tourism Act 2004 set up Tourism Australia and defined its role and ambit of operations. There are Land laws which define how land can be used are important for setting up hotels and other recreational facilities. National Park Laws that regulate and protect the National Parks and a plethora of State laws concerning permits and other regulations covering employment, workplace and other matters related to tourism. The two described below relate to investment regulations.

a) Foreign Acquisitions and Takeovers Amendment Act 2015

This Act amends the Foreign Acquisitions and Takeovers Act 1975. It defines and imposes a range of obligations on 'foreign persons or foreign entities'. It relates to the amount of investment and in which sectors that is being brought into the country which requires a review process. It details the actions needed if a threshold of investment is crossed which results in either a change in control involving a

foreign person. The action is always notifiable if investment is being undertaken by a foreign government regardless of the otherwise threshold in that sector. It sets out fees payable by the entities and explains the criminal liabilities of those not following the regulations.

b) Foreign Direct Investment

Australian government has always welcomed FDI as providing additional capital into the country to grow businesses, improve infrastructure, bring in new technology and increase employment as well as provide diverse consumer choice in all fields. The total stock of foreign direct investment in Australia at the end of 2014 was around \$690. USA is the largest provider of FDI, in 2014 it contributed Aud\$163bn around 24 percent of the Australian GDP, UK was the second largest country at Aud\$87bn, Japan at Aud\$66bn and China and Canada around Aud\$30bn each. A case by case review is done for large FDI that crosses a threshold or other criteria including 'national interest.' In non-sensitive areas and with countries Australia has a free trade agreement this threshold of not requiring review can be as high as Aud\$1billion. The real estate sector and the services industry attract the largest amount of FDI; in the last 5 years over Aud\$57 billion has come into the transport sector.

Tourism has been categorized as a 'non-sensitive' industry, in which investment barriers are significantly lower than in other sectors, this has brought in Aud\$2.5bn in the tourism sector – mostly in hoteling industry - in the last 2 years alone. In 2011, 18 percent of all FDI coming into Australia was tourism related however for the past 15 years the average has been around 4 percent per annum into the Tourism sector. This has included the venture between Hong Kong's Far East Consortium and Ritz Carlton Hotel Group, for the development of a luxury hotel in Melbourne and a Singapore company acquiring Sydney's second largest hotel, the Westin and its adjoining Heritage Retail podium, for Aud\$445.3 million. Other investments in hotels includes the Four Seasons Hotel, acquired by South Korean Mirae Asset Global Investments for Aud\$340 million, the Wentworth Hotel, acquired by Singapore listed company Frasers Centrepoint for Aud\$224 million and the Sheraton on the Park bought by the Chinese Sunshine Insurance Group for Aud\$463 million.

c) National PPP Policy Framework and National PPP Guidelines, 2008

The Australian Commonwealth and State and Territory governments see the Public Private Partnerships (PPP) as being vital to the development and improvement of infrastructure in Australia. This significance was underscored by the changes made in the National PPP policy framework to the earlier laws on PPP. The key change was the substantial reduction in the threshold for the any government agency to consider PPP when looking at an infrastructure project; decreasing from Aud\$100 million capital cost to Aud\$50 million capital cost. The National PPP Policy and Guidelines have been developed to provide a stable framework that allows public and private sectors to work together to improve service delivery of public infrastructure and related services. The Guidelines aim to consolidate the PPP guidance material of individual Australian jurisdictions to provide a unified national framework.

d) Private Sector Involvement

The private sector has always been involved in the tourism accommodation and recreational facilities sector. The commonwealth government realizes the importance of infrastructure in the development of

the tourism sector. In particular, getting the private sector involved in creating rails and roads access to reach far flung areas is a key objective for the government. It is very keen on promoting the involvement of the private sector in the development of infrastructure. The government itself has committed in 2015 to spending over Aud\$50bn on infrastructure but is actively encouraging the role of the private sector. The Department of Infrastructure and Regional Development has set out guidelines in which every infrastructure project being assessed should also be determined for suitability of private financing arrangements to minimize the amount of grants required from the government. In 2016, the Government has called for private sector proposals for road and transport infrastructure in North Australia where the government is spending Aud\$600m itself. This could involve from user charging models to private sector using PPP arrangements. Already large private sector projects are being implemented in North Australia; infrastructure is funded by business (such as the resources industry) or by charging users (such as electricity generation). The Government has also established the Northern Australia Infrastructure Facility, which will provide up to \$5 billion in concessional loans to enable major economic infrastructure projects in partnership with the private sector.

e) Institutional Structure in the Tourism Industry

In Australia due to the federal nature of the country there are layers of departments at the different levels that deal with tourism and related issues of planning, infrastructure and taxes. Federal, State, Territory and local governments all play a key role in tourism marketing and promotion, with the latter focusing on their regions. This often results in lack of coordination and competition as well as wastage of resources through duplication of efforts. The strategic policies have attempted in a number of ways to reduce this wastage and maximize tourism's potential through The Ministers Meeting (TMM) forum for policy making or through Tourism Australia for the marketing. At the federal level, tourism as an industry has moved several times from different departments in the past twenty years; from the Department of Industry, Tourism & Resources to the Department of Resources, Energy and Tourism to currently being part of the Department of Foreign Affairs and Trade (DFAT).

At the federal level, Tourism Australia works with state and territory governments and the private sector to market Australia to the world. The Federal Government Department Austrade delivers government tourism policy with the DFAT taking lead on international discussions on tourism policy. At the inter-jurisdictional level, the Ministers Meeting (TMM) is the principal forum for deliberating tourism policy matters of shared interest to the federal, the states and territories, and New Zealand. The Australian Standing Committee on Tourism supports the TMM and Austrade provides the Secretarial support.

i. Department of Foreign Affairs and Trade (DFAT)

This leads all international discussions on tourism policy for Australia with other countries and international organizations. It also conducts trade negotiations to address barriers facing Australian tourism service providers.

ii. Tourism Australia

This is a federal level government agency which is responsible for international and domestic tourism marketing. It has a management team that run day to day operations and a board that consists of 9 individuals with many years of experience working in the private sector. It works with the federal,

State/Territory governments as well as the private sector to increase economic benefits from tourism. It runs PR and media programs, trade shows, online communications and does consumer research. This institution has been discussed in detail in the earlier policy section.

iii. Austrade

Austrade develops the long term national tourism strategy and policies to support the tourism industry and the government at all levels. It also provides detailed research analysis to help in the creation and implementation of these policies through Tourism Research Australia which now falls under its ambit. Austrade role also involves identifying and engaging with any potential foreign investors that are interested, it coordinates government assistance to promote and facilitate foreign direct investment into tourism infrastructure in Australia, partnering with Tourism Australia and state and territory governments. It provides secretariat support to The Ministers Meeting (TMM) group. Austrade manages the ADS tourism program with China. It ensures that ADS visas are applied by accredited outbound tour operators and that operators and guides have Chinese speaking ability.

iv. Foreign Investment Review Board (FIRB)

The FIRB is a non-statutory body established in 1976 to advise the Treasurer and the Government on Australia's Foreign Investment Policy and its administration. The board consists of six part time members who are from the private sector and one full time executive member who is from the Treasury. The Board's functions are advisory only with the responsibility for making decisions on the Policy lying with the Treasurer. The Treasury's Foreign Investment and Trade Policy Division provide secretariat services to the Board and is responsible for the day to day administration of the arrangements. The FIRB examines all proposed investments in Australia that are subject to the *Foreign Acquisitions and Takeovers Act 2015* and supporting legislation, and makes recommendations to the Treasurer on these proposals. It also advises the Treasurer on the operation of the Policy and the Act and develops and evaluates infrastructure plans. It guides prospective investors on the act also and monitors and ensures compliance with the Policy and the Act. Any foreign investment that crosses thresholds described in the 2015 Foreign Acquisitions Act comes to the FIRB for approval who sends its decision to the Treasurer.

v. Infrastructure Australia

Infrastructure Australia is an independent statutory body with a mandate to prioritize significant infrastructure. It was set up in July 2008 to provide advice to the Australian Government under the *Infrastructure Australia Act 2008*. It provides research and advice to all levels of government as well as investors on the projects. In 2014 the act was amended to make the board independent. Its twelve members are drawn from business, academia, the public and private sectors. It has responsibility to strategically audit Australia's nationally significant infrastructure, and make 15-year rolling Infrastructure plans that specify national and state level priorities. The ministry cannot give any directions to its policy evaluations or audits. The Australian Infrastructure Audit was released in May 2015, this was Australia's first ever independent, broad analysis of its existing infrastructure and an assessment of its future needs across the transport, water, energy and telecommunications sectors. The Australian Infrastructure Plan released in February 2016, is Australia's first ever 15-year rolling infrastructure plan.

vi. Australian Tourism Data Warehouse

This is a national platform for collecting digital information on tourism in Australia. It was developed to be the central distribution and storage facility for tourism industry information from all Australian States and Territories. This content is collected in an agreed format and is electronically accessible to all relevant businesses in the tourism sector, for use in their websites and booking systems.

vii. The Australian Tourism Investment Opportunities Database

The Australian Tourism Investment Opportunities Database has been compiled by state and territory governments. It provides tourism investment opportunities in Australia's gateway capital cities and regional centers.

viii. The Ministers Meeting (TMM)

This is an inter-jurisdictional forum where tourism ministers meet twice a year to discuss tourism policy and align key priorities for federal and State/Territory governments as well as discussing implementation of plans. The New Zealand tourism minister also attends this meeting. The Australian Standing committee on Tourism gives policy advice to this forum. Austrade provides Secretarial support to this forum.

ix. State Governments and State Tourism Organizations

Each state and Territory in Australia has its own government tourism agency that works with the industry and helps to support the development and marketing of tourism destinations and experiences in that state. There also exist regional and local tourism associations.

5. Visa Regime

All visitors (excluding New Zealand) require permission in advance to enter the country. There are a number of visas that can be obtained by tourists and business men. For a large number of countries these are electronic but paper applications are still required by citizens of some countries. Australia's visa applications and costs are seen to be onerous compared to other countries. However, the processes have been simplified such as the visit visas given covers tourism and business purpose for trips. The Department of Immigration and Border Protection was supposed to make all visa applications for the country online by end 2015, it has not achieved this yet and the aim is now by end 2016.

a) eVisitor Scheme (Subclass 651)

Introduced in 2008, citizens of EU countries and Schengen countries can apply online for eVisitor visa. They can stay for up to 3 months per visit in a 12 month period. The visa has no charge and is part of a reciprocal agreement that the Australian government has with the EU for similar facilities for its citizens. This visa enables travellers to come as tourists or for business purposes.

b) Electronic Travel Authorization (ETA) System (Subclass 601)

Citizens of some OECD and East Asian countries can apply for electronic travel authorization. This started as a trial for Singapore in 1996 and was expanded to its present list by 2013. It allows the visitor to have unlimited visits each up to 3 months per visit. There is an Aud\$20 charge for this. There are thirty-three

countries in total under this category and includes, Canada, USA, Japan, South Korea and Singapore. This visa enables travellers to come as tourists or for business purposes.

c) General Visit Visa (Subclass 600)

Charge from Aud\$135-Aud\$340 with visits up to 3, 6 and 12 months. Application is now online for the majority of countries, there are very few countries which still have to do paper applications. Chinese tourists that apply outside the ADS scheme fall under this category. Those that apply under this category have a waiting time of over 1 month to hear back about the status of their visa.

d) Transit Visa

There are two categories of transit visa that relate to the numbers of hours being spent in Australia.

i. Eight hours or less

Citizens of many of countries don't need a visa if their stay is less than 8 hours. They have to stay inside the transit lounge and not clear passport control. This includes citizens of the ETA, eVisitor and 20 other countries.

ii. Seventy-Two hours or less

They have to get a visa as per normal for Australia.

6. Memorandum of Understandings (MoUs)

There are a number of MoUs that have been signed by Australia with other countries in order to promote its tourism or cultural interests. Few are given below:

a) Singapore Airlines and South Australian Tourism MoU to Promote Tourism, May 2016

Singapore Airlines and the South Australian Tourism Commission (SATC) signed a Memorandum of Understanding (MoU) to jointly promote tourism and boost visitor numbers to South Australia. They will jointly fund marketing campaigns, actively promote inbound tourist traffic to South Australia and build awareness of the launch of Singapore Airlines' five weekly services to Adelaide. Familiarization trips to South Australia and local promotional activities, such as roadshows, will be conducted for consumers and trade media in key markets like Singapore, France and Italy, and in growing markets like China, Hong Kong, Taiwan and Scandinavia.

b) UnionPay International and Tourism Western Australia, 2016

UnionPay International and Tourism Western Australia sign a MoU in Hangzhou, agreeing to jointly increase the use of UnionPay cards in Western Australia. The aim was to make it easier for Chinese tourists to use their credit cards in Western Australia. According to the MOU, UnionPay International and Tourism Western Australia will increase the acceptance of UnionPay cards at tourist destinations, hotels, stores, universities and other types of businesses in Western Australia, and provide cardholders easier payment service. At the same time, the two sides will carry out joint marketing activities in Chinese cities such as

Beijing, Shanghai, Guangzhou and Shenzhen in a bid to attract more Chinese investors, tourists, and students to visit Western Australia.

c) Tourism Australia and Singapore Airlines in 2015

Tourism Australia and Singapore Airlines have signed a new AUD\$2.7m marketing agreement to promote Chinese business events being held in Australia. Under the three-year MOU, each party will contribute Aud\$1.35 million towards jointly developing a range of campaigns, marketing and promotional activities within Greater China to promote Australia as the ideal destination for business events. Under the deal, Singapore Airlines will become Tourism Australia's exclusive business events airline partner for marketing promotion activities within Greater China.

d) India and Australia sign MoU in hospitality education and training, 2015

India's National Council of Hotel Management and Catering Technology has signed a MoU with Australia's Cooperative Research Centre for Sustainable Tourism of Australia. The two organizations will establish a cooperative relationship to address the hospitality education and training needs of the India's growing tourism industry. The cooperation is also expected to result in joint training opportunities in National Council's affiliated institutions and exchange of tourism and hospitality academics between the two countries.

e) New South Wales, Australia, and Guangdong Province, China (2014-15)

A series of agreements to strengthen Australia's economic ties with China's Guangdong province have been signed in Sydney. These would include efforts to boost tourism as well as trade between Australia and Guangdong, China's 'economic powerhouse'. NSW has been working for many years to strengthen relations with Guangdong, which has the largest economy of China's 31 provinces and among the world's 15 biggest economies. More than three decades ago, Guangdong and NSW signed a sister-city agreement, the first between a Chinese province and an Australian state.

f) India and Australia join hands for Cooperation in Tourism & Culture, Nov 2014

India and Australia signed MoUs which were to enhance the bilateral cooperation and strengthen the friendly relations between the two countries. There would be co-operation between the two countries on providing easier access of Indian exports into the Australian business, exchange of information, promoting tourism to develop economies and generate employment, increase interaction between tourism stakeholders in both countries and provide training and investment into the hospitality sector.

g) Maldives and Australia Sign MoU on Education, 2012

Under the MoU signed by both governments Australian volunteer teachers for the International Development Program will go from Australia to Maldives to train local teachers under the Maldives Education Sector Volunteer Program.

h) China signs education MoU with Australia's state of Victoria, 2011

Under the MoU, student and teacher exchanges between Victoria and China will increase, more twin school relationships will be set up where both sides will cooperate on conducting research on education

reform and quality education, and work jointly on areas such as curriculum planning, teaching skills, tests assessment and learning techniques. Chinese language teaching assistant program in Victoria will be promoted, while an English teacher exchange program will help China develop the primary and secondary teaching and learning in English.

i) Australia – China MOU on Strengthening Tourism Cooperation, 2011

In April 2011, Australia and China's commitment to increasing tourism cooperation was strengthened through the signing of a five-year MoU between the Australian Government and the China National Tourism Administration. The MoU aims to increase tourism flows and make people-to-people links stronger between the two countries. The MoU continues the Approved Destination Status (ADS) scheme whilst promoting cooperation in emerging travel segments such as individual, education and MICE travel. Under the MOU, an annual Australia–China Tourism meeting is held to discuss on the status of activities and define future areas of cooperation in the tourism sector including the ADS scheme.

Bhutan: “Happiness is a Place”

1. Background

In 2014, total tourism receipts for the country were around \$125million, accounting for 19 percent of Bhutan’s exports and 6 percent of GDP. The sector employs almost 21,000 people and creates further income opportunities for many working in the agricultural sector; often through selling indigenous handicrafts. In 1974 when Bhutan opened itself up for tourists 287 tourists arrived, by 2014, this has grown exponentially over time to 133,480 arrivals (57,934 from international countries and 65,399 from the regional countries). More than half of the international tourists (55.77%) were from Asia and the Pacific region and 84 percent of those from within the region, were from India. Thai tourists accounted for almost 20 percent of the total international visitors, followed by the Chinese at 14 percent and the Americans at 13 percent. The large number of Thai tourists was attributable to the short term decrease in the fixed minimum daily charge for Thailand, done between the two countries, as part of a celebration of the two countries friendship. Most tourists come as part of tour groups where the average size is 12. The majority, 87 percent of the tourists came for cultural sightseeing and the Buddhist festivals. International tourists spent on average 7 nights in Bhutan. The average spending per tourist was around \$3000 inclusive of the daily package minimum with Americans spending the most with an average of \$3900.

Circuit Tourism

Many people travelling to Bhutan do so as part of a regional circuit. 59 percent of all international visitors traveled to at least one other country in addition to Bhutan. The largest number, 17 percent, combined their trip to Bhutan with Thailand, 11 percent with India and 9% with Nepal. Close to 20 percent of Americans, Australians, Singaporeans and Japanese were most likely to combine visits to Bhutan with Thailand, with Malaysians and Chinese were more likely to combine it with Nepal. Over 20 percent of Europeans visit India along with Bhutan. Small percentages visited more than two countries.

Table 2
Source Markets by Circuit Tourism | 2014

Top 10 Source Markets	Only Bhutan	Thailand	India	Nepal	India, Nepal	Nepal, Tibet	Nepal, Thailand	Nepal, Thailand, Tibet	Cambodia, Thailand	India, Thailand	India, Nepal, Tibet
Thai	62 %	6 %	0.30%	0.20%	0.10%	0.10%	0 %	0 %	0.10%	0.20%	0 %
Chinese	30 %	19 %	3 %	23 %	1 %	1 %	1 %	0 %	0 %	0 %	0 %
American	14 %	17 %	9 %	4 %	5 %	3 %	2 %	4 %	2 %	1 %	1 %
German	19 %	8 %	26 %	11 %	2 %	1 %	1 %	0 %	0.30%	2 %	1 %
Japanese	45 %	19 %	4 %	2 %	0.30%	0.30%	2 %	0 %	0.30%	0.30%	0.30%
British	10 %	7 %	24 %	15 %	7 %	1 %	2 %	0 %	0.40%	0.40%	0.40%
Malaysian	28 %	5 %	2 %	33 %	1 %	1 %	0 %	0 %	0 %	1 %	0 %
Australian	25 %	18 %	8 %	6 %	3 %	4 %	2 %	0.40%	0.20%	1 %	1 %
Singaporean	42 %	20 %	6 %	4 %	0 %	0 %	1 %	0 %	0 %	1 %	0 %
French	28 %	5 %	22 %	6 %	9 %	0 %	0 %	0 %	0 %	0 %	0 %

2. Policy Framework to Develop the Tourism Sector

Bhutan’s strategy for development is run on maximizing the gross national happiness (GNH); encouraging a harmonious life that factors in material and non-material aspects of improvement. This is a measure of development that the government prefers to aim for rather than the Gross Domestic Product. Tourism in Bhutan has a huge potential for growth and the Bhutanese government acknowledges the role it can play in contributing towards jobs and creating additional government revenues. However, since it opened doors to the country in 1974 tourists have been allowed in on a principle of ‘high value: low volume.’ In 2008, the government rephrased this philosophy as ‘high quality: low impact,’ to drive all incoming investment (including tourism). Bhutan has remained a closed country for centuries. Its first highway built to the Indian border from Thimphu was in 1960’s and first airline services only started in 1980’s. It has one government owned airline, Druk Air that has 4 aircraft and only runs 25 flights per week, recently another small private airline started called Tashi Air. Tourism is very strictly regulated; from the ports of entry allowed, to getting permits for visiting religious temples, and no independent travelling is allowed all tourists have to use tour guides.

a) Government Five Year Plans

The tourism strategy existed as part of the governments Five Year plans for many years, but not much thought went into its development and no one was held accountable for results. This was due to the

nature of the political system which was still under control of the King. The 1986 plan did mention, due to the lack of internal cash resources, the need for the country to privatize public sector service operators in the tourism sector. In 1990, before the policy of privatization was introduced, Bhutan only had 15 trained government guides, 35 tour operators and 2 government owned hotels.

The service sector especially tourism and hospitality services were identified by the Government's *2010 Economic Development Policy (EDP)* as a special priority sector. The plan envisioned Bhutan as a middle income country by 2020. To achieve this, it set priorities as decreasing unemployment, diversifying the economic base of the country, increasing and diversifying exports and promoting industries that help create a 'Brand Bhutan' impact on the world. Private sector involvement and FDI were seen as important enablers for this achievement. This was all to be done under the overarching framework of the Gross National Happiness philosophy.

Tourism has also been identified as one of the significant sectors under Bhutan's 11th Five Year Plan (2013-18) - "*Green and Accelerated Economic Development*". It has been included in the *Rapid Investment in Selected Enterprises (RISE) program* because of its ability to generate employment and provide revenues to the government. The aim is to grow the number of tourists through the development of new products and to enhance tourism development in the eastern part of the country. The objective of tourism strategy is to create socio-economic development in the country through increasing employment but simultaneously preserving the country's cultural and natural heritage. The Government is targeting a 25 per cent share of tourism in total GDP by 2017.

b) High Value Low Impact Philosophy

The vision is to promote Bhutan as an exclusive travel destination to create a sustainable tourism model under the 'high value low impact' philosophy. In order to achieve this, the tourism council of Bhutan has imposed a daily cost per individual of \$200 for the off season months (Dec-Feb, June-Aug) and \$250 for the high season months (Mar-May, Sept-Nov). There is also a daily surcharge if there are less than 3 people travelling. It is \$40 for one person and \$30 per person for two people. There are discounts for children and students. The charge covers the daily cost of a 3* hotel accommodation (certified by the TCB), all meals, a licensed Bhutanese tour guide, all internal transport to sights excluding flights, internal taxes and charges. It also includes a 'sustainable tourism' royalty of \$65. This royalty charge goes towards providing Bhutanese citizens free education, free healthcare, poverty mitigation programs, and building new infrastructure. The total daily minimum charge has to be paid prior to arriving to Bhutan and is not fully refundable if the tourist cancels program.

c) Product & Regional diversification

The country faces the challenge of trying to create sustainable all year round tourism. Currently arrivals peak in the March/April and Oct/November season, due to the festivals taking place and the better weather for trekking. The summer peak season in the world for holidays, June till August hardly sees anyone coming to Bhutan because of the Monsoon rains in the country. These sharp peaks in tourist numbers at certain times of the year, puts pressure on the country's insufficient infrastructure and capacity is stretched both in physical infrastructure and human resources in terms of tour guides and so

on. The additional challenge for the country is that most of the tourism is centered in cities in the northern and western parts of the country especially around the capital city, and the Thimpu/Paro/Punakha circuit. The government is trying to diversify the events that can take place throughout the year, as well as to less travelled parts of Bhutan. Activities that are being promoted include adventure tourism (rafting, mountain biking, hiking), ecotourism (bird watching, camping) and using the country's Buddhist traditions to sell wellness spas. The Tourism Council Bhutan (TCB) has identified around 500 acres of land to create as new tourist circuits. Investors are being encouraged to undertake these projects through a number of ways including as partnerships between communities and the private sector. The government is particularly keen that international investors play a role in this development.

d) Infrastructure Development

The government is very clear that the private sector has to be involved in the provision of infrastructure especially tourism and hospitality related. This policy is also based on the realization that it has more pressing uses for its cash and it does not have the kind of money needed to set up luxury hotels that are needed under its tourism policy of selling Bhutan as an exclusive destination. In addition, to diversify regional tourism it realized that airline infrastructure is crucial and in light of this the government is setting up 3 new airports in Yonphula in the very east of the country, Bumthang in the centre, and Gelephu in the south. This is being done through government resources, donor resources through other countries and some private investment.

e) Human Resource Capacity Building

In a country which has a high illiteracy rate, finding skilled labor to cater for high end tourism is a difficult task. To increase numbers of skilled workforce for the tourism sector, the government has set up the Royal Institute of Tourism and Hospitality in cooperation with the University of Applied Sciences in Salzburg, Austria. The institute offers a two-year diploma program in tourism and hotel management and aims at improving vocational training for tourism related services.

f) Marketing

The people of Bhutan celebrate many Buddhist festivals throughout the year, the Tshechu festival is celebrated over many days with village people dancing and wearing traditional masks. Throughout the country there are thousands of monasteries and old temples, including its most famous one, Paro Taktsang (Tigers Nest) is a large temple complex that is known all over the world. Many tourists come for the pristine and underdeveloped trekking trails in the Himalayas. Tourism is being run around a philosophy that aims to safeguard and preserve the culture of Bhutan. The government is not encouraging mass tourism which they are worried will bring with it 'negative' cultural and environmental impacts. Bhutan has not really had any coordinated marketing strategy, but in 2011, the TCB started a marketing effort for the country, centered around the phrase "Bhutan, Happiness is a Place" and the image of the country's blue flower.

g) Education

Bhutan with its central location in South Asia, close ties to India, and an English-speaking population is marketing itself as a knowledge hub and an academic center for the region. The government is building,

an Education City Project, through a design-build-finance-operate-own-transfer PPP program, a 1,000-acre campus designated to host secondary and tertiary academic infrastructure, residential units, cultural and recreational facilities, and a sports complex. The Government hopes to attract Indians looking for a good education to come to Bhutan. Areas of studies will include development studies, health studies, hospitality & tourism, energy, religious studies including Buddhist philosophy.

3. Regulatory Framework for the Tourism Sector

The desire of this highly regulated country is to stay a closed homogenous society which does not get influenced by any cultural norms from abroad whether through people to people interaction or through business interaction or investment. Hence it has laws that strictly regulate, and are enforced, every element of the tourists visit to Bhutan - from visa entry and entry points to trekking and permitted visitor sites.

a) Tourism Law, 2000

The Law established the Tourism Council of Bhutan. Its functions were set out in the law including the development of tourism-related infrastructure and human capacity development. It promotes Bhutan as a tourist destination whilst ensuring that sustainable tourism took place that protected the culture and heritage of the country.

b) Regulations Governing Tours and Business Visits by Reps of Overseas Travel Agents, 2000

The regulation allows them not to pay the prescribed royalty charge (\$65) but they have to pay other charges including their own airfare and daily cost. This privilege was only available in respect of representatives of foreign travel agents registered as such in their own countries, which the department of Tourism would certify. They must come on invitation of a local tour operator who is responsible for ensuring they followed all local laws. Local tour operators provides all local support and land arrangements. It also has rules governing the number of visits and size of the group.

c) Trekking in Bhutan Rules and Regulations 1996

These are very detailed regulations that cover the requirements that need to be fulfilled by the tour operators and guides. They include the procedures to obtain visas for the group to enter the country as well the necessary permits for the trekking route chosen. They set out the kind of guide that is allowed to go on the different treks and gives the lists of approved trekking routes. It sets out the total numbers allowed in each trekking group, and lists of equipment to be taken with them, down to the food menu to be served in some cases. It defines the compulsory continuous professional development requirements for guides. It circumscribes severe penalties for non-compliance with the laws.

d) Foreign Direct Investment (FDI)

Encouraging FDI into tourism was first introduced as part of Bhutan's development strategy in 2002, and it was supplemented under the *2010 Foreign Direct Investment Policy*. Along with investment that was direly needed by the country, it was hoped that FDI would also bring in technology as well as management skills. It allowed 100 percent FDI for five star and above category hotels with minimum project cost of Nu.

200 million, for four star hotels with a minimum project cost of Nu. 25 million, 75% FDI equity was allowed. For most large infrastructure projects such as airports it also allows 100percent FDI. For other non-specified sectors the maximum allowable rate was 74% under the 2010 FDI policy.

The first big investment of US\$26 million came from Bhutan Resorts in 2002. It was a joint venture between the Bhutan Tourism Corporation limited and the International Group of Amman Resorts, \$10 million was given through the International Finance Corporation. The hotel group has developed five lodges across Bhutan with 72 rooms in total. Another multi-million investment came from Singaporean HPL leisure properties. Subsequently, more FDI inflows came into tourism, manufacturing, and services (including in education, banking). As of today there are total of eight FDI funded resorts and over 30 projects.

e) Private Public Partnerships (PPP)

The Government's *2010 Framework for Private Participation in Infrastructure*, compliments its FDI policy and enables large-scale infrastructure projects such as airports, highways, hotels and recreational facilities to be developed under a PPP model. The framework ensures that local and international private investors are legally protected, whilst simultaneously ensuring that all such project tenders are conducted through a transparent and accountable process. Nevertheless, it does allow the Government to choose PPP investors as strategic partners, without a selection process, for projects with up to 26 percent foreign ownership. They allow for PPP projects to be in a number of forms: build-own-operate-transfer (BOOT), Build-own-lease-transfer (BOLT), build-operate-transfer (BOT). PPP investments are being encouraged in many sectors including tourism related infrastructure. Government ownership of PPP projects is through DHI (discussed in Institutional Structure).

f) Tax & Other Incentives

The Bhutan government provides several incentives to FDI funded projects, the specific tax incentives provided to tourism sector are:

- A 10-year income tax holiday to new setups of high-end hotels till Dec 2015,
- a reinvestment allowance of 25% of total capital expenditure incurred will be given for upgrading existing hotels,
- the Income Tax Act allows entertainment expense of up to 5% of the assessed net profit,
- service tax is levied on actual room rent not the rack rents,
- tax on import of furniture and fixtures for tourist-class hotels are exempted,
- minimum daily charge has been waived for foreign participants in meetings, international conventions and exhibitions,
- The country has capital controls on foreign exchange but to foreign investors it allows a full repatriation of dividends in the currency of earnings.
- Land which is developed for tourism purposes are being given for renewable lease periods of up to 30 years.
- In addition, a one window clearance process has been set up for tourism-related projects through the Tourism Council of Bhutan and the Department of Information Technology and Telecom, including for the leasing of new land.

g) Institutional Structure in the Tourism Industry

The country has a highly regulated tourism sector in which the Tourism Council of Bhutan (TCB) is the apex government body that operates a strict regulatory framework for all the players in the industry. It issues visas to tourists as well as regulating and licensing all players in the tourism sector from operators, guides, transporters, etc. Laws are strictly enforced by the TCB and severe penalties are applied for non-abiding tour operators or guides.

i. Tourism Council of Bhutan (TCB)

Before 1991, the Bhutan Tourism Corporation (BTC), a semi-autonomous and self-financing body, used to implement the government's tourism policy. All tourists applied for visas as the guests of BTC. It operated all the transport services and the majority of hotels and accommodation facilities. It was replaced by the Tourism Council of Bhutan (TCB), which was initially established under the Ministry of Trade & Industry and the Department of Tourism with the responsibility of developing new tourism growth opportunities, conducting research, protecting tourism assets through trek permits and managing the administration of visas. Later under the 10th FYP (2007-13) it replaced the department of tourism and served as an autonomous government regulatory body under the Chairmanship of the Prime Minister. Since 2004 the TCB has been publishing an annual report, Bhutan Tourism Monitor, in which they provide statistics on the tourism sector. This includes statistics and forecasts on visitor arrivals, spending, night spent as well as tourist surveys for spending and satisfaction. It is considered one of the best statistical reports in the country and is used to develop and manage the tourism sector.

In order to ensure private sector interests are represented and understood in the tourism sector and the Department of Tourism, the Tourism Council of Bhutan works closely with the Handicrafts Association of Bhutan, the Association of Bhutanese Tour Operators, the Hotel Association of Bhutan and the Guide Association of Bhutan.

The main areas of functions and responsibilities of the TCB are:

- i. **Tourism Planning, Policy & Implementation:** formulates and implements the national tourism policy and strategy in consultation with stakeholders (including the Association of Bhutanese Tour Operators and other private associations). To improve the seasonality aspect of tourism to Bhutan it is working with the state airline, Drukair to increase frequency of flights, especially in the winter season, and to improve connectivity to many more regional countries.
- ii. **Marketing & Promotion:** does the promotion & marketing of the country as a tourism destination.
- iii. **Quality Assurance through Regulation & Monitoring:** develop and implements relevant tourism guidelines and regulatory measures to ensure the country's vision of using its natural resources in a sustainable manner is achieved. It also ensures compliance to standards and quality to assist in improving visitor relations and experience.

Development Tourism Products & Services: diversify and develop new tourism products to create sustainable tourism compatible with the environment and society.

Development of Infrastructure: It promotes and facilitates private sector investment in the tourism industry, including foreign direct investment. It is working with the Royal Institute of Tourism and

Hospitality, to run training and other human capacity building courses to improve the skills found in the tourism sector.

ii. Druk Holdings & Investment Ltd (DHI).

In November 2007 the Government established *Druk Holdings & Investment Ltd (DHI)*. This is a sovereign holding company that manages all the state owned enterprises. The shares of all SOEs have been transferred to DHI. It manages over 18 companies; a variety of companies from Druk Air, Agro business, Development Finance Corporation to the State TV. The DHI acts as the government partner for all PPP projects and works with investors. DHI is solely owned by the Bhutan's Ministry of Finance. It is run by a professional management with a CEO reporting into a chairman from the board. The board consists of government and private individuals. The corporate governance structure under which it works has been set up to minimize political interference. It is working on a number of large development projects including the Education City project, special economic zones being created in East Bhutan, an international convention centre in Thimphu, and a Wellness Centre at Phuakha.

iii. Department of Investment

Foreign direct investment in Bhutan is coordinated and monitored by the DoI at the Ministry of Economic Affairs (MoEA). The Ministry acts as the country's investment promotion agency and focal point for investors. Regulation and supervision of all projects, however, remains with the DoI/MoEA.

iv. ABTO

The Association of Bhutanese Tour Operators (ABTO) was formed as a not profit organization in 2000 with the overall objective of bringing together the private tour operators. One of the objectives of ABTO is to establish a channel for closer cooperation between the tourism industry and the Tourism Council of Bhutan. ABTO is also the first attempt by the industry to create a mechanism for self-regulation. It is guided by a private board with members from the industry. ABTO is responsible for improving the quality of Bhutan Tour operators and Bhutan travel agents.

v. Tour Operators

There are around 1300 registered tour companies operating in Bhutan. The Tourism Council of Bhutan monitors registered tour operator to ensure that they meet requirements and provide guests with high quality service. TCB keeps a list of authorized tour operators on its website. These operators play an important part and get a large chunk of the daily minimum charge. The industry is highly regulated by the government; from rules for using trekking equipment, TCB licensed trekking guides to traveling on approved trekking routes only. Other rules also concern how they make meals while camping to prescribed menus in some cases. Violations of these on a number of times can lead to suspension or withdrawal of license to operate.

vi. Tour Guides

There are over 1000 licensed tour guides working in the country. In order to ensure that visitors receive high quality service as part of the minimum daily charge, every guide must complete a training course. Guides specialize in either cultural or adventure tours. Every guide is able to speak English and they are encouraged to learn other languages as well. All tour operators must employ only registered and certified

guides. TCB keeps a list of these on its website. There is also a Guide Association which looks after the interests of Guides.

vii. Royal Institute of Tourism and Hospitality (RITH)

RITH was established by Royal Government of Bhutan in partnership with the Federal Government of Austria. The institute is headed by a principal and it functions under the Tourism Council of Bhutan. It provides wide-ranging training programs for persons already employed, namely the unskilled labor currently working in hotels and restaurants as well as offering a 2 year program focused on tourism and hospitality for new students.

4. Visa Regime

With the exception of visitors from India, Bangladesh and Maldives, all other visitors to Bhutan need a visa. Indian, Bangladeshi and Maldivian nationals can obtain a visa at the port of entry on producing a valid passport or in the case of Indian nationals, a voters card is also acceptable on entry. All other tourists must obtain a visa clearance before traveling to Bhutan. Visas are processed through an online system by a licensed Bhutanese tour operator.

Process to Visiting Bhutan

1. Choose a tour operator – from an authorized list on TCB website
2. Select Itinerary wanted – cultural/trekking/festival. Tour operator will calculate cost per day. This needs to be paid in advance along with visa fee \$40.
3. Tour payment has to be wired to the tour operator through the Bhutan National Bank (BNB). Payment has to be through one of BNB's certified international partners.
4. Passport details page has to be scanned and emailed to the tour operator, who will fill in visa application and submit. The visa will be processed by the TCB, once the full payment has been transferred and received in the TCB bank account. Visa should take around 1 week.
5. The tour operator will email tourist a copy of the approved visa.
6. At the point of entry visitor is required to show the visa clearance letter, the visa will then be stamped into their passport.

5. Memorandum of Understandings (MOUs)

There are a number of MOUs that have been signed by Bhutan with other countries in order to promote its tourism, education or cultural ties. Few are given below:

a) MoU on Technical Cooperation between India, Bhutan, April, 2016

Memorandum of Understanding has been signed between India and Bhutan on technical cooperation in the field of capacity building, benchmarking and bilateral exchange in infrastructure engineering. The MoU aims at taking forward India-Bhutan friendship treaty and work together onr educational, scientific and technical research and environment protection.

b) MOU between Bhutan-Nepal agree to boost air connectivity, Jan 2016

Bhutan and Nepal have given permanent status to the air service agreement (ASA) signed and revised in different periods. It was initially signed in February 2004, allowing seven weekly flights. It was revised on May 17, 2014, increasing flight frequency to 21 per week. Now Nepal has granted six flights per week on Paro-Kathmandu-Delhi and Delhi-Kathmandu-Paro routes. Bhutan has agreed to offer “beyond rights” facilities for Nepali carriers, or “stopover” traffic where passengers can embark or disembark as transit stops as part of an itinerary between the endpoints of connecting flights; these are Kathmandu-Paro-Bangkok, Kathmandu-Paro-Naypyidaw, Kathmandu-Paro-Phnom Penh.

c) India and Bhutan MOU in Education, 2014

The Nehru Wangchuk Scholarship Scheme (NWSS) was initiated in 2009 with the signing of a MoU between Bhutan and India for an initial period of five years. The primary objective of the scheme was to give opportunities for Bhutanese nationals to carry out postgraduate studies in select Indian Institutions to further strengthen the friendly relations between the two countries. The NWSS is an all expenses paid scholarship, during 2009-2014 a total of 38 Bhutanese nationals got this scholarship. The MoU was renewed and doubled the scholarships available for a further period of five (5) years with effect from June 2014. For the academic year 2014-15 twenty Bhutanese nationals were selected under this scheme. For the current academic year (2015-16) eight Bhutanese nationals have been selected and placed in Institutes/Universities of India such as IIT Gandhinagar, VIT Vellore, Symbiosis International University Pune and Dr. Y.S. Rajasekhara Reddy National Institute of Tourism and Hospitality Management, Hyderabad.

d) Bhutan and Indian Online Agency sign MoU, 2011

Drukair started a pilot project of operating chartered flights between Paro-Mumbai, India, once a week for 6 months. It also operated a weekly chartered flight to Delhi as part of the project. India’s largest online travel agency, “<http://makemytrip.com/>”makemytrip.com, is a partner in the project. The tourists are paying between Nu 40,000–50,000 for a week’s stay in Bhutan. While Drukair is looking to explore and expand its market in India, “<http://makemytrip.com/>”makemytrip.com officials said that more work would have to be done by both the company and the tourism council of Bhutan in India to attract more Indian tourists to Bhutan. Drukair’s passenger traffic on its India sectors increased 26 percent in 2010, compared to the previous year.

e) Bhutan and the Maldives have signed an Air Services Agreement, 2011

Bhutan and the Maldives have signed an Air Services Agreement, paving the way for the two high-end tourist destinations to be connected by direct flights or flights transiting through other countries in the region. It is believed that high-end tourists could find the connection a very attractive with the tourism industry viewing both countries as niche markets. The flight details and routes will be worked out between the airlines of the two countries, one a tourist hot spot on the roof of the world and the other an ultimate destination for those interested in sunbathing and deep sea diving.

f) Air services between Bhutan and Bangladesh can be increased, 2011

Air services between Bhutan and Bangladesh under the updated agreement allows daily flights between Bhutan and Bangladesh. It also allows the use of any airport situated in either country by airlines belonging to both countries. The new air agreement also allows national airline Drukair to connect Bangladesh with other countries besides Thailand. Currently, Drukair operates three flights to the capital city, Dhaka, with two of these flights also connecting Dhaka to Bangkok, Thailand. Drukair will have the option of flying to any airport in Bangladesh. The country has three international and seven domestic airports.

g) India- Bhutan Foundation (IBF)

India-Bhutan Foundation was established in August 2003 with the aim to enhance people to people exchanges in education, cultural exchanges and environmental preservation. Ambassadors of Bhutan and India are the co-Chairpersons of India- Bhutan Foundation. India has contributed Rs 5 crore as main corpus amount for IBF with a matching contribution from Bhutan. IBF in 2010, sponsored a Literary Festival “Mountain Echoes”, this was the first ever India- Bhutan Literary Festival, in which leading authors from both sides participated.

India: “Incredible India”

1. Background

India in 1951 received around 17,000 tourists by 2015 this was close to 11 million. The World Travel and Tourism Council puts the direct contribution of travel and tourism to the Indian GDP as INR 2,668 billion (\$39bn, 2.0% of total GDP) in 2015 and its total contribution as INR 8,309 billion (\$122bn, 6.3% of GDP) in 2015. Travel & tourism directly employed 23 million (5.5% of total employment) and total employment including indirect jobs was 37 million, around 8.7 percent of all employment in 2015. The sector is an important source of employment and is the second largest sector in providing jobs to the low skilled and semi-skilled employees. Women make up 70 percent of the workforce and 50 percent of employees are below 25 years of age. The Indian planning commission has estimated that for every Rs1 million investment 78 jobs are created in the tourist industry versus 46 jobs created in manufacturing. Tourism is India's second largest foreign exchange earner contributing close to \$20 billion; 75 percent of all tourism is domestic. Travel & Tourism investment in 2015 was INR 2,264 billion, or 6.0% of total investment. In November 2014, the government launched a new Electronic Tourist visa scheme which by February 2016 covered 150 countries. The scheme has seen a growth in tourists close to 300 percent during the time it has been in operation. The top countries availing the scheme were UK (20%), USA (15%), Russia (8%), France (7%), China (6%), Australia (5%), Germany (4%), Canada (4%), Thailand (2%) and Netherlands (2%).

2. Policy Framework to Develop the Tourism Sector

The tourism industry is one of India's key sectors driving the growth of the services sector. The sector has always been a part of the country's five-year plans since 1951 and with time it has assumed further importance as arrivals and revenues have increased. This has led the government to increase its development budget allocation to the tourism sector over time.

a) Five Year Plans

The *Fourth Five Year Plan (1969-1974)* recognized tourism as an important means of earning foreign exchange with opportunities for employment generation. The government focused on increasing accommodation and transportation facilities for the increasing numbers coming to the country. They also developed tourism in selected areas in order to spread economic benefits of the sector. Funds were set aside for promotion abroad. Allocation for tourism increased from the Rs.8 crore in the 3rd Plan to Rs.36 crores.

Continued investments in accommodation and transportation occurred under the next two plans. By the *Seventh Five Year Plan (1985-1990)* tourism had acquired the status of an industry in most states and the focus of the plan was to increase the annual growth rate of tourism to 7 percent. The government tried to involve private sector investment in developing tourism while it provided the support infrastructure. The government had started understanding that many different tourism segments needed to be developed. Marketing began assuming an increased importance as funds were allocated amongst agencies to work towards creating a national image and to target the world's richest tourist export countries namely, USA, Europe and Japan. The importance of human resource capacity in the tourism

sector was recognized, and the government institute, IITTM, was used to develop professionally trained manpower. The government provided an outlay of Rs.326crore in the 7th plan for the sector.

The ***Eighth (1992-97) and Ninth Five Year Plans (1997-2002)*** identified specific areas with a high tourism potential. The involvement of the private sector has been promoted through the use of the “Tourism Development Fund” which was set up to provide the sector financial assistance; under which the government would contribute to the equity capital of tourism ventures. The importance of transport, to increase and service tourists, was recognized by the government. It worked on increasing airline capacity on Indian routes and increasing flight frequencies. Private operators in land transport were encouraged through loans and tax benefits including relief in excise duty for the purchase of indigenous vehicles. Railways, the cheap mode of transport for domestic tourists, were to be especially stimulated and the government set up new rail tourism projects such as “Palace on Wheels” to boost tourists to view them as part of niche tourism. The Ninth plan suggested the setup of the National Tourism Advisory council (finally set up in late 2015) to improve coordination and collaboration amongst all relevant agencies. In addition, it emphasized the need to strengthen the national tourism organizations to diversify India’s tourism product. It recommended using the Internet as a marketing tool and the Ministry of tourism website was launched in 1999. For manpower development the government setup more institutes (Institute of Hotel Managements (IHMs) and Food Craft Institutes (FCIs))to provide relevant training.

The ***Tenth Five Year (2002-2007)*** plan coincided with the National Tourism Policy 2002. The mode used in the 10th plan was to make tourism as a major engine of economic growth and to use its multiplier effects for socio-economic development through generating employment and rural development. Work started on creating heritage tourism circuits in partnership with the states and the private sector. Ministry of Tourism approved Rs.3112 crore for close to 1000 tourism infrastructure projects, including rural tourism and human resource development.

The ***Eleventh Five Year Plan (2007-2012)*** set aggressive targets for foreign tourist arrivals at over 10 million by 2011. This was to be achieved in a number of ways: diversifying from the principal source markets for tourists (Europe/USA); improving infrastructure such as airports, roads, facilities at the tourist sites; increasing the air seat capacity and connectivity; capacity building of service providers, and enhanced marketing and promotional activities. ‘***Hunar Se Rozgar***’ program was launched in the IHMs and FCIs, which trained 8th class graduates (up to 28 years of age) in short duration courses in food production and food & beverages services. Over 230,000 youth have been trained under this program since its inception and due to its success the government has expanded the topics taught. Niche tourism would also be boosted these were identified as; rural, cultural, adventure, cruise, MICE tourism, and medical tourism.

Under the 12th Five Year Plan (2012-17), the tourism sector has been set an ambitious growth target, to achieve 12 percent growth per annum. The target for foreign tourist arrivals has been set at 11.25 million with 36million visits and visits by domestic tourists at 1452 million by 2016. The foreign exchange earnings from tourism were targeted to increase from \$ 14 billion in 2010 to \$30 billion in 2016. The government aims to increase its share of global tourist arrivals to 1 percent by end of 12th Plan. They foresee creating an additional 24.5 million jobs during this period total so that by 2016 the total number of jobs in the tourism sector in 2016 is 77.5 million as compared to 53 million in 2010.

The 12th Five Year Plan advanced the development of the tourism sector from a 'pro-poor tourism' approach which would contribute to reducing poverty. Major strategies revolved around below areas:

a) Projects in rural destinations through the development of village clusters

Rural Tourism is being promoted as a means of socio-economic development for the country; in light of this 10 percent of the Ministry budget has been allocated for projects in the North-East of the country and 2 percent for the tribal belts. The scheme of rural tourism was started in 2002, to highlight rural life and culture in villages and for tourists to experience this; it would also benefit the local community socio-economically and slow the exodus to the cities. So far rural tourism projects have been set up at 186 (56 in the North Eastern region) villages in 29 States/Union Territories; over 74 percent of India's population still resides in its 7 million villages. They have tried to keep local people engaged in the process so that they feel they have a stake in its management and development.

b) Development of tourism circuits/destinations to increase duration of tourist visits

They defined a tourist circuit to be a route on which at least three major tourist destinations are located in the nearby vicinity or within short distances from each other. The aim is that a tourist who enters at the entry point should visit all the places identified on the circuit. Under the 12th Plan it was decided that it was important to work on fewer circuits and to ensure that they were developed in a concerted fashion by the State/national agencies and private sector where appropriate. All these sites should be planned in an all-inclusive manner that not only promoted the theme of the circuit but also have the requisite facilities from roads to restrooms to make it a happy experience for tourists. The Ministry of Tourism has estimated that it will cost them Rs.9450 crore along with private sector investment of Rs. 28000 crores to develop 35 circuits and 9450 destinations. This will include refurbishment of monuments, temples, heritage buildings, toilets, wayside amenities, convention centers, pathways to monuments, Signage, budget accommodation, parking facilities, etc. The government has allocated Rs. 700 crores to the development of the tourist circuits in its 2016-17 budget and Rs100 crores to the Prasad scheme of developing religious tourism circuits.

c) Improvement in skills capacity

Continuing importance is being given to increasing skill enhancement through opening new **Institutes of Hotel Management (IHMs)** and **Food Craft Institutes (FCI)** as well as using universities and colleges to increase the number of vocational subjects offered. These were set up to provide adequate training and certification of human resources. Service providers were trained in a number of areas such as health, cleanliness, basic service techniques, and cooking techniques. 16 State IHMs were set up and 13 FCIs. '**Hunar Se Rozgar**' program was launched in the IHMs and FCIs, which trained 8th class pass-outs (up to 28 years of age) in short duration courses (6-8 weeks) in food production and food & beverages services. Over 230,000 youth have been trained under this program since its launch in 2009 and due to its success the government has expanded topics taught.

d) Build requisite tourism infrastructure and budget accommodation

Since these have a strong correlation with increasing tourism numbers. However, government initiatives in this field since the 11th Plan, to encourage private sector take up has not been a significant success so far. The government envisages increasing its own contribution under this plan in order to make it more

attractive. The government has allocated 900 crores in the 2016-17 budget to the development of infrastructure.

e) Promoting Niche Tourism

The Ministry has also started putting in efforts to focus on promoting niche tourism as not only did this bring in higher spending repeat tourists but also overcame seasonality that is often associated with tourism. Here they have started to further promote: i) Cruise ii) Adventure iii) Medical & Wellness iv) Sports Tourism – Golf & Polo vi) Meetings Incentives Conferences and Exhibitions (MICE) vii) Eco- Tourism

i. Religious Tourism Circuits

Religious Tourism is an important part of domestic tourism in the country. Historic places associated with many religions (Hinduism, Buddhism, Jainism and Sikhism) are found all over the country. In order to encourage tourists to visit more than one place of their religion the government is trying to create circuits where the number of places within the circuit would allow package holidays of 5 to 7 days. It has proposed 35 tourism circuits to be developed in Phase I by 2016 and 89 circuits in Phase II.

Some examples of integrated religious tourism circuits being developed are:

Buddhist Circuit:

- i. Bodhgaya – Nalanda – Rajgir
- ii. Varanasi – Sarnath – Kushinagar – Piparwah - Lumbini
- iii. Nagarjunakonda – Amravati – Aurangabad (Ajanta – Ellora)

Sikh Circuit

- i. Golden Temple – Other Gurudwaras in Punjab
- ii. Amritsar – Delhi – Patna
- iii. Amritsar – Delhi – Patna – Nanded
- iv. Gurudwaras in East & North-East

Sufi Circuit

- i. Delhi – Agra – Fatehpur Sikri - Ajmer
- ii. Bijapur – Gulbarga – Shirdi – Aurangabad – Mumbai
- iii. Dargahs in J & K, Punjab, Haryana, Uttarakhand
- iv. Awadh region

Hinduism Circuit

- i. Haridwar-Kedarnath-Joshimath-Badrinath-Haridwar
- ii. Barsana-Gokul-Nandgaon-Mathura-Vrindavan-Govardhan
- iii. Tirupathi-Chennai – Mahabalipuram

ii. Medical & Wellness Tourism

Medical tourism is a lucrative niche for countries to carve for themselves. In Asia there are several destinations like Singapore, Malaysia and Thailand that are already offering great medical facilities and selling themselves as the place to come for medical tourism. India also has great potential in this field, it

has state of the art medical facilities, world class trained health care professionals that go all over the world to work, high quality nursing facilities and is competitively priced versus most of its existing competitors. In addition, when combined with the traditional holistic medicine that is also associated with India such as Ayurveda and Yoga, India has an edge in this field that has not been exploited yet. Government is providing financial support to medical tourism service providers and facilitators under the Market Development Assistance Scheme. The MDA assistance is for participation in trade fairs and conferences. The inflow of medical tourists is predicted to exceed 320 million by 2015 as compared with 85 million in 2012.

b) Marketing

India is a popular tourist destinations in Asia with its wide array of offerings from places to see and things to do; historical monuments, forts and palaces, beaches, places of religious interests, hill resorts, wild life with tigers and elephants, desert safaris, diverse culture and warm hospitality. The Ministry of Tourism promotes tourism sites and products through its website and through conducting publicity and producing promotional material. Furthermore, it undertakes a number of promotional activities in the important tourist source countries through the India Tourism Offices abroad. Other activities include participation in major travel fairs and exhibitions; organizing trade and roadshows, "Know India" seminars & workshops; organizing and supporting cultural events such as food festivals; publication of brochures, and inviting journalists and opinion makers as well as tour operators to visit the country under its hospitality program. Financial support is also given under the Marketing Development Assistance Scheme to approved providers and State Governments or Union Territories for export promotional activities undertaken by them in the overseas markets. The Ministry of Tourism spent over 165 crores in 2015 under the overseas promotional marketing development (OPMD) scheme. For the year 2016-17 the Ministry of tourism has been allocated 400m crores for promotion and publicity in India and abroad.

A number of campaigns have been run on international and national electronic and print media and other public relations work including:

- Incredible India-This has been one of India's most successful campaigns since it was launched by the tourism Ministry in 2002 to brand India. The campaign aimed to change India's projection which until that point had been seen only in terms of elephants and Maharajas; instead it portrayed India as an exciting place where cultures converge and adventure happens. It led to a 16 percent increase in tourist arrivals in its first year of introduction.
- In 2012 Incredible India TV campaigning was actively done during 2nd Formula Grand Prix, London Olympics in 2012, during the International Film Festival of India (IFFI) held in Goa, and at the International India Film Academy (IIFA) Awards 2012 in Singapore.
- Recently India Tourism authorities have started two new tourism campaigns - the 'Find What You Seek' campaign aimed at international tourists, and the 'Go Beyond' campaign focused toward the domestic market. The aim of the 'Go Beyond' campaign is to pinpoint places in India which otherwise do not receive much visits by both domestic and international tourists. The 'Find What You Seek' campaign is the second part of the Incredible India campaign, trying to promote niche product tourism in India; from yoga and wellness to shopping and religion.

- A brochure has been launched by the tourism Ministry "India - The Land of Yoga" selling yoga as a tradition of India – it includes details of Yoga destinations for tourists to visit. Under Prime Minister Modi – Celebrating Yoga days have been held in Indian missions throughout the world. In 2016, a 50-member foreign delegation from 20 countries visited India to participate in the International Yoga Day last year. The delegation comprised tour operators, travel agents, media persons and others from important source countries.
- States have used many actors and other famous celebrities to sell themselves, Gujarat in 2013 promoted Amitabh Bachchan using the tag line 'Breathe in a bit of Gujarat', according to the State stats they saw 14 percent higher tourists that year. West Bengal tourism ad features Shahrukh Khan's and Haryana Tourism signed up Dhamendra and Hema Malini as its brand ambassadors.
- Julia Roberts is to be approached to be the brand ambassador for India – she played a woman experimenting with Hindu spirituality while travelling in India in the film "Eat, Pray, Love". She is also a big yoga fan and has purportedly mastered Pratyahara, one of the eight pillars of yoga.
- The Ministry of Tourism has recognized films as a potent tool for the promotion of destinations and has taken steps to promote film tourism and branding in the country, including joint participation with the Ministry of Information and Broadcasting in the Cannes Film Festival and Market, International Film Festival of India (Goa), and European Film Market, Berlin. It set up in 2012 a National Tourism Award category for the 'Most Film Promotion Friendly State/UT' to encourage the State Governments and Union Territories to encourage filmmaking in their region; The Ministry of Tourism has set up extensive guidelines for giving financial support to States for promotion of film tourism.
- To project the Buddhist heritage of India, an International Buddhist gathering was planned by the Ministry of Tourism in Varanasi in September 2012 and attended by over 132 delegates from around 30 countries. The delegates were taken for a visit to Sarnath and Bodhi Gaya.
- An International Tourism Mart was held at Guwahati in January, 2013 to show the tourism potential of the north-Eastern region in the domestic and international markets. Seventy-nine international buyers and media delegates from 23 countries and hundreds of tour operators from different parts of India participated in the mart and engaged in meetings with sellers from the North East Region and West Bengal. The international delegates were taken on familiarization tours of the North Eastern Region.

c) Foreign Direct Investment (FDI)

The tourism and hospitality sector is among the top 10 sectors in India in attracting FDI. During the period April 2000-September 2015, the hotel and tourism sector attracted around \$8.5 billion, according to the data issued by Department of Industrial Policy and Promotion. 100% FDI is permissible in tourism sector on the automatic route; this includes construction of hotels and resorts, recreational facilities and city and regional level infrastructure. 100% FDI is now also allowed in all airport expansion projects, subject to the condition that FDI for upgrading existing airports only require FDI promotion board approval beyond 74%. A five year tax holiday has also been given to companies setting up hotels, resorts and convention centers in specific areas.

Some of the recent investments in this sector are as follows:

- Thomas Cook acquired Swiss tour operator Kuoni Group's business in India and Hong Kong for about \$80 million in order to scale up its inbound tour operations.
- Thai firm Onyx Hospitality and Kingsbridge India hotel an asset management firm - have set up a joint venture to open seven hotels in the country by 2018 for which they will raise \$100 million.
- ITC is planning to invest \$ 1.35 billion in the next three to four years to expand itself to having 150 hotels. ITC will also launch five other hotels - in Mahabali puram, Kolkata, Ahmedabad, Hyderabad and Colombo - by 2018.
- Goldman Sachs, has invested \$ 38 million in Vatika Hotels.
- Japanese conglomerate Soft Bank will lead the \$ 94.5 million funding round in Gurgaon based OYO Rooms.
- Lemon Tree Hotel Company has also announced plans to invest around US\$ 730.51 million to add 5,200 rooms across India in the next four years.
- US-based Vantage Hospitality Group has signed a franchise contract with Miraya Hotel Management, which is an India-based company, to establish its mid-market hotel brands in the country.
- MakeMyTrip will acquire the travel planning website Mygola and its assets for an undisclosed sum, and will together to focus on the online travel segment.

d) PPP Schemes and Infrastructure

The Ministry of Tourism has attached a lot of importance for development of tourism infrastructure in the country and to involve the private sector wherever economically feasible. It has estimated that during the life of the 12th Five year plan it needs an outlay of Rs152bn to be spent on the sector. By far the largest interest shown by the private sector has been in the road, ports and energy sectors. However, there were around 84 PPP projects in tourism in 2014 valued at around 7500 crores out of a total value of 528,502 crores in PPP projects. The largest number of them were in Andhra Pradesh (around 35 projects) and Karnataka (18 projects). More than half of the plan allocation during the 11th Plan was allocated for developing infrastructure schemes with the private sector. However, generally the private sector has shown little interest as a result most of the infrastructure projects have been undertaken by the Union/State governments with their own funds. Under the 12th Plan the same schemes have continued with an attempt to make them more profitable for private sector involvement.

1. ***Product Infrastructure Development for Destination and Circuits (PIDDC)*** - This was a centrally budgeted scheme which focused on the development of tourism circuits and other destinations and the necessary related infrastructure. In addition, projects for development of physical infrastructure for promotion of rural tourism were financed under the scheme. Almost half of the planned outlay of the Ministry of Tourism was reserved for this scheme. During this period, 1003 projects including 65 rural tourism projects were approved. Under the 12th Plan, MOT is expected to spend around 9500 crores and investment from the private sector around 11,000 crores.
2. ***Assistance to Large Revenue Generating Projects*** - the objective of the scheme was to attract private investments in large revenue generating tourism projects such as tourist trains, cruise vessels, convention centers, golf courses, etc. They were to be implemented with public private partnership (PPP) and the government would provide up to 25 percent of the cost of project under

the 'viability gap funding', however the scheme did not attract much interest. Under this scheme, only a few luxury trains have been sanctioned. One of the shortcomings seems to be the provision of only 25% of the subsidy as Viability Gap Funding (VGF) as compared to 40% in other schemes of Ministry of Finance. Also the scheme has a very narrow coverage the 12th Plan recommends widening it to covering hotels, theme parks, etc. The hotels are to be included in view of the shortage of budget accommodation in the country. Under the 12th Plan, MOT is expected to spend around 1000 crores and investment from the private sector around 20,000 crores.

3. **Incentives to Accommodation Infrastructure** – The government provided subsidies for construction of budget hotel accommodation.
4. **Creation of Land Banks** - This scheme was supposed to set up new hotels on land made available by states and various government land owning agencies. This land, so allotted, was to be used for the construction of budget hotels in PPP mode. Unfortunately, very few States and Central agencies have offered land under the scheme and a new approach has to be followed for making available land for construction of the hotels and other similar tourism infrastructure.

e) Taxes & Other Incentives

India suffers from having multiple and often very high taxes which has prevented the fast growth of the tourism sector. This has often led to tourist packages being much higher than found for comparative destinations. The tax structure varies from State to State, for example the luxury levy tax on accommodation ranges from 25 – 30 percent, taxes of 25 – 60 percent are levied on food & beverages and 20 - 25 percent on road travel. Since they vary state to state it also makes it difficult for tourists to understand how much they will be taxed and therefore inhibits their movement. Under the 12th Five Year Plan, the government has proposed that: (a) Taxes on the tourism sector should be rationalized and unified across the States and a luxury levy tax should be no more than 4 percent. (b) GST on tourism products should be below 8%. (c) Incentives under Sec 35 AD of Income Tax Act, 1961 currently only given to hotels should be extended to all tourism service providers. (d) The foreign exchange earnings of hotels and inbound tour operators should be considered as exports and they should get full service tax exemption as it is for other exporters and (e) Hotels should be included in the infrastructure lending list to encourage more projects to be set up.

There exist specific tax incentives for hotel Industry under Sec 35 AD of Income Tax Act, 1961, which the plan is asking to be extended to travel agents and tour operators and other tourism service providers.

(i) Five year tax holiday for 2, 3 and 4 star category hotels, situated in all UNESCO declared World Heritage sites (Except Mumbai and Delhi).

(ii) Incentive for establishing new hotels of 2 star category and above, all over India, allowing 100% deduction of the whole or any capital expenditure excluding (land, goodwill and financial instruments) incurred during the year.

(iii) External commercial facility up to \$100 million has been provided by the Government for setting up new hotel projects.

(iv) The Reserve Bank of India (RBI) has de-linked credit for hotel projects from Commercial Real Estate (CRE), thereby allowing hotel projects to find it easier to get credit at reduced interest rates.

Different incentives are offered by the States to encourage private investments. Some examples include:

Goa: for encouraging PPP involvement into tourist sector in recreational facilities such as theme parks, oceanariums, multiplexes, and trade and convention centers, five star hotels. The state is streamlining procedures to shorten time period for inception of project as well as offering capital subsidy of Rs 1 crore to the star category hotels and tourism related projects in addition to the incentive of exemption of luxury tax.

Uttarakhand: The state has allowed 100 per cent exemption on the entertainment tax for all new multiplex projects for a period starting at 5 years and later at 30 percent for a further period of 5 years. New tourism units will be allowed rebate/deferment facility for the payment of luxury tax for a period of five years from the commencement date. New amusement parks and ropeways installed which will be exempted from the payment of entertainment tax for a period of five years.

3. Regulatory Framework for the Tourism Sector

The subject of tourism is not included in any of the three lists of the Indian Constitution; the Union List, the State List, and the Concurrent List. Many of the undertakings related to tourism are under the jurisdiction of other ministries at the Union level or the State Governments. However, the Tourism Ministry exists at the union level and makes the overall strategy to develop the sector for the country. Most of the recommendations have to be implemented at the State level (such as transportation, land, taxes, law & order), the growth of tourism sector cannot be achieved without the cooperation of State Governments. or through other ministries. In addition, at the State level there also exists a tourism department to develop and implement tourism policy made both at the Union and State level. Most states have passed their own Tourism Act and have their own specific policies towards implementing and incentivizing PPP. However, given the multiplicity of layers of decision making at the different levels it often results in lack of coordination and competition as well as wastage of resources through duplication of efforts.

a) Draft National Tourism Policy, 2015

The ministry of Tourism has put forward a fifty page draft policy on Tourism after consultations were been held with private sector stakeholders, State governments, and field experts. They have emphasised the importance of developing a sustainable tourism model in which community participation is vital as is focus on creating jobs and to spread the economic benefits of tourism throughout the country. Most importantly the policy suggests that tourism that is currently dealt at the State level should be put on the concurrent list and brought to the Union level.

The Policy draft has reiterated the importance of setting up the “National Tourism Advisory Board” and “National Tourism Authority” to act as guiding forces and set overall strategy for the sector. The former had been formulated under the Ninth Plan but still not implemented. The policy suggests that the National Tourism Advisory Board should be chaired by the Union Tourism Minister and should consist of state tourism ministers as members with an inter-ministerial coordination committee controlled by the principal secretary in the Prime Minister’s Office along with some further government officials from other relevant ministries. In addition, it would also have some private sector industry representatives.

The document has also recommended that a dedicated university for tourism & hospitality education should be set up. The policy has emphasised the importance of creating 'spirituality' tourism circuits, especially in Hinduism, Buddhism, Jainism, and Sikhism. Other niche tourism products are also suggested such as medical, wellness & yoga, culinary trails, rural and heritage tourism. It has encouraged using the NRIs as brand Ambassadors and use further marketing and promotion even suggested inviting MasterChef Australia to India.

b) Institutional Structure

i. Ministry of Tourism

The Ministry of Tourism was set up in 1958 under the Ministry of Transport and Communications. The Ministry of Tourism is the apex agency in the tourism sector for the formulation and design of policies and programs made to develop tourism. It co-ordinates all the activities of various Union Government Agencies, State Governments involved in tourism and the helps with investments made by private sector as well as providing incentives to grow and promote tourism in the country. It also engages in promotional and publicity campaigns as well as ensuring that trained manpower is available for the industry. The latter is done through the Indian Institute of Tourism and Travel Management and the National Council for Hotel management and Catering technology. It monitors the institutions in the sector working on this as well as setting standards for service providers. Ministry of Tourism also provides various central financial assistance programs to the States for tourism projects. It has offices in India and abroad. On marketing activities it sets the policies and strategies as well as coordinating promotional campaigns. It conducts research and analysis for the industry. It undertakes relationships with international institutions as well as monitoring and bilateral agreements. It assists, coordinates and monitors the Plans related to tourism, regulates service providers including giving the approval and classification of hotels and restaurants as well as for travel agents, Inbound tour operators and tourist transport operators. The Ministry of Tourism has under its responsibility, the India Tourism Development Corporation and the autonomous institutions: Indian Institute of Tourism and Travel Management (IITTM), and the National Council for Hotel Management and Catering Technology (NCHMCT) and the Institutes of Hotel Management.

ii. Indian Tourism Development Corporation Limited (ITDC)

Indian Tourism Development Corporation Limited (ITDC) came into existence in October 1966, with the consolidation of three institutions; India Tourism Hotel Corporation Ltd., India Tourism Corporation Ltd. and India Tourism Transport Undertaking Ltd. into a unified Corporation. In 1970 it became even bigger when further institutions were merged with it, namely Ashok Hotels Ltd. and Janpath Hotels Ltd. Later it had to disinvest over eighteen hotels. It is an important player in the development, promotion and expansion of the tourism sector in the country. It operates under the Ministry of Tourism. It has a number of disparate functions including: constructing, taking over and managing existing non-performing hotels and beach resorts, lodges and restaurants. It provides and does consultancy and project implementation for the engineering industry including for transport, entertainment, shopping and conventional services. It does tourism marketing and promotional work including producing, and distributing tourist publicity material. Recently it was also given permission to carry on the business as Full-Fledged Money Changers (FFMC).

Presently, ITDC has eight Ashok Group of Hotels, five Joint Venture Hotels, 1 Restaurant, 11 Transport Units, 9 duty free shop and two Sound & Light Shows. ITDC is also managing a hotel at Bharatpur and a restaurant at Kosi run on behalf of the Department of Tourism. In addition, it is also managing catering services at Western Court, VigyanBhawan and Hyderabad House, New Delhi.

Under the Ashok Institute of Hospitality & Tourism Management it imparts training and education in the field of tourism and hospitality. ITDC is one of the largest hospitality companies in India. The company has various divisions to cater to different tourists. The divisions are Ashok Travels & Tours, Ashok Group of Hotels, Ashok International Trade Division, Ashok Creativity, Ashok Institute of Hospitality and Tourism Management and Ashok Consultancy. Ashok Travels & Tours (ATT) is one of the country's largest travel and tour operators, providing travel related services for inbound and outbound tourist traffic.

iii. Indian Institute of Tourism and Travel Management (IITTM)

Indian Institute of Tourism and Travel Management (IITTM) is an independent organization of the Ministry of Tourism. It was set up in 1983, after the government realized it needed to impart tourism and hospitality related training to service providers. It is one of the leading institutes in the country providing education, training, research and consultancy in sustainable management of tourism, travel and other associated sectors. It has a Board of Governors having the Union Minister for Tourism as its Chairperson. Board members also include representatives from the travel agents, tour operators associations as well as Technical education representatives NCHM, tourist transport operators association, representatives from Ministry of finance, railways, several officials from the Tourism ministries as well as several industry experts. It also conduct regional level guide training programs for all the regions of the country. IITTM has centers at Gwalior, Bhubaneswar, New Delhi, Goa and Nellore as well as in other parts of the country.

iv. National Council for Hotel Management & Catering Technology

National Council for Hotel Management and Catering Technology was set up as a Society in 1982 by the Government of India as an autonomous body for coordinating the development of hospitality education in the country. The Council regulates academics activities of Hospitality Education & Training that is taught through twenty one Central Govt. sponsored Institutes of Hotel Management, twenty one State Government sponsored institutes, fifteen private institutes and fifteen Food Craft Institutes, that operate in different areas of the country. Through the Council, these institutes offer several different professional programs leading to Certificate, Diploma, Post Graduate Diploma, Bachelor and Master Degree. The council prescribes the educational qualifications and other standards for the staff of these institutions; and where necessary send them for their further training. It also sets the educational and other qualifications for admission of students to the institutions as well as prescribing the standards for buildings and equipment that these institutions need to maintain. It also acts as an advisory body to the government on development of Hotel Management & Catering Technology education and training.

v. India Convention Promotion Bureau (ICPB)

In 1988, the travel industry, with support from the Ministry of Tourism, set up the India Convention Promotion Bureau (ICPB). This is a non-profit organization, with members consisting of national airlines, hotels, travel agents, tour operators, tourist transport operators, conference organizers, etc. The important objectives of ICPB are to promote India as a Meetings, Incentives, Conventions & Exhibitions

(MICE) destination for both domestic and international events. It conducts research and analysis to understand trends of MICE industry and promotes this to the industry. It also works to improve the industry through trainings, seminars, and exchange visits to other countries. It works to promote and establish India as a leading MICE destination. It helps to bid for and win events and bring international events to the country. It draws its membership from the hospitality industry as well as other private and government organizations involved directly and indirectly in MICE tourism. The board is chaired by the Joint Secretary of Tourism with private sector represented from a number of associations including hotels, travel agents, tour operators and convention event organizers.

vi. State Tourism Departments & Tourism Development Corporation

All Indian States have their own Tourism departments that can make their own tourism policy and strategy plans as well as setting standards and regulations for all tourism service providers. They perform all the functions at state levels that the Ministry of Tourism conducts at the Union level. The Tourism Policies are generally encouraging of private investment but each can provide differing incentives for new investments in tourism sector into those areas they identify to be their priority areas. For example in Odisha state the Department of Tourism can earmark land for tourism development projects across the state. They can put up this information on website for which private parties can apply to buy or lease as per rules. In addition they are offering diverse range of subsidies from an investment subsidy on new projects of up to 10 percent of investment up to a max of Rs10 crores; employment cost subsidies, stamp duty exemption, etc.

The state Tourism department manages the each States own State Tourism Development Corporation (STDC) which were established in each state in different periods whose aim is also like the ITDC to develop tourism in that state. They provide and undertake various tourist infrastructures which vary by State such as accommodations, restaurants, transportation facilities and Ropeways. They also promote the state domestically and internationally. Almost all have websites which provide important information to tourists in particular accommodation, transport, tour packages and tourist information centers.

5. Visa Regime

The Tourist visit visa can be applied by all those wishing to visit India including for recreation, sightseeing, casual visit to meet friends/relatives, or go for medical treatment or a business visit.

- a) **Visa free entry** applies to nationals from 3 countries unless they are coming from Mainland China: Bhutan, Maldives and Nepal. They may stay in the country without any limit on their duration of stay. Foreign citizens that possess an Overseas Citizen of India registration certificate are also exempt from visa obligations.
- b) **E-Tourist Visa Facility**– applied online - is now available for nationals of 150 countries except for where they have Pakistani origin. International travellers that have a Pakistani Passport or are of Pakistani origin, or have a Pakistani spouse, have to apply for regular visa at the Indian mission. An application for e-Tourist Visa should be submitted at least four days in advance of the date of arrival. The visa is valid for a single entry with a maximum stay of 30 days from the date of arrival, and can be obtained twice in a calendar year. The duration of stay cannot be extended.

The e-Tourist Visa fees are divided into four slabs of zero, US\$25, US\$48 and US\$60, depending on nationality, plus a bank fee of 2.5% of the visa fee. Initial resistance from the Indian intelligence agencies to the visa-on-arrival scheme was removed due to the Immigration, Visa and Foreigners' Registration and Tracking (IVFRT) system. They can enter India in any one of the 16 major airports specified.

- c) **Visa on Arrival** – Citizens of Japan can apply for visa on arrival at 6 airports: Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Mumbai.

6. Memorandum of Understanding

a) India & Qatar MOU on Tourism Cooperation, 2016

The two countries signed a MoU on tourism cooperation. They will work together for long-term cooperation in tourism, this would involve exchanging expertise, publications, information/data and statistics related to tourism. To collaborate in programs, advertising materials, publications, films, promotion and marketing of their tourism products through the media. In addition, they would have bilateral visits of tour operators, media and opinion makers from both countries so that they could visit countries and promote further tourism between countries. They would encourage close cooperation between the operators involved in the tourism sectors, including tour operators, travel agents and other private sector's firms and bureaus in the two countries. They would both work to encourage public and the private sectors investment in tourism. India views Qatar as a potential lucrative market for medical tourism. It is hoped that the signing of MoU with Qatar will be lead to increased arrivals.

b) India approves Tourism Cooperation MoU between India and Maldives, 2016

The MoU consists of increased cooperation between the two countries in tourism, exchange of tourism related information and data, and increasing collaboration between stakeholders of tourism sector in both countries. It also considered human resource exchange programs related to tourism, increase visits between both countries, India and Maldives, by tour operators of both countries, increasing investment in tourism and hospitality, involvement of tourism industry stakeholders in trade fairs held in both countries, and visits between India and Maldives by media and other stakeholders in both countries. The MoU is considered important for increasing tourist arrivals from Maldives. In recent years, Maldives has emerged as an important tourism generating market for India.

c) Australia India Travel & Tourism Council signs MoU with OTOAI, 2016

The MoU was signed to facilitate bilateral travel between Australia and India, Australia India Travel and Tourism Council (AITTC) with the Outbound Tour Operators Association of India (OTOAI). Under this MoU, both will work together and implement joint activities to promote mutual growth in tourist arrivals. India is the eighth largest tourist source market for Australia. The MoU will enhance cooperation between the two organizations who will work together in areas of mutual interest including knowledge sharing, networking and marketing activities.

d) India and Colombia sign a MoU in the field of Tourism, 2015

MoU was signed between the Ministry of Tourism of India and the Ministry of Trade Industry and Tourism of Colombia for strengthening cooperation in the field of Tourism. The main objectives were to expand bilateral cooperation in the tourism sector. This would involve exchanging tourism related information and data, establish an exchange program for cooperation in human resource development, encourage cooperation between tourism stakeholders including hotels and tour operators. It aimed to promote knowledge and understanding of the countries through visits of tour operators, media and opinion makers. The MoU would encourage both countries to exchange experiences in the areas of promotion, marketing, destination development and management as well as to participate in travel fairs /exhibitions in each other's country. Both countries see the other as important source of tourists. The MoU is seen another institutional mechanism to further bilateral relations between the two countries.

e) Nepal & India sign Several MoUs, 2014

Nepal and India signed MOU on cooperation in the field of Tourism. The countries would work on creating tourist exchange in a number of areas including adventure and mountaineering tourism, but more importantly they would develop a tourist circuit together, such as the Buddhist Circuit (Lumbini-Bodh Gaya-Sarnath-Kushinagar). An MoU was also signed on Twinning arrangements between Kathmandu-Varanasi, Janakpur (birth place of Sita)-Ayodhya(birth place of Lord Ram) and Lumbini (birth place of Buddha)-Bodh Gaya (Buddha is said to have attained enlightenment)as sister cities. Nepal and India also signed MoU on Cooperation for Youth Affairs which would involve exchange of programs, experiences, skills, techniques, information in the areas of youth affairs. Another MoU signed between Nepal and India seeks to strengthen, promote cooperation in the field of traditional systems of medicine and medicinal plants between the two countries on the basis of equality and mutual benefit. Other MoU include setting up Kathmandu-Delhi bus service, Pashupatinath Express. The India-Nepal Bilateral Motor Vehicle Agreement for Passenger Traffic envisages regular bus services between the two countries as per agreed routes, trips and time-table. India also signed MoU to construct National Police Academy at Panauti, located around 32 km South East of Kathmandu. Indian government will fund the cost of about INR 550 crores towards constructing the Academy. The Academy will train 410 Nepalese police officers annually.

f) India Signs MoU with Oman to strengthen cooperation in tourism, 2015

MoU in order to expand cooperation between the countries in the tourism sector, exchange information and data related to tourism and invest in the tourism and hospitality sectors

g) India, China sign MoUs in tourism and traditional medicine fields, 2015

MoU for cooperation to enhance tourism between India and China and exchange of information related to tourism, encouraging cooperation between tourism stakeholders of both the sides, and encourage investments in tourism and hospital sectors.

Maldives: “Sunny Side of Life”

1. Background

According to the World Travel and Tourism Council in 2015, tourism’s direct contribution to the Maldives GDP was \$1.4billion with total contribution at \$2.6billion. In terms of direct employment the tourism sector has around 47,300 jobs and total jobs created by travel and tourism are 94,500 jobs. Tourism contributes over 60 percent to foreign exchange receipts, almost 40 percent of the GDP and similar amount to government revenues (70 percent if related customs duties and taxes are included); the country is very vulnerable to any event that creates volatility in arrivals. The tsunami of 2004 resulted in a 33% decrease of total visitors while the financial crisis of 2008 also hit tourist numbers. The average spending per arrival is around \$1000.

Tourism began officially in 1972 when 1,000 tourists arrived by 2015, this number has increased to 1.2 million. Overall bed capacity is around 35,000 and has an average rate of 70 percent occupancy rate. Historically, Europeans have represented the largest group of arrivals to the country, until the early 2000’s this was high as 80 percent of all arrivals. This has declined to around 45 percent now. The decline is due to a number of factors but essentially due to the lack of bed capacity at 3 star hotels. Value conscious European tourists used to come on cheap chartered flights and stay in 3 star hotels looking for high quality value holidays. These have declined over time as the Maldives became a more upscale tourist destination.

In 2015, Asian tourists accounted for around 48 percent of all arrivals with the Chinese tourists around 360,000, accounting for over 30 percent of all arrivals. This large increase in Chinese arrivals to the Maldives is mainly due to the increased direct access between Maldives and China – there are charter flights from six Chinese cities. In addition, there is a strong demand for Maldives as a honeymoon destination among Chinese; they also enjoy experience-based activities and shopping overseas. With the changing nature of tourist arrivals the average duration of stay has also gone down to around 6 days. This is due to more visitors coming from the region, Europeans stay for around 9 days versus the Chinese coming for 4-5 days and Indians for even shorter durations. Chinese tourists tend to be more activity driven and shopping focused means that the Maldivian government has had to cater for a more upscale market which requires investment in recreational and nature facilities as well as shopping malls. This has however encouraged diversification of growth to more islands selling different tourism products, resulting in dispersal of growth outside the main tourist centers.

2. Policy Framework to Develop the Tourism Sector

Development in the tourism sector in Maldives since inception has been private sector led. In 1972 two islands were developed as resorts with a bed capacity of 280. Hulhule’ Airport in Male was the main gateway into the Maldives and initially all resorts were developed in close proximity to the airport. At that time, the country used to get packaged together in tours with Sri Lanka, as tourists did cultural and heritage visits there and then came over to the Maldives to enjoy the beaches. Over time it has become a destination by itself, promoted mostly as a luxurious beach holiday.

a) First Tourism Plan, 1982

It was in 1982, when tourism grew substantially, close to 70,000 people were coming and its contribution to GDP increased exponentially, that the Maldivian Government created the first tourism master plan. Initial plan was very mindful that the social and cultural impact of tourism should be kept limited and away from the rest of society and thus only allowed resorts to be built on uninhabited islands. They created 3 separate 'tourism development zones' in the country; one in the North, one in South and one centered at Alif Atol near Male. Each zone was different and based around the local handicrafts of that region and had a tourism center with supplies, storage, services and information.

b) Second Tourism Plan, 1995

Earlier, private sector-led growth had resulted in developing the area around Male exclusively with little work being done on the other regional zones. To expand tourism to all the islands and to reduce the tourism pressure on infrastructure around Male, the government tried stopping further upgrading or new bed capacities in Male', and in the North Ari and South Ari atolls. However, they had to remove this ban because of pressure from the private sector that this was against the tourism regulations that allowed them to build up to 20 percent of the land. The government encouraged the private sector to create additional 4000 beds by 2005 and to build resorts in additional uninhabited islands. With the Maldives Tourism Act, 1999, the bed tax was increased to \$8 per day.

c) Third Tourism Plan, 2007

The plan envisaged that tourism should continue to be driven by the private sector, but given its importance in the GDP, it should also be used as a tool to increase economic and social development for all Maldivians in all parts of the country. Along with this it was felt that in future the country should focus on creating a more sustainable model of tourism that had environmental and socially responsible practices. In this regard it set six strategic areas to focus on:

- i. Encourage sustainable growth and increase investment in the tourism sector, while ensuring a more of the country's population shares its economic benefits.
- ii. Increase employment opportunities for locals, through more regional opportunities and greater community participation.
- iii. Develop and upgrade existing infrastructure to enable further growth of the industry.
- iv. Ensure that all tourism is sustainable and protects the country's environment.
- v. Brand Maldives as a unique destination with diverse products.
- vi. Strengthen the legal and regulatory framework and institutional capacity of the Ministry of Tourism.

d) Fourth Strategic Plan (2013-17)

The government set its targets by 2017 as having increased tourist arrivals by 50 percent, increased the average stay of tourists from 6.8 days to 7.2 days, doubling bed nights from 6.5m to 12m and increasing local Maldivians employment in the industry. They also realized that the shortage of 3 star priced resort accommodation was limiting the potential from most European and Asian markets. The European market wanted "affordable luxury" i.e. the tranquil setting of the Maldives, with good quality service and at a

price to tour operators of between US\$150-\$300 per night. In order to achieve its targets it focused on six main areas:

i. Maintaining Maldives position in premium sector in world markets

This will be done through a number of ways

- Creation of a research post in the MMPRC (Maldives Marketing Corp.) that would report into the Director Statistics at the Ministry of Tourism (MOTAC). The remit would be to conduct market analysis, understand statistics relevant to the tourism sector to plan market campaigns.
- Closer collaboration between public and private sector for marketing strategies and campaigns through the creation of a marketing committee that would have representatives from the Maldives Federation of Tourism Associations and from MMPRC.
- Increased the budget for marketing and promotional activities to \$5-\$6 per arrival. Marketing would target traditional source markets such as the European countries as well as new rapid growth markets such as China. (See Marketing Section for details).

ii. Managing environment and conservation issues in tourism sector

- Enforce marine regulation on uninhabited islands.
- Introduce a self-sustaining waste management system in the inhabited islands.

iii. Engage more Maldivians in tourism

- Increase local to foreign staff ratio to 50 percent to get more local staff in mid to senior level positions in the tourism sector.
- Increase the numbers of women and youth in tourism. Very few Maldivian women are found in the tourism sector; this is due to a number of factors including, the distance they have to travel to work as well as a lack of facilities for women employees and harassment from men who are not used to seeing them work in such environments. Only 7 percent of employees in the tourism sector are women, of those only 2 percent at Maldivians.
- The government is to set up a national hospitality training program to increase skills capability.

iv. Promote community participation in tourism

- Islands each have different advantages and potential to appeal to tourists. The government is trying to promote island hopping for tourists by developing different products on each as well as improving transport links between them.
- They are also encouraging national and international NGOs to work on conservation and social advancement agendas to build capacity at community level.

v. Increase efficiency in Marketing & Destination Management

The government has planned to do this in a number of ways (none of which have been implemented yet):

1. Reposition the Maldives Association of Tourism (Mati) as Tourisms Chamber of Commerce

The government wants MATI to act as the Tourisms Chamber of Commerce and take an active role in brokering PPP arrangements, to drive change around the tourism transport hubs, as well as providing high level advice to the government on the economics and finances of tourism.

2. Create a Federation of Tourism Associations

The government sees the need for setting up an organization that would serve as the apex tourism industry representative body. It would partner the Tourism ministry in planning and analyzing needs and give input to MMPRC in marketing. This federation would also have a place on the tourism planning committee that convenes to address physical planning issues amongst other things. It would also be on a marketing committee with MMPRC to plan and implement annual destination marketing plans.

vi. Promoting investment towards sustainable growth and high product quality

- The government is trying to boost FDI and local small scale private sector involvement through incentives; this includes providing micro finance products at lower rates to local investors.
- They are trying to encourage more guesthouses to be set up (as opposed to the earlier policy of high end hotels only) so that small businessmen can provide these. This will help provide a supply of more reasonable accommodation for those visitors on moderate budgets.
- Government has encouraged larger investors to invest in creating a new transport hub at Gan; which will make existing resorts and make undeveloped islands more viable for resort development.
- Government has started work on creating a new northern transport hub around Hanimaadhoo Airport. Creating more regional airports was an important part of their plan to increase the numbers of tourists. Chinese FDI has come into some infrastructure projects; these include upgrading the Maldives Capital airport, constructing a bridge between the airport island and Male as well as other housing and road projects.
- Maldives are looking to develop its cruise industry and link it up to the Middle East and Indian ports. They are also trying to increase seafaring vessels including safari vessels as well as small boats between the islands themselves. This requires development of port facilities will in Male, Gan and a number of other islands.

e) Marketing

i. Campaigns

Originally marketing by tour operators had tied Maldives to Sri Lanka and with emphasis on its diving waters, however, by the early 1980s, Maldives was becoming an independent destination and taking beach holidays phenomena was taking over. Mass markets were growing after the introduction of wide-bodied jets. The majority of tourist arrivals, over 70 percent were for beach holiday, Western European countries were the dominant long haul markets.

By 1993, it had arrivals of 240,000. Maldives was selling itself a "*get away from it all*" destination for Europeans and a "*must see marine wonderland*" for East Asians. As occupancy rates jumped Maldives started positioning itself as a "*premium marine eco-destination*". With subtle variations sold to different tourist markets – Indians on short breaks; East Asians who were activities focused and Europeans who came to enjoy beaches and nature.

By 2004, the Maldives sold itself as "defined by beautiful tropical islands with palm fringed white beaches and turquoise clear lagoons and its marine environment". Current branding is "Sunny Side of Life" in all marketing campaigns with separate positioning statements related to different segments of the market.

ii. 2012 Campaigns after the negative publicity of Maldives President's coup and subsequent calls for a tourism ban to Maldives by the former President and some countries.

- Maldives contracted a lobbying firm based in London, Ruder Finn, reputedly for £300,000 to try and improve the country's profile.
- BBC: Maldives signed a £160,000 deal with the BBC to sponsor the weather service on the it's web site and BBC World News between June 18 and August 27, 2012.
- China: Chinese are currently the largest number of tourists visiting from a single country to the Maldives. In order to keep this interest and further increase tourist arrivals, Maldives had two commercial segments to be aired on the Chinese national broadcaster, CCTV. These were co-funded by the Chinese Government. The programs showed Maldives tourism and culture, their natural beauty and underwater footage. An additional TV program was also aired on other channels in China. Maldives Marketing Corporation also did joint marketing with a private airline in China as well as staging short street performances in four different cities (Beijing, Shanghai, Shenzhen and Changsha) in China to attract news report coverage. Meetings were held with Chinese media organizations and travel agents as an additional effort to promote Maldives tourism.
- India: MMRC tied up with PVR Cinemas for a pan-India two-week video campaign that ran in all major cinema halls of the PVR auditoriums. It sold itself to the Indians as not only a honeymoon destination but also for a family holiday or short weekend break. "*Maldives is a destination that offers a complete experience be it gourmet food, water activities, relaxation on the beach or world-class spa experience.*"

iii. 2015-16 Campaign – Sunny Side of Life

This campaign is being run this year with the aim to get 1.5m tourist arrivals into the Maldives. The Maldives Marketing and Public Relations Corporation started a \$10m campaign to give every 100,000th visitor that comes to Maldives, a prize. They also gave out 1 year of free holidays, organized an international whale festival, resort owners gave free rooms, roadshows and other trade fairs. The free holidays' scheme was offered through competitions on social media, roadshows and overseas travel fairs; Visit Maldives Year ambassadors were appointed among guest arrivals. They ran publicity campaigns in different markets to raise awareness of the beautiful beaches and scenery found in Maldives, the high quality accommodations and services and fascinating culture. They ran campaigns in the UK on the BBC, promoting Maldives 'Sunny Side of Life', a luxurious destination, with 30 seconds advertisements and 60 second teasers on the country. It is also running on the BBC website in the video on demand section. The

country is marketing for European tourists after several years, having previously focused on China and other emerging markets.

iv. Marketing Budget

The government has increased the marketing budget to around \$5-6 per arrival. In addition it has become more focused on social media sites as well as promotional advertising and trying to spend less on trade fairs and road shows targeting tour operators and travel agents. It would like to encourage more joint promotions and public relations activities. The 2012, the \$4 million tourism marketing budget was distributed as following: participation at promotional fairs (57%), advertising (27%), PR agency consultation fees (in the major markets of China, India, Germany and UK) take around (7%). That would mean going forward increasing the budget to between \$8 and 9.4 million by 2020.

3. Regulatory Framework for the Tourism Sector

This country developed its laws regulating the tourism sector slowly over time as tourism developed. The current Tourism Act 1999 gives very comprehensive guidelines about the land/leases specific for tourism as well as the role of the Tourism ministry in regulation of the industry for tourism activity as well as any FDI coming into the country.

a) Island/Land Leases

Up to 10 years after the first resorts had been set up there were no guidelines set by the government for resort approvals. Resort plans were sent to the government architect who evaluated the plans using his 'common-sense' criteria. The concept of real estate ownership in the Maldives has two different 'types' of ownership of real estate. The first is private ownership or '*amilla bin*'; where individuals or entities have purchased land from the state. The second is state ownership or '*bandaara bin*'; where the state has granted usage rights for the occupation of the land.

Islands are owned by the state and the developer is granted a lease over the island with rights to develop and manage as per terms of the lease; currently a maximum of 25-50 years. There is a constitutional provision, which restricts any type of lease of land to a foreigner (or foreign entity) to a maximum period of 99 years and in the case of a tourism lease 50 years for all individuals or entities; for uninhabited islands it is now for 99 years from a maximum of 50 years earlier.

Land management in Maldives is governed by the Land Act, 2002, which requires that all land allocation should be based on a land use plan. The Ministry of Housing and Infrastructure prepares guidelines for land use planning and approves land use plans. All land allocations must obtain approval from the Maldives Land and Survey Authority. Under the Tourism Act, any land designated for tourism must also be approved by MOTAC. The other main planning document guiding development at atoll and island level is the island development plan. Under the Local Government Act 2010, Island development plans have to be prepared by local councils and submitted for approval to the Local Government Authority.

b) Maldives Tourism Act (Law No. 2/99)

This Act allows the government to determine the tourism zones and the islands that will be given for development as tourist resorts. It also regulates the leasing of land for development as tourist hotels and

tourist guesthouses as well as marinas. It requires registration of such facilities with the Ministry of Tourism as well as getting licenses to operate as lodging/accommodation facilities.

The law sets the lease periods for which the lessee can obtain the land – in particular for Islands this has been set at 25 years (under the earlier law this was 21 years) upon which it goes to the government for first refusal. The current lessee can apply again for it but it will be done under a public auction and won by the best qualified bidder. If anyone other than lessee wins the bid they are responsible to pay for the depreciated value of buildings and other items present on the land. Where initial investment is greater than \$10 million they can obtain a lease period up to 35 years. Under certain conditions leases of up to 50 years are available, 2 of which are that it be a public company, company shareholders be Maldivians and 50 percent of the company shares be sold to the public. This law repealed the earlier Law on Tourism on Maldives, 15/79 and Act No. 3/94, Law on Leasing of Uninhabited Islands for Development of Tourist Resorts.

In 2010, a new regulation came into effect that saw a payment of fees for extending the lease period of resorts up to 50 years. A period of 99 years is allowed if more than 51 percent of shares are sold to the public. The government subsequently formed MTDC, a publicly listed company that sold shares to the public. A 2010 amendment provided for financing the development of resorts through mortgaging and guarantees to financial institutions. This change in the regulatory environment occurred after the 2004 Tsunami destroyed property worth \$400m and created havoc in the country. To encourage quick investment into Maldives the government changed laws to become more liberal and allowed longer leases as well as foreign bidders to take part in the bidding process.

c) Law on Foreign Investment

In 1989, under Law 25/79, 'Law on Foreign Investment', required all foreign investment to be registered within the tourism sector. This had to be registered with the Ministry of Tourism and in the Ministry of Trade and Industries for other investments. Foreign investors were asked to employ Maldivian staff, unless it was necessary to bring in outsiders, but there was no requirement to train local staff – in practice over 50 percent of the labor employed is foreign. Similarly, foreign investors were asked to use local raw materials where possible and only bring in outside materials where it was deemed unavoidable. This law amended the earlier 1979 Foreign Investment Act.

Restrictions on foreign investments require that any specific activity has first to be approved by the government. Those who wish to conduct or invest in tourism-related business activities must apply to the Ministry of Tourism for a permit. Once the permit is granted, the investor can proceed directly to the incorporation of the entity in the Maldives.

d) Foreign Direct Investment (FDI)

Maldives is very open to private sector investment and in particular is encouraging foreign direct investment (FDI) which accounted for US\$ 324 million in 2015. Foreign direct investment (FDI) into the tourism sector has fueled industry growth over the past few decades and continues to be the main economic driver of the sector. It is especially important since raising local capital remains a challenge for the tourism industry in the Maldives given the restrictive debt ceilings that banks have both for individuals and for sectors. Since the

depth in the financial market is limited and banks may only lend up to 15% of total financed debt to a single borrower. This means projects, especially resort developments, may require 3 to 4 banks to fund a project. Tourism resorts and facilities already have many foreign hotel chains including Four Season, Hilton, Club Med and Taj Hotel. DP World from Dubai has signed a MOU with the government in 2015 to develop the islands ports and logistics industry.

The close connection of tourism between Sri Lanka and the Maldives, especially during earlier years has seen a lot of Sri Lankan investment in the Maldives. Several hotel companies have bought leases including; Aitken Spence, one of Sri Lanka's biggest resort operating companies, operates six resorts in the Maldives under their Adaaran brand. Browns Hotels & Resorts recently agreed to redevelop the Nasandhura Palace Hotel to a four-star hotel with approximately 150 rooms and 100 apartments. It will invest US\$ 9.5 million initially subject to statutory approvals and obtaining controlling interest. The John Keells group, one of the largest resort operators in Sri Lanka, also operates three resorts in the Maldives under their Chaaya brand.

More recently, Chinese companies have also appeared on the scene with the Maldives Tourism Ministry has signed an MOU in May 2015 with China Machinery Engineering Company (CMEC) to develop a resort, especially for Chinese tourists in the Maldives. This is expected to bring in many more Chinese tourists. They will develop this resort on the Thaa atoll Kalhufahalafushi. This deal is expected to bring in \$200m. Currently CMEX is undertaking the feasibility study. In June 2015 a joint venture between China's Guandong Beta Ocean and a Maldivian company announced they intended to develop a five-star luxury resort with some 142 rooms at Vaavu Atoll Kunaavashi. This is the second island that has been given to the Chinese to develop. The Maldives government would like to increase Chinese tourist arrivals to around 1m. Maldives is being promoted in the Chinese media as an "approved destination" by the Chinese government.

e) Taxes & Other Incentives

There are few government taxes and duties so companies find it an easy system to operate under. In 1980, an import tax was introduced with variable rates – from 10 percent on basic commodities to 35 percent on alcohol, with exemption for construction materials. The tourist bed tax was also introduced at \$8 per bed per night a flat rate on all tourist accommodation facilities and a US\$6 departure tax was imposed. A goods and services tax is charged under the Goods and Services Tax Act (10/2011) which categorizes all goods and services into two main categories: tourism goods and services; and general goods and services. For tourism the rate currently is 12 percent, with land rent tax at US\$ 8 per square meter of building for resorts/hotels, now being charged instead of the bed tax.

There are no foreign exchange controls in the Maldives. Business profit tax was introduced in the Maldives in 2010. A 15 percent tax is levied on profits enjoyed by persons or entities doing business in the Maldives. Currently they are giving duty free access to import raw materials for tourism-related construction.

f) Institutional Structure in the Tourism Industry

The ministry plays an important role in policy making and planning for the industry growth and in regulating and licensing the players in the industry including hotels, travel operators, etc. It also supervises the Maldives Marketing Corporation (MMPRC), which undertakes marketing for the country. The MMPRC was set up in 2010 to exclusively focus on marketing the country as a premium destination. While it is a government body, it has a board that consists of private sector individuals with industry experience as well as public officials.

i. Ministry of Tourism Arts and Culture (MOTAC)

It administers the tourism Act 2/99, this includes all aspects of tourism from land allocation, leases, guest houses, resort and hotel operations. All investments for tourism fall under its remit. MOTAC has regular consultations with stakeholders to identify other revisions required in tourism related legislations and regulations.

The main goals of the ministry are:

- Increase the economic benefits of tourism and to distribute these equitably.
- Drive an ecologically and culturally sustainable tourism to ensure the Maldives natural resources remain for future generations.
- Develops the necessary infrastructure and activities to ensure hassle free travel.

There are two major functions of the ministry; one revolving around planning and administration of tourism as a sector and the other related to its work with the MMPRC to market the Maldives as a country.

Planning Functions include:

- Planning tourism development;
- Formulate and implement laws and regulations for tourism;
- Establish and administer facility and service standards;
- Compile and collect statistics and conduct research;
- Address human resource constraints in tourism ;
- Leasing of land for tourism and registration of all tourism operators and facilities.

Promotion of Maldives as a destination:

- Formulate and enforce standards for destination marketing and promotion;
- Monitor and coordinate promotional activities of tourist information centers as well the Maldives Marketing and Public Relations Corporation (MMPRC);
- Undertake market research and prepare market reports;
- Undertake joint marketing and promotional activities through public and private partnerships;
- Develop guidance to brand and position Maldives as a tourism destination;
- Facilitate foreign parties interesting in filming in the Maldives.

ii. Maldives Marketing & Public Relations Corporation (MMPRC)

The MMPRC was established through a special Presidential Decree in March 2010, as a government company with hundred percent government shares. Its objective on formation was to undertake all the

advertising and marketing and public relations activities of the government, in line with government's policy to carry out similar tasks under a single office in order to avoid duplication and increase efficiencies. The MMPRC's Board currently includes a representative from the Maldives association of Travel Agents and Tour Operators as well as three industry representatives i.e. resort operators and travel agents/tour operators. The Chairman of the Board of the MMPRC is the Minister of State for Tourism. The operations of the MMPRC are monitored by the MOTAC. Its objectives include:

- To position Maldives as a 'premium' destination worldwide and achieve growth targets set in the marketing plan each year.
- Undertake research to understand world travel trends.
- Participate in trade and consumer exhibitions, fairs and road shows within its budget allowance.
- Marketing resources to be targeted to areas of growth as well as existing markets. Marketing and promotional literature is being translated and printed according to major market destinations. Joint marketing with travel trade partners was carried out in international markets. (within government tourism plan suggests need to increase focus on this)
- Build capability of Maldives on social media and other online platforms. A dedicated team has been created to deal with digital marketing.

MMPRC receives 10 percent of the Ministry's total allocation. The contract is negotiated annually. Around US\$4m was spent of marketing, public relations and promotional activities in 2012 this was increased to \$6m by 2015. In addition, private sector members of the MMPRC pay an annual enrolment fee of \$1,000 plus \$25 per bed for resort operators, and a modest participation fee. Total private sector contributions were estimated by the MMPRC to amount to around \$500,000 in 2012.

iii. Maldives Association of Tourism Industry (MATI)

Maldives Association of Tourism Industry (MATI) is an NGO, established in 1982. It coordinates with government and liaises with tourism organizations, provides research and conducts marketing and promotional development. It works to maintain and improve the quality and standards of the industry. The association puts particular stress on increasing employment and income generation from tourism for women in rural areas. They help to provide craft and vocational skills to these women through training programs. The association is also trying to reduce the number of expatriate workers in tourism through training local Maldivians who can with time take over these jobs. In the fourth Tourism strategy plan the government expressed its desire that this institution should convert itself into a chambers of commerce.

4. Visa Regimes

a) General Regulations

A thirty day free visa is issued on arrival for all nationalities, provided the following conditions are met:

- Should possess a valid passport and
- Have a valid ticket to continue the journey out of Maldives and
- Have enough funds to cover the expenses for duration of the stay in Maldives. (US\$100 + \$50 dollars per day) or a confirmation of reservation in a Tourist Resort or a Hotel

b) Transit Passengers

Transit passengers must leave within 24 hours of arrival. If a transit passenger fails to leave within 24 hours the passenger should revise the permit to stay to a tourist visa.

c) Business Visa

- Submit documents for a business visa under which they can stay in the Maldives for 90 days. The process usually takes 2 business days and costs MVR 750.
- Cannot enter as tourists and then get a business visa. They must enter on business visa.

5. Memorandum of Understandings (MOUs)

There are a number of MoUs that have been signed by Maldives with other countries in order to promote its tourism or cultural interests. Few are given below:

a) Tourism & Cultural Preservation MOUs between India Maldives, 2016

The MoU involved an expansion of bilateral cooperation in the area of tourism between the two countries on exchange of information and data related to tourism. It encouraged cooperation between tourism stakeholders including hotels and tour operators, established an exchange program for human resource development, bilateral investment in the tourism and hospitality sectors in both countries. It also provides for exchanging visits of tour operators and media for promotion of two-way tourism, exchange of experience in the areas of promotion, marketing, destination development and participation in travel fairs and exhibitions in each other's country.

Cooperation in the conservation and restoration of ancient mosques and other historical monuments in Maldives. To work on joint research and exploratory surveys in the Maldives.

b) Mega Maldives Airlines signs MoU with Maldives Ministry of Economic Development to promote local souvenir products, 2015

Mega Maldives Airlines is the Maldives' largest international airline, bringing in over 100,000 tourists to the country. It represents over 30 percent of the Chinese market, and approximately 10 percent of all tourists that come to the Maldives. The aim of the MOU was to identify promote products from the Maldives on Mega Maldives Airlines in-flight duty free.

c) MOU between Maldives and China, 2014

MOU between Maldives Chambers of Commerce (MNCCI) and Tianjin Chamber of Commerce - Tianjin Chamber of Commerce requested that MNCCI collaboration with the Tourism Promotion Bureau of China to try and make available brochures, leaflets and other sources of information in Chinese for the Chinese tourists visiting the Maldives. MOU was signed between the Maldives Ministry of Foreign Affairs and China to establish a joint meeting mechanism to deal with the issue of safety of Chinese tourists that visit the Maldives.

d) MoU between Nepal's BB Airways and MEGA Maldives Airlines, 2014

MEGA Maldives Airlines signed a MoU with BB Airways Pvt. Ltd. of Nepal, where both companies agreed to work jointly on developing flights and sharing resources to increase cost effectiveness of operations for both airlines in the SAARC region and beyond. The cooperation aims to open up new markets to both companies. MEGA will further enhance its training and human resource capacity so that it can support both airlines operations. BB Airways will benefit from Mega's commercial and ground operations capability in China, while Mega will benefit from BBAirways capabilities in Japan.

e) MOU on Tourism Sri Lanka and Maldives, 2012

Sri Lanka and the Maldives would sign a joint MoU to market the two countries as one destination for tourism. Under the MoU the two countries will market themselves as one destination. The idea is to promote beaches and diving in Maldives, while promoting culture and other activities in Sri Lanka. It is especially pertinent since many high end spending tourists often combine the two countries together as a holiday destination.

Malaysia: “Truly Asia”

1. Background

Travel and tourism is the fifth largest contributor to the Malaysian economy at 15 percent of GDP and is the second largest source of foreign exchange earnings providing close to \$20bn. Travel and tourism employ around 1.6million people, around 11 percent of total employment. Tourism has been included as one of the national key economic areas in the government’s 2020 strategy to take the country into the high income rankings. Malaysia received 25.7 million inbound visitors in 2015 which brought in revenue to the tune of MYR 69.1 billion. A large number, around 74 percent, came from the Asean region: Singapore (14m), Indonesia (3m), China (2m), Thailand (1.3m), Brunei (1.2m), India (800k), Australia (600k). Over 78 percent came from short-haul markets especially from neighboring countries, 15 percent from medium-haul markets and only 7 percent from long haul destinations. The average occupancy rate of hotels is around 65 percent. While, Chinese travellers spent an average of US\$2,225 per day on accommodation, shopping and other expenses, the majority of tourists spent much less. The average revenue per tourist is around \$600, which the government aims to bring up to \$1200 by 2020. The government is also targeting more long haul tourists from Western countries that spend much more. The strategy it has adopted has been to develop the luxury tourism products sector as well as increasing flight frequency and capacity in medium and long haul flights. In addition, greater emphasis has been placed on developing the lucrative business travel segment.

2. Policy Framework to Develop the Tourism Sector

Until the 1970s, the Malaysian economy was significantly reliant on primary commodities; mainly petroleum products, rubber, tin and palm oil. For tourists, Malaysia was a relatively unknown destination compared to other countries in the region such as Thailand, Singapore and Bali in Indonesia. It was the 1980’s precipitous drop in commodity prices, which made Malaysian governments realize the role tourism could play in the social and economic development in the country. Serious interest in developing the tourism sector was first reflected in the 5-year Fourth Malaysian Plan (MP) and it has maintained its importance to date. These plans were augmented with the National Tourism Policy (NTP) in 1992, the National Ecotourism Plan in 1996 and the Malaysian Tourism Transformation Programme (MTTP) in 2010.

a) Strategic Plans (1981-2020)

Malaysia started to incorporate its national tourism strategy within its 5 year economic plans starting from the Fourth National Plan in 1981. One notable feature which is apparent from looking at earlier to the later plans is how the government role has evolved. From playing a peripheral role, that relied on tourists coming to see the country’s natural beauty and heritage, with little government involvement, to the later plans where the government started promoting differing tourism products to pull tourists to Malaysia. In addition, the earlier plans focused on cultural heritage and natural assets which did not require much investment. Subsequent plans have aggressively used the private sector as well as foreign direct investments to set up infrastructure: shopping facilities, sports stadiums, convention centers, and water

activities. As Malaysia became a settled tourist destination they have developed more niche areas such as moving towards educational tourism, eco-tourism, encouraging business events, food, golf and health tourism. Taking Tourism Australia lead the Malaysian government has also tried to use marketing to promote the many niche segments they had.

i. Fourth and Fifth Malaysian Plans (1981-90)

The Fourth (1981-1985) and Fifth Plans (1986-1990) saw increased government funding for infrastructure, product development, marketing and other promotional activities within the tourism sector. Expenditure was MYR 126 million under the Fourth Plan and MYR 132 million under the Fifth Plan. The end of the Fifth Plan period was marked by the 'Visit Malaysia Year' campaign in 1990 which raised Malaysia's international profile and attracted 7.4 million tourists to the country giving revenues of RM 4.5 billion.

ii. Sixth Malaysian Plan (1990-95)

Under this plan the government significantly increased the public allocation for tourism development infrastructure to MYR 534 million. The government focused on promoting investment into the country; which was used to expand and upgrade the physical and social infrastructure, facilities and services required to support the tourism sector and to create jobs. However, FDI was restricted to a large extent especially in the service sector and required foreign owners to taking minority stakes with local partners in projects. The Government increased resources in marketing so that Malaysian tourism could be promoted locally and internationally.

iii. Seventh Malaysian Plan (1996-2000)

The aim of this plan was to move towards attracting more tourism through the introduction of new products and services. Malaysia was no longer to be seen and visited as a natural beauty spot or for its cultural heritage but because it was a fun place to go and as a shopping destination. Special emphasis was put on setting up sports facilities, shopping malls, business conventions, and other water based activities. Site facilities were improved, the government identified infrastructure needed to improve connectivity between cities as well communication facilities. Local communities were encouraged to participate through financing and setting up new projects as well as providing crafts and indigenous products. The emphasis on the marketing the country remained in this plan.

iv. Eighth Malaysian Plan (2001-2005)

This plan increased the focus on sustainable tourism and used eco-tourism as a way to bring in 'greener' tourists. In addition, planning and implementation of new tourism activities and facilities were now underscored by economic, environmental, cultural and social aspects in their evaluation of sustainability. Furthermore, the government highlighted the importance of conserving the country's natural environment; parks, lakes, caves, wetlands, wildlife areas and its cultural heritage, which were the country's main attractions. Simultaneously, they focused on creating Malaysia as an all year round tourist destination selling it as a carnival festival destination as well as focusing on cruises and yachting tourism.

v. Ninth Malaysian Plan (2006-2010)

Under the Ninth Malaysian Plan (2006–2010), the country continued identifying other areas it could develop in order to encourage more tourists to come to Malaysia. New products were launched such as eco-tourism, educational tourism, meetings and exhibitions (MICE), sports and recreational tourism, and

the 'Malaysia: My Second Home' program was initiated. It was under the Ninth Malaysia Plan, that the Government officially announced that all implementation of public projects would now be using the Public Private Partnership (PPP) scheme. The government spent MYR2 billion on upgrading tourist destinations and infrastructure, and on marketing promotions in major source markets. They also started to put more focused on domestic tourism.

vi. Tenth Malaysian Plan (2011-2015)

The country identified nine core areas of tourism to work on: heritage tourism, eco-tourism, homestay tourism, sports tourism, coastal and island tourism, MICE tourism, food tourism, golf tourism, and shopping and health tourism. The plan focused on increased marketing of the country through sponsoring major tourist events. Focus was also put on ensuring that tourists experience in Malaysia was satisfactory in particular safety and cleanliness was of a high standard. Greater emphasis was put on human resource training in order to deliver quality services. Work continued on development of more tourism facilities and infrastructures, whilst focus of marketing and promotion of specific niche tourism products was done in key markets of Asia and Europe.

b) National Tourism Policy (NTP), 1992

The NTP policy was prepared by the Federal government in 1992 and had several objectives beyond increasing the socio-economic wellbeing of communities; it was also to help in forging national unity in the country through increasing ethnic integration as well as having foreign policy objectives of improving Malaysia's international image. It recommended the course of action for the planning, development and marketing of tourism with the objective of enhancing economic and social development and generating employment. The government wanted to increase urban-rural integration through setting up more enterprises in rural areas. The policy recommended in addition to existing tourist products—sun, sea, and sand market segment- new areas for product focus: riverine tourism; fly drive holidays; ecotourism; cultural and heritage based tourism; meetings, conventions, and exhibitions.

c) National Ecotourism Plan, 1996

Ecotourism is seen as a major tool for nature and cultural conservation, Malaysia has one of the largest areas in the world of unexplored forests, and a large number of rare species of animals. It was a blueprint prepared in 1996 by a local environmental NGO for MOCAT. It developed guidelines and strategic action plans for sustainable development and management of ecotourism in the country.

d) Malaysia Tourism Transformation Program (MTTP), 2010

The MTTP was part of the government's Economic Transformation Program (ETP) launched in 2010, to make Malaysia a high-income country by 2020. Tourism was recognized as the fifth most important sector in the country and through the MTTP its growth potential was to contribute to the country's economic transformation. The MTTP aims to attract 36 million international tourists bringing in MYR 168 billion revenue by 2020.

Twelve areas were identified to increase tourism. Some important ones include:

- Develop shopping tourism - through establishing premium outlets and making Malaysia into a duty free shopping destination with removal of all import duties; now 3 of the top 10 largest malls in the world can be found in Malaysia: Utama Shopping Centre, Mid Valley Megamall and Sunway Pyramid, all at Klang Valley. Kuala Lumpur was also been declared No. 4 in CNN's World's Best Shopping Cities in 2012 and 2013, after New York, Tokyo and London.
- Promoting the year round festivities along with a diverse array of shopping and culinary festivals, improving the vibrancy of the area through music and festive light-ups.
- Making it a leading business center for events and conferences (MICE) tourism
- Setting up eco-resorts and establish Malaysia as global biodiversity hub, along with health and sport tourism;
- Improving the quantity and quality of hotels as well as health facilities such as spas. Setting up centers of excellence for training for the Spas and Wellness industry as well as improving skill sets in general in the tourism sector.
- Increase locals employment and reduce the need for foreign workers through improving pay and other perks of the industry.
- Set up an event incubating institution that would target and attract as well as host large events such as is done in Scotland or with Tourism Australia. This institution was to identify and bid to win major international events but would not operate the events themselves. This dedicated events body would be established under MyCEB with the specific responsibility to (1) identify new major international events for Malaysia and develop domestic events that would attract international visitors; (2) develop a cluster of events around these international events; and (3) evaluate the impact of major international events hosted.

The 2016 budget reflected the government's commitment to grow the tourism sector, the budget of the Ministry of Tourism and Culture was quadrupled to MYR\$1.2 billion as compared to 2015. As an additional incentive, the budget also extended the tax exemption on tour operators until 2018.

e) Niche Types of tourism being encouraged in Malaysia

i. Cultural and Heritage Tourism

Cultural resources in Malaysia are quite varied; this includes performing arts, historical sites and handicrafts. Malaysia has a multicultural heritage with robust Islamic, Chinese, Indian and Western influences which have made it into the melting pot of Asia. It has used this cultural diversity to be reflected in its timeless "Malaysia Truly Asia" campaign. This led to heritage tourism being identified as one of the products that could be further developed for increasing tourists.

ii. Medical Tourism

Malaysia is among the world's top 5 medical tourism destinations. Reasonable medical fees and modern medical facilities are two factors that have made it a popular destination among medical tourists especially from high income countries. In 2015, Malaysia received 882,000 medical tourists worth MYR590 million to its GDP. The Malaysian government has taken a proactive step in promoting medical tourism with the facilities having state-of-the-art equipment through easing FDI rules in this sector as well as encouraging private investors. To ease immigration entry into the country for patients, it has introduced a 'Green Lane

System' at main entry points which expedites custom clearance for medical travellers. It has also extended the visa period for health tourists from one month to six months. Foreign patients come from the region and beyond, Indonesia (65-70%), Japan (5-6%), Europe (5%) and India (3%). There are also large numbers coming from Middle Eastern countries (particularly Qatar, Saudi Arabia and U.A.E).

iii. Education Tourism

Since 1996, increasing numbers of international students are coming to Malaysia, when higher education reforms were implemented, making Malaysia into a regional center of excellence in education. It made visa conditions easier to facilitate the entry of international students into its higher education institutions. The number of international students in Malaysian international schools and higher education institutions totaled 87,000 in 2010, total foreign exchange earnings from international students amounted RM 900 million.

iv. Malaysia My 2nd Home

This program evolved from the 'Silver Hair Program' launched by the Malaysian government in 1996. A number of policies have been implemented under this program. These policies are geared towards making Malaysia as a second home for people who wish to retire. The program has been running since 2002 and is promoted by the Government to allow foreigners who fulfill certain criteria, to stay in the country for as long as they like on a multiple-entry social visit pass (10 year renewable visa). Retirees are allowed to take up part-time work, invest in businesses, and are able to buy a houses and import a motor vehicle duty-free. Foreign retirees have to open a fixed deposit account of RM 300,000 (for people below 50 years age); or RM 150,000 or show proof of monthly off-shore income of at least RM 10,000 (for people above 50 years age).

f) Transportation Connectivity

i. Airports

The government has given importance to connectivity to increase tourists since the seventh Malaysian Plan (1996-2000). Malaysia has seven international airports with Kuala Lumpur International Airport (KLIA) as a major gateway. It has a capacity of handling flights for over 50 international carriers. In order to cater for the increased tourists envisioned, a second Kuala Lumpur International Airport (KLAI) was built in 2013. Regional airports such as Kota Kinabalu International Airport and Penang International Airport have been upgraded as well. Moreover, to increase further flights landing in the country the Government has started negotiations for additional landing rights with countries such as Australia for both scheduled and chartered flights. For example, more than 2000 additional seats per week to six priority countries were implemented in 2012. In addition, Tourism Malaysia is working closely with China to increase the number of scheduled chartered flights flying direct to China's second- and third-tier cities such as Wuhan and Chengdu. Strong growth in tourist arrivals was experienced after the new six weekly direct AirAsia X flights from Shanghai to Kuala Lumpur and another seven weekly direct AirAsia X flights from Hangzhou to Kota Kinabalu started.

Tourists from the medium-haul markets contribute 53 percent higher yields than tourists from short-haul markets. However, Malaysia's only has 15 percent medium-haul tourist arrivals as compared to 43 percent for Singapore and 36 percent for Thailand. A key reason for this difference is the significant gap in medium-

haul flights. In 2010 Malaysia had 579 medium-haul flights per week, as compared to 928 for Thailand and 1,010 for Singapore. Cheaper air travel and more frequent flights, primarily due to the growth of low-cost carriers in the region have helped to drive tourism. Markets that have shown double digit growth in arrivals such as Turkey were driven by new daily direct flights from Istanbul to Kuala Lumpur by Malaysia Airlines and Turkish Airlines, as well as the promotional work done by the newly opened Tourism Malaysia Office in Istanbul.

The government is working on increase flight frequencies and air rights to 10 priority cities (Beijing, Delhi, Melbourne, Mumbai, Osaka, Seoul, Shanghai, Sydney, Taipei and Tokyo)which are expected to drive the provide the greatest number of tourists by 2020. Australia, China, India, Japan, South Korea and Taiwan are expected to contribute over 90 percent of incremental tourist arrivals from medium haul countries by 2020.

ii. Railways

Malaysia railway network covers most states in Peninsular Malaysia as well as the Sabah province in the East. The network also links the country with Singapore in the south and Thailand in the north. Malaysia has just signed an MOU with Singapore to build a high-speed rail link between Kuala Lumpur and Singapore by 2020. This new train is expected to the increase the number of tourists between the two countries due to the faster journey which will be reduced from the current 8 hours.

iii. Port/ Cruise

The government wishes to increase its cruise tourism – a growing segment especially for rich Chinese tourists- and has encouraged private sector involvement in setting up cruise terminals.

g) Marketing

Malaysia's greatest strength is its natural environment with year round sunshine, cultural diversity as well as friendly people. Tourists spend most of their time on entertainment, shopping, and its beaches and islands.

Tourism marketing activities and promotion materials aims to position Malaysia as a preferred tourism destination. Malaysia's image has changed over the years, from '*Beautiful Malaysia*' then '*Only Malaysia*', after that '*Fascinating Malaysia*' and since 1999 it has been '*Malaysia, Truly Asia*'. Promotional activities range from billboards to Malaysia tourism's brochures and advertising on international channels which portray its cultural diversity through its promotion tag line, '*Malaysia, Truly Asia*'.

i. Marketing Strategy & Campaigns

Traditional Marketing

- Malaysia does extensive roadshows and marketing at worldwide tourism exhibitions such as the WTM, ITT Berlin and ATM in the Middle East. Large representation from the industry organizations, hotels, tour operators, along with relevant government agencies or departments attend and display booths at such sessions.

Social Media Marketing

- Online advertising was initiated via i-Tourism Travel Buddy Mobile app as well through Google, Yahoo! and Bing search engines. Social media sites such as Facebook, Twitter, YouTube, email blasting was also used.
- A marketing shopping icon has been created 'Miss SHOPhia'. She is the country's shopping ambassador and retailing queen who keeps followers up-to-date with the latest deals, hottest fashion, new food outlets, and shopping events on her blog. She is being marketed as the ultimate shopping buddy giving advice on fashion, trends, the latest gadgets, etc. Miss SHOPhia will also take on cameo roles in videos and TV commercials to promote shopping in Malaysia.

Joint Country Marketing

- Joint promotions marketing campaigns such as a two-year Malaysia-Singapore marketing campaign aimed to jointly promote both destinations are also used. During this period, tourists were given concessions on rooms, food & beverage, entertainment outlets as well as transportation & travel packages.

Yearly Campaigns

- In 2016 – Tourism Malaysia launched a new advertising campaign based on using a series of print, broadcast, and online advertisements to target west Asia, Iran, and North and South African markets. It will focus on themes that appeal to travelers from these regions, especially shopping, luxury holidays, eco adventure, family fun, and honeymoons.
- MyFest 2015 Campaign is themed "*Endless Celebrations*", with a year-long calendar packed with festivities from cultural festivals, shopping extravaganzas, international events, eco-tourism events, arts, music showcases, food promotions and many other themed events. The MyFEST2015's logo is based on a traditional musical instrument known as the RebanaUbi.
- In 2014 the promotion of MyFEST in Europe, involved taking 100 double decker buses and 200 taxis that moved around London all clad in Malaysia's beautiful and iconic landmarks and landscapes, along with the MyFEST logo. Tourism Malaysia also participated in the Lord Mayor Show 2014 parade, who was born in Malaysia; getting free newspaper coverage from local and international papers and TV channels. Similar campaign using taxis was launched in Berlin.
- In 2014, Tourism Malaysia launched a 60 second vignette on Malaysia at the WTM, It was part of a special two-episode documentary called Exploring Malaysia, which was hosted by renowned musician and world traveller, Nick Saxon and naturalist Nick Baker, which was later aired on the National Geographic Channel.
- *Visit Malaysia with your best friend!* This was a special campaign launched in the Philippines as part of the *Be Friends Forever (BFF)* campaign; a year-long campaign running in Manila. Revolving around the bonds created between friends who shared fun together. The campaign encouraged travellers to share their favorite vacation photos on Facebook and Instagram using #mybffxo, which qualified them to win special monthly prizes from Tourism Malaysia, as well as a grand prize for the promotion which was a three days/two nights stay in Malaysia accompanied by their best friend or family member.

ii. Marketing Budget

Marketing has become an important enabler for achieving Malaysia's 2020 tourism targets for tourist arrivals and receipts. Studies done by Tourism Malaysia show that there is a 0.76 correlation of marketing

spend with receipts and a 0.85 correlation with tourist arrivals. The MTTP program specifically talked about increasing spending on marketing when at the time Malaysia's marketing spending per tourist arrival of MYR16 was lower than MYR28 for Thailand, MYR39 for Singapore and MYR60 for Australia. The strategy reappraisal has also shifted the marketing focus from long-haul markets to medium-haul markets from where the majority of tourist arrivals are expected in 2020. Marketing expenditure will be increased from RM386 million (\$95m) in 2008 to RM550 million (\$140m) by 2020, to achieve tourism arrival and receipts targets.

Under the MTTF strategy it was recommended to establish a marketing task force. The objectives of the task force will be to develop five-year marketing strategies and annual marketing plans, and coordinating marketing activities and resources especially for priority source markets. The task force will be chaired by Tourism Malaysia, with the participation of related industry players including those from the airlines, hotels, tour agencies and state tourism organizations.

3. Regulatory Framework for the Tourism Sector

The government has set up a regulatory framework which is very conducive to private sector involvement in the country's tourism infrastructural needs. This was very important given the MTTF plan estimated that the tourism sector would require cumulative funding of RM203.9 billion by 2020; of this only 3 percent was to be public-sector funded while the remaining 97 percent will come from the private sector. The government has been slightly slower in removing FDI restrictions in the service sector but by 2015, set up 4 and 5 star hotels needs no local partner.

a) The Investment Incentives Act (IIC) 1986

This act was revised in 1986 to include tourism sector. In particular to encourage tourism investment; certain incentives were given including the Pioneer Status Investment Tax Allowance, Industrial Building Allowances, and tax exemption for large foreign group tours. Many tax incentives were reviewed to attract foreign investors. Investment opportunities which were granted tax incentives include tourism infrastructure such as hotels, shopping malls, recreational projects as well as holiday resorts and convention centers.

b) Private Public Partnerships (PPP)

The PPP Program was officially announced in the Ninth Malaysia Plan in March 2006. While PPP style projects had been pursued in an ad hoc manner in the country for over 2 decades the announcement formalized the procedure and set up guidelines through which each project would be evaluated. The government made it clear that the country had to improve and upgrade its infrastructure and that this needed to be driven with private sector funding. The guidelines set out many of the key principles on how public sector infrastructure projects will be procured and implemented through use of PPP. Since then a number of projects have been driven through in this manner. The MTTF plan pointed out to achieve the ambitious growth target of tripling the tourism sector by 2020 would require substantial amount of funding. It estimated that the tourism sector would require cumulative funding of RM203.9 billion from 2011 to 2020. Of this total funding, the plan advocated that only 3 percent will be public-sector funded while the remaining 97 percent will come from the private sector.

A number of projects that have started or are proposed:

- The first premium outlet in Iskandar Malaysia was developed by the private sector in 2011, the government's role was primarily to encourage and facilitate the implementation of the project. MIDA identified potential local and foreign investors to establish premium outlets. The total investment required was around MYR355 million to construct three premium outlets. The investment was fully private-sector funded.
- The private sector is involved in developing 5 cruise port terminals at the Straits Riviera for cruise ships to stop and land. Total funding investment required will be MYR 2.7 billion which will be needed to enhance infrastructure at the five proposed sites. The majority of the funding – MYR2.5 billion – is expected to be from the private sector while the remainder will be given by the government. Funds will also be used to enhance road and rail connectivity to the proposed sites. The Melaka Gateway, the MYR40 billion (\$10bn) project in Malacca, is already underway and is expected to reach completion in 2025, but initial parts of the project may open as early as 2018. The overall project will include residential, commercial, and entertainment facilities. The marina terminal itself is expected to cost around MYR600 million (\$150m), and will handle three cruise ships at the same time.
- The government wishes to set up the Malaysian Rainforest Discovery Centre and the Malaysian Marine Discovery Centre to act as showcases for Malaysia's global biodiversity hub. This is expected to cost around MYR896 million (\$250m) over ten years (2010-2020) which will be used to construct the new Rainforest Discovery Centre and upgrade and improve sites identified for the GBH. The private sector is expected to provide around MYR640 million, with the remaining MYR256 million contributed by the Government.

c) Foreign Direct Investment

In the Ninth Malaysia Plan, with the abolition of the Foreign Investment Committee in 2009, Malaysia removed its overall foreign equity ceiling of 70% on projects. While many sectors have been liberalized in recent years, investment in the different areas still remains subject to approval by the relevant Ministries, which have broad discretionary powers to impose restrictions on a project, including foreign equity limits. By 2015 setting up 3 star hotels still needed 30 percent local ownership but foreign owners can own 4 and 5 star hotels outright. There also exist regulations which are imposed to reserve equity in businesses for ethnic Malays which are believed to be underrepresented in the country's business community. These include areas such as banking and finance, water, *batik* production, agriculture, defense, energy and telecommunications.

Almost all the leading Hotel brands that exist in the world are operating in Malaysia; the list includes Shangri-La, Hilton, Sheraton, Marriott, Westin and many others. The hotel and tourism sector in 2015 received FDI around MYR 480 million with domestic investment around MYR 5 billion. Travel & Tourism investment in 2015 was MYR21bn, or 6.9% of total investment. According to the [UNCTAD 2015 World Investment Report](#), Malaysia is the fifth largest recipient of FDI inflows in the world. Overall FDI into Malaysia in 2014 recorded a net inflow of RM35.3 billion. The top five investing countries for these inflows in 2014 were Singapore, Netherlands, Hong Kong, Cayman Islands and Bermuda. These countries recorded a total of MYR22.4 billion or 63 percent of the total inflows in Malaysia. The services sector was the largest

recipient of FDI 46.6 percent in 2014. It was followed by mining & quarrying sector (36.0%) and manufacturing sector (13.2%).

d) Taxes & Other Incentives

Numerous tax and other incentives are provided to businesses to operate in certain fields where the government wants funding. This includes tax incentives given to a number of players in the tourism sector from the hotels to tourism vehicle business, from tourism promotions to health tourism. In the tourism sector there are a number of specific incentives offered by the Ministry of tourism as described below.

i. Tourism Development Infrastructure Fund

To support the development of tourism industry, Ministry of Tourism and Culture Malaysia gives mortgage assistance through Tourism Development Infrastructure Fund. The purpose is to assist local tourism entrepreneurs (project should be at least 51% local owned) who wish to develop or expand projects that contribute to the development of tourism industry. For acquisition of land a maximum amount of 40% of the land cost or project cost is given. This fund was available for two years and ends December 2016. Loans could be given up to MYR 100m at rates of 4-6 percent per annum up to a maximum loan period of 20 years. Projects funded include but are not limited to: convention halls, recreational facilities, themed accommodation facilities, river and water front development.

ii. Tax Incentives for Tour Operators Providing Domestic Tourist Packages

Licensed companies that operate the tour packages to Malaysia and that bring in over 1,500 domestic tourists a year can apply for tax exemption. The effective date of application of the tax relief is from the year of assessment 2016 until year of assessment 2018.

iii. Tax Incentives for Tour Operators Providing Foreign Tourist Packages

Licensed company that operates the tour packages to Malaysia to bring in more than 750 foreign tourists a year can apply to the Ministry of Tourism for tax exemption. The effective date of application of the tax relief is from the year of assessment 2016 until year of assessment 2018.

General incentives to encourage for example the number of rooms to be built by hotels and other accommodation that have to be applied to MIDA include:

iv. Pioneer Status (PS)

These apply differently on different sectors. But on Hotels or tourist projects for example both on new investment and for 3 rounds of upgrading expenditure they apply as described below:

Income tax exemption of 70% (100% for 4 and 5 star hotels in Sabah and Sarawak) has been given for a period of five years, commencing from its start date. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and reduced from the post pioneer income of the company; or

v. Investment Tax Allowance (ITA)

Investment tax allowance of 60% (100% for 4 and 5 star hotels in Sabah and Sarawak) on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for 4 and 5 star hotels in Sabah and Sarawak) of income in each year of assessment. Any unutilized

allowances can be carried forward to subsequent years until fully utilized. In order to encourage hotels to upgrade and refurbish their assets, this is also available to four- and five-star hotels with foreign ownership. For the reinvestment incentive, companies are eligible to apply for PS or ITA for the first two rounds of reinvestments. However, for hotel projects, companies are only eligible to apply for ITA for the third round of reinvestment.

vi. Tourism Vehicle Business

Operators of tourist car rental services are eligible for full excise duty exemption on the purchase of national cars, tour operators are also eligible for a 50% excise duty exemption on locally assembled 4WD vehicles. Applications have to be submitted to the Ministry of Finance.

vii. Incentive for Private Healthcare Facilities

Companies that establish new private healthcare facilities or existing private healthcare facilities undertaking expansion/modernization/refurbishment for purposes of promoting healthcare travel are eligible to apply for an income tax exemption corresponding to Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be used to offset against 100% of the income for each year of assessment.

e) Institutional Structure of the Tourism Sector

The Malaysian government has played a crucial role in the adopting and formulating various laws to safeguard and enhance tourism as well as providing the appropriate institutional and legal framework to ensure sustainable tourism. Discussed below are the major public sector players in the tourism sector but there are many private sector organizations and associations that are involved in the segment.

i. Ministry of Tourism & Culture, (MOTAC)

This was established in 1987 and is responsible for the planning, monitoring and coordinating of the national tourism policy. The Ministry of Tourism and Culture is the authority that enforces and implements provisions in the Tourism Industry Act and Tourism Vehicles Licensing Act. In addition, it conducts tourism-related studies and develops new tourism products, markets and promotes bilateral relations in tourism co-operation and promotion. It has many divisions from the policy making on national strategy, marketing Malaysia through promotions and working bilaterally with other countries, to the licensing of tour operators, tourist accommodations and training institutes. Tourism Malaysia also falls under its control. It manages the registration and licensing of the different stakeholders in the tourism sector. These include licensing of Tourist Accommodation Premises, Registration of Tourism Project, and administration of Malaysia Tourism Quality Assurance (MyTQA) accreditation program. It also manages applications from foreign nationals who wish to reside in Malaysia under the Malaysia My Second Home (MM2H) Program. It also ties up with industry organizations to conduct several training courses such as the 'We are the Hosts' a course for frontline staff for tourists.

ii. Tourism Malaysia

The Tourist Development Corporation of Malaysia (TDC) was established on 10 August 1972 as an agency under the former Ministry of Trade and Industry by an Act of Parliament. With the creation of the Ministry of Culture and Tourism in 1987, TDC was moved under the purview of MOTAC; and it became known as

the Malaysia Tourism Promotion Board (MTPB) through the Malaysia Tourism Promotion Board Act 1992. It is popularly known as Tourism Malaysia. Its main role is to market and promote tourism. It also acts as an investment body identifying and promoting investment in the travel and tourism sectors of Malaysia. The board consists of public sector officials and private sector officials from airlines and Malaysian hoteling association. They also have a team of advisors from the fashion industry, Jimmy Choo, to chefs and musicians. Tourism Malaysia aims to increase the country's tourism revenue by increasing tourist numbers to Malaysia and by extending their length of stay. It promotes Malaysia as an exceptional tourist destination through marketing and publicity campaigns; helps to give promotional kits to tour operators, e-brochures, and works with the industry to develop and sell niche products, travel packages, hotels. Takes them on world travel events to show case their organization as well as Malaysia. It works to increase Malaysia's share market for meetings, incentives, conventions and exhibitions (MICE). It also has several courses for frontline staff to ensure they deliver high quality customer service.

iii. **Malaysia Convention & Exhibition Bureau (MYCEB)**

Malaysia Convention & Exhibition Bureau (MyCEB) is a non-profit organization established in 2009, under the MTTP plan, by the Ministry of Tourism and Culture. Its role was to grow the country's business tourism industry to achieve the Malaysia's 2020 goals. MyCEB aims to strengthen Malaysia's global appeal and position to become the foremost destination for international meetings, incentives, conventions, trade exhibitions and major events. The bureau finds potential business event leads and promotes government and industry collaborations. It advises and assists business event organizers to plan and promote their events internationally as well as helping them with the bidding process to win events. It helps international companies to find appropriate local products and services as well as providing them with event support and marketing services to ensure attendance at conferences for example. As the national bureau, MyCEB acts as an enabler for product and industry developments. It facilitates business product development and helps with promoting education, training and accreditation for the industry. It reports into the Secretary General of MOTAC.

4. Visa Regime

The Visa regime has different criteria for different nations. Most citizens of western countries need a visa only if they stay over 3 months (around 58 countries), around 100 countries nationals require visas if they intend to stay over 1 month, 14 days (Iran, Libya, Sierra Leone and Somalia) and all other nations always need a pre-approved visa (this includes most African countries, **Pakistan** and Bangladesh and a few others). Visa processing where required usually takes around 20 days and the visa issued has validity for 3 months. Visa fees vary by country.

a) E-Visa

Since March 2016, a few countries have become eligible for the E-Visa these are **China**, Indonesia and India. They have to pay a visa fee of \$20 and this allows them to stay for 30 days. A temporary exemption of visa has also been issued to Chinese passport holders that are travelling as part of a tour group with a minimum of two people. This exemption is till December 2016.

b) Citizens from the following Countries that always require a visa to enter Malaysia

Afghanistan, Angola, Bangladesh, Bhutan, Burkina Faso, Burundi, Cameroon, Central African Republic, China, Colombia, Congo Democratic Republic, Congo Republic, Djibouti, Equat. Guinea, Eritrea, Ethiopia, Ghana, Guinea-Bissau, Hong Kong (C/I or D/I), India, Liberia, Mali, Montenegro, Mozambique, Myanmar, Nepal, Niger, Nigeria, **Pakistan**, Rwanda, Serbia, Sri Lanka, Taiwan, United Nations (Laissez Passer), Uzbekistan, Yugoslavia, Western Sahara.

c) Citizens of the following Countries require a visa for stays exceeding 14 Days

Ivory Coast, Iraq, Libya, Macao (Travel Permit/Portugal CI), Palestine, Sierra Leone, Somalia, South Yemen, Syria

d) Citizens of the following Countries require a visa for stays exceeding 1 Month

Antigua, Armenia, Azerbaijan, Bahamas, Barbados, Belize, Benin, Bermuda, Bolivia, Botswana, Brunei Darussalam, Bulgaria, Cambodia, Cape Verde, Chad, Chile, Comoros, Costa Rica, Dominica, Ecuador, El Salvador, Fiji, Gabon, Gambia, Georgia, Grenada, Guatemala, Guinea Republic, Guyana, Haiti, Honduras, Hong Kong SAR, Jamaica, Iraq, Indonesia, Kazakhstan, Kenya, Kiribati, Lesotho, Macao SAR, Macedonia, Madagascar, Malawi, Maldives, Moldova, Mauritania, Mauritius, Mexico, Moldova, Monaco, Mongolia, Myanmar (Diplomatic/Official PPI), Namibia, Nauru, Nicaragua, North Korea, North Yemen, Palestine, Panama, Papua New Guinea, Paraguay, Philippines, Russia, Sao Tome & Principe, Senegal, Seychelles, Singapore, Solomon Islands, Somalia, Sudan, Surinam, St. Kitts, St. Lucia, St. Vincent, Swaziland, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad & Tobago, Tuvalu, Uganda, Ukraine, Upper Volta, Vanuatu, Vatican City, Venezuela, Vietnam, Western Samoa, Zaire, Zambia, Zimbabwe.

e) Citizens of the following Countries require a visa for stays exceeding 3 Months

Albania, Algeria, Argentina, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia-Herzegovina, Brazil, Canada, Croatia, Cuba, Czech Republic, Denmark, Estonia, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Jordan, Iran, Kyrgyzstan, Kuwait, Kyrgyz Republic, Latvia, Lithuania, Lebanon, Liechtenstein, Luxembourg, Malta, Morocco, Netherland, New Zealand, Norway, Oman, Peru, Poland, Portugal, Qatar, Romania, St Marino, Saudi Arabia, Slovakia, Slovenia, Syrian Arab Republic, South Africa, South Korea, Spain, Sweden, Switzerland, Syrian Arab Republic, Tunisia, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, United States, Uruguay, Yemen.

f) Transit without a visa

This is issued to foreign nationals who require a visa to enter Malaysia on transit to other countries. Foreign nationals on transit that do not leave the airport premises and who continue their journey to the next destination with the same flight do not require a transit visa.

Nationals of certain countries that do not enjoy the visa-free status for any period may still get a free transit-visa for air-transit. For a maximum transit time of 5 days, provided they arrive and depart from Kuala Lumpur International Airport (only permitted to leave the transit area when switching terminals). These include citizens of Bhutan, China, Myanmar, and Nepal.

For a maximum transit time of 5 days, provided passengers arrive and depart from Kuala Lumpur International Airport on Malaysia Airlines or Air Asia (not permitted to leave the transit area) and provided residing in country of nationality, Australia, China, Japan, New Zealand, South Korea, Taiwan or the United States (or holding a valid visa of those countries when leaving the transit area is allowed if transit is more than 8 hours) is allowed for Bangladesh, India, Pakistan and Sri Lanka.

5. Memorandum of Understandings

There are a number of MoUs that have been signed by Malaysia with other countries in order to promote its tourism or cultural interests. Few are given below:

a) Saudi Arabia and Malaysia sign MoU on tourism promotion, 2016

MoU signed between the two countries for exchange of information and experiences to promote each other's tourism services, especially architectural heritage and handicrafts industry. To encourage investment in tourism development and sharing experience in the management of hotels and tourist resorts, and regulations associated with the facilities of tourist accommodation. As of February 2016, 127 KSA nationals have been approved for the Malaysia My Second Home (MM2H) Program.

b) Tourism Malaysia signs MoU with Singapore Airlines, 2016

Tourism Malaysia, is joining hands with foreign airlines to encourage tourists to come to Malaysia, notably to the German market. The carrier operates two daily flights from Frankfurt and one from Munich to Singapore from where the carrier offers good connections to several cities in Malaysia. At present Singapore Airlines has a countless of flights from Singapore to Sabah, Sarawak, Kuala Lumpur, Langkawi.

c) Singapore and Malaysia sign MoU on information and communications cooperation, 2016

The MoU will cover cooperation in areas such as television and film production, exchange of news, and information technology. It will foster continued regular exchanges between media personnel, broadcasters and artists from both countries. The MoU will strengthen the existing collaboration between the media sectors of the two countries, which currently includes the staging of the annual gala variety show *Muzika*. *Muzika* is a platform to showcase musical talents from Singapore and Malaysia. It is also provides opportunities for officials and broadcasters from both countries to meet and build relations. Singapore's MediaCorp and Radio Television Malaysia (RTM) will come together to produce the 10th *Muzika*.

d) Malaysia & Britain sign MoUs for collaboration in education, 2016

Malaysia and Britain today signed three MoUs to pave the way for a greater collaboration in education and development of talent. The MoU, which were signed in conjunction with the launch of Education is GREAT campaign in Malaysia. They were between Heriot-Watt University and Shell Malaysia; BAE Systems and Chevening Malaysia; CIMB Group Holdings Bhd and Chevening Asean. The MoUs will support Malaysia's aspiration to become a regional education hub and enhance the existing educational links between the UK and Malaysia. There are over 16,000 Malaysians currently studying in the UK and a further 58,000 students studying for UK qualifications in Malaysia, adding a total of 125 British institutions offer UK degree via partnership with Malaysia. The MoUs involve sponsorships for candidates to study in the UK.

e) High-Speed Rail project MoU signing Malaysia and Singapore, 2016

Memorandum of understanding (MoU), to facilitate the high-speed rail (HSR) project, will be signed in July 2016 by Malaysia and Singapore. The proposed 350km HSR line will begin in Bandar Malaysia and end at Jurong East in Singapore, reducing the current rail journey of eight hours to around 90 minutes. Construction work on the HSR is scheduled to begin in 2017 and completed by 2022.

f) Australia and Malaysia sign higher education MoU, 2015

The Australian and Malaysian higher education sectors will forge closer ties with a MoU on Higher Education. It will allow a large number of Australians to study, take internships or practical placements as part of their degree or course in an Asian country by 2025. The Asia Bound program is an important part of the Australian government initiative to engage with its region and develop close relations with its Asian neighbors. The Asia Bound program will support thousands of Australian students to enjoy the experience of living and studying in Asia.

g) MoU between the Ministry of Culture, India and Ministry of Tourism and Culture, Malaysia, 2015

To strengthen friendship between the two countries and to enhance their cultural exchanges and cooperation by delegation visits at various levels and troupes, by organizing art exhibitions, participation of scholars and experts in conferences etc. The broad objective of the MoU is to promote tourism between the two countries.

h) Pakistan & Malaysia sign MoU on cooperation in tourism sector, 2007

Promotion of tourism through cooperation in training and publicity materials, holding of meetings, conventions, travel marts, trade fairs and investments in the field of tourism between the two countries.

Sri Lanka: “Wonder of Asia”

1. Background

According to the World Travel & Tourism Council, the direct contribution of travel & tourism to the Sri Lankan GDP was LKR478 bn (\$3.3bn, 4.6% of GDP) in 2015, and total contribution to GDP was LKR1,107 bn (\$7.5bn, 10.6% of GDP). In addition the industry directly supported 345,000 jobs (4.2% of total employment) and indirectly supported 798,000 jobs (9.7% of total employment). Travel & tourism investment in 2015 was LKR122.5bn, or 4.0% of total investment. According to the 2015 Annual Report of the Central Bank of Sri Lanka, earnings from tourism were the third largest contributors to the country’s foreign exchange earnings, after workers’ remittances and apparel exports. The government’s vision is to transform the Sri Lankan tourism sector, by 2020, to be the largest foreign exchange earner in the economy; by attracting more than 4 million tourists by 2020. The sector is projected to generate employment for over 1 million persons and income amounting to about \$8 billion. In 2009, when the 26 year long civil war finally came to an end, tourist arrivals were around 448,000 by 2015 this number had risen to 1,798,380. Similarly, the earnings from tourism surged from \$349 million to over \$3 billion. India is the leading country of tourist origin with 335,000 arrivals in 2015, followed by China with 214,783 tourists. Overall, the largest numbers of arrival come from Western Europe at 552,442, with the majority coming from Germany, UK and France. Indian tourists despite being the largest number only contribute a total 13 percent in terms of revenue generation, whereas the 73,000 UK tourists contribute 22 percent of the revenue. Despite this fact, given the growing numbers of middle class tourists emerging in China and India, Sri Lanka is looking towards them for further growth. However, it would like to encourage higher spending tourists in particular it is looking to develop niche sector growth in sports, adventure, MICE (meetings, incentives, conventions and exhibitions) and luxury cruise tourism.

2. Policy Framework to Develop the Tourism Sector

a) Tourism Development Strategy Plan (2011-2016)

The government has identified the tourism sector as one of the key sectors to drive the country’s economic growth going forward. As such it created a tourism development strategy which pinpointed the industry’s growth potential and hindrances to this growth. A number of issues were identified: poorly trained manpower, inadequate infrastructure development, laid-back service standards and too many arbitrary and complex regulations and guidelines in the sector. The five year plan set key objectives to be achieved as: increasing the tourist arrivals from 650,000 in 2010 to 2.5 million by 2016; ensuring the socio economic benefits of tourism are spread throughout the whole country and increasing tourism related employment to 500,000 by 2016. Related objectives included to increase the foreign exchange earnings from USD 500 million in 2010 to USD 2.75 billion by 2016, as well as attracting over \$3 billion in FDI into the country during this period. The plan also envisages close cooperation of private and public sector stakeholders to address the needs of the industry and promote the country as a tourism destination.

Major areas of focus were as follows:

i. To create a policy environment favorable for tourism

This included setting up a policy framework which encouraged the private sector to invest and to facilitate, the government dealt with several issues affecting the industry such as:

- Simplifying the tax regime, removing and making many licensing procedures easier, created a single authority that manages the regulatory environment and one for tourism promotion.
- It set up a “One Stop Shop” for tourism related investments to attract international reputed hotels.
- Service standards and guidelines - have been set or updated for many tourist products to ensure that international standards are met.
- Home stay Program - Government is trying to encourage local involvement to spread economic benefits of tourism.
- SME Sector - The financial sector is being encouraged by Sri Lanka Tourism Development Authority (SLTDA) to give low cost loans and grants to the SME sector; SLTDA is also giving concessions to them where it can such as when they participate in trade fair events organized by the SLTDA, they are only charged 25% of the actual cost.
- Transport policy – tourists are being encouraged to use different types transport to travel throughout country, from the use of sea planes and light aircrafts for the high spending tourist to using railways for more economical tourist. In addition, it is encouraging private sector to start ‘theming’ rail products such as observation saloons, steam locomotives or running the ‘Vice Roy Special’ steam train. It is also addressing the issue of the number of airlines that fly to the country and the frequency of flights.
- Human resources requirements - to fill the human resources both of the accommodation industry and related services. The Sri Lanka Institute of Tourism and Hotel Management a government institute is providing necessary training for the major tourism sectors (cooks, front desk, housekeeping) and using other private sector education providers to conduct short term courses in those areas where it lacks capacity.

ii. Attracting high spending tourists to the country

The government focused on 3 areas to attract more numbers of tourists and achieve target arrivals of 2.5 million by 2016, these were: to segment the market and target higher spending tourists, increasing marketing communication and promotion activities, and improve tourist facilitation during visits. To attract high spending tourists – those spending over \$250, they have increased focus on provision of niche products such as business (MICE) tourism, leisure, international shopping facilities, and eco-wildlife tourism and improving accommodation and service quality.

iii. Ensuring that departing tourists are happy

According to Government research more than 70 percent of tourists who visit the country had heard about Sri Lanka from someone who visited the country earlier. In order to further improve the tourist satisfaction level a number of further initiatives have been suggested /implemented, some of which are mentioned below:

- Improving their arrival/departure experiences at the airports: Reducing congestion at immigration counters by increasing numbers and training of staff as well as enhancing airport facilities and training airport taxi drivers.

- Newly set up tourist police division in SLTDA to minimize tourist harassment.
- Improving access roads and facilities at key attractions as well as regularizing the pricing structure across attractions and being able to buy tickets online.
- Developing the SLTDA website to be more helpful to tourists who are seeking hotel rooms, tour planning assistance, guides and vehicle hires.
- Increase productivity of the tourism industry, through instituting professionalism in the industry. Encourage private sector to set up human resource development centers as well as offering hotel management and tourism subjects in university curriculum. Simultaneously, the government will start licensing tour guides and accrediting travel agents in order to standardize their services.

iv. Enhance domestic tourism.

Government will promote to domestic tourists many of the lesser known sights – such as those shown in the ‘Narabamu Sri Lanka’ TV documentary series – in order to encourage diversity of product visits. However, in order to facilitate domestic tourism the government recognized that they will need to be provided adequate accommodation facilities at affordable rates. The government will offer assistance to residents of popular tourist destinations to start small comfortable houses for tourists at reasonable rates. In addition, they are looking into investing and managing rest houses, including those which are currently leased to the private sector. The government will set up a private company with public issued shares to manage these properties. In addition, it will utilize current property owned by the various government ministries and line agencies. Once upgraded to the required standards these bungalows can be marketed to the public through a marketing unit or Sri Lanka Tourism website where a rooms booking facility is already in place.

v. Improving Sri Lanka’s international image

A number of initiatives with the foreign missions, Sri Lanka Tourism Agency and Sri Lankan Airlines have been started including:

- All foreign missions have been briefed on the ‘Visit Sri Lanka’ programs and have been asked to identify journalists in their mission country who would create impact and arrange them to participate in its ‘visiting journalists’ programs. Nearly 200 journalists from media institutes have been invited to visit Sri Lanka every year since this program was launched in 2011.
- Missions have been asked to identify and establish links with major tour operators in the respective countries and promote Sri Lanka as well as setting up links with local tour operator companies.
- The commerce sections at the missions have been asked to promote tourism related investments opportunities in Sri Lanka.
- Sri Lankan Airlines will partner in these promotion efforts as they already have a presence in many international markets with trained staff to promote the focused markets where Sri Lanka has a strong brand presence.

b) Marketing

In Sri Lanka, the promotion of the country has mostly revolved around its beaches and the natural environment selling itself as a natural wonder. Selling itself as travel journalists have often referred to as

'paradise on earth' or as the *'pearl of the Indian Ocean'*. However, under the tourist strategy plan the government realized that to attract more and higher spending tourists of different kinds it had to sell itself differently. The 'Visit Sri Lanka 2011' campaign, which has remained the same to date, aimed to cater for different product categories under the theme '8 wonderful experiences in Sri Lanka in 8 wonderful days'. These are the 8 different product categories that Sri Lanka Tourism wants to promote. 1. Beaches - Pristine 2. Sports & Adventure - Thrills 3. Heritage sites - Heritage 4. Mind & Body wellness - Bliss 5. Scenic beauty of the country - Scenic 6. Wild life & Nature - Wild 7. People & Culture - Essence 8. Year-round Festivals - Festive

2016 - Marketing Strategies

- Extensive use is being made of the internet as the medium for communication. Famous travel bloggers are being used as brand ambassadors.
- Sri Lanka Tourism Promotion Board (SLTPB) is currently developing an improved web portal for tourism promotion which will provide tourists with key information about the country, attractions, events, accommodation, tours organizers, and transport. It will create language specific web sites for all its major markets and will publicize the destination on relevant online and social media platforms in each country.
- SLTPB works with the foreign missions and Sri Lankan Airlines offices abroad to carry out specific country promotions and conduct roadshows in each country.
- Private sector tourism partners with SLTDA assistance will continue to participate in trade fairs in important markets. Overall 300 travel agents and 200 travel media (electronic & media) journalists will visit Sri Lanka from the countries around the world under the familiarization tours hosted by SLTPB.
- SLTPB participates at over 46 travel fairs and road shows in 20 key countries in order to develop the product brand and generate sales by B2B interactions.
- SLTPB will work on entering into strategic partnerships with new and existing Airlines connecting the region under the "Open Sky" policy of the government of Sri Lanka. Specific partners in mind include new airlines like Austrian Air and Malindu Air and Air China who will have new operations to Sri Lanka.
- MICE Marketing Strategy - positioning Sri Lanka as a venue for international and domestic events is a key component of the 2016 marketing strategy. Sri Lanka will host the largest ever French travel agent's congress SNAV, over 600 travel agents will come from France. This in itself will show its MICE capacities to the participants. It will also host PATA 2017 which provides similar exposure of agents to the destination.
- SLTPB has invited top 7 global advertising agencies to recommend the country's positioning as a tourism destination.
- Film Marketing - The leading French TV channel whose prime time TV program 'Bachelor' was filmed in Sri Lanka in Unawatuna, Yala and Kandy. It follows on from 2015 the filming of the French version of Disney movie 'Monkey Kingdom.'
- SLTPB hope to stage internationally acclaimed tourism related events in Sri Lanka in 2017 such as Arugam Bay Pro- Surf, Kiteathelon, and Adventure Tourism events. Holding events such as the "Colombo Bike Week" also encourages high spending Harley Davidson owners into Sri Lanka.

3. Regulatory Framework for Tourism Sector

a) Ceylon Tourist Board Act No. 10 of 1966

Ceylon Tourist board was set up in 1966, as the Ceylon Tourist Board (created by the Ceylon Tourist Board Act No. 10 of 1966) and the Ceylon Hotels Corporation (created by Ceylon Hotels Corporation Act of 1966). It was created to promote foreign tourism in order to help the country economically develop. The Ceylon Tourist Board (CTB) was a statutory body that was the major player in the tourist industry making decisions, developing tourism policy and having its own financial management. The legislation also set up a resort company, which planned various types of accommodation and resort areas throughout the country. It also included the set up an authority under the Tourist Board to manage and administer each resort. The Act also vested authority in the Ceylon Tourist Board for registering and classifying hotels and all other tourist service providers including travel agencies.

b) Tourism Act, No. 38 of 2005

This act separated the Ceylon Tourist Board organization as set up under the 1966 act. It has been separated into four institutions, Sri Lanka Tourism Development Authority (SLTDA), Sri Lanka Tourism Promotion Bureau (SLTPB), Sri Lanka Institute of Tourism &Hotel Management (SLITHM) and Sri Lanka Convention Bureau (SLCB). It has explained the functions of all, their roles and responsibilities as well as board constituents. It also legislated for a tourism advisory committee which would advise the tourism minister on issues and future strategy and direction of the industry. Its members would include the 4 statutory agencies as well as several senior members from the travel and tourism industry. This has only now been set up in October 2015.

c) Private Sector Involvement

Since the end of the civil war in 2009 the government has eagerly turned towards the private sector and FDI to look towards its involvement in different areas of the economy. Since late 2015 the Government has targeted 45 economic zones to be developed and managed by private sector partnerships, in which the Board of Investment (BOI) will provide the land and the investors have to build infrastructure facilities, this will be done under a special joint venture project vehicle. The Government is also working to establish an point body that would facilitate investments and monitor procedural and legal bottlenecks. Investment into Sri Lanka has been slow due to these which included foreigners not being allowed to buy or lease property. The government has carried out a number of measures including:

1. Setting up a 'One Stop Shop' at SLTDA for tourism related investment projects to considerably reduce the time spent by investors to obtain necessary approvals. Approvals can be given as fast as one week.
2. The land use processes have been simplified and setting up resorts and hotels are being promoted as part of the development policy strategy. Instead of SLTDA developing resorts, the lands are being sold to potential investors who have the financial capability to pay upfront for 99 year leases. Furthermore, small land pieces are available to purchase for foreign investments in excess of \$50 million for the hotel developments.
3. Now all land available under the BOI is on the web and prospective investors can approach BOI for purchase.

i. Foreign Direct Investment (FDI)

FDI has grown slowly in the country due to the uncertain political and economic situation. The government has set aggressive targets last couple of years, but these have generally not been met. In 2015, the government had a target of \$2 billion, which had been revised down from the earlier \$2.5bn, but only \$1.6 billion was achieved. Tourism sector receives a large percentage of incoming FDI, in 2015 this was 25 percent. Major source of FDI providers have historically been the Netherlands, UK and Malaysia, but now China is also investing large amounts in the infrastructure sector in Sri Lanka. Currently, it is involved in developing the port in Hambantota and the Colombo International Container Terminals, which is the country's largest FDI project costing US\$500 million. Recently in 2016, Sri Lanka has also granted China the permission to build the flagship Colombo Port City under the Megapolis initiative. The government has identified nine key investment sectors and special incentives are being given to foreign- enterprises in these sectors; tourism and leisure, infrastructure, knowledge service, utilities, apparel, export manufacturing, export services, agriculture and education.

ii. FDI in Tourism Sector

To Increase investment into the tourist industry, the government is encouraging investment into 14 areas including: golf courses, water parks, marinas, entertainment facilities, light aircraft services and sea planes, convention and exhibition centers, gaming cities (in special zones), race courses, theme parks, shopping malls, adventure sports, boat manufacturing and boat hiring and taxi services. Earlier foreign private investment has included:

- Shangri-la Hotels have invested \$350m for a 420-room hotel, which will generate employment for 430 people.
- Shangri-laHambantota, with a \$101 m investment, is nearing completion and will employ about 500 people to run the 400-room hotel.
- John Keells Holdings which is to build a \$650 m mixed development waterfront project with an 800-room hotel is expected to generate an estimated 2,500 employment opportunities. James Packer was to build \$400m casino as part of this project. This has been cancelled last year due to religious objections from the Buddhist community.
- India's ITC Limited started a 300-room hotel with an investment of \$140 m.
- Aitken Spence Hotels is to invest \$100m in Ahungalla Resorts.
- Joint venture between Sri Lankan and Chinese companies to build a 176 room hotel in Panadura for \$20m by JieZhongJie Lanka Developing Construction Engineering (Pvt) Ltd.
- Greener Water Ltd has entered into an agreement with BOI to build a 5 star hotel with 380 rooms at Negombo with an estimated value of \$60m.

iii. Infrastructure

The government realizes that it needs to improve the basic infrastructure such as road network, telecommunication facilities, restaurants, restroom facilities and water supply in all main cities and tourist sites to create an environment to promote tourism. Accommodation facilities need to be increased with an estimated construction of at least 22,500 hotel rooms to cater to the expected increase in tourist

arrivals by 2020. The setting-up of theme parks, water parks, modern roller coaster rides, recreational facilities and other services will be undertaken through public-private partnership projects.

iv. Taxes & Other Incentives

Taxes have been simplified for the ease of tourism industry. The government has eliminated various taxes introduced by provincial councils. The profit or income on tourism projects are now subject to a 12% tax only. The upfront cost of investment in leisure related activities and plant and machinery are subject to low taxes and taxes on the branded products have been removed to encourage tourist shopping and those on entertainment lowered. Duties on vehicles have been reduced to encourage tourism related services. Taxes imposed at the different levels of government are being merged to make the tax regime more industry friendly. Under the 2016 Budget, it has been proposed that no tax be charged on water sport equipment, yachts, hovercrafts and other water based sports for tourists, and tax holidays be given to investors in the industry. They have reduced the electricity tariffs that used to be imposed upon the industry and simplified the policy on liquor licenses.

c) Institutional Structure

i) Ministry of Tourism and Christian Affairs

Given the importance of the 4 major government agencies in running the tourism sector – as described below – the ministry essentially has an administrative and financial accountability role in the sector. However, the agencies are all ultimately responsible to the Minister of Tourism and the Secretary of Tourism does sit on all 4 boards. The ministry works to build up the tourism industry so that it can play a productive role in increasing the income generation for the country. It works through the 4 agencies: SLTDA, SLTPB, SLITHM and SLCB to ensure that Sri Lanka is the preferred tourism destination. It monitors and reviews the progress of the implementation of annual and strategic plans of the agencies functioning under the Ministry. It also monitors the progress on tourism related projects by the private sector.

ii) Sri Lanka Tourism Development Authority (SLTDA)

The Sri Lanka Tourism Development Authority (SLTDA) was formed as the head institution for Sri Lanka Tourism under Section 2 of the Tourism Act (No. 38 of 2005). The organization now focuses on developing the industry and providing diverse, range of tourism services and products that would will help make Sri Lanka an attractive tourist destination. Its responsibilities include identifying and developing tourist specific, unique products and services, and formulating and implementing tourism development guidelines so that it helps in the growth of the Sri Lankan economy. It has a research and statistics department that collects data and publishes an annual statistical report. Its role is to guide the other bodies created, in particular to guide the Sri Lanka Tourism Promotion Bureau to develop, promote and market Sri Lanka as a tourist destination; guide the Sri Lanka Institute of Tourism and Hotel Management to carry out human resource training and development activities; it continues to license and accredit the tourist sector in order to enforce and maintain locally and internationally accepted standards. It also has a unit of Tourist police that it manages and it is situated on its premises. Its composition includes private sector representation from the hotels association, tour operators and travel agents association as well as public sector officials from the ministries. It will submit a four year work plan of its activities to the minister for approval.

In terms of the provisions contained in the Tourism act, the Tourism Development Fund was legally constituted for the promotion and development of tourism in Sri Lanka. It was to be managed by the SLTDA, with 2 main sources remitting finances to the fund. It was to be funded in a number of ways including to get one –third of all funds from Airport Tax collections and 1percent of the turnover of all licensed tourist institutions. The act also stipulated where this funding was to go: seventy percent to the Sri Lankan Promotion Board, 14 percent to SLTDA, 12 percent to the Sri Lanka Institute of Tourism and Hotel Management and 4 percent to the Sri Lanka Convention Bureau.

iii) Sri Lanka Institute of Tourism & Hotel Management (SLITHM)

The Sri Lanka Institute of Tourism & Hotel Management (SLITHM) is the only Government approved training Institute in Sri Lanka. It was originally established by the Government in 1964 to train people in hospitality and travel Industry, and is managed by SLTDA under the Ministry of Economic Development. Provincial schools have also been set up all over the country. Its role has been to prepare graduates for professional employment in the tourism & hospitality sector, develop curricula and courses focusing on hotel operational skills and management practices and other tourism sector related skill requirements and ensuring that this education is on par with international standards. It is also targeting to train around 600,000 Sri Lankans to meet the required manpower for travel, tourism and hospitality industry by year 2016. The board managing the institute will have a several individuals from the private sector tourism representation including tour operators, travel agents and hotels associations.

iv) Sri Lanka Tourism Promotion Bureau (SLTPB)

Sri Lanka Tourism Promotion Bureau (SLTPB) is the government body responsible for handling all marketing and promotional activities related to the travel and tourism industry of Sri Lanka. The Bureau is headed by the Chairman, Managing Director and a Board of Directors comprising of public and private sector representatives; the latter include a member from the Tourist Hotels Association of Sri Lanka, Sri Lanka Association of Inbound Tour Operators, and the Association of Small and Medium Enterprises in Tourism.

SLTPB's main objectives are to market and promote Sri Lanka as a tourist and travel destination of quality specified in accordance with the tourism development plan in collaboration and guidance from the SLTDA and with all travel and tourism stakeholders. These efforts are focused to promote Sri Lanka as a gateway to the South Asian Regions; and making Sri Lanka known as the center of excellence in tourism in the region. It has a three year annual plan that gets approved by the Tourism minister.

v) Sri Lanka Convention Bureau (SLCB)

Its role is to position Sri Lanka domestically and globally as a prime venue for MICE activities and to receive maximum revenue from MICE tourism. SLCB is the primary contact point for meeting planners and corporates for advice and expertise to plan and organize events in Sri Lanka. The Bureau works closely on marketing and promotion activities with the industry and the national airlines to advertise Sri Lanka as a venue for MICE events. It also ensures that these events are conducted in a professional manner to the satisfaction of the visitors and delegates. It has a diverse portfolio from servicing inquiries to guiding and conducting marketing activities. The activities of the SLCB also entail conducting research, getting all the necessary government clearances, coordinates with airlines and airport authorities, it offers promotional

support to increase participation at events and all necessary conference support services. The board has representation from the private sector including tour operators, travel agents, hotel associations, Sri Lankan airlines and the Chambers of Commerce.

vi) One Stop Unit (OSU) - Unit for National Investment in Tourism

The One Stop Unit for National Investment in Tourism is a centralized promotion and facilitation center that was set up to help potential private sector investors interested in investing in Sri Lanka Tourism Industry. It operates under the aegis of the Ministry of Tourism. OSU is a one-stop point of contact for to help them with information including identifying projects and existing investment opportunities, providing directory on land availability, Organizing site inspection, helping with and submitting applications, and obtaining investment incentives from BOI, trade licenses and other approvals needed for projects. It aims to reduce time taken on receiving approval from different government agencies by at least 50 percent. It helps to put together relevant information for tourism related investments and gives concerned parties easy access to this through meetings, telephone or email.

4. Visa Regime

Visitors to Sri Lanka coming for tourism purposes must obtain an Electronic Travel Authorization (ETA) either before arriving to the country or on arrival to Sri Lanka. Holders of ETA from all countries except the 3 exempt countries can obtain a visa on arrival for double entry that is valid for 30 days. The Business purpose ETA can be attained only from Sri Lankan diplomatic missions and head office of the Department of Immigration and Emigration.

Nationals of Afghanistan, Iran, Iraq, Nigeria, Pakistan, Somalia and Syria must hold return or onward tickets. On the basis of reciprocity, citizens of the following 3 countries are exempt from the requirement to obtain the Electronic Travel Authorization and can obtain a visa on arrival free of charge: Maldives(30 days, extendable to 150 days), Seychelles (60 days, up to 90 days in a single year) and Singapore (30 days, extendable to 150 days). Otherwise fees vary country to country from \$0 to \$200; Pakistan-\$0.75, India-\$3.0, USA -\$100, UK-\$54, and \$200 for Tanzanian passport holders.

ETA for Transit visitors can be given for up to 2 days for free of charge.

5. Memorandum of Understandings (MoU)

a) Emirates Academy of Hospitality Management in Sri Lanka, 2016

Given the growing demands for professional training and development in the hospitality and tourism industry in Sri Lanka, Omega Global Ltd., local partner for Emirates Academy has launched a joint venture with ANC Education, to help the Emirates Academy of Hospitality Management (EAHM) to cater to the needs of the tourism industry and to improve professional skill development needs of the hospitality service sector. In this context, EAHM, one of the world's leading hospitality management school will take innovative approaches beyond traditional trainings in order to produce well-equipped future leaders for the industry. EAHM, a prestigious education provider with a focus on hospitality management, works in

academic association with EcoleHôtelière de Lausanne (EHL), the oldest and most respected hospitality school in the world. EAHM is the only academy that has established such an exclusive academic association with EHL in Switzerland and this association ensures the quality of all the EAHM study programs. EAHM exposes its students to obtain hands-on experience and build contacts with industry experts in the heart of world's top tourist destination.

b) Sri Lanka and Pakistan Enhance Tourism Ties, 2015

A MoU was signed recently between Sri Lanka and Pakistan to co-operate on Tourism and Archeology. The broader objective of the MoU is to strengthen friendly relations through the promotion of mutual understanding of the people through expansion of co-operation in the fields of tourism and archaeology. Various proposals were discussed under broad headings including development of tourist tariff, promotion of tourism, training and exchange of experiences, investment in tourism sector and the preservation and exchange of experience in archaeological heritages. A joint working group will work on an action plan targeted at both short and long term gains for both countries. At the operational level the joint working group will monitor the progress of the work carried out in the form of facilitating the exchange of tourist information and experiences, the establishment of contacts between relevant parties, mainly the private sector operators and activating joint collaboration on investment, education and technical training in the tourism and archaeology sectors. Sri Lanka and Pakistan are also exploring the possibility of increasing air links to facilitate tourism and business. Sri Lanka invited Pakistan International Airlines to re-commence direct flights to Sri Lanka.

c) MOU on Friendly Cooperation between Sri Lanka Tourism & Zhongshan Municipal Tourism Bureau, 2014

Sri Lanka Tourism Promotion Bureau and Zhongshan Municipal Tourism Bureau of China recognizing the importance of tourism promotion and friendly exchanges between the two countries, signed a MoU on further tourism promotional initiatives between the two parties. The Parties agreed to improve mutual understanding and friendship through strengthening regular information exchanges, and supporting each other's tourism events to increase popularity of tourism destinations, promote and organize local tourists to visit each other cities, commence regular / charter flights to Bandaranaike International Airport at Katunayake and MahindaRajapaksa International Airport at Mattala as well as holding meetings and publishing tourism information through each other's websites and magazines.

During the mega tourism promotional campaigns in China, Sri Lanka Tourism launched a billboard advertising campaign in Beijing, in addition it also conducted light box advertising, print media advertisements, radio jingles, web sites and PR campaigns to create awareness. The Billboard campaign is the first ever promotion of its kind ever to be executed in China at this scale. The LED backlit screens will be displayed in over 21 strategic locations in Beijing. They will showcase major tourism attractions in Sri Lanka including history and culture, beaches, wildlife, festivals, ayurveda & spa, gem & jewellery that are of interest to the Chinese travelers. In addition, 18 prominent places in subway railway stations in Beijing were identified to be used as billboard for tourism attractions to be promoted. A major Bus branding Campaign was to be launched parallel to the advertising promotions for a six months period which is active in China. The Bus Advertising Campaign which was conducted with the branding of 300 buses among the Chinese public living and visiting cities such as Beijing, Shanghai, Chendu and Guangzhou.

Further the two governments signed agreements to promote Sri Lanka through major Chinese Travel Media. Over 56 media personnel from leading Chinese TV channels such as China Travel Channel, Outlook Traveller China, CCTV 6 and Print media visited Sri Lanka. Sri Lanka Tourism also brought down many Chinese Travel Agents and tour operators from various cities to create awareness on the destination aimed at attracting prospective travelers.

d) Nepal & Sri Lanka Hotel Associations sign MoU to promote tourism, 2012

The Hotel Association Nepal and Hotel Association Sri Lanka signed a memorandum of understanding (MoU) to promote tourism in Nepal and Sri Lanka. They would work to lobby their governments to allow direct flights into each other's country in order to encourage more tourists from each country. They would like to see a circuit in which tourists went to the Himalayas in Nepal and then came for the sea in Sri Lanka. They would create packages for tourists to visit both countries from the seas of Sri Lanka to the mountains of Nepal, especially to attract tourists from third countries. 80 percent of the 70,000 Sri Lankan tourists that visit Nepal every year visit the birthplace of Lord Buddha in Lumbini.

e) Sri Lanka Tourism signs MoU with Gujarat Government to promote tourism, 2009

The Sri Lanka delegation, signed a Memorandum of Understanding with the Gujarat Government. The MoU signed between the State of Gujarat and Sri Lanka provides for cooperation in the field of tourism, including investing in the hospitality industry. Gujarat also expects Sri Lankan industry leaders to invest in Gujarat. Sri Lankan Tourism also kicked off a promotional campaign in Ahmedabad, with a dinner attended by over 100 local travel agents. They were treated to a Sri Lankan version of Ramayana, a dance performance by Aru Sri Art Theatre - courtesy of the Sri Lanka Convention Bureau. The promotional campaign will also discuss the Ramayana trail, and pointed out that there are more than 50 locations in Sri Lanka identified with the legend. Sri Lanka tourism expects this to be a good attraction for Indian travelers.

f) Sri Lanka and China signs MoU to enhance bilateral air services, 2007

A memorandum of understanding which provides for liberalized air services between the two countries was signed. It provides for up to 21 weekly frequencies for passenger services and 7 weekly frequencies for cargo services. Effectively, this would mean that Sri Lankan carriers would have the right to operate up to 21 flights to any 5 destinations in China. Sri Lankan Airlines has been at present operating three weekly flights to Beijing since 2005. This link has had a major impact on the tourism industry of Sri Lanka. In 2006, there was a 60% increase of Chinese tourists visiting Sri Lanka as against 2005. Sri Lanka is also positioned midway between China on the one hand and Middle-east and African destinations on the other. Sri Lanka also has the most extensive flight connectivity into India. Informal discussions were also held on the possibility of code sharing and other arrangements between Sri Lanka and Chinese carriers. It was noted that given the extra volume of passengers in the build-up to and during the Beijing Olympics in 2008, Sri Lanka would serve as an ideal transit point for visitors from the South Asian region. In discussions with the Chinese National Tourism Authority with which Sri Lanka signed an Agreement of Cooperation in 2005, greater exchanges for the encouragement of tourism between the two countries were taken up. Further detailed discussions will also be held on exchanges between the tourism authorities of the two

countries at all levels. In particular, training of chefs in Chinese cuisine, as well as training of tour guides and Airline cabin crew with fluency in Chinese would also be possible given the expected opening of the Confucius Centre in Sri Lanka at the Kelaniya University.

Thailand: “Amazing Thailand”

1. Background

Tourism plays an important role in the Thai economy contributing around 9 percent of Thailand’s GDP with its total contribution around 21 percent of GDP. Around 6 percent of people are directly employed in the sector and total travel and tourism employment contributes as much as 15 percent of all employment in the country. Thailand has seen over time a large increase in numbers of visitors, this has been accompanied by increasing average duration of stay and average daily expenditures. Tourism arrivals have increased in Thailand from 11.5 million in 2005 to 15.8 million in 2010 to nearly 30m by 2015. The average length of stay in Thailand is around 9.6 days with visitors spending an average daily of US\$150 per person. The Asean region sends the most visitors to Thailand; East Asia accounting for over 50 percent of all visitors followed by Europeans (Russia, UK, Germany), Americans and South Asia. Over 8 million tourists arrived from China in 2015, followed by 3 million Malaysians and 1.4 million Japanese. Large numbers also come from Europe especially from Russia, followed by tourists from the UK and Germany.

Cheap charter flights drive flow from Europe especially Russia, who stay close to 2 weeks and spend an average daily of US\$140.92 per person. UK visitors stay on average around 17 days, and spend daily around \$121. Australian visitors spending around 13 days and an average daily spend of US\$159 per person. Visitors from the region stay fewer days with Malaysians only staying for around 5 days with an average daily spend of US\$137 per person, Chinese spend slightly over 1 week and have an average daily spend per person of US\$147. Sixty- seventy percent of Europeans are generally repeat visitors. Repeat visitors especially from Europe have helped to tide Thailand over in times of political uncertainty which has otherwise hampered its tourism industry. Research shows after negative events transpired in Thailand such as the political demonstrations and coup in 2014 there was a sharp drop in tourists coming from the region; arrivals went down 14% versus little effect from the European market. Targeting existing European markets can help maintain repeat visitors, who are not highly sensitive to political situations, tend to stay longer, and have more spending power. However, a heavy focus on Western tourists can hinder potential growth in the future which is coming from Asia particularly China and India. The government has set THB 2.3 trillion revenue target for 2016. International visitors will generate THB1.53 trillion and THB807,000 billion will come from the domestic market. Thai Authorities are aiming to increase the proportion of visitors in the \$20,000-to-\$60,000 income range from 30% to 45% in 2016. To do so it is developing more luxury tourism products and working to bring in more middle-to-high income visitors particularly from new growing markets of Turkey and the Gulf, as well as building on core markets in Western Europe.

2. Policy framework to Develop the Tourism Sector

Past decades have seen cyclical growth in tourism in Thailand, due to the political and economic upheavals the country has faced, including coups, bombings and floods. The government’s tourism development plan aims to put Thailand in the top five of Asia’s tourist destinations. Along with this the government aims to move the focus towards attracting quality tourists that spend money, moving away from mass

tourism. Thailand has been making 5 year Tourism development plans since 1961 as part of the National Economic & Social Development Plans.

a. National Tourism Development Plan (2012-2016)

The objective of the National Tourism Development Plan is to put Thailand amongst the top five destinations in Asia, as well as moving away from mass tourism to quality tourism; the latter will be measured by revenue produced and length of stay. In order to achieve this five strategies have been proposed; both short and long-term measures to increase tourism revenue. Particular focus is being given to tourism products and service improvement, tourism management and marketing.

i. Develop infrastructure and logistics

The government is hoping that improving both general and tourism infrastructure will enhance the country's competitiveness; improving connections domestically as well as with neighboring countries, will help to boost both domestic and international tourism. Government is also improving the standard of facilities at tourist destinations, enhancing safety and hygiene as well as improving accessibility for the disabled and the elderly. As part of the national transport investment plan from 2015 to 2022 and the national logistics strategic plan from 2013 to 2017, the government is expanding the country's rail network to 7,000 kilometers by 2022, from its current 4,000 km. This will reduce logistics costs and take advantage of the country's geographic position. The aim is to create it into a major railway transport hub for Asean countries, in a similar fashion to its achievement for the airline industry. The International Bangkok airport alone receives over 50million passengers. It is further helped by the fact that Thailand offers visa-free or visa-on-arrival access for citizens from 68 countries and territories.

ii. Development and rehabilitation of tourism sites

Government is introducing various rules and regulations to enhance the country's potential for accommodating more tourist arrivals. Private sector investment has been encouraged in developing and restoring natural, historical, and cultural tourist destinations. The government is also trying to promote private and foreign investment in new destinations often through setting up special economic zones in areas with potential for niche tourism they are promoting both for domestic and international visitors. In addition, to attract larger numbers of quality tourists they have recognized the need to have consistent high quality standards for tourism services such as restaurants, accommodations; for human resource in tourism-related sectors such as hotel staff, tour company workers, tourist guides, restaurant workers, tour bus drivers; as well as improving the service standards of tourism-related government agencies regarding traveler safe, fees and charges. Similar importance is being given to upgrade tourists facilities to encourage high quality tourism experience.

iii. Development of the creative economy

They will promote activities which add value to the tourism sector; new products and services will be initiated, while incentives for tourism sector and investment will be offered and human resource development will be emphasized. The government will help private sector setting up niche tourism products such as ecotourism, cultural tourism, medical tourism and spas with high quality and other value addition services in tourism. They will enlarge the services base in tourism by increasing the diversity of service businesses, adding value, enhancing competitiveness, improving skilled labor in terms of both

quality and linguistic skills. They will link service, industrial and agricultural businesses into product clusters, e.g. healthcare, food and tourism business, including creative services products based on culture linked with modern technology. The Middle East is a target for medical tourism and wellness for this a new visa available from October 2015, has been introduced; a six-month multiple entry visa that will cost \$142 and allow visitors to stay up to six months in Thailand.

iv. Improve Thailand's image

Government will increase amount spent on marketing so that the country will receive increased numbers of affluent visitors who will spend more in Thailand. In order to do this it will improve the local standards for tourism services to meet international standards; improve the skills of personnel in the tourism sector; and, improve public services in order to attract and be able to efficiently service and market for quality tourists. Promote the market for quality tourists, both inbound and domestic, through marketing strategies targeting specific groups in Thailand and abroad; making Thailand a world class tourist destination, encouraging businesses to see it as a center for holding meetings and exhibitions. To promote Thailand as a medical tourism hub; to sell it as a filming location; and support Thailand's bid to host international events. Domestic tourism has also become an important component of the tourism sector. The growing Thai middle-class has the time, money, and the desire to travel. Its importance becomes particularly critical during times of crisis, when international travel becomes affected.

v. Encourage participation of the government, civil society, and local administrative organizations in tourism management.

Promote cooperation amongst the different participants in the tourism sector to provide quality services to tourists; both by improving the quality of tourist personnel and increasing the effectiveness of enforcing laws, rules and regulations to assist tourism. Ensure the safety and prevent the exploitation of tourists and resolve environmental problems and create a sustainable tourism model. Improve marketing and public relations; promote the role of the private sector in marketing and public relations and strategies to make Thailand a globally recognized tourist destination.

b) Marketing

Marketing in Thailand has always focused on the country's strengths such as Thai hospitality, its culture, and the sun, sand, and beaches environment. However, the last couple of years have seen the Tourism Authority of Thailand (TAT) focus on the new strategy; moving away from measuring quantity by visitor arrivals and shifting to quality, as measured by visitor expenditure, average length of stay, and the overall quality of the visitor experience. While it has kept the Amazing Thailand branding logo it has started promoting the kingdom as a "*Quality Leisure Destination through Thainess.*"

The Tourism Authority of Thailand marketing plan in 2016 has focused on what it has classified as the 3 R's:

- i. **Repositioning:** moving towards tourism quality ‘Quality Leisure Destination’.
- ii. **Restructure:** Identifying new segments in terms of geography and customer targets.
- iii. **Rebalance:** Ensuring sustainable development by diversifying the benefits of tourism across Thai society, and reducing the social and environmental impacts.

The 2016 marketing strategy will concentrate on niche markets; such as, golfing, honeymoons, focusing on female visitors for health and wellness spas, as well as ‘halal tourism’ for Muslim visitors and giving greater prominence on growing the domestic market to prevent over exposure to the international markets.

iv. Pro-Active Steps to counter Negative Impact of Political/Economic Crises

Thailand has past decade suffered from a series of events which have had negative publicity. A number of actions were taken to overcome this including short term tactical measures as well as longer term measures.

- i. **Short term measures** that were taken immediately after the event includes conducting website competitions, giving out travel awards or lucky draws, and offering special offers for specific customer target segments. Waiving visa fees for certain nationalities and special concessions given to the airlines on landing charges so that they could offer cheaper flight tickets to Thailand. Especially from short-haul markets like China, Hong Kong, Japan, South Korea and Taiwan, that had seen drops in visitor arrivals.
- ii. **Longer term measures** included using marketing to expand into new markets with future potential; including the Central Asian Republics, North African countries, Turkey and the Middle East. Joint marketing with airlines and other strategic alliances were entered into, as well as Thailand product seminars and road shows were conducted. More marketing dollars were spent on traditional European markets as well as domestic market on the ‘Amazing Thailand’ campaign, with the core message that Thailand remains an exceptional value-for-money destination. Trade shows and road shows were extensively used in both main markets and new potential markets. All the major global media print and TV is used, especially sports and special-interest TV channels. Social media is used to convince target customers to visit Thailand. One example of their targeting efforts through the social media has been ‘The Little Big Project’, a Volunteer Tourism competition funded by the Tourism Authority of Thailand to inspire travellers to do something meaningful while taking a vacation in Thailand. Many competitions have been set up on the social media include asking visitors to put up their pictures on social media using hashtags and giving out prizes to the winners. Movies and TV programs have also been used to leverage ‘Thainess’ such as ‘Lost in Thailand’ this movie when it came out saw Chinese visitors to Thailand jump by over 90 percent. The new digital media was a special focus of attention. Partnerships are being set up with hotel partners to produce special interest videos such as those highlighting weddings and honeymoons.

Celebrity marketing is also used by linking up with famous people who can act as brand ambassadors.

v. Specific Marketing Campaigns Run by TAT:

One campaign, *“Discover The Other You”* sold experiential travel—tapped into a global desire among visitors to learn something new and acquire a new experience.

Selling key aspects of Thai lifestyles include basic things such as massage and meditation as well as rice farming, with visitors participating in a rice harvesting and ploughing the fields using a water buffalo was used in Thai marketing campaigns.

To promote Green Tourism, TAT started the *“Pedal around Thailand”* activity for which two pilot routes of Nonthaburi to Ayutthaya provinces and bike around Bangkok have been launched.

TAT organizes special international events starting in October 2014 when a **“Thailand Music Festival”** was organized under the theme, *“Land of Fun.”*

A blogger campaign began June 2016. The campaign invites people to tell their stories about *‘Amazing Thailand’* and its culture through blogs and photographs. Selected bloggers and photographers will explore Thailand in an all-expenses-paid trip to Thailand. All active bloggers and social media users stand a chance to win the contest with sharing their stories on #Amazing Thailand or by the photos they have taken at Thailand. To be eligible, bloggers must have a ‘famous’ and regularly updated social media presence with a substantial number of followers. Social media platforms like Facebook, Twitter, Instagram, Google Plus, etc. or a personal blog that covers travel, food or culture topics are eligible to contest.

Domestic Tourism Campaign to Make Travel ‘Part of Life’ domestic tourism campaigns have been launched to promote travel and tourism as a part of life for Thai people, and not just a luxury or a recreational activity. The campaigns are also being used to reinforce a strong sense of national identity among Thais. The marketing slogan was *“New Thinking, New Perspectives – Travel in Thailand Can Yield More Than You Think.”*

4. Regulatory Framework for the Tourism Sector

a) The Act of National Tourism Policy, 2008

This Act stipulates that the Board of National Tourism Policy shall consist of the prime minister (chairperson), the Minister of Tourism and Sports (Vice-chairman), Minister of Transport, Minister of Natural Resources and Environment, Minister of Interiors, Minister of Culture, permanent secretary of defence, permanent secretary of foreign affairs, permanent secretary of commerce, permanent secretary of labour, permanent secretary of education, permanent secretary of public health, secretary general of the National Economic and Social Development Board, director of the Bureau of the Budget, chief of National Police, president of Association of the Provincial Administration Organization of Thailand, president of the National Municipal League of Thailand, president of Association of the Sub-district Administration Organization of Thailand, president of the Tourism Council of Thailand, and not exceeding

9 specialists to be appointed by the prime minister. The main purpose of this Act is to create the integrated and concerted management of the tourism sector. The Board's authorities and duties have been stipulated as follows:

- To make and propose to the cabinet a policy, strategies or measures to promote tourism development.
- To make and propose the national tourism policy to the cabinet for an approval.
- To propose a policy and guidelines for managing and increasing international tourism.
- To determine specific areas for tourism promotion and to monitor these.
- To set standards of tourists attraction and the tourism industry in general.
- To monitor and evaluate government agencies operations in accordance with the national tourism development plan

b) Private Investment in State Undertaking Act 2013 (PISU Act)

PPP projects have been used for infrastructure for many decades however the earlier 1992 bill was criticized for delaying projects especially during their initiation stages and not controlling corruption. The 2013 bill intended to improve the regulatory framework for implementing PPPs in Thailand and attracting more private finance into infrastructure projects. The new law has also established a PPP development fund, which will be used for develop and plan the PPP strategy, hiring consultants, and helping agencies develop PPPs that are consistent with the plan. The PPP committee, which is to be chaired by the prime minister and vice-chaired by the finance minister, is now required to work with the State Enterprise Policy Office (SEPO) to prepare a PPP five-year strategic plan which will then be submitted for the cabinet's approval. A number of projects have been identified and some started including the development of rail transit system in Bangkok, toll roads, shipping port and convention center. The current strategic plan for 2015-19, marks the first time a strategic plan for PPPs in Thailand has been drafted.

c) The Foreign Business Act (FBA) of 1999

This governs most investment activity by non-Thai nationals and has allowed limited business sectors to foreign investment. Foreign investment in most service sectors is limited to 49 percent ownership. However, tourism and travel sector is open for foreign investment. Thailand places emphasis on tourism related investment in order to meet the increasing demand of niche markets and add value to businesses. Currently the government is encouraging investment in healthcare services, convention and exhibition centers, malls and recreational facilities.

d) Foreign Direct Investment

Foreign direct investment has been an important element of Thailand's economic development, and the country is an important FDI destination. According to the UNCTAD World Investment Report 2015, Thailand, with USD 12.6 billion, was the fifth largest FDI recipient in East and South-East Asia. According to World Travel and Tourism Report in 2015 it received investment in Travel & Tourism of around THB227.4bn, or 6.8% of total investment.

e) Tax and Other Incentives

To attract foreign investment, the Board of Investment (BOI) has offered a wide range of fiscal and non-tax incentives. From 2015, the BOI has launched a new investment incentive policy that gives preferential benefits to investment projects based on the level of technology involved in the activities. This is an attempt by the government to create a more technology intensive economy to increase national competitiveness and to encourage technology transfer. Firms that bring in advanced technologies qualify for the maximum incentive package, including an eight-year exemption from corporate income taxes and exemption of import duty on machinery and raw materials, and other non-tax incentives. There are a number of other areas that also receive incentives some others include promoting activities that are environmentally friendly, or use alternative energy; investments in border provinces in southern Thailand to help develop the local economy or those that help in the development of planned special economic zones, especially in border areas, to create economic connectivity with neighboring countries.

f) Institutional Framework for Tourism Sector

i. Ministry of Tourism and Sports

The Ministry of Tourism and Sports was established in 2002 to develop and promote tourism, sports and recreation. The Department of Tourism looks after the tourism related licenses, permits and sector specific registration, develops tourist site as well as related services. It ensures standards of services are set and regulated. It collects all statistical data related to the industry to help it guide and make relevant policies on tourism development. It also coordinates and using the statistical data collected shares with the Tourism Authority of Thailand targets tourism promotion. It creates the development plan for tourist attractions and all relevant tourism and guides laws. There are 73 province tourism offices in Thailand to carry out the objectives of The Ministry of Tourism and works closely with local government and local communities for tourism promotion and specifically for training workshops.

ii. The Tourism Authority of Thailand (TAT)

The Tourism Authority of Thailand (TAT) is a state enterprise which is responsible for the promotion of tourism in Thailand. It was originally set up as the "Tourism Promotion Organization" in 1959 and in 1979 was renamed as the TAT. It is responsible for the growth, direction and development of tourism in Thailand. It has to promote cooperation with other organizations, both domestically and internationally, to promote the development of tourism markets. Under the Act, the TAT is given very broad powers to implement its core objectives, including the right to designate places as tourist sites, has fiduciary powers, collects tourism related data, conducts tourism sector trainings and can own or lease real estate. The TAT Board is responsible for supervisory and visionary role for the sector as well as supervising TAT executives operations and monitoring budget expenditures. The board constitutes of public and private sector individuals that are responsible to the Prime Minister and Minister of Tourism and Sports. The Chairman is appointed by the Minister of Tourism and Sports, other members include the Under-Secretary for Finance, Foreign Affairs, Tourism and Sports, Transport, Commerce, Interior, the Secretary-General of the Council of State, the Chairman of the Tourism Council of Thailand, two representatives from the Tourism Council of Thailand as well as up to three persons appointed by the Minister of Tourism and Sports. Board

members who are appointed by the Minister of Tourism and Sports (including the Chairman of the TAT) have an initial term of two years.

TAT's revenues are sizable. In 2015, TAT earned more than 1.5 billion Baht, around 96 percent came from government funding, with the rest coming from TAT's sales and services. TAT has its head office in Bangkok and another 35 offices throughout Thailand, as well as overseas offices in all major cities of the world including London, New York, Paris, Kuala Lumpur, Singapore, in Beijing as well as another five cities in China.

iii. Tourism Council of Thailand

Tourism Council of Thailand is a private sector organization. It was set up in 2001 under the tourism Industry Council Act Thailand 2544 (2001). It represents key players and tourism associations of the tourism industry and helps to coordinate between government and private sector together to promote the development of the tourism industry. The Council's Board is responsible for its operation, but governed by the Prime Minister. As such it cannot act against the government's desire, acting only to reflect issues arising from the tourism private sectors. It also gives advice and suggestion to the government and TAT to promote the quality and standard of tourism services and products.

5. Visa Regime

Visitors to Thailand obtain a visa before arrival unless they come from a visa-exempt country or are one of the countries whose citizens are eligible to obtain visas on arrival. All countries except those specified below need to obtain a visa from the Thai embassy before arrival to the country. Fees vary country to country. For Pakistan they are Rs3000 for single entry, Rs.6,000 for double entry.

a) Visa Exempt

Currently nationals from 57 countries can travel visa-free to Thailand. With many other countries, the Thai government has bilateral agreements on visa waivers. Most Western countries are eligible for visa-free travel to stay for 30 days. With 5 countries, Thailand has a visa waiver agreement in which they do not need a visa to stay in Thailand for up to 90 days. These are Argentina, Brazil, Chile, Peru and South Korea.

With a further 19 countries (including G7 countries) it has a visa waiver program in which they can stay for up to 30 days with-out a visa: Brunei, Canada, France, Germany, Hong Kong, Indonesia, Italy, Japan, Laos, Macao, Malaysia, Mongolia, Philippines, Russia, Singapore, Turkey, United Kingdom, United States, and Vietnam. Another 31 countries can stay for 30 days if they arrive by air and 15 days if they arrive overland. These are: Australia, Austria, Belgium, Bahrain, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Iceland, Ireland, Israel, Kuwait, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Oman, Poland, Portugal, Qatar, Slovakia, Slovenia, Spain, South Africa, Sweden, Switzerland, United Arab Emirates.

b) Visa on arrival

The charge is THB1,000 and there are 19 countries that are eligible for this: Andorra, Bhutan, Bulgaria, China, Cyprus, Ethiopia, India, Kazakhstan, Latvia, Lithuania, Maldives, Malta, Mauritius, Romania, San Marino, Saudi Arabia, Taiwan and Ukraine. Under this category the visa cannot be extended.

c) Transit Visa

Transit Visa (TS) may be granted to passengers in transit. A passenger that has a flight that stops in Thailand for more than 12 hours is required to have a transit visa. This is valid for 90 days after the date of application (30 days maximum per stay).

6. Memorandum of Understandings (MOUs)

a) Hong Kong & Thailand sign MOU to promote educational and research collaborations in MICE industry, 2016

The School of Hotel and Tourism Management (SHTM) at The Hong Kong Polytechnic University (PolyU) and Thailand Convention and Exhibition Bureau (TCEB) have signed a MoU to collaborate and work together in the areas of Executive Education, Internship Programs and Consultancy Services. Both parties are keen to promote executive education for those already in the MICE industry workforce, internship programs for students wish to join the industry, and consultancy services for the advancement of the industry. In the MoU, the SHTM will provide TCEB associates with executive education either at the SHTM or TCEB headquarters. The two institutions will also work jointly in the area of student internship and training, with the TECB offering internship attachments to SHTM students. The number of interns will be determined by mutual consent each year. It is also agreed that the School will deliver consultancy services on areas of mutual interest to the TCEB. The MOU is signed for a period of three years.

b) Thailand and Korea draw up deal to jointly promote tourism between the two countries, 2016

The Tourism Authority of Thailand (TAT) signed a MoU – on Cooperation in the Field of Tourism – with the Korea Tourism Organization (KTO) and the Korea Association of Travel Agents (KATA), for collaboration between the two countries in several areas of tourism. There are plans for personnel training, cultural exchanges, and for the future co-hosting of tourism activities together. Closer cooperation with the KATA is expected to enhance the productivity of TAT’s tourism marketing and sales promotions. It will also involve familiarization trips for media and travel agents to promote tourism in the countries. TAT will develop an online tourism application that can give vital information to Korean tourists and businesses. The app will offer general tourist information and news updates along with recommended attractions to visit. There will also be more specialized information about topics; such as, locations suitable for shooting Korean films or videos. The implementation of the app is in line with the TAT’s strategic plan to promote film making in Thailand as well as to market Thailand as a tourist destination for Korean travellers. By sponsoring Thailand’s attractions via foreign film and television, they hope to inspire people to travel there and visit locations and places associated with their favorite movies and shows. With the

strengthened cooperation with the KTO and KATA that this MOU brings, TAT expects that the number of Korean visitors to Thailand will rise by at least 10 per cent by 2018. That is an increase in numbers from 1.5 million to 1.8 million visitors annually.

c) Sri Lanka and Thailand sign MoU on Tourism, March 2016.

Sri Lanka and Thailand signed a Memorandum of Understanding (MoU) on technical cooperation and a joint action program for the implementation of the MoU on bilateral cooperation in the area of tourism. Sri Lanka is also trying to promote Buddhist tourism to Thais through this MOU with Thailand. It was discussed how the Thais could help develop the Sri Lankan tourism industry especially help they could give to develop the infrastructure and publicizing information on Sri Lankan tourism in Thailand; as well as helping to build human resource capacity in Sri Lanka's hospitality sector.

d) Emirates and Thailand Sign MoU, 2016

The Tourism Authority of Thailand (TAT) and Emirates Airline signed a MoU, which aims to grow niche markets and other destinations within Thailand in order to further increase tourists to Thailand. Both parties will conduct joint promotions TAT will focus especially on weddings & honeymoon markets as well as medical tourism and wellness market. In time they may also start a new route from Dubai to other significant tourism destinations in Thailand such as Chiang Mai and U-Tapao in Pattaya. They will also start the seventh daily flight between Bangkok and Dubai. In 2015, over 700,000 people flew with Emirates to Thailand. Of this 580,000 passengers flew to Bangkok and 120,000 passengers to Phuket.

e) Eithad and Thailand sign MoU, 2015

Eithad Airways and the Tourism Authority of Thailand (TAT) signed a \$1.25 million contract to increase tourism to Thailand. They will both jointly promote travel to Thailand from its identified priority markets namely, UAE, the UK, Ireland, Belgium, France, Germany, Italy, Spain, Switzerland, South Africa, Iran and Kuwait. The airline has over 5 daily flights to Thailand of which four go to Bangkok and one to Phuket. For Eithad this agreement will help to further increase its international network and Thailand is hoping to increase arrivals especially from Europe.

f) Singapore and Thailand sign MoU on promoting cruise tourism, 2015

Governments signed MoU focusing on co-operation between the two countries in particular to promote cruise tourism and relevant training between the countries. The cooperation would also include conducting joint cruise workshops, exchanging information and further developing cruise tourism between the two countries.

g) Thailand and Vietnam Sign MoU, 2014

Vietnam is one of the major tourist source markets for Thailand. Thailand has regularly been voted as Vietnams favorite destination for holidays. TAT will work even more closely with the Vietnam National Administration of Tourism (VNAT) to strengthen co-operation in tourism development. They will do many exchange visits and familiarization trips as well as both participating in tourism expos together, and sharing advertising costs together. They would also help to train human personnel jointly. TAT has co-operated with the Association of Thai Travel Marketing (ATTM) and VNAT to organize networking functions in HCM City and Ha Noi for Thai tour operators. Earlier in March 2012, both also signed a MoU

on promoting MICE co-operation between the two countries through Thailand Convention and Exhibition Bureau (TCEB) and the Viet Nam Chamber of Commerce and Industry (VCCI). In 2010, TAT and VNAT also signed a MoU to target 1 million Thai and Vietnamese tourists to each others' country by 2015, as well as to strengthen mutual co-operation for further development of the tourism industry of each country. The current MoU will encourage caravan tourism between the two countries, as this has become a very popular type of tourism close to 50 percent of Vietnamese travel to Thailand by overland. Currently over six airlines fly between the two countries.