

NA-60 SO/CCR

SEMINAR REPORT

THE ROLE OF TOURISM IN SOCIAL AND ECONOMIC DEVELOPMENT OF SRI LANKA

12th August 1978

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SOCIAL SCIENCE RESEARCH CENTRE
NATIONAL SCIENCE COUNCIL OF SRI LANKA
47/5, MAITLAND PLACE COLOMBO 7.

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12th August 1978

Venue: Conference Hall, Agrarian Research and Training Institute
Sponsor: National Science Council of Sri Lanka
Organiser: Social Science Research Centre

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PREFACE

The National Science Council has sponsored several seminars on special topics in Science and Science Policy to stimulate general interest in science, to identify problems and priorities and foster free discussion among scientists.

This is the first seminar in the field of social sciences sponsored by the National Science Council and organised by its Social Science Research Centre.

Tourism as an industry, though recent, now occupies an important place in the economy of Sri Lanka. It was felt that this Seminar would provide a timely opportunity for a free and frank exchange of views among Tourist Board officials, economists of the Central Bank, University academics, hotel and tour operators, government officials and members of the public.

This report of the proceedings of the seminar is published with the hope that the different points of view expressed by the speakers and the lively discussions which ensued will focus attention on the various aspects of the Tourist Industry. Policy makers may find it useful to assess the real impact of tourism on the social, cultural and economic development of Sri Lanka.

Dr. R. P. Jayewardene
Secretary General
National Science Council of Sri Lanka

PROGRAMME

12th August 1978

SESSION I

Chairman: **Prof. B.L. Panditharatne**

- 9.00 a.m. Policies and Programmes for Tourism *Mr. Nimalasiri Silva*
Deputy Director - General
Ceylon Tourist Board
- 9.30 a.m. Environmental Aspects of Tourism *Dr. Abhaya Attanayake*
Director
Ceylon Tourist Board
- 10.00 a.m. Discussion
- 10.40 a.m. T E A

SESSION II

Chairman: **Dr. A. S. Kunasingham**

- 11.00 a.m. Tourism and Foreign Exchange Earnings *Dr. H. N. S. Karunatilake*
Deputy Governor
Central Bank of Ceylon
- 11.30 a.m. Investment in Tourist Industry
in Sri Lanka *Mr. G.M.P. de Silva*
Economist
Central Bank of Ceylon
- 12.00 a.m. Discussion
- 12.40 p.m. L U N C H

SESSION III

Chairman: **Prof. C. R. de Silva**

- 1.40 p.m. Social and Cultural Impact of Tourism *Mr. Roland Silva*
Asst. Commissioner of
Archaeology
- 2.10 p.m. Case Study - Hikkaduwa *Mrs. Lakshmi Perera*
Research Officer
National Institute of
Management
- 2.30 p.m. Discussion
- 3.10 p.m. T E A

SESSION IV

Chairman: **Prof. C. R. de Silva**

- 3.30 p.m. Panel Discussion

Rapporteur: **Mrs. C. M. Fernando**
Secretary, Social Science Research Centre,
N. S. C.

Opening Address

Prof. B. L. Panditharatna

The Social Science Research Centre of the National Science Council has organised this seminar to enable those interested in the Tourist Industry to get together and discuss the various views and opinions on the important subject of Tourism. We hope something constructive will emerge from the discussions here.

Some of the speakers may be frankly critical of the effects of tourism. There is a widely held view that tourism has sometimes tended to devalue our moral standards and values in a sense. There is also the view that it has tended to raise the prices of goods and deprived the local people of things they used to enjoy in the past. I am not speaking of luxurious items but ordinary things which we used to enjoy relatively cheaply only 10 or 15 years ago. In my own home town of Negombo I can see the Riviera effect setting in.

The seminar as such is divided into three main sessions each interconnected with the other. The first session will be devoted to policy on Tourism and the environmental effects, after the tea-break we will discuss the economic effects and in the final session the social and cultural aspects of tourism with a case study of Hikkaduwa followed by a panel discussion.

It is my pleasant task now to introduce to you an old friend and colleague Mr. Nimalasiri Silva, Deputy Director General of the Tourist Board. He was earlier a member of the Foreign Service and in that capacity he has visited many parts of the world. I am told he was hand picked for this post 12 years ago by H.E. the President. I can truthfully say that we could not have got a better person for this job than Mr. Silva with his wide experience and travel. I now call upon Mr. Nimalasiri Silva, Deputy Director-General, Tourist Board to speak on Policies and Programmes for Tourism.

Policies and Programmes for Tourism

Mr. Nimalasiri Silva

I thank you Mr. Chairman for your kind expressions of goodwill. I also wish to thank the Social Science Research Centre of the National Science Council for providing this opportunity for the 'exposure' of the subject of Tourism, which is on everybody's lips today. I am here as Deputy Director-General of the Tourist Board, a member of that silent service of officials who have to perform a duty by the government and people and deliver the goods. I bring you greetings from our Chairman, Mr. Chandra de Zoysa, who is unfortunately unable to be present today and his best wishes for a successful seminar and useful discussions on this new and important subject.

The title of my talk will be "Policies and Programmes for Tourism"— as the programmes will follow from the policies. Tourism has recently assumed an important position in the economic development of our country, a cause to which we all are pledged. As I look around I am pleased to see such a distinguished galaxy of persons and a panel of expert speakers including several learned persons from the Central Bank of Ceylon, who have been sometimes critical of us. The Tourist Board has always welcomed criticism in order to correct any short-comings on our part and improve our output. But we also feel that for some time now this subject has been given unfair exposure at various levels. Today's discussion in an intelligent forum is therefore very timely and appropriate for three reasons:-

- (1) The Tourist industry which began on an organised basis under Act of Parliament No. 10 of 1966, has now come of age, after almost 12 years.
- (2) It has now become common to place everybody's and anybody's problems at the doorstep of the Tourist Board. If there is proliferation of beggary in the streets, if the fountain in a city round-about does not function, if streets are not lit at night, if there is denudation of our forests, if the Wellawatte canal raises its annual stink—for all these and more, people ask what is the Tourist Board doing about it?
- (3) Criticism is sometimes very constructive and helpful. But often it is unenlightened and uninforming.

In the so-called 'lobby' of Tourism critics also, I find,

- (a) those who do not know—to whom the Board extends a natural tolerance;
- (b) those who are half-knowledgeable—to whom the Board extends the helping hand of facts and figures;
- (c) those who do not want to know the truth but criticise for its own sake—to whom we can only extend pity!

To all such persons prejudiced or open-minded, platforms such as this which encourage open discussion will be helpful; so that the truth will be seen in its proper perspective.

The development of Tourism began in the 1960s. After the Second World War ended, during the period 1946-50, most countries were busy with reconstruction and economic revival. The period 1950-60 came as a period of consolidation with the help of massive doses of economic aid from such agencies as the Marshall Plan and the Colombo Plan. There was hardly any international travel during this decade and a half of rehabilitation. It was in the 1960s that the real tendency to see other countries, developed among nations and the movement of peoples on a large scale began. Sri Lanka too, prior to 1960, did not experience such movements of peoples into her shores and there was no real government policy on tourism. The subject of tourism was relegated to an obscure government department under the Ministry of Commerce which had the sole task of handling the few visitors that came from abroad mainly by ship and some business and pilgrim traffic from India. Furthermore, at this time there were no foreign exchange problems, as our traditional exports of tea, rubber and coconut were doing well and earning sufficient foreign exchange. But in the early 1960s owing to a variety of factors both local and foreign, our foreign exchange shortages gradually began to acquire acute proportions, balance of payment deficits grew and our external assets gradually depleted. It is accepted history that at this time foreign exchange problems affected the consumer, the trader, the industrialist, and even the ordinary housewife. It became the responsibility of the Government to solve this problem in one way or another and, broadly speaking, two strategies were attempted namely—

- (1) *Import substitution* – in the agricultural and industrial sectors and in the area of manufactured goods, the use of locally produced substitutes was encouraged. Even in the Hotel School our staff was encouraged to think in terms of experimenting with local products—'lovi' for imported cherries, 'veralu' for imported olives, etc.
- (2) *Finding new sources* of foreign exchange and diversifying our exports. Up to that time tea, rubber and coconut were the principal foreign exchange earners.

In the 1960s various small industries and new industries with a potential for foreign exchange earning were encouraged. Out of this climate was born the recognition that Sri Lanka had a great potential in yet another export industry, namely "Tourism" which would provide an easy and relatively quick way of earning foreign exchange. In broad terms, this island had a saleable product in its natural assets consisting of:-

- (a) natural scenic beauty of the country,
- (b) basic hospitality of the people, and
- (c) within the small compass of 25,000 sq. miles a variety of attractions for visitors, ranging from wild life to hill country, a rich cultural heritage, ancient cities, the sun, sand and sea—in short all the ingredients which go to make up the total tourist 'tariff' so to speak, and which draws foreign visitors to any destination.

Therefore, government planned to place this potential source of foreign exchange earnings on a sound and scientific footing in the mid 1960s.

Correspondingly, during this period the pattern of World Tourism was also changing. Affluent nations of the West had more leisure, more money and quicker means of communication with the coming of the jet-age. Another important world phenomenon which took place at this time was the acceptance by all countries whether they be socialist, capitalist, democratic or communist states, of the concept of paid leave for workers in both government and private sector. People were given the right to enjoy a period of paid leisure with their families away from the routine humdrum of office and workaday life. This was acceptable even to the Communist countries with their planned holiday schemes. At first, tourists went to holiday resorts closer home—the Russians to Black Sea resorts, the Europeans to the Mediterranean resorts and the Americans to Cuba and the Bahamas. Later the West sought more exotic and far-flung destinations of new peoples and new cultures, for which the Asia-Pacific region was tailor-made. To give you a few statistics of world tourist traffic—in the early 1960s: world visitor arrivals was about 25,000 persons and the gross receipts US \$ 2.5 billion while in 1977 the movement of such global traffic increased to 245 billion visitor arrivals (a ten-fold increase) and gross spending amounted to US \$ 50 billion.

The fact then is that tourism became recognised internationally as a growth industry of undisputed rapidity and foreign-exchange earning potential forming part of a world trend or pattern. And the newly emerging countries of Asia and Africa were ready to exploit its great potential. So why not Sri Lanka with its varied and exotic natural assets? Policy measures were formulated and at this stage an institutional and legal framework became necessary to put tourism on some proper and organised footing. From being a small government department with the usual disabilities of AR and FR and various other constraining factors it was radically transformed by two major acts of legislation, the Ceylon Tourist Board Act No. 10 of 1966 and the Hotels Corporation Act No. 14 of 1966 which were born of the genius of H. E. the President Mr. J. R. Jayewardene who was then Minister of State in charge of the 'new' subject of Tourism. He was the pioneering force in this field and he gave his thinking both pith and marrow in the form of these two powerful Acts of Parliament. With this legislation the Tourist Board became a statutory body with legal powers, a large degree of financial independence, a wider area of decision making and islandwide jurisdiction over the nascent tourist industry. It became a national organization which in turn belonged to the world organization then called the International Union of Official Tourist Organizations and which now goes as W.T.O., an agency of the United Nations. Thus, the Tourist Board is today the policy making authority promoting, developing and then controlling and regulating all aspects of Tourism.

The second Act in this process of development was the Hotels Corporation Act, whereby the then Minister of State proposed to give Government a commercial 'arm' in tourism. It was a kind of joint-stock company that provided for private and public sector participation with all powers to operate and regulate hotels, rest-houses, travel agencies, ground transportation, tourist shops – the entire gamut of bringing, accommodating and servicing tourists and making their stay here comfortable by international

standards as well as profitable to us. Thus, government began in 1966 to encourage private capital and public know-how and guidance in a new and dynamic area of growth which was becoming popular throughout the world.

As a matter of policy, government set about the responsibility of developing the infrastructure (roads, power, water etc.) and provided fiscal incentives expecting to bring out undeclared and hoarded capital in the private sector to play an investment role. May I now quote from the speech made by H. E. the President, Mr. J.R. Jayewardene, then Minister in charge of Tourism, when he inaugurated the International Tourist Year in Sri Lanka in 1967. His words were a total compress of tourist policy at the time as much as Sri Lanka is a compress of everything that the tourist wants, and indeed his words were prophetic....

"I am happy to help to inaugurate International Tourist Year as Minister in-charge of Tourism. I also wish to take this opportunity to stress the significance of this event to the average Ceylonese. It is necessary that he should be more conscious of the value of tourism as a potential foreign exchange earner to the economy of Ceylon. He should also be aware of goodwill and understanding that can be created, so that we extend our traditional hospitality by greater personal contact between peoples of different cultures. He should also see that any improvements to our available facilities for travel and accommodation would benefit him too as the holiday habit begins to grow in Ceylon".

(I must mention here that, we have now set up a separate unit which is dedicated, manned and equipped to handle domestic tourism which covers the concept of the holiday habit among our people which the President then spoke of, and that we are making substantial headway here).

"The resultant overall improvement of our standard of living is another important factor to recognize in this context. The fillip given to our arts and crafts, through the souvenir industry and to our music, arts and drama by the patronage of tourists who want to know about our culture are also inherent in the development of Tourism. All these factors have to be taken into account when we attempt to assess the importance of the growth of Tourism to our country. This has been a neglected sphere in the past and indeed we have at times been by-passed by tourists for one reason or the other. It has now become necessary to recognize the rich potential of this aspect of our economic growth".*

That is what the President said twelve years ago and it is deeply relevant even today. This is also true of all legislation which was enacted at the time for the establishment of the Tourist Board and the Hotels Corporation. To substantiate, bolster and follow up these basic legal instruments another important Act, the Tourist Development Act No. 14 was enacted in 1966 giving more regulatory powers to the Tourist Board. As the industry grew and developed, in order to cope with a greater number and variety of tourists who came, the service industry also grew and perhaps wavered between different standards and it became necessary to have regulating powers on the industry itself. It was also necessary to preserve the scenic beauty of the country and to preserve

* Message to the IUOTO on the observance of International Tourist Year in Ceylon in 1967, by Hon J. R. Jayewardene, Minister of State

and protect our archaeological and cultural heritage. Under this Act, the Tourist Board had the powers to control the hotel industry and maintain islandwide standards of service provided by travel agencies at all levels, it also enabled us to protect our heritage from cultural erosion, contamination and degeneration. This Act gave us the teeth—perhaps we have not bitten yet but I might say that it has not become really necessary to bite. A small baby cannot be bitten too early as we might injure it permanently. But we will go ahead systematically step by step and if it is necessary we are prepared to use the powers under this Act.

Another important area of policy was that Tourism being a labour-intensive industry would provide personal services which cannot be matched by machines, and thus help to solve the unemployment problem. Employment has been provided initially in the planning of infrastructure and buildings which required architects, draughtsmen, masons, carpenters etc. and later in providing services—managers, hotel staff, tour guides, etc. Statistics show that about 13,000 jobs have been provided by direct employment and another 18,000 jobs by indirect employment over the past 12 years. Tourism is also an industry which encourages the regional dispersal of development. In planning tourist resorts, we avoided building in highly concentrated urban areas with resulting pressures on the economy and society and instead opened up hotel complexes in under developed areas which could parallelly benefit the local population. Sleepy, dormant villages in remote inaccessible parts of the country which we had only read about in our geography texts were opened to new forces—new areas of employment, modern roads and other public facilities led to greater economic prosperity in those regions. We revived ancient cottage industries like lacemaking and maskmaking. A mask-maker who could earlier sell only about 5 masks per year generally to patrons such as the Government Agent who visited the area on his annual pilgrimage to remote kachcheris, was now provided a ready and affluent tourist market for his goods. A poor artist who did not have 60 cts. to come from his village to Colombo, had his work sponsored by the Tourist Board at its Samudra Gallery and within 24 hours of his first exhibition, he got an order from one of the biggest hotels in Colombo for a carved wooden door costing Rs. 60,000. This door now adorns this hotel and is a pride to our traditional arts and crafts. These are but a few examples of the positive impact of tourism on rural society. This regional dispersal of tourist development has a tangible beneficial effect on the rural economies.

It is true that Tourism may have, in its wake, generated the hippie traffic and that this breed with their habits of promiscuity and marijuana may have a corrupting effect on our youth. I admit that there are areas of social corruption and perhaps even some increase in the level of prostitution. But, surely we also know that these social evils have always existed with us. Happily, we also know that Sri Lanka managed to preserve its culture and social values through approximately 450 years of foreign domination, first by the Portuguese, then by the Dutch and French and finally by the British. They burnt our history books, plundered our stupas, and converted our people. They taught us to sing hymns and how to dance the 'baila', But still after 150 years of Portuguese and Dutch domination, only 7% of the population are Christians. As a people we may have been blown temporarily by the winds of foreign influence and change, but we have not changed or prostituted our traditional values.

I say to our critics that inspite of the hippy influx and some increase in wayward western influences we have, through tourism, helped to uplift the economic life of the village in the so-called Tourist areas and chanelled the talent and energies of our youth into constructive fields from arts and crafts to guides, taxi drivers and hotel staff.

Another policy aspect is the development of tourism as the new patron of the Arts. In ancient times, the King commissioned the Arts. Later, art was patronised by the feudal nobility and the walauwes. After that, by the colonial governments who sometimes patronised and at other times plundered our valuable arts and crafts. Then in modern times, with increasing taxation and the high cost of living there was a serious vacuum in the patronage of the Arts. I ask you, before 1966 which village witnessed a 'Bali-ceremony' except in case of illness, saw a perahera except on Vesak day or a display of Sinhala dance and music except when the Government Agent paid his annual circuit to-a district?. But today thovil ceremonies, Sinhala dances and dramas, gokkola decorations, puppetry and all those languishing arts and artists have been revived because of a new patron, namely-tourism and they form a new and dynamic source of foreign exchange earnings. A mask-maker from Ambalangoda told me that his two sons who were employed at the CTB wanted to give up their jobs and return to this traditional cottage craft because it had now become more lucrative.

Therefore, over this period of a decade, and based on these policies, the Tourist Board has helped to create the infrastructure, buildings, transport, shops, hotel schools, tourist guides etc. But we are conscious that uncontrolled development is dangerous and would have adverse effects on our basic culture and society. We have not given a 'carte blanche' order for a splurge of tourist activities but tried to develop the industry on a carefully controlled basis. At the time that the Johnson Administration was trying to protect and beautify America, we are proud to say that Sri Lanka already had legislation in the form of the Tourist Development Act to protect our environment and our scenic beauty. No entrepreneur is allowed to build a hotel in any of the planned and defined Resort areas of the country without first submitting plans to the Tourist Board. Under the Highways Act, any extent of road 250 yards from a defined point could be declared a 'Protected' area in order to safeguard our natural fauna and flora. Over-building was not allowed in congested areas and other than in Colombo, no buildings were permitted higher than a coconut tree, so as to prevent the proliferation of box-like monoliths on the beach as in some other Asia/Pacific destinations. We have stood firmly against the development of any of the easy money-spinners of tourism such as gambling, sleazy night-clubs etc.

For purposes of development, Sri Lanka was divided into five Tourist Zones-the Colombo Region, the South Coast Region, the East Coast Region, the Ancient Cities and the Hill Country and recently we have added the Northern Region. We have encouraged the use of indigenous materials and even in the big hotels sometimes as much as 85% of the materials used are locally produced. Only electrical equipment, central air-conditioning units and sophisticated kitchen and 'lift' equipment are allowed to be imported. Even the carpets are largely locally made. Ten years ago we had a successful Exhibition at the Hotel Taprobane, opened by Mr. Dudley Senanayake, to show how much of a fillip tourism had given local industry.

Another policy decision based on *new thinking* is to highlight some neglected traditional facets of Sri Lanka such as its cultural heritage, its natural heritage, the people's hospitality, music, drama etc. (not merely the sun, sand and sea), in order to encourage more of the quality high-spending type of tourists to come here thereby increasing the returns to investment in the industry. Upto now, we have concentrated on building the base. Now we hope to broaden the base and to encourage special interest groups such as convention tourism and high quality tourists-the deep sea fisher, golfer, ornithologist, archaeologist and under water enthusiast-who might well stay about two weeks in the country and could be expected to spend an average of about US \$ 40-60 per day.

Another *new policy trend* is the shift in emphasis to the East Coast region from the South and West Coast, thus moving into one thousand acres of beautiful unspoilt beaches at Nilaweli, Trincomalee, Passekudah, Kalkudah and Arugam Bay.

Finally, I might say that our new policies in the sphere of environment and culture broadly, centre on four aspects (1) preservation (2) protection (3) conservation (4) development.

Preservation: of our scenic beauty and protection of the country side from denudation, erosion and pollution of all forms will receive high priority. Recently we had a conference with the Ministry of Fisheries and expressed concern at the rape of our coral reefs and resultant erosion of the coastline and suggested steps for its preservation as marine sanctuaries.

Protection: We have taken the initiative in establishing the first Dutch period museum to be set up in Asia and an old Dutch building has been acquired for this purpose. We have not waited for the Ministry of Cultural Affairs or the Department of Archeology to establish this museum-but taken the initiative ourselves with the help of the Dutch Alumni Organisation and the established authorities. This is not only another act of preservation of the past but a potential tourist draw for Dutch and Scandinavian traffic. It will also benefit the local student of history.

Conservation: We are moving actively in the area of conservation, in cooperation with the Forest Department, Wild Life Department etc. and helping to preserve our natural forestland from denudation and other forms of spoilation. We helped massively in the national tree planting campaign.

Development: With the assistance of US \$ 60 million aid from UNESCO, we hope to develop a triangle with Anuradhapura as the apex and Matale, Dambulla and Kandy forming the base, to preserve and protect our ancient cities and monuments and make them more accessible and edifying to the visitor who appreciates them.

The Tourist Industry has many friends but being a new and novel industry we have also faced challenges and slings from many people. Anything new and novel has always been challenged even in Lord Buddha's time-but inspite of the Devadattas, the Pontius Pilates and the Doubting Thomas' we will go ahead in the knowledge and belief that the work we are doing is for the greater economic upliftment of Sri Lanka and that what we started with the blessings of the President 12 years ago, now has the blessings of the majority of reasonable people throughout this country.

Environmental Aspects of Tourism

Dr. Abhaya Attanayake

The spatial distribution pattern of the tourist industry both over the surface of the earth, as well as in localized regions, show certain areas of concentration. The countries receiving the major portion of the tourist traffic are widely distributed. In general, tourist flow patterns show that, basically, the movement of tourists is from the industrialized and urbanized countries of the higher latitudes, with cool cloudy and often rainy summers, to the more southerly located, relatively less developed, countries with plenty of sunshine and warmth.

Various forms of transportation, particularly air transportation, assists the widespread movement of tourists around the world. However, people are not willing to spend large sums of money and travel over long distances and in some instances, experience a certain degree of discomfort, unless his destination has to offer certain attractions that his own environment does not possess. The variety of physical and cultural attractions which appeal to the tastes, the needs and the backgrounds of the traveller determine tourist flow patterns. The complex inter-relationships that exist between the multitude of such attractions and the desires, interests and tastes of the tourists, explain the uneven distribution of the tourist industry on the surface of the earth. It, therefore, becomes imperative that the various characteristics of the places involved be thoroughly understood, in order to comprehend and explain these inter-relationships. What makes a place attractive for tourism? How do people perceive a place as attractive or not? These are two basic questions that have to be answered.

Attitudes and tastes of tourists may vary from individual to individual, even within the same culture or nation. The attitude of an individual, to a large extent, depends on his perception of an attractive environment. The physical attractions of a place may appeal to some but not others. When one considers the physical environment, the sea and other water bodies are commonly perceived as the most desirable locations to spend a vacation. This view however is not universally accepted and such attractions do not interest certain individuals. For some a mountainous environment would afford an escape from the noise and the hustle of a busy urban centre, but for others it would be too confining or too tiring, and may even cause claustrophobia!

Although research on the perception of attractiveness of a place in the field of tourism is limited, attempts have been made to make certain generalizations on the basis of the cultural and historical background of the tourists. David Lowenthal writing to the *Landscape*, 1963, in an article titled: "Not Every Prospect Pleases", notes the general attraction of the Britishers towards the sea, the Finns and Swedes towards the forests, and the Italians to more sophisticated types of pleasures. Modern techniques of advertising and tourist promotion however, have been able to successfully manipulate, so to say, the attitudes of prospective tourists to cater to the needs of a particular country.

Tourist attractions are not always based on the natural environment. Certain attractions, such as the Disneyland in California and the Disney World of Florida or the areas devoted to such activities as gambling, drinking and prostitution, are artificially created. George Young in his book: *"Tourism: Blessing or Blight"* (1973) notes that \$ 900 million or 60 percent of Mexico's tourist revenue is earned in the red light districts such as Tijuana and Nuero Laredo. Thus showing that artificially created attractions could be as important as natural attractions.

Apart from factors of attraction, certain factors of repulsion, such as the poor quality of food, unsafe drinking water, disease and political instability may influence tourist flow patterns.

Of the multitude of factors determining tourist flow patterns the most important, however, are the physical factors. The large scale development of tourism in Europe is to a great extent determined by two basic factors, first, the existence of densely populated urbanized areas with a cool cloudy climate and second, the presence of relatively less crowded regions with a warm and sunny climate. The large number of resorts that are found along the Mediterranean coast are to house and feed and provide other facilities for those who come in search of the sun and the sea from the Northern latitudes. Anthony Simpsom, in his book: *"The New Europeans"* (1968) comments that the exodus of Germans to Spain and Italy is not a reflection of their interest or love of Latin culture, but is a direct consequence of the shortness and coldness of Germany's coastline. Ian M. Matley in a paper titled: *"The Geography of International Tourism"* (1976) comments that the presence of a reliable sunshine, warm temperatures to swim in and a beach to lie on are greater attractions than the bull fights and flamenco dancers of Spain or the Leaning Tower of Pisa. The warm summer temperatures and the broad sandy beaches sloping gently into the sea are the primary factors that have led to the development of tourist complexes along the Black Sea coasts of Rumania and Bulgaria. A Ceylon Tourist Board brochure, introducing Sri Lanka says, "Especially for those in search of sun, sea and sweet silence over a thousand miles of beautiful beaches." In 1977, 93.8 percent of the tourists who came to Sri Lanka were here for pleasure and there is no doubt that a vast majority of them had come here in search of the sun and the sand. The shift of the centre of tourist activity in Sri Lanka from the West coast to the East coast is basically a result of changing climatic conditions. The important factor to note is the ability to provide the tourist with sunny beaches to lie on and warm, safe seas to swim in. The east coast of Sri Lanka provides conditions very similar to those of the Black Sea coast of Rumania and Bulgaria — warm temperatures, broad sandy beaches sloping gently into the sea.

Although during the early stages of the development of the tourist industry the Mediterranean beaches of Southern Europe and Northern Africa and the coasts of the Black, Baltic and North Seas monopolized the seaside resort industry, later other parts of the world have begun to develop their own resources. Florida, California and Hawaii in the U.S.A., Acapulco in Mexico, the Carribean Islands, the beaches of Uruguay in Latin America, the Ivory Coast in West Africa, Tahiti, Sri Lanka and a host of other developing countries have since developed their own beach resorts.

The rich tourist clientele joining the "jet-set" and seeking more exotic and distant shores have given an added impetus to the developing countries, to develop their beach resorts.

Past experiences have shown that long hours of sunshine and warm seas are the basic ingredients for the successful development of a seaside resort. Nevertheless, the quality of the beach, though independent of a climate, is another aspect of the physical environment that cannot be ignored in a seaside resort development programme. The combination of sunshine, warm temperatures and gently sloping sandy beaches, free of dangerous currents are qualities that attract a tourist to a beach resort. Surfing which has grown in popularity in recent years depends largely on the character and the slope of the beach. Making use of such physical advantages Australia has developed a twenty five mile long stretch of coast, south of Brisbane, as a surfing and water sports area. This area today has over 2,600 hotels. Apart from the presence of good beaches, the nature of the coastline could help develop tourist resorts based on boating and sailing. The presence of a sheltered bay and a good harbour, the absence of reefs and rocks are indispensable requirements for sailing. Although sunshine and warmth make sailing more pleasant, warm temperatures are not as important for this sport as for swimming or sun-bathing. Such physical conditions are abundant in Sri Lanka, although this resource has still not been tapped sufficiently and efficiently.

A serious problem that limits and retards the development of seaside resorts is that of pollution. Pollution of beaches, the adjacent land and the waters have in no little way effected the development and growth of such resorts. The causes for such pollution are many and varied. It is, however, unfortunate to note that the major polluters are those who patronize the beaches most. Empty tin cans, primarily beer cans, broken glass from empty soda bottles and empty cartons and wrappings that litter the beaches are not only unsightly to the eye, but pose serious problems to the beach users themselves — causing injury to their feet and body. A more serious and a less controllable form of pollution is caused by oil spills from passing ships. It not only harms the fauna and flora but also poses a serious threat to seaside resorts. Oil spills and littering have so far not affected the beaches of Sri Lanka, yet, other forms of pollution caused by the dumping of industrial waste, sewage and garbage into the sea are found in localized areas. Such forms of pollution not only make swimming unpleasant and unhealthy, but also deters recreational fishing. In some of the older resort areas pollution has seriously affected the industry. For instance, almost two thirds of the beaches of Italy have been polluted to some degree by sewage and garbage. The affects of pollution are also felt along the inland waters, for example in Switzerland, sections of the shores of Lake Geneva have been closed and no swimming is allowed in Lake Lugano. In this regard Sri Lanka's problems are minimal.

Warm temperature is the major attractor of tourists, nevertheless, cold winter temperatures are as important. This aspect has no direct reference to Sri Lanka. However, it is felt that reference has to be made to this aspect because Sri Lanka, though it does not possess low winter temperatures, still has a sufficient range of temperature to attract visitors who do not particularly like very warm temperatures.

With the increasing popularity of winter sports, the last few decades have seen a rapid development of winter tourism. Skiing, skating and snow mobiling are the most popular winter sports. Skiing requires not only stable low temperatures, combined with a good snow cover, but a mountainous or hilly terrain. Countries with high altitudes and those located in the higher latitudes, specially in North America, Europe and Latin America, have made noteworthy progress in the development of winter tourism. In Sri Lanka, although there are mountains rising to over 8,000 feet in elevation, the temperatures do not fall low enough to have snow. However, the popularity of Nuwara Eliya among the tourists is by virtue of her relatively low temperatures. The possibility of setting up, artificial skating rings is there, and this could be an added tourist attraction.

Other than the climatic factor there are other aspects of the physical environment which are important to the development of tourism. The terrain of a region—the landscape and scenery of a region – contributes in no little way to attract tourists to a country. The popularity of the Dalmation Coast of Yugoslavia is not an outcome of its climate and the beaches per se, the rugged nature of the coastal ranges have significantly contributed to her popularity. There are other regions in the world that have developed the tourist industry on scenery alone, the Rocky Mountains of the U.S.A., the English Lake District, the Norwegian Fiords and the Interlaken of Switzerland have basically to offer the tourist only their scenery. There are many tourists who enjoy the quieter pleasures of walking or driving amid spectacular scenery. Sri Lanka, although a relatively small country, has to offer the tourist a variety of terrain and pleasing natural scenery, some of the views in fact are difficult to equal in any part of the world. Mountain climbing and hiking are popular activities that are associated with mountainous areas. In addition to the general scenery there are specific natural phenomena, such as waterfalls, volcanos and canyons, that attract tourists. The Grand Canyon of the U.S.A., the Niagara Falls of Canada and the U.S.A., the geysers of Iceland and New Zealand, the Great Barrier Reef of Australia and in Sri Lanka – the Coral Reefs of Hikkaduwa are all specific features of the natural environment that continue to draw the tourists. Other specific features, such as the many waterfalls and the “World’s End” are other attractions that Sri Lanka has to offer the tourists.

One of the early attractions of tourists was mineralized water, found in springs or tapped from wells. In the nineteenth century the curative powers of various mineral waters in Europe, became famous and drew a clientele from all over the world. With the development of modern medicine they have ceased to attract the clientele of the past, but they still do attract a large number of tourists. For instance, the mud baths of Piestany in Slovakia still draw a large Arab clientele, similarly, the Czech Spa of Karlsbad still retain considerable popularity, specially among the Germans. In Sri Lanka the Hot Springs of Kinniyai which are reputed for its efficacy in curing rheumatism are popular among the Sri Lankans and also draw a fair amount of foreign tourists. So far no serious attempt has been made to develop it on a large scale commercial basis.

The fauna and the flora of certain regions too draw tourists. The wildlife safaris of Africa, particularly of Kenya, are rapidly increasing in popularity. In Sri Lanka the Ruhunu and the Wilpattu National Parks and the Kumana Bird Sanctuary attract large numbers of tourists each year.

Apart from the attractions of the physical environment, there are a large number of countries who draw tourists because of their cultural environment. As much as a beautiful natural environment pleases the tourist, there are many who have been drawn into a country because of the cultural landscape. Such tourists may seek to visit urban centres – either old cities such as Athens, Rome or Venice or a modern city such as New York, Chicago or West Berlin, or, they may visit places of historical importance outside the urbanized areas. In many of the developing countries are found the ruins of ancient civilizations. These have drawn tourists from all over the world in the past and continue to draw large numbers today. The Pyramids of Egypt, Borobudur in Java, Manchu Pichchu in Peru and the ruins of Sri Lanka's ancient cities in Anuradhapura, Polonnaruwa and Sigiriya are classic examples of such attractions. Sri Lanka has a vast capacity to develop this section of her tourist industry, especially in such markets as North America and Australia.

Other aspects of the cultural environment such as colourful folk-life, indigenous costumes, houstypes and festivals attract visitors to a country. In Asia, Africa and Latin America where active folk-life still exist in the rural areas, the foreign tourist, especially those who come from the industrialized, urbanized West is offered the opportunity to experience a way of life different to what he is usually accustomed to. The developing countries where the impact of rapid industrialization and urbanization is still not seriously felt, provide an opportunity to some to get away from the so called materialistic, artificial and mechanical life in the developed countries. This is what draws the young low income tourists to Sri Lanka and the rest of the developing world.

I have attempted in this short presentation to place before you some of the aspects of the natural environments that effect the tourist industry in general, drawing as many examples as possible from other countries. Although there are other factors that influence the development of tourism in a particular region or country, environmental conditions, I feel, are basic to any such development. Therefore, any country, including Sri Lanka, aspiring to develop tourism as a major industry must lay special emphasis on the conservation of her environment, in particular, the natural environment. It is unfortunate, however, that in many instances, the spread of the tourist industry has destroyed the very environment which it seeks to sell to the tourist. Particular reference is made here to such factors as visual pollution – for instance, the building of hotels on architectural designs that do not blend with the natural environment. Sri Lanka must be aware this danger and take particular care to preserve the environment and the natural beauty that she is endowed with so lavishly.

Discussion

Mr. D. Lepth: Since there appears to be a lot of scepticism about tourism especially in the newspapers, I would like to suggest that the Central Bank, in consultation with the Tourist Board and the Chamber of Commerce, issues a special currency to tourists when they encash their travellers cheques. They will use this money to pay their hotel bills, personal expenses, purchases etc. and the circulation of this money can be traced even to the remote villages so that the multiplier effect of tourist spending can be determined.

Mr. P. Endagama: I would like to pose the following questions.

1. Whether the money invested has yielded a good return in comparison to the investment?
2. Whether the Tourist Board is judging the impact of tourism merely by the dollar and the yen and not by the social and cultural impact?
3. Whether the preventive measures available through the two Acts mentioned, have been put into practice to stop the cultural degeneration experienced by this country with the development of the tourist industry?
4. In spite of claims made of the impetus given to indigenous artists, local products etc., how far locally produced foods are served to tourists; or is it that the tourists are able to come here and enjoy at a lesser cost the same foods available in their country.

Mr. Nimalasiri Silva: The Tourist Board has always encouraged the managements of Five Star hotels to introduce local foods—rice and curry, fruits, arrack etc. into their menu. Oriental cuisine is offered at Oberoi, Intercontinental, Galle Face, Taprobane, Tourist Board and Hotels Corporation rest houses and several resort Hotels. Arrack per se is not served usually because according to the Excise Ordinance only Rs. 2 can be charged per dram and as some managements fear that it might attract a boisterous and undesirable clientele which would drive away their regular and better-paying guests. Arrack is therefore used as a base for cocktails but local beer is served at 90 per cent of the catering outlets in the country. Also local fruits, lobsters, prawns etc. are served at most hotels both as a result of urging by the Tourist Board and the natural choice of the Management. As to the question whether the tourist finds food cheaper here, the price of food is based purely on the price structure prevailing in the country and the existing levels of supply and demand. For instance a papaw which costs 50 cts. in the village is brought by the Hotel at say Rs. 1/50 and the tourist is charged Rs. 2/50 for each *sliver* so that the hotel makes profit several hundred times over. Nevertheless, it is till very cheap for the tourist. The answer to the cultural question is 'Yes', but there are difficulties; we have put up notices in French, German and English at the beaches to say that bathing in the nude is strictly prohibited. These notices which

were on wooden boards were often removed or thrown away by various persons; it is therefore proposed to have more permanent notices engraved on stone in future. It is also difficult for the police to check these bathers as they get into the water and stay there to dodge the police when they arrive on the scene. We are issuing next season, a free handout to every disembarking visitor exhorting him not to violate the traditions, customs and values of this country. It is a sort of Dos and Donts booklet. We are also enforcing regulations on deep sea fishing banning spear fishing and taking steps to prevent the rape of our coral reefs. In collaboration with the Wild Life Department the over-visitation and harassment of animal life in our game sanctuaries will be controlled. Thus the protective measures taken by the Tourist Board embraces the sea shore, our virgin forests, our flora and fauna and on the construction side we are preserving architectural harmony with our better known building traditions whereby for example no hotel building is permitted out of ethos.

We are also giving our indigenous artists and craftsmen maximum exposure to tourists who purchase their products for foreign exchange.

Mr. H.M.S. Samaranyake: The Tourist Board is being criticised on the one hand saying that it allows imports of certain foods in large quantities and sells it cheap to the tourists and on the other hand that the hotels are buying up all the local food and raising prices in the local market. In fact the Tourist Board exercises control over imports of food and hotels have to first obtain sanction from the Tourist Board for any specialised food imports. In 1975 the total foreign exchange cost of foodstuffs imported by the hotels was Rs. 8 lakhs and of this about Rs. 7 lakhs was the cost of foreign liquor and beverages which the tourist is accustomed to and demands:

Mr. A. Moosajee: We should distinguish between local food and local ingredients. The bulk of ingredients used in the preparation of both local and foreign foods are local. The hotels have to serve what the customer desires and even local foods like rice and curry are modified to suit the tourists. As for liquor it is true that most of it is imported.

Mr. Leslie Gunasekera: One word of caution regarding the shift to the East Coast. Some of the finest beaches are seen in the East Coast from Arugam Bay to Okande and this is the only region where trees grow very close to the beaches. What action is the Tourist Board taking to preserve the natural environment in these areas and prevent pollution when the beaches are opened up?

Mr. Nimalasiri Silva: It is true that except for Trincomalee and Kalkudah where there has been planned development, other parts of the East Coast have attracted the wrong type of tourist. There are about 400-500 hippies in remote beaches of the East Coast area, polluting the beaches, influencing our youth and not really spending any money by way of accommodation and food, but they manage to evade arrest. However, we are now deploying the police and even coastal units of the armed forces to ferret them out and apply the Indecent Exposure Ordinance to arrest any

one sun-bathing or bathing nude and to prosecute and deport such persons. We are also putting up better hotels and introducing more profitable entertainment facilities such as yachting etc. to attract and profit the genuine tourist.

Prof. C. R. de Silva: Listening to Mr. Silva's talk, it appears to me that there is a new religion of 'Tourism'. I have certain misgivings when the Deputy Director-General of the Tourist Board talks of opening up hotels in remote villages and using the word 'civilising' them.

I also have certain misgivings about the statistics on tourism. A tourist is defined as a person who spends one night or more in this country. What about the people who live in this country and cannot afford to spend a holiday in any of the hotel resorts. What is the Tourist Board doing to encourage domestic tourism?

Apart from preserving architectural niceties what steps have been taken to protect the highways, to prevent breaking up of the coral reefs etc.? What steps have been taken to evolve a National Policy on Tourism?

Mr. Nimalasiri Silva: I am sorry, if the word 'civilised' slipped in earlier. But, it was used in a sense to mean the building of roads, providing of necessary infrastructure and raising the level of economic development. Perhaps I should have used the word modernisation.

Regarding domestic tourism, we are changing the existing pattern and embarking on a new programme to encourage domestic tourism. In places like Kataragama we are expanding holiday accommodation for pilgrims and small family units and we will be charging a small sum to break even. We will not be making a profit nor will be subsidise. At Bandarawela and Nuwara Eliya we will build cottages and charge only Rs. 25 per day from a family. We will also develop religious places of worship like Sigiriya, Mihintale and Munneswaran under a broad extension scheme.

Foreign Exchange Earnings from Tourism

Dr. H. N. S. Karunatilake

Before I commence my talk, I think it is only fair to make reference to three studies on this subject which have been done earlier and to acknowledge my debt to the authors. I am happy to state that they are all from the Central Bank and their articles have appeared in the Staff Studies published by the Bank. The first article was written by Mr. B.A.D. Wijewardena in 1971 on the subject "Some Aspects of Tourism in Ceylon." The second study was by Dr. W. Hettiarachchi in 1973 entitled "Nett Foreign Exchange Earnings from Tourism" which deals specifically with foreign exchange earnings, where he has also done some fairly accurate calculations on the nett foreign exchange content of the earnings from tourism. The third study was published in 1977 by Mr. G. M. P. de Silva who will speak next, and whose work relates to "Investment and Capacity Utilisation in the Tourist Industry". If these three articles are studied together one could get an objective and fair picture of the state of the tourist industry in relation to the problems that we will be discussing today.

In the remarks made earlier, the Chairman has asked me to go further and do a cost-benefit analysis in terms of the investment that has been made in tourism. I don't know whether there is sufficient data to do this, but I feel that some indication could be made towards the end of my talk of the cost-benefit aspects if there is sufficient time. My task today will be to refer specifically to the contribution that tourism has made towards increasing our foreign exchange earnings and whether the estimates made have been done on a rational basis. The intention to develop tourism at the outset was largely influenced by the possible foreign exchange gains and there are also other aspects that one cannot ignore. For instance, tourism is considered to be labour intensive, but from what Mr. Nimalasiri Silva has said earlier, only some 31,000 jobs have been created in the tourist industry over a period of 12 years. The number of jobs has to be looked at in relation to the total capital investment in tourism and also in relation to similar investments in other sectors which have generated higher or corresponding levels of employment.

I shall come to that later, but looking at the foreign exchange aspects first, one sees that tourism on a very gross basis is one of the larger foreign exchange earning industries in this country. Someone mentioned that it is the fourth largest foreign exchange earner. But I don't know whether this is strictly correct, because as you know, the traditional exports—tea, rubber and coconut are still the largest foreign exchange earners and there are also non-traditional industrial exports which now figure largely in foreign exchange earnings. For instance, the export of a considerable quantity of refined petroleum products have become a major source of foreign exchange. There are also substantial foreign exchange earnings from gem exports, although all earnings from the

gem trade do not flow into the country's foreign exchange coffers because of continuing malpractices. Therefore, in gross terms tourism may be the fifth or sixth foreign exchange earner in this country and on a net-basis its contribution could be much less.

I must emphasize that foreign exchange earnings must be evaluated not in terms of rupees but in terms of foreign currency. This means that the figures have to be worked out every year according to the prevailing rate for the rupee, i.e., from May 1968 to November 1977 according to the FEECs rate and from 1977 onwards according to the new floating rate. Once this computation is done it is necessary to arrive at nett foreign exchange earnings. What matters is not the gross earnings which are published by the Tourist Board, but the nett receipts. In fact, the Tourist Board figures (which differ considerably from the Balance of Payments figures published by the Central Bank) take into account not only the expenditure on subsistence, lodging and transportation of tourists but also incidental expenses in the purchase of souvenirs, textiles, handicrafts, gems, etc. I don't know whether it is strictly correct to include the expenditure on gems by tourists under tourism because the export of gems would take place in any event whether there were tourists or not. On the other hand, we tend to lose a certain amount of foreign exchange on gems on account of tourism, because some tourists have become carriers of undeclared gems out of the country. The number of customs detections have increased and a rough estimate of the loss could be obtained from the Customs. To that extent, we are losing foreign exchange and these facts should not be hidden; this is the appropriate forum to highlight them. The position then is that the Tourist Board, when computing its statistics, adds certain figures to tourist expenditure which I feel should not be strictly included here. At the same time, no allowance is made for the loss of foreign exchange through the smuggling and illicit transfer of gems by tourists. I am not trying to degrade the tourist trade, but to emphasize that some attempt must be made to take all factors into account when calculations of foreign exchange earnings from tourism are made.

Looking more specifically at the foreign exchange aspects, the articles I referred to earlier have indicated certain problems associated with tourism and the basis for a correct computation of nett earnings from the tourist trade.

1. Tourism has resulted in high incomes to certain privileged groups such as hotel owners and tour operators. Most of the hotels are owned by small groups of families, friends or professional men; there are very few hotels whose ownership is broadbased and have offered shares to the public. What has happened is that these privileged groups have made use of income from other tax holiday sectors, from the gem trade and perhaps black money from other sources to invest in tourism and get further tax holiday income. Since the bulk of the income from tourism has been tax free it has been largely spent on luxury imports. With Convertible Rupee Account benefits those in the tourist trade became a privileged class enjoying benefits denied to the rest of the population.

The resulting leakage of foreign exchange through these special entitlements of foreign exchange has therefore, a multiplier effect and no one has accurately worked it out. The co-efficient of actual leakage can be worked out from past records of CRA

entitlements of tourist operations and I recommend this as a worthwhile exercise for our Central Bank Research Department. We can find out what percentage of the money earned by the beneficiaries of tourism—hotel owners, tourist operators, transport agents and others providing connected services e.g. jewellers and gem merchants—were utilised for luxury imports and what proportion was invested for the benefit of the country. These are very relevant questions. There is no doubt that a considerable part of the earnings have gone into consumption rather than to investment in sectors that have a very high national economic profitability.

2. There is a leakage of foreign exchange through the import content of items consumed by the tourists, e. g. food and drink and items used in the tourist industry like hotel fittings, transportation equipment, fuel, etc. When I speak of foreign exchange I mean also the cost of imported raw materials that go into locally manufactured goods which are largely used in the tourist industry. For instance, the import content of locally made carpets is about 90 per cent because the wool, thread and dye have to be imported. I grant that in any hotel construction project, on account of the stage of development of our country with its miniscule secondary and tertiary industries, a considerable amount of material has to be imported. In the absence of a developed steel and nickel industry and highly sophisticated textile and ceramics industries a lot of components for hotel construction and equipment have to be imported.

The import content also depends on the class of hotel. Hotels like the Intercontinental, Oberoi or Pegasus Reef will have a high import content while in smaller hotels like the Tissamaharama Rest House, local materials can be used to a large extent. The point that I wish to make is that the use of imported materials in preference to locally produced goods was actively encouraged by the import concessions given to hotel builders and operators before July 1977. In fact, there was a star class hotel in the north of Colombo where even the doors, door frames and pillows were all imported.

I am not trying to destroy the tourist industry. Rather, I wish to support it very strongly but I am for the rationalisation of the industry in the national interest. I feel that the investment in both rupees and foreign exchange should be maximised in terms of employment and the encouragement of local industries that cater to the tourist trade. All these activities should engender development more in line with our cultural and socio-economic background. The policy should have been geared to develop our hotels in the context of our way of life, food and cultural background. You don't have to emulate the Sheraton Hotel in New York or the Hilton or Claridges in London. Air-conditioning is a basic need which should be provided but extra luxuriant fittings and furnishings are not necessary because we are a developing country and tourists who come here should be prepared to accept our standards. We should not uncritically copy the West.

3. There is also the impact of the demonstration effect. There are two aspects to this. On the one hand, there are the hippies with their long hair and drug habits who represent the negative side, which of course has significant social implications which will be discussed later. On the other hand, the affluent tourist with his camera, cassette recorder and binoculars and a preference for luxury living has also created an impact

on the credit side by creating a preference for foreign goods, which are not accessible to the majority of poor people. Even the youth in the remote villages have developed a preference for these goods whereas earlier this was largely confined to the one percent or so of Sri Lankans who have lived or travelled abroad. Most of the goods that people prefer have a high import content. Even if these cassette recorders, etc, are manufactured locally, the import content is about 98 per cent and only the labour involved in assembling the parts constitutes value added.

4. Another leakage resulting from tourism, not shown in statistics put out by the Tourist Board, is the service payments abroad on investments in the tourist industry. A fair amount of large hotels and transport equipment have been financed by foreign credits or by the D.F.C.C. The foreign exchange component of the total expenditure has to be serviced. In nett foreign exchange computations the instalments and interest paid on these foreign loans must be taken into account. There are also concealed commissions, expenses on advertising abroad, agency fees, travel abroad by tourist operators, costs of representations abroad, etc, which have not been taken into account in the Tourist Board computations. I am going to refer to a table which has been published elsewhere which gives fairly reasonable estimates of the nett foreign exchange content of tourist operations. The nett foreign component of total expenditure on board and lodging of tourists (may be of those who stay in first or second class hotels) is approximately 43 per cent, on entertainment 84 per cent, transportation 14.3 per cent (this appears to be too low considering the total cost of equipment which is mostly imported, plus spares, fuel etc) expenditure on shopping is 29 per cent and miscellaneous items 3.6 per cent. These figures appear to be fairly reasonable except for transportation which is I think an underestimate.

5. Another problem is the distortions created in the pattern of investment in the country due to the excessive concessions given to the tourist industry and the gem industry. I had earlier put forward the theory that these have been the two most dynamic sectors of our economy. Why are they dynamic? Because of the subsidies and concessions which were bestowed on them so liberally to get them started. The question is whether these concessions are now absolutely necessary. In the normal course of events the natural potential of our country to attract tourists, which Mr. Nimalasiri Silva described with a great sense of commitment, is always there and is a much greater asset than the tax concessions and financial incentives bestowed on the industry over a 12 year period.

6. There is no doubt that the main concession which has helped to get more tourists to come to Sri Lanka is the advantageous exchange rate. Progressively from November 1967 the exchange rate moved in favour of tourists and there are a large number of people in this country who advocated the further devaluation of the rupee to attract more tourists. While we are heavily subsidising tourists through our exchange rate, Sri Lankans who travel abroad have to pay premium rates. When I travelled abroad recently, I had to live in third class hotels and pay through my nose. I went to the Hague in the Netherlands and my sponsors had to pay \$ 50, i. e., about 100 guilders for a third class room without attached toilet. For 100 guilders a Dutchman coming to Sri Lanka can spend 3 to 4 days in great comfort in one of our first class hotels. The

unemployment dole in the Netherlands is equivalent to 1400 guilders or \$ 700 or is just below the minimum wage; it is cheaper for a Dutchman not to work and to take the dole and spend a month in Sri Lanka saving half of it. Whereas in the Netherlands with this dole he would be a pauper and cannot even rent a house. Last November when I was in Paris, a taxi driver told me that he had spent two glorious weeks in Sri Lanka with a charter group in a first class hotel. I am not saying that they should not come to Sri Lanka. But these examples show the extent of subsidies given to tourists and how cheap our country is to live in. In fact, I have written an article recently showing that Sri Lanka is the cheapest country in the world to live in. The tourist finds it even cheaper because of the advantageous foreign exchange rate and every fall in the value of the rupee makes it still cheaper. In fact, very soon we will find the whole unemployed population of Northern Europe at our doorstep because they can live well here and still save half their dole.

7. Another concession which artificially enhances the profitability of tourist enterprise is the five year full tax holiday and the 50 per cent tax holiday for another 15 years given to tourist hotels and tour operators. This gives rise to a distorted pattern of expenditure among this privileged class while they emulate standards of living from the west which the common man in Sri Lanka can ill afford. We have to take into account the demonstration effect where young men go to the Oberoi or other expensive hotels and spend Rs 600 for an evening or have lunch at Hotel Inter-continental while 99 per cent of the people here cannot afford to have even a cup of tea there once in their life time. Earnings that accrue from tourism because of the tax holidays and the consequent high rate of return goes back only into gems and tourism and other tax free areas and not into industries, agriculture, services or other areas of investment which will have a greater national and social benefit. Thus there is a danger of the system becoming self perpetuating, causing a progressively more distorted pattern of investment.

I have written a book on the distortions caused by all these factors and it contains a chapter on tourism. The development of tourism has also caused distortions in the disbursement of credit. Several financial institutions, particularly the Development Finance Corporation of Ceylon, have invested money mainly in tourism, whereas there are so many areas particularly in small-scale industry and agriculture which need money very badly. Also they get re-finance from the Central Bank at preferential rates. I think concessions and consequent pressure to invest in this area have created distortions in the disbursement of credit which need rectification at this point because if there is under-utilisation of capacity in the hotel industry, and conversely over-investment, then the time has now come to divert resources into other areas which will bring in greater socio-economic benefits, a greater spread effect and more equitable income distribution. All this is very relevant in a context where 90 per cent of the unemployed youth come from the rural areas. Apart from the extended tax holidays, the tourist industry also gets lump sum depreciation and development rebates on buildings and equipment together, which can amount to over 100 per cent. These concessions have given a lot of leeway for manoeuvre because, if you invest more and more in tourism you will encourage these leakages and the evasion of taxes.

It has also been found that business operators tend to divert resources to tourism for these reasons, and they also manipulate profits from other enterprises where a businessman is engaged in several activities to get tax concessions from tourism. There are a large number of cases where this is happening and I don't know whether the Income Tax authorities are aware of this. In any case, there is very little they can do about it.

Other foreign exchange losses which could emanate from tourism are through charter groups where monies are paid exclusively in foreign currency to the travel promoter abroad and bulk sum remittances are made subsequently. The Exchange Control authorities ensure that remittances are made to Sri Lanka, but there is a lot of leeway and room for collusion between the local agents and charter operators and their principals abroad. Again I believe that charter groups are given special discounts in the big hotels, some times as much as 30 per cent involving a loss of foreign exchange. Furthermore, this makes Sri Lanka even cheaper and correspondingly the element of subsidy increases. Also these charter groups are low spending tourists who bring in very little money to the country. In essence poor Europeans can live in luxury in Sri Lanka but rich Ceylonese must live like beggars when they are abroad. This is how we have organised our tourist trade.

We have seen that there can be a fairly high loss in foreign exchange earnings from tourism due to the factors I have mentioned and the amount is certainly higher than what one imagines it to be. It is therefore necessary to work out the nett foreign exchange earnings from tourism and compare it with say, the net foreign exchange earnings from tea, rubber and coconut where the percentage of net to gross earnings is very much higher and the value added is also much greater.

Finally, the employment generation figure of 31,000 given by the Tourist Board is also disappointing when compared to the total capital investment of Rs. 550 million from 1966-77, which includes investment in hotels, (figures for individual hotels are available) but excludes expenditure by the state on development of infrastructure. On this basis, the cost of creating a job in this labour intensive trade is about Rs. 17,000/-. It is true that in some State Corporations like Steel, Tyre and Hardware, the cost of creating a job is around Rs. 55,000/- but in relation to investment per worker in Tea, Rubber, Coconut and Gems, the investment of Rs. 17,000/- per worker in tourism is very high. Furthermore, as economists we have to consider the opportunity cost of this investment; if Rs. 550 million has generated only 31,000 jobs and we have 1.2 million unemployed, what is the capital investment required to give jobs to all those who are actively looking for work. This is the question I would like to pose before this seminar as I conclude my talk.

Investment in Tourist Industry in Sri Lanka

Mr. G. M. P. de Silva

The subject I have chosen today is Investment in the tourist industry. I wrote an article some time back in the Staff Studies of the Central Bank (referred to by Dr. Karunatilake in his talk). This article received a certain amount of press publicity and I felt that the press publicity given highlighted not so much the important questions raised in it but stressed certain aspects which need not have been raised at all. In my talk today I intend to focus on several aspects which have not received adequate attention when it comes to discussing investment in the industry. I will be borrowing certain strands of thought from this article and will go on to examine certain other aspects. Among these would be some broad indications of economic benefits from the industry.

The aspects I would like to examine are:

- (1) Why the industry expanded so rapidly? There was an explosion as it were in the tourist industry with regard to investment which we did not see in any other sector of the economy in the past.
- (2) What factors must be taken into account in planning capacity in the industry? Certain factors appear to have received a lot of attention while certain other factors did not receive the attention that they deserve.
- (3) Some broad indications about the economic benefits from the tourist industry which must influence decisions relating to investment in the industry in future.

The tourist industry has shown a remarkable rate of growth during the period 1967-1978. The industry started on organised lines in 1967 and grew very rapidly both in terms of tourist arrivals in the country and investment in the industry. In terms of arrivals the rate of growth was consistently over 20 per cent and in some years increased to 25 per cent or even 29 per cent. In terms of the contribution to the GNP of the economy the annual average rate of growth was around 32 per cent which is unparalleled in the history of this country and unmatched by the performance of any other sector. In the manufacturing sector for example the rate of growth at constant 1959 prices was around 5.7 per cent per annum. It is instructive to find out why this industry grew so rapidly.

I think we are paying too much attention to the role of fiscal incentives. I am not trying to underestimate the role of fiscal incentives; I admit they are very important, but I think there are certain other underlying factors which were strengthened by the availability of fiscal incentives. In any developing country there are certain factors

which prevent modern forms of economic activity from starting, such as shortage of savings, lack of technical knowledge, skilled labour, managerial know-how and entrepreneurial talent. In the tourist industry the type of entrepreneurial talent required is less complex. The decision making involved is less complex than for example in the manufacturing sector which poses many technological problems. It is this simplicity of decision making coupled with fiscal incentives which promoted rapid investment in the industry. Furthermore, the experience people have gathered over the years in the trading sector is very relevant and useful in the tourist industry and this has encouraged entrepreneurs to go from the trading sector to the tourist industry. Also the construction of hotel-buildings does not pose many problems and is a simple extension of real estate development in which we have a lot of experience. I believe this is the reason why such a lot of investment has taken place in the tourist industry in the past 12 years.

Now I would like to turn to the second aspect that I expect to discuss today namely, the factors that must be taken into account in planning physical capacity in the industry. These are as follows:

- (1) The inflow of tourist traffic into the country and the rate at which it is growing.
- (2) Duration of stay of tourists in the island and the number of visitor nights recorded.
- (3) The proportion of visitors patronising approved accommodation.
- (4) The degree of utilisation of existing capacity.
- (5) Finally there is also the question whether we should gear ourselves to satisfying peak demand.

The first two factors have received a lot of attention while the other three factors have not received adequate attention. During the past ten years the influx of tourist traffic to Sri Lanka has increased at the rate of about 20 per cent and some people tend to think that it will go on increasing at an accelerated rate in the future. In some years the rate of growth may shoot up to very high levels but when we take a period of 5 to 10 years the average rate of growth may be around 20% or even less because as we go on we are moving away from the low base figures and it becomes more and more difficult to achieve the extremely impressive high rates of growth. All that I would like to see is a greater degree of caution in the preparation of forecasts and would like to warn those who might get carried away by the present figures and predict that Sri Lanka will achieve a traffic inflow of 600,000 arrivals by the year 1985.

There is no controversy regarding the pattern of duration of stay of tourists which is approximately 9-10 nights. This will stay at that level for some time to come. Perhaps with the growth of South Indian resorts and Maldivian resorts we might experience a slight decline in the duration, but I would not expect the reverse situation to occur i. e. an increase. In Singapore, the average duration is about three days, which is sufficient for a tourist to do all his shopping and other activities. Similarly in Sri Lanka a period of 9-10 days is sufficient for a tourist to visit all the places of interest

and also relax in some beach resort. In future when South Indian resorts are ready a tourist coming here might wish to couple his visit to this country with visits to neighbouring countries which might affect Sri Lanka by a lowering of the duration of stay.

When I prepared my article, an interesting feature that came to light was that a large proportion of tourists to this country were not staying in Tourist Board approved accommodation which has been built at great expense and were staying either with friends and relations or in cheaper accommodation not meant for tourists. In 1968 the proportion that stayed out was 40 per cent, in 1969 it climbed to 43 per cent and in 1970 was as high as 49 per cent. These figures were obtained by comparing the information from embarkation and disembarkation cards with the statistics of visitor nights at approved tourist hotels published by the Tourist Board. I believe this figure has come down to 27 per cent in 1975 and is now around 25 per cent. We do not have any camping sites in this country, so that those who do not stay in approved accommodation must be staying in private lodgings, cheaper hotels or with friends and relations. I don't think that the figure of 25 per cent is likely to decline any further in the future. The proportion of visitors staying outside the recognised chain of hotels must be taken into account in planning physical capacity and we must not be guided purely by tourist arrival figures. It is also an important factor to be considered in deciding the type and class of hotels to be created to provide for future inflow.

It is well known that a large proportion of Indians, Maldivians and Pakistanis prefer to stay with friends and relations and in cheaper accommodation. In my calculations I tried to estimate the proportion of Europeans who patronise cheaper accommodation. To do this I made an extreme assumption that all Indians, Pakistanis and Maldivians stayed outside the recognised hotels and my calculations showed that the proportion of Europeans staying outside recognised accommodation worked out to a disturbingly high figure of 15 per cent. It appears therefore that a large number of Europeans also patronise cheaper accommodation or stay with friends. This is happening on a large scale in the resort areas like Hikkaduwa where people are willing to extend their hospitality to foreign visitors in the hope of getting a camera or a three-in-one, a pre-paid ticket or reciprocal treatment when they go abroad. To the extent that this is happening in the industry, there is a drain on our economy and this is another minus factor (which Dr. Karunatilake did not mention) which should be taken into account by the Tourist Board when they compute their statistics relating to foreign exchange earnings.

Another factor that has to be taken into account is the degree of utilization of capacity in the existing network of hotels. I found that the overall level of utilization of capacity is around 37 per cent but for various regions of the country it was different. I am told that it has now gone up to about 40 per cent. I think this is an inadequate level of utilization. The industry uses scarce resources not merely financial but also real resources like cement and skilled labour, masons, carpenters etc. to build hotels. Not merely material inputs even labour is now becoming a scarce resource due to the exodus of masons and carpenters to the Middle East countries. Therefore, we have to make proper use of these resources i. e. hotels must be utilised to the fullest extent to achieve proper allocation of resources.

This non-utilization of capacity is largely connected with the problem of seasonality. Because of the concentration of tourist arrivals mainly in the period October/November to March/April, the industry is compelled to carry a larger stock of rooms than is necessary if the traffic flow is uniform over the year. It means that the industry must invest a larger volume of resources and we cannot make maximum use of them. For this reason in my article I pointed out that we should slow down investment in the industry in order to get the overall level of utilization to reach about 60 per cent for the year. When this is achieved the peak demand will be about 80-90 per cent and may be in some regions we might even have to turn away some tourists during the peak period. I feel that it is well worth it because we are not tying up our scarce resources which can be used elsewhere in the economy to good purpose.

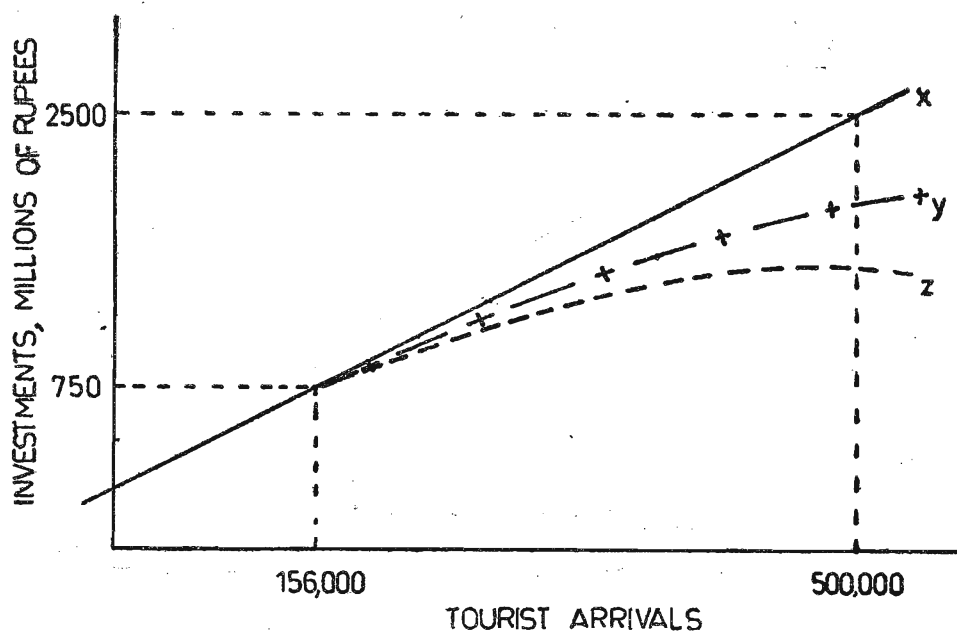
The seasonality factor cannot be completely eliminated because the decision to travel is taken in the country of residence of the tourist. We can of course try to minimise it by offering lower rates during offpeak periods and by developing other markets, but it cannot be completely eliminated and will remain a permanent feature of the industry. Even countries like Spain have not eliminated this problem. We therefore have to slow down investment in the industry in order to improve the overall level of utilization of capacity.

I would now like to examine the magnitude of investment required in the period 1978-1985. Traffic inflow in 1985 has been estimated at 500,000 by the Tourist Board and 600,000 in a memorandum submitted by the Hotel Owners Association. In my article the investment in the industry upto 1975 has been estimated at around Rs. 400 million for the construction of hotels, providing a capacity of 3,600 rooms. If we add the cost of infrastructural development - airport, roads, transport etc., the total investment upto 1975 is around Rs. 600 million and the investment up to 1978 can be estimated at Rs. 750 million. This investment services about 150,000 tourists-and works out to an investment of about Rs. 5000 per tourist.

If we make the following two assumptions,

- (1) that the industry is satisfied with present levels of overall capacity utilisation, and
- (2) that the problem of seasonality will remain as it is today, then one could safely expect investment in the industry to climb directly in proportion to the inflow of tourist arrivals. This can be represented in the following manner on a diagram (Page 35).

When we achieve a level of tourist arrivals around 500,000 by 1985, the industry will require an investment of around 2½ billion. This is about 25 per cent of the cost of the accelerated Mahaweli Project where the investment cost is estimated to be Rs. 12 billion.



In any industry, after it reaches a certain level of maturity we have to expect economies of scale and if we go on the basis that our present level of utilization is satisfactory then the curve investment vs tourist arrivals will never start coming down. This curve must be made to come down because we cannot afford to invest so much money in the tourist industry at the expense of other sectors which also deserve attention. This curve will come down if we reduce seasonality; the curve will take the shape of *z* on our diagram. If we accept that seasonality will remain in some form then the only way we can bring about a declining rate of growth in the investment curve is to increase the average level of utilization and not try to satisfy peak demand. Then we will be able to conserve certain amount of investment in the industry and this curve will lie between *x* and *z* on our diagram; otherwise the curve will go on increasing and the country cannot afford it because we have other sectors which demand attention.

Let me now present some broad indications of the economic benefits from the industry. We have information that the total foreign exchange earnings in 1977 was Rs. 304 million. And I agree with Dr. Karunatilake that this is a gross figure. Hence the gross figure of Rs. 304 million gives an exaggerated picture of foreign exchange earnings from the tourist industry. Dr. Karunatilake mentioned the imported inputs going into the tourist industry and other leakages which must be deducted to arrive at the nett figure.

But even if we do have a nett foreign exchange earnings figure, this will not be a satisfactory yard-stick to measure economic benefits. Nett foreign exchange earnings is not a satisfactory measure of economic benefits. The industry uses up in addition to foreign inputs, domestic inputs as well which escapes our attention when we look at nett foreign exchange earnings. So far no one has attempted a rigorous analysis of the economic benefits from the industry and tried to quantify them. In the absence of such a study we have to manage with some rough magnitudes.

When we look at value added in this industry as a proportion of total value of product, we find that it is extremely small. In the tea industry in 1976 the total value of production was 1755 million and the value added was 1513 million and the proportion of value added to value of production was 85%. In the case of rubber, this proportion was 78% in 1976 and 83% in 1977.

Let us now compare this with the value added in the tourist industry; tourists brought in Rs. 304 million in 1977. As they entered the country they received 65 per cent more as FEECs. Hence the total money injected into the economy by this industry is about Rs. 500 million. Of this, value added created directly in the accommodation sector is only Rs. 33 million at current factor cost. The value added as a proportion of total value of production is about 7 per cent. The value of production in the accommodation sector inclusive of material inputs is about Rs. 55 million. This means we have to account for a balance of Rs. 450 million—where did this money go? No doubt part of the money went into travelling and other service sectors, but the value added in these sectors cannot be so large as to bring about a transformation in the percentage from 7 per cent to 80 per cent to compare favourably with the tea or rubber industry. Value added constitutes payment to factors of production—wages, profits etc. and this is the component which makes an impact on our national income. Hence you can see that the poor tea plucker and rubber tapper are more important to our economy than the tourist who arrives in this country flaunting his dollars.

The fact is that in the tourist industry the material inputs (both domestic and foreign) absorb a larger proportion of the money that we get from Tourism. If the money was spent on foreign imported goods then to that extent there is a heavy drain on the country's finances. If the money is spent on domestic inputs eg. rice, then to the extent that tourists eat local rice, we have to import more and spend foreign exchange again. Therefore we can say that the value added figure shows that the economic benefits from the industry are not all that good.

When we look at the aspect of employment in the industry, I think Dr. Karunatilake's figure of Rs. 16,000 per job is in fact too low. According to my estimate Rs. 600 million capital investment up to 1975 has created 3,600 rooms. Taking the ratio of direct employment as 1.5 units of labour per room and indirect employment as another 1.5 units of labour i. e. 3 units of labour per room, the total employment created is about 12,000 jobs. This works out to an investment of Rs. 50,000 per job. If employment creation is to be considered as national priority No. 1 then I must say that the expansion of this industry is not what should be recommended.

One more aspect that has to be considered is the social costs of this investment. These are intangible, unquantifiable things, but we cannot entirely ignore them. The social cost involved must be taken into consideration in calculating the economic benefits from the industry.

One final remark—that is the impact the measures adopted in the budget will have on this sector of the economy. There has been a radical transformation in the economic environment of the country brought about by the liberalisation measures adopted in the

budget. Earlier earnings in the tourist sector were converted at FEECs rate and one U. S. dollar earned Rs. 13 in Tourism while in the Tea industry one U. S. dollar worth of tea earned only Rs. 8. In addition to the direct taxes, the tea industry carried a hidden tax while a subsidy was given to the tourist industry. When the direct taxes, duties and cesses are taken into account the tea industry's earnings from U. S. \$ 1 worth of exports may be as low as Rs. 4. On the other hand, the tourist industry received Rs. 13 for every U. S. \$ 1 plus additional benefits such as CRA and tax holidays which might have meant an additional Rs. 4 to Rs. 5 per U. S. \$ 1 earned in this industry representing an earning of about Rs. 18 in terms of Rupees. Now this distortion has been removed and there is no sector that has been made artificially attractive. This is a good thing because now all sectors of the economy will compete on equal terms for resources. Under these circumstances, I don't think the tourist industry will be able to generate the additional investment of Rs. 2 billion required in the next seven years if it fails to increase the rate of capacity utilization in the industry and generate more profits.

In the first phase of development of the tourist industry, credit was obtained from institutional sources like the Commercial Banks and the DFCC. I am aware that the sponsor equity that went into most of these hotels was on an average about 30 per cent or even less. The rest of the money was all borrowed from institutional sources. Thus entrepreneurs in the tourist industry were making money on some one else's money, their own stake being very small, only 30 per cent. Hence, I doubt very much whether the industry could achieve the high level of investment that is required within the next seven years, since it will now have to compete with other sectors on more or less equal terms for resources.

Discussion

Dr. A. S. Kunasingham: We have had two stimulating talks which have raised many questions on foreign exchange earnings in the tourist industry and the returns to investment both in foreign exchange and local currency and in terms of employment generation.

As an agricultural economist I am interested in investment in agriculture and Mr. Nimalasiri Silva raised hopes that tourism will earn all the foreign exchange we need for agriculture. However, Dr. Karunatilake has raised some doubts about this and Mr. de Silva has confirmed some of the views expressed by Dr. Karunatilake. I will now throw open the discussion to the house.

Mr. P. Endagama: In calculation of profits from the industry, no one has taken into consideration the damage done to the environment, the spread of social diseases and other harmful effects. Has any attempt been made to invest a proportion of the profits from tourism to rectify such damage to society?

Mr. G. M. P. de Silva: The answer is "No". I agree, that these should be taken into account but social consequences are intangibles as I mentioned earlier, which are difficult to measure adequately.

Mr. P. Endagama: The other question is whether the income from the tourist industry is in proportion to the investment. Dr. Karunatilake and Mr. de Silva showed that it is not in proportion. I would like to hear the views of the audience too on this aspect.

Mr. H. M. S. Samaranyake: The two speakers were comparing investment employment ratios and according to Dr. Karunatilake it requires an investment of Rs. 17,000 to generate one job in the tourist industry while according to Mr. G. M. P. de Silva's statistics it requires Rs. 50,000 to generate one job, which shows the confusion in the figures. The total investment figure of Rs. 600 million given by Mr. de Silva is too high. According to Tourist Board statistics it is about Rs. 548 million. In any case the investment employment ratio compares favourably with other sectors e.g. in the Mahaveli Project an investment of Rs. 30 billion is expected to create one million jobs. i. e. Rs. 30,000 per job, in the Cement Industry the ratio is Rs. 135,000, in Mineral Sands Rs. 188,000 in Petroleum Rs. 376,000 and in Distilleries Rs. 193,000 per job.

If we consider nett foreign exchange earnings, according to Central Bank computations the leakage is 45 per cent. While the Tourist Board studies give a figure of 20 per cent after taking into consideration all possible items enumerated by Dr. Karunatilake in his talk. Under direct operating costs we have taken food and beverages, spares for hotel equipment sales promotion and development, provisions, etc.; under debt servicing—repayment of interest and capital, depreciation of hotel

equipment transport, sports equipment, publicity etc. We have also taken the import content of local products including even fertilizer. After making allowance for all these items the Tourist Board arrived at a figure of 20 per cent compared to 45 per cent computed by the Central Bank.

In gross foreign exchange earnings again there is a disparity between the balance of payments figure of Rs. 304 million and the Tourist Board figure of Rs. 363 million. This discrepancy exists not only here but all over the world owing to the difficulty of identifying certain transactions in computing balance of payments.

We go on the basis of permits issued by the Central Bank to tourist operators—hoteliers, travel agents etc. and indicated by commercial bank statements when money is deposited. This is very authentic information on the basis of which the Tourist Board arrived at the figure of Rs. 363 million for 1977 as against Rs. 304 million computed by the Central Bank on which Mr. de Silva based all his arguments.

In 1975 the Cabinet appointed a Committee under the chairmanship of Mr. N. S. L. Perera (who is present today) to study this question and the consensus was that the Tourist Board figures of foreign exchange earnings were more accurate.

As for tax concessions, I admit that a whole range of fiscal and other concessions were given to the tourist industry at the beginning but such concessions are not peculiar to this industry alone. I believe even the Tea and Rubber industries are given subsidies. The concessions given to the tourist industry are being gradually withdrawn—the 15 years tax holiday is already removed.

Taking the revenue aspect, the Business Turnover Tax of 10 per cent on the tourist industry is the highest in the world and in 1977 the government has earned a revenue of Rs. 25 million on BTT alone.

Dr. A. S. Kunasingham: The figures for Cement are on the high side but the comparison is not relevant. The Cement Industry may itself be inefficient. His Excellency the President is rationalising most of these ventures and some are being closed down—so the tourist industry should also work towards maximum efficiency.

Dr. H. N. S. Karunatilake: The point I made is that in the present circumstances unless this country finds means of creating jobs at a cost of about Rs. 5,000 per job it will not be possible to solve the unemployment problem. I don't want to dispute all the figures quoted by Mr. Samaranayake, but I cannot agree that the import content of tourist expenditure is as low as 20 per cent. Take the loss of foreign exchange on smuggling of gems alone—has any computation been made on the basis of number of tourists caught smuggling gems and the total value of gems detected?

Mr. W. Rupasinghe: I think we should emphasise that we are all agreed that tourism should be promoted in the interests of national development. The arguments that have been put forward are not against tourism per se and we may not agree with them, but there are certain reservations about how the industry is developing and

different points of view for and against tourism. We listened to a very interesting and stimulating discourse by Dr. Karunatilake. I agree with Dr. Karunatilake that there is a demonstration effect but if this Seminar is to achieve a useful purpose we must look at the problem objectively. Let us not say that tourists are smuggling gems when we know that locals are also doing so; that charter groups are all low spending tourists when this is not the case; that an unintelligent committee has gone into the foreign exchange problem because we don't agree with their findings.

We should not take a negative attitude to the seasonality problem mentioned by Mr. G. M. P. de Silva but make every attempt to circumvent the problem and level out the troughs in demand by encouraging convention tourism etc. during the off-season.

Dr. A. Attanayake: We have so far received mainly winter tourists but statistics show that there are a large number of Europeans who take summer vacations and this source should be tapped. We should also take steps to attract more tourists from the southern hemisphere, Australia and South Africa and also the Japanese market to solve the seasonality problem.

Mr. G. M. P. de Silva: The tea subsidy mentioned by Mr. Samaranayake is met out of a cess levied on the tax on tea exports. It is not a concession given to the tea industry. In fact the industry carries a tax as high as 50 per cent so that the plantation sector appeared unprofitable and many people wanted to get away from the industry. Today it is not so and land prices have gone up because people want to go back to planting. The investment of Rs. 550 million was calculated by me on the basis of Rs. 304 but if the figure of Rs. 363 is correct then the money injected into the economy is even higher and the proportion of value added will be even less than what I indicated.

The seasonality problem can be minimised by taking steps to attract off-season tourists but one cannot be very optimistic that the problem can be eliminated completely.

Prof. C. R. de Silva: According to Mr. de Silva investment on hotels was Rs. 400 million and value added was only Rs. 55 million what is the return the hotelier gets for his investment?

Mr. G. M. P. de Silva: We do not know what the return is—it has not been computed.

Dr Yeung: I am an observer at this meeting from the IDRC Regional Office, Singapore and would like to make a few comments with your permission. I must congratulate the Social Science Research Centre for organising a Seminar on such a timely topic. The IDRC is on the point of deciding on what countries are suitable to set up a research network on Tourism. I have visited several countries where similar problems have been discussed and my main interest in being here is to find out research interests in Tourism. I appreciate the arguments made and the statistics provided but I have major misgivings about comparing investment employment ratios in primary agricultural industries like Tea and Rubber with

Tourism which is a more capital intensive industry. I don't quite understand the arguments about gems—in countries like Hongkong the export of gems is actively encouraged.

Dr. A. S. Kunasingham: Thank you very much Dr. Yeung. It is heartening to note that IDRC is prepared to sponsor research projects on Tourism.

Dr. V. K. Wickremasinghe: As Dr. Karunatilake pointed out the employment problem has to be solved in the next 7 years and Mr. G. M. P. de Silva was comparing statistics up to 1985. Hence the comparable figures are for the accelerated Mahaveli development project which will generate 100,000 jobs at a cost of Rs. 12 billion and not the long term figures.

In public-sector industries like cement and steel where technological expertise is required the capital costs of employment are high but in Tourism the technological coefficients are not so high as to make it capital intensive and the cost of generating jobs should be much lower. Tourist investment policies should be clearly defined. On the question of nett foreign exchange earnings the Tourist Board does not publish all the figures and there is no way of finding out how they arrive at their conclusions. There is no publication and examination of data and we are making investment decisions without information. If gems are not sold to tourists they will be exported and I agree with Dr. Karunatilake that we must make an appropriate deduction in arriving at nett foreign exchange earnings from Tourism.

The question of food is revealing. If we have not imported much foodstuffs for tourists this means that the tourist are being fed at the expense of the local population who are deprived of protein rich food like meat and this item should be built into the foreign exchange cost of tourism. We should therefore import food for the tourists.

On the question of subsidies, the tourist sector has attracted a lot of investment due to the liberal tax concessions.

In the Philippines a lot of money has been channelled into building hotels which are not fully occupied. We should not let this happen here. The credit given to the tourist industry by the banks is very high. I agree with Dr. Karunatilake that the nett foreign exchange earnings from Tourism have not been computed. The Central Bank should be congratulated for doing several studies and publishing whatever research it has done. What has the Tourist Board done to publish figures on the nett foreign exchange and investment aspects?

Mr. N. S. L. Perera: In 1975 the Cabinet appointed a Committee with representatives from the Ministries of Finance and Planning and the Central Bank to look impartially into the foreign exchange aspects and direct costs of Tourism. The Tourist Board was specifically excluded as it had a vested interest but on my suggestion the Tourist Board was represented as an observer in order to get at the

true facts. The Committee attempted to reconcile two sets of data on gross foreign exchange earnings balance of payments data from the Central Bank and Tourist Board figures, which differed substantially.

The Committee was not satisfied with either but they felt that the Tourist Board figures were more acceptable and that the Central Bank data as reflected in the balance of payments was on the basis of reporting by commercial banks and could be understated. These were the gross figures; we didn't come to the nett figures.

On the second aspect raised by the two speakers i. e. employment generation the ratio of Capital Investment to employment is about 55,000 in the industrial sector as against 5,000 in the agricultural sector. These figures speak for themselves but that does not mean that we can neglect any sector. Planners have to decide where the priorities are.

Mr. A. S. Jayawardene: We are all agreed that the real basis on which an evaluation can be made of the Tourist Industry is on nett returns and not on gross returns. The differences in gross foreign exchange earnings is not very relevant-it is the nett foreign exchange earnings which are important. I would therefore make a request to the Tourist Board to publish nett return figures and not gross earnings together with the assumptions made so that comparisons can be made and a more intelligent discussion can take place.

In doing this we have to be careful of the exchange rate used, because there have been many changes in the exchange rate recently and we must also take into account the fact that tourism enjoyed a preferential rate.

Even then we cannot equate with the tea industry without taking into account the tax structure. The tea industry pays a tax of 50 per cent compared to only 10 per cent paid by the tourist industry in addition to tax concessions on investment. In effect for every dollar earned the tea industry gets only Rs. 8 out of which Rs. 4 is paid on tax while the tourist industry gets even more than Rs. 12 when we take the tax concessions into account. The tea industry is subsidised out of a cess levied on the export duty on tea-it only gets back about 2 per cent of what it pays as taxes. How can our agricultural industries like Tea, Rubber and Coconut survive vis a vis other industries like Tourism when they are not given any concessions but taxed mercilessly? Our agricultural industries have been experiencing a secular decline and we cannot allow this to go on. Is the tourist industry going to replace tea, rubber and coconut-not in a 100 years? Concessions are only justifiable if an industry is in its infancy or is sick. After 12 years the tourist industry is quite strong and do we really see a case for more subsidies and concessions? The government has to tax some other sector to subsidise the tourist industry. If not for the tax holidays for tourism we will be paying less tax and as tax payers we have the right to ask whether these subsidies should continue any longer.

The peak problem exists not only in tourism but in other industries like electricity and transport where full capacity to meet peak demand has to be installed and they have found internal solutions to this problem by ingenious

price variations. The tourist industry too has to devise solutions to cope with the problem. They can follow the Dutch example and have high peak rates and reduced off season rates. In most hotels here there is no difference between peak and off peak charges. At the moment the peak rates are ridiculously low.

Mr. H. M. S. Samaranayake: Prices for tourists have to be in keeping with the price levels in the country and the general prices of all other services.

Mr. J. Diandas: It is an accepted fact that everyone manipulates his affairs to minimise his tax obligations. The important thing is that the tea subsidy is openly evaluated and quantified. In the case of the tourist industry the total subsidy is not evaluated anywhere—tax holidays and depreciation allowances are negative deductions and are not evaluated.

Mr. A. Mohiddeen: I agree with Mr. Samaranayake and disagree with Dr. Karunatilake's statement about tour operators. Charter tour operators have to indulge in a lot of negotiations and hard bargaining before arranging a tour but every little operation is open to scrutiny by the Tourist Board and Income Tax authorities and it is not correct to say that tour operators get concealed commissions under the counter.

With regard to tax manipulation by firms, in an open free market economy if there is a possibility of legal tax evasion the situation will be exploited by businessmen.

The capacity utilisation curve can be expected to ease off by 1978 1979. Even now the hotels are full although it is off season and during the season there will be a shortage. The off season occupancy rate will rise to about 75 to 80 per cent next year.

The role of Tourism in the Cultural and Economic Development of Sri Lanka

Mr. Roland Silva

Tourism like all other development projects, growth styles or economic ventures has its plus and minus values. The impact of tourism on social or cultural aspects has to be viewed as a two-way process—first, there is the mass impact of the visitor upon the country visited and secondly, the counter impact of the country upon the visitor. The type of visitor could also be basically divided into two kinds, the local or national tourist and the international tourist.

Let us first of all orientate ourselves to the mental state of a visitor to any country. His mental make-up could be summarized as:

- (a) wanting change
- (b) susceptible to new ideas or in a sense welcoming fresh air
- (c) being open minded
- (d) having no inhibitions
- (e) craving for relaxation or
- (f) having a childlike youthfulness

Such a psychological being can translate his mental fixations ranging between mild limits and wild extremes. The recipient country too understands the psychological state of visitors and caters to their demands ranging between mildness and wildness. As such if we Sri Lankans propose to be the innocent and grieved party may I remind such psalm singers that an abortion is not the result of an individual's effort.

Let us look at the psychological attitude of a visitor from a more positive angle. If we project our own minds back to our first visit to a foreign country we might recall the mechanical gadgets purchased, the dress styles borrowed, the cultural pageants imbibed, and the recipes we carried home. This is because we were receptive and prepared to share the social and cultural conventions of the country visited. Friends, the psychological make-up of man is universal, and all visitors without exception are prepared to share to some degree and imbibe some aspects of the social and cultural traits of a country be it the American, African, European or Oceanian. What is important here is to understand this quality of man—man the traveller—and provide for his wants with taste and decorum.

When we refer to products of taste it does not mean items of economic cost. These could be the simple objects of everyday life. It could be the attitude of children to parents and old age, which aspect has long since deteriorated in the progressive continents. The smile is as rare as the sun in some western countries. The spiritual side of life is a dormant characteristic amidst industrial society. It is perhaps for this reason that there is a vast migration of revolting western youth pacing the foot-hills of the Himalayas in search of spiritual bliss. Can the Buddha dharma not provide solace to such seekers? Perhaps even the Christians of Sri Lanka may be a rich head to normal adherents of western countries. What about the way of life in the countryside, the harvesting of paddy, the plucking of tea, the extracting of rubber. The lanky coconut palm, the tropical fruits and trees, the social customs, the religious pageants, the dress, the behaviour, the kindly disposition, courtesy are all but hallmarks of cultural upbringing which are rich traditions upon which the younger nations of the west could yet draw from. Look back to the heritage of Sri Lankan history, the monuments of a class unparalleled in the West—the three stupas of Anuradhapura were the 3rd, 4th and 5th tallest buildings of the ancient world. Buildings being the visible index of a nation's growth has not yet been replaced. Could not these monuments and other feats of irrigation engineering be a source of great inspiration to even those of the developed nations? What about the tradition of literature and art in this country?

The focal point here is that although we are economically suppressed we need not psychologically feel depressed as being consistent recipients of a European tourist boom. These visitors are themselves shrewd economists and certainly not the last of a legion of charity sisters come to subscribe to our upliftment. They are here for their own benefit to learn and relax; preparing for their next spell of work back home. Thus we should not for a moment feel bad that we have nothing to offer our visitors from the developed continents and that tourism is very much a one sided affair of dollars, pounds and marks flowing directly into the coffers of Sri Lanka. Let us be both pragmatic and civil in our dealings with such visitors. Hospitality is a standing trait of our people. Let us not fail in this regard, but at the same time let us not have our heads bent in subjugation to the same troops that paced the countryside for well nigh four centuries and fifty years. Let us tell some of the errant visitors in no uncertain terms that our beaches are not public brothels where one could have practical demonstrations of the Karma Kalpa.

Let us here recall the conference of the United Nations General Assembly of 1966 which resolved to declare the following year the "International Tourist Year". The benefits that were to accrue to uplift society were tabled as follows:

- (a) Contributing to the mutual knowledge and understanding of peoples, it helps to strengthen peace.

- (b) Promoting adult, youth and child education—by facilitating exchanges of knowledge and first hand acquaintance with past and present civilization it contributes to the spread of culture to popularise education.
- (c) Contributing to the promotion of development.
- (d) Helping to finance the restoration and preservation of monuments and sites of historical or artistic value; it makes possible the safeguarding of the world's cultural inheritance.

What we have examined so far can be considered the theory to social and cultural integration of foreign-visitor tourism. Such a document would remain a dead-letter until we evolve a suitable practical formula to implement these theories to practical realities. It is here that we wish to introduce the term called "Cultural Tourism" about which I have had the privilege to write two reports—one for Bangladesh and the other for Thailand. I will explain these briefly with the aid of a couple of slides.

Case Study: Hikkaduwa

Mrs. Lakshmi Perera

(I must make it clear that the main focus of the study that I have been engaged in was specifically directed to a probe into the lives of women engaged in different aspects of tourist activities.

This paper is based on an extract from my main study, of such common indicators that would be of contributory value to this seminar. Hence the contents of this paper are not for public circulation, until the main study has been officially published—which is expected to be in April 1979).

Tourism was officially institutionalized in 1966. Hikkaduwa is not claimed to have been part of the “planned” tourist development of the Tourist Board. However, since the taking over of the resthouse and its conversion into a tourist hotel by the Hotels Corporation, Hikkaduwa has been a hive of tourist activity. It is an area which has had the full impact of a 12 year period of tourist expansion.

Tourist Hikkaduwa as commonly known is all that area falling within the Local Government Administrative Divisions of Grama Sevaka Nos: 58—Waulagoda, 57—Wewala, and 56—Narigamma and inclusive of the Town Council Wards 1-5.

All these divisions have various manifestations of tourist activity. Narigamma is colonized by the “hippy”. Wewala by the “hippy” and “cheap traveller” which distinction is not easily evident to the less discerning. Waulagoda has the large hotels, the business “elite” and the “acceptable” tourist in addition to the “hippy” and the “cheap traveller”. The intensive probe was confined to Waulagoda (G. S. division No. 58) due to its central location and its concentration of all forms of tourist activity viz:—

Large hotels whose clientele are middle class foreigners with apparent means, brought in by group packaged tours organised by agencies abroad;

Small hotels, registered and unregistered guest houses and restaurants frequented by more informal foreigners travelling privately and cheaply;

Rooms in private homes ranging from Rs. 10 to Rs. 20 and also Rs. 3 to Rs. 5;

Batiks, ready made garments and curio shops etc;

Marriages to foreigners;

Recipients of gifts involving large sums of money, property, houses, cars, trips abroad;

A fishing community.

The issue central to this study was the identification of those changes that have been stimulated by Tourism in the social and economic structural pattern of Hikkaduwa, and an attempt to assess the positive and negative effects of such changes, seen within the context of development policies and programmes of the Government.

In order to arrive at meaningful interpretation of particular processes and patterns of behaviour in their varied manifestations under the influence of Tourism, a suitable framework of analysis within which changes could be assessed and analysed, was provided by a consideration of the general complex of resources of Pre-Tourist and Tourist Hikkaduwa. Resources were viewed in an all-comprehensive sense—the availability, access to, and utilization of institutional, environmental and personal resources, taking into account how people consciously or unconsciously have adjusted to changes over time.

During a period of preliminary investigations quantitative data was obtained from official sources:— viz. The chief Statistician of the Galle kachcheri; Hikkaduwa A. G. A.'s office; the Town Council office for records of registered hotels, restaurants, and other tourist establishments; proprietors of large hotels, restaurants, guest houses and shops on either side of the main road of Hikkaduwa; centres of the Departments of Small Industries and Rural Development, D. D. C.s, schools, police and medical centres.

Through constant visits to these institutions, close association and discussion with numerous small shop and restaurant owners, older residents, employees of hotels, security officers of hotels, local guides, street vendors, women and children on the beaches and along the main road, fishing people on the beaches and in their homes, a reasonable level of personal rapport was established with local residents, while obtaining supplementary qualitative information.

The methodology adapted for the main inquiry was participant observation as far as situational circumstances permitted, within the short period of three months allocated for this study. However, open interviews, conversations with key informants and life histories were obtained within the context of participant observation.

A manual of questions was prepared for use as a reference during the final stages of the in-depth inquiry.

Pre-Tourist Hikkaduwa

“A sleepy rural township” as described by a key informant, an old resident. Census 1963 statistics indicate a population almost totally Sinhalese Buddhist. The largest concentration of people in the township were clusters of fishing families alongside the main road.

There were no large land owners, three or four families owned any agricultural property exceeding 30 acres. Small holdings of coconut of 5-10 acres, often in undivided co-ownership comprised the rest of the agricultural property. Sharing by number of trees or by nuts at each crop was a regular feature. Coconuts were freely lying around the whole area and cheaply available. Agricultural occupation was minimal. *The Beach fronts* were the ancestral property of local people. The four families

owned comparatively the largest stretches along the beach fronts. The only habitable solid structures were their residential houses, and the resthouse with 7 rooms. The less affluent local people owned the rest of the beach fronts, mainly in co-ownership of large family groups. The 1966 records of the Town Council registers 24 tea boutiques and 4 rice botiques, in addition to 1 Hotel (the rest house converted). The fishing community owned no land, but had free access to the stretches of beach fronts, for beaching their boats and the lively activities centring around the fishing industry.

Apart from the four residential buildings, the thatched huts of the fishing people, and mud and thatched homes of the other poorer communities were the rule.

Two schools provided junior elementary education, one for girls and one for boys in the heart of the present tourist area. One central school for secondary senior education was established in 1958 in the interior of Hikkaduwa. Education was in Sinhalese.

The chief means of livelihood has been the fishing industry. The coir industry flourished as a cottage industry in 90% of the homes, providing a lucrative source of income for the females, with young children and older men assisting. All the male members of the fishing families from ages of 10 until senile debility were actively engaged, directly or indirectly with activities generated by fishing. Fish was plentiful during the season. Off season migration of the males to the East Coast was regular. Ninety eight per cent of the respondents of the indepth study of both fishing and other communities disclosed their parents' involvement in coir-rope making. The males who engaged in other activities during the day would join their families in the evenings with coir-making.

The flourishing status of the coir industry was maintained by the cheap availability of husks, the presence of innumerable streams and waterways, high prices fetched by coir rope. A small export trade existed with Penang and Singapore of a special type of rope made to special order and of arrack, operating through small schooners docking in at Hikkaduwa bay or at Dodanduwa where a harbour existed. Toddy tapping was a common occupation in every village of Hikkaduwa. Easy availability of toddy lent itself to an atmosphere of the hum of coir machines and genial singing late into the nights in most homes.

The temperance movement and the subsequent closing down of the distillery in Hikkaduwa placed constraints on this occupation, but was commonly continued illegally.

Five lime kilns provided a considerable source of income to a large group of people. The Railways Department had constructed a special platform for loading lime, indicating official recognition and encouragement of this activity. Wage employment available to the poorer sections was as labourers of government construction works, of the P.W.D., Railways etc. Contractors undertaking construction work on the large estates of the interior, provided periodical employment to groups of masons, carpenters and labourers. The few avenues of employment offered in government institutions at staff, clerical and teaching levels were limited to middle income levels whose education had been in English.

The literacy of the parents of the respondents has been around 80% but education levels of the adult population over 40 were barely beyond primary level, dropping out of school at ages ranging from 10-14.

As occupations were largely family based, the benefits of engaging in such occupations were seen to be relatively more attractive than any level of formal education was seen to offer. A knowledge of English was not imparted through the schools curriculum, hence the range of wage employment was restricted to labourer levels.

Families of middle and upper income groups, though relatively few, had received their education at English Schools in Galle or Colombo, reaching levels of J.S.C. and S.S.C. (Some E.S.L.C.).

Religious activities centring around the village temple and rituals of thovil invoking gods and devils were the main form of social gathering of whole villages. Rituals were a frequent occurrence—mainly in times of illness, pregnancy and child birth. Sacred rituals to gods and devils connected with the fishing industry were common. These were prolonged over several days and nights. Whole villages participating in an atmosphere of respect, fear and dedication to the sacred powers—that be. The rythm of the drums and chanting holding the artists and the audience in a state of trance. Marriage and attaining of age were similarly celebrated.

Women have borne the major responsibility of housework and child care, yet the women of low income groups have not been “house-bound”. Occupations being mainly family based, opportunities of participation and contribution to the family income generated a sense of social well-being. This was not the pattern of the parents of the middle level respondents, who were confined to chaperoned female social life and the home. Thus living had been at low levels of subsistence but poverty was not a dire problem.

Tourist Hikkaduwa

The total urban population for 1971 was 3244 (seasonal emigrants are not distinguished in any of the T. C. records). The rural total prepared as a rough estimate taking corresponding villages of the 1963 records is around 6066 and still remains the larger sector and predominantly Sinhalese Buddhist. No estimates are available of seasonal emigrants from other areas — of which there is a large number during tourist seasons.

Pattern is basically similar for agricultural property, except subdivision to less than 25 acres of the largest acreages and fragmentation of small holdings to $\frac{1}{2}$ -5 acre plots, or common ownership by large family groups.

Drop in coconut production has hampered the coir industry. Husks are no longer easily available. Price of husks is high and difficult to obtain, and coir rope fetches relatively low prices. Further, the water ways have been filled up and the availability of “retting kraals” reduced.

Coir-rope making as a cottage industry has come to a standstill in this area, throwing many families out of a regular source of livelihood with no alternative possibilities. Women of these families are confined to childbearing and housework with no opportunities of supplementing family incomes. Their men are largely unemployed.

The beach fronts are being rapidly bought up for tourist establishments. These establishments wall in their premises right up to the beaches, shutting out local infringement additionally assisted by security guards and police and hemming in the fishing activities to limited areas, gradually decreasing in extent. Presently there is only one small space cluttered up with fishing boats, along the whole stretch of Hikkaduwa boundaries. Views of local people maintain that these lands were ancestral property co-owned in undivided shares by groups of families, which have been sold to "rich capitalists from Colombo" often without the knowledge of many of the co-owners. Two respondents testified to not having received any remuneration for their shares. Means of redress is beyond their capacity for lack of financial resources or influence to stake their claims.

Ownership of Registered Tourist Establishments

	1977	1966
1. Large Hotels	4	1
2. Small Hotels & Guest Houses with more than 5 rooms	6	—
3. Lodging houses less than 5 rooms	12	—
4. Restaurants	6	—
5. Eating Houses	9	—

Of the four Large Hotels, three are of private ownership—the other is the old Resthouse taken over by the Hotels Corporation in 1966. Of the small hotels two are owned by the sons of a local fishing mudalali. The purchase of land and construction of these buildings are commonly known to have been financed by foreigners.

The registered Guest Houses are owned by local residents of middle-income groups who have had inherited property of $\frac{1}{4}$ - $\frac{1}{2}$ acres and/or house. The male members of this group are those employed at staff, teaching and clerical levels of government service or retired from such salaried employment. Credit facilities have been availed of as loans or overdrafts. Homes have been improved, business expanded and on the whole these families admit to the improvement in their economic status as a result of tourism. Similarly with the registered restaurants and eating houses. The quality of food is at best "indifferent". The women are engaged in the main responsibility of its preparation.

All other accommodation of which there is a very large number, have sprung up ad hoc on an unregistered basis, and house the hippy and the cheap traveller. Avoidance of registration is to avoid payment of the licence fee, and the possibility of official checking of basic facilities, standards of hygiene, and activities. Minimum toilet and washing facilities are hardly available.

These are the lower income families who have some sort of space in their homes to offer at prices ranging from Rs. 2/50 to Rs. 5.

The fishing people living mostly in small thatched huts have no such space to offer and therefore remain outside this activity. These families generally appear not to be involved in tourism and express strong disapproval of any association with tourists. Although their youth and young children are frequently hanging around tourists bringing home imported articles, the parents pretend ignorance.

The houses of the fishing people remained the same thatched huts under more congested conditions. The Town Council had built 20 houses during the last government, as part of a housing scheme. The families in these houses are unable to maintain these structures which has added to their problems. Apart from these, many of the other small homes show definite signs of improvement. Cement and Tile homes are presently the rule. A fair proportion of houses are modern-styled with electricity and toilet facilities. The new income flowing in from tourism has made a distinct impact on changes in housing conditions. The source and nature of such benefits is discussed later.

The fishing industry has received a serious set back. Many explanatory reasons are given by the respondents eg. non-operative schemes of the government, Japanese trawler scheme and over-exploitation of fish. The fishing community has been dis-oriented from activities relative to their expertise with no hopes of alternatives. Presently their life is at less than subsistence level. All respondents expressed hopelessness of their situation. Coir-rope making as a cottage industry has come to a standstill. Over 90% of the older generation (obtained from skills and training of those over 40) are skilled in coir-rope making, and are presently with no alternative sources of income.

New cottage industries—A widespread generation of skills in powerloom and handloom textile weaving, mat and basket weaving in Indikola and Wetakeyya, sewing and lace-making, through the network of Training Centres of the Department of Small Industries and of the Department of Rural Development, further expanded through the D. D.C. structure, had afforded a possibility of alternatives to the coir-industry. A large proportion of young female school dropouts have availed themselves of these training opportunities seen as an alternative to the coir-rope making of their parents. A figure of 1140 females was obtained from records of the main training centres, as having received training in the past 5 years.

Curio and mask making skills are an additional potential in this area. The Batik industry is a new activity of the middle income groups with approximately 6-8 families engaged in their own homes in Waulagoda.

However, lack of organised marketing outlets, mass production—particularly in batiks, of poor quality goods with no design or colour sense, lack of training in market demand, costing, business management of small ventures, lack of capital and difficulties of obtaining raw material, and low margins of profit have been dampers to sustained continuation of initial enthusiasm generated by these possibilities. Access to hotels as marketing outlets is not available. Orders from Laksala distributed through the D.D.C. Centre

and small industries sources are not sufficient to provide regular work or adequate remuneration for the time, energy and skills involved. Hence a vast potential developed through government policy and programme efforts, remains untapped. The members of these families are presently of low, irregular income earning occupations or unemployed, with living standards far worse than that of their parents.

It is in this background that a sample of 20 families was purposively selected, from 5 social categories of Waulagoda, identified by a stratification on the basis of disclosed incomes obtained from the lists of the Grama Sevaka, visible occupations and life styles, and verified with officials of the A. G. A.'s office and key informants.

Classification of Social categories:

- (1) Families at the base of society with no known resources, with disclosed annual incomes less than Rs. 3600 and retaining their ration books.

The rest were families with annual incomes over Rs. 3600.

- (2) Families with unregistered guesthouses or renting out less than 5 rooms in their homes.
- (3) Families with registered guesthouses and more than 5 rooms.
- (4) Proprietors of tourist shops.
- (5) Families with participation in restaurants or tourist places as (a) family members (b) hotel employees.

Of 340 Households in Waulagoda, 283 were examined and according to the G.S. records 220 households were of the 1st category.

Opportunities provided by Tourism

Large hotels do not offer employment to local youth. G.S. register indicated 4 persons having permanent employment in the hotels. The Hotels Corporation establishment (the old resthouse) has an approximate figure of 40% casual employees of the local population. The managements complains of thieving as a deterrent. The services of six local girls employed in the restaurant of one hotel were terminated within a few months for stealing butter.

Small hotels and guest houses and small restaurants are run by the family members of the few families in middle income levels. Two such hotels are popularly known to cater for homosexuals—a group common among middle class European tourists.

The cottage industries of the area do not find direct marketing outlets through the hotel structure, but remain tied up with the middle men and private big contractor hierarchy, leaving the producers as poor as ever before, if not worse. The benefits of the fillip apparently given to local industry through tourism has not filtered down to the producers in this area.

Local musicians of whom there are numerous groups have found no place or scope for any benefits through their talents. What goes on within these hotels is incredibly bad western music much of the time or periodical presentations of "cultural shows" which at best are an insult to our culture as also to the spirit of the genuine artist.

In these circumstances the local unemployed are seen to engage in any kind of activity that offers a promise of some economic benefit, using the only resource available to them—their ingenuity.

Local guides offer their services to arrange boat trips, car trips, walking tours to show the villages, diving practice etc. displaying high levels of salesmanship and persuasive skills to catch the imagination of the tourist. Sacred rituals, religious ceremonies, weddings and funerals and such village activities are “performed” with the hope of extracting handouts from the tourist. A keen sense of showmanship displayed by the local youth is directed to the organisation of these shows. Acting as contact men for practically anything the tourist may indicate a wish for. If lawful means are not possible then unlawful means are resorted to. Touts and pimps, supplying female and male prostitutes, arranging marriages between foreigners and local girls, (mostly young girls of 16–18 and men of over 50 generally), offering themselves for homosexual purposes or for foreign females.

Business deals through personal private associations obtaining for themselves elegant houses, (5 in Waulagoda) and improvements to existing structures, cars, property, trips abroad, and such economic benefits, the range and magnitude being of a degree that would never have been within their reach outside of tourism.

Yet their organisational ability, keen sense of drama, musical talent and artistry, agility with which every opportunity is picked up, conversance in several languages sufficient for communication, and the range of ingenious calculatory methods resorted to for extraction, by fair means or foul, with only contempt for the tourist and with out any self respect for themselves—is a matter for wonder.

Little boys and girls who engage in a form of begging on the beaches and on the streets are a nagging menace to the visitors. Benefits are derived through a two-way interaction of subtle extraction, outright begging and charity.

Women selling on beaches escaping the police and security guards, engage in persuasion amounting to pleas for charity—to sell goods of poor quality or as fronts for offering their girls in service to the tourist.

In a situation of survival or starve, these families have opted to survive. They remain a breed of outcasts in the world of tourism.

All these activities are directed to and benefits derived from the “accepted” tourist of the hotel clientele. The “hippy” is not seen as a money making proposition. The interest of the local people in the hippy is in respect of the Rs. 2 or Rs. 3 per room they can obtain by renting out rooms. The pre-occupation of these hippies is between themselves and they are not particularly interested in the local people. They search for an undisturbed quiet place to live cheaply, but in their own way of life, of sexuality, nudity and drug addiction. Ninety eight percent of the respondents of the families studied, referred to them with contempt, their nudity appearing to have affected them most. However homosexuality and prostitution are not attributed to the hippy but to the middle class tourist.

In Waulagoda, material benefits are everywhere visible. Yet the manner of obtaining such benefits have developed techniques and expertise of erosive long term consequence to those values central to our culture. I refer to the sanctity and respect still not lost sight of in our society to marriage and sex; to a development of contempt and disrespect for other human beings, be they foreigners; to extraction and outright robbing in place of traditional Sri Lankan hospitality and kindness; to a reduction to cheap superficiality, cardboard imitation, and commercialized publicity of intimate private functions, religious and ceremonial ritual hitherto performed in cultural contexts of respect and dedicated artistry; to little children gaining a new kind of skill in the subtle art of extracting charity damaging permanently the preservation of self respect and dignity as human beings.

Those families who have not aviled themselves of these avenues remain at low subsistence levels, under greater stresses and burdens of sheer survival.

The middle income groups are those with registered or unregistered guesthouses and restaurants. The males are English educated of minimum S.S.C. level and mostly staff level government servants.

Tourism has been a boon to this group. Opportunities of improving their economic status have been possible through the ownership of at least their own premises and access to credit facilities. The women have found a new outlet for their housekeeping and working skills and where previously confined to their homes have now found a social outlet. All the respondents admitted to their benefits. They have opted for economic advantages as against the damage to the image of respectability still associated with renting rooms to tourists by conventional families.

Yet their way of life, values and habits in all other ways have not changed. Religion is not mixed with their business. Private family life, male/female relationships remain the same. Condemnation of the behaviour of tourists is general—and not permitted in their own premises, is the response from the sample questioned. Their children are sent away from home to their parents, relations, or boarded in schools outside Hikkaduwa.

Batik and readymade garments business have mixed results. A large number of families with badly designed, poor quality mass produced articles make barely sufficient to cover their daily expenses. Many of the local people engaged in these activities are without training in design or colour sense, without market sense, costing or business training. These are a struggling group—of two respondents one had sold 1 piece for the whole season and was deeply in debt; the other had sold 4. The hotels have their own shops. The tourists who come by the way of this group do not spend. The profit margins are very low. The few doing well are owned by artistically trained persons, whose design and colour sense are of a high quality.

Of the families whose girls have been given in marriage, only one has received definite economic benefits. Marriage to foreigners is viewed with disfavour even by the poorest groups. 100% of respondents said that those girls could not have married local

men anyway as they were bad charactered. Eight marriages were reported in the last year. Parents of the girls admit to their consent only with the hope of getting some economic benefit and a better future for the girls themselves.

The "hippy" has been condemned by 100% of the fishing group-but mainly on hearsay-of nudity, promiscuity and narcotics. 80% of the others while condemning their behaviour would not wish to stop them, being their only source of economic gain.

Behaviour within the hotels is admitted to by all managers and assistant managers interviewed as a package of the worst aspects of European culture. "But we need the foreign exchange" is the plea from this group.

A special brand of expertise is generated through the hotels. Professional training is imparted at great cost through the Hotel School, and through in-service training, to the cream of our youth with basic qualification of G.C.E.(O) and S.S.C., from schools as Royal College, St. Thomas, St. Josephs and good central schools in how best to serve the white man, running to serve his least whim and fancy. A generation of trained waiters. The best looking young women whose priority qualifications are their vital statistics, are exposed to please the white man's lewd eye in the name of foreign exchange in the name of development. Whither Tourism and Development?

Discussion

Mr. P. C. S. Fernando — Would the language barrier be an obstacle to interaction between the tourists and the local population?

Mr. Roland Silva — This problem does exist but this is half the fun in such interaction. The type of people who take an interest in social and cultural interaction with tourists are educated in some international language and can establish some sort of communication with tourists.

Prof. B. L. Panditharatne — In Thailand there is the problem of distance from the capital city and a real difficulty of language exists.

Prof. C. R. de Silva — There seems to be a gap between the idealistic expectations discussed by Mr. Silva and the actual situation in Hikkaduwa presented by Mrs. Perera's valuable case study which shows that interaction is based more on mercenary motives and prostitution than on peace and understanding.

Mr. Roland Silva — I agree, but we cannot take a negative "look up your daughters" attitude. Efforts must be made to improve the level of interaction.

Prof. (Mrs) Swarna Jayaweera — Mrs. Perera's study shows that cottage industries in Hikkaduwa have not improved as a result of tourism and this may be true of other tourist resorts as well.

Prof. C. R. de Silva — The case study also indicates that the process of modernization does not occur with the development of tourism.

Mr. Nima'asiri Silva — The Tourist Board has set up a Committee to study the adverse social effects of tourism. One of the reasons for the imbalance in development at Hikkaduwa is the type of tourist who frequents this area. There are about 300 hippies who patronise small huts and pay about Rs. 5 per day. Even the hotels that have come up here were jerrybuilt and do not conform to Tourist Board standards. They cater to a low income group whose buying power is poor and the generation of foreign exchange is minimal.

Mr. A. Moosajee — There appears to be a lack of implementation in the planned development programme. Some of these evils have been eliminated at Bentota where there has been an attempt at intergrated development and genuine efforts have been made to employ people from the area in the hotels. On the other hand what has happened at Hikkaduwa is happening at Negombo and could happen at Trincomalee since these are not demarcated as development areas. It is not too late even at this stage to do something.

This Seminar would serve a useful purpose by spotlighting the frightening situation which exists at Hikkaduwa, if the authorities are persuaded into taking immediate steps to establish development zones and integrate society and the economy into a planned pattern of village development.

Hotels are being constructed haphazardly at Sigiriya, Giritale, Polonnaruwa, Passekudah and other places and there is no central controlling authority and no proper policy. Structures which are not up to standard should not be allowed in order to attract only the better quality tourists. Although the Tourist Board has the powers to do so they have been slow in implementing them.

Mr. Nimalasiri Silva — The Tourist Board is not responsible for what is happening at Hikkaduwa. In a free society it is difficult to stop entrepreneurs from moving in where land and capital is available and cashing in on the economic boom resulting from tourism. The only approved hotel in Hikkaduwa is the Coral gardens hotel which is the former resthouse converted and now made economically viable. In contrast to Hikkaduwa there is Bentota where the development has been controlled and there has been a beneficial impact on the cultural activities. A local pola has been started where cottage crafts are freely sold. The Tourist Board is being accused of taking the best land and beaches if we take over more areas for development it will be told that the Board is taking all the virgin land and spoiling the environment.

Mrs. Iranganie Serasinghe — It is not only the hippies who are responsible for prostitution. The affluent class is also responsible and this is happening quite openly.

Mrs. Lakshmi Perera — The criticism in my paper was not directed at the hippies. The hippies come in search of peace, they keep to themselves and their drug taking and sexual activities are also confined generally to their own circle because they do not have much money to spend. The general trend is to blame everything on the hippies but it is the affluent hotel clientele which is responsible, It would be worth while doing a survey on these aspects. My main study was on the status of women and these aspects were studied only incidentally.

Mr. J. Diandas — It would be useful to find out whether what appears to be the case is actually the case.

Mr. A. Moosajee — Prostitution is a human weakness which is prevalent everywhere and the fact that it is taking place among tourists does not mean that we should stop tourism. The total social impact of tourism should be evaluated. As discussed earlier, in a planned environment such as Bentota there seems to be better integration between local community and tourists and less vice. There is a need therefore for a controlling body and for the Tourist Board to implement the powers given to them under the Act,

Ms. Kumar Rupasinghe — The cynicism expressed about prostitution is indeed amazing and I find it difficult to speak without emotion. It is happening not only at Hikkaduwa but also in Kandy, Bentota, Passekudah, Trincomalee and elsewhere and all the evils of tourist pollution are having a multiplier effect, while all governments have been committed to promoting tourism.

One other question which has not been raised is that of hidden surplus appropriation to show the resources taken out of the country. What proportion of our antiques, gems, animal skins, ola leaf documents, and other cultural artefacts have been removed by tourists.

There is also the rise in land values, food and drink because of tourist spending and the resulting opportunity cost for local residents. The total cost to the country has not been looked at.

Tourism is also having a major impact on our youth psychologically and causing fundamental changes in value orientation along the entire coastal belt.

The impact is greater on a small country like ours and the Tourist Board cannot devolve itself of responsibility for the effects of tourism on areas which are not marked as development areas. They should take the initiative in discussing these problems with the government in power and taking remedial action.

Mr. A. S. Jayawardene — The social cost of tourism has been clearly shown. I think it is futile to expect to develop tourism and expect other things like prostitution not to develop. The only difference between Hikkaduwa and Bentota is that in the latter it is more controlled and organised.

The solution proposed of demolishing small hotels and building large hotels will make the problem worse. Instead of giving tax holidays the government should levy a tax on the tourist industry and use this to establish a scheme of rehabilitation. Our ancient cities like Sigiriya and Anuradhapura have been in existence long before the tourists came, but the Tourist Board is now using these already existing assets to make huge profits without any inputs and with no sense of social responsibility. The preservation of the ruined cities should be the task of the Tourist Board.

Mr. Nimalasiri Silva — The Tourist Board is not turning a blind eye to any of these problems. We realise that with the growth of tourism there has been an increase in prostitution and that school drop-outs increase during the tourist season. But what are the solutions to these problems?

Dr. Senaka Bandaranayake — The only immediate step is for the Tourist Board to accept social responsibility which should reach out to other areas too such as the natural environment. The Tourist Industry is fast acquiring every scenic spot in the country for tourist resorts. Future generations of this country will be deprived of the natural environment, which is their right,

The Tourist Board view that it is sponsoring cultural activities. This cannot be considered sponsorship merely because one mask maker has made a fortune. There is a dangerous tendency for talented artists to paint pictures for foreigners and lower their standards.

Mr. Roland Silva — The comment on debasement of the social and cultural set-up is a valid one. What is the practical solution to the problem? Is it to close up the industry or possibly to regenerate it? The point that has emerged is that the Tourist Board should not only look after the areas coming within its purview but also other related areas.

The psychology of a tourist has to be studied. Looking at the problem from this angle there is also the possibility of distracting tourists from activities that we do not approve of by organising cultural activities. At the same time definite regulations should be introduced to stop vice and prostitution.

Dr. A. Gnanasunderam — Speaking from the experience of New Zealand (where I reside), the importance of Tourism as a foreign exchange earner should not be over-emphasized. It is important to consider the population and size of the country and look into the development of the tourist industry very carefully. Is society to pay such a high price to earn a little foreign exchange? Steps should be taken to see that economic pressure does not force people to perform acts which are degrading. We should learn from the mistakes made by the West and not repeat them.

In New Zealand a body has been appointed giving people an opportunity to participate in discussion and policy making on Tourism.

Dr. H. N. S. Karunatilake — To recapitulate what has been said earlier, the tourist industry came into being 12 years ago not so much because the government wanted it but because of private entrepreneurs with black money wanting to evade tax starting on building hotels etc. without having a clue about tourism. The only reason for the proliferation of hotels was the tax concessions. The first solution then is to tax the tourist industry like any other industry then the price distortion will be removed and the industry will find its own level.

The total foreign exchange earnings in 1977 was only \$ 23 million. This foreign exchange could have been earned by exporting another 5 million kg. of tea. If the target is to earn more foreign exchange in a shorter time then this can be achieved by increasing tea production.

Even employment-wise for such a colossal investment the returns are infinitesimal. Finally if we want to maximise returns we should charge effective rates without making this country so cheap to live in.

These are the broad lines on which future policy should be oriented.

Prof. C. R. de Silva — What happens if prices are raised and tourists shift away from Sri Lanka?

Dr. H. N. S. Karunatilake — This should not matter. We should depend on quality not quantity and attract the high spending tourist.

Mr. P. Endagama — We cannot put the total blame on tourists. The local people are also partly to blame for the cultural debasement, because most of the people who have been attracted to invest in this industry are de-nationalised people without much feeling towards the country, Money seems to be everything to them. We should educate them on our social and cultural values.

Mr. Nimalasiri Silva — The Tourist Board is also anxious to attract the affluent tourists. But there are local and world constraints such as lack of direct air lines from North America where the more affluent tourists come from. The Tourist Board is trying its best to bring in more traffic from that part of the world.

In conclusion I wish to thank the Social Science Research Centre of the National Science Council for organising this Seminar for a free and frank exchange of ideas on the tourist industry. The Tourist Board will pool all these ideas in developing policy in the future and we wish to thank all those who contributed to the discussion.

Prof. C. R. de Silva (Chairman) — The Social Science Research Centre chose the topic of Tourism for this seminar because it is an area in which much investigations have not been done. The Centre has limited funds for research grants but would welcome research projects in this field for funding.

On behalf of the Social Science Research Centre I wish to thank all the participants for making this Seminar an interesting, useful and enjoyable one.

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