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SPEECH BY THE SENIOR MINISTER

AT THE WORLD TRAVEL AND TOURISM COUNCIL'S DINNER

ON MONDAY, 13 MARCH 1995

AT THE SHANGRI-LA HOTEL

Realising Travel and Tourism's potential

Travel and tourism is the world's largest industry and the largest generator of jobs. Tourism has helped many developing countries to create employment, earn foreign exchange and spur economic development. It helps pay for hotels, transport and communications, and financial services. They are the infrastructure essential also for trade and industry. Tourism also encourages small and medium enterprises and boosts the demand for financial services, insurance and communications.

According to World Travel and Tourism Council (WTTC) estimates, in 1995, travel and tourism will generate, directly and indirectly, US\$84 billion of total gross output in the Asia-Pacific region alone. It will create employment

opportunities for 134 million people, or 11.4 per cent of the region's total workforce.

East Asia and the Pacific Region now accounts for 14 per cent of the world's total international arrivals and this figure will grow by 6.8 per cent a year between 2000 and 2010. This will mean 101 million arrivals a year by 2000, and 190 million by 2010. This growth will be fueled by the region's expanding economies and the growing affluence of Asian consumers. The opening up of Asian countries to both inbound and outbound travel will further increase these growth rates. What has happened in Japan, the NIE's and ASEAN will now happen in China, India, Vietnam and Cambodia.

However, there are obstacles in the industry's path. These obstacles need to be identified and removed so that travel and tourism can give maximum

benefits.

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Deregulating the Travel Industry

The countries which have maximised their potential in travel and tourism are those that have invested in infrastructure and have given liberal access by loosening border controls. Many countries, like Thailand, Malaysia, Hong Kong,

Singapore, have prospered this way. Now Indonesia, Philippines, China, Vietnam, Myanmar, India, are all wanting to maximise their tourist potential.

There are great benefits if restrictions on the industry are lifted. A recent study by the National University of Singapore¹ (NUS) calculated the loss in tourism, trade and investment to Asian countries resulting from restrictive aviation policies.

For the Philippines, it estimated that an additional daily Boeing 747 service by a foreign carrier on the Los Angeles-Manila route would generate US\$111 million annually in direct expenditure by visitors and the airline, and would create about 80,000 jobs.

For Thailand, it estimates that an additional daily Airbus A310 service by a foreign carrier on the Tokyo-Bangkok route would generate US\$37 million annually in direct expenditure and create over 12,000 jobs.

Air transport has been a multiplier of economic growth.

¹ Source: K. Raguraman and Anthony Chin: 'Impact of International Air Transport on National Economic Growth (With Special Reference to the Tourism Sector of the Philippines and Thailand)', June 1994.

The Singapore Experience

Singapore faced severe 14 per cent unemployment in August 1965 when it became independent. I took advice and decided that the fastest and cheapest generator of jobs was tourism. It did not take a long gestation period and did not require big initial capital outlays.

We made modest investments in airport and road transport facilities to improve our position as one of the aviation hubs of Southeast Asia. Our strategic location and our traditional status as an entrepot helped us. Success in tourism has helped our subsequent economic development.

We decided on an “open skies” policy, to encourage as many carriers as possible to operate here, and to maximise direct international air links. Today, 68 airlines serve Singapore, providing more than 2,800 scheduled flights a week to 124 cities in 56 countries.

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From the outset I made it clear to Singapore Airlines that it would have to stand on its own feet, that Singapore could not afford a state-subsidised national carrier simply to show the flag.

Thus from the outset, Singapore Airlines had to be competitive. The commercial and financial discipline that this imposed on Singapore Airlines has been a major reason for its healthy growth.

Probably the boldest decision the government made was in 1975, to abandon the existing Paya Lebar Airport and develop Changi Airport. The decision was taken just after the North Vietnamese had captured Saigon in April 1975. The future was beset with uncertainties. In the midst of gloom we decided to invest S\$1.5 billion in Changi, and what is more to spend another S\$400 million to upgrade Paya Lebar in the interim period from 1975 to 1981, in order to accommodate projected arrival increases at Paya Lebar. And come 1981, all these additional investments in Paya Lebar had to be written off, given over to the RSAF. It turned out to be a sound investment. Traffic soared and in 1990, we built Terminal 2 in Changi for S\$650 million. The returns on these

investment in Changi have been incalculable.

One reason for Changi's success has been the careful forward planning to meet the growth in traffic. The airport's two runways are capable of handling 66 aircraft movements an hour, twice the number they currently handle, on average. By early next century, when we expect to reach the airport's current capacity of around 35 million passengers a year, a third terminal will be ready. This will

increase capacity to 55 million passengers a year. And we are already reclaiming land for a third runway and a fourth passenger terminal.

In 1994, 6.9 million people visited Singapore, more than double its resident population. They gave direct employment to an estimated 85,000 people, mainly in tourism-related establishments such as hotels, travel agencies, airlines and airport services. In 1994, tourists contributed S\$10.9 billion to our economy. Singapore tourists spend S\$5.7 billion abroad. This left a balance of travel of S\$5.2 billion in our favour.

But all those involved in tourism must also be mindful of its pitfalls: damage to ancient monuments such as the Pyramids or Angkor Wat, the physical pollution of beaches and scenic spots, and the contamination of local cultures.

These are inherently undesirable side effects that can diminish the appeal of a tourist destination.

We made our share of mistakes in Singapore. For example in our rush to rebuild Singapore, we knocked down many old and quaint Singapore buildings. Then we realise we were destroying a valuable part of our cultural heritage, that we were demolishing what tourists found attractive and unique in Singapore. We

halted the demolition. Instead we undertook extensive conservation and restoration of ethnic districts such as Chinatown, Little India and Kampung Glam and of the civic district, with its colonial era buildings: the Empress place, old British Secretariat, Parliament House, the Supreme Court, the City Hall, the Anglican Cathedral, and the Singapore Cricket Club. The value of these areas in architectural, cultural and tourism terms cannot be quantified only in dollars and cents. We were a little late, but fortunately we have retained enough of our history to remind ourselves and tourists of our past. We also set out to support these attractions by offering services of the highest standard.

Singapore's travel and tourism has not yet reached its full potential. But we are facing increasing competition from other destinations around the world. To deal with this growing competition, we need to find imaginative ways for growth.

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Our answer is to expand our horizons to include those of our neighbours.

We are co-opting resources outside Singapore and integrating them in one package.

We have joined forces with our neighbours, especially Indonesia and Malaysia. Their attractions are complementary to Singapore's. Together we

have a stronger combined tourism product and are generating increased tourist traffic.

Singapore has entered into tourism co-operation agreements with Indonesia, Vietnam and India. We have also held discussions with Myanmar and China on tourism development. Singapore is working with India to develop India's tourism masterplan.

Breaking Down Barriers to International Travel

The task for the travel and tourism industry is to persuade individual governments and groups of them to combine and break down barriers that obstruct international travel.

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These barriers range from limits on airline access and frequency and capacity restrictions, to rigid customs and immigration procedures; from travel taxes to limits on foreign-exchange spending. All of these inhibit travel and tourism growth.

Asian governments should harmonise and liberalise travel formalities. Such deregulation of travel is feasible and desirable. The European Union has demonstrated this in its internal liberalisation of air transport and dismantling of national border controls for tourists.

Aviation Reform

ASEAN has committed itself to harmonise its trading rules and establish itself as a Free Trade Area by year 2003. The time is right to move towards harmonising the regions' travel rules. Air travel is a vital component of international trade.

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But commercial aviation is still governed by a restrictive regime which reflects the political and economic concerns that prevailed immediately after World War II.

The existing bilateral system of air service agreements dictates where and how often international airlines may fly and how many passengers they may carry, regardless of market demand. It favours the least efficient airlines. Countries which practise such protectionism suffer a loss of growth in travel and tourism and also in trade and investments.

For maximum benefits to all countries, market access, capacity, routing and pricing should be left to airlines, not governments to decide. The people and business all benefit when airlines operate according to market forces, not bureaucratic decree.

A first step is for a group of like-minded countries to sign a liberal multilateral agreement, allowing free access to their markets for airlines of all signatory countries. Those countries who do not want to join initially can do so later when they are convinced of the benefits.

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Conclusion

Let me conclude by citing your forecast that the 21st century will see phenomenal growth in the Asia-Pacific region. What we all need to do is not to get in the way of this growth.