

The content of this article is provided by the Department of Investment Services,
MOEA

The Status of Taiwan's Tourism & Recreation Industry

Taiwan is East Asia's only island bisected by the Tropic of Cancer. Rich in tourism resources, it is developing destination, theme and lifestyle, as well as health and fitness tourism. Ecological travel such as bird watching and whale and dolphin watching, and theme travel like festival tourism, cultural tourism, and medical/recuperative tourism all have great potential. Currently, tourism authorities are stepping up investment and construction at tourist sites of global market scale and domestic scenic spots with international potential so as to create an excellent tourism and travel environment. However, gaps in the industry supply chain, such as a lack of strategic alliances with prominent international hotels and the building of convention-related service facilities and international tourist resort areas, urgently await the participation of foreign businesses to plan and cooperate in putting Taiwan on the East Asian travel and recreation map. Following is a detailed explanation of the supply situation, investment niches, and major vendors in Taiwan's tourism industry:

1. Supply and Demand in the Tourism & Recreation Industry

According to the World Economic Forum's 2008 Tourism and Travel Competitiveness Report, Taiwan ranked 43 among 133 countries assessed and seventh in Asia, behind Singapore, Hong Kong, Japan, South Korea, Malaysia, and Thailand. With a series of strong international promotions after 2004, inbound Taiwan tourism has posted a growth in visitor arrivals year after year (see Table 1).

Table 1 Inbound Travelers by Country in the Asia-Pacific Region 2004–2008

Unit: million visitor arrivals

	Japan	S. Korea	Singapore	Malaysia	Hong Kong	Mainland China	Taiwan
2004	6.14	5.83	8.33	15.70	21.82	109.04	2.95
2005	6.73	6.02	8.94	16.43	23.36	120.29	3.38
2006	7.33	6.16	9.75	17.55	25.25	124.94	3.52

2007	8.346	6.45	10.30	20.90	28.17	132.00	3.72
2008	8.35	6.89	10.11	22.00	28.20	130.02	3.85

Source: Department of Investment Services, MOEA compilation from website of each country in June 2009.

According to differences in customer segments, Taiwan's tourism and leisure market can be divided into two types, domestic demand (leisure) and external demand (tourism).

Table 2 Taiwan's Tourism Foreign Exchange Revenue 2004–2008

	2004	2005	2006	2007	2008
Inbound tourism foreign exchange (US\$ billion)	4.05	4.98	5.14	5.21	5.94
Inbound tourists (million visits)*	2.95 (2.83)	3.38 (2.80)	3.52 (2.86)	3.72 (2.99)	3.85 (2.96)
Total domestic travel expenditures (US\$ billion)	7.38	5.98	6.89	6.67	5.84
Domestic tourists (million visits)	1.09	93	1.08	1.10	96
Total Revenue (US\$ billion)	11.43	10.96	12.02	11.88	11.77

Source: Yearbook, Tourism Bureau, Ministry of Transportation and Communications

Note : Figures in parenthesis indicate foreign tourists excepting overseas Chinese visitors

Taiwan inbound tourism figures for 2008, compiled by the Tourism Bureau, Ministry of Transportation and Communications (MOTC), indicate that 1,775,229 visits, or 46 percent of all arrivals were made for the purpose of "tourism," while those citing "business" reasons totaled 881, 431, or 23 percent of the total. Broken down by country of origin, the five largest source markets were Japan (28 percent), Hong Kong/Macau (16 percent), the United States (10 percent), mainland China (9 percent) and South Korea (7 percent). Average daily expenditures per traveler by country were, respectively, US\$260.47 (Japan), US\$168.65 (HK/Macau), US\$193.14 (United States) US\$231.10 (mainland China) and US\$196.24 (South Korea).

On the supply side, employment created by tourism activities has remained above the

200,000-person level in recent years. Most of these employment opportunities were created by the food and beverage, land transportation, and lodging services industries. The job opportunities created by the tourism industry can provide jobs for students graduating from over 180 academic departments of schools in Taiwan, including National Kaohsiung Hospitality College, Taiwan Hospitality and Tourism College, and Ming Chuan University School of Tourism, with a platform for utilizing their acquired professional skills.

Taiwan's tourism and recreation industry is attempting to establish and build on the tourism characteristics of five regions to establish flagship tourism spots nation-wide that possess international appeal. It is also promoting the development of large-scale event-oriented tourism and designated theme travel.

1.1 Building on the tourism characteristics of five regions to establish flagship scenic spots with international appeal

Taiwan's exploitation of its tourism resources has progressed from developing specific spots (such as Taipei 101, the National Palace Museum, Sun Moon Lake, Alishan, Mount Jade, Love River, Kenting National Park, and Taroko Gorge) and package tours (such as seacoast tours in northern Taiwan, Sun Moon Lake tours, Alishan tours, Hualien-Taitung tours, and Hengchun Peninsula tours) to the recasting of the image of entire areas. The development of flagship tourist spots with international appeal will be based on the characteristics of the following five regions:

- 1) The northern region, characterized by the "Life and Culture of Taiwan" through art and fashion design, popular music, and the culture of the Chiang family legacy.
- 2) The central region, characterized as "Skilled and Fashionable Taiwan" through tea plantations, flower arranging, recreational farms, and cultural creativity.
- 3) The southern region, characterized as "Historical and Seaside Taiwan" primarily featuring history, historic spots, seaside, and ecology.
- 4) The eastern region, characterized as "Idyllic Taiwan" through bicycle tours,

indigenous peoples, organic farming, and the Pacific Ocean.

- 5) The offshore islands region, characterized as the “Isle Character of Taiwan” by Penghu being designated the isle of international vacation resorts and Kinmen featuring its battlefield atmosphere, folk culture, and picturesque village scenery.

1.2 Promoting Large-scale Festival Activities

These primarily include athletic events (such as the World Games 2009 in Kaohsiung, the 21st Summer Deaflympics, Taipei, 2009, Sun Moon Lake Cross-Lake Swim, Bicycle Tour Around Taiwan, Taroko Gorge International Marathon, and Hsiuguluan River White Water Rafting), indigenous peoples festivals (Amis Harvest Festival and Austronesian wedding events), gastronomical experiences (such as the Come Enjoy Taiwan’s Catered Banquet event, Taiwan Culinary Exhibition, Hot Springs Gourmet Food Carnival, and Taipei International Beef Noodle Festival), religious events (Ghost Month Festival, Zuoying Wannien Folkore Festival, Taiwan Lantern Festival, Dajia Mazu Pilgrimage Procession, Dragon Boat Festival races), ecology events (such as the Maolin Purple Butterfly Valley Biennial Butterfly Watching Event, Taiwan International Orchid Show, and Hakka Tung Blossom Festival), artistic events (such as the Sanyi Woodcarving Festival and Yingge Ceramics Festival), and seaside music festivals (such as the Hohaiyan Rock Festival and Kending Spring Music Festival).

1.3 Promoting “in-depth” theme travel

1.3.1 Mountain climbing and fitness hiking

With the nearly 4,000-meter-tall Jade Mountain as its centerpiece, Taiwan can offer a selection of 258 peaks over 3,000 meters high. Plans are to package six intermediate-level mountain-hiking itineraries and 14 beginner-level fitness hikes to attract mountain climbers and fitness hikers from all over the world.

1.3.2 Salon photography and honeymoon trips

This concept capitalizes on Taiwan’s salon photography advantages of diverse

photogenic settings, fashion savvy, photographic techniques and reasonable pricing to promote Taiwan's top ten wedding photo locations, integrating well-known events such as the north coast wedding photo shoot, Austronesian wedding and Weddings beneath the Alishan Sacred Tree to attract young people from Hong Kong, Singapore, and Malaysia for a novel experience as well as to make a name for Taiwan as a salon photography center and "honeymoon island."

1.3.3 Senior Sentimental Journey packages

The retirement of Pacific World War II babies offers the opportunity to attract them to Taiwan for package tours that integrate Japanese colonial-era sites. Plans call for LOHAS-paced tours that combine sentimental revisits, hot springs, and gourmet cuisine to attract senior tourists from Japan and Southeast Asia.

1.3.4 Medical tours

In line with the promotion of Taiwan's Chinese medicine and hot-spring logo scheme, besides offering hot-spring therapeutic and Chinese medical travel, Taiwan intends to offer packaged medical checkup itineraries, to U.S. and Hong Kong operators offer dental remediation to Japanese operators, and to offer dialysis itineraries, to Singapore operators, making Taiwan a globally competitive medical travel destination.

1.3.5 Trips based on Taiwan's TV and Pop Music Allure

Utilizing Taiwan's leading role in celebrity-based television series and Mandarin Chinese popular music, key Taiwan tourist spots will be combined with celebrity-based TV program filming sessions and music concerts. Tours will include tie-in products and booklets on how to follow the media stars to attract their fans from neighboring countries to Taiwan.

1.3.6 Trips to sporting events

Capitalizing on the record-setting performance in world events of Taiwan's athletic stars, and in line with Taiwan's hosting the the World Games 2009 in Kaohsiung,

the 21st Summer Deaflympics, Taipei, 2009, package tours will be promoted in combination with large-scale competitions, such as the Asia Cup Baseball Championship, marathons, Round-the-Island Bicycle Race, and golfing trips.

1.3.7 Railroad trips

Taiwan will target railroad buffs from various countries with package trips on the High Speed Rail, branch lines of the Taiwan Railway Administration, steam locomotives, and peripheral scenic spots, and will hold CK124 steam locomotive sentimental journey events.

1.3.8 Hot Spring, Gourmet, and Recuperation Trips

Taiwan's rarely matched diversity of hot springs and local foods will be used to entice modern travelers into a LOHAS lifestyle of health and sustainability through the strong promotion of hot spring health and gourmet cuisine tours.

1.3.9 Eco-tours

Taiwan possess a diverse array of ecological settings and outdoor events, such as Northeast Asia's tallest mountain peak (Jade Mountain) to attract mountain climbers, as well as tourists to engage in bird watching, whale watching off the east and northeast coasts, marine geological observation trips, and Green Island diving.

1.3.10 Agricultural tourism

Plans call for repackaging farming and fishing villages that have successfully made the transition into experiential products to attract modern urban tourists from Japan, Hong Kong, and Singapore.

1.3.11 Cultural education trips

Cultural research and internship activities will include packaged trips to learn Chinese, learn traditional folk arts, tour Taiwan's historical sites (including colonial sites and aboriginal villages); religious/cultural and festival experience trips (such as the Hakka Tung Blossom Festival, Amis Harvest Festival, Pingxi Sky Lantern

Festival, Yanshui Beehive Fireworks, and Dajia Mazu Pilgrimage procession); and cultural creativity performances (Cloud Gate Theater, Han-Tang Yuefu, hand puppet theater, and tea ceremony performances). These will be offered as “in-depth” travel itineraries to attract culture lovers.

1.3.12 Other styles of uniquely Taiwan travel

Learning tours by young people, working holiday travel and surfing, diving, hang gliding, and paragliding adventure trips are gaining in acceptance, and environmentally friendly and energy-saving bicycle events are proving to be very popular.

2. Gaps in Industry Supply Chain, Investment Niches and Prospective Foreign Investors

The number of international travelers coming to Taiwan has continued to grow in recent years. From January to May 2009 a total of 414,953 travelers came from the Chinese mainland, marking a 250 percent growth over the same period of the year before; and continuing to expand the domestic demand leisure market is another key point for attention. In the “Best of Taiwan Tourism Development Plan,” promoted by the Tourism Bureau, NT\$30 billion has been budgeted from 2009 to 2012 to plan and undertake projects utilizing optimal positioning (deployment of advantages), buying low (cultivating competitiveness), and upgrading (adding value) that involve attractive flagship features, international tourist spots, industrial reinvention, talent cultivation, market development, and quality enhancement so as to build up an outstanding tourism environment for Taiwan and upgrade the competitive advantages of its tourism industry.

The tourism industry is broad in scope and reach, but at its core are the hotel industry, food and beverage services industry, transportation industry, and amusement park industry; and among these, travel intermediaries include travel agents as well as ancillary industries and organizations (see chart 3).

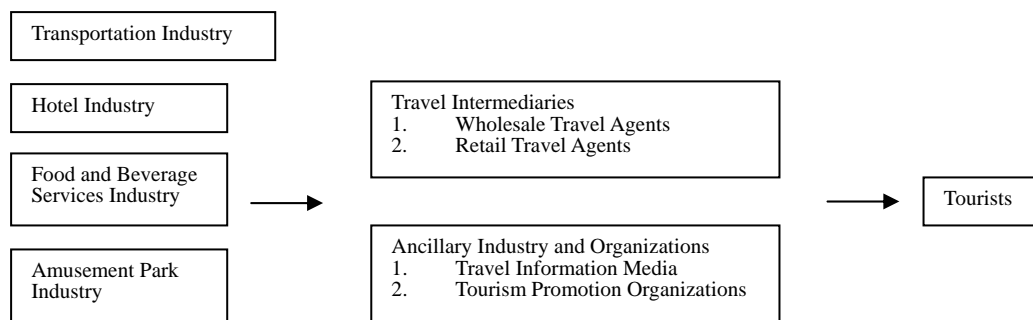
One supply chain gap in Taiwan's tourism industry is an insufficient number of global brand hotels. Taiwan currently has 63 international tourist hotels, but only nine have technical cooperation with international hotel chains; these include the Gloria Prince Hotel (Prince), Hotel Royal Taipei (Nikko), Grand Hyatt Taipei, Shangri-La's Far Eastern Plaza Hotel Taipei, Sheraton Taipei, Westin Taipei, Four Points by Sheraton, Shangri-La's Far Eastern Plaza Hotel Tainan, and Nice Prince Hotel Chiayi (Prince). We must continue to work on boosting strategic alliances with prominent international hotels to create a competitive advantage for Taiwan in the Asia region.

A second gap is not enough hotel rooms in Taipei, and the number of large international conference venues able to hold over 500 people is limited. If international conference venues and international hotel facilities can be built at scenic Taiwan locations, the result will be complementary growth between the tourism and conference/exhibition industries.

A third gap is that most of Taiwan's 24 large amusement parks are located in the western part of the island, and current amusement park service facilities are only capable of meeting the demand of the domestic travel market. To attract international tourists, diversified recreation and entertainment facilities such as international tourist resort areas, including theme parks, shopping malls, gourmet centers, conference and exhibition centers, and large-scale performance venues, should be developed near metropolitan areas.

The number of overseas businesses investing in the Taiwan tourism industry at the current stage is still limited. It is recommended that overseas businesses invest in the aforementioned areas of Taiwan's tourism and recreation industries, as future development potential is without limit.

Chart 3: Tourism Industry Structure



Source: Department of Investment Services, MOEA

Currently, expectations are that overseas groups will work with Taiwan tourism groups to create new opportunities in the overall travel market. For example, the UK's Amazing Ltd. Group has begun carrying out a large-scale hotel and vacation resort development project at the seaside Fenggui Village in Penghu County, with an assessed investment of at least several billion New Taiwan Dollars. Taiwan's Janfusun Group, operator of the Gloria Prince Hotels and Nice Prince Hotel in Chiayi, expects to operate and manage the Amazing Ltd. Group's Penghu resort. This investment in Penghu is the first investment by Amazing Ltd. in the greater China area. In addition, Amazing Ltd. and Janfusun Group signed a cooperation memorandum of understanding in December 2007 to jointly invest in and establish a leisure and tourism consulting company, which is preparing to secure a tourist gaming operators license and enter the gaming industry.

Other potential overseas tourism and travel hotel vendors include the largest budget hotel chain in mainland China the Parity Hotel Chain (its first "Taiwan Home Inn" is planned to open in Taipei), the French Accor Group (in which is developing a Taipei County BOT project), and the U.S. Starwood Hotel & Resorts group.

3. Major Suppliers in Taiwan

In response to the Doubling of Tourist Arrivals Plan and Sports and Recreation Strategic Service Industry Development Outline and Action Plan as well as proposals from pertinent government agencies, such as the 2015 Economic Growth Outlook First Stage 3-Year Sprint Program (2007–2009), Eastern Area Sustainable Development Basic Plan, Inbound Mainland Tourist Liberalization Policy, and Best of Taiwan Tourism Development Plan, the government in Taiwan, besides encouraging private-sector investment and intensifying efforts to develop a diversified tourism environment, is planning the development of regional tourism flagship projects and tourist spot seamless travel service projects to carry out basic travel construction and investment as well as renovation of facilities (including projects to raise the quality of ordinary hotels and revamp major local scenic spots), as well as matching industry development (such as bringing in international hotel chains and sponsoring and holding prominent competitions). Investment by both the government and private sector will reach into the tens of billions of New Taiwan Dollars.

3.1 Hotel Industry

According to the Tourism Bureau, MOTC as of the end of May 2009, Taiwan had 63 international tourist hotels (with a total of 18,348 rooms). The top five hotels in terms of room capacity were: the Grand Hyatt Taipei (865 rooms), Sheraton Taipei Hotel (692 rooms), Howard Plaza Hotel Taipei (606 rooms), The Splendor Kaohsiung (592 rooms), and the Grand Formosa Regent (569 rooms). It also had 31 regular tourist hotels (with 3,672 rooms in all), and 5,464 ordinary hotels as well as bed and breakfast hostels (with a total of 117,256 guest rooms). There are 38 international tourist hotels in the application or planning stage (with an estimated 11,034 guest rooms), representing a total investment of nearly NT\$84 billion.

3.2 Amusement Park Industry

The amusement park industry is capital-labor-technology; and knowledge-intensive, and is a locomotive industry for vitalizing the local economy; yet, it is a type of

industry driven by domestic market demand. In response to rapid changes in the tastes and demands of customers, operators must change accordingly and continue to refurbish equipment or invest further to maintain a competitive advantage. Taiwan currently has 24 large-scale amusement park operators. Tourism Bureau figures for April 2009 indicate that there were 2,233,000 visits to Taiwan amusement parks in Q1, an increase of 26.21 percent over the same quarter of last year. Total revenue was NT\$1.34 billion, up 12.19 percent. The top five amusement parks in terms of customers drawn were the Formosan Aboriginal Culture Village, Lefoo Village, Janfusun World, Window on China, and Farglory Ocean Park, most of which are located in western Taiwan.

3.3 Travel Agents

According to the Tourism Bureau, as of the end of June 2009 there were 2,139 travel agents in Taiwan (including 88 consolidated travel agents) with an estimated 34,000 employees. Among these, Lion Travel, Phoenix Tours, SET Tour, Star Travel, and Cola Tour are the largest.

Source: Department of Investment Services, MOEA, June 2009