

Chapter II:

THEORY AND RELATED RESEARCH

2.1 Literature review

Myanmar is having a total area of 676,577 sq. Km and 420,405 in sq. miles, known for its rich heritage, history and culture of different human races. Myanmar has huge variety of natural resources and shares boundaries with neighboring countries such as Bangladesh, India, Nepal, Laos, China and Thailand offers border trade and provides opportunity for tourism industry to grow. There are several ways that Myanmar can explore its tourism in order to attract more tourist are discussed as below.

- (a) Historical tourism: it explains about the history lagged behind the past of Myanmar establishment, teaches about its past colonies of 2nd Century AD.
- (b) Cultural tourism: it explains about the Myanmar people culture and its association with religion, tradition, food, pagodas, stupas, custom and ethnic groups which brings Myanmar a perfect and ideal place to visit.
- (c) Environmental tourism: it explains about the species, ethnic diversity about Myanmar people and those travelers who are interested in learning about it can choose Myanmar for their environment tourism (MMRD,2012).

2.1.1 The background of Mandalay

Table 2.1: Basic facts of the Mandalay Region

Size of Mandalay Region	11,925.95 sq. miles
Population in the region	6.165 million (12% of Myanmar population)

	Population density – 206/km ²
Number of households	1,323,191
Percentage of urban households	31.4%
Number of districts	7
Number of townships	31
Capital city	Mandalay
Gross Domestic Product	11.4% of overall GDP (FY2014-15)
Major industries	Agriculture, Trading, Logistics, Minerals and Mining, Wood and Forestry

Source – Mandalay Investment Opportunity Survey Report, October 2015

Mandalay Region is strategically located in the heart of central Myanmar, which has a mixed economy combined with agricultural production, trading, logistic, mining, wood and forestry, and tourism.

The region is home to various industries, such as alcoholic breweries, textile factories, sugar mills and factories of household and consumer goods. Minerals and precious materials, like ruby, gold, diamond, marble and industrial mineral are also produced in specific areas. Among them, Mogok is famous for its ruby mines, which is among the most significant deposits in the world. Tourism also forms a substantial part of Mandalay Region's economy. With tremendous growth of international tourist arrivals to Myanmar in recent years, some of the most popular tourist destinations led in its territory. Temples and ruins of Bagan and Amarapura are most famous destinations as well Mandalay city itself attracts many visitors with its religious and historical sites. Hilly regions of Pyin Oo Lwin and Mount Popa are famous for eco-tourism.

Moreover, Mandalay Region is one of the regions which contribute significantly to Myanmar's economy. The region contributes around 11.4%

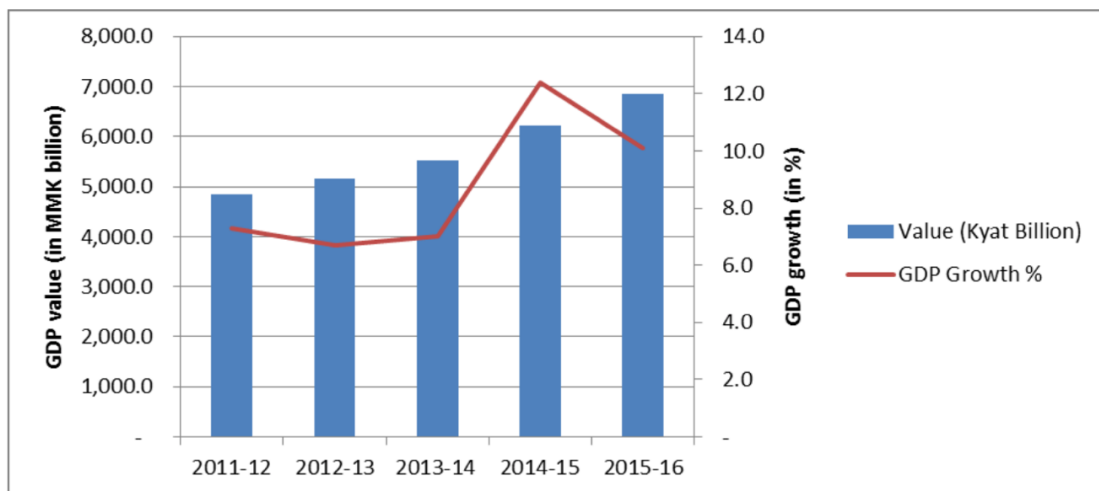
of Myanmar's GDP, behind Yangon Region (22%) and Sagaing Region (11.6%) during FY2014-15. (*Mandalay Investment Opportunity Survey Report, October 2015*)

Table 2.2: Contribution of Mandalay Region to Myanmar's GDP

Fiscal Year	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Contribution to Myanmar's GDP	11.29%	11.25%	11.08%	11.42%	11.50%

Source: Ministry of National Planning and Economic Development

Figure 2: GDP of Mandalay Region

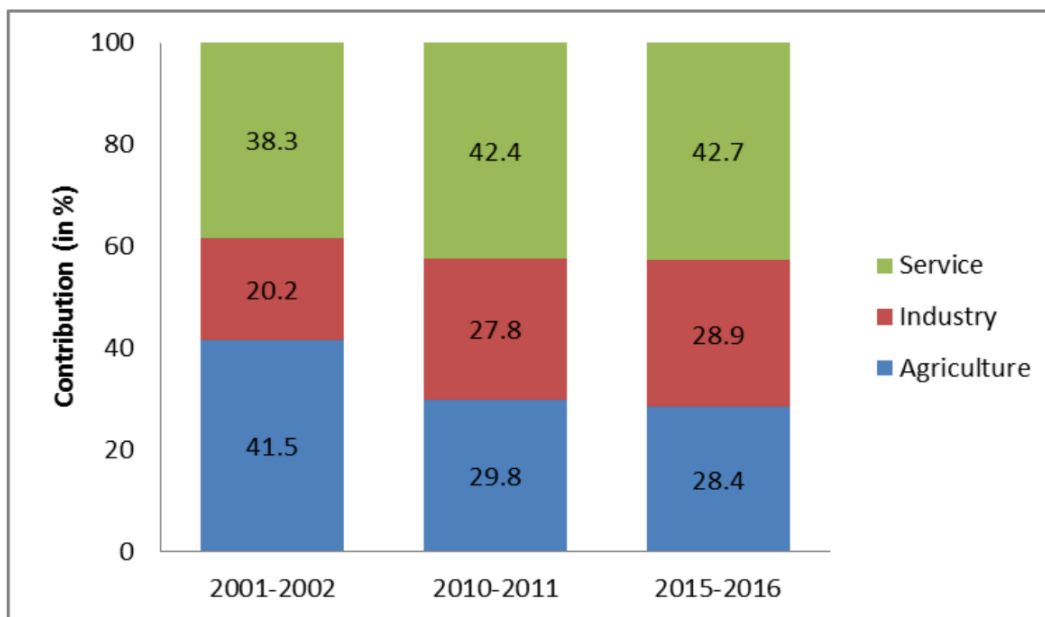


Source: Ministry of National Planning and Economic Development

The region's GDP used to be mainly derived from primary products such as agriculture and forestry. During FY 2001-2002, agriculture was accounted for 41.5% of the overall contribution of the Mandalay Region's GDP. However, it was reduced to 29.8% in FY 2010-11, with increasing contribution from the industry and service sectors. The industry and service sectors could

become important contributors to Mandalay’s GDP as figure number 3 described below;

Figure 3: GDP contribution of the Mandalay Region by sector



Source: Ministry of National Planning and Economic Development

The need for infrastructure

Currently, Mandalay has 158 hotels with 6,432 rooms for visitors as detail of following table.

Table 2.3: Current number of hotels in Mandalay

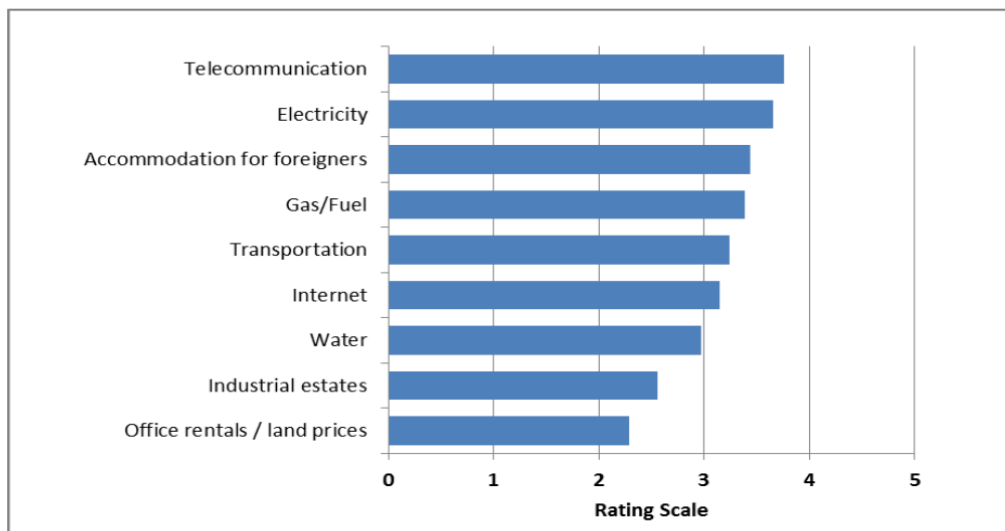
No.	Type of Hotel	Number of Hotels	Number of Rooms
1	(1) to (20) Rooms Hotels	34	533
2	(21) to (50) Room Hotels	94	3,227
3	(51) to (100) Rooms Hotels	23	1,564

4	Above (101) Rooms Hotels	7	1,108
Total		158	6,432

Source: Ministry of Hotel and Tourism

It is clear that the infrastructure has strong impact on service industry. It is a fundamental factor which contributes to the development of highly competitive economy. To have large investment in hospitality industry and other sectors, the fundamental infrastructure such as telecommunication, electricity, standard accommodation, transportation, internet, clean water supply, reasonable office rental price and land price are very essential to develop service industry.

Figure 4: Rating infrastructure in Mandalay Region



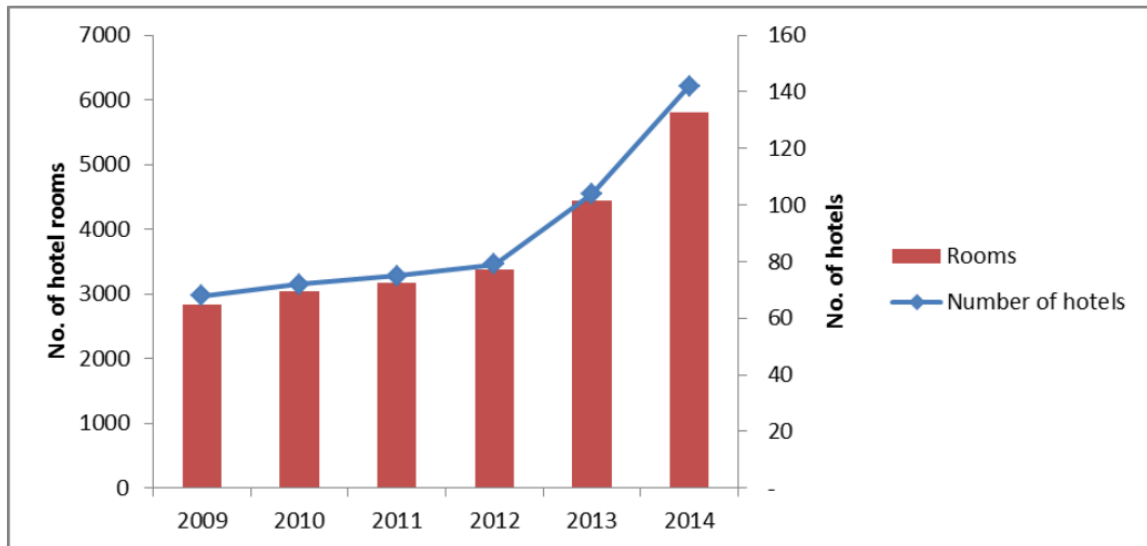
Source: Mandalay Investment Opportunity Survey, October 2015

As figure above, telecommunication has improved the most compared to the previous years. It is rated as the highest compared to other infrastructures in Mandalay. Although telecommunication is getting better, stability of

electricity, internet connection, clean water supply, and price of facility are still in critical situation.

Electricity has been better compared to years ago but the low voltage is a barrier to hotel and other business operations, which need high and consistent electricity supply. Most industries use own tube well for water supply but it cannot be drinkable.

Figure 5: Hotel rooms in Mandalay over 6 years



Source: Ministry of Hotel and Tourism

As this figure number 5, there are not many newly established high-end and business hotels over the six years in Mandalay. Apart from international brands such as Best Western and upcoming Pullman Mandalay, Mandalay only offered two premier accommodations namely Sedona Mandalay and Mandalay Hill Resort.

Tourism attraction zones of Mandalay

Mandalay is mostly favorable in eyes of travelers in terms of architectures and arts. During the 19th century, it was the capital of Myanmar's last independent kingdom before Yangon. Mandalay is also known for the people to go there for religious studies and its architecture sites represent about its romantic images and on the other hand the famous Maha Myat Muni and Kuthodaw Pagoda symbolize religious studies. With the former capitals of Ava and Amarapura just short driving to the south, Mandalay is one of the country's most popular destinations for both local and foreigners.

The additional income achieved from tourism in Mandalay is from handicraft business such as selling of woodcarvings, silverware, tapestries and silk.

The famous tourist attraction zones in Mandalay are as follows:

1. Mandalay grand palace
2. Mandalay Hill
3. U Bein Bridge
4. Mahagandayon Monastery
5. Mahamyatmuni Buddha image
6. Shwenandaw Monastery
7. Kuthodaw Pagoda
8. PyinOoLwin flower city
9. Sagain Hill
10. Kaungmudaw Pagoda
11. Mya Thein Tan Pagoda
12. Mingun Pagoda and Great Bell

13. Menu Okkyaung
14. Phowintaung
15. Ancient city Bagan
16. Mount Popa

Immigration and visa type

- (1) **Tourist visa** for package tour valid for 28 days and cost would be 32 USD
- (2) **Business visa** needs an invitation letter from Myanmar for 28 days and can be extended up to 12 months depending upon the case and the cost would be 48 USD for single entry and 240 USD for multiple entry
- (3) **Entry visa** is for social meetings and participation which requires a proper bio data with a recent passport size photograph. For meditation purpose it requires invitation from the respective monastery. For official purpose requires an invitation letter from ministry and the total cost would be 48USD which will be valid only for 28 days. Multiple entry visa requires an official letter from the respective ministry and the total cost would be 240 USD
- (4) **Visa on arrival** has different categories such as Business which will be chargeable from 26 to 50 USD depending upon the case and for that expatriate will need to show the working permit. Entry visa will have the same protocol which requires an official letter from the ministry or respective departments and the total cost would be 40 USD. The transit visa which is the last categories and cost around 20 USD

Additional requirements

- Passport with at least six months' validity.
- Applicant's photo size 1.5 x 2 inches with white background only.
- A copy of flight itinerary.
- A recommendation letter from employer or guarantor who sponsors the applicants.
- Travelers must have the booking in hotels.

Politics and immigration

During 1948 to 1962 the tourist visas were valid for one month and then in 1962 to 1988 the socialist government came into power and introduced the closed door policy which was only issuing the transit visa that last for 24 hours to 14 days so as a result only 2000 tourists traveled to Myanmar in that period followed by 42,000 tourists only from 1986 to 1987. In 1987 the tourism industry was very much disturbed due to bloody mass anti-government movement which has affected Myanmar on large scale and then the state law and order restoration council (SLORC) and state peace and development council (SPDC) administration joint together to promote the tourism with the help of Ministry of hotel and tourism. It was coming into existence in 1992 which has increased the tenure of tourist visa from 14 days to 48 days and finally, in 2004 ministry of hotel and tourism introduced e-visa system.

Table 2.4: Arrivals of visitors

Point of entry	Yangon	Mandalay	Naypyitaw	Borders	Total	% +/- from previous year
2000	206,778	887		208,765	416,344	
2001	203,200	1,662		270,244	475,106	14.11%
2002	212,468	2,722		270,278	487,490	2.61%
2003	198,435	3,050		391,405	597,015	22.4%
2004	236,370	2,500		414,972	656,910	10.03%
2005	227,300	2,409		427,988	660,206	0.50%
2006	257,594	2,410		366,547	630,061	-4.57%
2007	242,535	2,220		468,358	716,434	13.71%
2008	234,417	2,226		537,911	731,230	2.07%
2009	297,246	4,430		519,269	762,547	4.28%
2010	364,742	3,337		480,817	791,505	3.80%
2011	280,913	4,432	5,521	425,193	816,369	3.14%
2012	205,870	4,294	N/A	N/A	299,529	-63.31%

Source – Ministry of Hotel and Tourism Industry

The above data is from Myanmar tourism statistics, 2012. As the figure, many visitors are coming from borders areas as because these areas have a lot of migration and commodities transfer activities are done.

In Mandalay the most number to tourists visit on tourist visa followed by business visa and entry visa as Myanmar tourism statistics show that in 2011 the total number of tourists on tourist visa is 12,786 followed by business visa which was 11,786 and entry visa was 196 respectively.

Points of entry

- **By air:** Yangon, Mandalay and Nay Pyi Taw international airports
- **By sea or waterways:** Yangon
- **By border:** Chain- 4 gateways at Lweje, Muse, Kyukoke, Mong La
Thailand- 4 gateways at Tachileik, Myawaddy, Kawthuang, Three pagodas

Table 2.5: List of commercial airlines operating in Mandalay Region

Sr. No.	Name of airlines
1	Myanmar National Airlines (formerly known as Myanma Airways)
2	Asian Wings
3	Air Kanbawza
4	Air Bagan
5	Yangon Airways
6	Golden Myanmar
7	Mann Yadanarpon
8	China Eastern* (Mandalay- Kunming)
9	Air Asia* (Mandalay- Bangkok)
10	Bangkok Airways* (Mandalay- Bangkok/ Chiang Mai)
11	SilkAir* (Mandalay- Singapore)
12	Myanma Airways International (Mandalay- Gaya/ Seoul)

Source – Mandalay Investment Opportunity Survey Report, October 2015

As the data above, Mandalay has only four international airlines, furthermore, all of them are not direct flights from western and other developed countries. They are just very regional flights providing secondary visitors from Thailand and neighboring countries, and for Myanmar local

people going out for medical tour and shopping. The last flight from Mandalay Airport is at 6:10 pm and after this flight, no one is at the airport except airport security. All the money exchange service, restaurants, airport taxi service are closed before the last flight. It does not have 24-hours operation and it is still very local standard airport.

2.2 Economic factors

As all know that Myanmar is located in between boundaries as crossroad of China and India and surrounded by the world great civilizations and it's considered to be a largest country in South East Asia and has very rich variety of natural wildlife and cultural resources. Myanmar is covered with 60% of water whereas the river Ayeyarwady serves as the life saving for the people of Myanmar to carry out their livelihood.

Moreover, in Myanmar has various shape and sizes of mountains and most of them are available in horseshoe-shaped size as the mountain Hkakabo Razi is the famous mountain and quite favorite among in the eyes of tourists and this mountain is 5,881 meters. Myanmar population is almost over 60 million and growing strongly and has eight different ethnic groups at large with 10 small minority's ethnicity in each group.

Myanmar has different festivals which brings a lot of tourist to explore their culture, colorful life and ethnic diversity and also witnessed different era of history and various legacies of kingdoms. There are various and unique archeological sites with wider range of ancient culture resemblance,

traditional arts and crafts which shows that Myanmar has lot to offer as an ideal tourist spot but due to some economic factors Myanmar and its major cities are been affected as discussed below (*Kay Thi Lwin, 2017*).

Background

As discussed earlier back then 1962, Myanmar had been known as an isolated and separated nation where all major industries were owned by state government and visa validity was only 24 hours to 14 days at maximum and was the main reason for tourism industry to decline at rapid speed. In 1990 the tourism industry was initiated as foreign investments for foreigners with the help of new government came into force. In 1996 there was a new campaign launched by the new established government as “visit Myanmar year” to attract the tourist on greater scale but according to the noble prize laureate winner and the leader of Burmese Democracy Movement, 1991, Aung San Su Kyi was literally against this campaign of “visit Myanmar year” and advocated that foreign nationals should not come to Myanmar unless situation permits and improves as because of dictatorship in the ruling government party. Unfortunately, for the next two decades this situation didn’t improve and government tried to improve as other factors of economic situation which are explained closely as below.

Foreign currency exchange rate

Due to the military rule, the exchange rate was not a value addition to the GDP of Myanmar. There are generally two exchange rate one for the official purpose which \$1= 6 kyats and other for general public which is \$1=

6000 kyats and its 150 times more than the official rate. Furthermore, for every 100 dollars which has been paid to the country only 600 kyats goes to national budget and balance amount goes to people who enjoys power so this brings that Myanmar can't bear the foreign exchange status.

Infrastructure

Development of infrastructure doesn't bring any employment opportunity to the people of Myanmar because the labors used to develop the infrastructure were forced labors and were being misused by the military. Therefore, it was not adding any benefits for the country as many people decide to move to Thailand for work as they were not getting paid properly.

Civil War

Even today there are certain areas where tourists are not allowed to enter as because there are some on-going war and unfair practices happening between some ethnic group communities due to poor political situation as it's getting worse day by day because there is no sense of security provided to the people who are being affected due to war from the government.

The most attractive places in Myanmar are certain region such as Kachin state, Chin state, Mount Hkakabo Rizi are still unexplored and untouched by the tourists. To develop tourism in those remote areas, to stop the civil war is crucial. As long as the central government cannot implement the civil wars at any corner of country, Myanmar will have so many limitations to develop not only tourism and but also all economic sectors.

2.3 Legal factors

In order to enter in Mandalay, it possess different and various legal challenges. To start a business in Mandalay can be tedious task because of its difficult and complex situation as well as regulations.

According to the World Bank data of doing business index of 2015 it shows that Myanmar is a place of doing business with so much ease ranks 177 out of the total countries participated as were 189 worldwide as it's a much lower ranking with the availability of resources and human development index. The average ranking for East Asia pacific would be 92. According to this data the minimum paid up capital is 6,190% of the income per capita and it produces only 156% of national income and the number of delays to open a business in Mandalay or in Myanmar as a whole would take an average of 72 days which is generally very high risk and challenge to open a business.

The development of hotel is compounded with the uncertainty and frequent changes in regulation in terms of licensing, unclear procedures, slow process. For example, if someone wants to obtain the MIC certificate the normal process will take up 90 days but in Mandalay it will take up to 5 months.

In some cases, the construction will be stopped by the officials at any time or can be start without having an official approval.

However, in order to attract the tourists on large scale the authorities in Mandalay or in Myanmar as whole should take preventive steps.

- No clear framework for setting up a company
- No encouragement of FDI or give at least 49% of foreign ownership.
- Foreign Investment laws of 2012 needs improvement
- To provide incentives in corporate ownership, land use, tax relief.

- To provide local equity and employment opportunities for foreign nationals.
- To provide 100% ownership in hotel buildings of above 3 star hotels
- No tax benefits for first five-year operation
- No tax benefits for retained earnings.
- No long lease agreement for business operation.
- Long process of getting hotel licenses
- Long process of obtaining tour company licenses
- No facilities for tourist to obtain transportation license

Now the government of Myanmar trying hard to reform and reconstruct the tourism industry by bringing certain plans such as;

- Myanmar tourism plan 2013-2020
- Myanmar responsible Tourism policy-2012
- Policy on community involvement in tourism 2013
- Ecotourism policy and management strategy (ongoing)
- The investment laws
- Reform of labor laws, freedom of association, social dialogue
- Environmental conservation Law and EIA guidelines
- Land use policy and land laws
- Transport master plan
- Directives for coastal beach areas
- Greater transparency and freedom of expression

- To increase the marketing aspects so that the new places can be opened for exploration
- To develop the hotel infrastructure
- To develop the tourism in ethnic minority and conflicts places
- To provide help intention towards tourist.
- To increase the respect for social and environmental aspects of Myanmar
- To improve the respect for land rights
- To ensure visitor return safety
- To provide security for tourist
- To reduce forced labor.

2.4 Technological factors

Technology is not very modern in Myanmar especially in Mandalay as tourists and daily commuters face challenges on a daily basis. For example, in Mandalay railway is considered to be very common means of transportation but its condition is very poor. Motorbike is a best possible way to shuttle between one ends to another place in Mandalay but roads are not in good condition and its worse if visitors are travelling during rainy season.

The common public transport such as trishaw, taxi and buses are not effective and reliable source of transportation in Mandalay apart from Yangon which has got still better compared to Mandalay.

Transportation to connecting states can be only possible because of flights such as place which is called as Kachin state; one can go only by flight, by

road it's not possible or even impossible. The number of flights is not in Large number and unreliable. There are only 69 reported airports in whole country and out of that only 11 of them had runways over 10,000 feet which is approximately 3248 meters. The all 11 airports only Yangon airport has got all the international standard facilities.

Communication system is also not sufficient and it very slow as most of telecommunication industries are operated by state owned or government owned which has got very slow internet facilities in Mandalay

By 2011, a fixed telephone lines cannot be arranged in some villages and the official waiting lines to avail the telephone connection accounted as 100,000 by 2002 and it has only increased up to 250,000 by 2009.

Mobile users are in good numbers as they accounted for 1.2 million users but less than only 3% can accessible in some areas of Mandalay as because of slow internet connection so these are the challenges in technology creating tourism and hotel industry not to grow in Mandalay.

Star rating system of Myanmar Hotels

According to hotel star rating of Directorate of Hotels and Tourism in Myanmar, the star rating system is credited on hotel's location, formation of hotel rooms and facilities, qualifications of staffs, engineering sector of hotels and management system. The following table describes the distributed marks for Myanmar hotel for rating Star level, but in the reality, most of the hotels in Mandalay do not prefer to accept star rating on their business and have no standard technology to give the accurate starting rating to them.

Table 2.6: Standard marks of star rating system for Myanmar hotels

No.	Hotel Star Level	Total given Marks	Minimum Marks
1	5-Star	500	420 and Banquet Hall
2	4-Star	500	370 – 419.9 and Ball Room
3	3-Star	500	320 – 369.9
4	2-Star	500	270 – 319.9
5	1-Star	500	220 – 269.9

Source – Ministry of Hotel and Tourism Industry

2.5 Hotel occupancy rates in Mandalay

As in Myanmar the total number of rooms is 25,000 of all classes in which there are 730 hotels and guest houses. According to the data from the ministry of hotel and tourism statistics the total number of rooms in Mandalay was 3181 in 2011 which has increased to 6788 by 213% in the year 2015.

According to the Myanmar times, even though there was a peaceful election happened last November in Myanmar but there has not been single progress effort made towards the development of hotel and tourism industry.

High prices, poor infrastructure and lack of human capital are the still old problems stopping the growth and apart from that the ongoing tension between Thailand and Myanmar is also affecting the tourism and hotel industry as whole.

According to U Aung Myat Kyaw, former chief of the Union of Myanmar Travel association and central committee member of the Myanmar Tourism Federation advocated that tour number are getting down especially in the areas like Mandalay, Bagan and Ngapalis as foreign tourists are coming in less numbers and occupancy rates are going down by 10%

Domestic tourism is going steadily but foreign tourists are declining during peak season which is from October to April as among all ASEAN countries it's considered that Myanmar is most expensive and in return not offering the better facilities to foreign tourists is most likely reason for hotel occupancy rates going down.

There is a lack of good marketing strategies to attract foreign tourist to go to Mandalay as most travelers are opting their option to Thailand and Vietnam as they are offering value for money services and facilities.

According to the ministry of Hotels and Tourism, the country had 1279 hotels with 49,994 rooms as of now but many of them were empty during the end of last year. He further had said that a 4-star hotel in Thailand and Cambodia would cost \$50 and the same would cost around \$100 in Mandalay or in Myanmar as whole.

The other reason for low hotel occupancy rates is the facilities of Visa-on-arrival are limited to some countries which they should increase it to more countries.

Myanmar hotel prices ‘need to be more competitive’

According to Tin Tun Aung, managing director of Thingazar Travels and Tours, Myanmar tourism operators have been urged to focus on more competitive prices and reforming products. Currently hotel room rates of Myanmar are 50 – 70% higher than other countries in ASEAN despite an overall lower room and service quality. Although Myanmar received her highest point 4.5 million visitors in the last year, 2015, the figure is still much lower than her neighboring countries, compared Thailand 30 million, Vietnam 9 million and Cambodia 7 million, even Laos recorded about 5 million visitors. To increase the hotel occupancy rates and develop tourism industry, Myanmar deadly need to reduce the hotel room rate and appropriate trainings for all kinds of staffs in the industry to compete service industry with other neighboring countries like Thailand, Vietnam, and Cambodia
(Khin Kyaw, Myanmar Eleven)