

Chapter 16

Tourism and Distributive Trade

16

TOURISM AND DISTRIBUTIVE TRADE

I. INTRODUCTION

16.01 During the Sixth Plan period, tourism and distributive trade grew at a double-digit rate surpassing the original target, and contributed significantly to greater output, investment and employment. Within the overall strategy of improving the balance of payments account, tourism became an important foreign exchange earner. This was largely attributed to the development of new and improved tourism products, and increase in accessibility to tourist destinations as well as enhanced promotion and marketing efforts. The distributive trade sector continued to provide a wide range of products at competitive prices to consumers in line with the Government's policy of maintaining stable prices for essential goods and services. This was further facilitated by increased modernization which led to a more efficient distributive system.

16.02 For the Seventh Plan, tourism development will focus on expanding the range of activities, products and markets, thereby contributing further to foreign exchange earnings and savings. Distributive trade will continue to be modernized and rationalized in line with changing consumer preferences and taking into account increasing foreign investment in this sector.

II. PROGRESS, 1991-95

TOURISM

16.03 The Sixth Plan period proved to be challenging for the Malaysian tourism industry. Despite the economic slowdown in major industrialized countries and the effects of the Gulf War during the early years of the Plan period, the Malaysian tourism industry achieved a creditable performance. The

vigorous marketing efforts undertaken to promote the country as a tourist haven, and the rapid growth of the East Asian economies, contributed to the expansion in tourist arrivals. The industry also witnessed the development of new and diversified products by the private sector. The National Tourism Policy, covering the period 1991-2000, which provided specific long-term policies and strategies for a more coordinated and integrated development of the tourism industry, was implemented.

Arrivals

16.04 During the Plan period, tourist arrivals increased from 22.5 million to 33.5 million which was about 50 per cent more than tourist arrivals during the Fifth Plan period. Intra-regional tourism flows were the driving force of tourism growth while long-haul travel remained buoyant. The positive growth was attributed to the intensive promotional efforts undertaken as well as the appreciation of certain currencies *vis-a-vis* the Malaysian Ringgit which induced more tourist arrivals, particularly from Singapore and Japan. The increase in flight frequencies and seat capacities also facilitated more tourist arrivals.

16.05 The profile of tourist arrivals during the Plan period remained unchanged compared with the Fifth Plan period. There was a dominance of short-haul tourist arrivals with over 72.9 per cent from ASEAN countries, as shown in *Table 16-1*. Among the ASEAN countries, Singapore maintained its position as the largest source of tourists representing a market share of 60.5 per cent of total arrivals, followed by Thailand with 7.2 per cent. With regard to non-ASEAN tourist arrivals, tourists from East Asia accounted for 11.5 per cent, of which Japan continued to be the largest, accounting for 5.8 per cent of total arrivals. There was also a double-digit growth of tourist arrivals from Taiwan, Hong Kong and the People's Republic of China since 1990. Other important tourist generating markets were United Kingdom, Australia, United States of America, Germany, Canada and the Middle East countries. As a result of increasing bilateral relations, tourist arrivals from South Africa, a new market for Malaysia, registered an increase.

Tourism Receipts

16.06 Tourism receipts increased more than two-fold to RM31.2 billion compared with RM12.8 billion during the Fifth Plan period while its contribution to the services account of the balance of payments remained positive since 1990. In 1995, tourism receipts amounting to RM9.2 billion surpassed the target of

TABLE 16-1

SELECTED TOURISM INDICATORS, 1990, 1995 AND 2000

<i>Indicator</i>	<i>1990²</i>	<i>1995</i>	<i>2000</i>
Number of Tourist Arrivals (million)	7.4	7.5	12.5
By Country of Origin (%)			
ASEAN ¹	73.8	72.9	66.6
Singapore	64.0	60.5	54.3
Thailand	7.3	7.2	6.7
Indonesia	1.6	3.0	3.8
Philippines	0.7	0.6	0.5
Brunei	0.2	1.6	1.3
Japan	6.8	5.8	8.4
Australia	2.0	2.0	2.0
United Kingdom	2.6	2.3	2.2
USA	2.0	1.3	1.2
Others	12.8	15.7	19.6
Total Annual Travel Receipts (RM million)	4,500	9,200	15,700
Average Length of Stay (nights)	4.5	4.8	4.8
Number of Hotels ³	989	1,253	1,340
Number of Hotel Rooms	45,032	94,744	138,943
Direct Hotel Employment (number)	39,961	68,941	95,687
Occupancy Rate of Hotel (%)	72.9	68.2	72.5

*Notes:*¹ Does not include Vietnam² Visit Malaysia Year, 1990³ Hotels with 10 rooms and above and excluding service apartments and condominiums

RM8.3 billion set for the year 2000 in the National Tourism Plan. This was attributed to the 88.8 per cent rise in average per diem expenditure of tourists from RM135 in 1990 to RM255 in 1995. While the average length of stay increased from 4.5 to 4.8 nights, average per capita expenditure of tourists increased significantly from RM608 in 1990 to RM1,228 in 1995. The major tourism revenue generating markets were Singapore, Thailand, Japan, Taiwan, Indonesia and United Kingdom. The expansion of the industry, through its linkages, contributed to the growth of other related activities, particularly food and beverages, accommodation, transport, entertainment and shopping, as shown in *Table 16-2*.

TABLE 16-2
COMPOSITION OF TOURIST EXPENDITURE, 1990-95
(RM million)

<i>Expenditure Item</i>	<i>1990¹</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994¹</i>	<i>1995²</i>	<i>Share in 1995 (%)</i>
Accommodation	1,679	1,872	1,792	1,727	2,700	2,936	29.6
Food & Beverages	936	899	915	968	1,670	1,757	17.7
Shopping	752	908	887	1,180	2,539	2,463	24.8
Organized Sightseeing	392	120	290	213	321	371	3.7
Local Transport	369	304	216	415	742	785	7.9
Entertainment	n.a	77	106	248	307	572	5.8
Domestic Airfares	n.a	n.a	106	177	400	459	4.6
Miscellaneous	374	103	285	137	321	585	5.9
Total	4,500	4,283	4,595	5,066	9,000	9,928	100.0

Notes:

¹ Visit Malaysia Year, 1990 and 1994

² Including excursionist receipts

n.a Not available

Domestic Tourism

16.07 With growing affluence, higher disposable income and rising quality of life, more Malaysians make regular leisure travel a feature in their lifestyle. To encourage them to travel locally and thereby contribute to the reduction of currency outflow, the promotion of domestic tourism was given considerable emphasis through programmes and activities aimed at creating awareness of attractions available within the country for vacation and leisure. In 1995, hotels in the country received 7.1 million domestic guests compared with 5.2 million in 1990. A large proportion of the domestic trips was for business purposes, followed by social visits and vacation.

Tourism Products and Promotions

16.08 Intensified and concerted tourism promotional activities undertaken at the international and regional levels further enhanced Malaysia's image as an attractive tourist destination in the region. In particular, the Visit Malaysia Year 1994 (VMY '94) year-round programme, which encompassed 170 events comprising various festivals and activities related to culture, arts, handicrafts, national celebrations as well as sports, conventions and exhibitions, helped develop a high profile for Malaysia in the international market place.

16.09 Promotional activities were intensified largely in the primary target markets. Participation in exhibitions and trade shows as well as sales missions were organized *inter alia* to the ASEAN countries, Australia, Canada, the European Union, Hong Kong, Japan and USA. To make Malaysia a major shopping centre in the region, the 'Shopping Carnival' event was held annually to attract tourists to shop in Malaysia. Participating outlets offered competitive prices and quality services to boost Malaysia's image as an attractive shopping destination. The Government's efforts in reducing import duties on consumer products ranging from clothing, jewellery and perfumes to electronics, sports goods and home furnishing products contributed to the increase in tourist expenditure on shopping which more than tripled from RM751.5 million in 1990 to RM2,463 million in 1995. In addition, special events were promoted which included the Flora Fest, Malaysia Fest, the Langkawi International Maritime and Aerospace (LIMA) exhibition and the International Interteam Golf of Malaysia.

16.10 New tourism products developed included educational tourism, eco- and agro-tourism, leisure and sports-related activities as well as new resorts at scenic lakes and dams, islands, beaches and hot springs. Among the resort-based

products included the Pedu Lake in Kedah, the Mulu Caves in Sarawak, Pulau Redang in Terengganu as well as Pulau Layang-Layang off Sabah. The completion of several infrastructure projects, such as the Experimental Theatre and the National Planetarium in Kuala Lumpur as well as historical and cultural attractions at popular touristic locations, further promoted the country's attraction as a special interests destination. The National Theatre and National Art Gallery in Kuala Lumpur as well as a number of arts and cultural centres were in various stages of implementation. Several tourist information centres were built at strategic places such as Langkawi, Padang Besar, Bukit Kayu Hitam, Labuan, Kuching, Miri and Mersing. The private sector contributed to the diversification of tourism products by way of building a number of theme parks in the Klang Valley, Genting Highlands and Langkawi.

Investment

16.11 In tandem with the continuous growth in the tourism industry, investment in approved hotel and tourism-related projects increased more than three-fold from RM2,602 million during the Fifth Plan period to RM8,801 million during the Sixth Plan period. The hotel industry expanded bringing the number of hotels to 1,253 with 94,744 rooms in 1995 compared with 989 hotels and 45,032 rooms in 1990. The annual average occupancy rate declined from 72.9 per cent in 1990 to 68.2 per cent in 1995, largely due to the completion of new hotels, expansion by existing hotels and the competition from service apartments and 'condo hotels'.

16.12 Besides granting various incentives to promote investment in the tourism industry, such as pioneer status, investment tax allowance and income tax exemption for tour operators, the Government established the Special Fund for Tourism, which is a revolving fund amounting to RM200 million. Small- and medium-sized tourism-related projects, such as improvement to tourist facilities, construction and renovation of hotels and motels, were eligible for soft financing under the Fund. As at the end of 1995, about RM206.1 million has been utilized to finance 182 tourism-related ventures.

16.13 To cater to the growing demand of the domestic and international budget-conscious tourists, medium-priced hotels were built in different locations. An initiative taken by the Government in this area was the construction of homegrown chain of hotels with a Malaysian identity, managed by the *Rangkaian Hotel Seri Malaysia Sdn. Bhd.* A total of 15 such medium-priced hotels, with room capacity of 1,450, was located in Johor, Kedah, Negeri Sembilan, Pahang,

Perak, Pulau Pinang, Selangor and Terengganu. This arrangement provided opportunities for participation of Bumiputera entrepreneurs in the hotel and tourism industry through the franchising system, thus contributing to the creation of the Bumiputera Commercial and Industrial Community (BCIC). In addition, the homestay programmes in Johor, Kedah, Kelantan, Pahang, Perak, Pulau Pinang and Selangor enabled tourists to stay with local families, thus adding a new dimension to medium-priced accommodation. At the same time, this programme provided opportunities to small operators to participate in the expanding tourism industry.

Employment

16.14 The continuous growth in the tourism industry increased employment opportunities during the Plan period. In 1995, the industry employed an estimated 106,200 people compared with 68,837 in 1990. The accommodation subsector employed the largest number comprising about 58 per cent of the industry's total workforce, followed by tour and travel agencies and the airlines.

16.15 Within the context of the prevailing tight labour market, the tourism sector, being labour intensive, experienced manpower shortage, particularly at the supervisory and managerial levels. To ensure the continued growth of the industry, the Government established the National Tourism Human Resource Development Council (NTHRDC) in 1992, with both public and private sector participation, to coordinate the planning and development of human resources for the tourism industry. The Council, in collaboration with the National Vocational Training Council (NVTC), embarked on the development of national occupational skills standards (NOSS) for both the travel and hotel sectors in activities such as reservation and ticketing, inbound tour operations, as well as food and beverage services. During the Plan period, a total of 15 NOSS was developed with the participation of industry practitioners and training institutions. The National Productivity Corporation (NPC), *Majlis Amanah Rakyat* (MARA) and private tourism training institutes also conducted training programmes to increase the quality and quantity of personnel required by the tourism industry.

16.16 To encourage the provision of training in the tourism sector, the Government extended the coverage of the Human Resources Development Fund (HRDF), to include training in the hotel and travel sectors. The private sector, through the Malaysian Association of Tour and Travel Agents (MATTA) and the Malaysian Association of Hotels (MAH), continued to provide formal and

in-service training. During the Plan period, MATTA trained 720 persons in the tour and travel industry while 482 participants from the hotel industry were trained by MAH.

Accessibility

16.17 Accessibility, a vital factor in tourism development, was further improved and upgraded. Air links were enhanced by Malaysia Airlines (MAS) through an increase in its services to 92 destinations spanning six continents. During the Plan period, 18 air agreements were signed with countries including Hungary, Laos, Mexico, South Africa, Spain and Venezuela, bringing the total number of air agreements signed to 68. Flight frequencies and seat capacities from 14 countries were increased. MAS also introduced flights to new destinations such as Buenos Aires, Johannesburg, Madrid, Mexico City, Munich, Osaka, Rome and Vancouver. These efforts increased long-haul tourists to Malaysia. In addition, direct and regular international charter flights were encouraged to designated tourist destinations such as Johor Bahru, Kuantan and Langkawi. New landing strips were built at Pulau Pangkor in Perak and Taman Negara Mulu in Sarawak to facilitate easy access to these popular holiday resorts. Facilities at various airports, particularly the Kuala Lumpur International Airport at Subang, Johor Bahru, Langkawi, Pulau Pinang and Sibul were further upgraded, enabling easy access to these locations.

16.18 The tourism industry was given a further boost with improvements in land and sea transportation. The 847-kilometre North-South Expressway linking Bukit Kayu Hitam and Johor Bahru improved land accessibility to tourist destinations along the west coast of Peninsular Malaysia. The availability of related facilities along the expressway, such as service areas, information centres and vista points, further promoted domestic tourism and tourist arrivals from Singapore and Thailand. Rail travel, as an alternative mode of transportation for tourists, was made more convenient through improvements in the schedule and quality of service. In 1995, a total of 213,657 tourists arrived in the country by rail. The Eastern and Oriental Express, a luxury train service linking Singapore, Kuala Lumpur and Bangkok, introduced an innovative tourist product for travellers in search of leisurely and comfortable tour over land. The ferry service between Tanjung Belungkor, Johor and Changi, Singapore provided a new entry point for tourists, while the upgrading of ferry services between Kuala Kedah, Kuala Perlis and Langkawi further promoted Langkawi as a tourist destination.

DISTRIBUTIVE TRADE¹

16.19 The wholesale and retail trade, hotels and restaurants sector registered an average annual growth rate of 10.6 per cent while its contribution to gross domestic product (GDP) increased from 11.1 per cent in 1990 to 12.1 per cent in 1995. Employment in the sector increased to 1.3 million compared with 1.2 million in 1990, representing about 16.2 per cent of total employment.

16.20 Based on the Survey of Wholesale and Retail Trade and Catering 1994, there were 258,238 establishments involved in the sector. They were made up of 60 per cent retailers, 31 per cent caterers and 9.0 per cent wholesalers. Even though retail trade and catering business represented the majority of establishments, their contribution to total sales of the sector was only about 38 per cent and 4.0 per cent, respectively.

Development

16.21 During the Plan period, wholesale and retail establishments continued to provide a wide range of products at competitive prices to consumers in the urban and rural areas. The robust economic growth resulting in higher disposable income and growing affluence as well as increasing sophistication among consumers led to the rapid development of the sector. Population growth and increased urbanization also contributed to the continued expansion. In line with this development, as revealed by the Distributive Trade Study undertaken in 1995, wholesale and retail trade establishments increased by 21.3 per cent to 150,519 establishments in 1995 compared with 124,102 in 1990. The *number* of wholesalers grew at an average annual rate of 12 per cent, of which about 40 per cent were also involved in retailing activities, reflecting a new development in distributive trade. On the other hand, retailers comprising 87 per cent of total establishments in 1995, grew only at 3.0 per cent as shown in *Table 16-3*.

16.22 Specialty stores, provision shops and wet market stalls were the three dominant retail *activities* with 93.4 per cent of total retailers in 1995 being involved in such activities. Wet market stalls and pavement shops grew at an average annual rate of 14.5 per cent and 17.1 per cent, respectively. Other retail activities that grew considerably were pharmacies, supermarkets and minimarkets, department stores and convenience stores at 13.1 per cent, 8.8 per cent, 5.8 per cent and 3.5 per cent, respectively. This reflected changing retailing trends brought about by heightened consumer expectations and demand for quality products and services.

¹ Covers wholesale and retail trade subsector only.

TABLE 16-3
TYPES OF WHOLESALE AND RETAIL ACTIVITIES, 1990 AND 1995

Activity	Wholesalers				Retailers				
	1990		1995		1990		1995		Average Annual Growth Rate, 1990-95 (%)
	Number	(%)	Number	(%)	Number	(%)	Number	(%)	
Department Stores	13	0.1	27	0.1	218	0.2	289	0.2	5.8
Supermarkets & Minimarkets	12	0.1	37	0.2	940	0.8	1,430	1.1	8.8
Specialty Stores	8,585	77.5	16,198	83.0	53,401	47.2	54,200	41.4	0.3
Convenience Stores	11	0.1	18	0.1	275	0.2	326	0.3	3.5
Provision Stores	1,558	14.1	1,464	7.5	36,977	32.7	38,358	29.3	0.7
Pharmacies	44	0.4	63	0.3	305	0.3	564	0.4	13.1
Medical Halls	167	1.5	142	0.7	2,514	2.2	2,243	1.7	-2.3
Direct Sale	158	1.4	216	1.1	766	0.7	809	0.6	1.1
Wet Market Stalls	522	4.7	1,318	6.7	15,140	13.4	29,787	22.7	14.5
Pavement Shops	2	-*	27	0.2	286	0.3	630	0.5	17.1
Petrol Kiosks	8	0.1	15	0.1	2,200	2.0	2,358	1.8	1.4
Total	11,080	100.0	19,525	100.0	113,022	100.0	130,994	100.0	3.0

Note: -* Negligible

16.23 Retailers continued to concentrate particularly on supplying household and consumer goods, food, tobacco products and beverages. On the other hand, wholesalers became more specialized with 83 per cent involved in specialty stores compared with 77.5 per cent in 1990, as shown in *Table 16-3*. The specialty products that wholesalers market include industrial, agricultural and business equipment catering mostly to the needs of the growing construction and industrial sectors.

16.24 There was increased *concentration* of wholesalers and retailers in urban areas, as shown in *Table 16-4*. In 1995, 87.6 per cent of all wholesalers were located in urban areas compared with 74.4 per cent in 1990. In the case of retailers, 69.2 per cent were located in urban areas in 1995 compared with 52 per cent in 1990. This increase was due to greater urbanization as well as to the redefinition of urban towns which resulted in an increase in the number of urban towns from 67 in 1980 to 129 in 1991. Wholesalers were more concentrated in urban towns as their main function is the distribution of goods from manufacturers and importers to retailers and for logistic reasons locate themselves close to their source. However, retailers being the final link between manufacturers and consumers were generally more dispersed. The retail activities, which were more prominent in the rural areas, were the provision stores and petrol kiosks without convenience stores while the other retail activities were more dominant in urban areas.

16.25 While 97.5 per cent of wholesale and retail establishments were owned by Malaysians in 1995, there has been increased participation of foreign establishments in the distributive trade sector when compared with the situation in 1990 as shown in *Table 16-5*. Foreign *ownership* of wholesale and retail establishments grew at an average annual rate of 25.4 per cent from 1,220 establishments in 1990 to 3,786 in 1995. Their share of wholesale ownership increased from 2.2 per cent to 4.2 per cent during the same period, while for retailers ownership rose from 0.9 per cent to 2.3 per cent. Foreign-owned establishments introduced new marketing concepts, management expertise and modern technology in the ventures that they operate. This development, while increasing the competition to traditional wholesale and retail outlets, also encouraged locally-owned establishments to introduce similar innovative concepts in order to remain competitive. Recognizing the need to have an orderly development of the sector, the Government introduced new guidelines to promote active local participation, particularly with respect to equity participation and sourcing of locally produced goods.

TABLE 16-4

**NUMBER OF WHOLESALE AND RETAIL
ESTABLISHMENTS BY LOCATION, 1990 AND 1995**

<i>Establishment</i>	<i>1990</i>		<i>1995</i>		<i>Average Annual Growth Rate, 1990-95 (%)</i>
	<i>Number</i>	<i>(%)</i>	<i>Number</i>	<i>(%)</i>	
Wholesalers	11,080	100.0	19,525	100.0	12.0
Urban Areas	8,238	74.4	17,112	87.6	15.7
Rural Areas	2,842	25.6	2,413	12.4	-3.2
Retailers	113,022	100.0	130,994	100.0	3.0
Urban Areas	58,787	52.0	90,711	69.2	9.1
Rural Areas	54,235	48.0	40,283	30.8	-5.8
Total	124,102		150,519		3.9

16.26 Bumiputera ownership of establishments in the distributive trade sector grew at an average annual rate of 7.0 per cent from 36,158 establishments in 1990 to 50,734 in 1995. This increase was a result of continued expansion of existing activities, namely in general merchandise, traditional medicines, pharmacies, wet markets and specialty stores as well as new activities such as department stores, petrol kiosks and pavement shops. However, despite this increase, the average monthly turnover of RM18,673 per wholesale and retail establishment of Bumiputera operators were still the lowest, as shown in *Table 16-6*.

16.27 The total monthly *sales* of the distributive trade sector grew from RM3,910 million in 1990 to an estimated RM5,362.5 million in 1995. Of this, Malaysian wholesalers and retailers contributed RM5,110.4 million or 95.3 per cent of the total sales. However, in terms of average sales per wholesale and retail establishment, foreign establishments recorded higher sales figures. This reflected the greater efficiency and productivity of foreign retail and wholesale establishments.

TABLE 16-5

WHOLESALE AND RETAIL ESTABLISHMENTS BY OWNERSHIP, 1990 AND 1995

Ownership	Wholesalers				Retailers				Total Establishments		
	1990		1995		1990		1995		1990	1995	Average Annual Growth Rate, 1990-95 (%)
	Number	(%)	Number	(%)	Number	(%)	Number	(%)	Number		
Bumiputera	1,090	9.8	2,175	11.1	35,068	31.0	48,559	37.1	36,158	50,734	7.0
Chinese	9,439	85.2	15,821	81.0	69,696	61.7	72,082	55.0	79,135	87,903	2.1
Indians	300	2.7	372	1.9	6,572	5.8	5,802	4.4	6,872	6,174	-2.1
Other Malaysians ¹	11	0.1	342	1.8	706	0.6	1,580	1.2	717	1,922	21.8
Foreigners	240	2.2	815	4.2	980	0.9	2,971	2.3	1,220	3,786	25.4
Total	11,080	100.0	19,525	100.0	113,022	100.0	130,994	100.0	124,102	150,519	3.9

Note: ¹ Includes joint ownership between individuals, government-owned corporations and public companies

TABLE 16-6
AVERAGE SALES PER WHOLESALE AND RETAIL ESTABLISHMENT BY OWNERSHIP, 1995

Ownership	Wholesalers			Retailers ¹			Total Establishments	
	Total Monthly Sales (RM million)	Number of Establishment	Average Sales Per Establishment (RM)	Total Monthly Sales (RM million)	Number of Establishment	Average Sales Per Establishment (RM)	Total Establishments	Average Sales Per Establishment (RM)
Bumiputera	212.0	2,175	97,471	682.6	45,733	14,926	18,673	18,673
Chinese	1,759.0	15,821	111,181	2,105.1	65,785	32,000	47,351	47,351
Indians	43.4	372	116,667	104.3	5,614	18,579	24,675	24,675
Other Malaysians ²	94.4	342	276,023	109.6	1,141	96,095	137,589	137,589
Foreigners	176.4	815	216,442	75.7	2,337	32,374	79,968	79,968
Total	2,285.2	19,525	117,040	3,077.3	120,610	25,514	38,267	38,267

Notes:

¹ Excludes open markets

² Includes joint ownership between individuals, government-owned corporations and public companies

Farmers' Market and Night Market

16.28 Farmers' market and night market continued to be popular modes of retail business with the number of such markets increasing from 139 and 250 in 1990 to 157 and 470 in 1995, respectively. Both markets operated mainly in urban areas and mostly on the west coast states of Peninsular Malaysia. In 1995, total sales of farmers' market and night market amounted to RM90.7 million and RM185 million, respectively. A survey undertaken in 1995 revealed that 75 per cent and 72 per cent of traders in farmers' market and night market, respectively, earned monthly incomes of more than RM750, indicating that these activities provide a reasonable income for the traders concerned.

Financial Accessibility

16.29 The general commerce sector continued to receive credit from the banking system with loans amounting to RM7.8 billion extended during the Plan period. Credit Guarantee Corporation (CGC) continued to assist small-scale enterprises, including petty traders, through its three main schemes, namely the New Principal Guarantee Scheme (NPGS), Loan Fund for Hawkers and Petty Traders (LFHPT), and the Association Special Loan Scheme (ASLS). For the period, approved loans for wholesale and retail trade under NPGS amounted to RM1,291.7 million, while loans approved under the LFHPT and ASLS totalled RM105.9 million and RM17.1 million, respectively.

Support Programmes

16.30 Various government agencies continued to implement programmes to promote Bumiputera participation in the wholesale and retail trade by providing assistance in various forms including credit facilities, business premises, technical and advisory services and training. In this regard, MARA extended credit facilities amounting to RM36.4 million to 2,097 Bumiputera engaged in the wholesale and retail business during the Plan period while MARA and Urban Development Authority (UDA) provided about 1,800 units of retail space to Bumiputera traders.

16.31 With regard to the development of Bumiputera entrepreneurial skills in the retail trade, MARA organized 1,295 courses on various subjects ranging from identification of business opportunities to entrepreneurial development as well as business consultancies which benefitted 57,253 participants. In addition, NPC trained 25,000 Bumiputera in areas such as business motivation and asset

management. Hands-on training aimed at developing entrepreneurial skills in marketing and management were undertaken at Pernas Edar's mini markets, Federal Agricultural Marketing Authority (FAMA), retail shops and the department stores operated by UDA.

16.32 Under the Franchise Development Programme (FDP), opportunities were created for Bumiputera entrepreneurs to become franchisees to existing homegrown franchises, help develop franchisable local products and introduce international product systems. The Programme involves a systematic selection of potential franchisees and products, facilitates funding, training and location of premises as well as assists in obtaining licences and permits. It also monitors the development and progress of franchisees. During the Plan period, 57 Bumiputera entrepreneurs were appointed franchisees in businesses related to *inter alia* computer supplies, film processing, jewellery, pharmacy, fast food and tyre services.

Legislative Framework

16.33 To provide for a more orderly development of the domestic trade sector and greater protection to consumers, a number of legislations were amended. The Regulations of the Trade Descriptions Act, 1972 pertaining to product description was amended to make labelling compulsory for all products. The regulations relating to cheap sales under the Act were further amended to enable a better control and supervision of cheap sales. The Price Control (Indication of Price by Retailers) Order, 1977 was reviewed to extend price tagging to all products, thus enabling consumers to compare prices before making purchases. The Direct Sales Act, 1993 was introduced to promote orderly development of direct selling including mail order and door-to-door sales. To protect consumer interests, direct selling companies were required to be licensed.

16.34 The Government continued to accord priority in ensuring an adequate supply of essential goods at reasonable prices. The 20 essential goods placed under the Control of Supplies Act, 1961 were maintained. These included basic food items such as rice, bread, flour, milk, sugar as well as building materials and petroleum products. During festive seasons, another 25 items were included in the list of essential goods. The Task Force on Essential Goods and the Special Panel on Building Materials assisted in the monitoring of the supply and demand of the essential goods and provided a forum for consultation with the private sector. Measures were also taken to ensure adequate supply of goods through easing of import quotas, reducing import duties as well as approving new investments to increase domestic production capacity.

Price Information

16.35 The Government established the Price Information Centre to collect and monitor prices of 97 essential goods, to enable consumers to make price comparisons and rational purchases. The information on prices was collected from 14 towns and disseminated nationwide. In addition, the fair price shop concept was initiated to provide goods at fair and reasonable prices. As at the end of the Plan period, a total of 856 shops involving supermarkets, minimarkets, retail stores and restaurants were recognised as '*Fair Price Shops*'.

III. PROSPECTS, 1996-2000

TOURISM

16.36 The tourism sector is poised to contribute much more to foreign exchange earnings as well as the generation of income, investment and employment opportunities. Tourist arrivals into Malaysia are expected to grow by 9.6 per cent annually to reach 12.5 million by the end of the Seventh Plan period. By the year 2000, tourism receipts are expected to increase to RM15.7 billion, thus helping to improve the services account of the balance of payments. The overall strategy will be geared towards increasing visitor volumes and return visits as well as attracting higher-spending and longer-staying tourists. The private sector is expected to take the lead in the provision of tourism products and services, while the Government will continue to provide various infrastructure facilities and promote Malaysia as an attractive tourist destination.

16.37 The Seventh Plan will improve upon existing strategies as well as introduce new ones which will enhance the image of Malaysia as a highly diversified and competitive tourist destination in this part of the world. The strategies include:-

- o diversifying into new products and services to cater for the varying demands and interests of international and domestic tourists;*
- o ensuring more effective promotion and marketing for both the foreign and local markets;*
- o encouraging private sector investment and participation in innovative tourism products as well as special projects and events;*

- o increasing the involvement of the local population, especially small entrepreneurs, in the development of distinct and localized tourism products and services;*
- o improving and facilitating access into and within the country;*
- o providing the requisite infrastructure and amenities at designated tourist sites; and*
- o focussing on formal as well as on-the-job skills training in order to meet the rising manpower demand.*

Product Development

16.38 Increasing emphasis will be placed on diversifying the tourism base to reduce dependence on a narrow range of products and markets. In this regard, the market segment will be widened to include medium-to-high spending categories of tourists. Besides marketing Malaysia's natural, cultural and historical heritage, new product development will aim primarily at promoting the country as a shopping, sports, convention and special interests tourism destination related to adventure and water-based activities. To provide tourists with a variety of attractions, efforts will be undertaken to encourage the creation of additional specialty products within the vicinity of these destinations.

16.39 Nature-based tourism which includes eco- and agro-tourism that projects the country's tropical climate and terrain will also be developed and promoted. The private sector will be encouraged to develop potential sites for eco-tourism activities, as identified in the National Eco-Tourism Plan. The Government will assist in the provision of infrastructure development and basic amenities for designated eco- and agro-tourism sites. These will include areas encompassing hot springs, waterfalls, lakes, rivers, forest reserves, agricultural parks and fishing villages as well as oil palm and rubber estates. To further promote and expedite the development of island-resort tourism, an Islands Resort Development and Management Authority will be established to plan, manage and develop islands offering tourism attractions for both domestic and international tourists.

Culture and the Arts

16.40 Culture and the Arts will be developed as integral components of tourism as tourist interests are increasingly moving towards vacations involving cultural manifestations, heritage and entertainment. In this regard, the development of cultural-heritage tourism such as museums and art galleries as well as cultural

and arts centres will be given more focus, thus leading to a more diversified and vibrant cultural and entertainment services industry. Cultural infrastructure, which will serve as a repository of Malaysia's rich cultural heritage, will be further developed in other states apart from Wilayah Persekutuan Kuala Lumpur. The establishment of state cultural centres and culture-based activities will further enrich tourist experience. Malaysia's unique cultural heritage will be emphasized through the utilization of traditional architecture, attire, music, food, handicrafts and the local arts.

Tourism Activities in the Rural Areas

16.41 There exists a tremendous potential for tourism activities in the rural areas. To increase the participation of rural communities in tourism-related activities, the Government will encourage, among others, the development of agro-tourism. Towards this end, short- and long-term action plans for the further development of agro-tourism will be implemented. A major strategy will involve the identification of a number of villages to serve as models for homestay programmes which will be emulated in other suitable villages. The private sector will be encouraged to play a major role in the marketing, training and promotion of agro-tourism, particularly village and community tourism. The participation of local communities will also be enhanced through cultural and handicraft product development programmes.

Meetings, Incentives, Conventions and Exhibitions Market (MICE)

16.42 The meetings, incentives, conventions and exhibitions market is expected to be one of the major growth areas in the Seventh Plan period. It is increasingly seen as a higher-yield market with potential in attracting volume and quality visitor arrivals to Malaysia. As a newcomer in this fast growing industry, efforts will be undertaken by the Government and private sector to create better awareness of the country's capabilities in hosting international meetings, conventions and exhibitions.

16.43 To maintain Malaysia's image as a value-for-money convention and exhibition destination, the necessary infrastructure will be expanded. Hotels and venues, capable of hosting large-scale conferences and exhibitions, will be encouraged to upgrade their facilities and amenities, including the provision of state-of-the-art technology for conventions and exhibitions. The Government will work closely with the private sector in the bidding process to host major conferences and exhibitions. In addition, efforts will be undertaken to promote the growth and further development of quality exhibitions to be held in Malaysia.

Cruise Tourism

16.44 The waters around Malaysia offer many options for short and long cruise excursions. To tap into the rapidly growing cruise ship travel market, Port Klang will be developed as the hub for cruise ship industry. In addition, cruise centres will be established in various parts of the country with priority given to Pulau Pinang and Langkawi. These centres will be provided with proper berthing and passenger disembarkation bridges, airport style baggage handling, restaurants and duty-free shops.

16.45 To further promote the development of the cruise industry, the Government will institute necessary support measures to encourage cruise ship operators to use Malaysia as their base of operations and register their vessels in the country. To complement this effort, efficient organization of on-shore tours will be encouraged. In this regard, tour operators will be urged to collaborate with cruise operators to tap the diverse tourist attractions of Malaysia and the neighbouring countries in developing their cruise itineraries.

Domestic Tourism

16.46 Domestic tourism will be aggressively promoted through intensified programmes using an appropriate marketing mix to increase awareness of attractions and facilities for recreation. Domestic tourism promotion campaigns focussing on the theme '*Malaysia My Destination*' will be intensified. To ensure the success of the programmes, private sector and state authorities are expected to develop specialized tour programmes for eco- and agro-tourism, sports-tourism, food and shopping, special festivals and events to cater to an increasingly sophisticated domestic market. In this regard, improvements in surface transportation will facilitate travel and further encourage Malaysians to avail themselves to the tourism products in the country.

16.47 The development of more affordable accommodation, such as budget and mid-range hotels, motels, chalets, rest houses, forest lodges and camping sites, will greatly stimulate domestic tourism. Towards this end, the private sector will be encouraged to provide such accommodation to cater to the growing and diverse demand of domestic tourists. Accordingly, the Hotel Seri Malaysia chain, which will be further expanded to other selected tourism destinations during the period, will be progressively privatized particularly to current hotel managers. In addition, the homestay concept in private homes and motorway accommodation will be encouraged.

Tourism in the ASEAN Sub-Regional Growth Areas

16.48 At the regional level, tourism has been identified as one of the main areas which offers great potential for cooperation and enhances synergistic growth in the regional economy. Towards this end, Malaysia will participate actively in joint-venture tourism projects to contribute to the development of the tourism industry in the ASEAN sub-regional growth areas. Issues related to travel facilitation and border crossing as well as utilization of transport facilities and infrastructure will be addressed. In addition, the private sector will be encouraged to participate in joint promotions and upgrading the standard and quality of tourism products, services and infrastructure. Joint educational and training programmes for the tourism industry will also be promoted.

Marketing and Promotion

16.49 To ensure continuous growth of the tourism industry, innovative marketing efforts will be undertaken on a sustained basis to promote Malaysia as a major tourist destination. Promotional activities, including the publication of information brochures in foreign languages other than English, will be undertaken to cater to the various needs of international tourists not conversant in English. Forging strategic alliances with foreign airlines and tourist organizations will be actively pursued in order to jointly exploit tourist opportunities. The growing impact of information technology in the distribution and marketing of tourism products and services will necessitate a change in Malaysia's promotional techniques. In this regard, the Government and in particular the private sector are expected to invest in the latest technologies to meet future challenges. Among these, will be the use of computer reservation systems, electronic destination data bases, transforming destination pictures on to computer disks and marketing through the Internet network.

Tourism and the Environment

16.50 In developing the requisite tourism-related infrastructure and facilities, greater emphasis will be placed on minimizing the negative socio-cultural and environmental impact of tourism. Malaysia's heritage and tourism resources will be preserved through necessary regulations. More specific criteria and guidelines will be implemented to ensure that the development of infrastructure for tourism does not adversely affect environmentally-sensitive touristic areas such as rivers, highlands, coastal areas and beaches. In this regard, measures will be undertaken to ensure that their carrying capacities will be adhered to. The recommendations of the National Conservation Strategy relating to tourism will be implemented. In addition, environmental audits will be undertaken on a regular basis.

Accessibility

16.51 Measures will be taken to further improve and facilitate access into and within the country. Air transport, particularly to increase the number of long-haul tourists, will be intensified. The national carrier, which has earmarked itself to become a global airline by the year 2000, is expected to expand its network by increasing its international service connections to all important tourist-generating markets. In addition, MAS will continue to form strategic alliances with other airlines. The operation of the KL International Airport (KLIA) at Sepang in 1998 will accommodate the increase in traffic demand. At the same time, the upgrading of Johor Bahru, Kota Kinabalu, Kuching and Pulau Pinang airports will facilitate tourist arrivals in the vicinity areas.

16.52 On surface transportation, the building of the second link between Johor Bahru and Singapore as well as the upgrading of train services by *Keretapi Tanah Melayu Berhad* (KTMB) will significantly facilitate cross-border travel. In addition, the East Coast Expressway will further improve accessibility of tourist attractions in the East Coast of Peninsular Malaysia. In order to promote rail travel as an alternative mode of transport for tourists, greater efforts will be made to increase the efficiency and quality of service of KTMB. In addition, the completion of the Light Rail Transit System in Kuala Lumpur will provide an added attraction to broaden the tourism experience, besides providing quick accessibility to places of touristic interests in the capital city. The provision of better services and facilities at major entry points, such as Bukit Kayu Hitam, Padang Besar and Johor Bahru, will be further improved to ensure visitors get a good and lasting impression as well as encourage repeat visits.

Training

16.53 Tourism, being service-oriented, must ensure that its manpower has the necessary skills to meet the varied demands and expectations of the sector. With the manpower shortage and rising labour costs, the industry will have to continue to devise measures to increase productivity and efficiency. To ensure professionalism in the delivery of services by tour operators and guides, efforts will be taken to provide comprehensive training including languages, Malaysian history, culture and the arts. In addition, the development of relevant training programmes to meet specific skill requirements of the hotel and travel sectors will be undertaken.

16.54 The NTHRDC, together with the NVTC and the Ministry of Education, will coordinate technical and vocational, management and supervisory training and liaise with the private sector so that output will be in line with the growing needs of the tourism industry. The hotel and travel sector will be encouraged to utilize the facilities available at the NPC and MARA as well as private tourism training institutes to conduct tailor-made courses for the industry. Local universities and institutions of higher learning as well as private colleges will be encouraged to offer courses in hotel administration as well as tourism management and planning.

DISTRIBUTIVE TRADE

16.55 Higher disposable income resulting from sustained high economic growth and the vibrant tourism industry will provide stimulus to the growth of the distributive trade subsector during the Seventh Plan period. Accordingly, the wholesale and retail trade including hotels and restaurants sector is expected to grow at an average annual rate of 9.0 per cent and contribute 12.7 per cent to the GDP by the year 2000.

16.56 The Seventh Plan will introduce strategies which will focus on structural changes and upgrading of the distributive trade sector as follows:-

- o accelerating the modernization and rationalization of distributive trade, mainly through improved management systems;*
- o intensifying efforts to increase the participation of Malaysians, particularly Bumiputera entrepreneurs, in wholesale and retail businesses;*
- o enhancing the marketing capability of traders to supply value-added products through improved packaging and presentation as well as greater product differentiation;*
- o promoting specialized retail concepts including franchised chains; and*
- o encouraging linkages between distributive trade establishments and farmers as well as manufacturers in the supply of local fresh produce and manufactured goods.*

Structural Changes

16.57 The distributive trade sector will undergo structural changes and impact on traditional forms of retailing. The structural changes will take various forms such as the establishment of large-scale concerns, franchised chains and collaborative buying groups of independent retailers and wholesalers. Mergers and acquisitions will become increasingly important. With globalization, it is expected that more foreign wholesale and retail establishments will increasingly participate in the distributive trade sector. These foreign investments will introduce new types of retail and wholesale business concepts, particularly large-area specialist stores. The buying power of the various types of large-scale retail and wholesale establishments will increase and have significant impact on prices and quality of products and services.

16.58 Structural changes in distributive trade will, among others, reduce distribution levels between manufacturers and retailers. In addition, direct sourcing of products from manufacturers and suppliers of fresh produce through contract farming will further encourage greater local production and facilitate better feedback on consumer demands and preferences. Large retail buyers are also expected to assist manufacturers in the development of new products, particularly Malaysia's own brand of consumer and commercial goods. The Government will facilitate the development and promotion of such collaborative ventures which will be progressively stepped up to promote exports of Malaysian goods and related services.

Small- and Medium-sized Operators

16.59 Taking cognizance of the interests of local traders, particularly small operators, foreign wholesale and retail entities will be further encouraged to participate in joint ventures, franchises and other collaborative efforts. These developments will accelerate the modernization and rationalization of the distributive trade sector and promote modern management techniques and systems. In view of the competition and technological development, local traders will have to improve their systems and increase efficiency. They will be encouraged to invest in information technology with electronic-point-of-sale systems, utilize bar codings and scanning as well as use mechanized handling systems. In this regard, the Government will encourage wholesalers and retailers in expediting the use of these modern technologies. In addition, measures will be taken to reduce entry barriers such as lack of initial capital and trained workers, difficulty in obtaining strategic business locations, as well as high

rentals. In this respect, financial institutions will be encouraged to provide soft loans to deserving operators in order to facilitate the development of small operators. More business premises with better infrastructure will be provided for traders, while the provision of technical and advisory services by relevant Government agencies will be intensified.

16.60 With increasing income and affluence, Malaysian consumers have become more discerning and demand better quality as well as more varied products and services. In the light of this development, suppliers and traders will have to adjust and improve their marketing capability by offering a product range that is attractively packaged and well presented. To facilitate this transition, traders will have to grade products according to quality specifications and take into account the aesthetic aspects of presentation in terms of window display and packaging.

16.61 Small- and medium-sized distributors lack the required scale to compete effectively in the market. To overcome this, they will be encouraged to collaborate in order to gain sufficient size and improve their competitive strength, particularly in purchasing, marketing, research, promotion as well as development of private and generic labels and accounting systems. In this regard, the formation of buying associations and consortia among small operators will be encouraged. The business activities undertaken by agencies such as FAMA, *Lembaga Pertubuhan Peladang*, *Perbadanan Niaga Felda*, PERNAS, *Pernas Edar*, *Persatuan Nelayan*, *Perwira Niaga Malaysia* and cooperatives will be enhanced through collaborative action and negotiation of better conditions in terms of price, promotion and delivery.

16.62 In respect of petty traders, the Government will improve access to supporting facilities so as to assist them in enhancing and developing their entrepreneurial skills and businesses. In this regard, infrastructural facilities in strategic areas such as petty traders centres, food courts and shopping arcades will be provided to ensure a healthy and clean environment.

Measures to Promote Distributive Trade Development

16.63 As living standards and disposable incomes continue to improve, Malaysian consumers will become more sophisticated and demanding in terms of quality, variety and prices of products and services. Accordingly, the sector will be progressively upgraded to meet these changing demands. In view of this, measures will be introduced to ensure that the distributive trade sector grow in an orderly, efficient and competitive manner in line with the principles of

fair trade. The Government will also introduce the Consumer Protection Act, which will provide for an efficient and speedy redressal mechanism for consumers faced with alleged deceptive, unfair and misleading transactions. In addition, the setting up of a consumer institute to provide easy access to adequate information on consumerism as well as the implementation of consumer protection activities will be considered during the Plan period.

16.64 As part of the efforts to increase the participation of Malaysians, particularly Bumiputera entrepreneurs, in the wholesale and retail business, the FDP will be further expanded. In this regard, efforts will be intensified to further promote the *development of homegrown franchises* which specialize in Malaysia's own local products. Leading foreign wholesale and retail franchise businesses will be encouraged to invest in Malaysia. Under the FDP, foreign franchisors will be required to recruit and train Bumiputera to work in their pilot outlets to enable them to become independent franchisees or operators of retail businesses. In addition, other relevant agencies will continue to implement programmes and activities, primarily to create more viable Bumiputera participation in distributive trade. These will include the introduction of an integrated programme aimed at creating Bumiputera entrepreneurs and companies in the wholesale and retail trade, provision of technical and financial assistance, training and entrepreneurial development, strategic business premises with better infrastructure as well as the promotion of joint ventures with non-Bumiputera and foreigners.

16.65 *Infrastructure development*, particularly road networks, will play a major role in facilitating the modernization of the distributive trade sector. Further improvements and upgrading of the country's infrastructure, including road network, rail, sea and air transport and telecommunication links, will ensure fast and efficient logistics. This will contribute towards more efficient distribution of goods, particularly to rural areas.

16.66 The tight labour market situation will continue to pose a constraint on the performance of the distributive trade sector. To minimize this constraint, the *skill level of the workforce* will be upgraded, particularly in product management, information systems, logistics and marketing skills. In this regard, training programmes undertaken by Government agencies and the private sector will be improved and intensified to meet the training needs of the industry. The private sector will be encouraged to conduct more hands-on training. In addition, large foreign companies established in Malaysia will be encouraged to participate in the training process through the attachment of young Malaysian executives in their overseas establishments.

Price Stability

16.67 The benefits of high economic growth can only be reaped by the country and people if the inflationary pressures are kept at a minimum. Towards this end, continuous efforts will be undertaken to maintain stable prices for essential goods and services consumed by the population, particularly in the lower income bracket. Accordingly, a second Consumer Price Index (CPI) of such essential goods and services will be introduced and zero inflation is targeted for such necessities. Besides enforcement and supervision, strategies will be designed to ensure adequate supply of essential goods and services in the domestic market, thereby creating a more competitive market regime.

IV. ALLOCATION

16.68 During the Seventh Plan period, the development allocation for tourism and distributive trade is as shown in *Table 16-7*. This public sector allocation will be complemented by greater mobilization of private sector resources for the advancement of these services. To support the growth of the tourism industry,

<i>Programme</i>	<i>6MP</i>		<i>7MP</i>
	<i>Allocation</i>	<i>Expenditure</i>	<i>Allocation</i>
Tourism	746.3	559.0	696.9
Preservation of National/Historical Heritage	41.1	24.8	45.5
Accommodation	169.8	161.7	64.3
Beautification/Cleanliness & Environment Protection	51.9	46.7	65.1
Cultural Product	120.6	67.6	181.2
Facilities & Infrastructure	331.0	231.8	280.0
Others	31.9	26.4	60.8
Distributive Trade	451.7	301.9	250.0
Upgrading & Modernization of Trade Services	43.1	35.5	28.8
Business Premises	369.5	243.7	212.7
Training & Consultancy Services	39.1	22.7	8.5
Total	1,198.0	860.9	946.9

an allocation of RM696.9 million will be provided for the expansion of physical and social infrastructure. For distributive trade, an allocation of RM250 million will be provided to strengthen and modernize the sector, encompassing construction of business premises, and provision of support programmes, training as well as consultancy services.

V. CONCLUSION

16.69 The implementation of strategies and programmes in the tourism and distributive trade sectors during the Sixth Plan period laid the foundation for these services to contribute more effectively to the growth of the economy. These efforts will be further expanded and intensified during the Seventh Plan period. In the area of tourism, emphasis will be given to the development of competitive tourism products and services, especially in relation to those available elsewhere in the neighbouring regions, in order to enhance foreign exchange earnings and savings. The distributive trade sector, which will continue to play a vital role in ensuring price stability, will be further upgraded and modernized to provide a wide range of quality goods and services for the populace.