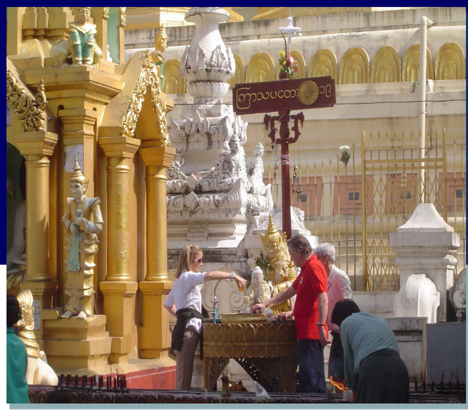


MMRD BUSINESS INSIGHT

MYANMAR HOTEL & TOURISM REVIEW 2012

T J Tan

[Pick the date]

Contents

Business insight was established in April 2007 when MMRD's (Myanmar Marketing & Research Development) Business Magazine was merged with its Indsutrial Research Deparment, resulting in a department that specialises in Business and Industrial Research (BI). Since then, MMRD Business Insight has conducted over 60 BI projects using both qualitative & quantitative methods for its local as well as international clients which include mulitnationals, corporations

Country Facts

Country	:	The Republic of the Union of Myanmar
Capital	:	Nay Pyi Taw
Population	:	60 million (official figure)
People	:	8 national races & 135 ethnic groups
Religion	:	Buddhism (89.3 %), Christianity (5.6 %), Islam (3.8 %), Hinduism (0.5 %), Animism (0.2%)
GDP[1]	:	USD 43 billion (2010 Asia Development Outlook -ADB)
Per capita income[2]	:	
Climate/ Weather	:	The climate of Myanmar can be divided into three seasons: hot season, rainy season and cold season. Hot season is from March to mid-May; the rain falls from mid-May to the end of October; and the cold season starts in November and ends at the end of February. Temperature varies from 38°C to 19°C; humidity from 82.8% to 66%. The cool season runs from late October to mid-February. Temperatures are lowest at this time, though the climate remains tropical throughout most of Myanmar. The hot season lasts from late February to about mid-May. During this season, temperatures often top 100 °F (38 °C) in many parts of Myanmar.

1 Source: Myanmar Tourism Association

2 Source:

Executive Summary

The largest country in mainland Southeast Asia with a population over 50 million, Myanmar is blessed with a diversity of terrain that ranges from ice-capped mountains in the north, to pagoda-filled plains in the center, to miles of pristine beaches along the southern coast. However, it only receives 816,369 tourists[3] in 2011 – a mere single digit percentage of Malaysia's 24.7 million and Thailand's 19.1 million.

Because of its closed doors, mysterious and sometimes notorious image for the past 50 odd years, the rest of the world was unable to experience what Myanmar - "The Golden Land" - could offer. Myanmar missed out on many of the world's developments and remained stuck in time behind its wall of self-isolation but it is this very isolation that has given Myanmar a chance to retain its unique culture and relatively untouched soil in this globalized world. For many years, Myanmar's old world charm, has in itself , become the attraction for foreign tourists.

The waves of reform that took over the country since 2011 created renewed attention for Myanmar as a tourist destination. With the influx of visitors that accompanied these changes, the travel and tourism industry is facing an urgent need to expand quickly to accommodate the continuous stream of visitors. As Myanmar prepares to host the upcoming 2013 SEA Games and the ASEAN 2014 chairmanship, even more foreigners are expected to enter the country. Many investors and industry followers have been quick to respond to this need.

The Myanmar tourism industry is highly sensitive and reactive to the political and economic situation in-country. While the tourism and hospitality industry in Myanmar is highly promising, Myanmar only recently started on the path of real development. The industry thus faces considerable limitations, not least of which is infrastructure.

Further encouragement or incentives from the government will spur the tourism industry on and will assist in it developing more rapidly. Since the country is under a new civil administration, it is still going through many reforms and changes. While it is difficult to forecast the travel, tourism and hospitality sector look set to thrive in the not-so-distant future given the recent reforms that have taken place in the country.

3 Source:

Overview

Infrastructure

There has been much progress in infrastructure development particularly in the past 2 years. This would include:

1. Upgrading of existing roads & bridges.
2. Construction of new roads & bridges.
3. Completion of the Yangon - Nay Pyi Taw - Mandalay Expressway in 2010.
4. The opening of Nay Pyi Taw International Airport on 19th December 2011.
5. Developing new hotel zones in main destinations of Nay Pyi Taw, Yangon, Bagan, Inle and Mandalay. More hotel zoning will be designated such as the ones between the international airports, Yangon and Hanthawaddy.
6. On September 15 2011, the Committee for Smooth Entrance of Foreign Visitors to Myanmar was formed expressly for ease of entry into Myanmar.
7. The authorities are reviewing the Facilitation of Travel, also for the ease of entry in and about Myanmar for tourists.
8. Re opening of money changer booths in Theinbyu Street and in some of the local banks for foreign visitors
9. The plan to introduce an e-visa system
10. The feasibility to extend this service in Mandalay, Bagan, Heho and Thandwe airports as well as at border checkpoints in such as Tachileik, Kawthaung and Muse.

Banking, Payment & Foreign Exchange

Previously,transfer of funds in and out of the country ws complicated and credit cards could not be used for payment. There were many obstacles hindering payments made by,say, foreign tour companies making payment for accommodations and logistical arrangements to hotels and local counterparts. The banking system was antiquated but since reforms, steps have been taken to faclitate international business. Foreign exchange was further complicated with an official rate as well as a black market rate that most operated uder. Furthermore there was the FEC (Foreign EXchange Currency) that was used to control foreign exchange, namely, the US dollar. The local currency is the Kyat.

Reforms such as allowing the opening of foreign exchange booths at Theinbyu Street as well as at some local bank branches have started to faclitiate tourism and other businesses. As sanctions are lifted, the ease of foreign exchange and transfer of funds as part of reforms both have a positive impact on business in general. Furethermore there have been announcements of the arrival of Mastercard and Visa into the country and typing up with a few local banks mean tourists will soon have the option of making payments by credit card.

Investments

According to the IMF, Myanmar could become the next Asian economic frontier if it is able to turn its rich natural resources, young labour force and proximity to some of the world's most dynamic economies to its advantage through the appropriate reforms. Myanmar's recent democratic government has pledged to increase wages, improve the standard of living and promote micro-entrepreneurship ahead of undertaking its role as the ASEAN chairman in 2014. The Foreign Direct Investment Laws (FDI Laws) were amended as of November 4 2012 to encourage more investments from overseas and to remove many of the barriers to entry that had hindered its economy. The key provisions in the FDI Laws are:

Form of investment

Foreign investment may be made in the form of:

i. a 100 percent foreign-owned enterprise
ii. a joint venture with Myanmar citizens or enterprises
iii. a permitted form of business contract

However, foreign investors must form a company in Myanmar in order to be entitled to the benefits of the new FDI Laws.

Foreign ownership restrictions

The new FIL permits 100% foreign ownership (as described above) other than investment in restricted activities specified in the new FIL

Minimum foreign participation

The foreign to local equity ratio for joint ventures is up to the parties involved; whereas previously, foreign investors were required to have a minimum equity participation of 35% if investing under a joint venture.

Minimum capital

Foreign currency capital requirements will be determined by the Myanmar Investment Commission (MIC) on a case-by-case basis, whereas previously it was USD 5million

Foreign exchange

Remittance may be made through any bank authorized to perform international banking at the prescribed exchange rate.

Employees

When hiring local experts and technicians for enterprises that require special expertise, investors must employ at least 25% local staff during the first two years from the commencement of a new enterprise, increasing this to 50% during the next two years and 75% thereafter. Investors must appoint only local staff for enterprises that do not require special expertise. The new FDI Law does not provide further guidance on when an enterprise will be considered to require special expertise.

Transfers of interests

Investors are permitted to transfer all or part of their share in a company to either a foreign or local citizen or entity, subject to obtaining approval from the MIC. However, if the entire interest is transferred by a foreigner, the investment permit must be returned.

No nationalization

The new FDI Law provides assurances that the Government will not, without a proper reason, terminate an enterprise operating under an MIC permit before the expiration of the permitted term and will not nationalize an enterprise if it extends the term of the enterprise.

Dispute resolution

The new FDI Law explicitly recognizes that dispute resolution mechanisms can be contractually agreed between parties, and provides that, in such cases, any dispute that cannot be settled amicably shall be resolved in accordance with the agreed mechanism. If there is no such mechanism provided in the contract, Myanmar laws regarding dispute resolution shall apply.

International treaties

If the new FIL conflicts with any provisions of an international treaty or agreement approved by Myanmar, the provisions of the treaty or agreement will apply.

The authorities have set a target for a deficit in the range of 4½ percent of GDP in FY2012/13 with more emphasis on social spending. They plan to reduce military spending from 23.5 to 14.5 percent of total expenditures, while social spending is expected to increase to from 5.4 percent to approximately 7.5 percent of expenditures.

The procedure to apply for Foreign Direct Investment are as follows:

1. Official Appointment Letter
   Introduce Company Profiles to respective Ministers followed by discussions
2. Project Proposal
   Visit interested area and prepare the project proposal including the following:
   - Master Plan
   - Type of investment, cost and phases
   - Financial Plan
   - 30-year term based on Build-Operate-Transfer (B.O.T) followed by
   - Management Contract for two successive 15- year terms
   - Completion of whole project in three years
   - Land Use Premium Payment payable, 50% on date of signing and 50% on date of ground breaking of the project
   - Land Lease Rental Payment as per contract settled quarterly
   - (Mention of) environmental awareness
   - Return on investment
   - Human resource development
   - Positive impact on local community
3. Memorandum of Understanding (MOU)
   - Ministry report MOU to Myanmar Investment Commission (MIC)
   - Send to Attorney General Office for legal advice
   - With the legal advice, launch to MIC
   - MIC seek approval from State Authorities
4. After approval, sign the contract; Ministry will support in
   - Importing materials from abroad
   - Negotiation with local authorities
   - Recruiting labour, facilitation of travel for experts
   - Security of Project site

Tax

Taxes applicable to the Hotel and Tourism iindustry include:

- Commercial Tax of 5%, a reduction from the former rate of 10%
- Income tax of 35% for a Foreign Direct Investment (FDI) company or foreign joint-venture company without MIC is 35%
- Income tax payable by an MIC company is 25%

However, it must be noted that the government is providing tax holidays and incentives to attract more investments into the country.

Communications

Telephone

The number of telephone lines reached over 3 million in 2012. Fixed phone lines are 0.8 million, mobile phone lines 2.8 million and other line systems are increasing.

In addition to standard fixed telephone lines, Myanmar has seen various types of mobile communication systems implemented since December 1993. Now, there are 7 mobile systems. These are D-AMPS cellular, CDMA, GSM, CDMA-450MHz, WCDMA, CDMA-800 MHz,WLL and McWiLL. According to MPT, 1.7 million mobile phones have been installed in 221 towns in Myanmar in 2012. Myanmar Posts and Telecommunications in cooperation with private companies is implementing a five-year plan for installation of 30 million lines of mobile phone system starting from 2012 for the development of communications and information technology of the nation and to increase the telephone ownership and coverage will be every two people has one phone.

Telecom Service:
1. Myanmar Posts & Telecommunications
2. Yatanarpon Teleport Co., Ltd
3. Asia World (CDMA, cellular BTS)

Mobile System:
1. ZTE Corporation
2. Myanmar Aies Tel Co., Ltd.
3. Siemens (Mobile System and BTS)
4. Asia Gro Pacific Co., Ltd.(Hwawei)

Internet

Internet connections are ADSL circuits, followed by dial-up, WiMax (Broadband), IP Star, FTTH (FTTx) and EVDO. Myanmar internet connection has been growing progressively and has launched the EDGE system.

The MPT remains the sole ISP in Myanmar for a broad range of services including Fibre, ADSL, Broadband and Dial-up. The semi-government owned Yatanarpon Teleport comes close to MPT's range of offerings with Fibre, ADSL, Broadband, WiMax, Dial-up services. Satellite Internet Services are provided by IPStar and SkyNet, the latter usually offered by numerous sub-contractors in their respective regions. The new government will also allow foreign companies to perform as service providers.

Tourism Sector

The thrust to promote tourism began since 1992. The Hotel and Tourism Act was established in 1990, then in 1992, the Ministry of Hotel and Tourism was established to develop Myanmar's budding tourism industry. Private entrepreneurs were encouraged to function as tour or travel agents while construction projects for hotels, which included several foreign-owned ones, began soon after Myanmar opened its door to foreign investments in the early 1990s. This was the kick-start to the new wave of the tourism industry.

To facilitate this, entry into the country via several points at the China and Thai borders were allowed, tourist visas were extended and internet and e-visas were introduced over the next 10 years or so. Several committees and associations such as the Tourism Development Management Committee (TDMC), Myanmar Tourism Promotion Board (MTPB), and Myanmar Hotelier's Association (MHA) were also formed to nurture and grow this industry.

The industry appeared both promising and lucrative as an inflow of business travellers and tourists increased steadily since 1995 but this momentum was suddenly curtailed by a number of factors and events since then.

While visitor arrivals did grow over time, it was not immune to interruptions by natural disasters and political events. The dip in the number of visitors from 2007-2008, for example, corresponded to what is known as 'the Saffron Revolution' when the peaceful chanting of Buddhist monks turned violent when others joined in as a protest. Tourist figures were further depressed when Cyclone Nargis caused destruction to various areas in the country and the reaction in getting aid to the affected areas was slow. The industry did not recover from this until 2009-2010.

Even though there may have been incremental increases in the number of tourist arrivals, the tourism industry was for the most part in a slump. Its recovery came only after the general elections in 2011 and the subsequent reforms across various sectors implemented by the new

Function of the Ministry of Hotels & Tourism

1. Implementing the systematic development of hotel and tourism industry.
2. Implementing in a timely manner the policies and guidelines laid down by the Union Government.
3. Developing and encouraging national and international investment opportunities in the industry.
4. Developing opportunities for the wider participation of the private entrepreneurs in the industry.
5. Setting programs and guidelines in order to arouse keen interest from international tourists visiting Myanmar and to promote Myanmar as a world renown tourist destination.
6. Organizing workshops, seminars, exhibitions, conferences and shows and trainings to upgrade the quality, standards and technical skills of the industry.
7. Creating awareness of best practices in developing community's higher standard of living and job opportunities in line with the development of tourism.
8. Targeting towards the achievement of one million tourist arrivals to Myanmar.
9. Cooperating with regional organizations and neighbouring countries in tourism activities.

administration. These political actions and the reforms have gained international recognition and respect and have both directly and indirectly created a positive impact on Myanmar's tourism industry. It tells the international community that Myanmar is not dangerous and is open for business.

As Myanmar transitions towards democracy after its first elected government in more than half a century, the number of visitor arrivals recorded a high of over half a million in the year 2011-2012 as a result of renewed interest by both the business community and tourists. **Cambodia, Laos, Myanmar and Vietnam, which form the Mekong Sub-Region agreed to implement a combined single visa among themselves, targeting 25 million tourists by 2015.**

Timeline of some major events that impacted the hotel & tourism industry 1990's to the Present

YEAR	EVENT
1990	Myanmar Hotel & Tourism Law enacted
1994	Strand Hotel & Inya Lake Hotel refurbishment completed
1994 November	Opening of Summit Parview Hotel, the first international hotel in 50 years
1995 March	First Myanmar booth at ITB Berlin initiated by the private sector with 4 participants
1995	Aung San Suu Kyi released from house arrest
1996	Visit Myanmar Year 1996 ITB booth becomes a Myanmar pavilion; since then Myanmar participates at ITB annually
1997	Asian Financial Crisis SLORC become SPDC. Ministry of Hotel & Tourism established
1998 December	ILO Sanction imposed
1999	Mandalay International Airport Completed
2000 March	Development of Ngwe Saung Beach
2000	US Sanctions Imposed
2002 September	Aung San Su Kyi re-arrested and under house arrest
2003	SARS pandemic
2004	Visa application through the internet and e-visas were introduced
2005	Capital was moved from Yangon to Nay Pyi Taw. Upgrading and extending Yangon Airport
2007 August	Monks protest known as the' Saffron Revolution'
2008 May	Cyclone Nargis
	General Elections held
2011 March	New civil government took office
2011 September	Visa on Arrival revoked
2012 May	US sanctions started to be lifted

2012 June	Visa on Arrival reissued

Seasonality of the Tourism Sector

Traditionally, tourism in Myanmar is seasonal and lasts approximately six months, starting from October, at the end of or after the monsoon season and peaking during the cooler season between November and February, to March, before the onset of the hot season when the heat is too difficult to handle. The remaining six months are regarded as off-season because of the weather during that time, but this generally only applies for Yangon and the beach areas.

Myanmar has both diverse topographical features as well as varied seasonal climate. Southern Myanmar, including Yangon and the delta area, receives more rainfall than the north, and temperatures range from the low twenties (Centigrade) in the cool season to high thirties in the hot season. Central Myanmar, where Bagan and Mandalay are situated, is drier and experiences more extreme temperature than the south. The hilly and mountainous areas experience cooler temperatures all year round, and there are even snow-capped mountains all year round in the northern most areas of Myanmar. The varied climate and topography suggest allow opportunities for travel and tourism in Myanmar even during the so-called off-season outside of Yangon.

Touring the Golden Land: main tourist destinations & attractions

Strategically located between China and India - 2 of the largest civilizations in the world - Myanmar developed its own rich history and culture bringing in elements of both cultures. These 2 civilizations are also the fastest and largest growing economics in the world today. Sharing borders with them as well as Thailand, Laos and Bangladesh implies that Myanmar will benefit from cross-border trade as well as tourism as the country opens up more and more.

Covering 676,577 sq. Km (420,405 sq. mi), it inherits diversity of terrain, biological and plant species and natural resources as well as encompassing various cultures and several races. With these unique and distinctive qualities, Myanmar has great potential in accommodating different types of tourisms.

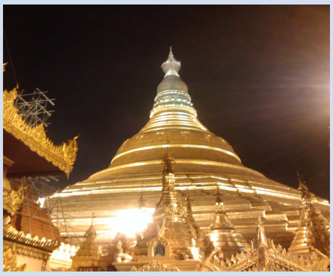
1 *Myanmar's history dates back to as early as 2nd century AD. The various established, together with its colonial past, has made Myanmar a well-known spot for* ***historical tourism****.*

2 *Since Burmese culture is highly intertwined with religion, pagodas, stupas and religious customs This together with a diverse set of ethnic groups creates a perfect destination for* ***cultural tourism****.*

3 Myanmar's terrain, species, and ethnic diversity are also welcoming to many visitors who are seeking ***eco/environmental tourism***.

4 ***Beach resorts*** *have not been well developed and Myanmar has a long coastline of beautiful beaches which can potentially be developed*

5 *Eventually with so many business delegations and organizations coming from all over the world, Yangon, major cities and even resort destinations can be developed into centres for* ***conventions, exhibitions*** *and* ***MICE*** *when infrastructure and logistics have been developed or improved.*



YANGON HERITAGE CONSERVATION

Yangon's unique architectural heritage and invaluable collection of 19th and early 20th century buildings in peril, from the effects of long and consequences of recent commercial development. These buildings have been torn down over the twenty years and some are at the risk of collapse. *The Yangon Heritage* is a Trust that was created as a Myanmar non-governmental organization to help oversee a project that brings together government, business, local community organizations and both Myanmar and international architects and experts. It aims to protect as many of Yangon's 19th and early 20th century buildings as possible, as part of a broader urban plan in a way that will raise awareness of its cosmopolitan past and its multi-cultural present and complement wider efforts towards sustainable urban planning. It also aims at assisting low-income families currently living in downtown Yangon. A number of steps have been taken such as conducting a survey of all 19th and early 20th century buildings in Yangon and an attempting to identify streets or larger areas that should be protected in their entirety. The Trust will also work to raise awareness and advocate for the conservation of these buildings and for the need of a broader urban plan that protects downtown Yangon's special

Yangon

The commercial hub and the former capital of Myanmar, Yangon, is the main gateway to the country. Yangon has a population of over 5 million and is the busiest and most populated city in Myanmar. With the remnants of colonial architecture, and the lush green trees, sprinkled with a few modern buildings, Yangon tells the story of modern Myanmar yet evokes nostalgia for its visitors. The slowly decaying colonial architecture reminds people of the city's bygone glory, the old tall trees shows the years the city has aged, and the modern buildings hints at the city's emergence as a commercial hub.

- Shwedagon Pagoda
- Kandawgyi Lake
- Kabar Aye Pagoda
- Gems Museum
- Chaukhtatgyi Pagoda
- Bogyoke Market
- Chinatown
- Sule Pagoda
- Colonial Architecture

In and around Mandalay

While Yangon is famous for its colonial architecture, Mandalay is known for its Myanmar architecture and art, and was a former capital of Myanmar. The last two kings of Myanmar resided in Mandalay and the city was an important center for religious studies. Its 19th century Myanmar architecture represents the city's romantic side, while the famous Maha Muni image and Kuthodaw Pagoda epitomize its religious side. It is the 2nd largest city in Myanmar (after Yangon) with a population of 1 million.

Mandalay is also noted for traditional handicrafts such as woodcarvings, silverware, tapestries and silk. As it is important for its inherited cultural legacy, Mandalay is also important for many living in upper Myanmar as a commercial hub. There are also other tourist attractions nearby in the region. U Bein's Bridge in **Amarapura**, **Innwa**, **Sagaing**, **Mingun** and **Pyin Oo Lwin** (Maymyo) nearby are also popular and of interest for both domestic and foreign tourists. Mandalay is a must-visit location for historical tourism in Myanmar. International flights from China also land in Mandalay, making it more convenient for Chinese visitors, the largest group of tourists coming into Myanmar. Mandalay International Airport was built as an international airport in 2000 with the intent of it as a second international airport in anticipation of an influx of foreign visitors during the 1st wave of market economy of the late 1990s.

- Mandalay Palace
- Mandalay Hill
- U Bein Bridge
- Mahagandayon Monastery
- Mahamuni Image
- Shwenandaw Monastery
- Kuthodaw Pagoda
- Pyin Oo Lwin
- Sagain Hill
- MyaThein Tan Pagoda
- Mingun Pagoda
- Mingul Bell
- Manu Okkyaung
- Bhowintaung

Bagan

Bagan which was built from the 11th to the 13th century epitomizes the Buddhism and its cultural significance to the country. It is quite impossible not to be enticed by the charm of this ancient religious kingdom filled with stupas and pagodas. Many tourists often find Bagan as the most interesting place they have visited in Myanmar. Hot air balloon trips are also available to observe the famous Bagan sunset skyline, a romantic and enticing view that one cannot miss. Since Bagan is the main tourist attraction in Myanmar, its economy is mainly based on tourism. Bagan is not only home to some 2,200 pagodas and stupas, but it is also home to its own unique lacquerware industry that is distinctly Myanmar and different from lacquerware of Vietnam and Japan. The lacquerware crafted in Bagan are distributed all throughout Myanmar and tourists could observe the process of making the products. Day trips to nearby areas such as Mount Popa, the center of spirit (*nat*) worship in Myanmar, are also quite popular. The most convenient way of reaching Bagan is by flight, arriving at Nyaung Oo airport, which only takes more than an hour from Yangon.

- Ancient historical site
- 2000+ temples, stupas & pagodas such as:
- Shwezigone Pagoda
- Ananda Temple
- Thatbinnyu Temple
- Dhammayangyi Temple
- Manuha Temple
- Shwesandaw Pagoda
- Htilominlo Temple
- Tharabar Gate
- Aerial view from balloons
- Lacquerware Industry
- Mt Popa
- Spectacular sunrises & Sunsets

Inle Lake & its environs

This vast and picturesque lake is situated in the hilly Shan State in the eastern part of Myanmar. With an elevation of 900 meters above sea level, it is one of Myanmar's main tourist attractions. The lake - 22 km long and 10 km wide - has a population of some 150,000, many of whom live on floating islands of vegetation. Inle Lake, natural and unpolluted, is famous for its scenic beauty and the unique leg-rowing of the Inthas, the native lake-dwellers. Furthermore, it is also a place of great biodiversity rich with endemic species that cannot be found elsewhere in the world, making it a must-visit for eco-tourism and ethnic tours. To provide a tranquil environment and experience peaceful life on the lake, several hotels have cottages on the lake itself. However, because of increased tourism, population, and agriculture, there have been some consequences to the environment.

- Inle Lake
- Floating village & farms
- Leg rowing
- Floating Bridge
- Paung Daw Oo Pagoda & festival
- Indein Pagoda
- Taunggyi Market
- Hot air balloons festival
- Pindaya cave
- Kalaw

The lake is the perfect stage for visits to other surrounding attractions. The nearby town of **Nyaungshwe** is home to a small collection of monasteries and serves as a departure point for treks to ethnic villages. **Pindaya** cave, **Kalaw**, and **Taunggyi** are some of the other attractions in the area. Inle Lake is accessible by air travel and its airport is at Heho, 35 km away from the lake. It can also be reached by road.

- Kyaing Tong
- Tachileik
- Lashio
- Muse
- Indein Pagoda

Beach Resorts

Myanmar's premier coastal resort is **Ngapali Beach** located in Rakhine State. It is a picture of paradise with miles of white sandy beaches lined with tall coconut palms. Hotel resorts offer sports such as swimming, sailing and kayaking, as well as dining amid a romantic setting in the Bay of Bengal. South of Ngapali, in Ayeyarwaddy Region, **Chaung Thar** and **Ngwe Saung** are also popular beaches that face the Bay of Bengal.

Chaung Thar boasts of calm and peaceful waves, white sandy shore with coconut palms and casuarinas trees. It is

40km west of Pathein and famous for crab dishes. There are 13 standard hotels while the local village markets are supposedly good for shopping. It is a popular destination for local Myanmars and developed more organically.

On the other hand, **Ngwe Saung** was earmarked and designated as a destination by design, and is regarded as the second most beautiful beach in Myanmar. It was promoted and beach resorts were opened in the year 2000. With 15km stretch of beach with a scenic view of blue waters and rocky shoreline and a backdrop of rainforest and Rakhine mountains, it has generally been enjoyed by the locals. speedboats, bicycles and horses for activities are provided by the resorts. These beaches can be reached in half a day by driving, while Ngapali is mostly accessed by flights to Thandwe.

- Sittwe
- Mrauk U
- Ngapali Beach
- Ngwe Saung Beach
- South Coastland
- Kawthaung

Other

RIVER CRUISES ON THE AYEYARWADDY (IRRAWADDY)

Travelling by boat offers a great opportunity to relax and observe typical rural life along the waterways. Cruises float past timber camps with elephants taking baths at sundown, families camped out to pan for gold, and grassy banks with picturesque villages. Cruises on the Ayeyarwaddy, the lifeline river of Myanmar - particularly between Bagan and Mandalay - are the most popular and several companies offer these services along the Ayeyarwaddy during the high tourist season.

ADVENTURE TOURS & ECO-TOURISM

Nature and culture-based tourism can be developed in Myanmar, fostering environmental and cultural appreciation and conservation while ensuring benefits to the local community. Myanmar has been identified as one of 25 hotspots of biodiversity and is home to numerous species of wildlife. Northern and Southern Myanmar each offers different activities for adventure and eco-tourists - the mountainous areas of Northern Myanmar are rich with a variety of flora and fauna and can offer activities, such as trekking, hiking and white water rafting in areas such as **Putao** where the Malika Lodge is situated. On the other hand, the Southern coastline of Myanmar at the **Myeik** archipelago is known for its diverse fish and coral species, perfect for scuba diving, snorkelling and island hopping.

Immigration & Visas

Visitors to Myanmar can usually apply for one of the several types of visa available, namely:

1 **Tourist Visa** is granted to an applicant who either travels independently or in a group such as package tour. The visa is valid for three months from the date of issue for up to a 28 day-stay extendible for an additional 14 days.

2 **Business Visa** is granted to an applicant from business organizations that have business establishments in Myanmar or who intends to establish business in Myanmar. The visa is valid for three months from the date of issue with 70 days' stay. It allows a stay of 28 days extendible up to 12 months on a case by case basis

3 **Entry Visa** is granted to applicants from government agencies for official visits, former nationals of Myanmar and their foreign relatives for social visits, and for meditation. The visa is valid for three months from the date of issue with 28 days stay.

4 **Multiple Journey Entry Visa** is granted to an applicant for official visits and for business purposes. The visa is valid for either six months or one year from the date of issue with 70 days on each entry.

5 **Visa-on-Arrival**, which was re-introduced since July 1st 2012. This was first introduced in 2011 but was revoked. Visa-on-Arrival is applicable for 3 types of visas: Business visa, Entry visa and Transit visa. Citizens from all ASEAN Countries, U.S.A, U.K, China, France, Germany, Italy, Japan, Korea, Spain and Taiwan are permitted to apply for Visa-on-Arrival. There are several criteria for the various visa-on-arrival applications. Visa-on-arrival is not applicable for Tourist visas.

REQUIREMENTS FOR VISA TYPE

<table>
<tr><th>Tourist</th><th>Business</th><th>Entry</th><th>Multiple Journey</th><th>Visa-on-Arrival</th></tr>
<tr>
<td>Package Tour: Copy of Package Program
32 USD</td>
<td>Invitation letter from Myanmar
48 USD

Multiple Journey

Official: letter from ministry
240 USD</td>
<td>Social: Brief biodata with photo

Meditation: Invitation from monastery

Official: A letter from respective ministry
48 USD</td>
<td>Official: letter from ministry
240 USD</td>
<td>Business: Form 26 50 USD

Expatriate: Work Permit

Official: letter from ministry
40 USD

Transit: 20 USD</td>
</tr>
<tr><td colspan="5">
• Passport with minimum six months validity
• Application form with a photo (1.5 × 2 inches white background only)
• A copy of flight itinerary
• A recommendation letter from employer or guarantor addressed to: Visa section, Embassy of the Republic of the Union of Myanmar, give brief description about occupation, purpose of visit, intended arrival and departure dates.
</td></tr>
</table>

In addition, applicants are required to follow the regulations below:

- Must have a place in hotels, motels, companies, factories and industries that have official licenses issued by the government
- Must fill out the address correctly and concisely
- Must follow the Myanmar Immigration Laws
- Children under 7 years old in parents' passport are allowed to enter into country freely together with the parents. Children who are under 7 years of age with separate passports must present the evidence to prove their parent-child relationship.
- Visa-on-Arrival Business visa can be extended only with the recommendation of respective ministries by prescribed rules and regulations.

Visitors entering through border check points need a border pass to enter Myanmar issued by Myanmar Immigration. Myanmar citizens who wants to travel through border check points need to get temporary border pass from Myanmar Immigration and are checked by authority of other country.

POLITICS & IMMIGRATION

The impact of politics on tourism in Myanmar's modern history determined how visas were issued. From independence in 1948 to 1962, tourist visas issued were good for one month at a time. In contrast, the socialist government that came into power from 1962 until its downfall in 1988 initially adopted a closed-door policy and only issued transit visas which lasts for a mere 24 hours to 14 days. Only 2,000 tourists visited Myanmar during that time although in the last few years of socialist power, 42,000 visitors[4] came as tourists between 1986-1987.

The tourism industry came to an abrupt halt as Myanmar was thrown into a turbulent period when bloody mass anti-government protests took place across the country in 1987. Subsequently, when the country was run by the State Law and Order Restoration Council (SLORC) and later State Peace and Development Council (SPDC) administrations, efforts to promote tourism were initiated by the Ministry of Hotel and Tourism. In 1992, the validity of tourist visas issued increased from 14 days to 48 and in 2004, e-visa system was introduced.

4

Visitor Arrivals

BY POINT OF ENTRY

TABLE 3.2.1a-i Visitor Arrivals By Point of Entry

Point of Entry	YANGON	MANDALAY & BAGAN	NAYPYITAW	BORDERS	TOTAL	% +/- from previous year
2000	206,778	887	-	208,679	416,344	
2001	203,200	1,662	-	270,244	475,106	*14.11%*
2002	212,468	4,744	-	270,278	487,490	*2.61%*
2003	198,435	7,175	-	391,405	597,015	*22.47%*
2004	236,370	5,568	-	414,972	656,910	*10.03%*
2005	227,300	4,918	-	427,988	660,206	*0.50%*
2006	257,594	5,920	-	366,547	630,061	*-4.57%*
2007	242,535	5,541	-	468,358	716,434	*13.71%*
2008	234,417	5,553	-	537,911	731,230	*2.07%*
2009	297,246	8,861	-	519,269	762,547	*4.28%*
2010	364,743	13,442	-	480,817	791,505	*3.80%*
2011	280,913	20,912	5,521	425,193	816,369	*3.14%*
2012 1st half	280,913	18,616	N/A	N/A	299,529	*-63.31%*

Source: Myanmar Tourism Statistics 2012

The greatest numbers of visitors traditionally actually come through the borders. As people in border areas has long relationship with their neighbours, many activities can be seen in border towns such as Muse, Tachileik and Myawaddy. Movement of people and commodities exist through labour migration and border trade.

TABLE 3.2.1a-ii Visitor Arrivals By Point of Entry (%) [Draw As bar chart]

Point of Entry	YANGON	MANDALAY & BAGAN	NAYPYITAW	BORDERS
2000	49.67%	0.21%	-	50.12%
2001	42.77%	0.35%	-	56.88%
2002	43.58%	0.97%	-	55.44%
2003	33.24%	1.20%	-	65.56%
2004	35.98%	0.85%	-	63.17%
2005	34.43%	0.74%	-	64.83%
2006	40.88%	0.94%	-	58.18%
2007	33.85%	0.77%	-	65.37%
2008	25.68%	0.76%	-	73.56%
2009	30.74%	1.16%	-	68.10%
2010	37.55%	1.70%	-	60.75%
2011	44.68%	2.56%	0.68%	52.08%
2012 1st half	93.78%	6.22%	NA	NA

BY VISA TYPE

YANGON ENTRY POINT

The largest group of visitors are tourists who came in through Yangon on package tours or as foreign independent travellers (F.I.T.). Tourists made up 64% of all travellers entering Myanmar in the year 2011. The total number of tourists entering Myanmar increased 24.4% in 2011 from the previous year. However it is the number of business travellers that has shown the greatest dramatic increase: their numbers had been increasing rapidly since 2009. Since the reforms in 2011, it grew by 45.7% that year. This can be attributed to the change in government and the reforms that were instituted subsequently, as SMEs and multinational corporations across all industries and nations have been flocking to Myanmar to tap into the huge potential here.

TABLE 3.2.1b Visitor Arrivals by Visa type (Yangon)

Year	Package	F.I.T.	Total Tourist Visa	Business Visa	Entry Visa	Others	TOTAL
2000	77,646	46,690	**124,336**	37,032	8,043	37,367	**206,778**
2001	72,503	48,740	**121,243**	36,608	7,756	37,593	**203,200**
2002	78,723	55,017	**133,740**	37,084	9,505	32,139	**212,468**
2003	55,469	66,772	**122,241**	44,151	13,140	18,903	**198,435**
2004	48,191	109,934	**158,125**	40,521	16,505	21,219	**236,370**
2005	54,989	96,075	**151,064**	36,170	20,528	19,538	**227,300**
2006	74,389	106,140	**180,529**	35,629	22,592	18,844	**257,594**
2007	88,941	78,619	**167,560**	35,440	21,340	18,195	**242,535**
2008	48,656	61,884	**110,540**	36,392	21,827	19,007	**187,766**
2009	66,552	79,074	**145,626**	42,553	26,217	20,021	**234,417**
2010	87,932	109,222	**197,154**	48,549	28,240	23,303	**297,246**
2011	103,590	134,956	**238,546**	69,943	33,273	22,981	**364,743**
2012 Jan-Jul	61,661	118,493	**180,154**	60,979	20,323	19,457	**280,913**

* Package + F.I.T.

Source: Myanmar Tourism Statistics 2012

OTHER ENTRY POINTS

Visitors from other points of entry have been recorded from 2005. However, the numbers coming through Nay Pyi Taw, Mandalay and Bagan lag far behind Yangon and the border crossing as there were few direct international flights into these cities thus far and they are accessible only by air.

Table 3.1c Visitor Arrivals by Visa type (other than Yangon)

Naypyitaw, Mandalay & Bagan Entry Points

YEAR	Total Tourist Visa	Business Visa	Entry Visa	Others	TOTAL
2005	N.A.	N.A.	N.A.	N.A.	**NA**
2006	3,890	1,753	174	103	**5,920**
2007	3,167	2,001	197	176	**5,541**
2008	2,278	2,944	186	145	**5,553**
2009	2,847	5,555	205	254	**8,861**
2010	4,817	8,257	104	264	**13,442**
2011	12,786	12,844	196	607	**26,433**
2012 Jan-Jul	N.A.	N.A.	N.A.	N.A.	**18,616**

Border Entry (Including day return visitors)

YEAR	N.E. Region (China)	Eastern Region	S.E. Region (Thailand)	TOTAL
2005	50,010	146,452	231,526	**427,988**
2006	42,237	148,984	175,326	**366,547**
2007	51,941	268,942	147,475	**468,358**
2008	76,676	309,152	152,083	**537,911**
2009	65,591	295,337	158,341	**519,269**
2010	67,531	265,588	147,698	**480,817**
2011	58,935	236,312	129,946	**425,193**
2012 Jan-Jul	N.A.	N.A.	N.A.	N.A.

REGIONAL MARKETS

As can be seen below, China and Thailand tops the list of the visitors entering Myanmar.

Figure 2: Regional markets for Myanmar Tourism

Country	2005	2006	2007	2008	2010	2011	2012 (JAN-JUL)
Africa	488	502	432	539	816	993	776
Middle East	1,920	2,177	2,281	1,379	2,208	2,607	2,129
ASIA	133,894	149,631	145,512	128,279	212,454	259,692	197,128
Hong Kong	2,593	3,159	3,048	2,410	3,081	3,820	2,642
Japan	19,584	18,945	15,623	10,881	16,186	21,321	23,277
Malaysia	9,858	9,588	8,693	8,268	16,186	23,287	15,921
Singapore	9,674	10,952	9,310	8,599	12,114	15,391	12,697
Thailand	**27,199**	**30,400**	**35,002**	**27,311**	**59,692**	**61,696**	**48,100**
China	**19,596**	**24,893**	**29,551**	**30,792**	**46,141**	**62,018**	**38,684**
Taiwan	17,600	15,827	13,707	11,472	14,170	15,542	11,662
Korea	10,934	18,265	13,821	12,369	18,930	22,524	17,805
Bangladesh	1,506	1,342	1,046	1,001	1,441	1,988	1,114
India	7,679	7,540	7,675	7,173	9,849	12,318	8,949
Others	7,671	8,720	8,036	8,003	14,664	19,787	16,277

Source: Tourism Statistics 2011 Ministry of Hotels and Tourism

Asian visitors, including China and Thailand, make up 66% of the market in 2011.

Thailand tops the list of foreign visitors into Myanmar, and has held that position for the last decade, followed by China. Both have borders with Myanmar and visitors from these 2 countries enter Myanmar via their respective borders as well as by air.

In the year 2011-2012, there were a total of 61,696 Thai visitors or 16% of all tourists entering Myanmar. Flights operate between Bangkok and Yangon 8 times daily and Bangkok acts as the main point of embarkation for visitors coming into Myanmar by air.

China, the second largest group of visitors has recently caught up with Thailand this year, contributing an equivalent 16%. Currently, there are a total of 9 flights per week from the cities of

Guangzhou and Kunming, but the number of flights, as well as number of Chinese cities that will have flights to Myanmar, are growing.

Although trailing at 23%, European visitors are also taking a considerable chunk of the market. Interest in Myanmar as a tourist destination has been growing since the mid 1990's possibly since Myanmar started being represented at the Internationale Tourisme Bourse (ITB), the largest tourism fair, in Berlin. Without direct flights, European visitors have to enter Myanmar mostly through Bangkok and Singapore as embarkation points.

Table 3.1d Visitor Arrivals by Continent/ Regional Groupings

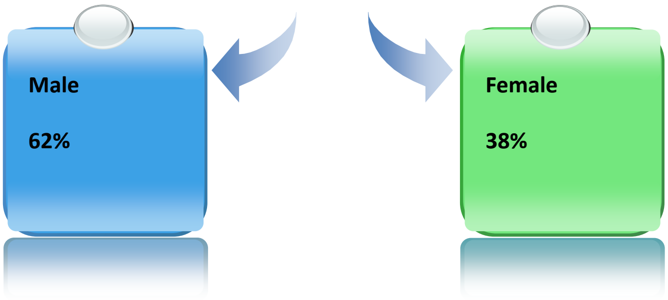
Continent	Asia Pacific	Column1	Europe	Column2	Americas	Column3	Africa & Middle East	Column4
Year	Asia	Oceania	West EU	East EU	North America	Latin America	Middle East	Africa
1998	125,232	5,305	50,950	709	12,698	606	1,909	317
1999	128,483	4,205	50,877	750	12,149	599	1,416	316
2000	131,165	4,716	53,739	1,166	14,691	621	1,263	314
2001	123,904	5,069	55,948	1,542	15,864	807	1,416	312
2002	125,547	5,912	63,400	2,077	16,953	871	2,022	430
2003	121,392	7,076	58,161	2,203	15,775	799	1,148	390
2004	146,774	7,076	62,901	2,510	19,260	1,191	1,831	395
2005	133,894	7,181	64,531	3,402	19,509	1,192	1,920	488
2006	149,631	7,533	76,767	4,024	21,350	1,530	2,177	502
2007	145,515	7,693	68,532	4,295	17,854	1,477	2,281	432
2008	128,279	6,079	37,156	3,729	15,229	929	1,379	539
2009	-	-	-	-	-	-	-	539
2010	212,454	8,695	59,817	6,118	18,911	1,669	2,208	816
2011	259,692	9,126	61,812	4,816	21,825	1,927	2,129	776

From: Myanmar Tourism Statistics (2012)

For breakdown by countries and nationalities, please see appendix A.

BY GENDER & AGE

Figure 1. Visitor Arrivals by Gender (year)

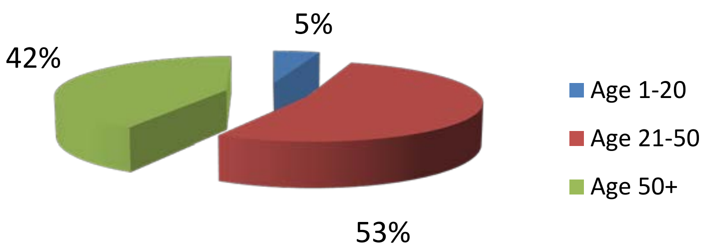


There were substantially more male (62%) tourists than females (38%)[5], with twice as many men visiting Myanmar as women, perhaps because Myanmar is viewed as too rugged lacking in infrastructure and creature comforts or amenities. It is likely that there were more men too, since they may actually have been businessmen who come in as tourists for their first visit into the country to check if they would like to pursue doing business with Myanmar before taking up a business visa later on.

Visitor Arrivals by Age Groups

Age 1 – 20	:	5%
Age 21-50	:	53%
Age 50+	:	42%

Age groups of tourists shown in percentage



Source: Central Statistical Organization

The majority of visitors to Myanmar fall within the 21-50 age group[6]. It would be safe to assume that the small number of travellers between 1-20 years of age are likely to be travelling as part of the family.

5 Which year statistics/ source

6

Getting There & Getting Around

POINTS OF ENTRY

By Air : Yangon, Mandalay and Nay Pyi Taw international airports

Myanmar's main airport is Yangon International Airport with a capacity of 2.7 million passengers a year. It sees the vast majority of Myanmar's overseas air traffic, and there is a plan for expansion so that it can cope with the 5.4 million visitors expected in 2015. Mandalay International Airport is located at Tadar Oo, some -- km from Mandalay city. It was opened and started operations on September 17th 2000. Passenger handling is 1000 arrivals and 1000 departures per hour. Nay Pyi Taw international Airport was opened in 2011 to handle up to 65,000 flights per year. A new international airport is in the works for construction: Hanthawaddy International Airport will be on a site nine times bigger than the current facility in Yangon and will be located about 50 miles north of Yangon in Bago region.

Currently, Yangon has direct air links with Bangkok, Singapore, Kuala Lumpur, Guangzhou, Taipei, Kunming, Hanoi, Kolkata/Gaya, and Chiang Mai. Recently, Qatar airways have resumed service for daily flights to Doha from Yangon

In recent years, Mandalay and Nay Pyi Taw have served more tourists than before as more international flights fly into their airports but, as entry points, the numbers that come through their airports remain far behind Yangon and the border areas which continue to be the main gateways into Myanmar. Some direct charter flights land at Bagan's Nyaung Oo Airport. Myanmar's main airport is

By Sea or waterways: Yangon

Entry by cruise ships at Yangon Port with visa on arrival being granted on prior arrangement. Cruise ships are allowed to approach the jetty in Yangon, the main port handling 80 percent of Myanmar's foreign trade. Other than that, there are only coastal shipping and inland waterways which are not suitable for international tourists except for private boats on boat routes between Bagan and Pakokku.

Through Border Pass: China- 4 gateways at Lweje, Muse, Kyukoke, Mong La

Thailand – 4 gateways at Tachileik, Myawaddy, Kawthaung

Overland entry with a border pass is permitted at several border check points.

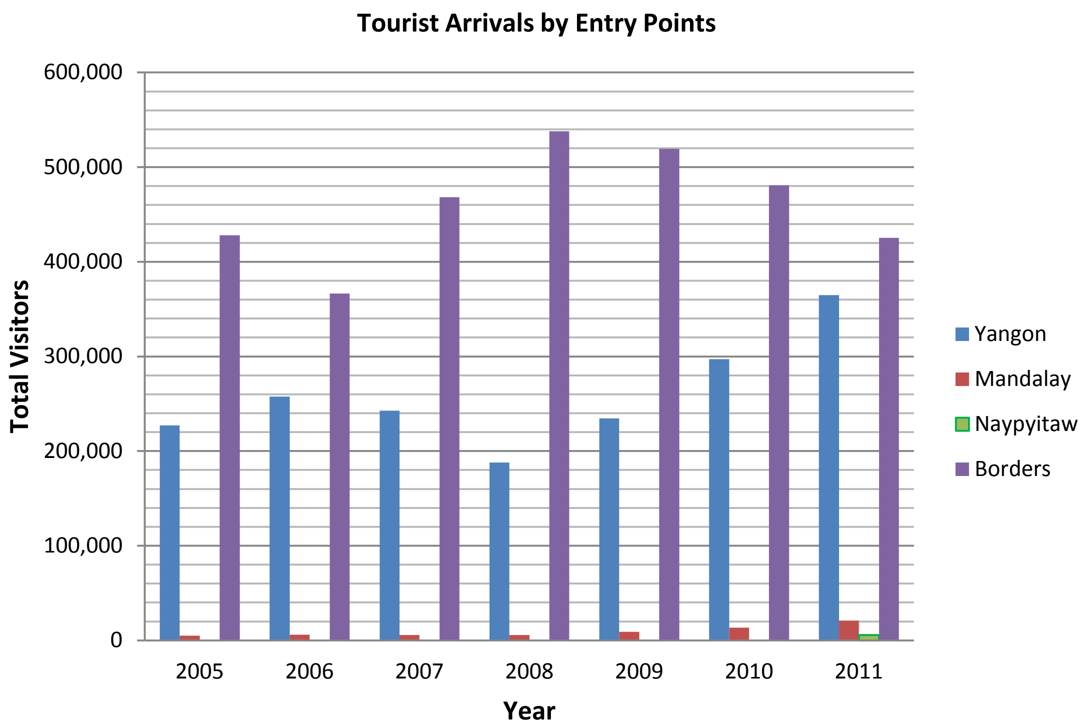
Myanmar and Chinese citizens are allowed to pass through the border gate in Muse. Myanmar citizens are allowed to travel up to Ruili in China for 7 days with border pass. Native Muse residents can travel up to Kunming. Chinese citizens are allowed to visit Muse but not beyond 105 miles. International tourists are not allowed to pass through border.

The Myanmar and Thai citizens can cross the Myanmar-Thai border with border passes on a daily basis. The borders at Tachileik and Myawaddy are on land, while there is a waterway from Kawthaung to Thai border. There are plans to open more border points along the Myanmar-Thai border.

TABLE 1 TOURIST ENTRY POINT

	2005	2006	2007	2008	2009	2010	2011
YANGON	227,300	257,594	242,535	187,766	234,417	297,246	364,743
MANDALAY & BAGAN	4,918	5,920	5,541	5,553	8,861	13,442	20,912
NAY PYI TAW	-	-	-	-	-	-	5,521
Through BORDER CHECK POINTS	427,968	366,547	468,358	537,911	519,269	480,817	425,193

FIGURE: TOURIST ARRIVALS SHOWN BY ENTRY POINTS



Source: Union of Myanmar Travel Association

Yangon

The importance of Yangon as a city and a commercial hub can be seen from the number of tourist entries above. Almost all international visitors (not including the border areas) enter Myanmar through Yangon International Airport as the entry point.

Mandalay & Bagan

Direct access by foreigners to Mandalay is through Mandalay International Airport whereas Bagan's closest airport at Nyaung Oo is actually a domestic airport with no commercial international flights; only some international charter flights are allowed. Currently, Mandalay International Airport services a few international commercial flights between Mandalay and China, as well as domestic flights between Yangon, Bagan and other cities in Myanmar.

Nay Pyi Taw

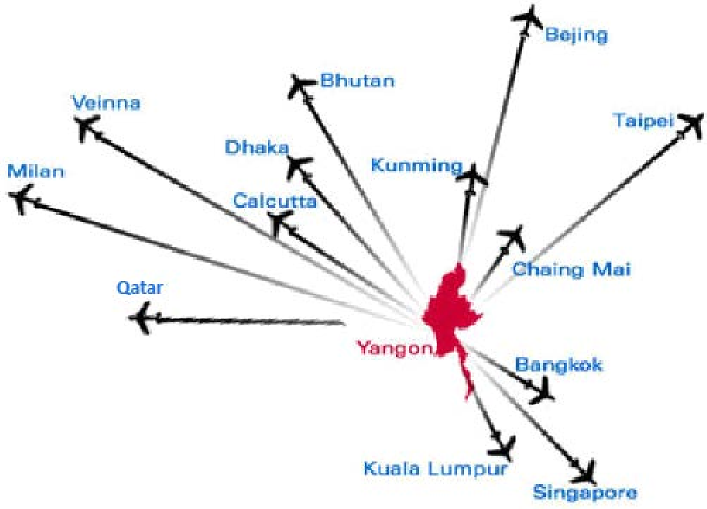
Nay Pyi Taw also has an international airport, and like Mandalay, it is the only entry point into the city for international travellers.

Thai and China Border

Despite having experienced a decrease in the number of tourists entering Myanmar through the border, it still retains its top spot as the most popular entry – or rather, recording the largest numbers for entry - into Myanmar[7]. The common checkpoints are on Myanmar's eastern borders and they receive visitors from Thailand and China. The most popular checkpoints include Mu Se (Myanmar) - Jaegao/ Ruili (China), Tachileik (Myanmar) - Mae Sai (Thailand), and Kawthaung (Myanmar) - Ranong (Thailand). Because these two countries have easy access to Myanmar's borders, the number of visitors from China and Thailand have been high since they were open. While Yangon is important as the commercial city with international port and airport, the border checkpoints also take up equal importance since a large quantity of goods and visitors flows through these towns every day. Unlike Yangon, there are few hotels that are of international standard in these areas although these towns are bustling with commerce and tourism. For instance, the only hotel resort available in the Myeik Archipelago near the Kawthaung area is the Myanmar Andaman Resort, operated by a Thai hotel chain. While there are some local hotels around that area, none of them are of international standards.

7

Getting There



Yangon International Airport

Yangon International Airport is capable of handling 3.8 million visitors annually[8]. Last year Myanmar as a whole saw only 816,369 tourists. Almost all international visitors entering Myanmar will use Yangon International Airport as the entry point. Ever since a new terminal was built in 2007, the airport has the capacity to handle around 2.7 million passengers a year. The second largest airport in the country after Mandalay, Yangon International Airport has become the busiest it has ever been as it sees more and more visitors arriving after the reforms. The airport is set to undergo further expansion, in order to handle around 3.7 million passengers by early 2013, as the number of passengers arriving Yangon is expected to increase when Myanmar hosts the SEA Games. Even with further expansion, the maximum capacity that the current airport can handle is only 5.3 million passengers. The government has realized the urgent need to resume the construction of Hantharwaddy International Airport in Bago which can handle up to 10 million passengers, given the projected tourist arrival according to the current trend. On July 9th 2012, the government issued an invitation to private construction firms to bid for the project.

Mandalay International Airport

Mandalay Airport was built as an international airport in the year 2000. It has a capacity of 3 million visitors per year or 1,000 visitor arrivals & departures per hour. With a runway length of 14,000ft it has 36 check-in counters, 8 gates and 6 air bridges. The airport has been underutilized since it was built because of a spate of events that took place subsequent to its construction.

8

Nay Pyi Taw Airport

Nay Pyi Taw also has an international airport, and like Mandalay, that is the only entry point into the city for international travellers. Nay Pyi Taw International Airport built on 7 April 2009 in Myanmar's new capital Nay Pyi Taw was successfully inaugurated on 18 Dec 2011.

Of the international airports in Myanmar, the building of Yangon International Airport covers 423,216 square feet, Mandalay International Airport 467,618 square feet, and newly-opened Nay Pyi Taw International Airport 660,347 square feet.

The Nay Pyi Taw International Airport has 12000x200 ft runway, 1200 x 900 ft concrete apron, and two 350x150 ft taxiways. The runway is 26 feet in thickness and can withstand 873,000 pounds. The airport includes VIP Hall measuring 195x130 ft, and the passenger building 96x60 ft.

The airport can handle two million domestic visitors and three million foreign visitors, totaling five million visitors a year. With ten passenger loading bridges, it can deal with landing of from 50000 to 65,000 planes per year.

Table 3.3a Comparison table of Visitor Arrivals through Yangon International Airport (2011-2012)

	MONTH/ YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	TOTAL	% change from previous year
FLIGHT	2011	592	543	636	610	586	564	616	4,147	
	2012	627	602	643	627	632	601	609	4,341	4.7%
FIT	2011	13,694	12,585	13,574	7,843	8,034	8,066	10,011	73,807	
	2012	20,782	21,390	19,425	12,631	14,432	13,454	16,379	118,493	60.5%
GROUP TOURS	2011	11,186	13,379	10,583	5,795	4,452	3,304	4,772	53,471	
	2012	13,782	14,289	12,082	6,512	5,506	4,220	5,270	61,661	15.3%
ENTRY VISA (BUSINESS)	2011	4,901	5,071	6,285	4,288	5,765	5,704	6,094	38,108	
	2012	7,402	9,420	9,408	6,719	9,632	8,660	9,738	60,979	60.0%
ENTRY VISA (SOCIAL)	2011	4,010	2,994	3,069	2,323	2,261	2,398	2,600	19,655	
	2012	3,820	2,962	3,207	2,397	2,569	2,526	2,842	20,323	3.4%
OTHERS	2011	2,174	1,500	1,790	1,866	1,665	1,685	1,957	12,637	
	2012	2,457	2,182	2,272	2,791	2,650	2,966	4,139	19,457	54.0%
TOTAL	2011	**35,965**	**35,529**	**35,301**	**22,115**	**21,177**	**21,157**	**25,434**	**196,678**	
	2012	**48,243**	**50,243**	**46,394**	**31,050**	**34,789**	**31,826**	**38,368**	**280,913**	42.8%
	% change from previous year (TOTAL)	34.1%	41.4%	31.4%	40.4%	64.3%	50.4%	50.9%	42.8%	

Table 3.3b International Airlines operating in Myanmar

S/N	Code	Full Service Airline	Country of registration	From	To	No of Flight/week
1	8M	Myanmar Airways International	Myanmar	Yangon	Bangkok	14
				Yangon	Singapore	15
				Yangon	Kuala Lumpur	7
				Yangon	Guangzhou	3
				Yangon	Gaya	4
				Bangkok	Yangon	20
				Singapore	Yangon	15
				Kuala Lumpur	Yangon	7
				Guangzhou	Yangon	3
				Gaya	Yangon	4
2	TG	Thai Airways	Thailand	Yangon	Bangkok	21
				Bangkok	Yangon	21
3	PG	Bangkok Airways	Thailand	Yangon	Bangkok	21
				Bangkok	Yangon	21
4	FD	Air Asia	Malaysia	Yangon	Bangkok	14
				Bangkok	Yangon	14
5	MI	Silk Air	Singapore	Yangon	Singapore	9
				Singapore	Yangon	9
6	SQ	Singapore Airways	Singapore	Yangon	Singapore	7
				Singapore	Yangon	7
7	3K	Jet Star Asia*		Yangon	Singapore	4
				Singapore	Yangon	4
8	MH	Malaysia Airlines	Malaysia	Yangon	Kuala Lumpur	7
				Kuala Lumpur	Yangon	7
9	AK	Air Asia	Malaysia	Yangon	Kuala Lumpur	14
				Kuala Lumpur	Yangon	14
10	CZ	China Southern	China	Yangon	Guangzhou	4
				Guangzhou	Yangon	4
11	CI	China Air	China	Yangon	Taipei	7
				Taipei	Yangon	7
12	MU			Yangon	Kunming	3
				Kunming	Yangon	3
13	CA	Air China	China	Yangon	Kunming	5
				Kunming	Yangon	5
14	AI	Air India	India	Yangon	Kolkata	3
				Yangon	Gaya	2
				Kolkata	Yangon	3
				Gaya	Yangon	1
15	W9	Air Bagan	Myanmar	Yangon	Chiang Mai	2
				Chiang Mai	Yangon	2
16	VN	Vietnam Airline	Vietnam	Yangon	Hanoi	5
				Yangon	Ho Chi Minh	3
				Hanoi	Yangon	5
				Ho Chi Minh	Yangon	3
17	QR	Qatar Airways	Qatar	Yangon	Doha	7
				Doha	Yangon	7
18	KE	Korea Airlines	S Korea	Yangon	Seoul	4
				Soul	Yangon	4
19	NH	All Nippon Airways	Japan	Yangon	Tokyo	3
				Tokyo	Yangon	3

Source: MMRD Business Insight 12th Nov 2012

The Yangon-Bangkok and Yangon-Singapore sectors have the most flights as Thai International, SilkAir and national carrier MAI started regular flights between these cities over 15 years ago. Due to the various factors mentioned earlier, some airlines that flew to Myanmar terminated their flights here and only resumed recently. Singapore Airlines, SilkAir's 'big sister', has started flying to Yangon with their 300+ passenger capacity Boeing 777 aircraft since October 2012 to cope with the surge in demand. More airlines can be expected on add Myanmar on its regular routes. Qatar Airways resumed its Yangon route from October 2012 and German carrier Condor announced weekly direct services between Frankfurt and Yangon from November using 268-seat Boeing 767 aircraft[9]. Condor operated charter flights to Myanmar in 1995 and 1996. Thailand's Nok Mini, the commuter airline affiliated with budget carrier Nok air is planning to launch its international service to Myanmar next year from Chiang Mai using a Saab 340B turboprop aircraft.

Table 3.3c Comparison of load factor on various sectors of international flights (2011)

s/n	From	To	No.of Flights	Seat Capacity	Occupied By Non-Myanmar	Occupied By Myanmar National	Total	Occupancy Rate(%)
1	BANGKOK	Yangon	2,786	560,937	198,071	134,130	332,201	59.2%
2	SINGAPORE	Yangon	1,343	202,998	44,443	114,229	158,672	78.2%
3	KUALA LUMPUR	Yangon	989	161,230	39,723	57,545	97,268	60.3%
4	KUNMING	Yangon	581	47,725	22,633	7,267	29,900	62.7%
5	TAIPEI	Yangon	156	24,648	15,525	5,289	20,814	84.4%
6	KUNMING	Mandalay	603	31,920	19,091	2,495	21,586	67.6%
7	CALCUTTA-GAYA	Yangon	66	9,504	1,297	4,801	6,098	64.2%
8	GUANGZHOU	Yangon	203	27,666	8,801	7,054	15,855	57.3%
9	CHIANGMAI	Yangon	102	8,457	3,088	2,276	5,364	63.4%
10	HANOI	Yangon	250	29,260	11,173	2,023	13,196	45.1%
11	NANNING	Yangon	88	3,960	1,197	503	1,700	42.9%
12	GAYA	Yangon	76	11,616	300	9,542	9,842	84.7%
13	HO CHI MIN	Yangon	149	22,350	7,406	1,610	9,016	40.3%
14	PHUKET	Yangon	4	376	34	67	101	26.9%
15	SIEM REAP	Yangon	76	12,008	1,797	1,371	3,168	26.4%
16	MANGSHI	Mandalay	25	3,300	1,796	288	2,084	63.2%
	TOTAL		**7,497**	**1,157,955**	**376,375**	**350,490**	**726,865**	**62.8%**

[9] Today Volume 19, 2012 November

OTHER MEANS OF ENTERING MYANMAR

	Charter Flight Tours		Cruise Tours		Yachting Tours	
Year	No. of Flights	Pax	No: of Cruises	Pax	Pax	Income USD
2001	11	915	5	2,869	1,687	138,560
2002	28	1,334	9	1,927	1,789	145,520
2003	25	1,829	2	2,535	2,096	177,890
2004	55	4,810	6	1,758	1,679	133,489
2005	8	942	6	1,536	1,344	130,145
2006	60	7,777	8	3,399	1,879	196,090
2007	37	3,788	4	1,733	2,166	248,560
2008	54	6,328	6	2,688	2,037	272,140
2009	29	4,627	4	1,700	1,444	192,800
2010	52	7,603	3	547	1,417	139,410
2011	61	8,370	8	3,450	1,091	121,860

While there were visitors coming to Myanmar through other channels besides border crossing and by air, the numbers they contributed to tourist arrivals in the past decade. However there are opportunities for more to come by sea or as direct charter flights in the coming years, particularly for the luxury tour market.

Getting Around

The transport network in Myanmar is limited since infrastructure development has been rather slow. Although some tourists prefer to travel overland to take in the scenery and observe local village life, some areas are inaccessible by road because of poor road networks and terrain barriers. Even in cities such as Yangon or Mandalay, a tourist would need to arrange for his/ her transportation by car, van or minibus to get around town as there is little or no proper public transport system.

Aside from airport or hotel limousines, there are taxis in Yangon but without a proper meter or fare system, passengers will need to negotiate the fare first. Public buses are generally not acceptable as a mode of transport for the average tourist. While there were limited vehicles such as cars, vans and coaches, they were very expensive in the past due to high import taxes and duties. Since the importation were liberalized in early 2012, there are more vehicles which are sufficiently comfortable and in good working condition available to foreign visitors

In 2011, there were only a total of 178 licensed vehicles for tourist transportation. The term “vehicles” in Myanmar include coaches, buses, vans, boats, yachts and even hot air balloon (there is one operating in Bagan). The numbers are likely to change drastically since custom duty on vehicles were lowered from 300% previously to between 40 - 60%) in earl 2012 . As a result, the number of vehicles imported and on the road have increased considerably so much so that massive traffic jams in Yangon have become commonplace.

Domestic Air Travel

Prior to 1994, there was only one domestic airline -Myanmar Airways - the government-run airline that did not have a reliable flight schedule. Tickets were also difficult to come by. Air Mandalay started operations in early 1994 and was first private airline (joint venture with Myanmar Airways) to fly domestically. Later, it added an international route to Chiang Mai, Thailand. Air Mandalay was also the only domestic airline until now to have a foreign interest.

Subsequently, up to the early 2000's, only an additional 1-2 Myanmar-owned domestic airlines started to operate. There are currently 6 domestic airlines plying the domestic air routes in Myanmar to cater to the influx of tourists and visitors.

Except for the international airports in Yangon, Mandalay and Naypyitaw, most other domestic airports are small and are unable to cope with larger aircraft or passenger arrivals at one time.

Table 2.2.1a Commercial Airlines operating domestically

Code	Full service airline	From	To	No of Flt/wk	Code	Full service airline	From	To	No of Flt/wk
6T	Air Mandalay	Yangon	Nay Pyi Taw	2	YJ	Asian Wings	Yangon	Mandalay	31
		Yangon	Mandalay	18			Yangon	Naung U	10
		Yangon	Naung U	16			Yangon	Myitkyina	3
		Yangon	Heho	15			Yangon	Heho	10
		Yangon	Sittwe	7			Yangon	Myeik	3
		Yangon	Myeik	4			Mandalay	Yangon	28
		Nay Pyi Taw	Yangon	2			Naung U	Yangon	6
		Mandalay	Yangon	18			Myitkyina	Yangon	1
		Naung U	Yangon	17			Heho	Yangon	13
		Heho	Yangon	17			Myeik	Yangon	3
		Sittwe	Yangon	7	K7	Air KBZ	Yangon	Mandalay	17
		Myeik	Yangon	4			Yangon	Naung U	7
UB	FM/UB Charter	Yangon	Nay Pyi Taw	17			Yangon	Myitkyina	7
		Nay Pyi Taw	Yangon	17			Yangon	Heho	5
							Yangon	Myeik	7
							Yangon	Sittwe	1
W9	Air Bagan	Yangon	Mandalay	62			Mandalay	Yangon	14
		Yangon	Naung U	29			Naung U	Yangon	7
		Yangon	Myitkyina	4			Myitkyina	Yangon	7
		Yangon	Heho	30			Heho	Yangon	12
		Yangon	Sittwe	9			Sittwe	Yangon	1
		Yangon	Myeik	3			Myeik	Yangon	7
		Mandalay	Yangon	51	YH	Yangon Airways	Yangon	Mandalay	17
		Naung U	Yangon	29			Yangon	Naung U	10
		Myitkyina	Yangon	4			Yangon	Heho	7
		Heho	Yangon	27			Mandalay	Yangon	14
		Sittwe	Yangon	9			Naung U	Yangon	14
		Myeik	Yangon	3			Heho	Yangon	7

Source: MMRD Business Insight 12th Nov 2012

Boats & Cruises

Various cruises sail up and down the 600-mile Ayeyarwaddy (Irrawaddy) River to catch a cross sectional glimpse of the various parts of Myanmar.

The Road To Mandalay is a deluxe river cruiser operated by Orient-Express since 1995, probably the first company offering modern cruises on the Ayeryarwaddy River in Myanmar. While its most common route is between Mandalay and Bagan, it also sails futher up to Bhamo. Road To Mandalay cruises include all domestic flights and transfers, all table d'hote meals and all sightseeing outlined in the cruise itineraries.

RV Pandaw is operated by the new Irrawaddy Flotilla Company. Its founder, Paul Strachan, discovered an original Clyde-built steamer called the Pandaw and arranged for its lease and restoration. Pandaw is the largest luxury river cruise company in Asia. RV Pandaw runs expedition cruises in four South-East Asian countries: Myanmar, on the Irrawaddy and Chindwin Rivers and through Cambodia and Vietnam on the Mekong River. Expedition in Myanmar are: Chindwin & Upper Irrawaddy, Pyay to Kalay, Yangon to Mandalay and Mandalay- Bagan- Pyay. The ultra shallow draft of Pandaw enables it to travel to remote areas, which are unreachable by other vessels.

Coach

Most coaches are operated by the tour companies for tourists wanting to take in the sights overland between the main destinations. They are also a cheaper means and alternative of seeing the country than domestic air travel.

[Add to commentary]

Tour and Travel Agents

According to 2011 data (Myanmar Tourism Statistics), there are 759 tour companies of which nearly 400 are active members in the Union of Myanmar Travel Association (UMTA), a trade association which is made up of various tour operators and travel agencies mostly from the private sector. The organization also includes some associate members from the hotel sector and other tourism related industries, such as media and transport. With the increase of foreign JV travel agencies as of 2011, there are 15 joint venture companies and 1 foreign-owned tour company in this sector.

Most local tour operators and travel agencies are based in Yangon since Yangon's infrastructure, such as communications and transport, is far more developed than elsewhere in Myanmar. Because nearly half of the tourists visiting Myanmar will use Yangon International Airport as an entry into and exit out of the country, it is the most practical and convenient location as a base for both tourists and tour operators since tour operators are able to service the trip from the time they arrive until they leave. Therefore, typically, tourism packages in Myanmar will often start off from the colonial capital of Yangon to the other parts of the country.

However, regional tours involving countries nearby are equally popular among the tourists that have an interest in Myanmar, so many local tour agencies will partner with their overseas counterparts or other operators to coordinate tours that will include several destinations within this region, with Myanmar as one of them. Larger and more established agencies often have their own regional branch offices abroad to better accommodate the interest and needs of their clients. A wide variety of tours and packages are offered, from short, half-day tours to programs that can last as long as 2 weeks.

As mentioned in our introduction earlier, Myanmar's climate, landscapes, history, culture and heritage making it possible to custom design a whole host of different tours from trekking in the North to cultural experiences in the South. Although a wide variety of packagers are already available, tours can be customised to suit the interest, schedule and budget of different customer profiles, from the busy executive to the budget conscious backpacker.

How much does a tour package cost?

In 2007, the Chairman of UMTA (What does this stand for?) reported that airfare is the most expensive component of a package tour, taking up to 44% of the cost of the package while accommodation only makes up 24% of the entire expense.[10] While this may provide an estimate of the costs and expenditure of travel agencies, it is important to note that these figures are shifting, particularly in 2012.

Several agencies handling domestic airlines have already disclosed that they would be increasing foreigner fares on flights in the upcoming season[11]. Hotel and accommodation costs have been rising steadily month to month while hotel room rates have skyrocketed from the shortage of 3-5 star hotel

[10] UMFCCI Business Magazine Vol. 8, No. 2 p.17

[11] *Airlines plan large foreigner fare rise* Myanmar Time Vol. 32, No. 637

rooms. It is likely that they will raise the rates even more for the high season and it is to be seen if the hotels will lower the rates during off season when there are fewer tourists and generally rooms are - taken up by those coming for business. For the businessman, there is no seasonality in visiting Myanmar as they come whenever there is a need to. Although all costs are increasing, the proportions of expenditure will remain much the same with air travel and accommodation taking the first and second spots with approximately the same percentages. Obviously, the more extensive the tour and the more or further the destinations are from Yangon, the costlier the tour package. On top of this, local tour operators and travel agencies will add on their charges for organising their tours.

Contractual relationship with hotels

Travel agencies and tour operators are usually responsible for their tourists' accommodation as it is included in the packages they offer. There are some tour companies which do not need to have a contractual relationships with hotels because they have established a chain of hotels themselves, but generally, local and overseas tour companies usually have agreements with hotels here to secure accommodations at the agreed rate for their clients and guest pqrticularly during the peak tourist season. This is especially important when accommodations has suddenly become so scarce. In July 2012, however, around 30 travel agents reported that some hotels are breaking contracts with them in order to charge higher prices. Even after the Ministry's intervention, there are still reports from some travel agencies that these hotels did not follow the price cap set by the Ministry. Tour companies particularly in Europe are obliged to honour their published prices to the clients. This is damaging to the fledgling industry as it affects reputation and may therefore deters foreign travel agencies to send their clients to Myanmar.

Tour Guides

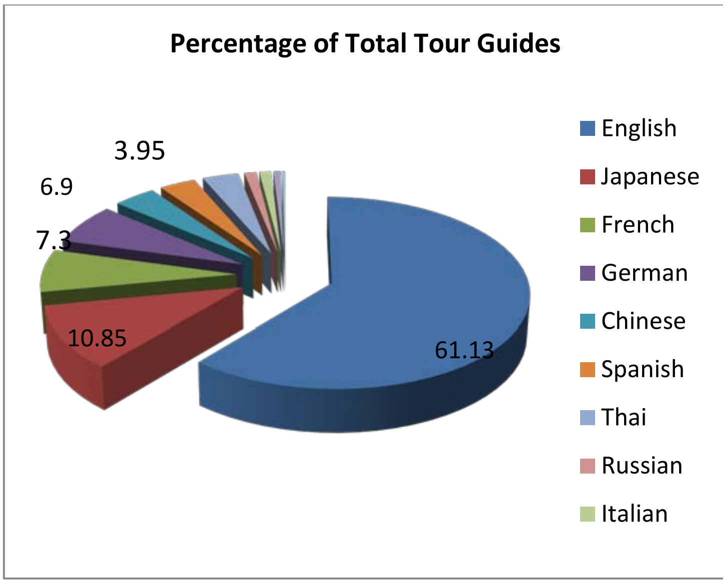
According to the 2011 Myanmar Tourism Statistics figures, there are a total of 3,160 licensed tour guides working in the industry. The number of tour guides has decreased significantly as compared to the early 2000's, when there were a reported total of 6,250 guides in 2004. However, out of that number, it is not known how many of them were not actually active.

Licensed tour guides usually hold a degree from the University of Foreign Languages. Around 60% of the tour guides are licensed as English-speaking guides. Given that the largest number of tourists are from China and Thailand, it surprising that there are not that many tour guides who communicate in Chinese and Thai.

Tour guides can be arranged by the tour companies that they work for part time or full time. There are also freelance tour guides. The guides can be arranged to accompany the visitor throughout the tour starting from their point of embarkation such as Yangon, or meet them at their destination, such as in Bagan, Mandalay or Taunggyi.

Table 4: Number of licensed tour guides

s/n	Language	Percentage of Total Tour Guides	Number of Guides
1	English	61.13%	1,933
2	Japanese	10.85%	343
3	French	7.31%	231
4	German	6.93%	219
5	Chinese	3.95%	125
6	Spanish	3.35%	106
7	Thai	3.35%	106
8	Russian	1.11%	35
9	Italian	1.08%	34
10	Korean	0.66%	21
11	Other	0.28%	9
	Total	**100%**	**3,162**



Earnings from Tourism & Tourists' Expenditure

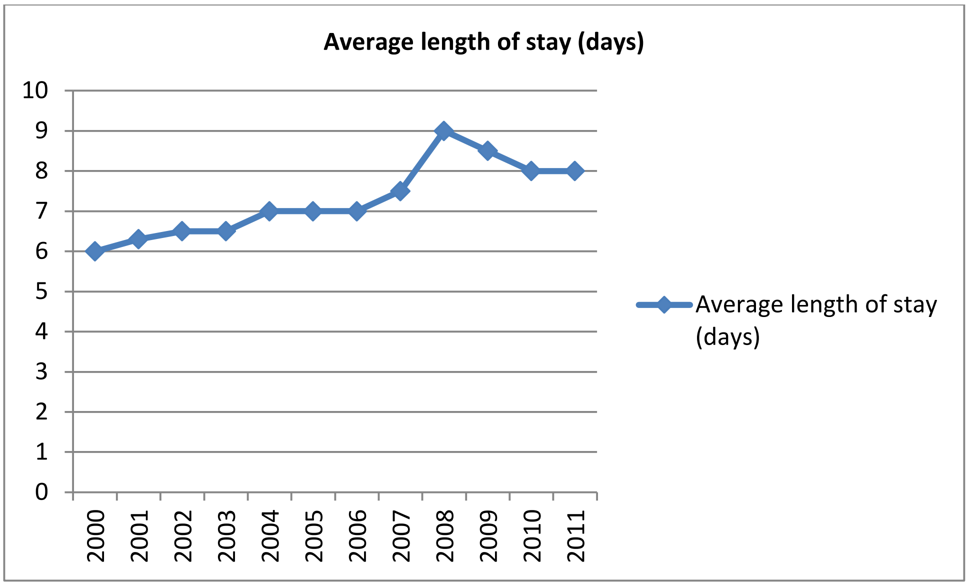
The Myanmar Fiscal Year starts from April 1st and ends at March 31st. As such, the compilation of earnings reflect this accordingly.

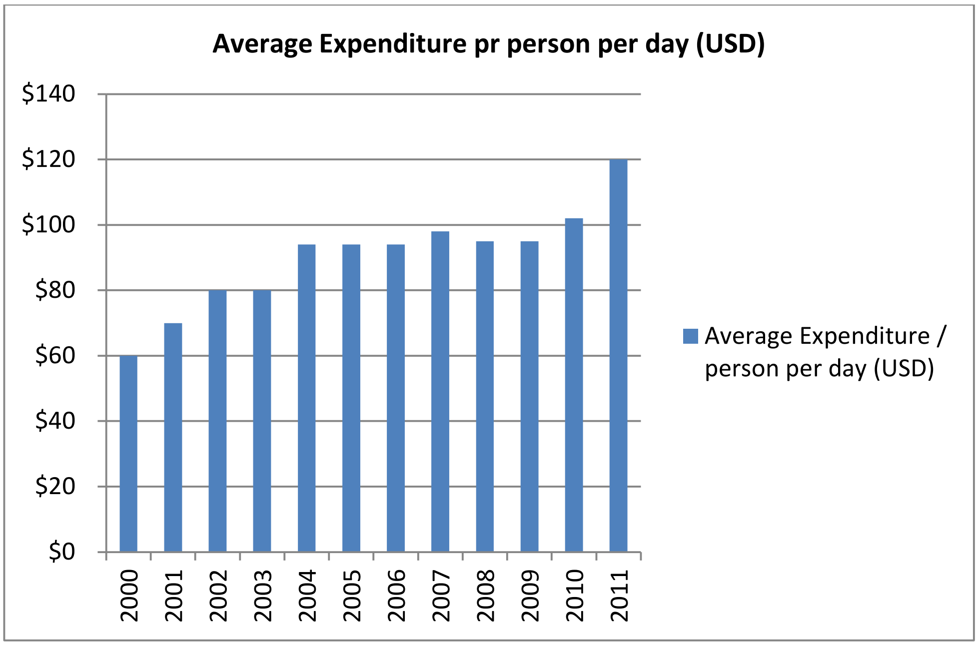
Earnings from the tourism sector have increased in the last four years both contributed by the increase in tourism and increase in their average expenditure. The average expenditure measure as listed in the above table, of course, does not necessarily mean that they spent more since it does not account for inflation and increasing prices in the expanding tourism sector.

Table 3.3a Income from tourism sector
Total earnings and tourist expenditure

Year	Average length of stay (days)	Average Expenditure pr person per day (USD)	Average Expenditure per person per trip (USD)	Total Tourism Earnings (USD)
2000	6	$60	$360	$84 Million
2001	6.3	$70	$441	$90 M
2002	6.5	$80	$520	$99 M
2003	6.5	$80	$520	$116 M
2004	7	$94	$658	$136 M
2005	7	$94	$658	$153 M
2006	7	$94	$658	$164 M
2007	7.5	$98	$735	$182 M
2008	9	$95	$855	$165 M
2009	8.5	$95	$808	$196 M
2010	8	$102	$816	$254 M
2011	8	$120	$960	$319 M

Source: Myanmar Tourism Statistics


Average length of stay (days)
10
9
8
7
6
5
4
3
2
1
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Average length of stay (days)


Average Expenditure pr person per day (USD)
$140
$120
$100
$80
$60
$40
$20
$0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Average Expenditure / person per day (USD)


Total Tourism Earnings (USD mil)
$350
$300
$250
$200
$150
$100
$50
$0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Total Tourism Earnings (USD mil)

Opportunities in Supporting Industries

Handicraft & Souvenirs

Food & Beverage

Supplies

Logistics

Hotel Sector

Table 4.1: Total number of registered hotels, motels, and guesthouses in 22 selected cities and towns

s/n	Location	Number of hotels	Rooms
1	Bagan	75	2,008
2	Bago	11	297
3	Chaungtha	16	517
4	Dawei	2	54
5	Kalaw	24	421
6	Kawthaung	7	451
7	Magwe	9	150
8	Mandalay	75	3,181
9	Mawlamyaing	9	194
10	Mrauk-U	6	146
11	Muse	9	328
12	Myintkyina	12	335
13	Myeik	2	65
14	Nay Pyi Taw	27	1,763
15	Ngapali	14	480
16	Ngwe Saung	21	906
17	Nyaung Shwe	42	906
18	Pathein	6	142
19	Putao	2	24
20	Pyin Oo Lwin	30	570
21	Tachileik	15	626
22	Taunggyi	15	504
23	Yangon	187	7,934

Source: Myanmar Tourism Statistics 2011

Myanmar is facing a serious shortage of rooms since the tourism boom started in 2010. Having only 731 hotels and 25,002 rooms available including all hotels, motels and guesthouses combined, accommodations were grossly insufficient for the 505,490 visitors in 2011. The surge in number of visitors in the first half of 2012 has stretched the hotel sector even further.

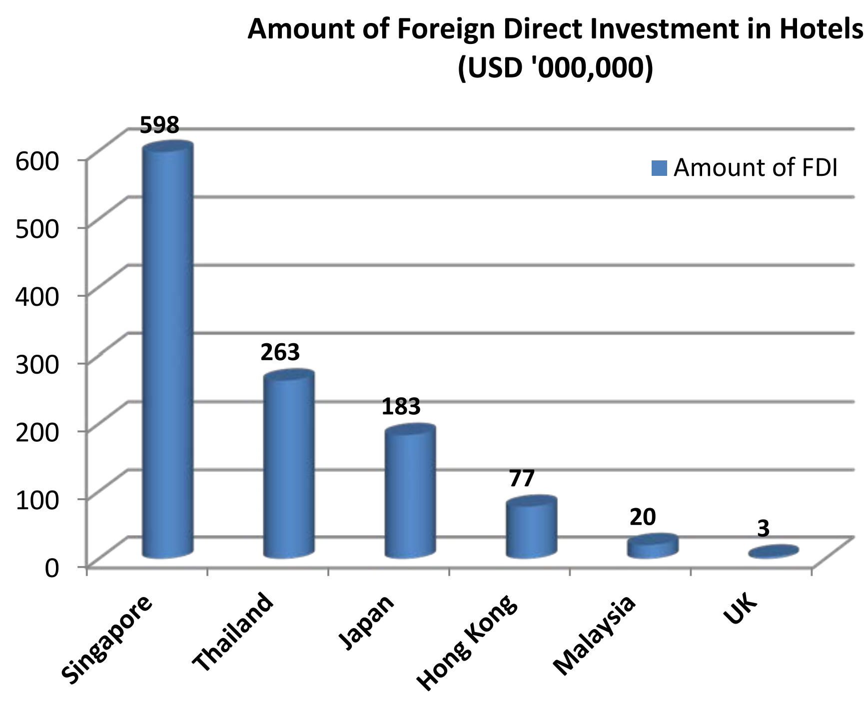
Among these, only a few hotels could offer standardized clean rooms and serve the needs of most tourists and travellers. International standard hotel rooms have become increasingly scarce at prime cities and destinations, such as Yangon, Mandalay and Bagan, which did not face this problem before. In addition, there are several emerging cities and towns [such as...?] where there are only a few hotels. More towns and areas such as Myeik, Pathein and Putao, can be developed as tourist destinations for domestic and international visitors if there were more and better accommodations available in the vicinity.

Foreign-investment hotels & serviced apartments

[Some change of hands of foreign-investment hotels]

As of 2011, there are a total of 31 completed hotel projects funded by foreign investment, while an additional 5 projects are currently under constructions. The total investment is estimated to be $1.14 billion for all 36 projects, which averages around USD 32 million per project. Foreign-owned hotels only make up 4.9% of the entire hotel market in Myanmar. The investors for these hotel projects mostly come from Asia, with Singapore and Thailand leading with 12 and 11 projects respectively, while Singapore leads at the total investment in the projects, as shown in the figure below. Foreign owned hotels are one of the few hotels that are able to provide rooms that are in line with international standards. With the recent surge in tourists, supply and demand at work leads to astronomically high room prices Myanmar has never experienced before.

Figure 5: Total amount of FDI in hotels by countries



Source: Ministry of Hotels and Tourism, Myanmar

The few foreign-owned or foreign-investment hotels in Yangon are listed below. Most of them were built around 20 years ago in the mid 1990s. Some have changed hands over the years: for example, Kandawgyi Palace Hotel was built by Thai Group [_________] and subsequently sold to the [______], a local Myanmar company in [_____].

ROOM RATES

The current room rates (November 2012) hover around the US$ 300 range according to tour companies[12] as they take advantage of the demand as well as shortage in rooms. However, just two years ago, even five-star hotels would offer their rooms for less than US$100 in Yangon.

The danger here is that the incredible rise in room rates could actually hinder tourism in Myanmar. In an attempt to limit the escalating costs for accommodations, the Ministry of Hotels and Tourism issued a price cap of USD$ 150 for a standard room (twin sharing) including breakfast. Unfortunately there have been reports that many such hotels are refusing to follow the set regulation and have given false or misleading information to the Ministry regarding their rates. They run the risk of running into trouble with the authorities and having their foreign managers and staff's visas revoked.

Table 3: Foreign Direct Investment Hotels with the most number of rooms in Myanmar

Hotel	Investment from	Location	No: of Rooms	Built/ Opened
Summit Parkview	Singapore	Yangon	250	1995
Traders	Singapore	Yangon	496	1996
Sedona Yangon	Singapore	Yangon	450	1996
Park Royal	Singapore	Yangon	359	1997
Chatrium	Thailand	Yangon	315	1998
Sedona Mandalay	Singapore	Mandalay	300	1998
Golden Hill	Japan	Yangon	212	2000
Richy Regina	Thailand	Tachileik	284	2002
Victoria Resort	Singapore	Kawthaung	250	2008

Based on *Myanmar…the next investment destination for global hotel chains?* SCB EIC | Economic Intelligence Center

As of August 2012, five foreign investment hotel projects are under construction, including internationally renowned hotel group Shangri-la. These five hotel projects are estimated to contribute about 1415 rooms, a 27% increase over the current supply of foreign-owned hotel rooms and have an average of 283 rooms per hotel[13].

Myanmar-owned Hotel

While in cities like Yangon and Mandalay, Myanmar-owned hotels usually offer budget-type rooms, in recent years, Myanmar hoteliers have been responsible for developing several luxurious resorts in

12 *Hotel ignoring room rate order: agents* Myanmar Times Volume 32, No. 636

13

popular tourist destinations, such as Bagan, Inle Lake and Ngapali. The properties managed by Myanmar hoteliers encompass a broad range from budget motels and guesthouses to 4 and 5-star resorts.

Budget style accommodations appeal largely to foreign independent travellers (F.I.T.) that make the largest group of tourists (38%) of all tourists entering Myanmar whereas international or foreign-run hotels are favoured by business travellers. The F.I.T. are generally on a budget and look for more simple or basic accommodations.

As a result, locally-owned hotels and inns enjoy equal success as the foreign-run international standard hotels. Although lower in number of rooms, these hotels also have a lower running cost and their occupancy is comparable to that of the foreign-run hotels. The most well-known of such budget hotels in Yangon include Panda Hotel and Panorama Hotel. Due to the soaring room rates even at such hotels, other options such as hostels (such as the YMCA) and guesthouses have also become more popular with tourists.

In contrast, what Myanmar hoteliers run outside of cities and in rural tourist hotspots are large luxurious resorts that provide facilities and service comparable to foreign-owned ones. The room rates charged are also similar to the hotels managed by foreign hoteliers. When the government was actively promoting tourism as an income-generating industry in hotel zones in some rural areas and new development areas, cheaper land prices were issued for hotel projects. This coincided with the unfavorable economic and political turnarounds that discouraged foreign hoteliers to invest in Myanmar. This gave Myanmar hoteliers a chance to establish some hotel projects that are in line with international standard and gain a foothold in the hotel industry, which is otherwise led by foreign-owned hotels. For instance, the hotel zone in Nay Pyi Taw has only been established less than a decade ago and it is comprised of over 30 hotels invested by local businessmen.

It has been reported that new hotel zones are to be established in Mandalay and Muse[14], the city bordering China's Ruili. As of 2011, there were only 75 hotels in Mandalay and 9 hotels in Muse. These developments could

Reasons for insufficient hotel accommodations

- Some hotel rooms are being used as long-stay accommodations, residences and offices
- Renovation and repairs of some rooms in some hotels are being carried out as they are cannot be sold otherwise
- Some hotels, motels, inns and guesthouses are not of a sufficiently acceptable standard to accommodate international visitors
- Some hotels are relying on local market???
- Seller Market due to the high occupancy at present.
- Some hotel projects - particularly FDI projects - had been delayed or postponed.

14 Commerce No-14,Vol-12,April 2,2012

create opportunities for further develop of the tourism in these two cities and consequently, economic development. Even though foreign investment is required in the hotel sector to replenish quality hotel rooms suitable for tourists, emerging Myanmar hoteliers, such as Max Myanmar, Aureum Palace Hotels and Resorts, and Amazing Group are also taking up a considerable portion of this sector. Moreover, local-run mid to lower range hotels are makes up an important for FIT and economical tourists.

Policies related to the Hotel Industry

Strategic Plan for the Development of Accommodations in the Future

- To renovate and upgrade existing local guest houses and small hotels to be able to accommodate foreign tourists.
- To finish all delayed hotel projects in 2013.
- To welcome new hotel projects and assist for speedy operation.
- To amend the existing contract agreements of hotels for hiring rooms as offices, long stay accommodation etc.
- To do negotiation between hoteliers and tour operators
- To invite more Foreign Direct Investment.
- To encourage local entrepreneurs to do hotel business.
- To provide incentives on terms and conditions of the hotel contracts.
- To raise awareness of investment opportunities in hotel and tourism sector

New hotel zones will be created between Yangon International Airport and Hanthwaddy Airport in Bago Region, which is to be constructed, has been announced. The projected zones lie in Mingalardon, Htauk-kyant and Hlegu areas. The creation of the new hotel zones were prompted to address the increasing number of foreign tourists in the country and the shortage of accommodations[15].

The Ministry of Hotels and Tourism has also announced that 5 hotels will open at Ngwe Saung beach in time for the 2013 Sea Games[16]. [p18]

Licenses & Land Lease

[15] Today Vol.19, November 2012
[16] Myanmar Times, Vol.33, No 651 November 5-11, 2012

Government Incentives for Hotel Investments

- Flat what type tax rate of 30%
- Exemption from income tax for 3 consecutive years
- Exemption or relief from income tax on profit which is reinvested within one year and up to 50% on the profit from exports
- Right to pay income tax of foreign employees (same as Myanmar citizens) and to deduct the same from the assessable income of the enterprise
- Right to deduct research and development expenditure
- Right to accelerate depreciation
- Right to carry forward
- Right to set off losses up to 3 consecutive years, from the year the loss is sustained
- Exemption or relief from customs and other taxes on:
    - Imported machinery and equipment for use during the construction period
    - Imported raw materials for the first 3 years commercial production
    - following the completion of construction

Strengths and weaknesses

The case for Myanmar Tourism:

- Awareness for Myanmar is perhaps at its greatest and the general sentiment is positive
- Geographically strategic location for tourism and businesses, especially with its neighbours and other nearby countries
- Diverse terrain and climate means there are many places for a tourist to visit within the country and therefore many sites and locations – not just Yangon – to develop as a tourist spot and build a hotel or resort. Hotels are required in most of these areas
- Ability to cater therefore to diversified groups of tourists with different interests such as adventure or culture
- Unspoiled by mass tourism, Myanmar is still fresh to travellers and regarded as mysterious and exotic. Most of South East Asia have been overexposed and many holidaymakers and business travellers are turning their attention to Myanmar.
- Only 36 foreign-investment hotels up to 2012, and given the number of rooms required in Yangon alone, ther is capacity to accommodate more foreign investors. Government incentives are given for the much-needed investments
- Labour in Myanmar is still relatively cheap compared to other countries and tourism and hotel sectors are essentially service-based that are still labour intensive.
- The 2013 SEA Games will be held in Myanmar and is likely to experience a surge in the number of visitors from this and other international events such as AEC and AFTA in 2015 it will be hosting, which will be highly beneficial and great opportunity fo those in the hotel and tourism sector.

Weaknesses and Disadvantages

- The previous Foreign Investment Law which was last published in 1988 were quite unfavorable for foreign investors; the new FDI law has just been released and needs to be studied to check whether it is more favourable now.
- Weak infrastructure with insufficient electricity, poor transportation and roads, antiquated banking system, low airport capacity, exorbitantly high land (property) prices and generally unskilled or untrained workers for the service industry.
- A huge shortage of hotel rooms, resulting in exorbitant rates for accommodation, although the government attempted to
- A political situation that has still not stabilised and increasing ethnic conflicts in certain areas and the negative publicity it receives that hinder tourism. The government also restricts

tourists from travelling to most areas where the minority ethnic groups reside due to insurgencies.

- Visa-on-arrival is not available for tourists

- The sudden influx of tourists could be detrimental to the environment and cultural or historical sites; in an attempt to pander to the needs of such tourists, the country could also lose its exotic appeal.

The reforms that began in 2011 has attracted the world's attention to zoom in on Myanmar. Since then, the hotel and tourism sector has been reinvigorated, as both businessmen and tourists are flocking into the country. One year into the new wave of the tourism boom, several important points we can take not of in regard and consideration of the tourism and hotel sector.

- Firstly, it is clear that the hotel and tourism sector in Myanmar has great potential for the various inherent reasons we covered earlier. This, combined with the reforms and changes in administration, has given Myanmar an edge that will help spur this on.
- Secondly, because of Myanmar's strategic location, there has always been a considerable amount of border tourism from China and Thailand, both rapidly developing economies that are set to develop even further. We can expect increases from this front. If infrastructure and transport networks are further improved, Myanmar could also potentially draw tourists from its western neighbours, India and Bangladesh, and even Malaysia from the South.
- Thirdly, expansion and preparations are well underway in anticipation of the ASEAN chairmanship and to host the 2013 SEA Games. If these are done well, we can expect Myanmar to host more such important international events opening up the market for MICE.
- Lastly, we need to remember that despite the growing optimism, there is no doubt or shortage of challenges that the industry faces and that these challenges will take time to be addressed or rectified. The country's infrastructure is one of the most difficult factors to overcome. Without proper transportation, banking and communications, and sufficient power in place, tourism will be hindered and the costs of running the businesses will remain high. Real estate prices - particularly in and around Yangon - have also skyrocketed as people take advantage of the present situation where there is a shortage of land and buildings to house their businesses.

The Ministry of Hotel and Tourism has played an active and important role in supporting the development of the sector. It is well recognised that the tourism sector is highly beneficial for the country's development as it generates many opportunities, not least of which are jobs, education and skills development. We may expect that tourism will develop and expand no matter what since the milestone of an open and more democratic society in Myanmar's history has been established, but at what speed and in what direction the development - and thus the tourism industry - takes place depends highly on the actions of the government and the people's voice.

Conclusion

Myanmar is still in the midst of reforms and is on the path of building infrastructure and seeking investment favourably geared to the hotel and tourism industry. The government still faces some challenging issues in spite of reforms that have been implemented in various sectors. Whether these reforms are headed in the right direction still needs to be seen.

At present, there are still ethnic conflicts to be resolved in some areas within the country, and, for their own safety, tourists have been restricted from visiting these areas. Unfortunately for the tourism industry, these areas are also home to some of Myanmar's most panoramic natural landscapes, interesting and unspoiled ethnic groups and rare species of flora and fauna. This is a sensitive issue as the world watches how the government will handle the problem at hand. Since Myanmar's tourist market is affected to a large extent by the political management of such issues, any misstep by the government that displeases the international community could have drastic consequences and costs to the growth of the tourism sector.

APPENDIX A

Visitor Arrivals by Nationality

AMERICAS

	Canada	USA	TOTAL N. America	Latin America	TOTAL Americas
1998	1,998	10,700	**12,698**	**606**	13,304
1999	1,879	10,270	**12,149**	**599**	12,748
2000	2,022	12,669	**14,691**	**621**	15,312
2001	2,340	13,524	**15,864**	**807**	16,671
2002	2,476	14,477	**16,953**	**871**	17,824
2003	2,519	13,256	**15,775**	**799**	16,574
2004	2,828	16,432	**19,260**	**1,191**	20,451
2005	2,911	16,598	**19,509**	**1,192**	20,701
2006	3,298	18,052	**21,350**	**1,530**	22,880
2007	2,992	14,862	**1,477**	**1,477**	2,954
2008	2,034	13,195	**929**	**929**	1,858
2009					0
2010	2,407	16,504	**1,669**	**1,669**	3,338
2011	21,680	21,680	**2,380**	**2,380**	4,760
2012 (Jan-Jul)	3,273	18,542	**1,927**	**1,927**	3,854

WESTERN EUROPE

	Austria	Belgium	France	Germany	Italy	Switzerland	U.K.	Spain	Others	TOTAL W. EUROPE
1998	1,167	2,038	**15,410**	8,492	6,009	2,167	9,494	1,809	4,364	**50,950**
1999	1,380	2,106	**13,594**	9,039	6,925	2,622	9,267	1,943	4,001	**50,877**
2000	1,727	2,334	**13,313**	9,920	6,852	3,128	9,020	2,478	4,967	**53,739**
2001	2,126	2,408	**12,461**	11,450	6,618	3,602	8,424	3,277	5,582	**55,948**
2002	3,616	2,364	**14,108**	12,952	7,908	4,695	8,620	3,856	5,281	**63,400**
2003	4,756	2,159	13,125	**13,341**	4,258	4,258	7,848	2,171	4,374	**58,161**
2004	4,168	2,340	13,372	**14,112**	7,924	3,974	7,720	4,134	5,157	**62,901**
2005	3,156	2,859	**15,295**	13,689	7,083	3,942	8,126	4,947	5,434	**64,531**
2006	3,637	2,790	15,498	**18,003**	10,774	4,736	7,465	7,769	6,095	**76,767**
2007	2,542	2,307	15,521	**15,432**	10,130	4,294	6,356	6,728	5,222	**68,532**
2008	1,212	1,386	8,217	**8,947**	3,030	2,482	7,465	7,769	6,095	**37,156**
2009										
2010	1,896	2,411	**13,143**	11,082	7,169	4,168	7,340	5,812	6,796	**59,817**
2011	1,964	3,376	**19,414**	14,006	9,701	1,188	11,056	6,659	9,165	**80,895**
2012 (Jan-Jul)	1,728	2,157	15,168	10,889	5,334	3,718	11,389	2,890	8,539	**61,812**

APPENDIX A

Visitor Arrivals by Nationality

Asia-Pacific

	China	H.K	Taiwan	Japan	Korea
1998	8,561	1,652	34,478	28,672	4,433
1999	12,732	1,598	32,977	25,319	5,885
2000	14,336	1,742	32,098	21,930	7,423
2001	16,788	1,408	26,020	20,118	7,581
2002	17,732	1,277	22,849	20,744	7,890
2003	15,564	1,667	19,645	18,799	8,399
2004	17,890	3,020	20,424	20,296	10,405
2005	19,596	2,593	17,600	19,584	10,934
2006	24,893	3,159	15,827	18,945	18,265
2007	29,551	3,048	13,707	15,623	13,821
2008	30,792	2,410	11,472	10,881	12,369
2009					
2010	46,141	3,081	14,170	16,186	18,930
2011	62,018	3,820	15,542	21,321	22,524
2012 (Jan-Jul)	38,684	2,642	11,662	23,277	17,805

	Malaysia	Singapore	Thailand	Bangladesh	India	Others
1998	6,804	10,976	18,840	701	4,281	5,834
1999	7,583	11,074	19,392	884	5,083	5,956
2000	9,938	11,645	19,070	929	5,605	6,449
2001	11,296	9,939	17,123	1,074	5,572	6,985
2002	12,532	11,310	16,936	1,488	5,691	7,098
2003	10,003	10,373	22,214	1,999	6,291	6,438
2004	12,478	11,292	32,735	1,705	8,357	8,172
2005	9,858	9,674	27,199	1,506	7,679	7,671
2006	9,588	10,952	30,400	1,342	7,540	8,720
2007	8,693	9,310	35,002	1,046	7,675	8,036
2008	8,268	8,599	27,311	1,001	7,173	8,003
2009						
2010	16,186	12,114	59,692	1,441	9,849	14,664
2011	23,287	15,391	61,696	1,988	12,318	19,787
2012 (Jan-Jul)	15,921	12,697	48,100	1,114	8,949	16,277

Please check 2010 figure for Malaysia & Japan. Slide no 29

PENDIX A

Visitor Arrivals by Nationality

ASIA, MIDDLE EAST & AFRICA

	AFRICA	MIDDLE EAST	TOTAL ASIA
1998	317	1,909	**125,232**
1999	316	1,416	**128,483**
2000	304	1,263	**131,165**
2001	312	1,416	**123,904**
2002	430	2,022	**125,547**
2003	390	1,148	**121,392**
2004	395	1,831	**146,774**
2005	488	1,920	**133,894**
2006	502	2,177	**149,631**
2007	432	2,281	**145,512**
2008	539	1,379	**128,279**
2009			
2010	816	2,208	**212,454**
2011	993	2,607	**259,692**
2012 (Jan-Jul)	776	2,129	**197,128**

Oceania

	Australia	New Zealand	Others	TOTAL OCEANIA
1998	4,593	712	-	**5,305**
1999	3,643	562	-	**4,205**
2000	4,120	596	-	**4,716**
2001	4,442	627	-	**5,069**
2002	5,194	710	8	**5,912**
2003	4,950	771	21	**5,742**
2004	6,069	984	23	**7,076**
2005	6,342	922	18	**7,282**
2006	6,583	929	21	**7,533**
2007	6,761	904	28	**7,693**
2008	5,374	691	14	**6,079**
2009				
2010	7,693	993	9	**8,695**
2011	10,415	1,188	19	**11,622**
2012 (Jan-Jul)	8,005	1,091	31	**9,126**

EASTERN EUROPE & RUSSIA

	Russia	Others	Total E. EUROPE
1998	196	513	**709**
1999	253	497	**750**
2000	308	858	**1,166**
2001	434	1,108	**1,542**
2002	556	1,521	**2,077**
2003	551	1,652	**2,203**
2004	760	1,750	**2,510**
2005	1,032	2,370	**3,402**
2006	1,432	2,592	**4,024**
2007	1,976	2,319	**4,295**
2008	1,726	2,003	**3,729**
2009			
2010	2,757	3,361	**6,118**
2011	3,496	4,126	**7,622**
2012 (Jan-Jul)	2,167	2,649	**4,816**

Resources & Credits

U Maung Maung Shwe, SM Tours

KC Sim aviasian@gmail.com for photos