

TOURISM: The Sri Lanka situation and global trends

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By the end of 1986 as many as 23 of the hotels in Sri Lanka, constructed to cater to international tourist demand remained totally inoperative. Tourist Board data showed that tourist arrivals in the country from all destinations had plunged sharply, from a peak of 407,000 in 1982 to 203,106 in 1986, resulting in a fall of tourist inflows by nearly 43 percent. One effect of this slump in tourist arrivals was that the hotel sector was in crisis and not being able to repay its bank loans had to seek government relief. By 1986 a total of 186 hotels were asking for a rescheduling of their loan repayments and 66 had been granted concessions. Amidst this deteriorating situation there was an increase to six of the major new hotels operating in Colombo, with the opening of a Colombo Hilton of 19 stories, covering 7 acres of prime property in the heart of Colombo and adding 309 more rooms to the 2,150 already operative in the Colombo resort area.

Definitions

The definition of tourism covers both the entire activity of travelling for recreation and like purposes; or the industry involved in guiding and accommodating tourists. A tourist is generally regarded as a person who visits a country, other than that of his permanent residence, at least for twenty four hours, irrespective of his motive to travel. Tourist travellers are largely composed of vacationers, business travellers, excursionists, pilgrims etc. A vacationer as explained in the European literature is a person who visits a country other than that of his permanent residence, for a period of at least four nights in any one trip.

International Tourism

International tourism is composed of three broad categories of travellers:

- (a) Travellers among the developed countries;
- (b) Travellers confined to the region where they are domiciled; and
- (c) Travellers touring to long distant destinations.

In the case of international tourism the bulk of travel yet takes place between the developed countries. One reason for this is that most of the developed countries in the West are physically and economically bound close to each other and travel formalities such as transport, visas, exchange etc. are generally not a problem. For instance, any European inhabitant can travel in an EEC country or EFTA country without the obligation of obtaining a visa.

International tourism, as travel trends over the last few decades reveal, generated largely from three bases, namely:

- (a) North America, including U.S.A. and Canada;
- (b) Western Europe, including EEC and EFTA countries; and
- (c) Pacific developed countries including Japan, Australia and New Zealand.

Another significant generating base had been South Africa, but over the last two decades its importance has declined considerably.

Growth of Global Tourism

The growth in international tourism showed rapid advances only after the early fifties. The removal of the post World War II restrictions for across the board travel and exchange transactions from the 1950's cleared the way for this growth. However, post war anti-Nazi feeling and the destruction of the country kept Germany apart for some time, while Japanese tourism became prominent only in the late 1960's when travel sanctions imposed

by some nations ceased to exist.

During the 1950's and early 60's tourist travel in Europe and America was mainly confined to destinations within the region and very largely to the neighbouring countries. The rapid economic reconstruction and progress in the West in the late 1960's with enhanced disposable family incomes induced the traveller to seek more variety in their holiday destinations. Also, increased air traffic operations with 'jumbo' sized long range carriers at reduced or off schedule prices induced more travellers to enjoy the environment, culture, scenery and habitats of distant destinations. This thrust was further intensified when these travellers realised they could enjoy a considerably cheap consumption level and the traditional hospitality of most third world countries. Instead of being trapped in a high cost winter, it was also financially profitable for some inhabitants in developed countries to travel to the tropics where they could enjoy a cheap holiday package, cheap accommodation and food, travel and entertainment. The receiving countries too when they found tourism to be a good source of hard currency promoted it, providing these tourists with competitive facilities and complete freedom of movement and behaviour.

From 1950 to 1970 the global visitor arrivals including those of vacationers, business travellers etc. grew from 25 million to 168 million registering an average annual growth of 10 percent. The receipts from this tourism within this period grew even faster than the volume of tourists. For example, total receipts increased from U.S.\$ 2.1 billion to U.S.\$ 17.4 billion, undergoing an average annual growth rate of 11 percent.

During the decade of 1970's global tourist arrivals increased by 116 million, going up to 284 million in 1980 from 168 million in 1970. However, the average annual growth rate during this decade of the 70's compared to the 10 percent of the two earlier decades was at a reduced rate of 7 percent. Although receipts from tourism

fluctuated, a six fold rise was sustained from US\$ 17.4 billion in 1970 to US\$ 102.4 billion in 1980. The comparative average annual growth rate too increased more than four times from the earlier to 48.8 percent per year.

These trends of these three decades, of faster growth both in numbers and receipts of tourism, changed after 1980. It is true that excluding the year 1982 the overall volume increased. For example, arrivals in 1986 amounted to 340 million, and recorded 155 million over the 285 million arrivals in 1980. (See table 1). The relative annual growth rate averaged 3.3 percent. Arrivals in 1982 underwent a drop of 2 million from 1981. Again, from 1985 to 1986, the annual growth rates kept continuously deteriorating dropping by 7.5 percent, 5.4 percent and 2.4 percent respectively.

The most depressing picture for the industry during the 80's is portrayed in earnings from international tourist receipts between 1980 and 1986 which had growth by only \$ 1.26 billion. This was a very disappointing figure compared to the growth of \$ 85 billion during the previous decade. These receipts dropped to \$ 98.5 and \$ 98.3 billion in 1982 and 1983 respectively from \$ 102.4 and 104.3 billion in 1980 and 1981. The earnings in 1984 which amounted to \$ 102.5 billion was an insignificant marginal improvement over the earnings of 1980.

The total receipts from global tourism in 1986 accounted for 5.1 per-

cent of the \$ 2,250 billion total value of global exports of all commodities in the same year. The comparative percentage was higher in 1981 at 5.3 percent. During the 10 years ending 1985, the tourist industry emerged as the largest component of the world trade in services. In 1985 international tourism receipts had accounted for 28.5 percent of the world's \$ 345 billion earnings from global trade in services.

Regional Concentration of Tourism

During the 1960's and 70's tourism had been a phenomenon peculiar to the industrialized countries. Total arrivals in the OECD countries had accounted for 70 percent of the global total. Receipts of the countries during this period had amounted to over 80 percent of the global tourism receipts. This high significance of arrivals from the developed countries, relative to global arrivals, continued into the 1980's. For instance, the OECD countries total arrivals which amounted to 231.4 million in the 1980's formed 81.5 percent of the global arrivals (see table 2). In 1986 this number had risen to 261.5 million, making up 76.9 percent of the global total. Comparative data relating to receipts during the two years 1980 and 1986 are \$ 73.9 and \$ 82.1 billion, accounting for 72.5 percent and 71.3 percent respectively of the aggregate global arrivals. The magnitude and growth of arrivals in Europe and the receipts in these countries have been the largest relative to different regions where tourism was concentrated in the

1980's. The average annual arrivals during 1980-1986 inclusive, in Europe, amounted to 207.3 million while the receipts amounted to US\$ 59.7 billion. Compared to the global averages \$ 306.1 and \$ 104.4 billion in receipts, arrivals had grown from 196 million in 1980 to 227.5 million in 1986, an increase of 31.5 million and shown an average annual growth rate of 2.3 percent. The receipts for this period had increased at an average annual growth rate of 1.3 percent to \$ 66.5 billion in 1986 from \$ 61.5 billion in 1980. From 1982 both the growth of arrivals and receipts had been continuous and steady.

The downward trend in the percentages of European countries was largely in numbers, though the fall in receipts was less marked, indicating a preference for diversification in tourism towards the developing countries.

In the first three years of the 80's the Central, South American and Caribbean region arrivals decreased from 18.3 million in 1980 to 16.8 million in 1983. The curve turned upwards, in 1984 and was followed by a steady improvement through 1986. However, in contrast to this situation in arrivals, the receipts in this region were unsteady and volatile. While arrivals fell from 18.3 million to 17.5 million in 1981 receipts increased from \$ 13.2 billion to \$ 14.6 billion. With the 4.6 percent fall in arrivals in 1982, receipts fell by 20 percent. Again the rise in arrivals in 1983 did not result in increased receipts. Country wise receipts fell from \$ 11.6 billion to \$ 10.5 bil-

TABLE 1

WORLD TOURISM STATISTICS

YEAR	INTERNATIONAL ARRIVALS (IN '000)	INTERNATIONAL TOURISM RECEIPTS (US \$ MILLION)	INTERNATIONAL TOURISM EXPENDITURE (US \$ MILLION)	EXPORTS (US \$ MILLION)	IMPORTS (US \$ MILLION)	NUMBER OF ROOMS	NUMBER OF BEDS AVAILABLE
1980	284,841	102,363					
1981	288,848	104,296	98,581	1,952,081	1,915,003	8,701,423	17,002,223
1982	286,958	98,598	93,498	1,859,240	1,801,349	9,216,782	18,078,855
1983	293,944	98,338	92,327	1,858,311	1,760,882	9,683,001	18,839,486
1984	315,359	102,482	92,671	1,985,314	1,879,617	9,801,437	19,145,536
1985	332,991	109,566	98,626	1,930,400		9,931,874	19,392,333
1986*	340,000	115,000		2,250,000			

Prepared by: Sanath De Silva.

* Estimated.

lion. From 1983 arrivals increased at an annual rate of 6.0 percent while receipts grew at a slower pace of 5.4 percent. Hence, what the region could receive in earnings from tourism in 1986 remained considerably below the receipts in 1981.

Tourist arrivals in the middle east region also did not undergo a significant growth during the first six years of the 80's, either volumewise or receipt-wise. Arrivals in 1985 reached 7.1 million, from 5.8 million in 1980, but fell to 6.0 million in 1986. The receipts increased by \$ 1 billion between 1980 and 1985. Since 1983, receipts moved in the same direction the arrivals moved, but before 1983 so close a concomitant change could not be seen.

Among the developing country resort regions, the South Asian region, including Sri Lanka did not develop to any significant extent. The arrivals of this region in 1986 was 2.5 million relative to 2.3 million in 1980. The yearly movement stayed closely around the average annual arrivals of 2.45 million. On the contrary receipts of the region kept continuously dwindling from 1981 through 1986.

If the absorption of tourists by the Central, South American and Caribbean region countries in the period since 1982 (which did not have an impressive income effect) is excluded, the concentration of tourists arrivals seems to have been largely diverted towards the East Asian and the Pacific region. Not only have the arrivals of this region almost doubled from 19.9 million in 1980 to 39.5 million in 1986, but the growth rate has been continuous and steady. The average annual growth rate during the period has amounted to 16.4 percent ranging from a high of 17.9 percent to a low of 4.7 percent.

The receipts of the East Asian and Pacific Region also had increased considerably though they were a little below the growth rates achieved by the arrivals. For example, the receipts had grown from \$ 7.5 billion in 1980 to \$ 12.5 billion in 1986, averaging a growth rate of 11.9 percent per year. The growth has been steady and continuous. The average arrivals in the region and the average receipts of the region accounted for 9.4 and 9.5 per-

cent of the average global arrivals and receipts; and 13.9 and 16.7 percent relative to the average annual European arrivals and receipts during the period 1980 to 1986 inclusive.

Sri Lankan and Global Tourism

Compared with the global tourist arrivals Sri Lanka arrivals are infinitesimally small. For example, in 1980 Sri Lankan arrivals accounted for only 0.1 percent of the global arrivals. By 1986 this percentage further diminished to 0.7 percent. Within the South Asian region Sri Lankan arrivals formed 14.1 percent of the region's total in 1980 and this percentage dropped to 9.0 percent by 1986. Receiptwise too Sri Lankan tourism generated only 0.1 percent of global returns in 1980, which moved down to 0.06 percent in 1986; while as far as tourist revenue generation in the South Asian region was concerned the receipts in the years 1980 and 1986, accounted for 7.1 percent and 5.0 percent of the region's total. Compared with both the global and Asian figures there is a clear indication that Sri Lankan tourism in the 1980's especially in 1986 as compared to 1980, experienced a definite setback.

Upto 1982 both the Sri Lankan arrivals and receipts generated from tourism progressively moved up. In 1982, Sri Lanka had 407,000 tourist arrivals, a 26.4 percent increase over the 322,000 that arrived in 1980. Compared with the 118,971 arrivals in 1976, the increase in 1982 was as much as 242 percent. The receipts of Sri Lankan tourism between 1980 and 1982 increased from \$ 111 million to \$ 132 million representing a growth of 18.9 percent, a progress less significant than that of the growth in arrivals. Relative to the earnings in 1975, the earnings in 1982 showed an improvement by 12 times at current prices.

Tourist arrivals in Sri Lanka experienced a falling trend from after 1982 with an average annual rate of decline of 10.8 percent. The arrivals in 1986 amounted to only 230,106. The receipts from tourism fell to US\$ 7 million in 1985 with income generated over these three years being almost halved. Despite the continuous fall in arrivals receipts in 1986 resulted in a marginal increase. (During the first six

months of 1987 the Central Bank reported a 37 percent drop in earnings from tourism as compared with the first six months of 1986). Although the number of tourists and receipts were dwindling the number of rooms had increased from 6,797 in 1980 to 10,897 in 1985. This number of rooms formed 0.08 and 0.1 percent of global room capacity in 1980 and 1985.

Recent Trends in Tourism in Sri Lanka

During the end of the 70's and the early 80's tourism provided a large slice of foreign exchange earnings and generated substantial economic activity in Sri Lanka. In the year 1982 tourism added Rs 3,050 million to the foreign exchange earnings of the country; which was 132.7 million in SDR terms. The foreign exchange generated by this sector was only below those of earnings from tea, petroleum, apparel exports, and foreign employment remittances during that year. In terms of SDR, earnings from tourism had shown a continuous rise since 1976.

Since 1982, incomes generated in the tourist industry were on the decline both in absolute and relative terms. In 1983 foreign exchange earnings in the sector amounted to Rs 2,896 million, which in later years continued to drop further to Rs 2,670 million, Rs 2,239 million and Rs 2,000 million respectively. In SDR terms these earnings amounted to 115.1 mn, 105.0 mn, 72.6 and 60.8 mn respectively from 1983 to 1986. Earnings in 1986 in SDRs were only marginally above what was earned in 1979, seven years earlier.

In 1980 there were 182 establishments providing accommodation for tourists both in the formal and informal sectors of the tourist industry in Sri Lanka. Among them 101 were graded establishments consisting of 6,042 rooms, equipped with 11,790 beds. Establishments, in the informal sector in the same year had 765 rooms with 1,546 beds. During the year 321,780 tourists arrived in the country. Of these arrivals 21,594 had come for business purposes while 291,999 had

come for holidays, leisure etc. 68.3 percent of the arrivals in the year had been from Europe inclusive of EEC, EFTA and East European countries. Second to this area were arrivals from Asia, which numbered 72,022 or about 22 percent of total arrivals. The Asian arrivals in the early 80's were largely dominated by Indians who came mainly with the purposes of making purchases in the duty free shopping complex.

Tourists visiting Sri Lanka in 1980 stayed in the country for an average of 11 days per tourist. Graded hotels had tourists for two million guest nights, whereas, the informal sector hotels and guesthouses could operate only 200,000 guest nights. Thus the average operative guest night per graded hotel was 19,801; while in the informal sector this amounted to 2,469 guest nights.* In terms of room capacity the average effective guest nights per room in graded hotels was 331; while in the informal sector it amounted to 261. This indicates that the guest night capacity utilization in the formal sector was better than that of the informal sector. For instance, in the formal sector the guest night capacity was 4,303,350 and the utilization amounted to 46.5 percent. In the informal sector the guest night capacity was

564,290 out of which 200,000 guest nights or 35.4 percent of the capacity had been utilized.

The average per capita expenditure incurred by tourists during the year had amounted to S 31.20 or Rs.561.60. The average occupancy rate in the whole country had amounted to 57.8 percent, while the regional figures were 70.7; 64.1; 52.2; 47.3; 34.2; 54.3; and 25.4 percent in the resort regions of Colombo City; Greater Colombo; South Coast; East Coast; Hill Country; Ancient Cities; and Northern Region, respectively.

During 1981 and 1982 tourists arrivals kept increasing with the arrival figure going up by 26.6 percent to 407,230 in 1982. During the five years ending 1982 tourist arrivals into Sri Lanka had increased at an average annual rate of 21.8 percent. Annual growth rates within these five years had ranged between 29.8 percent and 9.9 percent, and from 1979 the growth rates showed a consistent decline from 28.6 to 15.2 and 9.9 percent.

* (guest nights or tourist nights capacity = The number of beds x 365).

In 1982 as many as 360,824 arrivals, comprising 88.5 percent of the total, had come for purposes of enter-

tainment; while 27,489 came for business purposes. This was a reduction from 90.7 percent arrivals for entertainment purposes in 1980. Although in absolute numbers there was an increase between 1981 and 1982 total arrivals reached a peak in 1982 mainly because of the big increase in arrivals in the Asian region. The number of Asian arrivals in 1982 was 133,886 or 85.9 percent more than the number in 1980. If these Asian arrivals in 1982 were excluded from the total it would appear that the peak in tourist arrivals was in 1981 and not in 1982. Between 1980 and 1981 the arrivals from North America and Australia also increased though this increase could not be considered quite significant in terms of both growth rate and number of arrivals. To meet the increased demand from the larger number of tourists in 1982, the number of establishments providing accommodation increased by 58 establishments bringing the total number of establishments to 290. These were made up of 120 establishments in the formal sector and 140 in the informal sector. Expansion in terms of establishments was faster in the informal sector. For instance, the increase between 1980 and 1982 in the formal sector was 21.8 percent while in the

TABLE 2 INTERNATIONAL TOURIST ARRIVALS BY REGION (IN '000)

YEAR	AFRICA	NORTH AMERICA	CENTRAL & SOUTH AMERICA & CARIBBEAN	EAST ASIA AND THE PACIFIC	EUROPE	MIDDLE EAST	SOUTH ASIA	(SRI LANKA)
1980	7,070	35,376	18,327	19,967	196,000	5,821	2,280	322
1981	8,046	35,891	17,573	23,446	195,289	6,160	2,443	371
1982	7,646	34,099	16,797	24,521	194,490	6,993	2,422	407
1983	7,854	32,932	18,344	26,839	199,433	6,053	2,489	338
1984	8,618	32,326	19,729	31,302	214,405	6,513	2,466	318
1985*	9,070	32,487	20,307	36,985	224,488	7,115	2,539	257
1986*	8,800	34,000	21,650	39,500	227,500	6,000	2,550	230
INTERNATIONAL TOURISM RECEIPTS BY REGION (US \$ MILLION)								
1980	2,710	12,342	13,163	7,471	61,654	3,474	1,549	111
1981	2,878	14,715	14,563	8,899	57,240	4,130	1,871	132
1982	2,767	13,740	11,628	9,334	55,577	3,886	1,866	147
1983	2,612	14,006	10,529	9,800	55,824	3,920	1,847	128
1984	2,517	14,247	11,485	10,432	58,054	4,130	1,817	106
1985	2,854	11,906	11,308	62,779	62,779	4,477	1,523	74
1986*	2,900	15,650	12,250	12,500	66,500	3,700	1,500	76

* Revised estimates

Prepared by:- Sanath De Silva.

informal sector it was 48.4 percent. Also the formal sector was able to make available 7,539 rooms with 15,001 beds. The bed strength in the formal sector was increased by 24.7 percent while in the informal sector it increased by 51.5 percent.

But the increase in the number of rooms was more rapid than in the actual number of arrivals between 1981 and 1982. These relieved slightly the pressure of tourists for rooms; as in 1982 the number of tourists per room was 46.8 percent compared to 47.3 percent in 1980. The impact of slow down was further compounded by the reduction of duration of tourists stay in the island. The average duration per stay of a tourist in 1982 amounted to 10 nights in 1980. The number of occupied guest nights in the graded hotels increased to 2.1 million reflecting an increase of 0.1 million; while the stay in the informal sector dropped from 0.2 million to 0.1 million in 1982. Thus the average occupied tourist nights per hotel amounted to 17,073 in graded hotels and 854 in informal sector establishments. In terms of rooms the average occupied tourist nights per room were 278.5 in the formal sector hotels while it amounted to 86.3 in the informal sector.

Of a total capacity of 5,475,000 tourist nights in the formal sector and 856,290 in the informal sector, capacity utilization had decreased to 38.3 percent in case of the formal sector and 11.7 percent in case of the informal sector.

The average tourist per capita expenditure in 1982 had increased to US\$ 36.21 or SLR 771 compared to that of 1980, although capacity utilization showed a decline. The average occupancy rate in the whole country amounted to 47.8 percent; while it amounted to 62.4, 49.3, 46.6, 45.0, 37.6, 40.0 and 20.2 respectively in the regions of Colombo City, Greater Colombo, South Coast, East Coast, Hill Country, Ancient Cities and the North.

The deterioration that set in to Sri Lanka's tourism from 1983 is reflected

in several aspects of the industry's activity. The drop in receipts can be related to the fall in arrivals which declined over these four years from 337,530 to 317,734; 257,456 and finally to 230,106 in 1986. The annual rate of decline for this period was 17.1, 6.9, 18.9 and 16.6 averaging 13.3 percent for the period. The most severe drop was recorded in 1985.

Upto 1984 the number of establishments providing accommodation for tourists and increased (Table 4). In the year 1985 the available accommodation came down to levels prevailing in 1983, that is, 271 establishments in both 1985 and 1983. The decline continued into 1986 when the number came down further to 237; which was even below the available accommodation level of 1982.

The drop in accommodation in 1986 was heavier in the informal sector with 14 hotels in the formal sector closing for business; while 20 establishments in the informal sector ceased functioning. The number of rooms in the graded hotel sector increased faster than those in the informal sector upto 1986. For instance, between 1982 and 1986, in the graded sector 2,287 rooms were added bringing the total to 3,784. In 1986 the number of rooms in the sector was 6,084 and therefore between 1980 and 1985 there had been an increase of 3,374 or 62.8 percent.

In the informal sector the number of rooms added since 1982 is considerably small with an increase of only 21 rooms between 1982 and 1985. On the other hand between the years 1980 and 1982 there was an increase of 404 rooms in the informal sector. Unlike the formal sector the drop in the informal sector occurred from 1985; and in this year accommodation capacity was reduced by 90 rooms. However, in 1986 in contrast to the drop in the formal sector in the informal sector there was a slight increase in room capacity.

The gradual decrease in the availability of rooms with a faster decline in tourist arrivals created greater pres-

sure on the unutilised room capacity. During 1985 the number of tourists per room averaged 20.9 percent which was over 50 percent less than the 47.3 percent and 43.6 percent per room in 1982 and 1983. The number of guest nights in graded hotels dropped to 1.7 million while in the informal sector too it declined to 90,000. The average tourist nights per occupied establishment was 7,173 and 849, respectively, reflecting a sharper fall in the graded sector. Compared to a capacity utilisation of 38.3 percent in the graded sector and 11.7 percent in the informal sector in 1982 capacity utilisation came down to 24.1 percent and 10.3 percent, respectively. The average expenditure per day of tourists also dwindled from the peak of 28.3 percent in 1985 to 29.6 percent by 1986. Although there was a slight improvement in the average room occupancy rate in graded rooms from 32.7 percent in 1985 to 33.1 percent in 1986, this was more the result of a reduction in the number of hotel rooms due to hotel closure rather than an improvement in room occupancy.

Resort-wise occupational rates also declined with hotels in the Northern and Eastern regions virtually unutilised and the Ancient Cities region also experiencing very low occupancy levels. Resort wise occupancy rates in 1985 were Colombo City 38.0; Greater Colombo 35.1; South Coast 34.1; East Coast 7.9; Hill Country 28.0; Ancient Cities 27.6 and Northern Region 1.6; while in 1986, the respective occupancy rates declined to 37.2, 31.9, 32.7, 2.9, 26.8, 29.5 and 0.9.

During this period there was a significant drop from arrivals in the Asian region, particularly Indian tourists. Since 1984 arrivals from India had continued to decline owing to the imposition of stringent regulations in regard to allowances granted by the Indian government to its nationals returning from Sri Lanka. The Asian market which was the second largest for Sri Lanka declined as a result, by 16 percent in 1986. Arrivals from other main markets such as North

TABLE 3
EARNINGS FROM EXPORTS AND TOURISM 1976-1986

YEAR	TEA	RUBBER	COCONUT	APPAREL PRODUCT	GEMS	PETROL- EUM	TOUR- ISM	Value SDR Million
								GNP
1976	215.8	91.4	50.8	7.1	26.9	52.3	24.4	3019.8
1977	336.1	89.3	47.5	13.4	28.6	57.3	34.8	2852.0
1978	326.9	103.2	64.9	24.3	27.1	47.3	44.4	3304.4
1979	284.3	123.8	84.4	54.8	24.3	95.7	59.0	2460.6
1980	286.7	120.4	57.3	84.0	30.8	89.6	85.0	2872.4
1981	284.3	127.4	63.4	130.4	27.9	137.7	110.3	3424.1
1982	276.0	101.1	65.1	142.7	29.8	142.7	132.7	4034.8
1983	329.7	113.3	76.3	127.5	37.4	106.6	115.1	4398.4
1984	604.5	126.6	79.0	261.2	27.1	126.1	105.0	5239.2
1985	434.4	92.9	111.0	262.6	31.6	140.3	72.6	5245.1
1986	281.0	80.0	73.0	261.4	23.0	72.0	60.8	4858.7
								Value Rs. Million
1976	2099.7	889.6	374.6	68.7	261.4	509	237.8	27750
1977	3502.5	930.6	334.7	139.7	297.9	597	363.1	34432
1978	6400.9	2020.6	971.6	475.3	531.0	926	870.0	40232
1979	5722.2	2491.4	1297.6	1103.5	490.1	1926	1188.0	49532
1980	6170.1	2590.4	753.8	1808.4	663.7	1928	1830.0	61814
1981	6444.0	2889.0	1010.7	2956.8	632.5	3122	2500.0	77625
1982	6342.2	2322.6	1002.6	3278.9	684.9	3280	3050.4	92720
1983	8295.2	2851.8	1409.1	4466.2	940.9	2682	2896.1	110,664
1984	15764.3	3301.3	1552.7	6812.4	616.5	3288	2737.8	136638
1985	12002.8	2566.0	2383.0	7256.7	560.6	3877	2239.3	144921
1986	9252.8	2622.0	2401.7	8600.0	755.1	2368	2000.0	159,852

America, Australasia, and Eastern Europe by 11, 28 and 10 percent, respectively. West European arrivals which reached a peak of 250,474 in 1982 had come down to 145,786 by 1986.

Economic Importance of Tourism

In 1975 income from tourism had accounted for 0.6 percent of Sri Lanka's Gross National Product at current factor cost prices (See table 3). In terms of SDR it was 0.8 percent and in that year receipts from tourism were below those of foreign exchange receipts from tea, rubber, petroleum products and gems. By 1980 the difference in earnings from petroleum products and tourism had narrowed, with tourist earnings increasing at a faster rate. In 1982 the significance of tourism in the GNP had increased to 3.3 percent and during this year receipts from tourism exceeded those from rubber and occupied 4th place as a source of foreign earnings in the country. By 1986, however receipts from tourism dropped to 5th position and its significance in the GNP also came down to 1.2 percent.

The Ceylon Tourist Board has estimated that gross foreign exchange

earnings from tourism in 1986 was Rs.2,000 million (SDR 61 million), the lowest since 1980. Though a marginal decline over 1985 in Rupee terms, in SDR terms it was a decline of 16 percent. When compared with the peak of level of earnings of SDR 133 million in 1982, earnings in 1986 had shown a 54 percent drop. In 1987 too the country's balance of payments showed a significant deficit in the Services Account; and this decline is partly attributed to a drop of almost 35 percent in the earnings from tourism when compared to that of 1986.

Employment opportunities provided by the tourist industry also continued to contract. Compared to an estimated 50,000 employed in 1985 the numbers came down to 48,000, indicating a 12 percent decrease. Of these employed in 1986 about 20,000 were directly employed and about 28,000 were estimated to be employed in the ancillary sector.

"The most serious criticism made against me was that I reluctant to provide funds needed for the country's essential defence requirements. The Leader of the Opposition stated that,

while I had opposed defence expenditure, I had at the same time, permitted wasteful expenditure of large sums of public money on subsidising Air Lanka".

The country's financial and budgetary problems, he said, were due, not to escalating defence expenditure, but to gross financial management, and in particular, to the country's mounting debt service burden. It was my duty, as Finance Minister, he added, to provide the necessary funds for defence, because, as he put it, defence expenditure was sacrosanct and it was the primary duty of the government in power to defend itself against outside threats and internal subversion.

The unstated implication of this long violent harangue in my absence, was that I had not given my full support to the defence establishment in its efforts to maintain the unity, sovereignty and territorial integrity of the country. I want to state most emphatically once and for all that this is a completely baseless allegation. I prize the sovereignty and territorial integrity of Sri Lanka as much as any other member of this House. I have always been ready and willing to meet all the requirements of the Armed Services".

Major Determinants in Tourist Arrivals

From the perspective of the tourism generating countries sample surveys have found that the levels of income, distribution of income, educational levels, social structures, changing vacation habits, degrees of urbanization and geographical location and costs of transport and travel are the principal socio-economic determinants of growth of vacation travel which is the major component of tourism. As a rule of thumb the vacationers in the West are more prone to spend an amount equivalent to one month's income per family on annual leave. This may vary according to the living standards not only from country to country but also within each country. Paid vacations also play a crucial role in the decision making process relating to holiday travel.

From the host country's angle what is important is where the tourists select to travel and what kind of income and social groups are engaged in travelling. In addition to the above determi-

nants the competitive position in the travel services supply sector such as hotels, resorts, entertainment packages, food, beaches and other attractions, travelling and transport facilities, different exchange rates, personal security of travellers etc. influence very much the alternative decision making process regarding destination selection. Tourists are also extensively motivated by the inclination to see different environments cultures, scenery etc. Hence, any country planning for tourism, involving large financial and resource transfers always faces a quandary as to the returns on their investment and viability of their projects, since there is no definite indication of tourist movements and their habits. These elements of risk and uncertainty are comparatively high in the tourism sector. This unpredictable situation has resulted in extensive resources diversification and speculative investment in the early stages and after sometime has caused many of the developing countries, including Sri Lanka, to face a position of capital

resources redundancy.

Empirical studies have indicated that the demand for vacation travel, both domestic and foreign is strongly price elastic and expenditure on long distance foreign travel are highly income elastic. Prices depend on the internal prices of accommodation, food, transport and other levies etc. and the changes in value of individual currencies in terms of hard currencies. However among the tourists a certain amount of rational and comparative thinking in the selection of destination to travel takes place before the decisions are made. They always prefer to maximize the receiving side of the package.

School and worker holiday patterns, individual vacation customs, climatic and geographical factors in both the tourism generating and host countries have made most vacation tourism highly seasonal.

New leisure and promotional practices compatible with climatic and economic conditions are adding to the

TABLE 4 SRI LANKA TOURISM 1977-1986

Item	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1.0 Total Tourist Arrivals (No.)	153,665	192,592	250,164	321,780	370,742	407,230	337,530	317,734	257,456	230,106
2.0 Regional Distribution (% change)		25.3	29.9	28.6	15.2	9.9	-17.1	6.9	-18.9	10.6
2.1 North America	10,137	12,426	13,941	15,408	16,554	17,686	15,852	15,020	10,358	4,232
2.2 Latin America & The Caribbeans	371	498	609	676	652	532	568	486	430	402
2.3 Europe	109,278	134,397	168,801	220,588	250,474	236,228	181,240	194,340	156,044	145,786
2.4 Africa	1,237	1,497	1,646	2,380	2,584	3,012	2,834	2,954	1,512	454
2.5 Middle East	1,077	1,268	1,646	1,986	3,014	3,098	2,780	3,228	1,752	2,134
2.6 Asia	26,158	35,996	56,187	72,022	87,894	133,886	123,798	89,736	79,230	66,280
2.7 Australasia*	5,407	6,510	7,334	8,720	9,570	12,788	10,458	11,972	8,090	5,808
3.0 Purpose of Visits (No.)										
3.1 Business	5,844	11,651	13,406	21,594	23,540	27,484	17,022	10,934	18,214	
3.2 Pleasure	144,148	177,824	227,218	291,999	331,638	360,824	306,824	300,336	234,038	
3.3 Other	3,633	3,117	9,486	8,192	15,564	18,922	13,496	6,464	5,204	
4.0 Excursionist Arrivals (No.)	7,672	8,494	5,563	8,636	7,737	6,632	7,208	8,838	9,882	
5.0 Total Charter Arrivals (No.)	44,125	50,000	63,510	75,270	77,360	65,792	48,654	53,488	49,884	
6.0 Total Engaged in Tourist Industry (No.)										
6.1 Direct Employment	13,716	15,404	18,472	19,878	23,023	26,776	22,374	24,594	22,723	20,000
6.2 Estimated Indirect Employment			24,937	28,022	32,532	37,489	31,234	34,432	31,810	28,000
7.0 Foreign Exchange Earnings (Rs. Mn.)	363	870	1,209	1,830	2,547	3,050	2,896	2,670	2,239	
8.0 Establishments Providing Accommodation (No.)	194	174	169	182	224	240	271	277	271	237
8.1 Graded Establishments	90	96	95	101	115	123	138	146	145	131
8.1.1 Rooms			5,599	6,042	6,891	7,539	8,852	9,627	9,826	9794
8.1.2 Beds			11,212	11,790	13,773	15,001	17,605	18,970	19,358	19301
8.2 Supplementary Establishments	104	78	74	81	109	117	133	131	126	100
8.2.1 Rooms			740	755	993	1,159	1,251	1,270	1,180	1137
8.2.2 Beds			1,541	1,546	2,014	2,346	2,584	2,599	2,837	2386

* Including Australia, New Zealand and Fiji Islands.

Note.—The term "tourist" is used to describe visitors who spend one night or more in the country. The term "excursionist" identifies those who do not make an overnight stay but spend several hours in the country.

Source: Ceylon Tourist Board.

tourist attractions. Apparel and fashion exhibitions, new and exciting sports events and revival of indigenous customs and rituals, theatrical and music festivals are increasingly being tied up with the holiday and vacation travel sector.

Increasing Transnational Impact

A striking feature of the present day global tourist industry is the increasing penetration and dominance of the transnational service conglomerates in almost every facet of activity related to both the supply and demand sides of the holiday, travel, hotel and leisure industry. International tourism has continued to move more and more within the control of these major service conglomerates; and therefore the principal and increasingly overlapping subsectors of the tourism industry now comprise hotels, airlines, tour operators and travel agents. Despite the economic crises of the 1970's, returns from international tourism kept rising rapidly, and according to the World Tourism Organisation Statistics, international tourism receipts moved from \$ 10 billion in 1964 and \$ 17 billion in 1970, to \$ 41 billion in 1975 and \$ 81 billion in 1979; surpassing \$ 100 billion by 1982. Of an estimated 10 million hotel rooms available globally, the twelve largest hotel chains together owned more than one million. These one million rooms were dispersed over 5,000 hotels which had an annual turnover of approximately US\$ 15 billion.

In the overall picture of tourism a notable feature has been the trend towards service conglomeration. Although the specialised transnationalised hotel chains continued to operate (with almost half of them located in the developing countries), they were being increasingly superseded by more complex forms of transnational service conglomerates. Predominant among these were the hotel chains related to airlines. In 1982 twenty of the leading airline companies with tourism related

chains together had a turnover of more than US \$ 40 billion. There were eight airlines dominating tourist travel (outside the socialist countries), each with over \$ 10 billion revenue passenger miles in 1977, among which were TWA, British Airways, Japan Airlines, Air France, Air Canada and Lufthansa.

The tour operator sector, in which "package tours" account for more than 80 percent of tourists is yet not as much under the dominance of transnational corporations (TNCs) as air transport. Nevertheless, this sector is becoming increasingly associated with TNCs, and market shares of some big tour operators have been growing rapidly especially in West European countries.

Another sector feeling the influence of the TNCs is that providing infrastructure facilities for tourism. Hotel construction, roads, esplanades and other buildings, installations, furniture and fittings etc. which are increasingly being connected up with internationally operated design, architectural and construction ventures.

Developing countries, interested in promoting tourism and activities connected with tourism are obliged to seek close connections with the TNCs. These TNCs have found it easier to expand into the tourism sector as a result of their enormous resources and facilities such as computerised reservation systems, brand names and massive promotion campaigns. Foreign exchange, technical expertise, booking arrangements, air transport etc. have to be resorted to from internationally located TNC's which sooner or later influence the activities within the host country. These countries ultimately become vulnerable and dependent on the power of the TNCs. The TNCs have been able to operate with such dominance because they have been able to acquire substantial assets, diversified experience and technology, management systems and organisational methods required for the rapid development of gains from tourism. These TNCs have become owners of

human resources specialisation transport facilities and control accommodation and have also established commercial access to the tourist generating markets and worldwide control of management systems.

The rate of growth in tourism began to slow down internationally from around the mid 1980's, although the number of tourists going abroad had increased from only 25 million in 1950 to 333 million by 1985. In Sri Lanka's case, as has been observed, the slowdown was far more rapid than that of global trends mainly because of the disturbed local conditions and adverse publicity the country received after 1983. Conditions were expected to improve for the local industry from 1987, but these expectations have been put back another year, while the industry continues to be propped up with various forms of government concessionary supports. The local industry remains hopeful that events would turn for the better.

There is a ray of hope in the future of tourism, particularly in the context of the recent International Labour Organisation report which predicted that by the end of the century tourism would be the world's biggest industry. The ILO report states that between 400 and 600 million tourists will take a foreign holiday in 1990 and tourism and connected activities will be the world's biggest industry by the year 2000. It adds that although growth had slowed down, tourism and related industries would still have a greater turnover than all other economic sectors by the year 2000.

The competition among tourist destinations and host countries for capturing these growing markets and revenues is bound to grow more intense. It is here that countries like Sri Lanka with much tourist potential have to decide on how far they can go. In the battle to attract tourists, these developing countries face a crucial choice: either join the TNC circuit and get the benefit of their connections, or lose a sizeable tourist traffic and income to those competing countries that do.