



**Formulation of the
Philippine National Tourism Development Plan
2011-2016**

DISCUSSION PAPER
FOR THE FORMULATION OF A VISION,
STRATEGIC DIRECTIONS, AND OUTLINE ACTION PROGRAMS
FOR THE ACCELERATED DEVELOPMENT
OF PHILIPPINE TOURISM

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PHILIPPINES TOURISM FACT SHEET

Key Variable	Statistic
1. Visitor Arrivals to Philippines in 2010	<ul style="list-style-type: none"> • 3.52 million international arrivals
2. Profile of International Tourists 2010	<ul style="list-style-type: none"> • 61.5% from Asia Pacific Region – 44.4% from East Asia, 8.47% from ASEAN countries, 5.77% from Oceania, 1.45% from South Asia, and 1.38% from Middle East • Top Source Markets: 21% from Korea, 17% from USA, 10% from Japan, 5% China, 4% Australia, 4% Taiwan, 4%, Hong Kong, 3% Singapore • Main Purposes of Visit is Holiday, Visit Friends & Relatives, and Business • Average length of stay is around 8.83 nights (2009) • Average expenditure per day is around \$ 83.93 • Top Destinations are: Metro Manila, Cebu, Boracay Island, Camarines Sur, Bohol, Zambales, Davao City, Negros Oriental, Cagayan Valley, Puerto Princesa City, Baguio City, Ilocos Norte, Camiguin Island (source: Tourists in Selected Major Destinations 2010/2009, DOT)
3. Estimated Economic Impact of Tourism in 2009 (NCSB: Philippine Tourism Satellite Account)	<ul style="list-style-type: none"> • Tourism Direct Gross Value Added (TDVGA) P463,398 in million Peso • Around 6% of GDP. • 3.492 million jobs, 9.96% of total employment • Internal Tourism Expenditure: P912,260m, %share to PCE & Exports 11.25% • Domestic Tourism Expenditure: P787,027m, %share to PCE 13.87% • Inbound Tourism Expenditure: P99,374m, %share to Exports 4.09% • Outbound Tourism Expenditure: P79,640m, % share to total Imports 2.83%
4. Growth trends and Forecasts in International Arrivals to the Philippines	<ul style="list-style-type: none"> • International arrivals to the Philippines increased by 5.9% per annum between 2000 and 2010. • Total estimated arrivals of 3.017 m in 2009 was down by -3.9% compared to 3.139 m in 2008. Primarily to global recession. • UNWTO forecasts indicate that Philippines could achieve close to 5.71 million international arrivals by 2020
5. Domestic Markets (Household Survey on Domestic Visitors – HSDV 2009)	<ul style="list-style-type: none"> • Large domestic market base • 22.8 million Filipinos (aged 15 and above) traveled within the country as estimated by NSO and DOT with the Household Survey on Domestic Visitors (HSDV) • Each traveler made two trips and visited two places in the country in the Period of April – September 2009 • 45.8% of those who travelled for leisure and holidays stayed overnight in which 40.8% stayed for 2-3 nights. Average Length of stay for domestic traveler is 8 nights • Main purpose of travel is Visiting Friends and Relatives, Vacation, Business, Study, and MICE. • Top Destinations are: Metro Manila, Camarines Sur, Cebu, Davao City, Cagayan Valley, Baguio City, Boracay Island, Zambales, Puerto Princesa City, Bohol, Negros Oriental, Camiguin Island, Ilocos Norte (source: Tourists in Selected Major Destinations 2010/2009, DOT)

1 Introduction

1. This paper is intended to assist stakeholders at the Clustered Regional Workshops to:
(i) discuss and agree an overall vision with targets for the development of the Philippine tourism sector between 2011 and 2016, (ii) identify the strategic directions that need to be taken to achieve the vision and targets, and (iii) identify in outline form, the programs that need to be implemented under each strategic direction.

2 Overview of the Philippine Tourism Sector

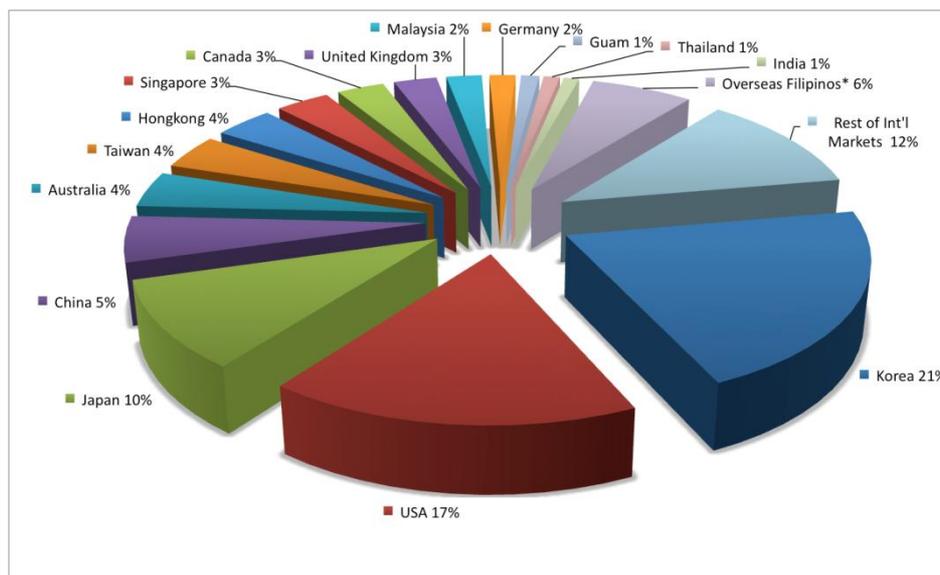
2.1 Scope of the Tourism Sector

2. The Philippine tourism sector has a long been seen as making significant contributions to socio economic development goals because of its combination of rich tropical natural and cultural heritage, the hospitable nature of its people, and its geographic position in Asia which has the largest and fastest growing markets (China and India) in the world. For example, between 2000 and 2010, total outbound travel from the PRC increased from 10.5 million¹ to 54 million with total outbound market value in expenditure estimated at \$48 billion in 2010².

2.1.1 Tourist Market Demand

3. In 2010, a total of 3.5 million international tourists visited the Philippines up from around 3.1 million in 2009. Over 61.5% of these arrivals came from the Asia Pacific Region with South Korea, Japan, and ASEAN being the main markets. North America and Europe are the most important long-haul markets for the Philippines. Surprisingly, China and India account for only a small fraction of the total market despite their enormous size and value.

Figure1. Visitor Arrivals by Market Share (2010)



Note: *Overseas Filipinos - Philippine passport holders permanently residing abroad, excludes Overseas Filipino Workers
Source: Tourism Research & Statistics Division, OTRIM Department of Tourism (DOT)

¹ United Nations World Tourism Organization (UNWTO)

² China Outbound Tourism Research Institute 2010

4. From the 2009 National Statistics Office - DOT Household Survey on Domestic Visitors (HSDV), it is estimated that a total of 22.8M Filipinos (15 y.o. and older) traveled within the country from the period April 1 to September 30, 2009. From the same survey it is estimated that 53.3% traveled to visit friends and relatives. Those who traveled for vacation and leisure comprise about 7.8M or 34.3% of the total domestic travelers. Domestic Tourism Expenditure (at current prices) increased 4.1% in 2009. It is estimated that a growing middle class in the main cities of the country is the driver of the domestic tourism in the Philippines.
5. Although data on the volume of Philippine outbound international tourism is not available for 2010, after allowing for departing overseas workers, it is estimated that about 2 million Filipinos travel abroad for short-term visits. The short-haul destinations in East Asia and ASEAN account for most of these while the USA and Europe are the most important long-haul destinations for outbound Filipinos. It is noted that some short-haul overseas destinations are substitutes for domestic destinations and the Philippine tourism sector thus competes with these destinations for their business.

2.1.2 *Tourist Market Supply*

6. The Philippine tourism inbound, domestic and outbound markets support the operation of 36 international airlines including five (5) of Philippine origin, and five domestic carriers. In 2010, the international carriers operated an average of 806 incoming scheduled flights per week with 197,000 seats per week from 42 foreign ports going mainly to Manila and Cebu, but also Laoag and Davao, and some charter flights to Kalibo and Puerto Princesa. Total seat capacity utilization levels are high at around 65%. The five domestic carriers operated an average of 3,000 flights with 348,000 seats per week in 2010 based mainly on a hub and spoke system centered upon Manila and Cebu and to a lesser extent Davao, Clark and Laoag with total seat utilization averaging around 82%.
7. The market also supported the operations of: 45 RO-RO and inter-island shipping companies servicing a total of 184 routes; and 6,000 interisland buses with estimated seating capacity of 60 per bus. These interconnect the main market gateway and generating cities with the secondary cities of the country and are generally highly utilized at above 85% of total capacity.
8. In addition to the transportation services, the sector supported:
 - an estimated 381 accredited accommodation establishments³ with estimated 30,147 number of rooms and with an average room utilization levels of 67.6% (occupancy data based on Metro Manila Hotel Establishment Average Occupancy Report Jan-Nov 2010, DOT)
 - 65,052 rooms from 2,343 accommodation establishments, based on the Accommodation Establishment survey conducted by DOT in (7) selected major destinations from Central Philippines, Metro Manila, and Tagaytay (May 2010).
 - 314 inbound, domestic and outbound accredited travel operators;
 - 1,474 accredited tourist transportation operators; and
 - 211 accredited guides.
9. The tourism sector is estimated to have contributed \$2.96 billion in foreign exchange and 6.2% to GDP in 2007, 43.5% of total Philippine service exports in 2009, and 3.3 million jobs in the economy (2008). Average investment in tourist facilities and services between 2005 and 2009 was P36 billion.

³ DOT Accreditation Division (List of Accredited Establishments as of Dec 2010)

2.2 Growth Performance and Prospects

10. The overall growth trend for international tourism between 2001 and 2010 has been below 5% per annum, -1.3% p.a. for domestic visitors from year 2005 - 2009, and 9.1% p.a. for outbound tourism from year 2000 - 2007. While outbound tourism have grown quite robustly, as noted from a comparison of international arrivals between the Philippines, ASEAN, the Asia Pacific Region, and the world, its international tourism arrivals performance has been quite modest. Similarly, the Philippines' share of total global, regional, an ASEAN international expenditure has been well below that of the ASEAN and East Asia and the Pacific levels.

Area	1995	2008	2009	2010	CAGR
World	565.00	919.00	880.00	935.00	3.4%
East Asia/Pacific	79.00	184.00	180.90	203.80	6.5%
ASEAN	29.70	61.70	62.00	69.60	5.8%
Philippines	1.76	3.14	3.02	3.52	4.7%
Market Share					
Asia Pacific	14.0%	20.0%	20.6%	21.8%	3.0%
ASEAN	5.3%	6.7%	7.0%	7.4%	2.3%
Philippines	0.31%	0.34%	0.34%	0.38%	1.3%

UNWTO and Philippine Department of Tourism

Area	2010	2015	2020	CAGR
World	935.00	1,207.73	1,560.00	5.3%
East Asia/Pacific	203.80	284.44	397.00	6.9%
ASEAN	69.60	97.29	136.00	6.9%
Philippines	3.52	4.48	5.71	5.0%

11. Based on these results and projecting these onto the UNWTO forecasts for 2020, the prospects for international arrivals continue to look quite modest with at best around 4.5 million arrivals by 2015 and 5.7 million by 2020.
12. The Philippines is in a strategic position geographically with the assets and cultural characteristics necessary to benefit from its position in Asia that has the largest and fastest growing markets (China and India) in the world. For example, between 2000 and 2010, total outbound travel from the PRC increased from 10.5 million⁴ to 54 million with total outbound market value in expenditure estimated at \$48 billion in 2010⁵
13. International tourism market prospects for the region within which the Philippines is located look robust. The UNWTO estimated that between 2010 and 2020, the East Asia and Pacific Region will increase its total outbound travel from 190 million to 410 million (100 million from China and 141.5 million from Japan), while South Asia, based mainly on India, will increase its total outbound volumes from around 5 million to 20 million. The UNWTO forecasts that over 66% of these will visit countries within the region based on leisure, entertainment, resort, shopping business, MICE, medical, education and other special interest activities.⁶ Based upon disaggregation of expenditure forecasts for 2020, the estimated value of these markets will be \$564.25 Bn USD at 2000 prices. The recent disaster in Japan involving a major earthquake, tsunami, and nuclear reactor meltdown will have a great impact on travel to and from Japan.

3 Issues and Constraints

14. As noted in earlier planning efforts on the tourism sector, the key issues and constraints confronting the rapid growth of the sector, especially its ability to obtain a larger share of the fast-growing regional international markets have been:
- aged and heavily congested and outdated international airport infrastructure and operations system that has led to the downgrading of the country's airport terminals

⁴ United Nations World Tourism Organization (UNWTO)

⁵ China Outbound Tourism Research Institute

⁶ UNWTO Tourism 2020 Vision, Volume 3

to Category 2 by FAA and blacklisting of Philippine carriers from European skies and advisories against travel on Philippine carriers by Europeans;

- inability to develop and expand air accessibility to key growth markets in terms of routes, frequencies and capacities required;
 - inadequate air, sea, and road connectivity between the major international gateways and domestic market centers and destinations of interest;
 - limited number of complete destinations offering a variety of things to see and do able to support a larger volume of tourists at a price that is competitive;
 - inadequate destination and site last mile access, environment, utility, security, and other tourist infrastructure to support larger volumes of tourists in a safe, secure, and sustainable way. This constraint is complicated by a lack of prioritization and overpricing of infrastructure implementation projects;
 - policy and regulatory frameworks that have limited the ability of the Philippines to tap key international growth markets, coordinate the implementation of required infrastructure works in gateways and destinations, provide an investor friendly environment, ensure a safe and secure destination experience, and provide a good quality and consistent levels of facilities and services;
 - overlapping institutional functions between the national government and LGUs resulting in uncoordinated, fragmented and inefficient outcomes; and
 - low budgets for Marketing and Promotions
15. These constraints have made it difficult to implement plans and programs for the development of the sector at the public sector level and discouraged private sector investment in improved connectivity services and in tourist facilities and service at the destination level.
16. To address these constraints in the past, in 1990, the Department of Tourism with technical assistance from the UNWTO prepared a 20-year tourism master plan (1991-2010), and subsequently corresponding tourism plans for most of the regions. In 2002, McKinsey & Co prepared a strategy and action plan to accelerate implementation of the master plan. More recently, the government has:
- developed the Nautical Highway initiative to improve connectivity between the Central Philippine islands and the Northern and Southern parts of the country;
 - prepared a sustainable tourism development plan for Central Philippines to develop its outstanding potential for island, marine and resort-based tourism; and
 - promulgated a new tourism law (RA9593).
17. The Nautical Highway initiative sought to make it easier to travel between the main islands of the Philippines by connecting the main national highways with RORO port facilities at strategic locations focused upon the island-dominated Central Philippines. The Nautical Highway initiative was complemented by the sustainable tourism development plan for Central Philippines that provides a framework of strategic tourist destinations and areas and related tourism transportation, infrastructure and software development programs between 2007 and 2016.
18. The new tourism law of 2009 seeks to address key concerns in regard to transportation, infrastructure, investment, quality standards, institutional arrangements, and tourism planning:

Transportation: the law mandates the representation of the tourism sector in the Civil Aeronautics Board (CAB) that determines the nature of air services between the Philippines and foreign points, as well to sit as an active member in all air service

agreement negotiations. An Executive Order to permit application of a pocket open skies to key airports has recently been signed.

Infrastructure: to accelerate tourism infrastructure development, the law mandates the DOT to coordinate closely with the infrastructure agencies of the government, establish the Tourism Infrastructure Enterprise Zone Authority (TIEZA) to focus on destination area infrastructure development and investment promotion, and to prepare an annual tourism infrastructure development program.

Investment: to accelerate private sector investment in tourist facilities and services at the destination level, the TIEZA is mandated to declare Tourism Enterprise Zones in which investors will receive a range of fiscal and non-fiscal incentives similar to those provided under the provisions of the Board of Investments law. However, the Department of Finance is currently seeking a rationalization of all incentives given to economic zones.

Accreditation of Tourism Enterprises: to raise quality of tourist facilities and services, and protect tourists, the tourism law mandates the mandatory accreditation of primary tourist enterprises based on coordinated implementation between the DOT and LGUs.

Institutional Arrangements: to bring about a more effective institutional arrangement for implementing plans and programs for the development of the tourism sector, the tourism law:

- mandated the restructuring of the DOT to convert the PTA into the TIEZA and the PCVC into the Philippine Tourism Promotion Board, and the streamlining of its organization structure at the national, regional and overseas office level (now being implemented);
- provides for the establishment of a Tourism Congress representing the private sector to act as an advisor to the DOT and as an industry lobby on key sectoral issues and concerns (already established but in dispute); and
- provides for the establishment of the Tourism Industry Council representing the national government agencies as well as the Tourism Congress and LGUs through the League of Governors and Mayors to coordinate tourism development initiatives at these levels (established and met for the first time on 28 February 2011).

Tourism Planning: to bring about a more orderly, efficient and effective development of tourism, the tourism law mandates the DOT to prepare a National Tourism Development Plan co-terminus with the Medium Term Economic Development Plan, in this case 2011-2016 (formulation of the NTDP is ongoing).

4 Conclusions and Recommendations

19. The recent initiatives of the Philippine Government in the tourism sector have provided a solid platform for addressing many of the issues and constraints that have prevented the sector from achieving its real potential in the past. In particular, the tourism law provides a framework for putting in place the planning, institutional, coordination and resourcing framework necessary to implement programs and projects to accelerate the development of tourism to the desired levels.
20. While the President has indicated a target of 6.5 million international arrivals by 2016, the overall vision, targets, and the strategic directions that should guide the development of the sector over the medium to longer-term have yet to be put in place. In particular,

given the issues and constraints facing the development of the sector, and the initiatives to date, there is a need to put in place:

- an international air access system (regulatory, air services, infrastructure and CIQ services) that enables the Philippines to tap key international growth markets at a competitive price;
- a domestic air, sea and road transportation system that enables the Philippines to move its international and domestic markets between the main gateways and domestic market centers to the destinations of choice at a competitive price;
- a market orientated strategic destination framework to guide and prioritize connectivity and destination infrastructure and private sector investment in tourist facilities and services;
- a prioritized program for the provision of transportation linkages and connectivity as well as transportation, utility, environment and tourist support infrastructure in the strategic destinations;
- an initiative to encourage private sector investment, quality standards and accreditation of tourism enterprises, and human resources development in the strategic destinations;
- a program for clarifying and coordinating the functions and institutional arrangements for the planning, development, regulation and marketing of tourism between the national government agencies, the LGUs, and the private sector; and
- a well-funded program for product development and marketing.