

Managing the Global Crisis—Cambodia and Regional Tourism

This article summarises the presentation by Mr Ho Vandy¹ during the 2009 Cambodia Outlook Conference.

Cambodia is a cultural heritage destination. The pre-crisis expansion of tourism in Cambodia was astonishing and really attributable to the cultural legacies of the country's rich history as well as natural endowment and strategic location in a dynamic region. This growth was also anchored in the stability that settled on the country following decades of war and government policies such as the Open Sky Policy.

Tourist arrivals surged from merely 219,000 in 1997 to more than 2.1 million in 2008, with an average length of stay of 6.5 days and bringing in receipts of about USD1595 million.

Impact of the Crisis on World and Domestic Tourism

The global slump caused a deceleration of tourist activity in Cambodia and the rest of the world. Tourism is especially vulnerable to economic uncertainty and volatility for a simple reason. During tough economic times, people conserve their cash to cover necessities and put some under the mattress. This does not halt travel completely, because people at a minimum still need to travel for business and to attend core social functions. But the growth of world tourism has slowed to a standstill since the second half of 2008 as a result of the crisis. Several other factors contributed to the slowdown, including the commodity and oil price hikes, sharp exchange rate fluctuations and lower business and consumer

confidence. According to UN World Tourism Organisation data, international tourist arrivals totalled 924 million in 2008. This represented a mere 2 percent increase from the preceding year. Growth of tourism in Cambodia similarly experienced a serious contraction. Tourist arrivals in 2008 were up by 5.5 percent from 2007, but this was much lower than the previous double-digit growth. High-end hotel occupancy rates in Siem Reap and around the region declined 20–40 percent towards the end of 2008.

Outlook, Opportunities and Challenges

The 2009 outlook for tourism is an extremely trying—but not insurmountable—situation. The UNWTO expects the stagnation in world tourism to continue as the circumstances that drove the slowdown in 2008 turn for the worse or remain uncontained. It is expected that the number of US travellers will significantly decrease this year, while UK citizens may forego international travel in favour of domestic trips. In Germany, where about 30 percent of people preferred to go on holiday in their own country in 2008 because of tightening budgets, about 40 percent were still undecided whether they would rather go on holiday closer to home, as of February 2009. Also, as companies around the globe face tough times, corporate spending on travel is set to decrease. One estimate puts the decline in corporate travel at a high of 80 percent. According to the Association of Corporate Travel Executives, 71 percent of its member companies plan to allocate less funds for travel this year than in 2008. When

people do travel, they are expected to spend less. Given all these facts, it is not surprising that travel companies this year face a much tougher situation than in 2008. Some travel companies risk collapse, with the danger being greater for firms operating

The success of the tourism industry in Cambodia has been astonishing, with tourist arrivals to the country having boomed in recent years.

“Despite its vast size, diversity and array of historical cultural heritage monuments, Cambodia is still far behind in the world’s holiday destinations of choice.”

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on low margins. The job security of those in the industry is in peril. Major travel companies have already turned to cutting jobs and, given worsening conditions, more lay-offs must be on the immediate horizon.

The general assessment for tourism in Cambodia is that it will lose more pace. However, there appears to be no consensus on the extent of the further slowdown. The Ministry of Tourism predicts that tourism will continue to grow this year. It has set a target of 3 million tourist arrivals by 2010. This optimism contrasts with the downbeat predictions that the sector can shrink by as much as 3 percent in 2009. Travel agencies and hoteliers have already reported receiving far fewer queries and bookings this year. Some independent tourism advisers do not foresee the setbacks as too ominous, although they warn that arriving tourists may cut back on their spending. The impact of the arrested growth will not be uniform. Those who cater to the luxury end of the market are likely to suffer more than those who cater to budget travellers. Due to tighter budgets, the demand for low-cost services and products is set to increase. In addition, some changes in the composition of the market will possibly be seen this year. Many of the 2 million foreign tourists who came to Cambodia in 2008 were from the United States, Britain and South Korea, three of the hardest hit countries in the current economic meltdown.

There are some encouraging possibilities that may buoy tourism in Cambodia. For one, the surge in value of the US dollar and the euro may encourage US Americans, Europeans and Japanese to continue travelling overseas. Further, the growth of Chinese and Indian outbound travel may slow but will continue because these economies are still growing. There is also likely to be a significant growth in domestic travel or short haul international travel as people choose to stay closer to home.

A closer analysis reveals that the downturn in the tourism industry cannot be blamed solely on the external shock. There are internal weaknesses in the sector. Cambodia is still far behind in the world's holiday destinations of choice despite the country's location, diversity and array of

historical cultural heritage and the tourism sector's exceptional growth in past years. Poor infrastructure, insufficient accommodation, lack of qualified staff and constrained air capacity and transport links are factors that can explain this underperformance.

Potential Policies

2009 is posed to be a tough year for Cambodia's tourism industry. There is reason for optimism that tourism will survive this challenge, as it has overcome a wide range of challenges since the 21st century began. It is only necessary to adopt remedial policies that address the vulnerabilities exposed by the crisis. A more sustainable solution, however, is for the industry to seek to eliminate the structural inadequacies that stunt its expansion.

There are a number of remedial measures (Box 1). Special emphasis attaches to launching an attractive marketing campaign. A catchy theme that rivals current promotions and campaigns around the region (e.g. "Thailand Smiles Again Package", "Impressive Vietnam", "Simply Laos") must be adopted for marketing: "Cambodia—Kingdom of Wonder". There could be small advertising campaigns on CNN, Discovery Channel and in targeted countries. The benefits should urge the government to provide due and prompt attention to these marketing propositions. In view of the special circumstances, the industry should also adopt promotional packages. Easing visa regulations and expediting visa processing could boost tourism revenues by 10 to 20 percent. Other longer term measures are the launching of a national carrier and establishment of the Cambodia National Tourism Board. The absence of such a carrier is the largest obstacle to establishing Cambodia as a prime global tourist destination. The lack of central oversight of the industry is another major handicap that needs to be remedied. It is high time for the Cambodian National Tourism Board to be instituted (Box 2).

All the parties with stakes in tourism development should come together. Let's build Cambodia together!

“Tourism will survive this challenge, as it has overcome a wide range of challenges since the 21st century began.”

Box 1: Remedial Measures to Revive the Tourism Sector

- Option 1:** Ease visa regulations and expedite the process through online applications and visas on arrival and waive or decrease visa fees during the global economic crisis
- Option 2:** Launch special package tours
- Option 3:** Seek new markets in Asia and promote more domestic travel
- Option 4:** Foster strong relations and work out intra-regional plans (CLV + Thailand) for promotion and marketing
- Option 5:** Consider re-launching a national airline
- Option 6:** Strengthen marketing through such tactical measures as special campaigns
- Option 7:** Invest more in competitive tourism services and products as wellness and spa services
- Option 8:** Develop the Cambodia National Tourism Board

Did you know that

... another attempt to set up a new national flag airline was made last year? In April 2008, the Cambodian government signed an agreement with Indonesia's Rajawali corporation in a bid to re-launch a national carrier. Under the agreement, Cambodia will have a 51 percent stake in the venture. Unfortunately, for such reasons as the deepening of the crisis and difficulties of negotiations among the parties, the plan was reportedly put on hold. Cambodia operated its first national flag airline, Royal Air Cambodge, in the mid-1990s, but this went bankrupt.

Sources:: Reuters (2008), The Phnom Penh Post (2008).

Box 2: The Cambodia National Tourism Board Proposed Roles and Responsibilities

- Develop national tourism strategy for 2009 and beyond
- Set up policy, law, degrees, rules and regulations on travel and tourism
- Undertake marketing activities in order to promote tourism
- Encourage human resource development for tourism and strengthen capacity building
- Use and monitor the Tourism Development and Promotion Fund
- Coordinate and collaborate with related agencies and local authorities to develop and upgrade tourist attractions, promote Cambodian culture and traditions as well as to conserve and preserve the heritage and the use of local products
- Guide, monitor and coordinate with the Cambodia Association of Travel Agents, Cambodia Hotel Association and Restaurant Association
- Cooperate with sub-regional and international tourism organisations as well as international organisations related to tourism
- Manage, control and monitor the implementation of tourism plans
- Promote tourism and the tourism industry to improve local people's lives and to promote the integration of local products
- Promote the arts, culture and traditions of Cambodia, and preserve the ancient archeological and historical monuments aiming at motivating foreigners to visit
- Provide new occupations and create opportunities for the ethnic people to gain better incomes
- Enhance friendship and good cooperation with all nations according to government policies