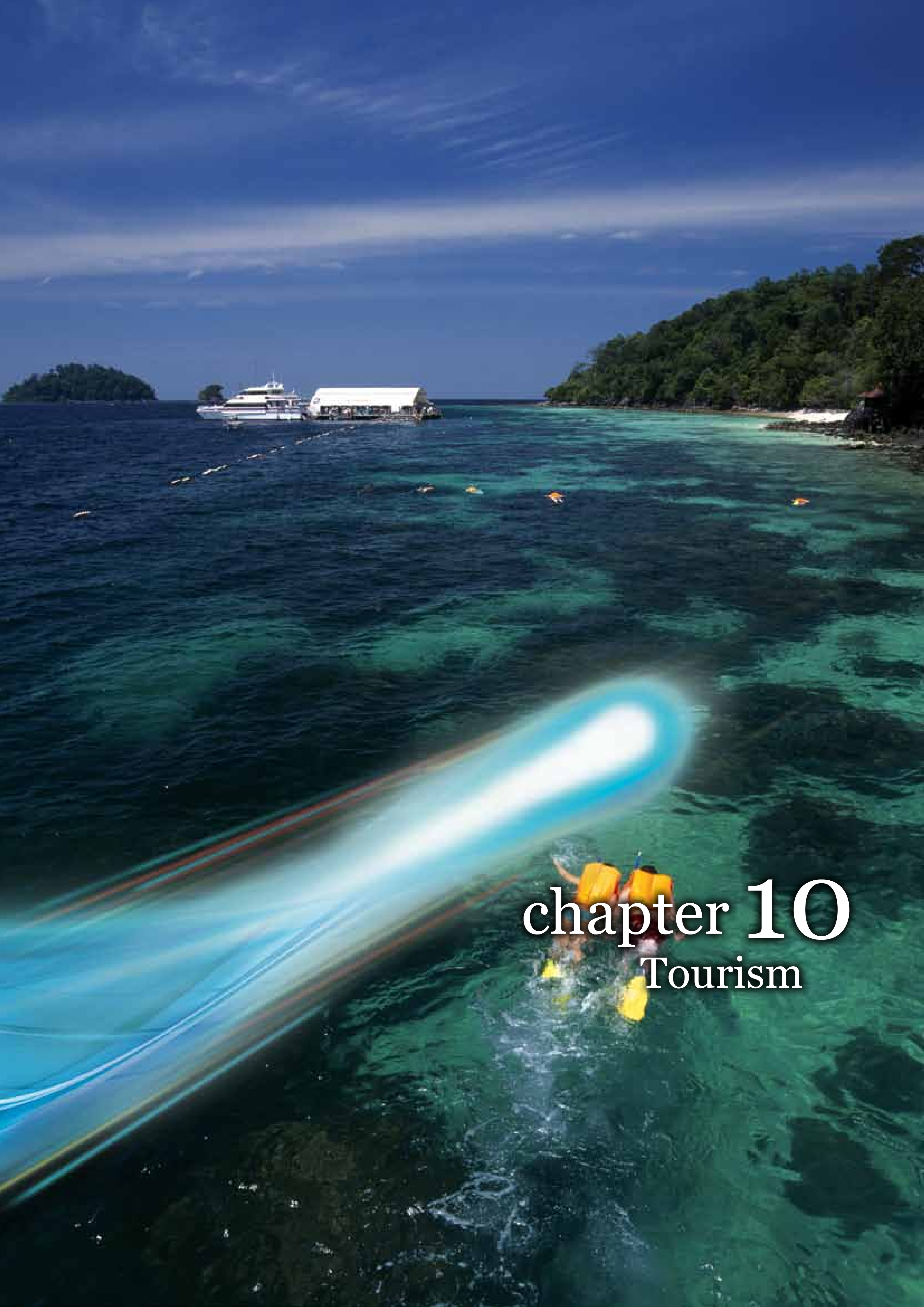

chapter 10
Tourism

Chapter 10: Revving Up the Tourism Industry

"The tourism sector will continue to be in the forefront of Malaysia's economic development. This sustainable and high-yield sector will continue to drive Malaysia's economy, providing income and job opportunities to the Rakyat.

Malaysia has a strong global tourism position today. We are the 9th most visited country in the world and we receive RM1 billion receipts per week from foreign visitors. Realising the advantage and strong position we possess in the tourism industry globally, the Government is committed to further develop this sector together with the private sector for the benefit of the Rakyat.

We have set sight on the target of 2020:36:168. That is in the year 2020, Malaysia will receive 36 million tourist arrivals and RM168 billion tourist receipts. This would mean the industry will grow by 3 times and tourism will contribute RM3 billion receipts per week to the country in 2020. This strategic ambition will be achieved through the 12 initiatives proposed under the Tourism National Key Economic Areas (NKEA).

As the Minister of Tourism, I look forward to the successful delivery and implementation of the Tourism NKEA. I seek the support of all Malaysians to work together with the Ministry of Tourism to ensure the success of this important national agenda."

YB Dato' Sri Dr. Ng Yen Yen

Malaysia is recognised globally as one of the leading tourism destinations, ranking in the top 10 in arrivals and top 15 in global receipts. The tourism industry is also an important contributor to our economy, generating RM36.9 billion in gross national income (GNI) in 2009. This makes tourism the fifth largest industry in our economy after Oil, Gas and Energy, Financial Services, Wholesale and Retail, and Palm Oil. By 2020, the tourism industry will contribute RM103.6 billion in GNI, with arrivals increasing from 24 million in 2009 to 36 million in 2020.

DEFINITION OF THE TOURISM NKEA

Tourism refers to both leisure and business tourism and includes the following subsectors: accommodation, shopping, tourism products (i.e. eco-tourism, cruise tourism and other related activities such as spa and wellness) and food and beverage as well as inbound and domestic transportation.

Two key tourism subsectors – education tourism and medical tourism – are not included in this NKEA, as they are addressed in other NKEA Labs[1].

MARKET ASSESSMENT

Malaysia has a solid starting position to propel itself into a key tourism destination. The industry is already large (RM53 billion in receipts in 2009), has been consistently fast growing (14 percent per annum for the past ten years and 12 percent growth per annum from 2004 to 2009) and has a strong global competitive position. This good foundation can be leveraged to enhance the sector's contribution to our economy.

Globally, there are several megatrends that affect the tourism industry. Megatrends represent inexorable growth, cut across industries and are structural shifts that will be relevant to the business world in the next five to ten years. The four megatrends that are both relevant and important for the future of our tourism industry are:

- **Trading up and trading down:** This refers to consumers selectively spending above or below their income level for selected goods. A consumer may choose to splurge on one item, while deciding to economise on others. An example of this behaviour would be a consumer who flies on a budget airline to Malaysia to reduce cost, but then stays in a five-star resort to enjoy an exclusive luxury experience;

- **Creation of global elite:** This refers to the increasing number of high-income or high net worth consumers around the globe. This group is characterised by having homogenous demands and has high expectations about product and service quality. For example, a very wealthy Mumbai resident is likely to have many more similarities with a wealthy New Yorker than a middle-class Mumbai resident. With the number of wealthy individuals increasing across all key Malaysian tourism source markets, the importance of offering high-end products and high service levels is growing ever greater;

- **Faster pace of life:** This refers to the increased stress levels and reduced time for leisure that has accompanied urbanisation of the workforce around the world. Urban consumers are increasingly interested in frequent short escapes from their busy lives to relieve stress. These include spa and wellness getaways and short holiday tourism experiences. The effect of this megatrend is seen worldwide, especially in developed countries, through increased numbers of leisure departures per person and shorter lengths of stay; and

- **Rise of China, India and new market leaders:** This refers to the increasing economic importance of the BRIC (Brazil, Russia, India and China) and Middle East (ME) countries. These countries are currently under-represented in global tourism departures and expenditures, both in proportion to population and economic contribution. However, as these economies continue to grow, consumer disposable income will increase, which will lead to more people who can afford to travel. Malaysia has already penetrated well into the Middle East segment, but can look into increasing its penetration into other growth markets.

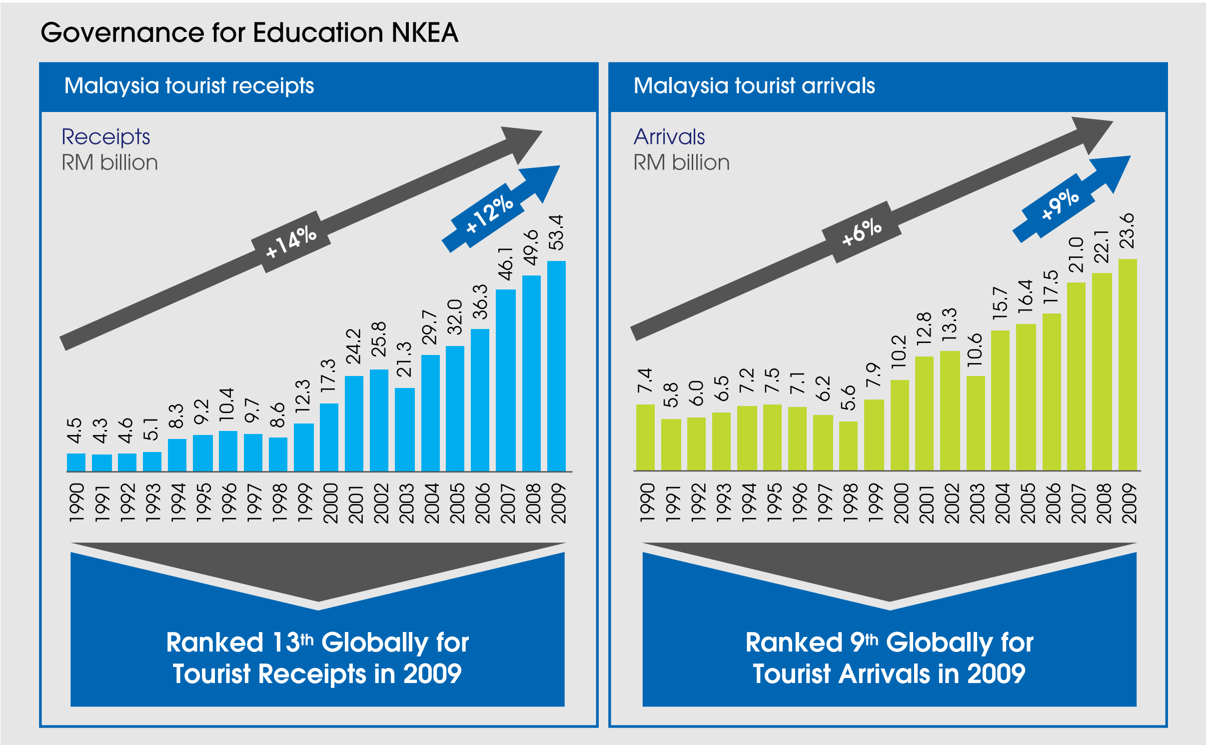
[1] *Medical or health tourism refers to any activity related to the provision of healthcare services such as cosmetic surgery or other forms of medical procedures and is covered under the Healthcare NKEA. This also includes areas such as assisted living that require the provision of licensed doctors and nurses. Other areas such as wellness and spa fall under the scope of the Tourism NKEA. Education tourism refers to activities related to targetting and attracting foreign students to study in Malaysia and falls under the Education NKEA. However, the visiting friends and relatives segment of this group falls in the scope of the Tourism NKEA.*

Status of Malaysia's Tourism Industry

Over the past two decades we have managed to increase our international arrivals from 7.4 million in 1990 to approximately 16 million in 2004 and to approximately 24 million in 2009.

Exhibit 10-1 illustrates Malaysia's global tourism ranking in terms of tourist receipts and tourist arrivals. The tourism sector has grown from RM30 billion in 2004 to RM53 billion in 2009 – a growth of 1.8 times (or 12 percent per annum from 2004 to 2009) placing Malaysia 13th in terms of global tourist receipts. Only a few countries have been able to sustain double-digit growth over such a long period of time, including Egypt, China and South Africa.

Exhibit 10-1



SOURCE: Tourism Malaysia, UNWTO

Growing the Tourism Sector would Increase the Per Capita Incomes of its Large Employment Base

The tourism industry currently employs a significant number of workers – an estimated 14 percent of our total workforce. Currently however, the average salary within the sector is relatively low compared with other large sectors of the our economy. For instance, Malaysians working in hotels and restaurants make on average RM1,084 per month compared to RM2,114 in financial services and RM2,621 in oil, gas and energy sector.

Malaysia also faces a skills drain issue, where locals who choose to enter the hospitality industry are enticed by better income prospects in markets abroad such as Singapore, Hong Kong and Macau. For instance, the opening of the integrated resorts in Singapore has attracted a large number of Malaysians to seek employment opportunities there.

Why Business as Usual is Not Enough

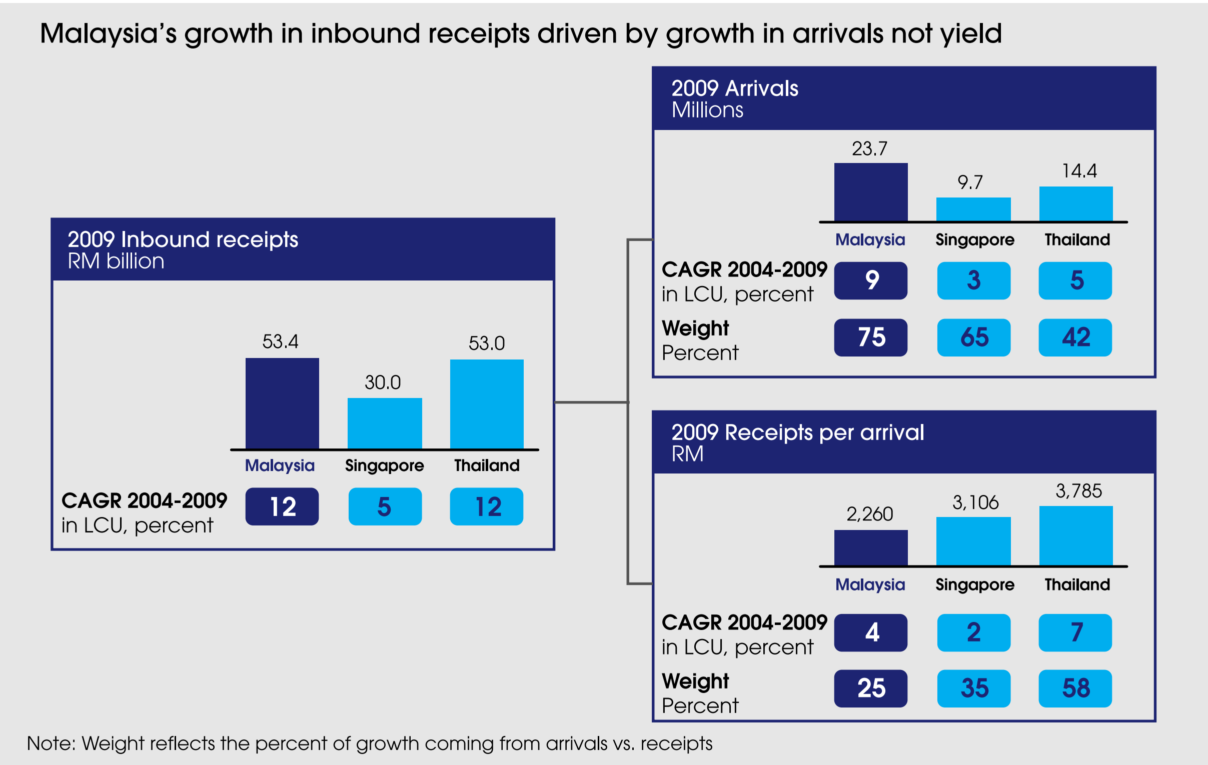
Despite the industry's strong historical growth of 14 percent over the last decade and 12 percent over the last five years, it has predominantly been dependent on growth in the number of arrivals rather than on yield per tourist. If this trend were to continue, Malaysia would have to depend on mass tourism arrivals, especially from its neighbouring countries (Singapore, Brunei, Thailand, and Indonesia) given their higher frequency of visits. Mass tourism brings with it two separate concerns. The first is a high dependence on a few neighbouring countries for low yield tourists. The second is Malaysia's capacity to accommodate a higher number of tourists before compromising on the quality of its offerings.

Malaysia Today – High Arrivals, Low Yield

Malaysia's growth in tourism is predominantly reliant on growth of arrivals rather than yield. As shown in *Exhibit 10-2*, 75 percent of Malaysia's growth has been due to the increase of tourist arrivals compared to only 25 percent growth from yield. In comparison, Singapore and Thailand have grown in a more balanced manner. In Singapore, whereby 65 percent of Singapore's growth was driven by tourist arrivals while 35 percent of growth was attributed to yield. Thailand had the reverse situation, where 42 percent of growth was due to tourist arrivals and 58 percent was due to yields, indicating that it is attracting higher spending tourists.

Out of the 24 million tourist arrivals into Malaysia in 2009, 78 percent came from short-haul markets especially from neighbouring countries, 15 percent from medium-haul markets and 7 percent from long-haul markets (2009). In comparison, 43 percent of arrivals in Singapore were from the medium-haul markets, while 36 percent of arrivals in Thailand were from the long-haul markets[2].

Exhibit 10-2



SOURCE : Immigration Department of Malaysia, DOS, EIU, Boston Consulting Group

[2] *Short-haul: Indonesia, Philippines, Vietnam; Medium-haul: China, India, Saudi Arabia, UAE, Japan, South Korea, Australia; Long-haul: UK, France, Germany, Netherlands, Russia*

The yield per tourist in Malaysia is also relatively low at RM2,260 compared to RM3,106 in Singapore and RM3,785 in Thailand (*Exhibit 10-2*). The reasons for this include:

- **Lower average length of stay:** Long-haul tourists currently spend 10 nights in Malaysia versus 14 nights in Thailand;

- **Lower spend per day:** Tourists to Malaysia currently have a lower spend per day versus Thailand for all inbound markets (with the exception of Saudi Arabia and UAE); and

- **Dependence on arrivals from short-haul markets:** Malaysia is highly dependent on tourists from the short-haul markets who spend less in Malaysia versus their average spend in other neighbouring destinations.

Going forward, it is more sustainable for Malaysia to shift its focus on growing yield per tourist rather than to rely heavily on growth in tourist arrivals. To attract the higher yield segment, we will need to both improve and upgrade tourist offerings and services, and also enhance connectivity to key priority markets.

TARGETS AND ASPIRATIONS

The tourism industry will contribute RM103.6 billion in GNI by 2020. This will require the sector to nearly triple GNI contribution from its starting position of RM36.9 billion in 2009. To achieve this ambitious growth target, the tourism industry will need to achieve:

- **Tourist Arrivals:** From 24 million in 2009 to 36 million by 2020 (1.5 times growth);

- **Yield (receipts per arrival):** From RM2,260 in 2009 to RM4,675 by 2020 (two times growth); and

- **Tourist Receipts:** From RM53 billion in 2009 to RM168 billion by 2020 (3.2 times growth)

As an outcome of this, Malaysia will be able to achieve:

- **Income per capita:** Increase in income per capita above the current average of RM10,843 will also attract and retain high quality workers through higher pay and clear career paths for workers in the industry; and

- **Higher employment:** 497,200 additional tourism jobs in the tourism sector by 2020. This represents a 30 percent increase from 2009. The total workforce will however grow at a lower rate compared to tourism receipts due to an anticipated rise in productivity ensuing from attracting and retaining a better quality workforce as well as upgrading the skills of the current workforce.

12 EPPs to Deliver RM66.7 Billion Incremental GNI

Twelve entry point projects (EPPs) have been identified across five themes to enhance our tourism yields. In addition, we have identified three business opportunities which will materialise due to the expected growth in the industry. As described in *Exhibit 10-3*, these 12 EPPs and three business opportunities together with organic sector growth will stimulate tourism growth from RM36.9 billion in GNI today to RM103.6 billion in GNI by 2020.

The RM103.6 billion GNI contribution includes RM9.7 billion of GNI from the multiplier effect created by EPPs from other sectors. The largest sources of this multiplier effect are NKEAs including Electronics and Electrical and also Palm Oil, which are anticipated to bring benefits from professionals working in Malaysia, who will provide stimulus to restaurants, hotels and the broader tourism sector.

The 12 entry point projects (EPPs) are segmented in five broad themes that cater to different segments of tourists ranging from the avid shopper to the nature lover and the business traveller, as well as families on vacation. The five themes and 12 high-impact projects identified are:

Theme 1: Affordable Luxury

- **EPP 1:** Positioning Malaysia as a duty-free shopping destination for tourist goods;
- **EPP 2:** Designating Kuala Lumpur City Centre-Bukit Bintang area as a vibrant shopping precinct; and
- **EPP 3:** Establishing three new premium outlets in Malaysia.

Theme 2: Nature Adventure

- **EPP 4:** Establishing Malaysia as a global biodiversity hub.

Theme 3: Family Fun

- **EPP 5:** Developing an eco-nature integrated resort in Sabah; and
- **EPP 6:** Creating a Straits Riviera.

Theme 4: Events, Entertainment, Spa and Sports

- **EPP 7:** Targetting more international events;
- **EPP 8:** Establishing dedicated entertainment zones;
- **EPP 9a:** Developing local expertise and better regulating the spa industry; and
- **EPP 9b:** Expanding sports tourism offerings in Malaysia beyond hosting events.

Theme 5: Business Tourism

- **EPP 10:** Establishing Malaysia as a leading business tourism destination.

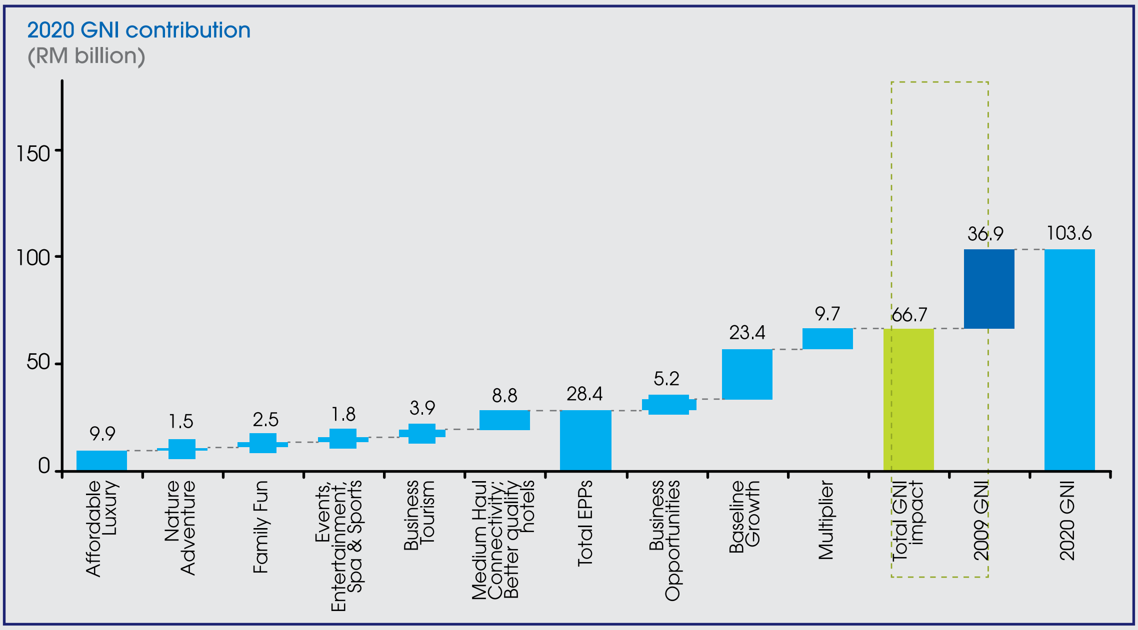
Cross-theme projects: Medium-haul connectivity; Better quality hotels

- **EPP 11:** Enhancing connectivity to priority medium-haul markets; and
- **EPP 12:** Improving rates, mix and quality of hotels.

[3] *Average wage for workers in hotel and restaurant sector*

Exhibit 10-3

12 EPPs, 3 business opportunities, baseline growth and multiplier effect will deliver RM66.7 billion incremental GNI impact by 2020



AFFORDABLE LUXURY

Shopping currently accounts for 28 percent of total tourism receipts, compared to 35 percent in Singapore and 57 percent in Hong Kong. Tourists spend less on shopping because products are priced higher and also due to the limited selection of goods. This lower volume of sales in Malaysia translates into a lack of scale resulting in a vicious cycle. One of the ways to address this is to position Malaysia as a shopping destination.

With this strategy, we aim to grow shopping receipts from 28 percent in 2009 to 35 percent by 2020. This will also increase average tourist shopping expenditure from RM631 to RM1,636 by 2020. To achieve this aspiration, we will undertake the following three EPPs, which together will generate RM9.9 billion in GNI and an additional 80,340 jobs.

EPP 1: Positioning Malaysia as a Duty-Free Shopping Destination for Tourist Goods

Rationale

The higher prices in Malaysia of imported retail products, such as apparel, shoes and handbags, as compared to Singapore and Hong Kong, are in part due to the import taxes imposed on these products. Furthermore, due to the lack of economies of scale, many high street and luxury brands have chosen not to enter Malaysia thereby limiting the latest available product range.

Actions

Exempt products popular with tourists from import duties. By positioning Malaysia as a duty-free haven, it is envisioned that our prices will be more competitive in the region, attracting tourists to shop more and in turn leading to an increase in sales. To achieve this, a crucial first step will be to expand the category of duty free products to include those that have high tourist spend, with duty exemption granted on an automatic basis. The categories of goods proposed for exemption based on the Customs Tariff codes are: cosmetics and perfume (Section 33), leather goods (Section 42), textiles, apparel and clothing (Sections 61-63), footwear (Section 64), headgear (Section 65), jewellery, excluding coins (Section 71), electrical goods (Section 85) and toys (Section 95).

These products constitute the main purchases of tourists in Malaysia with textiles, clothes and handbags (leather goods) being the top categories of tourist spending. This proposal will allow us to market Malaysia as a duty-free shopping destination.

While it is recognised that Government revenues from import taxes will be reduced as a result of this duty exemption, this can be offset by the additional yield from corporate taxes. The estimated loss of Government revenue will be approximately RM630 million while the incremental corporate taxes collected by 2020 are expected to be RM780 million.

Help local manufacturers compete. An area of concern arising from this duty exemption is the impact on local manufacturers. Clear mitigation plans will be put in place to enable domestic manufacturers to compete in this more liberalised market. These include:

- **Fiscal incentives:** Provide financial assistance to automate and upgrade manufacturing equipment;

- **Non-fiscal incentives:** Provide training to enable local manufacturers to move up the value chain (e.g. establish a training centre for shoe manufacturers); assist local manufacturers to develop their own brands and connect them with international brands to develop higher value products; and

- **Local product collaboration:** Shopping complexes and local manufacturers should work together to promote local products.

The Ministry of Tourism will work with the Ministry of International Trade and Industry on the deadline and implementation of this EPP.

Funding

There are no direct investment requirements for this EPP. However, there will be an estimated RM630 million loss in Government revenues with the removal of import duties. This loss in Government revenue would be netted off by the increase in corporate tax revenues.

Impact

The impact of this EPP is estimated at RM7.8 billion which will come from increase in spend on shopping by foreign tourists coming to Malaysia (from 28 percent of receipts in 2009 to 35 percent by 2020). Total jobs that will be created are estimated at 64,000.

EPP 2: Designating KLCC–Bukit Bintang Area as a Vibrant Shopping Precinct

Rationale

Key shopping areas in Kuala Lumpur are relatively stand-alone locations, with little collaboration or connectivity between them. This has resulted in a lack of vibrancy in each shopping area, poor traffic flows, almost non-existent pedestrian connectivity, poor streetscape and overall lower yield on tourism-related assets (i.e. hotel rates and retail rental).

Actions

Connect major shopping centres into a precinct. We will designate Kuala Lumpur City Centre (KLCC)–Bukit Bintang area as a premier shopping precinct in Malaysia. Seamless connectivity between these shopping malls and hotels in the area, both in terms of pedestrian walkways and public transportation, will be developed. Pedestrian walkways will link the following areas:

- KLCC Convention Centre to the KL Pavilion shopping centre's Raja Chulan bridge;
- KL Pavilion shopping centre across Jalan Bukit Bintang to the Fahrenheit 88 shopping centre;
- Fahrenheit 88 shopping centre to the Lot 10 shopping centre;
- Sungei Wang Plaza to Berjaya Times Square shopping centre's Jalan Imbi bridge in Jalan Imbi; and
- Sungei Wang Plaza to Jalan Bukit Bintang-Jalan Pudu intersection.

By linking these areas, Malaysia would be able to market a shopping precinct similar to Orchard Road in Singapore or Causeway Bay in Hong Kong. Year-round events, such as shopping festivals, culinary festivals and festive light-ups will be organised to improve the vibrancy of the area and enhance Malaysia's position as a shopping destination.

Establish a KLCC-Bukit Bintang Tourism Council. The Council will manage, promote and develop the precinct. The terms of reference of the Council are:

- Improve the business environment of KLCC–Bukit Bintang, through the organisation of events, business development, promotions and marketing;
- Assist in the promotion and management of KLCC–Bukit Bintang's activities and other public-related issues (e.g. coordinate with relevant authorities on permits for organisation of events, security and general cleanliness of the precinct); and
- Promote the precinct as Malaysia's shop, eat, play and stay destination.

The Council will be funded by the Government with contributions from property owners and the private sector. Its members will include representatives from the Ministry of Tourism, Dewan Bandaraya Kuala Lumpur (DBKL) as well as property owners within the precinct.

As DBKL already has plans to enhance connectivity in this precinct, alignment between DBKL and property owners within the precinct is crucial. The Ministry of Tourism will establish the KLCC-Bukit Bintang Tourism Council. Together with the Ministry of Tourism, the Council will plan and organise events within the precinct as well as promote the precinct.

Funding

Total cumulative public investment for this EPP will be RM132 million which compromises RM75 million in capital expenditure (to construct pedestrian walkways to enhance connectivity in the precinct) and RM57 million in operating expenditure (to support promotion and marketing activities in the precinct).

Impact

This EPP is expected to contribute RM1.2 billion by 2020 which will be driven by higher tourist volume into the precinct and increased retail spend, food and beverage sales and higher hotel occupancy rates. The total number of jobs that will be created is estimated to be 14,500.

EPP 3: Establishing Three Premium Outlets in Malaysia

Rationale

Currently, premium outlets in Asia are found only in Japan and Korea. These outlets offer heavily discounted luxury items that include out of season or new luxury products for market testing.

Actions

Establishing premium outlets in Malaysia will support Malaysia's tourism aspiration as a top shopping destination which will complement the current multiple retail offerings the country already has.

Ideally, the outlets should be located in areas that meet three criteria. Firstly the location should be a popular tourism destination with a high captive market. Typically, outlets should be located within a one-hour driving distance from key tourism sites and have a large domestic captive market to support sales. Secondly, the location should have a good network of connectivity and be easily accessible by air and road. Lastly, the outlet should complement the current site offerings.

Based on these criteria, we will establish the premium outlets in three locations:

- Iskandar Malaysia: To cater to both the domestic market and tourists and day visitors from Singapore and Indonesia;

- Sepang: To cater to tourists (including transit passengers) from Kuala Lumpur International Airport and the Low Cost Carrier Terminal; and

- Penang: To cater to the large volume of tourists in Penang as well as to tap Indonesian tourists who are en route to Thailand for shopping.

The first premium outlet in Iskandar Malaysia is currently being developed by the private sector and is scheduled to be operational by 2013. As this effort is highly dependent on the private sector, the Government's role is primarily to encourage and facilitate the implementation of this EPP. MIDA will identify potential local and foreign investors to establish premium outlets, especially on a joint venture-basis with local private sector investors by December 2012.

Funding

The total investment required for this EPP is estimated at RM355 million which will be used to construct the three proposed premium outlets. This investment is expected to be fully private-sector funded.

Impact

The estimated impact from this EPP is RM875 million. This was calculated based on the impact of similar premium outlets operating in the region such as Korea and Japan. Total jobs that will be created are estimated at 1,500.

NATURE ADVENTURE

Malaysia is blessed with an abundance of biodiversity, ranking 12th globally in terms of mega-biodiversity[4]. However, Malaysia is at a risk of losing this priceless natural asset if conservation initiatives are not taken to protect it.

Malaysia currently faces negative perceptions internationally due to logging activities in rainforests and the perceived destruction of Orang Utan habitats for palm oil plantations[5]. Leatherback turtles are also virtually extinct in Malaysia due to irresponsible tourism, including allowing tourists to use flash photography and flashlights[6]. There have also been numerous complaints regarding poor planning of accommodation which do not take into account the carrying capacity of environmentally-sensitive ecotourism sites, resulting in overcrowding, congestion and problems of sewage and waste disposal. These in turn cause tourist discomfort and impacts overall satisfaction.

These problems stem from the fact that there are too many authorities and agencies involved in managing natural sites and limited coordination in managing sites sustainably.

Nevertheless, there is tremendous potential for ecotourism if it is well managed according to the principles of long-term sustainability. Currently, about 10 percent of total tourist arrivals into Malaysia are ecotourism-related. However, the packages sold to these tourists are not sold at a premium that reflects the true value of our precious natural resources and heritage. Therefore, there is potential to increase the yield per tourist which will also ensure that the development of ecotourism sites takes into account the limit to their carrying capacity.

Moving forward, Malaysia aims to become one of the best presenters of biodiversity in the world. We target to have a recognised network of different biodiversity sites of international calibre, which will be developed or rehabilitated and allow for tourist participation in rehabilitation ecotourism activities.

4 *Based on a report from the Convention on Biological Diversity. Biodiversity refers to variation of life forms within an eco system, be it flora or fauna.*
5 *BBC News*
6 *World Wildlife Fund*

EPP 4: Establishing Malaysia as a Global Biodiversity Hub

Actions

The Global Biodiversity Hub (GBH) will be an accreditation body overseen by a Board of Management, drawn from key stakeholder groups, to establish the desired standards of excellence in the management and presentation of key ecotourism sites. The key functions of the Board will be to accredit and monitor each site to ensure the sustainability of ecotourism development and activities and assist with the promotion and marketing of accredited sites.

The objective of the GBH is to attract international attention to Malaysia's outstanding biodiversity and promote responsible tourism and foster sustainable management of Malaysia's natural areas.

On the ground, the GBH will comprise a network of natural areas that showcase the biodiversity of Malaysia's rainforests, freshwater habitats and marine environments and their associated flora and fauna.

Sites will be managed by their individual management bodies. A GBH site that submits itself for accreditation and is designated as a GBH site must maintain the expected level of excellence or risk losing accreditation.

Ensuring Governance and Accountability

To ensure that the quality of all ecotourism sites in Malaysia is well preserved, Tourism Malaysia will only promote GBH sites from 2015 onwards. Since only international calibre sites will be accredited, Malaysia can expect to obtain higher yields from tourists to these key sites.

On its part, the GBH will deliver on three main imperatives:

- Develop Malaysia as one of the world's premium ecotourism destinations;
- Ensure standards of excellence in product packaging, service delivery and sustainable use; and
- Empower rural communities to help them move up the value chain.

The Malaysian Rainforest Discovery Centre and the Malaysian Marine Discovery Centre will act as showcases for Malaysia's biodiversity offerings. Similar to the concept of a zoo, the Malaysian Rainforest Discovery Centre will be developed as a joint zoological and botanical garden using the open zoo concept. Likewise the Malaysian Marine Discovery Centre will showcase Malaysia's marine offerings to the masses. It is recommended that the Aquaria KLCC be leveraged for this purpose.

While the Discovery Centres will cater to mass tourists, they will also promote live sites around Malaysia to visitors who want to experience these flora and fauna in the wild.

The Ministry of Natural Resources and Environment (NRE) and the Ministry of Tourism will work together to set up a interim GBH Board of Management. Representatives for the interim board will comprise representatives from both the Federal and State Governments as well as the private sector, academia and non-governmental organisations. Following a one-year interim period, a formal GBH Board of Management will be appointed; it will be managed as a non-government body, with Federal and State government representatives participating in a Policy Oversight Committee to ensure that policies of the GBH Board are in line with national objectives as illustrated in *Exhibit 10-4*.

Exhibit 10-4

GBH Board of Management – Interim and formal

Interim GBH Board of Management

Chairman
- 2 Co-chairs: NRE and Ministry of Tourism

Federal Government
- 1 representative: Tourism Malaysia
- 2 representatives: EPU and PEMANDU
- 1 representative: Ministry of Rural Development

State Government
- 1 representative: Sabah (Tourism)
- 1 representative: Sarawak (Tourism)

Academia
- 2 representatives

NGOs
- 2 representatives
- Private Sector
- 3 representatives

Other experts
- Including representatives from UNESCO and others

Formal GBH Board of Management

GBH Board of Management

Chairman
- 1 representative: Not from Federal or State Government

NGOs
- 3 representatives

Academia
- 3 representatives

Private Sector
- 3 representatives: Nominated by privately-owned GBH sites

Other experts
- Including representatives from UNESCO and others

Policy Oversight Committee
- NRE (Chair)
- 1 representative: Ministry of Tourism
- 1 representative: Sabah (Tourism)
- 1 representative: Sarawak (Tourism)
- 1 representative: National Biodiversity Council
- 1 representative: Tourism Malaysia

Funding

Total funding required is estimated at RM896 million over ten years (2010-2020) which will be used to construct the new Rainforest Discovery Centre and upgrade and improve sites identified to be part of the GBH. The bulk of this funding – RM640 million – will come from the private sector, while the remaining RM256 million will be provided by the Government.

Impact

Total GNI impact of this EPP is RM1.5 billion and 2,900 jobs will be created.

FAMILY FUN

The Family Fun theme primarily targets the rapidly growing middle-class populations of India, China and the Middle East, which represent about 48 percent of global population but only 13 percent of global tourism departures. The middle-class represents 67 percent of all leisure travellers from India, 46 percent from China and 47 percent from Saudi Arabia. Departures from this segment grew at an average rate of 11 percent per annum from 1995 to 2008 versus 2 percent for the rest of the world.

From a competitive perspective, there is no clear leading family destination within Southeast Asia. Thailand has a clear position as a destination offering beaches, entertainment and value for money, while Singapore has largely positioned itself as a business and higher-end tourism destination and has only recently started to focus on the family segment with the development of Resorts World Sentosa in Singapore. Thus, Malaysia should take steps to capture a bigger share of the family market segment. However, to do so Malaysia needs to increase the availability of world-class family bonding activities and tourism products. Two high potential projects have been identified to cater to families: integrated resorts and cruise tourism.

EPP 5: Developing an Eco-nature Integrated Resort in Sabah

Rationale

The development of integrated resorts (IRs) has recently gained momentum, for instance in Singapore (Marina Bay Sands, Resorts World Sentosa), Bahamas (Atlantis) and Dubai (The Palm). Singapore's opening of Resorts World Sentosa in February 2010, which doubled its tourist arrivals (including a 46 percent increase in arrivals from Malaysia), illustrates the significant tourism potential of such large-scale tourism developments. IRs can be catalysts for economic development and have a significant impact on GNI, as evidenced by the opening of the Atlantis IR in Bahamas.

Actions

To differentiate and leverage on our strengths, Malaysia will develop an Eco-nature Integrated Resort in Sabah. As illustrated in *Exhibit 10-5*, it will be a showcase of green development, with energy-efficient buildings, renewable energy, recycling and electric transportation, as well as displaying Sabah's rich biodiversity, through a mangrove education centre. It will leverage on Malaysia's competitive advantages in ecotourism and biodiversity, with attractions such as a river and rainforest safari, nature lodges, a mangrove centre and a discovery cove. In addition, the IR will feature world-class events, duty-free shopping, a water theme park, a world-class golf course and waterfront villas.

A private investor has already been identified for this EPP and the company has the land, financial resources and industry expertise to develop the IR.

The Ministry of Tourism will oversee the implementation of this EPP. The investor will work with the Sabah State Government and related Federal agencies to obtain the necessary approvals before the end of 2011. Based on this timeline, the first phase of the IR could be operational by 2013.

Funding

Total investment is expected to be RM6.7 billion which will also include upgrading existing utilities and infrastructure and undertaking flood mitigation measures within the proposed site. The bulk of this funding – RM6.1 billion – will be provided by the private sector, while the remainder will be provided by the Government.

Impact

Overall, the GNI impact is expected to be RM707 million with 7,700 jobs created by 2020.

Exhibit 10-5

Selected integrated resort features

EPP 6: Creating a Straits Riviera Cruise Playground

Rationale

The global cruise industry looks to Asia as a major growth engine, with cruise passenger arrivals growing twice as fast (7 percent per annum) as international tourist arrivals (3 percent per annum) from 1990 to 2008. Almost 50 percent of cruise passengers are high-yield international travellers.

In Southeast Asia, the industry is dominated by Singapore. Many global cruise itineraries today bypass Malaysia's ports, mainly due to the lack of terminal infrastructure, quality shore excursion tourism products and services that meet the requirements of the cruise operators.

Actions

To realise this potential, Malaysia will develop the Straits Riviera cruise playground. It will be anchored by five purpose-built world-class integrated cruise terminals in Penang, Sepang, Malacca, Tanjung Pelepas and Kota Kinabalu complemented by nine secondary ports. This will help establish a compelling cruise experience and exploit existing coastal destinations. The vision is modelled after the French Riviera cruise experience, which consists of the key ports of Nice, Cannes, Monte Carlo and St. Tropez and is supported by other popular secondary ports like Golfe-Juan and Villefranche.

To ensure the success of the Straits Riviera, the Ministry of Transport, together with the Ministry of Tourism, will develop a National Passenger Sea Ports and Cruise Tourism Implementation Blueprint, which will articulate the vision and policy for cruise industry development in Malaysia until 2020. This Blueprint will take into account the infrastructure development and improvement plans for each key cruise terminal and port and make recommendations to reinforce the themed-based cruise circuits as well as community-based infrastructure, perimeter attractions and connectivity. This Blueprint will be developed by mid-2011. In parallel, a Straits Riviera Council will be set up under the guidance of the Ministry of Transport and the Ministry of Tourism. Findings from the Blueprint will indicate the feasibility and suitability of the ports identified for this project. The cruise terminals will be operational on a phased basis from 2013 onwards.

The main tasks of the Straits Riviera Council include charting the direction for the country's cruise industry, coordinating marketing efforts to attract cruise liners to establish home ports at each of the main cruise terminals as well as strategies for inter-port routes, a fly-cruise network and a greater Indo-Asian alliance to attract cruise ships to the region. This private sector-led Council will be the interface with other departmental authorities and the singular voice for the cruise industry in Malaysia in reinforcing the Government's commitment to effectively implement the Cruise Tourism National Blueprint. The Council will consist of representatives from the major ports, industry stakeholders that equitably represent interests and concerns for the betterment of the cruise industry and community, supported by the relevant Government bodies.

Each cruise terminal will serve as a catalyst for waterfront and urban renewal, with the development of adjacent waterfront retail and residential areas and accompanying renewal of tourism sites at each port city to encourage shore excursions.

A consortium of private investors has been identified and is prepared to provide the requisite funding subject to obtaining the required Government facilitation and approvals. This consortium has experience in developing cruise terminals in Southeast Asia and has a vision of transforming Malaysia into a leading cruise playground for Asia.

Funding

Total investment required will be RM2.7 billion which will be needed to enhance infrastructure at the five proposed sites. The bulk of the funding – RM2.5 billion – will be provided by the private sector while the remainder will be provided by the Government. Funds will also be used to enhance road and rail connectivity to the proposed sites.

Impact

Overall, the GNI impact is expected to be RM1.8 billion with 9,700 jobs created by 2020.

EVENTS, ENTERTAINMENT, SPA AND SPORTS

Today, Malaysia lags neighbours such as Thailand, Singapore and Indonesia in the magnitude and variety of events hosted, as well as in our nightlife offerings. We have also not fully leveraged international events as key attractions for tourists.

Hosting more international events and promoting a vibrant nightlife in Malaysia is necessary to attract tourists and will provide a boost to the tourism industry.

EPP 7: Targetting More International Events

Rationale

Moving forward, we aim to increase the number of tourist arrivals for international events by 3.6 times, from 70,000 in 2009 to 250,000 by 2020. In order to achieve this target, we will need to develop or attract three to four major international events and enhance the events already hosted in Malaysia.

Actions

To achieve this ambition, we will establish a dedicated events body for Malaysia to identify and bid for more major international events, repackage F1 and MotoGP and other existing major international events, and amend the Central Agency Committee for Application for Filming and Foreign Artists Presentation (*Agensi Pusat Permohonan Penggambaran Filem dan Persembahan Artis Luar Negara* or PUSPAL) guidelines for international events and introduce performance ratings for concerts.

Establish a Dedicated Events Body for Malaysia. Using successful benchmarks from Scotland, Australia and New Zealand, the establishment of a dedicated events body is critical to attracting and hosting large international events. This body will identify, assess and bid to secure major international events but will not operate the events. However, sufficient funding is crucial given the competitive nature of bidding for such events.

This dedicated events body will be established under MyCEB with the responsibility to (1) identify new major international events for Malaysia by attracting reputable international events and developing home grown international events; (2) synergise and develop a cluster of events around major international events; and (3) evaluate the impact of major international events hosted.

This body will develop the overall business and operational plan and is expected to be fully operational by mid-2011.

Repackage F1 and MotoGP with better collaboration between the private and public sector. Malaysia was the regional pioneer in motorsport events, which began with the hosting of the MotoGP in 1990 and subsequently the F1 in 1999. However, there has been a decline in foreign interest in these events in Malaysia. The number of foreign spectators for the F1 has declined, from approximately 53,000 foreign spectators in 2006 to approximately 23,000 in 2009, driven partially by intensive competition from similar events in the region. Malaysia will need to enhance and revitalise both the F1 and MotoGP events that will appeal to more international spectators.

The event organiser of F1 and MotoGP, Sepang International Circuit (SIC) will work closely with various key tourism sectors to develop attractive pre- and post-event tour packages and to strengthen international sales and promotion channels. Tourism Malaysia, with its wide international marketing representation, will leverage its channels to promote F1 and MotoGP under Malaysia's national Calendar of Events. This EPP is expected to extend the average stay of tourists for F1 events from four days to nine days by 2020.

In addition, the SIC will work together with the dedicated events body (under MyCEB), the Ministry of Tourism, DBKL, the Selangor State Government and other event organisers to develop a cluster of exciting events around the F1 and MotoGP. The SIC will target key events in the adjacent weeks of the F1 or MotoGP events such as high profile conferences, such as Invest Malaysia and the Forbes CEO Conference.

Amend PUSPAL guidelines for international events and introduce ratings for concert performances. From Q4 2010, events with international performers that fulfil the minimum criteria of (1) A-rated based on the Billboard top 100 in the past five years; (2) attract 2,500 spectators per event; and (3) have performed in three international venues, will be exempt from the current PUSPAL guidelines and will instead be subject to more flexible guidelines that will support the development of international events in Malaysia. Organisers of international events will rate the performances according to the suitability of such performances for the younger age-groups i.e. "G: General" or "18+: 18 years old and above". In addition, changes to withholding tax and immigration requirements will be considered to ensure Malaysia becomes a more competitive events destination.

In order to amend the PUSPAL guidelines as proposed, the PUSPAL committee will syndicate with other relevant agencies involved (local councils, Immigration Department, and the Ministry of Finance). The Ministry of Tourism will monitor and track the implementation process.

Funding

Total cumulative investment required will be RM467 million, all of which will be provided by the Government.

Impact

Overall GNI impact will be RM427 million and 8,000 jobs will be created.

EPP 8: Establishing Dedicated Entertainment Zones

Actions

We aim to enhance nightlight, as selected nightlife entertainment areas are expected to stimulate revenue growth from RM600 million to RM1.8 billion by 2020. To achieve this ambition spur the development of the industry, regulations relating to entertainment will be liberalised by:

- Clearly demarcating dedicated entertainment zones to minimise any adverse impact on local residents as such areas are set up mainly to cater to foreign visitors.
- Allowing an extension of operating hours for entertainment outlets;
- Relaxing restrictions on the ratio of local to foreign artistes specified in the current PUSPAL guidelines; and
- Extending the validity of working visas of foreign artistes and crews based on the type of performance (e.g. one-off shows, bands with long-term contracts or long-term production shows).

The selection criteria to determine an entertainment zone requires it to:

- Fulfill sound-proofing requirements as defined by the local authority's building codes;
- Achieve minimum scale of an average 1,000 visitors per night in one entertainment zone;
- Ensure adequate accessibility and transport accessibility (e.g. parking spaces, taxis and other forms of transportation);
- Provide adequate patrols by police or private security firms to ensure public safety in the surrounding area; and
- Be located in a non-residential area or at a minimum of 100 meters from residential and religious areas.

Five cities have been identified as potential locations for dedicated entertainment zones: Greater Kuala Lumpur/Klang Valley, Genting Highlands, Penang, Langkawi and Kota Kinabalu.

As Kuala Lumpur will attract more expatriates, a vibrant entertainment industry will be an integral part of its liveability. The existing entertainment zones are not sufficient to cater to the expected growth given the average weekend occupancy rate of the city's night clubs is 85 to 90 percent.

In syndication with the Greater KL/KV NKEA, it was agreed that the potential location for a new entertainment zone will be the area surrounding Central Market. This area will be designed to attract tourists with 24-hour facilities, adequate public safety, transportation and infrastructure, and yet it will remain segregated from residential and religious areas. The establishment of a new entertainment zone will be administered by the Master Plan Department of DBKL. DBKL will work together with relevant bodies to attract private nightclub operators to invest in the gazetted entertainment zone. The Licensing Department of DBKL will facilitate the issuance of the licenses for these nightclubs to start operations in the dedicated entertainment zones.

Funding

Total funding requirements will be RM276 million which will be fully private-sector funded.

Impact

Six new nightclubs, each with a capacity to cater to at least 900 club visitors per weekend night are targetted to start operations by early 2012. Two nightclubs will commence operations in 2013 and 2014 respectively. By 2014 there will be at least 10 nightclubs in the new entertainment zone. The expected impact of this will be RM0.7 billion in GNI and approximately 5,614 jobs by 2020.

EPP 9a: Developing Local Expertise and Better Regulating the Spa Industry

Rationale

Malaysia's spa industry has experienced the fastest growth in the region for the past five years, even though its consumer base has been predominantly domestic (55 to 60 percent). Our spa industry is expected to reach RM830 million by 2020, mainly driven by increasing tourist arrivals of 1.5 times. However, skills requirement and service delivery remain the most pressing issues hindering potential growth. We have only a limited supply of workers and training facilities to create an appropriate talent pool, especially for local spa therapists. Immigration policies to attract foreign spa therapists are very stringent, given the current freeze on hiring foreign semi-skilled workers since 2008. In addition, the spa industry is currently unregulated and the quality of customer services varies widely between establishments.

Actions

In order to address the shortage of skills, the private sector will take the lead to develop three centres of excellence (CoEs) as training centres to produce local therapists in the spa industry. Three potential locations have been identified based on proximity to spa establishments: Greater Kuala Lumpur/Klang Valley, Johor and Sabah. The first CoE is expected to begin operations by the beginning of 2012 to train 500 therapists annually. During the first three years of establishment, these CoEs will train local spa therapists. Once fully operational, the three CoEs will be able to produce 1,500 local therapists annually. With this increase in local supply, the aim is that by 2018, the ratio of local to foreign therapists will be 70:30.

By mid-2011, the Spa and Wellness National Council shall be established with the role of providing accreditations and ratings for spa and wellness outlets to ensure service delivery and consistency. The Council will also be a self-funded private independent body with Board Members from the Ministry of Tourism, the Ministry of Health, the Ministry of Housing and Local Government, and the private sector (from spa outlets, hotels and resorts associations and spa academies). Accreditation criteria and classifications of spa outlets shall be developed by the Council. By the end of 2012, 20 percent of the total spa outlets shall be accredited and endorsed by the Council.

Funding

Total funding requirement for this initiative will be RM23 million which will be used to fund the establishment of the three Centres of Excellence and the establishment of the proposed Spa and Wellness National Council.

Impact

The total GNI impact of this initiative is expected to be RM0.4 billion and will create approximately 3,500 new jobs.

EPP 9b: Expanding Sports Tourism Offerings in Malaysia Beyond Hosting Events

Rationale

To date, Malaysia has generally focused on large-scale sporting events, from hosting the Commonwealth Games in 1998, to the Monsoon Cup, Le Tour de Langkawi and the F1 as a way to raise interest in the country's sports offerings. However, Malaysia can improve its GNI from sports tourism by developing and enhancing general sports offerings, particularly golf tourism.

Actions

The development of golf courses in Malaysia has predominantly been as a complement to property development rather than as a tourism product in itself. However Malaysia's golf tourism offerings can be enhanced by repackaging products to target the high-yield segment. Malaysia can focus on developing the golf tourism business by addressing three areas: (1) increase promotions and marketing of golf tourism by leveraging on existing offerings such as the international golf events held each year ; (2) establish a Golf Tourism Task Force to bring the golf tourism industry together to plan and execute joint promotions and marketing efforts; and (3) provide tax exemption for selected items that are large-cost components for golf courses, e.g. fertilisers and buggies.

The private sector needs to work together with the Ministry of Tourism to set up a Golf Tourism Task Force and to ensure a cohesive national plan to develop and propel golf tourism as a key product to attract high yield tourists. The Task Force is to be set up by 2011 with clear strategic planning on future promotional and marketing plans for golf tourism, especially in conjunction with large-scale international events.

Funding

Total investment requirement will be RM1.4 million for marketing and promotion of sports tourism.

Impact

Through these improvements and continuous push for sports tourism, Malaysia can look to gain approximately RM0.3 billion in GNI by 2020 and create 2,100 jobs.

BUSINESS TOURISM

The business tourism segment currently represents only a small part of our tourism industry and accounted for 5 percent of total arrivals and an estimated 19 percent of receipts in 2009. In comparison, business tourism accounts for 30 percent of tourist arrivals and 40 percent of receipts in Singapore. We believe there is potential to further grow this segment in Malaysia.

Business tourism is an attractive segment to develop given that:

- Delegates to business events spend up to three times more than non-business tourists;
- Up to 60 percent of delegates eventually return as regular tourists; and
- Yields high return on Government investment, i.e. 111 times return per Ringgit of Government investment.

EPP 10: Establishing Malaysia as a Leading Business Tourism Destination

Rationale

We aim to grow the share of arrivals for business tourism from five percent (of total tourist arrivals into Malaysia) in 2009 to eight percent by 2020 which translates to a growth from 1.2 million business tourists today to 2.9 million by 2020.

Actions

Provide support and allocate funding through MyCEB. An effective and properly-funded convention and exhibition bureau is critical to ensure Malaysia is able to successfully grow its business tourism. The need for adequate funding is important given the competitive nature of bidding for business tourism events. Funding is required for the entire process: from preparing the bid document to supporting due diligence during the selection process, providing subsidies to defer costs during the event itself and finally to supporting post-event activities.

In light of this, we will allocate RM50 million per annum over the next two years and over time raise this to RM100 million per year by 2020 to support the growth of business tourism in Malaysia.

Dedicate two to three iconic "shell sites" to host business tourism events. Iconic shell sites are an important feature of any leading business tourism destination. Typically these are sites where gala dinners or cultural shows are held for large business events (more than 3,000 to 4,000 delegates). Currently there are no such sites in Kuala Lumpur that can cater for large business tourism events. Taman Tasik Titiwangsa is the only site used regularly. In comparison, cities such as Singapore and Bangkok have several iconic sites such as the Old Parliament House in Singapore and the Rose Garden and Royal Palace in Bangkok. In order to strengthen business tourism, we will identify at least two sites that are suitable for the purpose of hosting gala events.

In addition to these two key recommendations, it is also important to note that full Government support will be given to ensure the success of this initiative.

Funding

Total funding required will be RM800 million which will be provided by the Government for subvention support and to fund the operational and marketing expenditure of MyCEB.

Impact

The expected impact of this by 2020 will be RM3.9 billion in incremental GNI and 16,700 additional jobs.

MEDIUM-HAUL CONNECTIVITY AND BETTER HOTELS

We have identified two cross-theme projects that will support delivery of the other projects: enhancing connectivity to priority medium-haul markets and improving the rates, mix and quality of our hotels.

EPP 11: Enhancing Connectivity to Priority Medium-Haul Markets

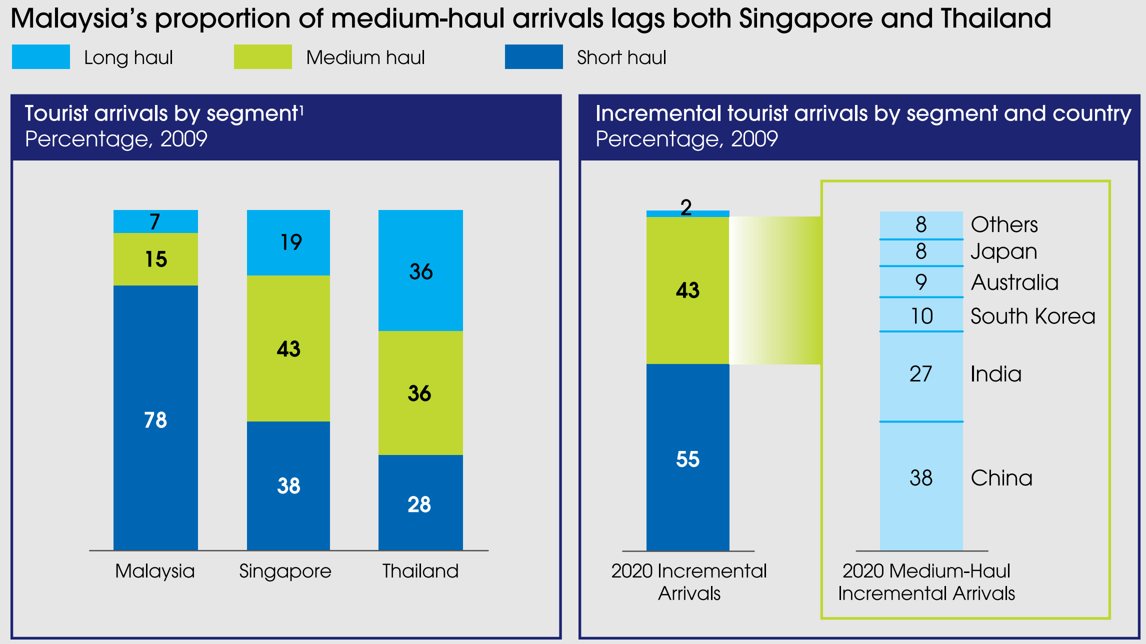
Rationale

Tourists from the medium-haul markets contribute 53 percent higher yields than tourists from short-haul markets. Medium-haul markets also have the highest forecasted growth from 2010 to 2020 of 8 percent (versus 3 percent for short-haul and 2 percent for long-haul). However, as shown in *Exhibit 10-6*, Malaysia's proportion of medium-haul tourist arrivals is only 15 percent 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, compared to 928 for Thailand and 1,010 for Singapore. This gap is critical as we expect 43 percent of incremental arrivals in 2020 to come from medium-haul markets (*Exhibit 10-6*).

Actions

To address this gap, we will focus on increasing frequencies to 10 priority cities and developing an air-rights allocation framework to facilitate efficient development of these key routes.

Exhibit 10-6



1 Short-haul major countries: Indonesia, Philippines, Vietnam; Medium-haul major tourist countries: China, India, Saudi Arabia, UAE, Japan, South Korea, Australia; Long-haul major tourist countries: UK, France, Germany, Netherlands, Russia

SOURCE : Tourism Malaysia, Tourism Authority of Thailand, Singapore Tourism Board

Increase flight frequencies and air rights to 10 priority cities. 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. It is thus critical to focus on the key cities within these six countries where there is a significant connectivity gap today, namely: Beijing, Delhi, Melbourne, Mumbai, Osaka, Seoul, Shanghai, Sydney, Taipei and Tokyo. Compared to Singapore and Thailand, Malaysia has a double-digit flight frequency gap to most of these cities. The increase in flight frequencies to address this gap and meet 2020 tourist arrivals will be achieved through focused capacity increases from our local airlines and targetted efforts by Malaysia Airports Holding Berhad (MAHB) to attract more airlines from these countries to either start operating or increase existing flight frequencies to Malaysia. In parallel, the Ministry of Transport will focus efforts on increasing air rights to the countries that currently have restricted air rights (primarily Australia, India and Japan).

Develop an air rights allocation framework. A transparent and liberalised air rights allocation framework will enable our local airlines to plan and launch additional flights to priority cities in a more efficient manner after additional air rights have been negotiated. Specifically, the Ministry of Transport will identify immediate action steps to enhance connectivity for Malaysia to Sydney and Osaka as well as other priority medium-haul cities namely Shanghai, Beijing, Mumbai, Delhi, Melbourne, Seoul, Tokyo and Taipei that have already been given approval by the Ministry for operations by both MAS and AirAsia X. The Ministry of Transport will facilitate the development of an air-rights allocation framework with inputs from local airlines and other relevant stakeholders. This will include the application process as well as the allocation criteria. Once approved, the airlines will be briefed on the new framework. Such a framework will be critical for further development of both Malaysia's tourism and the airline industries.

Funding

Total funding will be RM84.4 billion which will be used to fund purchase of aircraft, undertake expansion of airport capacity and to fund marketing efforts in targetted countries. The bulk of this funding – RM83.3 billion will be provided by the private sector – while the remainder will be provided by the Government.

Impact

Overall, the GNI impact is expected to be RM3.3 billion with 13,400 jobs expected to be created by 2020. Furthermore, the impact of medium-haul connectivity goes beyond its GNI and jobs impact as this is a crucial enabler to deliver on all the other EPPs.

EPP 12: Improving Rates, Mix and Quality of Hotels

Rationale

Hotels represent a critical part of the tourism industry. In order to achieve our goal of attracting high yield tourists, we need to ensure Malaysia has the right mix and quality of hotels. Relative to our regional peers, Malaysia today has a lower mix of five-star hotels (i.e. 5 percent in Malaysia versus 13 percent and 14 percent in Singapore and Thailand respectively). In moving towards our ambition of growing tourist receipts by three times and tourist arrivals by 1.5 times, we will need more investments (to first upgrade and subsequently to increase supply) into our four- and five-star hotels as well as to ensure higher quality of service.

We need to enable our hoteliers to generate sufficient returns to encourage re-investment into the sector as well as attract higher quality staff. A key impediment to this today is our relatively low hotel rates (RM320 per night for a five-star hotel in Malaysia versus RM766 in Singapore).

Actions

Link rating of four- and five-star hotels to a target average room rate. From 2013, a minimum room rate will be set for four- and five-star hotels. This move is to encourage the hotel industry as a whole to increase their rates to close our gap versus peers in the region. This increase is meant to ensure hotels are able to provide a higher quality of service (through attracting and retaining better quality staff) and to encourage more investment into the four- and five-star hotel segments.

Adjust MIDA incentive to encourage investment into more four- and five-star hotels. In order to encourage hotels to upgrade and refurbish their assets, we will extend the Investment Tax Allowance (ITA) to include four- and five-star hotels with foreign ownership. In addition, we will also allow ITA for new construction as well as new purchase of four- and five-star hotels across Malaysia. Currently this incentive is open given to one-, two- and three-star hotels across Malaysia and four- and five-star hotels in selected states. The ITA for refurbishment of hotels will also to be increased from three times per company to five times for each property regardless of ownership.

Following preliminary discussions with MIDA, the Ministry of Tourism will champion and push through the request for ITA expansion.

Funding

Total funding required will be RM39.9 billion which is needed to construct the estimated incremental rooms required by 2020. The bulk of this funding – RM38.7 billion – will be provided by the private sector while the remaining amount will be provided by the Government.

Impact

The impact expected from this EPP is significant with a GNI contribution of RM5.5 billion and 64,000 additional jobs. This will be achieved by the increase in the number of four- and five-star hotels to meet the projected supply and the higher hotel rates for the industry as a whole.

BUSINESS OPPORTUNITIES

In addition to the 12 high-impact EPPs, we have also identified three business opportunities which will support the growth of the tourism industry. The three business opportunities are focused on (1) food and beverage outlets; (2) local transportation; and (3) tour operators.

Business Opportunity 1: Food and Beverage Outlets

Food and beverages represents one of the core components of tourist spend. Given the increase in arrivals as well as the shift towards high-yield tourists, there is an opportunity to increase GNI from food and beverage outlets by RM3.6 billion in 2020. This will be achieved through an increase in the number of food and beverage outlets which will be driven by additional demand arising from growth in the number of tourist arrivals. We estimate the food and beverage segments will require approximately RM1.4 billion in capital expenditure. An estimated 9,600 job opportunities will also be generated due to this business opportunity, though these will predominantly be positions for lower-wage service workers given the nature of the industry.

Business Opportunity 2: Local Transportation

Tourists spend about 10 percent of total expenditure (about RM230 per visit) on local transportation. A significant portion of that is spent on taxis, which has contributed to the 5 percent growth in the number of taxis from 2007 to 2009. Additional taxis to support further growth will be required not only in the Klang Valley, but also in the other tourism clusters in the North (Penang), South (Melaka and Johor), Sabah (Kota Kinabalu) and Sarawak (Kuching), that are being developed through EPPs such as the Integrated Resort and Cruise Tourism. Specific EPPs, such as the Global Biodiversity Hub, which promote development of tourism sites away from traditional city centres, will also increase the need for local transportation and taxis.

Overall, the GNI impact is expected to be RM0.7 billion with 45,000 jobs generated by 2020. Total capital expenditure required is estimated to be RM1.2 billion.

Business Opportunity 3: Tour Operator Segment

Given the increase in arrivals, there is an opportunity to increase GNI from the tour operator segment by RM0.9 billion in 2020. This will be accomplished through an increase in the number of travel agents, an improvement in the productivity of travel agents and an increase in the number of tour guides to serve more inbound tourists to Malaysia. Additional capital expenditure of RM1.1 billion will be required and it is expected that this will generate 7,450 additional jobs, including 2,300 additional tour guides.

Baseline Growth

In addition to the three business opportunities, we also expect baseline growth to 2020 to account for RM23.4 billion in GNI. This level of growth is based on the assumption that Malaysia is able to maintain its market share of tourist arrivals from the different source markets and to grow the yield per tourist at the rate of inflation of 2.8 percent per annum until 2020. In addition, we also expect the numerous projects currently being planned or in the construction phase (i.e. tourism development in Iskandar Malaysia and projects undertaken by Khazanah Nasional Berhad) to further contribute to this baseline growth. We expect an estimated 221,000 additional jobs by 2020 from baseline growth.

COMMON ENABLERS

There are several common enablers that will have to be put in place to ensure successful implementation of the EPPs, business opportunities and baseline growth. These enablers are:

- **Increase and Focus Marketing:** Ensure that we have the right level of marketing support in the priority markets;
- **Rollout of Visa Facilitation Services:** Ensure that tourists from our target markets (e.g. India and China) are not subject to overly strict visa procedures;
- **Ensure an Adequate Supply of Qualified Human Capital:** Introduce measures to address issues pertaining to the supply and quality of workforce in the tourism industry; and
- **Improve the Tourism Environment:** Improve offerings and accessibility for key tourism enablers (such as taxi services), access to funding and regulations as well as improving the service quality of front-line staff.

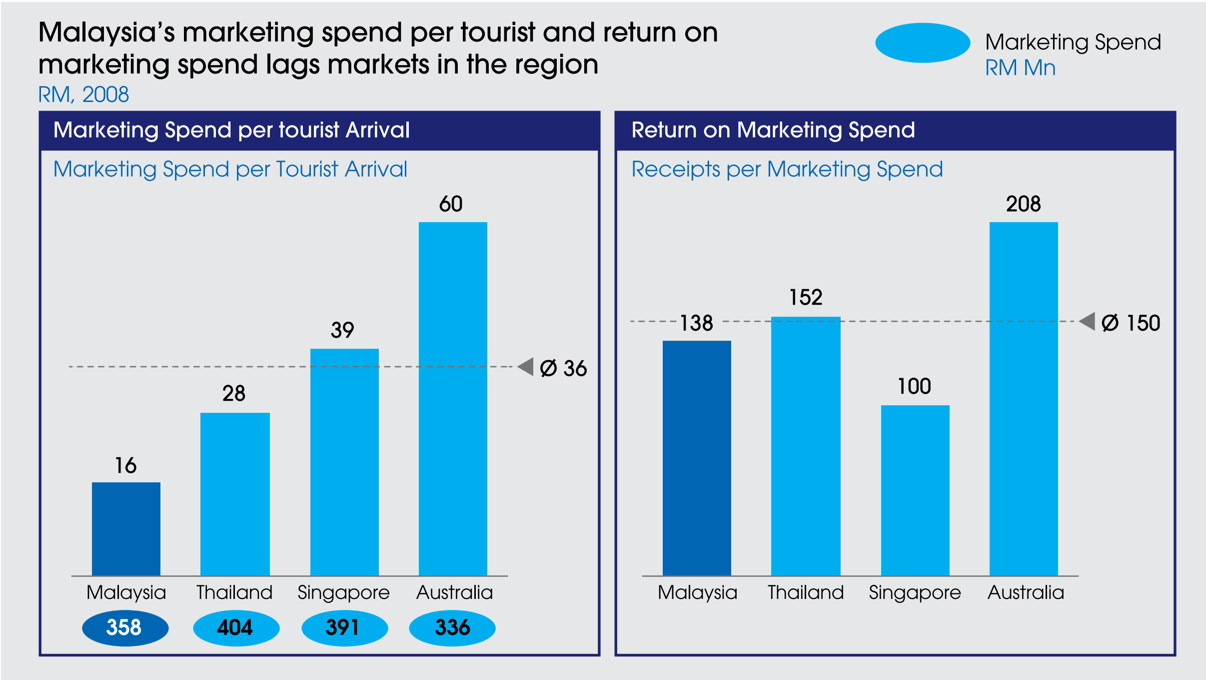
Increase and Focus Marketing

Overview

Marketing is an important enabler for achieving our 2020 tourism targets for tourist arrivals and receipts. In particular, an increased marketing spend leads to increased arrivals and receipts, as evidenced by a 0.76 correlation of marketing spend with receipts and a 0.85 correlation with tourist arrivals. Malaysia has done well thus far in this regard, largely due to its focused and sustained destination marketing campaign “Malaysia, Truly Asia”, which has been Malaysia’s tourism tagline since 1999. This campaign has won numerous global awards and served as a case study for marketing gurus such as Al Reis, Jack Trout and Paul Temporal.

Despite these numerous awards, there is room for further improvement. Malaysia's marketing spend per tourist arrival of RM16 was lower than RM28 for Thailand, RM39 for Singapore and RM60 for Australia (*Exhibit 10-7*). This translates to a return on marketing investment of RM138, which is higher than Singapore (RM100), but lower than Thailand (RM152) and Australia (RM198). Furthermore, campaign budgets are overly focused on long-haul markets. This will need to be aligned with the medium-haul markets from where the majority of our tourist arrivals are expected in 2020. Finally, coordination between all relevant overseas offices of Tourism Malaysia, MAS, Air Asia, and others will need to be further improved especially given the limited resources of each organisation.

Exhibit 10-7



SOURCE : Tourism Malaysia, Singapore Tourism Board, Tourism Authority of Thailand, Tourism Australia

Actions

Learn from best practices. To achieve best-in-class marketing returns of 300 times by 2020, Malaysia can learn from the best practices of national tourism organisations such as Tourism Australia.

Realign marketing budgets and human resources to priority medium-haul markets. This will require focused marketing and promotion efforts in the targeted medium-haul markets.

Increase marketing expenditure. Marketing expenditure will be increased from RM386 million in 2008 to RM550 million by 2020, to achieve tourism arrival and receipts targets.

Plan for two "Visit Malaysia Year" Campaigns in 2012 and 2017. "Visit Malaysia Year" campaigns allow us to showcase new products and boost tourism arrivals and receipts. The potential impact can be seen from the Visit Malaysia Year 2007, where the growth in receipts doubled from 14 percent to 27 percent and the growth of arrivals tripled from 6 percent to 20 percent.

Establish a Marketing Task Force. The objectives of the Task Force will be to develop five-year marketing strategies and annual marketing plans, including 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 organisations. This governance structure will be cascaded down to the country level, where each priority market will set up a similar task force, to pool resources and jointly implement marketing efforts, so that overall marketing activities are more focussed at both the national planning level and at the source country execution level.

Rollout of Visa Facilitation Services Overview

Visa requirements can either facilitate or hinder segments of tourism development, from leisure tourists, to business travellers to entertainers. According to the World Economic Forum's Travel and Tourism Competitiveness Report for 2009, Malaysia was ranked first out of 133 countries for visa requirements.

With the abolishment of the Visa on Arrival (VOA) facility to tourists from eight countries with effect from 16 August 2010, it is vital to put in place measures to enhance the service delivery of visa issuance. Among the affected countries, China and India represent the biggest tourist markets. Tourist arrivals from China increased by 7.4 percent to surpass the target of 1 million in 2009 while India recorded an increase of 7.1 percent with 589,838 tourists in 2009. Measures to ease the process of visa applications and approvals in China and India are, therefore, urgently needed to sustain the growth of tourist arrivals.

Actions

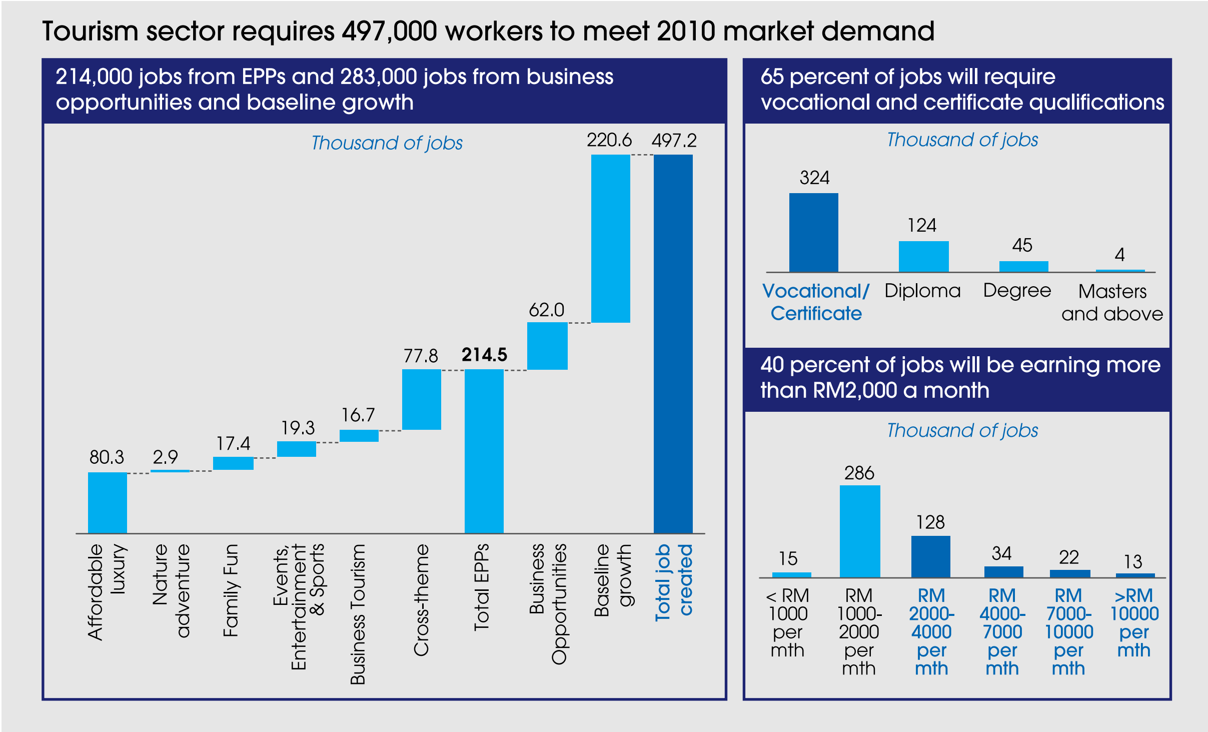
Rollout of the Visa Facilitation Services (VFS) in China and India. Currently, the VFS are being implemented in Mumbai and Hyderabad in India on a pilot project basis. VFS involve the outsourcing of the administrative function of the visa application process. It offers a more extensive outreach, has higher efficiency and provides greater convenience to tourists. In this regard, efforts will be undertaken to rollout the VFS in China and India to attract more tourists to Malaysia.

Ensure an Adequate Supply of Qualified Human Capital

Overview

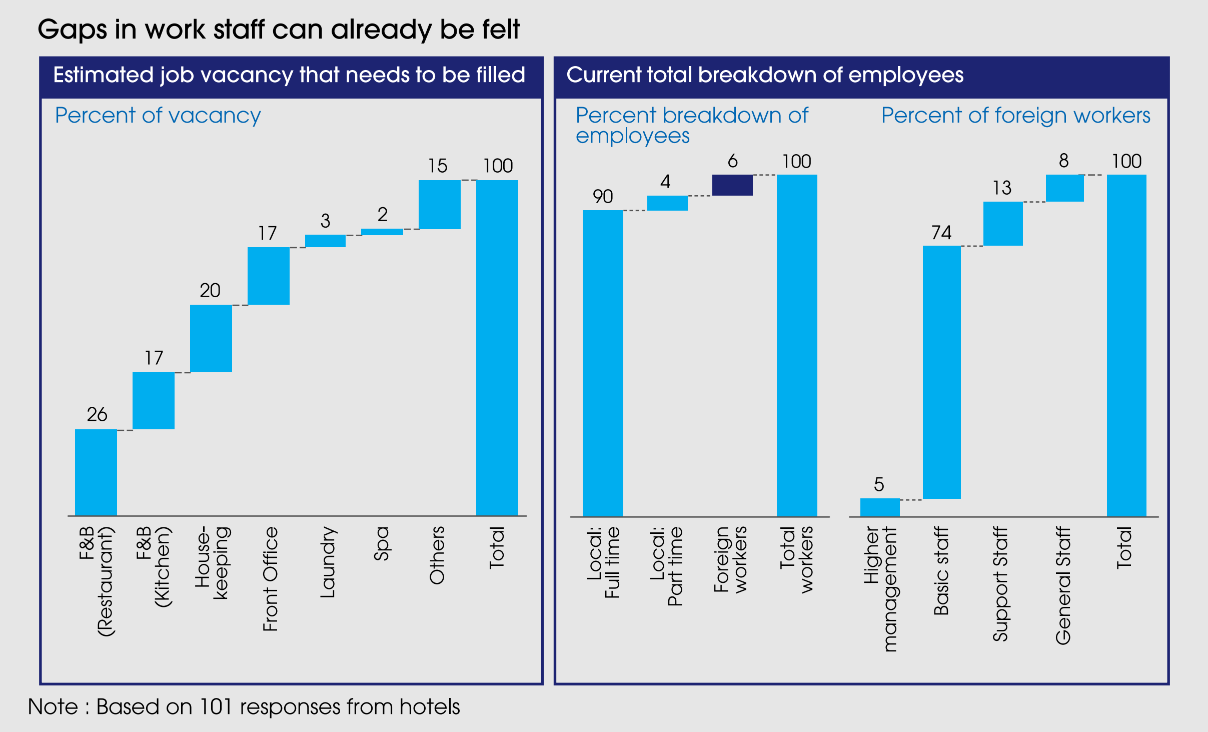
A strong pool of qualified human capital is critical to the success of our tourism sector. To meet our ambitious growth plan, the tourism industry will need approximately 497,000 additional workers from now until 2020. As shown in *Exhibit 10-8*, the industry will require approximately 215,000 workers to meet the demands of the 12 EPPs and a further 282,000 workers for the three business opportunities and baseline growth. In terms of breakdown by qualifications, 65 percent of this incremental workforce will need to have a vocational or certificate qualification, 25 percent will need to have a diploma, while the remaining 10 percent will need to have a degree or post-graduate qualification (*Exhibit 10-8*).

Exhibit 10-8



There are two specific challenges with this. The first challenge is to ensure that we have a sufficient supply of the required human capital. Currently, the tourism sector faces a shortage of local talent as not enough Malaysians are entering the sector, especially at the level of non-managerial positions. A survey conducted by the Ministry of Human Resources (MoHR) shows that the gaps for hotels are especially for workers in the food and beverages segment, front-line as well as housekeeping staff (*Exhibit 10-9*). The survey also shows that these positions are predominantly filled by foreign workers, who make up 6 percent of the hotel industry workforce.

Exhibit 10-9



SOURCE: Bahagian Perancangan dan Penyelidikan, Jabatan Tenaga Manusia

However, the hotel industry faces restrictions when hiring foreigners, especially for front-line positions. Malaysia also faces the challenge of obtaining local staff that can cater to the language requirements of non-English-speaking tourists.

The second challenge the industry faces is in attracting a quality workforce. The tourism sector is often seen as an employer of last resort, often due to the relatively low average salary in the sector versus other industries in Malaysia.

Actions

In the short term, it is imperative to ensure the right talent is leveraged to improve the industry's overall offerings. Foreign students can help fill language gaps at the front line for identified source markets. In the long term, it is recommended that sufficient rank and file employees as well as other front line staff be sourced through proper industry-led training, which is being implemented in the short term.

Foreign students pursuing hospitality or tourism-related courses should be allowed to work up to 20 hours a week. In the short term it is extremely important to allow more flexibility to source foreign talent to work in the hospitality industry as they would be able to cater to the markets we will be targetting. Foreign students in the hospitality industry would be an ideal talent pool to tap into, as they are well-versed on the needs of the industry and will most likely be bilingual.

Hotels should be allowed to hire foreign staff on an annual contractual basis with unlimited renewals. Qualified foreign talent especially those who are experienced should not be discriminated against as it is imperative to ensure Malaysia is able to deliver the service levels expected to attract high-yielding tourists. If we are unable to deliver on the service levels, these tourists may choose not to return to Malaysia.

In the medium term, specific schools can be identified to focus more on tourism and thus develop a healthy pipeline of talent to join the tourism industry. The Ministry of Education together with the Ministry of Tourism will help identify specific schools (e.g. schools on islands and highlands) to develop curriculums focused on career paths in tourism. These curriculums will also be geared towards foreign language learning.

Improve the Tourism Environment

Overview

It is imperative that tourists be given a continuously positive experience from arrival through to departure to ensure they leave Malaysia with pleasant memories, which may result in repeat visits and positive word-of-mouth to friends and family. There are many aspects to the tourism environment that can be improved, ranging from taxi services, overall information access, funding access for private entrepreneurs, safety and maintenance of tourism products and infrastructure.

It is imperative that the Ministry of Tourism works with all the related agencies, industry players and other stakeholders to provide the enabling environment for the industry to flourish and for Malaysia to become a key tourism country. The Ministry of Tourism should also look at continuous development of tourism campaigns such as "Think Tourism Act Tourism" to promote awareness amongst Malaysians that tourism is a key industry for the country.

Malaysia continues to face challenges in providing quality service offerings for tourists. Complaints remain about the state of taxis and lack of meter usage. Issues of frontline staff not being able to deliver quality service or not being able to speak the language of the tourists are also prevalent. We also need to enhance the professionalism and creativity of the industry. It is also important that tourism products and infrastructure are well-maintained to ensure the comfort, safety and security of tourists.

The private sector also faces challenges in sourcing funds to develop tourism products. Currently there are two funds dedicated specifically to tourism: the Tourism Infrastructure Fund and the Special Tourism Fund. Even though these funds were developed for the private sector, companies sometimes have difficulty in accessing these funds due to equity ownership conditions imposed on these funds or lack of familiarity among banks about lending to tourism-related companies. As a result, not all projects endorsed by the Ministry of Tourism are approved by banks. Retail banks may not fully understand or appreciate the nature of tourism products and services which may not be fully collateralised. There is a need for tourism-related funds to be reviewed to ensure they are in line with the needs of the tourism industry.

Actions

For Malaysia to move forward, a few enablers in the areas of taxi services, tourism upgrades, funding, crime and cleanliness can be addressed immediately.

Allow competition in the taxi services market. Taxi services can be improved by allowing competition into the market. Tourism Malaysia can develop a Memorandum of Understanding with specific taxi operators who promise to deliver minimum standards of excellence, i.e. clean and well-maintained taxis driven by English-speaking drivers. In exchange, Tourism Malaysia will promote such taxis on its website. Such a model has been adopted in some countries, such as Egypt where websites like Trip Advisor inform tourists to look for black and white chequered taxis as they guarantee meter usage. In Indonesia, the Blue Bird Taxi Company guarantees excellent service quality by ensuring meter usage and well-maintained taxis. Over the course of time, other taxi operators in Jakarta modelled themselves to compete with the Blue Bird Taxi Company, as visitors began to associate this company with quality.

Expand Malaysia's online presence. In this era of global connectivity, channels such as the Internet are imperative in helping a tourist ultimately decide on a travel destination. Malaysia can help improve its online presence by capitalising on wireless word of mouth. This can be done by sponsoring online websites or blog contests to increase buzz about Malaysia. Countries such as Singapore have successfully utilised such media by sponsoring competitions such as the Asia Pacific Blog Awards, which involved flying contestants to Singapore for a visit and having the bloggers write online about their experiences.

Ease access to funds for product and service development. Private tourism-related companies may find it difficult to access funds to help them develop their products. Moving forward there should be a review of regulations to specifically address the challenges of the tourism industry in supporting product development. Regulations pertaining to equity ownership or the need for 100 percent collateral requirements may need to be reviewed to make it easier for the industry players to access such funds. This is especially pertinent for small business operators with on-going businesses that require loans to expand.

Leverage regular police in tourist areas. Media reports on snatch thefts and other tourist-related crimes have affected Malaysia's image as a safe destination. More police officers are now seen in hot spots around the country to reduce these incidences as a result of the Crime NKRA. Police officers in tourist areas could be used to help improve the tourist experience by training them in particular languages, on service delivery to tourists and on information about tourist sites in area they patrol. These officers could wear a special badge stating that they are English- or Arabic-speaking so that tourists feel more comfortable about approaching these officers when in need. The regular presence of police officers in these areas will also help address concerns of safety and crime. The current tourist police force could be redeployed to heavy tourist traffic areas such as Bukit Bintang to ensure a safe and comfortable environment for the tourists.

Train and campaign for clean public areas. Local authorities must ensure outlets or premises (including toilets) frequented by the public are clean at all times. Companies offering cleaning services should be accredited to ensure they are able to deliver cleanliness at international levels. The private sector should fully utilise the Human Resources Development Fund (HRDF) to upgrade the skills and knowledge of existing staff. On-going campaigns, such as "Think Tourism Act Tourism" and "1Malaysia Clean 1Malaysia Green", that help to increase nationwide awareness on the importance of tourism and cleanliness should be continued and sustained.

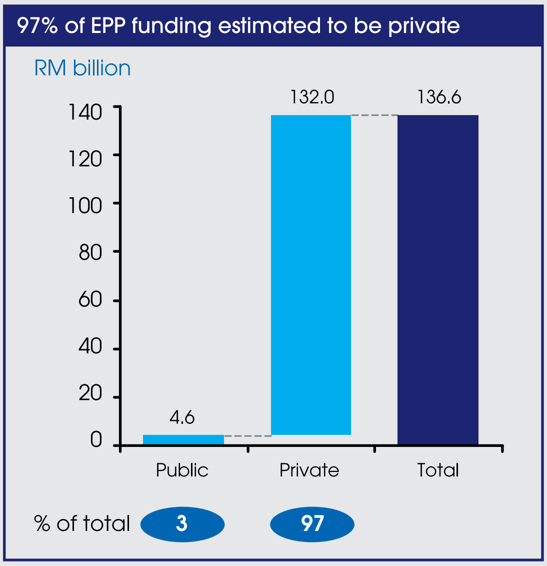
FUNDING

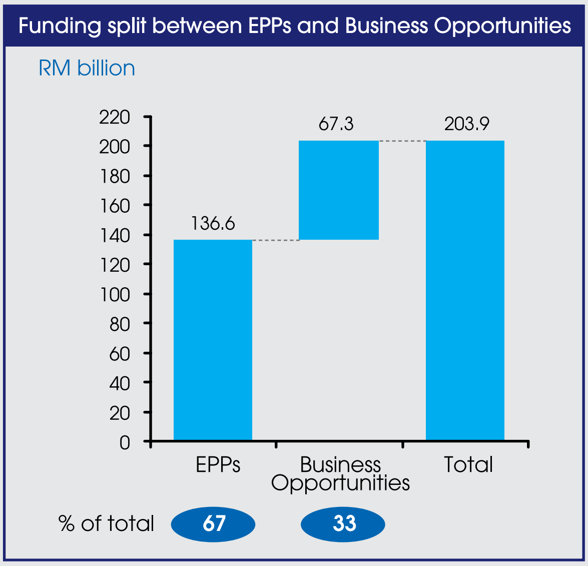
Achieving our ambitious growth target of tripling the tourism sector by 2020 will require a significant amount of funding. As shown in *Exhibit 10-10*, the tourism sector will require cumulative funding of RM203.9 billion from 2011 to 2020 in order to deliver incremental GNI growth of RM66.7 billion by 2020. Of this total funding, only approximately 3 percent will be public-sector funded while the remaining 97 percent will come from the private sector. We estimate that 67 percent of the total funding required (or RM136.6 billion) will be for the 12 EPPs, while the balance will be allocated for business opportunities and to support baseline growth.

Of the RM203.9 billion, the vast majority will be for capital expenditure and the remaining 0.2 percent will be specifically Government-funded operating expenses to complement private sector expenditure.

Exhibit 10-10

For the 12 EPPs, RM136.6 billion of funding is required, of which 3% will come from public sector





The expectation that the private sector will contribute 97 percent of the total represents a significant shift in both the scale of funding going into the tourism sector and also the public-private funding mix. For instance, between 2006 and 2008 the level of private investment tracked by MIDA into the tourism sector averaged RM1.9 billion per year. Achieving the growth ambition for the tourism sector will require investment levels almost 10 times the figure quoted by MIDA averaging RM20 billion annually from 2011 to 2020.

RM136.6 Billion for the 12 Entry Point Projects

The 12 EPPs are expected to be catalytic projects that will jump-start and drive the growth of the tourism sector. In order to successfully implement these 12 EPPs, a cumulative total of RM136.6 billion (3 percent public, 97 percent private) will be required from 2011 to 2020. The breakdown by theme is:

- **Affordable luxury:** RM0.5 billion to fund investments (such as public covered walkways) and execute events within the KL/KV shopping precinct and to develop three premium outlets in Malaysia;
- **Nature adventure:** RM0.9 billion to identify and analyse the proposed Rainforest Discovery Centre and fund upgrading activities at sites selected to be part of the Global Biodiversity Hub;
- **Family fun:** RM9.4 billion to construct the integrated resort (i.e. hotels, business tourism facilities (convention centre), retail facility, theme parks) and implement the Straits Riviera project;
- **Events, entertainment, spa and sports:** RM0.8 billion to position Malaysia as a leading events destination, fund bid entries to attract high profile events to Malaysia and upgrade and sustain motorsport events in Malaysia;

- **Business tourism:** RM0.8 billion for subvention funding and operating expenditure for MyCEB; and
- **Connectivity and Hotels:** RM124.2 billion to fund construction of required hotels and purchase of aircraft by local carriers.

Funding for Business Opportunities and Baseline Growth

A total of RM67.3 billion will be required to fund business opportunities and baseline growth, which will deliver an incremental GNI impact of RM29 billion.

For the business opportunities, a total of RM4 billion will be required for:

- **Food and Beverage Outlets:** Approximately RM1.4 billion will be required to fund the expected growth in the number of food and beverage outlets from 2010 - 2020;
- **Tour operators:** RM1.1 billion will be required for growth in the scale and number of tour operators in the country; and
- **Land transportation:** RM1.2 billion for the purchases of taxis and other land transportation required given the expected increase in the number of tourists.

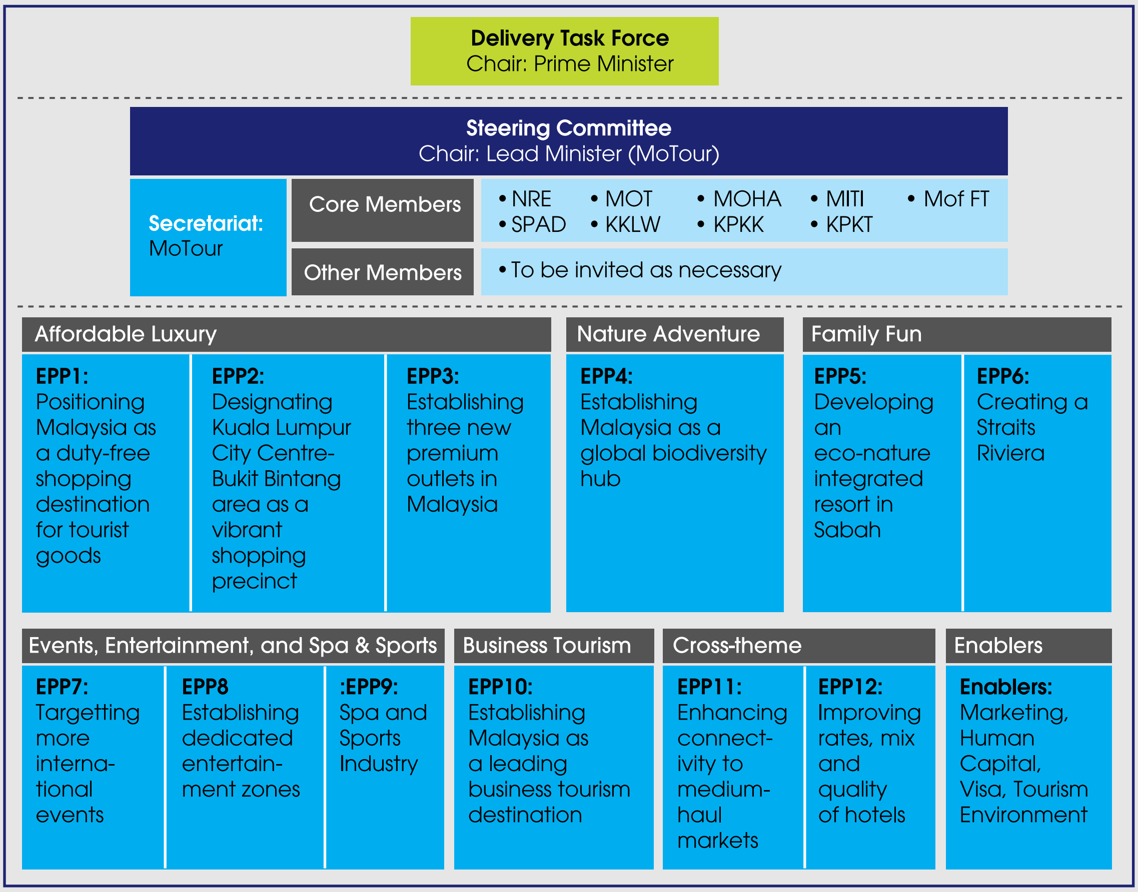
For baseline growth, a total of RM63.6 billion in investments are expected to sustain current tourism facilities and ongoing projects currently in the pipeline.

GOVERNANCE AND DELIVERY

To ensure that the EPPs are implemented according to their timelines, a proper governance structure will be established, with the Prime Minister heading the Delivery Task Force (DTF). This governance structure is shown in *Exhibit 10-11*. Meetings to update the DTF will be held quarterly.

Exhibit 10-11

Governance for the Tourism NKEA



The Minister of Tourism will act as the Lead Minister for the Tourism NKEA and chair the Steering Committee. The Steering Committee will make the necessary decisions and provide guidance to the working teams. Meetings to update the Minister on the progress of the EPPs will be conducted monthly.

The Steering Committee will consist of representatives from both the public and private sector. The public sector will be represented by key Government agencies crucial to EPP delivery, and other Government agencies may be invited when issues relating to their respective ministries arise. There will be private sector representatives for each Tourism EPP.

The Ministry of Tourism will serve as the Secretariat of the Steering Committee to oversee all matters pertaining to the NKEA and to track the performance and implementation progress of the EPPs. All materials for presentation to the Steering Committee, workshops, public engagements and related matters will also fall under the responsibility of the Secretariat.

Each EPP will be owned by a Government agency that will take the lead in ensuring its implementation. EPP team members will be drawn from both the public and private sector. Update meetings on the status of implementation will be held with respective implementing agencies fortnightly. Identification of lead owners, government agencies and private sectors involved in each EPP is detailed on the next page in *Table 10-1*.

Table10-1

EPP	Lead initiative owners	Other key agencies, companies and organisations
Positioning Malaysia as a duty-free shopping destination for tourist goods	Secretary General of Ministry of Tourism	MITI (MIDA, SME Corp), MoF (Tax division, Royal Malaysian Customs), Ministry of Domestic Trade
Designating Kuala Lumpur City Centre – Bukit Bintang area as a vibrant shopping precinct	Secretary General of Ministry of Tourism	Ministry of Federal Territories and Urban Wellbeing (DBKL), Ministry of Domestic Trade, MoHA (PDRM), SPAD
Establishing three new premium outlets in Malaysia	Secretary General of Ministry of Tourism	Ministry of Domestic Trade, MITI (MIDA), Corridors (NCIA, IRDA)
Establishing Malaysia as a global biodiversity hub	Secretary General of Ministry of Natural Resource and Environment	KKLW, State agencies (Ministry of Tourism, Culture and Environment for Sabah and Sarawak), KPKT, Corridors (NCIA, IRDA, SCORE, ECER)
Developing an eco-nature integrated resort in Sabah	Secretary General of Ministry of Tourism	MITI (MIDA), State agencies (UPEN Sabah, Ministry of Tourism, Culture and Environment Sabah), Corridors (NCIA, IRDA)
Creating a Straits Riviera	Secretary General of Ministry of Tourism	Ministry of Tourism, State agencies (UPEN Penang, Selangor, Malacca, Johore and Sabah), KPKT, MOHA, Corridors (NCIA, IRDA)
Targeting more international events	Secretary General of Ministry of Transport	Ministry of Federal Territories and Urban Wellbeing (DBKL), Ministry of Information, Communication and Culture, MOHA (JIM, PDRM), MOF, Khazanah
Establishing dedicated entertainment zones	Secretary General of Ministry of Tourism	Ministry of Federal Territories and Urban Wellbeing (DBKL), KPKT, MOHA (PDRM)
Developing local expertise and better regulating the spa industry and Expanding sports tourism offerings in Malaysia beyond hosting events	Secretary General of Ministry of Tourism	Ministry of Youth and Sports, MOHR, MOHA (JIM), MOH, Corridors (IRDA, NCIA)
Establishing Malaysia as a leading business tourism destination	Secretary General of Ministry of Tourism	Ministry of Federal Terrorities and Urban Wellbeing (DBKL), MOHA (JIM), Corridors (NCIA)
Enhancing connectivity to priority medium-haul markets	Secretary General of Ministry of Transport	Ministry of Tourism, SPAD, MOHA (JIM), Corridors (NCIA, IRDA, SCORE)
Improving rates, mix and quality of hotels	Secretary General of Ministry of Tourism	MITI (MIDA), KPKT, Corridors (NCIA, IRDA, ECER, SCORE)

Summary of Tourism NKEA

• **Incremental GNI impact in 2020**	RM66.7 billion
• **Additional jobs in 2020**	497,000

- **Critical targets and milestones within 6 to 12 months**
  - Tariffs for first batch of duty-free items exempted
  - Pedestrian walkways in KLCC-Bukit Bintang Shopping area developed
  - First premium outlet operational
  - Interim Board of the Global Biodiversity Hub Board set up
  - National Passenger Sea Ports and Cruise Tourism Implementation Blueprint completed
  - Straits Riviera Council set up
  - Designation of a new Kuala Lumpur entertainment zone underway
  - Spa and Wellness National Council set up
  - Bidding for target set of business tourism events begun
  - Network expansion plans to priority cities developed by local carriers