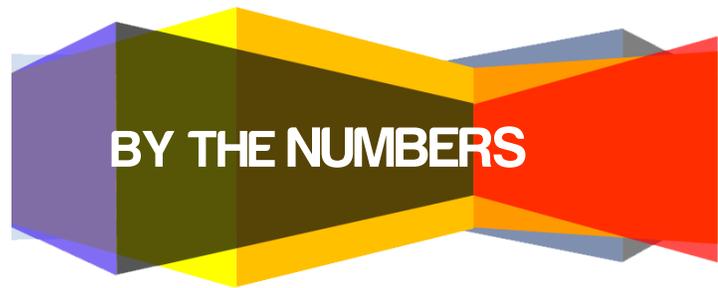


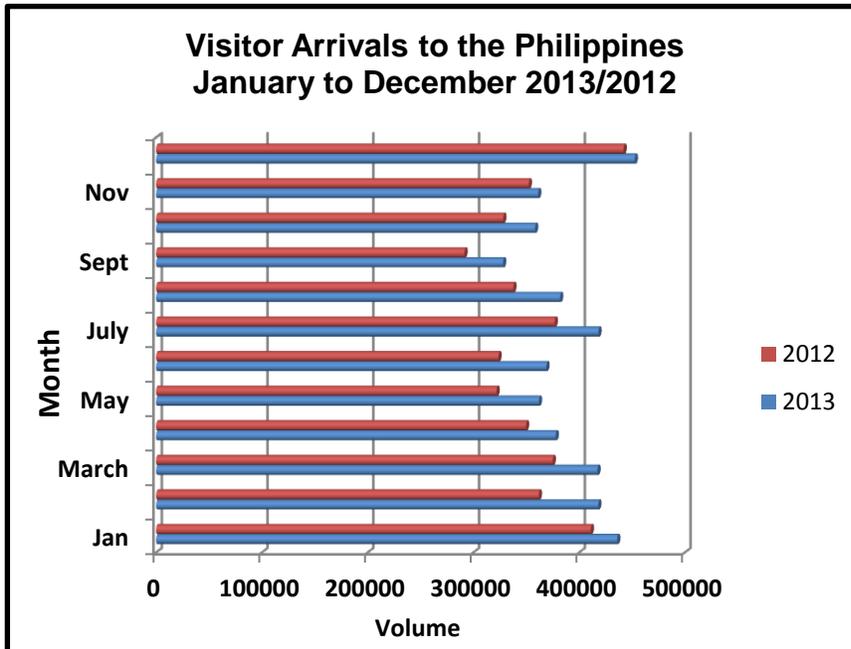


Department of Tourism
Year-end Report

2013



The Philippines ended the year 2013 with 4,681,307 visitors, surpassing the previous year's record of 4,272,811 by 9.56%. This feat gives the tourism industry a new milestone as tourists continue to demonstrate sustained growth amidst challenges.



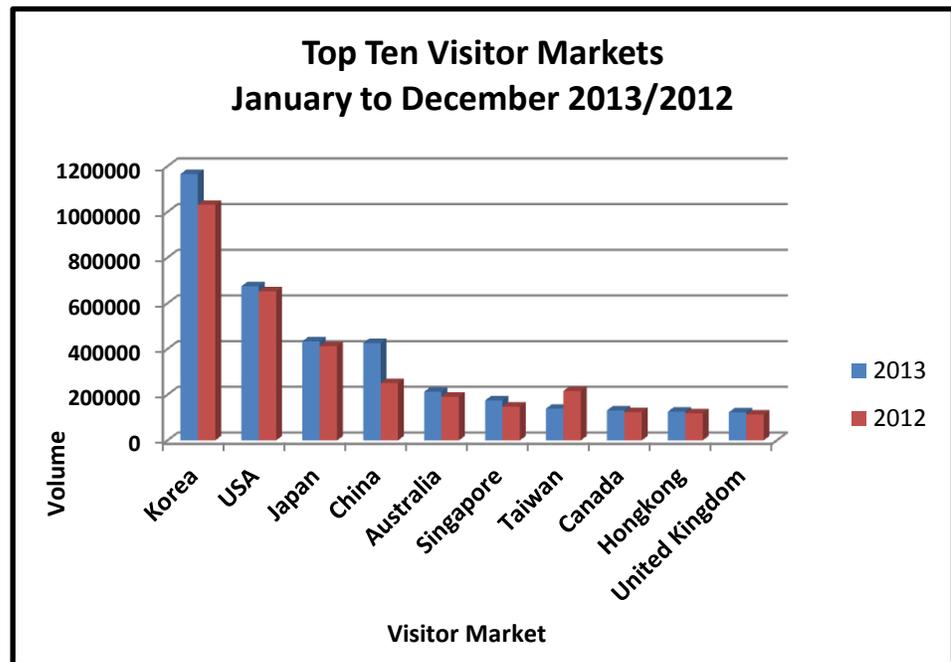
During the year, visitor count reached an all time high of more than 400,000 during the months of January, February, March, July and December. The highest growth rate, on the other hand, were recorded in February (15.8%), June (14.0%) and August (13.0%).

Major Markets. Koreans remain the biggest source market with 24.9% share to total inbound visitors for 1.17 million arrivals. This market continued to sustain growth at 13% by year-end. The successful conclusion of air services agreement in this market have contributed to increase in flight frequencies in key international gateways.

Chinese tourists have bounced back with year-end growth of 69.9% for a total visitor arrival of 426,352. This volume surpassed the revised target for China of 260,000 set at the beginning of the year. The substantial increase in Chinese visitors was first felt in May when arrival posted 107.7% growth. For the past eight months, growth was steady at more than 100% to double digit. Accordingly, Chinese visitor share to total inbound expanded from 5.9% in 2012 to 9.1% in 2013.

Japanese visitors continued to rise steadily with 433,705 arrivals for 5.1% growth. The implementation of new programs and introduction of new products targeting new and niche markets have revitalized the growth in this market.

Remaining as the third biggest source market, Japan accounted for 9.2% share to total visitors. Australians and Singaporeans have already surpassed the Taiwanese as the fourth and fifth source of visitor arrivals. These markets posted 11.4% and 18.0% growth, respectively. These markets demonstrated slow but consistent expansion from seventh and eighth rank during the year.



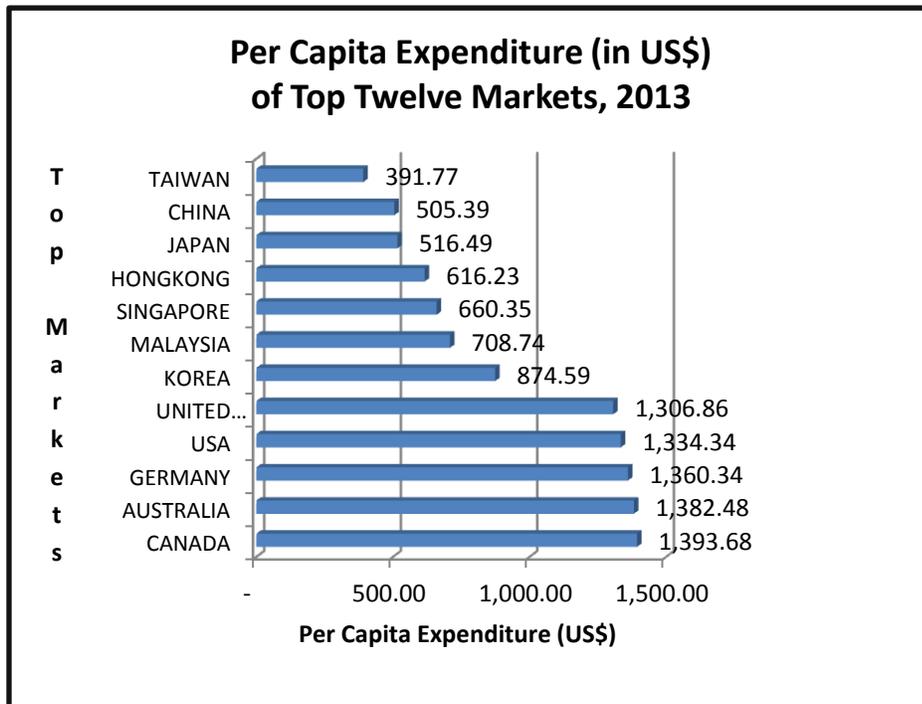
These markets demonstrated slow but consistent expansion from seventh and eighth rank during the year.

Visitors from the United States of America (USA) contributed the second biggest arrivals at 674,564 for a share of 14.4%. Other countries that contributed substantially are Taiwan with 139,099 arrivals, Canada with 131,381 arrivals, Hongkong with 126,008 arrivals, United Kingdom with 122,759 arrivals, Malaysia with 109,437 arrivals and Germany with 70,949 arrivals.

Other High Yield Markets. The following markets generated noteworthy gains: Saudi Arabia (+29.7%) with 38,969 arrivals, Vietnam (+27.8%) with 26,599 arrivals, Russian Federation (+25.2%) with 35,404 arrivals, Indonesia (+24.5%) with 45,582 arrivals, United Arab Emirates (+19.5%) with 15,155 arrivals, Thailand (+16.8%) with 47,874 arrivals, France (+15.8%) with 39,042 arrivals and India (+12.5%) with 52,206 arrivals.

By regional grouping, the East Asia region continued to contribute the biggest arrivals with a share of 49.1% for 2,298,597 visitors. The region posted a double-digit gain of 12.73% vis-à-vis its previous year's contribution of 2,038,987 arrivals. The ASEAN region maintained its position as the third largest contributor of arrivals by region, accounting for 9.02% of the overall traffic base. This region posted an increase of 12.49%, from its output of 375,190 in 2012.

Visitor Receipts. Total revenues gained from inbound visitors for the year was estimated at US\$4.40 billion, equivalent to Php 186.15 billion, up by 15.1%.



The overall average length of stay of visitors in 2013 remained at 9.6 nights. Foreign visitors stayed for an average of 9.4 nights while Overseas Filipinos stayed an average of 18.8 nights.

Average daily expenditure of inbound tourists during the year increased by 8.7% to US\$101.12 from the US\$ 92.99 recorded in 2012.

Koreans showed biggest spent at US\$140.81 per day while visitors from the United States have the longest stay at 13.4 nights.

On the other hand, based on per capita spending, visitors from Canada recorded the biggest spent at US\$1,393.68 followed by visitors from Australia with a per capita expenditure of US\$1,382.48. Other high spending markets include: Germany with US\$1,360.34, U.S.A. with US\$ 1,334.34, United Kingdom with US\$1,306.86 and Korea with US\$ 874.59.



THE DEPARTMENT

STRATEGY

The National Tourism Development Plan (NTDP) provides a framework to guide the tourism stakeholders at the national, regional and local levels to harness the potential of the tourism sector as an engine for growth. Its three (3) strategic directions are to: 1) Develop and market competitive tourist destinations and products; 2) Improve market access, connectivity and destination infrastructure; and 3) Improve tourism institutional, governance and human resource capacities. The NTDP serves as the Department of Tourism's (DOT) blueprint to draw up its work plan.

The Department continued its efforts to expand to new market segments through identification of new and potential markets with capacity to generate new visitors. The identified new markets are Thailand, India, Vietnam, Russia, Indonesia and Middle East (TIV-RIME). Within these markets, the target niche segments are those interested in English as Second Language (ESL), Dive, Cruise, Medical Travel and Wellness, and Long Stay.

The Department participated in over 30 travel fairs and expositions in these markets, to include the Outbound Travel Mart in India, Arabian Travel Mart, Moscow International Festival "Golden Dolphin", Moscow International Travel and Tourism Exhibition, Otdykh Leisure 2013, TTC Travel Mart and Astindo Travel Fair in Indonesia. The DOT also invited partners to the Philippine Travel Exchange (PHITEX) in Manila and Philippine Film Tourism Road show in Chennai to network with the Telugu film industry which produces more than 800 films per year. Through these activities, the Philippines was able to tap potential business leads.

The DOT also conducted several familiarization tours for the media like the Lonely Planet, bloggers, tour operators, and even dive clubs. Among other marketing activities are product presentations, sales missions, ad placements in print and radio, conduct of photo competitions and joint promotions with airlines. As a result from these, the Philippines was featured in the Russian Channel One's "Celebration of Life", REN TV's "The Week" and other TV shows in Hong Kong, Taiwan, and France. All these market development efforts were able to raise awareness on what the Philippines can offer.

The DOT Davao implemented the One Davao which features calendar of events and activities covering three peak season packages; namely One Summer Fun,

One Great Sem Break, and One Voice (for Christmas season). Pablo Crafts was also organized as a livelihood program for the victim of Typhoon Pablo. Likewise, the National Industry Cluster Capacity Enhancement Program (NICCEP) was implemented highlighting the Tourism Culture and Crafts Tourism Project to promote the cultural products of the Bagobo, Mandaya, Mansakas, and Sama tribes.

DOT Caraga pursued destination development which include Lake Mainit and ecotourism in Agusan River.

To further increase connectivity, the DOT coordinated the opening of seven (7) new flights to Manila, Kalibo and Puerto Princesa and supported ten (10) charter flights from China. The Department also participated in Routes Asia 2013 held in Mumbai to network with foreign carriers and encourage more flights to the country.

ACCREDITATION AND STANDARDS

In ensuring the quality of service provided by the different tourism establishments, the Department processed 1,008 applications and accredited 730 primary and secondary tourism enterprises. On-the-spot ocular inspections of 668 tourism establishments were undertaken. To intensify the promotion of accreditation, information campaigns were conducted while the online accreditation system continuous to be upgraded. Review and revision of the standards for travel and tour agencies, tour guides, and tourist transport operators have been initiated.

With the implementation of the New National Accommodation Standard which aims to make the country's standards at par with South East Asia, a third party assessment system has been developed accordingly. A total of six (6) hotels and apartment hotels have been assessed in 2013. Furthermore, two (2) seminars have been conducted on the New National Accommodation Standard.

The DOT conducted eight (8) trainings for tourism front liners in the National Capital Region; forty-four (44) tourism-related seminars in different regions; and sixteen (16) trainings involving manpower development, child wise tourism and disaster risk reduction and management.

INVESTMENTS

In 2013, the Department endorsed 23 projects to the Board of Investment (BOI) and Philippine Economic Zone Authority (PEZA), with a total investment cost of Php 48.45 Billion. Some of the major investments include Belle Grande which has 924 rooms, Grand Hyatt Hotel with 442 rooms, and Iloilo Business Park with 500 rooms. These projects will require 5,134 manpower once fully operational.

CONVERGENCE

In the implementation of the NTDP, the Department continued to undertake convergence programs with Department of Public Works and Highways (DPWH), and Department of Social Welfare and Development (DSWD).

The DOT and DPWH signed a Memorandum of Agreement to establish a convergence program on Enhancing Tourism Access. In 2013, the convergence program has funded 598 km of tourism road networks amounting to Php12 Billion. This program will lead to the development as well as improvement of road networks which will ease the access to tourism destinations.

In addition, the Department signed a Memorandum of Understanding with DSWD and United States Agency for International Development (USAID) for “The One-Step Project”, which aims to improve the lives of the poor with more direct interventions through tourism. The program identified five priority sites (banner municipalities) namely Ubay, Bohol; Intramuros, Manila; Daraga, Albay; Davao City and its environs; and Northern Panay Island. Inclusive projects such as creation of jobs and sustainable enterprise opportunities will be implemented in the said areas to involve poor communities to give them “power” and “reach” as suppliers in the tourism value chain.

The DOT regional offices reviewed and endorsed nine (9) projects to agencies such as the Provincial Land Use Committee (PLUC) and Department of Environment and Natural Resources (DENR) to include comprehensive land use projects.

INTERNATIONAL COMPETITIVENESS

The Asian Development Bank (ADB) and the Canadian Government provided technical assistance to DOT on Improving Competitiveness in Tourism. It has three (3) main components: 1.) Regulatory Impact Assessment (RIA), which focuses on the development and implementation of a RIA work plan; 2.) Hotel and Resort Quality Assurance and Accreditation System, which is geared towards the improvement of the service of hotels, and 3.) Tourism Industry Skills Development Program for strengthening the industry through planning, analysis and quality management.

Capacity building program was conducted for DOT and Attached Agencies officers and personnel as well as local government units from Bohol, Puerto Princesa City to enhance the skills, as well as, provide the local government units with better capacity to improve their regulations in attracting more investment and tourism activities.

In preparation for the ASEAN Economic Community (AEC) 2015, the DOT partnered with the Department of Trade and Industry (DTI) to conduct a road show, Doing Business in Free Trade Areas (DBFTA): Integrating the Tourism Sector in the ASEAN Economic Community 2015 which aimed to raise awareness on the AEC. The road show was conducted in major tourism destinations such as Davao, Palawan and Cebu, with one hundred fifty (150) participants, consisting of tour operators, travel agencies and representatives from the academe in attendance. The ASEAN envisions its member countries as one community in 2015 that is stable, prosperous, and highly competitive.

The Department participated in various international meetings and conferences with UNWTO, ASEAN and APEC to pursue global policy advocacy and solicit technical assistance to enhance Philippine competitiveness. Some of these were ASEAN Tourism Forum in Vientiane, World Economic Forum in Nay Pyi Taw, High-Level Policy Dialogue on Travel Facilitation in Bali, World Travel Mart Ministers Summit in London, and the UNWTO 25th General Assembly in Victoria Falls.

The Philippines as the Lead Coordinator in the development of ASEAN Tourism Standards in Responding to Climate Change, completed the Framework, Approaches, Parameters and Measures for Climate Change and Tourism in the ASEAN, as well as the Communication Plan on the ASEAN Measure and Guidelines in Addressing the Climate Change Issues in Tourism.

The Department, cognizant with the ASEAN Mutual Recognition Arrangement (MRA) for Tourism Professionals, conducted twelve (12) seminars in the following destinations: Cebu City, Iloilo City, Puerto Princesa, Bacolod, Baguio City, Legaspi City, Cagayan de Oro City, Angeles City, Tacloban City, Laoag City and Manila.

TOURISM STATISTICS

The statistics are regularly updated. The Visitor Sample Survey (VSS) are still done on a monthly basis while the regional VSS is being done on a quarterly, semi-annually in all major gateways to determine relevant tourism data (e.g. average daily expenditure, average length of stay). The regular VSS are conducted in Ninoy Aquino International Airport (NAIA), Mactan-Cebu International Airport (MCIA); Diosdado Macapagal International Airport (DMIA); Francisco Bangoy International Airport; Iloilo International Airport; and Kalibo International Airport. Arrival/ Departure (A/D) cards were also collected from gateways to determine the number of visitors. Statistics on Meetings, Incentives, Conventions, and Exhibitions (MICE) were also gathered from hotels and convention facilities. Accommodation Capacity Survey (ACS) was also conducted to update the database of tourism accommodations in select destinations. Also, Statistical Capacity Building seminars and trainings were organized for LGUs and private sector to enhance their capacity in collecting, recording, compiling and generating tourism statistics.



The Philippines received various tourism-related awards in 2013 including:

- Conde Nast magazine included Philippines in their list of the “10 Best Destinations”, and described the country as “7,000 heavenly islands”.
- The popular Chinese Publication, Shanghai Morning Post, also awarded the Philippines as the “Most Romantic Destination”, as determined through an online survey.
- Lifestyle Publication, another popular Chinese magazine named Philippines as the one of the best diving destinations in the Pacific.
- Scuba Diving Magazine also gave the same award to the Philippines along with Malaysia. In the same magazine, the Philippines ranked second in the “Best Shore Diving” and “Best Macro Photo” categories.
- Travel Leisure included Palawan and Boracay in their list of “World’s Best Islands 2013” and Boracay in “Hottest Destinations 2013”
- The Canyons in Puerto Galera, and Tubbataha Reef in Palawan were in CNN’s World’s 50 Best Dive Sites.
- The New York Times listed Philippines in its “46 Places to Go in 2013”.
- Spanish diving magazine Buceadores named Philippines as its destination for 2013.



Figure 1. Palawan received multiple awards including Travel Leisure’s World’s Best Islands, CNN’s World’s 50 Best Dive Sites, and Lonely Planet’s Best in Travel 2012.

(Source:<http://www.travelandleisure.com/images/amexpub/0037/7402/201307-w-worlds-best-islands-palawan.jpg>)

- Agoda.com included Discovery Shores Hotel in Boracay in its list of “Top Ten Hotel Spas for a Great Start to 2013”.
- The Philippine Department of Tourism- Beijing Office was also awarded as “2012 Most Innovative Foreign Tourist Department” by the Beijing News for its continuous hard work and creative marketing activities.



ATTACHED AGENCIES

The Tourism Infrastructure and Enterprise Zone Authority (TIEZA) completed 23 tourism projects amounting to Php 136.36 Million in Tuguegarao, Bataan, Pampanga, Palawan, Romblon, Legazpi, Catanduanes, Aklan, Antique, Capiz, and Iloilo. There are 64 more projects that are undergoing construction with an aggregate cost of Php 629.69 Million. Other projects include the construction of ten (10) Tourism Information Counters and viewdecks with rest rooms located in strategic locations all over the country. In terms of revenue generation, TIEZA collected travel tax amounting to Php 1.85 Billion, an increase of 5.71% from last year's collection of Php 1.75 Billion. TIEZA also generated an income of Php 92.86 Million derived from its seven (7) Operating Properties, a large percentage from Banaue Hotel, Club Intramuros and Balicasag Dive Resort. The Authority's Gross Profit rose by 3.86% for Php 2.15 Billion in 2013, compared to the Php 2.07 Billion in 2012.

The Tourism Promotions Board (TPB) intensified its promotion of the branding campaign, "It's More Fun in the Philippines" by encouraging the private sector to use the brand. They also developed materials for distribution bearing the "It's More Fun" logo. To sustain the Philippines' presence in the international scene, as well as facilitate business leads for the participating private sectors, TPB actively participated in 56 travel fairs in 2013. Among these were the ASEAN Tourism Forum (ATF) in Laos, National Association of Singapore Travel Agents (NATAS) in Singapore, International Tourism Borse (ITB) in Germany, Marine Diving Fair in Japan, World Travel Mart (WTM) in the United Kingdom, Korea Travel Fair (KOTFA) and the World Travel Fair in China. TPB also organized and assisted in local travel fairs aimed at engaging local government units; promoting Filipino service, skills and talents; and providing avenue for tour operators to sell their packages over the counter, leading to the expansion of the consumer's options. TPB organized sales missions and presentations in Hong Kong, Macau, Japan, Singapore, Korea and Taiwan. These activities were geared towards establishing good will with said markets while promoting the Philippines to key industry players. There were also forty seven (47) joint promotions that TPB co-organized with the private sector. TPB also assisted in over a hundred meetings, incentives, conventions and exhibitions. Familiarization trips and invitationals were organized for tour operators and students from UK, media from countries like China, Korea, Malaysia and UK, and Chinese bloggers and students to cover major tourist destinations such as Manila, Batangas, Bicol, Bohol, Boracay, Cebu, Davao, Ilocos

Region, Palawan, Pampanga and Laguna. These familiarization trips and invitationals lead to the Philippines being published in magazines, air time in primetime slots and YouTube exposures. Also, TPB assisted in the shooting of two (2) Korean films in Cebu, Bohol and Davao. The Philippine MICE Convention in Davao as well as the 12th Philippine Travel Exchange 2013 was also organized by TPB.

Intramuros Administration (IA) completed the restoration, conservation and maintenance of historical structures such as the Museo de Intramuros, Almacenes Maestranza, Intendencia Building, and Plaza San Luis. Regulation was also enforced and community activities were organized to promote peace and order as well as cleanliness within Intramuros and its environs. To showcase the rich culture of the Philippines through the performing arts, the Fort Santiago Cultural Show, which featured the Musikawayan Bamboo Band and the Pamantasan ng Lungsod ng Maynila (PLM) Hiyas ng Maynilad Dance Company were regularly held during weekends. To help increase appreciation for cultural heritage among the Filipino youth, IA in partnership with the Local Government Units and the private sector, implemented the Pasyal-Aral sa Intramuros, a free tour program intended for public elementary students who were residents from the cities/ municipalities in NCR. Likewise, to offer Intramuros visitors with religious festivity experience, the Grand Marian procession was also held in December.

The National Parks Development Committee (NPDC) undertook some infrastructure development and maintenance projects such as those in Rizal Park, Pook ni Mariang Makiling, Paco Park, and T.M. Kalaw Center Island. Subsequently, promotions of recreational, cultural and educational activities were also undertaken to include Concert at the Park, Lights and Sound presentation, and other special events. Likewise, a commemorative stamp was printed to highlight the 50th NPDC-Rizal Park collaboration.

The Nayong Pilipino Foundation (NPF) continuously promoted Philippine heritage and culture through educational tours. Since its construction in 2010, the Nayong Pilipino Clark Expo has received more than 500,000 visitors. NPF aims to instill national pride to our fellow Filipinos by showing the greatness of the Philippine heritage, culture and arts. In January 2013, NPF established the Nayong Pilipino Orchidarium. This is not only to beautify the park, but also to produce new varieties of orchids and that will eventually make the Philippines competitive in orchidology world wide. The remodeling of the Museo ng Nayon in Clark, Pampanga was also started in November 2013 which will feature 100 year-old artifacts.

Duty Free Philippines (DFP) generated USD 237,335,288.37 sales in 2013 which is USD 3 Million higher than the USD 234 Million sales in 2012. Remarkably, there is a noticeable increase in Philippine-made products under their “reverse pasalubong” concept. The new products are: Haliya light fruit wines, Paradise mango rum, Manille calamansi liquor, Alamid and Civet coffee selections, Island gems and a royal garden fruit jams, Malagos premium dark cocoa, and Delimondo gourmet products. DFP also acquired new foreign brands to be at par with international travel retailers. To improve sales, DFP conducted marketing campaigns such as sales calls, TV Commercial, celebrity concerts, extension of store hours during certain schedules, raffles, and fun

activities, targeting specific groups such as embassies and international organization, Philippine Airlines passengers, and tour groups. Another program is the Kabuhayan Shopping Program which aims to create relevant livelihood for Overseas Filipino Workers (OFWs). Four (4) new stores were also opened in Diosdado Macapagal International Airport (DMIA), Palawan, Iloilo, and Laguindingan.

The Philippine Retirement Authority (PRA) also exhibited improvement in 2013 with gross enrollment at 3,807 which is 17.28% higher than the 3,246 enrollment in 2012. Foreign Exchange (Forex) generated from Visa Deposits and additional investments also increased by 13.67% from the USD 41,698,311.26 in 2012 to USD 47,396,154.56. This is attributed to the increased enrollment and increased conversion of deposits into active investments. The agency's accreditation program registered 190 marketers, 19.5% higher than last year. Retirement facilities also increased from 28 in 2012 to 34 in 2013.

With more than 7,100 islands, and almost 59,000 kilometers of coastlines, the Philippines, is considered the best diving destination in the world, with scientific studies showing that the Philippines is the "center of global marine biodiversity". The Philippines boasts of more than 1,200 marine life species and vast coral reefs as well as flora and fauna which makes the country a true scuba diver's paradise. With the growing popularity of the Philippines as a dive destination, the Philippine Commission on Sports Scuba Diving (PCSSD) continued to undertake measures to provide the standard basic rules to diving, regulate scuba sports and technical diving in the country. Continued inspection of dive establishments in Bohol, Boracay Bicol, and Southern Leyte. To intensify promotion of Philippines as a premiere dive destination, PCSSD participated in major dive shows to include Boot Fair in Germany, Malaysia International Dive Expo and the Thailand Travel and Dive Expo. The PCSSD also closely coordinated with the DOT to develop the Davao-Manado Tour and conducted inspection for the Marine Macro photography Dive Guides Training. PCSSD organized the World Dive Expo and Exhibition (World DEEP) 2013 which aims to provide a venue for international dive enthusiasts to convene and share best practices while highlighting the Philippines' dive sites. PCSSD also visited Germany to attend the Scuba and Rescue dive seminar, meet with Verband Deutscher Sporttaucher (Association of German Sports Diver) for the sustainable and continued program for Hyperbaric Chamber operations in the Philippines and to discuss with the World Underwater Federation their studies about the Oslob phenomenon.