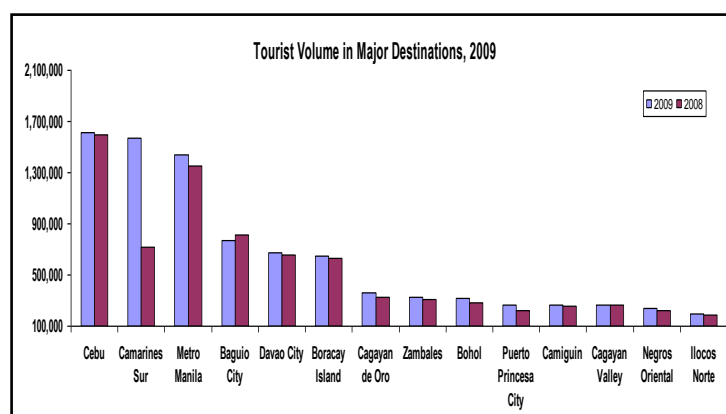


PHILIPPINE TOURISM: STIMULATING TOURIST GROWTH AND CAPACITY EXPANSION IN KEY DESTINATIONS

Total tourist traffic in the top fourteen (14) destinations in 2009 reached 8.9 million for 14% growth. This feat is attributed to the combined efforts of the Department of Tourism, the private sector, local government units and other stakeholders to continually diversify the tourism products, increase accommodation and transport capacities, and upgrade existing tourism services.

Cebu is the top destination with tourist traffic increasing by 1.2% to 1.61 million. Korea remained the top tourist market for Cebu accounting for 29% share of total foreign tourists. Notably, Chinese tourists to Cebu remarkably grew by 70% as more charter flights were mounted between Cebu and Shanghai, as well as to Guangzhou. A hefty growth in tourists from Kuwait was also recorded as students from the said markets streamed to Cebu for short-educational programs.



More than the expansion in international and domestic flight frequencies to Cebu, from major tourist markets and destinations in Central Philippines, accommodations also increased as 804 new rooms opened in 2009. This included the 3.18 billion Imperial Palace Water Park, Resort and Spa (567 rooms), Citi Park Hotel (105 rooms), Alpa City Suites (84 rooms), Oftana Suites (24 rooms), and Grand Terra Suite (24 rooms).

| Destinations | 2009 | 2008 | Growth Rate |
|----------------------|------------------|------------------|---------------|
| Cebu | 1,615,982 | 1,596,238 | 1.24% |
| Camarines Sur | 1,566,447 | 721,024 | 117.25% |
| Metro Manila | 1,442,183 | 1,350,789 | 6.77% |
| Baguio City | 770,187 | 814,975 | -5.50% |
| Davao City | 669,864 | 655,661 | 2.17% |
| Boracay Island | 649,559 | 634,263 | 2.41% |
| Cagayan de Oro | 359,867 | 325,843 | 10.44% |
| Zambales | 323,271 | 308,482 | 4.79% |
| Bohol | 313,317 | 282,498 | 10.91% |
| Puerto Princesa City | 268,942 | 221,736 | 21.29% |
| Camiguin | 267,776 | 253,051 | 5.82% |
| Cagayan Valley | 266,962 | 266,679 | 0.11% |
| Negros Oriental | 240,199 | 221,045 | 8.67% |
| Ilocos Norte | 193,092 | 183,203 | 5.40% |
| Total | 8,947,648 | 7,835,487 | 14.19% |

Innovative and young entrepreneurs also prepped up existing tour packages in Cebu and nearby destination. The Island Banca Cruises attracted foreign and local visitors with its organized and uniquely packaged island hopping tour experiences of the marine sanctuaries of Nalusuan and Gilutungan, the pristine white beach of Pandanon and dive sites of Moalboal. Existing heritage tour has also been enhanced to allow tourist to experience a different cultural and historical aspect of Cebu.

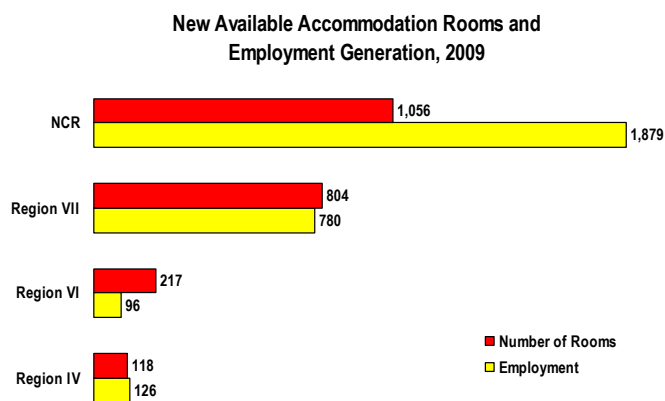
Tourists to Camarines Sur (CamSur) increased by 117.2% to 1.57 million vis-à-vis, the previous year volume of 721,024 visitors. International and local events such as the First Aqua Fest Celebrity Challenge, Ironman 70.3 Triathlon, International Dragon Boat Competition and Bagasbas Summer Surf, boosted domestic visitors to CamSur by 140% to 1.3 million, while foreign tourists went up by 56.1%.

Tourists from Australia and the United Kingdom to CamSur substantially increased by 235% and 170% respectively, as wakeboarding attracted group tours from these markets. The USA remained the major source market for CamSur with 14% share.

The influx of tourists in Camarines Sur has also expanded room capacity to date in its different municipalities, namely: Naga (1,082 rooms), Pasacao (303 rooms), Pili (289 rooms), Caramoan (208 rooms), San Jose (99 rooms), Nabua (81 rooms), Sagnay (68 rooms), Iriga (67 rooms), Buhi (44 rooms), and Tigaon (43 rooms). These facilities range from high-end tourist accommodation to small lodging establishments.

Metro Manila is the third most visited destination with tourist volume of 1.4 million, accounting for 16% of the total tourist count.

The opening of 1,056 new hotel rooms in Metro Manila during the year gave impetus for the hefty growth in tourist movement. Among the new facilities which opened are: Newport Marriott Hotel (342 rooms), Oakwood Premiere Joy-Nostalg Center (232 rooms), Maxims Hotel (178 rooms), and The Picasso Serviced Residences (136 rooms).



The development of new tourism products in Metro Manila have likewise strengthened its promotion as a must-see destination for heritage and culture tours; shopping and entertainment; incentives, conventions and meetings; and cruise packages. During the year, major international events in Metro Manila have increased utilization of various tourism facilities. These included the International Conference on Green Industry in Asia, East Asia Seas Congress, Asian

Congress on Health and Peace Tourism, Eco-Products International Fair, World Chinese Entrepreneurs Convention, Association of Convention and Visitors Bureau Meeting, Asian and Oceanian Stock Exchanges Federation General Assembly, Licensing Executives Society International Annual Convention, and Federation of Asian Bishops Conference.

Twenty (20) cruise ships docked in Manila for 2009. Arrivals from these cruise ships posted a 2.24% increase from 17,516 passenger-tourists in 2008 to 17,908 passenger-arrivals in 2009 with most visitors taking the tours in Intramuros, Manila and Tagaytay.

Boracay Island was teemed with Taiwanese and Chinese tourists throughout the year as more charter flights from the said markets were mounted directly to Kalibo. Taiwanese tourists in Boracay went up by 72% as China Airlines started its charter flights which operate twice a week. Similarly, Shanghai Airlines' charter operations of Shanghai to Kalibo and Philippine Airlines' Hangzhou to Kalibo boosted Chinese arrivals to Boracay Island by 26%.

Likewise, the opening of Shangri-la's Boracay Resort and Spa uplifted the tourism experience in Boracay Island, with its 217 rooms, high-end facilities and amenities. The total cost of this new investment amounted to P4 billion. Other new resort-hotel facilities that opened in the island included: Crown Regency (449 rooms), Phoenix Hotel (130 rooms), Boracay Regency Lagoon (120 rooms), Seven Stones (100 rooms), and Grand Water (100 rooms). In addition, new facilities are underway as the local government of Malay reported P902 Million worth of private sector investment for 2009. Tourist volume in Boracay Island grew by 2.4% to 649,559.

Tourists to Bohol posted a 10.9% growth at 313,317 visitors. Foreign tourists reflected an increase of 18% from previous year's volume while domestic tourists went up by 7.9%. Hong Kong and Chinese tourists to Bohol also recorded a remarkable increase of 467% and 99%, respectively. This is attributed to the product diversification being undertaken by the local government units and the private sector to stimulate greater tourist traffic and longer stay in Bohol.

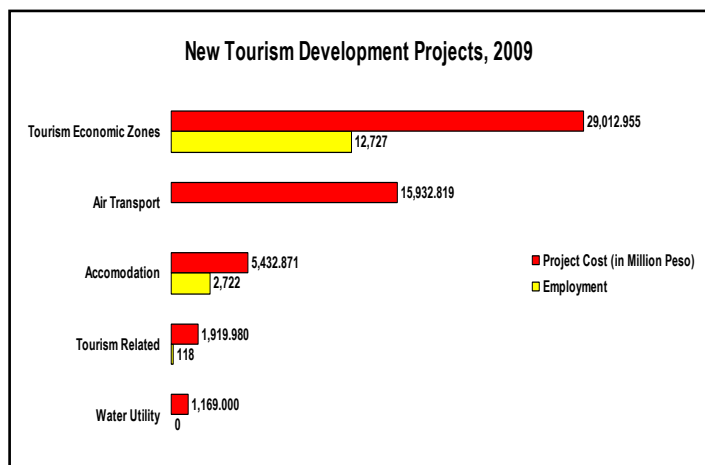
Product development innovations were undertaken by the municipal government of Danao in Bohol which brought a new dimension and perspective to adventure tourism. Dubbed as Ecological, Environmental and Educational Adventure Tour (EAT) – Danao, this product which is fully funded by the municipal government offers an extreme and exhilarating challenge with its 45-meter plunge, 1.5-kilometre Suislide, caving, river tubing, rappelling, kayaking and root climbing. Though with limited promotion capacity (initially only through word-of-mouth), foreign and domestic tourists trooped to this destination to experience a real adventure.

Puerto Princesa City tourist traffic grew by 21% with foreign and domestic visitors increasing at double digit level of 23% and 21%, respectively. The upgrading of Puerto Princesa Airport paved the way to increase flight frequencies from Manila and other island destinations in Central Philippines. Likewise, the efforts of the City Government of Puerto Princesa to develop new tourist products attracted more visitors and enabled prolonged stays.

Sustaining the Growth in Tourism Investment

By year-end 2009, the Department of Tourism (DOT) has endorsed 28 new tourism projects worth P 36.3 billion with estimated employment capacity of 15,567 once operational.

The bulk of new investments are in the Tourism Economic Zones amounting to P29 billion. These include the Eagle Entertainment City, Bagong Nayong Pilipino Entertainment City, Embarcadero de Legaspi, Akean Resorts and Ilawod Estate Tourism Economic Zone.



Additional investment in the accommodation sector with total cost of P5.4 billion is projected to employ 2,722 people. This include the Remington Hotel (1,000 rooms) and Microtel Inns and Suites (150 rooms) in Manila, Sheridan Beach Resort (96 rooms) in Puerto Princesa City, Highlander Hotel (76 rooms) in Nueva Vizcaya and Green Canyon EcoPark (75 rooms) in Tarlac.

Relatedly, the airline sector responded to the growth in the tourism sector as Cebu Pacific, Zest Airways and SeaAir have poured investments to acquire new aircrafts to cope with the demand for increased air travel. Total investments of these airlines were valued at P15.9 billion.

Diversifying Tourist Products

Increased visitor volume in major destinations gave impetus for more Local Government Units and communities to engage in various tourism enterprises, thereby diversifying the tourist products and experiences while generating local employment and revenues.

The provincial government of Camarines Sur opened an 18-hectare manmade lake called Lago Del Rey at the cost of P20 million to complement the popular wake boarding activity in the area. As a family facility, the park offers various activities such as boat ride, fishing, and swimming, and accommodation.

The municipal government of Basey in Samar launched the Golden River Tour and the Eco-Adventure Tour of Sohoton Cave. Managed by local residents, these community-based ecotourism products have earned a gross income of P650,000 since inaugurated in May 2009. Plans are currently underway to uplift the tourism experience of visiting Sohoton Cave with the introduction of lighting facilities, board walk, visitor facilities and guided interpretation.

The city government of Balanga in Bataan has taken advantage of the growing market for bird watching and embarked on upgrading existing tourism facilities in the area. As a popular stop-over and feeding ground for migratory birds, Balanga has the largest concentration of birds and offers not only bird watching but also bird photography.

Trekking, bird watching, and ecotourism products in Mt. Apo were enriched with new adventure, camping and cultural interaction activities which have drawn more tourists. With the launch of Kayaking Adventure Campaign, the DOT organized three (3) kayaking series: namely: Kayak Explore Hundred Islands, Cavite-Corregidor-Bataan Kayak Eco-Challenge, and Cebu-Bohol Channel Kayak Crossing.

Gearing for Robust Growth

In the midst of a challenging year, the DOT has laid down the foundations for sustained growth of Philippine tourism.

Anchored on the smooth implementation of Tourism Act or RA 9593, the DOT foresees the coordinated and integrated efforts of the government and the private sector to expand current capacity, increase tourist demand, enhance tourism revenues, and create more employment opportunities in tourist destinations.

By year 2010, total tourist traffic in the top destinations is forecast to grow by 15% as domestic travel movement continues to increase and international tourist markets recover from economic slack.

(Original Signed)
ACE DURANO
Secretary