

Unlocking the Potential: A Conversation with the Chairman of SLTDA

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Can you briefly explain your career, indicating milestones achieved?

My career commenced in the year 1972, when I initially ventured into the field of hotel management. I remained dedicated to the hospitality industry until 1978. During this period, I pursued a craft course at the Ceylon Hotel School. Also, a course conducted by Cornell University in India and many other short-term courses. In 1978, I made a pivotal decision to further my education by traveling to the United Kingdom to complete a diploma in hotel management and tourism.

Before embarking on my educational pursuits to the UK, I was involved in managing Miridiya Hotel in Anuradhapura until 1978. Upon my return to Sri Lanka in 1981, armed with a diploma in tourism and hotel management, I joined the Ceylon Tourist Board.

My initial role at the Ceylon Tourist Board was in the Trade Standards Division, now known as the Quality Assurance and Standards Division. At that time, our primary goal was the implementation of the Hotel Code of 1973, which



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introduced a system of hotel classification to ensure the quality and standards of our accommodation sector.

Maintaining high quality and service standards was a paramount concern, leading to the initiation of hotel classification for all establishments in Sri Lanka. Although legislation had been enacted earlier, it was in 1981 that this initiative gained significant momentum. A dedicated team of six members, known as the Inspectorate, was tasked with visiting hotels across Sri Lanka, conducting inspections, offering guidance on adhering to standards, addressing deficiencies, and then forwarding their findings to the Classification Committee for evaluation.

I served in the Trade Standards Division for approximately one and a half years before being asked to assist the Chairman due to my comprehensive understanding of tourism. This appointment was aimed to bring a more professional approach to the organization, from an overall management perspective. I accepted the position of Personal Assistant to the Chairperson, which provided me with a broader perspective of the entire organization/ industry beyond my initial role in quality assurance and standards.

In 1984, I returned to the UK to pursue a master's degree in Tourism Marketing at the University of Surrey, which I successfully completed in



1986. Upon my return, I assumed the role of Acting Director of Marketing at the Ceylon Tourist Board, and after two months, I was officially appointed as the Director of Marketing, a position I held until 1991. This period presented challenges due to the instability in the country, which adversely impacted on tourism.

In 1982, Sri Lanka experienced its best year in planned tourism, with 402,730 tourist arrivals. However, subsequent years saw a decline, largely attributed to the civil unrest that prevailed. When I assumed the role of Director of Marketing in

the mid 1980s, tourist arrivals had plummeted to around 180,000, a considerable drop from the previous peak.

Our initial goal was to stabilize the industry's decline, but we faced budget constraints. The entire budget of the Tourist Board, covering marketing and other expenses, was a mere 34 million rupees at the time. Of this, marketing received the lion's share with 17 million rupees. With limited resources, we had to carefully strategize our efforts, focusing on comprehensive PR campaigns.

Recognizing the importance of public relations (PR) activities, we

concentrated on bringing journalists from key markets, organizing familiarization trips for industry professionals, and working diligently to create a positive image for Sri Lanka in the tourism sector. These efforts resulted in stabilizing the decline, with tourist arrivals reaching almost 200,000 by 1989.

In 1991, I left the Tourist Board when I received a compelling offer from one of the former Chairpersons of CTB, Mr. Askar Moosajee to join his company in the private sector. This opportunity came with a significantly higher salary and perks compared to my role as Director of Marketing. In the Moosajee Group, I gained exposure to various industries and ventured into tourism consultancy as well. I was involved in diversification efforts, such as establishing Gold Coin Feed Mills in Sri Lanka and manufacturing and exporting brushes and brooms. My role also extended to animal husbandry products, where I managed an account for Solvey Animal Health from Belgium.

My association with the Moosajee Group included serving on various boards and even acting as an alternative director on the Serendib board, a company which managed multiple hotels. I remained with the Moosajees Group until 1995 when I ventured into my own businesses, including construction, the import and sale of poultry-related equipment, exports and other diverse areas, all while continuing to provide tourism consultancy services.

One of my early consultancy projects involved contributing to the Mahaweli Tourism Master Plan in 1992, which covered all geographic areas falling under Mahaweli project. Since then, I have undertaken numerous tourism

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assignments both locally and internationally. Even when I was invited to serve as the Chairman of the Sri Lanka Tourism Development Authority (SLTDA), I was involved in developing the tourism master plan for the government of Bangladesh, extending up to 2040, encompassing short-term, medium-term, and long-term strategies.

Throughout my career, I have also engaged in private sector endeavours, focusing on project proposals for new developments, further enriching my knowledge and experience in various fields beyond tourism.

As a National Consultant of ILO, I was instrumental in setting up the National Employment Sourcing and Delivery System of Sri Lanka known as "JobsNet" with 19 centres spread across the island. From 2003 to 2007, as the Project Director, I was in overall charge until the completion of the project phase. In Tourism as well as Employment Services, I have carried out a few assignments for ILO, Sri Lanka.

Could you please provide an introduction to the organization and an overview of the specific responsibilities and functions that this institution manages?

The Sri Lanka Tourism Development Authority (SLTDA) holds a prominent position in the realm of tourism governance. Within the Sri Lankan tourism sector, four distinct organizations operate: the Sri Lanka Tourism Development Authority, the Sri Lanka Tourism Promotional Bureau, the Sri Lanka Convention Bureau, and the Sri Lanka Institute of Tourism and Hotel Management, commonly referred to as SLITHM. It is noteworthy that these four entities were previously consolidated under the umbrella of the Ceylon Tourist Board until the enactment of Act No. 38 of 2005, which led to their division into separate entities, a change that came into effect in 2007.

Since 2007, the tourism landscape has been marked by specialized

areas. The primary motivation behind the enactment of the new act was the fact that tourism heavily relied on government grants for promotional activities, which were often insufficient. Consequently, efforts were initiated in the early 1990s to explore avenues for augmenting the budget to better serve the industry. During this period, discussions revolved around implementing a tourism development levy, initially contemplating a bed tax before settling on a tourism development levy. This levy, introduced in 2005, mandates that 1% of turnover is allocated to the government's coffers to fund promotional activities, development initiatives, and support the hotel school. Additionally, the embarkation tax contributes \$5 per passenger to our tourism revenue. Up until 2018, which marked the pinnacle with 2.3 million tourist arrivals and earnings of 4.3 billion US dollars, we had substantial financial resources for promotional activities, development projects, and other initiatives. However, since the unfortunate events from 2019 to 2022, tourism has



significantly declined, resulting in proportional budget reductions. Recent economic challenges, the need for increased funding, and the imposition of more stringent controls have further compounded the reduction of available funds. Even when funds are available, general government directives prohibiting capital expenditure have hindered our ability to implement planned initiatives. For example, the Sri Lanka Tourism Promotional Bureau faced uncertainties regarding its participation in foreign fairs or exhibitions and road shows. Planning had to adopt an ad hoc approach rather than a structured one, which is suboptimal from a marketing standpoint.

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Breaking down the hospitality sector, we encompass star-class hotels ranging from 5 to 1 star, boutique hotels, villas, guest houses, homestay programs, and various accommodations classified under hospitality. Additionally, we oversee other entities such as Destination Marketing Companies and recreational service providers, shops catering to tourists. In total, around 6,500 establishments are registered with us, constituting the formal sector of tourism.

You may have heard the term “informal sector,” which refers to entities that, while legal and authorized by local authorities, have not obtained registration and licensing from the SLTDA. Registration is crucial as it ensures compliance with our criteria and guidelines. Non-compliance may result in downgrading or

the necessity to make necessary adjustments to meet the prescribed criteria. Recent developments include the registration of travel apps and travel platforms, which were previously lacking guidelines. We have now established criteria for registration, allowing any interested party to register with us. We will monitor their performance to benefit stakeholders and boost industry momentum. In the realm of marine tourism, we have recently concluded a study, and by the end of the year, we anticipate launching a comprehensive marine tourism master plan. This plan will be implemented in stages to address environmental concerns, particularly as Sri Lanka is the fifth-largest ocean polluter. We must mitigate environmental damage as we promote industry growth, emphasizing sustainability in tourism. In line with this commitment, we are working towards achieving tourism sustainability certifications, with Sigiriya as the first certified

destination. We will subsequently introduce Destination Management Organizations (DMO) sustainability certifications and hospitality sustainability certifications by year-end, targeting certification for around 200 institutions and organizations. These certifications align with travellers’ growing awareness of destinations adhering to standards set by the United Nations’ 17 Sustainable Development Goals (SDGs).

Our strategic efforts also extend to research. The SLTDA encompasses various divisions, including the establishment registration and quality standards division, which is responsible for classification and quality assurance. Additionally, we have the research and international affairs division, which conducts ongoing global and local research to support marketing planning and is available for industry use. We continuously seek best practices and innovations to apply in Sri Lanka. Our organizational structure also includes administration and human resources, finance, and a crucial division focused on domestic tourism and community relations. This division manages sustainability initiatives and maintains a dedicated sustainable tourism unit at both the head office and provincial levels, with nine provincial units in total. Despite being in its infancy, this initiative aims to involve provincial councils in sustainable tourism discussions and ensure benefits reach grassroots levels, including farmers, fishermen, and small and medium-sized enterprises (SMEs) in the provinces. Currently, only a few provinces have fully harnessed tourism’s potential, while others, notably in the north and east, have yet to maximize their tourism benefits. Our goal is to uplift

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regional economies and empower local communities. It's worth noting that around 500,000 people are directly employed in tourism, with a total of approximately 3 million individuals involved either directly or indirectly in the industry. As we move forward, these numbers are expected to rise. In 2018, when we reached our peak with 2.3 million tourist arrivals, there were 50,000 hotel rooms in the formal sector, a number expected to increase over time.

How does the Sri Lanka Tourism Development Authority (SLTDA) plan to contribute to the Sri Lankan economy, and are there specific targets or objectives that the organization aims to achieve to demonstrate its contribution to the country's economic growth?

By the year 2027, our ambitious goal is to emerge as the leading contributor to the national economy in terms of foreign exchange earnings through tourism. Furthermore, we aim to achieve another milestone by 2029, where we anticipate hosting 5 million tourists in our country. Out of this figure, 2.5 million tourists are expected to fall within the high-end tourist segment, each spending a minimum of \$500 per day during their stay in Sri Lanka. The remaining tourists will represent a diverse mix of other segments.

It is essential to acknowledge that implementing such a transformative shift cannot happen overnight. We must carefully consider the supply side of the equation. Presently, our country boasts around 9,000 hotel rooms suitable for high-end tourism. Rushing to promote this segment without aligning the supply can be detrimental, as it may lead to unmet expectations and negative reviews, spreading dissatisfaction through social media platforms. Therefore,

a gradual approach to upgrading our tourism offerings is imperative to ensure high levels of satisfaction among tourists.

We must also recognize that today's backpackers could become CEOs or high-end travellers within four to five years. Neglecting this segment would be unwise. Hence, we must make provisions to cater to the diverse needs of backpackers, leisure travellers, adventure enthusiasts, and other segments. Currently, we are promoting Sri Lanka through various themes, encompassing sea, sun, and sand, adventure, wildlife, archaeology, and heritage, among others. In particular, we are



focusing extensively on marine tourism and wellness tourism, as there is a growing demand for these segments in the post-COVID era. These segments tend to attract high-end tourists who stay for longer durations, such as travellers from Japan interested in Ayurvedic experiences. By catering to these specialized segments, we can boost foreign exchange earnings while diversifying our offerings.

From a marketing perspective, it is essential to cater to travellers' desires and preferences. However, we must also be mindful of our cultural and social norms and protect them. While we may not be Thailand or Indonesia, we possess unique characteristics that can be a significant draw for tourists. Our objectives in promoting tourism encompass maximizing foreign exchange earnings, creating employment opportunities, and minimizing economic leakages. Currently, a study has revealed that approximately 51% of tourism-

related revenue exits the country as leakages. We believe that out of this 51%, approximately 17% can be curbed by addressing invisible leakages, where individuals evade bringing foreign exchange earnings into the country. This not only results in economic losses but also deprives the tourism sector of essential funds. Therefore, we plan to implement measures to ensure that money flows through legitimate channels, benefiting both the economy and the tourism industry.

What is your perspective on the Minimum Room Charges in the tourism industry? Can you explain the mechanism that SLTDA implemented to regulate and address this issue?

Our next significant initiative is the introduction of a minimum room rate, which is currently under review by the

legal draftsman's office. This policy is set to be implemented starting from the 1st of October. The impetus for this policy came from the hoteliers themselves. Initially, when they approached me, I emphasized that in a country with an open economic policy, imposing price controls might not be ideal. Instead, I encouraged them to reach a consensus and establish a gentleman's agreement to prevent undercutting and underpricing, ensuring mutual benefit for all stakeholders and the economy as a whole.

However, after three months of negotiations, it became evident that the industry could not arrive at a satisfactory agreement among the hotels and Destination Management Companies (DMCs). Faced with their plea for intervention, we reluctantly decided to take action. Our perspective was primarily rooted in assessing the economic losses resulting from the current situation.



The issue at hand was that some 5-star hotels were charging as low as \$65 for a double room with breakfast included. This pricing created a situation where other hotels had to set their rates even lower to compete. Consequently, the economy suffered as a result of this pricing disparity. In some cases, there was an oversupply of rooms in the market. DMCs would approach hotels, insisting on rates as low as \$65. This fierce competition would ultimately lead to price wars, with both the economy and hoteliers being the ultimate casualties.

Regrettably, this situation has arisen due to circumstances over the past three years. The industry currently carries a staggering debt of around 600 billion Sri Lankan rupees, primarily in the hospitality sector. These businesses enjoyed a three-year moratorium, but the accumulated capital, interest, and interest-on-interest on borrowed funds have led to this significant

debt burden. Unlike some other countries, Sri Lanka's economy lacks the robustness to provide substantial support to the industry during the COVID-19 crisis. Consequently, we have been unable to alleviate this financial strain. Roughly 80% of this debt burden is borne by hospitality sector players.

This predicament will have far-reaching consequences for the industry. If hotels cannot maintain their quality and standards, if they fail to upgrade their offerings to remain competitive, the entire destination will suffer. Hotels may consider selling their properties, and foreign investors, seeking bargains, may seize the opportunity. While this may provide short-term relief, it defeats the overarching goal of tourism – to earn foreign exchange for the Sri Lankan economy. Profits earned may be repatriated by these investors, diverting potential economic benefits.

In introducing the minimum room rate, our intention is to safeguard all hoteliers from exploitation, secure a better yield from tourism for the destination, and send the right message from a marketing perspective. Pricing at a lower rate can create perceptions of a cheap destination, raising doubts about quality standards. By positioning ourselves correctly, we can overcome these challenges through psychological conditioning and a strategic marketing approach. Once demand builds, rates will stabilize and hopefully there will be no need to continue with minimum room rates long-term.

Is Sri Lanka employing an appropriate pricing strategy to effectively compete in the tourism industry?

I would like to emphasize that Sri Lanka is currently underpriced in terms of its tourism offerings. If you examine properties in the higher-end category, such as boutique hotels, villas, and establishments maintained to exceptionally high standards, you'll find that they are consistently achieving high occupancy rates at premium room rates. Take, for example, the Yala Wildlife Resort, which boasts approximately 500 rooms. Their room rates start at around \$600 and can go as high as \$2000, yet they maintain an impressive 85% occupancy rate. This illustrates that pricing does not necessarily have a negative impact on the destination. Instead, it underscores the importance of effective marketing strategies, product positioning, and attracting the right market segments.

Even smaller hotels in Colombo and other areas, including boutique properties, are experiencing robust occupancy rates at premium prices. Consequently, there is no compelling justification for reducing prices at this juncture. In fact, even on paper, bookings for the upcoming season appear very promising, indicating a strong demand for Sri Lanka's tourism offerings.

What do you think about the situation of the skilled staff in Sri Lanka right now?

Another critical area of concern within the tourism industry is the availability of skilled manpower. Presently, if you assess the industry, you'll find that skill levels are hovering around a modest 30% to 35%. Over the past three years, many individuals have sought better opportunities abroad, primarily due to the industry's challenges. With

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issues persisting, particularly in the Middle East and other countries, significant employment prospects have opened up for our skilled workers.

The continuous training and development of our workforce will be essential. We must recognize that we cannot discourage individuals from seeking employment abroad because a portion of their earnings returns to our economy, ultimately contributing to our economic growth. Therefore, we must strive to increase the pool of skilled professionals in various domains, not limited to the hospitality sector alone. This includes areas such as electricians and mechanics, as they play direct or indirect roles within the industry.

Currently, there is a shortage of approximately 25,000 to 30,000 skilled workers within the industry. This deficit is an area of utmost importance that demands our focus and action. When we look at countries like Saudi Arabia, which is ambitiously targeting 100 million tourists by 2030, we must recognize the immense workforce requirements associated with such a goal. To cater to 100 million tourists, you would require a workforce of at least 250 to 300 million, assuming a 1-to-3 ratio. With advancements in technology, this ratio may decrease to 2.5 or even lower. However, the tourism industry places significant emphasis on human interaction, making a substantial workforce indispensable.

Saudi Arabia and similar countries draw their workforce from nations like Sri Lanka, Bangladesh, India, the Philippines, and others. To ensure the sustainability of our own tourism industry, we must continue to produce a substantial number of

skilled persons and professionals. This not only directly benefits the industry but also has a positive ripple effect on our economy as a whole.

How should Sri Lanka diversify its tourism product to align with its goals as a country?

Adventure tourism represents another area with vast potential for growth. Additionally, what we may not have adequately pursued in the past is conducting promotions based on scientific research and findings. I firmly believe that our approach to development and promotion should be rooted in empirical studies of demand and supply. We must align our supply according to the prevailing demand, which is the cornerstone of sustainable growth.

It's noteworthy that until recently, Sri Lanka lacked a comprehensive tourism policy. Only last year did we finalize the policy document, which has now received cabinet approval. This policy document necessitated the creation of a four-year strategic plan of action, developed in collaboration with all four key organizations in the tourism sector. This strategic plan of action aligns with the policy's objectives and will guide our efforts until 2025.

Beyond this, we recognize the need for a master plan that extends at least a decade into the future. This master plan will include short-term, medium-term, and long-term goals, providing direction for planners and industry stakeholders alike. Within the master plan, there will be specific development plans for each sub-destination within Sri Lanka, such as Kalpitiya, Bentota, Galle, Passikudha, and others. We are currently engaged in the meticulous planning required for these sub-destinations,

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which involves quantifying the number of rooms needed based on market demand. Our aim is to prevent oversupply in certain areas, which would be detrimental to all stakeholders.

One critical aspect that impacts the attractiveness of Sri Lanka for tourism investment is the taxation structure. The formal sector faces a higher tax burden, including social security levies, a 1% tourism development levy, a 14.5% tax, and service charges, resulting in an overall tax rate of about 28.5%. In contrast, the informal sector enjoys tax advantages, which has led to its proliferation. The disparity in taxation hinders the appeal of Sri Lanka as an investment destination.

To become more appealing to investors, we need to address political stability, particularly considering the challenges of recent years. Third-party endorsements, such as those from bloggers and influencers, are invaluable in building confidence among travellers. However, it is important to note that foreign governments issue travel advisories and warnings to protect their citizens, which we must



acknowledge when valid. Our efforts should be focused on improving the situation rather than contesting accurate assessments.

To further enhance our appeal, we should encourage more international brand names to invest in Sri Lanka. Projects like the Hyatt and Intercontinental hotels can serve as catalysts for other investors, instilling confidence in both visitors and the industry. India is a key market for us, with 70% of outbound Indian tourists traveling within the region. Collaborations with Indian companies, such as Royal Orchid Hotel, can yield mutual benefits by promoting thematic weddings and destination weddings, driving occupancy rates.

Moreover, there is untapped potential in areas like Jaffna and the Northern and Eastern provinces. Leveraging the diaspora for investment in these regions could generate significant returns and contribute to the local economy. There are ongoing proposals for tourism development in these areas, but these plans are still in the early stages.

In conclusion, Sri Lanka possesses tremendous potential in various aspects of tourism. Our future success hinges on a strategic and well-researched approach, addressing taxation issues, fostering political stability, and leveraging third-party endorsements and international brand names to build confidence and attract both investors and travellers.

What are your views on taking technology to promote tourism as an industry?

Even from a marketing perspective, we have yet to fully harness the potential of digital marketing, which is what many other countries are doing effectively. Digital marketing is not only cost-effective but also requires professionals who understand the intricacies of the digital landscape. I only have a basic understanding of digital marketing. Therefore, I may not delve into its finer details.

Digital marketing can be a highly productive tool, offering the potential to achieve desired results at a fraction of the cost and in a

shorter time frame compared to traditional marketing practices. However, it's a double-edged sword, as any misstep or negative incident can quickly gain traction and cause significant damage. Proper product management and crisis response mechanisms are crucial.

For instance, while the overwhelming majority of tourists (around 95%) are highly satisfied with their experiences in Sri Lanka, a small percentage (5% or less) may encounter difficulties, often involving beach boys or three-wheeler drivers. Unfortunately, such incidents can be highlighted on social media and rapidly spread, potentially harming the destination's reputation. It's essential for operators and authorities to be vigilant in managing such situations.

From a booking perspective, digital innovations can be highly beneficial. Dialog and Mobitel are in discussions about creating digital labs and information apps that can monitor movements and provide essential information for tourists, enhancing their safety and convenience. Such technological advancements can significantly benefit the industry.



However, the introduction of technology can also disrupt established practices. For instance, there are approximately 4,500 guides in Sri Lanka, but if tourists have all the information they need through an app, they may bypass the traditional guide services. It's essential for businesses and individuals in the tourism sector to adapt to technological changes and find ways to leverage technology for their benefit.

Online Travel Agencies (OTAs) have been gaining market share in recent years due to technology-driven convenience. As technology continues to advance, the role of Destination Management Companies (DMCs) may evolve. DMCs should explore ways to incorporate technology while retaining the personalized service and human touch that high-end tourists often seek.

In conclusion, embracing technology is essential for the tourism industry's growth, but it should not come at the cost of losing the warm and personalized service that Sri Lanka is known for. The industry must strike a balance, creating its unique identity while making the most of available technology.

What message do you have for aspiring students, especially undergraduates, who are considering a career in the tourism industry?

The tourism and hospitality industry offers a wide range of opportunities, and individuals can enter at various stages of their education and career. Whether you are a graduate, have completed O levels, or have just finished A levels, there are pathways into this industry. Even if you start without formal qualifications, it's possible to advance by demonstrating your commitment and skills. There are numerous examples of individuals, both locally and internationally, who began as kitchen helpers and eventually reached the position of a general manager after 18 years of dedicated work. This industry rewards commitment and hard work, offering opportunities for continuous learning and career growth.

However, it's important to note that female participation in the tourism and hospitality industry in Sri Lanka is currently below 10%, which is significantly lower than the global average of around 55-60%. This gender disparity is often

due to societal perceptions and mindsets. It's crucial for parents, opinion leaders, and society as a whole to encourage and support females who have a passion for joining the industry. The tourism and hospitality sector offers competitive salaries, even for entry-level positions like doormen in 5-star hotels, where individuals can earn around Rs. 100,000 per month with service charges and other benefits. Only a few other industries provide such returns for individuals with minimal qualifications.

Furthermore, the opportunities in this industry are not limited to Sri Lanka alone. Qualified and experienced individuals can find employment globally, whether in the Middle East, Europe, or other parts of the world. There are job openings for various roles, including chefs, in countries like Germany and Italy. In essence, the sky is the limit for those who are well-qualified and dedicated to pursuing a career in the tourism and hospitality sector.

SKY IS THE LIMIT ■

Interviewed by: Janith Iddawala & Chandima Gayan