

## **CHAPTER 3**

### **THE TOURISM INDUSTRY IN THE STATE OF MELAKA**

Melaka has been no exception to the interest in tourism development that pervaded economic planning in the early 1980s. With the onset of a new administration under the leadership of the then Chief Minister, Datuk Seri Rahim Thamby Chik, in the early 1980s, the State Government aggressively promoted the state as a tourist destination. Undoubtedly this decision was motivated by the need to develop whatever limited resources there was in the state, particularly its historical attractions. This chapter discusses the development problems faced by the state in the 1970s and the search for alternative development strategies, resulting in tourism being now accepted as a central component in the economic development plans of Melaka.

### **THE STUDY AREA**

The state of Melaka is located on a narrow strip of alluvial lowland on the southwest coast of Peninsular Malaysia facing the Straits of Melaka and is sandwiched between Negri Sembilan and Johor (Figure 3.1). The state grew from an insignificant fishing village 600 years ago into an important commercial centre. Melaka's relatively early growth and importance in history as a trading post was due primarily to its nodal location in the Malay Peninsula. This peninsula separates the South China Sea from the Bay of Bengal or in cultural terms, the realm of China and India.

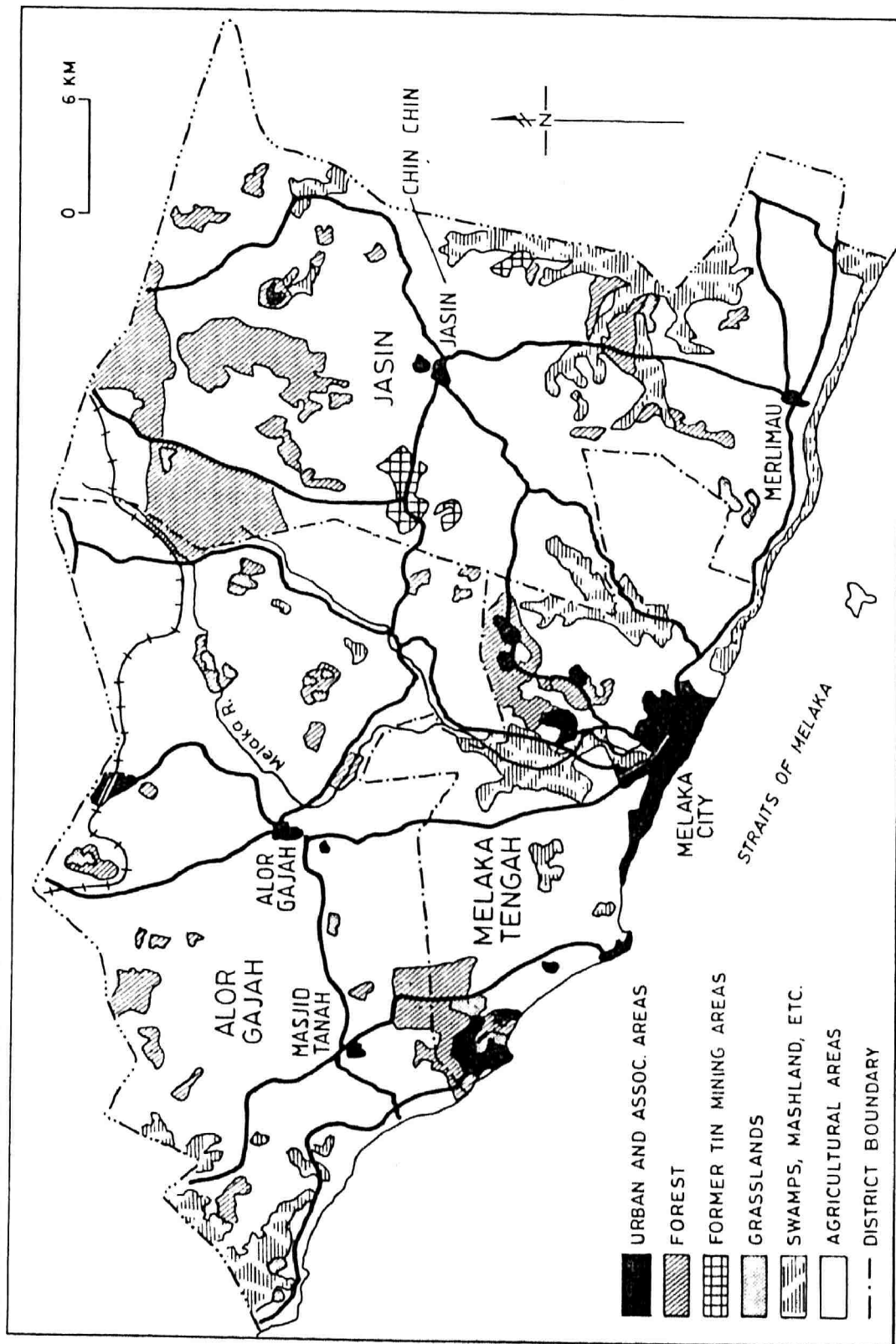


Figure 3.1. Melaka: Administrative Districts and Land Use, 1984.

Source: Minconsult 1984.

As a matter of historical fact, commodities were relatively seldom transported directly between India and China. More often they were trans-shipped in entrepots situated in the vicinity of (though by no means always on) the Peninsula before carried on to destinations in East and South, or even Southwest Asia (Whyte 1983).

The development of such ports in the peninsula since the late 14<sup>th</sup> Century was dictated by the seasonal nature of the wind circulation over the Indian Ocean and the China Sea. The seasonal reversal of wind circulation almost ineluctably induced a corresponding rhythm in the movement of shipping in the Indian Ocean and South China Sea. Sailing ships from India, China, or the Archipelago would head for the ports of western Southeast Asia on one monsoon and returned on the other, thus necessitating a wait for the change of monsoon winds in a sheltered haven somewhere in the general area. Moreover, when ships from India and Southwest Asia arrived on the appropriate monsoon, those from China and the eastern islands were already on their homeward journeys, and vice versa, so that there was a need for entrepots where goods could be stored from one season to the next. The climatic constraints and strategic position was to result in Melaka attaining political and economic significance as the premier port of call in the Malay peninsula. As Tome Pires stated:-

Melaka is a city that was made for merchandise, fitter than any other in the world, the end of monsoons and the beginning of others. Melaka is surrounded and lies in the middle, and the trade and commerce between the different nations for a thousand leagues on every hand must come to Melaka (Whyte 1983).

This commercial importance was to attract various colonial powers to Melaka. Early Islamic merchants controlled the trade in the first Islamic Sultanate in Asia until the

Portuguese onslaught in 1511. The Portuguese governed Melaka for a period of 130 years until they were ousted by the Dutch in 1641. Melaka's importance as a port declined during the 154 years of Dutch jurisdiction with the silting of the harbour and the development of Singapore and Penang as alternative ports. Political rivalry between the Dutch and British for hegemony over the Straits of Melaka in the 18<sup>th</sup> Century culminated in the Dutch retreating to their East Indies base and surrendering sovereignty over Melaka to the British in 1795. British suzerainty continued until 1957 when Melaka together with the other states which make up Malaysia achieved independence.

Present-day Melaka covers an area of only 1,650 square kilometres (or 1.3 per cent of the country) and is larger only than the state of Perlis and the Federal Territory. Administratively, the state is divided into three districts - Alor Gajah (660 square kilometres) in the north, Jasin (676 square kilometres) to the west and Melaka Tengah or Central Melaka (314 square kilometres).

The physical features of Melaka are characterised by flat and gently undulating land stretching from the coast to about 25 kilometres inland. The topography changes towards the north and east where it becomes part of the Main Range. Most of the land are below the 80 meter contour level with the highest at 488 meters (Minconsult 1984).

The population census of 1991 enumerated a population of 504,502 compared to 404,100 in 1970 and 446,769 in 1980. Of this total, 58.7 per cent of the population live in Melaka Tengah, 22.9 per cent in Alor Gajah and 18.4 per cent in Jasin. Ethnically the population is composed of 55.7 per cent Malays, 33.6 per cent Chinese, 10.2 per cent Indians and 0.5 per cent other races. Within these main groups, however, are subgroups



such as the Portuguese, Eurasians, Chettys, *Babas* and *Nyonyas*<sup>1</sup> whose rich, varied cultures, and ethnic customs constitute an important tourist attraction. The natural rate of population increase has been low but because of the small land area, the density of 274 persons per square kilometre makes Melaka the third most densely populated state after the Federal Territory and Penang (Saw 1988).

## DEVELOPMENT IMPERATIVES AND CONSTRAINTS

Until recently, Melaka was one of the poorest states in Malaysia. Melaka had the fifth lowest per capita GDP in the country in 1970-75, being better off only than the backward northern states in the peninsula. The average GDP growth rate has consistently lagged behind that of the country as a whole; the rate being 6.0 per cent as against the national rate of 8.2 per cent in 1971-80 and 5.2 per cent as against 6.1 per cent in 1981-85 (Wong and Anuwar Ali 1987). Consequently, Melaka's share of the country's total GDP declined from 2.9 per cent in 1971 to 2.3 per cent in 1985. Melaka also suffers from a growing unemployment rate because of low productivity in agriculture which was the dominant economic sector then. In 1970, eight per cent of the work force was unemployed. Although the rate dropped to 6.4 per cent in 1980 it rose again to 8.3 per cent in 1985 and nine per cent in 1990. In comparison, the unemployment rate for the country in 1990 was much lower at only six per cent. Thus, it is not surprising that 45 per cent of the households in 1980 were living in poverty (Government of Malaysia 1981).

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<sup>1</sup> The *Babas* and *Nyonyas* are male and female descendants of a community born out of intermarriage between the local Malays and the Chinese immigrants of the 15<sup>th</sup> Century.

Melaka also ranked low on most other measures of quality of life, especially in terms of public services per capita (Table 3.1).

Table 3.1: Indicators of the Quality of Life in Melaka State, 1975

Indicators	Ratio	Per cent of average in Malaysia	Rank in country
Persons/living quarters, 1970	6.1	111.0	4
Persons/doctor, 1975	5,020.1	116.0	9
Students/teacher, 1975	29.9	97.0	9
Persons/acute hospital bed, 1975	587.0	93.6	9
Private cars/100 persons, 1975	3.9	103.0	5

Source: Government of Malaysia 1976.

The main economic activities existing before 1980 were unable to propel Melaka to a higher level of economic development. During the 1960s the main generators of income growth were agriculture and retail businesses from personnel at the Commonwealth Military Training Centre at Terendak, 22 kilometres north-west of Melaka City, while in the 1970s light industries performed this function. The industrialisation programme was initiated in 1971 to diversify economic activities and to reduce the dependence on agriculture. Industrial estates were planned with the inception of the SEDC the same year. An important impetus to the establishment of these estates was the withdrawal of the 24<sup>th</sup> Commonwealth Brigade Group comprising British, Australian and New Zealand forces from their Training Centre at Terendak. Throughout the 1960s, the state had benefited greatly from an inflow of funds from these countries

and until its closure in 1969 the Terendak base had been 'the most important generator of income outside agriculture and the government sector' contributing RM30 million to the state economy (Currie 1983). Unemployment rose sharply and peaked at 25 per cent of the existing labour force as civilian employees at the base were retrenched and the luxury end of the wholesale, retail and services sectors of the state economy were also affected.

State revenue sources were insufficient to meet even normal budgetary commitments, not to mention development expenditure. While State Government expenditure had risen sharply since 1974, domestic revenue, that is, revenue from state income sources, increased only moderately. Domestic revenue collected by Melaka averaged 60 per cent of the total annual expenditure between 1966 and 1976. By 1972 recurrent revenues could not even cover current expenditures and the projected deficit grew each year between 1972 and 1976 (Table 3.2). Melaka depended heavily on grants from the Federal Government to balance its budget and federal grants accounted on average for nearly 40 per cent of total state revenue (Chee 1983). Undoubtedly, the dependence on the Federal government for grants is also common among other states but this was particularly marked in Melaka during the 1970s. Besides the problems of tax avoidance and low tax capacity because of a narrow population base, the state was also unable to derive substantial revenue from licensing and land sales due to the diminishing land reserves. Overall, Melaka showed a relatively low rate of revenue per capita because of the paucity of natural resources (Chee 1983).

Table 3.2. Estimated Revenue and Expenditure on Current Items, Melaka, 1972-76  
(in RM million)

Year	State revenue	Federal grants	Total revenue	Current expenditure	Current deficit	Development expenditure
1972	7.4	5.5	12.9	14.1	1.2	15.9
1973	7.4	5.7	13.1	15.7	2.6	18.7
1974	8.6	5.6	14.2	16.9	2.7	40.0
1975	9.8	5.7	15.6	20.4	4.9	31.1
1976	10.5	6.1	16.6	24.5	7.9	35.9

Source: Currie 1983.

As such, rapid changes in the sectoral structure of the state's economic base were initiated since 1980 to raise the annual growth rate of the economy to at least parallel the national average. The state's economy had been dependent on agriculture which in 1971 contributed 34.4 per cent of GDP. Although this sector has recorded a significant relative decline in its share of GDP, it still accounted for 18.5 per cent of GDP in 1985 and remains the predominant form of land use, utilising 129,447 hectares or 78.4 per cent of the land in 1987 (Table 3.3). Realising that this dependence on the traditional agricultural sector was not economically healthy, the Melaka Master Plan of 1984 targeted three sectors for development in the following order of priority - manufacturing, tourism and agriculture. This emphasis no doubt took into consideration the existing limited resources and development constraints faced by Melaka.

Table 3.3. Land Use in Melaka State, 1987

Land Use	Area (hectares)	Per cent
Agriculture	129,447	78.4
Swamps and <i>belukar</i> (secondary forest)	10,404	6.3
Forest	8,961	5.4
Urban	6,572	4.0
Industrial	583	0.4
Mining	791	0.5
Others	8,346	5.0
Total	165,104	100.0

Source: State Secretariat, Melaka, 1990.

Firstly, almost 80 per cent of the land in the state has been alienated (Melaka State Secretariat 1990). The severe pressure on the land resources of the state was partly due to the early development of plantation crops. The late 1950s and 1960s saw the opening up of a number of land development schemes in Melaka, nearly all of them in the Jasin and Alor Gajah districts. The schemes were mostly located on state land that had not been previously alienated. By 1975, 83 per cent of the land had been alienated for agriculture, compared with an average of 21 per cent for Malaysia as a whole (Currie 1983). In no other state was pressure on the land so acute. For example, Penang, the state with the next highest proportion, had 62 per cent of its land alienated in the same year followed by Kedah and Perlis with 46 per cent. By 1976 the forest area in Melaka had fallen to 7,285 hectares. In view of the high population density and the dearth of unalienated land, tiny,

uneconomic holdings was then the norm in Melaka. Statistics in 1972 showed there were 78,105 hectares of smallholdings in Melaka or an average of two hectares per worker (Currie 1983). However, this average was skewed by the minority of relatively large rubber stands, and numerous studies confirmed the prevalence of tiny holdings, the high average age of the operators, and the importance of off-farm employment, remittances, and pensions as major sources of smallholder income.<sup>1</sup> An estimated 70 per cent of the rubber smallholdings were under two hectares, well below the economic size of four hectares (Minconsult 1984). In addition to small plots, problems such as the lack of management skills, inadequate infrastructure and agricultural support services, and socio-institutional problems associated with land ownership and tenancy resulted in very low remuneration to the smallholders (Minconsult 1984). Similar problems were also evident in padi cultivation where the average plot size was only 0.9 hectare per household. Thirty per cent of the padi land was left idle and development was difficult because of multiple ownership, absentee landlords and the land tenure system.<sup>2</sup> As such, development through large scale land development by agencies such as the Federal Land Development Authority could not be implemented and agriculture could not form the basis of the state economy.

Secondly, Melaka is relatively poorly endowed in terms of mineral or forest

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<sup>1</sup> A survey of padi farmers conducted in all the three districts of Melaka in 1965/66 showed that the average holding size was 1.9 hectares, of which 0.9 hectare was grown with padi, 0.9 hectare with other crops (including rubber), and the remainder uncultivated. The mean average age of operators was 40 years, and household income from non-farm activities contributed no less than 73 per cent of all household income (Udhis Narkswasdi and S. Selvadurai 1967).

<sup>2</sup> Stringent conditions are attached to the land tenure system especially those relating to Malay Customary Land restricting the transfer of land to Malays not domiciled in the State.

resources suitable for commercial exploitation. Gold was formerly obtained from the shallow pits in the locality of Asahan in the north-eastern corner of the state, while tin ores have been extracted from the vicinities of Kesang and Chin Chin (Whyte 1983). Neither metal is of any economic importance presently and mining activities are virtually non-existent. Melaka thus does not possess the advantage of proximity to raw materials which is an important pull factor for many resource-based industries. It is evident that Melaka's resources and potentialities have inhered primarily in its strategic location rather than in its physical attributes.

Thirdly, Melaka suffers from a lack of human resources. Since the 1911 census, population growth in Melaka has been below the average for Peninsular Malaysia. For example, between 1971 to 1985, Melaka's population grew at a significantly lower rate of only 1.1 per cent per annum compared to the national average of 2.6 per cent. The single most significant factor causing the divergence in average growth rates between the state and the country was net out-migration to other parts of Malaysia, particularly to the neighbouring states of Selangor, Federal Territory, Negri Sembilan and Johor (Currie 1983). In 1947, Melaka showed a lifetime net migration rate of 54.7 per thousand population, the second highest in Peninsular Malaysia. By 1957, the state had recorded the highest rate of 69.7. Since then the rate for Melaka has not only remained at the 1957 position but has taken a sharp turn to reach 99.8 in 1970 and finally 205.2 in 1980. The 1980 census indicates there was a net loss of about 92,000 migrants from the state (Minconsult 1984). The out-migrants tend to concentrate in the younger age cohorts of 14-34 years, are predominantly single males from all ethnic groups, and represent the

better educated and better skilled of the active labour so essential in the development process (Minconsult 1984). Among the reasons cited for the out-migration are:-

... the relatively high level of education of the population, the land pressure in rural areas, and the lack of sufficiently well-paid job opportunities in the non-agricultural sector which would act as effective counterweights to the pull from the rapidly expanding economy in the Klang Valley, a mere hundred miles away (Currie 1983).

Although the state does attract a significant number of in-migrants in the young and working age groups, there is a tendency for them to be married and to bring their families along, thus increasing the dependency ratio. Not only is there a net loss of people but there also occurs an exchange of the young and active workforce for more dependants in the very young and old ages and an uneven sex ratio aggravated by more single males as out-migrants and more females as in-migrants. The net loss has brought about low labour productivity in both urban and rural areas leading to significant repercussions on economic development. This gap in labour productivity has apparently worsened from 16 per cent below the national average in 1980 to 21 per cent in 1985.<sup>1</sup> Despite the favourable developments taking place in Melaka Tengah district, the outflow of migrants, particularly from the rural districts, continues into the rapidly developing states bordering the state. The situation is further aggravated by the fact that there is little development taking place in the depressed areas in the other two districts of the state.

The lack of development serves as a push factor, forcing the rural population out to seek better opportunities elsewhere while the

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<sup>1</sup> Even the manufacturing sector, despite rapid growth, remains relatively below national average in terms of labour productivity (RM11,040 as against RM13,720 in 1985) while the already significant productivity gaps for the commerce, finance and services sectors had further widened (Wong 1987).



development in and around Melaka is not sufficient to attract them into the town (Hamzah Sendut 1983).

Lastly, the lack of development has also been due to deficiencies in the transportation system. Apart from a good road network, there is no other satisfactory mode of transport in Melaka. There is no direct rail service and the state has to utilise Tampin in Negri Sembilan for its rail transportation needs. Air services by Malaysian Airline System and later on Pelangi Air were scrapped because of low profitability while the existing port is inadequate to service the needs of a modern industry.

From the mid-1980s, industrialisation was accorded the highest priority as the state sought to overcome the lack of development. However, the existing types of industrial production differs markedly from those in 1970s which concentrated on import substitution. The most important manufacturing groups in 1972 were food manufacturing (31 per cent of employment and 27 per cent of value added), the manufacture of wood and *atap* products excluding furniture and footwear (32 per cent of employment and 27 per cent of value added), and the processing of agricultural products off the estate (14 per cent of employment and 18 per cent of value added) (Currie 1983). Presently, the most important industrial groupings are electrical machinery and apparatus (including electronics), rubber products and base metal products.

These industries are located in the industrial estates established by the state. By the end of 1976 six industrial estates were in operation, employing a total of 10,600 people. Industrial growth was slow mainly because of poor transport links as investors preferred the more accessible locations in Selangor and Penang. Thus, in 1980, Melaka

accounted for only 3.7 per cent of the total industrial investments in the country. However, by 1985, the situation began to change as fiscal incentives were offered to investors to locate their operations in Melaka. By then manufacturing had replaced agriculture as the most important economic sector in Melaka. Industrial land totalled 1,115.3 hectares in 1991 compared to 583 hectares in 1987 and more than 250 local and foreign manufacturing companies have set up factories in Melaka providing employment to 37,048 people (*Star* 15<sup>th</sup> August, 1991). The factories are located in the two fast expanding free trade zone at Batu Berendam and Tanjong Kling and numerous industrial estates developed by SEDC at Alor Gajah, Tangga Batu, Merlimau, Ayer Keroh and Bukit Rambai (Figure 3.2). New industrial development is taking place at Pegoh, Telok Mas and Alai. The private sector, such as the Lion Corporation, has also developed industrial estates in Cheng, Masjid Tanah, Rembia, and Kerubong. A notable feature of the industrialisation programme is the substantial foreign investment of RM1.6 billion, particularly from Taiwan, with foreign investors holding about two-thirds of the equity capital. By the year 2000, it is expected that industries will occupy land totalling 1,539.7 ha and generate 50,000 jobs in Melaka (*New Straits Times* 16<sup>th</sup> August 1991).

Industrialisation has transformed Melaka from an image as a 'sleeping hollow' into one of the middle-income states in Malaysia. In terms of infrastructure it is perhaps the state with some of the best roads, 100 per cent coverage in electricity supply, and a wide range of industries. Melaka's per capita GDP has risen sharply from RM2,775 in 1985 to RM3,723 in 1990 and RM5,439 in 1995, placing the state in sixth position among the 13 states in Malaysia and the Federal Territory (Government of Malaysia 1996).

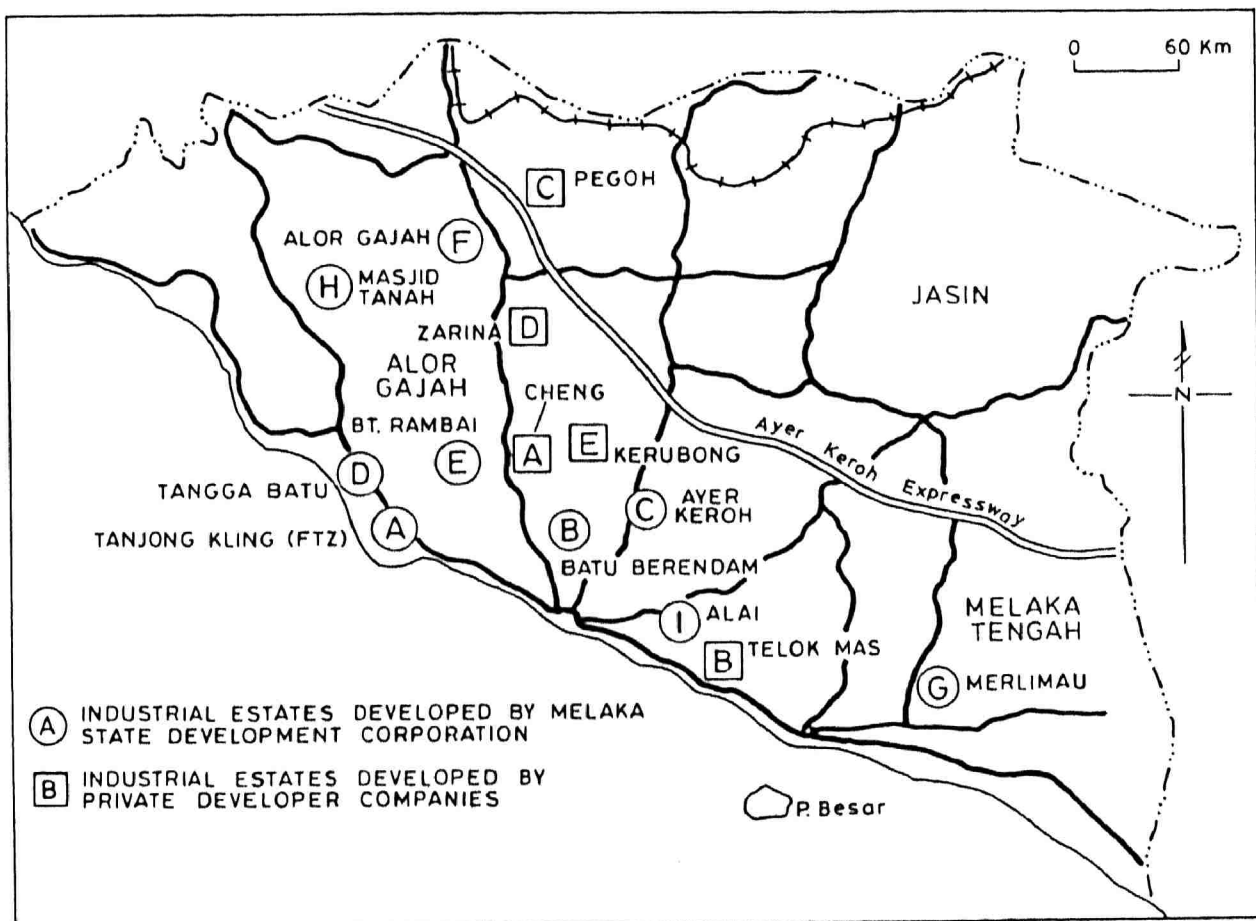


Figure 3.3. Industrial Estates in Melaka State, 1994

Source: SEDC 1994

Whatever development that can be expected from other sectors, it is the industrial sector which will bear the brunt of job creation. However, over-dependence on a single sector is economically unhealthy and Melaka has also turned to its historical and cultural heritage to promote the expansion of tourism.

### **TOURISM DEVELOPMENT IN MELAKA**

Melaka and Penang are perhaps the two best known tourist destinations in Malaysia. Half a millennium of colonial rule has left Melaka city with a built environment attesting to the presence of three European societies and two immigrant communities (the Chinese and Indians). Melaka is indisputably the nation's hearth of Islam and even the nation's first indigenous text, the *Sejarah Melayu*, is a product of the Melaka Sultanate. However, prior to 1985, Melaka was only regarded as a secondary tourist destination heavily dependent on the two main tourist catchment areas of Singapore and Kuala Lumpur; thus, the state government allocation for tourism development was small and the economic return from tourism low.

As visitors spent, on the average, a day or less in Melaka, the value of tourism in income or employment generated is small. Employment in hotels accounted in 1974 for some 350 jobs. Including indirect employment among hawkers, in restaurants, in antique and other shops, the total of jobs created would have been around 500 and the total value added to the local community perhaps of the order of RM1 million (Currie 1983).

In 1974, it was estimated that there were only 113,000 hotel guests, of which

31,000 were foreigners. From 1976 to 1980, Melaka attracted only 3.6 per cent of the total foreign tourists to Malaysia. In the same period, the growth in foreign tourist arrivals averaged only 5.4 per cent per annum compared to the national average of 7.6 per cent. In 1980, only 117,371 foreign tourists and 439,726 domestic tourists were recorded. With the growing income in the urban areas of the Klang Valley and Singapore, there would seem to be good prospects for increasing the number of tourists from these areas as well as from other parts of Malaysia. As tourists travel to the 'product' and often seek abundant 'resources' such as sun, sand and sea, the industry represents an attractive development option for a state that is constrained by a limited resource base and a small domestic market. Tourism projects can be expected to generate employment and create opportunities for the local community to participate in the retailing of local goods and provide services such as dining and entertainment, as well as having an impact on the construction sector.

However, without an increase in the number of attractions in Melaka, which implies the restoration and opening of new historic sites and recreational areas, little growth in tourism can be anticipated. Thus, from 1983 onwards, tourism development programmes ranging from urban beautification and the development of suitable accommodation and tourism facilities to overseas promotion have been launched as tourism was accepted together with manufacturing as spearheads of economic growth in Melaka. A Tourism Unit was set up within SEDC in 1982 and charged with the responsibility for the overall development of tourism in the state. It was also entrusted with co-ordinating, administering and managing public sector tourism projects. In

addition, an advisory committee on tourism comprising experienced members from the tourism sector was set up.

In developing Melaka as a tourist destination, SEDC has been guided by various objectives in the state tourism policy:-

- i. to attract more foreign, regional and local tourists as well as prolonging their stay from an average of 1.4 nights to 3.0 nights,
- ii. to provide more job opportunities through expanding the employment base, reversing the current out-migration pattern and thus increasing the income level and corresponding standard of living of the local population,
- iii. to utilise tourism as a principal means of historic preservation and heritage and environmental conservation,
- iv. to promote the development of culture, local handicrafts and souvenirs through tourism,
- v. to interface tourism development with other economic sectors to minimise outside leakage and maximise the benefits of tourism with the state (SEDC, Melaka 1990).

### **Physical and Institutional Constraints to Tourism Development**

Despite the official support, Melaka faces certain constraints in attracting tourists. Melaka attracted only 5.7 per cent of foreign tourists to Malaysia in 1980 and by 1986 its share had increased marginally to 7.12 per cent. Melaka's international tourism industry is essentially a derivative, being heavily dependent on tourists vacationing in neighbouring

destinations. Located just 145 kilometres from Kuala Lumpur and 390 kilometres from Singapore and deprived of any air links to other countries or even other parts of Malaysia, Melaka draws most of its foreign tourists from these two cities. The port of Melaka is of limited use as a point of entry to cruise ship tourists as passenger vessels cannot anchor in its shallow waters. In 1980 it was estimated that almost 90 per cent of the foreign tourists came via Singapore. With the completion of the Kuala Lumpur-Ayer Keroh section of the North-South highway on 13<sup>th</sup> August 1987 and the Johor Bahru-Melaka stretch a few years later, travelling time between Kuala Lumpur and Singapore was shortened to 1½ hours and 2½ hours respectively. While this development may make Melaka more accessible to foreign tourists, it may also, at the same time, further encourage day trips by local and foreign tourists. As it is, foreign tourists from Kuala Lumpur and Singapore normally go to Melaka on side-trips and stay a day or two at the most while domestic visitors are mostly day trippers whose contribution to the state's economy is minimal.

Melaka's principal tourism resource is its historical past and most of the cultural and historical sites are concentrated in Melaka City. Of the 50 or so tourist attractions listed, 40 are in the city or its vicinity, seven in Alor Gajah district and three in Jasin district. In the absence of conscious planning in the past, Melaka's urban growth has followed a haphazard pattern characterised by narrow roads, insufficient pedestrian side-walks and footpaths, inadequate set-back of residences from roads, and too few open spaces. The overall impression is one of overcrowding, traffic congestion, air and noise pollution, and without effective action to rectify the situation, a gradual deterioration of the urban environment can be expected. The historic value of Melaka city is being eroded

by the loss of a substantial number of historic buildings and sites due to lack of maintenance and rapid urbanisation (Minconsult 1984). The conservation and preservation of historic buildings and sites has only been stressed in the last five years.

Melaka also suffers from insufficient tourist attractions and activities. There is a general lack of attractions beyond the city, except for the resorts in Ayer Keroh. As most tourists to Malaysia are repeat visitors, particularly those from Singapore, the lack of a broad spectrum of recreational and entertainment activities such as entertainment can be a hindrance in the selection of Melaka as a vacation destination. Furthermore, Melaka faces increasingly intense competition from neighbouring Batam Island in Indonesia and other states in Peninsular Malaysia eager to capitalise on the growing number of foreign tourists.

## **STRATEGIES IN TOURISM DEVELOPMENT**

The development of tourism and the promotion of the state locally and overseas has been entrusted to SEDC. Unlike Penang, there is a lack of active and positive participation from the private sector. The state government has followed a twin-prong strategy of promotional activities and product development in efforts to attract more tourists to Melaka.

### **Promotional Activities**

Since 1981, SEDC has been actively involved in the overseas promotion of the state through the holding of conferences, seminars, forums, tourism exhibitions,



advertisements and cultural performances. This included, for example, participation in the PATA Conferences (Bangkok in 1982, Auckland in 1984 and Kuala Lumpur in 1986), and the ASEAN Travel Forums (Kuala Lumpur in 1981 and 1986, Singapore in 1989 and Pattaya 1990). It has also taken part in exhibitions organised by the American Society of Travel Agents in Singapore (1986), National Association of Travel Agents of Singapore (1988-1990), and the annual Malaysia Fest. Promotion has been carried out overseas in Chiangmai, Singapore, Tokyo, Taipei, London and Sydney and also in the newly identified markets of New Zealand, West Germany and Italy. Singapore has been the focus of the promotion efforts because of its position as the single largest source of tourist to Melaka. Locally, various events have been planned from time to time to attract tourists. For example, the 600 Years Celebration to commemorate Melaka's founding was officially launched on 22 July 1990 in conjunction with VMY 1990 and events such the International Kite Festival and the annual Melaka Carnival have been held.

The expenditure for tourism promotion by the state has risen noticeably since 1986. In 1981, only RM51,329.84 was spent on promotion and the figure rose marginally to RM80,404.21 the following year (Table 3.4). However, it was only in 1986 after the State Development Master Plan had been released and the emphasis on tourism development in Malaysia that the allocation for tourism promotion surpassed the RM100,000 mark. The expenditure increased further to RM433,864.32 in 1988 with the launching of the VMY 1990 campaign and to RM956,685.12 in 1989 as the event approached. Thus, from 1981-90 more than RM2.5 million had been spent on tourism promotion. Of this sum., RM564,080.68 was expended on advertisements using the

theme 'Melaka: Where it all began' and RM1,029,795.71 on promotional aids such as brochures and hand bills.

Table 3.4. Tourism Promotion and Publicity Expenditure by SEDC, 1981-90.

<b>Year</b>	<b>Expenditure(RM)</b>	<b>Per cent change</b>
1981	51,329.84	-
1982	80,404.21	56.6
1983	42,505.38	-47.1
1984	32,002.00	-24.7
1985	29,685.00	-7.2
1986	142,806.34	381.1
1987	190,229.97	33.2
1988	433,864.32	128.1
1989	956,685.12	210.5
1990	564,175.06	-41.3
<b>Total</b>	<b>2,523,687.24</b>	

Source: SEDC, Melaka 1994.

In seeking to promote its historical roots, the state government sought for Melaka city the status of 'historical city'; this was granted by the Federal Government on 15 April 1988. This title also qualifies Melaka to seek membership to the World Cultural Heritage Convention and inclusion in the World Heritage List of 552 properties and thus obtain international recognition and assistance from the World Heritage Fund. However, this application to seek a listing and the distinction of the only Malaysian site to be listed was

unsuccessful. Twin city agreements have also been signed with Lisbon (Portugal), Hoorne (Netherlands), Valparaiso (Chile), Nagasaki and Kuala Lumpur with the objective of seeking mutual cooperation in economic and cultural development.

### **Development of the Tourist Infrastructure**

In product development, a two-prong strategy was adopted. Firstly, to realise the potential of Melaka's historic heritage as a major tourist attraction, the area around the Saint Paul's Hill from Jalan Laksamana until the Independence Memorial in Jalan Parameswara was gazetted as a historical zone on 22 August 1990 under the *Malacca Preservation and Conservation of Historical and Cultural Heritage Enactment 1988*. As such, no demolition, modification, renovation to any part of the buildings or monuments in the area are allowed without the consent of the local authorities and only cultural and historical activities will be permitted. The conservation and restoration of historical and cultural heritage is a new practice in Malaysia and lacks the necessary legal and financial backing from the appropriate authorities. The 1988 Act was a response to such a need and it was passed to supersede the *Antiquities Act 1968* which could only designate individual buildings for conservation.<sup>1</sup>

Local tourism planners realised that acts of 'merely gazing' at historical sights by walking tourists were insufficient to sustain the tourism economy. To meet the need for a more activity oriented tourist experience, the state initiated a grandiose plan to turn Melaka into 'land of museums' by converting the buildings in the historical zone into

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<sup>1</sup> Future areas to be gazetted under the Act will include Mini-Malaysia Village, Mini-ASEAN Village, and the *Orang Asli* settlement in Ayer Keroh.

museums depicting various themes such as ethnography, culture, youth, maritime history, and Islamic civilisation.. The initial target of 101 museums has been scaled down to 20 or 30. Presently, 15 museums dominate the tourist landscape in Melaka of which seven are in the historical zone (SEDC, Melaka 1994).<sup>2</sup> The state also implemented a 'Light and Sound' project at the foot of Saint Paul's Hill at a cost of RM8.2 million as a dynamic element in presenting the history of Melaka through nightly audio-visual shows (Figure 3.3).

Secondly, resort-based tourism development and theme park type developments have been carried out in areas such as Ayer Keroh and along the coast and islands. This is in response to the realisation of the lack of attractions and that heritage tourism without associated commoditised and participant forms of activities, is insufficient to encourage a longer length of stay and return visits and thus generate higher revenues. A comprehensive tourism development plan was carried out in stages in line with this strategy. In the first stage, popular tourist sites such as the Mini-Malaysia Cultural Village, the Ayer Keroh and Durian Tunggal Recreational Lakes and the Ayer Keroh Recreational Forest were completed by 1988. The second stage included the construction of the RM1 million Mini-ASEAN Traditional Village in Ayer Keroh and the development of the 141 room Tapai Nyai resort (now renamed Pandanusa resort) in Pulau Besar off the Melaka coast. Both these projects were completed by mid-1991.

To encourage the participation of private entrepreneurs in developing tourism

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<sup>2</sup> Included among these are the more popular Maritime Museum housed in a model of a Portuguese carrack, and the Cultural Museum modelled after a drawing of 15<sup>th</sup> Century Sultan's Palace in the *Sejarah Melayu*.

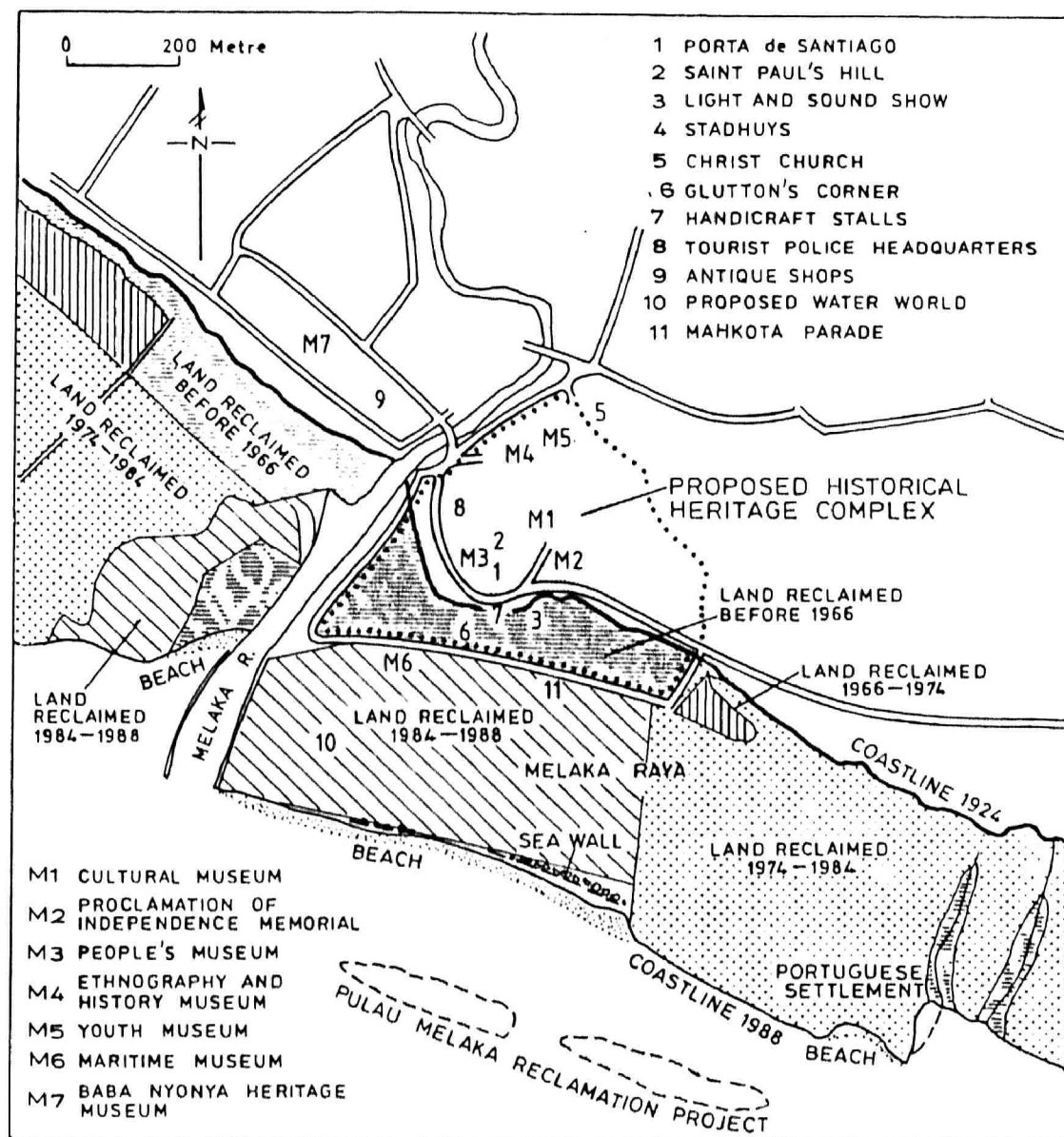


Figure 3.3. Location of Tourist Attractions in Melaka City.

Source: Fieldwork, June 1994.

facilities, a 30 per cent rebate on land premiums is made available while additional incentives are accorded to smaller projects of less than RM250,000. For hotel development, land premium charges for hotel projects was reduced to a flat rate of RM100 each for the year 1996 only. This is a significant reduction as the premium is determined by the project size and a medium sized hotel project may cost up to RM1.5 million in land premium alone. The private sector responded by building various theme parks and golf resorts such as the crocodile and butterfly parks and the Auyin Hill Resort which was completed in 1995 and which is claimed to be the only 'geomancy theme park' in the world (Figure 3.4). Water theme parks have been the trend in theme park development in Southeast Asia. Thus, in 1996, the state's largest theme park, A' Famosa Waterworld, named after the Portuguese fort in Melaka city, was built in the midst of a golf resort bearing the same name in Alor Gajah.

In line with the above strategies, the state government spent more than RM50 million over the past decade to develop the tourist facilities and build new attractions. A total of RM32,047,464 was spent on product development such as the Cultural Museum, and tourist resorts at Tanjong Bidara and Ayer Keroh (Table 3.5). From 1982 to 1989, the State Government disbursed a further RM1,560,670.59 for the conservation and restoration of historic buildings and other beautification projects. (Table 3.6). Of this sum, the largest single expenditure of RM834,475.62 was allotted for the conservation and restoration of the Stadhuys building, a massive 17<sup>th</sup> Century Dutch administrative building, in collaboration with the Gulbenkian Foundation. There has thus been a noticeable increase in the number of tourist attractions. The state presently boasts of

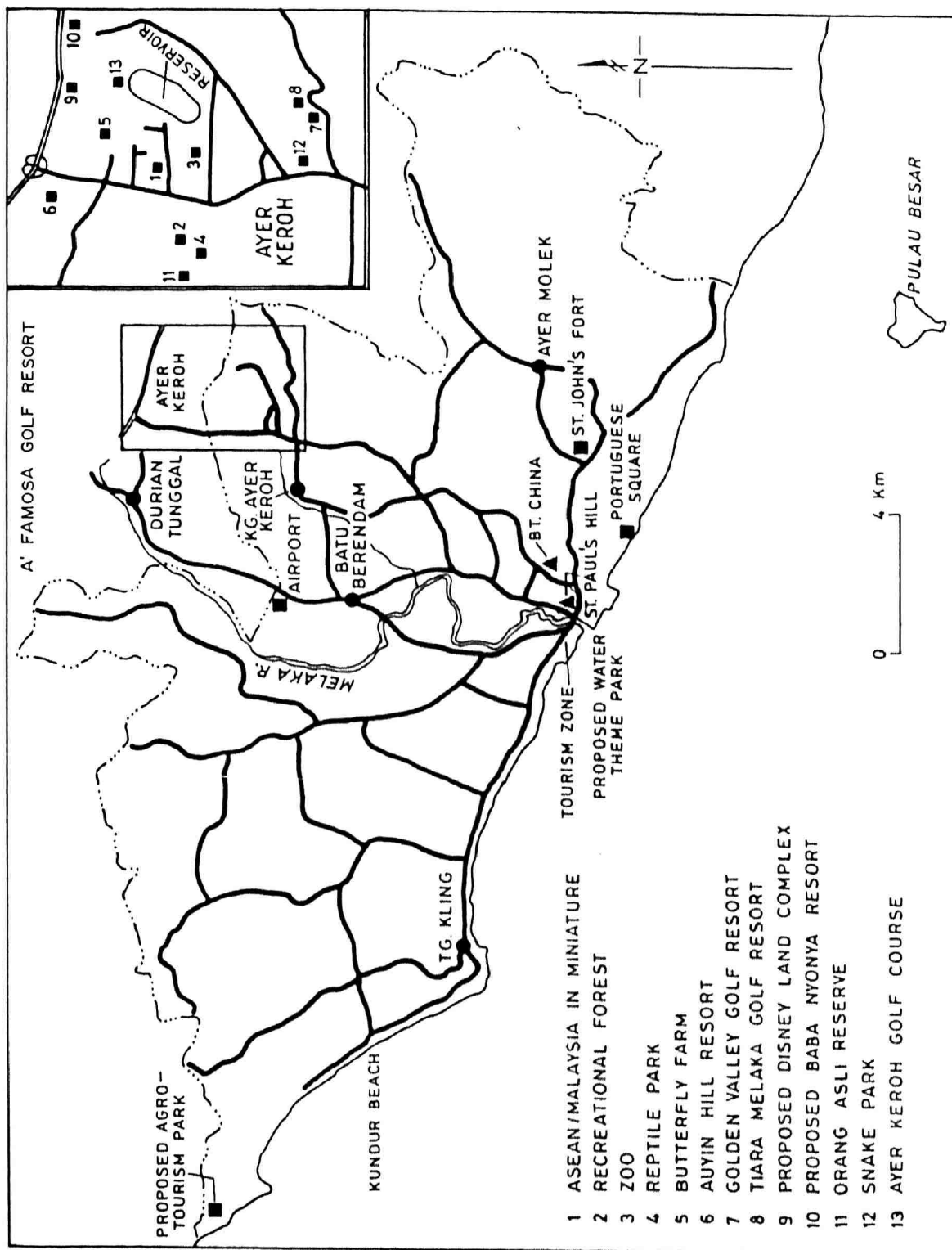


Figure 3.4. Location of Tourist Attractions in Ayer Keroh, Melaka.

Source: Fieldwork, June 1994.

Table 3.5. State Government Expenditure on Tourism Product Development, 1984-95

Project	Year Completed	Cost (RM)
Tanjong Bidara Beach Resort	1984	5,097,170
Portuguese Square	1984	1,700,000
Ayer Keroh Country Resort and Mini Malaysia Park	1984	9,343,341
Melaka Sultanate Building/Cultural Museum	1986	3,080,000
Gadek Hot Spring	1987	293,000
Ayer Keroh Tourist Information Centre	1990	120,533
Mini ASEAN Village	1990	5,830,000
Pulau Besar Island Resort	1991	16,937,464
Extension to Tanjong Bidara Resort	1995	7,780,000
Extension to Ayer Keroh Resort	1995	1,500,000
<b>TOTAL</b>		<b>51,681,508</b>

Source: SEDC, Melaka. 1994.

more than 50 attractions whereas only 28 tourist attractions were cited in tourist brochures on Melaka before 1983.

The early 1990s marked a new phase in tourism development as proposed projects have taken on a different dimension with the introduction of capital-intensive and land-extensive projects. The scale of these new projects appear surprisingly large and uncharacteristic of the industry's basis in heritage tourism. These 'mega projects' are aimed at tripling Melaka's tourists to 4.5 million a year. Undoubtedly, the most ambitious



Table 3.6. State Expenditure on General Tourism Development, 1982-89

<b>Tourism Project</b>	<b>Amount (RM)</b>
Conservation and Restoration	
Stadhuys Building	834,475.62
Restoration of cemeteries	56,477.90
Wall on Saint Paul's Hill	10,190.00
Repainting of mosques	5,407.85
Infrastructure Development	
Arches	75,344.23
Signboards	7,100.00
Renovation of Tourism Police Headquarters	40,070.00
Recreation Projects	
Beautification of Klebang Beach	68,850.00
Beautification of Gadek Hot Spring	120,000.00
Purchase of Sumatran rhinoceros for zoo	51,564.00
Historical Projects	
Historical and Arts Museums	273,291.80
Hang Tuah Well	17,900.00
Total	1,560,670.59

Source: SEDC, Melaka, 1994.

and controversial tourism-related project following this mega development approach is the RM2 billion Pulau Melaka project launched on 2 May 1996 as part of the state plan to reclaim 2,835 hectares along a 40 kilometre coastline. The project, often referred to as 'Melaka Manhattan' will involve land reclamation along the sea fronting the historical zone to construct a 225 hectare twin island for commercial, residential and tourism

activities. The project has attracted criticisms because of its adverse effects on fisheries as well as changing the character of the Portuguese settlement. Other proposed projects include a Sea World planned for the city's waterfront, the Disney Movieland project and an enormous *Baba-Nyonya* Theme Village on a 400 hectare site in the Ayer Keroh-Jasin area that is expected to take ten years to complete. The area surrounding Saint Paul's Hill in the city is to be developed into a RM600 million historical heritage complex billed as the biggest cultural and historical centre in the country where access to all vehicular traffic will be barred. Finally, the regional demand for golf as a leisure pursuit, the low cost of playing golf in Malaysia as well as the good returns from investments in golf courses, have spurred investors to develop many such projects in Melaka despite the environmental concern over such development. Of the six golf courses in Melaka, three of them – A'Famosa, Golden Valley, and Tiara Melaka – are termed golf resorts where accommodation facilities are also available. The largest of these, the Golden Valley Golf Resort with three 18 hole courses on 400 hectares of land in the vicinity of Ayer Keroh, is touted as among the largest golf courses in Asia.

### **GROWTH IN TOURIST ARRIVALS AND RECEIPTS**

The intensive tourism product development discussed above was conceived in view of the increasing number of tourists to Melaka. Tourist arrivals had grown at an average of 7.63 per cent per annum from 1980 to 1990. By 1990, the number of tourists had doubled to 1,161,004 tourists and is now estimated at 1.3 m while another two

million excursionists visit Melaka annually (Table 3.7). A significant feature of the growing tourist numbers is the higher rate of increase in foreign tourists, averaging 10.9 per cent from 1980-90. This was particularly so in 1989 and 1990 when the foreign tourist arrivals grew by ten per cent and 16 per cent respectively. Accordingly, the percentage share of foreign tourists has increased from 21.07 per cent in 1980 to 30.45 per cent in 1992.

Table 3.7. Foreign and Local Tourists to Melaka, 1980-92

Year	Local Tourists	Foreign Tourists	Per cent of total	Total No. of Tourists	Per cent Increase
1980	439,726	117,371	21.1	557,097	-
1981	474,900	131,455	21.7	606,355	8.8
1982	512,892	147,229	22.0	660,121	8.9
1983	553,923	164,896	22.9	718,819	8.9
1984	598,236	184,683	23.6	782,919	8.9
1985	646,094	206,844	24.3	852,938	8.9
1986	687,960	231,665	25.2	919,625	7.8
1987	736,117	249,029	25.9	985,146	7.1
1988	774,750	258,540	26.9	1,033,290	4.9
1989	810,893	284,394	27.5	1,095,287	6.0
1990	831,279	329,725	28.4	1,161,004	6.0
1991	796,443	348,676	30.5	1,145,119	-1.4
1992	841,436	367,538	30.4	1,208,974	5.6

Source: SEDC, Melaka. 1994.

A breakdown of the main countries of origin of foreign tourists is not available but it is expected to reflect the national figures. Thus, Singaporeans constitute the majority of foreign tourists followed by Japanese and other East Asian tourists. There is, however, a large discrepancy between the estimated number of local tourists and the number of hotel guests recorded by the hotels. In 1992, hotels of ten rooms and above recorded 303,233 local hotel guests which implies that more than half of the local tourists do not stay in hotels preferring instead to put up with friends and relatives. This is a common feature of domestic tourism in Malaysia and besides being a consequence of the hospitality commonly extended to friends and relatives, also results from the lack of affordable accommodation. Tourism receipts has increased more than six-fold from RM51.89 million in 1980 to RM347 million in 1992 representing 15.3 per cent of the state GDP (Table 3.8).

Table 3.8. Tourist Receipts and Per Capita Expenditure in Melaka, 1980-92

Year	Tourist Receipts (RM m)	Per Capita Expenditure (RM)
1980	51.89	93.12
1982	77.63	117.60
1984	117.28	149.80
1986	154.49	168.00
1988	186.92	180.90
1990	226.17	194.81
1992	347.00	287.00

Source: SEDC, Melaka, 1994.

However, the per capita tourist expenditure of RM287 is very much lower than the national average of RM632. Again this reflects the dominance of Singaporeans in the foreign tourist component, the large percentage of local tourists and excursionists, and the short length of stay of only 1.5 nights. These categories of tourists have a lower propensity to spend, stay for a shorter period or with relatives and friends, and indulge in little souvenir shopping.

## CONCLUSION

It is undeniable that tourism has helped Melaka shed its image as a state lacking in development. Melaka's per capita income has increased from RM2,775 in 1985 to RM5,439 in 1995 (Government of Malaysia 1996). While this income represents 0.94 of the national per capita GDP, it is a marked improvement compared to the ratio of 0.77 in 1985 and 0.82 in 1990. When Melaka intensified tourism development in 1985, it set a target of 14 million tourists and 10,000 hotel rooms for the year 2000. Considering the present tourist total of slightly more than one million and room supply of 3000 rooms, the projected figures appear over-ambitious and unachievable. Nevertheless, the importance of tourism in the state is unquestionable. The potential for tourism expansion in Melaka is tremendous given the variety of 'products' in its culture, history and natural environment. However, the present efforts have concentrated on developing the tourist infrastructure, attracting greater numbers of tourists and ensuring a satisfactory travel experience. Little attention has been paid to the structure and organisation of the industry nor the perceptions of the local community towards the rapidly developing tourist industry.