

South Asia's Position in Asia Pacific Tourism

PATA President and CEO Mr Peter de Jong, February 28, 2005

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The global travel & tourism industry has generally been on an upward growth trend since figures began to be collected and collated in the 1950s by the World Tourism Organization.

It was not until 1964 that we saw international arrivals approach the 100 million mark in any year for the first time, another decade to break the 200 million barrier (1974) and yet another to realise more than 300 million in 1984.

The momentum increased at that point with 100 million gains being reached in 5-year increments until last year, when some 760 million international arrivals were recorded.

Throughout those earlier years, the Asia Pacific region, while active in international tourism, did not significantly add to the collective global count. But that changed dramatically in this new millennium.

By the end of the 1950's Asia Pacific contributed less than 10% to the global volume, by the early 1970's this had doubled to 20% and by the end of last year that proportion had doubled yet again to reach 40% of the total.

Bear in mind however that PATA and the WTO include differing destinations in their definitions of Asia Pacific so a direct comparison is not that clear cut.

To make matters even more complicated, destinations often deliver differing totals, even when from the same source, so you can see why PATA is very interested in assisting wherever possible in the harmonisation of arrivals statistics!

However the general point is well made. The Asia Pacific region has been gaining in importance as a receiver and indeed a generator of international arrivals, particularly over the last decade or so, the various trials, tribulations and set-backs notwithstanding.

Asia in particular has been, and is expected to continue to be, a major force in this regard.

The twenty-three countries and special administrative regions that make up the region defined as "Asia" by PATA, last year received close to 220 million international arrivals. That's about 71% of the total volume expected to the entire Asia Pacific region for Calendar Year 2004.

Three-quarters of that was to North-east Asia and almost 23% went to Southeast Asia. That leaves the South Asia share for the year at less than 3% of the volume.

So it is with a sense of bafflement that once again we ponder why South Asia, so rich in flora, fauna, culture and natural wonders, has such a small proportion of the tourism cake within Asia.

To some degree it is related to the mix of arrivals. South Asia is different from the Northeast and Southeast Asia collectives in as much as the majority of its source markets are long-haul, not intra-regional.

In 2003, the last year for which a complete Asia Pacific data set is available, Northeast Asia and Southeast Asia sourced their international arrivals from origin markets within Asia to the tune of 96% and 86% respectively.

South Asia, on the other hand, sourced close to two-thirds (64%) of its arrivals from destinations other than Asia, principally Europe and unfortunately traffic has tended to be stagnant from that market for the last few years.

Calendar year 2003 saw a turnaround, however, with South Asia producing its best ever collective result. India, the Maldives and Sri Lanka all set new records for international visitor arrivals in 2003 even in the face of SARS which so drastically affected other parts of Asia. Each then continued with that momentum through 2004 to set new record highs once again.

And we expect that to continue for the next few years. The economic indicators are generally positive across the region and the social indicators show continued growth.

While per capita GDP may not be growing as rapidly as in other parts of Asia, the sub-continent never-the-less is seeing positive movement in that area with the consequence of an ever-expanding middle-class. Between the year 2000 and 2007, GDP per capita is – according to some reports at least – expected to increase by almost 60%.

And that is significant for the travel & tourism industry at the total sector level because we can expect a dramatic increase in domestic tourism – in the first instance - as a result.

One lesson we learned during the SARS crisis was that the often neglected domestic traveller actually played a vital role in keeping tourism plant open and operational and so it is now no surprise to see many NTOs paying much more attention to that segment of the overall industry.

And little wonder. In India alone the domestic market is estimated to generate around 300 million trips annually across the whole of the country. That's a huge potential.

So all the elements are in place for a dramatic increase in travel & tourism activity across South Asia. We have population – around 1.3 billion – we have a growing middle-class with ever increasing disposable incomes, we have an intense desire for travel – especially amongst the younger set – and we are seeing the emergence – with the low-cost-carriers – of the means to travel much more widely, for less.

If these carriers can create and maintain a profitable operational model for South Asia, we could very shortly see 'explosive' growth as more and more people take to the skies for business and pleasure.

Take the case of EasyJet in Europe which increased its number of weekly flights from just over 800 per week in 2000 to more than 3,900 per week in January 2005. That's a gain of 387% in just 5 years.

Closer to home we see Air Asia almost doubling its flights per week from 434 in January 2004 to 826 in January 2005.

And they are having an impact. The competition on the Singapore-Bangkok route is intense with consumers reaping the rewards. International arrivals through Bangkok International Airport by Singaporeans took a rapid jump last year, improving by more than 34% just around the time these carriers began their positioning and pricing campaigns.

What this is doing, of course, is changing the parameters by which we currently define our industry.

All of a sudden we have to consider not only international border crossings but also the distribution of population centres around existing airports and their catchment areas. This is what investors want to know and need to know.

So far we have identified more than 200 airports across the region that, in theory at least, could provide an even more significant network for air travel than is currently the case – and in a very short space of time.

Current air capacity to/from South Asia already stands at around 1.6 million seats per week in each direction (as at January 2005 at least) with intra-regional flows (South Asia to/from South Asia) capturing well over half of that capacity.

The Middle East accounts for one-quarter of that capacity while Europe and Southeast Asia manage only 10% each.

Surprisingly, Northeast Asia captures less than 2% of that capacity at the moment. Given the speed with which outbound activity from that sub-region is expanding offers a challenge and potential yet to be realised for South Asia destinations.

So the longer-term potential is very positive as South Asia improves its position as a generator and supplier of travellers, but the road ahead is not without its obstacles.

Demand for international travel may be there, the financial capability for such travel also, even the air capacity may exist to service expected demand, but people still need appropriate documents to be ALLOWED to travel internationally.

All of the markers showing strong appetite for international travel mean nothing if people are unable to obtain passports, visas and all the other necessary permissions to travel beyond their country borders.

At the moment the processes for obtaining, for example, a passport and visas are seen by many as slow, cumbersome and unnecessarily bureaucratic (and often costly) and could actually be an artificial cap on growth potential.

We have evidence of what happens when those processes are streamlined and opened to a wider population, just by looking at the relationship between the Special Administrative Regions (SARs) of Hong Kong and Macau and Mainland China.

In July 2003, shortly after the SARS all-clear was sounded, the administration in China greatly liberalised the restrictions on travel to neighbouring Hong Kong and China.

The result?

An immediate and dramatic increase in flows to those destinations and an immediate reversal of the tourism woes suffered during the worst of the SARS scare.

Before the easing of the restrictions, China flows to Hong Kong, for example, were growing at a little over 12%. In the five months following the regulation changes, those same flows grew by more than 143% and they continued to increase, showing gains of more than 40% in calendar year 2004.

Similarly in Macau, where demand has increased to the point where accommodation stock is under such pressure that a doubling of available rooms has already begun.

This flow is not unidirectional either. Once the volumes reach a constant critical mass, the carriers and suppliers begin promoting inbound alongside outbound.

The flows from China to Hong Kong for example were also matched by double-digit growth from Hong Kong into China to the point of reaching more than 60.5 million in the first 11 months of 2004.

Imagine the economic impact, the jobs created, the investment, the business opportunities.

This can happen in South Asia and undoubtedly will. As to when, that is up to you. Real dialogue between the public and private sectors is a good first step as there are also pitfalls in too rapid liberalisation and all stakeholders need to be aware of those challenges.

As a meeting place of both public and private sector members, PATA stands ready and willing to assist in this regard in whatever way it can.

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