

Quo Vadis, Sri Lankan Tourism?

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The Sri Lankan tourist industry is certainly undergoing a difficult period. Tourist arrivals to the country have been nose diving following certain security-related incidents during the past year. Tourist arrivals had just been improving early last year when hostilities broke out between the rebels and the government forces. The entire a standstill when the Fort bomb blast occurred this January. Today, the industry is seen, licking those recent wounds and attempting hard to get back on the track once more.

Strangely enough, despite a dismal drop in tourist arrivals the amount of fresh investment going into the tourism industry has only been in creasing. At present, there are a number of up-market resorts and hotels being constructed along the Southern coastal area and inland of the country. Prime tourist destinations are being mapped out and the percentage increase in hotel rooms by far outstrip the percentage increase in tourist arrivals. In fact, when arrivals to the country decreased by almost 30 percent, the number of hotel rooms increased by 35 percent. Which only goes to show that optimism is still running high in the industry.

“We have to be optimistic. This industry has had it’s highs and lows. It has always managed to bounce back”, said one veteran in the hotel trade.

The hotel industry is still ranked the third highest foreign exchange earner to the country. Annually it brings roughly Rs. 11 billion in revenue. It is also a big employer. The highly diversified and increasingly specialized industry

The Tourism Industry in Sri Lanka has been on a low since last year, but all is not over yet. Despite a decline in tourist arrivals, the investments into the industry has only been increasing and a large section of the industry still has hope and faith for a better tomorrow.

has some 90,000 people working in various capacities from barmen to chef from handicraftsmen to general managers of hotel chains. Yearly, the number of tourist arrivals to the country is in the range of 300,000 – 500,000. Tourism and the Hotel

industry was always a priority with the government. It was too much of a lucrative trade to be ignored-especially considering the location of the country and the natural and cultural heritage endowed upon it. But due to reasons beyond the control of the successive governments the tourist trade has been dealt with periodic blows. These were mostly due to the security or the lack of it-in the country.

The open economy and tourism in particular were flourishing when the north-east war broke out in Since then it has been a see saw ride for those in the trade. Several years of growth were stunted by periods of downslide. The Indo-Lanka Peace Pact in 1987, JVP uprising in 1989-1991, periodic bomb blasts and political killings were all detrimental to the tourism industry.

By early last year (1995), with a promise of a ceasefire and peace talks the industry was beginning to lookup again. Arrivals increased markedly over the 1994 monthly figures, upto April 1995. The last tourist season had been a particularly bad one for the industry. It's onset in November was heralded by the attack on important oil installations close to Colombo. In December, there was an attack on the Colombo Army Headquarters which adjoins a five star hotel. In January, Colombo's commercial centre, Fort, was rocked by an immense explosion which wreaked havoc in the area. Two five-star hotels were badly damaged by the bomb. It was after this that the industry. really began to plummet. "The effects of the bomb blast will only be evident with the next season", said Asoka Fernando, Chairman of Hotels Corporation. He said that tour groups, which make up a large portion of the arrivals, are planned months ahead and therefore the



negative publicity of the bomb blast would affect bookings made for the coming

winter season.

As the arrivals kept declining during the past year, the hospitality industry itself recorded a decline in profits. For the nine months ending December 1995, only five out of 28 quoted companies recorded a gross turnover of Rs. 100 million. Trans Asia Hotels, which had the highest turnover for those nine months, recorded a 11 percent positive growth. 18 of these companies showed a decline in profit. "The situation is very bad at the moment", Shyamali Soyza of International Enterprises which manages four hotels in the southern coast, said. "Tour operators say that business might pick up next season but we are being cautious". She said that their occupancy rate has dropped to zero and some of the hotels were temporarily closed. "With the recent power cuts the situation went from bad to worse. The British Home Office has warned travellers not to travel to Sri Lanka as it could be a health hazard for them. We hear that our High Commission has set out to clear this information. But bad publicity like this cannot simply be put right for some time". She said that while their UK clientele dropped in numbers, the German clients coming in decreased even more. "We certainly hope it will be better towards the end of this year", Ms. Soyza said.

The Manager of Sunil's Beach Resort in Hikkaduwa, A. Hindurangala said that he also had absolutely no occupancy right now. "I have some agreements with tour operators for the next season. until then, there is nothing in hand". He said that he is managing to keep the 65-room- hotel afloat by renting it out for weddings, seminars and functions to the locals. "We are at the moment discussing offering special packages to locals during off-season". His customers are mainly German tour groups. "Hikkaduwa beach is deserted right now. Most inns and hotels have shut down for the time being". "We must somehow or the other survive. The situation will get better", said Hindurangala.

The smaller inns and rest houses in the sea side resort of Hikkaduwa indeed have it bad.

But all is not so very bleak for the industry. Continuously, there is new investment going into the trade. Many hotel groups and new companies are developing property for resorts or hotel construction.

"This is the worst season I've had", said M. Wickremage, of the Lobster Inn at Hikkaduwa beach. "Some of the yearly repeat tourists have come, but business is

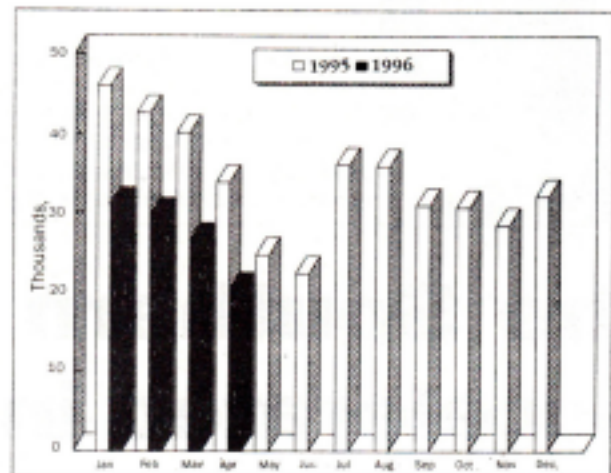
hopeless". "There are so many dining places and inns at Hikkaduwa now. Too much competition and not sufficient business", said Sathis Wimalaweera, who runs the Why Not discotheque close by. "This last season has been rather down", Jean-Marc Flambert, Sales Executive at Connaissance Hotel Management, said. "But we have to think of the long-term industry plans. We are optimistic that business will catch on". He said that their resort hotel, Culture Club, in the cultural heart of the country has been receiving inquiries for the next season. "The secret is to hold on until things improve". At the moment, tourists prefer to go to more stable destinations. Next season too could be a dull one, but there is yet hope for the trade, he said.

The Colombo-based five star hotels appear to lure in the corporate and expatriate clientele and seem to be keeping their heads above the water. "We are OK", said Yasmin Cader, Public Relations Officer at Hotel Hilton. "Although tourist arrivals declined a great deal in February and March, we have been doing promotions and other activities and are keeping the hotel bubbling". The Hilton has a large number of corporate clients. "We are still marketing for the tourists also. Now with Air Lanka's special flights to South Africa we can expect another market opening. We are looking at everything very positively", said Ms. Cader.

Director Operations, Walkers Tours, Vasantha Leelananda said that the looks of the industry are not very good at present. "There has been a 35% decline in arrivals and therefore occupancy has dropped. These trends are expected to continue for a few more months". But Leelananda was optimistic of some marginal increase in arrivals by the end of July, with the Esala Perahera in Kandy. "The events of the past few months are going to take a toll on the next season". He said that whatever bookings they were receiving appear to be last minute, price driven bookings. "We have cheap accommodation and airline rates therefore what we are likely to get in the next season are price-influenced bookings". Leelananda said that they are still looking at the whole thing "very positively". He said his company is doing its best to aggressively market Sri Lanka.

Tourist Arrivals by Month

Month	1995	1996	% Cha. 1996/95
Jan	45,987	30,957	- 32.7
Feb	42,591	29,550	- 30.6
Mar	40,074	26,442	- 34.0
Apr	33,756	20,376	- 39.6
May	24,672		
Jun	22,416		
Jul	35,994		
Aug	35,814		
Sep	30,828		
Oct	30,603		
Nov	28,365		
Dec	32,001		
Total	403,101		
Upto Apr.	162,408	107,325	- 33.9



Source: Ceylon Tourist Board

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The five star hotels, Hilton and Taj are both coming up with resort hotels in the south. Connaissance is constructing a new hotel in Kandy. Very recently, an upgraded tea factory was opened as a hotel in the hill country. A lighthouse theme hotel is under construction in Galle and in the deep south of Hambantota, a luxury resort is nearing completion. These are but a few of the better-known fresh investments going into the industry despite it's depressed present state. As of February this year, the total number of hotel rooms was 11,900-which was far above the required numbers as stated in the Government Tourism Master Plan.

On the other hand, the number of local Sri Lankans patronizing hotels in the country have increased. Many hotels now cater to a large local clientele.

Holiday/honeymoon/weekend packages are offered a plenty. Hotels and resorts in choice locations like Nuwara. Eliya, Bentota, Beruwala, Polonnaruwa were going for almost half their normal rates. "We encourage local travellers. Infact, we are doing some advertising in Sinhalese so that we reach a good segment of the local populace", Flambert of Conaissance, said.

Our hotels have always welcomed local clients", said Fernando, of Hotels Corporation. Some hoteliers believe that the local guests spend more on their food

and drinks than foreign tourists. “The only difference is that the locals come in small groups and tourists come in large pre-determined groups”, said one hotelier.

All in all, the picture does not look very gloomy. It is true that a large portion of the industry has been shattered by the events of last year. But almost all the industry people contacted by “Business Today” had enough hope and faith in a better tomorrow to carry them over the lean years. In the words of the Chairman of Hotels Corporation, “Our industry is very experienced in dealing with crisis. There is ample resourcefulness in the industry. We never give up hope. Disasters are a plenty. But after each disaster we have bounced back.”



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