NEPAL TOURISM MASTER PLAN REVIEW

Report to His Majesty's Government of Nepal · Ministry of Tourism

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TO HMG OF NEPAL,

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This report was prepared with financial assistance from the Commission of the European Communities. The views expressed therein are those of the Consultants, and do not represent any official view of the Commission.

The Report was prepared by Steigenberger Consulting GmbH and Speerplan GmbH, Frankfurt Main Germany.

November 1984

PREFACE

His Majesty's Government of Nepal has requested assistance from the Commission of the European Communities in recommending an action programme to be considered for implementation during the next two years for the promotion of tourism. The recommendations would be based on a review and an up-dating of the 1972 Nepal Tourism Master Plan.

In 1983 the EEC commissioned Steigenberger CONSULTING GmbH of Frankfurt to undertake said study. This Report presents the findings of the three-month assignment which involved two months of field visits in Nepal. It has been prepared in accordance with the terms of reference underlying the contract of the EEC of october 20, 1983. The Project No. was NTP/83/672/708.

The Report contains three parts. Part One provides a background to the 1972 Tourism Master Plan, its contents and intents, and its practical use and operation together with a comprehensive review of past developments in key areas of tourism. Part Two sets forth an updated set of policy objectives and a market development concept for the next five years. Part Three contains action-oriented recommendations.

ACKNOWLEDGEMENTS

We would like to acknowledge the assistance the Consultants received from the Secretary of Tourism, Mr. Tej Bahadur Prasai, and the Under-Secretary, Mr. Narayan Raj Joshi, as well as the officers of the Ministry of Tourism. We are also indebted to a large number of officials from other government agencies, representatives of tourism trade associations and private persons for their valuable co-operation, assistance and opinions.

NOTE

The source of the data used in this Report is the Ministry of Tourism, unless otherwise stated. The exchange rate of the Nepalese Rupee in early 1984 averaged Rs. 15.50 per U.S. Dollar.

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MAJOR FINDINGS AND RECOMMENDATIONS

(1) During the period since 1970 Nepal's tourism underwent a rapid growth phase to emerge as the principal foreign exchange earner on which the domestic economy, in the absence of other exploitable export resources, now vitally depends.

(2) Past growth, market by a fourfold increase in visitor volume and a 50-fold surge in gross receipts, was less the result, however, of deliberate planning than of a natural commercial pattern. Fueled by liberal incentives, the private tourism industry was boosted to maximise foreign exchange earnings, which was the prime objective underlying tourism development. Thus, tourism indeed became the most dynamic modern sector in an otherwise stagnant or declining national economy.

(3) But growth itself was ephemeral, lasting as it did until the late 70s. Since then arrivals slumped and revenues since 1980 dropped at an alarming rate to mark the first downturn ever in Nepal's tourism. Recessionary tourism, now prevailing for five years, has dramatised a series of problems, either intrinsic to Nepal's tourism pattern or as after-effects of past development.

(4) Indeed tourism's present status gives cause for concern mainly on grounds of over-supply and declining mainstream demand compounding recessionary impacts. Foreign exchange earnings aside, Nepal derived but scant benefits from tourism and these are today much less sustained than they seem. The full potentials which favourable market conditions

and the unique assets of Nepal offered to tourism have hardly been utilised.

(5) There are signs of over-development and congestions causing rather ambivalent economic gains and more visible ill-effects on the environment, as well as cultural fallout. The tourism industry faces a critical state of selfdefeating competition. And Nepal's tourism product is threatened with serious quality losses that tend to lastingly impair image qualities.

(6) The chief single factor for this state of events is that Government at large failed to assume its responsibilities in directing and promoting tourism in a planned manner which the 1972 Master Plan stipulated. Whereas the private sector responded well and the market developed largely as the Master Plan anticipated, public sector efforts fell short of any expectation the Master Plan had. Though it is still today in force as the formal tourism sector policy guideline, the Master Plan's key recommendations have failed to come about in reality. Because this was so, a largely uncontrolled liberal laissez-faire attitude prevailed.

(7) The agency responsible for tourism, while formally upgraded, had virtually no professional-technical capability to convert plans and programmes into meaningful action. Because of this, few of the Master Plan's recommendations, nor the detailed studies and plans that followed it, were actually been carried out. Lack of professional and technical back-up is seen as both the cause and the effect of poor performance in tourism, manifested in a Minstry of

Tourism that lacks authority, power and the means to assume its functions.

(8) Largely on account of the after-effects of uncontrolled development, Nepal's tourism is now at a critical point. Without major Government input none of the structural problems in tourism can be solved. The private sector needs help to consolidate and to overcome present setbacks caused by sagging demand which is largely attributable to the absense of any organised effort in market promotion. But marketing is but one area where increased Government activities are long overdue to stabilize demand. A more basic policy shift is warranted if the potentials in tourism are to be utilized to the benefit of the economy. Tourism more so than in 1970 constitutes the only prospective source of foreign exchange earning.

(9) There is no need for a new comprehensive masterplan in tourism. The 1972 Master Plan is actually relevant still in its long-term policy intents, and most of its basic conceptual assumptions have been fully verified. What is required is to improve and indeed provide the Ministry of Tourism with the professional skill it needs for policy implementation. Institutional improvements must accompany this, but unless the basic problem is solved no progress is feasible.

(10) This Study therefore focusses on a pragmatic policy framework essential to solving priority issues of tourism; these are largely accumulated past problems. The next five years will thus be characterised by measures to consolidate

and stabilise tourism as a most prospective industry, to eliminate past constraints and to provide for more sustained growth in Nepal's tourism sector in the future. This implies significant qualitative changes in Nepal's tourism market. To that end, an updated market development concept is presented in which future efforts are framed.

(11) Yet requisite to any real improvement is the availability of action-oriented know-how in key areas of market promotion, tourism economy and tourism industry development. In an attempt to build up the Minsistry's resources, initially resort must be made to appointing outside expert assistance. The magnitude of acute problems facing tourism cannot await other courses to materialise.

(12) The conclusions and action-oriented recommendations of this Study, therefore, focus on improving the capability of the Ministry of Tourism to assume its responsibilities. In market promotion tourism policy implementation as well as planning control and co-ordination which are identified as the most important and urgent areas require action. However, to be effective all measures hinge on institutional and administrative reforms within the Ministry of Tourism.

PART ONE EVALUATION OF THE NEPAL TOURISM MASTER PLAN

SECTION 1 BACKGROUND

1.1 AIM OF THIS SECTION

1.11 This Section provides a background and basis for the subsequent evaluation section, by reviewing the context in which the Plan evolved, giving a synopsis of its main contents, intents and aims, and an attempt to examine how it was used and operated in practice.

1.2 SUMMARY AND CONCLUSIONS

1.21 The Plan was made at a time when tourism was fairly established in Nepal. Many foresaw an exceptional boom phase which the second half of the 60's had seen. Demand came easy in the wake of a newly opened destination and most of the unique potentials of Nepali tourism lay largely untapped. The Plan itself was made under a West German aid-sponsored project, in response to an HMG request, to provide the recently set up Nepal Tourism Development Committee with a policy and planning tool.

whole into which the surveys and studies evolved were to use tourism primarily as a foreign exchange earner, but also as an economic force in regional development. A phased strategy concept is presented through which these aims are to materialise. Its main features are first to increase and spread sightseeing tourism, second to foster trekking tourism, and third to use these previously developed market segments and the facilities built up for it for the emergence of a new product. "Nepal-style" tourism, a combination of the other two segments is designed as a long-term perspective that would make maximum use of all resources and use demand potentials to achieve full socio-economic benefits from a distinctly local-styled form of tourism. The development concept is then converted into a programme through which the various public and private efforts are to be guided in its implementation. The Plan does not alter the context of tourism activities. But Government is expected to play a key role in bringing about the Plan's qualitative [illegible].

1.23 This has not fully been attained in the Plan's practical operation. The Plan served its prime purpose as a policy guideline for Government as it was adopted in the last two national plans. It was and still is being widely recognised as a valid reference in the tourism debate in Nepal. Its longer-te[illegible] a[illegible] [illegible] as acute today as ever. However some of the proposals have not been implemented, because most of the institutional changes on which the Plan relied have not come about. In spite of upgrading, the Ministry lacked the essential power and authority as well as the capability to assume the [illegible] tasks. Frequent changes in office have hampered effective work.

1.3 CONTEXT OF THE PLAN

1.31 Tourism in Nepal is relatively recent. It was only around 1950 that the first foreign visitors, a few explorers and climbers, were allowed into the interior. The 50's saw mountaineering expeditions increase. They pioneered travel to Nepal. Group tourists followed the climbers in the 60's to mark the actual onset of tourism. Visitors grew from the 4,000 in 1960 to 9,300 by 1965. But in the next five years they surged five-fold to some 46,000. The international tourism boom has found Nepal as one of the last frontiers. For the sightseers on the Asian package deal, Nepal was the appealing new side-destination. They quickly outnumbered the climbers and the few trekkers.

1.32 By 1970 tourism in its present form was well established. Borne by private capital, a modern tourism sector emerged, backed by Government policy support. Two big international hotels had opened five years earlier. There were 20 hotels in operation with 1,500 beds. The first out-station lodges sprung up at Pokhara, Chitawan Park and below Mt. Everest. But the hotel and travel trade was based in Kathmandu, the gateway and destination of Nepali tourism. The image of a Shangri-La Himalayan Kingdom was still vivid enough to attract tourists.

1.33 The prospects for continued increases were most promising indeed. Arrivals had been boosted at an annual 35% pace for five consecutive years. The hotels were on the verge of substantial expansion. Hard-currency receipts had surged from US$ 0.2 million in 1965 to a US$ 1.5 million by 1970. With traditional exports on the decline and a slumping foreign exchange balance, tourism presented itself as a prospective new export industry, one which is not susceptible to deteriorating terms of trade.

1.34 In land-locked Nepal, virtually devoid of natural resources -- agricultural and perhaps hydropower apart -- the land's stunning attractiveness created a welcome source to provide for much needed hard currency. Tourism was largely untapped and growth projections were on hand predicting further increase. The 4th national plan, therefore, called for boosting tourism "to the greatest extent possible" in the economic development decade it proclaimed for the 70's.

1.35 Although the essentially private-based tourism industry had been doing extremely well, it was felt that some kind of planned effort was needed to make most of the tourism potential. To expedite tourism growth and devise the right policies and measures, a committee was formed in 1969 under Royal chairmanship. The Nepal Tourism Development Committee was to advise on all matters of tourism development, from policy to implementation. To do so in an organised manner, it was charged with drawing up a ten-year perspective Master Plan for tourism. Aid-funded expertise was sought for this. At the request of HMG, West German technical assistance in 1970 undertook to prepare the Plan. Consultants were commissioned in March 1971. Following one year of surveys and studies, the Plan was submitted and approved by the Committee in August 1972. By virtue of the adoption of the Plan's recommendations in the 5th National Plan for 1975-80, it became HMG's formal tourism policy guideline.

1.4 SYNOPSIS OF THE PLAN

1.41 The Plan is based on fairly extensive surveys and background studies relating to the environment, socio-economic conditions, transportation and infrastructure, and a survey of visitor attractions. Analyses had been made on the status of the tourism industry and tourism administration. The Plan provides complete insight into all relevant aspects of tourism in Nepal using available information and data as of 1970/71. Contents and main conclusions of the Plan can be summarised as follows.

1.42 POLICY OBJECTIVES

1.421 In keeping with the national plan objective of using tourism together with trade to provide for the foreign exchange needed in overall national development, implications of the objectives are broadly discussed. Underlying the Plan are the following two chief objectives:

(a) to increase foreign exchange earnings through tourism,

(b) to use tourism as an economic force in regional development.

1.422 These are furthered by two additional policy objectives, namely

(c) generation of employment and income opportunities in tourism,

(d) generation of impluses in agriculture and industry.

1.423 The objectives used are economic in nature, although they imply socio-economic angles. Socio-cultural thresholds are used in an attempt to postulate a moderate growth pace.

1.424 Reflected in the discussion is the avenue of deploying tourism to wider aims of socio-economic development. The objectives and the policies derived from them make sense only in the development concept, or policy concept which the Plan develops.

1.43 DEVELOPMENT CONCEPT

1.431 To realise the objectives a market development concept is designed, focused on three key strategy aims:

(1) The short-term aim is to boost foreign exchange income, by opening more attractions outside the Kathmandu Valley, thus keeping the guests longer in addition to spreading tourism activies;

(2) The middle-term aim is to promote trekking tourism to help create economic effects in underdeveloped areas;

(3) The long-term aim is to create an independent tourism market by combining elements of sightseeing and trek king tourism.

1.432 The long-term aim is the actual accent of the strategy concept. It is presented as a concept designed to make optimal use of all tourism assets, maximise market potentials, remedy the shortcomings from existing dependencies on the Indian market and, at the same time, curb those from international travel trends.

1.433 Implied in the concept are such policy objectives as an increase in income from sightseeing tourism -- foreign exchange gained from longer-staying tourists spending more money -- compounded by the decentralisation and diversification effects of regionalised hill and mountain tourism. A strongly local styled tourism would provide maximum benefits to the rest of the economy.

1.434 The realisation of the strategy is however beset by a host of constraints and obstacles which render it attainable only on a long-term basis. It implies a far-reaching change in the structure of tourism activities, contingent upon such requirements as the expansion of the infrastructure to include new destinations and provide essential services, marketing efforts to effect the new product, improved air service and a range of other, chiefly government activites in actual development and promotion.

1.435 To that end, phased policies and measures are identified for each of the strategies. They indicate a broad programme of activities to be undertaken to effect the strategy concept. In addition, mention is made of such other market segments as recreation tourism from India, domestic tourism and international pilgrimages. The policy proposal is to promote Indian tourism rather long- than short-term, and secondary to international tourism.

1.44 DEVELOPMENT PROGRAMME

1.441 The Plan proposes, a set of activities, policies and measures, assembled and expressed in a development programme for 1972-80. It serves to interrelate, detail and "programme" the public and private activies in the Plan's implementation. Components of the programme are:

(1) Regional Concept, identifies developable regions and areas and conceives a spatial pattern of future tourism activities with Kathmandu as the principal destination and centre of cultural tourism; Pokhara and Lumbini as major resort centres; several potential resort areas in the Central Region, two in Western Nepal (Rara, Dailekh) and two in Eastern Nepal (Dhankuta, Ilam); major pilgrimage centres; mountaineering centres; national parks; tour patterns.

(2) Accomodation Facilities Plan, proposes the expansion of the hotel capacities in Kathmandu, Pokhara, Tansen, Lumbini and Chitawan as priority areas; defines phased sizes of new facilities totalling 910 additional rooms through 1980; proposes and makes financial assessment of a chain of outstation hotels; draws up an investment plan involving a total of US$ 12.9 mn; sets forth planning recommendations for major resort centres, countryside resorts and mountain lodges; projects demand requirements based on the proposed accomodation facilities, using minimum bed-nights and a 48% break-even-point, resulting in a total of 189,000 visitors and 1 million visitor-days by 1980.

(3) Public Works Programme, an area-related description of public investments required to support the facilities proposed for the hotel areas, including monument preservation measures, transport and infrastructure items, communications facilities, and national park development.

(4) Government's Role, proposes the creation of a Ministry of Tourism, defines its institutional form, administrative and managerial requirements, relation to other authorities in co-ordinating development; recommends permanent advisory services under aid funding for professional capacity build-up; provides programmes for improvement of tourism statistics and proposes the establishment of a vocational training institute.

(5) Marketing Programme identifies key markets (USA, Western Europe) and outlines marketing policies and strategies; recommends a marketing programme for 1972-75 and for 1976-80, concluding with the opening of tourist offices in the US and Western Europe, the setting up of a joint sales promotion programme, the production of comprehensive marketing information, a research programme on Indian

tourism; budgets and programmes expenditures through 1980, totalling US$ 1 million.

(6) Internal Relations Programme outlines areas and media and a budget of Rs 0.8 million to disseminate publicity on inland tourism.

(7) Parallel Promotion Programme pertains to the streamlining of statutory rules and regulations; recommends government incentives for the tourism industry, i.e., five year tax holidays, preferential depreciation, preferential NIDC loans, preferential custom tariffs; recommends customs improvements, foreign exchange control measures, changes in tourist visa requirements; recommends the promotion of handicrafts, and agricultural improvements.

(8) Public Expenditure and Investment Programme provides a summary of public investment proposed under the Development Programme, indicating by area and sector, itemized measures, costs and type of financing, annually 1972-75 and aggregate 1976-80, totalling Rs. 77.1 million and Rs. 96.4 million respectively.

(9) Income from Tourism estimates tourist expenditures, import requirements in tourism to assess foreign exchange balance in tourism, resulting in net US$ 54.8 million through 1980.

1.442 The programme constitutes the actual tool to realise the Plan's aims. It provides the concepts, plans, instruments and project proposals to both public and private sectors. The Plan does not change established roles. The operation of tourism and the provision of services -- air service apart -- is by the private sector. The hotel expansion plan indicates the targets expected of the private sector.

1.443 Most of the programme components concern Government's role in development and implementation. The Plan is based on the assumption that to realise the ult[illegible]te potentials in tourism, considerable improvements in institutional arrangement and an active participation of Government in development efforts are essential. These are identified as the chief constraints. Government input relates to various activities of planning and development, marketing and promotion, and co-ordination of the diverse public agency activities on which tourism development hinges. Strengthening of the tourism administration's ability to assume these responsibilities is considered most crucial. To effect the long-term market concept, a joint public-private effort in promotion is needed.

1.444 The hotel expansion plan has a public investment schedule in its support. The assumption is that Government must take a leading role in decentralising tourism. This implies an element of control over private development. Existing statutory rules and incentive policies are proposed to be improved and made more effective. In policy, public participation in the tourism industry is stipulated.

1.445 The Plan was carried out as an expert study. Apart from policy directives from the Committee, Nepali input was limited as professional staff, and know-how within the Department of Tourism was scarce. The Plan relied for its practical implementation on substantial improvements to the tourism administration and the institutional environment. To that end, it relied entirely on the availability of aid-funded in-house expertise in key areas of tourism planning, administration and promotion. This proviso was deemed crucial.

1.5 USE AND FOLLOW-UP OF THE PLAN

1.51 Following Committee approval, the Plan was adopted in 1975 by the 5th National Plan which endorsed the recommendations of the Plan as the basic sector working policy in tourism. The 1975-80 National Plan provided formally for the execution of the Plan's second (1976-80) phase components; it incorporated the basic set of policy objectives. The current 6th (1980-85) National Plan largely maintains this set. It also provides that the "programmes mentioned in the first (tourism) Master Plan but still awaiting implementation will be gradually put under way."(1)

1.52 The Plan served to provide Government with a policy guideline in tourism, as its chief purpose and intent. The 6th National Plan provides for a number of feasibility studies to be undertaken on key tourism issues. Regional resort development is more earnestly taken up in the current National Plan, as are promotion and publicity, manpower and training and a range of planning and feasibility studies. The broad aims of the 6th National Plan are to expand tourism activities overall, to lengthen visitors' stay, to minimise environmental and socio-cultural ill-effects, to maximise employment and income benefits and to decentralise tourism. This latter aim is particularly stressed and set into the context of national regional development. However, no mention is made of needed institutional improvements.

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(1) HMG, National Planning Commission. The Sixth Plan 1980-1985. Summary, Kathmandu, January 1981, p. 91. It also stipulates that "as the first master plan is in the terminal phase, a new master plan will be worked out."

1.53 Interviews conducted among key representatives of Government and the tourism industry during 1980 and 1984 suggest that the Plan had a widespread impact as a valid policy guide. Its philosophy serves as an acute reference in the tourism debate in Nepal. In fact, the long-term strategy aims to appear to become more acute now than they were before. Destination travel on the pattern of the Plan's "Nepal-style" tourism has been the most important single issue in the tourism debate for years.(2) Active steps towards marketing an independent tourism product have been taken recently by some travel agencies.

1.54 The Plan based on optimistic assumptions on Government's role and capability to implement it. Therefore only a few of the proposals could be carried out.(3) Despite the setting up in 1977 of the Ministry of Tourism, most of the problems which that study identified as crucial to preventing an efficient policy implementation in tourism are as acute today as they were in 1975/76.

1.55 As a matter of fact, few of the institutional improvements the Plan proposed, and on which its realisation essentially depended, have materialised. Tourism remained to be attended to by a rather weak administrative agency which, although later upgraded to Ministry, lacked power and

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(2) Nepal Association of Travel Agencies, in particular, have taken up the long-term market concept as the theme of their last conventions.

(3) Baumgartner, F. (Ed.): Trekking Tourismus in Nepal. Analysen, Schlußfolgerungen und Empfehlungen zu einer entwicklungsorientierten Tourismuspolitik. ETH Zürich. Zürich 1978.

authority as well as professional-technical back-up. The external assistance also failed to come about. The net effect was that The Ministry could not perform the tasks expected of it in its own resort nor exert its responsibilities in directing and promoting the gamut of other agencies' efforts.

1.56 This does not mean that the Plan was ineffective. Some proposals were carried out. But important ones pertaining to either existing constraints or to the structural changes have hardly been pursued nor effected. On the policy level, follow-up and review did occur. There were two major review rounds by joint committees with the purpose of examining the progress under the Plan and to up-date and detail the proposals;(4) but review and follow-up seldom had practical effects. There is no evidence of any organised attempt, nor the means, to continually monitor, revise and up-date the Plan. As a result, it remained in force but was operated and followed up in practice.

1.57 It seems that after West Germany aid declined further assistance, the Department of Tourism realised that it

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(4) The first review occurred under the first tourism minister by a committee which was to up-date the Plan and make it concrete. According to one source, "it was found that most of the projects recommended by the Master Plan were either complete or under implementation!" (Country Paper Nepal, in: Donald Hawkins (Ed.): Social and Economic Impact of Tourism on Asian Pacific Region, Tokyo, 1982, p.81.

The last review under Drona Shumshere Rana in 1981 is fairly comprehensively documented in: HMG Ministry of Tourism: Report of the National Tourism Promotion, Kathmandu, 2039 (1983).

was not able to implement the Plan with the means it had available. Other attempts to obtain assistance failed, too. The Committee, upon approval of the Plan, believed to have fulfilled their responsibilities, and the existence of the Plan may have evoked an attitude in Government that the Plan realises itself. The private sector, in relying on Government's commitment to implement the approved policies and programmes, trusted in the targets set by the Plan. This constellation largely induced the unbalanced growth process in tourism with the effects of which this review is primarily concerned.

SECTION 2 REVIEW AND EVALUATION OF PAST DEVELOPMENTS

2.1 AIM OF THIS SECTION

2.11 Past developments in tourism are evaluated in this Section by comparing actual versus planned developments. In so doing, the objectives, policies and practical proposals of the 1972 Plan are used as a reference point. The aim of this review is to identify what impact the Plan had and how relevant it was or is.

2.2 SUMMARY AND CONCLUSIONS

2.21 During the period since 1970 tourism growth in Nepal has been the result less of deliberate planning than of natural commerical growth which was characteristic also in previous decades. Growth has however been slower than assumed, and actually slumped since 1978. Whereas until then supply and demand have developed almost as predicted, the downturn has triggered a series of problems to become acute. Some had been intrinsic to the structure of Nepali tourism while others were the effect of the pattern in which growth occurred. As much as liberal laissez-faire has caused a tourism industry to emerge as the most dynamic sector in an otherwise stagnant economy -- and the chief foreign exchange earner -- it is also true that Nepal failed to derive the full benefits which the potentials of both the market and the supply offered. The major single reason for this is that Government at large has failed to assume its role in directing and promoting tourism development. Uncontrolled as it was, recent development has produced a rather ambivalent state of affairs.

2.22 More positively, the private tourism sector has responded extremely well and performed above expectation as far as quantitative targets are concerned. Demand until 1978 almost quadrupled. Visitor days and expenditure developed far more favourably than expected. Trekking tourism, which emerged from near insignificance, has been primarily responsible for this. This market met all anticipations, both in numbers and in the regional impact expected of it.

2.23 Continued steady growth rendered trekking the mainstay in Nepali tourism. Equally significant was the emergence of a large informal tourism sector growing the in wake of a boosting budget traveller market. Profound economic impacts accrued from this tourist segment. Likewise positive, rising Indian visitor flow helped keep total arrivals from tumbling. However, the most significant result of past growth is the increase of foreign exchange which almost tripled.

2.24 On the other hand, tourism growth is beset by factors which give cause for concern. Recent recessionary impacts in particular have offset some of the real achievements. Growth itself was ephemeral, lasting in Nepal's staple tourism market only until 1978. Tourism receipts kept rising to US$ 51 mn in 1980/ 81 only to drop 20% since then. But while international visitor arrivals were already curbed by a series of factors -- which seem more internal than external -- a hotel industry expanding beyond projected size found itself facing over-capacities. By 1980 demand was already short of supply by one-third. Since then, the gap has widened, spawning fierce competition throughout the trade. In spite of privileged tax and loan schedules and low labour costs, the struggle for survival is an acute one as only a quarter to a third of the formal hotels are still soundly in business. Decline in demand volume was aggravated by a hotel expansion build-up which not only in quantity but also in quality still does not suit the market. Adding to this is a much more pronounced seasonality today than 14 years ago. Outstation facilities have always felt this stronger.

2.25 But there are also other factors which, in spite of all positive impacts trekking tourism had, prevented tourism activities from decentralising in the desired way. Most obviously, the centralised form in which tourism occurred, devoid largely of Government control and intervention, has but stratified further the archetypal activity pattern. Hinged on Kathmandu, with Pokhara having somewhat met the role of a second destination, tourism has produced signs of over-development, congestion and saturation. Negative effects on social and economic life and on the environment have become sharply focused. Trekking and mountain travel, in the absence of planned control, have taken on a commercial form which tends to be exploitative and self-defeating. While putting more strain on an endangered ecology, tourism does not pay for the environmental and social costs. Overcrowding in a few trekking areas appears to turn the purity and serenity of the mountains for which they are sought into an illusion.

2.26 Because tourism is concentrated in but a few areas, so are the ill-effects that come with it. The socio-economic, and more so the socio-cultural impact of tourism as a recent an issue in Nepal as are its adverse environmental implications. It is true that tourism has sustained real employment and income opportunities which, on account of trekking and budget travel, are more widely spread in society today. In spite of this, tourism is rather insignificant in the national labour force. But it has become an important factor in the hill and mountain communities where there is no eonomic alternative. Traditional life is however altered by tourism. Most visibly, tourism has stepped in as a new promoter of traditional arts and crafts which, it is true, were about to disappear. It is also true that some cultural monuments have been preserved by tourism. Put to profane tourist use, however, their meaning has changed. Tourism as an agent of change adds to and amplifies changing life style patterns.

2.27 To conclude, there is now an urgent need to redress the pattern in which tourism activities occur, by shifting more emphasis to Government input into planning, development and control. The tourism industry alone cannot bring about the required changes in the market. As an economic sector, tourism has become too important to the nation and it still offers too valuable potentialities. Tourism is no priority sector, and it must be put into the proper perspective. There is no need for a new comprehensive Tourism Master Plan since the perspective which the 1972 Plan gives is still acutely relevant. What is needed are concerted efforts to set the strategy aims of the 1972 Plan afoot by devising the modified policies and seeing to it that they are implemented in such key areas as marketing and promotion. Then the Plan needs a new market order to consolidate tourism. This makes sense only if existing rules and regulations are enforced, placing more emphasis on control than on incentives. Air service, transportation and infrastructural improvements are essential elements in tourism development. There must be more of a co-ordinated effort devoted to providing essential public services for tourism. This will probably not happen unless the tourism office is sufficiently strengthened, from policy through technical capacity, and given more power and authority to put policy implementation into practice.

2.3 DEVELOPMENT AND STRUCTURE OF THE TOURISM MARKET

2.31 VISITOR GROWTH

2.311 During the period under review total arrivals rose as closely as projected until 1978 when planned and projected figures showed an identical 156,000.[5] Since that year, arrivals slowed down to stagnate and even decline in 1981 but caught up in 1982 to now 175,000. Hence, the targeted 189,000 visitors for 1980 fell short by some 26,000. Behind the aggregate arrivals there are, however, a number of significant changes in the visitor flow, which can be summed up as follows.[6]

Table 1: NEPAL - Annual Tourist Arrivals 1970 - 1982

Year	Total Arrivals	Index 1975 = 100	Intern. Non-Indian Arrials	Index 1975 = 100	Indian Arrivals	Index 1975 = 100
1970*	46	-	46	-	-	-
1975	92	100	75	100	17	100
1976	105	128	86	115	19	112
1977	129	180	106	141	23	135
1978	156	139	126	168	30	176
1979	162	152	125	167	37	218
1980	163	154	122	163	41	241
1981	162	152	113	151	49	288
1982	175	180	121	161	54	318

* India excluded

Source: Ministry of Tourism.

(1) The drop in international (non-Indian) arrivals since 1978 has caused most serious concern. The 126,000 climax in 1978 slumped to some 113,000, the nadir in 1981. Slow growth has been in evidence since then but arrivals are still below those of 1978, hovering around 121,000.

(2) This slump is attributable to the mainstream international sightseeing visitors which in fact caused the decline.

(3) This loss through declining international sightseers was somewhat mitigated in overall international arrivals, by the steady increase in trekkers and mountaineers who became the mainstay of Nepali tourism; their share in international visitors is now close to 20%.

(4) Since 1975 when they accounted for 19% of all arrivals, Indian visitors have steadily increased to 25% in 1980 and 31% by 1982, to become the largest single visitor group. Their rise is however attributable to Nepal's trade policy rather than tourism promotion, and only the smaller portion of Indian visitors are actual tourists.(7)

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(5) Contrary to previous study interpretations, projections made in the Plan on visitors, visitor-days and length of stay are taken to include total visitors -- international and Indian. Though the Plan is not very explicit on this, the actual projections made from the base year 1970 tend to exclude Indians. The projection method itself - based on minimum bednights in classified accomodations, concerted into visitor volume and adding a 10-15% allowance for visitors in non-classified lodgings -- does suggest that totals are meant. Nevertheless, this was not consistent with statistics until 1974 (when Indians were first included).

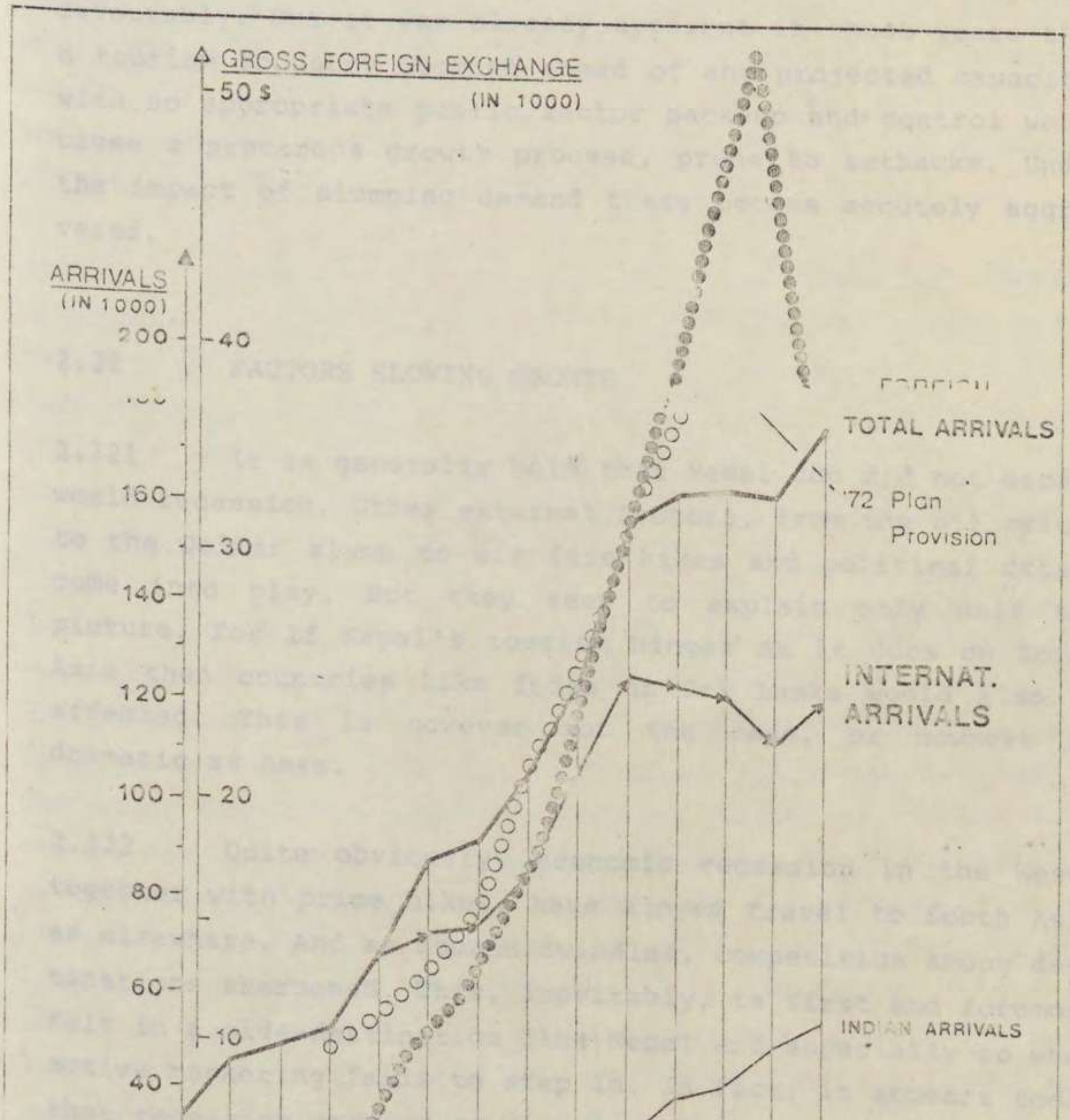
(6) Latest complete tourism statistics available to this report are for the year 1982. According to arrival statistics, "Visitors" include 4 categories: Pleasure; Trekking and Mountaineering; Business; Official; Others. The latter three comprised 8% in 1982.

(7) Indians have been included in the statistics since 1974; only arrivals by air are counted. There is no indication that Indian tourists, i.e., visitors whose main purpose was sightseeing or other, have increased significantly above overall tourism.

2.312 Hence, the rising statistical impact of Indian visitors aside, international tourism to Nepal is on the downturn and Nepal is losing on its main traditional market. Persisting as it has for the past five years, this downward trend gives cause for concern. In fact caused by the impact of a recessionary tourism flow brings past constraints and neglects sharply into focus.

2.313 The visitor flow during the past 12 years has not been uniform. Two phases of steep rise were evidenced during 1973 and then again from 1976 to 1978 when the peak was reached. This corresponds with the higher increase predicted in the Plan for 1975/78 as well as the levelling off anticipated after 1979. The projected growth pattern of the Plan was that the proposed policies and measures in supply development, infrastructure expansion, decentralisation and, chiefly, in marketing and promotion efforts would be effectively realised. This has not been the case. Marketing and promotion input which was considered crucial in realising the targets set for the expanding accomodation capacities, especially during the 1973-74 and 1976-77 periods, has not materialised in the way planned.

Chart 1: NEPAL - Tourism Performance 1969 - 1983



Source: Ministry of Tourism.

2.314 In fact, most of the programmes and measures on which the realisation of the Plan's targets depended in the public sector have not come about, further constraining supply in tourism development. On the other hand, both the tourism industry and, up until 1978, demand, have responded favourably. But it was already apparent in those years that a tourism industry booming ahead of any projected capacity, with no appropriate public sector back-up and control would cause a precarous growth process, prone to setbacks. Under the impact of slumping demand these became accutely aggravated.

2.32 FACTORS SLOWING GROWTH

2.321 It is generally held that Nepal too did not escape world recession. Other external factors, from the oil crisis to the Dollar slump to air fare hikes and political crises come into play. But they seem to explain only half the picture. For if Nepal's tourism hinges as it does on South Asia then countries like India or Sri Lanka would also be affected. This is however not the case, or nowhere as dramatic as here.

2.322 Quite obviously, economic recession in the West, together with price hikes, have slowed travel to South Asia as elsewhere. And as demand dwindled, competition among destinations sharpened. This, inevitably, is first and foremost felt in a side-destination like Nepal and especially so when active marketing fails to step in. In fact, it appears today that recession arrived at a point of time when a saturation level in Nepal's "natural" tourism demand was reached, compounding the impact. In other words, due to circumstances since 1978, 120-125,000 international (non-Indian) arrivals appear to be the maximum potential demand that can be mobilized via the traditional marketing means -- word-of-mouth, world media exposure, international wholesalers and Indian tour operators -- or, for that matter, in the absence of organised State marketing and promotion in Nepal.

2.323 Discounting trekking and mountaineering where marketing is done directly by overseas operators and pertains to distinctly different demands, the demand size hovers around 100-105,000 for sightseeing. The trend there is still on the decline, and there are as yet no signs of its reverting. But within that volume, the demand structure has also changed tending towards budget travellers.

2.324 Meanwhile other, home-made factors have been at work. Invariably under the impact of economic recession and depleting travel budgets, Nepal seems to have lost rather than gained on what it can offer to traditional tourists. For them Nepal has become relatively expensive, while for budget travellers it is definitely sold too cheaply. Quality in many supply sectors has not improved, air service in particular, where cost and reliability still are inhibiting, and sometimes even appalling factors. Infrastructural developments at large, while real improvements are there, have not been sustainable. Controls are lacking and existing regulations are sluggishly enforced, if at all.

2.325 Recessionary tourism itself has brought with it further impacts on the supply side, which tend to curb demand. There is a fierce and even ruinous competition among under-utilized hotels and mushrooming travel agencies. Quality is deteriorating and business is subjected to the conditions of a buyers' market which is also a novelty in Nepal's tourism industry.

2.33 MAIN GENERATING MARKETS

2.331 The most drastic change in Nepal's international market scenery is the continuous decline during the past 20 years of U.S. visitors. Apart from the two-year rise during 1977-78, they stagnated at around 15,000 since the early 70s, cutting the U.S. share from 60% in 1962 and 31% in 1970 down to 14% in 1982. The resurge of the U.S. Dollar brought some rise during recent years as the share rose from the 12% it had in 1980.

Table 2: NEPAL - Arrivals by Nationalities

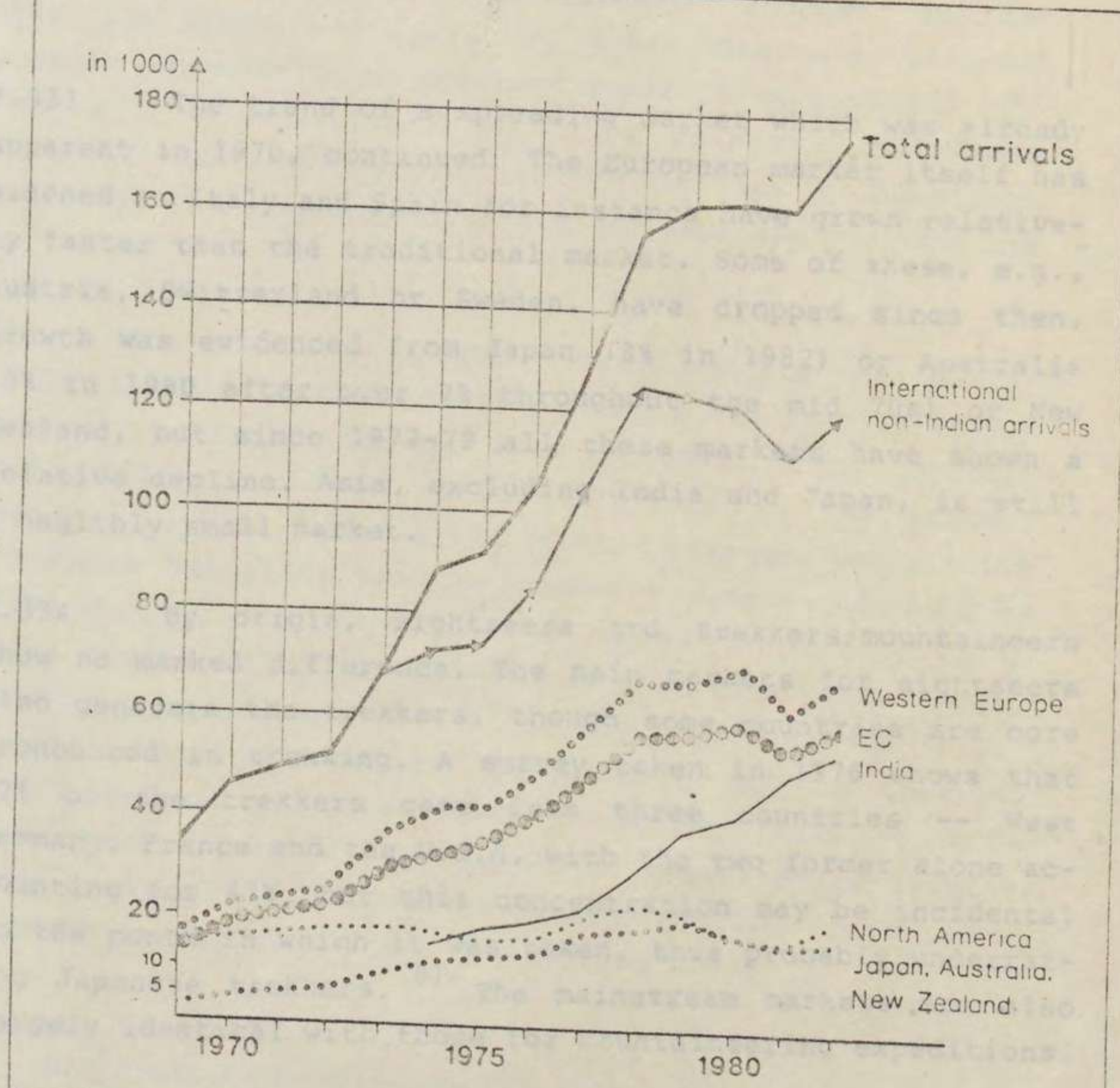
	1970			1982		
	in 1,000	%	%*	in 1,000	%	%*
USA	14.3	23.8	31.1	16.8	9.6	13.8
Canada	1.5	2.5	3.3	3.2	1.8	2.6
France	5.3	8.8	11.5	16.6	9.5	13.7
West-Germany	4.6	7.7	10.0	13.2	7.5	10.9
Italy	1.5	2.5	3.3	6.8	3.9	5.6
Spain	0.2	0.3	0.4	4.0	2.3	3.3
United Kingdom	5.2	8.7	11.3	11.9	6.8	9.8
Japan	2.3	3.8	5.0	9.5	5.4	7.9
Australia/ New Zealand	2.7	4.5	5.9	8.4	4.8	6.9
India	14.0	23.3	-	54.0	30.9	-
Others	8.4	14.0	18.3	30.6	17.5	25.3
Total	60.0	100.0	100.0	175.0	100.0	100.0

* % excluding India

Source: Ministry of Tourism.

2.332 Western Europe has further increased its position as chief generating region, pushing its market share from 47% in 1970 to almost 59% in 1980. Among the Europeans, the EC accounts for nearly 50%, with France and West Germany claiming 14% and 11% respectively. France became the largest contributing country when it overtook the U.S.A, in 1980. The U.K., which was third in 1970 after the U.S.A. and France with 11% at that time, dropped slightly to 9%, falling behind West Germany.

Chart 2: NEPAL - Visitor-Flow by Main Market, 1970 - 1982



Source: Ministry of Tourism.

2.333 The trend of a spreading market which was already apparent in 1970, continued. The European market itself has widened as Italy and Spain for instance have grown relatively faster than the traditional market. Some of these, e.g., Austria, Switzerland or Sweden, have dropped since then. Growth was evidenced from Japan (8% in 1982) or Australia (5% in 1980 after over 7% throughout the mid 70s) or New Zealand, but since 1977-79 all these markets have shown a relative decline. Asia, excluding India and Japan, is still a neglibly small market.

2.334 By origin, sightseers and trekkers/mountaineers show no marked difference. The main markets for sightseers also generate the trekkers, though some countries are more pronounced in trekking. A survey taken in 1976 shows that 62% of the trekkers came from three countries -- West Germany, France and the U.S.A. with the two former alone accounting for 47%, but this concentration may be incidental to the month in which it was taken, thus probably underrating Japanese trekkers.(8) The mainstream markets are also largely identical with those for mountaineering expeditions.

2.34 DEMAND STRUCTURE

2.341 The broad demand structure as revealed from the purpose of visit in the arrival statistics has remained fairly constant since 1970. The pleasure category, used here

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(8) Baumgartner, F.: Trekking Tourismus in Nepal. Op. Cit. 1978, I, p. 17. A sample survey of 274 trekkers in Rolwaling and Helambu-Gosainkund-Langtang areas.

as sightseeing, oscillates between 75% (1974), 82% (1977) and 80% (1982). Treekers and mountaineers account for 13% (1974), 10% (1977) and again 13% (1982). Business, official and other visitors taken together range between 8% and 11%. In spite of fluctuations, the basic relationship between sightseers and trekkers/mountaineers has not changed substantially. The shares in 1982 are the same as, for instance in 1975.

2.342 The growth in trekking which the Plan had envisaged for the mid 70s had actually taken place earlier; there was no real increase between 1974 and 1976. When "trekking and mountaineering" was first introduced in the arrival statistics in 1974, (9) the 13% in this category was already there. More revealing are the trekking permits, issued by Central Immigration. According to these, there were 3,431 permits issued in 1970, corresponding to some 7% of visitors. These had already doubled in the following year 1971, and tripled by 1974. Since then, the growth in trekking roughly followed the sightseers' pace. By 1982, trekking permits had reached 32,330. Sustained increases in permits and in trekkers, (10) occurred during the last five years when permits rose by 47% and trekkers by 35%.

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(9) Disembarcation cards before 1974 left it up to visitors to state their purpose of visit. "Trekking and mountaineering" was introduced as a category in 1974. Entries in that category rose from 2% the previous year to 13%.

(10) The number of trekking permits issued per year tends to be 20-27% above the number of visitors who state trekking and mountaineering as their purpose of visit. This is explained by the fact that some visitors undertake several trekking tours as well as by the fact that visitors who stated 'sightseeing' as their purpose of visit also go off trekking.

2.343 In relation to sightseers, trekkers have an unproportionally greater significance because of their longer stay in Nepal, averaging 2-3 weeks, and their distribution within the country. They account for 35-38% of the visitor days as against 43-45% for sightseers.

2.344 Nepal is the main travel destination for trekkers and trekking as a demand has fully met the Plan's expectations for it. They spend whatever vacation period they have on trekking, with perhaps a few days of sightseeing. Many of them are repeat visitors. Trekking is not a phenomenon peculiar to Nepal, but has come up in the wake of active, adventurous forms of travel since the early 70s. It is a highly specialized market as are the tour operators.

Nepal in this respect enjoys a uniquely distinct market position which is hardly rivalled by India or any other Himalayan country.

2.345 Trekkers are not a homogenous demand group. A rough distinction is made between group trekkers and individual trekkers. They are roughly equal in number. Group trekkers have their trek arranged by in international operator who works with a local trekking agency. Individual trekkers either use a local trekking agency or make their own arrangements. Some of the latter may hire a porter on the spot or hike alone. Organized and individual trekkers are roughly equal in number overall, but there are variances in the regions they go to and the altitude they reach. There are short and long, high and low altitude treks available. The more significant difference between organized and individual trekkers lies in the money they spend. Their economic impact, therefore, is markedly different.

2.346 The structure of traditional sightseeing demands does not have changed noticeably since 1970/71 when the Plan was made. But what used to be overwhelmingly organized package tours 14 years ago, today comprise a growing share of individual tourists. These are mainly the young international budget traveller type which are, as much as the trekkers, a by-product of the mass tourism that appeared in the 70s. Using the cheaper hotels and lodges as an indicator, budget travellers would probably account for 25-30% of the visitors. They are sometimes taken for the successors of the hippy community, but they have little in common with them. In fact, they comprise the widest possible variety of people, motivations and interest and, apart from travelling on the economy, have little in common with each other. As-with trekkers, their impact on social and economic life, on account of their longer stay and more direct encounter with the community, is in inverse relation to their size.

2.347 The 1972 Plan was not able to foresee this demand type which appeared around the mid 70s. At any rate, the "grass roots" lodges, teahouses, inns, trekking-gear shops and boutiques which sprang up since then -- and whose roots stem from the hippy era -- do not lend themselves to planning. They are not entirely informal sectors though, since there is a marked trend toward upgrading in both demand for and the standard of facilities catering to the budget traveller. But in contrast to both the average sightseer and trekker, the budget traveller have wider interests and activities. And it is this segment that has taken the combination form of sightseeing, or cultural, visit and trekking more so than the other segments.

2.348 According to a travel agency survey in 1981, destination tourism is estimated roughly 20% of international travel. The survey, based on travel trade appraisals, assumes this to have dropped rather than increased since 1976, when it was estimated at 23%.(11) This figure would correspond with the share of trekking tourists in international demand, for trekkers are typically destination tourists. It tends to ignore the budget travellers, however, which are usually not using the services of the local travel trade. If they are assumed at roughly 10-15% of the sightseeing segment, and adding trekkers, destination tourists would be in the 25-30% range.

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(11) Development Research Centre: A research Survey of the Role of Travel Agencies in the Development of Tourism in Nepal. Kathmandu, June 30, 1981, p.18.

2.35 SEASONALITY

2.351 Visitor flows to Nepal display a regular seasonality shaped by peaks in the autumn and spring months, namely October and March. Arrivals reach their low during June, while August stands out as an intermediate peak, reflecting the European holiday season. Typically, 12-13% of the visitors are concentrated in the peak month of October, while June gets only 3%.

2.352 Seasonality is shaped by travel behaviour in the main generating markets, and changes are reflected there also in the seasonal pattern. If Nepal's pattern was somewhat balanced in 1970, it has not much more accentuated peaks. The seasonality profiles have become ever sharper in the 70s. If this can be traced to single factors, it was certainly the decline in the North American visitors, who travel more evenly throughout the year. The increase in Europeans, and the increase in trekkers and mountaineers who show an even more pronounced seasonality, add to the spring and autumn peaks. Their impact was not mitigated by the influx of Indians and rising visitor flows from Southern European countries during the monsoon low.

2.353 Hence, the aim of improving tourism seasonality which the Plan postulated has not been attained; it has in fact worsened. And this has brought with it a poor utilisation of accomocation capacities, problems of operation and congestion as well as hampering decentralisation. Outstation facilities in particular are more affected by a shorter season.

2.36 VISITOR'S LENGTH OF STAY

2.361 Whereas the Plan assumed that the average length of stay -- which was 4 days in 1970 -- would reach a 5.3 day target in 1980, the actual figure was 10.5 days and in 1983 even 13.3 days. This is a remarkable improvement, attributable wholly to the influx of trekkers and budget travellers. Among the latter appears to be a large segment of very long-staying visitors. Excluding the over-30-day-stays, a more realistic 6.9 day average is obtained for 1980 and 7.1 for 1982. Disaggregated, however, some 62% of the visitors stayed less than a week in 1982 (66% in 1980) and the average stay excluding the trekkers is still believed to be the 3 to 4 days which the sightseers also spent in 1970. Trekkers stay 2 to 3 weeks on average.

2.362 The study by Veit Burger in 1974-75, which provides the only comprehensive economic impact analysis so far on tourism in Nepal, found that the 3-4 day stay is typical of sightseers in 2-to 5-star hotels; they represented 66.2% of tourists in this category. The remaining 30.6% averaged 14.6 days and stayed in 1-star hotels or lodges. The average of all sightseeing tourists in 1974/75 was 7.6 days, and that of trekking tourists was 28.1 days.[12]

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(12) Burger, Veit: The Economic Impact of Tourism in Nepal. An Input-Output Analysis. Ph.D. Thesis, Cornell University, 1978.

.363 Hence, trekking aside, there has been marginal mprovement in prolonging the visit of the mainstream market egment. There are now more groups and even more individual ravellers who stay longer, e.g., a week. But they are few, ecause the range of attractions -- essentially Kathmandu nd the Valley, Pokhara and Chitawan National Park -- has ot been expanded significantly. On the other hand, the udget travellers have probably responded more to the ossibility of combining cultural tourism with trekking, hus making the most of their stay.

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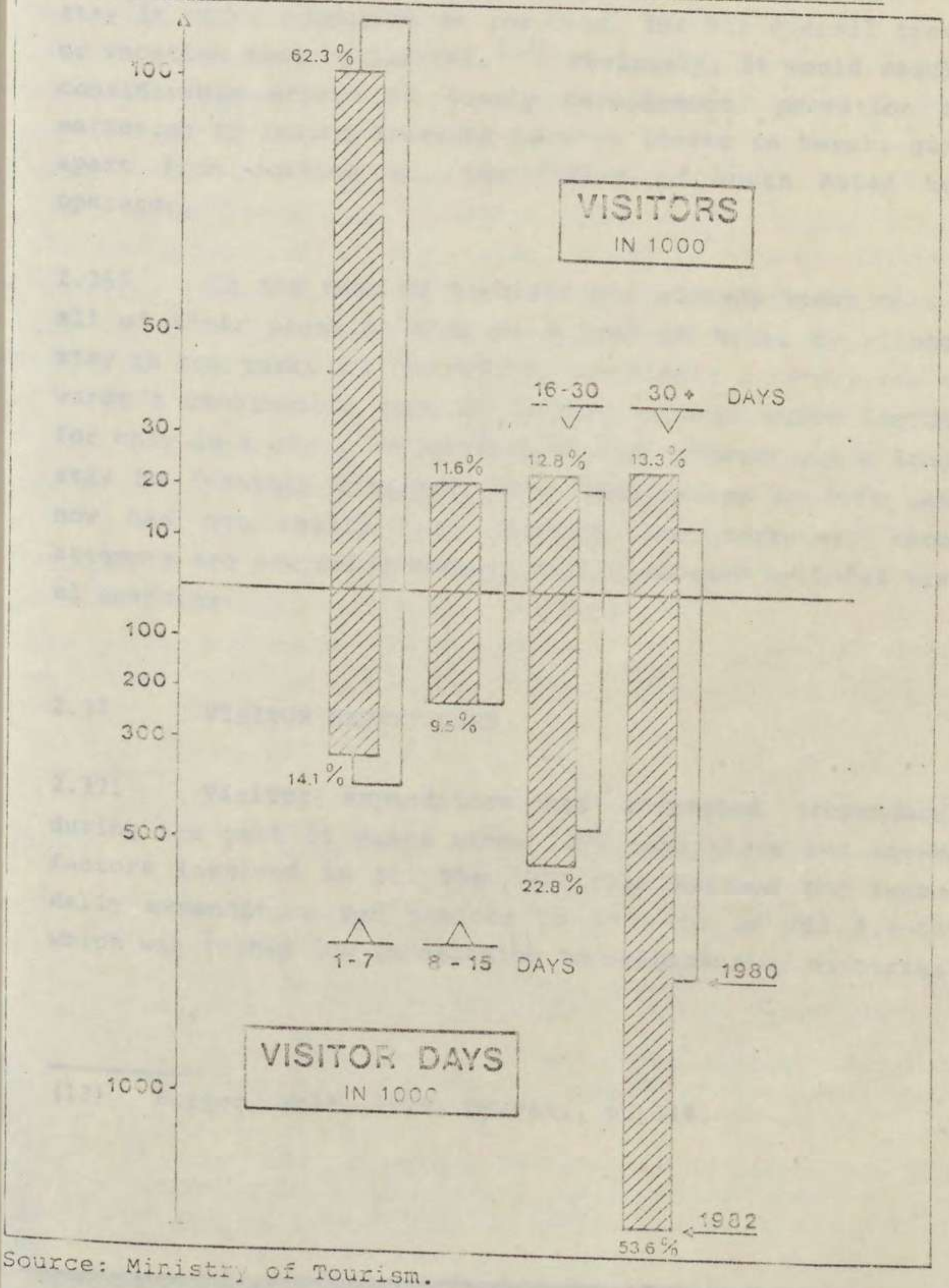
Chart 3: NEPAL - Visitors by Length of Stay, 1980 - 1982



Source: Ministry of Tourism.

2.364 There are real constraints to lengthening the stay of various demand groups. It is not easy to extend the conventional visitor's stay in Nepal if, as is the pattern, he is on a circular tour of Asia. He would have to reduce his stay in other countries on the tour, for his overall travel or vacation time is limited.[13] Obviously, it would require considerable effort in supply development, promotion and marketing to induce tourists to stay longer in Nepal, quite apart from cutting out the Indian or South Asian tour operator.

2.365 In the case of trekkers who already spent most or all of their vacation time on a trek in Nepal a prolonged stay is not possible. Therefore, the Plan's strategy aim towards a combination form of tourism appears quite logical, for only in a strongly destination-type product can a longer stay be feasibly attained. This combination product until now has not really been promoted nor marketed, though attempts are now being made in this direction by local travel agencies.

2.37 VISITOR EXPENDITURE

2.371 Visitor expenditure has increased tremendously during the past 12 years since 1970, and there are several factors involved in it. The 1972 Plan assumed the average daily expenditure per visitor in 1970 to be US$ 8.5-10.0 which was rather low in relation to neighbouring countries.

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(13) Burger, Veit, 1978. Op.cit., p. 310.

Using the US$ 10 as a basis and a 5% annual increase, the Plan forecast nominally US$ 12.1 for 1975 and $15.5 for 1980. This compares to the actual $18.8 surveyed by Burger in 1974/75.[14] By 1980 this amount had risen to $32.2 [15] which would indicate a three-fold nominal increase over 1970. According to the analyses, both rising price levels and the growing absorptive capacity of the economy account for this increase.[16] Between 1975/76 and 1980 the daily per capita rises 1.02% after prices, adjusted for inflation.[17]

2.372 Surveys at hand indicate different expenditure patterns for the various demand segments. The D.R.C.G. Survey shows that while the average expenditure was $32.2 (Rs.390.3) in 1980, variations range between $1[illegible].9 for Australians and New Zealanders, $20.9 for Europeans, and $68.5 for North Americans, while Japanese and Indonesians spent only $9.2. But irrespective of their origin and the category

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(14) Burger, Veit, 1978, Op.cit. The study also indicates the spending pattern and distribution impact of tourism expenditure on the economy and revenues.

(15) Development Research and Communication Group D.R.C.G.: Economics of Tourism in Nepal. Kathmandu, 1981. Data are based on a sample survey of 92 tourists in 1980. The survey indicates itemised expenditures per tourists from various nationalities.

(16) Dhungel, Ramesh N.: Tourism and the Economy. Paper to the PATA Follow-up Seminar. Unpublished, Kathmandu, January 1982.

(17) Gurung, Harka: Tourism Development in Nepal, in: Donald Hawkins (Ed.): Social and Economic Impact of Tourism on Asian Pacific Region. 1982. Op.cit., p. 251.

of the hotel they choose, more than half the money they spend goes on lodging and food. But on other items such as travel (inland) and souvenirs, spending patterns vary greatly.[18]

2.373 Generalised, the average daily expenditure per visitor is a function of the category of hotels they use and their lenght of stay, whereby the ground rule is that the lower the category of lodging, the longer the stay and the lower the daily expenditure. In terms of total expenditure per visit, a tourist in the 4- or 5-star hotel category, for instance, staying only a week may still spend twice as much as one staying double the time in a 1-star hotel. On these grounds Burger already in 1974/75 assumed that lengthening the stay of visitors is not apt to increase revenue, and that more short-staying visitors are, by revenue terms, to be preferred to fewer long-staying tourists.[19] Apart from other implications, this assumption tends to ignore the effect on hotel capacity utilisation as also on how and where the money flows into the economy.

2.374 Budget travellers spend less per day and also per visit. Their expenditure, however, tends to benefit lower levels of the community more directly. There is considerable money flowing into the informal sector operations. However, the Nepal Rastra Bank sees little of the hard-curreny budget travellers spend.

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(18) Development Research and Communication Group D.R.C.G.: Economics of Tourism in Nepal. Kathmandu, 1981.

(19) Burger, Veit, 1978, Op.cit., p. 309.

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2.375 In terms of expenditure, trekkers fall into two categories. The organised trekker spends between $15 and $50 per day, depending on the luxury and length of the tour. The individual trekker who hikes alone and stays either in his own tent or in a trailside inn, may spend between Rs 5 and $5. He would also stay in inexpensive lodges while in Pokhara or Kathmandu. Since organised trekkers typically carry most of their provisions with them, their cash impact on local communities is less than that of individual trekkers staying in local inns. Organised treks, on the other hand, entail jobs and income through the porters and Sherpas they employ.

2.38 REGIONAL VISITOR FLOW

2.381 The regional distribution of tourism activities during the past years has been characterised by a further concentration on Kathmandu City and the emergence of mountain tourism expanding chiefly in three areas. Pokhara has developed into the planned secondary destination because of the influx of trekkers and budget travellers. Otherwise the pattern found in 1970/71 has not really changed despite some regional shifts and the spread of trekking. The spatial concept drawn up in the Plan -- involving places like Tansen and Lumbini in a round tour and fostering the opening of resort areas in the Central, Eastern and Western regions as well as anticipating a new international airport at Simra -- has not come about in the desired form.

2.382 Kathmandu's role as gateway and principal destination has further stratified by the centralised pattern in which growth occurred. In f[illegible] tourism activities more than ever hinge on the capital city even though their dominance in the accomodation capacity has somewhat lessened. No real expansion has occurred in Kathmandu Valley outside the city. The spatial spread that expanded into Pokhara and the mountains was not accompanied by an administrative decentralisation of tourism nor of the tourism industry. It is still entirely based in, and operate out of, Kathmandu.

2.383 In volume of international visitors, Pokhara as the second major receiving area after Kathmandu presently has some 35,000 visitors annually, representing 29% of the 121,000 internationsl visitors in Nepal in 1982. They are largely trekkers and a smaller share of sightseers. This is more than double the inflow in 1970, made possible by improved air service and road transportation facilities to Pokhara.

2.384. Royal Chitawan National Park is a unique attraction, and the market has responded favourably to the opening of more lodge facilities there. The 10,000 visitors estimated in the Chitawan area in 1982 represent 8% of all visitors which is, however, less than the 10% share it had in 1970.

Table 3: NEPAL - Trekking Permits issued 1977 - 1982

	1977		1980		1982	
	No.	%	No.	%	No.	%
Jomoson	5,119	29.7	10,019	36.5	17,371	53.7
Everest	4,695	27.2	5,836	21.2	6,240	19.4
Helambu/ Langtang	2,532	14.6	4,113	15.0	4,535	14.1
Annapurna	3,317	19.2	2,500	9.1	1,871	5.7
Manang	961	5.5	1,813	6.6	460	1.4
Others	607	3.5	3,179	11.5	1,855	5.7
Total	17,231	100.0	27,460	100.0	32,332	100.0

Source: Central Immigration Office.

2.385 Mountain tourism is operated out of Kathmandu to Langtang-Helambu, to Rolwaling and Khumbu, while Pokhara is the base for the treks up Kali Ghandaki to Jomosom, or around the Annapurna Massif. Except for these three areas that were mentioned in the 1972 Plan, Government has followed a prudent policy of maintaining restrictions on the rest of the high Himalayas. Since 1977 when Muktinath and Manang were opened, probably as a consequence of India's opening Ladakh rather than of earlier proposals of the Plan, the Jomosom trek has steadily attracted more trekkers and has overtaken the Khumbu trek in numbers. Of the 27,460 permits issued in 1980, 36% were for Jomosom, 9% for Annapurna, 7% for Manang, 21% for Khumbu, 15% for Helambu-Langtang, and 12% for other areas. By 1982, the Jomosom trek had increased its share to 54%, while Khumbu dropped to 19%.

Annapurna and Manang also lost trekkers recently, while Helambu-Langtang held steady. Thus almost 60% of the trekkers (according to permits issued in 1982) go through Pokhara, and half of all trekkers up the Jomosom trek. This shift is attributable to better access of the Jomosom trek relative to Khumbu, where flights in and out of Lukla tend to be undependable. The Jomosom trek is easy on account of the trailside inns that have mushroomed there in recent years, catering chiefly to individual hikers. Outside of these traditional and most spectacular routes, little diversification occurred. In 1980, treks to other destinations, notably Eastern and Western Nepal, showed a promising rise, accounting as they did then for 11% of treks. But by 1982, this number dropped.

2.386 Because trekkers pour in large numbers into a few mountain areas, in a short season the most frequented areas are at times beset by problems of overcrowding and congestion. There is evidence of increasingly adverse effects on the environment as uncontrolled trekking spreads. Trekkers put further strain on the limited local supply of fuel wood, thus adding to deforestation. As food is scarce, price hikes are entailed by sudden demand from trekkers. Porterage is unorganised and so are campsites. Littering and pollution are more visible signs of lacking facilities, while lodges, inns and teahouses sprout along the trails. Crowds of trekkers impair the purity and serenity of the remote mountains.

2.387 No area of tourism in Nepal has received more attention, study and concern in recent years than did trekking. There are practical proposals on hand to solve some of the more pressing problems. But there are also controversial trade-offs involved that require policy deliberation. Organised and individual trekking, which are roughly equal in numbers, diplay a distinctly different impact on the use of local resources. But as yet little is known about these impacts. There are also great potential for trekking still in the untapped areas that are now restricted. But except for Khumbu, no attempt has been made to plan facilities and capacities in trekking areas.[20]

2.388 It now needs the proper policy and measures to be set in motion to control trekking in an organised and planned manner. There is considerable pressure on Government to lift the restrictions on certain areas. Trekking operators believe that an additional inflow in the 30% range would occur once new trekking routes were opened. But it must be ensured that detrimental impacts surrounding existing receiving areas, due to saturation, are not merely spread into new areas. The right strategy is to carefully open new areas so as to ease the pressure on existing ones while, at the same time, measures must get under way to improve the situation in present areas. The opening of new areas is not without controversy in the recent debate in Nepal.[21]

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(20) Industrial Services Center: Khumbu Region Tourism Study, Kathmandu, 1979. Sponsored by the former Department of Tourism and the World Bank in 1945, the study was the first to take a comprehensive approach to mountain tourism. It still awaits implementation.

(21) The latitude of viewpoints is probably best represented by these two authors: Gurung, Harka: Tourism Development in Nepal, 1982, Op.cit., p. 357; Sakya, Karna: Stripping Nature is not Tourism, Unpublished paper, Kathmandu, August 1982.

2.4 TOURISM INDUSTRY DEVELOPMENT

2.41 ACCOMODATION CAPACITY GROWTH

2.411 Starting with 20 hotels with 500 rooms in 1970, classified hotel capacity doubled in units and quadrupled in rooms to reach a 1980 total of 2,074 rooms. This is perhaps the most remarkable quantitative achievement by a tourism industry that has responded extremely well to the liberal incentive policy which Government provided. But it is as much the cause and the effect of a growth process which was not supported by a public sector back-up in promotion and marketing and which lacked essential control and direction.

2.412 Years of fast expansion such as during 1973/74 were followed by a slowdown in subsequent years. The real boom took place in 1977/78 when capacity shot up by 40%. Then it slowed towards 1980 when it levelled off. Compared to the Plan's targets -- in which the hotel expansion plan was the basic parameter of tourism growth forecasts -- actual additions up to 1974/75 were close to those planned. In fact they fell slightly short of the planned 1,055 for 1975, by some 85 rooms. But it was already apparent by the mid 70s that hotel growth went beyond what had been anticipated in both capacity and demand.[22]

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(22) GTZ - German Agency for Technical Cooperation: Report on the result of the appraisal of the project "Tourism Plan and Counselling of the Department of Tourism." Unpublished Monograph, 1976, p.3. The study believes that the high targets set by the Plan have not been without influenc in inducing vigorous hotel investments.

2.413 The dilemma took place in the second half of the 70s. The hotel building boom in 1977/78 faced a sagging demand but a year later. By 1980, when actual capacity was ahead of the Plan by 25% and demand short of the 189,000 by a sizable 26,000 visitors, an over-capacity in the range of one-third was in evidence. In actual figures, 230,000 visitors would have been needed instead of the 162,000 to fill the hotels at an appreciable rate. Since then the gap has widened under the dual impact of further capacity increases and slowing rise in demand.

2.414 Several factors caused this. Tourism since the mid 70s became the most attractive private investment area, backed by privileged Government loans. Apparently NIDC investment policies were wholly detached from the Plan's targets, as the Corporation continued granting its liberal loans for hotels. The hotel sector in these years must have absorbed the greater half of NIDC's resources, indeed up to 60%.

2.415 When in 1979 the effects of over-development became visible, a hotel ban was imposed on Kathmandu City. But it came far too late, with little effect. Today, many hotels survive due to the liberal loan and tax schedules that have fostered their growth to now provide some latitude in financial operations, as well as to low labour costs and sizable past profits.

2.416 The effects of past growth are felt througnout the hotel industry, but not all hotels are affected in the same way. The struggle for survival has entailed fierce competition, undercutting and other excesses which tend to be self-destructive.

2.42 DISTRIBUTION OF FACILITIES

2.421 During the period under review, the bulk of hotel expansion occured in Kathmandu, where the infrastrcuture was developed and commercial operations offered no risks. In fact, while the overall capacity in rooms exceeded the Plan by some 500 in 1980, Kathmandu alone was in excess of 600, with 1,646 classified rooms, while 1,001 had been planned. This represents 84.2% of all classified capcacity in Nepal. Since 1980 there has been no further expansion. Even though the concentration on Kathmandu has slightly dropped from the 90% in 1970, it is still well above the planned 71%.

.422 The roughly 400 rooms which arose outside Kathmandu compare in size to what the Plan projected, but they are not all in the planned location. Pokhara had 177 classified rooms in 1980, thus close to the planned 180. Chitawan with 4 rooms fell short of the planned 88, but tented camp accommodation compensates for this. Tansen and Lumbini still await the opening of a hotel. Classified hotels came up in Birgunj, Bhairawa and Janakpur instead.

.43 ACCOMODATION CATEGORIES AND CAPACITY UTILISATION

.431 Compared to the situation in 1970/71 and what has been proposed by the Plan, growth in hotel capacity occurred disproportionately at the top and bottom ends of the classified categories. There are now some 5?2 rooms in 5- star and ?3 in 4-star hotels (all in Kathmandu), and 330 in 3-star, ?1 in 2-star and 454 in 1-star hotels. While the Plan -- in emphasizing the upper middle class -- put 57% of the targeted rooms in 4- and 3-star categories, actual capacity in these is by a third below the 815 rooms planned, accounting for only 23%. Hence, the excessive expansion was in 5-star as well as in 2- and 1-star categories, and the shortage in the middle categories. Only the two 4-star , but hardly any of the 3-star hotels are big enough to handle groups.

2.432 In Kathmandu hotels have been built not only beyond the recommendable size, but also unsuitable to the demand structure. There is no recent survey to indicate the utilisation in different categories and the reported occupancy is far from reliable. Aggregate data as revealed in the tourism statistics show however a continuously dwindling average occupancy. In Kathmandu the annual bed occupancy dropped from 38.4% in 1980 to 35.5% in 1982, and hotels outside Kathmandu from 31.0% down to 29.3%.

2.433 If anything, these figures may only underline the obvious fact that the hotel capacity is under-utilised below any economy. In spite of favourable financial factors that have so far cushioned hotels against a hard fall, a shutting down of some capacities and labour layoffs are imminent. A new market order is overdue to avoid serious losses in investment to both the private and public sectors, and to provide conditions for a sustained hotel industry development.

2.44 NON-CLASSIFIED ACCOMODATIONS

2.441 If the non-classified hotels, notably informal sector lodges and inns, are taken into account, the Plan's decentralisation aims have been much more closely attained. Their growth especially during the past few years is the actual phenomenon. Although there are no accurate data -- the Ministry of Tourism's statistics include only a share of the non-classified facilities under "tourist standard"-- estimates suggest that there are as many as 80 lodges of various standards in Kathmandu, providing 1,000 rooms. Related to the classified capacity of 1,646, this means that a third of Kathmandu's total room capacity now is in non-classified categories.

2.442 At Pokhara, there are some 40 lodges of various standards now in operation with probably 450 rooms, accounting for even two-third of all accomodations. Likewise, lodges have been constructed at the Royal Chitawan National Park. And another 1,000 to 1,500 rooms are in trailside lodges and inns along the main trekking routes to Jomosom, Khumbu and Langtang. Therefore informal-type accomodations outnumber the conventional types, and this development which has occurred very recently reflects a new trend in demand.

2.443 The budget traveller segment for which these categories cater has been wholly underrated in the Plan which assumed only 10-15% in non-classified facilities. In actual fact, they probably account for 20-25% of the guestnights today in Kathmandu and as much as 50-60% in Pokhara. There seems to be considerable fluctuation in guests between 2- or 1-star hotels and the higher-standard lodges in Kathmandu. At Pokhara, lodges compete directly with the middle-class hotels for individual travellers in much the same way as the inexpensive trailside lodges have lured trekkers away from the costly organised trekking arrangement. Not all the lodges are entirely informal operations. Some have obtained NIDC loans, and are licensed by Nagar Panchayat. In Kathmandu quite a few of the lodge owners are members of the Hotel Association of Nepal and lean towards upgrading and formal standard operation. Because they are typically smaller in size, they fall below classification criteria. The Ministry has no control over non-classified facilities.

2.45 TRAVEL AGENCIES

2.451 Profileration is as much a feature in the travel trade as it is within the hotel sector. There are now over 45 travel agencies operating in Kathmandu, and another 45 or so trekking agencies. They are the result of private capital expectations in a sector that appeared promising and easy for investment, in which preferential import facilities were obtainable and which Government generously fostered through liberal licensing and little control. Consequently, a minor portion of the agencies are in active businesses. Perhaps a quarter is properly run as actual travel agencies. Save for one in Pokhara, all agencies are in the capital city. Among the 3 or 4 leading agencies, which had all been in business already in 1970, one controls approximately 60% of the market. Two agencies maintain offices overseas. The biggest agency is planning to open several overseas offices in an attempt to promote and market directly combination packages designed in the "Nepal-style" concept.

2.452 Otherwise, the pattern remained of a travel trade dependent on international tour operators, for which they act as local handling agents. The dominance of the Indian agents is said to be less than in 1970, but still in the range of two-thirds. Steps are being taken by Government to introduce a direct voucher system which would help local travel agencies through a 50% advance payment which will have to be made in hard currency by Indian operators as well. Although this may improve the flow of local receipts which were often held back for a length of time by the Indian operator, it does not alter the crux such a dependency brings with it. On the other hand, it saves Nepal efforts and expenditures in sales promotion, if the Indian and international operators provide for the majority of tourists.

2.46 TREKKING AGENCIES

2.461 . Specialised trekking agencies have come up in the wake of increasing numbers of trekkers, both organised groups and individuals. This activitiy, pioneered by Mountain Travel back in 1963, has meanwhile also expanded into completely new activities as river rafting, which was recently introduced in Nepal. Skiing is another activity yet to come. The greater part of the agencies is represented in the Trekking Agencies Association of Nepal TAAN. A trekking agency typically works with a specialist operator abroad, by providing all trekking arrangements and by actually conducting the trek. These agencies are in a stronger position vis-à-vis their overseas counterparts than are normal travel agencies, because of the relative uniqueness of Nepali trekking. A few agencies sell directly to their overseas customers. Most leave the marketing to the overseas operator, which means that they handle roughly 30% of the costs involved in a trekking package from Europe or the U.S.A.

2.462 Trekking as a business is surrounded by some uncertainties. The seasons for trekking are too short to provide full-time employment. Agencies tend to put only their key staff on a permanent payroll. Most trekking gear is imported as are most staple provisions. Porterage is wholly unorganised, and this state of things burdens the agencies and is a disadvantage to the porter as well. Porters tend to be the weakest element in a bargaining system that involves the agency, their sirdar, and the local middleman who hires them. Attempts are only now being made to organise porterage into controlled trekking depots.

2.463 Because of pronounced seasonality and only a few highly attractive tours open to trekkers, the business is hampered by restrictions imposed on other potential mountain areas. Trailside lodges that have sprung up along the three main routes now provide a much more inexpensive form of trekking; many repeat trekkers tend to discard the organised trek for individual hiking. "Freelance" operators have also appeared in the form of ex-sirdars who offer their services drastically below the agency rates. Undercutting has also become a feature among the agencies themselves. Since their number has soared up faster than that of trekkers, competition is vigorous especially in the face of a shift to individual trekking and congested traditional routes.

.5 IMPACT OF TOURISM DEVELOPMENT

.51 SOCIO-ECONOMIC IMPACT

511 Broad Implications of Past Growth: During the pe-
od under review, tourism continued to expand on a central-
ed commercial growth pattern as it had in the decades be-
re. Underlying this is the deliberate intent of boosting
urism for foreign exchange, by providing generous Govern-
nt incentives to the privately owned tourism industry. The
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erdevelopment. The most significant impact from past
owth was that tourism overtook other sectors to become the
incipal foreign exchange earner on which Nepal's economy
vitally depends.

12 Past growth, rather than solving old problems,
ated many new ones. Structural problems still persist,
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South Asian market, with the greater part of tourism
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centration on Kathmandu. New problems facing tourism
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t and tourism industry growth beyond demand render gains
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2.5 IMPACT OF TOURISM DEVELOPMENT

2.51 SOCIO-ECONOMIC IMPACT

2.511 Broad Implications of Past Growth: During the period under review, tourism continued to expand on a centralised commercial growth pattern as it had in the decades before. Underlying this is the deliberate intent of boosting tourism for foreign exchange, by providing generous Government incentives to the privately owned tourism industry. The private sector responded extremely well, and the tourism industry emerged as the most dynamic modern sector in the economy. Much of the incentive policy that induced it now appears economically unsound and probably the cause of overdevelopment. The most significant impact from past growth was that tourism overtook other sectors to become the principal foreign exchange earner on which Nepal's economy now vitally depends.

2.512 Past growth, rather than solving old problems, created many new ones. Structural problems still persist, the dependency pattern marked externally by its hinging on the South Asian market, with the greater part of tourism inflow controlled by Indian agents, and internally by the concentration on Kathmandu. New problems facing tourism include over-crowding and even saturation in some areas where growth occurred to the detriment of the environment, as also of tourist assets. On the other hand, overdevelopment and tourism industry growth beyond demand render gains in employment and income much less sustained and lasting than perhaps a decade ago. These implications now need to be redressed and tourism put into a proper perspective within the overall economic development. This will imply a drastic review of the present system of public incentives for the tourism sector.

2.513 Foreign Exchange Earnings: Gross tourism receipts rose from US$ 1.3 million to US$ 51.8 million during the period from 1970/71 to 1980/81 (fiscal years), thus roughly ten times over arrivals. Tourism now accounts for more than one-third of Nepal's merchandise exports, and for roughly a quarter of all foreign exchange earnings. During that time, tourism receipts in GNP terms more than doubled. In 1980 tourism contributed 2.3% to the Gross National Product against less than 1% in 1970. Compared to other South Asian countries, Nepal is higher than India (0.4% GNP) but lower than Sri Lanka (2.8% GNP).[23]

Table 4: NEPAL - Gross Foreign Exchange Earnings from Tourists

Fiscal Year	US$ in 1,000	Variation over previous Year
1974/75	11,490	-
1975/76	15,118	+ 56.0
1976/77	19,610	+ 20.7
1977/78	27,801	+ 41.7
1978/79	35,007	+ 21.6
1979/80	44,716	+ 24.5
1980/81	51.831	+ 18.9
1981/82	38,149	- 19.9
1982/83	37,900*	- 0.6*

* Estimate
Source: Ministry of Tourism.

2.514 While throughout the 70s tourism receipts soared 32% annually to the US$ 51.8 million peak reached in 1980/81, an alarming drop has been in evidence since 1981/82. Since then receipts have hovered at US$ 38 million. This decline is surprising since it occurred two years after international arrivals slumped. Still, actual gross receipts grew above expectation until 1980, exceeding the Plan's projections three-fold.

2.515 The Plan assumed that revenue from foreign exchange would be 63% of gross receipts.(24) The only empirical data so far is Burger's 1974/75 survey which indicates close to 64%. Meanwhile, the volume of tourism-related imports dropped as construction declined.(25) Present sector leakages are therefore estimated at around 20%. Exact assessment is difficult in view of the magnitude of imports coming from India, and because of Nepal's negative trade balance with India which forces it to sell hard currency for Indian rupees. Another uncertainty lies in black market leakage, i.e. hard currency that does not go to the exchequer. Rule-of-thumb estimates suggest between 15 and 25% of gross receipts. The over-valuation of the Nepalese rupee, averaging 25% during the 70s, recently rose to 30%. Leakages must have been the chief reason for the recent drastic drop in gross receipts. It seems that because of the sluggish

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(23) WTO, United Nations: Monthly Bulletin of Statistics, October 1981.

(24) Burger, Veit, 1978. Op.cit., p. 313.

(25) Typical upper class hotels currently require 8% of their operating cost in hard currency. Recent regulations entitle hotels to obtain 20% of their foreign exchange earnings for importation and promotion.

application of currency controls, the budget traveller segment is a write-off for the Nepal Rastra Bank.

2.516 Employment and Income: Generating employment through tourism was the Plan's second main objective, though it only defined this strictly within the tourism industry. Recent impact studies in Nepal weaken the assumption that tourism can play a major role in generating employment. Burger's estimates from 1974/75 reveal that total employment through all domestic sectors producing goods and services for tourist consumption are in the order of 7 to 8,000 full-time jobs. But tourism employment's 0.2% on the national labour force renders tourism rather insignificant as a job producer.(26) It is of course obvious that tourism is not apt to produce mass employment.

2.517 Aggregate appraisals of this kind, however tend to ignore that tourism has both capital-intensive and labour-intensive features. The former are in hotels, especially of the upper category. A sample survey in 1980 revealed some 4,743 hotel employments in a wide range of income levels.(27) The other segment relates to jobs connected with trekking and mountaineering. They are mainly jobs for porters and guides. Here estimates vary between 46,000 and 72,000 persons employed for some 36 days of the year.(28)

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(26) Burger, Veit, 1978. Op.cit., p. 301.

(27) New Era: An Evaluation Study of Training Programmes conducted by the HMTTC, Kathmandu, 1982.

(28) Gurung, Harka: Impact of Tourism Industry in National Economy, in: Hotel Association Nepal. Report on the 3rd National Convention. Kathmandu, 1983.

The significance of employment through mountain travel lies in the fact that their numbers tend to belie the true impact they have on the hill and mountain communities where there is no income alternative, while mountain travel coincides favourably with the off-agricultural seasons. Without trekking tourism, many mountain communities in Nepal would have died away.(29) In this regard, the Plan's assumption that trekking can be an economic force in underdeveloped regions has proved sensible indeed.

2.518 As regards income distribution, Burger found that tourism is not likely to play a significant role in improving the income distribution within Nepal and within society.(30) Salaries paid in hotels are generally above those of other sectors but half the high-paid jobs in the upper class hotels are in the hands of trained expatriate staff. The hotel industry as such is not a big employer. Hence, trekking offers the best potential for generating income and employment. (31)

2.519 Cross-sector Impact: The Plan anticipated impulses from tourism on industrial and agricultural activities and designed promotion programmes to encourage such linkages under the aims of import-substitution, employment and income formation. But no attempt has been made to define this. According to one survey from 1980, the tourists tested spent an average 24% of their expenditure on handicrafts,

(29) Gurung, Harka, 1982. Op.cit., p. 253.

(30) Burger, Veit, 1978. Op.cit.

(31) Dhungel, Ramesh N., 1982. Op.cit., p. 7.

while 29% went on accomodations and 23% on food.(32) Burger also revealed shares of 18 to 25% on handicrafts during 1974/75.(33) Although no detailed impact studies are available, there is evidence that tourism has become a strong promoter of traditional arts and crafts at a time when these skills were about to vanish for lack of patronage. Most visibly, tourism has induced the production of a variety of souvenirs in the Nepalese and Tibetan tradition. Newar woodcarving was revivied by tourism to become a new export trade as was the case with Tibetan rug weaving. Much the same is true for the conservation of monuments. Without the influx of tourists, many of Nepal's art and architectural treasures would have vanished.

2.5110 Still, despite apparent impulses in local segments of production for tourist sales, the potential cross-sectoral linkages that could accrue from tourism spill-over have hardly been tapped as yet. The net residue from tourist spending is low on other sectors of the economy.(34) The possibilities for import-substitution in the hotel and travel industry have not even surfaced yet. The reason for this is that the Nepalese economy is ever more swamped with Indian commodities, even in staple foodstuffs where local production is effectively hampered by cheaper imports. Many items in hotel furnishings and equipment could be made locally. Yet there is no incentive from Government. Of more

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(32) Development Research and Communication Group D.R.C.G., 1980. Op.cit.

(33) Burger, Veit, 1978. Op.cit.

(34) Dhungel, Ramesh N., 1982. Op.cit., p.7.

concern is that the sheer success of this sector, fueled as it was by privileges, drained funds from other investment sectors, and inflationary trends heated by tourism are now felt throughout the local economies in tourist areas. This may tend to cause repercussions of a political nature on its future status in the economy.

2.5111 Conclusions: Tourism has met every expectation as to its role as prospective foreign exchange earner. It has far surpassed the Plan's truly conservative projection in spite of a lower than projected visitor flow; this was compensated by longer average stays and higher than forecast expenditures per visitor. As Nepal is facing gaping trade deficits, tourism as the only potential source of foreign exchange becomes ever more significant. Whereas tourism has attained the prime objectives set for it, its impact on employment and income is not significant in terms of GNP and the national labour force. To achieve this would have required more of a developmental approach to tourism which the Plan envisaged but which was not realised.

2.5112 Despite real gains and positive impulses, tourism is not very integrated into the domestic economy and few positive linkages accrue from it. With but scant benefits, much of these are offset by tourism-induced inflation and a local community increasingly unable to afford their staples. This renders the contribution of this sector to the national wealth somewhat fragile. Otherwise, the Plan's assumptions regarding the impact of various market segments have been fully verified; sighseeing tourism has proved the chief foreign exchange contributor; trekking tourism provides the best potential for generating income and employment and also for the distributional effects which are less a feature of sightseeing. But to sustain real gains from tourism, more emphasis must be placed on integrating tourism with the economy by fostering the demand most suited to this end and controlling negative side-effects.

2.52 SOCIO-CULTURAL IMPACT

2.521 It was not until the mid 70s that socio-cultural aspects entered into the tourism debate in Nepal which, in the absence of proper research, is surrounded by controversial opinion and ideological myths. It is true that many impacts of tourism on traditional life style and culture are not susceptible to assessment because they are difficult to separate from other factors of societal change.

2.522 Tourism is geographically rather concentrated in Nepal and so is its impact on local communities. There are signs of ill effects and after-effects attributable to the inflow of tourists to Kathmandu and Pokhara. Drug abuse, prostitution, juvenile delinquency, begging and price hikes are the most visible signs, often related to the presence of large numbers of young budget travellers or the "cultural nomads" whose contact with the people is more direct, longer and more intense than that of the group tourists. But this is overclouded by taking the present-day budget travellers for successors of the hippy era, with which they have little in common. But because budget travellers cluster in large communities of their own, they tend to demonstrate a life style which is alien and provocative especially to the young people who come in touch with them. Nepalese authorities have found it difficult in the past to deal with the side-effects inflicted by foreigners' disrespect for local custom.

2.523 In the academic debate, tourism is held responsible for more subtle effects on culture in that it infuses an overdose of westernization upon traditional society, that it adds to profanation and that it induces a service-oriented mentality, materialism and cultural fallout. Tourism, as an agent of change, is a mixed blessing. As a promoter of art and culture, it conserves tradition. But put to profane tourist use, the sense of things changes. Traditional art revived may mean employment but it also means cultural degradation. Yet, that the negative effects of tourism outweigh truly positive ones in social and cultural as well as political fields has so far -- single elements apart -- not been revealed by research or reality. It needs more surveillance and control, however, and cultural parameters must be more effectively linked to future tourism policy.

2.531 The cultural impact of tourism is also a paradigm for effects on the environment. While socio-cultural impacts are a concern mainly in the urban areas subjected to tourism inflow, where tourism adds to environmental pressures and pollution, mountain tourism, uncontrolled as it is, puts further strains on a fragile ecology and scarce natural resources. It was said that tourism indeed helped some mountain communities to persist, but as it does, traditional life inevitably changes. Trekking and mountaineering not only provide jobs in the agricultural off-season, but by so doing they alter the life of farmers and herders and offset the fragile balance intrinsic to mountain economies. Where traditional economic practice is changed, life styles are weakened and often degraded. The danger exists, although analysts believe that mountain tourism has not yet become as damaging as it might because it is still confined.[35]

2.532 A more acute concern are the indirect effects of trekking on environmental resources in that tourist inflow means more fuel-wood to cut, rising food prices and over-grazing. An environmental impact analysis must be made with respect to both the cultural threshold and nature conservation, in determining carrying capacities of routes and receiving areas. This has so far been attempted in the Khumbu region, but only for Rolwaling has a definite limitation in trekkers been proposed.[36] Saturation is apparent in some areas during the peak season inflow is to the detriment of the environment and scenery for which it is renowned. And overcrowding and a degrading ecology seem to keep trekkers away from the Khumbu region where the effects are more widespread. It can be assumed, therefore, that the present commercial form of trekking in the most popular areas at least is headed towards serious setbacks if left uncontrolled. The existence of national parks has not proved to be very effective in controlling tourist inflow. Regulations are not properly enforced, and it appears that the park management is not up to the standard one would wish in world's highest and most fragile mountain national park.

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35) International Union for Conservation of Nature and Natural Resources IUCN: The National Conservation Strategy for Nepal. A Prospectus. Draft. Stephan Bass, Consultant, Conservation for Development Studies. February 1983.

36) Industrial Services Centre, 1979. Op.cit.

2.6 INSTITUTIONAL PERFORMANCE

2.61 TOURISM ADMINISTRATION AND ORGANISATION

2.611 In 1977, a separate Ministry of Tourism was formed out of the former Department in the Ministry of Commerce and Industry. The Plan's proposal that the Ministry shift such functions as archaeology, ecology and culture from other ministries has not been followed so far. Very recently, Royal Nepal Airlines Corporation came under the wing of the tourism office. The Ministry assumes the responsibility for policy-making and interministerial coordination in tourism. It has sections for planning, mountaineering and promotion in addition to administration. Under it comes the Department of Tourism with sections for control, planning, statistics and research as well as promotion. The Hotel Management and Tourism Training Centre (HMTTC) is also under the direction of the Ministry of Tourism.

2.612 In addition to what has been said above, the creation of a separate Ministry has resulted in a formal upgrading act that was not supported by measures to improve the institutional, managerial and technical capabilities for it to assume the proper functions. The Ministry remained a strictly administrative agency with a ministerial shell structure of formal functions. It has no technical back-up staff nor the machinery to carry out basic functions in planning and control, research and implementation, promotion and marketing. It lacks a trained professional staff, the know-how and the expertise in these areas. This is aggravated by a staff rotation system that deprives the Ministry of senior staff who, though administrative officers, have received professional training.

2.613 More basically, the Ministry lacks power and authority within the Government system and vis-à-vis the private sector. This is reflected in a small budget, but more seriously in frequent changes in leadership. Since its creation in 1977, the Ministry has seen 9 different ministers and 7 executive secretaries. This situation is a symptom of a weak institutional setting and a lack of priority in Government's role in tourism, and it entails a series of consequences detrimental to the practical performance of this Ministry. Lack of authority also causes a weak representation of tourism matters in other components of the public sector. Lack of control and power to enforce policies and measures render many functions of the Ministry practically meaningless. As a result, the Ministry today is perhaps less apt to effective work than the former Department was, mostly because now there is more hierarchy and bureaucracy involved in the procedures.

2.614 According to the findings of this Study the lack of professional-technical machinery is as much the cause as the effect of the institutional deficiencies that surround the office. The Ministry did not lack outside advice. Studies and opinions have been available from PATA, WTO, UNDP, World Bank and others. Several consultant studies have been commissioned. But the Ministry essentially had no appropriate staff to execute projects or, possibly, the staff lacked the professional knowledge and authority to convert studies and plans into projects.

2.615 The Tourism Ministry is virtually the only one which had no resident technical advisers, while the nature of its activities would have most warranted them. Visiting experts producing study reports have not really helped the

Ministry in any of the problems it has in day-to-day decision-making, follow-up and actual implementation which in tourism inevitably are difficult on account of many intersectoral aspects.

2.616 The current National Plan continues to rely on outside assistance to carry through the programmes and studies which it calls for. It seems now that the Ministry is in an urgent need of in-house professional capabilities which can only come from expert assistance. Unless this basic problem is solved, no progress in the organisational and managerial performance in the Ministry is to be expected. It requires an incremental build-up process to establish and train the resources which the Ministry needs to effectively assume its functions.

2.617 If past developments in tourism are to be consolidated and if sustained growth and lasting benefits are to be derived from this sector, then a fundamental change must be made in tourism politics and in priorities. To that end, more input will be required from Government in such crucial areas as marketing and promotion, control and monitoring, and coordination.

2.62 MARKETING AND PROMOTION

2.621 Analysis has given strong indications that more organised public efforts must be made in marketing if Nepal is to obtain an appreciable tourism flow with its supply build-up. All evidence suggests that the dependency on the type of windfall tourism flow that is a spinoff from South Asia, together with the absence of direct marketing, have been influential in slowing growth and have produced an actual loss in tourist traffic to Nepal. For the moment traditional promotion is able to generate some 120-125,000 international visitors. Arrivals have been hovering around that scale now for five consecutive years. Any increase is contingent upon marketing input. But marketing must also serve the aim of generating the type of demand suitable to Nepali tourism.

2.622 The 1972 Plan makes it quite clear that in order to sustain the growth anticipated for the Plan's second phase up to 1980, a concerted marketing strategy should have been set in motion by 1975. This pertains to the joint marketing programme and the opening of overseas offices which, while in discussion for some years now and confirmed in concept by the recent PATA Task Force,(37) still await action. This and the other components of the Plan's marketing concept are still relevant today. They now need practical measures to render them effective. Basic to this is the establishment of a tourism promotion board which, while under the Ministry, must be able to operate outside the Government system.

2.623 To proceed, legal steps need to be taken to transfer the present Tourism Promotion Committee into a board that is provided with executive powers and funds to launch a marketing programme and carry it through. It must be able to enlist first-class professional expertise, and this should

(37) PATA: Study and Recommendations for a Nepal Marketing Plan. A Marketing Task Force Report. February 2-10, 1983.

be available from the onset in order to properly conceive the board, organise the functions and help choose the right directions in which marketing efforts are to be conducted.

2.624 If public funds and possibly private sector contribution are to be made available and if they are to be effectively spent, proper target planning and monitoring will be needed. This implies middle- and short-term projections on tourism growth upon which marketing input can be defined and impact can be continuously controlled and evaluated. Government must be made aware that some share of revenue earned from tourism must be put back into promotion to generate more traffic.[38] But Government will want to know what cost-effect criteria it should follow in spending funds.

2.63 AIR TRANSPORTATION

2.631 Now that RNAC is under the Ministry of Tourism, unique opportunities are opened to formulate and implement an air policy through which the external and internal air connections on which Nepali tourism greatly depends can be improved in an optimal manner, and which Dr. Harka Gurung so convincingly outlined in 1982. The issue of an independent travel destination, these past years have shown, is closely connected with independent air links to Europe, where more than half of the international visitors originate. Delhi, the chief transfer point, is a bottleneck per se and notably so in the hot summer months. Circumventing Delhi en route

(38) Gurung, Harka, 1982. Op.cit., p. 257.

to and from Europe has become the crucial issue. Thought is being given to operating a private commercial carrier out of Kathmandu to connect with a European airport.

2.632 Before taking any steps, the Ministry of Tourism is advised to have full feasibility studies undertaken on the various options that exist, and to base its future air concept on appropriate marketing appraisals. Any concept entails huge investments and great risks in a quickly changing air traffic situtation; it deserves the best of studies and should be given first priority. The possibility of a second international airport is being considered, and international links will also affect domestic operations. And so any concept for direct tourism promotion in the European market is related to the type of air connection that is both feasible and desirable.

2.633 Meanwhile, there is a host of constraints surrounding air transportation in general, and RNAC operations and performance in particular which require appropriate action. Several measures are already underway to improve the booking system, to procure additional aircraft, to expand international services and to reorganise domestic services. Most of these improvements are technical in nature, and this Study is not competent to comment on them. Except that RNAC's international services, both present and prospective, appear to have little to do with any conceivable strategy for tourist traffic because they are in part inconsistent in either routing or prices, or both. It is also generally felt that they lack a properly strategized marketing approach.

2.634 In domestic service, the role of air transportation in tourism has undergone some changes over the past decade. Due to improved road transportation, fewer of the average tourists fly to traditional destinations such as Pokhara and from there to mountaines, to the Royal Chitawan National Park or, upon completion of the road to Jiri, to the Khumbu region. Conversely, the absence of reasonably priced and regular air links to other destinations in Nepal, namely to the West and East of Nepal, plays a formidable role in keeping tourism from spreading further afield. Thus, any expansion of trekking to new destinations, all of which will be remote, hinges on air transportation. Since these areas will be mainly for organised group trekking in the above-$25-per- day range, the feasibility of flying is obvious. However, it requires a flexible charter operation by RNAC which, if properly organised, can be profitable enough to warrant radio-linked STOL airfields, more aircraft and a type of service that is commensurate with the uniqueness of a Himalaya flight which, although not as often today, can be a frustrating experience.

2.64 COORDINATION

2.641 Tourism is known to be highly intersectoral in nature. It involves not only various segments of the private sector, but also a multitude of public sector components at national, regional and local levels of government. Success in tourism development usually depends on what priority it has in government and how the various agencies work together in their efforts to integrate tourism into the development process. This then determines the power, authority, and means of the responsible tourism agency to formulate policies and provide for their implementation in real development.

2.642 In the case of Nepal, tourism enjoys a rather privileged status as a private sector activity, strongly backed by government incentives and support which, as has been shown, is the source of past success, entrepreneurial skill and private initiative aside. Tourism has benefited from improvements in infrastructure, communications, roads and air service, national park development, monument preservation, manpower training and other Government sponsored improvements. Save for manpower training facilities, few improvements pertain strictly to the tourism sector. In fact, the Plan rested on the assumption that tourism alone does not warrant large capital improvements but must follow the general advance of infrastructural development in the country.

2.643 The Plan relied on the ability of the Ministry to represent tourism at cabinet level, and on the then Nepal Tourism Development Committee to synchronize tourism matters at the inter-ministerial level. Coordination is a problem throughout the administration. Because the Ministry lacked authority and executive continuity and because it did not really operate the Plan at the implementation level, coordination was difficult to effect. The consequence of this was that laissez-faire prevailed to the effect that incentive instruments such as for instance investment loans provided by Government were little related to targets set in the Plan. Loan policies by the Nepal Industrial Development Corporation which had perhaps the most direct impact on tourism industry growth were wholly detached from the Plan inducing a self-generating process that left little room for intervention and control even if there had been an organized co-ordination effort.

2.644 Meanwhile, over-development warrants a more balanced concept of incentives and intervention, implying a stronger Government role. More emphasis will have to be placed on coordination between the public and the private sectors and, most especially, among the public sector agencies.

2.65 MANPOWER TRAINING

2.651 The training facility recommended by the Plan was established in 1972 when the Hotel Management and Tourism Training Centre (HMTTC) was created with UNDP/ILO assistance. Since the Centre commenced courses in 1973, 1,289 trainees have graduated. On completion of the assistance project, in 1976, the Centre was taken over by Government. The HMTTC is now in the Ministry of Tourism, under a governing board of the Ministry of Tourism, the Ministry of Finance, and tourism associations (HAN, NATA, TAAN).

2.652 A study initiated by the Ministry of Tourism in 1980 undertook a survey of HMTTC programmes and evaluated their impact on training and output. According to the study, there were 4,743 persons employed in hotel, travel and trekking establishments. This figure does not however reflect total tourism industry manpower. Of the surveyed sample an average of 5% from throughout the industry was trained manpower. Hotels were belowe average with only 4% of the staff trained, whereas travel and trekking agencies have an average of 18% trained employees.[39] Compared to the

(39) New Era, 1982. Op.cit.

1972 Plan, it was estimated that the 2,500 employed in 1970/71, 2% of whom were trained, increased to 4,508 by 1980. This is a very close estimate, considering that the tourism industry grew well above the projected capacity.

2.653 Still, 95% of the mainpower is untrained, that is, on-the-job trained, although the untrained share has been cut from 98% in 1970/71. Manpower is scarce at the skilled level in hotels, while in other sectors, the HMTTC does not receive enough qualified applicants for its courses. Not all hotels ar satified with the quality of training HMTTC provides. The Centre lacks practical training facilities in the form of a training hotel. Thought is being given to establishing management training courses at the HMTTC. It would seem however that in view of the small number of trainees and the high cost of management training facilities, scholarships abroad, for several reasons, seem the better option. Apart from that, there is a serious shortage of widely trained and knowledgeable mountain guides. The HMTTC does provide respective courses, but they will have to be greatly upgraded and expanded through practical training in the field.

PART TWO UPDATED TOURISM DEVELOPMENT CONCEPT

SECTION 3 OBJECTIVES AND POLICIES OF FUTURE DEVELOPMENT

3.1 AIM OF THIS SECTION

3.11 There exist apparent problems in present-day tourism in Nepal that stem from past developments. They require less new objectives than the implementation of policies that were formulated long ago. The purpose of this Section is to draw attention to the essential institutional and developmental requirements in the tourism sect..., and to provide a framework for future policy priorities. Its chief aim is to serve as an orientation and guideline towards implementing policy which will rely largely on outside professional help in key areas of tourism planning and promotion.

3.2 SUMMARY AND CONCLUSIONS

3.21 The preceding review strongly indicates that the liberal context of the past has induced a natural commerical expansion within Nepal's tourism pattern which has not proved to yield sustained gains. Tourism's present status gives cause for serious concern on grounds of over-development and slumping demand; rather ambivalent and at any rate less than optimal economic benefits, national revenues aside, dubious impacts on the cultural and more visible ill-effects on the natural environment. The tourism industry is in a precarious state, and Nepal's tourism product is threatened with deterioration or even early loss. Policy guidelines for future tourism development must invariably start out from here.

3.22 Nepal's tourism now faces a critical pathway, and this must be used as an opportunity to reconceive the policy context in which the tourism sector is set. In fact, a basic policy shift is warranted if the real potentials in tourism are to be properly utilised and enhanced to the benefit of Nepal's socio-eonomic progress and, more practically, to preserve the resources in the tourism sector. This implies a stronger role of the public sector in directing and promoting tourism development than was the case in the past. The private tourism industry has reached a critical stage which, without major Government input, is prone to compunded recessionary impacts.

3.23 Indeed, without help from Government none of the structural problems intrinsic to Nepal's traditional tourism market will be resolved. Its dependency pattern is likely to inflict further constraints by slowing growth and through a partial decline in international tourism. As long as the majority of Nepal's tourism is dictated largely by factors outside its control, the danger of setbacks as in recent times is imminent. It was shown that under the circumstances surrounding international tourism since 1978, Nepal's "natural" tourism inflow apparently levelled off and that the slump which followed was caused by Nepal's refraining from endorsing active market promotion.

3.24 Marketing is but one area in which Government failed to assume its responsibilities in tourism develop-

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ment, and more if not all of the problems facing Nepal's tourism today can be attributed to that. Government does not lack suitable policies or programmes in tourism; essentially it lacks the ability to implement policies. Irrespective of whether Government deliberately refrained from assuming the role stipulated by the 1972 Plan or whether the Plan misconceived Government's institutional resources to do so, the fact is that there was only little professional- technical capabilities available in tourism administration to practically carry out the Plan's proposals and projects or the other studies and recommendations made by others since. The lack of professional skill and technical machinery to plan, implement and control is seen as both cause and effect of Government's poor performance in tourism.

3.25 The conclusion to be drawn from this state of events is that if Government's role in the tourism sector is to be effectively strengthened in order for it to provide the input on which any development now so essentially hinges, then the very basic professional abilities of the Ministry of Tourism must be properly organised. There are acutely accumulated problems in tourism planning and control which require the attention of skilled experts. There are urgently needed strategy deliberations in marketing and promotion, and there are pressing issues of co-ordination among public agencies and vis-à-vis the private sector. Visiting experts and study reports have not really helped the Ministry to solve any of its problems in the day-to-day tasks of decision-making, follow-up and practical execution of the plans and projects which it has on hand.

3.26 There is no need for a new comprehensive Tourism Master Plan. What is required is to try to obtain permanent expertise within the Ministry which can help to build up a capable organisation and the technical skill to perform the tasks. The current National Plan relied on substantial aid funding to carry out studies and surveys in tourism. But it ignores the technical requirements for their integration and follow-up. The problem thus reverts to the availibility of expert assistance in key areas of the Ministry, which was the major proviso to implementing the 1972 Plan. This is now more urgently needed than ever.

3.27 In an attempt to orientate such assistance along priority problems that require resolution, a priority framework is presented in this Study. It deals with the requirements and the direction of needed policy shifts; the urgency of a new market order to consolidate the tourism sector; policies pertaining to the tourism industry; regional priorities in consolidation and development. Economic policies are reviewed with the aim of making such policies more responsive to the market and to revision of the present incentive system. There are urgent planning priorities in tourism which must be attended to. Market promotion is the most important single issue facing Nepal's tourism, and the concepts that are on hand now have to be set in motion. Likewise, air transport has to be based on a more deliberate and feasibility-backed concept. Most sensitively, tourism requires a concerted and consistent policy pursuit by the various agencies involved in tourism.

3.3 REVIEW OF OBJECTIVES AND POLICIES

3.31 Past developments show that the tourism sector can serve various national socio-economic aims in development; that it can be a force in regional development; that it can provide for linkages and impulses with other sectors of the economy, generate employment and income opportunities, and contribute to preserve cultural heritage. The impact tourism has and the actual benefits that it accrues have been found to depend very much on how tourism sector policies are conceived, how integrated the tourism sector is in the overall development process, and with what priority it is practically pursued. For the reasons identified, this was not the case in the past, as it should have been. Tourism stood more or less under the overriding aim of maximising foreign exchange earnings, while other objectives that had been set out for it in the 1972 Plan and subsequent national plans -- in regional development, employment and income generation, cross-sector impulses -- were not actively pursued. In future a more deliberate efforts will be needed to maximise the potential benefits tourism offers. The Plan's policy guideline is still relevant to that end; it needs modification though, and more crucially, it needs implementation.

3.32 The 1980-85 National Plan, in keeping with the 1972 Plan which remains in force, retains two basic objectives for tourism:

(1) To increase net foreign exchange to improve the balance of payments position;

(2) To develop the tourism industry to generate employment and income opportunities.

Several policy objectives are underpinned in the National Plan, which can be summarised as follows:

(3) To increase overall benefits from tourism -- to increase visitor flow and length of stay, to open new attractions and enhance present ones, to improve infrastructural developments;

(4) To spread the benefits by decentralising tourism activities in the regions to aid regional development;

(5) To minimise social and environmental-ecological impacts from tourism;

(6) To maximise the use of domestic products to substitute importation.

3.33 Save for the social and environmental objective, the aims of the current National Plan are consistent with the 1972 Plan. They can all be seen as subservient or instrumental to increasing foreign exchange, or they can be looked at as serving broad socio-economic intents which ultimately would reflect on increased foreign exchange revenue, too. Past experience with policy implementation suggests adding qualitative criteria to the two prime economic objectives, by introducing (into the National Plan sector policy) the preamble of the 1972 Plan, namely, "... to develop tourism in a manner which will preserve and enhance the social, cultural and historic values of Nepal." The thus expanded principal objective would of course require precise policy formulation and target definition.

3.34 The working policies and programmes of the 6th National Plan indeed reflected more developmental approach to tourism than the previous National Plan. While stipulating the full implementation of the 1972 Plan yet to be carried out, it assembles a series of practical measures and programmes through which this should be done. A range of feasibility studies is identified in such key areas as regional resort development, marketing and promotion, and manpower aspects of tourism, as well as socio-economic, employment and ecological impact studies. Decentralisation and diversification aspects are stressed and new areas for spa development, skiing, river rafting and trekking infrastructure are approached, as are decentralisation of tourist offices and the need for more co-ordination among public agencies in tourism infrastructure development.

3.35 In concept, the 6th National Plan draws up a broad spectrum of activities and programmes, including a new Tourism Master Plan following the completion of a range of stipulated sector feasibility studies. Practical results so far include the UNDP/WTO survey on regional tourism development. Three of the eight sector studies have been completed, viz., PATA marketing study, New Era tourism industry training study, and a study on river rafting. But no action has been taken so far by the Ministry of Tourism to proceed with the follow-up on the studies it commissioned, while the remaining five studies still await aid funding to be undertaken. In fact, save for publicity and information material production, none of the programme's developmental components has progressed in the four years the National Plan has been in operation.

3.4 THE NEED FOR POLICY SHIFTS

3.41 Whereas improvements to the Ministry of Tourism's professional-technical back-up must be given top priority in any policy measure in tourism, uncertainties surrounding their timely realisation warrant the formulation of pragmatic policies to tackle the problems that exist today in public sector tourism concerns. They will also serve as a reference framework in the endeavour to enlist external technical assistance; without outside professional help effective policy implementation will not be successful. Priority areas in this sense relate to instruments and institutions with which Government regulates, directs and plans, promotes and co-ordinates tourism development.

3.42 Generous incentives provided to the private tourism industry, together with the absence largely of appropriate controls, induced a dominance of market forces in this sector which is now surrounded by acute over-development. As a consequence, tourism now needs a new market order in which incentives and controls are put into a proper perspective, implying such intents as:

(1) Consolidating the effects of past development, notably the over-supply in Kathmandu's tourism industry, mushrooming in the travel trade, and unhealthy competition throughout the industry; effectively stopping further licensing and the incentive moratorium.

(2) Formulating a new incentives system to aid the developmental intents of tourism, i.e., the use of more differentiated incentives to promote tourism investments in certain areas while discouraging them in others. The revision of present fiscal privileges is warranted.

(3) Applying and enforcing existing rules and regulations with regard to foreign exchange control, currency exchange at visa extension, tourism industry inspection, and foreign exchange management.

(4) Revising existing rules and fees with regard to trekking permits and their application in the interest of controlling trekking volumes in congested receiving areas, e.g., raised and seasonally varied fees, volume restriction, and checkpoint controls.

3.43 No policy revision in tourism makes sense unless present leakages, which are estimated to account for at least a quarter of the hard currency loss to the exchequer, are effectively curbed. The next important current issue is to review regulations pertaining to preferential loan, tax, and import facilities in the interest of curtailing tourism industry expansion in Kathmandu City, which implies a moratorium on the existing incentives system and a review of licenses granted to hotel and travel trade establishments. More differentiated incentive instruments are needed to stimulate investment in certain areas and sectors of tourism development, particularly in the more remote regions or in designated resort centres where they can meaningfully serve to compensate for locational disadvantages in access, infrastruture and other externalities. This now needs deliberation.

3.44 That a policy shift is overdue is widely recognised throughout the tourism sector. Tourism industry feels that the liberal laissez-faire attitude of the past must be redressed in the interest of a proper market order. More Government intervention is necessary; zealous control and proper enforcement have to be instituted. This may be difficult to practice in Nepal's political and economic context, and it will inevitably have to start with small steps by applying the rules and regulations that exist in a mores tringent and organised manner. The system of policy instruments needs to be redesigned eventually, however, in order to curtail the effects of lop-sided industry growth.

3.45 A new market order implies measures to minimize ruinous price competition in the hotel industry by setting reasonable minimums, by establishing an effective and rational method of licensing hotels and travel agencies according to market requirements, in the interest of a stabilised supply. As quality deteriorates, Nepal's tourism product is prone to degradation. Quality controls are therefore a must in the hotel industry and the travel trade because undercutting prices below economy means a loss of service quality provided to the tourists, and this has an effect on marketability.

3.5 FUTURE POLICY GUIDELINES

3.51 TOURISM INDUSTRY POLICIES

3.511 Nepal's tourism industry is in an urgent need of consolidation and this will not come about of its own accord. It was shown that there is not only on over-supply in total hotel rooms, but that investment has also concentrated in categories and units that do not conform with demand. To remedy this situation drastic policies are needed:

(1) To ban any further hotel investment in Kathmandu City for a period of five years;

(2) To investigate means to consolidate existing hotel units, to encourage joint operation, sales pools, especially among smaller middle- and lower-category units in order to improve their marketability;

(3) To review the hotel classification system and its applicability in the interest of minimum standard quality and compliance with original category rating;

(4) To re-examine travel agency licenses in the light of actual business operation; to distinguish between mere ticketing offices and agencies engaging in active tour operation, and to differentiate licenses and concessions accordingly;

(5) To re-examine licensed trekking agencies in light of actual business operation, to establish standards of operation and to withdraw licenses in the event of non-compliance; to effectively ban illegal and other non-licensed operations; to set up trekking performance codes;

(6) To re-design a system of incentives in the interest of promoting hotels and travel agencies in Pokhara and other tourism priority areas yet to be defined;

(7) To study suitable means of helping informal sector lodges to upgrade their standards; to establish suitable minimum hygiene norms;

(8) To attempt to control informal sector tourism facilities in the proper interest of private investment; to make "nagar panchayat" licensing of tourism industry establishment conditional to prior consent by the Ministry of Tourism;

(9) To control private lodge operations in mountain areas by virtue of local land use plans and zoning enforcement; to establish service standards, hygiene norms; to help lodge operators in cost calculation to set reasonable prices; to urge lodge operators to provide and maintain proper campsite facilities;

(10) To regulate trekking arrangements by defining codes of conduct, type of trekking in each area, rules pertaining to carrying capacities; to provide for the organisation of porterage registration, trekking depots, licensing of guides, kerosene or other appropriate fuel supplies; to improve qualification of trekking guides; to revise trekking permit fee arrangements.

3.512 Trekking is in urgent need of regulation and organisation, aimed at safeguarding the quality and attractiveness of this unique product and the security of those who use it, as well as the proper interests of those who operate it. There is good information available on trekking, but the individual trekker, as he or she obtains a trekking permit, is not made aware of the risks involved in the activity nor of the right conduct that is expected of him or her while trekking. Many trekkers underrate the risks of high-altitude trekking. They are often ill-equipped and ill-prepared. There is no effective control of trekkers wandering off the trails or onto high passes that are difficult. Often they fall victim to unreliable or inexperienced guides, but more often to incorrect behaviour on their own part. Robbery is more frequent and the number of missing trekkers increases every year.

3.513 On the other hand, porters are being exploited more frequently than ever by trekkers, but more commonly by sirdars and nikes. They are often deprived of their official pay rate, and are improperly clothed and equipped for higher altitudes. The organisation of porters and the licensing of properly trained and knowledgeable guides, therefore, are imperative. Practical proposals are available in the Ministry; they must be effected in the interest of all parties involved in trekking. Trekking depots are a suitable means to organise porterage and guides to control trekking activities and to provide kerosene and other supplies for trekkers. It is conceivable that a pilot scheme depot project is set in motion in the Khumbu region in order to gain practical experience. The issue of regulating trekking is quite delicate. Too many rules and controls tend to impair the charm and spontaneity it has in Nepal. Conversely, the mounting ill-experience, no matter what causes it, damages the image probably more than cultivating a style of mountain travel which no other country would tolerate in this form.

3.52 REGIONAL PRIORITIES

3.521 Decentralisation of tourism activities, next to foreign exchange and employment and income generation, is the important policy objective. The basic policy guideline which the 1972 Plan provided is still relevant, underlying as it does the present National Plan. Priority resort areas have been identified there and a study on tourism development in the far western and the eastern districts has been completed. There appears to exist a keen interest throughout the regions to venture into tourism. But much of this is less based on realistic assumptions of what tourism is and how it works, than on the wish to partake in the economic privileges tourism is known to enjoy.

3.522 Before spreading tourism -- given the dominant control of the Kathmandu tourism industry and the fact that capacities there are under- utilised -- existing receiving areas must first be consolidated. Otherwise there is the imminent danger that the ill- effect of uncontrolled expansion and not the benefits of tourism are spread. A regional policy concept would therefore concentrate on the following elements:

(1) To consolidate existing tourist receiving areas by virtue of a new market order, incentive mechanisms, planning and control, marketing and promotion -- chiefly, Kathmandu, Pokhara and existing trekking destinations;

(2) To improve basic requisites for developments at Pokhara, implying both measures of consolidation and planned development;

(3) To improve and enhance secondary destinations, notably Chitawan and, with developmental input, Lumbini;

(4) To carefully select new trekking areas such as at Kangchendzönga, Manaslu and Dhaulagiri, and to facilitate access and services to those areas.

(5) To develop hill resort stations in each of the four regions as called for in the 6th National Plan.

3.523 It has been shown that the assumptions of the 1972 Plan on spreading sightseeing tourism in the midlands as well as in the mountains have not proved feasible owing to constraints in sightseeing itineraries and the marketability of destinations outside Kathmandu, Chitawan and Pokhara. Thus decentralisation will hinge entirely on trekking tourism, as far as international visitors are concerned, in the mountain regions, and in the midlands chiefly on Indian recreation tourism. The peculiarity of Nepal's geography causes most of its tourism assets to be concentrated in Central Nepal. And accessibility there is improving relatively faster than in the other regions. As the 1972 Plan correctly assumed, tourism cannot pay for its own infrastructure but must follow general development. Most remote regions are notoriously short of food staples, a situation which tourist inflow aggravates acutely, as evidenced in existing trekking areas. This indicates the need for a carefully conceived decentralisation policy that is responsive to local existing constraints. It is desirable that local people have more of a say in how tourism is operated in the districts. But as it is, they have no fewer difficulties to overlook the various trade- offs than the tourism planners have. Therefore, decentralisation of tourism implies the decentralisation of the agency responsible for it. District tourism officers are needed to guide events on the spot, provide help and advice, and indeed promote local initiatives.

3.53 ECONOMIC POLICIES

3.531 Analysis suggests that the various tourist segments found in Nepal differ greatly in their socio-economic impact, but also in their effect on the cultural and natural environment. This provides important indications on the desirability of different tourism markets and how they would be developed in future. The following factors are relevant:

(1) Sightseeing tourists spend most per capita and also per visit, although staying only 3-7 days on average. More than half of their money goes to upper category hotels for food and lodging, relatively little for handicrafts and

other local economies. Their catering involves a higher share of imported goods. Sixty to eighty percent of these tourists are handled by foreign, mainly Indian travel agents who retain a share of the travel commission, and who are in a position to dictate local prices. Still, the sightseeing tourists produce most of the foreign exchange revenues earned in the industry, while the upper category hotels account for the largest share of tax revenue and value added.

(2) Trekking includes two categories. One is the mostly organised group trekkers spending somewhat less per day than the sightseers when on the trek, and staying between 2 and 3 weeks, thus spending more on the overall. Most of their supplies are imported. They employ guides and porters, which means that part of their money provides employment and income to members of the hill and mountain communities. They are handled by local agencies, operating directly for foreign operators which provide for most of the marketing, at considerable profit spans. The other category is the individual trekker who makes his own arrangement, either brings his gear with him or hires it locally, stays in tents or cheap lodges and therefore spends very little money. He may buy more food supplies locally than the organised group and thus provides for local cash income in a lower income stratum. The import coefficient of this segment is lowest as most goods and services are obtained from the local market.

(3) Budget travellers, while rather heterogeneous in their expenditure pattern, commonly stay in inexpensive hotels or informal lodges. On the average they may spend perhaps one-third of what a sightseeing tourist does, but they may stay several weeks or even months. What money they spend flows more directly into the local community, a relatively large amount on local products. Facilities catering to the budget traveller use less imported goods and items, but are largely supplied by the local market. Their expenditure benefits lower income groups more than that of sightseers, which means that their import coefficient is absolutely the lowest of all segments. Little of their money goes to the exchequer as budget travellers openly profit from the black market, about which their travel guide books give precise information.

3.532 Thus, the 1972 Plan's assumption that sightseers provide mainly for foreign exchange while trekkers help re-

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mote regions to some employment and income, has been verified. What was not foreseen or foreseeable was the influx of budget travellers, which appear both in the sightseeing category and that of the individual trekkers. Economic benefits from them, while scant, seep more into segments of the local community which previously had not gained from tourism. But in spite of this, many though not all, budget travellers take outright advantage of Nepal's cheapness, often anchored in traditional customs of hospitality and catering at low cost. In addition, they finance a third of their travel costs from black market gains.

3.533 In an attempt to maximise the benefits to the economy, given the market demand pattern as a fairly constant variable, import-substitution since the 1972 Plan was found to be the chief area in which real improvements can be made, though little has been accomplished. It is true that tourism always depends on imported goods to provide the output which ultimately reflects on foreign exchange. Substituting local products for better quality imports would produce a lower output and less foreign exchange. Import substitutes are sound only where opportunity costs of resources used to produce them are less than the cost of imports. Areas in which this may apply are local handicraft products (textiles, furniture, rugs, ceramics), but also food staples for trekkers. To pursue a policy of substituting imports requires a shift in incentive policies to the effect that domestic products are appropriately promoted and their use honoured.

3.534 This may tempt fostering still more subsidies and privileges to a sector which is already overly pampered, and from which a relatively small group of entreprenerus benefits. It seems that save for preferential importation of essential goods and services needed to operate the tourism facilities, fiscal privileges in the form of tax holidays as well as subsidised loans, are not really needed in Kathmandu or even in Pokhara, while they are essential in outlying areas where resource outlay and capital resources are disadvantaged. Cutting down on tourism industry incentives would also be in the interest of promoting investment into other productive sectors of the economy.

3.535 The other area in which revenues from tourism can be increased lies in curbing foreign exchange leakages which, however, is more of a policy pertaining to improving institutional, rather than strictly economic, performance though its bearing is direct and drastic as seen in the recent drop in gross foreign exchange.

3.536 More important in the long run is the need to eliminate some of the external dependecies which deprive Nepal of the maximum benefits that could accrue if it were in better control of its tourism market. This relates essentially to the destination product concept of the 1972 Plan. And it will also represent the most important policy issue in Nepal's tourism in future.

3.54 TOURISM PLANNING PRIORITIES

3.541 The use of refined sets of incentives presupposes the existence of a planned concept of priority areas in tourism development to which incentives would relate. Although in discussion for some years, this still awaits formulation, implying that proper feasibility studies are being made on regional tourism projects. But present-day priorities lie less in remote resort tourism projects in the far west or east of Nepal while existing over-crowded areas urgently need planned intervention. In the case of the Khumbu region studies are on hand waiting to be implemented. The Ministry of Tourism should consider the following priority planning requirements:

(1) Planned organisation of existing trekking areas, notably Pokhara-Jomosom and Khumbu with approach trails; this implies the definition of sensible carrying capacities and suitable monitoring measures; the improvement of trailside infrastructure; the organisation of porterage; depots for kerosene; refuse disposal; campsite planning;

(2) Surveys and planning studies to identify new trekking routes, their capacity, location and suitability to trekking forms; organisation of trekking; infrastructure facilities and controls;

(3) Drawing up a master plan for the Pokhara area to safeguard tourist potentials and enhance these through proper land use planning, zoning, and enforcement regulations;

(4) Feasibility evaluation of resort area development projects under the 6th National Plan, and alternative selections.

3.542 There is a consensus in Nepal that the load on existing trekking areas could be eased by opening new routes. This makes sense only if rigorous controls are applied to fresh routes while existing ones are relieved and consolidated. To avoid ill-effects, new routes will be exclusively for organised trekking. No new route should be open to individual trekkers unless and until area-related studies prove otherwise. A volume restriction in existing areas and parallel improvement measures are of utmost priority. Policy options to that end are a freeeze in trekking permits and/or an increase in fees. Area-determined and seasonally staged fees on a higher level, though, will probably prove more practical.

3.543 Planning requires close knowledge of local condition. It is meaningful only if supported by proper controls and surveillance to keep track of actual developments. Regional tourism officers assigned to the local or regional Panchayat administration are a prerequisite for any orderly attempt to spread tourism activities further afield. Tourism officers must have the authority and power to co-ordinate, as well as the funds to execute, tourism-related projects.

3.55 MARKET PROMOTION POLICIES

3.551 Active market promotion now constitutes the most urgent single issue in Nepal's tourism industry if dwindling market shares are to be improved, the tourism industry consolidated and a sustained future market to be developed. While marketing serves the immediate aim of generating a satisfactory volume of visitors, its more important long-term aim is to foster a more independent tourism market that is responsible to Nepal's tourism product, its resources and constraints, permits real control over it and thus ensures that Nepal derives maximum benefits from it.

3.552 Whereas this is the general policy intent underlying the strategy of the 1972 Plan, confirmed in concept by the recent PATA Task Force Study as well as in the travel industry debate on destination tourism in Nepal, and whereas there appears to be a consensus on the need for a joined public/private market promotion organisation, there is as yet no practical concept on how this should be set afoot.

Here again, the Plan's marketing program and the PATA Study's recommendations provide a sound framework for what results should be achieved. No attention has been given to the practical details of who and how to organise the multitude of managerial, institutional and professional tasks involved in full-fledged marketing.

3.553 In concept, an autonomous Nepal Tourism Promotion Board should be established around the present advisory committee, charged with marshalling the public and private sectors' combined marketing resources. The Board would be under the auspices of the Ministry of Tóurism, albeit organised under semi-public executive management, provided with its own funds and able to recruit first-class professional expertise. Furthermore, outside specialist marketing advice should be made available from the onset to assist in designing the legal concept and organisation of the board, to devise functions and means of funding and to draw up a marketing programme, including publicity, promotion, information and appropriate forms of market representation, and market research.

3.554 Private sector overseas sales activities now require Government policy deliberation, too. Nepali travel agencies havé embarked upon that in the past, and the leading agency is now planning to go ahead with several overseas sales offices on a wider scale. Also, RNAC appear to have their own sales promotion concepts. Past inactivity in marketing now seems to lead to uncoordinated fragmentation, overlapping and duplicated activities, none of which can be in the proper interest of economising on Nepal's scant marketing resources.

3.555 While marketing organisation now needs a thorough review and a consistent policy formulation, a moratorium is warranted on the present methods, forms and media of promotion and publicity. Nepal lacks the most essential market information focussed on its products, while a host of irrelevant material is produced at considerable cost and dubious impact. Fair participation, in the absence of proper information material to follow up interest, poorly staged as it often is, appears less than effective and probably a waste of money. At the same time, there is an urgent need for Nepal to work against increasingly critical world media coverage on ill-effect especially of mountain tourism. By inviting journalists, Nepal should convey the fact that it is taking serious steps towards improving matters, but needs help to do so.

3.556 Marketing requires the existence of a deliberate tourism policy in which it would be framed and pursued. More specifically, a market development concept is needed to orientate marketing towards a definite product and precise demand targets. In addition, marketing input is meaningful only if related to reasonably defined targets by which its output can be monitored and controlled. No Government would be spending funds on marketing without suitable cost-effectiveness information. Therefore, a market development programme is needed, indicating which market segment is to be promoted with what means and to which end it needs a market forecast. The updated Market Development Concept of this Study is intended to serve as an outline to orientate this. It will have to be converted into short-term and middle-term demand projections, which is an initial task of the proposed Nepal Tourism Promotion Board.

3.56 AIR TRANSPORT POLICY

3.561 Another concern related to both developmental as well as promotional activities is air transport. The shifting of Royal Nepal Airlines Corporation RNAC into the Ministry of Tourism now offers a unique opportunity to optimise the role of the national carrier in tourism, which was the rationale for the transfer. This sector does not lack practical policy proposals, namely,

(1) To undertake marketing appraisals by air transport consultancy on options available in expanding international air links, notably to Western Europe, and to assess the feasibility and marketability of same;

(2) To improve the level of performance, service, reliability, schedules and booking arrangement on RNAC regional flight operations, notably on the Delhi route;

(3) To base future regional operations on proper marketing assessment and consistency with tourism requirements with regards to connecting schedules, transfer and fares;

(4) To improve domestic scheduled operations in the proper interest of remote area servicing policies, coordinated with tourist needs and the aim of decentralising tourism in those regions;

(5) To expand domestic flight operations consecutively with the opening of new trekking areas and the servicing of the existing ones, by increasing STOL equipment, establishing radio communication facilities at STOL airfields, and non-scheduled services to allow more flexible operations.

3.562 Each of these policies involves a multitude of associated and subsidiary aspects which range from airport infrastructure, the completion of Kathmandu airport and the need for a second international airport, to practical operational and airfare arrangements. The policy intents of this

Study would not warrant any change in air policy with regard to charter operations, nor the introduction of private air transport in any form.

3.57 MANPOWER TRAINING POLICIES

3.571 The HMTTC should be retained in its present form. It should seek to intensify refresher courses for the hotel industry, restaurants and travel agency personnel. The following improvement policies are warranted:

(1) To better co-ordinate training with industry requirement and to provide for a better co-operation between the HMTTC and private employers;

(2) To seek to obtain fellowships and sponsors for management training abroad, in cooperation with HAN.

(3) To improve training programmes for sightseeing guides.

(4) To improve and expand training courses for mountain guides, sirdars and trekking cooks by off-season field training.

(5) To consider co-operation between the HMTTC and the Taragaon Hotel for conducting on-the-job training.

3.58 TOURISM COORDINATION POLICIES

3.581 The most important single issue from which most acute dilemmas in tourism ensue lies in inconsistent policy co-ordination among a few key Government components with regard to tourism or, for that matter, the absence of one congruous sector policy, from formulation through to implementation. The findings of this review indicate that there is little sense in advocating the type of comprehensive co-ordination in tourism which, while desirable in theory, occurs so seldom in practice. But there are some areas in which concerted action is imperative, viz.:

(1) To harmonise incentive instruments with their application in the proper interest of tourism sector policies; the granting of tourism industry investment loans must be in some relation to targets set and endorsed for the industry, which means that the Ministry of Tourism must have a say in what loan applications the NIDC and the Ministry of Finance grant.

(2) To implement concessions regarding foreign exchange quota granting to tourism industry establishments on a routine basis; Ministry of Tourism recommendations in applying import regulations must not be subjected to the discretion of the customs authority whose duty it is to administratively execute importation.

(3) To streamline rules and regulations pertaining to tax and import concessions; to review their applicability to various segments of the hotel and travel trade.

(4) To review import concessions with a view towards promoting the use of local products; to stimulate import-substitution and encourage local production, concessions must be reversed.

(5) To enforce control and inspection of tourism industry establishments holding tax and import concessions in the interest of curtailing abuse of privileges granted.

(6) To reinstate and apply existing rules and regulations pertaining to currency declaration sheets, mandatory exchange at visa issuance; to put out and enforce other suitable means of curbing foreign exchange leakages and black market activities; to convey to visitors the purpose of such regulations in the appropriate manner.

(7) To review the present system of trekking permits as indicated above; to consider in the Ministry of Finance, Home and Panchayat, Central Immigration, and Tourism the use of surcharge fees on trekking in the interest of funding environmental and infrastructural improvements in trekking areas.

(8) To establish appropriate trailside police posts, through Home and Panchayat, in the interest of regular checks and tourist security.

(9) To consider in Tourism, together with Home and Panchayat, the establishment of Regional Tourist Officers at local and district Panchayat levels and also, in connection with (7) above, their funding, and executive powers.

(10) To review in Home and Panchayat, together with Tourism, the system of licensing for local tourism establishments, in the interest of planned control and in order to safeguard private investment.

(11) To co-ordinate, together with Forests and the Department of National Parks and Wildlife Conservation, as well as with Tourism, measures to consolidate existing trekking areas and the requirements for opening new trekking areas in cooperation with Home and Panchayat.

(12) To co-ordinate and implement trekking depots, to organise, install and operate kerosene pools; to organise and register porters and license guides; to eliminate the operation of illegal trekking agencies, guides and middlemen.

3.582 This is a fair programme of measures that are overdue and should therefore receive top priority. But since the crux is always in implementation and follow-up, it is essential that a Nepal Tourism Co-ordination Committee is reinstated and charged with more committing responsibilities than only with advisory functions. Many of these policy issues are inter-related, requiring further deliberation, while others can be readily executed. To be meaningful, they require constant monitoring and adaptation to changing conditions, which was the major defect in past performance. The Committee should be assisted by professional advice once this is available to the Ministry in key areas of tourism planning and marketing.

SECTION 4 MARKET DEVELOPMENT CONCEPT

4.1 AIM OF THIS SECTION

4.11 Trends in demand affecting Nepal's market in the foreseeable future are highlighted here with the purpose of identifying new parameters in market development; singling out relevant implications on Nepal's tourism product and ways to enhance it in the best interest of its resources and market context; drawing up a market concpet for each of the main demand segments including growth prognoses.

4.2 SUMMARY AND CONCLUSIONS

4.21 Nepal has an established tourism market which has evolved during the past 25 years largely in response to demand. The recent years evidence volume shifts in international demand and these indicate trends likely to affect Nepal's tourism also in the next five years. They have to do with a declining sightseeing demand while Nepal's unique trekking market continues to grow. The traditional mainstream sightseeing tourism is hampered by recessionary economic conditions in the West. But this demand is also undergoing significant changes in travel motivation and travel patterns which will become more relevant on the long- if not middle-term. There seems to be more of a desire for individually more rewarding forms of travel-seeking alternatives to the conventional package deal.

4.22 Forerunners of this are the international budget travellers. But they are a transitory phenomenon in a trend towards more contemplative than consumptive styles of travel which in the long run are expected to involve other segments of tourism demand as well. If this trend is manifest then, as is assumed, then future demands for destinations like Nepal will be shaped by more individual travel forms or small groups operating on a flexible itinerary, taking more time and interest in a vivid encounter with the environment in which they travel.

4.23 Nepal is a small country and its tourist assets are as intricate as the peculiar natural and cultural setting that shelters them. This situation is wholly unsuited to mass tourism, for Nepal is a "marginal" destination, susceptible to saturation, as past growth has evidenced, endangering or even losing the very quality of its tourism product. What Nepal offers to the conventional sightseer is only a fragment of its tourist attractions, neither their most unique nor, in market terms, their more competitive side. This renders Nepal's market largely outside its control, a state of affairs which recent demand setbackshave sharply focussed.

4.24 Nepal's tourism product needs more of a conscious effort to preserve its assets by fostering the type of demand that is better suited to the entirety of its assets, not parts of it, as at present. Trends in demand indicate the chance for promoting and indeed developing new market forms through which more sustained benefits can be derived from tourism at large. This implies a market which is more responsive to environmental and cultural thresholds intrinsic to Nepal and helps to preserve the unique qualities of Nepal's tourism product. This now needs an active market promotion focussed on the emerging individual or small group traveller's want for a distinct experience which this destination ideally offers in the variety of cultural and natural assets.

4.25 In market demand prognosis, sightseeing tourism is expected to remain at present levels, which means that market promotion must be deployed to halt further slumps. Asian demand may step in to compensate for possible losses in traditional Western tourism. But if Nepal embarks on active promotion it must attempt to foster in earnest the type of destination travel which the 1972 Plan envisioned under the 'Nepal-style' holiday. This still remains the ultimate strategy aim in any market development concept for Nepal.

4.26 Trekking is the most promising demand force to sustain further growth in a market which will retain its dynamism and in which Nepal is in a unique sellers' market position. However, ill-effects of past uncontrolled expansion must be checked if Nepal's most unique product is to be prevented from further degradation or even early loss. Provided new destinations are opened, trekking can be expected to grow at an annual 20% span through 1988, to then account for 22% of the visitor inflow.

4.3 CHANGES IN DEMAND

4.31 Nepal's tourism market has been firmly established over the past 25 years. Important changes in travel volume and the market structure have evolved especially in more recent times. Underlying these are trends in the tourism originating societies which will shape Nepali tourism in the foreseeable future. These changing parameters have both quantitative and qualitative impacts: they affect, and are affected by, Nepal's tourism product. In conceiving a demand-responsive product for Nepal's future tourism, several assumptions are important.

4.32 Western Demand: Recent changes in Nepal's international tourism demand -- the slump in mainstream sightseeing, the emergence of budget travel and the unbroken surge of trekking -- are themselves the outflow of structural changes in travel patterns in the industrialised parts of the world. They indicate trends which are however in transition:

(1) In the wake of economic recession international tourism has lost some of the buoyancy of the past three decades. Long-haul travel is particularly affected by this. Slower growth and even stagnation are more likely in the future. The economic downturn in the West has also evoked a "cultural crisis" and this bears on travel motivation too. Signs of this have become apparent in Nepal over the years.

(2) As demand is depressed worldwide, many destinations find themselves facing over-supply which puts them into a buyers' market. Destinations that were easily marketable until the 70s are now experiencing tougher competition. Nepal is no exception. Its unique sellers' market position of the past has since then reverted, except for the trekking segment.

(3) By far the major part of international travel will remain in Western Europe and North America, leaving the rest of the world, and the Third World countries a few percentiles of that. The total volume is expected to stay relatively constant though at present pent-up recessionary demand produces slight growth. Nepal owns so relatively small a share of world travel that such trends are not necessarily indicative of what share it obtains.

(4) More important are the qualitative changes affecting international long-haul travel since 1978. Chiefly, recreational demand of the classic beach-type holiday is stagnating as demand is both economically depressed as well as saturated and, in addition, is undergoing a drastic change towards quality expectations

(5) This is mainly because Western tourists are now more experienced in travel, which makes them more critical and demanding. As economic recession cuts travel budgets, those who do travel want more value for money. But this is only the surface. There is a deeper-going motivation change which may be vaguely described as a desire for more rewarding personal gains from travelling to distant countries, seeking more of a contemplative rather than a consumptive experience, and more of an awareness of local culture.

(6) Travel of this kind tends to be individualistic. In fact, the new motivation is as much a spinoff from, as the reaction to, the ever-expanding international tourism industry. Due to dissatisfaction over the package itinerary the industry offers, alternative forms of travel are being sought. Typically, the information network and the infrastructure which the travel industry has laid for organized group travel, also serves the individual traveller or small groups. Air fares, the most costly single item in long-distance travel, have become the same for both individual as well as organised travel.

(7) This situation has not only resulted in individual travel rising faster than organised arrangements, but it also enabled smaller and specialised operators to compete with the big wholesalers. Specialised tour operators increasingly gain in this pattern because the tourism demand becomes more diversified.

(8) "Marginal" destinations like Nepal feel such changes quicker than larger destinations. While it lost in the sightseeing segment it gained from the upsurge of ad-

venturous and active types of travel such as trekking. Demand in this field is now considered much more potential and sustained, and not as ephemeral a trend as it was held to be five years ago.

(9) The conventional sightseeing demand in Nepal is on the decline, not so much because of slumping regional inflow as for lack of marketing and promotion. Nepal can therefore improve on that through active promotion. Of greater significance in the middle if not in the long term, however, is the emerging independent traveller.

(10) The international budget travellers are the forerunners of this new type of demand. Heterogeneous as they are, they are however indicative of a trend towards individual travel the motivation and origin of which have been outlined. At present they are at the bottom end of international travel, but no less organised and in fact generated by a quickly reresponding alternative travel trade and an informal catering sector on the receiving side. Both sides show upgrading trends thus paving the way for more conventional travellers to follow.

(11) These more individual and more culturally interested tourists are as yet few but appear to invariably evolve from the established pattern. Because they take a more intense interest in the places they go to, they stay longer in Nepal than the present-day average sightseer. But they also see other destinations in South Asia. Because they travel on their own their itinerary tends to be more flexible and spontaneous. It is essentially shaped by air fare arrangements and what experience, hospitality and interest they find. They are not destination travellers in the classical sense.

4.33 To conclude, international mainstream demand is undergoing a qualitative shift towards more individually rewarding forms of travel, less organised and more spontaneously seeking an intense experience. Whether more culturally or activity-oriented this emerging demand tends to overcome the present fragmentation into diverse segments. It is more suited to Nepal's tourism landscape although its present-day forerunners, the budget travellers, appear to bring scant benefits in relation to sightseers. Looked at as a transitory form, they indicate a trend in demand which will gradually reshape the conventional sightseeing group tourist.

4.34 Asian Demand: There are ample resources still in the non-Western markets for Nepal to realize demand. Industrialising Asian nations will continue to increase their share in Nepal's market as travel is expected to rise with economic wealth. Asian demand can easily compensate losses from Western markets and it is also more suited to Nepal's culture and society. This pertains to the entire spectrum from pilgrimage-motivated cultural travel to classic sightseeing and trekking. Since not even the surface of the Asian market has been scratched so far, how much of the potential demand is actually generated depends entirely on promotional input.

4.4 IMPLICATIONS OF NEPAL'S TOURISM PRODUCT

4.41 Nepal's tourism product must in future be more consciously monitored as to its compatibility with changing demand. This relates both to the volume and types of demand as well as to their responsiveness to the real resources and constraints in Nepal's supply. Past developments show a loss of quality in Nepal's tourism product because intrinsic constraints in size and intensity have not been properly observed or managed. To match the tourism product to the image it has will require the following factors crucial to that:

(1) Nepal's prime tourist attraction lies in its peculiar natural setting, the association with the famed Himalayas, the culture of Kathmandu Valley and its traditional life styles. It implies contrasting images of an extremely adventurous mountain world above and a soft, hospitable cultured scenery below.

(2) It is this contrast that makes Nepal a tourism destination. It leaves room for mystically remote as well as adventurous physical expectations which no other destination matches. Present-day demand uses only part of the tourist product. The full product in all the varieties it offers still awaits to be tapped.

(3) Nepal is a small country. Everything here is a matter of scale, from the distinct geographical entities to the environmental and cultural diversity sheltered within. So are the tourist assets very much a matter of scale and their use a question of intensity. To look upon Nepal as a place of mass tourism is absurd. Neither the intimacy of Kathmandu Valley nor the mountain valleys are suited to large numbers of tourists.

(4) Because of Nepal's smallness, tourist destinations are extremely susceptible to saturation. Once crowded, they lose their genuine appeal. This is sadly evidenced today at peak season. Nothing reacts more sensitively to congestion than tourists who have come to seek an unspoilt and intact culture or the purity and serenity of the mountain scenery.

(5) There is no such thing as an absorptive capacity for Nepal as a whole. Tourism activities follow an intrinsic pattern which is shaped by the fact that the foremost attractions -- Kathmandu, the mountain world from Khumbu to the Annapurna region up to Pokhara, and the Chitawan Park -- happen to lie in Central Nepal; they are invariably focussed on Kathmandu. This pattern is not easily expandable as only repeat visitors would divert away from the prime places of interest to lesser attractions.

(6) Kathmandu Valley is an environmental entity which owing to its setting is in many ways constrained. Tourist places in the Valley are all small and unsuited to accomodate large numbers of tourists. The culture and economy of the Valley impose restraints on tourist volumes as does the infrastructural and airport capacity. By taking tourism within existing threshold capacities, volume restriction is imminent.

(7) Likewise, mountain areas have intrinsic carrying capacities. If, as is the case in Khumbu and to a lesser extent on the Jomosom trek, they are overcrowded, their product is impaired and the danger of saturation acute. When trekkers shy away from congested destinations this is a sign that the environment, too, is degraded. Ladakh is an example of how rapidly fragile destinations of this kind can become a write-off. Nepal must retain forbidden areas which act as a Shangri-La and keep the old image.

(8) Control over and preservation of the cultural and natural environment subjected to tourist inflow is essential to tourism development. This has been sadly neglected in the past and now needs corrective measures. Nepal must be aware that its world media exposure which did a lot to promote tourism in the past now boomerangs as increasingly critical reports appear about environmental ill-effects and cultural fallout in the country; these are apt to deter the more sensitive tourists.

(9) Bhutan is a good example of how to keep an image alive and a tourism product intact. Bhutan has benefited from Nepal's experience and it is now worth considering to use this reciprocally. Nepal is sold to a large segment of budget travellers and individual trekkers much below value and with no relation to the social cost entailed.

(10) Nepal can derive more benefits from tourism by fostering a type of tourism that is suited to its unique product, by improving the absorptive capacity through carefully planned measures -- responsive, however, to environmental and cultural concerns -- and by deliberately planning a strategy for decentralising tourism activities through opening new destinations and creating new products which put Nepal in proper control over its market.

(11) The type of demand which is best suited to using all of Nepal's tourist assets is the individual traveller or small groups who take a more intense interest in culture and nature as it is, who are sensitive to the boundaries that are peculiar to this country, and who appreciate that a unique destination has its price which they are willing to pay to the host country.

(12) This is not a wishful ideal but a feasible strategy supported by recent changes in travel motivation. It should be actively promoted by developing a new destination product that embraces the full variety of Nepal's mystic cultural and adventurous natural attractions, tailored into appropriate itineraries and backed by good information and active market promotion measures.

4.42 While the remedy of past maldevelopment is the most important current issue, product preservation and enhancement is also an investment into its future use and marketability. Nepal's tourism policy makers need to be more aware of the merits the tourism product offers in its competitive position with India in particular, and attempt to foster those features that are unique trademarks of Nepali tourism. This requires more knowledge of changing demand patterns in tourist-producing countries, more information about travel motivation and also more research into the responsiveness of Nepal's product to changing needs. There are as yet competely new opportunities to tourism once Tibet is accessible from Nepal with Lhasa a destination reached from Kathmandu or trekking tours to Tibet.

4.5 FUTURE MARKET DEVELOPMENT

4.51 GENERAL

4.511 Nepal's absolute share in the international tourism market is small, fragmented into sub-markets or segments of demand from geographically widespread origins. The trend towards market diversification is likely to continue because tourism demand itself tends to become more and more diverse. Nepal still has ample opportunities to enhance its market by creating new and more product-responsive demand and thus minimise the dangers inherent to narrow markets. In traditional market segments, too, structural changes of the kind previously outlined will take place.

4.512 This demand pattern does not lend itself to exact prognoses. Quantitative appraisals of individual market segments made here are to indicate normative targets. But there are important qualitative characteristics of demand that are relevant to product development. These are indicated in the following points for each of the main demand categories, emphasizing trends in demand, motivation and consequently product enhancement. Significant aspects relative to assumptions made in the 1972 Plan are noted. The main and subsidiary market proposals are presented as follows.

4.52 SIGHTSEEING TOURISM

4.521 Resources of this mainstream market are the sightseeing assets in Central Nepal that are accessible and marketable to the group tourist on a South Asia itinerary, i.e., Kathmandu, Pokhara, Chitawan, Mt. Everest flight

These places are firmly established and the 3-to 4-day average Nepal itinerary typical of the organized group tourist cannot feasibly be extended in the present market pattern. Thus, the concept of the Plan to decentralise sightseeing in order to ease congestion in Kathmandu and to increase the length of stay has not proved realisable for the bulk of the conventional demand. Individual or small group travellers will divert from this pattern.

4.522 Sightseeing tourism from traditional Western countries appears saturated. Nepal as a side destination competes with the rest of South Asia for fewer tourists. Destination cost to Nepal is not very competitive and the sightseeing product it offers is not unique enough by itself to improve that. Still, Nepal can sustain or even increase its share if it endorses active market promotion in Europe, Asia and North America. Marketing would focus more on destination travel packages.

4.523 Increased conventional demand will most likely evolve from Asia, particularly Japan, and intra-regional travel. Southern European countries, not unlike some of the newly industrialising Asian nations, are still a reservoir that may compensate for possible losses from saturated traditional markets. This prospect of infinite "natural" inflow may tempt Nepal to refrain from active promotion. But this will solve none of the structural weaknesses inherent to the pattern. Nepal does not need large volumes of visitors but more control over its market. An attempt should thus be made to foster the destination tourist market, to improve the lenght of stay, seasonal balance and to better utilise the existing tourism plant. The association of Nepal with mass destination is detrimental to its image and adverse to its potential in the long run.

4.524 Prognoses in this sense would aim at stabilising existing volumes to prevent further sl[illegible] in demand. As a normative target, it implies a qualitative change in demand to be realised through deliberate product [illegible]ign and marketing input. Hence, some 140,000 visitors in this category (1982: 137,000) are expected by 1988, to then represent 70% (1982: 78%) of total arrivals.

4.53 TREKKING AND MOUNTAINEERING TOURISM

4.531 In contrast to sightseeing, trekking can easily be expanded by carefully opening new mountain destinations while improving conditions in existing destinations. Policymakers must be aware that few new route will match the scenic value of the Jomosom trail or the fame of the Khumbu trek. If trekking diversifies, it will be chiefly because of repeat trekkers. These are potential enough, though. But expansion of trekking is meaningful only if it is properly controlled and organised.

4.532 Trekking stems from a desire in the industrialised world for more active and adventurous holiday, a desire for marginal physical experience, the encounter with extremes of nature, or simply its purity and serenity. This demand is nowhere near saturated. It has proven over the past 15 years to be no short-lived fancy but as lasting as the Plan had predicted. Because the demand is there, new adventurous destinations spring up everywhere in the world, but there are none to match Nepal's assets in mountain travel.

4.533 Nepal's resources for trekking have hardly been exploited. Once trekking expands, it will entail new diversified facets, ranging from "soft" explorative nature treks, wildlife observations and fishing on the one hand to more adventurous sporty treks on the other. The latter may span such activities as higher altitude trekking; arduous skiing treks; horse, pony or even yak treks; fishing treks; or any variety of these. It seems that the scope of these activities, and the combination with cultural tourism, still leave much room for innovation. As regards routes, some route diversions can be made in Khumbu. New routes for organized trekking groups which would quickly attract demand are Kangchendzönga base camp, Manuslu base camp and Dhaulagiri round route. Dolpo and Mustang should remain restricted for the time being.

4.534 In mountaineering, advanced equipment, new techniques and technology, as well as medical progress today do not restrict this activity as much to just a few devoted experts. Higher climbing has become more technical and less expensive as smaller and better equipped expeditions move faster. New countries venture into mountaineering, which is no longer the domain of a few traditionally alpine nations. In spite of China's keen interest in income from mountaineering expeditions, Nepal is expected to receive more expeditions, since the chief peaks are already booked for this decade. One would wish to see Nepal's sensible mountaineering policy also extended to trekking.

4.535 Prognoses would set the recent 8.5-9,0% annual growth as a minimum for the future. If the new routes are opened, demand could be raised by a third. An average annual 20% span increase is thought feasible over the next five years. By 1988 trekking and mountaineering may rise to 44,000 (1982: 23,500) or 22% (1982: 13.4%) of total arrivals.

4.54 NEW PRODUCT: DESTINATION TOURISM

4.541 There is little spinoff from either cultural sightseeing or trekking, save for the budget travellers and a few individuals and small groups, which combine cultural with trekking activities in whatever form and intensity and length of stay. If that segment is synonymous with destination travel, it accounts today for probably 10-15% of international arrivals. Actual destination tourists were calculated at 20-30% by adding the trekking/mountaineering share to them. But trekkers are mostly single-purpose destination tourists.

4.542 A variety of both cultural and natural attractions was the source of the "Nepal-style" product which the 1972 Plan created and which in concept and strategy pursuit is an acutely relevant vision still today. Changes in demand indicate that it is more feasible now than it was 12 years ago. Nepal must embark on full-fledged market promotion if it wants to find out what demand it can realize for its most genuine product. Since marketing is needed anyhow to sustain mainstream demand, the proper strategy is to try to divert it into combination and/or destination packages. This is the essence of a Nepal marketing concept.

4.55 OTHER DEMAND SEGMENTS

4.551 Business travel is not likely to change in volume above the 4-5% in total visitors in the past. With appropriate air price policy and transfer convenience, quite a few business travellers en route through Asia and the Far East could be attracted to stop over in Kathmandu for a few days of rest and acclimatisation.

4.552 Convention tourism has become the fashion world-wide, though supply seems to be out of proportion to demand. Nepal has shown that it can successfully stage international conventions, and it is certainly an ideal place to visit during the Asian summer. However, considerable improvements in direct air connections are necessary, as are promotional efforts.

4.553 <u>Recreation Tourism</u>: Demand from Western countries for long-haul recreational travel has been said to shrink rather than to grow. Destinations are highly interchangeable and demand reacts very quickly to new competitive places, as Cuba's recent upsurge shows. But as demand stagnates, other destinations are bound to lose from such shifts. Nepal has no classic recreational product to offer to international tourism, but it cannot escape a decline in its sightseeing segment if South Asian beach destinations turn downwards. This indicates the need for Nepal to obtain a more independent tourism inflow.

4.554 The resources for recreation tourism which Nepal does possess in abundance relate to South Asia's low countries, notable India. There is no indication of the share of strictly recreation tourists, or tourists" hidden in the growth of Indian arrivals. Judging from hotels, vacationists from India appear not to have increased much above overall visitor growth. It is suggested to try to stimulate more of the huge potential demand from India. If this is to be in Nepal's proper interest, Indian immigration would have to be regulated first. To decentralise Indian demand, for which Kathmandu has become rather expensive and Pokhara still rather unattractive, hill resort development must leave the ground. The Plan's market concept is still relevant to that end. Prognoses indicate that Indian business travel would cease to grow as Nepal curbs commodity importation and Indian statistical arrivals are expected to remain at around 30% of total visitors.

4.555 International Pilgrimages: So far Nepal has made little use of its sheltering Buddha's birthplace which now has a firm place in Buddhist pilgrimage tours operated from India. Lumbini is not of singular interest to Buddhist pilgrims and therefore not a sole destination. But it is of interest to Japanese Buddhists, especially of the older generation, and can play a role in a Nepal itinerary for travellers from all cultures. Asian pilgrimages, organised as it is in Japan, tend to take on the form of sightseeing travel.

4.556 Domestic Tourism: A similar trend is observed in domestic tourism emerging from what used to be pilgrimages. Once assessed by roads, traditional places of pilgrimage in Nepal appear to attract more people. Pokhara and Gosainkund, probably because of the lakes, are now places of domestic tourism. Pokhara has become a holiday resort for Kathmandu families during the winter months.

4.6 IMPACT APPRAISAL

4.61 The market prognosis estimates a total of 200,000 arrivals by the year 1988. This represents a normative target figure to orientate market promotion, and is not meant as a projection. The following market prognoses are made:

Table 5: NEPAL - Market Prognosis 1988

Main Markets	Visitors Total	%	Main Motivation	Visitors Total	%
W. Europe	88,000	44	Sightseeing	140,000	70
N. America	26,000	13	Trekking and Mountaineering	44,000	22
Japan	16,000	9			
Australia/ New Zealand	10,000	5	Business/ Others	16,000	8
India	60,000	30			
Total	200,000	100	Total	200,000	100

4.621 This means that a net growth of some 25.000 visitors is expected as against 1982, or an annual 2% growth rate, in which international vistors will account for roughly 200,000, mostly increases in trekking. It is assumed that Indian arrivals will grow more slowly than in the past.

4.63 Provided policies on foreign exchange control are [illegible] and the opportunities to market development are fully used, it should be possible to attain gross earnings in the order of US$ 75 million by 1988 is a feasible target.

This would mean an average of $375 per visitor, or $535 per international (non-Indian) visitor.

4.64 The impact of the targeted visitor inflow will not yield more than a marginal improvement over the present tourism industry capacitities utilisation. If the present hotel capacity is assumed at roughly one-third above present demand volume, then the 14% growth in demand will not even cut down half the over-supply. In fact, it will probably be less, because additional inflow will be almost wholly in the trekking segment which averages four or less bed-nights. On the other hand, the next five years must see an imrpoved off-season tourist inflow, chiefly from South Europe and Asia; and real gains in destination travel must be made. Both depend on marketing input. No prognosis is attempted on these segments. Still, the net effect of this is that some of the excess hotel capacity, but also some of the inflated travel businesses, will drop out of the market. It is neither in the interest of the economy nor of the market to sustain or subsidize over-capacities for a prolonged period of time. However, a hard fall can be appropriately cushioned by a consolidation plan.

4.65 Except for trekking, no real expansion in tourism activities is envisaged in this prognosis. The accent over the next five years is on maintaining and improving Nepal's tourism product by consolidating the impacts of previous growth, by sustaining the achievement that have been attained, and also by dealing with the ill-effects and after-effects which come with rapid expansion. Significant employment and income gains from the tourism industry cannot be expected in the next five years; rather, efforts must be made to maintain present levels.

4.66 Likewise, decentralisation of tourism activities will hinge entirely on the extent to which trekking spreads into new areas. If, as is proposed, this takes place in the far west and east of Nepal's mountain areas, an important step forward will be made nonetheless in involving as yet remote districts. Since organised group trekking is dictated in food-deficit areas, the effect will be mainly in income through porterage.

4.67 In sightseeing or cultural tourism, Lumbini could enrich the variety of destinations if plans by the Lumbini Development Committee ever get underway. There is thus a good prosoect for a Kathmandu-Chitawan-Lumbini-Pokhara round tour to materialise after all. Otherwise, opportunities for extending sightseeing itineraries lie in opening up more places of interest in Kathmandu Valley, notably at the fringes of the Valley itself where air and noise pollution, which have also become a feature in Kathmandu's urban environment, are less though better visible. Several old proposals on that are still pending. Pokhara also offers tangible prospects in enhancing tourist attractions if some of the proposals made in the Pokhara Tourism Development Seminar in 1978 were to materialise. By the same token, places en route like Gorkha and Tansen, retain their as yet untapped potentials. New areas with short- term possibilities for tourist stopover facilities are in the Dolakha-Charikot-Jiri area where the new road will end. Spa developments as envisaged in the 6th National Plan must await the results of feasibility studies.

4.68 As regards infrastructure for tourism, air transport comes first as this has the most direct impact on expanding trekking tourism to West and East Nepal. Existing trekking areas also need better service. International air links to Western Europe play a crucial role in promoting destination tourism, and much the same holds true for RNAC's regional Asian network. A better coordination of air services with tourist requirements was seen as the most important policy proposal to that end. Now that the road infrastructure in Central Nepal has advanced, ground transport has become more important to the bulk of tourists, warranting better coach service particularly on the main Kathmandu-Pokhara route. While trekking areas require their own infrastructural facilities, urban services in Kathmandu and Pokhara have to be made more reliable in water and power supply as well as postal services and telecommunications. Radio links with the mountain areas and especially with the STOL airfields are required as trekking and mountaineering expand.

4.69 In environmental areas, trekking regions have top priority because uncontrolled tourism activities have had the most negative impact here, and they now need an organized attempt to improve adverse effects by implementing the measures that have been conceived. On that proviso, it will be possible to carefully expand the carrying capacity on existing routes and to generally obtain more benefits from trekking. But until real improvements are made, a reduction of the present peak season in Khumbu and Annapurna is imperative.

4.610 This relates to the impact of anticipated growth on Nepal's absorptive capacity. This essentially has to do with what volume of tourism Kathmandu can handle without incurring detrimental effects on the local environment. Kathmandu now has to absorb an additional peak month inflow of tourists to the order of 10% of its inhabitants. By 1988, this will be slightly less, as the local population will grow faster than tourists. Still, the infrastructural capacities and the transport network will not expand at the same rate, and each additional tourist imposes added strain on limited capacities and resources. The real constraint lies however in the capacity of local tourist places which cannot be expanded much since all visitors will want to see the main attractions. Another bottleneck is Kathmandu airport which will not be completed until after 1988.

4.611 In conclusion, the years ahead are seen as a period of consolidating the effects of past growth. Nepal's tourism product has not escaped the negative impact of too rapid expansion and years of recession thereafter. This must now be followed by a phase of slower but more sustained growth and qualitative development. Fewer resources must be directed into maintaining and improving the quality of the country's tourism product. The prognosis, made on market development during the next five years, provides a broad perspective to orientate efforts.

PART THREE ACTION PROGRAMME

5.1 SUMMARY AND CONCLUSION

5.11 Underlining all market development efforts must be a policy for improving the market structure in Nepal's tourism via a concentrated and concerted effort to promote destination travel. This constitutes the most important single issue in tourism development for the 80s. This also implies the objective of an optimal market development, one which is less dependent upon numerical than qualitative growth along the lines indicated in the market concept.

5.12 Underlying the market development concept is the assumption that the policies and measures outlined in the preceding section are effectively resolved and implemented. This will not be feasible without professional assistance from permanent advisors. As a matter of fact, unless the Ministry of Tourism obtains capable professional in-house expertise in order to assume its responsibilities in the practice of policy-making, planning, directing and promoting tourism development, the problems facing tourism will hardly be solved and the recommendations will fall short of realisation as have previous plans and studies.

5.13 While this is basically implied in the realisation of the improvements proposed, three priority areas are defined in a pragmatic attempt to resolve acutely accumulated problems as well as to provide for an orderly future development in tourism:

(1) Market promotion: This is the most important single sector requiring action. Market promotion is the key to generating a satisfactory tourism inflow, to halting further declines in the mainstream market demand, to attracting suitable off-season demand segments and to promoting destination travel;

[illegible] requires a new market order, i.e., measures to consolidate the tourism industry, a revision of the system of incentives used to promote and regulate private sector tourism operations and activities;

(3) Planning, control and co-ordination: This relates to the improvement of the Ministry of Tourism's technical capabilities to plan, monitor, control implement, follow up and co-ordinate tasks in tourism development, in the widest possible sense, from policy through to implementation.

5.[illegible] It has been said that a new comprehensive plan for tourism would make little sense since very basic, requisite organisations and instruments to implement it are lacking. Therefore, implementation requires:

(1) The establishment of the Ministry of Tourism's technical and professional capabilities by improving its institutional settings, authority and administrative performance, by ensuring continuity of office and by assigning resident or consultant advisers to the Ministry which would also serve to assist the Board and the Committee;

(2) The establishment of the Nepal Tourism Co-ordination Committee as a policy-making and directing body vested with the appropriate powers to ensure policy implementation, as indicated under "Tourism Co-ordination Policies" above;

(3) The establishment of a Nepal Tourism Promotion Board along the lines outlined under "Market Promotion Policies" in the form of an autonomous semi-public organisation under the auspices of the Ministry of Tourism.

5.2 ACTION PROGRAMME

5.21 The preceding analysis shows the development of the tourism industry to date, its weak points and its main goals. There are any number of measures that private industry can take to lead Nepal on a positive course towards development in the coming years, and which can be adopted in part by private industry, in part by state authorities, and in part by the cooperative effort of all the institutions involved.

The newly founded Tourism Coordination Committee (TCC) should coordinate the cooperative efforts.

In view of the striking absence of implementation know-how, the limited administrative authority and the lacking political commitments to the realization the projects involved, the following programme was compiled in a very pragmatic manner, according to action-oriented points of view.

5.22 OBJECTIVES

5.221 The fundamental objectives of Tourism Development are:

- net foreign currency gains
- employment and income
- regional development.

The capacity of Nepal's tourist attractions is limited. The above-mentioned objectives cannot nevertheless be attained merely through an increase in the number of tourists. The basic principle should be much more:

"to attain, with the least possible number of tourists, the highest possible amount of foreign currency and employment, without putting a strain on regional resources. (Optimal principle)."

To date, this principle has not yet been actively applied.

The Action Programme proposes a number of measures, which serve to

- stabilize the volume of inquiries;
- open new markets;
- develop a market-oriented offer.

5.222 The new orientation of the Nepal tourism policy will thus help to promote a more active organization and market development, making tourism to Nepal the most important factor towards a general improvement in living conditions.

The measures to be taken will aim for the following three objectives:

(1) Cutting down the number of restrictions which already, to date, have hindered tourism development and placed all sorts of obstacles in the way of further expansion in marketing.

(2) Eliminating the deficiencies in the quality of the offer, which first became evident as tourism began to develop, and which hamper the opening of new markets.

(3) Establishing a destination-oriented Marketing Programme as a pre-requisite for further developing the tourism industry on the level of international competition and ensuring that it remains on that level.

These three objectives should only be considered as guidelines in this study. The actual steps towards change require the active help of experienced experts, even if to some extent the specified examples of the Nepali commercial position are known.

5.23 CUTTING DOWN THE NUMBER OF RESTRICTIONS

5.231 Air Transportation

The crucial restrictions are the RNAC's capacity and service in international and national air service.

During high season, the Delhi-Kathmandu connection is a veritable nuisance for tour operators as well as for individual tourists because of poor service. The connection with other international airports not only has not been established with tourism requirements in mind, but is based solely on commercial and business traffic.

Connections within Nepal to important tourist areas (like Pokhara, Biratnagar, Nepalganj, Bhairawa) are also very poor with regard to capacity and service.

Proposed Measures

- Doubling the flight capacity for internal connections through the purchase of Twin Otter, Pilatus Porter and other airplanes.

- Giving priority to tourist requirements through the preparation of flight plans.

- Improving booking and transfer services to meet international standards.

Responsible Authorities

Ministry of Tourism and Civil Aviation

5.232 Kathmandu-Pokhara Bus Connection

Bus connections between Kathmandu and Pokhara are too poor to enable the development of Pokhara as an adjoining destination. The regular line service is not recommended for tourists. The capacity of suitable quality connections (Swissair) is insufficient.

Proposed Measures:

Issue bus licenses to interested hotel companies in Pokhara.

Responsible Authorities:

Ministry of Transportation

5.233 Development of Points of Attraction

The cultural and scenic attractions already show signs of overloading during the high season. Additional offers should be developed, so as to lessen the existing burden, and new offer incentives should be made available. In addition, the following should be added:

- Development of further cultural monuments in the Kathmandu valley,

- Opening new trekking routes, some of which should be exclusively for organized groups.

Proposed Measures:

- Development of new sightseeing tours in the Kathmandu valley and in Pokhara

- Opening new trekking areas primarily for organized groups, like for example: Kangchendzönga, Manaslu and Dhaulagiri.

- Limiting trekking permits for the Annapurna and Khumbu regions during the October/November season to 70% of the 1982 level.

Responsible Authorities:

Tourism Coordination Committee, Forestry Department, Ministry of Home and Panchayat, Ministry of Tourism.

5.234 Suitable Accomodations

Although there already is an extensive, albeit a bit too highly qualified, hotel availability in Kathmandu, Pokhara and Chitawan, there are on the other hand convenient areas, suitable for tourists, but with insufficient accomodations. The same applies to camping sites in the Annapurna and Khumbu trekking regions.

Proposed Measures:

- Investment in middle-class hotels in Biratnagar, Nepalganj and Bhairawa.

- Installation of camping areas with simple shelter huts for trekkers in all the important trekking regions, especially in Annapurna and Khumbu.

Responsible Authorities

Ministry of Tourism, Tourism Coordination Committee, Private industry investments and services.

5.235 Qualified Personnel

There is a marked shortage of qualified personnel during the peak season in the following areas:

- hotels and restaurants
- sightseeing (guides)
- trekking (porters).

Proposed Measures:

- Training courses for hotel and restaurant management;

- Training programme for sightseeing guides (to include foreign languages!);

- Organizing porter recruitment; use of pack animals (mules, yaks).

Responsible Authorities:

Ministry of Education, Tourism Coordination Committee.

5.24 ELIMINATION OF DEFICIENCIES IN QUALITY

5.241 Licencing Travel and Trekking Agents

To date there has been no quality testing for issuing agents' licenses. This practice has led to overcrowding in this branch of Tourism. The intense competition leads to very low prices resulting in a lack of quality in tourist care.

Proposed Measures:

- Organizing the market through the introduction of quality standards for issuing licenses.
- Controlling the price structure and the quality of service.
- Reducing agents by 50% of the 1983 level.

5.242 Guarantee of Quality for Organization of Individual Trekking

Individual tourists wishing to organize their own trekking tours in Nepal run the risk of engaging unqualified porters and guides. Bad experiences, even when the visitors themselves are at fault, do considerable damage to the product's image.

Proposed Measures:

- Establishment of a central organization to issue licenses to guides and porters, and to provide for all related arrangements.

- Instruction through direct training on the trails.

Responsible Authorities:

Ministry of Tourism, Tourism Coordination Committee.

5.243 Restoration of Cultural Monuments

Many cultural monuments are in a pitiful condition, and have been allowed to fall into a noticeable state of deterioration. This, as well as the unsightly surroundings, is also repulsive to the tourists.

Proposed Measures:

- Extensive precautionary measures to protect against further decay.

- Basic restoration of the important cultural monuments as with those at Bhagdapur.

Responsible Authorities:

Ministry of Education, Ministry of Tourism, Tourism Coordi-

5.244 Improving the Environment

The overall dirt and stench often make a stay in Nepal unbearable for the sensitive tourist.

Proposed Measures:

- Hygienic standards and controls for lodges and restaurants.
- Continual cleaning of attractions visited by visitors, their surroundings and their access roads.
- Toilets for tourists at the main sightseeing points.

Responsible Authorities:

Ministry of Home and Panchayat, City Administration, Hotel Association Nepal (HAN).

5.245 Tourist Refuse in National Park

The longed-for hike through unpoiled nature in the Khumbu and Annapurna region is more like a "trek through the garbage dumps."

Proposed Measures:

- Yearly clean-up along the trekking routes in the Khumbu and Annapurna regions.

- Placement of environmentally safe garbage deposits at the rest stops.

Responsible Authorities:

Department of Forest, Ministry of Tourism.

5.246 Consumption of Timber on Trekking Routes

The consumption of wood by trekkers has become a grave ecological problem, especially in the upper regions.

Furthermore, Nepal's image as a destination for nature lovers is particularly hurt by such a situation.

Proposed Measures:

- Installation of a network of kerosene stations along the trekking routes.

- Liability statement regarding the use of kerosene at the time of issuance of trekking permits.

- Supplying National Park personnel with kerosene.

Responsible Authorities:

Department of Forest, Ministry of Tourism, Ministry of Home and Panchayat.

5.247 Safety for Tourists

At present trekking permits are being issued without any control or warnings, even to individual tourists with no equipment nor experience in the upper regions (excess of passes). The introduction of rescue measures in the event of mountain accidents is frequently difficult and time consuming.

Proposed Measures:

- Close off the upper regions to individual trekkers without suitable equipment.

- Strongly enforce an insurance for rescue measures for individual trekkers.

- Install mountain accident control points.

Responsible Authorities:

Ministry of Home and Panchayat, Ministry of Tourism.

5.25 ESTABLISHMENT OF A DESTINATION-ORIENTED MARKETING PROGRAMME

5.251 Advertising- and Information-Brochures

Evidently, the production of promotional material follows no systematic concept, and only in exceptional cases does it meet present-day standard of quality.

Proposed Measures: (see '83 PATA Study)

- Develop a systematic concept for promotional material.

- Determine the quality standard for each individual product.

- Produce a Travel Agents' Manual containing comprehensive up-to-date information regarding tourism in Nepal.

- Produce an updated information service.

Responsible Authorities:

Tourism Coordination Committee (TCC), Ministry of Tourism Hotel Association of Nepal (HAN), Nepal Association of Travel Agents (NATA).

5.252 Market Representation

It is as difficult for tourists as for tour operators or journalists to obtain reliable information about Tourism in Nepal. Even when information material is improved, it will still be necessary to establish a sales system.

Proposed Measures:

- Establish representational offices in Western Europe, the USA and Japan.

- Actively participate in the most important tourism trade fairs.

- Offer familiarization tours to agents and journalists.

Responsible Authorities:

Tourism Coordination Committee.

5.253 Direct Sales without Indian Middlemen

Approximately 60% of the tourists are acquired through Indian agents, who offer Nepal as part of a Southeast Asia tour.

Proposed Measures:

- Establish an attractive Tourism- Nepal-Style package.

- Direct sales to tour operators from the country of origin.

- Expand the trekking possibilities.

Responsible Authorities:

Tourism Coordination Committee (TCC), Hotel Association of Nepal (HAN), Nepal Assŝociation of Travel Agents (NATA).

5.254 Restriction of Price Competition

Over-capacities in hotels and travel- and trekking-agencies foment high price competition to the advantage of foreign tour operators and tourists, and to the life-threatening disadvantage of the operation.

Proposed Measures:

- Controlling the issuance of licenses so as to stabilize competion.

- Agreement on uniform minimum prices.

Responsible Authorities:

Tourism Coordination Committee (TCC), Hotel Association of Nepal (HAN), Nepal Associationof Travel Agents (NATA).

5.26 IMPLEMENTATION MEASURES

5.261 The Action Programme comprises a number of measures meant to ensure the intended sales market, and to structurally correct and, at the same time, improve Nepal's outcome within the framework of the proposed objectives.

Three particularly critical weak points must be corrected:

- the integration of the RNAC business policy within the touristic-political aims and tasks;

- the systematic development of the sales market through innovative and active promotional work.

- the regulation of competition and quality control in essential areas of tourism.

Routine development in Nepal is marked by an enormous discrepancy between problem-finding and problem-solving.

Problem-finding exists broadly. It nevertheless lacks planning and implementation know-how. The administrative capacity is presently only a figure, not performance, and the political will to change from development plans hardly exists.

5.262 This reality has a particularly paralyzing effect on tourism, since it is difficult to completely eradicate it from commerce and business.

For this reason, a definite prerequisite for the realization of this Action Program is the establishment of an overseer entity having the authority to bring unity to the oranization: the Tourism Coordination Committee (TCC).

The following organizations should be established as representatives:

Ministry of Tourism and Civil Avaition
Ministry of Foreign Affairs
Ministry of Home and Panchayat
Ministry of Education
Department of Forest

and

Hotel Association of Nepal (HAN)
Nepal Association of Travel Agents (NATA)
Trekking Agencies
RNAC.

The TCC should act as a full-time uniform organization led by a non-political full-time General Manager.

5.253 Since the availability of expertise has been found to be the basic problem from which all improvements must emerge, it is therefore proposed to seek to obtain, through international or other aid funding, suitable professional assistance to attend to the tasks. In a realistic attempt to provide for an incremental build-up of the Ministry's resources, the scope of such assistance would be based on the work involved in the three priority areas of Market Promotion, Market Order, and Planning, Control and Co-ordination within the above institutional framework. This is the ultimate conclusion and practical recommendation of this Study.

Requisite to any effective outside assistance, however, are real improvements to the Ministry of Tourism's capability to assure its responsibilities in tourism, institutionally, administratively and technically.

APPENDIX

Persons Interwiewed

Mr Tej Badadur Prasai, Secretary, Ministry of Tourism

Mr Narayan Raj Joshi, Under-Secretary, Ministry of Tourism

Mr Anoop S.J.B. Rana, Executive Director, Royal Nepal Airlines

Dr. B.B. Pradhan, National Planning Commission

Mr D.B. Pandey, Acting Diretor, Marketing, Royal Nepal Airlines

Mr Yajna Raj Satyal, Project Manager, Hotel Management and Tourism Training Centre

Mr Ramesh Nath Dhungel, General Manager, Nepal Industrial Development Corporation

Mr Prabhakar S.J.B. Rana, Executive Director, Soaltee Hotel; Chairman, PATA Nepal Chapter

Mr Shahadev S.J.B. Rana, Managing Director, Hotel de l'Annapurna; President, Hotel Association of Nepal

Mr Yogendra Sakya, Managing Director, Ambassador Hotel; Secretary, Hotel Association of Nepal

Mr Joshi, Nepal Rastra Bank

Mr Tek Chandra Pokharel, Managing Director, Shangri-La Tours; President, Nepal Association of Travel Agents

Mr J.B. Singh, Managing Director, Sherpa Co-operative Trekking; President, Trekking Agents Association of Nepal

Dr. Harka Gurung, former State Minister of Tourism

Mr Drona S.J.B, Rana, former State Minister of Tourism

Dr. Peter Wienand, Charge d'Affairs, F.R. Germany

Mrs Joshi, Chairman, Tara Gaon Development Board

Mrs Ambica Shresta, General Manager, Kathmandu Travel and Tours

Mrs Sulochana Pradhan, Secretary, PATA Nepal Chapter

Mr D.B. Shah, Executive Chairman, Gaida Wildlife Camp

Mr William Ma, Manager, Gaida Wildlife Camp

Mr Karna Sakya, Managing Director, Kathmandu Guest House

Mr Hari Dhoj Tulachan, Managing Director, Hotel Dragon

Mr Bijay Lal Shresta, Correspondent, South Asia Travel Review

Mr Herbert W. Naaf, Advisor, Project Royal Nepal Airlines

Mr Navraj Ghimire, Managing Director, Annapurna Travel and Tours

Mrs Sabine Lehmann, General Manager, Hotel Vajra

Mr Ram Shanker Shresta, Chairman, Hotel Shanker; Honourable MemberRastriya Panchayat

Mr Mike J. Cheney, Sherpa Co-operative Trekking, Managing Director

Mr Raj K. Simha, General Manager, Yeti Travel

Mr Chaitya Ratna Sthapit, Manager, Hotel Crystal

Mr P.P. Prasai, Managing Director, Natraj Tours and Travels