

Chapter 3: The Travel Account

This chapter will further discuss on the travel account and its components in detail.

The Travel Account in the services account consist of the following:

1. Traveling for Education purposes
2. Traveling for Tourism (e.g. leisure, Visit Friends and Relatives)
3. Traveling for Business, events and conventions
4. Traveling for Pilgrimage.

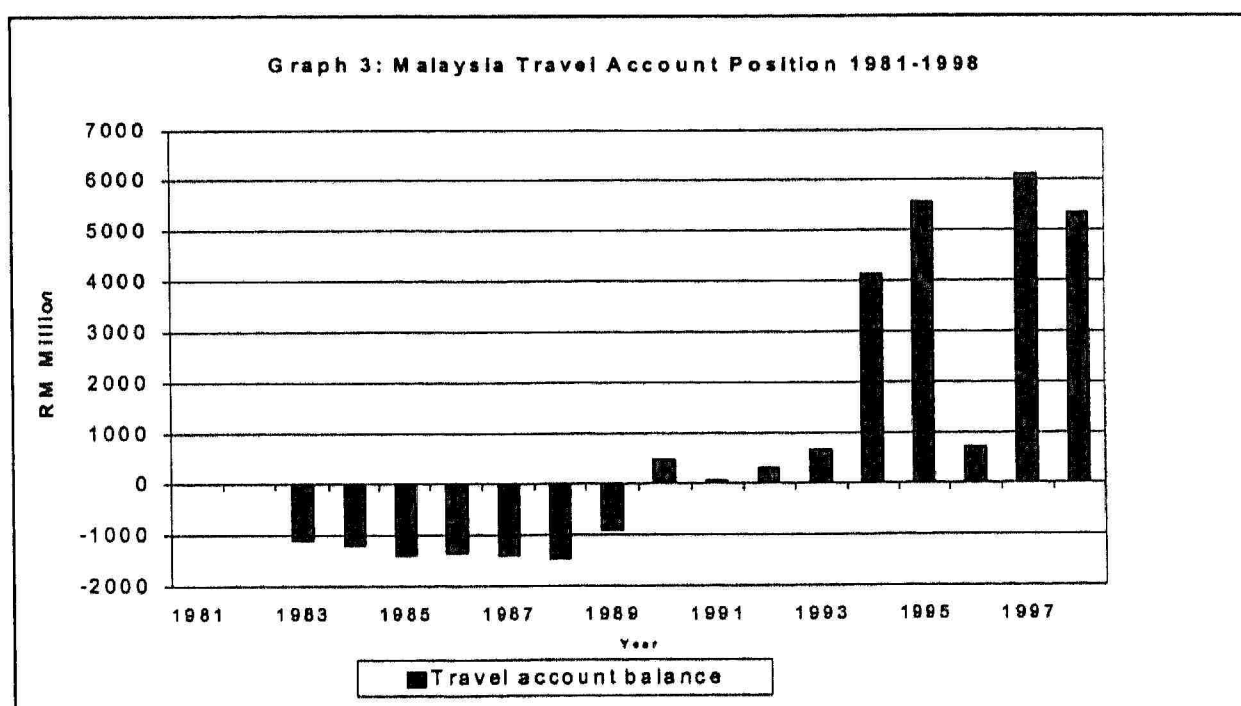
However, Bank Negara officials and Government Statistics Department do not reveal detail data in the travel account. Annual Statistical Reports reveal the outflow of numbers of tourist collected from the Immigration Department.

Table 4: The Travel Account Position

Year	Travel Account
1981	*
1982	*
1983	-1104
1984	-1217
1985	-1396
1986	-1357
1987	-1400
1988	-1461
1989	-916
1990	471
1991	74
1992	302
1993	680
1994	4125
1995	5572
1996	710
1997	6123
1998	5340

(Source: Adapted and Modified from Table 2)

Graph 3: The Travel Account Position



(Source: Adapted from Table 4)

Table 4 and graph 3 illustrates the travel account position from 1983-1998. Data for 1981-1982 had been incorporated into the freight and insurance component. Therefore it will not be shown here.

The growth in the deficit in the Travel Account increased from 10.23% in 1983 to 14.41% in 1985. This deficit dropped to 2.79% in 1986. The earlier improvement was achieved due to substantial efforts taken to promote international events such as Asia Pacific Travel Association (PATA) in 1986 as well as South East Asian Games (Sea Games) in 1988 and Leaders of Commonwealth Countries General Meeting (CHOGM) 1989. However the deficits in 1987 and 1988 continue to grow. But after 1989, substantial improvements were recorded with a surplus being achieved in 1990 for the first time. This was mainly attributable to increase in inflow of tourists during the 1990 Visit Malaysia Year. The year after recorded a decrease in surplus. Since then, the travel account has been sustaining a surplus position with the highest surplus recorded in 1997 amounting to RM6, 123 million. No doubt the cheaper exchange rate has been of much help for the Ringgit after the 1997 financial crisis. The pegging of the Ringgit Malaysia together with the capital control measures led to some decrease in surplus as these hindered many business activities, tourism activities as well as inflow of foreign students due to the red tape incurred.

3.1 Traveling For Education Purposes

Providing for a foreign education has always been an important goal for many in this country long before the post-colonial time. During the colonial times, an important consideration for sending one's children was the absence of local higher institutional learning centre to cater for the need of those who wished to pursue higher education in the country. Nevertheless, even after the establishment of University Malaya (the first university) in 1949 and establishment of the current existing 13 public universities and 5 private universities, oversea education is still a strong goal for many in higher education.

Several reasons for this maybe identified. Among those are

1. Lack of options to pursue the course of the students' choice, especially science based courses
2. Difficult and limited entry into the local public universities.
3. The widely-held idea that a foreign degree is of a higher quality and marketability.

Since 1995, the Ministry of Education has tried to encourage local students to study in the country in line with the government's efforts to promote Malaysia as a regional education hub.

On the other hand, students from China, Indonesia, Korea, Japan and other neighbouring countries have been flocking into the country in the late 90's following encouragement of public policy for the establishment of tertiary education facilities and liberal entry procedures for foreign students. In particular, the following are the pull factors:

1. Cheaper ex-change rate compared to western countries
2. Establishment of off-shore campus
3. Approval granted on 3+0 programs¹⁹
4. Low cost of living
5. Rich cultural environment

Table 5: An Estimated Costs of Studying in Australia, USA and UK

All Cost in RM	Australia (3 Years)	UK (3 Years)	USA (4 Years)
Tuition Fees Per Year	34, 272	39, 375	40, 741
Living Cost Per Year	28, 800	31, 250	17, 778
Health Insurance Per Year	657	Free	1, 074
Total Costs Per Annum	63, 729	70, 625	59, 593
VISA Fees	716	-	741
Total Costs for Entire Course	191, 903	211, 875	214, 333

(Source: Global Learning Resources, Counseling Materials)

¹⁹ 3+0 refers to higher education programs which allow students to complete all 3 years of tertiary education locally.

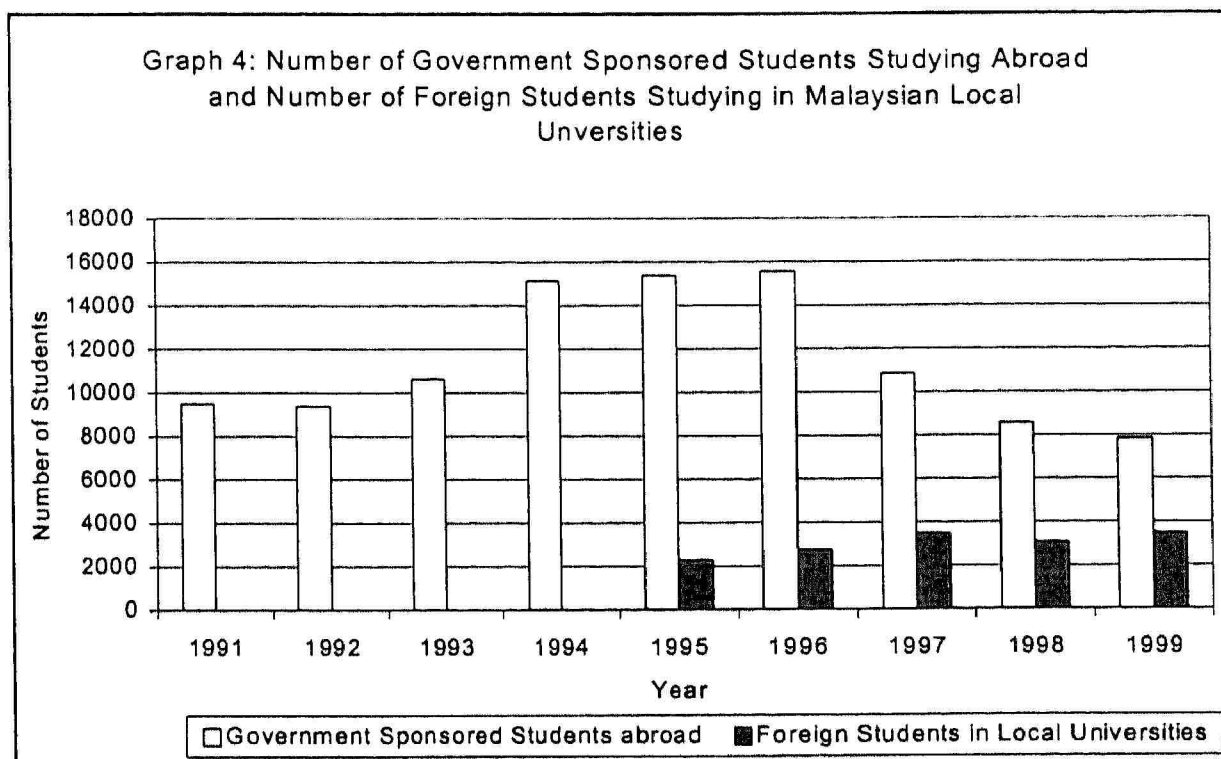
Table 5 above illustrates the estimated cost studying in Australia, United States of America (USA) and United Kingdom (UK). The cost of studying per annum in UK ranked the highest followed by USA and Australia. However the entire costs of studying in USA ranked the highest as the number of years to complete a degree on average is 4 years compared to UK and US. According to the Ministry of Education, the government spent a total of RM 70,000 for each student per year on scholarships.

Table 6: Number of Government Sponsored Students Going Abroad and Foreign Students Studying in Local Universities.

Year	Government Sponsored Students Abroad	% of change	Foreign Students in Public Universities	% of change
1991	9,503	-	N/A	-
1992	9,371	-1.89%	N/A	-
1993	10,666	13.82%	N/A	-
1994	15,134	41.89%	N/A	-
1995	15,378	1.61%	2,322	-
1996	15,562	1.197%	2,787	20.08%
1997	10,838	-30.63%	3,517	26.19%
1998	8,605	-20.6%	3,128	-11.06%
1999	7,864	-8.61%	3,483	11.35%

(Source: Ministry of Education)

Graph 4: Number of Government Sponsored Students Going Abroad and Foreign Students Studying in Local Universities.



(Source: Adapted from Table 6)

Table 6 and Graph 4 above depict the number of sponsored students going abroad and the number of foreign students studying in local universities. The number of government sponsored students abroad increased tremendously from 10,666 in 1993 to 15,134 in 1994, a total of 41.89% increase compared to a 13.82% increase in the two previous years. This tremendous increase is due to larger allocation of scholarships budget for science students. However from 1995 onward, less students were sent abroad due to the adoption of a new system where students had to complete a few years in Malaysia before they were sent abroad for completion of

their final year. This system has managed to reduce the large expenditure incurred by the government to send the students abroad compared to the conventional system where the students were allowed to complete the entire course abroad. In 1997, the financial crisis has caused a further reduction of students sent abroad to 10, 838 students, a drop of 30.36% compared to 15, 562 in 1996. This number continued to drop subsequently to 8, 605 in 1998 and 7, 864 in 1999.

On the other hand, the number of foreign students studying in the local public universities has increase quite substantially. In 1996, the number of students coming to Malaysia to pursue education amounted to 2, 787, an increase of 20.03% compared to the previous year. The following year continued to witness a growth of 26.19% in the number of foreign students in the local public universities. However, in 1998 the number of foreign students studying in local public universities recorded a negative growth of 11.06%. This negative growth may have been caused by the instability of the economic and political situation factors in the country at that point of time. Nevertheless in 1999, the number of students studying in the local public universities increased by 11.35% to record a total of 3, 483 students.

In 1999, a total of 22, 413 student passes were approved by the Malaysian Immigration Department to allow foreign students to pursue higher education in the country. Out of this amount, 11, 069 were new applicants and 11, 344 were for renewal application. From table 6, the total number of foreign students studying in local universities in the 1999 year amounted to 3, 483 students. In other words,

approximately 13, 000 students out of the total foreign students coming into this country enrolled with the private institutions. Indonesia ranked the highest students inflow into the country (8, 729), followed by China (3, 642), Singapore (1, 146), India (1, 103) and Japan (860).

From January to September year 2000, a total of 20, 557 student passes have been issued by the immigration department. This number is expected to increase by year end.²⁰

The number of private institutions on the other hand had risen over the years. In 1996 a total 180 permit were issued to private institutions of higher learning. The number has subsequently risen to 200 in the following year. Teaching permit issued to teaching staff in the private institutions rose remarkably from 1000 in 1996 to 6, 500 in 1997. The rising number of private institution has encouraged more students to study locally as well as attract foreign students to study in Malaysia. A total of 700 application for foreign academicians were received by immigration department in 1997.²¹

In short, more students are flocking into this country to seek for higher education. Government sponsored students has also decrease implicating a positive move for the travel account as a whole.

²⁰ Malaysian Immigration Department

²¹ Ministry of Education

3.2 Travelling for Tourism Purposes

The history of tourism was said to have originated officially during the first Olympic Games in Rome in 776B.C. According to studies and past records, visitors from all over Europe and Middle East were said to have traveled all the way to the Olympus Mountain at this point of time.²²

In the economics of travel and tourism, the most widely accepted baseline descriptions for international visitors which were agreed by the United Nations in the Conference on International Tourism in Rome 1963 are as follows. Visitors are divided into tourists and excursionists. Tourists are define as visitors to a country staying at least 24 hours for the purpose of leisure or business and an excursionist would carry a definition of temporary visitors staying in a country for less than 24 hours for the same purpose excluding transit passengers.²³

The World Tourism Organisation defined visitors as any person who travels to a country other than that in which he has his usual residence but outside his usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country of visit.

²² Puat Nelson b. Hj Mohd. Sam, *The Development of Tourism Malaysia: A Study of Taman Negara*, Unpublished Undergraduate Thesis, University Malaya, 1990, p.25

²³ Bull Adrian, *The Economics of Travel and Tourism*, Addison Wesley Longman, Aust 1993 p. 45

A tourist on the other hand refers to a visitor who stays at least one night in a collective or private accommodation in the country visited.²⁴

3.2.1 Tourism In Malaysia

In the case of Malaysia, tourism industry has been around since colonial occupation. Carcosa Seri Negara was said to have been an elite residence for visitors from abroad during the British times. After independence, the luxurious guesthouse was converted into a renowned hotel.

During the 1970's, the Tourism Development Corporation (TDC) which was established in 1972 started compiling statistical data on the inflow of tourists into the country. These efforts were intensified during the 1980's with the formation of the Ministry of Tourism in 1986. During the late 1980's, Malaysia played host to several international mega events such as the PATA 1986, Sea Games 1988 and CHOGM 1989.

To further boost the tourism industry, 1990 was declared and made Visit Malaysia Year. In 1992 TDC was incorporated into the Ministry of Arts, Cultural and Tourism and then renamed as Tourism Malaysia.

²⁴ World Tourism Organisation /United Nations, *Recommendation on Tourism Statistics*, 1973 p. 12

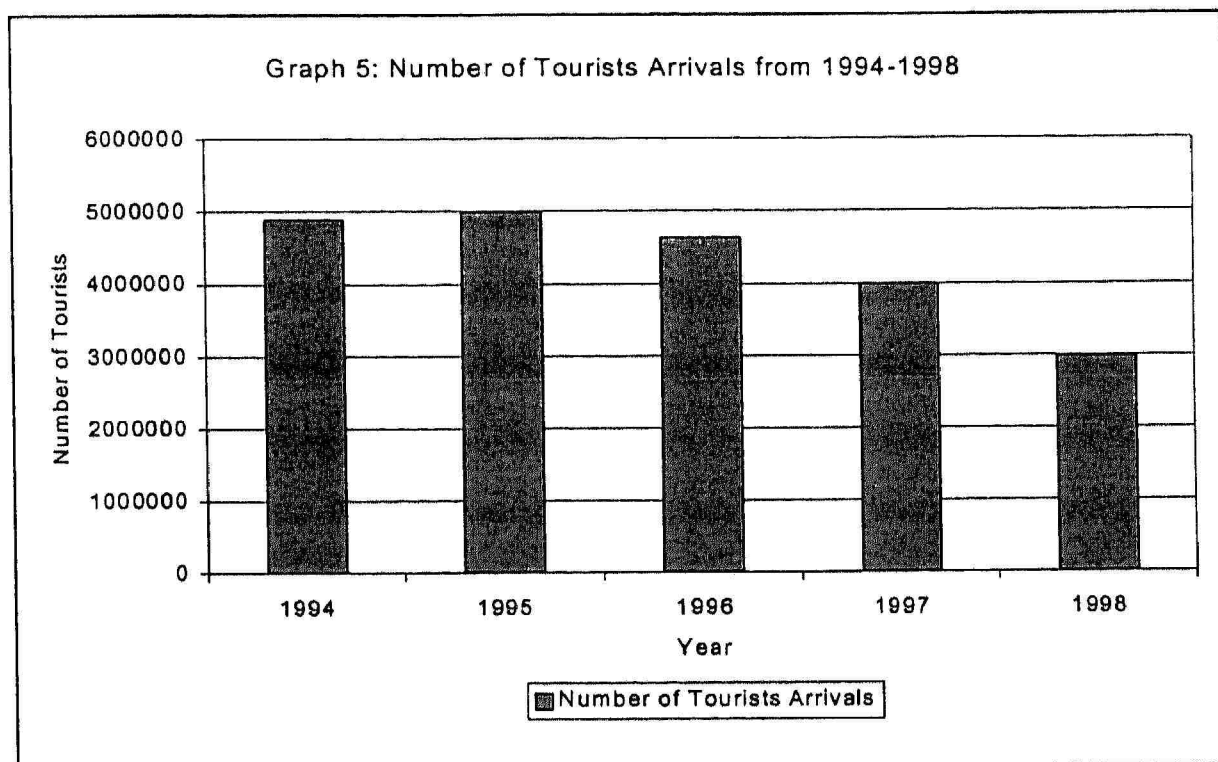
During the 1980's and 1990's many developments in the tourism industry took place such as the establishment of several Tourism Centers for providing information to tourists in the major cities as well as Tourism Malaysia branches in other potential states. Recently, the Ministry of Tourism has pointed out the necessity of all states to establish a local tourism board to enable more tourism activities to take place as well as to ease information collection for future purposes. In 1994, there are 14 Overseas Tourism Malaysia branches (London, Stockholm, Frankfurt, Milan, Paris, Los Angeles, New York, Vancouver, Seoul, Tokyo, Osaka, Taipei, Hong Kong, Sydney, Perth, Bangkok and Singapore) and 6 regional offices (Penang, Terengganu, Kuala Lumpur, Johor, Sabah and Sarawak).²⁵

Table 7: Number of Tourists Arrivals 1994-1998

Year	Tourists Arrivals	% of change
1994	4, 886, 917	-
1995	4, 981, 655	1.94%
1996	462, 5716	-7.14%
1997	3, 987, 411	-13.8%
1998	2, 982, 238	-25.208%

(Source: *Tourism Malaysia Statistical Report 1994-1998*)

²⁵ *Tourism Malaysia*, Tourism Malaysia Annual Report 1994.

Graph 5: Number of Tourists Arrivals

(Source: Adapted From Table 7)

Table 7 and graph 5 above depicts the number of tourist arrivals from 1994 to 1998. Despite the increase of 1.94% tourists arrivals in 1995, tourists arrivals have been decreasing from 1996 onwards. In 1996, tourist arrivals dropped to 4, 625, 716 compared to 4, 981, 655 in 1995. This decrease was further aggravated by the financial crisis in 1997 which witnessed a 13.8% drop in tourists arrivals. In 1998, the pegging of the ringgit and political instability as well of the economic crisis led to a further decrease in tourists arrivals which recorded a drop of 25.2%.

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Tourism Allocations and Receipts

Table 8: Development Allocation For Tourism 1986-1995 (RM Million)

Programs	5 th Malaysia Plan		6 th Malaysia Plan
	Allocation	Expenditure	Allocation
Preservation of National /Historical Heritage	1.5	0.7	41.1
Tourists Accommodation	2.0	0	171.7
Beautification/ Cleanliness Programs and Environment Protection	2.5	2.5	43.6
Cultural Product Development	2.5	2.5	112.9
Facilities and Infrastructure	79.2	76.7	157.4
Others	52.8	49.7	7.2
Total	140.5	132.1	533.9

(Source: 6th Malaysia Plan)

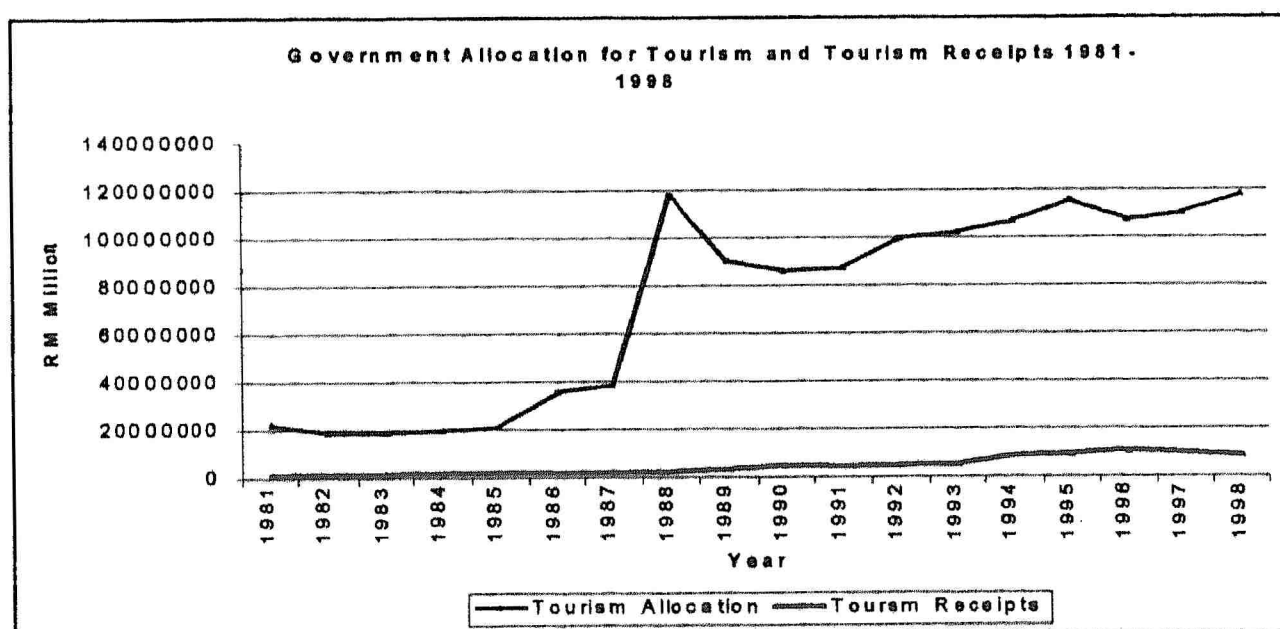
In the fifth and sixth Malaysia plan, a total of 140.5 and 533.9 million have been allocated for the development of tourism industry. Out of this amount, a large sum was allocated to building infrastructure and facilities to assist the tourism sector followed by cultural product development and cleanliness programs. Preservation of historical sites was allocated the least amount.

Table 9: Annual Government Allocation for Tourism Industry and Tourism Receipts from 1981-1998

Year	Government Allocation (RM)	Tourism Receipts (RM)
1981	22, 278, 900	1, 001, 000
1982	18, 972, 200	1, 132, 000
1983	18, 972, 200	1, 329, 000
1984	19, 597, 543	1, 426, 000
1985	20, 781, 166	1, 543, 000
1986	35, 651, 529	1, 669, 000
1987	38, 375, 200	1, 795, 000
1988	117, 899, 500	2, 012, 000
1989	90, 210, 000	2, 803, 000
1990	86, 008, 200	4, 500, 000
1991	87, 116, 931	4, 283, 000
1992	99, 400, 000	4, 595, 000
1993	102, 100, 000	5, 066, 000
1994	106, 800, 000	8, 298, 000
1995	115, 827, 000	9, 175, 000
1996	107, 000, 000	10, 354, 100
1997	110, 000, 000	9, 699, 600
1998	117, 900, 000	8, 580, 400

(Source: *Tourism Malaysia Annual Reports and Statistical Reports 1981-1998*)

Graph 6: Annual Government Allocation for Tourism Sector and Tourism Receipts



(Source: *Adapted from Table 4*)

From Graph 6 above, the government allocation for the tourism sector increases over time especially in 1988 to accommodate for the Visit Malaysia Year 1990. In 1993, government allocation once again exceeded RM100 million to accommodate the Visit Malaysia 1994. The gradual increase in Tourism allocation projects a positive image of government support to further develop the tourism industry.

On the contrary, tourism receipts have yet to match the expenditure invested to boost this industry. Nevertheless, it's remarkable receipts of 4.5 billion from foreign exchange earnings and indirect taxes in 1990 and the increasing amount, which follows in the next years, proved a positive outcome from the efforts and investment taken to build the tourism industry. Nevertheless, tourism receipts in 1997 and 1998 has decreased due to the recent economic turmoil. In October 1998, the Ringgit Malaysia (RM) was pegged and the same capital controls were introduced to discourage outflow of RM from the country. A survey conducted found that the pegging of the ringgit has entailed red tapes for the tourist to and from the country. Tourist who return to their country of origin complained of the difficulties in converting all the leftovers of Ringgits as the RM is no longer traded out of the country. This gave rise to reluctance in many frequent tourists to return for their seasonal vacations in Malaysia. The dramatic political chaos in September 1998 due to the removal of the Deputy Prime Minister from the Malaysia's political arena spurred many unsightly demonstration which caused the tourism industry to plunged to its lowest point with hotels recording losses.

According to the Ministry of Arts, Cultural and Tourism, tourist arrivals decreased by 80% following the demonstrations.²⁶ Other than that, the country was also facing the virus Cosackie B outbreak and the haze problem. The haze problem in 1997 caused 50, 000 room reservations to be cancelled.²⁷ Given all these circumstances the tourism receipts decreased after its peak performance in 1996.

3.3 Traveling for Business, Conventions and International Events

Apart from the purpose of traveling for education and tourism, travelers travel for business and international events as well as conventions. This has been recognised as a potential source of income for the country and a contribution to the travel account.

²⁶ *The Star*, "Political Instability Threatens Hotel Industry", Nov 4 1998, p.4

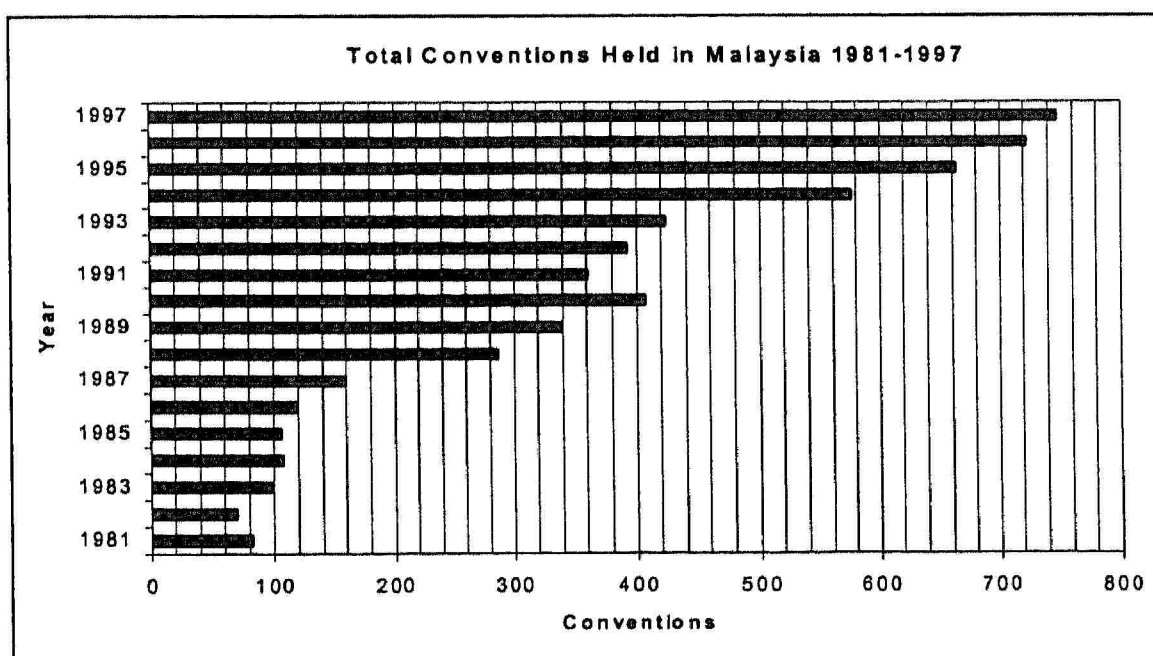
²⁷ *Malaysian Association of Hotels Newsletter*, "Haze in Hotels". Nov /Dec issue, 1997

Table 10: Numbers of Conventions held in Malaysia 1981-1998

Year	Total Conventions	International Conventions	Local Conventions	Number of Overall Participants
1981	82	37	19	N/a
1982	69	40	21	22, 700
1983	98	44	23	24, 340
1984	107	48	25	28, 446
1985	106	53	27	33, 170
1986	119	46	28	37, 680
1987	160	65	95	N/A
1988	287	127	160	79, 500
1989	339	150	289	98, 700
1990	407	177	230	118, 498
1991	361	152	152	111, 002
1992	393	207	186	174, 267
1993	424	223	201	194, 831
1994	576	N/A	N/A	224, 620
1995	663	353	310	258, 254
1996	722	N/A	N/A	279, 003
1997	748	N/A	N/A	289, 340

(Source: Tourism Malaysia Annual Report 1981-1997)

Graph 7: Number of Total Conventions Held in Malaysia 1981-1997



(Source: Adapted from Table 10)

Table 10 and graph 7 above show the number of conventions held in Malaysia. The number of total convention increased tremendously from 1987 onwards. A total of 287 Conventions were held in Malaysia in 1989. This is an increase of 79.3% compared to the previous year. Many other conventions took place as during the late 1980's such as PATA 1986, Commonwealth Games 1988 and CHOGM 1989. International conventions accounted for a substantial share in the total number of conventions held compared to local conventions. In 1990, the total number of conventions exceeded the 400 mark to 407 conventions. This number however fell to 361 and 393 conventions for 1991 and 1992 before making a 7.8% increase to record a total of 424 conventions in 1993. In 1994, total number of conventions increased by 34.8% as a result of frequent promotions. The total number of conventions further increased to 663, 722 and 748 respectively for the year 1995, 1996 and 1997. The number of participants in the conventions held has also risen dramatically over the years from the first data collection in 1982 which amounted to 22, 700 participants in 1982 compared to the 289, 340 participants in 1997.

3.4 Travelling for Pilgrimage Purposes

Pilgrimage activities contribute to outflow of travelers from the country. However there are cases where pilgrims from other country use the facilities by the Pilgrimage Welfare Committee Board (LUTH) to perform haj in the Holy Land.

The history of pilgrimage started even before Islam conquered the Holy Land in Mecca. Performing the haj is one of the five Islamic commandments taught by the religion. It is compulsory for all Muslims unless one is too ill and sick to fulfill that commandment.

Pilgrims from all around the world would gather at 'Kaabah' in the month of haj to fulfill this call. Initially there was no formal system to guide these pilgrims and arrange for all their basic necessities as well as organise their journey to the Holy Land. Those who wish to perform haj had to travel on their own and often by sea and land when modern transportation such as aircraft was yet to be introduced.

The 'syeikh' system was then introduced as mediators to facilitate all pilgrimage activities. This system was then reorganised and introduced formally by the government of Arabia in 1976 which was then divided into different regions around the world. The 'syeikh' responsibility was to make

all necessary arrangements including food, transportation, and accommodation for Muslims performing the haj in Mecca from the first day they leave until they return. It was reported that this system has been in use for decades before it was formally announced. In the book 'Sejarah Melayu' (Tuhfat Al-Nafis), Hang Tuah was said to have performed haj with the help of Syeikh Jamaluddin who took care of him while in Madinah. For the first time in 1936, 10 people from the state of Johor received assistance from the state government to perform the haj. They departed on a ship called Cyclops. The journey took ten days. Now, with proper channel to arrange for all the necessities needed by the pilgrims to perform the haj, such as the formation of The Pilgrimage Welfare Committee Board ('Lembaga Urusan and Tabung Haji)' which is also known as LUTH in short, this ordeal has been made easier.

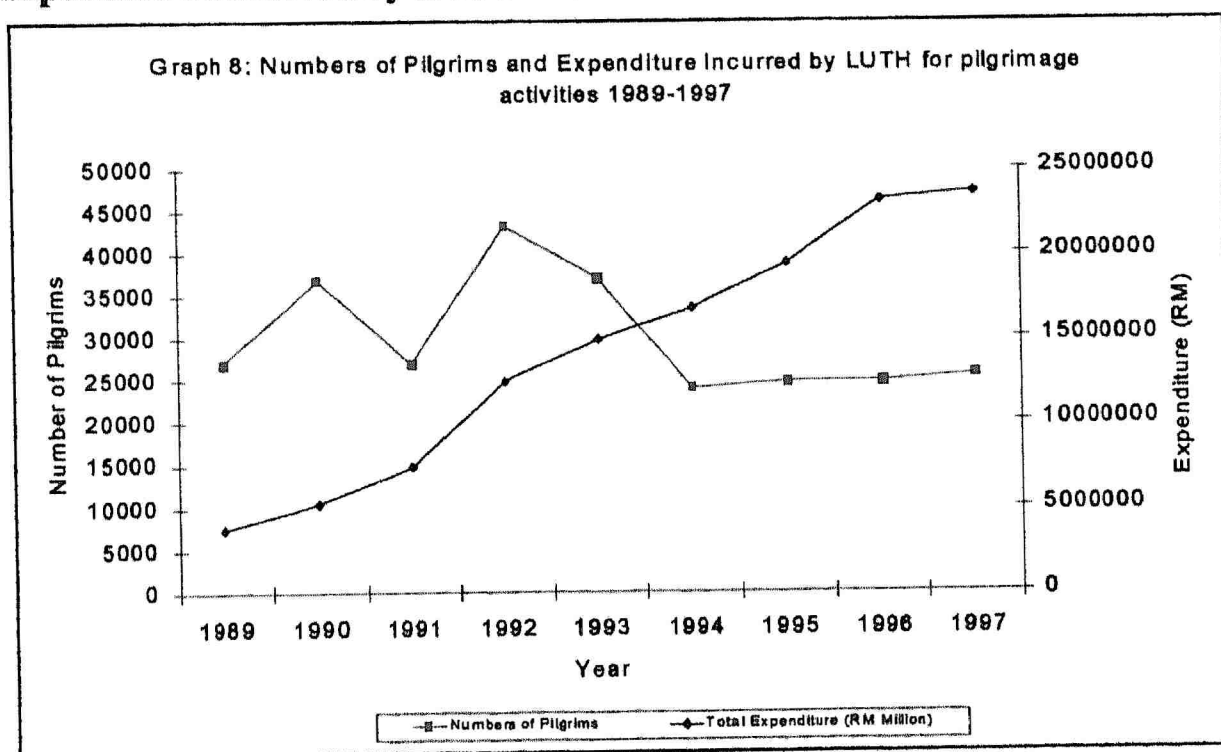
The purpose of LUTH is to provide continuous saving facilities to Muslims who wish to perform pilgrimage through accumulation of their savings. It also allows the Muslims to partake actively in investments in the manufacturing, trading and agricultural and landed property in a manner approved by the religion. LUTH functions as a form of institution that provides facilities and services for the welfare of the pilgrims in their process of performing the haj. The aim of LUTH is to provide quality and excellent services to all Muslims who wish to perform the haj and to ensure maximum benefits to all depositors in LUTH.

Table 11: Numbers of Pilgrims Sent to Perform Haj and Expenditure Incurred by LUTH from 1989-1997

Year	Numbers of Pilgrims	% of change	Total Expenditure (RM)	% of change
1989	32,963	-	3,710,000	-
1990	36,843	11.77%	5,240,000	41.2%
1991	26,938	-26.88%	7,400,000	41.2%
1992	43,208	60.4%	12,440,000	68.1%
1993	37,025	-14.31%	14,880,000	19.6%
1994	23,912	-35.42%	16,740,000	12.5%
1995	24,693	3.27%	19,370,000	15.71%
1996	24,778	0.34%	23,120,000	19.35%
1997	25,474	2.81%	23,530,000	1.77%

(Source: Pilgrimage Welfare Committee Board Annual Report 1989-1997)

Graph 8: Numbers of Pilgrims Sent to Perform Haj and Expenditure Incurred by LUTH from 1989-1997



(Source: Adapted From Table 11)

The numbers of pilgrims increased substantially from 1989 to 1990 to record a percentage increase of 11.77%. However the numbers of outgoing pilgrims declined in the following year before surfacing for a 60.4% increase in 1992. This fluctuation occurred because of the quota system imposed on all countries for the number of pilgrims allowed to ease congestion in the Holy Land. In 1993 and 1994, the number of pilgrims decreased by 14.31% and 5.42% respectively before increasing by 3.27% in 1995 and 0.34% in 1996. The number of pilgrims continued to increase in 1997 as much as 2.81%. In 1997 the open registration system was introduced to allow first come first serve basis following suggestions from various parties to allow booking in advance.

Since pilgrimage is a one way expenditure, it contributes substantially to outflows of money in the services sector under the travel account. Therefore the establishment of LUTH is a wise step to organise pilgrimage activities in a proper manner to curb excessive spending abroad.

The expenditure incurred by LUTH on services provided in the holy land to Malaysian pilgrims covers health facilities, bus rental to airports and unexpected expenses as well as payments to medical teams, staff of LUTH who also accompany the pilgrims to perform the haj. This amount is subsidised by the government before 1993. Nevertheless the allocation for this ceased as the government felt that the

income generated by LUTH on its side activities would be sufficient to cover the subsidised expenditure.

Referring to Table 11 and graph 8, the expenditure incurred by LUTH on pilgrimage activities has been increasing from 1990, 1991 and 1992. However due to the decrease in numbers of pilgrims, expenditure increased at a decreasing rate of 19.6% in 1993 as compared to 68.1% increase in 1992. The expenditure continued to increase at a slower rate in 1995 and 1996 due to a smaller quota of pilgrims going abroad before going for a dip of 1.77% increase in 1997, the lowest percentage change. This fluctuation is also attributable to the fluctuation in the Riyal.