



## GDP Contributions by Tourism Industries

~Comparison of the Philippines and New Zealand~



## **Abstract**

*This research project is to explore the GDP contributions made by the tourism industry in the Philippines and New Zealand as case studies. The tourism industry has been currently recognized as one of the main economic drivers, and the impact on the nation's economy has been increasing year by year. Since I had worked in a tourism agent in the Philippines before coming to New Zealand, I am interested in tourism. Thus, this project discussed the general information of the tourism industry and the mechanism of how tourism contributes to the nation's GDP and what impacts the industry has on the nation's economy. As this research is aimed at interdisciplinary project, the tourism sector was discussed from the perspectives of business, international relations, and politics to see how tourism is related to other academic fields. Through case studies of the Philippines and New Zealand, each country has different historical development of tourism, and all of them are unique. While developing tourism, the tourism sector has become an important economic contributor with aids from various parties, such as the government. However, those contributions are mostly dependent on tourist arrivals, because main characteristic of tourism is to provide services to tourists. So the key to further improvement is an increase in the number of tourist arrivals to the country. This research project also contains recommendations for tourism in the Philippines and New Zealand with issues that both countries are facing recently.*

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Finally, this project will be submitted as the completion of the study. I deeply thank my beloved family, who supported my study in IPU New Zealand in terms of financial assistance. This helped me finish my tertiary education in New Zealand. Without them, I could not have gained such incredible experiences.

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## **List of Abbreviations**

DOT	The Philippine Department of Tourism
GDP	Gross Domestic Products
ICAO	International Civil Aviation Organization
NAIA	Ninoy Aquino International Airport
NZ	New Zealand
NZD	New Zealand Dollar
PHP	Philippines Peso
TDP	Tourism Development Program
TIA	Tourism Industry Association New Zealand
TSA	Tourism Satellite Account
T&T	Travel and Tourism
USD	United States Dollar
WTTC	World Tourism and Tourism Council

## **Glossary**

### **GDP (Gross Domestic Products):**

It is a measurement of the country's economy, which shows how much a country produces goods and services during a given year.

### **International Tourist Markets:**

Markets comprised of international tourists from different countries.

### **The Tourism Sector (The Tourism Industry):**

It is an industry comprised of several industries related to tourism. (i.e. Hotel, airlines, food and beverages)

### **Visitor arrivals:**

It is a statistical numbers that indicates that the number of tourists coming to a country during a given time period, such as a moth, quarterly, or a year.

### **Visitor exports:**

It is the amount of spending by the tourists in a country, and this is one of the important indicators of the direct contributions made by the tourism industry.

## **Chapter One: The Introduction**

### **1.1. Background and Introduction**

Both the Philippines and New Zealand are famous destination for tourists. DOT (The Philippines Department of Tourism) has definitely put an effort into a promotional campaign called “It’s More Fun in the Philippines” to boost their impression as a tourist destination. WTTC (World Travel and Tourism Council) (2015b), furthermore, announced total earnings from inbound tourism in 2014 amounted to 1, 411bn PHP<sup>1</sup> (11.2% of GDP) as the total amount of contributions made to GDP by tourism. In comparison, the tourism sector in New Zealand contributes to the nation’s economy around 31.8bn NZD<sup>2</sup> (13.7% of GDP) as the total contributions to New Zealand GDP (WTTC, 2015a). Therefore, it is obvious that tourism has a significant impact on the nation’s economy in the Philippines and New Zealand. This research is to investigate the economic contributions made by tourism in the Philippines and New Zealand to see how they are different in terms of its contributions, and the researcher will suggest recommendations to the both countries for further development together with analyzing current issues. Therefore, this chapter will discuss the historical development of tourism in the tow countries. In addition, the concept of GDP (Gross Domestic Products), its contribution and growth rate with regard to tourism, are a focus of this research project. Thus, this section will discuss the definitions of GDP, tourism, and then the history of tourism in both countries.

#### **1.1.1. Gross Domestic Product**

As this research project has an economic focus, it is necessary to comprehend economic terms and explanations, such as the GDP rate and what it is mainly used for. According to Samuelson and Nordhaus (1980, p.424), GDP is the total amount of how much a country produces goods and services during a given year, and it measures the overall performance of an economy. For example, the GDP in Japan has currently been announced as \$4.920 trillion in 2013 (The World

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<sup>1</sup> PHP is a currency of the Philippines, known as “Philippines Peso”

<sup>2</sup> NZD is a currency of the New Zealand, known as “New Zealand Dollar”

Bank, n.d.c). It means that all the goods and services produced in Japan equals \$4.920 trillion. In addition, “usually, GDP is expressed as a comparison to the previous quarter or year” (Investpedia, n.d.). For instance, Japan’s annual GDP growth rate has been announced as 1.6 (*The World Bank*, n.d.a). This indicates that GDP in Japan was up 1.6% from last year, and also the economy in Japan has grown by 1.6% over the last year. Therefore, GDP has been used as a measurement of the health of nation’s economy, and it helps the researcher to compare the economic condition between the Philippines and New Zealand.

### **1.1.2. Tourism**

According to Walton (2015, ¶1), tourism is “the act and process of spending time away from home in pursuit of recreation, relaxation, and pleasure, while making use of the commercial provision of services”. In other words, tourism is a relationship and phenomenon that arises from actions traveling and a staying in the country (Vanhoven, 2005a). To support these activities, the tourism industry is comprised of many industries related to tourism, such as accommodation and airline industry. Recently, the tourism industry has been recognized as an important factor for the nation’s economy. Also tourism influences other parties, such as international relations and politics. Therefore, this project will discuss the relationships between these areas to see how tourism is important to the country.

To discuss the role of tourism for the country, it is necessary to understand how tourism in the Philippines and New Zealand has developed.

### **1.1.3. History of Tourism in the Philippines**

The Philippines has quite a unique background and history. The Philippine Department of Tourism (DOT) (n.d.a. ¶1) states that “it has a rich history combining Asian, European, and American influences”. Briefly, the Philippines has been colonized by three countries, Spain, U.S, and Japan. In addition, the Philippines was an important geographical location for trading between Asian

and European countries in ancient times, so that its basic culture was influenced by these countries.

Tourism in the Philippines slowly increased between the 1970's and 1980's. It was the time when Ferdinand Marcos was the president of the Philippines from 1965 to 1986. According to An Online Guide About the Philippines History (n.d., ¶37), “the number of tourists visiting the Philippine rose to one million by 1980 from less than 200,000 in previous years. The country earned \$500 million a year from tourism”. However, a serious issue hit the tourism industry in the middle of the 1980's. Since there was the assassination of Benigno Aquino an opposition leader, in 1983, the Philippines' economy declined shortly after this issue. According to The Philippine Star (2014, ¶2), “His death was a pivotal moment in Philippine history, inspiring millions to take to the streets and protest the government of President Ferdinand Marcos”. Since anti-Marcos demonstrations were powerful at that moment, it made tourists stay away from the country, therefore the tourism industry in the Philippines suffered until 1986 when the revolution happened.

After that historical moment in the Philippines, “signs of a faster growth showed up in the early 1990's. In 2000, the Philippines' tourist arrivals totaled 2.2 million” (Philippine Islands, n.d.). Since then, the number of visitors to the Philippines has roughly risen year by year, and the revenue from tourism reached 4.4 billion USD or 186.15 billion PHP in 2013 (Gatdula, 2014). From these discussions, it is obvious that the issue of presidency affected the tourism sectors in the Philippines, however, the tourism industry has become important sectors for the Philippines.

#### **1.1.4. History of Tourism in New Zealand**

New Zealand's history is relatively new compared with other countries'. It originally started from the time when Maori arrived almost 1,000 years ago. Then, New Zealand was colonized by the U.K. as one of their territories

(Tourism New Zealand, n.d.b). An important incident for New Zealand was the treaty of Waitangi, which was signed between the British crown and Maori in 1840. “It established British law in New Zealand and is considered New Zealand’s founding document and an important part of the country's history” (Tourism New Zealand, n.d.b, ¶2). After the treaty was signed, tourism in New Zealand slowly grew over decades.

At first, McClure (2014a, ¶1) describes “early tourism in New Zealand was encouraged by the development of ocean-going steamships in the mid-19th century, the opening of the Suez Canal in 1869”. After the tourism began with steamships, it slowly increased. McClure (2014a, ¶5) also states “international tourism growth was very slow until it took off in the 1960s”. Practical use of airplanes actually brought a tourism boom to New Zealand, and long-haul flights, which is London to New Zealand began in 1963, and “Auckland Airport (AKL) officially opened at the beginning of 1966”(Airports Guides, n.d. ¶2). Having had a hub airport in New Zealand in 1960’s, “distances seemed shorter, costs fell and more tourists made business viable” (McClure, 2014b, ¶1). After the tourism boom in New Zealand, its economic impact has constantly increased.

In 1999, an international marketing campaign called 100% Pure New Zealand was launched. Tourism New Zealand “is used in all of international marketing work - including advertising, international PR activity and online marketing, event and sponsorship activity” (*Tourism New Zealand*, 2015a, ¶1), and it contributes to boost tourism demand in New Zealand. Now, tourism in New Zealand is stated as “one of the largest single sources of foreign-exchange revenue and a major growth industry in New Zealand” (The Treasury, 2012). In other words, tourism has played an important role in the New Zealand economy over a long time period. However, there was an earthquake happened in Christchurch in 2011, and it significantly affected tourism in New Zealand. Currently the tourism sector has overcome the catastrophic damage and started

growing again. Today, “the combined direct and indirect contributions to New Zealand's GDP from tourism was 8.7%” (Tourism New Zealand, 2015b, n.p.g.). This number would have a significant influence on the economy in New Zealand. Thus, it can be concluded that tourism in New Zealand has an extremely important role, and it is still a growing sector.

Tourism in the Philippines and New Zealand has their own development history of the tourism sector. Through its unique development strategies, tourism has gradually expanded its importance. Tourism in New Zealand had a natural disaster in 2011, but it has grown steadily after the catastrophic damage. However, tourism in the Philippines faced a political issue and it affected the performance of tourism in its history.

## **1.2. Research and Questions**

### **1. Research Statement**

This research will investigate the differences of economic contributions from tourism between the Philippines and New Zealand in order to give suggestions to improve its positive economic impact on their GDP rate. Additionally, this project aims to shed light on the question of how the tourism industry influences a national economy.

#### **1.2.2. Research Question**

- How has tourism developed historically in the Philippines and New Zealand?
- How has tourism contributed to GDP in both of these countries in the last 5 years?
- What impact does tourism have on the economies of the Philippines and New Zealand?
- What recommendations can be made for the future improvement of tourism?

### **1.3. Research Framework**

Each of the chapter discusses the answers to the above research questions. The first chapter discusses the history of tourism in the Philippines and New Zealand. It also considers foundation knowledge of the research, such as GDP and tourism, as well as how this research will be conducted. Chapter two will answer the question of how tourism contributes to the nation's GDP in two countries, and consider the perspective of international relations, such as the international tourist market and political support from the government. Then, chapter three focuses on the positive economic impact of tourism on the economy in the Philippines and New Zealand. It will discuss the positive effects caused by the tourism sector on production and services, employment, and wages and salaries. Chapter four provides suggestions for further improvement of tourism in both countries, which is the fourth research question. It will suggest recommendations to enhance positive impact on their economies with reference to industries as case studies. Then, Chapter five will conclude and give an overview of this research project.

### **1.4. Importance of Research**

The researcher chose the Philippines and New Zealand for this research because both countries are island countries, which means that they have geographical similarities and are easy to compare. In addition, as this is an interdisciplinary project, it will firstly explore business and tourism. The key concept of this research is how tourism industries are important for the nation's economy.

This project also has international relations approach, because tourism is a key interaction between the local habitat and international tourists, therefore this research will investigate the influences of international relations on tourism and economy. For example, this project will discuss key international tourist markets, which effects tourist arrivals, and how relationships with countries affect tourism.

Additionally, this research will analyze tourism from the perspective of political studies, such as government policies and national budgeting. As government policy

significantly affects the economy and tourism, this research examines the developments and movements of the policy made within the country.

This research will be very useful information for many people, such as students, economists, politician, and government officials. This research acknowledges the importance of tourism on the nation's economy and will help those people who establish new policies relating to tourism and the economy.

### **1.5. Methodology**

This research is a combination of qualitative and quantitative research, which uses secondary research methods. To conduct qualitative and quantitative research, the researcher will mainly use statistical data produced by governments and WTTC. In addition, secondary research methods, which is the main method for this research project, has certain advantages, such as the researcher can have access to many sources with almost no cost and wide variety of data (Robson, 2010, p. 89). Due to the time limitation of 6 months (term 1 and term 2 in 2015), secondary research is an ideal method for this project, because the researcher can obtain a wide range of data sources.

Regarding sources, primary sources, secondary sources, and social commentaries will be used in this project.

#### **1.5.1. Databases**

Sources can be found from the databases, such as ProQuest, EBSCO HOST, and Google scholar. IPC library database allows the researcher to access these databases, and obtain academic journals, reports, and newspaper articles from them.

#### **1.5.2. Web Search Engine**

Google engine and Yahoo search engine are useful tools to obtain sources for this topic. In addition, they provide the researcher with opportunities to explore various aspects of the research. Also statistics are usually published on

webpages, so the web is a search engines for key sources for this research.

### **1.5.3. Books**

Books are important sources for this project, because they provide the researcher with basic concepts of the topic, such as GDP and tourism. These sources can be mainly found at IPC library, Palmerston North City library, and Massey University library.

In addition, this research can apply the following methods to compare data. They are time series analysis and cross-sectional analysis.

### **1.5.4. Time Series Analysis**

Time series means “a collection of observations of well-defined data items obtained through repeated measurements over time” (Australian Bureau of Statistics, 2008). For example, comparing the Philippines’ GDP every year from 2010 to 2014, to find out some connections between these years. This method is easy to focus on data changes over the years as its strength.

### **1.5.5. Cross Sectional Analysis**

Cross sectional analysis is “based on observations that take place in different groups at one time” (Roundy, n.d.). For example, the researcher compares GDP of both countries’ in 2014, and discusses differences between them. Thus, cross sectional analysis is a good testing tool to compare data between the groups, in this case both two countries.

## **1.6. Literature Sources**

In this section, the researcher will explain the strengths and weaknesses of important literature used, and how it will be applied to this project.

### **1.6.1. Primary Sources**

“Primary Sources provide first-hand testimony or direct evidence concerning a topic under investigation”, also “primary sources can also include autobiographies, memoirs, and oral histories recorded later” (Yale university, n.d.). In this research project, primary sources will be primarily data produced by the government.

As the important primary source for New Zealand, Ministry of Business, Innovation & Employment (2015) provides key Tourism Statistics, including GDP contribution, annual international visitors, and key international markets and so on. The strength and importance of this source is the variety and accuracy of the data, because this data is produced by the New Zealand government. However, this statistics only show the outcomes of year ended in 2014. To apply time series analysis to this project, the researcher needs to get access to other years.

### **1.6.2. Secondary Sources**

Secondary Sources are the sources that analyze, review, or summarize in primary sources, such as biographies and journal articles (Virginia Tech, n.d.). So the secondary sources are academic journals, books written by other researchers based on research, and a report form tourism organizations.

One of the most important sources is the documentation produced by WTTC (2015a), which is worldwide organization, who has investigated the economic impact of travel and tourism for over 25 years. Sources published by WTTC are useful for this research, because it provides reports about 183 countries and country ranking. Therefore, the strength of this source is that the researcher is able to obtain reports about both New Zealand and the Philippines and compare with other countries. However, the source does not contain detailed explanations, such as the sectors of tourism that contribute the most and the factors.

### **1.6.3. Social Commentary**

Social Commentary “is a comment on society, and not just a comment, but often a criticism” (Fuller, 2011). So the examples of social commentaries are newspaper articles, magazines, and personal blogs to obtain public opinions.

TIA (Tourism Industry Association New Zealand), which is one of the organizations of tourism in New Zealand (Tourism Industry Association New Zealand, n.d.), is also an important source for this research project. It provides lists of latest news articles related to tourism industries in New Zealand. Thus, the researcher is able to identify the new actions of tourism in a timely manner through its organization. However, the researcher should be careful with possibilities of bias because these articles are produced by individual persons or organizations.

## **1.7. Ethical Consideration**

Following headlines are the ethical considerations, which the researcher may face while conducting this research project.

### **1.7.1. Plagiarism**

Plagiarism is defined as copying or paraphrasing others works into one’s own work without any notification (Massey University, 2014). Therefore, to avoid plagiarism, the researcher carefully follows 6<sup>th</sup> APA style guideline when citing or paraphrasing from outside sources into this research project.

### **1.7.2. Validity**

“Validity refers to whether or not something actually measures what it claims to measure” (Robson, 2010, p.72). So the researcher will be careful with the method, data, and conclusion to make these consistent and logical. Additionally, the sources in the project should be high quality and accurate.

### **1.7.3. Reliability**

Robson (2010, p.71) states that reliability is “whether they can rely on the data that has been collected”. To secure reliability of this research, the researcher will obtain the data from reliable organizations, such as the government, organizations related to tourism. Moreover, information that is used in this project also will be available to other researchers if they research similar topic.

### **1.7.4. Bias**

According to Oxford Dictionary (n.d.), bias is defined as “inclination or prejudice for or against one person or group, especially in a way considered to be unfair”. So to avoid bias, the researcher will carefully cite from the reliable sources, such as the government, because personal opinion may sometimes be biased, such as blogs. Additionally, the researcher will consider a variety of sources from a range of perspectives to make the discussion unbiased.

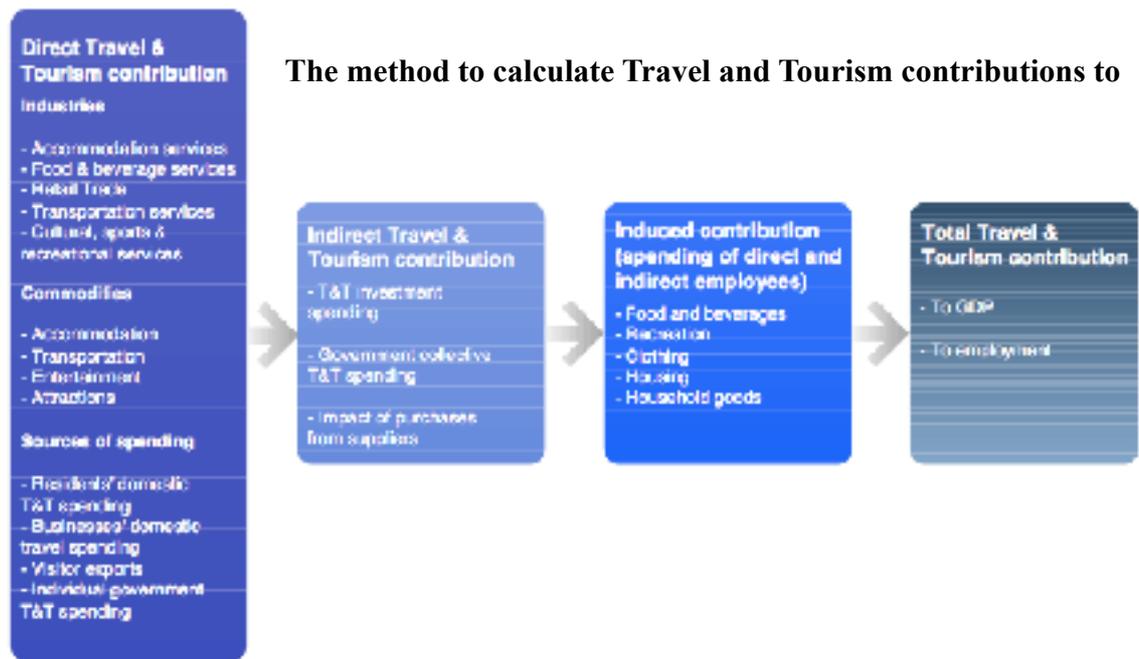
## **Chapter Two: Tourism Contributions to GDP**

### **2.1. Introduction**

Chapter one discussed the development of tourism in both the Philippines and New Zealand. Chapter two will consider how tourism contributes to the nation's GDP by analyzing (1) the direct contributions to GDP itself, (2) international tourist markets, and (3) government spending. The contributions of tourism to GDP include industries related to the tourism sectors. The international tourist markets are crucial areas that the Philippines and New Zealand cater to. In addition, political support from the government is also important a factor that helps the tourism sector to generate contributions to GDP. Therefore, this section will mainly examine the mechanisms of how tourism contributes to the nation's GDP with reference to cases in the Philippines and New Zealand.

### **2.2. Tourism and Economic Contributions to GDP**

Tourism is considered as an important economic contributor to world total GDP recently, and its contributions have increased since 2010, which amounted to 7.6 trillion USD in 2014 (WTTC, 2015d, p.2). In order to measure the economic contributions of tourism, organizations apply "Tourism Satellite Account (TSA)" method, which is the most reliable and has updated concepts for evaluating the economic impact of tourism developed by United Nations (UNWTO, n.d.a), and most of the statistics and data in this research are calculated by this method. From Figure 1, direct, indirect, and induced contributions are calculated to measure total contributions to GDP from travel and tourism (WTTC, 2015b).



Source: WTTC, 2015c, p.3.

*Figure 1.* The method of WTTC to identify GDP contributions from tourism sector

Based on Figure one, contributions to GDP from tourism are the total amount of the services or commodities produced by the tourism industries, which are consumed by tourists. Thus, economic contributions and tourism are closely related to each other, and they rely on the number of international tourist arrivals. This chapter will mainly focus on the left-hand side of figure, namely “Direct Travel & Tourism Contribution”.

### 2.3. Direct Contribution to GDP

The tourism sector consists of several industries, which deal with tourists directly. In detail, these industries are “hotels, airlines, airports, travel agents, and leisure and recreation services”(WTTC, 2015c, p.4). Therefore, the tourism sector obviously depends on these industries to produce contributions. For example, tourists stay at accommodation, consume food at hotels or restaurants, and have fun at attractions, such as scuba diving. This section examines how the direct contributions to GDP from the tourism sector in the Philippines and New Zealand has changed recently.

#### 2.3.1. The Philippines

Table one shows the changes of direct contributions over the last 6 years. As

an overview of the direct contributions from tourism, they have been increasing for four consecutive years since 2010. Significant changes started form 2010, and the amount of increase in direct contributions every year is over 1.3bn NZD (888mil USD)<sup>3</sup>, and its growth rate is averaged at 11% every year. Increasing direct contributions indicate that the direct contributions to GDP of tourism have expanded, and the tourism industry has become increasingly important for the GDP of the Philippines.

Table 1. *Direct and total contribution changes over last 6 years from 2009 in the Philippines*

**The Amount of Direct contributions of Tourism in the Philippines**

Philippines	2009	2010	2011	2012	2013	2014	2015E	2025F
PHPbn	361.5	356	383.6	447.9	490.4	533	573.3	1,429
NZDbn	11.5	11.3	12.2	14.2	15.5	16.9	18.2	45.3

Source: Adapted from WTTC, 2015b, p. 13.

**2.3.2. New Zealand**

Table two shows the changes of direct contributions from tourism in New Zealand.

Table 2. *Direct and total contribution changes over last 6 years from 2009 in New Zealand*

**The Amount of Direct contributions of Tourism in New Zealand**

New Zealand	2009	2010	2011	2012	2013	2014	2015E	2025F
NZDbn	9.0	8.3	8.5	8.6	8.6	9.0	9.2	11.6

Source: Adapted from WTTC, 2015a, p. 12.

Based on Table two, the direct contributions of tourism to GDP in New Zealand are still increasing, however, it has not increased as much as the Philippines. Although it dropped 0.7bn NZD from the year 2009 to 2010, overall

<sup>3</sup> PHP 40bn \* NZD / PHP 0.0317 = NZD 1,268,000,000 (Yahoo Finance, 2015b).  
 PHP 40bn \* USD / PHP 0.0222 = USD 888,000,000 (Yahoo Finance, 2015a).

it has consistently accumulated since 2010. The amount of its contributions increased by NZD 400mil (USD 277mil<sup>4</sup>) in 2014. The average increase every year since 2010 was 0.175bn NZD, and its average growth rate was only 2% over the same period. It indicates that direct contributions to GDP by the tourism sector are increasing little by little every year. However, the gain in terms of direct contributions (either USD or NZD) has been slow compared with the Philippines.

### **2.3.3. Direct Contributions: A Comparison of the Philippines and New Zealand**

Direct contributions to GDP in the Philippines and New Zealand have increased over the years. However, the tourism sector in the Philippines has increased faster than that of New Zealand (see Table 1 and 2). In addition, the direct contributions in the Philippines are almost 1.88 times<sup>5</sup> greater than that of New Zealand, and its growth is almost 5 times<sup>6</sup> faster. Although the direct contributions from tourism to GDP in the two countries are growing, they are still less than the world average<sup>7</sup>. The Philippines is ranked 36<sup>th</sup> place (WTTC, 2015b), while New Zealand is 47<sup>th</sup> place (WTTC, 2015a). Thus, direct contributions to GDP from the tourism sectors in the two countries are increasing, but there are still areas that need to be developed to produce more GDP contributions in the future.

## **2.4. International Tourist Markets**

This section will examine another important mechanism, which is the international tourist market for the Philippines and New Zealand. Analyzing the international key market is necessary, because it is another aspect of direct contributions to GDP in the form of Visitor Exports, (see Figure1). Visitor exports are defined as how much visitors

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<sup>4</sup> NZD 400,000,000 \* USD / NZD 0.6931 = USD 277,240,000 (Yahoo Finance, 2015c)

<sup>5</sup> NZD 16.9bn / NZD 9.0bn = 1.8777777... = 1.88

<sup>6</sup> The Philippines's growth rate is 11% compared to New Zealand that is only 2%

<sup>7</sup> The world average of the direct contributions in 2014 was USD 19.4bn

spend in the country, and it is counted as direct contributions. Therefore, the outcomes from analyzing the international tourist market are helpful for the government officials who plan tourism development policies.

### 2.4.1. The Philippines

Figure 4 shows the number of international arrivals organized by nationality from January to April 2015 / 2014. Based on Figure 4, the number of visitors from Korea, U.S., and Japan in 2015 (ranked as 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> respectively) has increased from 2014. According to the DOT (The Department Of Tourism) (2015), the Korean market and U.S. market have a considerable influence on tourism in the Philippines in terms of visitor arrivals and visitor exports (DOT, 2015). Following these two countries, Japan, China, and Australia are recognized as important tourist markets. However, the number of visitors from China in 2015 has declined by 24.89% compared to previous year's statistics (DOT, 2015). According to Almendral (2014), 149 flights scheduled in 2014 have been cancelled because of the consequences of South China Sea disputes, and this is possibly the reason why the Chinese market has dropped significantly.



Source: DOT, 2015.

Figure 2. The top ten visitors markets with number of visitors in the Philippines<sup>8</sup>

<sup>8</sup> The bar on the left indicates the number of visitors to the Philippines in 2015. On the other hand, the bar on the right is the number of visitors in 2014.

### 2.4.2. New Zealand

For the same period 2014-2015, tourism in New Zealand relies on the markets of Australia, China and U.S. Based on Table 3, although Australia occupies almost 43% of all the arrivals, other tourist markets, such as the U.S., China, Japan, play important roles for direct contributions. Since Chinese and Japanese markets have increased from between the year 2013 and 2014 (23%, 14% respectively), it is likely that these two countries will become more important to tourism in New Zealand in the future. Additionally, the number of visitors from other countries (U.K., Germany, South Korea, Canada) has also increased in April 2015 from previous year's statistics in the same period of time (Tourism New Zealand, n.d.e). Therefore, the key markets are Western countries and well-developed countries in Asia such as Japan, China, and South Korea. An increasing number of visitor arrivals indicates that New Zealand has become a more popular destination in these countries, and with it the influence on GDP has also strengthened, because there will be more money spent by travelers in industries related to the tourism sector.

Table 3. International Visitor Arrival over the year of 2014 in New Zealand

International Visitor Arrivals <sup>1</sup>		Year ended March 2015	
			Annual Growth
Annual International arrivals	2,947,901		7%
<b>Key International Markets</b>			
Australia	1,273,152		4%
China, excluding Hong Kong and Macau	255,552		23%
USA	226,960		9%
UK	199,760		4%
Japan	83,392		14%

Combined, these markets provided 71% of international visitors to New Zealand for the year ended March 2015

Source: adapted from Ministry of Business, Innovation & Employment, 2015.

### 2.4.3. International Tourist Market: A Comparison of the Philippines and New Zealand

The top international markets are similar between the Philippines and New Zealand, such as Japan, U.S. China, Australia, U.K., and Canada. One of the reasons might be the level of development of the country of visitors, because these countries are well developed in terms of society, economy, and quality of life. Thus, an increase in visitor arrivals from these countries could be a key area for tourism to generate greater direct contributions to GDP. However, visitor arrivals from China have increased in New Zealand, whereas the number of visitors from this country has decreased in the Philippines in 2014 (see Figure two and Table three). Since the Chinese market in the Philippines was ranked as 3<sup>rd</sup> in 2014, this decrease in tourists has affected tourism in the Philippines (see Figure two). Therefore, the Philippines should obviously focus on the number of tourists from China to recover from the decline, and this will be discussed in Chapter four.

## **2.5. Political Support for GDP Contributions of Tourism**

This section discusses the political support from the government in cases of the Philippines and New Zealand. In fact, the tourism sector and political support are closely related to each other, because tourism policies are established for the purpose of maximizing the contributions to GDP (Elizabeth, 2009). The financial support by the Government contributes to GDP in a form of “Individual government travel and tourism (T&T) spending” (See Figure one). The examples are budget allocation, promotional campaigns, and capital investment. The political support in this research is defined as actions or aid from the government to increase the contributions to GDP from the tourism sector. In order to identify the relationship between direct contributions and political support, this section will outline how these two governments support tourism development.

### **2.5.1. Political Support for Tourism in The Philippines**

The campaign known as “It’s More Fun in the Philippines” was launched in 2013 by DOT, which is the department of the Philippines’ government, to boost tourism development. The main contents of the promotion campaign centered

around culture, beautiful beaches, and water activities. To make these features recognizable, they created a totally new colorful website that contains videos, photography, and an events calendar (It's More Fun in the Philippines, n.d.). In addition, what made this campaign unique was that DOT focused on social media as the advertising method at the first stage. A total of 95 million Filipinos (27 million active users of Facebook and 10 million on Twitter) got involved into the campaign through SNS. As a result, the campaign became a popular trending topic on Internet just two days after the campaign launched with almost no expense, and the total revenue from tourists increased by 15.1 percent in 2013 (Beltran, 2014). In addition, the increase in direct contributions to GDP and tourist arrivals since 2012 is linked to this campaign (See Table 1, p.13) Therefore, the case of "it's More Fun in the Philippines" has been successful, and it helps the tourism sector in the Philippines produce greater direct contributions to GDP.

The government of the Philippines allocated large amounts of money to tourism development as capital investment and budget allocation. According to Arnaldo (2013), 35.2bn PHP (1.1bn NZD, 781.4mil USD)<sup>9</sup> was assigned to the Tourism Development Program (TDP) in 2014. TDP is a program, which is composed of organizations related to Tourism development. The amount of capital investment was 92.4bn PHP (2.9bn NZD, 2.1bn USD)<sup>10</sup> in 2014, and the trend for capital investment by the government has increased year by year (WTTC, 2015b, p.13). Allocating and investing these large amounts of funding indicates that the government aims at producing more contributions to GDP from tourism. These capital investments are invested in adding capacity to

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<sup>9</sup> PHP 35.2bn \* NZD/PHP 0.0317 = NZD 1,115,840,000

Applying the currency rate of June 17, 2015 (Yahoo Finance, 2015b).

PHP 35.2bn \* USD/PHP 0.0222 = USD 781,440,000

Applying the currency rate of June 16, 2015 (Yahoo Finance, 2015a).

<sup>10</sup> PHP 92.4bn \* NZD/PHP 0.0317 = NZD 2,929,080,000

Applying the currency rate of June 17, 2015 (Yahoo Finance, 2015b).

PHP 92.4bn \* USD/PHP 0.0222 = USD 2,051,280,000

Applying the currency rate of June 16, 2015 (Yahoo Finance, 2015a).

facilities (e.g. airport, accommodation), and transportation system, and tourism operational efficiency, and sustaining rural tourists' spots (Arnaldo, 2013). Therefore, the investment in the tourism sector is likely to be used for internal facilities (e.g. airport, hotel, and transportations), rather than spending their budget on marketing strategy.

### **2.5.2. Political Support for Tourism in New Zealand**

Tourism New Zealand, which is a governmental organization responsible for tourism business operation and international marketing, launched two main campaigns. The first one was "100% Pure New Zealand", which was launched in 1999, and it focused the promotion on telling stories of the great beautiful nature in New Zealand (Tourism New Zealand, 2015c). Then, Tourism New Zealand launched a second campaign called "100% Middle-earth" in 2012. According to Tourism New Zealand (2015c), this campaign made use of the benefit from Hobbit trilogy, which is a worldwide popular movie directed by a New Zealand director, with Warner Brothers for attracting tourists. For example, Wellington Airport has created Hobbits' models within its facility (Wellington International Airport, n.d.). The International Visitor Survey notes that 8.5 percent of all visitor arrivals said the Hobbit influenced their choice to visit New Zealand (Tourism New Zealand, 2013). Therefore, this strategy, which is a combination of popular film with fantastic scenes of nature, has contributed to direct contribution and tourist arrivals since 2013 (See Table 2 and Figure 3).

Tourism New Zealand, which is a tourism department of the New Zealand government, received 2.3bn NZD (1.6bn USD)<sup>11</sup> in 2014 from the government as capital investment. The New Zealand government has invested relatively stable amount of capitals in the last 5 years. However, John Key, who is the Prime Minister of New Zealand and the Minister for Tourism, announced an extra allocation, which is to be used for over four years, amounted to 158mil

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<sup>11</sup> NZD 2.3bn \* USD / NZD 0.6931 = USD 1,594,130,000  
Applying the currency rate of June 17, 2015 (Yahoo Finance, 2015c).

NZD (110mil USD<sup>12</sup>) in 2013. This large amount of funding has been used on marketing strategies, particularly in terms of visitor arrivals including the important key markets, such as U.S., China, Japan, and Canada (Extra \$158m, 2013). Since the number of tourists from important countries is increasing (See Table 3), this investment has influenced visitor arrivals significantly. Therefore, the tourism sectors in New Zealand focuses on advertisements to other countries, whereas the Philippines invests on the internal facilities.

### **2.5.3. Political Support: A Comparison of the Philippines and New Zealand**

It is obvious that both governments place importance on the tourism sectors. “It’s More Fun in the Philippines” focused on a marketing strategy that depended on Social Media with almost no expense, while New Zealand spent their budget on advertisements overall. The key advantage of social media marketing increases advertising recognition and decreases marketing costs (Mers, 2014). Since visitors coming to the Philippines are relatively small numbers compared with other famous countries, such as Thailand, Malaysia, and Vietnam (McGeown, 2012), it might be a successful decision to focus on social media to spread the campaign worldwide, and invest its budget on internal facilities to accommodate future visitors. On the other hand, Tourism New Zealand mainly invests their budget in advertising. For example, they made two minutes videos, and spread them to online, television, and cinemas (Tourism New Zealand, 2015a). Consequently, these campaigns successfully drew tourists’ attention from other countries, and it helps increase direct contributions to GDP and tourist arrivals.

Regarding investment in two countries, the amount of investment and the direct contributions to GDP seem to have a close relationship. The government of the Philippines invested 0.6bn NZD (0.5bn USD) more than the Government of New Zealand did in 2014. As a result of the investment, tourism in the

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<sup>12</sup> NZD 158,000,000 \* USD / NZD 0.6931 = USD 109,509,800  
Applying the currency rate of June 17, 2015 (Yahoo Finance, 2015c).

Philippines generated contributions to GDP more than New Zealand (See Table 1 and 2, p. 13, 14). Therefore, capital investment is also crucial for the tourism sector to produce greater contributions to GDP. However, the amount of investment in the two countries was not high enough compared with the world average of capital investment, which was amounted to USD 4.1bn in 2014. In order to achieve greater contributions to GDP, capital investment is one area that the Governments in the Philippines and New Zealand need to develop.

## **2.6. Conclusion**

As a conclusion to this chapter, tourism contributes to GDP through tourist arrivals and the various industries (e.g. hotels, airlines, airports, travel agents, and leisure and recreation), because the amount of money that visitors spend in the country is attributed as sales related to tourism, which is then calculated as the GDP contributions of tourism. In addition, international tourist markets and political supports, such as promotional campaigns and capital investments, are also important mechanisms to generate direct contributions to GDP. To analyze the international key market is useful because it identifies the country that contributes to GDP the most. The case of “It’s More Fun in The Philippines” uses a unique promotional campaign using social media. Whereas the case of “100% Pure Middle-earth” makes the best use of internal facilities. These strategies can draw tourists’ attention significantly, and these contribute to increasing international tourists markets. In addition, more capital investment can enhance direct contributions to GDP. There are other areas that could be analyzed further to identify other mechanisms specifically, however, this research focused on the most important areas that need to be analyzed. The next section will discuss the impact on the nation’s economy, which is a different aspect of tourism contributions to GDP.

## **Chapter Three: The Impact of Tourism to the Nation's Economy**

### **3.1. Introduction**

Chapter three will mainly consider the relationships between tourism and the impact to the nation's economy of the Philippines and New Zealand. According to Venhove (2005b, p.169), tourism brings positive economic impacts on the economy in terms of the economic structure, employment, and income distribution. As an important economic river, tourism helps improve the economic conditions and the standard of living. Therefore, this section will discuss the positive impact generated by the tourism sector. The discussion in each section will discuss the differences between the two countries to see how tourism contributes to the nation's economy. In order to conduct the discussion, the next section will define positive economic impact by tourism.

### **3.2. Positive Economic Impact from the Tourism Sectors**

This section will consider the major effects of economic impacts brought by tourism. Generally, positive economic impact from tourism is defined as the positive influences to the economic growth caused by GDP contributions from tourism sectors. These are such impacts as "production, employment, wages, and taxes" (Tourism Economics, n.d., ¶4). Growing GDP indicates that the economy of the country is increasing in terms of consumption, investment, government purchases, and exports, and it can contribute to people's life as well. GDP itself does not measure the quality of life, but the country with a large GDP can provide better education systems, health care, and food (Mankiw, 2012, p.504). In this chapter, the researcher will discuss production (or services), employment and salary (or wages), because these benefits can be closely linked to the real life of people.

### **3.3. Production / Service and Tourism**

Production in this section means the commodities and services produced by the tourism sector. Tourism consists of many types of industries such as accommodation, food and beverages, passenger transport services, and culture, sports and recreational service (see Figure 1, p. 12). These industries have a significant impact on the nation's

economy, because increasing production and services creates more supply and demand in the country. For example, new hotels or restaurants in the region can bring more trading, such commodities as kitchen utensils and furniture. In addition, these new hotels and restaurants are keys to activate the regional economy with tourist arrivals. For example, new hotels can accommodate more tourists than before and allows them to spend more money on services. Thus, increasing production and service is important for the economy as it creates additional demand and supply. Additionally, it also provides local people with opportunities to improve their quality of life, such as access to stable income, increases in employment and social status as a secondary impact. So this section will mainly consider a positive impact on production in the Philippines and New Zealand using a measurement called tourism expenditure, which mentions the total amount of payment by tourists to acquire consumption goods and services (UNWTO, n.d.b).

### **3.3.1. The Philippines**

Production in the Philippines seems significantly stimulated by the tourism sector, as an overall. Accommodation, food and beverages, transportation, and entertainment and recreation industries are growing constantly, and it contributes to the nation's economy. Recent statistics shows that there are two key areas where accommodation services and entertainment and recreation service have constantly increased until today.

The increase in accommodation services is the first significant area. According to Watkins (2015, ¶1), “The Philippines is in the middle of a hotel development boom”, and it led to a rush for the constructions of new hotels. As a consequence of the expansion of the supply, the growth rate of tourism expenditure in this sector between 2013 and 2014 was 26.3% (Philippines statistics, 2015). From the economic perspective, this hotel expanded supply brought more tourists, and the consumption of the commodities and services will increase during their stay. With an increase in international visitors from other countries, the expansion in the accommodation industry will allow the region to

create more consumption by tourists. Therefore, the increase in production of the accommodation industry is an important area that brings economic impact.

The second key area, the entertainment and recreation industry is also an important and growing section for the Philippines' tourism, because the DOT (The Philippines Department of Tourism) focuses on this industry through the campaign, which is "It's More Fun in the Philippines". The growth rate of the tourism expenditure between 2013 and 2014 was 25.3% (Philippines Statistics Authority, 2015). It indicates that the Philippines have provided tourists with many activities, such as world heritage sites, scuba diving, and spa experiences. These leading activities are crucial for tourism in the Philippines and the economy, because having a demand for these activities demand increases the supply of the activity itself. For example, if there is high demand for scuba diving, business people in the Philippines would open a new diving shop to generate profit. To run a new shop, they need to buy land, buildings, and special equipment for daily business, hire and educate professional guides for services. Then, tourists pay for their diving and rental equipment to have such a dynamic view of the sea. These processes of having a business create different affects to the economy, such as cash inflow and outflow, creation of employment, and tax. All these factors revitalize the economy of the country. Therefore, increasing production and services of the tourism industry significantly affects the economy, and it is important to grow and maintain the economic condition.

### **3.3.2. New Zealand**

The production in New Zealand has not changed significantly compared to the Philippines. However, leading industries, such as accommodation, food and beverages, and transportation services (air and road, rail, water passenger) are major contributors to the nation's economy. Especially, air passenger transport service, food and beverage services generated a large part of the production for New Zealand, because these industries generated a large amount of tourism expenditure in 2011(33.8%, 22.6% respectively) (Statistics New Zealand, 2014).

Therefore, this section will discuss the positive impact caused by air passenger services and food and beverage services.

As the first key area, air passenger services are an industry, which have a positive impact on the economy. Since 99% of international tourists are coming by airplane, the sector is crucial for tourism today and the future (Tourism 2025, n.d.). Auckland airport, which is the biggest airport in the New Zealand, announced that the air passengers using the airport increased by 4.8% to 7.6 million for the six-month period in 2013 (Auckland Airport, n.d.). The increase indicates that goods and services consumed by tourists, such as food and souvenirs, also increased. Also it can create additional demand and supply, and it will bring a positive impact to trading and profit.

As another important industry, the food and beverage industry brings a significant impact to the economy. For example, New Zealand is a great wine growing country, and there are many wine festivals everywhere in the nation. According to Winter (2015), the Marlborough wine festival contributed almost 800,000 NZD to the region's economy. In addition, the festival used more than 1.3 million NZD as a whole to services and commodities, such as accommodation, food and beverages, transportation. To run the festivals, regional people get involved and imported wines are sold to tourists. Therefore, these types of tourism, which offer tourists great food and beverage, can bring a positive impact to the economy through the increase in trading. Additionally, this area is expected to generate more impacts on the nation's economy, as New Zealand has become one of the most wine producing countries in the world.

### **3.3.3. Production and Tourism: A Discussion of the Philippines and New Zealand.**

From the cases in the Philippines and New Zealand, an increase in production and services related to tourism are definitely crucial for the economy to keep expanding, because its increase can enhance consumption of commodities

within the nation. However, these increasing industries are different in the Philippines and New Zealand, because each of the country has a different focus. Regarding the speed of expansion of the tourism sector, the Philippines is faster than New Zealand. In fact, the tourism expenditure in New Zealand decreased between 2010 and 2011. However, both countries launched tourism campaigns after 2011, and these campaigns might create additional economic impact to the country. To see how it changes, up dated statistics are needed, because Tourism New Zealand has not published the new data yet.

### **3.4. Employment and Tourism**

Tourism and employment are closely related to each other, because the sector uses a large amount of human resources to provide commodities and services. Recently, around 266 million jobs worldwide were created in tourism in the year of 2013, and tourism created 6 million more jobs than in 2012 (Al Arabiya News, 2014). Vast job creation in the tourism sectors can combat unemployment and underemployment. The unemployment rate is recognized as one of the important measurements of the health of the nation's economy. If the unemployment rate rises, it can be seen as a signal of slow growth and little spending (Koba, 2014). Additionally, Dedu (2012) advocates that tourism can bring a positive impact on the employment, living standards, and quality of life. It creates employment in the regions, and it provides citizens with opportunities for increasing income. Therefore, the tourism sector has an important role, which has a remarkable impact on the nation's economy and the people living in it. So this section will explain how tourism creates employment and what are the possible effects brought by the creation of jobs by tourism based on two cases.

#### **3.4.1. The Philippines**

Despite the country's great economic growth, the Philippines still has a widening gap between the rich and poor. In the last quarter of 2014, the unemployment rate was almost 27 percent, and calculated at around 12.4 million

Filipinos (Flores, 2015). As at 2014, the tourism sector has generated 4,232,000 jobs until this point. This significant amount of employment in the tourism sector is equivalent to 11.1% of total employment in the country, and these are created in places, such as hotels, travel agencies, airlines, restaurants, and leisure industries (WTTC, 2015b). In addition, DOT (The Philippine Department of Tourism) estimates that the tourism industry will reach a total of 5.4 million jobs in 2016, and mainly it is expected in the sectors of hotel, restaurant, and transportation (Medenilla, 2015). The unemployment figure in 2014 was estimated at 12.4 million Filipinos. So the amount of employment that has been generated by the tourism sector is expected to influence the unemployment rate of the Philippines. In addition, employment has a secondary impact on people. Accommodation or recreation industries, such as scuba diving and spa services, require skills to be employed and provide trainee positions. Therefore, new employees will be educated during their training till they get sufficient knowledge and expertness. This secondary impact will directly influence people as these competences for the job can help people's future careers.

### **3.4.2. New Zealand**

New Zealand has a low unemployment rate. Regarding the labour market situation, the unemployment rate has been relatively low in comparison to the Philippines, and its unemployment rate is just 5.7% in 2014. The rate is equivalent to only 143,000 unemployed people in the same year (Careers New Zealand, 2015). This amount is equal to only 1.2% of the total amount of the joblessness in the Philippines, and it is obvious that the unemployed figure (143,000 people) is considerably lower than in the Philippines (12.4 millions). However, the tourism sector has a certain impact on the economy. As at 2014, it has created around 354,000 jobs, and the amount is equivalent to 15.5% of total employment in New Zealand (WTTC, 2015a). The number of jobless seems less than in the Philippines, but the percentage of employment in the tourism sector is higher (15.5%) than in the Philippines (11.1%). The percentage shows employment in the tourism sector is a major occupation in New Zealand.

Furthermore, its employment is expected to swell to 417,800 jobs (17.2%) by 2025 (WTTC, 2015a). Therefore, the tourism sector in New Zealand has an important impact on the nation. Moreover, its impact on labor market will even expand in the future.

### **3.4.3. Employment and Tourism: A Discussions of the Philippines and New Zealand**

The tourism sector in the Philippines and New Zealand has positive impacts on the economy. The general costs of unemployment to the country are significant, because the country has to cover aid, such as food assistance and healthcare (Simpson, 2011). Therefore, tourism is expected to be a solution for the issue as it creates a large amount of employment in the region. The difference between the two cases is the total employment in the tourism section. The reason could be population of the respective countries. According to the CIA (2015a), New Zealand has only 4.4 million people. On the other hand, the Philippines has 101 million (CIA, 2015b). Regarding the size or scale of employment, tourism in the Philippines seems to contribute to the nation's unemployment rate more than New Zealand. Therefore, the total jobs created by tourism in the Philippines has been ranked 10<sup>th</sup> in the world. Clearly, the tourism sector has an immense impact for the workforce, and it helps the nation's economy by generating a large amount of employment.

### **3.5. Salary / Wages and Tourism**

The tourism sector can bring a positive impact on salary and wages, in particular for people living in the province or in rural areas. For example, research conducted by Schnell (1998, p.220) concluded that the 20% of the regional income is produced by the tourism industry in Bavaria in Germany. Therefore, the tourism sector can be a major income distributor in the region. In addition, as salary and wages maintain people's life directly by allowing citizens to purchase luxury goods or pay daily expenses and tax, there is a secondary impact on the economy. Since consumption stimulates circulation of commodities within the nation, salaries and wages provided by the tourism industry

help the growth of the nation's economy. Therefore, wages and salary from the tourism are closely related to the economy, and it can bring a positive impact for people in some regions. In this section, the positive effects that the tourism sector can bring on the nation and the relationships between salaries (or wages) and tourism will be discussed.

### **3.5.1. The Philippines**

Tourism in the Philippines is a major income distributor for the citizens, and it contributes to the economy and the quality of life in the country. Salary Explorer (n.d.b) explains that the average monthly income per person of someone working in the tourism sector is around 544.9 USD (785.1 NZD) in the Philippines. According to Index mundi (n.d.), the household final expenditure per person per year is reported as 1,117.27 USD. This indicator indicates goods and services consumed or purchased by a household (i.e. how much an ordinal family spends for standard of living over the year). In that case, the restaurant waiter's monthly salary can cover all the expenses from the salary, and there is still excessive money equivalent to 5,421.5 USD<sup>13</sup> in the employees' hand every year. This amount is almost double the price of the indicator, and they can spend on their hobbies, personal investment, and luxury products. Thus, tourism does have positive impact on the wages or salaries of people, and their consumption contributes to the economy of the country as a secondary positive impact.

### **3.5.2. New Zealand**

The tourism sector in New Zealand provides relatively high salaries, and the payment helps enhance the people's quality of life same as the case of the Philippines. According to Salary Explorer (n.d.a), the average monthly income in New Zealand in the tourism sector is 4,105 NZD (2,845.18 USD). The NZ Social Indicator (2015) suggests the household final expenditure per person per year in 2015 is reported as 27,565 NZD (19,105.3 USD). This expenditure per person can be covered from the salary of the tourism sector, and there is still

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<sup>13</sup> 544.9 USD (Salary per month) \* 12months – 1,117.27 USD = 5,421.53 USD

excessive income for their family equivalent to 21,695 NZD. This total amount of excessive money can generate other positive impacts on the economy, such as buying a car, a house, and luxury goods, and spending their money on their vacation in other places. Therefore, the salary (or wages) from the tourism sector influences the economy in positive way, and it definitely maintains people's life by providing enough income to cover daily expenses.

### **3.5.3. Salary / Wage and Tourism: A Discussion of the Philippines and New Zealand**

As it is discussed in the last two sections, the tourism sector obviously provides sufficient income to cover all their daily expenses in both cases. According to Statistics New Zealand (n.d.), level of the income influences people's health. For example, people who have lower economic resources tend to have poorer health, because they cannot spend their money on health care. Therefore, salaries (or wages) from the tourism sector can cover their expenses for healthy living. In addition, money in excess after paying their expenses can contribute to the nation's economy by stimulating people's consumption. Thus, employment in tourism industry is a good choice for people to work in, because its average payment is high enough to maintain their daily lives.

## **3.6. Conclusion**

At the conclusion of this chapter, it is obvious that tourism definitely brings a positive impact on the economy of the country. The impacts are significantly affecting people, especially those who are living in rural areas or in the provinces. The major positive impact on the economy is that tourism stimulates industrial activities in various industries (accommodation, recreation, food and beverage, and transportation industries) as discussed in this chapter. With the increases of the level of production and services, the tourism sector plays an important role for the commodities circulation, which is important to improve the economy. Both the creation of employment and

income distribution by the tourism sector improves the standard of the people's lives directly. Employment generated by the tourism sector can contribute to combating the unemployment rate, which is one of the important indicators to measure the health of the nation's economy. In addition, its employment can contribute to the small economy of regions or provinces. Salary and wages provided by the tourism sector also maintain the livelihood of the local people and help commodities consumption as the average salaries and wages from the tourism sector can cover people's daily expenses. Therefore, tourism has definitely a significant impact on the nation's economy, and the tourism sector is a good choice for people to work in to maintain their standard of living. The next chapter will discuss how to improve tourism in these two countries with reference to specific industries. It will be an important chapter because its outcomes will be recommendations for the government policymakers who are making tourism policy.

## **Chapter Four: Recommendations for the Tourism Sector in the Philippines and New Zealand**

### **4.1. Introduction**

This chapter will mainly discuss recommendations for the tourism sector to develop further positive impact on the nation's economy through GDP contributions. Politics, international relations and diplomacy will be discussed as this research aims at an interdisciplinary project. The discussions in this chapter focus on international tourist arrivals, transportation system, and airline connectivity. Therefore, this chapter would be useful for various parties, such as the government officials, politicians in diplomacy, tourism policy makers, because this includes specific recommendations for the issues in the tourism sector to generate greater contributions to GDP.

### **4.2. The Philippines**

The strength of the tourism in the Philippines is that “price competitiveness, government support, tourism marketing, human capital, and natural attractions” (Abellanos, 2015, ¶1). However, although the Philippines has many strength as a country, the tourism sector is also dependent on people from other countries. Therefore, building relationships with other countries is crucial. So the international tourist markets is a significant area to develop for the future.

#### **4.2.1. The Development in the Chinese Tourist Market**

The development in international tourist markets is important for the Philippines, because the contributions generated by the tourism sector usually rely on the numbers of tourist arrivals. Therefore, it is important for tourism in the Philippines to focus on the Chinese market, because tourist arrivals from China suddenly declined since 2014 as discussed in Chapter two. The tourism sector in the Philippines should consider this loss of tourist arrivals.

##### **4.2.1.1. Recover the Chinese Market**

The relationship between the Philippines and China is complicated, and there are conflicts between them. Recently, the most disastrous issue is the territorial dispute over South China Sea. As a summary of the dispute, simply China has claimed their territorial waters beyond the Chinese 200 nautical miles Exclusive Economic Zone, and violated sovereignty of the countries in South East Asia including the Philippines. In addition, the incident happened in Manila on September 2014, where three anti-Chinese group activists planned to bomb international airports and other targets including Chinese embassy, significantly affecting the tourism sector (Robles, 2014). The tourist arrivals from China suddenly declined since then, because the Chinese Government warns citizens to avoid traveling to the Philippines. As discussed in Chapter two, the Chinese market is the primary market to recover as visitors from the country has declined between 2014 and 2015 (See Figure two, p. 16). Therefore, to recover from the loss of arrivals from China should be the primary concern for tourism in the Philippines. However, the Philippines Presidential election will be held in 2016. The position toward China, which will be made next by the Philippine President, will definitely affect the relationship between the two countries including the tourism sector (Pitlo III, 2015, July 20). Therefore, further research in the future will be needed to see how the Philippines will set their diplomatic position with China.

#### **4.2.1.2. Recommendation for the Chinese Market**

The recommendation is the need for back channel diplomacy to this situation. Back channel diplomacy is recognized as secret negotiations between parties for applying to a dispute (Anthony, 2006). The secret negotiation has been used to many situations around the world recently, and it has also proved as one of the routes to make situations between parties better. Thus, a solution would be to use agents, such people as Filipino business people, who have strong connections with Chinese

Government officials. The backchannel diplomacy could be used for the Chinese Government to withdraw travel cautions, which encourage their citizens to refrain from traveling to the Philippines.

Additionally, drawing Chinese individuals attention to the Philippines is important. According to The Department of Tourism in the Philippines (n.d.b), 62% of total Chinese tourists book by travel agencies or individually (33% and 29% respectively). In this case, the Chinese travelers still have their own intentions to choose travel destinations. Therefore, Internet marketing strategies would be important to the Philippines make more attractive country for the Chinese travelers. For example, creating attractive Internet webpages or advertisement videos for Chinese also would work for the Chinese market.

In addition to the Chinese markets, infrastructure of transportation is an important aspect for travelers to provide them with a great travel experience. However, the Philippines is currently facing challenges to provide a better transportation system.

#### **4.2.2. Poor Travel Infrastructure**

As tourism means that tourists are moving from place to place, an easy access to its destinations is crucial. However, since the transportation system is highly localized and difficult to use, it is not easy to use for tourists. Therefore, updating the transportation system is crucial, because it helps increase the visitor numbers through the travel experiences of tourists. To address the issue, this section will firstly discuss the situation of an international airport in Manila, because the airport is the main airport in the Philippines, but the airport has received poor criticism from tourists.

##### **4.2.2.1. Airport Issues**

Airports are important, because they are the place where every tourist gets first impression of the country. In fact, the Philippines' main airport called "NAIA (Ninoy Aquino International Airport)" used to be described as one of the world's worst airports. According to Luz (2011, October 21), the basic arguments against NAIA are such complains as old facilities and unsatisfactory services. Because of the highly unsatisfactory experiences of the main airport, the impression of the country tends to be miserable. In order to address this issue, the airport authorities planned a renovation project of NAIA Terminal One, and the construction was completed on March 3, 2015 (Official Gazette of the Republic of the Philippines, 2015). Although the construction of NAIA Terminal One has been completed, there are still issues regarding services including transportation. NAIA is comprised of four terminals so far, and each terminal is located at a great distance from one another. So the passengers are required to take either a taxi or bus for transferring to other terminals, and these poor accessibility issues should be considered.

#### **4.2.2.2. Poor Local Transportation System**

In addition to the issue of the airport, tourists from other countries have suffered from the complex and dangerous local transportation system. According to Lonely Planet (n.d.), the main means of transportation in the Philippines are jeepney, taxi, and tricycle in the city; and bus and airplane are used for long distance transportation. These local transportation systems are cheaper than other countries, but there are issues for tourists. Firstly, safety while using local transportation is an issue for tourists. For example, they should be careful with their belongings while on a jeepney, because pickpocketing is one of the major incidents inside. In addition, tourists also need to be careful with riding a taxi. Some taxi drivers try to cheat them of the taxi fare by using an illegal taximeter (Meagan, n.d.). Secondly, having experienced in the

Philippines for more than one year, the researcher would say that using local transportation, especially the jeepney and tricycle, is definitely complex. For example, there are no stops on the road and many routes that are not planned by only based on memory, and jeepney driver sometimes don not speak English. To confirm this situation, KPMG (2015) illustrate that the overall infrastructure of the Philippines is ranked 98 out of 144 in 2012. It suggests that the infrastructure in the country is still relatively poor compared to other countries in Asia. Therefore, the overall infrastructure, especially security and complexity, is the issue that the tourism sector in the Philippines should consider for the future improvement.

#### **4.2.2.3. Recommendations for Transportations**

The primary recommendation for improving airport and local transportation issues would be more capital investment into the tourism sector. As discussed in Chapter two, the Philippines Government invests more that the New Zealand Government, but the infrastructure of transportation has not been improved like that of New Zealand. Therefore, capital investment is important for updating transportation system in the Philippines. According to KPMG (2015), the Philippines Government spent 404,312 millions PHP in 2014, and this was 40% more than the previous year. From the report, the investment in airport facility is only 2.3% of total budget. Therefore, at least 5% of total investment will be needed for a better airport facility. With an extra investment by the government, old facility of NAIA would be renovated for improvement in usability. Additionally, the authoritative should provide public transportation service, such as bus or train, to connect with other terminals, because using local transportation for other terminal leads satisfaction for tourists in terms of security and difficulty.

To address the issues of poor transportation, the recommendation would be that the Philippines' authority should publish an official guideline for travelers how to use jeepneys and its routes. The jeepneys in many cities are privately operated by owners and highly specialized for local users. As a result of providing a guideline, most tourists would not become confused about which transportation they should take to get to their destination and about the system of local transportation. The security issue is difficult to be improved, therefore, tourists should be careful by themselves. However, if the Philippines become a socially developed country in terms of wealth and less joblessness, the number of pickpockets and other criminals would be less in the future. Thus the capital investment and the issuing a guideline for tourists would be an important incentive for tourists to feel the Philippines as a tourist-friendly country.

The next section will discuss the recommendations for tourism in New Zealand. Although tourism in New Zealand has a highly sophisticated transportation system in terms of schedules, security, and services, the country currently has issues with more accessibility to other countries, rather than internal facilities.

#### **4.3. New Zealand**

As discussed in Chapter two, although the tourism industry in New Zealand has a relatively small market compared to the Philippines, the tourism sector in New Zealand has been successful as it contributes to the economy of the country. As discussed in chapter three, airline services are important economic factors for tourism in New. Since New Zealand is surrounded by the sea and geographically located far away from other developed countries, there are difficulties that New Zealand faces, such as airline connectivity with other countries.

### **4.3.1. Airline Connectivity in New Zealand**

Airline connectivity has become important all around the world, and it is recognized as the key for the improvement of the country's economic growth potential (Morphet & Bottini, 2014). In addition, ICAO (International Civil Aviation Organization) defines airline connectivity is a measurement for aviation to measure availabilities of transportation services as well as airport facilities (ICAO, 2013). Since 99% of the travelers to New Zealand arrive by airlines, it is necessary that aviation in New Zealand should be smooth, mutual, and sustainable. According to Tourism 2025 (n.d.), however, the air connectivity has been currently ranked at 142 internationally. This suggests that having frequent operation in New Zealand would be high risk for the airline companies because of high costs for their daily operations (e.g. distances and oil cost). Therefore, airline companies sometimes stop their operations. For example, the Qantas finished its operation from Auckland to Los Angeles, and Korean Airlines reduced flight services from Auckland to Seoul (Tourism 2025, n.d.). This issue leads to a situation where by reducing its services that airline capacity is declining.

#### **4.3.1.1. Airline Connectivity and Emerging Market**

As discussed in Chapter two, New Zealand is a favorite destination for many countries, such as Australia, U.S., and China. In addition, some of developing countries are the possible markets in the future. According to Tourism New Zealand (n.d.a), India, Indonesia, and Latin America are recognized as emerging market for New Zealand, and these markets would bring more tourists and generate more profits in the future. Tourists from India are increasing year by year, and the growth rate of the tourist arrivals is 24% (Tourism New Zealand, n.d.d). However, airline connectivity with emerging markets is not ready yet. According to Tourism New Zealand (n.d.c), there are no direct flights from India to Auckland, and most of the tourists are using hub airports in Asia, such as Singapore, Kuala Lumpur, and Bangkok. Connecting with hub airports

can bring more tourists into the country, because hub airports are connecting with other airports in regions. The issues would be seat allocations from these hub airports, and the key issue currently is that there are not enough seats for the increasing number of tourists. Additionally, flights from Indonesia also need to be considered. Currently, the flight between Auckland and Bali is only once a week (Tourism 2025, n.d.). Thus, if these seat allocations and number of flights increase, there will be significant opportunities to New Zealand for further development in the future.

Additionally, from a political perspective, it is not open for emerging market to come to New Zealand in terms of visa waiver agreements. Visa waiver agreements are international agreements between a country and New Zealand, which allows the country's citizens to stay in New Zealand without applying for a visa (Immigration New Zealand, n.d.). Both India and Indonesia do not have the agreements yet. It means that travelers from these countries do need to apply for a visa, and there might be visa problems.

#### **4.3.1.2. Recommendations for the Airline Connectivity with Emerging Markets**

The main recommendations would be visa waiver agreements and frequent flights. As previously discussed, emerging markets are the primary area that New Zealand has to start developing. Therefore, visa waiver agreements with emerging markets are needed. The entry policy affects visitors' choice because of its cost and time, and many countries are processing such a visa policy to ensure competitiveness for tourists (Massmann, 2015, September 7). If there is not a visa needed upon arrival in New Zealand, more tourist arrivals will be expected in the future because of cost and time saving. In addition, this visa waiver policy can help maintain good relationships with countries. Thus, this policy would

be a primary recommendation from the perspective of political and international relation. However, there would be a security problem with this agreement with countries. For example, New Zealand would have the possibility that terrorists could attack the country, because Indonesia is still suffering from terrorism. To avoid these problems, the New Zealand government should consider this issue carefully. Currently, it is not yet open for tourists from emerging markets, and it is the key area that the government needs to consider for further development.

Additionally, providing more frequent flights from emerging markets to New Zealand is also a recommendation. To provide more frequent flights, aviation in New Zealand should work with other industries and the government, because additional operations need to prepare extra airplanes. Leasing an airplane is a high cost for companies. Therefore, help from the government will be needed. For example, it is recommended that the government provide loans or lower interest rate to airline companies. Especially, Air New Zealand is the biggest airline and it represents the national flag in aviation industry. So if the government helps that company, it will be advantageous in terms of founding another airplane for operation, and the company can provide additional schedules for more tourists to boost tourists from these countries.

These two recommendations are the key factors for the tourism sector to obtain more tourists from emerging markets. These countries have attracted attention as these countries are growing faster in terms of the economy. Therefore, focusing on these markets would help obtain more tourists, and it would be the main stream of GDP contributions by the tourism sector in future.

#### **4.3.2. Difference in Seasonality International Arrivals**

Visitor numbers is an important mechanism of the tourism sector, and to maximize its numbers is a way to increase the contributions to GDP from the tourism industry. However, each country has each a peak season for tourism, and that season is the most important season in the year. Firstly, most tourists come to a country during the best season, because those seasons can provide tourists with fantastic experiences. Secondary, profit during the best season covers a large portion of annual profits, as tourism is dependent on the amount of spending from tourists. However, tourism is not only open during that busiest season but also open throughout whole year. So the tourism industry needs to think about is how to survive during off-season, and this section will discuss how to stimulate off-season tourism in New Zealand for the future improvement.

#### 4.3.2.1. International Tourists Arrivals in Off-Season

As discussed in Chapter two and three, the tourism sector in New Zealand contributes to the country's economy significantly because of increasing the number of tourist arrivals year by year. However, there is an issue that the sector needs to consider regarding the seasonal arrivals, especially differences between summer and other seasons. The Ministry of Tourism provided Figure three, which shows the number of tourist arrivals in each month in the years of 2000, 2003, and 2006, and it shows clearly the differences of tourist arrivals between summer period and other periods.

**Seasonality of International Visitor Arrivals the Year of 2000, 2003, 2006**



Source: Ministry of Tourism, n.d.

*Figure 3. Seasonality of International Visitor Arrivals*

From Figure three, the visitor arrivals from April to October are below 200,000 people in the year of 2006, and these months are the periods that need to be improved in terms of international arrivals. According to Thyberg (n.d.), costs including accommodation and airfares are expensive in the summer period, and the capacity for tourists is nearly full. So the summer period is difficult to improve more than current situation. It means that there are still possibilities for the winter season as tourism drives growth of the tourism industry.

#### **4.3.2.2. Recommendations for Improvement in Off-Season Tourism**

The suggestion would be marketing strategies, which provides a platform for people to share experience and communicate between travelers. If tourists that are interested in traveling in winter season share information, it would bring tourists from other countries. The reasons why I choose this is that New Zealand has some advantages compared to the summer season, such as competitive price offers and attractive attractions. Therefore, it would offers attractiveness for budget travelers and backpackers, who plan on coming to New Zealand. In addition, some of the attractions are open only in the winter season, such as skiing and wine festivals. Because of the weather and temperature, the out-of-peak season offers different adventures and recreation to tourists. If tourists who plan on going to New Zealand know that the out-of-peak season is a good choice for tourists, more tourist arrivals are expected and it generates additional profits for the tourism industry.

#### **4.4. Conclusion**

As an overview of this chapter, there are many ways to help expanding the tourism sector for the future. For tourism in the Philippines, the relationship with China would

be important, because currently tourist arrivals from the country have declined. Therefore, the recovery of the Chinese market is necessary for further development. In addition to the Chinese market, upgrading their facilities for tourists, especially airport and local transportation, is needed, because the transportation system is complicated and highly localized for tourists. To address the issue, capital investment plays an important role, and the help from the government supplement the tourism industries with its extra budget. On the other hand, a political and seasonal marketing approach would be the key recommendations for the tourism sector in New Zealand. As a visa is one of the concerns for tourists in terms of cost and time, having visa waiver agreements with countries are crucial. It would be attractive for tourists if there were no visa processes before their arrival in such a beautiful country. In addition to that, to provide competitive price offer and additional flight schedules to emerging markets, such as India, Indonesia, and Latin America, would be an effective recommendation, as these markets are increasing in terms of tourist arrivals. This chapter illustrates that the tourism industry is a highly integrated industry, which need support from various sides, for example, government support, political improvement, business strategies, and relationships with countries. To develop the tourism sector in the future and maximize the economic contributions to the nation, various parties in the country should be involved and all of them should be helping each other. Then, the tourism sector would become a greater GDP contributor in the future, and it will become one of the major industries in the country.

## **Chapter Five: Overall Conclusion**

### **5.1. Overall Conclusion**

This research investigated the differences of contributions from the tourism industries in the Philippines and New Zealand in order to provide suggestions for further improvement of tourism in both countries. The research questions were (1) How has tourism developed historically in the Philippines and New Zealand (2) How has tourism contributed to GDP in both of these countries in the last 5 years (3) What

impact does tourism have on the economies of the Philippines and New Zealand, and (4) What recommendations can be made for the future improvements of tourism.

Development of the tourism sector in the Philippines decreased since 1983 because of the assassination of a political leader, then the tourist arrivals have increased from the year of 2000. On the other hand, the tourism history of New Zealand starts from mid-19<sup>th</sup> century. The marketing campaign started from 1999 has been success, and it encourages tourists to visit New Zealand.

The tourism industries in both countries have contributed to the nation's economy consistently since 2009, and the contributions made by tourism have increased year by year. The amount of contributions in the Philippines is higher than that of New Zealand. In addition to that, the mechanisms of tourism, such as international tourist market and political support, are important for tourism to generate GDP contributions through visitor exports, marketing campaign, and capital investment.

Tourism brings positive impact on the nation's economy as a main products and service provider, employment generator, and income distributor. These impacts also affect revitalization of the economy, standard of living, and solution for unemployment rate. Therefore, tourism is an important contributor to the nation's economy.

For further improvement, the Philippines needs to consider back channel diplomacy to recover from the loss of the Chinese market. Also, more capital investment from the government to upgrade travel facilities is needed. On the other hand, New Zealand should be open for emerging markets in terms of politically and physically. In addition, New Zealand needs to provide new marketing strategy for obtaining more tourist arrivals in off-season.

The mechanisms of how tourism contributes to GDP and the economy of the country are based on the economic concepts, because the main object of the tourism sector is to maximize the contributions. In addition, the tourism sector is dependent on international

tourist arrivals. In short, increasing tourists arrivals bring positive impact on GDP and the nation's economy. Therefore, the tourism sector is strongly related to the economy of the country because of the industry's characteristic.

This research shows an international relations perspective that having good relationships with other countries is necessary. In the case of the Philippines, the relationship with china and a dispute between two countries affects the performance of the tourism sector. To maximize the performance of the industry, a good impression makes the country attractive and favorable for the tourists. In other words, good and careful diplomacy helps to boost the contributions to GDP and the economy of the country. Therefore, international relations affect tourist arrivals, which has an important role in the tourism industry.

Additionally, this research addressed a political perspective. Politics help the tourism sector by budgeting and tourism policy. A large amount of budget allocation helps update facilities in the country. Also, tourism policy plays an important role on tourism, because the policy will affect directly the industry in terms of tourist arrivals. New Zealand, for example, established their marketing campaign using a famous movie as one of the main features of tourism in New Zealand. These political activities are important, because it makes the country attractive for tourists.

Therefore, as an overall conclusion, the tourism industry is a highly unified industry with various strengths of the country. Because of that, the tourism sector is recognized as a major economic contributor of the country, because strengths of the country reflect the performance of the tourism industry. The researcher believes that the tourism sector provides maximum profit to the country when all industries stimulate each other and help each other.

## **5.2. Limitations**

The researcher has had access to the latest economic data, such as GDP and GDP contributions from by the tourism sector, because these are regularly updated. However,

one limitation is that the researcher could not obtain the latest tourism information for Chapter three. Unfortunately, New Zealand has not provided latest tourism expenditure, while the Philippines has provided latest tourism expenditure in the Tourism Satellite Account in 2015. Due to limitation of the data, the latest date publically available was used for New Zealand (2011) and the Philippines (2014). Thus, the findings of this research can be changed when the new data is published.

In addition, as not much research has been done in terms of a comparison between tourism in the Philippines and New Zealand, this research is beneficial for the tourism area. However, this situation caused limitations in terms of sources that the researcher could refer in terms of contents and research contents. Nevertheless the researcher could not find many of them discussing exactly same topic at the preliminary research phase, there are sources that discuss individually, such as contributions of tourism to GDP or the politics and tourism, so the researcher will combine sources from different fields in this project. Thus, the researcher had to determine the research method for this particular situation, and this would be another limitation for this research.

### **5.3. Recommendations**

This project also has recommendations for the future research. Firstly, this research can be completed with past data. For example, a comparison between the data around 1990s and this research would be able to discuss how the tourism sector has changed. Secondly, the differences between specific industries would provide more specified GDP contributions by the tourism industry. This expansion of the discussion could provide detailed characteristics of the tourism industry. Lastly, this research can also expand into local areas, such as a comparison between Auckland and another major city. To focus on a regional city would allow a discussion of how the tourism sector contributes to the local economies. Therefore, the recommendation would enable a deeper discussion to see how tourism brings the positive impact on the nation's economy in future research.

Total: 14,949 Words

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