

# TOURISM, MEDICAL TRAVEL, AND RETIREMENT

A POLICY NOTE  
March 1, 2016

## A BOLDER AND MORE INCLUSIVE DECADE

### Bold Inclusive Reforms for Tourism, Medical Travel, and Retirement for the Next Decade

In late January 2016, the Korean Chamber of Commerce organized a roundtable of business leaders to review the state of the tourism, medical tourism, and retirement sector. The objective was to identify bold solutions to sustain the momentum of the sector's growth in the next decade. This brief aims to provide an update of the performance of the tourism sector from 2010 when the Joint Foreign Chambers of the Philippines first launched the *Arangkada*, identify key challenges, and present recommendations to achieve competitive, inclusive, and sustainable tourism development.

#### Overview and Performance Update

In 2015, the Philippines earned US\$5 billion in tourism revenues (twice the amount in 2010) from the 5.3 million international tourists who visited the country (Figure 1). Korea remained the number one market followed by USA, Japan, China, then Australia. All top 12 markets accounted for 81.5 percent of all international visitor arrivals and sustained positive growth in 2015. Among the top 12 markets, China posted the highest growth of 24.3 percent, followed by Taiwan with an increase of 24.3 percent. The markets with substantial growth rates are: Spain (+24.76), New Zealand (+16.24), France (+16.84), Saudi Arabia (+17.02), Netherlands (+13.46), and Hong Kong (+7.08). Domestic tourism, estimated at 54.1 M day and overnight visitors and with contributions of more than 80 percent to total tourism expenditures in 2014, continues to serve as the backbone of the industry.<sup>1</sup>

Figure 1 – International Tourism Receipts



Source: NSA

Apart from being one of the top largest dollar earners, tourism employed 4.99 M in 2015, slightly higher by 3.96 percent compared to 4.8 million in 2014, and accounted for 12.5 percent of total employment in the country. Its share of GDP reached 7.8 percent in 2014, higher than the 5.8 percent share in 2010.<sup>2</sup>

Guided by the vision of the National Tourism Development Plan (NTDP) 2011-2016 to position the Philippines as the “must experience destination in Asia” and the long-term goal “To develop an environmentally and socially responsible tourism that delivers larger and more widely distributed income and employment opportunities,” the Philippines thru the Department of Tourism (DOT) implemented a comprehensive market development program focused on travel trade support and consumer activation and initiated strategic programs for niche markets, e.g. English as a second language, dive, medical, and route development. The Philippines successfully hosted APEC in 2015 and forged agreements to host other major international events, such as Madrid Fusion Manila, Dive Resort Fair, and Route Asia, to name a few.

The DOT also implemented an aggressive campaign on cruise tourism generating 26% increase per annum in the number of port calls by international cruise lines in the last three years. The DOT produced the gender development toolkit to promote women empowerment, gender equality, and social protection for the youth and marginalized sectors in the tourism business. Products such as ecotourism and heritage tourism are being developed as vehicles to promote sustainable consumption and production.

As part of the NTDP product portfolio, medical travel and wellness are in early stages of development, driven largely by the private sector. The government created a TWG that completed an industry roadmap and started to address the following: 1) the need for seamless delivery of products/services to create patient experience through the International Patient Pathway (e.g. coordination with the national flag carrier to identify medical tourists once they have checked in, catering to special menu needs, use of Mabuhay lounge upon exit of patient as a medical

tourist); and 2) safety and security of medical tourists by way of creating access to response teams in case of emergency in coordination with insurance companies, air ambulance teams, emergency response teams, and telecommunication companies. The following procedures are the most sought after by international patients: cardiology, orthopedics, aesthetics/cosmetic including dental, ophthalmology, and executive health check up.<sup>3</sup>

Industry leaders have syndicated a One-Country package for their international trade missions. A working group composed of DOT, DOH, and JCI accredited hospitals came up with price ranges for medical travel packages marketed through DOT. The Philippine Healthcare Initiative (PHI) also markets medical packages that include doctors' fees through its new website and is involved in quality management training and the assessment and accreditation of hospitals.

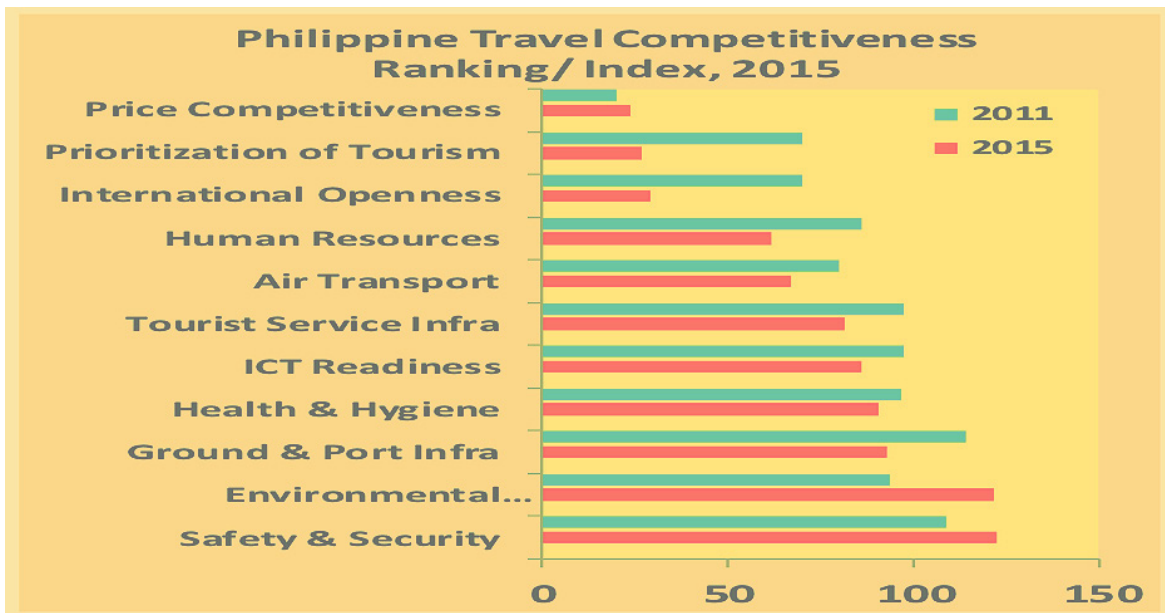
For the long-stay and retirement product, also identified under the NTDP 2011-2016, the Philippines offers special retiree resident visa options for the active and health retirees, for former Filipinos and diplomats and for ailing retirees. Using "Smile at Life in the Philippines" the Philippines seeks to invite former Filipino citizens and foreign nationals to choose the Philippines as their second home to enjoy good life in communities with affordable cost, vibrant culture and hospitality, tropical climate, and friendly English-speaking population.

PRA enrolled 4,788 new retirees in 2014, equivalent to a 25% growth rate. Net Enrollment Growth Rate, on the other hand was equivalent to 29%, which implies a lesser rate of withdrawal from the program. Out of the 27,815 retirees (based on cumulative net enrollment), 83% live in the National Capital Region, Region 7 (Cebu, Bohol, Negros Oriental), Region 4-A (CALABARZON) and Region 3 (Central Luzon).<sup>4</sup>

The first projects have been implemented without legal issues making use of the Condominium Law provisions, by expanding the vertical rules to horizontal. More models for investment are under discussion but are not yet finalized. Nursing Homes are mushrooming in urban areas; the number of beds quintupled the last 4 years. Most facilities cater to local patients. The Philippine Healthcare Initiative (PHI) has launched a program to provide nursing homes with quality management training and accreditation. While nursing homes are not regulated by government, they are about to create a Nursing Home Alliance that will self-regulate this important sunrise industry.

The competitiveness ranking of Philippine tourism improved from 2011 (rank 94th) to 2015 (rank 74th). Prioritization of tourism in the national agenda became more prominent with institutional and policy reforms since 2010 – (1) liberalization of air access-pocket "open skies" for secondary gateways and air service agreements – that contributed to the 67 percent increase in international airline seat capacity from 2009 to 2014, (2) removal of the Common Carriers Tax and Gross Philippine Billings that improved the business climate for international air carriers that transport 99 percent of international tourists, (3) 24/7 operations by border control state agencies in international airports thereby removing overtime fees charged to the international carriers for transporting tourists, (4) convergence programs such as the DOT-DPWH Tourism Road Infrastructure Program (TRIP) that enabled the construction of 2,502 kms of tourism roads to enhance mobility of tourists and local residents.

Through the convergence initiatives among DOT, DOTC, CAAP, and TIEZA, airports in support of the tourism goals accounted for an average of 72 percent share of all DOTC funding for airport development from 2014-2016. Tourism will benefit from the completion of ongoing airport projects including the PPP for Mactan-Cebu International Airport and a few regional airports in the next 3-5 years. The resolution of the ICAO significant safety concerns, upgrade to Category 1 by the US FAA, lifting of the EU ban on Philippine carriers, and full membership of the Philippines in the ASEAN Open Skies have been welcomed by the private sector as opportunities for market access expansion. Tourism facilities under TIEZA's programs are being rolled out to complement public investments in airports, roads, and seaports. Private sector investments in tourism facilities such as accommodation have increased the capacity of the Philippines to service the high-yield Meetings, Incentives, Conventions, and Exhibitions market.



Source: Travel and Tourism Competitiveness Report, World Economic Forum, 2015

### Key Challenges

Since 2010, there have been significant milestones achieved thru strong partnership between public-private sectors to capitalize on internal strengths of and opportunities for the Philippines' strategic location, tropical climate, natural and cultural tourism assets, urban-based facilities, affordable cost of living for long stay and retirement, and relatively large size of its well educated primary, secondary workforce and professionals in tourism and medical sectors. The Philippines has advantages to capture a bigger slice of global and regional tourism markets. In Southeast Asia alone, there are more than 100 M international travellers, more than 50 percent originating from outside of the region, and the Philippines can capitalize on this market to surpass the 10 M mark.

**Table 1: ASEAN International Visitor Arrivals, 2013-2014**

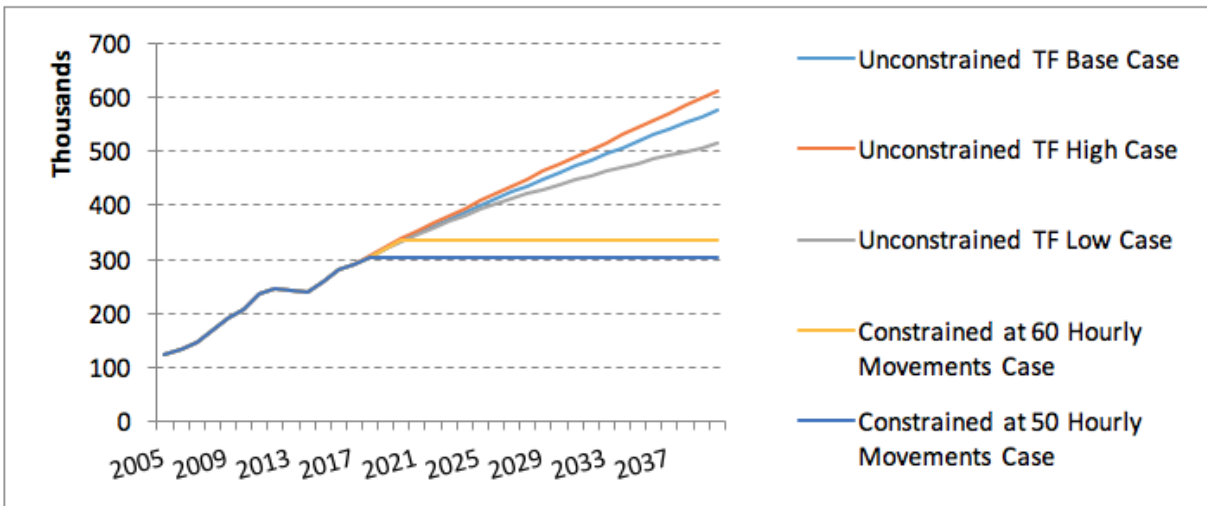
No.	Member Country	2014	Growth (%)
1	Brunei Darussalam	3,885,573	18.5%
2	Cambodia	4,502,775	7.0%
3	Indonesia	9,435,411	7.2%
4	Lao PDR	4,158,719	10.0%
5	Malaysia	27,437,315	6.7%
6	Myanmar	3,081,412	50.7%
7	Philippines	4,833,000	3.2%
8	Singapore	15,095,152	-3.0%
9	Thailand	24,779,768	-6.7%
10	Viet Nam	7,874,312	4.0%
	<b>TOTAL ASEAN</b>	<b>105,083,437</b>	<b>2.8%</b>

Source: ASEAN Secretariat

The Competitiveness, Inclusiveness, and Sustainability (CIS) of Philippine tourism relative to its market and product development potentials continues to be challenged by strategic weaknesses that include (1) uncompetitive tourist destinations and products; (2) inadequate and poor quality of international and domestic transportation and destination infrastructure, and other restrictions that limit market access (e.g. travel facilitation); (3) inadequate public and private sector investment; (4) insufficient and inconsistent quality of tourism, medical travel, and retirement facilities; (5) weak public sector tourism governance (e.g. fragmented institutional mandates to protect heritage and develop the MICE industry); and human resources development policies and practices; (6) relatively high concentrated pattern of tourism with limited local participation; and (7) concerns on tourist safety. In medical travel, data collection methods are characterized as diverse and inconsistent, hampering the ability to understand more deeply the market and services offered and the necessary support infrastructure requirements across development phases.<sup>6</sup>

The most binding constraint for the private sector to respond to tourism growth opportunities and market dynamics is infrastructure gaps (e.g. NAIA congestion) have surfaced in meetings. Concerns on safety arising from these infrastructure gaps have surfaced in meetings and discussions with the business and consumer sectors. For tourism to have broader and deeper inclusive impacts thru longer length of stay and higher spending, it is imperative that connectivity, destination, and institutional infrastructure be adequately developed to allow tourists to move safely and conveniently to/from and across the Philippine archipelago - North to South, East to West, etc.

Figure 2 - Projected Air Traffic Movements in NAIA



Source: DOTC

## Business Recommendations for CIS Tourism

How can the Philippines be promoted as a tourism, medical travel, and retirement hub in South East Asia? The priority recommendations are for infrastructure, human resources, and sustainable and inclusive programs.

**Infrastructure Development.** Four types of infrastructure need to be addressed. These are connectivity infrastructure, destination infrastructure, institutional and informational infrastructure.

### A. Short-Term

- Prepare the Philippine national aviation strategy relative to its strategic position in the Asia-Pacific and plan infrastructure development, particularly to address congestion at NAIA.
- Prepare the development plan for a new NAIA in order to provide good connectivity between the NCR and its southern environs that continue to serve as major domestic tourism source markets.
- Implement full development of the Clark airport terminal and aggressively position Clark as a major entry gateway to compete with other Southeast Asian airports.
- Provide funding for priority seaports for cruise tourism as identified under the DOT's National Cruise Tourism Development Plan and with inputs from the private sector including cruise lines.
- Continue the tourism road convergence program and improve access and site visitor and conservation facilities at 94 sites in the priority clusters to support and underpin private sector investment in

accommodation, MICE, and leisure and entertainment products.

- Continue with market access development programs for airlines and cruise lines to promote direct flights and ship calls to secondary gateways.
- Provide funding for the enhancement of provincial airports for night landing capabilities.
- Promote investments in provision of water supply and sanitation facilities, sewage facilities, power, telecommunications, and tourist facilities (e.g. rooms, recreational facilities, rest areas, signages).
- Review and amend the current organizational structure of the CAAP to separate regulatory and commercial functions (functional de-linking) to strengthen the institution pending amendment of the CAAP law.
- Sign the executive order to implement the Advance Passenger Information System in airports and seaports to facilitate air and cruise passengers.
- Improve the facilitation of visa issuances for crews of cruise vessels.
- Issue long-stay visa to attract long-stay tourists and potential retirees.
- Implement the incentives program under the Tourism Act of 2009 for tourism enterprises.
- Create national leadership team in medical travel and retirement.
- Improve data collection systems in tourism, medical travel and retirement.
- Establish an International Medical Travel Help Desk at the airport to mitigate infrastructure issues.

## B. Medium to Long Term

- Implement the national aviation strategy and the airport infrastructure plan to achieve strategic goals.
- Amend the Immigration Act to modernize border control procedures as state functions and provide 24/7 operations without imposing additional charges/fees on the private sector.
- Privatize existing NAIA and Clark operations and maintenance.
- Amend the CAAP Law to further strengthen the institution for safety and regulatory oversight and separate other functions such as aircraft accident investigation and commercial functions.
- Amend the Philippine Retirement Act to make it conform with the dynamic needs of the industry.
- Remove the travel tax to reduce costs of doing business for airlines and passengers.
- Implement the development plan for a new NAIA.
- Implement the accreditation system for all tourism enterprises.
- Review conflicting legislation and regulations governing licensure, accreditation and certification of organizations and individuals.

## Human Resources

### A. Short-Term

- Continue to develop a competent, well-motivated and highly-productive tourism, medical travel, and retirement workforce.

- Promote professional tourism training and education by participating in ongoing ASEAN initiatives.

### B. Medium-Term to Long-Term

- Improve labor relations by modernizing the Labor Code.
- Consider privatizing TESDA tourism and hospitality training centers.
- Institutionalize tourism human resources recognition, networking, and development.

### Inclusiveness and Sustainability

- Provide necessary environmental infrastructure at Tourism centers and sites of the TDAs, and put in place appropriate mitigation measures to safeguard heritage sites and vulnerable groups.
- Create a culture of tourism that promotes good hosting from arrival to departure, as well as ensuring safe, secure, clean, and green tourist areas.
- Develop host community capacities to participate in the tourism value chain.
- Improve hosting skills of front-liners at ports and transportation services, and at places of stay.
- Ensure safety and security in tourism cities, towns, and centers.

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2. Philippine Statistical Authority. Philippine Tourism Satellite Accounts.
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4. Philippine Retirement Authority. Annual Report 2014. Makati City, Philippines.
5. Travel and Tourism Competitiveness Report, World Economic Forum, 2015.
6. National Tourism Development Plan 2011-2016. Department of Tourism. Philippines.