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Assessing the Impacts of Heritage-Led Urban Rehabilitation The Case of George Town, Penang, Malaysia

Research Report



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Penang, Malaysia

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Front cover: Aerial view of the dense core area of the George Town World Heritage site.
Photo: Scott Warren © J. Paul Getty Trust.



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PREFACE

The city of George Town, in Penang, Malaysia, was inscribed onto the UNESCO World Heritage List in 2008. Since then, this city has undergone several heritage conservation projects and has seen considerable investment in heritage rehabilitation and urban infrastructure improvement (fig. 0.1). At the same time, some challenges have emerged, such as adverse impacts on urban amenity due to increased tourist numbers, the effects of development on property prices and rentals, and demographic shifts reflected in the displacement of residents.

In 2012, the Getty Conservation Institute (GCI) began a collaboration with Think City, a Malaysian non-governmental organization (NGO) devoted to urban regeneration (Khor et al 2017a), to deliver a series of short urban conservation training courses in George Town for midcareer urban planners and architects. As this partnership evolved, the GCI became increasingly cognizant of the challenges George Town was facing, including the important efforts of Think City in assisting local policy makers with city improvements, engaging with local residents about their desires for positive urban change, and documenting many of the salient changes occurring within and beyond



FIGURE 0.1. Aerial view of George Town, Penang, Malaysia, a site of significant heritage conservation projects since its 2008 inscription on the World Heritage List. Photo: Scott Warren © J. Paul Getty Trust.



FIGURE 0.2. *High-rise developments along the coast of George Town. Many urban changes have occurred both inside and outside the city's World Heritage buffer zone. Photo: Scott Warren © J. Paul Getty Trust.*

the World Heritage core area and buffer zone (fig. 0.2). One important activity related to this Think City-inspired documentation of change within George Town was a periodic census, or community survey, conducted in 2009 and 2013, that captured the opinions of residents, tourists, and other stakeholders (Think City 2019). The results provided important data upon which conclusions could be drawn—by Think City, local government officials, and others—so that constructive steps could be taken to protect, improve, and sustain the World Heritage area.

In 2017, as Think City was making plans for the next survey, to be carried out in 2019, the GCI proposed the idea that these two institutions might engage an eminent cultural economist to conduct an analysis of the impacts of change on George Town, using data produced by the 2019 survey. This economist would have vast experience assessing the economic, social, and cultural impacts of heritage-led regeneration in many contexts worldwide. The GCI envisioned Professor David Throsby, of Macquarie University in Sydney, Australia. Professor Throsby agreed to this idea, and he suggested bringing aboard a research partner, Katya Petetskaya, who had worked successfully with him on similar projects in Jordan, Lebanon, and Saudi Arabia (Throsby and Petetskaya 2014, 2021). The GCI provided the bulk of funding for this analysis, which Think City acknowledged would be useful in the context of its institutional mission. The GCI's ultimate objective was to develop a replicable methodology that could be shared with conservation practitioners and economists worldwide for assessing the potential economic, social, and cultural benefits generated by possible alternative investments in the rehabilitation, maintenance, and usage of urban cultural heritage assets. This report is the first step in the development and explanation of this methodology. (A preliminary version of this report was published in October 2020 by the present authors as Macquarie University Department of Economics Research Paper 1/2020.)

To conduct the analysis, Throsby and Petetskaya proposed an *ex ante* evaluation of the economic, social, and cultural impacts of alternative scenarios affecting the George Town World Heritage site, applying methodologies developed in their previous work on evaluation of heritage-led urban development strategies in the countries noted above. The project's objectives were to demonstrate the application of these methodologies in the case of George Town and to generate a range of primary data of relevance to urgent heritage planning issues in the city.

An initial scoping trip to Penang was undertaken by the consultants, accompanied by Dr. Jeff Cody of the GCI, from May 3 to May 7, 2018. During this trip, the consultants met with representatives of Think City (including Dr. Matt Benson, Dr. Ceelia Leong, local architect and Think City director Laurence Loh, and other staff) and visited a number of sites in the city and its environs. Following this trip and subsequent discussions, a methodology for the study was proposed involving the collection of quantitative and qualitative data on the impacts of alternative scenarios for the future of George Town via sample surveys of stakeholders in the World Heritage site. The following five groups of stakeholders were identified as being affected in some way by possible development changes: (i) residents, (ii) businesses, (iii) cultural institutions and organizations, (iv) visitors, and (v) existing and potential investors. It was decided that a special workshop with representatives from these stakeholder groups was needed in order to identify alternative scenarios for future development. This workshop was held February 21, 2019, during a second trip to George Town by the consultants and Dr. Cody on February 19–22 (fig. 0.3).

Organized and led by Drs. Benson and Leong, the workshop was aimed at investigating possible future scenarios for George Town. Throsby and Petetskaya participated alongside a range of stakeholders from a cross section of interests in heritage, culture, and the future of the World Heritage site. The organizations (and their representative, indicated in parentheses) in attendance were Chief Minister Incorporated (Siti Hajar); City Council of Penang Island, MBPP (Dr. Chee Heng Leng); George Town World Heritage Incorporated (Muhammad Hijas Sahari); Penang Institute (Lim Sok Swan); Penang Global Tourism (Darren Ng); Malaysian Hotel Association, Penang Chapter (Pierre Boudville); Universiti Sains Malaysia (Associate Professor Khoo Suet Leng); Areca Books (Khoo Salma Nasution, a George Town heritage historian); Dr. Gwynn Jenkins; Art District (Stephanie); Hin Bus Depot (Khing Chuah); Narrow Marrow (Alvin Neoh); Arts-Ed (Yoke Pin); Third World Network (Evelyn Teh); Cheah Kongsu Clan Temple (Peter Cheah); Clan Jetty (Chew Siew Phing); and Chan Kok Leong, a local community representative.

During this trip, Throsby and Petetskaya participated in further meetings with Think City as well as with other stakeholders. In addition to Lim Sok Swan, Darren Ng, Khoo Suet Leng, Khoo Salma Nasution, and Laurence Loh, those interviewed included Ooi Chok Yan (Chief Executive Officer) and Yoon Pauline, Penang Global Tourism; Dr. Ooi Kee Beng (Executive Director) and Pan Yi Chieh, Penang Institute; Dr. Ang Ming Chee (General Manager), Chuah Ai Kheng, and Lee Cheah Woon, George Town World Heritage Incorporated; Bharathi A/P Suppiah (Deputy General Manager), Chief Minister's Office; Lim Gaik Siang, Penang Heritage Trust; Christopher Ong, a private heritage investor; Mohamed Shaffi Bin Khatri Abdulla (Head) and Munzir Bin Musa (Head, Strategy and Risk Management), Penang Port; and Maimunah Mohd Sharif (Executive Director) and Dr. Eduardo Lopez Moreno (Director, Research and Capacity Development Branch), UN-Habitat.

Based on the workshop's findings, two alternative scenarios were identified, which enabled the authors to finalize the questionnaires for the 2019 survey. Because the latest George Town population



FIGURE 0.3. Participants at a workshop for representatives of George Town stakeholder groups organized by Think City, February 2019. Photo: Jeff Cody © J. Paul Getty Trust.

and land use census was to be carried out by Think City, this provided the opportunity for the surveys proposed for the present project to piggyback on the census data collection process. The following data collection procedures were used in this study:

- More detailed follow-up survey questionnaires were administered to subsamples drawn at random from the census population during the main survey procedure; these samples covered businesses, residents, and cultural institutions (survey results can be found in chapters 3, 4, and 5 of this report).
- A special-purpose survey of visitors to the World Heritage site was conducted (see chapter 6).
- Additional survey questions were incorporated into the main census questionnaire to assess public perceptions of the economic and social benefits derived from the existence of the World Heritage site for the stakeholders themselves and for the George Town wider community (see chapter 2).
- A series of targeted interviews of existing and potential large-scale investors/property owners was administered (see chapter 7).

The survey interviews for this study were carried out from July to October 2019 alongside the main George Town census conducted by Think City.

A third mission to Penang was undertaken by Katya Petetskaya on March 2–4, 2020. The purpose of this visit was to interview selected representative investors in George Town and to discuss various data issues with Dr. Leong and Think City staff. Another mission was proposed by the consultants for September 2020 to present the findings of the study to an in-person workshop in Penang. However, due to the onset of the COVID-19 pandemic, this meeting has been postponed.

ACKNOWLEDGMENTS

As the authors of this report, we wish to express our gratitude to Susan Macdonald of the GCI, who has overseen the project from the outset. We are particularly grateful to Dr. Jeff Cody, who has been closely involved with the work throughout, planning the fieldwork and participating in our visits to Penang. We appreciate his expertise, experience, and extensive local insight into George Town's cultural and heritage resources and their historic development. Without his involvement, the project would not have been possible.

Our thanks go to Dr. Matt Benson, who facilitated our trips to Penang and who made a significant contribution to the planning and execution of the study. We are particularly grateful to Dr. Ceelia Leong, who oversaw the project from the Think City side and who was always available to assist in resolving issues and discussing results. She also played an important role in on-the-ground implementation of the surveys. Finally, our sincere gratitude goes to the many businesses, organizations, investors, residents, and visitors in George Town who gave their time as interviewees in the surveys in 2019.

In the preparation of this report, we have benefited from comments and feedback provided by several colleagues, including Jeff Cody, Matt Benson, Ceelia Leong, and Richard Engelhardt. In particular, Richard Engelhardt provided extensive comments on policy issues arising from the study, and his insightful contributions enabled us to strengthen the recommendations in this report.

In expressing our acknowledgment to all of the above, we make it clear that the data, opinions, and conclusions contained in this report are entirely our responsibility and do not necessarily reflect the views or opinions of any other individual or organization.

David Throsby

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October 2020

EXECUTIVE SUMMARY

George Town, Penang, derives its name from King George III of Great Britain and Ireland, whose imperial activities in Southeast Asia (led by Sir Francis Light, working with the British East India Company) during the late eighteenth century led to the creation of a colonial settlement near the northern end of the Straits of Malacca—a key body of water between present-day Malaysia and Indonesia—which for centuries has served as a marine conduit between India and China (Khor et al 2017b) (fig. 0.4). At approximately the same time, British colonists founded the city of Singapore, near the southern extremity of the Straits, thus securing British control of this significant passage. Given George Town’s geographic proximity to the Bay of Bengal to the north and west, and thus to the Indian subcontinent, during the nineteenth and twentieth centuries the colonial settlement became connected to the vast imperial enterprise in India spearheaded by Great Britain (fig. 0.5). Because of its commercial activities, the settlement attracted émigrés from southern China who settled in George Town, often in family-centered groups (clans) or geographically linked groups (“associations,” or *huiguan*) (Nasution and Berbar 2009).

George Town was inscribed on the UNESCO World Heritage List jointly with the city of Melaka as “Historic Cities of the Straits of Malacca.” To do so, George Town fulfilled three criteria related to Outstanding Universal Value (OUV): (criterion ii) exhibiting an “important interchange of human values,” (criterion iii) bearing “exceptional testimony to a cultural tradition,” and (criterion iv) representing an “outstanding example of a type of building, architectural or technological ensemble or landscape which illustrates (a) significant stage(s) in human history.” The World Heritage designation describes the significance of both settlements in this way:



FIGURE 0.4. Exterior view of Suffolk House, a restored mansion erected for Sir Francis Light, the first UK colonial administrator of George Town in the early nineteenth century. Photo: Scott Warren © J. Paul Getty Trust.



FIGURE 0.5. Map of the Straits of Malacca, showing the location of George Town, Penang, near the northern end of the Straits. Image: Adapted from Atlas Sejarah Indonesia dan Dunia (Jakarta: Pembina Peraga, 1996) by Gunawan Kartapranata (2011); licensed under the Creative Commons Attribution-Share Alike 3.0 Unported license.

These are the most complete surviving historic city centres on the Straits of Malacca with a multi-cultural living heritage originating from the trade routes from Great Britain and Europe through the Middle East, the Indian subcontinent and the Malay Archipelago to China. Both towns bear testimony to a living multi-cultural heritage and tradition of Asia, where the many religions and cultures met and coexisted. They reflect the coming together of cultural elements from the Malay Archipelago, India and China with those of Europe, to create a unique architecture, culture and townscape. (UNESCO 2016)

Since its inscription, George Town has experienced a period of significant development (Stubbs and Thomson 2017, 304). Tourism has grown dramatically. Real estate values have increased, thus incentivizing sales of historic properties by local residents and, accordingly, the departure of many traditional commercial enterprises, often replaced by Airbnb accommodations and other ventures catering to tourists. To comply with UNESCO policies safeguarding the OUV of the World Heritage site, a local organization, George Town World Heritage Incorporated, was established to manage the changes within the site. In accordance with Malaysian town planning regulations, a Special Area Plan was ratified (or “gazetted,” as it is known in Malaysia) to protect the significant values associated with this remarkable historic settlement (*World Heritage Site Special Area Plan* 2016). Despite these initiatives, however, questions have been raised about the future path of development, with particular concern as to the impacts that alternative strategies might have on the city’s cultural heritage assets (figs. 0.6, 0.7).



FIGURE 0.6. Shophouses along Penang Road, on the border of the George Town World Heritage site. This building type dates to the nineteenth and early twentieth centuries. The growth of tourism has led to the sale of historic properties and the departure of traditional commercial enterprises. Photo: Scott Warren © J. Paul Getty Trust.



FIGURE 0.7. Aerial view of the dense core area of the George Town World Heritage site. Photo: Scott Warren © J. Paul Getty Trust.

This study involves an analysis of two alternative pathways for directing future investments and development in the city, one giving priority to heritage and cultural capital, the other to economic activities such as tourism-related commercial developments. The study assesses the economic, social, and cultural impacts of the two scenarios and evaluates the existing and potential future effects of these alternative investments on the local community and the economy of the city. It is based on a model of the urban economy as a dynamic system composed of physical, social, environmental, and cultural capital assets that yield private value for stakeholders and public value for society.

The data on which this study is based were collected prior to the onset of the COVID-19 pandemic in 2020. We assess the implications of the data as they might apply in a pre- or post-COVID environment, assuming that the attitudes and opinions expressed represent characteristics of the stakeholders that would remain resilient in the longer term (see further discussion in chapter 9). In accordance with this assumption, we have endeavored to report all our results in the present tense, implying that the views expressed in the survey will still be broadly applicable in post-pandemic settings.

Impacts of World Heritage Inscription

The accession of George Town onto the World Heritage List in 2008 has had many impacts on the city's economy and society, in addition to serving as recognition of the country's cultural

heritage. As part of this study, we were able to assess these impacts on George Town's culture, heritage, economy, and quality of life as seen by a diverse group of stakeholders: residents, visitors, businesses, investors, hotels, governmental and educational institutions, and clan-based, non-governmental, religious, or political organizations.

In our survey, stakeholders were asked: "Do you think having World Heritage status has had an impact on the culture and heritage of George Town, for example in restoring more heritage buildings, supporting more artists and traditional craftspeople, and enhancing the cultural identity of the city?" On average, three-quarters of respondents across all stakeholder groups said that the impact on culture had been positive, with only 5 percent stating that the impact had been negative.

To assess the possible economic effects of listing, respondents were asked: "Do you think having World Heritage status has had an impact on the economy of George Town, for example in opening up more business and employment opportunities for residents and businesses of George Town and Penang?" Almost two-thirds of respondents on average saw the impact as having been positive, with hotels and tourist accommodations holding the most favorable views. The group most inclined to see the economic impacts as being negative were residents, with one in five identifying a negative impact, though more than half still held a positive opinion.

With regard to living conditions and quality of life for those living and working in the city, stakeholders were asked: "Do you think having World Heritage status has had an impact on George Town as a place to live, for example in improving infrastructure and services, increasing the range of dining options, improving access to urban facilities, public spaces, and events?" Three out of five respondents across all groups on average saw a positive impact on these aspects of life in George Town because of the listing, with stronger opinions expressed by hotels and governmental and educational organizations. Nevertheless, although most stakeholders expressed positive views, almost one-quarter of residents and businesses thought that their quality of life and urban amenity had been adversely affected.

Impacts on Businesses

Based on information gathered from business owners and from the survey questions, the general outlook for the present and next five years (i.e., until ca. 2025) for George Town businesses is positive, including an expectation that overall conditions will improve, though not dramatically, with some growth in client base and annual turnover. Business owners also expect proportional increases in their business operations and rental costs as well as some increases in the value of their properties. Slight increases are also planned for investments in business equipment and in a diversity of goods and services offered. Neither scenario significantly changes the expectations of businesses or their plans for investment in the future.

Regarding the general outlook in the longer term, that is, between six and ten years, about two-thirds of businesses expect improvement in their business opportunities and in the diversity of commercial operations located in the city under business-as-usual conditions. The longer-term prospects of better business opportunities improve under both alternative scenarios, though the tourism-led scenario shows slightly greater impacts. Businesses also expect that the

tourism-focused development path could increase the diversity of businesses in George Town. Both scenarios are seen to improve the overall attractiveness of George Town as a place to do business, reflected in the substantially higher proportions of respondents who expect an increase in the numbers of businesses moving into George Town in the future.

The business community shows a strongly positive view regarding cultural value of the place, referring to dimensions such as aesthetic value, symbolic value, and educational value. The highest score (“strongly agree,” on average) in assessing cultural value by businesses is attributed to the beauty of the city. Businesses also agree there are educational values of George Town, and more than four in five business representatives stated that their personal values have been shaped by memories associated with the city. Their views are summed up in their willingness to recommend a visit to George Town to others; nine in ten would make such a recommendation.

Businesses overall agree that restoring the cultural heritage of George Town would improve it as a place to do business, and they disagree that investing in restoring old buildings in George Town is a waste of money. There is a perception among businesses of a community responsibility for heritage protection of the city: almost half are willing to donate to a fund to support heritage conservation, with a mean one-off donation among those willing of about 150 MYR (Malaysian ringgit).

There is also strong evidence that this stakeholder group understands the character of George Town as a place to do business. Four in five acknowledge the importance of World Heritage status of George Town in making it a special place and a favorable location for business. They also appreciate the importance of tangible and intangible heritage in providing the foundations for the city’s economy—the traditional street food, the heritage buildings and sites, and the festivals and other public events. George Town’s cultural identity and traditions are viewed as being “very important.”

Businesses expect the heritage-led scenario to increase the historical character and cultural identity of George Town in the next six to ten years. On the other hand, there are no expectations among businesses that these cultural heritage aspects would be enhanced under the tourism-led strategy. Overall, it appears that in the longer term, businesses expect the heritage-led investment scenario to yield more positive impacts on the business environment.

A number of policies could be implemented over the next few years that will have an impact on businesses, including more regulation to protect heritage and provide security for tenants, improved traffic control, support for more festivals and other public events, and the creation of more art spaces, galleries, and museums in addition to green spaces and public facilities. The great majority of businesses see each of these developments as having a positive effect on George Town as a place to do business. The opinions of businesses are divided, however, over the number of tourists. While more than a third of businesses believe fewer tourists in the city would have a positive effect, almost half perceive this would have a negative effect.

Overall, the data indicate a recognition by businesses of the importance of heritage to sustaining business activities, including tourism, and this in turn connects to the role of tourism in supporting the George Town economy. Thus, although a tourist-led investment scenario would yield some economic benefit to business, the heritage-led scenario appears to be the more favorable option in the longer term because of its direct impact on the factors that make George Town a special place.

Impacts on Residents

The data indicate that residents of George Town perceive the significance of the city’s heritage as an important aspect of their quality of life, and that overall they believe a heritage-led strategy would have a more positive effect on their quality of life than a tourism-driven strategy. This attitude is apparent, for example, in their expectations that a heritage-led strategy would be more likely than a tourism-led strategy to attract new residents to the area. Residents also expect some improvement in diversity of housing options available under a culture-focused strategy.

George Town is perceived as a site that allows for social inclusion; on average, residents agree that “the facilities and services of George Town are available to everyone.” Residents also acknowledge the importance of George Town’s sense of community, as well as its public and community spaces, in contributing to making the city “special.” Residents strongly agree that their city is beautiful, and they feel proud about their place of residence, which is reflected in their strong willingness to share their special place with others—their families, their friends, and visitors (fig. 0.8).

Neither strategy changes residents’ attitudes regarding their remaining in or leaving George Town in the future when compared to the business-as-usual (BAU) scenario. And while the number of residents likely to restore or renovate their properties in the future is expected to increase quite dramatically under BAU, the implementation of either alternative scenario does not affect these expectations.



FIGURE 0.8. View of the World Heritage core area of George Town, with the Straits of Malacca in the background. Photo: Scott Warren © J. Paul Getty Trust.

Regarding economic impacts, both strategies for development are seen by residents as being likely to create more business and employment opportunities for their families, with the heritage-led scenario leading to slightly better employment opportunities than the alternative. If things continue as usual, residents of George Town expect the values of their properties or rents to increase “a little”; however, these expectations change to “a lot” under the tourism-led scenario. The heritage-led scenario does not change expectations about property values/rentals.

In terms of cultural impacts, the survey findings reinforce the strong role that heritage plays in the lives of residents. For example, almost nine in ten agree or strongly agree with the statement that restoring the cultural heritage of George Town would improve it as a place to live in, and almost two-thirds of those holding an opinion disagree with the proposition that investing in heritage is a waste of money. Similarly, both intangible and tangible cultural heritage—that is, the cultural identity and traditions of George Town and its heritage buildings and sites—emerge as the top characteristics of the city that make it a special place in the opinions of residents (rated as “very important,” on average) (figs. 0.9, 0.10). It is also apparent that residents acknowledge the importance of the World Heritage status of George Town; more than half see it as “very important” and about a third as “important.”

When envisioning the future of George Town, residents view the following priorities as having the most positive impact in improving the city: more festivals and public events, a reduction in traffic problems, and more green areas, public spaces, and public facilities, as well as more regulations to provide security for tenants. Residents are divided on the proposition of fewer tourists in George Town, with two in five stating this would be a positive effect and equal numbers believing this would be



FIGURE 0.9. Incense burners and sticks for sale at a George Town shop. Objects related to the veneration of gods from several religions are prevalent among the city’s cultural traditions. Photo: Scott Warren © J. Paul Getty Trust.

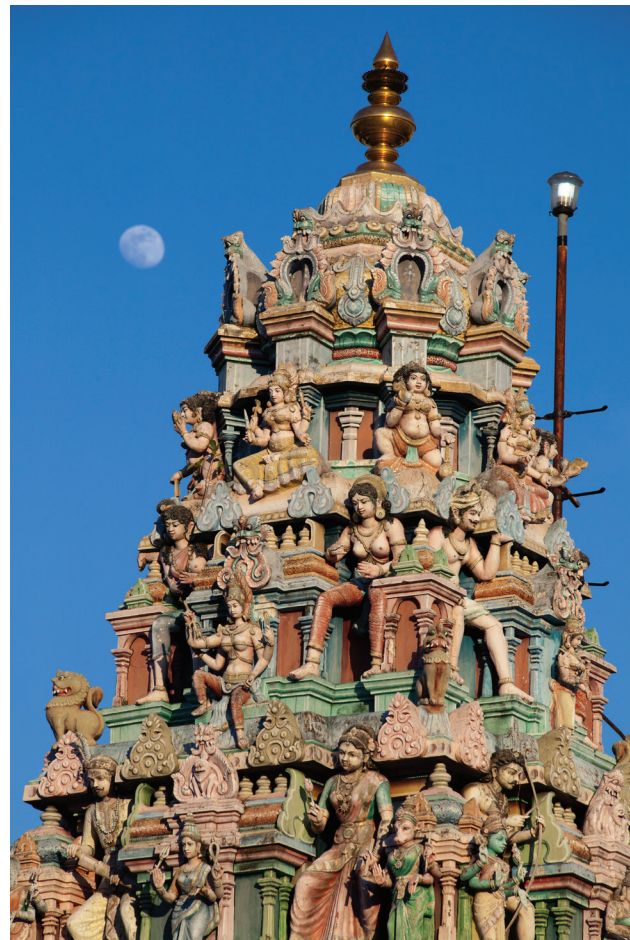


FIGURE 0.10. This gopuram (entrance tower) and its sculptures from a Hindu temple in George Town attest to the historic connections between George Town and India. Many residents of Indian heritage in George Town still worship in temples such as this one. Photo: Scott Warren © J. Paul Getty Trust.

negative. It is apparent that (regardless of the scenarios) residents are concerned about their economic circumstances and see tourism as an important determinant of their economic well-being. The implication of these results is that future urban development strategies should not overlook the economic benefits of tourism for residents but should balance these benefits against the potential negative impacts on the social and cultural quality of life that they enjoy.

Impacts on Cultural Institutions

Note: Due to the small sample size of cultural institutions available for this study, results in this section could not be statistically tested. Nevertheless, they are indicative in nature, demonstrating the overall predisposition of this stakeholder group.

Not surprisingly, the importance of heritage in the life of George Town is strongly recognized by managers of the city's cultural institutions, such that a heritage-led strategy for urban development is mostly viewed more favorably than a tourism-based strategy. This view is seen, for example, in the positive impact that a heritage-based scenario would have on increasing the diversity of the institutions' programs and on encouraging their investment in buildings and equipment. Cultural institutions expect their annual turnovers to increase over the next five years under the heritage-led scenario and to decline (though only slightly) under the tourism-led scenario.

Since tourists are the main source of revenue for many cultural institutions, the numbers of visitors are an important consideration for them. These institutions expect visitation to increase over the next five years across all types of visitors—residents of Penang as well as visitors from elsewhere in Malaysia and abroad. Overall, these expectations do not shift much under both scenarios, although more local (Penang) visitors are expected under the heritage-led scenario, and more visitors from overseas under the tourism-led scenario.

There is an understanding among George Town's cultural institutions that while in the short term there could be some benefits from the tourism-led strategy in increasing visitation, the overall trajectory of this strategy in the longer term would make George Town less attractive to visitors. This is also reflected in the expected decreases in these institutions' investments in renovating buildings or premises under the tourism-based scenario. In other words, a heritage-led strategy is preferred over the longer term. Four out of five cultural institutions are expecting an increase in philanthropy even if neither scenario is implemented, an expectation that is enhanced under the heritage-led scenario and weakened under the tourism-led scenario.

In regard to the overall character of George Town as a heritage site, cultural institutions overwhelmingly see the city as beautiful and disagree that investing in restoration of heritage is a waste of money. Nine in ten agree that restoring heritage would improve the city as a place to live. They also believe that more regulation to protect heritage, and more festivals and public events, would have the most positive impacts on the city in the future. Significantly, however, they do not see fewer tourists as desirable for the future of George Town. This group of stakeholders assesses tangible and intangible cultural assets of George Town as "very important" in making this place special. The cultural identity and traditions of the city, and the heritage buildings and sites, are particularly valued by this group.

Impacts on Visitors

It is apparent from our survey results that experiencing the cultural heritage and identity of George Town is the principal motivation for tourists to visit the city. The top three attractions identified by visitors are cultural in nature, relating to the tangible and intangible heritage of the city. Wishing to experience the traditional food, visit the heritage buildings and sites, and enjoy the city as a heritage site are the three most often cited features that bring tourists to George Town. The top three experiences enjoyed most are the traditional food, the historic buildings and sites, and the street art. The survey canvassed opinions of domestic tourists and, when possible, international tourists. These groups composed the “visitors” whose opinions were analyzed.

Visitors agree that George Town is a beautiful place. They disagree with the statement that investing in restoring old buildings in George Town would be a waste of money. They believe that restoring the cultural heritage of George Town would attract more visitors interested in culture. These positive impressions are strongly reinforced by the opinions of visitors about the relative merits of a heritage-led development strategy for George Town, compared to a tourist-led scenario. We find that nine in ten think a heritage-led strategy would make the city a more attractive place to visit, whereas only half of respondents named a tourist-led strategy. Furthermore, three in four think that a heritage-based strategy would make George Town more appealing for them to visit again, whereas only one in four said they would revisit if a tourism-led scenario was implemented.

Impacts on Investors

A significant group of financiers with current and/or planned investments in properties and businesses in George Town makes up a cohort of investors with strong personal connections to the city, connections they refer to as the most important reason for their investments. These individuals show a willingness to contribute to heritage preservation and maintenance in George Town for reasons other than purely economic gain. For many, their investments are their passion projects; others see the projects as catalysts helping to drive local social and economic change. Some of the investors grew up in George Town or its environs and have a strong connection to particular sites or to the entire area. Others feel they have a cultural obligation to preserve sites and buildings passed down to them by their forebears for the benefit of future generations.

As a result of these motivations, a heritage-led development path is seen by a majority of those interviewed to be preferable to a tourism-focused scenario. These respondents believe that a heritage-led strategy would create a more attractive climate for them. However, they are unsure if this view would be shared by other investors. The investors interviewed were strongly aware of the importance of restoring heritage and did not think this was a waste of money. Many have directed considerable funds toward heritage restoration over the years. The long-term nature of their involvement is highlighted by a certain unwillingness to sell the restored properties; some explain that this would be “morally wrong” or culturally inappropriate, particularly if the properties have been passed on to them from previous generations.

The role of heritage in making George Town a special place is understood by all the investors surveyed. Intangible cultural heritage (in the form of sense of community and cultural identity)

emerges as the most highly valued by the investors group. Respondents identified making George Town more livable and attractive to existing and new residents as one of the main ways to stimulate increasing interest from investors. To bring in residents, they point to the need for creating jobs locally and expanding livability options through such measures as providing public transport and educational activities for children and young people. Some investors suggest incorporating the historic role of George Town as a trade and business hub into its vision for the future. All interviewed investors see more green areas, more public spaces, better facilities, and less traffic as having an extremely positive effect on George Town as a place to invest.

Concluding Remarks

The results of this study show that the importance of the tangible and intangible cultural capital of George Town is recognized by residents, businesses, existing and potential investors, and visitors. The study indicates that all these groups recognize the role of the city's cultural capital in supporting the Penang economy. Along with the physical, social, and environmental capital assets, cultural capital determines the economic structure and associated economic, social, and cultural benefits. The tourism industry is dependent on the current state of George Town's cultural capital, and therefore the maintenance and replenishment of these cultural assets are crucial to the tourism industry's stability and future development as well as to the stability and development of other industries within the cultural sector.

Although a tourist-led investment scenario can be seen to yield some economic benefits to most stakeholders, the heritage-led scenario appears to be seen as a more favorable option in the longer term because of its direct impact on the factors that make George Town a special place and, in particular, an attractive place for local businesses, residents, investors, and visitors.

George Town's cultural capital generates private value for its stakeholders and public value for society. The study identifies a strong awareness among all stakeholder groups of the public-good nature of the city's cultural heritage and associated nonmarket benefits. This creates a strong case for ongoing public support through continuous investment in the conservation of heritage and cultural assets. Due to limited public funds, such support needs to be well informed and strategic and could involve public financing of routine maintenance of heritage assets, special-purpose project-based initiatives, and public/private partnerships in addition to private financing. Such strategic ongoing investment would allow maintaining the existing cultural capital, while also generating increased output of cultural goods and services from George Town's cultural sector.

Indeed, a strengthening of the city's cultural base through investment in its tangible and intangible heritage assets has the potential to yield larger long-term payoffs by providing a foundation for the future development of the city's economy in a postpandemic environment. George Town could join other historic cities around the world that have been capitalizing on their cultural resources in innovative ways, incorporating new technologies and contemporary trends in art and design into an economically rewarding development strategy. The city's particular distinctiveness could prompt the generation of innovative ideas for the production and marketing of food, fashion, and other cultural products—initiatives that could grow to become important concentrations of local economic activity, with spillover effects to the rest of Penang.

It is still too soon to predict how a post-COVID world will look, given the economic and social disruption that the pandemic has wrought. But it should be remembered that historic heritage enjoys an existence over the long term that persists despite the ups and downs of economic, social, and political life. Thus, regardless of the immediate impacts of the COVID crisis, the historic heritage that forms the priceless asset base for the George Town World Heritage site will continue to exist, and it will need to be maintained for the future economic, social, and cultural benefits that it will bring. When the world finally emerges from the pandemic, we can expect those assets will resume their role in supporting George Town in the manner articulated in this report.

INTRODUCTION

Background

The city of George Town, located on the island of Penang in Malaysia, was inscribed onto the UNESCO World Heritage List in 2008. Since then, the old city has undergone a period of significant development. There has been a shift in economic structure, with some businesses expanding and some contracting their operations; new cafes, restaurants, hotels, and other accommodations have been established, and new festivals and other events have been launched. Much of this development has been driven by international tourists and domestic visitors who come to George Town to enjoy its unique architectural heritage, its famous street food, and other cultural experiences. Since gaining World Heritage status, Penang has begun upgrading its facilities to meet the increasing tourism demand. This has resulted in the inclusion of Penang and George Town on many cruise-ship itineraries. The arrival of increasing numbers of these vessels has had a significant impact on the tourism industry of the island (fig. 1.1).

The role of heritage assets as an important contributor to George Town's economy has been recognized for some time. As a result, the city has been the site of several heritage conservation projects and has seen considerable investment in heritage rehabilitation and urban infrastructure improvement. At the same time, some problems have emerged, including issues related to adverse impacts of increased tourist numbers on urban amenity, the effects of development on property prices and rentals, demographic shifts reflected in the displacement of residents, and concerns about the availability of adequate resources needed to maintain the city's heritage stock (fig. 1.2).



FIGURE 1.1.

A cruise ship docked at the historic port of Penang, one of a growing number that have been making George Town a destination since its 2008 inscription on the World Heritage List. The increase in tourism has in turn driven much of the area's development. Photo: Jeff Cody © J. Paul Getty Trust.



FIGURE 1.2.

A row of deteriorating traditional structures overshadowed by a new high-rise. Though many historic George Town properties have been rehabilitated, there has been a great deal of new high-rise construction outside the World Heritage area. This has sparked concern over the resources needed for more full-scale rehabilitation of older building stock. Photo: Scott Warren © J. Paul Getty Trust.

Questions have been raised about the future path of development for George Town, with particular concern as to the impacts that alternative strategies might have on the city's cultural heritage assets. In this study, we consider two alternative scenarios for directing future investments and development in the city: the first of these gives precedence to heritage and cultural capital, the second prioritizes economic activities such as tourism-related commercial developments. These two scenarios are described further below.

This report presents the results of a study of the ways in which investments that follow these alternative strategies could affect the George Town economy—its businesses, residents, cultural institutions, and visitors. The study assesses the economic, social, and cultural impacts of the two scenarios in George Town and evaluates the existing and potential future effects of these alternative investments on the local community and economy of the city. Data were collected in 2019, prior to the onset of the COVID-19 pandemic the following year. In this report, we assess the implications of the data as they might apply in a pre- or post-COVID environment. Our assumption is that the attitudes and opinions expressed represent characteristics of the stakeholders that

would remain resilient in the longer term. Accordingly, all our results are reported in the present tense, implying that the views expressed in the survey will still be broadly applicable in a post-COVID environment.

In this chapter, we outline the conceptual background to the study, followed by an account of the methodology used to assess the benefits and costs of alternative programs. Then, in chapter 2, we examine the extent to which the George Town population regards the inscription of the World Heritage site in 2008 as having had a positive or a negative effect on the city. Chapters 3 through 7 cover the results of our surveys of businesses, residents, cultural institutions, visitors, and investors, respectively. We go on to discuss policy implications of our results in chapter 8, and proceed to draw conclusions in the final chapter.

Conceptual Framework

This study is based on a model of the urban economy as a dynamic system composed of physical, social, environmental, and cultural capital assets that yield private value for stakeholders and public value for society (Serageldin 1999; Licciardi and Amirtahmasebi 2012). Our interest lies particularly in George Town's cultural capital, represented in tangible form by the buildings and streetscapes of this World Heritage site and in intangible form by the traditions, customs, rituals, and skills associated with heritage places and activities in the city. These cultural capital assets generate economic, social, and cultural benefits that are the object of the assessment methodology developed and applied as part of the project (Throsby 2012).

The model that underpins this study revolves around the existence of this cultural capital (Throsby 1999; Rizzo and Throsby 2006). The motivation for the model's dynamics arises from the stimulus provided by investment in the conservation of these heritage assets. This investment comprises public financing of routine maintenance of heritage assets as well as special-purpose project-based initiatives, and private financing by investors interested, for example, in development projects involving real estate with heritage attributes. In some cases, investment might occur as a public/private partnership. Whatever the source, the investment is part of a process that generates increased output of cultural goods and services from George Town's cultural sector. These cultural goods might be works of art or crafts marketed by artists or artisans that draw on the intangible cultural traditions of the region; the cultural services might include the provision of cultural experiences for tourists visiting museums, galleries, heritage sites, restaurants, or festivals. Either way, our interest is in the value of these goods and services and the circulation of this value both in George Town itself and beyond.

In line with current theories of value in cultural economics, we identify a duality of value yielded by cultural phenomena; that is, value comprises both economic value measurable in financial terms and cultural value that is nonmonetary and has no specific unit of account (Angelini and Castellani 2019). This duality is evident in the value generated by George Town's heritage. Consider first the economic value produced by this heritage. This is observed most directly in the demand for cultural experiences by tourists—for example, in their purchases of arts and cultural goods and their payments for entry to cultural spaces and events—and in the consumption benefits accruing to local residents from the existence of the city's heritage assets. If visitors come from

outside Penang, their expenditures constitute a net addition to regional incomes and will generate second-round impacts through re-spending effects that can, under certain assumptions, be counted as increases in regional incomes.

Cultural value occurs as widely diffused nonmonetary benefits that arise in addition to the market and nonmarket economic values referred to above. It accrues in various ways to residents and businesses in George Town and may be a significant motivator for private investors to become involved in heritage projects. Most importantly, the cultural value yielded by the heritage provides the essential stimulus to the tourist market: visitors are attracted to come to George Town by the unique cultural character of the city. It is through this connection that heritage conservation investment and the tourism industry are linked in the model.

As noted above, we investigate growth paths for George Town by proposing two alternative scenarios for the future management of the city. One scenario relates to a heritage-led regeneration for George Town (also termed “culture-led,” but in this report we primarily use “heritage-led”) that focuses on building on and enhancing the cultural heritage assets of the World Heritage site. Under this scenario, support would be given to the city’s cultural and heritage resources for maintenance and replenishment, and economic activities would be allowed to build on and evolve around the city’s cultural capital. The other scenario focuses more intensively on the economic and commercial development of the city, driven in particular by a greater inflow of tourists that might result, for example, from an increase in the number of cruise ships docking in Penang. Under this scenario, existing heritage resources of the city would remain in place, but there would be either little or no additional investment provided for maintaining or upgrading them.

Methodology

Prior to the commencement of this study, we participated in a workshop with representatives across different George Town stakeholder groups. The aim of the workshop was to envision and articulate possible future scenarios for the city. The program was held on February 21, 2019, in the Khazanah Nasional conference room adjoining the offices of Think City, the regional urban planning agency and NGO located in Penang. Attendees hailed from a cross section of interests in heritage, culture, and the future of the World Heritage site. The workshop was facilitated by Dr. Matt Benson and Dr. Ceelia Leong of Think City, and by Dr. Jeff Cody of the GCI, together with the authors of this report.

During the workshop, representatives from the various stakeholder groups suggested a range of possible priorities for improving George Town as a place to live or as a place to operate a business. From this discussion, we compiled a number of options to put forward in the surveys. Survey respondents were then asked to indicate how important they thought these possible priorities were to the city’s future development.

Discussions provided a range of insights into issues affecting the future of George Town from the different perspectives of the stakeholders in attendance. These insights proved to be essential in planning the two scenarios that this study investigates and that were included in the above-mentioned surveys of businesses, residents, cultural institutions, and visitors.



FIGURE 1.3. Shophouses, George Town. Maintenance and upgrading of historic shophouses, in addition to encouraging older residents to remain and to utilize these structures for traditional activities, are key challenges of a heritage-led scenario. Photo: Scott Warren © J. Paul Getty Trust.

In conducting the surveys, the alternative scenarios were introduced to interviewees as follows:

1. *Heritage-led scenario:* This scenario involves several potential projects aimed at supporting local arts, culture, customs, and traditions. These projects would focus on assisting property owners in restoring more heritage buildings such as shophouses, which are a distinctive feature of the urban environment in Penang (Tan 2015) (fig. 1.3); upgrading George Town’s museums and restoring historic sites; supporting art spaces, galleries, museums, and festivals; encouraging traditional craftspeople to either remain in or return to George Town; and setting up an arts and cultural center to support and promote local traditions and arts and crafts.
2. *Tourism-led scenario:* This scenario involves several potential projects aimed at increasing commercial activity and expanding tourism. These projects would focus on facilitating commercial development, including relaxing some regulations and restrictions on businesses within the heritage zone to allow the establishment of more hotels, cafes, restaurants, and shops; adding car/bus parking spaces; expanding the pier terminal to accommodate more visitors; and intensifying the promotion of George Town as a popular destination to attract more tourists.

The research for this study is based on sample oral surveys of stakeholders who were in George Town as a resident, worker, business owner, investor, or visitor (within the area defined by the core zone and buffer zone boundaries), and who are or will be affected in some way by changes in the urban environment brought about by heritage-related and other developments in the city. The surveys of stakeholders that we conducted yielded quantitative and qualitative data on the impacts of the above scenarios for the future of George Town.

To obtain the essential data, the following five groups of stakeholders were surveyed:

- *Businesses*: These were commercial enterprises located in George Town and adjacent areas. Data collected cover likely changes in investment, employment, business operations, property improvements, and so on, under the alternative scenarios. A random-sample survey of businesses was conducted by Think City between July 1 and October 31, 2019: of 231 businesses interviewed, 109 were given the heritage-led scenario questions and 122 the tourism-led scenario questions.
- *Residents*: This group consisted of renters and owners residing in George Town and adjacent areas. Data collected cover expected effects on family income and living costs, employment opportunities, possible business activities, living conditions in the area, and so on. A random-sample survey of residents was carried out by Think City between July 1 and October 31, 2019, and logged 267 responses in total: 123 for the heritage-led scenario questions and 144 for the tourism-led scenario questions.
- *Cultural institutions*: These included museums, galleries, religious organizations, and similar institutions located in George Town and adjacent areas. Data collected cover planned and speculated activities, expected client base, business turnover, costs, and financial or other support from private organizations or individuals. In total, a sample of 46 interviews was achieved by Think City between July and October 2020: 30 cultural institutions were interviewed for the heritage-led scenario questions and 16 for the tourism-led scenario questions.
- *Visitors*: This group was made up of international and domestic tourists and others visiting the city. Data collected cover length of time spent at the heritage site, expenditures, appreciation of the heritage as a tourist attraction, and issues affecting the tourist experience. A random-sample intercept survey of visitors to George Town was carried out by Think City over different weekdays and weekends at various times of the day and during different time periods to capture visitors traveling at different times. The interviews were conducted between June 17 and June 22, 2019 (200 interviews were achieved), and between August 26 and September 1, 2019 (another 200 interviews), in various locations to target different types of visitors attracted by different cultural assets. Sixteen locations were selected, including local markets and eateries; heritage, religious, or architectural landmarks; street-art sites; transportation hubs; and so on. Residents of George Town and greater Penang were not included in this group. A sample of 400 responses was obtained, of which one-third were domestic visitors from elsewhere in Malaysia and two-thirds were from abroad. The same respondents were presented with both alternative scenarios, resulting in 400 responses for each scenario.
- *Investors*: Another important and identifiable group of stakeholders is present in George Town: a significant group of financiers with current and/or planned investments in properties and businesses in the city. A series of targeted interviews of selected representative investors was conducted between March 2 and March 4, 2020, as part of a study of the role of private owners of heritage and potential investors in heritage-related improvements in George Town. Seven investors were interviewed.

The surveys were aimed at assessing the alternative scenarios in terms of their economic, social, and cultural impacts on the different groups of stakeholders both in the immediate future and in the longer term. The types of impacts evaluated included the following:

- *Economic effects:* A range of economic variables included outputs of goods and services, incomes of businesses and households, costs, investments, employment, and so on.
- *Social effects:* The social impacts of the proposed activities included various characteristics as perceived by stakeholders, such as social equity, quality of life, standards of living, and social cohesion/community resilience.
- *Cultural effects:* The cultural impacts evaluated were those that accrue as immediate benefits to local businesses, residents, and visitors arising through such cultural aspects as an improved visual environment, the contribution of heritage to a sense of identity and urban livability, and educational benefits.
- *Long-term effects:* Benefits for present and future generations that were evaluated included those arising from the conservation of heritage through preservation of buildings/objects/sites for posterity, maintenance of traditional skills, rituals and cultural customs, understanding of architectural or archaeological significance, and promulgating narratives of identity and intercultural dialogue.

In summarizing the survey findings in this report, we use comparison tables to show the proportions of different stakeholder groups expecting increases or decreases in the aspects under consideration; first, if no new development strategy is introduced—that is, assuming business as usual (BAU)—and second, under each of the two scenarios. These tables indicate the changes in the proportions of respondents expecting increases or decreases if either of the two scenarios were introduced, compared to the proportions under BAU. Note that the changes shown in these tables reflect the changes in percentage points for the specific scenario subgroup of respondents. Also given is weighted average score, calculated according to the scale that appears in a note marked by an asterisk (*) under the table. In the comparison tables, we use linear regression analysis to test for the difference in means between the BAU case and each scenario. This allows us to check whether any observed difference between two means is statistically significant.

It should be noted that a very important source of benefit to communities from the existence of cultural heritage arises as public goods, that is, as diffused nonmarket benefits that accrue to the wider community. These benefits are likely to make up a significant component of the benefits generated by the World Heritage site in George Town. A standard approach to the assessment of such effects is contingent valuation methodology (Navrud and Ready 2002; Cuccia 2020). Such a rigorous and carefully controlled contingent valuation or choice modeling study requires significant research resources that were beyond the scope of the present study. Instead, we undertook a simpler, exploratory investigation of these nonmarket effects aimed at identifying whether any public goods are perceived and, if so, whether there is a positive or negative attitude among relevant stakeholders toward paying for them. Our surveys included an assessment of respondents' perception of identified public-good benefits and sought information on their willingness to contribute to further enhancement of these benefits.

As a context for the surveys of stakeholders, we were able to take advantage of Think City's scheduled George Town population census in 2019 by adding our questions about respondents' views on the benefits of the city's inscription onto the UNESCO World Heritage List. These results are presented in chapter 2; results from the surveys of the various stakeholder groups are discussed in subsequent chapters.

CHAPTER 2

GEORGE TOWN AS A WORLD HERITAGE SITE: PERCEPTIONS OF IMPACTS SINCE INSCRIPTION

George Town was inscribed onto the World Heritage List in 2008 after meeting several of the criteria put forth by UNESCO, principal among which is the requirement that the site must be of Outstanding Universal Value. The announcement of the nomination's success was greeted with widespread publicity both locally and internationally. Listing is generally regarded as likely to make a positive contribution to the economy and society of the country wherein the site is located, as well as recognition of the country's cultural heritage. It is not always clear whether these benefits do in fact accrue, with different outcomes experienced by different World Heritage sites around the world. Therefore it is relevant, in the context of the present study, to ask what the case has been for the George Town site. Does the population perceive any positive or negative impact because of the listing more than ten years ago?

As noted in chapter 1, we asked three simple questions to explore this issue as part of Think City's comprehensive population census. Respondents were reminded that in 2008, George Town was classified as a World Heritage site. They were then asked whether they thought that having World Heritage status had affected the city in any way since. The results are reported below.

The first question concerned culture and heritage. People living in or owning a business in George Town were asked: "Do you think having World Heritage status has had an impact on the culture and heritage of George Town, for example in restoring more heritage buildings, supporting more artists and traditional craftspeople, and enhancing the cultural identity of the city?" (fig. 2.1).

Table 2.1 shows the distribution of responses among different types of respondent. On average, three-quarters of those holding an opinion say that the impact on culture has been positive, with



FIGURE 2.1.
Storefronts in George Town offering a variety of products and services. These types of businesses comprise some of the richly layered cultural heritage of the city. Photo: Scott Warren © J. Paul Getty Trust.

only 5 percent believing that the cultural impact has been negative. The favorable opinion is held most strongly by workers in governmental and/or educational organizations, among whom the positive view is almost unanimous. Workers in hotels and religious/non-governmental organizations also see the cultural impact in a very positive light.

The second question focused on possible economic impacts: “Do you think having World Heritage status has had an impact on the economy of George Town, for example in opening up more business and employment opportunities for residents and businesses of George Town and Penang?” Responses are shown in table 2.2.

Almost two-thirds (64 percent) of people on average see the impact as being positive. Those holding the most favorable views belong to groups likely to have benefited most from any boost to economic activity, including workers in hotels and other accommodations for tourists. The group most inclined to see the economic impacts as being negative are residents, with one in five holding this view. However, more than half of residents have a positive opinion.

The final question involved the possible impact on living conditions and the quality of life for those living and working in the city: “Do you think having World Heritage status has had an impact on George Town as a place to live, for example in improving infrastructure and services, increasing the range of dining options, improving access to urban facilities, public spaces and events?” Three out of five respondents across all groups on average see a positive impact on these aspects of life in George Town as a result of the World Heritage listing, with stronger opinions expressed by those in hotels, governmental, and educational organizations, as shown in table 2.3.

TABLE 2.1. *Distribution of survey responses on the impact of World Heritage listing on the heritage and culture of George Town (percentage of respondents in each category).*

	n=	Positive impact	No impact	Negative impact	Total
		%*			
Residents	1054	70	24	6	100
Businesses	2487	75	19	5	100
Hotels or tourist accommodation	137	87	12	1	100
Clan, non-government, religious, or political organizations	124	82	16	2	100
Government	46	96	2	2	100
Education	17	94	0	6	100
Total	3865	75	20	5	100

* Excludes “Don’t know/Not sure” responses.

Note: In all tables, percentages are rounded and may not add up exactly to 100.

TABLE 2.2. Distribution of survey responses on the impact of World Heritage listing on the economy of George Town (percentage of respondents in each category).

	n=	Positive impact	No impact	Negative impact	Total
		%*			
Residents	1107	56	21	22	100
Businesses	2565	65	16	19	100
Hotels or tourist accommodation	140	86	4	10	100
Clan, non-government, religious, or political organizations	126	67	20	13	100
Government	47	94	4	2	100
Education	16	100	0	0	100
Total	4001	64	17	19	100

* Excludes "Don't know/Not sure" responses.

TABLE 2.3. Distribution of survey responses on the impact of World Heritage listing on George Town as a place to live (percentage of respondents in each category).

	n=	Positive impact	No impact	Negative impact	Total
		%*			
Residents	1160	57	19	23	100
Businesses	2536	61	16	23	100
Hotels or tourist accommodation	135	72	9	19	100
Clan, non-government, religious, or political organizations	130	66	15	19	100
Government	47	79	9	13	100
Education	17	82	6	12	100
Total	4025	61	17	23	100

* Excludes "Don't know/Not sure" responses.

Despite these favorable views, it is noteworthy that almost one-quarter of residents and businesses think that their quality of life and urban amenity have been adversely affected. This response can be traceable to negative attitudes held by some members of the community toward the increase in tourist numbers brought about by World Heritage status. We provide further data on residents' opinions about their quality of life in chapter 4.

In summary, the population of George Town has on balance greeted the city's declaration as a World Heritage site positively, although some negative views do persist. Given that the listing was based specifically on the heritage status of the old city, the net favorable results from the above analyses lend support to the possibility that future strategies for urban rehabilitation of George Town that emphasize heritage conservation are likely to meet with some measure of approval by the community. The remainder of this report is devoted to finding out whether this is indeed so.

ALTERNATIVE DEVELOPMENT PATHWAYS: IMPACTS ON BUSINESSES

The Commercial Sector of George Town

According to the George Town Population and Land Use Census 2019 (Think City 2019), there are 3,513 businesses and 181 hotels and other tourist accommodations in George Town. The total number of businesses has changed only slightly since 2009 (an increase of 7 percent), although the number of hotels and other tourist accommodation facilities has almost doubled (an increase of 197 percent). New businesses have been established in tourist-related industries, including restaurants/bars, food produce and beverages, hotel or tourist accommodations, and arts, culture, and crafts. The labor force in these industries has increased concomitantly over the same period, with employment growth also seen in clan organizations, the not-for-profit sector, religious associations, political organizations, and government.

More than half of these businesses (55 percent) were established in the last ten years, mostly in the food, clothing, and hotel industries; 24 percent have been operating for more than thirty years. Although there has been some acceleration in the turnover rate in recent years, with new businesses coming into the area and some traditional businesses being forced to relocate or close, this has not been as extreme as in other World Heritage cities. In addition, some of the relocated businesses have been operating in George Town for some time, suggesting a degree of resilience in the business sector. Nevertheless, businesses remain vulnerable. Among those moving into the area in the last five years, the most common reasons given were the opportunity to be close to larger numbers of customers (19 percent of respondents), including specifically tourists (also 19 percent). The World Heritage status of George Town attracted 11 percent of those businesses arriving in the last five years.

Most business premises in George Town are rented (76 percent), 20 percent are owned, and the remaining 3 percent are partially rented and partially owned. Whether rented or owned, on average a business in George Town occupies a space of about 336 square meters. Businesses whose employees are mostly Chinese Malaysian predominate (61 percent), 21 percent have mostly Indian Malaysian employees, and 19 percent have a mostly Malay Malaysian workforce (fig. 3.1). Note



FIGURE 3.1. *Businesses in George Town. Owners and renters of businesses in the city employ a culturally diverse workforce including Chinese Malaysians, Indian Malaysians, and Malay Malaysians, among other groups. Photo: Jeff Cody © J. Paul Getty Trust.*

that in the George Town Population and Land Use Census 2019, respondents were asked: “What is the nationality or ethnicity of the majority of (your) employees?” Multiple responses were allowed.

We turn now to the results from our own survey of George Town businesses conducted in 2019. In line with the objectives of this study, we consider the economic, social, and cultural impacts of alternative strategies for future development of George Town, represented as a heritage-led strategy or as a tourism-led strategy, as described in chapter 2.

Economic Aspects

Our base case for evaluation of the alternative strategies is termed “business as usual” (BAU), reflecting an expectation that business conditions will continue to evolve as they are, without any specific or unusual policy interventions. Tables 3.1–3.4 (and similar tables in chapters 4 and 5) indicate changes in proportions of respondents expecting increases or decreases if either of the two scenarios were introduced, compared to changes in proportions under BAU. These changes are in percentage points for the specific scenario subgroup of respondents. Weighted average scores are calculated according to the scale indicated by an asterisk (*) under each table.

The first economic aspect for consideration involves the expectations of George Town businesses as to possible changes in their client base, first, if no new development strategy were introduced—that is, assuming BAU—and second, under the two alternative scenarios. Table 3.1 indicates that businesses generally do not anticipate any changes under either scenario in the numbers of clients coming from Penang or from overseas. The only significant change is a 7 percent increase in the proportions of businesses expecting a rise in the numbers of Malaysian residents coming to George Town from outside Penang if the heritage-led scenario were implemented. This result, which is statistically significant, suggests that the tangible and intangible cultural heritage of George Town has a particularly strong appeal to this category of visitors.

Respondents were also asked about their expectations as to possible outcomes in their business operations over the next few years in terms of annual turnover, annual operation costs, and annual rental costs/property values. Table 3.2 shows that neither scenario is expected to lead to any significant change under these circumstances in this period.

At any time, businesses will have plans for the future in regard to such economic aspects as the size of their premises, the scale of their activities, the level of their investments in the business, and the number of employees. We needed to ascertain whether the implementation of either scenario would be likely to affect these plans in any way. Table 3.3 shows a range of possible responses to change that businesses might contemplate under each scenario in comparison to their current planning under BAU. As might be expected, the more commercially oriented strategy represented in the tourism-led scenario appears to be more likely than the alternative to induce positive changes in business plans. For example, the proportions of businesses expecting to expand the range of goods and services they offer increases by 6 percent under the tourism-led scenario in comparison to BAU. The most striking increase is in employment of female workers; the proportions of businesses expecting to hire more women rises by 15 percent under the tourism-led scenario. However, table 3.3 indicates little difference overall between BAU and either scenario in these aspects of business operation.

TABLE 3.1. Survey results of businesses' expectations about changes in client base under BAU and under the heritage-led and tourism-led scenarios in the next five years.

		Changes over BAU under:		
		Business as usual (BAU)	Heritage-led scenario	Tourism-led scenario
Client base: Penang residents	Sample size (n)	n=226	n=105	n=120
	Likely to increase, %	50	2	0
	Not likely to change, %	42	3	1
	Likely to decrease, %	8	-5	-1
	Total, %	100	—	—
	Weighted average score*	3.56	0.07	0.01
	t-value (p value)	—	1.13 (.26)	0.38 (.70)
Client base: Malaysian residents and expats	Sample size (n)	n=223	n=105	n=119
	Likely to increase, %	55	7	3
	Not likely to change, %	40	-3	-6
	Likely to decrease, %	5	-4	3
	Total, %	100	—	—
	Weighted average score*	3.64	0.14	0.00
	t-value (p value)	—	2.03 (.05)	0.55 (.58)
Client base: Overseas visitors	Sample size (n)	n=213	n=100	n=114
	Likely to increase, %	60	-2	0
	Not likely to change, %	37	4	2
	Likely to decrease, %	3	-2	-2
	Total, %	100	—	—
	Weighted average score*	3.79	0.02	0.08
	t-value (p value)	—	1.19 (.24)	1.07 (.29)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

TABLE 3.2.

Survey results of businesses' expectations about impacts on their operations based on changes in economic outcomes under the heritage-led and tourism-led scenarios in the next five years.

		Changes over BAU under:		
		Business as usual (BAU)	Heritage-led scenario	Tourism-led scenario
Annual business turnover	Sample size (n)	n=221	n=104	n=120
	Likely to increase, %	69	-6	-1
	Not likely to change, %	23	10	4
	Likely to decrease, %	8	-4	-3
	Total, %	100	—	—
	Weighted average score*	3.78	0.00	0.07
	t-value (p value)	—	0.12 (.90)	1.29 (.20)
Annual business operation costs	Sample size (n)	n=222	n=105	n=120
	Likely to increase, %	62	-3	1
	Not likely to change, %	23	7	0
	Likely to decrease, %	15	-4	-1
	Total, %	100	—	—
	Weighted average score*	3.53	0.05	0.09
	t-value (p value)	—	1.71 (.09)	0.69 (.49)
Annual rental cost of your business premises or value of your property	Sample size (n)	n=220	n=103	n=118
	Likely to increase, %	62	0	5
	Not likely to change, %	27	3	-3
	Likely to decrease, %	11	-3	-2
	Total, %	100	—	—
	Weighted average score*	3.65	0.08	0.10
	t-value (p value)	—	0.76 (.45)	1.89 (.06)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

TABLE 3.3.

Survey results of businesses' responses to the potential effect of the heritage-led and tourism-led scenarios on their future business plans in the next five years.

		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Size of office/ retail/ showroom area	Sample size (n)	n=219	n=105	n=120
	Plan to increase, %	32	0	5
	Plan not to change, %	68	-1	-6
	Plan to decrease, %	0	1	1
	Total, %	100	—	—
	Weighted average score*	3.37	-0.03	0.07
	t-value (p value)	—	0.19 (.85)	1.42 (.16)
Investments in business equipment	Sample size (n)	n=220	n=104	n=120
	Plan to increase, %	59	-9	4
	Plan not to change, %	40	9	-2
	Plan to decrease, %	1	0	-1
	Total, %	100	—	—
	Weighted average score*	3.64	-0.08	0.05
	t-value (p value)	—	-0.58 (.57)	0.48 (.63)
Range of goods/ services	Sample size (n)	n=221	n=106	n=121
	Plan to increase, %	62	-5	6
	Plan not to change, %	38	5	-6
	Plan to decrease, %	0	0	0
	Total, %	100	—	—
	Weighted average score*	3.67	-0.03	0.15
	t-value (p value)	—	0.00 (1.00)	2.28 (.03)
Number of employees	Sample size (n)	n=223	n=101	n=119
	Plan to increase, %	38	2	13
	Plan not to change, %	61	-1	-13
	Plan to decrease, %	1	-1	0
	Total, %	100	—	—
	Weighted average score*	3.43	0.01	0.12
	t-value (p value)	—	1.03 (.31)	1.24 (.22)
Number of female employees	Sample size (n)	n=214	n=97	n=112
	Plan to increase, %	27	1	15
	Plan not to change, %	73	-1	-15
	Plan to decrease, %	0	0	0
	Total, %	100	—	—
	Weighted average score*	3.29	0.02	0.16
	t-value (p value)	—	1.09 (.28)	2.40 (.02)

* 5 - "Plan to increase a lot," 4 - "Plan to increase a little," 3 - "Plan not to change," 2 - "Plan to decrease a little," 1 - "Plan to decrease a lot."

When asked for further details of their investment plans, only about one-quarter of respondents were able to identify approximate amounts. Sample sizes are too small for any definitive conclusions to be drawn. Suffice to say that among businesses planning to invest, the responses show an increase under both scenarios in the average amount to be invested compared to planned investment under BAU, with a somewhat larger increase indicated for the heritage-led scenario than for the alternative.

In the longer term, our data show that businesses in George Town see economic development as being beneficial in creating commercial opportunities in the city, regardless of the focus of the development strategy implemented. Table 3.4 summarizes increases in the proportions of businesses expecting long-term improvement in business opportunities under both scenarios, and in the diversity of businesses located in the city under the tourism-led scenario. Likewise, the attractiveness of George Town as a place to do business is seen to improve if either development path were to be implemented as opposed to BAU. This is reflected in the substantially higher proportions of respondents expecting more businesses to move into George Town in the future. Similarly, there is some evidence that the rate of retention in George Town would be maintained or improved because of the beneficial changes for business operation envisaged under the alternative development strategies.

These optimistic views about the future business environment in George Town are likely to have a positive impact on any decisions of existing businesses as to whether to stay in George Town or move elsewhere. In the survey, respondents were asked, "If these projects were implemented (i.e., the culture-led or the tourist-led scenarios), how do you think it might affect the future location of your business?" The results show little inclination to relocate, with only 4 percent less likely to stay under the heritage-led strategy and 7 percent under the tourist-led scenario (table 3.5). Overall, for either scenario, approximately 85 percent of our sample of businesses responded that they would be more likely to stay or that their location would not change. These results are comparable with responses to a similar question in the earlier 2009 census, in which the question was phrased, "Do you think the business will still be operating in this location in 5 years' time?" In response, 79 percent said yes, 3 percent said no, and 18 percent did not know (n=3053).

Finally, in our consideration of economic aspects of future development paths for George Town, we turn to businesses' views on the desirability or otherwise of investing in restoring the city's cultural heritage. The results shown in table 3.6 indicate only a small minority of businesses (7 percent) believe that such investment would not improve George Town as a place to do business or that it would be a waste of money (18 percent). The great majority (83 percent) agreed that restoring old buildings would improve George Town and that such investment would be worthwhile (62 percent). In short, the positive impacts of heritage on the business environment of the city are clearly recognized by the business community.

Social Aspects

The nature of George Town as a World Heritage site with a clearly defined locational identity and a stable business and resident population has helped create a strong sense of community. In the survey, we asked businesses about the importance of these community characteristics and the

TABLE 3.4.

Survey results of businesses' expectations about long-term economic development in George Town under the heritage-led and tourism-led scenarios.

		Changes over BAU under:		
		Business as usual (BAU)	Heritage-led scenario	Tourism-led scenario
Business opportunities in George Town	Sample size (n)	n=225	n=105	n=120
	Likely to increase, %	66	4	8
	Not likely to change, %	21	3	1
	Likely to decrease, %	13	-7	-9
	Total, %	100	—	—
	Weighted average score*	3.74	0.15	0.24
	t-value (p value)	—	2.70 (.01)	2.72 (.01)
Diversity of businesses in George Town	Sample size (n)	n=224	n=102	n=119
	Likely to increase, %	62	6	12
	Not likely to change, %	28	0	-7
	Likely to decrease, %	10	-6	-5
	Total, %	100	—	—
	Weighted average score*	3.72	0.13	0.18
	t-value (p value)	—	1.37 (.17)	2.37 (.02)
Numbers of businesses moving into George Town	Sample size (n)	n=224	n=103	n=120
	Likely to increase, %	56	17	14
	Not likely to change, %	30	-10	-8
	Likely to decrease, %	14	-7	-6
	Total, %	100	—	—
	Weighted average score*	3.61	0.27	0.26
	t-value (p value)	—	3.48 (.00)	2.46 (.02)
Numbers of businesses moving out of George Town	Sample size (n)	n=213	n=100	n=113
	Likely to increase, %	47	1	-4
	Not likely to change, %	39	-7	3
	Likely to decrease, %	14	6	1
	Total, %	100	—	—
	Weighted average score*	3.41	-0.07	-0.10
	t-value (p value)	—	-1.15 (.25)	-1.12 (.27)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

TABLE 3.5. Survey results indicating likelihood of businesses to stay in George Town under the heritage-led and tourism-led scenarios.

	Heritage-led scenario (n=109)	Tourism-led scenario (n=122)
	%	
The business would be more likely to stay	48	51
The business location would not change	38	33
The business would be less likely to stay	4	7
Do not know/Cannot say	10	9
Total	100	100

TABLE 3.6. Survey results of businesses' views on the value of heritage-led investment.

Business views on:	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
Investing in restoring old buildings in George Town is a waste of money (n=227)	8	10	19	39	23	100	2.4
Restoring the cultural heritage of George Town would improve it as a place to do business (n=229)	38	45	10	5	2	100	4.1

* 5 – “Strongly agree,” 4 – “Agree,” 3 – “Neutral,” 2 – “Disagree,” 1 – “Strongly disagree.”

values associated with a socially cohesive society. The responses show a very strong awareness among businesses (nine out of ten) of the importance of community in making George Town a special place (table 3.7). Moreover, a similar proportion of businesses share an appreciation of the role of the public realm, with strong endorsement of public and community spaces as positive features in community life.

A socially cohesive society can also be seen as one that provides facilities and services that are available to everyone in the community. We asked businesses whether they agreed with this proposition as a characteristic of George Town. About three-quarters of respondents (74 percent)

TABLE 3.7. Survey results of businesses' views on the existing social conditions that make George Town special.

	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Weighted average score*
	%						
Sense of community (n=231)	38	50	11	1	0	100	4.2
Public and community spaces (n=231)	39	48	12	1	0	100	4.3

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

agree or strongly agree, with only 11 percent disagreeing (weighted average score 3.9). The picture that emerges is one of George Town as a fair and equitable society with a sense of nondiscriminatory access to the public benefits it offers.

Cultural Aspects

In the previous section, we noted the social reasons why George Town might be judged to be a special place in the eyes of its inhabitants, but there are even stronger cultural reasons. Such an observation is hardly surprising if one considers that the city’s accession to the World Heritage List was granted for precisely these reasons; that is, the unique cultural qualities of the city that underlie its universal human value (fig. 3.2). In the survey, we sought evidence of the extent to which the cultural attributes of George Town were recognized by businesses and residents. The results from business respondents are shown in table 3.8. Interviewees were asked how important they believed a range of cultural features of George Town to be in making the city a special place. Both tangible and intangible cultural capital assets were identified as important contributors, with “Most important” being the city’s cultural identity and traditions, closely followed in order of



FIGURE 3.2. A Chinese shrine, right, next to a shrine to an Indian deity. Such juxtapositions of multicultural heritage are reflected in George Town’s built environment. Photo: Jeff Cody © J. Paul Getty Trust.

TABLE 3.8. Survey results of businesses' views on the cultural conditions that make George Town special.

Attributes of George Town as a "special place"	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Most important (n=202)	Weighted average score*
	%							
Cultural identity and traditions (n=231)	61	32	6	1	0	100	39	4.5
Traditional street food (n=231)	52	43	3	1	0	100	22	4.4
Heritage buildings and sites (n=231)	53	39	5	2	0	100	20	4.4
Festivals and other public events (n=231)	55	35	9	1	0	100	13	4.4
World Heritage status (n=231)	48	35	12	3	1	100	6	4.3
Total	—	—	—	—	—	—	100	—

* 5 - "Very important," 4 - "Important," 3 - "Neutral," 2 - "Unimportant," 1 - "Very unimportant."

"Most important" by traditional street food, heritage buildings and sites, and festivals and other public events. These responses confirm the fact that culture and heritage play an important role in identifying the city as an attractive environment for businesses. Given that these are the characteristics that draw tourists to the city, our results suggest that businesses appreciate the connection between the cultural features of George Town and its commercial economy.

Further confirmation of these positive views is provided by responses to the overall assessment of cultural value contained in this study, referring to dimensions of value such as aesthetic value, symbolic value, and educational value. These three dimensions are briefly discussed above in the Executive Summary; several more are listed in table 3.9. The highest score in assessing cultural value is attributed to the beauty of the city, including its heritage buildings, streetscapes, and green spaces. Businesses also recognize the educational and personal identity values associated with the place. Their views are summed up by their willingness to recommend a visit to George Town to others. Most businesses (93 percent) would make such a recommendation.

Finally in this section, we consider the potential impacts on the cultural environment of George Town if either of the two alternative scenarios for urban development were to be implemented. As expected, the heritage-led scenario has the most significant positive effect on enhancing the city's cultural environment. Table 3.10 shows that the proportion of businesses expecting the historical character of George Town to improve in the future under this scenario is increased by 17 percentage points over BAU. Similarly, a 14 percent increase is shown for the improvement in the city's cultural identity. By contrast, the tourism-led path would not have any impact on these aspects of the cultural environment in the view of businesses.

In general, improvements in a city’s cultural environment are likely to contribute to a sense of civic pride among the inhabitants, which might be reflected in their willingness to take better care of their premises. This outcome appears to have some validity in the George Town case. As shown in table 3.10, the proportion of respondents expecting the heritage-led scenario to induce more businesses in George Town to restore or renovate their premises increases by 12 percentage points compared to BAU. Again, the tourism-led scenario would not lead to the same outcome.

Priorities for Future Development

What does the business community think about ways in which George Town could be improved in the future as a place to do business? Table 3.11 lists possible priorities and captures the opinions of businesses as to their impacts. Attracting more visitors clearly would be an attractive prospect for the commercial life of the city, and one of the most direct ways to accomplish this is to stage more festivals and other public events. Having more of these activities emerges as “Most important” among the various possible priorities by the largest proportion of businesses (35 percent), with 86 percent of businesses believing these events would have a positive or very positive effect in improving the business conditions in George Town. A substantial majority of respondents also endorse other related priorities, including better protection of heritage, less traffic, more green spaces and public facilities, and more cultural attractions such as galleries and museums (fig. 3.3).

TABLE 3.9. Survey results of businesses’ views on the cultural values and environment of George Town.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
George Town is a beautiful place (n=231)	60	36	3	1	0	100	4.5
George Town is a good place for teaching children about cultural heritage (n=228)	36	50	9	5	0	100	4.2
The existence of George Town has a personal value to me as I have memories associated with this place (n=226)	44	38	16	1	0	100	4.2
I would recommend visiting George Town to my friends/visitors to Penang and Malaysia (n=231)	61	32	6	1	0	100	4.5

* 5 – “Strongly agree,” 4 – “Agree,” 3 – “Neutral,” 2 – “Disagree,” 1 – “Strongly disagree.”

TABLE 3.10. Survey results of businesses' views on the impacts of the heritage-led and tourism-led scenarios on the cultural environment of George Town in the next six to ten years.

Expected impacts on:		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Numbers of businesses restoring and renovating their premises in George Town	Sample size (n)	n=224	n=105	n=118
	Likely to increase, %	65	12	2
	Not likely to change, %	29	-9	-4
	Likely to decrease, %	6	-3	2
	Total, %	100	—	—
	Weighted average score*	3.83	0.14	-0.04
	t-value (p value)	—	1.69 (.09)	-0.59 (.56)
Historical character of George Town	Sample size (n)	n=225	n=105	n=119
	Likely to increase, %	54	17	1
	Not likely to change, %	32	-10	-2
	Likely to decrease, %	14	-7	1
	Total, %	100	—	—
	Weighted average score*	3.61	0.35	-0.05
	t-value (p value)	—	2.77 (.01)	0.56 (.57)
Cultural identity of George Town	Sample size (n)	n=226	n=106	n=119
	Likely to increase, %	54	14	-1
	Not likely to change, %	32	-7	-2
	Likely to decrease, %	14	-7	3
	Total, %	100	—	—
	Weighted average score*	3.61	0.33	-0.11
	t-value (p value)	—	2.71 (.01)	-0.70 (.49)

* 5 – “Likely to increase a lot,” 4 – “Likely to increase a little,” 3 – “Not likely to change,” 2 – “Likely to decrease a little,” 1 – “Likely to decrease a lot.”

TABLE 3.11. Survey results of businesses' views on the impacts of priorities for improving George Town as a place to do business.

Priorities	Very positive effect	Positive effect	Neutral	Negative effect	Very negative effect	Total	Most important (n=231)	Weighted average score*
	%							
More festivals and other public events (n=231)	43	43	12	1	—	100	35	4.3
More regulation to protect heritage (n=231)	36	38	16	7	3	100	20	4.0
Less traffic (n=231)	43	33	14	8	2	100	18	4.1
More green areas, public spaces, and facilities (n=231)	34	50	13	2	1	100	13	4.1
Regulations to provide security for tenants (n=231)	33	54	11	3	0	100	8	4.2
More art spaces, galleries, museums (n=231)	26	43	27	4	0	100	4	3.9
Fewer tourists (n=231)	17	20	18	36	9	100	2	3.0
Total	—	—	—	—	—	—	100	—

* 5 – “Very positive effect,” 4 – “Positive effect,” 3 – “Neutral,” 2 – “Negative effect,” 1 – “Very negative effect.”

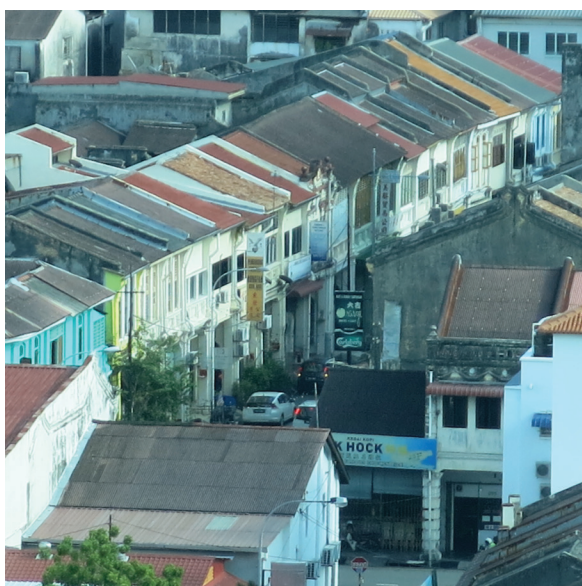


FIGURE 3.3. Historic shophouses in the core of the George Town World Heritage site. Living in dense areas such as this gives rise to the need for public gathering spaces (e.g., parks) and better traffic solutions. Photo: Jeff Cody © J. Paul Getty Trust.

Willingness to Pay

Regardless of whether any development strategy were to be introduced in George Town in the future, the heritage of the city will still need to be protected and conserved. Businesses were asked whether they would be willing to make a one-off donation to an independent fund to help in restoring heritage. Our estimates of willingness to pay, as discussed in chapter 1 and subsequent chapters, are not derived from a rigorous research application of one of the methods for estimating public-good demand such as contingent valuation methodologies. Rather, we apply an approach that simply establishes whether there is some perception of the existence of generalized community benefits for heritage investment and obtains a broad indication of the willingness of respondents to contribute.

Just under half of George Town business respondents (45 percent) are willing to pay (table 3.12). Excluding those who did not know or could not say, the proportion of willing businesses rises to two-thirds, with an average contribution of around 150 MYR. There is no benchmark with which to compare this amount. Nevertheless, the positive response on this issue expressed by most of those businesses with an opinion is a broad indication of the existence of a generalized community benefit experienced as a public good provided by George Town's cultural heritage assets.

TABLE 3.12. Survey results of businesses' willingness to contribute to an independent fund for heritage restoration under alternative scenarios.

Willing to contribute as a one-off contribution	All respondents %
Sample size, n	(n=231)
Yes, %	45
No, %	23
Do not know/Cannot say, %	32
Total, %	100
Sample size, n*	(n=103)
One-off contribution amount, MYR	147

* Those willing to contribute.

ALTERNATIVE DEVELOPMENT PATHWAYS: IMPACTS ON RESIDENTS

The Residential Sector of George Town

In 2019, there were 1,746 households located within the boundaries of George Town and 6,939 residents, according to the George Town Population and Land Use Census (Think City 2019). The residential population is predominantly male (58 percent), and only 7 percent are children (defined as 15 years old or under). The average number of people residing in one household is four.

The great majority of the George Town population are Chinese Malaysian (62 percent), 12 percent are Indian Malaysian, and 13 percent are Malay Malaysian, with the remainder represented by other ethnicities and nationalities. About two in five residences in George Town are owned by their inhabitants, but most are rented (57 percent). Most residential premises are owned by families (36 percent) or individuals (27 percent), associations own about 12 percent, 14 percent are owned by the government, and 8 percent by businesses.

Of the households in George Town, a majority of their inhabitants have resided there for more than a decade: two-thirds have lived there for more than ten years, with the average number of years of residence being forty. Once in George Town, most households tend to stay in the same location; only 6 percent had moved within the George Town boundaries in the last ten years. The average length of stay in the same location for a household is thirty-two years.

Among those who moved to George Town within the last five years, the most common reasons for doing so were close proximity to work (26 percent of respondents), ability to live above the shop/workplace where they work (18 percent), and/or the sale price or rent of their residences (10 percent). Since the World Heritage listing, there has been a significant decline in the residential population of George Town; over the past ten years, 32 percent of residents have left (fig. 4.1). This decline has particularly affected the population of children ages 15 years or under, which has decreased dramatically by 62 percent over the last decade. About three in ten of George Town working residents are self-employed (28 percent). The unemployment rate for George Town residents is very low—just 1 percent.

The direction that developments in George Town are likely to take over the coming years will affect the economic, social, and cultural



FIGURE 4.1. A row of shophouses with vacant second stories. The depopulation of the central city is evident from these empty second-floor units, where families once resided above the shops below. Photo: Jeff Cody © J. Paul Getty Trust.

environment in which the local community lives. Issues such as negative gentrification effects, excessive cultural commodification, and social inequity and exclusion are of particular concern. This chapter discusses the range of impacts that the two alternative strategies might be expected to have on the residential population of George Town, defined as people residing at an address within the city boundaries.

Economic Aspects

Residents were asked about the possible impacts on their economic circumstances if either of the two development scenarios—heritage-led or tourism-led—for the city were implemented. The aspects of economic life covered are living costs, opportunities for employment and business activities, and property values/rental levels.

Table 4.1 shows the proportions of residents expecting increases or decreases in these aspects, first, if no new development strategy were introduced—that is, assuming BAU—and second, under each of the two scenarios. Both strategies for development are seen by residents as being likely to create more business and employment opportunities for their families, a statistically significant result. Regarding employment, the heritage-led scenario performs slightly better than the tourism-driven scenario.

Another important determinant of economic well-being of George Town residents is their living costs. Although under BAU the great majority of residents expect increases in living costs (83 percent), the survey results show that residents on average expect the heritage-led scenario to reverse this trajectory to some extent and contribute to some reduction in living costs. Our data reveal no evidence that the tourism-led scenario would affect residents' expectations about living costs.

The economic lives of residents will be affected by changes in the value of the domestic housing they own or the cost of the rent they must pay for their living space. If things continue as usual, residents of George Town expect these values and costs to increase “a little” (weighted average score 4.3), but these expectations change to “a lot” under the tourism-led scenario (weighted average score 4.5), a statistically significant result. The heritage-led scenario does not appear to affect expectations about property values/rentals.

In the survey, residents were asked whether they are planning to invest in restoring or renovating their owned/rented properties in the next five years. As shown in table 4.2, only 13 percent responded positively to this question under BAU, with an average amount of planned investments of 27,200 MYR. After introducing the alternative scenarios, residents were asked if their investment plans would then change. The proportion who are planning to invest remains unaffected in the heritage-led scenario but falls in the tourism-led case. Nevertheless, both scenarios seem to raise more uncertainty about investment decisions, as about half of residents report being unsure if the scenarios were to be introduced. The increases in the monetary value of investments shown in table 4.2 are statistically nonsignificant.

Buoyant economic conditions for residents in George Town are an important factor in potentially attracting new families to the area. On the other hand, if those conditions are unfavorable, they become a factor in persuading existing residents to move out. In the survey, residents were asked

TABLE 4.1. Survey results of residents' expectations about the impacts of external conditions on their economic circumstances under the heritage-led and tourism-led scenarios in the next five years.

Expected changes in family's economic circumstances		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Living cost	Sample size (n)	n=264	n=121	n=143
	Likely to increase, %	83	-10	4
	Not likely to change, %	15	10	-4
	Likely to decrease, %	2	0	0
	Total, %	100	—	—
	Weighted average score*	4.4	-0.5	0.0
	t-value (p value)	—	-5.56 (.00)	-0.44 (.66)
Employment opportunities	Sample size (n)	n=248	n=118	n=138
	Likely to increase, %	63	5	5
	Not likely to change, %	29	3	-5
	Likely to decrease, %	8	-8	0
	Total, %	100	—	—
	Weighted average score*	3.7	0.2	0.1
	t-value (p value)	—	2.45 (.02)	2.19 (.03)
Opportunities for business activities	Sample size (n)	n=256	n=121	n=135
	Likely to increase, %	63	7	10
	Not likely to change, %	28	1	-5
	Likely to decrease, %	9	-8	-5
	Total, %	100	—	—
	Weighted average score*	3.7	0.2	0.2
	t-value (p value)	—	2.52 (.01)	3.62 (.00)
Property value/rental	Sample size (n)	n=263	n=121	n=144
	Likely to increase, %	82	-3	7
	Not likely to change, %	16	4	-6
	Likely to decrease, %	2	-1	-1
	Total, %	100	—	—
	Weighted average score*	4.3	0.0	0.2
	t-value (p value)	—	0.24 (.81)	3.25 (.00)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

TABLE 4.2. Survey results of residents' plans to invest in their premises over the next five years under the culture-led and tourism-led scenarios.

Scenarios	N	Planned Investments	No planned investments	Not sure/Cannot say	Total	N*	Average investment '000 MYR	t-value (p value)
		%						
Business as usual	(n=267)	13	45	42	100	(n=34)	27.2	—
Heritage-led scenario	(n=123)	12	34	54	100	(n=15)	43.0	1.00 (.34)
Tourism-led scenario	(n=144)	7	44	49	100	(n=11)	60.0	0.61 (.57)

* Those planning to invest.

about their expectations as to the possible extent of such movements in the longer term (table 4.3). The weighted scores suggest a somewhat greater expectation on average of outward rather than inward movement if nothing changes. However, residents see a heritage-led strategy as being more likely to attract people to live in the area compared to the BAU scenario; these results are statistically significant. Table 4.3 also shows that the numbers of residents likely to restore or renovate their properties in the future are expected to increase quite dramatically under BAU; the proposed implementation of either of the alternative scenarios does not affect these expectations.

The 2019 census data indicate that 80 percent of residents are likely to still be living in their George Town neighborhood in the next five years. Only 4 percent are inclined to leave, and 16 percent are unsure whether they would leave or not if things continue as they are. In the survey, we asked residents if the location of their household would be affected if either of the proposed scenarios were implemented. The data in table 4.4 largely replicate the census findings, showing totals of around 80 percent in the combined “more likely” and “no change” categories under both scenarios.

Finally, in our investigation of economic impacts, we turn to further evidence from the survey that reinforces the key role heritage plays in affecting the views of residents: 85 percent of respondents agree or strongly agree that restoring the cultural heritage of George Town would improve it as a place to live (table 4.5). A similar finding is evident in the fact that almost two-thirds of those holding an opinion disagree with the proposition that investing in heritage is a waste of money.

TABLE 4.3. Survey results of residents' expectations about long-term economic impacts regarding inward and outward movement and property restoration/renovation under the heritage-led and tourism-led scenarios.

Expected long-term changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Numbers of families/ residents moving into George Town	Sample size (n)	n=256	n=121	n=139
	Likely to increase, %	52	8	2
	Not likely to change, %	22	6	1
	Likely to decrease, %	26	-14	-3
	Total, %	100	—	—
	Weighted average score*	3.3	0.3	0.1
	t-value (p value)	—	4.25 (.00)	1.53 (.13)
Numbers of families/ residents moving out of George Town	Sample size (n)	n=260	n=122	n=141
	Likely to increase, %	62	-9	-2
	Not likely to change, %	25	9	3
	Likely to decrease, %	13	0	-1
	Total, %	100	—	—
	Weighted average score*	3.6	-0.1	-0.1
	t-value (p value)	—	-0.99 (.32)	-0.77 (.44)
Number of residents restoring and renovating their premises	Sample size (n)	n=254	n=118	n=140
	Likely to increase, %	60	3	5
	Not likely to change, %	34	1	-6
	Likely to decrease, %	6	-4	1
	Total, %	100	—	—
	Weighted average score*	3.8	0.0	0.1
	t-value (p value)	—	0.87 (.39)	1.07 (.29)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Likely not to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

TABLE 4.4. Survey results regarding likelihood of residents to remain in George Town in the next five years under the heritage-led and tourism-led scenarios.

Likelihood of residents staying in George Town	Heritage-led scenario (n=123)	Tourism-led scenario (n=144)
	%	
More likely	45	58
No change	34	22
Less likely	2	5
Do not know/Cannot say	19	15
Total	100	100

TABLE 4.5. Survey results of residents' views on the value of heritage-led investment in George Town.

Residents' views	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
Restoring the cultural heritage of George Town would improve it as a place to live in (n=265)	39	46	10	5	0	100	4.2
Investing in restoring old buildings in George Town is a waste of money (n=264)	6	18	12	40	24	100	2.4

* 5 - "Strongly agree," 4 - "Agree," 3 - "Neutral," 2 - "Disagree," 1 - "Strongly disagree." Excludes "No opinion/Cannot say" responses.

Social Aspects

George Town is perceived by its residents as a site that allows for social inclusion, as confirmed by the data in table 4.6. Most residents agree that "the facilities and services of George Town are available to everyone" (weighted average score 4.1, indicating "Agree"), with only 7 percent of respondents disagreeing.

As part of the survey, residents were asked to assess the importance of George Town's sense of community as well as its public and community spaces (fig. 4.2). Table 4.7 summarizes the results. Both social conditions are assessed as "important" by residents, and hardly any of respondents assess them as "unimportant." These results highlight the importance of social inclusion in political

TABLE 4.6. Survey results of residents' views on social inclusion in George Town.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
The facilities and services of George Town are available to everyone (n=258)	33	51	9	7	*	100	4.1

* 5 - "Strongly agree," 4 - "Agree," 3 - "Neutral," 2 - "Disagree," 1 - "Strongly disagree." Excludes "No opinion/Cannot say" responses.

TABLE 4.7. Survey results of residents' views on the importance of George Town's sense of community and public and community spaces.

	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Weighted average score* (n=267)
	%						
Sense of community (n=267)	36	54	10	**	0	100	4.2
Public and community spaces (n=267)	39	51	9	1	0	100	4.3

* 5 - "Very important," 4 - "Important," 3 - "Neutral," 2 - "Unimportant," 1 - "Very unimportant."

** Less than 1%.



FIGURE 4.2.

An outdoor market in George Town, one of many that attract residents of several ethnicities, while others cater to particular ethnic groups. Such street activities reflect the high degree of social inclusion that characterizes much of George Town's urban character. Photo: Scott Warren © J. Paul Getty Trust.

strategies in Malaysia, where the effects noted in our data are closely tied to socioeconomic stability as a fundamental aspect of development.

The survey data indicate that more than two-thirds of George Town residents expect the quality of living in George Town to improve if things continue as they are (table 4.8); this proportion remains much the same under either scenario. At the same time, residents perceive that the heritage-led scenario would contribute to improving one specific aspect of social conditions in the city—diversity of housing options available to residents—compared to BAU. The table shows a statistically significant result for this comparison.

TABLE 4.8. Survey results of residents' views on the social conditions in George Town under the heritage-led and tourism-led scenarios.

Residents' views on different social conditions		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Short-term changes (next 5 years)				
Quality of living conditions in my neighborhood	Sample size (n)	n=263	n=121	n=143
	Likely to increase, %	69	1	0
	Not likely to change, %	20	7	-3
	Likely to decrease, %	11	-8	3
	Total, %	100	—	—
	Weighted average score*	3.8	0.1	0.0
	t-value (p value)	—	1.30 (.20)	0.57 (.57)
Long-term changes (6 to 10 years)				
Diversity of housing options available to residents (i.e., students)	Sample size (n)	n=258	n=121	n=139
	Likely to increase, %	54	1	-2
	Not likely to change, %	30	7	1
	Likely to decrease, %	16	-8	1
	Total, %	100	—	—
	Weighted average score*	3.5	0.2	0.0
	t-value (p value)	—	2.43 (.02)	0.45 (.65)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Likely not to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."



FIGURE 4.3. A temple to the Chinese goddess Guanyin, reflecting the strong spiritual connection many Penang residents have to their deeply held cultural identity and traditions. Photo: Scott Warren © J. Paul Getty Trust.

Cultural Aspects

The top characteristic of George Town that makes it a special place in the opinions of residents is its cultural identity and traditions (fig. 4.3). As shown in table 4.9, this characteristic is seen as “very important” by residents (weighted average score 4.6) and as “most important” among all other cultural aspects by the largest share of residents (36 percent). Two other characteristics that are perceived as “very important” are the city’s heritage buildings and sites, and its festivals and other public events (weighted average score 4.5 for each). A quarter of residents consider George Town’s traditional street food as the “most important” characteristic for making it a special place to them. Heritage buildings and sites rank third among the “most important” characteristics as voted by residents (16 percent).

Table 4.10 shows residents’ views on the cultural environment of George Town by measuring the level to which residents agree with the various statements. The data indicate a strong perception of the cultural value of the city. The most recognized components of the city’s cultural value are its aesthetic qualities as a “beautiful place” and the value it yields to friends and visitors. The fact that the great majority have personal memories associated with George Town indicates the city’s symbolic value as a source of identity to its residents.

TABLE 4.9. Survey results of residents' views of the cultural characteristics that make George Town special.

	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Most important (n=248)	Weighted average score* (n=267)
	%							
Cultural identity and traditions (n=267)	67	28	4	1	0	100	36	4.6
Traditional street food (n=267)	49	46	4	**	**	100	25	4.4
Heritage buildings and sites (n=267)	59	35	5	1	0	100	16	4.5
World Heritage status (n=264)	55	31	12	2	**	100	13	4.4
Festivals and other public events (n=266)	59	34	5	2	0	100	10	4.5
Total	—	—	—	—	—	—	100	—

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

** Less than 1%.

TABLE 4.10. Survey results of residents' views on the cultural values and environment of George Town.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
George Town is a beautiful place (n=267)	60	36	3	1	0	100	4.5
The existence of George Town has a personal value to me as I have memories associated with this place (n=254)	44	38	18	0	0	100	4.3
I would recommend visiting George Town to my friends/visitors to Penang and Malaysia (n=265)	58	37	5	**	0	100	4.5

* 5 – “Strongly agree,” 4 – “Agree,” 3 – “Neutral,” 2 – “Disagree,” 1 – “Strongly disagree.” Excludes “No opinion/Cannot say” responses.

** Less than 1%.

TABLE 4.11. Survey results of residents' views on priorities for improving the public realm of George Town.

Priorities	Very positive effect	Positive effect	Neutral	Negative effect	Very negative effect	Total	Most important (n=267)	Weighted average score* (n=267)
	%							
More festivals and other public events (n=266)	57	33	8	2	0	100	33	4.4
Less traffic (n=266)	55	34	5	6	0	100	18	4.4
More regulation to protect heritage (n=266)	40	44	10	5	1	100	17	4.2
More green areas, public spaces and facilities (n=266)	48	43	8	1	0	100	13	4.4
Regulations to provide security for tenants (n=267)	44	47	8	1	0	100	9	4.4
More art spaces, galleries, museums (n=265)	38	42	17	3	0	100	7	4.2
Fewer tourists (n=266)	26	15	18	36	5	100	3	3.2
Total	—	—	—	—	—	—	100	—

* 5 - "Very positive effect," 4 - "Positive effect," 3 - "Neutral," 2 - "Negative effect," 1 - "Very negative effect."

Priorities for Future Development

As part of the survey, respondents were provided with a list of priorities for improving the public realm of George Town; the findings are presented in table 4.11. Residents clearly view all proposed measures positively, with the most favored improvements being more festivals and other public events, closely followed by less traffic, the latter a perennial problem in the heart of the city. Likewise, strong support is given to protection for tenants and the provision of more green areas and public spaces. Opinions are divided, however, on the prospect of fewer tourists coming to George Town in the future; the proportions of residents who see this as positive versus those who see it as negative are similar. Regardless of the scenario, it is apparent that residents are concerned about their economic circumstances and see tourism as an important determinant of their economic well-being. Going forward, future urban development strategies should not overlook the economic benefits of tourism for residents, but should balance these benefits against the potential negative impacts on the social and cultural quality of life that residents enjoy and that is an important determinant of the attractiveness of the site to visitors.

When asked to identify one priority as “most important” for George Town, one-third of respondents named more festivals and public events. A reduction in traffic problems and more regulations to provide security for tenants were the second and third choices, respectively.

Willingness to Pay

During the survey, respondents were informed that, regardless of whether any of the proposed scenarios were to be implemented, George Town will need further significant investments to maintain and restore its cultural heritage. They were asked, “If a fund were set up to help in restoring heritage, managed by an independent non-profit organization, would you be willing to make a one-off [or onetime] contribution?” Table 4.12 summarizes the results. Only about a third of residents indicate that they would contribute to such a fund, with a mean contribution among those willing to contribute being 56 MYR. Among those who do not wish to contribute, the main reasons given are financial difficulties (44 percent), a conviction that such a contribution should not be the direct responsibility of residents (21 percent), and simply not being interested (20 percent). Among those willing to contribute, protecting heritage is the reason most often stated (17 percent).

TABLE 4.12. Survey results of residents’ willingness to make a one-off contribution to a fund for heritage restoration.

Willing to contribute as a one-off contribution	All respondents %
Sample size, n	(n=267)
Yes, %	36
No, %	46
Do not know/Cannot say, %	18
Total, %	100
Sample size, n*	(n=101)
One-off contribution amount, MYR	56

* Those willing to contribute.

ALTERNATIVE DEVELOPMENT PATHWAYS: IMPACTS ON CULTURAL INSTITUTIONS

Cultural Institutions in George Town

In 2019, the George Town Population and Land Use Census recorded 24 educational institutions and 174 associations, clans, and non-governmental, religious, political, or other organizations within the boundaries of George Town (Think City 2019) (fig. 5.1). Comparison of these figures with those from the 2009 George Town Population and Land Use Census reveals a 32 percent increase among educational institutions and a 13 percent decrease among other organizations over the ten-year period. Table 5.1 reflects the diversity of cultural organizations and institutions that are currently operating in George Town.

Most of the organizations were established in George Town several decades ago. Average length of stay in the same location within the George Town area is thirty-one years for educational institutions and eighty-one years for other organizations. Such continuity of stay within the city boundaries highlights these groups’ long-term relationship with and historical connection to this place. Of these organizations, only about 3 percent moved to their current location within the last

TABLE 5.1. Breakdown of cultural groups, showing the diversity of cultural organizations and institutions currently operating in George Town.

Type of cultural organization/institution (n=174)	%
Religious institutions, i.e., temples, mosques, churches	46
Society associations	18
Clan associations	14
Community facilities, i.e., libraries, halls	5
Shrines, tombs	3
Non-governmental organizations	4
Business associations/unions	3
Sport and recreation organizations	2
Chambers of commerce	3
Cemeteries	1
Other organizations/institutions	1
Total	100



FIGURE 5.1. This red-roofed temple and its adjoining structures, which serve both social welfare and religious purposes, attest to the quantity and quality of many of George Town’s cultural institutions. Photo: Jeff Cody © J. Paul Getty Trust.

five years. The reasons most cited for this include inheriting a building, desire to move closer to the group's members, building on the organization's cultural heritage, and status of the area as a World Heritage site.

The majority of premises occupied by cultural organizations in George Town are owned (74 percent), most by associations (71 percent) and the remainder by the government (12 percent) and by other individuals, businesses, and not-for-profit organizations. Regarding the ethnic composition of the workforce of cultural institutions in George Town, this sector employs Chinese Malaysians (58 percent), Indian Malaysians (18 percent), and Malay Malaysians (12 percent).

In the sections that follow, we consider the views of the managers of George Town's cultural institutions on the economic, social, and cultural environment in which they operate, and we discuss their opinions as to the impacts of the two alternative scenarios on their operations. At the outset, we draw attention to a certain ambivalence among cultural institutions when considering future scenarios for the city. On the one hand, the very notion of their existence as organizations centrally placed in the cultural sector is testament to the cultural dimensions of George Town life: the heritage buildings and sites, the cultural diversity, the strength of the city's intangible heritage, and so on. On the other hand, these institutions acknowledge that for most of them, it is the tourism industry that they rely on for their survival and growth. Thus, if faced with a choice between a development pathway emphasizing art, culture, and heritage and one focusing on tourism, a dual incentive exists, which became evident in some of the responses in our survey. Nevertheless, some of the managers with whom we spoke recognize that it need not be an either-or situation but, rather, one in which cultural factors are important in framing the demand for tourist experiences. As such, a heritage-led scenario could have beneficial impacts on tourism, especially on the high-end cultural-tourism market, as compared to the indiscriminating impacts of mass tourist arrivals (fig. 5.2).

It is important to bear these considerations in mind in interpreting the results discussed below.



FIGURE 5.2.

View of the rehabilitated and greatly expanded Eastern & Oriental Hotel (est. 1885). Tourism is an enterprise that caters to wealthier travelers who can afford high-end lodgings such as this one, and to those of lesser means, both domestic and international. Photo: Jeff Cody © J. Paul Getty Trust.

Economic Aspects

First, we turn to the expectations of cultural institutions about the likely changes in their client base, which comprises visitors from Penang, the rest of Malaysia, and overseas. Table 5.2 shows that cultural institutions expect visitation to increase in the next five years across all types of visitors—Penang residents, visitors from elsewhere in Malaysia, and visitors from abroad. Neither of the proposed scenarios changes these expectations.

TABLE 5.2. Survey results of cultural institutions' expectations about impacts on their client base from changes in external factors under the heritage-led and tourism-led scenarios.

Expected changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Number of Penang residents visiting your institution	Sample size (n)	n=46	n=29	n=16
	Likely to increase, %	80	10	0
	Not likely to change, %	13	-3	6
	Likely to decrease, %	7	-7	-6
	Total, %	100	100	100
	Weighted average score *	3.89	0.17	0.00
	t-value (p value)	—	0.81 (.42)	0.00 (1.00)
Number of visitors to your institution from elsewhere in Malaysia	Sample size (n)	n=45	n=29	n=16
	Likely to increase, %	80	3	12
	Not likely to change, %	18	0	-12
	Likely to decrease, %	2	-3	0
	Total, %	100	100	100
	Weighted average score *	3.87	0.13	0.19
	t-value (p value)	—	1.07 (.29)	1.86 (.08)
Number of foreign tourists visiting your institution	Sample size (n)	n=44	n=29	n=15
	Likely to increase, %	82	-7	12
	Not likely to change, %	18	7	-12
	Likely to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.95	-0.07	0.23
	t-value (p value)	—	-0.63 (.54)	1.75 (.10)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot."

How will these expected changes in client base affect the institutions' economic circumstances? In line with the possibility of increased tourist numbers as noted above, under the heritage-led scenario the expectations of institutions regarding their annual turnover lean toward "likely to increase a little" (weighted average score 3.7); under the tourism-led scenario, expectations are that annual turnover is "not likely to change" (table 5.3).

Cultural institutions rely on funds from a variety of sources, including sales of goods and services, government assistance, and private donations (philanthropy). Respondents were asked whether they expected any changes in the financial support they receive from government and the private sector. Table 5.3 shows that there exists some optimism for an increase in support from both sources under a heritage-led scenario, but the opposite is true for a tourism-led strategy. A particularly striking result is that four out of five cultural institutions are already expecting an increase in philanthropy even if neither scenario were implemented, an expectation enhanced even further if a heritage-led scenario were to be undertaken—an increase in the proportion of respondents by a further 12 percentage points (a statistically significant result).

Regarding impacts on employment, table 5.4 indicates that the outlook for an increase in employment is not particularly favorable under either scenario, although the differences are not statistically significant. Nevertheless, there appears to be some expectation of improvement in female employment in this sector under the heritage-led scenario, and some decrease in the same expectations under the tourism-led scenario. This is important because cultural institutions are a sector where women play a particularly important role. Two-thirds of cultural institutions believe there will be no change in employees' salaries under BAU, and no significant change is expected in this variable under either scenario. Just over six in ten respondents say they are planning to increase their investment in upskilling their workforce, a proportion that would increase under a heritage-focused development strategy in the future.

Turning to other economic aspects, we show in table 5.5 the institutions' responses on a range of operational matters. Under BAU, fewer than half (46 percent) indicated they would expect to increase the size of their institution or organization. Both scenarios have a marked and statistically significant impact on this proportion, increasing it by almost 20 percentage points in both cases.

With regard to other issues, including the diversity of programs or activities offered by institutions, investments in renovating their premises, and purchases of new equipment, the data reflect that in all these respects, a heritage-led scenario would seem to lead to more positive responses than the alternative, although the differences are not statistically significant. Again, this result is consistent with an overall preference among these groups for seeing the cultural infrastructure of George Town strengthened and enhanced. This indicates a healthy potential for growth in the supply of cultural resources in George Town, unlike the saturation seen in other heritage sites in the region.

A similar observation may be made about the data in table 5.6, which show long-term expectations about the economic impacts of the two scenarios. The great majority of cultural organizations expect both tourist numbers and the range of galleries, museums, and other cultural institutions in George Town to increase "a lot" in the future (weighted average scores 4.7 and 4.5, respectively). The heritage-led scenario may lead to a slight increase in the proportion of organizations expecting a rise in both numbers, but this is not statistically significant. On the other hand, although the tourism-led strategy does not appear to affect BAU expectations on tourist numbers, it does elicit

TABLE 5.3. Survey results of cultural institutions' expectations about impacts on their economic circumstances—including annual turnover and financial support—under the heritage-led and tourism-led scenarios.

Expected changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Annual turnover of organization	Sample size (n)	n=44	n=27	n=16
	Likely to increase, %	46	12	-13
	Not likely to change, %	52	-12	19
	Likely to decrease, %	2	0	-6
	Total, %	100	100	100
	Weighted average score *	3.50	0.16	-0.06
	t-value (p value)	—	1.00 (.33)	-0.29 (.77)
Financial support from government	Sample size (n)	n=40	n=28	n=14
	Likely to increase, %	43	4	-7
	Not likely to change, %	57	-4	7
	Likely to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.50	0.07	-0.07
	t-value (p value)	—	1.14 (.27)	-0.43 (.67)
Financial support from the private sector	Sample size (n)	n=42	n=29	n=16
	Likely to increase, %	81	12	-5
	Not likely to change, %	19	-12	5
	Likely to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.88	0.19	-0.13
	t-value (p value)	—	2.73 (.01)	-1.00 (.33)

* 5 – “Likely to increase a lot,” 4 – “Likely to increase a little,” 3 – “Not likely to change,” 2 – “Likely to decrease a little,” 1 – “Likely to decrease a lot.”

a response from some institutions that expansion in the numbers of museums and galleries is less likely to occur.

In the 2019 George Town census, organizations identified as “associations and educational institutions” were asked whether they believed they would still be operating in the same location in five years’ time (n=174). Among the respondents, 91 percent said yes and 8 percent did not know,

TABLE 5.4. Survey results of cultural institutions' responses regarding impacts on employment under the heritage-led and tourism-led scenarios.

Expected changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Number of employees	Sample size (n)	n=45	n=30	n=16
	Plan to increase, %	42	-1	-6
	Plan not to change, %	58	-2	6
	Plan to decrease, %	0	3	0
	Total, %	100	100	100
	Weighted average score *	3.47	-0.05	-0.13
	t-value (p value)	—	-0.27 (.79)	-1.00 (.33)
Number of female employees	Sample size (n)	n=43	n=30	n=15
	Plan to increase, %	8	14	-8
	Plan not to change, %	91	-17	8
	Plan to decrease, %	1	3	0
	Total, %	100	100	100
	Weighted average score *	3.12	0.10	-0.09
	t-value (p value)	—	1.36 (.18)	-1.00 (.34)
Employees' salaries	Sample size (n)	n=39	n=27	n=15
	Plan to increase, %	33	5	-2
	Plan not to change, %	67	-5	2
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.36	0.05	-0.03
	t-value (p value)	—	0.81 (.43)	0.00 (1.00)
Investments in skills of employees	Sample size (n)	n=39	n=27	n=15
	Plan to increase, %	62	9	0
	Plan not to change, %	38	-9	0
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.69	0.03	0.06
	t-value (p value)	—	0.00 (1.00)	0.44 (.67)

* 5 - "Plan to increase a lot," 4 - "Plan to increase a little," 3 - "Plan not to change," 2 - "Plan to decrease a little," 1 - "Plan to decrease a lot." Excludes "No opinion/Cannot say" responses.

TABLE 5.5. Survey results of cultural institutions' responses regarding impacts on various operational matters under the heritage-led and tourism-led scenarios.

	Business as usual (BAU)	Changes over BAU under:		
		Heritage-led scenario	Tourism-led scenario	
Size of institution/ organization	Sample size (n)	n=46	n=30	n=16
	Plan to increase, %	46	17	19
	Plan not to change, %	54	-17	-19
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.50	0.20	0.25
	t-value (p value)	—	2.69 (.01)	2.24 (.04)
Diversity of programs/ activities offered by institution/ organization	Sample size (n)	n=46	n=29	n=16
	Plan to increase, %	78	10	0
	Plan not to change, %	22	-10	0
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.91	0.07	0.00
	t-value (p value)	—	0.44 (.66)	0.00 (1.00)
Investments in building or premises, e.g., renovation	Sample size (n)	n=46	n=29	n=16
	Plan to increase, %	74	10	-19
	Plan not to change, %	26	-10	19
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.83	0.03	-0.19
	t-value (p value)	—	0.33 (.75)	-1.38 (.19)
Investments in equipment	Sample size (n)	n=46	n=29	n=16
	Plan to increase, %	67	6	-6
	Plan not to change, %	33	-6	6
	Plan to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	3.7	0.06	-0.06
	t-value (p value)	—	0.33 (.75)	-1.00 (.33)

* 5 – “Plan to increase a lot,” 4 – “Plan to increase a little,” 3 – “Plan not to change,” 2 – “Plan to decrease a little,” 1 – “Plan to decrease a lot.” Excludes “No opinion/Cannot say” responses.

TABLE 5.6. Survey results of cultural institutions' expectations about long-term economic impacts—in terms of the numbers of arts organizations and numbers of visitors—under the heritage-led and tourism-led scenarios.

Expected changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Numbers of arts and cultural institutions/ organizations, i.e., galleries, museums, in George Town	Sample size (n)	n=46	n=30	n=16
	Likely to increase, %	89	3	-7
	Not likely to change, %	9	-3	13
	Likely to decrease, %	2	0	-6
	Total, %	100	100	100
	Weighted average score *	4.48	-0.07	-0.25
	t-value (p value)	—	-0.47 (.65)	-1.46 (.16)
Numbers of tourists visiting George Town	Sample size (n)	n=46	n=30	n=16
	Likely to increase, %	96	3	0
	Not likely to change, %	4	-3	0
	Likely to decrease, %	0	0	0
	Total, %	100	100	100
	Weighted average score *	4.72	0.07	-0.13
	t-value (p value)	—	0.81 (.42)	-0.70 (.50)

* 5 - "Likely to increase a lot," 4 - "Likely to increase a little," 3 - "Not likely to change," 2 - "Likely to decrease a little," 1 - "Likely to decrease a lot." Excludes "No opinion/Cannot say" responses.

leaving only 1 percent who replied they would intend to move. In our survey, the question as to future locational plans was phrased in terms of likelihood: "Would your organization be more likely/less likely to stay in George Town in the future under the alternative scenarios?"

Table 5.7 indicates that under the heritage-led scenario, 97 percent said either they would be more likely to stay or their location would not change; under the tourism-led scenario, the same proportion was 88 percent. The difference is explained by the increased uncertainty brought on by the latter pathway. Overall, the mean responses in our survey are broadly comparable with those from the census, and they reaffirm the long-term relationship of cultural institutions to George Town, noted earlier in this chapter.

Finally, in our consideration of the economic circumstances of cultural organizations in George Town, we look at the institutional views about heritage-led investment as a strategy for the future of the city (table 5.8). It is no surprise that the views of these organizations on the value of such investment were overwhelmingly positive, with only a handful of respondents expressing neutral or negative opinions.

TABLE 5.7. Survey results indicating likelihood of cultural institutions to stay in George Town under the heritage-led and tourism-led scenarios.

	Heritage-led scenario (n=30)	Tourism-led scenario (n=16)
	%	
The organization would be more likely to stay in George Town	30	25
The organization's location would not change	67	63
The organization would be less likely to stay in George Town	0	0
Do not know/Cannot say	3	12
Total	100	100

TABLE 5.8. Survey results of cultural institutions' views on the value of heritage-led investment for the future of George Town.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
Investing in restoring old buildings in George Town is a waste of money	0	4	11	67	18	100	2.0
Restoring the cultural heritage of George Town would improve it as a place to live in	29	60	11	0	0	100	4.2

* 5 – “Strongly agree,” 4 – “Agree,” 3 – “Neutral,” 2 – “Disagree,” 1 – “Strongly disagree.” Excludes “No opinion/Cannot say” responses.

Social Aspects

In chapters 3 and 4 of this report, we discuss the aspects of George Town that create an attractive and inclusive social environment for its residents and businesses. For our survey, we asked cultural institutions whether they agreed that the city's facilities and services were available to everyone. Given that most arts and cultural institutions anywhere are likely to express a positive commitment to fairness and nondiscrimination in the provision of their services, it is not surprising that the majority of those in George Town (84 percent) agree or strongly agree with this proposition, with only 7 percent voicing reservations. Similarly, the institutions' views about the overall social environment in the city are uniformly positive; the importance of sense of community and the role of public spaces in defining a desirable and cohesive society in George Town are strongly endorsed, as seen in table 5.9.

In regard to the aspects of George Town that make it special, four out of five respondents identify the city's cultural identity and traditions as "very important"; about one-half see this characteristic as the single most important out of a range of alternatives (table 5.10). Virtually all of these institutions viewed other cultural characteristics as "very important" or "important"—heritage buildings and sites, the city's World Heritage status, and the intangible heritage of festival traditions and street food (fig. 5.3)—in defining George Town as a "special place." In particular, cultural identity and traditions and heritage buildings and sites share the highest weighted average score (4.8) among the characteristics listed, highlighting their importance in making George Town special to local cultural institutions.



FIGURE 5.3. A street vendor preparing to sell his comestibles. George Town is renowned for its street food, consumed either in a conventional restaurant setting or while standing, immediately after the food is prepared. Photo: Jeff Cody © J. Paul Getty Trust.

TABLE 5.9. Survey results of cultural institutions' views on the importance of sense of community and public spaces in defining George Town.

	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Weighted average score*
	%						
Sense of community (n=46)	13	78	9	0	0	100	4.0
Public and community spaces (n=46)	24	74	2	0	0	100	4.2

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

TABLE 5.10. Survey results of cultural institutions' views on what makes George Town a special place.

(n=46)	Very important	Important	Neutral	Unimportant	Very unimportant	Total	Most important	Weighted average score*
	%							
Cultural identity and traditions	80	20	0	0	0	100	49	4.8
World Heritage status	63	35	2	0	0	100	22	4.6
Heritage buildings and sites	76	24	0	0	0	100	13	4.8
Festivals and other public events	67	30	2	0	0	100	9	4.7
Traditional street food	22	78	0	0	0	100	6	4.2
Total	—	—	—	—	—	—	100	—

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

Cultural Aspects

We sought the opinions of cultural institutions on the impacts of the two alternative development pathways on the cultural environment of George Town. In doing so, we specified several different aspects of cultural life, including the numbers of artists, creative workers, and traditional tradespeople living and working in George Town; the diversity of artistic and cultural practices; and the historical character and cultural identity of the city. We asked whether implementation of either scenario would change respondents' views of these cultural features compared to BAU. Table 5.11 shows the results.

TABLE 5.11. Survey results of cultural institutions' views on impacts of the heritage-led and tourism-led scenarios on the cultural environment of George Town.

Expected changes		Business as usual (BAU)	Changes over BAU under:	
			Heritage-led scenario	Tourism-led scenario
Numbers of artists and creative workers living and working in George Town	Sample size (n)	n=44	n=33	n=16
	Likely to increase, %	87	0	-12
	Not likely to change, %	11	0	12
	Likely to decrease, %	2	0	0
	Total, %	100	100	100
	Weighted average score *	4.09	-0.04	-0.32
	t-value (p value)	—	-0.25 (.80)	-1.78 (.10)
Numbers of traditional tradespeople living and working in George Town	Sample size (n)	n=44	n=30	n=16
	Likely to increase, %	73	11	15
	Not likely to change, %	16	-4	-14
	Likely to decrease, %	11	-7	-1
	Total, %	100	100	100
	Weighted average score *	3.68	0.31	0.15
	t-value (p value)	—	1.61 (.12)	0.81 (.43)
Diversity of artistic and cultural practices in George Town	Sample size (n)	n=45	n=29	n=16
	Likely to increase, %	89	0	-6
	Not likely to change, %	7	0	6
	Likely to decrease, %	2	0	0
	Total, %	100	100	100
	Weighted average score *	4.04	0.14	0.13
	t-value (p value)	—	0.89 (.38)	0.62 (.54)
Historical character of George Town	Sample size (n)	n=44	n=29	n=16
	Likely to increase, %	84	3	2
	Not likely to change, %	7	4	11
	Likely to decrease, %	9	-7	-13
	Total, %	100	100	100
	Weighted average score *	4.34	0.10	0.12
	t-value (p value)	—	0.62 (.54)	1.38 (.19)
Cultural identity of George Town	Sample size (n)	n=45	n=30	n=16
	Likely to increase, %	82	3	2
	Not likely to change, %	11	3	-1
	Likely to decrease, %	7	-6	-1
	Total, %	100	100	100
	Weighted average score *	4.33	0.13	0.05
	t-value (p value)	—	0.75 (.46)	1.00 (.33)

* 5 – “Likely to increase a lot,” 4 – “Likely to increase a little,” 3 – “Not likely to change,” 2 – “Likely to decrease a little,” 1 – “Likely to decrease a lot.” Excludes “No opinion/Cannot say” responses.

Looking first at the numbers of artists and creative workers in George Town, we can observe that there is an already strong expectation among cultural institutions that these numbers will increase in the future (87 percent). This expectation would not change under a heritage-led development scenario; however, it would decline by 12 percentage points under a tourism-led scenario. A different outcome is envisaged for traditional craftspeople under the tourism-focused strategy: the proportion of cultural institutions expecting growth in these numbers increases by 15 percentage points compared to their expectations under BAU. It seems cultural institutions believe that growth in visitor numbers would promise economic rewards for traditional tradespeople who sell their wares to tourists; however, this would create an environment less attractive to artists, perhaps because of apprehensions about the impact of mass tourism on artists' working conditions.

Table 5.11 also indicates that a large proportion of institutions (80 to 90 percent) expect the other aspects of cultural life to undergo positive change in the future, including a wider diversity of cultural practices and a more pronounced sense of the historical character and cultural identity of George Town. A somewhat larger proportion thinks that these characteristics would increase further under a heritage-led scenario. A slightly smaller increase is indicated for the tourism-related scenario, although this alternative is thought to have a detrimental effect on diversity. Nevertheless, these differences are small and not statistically significant.

Table 5.12 shows the proportions of respondents who agree or disagree with the statements about George Town's cultural value that we discussed in chapters 3 and 4 (see tables 3.9 and 4.10). Of the dimensions of value addressed, aesthetic, educational, and symbolic values are universally

TABLE 5.12. Survey results of cultural institutions' views on the cultural values and environment of George Town.

(n=46)	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
	%						
George Town is a beautiful place	59	37	2	0	2	100	4.5
George Town is a good place for teaching children about cultural heritage	46	52	0	0	2	100	4.4
The existence of George Town has a personal value to me as I have memories associated with this place	23	33	45	0	0	100	3.8
I would recommend visiting George Town to my friends/visitors to Penang and Malaysia	52	46	0	2	0	100	4.5

* 5 - "Strongly agree," 4 - "Agree," 3 - "Neutral," 2 - "Disagree," 1 - "Strongly disagree." Excludes "No opinion/Cannot say" responses.

recognized as significant by the managers of the cultural institutions. The relatively large proportion of neutral answers to the statement about the city's personal value to the respondent (45 percent) probably reflects the fact that many of these managers do not come from George Town itself.

Priorities for Future Development

The two most important priorities for improving George Town in the future, as nominated by cultural institutions, are heritage-related: more regulation to protect heritage buildings and sites, and more festivals and other public events. These measures are named as having a “very positive effect” on improving George Town by up to 70 percent of respondents (table 5.13). Each of these measures is also identified as the single most important priority by the largest proportions of cultural institutions. The remaining options are thought to have a positive effect except for the prospect of fewer tourists, which cultural institutions perceive as reducing their market size and, therefore, as a possibly undesirable change.

Overall, it is clear from the results presented in this chapter that cultural tourism is important in drawing visitors to George Town, unlike other cities where tourists are more interested in recreation, shopping, and other pursuits. Thus, investment in cultural institutions and in the support of their

TABLE 5.13. Survey results of cultural institutions' views on priorities for improving the public realm of George Town.

Priorities (n=46)	Very positive effect	Positive effect	Neutral	Negative effect	Very negative effect	Total	Most important	Weighted average score*
	%							
More regulation to protect heritage	67	30	2	0	0	100	37	4.7
More festivals and other public events	70	26	4	0	0	100	33	4.7
More green areas, public spaces, and facilities	41	57	2	0	0	100	11	4.4
More art spaces, galleries, museums	37	52	11	0	0	100	9	4.3
Less traffic	46	41	11	2	0	100	6	4.3
Fewer tourists	2	4	16	78	0	100	2	2.3
Regulations to provide security for tenants	26	63	7	4	0	100	2	4.1
Total	—	—	—	—	—	—	100	—

* 5 - “Very positive effect,” 4 - “Positive effect,” 3 - “Neutral,” 2 - “Negative effect,” 1 - “Very negative effect.” Excludes “No opinion/Cannot say” responses.

professional staff is likewise a form of investment in sustainable tourism. These considerations point to policy priorities for assisting this sector through appropriate investment and incentive strategies.

Willingness to Pay

When asked about willingness to contribute to a fund to finance further heritage conservation, half of the cultural institutions said they would do so, and about one-third said they would not (table 5.14). Among those willing to contribute, the most commonly cited reason for doing so was to maintain Penang heritage for future generations (about half of respondents); about a third also stated it would be a good investment for supporting the city and community. Among those unwilling to contribute, the most commonly cited reasons were not being interested, financial difficulties, and a belief that heritage protection is the responsibility of government, not of the institutions that are themselves the recipients of government support.

TABLE 5.14. Survey results of cultural institutions' willingness to make a one-off contribution to a fund for heritage restoration under the two alternative scenarios.

Willing to contribute as a one-off contribution	All respondents %
Sample size, n	(n=46)
Yes, %	50
No, %	35
Do not know/Cannot say, %	15
Total, %	100
Sample size, n*	(n=24)
One-off contribution amount, MYR	117

*Those willing to contribute. Excludes outliers.

ALTERNATIVE DEVELOPMENT PATHWAYS: IMPACTS ON VISITORS

Tourism in Penang

George Town is one of the most important tourist destinations in Malaysia, renowned for its traditional food, heritage buildings and streetscapes, and museums and cultural sites. As a World Heritage site, it is a key location in the urban center of Penang. Statistics relating to tourism in Penang are collected in the Penang Tourist Survey; the most recently published edition was for the year 2017 (Omar and Mohamed 2017). This survey targeted adult tourists 18 years and older who had spent a minimum of one night in Penang between March and December 2017. The total number of respondents was 4,611 (2,405 international tourists, 2,206 domestic). In this chapter, we consider the results of our own survey of visitors conducted specifically in George Town. Despite differences in coverage, sample size, and questionnaire structure, we can compare some of our findings with those of the Penang Tourist Survey.

Some Visitor Characteristics

The data in this chapter are based on a random-sample intercept survey of visitors to George Town that was carried out over different weekdays and weekends at various times of day during June and August in 2019. Residents of George Town and wider Penang were not included in the survey. A sample of 400 responses was obtained, of which one-third comprised domestic visitors from elsewhere in Malaysia and two-thirds from abroad. The sample was split roughly equally between men and women. The visitors in the sample were predominantly young, with a mean age of 36; 79 percent were under the age of 45. Because of its cultural environment and World Heritage status, George Town tends to attract a discriminating segment of the tourist market, reflected in the fact that two-thirds of our sample were university educated.

Penang has been a popular destination for visitors from throughout Asia—in our sample, 32 percent of visitors surveyed came from an Asian country. The sample also included 19 percent from Europe and 7 percent from Oceania. The great majority of respondents came to George Town as independent travelers (89 percent), a similar proportion to that of independents among visitors to the whole of Penang (93 percent) (Omar and Mohamed 2017). In both our survey and the 2017 Penang Tourist Survey, only 3 percent arrived by cruise ship or ferry. Our sample found that 8 percent came on a package tour that was not part of a cruise-ship itinerary.

The Penang Tourist Survey data for 2017 indicate that half of all visitors to Penang were repeat visitors; among international visitors, 25 percent were repeats, compared to 77 percent of domestic visitors. These percentages are comparable with our findings for George Town, as seen in table 6.1.

TABLE 6.1. Survey results summarizing frequency of visits of tourists to George Town.

Type of visitor	Domestic visitor (n=134)	International visitor (n=266)	All visitors (n=400)
	%		
I am a first-time visitor	22	75	57
I have visited once or twice in the past	30	19	22
I visit George Town occasionally	22	6	12
I visit George Town often	26	*	9
Total	100	100	100

* Indicates less than 1%.

Motivation of Visitors

As might be expected given the composition and background of the George Town visitor sample described above, most respondents are attracted to the city by its cultural features. Of a long list of reasons for visiting George Town, the top four are cultural in nature, relating to the tangible and intangible heritage of the city (table 6.2). These characteristics are the motivation for significant numbers of domestic tourists and even more so for international visitors. George Town’s shopping options are attractive to about one in five visitors. The standard VFR (visiting friends and relatives) purpose for travel usually identified in tourism statistics is named by three times as many domestic as international tourists (16 percent compared to 6 percent).

Visitors’ Experiences

Domestic and international tourists come to Penang and to George Town for periods ranging from less than a day to more than a week, with the most common length of stay being two to three days for both groups, as shown in table 6.3. Most domestic visitors come for a full-day trip or stay for a couple of days; visitors from abroad tend to stay for longer periods. Most visitors to George Town who stay overnight or longer find accommodation in a hotel, including the specialized boutique hotels in the city catering to discriminating cultural tourists (table 6.4). Other options are guest-houses, lodges, hostels, Airbnb rentals, and apartments, which together are utilized by 22 percent of visitors. About one-quarter of visitors from elsewhere in Malaysia stay with friends or relatives.

We can compare these accommodation data with the results from the 2017 Penang Tourist Survey. In that study, the proportion of overnight visitors who choose to stay in a more expensive hotel or resort accommodation is significantly higher among George Town tourists (63 percent) compared to Penang visitors overall (36 percent). Only 14 percent of overnight stays in George

TABLE 6.2. Survey results summarizing visitors' reasons for coming to George Town.

Purpose of visiting George Town*	Domestic visitors (n=134)	International visitors (n=266)	All visitors (n=400)
	%		
Experiencing local food	65	70	68
Visiting historical sites/buildings	51	72	65
Enjoying George Town as a heritage site	49	67	61
Sightseeing (other than historical/heritage)	40	58	52
Shopping	24	21	22
Visiting an exhibition, museum, or art or cultural event	9	18	15
Going to a cafe/restaurant	18	13	15
Visiting a religious institution or event/pilgrimage	4	14	11
Meeting friends, relatives	16	6	9
Nightlife activities	7	8	8
Just passing through	7	1	3
Business meeting/visit	4	2	3
Education/teaching/training	3	2	2
Services (including health services)	**	**	**
Attending conference/convention/trade show	**	**	**
Other	1	2	2

* Multiple responses allowed.

** Indicates less than 1%.

Town are at a budget option such as a guesthouse, lodge, or hostel. This is significantly lower than the 37 percent of overnight visitors in the whole of Penang who stay in this same type of accommodation. These comparisons are a further indication of the more upmarket nature of the tourism industry in the World Heritage city of George Town.

In earlier chapters of this report, particularly in chapter 1, we note the importance of tourism to the economy of George Town. Tourist spending has a direct impact on the incomes of businesses and residents in the city, and in turn these expenditures generate further, second-round effects. Table 6.5 shows the daily expenditure of both domestic and international respondents on a range of items, the most prominent of which is accommodation, followed by food and beverages, then by shopping. The average cost of accommodation for domestic visitors is less than that for visitors from abroad because of the significant proportion of tourists from Malaysia who stay with friends and relatives. International tourists spend more time than domestic tourists visiting museums, sites, and other

TABLE 6.3. Results from the George Town Survey and Penang Tourism Survey summarizing visitors' length of stay in George Town.

Length of stay in George Town	George Town Survey 2019			Penang Tourist Survey 2017		
	Domestic (n=134)	International (n=266)	All (n=395)	Domestic	International	All (n=4611)
	%					
Up to 5 hours	5	6	6	3	2	2
Full-day trip	38	3	15			
Staying overnight (24 hours)	10	2	4			
2 to 3 days	39	48	45	58	45	51
4 to 7 days	8	32	24	22	32	27
More than a week	0	8	5	3	10	7
Do not know/Not sure yet	*	2	1	14	11	13
Total	100	100	100	100	100	100

* Indicates less than 1%.

TABLE 6.4. Survey results summarizing types of accommodations used by visitors who stay one night or more in George Town.

Type of accommodation	Domestic visitors (n=73)	International visitors (n=244)	All visitors (n=317)
	%		
Hotel (incl. boutique hotels)	53	64	62
Guesthouse, lodge, or hostel	10	12	12
Airbnb/Furnished apartment	9	9	10
Staying with friends or relatives	25	3	8
Cruise ship	0	4	3
Bed & breakfast	0	3	2
Other	3	3	3
Total	100	100	100

entertainment, which is in line with the differences in each group's reasons for coming to George Town (see table 6.2). As a result, international visitors' expenditure on entry tickets and other such costs is greater than that of their local counterparts.

We turn now to the outcomes from tourist visits; that is, what features of the city they most enjoyed during their stay. According to the data in table 6.2, experiencing the local food is the primary reason for visiting. It is apparent that their expectations were met: among both domestic and international tourists, traditional food is the most enjoyed feature, followed by the city's other cultural offerings, such as the historic buildings and sites, the street art, and the clan jetties (table 6.6; figs. 6.1, 6.2, and 6.3). This result mirrors the corresponding data for Penang visitors more generally—although using

slightly different definitions, the Penang Tourist Survey found that experiencing local food was chosen by more than half of Penang visitors (51 percent) as one of the five most essential activities they engaged in during their visit.

Tourists' expectations are also satisfied by their experience of other heritage-related features of George Town. For example, one-quarter of tourists name visiting historic buildings and sites as their most enjoyed experience, again mirroring the more general Penang Tourist Survey results, which found that about one-quarter of Penang visitors (26 percent) identified visiting historic sites as an essential experience during their stay.



FIGURE 6.1. A wall mural on a building in George Town. Since World Heritage inscription in 2008, George Town has encouraged, for tourist consumption, the creation of such works as expressions of local traditions and activities. Photo: Jeff Cody © J. Paul Getty Trust.



FIGURE 6.2. A mixed-media artwork on the side of a building in George Town, another example of the city's push for the creation of public wall art. Photo: Jeff Cody © J. Paul Getty Trust.



FIGURE 6.3. View of one of George Town's clan jetties, floating villages that are home to members of various Chinese clans. These former settlements are included within the core World Heritage zone because of their deep cultural significance, reflecting traditional, family-centered life intimately linked to the water. Photo: Jeff Cody © J. Paul Getty Trust.

TABLE 6.5. Survey results summarizing visitors' daily expenditure on a range of items (calculated in MYR per person per day).

Average spending by visitors per day, per person	Domestic visitors (n=134)		International visitors (n=266)		All visitors (n=400)	
	MYR	%	MYR	%	MYR	%
Accommodation (per night)	59	26	116	34	98	32
Food and beverages	70	30	74	21	73	23
Shopping	55	24	62	18	60	19
Entry tickets	19	8	35	10	30	10
Other entertainment	12	5	27	8	22	7
Local transportation within George Town	12	5	20	6	18	6
Tourism services such as travel guide	3	1	7	2	6	2
Other services, i.e., health services, haircuts, etc.	1	0	5	1	4	1
Total	231	100	346	100	311	100

TABLE 6.6. Survey results summarizing the cultural features of George Town most enjoyed by visitors.

George Town experiences	Domestic visitors (n=134)		International visitors (n=266)		All visitors (n=400)	
	Enjoyed*	Enjoyed the most	Enjoyed*	Enjoyed the most	Enjoyed*	Enjoyed the most
	%					
Traditional food	81	51	83	37	82	42
Historical buildings and sites	64	18	84	29	78	25
Street art	74	20	67	9	69	13
Streets with heritage buildings and shop houses	28	4	42	8	38	7
George Town's unique cultural identity	26	1	47	8	40	6
Religious buildings and sites	16	1	33	4	27	3
Clan jetties	23	2	23	4	23	3
Traditional crafts of George Town	4	0	5	0	5	0
Unique stay/accommodation experience	1	**	1	0	1	**
Other	1	**	2	**	2	**
Total	—	100	—	100	—	100

* Multiple responses allowed.

** Indicates less than 1%.

Visitors' Attitudes toward Culture and Heritage

In chapters 3, 4, and 5, we assess the opinions of business owners, residents, and managers of cultural institutions in George Town about their appreciation of the cultural value of the city and its heritage assets. For the results presented in this chapter, visitors were questioned about cultural value attributes of the city as well; they were given the same statements as other respondents and asked whether they agree or disagree. Findings are summarized in table 6.7. The aesthetic and educational values associated with George Town are clearly recognized by visitors. Moreover, the value of heritage restoration in contributing to the tourism industry is strongly supported, with 95 percent agreeing that restoring the cultural heritage of George Town would attract more visitors interested in culture. Virtually all respondents say they would recommend a visit to George Town to their friends.

This result not only provides clear evidence of the importance of cultural heritage to the sustainability of the tourism industry in George Town but also underlines the fact that strategies adopted by the government, NGOs, and commercial operators in the city to promote George Town as a cultural destination appear to be having the desired effect of attracting more of the target demographic.

TABLE 6.7. Survey results summarizing visitors' attitudes toward heritage and culture in George Town.

	n=	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Weighted average score*
George Town is a beautiful place	399	47	50	3	**	0	100	4.4
Investing in restoring old buildings in George Town would be a waste of money	390	1	4	7	60	28	100	1.9
The facilities and services of George Town are available to everyone	328	18	56	21	4	0	100	3.9
George Town is a good place for teaching children about cultural heritage	391	26	65	9	**	0	100	4.2
Restoring the cultural heritage of George Town would attract more visitors interested in culture	396	35	60	5	**	0	100	4.3
The existence of George Town has a personal value to me as I have memories associated with this place	285	9	31	38	20	1	100	3.3
I would recommend visiting George Town to my friends/visitors to Penang and Malaysia	397	42	56	1	0	0	100	4.4

* 5 - "Strongly agree," 4 - "Agree," 3 - "Neutral," 2 - "Disagree," 1 - "Strongly disagree." Excludes "No opinion/Cannot say" responses.

** Indicates less than 1%.

Visitors' Views on the Potential Impacts of Future Development Alternatives

An important purpose of our survey of visitors to George Town has been to ascertain their opinions as to possible impacts of the two alternative development scenarios we have been considering in this study. In particular, what do tourists themselves think the impacts would be on visitor experiences and future visitor numbers? Table 6.8 shows the respondents' assessments. The results are striking. The views expressed point to a much stronger positive impact on the attraction of George Town to tourists under the heritage-led scenario than would be achieved under the alternative development pathway. This opinion is the same for both domestic and international visitors. Furthermore, about one-third of respondents think that the tourism-led scenario would make George Town a *less* attractive place to visit in the future. This view is likely driven by a concern about the negative consequences of the increase in tourist numbers—namely, the change in character of the place that would result. As we have noted, George Town is a destination that appeals to the niche market of cultural tourism, and the qualities that make the site attractive to this market would be seriously threatened by the impacts of mass tourism, an outcome that has been observed in many World Heritage sites around the world such as Venice, Dubrovnik, Tallinn, and many more.

TABLE 6.8. Survey results summarizing visitors' assessments of the impact of the heritage-led and tourism-led scenarios on George Town as a tourist destination.

	Sample size, n	More attractive	About the same attractive	Less attractive	Total	Weighted average score*
		%				
Domestic visitors						
Heritage-led scenario	(n=127)	88	10	2	100	2.9
Tourism-led scenario	(n=124)	53	18	29	100	2.2
International visitors						
Heritage-led scenario	(n=260)	90	9	1	100	2.9
Tourism-led scenario	(n=251)	47	20	33	100	2.1
All visitors						
Heritage-led scenario	(n=387)	90	9	1	100	2.9
Tourism-led scenario	(n=375)	49	19	32	100	2.2

* 3 - "More attractive," 2 - "About the same attractive," 1 - "Less attractive."

TABLE 6.9. Survey results summarizing the impacts of the heritage-led and tourism-led scenarios on visitors' likelihood of returning to George Town in the future.

	Sample size, n	More likely	About the same likely	Less likely	Total	Weighted average score*
		%				
Domestic visitors						
Heritage-led scenario	(n=125)	66	33	1	100	2.6
Tourism-led scenario	(n=124)	28	43	29	100	2.0
International visitors						
Heritage-led scenario	(n=256)	77	22	1	100	2.8
Tourism-led scenario	(n=246)	24	41	35	100	1.9
All visitors						
Heritage-led scenario	(n=381)	74	25	1	100	2.7
Tourism-led scenario	(n=370)	25	42	33	100	1.9

* 3 - "More likely," 2 - "About the same likely," 1 - "Less likely."

Given that repeat business is a sought-after objective in the tourism industry, it is relevant to ascertain current tourist views on whether the proposed development scenarios would have an impact on visitors' decisions to return to George Town in the future. We asked respondents whether either scenario would make it more or less likely that they would visit George Town again. The results appear in table 6.9. Once again, a clear view is expressed in favor of the heritage-led scenario. Almost three-quarters of all visitors say they would be more likely to return if that scenario were in place. By contrast, only one-quarter say they would be more likely to come under a tourism-led scenario, and 33 percent say that such a scenario would make it less likely they would come again.

The results discussed above confirm the strong links between the cultural heritage of George Town and its tourism industry. They support the importance of heritage-led urban rehabilitation as a strategy for further urban development that conserves and enhances George Town's cultural capital while stimulating the cultural tourism that underpins the city's economy.

Willingness to Pay

As in the other surveys conducted as a part of this study, we asked visitors whether they would be willing to contribute to a voluntary fund to support further heritage conservation in the city. The results are broadly comparable to those obtained for the businesses and residents who live in George Town: just under half of all visitors say they would donate, less than one-quarter answer

they would not, and a sizable proportion (32 percent) do not know or cannot say (table 6.10). The average amount visitors offered to contribute (in MYR) was relatively low, suggesting that they mostly saw it as a token gesture in support of a good cause. This is in contrast to the somewhat larger amount named by members of the local population (see table 4.12), who may see themselves as beneficiaries of the expenditure. For responses given by businesses and cultural institutions, see tables 3.12 and 5.14, respectively.

TABLE 6.10. Survey results summarizing visitors' willingness to make a one-off contribution to a fund for heritage restoration under the two alternative scenarios.

Willing to contribute as a one-off contribution	Domestic visitors	International visitors	All visitors
	%		
Sample size, n	(n=134)	(n=265)	(n=399)
Yes, %	39	48	45
No, %	28	21	23
Do not know/Cannot say, %	33	31	32
Total, %	100	100	100
Sample size, n*	(n=51)	(n=122)	(n=173)
One-off contribution amount, MYR	18	32	28

*Those willing to contribute.

When visitors were asked why they were willing to donate, the majority (58 percent) answered that they appreciate cultural heritage and want to help protect and maintain it for future generations. Among those who do not wish to contribute, 29 percent say they have no personal connection with the place because they are not from Penang or Malaysia, and 22 percent believe it is the government's responsibility, not theirs. Ten percent feel they are already contributing to heritage conservation by being a tourist in George Town and do not see a need to contribute more.

ALTERNATIVE DEVELOPMENT PATHWAYS: VIEWS OF PRIVATE INVESTORS

Rationale for Private Investment in Heritage

As noted in chapter 1, one component of the empirical investigation in this study was a series of interviews with private investors with interests in heritage properties. All of the seven investors interviewed operate properties and businesses in George Town. This group appears to have strong personal connections with the city—connections they refer to as the most important reason for their investments. All interviewees replied “Strongly agree” to the statement “The existence of George Town has a personal value to me as I have memories associated with this place.” It also appears that they have long-term plans to stay in George Town if circumstances allow.

The group shows a willingness to contribute to heritage preservation and maintenance in George Town for reasons other than purely economic gain. For many, their investments are their passion projects, while others see the projects as catalysts helping to drive local social and economic change. Some acknowledge the history and heritage of their properties as the driver of success, believing that memories and historical interest attract their clients. A number of the investors grew up in George Town or the vicinity and have a strong connection to particular sites or the entire area, and some feel they have cultural obligations to preserve sites and buildings that were passed down to them by their forebears for the benefit of future generations.

Investors’ Views of the Two Scenarios

Because of these motivations, a heritage-led development path is seen by a majority of those interviewed to be preferable to a tourism-focused scenario. The respondents state that a heritage-led strategy would create a more attractive climate for them; however, they are unsure if this strategy would be embraced by other investors. When presented with the two alternative scenarios, there is a discrepancy between participants’ responses on their own behalf and their responses on behalf of other investors. While the majority indicate they would prefer the heritage-focused scenario as a better option for their own circumstances, they are under the impression that other investors may prefer the tourism-led scenario.

This overall preference toward a heritage-led development path among the interviewed investors is reinforced when speculating about their future investment plans under each scenario. When asked if they would plan to increase or decrease these investments in George Town in the next five years, respondents are inclined to invest more under the culture-focused scenario than under the tourism-focused scenario: the former yields a “plan to increase a little” response on average and the latter a “plan not to change” response on average.



FIGURE 7.1.
A row of rehabilitated shop-houses now operating as a hotel for well-heeled tourists, evidence of investors' activities within the World Heritage site. Photo: Jeff Cody © J. Paul Getty Trust.

Investors' Attitudes toward Heritage

The investors interviewed are strongly aware of the importance of restoring heritage and do not think it is a waste of money. Many have directed considerable funds toward heritage restoration over the years (fig. 7.1). The long-term nature of their involvement is highlighted by a certain unwillingness to sell their restored properties; some explain this would be “morally wrong” or culturally inappropriate, particularly if the properties have been passed on from previous generations. Some investors say that the restored properties have sentimental value, and some describe a personal bond—their heritage restoration projects are “priceless” to them. These findings suggest that local government could further encourage private-sector investments in heritage.

The role of heritage in making George Town a special place is understood by all the investors. All respondents acknowledge that having World Heritage status is “very important” for their choice of George Town as a place to invest. Intangible cultural heritage in the form of sense of community and cultural identity is highly valued by this group. Festivals and other public events are perceived as comparatively less important among all considered alternatives; while showing overall support for these activities, some investors mention a need for continuity to help make these celebrations meaningful and authentic. Several investors think that the focus of public events should be on quality, not quantity. One investor stated that there are perhaps too many events in George Town at present, and that these are disruptive to some business activities.

Investors' Thoughts about the Future of George Town

Looking ahead, the investors see tourism as crucial to the success of the city and that it is the direction and character of future tourism developments, and not tourism per se, that concerns them. Some suggest that overall, George Town would need more content—including more unique experiences that could be offered to visitors, local businesses, and residents—before investing in more tourism promotions. Furthermore, as one investor pointed out, currently there are not enough facilities to support more content; for example, George Town does not have a concert hall. Another investor admitted that despite their personal attachment to the place, they will consider leaving George Town if faced with “overtourism,” which they perceive could be an outcome if a more tourism-focused development path is followed. At the same time, fewer tourists and more regulations to provide security for tenants are identified as measures that could have a moderately negative effect on the future development of George Town.

Almost all respondents name making George Town more livable and attractive to residents as one of the main ways to stimulate interest from investors as well as from the tourism industry. They point to the need to create jobs locally to bring people in. All investors state that having more green areas, more public spaces, better facilities, and less traffic would have an extremely positive effect on George Town as a location for existing and potential investors. Several investors share concerns over the future of George Town, in particular the oversupply in the hospitality sector. Some assess the existing hotel occupancy rate in George Town to be very low. According to them, many cafes and restaurants are only just surviving, with many new businesses opening for only a short while before closing, unable to attract sufficient numbers of customers.

When asked about what could improve George Town as a more desirable place for existing and potential investors, several participants mention the need for new ideas and a bigger-picture vision for George Town; the word “imagination” is invoked a number of times. Several of the investors interviewed brought up business acceleration initiatives that were pursued in George Town in the past. Most of them assessed these as unsuccessful, explaining that at the time no new businesses were ready for this type of activation, and that focusing on growing new businesses and business incubators would have been more appropriate. One of the group suggested that “new” ideas may already exist, such as those originating from the city’s historical practices and business patterns; according to that investor, with the right support these could be turned into contemporary businesses. Some investors suggested incorporating the historic role of George Town as a trade and business hub into its vision for the future.

POLICY IMPLICATIONS

The data assembled in this report provide a wide range of empirical insights into the role of George Town's heritage assets as a significant contributor to the city's economy and society. We assess the economic, social, and cultural importance of heritage for George Town's businesses, residents, cultural institutions, and visitors, and evaluate the possible future effects of alternative investment strategies for urban development on the local community and economy. The alternative strategies under discussion are a "heritage-led" scenario focused on building on and enhancing the cultural heritage assets of the World Heritage site, and a "tourism-led" scenario giving priority to economic and commercial development, driven in particular by a greater inflow of tourists.

This study is based on data collected prior to the onset of the COVID-19 pandemic in 2020. In this chapter, we evaluate the implications of the data as they might apply in a pre- or post-COVID environment, assuming that the attitudes and opinions expressed represent characteristics of the stakeholders that would remain resilient in the longer term to the setbacks and challenges that have confronted the city, the region, and the world as a result of the global health crisis. We return to this issue and the validity of this assumption in the final chapter.

Economic Impacts

The Tourism Industry Underpinning the George Town Economy

In the model of the George Town economy put forward in chapter 1, we noted the significance of tourism as a source of revenue and employment for the commercial sector, arising through direct and indirect impacts on local businesses generated by visitor expenditures. Tourism also affects residents and families in the city in several ways, by providing employment and small-business opportunities for families and by influencing the ambience and livability of the residential areas. Of course, the galleries, museums, and other cultural institutions and the historic sites in George Town also depend on visitors for their livelihood. The economic circumstances of these various groups of stakeholders in the future of George Town are affected to a greater or lesser extent by the fortunes of the tourism industry.

By examining the opinions of the various stakeholders interviewed, some insight can be gained into the importance of tourism to George Town's economy from comparisons between the tourism-led development path and the heritage-led scenario. All of the stakeholders support tourism, but opinions differ as to the most appropriate way for tourism development to proceed. For businesses, there is evidence that rising tourist numbers would encourage them to grow their operations through widening their goods and services offered and/or hiring more female workers (see table 3.3). There is also an expectation that the diversity of businesses in George Town would increase under this strategy. This stakeholder group expects more business opportunities in George Town

under the tourism-led scenario than under the heritage-led scenario. At the same time, there are expectations that the heritage-led strategy could boost patronage among Malaysian residents and expats. Residents perceive the significance of the city’s heritage as a determinant of quality of life and believe that overall, a heritage-led strategy would have a more positive effect on their quality of life than a tourism-driven strategy. Not surprisingly, the importance of heritage in the life of George Town is strongly recognized by the city’s cultural institutions, such that a heritage-led urban development path is mostly viewed more favorably over a tourism-based strategy. Among the investors interviewed, a heritage-led development path is seen by most of this stakeholder group as preferable to a tourism-focused scenario, as they believe this strategy would create a more attractive climate for them.

These observations should be set against all stakeholders’ longer-term understanding that, while tourism is vital to the local economy, too many tourists can be problematic. Our findings demonstrate that businesses, investors, cultural institutions, and residents are well aware of the impacts of overtourism on the heritage assets of George Town as well as on local infrastructure, services, and the natural environment, with the associated challenges of congestion, waste disposal, and so on. Such problems become especially acute when sudden increases in tourist numbers occur over a concentrated time period—for example, following the arrival of a cruise ship.

Because there are both pluses and minuses associated with a growth in visitor numbers, businesses and residents are almost evenly divided on whether or not the prospect of fewer tourists in the future would be desirable (see table 3.11 for businesses, table 4.11 for residents). However, most cultural institutions that are dependent on tourist revenue, together with existing and potential investors, see the prospect of fewer tourists as having a possible negative effect on George Town. Nevertheless, perhaps the clearest indication of problems caused by a significant increase in tourism comes from the tourists themselves, who show a strong preference for a heritage-led strategy for the future of the city over one based on expansion of tourism (fig. 8.1).



FIGURE 8.1.

Much of George Town’s cultural heritage stems from the “living heritage” of residents, many of whom continue to live in traditional ways, but many of whom have vacated the World Heritage area because of tourism and higher prices. Photo: Scott Warren © J. Paul Getty Trust.

The Importance of Heritage in Sustaining Tourism

One matter sharing widespread agreement is the importance of heritage in underpinning the tourism industry in its operation in George Town. It is for this reason that many participants in the city's economy who depend on tourism in some way recognize the value of investing in cultural assets as a development strategy—overwhelmingly, they understand that the attractions that motivate visitors to come to George Town are heritage- and culture-based in nature. According to the 2017 Penang Tourist Survey (see chapter 6), the top three reasons tourists give for coming to George Town are related to culture: experiencing the local food, which is famed as an expression of the city's intangible heritage; visiting historic buildings and sites; and enjoying George Town as a major World Heritage site. All are characteristics that both businesses and residents recognize as making the city a special place. The comparative results from our surveys on this issue are given in table 8.1; recall that a score of greater than 4 for a particular characteristic indicates a high level of importance attached to that item. The proportions naming the item as the most important characteristic show clearly that the cultural identity of George Town is the most significant source of the city's uniqueness in the eyes of all stakeholder groups.

TABLE 8.1. Comparative results across all stakeholder groups, summarizing their views on what makes George Town a special place.

Attributes of George Town as a “special place”	Weighted average score*			Most important, %		
	Businesses	Residents	Cultural institutions	Businesses	Residents	Cultural institutions
Cultural identity and traditions	4.5	4.6	4.8	39	36	49
Traditional street food	4.4	4.4	4.2	22	25	6
Heritage buildings and sites	4.4	4.5	4.8	20	16	13
Festivals and other public events	4.4	4.5	4.7	13	10	9
World Heritage status	4.3	4.4	4.6	6	13	22
Total	—	—	—	100	100	100

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

Assessing the Value of Heritage Investment

Heritage conservation is central to future cultural planning for George Town, much of it driven by the recognized need for maintenance and improvement of historically important buildings and sites in the city, in accordance with civic obligations under the World Heritage site management plan. The evidence from our study points clearly toward an understanding among those living and working in the city of the economic value of investment in heritage conservation. In particular, the core issue of heritage investment as a worthwhile option is addressed in responses to two specific propositions put to all stakeholders: “Would the restoration of heritage improve George Town as a place to do business in, live in, or visit?” and “Is investment in heritage a waste of money?” The

results, summarized in table 8.2, show overwhelming agreement with the first of these propositions and disagreement with the second. While a minority of residents—and, to a lesser extent, businesses—would prefer alternative usages of investment funds, the great majority (more than four out of five) regard restoring heritage as being beneficial for the city. Hardly any visitors or cultural institutions believe that investing in restoring old buildings in George Town would be a waste of money; about nine in ten of these stakeholders agree that the city would be improved through restoration of its cultural heritage.

Recognition of the value of heritage investment is further demonstrated in the issues where preferences are expressed for a heritage-led strategy for urban development. For example, despite supporting some aspects of a tourism-led scenario in the short term, businesses do see the superiority of a heritage-led path when it comes to the longer-term impacts of improvement in the historical character of the city or enhancement of the city’s cultural identity (see table 3.10).

TABLE 8.2. Comparative results across all stakeholder groups, summarizing their views on the value of heritage-led investment.

	Weighted average score*				Those who “agree” and “strongly agree,” %			
	Businesses	Residents	Cultural institutions	Visitors	Businesses	Residents	Cultural institutions	Visitors
Restoring the cultural heritage of George Town would improve it as a place to do business in/live in or visit	4.1	4.2	4.2	4.3	83	85	89	95
Investing in restoring old buildings in George Town is a waste of money	2.4	2.4	2.0	1.9	18	24	4	5

* 5 – “Strongly agree,” 4 – “Agree,” 3 – “Neutral,” 2 – “Disagree,” 1 – “Strongly disagree.”

Future Expectations

A sense of optimism is felt among the citizens of George Town about the future, at least prior to the COVID-19 pandemic. In the short run, the data show a generally positive outlook for the present and immediate future among businesses, cultural institutions, and residents, observable, for example, in the proportions of businesses and cultural institutions expecting an increase in their clientele (see tables 3.1 and 5.2, respectively) and of residents expecting improvement in their families’ opportunities for employment and business activities despite expected increases in living costs (see table 4.1). Both development strategies, if implemented, would have a positive impact on economic opportunities for residents, though the heritage-led scenario performs slightly better in creating employment options. For businesses, impacts on economic outcomes are slight. In the case of cultural institutions, the heritage-focused path is expected to lead to increases in financial support from the private sector, and both strategies would prompt further expansion of their operations (see table 5.5).

In the long term, between six and ten years, about two-thirds of businesses expect improvement in their business opportunities and in the diversity of businesses located in the city if things continue as they are. These longer-term prospects increase under both scenarios, though the tourism-led scenario shows a slightly stronger impact (see table 3.4). Both scenarios are seen to improve the overall attractiveness of George Town as a place to do business, reflected in the opinion that both strategies would attract a greater number of businesses to move into George Town.

As noted above, the data indicate that residents believe that overall, a heritage-led strategy would have a more positive effect on their quality of life than a tourism-driven strategy. This attitude is apparent, for example, in the expectations residents have about the influence of the two scenarios on the numbers of families moving into or out of the city (see table 4.3); they see the heritage-led strategy as likely to attract new residents. The tourism-led strategy does not change these expectations among residents.

Social Impacts

A Sense of Community

The social fabric of George Town has evolved over the years, creating localized concentrations of social and cultural activity such as the area known as Little India, the Aceh Street Muslim enclave, and the clan jetty communities, in addition to a broader sense of the special characteristics of the city that define its social structure and mediate its community interactions. These characteristics exist in the ways in which citizens participate in the community through their everyday lives. They are also reflected in the importance people attach to the public realm—the open spaces, the parks and squares, and publicly accessible heritage sites.

The evidence from this study shows clearly that businesses, residents, cultural institutions, and existing and potential investors in George Town have a keen awareness of these social dimensions. Among all four groups is an overwhelmingly positive view of the importance of the community and of the role of the public realm in defining the social environment of the city. The results for businesses, residents, and cultural institutions are summarized in table 8.3.

TABLE 8.3. Comparative results across three of the stakeholder groups, summarizing their views on the social conditions that make George Town special.

Attributes of George Town as a “special place”	Weighted average score*			Those who “agree” and “strongly agree,” %		
	Businesses	Residents	Cultural institutions	Businesses	Residents	Cultural institutions
Sense of community	4.2	4.2	4.0	88	90	91
Public and community spaces	4.3	4.3	4.2	87	90	98

* 5 – “Very important,” 4 – “Important,” 3 – “Neutral,” 2 – “Unimportant,” 1 – “Very unimportant.”

Livability and Quality of Life

A strong appreciation of quality of life exists among residents in George Town, reflected in their appreciation of the characteristics of the city that make it a special place in which to live and work (fig. 8.2). George Town is perceived by residents, businesses, cultural institutions, and visitors as a site that allows for social inclusion. All these stakeholders agree that “the facilities and services of George Town are available to everyone.” They also are in strong agreement that George Town is beautiful and that they feel proud of their city, reflected in their willingness to share this special place with others—their families, their friends, and visitors.

Residents of George Town expect that the quality of living conditions in their neighborhood would increase in the next five years even if neither of the scenarios were implemented. They also expect a rise in diversity of housing options available to them (see table 4.8). A heritage-led strategy is viewed as likely to attract people to move to the area, whereas a tourism-led strategy does not change these expectations. When the investors were surveyed, almost all of them identified making George Town more livable and attractive to residents as one of the main ways to stimulate interest from investors as well as from the tourism industry.



FIGURE 8.2. *George Town's quality of life is related to the strong desire by local residents to perpetuate inherited traditions, such as patronizing food vendors. Photo: Jeff Cody © J. Paul Getty Trust.*

Cultural Impacts

The Pervasive Presence of Culture

In a sense, the concept of culture has permeated this report in the ways it is expressed in George Town's tangible and intangible heritage, and in its significance as the defining characteristic for this World Heritage site. As outlined in the conceptual framework (see chapter 1), we note the duality of the value yielded by the cultural phenomena under consideration in our study: that value can be expressed as comprising both economic and cultural value, where the latter is not measurable in monetary terms. In the survey, we articulate dimensions of the cultural value generated by the heritage assets of George Town as they affect perceptions of the city, allowing us to identify an awareness of the aesthetic, symbolic, and educational dimensions of the city's cultural value among all stakeholder groups. To cite one example, our results indicate that the aesthetic qualities of George Town are appreciated almost universally among stakeholders (96 to 97 percent of all respondents; see tables 3.9, 4.10, 5.12, and 6.7).

More generally, we can turn to the results of our assessment of the perceptions of public-good benefits to tell us something about the city's cultural value. We find that a significant proportion of all stakeholder groups would be willing to contribute to a fund to support heritage conservation in

the city. Though there may be a certain degree of self-interest in some respondents' willingness to pay, it may be inferred overall that an important motivation is very likely to be respondents' sense of the purely cultural benefits provided by the heritage assets of the city, making it a worthy cause.

Priorities for the Future

A future urban development path for George Town involves identifying and prioritizing the specific measures indicated under the city's ongoing urban planning process. This will apply regardless of what the overall objective of the planning process might be—for example, whether it is directed toward a heritage-led strategy or a more tourism-oriented scenario. A range of possible priorities was canvassed for improving George Town as a place to live or as a place to operate a business during the workshop held in 2019 involving representatives from various stakeholder groups (for more details of this event, see chapter 1). This allowed us to compile a range of options to be put to respondents in the surveys. The respondents were then asked to indicate how important they thought these priorities were for the city's future development.

Two possible types of investment emerged as the most significant priorities, one relating to heritage and the other to the environment. In the first case, both tangible and intangible heritage were identified. The implementation of stronger regulations to protect tangible heritage was seen as important by all stakeholders, and support for intangible heritage items such as festivals and other public events was given even greater priority. In the case of investments leading to environmental improvement, the responses brought out two priorities that affect the livability and amenity of the city: the provision of more green areas, public spaces, and public facilities, and the introduction of measures to reduce the impact of traffic on the heritage site. The results for three of the stakeholder groups are summarized in table 8.4.

As noted above, this report identifies the strong public-good nature of George Town's cultural heritage, with significant awareness of the nonmarket benefits experienced by residents, businesses, cultural organizations, and visitors. Members of all groups of stakeholders express their support for maintenance and preservation of the city's cultural capital. The study findings show that this support is motivated by an understanding of the economic, social, and cultural impacts of heritage investment, particularly in the long term. A range of interventions from government and public sector agencies will be required on an ongoing basis not only to preserve and maintain the existing cultural capital of George Town but also to build upon it.

Our study findings point to three significant areas where policy attention needs to be directed, all of which involve investment in infrastructure that could result in attracting former and new residents into the area. The first aspect to be addressed is the importance of maintaining and enhancing the tangible and intangible cultural heritage of George Town in accordance with the formal obligations for managing the World Heritage site as specified by UNESCO. It is vital that the agencies charged with this responsibility be provided with adequate resources in order to facilitate a consistent program of conservation practice that could continue in the long term. These activities are important not only for retaining World Heritage status but also because they are an essential component of any strategy for economic development through the connections and linkages described in this report.

TABLE 8.4. Comparative results across three of the stakeholder groups, summarizing their views on priorities for improving George Town in the future.

	Weighted average score*			Most important, %		
	Businesses	Residents	Cultural institutions	Businesses	Residents	Cultural institutions
Investment in cultural heritage:						
Tangible (more regulation to protect heritage)	4.0	4.2	4.7	20	17	37
Intangible (more festivals and other public events)	4.3	4.4	4.7	35	33	33
Intangible (more art spaces, galleries, museums)	3.9	4.2	4.3	4	7	9
Investment in environmental conditions:						
More green areas, public spaces and facilities	4.1	4.4	4.4	13	13	11
Less traffic	4.1	4.4	4.3	18	18	6

* 5 - "Very positive effect," 4 - "Positive effect," 3 - "Neutral," 2 - "Negative effect," 1 - "Very negative effect."

The second area of priority has to do with improvements in public spaces and facilities as well as transport planning and traffic management. Economic and social life in George Town, as in any city of comparable size, is supported by a range of public services essential for the city's efficient functioning. Having more green areas, more public spaces, and improved public facilities would increase economic and social benefits to the stakeholders. Another important constraint on the day-to-day conduct of commercial activity in George Town—as well as on the city's residential amenity—is access, as determined by the availability of public transport, the implementation of traffic management measures, and the provision of parking facilities. Although there has been some progress in this area in recent times, much more could be done to address the significant problem that difficulties of access can present to businesses, residents, and visitors in the city.

Finally, we draw attention to the need for more robust tourism planning and management in Penang to avoid the emergence of the negative impacts caused by overtourism, as highlighted in this report. For example, it is very likely that, postpandemic, the cruise industry will reestablish itself over the next few years, with the eventual resumption of regular visits by large vessels bringing substantial numbers of day visitors. There is a need for an effective means of managing these numbers as they arrive at the George Town terminal to avoid congestion and to direct visitors to their desired destinations as efficiently as possible. Effective tourism planning would help create appropriate and relevant tourist experiences that would satisfy different types of travelers. For

example, many cruise-ship arrivals to Penang are interested in visiting sites on the island other than George Town. They board buses (the main cause of congestion around the terminal) and are transported to these destinations. Introducing more products suitable for such travelers could add to their range of choices and, at the same time, help to curb overtourism at the World Heritage site.

One particular attraction that may appeal to cruise-ship tourists is the Fort Cornwallis site. Its location, adjacent to the terminal, allows passengers to enjoy a cultural experience without having to board a bus. As we have noted in chapter 6, the niche market of cultural tourism holds the greatest promise for the future of the World Heritage tourism industry. It can be argued that developing more cultural- and heritage-related experiences for visitors with these specific interests could extend their overall length of stay in George Town.

CONCLUSIONS

The purpose of this report has been to provide evidence to inform discussion of future urban development strategies for the historic city of George Town. Our concern lies specifically with the role of the city's heritage assets as a contributor to such strategies. The evidence produced by the study shows unequivocally the importance of heritage to the economy of George Town and identifies the relationships between the tourism industry, the city's cultural capital, and the economic and social circumstances of the city's inhabitants.

In assessing the two specific scenarios for the future development of George Town, we explore the possible economic, social, and cultural impacts of these strategies, the one giving priority to heritage investment, the other emphasizing more commercial investments to encourage tourism. The results of the study suggest, in short, that although there may be some economic benefits to be gained for some stakeholders by an expected increase in tourist arrivals in the short term, there is clear recognition that in the longer term, more sustainable outcomes will be achieved from investment in the maintenance and enhancement of those assets that make George Town a unique place and that underpin the continuation of a healthy tourist economy. Such investment will also support other economic activities that could be generated from utilization of heritage and cultural resources, as well as maintaining and improving George Town as a livable place.

Indeed, investment in the city's tangible and intangible heritage assets would strengthen its cultural base, creating the potential to yield larger long-term payoffs by providing a foundation for the future development of the city's economy in a postpandemic environment. George Town has the capacity to become an exemplary creative city by building on these foundations. Although it is likely that tourism will remain an important driver of development in any future urban planning scenario, there are many other possibilities for expanding the vision for the city. The current global health crisis brought on by COVID-19 could, in fact, be an opportunity for initiating a new direction for future development. George Town could join other historic cities around the world that have been capitalizing on their cultural resources in innovative ways, incorporating new technologies and contemporary trends in art and design into economically rewarding development strategies. In all such cases, the essential requirement has been the utilization of a city's particular distinctiveness—those qualities that set it apart from other places and make it unique. George Town has these unique qualities, which are well recognized and valued by all its stakeholders, as our results illustrate. These could provide the stimulus for innovative ideas for the production and marketing of food, fashion, and other cultural products, initiatives that could grow into important concentrations of local economic activity, with spillover effects to the rest of Penang.

These sorts of development could have wide appeal for national and international engagements between George Town and the rest of the country and the world. It should be remembered, however, that locals will also be important beneficiaries of an enlivened cultural and social life in

George Town; the city's heritage assets, as well as cultural experiences for stakeholders in their home community, are a vital source of education for the wider community, both young and old.

At the beginning of chapter 8, we raised the question as to whether the results of this study could be applicable in a post-COVID world. It is still too soon to predict how that world will look, given the economic and social disruption that the pandemic has wrought. But there is one consideration that should not be overlooked. By its very nature, cultural heritage enjoys an existence over the long term that persists despite the ups and downs of economic, social, and political life. Regardless of the immediate impacts of the COVID crisis, the cultural heritage that forms the priceless asset base for the George Town World Heritage site will continue to exist, and it will need to be maintained for the future economic, social, and cultural benefits it will bring. When the world finally emerges from the pandemic, those assets will resume their role in supporting George Town in the manner articulated in this report. Thus, it can be expected that despite the present difficulties, our results will still have relevance in informing long-term development issues for this unique historic city and its inhabitants.

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