

CASH FROM TRASH: RECYCLING AS AN ECONOMIC ACTIVITY IN PENANG (Part 2)

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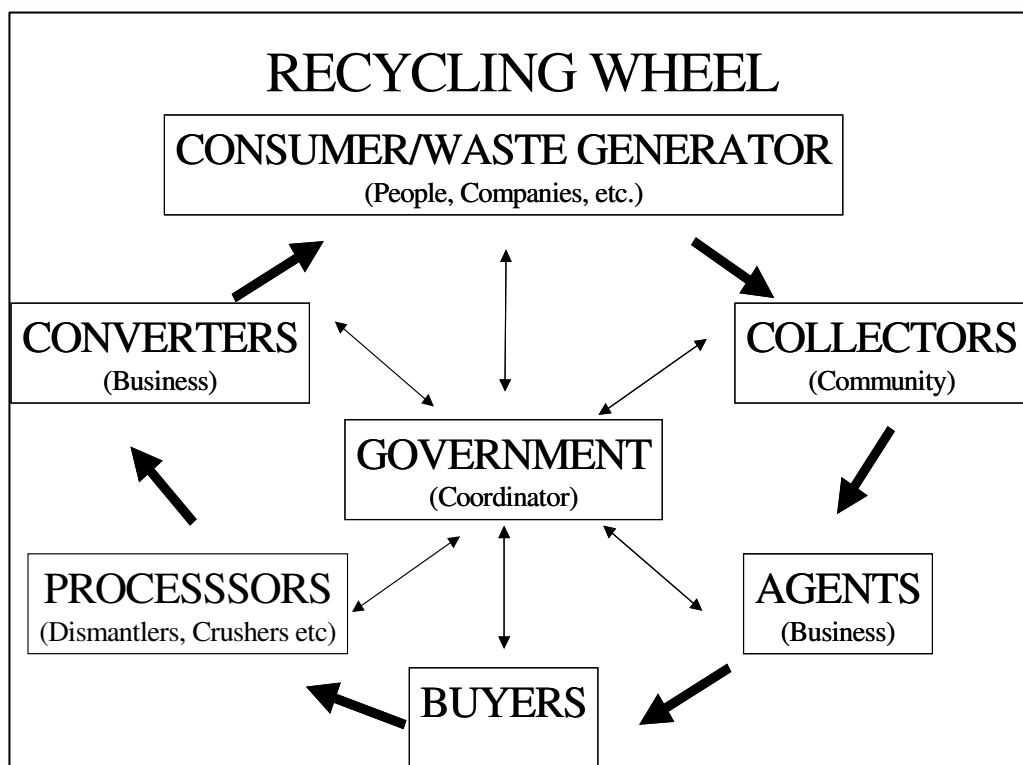


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Why is Penang Successful ?

Penang has a unique network of stakeholders with each agency playing an important role in recycling. The model of this network and mechanism can aptly be illustrated in the figure below developed by the Penang Environmental Working Group (PEWOG) in 2005.



Source: Penang Environment Working Group (PEWOG), 2005

The Recycling Agents are the people who buy or obtain the recyclables from the Collectors. Many are business proprietors or companies that trade in recyclables. Some are non-government organizations (NGOs) that collect the recyclables free-of-charge from donor Collectors.

The Buyers obtain recyclables from the Recycling Agents. They either buy every type of recyclable (Wholesale Buyers) or only certain types of recyclables (Specialists Buyers). They sort the recyclables and then send them to local or overseas companies for processing and conversion.

Processors are factories or plants which dismantle, crush, shred and bale recyclables but do not manufacture products from the processed recyclables. The processors are usually specialized processors.

Converters are factories which turn recyclable materials, raw or processed, into new materials or products which are then sold to the Waste Generators (Consumers) for use and subsequent disposal.

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The six players or stakeholders – the Waste Generators, Collectors, Agents, Buyers, Processors and Converters – form the rim of the Recycling Wheel.

The Government is the body or organization entrusted by the people to plan, build and maintain infrastructure, and to carry out general services including solid waste management.

The Government, being the hub and prime mover of many activities in human society, has the most critical role to play in the Recycling Wheel – as a planner, coordinator and motivator. It is the cornerstone agency that interacts with every other player in the recycling process. Its policies and directions will help to facilitate the growth of recycling activities in society.

It can be seen from the Recycling Wheel, that Recycling is an active process involving different people in different ways. Every citizen has a part to play and every part is equally important.



Community

In Penang, active recycling is being practiced and growing with the participation of about 175 communities such as RTs, RAs, JKJKs, NGOs, institutions (such as schools, universities, hospitals), commercial bodies (such as private businesses, trading companies and factories) and government agencies. Penang registered an average recycling rate of 18% in 2007.

Awareness of recycling among the public and willingness to recycle is high but the lack of infrastructure and legislative support causes a high level of frustration mixed with cynicism. The over-reliance on (the same group of) volunteers may leave community recycling programmes and activities vulnerable to exhaustion and failing momentum. However, household composting efforts being promoted have gained strong acceptance among the people of Penang.

Private Sector

The private sector has developed strong recycling networks and businesses for certain commodities such as paper and metal. However, other linkages need to be further strengthened to cover commodities such as plastic, glass, wood, etc.

Although not an exhaustive compilation, Table 1 below gives an idea of the number and types of recycling industries present in the State of Penang. There are likely to be more than these and the true numbers will remain unknown unless the recycling agents, collectors and recyclers are registered under the new Solid Waste Management & Public Cleansing Act.

Table 1 : Type Recycling Business & Number

Type	Number
Old Clothes	2
e-waste	40
Furniture	4
General	40
Metal	23
Paper	8
Plastic	8
Rubber	2
Wood	1
Total	128

Source: SERI 2008

Competition and under cutting exist among recycling agents and buyers, and the prices of commodities fluctuate in the open market.

Dell has introduced a Home PC Recycling Programme together with the MPPP and the Suiwah group of Supermarkets. They are offering take back of computers and peripherals in exchange for supermarket coupons based on 50 sen per kg of e-waste. In conjunction with this, several permanent collection centers have been set up. The MPSP has a separate programme with a different e-waste recycler.

The sector is overwhelmingly commodities-oriented and prices are highly volatile, often resulting in non-collection of certain recyclables when the price drops.

A few far-sighted entrepreneurs are setting up full e-waste recovery centers and working with shopping complexes to offer parking rebates for the collection of recyclables. There are also numerous partial waste companies in Penang handling e-waste.

Many MNCs have in-built into their management a proper and systematic waste disposal system; this, however, does not hold true for many SMLs in Penang.



Hospitals have also been practicing in-house recycling for the last few years. Lam Wah Ee Hospital takes the lead as an exemplary private hospital that has pioneered an intensive and comprehensive programme for all its wards and staff. This hospital has been cited as a model and its efforts have gained international recognition among organizations dealing with urban environmental management issues.

Hotels have recently started recycling programmes, with Golden Sands Hotel taking the lead. Not only is this hotel leading in the effort but it is also spearheading environmental awareness in schools through its Corporate Social Responsibility (CSR) programmes. Talks have also been held with the food manufacturing industries in Penang to practice recycling of their waste.

Municipal

The local authorities are very effective solid waste managers in Penang. Solid waste collection is privatized and farmed out to contractors. The waste contractors are already exceeding the collection efficiency achieved by the concessionaires in the Central and Southern regions. Waste collection fees to the contractors have been raised only once in 10 years. At RM 27 per ton (RM 32 for industrial waste), the landfill cost is probably being subsidized.

No costs for waste disposal and management are currently passed along to residents in the form of a direct fee. The Penang waste management system is in the process of modernization.

Bulk waste and non-organic waste are dumped at the Jelutong Landfill. These consist of furniture, construction debris, refrigerators, other bulky appliances, bulk metals, trees etc. All collected organic, domestic and industrial waste are transported to the Council's Marine Transfer Station at Batu Maung, and then subsequently transferred by barge to the Pulau Burung Sanitary Landfill for final disposal.

The Pulau Burung Sanitary landfill is presently being upgraded from a Class III to a Class IV landfill with the addition of leachate treatment facilities. All the efforts to promote 3Rs (Reduce, Reuse, Recycle) in Penang is aimed at waste diversion and prolonging the lifespan of the landfill which has limited and rapidly diminishing capacity. There is much difficulty in getting a new site for landfill creation.

The State Government is particularly concerned about the safe disposal of household hazardous waste that is presently being dumped into the normal domestic waste bins that will ultimately end up in the landfill. This will contribute to a great amount of environmental pollution.

The Penang Island Municipal Council has initiated household hazardous waste (HHW) collection points in several supermarkets and wet markets. Special containers for fluorescent lamps and batteries have been placed by the municipal council in these places. The collection of household hazardous waste (fluorescent lamps, dry cell and mobile phone batteries) by supermarkets, hypermarkets and shopping complexes, is the first of its kind in the country.

The municipal councils as well as the Penang State Government are presently looking at establishing municipal scale resource recovery and composting centers. A recent solid waste management study carried out by the Economic Planning Unit and UNDP in 2007 has identified the resource recovery and composting approach as the most viable and affordable option for Penang.

Penang's vibrant recycling economic activities

The recycling industry in Penang has always been a viable business and income generator in Penang. The presence of small recycling businesses that function as active collectors from the communities forms the backbone mechanism that makes recycling successful in Penang. They are the main movers of these discarded resources to the actual recyclers who recycle them back into raw materials for reuse. This is another important factor contributing to Penang's success in the recycling arena.

The bigger players include regional agents who are acting on behalf of the producers of recyclable products. They may act as traders who perform the middle-person role in marketing and logistics functions. Many small time operators also function as backyard industries and buy back centres, acting as wholesalers, collectors to the waste pickers, sorters and cleaners. They are scattered all over the state, with significant concentration in the Batu Maung area, the industrial areas in Seberang Perai and in enclaves within the inner city of George Town, such as in Armenian Street and Victoria Street.

The following section will provide a general view of the various commodities transacted in Penang.

Paper Products

Paper waste is the most popular collected item in the waste stream. There are various types of waste paper collected, including double liner craft, pure white, old newspapers, old corrugated carton, mixed colour, paper cores, etc. Prices of the different types of paper vary according to their quality. For instance, pure white paper fetches RM0.60 - RM0.70 per kg, while mixed coloured paper is priced at RM0.15 to RM0.18 per kg. These are just indications of prices paid for waste paper delivered to the premise of the agent.

Waste paper is collected by scavengers, small agents, charity groups such as Tzu Chi Buddhist Merit Society or municipal workers. They are then sold to an agent, who would process the waste paper before shipment. Proceeds are used to finance the upkeep of the dialysis centres that have been established in Penang.

Plastic

The general perception that post-consumer plastics are the least recyclable products has been dispelled with PET bottles and other plastics being actively sought after as recyclables. The prices for these materials have increased these few years.

Post consumer plastics include plastic bags, mineral water and soft drink bottles, polystyrene packaging and cups, plastic cutlery and plates, containers, shampoo and detergent bottles.

Plastics are either processed locally or bailed for export. The factories recycle an assortment of plastics, ranging from ABS plastics, Nylon, polyamide, PC, PE, PP, Poly (polypropylene oxide), PS, Styrene-acrylonitrile plastic and other plastics made from mixing different resins and other materials.

These larger plastic recycling operations are mainly located in Seberang Perai, with some larger operations in the Kulim Industrial area, which also obtain their post-consumer plastic stocks from Penang.

Glass bottles

Glass is however, the least popular item to be collected. At a low price of 2 sens per kilo, it is deemed as an unviable commodity for most recycling businesses. This in turn discourages bulk collection at the community level. Whatever little that is collected is sent to the few glass manufacturers such as KL Glass in Petaling Jaya for recycling. Generally, they require the collected bottles to be presorted into Flint (clear glass) and coloured glass. These are then crushed and sent for smelting and moulding into new bottles.



Small traditional 'botol' businesses, which have existed as small backyard industries in Penang for decades, continue to collect certain types of bottles such as beer and sauce bottles which are cleaned and returned to beverage manufacturers. They operate in junkyards and buy from scavengers or small time collectors. These operations involve sorting, washing, scraping off the labels, drying and packing in gunnysacks before the bottles are collected by agents for factories such as Carlsberg and Guinness Stout. Prices vary according to the type of bottles; beer bottles may be bought at RM0.05 per unit and resold at RM0.15 after washing and packing. In the case of sauce bottles, the buying price is RM0.15 per unit and they are sold at about RM0.40 per unit after cleaning.

Metals, aluminium cans, tin containers, etc

Together with waste paper, aluminium products are one of the highest priced recyclables. The price paid to a collector can be as high as RM4.50 – 6.00 per kg. Although cans are 100% recyclable, the recycling technologies are only available overseas, where bauxite is available and where there is economy of scale. Hence, the recyclables are being exported overseas in bulk. In turn, can manufacturers in Malaysia use imported aluminium coils as raw material.

Recycling of aluminium cans in Penang and Malaysia, is in general limited to collection, processing and export. The major players involved in this exercise include waste pickers, dumpsite collectors, small dealers, and overseas buyers. Post consumer aluminium waste may come from a network of collectors, dealers and traders. They usually get their supply from organized sourcing or from small time collectors.

There are also smaller collectors, concentrated in Victoria Street and Armenian Street, who depend on junkyard activities to source their materials. They buy aluminium cans, scrap metals, iron, copper, tap heads and pipes from individuals or scavengers. These metals are then sorted into various categories and sold to bigger agents, who will then sell to the steel mills such as Ann Joo Resources and Qubern Aluminium Recycling Sdn Bhd.

Other items such as biscuit tins and Milo tins continue to fetch good prices on per piece basis especially during festive seasons. Apart from metal and aluminium, these junkyard operators also deal with all sorts of other recyclable items, such as gunnysacks, wood, old clocks, small machine equipments, etc.

These include wood planks, old doors, glass louvers and zinc roofs, which are salvaged from house demolition/renovation. They are systematically displayed according to type.

E-waste

The E-waste collection programme on Penang Island covers mainly computers and peripherals. The main sources of e-waste found in Penang are OEMs, individuals, businesses, institutions, government and community. The amount of e-waste continues to grow following the call of the Government for the citizens to be more IT savvy.

Presently, e-waste is mainly discarded as garbage and collected by the Municipal Councils. Large corporations and manufacturers of new equipment tend to have a much higher rate of electronic waste recycling than individuals and small businesses. Most of the e-waste from the latter would end up in the Pulau Burong landfill as there is presently no mechanism for recycling or safe disposal of such waste. Existing collection/disposal systems are inappropriate and inadequate to handle these materials. Many facilities are unable to process electronic waste due to constraints in space and handling problems.

At present, there are a number of firms, both on Penang Island and in Seberang Perai, which are collecting and recycling e-waste. According to the Dept of Environment's latest list of e-waste contractors, Penang has 40 registered e-waste contractors with 4 companies having full recovery licenses (<http://www.doe.gov.my/dmdocuments/bbb/e-Waste%20Contractors.pdf>). The rest with partial recovery licenses are only allowed to carry out collection, disassembly, segregation and packing whilst the full recovery approved plants are allowed to recover precious metals such as gold, silver, copper, palladium, etc utilizing chemicals and electrolysis processes. However, the larger companies lamented that their plants are presently not operating at full capacity as the volume of e-waste is low. This may be due to an inefficient mechanism to collect e-waste or competition among the full recovery plants.

Smaller operations along Armenian Street and Victoria Street buy directly from customers for a minimal price and sell them to people who are looking for spare parts for repair work or to refurbish computers for reuse. These are often collected in small quantities from individuals who give them free of charge or are bought for a token sum. Such small operations are often not well organized and do not really dismantle or process e-waste for proper recycling.

Larger operations also exist on both the Island and Seberang Perai. They are better organized as they receive the e-waste stocks from factories. Many of these set-ups are also vendors of manufacturing firms in the Bayan Lepas Free Trade Zones. They are usually assured of a stable volume and quantity from OEMs, who either sell them their defective products or scraps generated from the manufacturing process.

Vendors are engaged as contractors to scrap such items rather than sell them as second-hand products. Such operations also accept electronic waste from other countries. These are then dismantled and separated into various parts and components, packed for resale locally or exported to other countries such as China and Indonesia. Operations are mainly manual with the aid of some machines.

There are also well-organized vendors that collect computers from the community and even suppliers from overseas for refurbishment and resale. One particular example is Dell, which has started a voluntary "PC Recycling Programme" to collect e-waste. Under this programme, the public can call up Dell representatives to collect unwanted hardware from households and offices upon request at zero cost. The PCs are then handed over to a company, which will dismantle and distribute the parts to other companies for reuse. Besides Dell, a few more companies have also started collecting e-waste after obtaining their partial recovery licenses from DOE.



E-waste collection efforts are presently focussing on computers and peripherals. This programme should also be expanded to take in all types of electrical and electronic waste, such as household appliances (refrigerators, washing machines etc) and entertainment and communication gadgets (TVs, DVD players, hi-fis, mobile phones, PDAs, etc.) Such equipment also form the major bulk of waste generated. However, industry players when interviewed are not ready to accept these as they are of lower recyclable value compared to computers and related equipment.

Old Clothes

Penang's consumptive lifestyle is manifested in the huge volume of discarded used clothes, many of which are still usable and fairly new. These old clothing are usually donated to charity homes. However, due to the high volume received, the donated clothing are sold to recycling companies at the rate of 40sens to 60 sens a kilo to generate funds.

There only a few big operations in Penang that deal in old and used clothes. There is one such example of an operation found in Perai that has a systematic collection system to gather used clothing from charity organizations and other collectors. The recyclable items are bought at a range of prices from such organizations.



The company also imports old clothing from Taiwan, Korea, Japan and Germany. The imported clothing is sorted together with the local ones by employing women workers from East Malaysia. Comparatively, the imported clothing fetch higher prices compared to local ones. Manual labour is used to separate the clothing according to type and quality. They are then packed in 50-kg and 100-kg bails and exported again to countries such as Indonesia, Thailand and Cambodia. Some of the higher quality ones are sent to other states in Malaysia where the items will be sold at Pasar Malam stalls or in bundle shops in rural areas. There is a niche market for used clothing among the poorer segments of society and with the rising cost of living, used clothing businesses are expected to have an even larger potential market.

Kitchen/household appliances

A recent survey (April 2008) on discards of second-hand kitchen or household appliances found that these have been viable inputs for recycling businesses in the last decade or so. Whilst small timers scavenge or collect the discards from trash cans, there are communities that sell used equipment along the roadside at Armenian Street and at the flea market in Lorong Kulit. Larger scale specialized shops or furniture warehouses are still operating as all-in-one second-hand household item depots in Penang. They are located in Victoria Street and Tanjung Tokong. They deal in all kinds of household appliances such as kitchen utensils, computer peripherals, precious antiques, fax machines, video recorder, and wooden furniture.

Conclusion

The recycling activity in Penang continues to run in an open market system without any form of regulatory control or support. It is thus entirely a "survival of the fittest" business. There is presently no supporting mechanism or effort in coordination and networking either from the government or from the industry players themselves. Hence, there is a lot of overlap and unnecessary wastage of resources stemming from unhealthy competition, lack of information, and weak infrastructure support. It is hoped that with the introduction of the new Solid Waste Management & Public Cleansing Act 2007 and later the regulations associated with it, the recycling industry will be some what regulated. The regulation of the industry will ensure a more systematic approach especially in the control of business recycling licenses and data collection on a regular basis. This will provide a clearer and more holistic scenario of the recycling industry. It will also identify weaknesses in the mechanisms and provide appropriate corrections where necessary.

Penang continues to face barriers like the lack of proper collection centres, the presence of itinerant collectors who contribute to inefficient collection strategies and the emergence of too many players who engage in price undercutting and other forms of unhealthy competition. These are issues that need to be addressed as a first step towards building a viable and sustainable recycling culture in Penang.

Recyclers constantly face the problem of under supply due to the present inefficient collection mechanisms and because of the unpredictable nature of the supply flow, many recyclers often resort to importing discards from other countries. This is especially true for the e-waste, plastic and paper recycling industries where operations are always short of materials for recycling. It was reported that every month, 100 tons of plastics need to be imported for recycling. Similarly, Malaysia is importing 25,000 tons of old newspaper for recycling, while it is said that 60% of old newspaper (of local origin) ends up in landfills (NST, 12/8/03).



The lack of labour and its rising costs continue to be a major issue affecting the recycling industry. This highly labour intensive sector where workers may have to “dirty” their hands remains unattractive to local people, and industries depend on foreign labourers to fill the rank and file. Industry players continue to badger the Government for the relaxation of application procedures to procure foreign labour.

Recycling technologies require high capital investment. This is needed in both product development and processing technologies. Machinery is often expensive to import and different kinds of machinery are required for recycling different types of plastics, for instance. Perhaps, if there are cluster collaborations, mergers and sharing of resources, the industry can then operate as conglomerates and reap benefits from the economy of scale.

The rapid study has revealed that there is indeed wealth in waste, if we know how to optimize it and if the above-mentioned problems can be resolved. In fact, the viability of the industry depends on how well the players and stakeholders can work in synergy. Networking is a crucial part of the recycling chain. The network loop comprises waste generators, collectors, agents, buyers and factories that perform the actual recycling. The recycling wheel will not function well if there is a break or disruption in this chain. Thus, some kind of mechanism needs to be established to ensure this chain is complete and runs efficiently. The recycling industry is an industry that is worthy of public support and private sector resource investments. The Government is crucial in providing the catalytic role in ensuring that the wheel runs smoothly.

In charting new strategies for the future of solid waste management in Penang, the government needs to take resource conservation and long-term economic viability as important criteria in its decisions. The industry as a whole needs to be improved and evolve into large scale operations that focus on a long-term practice of the 3Rs, resource recovery for discards and composting the organic component in the waste stream. This will enable the lifespan of the present landfill to be extended, thus negating the need to look for new areas in land-scarce Penang.

Support mechanisms such as a centralized storage area, logistics, infrastructure, legislation and incentives are needed to ensure that the recycling business is viable to all stakeholders in the core components of the wheel. This would certainly make all the effort worth its while and provide a win-win situation for literally cashing in on trash!

§ Khor Hung Teik

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TOURISM IN PENANG – A SURVEY OF TRENDS AND CHALLENGES

Introduction – The Penang Tourism Industry

Tourism has become one of the major components of the world economy. Global travel is inevitably one of the quintessential features of the modern era which advocates and adopts the most fundamental aphorism of mankind, 'Everyone is my friend and everywhere is my country'. Tourism therefore has the inherent attribute to break the biggest hindrance to human progress, by providing the platform that allows the move towards greater globalization. Considering that international tourism has become one of the world's largest revenue earners and one of the most important sources of employment, the WTO mission is:

1. To promote a responsible, sustainable and universally accessible tourism
2. To stimulate economic growth and job creation through tourism
3. To provide incentives for protecting the environment and the heritage of tourism destinations
4. And to contribute to greater international understanding and prosperity

Travelling within and without the country has become a global phenomenon. Consequently, the tourism industry has become one of the most lucrative, commercialized and biggest GDP contributors for many countries today, with tourists traveling predominantly for recreational or leisure purposes. The World Tourism Organization defines tourists as people who "travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited". Tourism has indeed emerged as a popular global leisure activity. In 2006, there were over 846 million international tourist arrivals. (refer <http://en.wikipedia.org/wiki/Tourism>)

Penang has historically branded itself as 'The Pearl of Orient', having had a long history of tourism development. She can even blow her trumpet as she has now entered the prestigious UNESCO Heritage City list. From this, one can deduce that tourism has high socio-economic value for many countries and regions around the world (including Penang) due to the large intake of money for businesses, the goods and services provided and the opportunity for employment. These industries include transportation services such as cruise ships and taxis, accommodation such as hotels and entertainment venues, and other hospitality industry services such as resorts.

Penang tourism plays a key role in the growth of our economy through employment, foreign exchange earnings, investment and regional development activities. Tourism directly and indirectly contributes to a significant portion of Malaysia's GDP. It is considered the second most important economic sector for Penang, after manufacturing. Therefore the tourism industry is being heavily promoted by the national and state government because it is seen a major foreign exchange earner.

Based on the above reasons, there are compelling reasons to study and analyze the critical issues pertaining to Penang tourism. It may be useful to approach the subject from four proposed main perspectives, namely:

- The Trends
- The Challenges
- UNESCO Heritage City: A Sustainable Status?

Tourism Penang: A Call for Improvement

Under the Ninth Malaysia Plan (2006-2010), the government intends to realize the full potential of the tourism industry in order to enhance its contribution to the service sector in particular, and the economy in general. With this, Penang, with its distinctive heritage of food, diverse culture, friendly people and beautiful beaches, can inevitably be transformed into the dominant tourist hub in the northern region.

The Trends

The characteristics of the tourism industry in Penang are based on a few key findings which collectively form the basis for new sources of growth in this industry. These key findings are in turn based on the estimated total visitor arrivals in Penang, the average occupancy rate and the salient features of tourists' market mix.

Based on the visitor surveys done from 2005 till 2007, there are several features in the tourism trends that are worth noting. Table 2 below shows the estimated total international visitor arrivals from 2005 till 2007 for both Malaysia and Penang. It is noted that international tourist arrivals in Penang increased rather marginally from 2005 till 2006 by about 0.88 percent. However, by the year 2007 there was a drastic and substantial increase of about 24.3 percent compared to 2006. The overall difference from 2005 till 2007 still shows a significant increase of about 25.4 percent. As for the year 2005 to 2006, the 0.88 percent increase in the estimated international visitor arrivals of Penang is in tandem with the overall increase in national arrivals (6.7%). As for the year 2006 to 2007, the increase in the international arrivals for Penang (24.3%) supersedes the increase in the international tourist arrivals nationwide (19.4 %) by about 4.9 percent. Thus, it is apparent that the launch of the Visit Malaysia Year 2007 campaign in conjunction with the celebration of Malaysia's Golden Independence Anniversary has boosted the international tourist arrivals in 2007 for Penang in particular and Malaysia in general.

Table 2: Estimated Total Visitor Arrivals for Penang

	2005		2006		2007	
	National	Penang	National	Penang	National	Penang
Estimated Total Visitor Arrivals (mil.)	16.4	1.14	17.5	1.15	20.9	1.43

Based on Table 3, it is apparent that the Average Occupancy Rate (AOR) for the year 2006 is the highest vis-à-vis 2005 and 2007. The AOR basically refers to the use of available accommodation in a given period. It is noteworthy that the AOR has increased in 2006 and 2007 by about 7.7 percent and 5.1 percent respectively vis-à-vis 2005. However, the 2007 AOR showed a nominal decline in comparison with 2006 although it has sustained well. This is mainly due to the emergence of new hotels and the increase in additional hotel rooms among the existing hotels, spurred by higher tourists arrivals in Penang state and as well as nationwide.

**Table 3: Average Occupancy Rate**

Years	Average Occupancy Rate		
	2005	2006	2007
Total (%)	60.2	67.9	65.3

In terms of market mix (Table 4), domestic travellers have always surpassed international travellers in all three years from 2005 till 2007. Statistics show the highest percentage of domestic visitors arriving in 2005, i.e. 63 percent compared to 2006 (62.5 %) and 2007 (58.5 %).

As far as international tourists are concerned, Penang remains a popular destination for ASEAN tourists (Table 4), accounting for about 8.3 percent of visitors for the year 2007 (Singapore 4.0 %, Indonesia 2.6 % and Thailand 1.7 %), more than any other country or region for international tourist arrivals. This is in tandem with the national figure for ASEAN tourists, which accounted for 74 percent of the total market composition of tourist arrivals in Malaysia. (refer <http://www.tourism.gov.my>)

According to Dato' Kee Phaik Cheen (2008), the growing popularity of the ASEAN region as a whole among travellers, particularly visitors to Thailand, Malaysia and Indonesia, has led to the launching of the Indonesia, Malaysia & Thailand Growth Triangle (IMT-GT) plan of positioning Penang as the gateway for the region via Firefly, the Penang-based subsidiary of Malaysia Airlines. She also added that the tourist leverage on the IMT-GT could potentially capture and divert approximately 70 million tourist arrivals to the Growth Triangle area. Hence, Penang's role could be greatly expanded as the arrival hub and gateway for 70 million visitors to the region of North Sumatra, Southern Thailand and Northern Peninsular Malaysia.

Penang appears to be immensely popular with Japanese tourists as well, as seen in the recorded data. The market mix of Japanese visitors to Penang indicates that there has always been a consistent increase throughout the three year period surveyed (Table 4). The data indicates that there is a slight increase of about 1.1 percent from 2005 till 2006. Subsequently, there is also an increase of 1.3 percent from 2006 to 2007.

Hence, the Japanese have been regularly coming to Penang every year, not just as vacationers but also under the Malaysia My Second Home (MM2H) programme. Many Japanese senior citizens of retirement age find Penang a conducive place to stay with its low cost of living and political stability. In addition, Penang is not only an attractive destination among leisure travellers but is also a magnet for corporate travellers. The market mix of the other contributing countries is depicted in Table 4 as follows.

Table 4: Market Mix

	2005 (in %)	2006 (in %)	2007 (in%)
Malaysia (Domestic)	63.0	62.5	58.5
Middle East	4.6	4.2	5.8
Japan	2.9	4.0	5.3
Australia	3.0	2.5	4.1
Singapore	4.5	4.5	4.0
United Kingdom	3.9	3.1	3.2
Indonesia	3.5	4.5	2.6
Mainland China	1.4	1.8	1.9
USA	1.7	1.6	1.7
Thailand	1.5	1.5	1.7
Taiwan	1.8	1.7	1.0
Hong Kong	1.0	1.1	1.0
India	0.6	0.7	0.9
Netherlands	1.0	0.8	0.8
Germany	0.6	0.7	0.6
South Korea	0.9	0.6	0.4
Others	4.1	4.1	6.5
TOTAL	100.0	100.0	100.0



Major Issues and Challenges

Getting tourists to go to Penang without improving tourism products and services is like “killing the goose that lays the golden egg”. Therefore the study has endeavoured to scrutinize the challenges that the industry faces to improve the product and services offered by the tourism sector. Some of the major issues and challenges are expounded below.

According to tourism industry players like Khaw Yiat Lin and Ashwin Gunasekeran (2008), Penang needs urgently to focus on reinforcing its position as a major travel destination in view of increasing competition in the global tourism arena. There is a need for greater cooperation between the public and private sectors to support the growth of the tourism industry. It is equally important to ensure that the image of Penang as a tourist destination is not eroded by product fatigue and lack of cleanliness. As Teng Chang Yeow (2007) asserted, if the state wanted to retain tourism as one of its main revenue earners, the industry players would have to work harder to improve the quality of services.

In the view of YB Law Heng Kiang¹, further upgrading Penang’ tourism industry is a very challenging job, particularly now that Penang has been accorded Unesco World Heritage Status. However, relentless effort based on the CAT policy has initiated projects which include an eco-tourism resort in Teluk Bahang and the 16 hectare Penang Darling Harbour in Batu Maung.

¹YB Law Heng Kiang is the current Penang State Executive Councilor for Tourism Development, Culture, Arts and Heritage.

There are also proposals for the creation of a new marina bay for international cruise liners to dock, a global standard Asian-style eco-tourism theme park with jungle tracking trails, a crocodile farm and a Cheng Ho Gallery, among many others

Besides these individual projects, there is also a need to focus on a few key niche markets such as MICE (Meetings, Incentives, Conventions and Exhibitions), retirees' 'summer camps', medical, cruises, sports and recreation and to develop a marketing strategy based upon Penang's strengths. MICE activities in particular play a significant role as part of international business travel (Dato' Kee Phaik Cheen, 2008). It has become a dynamic industry with enormous potential for the business, services and in particular, the tourism sector. With our fine selection of world-class convention, exhibition and accommodation facilities supported by the warmth and hospitality of our multi-ethnic people, and our close proximity to world-class shopping and dining facilities, Malaysia continues to be lauded as a premier choice MICE venue by many. In addition, new market segments need to be identified and linked to a corresponding intensification of promotion efforts.



Recognizing and establishing Penang as a regional hub for tourism and increasing accessibility is another challenge that the tourism industry faces. The most critical challenge here is to maintain its role as a regional hub. As a result more resources need to be allocated for tourism activities in the State. This is especially important now that Penang has been added to UNESCO's 2008 World Heritage List.

According to Dato' Kee Phaik Cheen (2008), with Penang's world heritage listing, there is greater potential for preserving Penang's beauty in terms of its cultural heritage. This unique mix of Malay, Chinese, Indian and colonial British architecture should not be lost; with the inclusion of Georgetown in the UNESCO World Heritage List, it can in fact be very well preserved. As Tan Sri Dr Koh Tsu Koon² (2008) has stated:

"The success in the bid for World Heritage listing is a boost to multiculturalism and tourism for Malaysia"

Apart from the intention to preserve, actual restoration work also needs to be enhanced. Most of these restoration works are to improve the structure of the heritage sites. For this to be effective, the Federal government should provide incentives to oversee the preservation of the traditional architectural traits that give these buildings their unique flavour. Since museums are the centre of attraction particularly for international visitors, steps should be taken immediately to upgrade it. Museums are indeed a key institution for historical artefact conservation and function as a key reference point for many visitors.

According to Mr Eddy Low (2008), the inclusion of Penang in the UNESCO World Heritage List promotes Penang as a leading cultural and heritage centre in the region. As a result, it requires more careful conservation, rehabilitation, upgrading and adaptive reuse of buildings of historical, architectural and cultural significance. Emphasis should be given to the promotion of living heritage as a perpetual asset of the local community. Furthermore, concerted efforts between the State and Federal Government must be undertaken to retain the UNESCO's World Heritage List title by preserving, improving and expanding the range of heritage attractions available to tourists. This would entail enhancing these attractions with proper facilities and interpretive services.

Mr Eddy Low also added that the whole streamlining of the organizational framework, the rapid pace of development and the demanding standards of the global and regional tourism industry require that a mechanism be established for effective planning, regulation, promotion and development of tourism in the State.

²Tan Sri Dr Koh Tsu Koon served as Penang Chief Minister up till March 2008

UNESCO Heritage City: A Sustainable Status?

On 7 July 2008, Penang was formally instated as a UNESCO World Heritage Site alongside with Malacca in the 'Cultural Heritage' category following the United Nations Educational, Scientific and Cultural Organization (UNESCO) Paris-based World Heritage Council meeting in Quebec, Canada. Georgetown was officially recognized as having a unique architectural and cultural townscape without parallel anywhere in East and Southeast Asia. (refer <http://whc.unesco.org/en/news/450>)

The World Heritage Convention defines 'Cultural Heritage' as a monument, group of buildings or site of historical, aesthetic, archaeological, scientific, ethnological or anthropological value. Georgetown in Penang surely falls well within this definition as the old inner city houses buildings that are steeped in colonial history, icons of a heritage reflecting more than a century of cosmopolitan culture unique to the region.



Penang today feels far more relaxed than most Asian cities and in some places still looks much like the way it did many decades ago, with bustling marketplaces and sleepy winding streets lined by traditional shophouses. Once common throughout Southeast Asia, this appealing architectural style incorporates housing and living quarters above a first-floor storefront, fostering both commerce and a lively street life community.

Although it is good news that Penang finally obtained World Heritage City status from UNESCO, this is only a beginning, a window of opportunity that rests on what path is taken from here. The World Heritage listing may be revoked if Penang fails to live up to the stringent requirements of UNESCO for this prized status shared by only a few hundred other sites around the world. So Penang, together with Melaka needs to work really hard in the next 3 to 5 years to fulfil the UNESCO status requirements. The above warning is timely because we may already be falling short of fulfilling the conditions of the WHC as specified by UNESCO. On the whole, Federal heritage laws do not give enough protection as yet, and while Melaka has legal WHC protection, Penang at present does not. (refer www.penangwatch.net/node/2733)

The core heritage areas encompass the historical sites of George Town, including the Lebuah Aceh historical enclave and sites such as the Lebuah Aceh Malay Mosque, Jalan Mesjid Kapitan Kling Mosque, the Goddess of Mercy Temple, Sri Mariamman Temple, Khoo Kongsi, St George's Church, Assumption Church, St Xavier's Institution, Convent Light Street, Little India, the museum and court building, the commercial area of Beach Street, Fort Cornwallis, Esplanade, City Hall, the clan jetties and the port areas. (*The Star*, 8 July 2008)

The biggest challenge now is to keep avaricious property developers at bay and to prevent them from destroying the heritage-rich environment with gruesome generic high-rise structures. The entire colonial quarter should be carefully and meticulously preserved, with strict planning guidelines.

In terms of funding policy, the Federal Government, in the recent 2009 Federal Budget, has allocated RM50mil for conservation works of heritage sites in Malacca and Penang to support activities undertaken by non-governmental organizations (NGOs) and the private sector. The allocation to enhance conservation works is expected to boost tourist arrivals, particularly international visitors to Penang. Hence, this would call for an increase in more room space to accommodate the new visitors and the hotel occupancy rate should also increase in tandem. Following this, new hotels might emerge and present hotels may have to expand / increase the number of rooms offered.

As far as the present State Government is concerned, the task at hand is to move beyond the mindset that Penang is primarily an FDI-driven economy. Penang should not be focused on just industrialization and on bringing in foreign investors and multinational corporations to build their factories here. Penang should look at a more sustainable form of revenue-generating development and it is deemed that this new heritage status is a great avenue for promoting the tourism industry along these lines.

(refer <http://anilnetto.com/environmentclimate>)

Tourism Penang: A Call for Improvement

As Penang has obtained UNESCO World Heritage status, there is now a real opportunity to look into boosting local small-scale economic activities in the city. This helps the economy to veer away from an over-reliance on the manufacturing sector. It is expected that there will now be more job opportunities in public transport, urban planning, heritage restoration and conservation, parks and recreational spaces maintenance, museums and art galleries, theatre and the performing arts, inner city tours, and of course Penang's famous street food. Even the dying breed of eco-friendly trishaw pullers could be given a new lease of life and could prosper further amidst the resurgent emphasis on heritage tourism.



No doubt, the much-desired recognition has been bestowed upon Penang after an arduous wait of many years but now it is the call for maintaining and sustaining her position that needs to be addressed prudently. Sustainable tourism can be a tool in helping to achieve diverse objectives such as economic growth and poverty reduction, biodiversity conservation, enhanced natural resources management and improved local governance. However, sound environmental policies and practices are a prerequisite for a successful and sustainable tourism industry, which in turn can nourish and maintain an improved quality of life for the host countries and communities involved. Some of the calls for improvements to be made, as suggested by key players in the hotel and tourism sector, are outlined below.

Economic growth through tourism is dependent upon a healthy environment. Environmental quality and biodiversity may represent one of the few internationally competitive advantages for some less developed countries and this applies to Malaysia and Penang in particular. Tourism receipts are of critical importance to Penang's balance of payments as well as to national economic welfare. At the regional and community levels, environmental and tourism planning go hand in hand to create linkages and synergies that benefit the local population through income generation and improved livelihoods.

Pollution control and reduction is a key to sustainability for a tourism destination. Many of the more popular tourism destinations, especially in coastal areas experience degraded marine and terrestrial systems because of pollutants emanating from tourism and related development. Environmental best practices at the design, construction, operation and closure phases significantly protect the environment from these pollutants and hence improve the sustainability of the tourism sector itself.

Habitat preservation supports sustainable tourism activities. The establishment of protected natural areas and parks, together with the support of indigenous community livelihoods, opens the door to low impact types of tourism activities and diversifies tourism products. Development and implementation of improved national park management also helps to upgrade not only Penang's tourism sector but also the country's overall tourism sector, with beneficial results to local communities.

Environmental education and training encourages community support for tourism. A critical factor for tourism sustainability in an area is the local community's willingness to participate in and throw in support for the sector. Environmental education and awareness not only lead to a better understanding of the intrinsic value of the surrounding environment, but also an appreciation of the contribution of sustainable tourism activities to the community.

Environmental accounting and practice improve the long-term sustainability of tourism. The use of Sustainable Gross Domestic Product (SDGP) accounting that is inclusive of mitigation and remedial costs helps identify and promote policies and actions necessary to preserve the sustainability of the tourism sector. In addition, the cost of growing burdens generated by the tourism industry on the world's atmosphere and biosphere needs to be reflected in the actual cost of the product, and not perceived as a diffuse generic issue.



Conclusion

In conclusion, it is apparent that 'Visit Malaysia Year 2007' provided a boost to the tourism industry for Malaysia in general and for Penang state in particular. Penang recorded an increase in estimated visitor arrivals, which was in tandem with the increase in the national figures. However, Penang should not rest on her laurels as she has so much more to offer, more so now with her newly acquired World Heritage City listing.

In the assessment of Dato' Kee Phaik Cheen, Penang's new World Heritage status is a boon that will further spread the fame of the island far and wide. It has been estimated that the increase in visitors to any newly instated World Heritage site would initially be three-fold within a period of 5 years. The new visitors to Penang are expected to come from the relatively more educated sector that has a deeper appreciation of cultural heritage and ecology.

Having said that, Penang's vast potential as a tourism hub has not been fully tapped, as there have been several shortcomings and hindrances, some of which have been festering for some time. These weaknesses, most of which have been mentioned briefly in the article, must be addressed promptly in order to rejuvenate the tourism industry.

According to Mr Marco Battistotti, the prospect of tourism in the state will be brighter if adequate and effective measures, in line with those discussed above, are taken. The successful implementation of these measures, with the close co-operation between the public and private sectors will ensure that Penang truly lives up to its name, the island known as 'The Pearl of the Orient'. **§ Parthiban Gopal**

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Mr Eddy L.S. Low, Chairman, Association of Tourism Attractions Penang

Mr Marco G. Battistotti, Penang Chapter Chairman, Malaysian Association of Hotels

International Headlines



Economic gloom depresses the euro

Source: Excerpt of article from BBC NEWS, 11 September 2008



The euro has hit a fresh one-year low against the US dollar amid renewed worries about the health of the European economy. The single currency fell as low as \$1.3882 in Thursday trading - its lowest level since September 2007. It later edged up slightly to \$1.3942. An increasingly gloomy outlook for the eurozone region has hit the euro hard. The European Commission believes some countries in the European Union are on the brink of recession. The commission has said that three countries - the UK, Germany and Spain - would see two negative quarters of economic growth in a row this year and would therefore be considered to be in recession. The commission also downgraded its growth outlook for the second time this year. It said the 15-nation eurozone would now grow by 1.3% this year, against previous projections of 1.7%. As a result, some analysts are predicting that the euro will continue to be weak and fall to around \$1.30.

India, Vietnam lead Asia's chip growth

Source: Excerpt of article by Vivian Yeo in BUSINESSWEEK.COM, 3 September 2008

Article by India is tipped to be the world's fastest growing semiconductor market, with a compound annual growth rate (CAGR) of 19.2 percent between 2007 and 2012, Phillip Koh, Gartner's research vice president for semiconductors in the Asia-Pacific region, said Tuesday at the company's 14th annual semiconductors roadshow here. This means that globally, the Indian market has the highest increase in semiconductors required in devices. Another fast-growing segment was what Gartner termed as "other Asia-Pacific" markets, which include Southeast Asian nations such as Indonesia, the Philippines, Thailand and Vietnam. Among this group, Vietnam scored the highest CAGR at 46 percent. Separately, in a statement Monday, Gartner said that the Asia-Pacific market will grow 6.4 percent this year to reach US\$160 billion. The analyst house also forecast the regional market to generate a revenue of US\$203 billion by 2012.

US housing starts tumble to fresh 17-year low

Source: Excerpt of article from CHANNEL NEWS ASIA, 17 September 2008

WASHINGTON: US housing starts slid 6.2 percent in August to a fresh 17-year low, government data showed on Wednesday in a sign that the punishing correction in the real estate market is not over. Starts for new home construction fell to an annualised level of 895,000 units, the Commerce Department said, well below market expectations of 950,000. The level of starts is 33 percent below the pace of a year ago, a sign of the depth of the housing crisis, which has turned into a global financial maelstrom affecting the banks and others investing in the housing market. The August drop followed a 12.4 percent tumble in July housing starts. Permits for new homes, a sign of future activity, fell 8.9 percent to 854,000 and were down 36 percent from a year ago.

Central banks' \$180 billion deal - Fed and others will pump billions into markets to soothe global financial upheaval

Source: Excerpt of article from CNN, 18 September 2008

NEW YORK -- Central banks around the world are pumping billions of dollars into money markets in a coordinated bid to calm global financial upheaval.

The package of up to \$247 billion comes from the U.S. Federal Reserve, the European Central Bank, the Swiss National Bank, the Bank of England, the Bank of Canada and the Bank of Japan.

The injection of cash, which amounts to an expansion of up to \$180 billion in available funds, is an effort to fuel economic activity. An agreement was reached earlier this year to provide \$67 billion.

With major financial and insurance institutions teetering, commercial banks have tightened their lending policies and increased interest rates, taking billions of dollars out of the economy.

Under the plan, the European Central Bank will inject up to \$110 billion, the Swiss National Bank up to \$27 billion, the Bank of Japan up to \$60 billion, the Bank of England up to \$40 billion and the Bank of Canada up to \$10 billion.

British bank Barclays said it had reached a deal Wednesday to purchase key units of U.S. investment bank Lehman Brothers for \$1.75 billion. The deal came just two days after Barclays walked away from talks to buy the beleaguered financial institution in its entirety.

Barclays will acquire Lehman's North American investment banking and capital markets businesses for \$250 million in cash. Barclays will also purchase Lehman's New York headquarters and two data centers in New Jersey at their current market value estimated at \$1.5 billion, a company statement said.



'We do not inherit the earth from our ancestors, we borrow it from our children' - *Native American Proverb*

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