

TOURISM DEMAND ANALYSIS

A. Tourism Sector Context

1. International visitor arrivals in Cambodia reached 3.58 million in 2012, a 24% increase compared to 2011. While recent growth in arrivals has been remarkable, average length of stay has dropped by 6% to 6.3 days since 2008 and average daily spending is hovering at around \$100 per day. The direct contribution of travel and tourism to GDP is 11.4% and is expected to be 11.5% of GDP in 2025. International tourism receipts reached a historic high of \$2.2 billion in 2012, sustaining 782,500 jobs or 12.4% of total employment. About 60% of arrivals originate in Southeast and East Asia, with Viet Nam, the Republic of Korea and the People's Republic of China (PRC) as significant source markets. Cambodia is one of the most visa-friendly destinations in the world, offering tourist visa-on-arrival for 179 countries and visa exemption for member states of the Association of Southeast Asian Nations (ASEAN). The government's Tourism Development Strategic Plan 2012–2020 forecasts 7 million international arrivals in 2020 and prioritizes investment in the southern coastal corridor (Koh Kong, Sihanoukville, Kampot, and Kep), Mekong River corridor and Tonle Sap Lake, and protected areas in the Northeast and Cardamom Mountains.

B. Tourism in Kampot Province

2. Kampot's main tourist attractions are (i) Kampot Town's riverside setting, colonial-era buildings and historic market; (ii) Preah Monivong (Bokor) National Park, with the Bokor Hill Station and recently opened integrated resort; (iii) salt and pepper farms; and (iv) Teuk Chhou Rapids and nearby durian plantations. Popular tourist activities are visits to the Bokor hill station, caves, local villages, and shopping for local products.

3. Kampot welcomed nearly 980,000 tourists in 2012, of which about 25,000 (2.6%) were international. Average annual growth in arrivals over the past five years is 36.8%. 2012 saw a sharp increase in visitors (33% for international and 188% for domestic tourists), which can be attributed to the opening of the resort at Bokor. During the first quarter of 2013 the province recorded over 31,000 international visitors (mostly Vietnamese) more than the total for the previous year. Domestic arrivals were up 50% in the first quarter of 2013 compared to the same period in 2012. International tourists spent about \$3.4 million in 2012.

4. Based on strong international and domestic demand, it is likely that tourism in Kampot Province will continue to grow steadily in the foreseeable future. However, without strategic investment in the destination there is a risk this growth could stagnate or decline. The proposed passenger pier development in Kampot Town will open a new international touring route between Viet Nam's Phu Quoc Island and Cambodia's southern coastal corridor as well as other national and international coastal destinations. This will boost cross-border tourism flows and help diversify Cambodia's tourist destinations. The project's focus on improving destination management and promotion in Kampot Town and Preah Monivong (Bokor) National Park will help boost local enterprise development and tourist spending.

5. As shown in Table 1, without-project forecasts suggest that in 2019 Kampot will receive 1,964,275 tourists (95,689 international) and international tourism receipts will be about \$13 million. The with-project growth scenario places total arrivals at 2,314,099 (120,653 international) in 2019 with international tourism receipts topping \$20.4 million. The without-project scenario assumes that annual growth in arrivals will initially remain strong, but for international arrivals will decline and level off at 5% in 2019. Similarly growth in domestic arrivals will decline to 3% in 2017. Average receipts per international tourist are assumed to remain at the 2012 level of \$135 until 2025. The with-project scenario assumes growth in international arrivals is 12% in 2019 and moderates to 10% in 2021. It is

conservatively assumed that domestic arrival growth is 8% in 2017 and 5% in 2019. Average receipts per international tourist rises to \$170 (2019) and \$193 (2025) in the with-project scenario. Incremental growth and receipts is attributed to new regional sea and land links, increased market awareness, and increased visitor satisfaction and spending.

Table 1: Kampot Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	978,619	1,964,275	2,359,421	2,314,099	3,154,856
International tourist arrivals	24,972	95,689	128,233	120,075	214,653
Domestic tourist arrivals	953,647	1,868,585	2,231,188	2,194,024	2,940,202
Tourism receipts (\$ million) ^a	3.4	12.9	17.3	20.4	41.3
Average receipts per tourist (\$) ^a	135.0	135.0	135.0	170.0	192.5

^a International receipts/per international tourist only.

Sources: Ministry of Tourism and Kampot Department of Tourism.

C. Tourism in Kep Province

6. Kep's main tourist attractions are beaches and colonial-era villas, the crab market and seafood restaurants, Koh Tonsay (Rabbit Island) and Kep National Park. Popular tourist activities are swimming, picnicking, boat excursions around the Kep archipelago, and nature walks in Kep National Park.

7. Kep welcomed nearly 800,000 tourists in 2012, of which around 39,000 (5%) were international. Average annual growth in domestic tourist arrivals over the past five years is 49% but has recently stagnated with growth of only 1.3% in 2012. Average annual growth for international arrivals between 2008 and 2012 was 101%. 2012 saw a 341% increase in international arrivals, which is partly attributed to the opening of a large integrated resort in Preah Monivong (Bokor) National Park. This facility draws large numbers of Vietnamese visitors that enter Cambodia via Kampot's international border checkpoint at Preh Chak.¹ International tourists spent about \$8.1 million in 2012.

8. While growth in international arrivals between 2008 and 2012 was impressive, the total number is still relatively low, partially due to poor environmental conditions at Kep's beaches and beachfront tourism establishments. The destination also suffers from underinvestment in marketing and promotion and low service standards. To accelerate growth in international tourist arrivals and reinvigorate growth in domestic tourism, the project will invest in improving environmental services and destination management in Kep Town.

9. As shown in Table 2, without-project forecasts suggest that in 2019 Kep will receive 1,029,591 tourists (98,016 international) and international tourism receipts will reach \$20.6 million. The with-project growth scenario places total arrivals at 1,358,227 (257,893 international) in 2019, with international tourism receipts of \$20.6 million. The without-project scenario assumes annual growth in international arrivals will initially remain strong, but gradually decline to 3% in 2018. Growth in domestic arrivals in the without-project scenario is assumed to average 3% from 2013 onwards. Average receipts per international tourist are assumed to remain at the 2012 level of \$210 until 2025. The with-project scenario assumes growth in international arrivals will be 12% in 2019 and to 10% in 2021. Annual growth for domestic arrivals is forecast to climb to 10% in 2015 and level off at 5% from 2019 onwards. Average receipts per international tourist will climb to \$255 by 2019 and \$280 in 2025 due to higher visitor satisfaction, increased length of stay, and improved market awareness.

¹ Kep Province is completely surrounded by Kampot Province.

Table 2: Kep Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	796,102	1,029,591	1,229,386	1,358,227	1,884,722
International tourist arrivals	38,643	98,016	117,036	144,262	257,893
Domestic tourist arrivals	757,456	931,575	1,112,350	1,213,965	1,626,829
Tourism receipts (\$million) ^a	8.1	20.6	24.6	36.8	72.2
Average receipts per tourist (\$) ^a	210.0	210.0	210.0	255.0	280.0

^a International receipts/per international tourist only.

Source: Ministry of Tourism and Kep Department of Tourism.

D. Tourism in Koh Kong Province

10. Koh Kong's main tourist attractions are the extensive mangrove forests in Peam Krasop Wildlife Sanctuary, protected areas in the Cardamom Mountains, scenic coastline and beaches, waterfalls, and resorts situated along the border with Thailand. Popular tourist activities include visiting beaches and waterfalls, community based ecotourism, coastal excursions, and trekking in protected areas.

11. Koh Kong welcomed about 90,500 tourists in 2012 (8.5% international). Average annual growth in arrivals between 2008 and 2012 was 11.5%, significantly lower than Kep and Kampot. Moreover, international arrivals declined by 32% in 2012. As Koh Kong has good transport connectivity with neighboring Thailand and Phnom Penh, the project will provide assistance under outputs 3 and 4 for capacity building, enterprise promotion, and marketing, focusing on boosting tourism in Peam Krasop Wildlife Sanctuary and the Cardamom Mountains.

12. As shown in Table 3, without-project forecasts suggest that in 2019 Koh Kong will receive 170,226 tourists and international tourism receipts will be \$4.3 million. The with-project growth scenario places total arrivals at 213,179 in 2019 with international tourism receipts of \$7.2 million. The without-project scenario assumes from 2013 onward, annual growth in international arrivals will increase to 3% and annual growth in domestic arrivals will be 10%. Average receipts per international tourist will remain at the 2012 level of \$490 until 2025 in the without-project scenario. The with-project scenario assumes international arrivals will reach 10% by 2015 and remain at that level until 2025, and domestic arrivals will reach 15% by 2015 and then level off to 10% by 2021 and remain at that level until 2025. Average receipts per international tourist is forecast to increase to \$544 in 2019 due to increased visitor satisfaction, improved destination marketing, higher spending, and longer length of stay.

Table 3: Koh Kong Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	90,525	170,226	295,837	213,179	380,879
International tourist arrivals	7,727	8,876	9,996	13,328	23,611
Domestic tourist arrivals	82,798	161,350	285,841	199,851	357,268
Tourism receipts (\$million) ^a	3.8	4.3	4.9	7.2	14.2
Average receipts per tourist (\$) ^a	490.0	490.0	490.0	543.8	600.0

^a International receipts/per international tourist only.

Source: Ministry of Tourism and Koh Kong Department of Tourism.

E. Forecasts for Infrastructure Subprojects

13. An overview of baseline conditions and projections for each site where infrastructure will be improved is presented in Table 4. A detailed description of each subproject is

presented in the Project Administration Manual. The assumptions and methodology for calculating the Kampot–Phu Quoc Ferry Service operating out of the Kampot Pier is presented in Table 5.

Table 4: Subproject Sites Tourism Forecasts 2012-2025

Subproject site / Indicator	Baseline		Without-Project		With-Project		Incremental With-Project Benefits	
	2012		2019	2025	2019	2025	2019	
Kampot Province								
<u>Kampot Pier Development</u>								
<i>Kampot-Phu Quoc Ferry Service</i>								
Total passengers	-		-	-	379,022	515,987	379,022	
Passenger-km (million)	-		-	-	39.19	53.09	39.19	
Passenger-trips	-		-	-	712,526	965,332	712,526	
Fare receipts (\$million)	-		-	-	10.69	14.48	10.69	
Kep Province								
<u>Kep Crab Market Environmental Improvements</u>								
<i>Crab Market Facility</i>								
Customers ^a	24,000		31,039	37,062	40,946	56,818	9,907	31.9%
Receipts (\$) ^b	482,000		623,366	744,331	822,338	1,141,104	198,972	31.9%
<i>Restaurants at Crab Market</i>								
Customers ^a	200,000		258,658	308,851	341,219	473,487	82,561	31.9%
Receipts (\$) ^c	1,000,000		1,293,290	1,544,256	1,706,096	2,367,436	412,806	31.9%

^a Customer projections based on growth in tourist arrivals in Kep Province

^b 2012 baseline: crab sales: average 7.5 sellers/day, each selling 25kg at an average price of \$6/kg = \$410,000; dry good sales: 24,000 customers spending \$2/pers = \$48,000; small food stalls: 12,000 customers spending \$2/pers = \$24,000; projections based on growth in customer numbers.

^c Receipts based on estimated spending of \$5/customer.

Source: Ministry of Tourism; Kep and Kampot Departments of Tourism; Asian Development Bank estimates.

Table 5: Kampot–Phu Quoc Ferry Service Forecast for 2019

Tourist arrivals	Ferry Users ^a			1-way/2-way			km	Passenger-km	Passenger-trips	Fare (\$)	Revenue (\$)
	a	b	c = a*b	d	e	f = c*d					
Kampot international	120,075	15%	18,011	30%	2	5,403	110	594,369	10,807	15	162,101
				70%	1	12,608	55	693,430	12,608	15	189,117
Kampot domestic	2,194,024	15%	329,104	90%	2	296,193	110	32,581,261	592,387	15	8,885,798
				10%	1	32,910	55	1,810,070	32,910	15	493,655
Phu Quoc inbound	638,141	5%	31,907	100%	2	31,907	110	3,509,776	63,814	15	957,212
Total			379,022					39,188,906	712,526		10,687,883

^a Forecast of ferry users: 15% of Kampot international tourists (out of which 30% for two-way trips and 70% for one-way trips), 15% of Kampot domestic tourists (out of which 90% for 2-way trips and 10% for one-way trips) and 5% inbound from Phu Quoc for day excursions to Kampot.

Source: Ministry of Tourism, Kampot and Kep Departments of Tourism, and Asian Development Bank estimates.