Against The Odds

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Incredible though it may seem, the recent bomb attack in the capital has impacted Sri Lanka's tourist industry far less adversely than predicted. One of the main reasons attributed to this is the non negative reaction of the media.

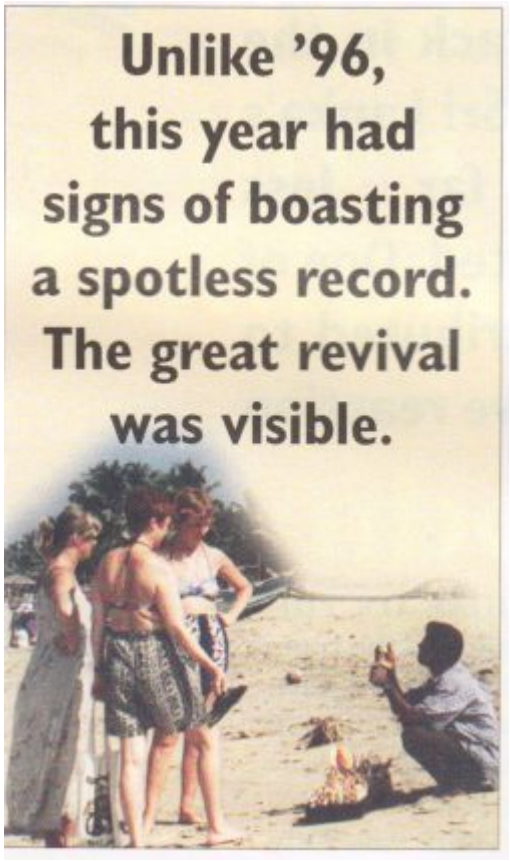
IF THERE WAS A SURVEY DONE ON THE 14th of October on the performance of the tourist industry for this year its results would have been pleasing. There was no question about the fact that the tourist industry had begun to show a massive growth and the sector was predicted to produce its best ever results in 1997. There was little doubt about it. Tourist hotels had been filling up prior to the season and most hotels were already fully booked for the 1997 tourist season. The government had to hire extra charter flights to cope with the influx of tourist arrivals. Shopping centers, restaurants and bars told the same story. Following a depressed year for the industry in 96, tourism had finally begun to pick up. But on October 15, 1997 the Liberation Tigers of Tamil Eelam (LTTE) rammed a truck- into the car park of the Galadari Hotel. Two of the country's five star hotels together with the newly opened World Trade Center were severely damaged. 30 tourists were injured in the blast. To those in the sector the dream had turned a nightmare. The question on everybody's mind was, 'How long was it going to last'?

Tourism has always played a major role in the Sri Lankan economy. Commonly identified as a paradise island, foreign nationals have always been intrigued by the beauty of this pearl in the Indian Ocean. The industry always did well but in the last two decades it has done better. From a total 23,666 arrivals in the year 1967 tourist arrivals have begun to multiply recording its best figures of 407,511 arrivals in the year 1994. The revenue from tourism has also been steadily flowing into the local economy. In the year 1983 the tourism sector contributed Rs 148 million to the national economy, this figure shot up to Rs 556 million in the year 1994.

This is why high goals were set for the year 1996. The Tourist Board targeted 500,000 arrivals during the year the highest number ever recorded. But the bomb blast at the Central Bank of Sri Lanka on January 31, 1996 changed the picture. Several tourists were injured physically, those who weren't, recalled the incident

with. great mental trauma. Less than four months later another explosion in a train in Dehiwela did no justice to the situation. In January, 30,957 arrivals to Sri Lanka were recorded, 5000 less than the figure in January 95. In February the figure dropped to 29,550 and the margin from the previous year rose by 13,000. As the months went by the figure only continued to drop. In May it fell as low as 17,655, and as the year came to an end the pessimism was growing. Hotels had been empty for months, several had to close down temporarily due to poor arrivals. Travel agents were in a hopeless situation and nothing could be done. Sri Lanka's image had been tarnished abroad. When the season approached the figure showed some signs of picking up. Arrivals had begun to increase but the damage had been done. The year finally recorded a 45% decline in tourist arrivals. The total number recorded was a mere 302,265.

Analysts have been critical of the handling of promotional activity in the aftermath of the bomb. Many believe it was too little, too late. It was as late as May 96 that the authorities began stepping up promotional activities. In mid 1996 'Destination Sri Lanka' was launched. 72 journalists from all over the world were escorted around the island. It is their reports that spread across the globe renewing Sri Lanka's image as a tourist destination and ensuring its safety. According to the director marketing, Ceylon Tourist Board the bomb blast had some positive results as well. A number of North American tourists who had never visited Sri Lanka before started coming to the island through sheer curiosity and the thrill of experiencing the pos



sible danger. It was these people who took back the message that Sri Lanka was a safe destination. The Tourist Board also gives credit to those in the travel trade who according to Wickramasinghe kept the industry alive through this period. They encouraged and financed advertisements and large scale promotional activities. These features finally began to pay off only in the latter part of the year when arrivals began to slowly increase. The pieces of the puzzle slowly began to fit and once again the predictions began to rise for 1997.

Unlike '96, this year had signs of boasting a spotless record. The great revival was visible. From January figures picked up further, by August arrivals had risen by 29% from last year's figure of 24,765 to 32,034. Optimism was evident and the prospects seemed brighter. 1997 was expected to record the highest number of tourist arrivals ever in the history of Sri Lanka. The target was between 415,000 425,000.

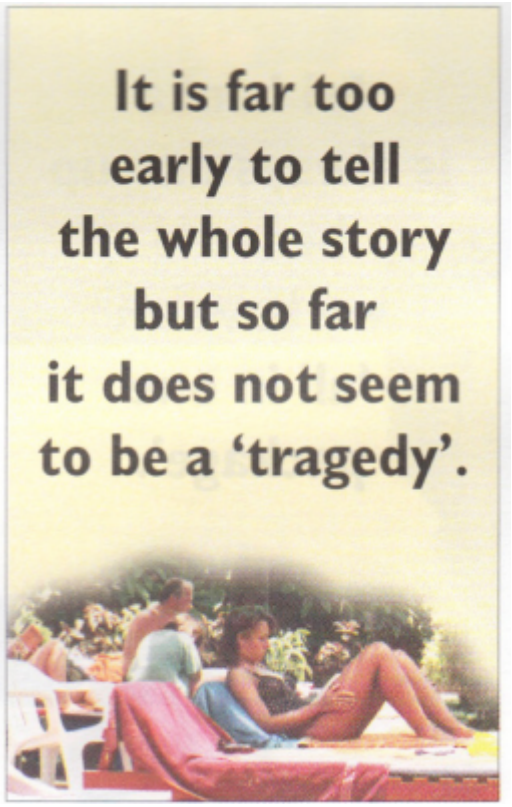
The sector's financial performance was also commendable. Hotel and travel stocks began to appreciate, conglomerates that have large stakes in the industry were

booming. The industry’s sectoral indices had recorded an increase. Hotels were finally showing profits at each quarter. The number of hotel rooms. available was expected to increase to 30,000 from 12,250 by the end of this year. Blue Water-Wadduwa, Light House Hotel-Galle and Le Kandyan-Kandy are just a few of those that were opened during the year. The statistics provided plenty of evidence tourism was doing better than ever before.

But the industry like all others has its fair share of risks and analysts were not blind to the possibility of the sector falling short of its expectations. The only obstacle they named, however, was a terrorist attack on the capital city. On October 15, 1997 that is exactly what happened. To the officials in the industry it was a hard blow, a rude awakening from a peaceful slumber. It didn’t take long for the implications to be speculated and the optimism began to wear off.

Surprising however was the fact that little changed. Despite two of the best hotels in the city being damaged in the blast and the overall negative image that was being portrayed of the country, the impact of the bomb blast on the tourism industry was far below what was predicted. Days after the blast the minister for Tourism and Aviation confirmed that no cancellations had been made. ‘So far there have been no cancellations for the winter season’ he said in an interview with ‘Business Today’ a few days after the attack. According to the statistics he provided, 494 tourists arrived in the country the very next day following the blast while the charter flights had reported no cancellations for the week ahead. Travel agents and researchers displayed the same figures. ‘No material cancellations have been made’ explained Rajiv Casie Chitty, manager research, CTC Smith Stock brokers. This means that even if a few individual arrivals may have been cancelled no major tour groups had cancelled their bookings. Analysts say if the initial reaction was positive it is unlikely that a change in the trend will be witnessed in the months ahead. ‘If they haven’t can- celled now it is unlikely to happen’ says Jagath Fernando, managing director Keells Hotels. The authorities however are not denying that there will be some adverse effect. The minister admitted this by saying it will have some adverse effect on the inflow of tourists to the country.’ He put the impact at a 5-10% drop in arrivals for the year. Analysts however appear to be slightly more optimistic. Most hotels were already over booked so the effect may not be so bad’ says Casie Chitty. The fear however is that the real impact will only be witnessed next year when the number of new bookings start to decline. This is what analysts warn of but they also point out that there is sufficient time to change the scenario .

The mysterious fact, is that despite this bomb blast being as powerful as the bomb explosion at the Central Bank and inspite of the fact that the damage done to the industry is almost equal, the impact this year is much less than last year. Many reasons are being attributed to this fact. Among them is that unlike the last time this year the media attention was not negative. Last year the negative publicity spread like wild fire beyond control and analysts say it was too late by the time the Tourist Board attempted to combat the reports. Also the fact that this attack came after a year of calm, but the Central Bank bomb blast followed an attack at the oil installations in Kollonnawa and was followed by another blast in Dehiwela. The ministry itself handled the issue better this time. The minister acted fast and visited injured foreign tourists, those residing at the Galadari and Hilton were immediately evacuated and booked into other hotels. Reports even imply that their extra cost was incurred by the government. Foreign nationals leaving the country that week were given a questionnaire to determine how they



were affected by the blast. 'We immediately started a crash program to send the correct signal, advertising agents, Tourist Board officials and PR firms immediately got working to spread a positive image' says minister Dharmasiri Senanayaka. These are believed to be some of the reasons why the industry survived the blast.

Analysts also say another reason there were no cancellations, is because of the unavailability of alternative destinations. The usual competitive South East Asian countries are being avoided due to heavy smog caused by forest fire.

The financial implications however may not be as pretty. Tourism sector shares began to weaken considerably. Walkers Tours fell Rs 5, Aitken Spence Hotels dropped Rs 20, and John Keels Hotells recorded a Rs 20 decline just a few days after the blast. Sectoral indices also failed to display its usual vigor. Predictions on the financial performance of the sector however are contradictory. Some analysts say most tourist hotels only break even during the year while their profits are determined by the inflow of tourist arrivals during the season, 'all hotels make money during the season' says Casie Chitty. This is why the financial reports of hotels and agents in the sector are not expected to be as positive as predicted. But there are others who argue that most hotels have done well during the year and will only do better. Other than those directly involved the performance of the others will not be affected' says Fernando. There will however be some overall impact on the financial performance of the sector. Analysts explain that the tourist sector has 9% of the market capital of the Colombo Stock Exchange which will certainly be affected while Sri Lanka's conglomerates who were boasting a brilliant performance may also suffer the implications of the blast.

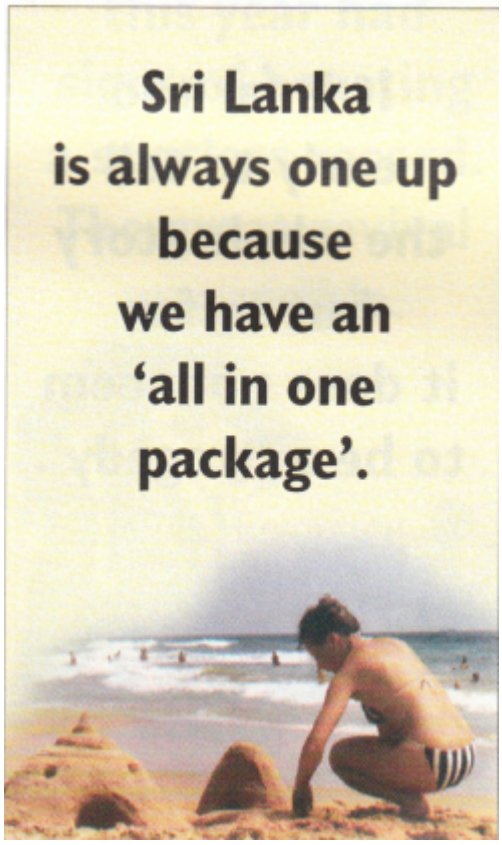
Political analysts believe that one of the strong motives of the LTTE was to hit the thriving tourist industry by its attack on Colombo. If so their plans have not been 100% successful. It is far too early to tell the whole story but so far it does not seem to be a 'tragedy'. More important is what the sector has to offer for the future. Despite its shaky past and problemed present the future looks bright. President Chandrika Bandaranaike Kumaranatunga has asked the authorities to work at targeting one million tourist arrivals by the year 2000 and the Tourist Board together with the ministry are going all out to achieve it. Investment in the sector is being encouraged. New hotels are being built and more rooms are to be made available. Several projects are also being launched to make Sri Lanka a more attractive destination. They include several theme parks, the creation of the Muthurajawela sea park, and revolutionizing of the Sigiriya Rock which will electronically high- light several pictures on the rock, depicting the country's culture. The authorities are not afraid of any obstacles. 'Sri Lankan tourism is done on a 5 year master plan while preserving our culture and improving our infrastructure parallely we develop our eco resources, wild life and other attractions' says Wickramasinghe.

Measures are also being taken to develop the Colombo Airport to meet increased tourist arrivals. A massive project is to be launched to modernize the airport by building an alternative runway, a second apron and a domestic terminal.

The tourist industry is not predictable, it is volatile and uncertain. Its future to a great extent will de- pend on the security situation. Apart from this a larger effort will have to be made to promote the country. Analysts say Sri Lanka's marketing strategy must improve. Research has shown that if a greater effort was made to counter the negative publicity following the Central Bank bomb blast the impact on the industry would have been lesser. This time a stronger effort was made, but more needs to be done. Those in the trade feel that the country should be better represented at travel and trade fairs. "There are a host of things that can be done apart from advertising which include participating at trade fairs and other promotional events' says Fernando.

Efforts are also being made at present to promote Inter regional tourism. At the recent South Asian Association for Regional Corporation (SAARC) tourism ministers conference it was revealed that despite the entire South Asian region having so much to offer, tourism in this region amounts to a mere 1% of world tourism. This is why the countries made a stern effort to commence working together to promote the entire region. Among the resolutions reached at the summit was a move to simplify visa procedures be tween the countries and to promote direct air links between the countries. This would be another contribution towards achieving the 1 million target in the year 2000.

Experts in the field also believe that Sri Lanka is under selling the industry. At present the country offers some of the cheapest rates and our packages are believed to be far below what most countries offer. 'In



creased prices won't discourage tourists it will encourage them because they will feel they are getting better service for what they pay' says the minister. At present 62% of tourist arrivals are from Europe with Germany and Britain constituting the large numbers. The Tourist Board is now focusing their attention on attracting other areas like the USA, Australia and Japan. Urgent promotional activities are needed to attract these nationals. The main reason the minister points out for the failure to market Sri Lanka properly is the lack of funds. To overcome this he proposes that a special fund be created for promotional activity. The fund will be financed by the tourists themselves. This means for example that 1% of every tourist's expenditure in the country, will go towards the fund. The ministry says this will earn almost 250 million a year.

Tourism is a competitive industry. Many other countries like Maldives, India, Bali and Hawaii already have to offer, what Sri Lanka has got. But the authorities argue that Sri Lanka is always one up because we have an 'all in one package'. It is only here that one can surf in the sea, lie on golden beaches, climb the tallest mountains, bathe in the waterfalls, and also share a beautiful culture with some of the world's friendliest people. Most other countries like Maldives have only the

beaches or those like Thailand that offer more become a burden to the tourist who has to travel for hours to reach different destinations. ‘In Sri Lanka it is only three hours from the mountain to the sea’ says minister Senanayake. An average visit to Sri Lanka is 11 days, and the average tourist gets a taste of paradise. There is little question about the fact however, that Sri Lanka is an attractive destination which offers so much to tourists. The important thing is that this is expressed to the rest of the world through proper marketing. If not the country has much to loose and the industry will fall behind competitors. But the authorities appear to have realized this and work has already begun, to catch up on previous poor promotions. It won’t take long for the country to reap the benefits. At present the industry is the third highest earner for the country next to garments and foreign remittance, the prediction is that it will move up the ladder. It isn’t difficult to believe the minister’s words when he says tourism has a bright future. For Sri Lanka tourism will not merely be a prospective industry it is heading to be far more than that, in just a few years time tourism will probably be Sri Lanka’s most prosperous industry.