

Hotel Industry Economic Assessment: Destination Management Plan for the Inlay Lake Region Project Area

(Developed under the Regional Tourism Destination Management Plan for the Wider Inlay Lake Area Project)

An MIID commissioned report authored by Bart Robertson

Submitted: 24th July 2014



MYANMAR
INSTITUTE
FOR INTEGRATED
DEVELOPMENT

Acknowledgements

I'd like to thank Ms Myat Myat Moe for her support in this research. Her in-depth understanding of the area allowed us to gain a great quantity of information in a relatively short time. Her perspectives and observations regarding tourism in the area were also insightful and are reflected in this report. I'd also like to thank the MIID Office for their logistic and research support, without which this project would not be possible.

This document has been produced for the Myanmar Institute for Integrated Development (MIID) under the Regional Tourism Destination Management Plan for Inlay Lake including the Wider Hill Areas Project: This project has been supported by the International Centre for Integrated Mountain Development under the Rural Support to Rural Livelihoods and Climate Change Adaptation Programme (Himalica) with funding from the European Union and the Government of the Grand Duchy of Luxembourg.

MIID - Myanmar Institute for Integrated Development

41/7b Golden Hill Avenue
Yangon
Myanmar
Phone/Fax +95 1 512179
info@miiid.org



Co-funded
by the
European Union



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs



Table of Contents

Tables, Figures, Charts and Boxes.....	4
Executive Summary	5
Introduction	9
Methodology	10
Hotel Typology.....	11
The Tourist Market.....	12
Composition	12
Size.....	14
Projected Growth	15
The Hotel Market.....	16
Service Offering.....	18
Projected Growth	19
Operating Environment.....	21
Effects on Local Communities.....	24
Employment of Hotel Staff	24
Staff Composition	25
Salary	26
Benefits	27
Best Practice	29
Casual Labor.....	33
Outsourcing Services.....	33
Local Sourcing of Products	35
Community Development Initiatives	36
Conclusion and Recommendations.....	38
Works Cited.....	40
Appendix A: MoHT Module List	41

Tables, Figures, Charts and Boxes

Table 1: Sample Size and Coverage of Population	10
Table 2: Hotel Guest Composition by Location	12
Table 3: Country of Origin (Top 10)	13
Table 4: Accommodation Type by Market Segment	14
Table 5: Service Offering by Hotel Type and Location	18
Table 6: Staff Turnover by Hotel Type	23
Table 7: Salary and Remittance	30
Table 8: Service Outsourcing.....	33
Figure 1: Hotel Typology.....	11
Figure 2: Operational Capacity by Hotel Type	16
Figure 3: Staff Composition by Hotel Type	25
Figure 4: Staff Benefits Tree	27
Chart 1: Continent of Origin	13
Chart 2: Challenges for Hotels.....	21
Chart 3: Staff Turnover by Employment Options	24
Chart 4: Hotel Price vs. Staff Salary	26
Box 1: Value for Money	17
Box 2: A Warning to Investors	19
Box 3: Savings Schemes within the Hotel Sector	32

Executive Summary

The tourism industry in Myanmar has experienced unprecedented growth within the last few years. In 2013, international visitors to Myanmar totaled over 2,000,000, and this number is only expected to rise with even the most conservative estimates by the Ministry of Hotels and Tourism (MoHT) pointing towards a 13% year-on-year increase. Many have viewed the growth of the tourism industry in Myanmar as a nostrum for rural poverty existing on the periphery of tourist destinations. While tourism does represent a substantial inflow of foreign currency into these areas, it is only an opportunity for pro-poor economic growth; not a guarantee. Understanding the nature of interaction between the tourism industry and local economies is essential to determine the real impact of tourism on the poor and marginalized.

Assessing the tourism industry in its entirety is a daunting task. This report is more modest in scope and attempts to identify the manner in which hotels in Southern Shan State interact with the local economy. In doing so it assesses; the target tourist market in terms of demographic composition and size; the hotel sector in terms of its size and service offering; the operational environment for hotels and subsequent challenges faced by hoteliers; and most importantly, the manner and extent to which revenues generated by the hotel sector flow into local communities.

Research for this report was conducted in four locations in Southern Shan State; Nyaung Shwe (Inlay Lake), Taunggyi, Pindaya and Kalaw. These locations constitute the major population centers in the project area of the Regional Tourism Destination Management Plan (RTDMP). With the exception of Taunggyi, tourism also represents a significant industry in each of these locations. In total 31 hoteliers were interviewed using a semi-structured questionnaire. Supplemental information was gained via interviews with tourism experts and a literature review of relevant documents. Data from a recent MIID Tourist Perceptions Survey (forthcoming) also aided in the analysis.

Tourist Market

According to the recent Tourist Perceptions Survey, international tourists within Southern Shan State are predominantly European accounting for 64% of the sample. A significant proportion of international tourists also came from the continents of America and Asia at 16% and 13% respectively. Due to a lack of credible data, it is difficult to determine the exact number of international tourists in the project area; however, the Hotelier Association pegs the number at approximately 110,000 for the period between July 2013 and July 2014. Growth estimates for the project area are equally difficult to determine. For the country as a whole, the MOHT's most conservative estimate is 13% year-on-year growth until 2020. Given that the project area is one of the major tourist destinations in the country, one could reasonably assume that it will see a proportionally similar increase in international visitors. Domestic tourists were less relevant to this study as most of them chose to stay in monasteries rather than hotels.

Hotel Industry

The hotel industry mirrors the tastes and purchasing power of the tourist market, with hotels of various size, expense and service offering capacity. The sample in this research ranged widely from high-end luxury hotels to modest guest houses. Consequently, the sample was divided according to a hotel typology of four; large locally-owned hotels (LLO), small locally-owned hotels (SLO) and large non-locally owned hotels (LNLO). Throughout this report, analysis of the hotel sector is based upon this typology.

As of 2012, 88 hotels existed across the four research locations. It is apparent that the number of hotels in Southern Shan State is increasing though it is difficult to find exact numbers. Nearly one-third of the hotels in the sample had been built since 2010. In addition, nearly all of the remaining two-thirds of hotels in the sample were undergoing some kind of renovation. There is also a Hotel Zone opening on the side of Inlay Lake. Although it is unclear how many hotels will open in the zone, the government has divided the zone into three sections with a total of 87 plots. It is unlikely however, that all 87 plots will be filled any time soon. One local tourism expert stated that approximately 14 new hotels will be built in the zone in the near future. Ownership for many of the hotels being built in the zone is also unknown; though, it is likely that most are large and not locally owned.

Operational Environment

The operating environment for hotels in the project area is less than optimal. Main challenges faced by hoteliers mostly consisted of weak surrounding infrastructure, leading to frequent power outages and water shortages. ICT infrastructure was also found lacking. The combination of these factors has led to customer complaints and higher operational costs for hotels. It is likely that the situation will only worsen with the growth of the tourism industry as an increasing number of hotels put further strain on the weak infrastructure. Hotels have also placed considerable strain on an already fragile ecosystem. The building of new hotels and the renovation of old ones demands a considerable amount of hardwood. Much of this is sourced locally, where deforestation is already an issue. Water scarcity is another serious concern, especially in the dry season.

Staff capacity is another challenge faced by hoteliers. Most hotel staff have little or no formal training, and the quality of private trainings institutes is questionable. There is also little incentive for hotels to invest in training their staff as turnover is high. Although turnover is high across the board, large locally-owned hotels tend to retain more staff. They also have a higher percentage of trained staff and higher staff to room ratio than the other to hotel categories. Despite the growing tourism market, most turnover was not due to competition for staff between hotels; although this may be the case in the near future. Rather, the most common reason for staff turnover cited by hoteliers was staff leaving to work in other industries.

Effects on Local Communities

Local communities are most directly impacted by the hotel sector through employment. A large majority of hotel staff in the sample come from the RTDMP project area, often from villages. It was found that high-end hotels do not necessarily pay employees higher salaries. In fact, small locally-owned hotels pay their staff more than large non-locally owned hotels on average;

however, salary is only one factor out of many which affect staff livelihoods. Hotels also provide staff with a wide range of benefits. Some financial benefits such as service charge can be quite significant and a larger source of income than salary during peak season. There are also in-kind benefits staff members receive such as free meals and accommodation, which can greatly reduce their personal expenses. Due to the wide variation in both the quality and type of benefits offered, a quantitative comparison of benefits was not possible. However, large locally-owned hotels appear to offer staff the best all-around package to staff. They also participate more in community development initiatives than the other two typologies.

It is neither realistic nor desirable that all hotels be large and locally-owned. The hotel sector is dependent upon a rapidly growing and diverse tourist market with different tastes and budgets. Ultimately, the consumer will decide what hotels exist in greater or less quantity; not this report. For the near future, it is likely that each hotel type will continue to exist and multiply in mass. Given this situation, one should not ask, “Which hotel type is the best for local communities?” but rather “What must hotels do to adequately improve the livelihoods of local communities, and is this possible for each hotel type to achieve?”

Findings from a focus group discussion with hotel staff are promising, with all participants stating that they could save a substantial proportion of their salaries or send a large portion as remittances back to their family in nearby villages. Furthermore, staff salaries in the sector have witnessed a substantial increase over the past two years and are likely to continue rising. It is also worth noting that the majority of hotel staff are women, which bodes well for women’s economic empowerment and marks the hotel sector as an effective doorway for women into the formal sector workforce in Myanmar.

Recommendations

Given the average salary of the sample, a 10% service charge, free meals and accommodation and reasonable other benefits, it is likely that hotel staff could save a substantial portion of their income or send it as remittances to family. This could significantly improve the standard of living for rural communities within the project area. Findings indicate that providing this level of pay and benefits to staff is well within the range of possibility for each of the three hotel types. Further research in the form of staff interviews should be done to determine a minimum sufficient income and benefits for staff. This minimum could be promoted or possibly enforced by the MoHT. Additional research should also be conducted within the villages of origin of staff members to determine the impact of remittances on village livelihoods.

Increasing the savings potential of staff is not only about how much they get paid, but rather, what support can be given to help them save. The hotel sector offers a prime environment for operating savings and loan schemes among staff. Hotels could play an active role in facilitating these schemes, which would greatly enhance staff’s ability to save at little to no extra cost to hotels.

The rapidly growing hotel sector offers many opportunities for revenue to flow back into local communities in the project area. This is true in the short-term with the increased demand for casual labor to build new hotels. The creation of adequate wage jobs for hotel staff, the sourcing of local materials, and the outsourcing of services also offer a significant opportunity for revenue

to flow into local communities over the long-term. However, these are not guarantees. For communities to benefit from tourism, the outsourcing of services and the local sourcing of products must be done in a responsible way. Services such as boat tours should be further researched to ascertain what predatory practices exist and how to realign industry incentives. Likewise, the hotel sectors' impact on local food prices should be assessed to determine which groups gain and which are adversely affected.

Finally, and perhaps most importantly, tourists come to the project area for its scenic beauty. The growth of the tourism industry has brought about significant strain on an already weakened ecosystem. Water is becoming scarce in the area as are forest resources. If the tourism industry is expected to continue generating income for local communities over the long-term, local communities, the government, development agencies and hoteliers must jointly plan the development of tourism in the region with an understanding of and appreciation for the limits of the surrounding environment. Doing so will also ensure that local communities' access to other forms of livelihood are not compromised and the natural beauty of Inlay Lake and the surrounding area remains intact for generations to come.

Introduction

The political and economic reforms that have taken place in Myanmar since early 2012 have been quickly followed by a slew of tourist arrivals to the country. Public perception of Myanmar has changed from one of pariah state to transitioning democracy, leaving many an intrepid traveler eager to sample the natural beauty and cultural attractions of a country that has long been off the traditional tourist route. According to the Ministry of Hotels and Tourism (MoHT), international arrivals to Myanmar nearly reached the 2,000,000 mark in 2013, and it is expected that this metric will continue to increase rapidly over the coming years¹. The expansion of the tourist industry represents a significant and growing source of revenue for the country, with projected spending of international visitors to reach 1.83 Billion USD for 2015 (*ibid*).

Many have prematurely equated the rapid growth of the tourism industry and the concurrent influx of foreign capital as a direct means of poverty alleviation and a pathway to modernity and improved livelihoods for local communities located near tourist areas. It is true that the growth of the tourist industry will have an impact on local communities, but the nature of this impact is not straightforward. It is uncertain to what extent revenues from the tourist industry flow to local communities and how livelihoods are affected. Forecasts must also take into consideration the indirect costs for communities caused through the potentially negative environmental and social impacts from tourism.

Assessing the tourism industry in its entirety is a daunting task. This report is more modest in its aims and attempts to identify the manner in which hotels in the project area interact with the local economy. This report will assess the hotel operating environment and challenges facing hotels in the Regional Tourism Destination Management Plan (RTDMP) project area. It will also assess hotel operations, most notably, ones which affect the flow of hotel income into local communities. These include; staff salaries and benefits, outsourcing of services, local sourcing of hotel products and hotels' support of local development initiatives. Growth projections of the tourism market in the project area and both the positive and negative consequences thereof will also be broadly assessed. Throughout the report, analysis is divided according to a hotel typology. This is done to better account for the wide variation of hotel operational models.

¹ The basis of these statistics includes business travellers, visa runs, cross-border crossings and visits to friends and relatives. Figures for international and domestic leisure tourism will vary quite considerably but are not available at this stage.

Methodology

Over the course of a 10-day field visit, the consulting team conducted interviews with 31 hoteliers across four locations; Nyaung Shwe (including Inlay Lake), Pindaya, Kalaw, and Taunggyi. These locations represent the major tourist destinations and the large majority of hotels in Southern Shan State.² According to the most recent data available from the Hoteliers Association, there are 88 hotels and guest houses across these four locations with a total of 2,237 rooms.³ As such, the 31 hotel sample accounts for 35% of all hotels in the four locations. The table below gives the number of hotels at each site visited as well as the sample size from that location.

Table 1: Sample Size and Coverage of Population

Site Location	Hotels in Location	Hotels in Sample	Coverage
Nyaung Shwe & Inlay Lake	42	15	36%
Kalaw	24	9	38%
Pindaya	5	3	60%
Taunggyi	17	4	24%
Total	88	31	35%

In order to ensure a representative sample, hotels in the sample ranged from high-end luxury hotels with room rates in excess of 200,000 MMK per night to small guesthouses with room rates as low as 3,000 MMK per night. Interviews were guided by a questionnaire containing a mix of qualitative and quantitative questions. The questionnaire was designed to capture financial flows between the hotel sector and local communities as well as general information about hotel service offering and the environment in which hotels operate. Supplemental information was gained via interviews with tourism experts and a literature review of relevant documents. Data from a recent MIID Tourist Perceptions Survey also aided in the analysis.

² Ninety-four percent of the hotels in Southern Shan State are located in the sites visited. There are 6 hotels in Southern Shan State outside of the four site locations.

³ Data was provided by the Hotelier Association of Myanmar for 2012. Every hotel and guest house must register with the Hotelier Association. It is likely that a fair number of new hotels have been built since 2012, and are not included on the list. There are 6 other hotels in Southern Shan State, located outside of the four site locations. Hence the four site locations represent 94% of the hotel market in Southern Shan State.

Hotel Typology

Through the course of the fieldwork, it was determined that a hotel’s ownership status and economic size or “footprint” directly relate to its operations and the specific way in which it interacts with the local economy. Consequently, these two metrics can be cross-referenced to create a hotel typology. To determine a hotel’s “economic footprint” a hotel’s room rate is multiplied by its total number of rooms. For example: a hotel with 20 rooms at a rate of 50,000 MMK per night has an economic footprint of 1,000,000 MMK. This is essentially the full revenue potential of a hotel on a single night. This metric should not be used to calculate or assume hotel revenue; rather, this should be seen as a relative measure of a hotel’s economic influence.⁴ Hotels with an economic footprint of over 1,000,000 MMK tended to operate differently and on a larger scale than hotels below that threshold. For the purpose of hotel market segmentation, the analysis considers hotels over this threshold to have a moderate to large economic footprint. This is the case for 17 hotels out of the sample. The other 14 hotels are under the 1,000,000 MMK threshold and are considered to have a small economic footprint.

The other metric used in this typology is ownership. It was found that locally-owned hotels operate differently than hotels that are not locally owned. In this context “locally-owned” means that the owner lives in the same place in which the hotel operates. Out of the sample, 22 hotels were locally-owned and 9 hotels were not. All hotels in the sample that are not locally-owned have an economic footprint of 1,000,000 MMK or more, effectively leading to a typology of three; large locally-owned hotels (LLO), large not locally-owned hotels (LNLO), and small locally-owned hotels (SLO). This typology will be used throughout the report.

Figure 1: Hotel Typology

	Locally Owned	Not Locally Owned
Large	LLO n=8	LNLO n=9
Small	SLO n=14	N/A n=0

⁴This metric should not be used under the assumption that a hotel will ever reach this earning potential. Hotels seldom operate at full capacity. In addition, many hotels have different rates for the same room depending on whether it is high or low season and whether or not the guest is a Myanmar national or a foreigner. Hotels also give significant discounts when rooms are purchased ahead of time through a travel agent. In order to maintain consistency, the walk-in rate for the most basic room for a Myanmar national at low seasons is used for this indicator.

The Tourist Market

Composition

Before launching into an analysis of the hotels, it is necessary to first understand the tourist market which they serve. Hoteliers were asked to estimate the demographic composition of their guests, classifying them as either Myanmar, Asian (excluding Myanmar) or Western. Their responses likely contain considerable variation from actual figures, yet still hold some indicative value. Averages from their answers are given in the table below. According to hoteliers, the target tourist market for hotels in Nyaung Shwe, Kalaw and Pindaya is overwhelmingly international representing 90%, 76%, and 85% of the customer base respectively. For each location, the large majority of international visitors is western, though the proportion of Asian tourists is not negligible and likely to grow in coming years given countrywide trends.

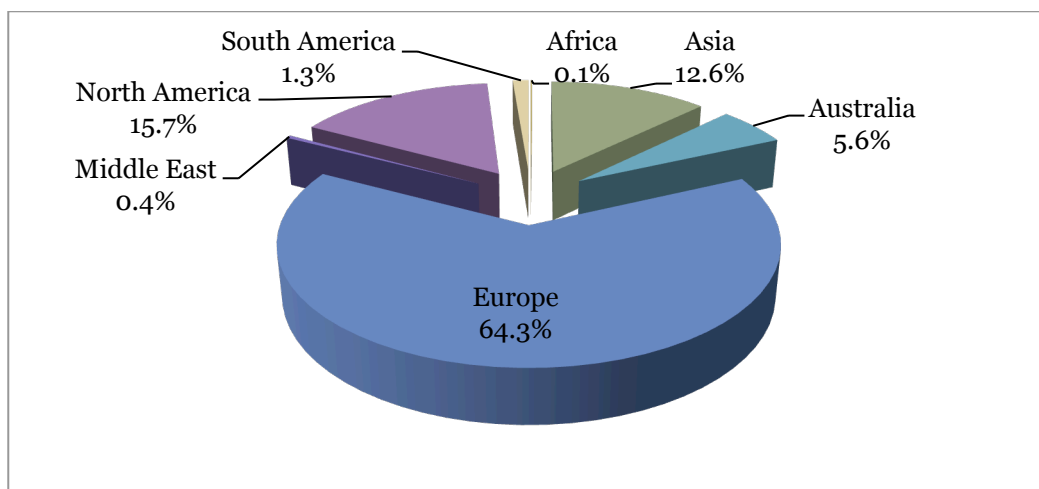
Table 2: Hotel Guest Composition by Location

Location	Avg. % Myanmar Guest	Avg. % Asian Guest (excluding Myanmar)	Avg. % Western Guest
Kalaw	24%	19%	57%
Nyaung Shwe/Inlay Lake	10%	18%	72%
Pindaya	15%	19%	67%
Taunggyi	90%	6%	4%
Grand Total	25%	17%	58%

These estimates by hoteliers are in-line with findings from a recent, representative survey of tourists in the project area.⁵ Of the international tourists surveyed, only 12.6% are from Asian countries (excluding Myanmar), while the rest can be considered “western”. Most respondents are from either Europe or North America representing 64.3% and 15.7% of the sample respectively.⁶

⁵ MIID conducted a perceptions survey of tourists in the project area. The report is forthcoming. There was a total of 1656 respondents. One thousand of these respondents were international tourists while the other 656 were Myanmar Nationals.

Chart 1: Continent of Origin



Segmenting the market according to country of origin provides further insights. The top 10 countries of origin for survey respondents are given in the table below. Given that the most common continent of origin is Europe, it is not surprising that countries in Europe such as France, Germany and the U.K. constitute a large proportion of the sample. It should also be noted that the Anglophone market is significant. Adding together English speaking countries (USA, U.K., Australia, New Zealand and Canada) would represent 31.1% of international tourists in the sample.

Table 3: Country of Origin (Top 10)

Country of Origin	Percent of Sample
France	15.6%
USA	13.2%
Germany	12.9%
U.K.	11.0%
Italy	5.8%
Australia	4.9%
Switzerland	4.3%
Netherlands	4.2%
Thailand	2.4%
Japan	2.2%
Top 10 Total	76.5%

Domestic tourists represent a small proportion of hotel guests in the project area. Most of them only stay in hotels during festivals; however, this does not equate to a small number of domestic tourists. Many tourism experts interviewed during fieldwork stated that domestic tourists spend

their nights in monastery halls rather than hotels. These findings are supported by the tourist survey. Respondents were asked which type of accommodation they had used during their trip.

Table 4: Accommodation Type by Market Segment

Market Segment	N	High-End Hotel	Medium Range Hotel	Guesthouse	Monastery	Village Accommodation	Other
Asia	120	41%	30%	24%	3%	3%	2%
Europe	613	42%	34%	26%	0%	2%	0%
North America	150	47%	32%	19%	0%	1%	3%
Myanmar	602	10%	16%	12%	47%	2%	13%

*Respondents could pick more than one option so totals sum to over 100%

International tourists from the three largest continental market segments tended to stay in high-end and medium range hotels. They also stayed in guest houses to a lesser extent, while very few stayed in monasteries or villages. Conversely, staying in a monastery was the most common type of accommodation for Myanmar tourists at 47%.

Taunggyi is a different story from the rest of the project area.⁷ With nearly 90% of its visitors hailing from Myanmar, its proportions are the inverse of the other locations. As a regional business hub, most hotel guests in Taunggyi are not tourists but business men and women who come to trade with clearing houses at the market or conduct business with nearby mines. Workers from a nearby goldmine were the primary tenants of one guest house in the sample.

Size

It is difficult to determine the exact size of the tourist market around the project area as there is no single entry point for all visitors. However, all hotels are required to register international guests with the MoHT. According to MoHT figures, approximately 110,000 international tourists visited Southern Shan State between July 2013 and July 2014.⁸ Hotels do not register domestic guests in the same way, so comparable data is not available. However, the Myanmar Tourism Federation estimated 77,315 domestic tourists arriving in the Inlay Lake area in 2012 (MoHT, 2013).

Market size depends not only on the number of tourists but also the amount of money they plan to spend. Findings from a recent MoHT survey of 1,085 respondents at Yangon International Airport indicate that the average spend for accommodation for international visitors to

⁷ The survey was not conducted in Taunggyi, hence survey results are more representative of other tourist destinations in the project area such as Kalaw, Nyaung Swe and Pindaya.

⁸ The researcher was unable to determine the exact geographic area over which this data was gathered. The figure likely includes the four research areas visited but this is unclear. It is also unclear what other areas of Southern Shan State this data may include.

Myanmar is \$129 per night for accommodation and \$100 per day for other expenses (MoHT, 2013).⁹ This yields an accommodation/total spend ratio of 56%, which is quite high. To give a relative comparison, Thailand's accommodation/total spend ratio rest at 31% according to the Thailand Department of Tourism. This high ratio for Myanmar indicates that a significant proportion of tourism revenue will flow through the hotel sector. No estimates are available for the average amount of money spent by domestic tourists on accommodation per night; however, it is likely low considering that a large proportion of domestic tourists spend their nights at monasteries. The monasteries charge nothing, but small donations are common.

No credible data exists on the average number of days that tourists spend in the project area, so one cannot determine total spend on accommodation. Even if this data were provided, it would still prove difficult to determine total spend on accommodation as overnight trekking expeditions are popular amongst tourists and would distort the data.

Projected Growth

Over recent years the number of international visitors to Myanmar has grown substantially and will likely continue to do so. The most conservative growth estimate in the Myanmar Tourism Master Plan is 13% year-on-year growth in international arrivals until 2020. High-end estimates reach 40-45% annual growth to 2015 and 20% annual growth from 2016-2020.¹⁰ Over the past few years, the number of business visitors to Myanmar has grown in proportional terms to tourists, so it is likely that the number of international tourists visiting the project area will increase but not as rapidly as international arrivals to the country as a whole. Assuming 110,000 international visitors from July 2013 to July 2014 and a very conservative 10% year-on-year growth rate, one could expect to see the number of international arrivals to the project area grow to well over 200,000 by 2020.

⁹These figures do not account for significant variation in spending across the country. The cost of living and accommodation in the project area is lower than it is in some other places in Myanmar such as Yangon, Nay Pyi Daw or Mandalay. In addition, the MoHT and the ADB estimate that the average daily spend for international visitors to Myanmar is \$135 (including accommodation).

¹⁰International arrivals should not be understood as synonymous with tourism arrivals. This figure also includes individuals who arrive in Myanmar for business, many of whom do not travel to tourist destinations like Inlay Lake. The number also includes Thai and Chinese visitors that arrive via border crossing. These visitors generally stay in the country for less than a day and only come for trading purposes.

The Hotel Market

International tourists represent possibly the most diverse group of individuals imaginable, arriving from countries around the world. Preferences in accommodation as well as purchasing power vary accordingly. In an attempt to meet these demands, the hotel sector mirrors this diversity, with hotels of various size, expense and capacity of service offering.

Figure 2: Operational Capacity by Hotel Type



The figure above contains the average price per room and data on staff capacity for each type of hotel. As expected, SLOs are by far the cheapest of the three typologies with an average room rate of 17,000 MMK per night. They also have fewer rooms than the other two hotel types and a lower staff/room ratio at 0.6 staff per room. The lower staff/room ratio is likely due to the low average room price, which prevents owners from hiring more staff. Furthermore, less staff are needed in SLOs, because they offer fewer services (discussed later). One should not mistake this business model as inferior to the other two; rather, it is simply catering to a different market. It is interesting to note that SLOs spent approximately the same on training per staff member last year as LNLOs did (16,000 MMK vs 15,600 MMK¹¹). Out of the sample, an average of 21% of the staff working at SLOs have had some type of formal training. This is not far from the percentage for LNLO hotels at 28%.

¹¹ One LNLO hotel was removed from this statistic because it was conducting a comprehensive overhaul of its operations. All staff were trained at a significant expense. Including that hotel would significantly distort the average. Some hotels didn't have an exact figure for this question. Consequently, n=27 for this question.

LLOs spent 28,100 MMK on training per staff member last year; nearly double the amount spent by LNLOs. Large locally-owned hotels also have an average of 41% formally trained staff; well-above the other two hotel types. At 77,600 MMK per night, LLOs also have a lower average room rate than LNLOs. Given these findings, it can be said that LLOs provide guests with better value for money than LNLOs, at least in terms of staff capacity.

Box 1: Value for Money

Anecdotal evidence indicates that international tourists perceive low value for money in the Myanmar hotel market. The quality and price of hotel accommodation in Myanmar is often compared to that of Thailand. This is because the tourism industry in Thailand is more developed and hints at things to come (both good and bad) for the Myanmar tourism industry. Many international tourists who visit Myanmar also visit Thailand and tend to use it as a standard with which to judge other Southeast Asian countries.

It is both the subjective opinion of the researcher as well as a commonly heard complaint amongst tourists that hotels in Myanmar offer poor value for money when compared to other Southeast Asian countries. Oddly enough, this does not seem to be the case according to the recent tourist survey. In the survey, tourists were asked to what extent they agree to the following statement.

“Hotels and guest houses offer good value for money.”

	Western (n=771)	Asian (n=117)	Myanmar(n=323)
Completely Agree	25%	33%	20%
Agree	36%	43%	29%
Neither Agree or Disagree	23%	12%	32%
Disagree	10%	7%	9%
Completely Disagree	6%	5%	10%

Only 16%, 12% and 19% of Western, Asian and Myanmar tourists disagreed with this statement. At the same time 61%, 76% and 49% of respondents from these markets answered in the affirmative. Value for money is difficult to quantify as this is a highly subjective notion with different consumers attaching different value to different hotel amenities, services and decor. It is also a relative concept. Although the survey findings would seem to indicate that tourists perceive value for money, a comparative statement might have been more revealing. For example: “Myanmar offers better value for money than Thailand.”

Service Offering

Hotels provide guests much more than accommodation. This is especially true in tourist areas where guests depend on hotels to arrange activities and be an intricate part of their vacation experience. Across the sample, there were fifteen hotel services commonly identified. Larger hotels tended to provide many services in-house, while smaller hotels generally outsourced these services and facilitated logistics between the customer and service provider. The table below lists the availability of these services according to hotel type and geographic location.

Table 5: Service Offering by Hotel Type and Location

Type/ Location	n	Cooking Class	Trekking	Laundry	Car Transport	Boat Tours	Spa	Restaurant	Boat Racing	Night Market	Picnics	Bird Watching	Canoeing	Culture Show	Bicycle Rental	Souvenir Shop
LLO	7	X	X	XX	XX	XX	X	X	X	X	X	X	X	X	X	X
LNLO	9	X	X	XX	XX	X	X	X	X	X	X	X	X	X	X	X
SLO	14	X	X	X	XX	X	O	X	O	O	X	X	X	X	X	X
Kalaw	9	X	XX	XX	XX	O	O	X	O	O	X	X	O	X	X	X
Nyaung Shwe	15	X	X	XX	X	XX	X	X	X	X	X	X	X	X	X	X
Pindaya	3	X	XX	XX	X	O	O	XX	O	O	O	X	O	X	XX	O
Taunggyi	3	O	O	X	XX	O	O	X	O	O	O	O	O	O	O	O
SAMPLE TOTAL (%)	30	30	73	97	93	50	13	63	17	10	27	47	33	43	70	43

XX=All Hotels X=Some Hotels O=No Hotels

Regardless of location or typology, most hotels in the sample provide basic services such as laundry and car transport at 97% and 93%. Sixty-three percent of the hotels surveyed also had a restaurant. These services are not specifically related to tourism. As such they were the only three services offered by any of the hotels surveyed in Taunggyi. This only highlights the fact that Taunggyi is a different market than the rest, and much thought will need to be given as how best to include it in the RTDMP and expand the tourism industry there. Other services cater more specifically to tourists and depend on the location surrounding the hotel. For example, all hotels sampled in both Kalaw and Pindaya offer trekking. Likewise, every hotel visited in Nyaung Shwe could arrange boat tours.

Dividing the sample by hotel type, one can see that both LLOs and LNLOs have a large service offering covering each of the services listed. As expected, SLOs cannot offer larger services such as boat racing, night markets or spas, which are more expensive to provide and difficult to organize. This is not only a question of capability but also one of demand. Spa treatments are out of the price range for many guests staying at SLOs. It is also likely that guests would perceive low service quality if an SLO did open a spa.

Projected Growth

Growth in tourist figures have likewise brought about an increase in the number of hotels in the project area. Out of 31 hotels in the sample, nearly one-third of them had been built since 2010. Nearly all of the remaining two-thirds of hotels in the sample were undergoing some kind of renovation. According to data provided by the Myanmar Hotelier Association, 15-20 new hotels were under construction in Nyaung Shwe as of 2012. This excludes six new hotels under construction on Lake Inlay itself. It is worth noting that private sector actors in Nyaung Shwe have voiced concern about an anticipated over supply of rooms and a subsequent price war between hotels. They believe a driving factor to this anticipated over-supply is unrealistic estimates of tourist arrivals.

One would think that many of the new hotels opening in the project area are large and not locally owned. Surprisingly, this is not the case. Out of the nine new hotels in the sample two were LNLO, four were SLO and three were LLO. These proportions may change significantly in the near future upon the completion of the new Hotel Zone. In an attempt to manage the expansion of the hotel sector in an efficient and less environmentally damaging way, the MoHT has been developing a Hotel Zone. The Zone spans 622 square acres on the East Shore of Inlay Lake. It is subdivided into three smaller zones. At the time of writing, details on the Zone are limited. It is not clear how many hotels will open or who the investors will be. Given the large scale of the Hotel Zone, it is not probable that local investors have the necessary capital to carry out these projects. Outside capital is likely required. There are a total of 87 plots in the zone, which theoretically would be the maximum number of hotels or business that could exist. However, it is unlikely that the zone will fill to capacity in the near future. One local tourism expert stated that the hotel zone will bring in 14 new hotels in the near future. Much of the infrastructure such as roads and drainage is currently being built; yet, few hotels have begun construction. One exception is a 120-room Novotel currently under construction and scheduled to open in late October.

Box 2: A Warning to Investors

Many new hotels will be built in the project area in the years to come but not all will succeed. Although this is to be expected in any competitive market-based system, it is in the best interest of all to minimize the number of failed hotels. It is too soon to determine if any of the nine new hotels in the sample will continue to operate for the long-term, but one new LNLO was experiencing severe problems and admitted to operating at a significant loss. The hotel's subpar performance is likely due to the owners' lack of knowledge about hotel operations. The owner is an investor from Mawlamyine and has had no previous experience with hotels. She saw that hotels are profitable and decided to build one. The result has been less than desirable.

The hotel opened in the middle of the high season in December 2013. It was unable to turn a profit since it was not operating at full capacity during that time. Since opening, the hotel has lost 9 staff, with 20 staff remaining. Twenty percent of the hotel staff have had experience working in hotels before, but this does not include the manager who is new to the sector. When asked about training, the manager indicated that none of the staff had received formal training, but did receive informal training from the "director". When asked for clarification, the manager explained that the "director" is a businessman from Yangon and a friend of the hotel owner. He

has no experience in the hotel sector either, but the hotel manager said he gives “organizational training”. In the opinion of the research team, these trainings are likely to be little more than an old businessman pontificating about grand theories of service and operations, without any worthwhile content related to hotel management.

An additional impediment faced by staff was the rigid-hierarchical management structure of the hotel. Although the owner was not based in Nyaung Shwe, the manager and the accountant had very little decision making power. Everything needed to be approved by the owner. In addition, the accountant had no knowledge of the hotel’s finances apart from direct expenses. The owner handled most finances directly, personally paying employees’ salaries and service charge. These funds were delivered to staff in a sealed envelope with no oversight from the accountant.

The lesson for investors is to be knowledgeable about the hotel sector before entering it. It is well-known amongst the business community in Myanmar that the hotel sector is booming, but investors should not be too quick to jump on the bandwagon if they do not have relevant experience. If they still wish to invest in hotels, they should set aside extra budget to hire experienced managers and leave the decisions to them, rather than remotely controlling hotel operations. Significant budget should also be set aside for staff training. At the end of the day, a hotel is much more than just a building. It is dependent on qualified staff to operate it. Investments in human capital are often overlooked because the outcomes are not tangible like high quality air conditioners for rooms or a shiny new hotel car. However, the consequences of underinvestment in human capital are far from negligible.

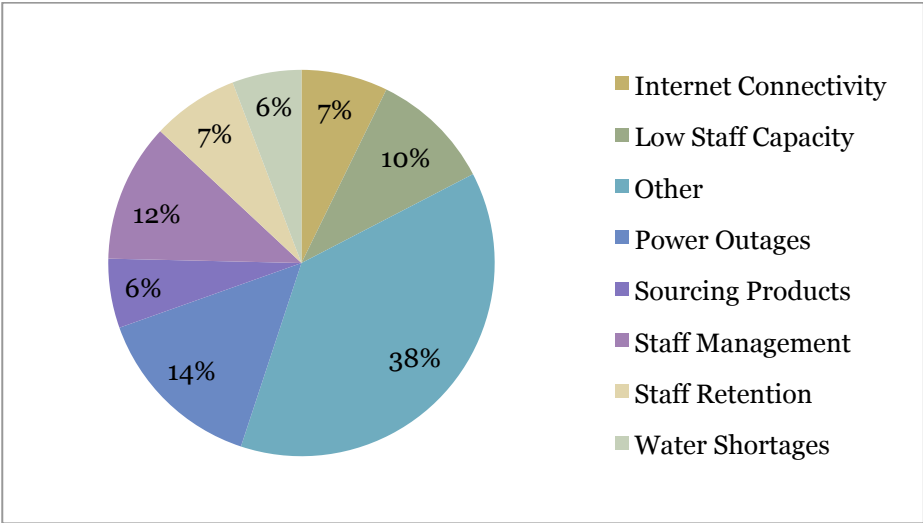
Operating Environment

Although the size and operational nature of hotels varied widely in the sample, they still face similar constraints due to the environment in which they operate. Seasonality is one common constraint that is dictated by location. Nyaung Shwe, Kalaw and Pindaya markets are vulnerable to a high degree of seasonality. High season occurs in the cooler months of the year roughly between October and March. The rest of the year is low season. On average, hotel managers estimated an occupancy rate of 74% in the high season and 27% in the low season. There was wide variation in occupancy rates between hotels. This did not correlate with the hotel typology; rather, it just depended on the case-specific nature of each hotel.

Seasonality was not an issue Taunggyi, with hoteliers stating a year-round occupancy rate of 66%. Once again, this is due to the fact that many of the guests staying in hotels in Taunggyi are not tourists. At present, the only thing akin to a high season in Taunggyi is the Lantern Festival in November. Over a three-day period towards the end of the festival every hotel is fully-booked. Room rates increase substantially during this period, sometimes by a factor of five according to hoteliers. If Taunggyi grows to become more of a tourist destination, it will experience similar seasonality to the other locations.

While seasonality is inherent to the tourism industry in the project area, other challenges faced by hotels are not. During fieldwork, hoteliers were asked to list up to three major challenges they face in operating a hotel. Twenty-one different challenges were identified out of sixty-nine responses. Due to the wide variety of challenges faced, the category “other” represents the largest proportion of the graph below at 38%.

Chart 2: Challenges for Hotels



The most commonly cited challenges deal with poor local infrastructure. Most notably, power outages, limited internet connectivity and water shortages were cited 14%, 7% and 6% of the

time. Power outages lead to large additional costs for hotels, particularly when it comes to heating water for guest use. When the electricity cuts out, hotels must rely on firewood to heat water. This expense is all the more substantial in colder locations such as Taunggyi, with one hotelier from that location spending 600,000 MMK per month on firewood during winter. Not only is this a costly option, but it also puts additional strain on a surrounding forest ecosystem that has already suffered from significant deforestation.

Apart from power outages, the voltage coming through power lines can be low, which causes electrical items such as air conditioners to function poorly. According to hoteliers, consistent power outages and underperforming ACs have led to many guest complaints and a perceived lack of value for money. Water scarcity is another major challenge for hoteliers. It is common for hoteliers to have tube wells dug on the hotel premises, but these run dry in hot season. Hoteliers must then buy water, which is costly at 5,000 MMK per 25 gallon barrel in Nyaung Shwe.

Given the rapidly increasing number of hotels in the locations visited (Nyaung Shwe in particular), the existing infrastructure for ICT and electricity are likely to be an even more serious constraint on the tourism industry in the near future. Access to water will also become a more serious issue as the ability of rainwater to replenish underground aquifers is finite and does not expand in accordance with growing tourism numbers. Inlay Lake, in particular is already under considerable environmental strain with rapidly declining water quality and an ever diminishing water surface area. The causes of this increasingly frail ecosystem are a convergence of factors including deforestation (and the resulting runoff and sedimentation), agriculture on the lake and both solid and liquid waste management challenges in villages on the lake and in Nyaung Shwe (Sidle et al., 2006) (Jensen et al., 2012). Creating solutions to these problems is, to a large extent, out of the hands of individual hoteliers. One must look to government and donor agencies to provide answers in the future as these challenges become more prominent.

Human capital constraints also represent a big challenge for hotels. Both “Staff Management” and “Low Staff Capacity” are cited 12% and 10% of time. Many hoteliers noted that their staff come from villages in the surrounding mountains. Discipline is often a problem as staff are unfamiliar with proper hotel etiquette. Furthermore, many staff across the sample have not received formal training, the lack of which severely limits their capacity to perform effectively.

Training programs for hotel staff remain limited. The most credible training is provided by the MoHT. They offer 10 different courses ranging in price from 100,000 MMK to 350 MMK. More details about their course offering is provided in Appendix A. These courses are offered at the MoHT training school in Yangon. The cost of the training itself is not necessarily prohibitive but incidental costs for hotels are high. Hotels located outside Yangon must pay for staff transportation and accommodation over the duration of the course, making these trainings out of reach of SLOs in terms of distance and expense. Consequently, no staff from any of the SLOs in the sample attended this training. A more feasible option for SLOs is MoHT on-site training. Every other year the MoHT provides training on-site (i.e. in Kalaw, Nyaung Shwe and Taunggyi). The length of training varies and as does price. Hotels are also responsible for providing trainers with meals and accommodation throughout their stay. The MoHT mandates that each hotel send at least one staff member to these on-site trainings. All trainings, whether on-site or in

Yangon are conducted in the low season. Running in them in high season would not be possible as hotels are too busy to let staff go. Apart from MoHT training, a handful of private training schools exists; though, training quality is questionable. Many hotels also provided English training to staff. Usually local English teachers or tour guides conduct the training a few hours a day over a one or two-month period. The formality and quality of these trainings varies widely.

Staff retention is also a challenge for many hotels especially the smaller ones. Last year SLOs in the sample experienced an average 31% turnover. This is more than double the turnover rate of LNLOs and six times that of LLOs. It is likely that as competition for staff increases with the growing industry, so will turnover rates. A benefit is that this competition will likely increase wages across all hotel types; however, a knock-on negative effect will be that hotels are disincentivized to pay for staff training when they expect high turnover rates. This is already the case, with some SLO managers stating that they will not “waste” any more money on trainings since the staff will just leave. Head-hunting for qualified staff will likely prompt a hostile relationship between hotels in the future, making cooperation on joint projects and initiatives problematic.

Table 6: Staff Turnover by Hotel Type

Hotel Type	Incoming Staff Last Year	Outgoing Staff Last Year	+/- Staff	Total Staff in Sample	% Turnover Last Year
LLO	20	18	2	393	5%
LNLO	106	57	49	363	16%
SLO	54	53	1	170	31%
Total Sample	180	128	52	926	14%

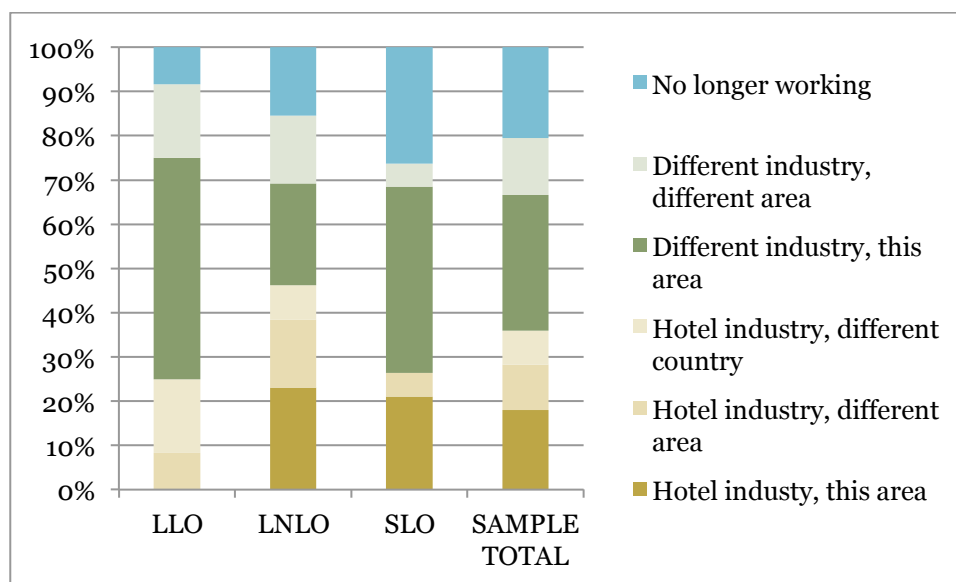
But it is important to understand the source of this turnover. Why are staff leaving hotels and where are they going? One should not assume that the turnover is caused by a high demand for labor within the hotel sector alone. During fieldwork, hoteliers were asked if they knew the current employment status of previous staff. They were given a list of possible options and allowed to pick all that applied for their outgoing staff from last year. Some hotels picked one or two options. Some could not answer, because they didn’t know the whereabouts of previous staff. This resulted in a total of 39 responses spread over 6 employment options.¹²

It is likely that competition from other hotels for skilled labor will be a driving factor of staff turnover in the future; however, this does not appear to be the case at present. Leaving to work at another hotel in the area only accounted for 18% of the responses. In fact, none of the staff leaving the LLOs went on to work at another hotel in the area. Combining “hotel industry this area”, “hotel industry different area” and “hotel industry different country” gives a total for inter-industry turnover. This is represented by the total beige area of a given column and is equal to 36% of total responses. The largest causes of turnover actually exist outside the industry. Forty-four percent of the responses indicated that staff have moved on to jobs in other

¹²The table quantifies responses from hotel managers, not the actual number or proportion of former staff that went to each category. For example a hotel might have 4 staff leave to work in another hotel in the area and 3 staff quit the workforce. This only counts as two responses. Therefore, it cannot be said that 21% staff who left last year are now out of the workforce.

industries (represented below by adding together the green and grey sections of each column). The remaining 21% of responses indicated that former staff are no longer part of the workforce. According to hoteliers, this was most often due to staff getting married and having a family. It is unknown why it is so common for hotel staff to move on to working in different industries. Perhaps other industries offer better wages and benefits, but this is unconfirmed.

Chart 3: Staff Turnover by Employment Options



Effects on Local Communities

It is apparent that the three hotel types cater to different tourists and vary accordingly in their price, operational capacity and service offering. But what does this mean for local communities? With over 88 hotels spread across the four locations it is obvious that the hotel sector represents a significant source of income for communities in the RTDMP area, but where does the tourist’s money go after it reaches the cashier’s drawer? This is dependent upon how hotels interact with the local economy. It means looking at what services they outsource, where they source materials and what measures they take to support community development initiatives. Most importantly, it depends on how hotels interact with the local labor market. Are staff receiving an adequate wage and benefits? Are they able to save away money or send remittances to their family in the villages? Furthermore, how do the answers to all these questions vary between hotel types?

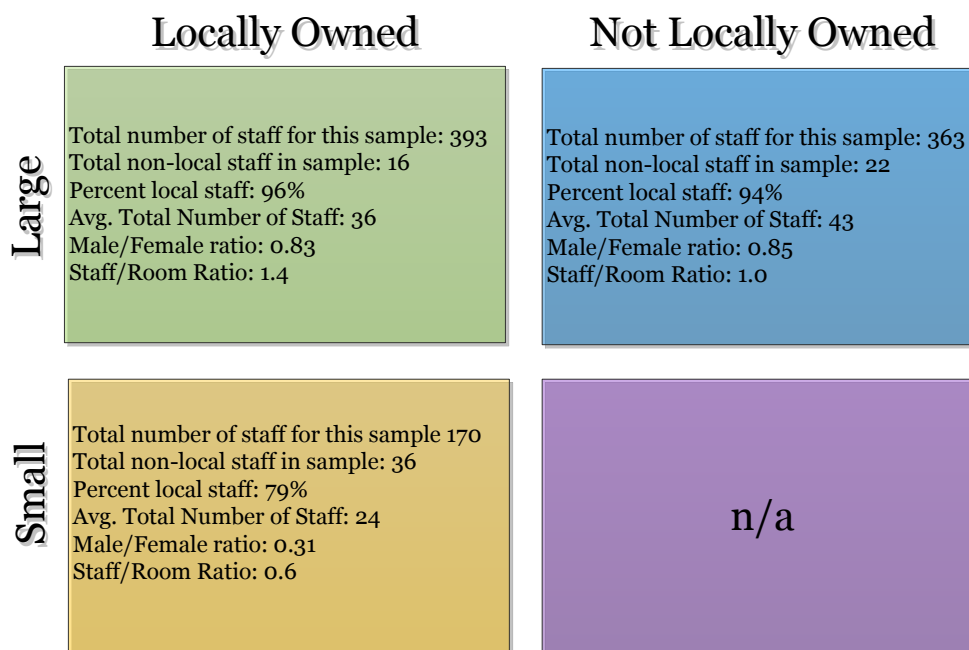
Employment of Hotel Staff

Staff salaries and benefits constitute a large expense for hotel operations. Consequently, employment is the largest and most direct way in which tourism revenue can flow directly into local communities. This is, of course, provided that the staff members are from the local area, which requires an analysis of staff composition.

Staff Composition

Every hotelier interviewed was asked how many staff they employed in total and how many staff were not from the local area.¹³ Across the whole sample, 92% of hotel staff were from the local area, with percentages for hotel types varying to a small degree. This means that the majority of revenues from staff salaries and benefits goes to the local community; however, “local community” is a difficult concept to define. For the purposes of this report, “local community” can be understood as project area, but it is indeterminable how many staff are from small mountain villages and how many are from towns such as Taunggyi.

Figure 3: Staff Composition by Hotel Type



It’s also worthwhile to look at staff composition from a gender perspective. The sample yielded an overall staff male/female ratio of 0.76. In other words, there were 100 female staff members for every 76 male staff members. The gender balance is particularly favorable to women in SLO where the ratio is 0.31. Myanmar has a small formal sector and women currently play a very small part in that sector. These findings indicate that the hotel sector has significant potential as a major formal sector employer of women. However, as the sector grows and more hotels open, staff salaries will likely increase. Such has already been the case in the past. As wages increase in a predominantly female industry, there is a tendency for more men to begin working in the industry, gradually crowding out women. This may already be the case. The high female staff ratio in SLOs may not imply more pro-women employment practices, but rather that working for a LLO or LNLO hotel is a more coveted position.

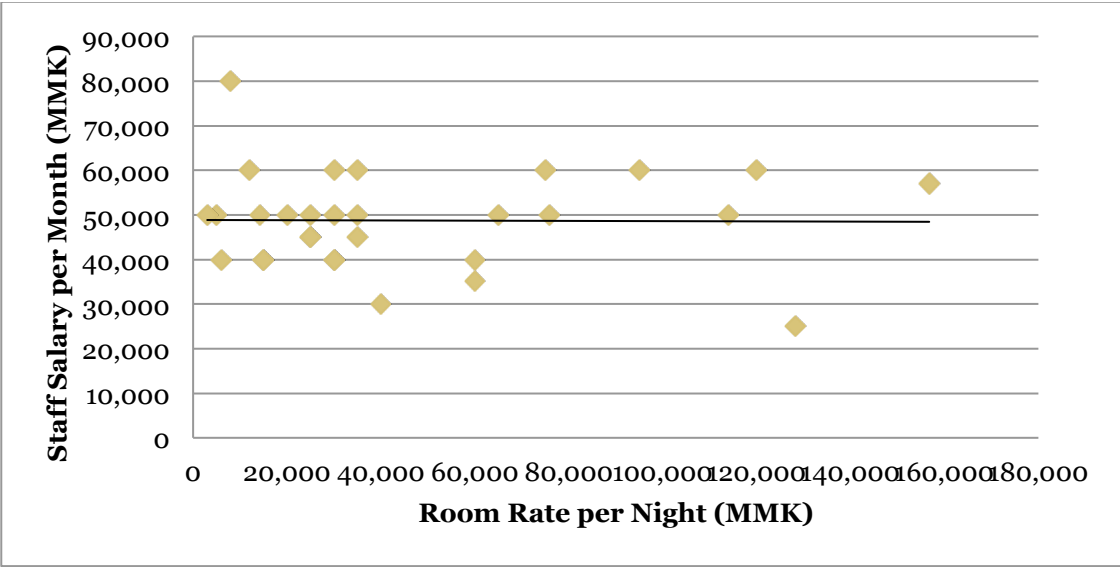
¹³Local area was explained to the hoteliers as “around the Inlay Lake area including nearby villages and towns such as Kalaw, Pindaya or Taunggyi”.

At least for the time being it is clear that the majority of hotel staff in the project area are women. Furthermore, the vast majority of staff come from the local area. The hotel sector offers significant scope for sending tourism revenue back into local communities, with a particularly positive effect on women’s economic empowerment. However, employment figures by themselves mean very little. They must be accompanied by an analysis of salary and benefits to hold any indicative weight.

Salary

The average starting salary for non-management hotel staff in the sample was 49,000 MMK per month. A key finding is that large, high-end hotels do not pay their staff more than smaller, modestly priced hotels. The chart below compares each hotel’s monthly staff salary on the Y-axis with its room rate per night on the x-axis.¹⁴ If high-end hotels paid their staff higher monthly wages, one could expect to see the trend line slope upwards. However, it is apparent that no positive correlation exists. In fact, the hotel that paid the highest starting salary at 80,000 MMK per month only had a room rate of 8,000 MMK per night. Conversely, the hotel with the lowest staff salary (25,000 MMK per month) was a high-end hotel with a room rate of 128,500 MMK per night. This clearly shows that the opening of more high-end hotels in this area would not mean higher wages for staff. However, it should be noted that many hotels have significantly increased staff salary since 2012. According to hoteliers, many have even doubled staff salaries since then. This could be a direct result of the growing tourism industry and the subsequent increase in demand for labor within the hotel sector. Therefore, high-end hotels do not lead to higher salaries, but increased competition does, regardless of whether it comes from the hotel sector or other local industries.

Chart 4: Hotel Price vs. Staff Salary



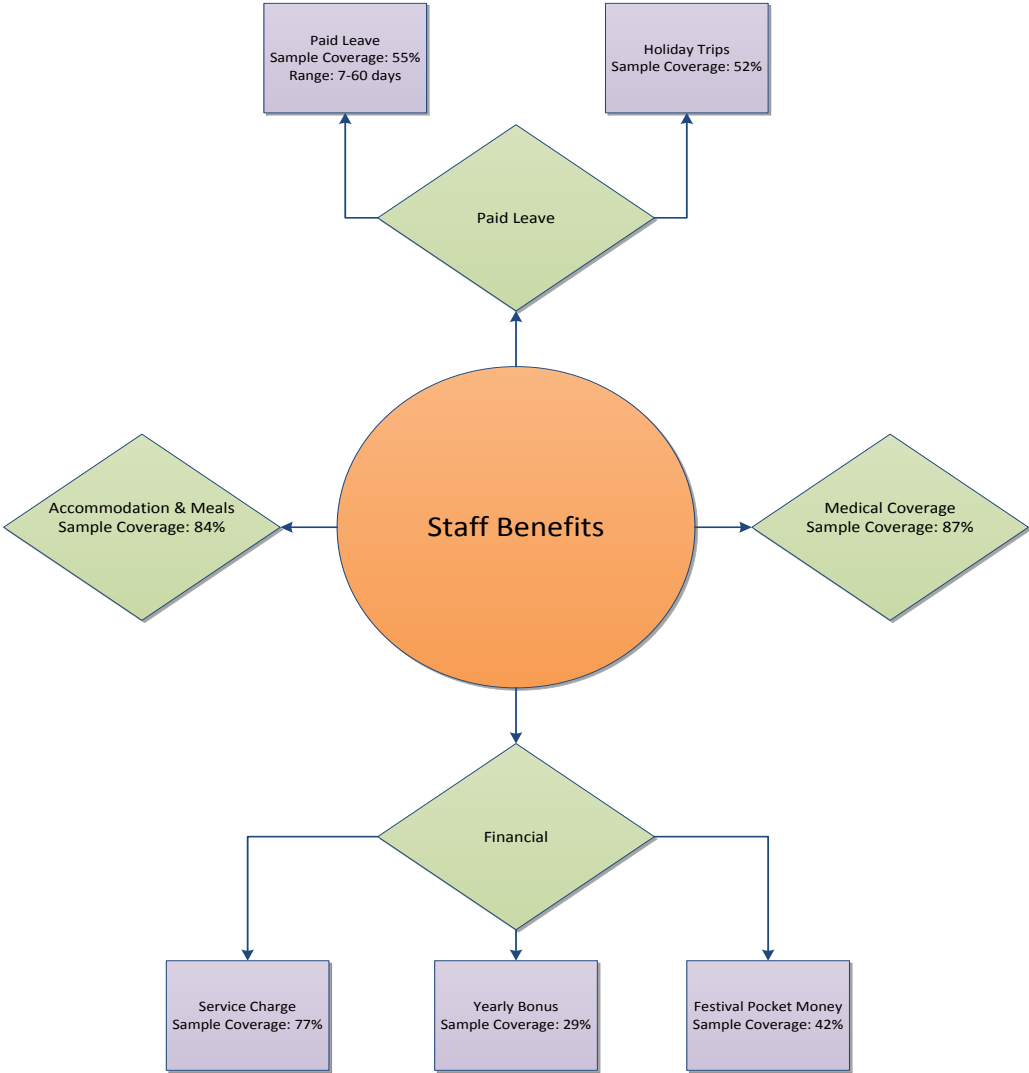
¹⁴The starting salary for employees is used in the table. For some hotels this is the most employees can earn in a given position; although, many hotels increase a staff’s salary after he or she has worked there for some time. The room rate per night used is the walk-in rate for domestic tourists that come during low season. This graph is basically comparing the lowest paid salary in the hotel to the cheapest walk-in room rate available. One hotel with a walk-in rate of 320,000 MMK per night was removed from the sample for graph scaling purposes.

It turns out that higher pay for staff members is not correlated to how high-end a hotel is but rather where the owner resides. LLOs paid staff the highest average salary at 52,100 MMK per month. This was followed by SLO hotels at 49,300 MMK per month and LNLO hotels at 45,000 MMK per month. This represents a pay differential between LLOs and LNLOs of 16%. The reason for these findings could be that locally-based hotel owners feel a stronger connection with and affinity towards the local population. In many cases they are often of the same ethnic group as staff members. Alternatively, it could also be that local owners are better informed of the demands of the labor market than their distantly-based counterparts.

Benefits

Salary is an important factor in determining the extent to which hotel revenues stay in local communities and the quality of employees’ livelihoods, but it is far from the only one. Hotels offer employees a wide array of benefits that can often add up to far more than the salary they receive.

Figure 4: Staff Benefits Tree



Financial Benefits

Service charge is a significant source of income for many hotel staff. The most common policy is that hotel guests pay an additional 10% service charge on their bill. This service charge is then split between the staff every month. Seventy-seven percent of the sample offer service charge to their employees. Some hotels divide service charge evenly amongst employees while others divide it based on a seniority point system. Service charge payments can be substantial in high season, totaling well-over an employee's monthly salary. Although high-end hotels don't necessarily pay staff higher salaries, employees may earn more via service charge since room rates are higher.

Unfortunately, many of the hotels do not provide employees with the full 10% service charge. Some provide only 5%. Other hotels use less transparent systems or simply pay what they think is fair for service charge. One hotel gave both salary and service charge to staff in a sealed envelope. Even the accountant of the hotel did not know how much the staff were getting paid. The variability in service charge calculations, combined with the seasonality of the tourism industry in the project area makes a comparison between hotels problematic. However, the use of a flat 10% service charge can be considered best practice and should be at least promoted if not enforced by the MoHT where possible.

Twenty-nine percent of hotels in the sample also offered staff a yearly bonus; however, no standardized system for calculation was found. Sometimes the bonus was given as a percent of hotel profit or was equivalent to a month or half-month's salary. In other cases, the amount was randomly determined by the owner.

Other financial benefits included "pocket money" for large festivals such as the Myanmar New Year (Thingyan), Thingdyut, Chinese New Year and the Taunggyi Lantern Festival. The amount of this pocket money generally ranged from 5,000 MMK to 30,000 MMK per festival. Pocket money was provided by 42% of the sample. This mostly consisted of locally-owned hotels, with only one LNLO hotel providing pocket money.

Accommodation & Meals

Staff accommodation was offered by 84% of hotels in the sample. This typically included three meals per day, though some only provided breakfast. In some instances hotel staff lived close by, so accommodation was not needed. In such cases the staff that did not receive meals from the hotel either. Instead, some hotels would offer staff a monthly meal allowance. This was usually around 20,000 MMK. Four of the five hotels in the sample that did not provide staff with accommodation were SLOs. One could posit that this is one reason SLOs pay higher salaries than LNLOs. The hotel that paid the highest staff salary in the sample (80,000 MMK per month) did not provide staff with accommodation.

Medical Coverage

Eighty-seven percent of the sample also provided staff with "medical coverage". Given the widespread lack of health insurance within the country, the extent of this coverage is questionable. One could be particularly circumspect about "medical coverage" from smaller hotels, which would probably find large medical expensive too onerous to shoulder.

Paid Vacation & Holiday Trips

Fifty-five percent of the sample also provided staff with paid vacation leave ranging from 7 to 60 days per year. In general larger, high-end hotels offered more paid leave. Some local hotels also provided pocket money and transportation charges for staff on paid leave if they were visiting family that lived far away.

Many hotels, not included in the percentage above, did not offer paid leave in any systematic fashion, but would provide it on a needs basis. For example, some hotels would provide staff with paid leave while they sat their high school graduation exam. During low season when business is slow most of the small hotels would give staff a few days paid leave if they just asked. This was done in no systematic fashion by locally-owned family business where staff members were either members of the owner's family or considered as extensions thereof. Fifty-two percent of the hotels sampled also arranged group holiday trips for staff. These trips would take place in low season during which time the hotel would close for a few days, and staff and managers would visit a regional destination such as Chaungthar Beach or Bagan.

Measuring benefits

One cannot equate a staff member to one unit of production that provides an output and receives one easily measurable or fixed amount of "benefit" to deposit back in his or her home community. Benefits such as paid vacation, vacation trips, pocket money and presents given out at festivals can have an intrinsic social value that can outweigh financial incentives. For many SLOs, staff members are often part of the owner's family or treated as such.

Direct comparison of benefits makes too many assumptions about the personal preferences of staff members. Assigning a monetary value to all benefits is also problematic. For example, offering staff accommodation and meals allows them to save their wages instead of spending it on day-to-day living expenses. Therefore, as a common practice it allows for more of the tourism revenue earned by hotels to go back to local communities. Without further research, this should be as far as the analysis goes. Trying to determine the costs savings to staff would require too many spurious assumptions about counterfactuals. How much would the staff spend on accommodation and food had it not been provided by the hotel? Relatedly, paid vacation does not directly lead to economic development within communities, but many staff members use paid vacation to visit their home community and care for ill family members. Or if a staff member takes paid vacation simply for his or her own leisure, the extent to which this improves his or her livelihood is an unquantifiable judgment call. One should not compare staff benefits between hotel types either, due to variation in benefit quality and quantity; medical coverage being a prime example. All that can be said about benefits is that they represent not only a major source of revenue for hotel staff but also greatly affect the quality of their livelihoods.

Best Practice

The analysis of salary and benefits above only provides a relative picture of what staff receive. It shows what is available, but it does not show what is sufficient. One can see that LLOs pay a higher average salary than LNLOs, but what does this equate to? Can both options provide a good livelihood for staff, or are they stuck choosing the lesser of two evils? To answer these questions, a focus group discussion (FGD) was held with staff members from the Inle Lake

Princess Hotel¹⁵. This is a LLO hotel. Although staff pay was not the highest out of the LLO cohort nor were staff benefits clearly the best, Inlay Lake Princess does provide an above average starting salary with a high level of upward pay mobility for staff. The benefits package they offer is also comprehensive.

Table 7: Salary and Remittance

FGD Member	Department	Seniority (years)	Monthly Salary (For staff when they started)	Monthly Salary (Current)	Remittance (per month)
1	Accounting	12	7,000 ¹⁶ MMK	\$150	n/a
2	Restaurant	6	40,000 MMK	\$120	\$100
3	Engineering	8	8,000 MMK	\$200	\$100
4	Souvenir Shop	1	15,000 MMK	\$210	Not Recorded
5	Laundry	9	\$30	\$60	\$60
6	Spa	4	\$30	\$60	\$60
7	Bar	10	8,000 MMK	\$100	\$150
8	Housekeeping	3	\$30	\$60	n/a

At present, staff at Inle Lake Princess Hotel receive a starting monthly salary of \$60 (approximately 57,000 MMK)¹⁷, though there are clear signs that upward financial mobility is possible in some departments, such as the bar, restaurant and gift shop. In keeping with findings from other hotels, upward mobility does not seem to be possible in the laundry or housekeeping department. One can see that the salaries for the laundry and housekeeping FGD participants received the minimum salary of \$60 despite the fact they had been working at Inle Lake Princess for nine and three years respectively. Employees with specialized skills such as accounting tend to earn more than others. Inle Lake Princess also collects a 10% service charge and distributes it among staff according to a seniority-based points system. Staff also receive a one-month paid vacation and a staff vacation trip each year and free health care from an on-site clinic.

Six of the eight FGD participants also took advantage of the free accommodation and meals provided by the hotel while the other two commuted. For commuters, the hotel sends out buses and boats to collect staff from the surrounding villages. This is done at no charge to the staff and equates to a substantial cost savings over time. Commuters stated that travelling roundtrip from their home to the hotel would cost about 1,000 MMK per day had the hotel not provided this service.

When asked, “Are you able to save money working here?” all FGD participants answered “yes”. One respondent indicated that this has only been the case for the past two years. In 2012 all staff salaries were doubled. This echoes similar findings at other hotels and could indicate that the

¹⁵Inlay Lake has multiple acceptable spellings. It can also be spelt “Inle Lake” as it is used in the title of Inle Lake Princess Hotel.

¹⁶Due to inflation, purchasing power parity per kyat has change significantly over the years. As such staff starting salary (especially for more senior staff) should not be thought of as directly comparable to staff salary figures at present. Staff salaries from previous years are given in original currencies and not converted, due to lack of credible exchange rate data.

¹⁷Some of the larger hotels pay some staff in dollars and others in Kyat. For this report, a conversion rate of 950 MMK/ 1 USD is used, for recent figures.

increased competition in the hotel sector has had a substantial positive effect on staff livelihoods. It is also possible that increasing competition for labor in other industries has led to this increase in salaries. This theory is further supported by the fact that the most turnover in the hotel sector is caused by staff leaving for other sectors as previously discussed. Both fiscal and real inflation has occurred over this timeframe as well. Anecdotal evidence also indicates significant local inflation in the RTDMP area, but more research would be required to quantify its extent. Whatever the cause of the pay increase may be, it is at least apparent that a pay increase did occur. It is also apparent that this pay increase outpaced real inflation since staff are now able to save money.

Six out of eight staff members were also able to send remittances back to their families living in nearby lake and mountain villages. The other two could not send money back because they had families of their own to support. Although staff from all hotels were not surveyed, anecdotal evidence indicates that most staff in the hotel sector are young and without families of their own. As such, sending remittances back to their parents and siblings is likely a common phenomenon.

Remittances of the FGD participants are large relative to their salaries; being equal to or even larger than their salaries in some cases. This is possible due to the service charge that staff receive and low staff living expenses, since the hotel covers accommodation and meals. The remittances of the FGD participants are likely large enough to make significant changes in livings standards for their family members in the villages.

Although, Inle Lake Princess Hotel provides above average salary and benefits to staff, these figures are promising for the sector as a whole. The average monthly salary for the whole sample was about 8,000 MMK less at 48,800 MMK per month. It is likely that staff members from other hotels who receive free meals and accommodation and a similar salary and service charge are able to send substantial remittances back home to their families in the village or support their own families should they be head of household. Further research in the form of staff interviews would be necessary to strengthen the validity of this claim as well as visits to villages of staff origin to see how remittance money is being spent. This would in turn, allow one to determine the actual effect that remittances have on village livelihoods.

As stated earlier, one should not view staff simply as units of production, capable of gaining an income and sending remittances back to families. Saving money is difficult for anyone, especially when access to formal financial services is limited. Increasing the savings potential of staff is not only about how much they get paid, but rather, what support can be given to help them save. Group savings and loan schemes are common throughout much of the developing world. While some are spontaneously generated from a group of like-minded individuals, many are facilitated and supported by development organizations. Depending upon the savings model chosen and the context in which it is applied, savings groups can offer great potential in allowing individuals to save more money in a sustainable way and improve their livelihoods. Group members gain a source affordable credit which can be used to fund capital investments such as the opening of a shop or small enterprise. Loans can also be used to safeguard against sudden large expenses such as medical emergencies, marriages, or funerals.

A major constraint faced by groups is their limited capacity to save, with many located in remote, rural areas. Lack of access to markets and a sizeable, steady income ultimately limits a groups' savings capacity and therefore the net impact of the group. Many savings and loan group schemes within rural areas in Myanmar only ask participants to provide a few hundred kyat per month. The hotel sector offers significant potential for savings groups which could have a real impact. Two hotels in the sample already operate a group savings scheme among staff.

Box 3: Savings Schemes within the Hotel Sector

Currently, four staff departments at Inlay Lake Princess are managing their own savings group. If staff members decide to be a member of the group, they can put in a percentage of their salary each month. The funds can be lent to group members for various purposes. According to one FGD participant, the accounting department savings group provides members with loans at 2% interest, while someone from another department can also take out a loan from their group fund for 4% interest. The maximum loan amount is 500,000 MMK. In the past, loans have been used to pay for funerals, weddings, and additions to homes.

Half of the FGD participants were also members of a savings group. The others stated they did not want to be in a group because they preferred to send remittances to their family rather than save. One participant had a bank account and felt no need to join a savings group; although, bank accounts do not provide account holders with a means of affordable credit.

Remember Inn is a SLO hotel, which also has a savings scheme of sorts. Every month the staff pool together an agreed amount of their salary. A "winner" is selected at random and receives all the funds. She or he then has a 10-month period to pay the total back into the salary pool. The efficacy of this model is questionable, considering that the funding doesn't necessarily go to someone who might need it the most. However, this model was created and agreed upon by the staff and has made it easier for them to save money. This is the most important aspect of any savings and loan scheme. If staff do not trust the model or see it as fair, then such a scheme is doomed to fail before it even begins.

The hotel sector meets all the requirements to be a conducive environment for savings and loan schemes. First, staff members are in close proximity to each other most of the time, with many of them living at the hotel. This creates strong incentive for repayment, greatly reducing the chance of loan defaults. Second, staff can contribute a substantial amount to the fund. They have a large income compared to participants in most savings and loan schemes. They are also able to save a large proportion of that income due to low living expenses. Third, in the absence of formal financial services, there are often needs for loans at reasonable interest rates. Fourth, group formation and operations could be supported by hotels. For example, hotel accountants could provide bookkeeping training to group members to manage the fund or help arrange for a group fund bank account. They could also put proper checks in place. For example; withdrawing group funds from the bank account could only be done with signature from a group chairperson and the hotel accountant.

There are many possible models for hotel group savings and loan schemes that could come to fruition based on the specific needs and desires of staff members. It is recommended that

further research is conducted to determine what types of models would be appropriate for the hotel sector. If both staff demand and feasible models are found, then pilot projects could be conducted jointly between development agencies and hotels.

Casual Labor

Although an assessment of the construction industry is beyond the scope of this assignment, the growing tourism industry has no doubt, created a great demand for casual labor. Hotels in Nyaung Shwe and Pindaya generally paid daily laborers, such as construction workers, between 3,000-4000 MMK per day depending on their skill level. Oddly, hotels in Kalaw paid daily casual laborers a much higher wage between 5,000-10,000 MMK. This significant change did not appear to be due to other industries driving up wages. Hoteliers in Kalaw indicated that most daily workers would rather sit idle at the market for less.

While the building of new hotels and the refurbishment of old ones undoubtedly brings additional jobs and revenue into the local economy, there are several drawbacks. First, construction will not continue at its current pace ad infinitum. Construction should not be seen by the local community as a consistent source of income in the long-run. Second, repairs and renovations can be done by hiring individual laborers, but the building of most new hotels is likely done by construction companies. The pay and treatment of construction workers by construction companies is unknown. It is also unknown whether these construction workers are from the local area or if they are brought in from outside. Third, there is additional demand for construction materials. The ecosystem around the project area has already experienced significant deforestation, and the continued construction of hotels puts additional strain on limited timber resources. This is particularly the case in Kalaw where the motif for most hotels appears to be pine wood paneling. Hoteliers explained that the pine wood used in construction is from the local area while any teak wood being used is mostly from around Loikaw.

Outsourcing Services

Hotels in tourist areas provide a wide arrange of services to customers. Many hotels outsource these services to local businesses, thereby generating indirect employment. The table below shows the percent of hotels in the sample that outsource a given service.

Table 8: Service Outsourcing

	Cooking Class	Trekking	Laundry	Car Transport	Boat Tours	Spa	Restaurant	Boat Racing	Night Market	Picnics	Bird Watching	Canoeing	Culture Show	Bicycle Rental	Souvenir Shop
# Of Hotels in Sample Providing Service	9	22	29	28	15	4	19	5	3	8	14	10	13	21	13
% Outsourced	33	82	3	43	40	n/a	n/a	100	100	25	79	80	85	24	n/a

As previously stated, smaller hotels tend to outsource more services, while larger hotels provide most services in-house. There are a few noticeable exceptions. Boat racing and the night market by their very nature require the participation of village communities and must be outsourced. Three large hotels on Inlay Lake contact nearby villages to arrange a night market for their guests. Guests are taken to these villages by canoe where villagers set-up stalls and sell local goods. The terms of trade between hotels and villages varied. For example, one hotel gave the village chief 200,000 MMK to spend on the community, and the sellers at the night market were, of course, able to keep their profits. Another hotel switched the model around and paid sellers 20,000 MMK each to come to the hotel grounds and set-up their stalls.

Night markets are not held in any systematic fashion but rather by guest request. Since only three hotels provide this service, it is unlikely that these night markets have a large positive financial impact on local communities. However, this offers a potential model for increasing incomes within a village if it is done consistently and to scale with enough tourists visiting the village on each trip to make it worth-while. It is unlikely that such a service would be run by a hotel since no single hotel can consistently ensure the volume of guests required to make the night market worth villagers' time. Rather it may take the form of a village organization that actively markets the night market to tourists around Nyaung Shwe. Brochures for the night market could be put in hotel lobbies and hotels could receive a small agency fee for getting guests to sign up. The organization could also hire villagers to walk around Nyaung Shwe in traditional clothes and hand out flyers. The organization would also have to facilitate boat transportation to their village. Such an undertaking would be difficult for a village organization to organize. Start-up costs would also be prohibitive. Assistance in the form of a pilot project from development agencies would likely be required.

Boat racing is another service that takes much time and expense to organize; hence, it is only facilitate by large, high-end hotels. If requested by enough guests, a hotel will contact two villages to compete in a boat race. Each village fields one boat with 100 paddlers. Once again, the financial details are negotiable. In general, villagers are paid a few thousand kyat each. Hotels also pay for the use of the racing boats. Each village has its own racing boat so these proceeds go back to the village fund (if one exists). The township office is also paid for the use of their building in the middle of the lake, which is used as a viewing platform. Hoteliers said the total cost for providing a boat race is between \$300-\$500.

Culture shows are another big ticket item that is often outsourced. Some large hotels use staff for the culture show, but in general a local dance troupe is used. There are three dance troupes in Nyaung Shwe. Culture shows last about one hour and can include 25-30 dancers. The standard price is 150,000 MMK per performance, though this is negotiable between the dance troupe and the hotel.

Apart from basic services like car transport and laundry, both trekking and boat tours were the most commonly offered services. According to hoteliers, nearly every tourist visiting Nyaung Shwe takes a bout tour of Inlay Lake. Similarly, the large majority of international tourists in Kalaw and Pindaya go trekking. Many tourists also trek around Nyaung Shwe or from Nyaung Shwe to Kalaw; although, the Kalaw to Nyaung Shwe route is the more popular, downhill trek (Haynes, 2014). Some hotels handle these services internally. Some large hotels in Nyaung Shwe

have their own fleet of boats, and some staff members of Kalaw hotels double as trekking guides. Other hotels outsource these services either directly to a private boat owner or individual trekking guides or indirectly through travel agents. Both the trekking and boat tour industry account for a large portion of tourist spending in the project area. ICIMOD and MIID have already commissioned two value chain reports analyzing the trekking industry and the financial impacts of homestays on host communities. It is recommended that a similar value chain analysis be conducted on the boat tour industry on Inlay Lake.

On-going MIID research indicates that the boat tour industry provides scant financial returns to the local community. Some boat tour agencies do not even pay the boat drivers. Instead, boat drivers rely on commission from local handicraft shops on the lake. Shop operators pay the boat drivers a commission of 35-50% of the price of goods sold in exchange for taking tourists to their shop. The commission is then split between the boat driver and the tour agency. This has a number of negative consequences. First, the commission received by the boat driver is often an insufficient and unsteady source of income. Second, boat drivers only visit shops which pay the highest commissions. This not only cuts into the sales of local shops that don't pay high commissions but also greatly reduces the profit margins of shops that do pay the commission. Third, this system drives up the price of handicraft products on the lake. It would be worthwhile to ascertain the extent of this negative practice and how best to realign incentives to make the industry at least less predatory if not more pro-poor.

Local Sourcing of Products

In Nyaung Shwe and Kalaw hotels represent a major buyer of local products, both in terms of daily consumables and once-off purchases. The same holds true in Pindaya and Taunggyi although to a lesser extent as these are smaller tourism markets with fewer hotels. Nearly every hotel in the sample bought perishable food items from the local market. This mostly consists of fruits, vegetables, eggs and meat; though, some high-end hotels imported meat and seafood due to quality concerns. Produce purchased by hotels at the local market constitutes a significant amount of revenue for the local economy. Even hotels that don't have restaurants still provide guests with breakfast every day.

While local sourcing of produce does bring additional income into communities there are some potential drawbacks, with the specter of local inflation ever present. Without being prompted, a handful of hoteliers noted the rapidly increasing price of produce in the market compared to just a few years ago. This could have seriously negative consequences on local communities who find themselves trying to outbid hotels for food. The effects could be particularly severe among the poor as they already spend a large portion of their income on food. On the other hand many rural communities at the periphery of the project area may benefit. Generally, more remote communities are less tied to the cash economy, and produce their own food. Many communities in the project areas are also suppliers to these markets and could possibly see higher returns on their harvest. Alternatively, and more likely, any increase in the selling price of produce could result in higher profits for market wholesalers rather than farmers in the villages. Myanmar as a whole has also experienced significant inflation, so it is difficult to determine to what extent the inflation is local and brought about by the tourism industry. Further research would be needed

to determine to what is causing inflation in the market, to what extent it exist and which stakeholders are most affected.

A majority of the hotels in the sample sourced furniture locally. All locally produced furniture is made from wood. It is either bought locally or the hotel buys the wood and hires craftsmen to make it. Although this stimulates the local economy, the use of local timber for furniture making puts additional strain on the surrounding forests. The need to support local income generation must be weighed against its effects on the environment. Some of the LNLO hotels imported their furniture from Yangon or Thailand. For example, Amazing Hotel in Nyaung Shwe is one of seven across Myanmar. Purchasing decisions are made centrally by their headquarters in Yangon, greatly minimizing the branch's ability to source products locally.

Many hotels purchase woven goods locally such as curtains and bed sheets. Inlay Lake is known for its weaving industry, which supplies these goods; however, it is uncertain whether or not this industry provides an adequate livelihood for workers. Although loom weaving on the lake is a popular tourist attraction, on-going MIID research indicates that many of the weavers survive on a meager income. Consequently, sourcing woven goods locally could only serve to perpetuate an abusive industry if steps aren't taken to increase wages. Some hotels decided to import woven goods, because they stated the quality of locally produced woven goods was too low.

Apart from perishable farm produce, wooden furniture and woven goods, hotels import other products. This is not so much a question of whether or not hotels want to support the local economy, but rather a pragmatic reality. Many items are not sourced locally, because they are not locally available or the quality is too low. The same also holds true for items sold in hotel souvenir shops. Traditional clothes sold in these shops are made locally, but most other souvenirs are produced elsewhere. For example, almost all woodcarvings are produced in Mandalay or Bago Division. Oddly enough, some local handicrafts are not commonly sold. Shan paper is a well-known local handicraft often used in hotel décor, but it is seldom seen in gift shops.

Community Development Initiatives

Hotels and the tourism sector in general exist in a symbiotic relationship with local communities. They rely on these communities as a source of labor and materials as well as a means of outsourcing certain services. Therefore, it is not uncommon for hotels to realize the unmet needs of communities and try to service them. One would expect SLO hotels to be the most active typology in this regard. Surprisingly, only half of SLOs in the sample indicated that they provided support to community development initiatives. LNLO hotels faired about the same in proportional terms, with four out of nine stating the same. LLO hotels proved to be the most active with seven out of eight supporting community development initiatives.

Overall, large hotels simply have deeper pockets to support community development. LLOs and LNLOs tend to organize their own projects such as building clinics, schools or orphanages, while SLOs usually provide in-kind or financial support to existing projects or organizations rather than start their own. The extent of community involvement of hotels was dependent upon both disposable income and the personal inclinations of the owner. In some instances this last point

made it difficult to differentiate between hotel ‘initiatives’ and personal donations to local communities from hotel owners.

That nature and scope of community support varied widely. In some cases, community support was provided along ethnic or religious lines. One LLO was owned by the Pa-O National Organization (PNO). Some of its profits supposedly fund PNO community development projects, although a direct link could not be drawn. Donations to religious institutions were also common such as the building of a nunnery or providing food, clothing or financial support to a hospital for monks. Such donations can be said to benefit communities, but they tend to do so unevenly.

Some of the community projects were issue-based. For example, one LLO hotel located on Inlay Lake made environmental stewardship a major priority. It organized a trash collection service of 50 volunteers to provide routine trash collection services for a village. Water scarcity is an issue in Kalaw. Consequently, a group of hoteliers are constructing a gravity-fed water supply system to provide water to one neighborhood in Kalaw.

It should be noted that hotels are also obligated by government to provide funding for certain festivals such as Thyingan (Myanmar New Year). Although the entertainment and cultural benefits of such festivals are undoubtedly a value to local communities, they cannot be said to directly promote community development. The system through which local authorities collect funding for these activities is also unclear.

In terms of giving back to local communities, LLOs are the most active and generous out of the three models. Not only are they involved more often in community development projects than the other two typologies, but their projects tended to be larger, with some LLO hotels running multiple projects. Although few hotels were able to calculate their total community development support in financial terms, it was apparent that community development initiatives represented a significant expense for LLOs. One LLO estimated it spent about 10,000,000 MMK on community development initiatives last year.

While desirable, hotel support to community development initiatives only represents a small portion of the hotel sector’s overall economic impact on the local economy. Direct employment and the sourcing of materials constitute a much larger flow of funds into a community. In addition, hotel support to community initiatives is not a guaranteed source funding. Rather, it is dependent upon the goodwill of hotel owners and their profit margins. The growth of the tourism industry in the project area will likely have two, countervailing effects on hotel support to community development initiatives. The increased volume of tourists may increase hotels revenue, leading to more community support. Conversely, increased competition may erode profit margins to the point where hotels must cut back on their funding. Given these effects, it is unclear as to whether support to community development initiatives will increase or decrease in the future. Consequently, this should not be seen as a substantial or sustainable source of community development.

Conclusion and Recommendations

The hotels sampled in the project area presented a wide range of operational models; consequently, their interaction with the local economy varied considerably in nature and scope. The typology used in this report has allowed for a nuanced analysis of this interaction. In general, the LLO hotels proved to have the largest positive impact on the local economy. On average they provided staff with the highest salaries and the best benefits. They also participated more in community development initiatives, often organizing their own projects. LLOs also fair better than LNLOs in terms of value for money for customers. They have a higher staff per room ratio and a larger proportion of staff with formal training. They provide this at a lower average cost per room than LNLOs. Given the substantially lower room rate of SLOs, it is difficult to compare them in terms of value for money to the other two hotel types.

However, it is neither realistic nor desirable that all hotels be large and locally-owned. The hotel sector is dependent upon a rapidly growing and diverse tourist market with different tastes and budgets. There is a need for low-cost accommodation, which is only provided by SLOs at present. In addition, the market is growing fast and local investment is likely insufficient to keep up with growing demand. Outside investment is needed for the hotel sector in the project area to expand as needed; hence, LNLOs have a significant role to play. Ultimately, the consumer will decide what hotels exist in greater or less quantity; not this report. For the near future, it is likely that each hotel type will continue to exist and multiply in mass. Given this situation, one should not ask, “Which hotel type is the best?” but rather “What must hotels do to adequately improve the livelihoods of local communities, and is this possible for each hotel type to achieve?”.

Findings from the focus group discussion are promising, with all participants stating that they could save a substantial proportion of their salaries or send a large portion as remittances back to their family in nearby villages. The salaries and benefits of staff members in the FGD were above average, but not astronomically so. Furthermore, staff salaries in the sector have witnessed a substantial increase over the past two years and are likely to continue rising. Given the average sample salary, a 10% service charge, free meals and accommodation and reasonable other benefits, it is likely that hotel staff could save a substantial portion of their income or send it as remittances to family. Further research in the form of staff interviews would need to be done to determine a minimum sufficient income and benefits for staff. This minimum could be promoted or possibly enforced by the MoHT. Additional research could also be conducted within the villages of origin of staff members to determine the impact of remittances on village livelihoods.

It is also worth noting that the majority of hotel staff are women, which bodes well for women’s economic empowerment and marks the hotel sector as an effective doorway for women into the formal sector workforce in Myanmar. In addition, the hotel sector offers a prime environment for operating savings and loan schemes among staff. Hotels could play an active role in facilitating these schemes, which would greatly enhance staff’s ability to save at little to no extra cost to hotels.

Given these findings, the rapidly growing hotel sector offers many opportunities for revenue to flow back into local communities in the project area. This is true in the short-term with the increased demand for casual labor to build new hotels. The creation of adequate wage jobs for hotel staff, the sourcing of some local materials, and the outsourcing of some services also offer a significant opportunity for revenue to flow into local communities over the long-term. However, these are not guarantees. For communities to really see benefits from tourism, hotel salaries and benefits must continue to grow at a pace that is at least equal to inflation, and the outsourcing of service and the local sourcing of products must be done in a responsible way. Services such as boat tours should be further researched to ascertain what predatory practices exist and how to realign industry incentives. Likewise, the hotels sector's impact on local food prices should be assessed to determine which groups gain and which are adversely affected.

The current operating environment for hotels in the project area is costly. Consequently, this constrains the potential growth of the sector, and in turn, the extent to which tourism revenue can reach local communities. Poor electrical and ICT infrastructure has led to many additional costs for hotels as well as guest complaints. Development agencies and the government must work jointly with hoteliers if these issues are to be addressed in a sustainable way.

Finally, and perhaps most importantly, tourists come to the project area for its scenic beauty. The growth of the tourism industry has brought about significant strain on an already weakened ecosystem. Most notably, water is becoming scarce in the area as are forest resources. If the tourism industry is expected to continue generating income for local communities over the long-term, a balance must be struck. Doing so will also ensure that that local communities' access to other forms of livelihood are not compromised and the natural beauty of Inlay Lake and the surrounding area remains intact for generations to come.

Works Cited

- Haynes, M. (2014). *Kalaw to Inlay Trekking Value Chain Analysis*. International Institute for Development(IID). Yangon.
- Jensen, A. Leake, J. Kristensen, J. (2012). *Inlay Lake: a Plan for the Future. Inlay Lake Conservation Project*. Status Report August 2012. Institute of International Development (IID). Yangon.
- MoHT. (2013). *Myanmar Tourism Master Plan 2013-2020*. Ministry of Hotels and Tourism. Yangon.
- Revenue from Foreign Tourists Visiting Thailand. Retrieved 9th July 2014
<http://www.thaiwebsites.com/tourism-income-Thailand.asp>
- Sidle, R. Ziegler, A. Vogler, J. (2006). *Contemporary changes in open water surface area*. *Sustain Sci* (2007) 2:55–65: Integrated Research System for Sustainability Science.

Appendix A: MoHT Module List

No.	Type of the training	Cost	Requirements	Remark
1.	Travel Consultant and Tour Operator Training	180,000,-	Graduated	½ days course
2.	Hotel Supervisor Accounting Level 2	200,000,-	Graduated + Accounting Knowledge	½ days course
3	Hotel Supervisor Room Division Level 2	200,000,-	Graduated + level 1 + experience	½ days course
4	Hotel Supervisor F & B Level 2	200,000,-	Graduated + level 1 + experience	½ days course
5	Front Office Level 1	150,000,-	2 nd years and above	Full day
6	House Keeping Level 1	150,000,-	10 standard and above	Full day
7	F & B Service Level 1	200,000,-	10 standard and above	Fully day
8	F & B production	250,000,-	10 standard and above	Full day
9	Oriental Food Cookery	180,000,-	10 standard and above	Full day
10	Opra (PMS) property management System software	100,000,-	Graduated	Part time (3 days in a week)
11.	Hotel Basic Management	350,000,-	Graduated + Hotel experience	