

The Performance of the Tourism Industry in Penang

Introduction

"Fair an' softly," says Nailor. "Jock, whaur's Lang Lammitter?"

"Here," says that man, putting his leg through the window and coming in like an anaconda o' the desert furlong by furlong, one foot in Penang and one in Batavia, and a hand in North Borneo it may be.

An excerpt from: Life's Handicap by Rudyard Kipling, published 1891

Traveling is nothing new today. One can randomly ask anyone on the street and chances are, they have been "somewhere" away from their home state to a short leisure holiday. Vacation is slowly becoming part of culture and it shows up in our calendars at least once a year. However, traveling today is far different from the past. Long gone were the days whereby sea voyages were the only option and travelers would take years to get to their destination and back through those sea voyages. Air travel has in many ways redefined traveling as distance is no longer a barrier and it has contributed much to the shaping of the tourism industry today.

The tourism industry today is a major source of income generation in many states and countries and it also plays a massive, if not vital role in being one of the major catalysts of economic growth. Penang is not any different. Dubbed the Pearl of the Orient, the State has for many years attracted massive amount of visitors from near and far, dating back to the colonial days. The State even boasts of visits by renowned literary greats such as Rudyard Kipling and Somerset Maugham. Kipling, among others, had included the mention of our State in at least a couple of his works, albeit just a very brief mention.

The situation has somewhat changed. Penang had hit its peak in terms of attracting foreign tourists in the 90s but things have seemingly gone downhill towards the end of the century and the industry has never regain its former strength in the new millennium yet. Many believe that the glory days have long gone and Penang's charm is slowly diminishing and fast losing out to newer and more attractive destinations that have emerged in the recent years, with the likes of Phuket, Bali and other Indo-China countries which are regarded as more "exotic" in the eyes of Western foreigners. And all these were further compounded by the emergence of deadly diseases, occurrences of natural disasters, fear of traveling due to threats of terrorism in the region and other factors that have crushed travelers' confidence of their well-being and safety while holidaying in this region.

The Performance of the Tourism Industry in Penang: How Have We Fared Thus Far in 2006?

So how have we performed so far?

As can be seen from Table 1, an estimated total of 1.46 million visitors visited Penang between January to June of 2006. This estimation reflects a favourable rise of 3.34 percent in the total number of arrivals from the same period last year whereby the State only attracted 1.41 million visitors. The rise can be said to be "expected" as 2006 has thus far been a relatively "peaceful" year compared to a more tumultuous 2005 whereby the State was still reeling from the aftermath of the Tsunami tragedy. The return of more visitors not only confirms the renewed confidence among travellers to venture back to the region, but it also refreshes the hope of the State to see a "revivacation" of the tourism industry here.

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First half results continue to show that things are seemingly picking up for the hotel industry.



Table 1: Estimated Total Visitor Arrivals for Penang

	H1 2005	H1 2006	% Change
Estimated Total Visitor Arrivals	1,411,000	1,458,000	+3.34

Source: SERI's estimates

In terms of the ratio of domestic visitors and foreign tourists, approximately 41.3 percent of the total visitors who set foot in Penang in the first half of the year were foreigners. This brings the total number of foreign visitors to about 600,000, which, at this point in time, this figure is still very much lower than the number of foreign visitors that the State had accommodated in its glory days. Although the ratio implied in the above seems to point to a drop in the domestic visitors, it is not fair nor accurate to compare as a different methodology was used to improve on the estimation of tourist origin by nation.

Table 2: Ratio of Domestic Visitors to International Visitors

	H1 2005	H1 2006*
Percentage of Domestic Visitors	62.4%	58.7%
Percentage of International Visitor Arrivals	37.6%	41.3%

Source: SERI's estimates

Note: * Although the ratio implied above seems to point to a drop in the domestic visitors, this is not an accurate comparison. The reason is due to the different basis of estimation for the two periods whereby the 2005 estimation for tourist origin by nation was done on a simple average method but the 2006 estimate was made using a weighted average method. Therefore, the two sets of figures are deemed incomparable due to the different bases of estimation for the two periods. The 2006 ratio will be used as the base for future comparison

Table 3: Average Occupancy Rate (%)

	BEACH HOTELS		CITY HOTELS		TOTAL	
	2005	2006	2005	2006	2005	2006
January	46.82	58.28	49.32	59.87	48.26	59.27
February	47.71	58.39	53.76	68.98	51.18	65.02
March	49.03	56.06	57.23	69.05	53.74	64.57
QUARTER 1	47.86	57.61	53.43	65.87	51.06	62.86
April	39.55	51.51	57.59	69.56	50.52	63.34
May	39.26	49.42	59.88	66.55	51.80	60.49
June	57.44	68.08	65.94	71.48	62.61	70.28
QUARTER 2	45.35	56.26	61.12	69.17	54.94	64.65
1st HALF	46.59	56.96	57.56	67.51	53.09	63.74

Source: SERI's estimates

First half results continue to show that things are seemingly picking up for the hotel industry as both the city and beach hotels experienced a very positive rebound in terms of its occupancy rates in the first 6 months of 2006. The occupancy rates in the first 3 months of the year grew from strength to strength one month after another, especially for city hotels. The months of April and May were relatively slow for the beach hotels as the level of occupancy took a dip from 56.06 percent in March to 51.51 percent in April and the figures further slipped under 50.0 percent in May. However, the beach hotels managed to spring back strongly in June whereby occupancy rate hit an all-year high of 68.08 percent, bringing the average occupancy rate for the beach hotels to 56.26 percent in the second quarter of 2006.

Meanwhile, city hotels continued to exhibit a sturdy growth in terms of its occupancy rates. Similar to the beach hotels, occupancy rates in the city hotels have also dropped in May but it managed to recover and went on to hit its all-year high in June, breaking into the 70 percent barrier with an average occupancy of 71.48 percent. This brought the average occupancy rate for city hotels to 69.17 percent and 67.51 percent for the second quarter and

first half respectively. All in all, hotels in the State fared much better every month in the first half of 2006 than in the same period in 2005. Average occupancy rates have risen by 10 percent each across both types of hotels compared to the same period last year, with the average occupancy rate in June surpassing all the rates achieved in earlier 5 months. Going forward, the hotels are expected to fare even better in July and August with the expected seasonal influx of visitors from the Middle East and the year-end holiday crowd.

Table 4: Market Mix, 1st Half, 2005 & 1st Half, 2006

	1 st Half, 2005 (%)	1 st Half, 2006 (%)
Malaysia (Domestic)	62.37	58.65*
Indonesia	3.30	5.33
Singapore	3.81	5.08
Japan	3.02	4.38
United Kingdom	5.78	4.06
Australia	3.67	2.87
Western Asia	1.63	2.35
China	1.42	2.27
USA	2.18	1.93
Taiwan	1.52	1.90
Thailand	1.70	1.87
Hong Kong	0.89	1.33
Netherlands	1.03	0.94
Germany	0.79	0.84
India	0.63	0.79
South Korea	0.80	0.67
Others	5.46	4.74
TOTAL	100.0	100.0



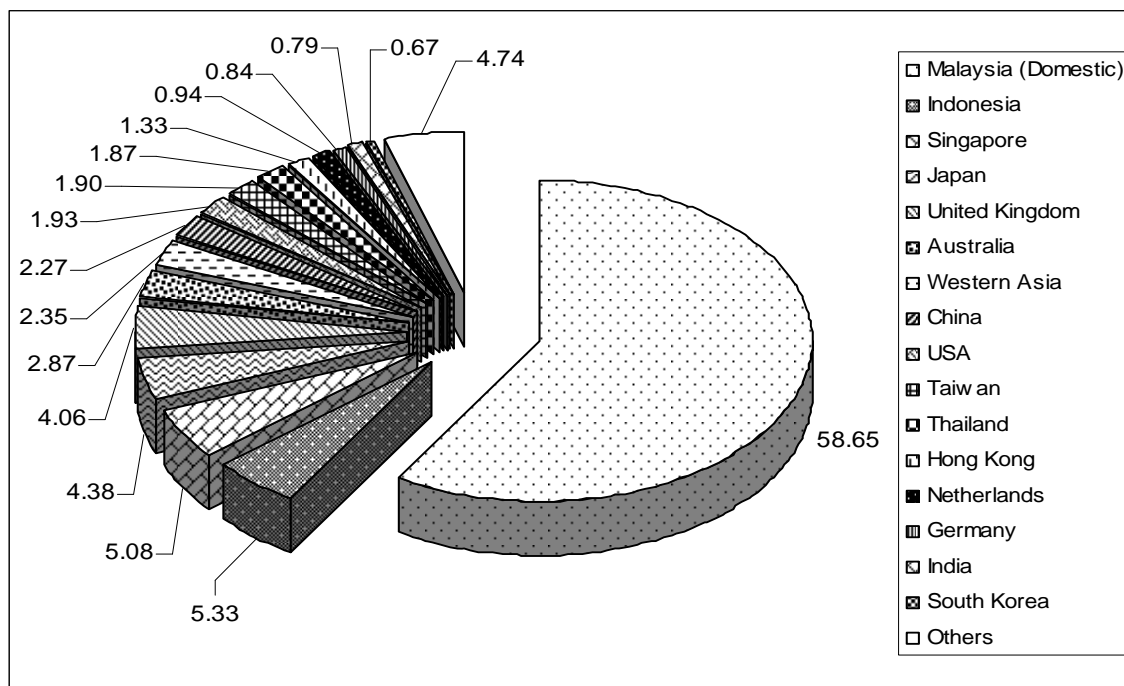
Average occupancy rates have risen by 10 percent each across both types of hotels compared to the same period last year.

Source: SERI's estimates

Note: The increase in percentage share does not necessarily denote an increase in absolute number and the same applies in the case of a decrease.

Note: * Although the ratio implied above seems to point to a drop in the domestic visitors, this is not an accurate comparison. The reason is due to the different basis of estimation for the two periods whereby the 2005 estimation for tourist origin by nation was done on a simple average method but the 2006 estimate was made using a weighted average method. Therefore, the two sets of figures are deemed incomparable due to the different basis of estimation for the two periods. The 2006 ratio will be used as the base for future comparison.

Chart 1: Market Mix, 1st Half, 2006



...tourists who found that their expectations are not met would discredit whatever other benefits they have derived from their visit.



As mentioned earlier, domestic visitors continue to dominate the tourist market for Penang, as locals from other states within Malaysia generated close to 60 percent of the estimated total visitor arrivals in the first 6 months of this year. In terms of the international crowd, both Indonesia and Singapore took the lead as visitors from both of our closest neighbours contributed to more than 5 percent each to the market share of international visitor arrivals to Penang. Visitors from the United Kingdom remain as one of the State's most important visitors as Penang relies very much on this traditional market. Meanwhile, the State is also becoming increasingly popular among Japanese, Chinese and Taiwanese tourists. Visitors from the Far East made up nearly 10 percent of the total visitor arrivals for the first 6 months of 2006 and there is more of this market that has yet to be fully tapped into. Another new source of international visitors is definitely from the Middle East. Visitors from the Middle East are fast becoming one of Penang's major tourist customers, representing more than 2 percent of the total share of foreign visitors. There is a vast potential for Penang to attract visitors from the Middle East, ASEAN and Far East countries in the coming years as more Asians are beginning to grasp the idea of vacationing. Penang should not miss out on capturing these markets if they want to revive the industry.

Where do we go from here?

As it enters deep into the year, it is quite safe to say that it has been relatively peaceful and the State is expected to be in good progress in achieving better results. For such a small state with area coverage of just slightly over 1,000 km², Penang is not lacking in tourist attractions. The question to ponder, however, is more of whether these places of interest are really drawing in the crowds. The usual complaints from visitors revolve around the lack of cleanliness in the State, horrendous traffic, the non-existent public transportation and lack of maintenance of infrastructures and facilities within the State. Therefore it is really virtually pointless to have a lot of tourist "attractions" that are not well maintained. This intangible aspect of the tourism attributes is often the determining factor as tourists who found that their expectations are not met would discredit whatever other benefits they have derived from their visit. The Tourism Ministry has revealed that it has allocated a whopping RM103 million to complete 11 tourism projects within the 9th Malaysia Plan time frame, of which will also include upgrading works and this will hopefully help alleviate some of the pressing problems that need immediate attention.

The Visit Malaysia Year 2007 (VMY2007) is also expected to bring about an influx of tourists to the country next year and Penang is expected to reap the benefits from the efforts of the VMY2007. However, the inevitable question remain as to what lies beyond the VMY2007. Would Penang be able to sustain its tourist arrival figures beyond 2007 and more importantly, would the State be able to maintain its attractiveness in the eyes of the tourists?

Although it is undeniable that there is a vital need to introduce new and improved tourism products in Penang to lure the tourists, the Government also needs to look into solving old issues before they can expect a change to happen within the State's tourism industry. The state needs to introduce new tourism products but more than that, it needs the right approach in product and destination management to ensure a positive change in the industry which is sustainable. There needs to be cohesive support from every quarter of the tourism players to ensure that the industry thrives and becomes more prosperous.

There are many who believe that Penang's prime days as the Pearl of the Orient is fast fading but all is not lost. There will still be hope if everyone were to work together. For the State to be successful in regaining its former charm, it will largely be dependent upon a partnership of the Government and the people to work hand in hand to ensure that the rollout and implementation of the plans will be a smooth one. Let's return to the basics and also, pay attention to the intangibles as far as tourism attributes are concerned. **§ Tan Yin Hooi**

Making Policy Based On Statistics: How Many Tourists Visited Penang in 2005?

Introduction

How many tourists have been visiting Penang? Isn't this merely a simple piece of statistics? Arguing over numbers appears to be a frequent preoccupation by some. Although everyone agrees that numbers are important, and hence why we argue over them, not many people really understand how numbers with which important decisions may be made are gotten, the extent of their accuracy and the costs implied. Statistics costs money to collect but more than that, when people become statistics, they need to disclose something about their personal selves that many are likely to feel uneasy with. This paper is an attempt to offer an insight about how statistics may be obtained and the proper role they are meant to play upon which policies may or may not be based relative to costs and accuracy.



Statistics. Not everybody wants to be one.

In this day an age of technological marvels, it is easy to find oneself worked up unnecessarily about possible incompetence on the part of politicians and government officials for basing policies on bad statistics. But thinking through more carefully, one would also quickly realize that while politicians and officials may be often called incompetent they are most certainly very clever people or otherwise they would not have risen to and stay on at their current position.

The thing about statistics is that nobody wants to be one, because people prefer to guard their private lives jealously. One's own thoughts, choices, behaviour patterns or other idiosyncrasies are deemed very personal and should be off limits to prying eyes. Someone once suggested, at an academic meeting in America that I attended, that the technology of the day has made it possible for a way to conduct a population census cheaply, accurately and within a short space of time. Only thing is politicians are sensible enough to know that people will not go for it. The method suggested was for everyone to write his or her bio-data (the sorts of information the census taker wants) on a cardboard and then at a predetermined time during census-day to stand out in the open looking up into space holding their cardboard. The keyhole satellite would capture the image of everyone's face alongside his or her bio-data. That instance, we would know how many people there are, as well as their individual characteristics.

Thus credit goes to ruling politicians for not opting for such a way to collect census data and settle instead for more conventional but painful means of collecting precious data needed to frame policies with. In Malaysia, the Statistics Act of 1966 makes it mandatory for the local populace to disclose information sought by enumerators sent by the Department of Statistics but the same act also protects individual privacy in that all the information collected would only be analysed on an aggregated basis. There is absolutely no interest whatsoever, the government assures, on the characteristics of any single individual. But even though armed with the law for collecting statistics, the effort needed to do so comes at an expensive price tag. I was told that the 1980 census had a budget of RM44 million, which worked out to roughly the cost of RM3.20 for counting each head in the country. By the time of the 1991 census, the census budget was in excess of RM100 million and the cost per head near the RM6.00 mark. One need only imagine what the budget and cost per head were for Malaysia to conduct the 2000 census. Over and above the dollars and cents, thousands of enumerators have had to be trained and mobilized over a few short months giving rise to a procedural and quality control nightmare. The point is while more precise data might possibly be collected and help produce better policies, politicians are mindful that data and their accuracy comes at a price that might have paid for more worthy public goods like roads, bridges, schools or hospitals. Trade-offs everyone realizes are a reality of life.

I remember many years ago, I presented a paper at a Malaysian Social Science Society conference that looked at how Malaysian industrial sectors were linked with various sectors abroad using data from input-output tables published by Malaysia's Department of Statistics and by the Institute of Development Economics in Japan. The analysis was basically a set of

mathematical equations that allowed the computer to churn out the numbers sought. During questions time, a highly acclaimed economist was very critical of what I did because even though much effort had gone into my analysis, the results could say nothing about popular practices like transfer pricing by companies and other attempts to circumvent paying various types of public revenues, in other words, critical information crucial to policy makers. He was, of course absolutely right in making his point but my answer to him was given that much public expense and effort had already gone into assembling the data I had used, it was the sensible thing to do – to use whatever robust technique there was to draw whatever inference we could from such data to the extent that could be inferred. The good professor should therefore use whatever influence he has with policy makers in Malaysia to stop collecting such data if they are not very useful for guiding policies thus saving public expense and effort.

While we usually like to take pot shots at ruling politicians and government officials since they are our public servants, we must also be comforted by the fact that they have not been blindly seduced by all singing and all dancing technological gizmos that can precisely tell what policy makers want to know but comes at a price not only in money terms but might also likely reveal too much of our personal selves.

How many tourists visited Penang?

Currently, the official source of tourist arrivals into Penang is based on the Tourism Survey conducted by SERI. Prior to SERI’s official appointment in 2005, tourist arrival figures were collated by Penang Development Corporation (1990 – 1999) and later by DCT Consultancy Services (a consultancy arm of the Penang Development Corporation).

The number of tourists visiting Malaysia announced by the Tourism Ministry is based on immigration cards filled by visitors at the port of entry. After entering Malaysia, tourists move freely about the country unmonitored and therefore precise tourists figures by states are impossible to know.

Precious public funds would be wasted by posting enumerators at all entry and exit points in and out of the state in order to differentiate between locals and visitors. Traffic coming off the highways would come to a halt and needless queues would form at the Penang airport and at the pier. This would cause major disruption to both locals and visitors alike. However, the whereabouts of a tourist in Malaysia can be tracked if the tourist buys a duty-free good, during which time his or her passport has to be presented. Unfortunately, not all tourists end up buying duty-free goods. The other opportunity for tracking tourist movements is hotel registrations during which information about tourists and their origins could be captured. The latter forms the basis of the current Tourism Survey.

On the survey forms, hoteliers generally report the number of guests they register according to the origins of their guests, i.e., from other parts of Malaysia or by countries. The numbers reported by hoteliers are taken as face value when counting tourists in the survey without knowledge of whether a registered guest is traveling alone or that he or she is occupying a hotel room with several other family members or traveling companions. Different hotels may maintain their registration records in a variety of ways and each hotelier is left to pull out his or her record accordingly and report their guest numbers. A few hotels¹, however, report to the survey in terms of guest nights, rather than the number of guests registered the way the other hotels did. This is due to the guest registration software used by these hotels and how the data is kept in the hotel computer. The difference here is when the same guest stays three nights, this is counted as three guest nights.

At present, steps are being taken to account for this “anomaly”. To convert guest night data into number of guests, by way of computation, total number of guest nights, is divided by the average length of stay. In our example, three guest nights divided by three nights become one guest, and hence, consistent with the data from the other hotels. It has come to be understood that in some hotels the average number of guests living in the same room is 1.7 guests per room. Thus to arrive at a better estimate of how many tourists there should be, the current formula used is total guest nights divided by average length of stay multiplied by 1.7.²

¹ These hotels while constituting only about 10% of the all hotels surveyed, account for nearly half of all the hotel rooms covered in the survey. In other words, these few are the larger hotels.

² This formula is drawn from the consultative meetings between SERI, Penang Tourism Action Council and Professor Muhamad Jantan. Professor Muhamad Jantan is the Director of Center for Policy Research, USM and sits on the Jawatankuasa MMK Pelancongan. He is also the committee for Tourism Resource Independent Panel (TRIPP) Penang.

Converting Guest Night Data into Number of Guests:

$$\frac{\text{Number of Guest Nights Sold}}{\text{Average Length of Stay}} \times 1.7$$

The survey in a typical year would cover roughly half of the total number of hotel rooms in Penang as a result of the forms mailed out and those ultimately completed and returned. The hoteliers report the total number of guests (or in the few hotels, in terms of guest nights from which the data is modified accordingly as discussed) on a monthly basis. The estimate for the total number of tourists in the whole of Penang is then the number of registered guests divided by the percentage of room covered multiplied by 100, for beach and city hotels.

Estimated Total Visitor Arrival:

The estimated total visitor arrivals to Penang for the 2005 were based on the following formula:

(i) Estimated Visitor Arrivals for Beach hotels

$$= \frac{\text{Total number of Beach Hotel Guests}}{\% \text{ of room coverage for beach hotels in the survey}} \times 100\%$$

(ii) Estimated Visitor Arrivals for City hotels

$$= \frac{\text{Total number of City Hotel Guests}}{\% \text{ of room coverage for City hotels in the survey}} \times 100\%$$

Estimated Total Visitor Arrivals = (i) + (ii)

i.e = .Estimated Visitor Arrivals for beach hotels + Estimated Visitor Arrivals for City hotels

In other words, the estimate is a scaling process. If there are 100 thousand registered guests and given that they are staying in half of all the hotel rooms then dividing 100 thousand by 50 percent and then further multiplying by 100 percent will give us 200 thousand guests in total. The assumption here is that the distribution of guests in the rooms not surveyed is identical to those surveyed and therefore scaling from the tourists counted through the survey, to a final count of all tourists inclusive of also those not surveyed becomes a reasonable estimate.

Table 1(a): Formula to Estimate Visitor Arrivals for Beach Hotels

Month	Total Hotels that responded	Total Rooms coverage in the survey	Total Rooms	% of room coverage in the survey	No. of Beach Hotels Guests	Estimated Visitor Arrivals (Beach), 2005 = $\frac{\text{Total Beach Hotel Guests} \times 100}{\% \text{ of room coverage in the survey}}$
January	9	2,792	4,147	67.3	33,140	49,242
February	9	2,792	4,147	67.3	34,568	51,364
March	9	2,792	4,147	67.3	41,023	60,955
April	9	2,792	4,147	67.3	33,934	50,422
May	9	2,792	4,147	67.3	36,852	54,758
June	9	2,792	4,147	67.3	51,513	76,542
July	11	3,087	4,147	74.4	73,016	98,140
August	11	3,087	4,147	74.4	69,218	93,035
September	11	3,087	4,147	74.4	47,931	64,423
October	9	2,792	4,147	67.3	30,525	45,357
November	10	3,072	4,147	74.1	56,048	75,638
December	10	3,072	4,147	74.1	75,613	102,042
Total						821,918



Table (b): Formula to Estimate Visitor Arrivals for City Hotels

Month	Total Hotels that responded	Total Rooms coverage in the survey	Total Rooms	% of room coverage in the survey	No. of City Hotels Guests	Estimated Visitor Arrivals (City), 2005 = $\frac{\text{Total City Hotel Guests} \times 100}{\% \text{ of room coverage in the survey}}$
January	17	3,773	8,458	44.6	68,897	154,478
February	17	3,773	8,458	44.6	69,208	155,175
March	17	3,773	8,458	44.6	86,463	193,863
April	19	4,334	8,458	51.2	90,228	176,226
May	19	4,334	8,458	51.2	95,071	185,686
June	19	4,334	8,458	51.2	103,512	202,172
July	26	5,285	8,417	62.8	127,715	203,368
August	26	5,285	8,417	62.8	130,386	207,621
September	26	5,285	8,417	62.8	125,923	200,514
October	27	5,387	8,417	64.0	104,064	162,600
November	26	5,275	8,417	62.7	122,092	194,724
December	27	5,417	8,417	64.4	152,597	236,952
Total						2,273,379

Estimated Total Visitor Arrivals

= Estimated Total Visitor Arrivals for Beach hotels

+

Estimated Total Visitor Arrivals for City hotels

= 821,918 + 2,273,379 = 3,095,297 ~ 3.09 million

Table 1(a) & 1(b) above show various guests estimates at beach and city hotels using the above method. It is likely that many people will be contentious when such generalizations are made. Nevertheless, converting raw data samples into generalizations for the entire population has been the practice for longer than one can imagine amidst debate among expert statisticians over the correct way to convert raw data samples.

What statisticians understand about numbers that lay people might not

To most people a number obtained by an enumerator through a field survey is a piece of statistics and therefore if more and more numbers are collected, the accuracy of such statistics improves. Practicing statisticians understand this somewhat differently. To statisticians, any number collected is a random number, by which is meant that the number belongs to a family among many other random numbers that together form a known (i.e., pre-tested) statistical distribution. While it is correct to say that as more numbers are collected, a more accurate fit can be achieved between the collection of numbers and the distribution they belong to, this is true only up to a point. The reason is data take effort and time to collect. Limited resources by way of skillful enumerators and external changes occurring over time that would likely influence responses among the people surveyed and other quality control problems are sources of data inaccuracy.

But the more critical issue that concerns collecting too many numbers is that too large a sample size can become a problem for statistical analysis. Simply said, when the company that sells you the crash helmet guarantees that it is safe, that is all the company is saying and no more. What the company has done is it has subjected the same type of helmet to testing and found that it can protect a human head from external impacts normally experienced during a road crash. Use a sledgehammer on it and the helmet will definitely break and if you were wearing it then you will probably be killed. But this does not prove that the helmet is not safe to begin with. Speaking more technically, when the sample size is too large, statistical significance is achieved even by minute differences shown by the data making statistical testing too powerful. Because testing conducted with too large a sample tends to show statistical significance more readily, such testing says nothing about practical significance. A crash helmet that will break under a sledgehammer may in fact be guaranteed to be sufficiently strong if it could withstand



blows from normal road accidents. To be practical, you therefore do not want to test helmets too stringently but only to a point where you are stringent enough. The keyword is enough. Otherwise motorcyclists will all have to wear helmets that are too expensive or too heavy rendering helmets impractical for policy implementation.

Beyond just the technicalities of confidence testing, readers might be surprised to learn that a fundamental disagreement has gone on for more than a century among expert statisticians that sharply divided them into two groups: frequentists and Bayesians.³ Both groups have totally opposite opinions on the correct way to interpret the relationship between the observed number from a sample and the population it is meant to represent.

Most practicing statisticians are trained along the frequentist tradition. An observed number from a sample is an estimate of a true, but unknowable, number representing the actual population. In other words, the observation is but an abstraction of the real but unobserved population. This explains why the main preoccupation among statisticians is to test observed numbers becoming reliable estimates of the true population number using computer statistical packages, most of which have been designed along the frequentist framework. Simply put, the frequentist looks at the number from the sample and imagines what the true number could be but will never get to know for sure.



On the other hand, the treatment by Bayesians on the observed number is just the opposite. The Bayesian instead starts out with a preconception (not a true but an abstraction) of what the population number already is based on previous experience or observations from other times or other places. Unlike the frequentist whose view of the population is very rigid, the Bayesian is more flexible and adopting a more vague or even changing impression about the population. The Bayesian then looks at the observed number, which is considered very real and far from abstract, and can then say what the frequentist cannot, i.e., what is the chance that the observation fits, albeit more subjectively, into what has already been preconceived about the population.

Thus, back to our tourist numbers, when reading tourism numbers from the survey, one might choose whether to don a frequentist or a Bayesian hat. When the report says that after all the manipulation with the raw numbers that there were, probably, 1.14 million foreign tourists that visited Penang in 2005, do we then ask, on the one hand, is this estimate right or is it wrong, given that the true number is hiding out there somewhere. On the other hand, we might be less concerned about how many tourists came exactly. The estimate of 1.14 million foreign visitors is one possible answer. But we might derive similar estimates using other data sources (like taking the national figure based on immigration cards from different ports of entry throughout Malaysia and consider how many of these visitors might or might not have come to Penang) or use other methods of calculations. The prospects of making estimates are far and wide and each new estimate gives us a better grasp of what the population number is. Being non-experts in statistics we are not in position to judge which of the two statistical traditions is superior. But one thing we are certain. Either way, we will never know the answer exactly.

Conclusions: We should constantly keep our eyes on the ball less we altogether miss the point

During the haze episode, the government put up instruments to measure air-quality at various locations so that we will know how bad the air has become. The point is, policies that address air quality, should have already been in place when the air is good. If the air does get bad, then we either say the policies are okay but this is an unusual occurrence that the policies are not meant to handle, or, the policies are insufficient to guarantee air quality and needs to be changed. It all depends of what caused the air to be bad. Either way, what is the exact number in the air quality is less important.

Public rhetoric critical of ruling politicians should therefore be entirely on the policies they formulate by presenting arguments on the merits of better policy alternatives. Public debate is generated. Social choice can then be exercised and the citizenry benefits from it. Criticising the method by which policy is made brings no benefit, because the most accurate and comprehensive data, the most robust analysis or the most thorough of procedures will not guarantee appropriate or effective policies. Oftentimes, regardless of whether it was sheer brilliance, plain commonsense, or just luck, good policies do emerge, off-the-cuff, without data or analysis.

³ See Glenn Shafer (1996), *The Art of Causal Conjecture*, MIT Press, Artificial Intelligence Series; David Salsburg (2001), *The Lady Testing Tea: How Statistics Revolutionized Science in the Twentieth Century*, W.H. Freeman Co.; David Howie (2002), *Interpreting Probability: Controversies in the Early Twentieth Century* Cambridge University Press, N.Y.; H. Gilbert Welch (2004), *Should I Be Tested for Cancer? Maybe Not and Here's Why* University of California Press

Governance is about making it better for the people in terms of how we can all live and go about our lives as a collective whole we call the nation – not about bureaucracy or procedures or what should or should not have been done. If anyone has good ideas, say so, and we can all debate over them. Our lives will certainly be enriched in the process. Any other preoccupation between the citizenry and ruling politicians will merely be a distraction that takes away precious time and energy. Nothing good can come from it.

The relevant questions about tourism development in Penang are: what are the tangible benefits if tourism numbers rise or fall? Does tourist spending improve income and, in turn, the livelihoods of Penang people? Or does it instead only lead to rising prices as more money ends up chasing existing goods and services? Is the current capacity for infrastructure and utilities adequate to meet additional demands brought by the presence of tourists especially during peak seasons? Or do tourist numbers add further pressures to existing infrastructure? What are the positive externalities that tourism brings to the nation and the state? For example does heightened knowledge and awareness give rise to more positive perception about Penangites and Malaysians among foreigners? This would contribute to better diplomatic, business, trade and communal relations between Penang, Malaysia and people abroad. Are tourists seeing what they should be seeing during their visits here? Or, are our tourist products giving a completely wrong impression of what our way of life is all about? In other words, are the tourist products already developed showcasing the very best of our people? Such are the more critical issues that are in the minds of the policy makers given the task of further developing tourism in Penang. They realize that numbers are important but rightly so, tourist numbers are but one piece from a jigsaw puzzle that frames the needed policies for tourism development. § *Dr. Chan Huan Chiang*



INTERNATIONAL HEADLINES

China spends big on R&D in bid to catch up

2 October 2006, The Wall Street Journal - Asia

An unprecedented surge in research and development spending is helping China to catch up with the two longstanding leaders in the field, the U.S. and Japan. A new study found R&D spending in China has been growing at an annual rate of about 17 percent and is far higher than the 4 percent to 5 percent annual growth rates reported for the U.S., Japan and the E.U. over the past 12 years. China's massive investments in education are also bearing fruit. China is increasingly making its mark with scientific discoveries and patents held by its scientists. China's significant investment in R&D is predicated on the assumption that she wants to be a player and competitor both economically and militarily. China's technology-driven investment could heighten worries that the U.S. is ceding some of its competitive edge in science and technology to Asia's new power. Though China's R&D spending now makes up about 1.6 percent of its GDP, up from about 1 percent five years ago, it is still a far cry from the 2.6 percent of GDP that the U.S. invests, and the 3.2 percent of GDP that Japan invests.



Jobs creation slows in the U.S.

9 October 2006, The Wall Street Journal - Asia

Job creation in the U.S. sputtered during September, a sign that the nation's economy is slowing down, but other data showed that the labour market is still producing enough jobs to boost wages. Payroll of non-farm employers increased by 51,000 in September after a gain of 188,000 in August. At the same time, though, unemployment dipped to 4.6 percent in September from 4.7 percent the previous month. Hourly pay for the workers occupying production or non-managerial positions rose 0.2 percent, putting the average hourly wage 4 percent higher than a year ago. The latest data suggest that the Federal Reserve is unlikely to change interest rates before year-end. The Fed halted its rate-raising campaign in August in hopes that slowing growth will ease inflation. A main reason the Fed might not feel the need to raise rates further to stem inflation, besides the recent drop in oil prices, is that wage growth isn't putting the kind of upward pressure on prices that it has in past economic expansions.

Singapore steams ahead

11 October 2006, The Wall Street Journal - Asia

Singapore's economy expanded faster than expected in the third quarter, giving authorities more leeway to maintain a slightly restrictive monetary policy through 2007. The GDP for second quarter recorded around 6 percent after 3.4 percent growth in the second quarter from the first. Compared with a year earlier, the economy expanded 7.1 percent in the third quarter. Singapore through the Monetary Authority of Singapore, (MAS) conducts monetary policy through exchange-rate targeting because import costs are an important driver of overall price level in the country. Singapore's export-dependant manufacturing sector contributed to the strong third-quarter levels. Service was also strong, while construction expanded after an extended period of weakness. The MAS expected strong growth in 2007, but not necessarily an improvement over recent trends.

Asian Exporter Shares Decline

20 October 2006, Bloomberg

Shares of Asian exporters fell after a drop in U.S. unemployment curbed speculation that the Federal Reserve will cut interest rates in the region's largest export market. Sony Corp. and Samsung Electronics Co. declined. The unemployment rate dropped to a low level and that's negative in terms of interest rate cuts. The market is simply following the declines and worsening mood in U.S. The Standard & Poor's 500 fell last week, ending a five-week winning streak, after the government said the U.S. jobless rate dropped in October.



MALAYSIA ENVIRONMENT WEEK CONCERT

Date: 25 November 2006 (Saturday)

Time: 8.00 pm – 9.45 pm

Venue: Auditorium A, Level 5, KOMTAR

Ticket Prices: Adults - RM15

Students - RM8

To purchase tickets, kindly contact Pn. Rohana at
04-228 3306.

About The Concert

This concert jointly organised by the Penang State Symphony Band and SERI is one of the many events being organized for the Environment Week. Songs and music are specially selected for the occasion. We would like you to come with your family, friends and associates to join in the celebration.

Music is therapeutic and it is an integral part of our lifestyle. A healthy environment will enhance our appreciation of music. Activities organized during the Environment Week are to remind ourselves our role in environmental protection and conservation. Every little action counts. We hope the Environment Concert will help us reinforce the importance of individual action on environment.