

Chapter 4: Factors Contributing to In Flows and Out Flows of Travelers

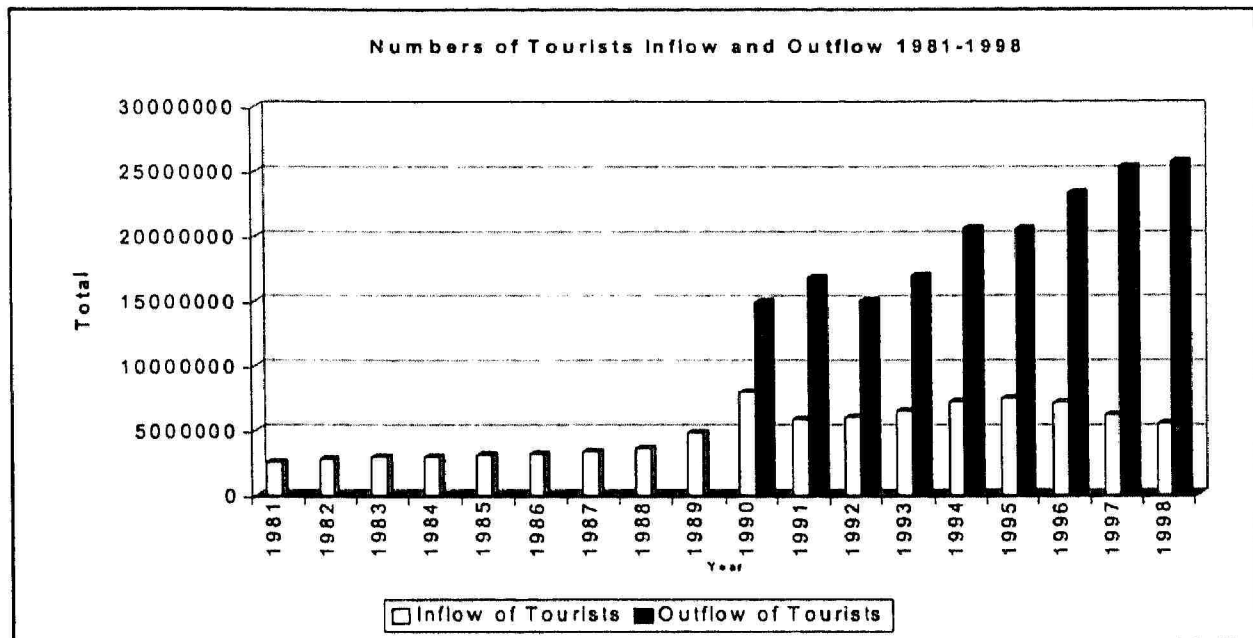
There are many factors, which contribute to the inflow and outflow of travelers. (Refer to terms and definition in pg.10) This chapter will be divided into three main components. The first component will discuss on the inflow of travelers and the second on the outflows of travelers. The final component will highlight on current public policy implementation undertaken to decrease travelers outflow and increase traveler's inflow. Travelers inflow and outflow have been increasing. The following table and graphs will exhibit the traveler inflows and outflows from the country.

Table 12: Travelers Inflow and Outflow from the Country

Year	Incoming travelers (a)	% of change	Outgoing Travelers (b)	% of change	Position	Ratio (a/b)
1981	2, 533, 104	-	N/A	-	N/A	-
1982	2, 774, 698	9.54%	N/A	-	N/A	-
1983	2, 926, 550	5.19%	N/A	-	N/A	-
1984	2, 947, 314	0.71%	N/A	-	N/A	-
1985	3, 109, 106	5.49%	N/A	-	N/A	-
1986	3, 217, 462	3.49%	N/A	-	N/A	-
1987	3, 358, 983	4.4%	N/A	-	N/A	-
1988	3, 623, 636	7.38%	N/A	-	N/A	-
1989	4, 846, 320	33.74%	N/A	-	N/A	-
1990	7, 976, 772	64.59%	14, 931, 608	-	-6, 954, 836	0.5
1991	5, 847, 213	-26.7%	16, 801, 884	12.53%	-10, 954, 671	0.3
1992	6, 016, 209	2.89%	15, 094, 210	-10.16%	-9, 078, 001	0.39
1993	6, 503, 860	8.1%	17, 008, 218	-88.68%	-10, 504, 358	0.38
1994	7, 197, 227	10.66%	20, 642, 499	21.37%	-13, 445, 272	0.35
1995	7, 468, 749	3.77%	20, 642, 499	-	-13, 173, 750	0.36
1996	7, 138, 452	-4.42%	23, 383, 220	13.28%	-16, 244, 768	0.31
1997	6, 210, 921	-12.99%	25, 372, 470	8.5%	-19, 161, 549	0.24
1998	5, 550, 748	-10.63%	25, 749, 717	1.47%	-20, 198, 969	0.22

(Source: Tourism Malaysia Statistical Report 1981-1998)

Graph 9: Travelers Inflow and Outflow from the Country



(Source: Adapted from Table 12)

From the graph above, it is obvious that the numbers of travelers inflow is much lesser than the travelers outflow.

4.1 Traveler Inflow

Several factors determine inflow of travelers to a country. These are as follow.

4.1.1 Location and Attraction

A) Location

A country's location would indirectly influence its tourism sector. Countries with a tropical, warm and sunny climate/environment would be made better off in attracting

travelers on account of several reasons. In Malaysia's case, the reasons are as follows:

- i) The travel industry would be able to utilise its promotional strategy without having to take into account changes in the climate e.g. European countries with four seasons. Therefore promotion packages are applicable the whole year through. This will indirectly save costs.
- ii) This will ensure on-going programs to generate in-coming incomes. This involves low risk of re-scheduling programs and events due to the ability to predict the weather and eliminate changes. In the case of Malaysia, the tourism board would most likely be able to pre-plan appropriate events to suit the monsoon season in the east as well as the sunny climate in the west.
- iii) Malaysia's location is free from natural catastrophes such as earthquake, volcano eruption and typhoons. This would ensure travelers would be able to enjoy their holidays, education stay and business trips without having to worry about natural catastrophes.
- iv) Malaysia is known as the ASEAN hub. Since 1848, when Bartholomew Diaz initiated his effort to create history by being the first person to venture to the east, the Peninsular Malaysia or rather 'Tanah Melayu' at that time when it was known as the South East Asian trading port (entreport) to obtain spices,

coffee as well as mining materials.²⁸ Land, sea and airways transportation were later commercialised to cater for the country's economic purposes after independence. The highly equipped transportation facilities such as major ports in the Peninsular Malaysia as well as East Malaysia have increased the number of shipping cruise operators e.g. Empress, The Princess etc. The recent development in transportation such as light rail transit and air-condition buses offers foreign students, businessmen and tourist the comfort of traveling to major destinations.

Airline operators such as MAS (Malaysian Airline System), Berjaya Langkawi and other private airlines have also contributed to sustaining and promoting the travel industry through international quality services and frequent flights within and outside of Malaysia.

B) Attraction

Malaysia has many places of attraction including major cities, highlands, islands, east coast and east Malaysia. In 1998, Kuala Lumpur recorded the highest number of hotel night guests followed by Penang Island and Malacca.²⁹ Foreign students, businessmen and tourists flocked to this country as it offers many places of attraction to visit. Besides pursuing

²⁸ Shukry Al-Jafiz, 'SRP Sejarah, Sasbadi', 1986, p.73

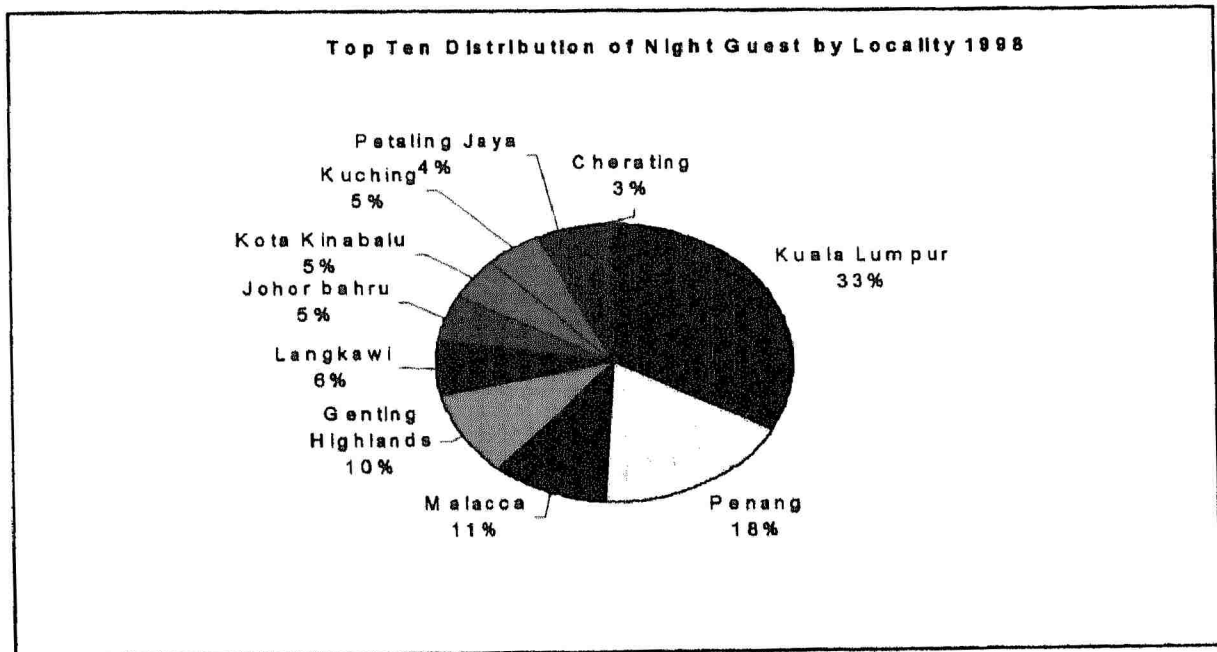
²⁹ Tourism Malaysia, Tourism Malaysia Statistical Report 1999, p.21

education, students often organised outdoor trips during the weekends and holidays to historical sites.

Penang is one of the major tourist attractions, where hotels can be found along the stretch of the Batu Ferringi Beach as well as in the heart of the city itself. Apart from its white sandy beach, Penang has many other historical heritage places to visit such as the Fort Cornwallis, pre-war buildings, Penang Hill and Snake Temple.

Penang is also known as a food haven to travelers for hawker's food. Malacca on the other hand is known as the historical city with traces of its past colonisation such as the Portuguese, Dutch and British people. As for Kuala Lumpur, it is the location where the head offices for most major companies are located. International events and conventions are basically situated in and around the KL City. Adventurers would on the other hand find visiting Sabah and Sarawak an unforgettable experience with cave exploring activities in Gua Mulu, Niah and Musang. White water rafting in remote tropical forests as well as celebrating local festivals such as Hari Gawai (harvesting festival) are other forms of attraction to travelers.

Graph 10: Ten Largest Distribution of Night Guest by Locality 1998



(Source: Adapted from Tourism Malaysia Statistical Report 1998, p. 57)

4.1.2 Currency Exchange & Cost of Living

Favourable currency exchange is also a major influence in the number of incoming travelers. Most European travelers' enjoy a favourable exchange rate. It is cheaper for them to visit Malaysia compared with a neighbouring country such as Singapore which has an exchange rate of more than two times the value of Ringgit Malaysia. This factor also causes influx of Singaporeans into the country during weekends. Five star hotels in Johor Bahru and Malacca recorded an increase in average occupancy rates during

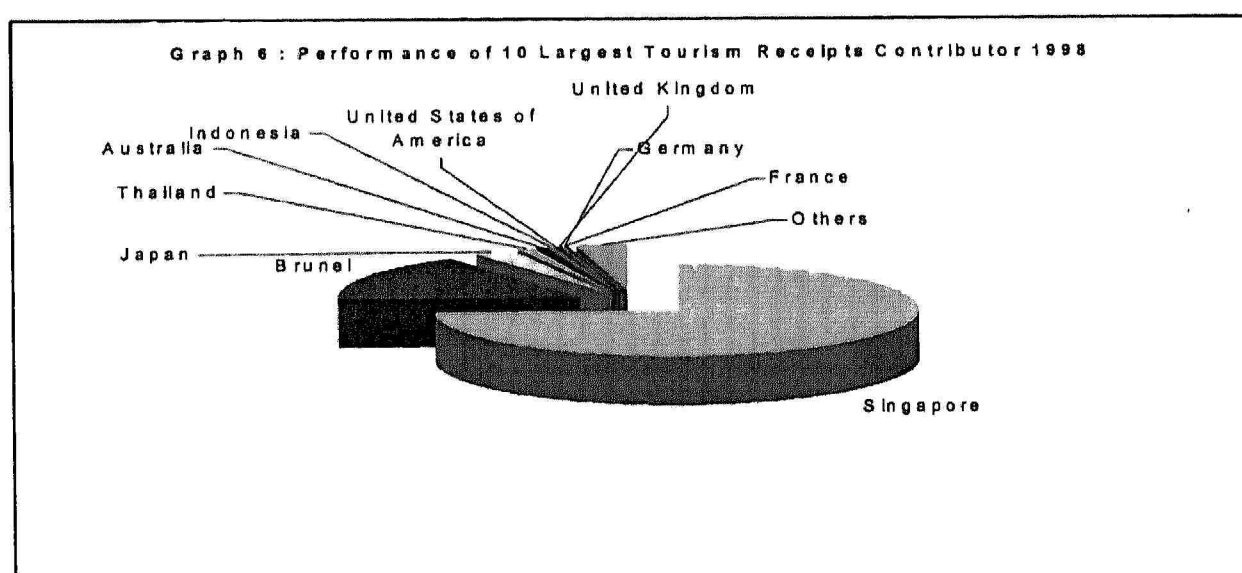
weekends. In 1998, excursionist arrivals from Singapore rose to 4, 441,150 making Singapore again the largest market for the country's travel industry.³⁰

Table 13: Performance of Top Ten Markets (Travelers Receipts) 1998

Country	RM Million	Percentage (%)
Singapore	562.2	74.6
Brunei	125.2	16.6
Japan	17.2	2.3
Thailand	8.4	1.1
Australia	4.3	0.6
Indonesia	4.1	0.5
United States of America	2.5	0.3
United Kingdom	2.3	0.3
Germany	1.2	0.2
France	1.1	0.1
Sub Total	728.5	96.6
Others	25.3	3.4
Grand Total	753.8	100

(Source: Tourism Malaysia Statistical Report 1998)

Graph 11: Pie Chart Exhibits Performance of Top Ten Markets (Visitors Receipts) 1998



(Source: Adapted from Table 13)

³⁰ Tourism Malaysia, *Tourism Malaysia Statistical Report 1998*, p.56

From the above graph and table, observe that the major contributor in travelers receipts in 1998 are Singapore (74.6%) followed by Brunei (16.6%) and Japan (2.3%). Thailand, Australia, Indonesia, United States, United Kingdom, Germany and France constitutes approximately 1% or less respectively to the total receipts received in 1998 which amounted to 753.8 million.

4.1.3 Accommodation

Facilities such as accommodation play a vital role in tourism development for the local and foreign tourism industry. The development of the accommodation sector either for education, tourism or business purposes has seen rapid progress in the recent years.

- ***Education***

Accommodation for education such as hostels, student houses and flats have been an important matter in upgrading the local university facilities. A recent study reported the lack of accommodation for first year students, resulting in over crowding of students to a room. These cases were reported mainly in local public universities. Nevertheless, the student unions have assisted the authorities concerned by providing a list of available student houses for rents. A survey conducted around

Petaling Jaya and Kuala Lumpur area reported that accommodation for a shared room could cost between RM120-150.

In the case of private institution, most accommodation facilities were reported to be less problematic. It cannot be denied that the accommodation facilities provided by certain private institutions are far more expensive than those by other local private institutions. Nevertheless, students are guaranteed a comfortable place to stay. Foreign students are therefore more keen in pursuing tertiary education at such institutions. In 1998, a total of RM 293, 288, 400 was allocated in the government's budget for the building of hostels for various level of education. This amount dropped to 288, 841, 200 as a result of the economic crisis.

- ***Tourism and Business Accommodation***

Tourism and business accommodation for tourism and business purposes ranges from hostel to hotel. In 1996, a number of 130 project applications for the building of hotels were received by Malaysian Investment Development Authority (MIDA), which amounted to RM 8.6 million.³¹

The government has also on its part helped to increase the number of accommodation providers through various incentives. These incentives are divided into incentives for accommodation purposes and non-accommodation purposes. The

³¹ Tourism Malaysia, *Tourism Malaysia Annual Report 1996*.

incentives for accommodation purposes involve all hotels and resorts from 1 to 5 stars and non-accommodation purposes involve motel, chalet and others.

The types of incentives provided in the Investment Incentives Act 1986 are as follows:

1. ***Pioneer Status.***

Hotel operators are given tax relief for a fixed period of five years, irrespective of the level of capital investment. Tax relief period commences from the production day to be determined by the Ministry of Trade and Industry.

2. ***Investment Tax Allowance***

Investment tax allowance is given in respect of capital expenditure incurred within 5 years from the date of approval of the project. The allowance granted will depend on the features of the project, the maximum being 100% where there is an insufficiency or absence of adjusted income, the unused allowance may be carried forward for deduction against income earned in the following and subsequent years.

3. ***Tax Exemption on Machinery and Equipment***

Exemption on custom duties and sales tax on machinery and equipment purchased locally or imported for use by hotels and other accommodation as well as non-accommodation projects.

4. ***Service Tax***

Service tax has been reduced from 10% to 5% which means lower costs for hotel rooms, restaurants and entertainment charges.

5. ***Incentives for Tour Operators***

Tour Operators who bring in at least 500 tourists through group tours are exempted from tax on income derived from the foreign business.

6. ***Man Power Training***

In house training is provided by several government organisations to hotel staff such as MARA, ITM and NPC.

Before 1992, these incentives were targeted at all 1-3 star hotels and after the announcement of the 1992 budget, the government has introduced the incentives for 4-5 star hotels. However by 1995, there was an over supply of 4-5 star hotels. Therefore the 1997 budget revert to its initial stand that is, to encourage more development of budget hotels namely 1-3 stars hotels.³²

³² Ministry of Arts, Cultural and Tourism, *Tourism Industry Incentives Guide 1994*, p.2

Table 14: Number of Hotel Supply, Room Supply, Room Sold and Average Occupancy Rate (AOR) from 1981-1998.

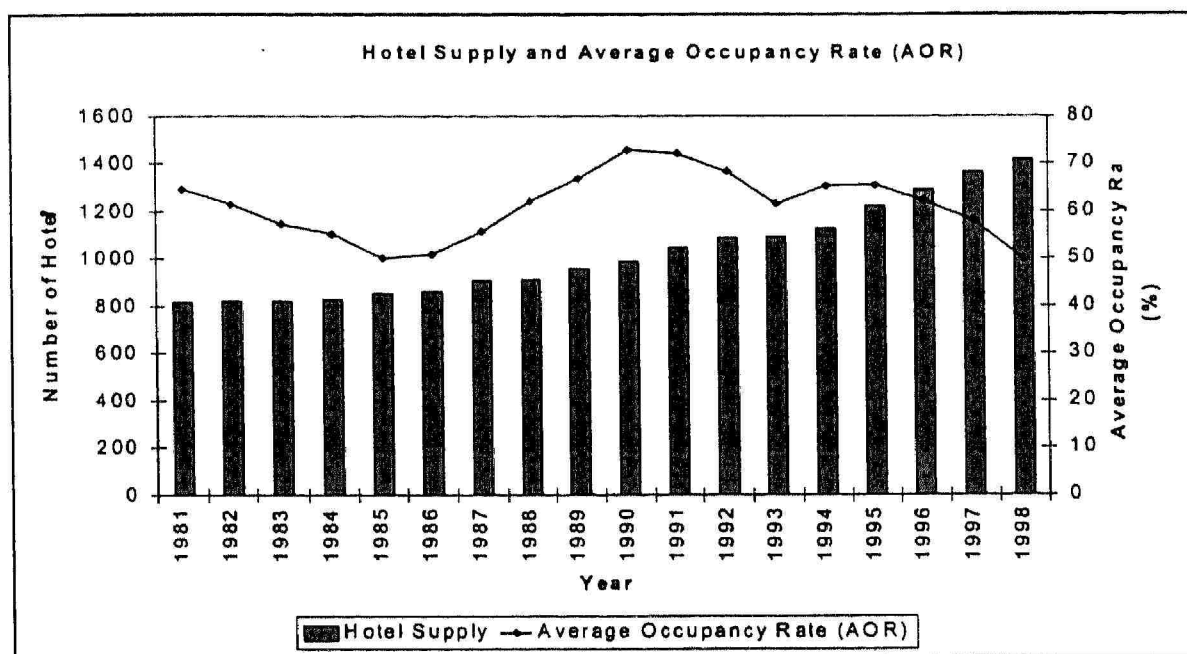
Year	Hotel Supply (At end of the year)	Room Supply(During Year)	Room Sold (During Year)	AOR
1981	816	28,432	18,367	64.6
1982	820	28,913	17,781	61.5
1983	824	30,574	17,519	57.3
1984	825	32,835	18,125	55.2
1985	851	35,700	17,886	50.1
1986	862	38,178	19,433	50.9
1987	905	39,455	22,016	55.8
1988	914	40,670	25,297	62.2
1989	958	43,149	28,867	66.9
1990	989	45,032	32,828	72.9
1991	1049	49,874	35,959	72.1
1992	1085	55,866	38,516	68.3
1993	1090	61,005	37,603	61.64
1994	1128	65,907	43,037	65.3
1995	1220	76,373	50,024	65.5
1996	1289	85,514	53,275	62.3
1997	1365	98,440	57,095	58
1998	1419	107,791	53,788	49.9

(Source: Tourism Malaysia Statistical Reports 1981-1998)

The Average Occupancy Rate or AOR is calculated by dividing the number of room sold by the number rooms supplied and multiplying by 100.

$$\text{AOR} = \frac{\text{Number of Rooms Sold}}{\text{Number of Rooms Supplied}} \times 100$$

Graph 12: Number of Hotel Supply and Average Occupancy Rate (AOR) from 1981-1998.



(Source: Adapted from Table 14)

Table 14 summarises the number of hotel and rooms supply, room sold as well as the average occupancy rates from 1981-1998. The graph above on the other hand exhibits number of hotel supply and average occupancy rate. From 1981-1998, the increase in the number of hotels has been gradual except from 1988 to 1991, when many events took place. These events include the SEA Games 1988, Commonwealth Convention 1989, as well as Visit Malaysia Year 1990. From 1995 to 1998, AOR witnessed a gradual decline. This may be caused by several factors as discussed in the earlier section such as the slight slump experience in the Asian economy beginning

of 1994, the haze problem, the slight misunderstanding between the Singaporean and Malaysian government on several issues such as the *Tanjong Pagor* land reclamation, the financial crisis as well as political instability. From 1981-1985, there is a gradual decline due to the world economic slowdown in the mid of 1980's. After 1990, the average occupancy rate declined again until 1994 due to the aftermath of the Visit Malaysia Year 1994 season. However, the increase was not sustained due to the financial crisis beginning 1997.

Price of Hotels.

Although supply creates demand, all demands are related to price depending on their elasticity. The Average Room Rate (ARR) varies throughout the years. Although the price of hotel accommodation is not a major consideration for foreign visitors, it is a factor for local travelers.

Table 15: Average Room Rate from 1994-1998 (RM)

1994	1995	1996	1997	1998
90	85	88	97	N/A

(Source: Tourism Malaysia Research Division)

After the Visit Malaysia Year II in 1994, the ARR dropped by RM 5 and increased again in 1997 and 1998. If we refer to Table 14 the number of rooms sold still increased during 1996-1997 despite the increase in ARR.

This relationship will be further examined in chapter 4.

Another survey conducted by the Research Division of Tourism Malaysia found that in 1997, the highest room rate was recorded in Subang (RM 212) followed by Tioman (RM190) and the lowest room rate was recorded in Dungun (RM31). In short, hotels in the bigger cities would charge a higher price as compared to a smaller tourist attraction place with lesser demand. This would also mean the demand in bigger cities would be relatively higher to fetch a higher room rate.

Service Quality

The quality of service provided by hotel suppliers contributes to the tourists and business travelers impression and plays a vital role in maintaining seasonal and loyal visitors. Through the hotel services, travelers would have a lasting impression of visiting Malaysia (for foreigners) as well as the hotels (for locals). The facilities and services often vary with the standard of the hotel rated by the star rating system. Hotels therefore have a responsibility to ensure that customers are satisfied with the service provided so that they would return again. To this end, they would need to formulate appropriate strategy in providing 'value for money services' to sustain the travel industry.

4.1.4 Business, International Events and Convention Purposes

Travelers arrivals are expected to increase during peak seasons such as international events and functions. These include yearly international events such as the Langkawi Air and Maritime exhibition, International Dragon Dance Competition, Shopping Carnival as well as non-yearly events such as Commonwealth Games, Formula One Race, Celebrity Concerts including the Visit Malaysia I and II. The Visit Malaysia I 1990 witnessed an unbreakable record of arrivals amounting to 7, 976, 772 visitors.

The shopping carnival on the other hand plays an important role in attracting local and neighbouring visitors. Yearly events such as the Langkawi Air and Maritime exhibition and International Dragon Dance Competition would encourage seasonal visitors to return.

The holding of conventions and international events or rather having Malaysia as host country to international events has gained for Malaysia global recognition for its natural beauty and resources in our country. Events beginning from the PATA Convention in 1986, CHOGM in 1989, Commonwealth Games 1998, the Organisation of the Islamic Country (OIC) Foreign Ministers Meeting 2000, Formula One Grand Prix in 2000 are the basic foundations which should be used to make further bids to host other international events in future.

Participants in conventions and international events would generally allocate a few days to tour the country before returning to their countries of origin. The amount of money spent on souvenirs, food and other items would help to increase the domestic demand and activity which will then increase national income through the multiplier effect This will be discussed in chapter 5.

Foreign direct investment, on the other hand is becoming more important. Furthermore, many foreign companies are located in Malaysia. All these encourage more business visits and indirectly increase travelers inflow. Business counterparts contribute to the national income through indirect taxes such as services, and entertainment taxes through hotel stays, dining in restaurants as well as golfing activities.

4.1.5 Political Social and Economic Stability

A) Political

Political stability serves as an important platform for the government to formulate and implement continuous policies. To ensure travelers' safety and long lasting positive impression of the country, the country has to be freed from political crisis. This would then instill confidence in the travelers visiting the country as well as foreign students studying in Malaysia.

In the Journal of Travel and Research, a paper was written on the consequences and effects of war on the travel industry. Northern Ireland was said to have suffered drastic declines in tourist arrivals in the 1960's and 1970's as compared to 1990's after the first official cease fire agreement in 1994. The Gulf war in 1990 on the other hand caused a decrease of 21.6% of inbound tourists to Iraq from 1990-1991.³³

During mid September 1997 in Malaysia, traveler arrival dropped by 10.6% and travelers receipts as much as 6.6%. The drop in the travelers arrivals turned drastic towards the end of 1998 when 80% of the country's travel industry suffered from the severe political crisis, arising from demonstrations and rioting. This statement is supported by the decline in the number of travelers as shown in graph 12. These demonstrations and rioting have caused travelling agencies to cancel pre-planned packages and trips. The Minister in charge of tourism also cited the possibilities of hotel staff being retrenched as a result of the crisis.³⁴

The events and exaggerated reports created a negative impression on the country. Although there are efforts taken to restore travelers' confidence, nevertheless it might take a while before Malaysia sees its travel industry grow again.

³³ David Lesley, "Terrorism and Tourism", *Journal of Travel Research*, Vol 38, August 1999, p.33

³⁴ *The Star*, Nov 1 1998, p.4

B) Social

Travelers may take into consideration a country's social values before deciding to visit a particular country. This includes the attitude of its citizens, languages spoken, its cultural values as well as religion.

Malaysians are generally known for their warmth and friendliness.³⁵ These unique Eastern values have also created a good impression to visitors of all nationalities. These and the helpful attitudes of its people have spurred up the interest of first timers and others to return to Malaysia for their next holidays.

In terms of medium of communication, Malaysia is a haven for travelers. This multi-lingual nation which uses languages such as Bahasa Malaysia, English, Mandarin and Tamil as well as other dialects is an added attraction to travelers from European and English speaking countries, China, Japan as well as the neighbouring countries (Singapore, Brunei and Indonesia). Getting around and obtaining information as well as purchasing goods and souvenirs have never been a problem.

In terms of cultural activities, Malaysia is a multiracial nation, which celebrates and practices many cultural events. These include festivals like

³⁵ *Sunday Mail*, 2 July 2000, p. 15

Hari Raya, Chinese New Year, Deepavali, Thaipusam, Tang Lung Festival and so on. Such diverse cultures living in a united and peaceful nation serve to interest many to witness for themselves the uniqueness of the situation. This factor is one of the major factors why travelers are attracted to visit the country and to observe the day to day life in Malaysia.

C) Economic

Malaysia's long record of high growth rate before the currency crisis as well as its low inflation rate have been another factor.

Price controls and regulations to display price tags curbed the possibility of over charging on food and essential items for budget travelers.

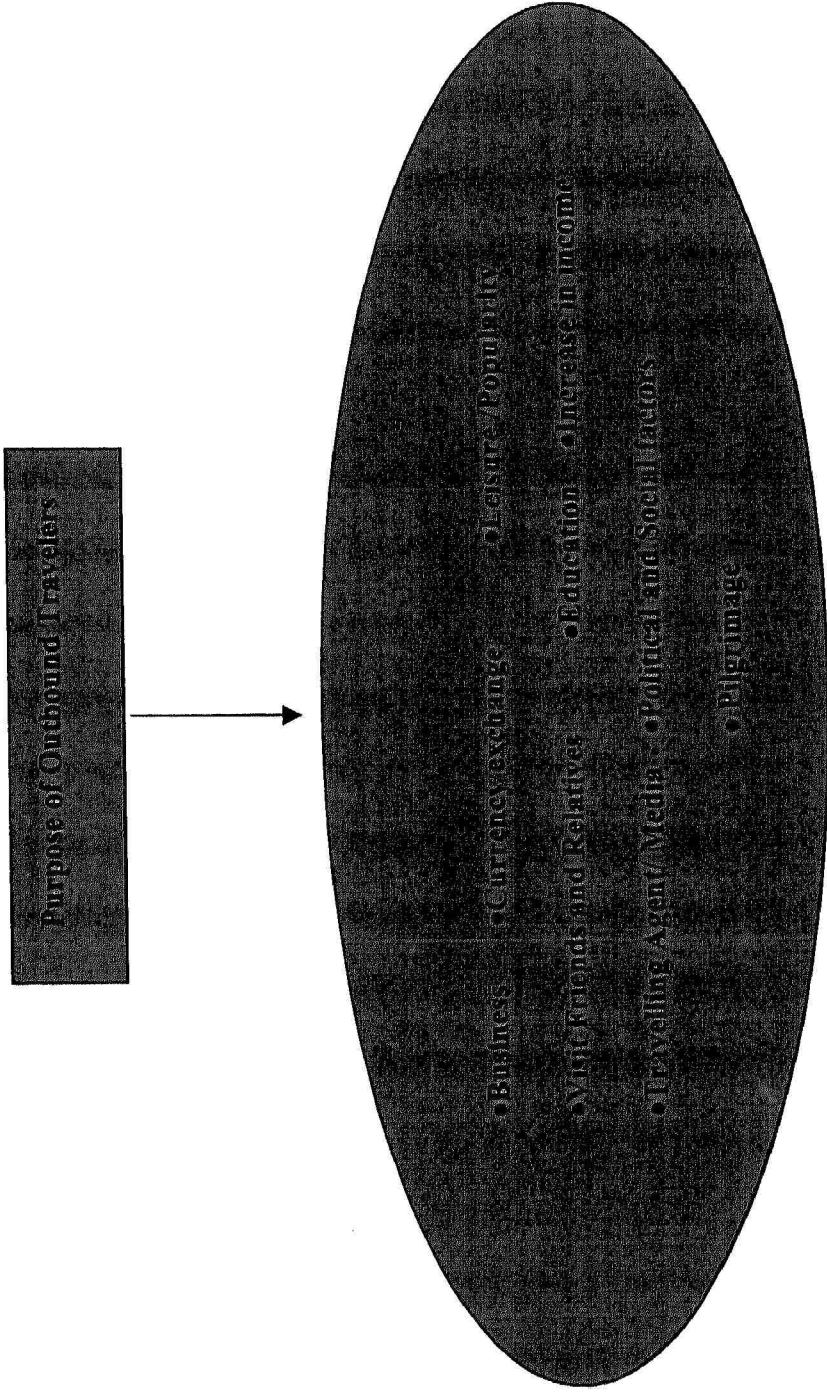
Nevertheless, after the currency crisis and the announcement of the pegged currency, a number of foreign travelers have expressed dissatisfaction over the red tape imposed such as difficulties in obtaining certain currencies in banks. They had to resort to money changers who did not offer attractive rates. This has indirectly affected inflows of travelers.

4.2 Outflow of Travelers

Despite efforts to decrease outflow of travelers, the number of travelers outflow has been increasing in the past years. Increase in outflows of travelers contributes to an increase in outflows of money in the travel

account. This will then indirectly increase the deficit in the services sector as well as the current account.

There are several factors to why such trends are persisting in the 90's and are expected to continue in the near future. Below is an illustration of the segmentation of the purpose of outbound travelers.



These include business, currency exchange, leisure and popularity, pilgrimage activities, visiting friends and relatives as well as education, efforts of travel agent, media, political and social factors as well as increase in income.

4.2.1 Family and Friends in the Country of Visit

Past studies have shown that more and more Malaysians are migrating to countries such as Singapore, Australia, Canada United Kingdom, United States of America and other European Union countries. With such trends of migration, the locals would find it more convenient to visit these countries where their relatives now reside. Some would make it an annual visit and so on. This would encourage more spending abroad and aggravate the services account position.

4.2.2 Currency Exchange

Currency exchange very much influences travelers such as tourists and students. It is less influential towards pilgrimage activities and business trips. In the recent years, more and more travel agencies are coming into operation with various competitively priced holiday packages.

Foreign government related educational bodies such as IDP, MACEE and British Council are continuously recruiting more students abroad with favourable quotes on tuition fees. Some institutions were offering fixed exchange rate fees

conversion after the devaluation of Ringgit Malaysia in 1997 which made education abroad more expensive at that point of time. In terms of holiday packages, the locals would prefer to visit another country, which is affordable and usually with a favourable currency exchange rate for a short term stay such as Bangkok, Phuket Island in Thailand, Bangkok, China, Philippines and Indonesia. This way they are able to purchase more goods at cheaper prices with their Ringgit.

4.2.3 Business Purposes

Malaysia's investment abroad is increasingly prominent. Telecom Malaysia for example has tapped into the telecommunication markets such as China and Vietnam. Petronas on the other hand has many foreign investments and counterparts overseas. The National Car Proton has also penetrated international markets in Europe including the United Kingdom. Investment abroad would require more traveling abroad by Malaysian representatives as well as business counterparts. Hence, outflow of such visits would be recorded under the travel account.

4.2.4 Leisure and Popularity

During holiday seasons such as mid-year or end of the year, a large number of middle and upper classes of Malaysian are seen flocking to popular tourists spots

such as Gold Coast in Australia, Europe as well as neighbouring countries. Trends such as these resulted from media promotions and word of mouth recommendations on the popularity of the places of visits to ensure satisfaction for the money spent.

4.2.5 Education

In 1996, more than 600, 000 students were recorded studying abroad. The numbers are expected to increase despite efforts to introduce 3+0 programs as well as more twinning programs and increasing intake by local universities. This is because of the widespread belief in better prospects for those educated abroad. Such beliefs are further supported by local employers who prefer hiring foreign graduates. This has definitely increased the number of students studying abroad. This indirectly would cause further deficit to the travel account. Increasing numbers of student studying abroad would mean an increase of outflows of money to finance and support their education abroad.

On the other hand, parents often send their children abroad to enable them to obtain better exposure and independence.

4.2.6 Pilgrimage

Pilgrims would gather in the 'Holy Land' to perform the haj on the 12 Zulhijjah (Hari Raya Haji Festival) according the Muslim calendar. Performing the haj is a compulsory religious practice according to the five Islamic commandments. Therefore, as discussed in the earlier chapter, pilgrimage activities contribute to a substantial increase in the outflow of people going abroad as well as expenses. (Refer Table 11 graph 8).

4.2.7 Role of Traveling Agents and Media

With increasing competition and the rising number of traveling agencies, tour packages abroad are becoming more attractive. As of 1998, a number of 2562 tour and traveling agencies were registered with the Ministry of Tourism. The recent MATTA (Malaysian Travel and Trade Association) 2000 fair in Mines shopping complex offers many discounted attractive tour packages which sells well as the locals seek for a getaway holiday. Travel agencies arrange for all visitor applications and other necessary procedures, which ease the burden of people who wish to go abroad. Price slash and marketing strategies by the travel agencies have definitely helped to push Malaysians to choose an overseas vacation.

4.2.8 Political and Social Factors

The recent clashes during the political crisis, which caused a number of casualties to the public, caused panics at various levels of society. Many flocked temporarily to neighbouring countries such as Singapore and Australia during the period of demonstrations for their safety. The situation was made worse by exaggerated media reports. This is also seen in the decline of incoming travelers. The AOR during September 1998 and October 1998 dropped sharply by 49.6% and 45.8% respectively. The AOR was unexpectedly low given the fact that the Commonwealth Games were also being held at that time.

4.2.9 Increase in Income for the Locals

An increase in income would possibly add to more people going abroad for holidays. During the share market boom, reports have been made that many left the country for their holidays. On the contrary, during the economic turmoil, although there were still outflows of visitors, the local tourism started to pick up. During 1997, domestic hotel guests amounted to 11, 107, 908. However during 1998, when the economic situation improved, the number of domestic hotel guests decreased to 9, 924, 178 or a drop of 10.67%. This was also due to the government's move to discourage civil servants to go abroad during the 1997 financial crisis year without important reasons.

In conclusion there are many factors, which influences the inflows and outflows of travelers to and from the country. This chapter discusses the possible important factors. In the next chapter, we will discuss the possible ways to increase inflow of travelers and decrease outflow of travelers.

4.3 Existing Policy Measures to Increase Travelers Inflow and Decrease Travelers Outflow

The public and private sector plays a vital role in encouraging inflows of travelers and discouraging outflows of travelers. As mentioned in the earlier chapter, there are four possible main purposes of traveling under the travel account namely education, tourism, pilgrimage and official business and convention visits. The following are among the policy measures taken by the public and private sector in Malaysia to increase the inflow and decrease outflow of travelers.

4.3.1 Education

Several remarkable developments have taken place in the education system. To promote inflow of foreign students, the government has embarked on a mission to promote Malaysia as a regional education hub. In line with that, the Ministry of Education has successfully pushed through six pieces of legislation to position Malaysia towards achieving that goal. These are as follows:

- 1) The Education Act 1996
- 2) National Council on Higher Education Institutions Act 1996
- 3) Private Higher Educational Institutions Act 1996
- 4) National Accreditation Board Act 1996
- 5) Universities and University College (Amendment)Act 1996
- 6) National Higher Education Fund Board Act 1997

These acts have facilitated a more market-centred education system. With these legislations, the education system is indeed set for a quantum leap. These will bring sweeping changes to our tertiary educational institutions of learning, enabling them to offer wider range of courses, different options and approaches to learning, better management, new teaching methods and an overall increase in productivity and standards.

On top of that, foreign universities are being encouraged to set up offshore branches in Malaysia. Corporations have also been given the mandate to establish private universities especially Multimedia Super Corridor (MSC) based institutions with incentives of exemption from tax, eligibility of subsidies and accessibility to technological facilities. This dynamic relationship between the government, private sector and foreign academic partners are paving ways to build a world class system to ensure Malaysia is recognised as a regional education hub and center for educational excellence.

The establishment of distant learning and online learning such as MBA programs by University Putra Malaysia (UPM) has widen the opportunities for students who wish to further their studies and work at the same time.

These efforts have proven worthwhile. Intake of foreign students from China, Korea and neighbouring countries have been increasing in the late 90's as reported by several private institutions such as Stamford College, Inti College, Help Institute and Sunway College.

On the other hand, to promote local students to study locally in order to decrease outflow, several measures were taken. Firstly more local universities were established in 1990's such as the *University Malaysia Sarawak* (UNIMAS) and *University Malaysia Sabah* (UMS). Several Colleges were also upgraded to universities such as *University Technology Mara* (UITM) and *University Pendidikan Sultan Idris* or rather the Sultan Idris Teachers Training University. Private Universities such as *University Tenaga Nasional* (UNITEN) and *University Telekom* (UNITEL) on the other hand have also increased substantially. These have increase intake availability and chances of getting into local university which is less costly. The National Higher Education Fund, set up in 1997 provides financial assistance to undergraduate students pursuing their degree at local public or private universities.

The incorporation of 1119 in the *Sijil Pelajaran Malaysia* (SPM) examination and the introduction of the Malaysian University English Test (MUET) subject in *Sijil Tinggi Pelajaran Malaysia* (STPM) shows the concern of the authorities on the usage of English in higher education. These moves in one way or another help to dismiss negative impressions about the lack of attention being paid to improve the level of English in tertiary education. Information technology (IT) based and computer science based subjects were introduced in 1996 in most local universities in order to offer wide-ranging courses to students who before sought such courses overseas.

The recent announcement by the National Accreditation Board (LAN) that undergraduate degree courses must be taught by lecturers with Masters degrees would boost the standard of education offered in Malaysia to local and foreign students.

The policies and measures implemented above were aimed at increasing inflow of foreign students into the country as well as decreasing the number of local students going abroad to pursue their higher education.

4.3.2 Pilgrimage

Pilgrimage activities contribute to a one-way outflow of expenses to support all necessary expenditures such as accommodation meals and transportation abroad. Realising that this might further deteriorate the services deficits, a proper institution was set up to monitor and manage all matters pertaining to pilgrimage activities. With the establishment of LUTH, future pilgrims are encouraged to save approximately RM5 a month to enable them to perform the haj in approximately 18 years later. This institution originated from the concept put forth by the Pilgrimage Welfare Economic Committee chaired by Royal Professor Ungku Aziz in 1960. The savings collected are then invested in productive activities to give a return of approximately 5% dividend to the institution's depositors annually. Such organised pre-planned long-term investment has indeed enabled the government to gain back profits to cover the outflow of expenses incurred by pilgrimage activities.³⁶

The LUTH has also embarked on an international mission to provide pilgrimage arrangement services to pilgrims in the neighbouring country. In 1969, LUTH approved 244 pilgrims from Brunei, 333 from Singapore and 10 Saudi Arabian citizens to use its services. In 1980, for the first time, Muslims from Hong Kong applied to use LUTH services to perform the haj. The regional Islamic Da'wah

³⁶ Ungku Abd. Aziz, *Report of The Pilgrims Economic Welfare Committee*, K.Lumpur, 24 Jan. 1962.

Council of Southeast Asia and The Pacific (RISEAP) has since then sought LUTH to provide its services to Muslims in the South Pacific.³⁷ This has indirectly contributed to inflows of income charged by LUTH to all foreign pilgrims who use its services. To date, there are more than 20 foreign countries using LUTH services.

In order to curb the increase in expenses incurred and to reduce outflow of expenses through the travel account, LUTH has provided reasonably priced pilgrimage packages ranging around RM 6, 000 with the co-operation of the Arab Saudi Government.

LUTH has also set up its own emergency funds in Makkah and Madinah to enable pilgrims to withdraw money directly rather than having to sort to money changers which will again cause higher outflow of Ringgit Malaysia.

To increase its promotional activities to Muslims in Malaysia and the region, LUTH has conducted religions campaigns, distributed leaflets on services provided. This method has increased public awareness of the advantages of using LUTH services to perform pilgrimage activities compared to private consortiums, which charge higher prices. Muslims around the region has also sought LUTH's services to indirectly bring more travelers into the country.

³⁷ Pilgrimage Welfare Committee Board, *LUTH Annual Report 1969*, p.6

4.3.3 *Tourist and Business Travelers*

Tourism Malaysia together with the Ministry of Arts, Culture and Tourism play an important role in promoting the country to the world. Each year an average of RM21 million is allocated for advertising and promotional events which include printing of brochure, leaflets, video displays, bill boards and so on. Out of this amount, a total of RM 2 million is allocated for domestic advertising and RM 19 billion for international advertising.³⁸ However during Visit Malaysia 1994, an additional RM3.3 million was allocated for promotional events.

To ensure that its presence is felt at most international tourism events, Tourism Malaysia together with the Ministry of Arts, Cultural and Tourism send representatives to attend and promote the country through speeches, video clips, handouts as well as setting up overseas offices in potential countries. In 1992, ASEAN Tourism Forum was hosted in Penang and Langkawi. With the continuous efforts to develop the industry, tourism has now become the third largest contributor to the Gross National Product. Hence, Tourism Malaysia and other government related bodies play a vital role in attracting inflow of travelers.

³⁸ Tourism Malaysia, *Tourism Malaysia Annual Financial Report, 1981-1997*.

Tourism Malaysia has also provided attractive incentive packages to international event organisers and tourists related operators to attract inflows of business and conventions travelers. (Refer Investment Incentives Act 1986 in 4.1.3).

Promotional events took off intensely after the PATA Convention in 1986. With more international events scheduled to take place in the late 1980's and early 1990's, allocation for tourism increased tremendously from RM140.5 million to RM533.9 million. Out of this amount, tourist accommodation and facilities constituted to approximately 61.6% of the total amount allocated. (Refer Table 8: Development Allocation for Tourism 1986-1995)

Offshore branches of Tourism Malaysia offices were set up to facilitate foreign travelers who wish to visit Malaysia.

Pre-planned yearly festivals and activities such as shopping carnival, flora fest, treasure hunt and sporting facilities have been published in a yearly calendar of events booklets for distribution.

Domestic tourism has also been given an extra boost with the government declaring the first and the third Saturdays as a public holidays. Its aim was to increase domestic tourism. The launching of 'Cuti-cuti Malaysia' witnessed many domestic price slash in tour packages offered to the public. Tourism Malaysia has also joined hands to promote domestic tourism with hotel operators, restaurants and other participating tourism outlets to launch a discount card for

domestic tourists called 'card melancongria'. With a registration fee of RM60, cardholders are eligible to enjoy special rates for accommodation, flight tickets, dining, shopping and other related events to about 60% off the normal rate.

In short, these are the existing policies and measures undertaken by the appropriate authorities to ease the number of outflows of travelers from the country and to increase travelers inflows. The following chapter will discuss on alternative ways to decrease outflows of travelers and increase inflows of travelers into the country.