

PRIVATE SECTOR PERSPECTIVES OF DEVELOPMENT IN THE TOURISM INDUSTRY

*Mr. Lalith de Mel
Chairman, Tourism Cluster,
National Council for Economic Development (NCED)*

Tourism has the potential to be an exciting area of growth that will have a major impact on the economic growth of the country. This growth has the potential to permeate through to all sectors of the economy and thus be a contributor to the twin objectives we must pursue namely growth and the alleviation of poverty. To open up the potential Sri Lanka must be able to offer the world community of travellers a product in which it has a distinct comparative advantage which is sufficiently strong to persuade our target market to come to Sri Lanka in preference to other product offerings from other destinations. In other words we must do all that is necessary to create a distinct Branding for Sri Lanka. This is one piece of economic theory that has stood the test of time from when it was propounded by the classical economists. The private sector accepts the perspective that Sri Lanka as a Tourist destination is AN EXCELLENT PRODUCT WITH GREAT POTENTIAL FOR DEVELOPING IT AS A BRAND WITH A COMPARATIVE ADVANTAGE.

Research reveals that the present day middle income traveller wants to visit countries to do and see things. The market is shifting away from the tourist who wanted a period of rest as the key component of a holiday and was therefore delighted to lie on a beach for two weeks. In this evolving context Sri Lanka is going up the scale as a destination. Sri Lanka has a wide variety of attractions ranging from sun and sand to hills, rainforest, ancient cities, bird life, wild life, folk rituals, pageants, herbal medicine, etc. All of this easily accessible. Virtually everything can be reached by the visitor between dawn and mid day. Nobody else can offer this convenience. Whilst India and Thailand to an extent can match the attractions neither of them can match the convenience of getting to them in Sri Lanka.

The tourist industry in Sri Lanka is 95% plus owned and operated by the Private Sector and in the foreseeable future it will continue to be so, and this is an important fact to bear in mind. There are many demands on Government revenue and there is no easy way that it can invest in owning and managing Hotel or resort properties. The country is therefore fortunate that the Private Sector believes in the potential of tourism and is prepared to and is investing significant sums of money in the development of tourism.

The private sector has a four pronged strategy

- To move away from the low end budget tourist to the middle income modern traveller whose needs fit well with what Sri Lanka has to offer the visitor and simultaneously to raise rates.
- To develop the current properties and to upgrade them so as to be able to support the higher rates.
- To develop tourism with the widest possible involvement of the community.
- For the hotel groups to first promote the country and then the individual Hotel

The private sector are actively pursuing all these initiatives.

Raising rates has a dramatic impact on numbers and is clearly the optimal strategy. For example if you raise rates at 25 % per year for three years with even a fixed number of tourists at 500,000 the income will double. It will be equivalent to a million tourists at the old rates and to accommodate the million it will be necessary to virtually double the number of hotel rooms and this level of investment is not feasible. At something like Rs 20 million per room for a three star hotel and with one room required for every 30 visitors to build a 100 room hotel that will cater to 3000 tourists it will cost Rs 2 Billion.

In the longer term new hotel rooms will no doubt be built by the private sector but the economic feasibility will be heavily influenced by the rates that the country can attract .Therefore the prime priority becomes the objective of getting a new strata of tourists at higher rates.

Promotion becomes the key role in communicating the target branding of Sri Lanka as a destination. There has to be a radical shift in the management of Promotion. The people best equipped to manage the process are those in the industry who on a regular basis have the most intimate contact with the tourist and the whole marketing chain relating to tourism. This need has been recognized and reflected in the proposed new Tourism Act which has been agreed by the Cabinet. This act also provides for the management of all aspects relating to Tourism. The draft Act was put together after extensive discussions with all stake holders. It is the firm view of the private sector that this act should without any further delay be implemented as set out in the draft act.

The country depends on the private sector to develop this industry. They must be given the confidence that the two key elements of regulation and promotion are properly provided for and this can be achieved by the implementation of the tourism Act.

