Tourism Development and Change in Small Islands: Lessons from Perhentian Kecil, Malaysia

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TOURISM DEVELOPMENT AND CHANGE IN SMALL ISLANDS: LESSONS FROM PERHENTIAN KECIL, MALAYSIA

Amran Hamzah and Mark P. Hampton

ABSTRACT

Perhentian Kecil, located off the east coast of peninsula Malaysia, is predominately a backpacker destination comprising small-scale, locally-owned wooden chalets and simple infrastructure with only one larger, more upmarket resort so far. This Working Paper examines an island destination that appears poised to change substantially with the arrival of the first multi-storey resort hotel. We discuss whether Kecil is now at the key moment when a destination changes from small-scale backpacker tourism to a different tourism form and, given the fragile island environment, it faces severe challenges if larger scale tourism develops. Two key factors are examined - the changing planning environment and local entrepreneurs’ characteristics - that may account for why the island has reached a moment of qualitative change after years of ‘organic’ bottom-up incremental growth. Using insights from Resilience Theory the paper argues that this island destination is an example of non-linear change rather than conventional resort evolution.

Key words: island tourism; resorts; planning; backpackers; economic development; Malaysia

1.0 INTRODUCTION

For many small islands tourism is economically significant as a source of income and employment. In some insular areas such as the Caribbean, tourism accounts for over 75 per cent of some countries’ GNP (Weaver, 2001). Islands, especially small islands, continue to fascinate and attract tourists, and for tropical Less Developed Countries (LDCs) such as Malaysia with many offshore islands, developers and government planners see the potential to develop resorts.
However, what of small islands that already host international tourism, albeit at small-scale such as backpackers? What issues and tensions might emerge as these small island destinations face significant change?

The Perhentian islands off the east coast of peninsula Malaysia have been a tourism destination since the late 1980s when backpackers ‘discovered’ these islands. The two main islands (Perhentian Besar: ‘large Perhentian island’) and Perhentian Kecil (‘small Perhentian’) have experienced differing forms of development. This Working Paper focuses on Perhentian Kecil which has remained broadly a small-scale destination, specifically for backpackers and independent travellers. However, recent signs are that the island may be at a ‘tipping point’, a moment of significant, non-linear change.

2.0 TOURISM IN SMALL ISLANDS

Island tourism literature has increased since Hills and Lundgren’s seminal work in the Caribbean (1977) and Archer’s work on economic impacts (1977). Since then Butler’s (1980) Tourist Area Life Cycle (TALC) has been applied to islands (Choy 1992; Weaver 1990); and research has examined environmental impacts and sustainability (Bardolet 2001; Briguglio, Butler, Harrison, and Filho 1996; de Albuquerque and McElroy 1992; Gössling 2001; Wilkinson 1989). More recently, cold-water island tourism has been examined (Baldacchino, 2006; Baum 2006; Hampton and Christensen, 2007). Although it can be argued that cold-water tourism differs significantly from warm-water islands (typically ‘3S’ sun, sand and sea tourism) Butler (2006) questions whether the distinctions are sufficient in themselves to separate islands into warm- or cold-water categories.

Much of the literature concerns large resorts or mass tourism in islands so that small-scale tourism, particularly backpackers and independent travellers, has a smaller literature with the main research located in South-East Asia, the predominant backpacker region (Cohen, 1982; Fallon, 2001; Hampton, 1998; Hampton and Hampton, 2009; Hamzah 1995, 1997, 2007; Spreitzhofer, 1998).
Spatial-temporal or evolutionary models have largely been used to analyse the evolution of small-scale tourism (Butler, 1980; Oppermann, 1993; Agarwal, 1997; Dodds and McElroy, 2008). There have also been criticisms of the TALC model (Choy, 1992; Getz, 1992) but its simplicity, or rather graphic simplicity, makes it an attractive tool to explain (but not analyse) the evolution of destinations, especially those that started from an ‘involvement stage’ initiated by the local community.

Lately researchers including McKercher, 1999; Farrell and Twining-Ward, 2004, 2005; and Cochrane, 2010 have argued that the TALC’s linear approach is unable to rigorously analyse the complexity of the interactions and forces shaping destinations. This approach utilises Resilience Theory, a model developed by Holling (1973) initially for ecology but is now being applied to other disciplines including tourism.

The main difference between the four phases of Resilience Theory and those of the TALC is that they occur in a cycle or loop instead of a linear progression. The four phases are ‘reorganisation’, ‘exploitation’, ‘conservation’ and ‘release’ (Holling, 2001). The ‘release’ phase is considered to be the equal of TALC’s ‘rejuvenation’ stage but prior to this phase, a ‘destabilising event’ usually occurs (such as the 2004 Asian Tsunami, SARS etc.) that may result in the destination going through a temporary decline before it is revitalised through the community’s reliant actions such as innovation and adaptation to changing market segments, kin support etc. which ensures that the destination will not succumb to permanent decline but reinvent itself. This Working Paper explores this in an island destination.

### 3.0 TOURISM DEVELOPMENT IN PERHENTIAN KECIL

Asia-Pacific is one of the world’s fastest growing tourism areas in terms of international arrivals, especially in the South-East Asian sub-region with booming tourism in established destinations such Thailand (14.1 million international arrivals in 2009) and newer, emerging destinations such as Vietnam, Cambodia and Laos (UN WTO, 2010). The focus of this paper, Malaysia, also has a growing international tourism sector with 24.6 million international arrivals in 2010 generating over US $18.2 billion in receipts, and contributing at least seven per cent of GDP (MOTOUR, 2011).
International arrivals data to Malaysia is disaggregated according to country of origin and not by market segment so it is unknown how many backpackers visit, but one estimate suggests at least 300,000 per year (Ian and Musa, 2005).

Within the emerging South-East Asia backpacker trail, the Perhentian islands are one of the ‘honeypot’ sites in northern peninsula Malaysia. Typically, backpackers enter Malaysia from southern Thailand (or travel north from Singapore) and then journey in a circuit between Penang via the Cameron Highlands and then to the east coast specifically to visit the Perhentians. Backpackers often stay on islands or at other beach resorts as mini ‘holidays’ as a break from harder travelling within their larger trips around the region (Hampton, 1998). Backpacker enclaves have been discussed elsewhere (Brenner and Fricke, 2007; Lloyd, 2003) and spatial flows of backpackers are beginning to be analysed (Rogerson, 2007; Hampton and Hamzah, 2010).

3.1 The Research

This paper is based upon several periods of fieldwork since the mid 1990s with later visits in July 2006, July 2008, May 2009 and June 2010. The methodology used was a blend of semi-structured interviews (n=31), site mapping with digital cameras, participant observation and formal questionnaires (n=106).

<table>
<thead>
<tr>
<th>Survey Method</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Questionnaire survey</td>
<td>106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
</tr>
<tr>
<td>2. Semi structured interviews</td>
<td></td>
</tr>
<tr>
<td>• Chalet operators</td>
<td>8</td>
</tr>
<tr>
<td>• Restaurants</td>
<td>3</td>
</tr>
<tr>
<td>• Dive Masters</td>
<td>2</td>
</tr>
<tr>
<td>• Travel agents</td>
<td>2</td>
</tr>
<tr>
<td>• Mini Shops and Stalls</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

On two field visits (2006, 2008) experienced local Research Assistants (RAs) were employed to help with logistics, undertake some interviews and translate others.
The RAs were qualified to Master’s level in tourism and both had worked with the authors on previous projects. Training was held prior to fieldwork to induct the RAs into the project, pilot the questionnaires, and discuss semi-structured interviewing. Interview respondents were randomly selected including chalet, restaurant and shop owners, dive schools, transport operators, tourists and local government officials. In addition, respondents were asked to recommend who else might be interviewed using ‘snowballing’ techniques to gain further entry to the population of potential respondents.

3.2 Present Tourism in Perhentian Kecil

The Perhentian archipelago lies about 20 kilometres off the coast of peninsula Malaysia in Terengganu state. The island group consists of two main islands, Perhentian Besar and Perhentian Kecil, plus some small uninhabited islets. The Perhentians are located in a Marine Park and visitors pay a small entrance fee of RM5 (approximately US $1.50). There is one main kampung (village), Kampung Pasir Hantu, on Kecil with a resident population of around 1,500.

Kecil is better known to international tourists, especially backpackers, than Besar and is the most visited backpacker destination in Malaysia with the highest per capita expenditure: mainly on scuba diving (MOTOUR, 2007). Ironically, few tourists are aware of the geographical location of Kecil within Terengganu state, much to the chagrin of the State government who wish that tourists who flock to the island would visit other parts of the state, specifically the mainland attractions. In 2010, around 287,149 international tourists visited Terengganu, of whom 90 per cent purposely went to the Perhentians and Redang island without visiting any other attractions in the state (MOTOUR Terengganu, 2011).

The two main Perhentian islands appear to have experienced different forms of development. Besar has more upmarket resorts, whereas Kecil predominantly has backpacker tourists/small-scale tourism accommodation and only three mid-range resorts. Kecil has two main beaches: Long Beach (East coast) and Coral Bay (West). Different forms of accommodation, restaurants, dive operators and other infrastructure exist on both beaches but interestingly, differences between the beaches are appearing.
Long Beach is larger, has more facilities and many bars, and attracts younger tourists being seen as the ‘party beach’. Coral Bay is quieter, and attracts slightly older tourists and more families. It is unclear if there is any significant difference in the tourists’ nationality but we observed more continental Europeans on Coral Bay (and it has a special entry in the French Routard guide). Our questionnaire showed that the average length of stay was 9.5 nights on the island (compared with their overall stay in Malaysia of 27.9 nights).

Tourist accommodation is generally small-scale, and low cost consisting of simple wooden chalets or A-frame buildings. Local materials are used for construction and for fitting-out. The budget prices are typically $10-25 per night. Coral Bay had one larger mid-range hotel, but in summer 2008 another mid-market place opened with 100 rooms, mainly targeting domestic groups. Not surprisingly, given the basic facilities, backpackers and independent travellers are the main markets (Hamzah, 1995). At present most island accommodation lacks booking systems, relying entirely on ‘walk-in’ trade. However, during peak season, tourists arriving later in the day may find that all the accommodation has been filled by arrivals from earlier boats, and commonly they either have to sleep the first night on the beach, or return to the mainland (Hamzah, 2007). However, the newer resorts use online bookings or book through agents on the mainland. (Incidentally, the Ministry of Tourism plans to use the latest information technology so that the budget accommodation can benefit from online booking systems to remove this problem for those small and medium sized businesses).

Concerning new construction: during the 2009 visit we observed another 120 wooden chalets being built inland from Long Beach. Little official data exists but Kaur (2007) provided an interesting comparison between the number of accommodation units on Kecil and other destinations in Terengganu revealing that for a small area of 15 square kilometres, there were 47 chalets on Kecil offering 1,140 beds. In comparison with other destinations in Terengganu, only the capital city - Kuala Terengganu - surpassed this, having 41 hotels/chalets with 1,747 beds, but covering a much bigger area of 605 square kilometres. Moreover, respondents told us that in high season Kecil’s accommodation units have a 100 per cent occupancy. This raises a major question of the island’s carrying capacity, and threshold limits for Kecil were recommended by a study on coastal and island development commissioned by the Terengganu government but
they were not enforced (Sea Resources, 2006). As noted above, facilities are limited and somewhat basic. Rooms often have an attached toilet and simple shower. Some have air-conditioning, but most rooms just have a fan. There is some electricity and chalet operators have their own generators that run for limited hours each evening. The more recent mid-range resorts offer better facilities and higher levels of comfort and service quality.

Table 2: List of Tourist Accommodation on Perhentian Kecil

<table>
<thead>
<tr>
<th>No.</th>
<th>Accommodation</th>
<th>Number of Units</th>
<th>No. of Beds*</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Rock Garden</td>
<td>32</td>
<td>64</td>
<td>Long Beach</td>
</tr>
<tr>
<td>2.</td>
<td>Bubu Long Beach Resort</td>
<td>39</td>
<td>78</td>
<td>Long Beach</td>
</tr>
<tr>
<td>3.</td>
<td>Chempaka Chalets</td>
<td>20</td>
<td>40</td>
<td>Long Beach</td>
</tr>
<tr>
<td>4.</td>
<td>Lemon Grass</td>
<td>20</td>
<td>40</td>
<td>Long Beach</td>
</tr>
<tr>
<td>5.</td>
<td>Simfony Chalets</td>
<td>28</td>
<td>56</td>
<td>Long Beach</td>
</tr>
<tr>
<td>6.</td>
<td>Matahari Chalets</td>
<td>30</td>
<td>60</td>
<td>Long Beach</td>
</tr>
<tr>
<td>7.</td>
<td>Moonlight Beach</td>
<td>28</td>
<td>56</td>
<td>Long Beach</td>
</tr>
<tr>
<td>8.</td>
<td>Panorama Chalets</td>
<td>31</td>
<td>62</td>
<td>Long Beach</td>
</tr>
<tr>
<td>9.</td>
<td>Lily Chalets</td>
<td>13</td>
<td>26</td>
<td>Long Beach</td>
</tr>
<tr>
<td>10.</td>
<td>Mohsin Chalets</td>
<td>64</td>
<td>128</td>
<td>Long Beach</td>
</tr>
<tr>
<td>11.</td>
<td>D`lagoon</td>
<td>64</td>
<td>128</td>
<td>Long Beach</td>
</tr>
<tr>
<td>12.</td>
<td>Rajawali Coral</td>
<td>64</td>
<td>128</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>13.</td>
<td>Fatimah Chalet</td>
<td>11</td>
<td>22</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>14.</td>
<td>Aur Bay</td>
<td>10</td>
<td>20</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>15.</td>
<td>Butterfly Chalet</td>
<td>10</td>
<td>20</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>16.</td>
<td>Maya Beach Resort</td>
<td>12</td>
<td>24</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>17.</td>
<td>Senja Bay Resort</td>
<td>50</td>
<td>100</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>18.</td>
<td>Mira Chalet</td>
<td>8</td>
<td>16</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>19.</td>
<td>Shari-La Island Resort</td>
<td>71</td>
<td>142</td>
<td>Coral Bay</td>
</tr>
<tr>
<td>20.</td>
<td>Petani Beach</td>
<td>5</td>
<td>10</td>
<td>Petani Beach</td>
</tr>
<tr>
<td>21.</td>
<td>Impiani Resort</td>
<td>23</td>
<td>46</td>
<td>Petani Beach</td>
</tr>
</tbody>
</table>

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Totals:</strong></td>
<td><strong>562</strong></td>
<td><strong>1,124</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Fieldwork notes. * estimated average 2 bed/room each accommodation

The tourist infrastructure is basic comprising simple cafes and bars, limited - and relatively expensive - internet facilities, and some small shops. The island does not have any bank or automatic telling machine and has limited credit card facilities.
The main tourist activities are scuba diving and snorkelling on the coral reefs and boat trips. The Bubu Resort offers water sports including banana boat rides, kayaking, water skiing etc.

Table 3: Tourist Facilities on Perhentian Kecil

<table>
<thead>
<tr>
<th>No.</th>
<th>Facility</th>
<th>Numbers of Units:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Long Beach</td>
</tr>
<tr>
<td>1.</td>
<td>Restaurant</td>
<td>7</td>
</tr>
<tr>
<td>2.</td>
<td>Multi-purpose shop</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Scuba diving shop</td>
<td>7</td>
</tr>
<tr>
<td>4.</td>
<td>Souvenir shop</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>Batik/painting shop</td>
<td>1</td>
</tr>
<tr>
<td>6.</td>
<td>Mini shop</td>
<td>1</td>
</tr>
<tr>
<td>7.</td>
<td>Massage</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Bookshop</td>
<td>2</td>
</tr>
<tr>
<td>9.</td>
<td>Water taxi service</td>
<td>7</td>
</tr>
<tr>
<td>10.</td>
<td>Snorkelling rental shop</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: MOTOUR and fieldwork notes

The islands are accessed by speed boats from Kuala Besut harbour. Until as recently as 2008 Kecil did have any jetties and relied on small water taxis to transfer tourists from the speed boats to the shore. Interviews with water taxi boatmen showed that a circuit had emerged where the boatmen also worked in the Southern Thai islands during the Perhentians’ ‘off’ (monsoon) season between October and February. However, with the completion of the two large concrete jetties on Kecil (funded by the Ministry of Tourism Malaysia) water taxis became redundant. Respondents told us that some boatmen had been forced to leave to look for work elsewhere, whilst others had diversified into running snorkelling trips or intra-island ferry crossings.

Most food and drink is imported from the mainland including bottled water. The islands do have potable water from wells but tourists prefer bottled water. There are minimal medical facilities and the only clinic is on Kecil staffed by a paramedic and a midwife. There are no tourist police and the new police station only has two regular policemen on duty. Although the state government recently started constructing a centralised water supply and sewage system for the island, most accommodation units have septic tanks which are emptied into the sea during the monsoon period.
Solid waste and garbage is collected and shipped to the mainland by barge, however this has been criticised given that the large garbage bags often fall into the sea while being transported. One resort operator commented that “the private contractor has never bothered to reprimand his men for allowing some of the bags to fall off the barge. We suspect it is being done intentionally”. Since 2007 two wind powered turbines provide electricity to the kampung and so the tourist operators still rely on their own diesel generators for electricity.

3.3 New Developments

In Kecil’s initial tourism stage, most of the chalets and ‘mini resorts’ (less than 20 rooms) were developed by local villagers. Over the years, mainland businessmen started to buy up these mini resorts but the new owners were mainly from Kuala Besut and they had existing family ties with the islanders. Over the past few years, however, outsiders from Kuala Lumpur began to invest in Kecil, notably on Coral Beach where there are now two mid range resorts, one with 50 rooms and the other with 100. At Long Beach, the 40 room Bubu Long Beach Resort is the first non-Bumiputra (literally ‘son of the soil’, that is, Malay) owned resort to be built on the island. This three-storey concrete construction charges higher prices than the other accommodation and rooms are sold in the form of tour packages such as a three day two night package which includes accommodation, meals, boat transfer and snorkelling. In addition, the entire workforce is sourced from established hotels in Kuala Lumpur and ‘translocated’ to the island. From our observations, it appears to mainly cater for the mass package market of East Asian tourists (China, Taiwan and Hong Kong). Interviews with a Terengganu state tourism official (pers. comm., 2009) revealed his preference for the business model introduced by Bubu Resort which he claimed “should trigger a new trend in resort operations on Perhentian Kecil, which the local operators have no choice but to follow”. The new business model is said to be similar to that practiced in Redang island which has succeeded in attracting an influx of East Asian visitors (ECERDC, 2010).

It appears that government officials are using Bubu Resort as a catalyst for gradually getting rid of mini resorts that cater for the backpackers. This includes bending the normally strict rules concerning land use and ownership in a Malay Reserve which covers the whole island. This is achieved by exploiting loopholes in the 1965 National
Land Code that allows for ‘smart partnership’ between the local landowners and outside investors. Specifically, the state government has lately been less strictly enforcing the Malay Reserve status for private land on the islands. Both Bumiputra and non-Bumiputra companies have been encouraged to invest in high end resort developments on Kecil. In such cases, the island landowners are paid a nominal rent to act as sleeping partners (known locally as the ‘Ali Baba’ syndrome). Interviews with operators revealed that 65 per cent of the larger resorts are currently operated by outsiders mainly from Kuala Lumpur and even Westerners. In contrast, only 35 per cent of the mini resorts are still owned by local islanders.

Table 4 : Ownership Status of ‘Mini Resorts’ on Perhentian Kecil

<table>
<thead>
<tr>
<th>No.</th>
<th>Accommodation</th>
<th>Ownership Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Besut (mainland)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local</td>
</tr>
<tr>
<td>1.</td>
<td>Rock Garden</td>
<td>✓</td>
</tr>
<tr>
<td>2.</td>
<td>Bubu Long Beach resort</td>
<td>✓</td>
</tr>
<tr>
<td>3.</td>
<td>Chempaka chalets</td>
<td>✓</td>
</tr>
<tr>
<td>4.</td>
<td>Lemon grass</td>
<td>✓</td>
</tr>
<tr>
<td>5.</td>
<td>Simfony chalets</td>
<td>✓</td>
</tr>
<tr>
<td>6.</td>
<td>Matahari chalets</td>
<td>✓</td>
</tr>
<tr>
<td>7.</td>
<td>Moonlight beach</td>
<td>✓</td>
</tr>
<tr>
<td>8.</td>
<td>Panorama chalets</td>
<td>✓</td>
</tr>
<tr>
<td>9.</td>
<td>Lily chalets</td>
<td>✓</td>
</tr>
<tr>
<td>10.</td>
<td>Mohsin chalets</td>
<td>✓</td>
</tr>
<tr>
<td>11.</td>
<td>D’lagoon</td>
<td>✓</td>
</tr>
<tr>
<td>12.</td>
<td>Rajawali coral</td>
<td>✓</td>
</tr>
<tr>
<td>13.</td>
<td>Fatimah chalet</td>
<td>✓</td>
</tr>
<tr>
<td>14.</td>
<td>Aur Bay</td>
<td>✓</td>
</tr>
<tr>
<td>15.</td>
<td>Butterfly chalet</td>
<td>✓</td>
</tr>
<tr>
<td>16.</td>
<td>Maya beach resort</td>
<td>✓</td>
</tr>
<tr>
<td>17.</td>
<td>Senja Bay Resort</td>
<td>✓</td>
</tr>
<tr>
<td>18.</td>
<td>Mira Chalet</td>
<td>✓</td>
</tr>
<tr>
<td>19.</td>
<td>Shari-La Island Resort</td>
<td>✓</td>
</tr>
<tr>
<td>20.</td>
<td>Petani Beach</td>
<td>✓</td>
</tr>
<tr>
<td>21.</td>
<td>Impiani resort</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Fieldwork notes
In 2006 the local authorities started building a two-storey concrete shopping arcade on Long Beach to the anger of the chalet owners who mounted a substantial local protest. However construction continued despite attracting an inspection by the then Chief Minister of Terengganu. The main complaint against the shopping arcade was that it would significantly block the view to the sea given its location on the beach reserve. A long-established operator said “we were not consulted over the construction of the shopping arcade, it’s not that we are against it but it should not be located along the beach where it would block the open view to the sea”. The shopping arcade opened in 2009 but has significantly changed the visual quality of Long Beach, with the introduction of a concrete building that does not conform to the human scale of the surrounding mini resorts, as well as blocking the surrounding chalets’ sea view.

In the political context, since the Barisan Nasional (National Front) won back control of Terengganu from the opposition Parti Angkatan Islam SeMalaysia (PAS) in 2004, the State government has been aggressively promoting the redevelopment of the formerly neglected Terengganu islands into a high end destination. The State government has also made strongly-worded statements in the media against backpacker tourism, such as “we want to get rid of backpackers from Perhentian Kecil as they destroy the coral reefs. Instead we encourage the development of high end resorts which generate greater economic impact to the local economy” (New Straits Times, 4 February 2005).

Recently, however, Terengganu’s Chief Minister gave a different dimension to the debate by declaring that the State wanted only high end resorts for Redang island and that “tourists seeking cheaper accommodation should go our other islands” (The Star, 14 May 2010). While this created a robust debate in the letters pages of the local media lamenting that Redang will no longer be affordable for Malaysians, it could also be interpreted that the State had given up transforming the Perhentians into a high end, high yield destination. Could it be that the anticipated drive spearheaded by the likes of Bubu Resort (with strong support from the State government) to get rid of the budget mini resorts, has failed to materialise and that Kecil’s local operators are more resilient than their counterparts on Redang island?
4.0 FINDINGS AND ANALYSIS

This paper raises a fundamental question: namely is the island now reaching a ‘tipping point’? In other words, has Kecil reached the moment that could be identified as being when the destination changes from small-scale backpacker tourism to a very different form of tourism development? In terms of Butler’s (1980) evolutionary TALC model, is it a moving into a new stage, perhaps the ‘development’ stage? If so, what might account for this change? The question can also be raised whether the path along Butler’s S-shaped curve is inevitable or are local operators, as the weaker stakeholders - or ‘prey’ according (Cochrane 2010) - resilient enough to adapt and absorb the actions brought about by government policy and the arrival of ‘predators’ such as Bubu Resort? Here we suggest two key factors that may affect the island situation: first, the changing government planning environment; and second, the characteristics of the local tourism entrepreneurs.

4.1 The Changing Government Planning Environment

Malaysia is a relatively new entrant into tourism relative to its ASEAN neighbours. Serious tourism development planning and promotion only began with the establishment of the Tourist Development Corporation Malaysia in 1972 and it took another 15 years before the Ministry of Arts, Culture and Tourism was set up in 1987. In 2004 it was divided and a separate Ministry of Tourism Malaysia (MOTOUR) formed. This reflected the federal government’s seriousness in promoting tourism as a second major income earner after manufacturing.

Prior to the 1990 Visit Malaysia Year campaign, the country was frequently marketed as only an element of a wider ‘tourist circuit’, comprising the neighbouring countries of Thailand, Singapore and Indonesia (King, 1993). At that time, Malaysia’s share of the Asia-Pacific tourism market was only between 10 - 13 per cent. Although the market share increased to 17.6 per cent during the campaign year of 1990, it fell again to around 13 per cent in 1991 (MOCAT, 1992). In those days, many tourists only spent part of their holiday in Malaysia, which explains why it did not appear in the list of top tourism earners.
Tourism planning in Malaysia is incorporated in the Five Year Economic Plans as well as specific national level tourism master plans.

i. Five Year Economic Plans

Although planning policies covering tourism development are contained in the country’s Five Year Economic Plans, tourism only became prominent in the Sixth Malaysia Plan (1991 – 1995). The Seventh Malaysia Plan (1996 – 2000) identified rural, community, and nature-based tourism as new products (Hamzah, 2008). The Eighth Malaysia Plan (2001 – 2005) actively promoted international access with Kuala Lumpur International Airport as a regional hub and proposed developing cruise tourism and yachting to “tap the expected growth of Asia as a vacation and cruise destination” (GOM, 2001: 449). However, the economic downturn triggered by the 1997 Asian financial crisis seriously hampered the cruise sector’s development in the region. Most recently, the Ninth Malaysia Plan (2006-2010) emphasised the country’s transformation into a high value tourism destination by focusing on increasing its competitive edge.

Broadly, the Five Year Economic Plans have taken a ‘Pro Poor’ approach in their tourism strategies by encouraging local entrepreneurship and community-based initiatives utilising the country’s nature-based resources. Thus, unsurprisingly many rural communities - including the islands’ fishing villages - embraced tourism with enthusiasm. As with the ‘drifter enclaves’ such as Cherating (Hamzah, 1997), local authorities often turned a blind eye to small-scale tourism development by local entrepreneurs who were not required to submit planning applications nor conform to zoning plans, especially communities living on Malay Reserve land along the coast and islands. Often these local initiatives were even lauded as models for small-scale tourism elsewhere. In fact the former ‘drifter enclave’ at Cherating was officially declared a ‘Cultural Village’ by the local authority in 1993, which is ironic given that almost the entire kampung’s residents had been moved to a new resettlement scheme nearby (Hamzah, 1997). Subsequently, tourism strategies recommended in the statutory local plans for coastal towns and districts would contain statements on encouraging community-based tourism following the Cherating model (JPBD, 2008).
Policies that nurtured entrepreneurship among rural Bumiputra communities were an extension of the affirmative action recommended in the 1970 New Economic Policy to address the economic gap between ethnic groups in Malaysia. This led to an organic growth of small-scale or mini resorts along the peninsula’s east coast including the islands. Close-knit fishing communities with little knowledge of tourism became small-scale entrepreneurs almost overnight. Kecil was a relatively late starter and benefited from the exodus of backpackers from Cherating once domestic tourism overwhelmed the backpacker ‘bubble’ there (Hamzah, 1997). Subsequently, the Eighth, Ninth and Tenth Malaysia Plans recommended strategies to move small-scale tourism development along the value chain, and Kecil’s current situation represents this shift in emphasis and the corresponding tensions associated with such radical changes.

ii. National Tourism Policies and Plans

The 1992 National Tourism Policy Study (NTPS) recommended broad policies for planning, development and marketing. Although now somewhat dated, the NTPS policy objectives are still used as guiding principles across many aspects of Malaysian tourism. The NTPS was reviewed in 2003 and although the final report was rejected by MOTOUR, the main thrust of the review was for Malaysia to focus more on high yield tourism through the development of new products such as wellness, MICE, marine tourism etc. Despite rejecting the report, MOTOUR took a radical step in 2004 by announcing that ‘at least 30 per cent of the country’s tourism products should be high yield in nature (pers. comm, MOTOUR official). The Terengganu state government was even ahead of MOTOUR when in 2004, the then Chief Minister instructed that the Terengganu islands should encourage the development of high end resorts and Green Globe certification so that tourists will pay premium rates to enjoy a world class experience (pers. comm. UPEN Terengganu, 2005). This was also emphasised in the Terengganu State Structure Plan, and echoed in the East Coast Economic Region Master Plan (ECERDC, 2007) which implicitly suggests that small-scale tourism development on the Perhentians should make way for high end tourism development.

Since around 2000, Malaysian tourism planning has focused on exploiting its diverse nature and culture-based attractions, with Sarawak State government using ‘Culture, Adventure and Nature’ as its promotional tag line and Sabah developing its natural
assets into world class ecotourism attractions. Melaka and Penang, alternatively, are heavily promoting their cultural heritage and legacy of their cosmopolitan (and colonial) past. In 2008 both Melaka and Georgetown (Penang) were inscribed into UNESCO’s World Heritage List.

In contrast, island tourism has been relatively ignored with the exception of Penang and Langkawi and, to a lesser extent, Tioman. Langkawi is a success story as it was the pet project of the former Prime Minister, Dr. Mahathir Mohammed, and huge development funds were expended to develop its tourism industry. On the smaller islands tourism development was shaped by the response of the local communities towards opportunities created by the arrivals of ‘drifters’ (Cohen, 1973) and there was little government planning or management.

This organic growth mirrors the conceptualisation by Oppermann (1993) who identified the primary role of the informal tourism sector in establishing ‘drifter’ enclaves along the coastal areas of LDCs. As these enclaves move along the product life cycle (Butler, 1980), they are not overwhelmed nor displaced by the formal sector but continue to exist alongside the latter. This parallel, yet separate, existence was originally postulated by Cohen (1982) but Oppermann (1993) suggested that as a competitive, attractive and strategically located enclave evolves into a major destination or hub with heavy investment from the formal sector, the informal sector also moves out of its enclavistic nature to become part of mainstream tourism, albeit without losing its distinct informal features.

In spatial-temporal terms the ‘drifters’ discovered Tioman island and subsequently Cherating in the early 1970s which then shaped ‘drifter enclaves’ along Malaysia’s east coast. From the 1970s to the 1990s the Malaysian central government view was that the drifters/backpackers were regarded as ‘hippies’ and were associated with drugs, moral decadence and negative foreign culture (Hamzah, 1997). However, with the exception of the Penang State government who chased away backpackers staying along Chulia Street, the other state governments were more tolerant given the business opportunities that backpackers generated on the once remote islands of peninsula Malaysia particularly in Terengganu, Pahang and Johor states.
Therefore it is not surprising that when small numbers of backpackers first arrived in the Perhentians in the late 1980s, there was little objection from the Terengganu government. But neither was there any restriction imposed, instead, the local authorities relaxed the regulations pertaining to land conversion and licensing so that villagers could become small entrepreneurs almost overnight with little government intervention (similar to Cherating’s case) (Hamzah, 1997). At that time the state economy was dominated by agriculture - oil palm plantations and fruit orchards - which was important for Malaysia’s export-led growth, and so tourism had a low priority. The overall result was that through the 1990s these islands were effectively neglected.

The development of small-scale tourism development on Kecil can be largely attributed to the exodus of backpackers from the ‘drifter enclave’ at Cherating escaping the overdevelopment and congestion created by the arrival of domestic tourists. The domestic tourists were mainly groups belonging to the down market MICE packages (such as incentive trips, office retreats and team building) who transformed Cherating’s tranquil ambiance into a noisy mass tourism beach resort. Deprived of their ‘bubble’ the backpackers then moved along the coast in the late 1980s-early 1990s but later migrated to Kecil where the white sand beaches, coral reefs and ‘friendly’ locals were the main attractions (Hamzah, 1997). In response to the sudden demand for accommodation created by the arrival of the backpackers, the kampung’s villagers constructed basic chalets, A-frame huts and dormitories along Long Beach with the first opening in 1993 (Hamzah, 1995).

This, we would argue, created space for an ‘organic’ type of bottom-up growth of small-scale, mainly backpacker tourism in the island. This appears to be similar to the early stages of many other backpacker destinations in the region such as Gili Trawangan in Lombok, Indonesia in the early 1990s (Hampton, 1998) or the Southern Thai islands in the early 1980s (Cohen, 1982). As such Kecil has experienced small-scale tourism development that was effectively unplanned by the state authorities.

Between 1999 and 2003 when the opposition party PAS was in power, tourism took a back seat and was not regarded as an economic development tool. At that time, the PAS government, following a more fundamental interpretation of some Islamic codes, also wanted to introduce separate swimming pools for men and women and banned the
wearing of bikinis although foreign tourists were exempted. During those years Kecil was neglected regarding tourism product development or promotion. However, when UMNO (the dominant party of the Barisan Nasional ruling coalition in Malaysia) won back control over Terengganu in the 2004 election, there was a sudden impetus to improve the quality of island tourism and to transform the islands into iconic attractions. Not surprisingly, this resulted in increased funding and support at state level and from the central government. From 2004 onwards the UMNO-controlled state government of Terengganu had a different political ‘flavour’. In particular, unlike the previous PAS administration it had a pro-business stance and encouraged private investment. In this new political environment, the Perhentians were seen as a flagship for tourism development across the State. In 2005 the Terengganu Island and Coastal Authority was created by the State government and it commissioned a major study on Coasts and Islands (Sea Resources, 2006). The overall tourism strategy appears to be focused on high end tourism and this was further cemented by the State government’s successful bid to host the prestigious Monsoon Cup international sailing event.

4.2 Characteristics of Local Tourism Entrepreneurs

The Malaysian population broadly consists of three main ethnic groups: Malays, Chinese and Indians, with smaller groups of Orang Asli (indigenous, aboriginal peoples) in both peninsula Malaysia and the two states in Malaysian Borneo: Sabah and Sarawak. Malays and other indigenous peoples are the largest group (58 per cent), with Chinese (24 per cent) and Indians (8 per cent) (GOM, 2010). Malaysia’s ethnic composition gives a prism through which to analyse local tourism development. The coastal belt and islands are dominated by the Malays who were mostly traditional fishermen before tourism arrived. It can be argued that Kecil has undergone three stages in its development: Stage One: early 1990 until the mid 1990s; Stage Two: the mid 1990s until around 2003; and Stage Three from around 2003 to date.

Stage One: early 1990 till mid 1990s
This stage was characterised by the local response to the demand from tourism. The form of development was broadly ‘organic’, small-scale and unplanned. There was no government intervention, the new operators provided their own capital resulting in significant local ownership and control. [However, most recently we found that only 35
per cent of the mini resorts are now owned by locals. When asked if they were willing
to upgrade one of the pioneers said that she wanted to but it was not a priority: “we
would like to upgrade and increase the number of chalets using our own money in fact I
have already paid someone to come up with architectural drawings a few years ago but
he just vanished” (Chalet owner C). Another said: “I’m not in favour of telephone or
online booking, it’s a hassle and tourists can always book through the dive shops which
offer the service”. But other pioneers disagreed and were setting up online booking
systems.]

**Stage Two: mid 1990s to early 2000**
In this stage, outsiders started to form partnerships with islanders but these ‘outsiders’
were mainly Bumiputras from nearby mainland towns of Kuala Besut, Kota Bahru and
Kuala Terengganu. They often had family ties to the island, maintained the small-scale
and low density, and employed local people. Rooms were improved and other facilities,
but the offer was still basic and low cost. Many of these operators also supplied in-
house restaurants/cafes and dive shops. One group of investors said “we do not need
new development here such as the Berjaya resort type [a large scale resort group in
Malaysia], no need for concrete jetties, tourists here want to relax and enjoy the natural
beauty of the island and they could go to Kuala Lumpur if they want to see modern
resorts and development”. Respondents also noted that the lack of access to micro credit
was the main reason why locals sought partners from off-island. Although Malaysia has
both a Special Tourism Fund and a Tourism Infrastructure Fund created by MOTOUR,
these are mainly exploited by mainland companies since islanders “do not know how to
write business plans and do not have the collateral” (local government official). Without
access to micro credit they turned to outsiders in this period with the local headman
acting as the land broker.

**Stage Three: 2003 until the present**
This most recent stage has been characterised by the new wave of outsiders from Kuala
Lumpur, companies and even Western investors. There also appears to be a new
business model that differs significantly from the open-ended, unpackaged stays of most
backpackers. The new model is typically a package of three days, two nights full board,
boat transfer plus snorkelling trip from RM 299 (US $93). Following the model of the
Laguna and Berjaya Resorts on Redang island as favoured by the State government
“this new business model for the islands will set a new benchmark for resort operators to follow, we do not want chalets that are charging RM30/night” ($9.30) (State tourism official). The new business model mainly involves non-Bumiputra/Chinese companies (some with powerful political connections) who target the mass tourism market from China, Taiwan and Hong Kong. The TCIS study (Sea Resources, 2006) contends that “by increasing the number of foreign tourist arrivals and length of stay without increasing tourist spend will only put pressure on the islands’ fragile resources”. This can be seen at Redang island where the bay fronting the Marine Park headquarters is often overwhelmed with mass tourists sent by the big resorts for snorkelling. Being mainly novices, these tourists often step on the coral and the numbers of dead corals are increasing – again the package includes a free snorkelling trip which tourists, experienced or otherwise, will not normally refuse.

Before the Bubu Resort was built, most owners of accommodation and other tourism infrastructure were Bumiputras from Kecil or from mainland Terengganu. The type of facilities had minimal capital needs to build or operate in the backpacker business (Hampton, 1998; 2003). Unlike others backpacker areas such as Bali or coastal Mexico, the island, until this period, had not experienced foreign ownership, the so-called ‘developer-tourists’ (Brenner and Fricke, 2007). The dive operations - probably due to the higher capital requirements of boats, scuba equipment, specialist staff and international memberships such as PADI - were more likely to be joint ventures with foreigners or other non-islanders from Kuala Lumpur.

However, the Bubu Resort was fundamentally different being more capital intensive. It consists of three-storey, permanent concrete buildings and has Chinese owners. Interestingly, once the Bubu Resort opened, there were intense reactions from the local Malays on the island. One Malay interview respondent said: “what can we do, they have strong political connections, even though they are not Bumiputras” (Chalet owner A). Another told us that: “Now it is a free-for-all since then” (Land owner). In all of this, the type and amount of interaction with the state government appears to be a key factor. However, another respondent said that although there was “too much development and concrete, [the] government should control it” (Chalet owner B).
The change to UMNO administration in Terengganu has perhaps opened up more opportunities for both non-*Bumiputra* and non-islanders alike but runs the risk of control passing to larger players with more capital and political influence as the resort moves up the resort life cycle (Butler, 1980). This pattern has been seen elsewhere in the region. In Lombok, Indonesia, for example, local villagers were being displaced by larger players from initially Bali, but then later from Jakarta (Fallon, 2001; Hampton, 1998). For Kecil this is associated with the issue of the lack of political influence of islanders compared with outsiders especially from Kuala Lumpur with close links to both the State and central governments.

### 5.0 CONCLUSIONS

What lessons may be learned from Perhentian Kecil for other small tourism-dependent islands elsewhere? It appears that tourism development in Kecil is now at a ‘tipping point’ and is experiencing a fundamental change from the previous period of organic type growth. This Working Paper has argued that there seem to be interactions appearing between the changing planning/political environment, and the ways in which local tourism entrepreneurs operate.

Kecil’s situation suggests that although the small-scale tourism development on the island had gone through an organic growth, it is now trapped in transition. On one hand, both the Federal and State governments are trying to scale up coastal and island tourism development along the value chain, as exemplified by the high value/ high yield tourism rhetoric in various tourism plans (Sea Resources, 2006; JPBD, 2008; ECERDC, 2007; PEMANDU, 2010). On the other hand, affirmative policies to protect *Bumiputra* ownership and control as embedded in the country’s New Economic Policy appear to be compromised to make island tourism more competitive and lucrative. In the same light, protectionist measures created by the local planning authority risk being removed, and being replaced by an enforced commitment to sustainability ‘certification’ with the view that eco labelling will increase the island’s competitive edge (ECERDC, 2007).

It is convenient for the State government to single out backpacker tourism as the stumbling block affecting the ‘rebranding’ of Kecil (Sea Resources, 2006) as a high value/high yield destination. This perhaps explains the bold ‘anti backpackers’ press
statements although a major study on the health of the coral reefs around the island attributed the alarming loss mainly due to sedimentation from large projects on the mainland instead of local visitor impact (Coral Cay Conservation, 2005).

In contrast to the anti backpacker sentiment expressed at the State level, the Federal government through MOTOUR recognises the importance of backpacker tourism. In fact MOTOUR commissioned a specific study on backpackers (MOTOUR, 2005) in which it fully endorsed the consultants’ recommendations that the backpacker sector should be embraced as one of Malaysia’s mainstream tourism components. However, land is a State matter in Malaysia and the 13 states with the exception of Sabah has yet to support this national aspiration and specifically, Terengganu is particularly hostile towards backpacker tourism.

It remains to be seen whether the small-scale, locally owned accommodation at Kecil will withstand government intervention and new market forces to maintain their identity. Nonetheless, more than four years after the arrival of Bubu Resort, the anticipated wave of takeovers that occurred in Redang island has yet to materialise on Kecil. It should be noted, however, that the development of large scale resorts on Redang occurred not on former chalets but on vacant land bought from the locals through ‘Ali Baba’ deals. The situation in Kecil is closer to Cherating’s experience, when the arrival of two formal resorts in the late 1980s (Butler’s 1980 ‘development stage’) signalled an inevitable transformation of Malaysia’s pioneer ‘drifter enclave’ into a formal resort destination. In applying Resilience Theory to the case of Cherating, Nguru (2010) discovered that the local operators’ ability to adapt to changing market demand and kinship support rather than government intervention were instrumental to their survival once their main market segment (backpackers) left.

Within the community at Cherating - despite their lack or formal education – Nguru (2010) discovered that practical business knowledge was accumulated and exchanged, and this helped their understanding of tourist expectations and demand. According to Resilience Theory, local knowledge is important for resource management, which is often generated via a process of ‘learning-by-doing’ (Folke et. al, 2005). In addition knowledge has a cultural base, hence, it is culturally relative and contingent. Nonetheless, Resilience Theory also does not deny that cultural knowledge should be
complemented by scientific knowledge (Folke et al. 2005). In the light of changing tourist demand, the initial failure by Kecil’s local operators to replace the archaic ‘first come first served’ system with modern online booking systems was due to their lack of scientific knowledge. However, this shortcoming was later addressed by the village youths who started their own internet cafes, thus fulfilling the changing expectations of modern backpackers (Hampton, 2010).

The current tensions between the local operators and the authorities over the real or perceived image of Kecil illustrates that, as in most tourist destinations in the country, the island is caught in a low income trap. While the state government wants tourists “to pay a premium for enjoying the Malaysia’s world class attractions” (government official B), the distributive aspect is ignored. Specifically, in existing small-scale tourism a high proportion of the income derived from tourism flows directly to the local community. Also, the role played by Bubu Resort in the dynamic evolution of Kecil may not be fully understood, even though it has yet to pave the way for similar resorts to forcibly enter Kecil with implicit government blessing. Alternatively, this sequence of events might not even happen as Cherating demonstrates.

Nonetheless, the advent of Bubu Resort plus two other resorts could be interpreted as a ‘destabilising event’ that could trigger the ‘relapse’ stage according to Resilience Theory (Cochrane, 2010). Earlier interviews with local operators revealed a casual attitude towards improving quality, comfort and convenience. With the arrival of a different and potentially more powerful competitor - Bubu Resort – our more recent interviews revealed the operators’ growing acceptance of the need for change, which coincided with a lessening of the complaints against Bubu Resort.

Given this, one pioneer’s plight illustrates this new attitude. When first interviewed the earliest operator was adamant: “why should I change? My children are well provided and my loyal customers keep coming back.” However a change of heart was detected in the most recent interview when she admitted that she actually paid someone to prepare a major upgrading plan for her resort. Our analysis of the local psyche suggests that rather than bulldozing the island with new, large-scale development to instantly create high yield tourism, a gradual and yet more realistic path could be achieved by working with the local operators. For instance providing technical assistance to local operators who
have the capital and the intention to upgrade their chalets could also pave the way for enhancing the tourist experience and thus yield. Improving access to MOTOUR’s Special Tourism Fund would be another way to incentivise local operators to move up the value chain. Likewise, providing the infrastructure to enable local operators to operate a broadband internet service, and paying and mentoring the operators to obtain eco certification could also be effective enablers.

In the final analysis, Perhentian Kecil has many lessons for other LDCs that have embraced island tourism as a catalyst for development. The evolution and life cycle of similar enclavistic tourism developments have been deconstructed in the past mainly using spatial temporal models, of which Butler’s TALC (1982) had provided a practical framework. Although Choy (1992), Getz (1992) and Agarwal (1997) have criticised the application of Butler’s TALC, proponents of Resilience Theory (Farrell and Twinning Ward, 2005; McKercher, 1998; Lepp, 2008) concur that even though the TALC is considered too linear to analyse the complexity of tourism destinations, its six stages provides a symbiotic interface with the four phases or loops suggested by Resilience Theory that are considered to be more effective and realistic in analysing this complexity. Most importantly, Resilience Theory recognises the adaptive flexibility and quick response to challenges that remote communities have developed through “learning-by-doing” (Folke et. al, 2005) which could be key to their future survival and growth in small, tourism-dependent islands.

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