



IMPACT OF “LOW-COST” CARRIERS ON SINGAPORE TOURISM



2006



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1

INTRODUCTION

1.1 What is a “LCC”?

A ‘Low Cost Carrier’ or ‘LCC’ is an airline, which offers generally low fares. The low fares for travel so offered are not as a matter of concession, but in exchange for elimination of many traditional passenger facilities and services. It is also named, as ‘No-frills Airline/ Carrier.’ The concept originated in the United States before its spread in to Europe in early 1990s and subsequently more or less to the rest of the world. The concept of ‘LCC’ within the airline industry is based on a low, or lower operating cost structure than their competitors. Popular media defined term for the ‘LCC’ is ‘any carrier with low-ticket prices and limited services regardless of their operating costs.’ A ‘Low Cost Carrier is also known by the following different names:

- Low Cost Airline; or
- Budget Airlines; or
- Discount Carrier/ Airline.

1.2 Why ‘LCC’ is recognized as ‘no-frills’ carrier?

The American Heritage Dictionary of the English Language, Fourth Edition 2004 by Houghton Mifflin Company and published by Houghton Mifflin Company defines ‘No-frills’, as ‘*marked by the absence of extra or special features; basic*’. Similarly, ‘**WordNet** Information’ of Princeton University describes ‘no-frills’ as, ‘*informal; characterized by the absence of inessential features*’. Further, according to the Free Encyclopedia Website ‘**Wikipedia**’,



‘No-frills’¹ (or no frills) is the term used to describe any service or product for which the non-essential features (or frills) have been removed. It has also cited, as example, free drinks on airline journeys. The *Wikipedia* further states ‘common products and services for which no-frills brands exist include airlines, supermarkets, holidays and automobiles. They operate on the principle that you get lower prices if you can afford to lose frills. Air journey is often recognised as a quite luxurious, full of lavishness, comfort, sumptuousness, magnificence, extravagance, etc., which the traditional airlines provide. These services or facilities are known as frills. Conversely, ‘no-frills’ being antonym to the term luxury, it implies absence of any or all of such facilities or services by those carriers, which are known as ‘LCC’ or no-frills carriers. Literally also, the term ‘no-frills’ denotes ‘basic’, ‘utilitarian’, ‘economy’, generic, ‘unadorned’, ‘plain’, ‘straightforward’, etc. Thus, Low Cost Carriers (LCC), having characteristics of ‘no-frills’ are also called as ‘No-frills Carriers.

¹ Wikipedia: http://en.wikipedia.org/wiki/no_frills



2

‘LCC’ - EVOLUTION & GROWTH PHENOMENON

2.1 History of ‘LCC’

- 2.1.1 History goes back to the year 1949 for the launch of ‘LCC’. As described by *Wikipedia*², it was the Pacific Southwest Airlines (PSA), which pioneered the concept and ushered the era of Low Cost Airlines by successfully launching ‘LCC’ in the United States in the year 1949. Their first flight of LCC took place on May 6, 1949. The PSA is now history, as was merged with the U.S. Air in November 1987. But, before its takeover, the PSA was considered as one of the first major LCC, or Discount Airlines. PSA is now considered as precursor to another Airline, similarly sounded as Southwest Airlines, which began service in 1971 and is operating profitably every year since 1973. With the advent of aviation deregulation the LCC model spread fast to Europe. The most notable successful LCC’s out of them are Ireland’s ‘Ryanair’, which began low-fares operations in 1991, and ‘EasyJet’, having formed in 1995.
- 2.1.2 The Low-cost Carrier model had by then been recognized worldwide on account of its suitability for rapid spread within the framework of deregulated markets. Saudi Arabia and Mexico also entered the fray with new LCCs in 2006. Many other carriers opted to launch their own ‘No-frills’ airlines, such as ‘Buzz’ by KLM, ‘Go’ by British Airways, and ‘Ted’ by United Airlines, but at the cost of their core business.
- 2.1.3 Asia and Oceania were able to add themselves to the LCC Air map from the year 2000 led by operators such as Malaysia’s Air Asia, and Australia’s Virgin Blue. On May 5, 2004, Singapore also launched its first low-cost carrier

² Wikipedia: <http://en.wikipedia.org/wiki/>



‘Valuair’. To beat the competition, Singapore’s dominant carrier ‘**Singapore Airlines**’ was also prompted to invest in a new Low-cost Carrier known as ‘**Tiger Airways**’. The survival instinct compelled Singapore Changi Airport's second most dominant carrier, ‘Qantas Airways’, also to launch its Asian LCC, ‘Jetstar Asia Airways’ on December 13, 2004 to commence its operation based in Singapore. In July 2005, ‘Jetstar Asia’ took over ‘Valuair’. Now, as per Business Times report appearing as XF News on the Website of ‘Centre for Asian Pacific Aviation on 6th September, Singapore and Malaysia are now contemplating the possibility of allowing budget airlines to fly the Kuala Lumpur-Singapore route, which is now dominated by Malaysia Airlines and Singapore Airlines.

2.1.4 India also entered in to the fray of Low Cost Carriers. Air Deccan was its first low-cost airline, which started service on August 25, 2003. There was a substantial rate cut in the airline's fares, as for example, for the route of Delhi-Bangalore to the tune of 30% as compared to those offered by its rivals, such as Indian Airlines, Air Sahara and Jet Airways on that route. The predominant success of Air Deccan encouraged the entry of more than a dozen low-cost airlines in India. IndiGo Airlines has recently placed an order for 100 Airbus A320s worth 6 billion USD during the Paris Air Show, the highest by any Asian domestic carrier.

2.1.5 Compliance with EU legislation by those who have not yet joined has led to an extension of open skies arrangements making possible the entry of new nations into the European Union from Eastern Europe, thereby leading to the establishment of low-cost routes by existing and new operators such as ‘Wizz Air’. From 2004 to 2006 routes have been established into Bulgaria, Slovenia, Poland, Hungary and the Czech Republic. LCCs are also now starting to fly into Turkey.



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- 2.1.6 In Canada, the Low Cost Carriers have jeopardized the survival of the prominent traditional carriers. Despite its previously dominant position in the market, Air Canada has found it difficult to compete with new low-cost rivals such as Westjet, Canjet, and Jetsgo, leading the former entering in to a period of bankruptcy protection during the year 2003, but emerged from protection in September 2004. Air Canada also operated two low-fare subsidiaries, Tango and Zip, but both had to be discontinued later.
- 2.1.7 Norway launched its first low cost carrier 'ColorAir' in the year 1998, although it had to close down its operations as early as in 1999 due to matching low prices introduced by its competitors SAS and Braathens. The next low cost carrier, Norwegian Air Shuttle (or Norwegian), started its Boeing 737 operations in September 2002, which provided tougher competition for the merged Norwegian part of SAS and Braathens. Norwegian first started with domestic routes only, but now the present day position is that their international operations are larger than their domestic services. Their non-stop flights from cities like Stavanger, Bergen, Trondheim in addition to Oslo, made them soon very popular. Due to the high level of income, as well as to the geography of the country, Norwegians are considered amongst the most frequent fliers in the world.
- 2.1.8 Australia also joined the fray of LCCs in 1990 but its debut was short-lived up to the year 2000 only. 'Compass' was launched, as first low cost airline of Australia in 1990, while Impulse and Virgin Blue commencing low cost operations during the year 2000 brought fierce competition for the Compass. Virgin Blue is now the nation's second largest airline. Impulse was purchased



by Qantas and operated it for some time in a 'wet leasing'³ arrangement before transforming it into its new low cost carrier JetStar. Qantas has launched two low cost carriers, JetStar and Australian Airlines. JetStar competes with Virgin Blue in the Australian domestic market, while Australian Airlines was made to operate internationally to Asian destinations. In 2006 the Australian Airlines of Qantas began operation in a 'wet leasing' arrangement. As at 2006, Qantas intends to continue developing a sole low-cost brand around Jetstar, which will include international destinations.

2.1.9 New Zealand also did not leave itself behind the race of LCC. In 1995, a low-fare subsidiary 'Freedom Air' was launched by Air New Zealand in response to the introduction of discount trans-Tasman services by the Kiwi Airlines. Kiwi Airlines was forced to collapse in 1996 due to fierce competition on trans-Tasman routes. Freedom Air survived and now continues to provide discount services between Australia and New Zealand. Here also Qantas launched its wholly subsidiary 'Jetconnect', as a low cost New Zealand arm of Qantas, operating all New Zealand domestic services and several trans-Tasman services in a 'wet leasing' arrangement, using the Qantas brand. Qantas has also launched trans-Tasman Jetstar flights.

³ A **wet lease** is any leasing arrangement whereby a company agrees to provide an aircraft and at least one pilot to another company. It does not include a code sharing arrangement. They can also be considered as a form of charter whereby the lessor provides minimum operating services, including aircraft, crew, maintenance, and insurance (ACMI), and the lessee provides the balance of services along with flight numbers. In all other forms of charter, the lessor provides the flight numbers. Variations of a wet lease include a code share arrangement and a block seat agreement. REF: Wikipedia, the Free Encyclopedia:
http://en.wikipedia.org/wiki/Wet_lease



2.1.10 At trans-Atlantic routes, efforts however were made during late 1970s, when no-frills service was offered first by Laker Airways of Freddie Laker, which operated its famous "Skytrain" service between London and New York City. The service had to be suspended due to price war by their competitors British Airways and Pan Am.

2.1.11 To economise further, a suggestion prevails now that an extended version of the Airbus A380, able to hold up to 780 passengers to enable true low-cost long-haul service. The industry magazine 'Airline Business' recently analysed the potential for low-cost long-haul service and concluded that a number of Asian carriers are closest to making such a model work. In August 2006, Zoom Airlines announced to establish a UK subsidiary to offer low-cost long-haul flights to the USA and India probably to be based at Gatwick Airport.

2.1.12 **Prospective Plan to prosper LCCs:** LCC is considered as the most dynamic sector in global aviation today. In order to promote the business of LCCs as a unique entity various symposiums, seminars, etc., are being held at various destinations. In order to discuss the future growth program of LCC, one such symposium is scheduled to be held at Mumbai, considered as the Commercial Capital of India, on 29-30 September 2006. In that symposium LCC leaders from Asia Pacific are scheduled to discuss elaborately on various aspects of the Low Cost Carriers. The airlines, which are taking part are listed below:

Airlines attending the symposium—

- Air Arabia
- Air Deccan
- Air India
- Air India Express
- East West Airlines



-
- El Al Israel Airlines
 - Emirates
 - Etihad Airways
 - Go Air
 - Indian Airlines
 - Indigo
 - Jazeera Airways
 - Jet Airways
 - Kingfisher Airlines
 - Oman Air
 - Premier Airways
 - Qatar Airways
 - Sapphire Airways
 - Spicejet
 - Sri Lankan Airlines
 - Yemenia

2.1.13 The Broad aspects of the LCC to be discussed: In this symposium the following aspects of the Low Cost Carriers are going to be discussed broadly:

○○ **Simplifying the Airline Business:** Low cost airline business models have served to highlight the incredible complexity and frequently unsustainable nature of legacy carriers. This presentation will focus on the necessity for all airlines to simplify their business models to ensure their viability and survival.

○○ **Low Cost Airline Trends in Asia Pacific:** The presentation will highlight the overview of the transformation of the aviation landscape across the Asia Pacific region in recent times as a result of the low cost airline revolution. The presentation will consider the



issues that are being faced by the sector as it matures and its outlook for the future.

QQ **Low Cost Airlines in the Middle East:** This session will look at the key issues faced by LCAs in the Middle East today and the potential for market growth, as the Middle East is home to some of the world's leading full service carriers, however the low cost model is now starting to make an appearance across the region. Few markets, except for Saudi Arabia, have significant domestic traffic, hence the regulatory environment will be an important factor in the LCA story.

QQ **Low Cost Airlines in India:** India has established itself as one of the most dynamic low cost airline markets in the world. The advent of this model has been one of the key drivers behind the dramatic growth in domestic traffic in recent times, running at over 40% this year. CEOs of the key players will discuss their outlook for the sector's development and address some of the challenges faced by operators in the market.

QQ **The Changing Dynamic between LCAs and Airports:** The low cost airline model is challenging the nature of the relationship between airlines and airports. A range of new issues are emerging: from the question of whether to build low cost terminals/airports; how to balance the needs of low cost airlines and full service carriers; the impact of low cost carriers on hub operations and how hubs compete; and implications of the low cost passenger profile for retail/food & beverage revenue. Thus, these aspects will be discussed in this topic.



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- **Full Service Carriers: Adapting to the New Environment:** Despite the growth of low cost airlines, many of the region's full service carriers continue to experience strong traffic growth and are placing large fleet orders based on optimism for the future. This session will consider how full service carriers are adapting to the changing environment by either changing the focus of their operations; restructuring and simplifying their business to improve their competitiveness; or establishing low cost subsidiaries.
- **Investing in Low Cost Aviation:** The global low cost airline industry abounds with examples of successful carriers, which have generated significant value for their investors. However, there are many more cases of airlines, which have struggled to deliver a return. This address will consider whether the sector can continue to deliver attractive returns in an increasingly competitive market.
- **The Next Low Cost Revolution: Very Light Jets:** The forthcoming launch of Very Light Jets represents the application of innovation that will dramatically change the affordability of private jets. This could be a game changing development for business aviation similar to the impact of low cost airlines on short-haul, scheduled travel.
- **Trends in Developed LCC Markets:** Low cost airlines in India and the Middle East are at a nascent stage of their development. This session will look at experiences and trends in more established markets such as North America, Europe and Australia, and consider the lessons that can be learned by carriers in this region.



QQ **Trends in Emerging LCC Markets:** As low cost carriers become a truly global phenomenon, the model is developing unique characteristics to suit local market conditions. New carriers in Asia, South America and Africa are increasingly driving the latest innovations. The issue will be discussed at large.

2.2 **Who are likely to participate in the LCC Symposium?**

The professionals of the following categories will be participating in the symposium:

- ☐ Low cost airlines
- ☐ Full service airlines
- ☐ Airline service suppliers
- ☐ Airline technology suppliers
- ☐ Aircraft/engine manufacturers
- ☐ Aircraft/engine lessors
- ☐ Insurance companies
- ☐ Investment banks/ private equity funds
- ☐ Airport authorities and operators
- ☐ Financial analysts and advisors
- ☐ Consultants
- ☐ Government and regulatory bodies

2.3 In all, keeping in view of the advantages and the profitability prospects, every endeavour is made by one and all to get the infant LCCs to survive, to enlarge, to woo the visitors and to sustain the profits in the competitive markets.



7

The impact of LCC on the tourism industry in Singapore.

- 7.6 **Uniquely Singapore:** The Singapore Tourism Board (STB) branded⁴ Singapore as the Uniquely Singapore due to its uniqueness on many aspects. The STB describes as, Unique is the word that best captures Singapore, a dynamic city rich in contrast and colour where one can find a harmonious blend of culture, cuisine, arts and architecture. Singapore is known to be the bridge between the East and the West for centuries. Singapore is located in the heart of fascinating Southeast Asia, and it continues to embrace tradition and modernity today. Brimming with unbridled energy and bursting with exciting events, the city offers countless unique, memorable experiences waiting to be discovered. A single day's trails will take one from the past to the future, from a colourful ethnic enclave to an efficient business centre, from serene gardens to sleek skyscrapers. The STB further elaborates that Singapore is truly a city like no other, a world of possibilities. With its friendly and welcoming people, state-of-the-art infrastructure and something new happening everyday, the stay becomes a memorable mix-and-match of all the things one has always wanted to do.
- 7.7 **Key Factors to promote Tourism:** Naturally, with all the uniqueness, as mentioned by the STB, why people from far & near will not be lured to see the uniqueness, if brought to their knowledge and the landmarks are made easily approachable with adequate and economic transportation facilities and other infrastructures needed for the visit of the tourists and the business communities. Economy and adequately good infrastructure, both are the key factors to make the tourism industry flourish by leaps and bounds.

⁴ REF: Website of Singapore Tourism Board



Infrastructure alone cannot help tourism unless cost-effective transportation becomes available. So, the Low Cost Airlines play a vital role to encourage tourism and the best utility of the existing infrastructure.

- 7.8 **Asia Pacific emerging as a Potential Market for LCCs:** Earlier, in this paper, it was pointed out that the Asia Pacific is emerging as a potential market for the Low Cost Airlines. 'The Infoshop', with its offices in USA, Europe, Singapore, Taiwan, Korea and Japan, through its Survey Report (2005)⁵ on The Impact of Low Cost Airlines On The Asia Pacific Travel Sector, makes a mention that The Asia Pacific travel industry is in a process of dynamic change with industry players re-establishing their roles in the marketplace. The growth of low cost carriers (LCCs) in Asia Pacific is arguably the single most important factor currently shaping the airline industry in the region. The market penetration for LCCs is relatively under developed, accounting for 5 percent of the Asia Pacific travel market in 2003. As per the expectation of the Report, the LCCs would reach new heights in 2005 with new routes reaching major regional cities within a radius of 5 hours from the point of origin. It further mentione4d that with origin in the United States, and success in Europe, the low-cost airline model has created new demands for travel in Asia, attracting new customers which would otherwise not travel at all, or use other modes of transport by land or sea.

7.9 Consumer Research Survey on LCCs

- 7.9.1 Further to it, the website of 'AsiaTravelTips' presented a Consumer Research Report (Sept, 2004), as released by *Market-Share*, an independent Asia-Pacific market research firm, presenting the survey results of ongoing observations on low cost carriers (LCCs) in Singapore. As revealed by the "Marketshare's research, 68% of respondents would travel more often due to

⁵ REF: Website of The-Infoshop.com



the launch of Low Cost Carriers while 81% were planning to travel twice or more within a year up from 41% previously. This was treated as significant because of the leisure travel market being full of potential and for that it makes sense for new LCCs, such as Tiger Airways, Jetstar, AirAsia and Valuair to operate in Singapore” said Anthony Venus, Executive Director, MarketShare.

7.9.2 Sustainability of Low Cost Model: For Low Cost Carriers to attract travellers, the price must be significantly cheaper. As observed by the Marketshare, 34% of respondents would consider travelling by LCCs if the airfare is 30% to 40% cheaper. A further 17% of respondents would travel on low cost airlines, as the price is cheaper up to 30% of the traditional airlines. However, 49% of respondents desired that the price should be cheaper by over 40% for them to travel on a low cost airline. This gives a hint for LCCs as to what price and cost structure they need to maintain. However, with tickets being given away at \$0.49 cents and \$1 on the Singapore-Bangkok route, Executive Director, MarketShare, warned that the market must move towards a model not driven purely on price discounts and price wars alone, but a sustainable low cost model that targets various segments of consumers – based on destination, recreation, and unique interest preferences.

7.9.3 The survey further suggested that the Low-cost carriers would also steer up opening up of a market place for budget hotels, and also having some impact on the high-end hotel market. Marketshare’s survey indicated that 9% of Singaporeans will spend more on hotels, 39% will spend less, and 52% will budget the same amount on accommodation. On the money front, people make saving from taking a low cost carrier, for which the ‘Marketshare’ found that 62% intend to spend some of the savings on shopping during the trip, 38% would save the money and put it towards their next trip (travelling



more frequently), while 37% proposed to spend the savings on food and beverages during the trip.

7.9.4 Consumer Behaviour on online travel: On findings of the Research survey, Christina Siaw, ZUJI Singapore's General Manager, commented that the findings had reinforced the consumer behaviour, which they were experiencing on ZUJI. Singaporeans trend to make great-deal travelling online, added with Singapore's launch of Tiger Airways packages to Bangkok saw demand to record highs, and at its peak, and the ZUJI site traffic, in terms of unique visitors, was zoomed to 10 times the normal volume.

7.9.5 Airline Industry unaffected by September 11 Attack: Centre for Asia Pacific Aviation, through its latest Newsletter No. 127, dated 13th September 2006 observed under its caption “9/11 Five Years On” that the airline industry is a remarkable business. Five years after the attacks of September-11 – an assault that had the seeming potential to undermine air travel – the sector continues to grow. A simple reality is at play - people still want to travel by air – a reality that will reach many more people in emerging markets in the years to come, as economies grow and incomes rise. On 11-Sep-06, some 82,000 scheduled flights offering 9.5 million seats operated around the world. The Newsletter stated that, according to OAG Worldwide Limited⁶, the volume of frequencies worldwide in Sep-06 was 6% higher than five years ago. All regions, with the exception of North and Latin America are showing good rates of growth over the five-year period, the most notable being within Asia Pacific and within the European Union. Even the trans-Atlantic route, troubled by ongoing terror threats and regulatory controls is showing a 6% increase overall frequencies in Sep-06 versus five years ago. The newsletter further observed that in the Asia Pacific region, demand was hit prior to

⁶ REF: Website of OAG Worldwide Limited



September-11, as the US economy dipped after the dot-com bust. Demand had already started to recover in 2002, and, had it not been for SARS, would have bounced back in 2003. But the growth trend was re-established in 2004, although recent growth rates are slowing, due to high fuel prices. A slowdown in the global economy, led by the US, remains the greatest threat to growth going forward.

7.10 SINGAPORE TOURISM SCALES NEW HEIGHTS: Each year the World Travel & Tourism Council (WTTC), together with its research partner Oxford Economic Forecasting, produces comprehensive reports that quantify and forecast the economic impact of Travel & Tourism for 174 economies and the world. They presented The 2006 Travel & Tourism Economic Research under the caption, “SINGAPORE TRAVEL & TOURISM CLIMBING TO NEW HEIGHTS⁷”. The Report revealed that the Singapore Tourism acquire 0.5% of the World market Share. Its World Ranking reached 33 out of the 174 countries. Its relative contribution to the National economy ranks 82 as compared to other countries. Its growth forecast places it on 17th position. In their Report, the WTTC presented the following facts about the Singapore Tourism Industry:

7.10.1 TOTAL DEMAND: Singapore Travel & Tourism is expected to generate SGD51.9 bn (US\$32.1 bn) of economic activity (Total Demand) in 2006, growing (nominal terms) to SGD109.0 bn (US\$72.7 bn) by 2016. Total Demand is expected to grow by 7.3% in 2006 and by 6.4% per annum, in real terms, between 2007 and 2016. 2006 Total Demand represents 0.5% of world market share, while World ranking of Singapore has been adjudged as 33 out of 174 countries.

⁷ REF: Website of WTTC



7.10.2 New Heights of Travel & Tourism: Each year the World Travel & Tourism Council, together with its research partner Oxford Economic Forecasting, produces comprehensive reports that quantify and forecast the economic impact of Travel & Tourism for 174 economies and the world. In their Report “The 2006 Travel & Tourism Economic Research” they captioned their report as “SINGAPORE TRAVEL & TOURISM CLIMBING TO NEW HEIGHTS”. The Report lays down the following facts about Singapore Tourism:

7.10.3 GDP - Contribution of Travel & Tourism to an Economy's GDP: Singapore's Travel & Tourism Industry is expected to contribute 2.7% to Gross Domestic Product (GDP) in 2006 (SGD5.4 bn or US\$3.4 bn), rising in nominal terms to SGD9.8 bn or US\$6.5 bn (2.8% of total) by 2016. The T&T Economy contribution (percent of total) should rise from 10.3% (SGD21.2 bn or US\$13.1 bn) to 11.6% (SGD40.5 bn or US\$27.0 bn) in this same period.

7.10.4 EMPLOYMENT - Number of Jobs Generated by Travel & Tourism: Singapore T&T Economy employment is estimated at 191,000 jobs in 2006, 8.3% of total employment, or 1 in every 12.0 jobs. By 2016, this should total 267,000 jobs, 9.9% of total employment or 1 in every 10.1 jobs. The 61,000 T&T Industry jobs account for 2.7% of total employment in 2006 and are forecast to total 82,000 jobs or 3.0% of the total by 2016.

7.10.5 VISITOR EXPORTS - Foreign Visitor Spending in an Economy: Singapore Travel & Tourism is expected to generate 4.2% of total exports (SGD20.8 bn or US\$12.9 bn) in 2006, growing (nominal terms) to SGD46.5 bn or US\$31.0 bn (4.2% of total) in 2016.

7.10.6 PERSONAL TRAVEL & TOURISM - Amount Spent on T&T by Residents: Singapore Personal Travel & Tourism is estimated at SGD13.6 bn,



US\$8.4 bn or 16.4% of total personal consumption in year 2006. By 2016, this should reach SGD27.8 bn, US\$18.5 bn or 18.3% of total consumption. Singapore Business Travel is estimated at SGD6.1 bn, US\$3.8 bn in year 2006. By 2016, this should reach SGD11.7 bn or US\$7.8 bn.

7.10.7 CAPITAL INVESTMENT - T&T Capital Expenditures by Public and Private Sectors: Singapore Travel & Tourism Capital Investment is estimated at SGD9.3 bn, US\$5.8 bn or 20.0% of total investment in year 2006. By 2016, this should reach SGD19.8 bn, US\$13.2 bn or 18.4% of total.

7.10.8 GOVT EXPENDITURES - Spending by Govts on T&T Industry and Visitors: Government Travel & Tourism operating expenditures in Singapore in 2006 are expected to total SGD 2.1 bn (US\$1.3 bn) or 10.2% of total Government spending. In 2016, this spending is forecast to total SGD3.2 bn (US\$2.1 bn) or 10.3% of total Government spending.

7.10.9 Overall Ranking & Grade: The overall ranking and grade, as adjudged for the year 2006 country ranking for Singapore within World countries is reproduced in the following table:

7.10.10 SATELLITE ACCOUNT TABLES: The WTTC in its Report presented very encouraging picture in a year-to-year comparative style from the year 2001 to 2006 and the forecast for the year 2016 in the Satellite Table of Accounts for Singapore Tourism. The table is reproduced below:



TABLE – 7.5.9

Singapore	2006			2016		
	Absolute Size	Relative Size	Growth	Absolute Size	Relative Size	Growth
Personal Travel & Tourism	36	12	38	33	10	27
Business Travel	31	---	38	24	---	22
Government Expenditures	27	28	150	24	28	102
Capital Investment	30	32	67	25	35	15
Visitor Exports	34	157	35	32	156	39
Other Exports	23	97	74	18	90	26
Travel & Tourism Demand	33	---	48	29	---	17
T&T Industry GDP	47	119	9	48	119	67
T&T Economy GDP	43		82	19	42	76
T&T Industry Employment	91	111	6	90	101	71
T&T Economy Employment	90	98	8	84	90	39



TABLE – 7.5.10

Travel & Tourism – SGD bn.	2001	2002	2003	2004	2005E	2006E	2016P
Personal Travel & Tourism	9.50	10.19	8.77	11.69	12.62	13.65	27.76
Business Travel & Tourism	3.93	4.28	3.88	4.59	5.27	6.08	11.74
Corporate	3.55	3.87	3.54	4.22	4.85	5.61	10.85
Government	0.38	0.40	0.34	0.37	0.42	0.47	0.88
Gov't Expenditures - Individual	0.57	0.60	0.58	0.59	0.62	0.63	0.96
Visitor Exports	8.29	7.95	6.60	8.61	9.65	10.73	22.55
Travel & Tourism Consumption	22.29	23.01	19.84	25.48	28.16	31.08	63.01
Gov't Expenditures - Collective	1.31	1.37	1.33	1.35	1.42	1.44	2.21
Capital Investment	10.25	8.77	8.55	8.52	8.83	9.32	19.83
Exports (Non-Visitor)	5.82	6.20	6.96	8.36	9.36	10.09	23.99
Travel & Tourism Demand	39.66	39.34	36.63	43.71	47.77	51.93	109.04
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment ('000)	63.79	62.49	46.48	48.44	53.51	61.32	81.60
Gross Domestic Product	4.31	4.44	3.71	4.19	4.72	5.44	9.81
Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)							
Employment ('000)	211.49	200.96	168.15	163.07	173.97	191.47	266.74
Gross Domestic Product	17.84	17.84	16.34	17.32	19.05	21.21	40.54
Travel & Tourism Accounts as % of National Accounts							
Personal Travel & Tourism	14.08	14.68	12.58	15.32	16.13	16.45	18.32
Govt. Expenditures	10.04	10.06	10.07	10.10	10.14	10.15	10.29
Capital Investment	22.48	21.81	21.92	19.67	20.74	19.97	18.35
Exports	4.99	4.72	4.83	4.21	4.21	4.25	4.19
T&T Imports	8.62	8.15	7.14	7.55	7.25	6.68	6.31
Travel & Tourism Industry Aggregates (Direct Impact Only)							
Employment	2.84	2.83	2.12	2.16	2.36	2.66	3.03
Gross Domestic Product	2.80	2.80	2.31	2.32	2.45	2.65	2.80
Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)							
Employment	9.42	9.10	7.68	7.29	7.68	8.31	9.90
Gross Domestic Product	11.60	11.26	10.16	9.59	9.88	10.34	11.59
Travel & Tourism Real Growth (per annum except 2015 = 10-year annualised)							
Travel & Tourism – SGD bn.	2001	2002	2003	2004	2005E	2006E	2016P
Personal Travel & Tourism	31.52	7.42	-14.12	28.76	6.21	6.68	6.10
Business Travel & Tourism	8.75	9.08	-9.41	14.3	12.80	13.84	5.56
Govt. Expenditures	9.29	4.89	2.88	-1.98	3.43	0.14	3.15
Capital Investment	65.78	14.31	2.67	3.67	1.85	4.19	6.59
Visitor Exports	-4.88	-4.82	-17.08	25.96	10.31	9.65	6.45
Other Exports	-2.24	6.70	11.94	16.20	10.12	6.31	7.77
Travel & Tourism Consumption	11.04	3.39	13.97	24.10	8.72	8.89	6.67
Travel & Tourism Demand	18.74	0.65	-6.98	15.18	7.48	7.26	6.44



TABLE - BUDGET HOTELS IN SINGAPORE⁸
(Hotels providing Cheap accommodations for Less than SGD100)

Name of Hotel	Rent ⁹ starting from	Location
Hotel 81 Gold Singapore	SGD 49	Geylang
Hotel 81 Orchid Singapore	SGD 49	Geylang
Hotel 81 Opera Singapore	SGD 59	Joo Chiat Road
Broadway Hotel Singapore	SGD 61	Little India
Hotel 81 Classic Singapore	SGD 69	Joo Chiat Road
The Metropolitan Y Hotel Singapore	SGD 75	Orchard Road Vicinity
Robertson Quay Hotel Singapore	SGD 80	Riverside
Tristar Inn Singapore	SGD 86	Joo Chiat Road
Park View Hotel Singapore	SGD 88	City centre
YMCA International House Singapore	SGD 90	Orchard Road
The Royal Peacock Hotel Singapore	SGD 90	Chinatown
Golden Landmark Hotel Singapore	SGD 90	City Centre
YWCA Fort Canning Lodge Hotel Singapore SGD 95	SGD 95	Orchard Road

But, still the aforementioned 13 hotels can be treated as quite insufficient to cater the needs of budget traveller, when the LCCs are being progressed by leaps and bounds, as revealed from the Global Insight Daily dated 28. July 2006, as presented by Claire Innes. Under the caption “Tourist Arrivals Continue to Grow in Singapore, Claire Innes mentioned that the data released that day by the Singapore Tourism Board showed that the total number of tourist arrivals in the city-state reached a record 787,704 in June, marking 5.3% increase on the same period a year earlier. As per statement, the authorities are seeking to promote aggressively in Singapore, as part of their drive to position the city-state as a transport and communications hub for the region. Singapore attracted a record 8.9 million visitors last year, generating

⁸ REF: Website of Holiday.Com

⁹ Rates are an indicative only. It represents the lowest rate for the next 12 months and is based on 1 person occupancy. For actual rates, please check rates of each hotel.



S\$ 10 billion (US\$ 6.8 billion) in tourist related revenues. The report further stated that the Singapore Government is aiming to increase the number of arrivals to 17 million by 2015, with subsequent revenue of S\$ 30 billion. The report is thus quite encouraging, but the aforesaid 13 hotels cannot suffice to accommodate the influx of tourists. Of course website of Holiday.com provides lists of Singapore Hotels from SGD 100 to 130 and those of discounted hotels, yet they cannot be treated as Budget Hotels in true sense. They can, however, be treated as semi-budget hotels in the event of non-availability of budget hotels. The lists of hotels starting from SGD 100 to 130 and those classified as discount hotels are reproduced in tables below:

TABLE - Singapore Hotels from SGD100 to SGD130

Name of Hotel	Rent¹⁰ starting from	Location
Costa Sands Resort (Pasir Ris) Singapore	SGD 100	East Coast
Costa Sands Resort (Downtown East) Singapore	SGD 100	Changi
Albert Court Hotel Singapore	SGD 105	Little India
Le Meridien Changi Village Hotel Singapore	SGD 110	Changi
New Park Hotel Singapore	SGD 110	Little India
Hotel Grand Central Singapore	SGD 110	Orchard Road
Holiday Inn Atrium Singapore	SGD 112	Riverside
Plaza Parkroyal Hotel Singapore	SGD 115	City Centre
The Elizabeth Hotel Singapore	SGD 120	Orchard Road
The City Bayview Hotel Singapore	SGD 120	City Centre
Copthorne Orchid Hotel Singapore	SGD 120	Orchard Road Vicinity
Grand Mercure Roxy Hotel Singapore	SGD 124	East Coast
Orchard Parade Hotel Singapore	SGD 125	Orchard Road
River View Hotel Singapore	SGD 125	Riverside
Royal Plaza on Scotts Singapore	SGD 128	Orchard Road
Hotel Royal Singapore	SGD 128	Orchard Road Vicinity

¹⁰ Rates are an indicative only. It represents the lowest rate for the next 12 months and is based on 1 person occupancy. For actual rates, please check rates of each hotel.

**TABLE - Discount Hotels in Singapore**

Name of Hotel	Rent¹¹ starting from	Location
Hotel Rendezvous Singapore	130	City Centre
Allson Hotel Singapore	130	City Centre
The Inn at Temple Street Hotel Singapore	138	Chinatown
The Gallery Hotel Singapore	138	Riverside
Grand Plaza Parkroyal Hotel Singapore	SGD 140	City centre
Singapore Oxford Hotel	SGD 140	City centre
Copthorne Kings Hotel Singapore	SGD 140	Riverside
Holiday Inn Park View Hotel Singapore	SGD 144	Orchard Road
Novotel Clarke Quay Singapore	SGD 145	Riverside
Furama City Centre Singapore	SGD 145	Chinatown
Pan Pacific Singapore	SGD 145	Marina Bay
Meritus Mandarin Singapore	SGD 148	Orchard Road
Meritus Negara Singapore Hotel	SGD 148	Orchard Road
Swissotel Merchant Court Hotel Singapore	SGD 150	Riverside
M Hotel Singapore	SGD 150	Central Business District
Traders Hotel Singapore	SGD 150	Orchard Road
Siloso Beach Resort Hotel Singapore	SGD 150	Sentosa

It does not give any sense to discuss about the Hotels starting above \$ 150 for their room rent for the purpose of Budget tourism. As such no list of such hotels has been provided here. Those hotels start from above \$ 150 up to \$ 750.

¹¹ Rates are an indicative only. It represents the lowest rate for the next 12 months and is based on 1 person occupancy. For actual rates, please check rates of each hotel.