

CHAPTER 3

PHILIPPINE TOURISM INDUSTRY

The tourism industry is recognized by the government as an important contributor to the generation of foreign exchange earnings, investments, revenue, employment and to the growth of the country's output. The inclusion of tourism as a major pillar in the Medium Term Philippine Development Plan (MTPDP) has given priority to the tourism sector by promoting the Philippines as a premier tourist destination and investment site. If developed in a sustainable manner, indeed it can be a powerful economic growth engine for the country. It deserves to be a top priority for national development because of the following reasons:

- It is a powerful and efficient industry;
- Its impact on social development are broad and deep;
- It creates strong peripheral benefits;
- The Philippines can compete and win; and
- It helps maintains cultural integrity, essential ecological processes, biological diversity and life support systems.

The industry is powerful and efficient because:

- It is global in size;
- It has a strong potential for growth;
- It can accommodate large levels of investments
- It has a very high value retention rate, i.e., relatively low import component;
- It generates direct and indirect jobs;
- It generates huge foreign exchange movements; and
- It can be developed quickly;

Its impacts on social development are broad and deep because:

- It is both labor and capital intensive;
- It promotes skills and vocational development that can be exported; and
- It promotes a 'culture of tourism' through a safer and cleaner environment that benefits not only tourists but also the entire community.

It promotes and creates strong peripheral benefits to other economic sectors and society as a whole through:

- Tourism infrastructure spending;
- Catalyzing entrepreneurship; and
- Improving the image of the country in international trade and investment

The Philippines can compete and win in developing its tourism sector because:

- It possesses ‘timeless’ competitive advantage of proximity to North-East Asia, especially China, Japan, and Korea, and it has also world class natural attractions;
- It is relatively free of restrictions unlike the other sectors of the economy; and
- It can create sizeable niche markets.

To harness growth in the tourism industry, focus, execution and coordinated leadership against priority tourist markets and destinations are required.

3.1 State of Tourism in the Philippines

After a series of decline in tourist arrivals from 2000 to 2003, the Philippines bounced back in 2004. That year demonstrated the industry’s resilience through debilitating internal and external pressures as it achieved 2.3M international visitors, a 21.9% leap from 1.9M in 2003. This record breaking ascent propelled the industry to a stable growth momentum in 2005, generating 2.6M tourists, a 14.5% increase from 2004 and yielded receipts of US\$2.19B, a 6.36% increase over the previous year.

The industry continued its growth in 2006, attracting 2.8M tourists, 8.5% higher than the previous year. For January to June 2007, visitor arrivals to the Philippines increased by 7.6% compared to the same period last year, drawing 1.5 million visitors.

Given the stable social and political environment, the government continues to intensify its marketing efforts in collaboration with the various sectors to attain its visitor targets.

Over the years tourism has been a top foreign exchange generator. Tourism investments endorsed by the Department to concerned agencies (i.e. Board of Investments, Philippine Economic Zone Authority, and LTFRB) reached over Php 11.94 Billion in 2005 with projects in land transport and hotel development. While a total of Php 93.76 Billion in tourism accommodation projects in 2006 and Php 17.34 Billion for the first half of 2007 were recorded. These figures, however, could easily go higher if we include investment projects that did not go through the Department of Tourism for endorsement purposes.

Among the largest tourism investments over the past few years were the Php 3.984 billion Hyatt Hotel and Casino Manila located along Pedro Gil Street in Malate, the Php 1.637 billion Hilton Cebu Resort and Towers in Mactan Island, Lapu-Lapu City; the Php 1.348 billion Eastbay Resorts Inc. at East

Ridge Golf Club in Binangonan, Rizal; the Php 1.008 billion Manila Ocean Park at Rizal Park, Manila; and the Php 1 billion modernization of the Island Cove Resort and Leisure Park in Kawit, Cavite.

New investments in tourism-related facilities and the expected increase in tourist arrivals would generate thousands of new jobs for Filipinos.

By and large, the tourism industry continues to be a major contributor to the growth of the Philippine economy.

3.2 Tourism Investment Opportunities

The anticipated growth in international visitor arrivals and domestic travel movements is expected to bring about a corresponding increase in capacity requirements and demand for new products, facilities and services, thus paving the way for local and foreign investment opportunities. Corollary to this is the improvement and upgrading of quality, skills and competencies of the required frontliners.

Hotels, resorts and other types of accommodation facilities especially in the regions will have to be built to address the lodging requirements of both foreign and domestic travelers.

The need for improved accessibility will likewise open investment opportunities in air, water and land transport operations.

In response to worldwide demand for integrated tourism development, the Department of Tourism likewise encourages investments in tourism estates and ecozones, historico-cultural heritage projects as well as ecotourism, agri-tourism, and health and wellness projects.